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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 September 30, 2021
Commission File Number 001-33653



(Exact name of Registrant as specified in its charter)

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

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 683,757,286 shares of the Registrant's common stock, without par value, outstanding as of October 31, 2021.



FIFTH THIRD BANCORP

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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. All statements other than statements of historical fact are forward-looking statements. These statements relate to our financial condition, results of operations, plans, objectives, future performance, capital actions 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. We undertake no obligation to release revisions to these forward-looking statements or reflect events or circumstances after the date of this document. 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, misappropriation 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) difficulties in identifying, acquiring or integrating suitable strategic partnerships, investments or acquisitions; (36) potential dilution from future acquisitions; (37) loss of income and/or difficulties encountered in the sale and separation of businesses, investments or other assets; (38) results of investments or acquired entities; (39) changes in accounting standards or interpretation or declines in the value of Fifth Third's goodwill or other intangible assets; (40) inaccuracies or other failures from the use of models; (41) effects of critical accounting policies and judgments or the use of inaccurate estimates; (42) weather-related events, other natural disasters, or health emergencies (including pandemics); (43) the impact of reputational risk created by these or other developments on such matters as business generation and retention, funding and liquidity; and (44) changes in law or requirements imposed by Fifth Third's regulators impacting our capital actions, including dividend payments and stock repurchases. We expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in our expectations or any changes in events, conditions or circumstances on which any such statement is based, except as may be required by law, and we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. The information contained herein is intended to be reviewed in its totality, and any stipulations, conditions or provisos that apply to a given piece of information in one part of this report should be read as applying mutatis mutandis to every other instance of such information appearing herein.

PART I. FINANCIAL INFORMATION

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

OVERVIEW

Fifth Third Bancorp is a diversified financial services company headquartered in Cincinnati, Ohio. At September 30, 2021, the Bancorp had $208 billion in assets and operated 1,100 full-service banking centers and 2,336 Fifth Third branded ATMs in eleven 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, 2020. 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 leases 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 the three months ended September 30, 2021, net interest income on an FTE basis and noninterest income provided 59% and 41% of total revenue, respectively. For the nine months ended September 30, 2021, net interest income on an FTE basis and noninterest income provided 61% and 39% 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 nine months ended September 30, 2021. 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 commercial banking revenue, service charges on deposits, wealth and asset management revenue, card and processing revenue, mortgage banking net revenue, leasing business revenue, other noninterest income and net securities gains or losses. Noninterest expense includes compensation and benefits, technology and communications, net occupancy expense, equipment expense, leasing business expense, marketing expense, card and processing expense and other noninterest expense.

COVID-19 Global Pandemic

The COVID-19 pandemic created significant economic uncertainty and financial disruptions during the year ended December 31, 2020, which has continued into 2021. Government and public responses to the COVID-19 pandemic, including temporary closures of businesses and the implementation of social distancing protocols, have caused and continue to cause, reductions and instability in economic activity that have resulted in increased unemployment levels in certain industries and volatility in the financial markets. During the year ended December 31, 2020 and the nine months ended September 30, 2021, low interest rates, reduced economic activity and market volatility have had the most immediate negative impacts on the Bancorp's performance. The Bancorp is unable to estimate the extent of the impact that these factors

have had on its operating results since the pandemic began and it is likely that these factors will continue to adversely impact its future operating results.

Although the increased availability of COVID-19 vaccinations has begun to mitigate the public health effects of the pandemic, there has been a rise of certain variants of COVID-19 and slowing progress on vaccination rates. The recovery from the related economic crisis continues to disproportionately affect certain industries, geographies and demographics more than others, and when combined with the unprecedented nature of the government response to the pandemic, it becomes difficult to predict the extent to which the pandemic will continue to adversely impact the Bancorp and its customers. Furthermore, resurgence risk remains as new virus variants are identified. The Bancorp continues to closely monitor the pandemic and its effects on customers, employees, communities and markets.

The Bancorp has provided a variety of relief options for both commercial and consumer customers that were affected by the COVID-19 pandemic, including loan covenant relief, loan maturity extensions, payment deferrals, forbearances and fee waivers. For further information about these programs, refer to the Credit Risk Management subsection of the Risk Management section of MD&A included herein, and also 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, 2020.

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, including by the Consolidated Appropriations Act, 2021. Among other provisions, the CARES Act included 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, direct stimulus payments 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, discussed further below, which temporarily expanded the SBA's business loan guarantee program.

The CARES Act contained 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 had the right under the CARES Act to request up to 360 days of forbearance on their mortgage payments if they experienced financial hardship directly or indirectly due to the COVID-19 public health emergency.

The foreclosure moratorium and forbearance provisions of the CARES Act expired in 2020 but the FHA and FHFA independently extended these assistance programs. The extended foreclosure moratorium expired in the third quarter of 2021. COVID-19 related forbearance opportunities for new enrollees were set to expire on September 30, 2021, though this has been revised and currently the program has no set end date.

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 which meet certain criteria.

FRB Actions

The FRB has taken a range of actions to support the flow of credit to households and businesses, offset forced liquidations and restore liquidity in the financial markets. 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 established 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.

Paycheck Protection Program
The Bancorp is a participating lender in the PPP, which is a program administered by the SBA to provide forgivable, guaranteed loans to eligible borrowers that have been affected by the COVID-19 pandemic. As of September 30, 2021, the Bancorp held PPP loans with a carrying amount of $2.3 billion under the program. PPP loans are available to a broader range of entities than ordinary SBA loans, require deferral of principal and interest repayment, and may be forgiven if the borrower demonstrates that the loan proceeds were used for qualified payroll costs and certain other expenses. The PPP was expanded to permit second and third rounds of funding, including for certain borrowers who have already received a PPP loan, subject to certain conditions. The PPP was closed to new originations during the second quarter of 2021.

American Rescue Plan Act
The American Rescue Plan Act of 2021, which was signed into law on March 21, 2021, provided additional relief for businesses, states, municipalities and individuals by, among other things, allocating additional funds for the PPP, providing a third round of economic impact payments to individuals, extending supplemental federal unemployment benefits and providing advance payments of an expanded child tax credit. The impacts of the stimulus on the Bancorp's business, results of operations and financial condition are highly uncertain and will depend on future developments, including the scope and duration of the pandemic and its impact on the economy in general.

CFPB Final Rule for COVID-19 Mortgage Servicing
The CFPB issued a final rule, effective August 31, 2021, that amended Regulation X to provide foreclosure protections to borrowers as the federally-backed COVID-19 foreclosure protections expire. The CFPB's final rule generally prohibits new foreclosure filings until December 31, 2021, unless certain procedural safeguards are met or an exception applies. Current mortgage servicing rules generally prohibit servicers from offering a borrower a loss mitigation option based on the evaluation of an incomplete loss mitigation application; however, the final rule creates a new exception that permits servicers to offer certain streamlined loan modifications to borrowers with COVID-19 related hardships based on the evaluation of an incomplete application. The final rule also makes temporary changes to certain required servicer communications that borrowers receive regarding their loss mitigation options.

Accelerated Share Repurchase Transactions
During the nine months ended September 30, 2021, the Bancorp entered into and settled accelerated share repurchase transactions. As part of the transactions, the Bancorp entered into forward contracts in which the final number of shares delivered at settlement was based generally on a discount to the average daily volume weighted-average price of the Bancorp's common stock during the terms of the repurchase agreements. Refer to Note 16 and Note 24 of the Notes to Condensed Consolidated Financial Statements for additional information on share repurchase activity.

The following table presents a summary of the Bancorp's accelerated share repurchase transactions that were entered into and settled during the nine months ended September 30, 2021:

TABLE 1: Summary of Accelerated Share Repurchase Transactions

Repurchase Date	Amount ($ in millions)	Shares Repurchased on Repurchase Date	Shares Received from Forward Contract Settlement	Total Shares Repurchased	Final Settlement Date
January 26, 2021	$ 180	4,951,456	366,939	5,318,395	March 31, 2021
April 23, 2021	347	7,894,807	675,295	8,570,102	June 11, 2021
July 27, 2021[(a)]	550	13,065,958	1,413,211	14,479,169	September 29, 2021

(a) This accelerated share repurchase transaction consisted of two supplemental confirmations each with a notional amount of $275 million.

LIBOR Transition
In July 2017, the Chief Executive of the United Kingdom Financial Conduct Authority (the "FCA"), which regulates LIBOR, announced that the 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 globally, 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. On November 30, 2020, the Federal Reserve, OCC, and FDIC issued a public statement that the administrator of LIBOR announced it will consult on an extension of publication of certain U.S. Dollar ("USD") LIBOR tenors until June 30, 2023, which would allow additional legacy USD LIBOR contracts to mature before the succession of LIBOR. The administrator then announced on March 5, 2021, that it will cease publication of 1-week and 2-month USD LIBOR on December 31, 2021, and that overnight and 1-, 3-, 6-, and 12-month USD LIBOR will cease to be published on June 30, 2023. Although the full impact of LIBOR reforms and actions remains unclear, the Bancorp is in the process of transitioning from LIBOR to alternative reference rates, including, but not limited to, SOFR and Prime (collectively with other indices, "Alternative Rates"), and expects to be fully transitioned away from the use of LIBOR to Alternative Rates for new financial contracts by the end of 2021. There are risks inherent with the transition to any Alternative Rate as the rate may behave differently than LIBOR in reaction to monetary, market and economic events.

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

The Bancorp's LIBOR transition plan is organized around key work streams, including continued engagement with central banks and industry working groups and regulators, active client engagement, comprehensive review of legacy documentation, internal operational and technological readiness and risk management, among other things, to facilitate the transition to Alternative Rates. The Bancorp has also developed a transition plan for existing LIBOR-based financial contracts that are not expected to mature or settle prior to the cessation of LIBOR publication.

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, 2020.

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 assist 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 some of the key indicators used by management to assess the Bancorp's business performance, including those which are considered in the Bancorp's compensation programs:

- 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 (annualized) divided by average tangible common equity
- Net Interest Margin (non-GAAP): Net interest income on an FTE basis (annualized) divided by average interest-earning assets
- Efficiency Ratio (non-GAAP): Noninterest expense divided by the sum of net interest income on an FTE basis 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
- Net Charge-off Ratio: Net losses charged-off (annualized) divided by average portfolio loans and leases
- Return on Average Assets: Net income (annualized) divided by quarterly average assets
- Loan-to-Deposit Ratio: Total loans divided by total deposits

The list of indicators above is intended to summarize some of the most important metrics utilized by management in evaluating the Bancorp's performance and does not represent an all-inclusive list of all performance measures that may be considered relevant or important to management or investors. Certain financial measures derived from the balance sheet, such as return on average tangible common equity, net interest margin, net charge-off ratio, return on average assets, etc., are annualized throughout this report.

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

TABLE 2: Earnings Summary

($ in millions, except for per share data)	For the three months ended September 30, 2021	2020	% Change	For the nine months ended September 30, 2021	2020	% Change
Income Statement Data						
Net interest income (U.S. GAAP)	**$ 1,189**	1,170	2	**$ 3,574**	3,600	(1)
Net interest income (FTE)[(a)(b)]	**1,192**	1,173	2	**3,583**	3,610	(1)
Noninterest income	**836**	722	16	**2,326**	2,043	14
Total revenue (FTE)[(a)(b)]	**2,028**	1,895	7	**5,909**	5,653	5
(Benefit from) provision for credit losses[(c)]	**(42)**	(15)	180	**(330)**	1,110	NM
Noninterest expense	**1,172**	1,161	1	**3,541**	3,482	2
Net income	**704**	581	21	**2,107**	823	156
Net income available to common shareholders	**684**	562	22	**2,032**	754	169
Common Share Data						
Earnings per share - basic	**$ 0.98**	0.78	26	**$ 2.87**	1.05	173
Earnings per share - diluted	**0.97**	0.78	24	**2.83**	1.04	172
Cash dividends declared per common share	**0.30**	0.27	11	**0.84**	0.81	4
Book value per share	**29.59**	29.25	1	**29.59**	29.25	1
Market value per share	**42.44**	21.32	99	**42.44**	21.32	99
Financial Ratios						
Return on average assets	**1.36 %**	1.14	19	**1.37 %**	0.58	136
Return on average common equity	**13.0**	10.7	21	**13.1**	4.9	167
Return on average tangible common equity[(b)]	**16.9**	13.8	22	**16.8**	6.5	158
Dividend payout	**30.6**	34.6	(12)	**29.3**	77.1	(62)
Average total Bancorp shareholders' equity as a percent of average assets	**11.16**	11.33	(2)	**11.18**	11.71	(5)

(a) Amounts presented on an FTE basis. The FTE adjustments were $3 for both the three months ended September 30, 2021 and 2020 and $9 and $10 for the nine months ended September 30, 2021 and 2020, 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.

Earnings Summary

The Bancorp's net income available to common shareholders for the third quarter of 2021 was $684 million, or $0.97 per diluted share, which was net of $20 million in preferred stock dividends. The Bancorp's net income available to common shareholders for the third quarter of 2020 was $562 million, or $0.78 per diluted share, which was net of $19 million in preferred stock dividends. The Bancorp's net income available to common shareholders for the nine months ended September 30, 2021 was $2.0 billion, or $2.83 per diluted share, which was net of $75 million in preferred stock dividends. The Bancorp's net income available to common shareholders for the nine months ended September 30, 2020 was $754 million, or $1.04 per diluted share, which was net of $69 million in preferred stock dividends.

Net interest income on an FTE basis (non-GAAP) was $1.2 billion for the three months ended September 30, 2021, an increase of $19 million compared to the same period in the prior year. Net interest income benefited from an increase in average residential mortgage loans, a decrease in rates paid on average interest-bearing core deposits and a decrease in wholesale funding costs compared to the same period in the prior year. Net interest income was also positively impacted by income recognized from PPP loans that were forgiven during the three months ended September 30, 2021. These benefits were partially offset by decreases in average balances and yields for commercial and industrial loans as well as decreases in yields on indirect secured consumer loans due to loan portfolio repricing to lower market interest rates for the three months ended September 30, 2021 compared to the same period in the prior year.

Net interest income on an FTE basis (non-GAAP) was $3.6 billion for the nine months ended September 30, 2021, a decrease of $27 million compared to the same period in the prior year primarily due to the impact of lower market rates, which decreased the yield on total average loans and leases. In addition to market rate impacts on interest-earning assets, net interest income was also negatively impacted by decreases in average commercial and industrial loans, average credit card and average home equity balances for the nine months ended September 30, 2021 compared to the same period in the prior year. These negative impacts were partially offset by decreases in rates paid on average interest-bearing liabilities. Net interest income also benefited from increases in average residential mortgage loans and average indirect secured consumer loans and a decrease in average long-term debt for the nine months ended September 30, 2021 compared to the same period in the prior year. An increase in interest income recognized from PPP loans also positively impacted net interest income for the nine months ended September 30, 2021. Net interest margin on an FTE basis (non-GAAP) was 2.59% and 2.61% for the three and nine months ended September 30, 2021, respectively, compared to 2.58% and 2.85% for the comparable periods in the prior year.

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

The benefit from credit losses was $42 million and $330 million for the three and nine months ended September 30, 2021, respectively, compared to a benefit from credit losses of $15 million and a provision for credit losses of $1.1 billion during the same periods in the prior year. Provision expense decreased for the three and nine months ended September 30, 2021 compared to the same periods in the prior year primarily driven by factors which caused decreases in the ACL during those periods including improved economic forecasts and improved credit quality in both the commercial and consumer loan and lease portfolios. Net losses charged off as a percent of average portfolio loans and leases were 0.08% and 0.35% for the three months ended September 30, 2021 and 2020, respectively, and 0.17% and 0.41% for the nine months ended September 30, 2021 and 2020, respectively. At September 30, 2021, nonperforming portfolio assets as a percent of portfolio loans and leases and OREO decreased to 0.52% compared to 0.79% at December 31, 2020. 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 6 of the Notes to Condensed Consolidated Financial Statements.

Noninterest income increased $114 million for the three months ended September 30, 2021 compared to the same period in the prior year primarily due to increases in other noninterest income, commercial banking revenue, wealth and asset management revenue, card and processing revenue, mortgage banking net revenue and service charges on deposits.

Noninterest income increased $283 million for the nine months ended September 30, 2021 compared to the same period in the prior year primarily due to increases in other noninterest income, commercial banking revenue, wealth and asset management revenue, card and processing revenue, service charges on deposits and leasing business revenue, partially offset by a decrease in mortgage banking net revenue.

Noninterest expense increased $11 million for the three months ended September 30, 2021 compared to the same period in the prior year primarily due to increases in other noninterest expense and technology and communications expense, partially offset by decreases in net occupancy expense, compensation and benefits expense and card and processing expense.

Noninterest expense increased $59 million for the nine months ended September 30, 2021 compared to the same period in the prior year primarily due to increases in compensation and benefits expense, other noninterest expense and technology and communications expense, partially offset by decreases in net occupancy expense and card and processing expense.

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

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 September 30, 2021. As of September 30, 2021, the Bancorp's capital ratios, as defined by the U.S. banking agencies, were:

- CET1 capital ratio: 9.86%;
- Tier I risk-based capital ratio: 11.28%;
- Total risk-based capital ratio: 13.94%; and
- Tier I leverage ratio: 8.41%.

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

NON-GAAP FINANCIAL MEASURES

The following are non-GAAP financial 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 leases 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 3: Non-GAAP Financial Measures - Financial Measures and Ratios on an FTE basis

	For the three months ended September 30,		For the nine months ended September 30,	
($ in millions)	**2021**	2020	**2021**	2020
Net interest income (U.S. GAAP)	**$ 1,189**	1,170	**3,574**	3,600
Add: FTE adjustment	**3**	3	**9**	10
Net interest income on an FTE basis (1)	**$ 1,192**	1,173	**3,583**	3,610
Net interest income on an FTE basis (annualized) (2)	**4,729**	4,667	**4,790**	4,823
Interest income (U.S. GAAP)	**$ 1,292**	1,329	**3,916**	4,257
Add: FTE adjustment	**3**	3	**9**	10
Interest income on an FTE basis	**$ 1,295**	1,332	**3,925**	4,267
Interest income on an FTE basis (annualized) (3)	**5,138**	5,299	**5,248**	5,701
Interest expense (annualized) (4)	**$ 409**	633	**457**	878
Noninterest income (5)	**836**	722	**2,326**	2,043
Noninterest expense (6)	**1,172**	1,161	**3,541**	3,482
Average interest-earning assets (7)	**182,801**	180,704	**183,479**	169,422
Average interest-bearing liabilities (8)	**113,548**	123,626	**115,383**	119,132
Ratios:				
Net interest margin on an FTE basis (2) / (7)	**2.59 %**	2.58	**2.61**	2.85
Net interest rate spread on an FTE basis ((3) / (7)) - ((4) / (8))	**2.45**	2.42	**2.46**	2.62
Efficiency ratio on an FTE basis (6) / ((1) + (5))	**57.8**	61.3	**59.9**	61.6

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

	For the three months ended September 30,		For the nine months ended September 30,	
($ in millions)	**2021**	2020	**2021**	2020
Net income available to common shareholders (U.S. GAAP)	**$ 684**	562	**2,032**	754
Add: Intangible amortization, net of tax	**9**	9	**25**	29
Tangible net income available to common shareholders	**$ 693**	571	**2,057**	783
Tangible net income available to common shareholders (annualized) (1)	**2,749**	2,272	**2,750**	1,046
Average Bancorp shareholders' equity (U.S. GAAP)	**$ 22,927**	22,952	**22,935**	22,364
Less: Average preferred stock	**2,116**	2,007	**2,116**	1,849
Average goodwill	**4,430**	4,261	**4,317**	4,257
Average intangible assets	**149**	164	**135**	178
Average tangible common equity (2)	**$ 16,232**	16,520	**16,367**	16,080
Return on average tangible common equity (1) / (2)	**16.9 %**	13.8	**16.8**	6.5

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. As 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 5: Non-GAAP Financial Measures - Capital Ratios

As of ($ in millions)	**September 30, 2021**	December 31, 2020
Total Bancorp Shareholders' Equity (U.S. GAAP)	**$ 22,524**	23,111
Less: Preferred stock	**2,116**	2,116
Goodwill	**4,514**	4,258
Intangible assets	**169**	139
AOCI	**1,637**	2,601
Tangible common equity, excluding AOCI (1)	**$ 14,088**	13,997
Add: Preferred stock	**2,116**	2,116
Tangible equity (2)	**$ 16,204**	16,113
Total Assets (U.S. GAAP)	**$ 207,731**	204,680
Less: Goodwill	**4,514**	4,258
Intangible assets	**169**	139
AOCI, before tax	**2,072**	3,292
Tangible assets, excluding AOCI (3)	**$ 200,976**	196,991
Ratios:		
Tangible equity as a percentage of tangible assets (2) / (3)	**8.06 %**	8.18
Tangible common equity as a percentage of tangible assets (1) / (3)	**7.01**	7.11

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

RECENT ACCOUNTING STANDARDS

Note 3 of the Notes to Condensed Consolidated Financial Statements provides a discussion of a significant new accounting standard applicable to the Bancorp.

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, 2020. There have been no material changes to the valuation techniques or models during the nine months ended September 30, 2021.

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 6 and 7 present the components of net interest income, net interest margin and net interest rate spread for the three and nine months ended September 30, 2021 and 2020, 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 September 30, 2021, an increase of $19 million compared to the same period in the prior year. Net interest income for the three months ended September 30, 2021 benefited from a $3.9 billion increase in average residential mortgage loans, a $3.0 billion increase in average indirect secured consumer loans, a $4.2 billion decrease in average long-term debt and a decrease of 9 bps in the rates paid on average interest-bearing core deposits compared to the same period in the prior year. Interest income recognized from PPP loans also positively impacted net interest income by $47 million for the three months ended September 30, 2021 compared to $33 million in the same period in the prior year. These benefits were partially offset by a decrease in average commercial and industrial loans of $6.3 billion for the three months ended September 30, 2021 compared to the same period in the prior year. Net interest income was also negatively impacted by loan portfolio repricing due to lower market interest rates, including a 66 bps decrease in yields on average indirect secured consumer loans for the three months ended September 30, 2021 compared to the same period in the prior year.

Net interest income on an FTE basis (non-GAAP) was $3.6 billion for the nine months ended September 30, 2021, a decrease of $27 million compared to the same period in the prior year primarily due to the impact of lower market rates. Monetary policy actions in response to the COVID-19 pandemic, including lowering the target range of the federal funds rate and the FRB's bond purchase programs, have continued to adversely impact market rates since March of 2020. Yields on total average loans and leases decreased by 32 bps for the nine months ended September 30, 2021 compared to the same period in the prior year driven by decreases in yields on average commercial loans and leases and average consumer loans of 23 bps and 54 bps, respectively. The Bancorp has significant portfolios of floating interest rate loans (primarily LIBOR- or Prime-based) that were impacted by decreases in benchmark interest rates. The Bancorp's portfolios of fixed interest rate loans also decreased in yield as a result of increased refinance activity and lower yields on new originations due to lower overall market rates. In addition to market rate impacts on interest-earning assets, net interest income was also negatively impacted by decreases in average commercial and industrial loans, average credit card and average home equity of $6.2 billion, $495 million and $1.1 billion, respectively, from the nine months ended September 30, 2020. These negative impacts were partially offset by decreases in rates paid on average interest-bearing liabilities, primarily driven by decreases in rates paid on average interest checking deposits and average money market deposits of 27 bps and 34 bps, respectively, for the nine months ended September 30, 2021 compared to the same period in the prior year. Net interest income also benefited from increases in average residential mortgage loans and average indirect secured consumer loans of $3.6 billion and $2.6 billion, respectively, and a decrease in average long-term debt of $2.7 billion for the nine months ended September 30, 2021 compared to the same period in the prior year. Interest income recognized from PPP loans also positively impacted net interest income by $153 million for the nine months ended September 30, 2021 compared to $56 million in the same period in the prior year.

Net interest rate spread on an FTE basis (non-GAAP) was 2.45% and 2.46% during the three and nine months ended September 30, 2021, respectively, compared to 2.42% and 2.62% in the same periods in the prior year. Yields on average interest-earning assets decreased 12 bps and 50 bps for the three and nine months ended September 30, 2021, respectively, while rates paid on average interest-bearing liabilities decreased 15 bps and 34 bps for the three and nine months ended September 30, 2021, respectively, compared to the three and nine months ended September 30, 2020.

Net interest margin on an FTE basis (non-GAAP) was 2.59% and 2.61% for the three and nine months ended September 30, 2021, respectively, compared to 2.58% and 2.85% for the comparable periods in the prior year. Net interest margin for the nine months ended September 30, 2021 was negatively impacted by increases in low-yielding reserves held at the FRB reported in other short-term investments, which were primarily driven by increased levels in average demand deposits and average interest-bearing core deposits for the nine months ended September 30, 2021 compared to the same period in the prior year. Net interest margin results are expected to remain suppressed as a result of sustained excess cash balances, which are expected to remain elevated, driven by the amount of liquidity injected into the banking system as a result of monetary and fiscal stimulus programs implemented in response to the COVID-19 pandemic.

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

Interest income on an FTE basis (non-GAAP) from loans and leases decreased $34 million and $322 million during the three and nine months ended September 30, 2021, respectively, compared to the three and nine months ended September 30, 2020 driven by the previously mentioned decreases in yields and average balances of loans and leases. For more information on the Bancorp's loan and lease portfolio, refer to the Loans and Leases subsection of the Balance Sheet Analysis section of MD&A. Interest income on an FTE basis (non-GAAP) from investment securities and other short-term investments decreased $3 million and $20 million during the three and nine months ended September 30, 2021, respectively, compared to the three and nine months ended September 30, 2020 primarily due to decreases in yields on average taxable securities partially offset by increases in the average balances of other short-term investments and securities exempt from income taxes.

Interest expense on core deposits decreased $24 million and $212 million for the three and nine months ended September 30, 2021, respectively, compared to the three and nine months ended September 30, 2020 primarily due to decreases in the cost of average interest-bearing core deposits to 4 bps and 5 bps for the three and nine months ended September 30, 2021, respectively, from 13 bps and 35 bps for the three and nine months ended September 30, 2020. The decreases in the cost of average interest-bearing core deposits were primarily due to decreases in rates paid on average interest checking deposits and average money market 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 $32 million and $103 million for the three and nine months ended September 30, 2021, respectively, compared to the three and nine months ended September 30, 2020 primarily due to decreases in average balances of long-term debt and certificates $100,000 and over and decreases in rates paid on certificates $100,000 and over. Refer to the Borrowings subsection of the Balance Sheet Analysis section of MD&A for additional information on the Bancorp's borrowings. During the three and nine months ended September 30, 2021, average wholesale funding represented 13% and 14%, respectively, of average interest-bearing liabilities, compared to 18% and 19%, respectively, for the three and nine months ended September 30, 2020. 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 6: Condensed Average Balance Sheets and Analysis of Net Interest Income on an FTE Basis

For the three months ended	**September 30, 2021**			September 30, 2020			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	**$ 47,774**	**426**	**3.54 %**	$ 54,056	455	3.35 %	$ (54)	25	(29)
Commercial mortgage loans	**10,339**	**78**	**3.00**	11,071	87	3.12	(6)	(3)	(9)
Commercial construction loans	**5,729**	**45**	**3.12**	5,534	44	3.18	2	(1)	1
Commercial leases	**3,158**	**23**	**2.84**	2,966	26	3.44	2	(5)	(3)
Total commercial loans and leases	**$ 67,000**	**572**	**3.39**	$ 73,627	612	3.30	$ (56)	16	(40)
Residential mortgage loans	**21,750**	**176**	**3.21**	17,814	156	3.48	33	(13)	20
Home equity	**4,409**	**40**	**3.59**	5,581	50	3.59	(10)	—	(10)
Indirect secured consumer loans	**15,590**	**128**	**3.27**	12,599	125	3.93	26	(23)	3
Credit card	**1,748**	**55**	**12.38**	2,134	61	11.37	(11)	5	(6)
Other consumer loans	**3,031**	**45**	**5.91**	2,858	46	6.46	3	(4)	(1)
Total consumer loans	**$ 46,528**	**444**	**3.79**	$ 40,986	438	4.25	$ 41	(35)	6
Total loans and leases	**$113,528**	**1,016**	**3.55 %**	$114,613	1,050	3.64 %	$ (15)	(19)	(34)
Securities:									
Taxable	**36,177**	**261**	**2.86**	36,147	273	3.01	—	(12)	(12)
Exempt from income taxes[b]	**1,031**	**6**	**2.22**	153	1	2.99	5	—	5
Other short-term investments	**32,065**	**12**	**0.15**	29,791	8	0.10	1	3	4
Total interest-earning assets	**$182,801**	**1,295**	**2.81 %**	$180,704	1,332	2.93 %	$ (9)	(28)	(37)
Cash and due from banks	**3,114**			2,944					
Other assets	**21,566**			21,583					
Allowance for loan and lease losses	**(2,032)**			(2,698)					
Total assets	**$205,449**			$202,533					
Liabilities and Equity:									
Interest-bearing liabilities:									
Interest checking deposits	**$ 45,128**	**6**	**0.05 %**	$ 49,800	13	0.10 %	$ (1)	(6)	(7)
Savings deposits	**20,941**	**1**	**0.02**	17,013	2	0.04	—	(1)	(1)
Money market deposits	**30,514**	**3**	**0.03**	31,151	11	0.14	—	(8)	(8)
Foreign office deposits	**195**	**—**	**0.03**	189	—	0.06	—	—	—
Other time deposits	**2,383**	**1**	**0.16**	3,711	9	0.95	(2)	(6)	(8)
Total interest-bearing core deposits	**$ 99,161**	**11**	**0.04**	$101,864	35	0.13	$ (3)	(21)	(24)
Certificates $100,000 and over	**860**	**1**	**0.61**	3,633	11	1.26	(6)	(4)	(10)
Federal funds purchased	**348**	**—**	**0.13**	273	—	0.20	—	—	—
Other short-term borrowings	**1,122**	**—**	**0.12**	1,626	5	1.28	(1)	(4)	(5)
Long-term debt	**12,057**	**91**	**2.98**	16,230	108	2.62	(30)	13	(17)
Total interest-bearing liabilities	**$113,548**	**103**	**0.36 %**	$123,626	159	0.51 %	$ (40)	(16)	(56)
Demand deposits	**62,626**			50,414					
Other liabilities	**6,348**			5,541					
Total liabilities	**$182,522**			$179,581					
Total equity	**$ 22,927**			$ 22,952					
Total liabilities and equity	**$205,449**			$202,533					
Net interest income (FTE)[c]		**$ 1,192**			$ 1,173		$ 31	(12)	19
Net interest margin (FTE)[c]			**2.59 %**			2.58 %			
Net interest rate spread (FTE)[c]			**2.45**			2.42			
Interest-bearing liabilities to interest-earning assets			**62.12**			68.41			

(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 for both the three months ended September 30, 2021 and 2020.

(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 7: Condensed Average Balance Sheets and Analysis of Net Interest Income on an FTE Basis

For the nine months ended	**September 30, 2021**			September 30, 2020			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	**$ 48,761**	**1,308**	**3.59 %**	$ 54,948	1,511	3.67 %	$ (168)	(35)	(203)
Commercial mortgage loans	**10,446**	**239**	**3.06**	11,105	305	3.66	(18)	(48)	(66)
Commercial construction loans	**5,936**	**139**	**3.14**	5,405	154	3.82	14	(29)	(15)
Commercial leases	**3,154**	**70**	**2.98**	3,074	79	3.46	2	(11)	(9)
Total commercial loans and leases	**$ 68,297**	**1,756**	**3.44**	$ 74,532	2,049	3.67	$ (170)	(123)	(293)
Residential mortgage loans	**21,316**	**524**	**3.28**	17,748	471	3.55	90	(37)	53
Home equity	**4,695**	**126**	**3.59**	5,802	173	3.98	(31)	(16)	(47)
Indirect secured consumer loans	**14,755**	**377**	**3.41**	12,179	367	4.02	71	(61)	10
Credit card	**1,798**	**165**	**12.29**	2,293	199	11.61	(45)	11	(34)
Other consumer loans	**3,029**	**136**	**5.99**	2,847	147	6.88	9	(20)	(11)
Total consumer loans	**$ 45,593**	**1,328**	**3.89**	$ 40,869	1,357	4.43	$ 94	(123)	(29)
Total loans and leases	**$113,890**	**3,084**	**3.62 %**	$115,401	3,406	3.94 %	$ (76)	(246)	(322)
Securities:									
Taxable	**36,014**	**798**	**2.96**	36,312	837	3.08	(7)	(32)	(39)
Exempt from income taxes[b]	**797**	**14**	**2.32**	157	4	3.00	11	(1)	10
Other short-term investments	**32,778**	**29**	**0.12**	17,552	20	0.15	14	(5)	9
Total interest-earning assets	**$183,479**	**3,925**	**2.86 %**	$169,422	4,267	3.36 %	$ (58)	(284)	(342)
Cash and due from banks	**3,046**			2,981					
Other assets	**20,922**			20,870					
Allowance for loan and lease losses	**(2,228)**			(2,300)					
Total assets	**$205,219**			$190,973					
Liabilities and Equity:									
Interest-bearing liabilities:									
Interest checking deposits	**$ 45,333**	**20**	**0.06 %**	$ 46,631	117	0.33 %	$ (3)	(94)	(97)
Savings deposits	**20,136**	**3**	**0.02**	16,031	9	0.07	2	(8)	(6)
Money market deposits	**30,653**	**10**	**0.04**	29,434	83	0.38	3	(76)	(73)
Foreign office deposits	**155**	**—**	**0.04**	193	—	0.25	—	—	—
Other time deposits	**2,706**	**6**	**0.30**	4,402	42	1.27	(12)	(24)	(36)
Total interest-bearing core deposits	**$ 98,983**	**39**	**0.05**	$ 96,691	251	0.35	$ (10)	(202)	(212)
Certificates $100,000 and over	**1,334**	**9**	**0.90**	3,685	43	1.56	(20)	(14)	(34)
Other deposits	**—**	**—**	**—**	95	1	0.76	(1)	—	(1)
Federal funds purchased	**339**	**—**	**0.12**	412	2	0.68	(1)	(1)	(2)
Other short-term borrowings	**1,142**	**1**	**0.16**	1,916	13	0.90	(4)	(8)	(12)
Long-term debt	**13,585**	**293**	**2.88**	16,333	347	2.84	(59)	5	(54)
Total interest-bearing liabilities	**$115,383**	**342**	**0.40 %**	$119,132	657	0.74 %	$ (95)	(220)	(315)
Demand deposits	**61,084**			44,004					
Other liabilities	**5,817**			5,473					
Total liabilities	**$182,284**			$168,609					
Total equity	**$ 22,935**			$ 22,364					
Total liabilities and equity	**$205,219**			$190,973					
Net interest income (FTE)[c]		**$ 3,583**			$ 3,610		$ 37	(64)	(27)
Net interest margin (FTE)[c]			**2.61 %**			2.85 %			
Net interest rate spread (FTE)[c]			**2.46**			2.62			
Interest-bearing liabilities to interest-earning assets			**62.89**			70.32			

(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 $9 and $10 for the nine months ended September 30, 2021 and 2020, 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 commitments and letters of credit that is based on factors previously discussed in the Critical Accounting Policies section of the Bancorp's Annual Report on Form 10-K for the year ended December 31, 2020. 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 benefit from credit losses was $42 million and $330 million for the three and nine months ended September 30, 2021, respectively, compared to a benefit from credit losses of $15 million and a provision for credit losses of $1.1 billion during the same periods in the prior year. Provision expense decreased for the three and nine months ended September 30, 2021 compared to the same periods in the prior year primarily driven by factors that caused decreases in the ACL during those periods including improved economic forecasts and improved credit quality in both the commercial and consumer loan and lease portfolios. Provision expense was elevated in 2020 as the Bancorp increased its ACL in response to deterioration and uncertainty 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 these factors on commercial borrowers as reflected in increased levels of commercial criticized assets. In the first and second quarters of 2021, the Bancorp decreased the ACL, reflecting credit quality and stabilization in the macroeconomic environment, aided by fiscal and monetary stimulus programs as well as the easing of government-imposed restrictions related to the COVID-19 pandemic. In the third quarter of 2021, the Bancorp decreased the ACL, reflecting continued improvements in credit quality when compared to the prior quarter amidst relatively consistent expectations for the macroeconomic environment.

The ALLL decreased $499 million from December 31, 2020 to $2.0 billion at September 30, 2021. At September 30, 2021, the ALLL as a percent of portfolio loans and leases decreased to 1.81%, compared to 2.25% at December 31, 2020. The reserve for unfunded commitments increased $33 million from December 31, 2020 to $205 million at September 30, 2021. The ACL as a percent of portfolio loans and leases decreased to 2.00% at September 30, 2021, compared to 2.41% at December 31, 2020.

Refer to the Credit Risk Management subsection of the Risk Management section of MD&A as well as Note 6 of the Notes to Condensed Consolidated Financial Statements for more detailed information on the provision for 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 and determining the level of the ACL.

Noninterest Income

Noninterest income increased $114 million and $283 million for the three and nine months ended September 30, 2021, respectively, compared to the three and nine months ended September 30, 2020.

The following table presents the components of noninterest income:

TABLE 8: Components of Noninterest Income

	For the three months ended September 30,			For the nine months ended September 30,		
($ in millions)	**2021**	2020	% Change	**2021**	2020	% Change
Commercial banking revenue	**$ 152**	125	22	**$ 465**	387	20
Service charges on deposits	**152**	144	6	**445**	414	7
Wealth and asset management revenue	**147**	132	11	**436**	387	13
Card and processing revenue	**102**	92	11	**298**	260	15
Mortgage banking net revenue	**86**	76	13	**235**	295	(20)
Leasing business revenue	**78**	77	1	**226**	207	9
Other noninterest income	**120**	26	362	**211**	42	402
Securities gains (losses), net	**(1)**	51	NM	**12**	48	(75)
Securities (losses) gains, net – non-qualifying hedges on mortgage servicing rights	**—**	(1)	(100)	**(2)**	3	NM
Total noninterest income	**$ 836**	722	16	**$ 2,326**	2,043	14

Commercial banking revenue

Commercial banking revenue increased $27 million and $78 million for the three and nine months ended September 30, 2021, respectively, compared to the three and nine months ended September 30, 2020. The increase for the three months ended September 30, 2021 compared to the same period in the prior year was primarily driven by increases in loan syndication fees, business lending fees and contract revenue from commercial customer derivatives, partially offset by a decrease in institutional sales. The increase for the nine months ended September 30, 2021 compared to the same period in the prior year was primarily due to increases in loan syndication fees, business lending fees and institutional sales, partially offset by a decrease in bridge fees.

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

Service charges on deposits
Service charges on deposits increased $8 million and $31 million for the three and nine months ended September 30, 2021, respectively, compared to the three and nine months ended September 30, 2020 due to increases in both commercial deposit fees and consumer deposit fees.

Wealth and asset management revenue
Wealth and asset management revenue increased $15 million and $49 million for the three and nine months ended September 30, 2021, respectively, compared to the same periods in the prior year primarily driven by increases in private client service fees and broker income, partially offset by decreases in institutional fees. The Bancorp's trust and registered investment advisory businesses had approximately $541 billion and $422 billion in total assets under care as of September 30, 2021 and 2020, respectively, and managed $61 billion and $53 billion in assets for individuals, corporations and not-for-profit organizations as of September 30, 2021 and 2020, respectively.

Card and processing revenue
Card and processing revenue increased $10 million and $38 million for the three and nine months ended September 30, 2021, respectively, compared to the three and nine months ended September 30, 2020 primarily due to an increase in debit and credit card interchange, partially offset by increased reward costs, all of which were driven by an increase in consumer and business card spend volume.

Mortgage banking net revenue
Mortgage banking net revenue increased $10 million for the three months ended September 30, 2021 and decreased $60 million for the nine months ended September 30, 2021, compared to the same periods in the prior year.

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

TABLE 9: Components of Mortgage Banking Net Revenue

	For the three months ended September 30,		For the nine months ended September 30,	
($ in millions)	**2021**	2020	**2021**	2020
Origination fees and gains on loan sales	**$ 78**	93	**248**	269
Net mortgage servicing revenue:				
Gross mortgage servicing fees	**63**	66	**181**	197
Net valuation adjustments on MSRs and free-standing derivatives purchased to economically hedge MSRs	**(55)**	(83)	**(194)**	(171)
Net mortgage servicing revenue	**8**	(17)	**(13)**	26
Total mortgage banking net revenue	**$ 86**	76	**235**	295

Origination fees and gains on loan sales decreased $15 million and $21 million for the three and nine months ended September 30, 2021, respectively, compared to the three and nine months ended September 30, 2020 primarily driven by decreases in gain on sale margins partially offset by gains from sales of forbearance loans that were repurchased from GNMA. Residential mortgage loan originations increased to $5.0 billion and $14.7 billion for the three and nine months ended September 30, 2021, respectively, from $4.5 billion and $12.0 billion for the three and nine months ended September 30, 2020, respectively.

Net mortgage servicing revenue increased $25 million and decreased $39 million for the three and nine months ended September 30, 2021, respectively, compared to the three and nine months ended September 30, 2020. The increase for the three months ended September 30, 2021 compared to the same period in the prior year was primarily due to a decrease in net negative valuation adjustments, partially offset by a decrease in gross mortgage servicing fees. The decrease for the nine months ended September 30, 2021 compared to the same period in the prior year was primarily due to an increase in net negative valuation adjustments as well as a decrease in gross mortgage servicing fees. Refer to Table 10 for the components of net valuation adjustments on the MSR portfolio and the impact of the non-qualifying hedging strategy.

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

TABLE 10: Components of Net Valuation Adjustments on MSRs

	For the three months ended September 30,		For the nine months ended September 30,	
($ in millions)	**2021**	2020	**2021**	2020
Changes in fair value and settlement of free-standing derivatives purchased to economically hedge the MSR portfolio	**$ (11)**	(12)	**(99)**	348
Changes in fair value:				
Due to changes in inputs or assumptions[(a)]	**20**	4	**123**	(340)
Other changes in fair value[(b)]	**(64)**	(75)	**(218)**	(179)
Net valuation adjustments on MSRs and free-standing derivatives purchased to economically hedge MSRs	**$ (55)**	(83)	**(194)**	(171)

(a) Primarily reflects changes in prepayment speed and OAS assumptions which are updated based on market interest rates.

(b) Primarily reflects changes due to realized cash flows and the passage of time.

For the three and nine months ended September 30, 2021, the Bancorp recognized losses of $44 million and $95 million, respectively, in mortgage banking net revenue for valuation adjustments on the MSR portfolio. The valuation adjustments on the MSR portfolio included increases of $20 million and $123 million for the three and nine months ended September 30, 2021, respectively, due to changes in market rates and other inputs in the valuation model, including future prepayment speeds and OAS assumptions. Mortgage rates were relatively flat during the three months ended September 30, 2021, however higher swap rates resulted in a reduction to modeled prepayment speeds and a tightening of the spread between mortgage rates and swap rates. Mortgage rates increased during the nine months ended September 30, 2021, which resulted in a reduction to modeled prepayment speeds and a tightening of the spread between mortgage rates and swap rates. There was also an increase in the modeled OAS assumptions for both the three and nine months ended September 30, 2021. The fair value of the MSR portfolio also decreased $64 million and $218 million as a result of contractual principal payments and actual prepayment activity for the three and nine months ended September 30, 2021, respectively.

Mortgage rates decreased during both the three and nine months ended September 30, 2020, which caused modeled prepayment speeds to rise. Additionally, swap rates increased for the three months ended September 30, 2020, which caused modeled OAS assumptions to increase. The fair value of the MSR portfolio increased $4 million and decreased $340 million for the three and nine months ended September 30, 2020, respectively, due to changes to inputs to the valuation model, including prepayment speeds and OAS assumptions and decreased $75 million and $179 million for the three and nine months ended September 30, 2020, 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 13 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 14 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 losses of an immaterial amount and $2 million during the three and nine months ended September 30, 2021, respectively, compared to net losses of $1 million and net gains of $3 million during the three and nine months ended September 30, 2020, respectively, recorded in securities (losses) gains, net – non-qualifying hedges on mortgage servicing rights in the Bancorp's Condensed Consolidated Statements of Income.

The Bancorp's total residential mortgage loans serviced as of September 30, 2021 and 2020 were $92.7 billion and $91.4 billion, respectively, with $77.9 billion and $73.5 billion, respectively, of residential mortgage loans serviced for others.

Leasing business revenue

Leasing business revenue increased $1 million and $19 million for the three and nine months ended September 30, 2021, respectively, compared to the three and nine months ended September 30, 2020. The increase for the three months ended September 30, 2021 compared to the same period in the prior year was primarily due to increases in lease syndication fees and lease remarketing fees, partially offset by a decrease in leasing business solutions revenue. The increase for the nine months ended September 30, 2021 compared to the same period in the prior year was primarily due to an increase in lease syndication fees, partially offset by a decrease in lease remarketing fees.

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

Other noninterest income

The following table presents the components of other noninterest income:

TABLE 11: Components of Other Noninterest Income

	For the three months ended September 30,		For the nine months ended September 30,	
($ in millions)	**2021**	2020	**2021**	2020
Gains on contract sales	**$ 61**	—	**62**	—
BOLI income	**16**	15	**46**	47
Private equity investment income (loss)	**22**	3	**41**	(5)
Cardholder fees	**13**	12	**38**	33
Equity method investment income	**3**	3	**24**	6
Banking center income	**6**	5	**17**	15
Consumer loan fees	**4**	5	**13**	15
Insurance income	**2**	5	**5**	15
Loss on swap associated with the sale of Visa, Inc. Class B Shares	**(17)**	(22)	**(67)**	(73)
Net losses on disposition and impairment of bank premises and equipment	**(3)**	(11)	**(4)**	(26)
Other, net	**13**	11	**36**	15
Total other noninterest income	**$ 120**	26	**211**	42

Other noninterest income increased $94 million and $169 million for the three and nine months ended September 30, 2021 compared to the three and nine months ended September 30, 2020, respectively, primarily due to the recognition of gains on contract sales and an increase in private equity investment income as well as a decrease in net losses on disposition and impairment of bank premises and equipment. The increase for the nine months ended September 30, 2021 also included an increase in equity method investment income, partially offset by a decrease in insurance income.

Gains on contract sales for the three and nine months ended September 30, 2021 primarily included the recognition of a $60 million gain on the sale of the Bancorp's HSA deposit portfolio, which was completed in the third quarter of 2021. Private equity investment income increased $19 million and $46 million for the three and nine months ended September 30, 2021, respectively, compared to the same periods in the prior year primarily driven by the recognition of positive net valuation adjustments during the three and nine months ended September 30, 2021. The increase for the nine months ended September 30, 2021 also included the impact of impairment charges recognized on certain private equity investments during the nine months ended September 30, 2020. For additional information on the valuation of private equity investments, refer to Note 22 of the Notes to Condensed Consolidated Financial Statements. Net losses on disposition and impairment of bank premises and equipment decreased $8 million and $22 million for the three and nine months ended September 30, 2021 compared to the same periods in the prior year primarily driven by the impact of lower impairment charges during the three and nine months ended September 30, 2021 compared the same periods in the prior year. For additional information, refer to Note 7 of the Notes to Condensed Consolidated Financial Statements. Equity method investment income increased $18 million for the nine months ended September 30, 2021 compared to the same period in the prior year primarily due to gains and proportional earnings recognized on certain equity method investments during the nine months ended September 30, 2021. Insurance income decreased $10 million for the nine months ended September 30, 2021 compared to the same period in the prior year driven by the sale of the Bancorp's property and casualty insurance business in the fourth quarter of 2020.

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

Noninterest Expense

Noninterest expense increased $11 million for the three months ended September 30, 2021 compared to the same period in the prior year primarily due to increases in other noninterest expense and technology and communications expense, partially offset by decreases in net occupancy expense, compensation and benefits expense and card and processing expense. Noninterest expense increased $59 million for the nine months ended September 30, 2021 compared to the same period in the prior year primarily due to increases in compensation and benefits expense, other noninterest expense and technology and communications expense, partially offset by decreases in net occupancy expense and card and processing expense.

The following table presents the components of noninterest expense:

TABLE 12: Components of Noninterest Expense

	For the three months ended September 30,			For the nine months ended September 30,		
($ in millions)	**2021**	2020	% Change	**2021**	2020	% Change
Compensation and benefits	**$ 627**	637	(2)	**$ 1,971**	1,911	3
Technology and communications	**98**	89	10	**285**	272	5
Net occupancy expense	**79**	90	(12)	**235**	254	(7)
Equipment expense	**34**	33	3	**102**	97	5
Leasing business expense	**33**	35	(6)	**102**	103	(1)
Marketing Expense	**29**	23	26	**72**	74	(3)
Card and processing expense	**19**	29	(34)	**70**	89	(21)
Other noninterest expense	**253**	225	12	**704**	682	3
Total noninterest expense	**$ 1,172**	1,161	1	**$ 3,541**	3,482	2
Efficiency ratio on an FTE basis[(a)]	**57.8%**	61.3		**59.9%**	61.6	

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

Compensation and benefits expense decreased $10 million for the three months ended September 30, 2021 compared to the same period in the prior year primarily due to the impact of severance payments made during the three months ended September 30, 2020 and a decrease in base compensation due to a decline in full-time equivalent employees, partially offset by increases in performance-based compensation for the three months ended September 30, 2021. Compensation and benefits expense increased $60 million for the nine months ended September 30, 2021 compared to the same period in the prior year primarily due to increases in performance-based compensation, non-qualified deferred compensation expense and medical expenses due to lower activity in the prior period as a result of the COVID-19 pandemic, partially offset by a decrease in base compensation due to a decline in full-time equivalent employees. Full-time equivalent employees totaled 19,171 at September 30, 2021 compared to 20,283 at September 30, 2020.

Technology and communications expense increased $9 million and $13 million for the three and nine months ended September 30, 2021, respectively, compared to the same periods in the prior year primarily driven by increased investment in strategic initiatives and technology. Net occupancy expense decreased $11 million and $19 million for the three and nine months ended September 30, 2021, respectively, compared to the same periods in the prior year primarily due to a reduction of leased square footage. Card and processing expense decreased $10 million and $19 million for the three and nine months ended September 30, 2021, respectively, compared to the same periods in the prior year primarily due to contract renegotiations with a third-party vendor.

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The following table presents the components of other noninterest expense:

TABLE 13: Components of Other Noninterest Expense

	For the three months ended September 30,		For the nine months ended September 30,	
($ in millions)	**2021**	2020	**2021**	2020
Loan and lease	**$ 54**	41	**158**	116
FDIC insurance and other taxes	**29**	36	**87**	86
Data processing	**19**	20	**60**	55
Losses and adjustments	**19**	23	**49**	94
Professional service fees	**14**	10	**46**	33
Intangible amortization	**11**	12	**32**	36
Postal and courier	**9**	9	**28**	27
Donations	**18**	2	**23**	9
Travel	**12**	4	**22**	23
Recruitment and education	**6**	5	**15**	16
Insurance	**4**	4	**12**	11
Supplies	**3**	3	**9**	10
Other, net	**55**	56	**163**	166
Total other noninterest expense	**$ 253**	225	**704**	682

Other noninterest expense increased $28 million for the three months ended September 30, 2021 compared to the same period in the prior year primarily due to increases in donations expense, loan and lease expense and travel expense, partially offset by a decrease in FDIC insurance and other taxes. Other noninterest expense increased $22 million for the nine months ended September 30, 2021 compared to the same period in the prior year primarily due to increases in loan and lease expense, donations expense and professional service fees, partially offset by a decrease in losses and adjustments.

Donations expense increased $16 million and $14 million for the three and nine months ended September 30, 2021, respectively, compared to the same periods in the prior year primarily due to a charitable contribution made to the Fifth Third Foundation in the third quarter of 2021. Loan and lease expense increased $13 million and $42 million for the three and nine months ended September 30, 2021, respectively, compared to the same periods in the prior year primarily due to an increase in loan servicing expenses associated with the Bancorp's purchases of certain government-guaranteed residential mortgage loans in forbearance programs.

Travel expense increased $8 million for the three months ended September 30, 2021 compared to the same period in the prior year primarily driven by an increase in business travel as activity in the prior period was limited by the COVID-19 pandemic. FDIC insurance and other taxes decreased $7 million for the three months ended September 30, 2021 compared to the same period in the prior year primarily due to a decrease in the FDIC insurance assessment rate.

Losses and adjustments decreased $45 million for the nine months ended September 30, 2021 compared to the same period in the prior year primarily due to a decline in credit valuation adjustments on derivatives associated with customer accommodation contracts, partially offset by an increase in legal settlements. Professional service fees increased $13 million for the nine months ended September 30, 2021 compared to the same period in the prior year primarily driven by increases in consulting fees and legal fees.

Applicable Income Taxes

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

TABLE 14: Applicable Income Taxes

	For the three months ended September 30,		For the nine months ended September 30,	
($ in millions)	**2021**	2020	**2021**	2020
Income before income taxes	**$ 895**	746	**2,689**	1,051
Applicable income tax expense	**191**	165	**582**	228
Effective tax rate	**21.3 %**	22.1	**21.6**	21.6

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

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Credit program established under Section 47 of the IRC and the Qualified Zone Academy Bond program established under Section 1397E of the IRC.

The effective tax rate decreased to 21.3% for the three months ended September 30, 2021 compared to 22.1% for the same period in the prior year primarily related to an increase in excess tax benefits related to share-based compensation.

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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)

	September 30, 2021		December 31, 2020	
As of ($ in millions)	Carrying Value	% of Total	Carrying Value	% of Total
Commercial loans and leases:				
Commercial and industrial loans[(a)]	**$ 47,836**	**42 %**	$ 49,895	44 %
Commercial mortgage loans	**10,300**	**9**	10,609	9
Commercial construction loans	**5,456**	**5**	5,815	5
Commercial leases	**3,130**	**3**	2,954	3
Total commercial loans and leases	**$ 66,722**	**59**	$ 69,273	61
Consumer loans:				
Residential mortgage loans[(b)]	**21,359**	**19**	20,393	18
Home equity	**4,276**	**4**	5,183	4
Indirect secured consumer loans	**16,004**	**14**	13,653	12
Credit card	**1,744**	**1**	2,007	2
Other consumer loans	**3,009**	**3**	3,014	3
Total consumer loans	**$ 46,392**	**41**	$ 44,250	39
Total loans and leases	**$ 113,114**	**100 %**	$ 113,523	100 %
Total portfolio loans and leases (excluding loans and leases held for sale)	**$ 107,911**		$ 108,782	

(a) Includes $2.3 billion and $4.8 billion as of September 30, 2021 and December 31, 2020, respectively, related to the SBA's Paycheck Protection Program.

(b) Includes $39 as of December 31, 2020 of residential mortgage loans previously sold to GNMA for which the Bancorp was deemed to have regained effective control over under ASC Topic 860, but did not exercise its option to repurchase. Refer to Note 15 for further information.

Total loans and leases, including loans and leases held for sale, decreased $409 million from December 31, 2020. The decrease from December 31, 2020 was the result of a $2.6 billion, or 4%, decrease in commercial loans and leases, partially offset by a $2.1 billion, or 5%, increase in consumer loans.

Commercial loans and leases decreased $2.6 billion from December 31, 2020 due to decreases in commercial and industrial loans, commercial construction loans and commercial mortgage loans, partially offset by an increase in commercial leases. Commercial and industrial loans decreased $2.1 billion, or 4%, from December 31, 2020 primarily as a result of PPP loan forgiveness and paydowns in excess of loan originations. Commercial construction loans decreased $359 million, or 6%, from December 31, 2020 as payoffs exceeded draws on existing commitments and loan originations. Commercial mortgage loans decreased $309 million, or 3%, from December 31, 2020 as payoffs exceeded loan originations. Commercial leases increased $176 million, or 6%, from December 31, 2020 primarily as a result of an increase in lease originations.

Consumer loans increased $2.1 billion from December 31, 2020 primarily due to increases in indirect secured consumer loans and residential mortgage loans, partially offset by decreases in home equity and credit card. Indirect secured consumer loans increased $2.4 billion, or 17%, from December 31, 2020 primarily driven by higher demand and other favorable market conditions, which contributed to increased loan production. Residential mortgage loans increased $966 million, or 5%, from December 31, 2020 primarily due to increases in residential mortgage loans held for sale as the Bancorp purchased government-guaranteed loans in forbearance programs. Home equity decreased $907 million, or 17%, from December 31, 2020 as payoffs exceeded loan originations. Credit card decreased $263 million, or 13%, from December 31, 2020 primarily due to the cumulative impacts from the COVID-19 pandemic, including accelerated paydown activity driven by the amount of fiscal stimulus programs and lower consumer demand for credit.

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

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

For the three months ended ($ in millions)	September 30, 2021 Carrying Value	September 30, 2021 % of Total	September 30, 2020 Carrying Value	September 30, 2020 % of Total
Commercial loans and leases:				
Commercial and industrial loans	**$ 47,774**	**42 %**	$ 54,056	47 %
Commercial mortgage loans	**10,339**	**9**	11,071	10
Commercial construction loans	**5,729**	**5**	5,534	5
Commercial leases	**3,158**	**3**	2,966	2
Total commercial loans and leases	**$ 67,000**	**59**	$ 73,627	64
Consumer loans:				
Residential mortgage loans	**21,750**	**19**	17,814	16
Home equity	**4,409**	**4**	5,581	5
Indirect secured consumer loans	**15,590**	**14**	12,599	11
Credit card	**1,748**	**1**	2,134	2
Other consumer loans	**3,031**	**3**	2,858	2
Total consumer loans	**$ 46,528**	**41**	$ 40,986	36
Total average loans and leases	**$ 113,528**	**100 %**	$ 114,613	100 %
Total average portfolio loans and leases (excluding loans and leases held for sale)	**$ 107,970**		$ 113,362	

Average loans and leases, including average loans and leases held for sale, decreased $1.1 billion, or 1%, for the three months ended September 30, 2021 compared to the same period in the prior year as a result of a $6.6 billion, or 9%, decrease in average commercial loans and leases, partially offset by a $5.5 billion, or 14%, increase in average consumer loans.

Average commercial loans and leases decreased $6.6 billion for the three months ended September 30, 2021 compared to the same period in the prior year due to decreases in average commercial and industrial loans and average commercial mortgage loans, partially offset by increases in average commercial construction loans and average commercial leases. Average commercial and industrial loans decreased $6.3 billion, or 12%, for the three months ended September 30, 2021 compared to the same period in the prior year primarily driven by paydowns in excess of loan originations and PPP loan forgiveness. Average commercial mortgage loans decreased $732 million, or 7%, for the three months ended September 30, 2021 compared to the same period in the prior year as payoffs exceeded loan originations. Average commercial construction loans increased $195 million, or 4%, for the three months ended September 30, 2021 compared to the same period in the prior year as draws on existing commitments exceeded payoffs. Average commercial leases increased $192 million, or 6%, for the three months ended September 30, 2021 compared to the same period in the prior year primarily as a result of an increase in lease originations.

Average consumer loans increased $5.5 billion for the three months ended September 30, 2021 compared to the same period in the prior year due to increases in average residential mortgage loans, average indirect secured consumer loans and average other consumer loans, partially offset by decreases in average home equity and average credit card. Average residential mortgage loans increased $3.9 billion, or 22%, for the three months ended September 30, 2021 compared to the same period in the prior year primarily due to increases in residential mortgage loans held for sale as the Bancorp purchased government-guaranteed loans in forbearance programs, partially offset by higher runoff due to payoffs exceeding loan originations. Average indirect secured consumer loans increased $3.0 billion, or 24%, for the three months ended September 30, 2021 compared to the same period in the prior year primarily driven by higher demand and other favorable market conditions, which contributed to increased loan production. Average other consumer loans increased $173 million, or 6%, for the three months ended September 30, 2021 compared to the same period in the prior year primarily as a result of purchases of portfolios of point-of-sale loans. Average home equity decreased $1.2 billion, or 21%, for the three months ended September 30, 2021 compared to the same period in the prior year as payoffs exceeded loan originations. Average credit card decreased $386 million, or 18%, for the three months ended September 30, 2021 compared to the same period in the prior year primarily driven by the cumulative impacts from the COVID-19 pandemic, including accelerated paydown activity driven by the amount of fiscal stimulus programs and lower consumer demand for credit.

Investment Securities

The Bancorp uses investment securities as a means of managing interest rate risk, providing collateral for pledging purposes and for liquidity risk management. Total investment securities were $38.9 billion and $38.4 billion at September 30, 2021 and December 31, 2020, respectively. The taxable available-for-sale debt and other investment securities portfolio had an effective duration of 5.0 at September 30, 2021 compared to 4.4 at December 31, 2020.

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 September 30, 2021, the Bancorp's investment portfolio consisted primarily of AAA-rated available-for-sale debt and other securities. The Bancorp held an immaterial amount of below-investment grade available-for-sale debt and other securities at both

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September 30, 2021 and December 31, 2020. During the three and nine months ended September 30 2021, the Bancorp recognized $12 million and $19 million, respectively, of impairment losses on its available-for-sale debt and other securities, included in securities gains (losses), net, in the Condensed Consolidated Statements of Income. These losses related to certain securities in unrealized loss positions that the Bancorp intended to sell prior to recovery of their amortized cost bases. The Bancorp did not consider these losses to be credit-related.

At both September 30, 2021 and December 31, 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 related to available-for-sale debt and other securities in an unrealized loss position during both the three and nine months ended September 30, 2021 and September 30, 2020.

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

TABLE 17: Components of Investment Securities

As of ($ in millions)		September 30, 2021	December 31, 2020
Available-for-sale debt and other securities (amortized cost basis):			
U.S. Treasury and federal agencies securities	$	**90**	74
Obligations of states and political subdivisions securities		**18**	17
Mortgage-backed securities:			
Agency residential mortgage-backed securities		**9,191**	11,147
Agency commercial mortgage-backed securities		**18,468**	16,745
Non-agency commercial mortgage-backed securities		**3,802**	3,323
Asset-backed securities and other debt securities		**4,221**	3,152
Other securities[(a)]		**518**	524
Total available-for-sale debt and other securities	$	**36,308**	34,982
Held-to-maturity securities (amortized cost basis):			
Obligations of states and political subdivisions securities	$	**6**	9
Asset-backed securities and other debt securities		**2**	2
Total held-to-maturity securities	$	**8**	11
Trading debt securities (fair value):			
U.S. Treasury and federal agencies securities	$	**93**	81
Obligations of states and political subdivisions securities		**50**	10
Agency residential mortgage-backed securities		**89**	30
Asset-backed securities and other debt securities		**453**	439
Total trading debt securities	$	**685**	560
Total equity securities (fair value)	$	**329**	313

(a) Other securities consist of FHLB, FRB and DTCC restricted stock holdings of $31, $485 and $2, respectively, at September 30, 2021 and $40, $482 and $2, respectively, at December 31, 2020, that are carried at cost.

On an amortized cost basis, available-for-sale debt and other securities increased $1.3 billion from December 31, 2020 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 19% of total interest-earning assets at September 30, 2021 and December 31, 2020, respectively. The estimated weighted-average life of the debt securities in the available-for-sale debt and other securities portfolio was 6.6 years at September 30, 2021 compared to 5.7 years at December 31, 2020. In addition, at September 30, 2021, the debt securities in the available-for-sale debt and other securities portfolio had a weighted-average yield of 2.81% compared to 3.05% at December 31, 2020.

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 $1.6 billion at September 30, 2021 compared to $2.5 billion at December 31, 2020. 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 September 30, 2021 ($ in millions)		Amortized Cost	Fair Value	Weighted-Average Life (in years)	Weighted-Average Yield
U.S. Treasury and federal agencies securities:					
Average life of 1 year or less	$	15	15	0.3	0.03 %
Average life 1 – 5 years		75	77	1.3	2.12
Total	$	90	92	1.2	1.77 %
Obligations of states and political subdivisions securities:					
Average life 1 – 5 years		17	17	1.4	1.80
Average life greater than 10 years		1	1	15.1	7.00
Total	$	18	18	2.2	2.12 %
Agency residential mortgage-backed securities:					
Average life of 1 year or less		421	427	0.5	3.53
Average life 1 – 5 years		3,611	3,759	3.4	3.05
Average life 5 – 10 years		4,369	4,627	6.7	2.97
Average life greater than 10 years		790	839	13.0	2.91
Total	$	9,191	9,652	5.6	3.02 %
Agency commercial mortgage-backed securities:[(a)]					
Average life of 1 year or less		340	349	0.7	3.16
Average life 1 – 5 years		6,400	6,737	3.3	3.38
Average life 5 – 10 years		6,485	6,927	7.0	2.96
Average life greater than 10 years		5,243	5,351	13.7	2.39
Total	$	18,468	19,364	7.5	2.95 %
Non-agency commercial mortgage-backed securities:					
Average life of 1 year or less		111	111	0.3	0.97
Average life 1 – 5 years		2,858	3,020	3.2	3.24
Average life 5 – 10 years		833	848	8.0	2.15
Total	$	3,802	3,979	4.2	2.94 %
Asset-backed securities and other debt securities:					
Average life of 1 year or less		307	308	0.5	3.29
Average life 1 – 5 years		1,657	1,671	3.4	1.77
Average life 5 – 10 years		1,289	1,291	6.7	1.56
Average life greater than 10 years		968	977	15.3	1.16
Total	$	4,221	4,247	6.9	1.68 %
Other securities		518	518		
Total available-for-sale debt and other securities	$	36,308	37,870	6.6	2.81 %

(a) Taxable-equivalent yield adjustments included in the above table are 0.09% and 0.03% for securities with an average life greater than 10 years and in total, respectively.

Other Short-Term Investments

Other short-term investments primarily include overnight interest-earning investments, including reserves held at the FRB. The Bancorp uses other short-term investments as part of its liquidity risk management tools. Other short-term investments were $34.2 billion and $33.4 billion at September 30, 2021 and December 31, 2020, respectively. The increase of $804 million from December 31, 2020 was primarily attributable to core deposit growth during the nine months ended September 30, 2021.

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 79% and 75% of the Bancorp's average asset funding base for the three months ended September 30, 2021 and 2020, respectively.

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

TABLE 19: Components of Deposits

	September 30, 2021		December 31, 2020	
As of ($ in millions)	Balance	% of Total	Balance	% of Total
Demand	**$ 63,879**	**39 %**	$ 57,711	36 %
Interest checking	**45,964**	**28**	47,270	30
Savings	**21,423**	**13**	18,258	12
Money market	**30,652**	**19**	30,650	19
Foreign office	**202**	**—**	143	—
Total transaction deposits	**$ 162,120**	**99**	$ 154,032	97
Other time	**2,204**	**1**	3,023	2
Total core deposits	**$ 164,324**	**100**	$ 157,055	99
Certificates $100,000 and over[(a)]	**784**	**—**	2,026	1
Total deposits	**$ 165,108**	**100 %**	$ 159,081	100 %

(a) Includes $297 million and $1.3 billion of institutional, retail and wholesale certificates $250,000 and over at September 30, 2021 and December 31, 2020, respectively.

Core deposits increased $7.3 billion, or 5%, from December 31, 2020 as a result of an increase in transaction deposits, partially offset by a decrease in other time deposits. Transaction deposits increased $8.1 billion, or 5%, from December 31, 2020 primarily due to increases in demand deposits and savings deposits, partially offset by a decrease in interest checking deposits. Demand deposits increased $6.2 billion, or 11%, from December 31, 2020 primarily as a result of customers maintaining increased levels of liquidity driven by the amount of fiscal and monetary stimulus, as well as growth in the number of accounts and migration of balances from interest checking deposits during the nine months ended September 30, 2021. Savings deposits increased $3.2 billion, or 17%, from December 31, 2020 primarily as a result of higher balances per customer account due to the amount of fiscal stimulus as well as decreased consumer outflows. Interest checking deposits decreased $1.3 billion, or 3%, from December 31, 2020 primarily as a result of lower balances per customer account as well as the aforementioned balance migration into demand deposits during the nine months ended September 30, 2021. Other time deposits decreased $819 million, or 27%, from December 31, 2020 primarily due to lower offering rates on certificates less than $100,000.

Certificates $100,000 and over decreased $1.2 billion, or 61%, from December 31, 2020 primarily due to maturities which were not replaced with new issuances given current market conditions and liquidity levels.

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

TABLE 20: Components of Average Deposits

	September 30, 2021		September 30, 2020	
($ in millions)	Balance	% of Total	Balance	% of Total
Demand	**$ 62,626**	**38 %**	$ 50,414	32 %
Interest checking	**45,128**	**28**	49,800	32
Savings	**20,941**	**13**	17,013	11
Money market	**30,514**	**19**	31,151	20
Foreign office	**195**	**—**	189	—
Total transaction deposits	**$ 159,404**	**98**	$ 148,567	95
Other time	**2,383**	**1**	3,711	2
Total core deposits	**$ 161,787**	**99**	$ 152,278	97
Certificates $100,000 and over[(a)]	**860**	**1**	3,633	3
Total average deposits	**$ 162,647**	**100 %**	$ 155,911	100 %

(a) Includes $306 million and $2.6 billion of average institutional, retail and wholesale certificates $250,000 and over for the three months ended September 30, 2021 and 2020, respectively.

On an average basis, core deposits increased $9.5 billion, or 6%, for the three months ended September 30, 2021 compared to the same period in the prior year due to an increase of $10.8 billion, or 7%, in average transaction deposits, partially offset by a decrease of $1.3 billion, or 36%, in average other time deposits. The increase in average transaction deposits was driven primarily by increases in average demand deposits and average savings deposits, partially offset by decreases in average interest checking deposits and average money market deposits. Average demand deposits increased $12.2 billion, or 24%, for the three months ended September 30, 2021 compared to the same period in the prior year primarily as a result of customers maintaining increased levels of liquidity driven by the amount of fiscal and monetary stimulus, as well as growth in the number of accounts and migration of balances from interest checking deposits. Average savings deposits increased $3.9 billion, or 23%, for the three months ended September 30, 2021 compared to the same period in the prior year primarily as a result of higher average balances per customer account due to the amount of fiscal stimulus as well as decreased consumer outflows. Average

interest checking deposits decreased $4.7 billion, or 9%, for the three months ended September 30, 2021 compared to the same period in the prior year primarily as a result of the aforementioned balance migration into demand deposits and lower average balances per commercial customer account, partially offset by higher average balances per consumer customer account due to the previously mentioned impacts of fiscal stimulus. Average money market deposits decreased $637 million, or 2%, for the three months ended September 30, 2021 compared to the same period in the prior year primarily as a result of lower average balances per customer account and a decline in the number of accounts of commercial customers, partially offset by higher average balances per consumer customer account due to the amount of fiscal stimulus and decreased consumer outflows. Average other time deposits decreased primarily due to lower offering rates on certificates less than $100,000.

Average certificates $100,000 and over decreased $2.8 billion, or 76%, for the three months ended September 30, 2021 compared to the same period in the prior year primarily due to maturities which were not replaced with new issuances given current market conditions and liquidity levels.

Contractual maturities

The contractual maturities of certificates $100,000 and over as of September 30, 2021 are summarized in the following table:

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

($ in millions)		
Next 3 months	$	306
3-6 months		179
6-12 months		157
After 12 months		142
Total certificates $100,000 and over	$	784

The contractual maturities of other time deposits and certificates $100,000 and over as of September 30, 2021 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	$	2,466
13-24 months		277
25-36 months		109
37-48 months		78
49-60 months		53
After 60 months		5
Total other time deposits and certificates $100,000 and over	$	2,988

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 12% and 15% for the three months ended September 30, 2021 and 2020, respectively.

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

TABLE 23: Components of Borrowings

As of ($ in millions)		**September 30, 2021**	December 31, 2020
Federal funds purchased	**$**	**309**	300
Other short-term borrowings		**949**	1,192
Long-term debt		**11,419**	14,973
Total borrowings	**$**	**12,677**	16,465

Total borrowings decreased $3.8 billion, or 23%, from December 31, 2020 primarily due to decreases in long-term debt and other short-term borrowings. Long-term debt decreased $3.6 billion from December 31, 2020 driven by the early redemptions under the par call options of $3.2 billion of notes and $315 million of paydowns on long-term debt associated with automobile loan securitizations during the nine months ended September 30, 2021. For further information on a subsequent event related to long-term debt, refer to Note 24 of the Notes to the Condensed Consolidated Financial Statements. Other short-term borrowings decreased $243 million from December 31, 2020 primarily as a result of decreased short-term funding needs given continued core deposit growth. 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 15 of the Notes to Condensed Consolidated Financial Statements.

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

TABLE 24: Components of Average Borrowings

($ in millions)		**September 30, 2021**	September 30, 2020
Federal funds purchased	**$**	**348**	273
Other short-term borrowings		**1,122**	1,626
Long-term debt		**12,057**	16,230
Total average borrowings	**$**	**13,527**	18,129

Total average borrowings decreased $4.6 billion, or 25%, for the three months ended September 30, 2021 compared to the same period in the prior year primarily due to decreases in average long-term debt and average other short-term borrowings. Average long-term debt decreased $4.2 billion for the three months ended September 30, 2021 compared to the same period in the prior year primarily driven by the early redemptions under the par call options of $3.2 billion of notes and $440 million of paydowns on long-term debt associated with automobile loan securitizations since September of 2020. Average other short-term borrowings decreased $504 million for the three months ended September 30, 2021 compared to the same period in the prior year primarily as a result of the Bancorp exercising repurchase options on certain loans previously sold to GNMA for which an obligation had been recognized under ASC Topic 860 as well as decreased short-term funding needs resulting from core deposit growth. 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 23 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, 2020 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 modestly declined due to lower interest rates and modified assumptions. Thus, net interest income for asset-generating business segments improved while deposit-providing business segments were negatively impacted during the nine months ended September 30, 2021.

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 relationship depth opportunities and funding operations by accessing the capital markets as a collective unit.

The following table summarizes net income by business segment:

TABLE 25: Net Income by Business Segment

	For the three months ended September 30,		For the nine months ended September 30,	
($ in millions)	**2021**	2020	**2021**	2020
Income Statement Data				
Commercial Banking	**$ 457**	12	**1,162**	249
Branch Banking	**48**	15	**64**	273
Consumer Lending	**58**	25	**121**	134
Wealth and Asset Management	**24**	21	**68**	84
General Corporate and Other	**117**	508	**692**	83
Net income	**$ 704**	581	**2,107**	823

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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 September 30,		For the nine months ended September 30,	
($ in millions)	**2021**	2020	**2021**	2020
Income Statement Data				
Net interest income (FTE)[(a)]	**$ 371**	435	**1,116**	1,522
(Benefit from) provision for credit losses	**(242)**	337	**(470)**	839
Noninterest income:				
Commercial banking revenue	**150**	125	**457**	386
Service charges on deposits	**91**	91	**273**	253
Leasing business revenue	**78**	77	**226**	207
Other noninterest income	**43**	25	**121**	51
Noninterest expense:				
Compensation and benefits	**138**	127	**431**	405
Leasing business expense	**33**	35	**102**	103
Other noninterest expense	**235**	249	**692**	786
Income before income taxes (FTE)	**569**	5	**1,438**	286
Applicable income tax expense (benefit)[(a)(b)]	**112**	(7)	**276**	37
Net income	**$ 457**	12	**1,162**	249
Average Balance Sheet Data				
Commercial loans and leases, including held for sale	**$ 59,779**	65,162	**59,917**	68,235
Demand deposits	**33,215**	25,926	**32,527**	22,011
Interest checking deposits	**20,951**	28,385	**20,984**	25,868
Savings and money market deposits	**5,907**	7,545	**6,195**	6,490
Other time deposits and certificates $100,000 and over	**88**	145	**93**	170
Foreign office deposits	**194**	187	**154**	192

(a) Includes FTE adjustments of $2 and $3 for the three months ended September 30, 2021 and 2020, respectively, and $6 and $10 for the nine months ended September 30, 2021 and 2020, 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 $457 million and $1.2 billion for the three and nine months ended September 30, 2021, respectively, compared to $12 million and $249 million, respectively, for the same periods in the prior year. The increases were primarily driven by decreases in the provision for credit losses as well as increases in noninterest income and decreases in noninterest expense, partially offset by decreases in net interest income on an FTE basis.

Net interest income on an FTE basis decreased $64 million and $406 million for the three and nine months ended September 30, 2021, respectively, compared to the same periods in the prior year primarily driven by decreases in yields on and average balances of commercial loans and leases as well as decreases in FTP credit rates on interest checking deposits, demand 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 and average balances of interest checking deposits and savings and money market deposits.

The benefit from credit losses was $242 million and $470 million for the three and nine months ended September 30, 2021, respectively, compared to a provision for credit losses of $337 million and $839 million for the three and nine months ended September 30, 2020, respectively. The decreases for the three and nine months ended September 30, 2021 compared to the same periods in the prior year were primarily driven by a decrease in commercial criticized asset levels as well as decreases in net charge-offs on commercial loans and leases. Net charge-offs as a percent of average portfolio loans and leases were an immaterial amount and 7 bps for the three and nine months ended September 30, 2021, respectively, compared to 35 bps for both of the comparable periods in the prior year.

Noninterest income increased $44 million and $180 million for the three and nine months ended September 30, 2021, respectively, compared to the same periods in the prior year primarily driven by increases in commercial banking revenue and other noninterest income. The increase

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for the nine months ended September 30, 2021 was also driven by increases in service charges on deposits and leasing business revenue. Commercial banking revenue increased $25 million and $71 million for the three and nine months ended September 30, 2021, respectively, compared to the same periods in the prior year. The increase for the three months ended September 30, 2021 was primarily due to increases in loan syndication fees, business lending fees and contract revenue from commercial customer derivatives partially offset by a decrease in institutional sales. The increase for the nine months ended September 30, 2021 was primarily due to increases in loan syndication fees, business lending fees and institutional sales partially offset by a decrease in bridge fees. Other noninterest income increased $18 million and $70 million for the three and nine months ended September 30, 2021, respectively, compared to the same periods in the prior year primarily driven by increases in private equity investment income and card and processing revenue as well as gains on the sale of loans held for sale. The increase for the nine months ended September 30, 2021 was also driven by the recognition of securities gains, net as well as an increase in equity method investment income. Service charges on deposits increased $20 million for the nine months ended September 30, 2021 compared to the same period in the prior year primarily driven by increases in commercial deposit fees primarily due to growth in volume-based service revenues, with continued benefit from lower earnings credit rates. Leasing business revenue increased $19 million for the nine months ended September 30, 2021 compared to the same period in the prior year primarily due to an increase in lease syndication fees partially offset by a decrease in lease remarketing fees.

Noninterest expense decreased $5 million and $69 million for the three and nine months ended September 30, 2021, respectively, compared to the same periods in the prior year primarily driven by decreases in other noninterest expense partially offset by increases in compensation and benefits. Other noninterest expense decreased $14 million and $94 million for the three and nine months ended September 30, 2021, respectively, compared to the same periods in the prior year. The decreases for both the three and nine months ended September 30, 2021 reflect decreases in allocated expenses related to cash management services. The decrease for the nine months ended September 30, 2021 was also due to a decline in credit valuation adjustments on derivatives associated with customer accommodation contracts. Compensation and benefits increased $11 million and $26 million for the three and nine months ended September 30, 2021, respectively, compared to the same periods in the prior year primarily as a result of increases in incentive compensation and employee benefits expense driven by strong performance in fees related to business growth and expansion initiatives during the three and nine months ended September 30, 2021.

Average commercial loans and leases decreased $5.4 billion and $8.3 billion for the three and nine months ended September 30, 2021, respectively, compared to the same periods in the prior year primarily due to decreases in average commercial and industrial loans and average commercial mortgage loans partially offset by increases in average commercial construction loans. Average commercial and industrial loans decreased for the three and nine months ended September 30, 2021 compared to the same periods in the prior year primarily driven by continued paydowns on revolving lines of credit. Average commercial mortgage loans decreased for the three and nine months ended September 30, 2021 compared to the same periods in the prior year as payoffs exceeded loan originations. Average commercial construction loans increased for the three and nine months ended September 30, 2021 compared to the same periods in the prior year as draws on existing commitments exceeded payoffs.

Average core deposits decreased $1.8 billion for the three months ended September 30, 2021 compared to the same period in the prior year primarily due to decreases in average interest checking deposits and average savings and money market deposits, partially offset by an increase in average demand deposits. Average core deposits increased $5.3 billion for the nine months ended September 30, 2021 compared to the same period in the prior year primarily due to an increase in average demand deposits partially offset by a decrease in average interest checking deposits. Average demand deposits increased $7.3 billion and $10.5 billion for the three and nine months ended September 30, 2021, respectively, compared to the same periods in the prior year primarily as a result of commercial customers maintaining increased levels of liquidity driven by the amount of fiscal and monetary stimulus, as well as growth in the number of accounts and migration of balances from interest checking deposits. Average interest checking deposits decreased $7.4 billion and $4.9 billion, respectively, for the three and nine months ended September 30, 2021 compared to the same periods in the prior year primarily as a result of the aforementioned balance migration into demand deposits and lower average balances per commercial customer account. Average savings and money market deposits decreased $1.6 billion for the three months ended September 30, 2021 compared to the same period in the prior year primarily as a result of a decline in average balances per commercial customer account.

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Branch Banking

Branch Banking provides a full range of deposit and loan products to individuals and small businesses through 1,100 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 September 30,		For the nine months ended September 30,	
($ in millions)	**2021**	2020	**2021**	2020
Income Statement Data				
Net interest income	**$ 309**	355	**905**	1,372
Provision for credit losses	**13**	68	**79**	182
Noninterest income:				
Card and processing revenue	**82**	76	**244**	209
Service charges on deposits	**61**	53	**172**	160
Wealth and asset management revenue	**53**	44	**154**	128
Other noninterest income	**33**	19	**88**	58
Noninterest expense:				
Compensation and benefits	**160**	162	**488**	491
Net occupancy and equipment expense	**57**	54	**172**	162
Card and processing expense	**18**	28	**68**	86
Other noninterest expense	**228**	216	**675**	660
Income before income taxes	**$ 62**	19	**81**	346
Applicable income tax expense	**14**	4	**17**	73
Net income	**$ 48**	15	**64**	273
Average Balance Sheet Data				
Consumer loans	**$ 11,770**	12,573	**11,906**	12,939
Commercial loans, including held for sale	**3,069**	2,260	**3,012**	2,281
Demand deposits	**26,544**	21,174	**25,590**	19,137
Interest checking deposits	**15,742**	12,944	**15,651**	12,260
Savings and money market deposits	**42,928**	38,015	**41,997**	36,400
Other time deposits and certificates $100,000 and over	**3,086**	4,771	**3,475**	5,771

Net income was $48 million and $64 million for the three and nine months ended September 30, 2021, respectively, compared to $15 million and $273 million, respectively, for the same periods in the prior year. The increase for the three months ended September 30, 2021 compared to the same period in the prior year was primarily driven by a decrease in provision for credit losses and an increase in noninterest income partially offset by a decrease in net interest income. The decrease for the nine months ended September 30, 2021 compared to the same period in the prior year was primarily driven by a decrease in net interest income partially offset by an increase in noninterest income and a decrease in provision for credit losses.

Net interest income decreased $46 million and $467 million for the three and nine months ended September 30, 2021, respectively, compared to the same periods in the prior year primarily due to decreases in FTP credit rates on core deposits and certificates $100,000 and over as well as decreases in average balances of credit card and home equity and decreases in yields on average other consumer loans. These negative impacts were partially offset by decreases in the rates paid on average interest-bearing deposits and a decrease in FTP charge rates on loans and leases.

Provision for credit losses decreased $55 million and $103 million for the three and nine months ended September 30, 2021, respectively, compared to the same periods in the prior year primarily due to decreases in net charge-offs on credit card and home equity. The decrease for the nine months ended September 30, 2021 compared to the same period in the prior year also included a decrease in net charge-offs on other consumer loans. The decrease in provision for credit losses for the three and nine months ended September 30, 2021 compared to the same periods in the prior year also included the impact of a decrease in commercial criticized asset levels. Net charge-offs as a percent of average portfolio loans and leases decreased to 61 bps and 91 bps for the three and nine months ended September 30, 2021, respectively, compared to 113 bps and 133 bps, respectively, for the same periods in the prior year.

Noninterest income increased $37 million and $103 million for the three and nine months ended September 30, 2021, respectively, compared to the same periods in the prior year driven by increases in card and processing revenue, other noninterest income, wealth and asset

management revenue and service charges on deposits. Card and processing revenue increased $6 million and $35 million for the three and nine months ended September 30, 2021, respectively, compared to the same periods in the prior year primarily as a result of an increase in consumer customer spend volume, partially offset by increased reward costs. Other noninterest income increased $14 million and $30 million for the three and nine months ended September 30, 2021, respectively, compared to the same periods in the prior year primarily driven by decreases in net losses on disposition and impairment of bank premises and equipment as well as increases in cardholder fees and banking center income. Wealth and asset management revenue increased $9 million and $26 million for the three and nine months ended September 30, 2021, respectively, compared to the same periods in the prior year primarily due to increases in broker income and private client service fees. Service charges on deposits increased $8 million and $12 million for the three and nine months ended September 30, 2021, respectively, compared to the same periods in the prior year driven by increases in both commercial deposit fees and consumer deposit fees.

Noninterest expense increased $3 million and $4 million for the three and nine months ended September 30, 2021, respectively, compared to the same periods in the prior year primarily driven by increases in other noninterest expense and net occupancy and equipment expense, partially offset by decreases in card and processing expense. Other noninterest expense increased $12 million and $15 million for the three and nine months ended September 30, 2021, respectively, compared to the same periods in the prior year primarily due to increases in losses and adjustments, marketing expense and loan and lease expense partially offset by decreases in allocated expenses primarily related to cash management services. Net occupancy and equipment expense increased $3 million and $10 million for the three and nine months ended September 30, 2021, respectively, compared to the same periods in the prior year primarily due to increases in allocated occupancy costs. Card and processing expense decreased $10 million and $18 million for the three and nine months ended September 30, 2021, respectively, compared to the same periods in the prior year primarily driven by contract renegotiations with a third-party vendor.

Average consumer loans decreased $803 million and $1.0 billion for the three and nine months ended September 30, 2021, respectively, compared to the same periods in the prior year primarily driven by decreases in average home equity as payoffs exceeded loan originations, as well as decreases in average credit card primarily driven by the cumulative impacts from the COVID-19 pandemic, including accelerated paydown activity due to the amount of fiscal stimulus programs and lower consumer demand for credit. These decreases were partially offset by increases in average residential mortgage loans for the three and nine months ended September 30, 2021 primarily as a result of increases in loan originations. Average commercial loans increased $809 million and $731 million for the three and nine months ended September 30, 2021, respectively, compared to the same periods in the prior year primarily driven by increases in average commercial mortgage loans and average commercial and industrial loans.

Average deposits increased $11.4 billion and $13.1 billion for the three and nine months ended September 30, 2021, respectively, compared to the same periods in the prior year primarily driven by increases in average demand deposits, average savings and money market deposits and average interest checking deposits partially offset by decreases in average other time deposits and certificates $100,000 and over. Average demand deposits increased $5.4 billion and $6.5 billion, average savings and money market deposits increased $4.9 billion and $5.6 billion and average interest checking deposits increased $2.8 billion and $3.4 billion for the three and nine months ended September 30, 2021, respectively, compared to the same periods in the prior year primarily as a result of higher balances per customer account due to the amount of fiscal stimulus, uncertainty regarding the COVID-19 pandemic as well as decreased consumer outflows. Average other time deposits and certificates $100,000 and over decreased $1.7 billion and $2.3 billion for the three and nine months ended September 30, 2021, respectively, compared to the same periods in the prior year primarily due to lower offering rates on certificates.

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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 September 30,		For the nine months ended September 30,	
($ in millions)	**2021**	2020	**2021**	2020
Income Statement Data				
Net interest income	**$ 145**	98	**415**	279
Provision for (benefit from) credit losses	**(2)**	2	**7**	25
Noninterest income:				
Mortgage banking net revenue	**82**	72	**225**	286
Other noninterest income	**2**	1	**4**	11
Noninterest expense:				
Compensation and benefits	**61**	57	**189**	162
Other noninterest expense	**97**	80	**294**	220
Income before income taxes	**$ 73**	32	**154**	169
Applicable income tax expense	**15**	7	**33**	35
Net income	**$ 58**	25	**121**	134
Average Balance Sheet Data				
Residential mortgage loans, including held for sale	**$ 16,304**	13,126	**16,118**	13,167
Home equity	**140**	187	**152**	197
Indirect secured consumer loans	**15,477**	12,425	**14,629**	11,990

Net income was $58 million and $121 million for the three and nine months ended September 30, 2021, respectively, compared to net income of $25 million and $134 million, respectively, for the same periods in the prior year. The increase for the three months ended September 30, 2021 compared to the same period in the prior year was primarily driven by increases in net interest income and noninterest income as well as a decrease in provision for credit losses, partially offset by an increase in noninterest expense. The decrease for the nine months ended September 30, 2021 compared to the same period in the prior year was primarily due to an increase in noninterest expense and a decrease in noninterest income, partially offset by an increase in net interest income and a decrease in provision for credit losses.

Net interest income increased $47 million and $136 million for the three and nine months ended September 30, 2021, respectively, compared to the same periods in the prior year primarily driven by decreases in FTP charge rates on loans and leases and increases in the average balances of residential mortgage loans and indirect secured consumer loans. These increases were partially offset by decreases in yields on average residential mortgage loans and average indirect secured consumer loans as well as decreases in FTP credit rates on demand deposits.

Provision for credit losses decreased $4 million and $18 million for the three and nine months ended September 30, 2021, respectively, compared to the same periods in the prior year primarily driven by decreases in net charge-offs on indirect secured consumer loans and residential mortgage loans. Net recoveries as a percent of average portfolio loans and leases were 2 bps for the three months ended September 30, 2021 and net charge-offs as a percent of average portfolio loans and leases were 3 bps for the three months ended September 30, 2020. Net charge-offs as a percent of average portfolio loans and leases were 4 bps for the nine months ended September 30, 2021 compared to 14 bps for the nine months ended September 30, 2020.

Noninterest income increased $11 million and decreased $68 million for the three and nine months ended September 30, 2021, respectively, compared to the same periods in the prior year. The increase for the three months ended September 30, 2021 compared to the same period in the prior year was primarily driven by an increase in mortgage banking net revenue and the decrease for the nine months ended September 30, 2021 compared to the same period in the prior year was primarily driven by a decrease in mortgage banking net 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 $21 million and $101 million for the three and nine months ended September 30, 2021, respectively, compared to the same periods in the prior year due to increases in other noninterest expense and compensation and benefits. Other noninterest expense increased $17 million and $74 million for the three and nine months ended September 30, 2021, respectively, compared to the same periods

in the prior year primarily driven by increases in loan and lease expense and corporate overhead allocations. The increase for the three months ended September 30, 2021 compared to the same period in the prior year was partially offset by a decrease in losses and adjustments. Compensation and benefits increased $4 million and $27 million for the three and nine months ended September 30, 2021, respectively, compared to the same periods in the prior year primarily due to increases in base compensation and incentive compensation resulting from the increased mortgage origination activity for both the three and nine months ended September 30, 2021.

Average consumer loans increased $6.2 billion and $5.5 billion for the three and nine months ended September 30, 2021, respectively, compared to the same periods in the prior year primarily due to increases in average residential mortgage loans and average indirect secured consumer loans. Average residential mortgage loans increased $3.2 billion and $3.0 billion for the three and nine months ended September 30, 2021, respectively, compared to the same periods in the prior year primarily due to increases in residential mortgage loans held for sale as the Bancorp purchased government-guaranteed loans in forbearance programs. Average indirect secured consumer loans increased $3.1 billion and $2.6 billion for the three and nine months ended September 30, 2021, respectively, compared to the same periods in the prior year primarily driven by higher demand and other favorable market conditions, which contributed to increased loan production.

Wealth and Asset Management

Wealth and Asset Management provides a full range of wealth management services for individuals, companies and not-for-profit organizations. Wealth and Asset Management is made up of three main businesses: FTS, an indirect wholly-owned subsidiary of the Bancorp; Fifth Third Private Bank; and Fifth Third Institutional Services. FTS offers full-service retail brokerage services to individual clients and broker-dealer services to the institutional marketplace. Fifth Third 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, non-profits, 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 September 30,		For the nine months ended September 30,	
($ in millions)	**2021**	2020	**2021**	2020
Income Statement Data				
Net interest income	**$ 22**	28	**64**	116
Benefit from credit losses	**—**	—	**(1)**	—
Noninterest income:				
Wealth and asset management revenue	**140**	126	**414**	371
Other noninterest income	**3**	6	**8**	19
Noninterest expense:				
Compensation and benefits	**48**	54	**151**	165
Other noninterest expense	**86**	79	**249**	235
Income before income taxes	**$ 31**	27	**87**	106
Applicable income tax expense	**7**	6	**19**	22
Net income	**$ 24**	21	**68**	84
Average Balance Sheet Data				
Loans and leases, including held for sale	**$ 3,909**	3,678	**3,810**	3,618
Core deposits	**11,052**	10,932	**11,301**	10,848

Net income was $24 million and $68 million for the three and nine months ended September 30, 2021, respectively, compared to net income of $21 million and $84 million, respectively, for the same periods in the prior year. The increase for the three months ended September 30, 2021 compared to the same period in the prior year was primarily driven by an increase in noninterest income partially offset by a decrease in net interest income. The decrease for the nine months ended September 30, 2021 compared to the same period in the prior year was primarily driven by a decrease in net interest income partially offset by an increase in noninterest income.

Net interest income decreased $6 million and $52 million for the three and nine months ended September 30, 2021, respectively, compared to the same periods in the prior year primarily driven by decreases in FTP credit rates on interest-bearing core deposits as well as decreases in yields on average loans and leases. These negative impacts were partially offset by decreases in rates paid on average interest-bearing core deposits as well as decreases in FTP charge rates on loans and leases.

Noninterest income increased $11 million and $32 million for the three and nine months ended September 30, 2021, respectively, compared to the same periods in the prior year driven by increases in wealth and asset management revenue partially offset by decreases in other

noninterest income. Wealth and asset management revenue increased $14 million and $43 million for the three and nine months ended September 30, 2021, respectively, compared to the same periods in the prior year primarily as a result of increases in private client service fees and broker income partially offset by decreases in institutional fees. Other noninterest income decreased $3 million and $11 million for the three and nine months ended September 30, 2021, respectively, compared to the same periods in the prior year primarily due to decreases in insurance income driven by the sale of the Bancorp's property and casualty insurance business in the fourth quarter of 2020.

Noninterest expense increased $1 million and was substantially flat for the three and nine months ended September 30, 2021, respectively, compared to the same periods in the prior year driven by an increase in other noninterest expense partially offset by a decrease in compensation and benefits. Other noninterest expense increased $7 million and $14 million for the three and nine months ended September 30, 2021, respectively, compared to the same periods in the prior year primarily due to increases in expenses associated with intercompany revenue sharing agreements. Compensation and benefits decreased $6 million and $14 million for the three and nine months ended September 30, 2021, respectively, compared to the same periods in the prior year primarily as a result of decreases in base compensation which included a decline due to the sale of the Bancorp's property and casualty insurance business in the fourth quarter of 2020.

Average loans and leases increased $231 million and $192 million for the three and nine months ended September 30, 2021, respectively, compared to the same periods in the prior year primarily driven by increases in average other consumer loans and average residential mortgage loans as a result of higher loan production. The increase for the three months ended September 30, 2021 compared to the same period in the prior year was also partially offset by decreases in average commercial and industrial loans and average commercial mortgage loans as payoffs exceeded new loan production.

Average core deposits increased $120 million and $453 million for the three and nine months ended September 30, 2021, respectively, compared to the same periods in the prior year. The increase for the three months ended September 30, 2021 compared to the same period in the prior year was primarily driven by increases in average savings and money market deposits and average demand deposits, partially offset by a decrease in average interest checking deposits as a result of fiscal stimulus and migration of balances from interest checking deposits into demand deposits. The increase for the nine months ended September 30, 2021 compared to the same period in the prior year was primarily driven by increases in average savings and money market deposits, average interest checking deposits and average demand deposits as a result of higher average balances per customer account due to the amount of fiscal stimulus, uncertainty regarding the COVID-19 pandemic and decreased consumer spending.

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 on an FTE basis increased $87 million and $759 million for the three and nine months ended September 30, 2021, respectively, compared to the same periods in the prior year 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 and deposits. These positive impacts were partially offset by decreases in the benefit related to FTP charge rates on loans and leases allocated to the business segments and decreases in interest income on investment securities.

The provision for credit losses was $189 million for the three months ended September 30, 2021 compared to a benefit from credit losses of $422 million for the three months ended September 30, 2020. The increase in provision expense for the three months ended September 30, 2021 compared to the same period in the prior year was primarily driven by an increase in the benefits provided to the business segments associated with the decline in the level of commercial criticized assets owned by the business segments. The provision for credit losses was $55 million for the nine months ended September 30, 2021 compared to a provision for credit losses of $64 million for the nine months ended September 30, 2020. The decrease in provision expense for the nine months ended September 30, 2021 compared to the same period in the prior year was primarily driven by the benefit from the reduction of the ACL captured in General Corporate and Other, which was substantially offset by an increase in the benefits provided to the business segments associated with the decline in the level of commercial criticized assets owned by the business segments.

Noninterest income increased $18 million and $56 million for the three and nine months ended September 30, 2021, respectively, compared to the same periods in the prior year primarily driven by the recognition of a $60 million gain on the sale of the Bancorp's HSA deposit portfolio in the third quarter of 2021, decreases in net losses on disposition and impairment of bank premises and equipment, increases in private equity investment income and decreases in the loss on the swap associated with the sale of Visa, Inc. Class B shares. These impacts were partially offset by the recognition of securities losses of $3 million and securities gains of $4 million for the three and nine months ended September 30, 2021, respectively, compared to securities gains of $51 million and $48 million for the three and nine months ended September 30, 2020, respectively.

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Noninterest expense decreased $2 million and increased $43 million for the three and nine months ended September 30, 2021, respectively, compared to the same periods in the prior year. The decrease for the three months ended September 30, 2021 compared to the same period in the prior year was primarily driven by decreases in compensation and benefits and net occupancy expense, partially offset by a decrease in corporate overhead allocations from General Corporate and Other to the other business segments. The increase for the nine months ended September 30, 2021 compared to the same period in the prior year was primarily due to an increase in compensation and benefits, a decrease in corporate overhead allocations from General Corporate and Other to the other business segments and an increase in equipment expense. These increases were partially offset by a decrease in net occupancy expense.

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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 are influenced by both internal and external factors. 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 Capital Committee, 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 RCC, ERMC 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 approve the risk appetite, which is considered in the development of business strategies and forms the basis for enterprise risk management.
- The core principles that define the Bancorp's risk appetite are as follows:
    - Act with integrity in all activities.
    - Understand the risks taken and ensure that they are in alignment with the Bancorp's business strategies and risk appetite.
    - Avoid risks that cannot be understood, managed or monitored.
    - Provide transparency of risk to the Bancorp's management and Board by escalating risks and issues as necessary.
    - 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.
    - Only offer products or services that are 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.
    - 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.
    - Protect the Bancorp's reputation by thoroughly understanding the consequences of business strategies, products and processes.
    - 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 and 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 and is a foundational element of Fifth Third's culture.
- The Bancorp manages eight defined risk types to a prescribed appetite. 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.
- The Bancorp identifies and monitors existing and potential risks that may impact the company's risk profile, including emerging risks that create uncertainties and/or would have broad implications if materialized (e.g. global pandemics, climate change, etc.). Enhanced monitoring and action plans are implemented as necessary to proactively mitigate 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 and managing the risks associated with their activities consistent with established risk appetite and limits.
- The second line of defense, or Independent Risk Management, consists of Risk Management, Compliance and Credit Risk 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, assessing, managing, monitoring and reporting on aggregate 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 designs 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 6 of the Notes to Condensed Consolidated Financial Statements for further information on the Bancorp's credit grade categories, which are derived from standard regulatory rating definitions. 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 September 30, 2021 ($ in millions)	Carrying Value	Unpaid Principal Balance	Exposure
Commercial and industrial loans	**$ 1,801**	**1,805**	**3,187**
Commercial mortgage loans	**853**	**858**	**863**
Commercial construction loans	**398**	**399**	**421**
Commercial leases	**69**	**69**	**69**
Total potential problem portfolio loans and leases	**$ 3,121**	**3,131**	**4,540**

TABLE 31: Potential Problem Portfolio Loans and Leases

As of December 31, 2020 ($ in millions)	Carrying Value	Unpaid Principal Balance	Exposure
Commercial and industrial loans	$ 2,641	2,651	3,687
Commercial mortgage loans	784	798	792
Commercial construction loans	240	240	252
Commercial leases	72	72	72
Total potential problem portfolio loans and leases	$ 3,737	3,761	4,803

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 utilizes internally developed models to estimate expected credit losses for portfolio loans and leases. 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 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, 2020 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 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

Although the rise of the Delta and other variants of COVID-19 may present some downside risk to the economic outlook, the underlying fundamentals of the economy continue to strengthen as consumers and businesses return to more normal levels of activity. The consensus outlook continues to expect strong economic growth in 2021, although modestly softer than prior quarter expectations as supply constraints and inflationary pressures held back economic activity. The rise of the Delta variant of COVID-19 limited labor supply growth in the service sector while materials shortages have slowed the rebuilding of inventories. The pandemic is likely going to continue to be disruptive to global supply chains, tourism, business travel and global investment.

Consumer demand remained resilient despite the expiration of unemployment benefits, supply constraints and the rise in prevalence of the Delta variant. Retail sales were up 13.9% from September 2020 while recent data on consumer spending reflected a further acceleration in sales in October 2021. A large savings cushion should provide support for consumer spending as unemployment benefits and other fiscal stimulus programs end.

With the economy gaining momentum, the unemployment rate declined to 4.8% as of September 2021, down from 5.9% in June 2021, and average hourly earnings increased 4.6% year-over-year. Labor supply constraints are more binding than anticipated, slowing job growth and boosting wages along with inflation. Robust demand, combined with labor shortages and supply chain constraints, is leading to more persistent inflationary pressures throughout the economy.

Monetary policy remains highly accommodative, with short-term rates remaining at the zero lower bound and the Federal Reserve continuing its quantitative easing program. With unemployment and wages continuing to improve and inflationary trends becoming more persistent, Federal Reserve officials indicated a tapering of bond purchases could be announced during the fourth quarter of 2021 and completed around the middle of 2022. Although FOMC members are concerned about the persistence of inflationary pressures in the economy, Federal Reserve officials continue to expect the factors causing the elevated inflation readings to ease in 2022 as supply constraints in product and labor markets improve.

COVID-19 Hardship Relief Programs

In response to the COVID-19 pandemic, the Bancorp began providing financial hardship relief in March 2020 to borrowers that were negatively impacted by the pandemic and its related economic impacts. For retail borrowers, these relief programs included three-month payment deferrals for non-real estate secured and unsecured portfolios, six-month payment deferrals for home equity loans and lines of credit and six-month forbearances for residential mortgages. The Bancorp also temporarily waived fees for certain products and services, suspended initiating any new repossession actions on vehicles and suspended all residential foreclosure activity. The fee waiver, repossession suspension and payment deferral programs for non-real estate secured and unsecured and home equity loans and lines of credit were discontinued early in the third quarter of 2020. However, new programs to assist consumer customers have been offered in response to the uniqueness of the economic environment. These primarily include a short-term hardship program which allows for a reduced payment amount for six months with full payments resuming thereafter or placement into a loan modification program that could include permanent rate reductions or maturity extensions. In most cases, these offers were not classified as TDRs if qualified for the TDR relief provisions provided by the CARES Act. As of September 30, 2021, substantially all of these borrowers have resumed making payments except for certain residential mortgage loans which continue to be in forbearance.

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The Bancorp currently plans to continue to offer a forbearance program for its residential mortgage borrowers in alignment with the forbearances offered for federally-backed mortgage loans under the provisions of the CARES Act and GSE servicing guidance. Under the provisions of the CARES Act, borrowers with federally-backed residential mortgage loans were able to request a six-month forbearance with an option to extend the forbearance period for an additional period of up to six months. The GSEs have also permitted certain forbearances to be extended for an additional six months for a total of up to 18 months. Additionally, the Bancorp will continue to follow the specific GSE guidance for other non-forbearance COVID-19 pandemic relief programs when servicing its residential mortgage portfolio.

The Bancorp offered a variety of relief options to its commercial borrowers that had been impacted by the COVID-19 pandemic. While these offers were individually negotiated and tailored to each borrower's specific facts and circumstances, the most commonly offered relief measures included temporary covenant waivers and/or deferrals of principal and/or interest payments for up to 90 days. After the deferral program, a customer had the option to resume normal payments, enter into a formal loan modification program or restructure the loan arrangement. These relief options were discontinued in 2021.

The following table provides a summary of portfolio loans and leases as of September 30, 2021, by class, that have received payment deferrals or forbearances as part of the Bancorp's COVID-19 pandemic hardship relief programs:

TABLE 32: Residential Mortgage and Consumer Portfolio Loans Enrolled In Hardship Relief Programs

	Amortized Cost Basis of Loans and Leases						
					Past Due[(c)]		
September 30, 2021 ($ in millions)	Completed Relief Period	In Active Relief Period[(a)]	Total that Have Received Payment Relief[(b)]	Current[(c)]	30-89 Days	90 Days or More	Total Past Due
Residential mortgage loans[(b)]	$ 962	205	1,167	998	25	144	169
Consumer loans:							
Home equity	165	1	166	154	4	8	12
Indirect secured consumer loans[(d)]	740	55	795	754	36	5	41
Credit card	79	11	90	77	7	6	13
Other consumer loans	91	3	94	90	3	1	4
Total residential mortgage and consumer portfolio loans	$ 2,037	275	2,312	2,073	75	164	239

(a) Includes loans and leases that are still in the initial payment relief period (primarily residential mortgage and home equity loans) and loans that have requested additional relief.

(b) Excludes $631 of loans previously sold to GNMA that the Bancorp had the option to repurchase as a result of forbearance, all of which were repurchased and are classified as held for sale.

(c) For loans which are still in an active relief period, past due status is based on the borrower's status as of March 1, 2020, as adjusted based on the borrower's compliance with modified loan terms.

(d) Indirect secured consumer loans which are still in an active relief period as of September 30, 2021 are required to make payments but at a reduced amount from original contractual terms.

As of September 30, 2021, $1.2 billion of the Bancorp's residential mortgage loans had been enrolled in a COVID-19 forbearance program (either active or completed). These loans had a weighted-average FICO score of approximately 687 and a weighted-average origination LTV of approximately 81%. Approximately 75% of these borrowers made at least one payment since entering forbearance, and 86% of balances are reported as current as of September 30, 2021. The Bancorp had $205 million of these loans in an active relief period as of September 30, 2021 and these loans had a weighted-average FICO score of approximately 653 and a weighted-average origination LTV of approximately 83%. Approximately one third of borrowers in an active forbearance period have made at least one payment since entering forbearance and approximately 87% of the residential mortgage loans still in an active relief period have completed the initial six-month forbearance period and have requested an extended forbearance.

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 multinational 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.

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Certain industries have experienced increased stress due to the COVID-19 pandemic. These include consumer-driven industries that require gathering or congregation such as leisure and recreation (including casinos, restaurants, sports, fitness, hotels and other industries), non-essential retail and leisure travel (primarily including airlines and cruise lines). Certain segments of the healthcare industry (including skilled nursing, physician offices and surgery/outpatient centers, among others) have also been impacted by the pandemic given delays and restrictions on in-person visits and elective procedures. Many affected businesses that have reopened are experiencing labor shortages, which create wide-ranging effects on several industries, including decreased hours of service and increased labor costs.

The following table presents industries impacted the most severely within the Bancorp's commercial and industrial and commercial real estate loan portfolios as of September 30, 2021:

TABLE 33: 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)]	$	3,124	7,159	Accommodation and food / Entertainment and recreation
Retail - non-essential		682	3,216	Retail trade
Healthcare		1,090	1,759	Healthcare
Leisure travel		367	557	Transportation and warehousing
Total commercial and industrial loans	$	5,263	12,691	
Commercial real estate owner-occupied loans:				
Leisure and recreation[(c)]		365	412	Accommodation and food / Entertainment and recreation
Retail - non-essential		86	90	Real estate
Healthcare		1,530	1,745	Healthcare
Total commercial real estate owner-occupied loans	$	1,981	2,247	
Commercial real estate nonowner-occupied loans:				
Leisure and recreation[(c)]		1,684	1,875	Accommodation and food / Entertainment and recreation
Retail - non-essential		932	1,025	Real estate
Healthcare		120	141	Healthcare
Total commercial real estate nonowner-occupied loans	$	2,736	3,041	
Total	$	9,980	17,979	

(a) Excludes loans related to the SBA's Paycheck Protection Program.
(b) As defined by the North American Industry Classification System.
(c) Balances include exposures to casinos, restaurants, sports, fitness, hotels and other.

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

	September 30, 2021			December 31, 2020		
($ in millions)	Outstanding	Exposure	Nonaccrual	Outstanding	Exposure	Nonaccrual
By Industry:						
Manufacturing	**$ 10,637**	**21,638**	**52**	10,699	21,986	68
Real estate	**10,516**	**16,035**	**63**	11,416	16,865	143
Financial services and insurance	**7,328**	**16,678**	**—**	6,868	15,113	—
Business services	**5,008**	**9,570**	**24**	5,344	9,114	66
Healthcare	**4,952**	**7,555**	**4**	5,168	7,874	41
Wholesale trade	**4,433**	**9,018**	**31**	4,204	7,990	25
Accommodation and food	**4,084**	**6,803**	**23**	4,166	6,600	35
Retail trade	**3,662**	**9,467**	**3**	3,651	8,871	6
Construction	**2,916**	**6,177**	**4**	2,631	6,053	4
Communication and information	**2,898**	**6,686**	**25**	3,128	5,802	39
Transportation and warehousing	**2,753**	**4,715**	**9**	2,846	4,596	13
Mining	**2,540**	**4,651**	**17**	2,626	4,171	94
Entertainment and recreation	**1,407**	**2,893**	**81**	2,248	3,537	84
Other services	**1,274**	**1,676**	**7**	1,362	1,770	7
Utilities	**1,253**	**3,317**	**—**	1,162	3,011	—
Public administration	**581**	**987**	**4**	880	1,428	—
Agribusiness	**315**	**572**	**1**	394	616	10
Other	**97**	**99**	**1**	127	129	2
Individuals	**66**	**114**	**—**	77	123	1
Total	**$ 66,720**	**128,651**	**349**	68,997	125,649	638
By Loan Size:						
Less than $1 million	**6 %**	**4**	**13**	7	5	10
$1 million to $5 million	**8**	**7**	**13**	9	7	18
$5 million to $10 million	**7**	**5**	**6**	7	6	14
$10 million to $25 million	**16**	**14**	**43**	18	16	27
$25 million to $50 million	**24**	**24**	**25**	24	23	31
Greater than $50 million	**39**	**46**	**—**	35	43	—
Total	**100 %**	**100**	**100**	100	100	100
By State:						
Illinois	**12 %**	**10**	**28**	14	12	28
Ohio	**10**	**12**	**4**	11	12	4
Florida	**8**	**7**	**1**	8	7	1
California	**8**	**7**	**8**	7	7	1
Texas	**8**	**8**	**5**	7	7	10
Michigan	**6**	**6**	**11**	6	6	7
Indiana	**4**	**4**	**2**	4	4	1
Georgia	**3**	**4**	**9**	3	4	7
Tennessee	**3**	**3**	**1**	2	3	1
North Carolina	**2**	**2**	**1**	3	2	3
Kentucky	**2**	**2**	**—**	2	2	4
South Carolina	**2**	**1**	**—**	2	1	—
Other	**32**	**34**	**30**	31	33	33
Total	**100 %**	**100**	**100**	100	100	100

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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.

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

As of September 30, 2021 ($ in millions)	LTV > 100%	LTV 80-100%	LTV < 80%
Commercial mortgage owner-occupied loans	**$ 130**	**323**	**3,311**
Commercial mortgage nonowner-occupied loans	**14**	**101**	**4,207**
Total	**$ 144**	**424**	**7,518**

TABLE 36: Commercial Mortgage Loans Outstanding by LTV, Loans Greater Than $1 Million

As of December 31, 2020 ($ in millions)	LTV > 100%	LTV 80-100%	LTV < 80%
Commercial mortgage owner-occupied loans	$ 121	310	3,209
Commercial mortgage nonowner-occupied loans	51	72	4,757
Total	$ 172	382	7,966

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

As of September 30, 2021 ($ in millions)					**For the three months ended September 30, 2021**	**For the nine months ended September 30, 2021**
	Outstanding	Exposure	90 Days Past Due	Nonaccrual	Net (Recoveries) Charge-offs	Net (Recoveries) Charge-offs
By State:						
Illinois	**$ 2,235**	**2,583**	—	**24**	—	—
Ohio	**1,493**	**2,064**	—	—	—	—
Florida	**1,083**	**1,658**	—	—	—	—
North Carolina	**929**	**1,193**	—	**2**	—	—
Michigan	**776**	**889**	—	—	—	—
Texas	**622**	**1,067**	—	—	—	—
Indiana	**600**	**831**	—	—	—	—
All other states	**2,513**	**3,892**	—	**1**	**(1)**	**(2)**
Total	**$ 10,251**	**14,177**	—	**27**	**(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.

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TABLE 38: Nonowner-Occupied Commercial Real Estate (excluding loans held for sale)[a]

As of September 30, 2020 ($ in millions)	Outstanding	Exposure	90 Days Past Due	Nonaccrual	For the three months ended September 30, 2020 Net Charge-offs	For the nine months ended September 30, 2020 Net Charge-offs
By State:						
Illinois	$ 2,976	3,505	4	47	—	1
Ohio	1,391	1,978	—	4	—	—
Florida	1,080	1,672	—	—	—	—
North Carolina	830	1,122	—	2	—	—
Michigan	806	934	—	1	—	—
Texas	450	851	—	—	—	—
Indiana	507	960	—	—	—	—
All other states	3,052	4,638	—	48	10	12
Total	$ 11,092	15,660	4	102	10	13

(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.

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. The Bancorp actively manages the consumer portfolio through concentration limits, which mitigate credit risk through limiting the exposure to lower FICO scores, higher LTVs and specific geographic concentration risks.

The Bancorp enhanced its credit underwriting guidelines across the entire consumer portfolio in response to the economic stress created by the COVID-19 pandemic. The current set of credit guidelines have generally returned to pre-pandemic levels as the Bancorp continues to ensure that underwriting standards reflect forward-looking outlooks on both risks and market opportunities, support strategic objectives, provide value to consumers and ensure adherence to risk appetite. These guidelines will be monitored and adjusted as deemed appropriate in response to the prevailing economic conditions while remaining within the Bancorp's risk tolerance limits.

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 $535 million of ARM loans will have rate resets during the next twelve months. Of these resets, 5% are expected to experience an increase in rate, with an average increase of approximately 0.17%. Underlying characteristics of these borrowers are relatively strong with a weighted average origination DTI of 32% and weighted average origination LTV of 74%.

Certain residential mortgage products have characteristics that may increase the Bancorp's credit loss rates 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.

In response to the COVID-19 pandemic, the Bancorp is following GSE guidance regarding forbearance and foreclosure regulations which currently allow up to 18 months of forbearance. The foreclosure moratorium expired in the third quarter of 2021. COVID-19 related forbearance opportunities for new enrollees were set to expire on September 30, 2021, though this has been revised and currently the program has no set end date.

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

TABLE 39: Residential Mortgage Portfolio Loans by LTV at Origination

	September 30, 2021		December 31, 2020	
($ in millions)	Outstanding	Weighted-Average LTV	Outstanding	Weighted-Average LTV
LTV ≤ 80%	**$ 11,904**	**63.3 %**	$ 11,336	65.2%
LTV > 80%, with mortgage insurance[(a)]	**2,312**	**95.1**	2,535	95.5
LTV > 80%, no mortgage insurance	**1,942**	**90.9**	2,057	91.1
Total	**$ 16,158**	**71.9 %**	$ 15,928	73.9%

(a) Includes loans with either borrower or lender paid mortgage insurance.

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

As of September 30, 2021 ($ in millions)				**For the three months ended September 30, 2021**	**For the nine months ended September 30, 2021**
	Outstanding	90 Days Past Due	Nonaccrual	Net (Recoveries) Charge-offs	Net (Recoveries) Charge-offs
By State:					
Ohio	**$ 452**	**5**	**4**	**—**	**(1)**
Illinois	**395**	**3**	**2**	**—**	**—**
Florida	**295**	**2**	**1**	**—**	**—**
Michigan	**151**	**1**	**—**	**—**	**—**
Indiana	**134**	**1**	**—**	**—**	**—**
North Carolina	**136**	**—**	**—**	**—**	**—**
Kentucky	**98**	**1**	**—**	**—**	**—**
All other states	**281**	**2**	**2**	**—**	**—**
Total	**$ 1,942**	**15**	**9**	**—**	**(1)**

TABLE 41: Residential Mortgage Portfolio Loans, LTV Greater Than 80% at Origination, No Mortgage Insurance

As of September 30, 2020 ($ in millions)				For the three months ended September 30, 2020	For the nine months ended September 30, 2020
	Outstanding	90 Days Past Due	Nonaccrual	Net Charge-offs	Net Charge-offs
By State:					
Ohio	$ 474	3	3	—	—
Illinois	423	2	2	—	—
Florida	299	1	2	—	—
Michigan	194	2	1	—	—
Indiana	160	1	1	—	—
North Carolina	138	2	—	—	—
Kentucky	94	1	—	—	—
All other states	338	3	3	—	—
Total	$ 2,120	15	12	—	—

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. Approximately 49% of the outstanding balances of the Bancorp's portfolio of home equity lines of credit have a balloon structure at maturity. Peak maturity years for the balloon home equity lines of credit are 2025 to 2028 and approximately 21% of the balances mature before 2025.

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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 43 and Table 44. Of the total $4.3 billion of outstanding home equity loans:

- 81% reside within the Bancorp's Midwest footprint of Ohio, Michigan, Kentucky, Indiana and Illinois as of September 30, 2021;
- 41% are in senior lien positions and 59% are in junior lien positions at September 30, 2021;
- 78% of non-delinquent borrowers made at least one payment greater than the minimum payment during the three months ended September 30, 2021; and
- The portfolio had a weighted average refreshed FICO score of 748 at September 30, 2021.

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

TABLE 42: Home Equity Portfolio Loans Outstanding by Refreshed FICO Score

	September 30, 2021		December 31, 2020	
($ in millions)	Outstanding	% of Total	Outstanding	% of Total
Senior Liens:				
FICO ≤ 659	**$ 148**	**3 %**	$ 174	3 %
FICO 660-719	**241**	**6**	284	6
FICO ≥ 720	**1,361**	**32**	1,546	30
Total senior liens	**$ 1,750**	**41**	2,004	39
Junior Liens:				
FICO ≤ 659	**263**	**6**	339	6
FICO 660-719	**474**	**11**	610	12
FICO ≥ 720	**1,789**	**42**	2,230	43
Total junior liens	**$ 2,526**	**59**	3,179	61
Total	**$ 4,276**	**100 %**	$ 5,183	100 %

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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 43: Home Equity Portfolio Loans Outstanding by LTV at Origination

	September 30, 2021		December 31, 2020	
($ in millions)	Outstanding	Weighted-Average LTV	Outstanding	Weighted-Average LTV
Senior Liens:				
LTV ≤ 80%	**$ 1,520**	**53.6 %**	$ 1,728	53.8 %
LTV > 80%	**230**	**88.8**	276	89.1
Total senior liens	**$ 1,750**	**58.4**	2,004	58.8
Junior Liens:				
LTV ≤ 80%	**1,537**	**66.4**	1,864	66.5
LTV > 80%	**989**	**89.8**	1,315	89.8
Total junior liens	**$ 2,526**	**76.4**	3,179	77.1
Total	**$ 4,276**	**68.8 %**	$ 5,183	69.8 %

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

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

As of September 30, 2021 ($ in millions)					**For the three months ended September 30, 2021**	**For the nine months ended September 30, 2021**
	Outstanding	Exposure	90 Days Past Due	Nonaccrual	Net (Recoveries) Charge-offs	Net (Recoveries) Charge-offs
By State:						
Ohio	**$ 382**	**941**	—	**8**	**—**	**—**
Michigan	**208**	**495**	—	**4**	**—**	**(1)**
Illinois	**198**	**397**	**1**	**5**	**(1)**	**(1)**
Indiana	**117**	**270**	—	**3**	**—**	**—**
Kentucky	**97**	**236**	—	**2**	—	—
Florida	**84**	**178**	—	**1**	**—**	**—**
All other states	**133**	**290**	—	**4**	**—**	**(1)**
Total	**$ 1,219**	**2,807**	**1**	**27**	**(1)**	**(3)**

TABLE 45: Home Equity Portfolio Loans Outstanding with an LTV Greater than 80% at Origination

As of September 30, 2020 ($ in millions)					For the three months ended September 30, 2020	For the nine months ended September 30, 2020
	Outstanding	Exposure	90 Days Past Due	Nonaccrual	Net Charge-offs	Net Charge-offs
By State:						
Ohio	$ 530	1,169	—	10	—	1
Michigan	308	627	—	5	—	—
Illinois	267	492	2	8	—	—
Indiana	159	337	—	3	—	—
Kentucky	133	292	—	1	—	—
Florida	122	233	—	3	—	—
All other states	191	370	—	4	—	—
Total	$ 1,710	3,520	2	34	—	1

Indirect secured consumer portfolio

The indirect secured consumer portfolio is comprised of $14.8 billion of automobile loans and $1.2 billion of indirect motorcycle, powersport, recreational vehicle and marine loans as of September 30, 2021. The concentration of lower FICO (≤659) origination balances remained within targeted credit risk tolerance during the nine months ended September 30, 2021. All concentration and guideline changes are monitored monthly to ensure alignment with original credit performance and return projections.

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

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

	September 30, 2021		December 31, 2020	
($ in millions)	Outstanding	% of Total	Outstanding	% of Total
FICO ≤ 659	**$ 333**	**2 %**	$ 417	3 %
FICO 660-719	**3,692**	**23**	3,568	26
FICO ≥ 720	**11,979**	**75**	9,668	71
Total	**$ 16,004**	**100 %**	$ 13,653	100 %

As of September 30, 2021, 94% 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.

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

TABLE 47: Indirect Secured Consumer Portfolio Loans Outstanding by LTV at Origination

	September 30, 2021		December 31, 2020	
($ in millions)	Outstanding	Weighted-Average LTV	Outstanding	Weighted-Average LTV
LTV ≤ 100%	**$ 11,688**	**79.6 %**	$ 9,371	80.3 %
LTV > 100%	**4,316**	**111.4**	4,282	112.7
Total	**$ 16,004**	**88.4 %**	$ 13,653	90.8 %

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 48: 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 Nine Months Ended
September 30, 2021	**$ 4,316**	**5**	**22**	**—**	**7**
September 30, 2020	4,365	5	10	3	18

Credit card portfolio

The credit card portfolio consists of predominantly prime accounts with 97% of balances existing within the Bancorp's footprint at both September 30, 2021 and December 31, 2020. At September 30, 2021 and December 31, 2020, 72% and 69%, respectively, of the outstanding balances were originated through branch-based relationships with the remainder coming from direct mail campaigns and online acquisitions.

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

TABLE 49: Credit Card Portfolio Loans Outstanding by FICO Score at Origination

	September 30, 2021		December 31, 2020	
($ in millions)	Outstanding	% of Total	Outstanding	% of Total
FICO ≤ 659	**$ 82**	**5 %**	$ 94	5 %
FICO 660-719	**523**	**30**	654	32
FICO ≥ 720	**1,139**	**65**	1,259	63
Total	**$ 1,744**	**100 %**	$ 2,007	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 or purchased in connection with third-party financial technology companies. The Bancorp had $255 million in unfunded commitments associated with loans originated in connection with third-party financial technology companies as of September 30, 2021. The Bancorp closely monitors the credit performance of point-of-sale loans. Loans originated in connection with third-party financial technology companies are impacted by certain credit loss protection coverage provided by those companies.

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

TABLE 50: Other Consumer Portfolio Loans Outstanding by Product Type

	September 30, 2021		December 31, 2020	
($ in millions)	Outstanding	% of Total	Outstanding	% of Total
Unsecured	**$ 636**	**21 %**	$ 683	23 %
Other secured	**838**	**28**	774	26
Point-of-sale	**1,535**	**51**	1,557	51
Total	**$ 3,009**	**100 %**	$ 3,014	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 51. 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, 2020.

Nonperforming assets were $560 million at September 30, 2021 compared to $870 million at December 31, 2020. At September 30, 2021, $1 million of nonaccrual loans were held for sale, compared to $6 million at December 31, 2020.

Nonperforming portfolio assets as a percent of portfolio loans and leases and OREO were 0.52% as of September 30, 2021 compared to 0.79% as of December 31, 2020. Nonaccrual loans and leases secured by real estate were 31% of nonaccrual loans and leases as of September 30, 2021 compared to 36% as of December 31, 2020.

Portfolio commercial nonaccrual loans and leases were $349 million at September 30, 2021, a decrease of $289 million from December 31, 2020. Portfolio consumer nonaccrual loans were $179 million at September 30, 2021, a decrease of $17 million from December 31, 2020. Refer to Table 52 for a rollforward of the portfolio nonaccrual loans and leases.

OREO and other repossessed property was $31 million and $30 million at September 30, 2021 and December 31, 2020, respectively. The Bancorp recognized an immaterial amount and $2 million in losses on the transfer, sale or write-down of OREO properties for the three months ended September 30, 2021 and 2020, respectively, and $6 million and $7 million in losses on the transfer, sale or write-down of OREO properties for the nine months ended September 30, 2021 and 2020, respectively.

For the three and nine months ended September 30, 2021, approximately $6 million and $24 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 compared to $10 million and $27 million in the same periods in the prior year. 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 51: Summary of Nonperforming Assets and Delinquent Loans and Leases

As of ($ in millions)		September 30, 2021	December 31, 2020
Nonaccrual portfolio loans and leases:			
Commercial and industrial loans	$	**172**	230
Commercial mortgage loans		**43**	82
Commercial leases		**6**	7
Residential mortgage loans[(a)]		**13**	25
Home equity		**48**	52
Indirect secured consumer loans		**5**	9
Other consumer loans		**1**	2
Nonaccrual portfolio restructured loans and leases:			
Commercial and industrial loans		**121**	243
Commercial mortgage loans		**7**	75
Commercial construction loans		**—**	1
Residential mortgage loans[(a)]		**26**	35
Home equity		**30**	34
Indirect secured consumer loans		**31**	7
Credit card		**24**	32
Other consumer loans		**1**	—
Total nonaccrual portfolio loans and leases[(b)]	$	**528**	834
OREO and other repossessed property		**31**	30
Total nonperforming portfolio loans and leases and OREO	$	**559**	864
Nonaccrual loans held for sale		**—**	5
Nonaccrual restructured loans held for sale		**1**	1
Total nonperforming assets	$	**560**	870
Total portfolio loans and leases 90 days past due and still accruing:			
Commercial and industrial loans	$	**4**	39
Commercial mortgage loans		**2**	8
Commercial leases		**1**	1
Residential mortgage loans[(a)]		**61**	70
Home equity		**1**	2
Indirect secured consumer loans		**8**	10
Credit card		**14**	31
Other consumer loans		**1**	2
Total portfolio loans and leases 90 days past due and still accruing	$	**92**	163
Nonperforming portfolio assets as a percent of portfolio loans and leases and OREO		**0.52%**	0.79
ALLL as a percent of nonperforming portfolio assets		**350**	284
ACL as a percent of nonperforming portfolio assets		**386**	304

(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 $277 as of September 30, 2021 and $317 as of December 31, 2020. The Bancorp recognized losses of $1 and an immaterial amount for the three months ended September 30, 2021 and 2020, respectively, and $2 for both the nine months ended September 30, 2021 and 2020 due to claim denials and curtailments associated with these insured or guaranteed loans.

(b) Includes $26 and $29 of nonaccrual government insured commercial loans whose repayments are insured by the SBA as of September 30, 2021 and December 31, 2020, respectively, of which $11 and $17 are restructured nonaccrual government insured commercial loans as of September 30, 2021 and December 31, 2020, respectively.

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

TABLE 52: Rollforward of Portfolio Nonaccrual Loans and Leases

For the nine months ended September 30, 2021 ($ in millions)	Commercial	Residential Mortgage	Consumer	Total
Balance, beginning of period	**$ 638**	**60**	**136**	**834**
Transfers to nonaccrual status	**177**	**36**	**140**	**353**
Transfers to accrual status	**(1)**	**(56)**	**(70)**	**(127)**
Transfers to held for sale	**(88)**	**—**	**—**	**(88)**
Loan paydowns/payoffs	**(312)**	**—**	**(42)**	**(354)**
Transfers to OREO	**(1)**	**(2)**	**—**	**(3)**
Charge-offs	**(91)**	**—**	**(25)**	**(116)**
Draws/other extensions of credit	**27**	**1**	**1**	**29**
Balance, end of period	**$ 349**	**39**	**140**	**528**

TABLE 53: Rollforward of Portfolio Nonaccrual Loans and Leases

For the nine months ended September 30, 2020 ($ in millions)	Commercial	Residential Mortgage	Consumer	Total
Balance, beginning of period	$ 397	91	130	618
Transfers to nonaccrual status	648	104	117	869
Transfers to accrual status	(34)	(112)	(61)	(207)
Transfers to held for sale	(11)	—	—	(11)
Loan paydowns/payoffs	(123)	(7)	(30)	(160)
Transfers to OREO	—	(7)	—	(7)
Charge-offs	(208)	—	(23)	(231)
Draws/other extensions of credit	19	—	1	20
Balance, end of period	$ 688	69	134	891

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. Refer to the Regulatory Developments Related to the COVID-19 Pandemic 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, 2020 for additional information on loans that were modified related to the COVID-19 pandemic but not classified as TDRs.

Consumer restructured loans on accrual status totaled $684 million and $796 million at September 30, 2021 and December 31, 2020, respectively. As of September 30, 2021, the percentages 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 25%, respectively.

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

TABLE 54: Accruing and Nonaccruing Portfolio TDRs

		Accruing				
As of September 30, 2021 ($ in millions)		Current	30-89 Days Past Due	90 Days or More Past Due	Nonaccruing	Total
Commercial loans[(a)]	**$**	**74**	**—**	**—**	**128**	**202**
Residential mortgage loans[(b)]		**360**	**23**	**87**	**26**	**496**
Home equity		**148**	**4**	**—**	**30**	**182**
Indirect secured consumer loans		**39**	**2**	**—**	**31**	**72**
Credit card		**19**	**2**	**—**	**24**	**45**
Other consumer		**—**	**—**	**—**	**1**	**1**
Total	**$**	**640**	**31**	**87**	**240**	**998**

(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 September 30, 2021, these advances represented $165 of current loans, $17 of 30-89 days past due loans and $67 of 90 days or more past due loans.

TABLE 55: Accruing and Nonaccruing Portfolio TDRs

		Accruing				
As of December 31, 2020 ($ in millions)		Current	30-89 Days Past Due	90 Days or More Past Due	Nonaccruing	Total
Commercial loans[(a)]	$	92	—	—	319	411
Residential mortgage loans[(b)]		462	32	102	35	631
Home equity		171	7	—	34	212
Indirect secured consumer loans		5	—	—	7	12
Credit card		15	2	—	32	49
Total	$	745	41	102	427	1,315

(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, 2020, these advances represented $276 of current loans, $28 of 30-89 days past due loans and $78 of 90 days or more past due loans.

Analysis of Net Loan Charge-offs

Net charge-offs were 8 bps and 35 bps of average portfolio loans and leases for the three months ended September 30, 2021 and 2020, respectively, and were 17 bps and 41 bps of average portfolio loans and leases for the nine months ended September 30, 2021 and 2020, respectively. Table 56 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 decreased to 3 bps and 10 bps during the three and nine months ended September 30, 2021, respectively, compared to 33 bps and 35 bps during the three and nine months ended September 30, 2020, respectively. The decrease was primarily due to decreases in net charge-offs on commercial and industrial loans of $37 million and $112 million for the three and nine months ended September 30, 2020, 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 16 bps and 28 bps during the three and nine months ended September 30, 2021, respectively, compared to 40 bps and 53 bps during the three and nine months ended September 30, 2020, respectively. The decrease was primarily due to decreases in net charge-offs on credit card of $17 million and $43 million for the three and nine months ended September 30, 2021, respectively, and a decrease in net charge-offs on indirect secured consumer loans of $15 million for the nine months ended September 30, 2021 compared to the same periods in the prior year. The decrease for both the three and nine months ended September 30, 2021 included the impact of government stimulus programs and the Bancorp's hardship programs. Additionally, the Bancorp continued to see increased used car values through the third quarter of 2021 which has directly impacted loss severity.

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TABLE 56: Summary of Credit Loss Experience

($ in millions)	For the three months ended September 30, 2021	For the three months ended September 30, 2020	For the nine months ended September 30, 2021	For the nine months ended September 30, 2020
Losses charged-off:				
Commercial and industrial loans	**$ (10)**	(45)	**(78)**	(167)
Commercial mortgage loans	**—**	(11)	**(12)**	(16)
Commercial leases	**—**	(10)	**(1)**	(26)
Residential mortgage loans	**(1)**	(1)	**(3)**	(6)
Home equity	**(2)**	(4)	**(6)**	(11)
Indirect secured consumer loans	**(9)**	(11)	**(38)**	(48)
Credit card	**(17)**	(34)	**(74)**	(117)
Other consumer loans[(a)]	**(17)**	(19)	**(56)**	(66)
Total losses charged-off	**$ (56)**	(135)	**(268)**	(457)
Recoveries of losses previously charged-off:				
Commercial and industrial loans	**$ 5**	3	**33**	10
Commercial mortgage loans	**1**	—	**4**	2
Commercial leases	**—**	2	**3**	2
Residential mortgage loans	**2**	2	**5**	5
Home equity	**3**	3	**8**	6
Indirect secured consumer loans	**10**	8	**30**	25
Credit card	**5**	5	**17**	17
Other consumer loans[(a)]	**9**	11	**32**	37
Total recoveries of losses previously charged-off	**$ 35**	34	**132**	104
Net losses charged-off:				
Commercial and industrial loans	**$ (5)**	(42)	**(45)**	(157)
Commercial mortgage loans	**1**	(11)	**(8)**	(14)
Commercial leases	**—**	(8)	**2**	(24)
Residential mortgage loans	**1**	1	**2**	(1)
Home equity	**1**	(1)	**2**	(5)
Indirect secured consumer loans	**1**	(3)	**(8)**	(23)
Credit card	**(12)**	(29)	**(57)**	(100)
Other consumer loans	**(8)**	(8)	**(24)**	(29)
Total net losses charged-off	**$ (21)**	(101)	**(136)**	(353)
Net losses charged-off as a percent of average portfolio loans and leases:				
Commercial and industrial loans	**0.04 %**	0.31	**0.12**	0.38
Commercial mortgage loans	**(0.03)**	0.39	**0.10**	0.17
Commercial leases	**—**	1.09	**(0.10)**	1.05
Total commercial loans and leases	**0.03 %**	0.33	**0.10**	0.35
Residential mortgage loans	**(0.02)**	(0.02)	**(0.01)**	0.01
Home equity	**(0.13)**	0.07	**(0.07)**	0.11
Indirect secured consumer loans	**(0.02)**	0.11	**0.07**	0.25
Credit card	**2.70**	5.44	**4.26**	5.84
Other consumer loans	**1.05**	1.05	**1.04**	1.36
Total consumer loans	**0.16 %**	0.40	**0.28**	0.53
Total net losses charged-off as a percent of average portfolio loans and leases	**0.08 %**	0.35	**0.17**	0.41

(a) The Bancorp recorded $7 and $25 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 nine months ended September 30, 2021, respectively, compared to $9 and $31 for the three and nine months ended September 30, 2021, respectively.

Allowance for Credit Losses

The allowance for credit losses is comprised of the ALLL and the reserve for unfunded commitments. As described in 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, 2020, 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.

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 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.

September 30, 2021 ACL

The ACL as of September 30, 2021 was impacted by several factors, including continued improvement in credit quality, a relatively stable Baseline and Upside economic outlook, and some deterioration observed in the forecast for the Downside scenario. As a result of these factors, the Bancorp incorporated a combination of quantitative model-based estimates and qualitative adjustments. For the quantitative estimates, the Bancorp incorporated three scenarios developed by the third party in August 2021 that included estimates of the expected impacts of the changes in economic conditions caused by the COVID-19 pandemic. The Baseline scenario was assigned a probability weighting of 60%, with a more favorable scenario (Upside) assigned a probability weighting of 20% and a less favorable scenario (Downside) assigned a probability of 20%. The Baseline scenario assumed that the $550 billion bipartisan infrastructure bill would pass in its then current form, and that the separate spending and tax legislation would be scaled back to $3 trillion. In 2021, expectations have been lowered for the real GDP growth forecast, which is now expected to rise 6.3% versus 6.8% in the prior quarter. The Baseline scenario also

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assumes an average unemployment rate of 4.6% in the fourth quarter of 2021, decreasing to 3.7% in 2022. The Upside scenario assumes a faster than expected boost in consumer sentiment and spending as a result of the government stimulus programs. The Upside scenario also assumes that on an average annual basis, the change in real GDP is 6.5% in 2021 and 2022, and a full-employment rate is expected to be achieved by the first quarter of 2022. The Downside scenario includes increased concerns over the emergence of vaccine-resistant virus variants causing increased cases of COVID-19 and a resultant reduction in consumer spending on travel, retail, and hotels. The Downside scenario assumes that real GDP will decline through the second quarter of 2022, with the change in real GDP on an average annual basis at 5.7% in 2021 and (0.5%) in 2022. The Downside scenario unemployment rate peaks at 9.1% in the fourth quarter of 2022 and decreases to 6.2% by the end of 2024.

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 $788 million. 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 if probability weights were adjusted.

At September 30, 2021, the qualitative component of the ACL included consideration of certain factors that represent emerging risks specifically associated with the current economic environment and the COVID-19 pandemic. These considerations resulted in qualitative adjustments to increase the ACL, primarily related to commercial borrowers experiencing prolonged distress, commercial borrowers in certain industries which have been severely impacted by the COVID-19 pandemic and consumer borrowers that deferred contractual payments under COVID-19 forbearance or hardship programs.

The following table provides a rollforward of the Bancorp's ACL:

TABLE 57: Changes in Allowance for Credit Losses

	For the three months ended September 30,		For the nine months ended September 30,	
($ in millions)	**2021**	2020	**2021**	2020
ALLL:				
Balance, beginning of period	**$ 2,033**	2,696	**2,453**	1,202
Losses charged-off[(a)]	**(56)**	(135)	**(268)**	(457)
Recoveries of losses previously charged-off[(a)]	**35**	34	**132**	104
(Benefit from) provision for loan and lease losses	**(58)**	(21)	**(363)**	1,082
Impact of adoption of ASU 2016-13	**—**	—	**—**	643
Balance, end of period	**$ 1,954**	2,574	**1,954**	2,574
Reserve for unfunded commitments:				
Balance, beginning of period	**$ 189**	176	**172**	144
Provision for the reserve for unfunded commitments	**16**	6	**33**	28
Impact of adoption of ASU 2016-13	**—**	—	**—**	10
Balance, end of period	**$ 205**	182	**205**	182

(a) The Bancorp recorded $7 and $25 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 nine months ended September 30, 2021, respectively, compared to $9 and $31 for the three and nine months ended September 30, 2021, respectively.

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The following table provides an attribution of the Bancorp's ALLL to portfolio loans and leases:

TABLE 58: Attribution of Allowance for Loan and Lease Losses to Portfolio Loans and Leases

As of ($ in millions)		September 30, 2021	December 31, 2020
Attributed ALLL:			
Commercial and industrial loans	$	**739**	901
Commercial mortgage loans		**335**	402
Commercial construction loans		**72**	124
Commercial leases		**21**	29
Residential mortgage loans		**235**	294
Home equity		**138**	201
Indirect secured consumer loans		**117**	131
Credit card		**189**	252
Other consumer loans		**108**	119
Total ALLL	$	**1,954**	2,453
Portfolio loans and leases:			
Commercial and industrial loans	$	**47,834**	49,665
Commercial mortgage loans		**10,300**	10,602
Commercial construction loans		**5,456**	5,815
Commercial leases		**3,130**	2,915
Residential mortgage loans		**16,158**	15,928
Home equity		**4,276**	5,183
Indirect secured consumer loans		**16,004**	13,653
Credit card		**1,744**	2,007
Other consumer loans		**3,009**	3,014
Total portfolio loans and leases	$	**107,911**	108,782
Attributed ALLL as a percent of respective portfolio loans and leases:			
Commercial and industrial loans		**1.54 %**	1.81
Commercial mortgage loans		**3.25**	3.79
Commercial construction loans		**1.32**	2.13
Commercial leases		**0.67**	0.99
Residential mortgage loans		**1.45**	1.85
Home equity		**3.23**	3.88
Indirect secured consumer loans		**0.73**	0.96
Credit card		**10.84**	12.56
Other consumer loans		**3.59**	3.95
Total ALLL as a percent of portfolio loans and leases		**1.81 %**	2.25
Total ACL as a percent of portfolio loans and leases		**2.00**	2.41

The Bancorp's ALLL may vary significantly from period to period based on changes in economic conditions, economic forecasts and the composition and credit quality of the Bancorp's loan and lease portfolio. For additional information on the Bancorp's methodology for measuring the ACL, 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, 2020.

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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 September 30, 2021, 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 unlikely probability associated with a potential negative rate environment, the Bancorp does not have a 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 parallel ramps and shocks as well as steepening and other 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 ongoing COVID-19 pandemic has caused significant changes to interest rates, volatilities and the composition of the Bancorp's balance sheet, including significant increases in deposit funding related to stimulus programs, which has resulted in an excess liquidity position. The excess liquidity is likely to continue negatively impacting net interest margin if short-term interest rates hold steady or move lower but may be partially offset by the amortization of fees related to PPP loans and investment opportunities should the yield curve steepen.

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 $5 billion of additional demand deposit balances run-off over 24 months above what is

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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 $5 billion 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 and reflect the Bank's excess liquidity position.

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. At September 30, 2021, the modeling assumed a weighted-average rising-rate interest-bearing deposit beta of 37%, which is aligned with the portfolio's experience in the last rate hike cycle. 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 32% at September 30, 2021, 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 59: Estimated NII Sensitivity Profile and ALCO Policy Limits

	September 30, 2021				September 30, 2020			
	% 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	**10.88 %**	**22.39**	**(4.00)**	**(6.00)**	3.26	10.15	(4.00)	(6.00)
+100 Ramp over 12 months	**5.67**	**12.31**	**N/A**	**N/A**	1.66	5.34	N/A	N/A
-25 Ramp over 3 months	**(1.95)**	**(3.18)**	**N/A**	**N/A**	(2.28)	(3.27)	N/A	N/A

At September 30, 2021, the Bancorp's NII would benefit significantly 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 September 30, 2020 were primarily attributable to the revision of the deposit beta assumptions in the first quarter of 2021 and continued increases in noninterest-bearing and low-cost interest-bearing deposits.

Tables 60 and 61 provide the sensitivity of the Bancorp's estimated NII profile at September 30, 2021 to changes to certain deposit balance and deposit repricing sensitivity (betas) assumptions.

The following table includes the Bancorp's estimated NII sensitivity profile at September 30, 2021 with an immediate $5 billion decrease and an immediate $5 billion increase in demand deposit balances:

TABLE 60: Estimated NII Sensitivity Profile at September 30, 2021 with a $5 Billion Change in Demand Deposit Assumption

	% Change in NII (FTE)			
	Immediate $5 Billion Balance Decrease		Immediate $5 Billion Balance Increase	
Change in Interest Rates (bps)	12 Months	13-24 Months	12 Months	13-24 Months
+200 Ramp over 12 months	9.80 %	20.27	11.96	24.52
+100 Ramp over 12 months	5.13	11.25	6.21	13.37
-25 Ramp over 3 months	(2.20)	(3.44)	(1.71)	(2.91)

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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 September 30, 2021:

TABLE 61: Estimated NII Sensitivity Profile at September 30, 2021 with Deposit Beta Assumptions Changes

	% Change in NII (FTE)			
	Betas 25% Higher[(a)]		Betas 25% Lower[(b)]	
Change in Interest Rates (bps)	12 Months	13-24 Months	12 Months	13-24 Months
+200 Ramp over 12 months	8.75 %	18.64	13.01	26.14
+100 Ramp over 12 months	4.62	10.49	6.72	14.13
-25 Ramp over 3 months	(1.89)	(3.12)	(2.03)	(3.24)

(a) Includes weighted-average rising-rate and falling-rate interest-bearing deposit betas of 46% and 40%, respectively.
(b) Includes weighted-average rising-rate and falling-rate interest-bearing deposit betas of 28% and 24%, respectively.

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 62: Estimated EVE Sensitivity Profile

	September 30, 2021		September 30, 2020	
Change in Interest Rates (bps)	% Change in EVE	ALCO Policy Limit	% Change in EVE	ALCO Policy Limit
+200 Shock	**8.13 %**	**(12.00)**	(1.48)	(12.00)
+100 Shock	**4.68**	**N/A**	(0.11)	N/A
-25 Shock	**(1.48)**	**N/A**	(0.97)	N/A

The EVE sensitivity is significantly positive in a +200 bps rising-rate scenario at September 30, 2021. The changes in the estimated EVE sensitivity profile from September 30, 2020 were primarily related to the revision of the deposit beta assumptions in the first quarter of 2021, growth in noninterest-bearing and low-cost interest-bearing deposits and the shorter expected lives of prepayable, fixed-rate assets due to the decrease in market interest rates. These items were partially offset by continued repositioning of the investment portfolio into securities with less principal cash flows 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 account for 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.

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.

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Tables 63 and 64 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, to hedge the exposure to changes in fair value of a recognized asset attributable to changes in the benchmark interest rate 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 14 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 63: Weighted-Average Maturity, Receive Rate and Pay Rate on Qualifying Hedging Instruments

As of September 30, 2021 ($ in millions)	Notional Amount	Fair Value	Remaining (years)	Receive/ Strike Rate	Index
Interest rate swaps – cash flow – receive-fixed	**$ 8,000**	**(1)**	**2.3**	**3.02 %**	**1 ML**
Interest rate swaps related to long-term debt– fair value – receive-fixed	**1,455**	**405**	**9.9**	**6.03**	**1 ML / 3 ML**
Interest rate swaps related to available-for-sale debt and other securities– fair value – receive-floating	**445**	**9**	**7.7**	**—**	**1 ML**
Total interest rate swaps	**$ 9,900**	**413**			
Interest rate floors – cash flow – receive-fixed	**$ 3,000**	**166**	**3.2**	**2.25**	**1 ML**

TABLE 64: Weighted-Average Maturity, Receive Rate and Pay Rate on Qualifying Hedging Instruments

As of December 31, 2020 ($ in millions)	Notional Amount	Fair Value	Remaining (years)	Receive/ Strike Rate	Index
Interest rate swaps – cash flow – receive-fixed	$ 8,000	14	3.0	3.02 %	1 ML
Interest rate swaps related to long-term debt– fair value – receive-fixed	1,955	528	8.1	5.35	1 ML / 3 ML
Total interest rate swaps	$ 9,955	542			
Interest rate floors – cash flow – receive-fixed	$ 3,000	244	4.0	2.25	1 ML

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 14 of the Notes to Condensed Consolidated Financial Statements.

Residential Mortgage Servicing Rights and Price Risk

The fair value of the residential MSR portfolio was $943 million and $656 million at September 30, 2021 and December 31, 2020, 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.

For the three and nine months ended September 30, 2021, the Bancorp recognized losses of $44 million and $95 million, respectively, in mortgage banking net revenue for valuation adjustments on the MSR portfolio. The valuation adjustments on the MSR portfolio included increases of $20 million and $123 million for the three and nine months ended September 30, 2021, respectively, due to changes in market rates and other inputs in the valuation model, including future prepayment speeds and OAS assumptions. Mortgage rates were relatively flat during the three months ended September 30, 2021, however higher swap rates resulted in a reduction to modeled prepayment speeds and a tightening of the spread between mortgage rates and swap rates. Mortgage rates increased during the nine months ended September 30, 2021, which resulted in a reduction to modeled prepayment speeds and a tightening of the spread between mortgage rates and swap rates. There was

also an increase in the modeled OAS assumptions for both the three and nine months ended September 30, 2021. The fair value of the MSR portfolio also decreased $64 million and $218 million as a result of contractual principal payments and actual prepayment activity for the three and nine months ended September 30, 2021, respectively.

Mortgage rates decreased during both the three and nine months ended September 30, 2020, which caused modeled prepayment speeds to rise. Additionally, swap rates increased for the three months ended September 30, 2020, which caused modeled OAS assumptions to increase. The fair value of the MSR portfolio increased $4 million and decreased $340 million for the three and nine months ended September 30, 2020, respectively, due to changes to inputs to the valuation model, including prepayment speeds and OAS assumptions and decreased $75 million and $179 million for the three and nine months ended September 30, 2020, respectively, due to the impact of contractual principal payments and actual prepayment activity.

The Bancorp recognized net losses of $11 million and $101 million on its non-qualifying hedging strategy for the three and nine months ended September 30, 2021, respectively, compared to net losses of $13 million and net gains of $351 million during the three and nine months ended September 30, 2020, respectively. These amounts included net losses of an immaterial amount and $2 million for the three and nine months ended September 30, 2021, respectively, compared to net losses of $1 million and net gains of $3 million for the three and nine months ended September 30, 2020, respectively, on securities related to the Bancorp's non-qualifying hedging strategy. 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 13 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 September 30, 2021 and December 31, 2020 was $849 million and $655 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.

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

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 17 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 a liquidity 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.

Refer to the Interest Rate and Price Risk Management subsection of the Risk Management section of MD&A included in the Bancorp's Annual Report on Form 10-K for the year ended December 31, 2020 for information about the expected cash flows from loan and lease repayments. Of the $37.9 billion of securities in the Bancorp's available-for-sale debt and other securities portfolio at September 30, 2021, $4.4 billion in principal and interest is expected to be received in the next 12 months and an additional $3.8 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 and leases, home equity loans, automobile loans and other consumer loans are also capable of being securitized or sold. For the three and nine months ended September 30, 2021, the Bancorp sold or securitized loans and leases totaling $4.8 billion and $12.9 billion, respectively, compared to $2.8 billion and $9.0 billion during the three and nine months ended September 30, 2020, respectively. For further information, refer to Note 13 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 90% and 89% of its average total assets for the three and nine months ended September 30, 2021, respectively, compared to 87% and 85% for the three and nine months ended September 30, 2020, respectively. 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. Management does not rely on any one source of liquidity and manages availability in response to changing balance sheet needs.

As of September 30, 2021, $4.7 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. For further information on a subsequent event related to long-term debt, refer to Note 24 of the Notes to Condensed Consolidated Financial Statements.

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

As of September 30, 2021, the Bank's global bank note program had a borrowing capacity of $25.0 billion, of which $22.0 billion was available for issuance. Additionally, at September 30, 2021, the Bank had approximately $48.4 billion of borrowing capacity available through secured borrowing sources, including the FRB and FHLB.

Current Liquidity Position

The COVID-19 pandemic has significantly impacted the economic environment, although financial markets, initially supported by Federal Reserve programs, have been stable and well-functioning following the onset of the crisis, aided by significant monetary and fiscal response. 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 September 30, 2021, the Bancorp (parent company) 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 27 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 65. 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 65: Agency Ratings

As of November 5, 2021	Moody's	Standard and Poor's	Fitch	DBRS Morningstar
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	A1	No rating	A	AH
Senior debt	A3	A-	A-	AH
Subordinated debt	A3	BBB+	BBB+	A
Rating Agency Outlook for Fifth Third Bancorp and Fifth Third Bank, National Association	Stable	Stable	Stable	Stable

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 third parties 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, product delivery risk assessment, scenario analysis, 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 Information Security Governance Committee and Model Risk Committee report to the Operational Risk Committee and are responsible for governance of information security and model risks. 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 continues to put pressure on operational risk including cyber, fraud and third-party risks driven by factors such as remote work strategies, relief programs and outsourced service providers. Additionally, increased external threats have elevated fraud and cyber-security risks. These risks continue to be 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 a robust business continuity management process, which have been leveraged to support the continuity of processes across the Bank.

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

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 result 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 legal and 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 foster consistency and sufficiency in the execution of the program, and ensures that lines of business 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 and Director of Financial Crimes 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 change management and regulatory compliance testing and monitoring. As part of Compliance Risk Management, the Financial Crimes Division conducts and oversees anti-money laundering and economic sanctions processes. Compliance Risk Management partners with the Community and Economic Development team to oversee the Bancorp's compliance with the Community Reinvestment Act.

Fifth Third also reports and escalates 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 and Director of Financial Crimes, is the key committee that oversees and supports Fifth Third in the management of compliance risk across the enterprise. The Management Compliance Committee oversees Bancorp-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 RCC 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 66: 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 subject to the stress capital buffer requirement, which replaced the capital conservation buffer on October 1, 2020. Institutions subject to the stress capital buffer requirement must maintain capital ratios above their respective buffered minimum (regulatory minimum plus stress capital buffer) in order to avoid certain limitations on capital distributions and discretionary bonuses to executive officers. The FRB uses the supervisory stress test to determine the Bancorp's stress capital buffer, subject to a floor of 2.5%. The Bancorp's stress capital buffer requirement has been 2.5% since the introduction of this framework and was most recently affirmed on June 24, 2021. The Bancorp's capital ratios have exceeded the stress capital buffer requirement for all periods presented.

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. The impact of the modified CECL transition amount on the Bancorp's regulatory capital at September 30, 2021 was an increase in capital of approximately $519 million. On a fully phased-in basis, the Bancorp's CET1 ratio would be reduced by 33 basis points as of September 30, 2021. The CECL transition amount will begin to phase in during the fiscal year starting January 1, 2022 and will be fully phased in by January 1, 2025.

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

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

TABLE 67: Capital Ratios

($ in millions)		September 30, 2021	December 31, 2020
Quarterly average total Bancorp shareholders' equity as a percent of average assets		**11.16 %**	11.34
Tangible equity as a percent of tangible assets[(a)(b)]		**8.06**	8.18
Tangible common equity as a percent of tangible assets[(a)(b)]		**7.01**	7.11
Regulatory capital:[(c)]			
CET1 capital	**$**	**14,673**	14,682
Tier I capital		**16,789**	16,797
Total regulatory capital		**20,742**	21,412
Risk-weighted assets		**148,827**	141,974
Regulatory capital ratios:[(c)]			
CET1 capital		**9.86 %**	10.34
Tier I risk-based capital		**11.28**	11.83
Total risk-based capital		**13.94**	15.08
Tier I leverage		**8.41**	8.49

(a) These are non-GAAP measures. For further information, refer to the Non-GAAP Financial Measures section of MD&A.
(b) Excludes AOCI.
(c) Regulatory capital ratios as of September 30, 2021 are calculated pursuant to the five-year transition provision option to phase in the effects of CECL on regulatory capital.

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. As a result of the EPS Tailoring Rule, the Bancorp is subject to Category IV standards, under which the Bancorp is no longer required to file semi-annual, company-run stress tests with the FRB and publicly disclose the results. However, the Bancorp is required to develop and maintain a capital plan approved by the Board of Directors on an annual basis. As an institution subject to Category IV standards, the Bancorp is subject to the FRB's supervisory stress tests every two years, the Board capital plan rule and certain FR Y-14 reporting requirements. The supervisory stress tests are forward-looking quantitative evaluations of the impact of stressful economic and financial market conditions on the Bancorp's capital. 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. The Bancorp is not subject to the 2021 supervisory stress test conducted by the FRB but has submitted its Board-approved capital plan as required.

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 required 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. These restrictions were extended, quarterly, with certain modifications, throughout the remainder of 2020.

The FRB extended these restrictions into the first and second quarters of 2021, with certain modifications to permit a limited amount of share repurchases. During the first and second quarters of 2021, the Bancorp was authorized to pay dividends and execute share repurchases according to a formula based on recent income provided the Bancorp did not increase the amount of its common dividend.

In June 2021, the FRB lifted the COVID-19 pandemic induced capital distribution limitations, which prohibited increases to the common dividend and placed limitations on share repurchases, and authorized the Bancorp, beginning July 1, 2021, to make capital distributions that are consistent with the requirements in the Board's capital plan rule, inclusive of the Bancorp's stress capital buffer requirement. The Bancorp maintains a comprehensive process for managing capital and expects the stress capital buffer framework to provide greater flexibility for the Bancorp to assess and deploy capital.

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

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 $0.30 and $0.27 for the three months ended September 30, 2021 and 2020, respectively, and $0.84 and $0.81 for the nine months ended September 30, 2021 and 2020, respectively. Pursuant to the Bancorp's Board-approved capital plan, during the third quarter of 2021, the Bancorp entered into and settled an accelerated share repurchase transaction in the amount of $550 million. Refer to Note 16 and Note 24 of the Notes to Condensed Consolidated Financial Statements for additional information on share repurchase activity.

The following table summarizes the monthly share repurchase activity for the three months ended September 30, 2021:

TABLE 68: 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[(b)]
July 1 - July 31, 2021	13,091,643	$ 37.99	13,065,958	49,482,893
August 1 - August 31, 2021	34,690	38.57	—	49,482,893
September 1 - September 30, 2021	1,655,139	38.41	1,413,211	48,069,682
Total	14,781,472	$ 38.03	14,479,169	48,069,682

(a) Includes 302,303 shares repurchased during the third quarter of 2021 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.

(b) In June 2019, the Bancorp announced that its Board of Directors had authorized management to purchase 100 million shares of the Bancorp's common stock through the open market or in any private party transactions. This authorization did not include specific targets or an expiration date.

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. This information contains certain statements that we believe are forward-looking statements. Refer to page 1 for cautionary information regarding forward-looking statements.

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.

The Bancorp's management also conducted an evaluation of internal control over financial reporting to determine whether any changes occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Bancorp's internal control over financial reporting. Based on this evaluation there has been no such change during the period covered by this report.

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 September 30, 2021	As of December 31, 2020
Assets			
Cash and due from banks	$	**3,213**	3,147
Other short-term investments[(a)]		**34,203**	33,399
Available-for-sale debt and other securities[(b)]		**37,870**	37,513
Held-to-maturity securities[(c)]		**8**	11
Trading debt securities		**685**	560
Equity securities		**329**	313
Loans and leases held for sale[(d)]		**5,203**	4,741
Portfolio loans and leases[(a)(e)]		**107,911**	108,782
Allowance for loan and lease losses[(a)]		**(1,954)**	(2,453)
Portfolio loans and leases, net		**105,957**	106,329
Bank premises and equipment[(f)]		**2,101**	2,088
Operating lease equipment		**647**	777
Goodwill		**4,514**	4,258
Intangible assets		**169**	139
Servicing rights		**943**	656
Other assets[(a)]		**11,889**	10,749
Total Assets	$	**207,731**	204,680
Liabilities			
Deposits:			
Noninterest-bearing deposits	$	**63,879**	57,711
Interest-bearing deposits[(g)]		**101,229**	101,370
Total deposits		**165,108**	159,081
Federal funds purchased		**309**	300
Other short-term borrowings		**949**	1,192
Accrued taxes, interest and expenses		**2,083**	2,614
Other liabilities[(a)]		**5,339**	3,409
Long-term debt[(a)]		**11,419**	14,973
Total Liabilities	$	**185,207**	181,569
Equity			
Common stock[(h)]	$	**2,051**	2,051
Preferred stock[(i)]		**2,116**	2,116
Capital surplus		**3,611**	3,635
Retained earnings		**19,817**	18,384
Accumulated other comprehensive income		**1,637**	2,601
Treasury stock[(h)]		**(6,708)**	(5,676)
Total Equity	$	**22,524**	23,111
Total Liabilities and Equity	$	**207,731**	204,680

(a) Includes $27 and $55 of other short-term investments, $383 and $756 of portfolio loans and leases, $(3) and $(7) of ALLL, $2 and $5 of other assets, $1 and $2 of other liabilities, and $325 and $656 of long-term debt from consolidated VIEs that are included in their respective captions above at September 30, 2021 and December 31, 2020, respectively. For further information, refer to Note 12.

(b) Amortized cost of $36,308 and $34,982 at September 30, 2021 and December 31, 2020, respectively.

(c) Fair value of $8 and $11 at September 30, 2021 and December 31, 2020, respectively.

(d) Includes $1,532 and $1,481 of residential mortgage loans held for sale measured at fair value at September 30, 2021 and December 31, 2020, respectively.

(e) Includes $156 and $161 of residential mortgage loans measured at fair value at September 30, 2021 and December 31, 2020, respectively.

(f) Includes $25 and $35 of bank premises and equipment held for sale at September 30, 2021 and December 31, 2020, respectively.

(g) Includes $351 of interest checking deposits held for sale at December 31, 2020.

(h) Common shares: Stated value $2.22 per share; authorized 2,000,000,000; outstanding at September 30, 2021 – 689,790,194 (excludes 234,102,387 treasury shares), December 31, 2020 – 712,760,325 (excludes 211,132,256 treasury shares).

(i) 500,000 shares of no par value preferred stock were authorized at both September 30, 2021 and December 31, 2020. There were 422,000 unissued shares of undesignated no par value preferred stock at both September 30, 2021 and December 31, 2020. 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 September 30, 2021 and December 31, 2020. There were 300,000 unissued shares of undesignated no par value Class B preferred stock at both September 30, 2021 and December 31, 2020. 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)

($ in millions, except share data)	For the three months ended September 30, 2021	For the three months ended September 30, 2020	For the nine months ended September 30, 2021	For the nine months ended September 30, 2020
Interest Income				
Interest and fees on loans and leases	**$ 1,014**	1,047	**3,078**	3,397
Interest on securities	**266**	274	**809**	840
Interest on other short-term investments	**12**	8	**29**	20
Total interest income	**1,292**	1,329	**3,916**	4,257
Interest Expense				
Interest on deposits	**12**	46	**48**	295
Interest on federal funds purchased	**—**	—	**—**	2
Interest on other short-term borrowings	**—**	5	**1**	13
Interest on long-term debt	**91**	108	**293**	347
Total interest expense	**103**	159	**342**	657
Net Interest Income	**1,189**	1,170	**3,574**	3,600
(Benefit from) provision for credit losses	**(42)**	(15)	**(330)**	1,110
Net Interest Income After (Benefit from) Provision for Credit Losses	**1,231**	1,185	**3,904**	2,490
Noninterest Income				
Commercial banking revenue	**152**	125	**465**	387
Service charges on deposits	**152**	144	**445**	414
Wealth and asset management revenue	**147**	132	**436**	387
Card and processing revenue	**102**	92	**298**	260
Mortgage banking net revenue	**86**	76	**235**	295
Leasing business revenue	**78**	77	**226**	207
Other noninterest income	**120**	26	**211**	42
Securities gains (losses), net	**(1)**	51	**12**	48
Securities (losses) gains, net – non-qualifying hedges on mortgage servicing rights	**—**	(1)	**(2)**	3
Total noninterest income	**836**	722	**2,326**	2,043
Noninterest Expense				
Compensation and benefits	**627**	637	**1,971**	1,911
Technology and communications	**98**	89	**285**	272
Net occupancy expense	**79**	90	**235**	254
Equipment expense	**34**	33	**102**	97
Leasing business expense	**33**	35	**102**	103
Marketing expense	**29**	23	**72**	74
Card and processing expense	**19**	29	**70**	89
Other noninterest expense	**253**	225	**704**	682
Total noninterest expense	**1,172**	1,161	**3,541**	3,482
Income Before Income Taxes	**895**	746	**2,689**	1,051
Applicable income tax expense	**191**	165	**582**	228
Net Income	**704**	581	**2,107**	823
Dividends on preferred stock	**20**	19	**75**	69
Net Income Available to Common Shareholders	**$ 684**	562	**2,032**	754
Earnings per share - basic	**$ 0.98**	0.78	**2.87**	1.05
Earnings per share - diluted	**$ 0.97**	0.78	**2.83**	1.04
Average common shares outstanding - basic	**697,457,483**	715,102,136	**706,845,513**	714,477,089
Average common shares outstanding - diluted	**706,089,674**	718,893,892	**715,803,010**	718,942,648

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)

($ in millions)	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	**2021**	2020
Net Income	**$ 704**	581	**2,107**	823
Other Comprehensive (Loss) Income, Net of Tax:				
Unrealized gains on available-for-sale debt securities:				
Unrealized holding (losses) gains arising during period	**(281)**	(32)	**(748)**	1,306
Reclassification adjustment for net losses (gains) included in net income	**(1)**	(34)	**7**	(34)
Unrealized gains on cash flow hedge derivatives:				
Unrealized holding (losses) gains arising during period	**2**	1	**(53)**	494
Reclassification adjustment for net gains included in net income	**(58)**	(56)	**(173)**	(130)
Defined benefit pension plans, net:				
Net actuarial loss arising during the year	**(1)**	(2)	**(2)**	(2)
Reclassification of amounts to net periodic benefit costs	**2**	3	**5**	5
Other comprehensive (loss) income, net of tax	**(337)**	(120)	**(964)**	1,639
Comprehensive Income	**$ 367**	461	**1,143**	2,462

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)

($ in millions, except per share data)	Common Stock	Preferred Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total Equity
Balance at June 30, 2020	$ 2,051	1,770	3,603	17,643	2,951	(5,683)	22,335
Net income				581			581
Other comprehensive loss, net of tax					(120)		(120)
Cash dividends declared:							
Common stock ($0.27 per share)				(195)			(195)
Preferred stock:							
Series I ($414.06 per share)				(7)			(7)
Series J ($219.65 per share)				(3)			(3)
Series K ($309.38 per share)				(3)			(3)
Series L ($187.50 per share)				(3)			(3)
Class B, Series A ($15.00 per share)				(3)			(3)
Issuance of preferred stock		346					346
Impact of stock transactions under stock compensation plans, net			21			2	23
Balance at September 30, 2020	$ 2,051	2,116	3,624	18,010	2,831	(5,681)	22,951
Balance at June 30, 2021	**$ 2,051**	**2,116**	**3,602**	**19,343**	**1,974**	**(6,160)**	**22,926**
Net income				**704**			**704**
Other comprehensive loss, net of tax					**(337)**		**(337)**
Cash dividends declared:							
Common stock ($0.30 per share)				**(210)**			**(210)**
Preferred stock:							
Series I ($414.06 per share)				**(7)**			**(7)**
Series J ($209.30 per share)				**(3)**			**(3)**
Series K ($309.38 per share)				**(3)**			**(3)**
Series L ($281.25 per share)				**(4)**			**(4)**
Class B, Series A ($15.00 per share)				**(3)**			**(3)**
Shares acquired for treasury						**(550)**	**(550)**
Impact of stock transactions under stock compensation plans, net			**9**			**2**	**11**
Balance at September 30, 2021	**$ 2,051**	**2,116**	**3,611**	**19,817**	**1,637**	**(6,708)**	**22,524**

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

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (unaudited)

($ in millions, except per share data)	Common Stock	Preferred Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total Equity
Balance at December 31, 2019	$ 2,051	1,770	3,599	18,315	1,192	(5,724)	21,203
Impact of cumulative effect of change in accounting principle				(472)			(472)
Balance at January 1, 2020	$ 2,051	1,770	3,599	17,843	1,192	(5,724)	20,731
Net income				823			823
Other comprehensive income, net of tax					1,639		1,639
Cash dividends declared:							
Common stock ($0.81 per share)				(585)			(585)
Preferred stock:							
Series H ($637.50 per share)				(15)			(15)
Series I ($1,242.18 per share)				(23)			(23)
Series J ($829.58 per share)				(10)			(10)
Series K ($928.14 per share)				(9)			(9)
Series L ($187.50 per share)				(3)			(3)
Class B, Series A ($45.00 per share)				(9)			(9)
Issuance of preferred stock		346					346
Impact of stock transactions under stock compensation plans, net			25			41	66
Other				(2)		2	—
Balance at September 30, 2020	$ 2,051	2,116	3,624	18,010	2,831	(5,681)	22,951
Balance at December 31, 2020	**$ 2,051**	**2,116**	**3,635**	**18,384**	**2,601**	**(5,676)**	**23,111**
Net income				**2,107**			**2,107**
Other comprehensive loss, net of tax					**(964)**		**(964)**
Cash dividends declared:							
Common stock ($0.84 per share)				**(597)**			**(597)**
Preferred stock:							
Series H ($637.50 per share)				**(15)**			**(15)**
Series I ($1,242.18 per share)				**(22)**			**(22)**
Series J ($631.24 per share)				**(8)**			**(8)**
Series K ($928.13 per share)				**(9)**			**(9)**
Series L ($843.75 per share)				**(12)**			**(12)**
Class B, Series A ($45.00 per share)				**(9)**			**(9)**
Shares acquired for treasury						**(1,077)**	**(1,077)**
Impact of stock transactions under stock compensation plans, net			**(24)**			**44**	**20**
Other				**(2)**		**1**	**(1)**
Balance at September 30, 2021	**$ 2,051**	**2,116**	**3,611**	**19,817**	**1,637**	**(6,708)**	**22,524**

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 nine months ended September 30, 2021	2020
Operating Activities		
Net income	**$ 2,107**	823
Adjustments to reconcile net income to net cash provided by operating activities:		
(Benefit from) provision for credit losses	**(330)**	1,110
Depreciation, amortization and accretion	**371**	358
Stock-based compensation expense	**100**	100
Benefit from deferred income taxes	**(217)**	(174)
Securities gains, net	**(6)**	(58)
MSR fair value adjustment	**95**	519
Net gains on sales of loans and fair value adjustments on loans held for sale	**(264)**	(206)
Net losses on disposition and impairment of bank premises and equipment	**4**	26
Net losses (gains) on disposition and impairment of operating lease equipment	**12**	(6)
Gain on sale of HSA deposit portfolio	**(60)**	—
Proceeds from sales of loans held for sale	**12,767**	9,149
Loans originated or purchased for sale, net of repayments	**(13,250)**	(9,252)
Dividends representing return on equity investments	**33**	8
Net change in:		
Equity and trading debt securities	**(125)**	(107)
Other assets	**292**	(444)
Accrued taxes, interest and expenses and other liabilities	**(167)**	169
Net Cash Provided by Operating Activities	**1,362**	2,015
Investing Activities		
Proceeds from sales:		
AFS securities and other investments	**2,832**	1,325
Loans and leases	**653**	77
Bank premises and equipment	**18**	16
Proceeds from repayments / maturities of AFS and HTM securities and other investments	**4,504**	2,275
Purchases:		
AFS securities and other investments	**(8,772)**	(3,568)
Bank premises and equipment	**(224)**	(235)
MSRs	**(210)**	(36)
Proceeds from settlement of BOLI	**20**	16
Proceeds from sales and dividends representing return of equity investments	**33**	12
Net cash paid on acquisition	**(296)**	—
Net cash paid on sale of HSA deposit portfolio	**(431)**	—
Net change in:		
Other short-term investments	**(803)**	(29,335)
Portfolio loans and leases	**330**	(2,079)
Operating lease equipment	**21**	(61)
Net Cash Used in Investing Activities	**(2,325)**	(31,593)
Financing Activities		
Net change in deposits	**6,518**	29,621
Net change in other short-term borrowings and federal funds purchased	**(196)**	126
Dividends paid on common and preferred stock	**(654)**	(629)
Proceeds from issuance of long-term debt	**56**	2,529
Repayment of long-term debt	**(3,525)**	(2,654)
Repurchases of treasury stock and related forward contract	**(1,077)**	—
Issuance of preferred stock	**—**	346
Other	**(93)**	(43)
Net Cash Provided by Financing Activities	**1,029**	29,296
Increase (Decrease) in Cash and Due from Banks	**66**	(282)
Cash and Due from Banks at Beginning of Period	**3,147**	3,278
Cash and Due from Banks at End of Period	**$ 3,213**	2,996

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 among consolidated entities 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 nine months ended September 30, 2021 and 2020 and the cash flows for the nine months ended September 30, 2021 and 2020 are not necessarily indicative of the results to be expected for the full year. Financial information as of December 31, 2020 has been derived from the Bancorp's Annual Report on Form 10-K.

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

2. Supplemental Cash Flow Information

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

($ in millions)		**2021**	2020
Cash Payments:			
Interest	**$**	**431**	746
Income taxes		**500**	419
Transfers:			
Portfolio loans and leases to loans and leases held for sale[(a)]	**$**	**414**	713
Loans and leases held for sale to portfolio loans and leases		**38**	39
Portfolio loans and leases to OREO		**7**	11
Loans and leases held for sale to OREO		**—**	2
Bank premises and equipment to OREO		**19**	2
Supplemental Disclosures:			
Net additions to lease liabilities under operating leases	**$**	**59**	35
Net additions to lease liabilities under finance leases		**29**	90

(a) Includes $154 and $668 for the nine months ended September 30, 2021 and 2020, respectively, of residential mortgage loans previously sold to GNMA which the Bancorp was initially deemed to have regained effective control over under ASC Topic 860 and which were recorded as portfolio loans. The Bancorp subsequently repurchased these loans and classified them as held for sale.

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

3. Accounting and Reporting Developments

Standards Adopted in 2021

The Bancorp adopted the following new accounting standard during the nine months ended September 30, 2021:

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 Bancorp adopted the amended guidance on January 1, 2021 on a modified retrospective basis, except for certain provisions of the amended guidance which were required to be adopted prospectively. The adoption of the amended guidance did not have a material impact on the Condensed Consolidated Financial Statements.

Reference Rate Reform and LIBOR Transition

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. Subsequently, in January 2021, the FASB issued ASU 2021-01, which clarified that the optional expedients and exceptions in Topic 848 for contract modifications and hedge accounting also apply to derivatives that are affected by the discounting transition. 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 for which an entity has elected certain optional expedients 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 and applying, as applicable, the optional expedients and exceptions in accounting for eligible contract modifications, eligible existing hedging relationships and new hedging relationships available through December 31, 2022.

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

4. 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 securities portfolios as of:

September 30, 2021 ($ in millions)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale debt and other securities:				
U.S. Treasury and federal agencies securities	**$ 90**	**2**	**—**	**92**
Obligations of states and political subdivisions securities	**18**	**—**	**—**	**18**
Mortgage-backed securities:				
Agency residential mortgage-backed securities	**9,191**	**474**	**(13)**	**9,652**
Agency commercial mortgage-backed securities	**18,468**	**962**	**(66)**	**19,364**
Non-agency commercial mortgage-backed securities	**3,802**	**183**	**(6)**	**3,979**
Asset-backed securities and other debt securities	**4,221**	**44**	**(18)**	**4,247**
Other securities[(a)]	**518**	**—**	**—**	**518**
Total available-for-sale debt and other securities	**$ 36,308**	**1,665**	**(103)**	**37,870**
Held-to-maturity securities:				
Obligations of states and political subdivisions securities	**$ 6**	**—**	**—**	**6**
Asset-backed securities and other debt securities	**2**	**—**	**—**	**2**
Total held-to-maturity securities	**$ 8**	**—**	**—**	**8**

(a) Other securities consist of FHLB, FRB and DTCC restricted stock holdings of $31, $485 and $2, respectively, at September 30, 2021, that are carried at cost.

December 31, 2020 ($ in millions)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale debt and other securities:				
U.S. Treasury and federal agencies securities	$ 74	4	—	78
Obligations of states and political subdivisions securities	17	—	—	17
Mortgage-backed securities:				
Agency residential mortgage-backed securities	11,147	768	(8)	11,907
Agency commercial mortgage-backed securities	16,745	1,481	(5)	18,221
Non-agency commercial mortgage-backed securities	3,323	267	—	3,590
Asset-backed securities and other debt securities	3,152	48	(24)	3,176
Other securities[(a)]	524	—	—	524
Total available-for-sale debt and other securities	$ 34,982	2,568	(37)	37,513
Held-to-maturity securities:				
Obligations of states and political subdivisions securities	$ 9	—	—	9
Asset-backed securities and other debt securities	2	—	—	2
Total held-to-maturity securities	$ 11	—	—	11

(a) Other securities consist of FHLB, FRB and DTCC restricted stock holdings of $40, $482 and $2, respectively, at December 31, 2020, that are carried at cost.

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

($ in millions)	**September 30, 2021**	December 31, 2020
Trading debt securities	**$ 685**	560
Equity securities	**329**	313

The amounts reported in the preceding tables exclude accrued interest receivable on investment securities of $85 million and $87 million at September 30, 2021 and December 31, 2020, respectively, 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 (losses) gains, net – non-qualifying hedges on mortgage servicing rights 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 September 30,		For the nine months ended September 30,	
($ in millions)	**2021**	2020	**2021**	2020
Available-for-sale debt and other securities:				
Realized gains	**$ 16**	46	**24**	47
Realized losses	**(3)**	(1)	**(14)**	(2)
Impairment losses	**(12)**	—	**(19)**	—
Net (losses) gains on available-for sale debt and other securities	**$ 1**	45	**(9)**	45
Total trading debt securities (losses) gains	**$ (1)**	(1)	**(1)**	3
Total equity securities gains (losses)[(a)]	**$ (1)**	6	**20**	3
Total gains (losses) recognized in income from available-for-sale debt and other securities, trading debt securities and equity securities[(b)]	**$ (1)**	50	**10**	51

(a) Includes net unrealized losses of $3 and net unrealized gains $14 for the three and nine months ended September 30, 2021, respectively, and net unrealized losses of $1 and $3 for the three and nine months ended September 30, 2020, respectively.

(b) Excludes $1 and $4 of net securities losses for the three and nine months ended September 30, 2021, respectively, and $1 and $7 of net securities gains for the three and nine months ended September 30, 2020, respectively, related to securities held by FTS to facilitate the timely execution of customer transactions. These losses and gains are included in commercial banking revenue and wealth and asset management revenue in the Condensed Consolidated Statements of Income.

The Bancorp recognized impairment losses on available-for-sale debt and other securities of $12 million and $19 million during the three and nine months ended September 30, 2021, respectively. These losses related to certain securities in unrealized loss positions that the Bancorp intended to sell prior to recovery of their amortized cost bases. The Bancorp did not consider these losses to be credit-related.

At both September 30, 2021 and December 31, 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 related to available-for-sale debt and other securities in an unrealized loss position during both the three and nine months ended September 30, 2021 and 2020.

At September 30, 2021 and December 31, 2020, investment securities with a fair value of $11.4 billion and $11.0 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 securities as of September 30, 2021 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	$ 888	903	2	2
1-5 years	13,361	14,019	4	4
5-10 years	11,985	12,700	—	—
Over 10 years	9,556	9,730	2	2
Other securities	518	518	—	—
Total	$ 36,308	37,870	8	8

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

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

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
September 30, 2021						
Obligations of states and political subdivisions securities	**$ 1**	**—**	**—**	**—**	**1**	**—**
U.S. Treasury and federal agencies securities	**15**	**—**	**—**	**—**	**15**	**—**
Agency residential mortgage-backed securities	**844**	**(9)**	**91**	**(4)**	**935**	**(13)**
Agency commercial mortgage-backed securities	**2,801**	**(64)**	**24**	**(2)**	**2,825**	**(66)**
Non-agency commercial mortgage-backed securities	**515**	**(6)**	**—**	**—**	**515**	**(6)**
Asset-backed securities and other debt securities	**1,046**	**(8)**	**462**	**(10)**	**1,508**	**(18)**
Total	**$ 5,222**	**(87)**	**577**	**(16)**	**5,799**	**(103)**
December 31, 2020						
Agency residential mortgage-backed securities	$ 426	(8)	1	—	427	(8)
Agency commercial mortgage-backed securities	388	(5)	—	—	388	(5)
Non-agency commercial mortgage-backed securities	2	—	—	—	2	—
Asset-backed securities and other debt securities	520	(7)	603	(17)	1,123	(24)
Total	$ 1,336	(20)	604	(17)	1,940	(37)

At both September 30, 2021 and December 31, 2020, $1 million of unrealized losses in the available-for-sale debt and other securities portfolio were represented by non-rated securities.

Fifth Third Bancorp and Subsidiaries
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5. Loans and Leases

The Bancorp diversifies its loan and lease portfolio by offering a variety of loan and lease products with various payment terms and rate structures. 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 6.

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)		**September 30, 2021**	December 31, 2020
Loans and leases held for sale:			
Commercial and industrial loans	**$**	**2**	230
Commercial mortgage loans		**—**	7
Commercial leases		**—**	39
Residential mortgage loans		**5,201**	4,465
Total loans and leases held for sale	**$**	**5,203**	4,741
Portfolio loans and leases:			
Commercial and industrial loans[(a)]	**$**	**47,834**	49,665
Commercial mortgage loans		**10,300**	10,602
Commercial construction loans		**5,456**	5,815
Commercial leases		**3,130**	2,915
Total commercial loans and leases	**$**	**66,720**	68,997
Residential mortgage loans[(b)]	**$**	**16,158**	15,928
Home equity		**4,276**	5,183
Indirect secured consumer loans		**16,004**	13,653
Credit card		**1,744**	2,007
Other consumer loans		**3,009**	3,014
Total consumer loans	**$**	**41,191**	39,785
Total portfolio loans and leases	**$**	**107,911**	108,782

(a) Includes $2.3 billion and $4.8 billion as of September 30, 2021 and December 31, 2020, respectively, related to the SBA's Paycheck Protection Program.

(b) Includes $39 as of December 31, 2020 of residential mortgage loans previously sold to GNMA for which the Bancorp was deemed to have regained effective control over under ASC Topic 860, but did not exercise its option to repurchase. Refer to Note 15 for further information.

Portfolio loans and leases are recorded net of unearned income, which totaled $253 million as of September 30, 2021 and $280 million as of December 31, 2020. 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 $444 million and $251 million as of September 30, 2021 and December 31, 2020, respectively. The amortized cost basis of loans and leases excludes accrued interest receivable of $358 million and $350 million at September 30, 2021 and December 31, 2020, respectively, which is presented as a component of other assets in the Condensed Consolidated Balance Sheets.

The Bancorp's FHLB and FRB borrowings are primarily secured by loans. The Bancorp had loans of $15.5 billion at both September 30, 2021 and December 31, 2020 pledged at the FHLB, and loans of $45.1 billion and $37.8 billion at September 30, 2021 and December 31, 2020, respectively, pledged at the FRB.

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

	Carrying Value		90 Days Past Due and Still Accruing	
($ in millions)	**September 30, 2021**	December 31, 2020	**September 30, 2021**	December 31, 2020
Commercial and industrial loans	**$ 47,836**	49,895	**4**	39
Commercial mortgage loans	**10,300**	10,609	**2**	8
Commercial construction loans	**5,456**	5,815	**—**	—
Commercial leases	**3,130**	2,954	**1**	1
Residential mortgage loans	**21,359**	20,393	**61**	70
Home equity	**4,276**	5,183	**1**	2
Indirect secured consumer loans	**16,004**	13,653	**8**	10
Credit card	**1,744**	2,007	**14**	31
Other consumer loans	**3,009**	3,014	**1**	2
Total loans and leases	**$ 113,114**	113,523	**92**	163
Less: Loans and leases held for sale	**$ 5,203**	4,741		
Total portfolio loans and leases	**$ 107,911**	108,782		

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

	For the three months ended September 30,		For the nine months ended September 30,	
($ in millions)	**2021**	2020	**2021**	2020
Commercial and industrial loans	**$ 5**	42	**45**	157
Commercial mortgage loans	**(1)**	11	**8**	14
Commercial leases	**—**	8	**(2)**	24
Residential mortgage loans	**(1)**	(1)	**(2)**	1
Home equity	**(1)**	1	**(2)**	5
Indirect secured consumer loans	**(1)**	3	**8**	23
Credit card	**12**	29	**57**	100
Other consumer loans	**8**	8	**24**	29
Total net charge-offs	**$ 21**	101	**136**	353

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.

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

($ in millions)[(a)]	**September 30, 2021**	December 31, 2020
Net investment in direct financing leases:		
Lease payment receivable (present value)	**$ 1,036**	1,400
Unguaranteed residual assets (present value)	**158**	181
Net premium (discount) on acquired leases	**1**	(1)
Net investment in sales-type leases:		
Lease payment receivable (present value)	**1,592**	976
Unguaranteed residual assets (present value)	**50**	36

(a) Excludes $293 and $323 of leveraged leases at September 30, 2021 and December 31, 2020, respectively.

Interest income recognized in the Condensed Consolidated Statements of Income for the three and nine months ended September 30, 2021 was $10 million and $33 million, respectively, for direct financing leases and $11 million and $31 million, respectively, for sales-type leases. For the three and nine months ended September 30, 2020, interest income recognized was $16 million and $50 million, respectively, for direct financing leases and $7 million and $20 million, respectively, for sales-type leases.

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The following table presents undiscounted cash flows for both direct financing and sales-type leases for the remainder of 2021 through 2026 and thereafter as well as a reconciliation of the undiscounted cash flows to the total lease receivables as follows:

As of September 30, 2021 ($ in millions)	Direct Financing Leases	Sales-Type Leases
Remainder of 2021	$ 98	145
2022	346	515
2023	221	326
2024	159	249
2025	113	199
2026	82	95
Thereafter	87	173
Total undiscounted cash flows	$ 1,106	1,702
Less: Difference between undiscounted cash flows and discounted cash flows	70	110
Present value of lease payments (recognized as lease receivables)	$ 1,036	1,592

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 $21 million and $29 million at September 30, 2021 and December 31, 2020, respectively, 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. Refer to Note 6 for additional information on credit quality and the ALLL.

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

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

Allowance for Loan and Lease Losses

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

For the three months ended September 30, 2021 ($ in millions)	Commercial	Residential Mortgage	Consumer	Total
Balance, beginning of period	**$ 1,224**	**235**	**574**	**2,033**
Losses charged off[(a)]	**(10)**	**(1)**	**(45)**	**(56)**
Recoveries of losses previously charged off[(a)]	**6**	**2**	**27**	**35**
Benefit from loan and lease losses	**(53)**	**(1)**	**(4)**	**(58)**
Balance, end of period	**$ 1,167**	**235**	**552**	**1,954**

(a) The Bancorp recorded $7 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 months ended September 30, 2020 ($ in millions)	Commercial	Residential Mortgage	Consumer	Total
Balance, beginning of period	$ 1,502	327	867	2,696
Losses charged off[(a)]	(66)	(1)	(68)	(135)
Recoveries of losses previously charged off[(a)]	5	2	27	34
(Benefit from) provision for loan and lease losses	92	(31)	(82)	(21)
Balance, end of period	$ 1,533	297	744	2,574

(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.

For the nine months ended September 30, 2021 ($ in millions)	Commercial	Residential Mortgage	Consumer	Total
Balance, beginning of period	**$ 1,456**	**294**	**703**	**2,453**
Losses charged off[(a)]	**(91)**	**(3)**	**(174)**	**(268)**
Recoveries of losses previously charged off[(a)]	**40**	**5**	**87**	**132**
Benefit from loan and lease losses	**(238)**	**(61)**	**(64)**	**(363)**
Balance, end of period	**$ 1,167**	**235**	**552**	**1,954**

(a) The Bancorp recorded $25 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 nine months ended September 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)]	(209)	(6)	(242)	—	(457)
Recoveries of losses previously charged off[(b)]	14	5	85	—	104
Provision for loan and lease losses	858	29	195	—	1,082
Balance, end of period	$ 1,533	297	744	—	2,574

(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 $31 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 September 30, 2021 ($ in millions)		Commercial	Residential Mortgage	Consumer	Total
ALLL:[(a)]					
Individually evaluated	**$**	**89**	**50**	**42**	**181**
Collectively evaluated		**1,078**	**185**	**510**	**1,773**
Total ALLL	**$**	**1,167**	**235**	**552**	**1,954**
Portfolio loans and leases:[(b)]					
Individually evaluated	**$**	**534**	**496**	**300**	**1,330**
Collectively evaluated		**66,186**	**15,506**	**24,733**	**106,425**
Total portfolio loans and leases	**$**	**66,720**	**16,002**	**25,033**	**107,755**

(a) Includes $2 related to commercial leveraged leases at September 30, 2021.
(b) Excludes $156 of residential mortgage loans measured at fair value and includes $293 of commercial leveraged leases, net of unearned income at September 30, 2021.

As of December 31, 2020 ($ in millions)		Commercial	Residential Mortgage	Consumer	Total
ALLL:[(a)]					
Individually evaluated	$	114	68	43	225
Collectively evaluated		1,342	226	660	2,228
Total ALLL	$	1,456	294	703	2,453
Portfolio loans and leases:[(b)]					
Individually evaluated	$	962	628	273	1,863
Collectively evaluated		67,701	15,073	23,569	106,343
Purchased credit deteriorated[(c)]		334	66	15	415
Total portfolio loans and leases	$	68,997	15,767	23,857	108,621

(a) Includes $3 related to commercial leveraged leases at December 31, 2020.
(b) Excludes $161 of residential mortgage loans measured at fair value and includes $323 of commercial leveraged leases, net of unearned income at December 31, 2020.
(c) Includes $39, as of December 31, 2020, of residential mortgage loans previously sold to GNMA for which the Bancorp was deemed to have regained effective control over under ASC Topic 860, but did not exercise its option to repurchase. Refer to Note 15 for further information.

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. For more 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, 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, 2020.

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The following tables present the amortized cost basis of the Bancorp's commercial portfolio segment, by class and vintage, disaggregated by credit risk grade:

As of September 30, 2021 ($ in millions)	Term Loans and Leases by Origination Year						Revolving Loans	Revolving Loans Converted to Term Loans	Total
	2021	2020	2019	2018	2017	Prior			
Commercial and industrial loans:									
Pass	$ 4,082	3,016	1,497	684	411	806	34,092	—	44,588
Special mention	45	29	27	24	23	21	929	—	1,098
Substandard	17	61	33	67	68	106	1,796	—	2,148
Doubtful	—	—	—	—	—	—	—	—	—
Total commercial and industrial loans	$ 4,144	3,106	1,557	775	502	933	36,817	—	47,834
Commercial mortgage owner-occupied loans:									
Pass	$ 831	889	560	333	214	423	1,162	—	4,412
Special mention	7	25	33	3	1	34	71	—	174
Substandard	18	32	2	13	2	37	96	—	200
Doubtful	—	—	—	—	—	—	—	—	—
Total commercial mortgage owner-occupied loans	$ 856	946	595	349	217	494	1,329	—	4,786
Commercial mortgage nonowner-occupied loans:									
Pass	$ 412	762	620	326	178	385	1,737	—	4,420
Special mention	30	5	—	110	—	1	241	—	387
Substandard	173	85	30	2	12	10	395	—	707
Doubtful	—	—	—	—	—	—	—	—	—
Total commercial mortgage nonowner-occupied loans	$ 615	852	650	438	190	396	2,373	—	5,514
Commercial construction loans:									
Pass	$ 30	95	47	26	—	11	4,558	—	4,767
Special mention	—	39	—	—	—	—	252	—	291
Substandard	18	—	—	—	—	—	380	—	398
Doubtful	—	—	—	—	—	—	—	—	—
Total commercial construction loans	$ 48	134	47	26	—	11	5,190	—	5,456
Commercial leases:									
Pass	$ 818	475	316	259	269	916	—	—	3,053
Special mention	3	5	4	6	—	6	—	—	24
Substandard	8	3	9	11	14	8	—	—	53
Doubtful	—	—	—	—	—	—	—	—	—
Total commercial leases	$ 829	483	329	276	283	930	—	—	3,130
Total commercial loans and leases:									
Pass	$ 6,173	5,237	3,040	1,628	1,072	2,541	41,549	—	61,240
Special mention	85	103	64	143	24	62	1,493	—	1,974
Substandard	234	181	74	93	96	161	2,667	—	3,506
Doubtful	—	—	—	—	—	—	—	—	—
Total commercial loans and leases	$ 6,492	5,521	3,178	1,864	1,192	2,764	45,709	—	66,720

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As of December 31, 2020 ($ in millions)	Term Loans and Leases by Origination Year						Revolving Loans	Revolving Loans Converted to Term Loans	Total
	2020	2019	2018	2017	2016	Prior			
Commercial and industrial loans:									
Pass	$ 7,042	2,144	1,114	700	471	703	31,657	—	43,831
Special mention	66	46	167	46	5	21	2,317	—	2,668
Substandard	119	80	107	60	39	104	2,639	—	3,148
Doubtful	—	2	9	—	—	—	7	—	18
Total commercial and industrial loans	$ 7,227	2,272	1,397	806	515	828	36,620	—	49,665
Commercial mortgage owner-occupied loans:									
Pass	$ 1,047	655	416	288	249	420	1,025	—	4,100
Special mention	58	12	16	7	2	17	64	—	176
Substandard	211	17	33	7	13	30	88	—	399
Doubtful	—	—	—	—	—	—	—	—	—
Total commercial mortgage owner-occupied loans	$ 1,316	684	465	302	264	467	1,177	—	4,675
Commercial mortgage nonowner-occupied loans:									
Pass	$ 902	679	548	247	223	341	1,626	—	4,566
Special mention	252	68	17	8	36	9	416	—	806
Substandard	149	3	49	14	2	25	301	—	543
Doubtful	12	—	—	—	—	—	—	—	12
Total commercial mortgage nonowner-occupied loans	$ 1,315	750	614	269	261	375	2,343	—	5,927
Commercial construction loans:									
Pass	$ 98	49	27	—	9	12	4,721	—	4,916
Special mention	67	—	—	—	—	—	591	—	658
Substandard	8	—	—	—	—	—	233	—	241
Doubtful	—	—	—	—	—	—	—	—	—
Total commercial construction loans	$ 173	49	27	—	9	12	5,545	—	5,815
Commercial leases:									
Pass	$ 622	374	315	369	314	824	—	—	2,818
Special mention	5	16	5	—	—	—	—	—	26
Substandard	7	4	16	21	6	17	—	—	71
Doubtful	—	—	—	—	—	—	—	—	—
Total commercial leases	$ 634	394	336	390	320	841	—	—	2,915
Total commercial loans and leases:									
Pass	$ 9,711	3,901	2,420	1,604	1,266	2,300	39,029	—	60,231
Special mention	448	142	205	61	43	47	3,388	—	4,334
Substandard	494	104	205	102	60	176	3,261	—	4,402
Doubtful	12	2	9	—	—	—	7	—	30
Total commercial loans and leases	$ 10,665	4,149	2,839	1,767	1,369	2,523	45,685	—	68,997

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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 September 30, 2021 ($ 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[(b)]	**$ 47,682**	**96**	**56**	**152**	**47,834**	**4**
Commercial mortgage owner-occupied loans	**4,779**	**—**	**7**	**7**	**4,786**	**2**
Commercial mortgage nonowner-occupied loans	**5,478**	**35**	**1**	**36**	**5,514**	**—**
Commercial construction loans	**5,454**	**2**	**—**	**2**	**5,456**	**—**
Commercial leases	**3,122**	**3**	**5**	**8**	**3,130**	**1**
Total portfolio commercial loans and leases	**$ 66,515**	**136**	**69**	**205**	**66,720**	**7**

(a) Includes accrual and nonaccrual loans and leases.
(b) Includes loans related to the SBA's Paycheck Protection Program of which $51 were 30-89 days past due.

As of December 31, 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	$ 49,421	119	125	244	49,665	39
Commercial mortgage owner-occupied loans	4,645	7	23	30	4,675	7
Commercial mortgage nonowner-occupied loans	5,860	31	36	67	5,927	1
Commercial construction loans	5,808	7	—	7	5,815	—
Commercial leases	2,906	7	2	9	2,915	1
Total portfolio commercial loans and leases	$ 68,640	171	186	357	68,997	48

(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. 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 during the forbearance or deferral period 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. 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, 2020 for additional 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 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 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, 2020 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 tables present the amortized cost basis of the Bancorp's residential mortgage and consumer portfolio segments, by class and vintage, disaggregated by both age and performing versus nonperforming status:

	Term Loans by Origination Year								
As of September 30, 2021 ($ in millions)	2021	2020	2019	2018	2017	Prior	Revolving Loans	Revolving Loans Converted to Term Loans	Total
Residential mortgage loans:									
Performing:									
Current[(a)]	$ 4,454	3,588	1,488	488	1,075	4,790	—	—	15,883
30-89 days past due	3	1	1	—	1	13	—	—	19
90 days or more past due	—	1	3	3	8	46	—	—	61
Total performing	4,457	3,590	1,492	491	1,084	4,849	—	—	15,963
Nonperforming	—	—	1	—	2	36	—	—	39
Total residential mortgage loans[(b)]	$ 4,457	3,590	1,493	491	1,086	4,885	—	—	16,002
Home equity:									
Performing:									
Current	$ 2	7	15	20	3	124	3,992	11	4,174
30-89 days past due	—	—	—	—	—	2	21	—	23
90 days or more past due	—	—	—	—	—	1	—	—	1
Total performing	2	7	15	20	3	127	4,013	11	4,198
Nonperforming	—	—	—	—	—	10	67	1	78
Total home equity	$ 2	7	15	20	3	137	4,080	12	4,276
Indirect secured consumer loans:									
Performing:									
Current	$ 6,818	4,707	2,552	1,062	483	255	—	—	15,877
30-89 days past due	12	21	22	16	8	4	—	—	83
90 days or more past due	1	1	2	2	1	1	—	—	8
Total performing	6,831	4,729	2,576	1,080	492	260	—	—	15,968
Nonperforming	—	19	6	6	3	2	—	—	36
Total indirect secured consumer loans	$ 6,831	4,748	2,582	1,086	495	262	—	—	16,004
Credit card:									
Performing:									
Current	$ —	—	—	—	—	—	1,689	—	1,689
30-89 days past due	—	—	—	—	—	—	17	—	17
90 days or more past due	—	—	—	—	—	—	14	—	14
Total performing	—	—	—	—	—	—	1,720	—	1,720
Nonperforming	—	—	—	—	—	—	24	—	24
Total credit card	$ —	—	—	—	—	—	1,744	—	1,744
Other consumer loans:									
Performing:									
Current	$ 588	610	325	343	121	52	954	1	2,994
30-89 days past due	1	2	3	2	1	—	3	—	12
90 days or more past due	—	—	1	—	—	—	—	—	1
Total performing	589	612	329	345	122	52	957	1	3,007
Nonperforming	—	1	—	—	—	—	1	—	2
Total other consumer loans	$ 589	613	329	345	122	52	958	1	3,009
Total residential mortgage and consumer loans:									
Performing:									
Current	$11,862	8,912	4,380	1,913	1,682	5,221	6,635	12	40,617
30-89 days past due	16	24	26	18	10	19	41	—	154
90 days or more past due	1	2	6	5	9	48	14	—	85
Total performing	11,879	8,938	4,412	1,936	1,701	5,288	6,690	12	40,856
Nonperforming	—	20	7	6	5	48	92	1	179
Total residential mortgage and consumer loans[(b)]	$11,879	8,958	4,419	1,942	1,706	5,336	6,782	13	41,035

(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 September 30, 2021, $59 of these loans were 30-89 days past due and $145 were 90 days or more past due. The Bancorp recognized $1 and $2 of losses during the three and nine months ended September 30, 2021, respectively, due to claim denials and curtailments associated with these insured or guaranteed loans.

(b) Excludes $156 of residential mortgage loans measured at fair value at September 30, 2021.

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As of December 31, 2020 ($ in millions)	Term Loans by Origination Year						Revolving Loans	Revolving Loans Converted to Term Loans	Total
	2020	2019	2018	2017	2016	Prior			
Residential mortgage loans:									
Performing:									
Current[(a)]	$ 4,006	2,128	827	1,635	2,301	4,719	—	—	15,616
30-89 days past due	1	1	3	3	1	12	—	—	21
90 days or more past due	—	6	2	7	7	48	—	—	70
Total performing	4,007	2,135	832	1,645	2,309	4,779	—	—	15,707
Nonperforming	1	—	2	2	3	52	—	—	60
Total residential mortgage loans[(b)]	$ 4,008	2,135	834	1,647	2,312	4,831	—	—	15,767
Home equity:									
Performing:									
Current	$ 11	24	30	4	2	153	4,825	10	5,059
30-89 days past due	—	—	—	—	—	3	33	—	36
90 days or more past due	—	—	—	—	—	2	—	—	2
Total performing	11	24	30	4	2	158	4,858	10	5,097
Nonperforming	—	—	—	—	—	10	75	1	86
Total home equity	$ 11	24	30	4	2	168	4,933	11	5,183
Indirect secured consumer loans:									
Performing:									
Current	$ 6,626	3,752	1,678	860	372	214	—	—	13,502
30-89 days past due	25	41	31	17	7	4	—	—	125
90 days or more past due	1	2	3	2	1	1	—	—	10
Total performing	6,652	3,795	1,712	879	380	219	—	—	13,637
Nonperforming	1	5	4	3	2	1	—	—	16
Total indirect secured consumer loans	$ 6,653	3,800	1,716	882	382	220	—	—	13,653
Credit card:									
Performing:									
Current	$ —	—	—	—	—	—	1,914	—	1,914
30-89 days past due	—	—	—	—	—	—	30	—	30
90 days or more past due	—	—	—	—	—	—	31	—	31
Total performing	—	—	—	—	—	—	1,975	—	1,975
Nonperforming	—	—	—	—	—	—	32	—	32
Total credit card	$ —	—	—	—	—	—	2,007	—	2,007
Other consumer loans:									
Performing:									
Current	$ 883	546	437	178	32	40	878	1	2,995
30-89 days past due	2	5	4	2	—	—	2	—	15
90 days or more past due	—	2	—	—	—	—	—	—	2
Total performing	885	553	441	180	32	40	880	1	3,012
Nonperforming	—	—	—	—	—	1	1	—	2
Total other consumer loans	$ 885	553	441	180	32	41	881	1	3,014
Total residential mortgage and consumer loans:									
Performing:									
Current	$11,526	6,450	2,972	2,677	2,707	5,126	7,617	11	39,086
30-89 days past due	28	47	38	22	8	19	65	—	227
90 days or more past due	1	10	5	9	8	51	31	—	115
Total performing	11,555	6,507	3,015	2,708	2,723	5,196	7,713	11	39,428
Nonperforming	2	5	6	5	5	64	108	1	196
Total residential mortgage and consumer loans[(b)]	$11,557	6,512	3,021	2,713	2,728	5,260	7,821	12	39,624

(a) Information includes advances made pursuant to servicing agreements for GNMA mortgage pools whose repayments are insured by the FHA or guaranteed by the VA. As of December 31, 2020, $103 of these loans were 30-89 days past due and $242 were 90 days or more past due. The Bancorp recognized an immaterial amount and $2 of losses during the three and nine months ended September 30, 2020, respectively, due to claim denials and curtailments associated with these insured or guaranteed loans.

(b) Excludes $161 of residential mortgage loans measured at fair value at December 31, 2020.

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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 and leases, by portfolio class, as of:

($ in millions)		**September 30, 2021**	December 31, 2020
Commercial loans and leases:			
Commercial and industrial loans	**$**	**457**	810
Commercial mortgage owner-occupied loans		**25**	101
Commercial mortgage nonowner-occupied loans		**28**	82
Commercial construction loans		**18**	19
Commercial leases		**6**	6
Total commercial loans and leases	**$**	**534**	1,018
Residential mortgage loans		**59**	80
Consumer loans:			
Home equity		**60**	71
Indirect secured consumer loans		**8**	9
Total consumer loans	**$**	**68**	80
Total portfolio loans and leases	**$**	**661**	1,178

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:

		September 30, 2021			December 31, 2020		
($ in millions)		With an ALLL	No Related ALLL	Total	With an ALLL	No Related ALLL	Total
Commercial loans and leases:							
Commercial and industrial loans	**$**	**169**	**124**	**293**	213	260	473
Commercial mortgage owner-occupied loans		**9**	**14**	**23**	20	60	80
Commercial mortgage nonowner-occupied loans		**23**	**4**	**27**	34	43	77
Commercial construction loans		**—**	**—**	**—**	1	—	1
Commercial leases		**5**	**1**	**6**	6	1	7
Total nonaccrual portfolio commercial loans and leases	**$**	**206**	**143**	**349**	274	364	638
Residential mortgage loans		**4**	**35**	**39**	11	49	60
Consumer loans:							
Home equity		**52**	**26**	**78**	55	31	86
Indirect secured consumer loans		**29**	**7**	**36**	8	8	16
Credit card		**24**	**—**	**24**	32	—	32
Other consumer loans		**2**	**—**	**2**	2	—	2
Total nonaccrual portfolio consumer loans	**$**	**107**	**33**	**140**	97	39	136
Total nonaccrual portfolio loans and leases[(a)(b)]	**$**	**317**	**211**	**528**	382	452	834
OREO and other repossessed property		**—**	**31**	**31**	—	30	30
Total nonperforming portfolio assets[(a)(b)]	**$**	**317**	**242**	**559**	382	482	864

(a) Excludes an immaterial amount and $5 of nonaccrual loans held for sale as of September 30, 2021 and December 31, 2020, respectively, and $1 of nonaccrual restructured loans held for sale as of both September 30, 2021 and December 31, 2020.

(b) Includes $26 and $29 of nonaccrual government insured commercial loans whose repayments are insured by the SBA as of September 30, 2021 and December 31, 2020, respectively, of which $11 and $17 are restructured nonaccrual government insured commercial loans as of September 30, 2021 and December 31, 2020, respectively.

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The following table presents the interest income recognized on the Bancorp's nonaccrual loans and leases, by class:

	For the three months ended September 30,		For the nine months ended September 30,	
($ in millions)	**2021**	2020	**2021**	2020
Commercial loans and leases:				
Commercial and industrial loans	**$ 4**	2	**13**	6
Commercial mortgage owner-occupied loans	**2**	—	**9**	—
Commercial mortgage nonowner-occupied loans	**1**	—	**3**	—
Commercial leases	**—**	—	**—**	1
Total nonaccrual portfolio commercial loans and leases	**$ 7**	2	**25**	7
Residential mortgage loans	**6**	7	**19**	22
Consumer loans:				
Home equity	**2**	2	**5**	7
Indirect secured consumer loans	**—**	—	**1**	—
Credit card	**1**	1	**3**	3
Total nonaccrual portfolio consumer loans	**$ 3**	3	**9**	10
Total nonaccrual portfolio loans and leases	**$ 16**	12	**53**	39

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 $106 million and $136 million as of September 30, 2021 and December 31, 2020, 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 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, 2020 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. Certain loan modifications which were made in response to the COVID-19 pandemic were not evaluated for classification as a TDR. Refer to the Regulatory Developments Related to the COVID-19 Pandemic 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, 2020 for additional information.

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 $104 million and $64 million, respectively, as of September 30, 2021 compared to $67 million and $72 million, respectively, as of December 31, 2020.

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

September 30, 2021 ($ in millions)	Number of Loans Modified in a TDR During the Period[(a)]	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	**29**	**$ 23**	**(1)**	**—**
Commercial mortgage owner-occupied loans	**3**	**1**	**—**	**—**
Commercial mortgage nonowner-occupied loans	**1**	**—**	**—**	**—**
Residential mortgage loans	**98**	**15**	**1**	**—**
Consumer loans:				
Home equity	**54**	**3**	**(1)**	**—**
Indirect secured consumer loans	**1,045**	**19**	**—**	**—**
Credit card	**1,170**	**6**	**2**	**—**
Total portfolio loans	**2,400**	**$ 67**	**1**	**—**

(a) Represents number of loans post-modification and excludes loans previously modified in a TDR.

September 30, 2020 ($ in millions)	Number of Loans Modified in a TDR During the Period[(a)]	Amortized Cost Basis 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	33	$ 75	1	7
Commercial mortgage owner-occupied loans	10	19	(3)	—
Commercial mortgage nonowner-occupied loans	3	16	(2)	—
Residential mortgage loans	66	11	—	—
Consumer loans:				
Home equity	88	2	(3)	—
Indirect secured consumer loans	14	—	—	—
Credit card	1,023	6	2	1
Total portfolio loans	1,237	$ 129	(5)	8

(a) Represents number of loans post-modification and excludes loans previously modified in a TDR.

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

September 30, 2021 ($ in millions)	Number of Loans Modified in a TDR During the Period[(a)]	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	**55**	**$ 54**	**—**	**—**
Commercial mortgage owner-occupied loans	**4**	**6**	**—**	**—**
Commercial mortgage nonowner-occupied loans	**4**	**26**	**—**	**—**
Residential mortgage loans	**400**	**74**	**3**	**—**
Consumer loans:				
Home equity	**151**	**8**	**(2)**	**—**
Indirect secured consumer loans	**3,238**	**70**	**1**	**—**
Credit card	**4,338**	**24**	**6**	**—**
Total portfolio loans	**8,190**	**$ 262**	**8**	**—**

(a) Represents number of loans post-modification and excludes loans previously modified in a TDR.

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September 30, 2020 ($ in millions)	Number of Loans Modified in a TDR During the Period[(a)]	Amortized Cost Basis in 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	96	$ 250	25	7
Commercial mortgage owner-occupied loans	38	38	(3)	—
Commercial mortgage nonowner-occupied loans	15	38	(2)	—
Commercial construction	3	21	1	—
Residential mortgage loans	359	48	1	—
Consumer loans:				
Home equity	130	6	(4)	—
Indirect secured consumer loans	56	—	—	—
Credit card	3,880	21	8	1
Total portfolio loans	4,577	$ 422	26	8

(a) 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 September 30, 2021 and 2020 and were within 12 months of the restructuring date:

September 30, 2021 ($ in millions)[(a)]	Number of Contracts	Amortized Cost
Commercial loans:		
Commercial and industrial loans	**4**	**$ 1**
Commercial mortgage owner-occupied loans	**2**	**—**
Commercial mortgage nonowner-occupied loans	**1**	—
Residential mortgage loans	**10**	**1**
Consumer loans:		
Home equity	**5**	**—**
Indirect secured consumer loans	**31**	—
Credit card	**85**	**—**
Total portfolio loans	**138**	**$ 2**

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

September 30, 2020 ($ in millions)[(a)]	Number of Contracts	Amortized Cost
Commercial loans:		
Commercial and industrial loans	6	$ 1
Commercial mortgage owner-occupied loans	1	1
Residential mortgage loans	45	8
Consumer loans:		
Home equity	2	—
Indirect secured consumer loans	6	—
Credit card	20	—
Total portfolio loans	80	$ 10

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

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The following tables provide a summary of TDRs that subsequently defaulted during the nine months ended September 30, 2021 and 2020 and were within 12 months of the restructuring date:

September 30, 2021 ($ in millions)[(a)]	Number of Contracts	Amortized Cost
Commercial loans:		
Commercial and industrial loans	**5**	**$ 1**
Commercial mortgage owner-occupied loans	**2**	**—**
Commercial mortgage nonowner-occupied loans	**2**	**25**
Residential mortgage loans	**61**	**8**
Consumer loans:		
Home equity	**22**	**1**
Indirect secured consumer loans	**89**	**2**
Credit card	**119**	**1**
Total portfolio loans	**300**	**$ 38**

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

September 30, 2020 ($ in millions)[(a)]	Number of Contracts	Amortized Cost
Commercial loans:		
Commercial and industrial loans	12	$ 5
Commercial mortgage owner-occupied loans	8	3
Commercial mortgage nonowner-occupied loans	2	9
Residential mortgage loans	117	18
Consumer loans:		
Home equity	5	—
Indirect secured consumer loans	12	—
Credit card	237	1
Total portfolio loans	393	$ 36

(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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7. Bank Premises and Equipment

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

($ in millions)		September 30, 2021	December 31, 2020
Equipment	$	**2,392**	2,302
Buildings[(a)]		**1,638**	1,612
Land and improvements[(a)]		**645**	636
Leasehold improvements		**483**	467
Construction in progress[(a)]		**124**	108
Bank premises and equipment held for sale:			
Land and improvements		**18**	27
Buildings		**7**	8
Accumulated depreciation and amortization		**(3,206)**	(3,072)
Total bank premises and equipment	$	**2,101**	2,088

(a) Buildings, land and improvements and construction in progress included $49 and $46 associated with parcels of undeveloped land intended for future branch expansion at September 30, 2021 and December 31, 2020, respectively.

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 banking centers at certain 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. The Bancorp closed a total of 44 banking centers throughout its footprint during the nine months ended September 30, 2021.

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 $3 million and $11 million for the three months ended September 30, 2021 and 2020, respectively, and $7 million and $25 million for the nine months ended September 30, 2021 and 2020, respectively. The recognized impairment losses were recorded in other noninterest income in the Condensed Consolidated Statements of Income.

8. Operating Lease Equipment

Operating lease equipment was $647 million and $777 million at September 30, 2021 and December 31, 2020, respectively, net of accumulated depreciation of $286 million and $290 million at September 30, 2021 and December 31, 2020, respectively. The Bancorp recorded lease income of $38 million and $39 million relating to lease payments for operating leases in leasing business revenue in the Condensed Consolidated Statements of Income during the three months ended September 30, 2021 and 2020, respectively, and $116 million and $118 million during the nine months ended September 30, 2021 and 2020, respectively. Depreciation expense related to operating lease equipment was $31 million and $32 million during the three months ended September 30, 2021 and 2020, respectively, and $95 million during both the nine months ended September 30, 2021 and 2020. The Bancorp received payments of $118 million and $119 million related to operating leases during the nine months ended September 30, 2021 and 2020, 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 did not recognize any impairment losses associated with operating lease assets during both the three months ended September 30, 2021 and 2020, and recognized $25 million and $3 million of impairment losses during the nine months ended September 30, 2021 and 2020, respectively. The recognized impairment losses were recorded in leasing business revenue in the Condensed Consolidated Statements of Income.

The following table presents future lease payments receivable from operating leases for the remainder of 2021 through 2026 and thereafter:

As of September 30, 2021 ($ in millions)		Undiscounted Cash Flows
Remainder of 2021	$	36
2022		129
2023		102
2024		66
2025		43
2026		24
Thereafter		26
Total operating lease payments	$	426

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9. 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, 2020.

The following table provides a summary of lease assets and lease liabilities as of:

($ in millions)	Condensed Consolidated Balance Sheets Caption		**September 30, 2021**	December 31, 2020
Assets				
Operating lease right-of-use assets	Other assets	**$**	**436**	423
Finance lease right-of-use assets	Bank premises and equipment		**144**	129
Total right-of-use assets[(a)]		**$**	**580**	552
Liabilities				
Operating lease liabilities	Accrued taxes, interest and expenses	**$**	**531**	527
Finance lease liabilities	Long-term debt		**147**	130
Total lease liabilities		**$**	**678**	657

(a) Operating and finance lease right-of-use assets are recorded net of accumulated amortization of $182 and $42, respectively, as of September 30, 2021, and $152 and $29, respectively, as of December 31, 2020.

The following table presents the components of lease costs:

($ in millions)	Condensed Consolidated Statements of Income Caption	For the three months ended September 30,		For the nine months ended September 30,	
		2021	2020	**2021**	2020
Lease costs:					
Amortization of ROU assets	Net occupancy and equipment expense	**$ 5**	4	**14**	7
Interest on lease liabilities	Interest on long-term debt	**1**	1	**3**	2
Total finance lease costs		**$ 6**	5	**17**	9
Operating lease cost	Net occupancy expense	**$ 20**	29	**59**	76
Short-term lease cost	Net occupancy expense	**—**	—	**1**	1
Variable lease cost	Net occupancy expense	**8**	7	**24**	21
Sublease income	Net occupancy expense	**(1)**	(1)	**(2)**	(2)
Total operating lease costs		**$ 27**	35	**82**	96
Total lease costs		**$ 33**	40	**99**	105

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 $1 million of impairment losses and termination charges for the ROU assets related to certain operating leases during both the three months ended September 30, 2021 and 2020, and $3 million and $6 million during the nine months ended September 30, 2021 and 2020, respectively. The recognized losses were recorded in net occupancy expense in the Condensed Consolidated Statements of Income.

The following table presents undiscounted cash flows payable for both operating leases and finance leases for the remainder of 2021 through 2026 and thereafter as well as a reconciliation of the undiscounted cash flows to the total lease liabilities:

As of September 30, 2021 ($ in millions)	Operating Leases	Finance Leases	Total
Remainder of 2021	$ 22	5	27
2022	85	21	106
2023	79	18	97
2024	71	18	89
2025	63	12	75
2026	54	6	60
Thereafter	236	104	340
Total undiscounted cash flows	$ 610	184	794
Less: Difference between undiscounted cash flows and discounted cash flows	79	37	116
Present value of lease liabilities	$ 531	147	678

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The following table presents the weighted-average remaining lease term and weighted-average discount rate as of:

	September 30, 2021	December 31, 2020
Weighted-average remaining lease term (years):		
Operating leases	**9.07**	9.06
Finance leases	**14.53**	12.93
Weighted-average discount rate:		
Operating leases	**2.90 %**	3.05
Finance leases	**2.61**	2.39

The following table presents information related to lease transactions for the nine months ended September 30:

($ in millions)	2021	2020
Cash paid for amounts included in the measurement of lease liabilities:[(a)]		
Operating cash flows from operating leases	**$ 66**	69
Operating cash flows from finance leases	**3**	2
Financing cash flows from finance leases	**12**	8
Gains on sale-leaseback transactions	**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.

10. 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.

The Bancorp completed its annual goodwill impairment test as of September 30, 2021 by performing a qualitative assessment of goodwill at the reporting unit level to determine whether any indicators of impairment existed. In performing this qualitative assessment, the Bancorp evaluated events and circumstances since the last impairment analysis, macroeconomic conditions, banking industry and market conditions and key financial metrics of the Bancorp as well as reporting unit and overall Bancorp financial performance. After assessing the totality of the events and circumstances, the Bancorp determined that it was not more likely than not that the fair values of the Commercial Banking, Branch Banking and Wealth and Asset Management reporting units were less than their respective carrying amounts and, therefore, the quantitative goodwill impairment test was deemed unnecessary.

Changes in the net carrying amount of goodwill, by reporting unit, for the nine months ended September 30, 2021 and the year ended December 31, 2020 were as follows:

($ in millions)	Commercial Banking	Branch Banking	Consumer Lending	Wealth and Asset Management	General Corporate and Other	Total
Goodwill	$ 2,704	2,046	215	252	—	5,217
Accumulated impairment losses	(750)	—	(215)	—	—	(965)
Net carrying value as of December 31, 2019	$ 1,954	2,046	—	252	—	4,252
Acquisition activity	26	1	—	1	—	28
Sale of business	—	—	—	(22)	—	(22)
Net carrying value as of December 31, 2020	**$ 1,980**	**2,047**	**—**	**231**	**—**	**4,258**
Acquisition activity	**1**	**255**	**—**	**—**	**—**	**256**
Net carrying value as of September 30, 2021	**$ 1,981**	**2,302**	**—**	**231**	**—**	**4,514**

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11. Intangible Assets

Intangible assets consist of core deposit intangibles, developed technology, 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 leasing business revenue or other noninterest expense in the Condensed Consolidated Statements of Income. The increase in the gross carrying amount of intangible assets from the year ended December 31, 2020 reflects acquisition activity during the third quarter of 2021, which included the recognition of $62 million in developed technology which will be amortized over its estimated remaining useful life of approximately 8 years.

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

($ in millions)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
As of September 30, 2021			
Core deposit intangibles	**$ 229**	**(144)**	**85**
Developed technology	**62**	**(1)**	**61**
Customer relationships	**25**	**(7)**	**18**
Operating leases	**13**	**(10)**	**3**
Other	**4**	**(2)**	**2**
Total intangible assets	**$ 333**	**(164)**	**169**
As of December 31, 2020			
Core deposit intangibles	$ 229	(116)	113
Customer relationships	24	(5)	19
Operating leases	17	(12)	5
Other	3	(1)	2
Total intangible assets	$ 273	(134)	139

As of September 30, 2021, all of the Bancorp's intangible assets were being amortized. Amortization expense recognized on intangible assets was $12 million and $13 million for the three months ended September 30, 2021 and 2020, respectively, and $34 million and $43 million for the nine months ended September 30, 2021 and 2020, respectively. The Bancorp's projections of amortization expense shown in the following table are based on existing asset balances as of September 30, 2021. Future amortization expense may vary from these projections.

Estimated amortization expense for the remainder of 2021 through 2025 is as follows:

($ in millions)	Total
Remainder of 2021	$ 12
2022	41
2023	32
2024	24
2025	17

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12. 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 Bancorp has consolidated VIEs related to certain automobile loan securitizations where it has determined that it is the primary beneficiary. The following table provides a summary of assets and liabilities carried on the Condensed Consolidated Balance Sheets for consolidated VIEs as of:

($ in millions)		**September 30, 2021**	December 31, 2020
Assets:			
Other short-term investments	**$**	**27**	55
Indirect secured consumer loans		**383**	756
ALLL		**(3)**	(7)
Other assets		**2**	5
Total assets	**$**	**409**	809
Liabilities:			
Other liabilities	**$**	**1**	2
Long-term debt		**325**	656
Total liabilities	**$**	**326**	658

The Bancorp 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.

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:

September 30, 2021 ($ in millions)		Total Assets	Total Liabilities	Maximum Exposure
CDC investments	**$**	**1,670**	**538**	**1,670**
Private equity investments		**129**	**—**	**237**
Loans provided to VIEs		**2,986**	**—**	**4,517**
Lease pool entities		**71**	**—**	**71**

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December 31, 2020 ($ in millions)	Total Assets	Total Liabilities	Maximum Exposure
CDC investments	$ 1,546	478	1,546
Private equity investments	117	—	200
Loans provided to VIEs	2,420	—	3,649
Lease pool entities	73	—	73

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, 2020.

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.

The Bancorp's CDC investments included $1.4 billion and $1.3 billion of investments in affordable housing tax credits recognized in other assets in the Condensed Consolidated Balance Sheets at September 30, 2021 and December 31, 2020, respectively. The unfunded commitments related to these investments were $532 million and $478 million at September 30, 2021 and December 31, 2020, respectively. The unfunded commitments as of September 30, 2021 are expected to be funded from 2021 to 2039.

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 September 30,		For the nine months ended September 30,	
		2021	2020	**2021**	2020
Proportional amortization	Applicable income tax expense	**$ 38**	62	**125**	94
Tax credits and other benefits	Applicable income tax expense	**(47)**	(74)	**(148)**	(111)

(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 nine months ended September 30, 2021 and 2020.

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 providing strategic opportunities in certain cases. 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 September 30, 2021 and December 31, 2020, the Bancorp's unfunded commitment amounts to the private equity funds were $108 million and $83 million, respectively. As part of previous commitments, the Bancorp made capital contributions to private equity investments of $4 million during both the three months ended September 30, 2021 and 2020 and $12 million and $10 million during the nine months ended September 30, 2021 and 2020, 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 5. As of September 30, 2021 and December 31, 2020, the Bancorp's unfunded commitments to these entities were $1.5 billion and $1.2 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

The Bancorp is a co-investor 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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13. Sales of Receivables and Servicing Rights

Residential Mortgage Loan Sales

The Bancorp sold fixed and adjustable-rate residential mortgage loans during the three and nine months ended September 30, 2021 and 2020. 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 September 30,		For the nine months ended September 30,	
($ in millions)	**2021**	2020	**2021**	2020
Residential mortgage loan sales[(a)]	**$ 4,722**	2,822	**12,348**	8,840
Origination fees and gains on loan sales	**78**	93	**248**	269
Gross mortgage servicing fees	**63**	66	**181**	197

(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 nine months ended September 30:

($ in millions)	**2021**	2020
Balance, beginning of period	**$ 656**	993
Servicing rights originated	**172**	150
Servicing rights purchased	**210**	36
Changes in fair value:		
Due to changes in inputs or assumptions[(a)]	**123**	(340)
Other changes in fair value[(b)]	**(218)**	(179)
Balance, end of period	**$ 943**	660

(a) Primarily reflects changes in prepayment speed and OAS assumptions which are updated based on market interest rates.

(b) Primarily reflects changes due to realized 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 September 30,		For the nine months ended September 30,	
($ in millions)	**2021**	2020	**2021**	2020
Securities (losses) gains, net – non-qualifying hedges on mortgage servicing rights	**$ —**	(1)	**(2)**	3
Changes in fair value and settlement of free-standing derivatives purchased to economically hedge the MSR portfolio[(a)]	**(11)**	(12)	**(99)**	348
MSR fair value adjustment due to changes in inputs or assumptions[(a)]	**20**	4	**123**	(340)

(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 servicing rights related to 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 September 30, 2021 and 2020 were as follows:

	September 30, 2021			September 30, 2020		
	Weighted-Average Life (in years)	Prepayment Speed (annual)	OAS (bps)	Weighted-Average Life (in years)	Prepayment Speed (annual)	OAS (bps)
Fixed-rate	**6.5**	**10.8 %**	**777**	5.9	12.2 %	780
Adjustable-rate	**2.8**	**28.1**	**627**	3.1	25.7	759

At September 30, 2021 and December 31, 2020, the Bancorp serviced $77.9 billion and $68.8 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 September 30, 2021, 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 for servicing rights related to residential mortgage loans are as follows:

			Prepayment Speed Assumption				OAS Assumption		
				Impact of Adverse Change on Fair Value				Impact of Adverse Change on Fair Value	
	Fair Value ($ in millions)[(a)]	Weighted-Average Life (in years)	Rate	10%	20%	50%	OAS (bps)	10%	20%
Fixed-rate	$ 938	6.1	11.3 %	$ (42)	(80)	(184)	757	$ (27)	(53)
Adjustable-rate	5	3.9	22.5	—	(1)	(2)	990	—	—

(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.

14. 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 September 30, 2021 and December 31, 2020, the balance of collateral held by the Bancorp for derivative assets was $1.1 billion and $1.0 billion, respectively. For derivative contracts cleared through certain central clearing parties whose rules treat variation margin payments as settlement of the derivative contract, the payments for variation margin of $862 million and $1.1 billion were applied to reduce the respective derivative contracts and were also not included in the total amount of collateral held as of September 30, 2021 and December 31, 2020, respectively. As of September 30, 2021 and December 31, 2020, the credit component negatively impacting the fair value of derivative assets associated with customer accommodation contracts was $23 million and $42 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 September 30, 2021 and December 31, 2020, the balance of collateral posted by the Bancorp for derivative liabilities was $1.8 billion and $463 million, respectively. Additionally, as of September 30, 2021 and December 31, 2020, $710 million and $1.1 billion, 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 September 30, 2021 and December 31, 2020, 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

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consideration of credit risk. As a result, the Bancorp determined that the impact of the Bancorp's credit risk to the valuation of its derivative liabilities was immaterial to the 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	
September 30, 2021 ($ 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	**$ 1,455**	**405**	**—**
Interest rate swaps related to available-for-sale debt and other securities	**445**	**9**	**—**
Total fair value hedges		**414**	**—**
Cash flow hedges:			
Interest rate floors related to C&I loans	**3,000**	**166**	**—**
Interest rate swaps related to C&I loans	**8,000**	**—**	**1**
Total cash flow hedges		**166**	**1**
Total derivatives designated as qualifying hedging instruments		**580**	**1**
Derivatives Not Designated as Qualifying Hedging Instruments:			
Free-standing derivatives - risk management and other business purposes:			
Interest rate contracts related to MSR portfolio	**6,485**	**146**	**—**
Forward contracts related to residential mortgage loans held for sale[(b)]	**4,102**	**20**	**4**
Swap associated with the sale of Visa, Inc. Class B Shares	**3,654**	**—**	**211**
Foreign exchange contracts	**154**	**1**	**—**
Interest rate contracts for collateral management	**12,000**	**8**	**6**
Interest rate contracts for LIBOR transition	**2,372**	**—**	**1**
Total free-standing derivatives – risk management and other business purposes		**175**	**222**
Free-standing derivatives – customer accommodation:			
Interest rate contracts[(a)]	**79,879**	**772**	**215**
Interest rate lock commitments	**1,500**	**27**	**—**
Commodity contracts	**11,933**	**2,123**	**2,049**
TBA securities	**24**	**—**	**—**
Foreign exchange contracts	**20,888**	**284**	**251**
Total free-standing derivatives – customer accommodation		**3,206**	**2,515**
Total derivatives not designated as qualifying hedging instruments		**3,381**	**2,737**
Total		**$ 3,961**	**2,738**

(a) Derivative assets and liabilities are presented net of variation margin of $94 and $675, respectively.

(b) Includes forward sale and forward purchase contracts which are utilized to manage market risk on residential mortgage loans held for sale and the related interest rate lock commitments.

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December 31, 2020 ($ 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	$ 1,955	528	—
Total fair value hedges		528	—
Cash flow hedges:			
Interest rate floors related to C&I loans	3,000	244	—
Interest rate swaps related to C&I loans	8,000	16	2
Total cash flow hedges		260	2
Total derivatives designated as qualifying hedging instruments		788	2
Derivatives Not Designated as Qualifying Hedging Instruments:			
Free-standing derivatives – risk management and other business purposes:			
Interest rate contracts related to MSR portfolio	6,910	202	1
Forward contracts related to residential mortgage loans held for sale	2,903	1	16
Swap associated with the sale of Visa, Inc. Class B Shares	3,588	—	201
Foreign exchange contracts	204	—	3
Interest rate contracts for collateral management	12,000	3	1
Interest rate contracts for LIBOR transition	2,372	—	—
Total free-standing derivatives – risk management and other business purposes		206	222
Free-standing derivatives – customer accommodation:			
Interest rate contracts[(a)]	77,806	1,238	265
Interest rate lock commitments	1,830	57	—
Commodity contracts	7,762	375	359
Foreign exchange contracts	14,587	255	224
Total free-standing derivatives – customer accommodation		1,925	848
Total derivatives not designated as qualifying hedging instruments		2,131	1,070
Total		$ 2,919	1,072

(a) Derivative assets and liabilities are presented net of variation margin of $47 and $1,063, respectively.

Fair Value Hedges

The Bancorp may enter into interest rate swaps to convert its fixed-rate funding to floating-rate or to hedge the exposure to changes in fair value of a recognized asset attributable to changes in the benchmark interest rate. Decisions to enter into these interest rate swaps are made primarily through consideration of the asset/liability mix of the Bancorp, the desired asset/liability sensitivity and interest rate levels. As of September 30, 2021, 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 September 30, 2021 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 September 30,		For the nine months ended September 30,	
		2021	2020	**2021**	2020
Long-term debt:					
Change in fair value of interest rate swaps hedging long-term debt	Interest on long-term debt	**$ (25)**	(39)	**(124)**	187
Change in fair value of hedged long-term debt attributable to the risk being hedged	Interest on long-term debt	**25**	39	**124**	(186)
Available-for-sale debt and other securities:					
Change in fair value of interest rate swaps hedging available-for-sale debt and other securities	Interest on securities	**9**	—	**9**	—
Change in fair value of hedged available-for-sale debt and other securities attributable to the risk being hedged	Interest on securities	**(9)**	—	**(9)**	—

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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		September 30, 2021	December 31, 2020
Long-term debt:				
Carrying amount of the hedged items	Long-term debt	$	**1,855**	2,478
Cumulative amount of fair value hedging adjustments included in the carrying amount of the hedged items	Long-term debt		**410**	534
Available-for-sale debt and other securities:				
Carrying amount of the hedged items[(a)]	Available-for-sale debt and other securities		**467**	—
Cumulative amount of fair value hedging adjustments included in the carrying amount of the hedged items	Available-for-sale debt and other securities		**(9)**	—

(a) The carrying amount represents the amortized cost basis of the hedged items (which excludes unrealized gains and losses) plus the fair value hedging adjustments.

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 September 30, 2021, 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 September 30, 2021, the maximum length of time over which the Bancorp is hedging its exposure to the variability in future cash flows is 39 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 September 30, 2021 and December 31, 2020, $492 million and $718 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 September 30, 2021, $226 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 or the addition of other hedges subsequent to September 30, 2021.

During both the three and nine months ended September 30, 2021 and 2020, 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 September 30,		For the nine months ended September 30,	
($ in millions)	**2021**	2020	**2021**	2020
Amount of pre-tax net (losses) gains recognized in OCI	$ **3**	1	**(67)**	625
Amount of pre-tax net gains reclassified from OCI into net income	**74**	72	**219**	165

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 spread between mortgage rates and LIBOR because these swaps appreciate in value as a result of tightening spreads. Principal-only swaps also provide prepayment protection by increasing in value when prepayment speeds increase, as opposed to MSRs that lose value in a faster prepayment environment. Receive fixed/pay floating interest rate swaps and swaptions increase in value when interest rates do not increase as quickly as expected.

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

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In conjunction with the 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 22 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 two central clearing parties. These interest rate swaps were perfectly offsetting positions that allowed the Bancorp to lower the cash posted as required initial margin at the clearing parties, which reduced its credit exposure to the clearing parties. Given that all relevant terms for these interest rate swaps are offsetting, these trades create no additional market risk for the Bancorp.

As part of the LIBOR to SOFR transition, the Bancorp received certain interest rate swap contracts from the two central clearing parties that are moving from an Effective Federal Funds Rate discounting curve to a SOFR discounting curve. The purpose of these interest rate swaps was to neutralize the impact on collateral requirements due to the change in discounting curves implemented by the central clearing parties.

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 September 30,		For the nine months ended September 30,	
		2021	2020	**2021**	2020
Interest rate contracts:					
Forward contracts related to residential mortgage loans held for sale	Mortgage banking net revenue	**$ 23**	7	**32**	(4)
Interest rate contracts related to MSR portfolio	Mortgage banking net revenue	**(11)**	(12)	**(99)**	348
Foreign exchange contracts:					
Foreign exchange contracts for risk management purposes	Other noninterest income	**3**	(3)	**(3)**	4
Equity contracts:					
Swap associated with sale of Visa, Inc. Class B Shares	Other noninterest income	**(17)**	(22)	**(67)**	(73)

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. The total notional amount of the risk participation agreements was $3.6 billion and $3.4 billion at September 30, 2021 and December 31, 2020, respectively, and the fair value was a liability of $7 million and $8 million at September 30, 2021 and December 31, 2020, respectively, which is included in other liabilities in the Condensed Consolidated Balance Sheets. As of September 30, 2021, the risk participation agreements had a weighted-average remaining life of 3.8 years.

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

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

($ in millions)		**September 30, 2021**	December 31, 2020
Pass	**$**	**3,522**	3,231
Special mention		**14**	113
Substandard		**48**	52
Total	**$**	**3,584**	3,396

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 September 30,		For the nine months ended September 30,	
		2021	2020	**2021**	2020
Interest rate contracts:					
Interest rate contracts for customers (contract revenue)	Commercial banking revenue	**$ 8**	5	**27**	31
Interest rate contracts for customer (credit losses)	Other noninterest expense	**—**	(1)	**—**	(1)
Interest rate contracts for customers (credit portion of fair value adjustment)	Other noninterest expense	**2**	1	**19**	(33)
Interest rate lock commitments	Mortgage banking net revenue	**44**	54	**132**	237
Commodity contracts:					
Commodity contracts for customers (contract revenue)	Commercial banking revenue	**6**	4	**17**	10
Commodity contracts for customers (credit portion of fair value adjustment)	Other noninterest expense	**(1)**	(1)	**(1)**	(2)
Commodity contracts for customers (credit losses)	Other noninterest expense	—	—	**—**	(1)
Foreign exchange contracts:					
Foreign exchange contracts for customers (contract revenue)	Commercial banking revenue	**15**	14	**45**	40
Foreign exchange contracts for customers (contract revenue)	Other noninterest income	**2**	(6)	**2**	(3)
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.

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The following tables provide a summary of offsetting derivative financial instruments:

	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)]	
As of September 30, 2021				
Derivative assets	**$ 3,934**	**(1,041)**	**(514)**	**2,379**
Derivative liabilities	**2,738**	**(1,041)**	**(1,188)**	**509**
As of December 31, 2020				
Derivative assets	$ 2,862	(621)	(755)	1,486
Derivative liabilities	1,072	(621)	(221)	230

(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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15. 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)	September 30, 2021	December 31, 2020
Securities sold under repurchase agreements	**$ 567**	679
Derivative collateral	**382**	474
Other secured borrowings	**—**	39
Total other short-term borrowings	**$ 949**	1,192

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 September 30, 2021 and December 31, 2020, all securities sold under repurchase agreements were secured by agency residential mortgage-backed securities and the repurchase agreements had an overnight remaining contractual maturity.

The Bancorp's other secured borrowings at December 31, 2020 primarily included 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, regardless of the intent to repurchase the loans. The Bancorp repurchased these loans during the second quarter of 2021.

16. Capital Actions

Accelerated Share Repurchase Transactions

During the nine months ended September 30, 2021, the Bancorp entered into and settled accelerated share repurchase transactions. As part of these transactions, the Bancorp entered into forward contracts in which the final number of shares delivered at settlement was based generally on a discount to the average daily volume weighted-average price of the Bancorp's common stock during the term of these repurchase agreements. The accelerated share repurchases were treated as two separate transactions, (i) the repurchase of treasury shares on the repurchase date and (ii) a forward contract indexed to the Bancorp's common stock.

The following table presents a summary of the Bancorp's accelerated share repurchase transactions that were entered into and settled during the nine months ended September 30, 2021:

Repurchase Date	Amount ($ in millions)	Shares Repurchased on Repurchase Date	Shares Received from Forward Contract Settlement	Total Shares Repurchased	Final Settlement Date
January 26, 2021	$ 180	4,951,456	366,939	5,318,395	March 31, 2021
April 23, 2021	347	7,894,807	675,295	8,570,102	June 11, 2021
July 27, 2021[(a)]	550	13,065,958	1,413,211	14,479,169	September 29, 2021

(a) This accelerated share repurchase transaction consisted of two supplemental confirmations each with a notional amount of $275 million.

For further information on a subsequent event related to capital actions, refer to Note 24.

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17. 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)	September 30, 2021	December 31, 2020
Commitments to extend credit	**$ 80,316**	74,499
Forward contracts related to residential mortgage loans held for sale	**4,102**	2,903
Letters of credit	**1,908**	1,982
Purchase obligations	**177**	195
Capital commitments for private equity investments	**108**	83
Capital expenditures	**77**	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 September 30, 2021 and December 31, 2020, the Bancorp had a reserve for unfunded commitments, including letters of credit, totaling $205 million and $172 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)	September 30, 2021	December 31, 2020
Pass	**$ 77,674**	71,386
Special mention	**1,250**	2,049
Substandard	**1,392**	1,063
Doubtful	**—**	1
Total commitments to extend credit	**$ 80,316**	74,499

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 September 30, 2021:

($ in millions)	
Less than 1 year[(a)]	$ 934
1 - 5 years[(a)]	974
Total letters of credit	$ 1,908

(a) Includes $2 and $3 issued on behalf of commercial customers to facilitate trade payments in U.S. dollars and foreign currencies which expire in 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 September 30, 2021 and December 31, 2020 and are considered guarantees in accordance with U.S. GAAP. Approximately 71% and 68% of the total standby letters of credit were collateralized as of September 30, 2021 and December 31, 2020, 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 $23 million and $27 million at September 30, 2021 and December 31, 2020, 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)		September 30, 2021	December 31, 2020
Pass	$	**1,713**	1,739
Special mention		**41**	111
Substandard		**154**	132
Total letters of credit	$	**1,908**	1,982

At September 30, 2021 and December 31, 2020, 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 September 30, 2021 and December 31, 2020, total VRDNs, of which FTS was the remarketing agent for all, were $479 million and $385 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 $132 million and $142 million of the VRDNs remarketed by FTS at September 30, 2021 and December 31, 2020, respectively. These letters of credit are included in the total letters of credit balance provided in the previous table. The Bancorp did not hold any of these VRDNs in its portfolio at September 30, 2021 or December 31, 2020 but classifies them as trading debt securities when held.

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 18 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, 2020.

As of September 30, 2021 and December 31, 2020, the Bancorp maintained reserves related to loans sold with representation and warranty provisions totaling $9 million and $8 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 September 30, 2021 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 $11 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 September 30, 2021 and 2020, the Bancorp paid an immaterial amount in the form of make-whole payments and repurchased $11 million and $6 million, respectively, in outstanding principal of loans to satisfy investor demands. For both the nine months ended September 30, 2021 and 2020, the Bancorp paid an immaterial amount in the form of make-whole payments and repurchased $29 million and $19 million, respectively, in outstanding principal of loans to satisfy investor demands. Total repurchase demand requests during the three months ended September 30, 2021 and 2020 were $14 million and $8 million, respectively. Total repurchase demand requests during the nine months ended September 30, 2021 and 2020 were $42 million and $27 million, respectively. Total outstanding repurchase demand inventory was $11 million and $5 million at September 30, 2021 and December 31, 2020, 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 $23 million and $14 million at September 30, 2021 and December 31, 2020, 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 September 30, 2021 and December 31, 2020.

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 22 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 September 30, 2021, 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 $211 million at September 30, 2021 and $201 million at December 31, 2020. Refer to Note 14 and Note 22 for further information.

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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

Fifth Third Bancorp and Subsidiaries
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18. 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 17 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 that was initially approved by the trial court but reversed by the U.S. Second Circuit Court of Appeals and remanded to the district court for further proceedings. 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. Pursuant to the terms of the Settlement Agreement, $700 million of the additional $900 million has been returned to the defendants due to the level of opt-outs from the class. 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, which is currently pending appeal. 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. On September 27, 2021, the Court entered an order certifying a class of merchants pursuing claims for injunctive relief. The ultimate outcome in this matter, including the timing of resolution, remains uncertain. Refer to Note 17 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 action lawsuits 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 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. On March 26, 2021, the trial court granted plaintiffs' motion for class certification. 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, attorneys' fees, removal of Fifth Third as trustee, and injunctive relief. 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. Thereafter, the case returned to the trial court for further adjudication of the lone surviving claim. On July 28, 2021 the trial court issued an order granting summary judgment to Fifth Third on a portion of plaintiffs' unjust enrichment claim, leaving the remainder of the claim to be resolved at trial, currently scheduled for February 22, 2022. Plaintiffs have appealed the order granting partial summary judgment on the unjust enrichment 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. On February 12, 2021, the court granted Fifth Third's motion to transfer venue to the United States District Court for the Southern District of Ohio. The Bancorp was also subject to a consumer class action lawsuit related to the alleged opening of unauthorized accounts (Zanni v. Fifth Third Bank, et al., Case 1:21-cv-00173-DRC); however, this matter was voluntarily dismissed in July 2021.

Shareholder Litigation
On April 7, 2020, Plaintiff Lee Christakis filed a putative class action lawsuit against Fifth Third Bancorp, Fifth Third Chairman and Chief Executive Officer Greg D. Carmichael, and former 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 the plaintiff. On September 14, 2020, the lead plaintiff filed its amended consolidated complaint. On April 27, 2021, the Court granted the defendants' motion to dismiss and provided plaintiff with leave to amend to attempt to cure the deficiencies. On October 8, 2021, plaintiff filed an amended complaint.

On July 31, 2020, a second putative shareholder class action lawsuit 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. On March 19, 2021, the trial court denied the defendants' motion to dismiss.

In addition, shareholder derivative lawsuits have been filed seeking monetary damages on behalf of the Bancorp alleging certain claims against various officers and directors relating to an alleged improper cross-selling strategy. Five lawsuits have been consolidated into a single action pending in the U.S. District Court for the Northern District of Illinois captioned In re Fifth Third Bancorp Derivative Litigation, Case No. 1:20-cv-04115. Those cases consist of: (1) Pemberton v. Carmichael, et al., Case No. 20-cv-4115 (filed July 13, 2020); (2) Meyer v. Carmichael, et al., Case No. 20-cv-4244 (filed July 17, 2020); (3) Cox v. Carmichael, et al., Case No. 20-cv-4660 (filed August 7, 2020); (4) Hansen v. Carmichael, et al., Case No. 20-cv-5339 (filed September 10, 2020); and (5) Reese v. Carmichael, et al., Case No. 1:21-cv-01631 (filed November 4, 2020 originally as Case No. 20-cv-866 in the Southern District of Ohio). Also pending is Sandys v. Carmichael, et al., Case No. A2004539 in the Hamilton County, Ohio Court of Common Pleas (filed December 28, 2020).

The Bancorp has also received several shareholder demands under Ohio Rev. Code § 1701.37(c) and lawsuits have been filed arising out of the same. Finally, the Bancorp has received shareholder demands 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. One of those shareholders subsequently filed the aforementioned Sandys v. Carmichael, et al. matter.

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 $50 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.

19. Income Taxes

The applicable income tax expense was $191 million and $165 million for the three months ended September 30, 2021 and 2020, respectively, and $582 million and $228 million for the nine months ended September 30, 2021 and 2020, respectively. The effective tax rates for the three months ended September 30, 2021 and 2020 were 21.3% and 22.1%, respectively, and 21.6% for both the nine months ended September 30, 2021 and 2020.

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

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20. 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		
September 30, 2021 ($ in millions)	Pre-tax Activity	Tax Effect	Net Activity	Beginning Balance	Net Activity	Ending Balance
Unrealized holding losses on available-for-sale debt securities arising during period	**$ (368)**	**87**	**(281)**			
Reclassification adjustment for net gains on available-for-sale debt securities included in net income	**(1)**	**—**	**(1)**			
Net unrealized gains on available-for-sale debt securities	**(369)**	**87**	**(282)**	**1,472**	**(282)**	**1,190**
Unrealized holding gains on cash flow hedge derivatives arising during period	**3**	**(1)**	**2**			
Reclassification adjustment for net gains on cash flow hedge derivatives included in net income	**(74)**	**16**	**(58)**			
Net unrealized gains on cash flow hedge derivatives	**(71)**	**15**	**(56)**	**548**	**(56)**	**492**
Net actuarial loss arising during the year	**(1)**	**—**	**(1)**			
Reclassification of amounts to net periodic benefit costs	**3**	**(1)**	**2**			
Defined benefit pension plans, net	**2**	**(1)**	**1**	**(42)**	**1**	**(41)**
Other	**—**	**—**	**—**	**(4)**	**—**	**(4)**
Total	**$ (438)**	**101**	**(337)**	**1,974**	**(337)**	**1,637**

	Total OCI			Total AOCI		
September 30, 2020 ($ in millions)	Pre-tax Activity	Tax Effect	Net Activity	Beginning Balance	Net Activity	Ending Balance
Unrealized holding losses on available-for-sale debt securities arising during period	$ (42)	10	(32)			
Reclassification adjustment for net gains on available-for-sale debt securities included in net income	(45)	11	(34)			
Net unrealized gains on available-for-sale debt securities	(87)	21	(66)	2,150	(66)	2,084
Unrealized holding gains on cash flow hedge derivatives arising during period	1	—	1			
Reclassification adjustment for net gains on cash flow hedge derivatives included in net income	(72)	16	(56)			
Net unrealized gains on cash flow hedge derivatives	(71)	16	(55)	841	(55)	786
Net actuarial loss arising during the year	(2)	—	(2)			
Reclassification of amounts to net periodic benefit costs	4	(1)	3			
Defined benefit pension plans, net	2	(1)	1	(40)	1	(39)
Total	$ (156)	36	(120)	2,951	(120)	2,831

Fifth Third Bancorp and Subsidiaries
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The tables below present the activity of the components of OCI and AOCI for the nine months ended:

	Total OCI			Total AOCI		
September 30, 2021 ($ in millions)	Pre-tax Activity	Tax Effect	Net Activity	Beginning Balance	Net Activity	Ending Balance
Unrealized holding losses on available-for-sale debt securities arising during period	**$ (978)**	**230**	**(748)**			
Reclassification adjustment for net losses on available-for-sale debt securities included in net income	**9**	**(2)**	**7**			
Net unrealized gains on available-for-sale debt securities	**(969)**	**228**	**(741)**	**1,931**	**(741)**	**1,190**
Unrealized holding losses on cash flow hedge derivatives arising during period	**(67)**	**14**	**(53)**			
Reclassification adjustment for net gains on cash flow hedge derivatives included in net income	**(219)**	**46**	**(173)**			
Net unrealized gains on cash flow hedge derivatives	**(286)**	**60**	**(226)**	**718**	**(226)**	**492**
Net actuarial loss arising during the year	**(2)**	**—**	**(2)**			
Reclassification of amounts to net periodic benefit costs	**7**	**(2)**	**5**			
Defined benefit pension plans, net	**5**	**(2)**	**3**	**(44)**	**3**	**(41)**
Other	**—**	**—**	**—**	**(4)**	**—**	**(4)**
Total	**$ (1,250)**	**286**	**(964)**	**2,601**	**(964)**	**1,637**

	Total OCI			Total AOCI		
September 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	$ 1,715	(409)	1,306			
Reclassification adjustment for net gains on available-for-sale debt securities included in net income	(45)	11	(34)			
Net unrealized gains on available-for-sale debt securities	1,670	(398)	1,272	812	1,272	2,084
Unrealized holding gains on cash flow hedge derivatives arising during period	625	(131)	494			
Reclassification adjustment for net gains on cash flow hedge derivatives included in net income	(165)	35	(130)			
Net unrealized gains on cash flow hedge derivatives	460	(96)	364	422	364	786
Net actuarial loss arising during the year	(2)	—	(2)			
Reclassification of amounts to net periodic benefit costs	7	(2)	5			
Defined benefit pension plans, net	5	(2)	3	(42)	3	(39)
Total	$ 2,135	(496)	1,639	1,192	1,639	2,831

Fifth Third Bancorp and Subsidiaries
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The table below presents reclassifications out of AOCI:

($ in millions)	Condensed Consolidated Statements of Income Caption	For the three months ended September 30,		For the nine months ended September 30,	
		2021	2020	**2021**	2020
Net unrealized gains on available-for-sale debt securities:[(b)]					
Net (losses) gains included in net income	Securities gains (losses), net	**$ 1**	45	**(9)**	45
	Income before income taxes	**1**	45	**(9)**	45
	Applicable income tax expense	**—**	(11)	**2**	(11)
	Net income	**1**	34	**(7)**	34
Net unrealized gains on cash flow hedge derivatives:[(b)]					
Interest rate contracts related to C&I loans	Interest and fees on loans and leases	**74**	72	**219**	165
	Income before income taxes	**74**	72	**219**	165
	Applicable income tax expense	**(16)**	(16)	**(46)**	(35)
	Net income	**58**	56	**173**	130
Net periodic benefit costs:[(b)]					
Amortization of net actuarial loss	Compensation and benefits[(a)]	**(2)**	(2)	**(5)**	(5)
Settlements	Compensation and benefits[(a)]	**(1)**	(2)	**(2)**	(2)
	Income before income taxes	**(3)**	(4)	**(7)**	(7)
	Applicable income tax expense	**1**	1	**2**	2
	Net income	**(2)**	(3)	**(5)**	(5)
Total reclassifications for the period	Net income	**$ 57**	87	**161**	159

(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, 2020 for further information.

(b) Amounts in parentheses indicate reductions to net income.

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21. 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 September 30, (in millions, except per share data)	2021 Income	2021 Average Shares	2021 Per Share Amount	2020 Income	2020 Average Shares	2020 Per Share Amount
Earnings Per Share:						
Net income available to common shareholders	**$ 684**			$ 562		
Less: Income allocated to participating securities	**1**			2		
Net income allocated to common shareholders	**$ 683**	**697**	**$ 0.98**	$ 560	715	$ 0.78
Earnings Per Diluted Share:						
Net income available to common shareholders	**$ 684**			$ 562		
Effect of dilutive securities:						
Stock-based awards	**—**	**9**		—	4	
Net income available to common shareholders plus assumed conversions	**$ 684**			$ 562		
Less: Income allocated to participating securities	**1**			2		
Net income allocated to common shareholders plus assumed conversions	**$ 683**	**706**	**$ 0.97**	$ 560	719	$ 0.78

For the nine months ended September 30, (in millions, except per share data)	2021 Income	2021 Average Shares	2021 Per Share Amount	2020 Income	2020 Average Shares	2020 Per Share Amount
Earnings Per Share:						
Net income available to common shareholders	**$ 2,032**			$ 754		
Less: Income allocated to participating securities	**5**			3		
Net income allocated to common shareholders	**$ 2,027**	**707**	**$ 2.87**	$ 751	714	$ 1.05
Earnings Per Diluted Share:						
Net income available to common shareholders	**$ 2,032**			$ 754		
Effect of dilutive securities:						
Stock-based awards	**—**	**9**		—	5	
Net income available to common shareholders plus assumed conversions	**$ 2,032**			$ 754		
Less: Income allocated to participating securities	**5**			3		
Net income allocated to common shareholders plus assumed conversions	**$ 2,027**	**716**	**$ 2.83**	$ 751	719	$ 1.04

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 both the three and nine months ended September 30, 2021 excludes an immaterial amount of stock-based awards because their inclusion would have been anti-dilutive. The diluted earnings per share computation for both the three and nine months ended September 30, 2020 excludes 9 million shares of stock-based awards because their inclusion would have been anti-dilutive.

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22. 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, 2020.

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			
September 30, 2021 ($ in millions)	Level 1	Level 2	Level 3	Total Fair Value
Assets:				
Available-for-sale debt and other securities:				
U.S. Treasury and federal agencies securities	**$ 92**	**—**	**—**	**92**
Obligations of states and political subdivisions securities	**—**	**18**	**—**	**18**
Mortgage-backed securities:				
Agency residential mortgage-backed securities	**—**	**9,652**	**—**	**9,652**
Agency commercial mortgage-backed securities	**—**	**19,364**	**—**	**19,364**
Non-agency commercial mortgage-backed securities	**—**	**3,979**	**—**	**3,979**
Asset-backed securities and other debt securities	**—**	**4,247**	**—**	**4,247**
Available-for-sale debt and other securities[(a)]	**92**	**37,260**	**—**	**37,352**
Trading debt securities:				
U.S. Treasury and federal agencies securities	**91**	**2**	**—**	**93**
Obligations of states and political subdivisions securities	**—**	**50**	**—**	**50**
Agency residential mortgage-backed securities	**—**	**89**	**—**	**89**
Asset-backed securities and other debt securities	**—**	**453**	**—**	**453**
Trading debt securities	**91**	**594**	**—**	**685**
Equity securities	**317**	**12**	**—**	**329**
Residential mortgage loans held for sale	**—**	**1,532**	**—**	**1,532**
Residential mortgage loans[(b)]	**—**	**—**	**156**	**156**
Servicing rights	**—**	**—**	**943**	**943**
Derivative assets:				
Interest rate contracts	**21**	**1,505**	**27**	**1,553**
Foreign exchange contracts	**—**	**285**	**—**	**285**
Commodity contracts	**29**	**2,094**	**—**	**2,123**
Derivative assets[(c)]	**50**	**3,884**	**27**	**3,961**
Total assets	**$ 550**	**43,282**	**1,126**	**44,958**
Liabilities:				
Derivative liabilities:				
Interest rate contracts	**$ 4**	**215**	**8**	**227**
Foreign exchange contracts	**—**	**251**	**—**	**251**
Equity contracts	**—**	**—**	**211**	**211**
Commodity contracts	**547**	**1,502**	**—**	**2,049**
Derivative liabilities[(d)]	**551**	**1,968**	**219**	**2,738**
Short positions:				
U.S. Treasury and federal agencies securities	**107**	**—**	**—**	**107**
Asset-backed securities and other debt securities	**—**	**379**	**—**	**379**
Short positions[(d)]	**107**	**379**	**—**	**486**
Total liabilities	**$ 658**	**2,347**	**219**	**3,224**

(a) Excludes FHLB, FRB and DTCC restricted stock holdings totaling $31, $485 and $2, respectively, at September 30, 2021.
(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, 2020 ($ 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 agencies securities	$ 78	—	—	78
Obligations of states and political subdivisions securities	—	17	—	17
Mortgage-backed securities:				
Agency residential mortgage-backed securities	—	11,907	—	11,907
Agency commercial mortgage-backed securities	—	18,221	—	18,221
Non-agency commercial mortgage-backed securities	—	3,590	—	3,590
Asset-backed securities and other debt securities	—	3,176	—	3,176
Available-for-sale debt and other securities[(a)]	78	36,911	—	36,989
Trading debt securities:				
U.S. Treasury and federal agencies securities	81	—	—	81
Obligations of states and political subdivisions securities	—	10	—	10
Agency residential mortgage-backed securities	—	30	—	30
Asset-backed securities and other debt securities	—	439	—	439
Trading debt securities	81	479	—	560
Equity securities	293	20	—	313
Residential mortgage loans held for sale	—	1,481	—	1,481
Residential mortgage loans[(b)]	—	—	161	161
Servicing rights	—	—	656	656
Derivative assets:				
Interest rate contracts	1	2,227	61	2,289
Foreign exchange contracts	—	255	—	255
Commodity contracts	24	351	—	375
Derivative assets[(c)]	25	2,833	61	2,919
Total assets	$ 477	41,724	878	43,079
Liabilities:				
Derivative liabilities:				
Interest rate contracts	$ 16	261	8	285
Foreign exchange contracts	—	227	—	227
Equity contracts	—	—	201	201
Commodity contracts	55	304	—	359
Derivative liabilities[(d)]	71	792	209	1,072
Short positions:				
U.S. Treasury and federal agencies securities	63	—	—	63
Asset-backed securities and other debt securities	—	392	—	392
Short positions[(d)]	63	392	—	455
Total liabilities	$ 134	1,184	209	1,527

(a) Excludes FHLB, FRB and DTCC restricted stock holdings totaling $40, $482 and $2, respectively, at December 31, 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.

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 which primarily utilize quoted prices of securities with similar characteristics. Level 2 securities may include federal agencies 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 loans.

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 13 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 September 30, 2021 and December 31, 2020, 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 as well as 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. Refer to Note 17 for additional information on the Covered Litigation.

The net asset fair value of the Bancorp's IRLCs at September 30, 2021 was $27 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 $11 million and $20 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 $12 million and $26 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 $3 million and $5 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 $3 million and $5 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.

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 which primarily utilize quoted prices of securities with similar characteristics and therefore are classified within Level 2 of the valuation hierarchy. Level 2 securities include asset-backed and other debt securities.

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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 September 30, 2021 ($ in millions)	Residential Mortgage Loans	Servicing Rights	Interest Rate Derivatives, Net[(a)]	Equity Derivatives	Total Fair Value
Balance, beginning of period	**$ 151**	**818**	**31**	**(213)**	**787**
Total (losses) gains (realized/unrealized):[(b)]					
Included in earnings	**—**	**(44)**	**44**	**(17)**	**(17)**
Purchases/originations	**—**	**169**	**—**	**—**	**169**
Settlements	**(13)**	**—**	**(56)**	**19**	**(50)**
Transfers into Level 3[(c)]	**18**	**—**	**—**	**—**	**18**
Balance, end of period	**$ 156**	**943**	**19**	**(211)**	**907**
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 September 30, 2021	**$ —**	**19**	**25**	**(17)**	**27**

(a) Net interest rate derivatives include derivative assets and liabilities of $27 and $8, respectively, as of September 30, 2021.
(b) There were no unrealized gains or losses for the period included in other comprehensive income for instruments still held at September 30, 2021.
(c) Includes certain residential mortgage loans originated as held for sale that were transferred to held for investment.

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)				
For the three months ended September 30, 2020 ($ in millions)	Residential Mortgage Loans	Servicing Rights	Interest Rate Derivatives, Net[(a)]	Equity Derivatives	Total Fair Value
Balance, beginning of period	$ 185	676	89	(183)	767
Total (losses) gains (realized/unrealized):[(b)]					
Included in earnings	—	(71)	55	(22)	(38)
Purchases/originations	—	55	—	—	55
Settlements	(21)	—	(60)	17	(64)
Transfers into Level 3[(c)]	10	—	—	—	10
Balance, end of period	$ 174	660	84	(188)	730
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 September 30, 2020	$ —	(2)	61	(22)	37

(a) Net interest rate derivatives include derivative assets and liabilities of $92 and $8, respectively, as of September 30, 2020.
(b) There were no unrealized gains or losses for the period included in other comprehensive income for instruments still held at September 30, 2020.
(c) Includes certain residential mortgage loans originated as held for sale that were transferred to held for investment.

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)				
For the nine months ended September 30, 2021 ($ in millions)	Residential Mortgage Loans	Servicing Rights	Interest Rate Derivatives, Net[(a)]	Equity Derivatives	Total Fair Value
Balance, beginning of period	**$ 161**	**656**	**53**	**(201)**	**669**
Total (losses) gains (realized/unrealized):[(b)]					
Included in earnings	**(1)**	**(95)**	**136**	**(67)**	**(27)**
Purchases/originations	**—**	**382**	**(2)**	**—**	**380**
Settlements	**(42)**	**—**	**(168)**	**57**	**(153)**
Transfers into Level 3[(c)]	**38**	**—**	**—**	**—**	**38**
Balance, end of period	**$ 156**	**943**	**19**	**(211)**	**907**
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 September 30, 2021	**$ (1)**	**77**	**28**	**(67)**	**37**

(a) Net interest rate derivatives include derivative assets and liabilities of $27 and $8, respectively, as of September 30, 2021.
(b) There were no unrealized gains or losses for the period included in other comprehensive income for instruments still held at September 30, 2021.
(c) Includes certain residential mortgage loans originated as held for sale that were transferred to held for investment.

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	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)				
For the nine months ended September 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):[(b)]					
Included in earnings	2	(519)	241	(73)	(349)
Purchases/originations	—	186	4	—	190
Settlements	(50)	—	(171)	48	(173)
Transfers into Level 3[(c)]	39	—	—	—	39
Balance, end of period	$ 174	660	84	(188)	730
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 September 30, 2020	$ 2	(281)	88	(73)	(264)

(a) Net interest rate derivatives include derivative assets and liabilities of $92 and $8, respectively, as of September 30, 2020.
(b) There were no unrealized gains or losses for the period included in other comprehensive income for instruments still held at September 30, 2020.
(c) Includes certain residential mortgage loans originated as held for sale that were transferred to held for investment.

The total losses and gains 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 September 30,		For the nine months ended September 30,	
($ in millions)	**2021**	2020	**2021**	2020
Mortgage banking net revenue	**$ —**	(17)	**38**	(278)
Commercial banking revenue	**—**	1	**2**	1
Other noninterest income	**(17)**	(22)	**(67)**	(72)
Total losses	**$ (17)**	(38)	**(27)**	(349)

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 September 30, 2021 and 2020 were recorded in the Condensed Consolidated Statements of Income as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
($ in millions)	**2021**	2020	**2021**	2020
Mortgage banking net revenue	**$ 44**	58	**102**	(193)
Commercial banking revenue	**—**	1	**2**	1
Other noninterest income	**(17)**	(22)	**(67)**	(72)
Total gains (losses)	**$ 27**	37	**37**	(264)

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The following tables present information as of September 30, 2021 and 2020 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 September 30, 2021 ($ in millions)						
Financial Instrument	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range of Inputs	Weighted-Average	
Residential mortgage loans	**$ 156**	Loss rate model	Interest rate risk factor	**(7.5) - 8.6%**		**1.1 %** [(a)]
			Credit risk factor	**— - 28.3%**		**0.3 %** [(a)]
					(Fixed)	**11.3 %** [(b)]
Servicing rights	**943**	DCF	Prepayment speed	**— - 100.0%**	(Adjustable)	**22.5 %** [(b)]
					(Fixed)	**757** [(b)]
			OAS (bps)	**536 - 1,587**	(Adjustable)	**990** [(b)]
IRLCs, net	**27**	DCF	Loan closing rates	**24.3 - 97.2%**		**76.5 %** [(c)]
Swap associated with the sale of Visa, Inc. Class B Shares	**(211)**	DCF	Timing of the resolution of the Covered Litigation	**Q1 2023 - Q1 2025**		**Q1 2024** [(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 September 30, 2020 ($ in millions)						
Financial Instrument	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range of Inputs	Weighted-Average	
Residential mortgage loans	$ 174	Loss rate model	Interest rate risk factor	(8.6) - 11.0 %		1.1 % [(a)]
			Credit risk factor	— - 26.0 %		0.4 % [(a)]
					(Fixed)	18.2 % [(b)]
Servicing rights	660	DCF	Prepayment speed	0.5 - 99.9 %	(Adjustable)	21.2 % [(b)]
					(Fixed)	918 [(b)]
			OAS (bps)	536 - 1,537	(Adjustable)	938 [(b)]
IRLCs, net	85	DCF	Loan closing rates	7.2 - 97.2 %		61.4 % [(c)]
Swap associated with the sale of Visa, Inc. Class B Shares	(188)	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.

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 September 30, 2021 and 2020, and for which a nonrecurring fair value adjustment was recorded during the three and nine months ended September 30, 2021 and 2020, 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 September 30, 2021 ($ in millions)	Level 1	Level 2	Level 3	Total	**For the three months ended September 30, 2021**	**For the nine months ended September 30, 2021**
Commercial loans held for sale	**$ —**	**—**	**2**	**2**	**—**	**2**
Commercial loans and leases	**—**	**—**	**268**	**268**	**7**	**(37)**
Consumer and residential mortgage loans	**—**	**—**	**126**	**126**	**—**	**(1)**
OREO	**—**	**—**	**9**	**9**	**—**	**(6)**
Bank premises and equipment	**—**	**—**	**11**	**11**	**(3)**	**(6)**
Operating lease equipment	**—**	**—**	**31**	**31**	**—**	**(25)**
Private equity investments	**—**	**1**	**14**	**15**	**8**	**8**
Total	**$ —**	**1**	**461**	**462**	**12**	**(65)**

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	Fair Value Measurements Using				Total (Losses) Gains	
As of September 30, 2020 ($ in millions)	Level 1	Level 2	Level 3	Total	For the three months ended September 30, 2020	For the nine months ended September 30, 2020
Commercial loans held for sale	$ —	31	17	48	1	(4)
Commercial loans and leases	—	—	628	628	(49)	(241)
Consumer and residential mortgage loans	—	—	197	197	(1)	2
OREO	—	—	20	20	(2)	(7)
Bank premises and equipment	—	—	21	21	(11)	(25)
Operating lease equipment	—	—	9	9	—	(3)
Private equity investments	—	—	69	69	—	(9)
Total	$ —	31	961	992	(62)	(287)

The following tables present information as of September 30, 2021 and 2020 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 September 30, 2021 ($ in millions)

Financial Instrument	Fair Value	Valuation Technique	Significant Unobservable Inputs	Ranges of Inputs	Weighted-Average
Commercial loans held for sale	**$ 2**	Comparable company analysis	Market comparable transactions	**NM**	**NM**
Commercial loans and leases	**268**	Appraised value	Collateral value	**NM**	**NM**
Consumer and residential mortgage loans	**126**	Appraised value	Collateral value	**NM**	**NM**
OREO	**9**	Appraised value	Appraised value	**NM**	**NM**
Bank premises and equipment	**11**	Appraised value	Appraised value	**NM**	**NM**
Operating lease equipment	**31**	Appraised value	Appraised value	**NM**	**NM**
Private equity investments	**14**	Comparable company analysis	Market comparable transactions	**NM**	**NM**

As of September 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 loans and leases	628	Appraised value	Collateral value	NM	NM
Consumer and residential mortgage loans	197	Appraised value	Collateral value	NM	NM
OREO	20	Appraised value	Appraised value	NM	NM
Bank premises and equipment	21	Appraised value	Appraised value	NM	NM
Operating lease equipment	9	Appraised value	Appraised value	NM	NM
Private equity investments	69	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 during the nine months ended September 30, 2021 and 2020, resulting in positive fair value adjustments of an immaterial amount and $1 million during the three and nine months ended September 30, 2021, respectively, and a positive fair value adjustment of $1 million and negative fair value adjustments of $4 million during the three and nine months ended September 30, 2020, respectively. These valuations were based on quoted prices for similar assets in active markets (Level 2 of the valuation hierarchy), appraisals of the underlying collateral 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 gains of an immaterial amount and $1 million on the sale of certain commercial loans held for sale during the three and nine months ended September 30, 2021, respectively, and gains of an immaterial amount during both the three and nine months ended September 30, 2020.

Portfolio loans and leases
During the three and nine months ended September 30, 2021 and 2020, the Bancorp recorded nonrecurring impairment adjustments to certain collateral-dependent portfolio loans and leases. When a 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 nine months ended September 30, 2021 and 2020, the Bancorp recorded nonrecurring adjustments to certain commercial and residential real estate properties and branch-related real estate no longer intended to be used for banking purposes 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 $6 million in losses, respectively, recorded as charge-offs on new OREO properties transferred from loans, during the three and nine months ended September 30, 2021 compared to $2 million and $3 million in losses during the three and nine months ended September 30, 2020, respectively. These losses also included an immaterial amount for both the three and nine months ended September 30, 2021, and an immaterial amount and $4 million for the three and nine months ended September 30, 2020, respectively, recorded as negative fair value adjustments on OREO in other noninterest expense or other noninterest income in the Condensed Consolidated Statements of Income subsequent to their transfer into OREO. 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.

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 7.

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 recognized gains of $10 million resulting from observable price changes during both the three and nine months ended September 30, 2021 and did not recognize gains resulting from observable price changes during both the three and nine months ended September 30, 2020. The carrying value of the Bancorp's private equity investments still held as of September 30, 2021 includes a cumulative $68 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 impairments of $2 million for both the three and nine months ended September 30, 2021 compared to zero and $9 million for the three and nine months ended September 30, 2020, respectively. The carrying value of the Bancorp's private equity investments still held as of September 30, 2021 includes a cumulative $23 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 loans held for sale under the fair value option as allowed under U.S. GAAP. Electing to measure residential mortgage loans held for sale at fair value reduces certain timing differences and better matches changes in the value of these assets with changes in the value of derivatives used as economic hedges for these assets. Management's intent to sell residential mortgage loans classified as held for sale may change over time due to such factors as changes in the overall liquidity in markets or changes in characteristics specific to certain loans held for sale. Consequently, these loans may be reclassified to loans held for investment and maintained in the Bancorp's loan portfolio. In such cases, the loans will continue to be measured at fair value.

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Fair value changes recognized in earnings for residential mortgage loans held at September 30, 2021 and 2020 for which the fair value option was elected, as well as the changes in fair value of the underlying IRLCs, included gains of $46 million and $77 million, respectively. These gains are reported in mortgage banking net revenue in the Condensed Consolidated Statements of Income.

Valuation adjustments related to instrument-specific credit risk for residential mortgage loans measured at fair value negatively impacted the fair value of those loans by an immaterial amount and $1 million at September 30, 2021 and December 31, 2020, respectively. 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 loans measured at fair value as of:

September 30, 2021 ($ in millions)	Aggregate Fair Value	Aggregate Unpaid Principal Balance	Difference
Residential mortgage loans measured at fair value	**$ 1,688**	**1,642**	**46**
Past due loans of 90 days or more	**3**	**3**	**—**
Nonaccrual loans	**—**	**—**	**—**
December 31, 2020			
Residential mortgage loans measured at fair value	$ 1,642	1,567	75
Past due loans of 90 days or more	3	3	—
Nonaccrual loans	—	—	—

The Bancorp invests in certain hybrid financial instruments with embedded derivatives that are not clearly and closely related to the host contracts. The Bancorp has elected to measure the entire instrument at fair value with changes in fair value recognized in earnings. The carrying value of these investments was $75 million as of September 30, 2021 and the investments are classified as trading debt securities on the Condensed Consolidated Balance Sheets. Fair value changes recognized in earnings included losses of $1 million and gains of an immaterial amount for the three and nine months ended September 30, 2021, respectively, reported in securities gains (losses), net in the Condensed Consolidated Statements of Income.

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 September 30, 2021 ($ 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	**$ 3,213**	**3,213**	**—**	**—**	**3,213**
Other short-term investments	**34,203**	**34,203**	**—**	**—**	**34,203**
Other securities	**518**	**—**	**518**	**—**	**518**
Held-to-maturity securities	**8**	**—**	**—**	**8**	**8**
Loans and leases held for sale	**3,671**	**—**	**—**	**3,679**	**3,679**
Portfolio loans and leases:					
Commercial loans and leases	**65,553**	**—**	**—**	**66,235**	**66,235**
Consumer and residential mortgage loans	**40,248**	**—**	**—**	**41,389**	**41,389**
Total portfolio loans and leases, net	**$ 105,801**	**—**	**—**	**107,624**	**107,624**
Financial liabilities:					
Deposits	**$ 165,108**	**—**	**165,107**	**—**	**165,107**
Federal funds purchased	**309**	**309**	**—**	**—**	**309**
Other short-term borrowings	**949**	**—**	**949**	**—**	**949**
Long-term debt	**11,419**	**11,818**	**825**	**—**	**12,643**

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As of December 31, 2020 ($ 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	$ 3,147	3,147	—	—	3,147
Other short-term investments	33,399	33,399	—	—	33,399
Other securities	524	—	524	—	524
Held-to-maturity securities	11	—	—	11	11
Loans and leases held for sale	3,260	—	—	3,269	3,269
Portfolio loans and leases:					
Commercial loans and leases	67,541	—	—	67,810	67,810
Consumer and residential mortgage loans	38,627	—	—	40,522	40,522
Total portfolio loans and leases, net	$ 106,168	—	—	108,332	108,332
Financial liabilities:					
Deposits	$ 159,081	—	159,094	—	159,094
Federal funds purchased	300	300	—	—	300
Other short-term borrowings	1,192	—	1,192	—	1,192
Long-term debt	14,973	15,606	923	—	16,529

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23. 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.

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 relationship depth 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 1,100 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 wealth management services for individuals, companies and not-for-profit organizations. Wealth and Asset Management is made up of three main businesses: FTS, an indirect wholly-owned subsidiary of the Bancorp; Fifth Third Private Bank; and Fifth Third Institutional Services. FTS offers full service retail brokerage services to individual clients and broker-dealer services to the institutional marketplace. Fifth Third 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, non-profits, states and municipalities.

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The following tables present the results of operations and assets by business segment for the three months ended:

September 30, 2021 ($ in millions)	Commercial Banking	Branch Banking	Consumer Lending	Wealth and Asset Management	General Corporate and Other	Eliminations	Total
Net interest income	$ 369	309	145	22	344	—	1,189
(Benefit from) provision for credit losses	(242)	13	(2)	—	189	—	(42)
Net interest income after (benefit from) provision for credit losses	$ 611	296	147	22	155	—	1,231
Noninterest income:							
Commercial banking revenue	$ 150	2	—	—	—	—	152
Service charges on deposits	91	61	—	—	—	—	152
Wealth and asset management revenue	—	53	—	140	—	(46) [a]	147
Card and processing revenue	17	82	—	1	2	—	102
Mortgage banking net revenue	—	3	82	1	—	—	86
Leasing business revenue	78	—	—	—	—	—	78
Other noninterest income[b]	24	28	2	1	65	—	120
Securities (losses) gains, net	2	—	—	—	(3)	—	(1)
Securities losses, net – non-qualifying hedges on MSRs	—	—	—	—	—	—	—
Total noninterest income	$ 362	229	84	143	64	(46)	836
Noninterest expense:							
Compensation and benefits	$ 138	160	61	48	220	—	627
Technology and communications	5	1	3	—	89	—	98
Net occupancy expense[c]	8	48	2	4	17	—	79
Equipment expense	7	9	—	—	18	—	34
Leasing business expense	33	—	—	—	—	—	33
Marketing expense	1	10	1	1	16	—	29
Card and processing expense	2	18	—	—	(1)	—	19
Other noninterest expense	212	217	91	81	(302)	(46)	253
Total noninterest expense	$ 406	463	158	134	57	(46)	1,172
Income before income taxes	$ 567	62	73	31	162	—	895
Applicable income tax expense	110	14	15	7	45	—	191
Net income	$ 457	48	58	24	117	—	704
Total goodwill	$ 1,981	2,302	—	231	—	—	4,514
Total assets	$ 70,346	88,732	33,438	11,272	3,943 [d]	—	207,731

(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 $3 for branches and land recorded in Branch Banking. For more information, refer to Note 7 and Note 22.
(c) Includes impairment losses and termination charges of $1 for ROU assets related to certain operating leases. For more information, refer to Note 9.
(d) Includes bank premises and equipment of $25 classified as held for sale. For more information, refer to Note 7.

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September 30, 2020 ($ in millions)	Commercial Banking	Branch Banking	Consumer Lending	Wealth and Asset Management	General Corporate and Other	Eliminations	Total
Net interest income	$ 432	355	98	28	257	—	1,170
(Benefit from) provision for credit losses	337	68	2	—	(422)	—	(15)
Net interest income after (benefit from) provision for credit losses	$ 95	287	96	28	679	—	1,185
Noninterest income:							
Commercial banking revenue	$ 125	1	—	—	(1)	—	125
Service charges on deposits	91	53	—	—	—	—	144
Wealth and asset management revenue	1	44	—	126	—	(39) [(a)]	132
Card and processing revenue	13	76	—	—	3	—	92
Mortgage banking net revenue	—	2	72	2	—	—	76
Leasing business revenue	77	—	—	—	—	—	77
Other noninterest income[(b)]	11	16	2	4	(7)	—	26
Securities gains, net	—	—	—	—	51	—	51
Securities losses, net – non-qualifying hedges on MSRs	—	—	(1)	—	—	—	(1)
Total noninterest income	$ 318	192	73	132	46	(39)	722
Noninterest expense:							
Compensation and benefits	$ 127	162	57	54	237	—	637
Technology and communications	3	1	2	—	83	—	89
Net occupancy expense[(c)]	8	44	2	3	33	—	90
Equipment expense	6	10	—	—	17	—	33
Leasing business expense	35	—	—	—	—	—	35
Marketing expense	2	6	1	—	14	—	23
Card and processing expense	2	28	—	—	(1)	—	29
Other noninterest expense	228	209	75	76	(324)	(39)	225
Total noninterest expense	$ 411	460	137	133	59	(39)	1,161
Income before income taxes	$ 2	19	32	27	666	—	746
Applicable income tax expense (benefit)	(10)	4	7	6	158	—	165
Net income	$ 12	15	25	21	508	—	581
Total goodwill	$ 1,961	2,047	—	253	—	—	4,261
Total assets	$ 72,025	77,018	27,869	11,520	13,564 [(d)]	—	201,996

(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 $7 and $4 for branches and land recorded in Branch Banking and General Corporate and Other, respectively. For more information, refer to Note 7 and Note 22.
(c) Includes impairment losses and termination charges of $1 for ROU assets related to certain operating leases. For more information, refer to Note 9.
(d) Includes bank premises and equipment of $45 classified as held for sale. For more information, refer to Note 7.

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The following tables present the results of operations and assets by business segment for the nine months ended:

September 30, 2021 ($ in millions)	Commercial Banking	Branch Banking	Consumer Lending	Wealth and Asset Management	General Corporate and Other	Eliminations	Total
Net interest income	$ 1,110	905	415	64	1,080	—	3,574
(Benefit from) provision for credit losses	(470)	79	7	(1)	55	—	(330)
Net interest income after (benefit from) provision for credit losses	$ 1,580	826	408	65	1,025	—	3,904
Noninterest income:							
Commercial banking revenue	$ 457	7	—	1	—	—	465
Service charges on deposits	273	172	—	—	—	—	445
Wealth and asset management revenue	2	154	—	414	—	(134) [a]	436
Card and processing revenue	45	244	—	2	7	—	298
Mortgage banking net revenue	—	8	225	2	—	—	235
Leasing business revenue	226 [c]	—	—	—	—	—	226
Other noninterest income[b]	66	73	6	3	63	—	211
Securities gains, net	8	—	—	—	4	—	12
Securities losses, net – non-qualifying hedges on MSRs	—	—	(2)	—	—	—	(2)
Total noninterest income	$ 1,077	658	229	422	74	(134)	2,326
Noninterest expense:							
Compensation and benefits	$ 431	488	189	151	712	—	1,971
Technology and communications	12	4	8	1	260	—	285
Net occupancy expense[d]	25	144	8	11	47	—	235
Equipment expense	19	28	—	—	55	—	102
Leasing business expense	102	—	—	—	—	—	102
Marketing expense	4	24	2	1	41	—	72
Card and processing expense	5	68	—	—	(3)	—	70
Other noninterest expense	627	647	276	236	(948)	(134)	704
Total noninterest expense	$ 1,225	1,403	483	400	164	(134)	3,541
Income before income taxes	$ 1,432	81	154	87	935	—	2,689
Applicable income tax expense	270	17	33	19	243	—	582
Net income	$ 1,162	64	121	68	692	—	2,107
Total goodwill	$ 1,981	2,302	—	231	—	—	4,514
Total assets	$ 70,346	88,732	33,438	11,272	3,943 [e]	—	207,731

(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 $6 and $1 for branches and land recorded in Branch Banking and General Corporate and Other, respectively. For more information, refer to Note 7 and Note 22.
(c) Includes impairment charges of $25 for operating lease equipment. For more information, refer to Note 8 and Note 22.
(d) Includes impairment losses and termination charges of $3 for ROU assets related to certain operating leases. For more information, refer to Note 9.
(e) Includes bank premises and equipment of $25 classified as held for sale. For more information, refer to Note 7.

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September 30, 2020 ($ in millions)	Commercial Banking	Branch Banking	Consumer Lending	Wealth and Asset Management	General Corporate and Other	Eliminations	Total
Net interest income	$ 1,512	1,372	279	116	321	—	3,600
Provision for credit losses	839	182	25	—	64	—	1,110
Net interest income after provision for credit losses	$ 673	1,190	254	116	257	—	2,490
Noninterest income:							
Commercial banking revenue	$ 386	3	—	1	(3)	—	387
Service charges on deposits	253	160	—	1	—	—	414
Wealth and asset management revenue	2	128	—	371	—	(114) [(a)]	387
Card and processing revenue	40	209	—	1	10	—	260
Mortgage banking net revenue	—	6	286	3	—	—	295
Leasing business revenue	207 [(c)]	—	—	—	—	—	207
Other noninterest income[(b)]	9	49	8	13	(37)	—	42
Securities gains, net	—	—	—	—	48	—	48
Securities gains, net – non-qualifying hedges on MSRs	—	—	3	—	—	—	3
Total noninterest income	$ 897	555	297	390	18	(114)	2,043
Noninterest expense:							
Compensation and benefits	$ 405	491	162	165	688	—	1,911
Technology and communications	10	2	6	1	253	—	272
Net occupancy expense[(d)]	23	131	7	9	84	—	254
Equipment expense	20	31	—	—	46	—	97
Leasing business expense	103	—	—	—	—	—	103
Marketing expense	5	23	3	2	41	—	74
Card and processing expense	6	86	—	—	(3)	—	89
Other noninterest expense	722	635	204	223	(988)	(114)	682
Total noninterest expense	$ 1,294	1,399	382	400	121	(114)	3,482
Income before income taxes	$ 276	346	169	106	154	—	1,051
Applicable income tax expense	27	73	35	22	71	—	228
Net income	$ 249	273	134	84	83	—	823
Total goodwill	$ 1,961	2,047	—	253	—	—	4,261
Total assets	$ 72,025	77,018	27,869	11,520	13,564 [(e)]	—	201,996

(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 $11 and $14 for branches and land recorded in Branch Banking and General Corporate and Other, respectively. For more information, refer to Note 7 and Note 22.
(c) Includes impairment charges of $3 for operating lease equipment. For more information, refer to Note 8 and Note 22.
(d) Includes impairment losses and termination charges of $6 for ROU assets related to certain operating leases. For more information, refer to Note 9.
(e) Includes bank premises and equipment of $45 classified as held for sale. For more information, refer to Note 7.

24. Subsequent Events

On October 27, 2021, the Bancorp entered into an accelerated share repurchase transaction with a counterparty pursuant to which the Bancorp paid $316 million on October 29, 2021 to repurchase shares of its outstanding common stock. The Bancorp is repurchasing the shares of its common stock as part of its Board-approved 100 million share repurchase program previously announced on June 18, 2019. The Bancorp expects the final settlement of the transaction to occur on or before December 30, 2021.

On November 1, 2021, the Bancorp issued and sold $500 million of fixed rate/floating rate senior notes which will mature on November 1, 2027. The senior notes bear a fixed rate of interest of 1.707% per annum to, but excluding, November 1, 2026. From, and including, November 1, 2026 until, but excluding, November 1, 2027, the senior notes will have an interest rate of compounded SOFR plus 0.685%. The Bancorp entered into interest-rate swaps to convert the fixed-rate period of the notes due in 2027 to a floating-rate, which resulted in an effective interest rate of one-month LIBOR plus 57 bps. The notes will be redeemable in whole, but not in part, by the Bancorp on November 1, 2026, the date that is one year prior to the maturity date, at a redemption price equal to 100% of the principal amount of the notes, plus accrued and unpaid interest thereon, if any, to, but excluding, the redemption date. In addition, the notes will be redeemable, in whole or in part, by the Bancorp on or after the date that is 30 days prior to the maturity date at a redemption price equal to 100% of the principal amount of the notes being redeemed, plus accrued and unpaid interest thereon, if any, to, but excluding, the redemption date.

PART II. OTHER INFORMATION

Legal Proceedings (Item 1)

Refer to Note 18 of the Notes to Condensed Consolidated Financial Statements in Part I, Item 1 for information regarding legal proceedings.

Risk Factors (Item 1A)

There have been no material changes made during the third quarter of 2021 to any of the risk factors as previously disclosed in the Bancorp's annual and quarterly reports filed with the SEC.

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 third quarter of 2021.

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 Quarterly Report on Form 10-Q filed on May 7, 2021.
3.2	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.
10.1	Supplemental Confirmations each dated July 23, 2021, to Master Confirmation dated August 7, 2019, for accelerated share repurchase transaction between Fifth Third Bancorp and Citibank, N.A.*
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.
101.SCH	Inline XBRL Taxonomy Extension Schema.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase.
101.DEF	Inline XBRL Taxonomy Definition Linkbase.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

** Selected portions of this exhibit have been omitted in accordance with Item 601(b)(10) of Regulation S-K.*

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: November 5, 2021

/s/ James C. Leonard
James C. Leonard
Executive Vice President and
Chief Financial Officer
(Duly Authorized Officer & Principal Financial Officer)