**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 March 31, 2022**
**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 686,087,463 shares of the Registrant's common stock, without par value, outstanding as of April 30, 2022.



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; (44) changes in law or requirements imposed by Fifth Third's regulators impacting our capital actions, including dividend payments and stock repurchases; and (45) Fifth Third's ability to meet its sustainability targets, goals and commitments. 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 | **GDP**: Gross Domestic Product |
| **AFS**: Available-For-Sale | **GNMA**: Government National Mortgage Association |
| **ALCO**: Asset Liability Management Committee | **GSE**: United States Government Sponsored Enterprise |
| **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 |
| **CD**: Certificate of Deposit | **MSR**: Mortgage Servicing Right |
| **CDC**: Fifth Third Community Development Corporation | **N/A**: Not Applicable |
| **CECL**: Current Expected Credit Loss | **NII**: Net Interest Income |
| **CET1**: Common Equity Tier 1 | **NM**: Not Meaningful |
| **CFPB**: United States Consumer Financial Protection Bureau | **OAS**: Option-Adjusted Spread |
| **C&I**: Commercial and Industrial | **OCC**: Office of the Comptroller of the Currency |
| **DCF**: Discounted Cash Flow | **OCI**: Other Comprehensive Income (Loss) |
| **DTCC**: Depository Trust & Clearing Corporation | **OREO**: Other Real Estate Owned |
| **DTI**: Debt-to-Income Ratio | **PPP**: Paycheck Protection Program |
| **ERM**: Enterprise Risk Management | **ROU**: Right-of-Use |
| **ERMC**: Enterprise Risk Management Committee | **SBA**: Small Business Administration |
| **EVE**: Economic Value of Equity | **SEC**: United States Securities and Exchange Commission |
| **FASB**: Financial Accounting Standards Board | **SOFR**: Secured Overnight Financing Rate |
| **FDIC**: Federal Deposit Insurance Corporation | **TBA**: To Be Announced |
| **FHA**: Federal Housing Administration | **TDR**: Troubled Debt Restructuring |
| **FHLB**: Federal Home Loan Bank | **TILA**: Truth in Lending Act |
| **FHLMC**: Federal Home Loan Mortgage Corporation | **U.S.**: United States of America |
| **FICO**: Fair Isaac Corporation (credit rating) | **USD**: United States Dollar |
| **FINRA**: Financial Industry Regulatory Authority | **U.S. GAAP**: United States Generally Accepted Accounting Principles |
| **FNMA**: Federal National Mortgage Association | |
| **FOMC**: Federal Open Market Committee | **VA**: United States Department of Veterans Affairs |
| **FRB**: Federal Reserve Bank | **VIE**: Variable Interest Entity |
| **FTE**: Fully Taxable Equivalent | **VRDN**: Variable Rate Demand Note |
| **FTP**: Funds Transfer Pricing | |
| **FTS**: Fifth Third Securities, Inc. | |

## 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 March 31, 2022, the Bancorp had $211 billion in assets and operated 1,079 full-service banking centers and 2,201 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, 2021. 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 March 31, 2022, net interest income on an FTE basis and noninterest income provided 64% and 36% 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 months ended March 31, 2022. Changes in interest rates, credit quality, economic trends and the capital markets are primary factors that drive the performance of the Bancorp. As discussed later in the Risk Management section of MD&A, risk identification, measurement, monitoring, control and reporting are important to the management of risk and to the financial performance and capital strength of the Bancorp.

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

Noninterest income is derived from service charges on deposits, wealth and asset management revenue, commercial banking revenue, card and processing revenue, leasing business revenue, mortgage banking net 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 years ended December 31, 2021 and 2020, and this uncertainty has continued into 2022. Government and public responses to the COVID-19 pandemic, including temporary closures of businesses and the implementation of social distancing protocols, caused reductions and instability in economic activity that resulted in increased unemployment levels in certain industries and volatility in the financial markets. Markets continue to remain volatile as a result of the pandemic and its evolving impacts, including inflationary concerns as well as stresses in labor markets and supply chains. During the years ended December 31, 2021 and 2020, low interest rates, reduced economic activity and market volatility 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 these factors may adversely impact its future operating results.

Although the increased availability of COVID-19 vaccinations began 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 disproportionately affected 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. For further discussion on current economic conditions, refer to the Credit Risk Management subsection of the Risk Management section of MD&A.

***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 around the world, including the Federal Reserve, have commissioned working groups of market participants and official sector representatives with the goal of finding suitable replacements for LIBOR.

On March 5, 2021, the FCA and ICE Benchmark Administration, Limited announced that the publication of the one-week and two-month USD LIBOR maturities and non-USD LIBOR maturities would cease immediately after December 31, 2021, with the remaining USD LIBOR maturities ceasing immediately after June 30, 2023. In the United States, the Alternative Rates Reference Committee (the "ARRC"), a group of market participants convened in 2014 to help ensure a successful transition away from USD LIBOR, identified SOFR as its preferred alternative rate. SOFR is a measure of the cost of borrowing cash overnight, collateralized by U.S. Treasury securities, and is based on directly observable U.S. Treasury-backed repurchase transactions. The composition and characteristics of SOFR are not the same as those of LIBOR, and SOFR is fundamentally different from LIBOR for two key reasons: (1) SOFR is a secured rate, while LIBOR is an unsecured rate, and (2) SOFR is an overnight rate, while LIBOR is a forward-looking rate that represents interbank funding over different maturities. As a result, there can be no assurance that SOFR, however calculated, will perform the same way as LIBOR would have at any time, including, as a result of changes in interest and yield rates in the market, market volatility, or global or regional economic, financial, political, regulatory, judicial or other events.

On March 15, 2022, President Biden signed the Adjustable Interest Rate (LIBOR) Act (the "LIBOR Act") into law. The LIBOR Act offers a federal solution for transitioning legacy instruments that lack sufficient provisions addressing LIBOR's cessation by outlining a uniform process to govern the transition from LIBOR to a replacement rate. The LIBOR Act also establishes a safe harbor for lenders, shielding lenders from litigation as a result of their choice of a replacement rate (such as SOFR) per Federal Reserve Board recommendations. The Federal Reserve Board is required to promulgate regulations carrying out the terms of the LIBOR Act not later than 180 days following its enactment.

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 reference rates.

Although the full impact of LIBOR reforms and actions remains unclear, the Bancorp has discontinued entering into new LIBOR-based contracts in accordance with regulatory guidance, except for permissible limited use as part of hedging and risk management programs. During the fourth quarter of 2021, the Bancorp expanded its offering of alternative reference rate products, including SOFR. In addition, the Bancorp is continuing its transition of existing LIBOR-based exposures to an appropriate alternative reference rate on or before June 30, 2023. As of March 31, 2022, the Bancorp had substantial exposure to LIBOR-based products throughout several of its lines of business. These exposures included derivative contracts with a total notional value of approximately $103 billion, loans outstanding of approximately $47 billion, preferred stock of approximately $1.4 billion and long-term debt of approximately $237 million. The Bancorp currently estimates that approximately 20% of the existing exposures will mature before June 30, 2023. For the contracts that will not mature prior to June 30, 2023, an additional portion of these contracts is subject to contractual terms specifying alternative reference rates ("fallback provisions") that would become effective upon cessation of LIBOR's publication. Existing exposures without fallback provisions are expected to be amended prior to June 30, 2023 to include such terms or transition to an alternative reference rate.

For a further discussion of the various risks the Bancorp faces in connection with the 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, 2021.

***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 divided by average tangible common equity
- Net Interest Margin (non-GAAP): Net interest income on an FTE basis 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 divided by average portfolio loans and leases
- Return on Average Assets: Net income divided by average assets
- Loan-to-Deposit Ratio: Total loans divided by total deposits
- Household Growth: Change in the number of consumer households with retail relationship-based checking accounts

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.

**TABLE 1: Earnings Summary**

| ($ in millions, except for per share data) | For the three months ended March 31, 2022 | 2021 | % Change |
|---|---|---|---|
| **Income Statement Data** | | | |
| Net interest income (U.S. GAAP) | **$ 1,195** | 1,176 | 2 |
| Net interest income (FTE)[(a)(b)] | **1,198** | 1,179 | 2 |
| Noninterest income | **684** | 749 | (9) |
| Total revenue (FTE)[(a)(b)] | **1,882** | 1,928 | (2) |
| Provision for (benefit from) credit losses | **45** | (173) | NM |
| Noninterest expense | **1,222** | 1,215 | 1 |
| Net income | **494** | 694 | (29) |
| Net income available to common shareholders | **474** | 674 | (30) |
| **Common Share Data** | | | |
| Earnings per share - basic | **$ 0.69** | 0.94 | (27) |
| Earnings per share - diluted | **0.68** | 0.93 | (27) |
| Cash dividends declared per common share | **0.30** | 0.27 | 11 |
| Book value per share | **26.33** | 28.78 | (9) |
| Market value per share | **43.04** | 37.45 | 15 |
| **Financial Ratios** | | | |
| Return on average assets | **0.96 %** | 1.38 | (30) |
| Return on average common equity | **10.0** | 13.1 | (24) |
| Return on average tangible common equity[(b)] | **13.4** | 16.8 | (20) |
| Dividend payout | **43.5** | 28.7 | 52 |

*(a) Amounts presented on an FTE basis. The FTE adjustments were $3 for both the three months ended March 31, 2022 and 2021.*
*(b) These are non-GAAP measures. For further information, refer to the Non-GAAP Financial Measures section of MD&A.*

***Earnings Summary***

The Bancorp's net income available to common shareholders for the first quarter of 2022 was $474 million, or $0.68 per diluted share, which was net of $20 million in preferred stock dividends. The Bancorp's net income available to common shareholders for the first quarter of 2021 was $674 million, or $0.93 per diluted share, which was net of $20 million in preferred stock dividends.

Net interest income on an FTE basis (non-GAAP) was $1.2 billion for the three months ended March 31, 2022, an increase of $19 million compared to the same period in the prior year. Net interest income benefited from an increase in average interest-earning assets, primarily due to increases in average taxable securities, average indirect secured consumer loans and average commercial and industrial loans for the three months ended March 31, 2022. Net interest income also benefited from a decrease in average long-term debt for the three months ended

March 31, 2022 compared to the same period in the prior year. These benefits were partially offset by the impact of lower market rates, resulting in a decrease in yields on average loans and leases primarily driven by decreases in yields on average commercial and industrial loans, average indirect secured consumer loans and average residential mortgage loans. Interest income recognized from PPP loans decreased to $20 million for the three months ended March 31, 2022 compared to $53 million for the same period in the prior year. Net interest margin on an FTE basis (non-GAAP) was 2.59% for the three months ended March 31, 2022 compared to 2.62% for the comparable period in the prior year.

The provision for credit losses was $45 million for the three months ended March 31, 2022 compared to a benefit from credit losses of $173 million during the same period in the prior year. The increase in provision expense for the three months ended March 31, 2022 was primarily driven by factors that caused an increase in the ACL from December 31, 2021 including higher end-of-period commercial and consumer loan balances, partially offset by improvements in commercial credit quality. Net losses charged off as a percent of average portfolio loans and leases were 0.12% and 0.27% for the three months ended March 31, 2022 and 2021, respectively. At March 31, 2022, nonperforming portfolio assets as a percent of portfolio loans and leases and OREO increased to 0.49% compared to 0.47% at December 31, 2021. 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 decreased $65 million for the three months ended March 31, 2022 compared to the same period in the prior year primarily due to decreases in mortgage banking net revenue, leasing business revenue and commercial banking revenue, partially offset by increases in other noninterest income, service charges on deposits and wealth and asset management revenue.

Noninterest expense increased $7 million for the three months ended March 31, 2022 compared to the same period in the prior year primarily due to increases in technology and communications expense, other noninterest expense and compensation and benefits, partially offset by a decrease in 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 March 31, 2022. As of March 31, 2022, the Bancorp's capital ratios, as defined by the U.S. banking agencies, were:

- CET1 capital ratio: 9.31%;
- Tier 1 risk-based capital ratio: 10.63%;
- Total risk-based capital ratio: 12.93%;
- Leverage ratio: 8.32%.

**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 Bancorp encourages readers to consider its Condensed Consolidated Financial Statements in their entirety and not to rely on any single financial measure.

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

| | For the three months ended March 31, | |
|---|---|---|
| ($ in millions) | **2022** | 2021 |
| Net interest income (U.S. GAAP) | **$ 1,195** | 1,176 |
| Add: FTE adjustment | **3** | 3 |
| Net interest income on an FTE basis (1) | **$ 1,198** | 1,179 |
| Net interest income on an FTE basis (annualized) (2) | **4,859** | 4,782 |
| | | |
| Interest income (U.S. GAAP) | **$ 1,289** | 1,302 |
| Add: FTE adjustment | **3** | 3 |
| Interest income on an FTE basis | **$ 1,292** | 1,305 |
| Interest income on an FTE basis (annualized) (3) | **5,240** | 5,293 |
| | | |
| Interest expense (annualized) (4) | **$ 381** | 511 |
| Noninterest income (5) | **684** | 749 |
| Noninterest expense (6) | **1,222** | 1,215 |
| Average interest-earning assets (7) | **187,894** | 182,715 |
| Average interest-bearing liabilities (8) | **116,764** | 116,684 |
| | | |
| **Ratios:** | | |
| Net interest margin on an FTE basis (2) / (7) | **2.59 %** | 2.62 |
| Net interest rate spread on an FTE basis ((3) / (7)) - ((4) / (8)) | **2.46** | 2.46 |
| Efficiency ratio on an FTE basis (6) / ((1) + (5)) | **64.9** | 63.0 |

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

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

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

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

| | | For the three months ended March 31, | |
|---|---|---|---|
| ($ in millions) | | **2022** | 2021 |
| Net income available to common shareholders (U.S. GAAP) | **$** | **474** | 674 |
| Add: Intangible amortization, net of tax | | **9** | 9 |
| Tangible net income available to common shareholders | **$** | **483** | 683 |
| Tangible net income available to common shareholders (annualized) (1) | | **1,959** | 2,770 |
| | | | |
| Average Bancorp shareholders' equity (U.S. GAAP) | **$** | **21,402** | 22,952 |
| Less: Average preferred stock | | **2,116** | 2,116 |
| Average goodwill | | **4,514** | 4,259 |
| Average intangible assets | | **150** | 133 |
| Average tangible common equity (2) | **$** | **14,622** | 16,444 |
| | | | |
| Return on average tangible common equity (1) / (2) | | **13.4 %** | 16.8 |

The Bancorp considers various measures when evaluating capital utilization and adequacy, including the tangible equity ratio and tangible common equity ratio, in addition to capital ratios defined by the U.S. banking agencies. These calculations are intended to complement the capital ratios defined by the U.S. banking agencies for both absolute and comparative purposes. 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 following table reconciles non-GAAP capital ratios to U.S. GAAP:

**TABLE 4: Non-GAAP Financial Measures - Capital Ratios**

| As of ($ in millions) | | **March 31, 2022** | December 31, 2021 |
|---|---|---|---|
| **Total Bancorp Shareholders' Equity (U.S. GAAP)** | **$** | **20,177** | 22,210 |
| Less: Preferred stock | | **2,116** | 2,116 |
| Goodwill | | **4,514** | 4,514 |
| Intangible assets | | **145** | 156 |
| AOCI | | **(1,096)** | 1,207 |
| Tangible common equity, excluding AOCI (1) | **$** | **14,498** | 14,217 |
| Add: Preferred stock | | **2,116** | 2,116 |
| Tangible equity (2) | **$** | **16,614** | 16,333 |
| | | | |
| **Total Assets (U.S. GAAP)** | **$** | **211,459** | 211,116 |
| Less: Goodwill | | **4,514** | 4,514 |
| Intangible assets | | **145** | 156 |
| AOCI, before tax | | **(1,387)** | 1,528 |
| Tangible assets, excluding AOCI (3) | **$** | **208,187** | 204,918 |
| | | | |
| **Ratios:** | | | |
| Tangible equity as a percentage of tangible assets (2) / (3) | | **7.98 %** | 7.97 |
| Tangible common equity as a percentage of tangible assets (1) / (3) | | **6.96** | 6.94 |

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

**RECENT ACCOUNTING STANDARDS**

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

**CRITICAL ACCOUNTING POLICIES**

The Bancorp's Condensed Consolidated Financial Statements are prepared in accordance with U.S. GAAP. Certain accounting policies require management to exercise judgment in determining methodologies, economic assumptions and estimates that may materially affect the Bancorp's financial position, results of operations and cash flows. The Bancorp's critical accounting policies include the accounting for the ALLL, reserve for unfunded commitments, valuation of servicing rights, fair value measurements, goodwill and legal contingencies. These accounting policies are discussed in detail in the Critical Accounting Policies section of the Bancorp's Annual Report on Form 10-K for the year ended December 31, 2021. There have been no material changes to the valuation techniques or models during the three months ended March 31, 2022.

## 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 (including transaction deposits and CDs $250,000 or less) and wholesale funding (including CDs over $250,000, 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.

Table 5 presents the components of net interest income, net interest margin and net interest rate spread for the three months ended March 31, 2022 and 2021, 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 March 31, 2022, an increase of $19 million compared to the same period in the prior year. Net interest income benefited from an increase in average interest-earning assets, primarily due to increases in average taxable securities, average indirect secured consumer loans and average commercial and industrial loans of $5.6 billion, $3.2 billion and $2.8 billion, respectively, for the three months ended March 31, 2022 compared to the same period in the prior year. Net interest income also benefited from a decrease in average long-term debt of $3.7 billion for the three months ended March 31, 2022 compared to the same period in the prior year. These benefits were partially offset by the impact of lower market rates as compared to the three months ended March 31, 2021. Yields on total average loans and leases decreased 27 bps from the three months ended March 31, 2021 primarily as a result of decreases in yields on average commercial and industrial loans, average indirect secured consumer loans and average residential mortgage loans of 31 bps, 50 bps and 19 bps, respectively. Interest income recognized from PPP loans decreased to $20 million for the three months ended March 31, 2022 compared to $53 million for the same period in the prior year.

Net interest rate spread on an FTE basis (non-GAAP) was 2.46% during both the three months ended March 31, 2022 and 2021. Yields on average interest-earning assets decreased 11 bps, offset by a decrease in rates paid on average interest-bearing liabilities of 11 bps for the three months ended March 31, 2022 compared to the three months ended March 31, 2021.

Net interest margin on an FTE basis (non-GAAP) was 2.59% for the three months ended March 31, 2022 compared to 2.62% for the comparable period in the prior year. Net interest margin for the three months ended March 31, 2022 was negatively impacted by the aforementioned impacts of lower market rates on loans and leases, partially offset by an increase in the rate earned on excess reserves included in other short-term investments for the three months ended March 31, 2022 compared to the same period in the prior year. Net interest margin results are expected to increase as rates rise and short-term investments continue to be reallocated into assets with longer durations.

Interest income on an FTE basis (non-GAAP) from loans and leases decreased $47 million during the three months ended March 31, 2022 compared to the three months ended March 31, 2021 primarily driven by lower income from PPP loans and the previously mentioned impacts of lower market rates, partially offset by the previously mentioned increases in average indirect secured consumer loans and average commercial and industrial loans. 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 increased $34 million during the three months ended March 31, 2022 compared to the three months ended March 31, 2021 primarily due to the previously mentioned increase in average taxable securities, partially offset by a decrease in yields on taxable securities.

Interest expense on core deposits decreased $7 million for the three months ended March 31, 2022 compared to the three months ended March 31, 2021 primarily due to a decrease in the cost of average interest-bearing core deposits to 4 bps for the three months ended March 31, 2022 from 7 bps for the three months ended March 31, 2021. 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 $25 million for the three months ended March 31, 2022 compared to the three months ended March 31, 2021 primarily due to a decrease in the average balance of long-term debt partially offset by an increase in the rates paid on average long-term debt. 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 months ended March 31, 2022, average wholesale funding represented 11% of average interest-bearing liabilities, compared to 15% for the three months ended March 31, 2021. 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.

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

| For the three months ended | March 31, 2022 | | | March 31, 2021 | | | 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 | $ **52,562** | **427** | **3.29 %** | $ 49,715 | 441 | 3.60 % | $ 25 | (39) | (14) |
| Commercial mortgage loans | **10,529** | **78** | **3.00** | 10,534 | 80 | 3.06 | — | (2) | (2) |
| Commercial construction loans | **5,371** | **44** | **3.29** | 6,039 | 48 | 3.20 | (5) | 1 | (4) |
| Commercial leases | **2,943** | **21** | **2.85** | 3,130 | 24 | 3.17 | (1) | (2) | (3) |
| Total commercial loans and leases | $ **71,405** | **570** | **3.23** | $ 69,418 | 593 | 3.46 | $ 19 | (42) | (23) |
| Residential mortgage loans | **20,179** | **158** | **3.17** | 20,444 | 170 | 3.36 | (2) | (10) | (12) |
| Home equity | **4,010** | **35** | **3.52** | 5,009 | 44 | 3.58 | (8) | (1) | (9) |
| Indirect secured consumer loans | **17,136** | **130** | **3.08** | 13,955 | 123 | 3.58 | 26 | (19) | 7 |
| Credit card | **1,691** | **51** | **12.31** | 1,879 | 57 | 12.36 | (6) | — | (6) |
| Other consumer loans | **2,741** | **41** | **6.08** | 2,996 | 45 | 6.12 | (4) | — | (4) |
| Total consumer loans | $ **45,757** | **415** | **3.68** | $ 44,283 | 439 | 4.02 | $ 6 | (30) | (24) |
| Total loans and leases | $ **117,162** | **985** | **3.41 %** | $ 113,701 | 1,032 | 3.68 % | $ 25 | (72) | (47) |
| Securities: | | | | | | | | | |
| Taxable | **41,412** | **289** | **2.84** | 35,764 | 262 | 2.97 | 39 | (12) | 27 |
| Exempt from income taxes[b] | **1,010** | **6** | **2.40** | 533 | 3 | 2.26 | 3 | — | 3 |
| Other short-term investments | **28,310** | **12** | **0.18** | 32,717 | 8 | 0.10 | (1) | 5 | 4 |
| Total interest-earning assets | $ **187,894** | **1,292** | **2.79 %** | $ 182,715 | 1,305 | 2.90 % | $ 66 | (79) | (13) |
| Cash and due from banks | **2,962** | | | 2,991 | | | | | |
| Other assets | **20,186** | | | 20,580 | | | | | |
| Allowance for loan and lease losses | **(1,892)** | | | (2,450) | | | | | |
| Total assets | $ **209,150** | | | $ 203,836 | | | | | |
| **Liabilities and Equity:** | | | | | | | | | |
| Interest-bearing liabilities: | | | | | | | | | |
| Interest checking deposits | $ **48,659** | **6** | **0.05 %** | $ 45,568 | 7 | 0.07 % | $ 1 | (2) | (1) |
| Savings deposits | **22,772** | **1** | **0.02** | 18,951 | 1 | 0.03 | — | — | — |
| Money market deposits | **30,263** | **2** | **0.03** | 30,601 | 4 | 0.05 | — | (2) | (2) |
| Foreign office deposits | **126** | **—** | **0.04** | 128 | — | 0.05 | — | — | — |
| CDs $250,000 or less | **2,376** | **1** | **0.12** | 3,828 | 5 | 0.50 | (1) | (3) | (4) |
| Total interest-bearing core deposits | $ **104,196** | **10** | **0.04** | $ 99,076 | 17 | 0.07 | $ — | (7) | (7) |
| CDs over $250,000 | **254** | **1** | **0.85** | 1,226 | 4 | 1.31 | (2) | (1) | (3) |
| Federal funds purchased | **259** | **—** | **0.15** | 324 | — | 0.13 | — | — | — |
| Securities sold under repurchase agreements | **491** | **—** | **0.01** | 663 | — | 0.04 | — | — | — |
| Derivative collateral and other secured borrowings | **399** | **—** | **0.31** | 546 | 1 | 0.48 | (1) | — | (1) |
| Long-term debt | **11,165** | **83** | **3.02** | 14,849 | 104 | 2.83 | (27) | 6 | (21) |
| Total interest-bearing liabilities | $ **116,764** | **94** | **0.33 %** | $ 116,684 | 126 | 0.44 % | $ (30) | (2) | (32) |
| Demand deposits | **64,212** | | | 58,586 | | | | | |
| Other liabilities | **6,772** | | | 5,614 | | | | | |
| Total liabilities | $ **187,748** | | | $ 180,884 | | | | | |
| Total equity | $ **21,402** | | | $ 22,952 | | | | | |
| Total liabilities and equity | $ **209,150** | | | $ 203,836 | | | | | |
| Net interest income (FTE)[c] | | $ **1,198** | | | $ 1,179 | | $ 96 | (77) | 19 |
| Net interest margin (FTE)[c] | | | **2.59 %** | | | 2.62 % | | | |
| Net interest rate spread (FTE)[c] | | | **2.46** | | | 2.46 | | | |
| Interest-bearing liabilities to interest-earning assets | | | **62.14** | | | 63.86 | | | |

*(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 March 31, 2022 and 2021.*
*(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.*

***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, 2021. The provision is recorded to bring the ALLL and reserve for unfunded commitments to a level deemed appropriate by the Bancorp to cover losses expected in the portfolios. Actual credit losses on loans and leases are charged against the ALLL. The amount of loans and leases actually removed from the Condensed Consolidated Balance Sheets are referred to as charge-offs. Net charge-offs include current period charge-offs less recoveries on previously charged-off loans and leases.

The provision for credit losses was $45 million for the three months ended March 31, 2022 compared to a benefit from credit losses of $173 million during the same period in the prior year. The increase in provision expense for the three months ended March 31, 2022 was primarily driven by factors that caused an increase in the ACL from December 31, 2021 including higher end-of-period commercial and consumer loan balances, partially offset by improvements in commercial credit quality. The benefit from credit losses in the three months ended March 31, 2021 was driven by decreases in the ACL in response to improved economic forecasts, improved credit quality and changes in product mix.

The ALLL was $1.9 billion at both March 31, 2022 and December 31, 2021. At March 31, 2022, the ALLL as a percent of portfolio loans and leases decreased to 1.65%, compared to 1.69% at December 31, 2021. The reserve for unfunded commitments decreased $5 million from December 31, 2021 to $177 million at March 31, 2022. The ACL as a percent of portfolio loans and leases decreased to 1.80% at March 31, 2022, compared to 1.85% at December 31, 2021. The decrease in the ACL as a percent of portfolio loans and leases was primarily attributable to improvements in commercial credit quality, partially offset by deterioration in economic forecasts, primarily reflecting the impacts from escalating geopolitical tensions, higher inflation and rising interest rates.

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 decreased $65 million for the three months ended March 31, 2022 compared to the three months ended March 31, 2021.

The following table presents the components of noninterest income:

**TABLE 6: Components of Noninterest Income**

| | For the three months ended March 31, | | |
|---|---|---|---|
| ($ in millions) | **2022** | 2021 | % Change |
| Service charges on deposits | **$ 152** | 144 | 6 |
| Wealth and asset management revenue | **149** | 143 | 4 |
| Commercial banking revenue | **135** | 153 | (12) |
| Card and processing revenue | **97** | 94 | 3 |
| Leasing business revenue | **62** | 87 | (29) |
| Mortgage banking net revenue | **52** | 85 | (39) |
| Other noninterest income | **52** | 42 | 24 |
| Securities (losses) gains, net | **(14)** | 3 | NM |
| Securities losses, net – non-qualifying hedges on mortgage servicing rights | **(1)** | (2) | (50) |
| Total noninterest income | **$ 684** | 749 | (9) |

*Service charges on deposits*

Service charges on deposits increased $8 million for the three months ended March 31, 2022 compared to the three months ended March 31, 2021 primarily due to an increase in commercial treasury management fees.

*Wealth and asset management revenue*

Wealth and asset management revenue increased $6 million for the three months ended March 31, 2022 compared to the three months ended March 31, 2021 primarily driven by increases in private client service fees and broker income, partially offset by a decrease in institutional fees. The Bancorp's trust and registered investment advisory businesses had approximately $549 billion and $464 billion in total assets under care as of March 31, 2022 and 2021, respectively, and managed $61 billion and $58 billion in assets for individuals, corporations and not-for-profit organizations as of March 31, 2022 and 2021, respectively.

*Commercial banking revenue*
Commercial banking revenue decreased $18 million for the three months ended March 31, 2022 compared to the three months ended March 31, 2021 primarily driven by decreases in debt capital markets revenue, partially offset by an increase in contract revenue from commercial customer derivatives.

*Card and processing revenue*
Card and processing revenue increased $3 million for the three months ended March 31, 2022 compared to the three months ended March 31, 2021 primarily due to an increase in credit card interchange, partially offset by increased reward costs. The increases in credit card interchange and reward costs were driven by an increase in consumer and business card spend volumes.

*Leasing business revenue*
Leasing business revenue decreased $25 million for the three months ended March 31, 2022 compared to the three months ended March 31, 2021 primarily due to a decrease in lease syndication fees, partially offset by an increase in lease remarketing fees.

*Mortgage banking net revenue*
Mortgage banking net revenue decreased $33 million for the three months ended March 31, 2022 compared to the three months ended March 31, 2021.

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

**TABLE 7: Components of Mortgage Banking Net Revenue**

| | For the three months ended March 31, | |
|---|---|---|
| ($ in millions) | **2022** | 2021 |
| Origination fees and gains on loan sales | **$ 25** | 89 |
| Net mortgage servicing revenue: | | |
| Gross mortgage servicing fees | **71** | 59 |
| Net valuation adjustments on MSRs and free-standing derivatives purchased to economically hedge MSRs | **(44)** | (63) |
| Net mortgage servicing revenue | **27** | (4) |
| Total mortgage banking net revenue | **$ 52** | 85 |

Origination fees and gains on loan sales decreased $64 million for the three months ended March 31, 2022 compared to the three months ended March 31, 2021 primarily driven by decreases in gain on sale margins and lower volume. Residential mortgage loan originations decreased to $3.5 billion for the three months ended March 31, 2022 from $4.7 billion for the three months ended March 31, 2021.

Net mortgage servicing revenue increased $31 million for the three months ended March 31, 2022 compared to the three months ended March 31, 2021 primarily due to a decrease in net negative valuation adjustments and an increase in gross mortgage servicing fees. Refer to Table 8 for the components of net valuation adjustments on the MSR portfolio and the impact of the non-qualifying hedging strategy.

**TABLE 8: Components of Net Valuation Adjustments on MSRs**

| | For the three months ended March 31, | |
|---|---|---|
| ($ in millions) | **2022** | 2021 |
| Changes in fair value and settlement of free-standing derivatives purchased to economically hedge the MSR portfolio | **$ (181)** | (134) |
| Changes in fair value: | | |
| Due to changes in inputs or assumptions[(a)] | **190** | 152 |
| Other changes in fair value[(b)] | **(53)** | (81) |
| Net valuation adjustments on MSRs and free-standing derivatives purchased to economically hedge MSRs | **$ (44)** | (63) |

*(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 months ended March 31, 2022 and 2021, the Bancorp recognized income of $137 million and $71 million, respectively, in mortgage banking net revenue for valuation adjustments on the MSR portfolio. The valuation adjustments on the MSR portfolio included increases of $190 million and $152 million for the three months ended March 31, 2022 and 2021, respectively, due to changes in market rates and other inputs in the valuation model, including future prepayment speeds and OAS assumptions. Mortgage rates increased during the three months ended March 31, 2022, which resulted in a reduction to modeled prepayment speeds and a widening of the spread between mortgage rates and swap rates. There was also an increase in the modeled OAS assumptions for the three months ended March 31, 2022. The fair value of the MSR portfolio decreased $53 million and $81 million as a result of contractual principal payments and actual prepayment activity for the three months ended March 31, 2022 and 2021, respectively.

Further detail on the valuation of MSRs can be found in Note 12 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 13 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 $1 million and $2 million during the three months ended March 31, 2022 and 2021, respectively, recorded in securities losses, 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 March 31, 2022 and 2021 were $114.5 billion and $86.7 billion, respectively, with $97.7 billion and $65.9 billion, respectively, of residential mortgage loans serviced for others.

*Other noninterest income*
The following table presents the components of other noninterest income:

**TABLE 9: Components of Other Noninterest Income**

| | For the three months ended March 31, | |
|---|---|---|
| ($ in millions) | **2022** | 2021 |
| BOLI income | **$ 16** | 16 |
| Cardholder fees | **13** | 12 |
| Equity method investment income | **8** | 7 |
| Banking center income | **5** | 5 |
| Consumer loan fees | **4** | 4 |
| Insurance income | **2** | 1 |
| Private equity investment income (loss) | **1** | (1) |
| Loss on swap associated with the sale of Visa, Inc. Class B Shares | **(11)** | (13) |
| Other, net | **14** | 11 |
| Total other noninterest income | **$ 52** | 42 |

***Noninterest Expense***
Noninterest expense increased $7 million for the three months ended March 31, 2022 compared to the three months ended March 31, 2021.

The following table presents the components of noninterest expense:

**TABLE 10: Components of Noninterest Expense**

| | For the three months ended March 31, | | |
|---|---|---|---|
| ($ in millions) | **2022** | 2021 | % Change |
| Compensation and benefits | **$ 711** | 706 | 1 |
| Technology and communications | **101** | 93 | 9 |
| Net occupancy expense | **77** | 79 | (3) |
| Equipment expense | **36** | 34 | 6 |
| Leasing business expense | **32** | 35 | (9) |
| Marketing expense | **24** | 23 | 4 |
| Card and processing expense | **19** | 30 | (37) |
| Other noninterest expense | **222** | 215 | 3 |
| Total noninterest expense | **$ 1,222** | 1,215 | 1 |
| Efficiency ratio on an FTE basis[(a)] | **64.9 %** | 63.0 | |

*(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 increased $5 million for the three months ended March 31, 2022 compared to the same period in the prior year primarily driven by the impact of a special broad-based compensation bonus granted in the first quarter of 2022, partially offset by a decrease in non-qualified deferred compensation expense. Full-time equivalent employees totaled 19,247 at March 31, 2022 compared to 19,819 at March 31, 2021.

Technology and communications expense increased $8 million for the three months ended March 31, 2022 compared to the same period in the prior year primarily driven by increased investment in strategic initiatives and technology. Card and processing expense decreased $11

million for the three months ended March 31, 2022 compared to the same period in the prior year primarily due to contract renegotiations with a third-party vendor.

The following table presents the components of other noninterest expense:

**TABLE 11: Components of Other Noninterest Expense**

| | For the three months ended March 31, | |
|---|---|---|
| ($ in millions) | **2022** | 2021 |
| Loan and lease | **$ 45** | 49 |
| FDIC insurance and other taxes | **31** | 28 |
| Data processing | **19** | 20 |
| Losses and adjustments | **14** | 7 |
| Professional service fees | **13** | 16 |
| Travel | **13** | 4 |
| Intangible amortization | **11** | 11 |
| Postal and courier | **10** | 9 |
| Other, net | **66** | 71 |
| Total other noninterest expense | **$ 222** | 215 |

Other noninterest expense increased $7 million for the three months ended March 31, 2022 compared to the same period in the prior year primarily due to increases in travel expense and losses and adjustments, partially offset by a decrease in loan and lease expense.

Travel expense increased $9 million for the three months ended March 31, 2022 compared to the same period in the prior year due to the gradual cessation of travel restrictions related to the COVID-19 pandemic. Losses and adjustments increased $7 million for the three months ended March 31, 2022 compared to the same period in the prior year primarily due to a smaller net benefit from changes in credit valuation adjustments on customer accommodation derivatives, partially offset by a decrease in legal settlements. Loan and lease expense decreased $4 million for the three months ended March 31, 2022 compared to the same period in the prior year primarily driven by lower collection costs.

***Applicable Income Taxes***

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

**TABLE 12: Applicable Income Taxes**

| | For the three months ended March 31, | |
|---|---|---|
| ($ in millions) | **2022** | 2021 |
| Income before income taxes | **$ 612** | 883 |
| Applicable income tax expense | **118** | 189 |
| Effective tax rate | **19.2 %** | 21.4 |

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

The effective tax rate decreased to 19.2% for the three months ended March 31, 2022 compared to 21.4% for the same period in the prior year primarily related to an increase in excess tax benefits related to share-based compensation.

## 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 13 summarizes end of period loans and leases, including loans and leases held for sale, and Table 14 summarizes average total loans and leases, including average loans and leases held for sale.

**TABLE 13: Components of Total Loans and Leases (including loans and leases held for sale)**

| | March 31, 2022 | | December 31, 2021 | |
|---|---|---|---|---|
| As of ($ in millions) | Carrying Value | % of Total | Carrying Value | % of Total |
| Commercial loans and leases: | | | | |
| Commercial and industrial loans[(a)] | **$ 53,931** | **46 %** | $ 51,666 | 44 % |
| Commercial mortgage loans | **10,694** | **9** | 10,329 | 9 |
| Commercial construction loans | **5,420** | **5** | 5,241 | 4 |
| Commercial leases | **2,916** | **2** | 3,053 | 3 |
| Total commercial loans and leases | **$ 72,961** | **62** | $ 70,289 | 60 |
| Consumer loans: | | | | |
| Residential mortgage loans | **19,737** | **17** | 20,791 | 18 |
| Home equity | **3,916** | **3** | 4,084 | 4 |
| Indirect secured consumer loans | **17,424** | **15** | 16,783 | 14 |
| Credit card | **1,690** | **1** | 1,766 | 2 |
| Other consumer loans | **2,753** | **2** | 2,752 | 2 |
| Total consumer loans | **$ 45,520** | **38** | $ 46,176 | 40 |
| Total loans and leases | **$ 118,481** | **100 %** | $ 116,465 | 100 % |
| Total portfolio loans and leases (excluding loans and leases held for sale) | **$ 115,865** | | $ 112,050 | |

*(a) Includes $737 million and $1.3 billion as of March 31, 2022 and December 31, 2021, respectively, related to the SBA's Paycheck Protection Program.*

Total loans and leases, including loans and leases held for sale, increased $2.0 billion from December 31, 2021. The increase from December 31, 2021 was the result of a $2.7 billion, or 4%, increase in commercial loans and leases, partially offset by a $656 million, or 1%, decrease in consumer loans.

Commercial loans and leases increased $2.7 billion from December 31, 2021 due to increases in commercial and industrial loans, commercial mortgage loans and commercial construction loans, partially offset by a decrease in commercial leases. Commercial and industrial loans increased $2.3 billion, or 4%, from December 31, 2021 primarily as a result of increased revolving line of credit utilization and stronger production, partially offset by PPP loan forgiveness and paydowns. Commercial mortgage loans increased $365 million, or 4%, from December 31, 2021 as loan originations exceeded payoffs. Commercial construction loans increased $179 million, or 3%, from December 31, 2021 as draws on existing commitments and loan originations exceeded payoffs. Commercial leases decreased $137 million, or 4%, from December 31, 2021 primarily as a result of seasonally lower production in the first quarter and a planned reduction in indirect non-relationship-based lease originations.

Consumer loans decreased $656 million from December 31, 2021 primarily due to decreases in residential mortgage loans, home equity and credit card, partially offset by an increase in indirect secured consumer loans. Residential mortgage loans decreased $1.1 billion, or 5%, from December 31, 2021 primarily due to decreases in residential mortgage loans held for sale as the Bancorp sold government-guaranteed loans that were previously in forbearance programs. Home equity decreased $168 million, or 4%, from December 31, 2021 as payoffs exceeded loan originations. Credit card decreased $76 million, or 4%, from December 31, 2021 primarily due to seasonal paydowns on year-end balances. Indirect secured consumer loans increased $641 million, or 4%, from December 31, 2021 primarily driven by strong loan production. Indirect secured consumer production is expected to be lower in 2022 compared to 2021 (particularly indirect automobile lending), reflecting the Bancorp's decision to improve returns on capital in light of current market dynamics.

**TABLE 14: Components of Average Loans and Leases (including average loans and leases held for sale)**

| | March 31, 2022 | | March 31, 2021 | |
|---|---|---|---|---|
| For the three months ended ($ in millions) | Carrying Value | % of Total | Carrying Value | % of Total |
| Commercial loans and leases: | | | | |
| Commercial and industrial loans | **$ 52,562** | **45 %** | $ 49,715 | 44 % |
| Commercial mortgage loans | **10,529** | **9** | 10,534 | 9 |
| Commercial construction loans | **5,371** | **5** | 6,039 | 5 |
| Commercial leases | **2,943** | **3** | 3,130 | 3 |
| Total commercial loans and leases | **$ 71,405** | **62** | $ 69,418 | 61 |
| Consumer loans: | | | | |
| Residential mortgage loans | **20,179** | **17** | 20,444 | 18 |
| Home equity | **4,010** | **3** | 5,009 | 4 |
| Indirect secured consumer loans | **17,136** | **15** | 13,955 | 12 |
| Credit card | **1,691** | **1** | 1,879 | 2 |
| Other consumer loans | **2,741** | **2** | 2,996 | 3 |
| Total consumer loans | **$ 45,757** | **38** | $ 44,283 | 39 |
| Total average loans and leases | **$ 117,162** | **100 %** | $ 113,701 | 100 % |
| Total average portfolio loans and leases (excluding loans and leases held for sale) | **$ 113,467** | | $ 108,956 | |

Average loans and leases, including average loans and leases held for sale, increased $3.5 billion, or 3%, for the three months ended March 31, 2022 compared to the same period in the prior year as a result of a $2.0 billion, or 3%, increase in average commercial loans and leases and a $1.5 billion, or 3%, increase in average consumer loans.

Average commercial loans and leases increased $2.0 billion for the three months ended March 31, 2022 compared to the same period in the prior year primarily due to an increase in average commercial and industrial loans, partially offset by decreases in average commercial construction loans and average commercial leases. Average commercial and industrial loans increased $2.8 billion, or 6%, for the three months ended March 31, 2022 compared to the same period in the prior year primarily driven by increased revolving line of credit utilization and stronger production, partially offset by PPP loan forgiveness and paydowns. Average commercial construction loans decreased $668 million, or 11%, for the three months ended March 31, 2022 compared to the same period in the prior year as payoffs exceeded draws on existing commitments and loan originations. Average commercial leases decreased $187 million, or 6%, for the three months ended March 31, 2022 compared to the same period in the prior year primarily as a result of a planned reduction in indirect non-relationship-based lease originations.

Average consumer loans increased $1.5 billion for the three months ended March 31, 2022 compared to the same period in the prior year due to an increase in average indirect secured consumer loans, partially offset by decreases in average home equity, average residential mortgage loans, average other consumer loans and average credit card. Average indirect secured consumer loans increased $3.2 billion, or 23%, for the three months ended March 31, 2022 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 home equity decreased $999 million, or 20%, for the three months ended March 31, 2022 compared to the same period in the prior year as payoffs exceeded loan originations. Average residential mortgage loans decreased $265 million, or 1%, for the three months ended March 31, 2022 compared to the same period in the prior year primarily due to decreases in residential mortgage loans held for sale driven by a decline in mortgage originations. Average other consumer loans decreased $255 million, or 9%, for the three months ended March 31, 2022 compared to the same period in the prior year primarily as a result of payoffs exceeding loan originations. Average credit card decreased $188 million, or 10%, for the three months ended March 31, 2022 compared to the same period in the prior year primarily due to a decrease in average balances per active account.

***Investment Securities***

The Bancorp uses investment securities as a means of managing interest rate risk, providing collateral for pledging purposes and for liquidity risk management. Total investment securities were $49.5 billion and $39.0 billion at March 31, 2022 and December 31, 2021, respectively. The taxable available-for-sale debt and other investment securities portfolio had an effective duration of 5.4 at March 31, 2022 compared to 4.8 at December 31, 2021.

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 March 31, 2022, 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 March 31, 2022 and December 31, 2021.

During the three months ended March 31, 2021, the Bancorp recognized $7 million of impairment losses on its available-for-sale debt and other securities, included in securities (losses) gains, 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 March 31, 2022 and December 31, 2021, 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 the three months ended March 31, 2022 and 2021.

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

**TABLE 15: Components of Investment Securities**

| As of ($ in millions) | | **March 31, 2022** | December 31, 2021 |
|---|---|---|---|
| Available-for-sale debt and other securities (amortized cost basis): | | | |
| U.S. Treasury and federal agencies securities | **$** | **1,729** | 85 |
| Obligations of states and political subdivisions securities | | **18** | 18 |
| Mortgage-backed securities: | | | |
| Agency residential mortgage-backed securities | | **11,066** | 8,432 |
| Agency commercial mortgage-backed securities | | **25,369** | 18,236 |
| Non-agency commercial mortgage-backed securities | | **5,125** | 4,364 |
| Asset-backed securities and other debt securities | | **6,346** | 5,287 |
| Other securities[(a)] | | **518** | 519 |
| Total available-for-sale debt and other securities | **$** | **50,171** | 36,941 |
| Held-to-maturity securities (amortized cost basis): | | | |
| Obligations of states and political subdivisions securities | **$** | **4** | 6 |
| Asset-backed securities and other debt securities | | **2** | 2 |
| Total held-to-maturity securities | **$** | **6** | 8 |
| Trading debt securities (fair value): | | | |
| U.S. Treasury and federal agencies securities | **$** | **62** | 84 |
| Obligations of states and political subdivisions securities | | **20** | 32 |
| Agency residential mortgage-backed securities | | **9** | 105 |
| Asset-backed securities and other debt securities | | **233** | 291 |
| Total trading debt securities | **$** | **324** | 512 |
| Total equity securities (fair value) | **$** | **358** | 376 |

*(a) Other securities consist of FHLB, FRB and DTCC restricted stock holdings that are carried at cost.*

On an amortized cost basis, available-for-sale debt and other securities increased $13.2 billion from December 31, 2021 as a result of the deployment of excess short-term investments into longer duration assets in the investment portfolio in the first quarter of 2022.

On an amortized cost basis, available-for-sale debt and other securities were 26% and 20% of total interest-earning assets at March 31, 2022 and December 31, 2021, respectively. The estimated weighted-average life of the debt securities in the available-for-sale debt and other securities portfolio was 7.2 years at March 31, 2022 compared to 6.6 years at December 31, 2021. In addition, at March 31, 2022, the debt securities in the available-for-sale debt and other securities portfolio had a weighted-average yield of 2.64% compared to 2.77% at December 31, 2021.

Information presented in Table 16 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 losses on the available-for-sale debt and other securities portfolio were $1.3 billion at March 31, 2022 compared to net unrealized gains of $1.2 billion at December 31, 2021. The fair value of investment securities is impacted by interest rates, credit spreads, market volatility and liquidity conditions. The fair value of the Bancorp's investment securities portfolio generally increases when interest rates decrease or when credit spreads contract.

**TABLE 16: Characteristics of Available-for-Sale Debt and Other Securities**

| As of March 31, 2022 ($ in millions) | | Amortized Cost | Fair Value | Weighted-Average Life (in years) | Weighted-Average Yield |
|---|---|---|---|---|---|
| U.S. Treasury and federal agencies securities: | | | | | |
| Average life after one year through five years | $ | 474 | 465 | 4.0 | 2.04 % |
| Average life after five years through ten years | | 1,255 | 1,223 | 6.1 | 1.99 |
| Total | $ | 1,729 | 1,688 | 5.6 | 2.00 % |
| Obligations of states and political subdivisions securities: | | | | | |
| Average life within one year | | 17 | 17 | 0.9 | 1.80 |
| Average life after ten years | | 1 | 1 | 14.6 | 7.00 |
| Total | $ | 18 | 18 | 1.7 | 2.11 % |
| Agency residential mortgage-backed securities: | | | | | |
| Average life within one year | | 216 | 216 | 0.7 | 3.19 |
| Average life after one year through five years | | 2,088 | 2,069 | 3.5 | 3.09 |
| Average life after five years through ten years | | 8,012 | 7,896 | 7.1 | 2.89 |
| Average life after ten years | | 750 | 710 | 12.5 | 2.94 |
| Total | $ | 11,066 | 10,891 | 6.6 | 2.94 % |
| Agency commercial mortgage-backed securities:[(a)] | | | | | |
| Average life within one year | | 264 | 266 | 0.5 | 3.51 |
| Average life after one year through five years | | 7,051 | 7,035 | 3.3 | 3.15 |
| Average life after five years through ten years | | 10,717 | 10,437 | 7.0 | 2.51 |
| Average life after ten years | | 7,337 | 6,855 | 14.4 | 2.45 |
| Total | $ | 25,369 | 24,593 | 8.0 | 2.68 % |
| Non-agency commercial mortgage-backed securities: | | | | | |
| Average life within one year | | 83 | 82 | 0.7 | 3.12 |
| Average life after one year through five years | | 3,309 | 3,281 | 3.0 | 3.17 |
| Average life after five years through ten years | | 1,733 | 1,606 | 8.9 | 2.42 |
| Total | $ | 5,125 | 4,969 | 5.0 | 2.92 % |
| Asset-backed securities and other debt securities: | | | | | |
| Average life within one year | | 327 | 323 | 0.6 | 2.94 |
| Average life after one year through five years | | 2,962 | 2,872 | 3.5 | 2.01 |
| Average life after five years through ten years | | 1,199 | 1,168 | 6.3 | 1.75 |
| Average life after ten years | | 1,858 | 1,792 | 15.3 | 1.58 |
| Total | $ | 6,346 | 6,155 | 7.3 | 1.88 % |
| Other securities | | 518 | 518 | | |
| Total available-for-sale debt and other securities | $ | 50,171 | 48,832 | 7.2 | 2.64 % |

*(a) Taxable-equivalent yield adjustments included in the above table are 0.06% and 0.02% 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 and federal funds sold. The Bancorp uses other short-term investments as part of its liquidity risk management tools. Other short-term investments were $20.5 billion and $34.6 billion at March 31, 2022 and December 31, 2021, respectively. The decrease of $14.1 billion from December 31, 2021 was primarily attributable to purchases of investment securities, loan growth and early redemptions under the par call options of long-term debt during the three months ended March 31, 2022.

***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 81% and 77% of the Bancorp's average asset funding base for the three months ended March 31, 2022 and 2021, respectively.

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

**TABLE 17: Components of Deposits**

| | March 31, 2022 | | December 31, 2021 | |
|---|---|---|---|---|
| As of ($ in millions) | Balance | % of Total | Balance | % of Total |
| Demand | **$ 65,590** | **38 %** | $ 65,088 | 38 % |
| Interest checking | **48,836** | **29** | 48,870 | 29 |
| Savings | **23,622** | **14** | 22,227 | 13 |
| Money market | **29,947** | **18** | 30,263 | 18 |
| Foreign office | **115** | **—** | 121 | — |
| Total transaction deposits | **$ 168,110** | **99** | $ 166,569 | 98 |
| CDs $250,000 or less | **2,267** | **1** | 2,486 | 2 |
| Total core deposits | **$ 170,377** | **100** | $ 169,055 | 100 |
| CDs over $250,000 | **234** | **—** | 269 | — |
| Total deposits | **$ 170,611** | **100 %** | $ 169,324 | 100 % |

Core deposits increased $1.3 billion, or 1%, from December 31, 2021 primarily due to increases in savings deposits and demand deposits, partially offset by decreases in money market deposits and CDs $250,000 or less. Savings deposits increased $1.4 billion, or 6%, from December 31, 2021 primarily as a result of consumer balance growth. Demand deposits increased $502 million, or 1%, from December 31, 2021 primarily as a result of consumer balance growth, partially offset by lower balances per commercial customer account. Money market deposits decreased $316 million, or 1%, from December 31, 2021 primarily as a result of lower balances per commercial customer account, partially offset by higher balances per consumer customer account. CDs $250,000 or less decreased $219 million, or 9%, from December 31, 2021 primarily due to lower offering rates.

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

**TABLE 18: Components of Average Deposits**

| | March 31, 2022 | | March 31, 2021 | |
|---|---|---|---|---|
| ($ in millions) | Balance | % of Total | Balance | % of Total |
| Demand | **$ 64,212** | **38 %** | $ 58,586 | 37 % |
| Interest checking | **48,659** | **29** | 45,568 | 29 |
| Savings | **22,772** | **14** | 18,951 | 12 |
| Money market | **30,263** | **18** | 30,601 | 19 |
| Foreign office | **126** | **—** | 128 | — |
| Total transaction deposits | **$ 166,032** | **99** | $ 153,834 | 97 |
| CDs $250,000 or less | **2,376** | **1** | 3,828 | 2 |
| Total core deposits | **$ 168,408** | **100** | $ 157,662 | 99 |
| CDs over $250,000 | **254** | **—** | 1,226 | 1 |
| Total average deposits | **$ 168,662** | **100 %** | $ 158,888 | 100 % |

On an average basis, core deposits increased $10.7 billion, or 7%, for the three months ended March 31, 2022 compared to the same period in the prior year primarily driven by increases in average demand deposits, average savings deposits and average interest checking deposits, partially offset by decreases in average CDs $250,000 or less and average money market deposits. Average demand deposits increased $5.6 billion, or 10%, for the three months ended March 31, 2022 compared to the same period in the prior year primarily as a result of higher average balances per customer account as well as growth in the number of accounts. Average savings deposits increased $3.8 billion, or 20%, for the three months ended March 31, 2022 compared to the same period in the prior year primarily as a result of higher average balances per customer account. Average interest checking deposits increased $3.1 billion, or 7%, for the three months ended March 31, 2022 compared to the same period in the prior year primarily as a result of higher average balances per customer account. Average CDs $250,000 or less decreased $1.5 billion, or 38% primarily due to lower offering rates. Average money market deposits decreased $338 million, or 1%, for the three months ended March 31, 2022 compared to the same period in the prior year primarily as a result of lower average balances per commercial account, partially offset by higher average balances per consumer customer account.

Average CDs over $250,000 decreased $972 million, or 79%, for the three months ended March 31, 2022 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 CDs as of March 31, 2022 are summarized in the following table:

**TABLE 19: Contractual Maturities of CDs[(a)]**

| ($ in millions) | | |
|---|---|---|
| Next 12 months | $ | 2,013 |
| 13-24 months | | 284 |
| 25-36 months | | 96 |
| 37-48 months | | 66 |
| 49-60 months | | 38 |
| After 60 months | | 4 |
| Total CDs | $ | 2,501 |

*(a) Includes CDs $250,000 or less and CDs over $250,000.*

*Deposit insurance*

The FDIC generally provides a standard amount of insurance of $250,000 per depositor, per insured bank, for each account ownership category defined by the FDIC. Depositors may qualify for coverage of accounts over $250,000 if they have funds in different ownership categories and all FDIC requirements are met. All deposits that an account holder has in the same ownership category at the same bank are added together and insured up to the standard insurance amount. As of March 31, 2022 and December 31, 2021, approximately $79.7 billion and $80.2 billion, respectively, of the Bancorp's domestic deposits were uninsured, including $491 million and $468 million, respectively, of time deposits. Where information is not readily available to determine the amount of insured deposits, the amount of uninsured deposits is estimated, consistent with the methodologies and assumptions utilized in providing information to the Bank's regulators.

***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 11% and 14% for the three months ended March 31, 2022 and 2021, respectively.

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

**TABLE 20: Components of Borrowings**

| As of ($ in millions) | | **March 31, 2022** | December 31, 2021 |
|---|---|---|---|
| Federal funds purchased | **$** | **250** | 281 |
| Other short-term borrowings | | **872** | 980 |
| Long-term debt | | **10,815** | 11,821 |
| Total borrowings | **$** | **11,937** | 13,082 |

Total borrowings decreased $1.1 billion, or 9%, from December 31, 2021 primarily due to decreases in long-term debt and other short-term borrowings. Long-term debt decreased $1.0 billion from December 31, 2021 primarily driven by the early redemptions under the par call options of $800 million of notes, $152 million of fair value adjustments associated with interest rate swaps hedging long-term debt and $52 million of paydowns on long-term debt associated with automobile loan securitizations during the three months ended March 31, 2022. For further information on a subsequent event related to long-term debt, refer to Note 22 of the Notes to the Condensed Consolidated Financial Statements. Other short-term borrowings decreased $108 million from December 31, 2021 primarily as a result of a decrease in derivative collateral driven by market fluctuations as well as a decrease in securities sold under repurchase agreements driven by a decrease in commercial customer activity. 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 14 of the Notes to Condensed Consolidated Financial Statements.

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

**TABLE 21: Components of Average Borrowings**

| ($ in millions) | | **March 31, 2022** | March 31, 2021 |
|---|---|---|---|
| Federal funds purchased | **$** | **259** | 324 |
| Other short-term borrowings | | **890** | 1,209 |
| Long-term debt | | **11,165** | 14,849 |
| Total average borrowings | **$** | **12,314** | 16,382 |

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

Total average borrowings decreased $4.1 billion, or 25%, for the three months ended March 31, 2022 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 $3.7 billion for the three months ended March 31, 2022 compared to the same period in the prior year primarily driven by the early redemptions under the par call options of $4.0 billion of notes, $144 million of fair value adjustments associated with interest rate swaps hedging long-term debt and $315 million of paydowns on long-term debt associated with automobile loan securitizations since March 31, 2021. These decreases were partially offset by the issuance of $500 million of senior fixed-rate/floating-rate notes in November of 2021. Average other short-term borrowings decreased $319 million for the three months ended March 31, 2022 compared to the same period in the prior year primarily as a result of a decrease in derivative collateral driven by market fluctuations as well as a decrease in securities sold under repurchase agreements driven by a decrease in commercial customer activity. 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.

**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 21 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 decreased throughout 2021, but have increased since December 31, 2021 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 increased since December 31, 2021, due to higher interest rates and modified assumptions. Thus, net interest income for asset-generating business segments was negatively impacted by the rates charged on assets while deposit-providing business segments were positively impacted during the three months ended March 31, 2022.

The Bancorp's methodology for allocating provision for credit losses 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 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 (loss) by business segment:

**TABLE 22: Net Income (Loss) by Business Segment**

| | For the three months ended March 31, | |
|---|---|---|
| ($ in millions) | **2022** | 2021 |
| **Income Statement Data** | | |
| Commercial Banking | **$ 318** | 312 |
| Branch Banking | **109** | (24) |
| Consumer Lending | **26** | 32 |
| Wealth and Asset Management | **29** | 20 |
| General Corporate and Other | **12** | 354 |
| Net income | **$ 494** | 694 |

***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 23: Commercial Banking**

| | For the three months ended March 31, | |
|---|---|---|
| ($ in millions) | **2022** | 2021 |
| **Income Statement Data** | | |
| Net interest income (FTE)[(a)] | **$ 481** | 367 |
| Benefit from credit losses | **(28)** | (76) |
| Noninterest income: | | |
| Commercial banking revenue | **133** | 151 |
| Service charges on deposits | **94** | 90 |
| Leasing business revenue | **62** | 87 |
| Other noninterest income | **38** | 33 |
| Noninterest expense: | | |
| Compensation and benefits | **166** | 156 |
| Leasing business expense | **32** | 35 |
| Other noninterest expense | **248** | 229 |
| Income before income taxes (FTE) | **390** | 384 |
| Applicable income tax expense[(a)(b)] | **72** | 72 |
| Net income | **$ 318** | 312 |
| **Average Balance Sheet Data** | | |
| Commercial loans and leases, including held for sale | **$ 65,526** | 60,258 |
| Demand deposits | **33,430** | 31,532 |
| Interest checking deposits | **20,871** | 21,135 |
| Savings and money market deposits | **5,073** | 6,370 |
| Certificates of deposit | **113** | 100 |
| Foreign office deposits | **126** | 127 |

*(a) Includes FTE adjustments of $2 for both the three months ended March 31, 2022 and 2021.*

*(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 $318 million for the three months ended March 31, 2022 compared to $312 million for the same period in the prior year. The increase was primarily driven by an increase in net interest income on an FTE basis partially offset by a decrease in the benefit from credit losses as well as a decrease in noninterest income and an increase in noninterest expense.

Net interest income on an FTE basis increased $114 million for the three months ended March 31, 2022 compared to the same period in the prior year primarily driven by increases in FTP credit rates on demand deposits and interest checking deposits as well as an increase in average balances of commercial and industrial loans and a decrease in FTP charge rates on loans and leases. These positive impacts were partially offset by a decrease in yields on commercial loans and leases.

The benefit from credit losses was $28 million for the three months ended March 31, 2022 compared to $76 million for the three months ended March 31, 2021. The decrease in benefit for the three months ended March 31, 2022 compared to the same period in the prior year was primarily driven by the impact of the benefit of lower commercial criticized asset levels for the three months ended March 31, 2021 partially offset by a decrease in net charge-offs on commercial and industrial loans. Annualized net charge-offs as a percent of average portfolio loans and leases decreased to 3 bps for the three months ended March 31, 2022 compared to 15 bps for the same period in the prior year.

Noninterest income decreased $34 million for the three months ended March 31, 2022 compared to the same period in the prior year primarily driven by decreases in leasing business revenue and commercial banking revenue partially offset by increases in other noninterest income and service charges on deposits. Leasing business revenue decreased $25 million for the three months ended March 31, 2022 compared to the same period in the prior year primarily due to a decrease in lease syndication fees partially offset by an increase in lease remarketing fees. Commercial banking revenue decreased $18 million for the three months ended March 31, 2022 compared to the same period in the prior year primarily due to decreases in debt capital markets revenue partially offset by an increase in contract revenue from

commercial customer derivatives. Other noninterest income increased $5 million for the three months ended March 31, 2022 compared to the same period in the prior year primarily due to an increase in private equity investment income. Service charges on deposits increased $4 million for the three months ended March 31, 2022 compared to the same period in the prior year primarily due to an increase in commercial treasury management fees.

Noninterest expense increased $26 million for the three months ended March 31, 2022 compared to the same period in the prior year primarily driven by increases in other noninterest expense and compensation and benefits. Other noninterest expense increased $19 million for the three months ended March 31, 2022 compared to the same period in the prior year primarily due to increases in losses and adjustments and travel expense. Compensation and benefits increased $10 million for the three months ended March 31, 2022 compared to the same period in the prior year primarily as a result of increases in base compensation and employee benefits expense primarily driven by higher merit payout, retention efforts and expansion initiatives during the three months ended March 31, 2022.

Average commercial loans and leases increased $5.3 billion for the three months ended March 31, 2022 compared to the same period in the prior year primarily due to an increase in average commercial and industrial loans partially offset by a decrease in average commercial construction loans. Average commercial and industrial loans increased for the three months ended March 31, 2022 compared to the same period in the prior year primarily driven by increased revolving line of credit utilization and stronger production. Average commercial construction loans decreased for the three months ended March 31, 2022 compared to the same period in the prior year as payoffs exceeded draws on existing commitments and loan originations.

Average deposits increased $349 million for the three months ended March 31, 2022 compared to the same period in the prior year primarily due to an increase in average demand deposits partially offset by decreases in average savings and money market deposits and average interest checking deposits. Average demand deposits increased $1.9 billion for the three months ended March 31, 2022 compared to the same period in the prior year primarily as a result of higher average balances per commercial customer account as well as growth in the number of accounts. Average savings and money market deposits decreased $1.3 billion for the three months ended March 31, 2022 compared to the same period in the prior year primarily as a result of lower average balances per commercial customer account. Average interest checking deposits decreased $264 million for the three months ended March 31, 2022 compared to the same period in the prior year primarily as a result of lower average balances per commercial customer account.

***Branch Banking***

Branch Banking provides a full range of deposit and loan products to individuals and small businesses through 1,079 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 24: Branch Banking**

| | For the three months ended March 31, | |
|---|---|---|
| ($ in millions) | **2022** | 2021 |
| **Income Statement Data** | | |
| Net interest income | **$ 430** | 295 |
| Provision for credit losses | **17** | 41 |
| Noninterest income: | | |
| Card and processing revenue | **78** | 77 |
| Service charges on deposits | **59** | 54 |
| Wealth and asset management revenue | **51** | 49 |
| Other noninterest income | **28** | 24 |
| Noninterest expense: | | |
| Compensation and benefits | **177** | 170 |
| Net occupancy and equipment expense | **56** | 57 |
| Card and processing expense | **18** | 30 |
| Other noninterest expense | **239** | 232 |
| Income (loss) before income taxes | **$ 139** | (31) |
| Applicable income tax expense (benefit) | **30** | (7) |
| Net income (loss) | **$ 109** | (24) |
| **Average Balance Sheet Data** | | |
| Consumer loans | **$ 11,914** | 12,083 |
| Commercial loans, including held for sale | **3,417** | 2,981 |
| Demand deposits | **27,681** | 23,958 |
| Interest checking deposits | **17,401** | 15,372 |
| Savings and money market deposits | **44,579** | 40,559 |
| Certificates of deposit | **2,622** | 3,893 |

Net income was $109 million for the three months ended March 31, 2022 compared to a net loss of $24 million for the same period in the prior year. The increase was primarily driven by an increase in net interest income as well as a decrease in the provision for credit losses and an increase in noninterest income.

Net interest income increased $135 million for the three months ended March 31, 2022 compared to the same period in the prior year primarily due to increases in FTP credits on deposits as well as decreases in rates paid on deposits. These positive impacts were partially offset by decreases in yields on average commercial loans and decreases in yields and average balances for consumer loans.

Provision for credit losses decreased $24 million for the three months ended March 31, 2022 compared to the same period in the prior year primarily due to decreases in net charge-offs on credit card and commercial and industrial loans as well as a decrease in commercial criticized asset levels for the three months ended March 31, 2022. Annualized net charge-offs as a percent of average portfolio loans and leases decreased to 63 bps for the three months ended March 31, 2022 compared to 111 bps for the same period in the prior year.

Noninterest income increased $12 million for the three months ended March 31, 2022 compared to the same period in the prior year primarily driven by increases in service charges on deposits and other noninterest income. Service charges on deposits increased $5 million for the three months ended March 31, 2022 compared to the same period in the prior year primarily driven by an increase in commercial treasury management fees. Other noninterest income increased $4 million for the three months ended March 31, 2022 compared to the same period in the prior year primarily driven by gains on the sale of OREO as well as a decrease in impairment charges for bank premises and equipment.

Noninterest expense increased $1 million for the three months ended March 31, 2022 compared to the same period in the prior year primarily driven by increases in compensation and benefits and other noninterest expense, partially offset by a decrease in card and processing expense. Compensation and benefits increased $7 million for the three months ended March 31, 2022 compared to the same period in the prior year

primarily driven by an increase in incentive compensation. Other noninterest expense increased $7 million for the three months ended March 31, 2022 compared to the same period in the prior year primarily due to increases in allocated expenses primarily related to information technology support services and marketing expense partially offset by decreases in losses and adjustments and loan and lease expense. Card and processing expense decreased $12 million for the three months ended March 31, 2022 compared to the same period in the prior year primarily driven by contract renegotiations with a third-party vendor.

Average consumer loans decreased $169 million for the three months ended March 31, 2022 compared to the same period in the prior year primarily driven by decreases in average home equity as payoffs exceeded loan originations, as well as a decrease in average credit card primarily due to a decrease in average balances per active account. These decreases were partially offset by an increase in average residential mortgage loans for the three months ended March 31, 2022 primarily as a result of an increase in loan originations. Average commercial loans increased $436 million for the three months ended March 31, 2022 compared to the same period in the prior year primarily driven by an increase in average commercial and industrial loans.

Average deposits increased $8.5 billion for the three months ended March 31, 2022 compared to the same period in the prior year primarily driven by increases in average savings and money market deposits, average demand deposits and average interest checking deposits partially offset by a decrease in average CDs. Average savings and money market deposits increased $4.0 billion, average demand deposits increased $3.7 billion and average interest checking deposits increased $2.0 billion for the three months ended March 31, 2022 compared to the same period in the prior year primarily as a result of higher balances per customer account and decreased consumer outflows, as well as growth in the number of accounts. Average CDs decreased $1.3 billion for the three months ended March 31, 2022 compared to the same period in the prior year primarily due to lower offering rates on certificates.

***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 25: Consumer Lending**

| | For the three months ended March 31, | |
|---|---|---|
| ($ in millions) | **2022** | 2021 |
| **Income Statement Data** | | |
| Net interest income | **$ 131** | 128 |
| Provision for credit losses | **6** | 8 |
| Noninterest income: | | |
| Mortgage banking net revenue | **50** | 82 |
| Other noninterest income | **2** | — |
| Noninterest expense: | | |
| Compensation and benefits | **57** | 66 |
| Other noninterest expense | **87** | 95 |
| Income before income taxes | **$ 33** | 41 |
| Applicable income tax expense | **7** | 9 |
| Net income | **$ 26** | 32 |
| **Average Balance Sheet Data** | | |
| Residential mortgage loans, including held for sale | **$ 13,962** | 15,475 |
| Home equity | **121** | 164 |
| Indirect secured consumer loans | **17,056** | 13,815 |

Net income was $26 million for the three months ended March 31, 2022 compared to $32 million for the same period in the prior year. The decrease for the three months ended March 31, 2022 compared to the same period in the prior year was primarily due to a decrease in noninterest income, partially offset by a decrease in noninterest expense as well as an increase in net interest income.

Net interest income increased $3 million for the three months ended March 31, 2022 compared to the same period in the prior year primarily driven by decreases in FTP charge rates on loans and leases and an increase in the average balances of indirect secured consumer loans. These increases were partially offset by decreases in yields on indirect secured consumer loans and residential mortgage loans as well as a decrease in the average balances of residential mortgage loans.

Provision for credit losses decreased $2 million for the three months ended March 31, 2022 compared to the same period in the prior year primarily driven by decreases in net charge-offs on indirect secured consumer loans and home equity. Annualized net charge-offs as a percent of average portfolio loans and leases decreased to 9 bps for the three months ended March 31, 2022 compared to 13 bps for the three months ended March 31, 2021.

Noninterest income decreased $30 million for the three months ended March 31, 2022 compared to the same period in the prior year 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 decreased $17 million for the three months ended March 31, 2022 compared to the same period in the prior year due to decreases in compensation and benefits and other noninterest expense. Compensation and benefits decreased $9 million for the three months ended March 31, 2022 compared to the same period in the prior year primarily due to decreases in incentive compensation and base compensation resulting from the decreased mortgage origination activity for the three months ended March 31, 2022. Other noninterest expense decreased $8 million for the three months ended March 31, 2022 compared to the same period in the prior year primarily driven by decreases in corporate overhead allocations, loan and lease expense and losses and adjustments.

Average consumer loans increased $1.7 billion for the three months ended March 31, 2022 compared to the same period in the prior year primarily due to an increase in average indirect secured consumer loans partially offset by a decrease in average residential mortgage loans. Average indirect secured consumer loans increased $3.2 billion for the three months ended March 31, 2022 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 residential mortgage loans decreased $1.5 billion for the three months ended March 31, 2022 compared to the same period in the prior year primarily due to higher runoff driven by payoffs exceeding loan originations.

***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 26: Wealth and Asset Management**

| | For the three months ended March 31, | |
|---|---|---|
| ($ in millions) | **2022** | 2021 |
| **Income Statement Data** | | |
| Net interest income | **$ 35** | 21 |
| Benefit from credit losses | **—** | (1) |
| Noninterest income: | | |
| Wealth and asset management revenue | **142** | 136 |
| Other noninterest income | **2** | 2 |
| Noninterest expense: | | |
| Compensation and benefits | **60** | 53 |
| Other noninterest expense | **82** | 82 |
| Income before income taxes | **$ 37** | 25 |
| Applicable income tax expense | **8** | 5 |
| Net income | **$ 29** | 20 |
| **Average Balance Sheet Data** | | |
| Loans and leases, including held for sale | **$ 4,143** | 3,746 |
| Deposits | **13,874** | 11,724 |

Net income was $29 million for the three months ended March 31, 2022 compared to $20 million for the same period in the prior year. The increase was primarily driven by increases in net interest income and noninterest income partially offset by an increase in noninterest expense.

Net interest income increased $14 million for the three months ended March 31, 2022 compared to the same period in the prior year primarily driven by an increase in FTP credits on deposits as well as an increase in average commercial and industrial loans.

Noninterest income increased $6 million for the three months ended March 31, 2022 compared to the same period in the prior year driven by an increase in wealth and asset management revenue. Wealth and asset management revenue increased $6 million for the three months ended March 31, 2022 compared to the same period in the prior year primarily as a result of increases in private client service fees and broker income, partially offset by a decrease in institutional fees.

Noninterest expense increased $7 million for the three months ended March 31, 2022 compared to the same period in the prior year driven by an increase in compensation and benefits. Compensation and benefits increased $7 million for the three months ended March 31, 2022 compared to the same period in the prior year primarily as a result of an increase in incentive compensation.

Average loans and leases increased $397 million for the three months ended March 31, 2022 compared to the same period in the prior year primarily driven by increases in average commercial and industrial loans and average residential mortgage loans as a result of higher loan production, partially offset by a decrease in average other consumer loans.

Average deposits increased $2.2 billion for the three months ended March 31, 2022 compared to the same period in the prior year primarily driven by increases in average interest checking deposits, average savings and money market deposits and average demand deposits as a result of higher average balances per customer account.

***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 decreased $247 million for the three months ended March 31, 2022 compared to the same period in the prior year primarily driven by an increase in FTP credits on deposits allocated to the business segments as well as a decrease in the benefit related to FTP charge rates on loans and leases allocated to the business segments. These negative impacts were partially offset by an increase in interest income on investment securities and a decrease in interest expense on long-term debt.

The provision for credit losses was $50 million for the three months ended March 31, 2022 compared to a benefit from credit losses of $145 million for the three months ended March 31, 2021. The increase in provision expense for the three months ended March 31, 2022 compared to the same period in the prior year was primarily driven by factors affecting the ACL including higher end-of-period commercial and consumer loan balances, partially offset by improvements in commercial credit quality. This increase was partially offset by the impact of allocations to the business segments.

Noninterest income decreased $18 million for the three months ended March 31, 2022 compared to the same period in the prior year primarily driven by an increase in securities losses as well as a decrease in private equity investment income. These negative impacts were partially offset by a decrease in the loss recognized on the swap associated with the sale of Visa, Inc. Class B shares for the three months ended March 31, 2022 compared to the same period in the prior year.

Noninterest expense decreased $9 million for the three months ended March 31, 2022 compared to the same period in the prior year primarily driven by a decrease in compensation and benefits due to a decrease in benefits expense partially offset by an increase in incentive compensation. The decrease also included the impact of an increase in corporate overhead allocations from General Corporate and Other to the other business segments, partially offset by increases in technology and communications expense and travel expense.

**RISK MANAGEMENT - OVERVIEW**

The Risk Management sections included in Item 7 of the Bancorp's Annual Report on Form 10-K describe the Bancorp's Enterprise Risk Management Framework and Three Lines of Defense structure as well as key areas of risk, which include credit risk, liquidity risk, interest rate risk, price risk, legal and regulatory compliance risk, operational risk, reputation risk and strategic risk. These sections also include additional detailed information about the Bancorp's processes related to operational risk management as well as legal and regulatory compliance risk management. The following information should be read in conjunction with the Bancorp's Annual Report on Form 10-K.

**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 Credit Risk Management 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 ACL 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 ACL 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 27: Potential Problem Portfolio Loans and Leases**

| **As of March 31, 2022 ($ in millions)** | Carrying Value | Unpaid Principal Balance | Exposure |
|---|---|---|---|
| Commercial and industrial loans | **$ 1,697** | **1,699** | **2,914** |
| Commercial mortgage loans | **818** | **822** | **827** |
| Commercial construction loans | **327** | **327** | **342** |
| Commercial leases | **54** | **54** | **54** |
| Total potential problem portfolio loans and leases | **$ 2,896** | **2,902** | **4,137** |

**TABLE 28: Potential Problem Portfolio Loans and Leases**

| As of December 31, 2021 ($ in millions) | Carrying Value | Unpaid Principal Balance | Exposure |
|---|---|---|---|
| Commercial and industrial loans | $ 1,587 | 1,589 | 2,842 |
| Commercial mortgage loans | 783 | 787 | 791 |
| Commercial construction loans | 339 | 339 | 357 |
| Commercial leases | 59 | 59 | 60 |
| Total potential problem portfolio loans and leases | $ 2,768 | 2,774 | 4,050 |

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, 2021 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***

The first quarter of 2022 was defined by extreme volatility in financial markets as persistent inflationary pressures led the Federal Reserve to pivot to a considerably tighter monetary policy compared to what was communicated in the fourth quarter of 2021. Federal Reserve officials grew concerned that the supply-demand imbalances in labor markets could lead to a wage-price spiral that drives inflation higher as workers demand higher wages. Geopolitics took center stage in late February when Russia invaded Ukraine. The invasion led to a surge in commodity prices that added to already elevated inflationary pressures while introducing additional downside risks for global economic growth.

Despite the volatility in financial markets, the labor market remained resilient as job growth averaged 562,000 jobs per month and the unemployment rate dropped to 3.6%. The tightening of the labor market helped support strong wage growth as average hourly earnings increased 5.6% year-over-year. With wage growth strong and people less concerned about the health issues associated with the COVID-19 pandemic, spending on travel and leisure activities was robust during the first quarter of 2022 due to pent up demand, excess savings and record high asset prices.

Robust demand, combined with labor shortages and supply chain constraints, is leading to more persistent inflationary pressures throughout the economy. The March Consumer Price Index report continued the trend of accelerating inflation as headline inflation rose to 8.5% from a year ago. This was the sixth straight month of inflation above 6% and the fastest annual increase since December 1981. With the labor market continuing to tighten, Federal Reserve officials have promised a series of rate hikes to slow consumer demand and bring inflation down. The FOMC is attempting to manage the economy to a soft landing where it slows growth and brings down inflation without causing a recession.

***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 is closely monitoring the pace of inflation, rising interest rates, labor and supply chain impacts and the impacts of these upon commercial borrowers. The Bancorp maintains focus on disciplined client selection, adherence to underwriting policy and attention to borrower and industry concentrations.

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.

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 the 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 March 31, 2022:

**TABLE 29: 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)] | $ | 3,632 | 7,574 | Accommodation and food / Entertainment and recreation |
| Retail - non-essential | | 831 | 3,359 | Retail trade |
| Healthcare | | 1,577 | 2,186 | Healthcare |
| Leisure travel | | 308 | 543 | Transportation and warehousing |
| Total commercial and industrial loans | $ | 6,348 | 13,662 | |
| Commercial real estate owner-occupied loans: | | | | |
| Leisure and recreation[(c)] | | 375 | 419 | Accommodation and food / Entertainment and recreation |
| Retail - non-essential | | 94 | 104 | Real estate |
| Healthcare | | 1,506 | 1,636 | Healthcare |
| Total commercial real estate owner-occupied loans | $ | 1,975 | 2,159 | |
| Commercial real estate nonowner-occupied loans: | | | | |
| Leisure and recreation[(c)] | | 1,811 | 1,979 | Accommodation and food / Entertainment and recreation |
| Retail - non-essential | | 813 | 852 | Real estate |
| Healthcare | | 90 | 108 | Healthcare |
| Total commercial real estate nonowner-occupied loans | $ | 2,714 | 2,939 | |
| Total | $ | 11,037 | 18,760 | |

*(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.*

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

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

| | March 31, 2022 | | | December 31, 2021 | | |
|---|---|---|---|---|---|---|
| ($ in millions) | Outstanding | Exposure | Nonaccrual | Outstanding | Exposure | Nonaccrual |
| By Industry: | | | | | | |
| Manufacturing | **$ 11,650** | **21,845** | **79** | 11,131 | 22,082 | 82 |
| Real estate | **10,867** | **16,323** | **32** | 10,370 | 16,067 | 37 |
| Financial services and insurance | **9,217** | **18,533** | **—** | 9,196 | 18,562 | — |
| Business services | **5,380** | **9,605** | **3** | 5,149 | 9,481 | 23 |
| Wholesale trade | **5,244** | **9,563** | **5** | 4,733 | 9,266 | 6 |
| Healthcare | **5,119** | **7,584** | **41** | 5,011 | 7,608 | 6 |
| Accommodation and food | **4,478** | **7,050** | **26** | 4,354 | 7,089 | 28 |
| Retail trade | **4,264** | **9,872** | **2** | 4,053 | 10,001 | 2 |
| Construction | **3,032** | **6,120** | **7** | 2,918 | 6,111 | 6 |
| Communication and information | **3,002** | **6,618** | **18** | 2,969 | 6,665 | 24 |
| Transportation and warehousing | **2,783** | **4,564** | **2** | 2,774 | 4,628 | 8 |
| Mining | **2,672** | **5,084** | **15** | 2,512 | 5,023 | 16 |
| Utilities | **1,512** | **3,390** | **—** | 1,446 | 3,698 | — |
| Entertainment and recreation | **1,474** | **2,954** | **80** | 1,401 | 2,948 | 86 |
| Other services | **1,139** | **1,510** | **10** | 1,140 | 1,501 | 8 |
| Public administration | **491** | **684** | **1** | 606 | 856 | 3 |
| Agribusiness | **468** | **608** | **1** | 355 | 616 | 1 |
| Other | **85** | **89** | **1** | 89 | 90 | 1 |
| Individuals | **61** | **99** | **—** | 61 | 93 | — |
| Total | **$ 72,938** | **132,095** | **323** | 70,268 | 132,385 | 337 |
| By Loan Size: | | | | | | |
| Less than $1 million | **4 %** | **3** | **14** | 5 | 3 | 14 |
| $1 million to $5 million | **7** | **6** | **11** | 8 | 6 | 14 |
| $5 million to $10 million | **6** | **5** | **11** | 6 | 5 | 8 |
| $10 million to $25 million | **15** | **14** | **31** | 15 | 14 | 42 |
| $25 million to $50 million | **24** | **24** | **33** | 24 | 24 | 22 |
| Greater than $50 million | **44** | **48** | **—** | 42 | 48 | — |
| Total | **100 %** | **100** | **100** | 100 | 100 | 100 |
| By State: | | | | | | |
| Illinois | **11 %** | **9** | **27** | 11 | 9 | 29 |
| Ohio | **10** | **11** | **4** | 10 | 12 | 4 |
| Florida | **8** | **7** | **2** | 8 | 7 | 2 |
| California | **8** | **8** | **2** | 8 | 8 | 2 |
| Texas | **8** | **8** | **6** | 8 | 8 | 6 |
| Michigan | **6** | **5** | **9** | 6 | 5 | 9 |
| Indiana | **3** | **4** | **1** | 3 | 4 | 2 |
| Georgia | **3** | **4** | **1** | 3 | 4 | 8 |
| Tennessee | **3** | **3** | **13** | 3 | 3 | 3 |
| North Carolina | **3** | **3** | **2** | 2 | 2 | 1 |
| Kentucky | **2** | **2** | **1** | 2 | 2 | 1 |
| South Carolina | **2** | **2** | **—** | 2 | 1 | — |
| Other | **33** | **34** | **32** | 34 | 35 | 33 |
| Total | **100 %** | **100** | **100** | 100 | 100 | 100 |

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

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

| **As of March 31, 2022 ($ in millions)** | | LTV > 100% | LTV 80-100% | LTV < 80% |
|---|---|---|---|---|
| Commercial mortgage owner-occupied loans | **$** | **153** | **421** | **3,396** |
| Commercial mortgage nonowner-occupied loans | | **18** | **78** | **4,360** |
| Total | **$** | **171** | **499** | **7,756** |

**TABLE 32: Commercial Mortgage Loans Outstanding by LTV, Loans Greater Than $1 Million**

| As of December 31, 2021 ($ in millions) | | LTV > 100% | LTV 80-100% | LTV < 80% |
|---|---|---|---|---|
| Commercial mortgage owner-occupied loans | $ | 166 | 416 | 3,164 |
| Commercial mortgage nonowner-occupied loans | | 46 | 120 | 4,197 |
| Total | $ | 212 | 536 | 7,361 |

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

| **As of March 31, 2022 ($ in millions)** | | | | | | **For the three months ended March 31, 2022** |
|---|---|---|---|---|---|---|
| | | Outstanding | Exposure | 90 Days Past Due | Nonaccrual | Net Charge-offs |
| By State: | | | | | | |
| Illinois | **$** | **1,628** | **1,832** | **—** | **21** | **—** |
| Florida | | **1,130** | **1,706** | **—** | **—** | **—** |
| Ohio | | **1,114** | **1,433** | **1** | **—** | **—** |
| Texas | | **800** | **1,147** | **—** | **—** | **—** |
| Michigan | | **778** | **965** | **—** | **—** | **—** |
| Indiana | | **296** | **499** | **—** | **—** | **—** |
| North Carolina | | **287** | **436** | **1** | **2** | **—** |
| All other states | | **4,315** | **6,217** | **—** | **6** | **—** |
| Total | **$** | **10,348** | **14,235** | **2** | **29** | **—** |

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

**TABLE 34: Nonowner-Occupied Commercial Real Estate (excluding loans held for sale)[a]**

| As of March 31, 2021 ($ in millions) | | | | For the three months ended March 31, 2021 | |
|---|---|---|---|---|---|
| | Outstanding | Exposure | 90 Days Past Due | Nonaccrual | Net Charge-offs |
| By State: | | | | | |
| Illinois | $ 2,033 | 2,307 | — | 42 | — |
| Florida | 1,296 | 1,923 | — | — | — |
| Ohio | 1,057 | 1,536 | — | 1 | — |
| Texas | 574 | 943 | — | — | — |
| Michigan | 805 | 988 | — | 1 | — |
| Indiana | 299 | 575 | — | — | — |
| North Carolina | 436 | 526 | — | 2 | — |
| All other states | 4,672 | 6,655 | — | 26 | — |
| Total | $ 11,172 | 15,453 | — | 72 | — |

*(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 continues to ensure that underwriting standards and guidelines adequately account for the broader economic conditions that the consumer portfolio faces in a rising rate environment. Guidelines are designed to ensure that the various consumer products fall within the Bancorp's 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.

The payment structures for certain variable rate products (such as residential mortgage loans, home equity and credit card) are susceptible to changes in benchmark interest rates. As interest rates increase, minimum payments on these products also increase, so a rising-rate environment may be disruptive to some borrowers. The Bancorp actively monitors the portion of its consumer portfolio that is susceptible to increases in minimum payments.

*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 $502 million of ARM loans will have rate resets during the next twelve months. Of these resets, substantially all are expected to experience an increase in rate, with an average increase of approximately 1.73% based on benchmark interest rates as of March 31, 2022. Underlying characteristics of these borrowers are relatively strong with a weighted average origination DTI of 36% and weighted average origination LTV of 73%.

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.

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

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

**TABLE 35: Residential Mortgage Portfolio Loans by LTV at Origination**

| | March 31, 2022 | | December 31, 2021 | |
|---|---|---|---|---|
| ($ in millions) | Outstanding | Weighted-Average LTV | Outstanding | Weighted-Average LTV |
| LTV ≤ 80% | **$ 12,194** | **62.0 %** | $ 12,207 | 62.5 % |
| LTV > 80%, with mortgage insurance[(a)] | **2,949** | **94.8** | 2,227 | 94.9 |
| LTV > 80%, no mortgage insurance | **2,001** | **90.7** | 1,963 | 90.8 |
| Total | **$ 17,144** | **71.1 %** | $ 16,397 | 70.9 % |

*(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 36: Residential Mortgage Portfolio Loans, LTV Greater Than 80% at Origination, No Mortgage Insurance**

| **As of March 31, 2022 ($ in millions)** | | | | **For the three months ended March 31, 2022** |
|---|---|---|---|---|
| | Outstanding | 90 Days Past Due | Nonaccrual | Net (Recoveries) Charge-offs |
| By State: | | | | |
| Ohio | **$ 471** | **2** | **8** | **—** |
| Illinois | **410** | **1** | **3** | **—** |
| Florida | **312** | **—** | **3** | **(1)** |
| Michigan | **158** | **—** | **2** | **—** |
| Indiana | **139** | **—** | **2** | **—** |
| North Carolina | **133** | **—** | **—** | **—** |
| Kentucky | **106** | **—** | **1** | **—** |
| All other states | **272** | **—** | **4** | **—** |
| Total | **$ 2,001** | **3** | **23** | **(1)** |

**TABLE 37: Residential Mortgage Portfolio Loans, LTV Greater Than 80% at Origination, No Mortgage Insurance**

| As of March 31, 2021 ($ in millions) | | | | For the three months ended March 31, 2021 |
|---|---|---|---|---|
| | Outstanding | 90 Days Past Due | Nonaccrual | Net Charge-offs |
| By State: | | | | |
| Ohio | $ 428 | 4 | 4 | — |
| Illinois | 388 | 4 | 2 | — |
| Florida | 281 | 3 | 2 | — |
| Michigan | 166 | 2 | — | — |
| Indiana | 135 | 2 | — | — |
| North Carolina | 127 | 1 | 2 | — |
| Kentucky | 86 | 1 | — | — |
| All other states | 288 | 2 | 2 | — |
| Total | $ 1,899 | 19 | 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 46% 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 19% of the balances mature before 2025.

The ALLL provides coverage for expected losses in the home equity portfolio. The allowance attributable to the portion of the home equity portfolio that has not been restructured in a TDR is determined on a pooled basis using a probability of default, loss given default and exposure at default model framework to generate expected losses. The expected losses for the home equity portfolio are dependent upon loan

delinquency, FICO scores, LTV, loan age and their historical correlation with macroeconomic variables including unemployment and the home price index. The expected losses generated from models are adjusted by certain qualitative adjustment factors to reflect risks associated with current conditions and trends. The qualitative factors include adjustments for changes in policies or procedures in underwriting, monitoring or collections, economic conditions, portfolio mix, lending and risk management personnel, results of internal audit and quality control reviews, collateral values and geographic concentrations.

The home equity portfolio is managed in two primary groups: loans outstanding with a combined LTV greater than 80% and those loans with an LTV of 80% or less based upon appraisals at origination. For additional information on these loans, refer to Table 39 and Table 40. Of the total $3.9 billion of outstanding home equity loans:

- 80% reside within the Bancorp's Midwest footprint of Ohio, Michigan, Illinois, Indiana and Kentucky as of March 31, 2022;
- 42% are in senior lien positions and 58% are in junior lien positions at March 31, 2022;
- 78% of non-delinquent borrowers made at least one payment greater than the minimum payment during the three months ended March 31, 2022; and
- The portfolio had a weighted average refreshed FICO score of 750 at March 31, 2022.

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 and 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, 2021 for more information.

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

**TABLE 38: Home Equity Portfolio Loans Outstanding by Refreshed FICO Score**

| | **March 31, 2022** | | December 31, 2021 | |
|---|---|---|---|---|
| ($ in millions) | Outstanding | % of Total | Outstanding | % of Total |
| **Senior Liens:** | | | | |
| FICO ≤ 659 | **$ 136** | **3 %** | $ 143 | 3 % |
| FICO 660-719 | **227** | **6** | 228 | 6 |
| FICO ≥ 720 | **1,295** | **33** | 1,333 | 33 |
| Total senior liens | **$ 1,658** | **42** | 1,704 | 42 |
| **Junior Liens:** | | | | |
| FICO ≤ 659 | **229** | **6** | 245 | 6 |
| FICO 660-719 | **408** | **11** | 430 | 10 |
| FICO ≥ 720 | **1,621** | **41** | 1,705 | 42 |
| Total junior liens | **$ 2,258** | **58** | 2,380 | 58 |
| Total | **$ 3,916** | **100 %** | $ 4,084 | 100 % |

The Bancorp believes that home equity portfolio loans with a greater than 80% LTV (including senior liens, if applicable) 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 39: Home Equity Portfolio Loans Outstanding by LTV at Origination**

| | March 31, 2022 | | December 31, 2021 | |
|---|---|---|---|---|
| ($ in millions) | Outstanding | Weighted-Average LTV | Outstanding | Weighted-Average LTV |
| **Senior Liens:** | | | | |
| LTV ≤ 80% | **$ 1,447** | **53.3 %** | $ 1,485 | 53.5 % |
| LTV > 80% | **211** | **88.8** | 219 | 88.8 |
| Total senior liens | **$ 1,658** | **58.0** | 1,704 | 58.3 |
| **Junior Liens:** | | | | |
| LTV ≤ 80% | **1,428** | **66.3** | 1,479 | 66.4 |
| LTV > 80% | **830** | **89.7** | 901 | 89.7 |
| Total junior liens | **$ 2,258** | **75.7** | 2,380 | 76.0 |
| Total | **$ 3,916** | **68.0 %** | $ 4,084 | 68.4 % |

The following tables provide an analysis of home equity portfolio loans outstanding by state with a LTV greater than 80% (including senior liens, if applicable) at origination:

**TABLE 40: Home Equity Portfolio Loans Outstanding with an LTV Greater than 80% at Origination**

| **As of March 31, 2022 ($ in millions)** | | | | | **For the three months ended March 31, 2022** |
|---|---|---|---|---|---|
| | Outstanding | Exposure | 90 Days Past Due | Nonaccrual | Net (Recoveries) Charge-offs |
| By State: | | | | | |
| Ohio | **$ 326** | **856** | — | **8** | **—** |
| Michigan | **175** | **453** | — | **4** | **(2)** |
| Illinois | **170** | **360** | **1** | **5** | **(2)** |
| Indiana | **100** | **246** | — | **3** | **—** |
| Kentucky | **85** | **217** | — | **2** | — |
| Florida | **71** | **163** | — | **1** | **(1)** |
| All other states | **114** | **268** | — | **4** | **(1)** |
| Total | **$ 1,041** | **2,563** | **1** | **27** | **(6)** |

**TABLE 41: Home Equity Portfolio Loans Outstanding with an LTV Greater than 80% at Origination**

| As of March 31, 2021 ($ in millions) | | | | | For the three months ended March 31, 2021 |
|---|---|---|---|---|---|
| | Outstanding | Exposure | 90 Days Past Due | Nonaccrual | Net Charge-offs |
| By State: | | | | | |
| Ohio | $ 451 | 1,050 | — | 9 | — |
| Michigan | 258 | 556 | — | 4 | — |
| Illinois | 233 | 446 | 1 | 7 | — |
| Indiana | 137 | 302 | — | 3 | — |
| Kentucky | 115 | 264 | — | 2 | — |
| Florida | 102 | 205 | — | 2 | — |
| All other states | 160 | 329 | — | 4 | — |
| Total | $ 1,456 | 3,152 | 1 | 31 | — |

*Indirect secured consumer portfolio*

The indirect secured consumer portfolio is comprised of $15.8 billion of automobile loans and $1.6 billion of indirect motorcycle, powersport, recreational vehicle and marine loans as of March 31, 2022. All concentration and guideline changes are monitored monthly to ensure alignment with original credit performance and return projections.

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

**TABLE 42: Indirect Secured Consumer Portfolio Loans Outstanding by FICO Score at Origination**

| | March 31, 2022 | | December 31, 2021 | |
|---|---|---|---|---|
| ($ in millions) | Outstanding | % of Total | Outstanding | % of Total |
| FICO ≤ 659 | **$ 297** | **2 %** | $ 312 | 2 % |
| FICO 660-719 | **3,844** | **22** | 3,745 | 22 |
| FICO ≥ 720 | **13,283** | **76** | 12,726 | 76 |
| Total | **$ 17,424** | **100 %** | $ 16,783 | 100 % |

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

**TABLE 43: Indirect Secured Consumer Portfolio Loans Outstanding by LTV at Origination**

| | March 31, 2022 | | December 31, 2021 | |
|---|---|---|---|---|
| ($ in millions) | Outstanding | Weighted- Average LTV | Outstanding | Weighted- Average LTV |
| LTV ≤ 100% | **$ 12,693** | **79.4 %** | $ 12,327 | 79.5 % |
| LTV > 100% | **4,731** | **110.9** | 4,456 | 111.1 |
| Total | **$ 17,424** | **88.0 %** | $ 16,783 | 88.1 % |

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

**TABLE 44: 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 |
|---|---|---|---|---|
| **March 31, 2022** | **$ 4,731** | **5** | **13** | **5** |
| March 31, 2021 | 4,267 | 5 | 32 | 6 |

*Credit card portfolio*

The credit card portfolio consists of predominantly prime accounts with 98% of balances existing within the Bancorp's footprint at both March 31, 2022 and December 31, 2021. At both March 31, 2022 and December 31, 2021, 72% and 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 the Bancorp's outstanding credit card portfolio disaggregated based upon FICO score at origination as of:

**TABLE 45: Credit Card Portfolio Loans Outstanding by FICO Score at Origination**

| | March 31, 2022 | | December 31, 2021 | |
|---|---|---|---|---|
| ($ in millions) | Outstanding | % of Total | Outstanding | % of Total |
| FICO ≤ 659 | **$ 78** | **5 %** | $ 82 | 5 % |
| FICO 660-719 | **494** | **29** | 518 | 29 |
| FICO ≥ 720 | **1,118** | **66** | 1,166 | 66 |
| Total | **$ 1,690** | **100 %** | $ 1,766 | 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 companies. The Bancorp had $169 million in unfunded commitments associated with loans originated in connection with third-party companies as of March 31, 2022. The Bancorp closely monitors the credit performance of point-of-sale loans. Loans originated in connection with one third-party company are impacted by certain credit loss protection coverage provided by that company. In the event that the origination agreement with this third-party company is terminated, loans with an outstanding balance of $1.2 billion at March 31, 2022 would become subject to a 90-day call option that gives the third-party company the right, but not the obligation, to purchase loans from the Bancorp at a price equal to 100% of the principal amount plus accrued and unpaid interest less service fees.

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

**TABLE 46: Other Consumer Portfolio Loans Outstanding by Product Type**

| | March 31, 2022 | | December 31, 2021 | |
|---|---|---|---|---|
| ($ in millions) | Outstanding | % of Total | Outstanding | % of Total |
| Unsecured | **$ 485** | **18 %** | $ 491 | 18 % |
| Other secured | **890** | **32** | 797 | 29 |
| Point-of-sale | **1,378** | **50** | 1,464 | 53 |
| Total | **$ 2,753** | **100 %** | $ 2,752 | 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 consumer loans which do not meet the requirements to be classified as a performing asset; and certain other assets, including OREO and other repossessed property. A summary of nonperforming assets is included in Table 47. 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 Consolidated Financial Statements included in the Bancorp's Annual Report on Form 10-K for the year ended December 31, 2021.

Nonperforming assets were $570 million at March 31, 2022 compared to $542 million at December 31, 2021. At March 31, 2022, $4 million of nonaccrual loans were held for sale, compared to $15 million at December 31, 2021.

Nonperforming portfolio assets as a percent of portfolio loans and leases and OREO were 0.49% and 0.47% as of March 31, 2022 and December 31, 2021, respectively. Nonaccrual loans and leases secured by real estate were 37% of nonaccrual loans and leases as of March 31, 2022 compared to 33% as of December 31, 2021.

Portfolio commercial nonaccrual loans and leases were $323 million at March 31, 2022, a decrease of $14 million from December 31, 2021. Portfolio consumer nonaccrual loans were $211 million at March 31, 2022, an increase of $50 million from December 31, 2021. Refer to Table 48 for a rollforward of the portfolio nonaccrual loans and leases.

OREO and other repossessed property was $32 million and $29 million at March 31, 2022 and December 31, 2021, respectively. The Bancorp recognized $1 million in gains and $6 million in losses on the transfer, sale or write-down of OREO properties for the three months ended March 31, 2022 and 2021, respectively.

For the three months ended March 31, 2022 and 2021, approximately $6 million and $9 million, respectively, of interest income would have been recognized if the nonaccrual and renegotiated loans and leases on nonaccrual status had been current in accordance with their original terms. Although these values help demonstrate the costs of carrying nonaccrual credits, the Bancorp does not expect to recover the full amount of interest as nonaccrual loans and leases are generally carried below their principal balance.

**TABLE 47: Summary of Nonperforming Assets and Delinquent Loans and Leases**

| As of ($ in millions) | | March 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Nonaccrual portfolio loans and leases: | | | |
| Commercial and industrial loans | $ | **105** | 116 |
| Commercial mortgage loans | | **32** | 42 |
| Commercial construction loans | | **6** | 6 |
| Commercial leases | | **3** | 4 |
| Residential mortgage loans[(a)(c)] | | **42** | 10 |
| Home equity | | **49** | 47 |
| Indirect secured consumer loans | | **5** | 5 |
| Other consumer loans | | **1** | 1 |
| Nonaccrual portfolio restructured loans and leases: | | | |
| Commercial and industrial loans | | **167** | 163 |
| Commercial mortgage loans | | **10** | 6 |
| Residential mortgage loans[(a)(c)] | | **46** | 23 |
| Home equity | | **28** | 30 |
| Indirect secured consumer loans | | **17** | 22 |
| Credit card | | **23** | 23 |
| Total nonaccrual portfolio loans and leases[(b)] | $ | **534** | 498 |
| OREO and other repossessed property | | **32** | 29 |
| Total nonperforming portfolio loans and leases and OREO | $ | **566** | 527 |
| Nonaccrual loans held for sale | | **—** | 15 |
| Nonaccrual restructured loans held for sale | | **4** | — |
| Total nonperforming assets | $ | **570** | 542 |
| Total portfolio loans and leases 90 days past due and still accruing: | | | |
| Commercial and industrial loans | $ | **9** | 17 |
| Commercial mortgage loans | | **2** | 1 |
| Commercial construction loans | | **—** | 1 |
| Residential mortgage loans[(a)] | | **14** | 72 |
| Home equity | | **1** | 1 |
| Indirect secured consumer loans | | **9** | 9 |
| Credit card | | **14** | 15 |
| Other consumer loans | | **1** | 1 |
| Total portfolio loans and leases 90 days past due and still accruing | $ | **50** | 117 |
| Nonperforming portfolio assets as a percent of portfolio loans and leases and OREO | | **0.49 %** | 0.47 |
| Nonperforming portfolio loans and leases as a percent of portfolio loans and leases | | **0.46** | 0.44 |
| ACL as a percent of nonperforming portfolio loans and leases | | **391** | 416 |
| ACL as a percent of nonperforming portfolio assets | | **369** | 394 |

*(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 $316 as of March 31, 2022 and $349 as of December 31, 2021. The Bancorp recognized losses of $1 for both the three months ended March 31, 2022 and 2021 due to claim denials and curtailments associated with these insured or guaranteed loans.*

*(b) Includes $20 and $26 of nonaccrual government insured commercial loans whose repayments are insured by the SBA as of March 31, 2022 and December 31, 2021, respectively, of which $11 are restructured nonaccrual government insured commercial loans as of both March 31, 2022 and December 31, 2021.*

*(c) During the first quarter of 2022, the Bancorp amended its definition of nonperforming loans to include $56 million of residential mortgage loans that are past due 150 days or more and not fully or partially guaranteed by government agencies.*

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

**TABLE 48: Rollforward of Portfolio Nonaccrual Loans and Leases**

| For the three months ended March 31, 2022 ($ in millions) | Commercial | Residential Mortgage[(a)] | Consumer | Total |
|---|---|---|---|---|
| Balance, beginning of period | **$ 337** | **33** | **128** | **498** |
| Transfers to nonaccrual status | **54** | **64** | **33** | **151** |
| Transfers to accrual status | **(2)** | **(7)** | **(16)** | **(25)** |
| Transfers to held for sale | **(4)** | **—** | **—** | **(4)** |
| Loan paydowns/payoffs | **(52)** | **(1)** | **(15)** | **(68)** |
| Transfers to OREO | **—** | **(1)** | **—** | **(1)** |
| Charge-offs | **(11)** | **—** | **(7)** | **(18)** |
| Draws/other extensions of credit | **1** | **—** | **—** | **1** |
| Balance, end of period | **$ 323** | **88** | **123** | **534** |

*(a) During the first quarter of 2022, the Bancorp amended its definition of nonperforming loans to include $56 million of residential mortgage loans that are past due 150 days or more and not fully or partially guaranteed by government agencies.*

**TABLE 49: Rollforward of Portfolio Nonaccrual Loans and Leases**

| For the three months ended March 31, 2021 ($ in millions) | Commercial | Residential Mortgage | Consumer | Total |
|---|---|---|---|---|
| Balance, beginning of period | $ 638 | 60 | 136 | 834 |
| Transfers to nonaccrual status | 29 | 16 | 87 | 132 |
| Transfers to accrual status | (1) | (20) | (24) | (45) |
| Transfers to held for sale | (42) | — | — | (42) |
| Loan paydowns/payoffs | (99) | — | (13) | (112) |
| Transfers to OREO | (1) | (1) | — | (2) |
| Charge-offs | (35) | — | (11) | (46) |
| Draws/other extensions of credit | 20 | 1 | 1 | 22 |
| Balance, end of period | $ 509 | 56 | 176 | 741 |

***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. For further information on the Bancorp's accounting for TDRs, 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, 2021.

Consumer restructured loans on accrual status totaled $756 million and $675 million at March 31, 2022 and December 31, 2021, respectively. As of March 31, 2022, the percentages of restructured residential mortgage loans, home equity and credit card that were past due 30 days or more from their modified terms were 27%, 20% and 27%, respectively.

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

**TABLE 50: Accruing and Nonaccruing Portfolio TDRs**

| | Accruing | | | | |
|---|---|---|---|---|---|
| **As of March 31, 2022 ($ in millions)** | Current | 30-89 Days Past Due | 90 Days or More Past Due | Nonaccruing | Total |
| Commercial loans[(a)] | **$ 194** | **1** | **—** | **177** | **372** |
| Residential mortgage loans[(b)] | **400** | **22** | **81** | **46** | **549** |
| Home equity | **138** | **6** | **1** | **28** | **173** |
| Indirect secured consumer loans | **84** | **5** | **—** | **17** | **106** |
| Credit card | **17** | **2** | **—** | **23** | **42** |
| Total | **$ 833** | **36** | **82** | **291** | **1,242** |

*(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 March 31, 2022, these advances represented $192 of current loans, $17 of 30-89 days past due loans and $78 of 90 days or more past due loans.*

**TABLE 51: Accruing and Nonaccruing Portfolio TDRs**

| | | Accruing | | | |
|---|---|---|---|---|---|
| As of December 31, 2021 ($ in millions) | Current | 30-89 Days Past Due | 90 Days or More Past Due | Nonaccruing | Total |
| Commercial loans[(a)] | $ 156 | — | 1 | 169 | 326 |
| Residential mortgage loans[(b)] | 328 | 17 | 92 | 23 | 460 |
| Home equity | 141 | 5 | 1 | 30 | 177 |
| Indirect secured consumer loans | 66 | 4 | — | 22 | 92 |
| Credit card | 18 | 3 | — | 23 | 44 |
| Total | $ 709 | 29 | 94 | 267 | 1,099 |

*(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, 2021, these advances represented $144 of current loans, $14 of 30-89 days past due loans and $69 of 90 days or more past due loans.*

***Analysis of Net Loan Charge-offs***

Net charge-offs were 12 bps and 27 bps of average portfolio loans and leases for the three months ended March 31, 2022 and 2021, respectively. Table 52 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 5 bps during the three months ended March 31, 2022 compared to 17 bps during the three months ended March 31, 2021. The decrease was primarily due to a decrease in net charge-offs on commercial and industrial loans of $18 million for the three months ended March 31, 2022 compared to the same period in the prior year.

The ratio of consumer loan net charge-offs as a percent of average portfolio consumer loans decreased to 25 bps during the three months ended March 31, 2022 compared to 43 bps during the three months ended March 31, 2021. The decrease was primarily due to a decrease in net charge-offs on credit card of $12 million for the three months ended March 31, 2022 compared to the same period in the prior year.

**TABLE 52: Summary of Credit Loss Experience**

| ($ in millions) | For the three months ended March 31, 2022 | 2021 |
|---|---|---|
| Losses charged-off: | | |
| Commercial and industrial loans | **$ (11)** | (32) |
| Commercial mortgage loans | **—** | (3) |
| Commercial leases | **—** | — |
| Residential mortgage loans | **(1)** | (1) |
| Home equity | **(2)** | (3) |
| Indirect secured consumer loans | **(16)** | (18) |
| Credit card | **(17)** | (31) |
| Other consumer loans[(a)] | **(17)** | (21) |
| Total losses charged-off | **$ (64)** | (109) |
| Recoveries of losses previously charged-off: | | |
| Commercial and industrial loans | **$ 2** | 5 |
| Commercial mortgage loans | **1** | 1 |
| Commercial leases | **—** | 1 |
| Residential mortgage loans | **2** | 1 |
| Home equity | **3** | 3 |
| Indirect secured consumer loans | **9** | 9 |
| Credit card | **4** | 6 |
| Other consumer loans[(a)] | **9** | 12 |
| Total recoveries of losses previously charged-off | **$ 30** | 38 |
| Net losses charged-off: | | |
| Commercial and industrial loans | **$ (9)** | (27) |
| Commercial mortgage loans | **1** | (2) |
| Commercial leases | **—** | 1 |
| Residential mortgage loans | **1** | — |
| Home equity | **1** | — |
| Indirect secured consumer loans | **(7)** | (9) |
| Credit card | **(13)** | (25) |
| Other consumer loans | **(8)** | (9) |
| Total net losses charged-off | **$ (34)** | (71) |
| Net losses charged-off as a percent of average portfolio loans and leases: | | |
| Commercial and industrial loans | **0.07 %** | 0.22 |
| Commercial mortgage loans | **(0.03)** | 0.09 |
| Commercial leases | **(0.02)** | (0.09) |
| Total commercial loans and leases | **0.05 %** | 0.17 |
| Residential mortgage loans | **(0.02)** | (0.01) |
| Home equity | **(0.07)** | 0.01 |
| Indirect secured consumer loans | **0.17** | 0.25 |
| Credit card | **3.13** | 5.50 |
| Other consumer loans | **1.07** | 1.17 |
| Total consumer loans | **0.25 %** | 0.43 |
| Total net losses charged-off as a percent of average portfolio loans and leases | **0.12 %** | 0.27 |

*(a) For the three months ended March 31, 2022 and 2021, the Bancorp recorded $8 and $10, respectively, in both losses charged off and recoveries of losses previously charged off related to customer defaults on point-of-sale consumer loans for which the Bancorp obtained recoveries under third-party credit enhancements.*

***Allowance for Credit Losses***

The allowance for credit losses is comprised of the ALLL and the reserve for unfunded commitments. As 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, 2021, 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.

At both March 31, 2022 and December 31, 2021, 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 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.

***March 31, 2022 ACL***

The ACL as of March 31, 2022 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. As of March 2022, the Bancorp's economic scenarios included estimates of the expected impacts of the changes in economic conditions caused by rising geopolitical tensions, inflationary and rising interest rate pressures, and the COVID-19 pandemic. The Baseline scenario was assigned a probability weighting of 60%, with the more favorable scenario (Upside) assigned a probability weighting of 20% and the less favorable scenario (Downside) assigned a probability of 20%. The Baseline scenario assumed that disruptions to oil, natural gas, and other commodities resulting from rising geopolitical tensions would be temporary. The Baseline scenario assumed real GDP growth for 2022 at 3.5%, which is lower than the December 2021 scenario, partially due to the effects of increased energy prices. The Baseline scenario also assumes an average unemployment rate of 3.6% in 2022, with full employment achieved by early 2023. The Upside scenario assumes a faster than expected resolution to the rising geopolitical uncertainty with related improvement to economic measures. The Upside scenario also assumes that on an average annual basis, the change in real GDP is 5.0% in 2022 and 4.6% in 2023, with the unemployment rate at 3.3% in 2022 and 2.9% in 2023. The Downside scenario includes significant worsening of geopolitical tensions along with a related increase in oil prices and inflation, causing the U.S. economy to fall into a recession in the second quarter of 2022. The Downside scenario assumes that real GDP will decline

through the fourth quarter of 2022, with the change in real GDP on an average annual basis at 0.9% in 2022 and (0.4%) in 2023. The Downside scenario unemployment rate peaks at 7.9% in the second quarter of 2023 and decreases to an average of 6.1% in 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 $1.1 billion. This sensitivity calculation only reflects the impact of changing the probability weighting of the scenarios in the quantitative credit loss models and excludes any additional considerations associated with the qualitative component of the ACL that might be warranted if probability weights were adjusted.

At March 31, 2022, the qualitative component of the ACL included consideration of certain factors that represent remaining risks specifically associated with the COVID-19 pandemic. These considerations resulted in qualitative adjustments to increase the ACL, primarily related to commercial borrowers experiencing prolonged distress and commercial borrowers in certain industries which have been severely impacted by the COVID-19 pandemic.

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

**TABLE 53: Changes in Allowance for Credit Losses**

| | For the three months ended March 31, | |
|---|---|---|
| ($ in millions) | **2022** | 2021 |
| ALLL: | | |
| Balance, beginning of period | **$ 1,892** | 2,453 |
| Losses charged-off[(a)] | **(64)** | (109) |
| Recoveries of losses previously charged-off[(a)] | **30** | 38 |
| Provision for (benefit from) loan and lease losses | **50** | (174) |
| Balance, end of period | **$ 1,908** | 2,208 |
| Reserve for unfunded commitments: | | |
| Balance, beginning of period | **$ 182** | 172 |
| (Benefit from) provision for the reserve for unfunded commitments | **(5)** | 1 |
| Balance, end of period | **$ 177** | 173 |

*(a) For the three months ended March 31, 2022 and 2021, the Bancorp recorded $8 and $10, respectively, in both losses charged off and recoveries of losses previously charged off related to customer defaults on point-of-sale consumer loans for which the Bancorp obtained recoveries under third-party credit enhancements.*

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

**TABLE 54: Attribution of Allowance for Loan and Lease Losses to Portfolio Loans and Leases**

| As of ($ in millions) | | March 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Attributed ALLL: | | | |
| Commercial and industrial loans | $ | **761** | 711 |
| Commercial mortgage loans | | **253** | 304 |
| Commercial construction loans | | **79** | 72 |
| Commercial leases | | **17** | 15 |
| Residential mortgage loans | | **239** | 235 |
| Home equity | | **115** | 123 |
| Indirect secured consumer loans | | **139** | 119 |
| Credit card | | **204** | 209 |
| Other consumer loans | | **101** | 104 |
| Total ALLL | $ | **1,908** | 1,892 |
| Portfolio loans and leases: | | | |
| Commercial and industrial loans | $ | **53,909** | 51,659 |
| Commercial mortgage loans | | **10,694** | 10,316 |
| Commercial construction loans | | **5,420** | 5,241 |
| Commercial leases | | **2,915** | 3,052 |
| Residential mortgage loans | | **17,144** | 16,397 |
| Home equity | | **3,916** | 4,084 |
| Indirect secured consumer loans | | **17,424** | 16,783 |
| Credit card | | **1,690** | 1,766 |
| Other consumer loans | | **2,753** | 2,752 |
| Total portfolio loans and leases | $ | **115,865** | 112,050 |
| Attributed ALLL as a percent of respective portfolio loans and leases: | | | |
| Commercial and industrial loans | | **1.41 %** | 1.38 |
| Commercial mortgage loans | | **2.37** | 2.95 |
| Commercial construction loans | | **1.46** | 1.37 |
| Commercial leases | | **0.58** | 0.49 |
| Residential mortgage loans | | **1.39** | 1.43 |
| Home equity | | **2.94** | 3.01 |
| Indirect secured consumer loans | | **0.80** | 0.71 |
| Credit card | | **12.07** | 11.83 |
| Other consumer loans | | **3.67** | 3.78 |
| Total ALLL as a percent of portfolio loans and leases | | **1.65 %** | 1.69 |
| Total ACL as a percent of portfolio loans and leases | | **1.80** | 1.85 |

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, 2021.

**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 March 31, 2022, 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 under parallel ramped increases and decreases in interest rates. Policy limits are utilized for scenarios assuming a 200 bps increase in interest rates over twelve months and a 25 bps decrease in rates over three months. 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 persists but has declined as of March 31, 2022, as a portion of the Bancorp's cash was invested in long-term fixed-rate securities during the quarter.

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 $4.5 billion of additional demand deposit balances run-off over 24 months above what is included in senior management's baseline projections for each 100 bps increase in short-term market interest rates. Similarly, the Bancorp's NII sensitivity modeling incorporates approximately $4.5 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 the Bancorp's interest-bearing transaction deposit rates will change for a given change in short-term market rates. At December 31, 2021, dynamic deposit beta models were implemented and utilized to adjust assumed pricing sensitivity depending on market rate levels. This change preserves alignment to prior rate hike cycles and adjusts expectations for a wide range of scenarios. Using this approach, the Bancorp's NII sensitivity modeling assumes weighted-average rising-rate interest-bearing deposit betas at the end of the ramped parallel scenarios of 34% and 39%, for a 100 bps and 200 bps increase in rates, respectively. In the event of rate cuts, this approach assumes a weighted-average falling-rate interest-bearing deposit beta at the end of the ramped 25 bps decrease in rates of 25% at March 31, 2022, 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 55: Estimated NII Sensitivity Profile and ALCO Policy Limits**

| | **March 31, 2022** | | | | March 31, 2021 | | | |
|---|---|---|---|---|---|---|---|---|
| | % 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 | **5.64 %** | **13.59** | **(4.00)** | **(6.00)** | 10.39 | 21.35 | (4.00) | (6.00) |
| +100 Ramp over 12 months | **3.45** | **8.61** | **N/A** | **N/A** | 5.38 | 11.59 | N/A | N/A |
| -25 Ramp over 3 months | **(2.72)** | **(3.99)** | **(8.00)** | **(12.00)** | (1.98) | (3.11) | N/A | N/A |

At March 31, 2022, the Bancorp's NII would benefit moderately in year one and significantly in 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 deposits with 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, continued re-positioning into securities with less near-term principal cash flows and the execution of additional receive-fix hedges have added significant protection from declining rates. The changes in the estimated NII sensitivity profile compared to March 31, 2021 were primarily attributable to significant deployment of cash into long-term fixed-rate securities during the first quarter of 2022 and the dynamic beta implementation mentioned previously. These items were partially offset by continued increases in noninterest-bearing and low-cost interest-bearing deposits.

Tables 56 and 57 provide the sensitivity of the Bancorp's estimated NII profile at March 31, 2022 to changes to certain deposit balance and deposit repricing sensitivity (betas) assumptions.

The following table includes the Bancorp's estimated NII sensitivity profile with an immediate $5 billion decrease and an immediate $5 billion increase in demand deposit balances as of March 31, 2022:

**TABLE 56: Estimated NII Sensitivity Profile at March 31, 2022 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 | 4.28 % | 11.26 | 7.00 | 15.92 |
| +100 Ramp over 12 months | 2.58 | 7.25 | 4.32 | 9.97 |
| -25 Ramp over 3 months | (3.33) | (4.62) | (2.11) | (3.36) |

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 March 31, 2022:

**TABLE 57: Estimated NII Sensitivity Profile at March 31, 2022 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 | 3.83 % | 9.63 | 7.46 | 17.55 |
| +100 Ramp over 12 months | 2.66 | 6.95 | 4.24 | 10.27 |
| -25 Ramp over 3 months | (2.72) | (3.99) | (2.73) | (3.99) |

*(a) Includes weighted-average dynamic interest-bearing deposit betas of 49%, 42% and 31%, in the order of scenarios shown top to bottom.*
*(b) Includes weighted-average dynamic interest-bearing deposit betas of 29%, 25% and 19% in the order of scenarios shown top to bottom.*

***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 58: Estimated EVE Sensitivity Profile**

| | **March 31, 2022** | | March 31, 2021 | |
|---|---|---|---|---|
| Change in Interest Rates (bps) | % Change in EVE | ALCO Policy Limit | % Change in EVE | ALCO Policy Limit |
| +200 Shock | **(3.63)%** | **(12.00)** | 6.49 | (12.00) |
| +100 Shock | **(1.46)** | **N/A** | 3.77 | N/A |
| -25 Shock | **0.16** | **(12.00)** | (1.20) | N/A |

The EVE sensitivity is moderately negative in a +200 bps rising-rate scenario at March 31, 2022. The changes in the estimated EVE sensitivity profile from March 31, 2021 were primarily related to significant deployment of cash into long-term fixed-rate securities during the first quarter of 2022 and the implementation of dynamic deposit beta models which have a detrimental effect to EVE-at-Risk due to current implied long-term rate levels. These items were partially offset by continued growth in noninterest-bearing and low-cost interest-bearing deposits.

While an instantaneous shift in spot interest rates followed by forward projections 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, SOFR, Prime Rate and other basis risks, yield curve twist risks and embedded options risks. In addition, the impacts on NII on an FTE basis and EVE of extreme changes in interest rates are modeled, wherein the Bancorp employs the use of yield curve shocks and environment-specific scenarios.

***Use of Derivatives to Manage Interest Rate Risk***

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

Tables 59 and 60 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 13 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 59: Weighted-Average Maturity, Receive Rate and Pay Rate on Qualifying Hedging Instruments**

| **As of March 31, 2022 ($ in millions)** | | **Notional Amount** | **Fair Value** | **Remaining (years)** | **Fixed Rate** | **Index** |
|---|---|---|---|---|---|---|
| Interest rate swaps related to C&I loans – cash flow – receive-fixed | **$** | **8,000** | **(2)** | **1.8** | **3.02 %** | **1 ML** |
| Interest rate swaps related to commercial mortgage and commercial construction loans – cash flow – receive-fixed | | **4,000** | **(15)** | **2.8** | **0.99** | **1 ML** |
| Interest rate swaps related to long-term debt – fair value – receive-fixed | | **1,955** | **239** | **8.2** | **4.93** | **1 ML / 3 ML** |
| Total interest rate swaps | **$** | **13,955** | **222** | | | |
| Interest rate floors – cash flow – receive-fixed | **$** | **3,000** | **46** | **2.7** | **2.25** | **1 ML** |

**TABLE 60: Weighted-Average Maturity, Receive Rate and Pay Rate on Qualifying Hedging Instruments**

| As of December 31, 2021 ($ in millions) | | Notional Amount | Fair Value | Remaining (years) | Fixed Rate | Index |
|---|---|---|---|---|---|---|
| Interest rate swaps related to C&I loans – cash flow – receive-fixed | $ | 8,000 | (1) | 2.0 | 3.02 % | 1 ML |
| Interest rate swaps related to commercial mortgage and commercial construction loans – cash flow – receive-fixed | | 4,000 | — | 3.1 | 0.99 | 1 ML |
| Interest rate swaps related to long-term debt – fair value – receive-fixed | | 1,955 | 391 | 8.4 | 4.93 | 1 ML / 3 ML |
| Interest rate swaps related to available-for-sale debt and other securities – fair value – receive-floating / pay-fixed | | 445 | 7 | 7.4 | 2.40 | 1 ML |
| Total interest rate swaps | $ | 14,400 | 397 | | | |
| Interest rate floors – cash flow – receive-fixed | $ | 3,000 | 122 | 3.0 | 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 13 of the Notes to Condensed Consolidated Financial Statements.

***Residential Mortgage Servicing Rights and Price Risk***

The fair value of the residential MSR portfolio was $1.4 billion and $1.1 billion at March 31, 2022 and December 31, 2021, 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. For further information on the significant drivers and components of the valuation adjustments on MSRs, refer to the Noninterest Income subsection of the Statements of Income Analysis section of MD&A. 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. The Bancorp recognized net losses of $182 million and $136 million on its non-qualifying hedging strategy for the three months ended March 31, 2022 and 2021, respectively. These amounts included net losses of $1 million and $2 million for the three months ended March 31, 2022, and 2021, 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 12 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 March 31, 2022 and December 31, 2021 was $1.0 billion and $995 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.

## 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 15 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.

Of the $48.8 billion of securities in the Bancorp's available-for-sale debt and other securities portfolio at March 31, 2022, $4.2 billion in principal and interest is expected to be received in the next 12 months and an additional $4.7 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 months ended March 31, 2022 and 2021, the Bancorp sold loans and leases totaling $3.5 billion and $3.6 billion, respectively. For further information, refer to Note 12 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 91% and 88% of its average total assets for the three months ended March 31, 2022 and 2021, 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 March 31, 2022, $4.2 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 22 of the Notes to Condensed Consolidated Financial Statements.

As of March 31, 2022, the Bank's global bank note program had a borrowing capacity of $25.0 billion, of which $22.3 billion was available for issuance. Additionally, at March 31, 2022, the Bank had approximately $53.1 billion of borrowing capacity available through secured borrowing sources, including the FRB and FHLB.

***Current Liquidity Position***

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. The Bancorp's investment portfolio remains highly concentrated in liquid and readily marketable instruments and is a significant source of secured borrowing capacity.

As of March 31, 2022, 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 21 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 61. 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 61: Agency Ratings**

| As of May 9, 2022 | 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 |

## 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 62: 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 1 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 |
| 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 and must maintain capital ratios above its 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.

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 Bancorp's modified CECL transition amount became subject to the phase-out provisions of the final rule on January 1, 2022, and will be fully phased-out by January 1, 2025. The impact of the modified CECL transition amount on the Bancorp's regulatory capital at March 31, 2022 was an increase in capital of approximately $373 million. On a fully phased-in basis, the Bancorp's CET1 ratio would be reduced by 22 basis points as of March 31, 2022.

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

**TABLE 63: Capital Ratios**

| ($ in millions) | | March 31, 2022 | | December 31, 2021 |
|---|---|---|---|---|
| Quarterly average total Bancorp shareholders' equity as a percent of average assets | | **10.23** | **%** | 10.71 |
| Tangible equity as a percent of tangible assets[(a)(b)] | | **7.98** | | 7.97 |
| Tangible common equity as a percent of tangible assets[(a)(b)] | | **6.96** | | 6.94 |
| **Regulatory capital:**[(c)] | | | | |
| CET1 capital | **$** | **14,937** | | 14,781 |
| Tier 1 capital | | **17,053** | | 16,897 |
| Total regulatory capital | | **20,729** | | 20,789 |
| Risk-weighted assets | | **160,352** | | 154,860 |
| **Regulatory capital ratios:**[(c)] | | | | |
| CET1 capital | | **9.31** | **%** | 9.54 |
| Tier 1 risk-based capital | | **10.63** | | 10.91 |
| Total risk-based capital | | **12.93** | | 13.42 |
| Leverage | | **8.32** | | 8.27 |

*(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 March 31, 2022 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.

Under the Enhanced Prudential Standards tailoring rules, 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 was subject to the 2022 supervisory stress test conducted by the FRB, and submitted the Board approved capital plan and information contained in Schedule C - Regulatory Capital Instruments as required.

***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 March 31, 2022 and 2021, respectively.

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

The following table summarizes the monthly share repurchase activity for the three months ended March 31, 2022:

**TABLE 64: 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)] |
|---|---|---|---|---|
| January 1 - January 31, 2022 | 472,720 $ | 46.08 | — | 40,785,269 |
| February 1 - February 28, 2022 | 1,034,583 | 47.97 | — | 40,785,269 |
| March 1 - March 31, 2022 | 90,752 | 46.58 | — | 40,785,269 |
| Total | 1,598,055 $ | 47.33 | — | 40,785,269 |

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

*(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 March 31, 2022 | As of December 31, 2021 |
|---|---|---|---|
| **Assets** | | | |
| Cash and due from banks | $ | **3,049** | 2,994 |
| Other short-term investments[(a)] | | **20,529** | 34,572 |
| Available-for-sale debt and other securities[(b)] | | **48,832** | 38,110 |
| Held-to-maturity securities[(c)] | | **6** | 8 |
| Trading debt securities | | **324** | 512 |
| Equity securities | | **358** | 376 |
| Loans and leases held for sale[(d)] | | **2,616** | 4,415 |
| Portfolio loans and leases[(a)(e)] | | **115,865** | 112,050 |
| Allowance for loan and lease losses[(a)] | | **(1,908)** | (1,892) |
| Portfolio loans and leases, net | | **113,957** | 110,158 |
| Bank premises and equipment[(f)] | | **2,102** | 2,120 |
| Operating lease equipment | | **622** | 616 |
| Goodwill | | **4,514** | 4,514 |
| Intangible assets | | **145** | 156 |
| Servicing rights | | **1,444** | 1,121 |
| Other assets[(a)] | | **12,961** | 11,444 |
| **Total Assets** | $ | **211,459** | 211,116 |
| **Liabilities** | | | |
| Deposits: | | | |
| Noninterest-bearing deposits | $ | **65,590** | 65,088 |
| Interest-bearing deposits | | **105,021** | 104,236 |
| Total deposits | | **170,611** | 169,324 |
| Federal funds purchased | | **250** | 281 |
| Other short-term borrowings | | **872** | 980 |
| Accrued taxes, interest and expenses | | **1,471** | 2,233 |
| Other liabilities[(a)] | | **7,263** | 4,267 |
| Long-term debt[(a)] | | **10,815** | 11,821 |
| **Total Liabilities** | $ | **191,282** | 188,906 |
| **Equity** | | | |
| Common stock[(g)] | $ | **2,051** | 2,051 |
| Preferred stock[(h)] | | **2,116** | 2,116 |
| Capital surplus | | **3,615** | 3,624 |
| Retained earnings | | **20,501** | 20,236 |
| Accumulated other comprehensive (loss) income | | **(1,096)** | 1,207 |
| Treasury stock[(g)] | | **(7,010)** | (7,024) |
| **Total Equity** | $ | **20,177** | 22,210 |
| **Total Liabilities and Equity** | $ | **211,459** | 211,116 |

*(a) Includes $24 and $24 of other short-term investments, $266 and $322 of portfolio loans and leases, $(2) and $(2) of ALLL, $2 and $2 of other assets, an immaterial amount and $1 of other liabilities, and $209 and $263 of long-term debt from consolidated VIEs that are included in their respective captions above at March 31, 2022 and December 31, 2021, respectively. For further information, refer to Note 11.*

*(b) Amortized cost of $50,171 and $36,941 at March 31, 2022 and December 31, 2021, respectively.*

*(c) Fair value of $6 and $8 at March 31, 2022 and December 31, 2021, respectively.*

*(d) Includes $858 and $1,023 of residential mortgage loans held for sale measured at fair value at March 31, 2022 and December 31, 2021, respectively.*

*(e) Includes $145 and $154 of residential mortgage loans measured at fair value at March 31, 2022 and December 31, 2021, respectively.*

*(f) Includes $25 and $24 of bank premises and equipment held for sale at March 31, 2022 and December 31, 2021, respectively.*

*(g) Common shares: Stated value $2.22 per share; authorized 2,000,000,000; outstanding at March 31, 2022 – 685,905,240 (excludes 237,987,341 treasury shares), December 31, 2021 – 682,777,664 (excludes 241,114,917 treasury shares).*

*(h) 500,000 shares of no par value preferred stock were authorized at both March 31, 2022 and December 31, 2021. There were 422,000 unissued shares of undesignated no par value preferred stock at both March 31, 2022 and December 31, 2021. 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 March 31, 2022 and December 31, 2021. There were 300,000 unissued shares of undesignated no par value Class B preferred stock at both March 31, 2022 and December 31, 2021. Each issued share of no par value Class B preferred stock has a liquidation preference of $1,000.*

*Refer to the Notes to Condensed Consolidated Financial Statements.*

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

**CONDENSED CONSOLIDATED STATEMENTS OF INCOME (unaudited)**

| | For the three months ended March 31, | |
|---|---|---|
| ($ in millions, except share data) | **2022** | 2021 |
| **Interest Income** | | |
| Interest and fees on loans and leases | **$ 983** | 1,030 |
| Interest on securities | **294** | 264 |
| Interest on other short-term investments | **12** | 8 |
| Total interest income | **1,289** | 1,302 |
| **Interest Expense** | | |
| Interest on deposits | **11** | 21 |
| Interest on other short-term borrowings | **—** | 1 |
| Interest on long-term debt | **83** | 104 |
| Total interest expense | **94** | 126 |
| **Net Interest Income** | **1,195** | 1,176 |
| Provision for (benefit from) credit losses | **45** | (173) |
| **Net Interest Income After Provision for (Benefit from) Credit Losses** | **1,150** | 1,349 |
| **Noninterest Income** | | |
| Service charges on deposits | **152** | 144 |
| Wealth and asset management revenue | **149** | 143 |
| Commercial banking revenue | **135** | 153 |
| Card and processing revenue | **97** | 94 |
| Leasing business revenue | **62** | 87 |
| Mortgage banking net revenue | **52** | 85 |
| Other noninterest income | **52** | 42 |
| Securities (losses) gains, net | **(14)** | 3 |
| Securities losses, net – non-qualifying hedges on mortgage servicing rights | **(1)** | (2) |
| Total noninterest income | **684** | 749 |
| **Noninterest Expense** | | |
| Compensation and benefits | **711** | 706 |
| Technology and communications | **101** | 93 |
| Net occupancy expense | **77** | 79 |
| Equipment expense | **36** | 34 |
| Leasing business expense | **32** | 35 |
| Marketing expense | **24** | 23 |
| Card and processing expense | **19** | 30 |
| Other noninterest expense | **222** | 215 |
| Total noninterest expense | **1,222** | 1,215 |
| **Income Before Income Taxes** | **612** | 883 |
| Applicable income tax expense | **118** | 189 |
| **Net Income** | **494** | 694 |
| Dividends on preferred stock | **20** | 20 |
| **Net Income Available to Common Shareholders** | **$ 474** | 674 |
| **Earnings per share - basic** | **$ 0.69** | 0.94 |
| **Earnings per share - diluted** | **$ 0.68** | 0.93 |
| **Average common shares outstanding - basic** | **687,537,989** | 714,432,813 |
| **Average common shares outstanding - diluted** | **696,242,395** | 723,425,111 |

*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 March 31, 2022 | 2021 |
|---|---|---|
| **Net Income** | **$ 494** | 694 |
| **Other Comprehensive Loss, Net of Tax:** | | |
| Net unrealized (losses) gains on available-for-sale debt securities: | | |
| Unrealized holding losses arising during period | **(1,929)** | (700) |
| Reclassification adjustment for net (gains) losses included in net income | **(2)** | 11 |
| Net unrealized (losses) gains on cash flow hedge derivatives: | | |
| Unrealized holding losses arising during period | **(313)** | (64) |
| Reclassification adjustment for net gains included in net income | **(60)** | (57) |
| Defined benefit pension plans, net: | | |
| Reclassification of amounts to net periodic benefit costs | **1** | 1 |
| Other comprehensive loss, net of tax | **(2,303)** | (809) |
| **Comprehensive Loss** | **$ (1,809)** | (115) |

*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 (Loss) Income | Treasury Stock | Total Equity |
|---|---|---|---|---|---|---|---|
| **Balance at December 31, 2020** | $ 2,051 | 2,116 | 3,635 | 18,384 | 2,601 | (5,676) | 23,111 |
| Net income | | | | 694 | | | 694 |
| Other comprehensive loss, net of tax | | | | | (809) | | (809) |
| Cash dividends declared: | | | | | | | |
| Common stock ($0.27 per share) | | | | (195) | | | (195) |
| Preferred stock: | | | | | | | |
| Series I ($414.06 per share) | | | | (7) | | | (7) |
| Series J ($211.50 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 | | | | | | (180) | (180) |
| Impact of stock transactions under stock compensation plans, net | | | (43) | | | 37 | (6) |
| **Balance at March 31, 2021** | $ 2,051 | 2,116 | 3,592 | 18,863 | 1,792 | (5,819) | 22,595 |
| | | | | | | | |
| **Balance at December 31, 2021** | **$ 2,051** | **2,116** | **3,624** | **20,236** | **1,207** | **(7,024)** | **22,210** |
| Net income | | | | **494** | | | **494** |
| Other comprehensive loss, net of tax | | | | | **(2,303)** | | **(2,303)** |
| Cash dividends declared: | | | | | | | |
| Common stock ($0.30 per share) | | | | **(209)** | | | **(209)** |
| Preferred stock: | | | | | | | |
| Series I ($414.06 per share) | | | | **(7)** | | | **(7)** |
| Series J ($209.48 per share) | | | | **(3)** | | | **(3)** |
| Series K ($309.38 per share) | | | | **(3)** | | | **(3)** |
| Series L ($281.25 per share) | | | | **(4)** | | | **(4)** |
| Class B, Series A ($15.00 per share) | | | | **(3)** | | | **(3)** |
| Impact of stock transactions under stock compensation plans, net | | | **(9)** | | | **14** | **5** |
| **Balance at March 31, 2022** | **$ 2,051** | **2,116** | **3,615** | **20,501** | **(1,096)** | **(7,010)** | **20,177** |

*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 three months ended March 31, 2022 | 2021 |
|---|---|---|
| **Operating Activities** | | |
| Net income | **$ 494** | 694 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Provision for (benefit from) credit losses | **45** | (173) |
| Depreciation, amortization and accretion | **109** | 122 |
| Stock-based compensation expense | **79** | 55 |
| Provision for (benefit from) deferred income taxes | **19** | (186) |
| Securities losses, net | **18** | 1 |
| MSR fair value adjustment | **(137)** | (71) |
| Net gains on sales of loans and fair value adjustments on loans held for sale | **(8)** | (48) |
| Net (gains) losses on disposition and impairment of bank premises and equipment and operating lease equipment | **(3)** | 23 |
| Proceeds from sales of loans held for sale | **3,398** | 3,557 |
| Loans originated or purchased for sale, net of repayments | **(2,001)** | (4,174) |
| Dividends representing return on equity investments | **11** | 8 |
| Net change in: | | |
| Equity and trading debt securities | **186** | (155) |
| Other assets | **287** | 265 |
| Accrued taxes, interest and expenses and other liabilities | **(810)** | (284) |
| **Net Cash Provided by (Used in) Operating Activities** | **1,687** | (366) |
| **Investing Activities** | | |
| Proceeds from sales: | | |
| AFS securities and other investments | **993** | 453 |
| Loans and leases | **43** | 155 |
| Bank premises and equipment | **—** | 12 |
| Proceeds from repayments / maturities of AFS and HTM securities and other investments | **1,438** | 1,341 |
| Purchases: | | |
| AFS securities and other investments | **(14,423)** | (3,092) |
| Bank premises and equipment | **(63)** | (60) |
| MSRs | **(139)** | (18) |
| Proceeds from settlement of BOLI | **19** | 11 |
| Proceeds from sales and dividends representing return of equity investments | **8** | 16 |
| Net change in: | | |
| Other short-term investments and federal funds sold | **14,043** | (788) |
| Portfolio loans and leases | **(3,504)** | (355) |
| Operating lease equipment | **(32)** | 3 |
| **Net Cash Used in Investing Activities** | **(1,617)** | (2,322) |
| **Financing Activities** | | |
| Net change in deposits | **1,287** | 3,312 |
| Net change in other short-term borrowings and federal funds purchased | **(139)** | (82) |
| Dividends paid on common and preferred stock | **(230)** | (215) |
| Proceeds from issuance of long-term debt | **12** | 25 |
| Repayment of long-term debt | **(870)** | (131) |
| Repurchases of treasury stock and related forward contract | **—** | (180) |
| Other | **(75)** | (66) |
| **Net Cash (Used in) Provided by Financing Activities** | **(15)** | 2,663 |
| **Increase (Decrease) in Cash and Due from Banks** | **55** | (25) |
| **Cash and Due from Banks at Beginning of Period** | **2,994** | 3,147 |
| **Cash and Due from Banks at End of Period** | **$ 3,049** | 3,122 |

*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 any impairment recorded and 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, changes in equity and cash flows for the three months ended March 31, 2022 and 2021 are not necessarily indicative of the results to be expected for the full year. Financial information as of December 31, 2021 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 three months ended March 31:

| ($ in millions) | | **2022** | 2021 |
|---|---|---|---|
| **Cash Payments:** | | | |
| Interest | **$** | **158** | 182 |
| Income taxes | | **11** | 209 |
| | | | |
| **Transfers:** | | | |
| Portfolio loans and leases to loans and leases held for sale | **$** | **71** | 220 |
| Loans and leases held for sale to portfolio loans and leases | | **402** | 10 |
| Portfolio loans and leases to OREO | | **2** | 4 |
| Bank premises and equipment to OREO | | **15** | 16 |
| | | | |
| **Supplemental Disclosures:** | | | |
| Net additions to lease liabilities under operating leases | **$** | **31** | 15 |
| Net additions to lease liabilities under finance leases | | **3** | 18 |

**3. Accounting and Reporting Developments**

***Standards Adopted in 2022***

The Bancorp adopted the following new accounting standard during the three months ended March 31, 2022:

*ASU 2020-06 – Debt-Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Equity's Own Equity*

In August 2020, the FASB issued ASU 2020-06, which simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity's own equity. The Bancorp adopted the amended guidance on January 1, 2022 using the modified retrospective transition method. The adoption did not have a material impact on the Bancorp's Condensed Consolidated Financial Statements.

***Significant Accounting Standards Issued but Not Yet Adopted***

The following significant accounting standards were issued but not yet adopted by the Bancorp as of March 31, 2022:

*ASU 2021-08 – Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*

In October 2021, the FASB issued ASU 2021-08, which provided guidance on the accounting for revenue contracts with customers which are acquired in a business combination. The amendments generally state that an acquirer accounts for an acquired revenue contract with a customer as if it had originated the contract. The amendments also provide certain practical expedients for acquirers when recognizing and measuring acquired contract assets and liabilities. The amended guidance is effective for the Bancorp on January 1, 2023, with early adoption permitted, and is to be applied prospectively to business combinations occurring on or after the adoption date. The amended guidance may be applied retrospectively to the beginning of the fiscal year of adoption if early adopted in an interim period.

*ASU 2022-01 – Derivatives and Hedging (Topic 815): Fair Value Hedging-Portfolio Layer Method*

In March 2022, the FASB issued ASU 2022-01, which clarifies the guidance in ASC 815 on fair value hedge accounting of interest rate risk for portfolios of financial assets and renames the last-of-layer method the portfolio layer method. Under current guidance, the last-of-layer method enables an entity to apply fair value hedging to a stated amount of a closed portfolio of prepayable financial assets without having to consider prepayment risk or credit risk when measuring those assets. ASU 2022-01 expands the scope of this guidance to allow entities to apply the portfolio layer method to portfolios of all financial assets, including both prepayable and nonprepayable financial assets. It allows entities to designate multiple layers within a single closed portfolio as individual hedged items. Further, ASU 2022-01 clarifies that the fair value basis adjustments should be adjusted at the portfolio level and should not be allocated to individual assets within the portfolio. The amended guidance is effective for the Bancorp on January 1, 2023 with early adoption permitted. Upon adoption, the Bancorp may designate multiple hedged layers of a single closed portfolio on a prospective basis. The amendments related to the fair value basis adjustments should be applied on a modified retrospective basis by recording a cumulative effect adjustment to retained earnings as of the beginning of the year of adoption. The Bancorp may elect to apply the disclosure requirements prospectively or retrospectively. The Bancorp is in the process of evaluating the impact of the amended guidance on its Condensed Consolidated Financial Statements.

*ASU 2022-02 – Financial Instruments-Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*

In March 2022, the FASB issued ASU 2022-02, which eliminates the accounting guidance on troubled debt restructurings for creditors in ASC 310-40 and requires entities to evaluate all receivable modifications under ASC 310-20 to determine whether a modification made to a borrower results in a new loan or a continuation of the existing loan. The amended guidance adds enhanced disclosures for creditors with respect to loan refinancings and restructurings for borrowers experiencing financial difficulty. The amended guidance also requires disclosure of current period gross charge-offs by year of origination within the vintage disclosures required by ASC 326. The amended guidance is effective for the Bancorp on January 1, 2023 with early adoption permitted. The amendments on TDR disclosures and vintage disclosures should be adopted prospectively. The elimination of the TDR guidance may be adopted either prospectively or using a modified retrospective transition method. The Bancorp is in the process of evaluating the impact of the amended guidance on its 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.

**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:

| **March 31, 2022 ($ in millions)** | Amortized Cost | Unrealized Gains | Unrealized Losses | Fair Value |
|---|---|---|---|---|
| Available-for-sale debt and other securities: | | | | |
| U.S. Treasury and federal agencies securities | **$ 1,729** | **—** | **(41)** | **1,688** |
| Obligations of states and political subdivisions securities | **18** | **—** | **—** | **18** |
| Mortgage-backed securities: | | | | |
| Agency residential mortgage-backed securities | **11,066** | **40** | **(215)** | **10,891** |
| Agency commercial mortgage-backed securities | **25,369** | **120** | **(896)** | **24,593** |
| Non-agency commercial mortgage-backed securities | **5,125** | **5** | **(161)** | **4,969** |
| Asset-backed securities and other debt securities | **6,346** | **15** | **(206)** | **6,155** |
| Other securities[(a)] | **518** | **—** | **—** | **518** |
| Total available-for-sale debt and other securities | **$ 50,171** | **180** | **(1,519)** | **48,832** |
| Held-to-maturity securities: | | | | |
| Obligations of states and political subdivisions securities | **$ 4** | **—** | **—** | **4** |
| Asset-backed securities and other debt securities | **2** | **—** | **—** | **2** |
| Total held-to-maturity securities | **$ 6** | **—** | **—** | **6** |

*(a) Other securities consist of FHLB, FRB and DTCC restricted stock holdings of $30, $486 and $2, respectively, at March 31, 2022, that are carried at cost.*

| December 31, 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 | $ 85 | 1 | — | 86 |
| Obligations of states and political subdivisions securities | 18 | — | — | 18 |
| Mortgage-backed securities: | | | | |
| Agency residential mortgage-backed securities | 8,432 | 368 | (18) | 8,782 |
| Agency commercial mortgage-backed securities | 18,236 | 784 | (69) | 18,951 |
| Non-agency commercial mortgage-backed securities | 4,364 | 128 | (13) | 4,479 |
| Asset-backed securities and other debt securities | 5,287 | 32 | (44) | 5,275 |
| Other securities[(a)] | 519 | — | — | 519 |
| Total available-for-sale debt and other securities | $ 36,941 | 1,313 | (144) | 38,110 |
| 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 $30, $486 and $3, respectively, at December 31, 2021, that are carried at cost.*

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

| ($ in millions) | **March 31, 2022** | December 31, 2021 |
|---|---|---|
| Trading debt securities | **$ 324** | 512 |
| Equity securities | **358** | 376 |

The amounts reported in the preceding tables exclude accrued interest receivable on investment securities of $109 million and $82 million at March 31, 2022 and December 31, 2021, respectively, which is 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 risk management. 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, net – non-qualifying hedges on mortgage servicing rights in the Condensed Consolidated Statements of Income.

The following table presents the components of net securities gains and losses recognized in the Condensed Consolidated Statements of Income, including those recognized related to the Bancorp's non-qualifying hedging strategy for MSRs:

| | For the three months ended March 31, | |
|---|---|---|
| ($ in millions) | **2022** | 2021 |
| Available-for-sale debt and other securities: | | |
| Realized gains | **$ 3** | 2 |
| Realized losses | **—** | (10) |
| Impairment losses | **—** | (7) |
| Net realized gains (losses) on available-for-sale debt and other securities | **$ 3** | (15) |
| Trading debt securities: | | |
| Net realized losses | **(1)** | (2) |
| Net unrealized gains | **11** | 9 |
| Net trading debt securities gains | **$ 10** | 7 |
| Equity securities: | | |
| Net realized gains | **1** | 2 |
| Net unrealized (losses) gains | **(29)** | 7 |
| Net equity securities (losses) gains | **$ (28)** | 9 |
| Total (losses) gains recognized in income from available-for-sale debt and other securities, trading debt securities and equity securities[(a)] | **$ (15)** | 1 |

*(a) Excludes $3 and $2 of net securities losses for the three months ended March 31, 2022 and 2021, respectively, related to securities held by FTS to facilitate the timely execution of customer transactions. These losses 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 $7 million during the three months ended March 31, 2021. 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 March 31, 2022 and December 31, 2021, 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 months ended March 31, 2022 and 2021.

At March 31, 2022 and December 31, 2021, investment securities with a fair value of $9.7 billion and $11.2 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 March 31, 2022 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)] | | | | |
| Due in 1 year or less | $ 926 | 923 | 1 | 1 |
| Due after 1 year through 5 years | 13,519 | 13,437 | 3 | 3 |
| Due after 5 years through 10 years | 22,391 | 21,811 | — | — |
| Due after 10 years | 12,817 | 12,143 | 2 | 2 |
| Other securities | 518 | 518 | — | — |
| Total | $ 50,171 | 48,832 | 6 | 6 |

*(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 |
| **March 31, 2022** | | | | | | |
| Obligations of states and political subdivisions securities | **$ 1** | **—** | **—** | **—** | **1** | **—** |
| U.S. Treasury and federal agencies securities | **1,688** | **(41)** | **—** | **—** | **1,688** | **(41)** |
| Agency residential mortgage-backed securities | **7,613** | **(197)** | **153** | **(18)** | **7,766** | **(215)** |
| Agency commercial mortgage-backed securities | **14,945** | **(798)** | **858** | **(98)** | **15,803** | **(896)** |
| Non-agency commercial mortgage-backed securities | **3,994** | **(161)** | **—** | **—** | **3,994** | **(161)** |
| Asset-backed securities and other debt securities | **4,380** | **(191)** | **459** | **(15)** | **4,839** | **(206)** |
| Total | **$ 32,621** | **(1,388)** | **1,470** | **(131)** | **34,091** | **(1,519)** |
| December 31, 2021 | | | | | | |
| Agency residential mortgage-backed securities | $ 935 | (10) | 161 | (8) | 1,096 | (18) |
| Agency commercial mortgage-backed securities | 2,886 | (49) | 424 | (20) | 3,310 | (69) |
| Non-agency commercial mortgage-backed securities | 1,052 | (13) | — | — | 1,052 | (13) |
| Asset-backed securities and other debt securities | 2,870 | (34) | 367 | (10) | 3,237 | (44) |
| Total | $ 7,743 | (106) | 952 | (38) | 8,695 | (144) |

At March 31, 2022 and December 31, 2021, $19 million and $2 million, respectively, of unrealized losses in the available-for-sale debt and other securities portfolio were related to non-rated securities.

**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) | | **March 31, 2022** | December 31, 2021 |
|---|---|---|---|
| Loans and leases held for sale: | | | |
| Commercial and industrial loans | **$** | **22** | 7 |
| Commercial mortgage loans | | **—** | 13 |
| Commercial leases | | **1** | 1 |
| Residential mortgage loans | | **2,593** | 4,394 |
| Total loans and leases held for sale | **$** | **2,616** | 4,415 |
| Portfolio loans and leases: | | | |
| Commercial and industrial loans[(a)] | **$** | **53,909** | 51,659 |
| Commercial mortgage loans | | **10,694** | 10,316 |
| Commercial construction loans | | **5,420** | 5,241 |
| Commercial leases | | **2,915** | 3,052 |
| Total commercial loans and leases | **$** | **72,938** | 70,268 |
| Residential mortgage loans | **$** | **17,144** | 16,397 |
| Home equity | | **3,916** | 4,084 |
| Indirect secured consumer loans | | **17,424** | 16,783 |
| Credit card | | **1,690** | 1,766 |
| Other consumer loans | | **2,753** | 2,752 |
| Total consumer loans | **$** | **42,927** | 41,782 |
| Total portfolio loans and leases | **$** | **115,865** | 112,050 |

*(a) Includes $737 million and $1.3 billion as of March 31, 2022 and December 31, 2021, respectively, related to the SBA's Paycheck Protection Program.*

Portfolio loans and leases are recorded net of unearned income, which totaled $235 million and $244 million as of March 31, 2022 and December 31, 2021, respectively. 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 $537 million and $498 million as of March 31, 2022 and December 31, 2021, respectively. The amortized cost basis of loans and leases excludes accrued interest receivable of $328 million and $332 million at March 31, 2022 and December 31, 2021, 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 $15.4 billion and $15.3 billion as of March 31, 2022 and December 31, 2021, respectively, pledged at the FHLB, and loans of $53.5 billion and $50.9 billion at March 31, 2022 and December 31, 2021, respectively, pledged at the FRB.

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

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[(a)] | |
|---|---|---|---|---|
| ($ in millions) | **March 31, 2022** | December 31, 2021 | **March 31, 2022** | December 31, 2021 |
| Commercial and industrial loans | **$ 53,931** | 51,666 | **9** | 17 |
| Commercial mortgage loans | **10,694** | 10,329 | **2** | 1 |
| Commercial construction loans | **5,420** | 5,241 | **—** | 1 |
| Commercial leases | **2,916** | 3,053 | **—** | — |
| Residential mortgage loans | **19,737** | 20,791 | **14** | 72 |
| Home equity | **3,916** | 4,084 | **1** | 1 |
| Indirect secured consumer loans | **17,424** | 16,783 | **9** | 9 |
| Credit card | **1,690** | 1,766 | **14** | 15 |
| Other consumer loans | **2,753** | 2,752 | **1** | 1 |
| Total loans and leases | **$ 118,481** | 116,465 | **50** | 117 |
| Less: Loans and leases held for sale | **$ 2,616** | 4,415 | | |
| Total portfolio loans and leases | **$ 115,865** | 112,050 | | |

*(a) Excludes government guaranteed residential mortgage loans.*

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

| | For the three months ended March 31, | |
|---|---|---|
| ($ in millions) | **2022** | 2021 |
| Commercial and industrial loans | **$ 9** | 27 |
| Commercial mortgage loans | **(1)** | 2 |
| Commercial leases | **—** | (1) |
| Residential mortgage loans | **(1)** | — |
| Home equity | **(1)** | — |
| Indirect secured consumer loans | **7** | 9 |
| Credit card | **13** | 25 |
| Other consumer loans | **8** | 9 |
| Total net charge-offs | **$ 34** | 71 |

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)] | **March 31, 2022** | December 31, 2021 |
|---|---|---|
| Net investment in direct financing leases: | | |
| Lease payment receivable (present value) | **$ 812** | 886 |
| Unguaranteed residual assets (present value) | **143** | 147 |
| Net premium on acquired leases | **1** | 1 |
| Net investment in sales-type leases: | | |
| Lease payment receivable (present value) | **1,639** | 1,678 |
| Unguaranteed residual assets (present value) | **59** | 55 |

*(a) Excludes $262 and $285 of leveraged leases at March 31, 2022 and December 31, 2021, respectively.*

Interest income recognized in the Condensed Consolidated Statements of Income for the three months ended March 31, 2022 and 2021 was $8 million and $12 million, respectively, for direct financing leases and $11 million and $10 million, respectively, for sales-type leases.

The following table presents undiscounted cash flows for both direct financing and sales-type leases for the remainder of 2022 through 2027 and thereafter as well as a reconciliation of the undiscounted cash flows to the total lease receivables as follows:

| As of March 31, 2022 ($ in millions) | | Direct Financing Leases | Sales-Type Leases |
|---|---|---|---|
| Remainder of 2022 | $ | 213 | 406 |
| 2023 | | 216 | 409 |
| 2024 | | 156 | 320 |
| 2025 | | 111 | 265 |
| 2026 | | 82 | 129 |
| 2027 | | 44 | 100 |
| Thereafter | | 43 | 117 |
| Total undiscounted cash flows | $ | 865 | 1,746 |
| Less: Difference between undiscounted cash flows and discounted cash flows | | 53 | 107 |
| Present value of lease payments (recognized as lease receivables) | $ | 812 | 1,639 |

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 $17 million and $15 million at March 31, 2022 and December 31, 2021, 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.

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

**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 March 31, 2022 ($ in millions)** | Commercial | Residential Mortgage | Consumer | Total |
|---|---|---|---|---|
| Balance, beginning of period | **$ 1,102** | **235** | **555** | **1,892** |
| Losses charged off[(a)] | **(11)** | **(1)** | **(52)** | **(64)** |
| Recoveries of losses previously charged off[(a)] | **3** | **2** | **25** | **30** |
| Provision for loan and lease losses | **16** | **3** | **31** | **50** |
| Balance, end of period | **$ 1,110** | **239** | **559** | **1,908** |

*(a) The Bancorp recorded $8 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 March 31, 2021 ($ in millions) | Commercial | Residential Mortgage | Consumer | Total |
|---|---|---|---|---|
| Balance, beginning of period | $ 1,456 | 294 | 703 | 2,453 |
| Losses charged off[(a)] | (35) | (1) | (73) | (109) |
| Recoveries of losses previously charged off[(a)] | 7 | 1 | 30 | 38 |
| Benefit from loan and lease losses | (99) | (47) | (28) | (174) |
| Balance, end of period | $ 1,329 | 247 | 632 | 2,208 |

*(a) The Bancorp recorded $10 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.*

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

| **As of March 31, 2022 ($ in millions)** | Commercial | Residential Mortgage | Consumer | Total |
|---|---|---|---|---|
| ALLL:[(a)] | | | | |
| Individually evaluated | **$ 82** | **47** | **44** | **173** |
| Collectively evaluated | **1,028** | **192** | **515** | **1,735** |
| Total ALLL | **$ 1,110** | **239** | **559** | **1,908** |
| Portfolio loans and leases:[(b)] | | | | |
| Individually evaluated | **$ 572** | **549** | **321** | **1,442** |
| Collectively evaluated | **72,366** | **16,450** | **25,462** | **114,278** |
| Total portfolio loans and leases | **$ 72,938** | **16,999** | **25,783** | **115,720** |

*(a) Includes $2 related to commercial leveraged leases at March 31, 2022.*
*(b) Excludes $145 of residential mortgage loans measured at fair value and includes $262 of commercial leveraged leases, net of unearned income at March 31, 2022.*

| As of December 31, 2021 ($ in millions) | Commercial | Residential Mortgage | Consumer | Total |
|---|---|---|---|---|
| ALLL:[(a)] | | | | |
| Individually evaluated | $ 77 | 46 | 41 | 164 |
| Collectively evaluated | 1,025 | 189 | 514 | 1,728 |
| Total ALLL | $ 1,102 | 235 | 555 | 1,892 |
| Portfolio loans and leases:[(b)] | | | | |
| Individually evaluated | $ 579 | 460 | 313 | 1,352 |
| Collectively evaluated | 69,689 | 15,783 | 25,072 | 110,544 |
| Total portfolio loans and leases | $ 70,268 | 16,243 | 25,385 | 111,896 |

*(a) Includes $2 related to commercial leveraged leases at December 31, 2021.*
*(b) Excludes $154 of residential mortgage loans measured at fair value and includes $285 of commercial leveraged leases, net of unearned income at December 31, 2021.*

**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, 2021.

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

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

| | Term Loans and Leases by Origination Year | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **As of March 31, 2022 ($ in millions)** | 2022 | 2021 | 2020 | 2019 | 2018 | Prior | Revolving Loans | Revolving Loans Converted to Term Loans | Total |
| Commercial and industrial loans: | | | | | | | | | |
| Pass | **$ 1,270** | **4,635** | **1,823** | **1,038** | **491** | **897** | **40,918** | **—** | **51,072** |
| Special mention | **—** | **41** | **18** | **12** | **8** | **18** | **631** | **—** | **728** |
| Substandard | **14** | **40** | **56** | **26** | **50** | **209** | **1,714** | **—** | **2,109** |
| Doubtful | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| Total commercial and industrial loans | **$ 1,284** | **4,716** | **1,897** | **1,076** | **549** | **1,124** | **43,263** | **—** | **53,909** |
| Commercial mortgage owner-occupied loans: | | | | | | | | | |
| Pass | **$ 443** | **997** | **652** | **347** | **263** | **441** | **1,339** | **—** | **4,482** |
| Special mention | **6** | **36** | **33** | **45** | **12** | **5** | **64** | **—** | **201** |
| Substandard | **4** | **4** | **47** | **40** | **22** | **69** | **107** | **—** | **293** |
| Doubtful | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| Total commercial mortgage owner- occupied loans | **$ 453** | **1,037** | **732** | **432** | **297** | **515** | **1,510** | **—** | **4,976** |
| Commercial mortgage nonowner-occupied loans: | | | | | | | | | |
| Pass | **$ 481** | **572** | **653** | **578** | **269** | **371** | **1,985** | **—** | **4,909** |
| Special mention | **5** | **89** | **—** | **7** | **3** | **15** | **116** | **—** | **235** |
| Substandard | **44** | **144** | **41** | **4** | **3** | **10** | **328** | **—** | **574** |
| Doubtful | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| Total commercial mortgage nonowner-occupied loans | **$ 530** | **805** | **694** | **589** | **275** | **396** | **2,429** | **—** | **5,718** |
| Commercial construction loans: | | | | | | | | | |
| Pass | **$ —** | **25** | **98** | **14** | **36** | **9** | **4,707** | **—** | **4,889** |
| Special mention | **—** | **—** | **—** | **—** | **—** | **—** | **198** | **—** | **198** |
| Substandard | **—** | **10** | **—** | **—** | **—** | **—** | **323** | **—** | **333** |
| Doubtful | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| Total commercial construction loans | **—** | **35** | **98** | **14** | **36** | **9** | **5,228** | **—** | **5,420** |
| Commercial leases: | | | | | | | | | |
| Pass | **$ 102** | **891** | **401** | **270** | **216** | **970** | **—** | **—** | **2,850** |
| Special mention | **—** | **4** | **3** | **5** | **8** | **6** | **—** | **—** | **26** |
| Substandard | **—** | **6** | **2** | **7** | **9** | **15** | **—** | **—** | **39** |
| Doubtful | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| Total commercial leases | **$ 102** | **901** | **406** | **282** | **233** | **991** | **—** | **—** | **2,915** |
| Total commercial loans and leases: | | | | | | | | | |
| Pass | **$ 2,296** | **7,120** | **3,627** | **2,247** | **1,275** | **2,688** | **48,949** | **—** | **68,202** |
| Special mention | **11** | **170** | **54** | **69** | **31** | **44** | **1,009** | **—** | **1,388** |
| Substandard | **62** | **204** | **146** | **77** | **84** | **303** | **2,472** | **—** | **3,348** |
| Doubtful | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| Total commercial loans and leases | **$ 2,369** | **7,494** | **3,827** | **2,393** | **1,390** | **3,035** | **52,430** | **—** | **72,938** |

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

| As of December 31, 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 | $ 4,266 | 2,291 | 1,198 | 552 | 356 | 752 | 39,486 | — | 48,901 |
| Special mention | 37 | 22 | 12 | 29 | 22 | 5 | 665 | — | 792 |
| Substandard | 19 | 52 | 36 | 69 | 52 | 115 | 1,623 | — | 1,966 |
| Doubtful | — | — | — | — | — | — | — | — | — |
| Total commercial and industrial loans | $ 4,322 | 2,365 | 1,246 | 650 | 430 | 872 | 41,774 | — | 51,659 |
| Commercial mortgage owner-occupied loans: | | | | | | | | | |
| Pass | $ 1,082 | 804 | 471 | 296 | 183 | 331 | 1,141 | — | 4,308 |
| Special mention | — | 31 | 46 | 17 | 2 | 40 | 69 | — | 205 |
| Substandard | 22 | 38 | 3 | 12 | 3 | 27 | 91 | — | 196 |
| Doubtful | — | — | — | — | — | — | — | — | — |
| Total commercial mortgage owner-occupied loans | $ 1,104 | 873 | 520 | 325 | 188 | 398 | 1,301 | — | 4,709 |
| Commercial mortgage nonowner-occupied loans: | | | | | | | | | |
| Pass | $ 635 | 733 | 595 | 284 | 141 | 302 | 1,977 | — | 4,667 |
| Special mention | 89 | 12 | 11 | 5 | 7 | 9 | 162 | — | 295 |
| Substandard | 160 | 78 | 4 | 3 | 9 | 3 | 388 | — | 645 |
| Doubtful | — | — | — | — | — | — | — | — | — |
| Total commercial mortgage nonowner-occupied loans | $ 884 | 823 | 610 | 292 | 157 | 314 | 2,527 | — | 5,607 |
| Commercial construction loans: | | | | | | | | | |
| Pass | $ 50 | 69 | 11 | 37 | — | 9 | 4,488 | — | 4,664 |
| Special mention | — | 39 | — | — | — | — | 193 | — | 232 |
| Substandard | 17 | — | — | — | — | — | 328 | — | 345 |
| Doubtful | — | — | — | — | — | — | — | — | — |
| Total commercial construction loans | $ 67 | 108 | 11 | 37 | — | 9 | 5,009 | — | 5,241 |
| Commercial leases: | | | | | | | | | |
| Pass | $ 1,019 | 436 | 284 | 231 | 233 | 776 | — | — | 2,979 |
| Special mention | 4 | 4 | 5 | 9 | — | 8 | — | — | 30 |
| Substandard | 7 | 3 | 8 | 10 | 13 | 2 | — | — | 43 |
| Doubtful | — | — | — | — | — | — | — | — | — |
| Total commercial leases | $ 1,030 | 443 | 297 | 250 | 246 | 786 | — | — | 3,052 |
| Total commercial loans and leases: | | | | | | | | | |
| Pass | $ 7,052 | 4,333 | 2,559 | 1,400 | 913 | 2,170 | 47,092 | — | 65,519 |
| Special mention | 130 | 108 | 74 | 60 | 31 | 62 | 1,089 | — | 1,554 |
| Substandard | 225 | 171 | 51 | 94 | 77 | 147 | 2,430 | — | 3,195 |
| Doubtful | — | — | — | — | — | — | — | — | — |
| Total commercial loans and leases | $ 7,407 | 4,612 | 2,684 | 1,554 | 1,021 | 2,379 | 50,611 | — | 70,268 |

***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 March 31, 2022 ($ 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)] | **$ 53,789** | **86** | **34** | **120** | **53,909** | **9** |
| Commercial mortgage owner-occupied loans | **4,968** | **5** | **3** | **8** | **4,976** | **1** |
| Commercial mortgage nonowner-occupied loans | **5,710** | **5** | **3** | **8** | **5,718** | **1** |
| Commercial construction loans | **5,411** | **9** | **—** | **9** | **5,420** | **—** |
| Commercial leases | **2,905** | **7** | **3** | **10** | **2,915** | **—** |
| Total portfolio commercial loans and leases | **$ 72,783** | **112** | **43** | **155** | **72,938** | **11** |

*(a) Includes accrual and nonaccrual loans and leases.*
*(b) Includes loans related to the SBA's Paycheck Protection Program of which $5 were 30-89 days past due and $2 were 90 days or more past due.*

| As of December 31, 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)] | $ 51,549 | 61 | 49 | 110 | 51,659 | 17 |
| Commercial mortgage owner-occupied loans | 4,701 | 4 | 4 | 8 | 4,709 | 1 |
| Commercial mortgage nonowner-occupied loans | 5,606 | — | 1 | 1 | 5,607 | — |
| Commercial construction loans | 5,241 | — | — | — | 5,241 | 1 |
| Commercial leases | 3,035 | 16 | 1 | 17 | 3,052 | — |
| Total portfolio commercial loans and leases | $ 70,132 | 81 | 55 | 136 | 70,268 | 19 |

*(a) Includes accrual and nonaccrual loans and leases.*
*(b) Includes loans related to the SBA's Paycheck Protection Program, of which $20 were 30-89 days past due and $6 were 90 days or more past due.*

***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, 2021 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, 2021 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.

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

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 March 31, 2022 ($ in millions)** | 2022 | 2021 | 2020 | 2019 | 2018 | Prior | Revolving Loans | Revolving Loans Converted to Term Loans | Total |
| Residential mortgage loans: | | | | | | | | | |
| Performing: | | | | | | | | | |
| Current[(a)] | $ 1,124 | 5,773 | 3,255 | 1,203 | 413 | 5,116 | — | — | 16,884 |
| 30-89 days past due | — | — | 1 | 1 | 1 | 12 | — | — | 15 |
| 90 days or more past due | — | — | 1 | — | 1 | 10 | — | — | 12 |
| Total performing | 1,124 | 5,773 | 3,257 | 1,204 | 415 | 5,138 | — | — | 16,911 |
| Nonperforming | — | 1 | 2 | 2 | 3 | 80 | — | — | 88 |
| Total residential mortgage loans[(b)] | $ 1,124 | 5,774 | 3,259 | 1,206 | 418 | 5,218 | — | — | 16,999 |
| Home equity: | | | | | | | | | |
| Performing: | | | | | | | | | |
| Current | $ — | 2 | 5 | 12 | 16 | 106 | 3,657 | 15 | 3,813 |
| 30-89 days past due | — | — | — | — | — | 3 | 22 | — | 25 |
| 90 days or more past due | — | — | — | — | — | 1 | — | — | 1 |
| Total performing | — | 2 | 5 | 12 | 16 | 110 | 3,679 | 15 | 3,839 |
| Nonperforming | — | — | — | — | — | 10 | 66 | 1 | 77 |
| Total home equity | $ — | 2 | 5 | 12 | 16 | 120 | 3,745 | 16 | 3,916 |
| Indirect secured consumer loans: | | | | | | | | | |
| Performing: | | | | | | | | | |
| Current | $ 2,591 | 7,860 | 3,715 | 1,901 | 741 | 477 | — | — | 17,285 |
| 30-89 days past due | 4 | 32 | 25 | 24 | 14 | 9 | — | — | 108 |
| 90 days or more past due | — | 3 | 2 | 2 | 1 | 1 | — | — | 9 |
| Total performing | 2,595 | 7,895 | 3,742 | 1,927 | 756 | 487 | — | — | 17,402 |
| Nonperforming | — | 1 | 9 | 5 | 4 | 3 | — | — | 22 |
| Total indirect secured consumer loans | $ 2,595 | 7,896 | 3,751 | 1,932 | 760 | 490 | — | — | 17,424 |
| Credit card: | | | | | | | | | |
| Performing: | | | | | | | | | |
| Current | $ — | — | — | — | — | — | 1,636 | — | 1,636 |
| 30-89 days past due | — | — | — | — | — | — | 17 | — | 17 |
| 90 days or more past due | — | — | — | — | — | — | 14 | — | 14 |
| Total performing | — | — | — | — | — | — | 1,667 | — | 1,667 |
| Nonperforming | — | — | — | — | — | — | 23 | — | 23 |
| Total credit card | $ — | — | — | — | — | — | 1,690 | — | 1,690 |
| Other consumer loans: | | | | | | | | | |
| Performing: | | | | | | | | | |
| Current | $ 122 | 642 | 465 | 238 | 153 | 135 | 974 | 10 | 2,739 |
| 30-89 days past due | — | 3 | 2 | 2 | 2 | 1 | 2 | — | 12 |
| 90 days or more past due | — | — | — | 1 | — | — | — | — | 1 |
| Total performing | 122 | 645 | 467 | 241 | 155 | 136 | 976 | 10 | 2,752 |
| Nonperforming | — | — | — | — | — | — | 1 | — | 1 |
| Total other consumer loans | $ 122 | 645 | 467 | 241 | 155 | 136 | 977 | 10 | 2,753 |
| Total residential mortgage and consumer loans: | | | | | | | | | |
| Performing: | | | | | | | | | |
| Current | $ 3,837 | 14,277 | 7,440 | 3,354 | 1,323 | 5,834 | 6,267 | 25 | 42,357 |
| 30-89 days past due | 4 | 35 | 28 | 27 | 17 | 25 | 41 | — | 177 |
| 90 days or more past due | — | 3 | 3 | 3 | 2 | 12 | 14 | — | 37 |
| Total performing | 3,841 | 14,315 | 7,471 | 3,384 | 1,342 | 5,871 | 6,322 | 25 | 42,571 |
| Nonperforming | — | 2 | 11 | 7 | 7 | 93 | 90 | 1 | 211 |
| Total residential mortgage and consumer loans[(b)] | $ 3,841 | 14,317 | 7,482 | 3,391 | 1,349 | 5,964 | 6,412 | 26 | 42,782 |

*(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 March 31, 2022, $64 of these loans were 30-89 days past due and $172 were 90 days or more past due. The Bancorp recognized $1 of losses during the three months ended March 31, 2022 due to claim denials and curtailments associated with these insured or guaranteed loans.*

*(b) Excludes $145 of residential mortgage loans measured at fair value at March 31, 2022.*

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

| As of December 31, 2021 ($ in millions) | Term Loans by Origination Year | | | | | | Revolving Loans | Revolving Loans Converted to Term Loans | Total |
|---|---|---|---|---|---|---|---|---|---|
| | 2021 | 2020 | 2019 | 2018 | 2017 | Prior | | | |
| Residential mortgage loans: | | | | | | | | | |
| Performing: | | | | | | | | | |
| Current[(a)] | $ 5,886 | 3,309 | 1,294 | 418 | 954 | 4,261 | — | — | 16,122 |
| 30-89 days past due | 1 | 1 | 1 | 1 | 1 | 13 | — | — | 18 |
| 90 days or more past due | — | 2 | 4 | 3 | 9 | 52 | — | — | 70 |
| Total performing | 5,887 | 3,312 | 1,299 | 422 | 964 | 4,326 | — | — | 16,210 |
| Nonperforming | — | — | 1 | — | 2 | 30 | — | — | 33 |
| Total residential mortgage loans[(b)] | $ 5,887 | 3,312 | 1,300 | 422 | 966 | 4,356 | — | — | 16,243 |
| Home equity: | | | | | | | | | |
| Performing: | | | | | | | | | |
| Current | $ 2 | 6 | 13 | 18 | 2 | 113 | 3,815 | 12 | 3,981 |
| 30-89 days past due | — | — | — | — | — | 3 | 22 | — | 25 |
| 90 days or more past due | — | — | — | — | — | 1 | — | — | 1 |
| Total performing | 2 | 6 | 13 | 18 | 2 | 117 | 3,837 | 12 | 4,007 |
| Nonperforming | — | — | — | — | — | 9 | 67 | 1 | 77 |
| Total home equity | $ 2 | 6 | 13 | 18 | 2 | 126 | 3,904 | 13 | 4,084 |
| Indirect secured consumer loans: | | | | | | | | | |
| Performing: | | | | | | | | | |
| Current | $ 8,732 | 4,206 | 2,221 | 902 | 389 | 194 | — | — | 16,644 |
| 30-89 days past due | 26 | 24 | 25 | 17 | 8 | 3 | — | — | 103 |
| 90 days or more past due | 2 | 2 | 2 | 2 | 1 | — | — | — | 9 |
| Total performing | 8,760 | 4,232 | 2,248 | 921 | 398 | 197 | — | — | 16,756 |
| Nonperforming | — | 12 | 5 | 5 | 3 | 2 | — | — | 27 |
| Total indirect secured consumer loans | $ 8,760 | 4,244 | 2,253 | 926 | 401 | 199 | — | — | 16,783 |
| Credit card: | | | | | | | | | |
| Performing: | | | | | | | | | |
| Current | $ — | — | — | — | — | — | 1,710 | — | 1,710 |
| 30-89 days past due | — | — | — | — | — | — | 18 | — | 18 |
| 90 days or more past due | — | — | — | — | — | — | 15 | — | 15 |
| Total performing | — | — | — | — | — | — | 1,743 | — | 1,743 |
| Nonperforming | — | — | — | — | — | — | 23 | — | 23 |
| Total credit card | $ — | — | — | — | — | — | 1,766 | — | 1,766 |
| Other consumer loans: | | | | | | | | | |
| Performing: | | | | | | | | | |
| Current | $ 692 | 530 | 275 | 174 | 105 | 47 | 913 | — | 2,736 |
| 30-89 days past due | 3 | 2 | 3 | 2 | 1 | — | 2 | 1 | 14 |
| 90 days or more past due | — | — | 1 | — | — | — | — | — | 1 |
| Total performing | 695 | 532 | 279 | 176 | 106 | 47 | 915 | 1 | 2,751 |
| Nonperforming | — | — | — | — | — | — | 1 | — | 1 |
| Total other consumer loans | $ 695 | 532 | 279 | 176 | 106 | 47 | 916 | 1 | 2,752 |
| Total residential mortgage and consumer loans: | | | | | | | | | |
| Performing: | | | | | | | | | |
| Current | $ 15,312 | 8,051 | 3,803 | 1,512 | 1,450 | 4,615 | 6,438 | 12 | 41,193 |
| 30-89 days past due | 30 | 27 | 29 | 20 | 10 | 19 | 42 | 1 | 178 |
| 90 days or more past due | 2 | 4 | 7 | 5 | 10 | 53 | 15 | — | 96 |
| Total performing | 15,344 | 8,082 | 3,839 | 1,537 | 1,470 | 4,687 | 6,495 | 13 | 41,467 |
| Nonperforming | — | 12 | 6 | 5 | 5 | 41 | 91 | 1 | 161 |
| Total residential mortgage and consumer loans[(b)] | $ 15,344 | 8,094 | 3,845 | 1,542 | 1,475 | 4,728 | 6,586 | 14 | 41,628 |

*(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, 2021, $49 of these loans were 30-89 days past due and $139 were 90 days or more past due. The Bancorp recognized $1 of losses during the three months ended March 31, 2021 due to claim denials and curtailments associated with these insured or guaranteed loans.*

*(b) Excludes $154 of residential mortgage loans measured at fair value at December 31, 2021.*

***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) | | **March 31, 2022** | December 31, 2021 |
|---|---|---|---|
| Commercial loans and leases: | | | |
| Commercial and industrial loans | **$** | **470** | 467 |
| Commercial mortgage owner-occupied loans | | **15** | 22 |
| Commercial mortgage nonowner-occupied loans | | **28** | 31 |
| Commercial construction loans | | **56** | 56 |
| Commercial leases | | **3** | 3 |
| Total commercial loans and leases | **$** | **572** | 579 |
| Residential mortgage loans | | **57** | 60 |
| Consumer loans: | | | |
| Home equity | | **54** | 58 |
| Indirect secured consumer loans | | **7** | 8 |
| Total consumer loans | **$** | **61** | 66 |
| Total portfolio loans and leases | **$** | **690** | 705 |

***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 consumer loans which do not meet the requirements to be classified as a performing asset; 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:

| | | **March 31, 2022** | | | December 31, 2021 | | |
|---|---|---|---|---|---|---|---|
| ($ in millions) | | With an ALLL | No Related ALLL | Total | With an ALLL | No Related ALLL | Total |
| Commercial loans and leases: | | | | | | | |
| Commercial and industrial loans | **$** | **167** | **105** | **272** | 151 | 128 | 279 |
| Commercial mortgage owner-occupied loans | | **8** | **12** | **20** | 10 | 13 | 23 |
| Commercial mortgage nonowner-occupied loans | | **22** | **—** | **22** | 22 | 3 | 25 |
| Commercial construction loans | | **6** | **—** | **6** | 6 | — | 6 |
| Commercial leases | | **3** | **—** | **3** | 3 | 1 | 4 |
| Total nonaccrual portfolio commercial loans and leases | **$** | **206** | **117** | **323** | 192 | 145 | 337 |
| Residential mortgage loans | | **45** | **43** | **88** | 14 | 19 | 33 |
| Consumer loans: | | | | | | | |
| Home equity | | **55** | **22** | **77** | 53 | 24 | 77 |
| Indirect secured consumer loans | | **17** | **5** | **22** | 21 | 6 | 27 |
| Credit card | | **23** | **—** | **23** | 23 | — | 23 |
| Other consumer loans | | **1** | **—** | **1** | 1 | — | 1 |
| Total nonaccrual portfolio consumer loans | **$** | **96** | **27** | **123** | 98 | 30 | 128 |
| Total nonaccrual portfolio loans and leases[(a)(b)] | **$** | **347** | **187** | **534** | 304 | 194 | 498 |
| OREO and other repossessed property | | **—** | **32** | **32** | — | 29 | 29 |
| Total nonperforming portfolio assets[(a)(b)] | **$** | **347** | **219** | **566** | 304 | 223 | 527 |

*(a) Excludes $4 and $15 of nonaccrual loans held for sale as of March 31, 2022 and December 31, 2021, respectively.*

*(b) Includes $20 and $26 of nonaccrual government insured commercial loans whose repayments are insured by the SBA as of March 31, 2022 and December 31, 2021, respectively, of which $11 are restructured nonaccrual government insured commercial loans as of both March 31, 2022 and December 31, 2021.*

The Bancorp recognized an immaterial amount of interest income on nonaccrual loans and leases for both the three months ended March 31, 2022 and 2021.

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 $144 million and $84 million as of March 31, 2022 and December 31, 2021, 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, 2021 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, 2021 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 $147 million and $65 million, respectively, as of March 31, 2022 compared to $121 million and $66 million, respectively, as of December 31, 2021.

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

| **March 31, 2022 ($ 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 | **30** | **$ 91** | **13** | **—** |
| Commercial mortgage owner-occupied loans | **5** | **4** | **(1)** | **—** |
| Residential mortgage loans | **260** | **42** | **3** | **—** |
| Consumer loans: | | | | |
| Home equity | **52** | **7** | **(1)** | **—** |
| Indirect secured consumer loans | **1,274** | **27** | **—** | **—** |
| Credit card | **1,121** | **6** | **2** | **—** |
| Total portfolio loans | **2,742** | **$ 177** | **16** | **—** |

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

| March 31, 2021 ($ 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 | 19 | $ 6 | 1 | — |
| Commercial mortgage owner-occupied loans | 1 | 4 | — | — |
| Commercial mortgage nonowner-occupied loans | 3 | 25 | — | — |
| Residential mortgage loans | 178 | 36 | 1 | — |
| Consumer loans: | | | | |
| Home equity | 58 | 3 | (1) | — |
| Indirect secured consumer loans | 1,743 | 43 | 1 | — |
| Credit card | 1,795 | 10 | 3 | — |
| Total portfolio loans | 3,797 | $ 127 | 5 | — |

*(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 March 31, 2022 and 2021 and were within 12 months of the restructuring date:

| **March 31, 2022 ($ in millions)[(a)]** | Number of Contracts | Amortized Cost |
|---|---|---|
| Commercial loans: | | |
| Commercial and industrial loans | **6** | **$ —** |
| Residential mortgage loans | **29** | **3** |
| Consumer loans: | | |
| Home equity | **10** | **1** |
| Indirect secured consumer loans | **25** | **—** |
| Credit card | **105** | **1** |
| Total portfolio loans | **175** | **$ 5** |

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

| March 31, 2021 ($ in millions)[(a)] | Number of Contracts | Amortized Cost |
|---|---|---|
| Commercial loans: | | |
| Commercial mortgage nonowner-occupied loans | 1 | $ 25 |
| Residential mortgage loans | 35 | 4 |
| Consumer loans: | | |
| Home equity | 12 | 1 |
| Indirect secured consumer loans | 26 | 1 |
| Credit card | 23 | — |
| Total portfolio loans | 97 | $ 31 |

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

**7. Bank Premises and Equipment**

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

| ($ in millions) | | March 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Equipment | $ | **2,401** | 2,392 |
| Buildings[(a)] | | **1,653** | 1,668 |
| Land and improvements[(a)] | | **638** | 645 |
| Leasehold improvements | | **519** | 517 |
| Construction in progress[(a)] | | **78** | 84 |
| Bank premises and equipment held for sale: | | | |
| Land and improvements | | **18** | 18 |
| Buildings | | **7** | 6 |
| Accumulated depreciation and amortization | | **(3,212)** | (3,210) |
| Total bank premises and equipment | $ | **2,102** | 2,120 |

*(a) Buildings, land and improvements and construction in progress included $35 and $39 associated with parcels of undeveloped land intended for future branch expansion at March 31, 2022 and December 31, 2021, 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 41 banking centers throughout its footprint during the three months ended March 31, 2022.

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 immaterial and $2 million for the three months ended March 31, 2022 and 2021, 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 $622 million and $616 million at March 31, 2022 and December 31, 2021, respectively, net of accumulated depreciation of $312 million and $304 million at March 31, 2022 and December 31, 2021, respectively. The Bancorp recorded lease income of $36 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 March 31, 2022 and 2021, respectively. Depreciation expense related to operating lease equipment was $29 million and $32 million during the three months ended March 31, 2022 and 2021, respectively. The Bancorp received payments of $36 million and $39 million related to operating leases during the three months ended March 31, 2022 and 2021, respectively.

The Bancorp performs assessments of the recoverability of long-lived assets when events or changes in circumstances indicate that their carrying values may not be recoverable. As a result of these recoverability assessments, the Bancorp recognized $2 million and $25 million of impairment losses associated with operating lease assets during the three months ended March 31, 2022 and 2021, 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 2022 through 2027 and thereafter:

| As of March 31, 2022 ($ in millions) | | Undiscounted Cash Flows |
|---|---|---|
| Remainder of 2022 | $ | 102 |
| 2023 | | 114 |
| 2024 | | 79 |
| 2025 | | 53 |
| 2026 | | 32 |
| 2027 | | 15 |
| Thereafter | | 18 |
| Total operating lease payments | $ | 413 |

**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, 2021.

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

| ($ in millions) | Condensed Consolidated Balance Sheets Caption | | **March 31, 2022** | December 31, 2021 |
|---|---|---|---|---|
| **Assets** | | | | |
| Operating lease right-of-use assets | Other assets | **$** | **442** | 427 |
| Finance lease right-of-use assets | Bank premises and equipment | | **143** | 145 |
| Total right-of-use assets[(a)] | | **$** | **585** | 572 |
| **Liabilities** | | | | |
| Operating lease liabilities | Accrued taxes, interest and expenses | **$** | **533** | 520 |
| Finance lease liabilities | Long-term debt | | **148** | 149 |
| Total lease liabilities | | **$** | **681** | 669 |

*(a) Operating and finance lease right-of-use assets are recorded net of accumulated amortization of $213 and $51, respectively, as of March 31, 2022, and $198 and $47, respectively, as of December 31, 2021.*

The following table presents the components of lease costs:

| | | | For the three months ended March 31, | |
|---|---|---|---|---|
| ($ in millions) | Condensed Consolidated Statements of Income Caption | | **2022** | 2021 |
| Lease costs: | | | | |
| Amortization of ROU assets | Net occupancy and equipment expense | **$** | **5** | 5 |
| Interest on lease liabilities | Interest on long-term debt | | **1** | 1 |
| Total finance lease costs | | **$** | **6** | 6 |
| Operating lease cost | Net occupancy expense | **$** | **20** | 20 |
| Short-term lease cost | Net occupancy expense | | **—** | 1 |
| Variable lease cost | Net occupancy expense | | **7** | 8 |
| Sublease income | Net occupancy expense | | **(1)** | (1) |
| Total operating lease costs | | **$** | **26** | 28 |
| Total lease costs | | **$** | **32** | 34 |

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 and an immaterial amount of impairment losses and termination charges for the ROU assets related to certain operating leases during the three months ended March 31, 2022 and 2021, respectively. The recognized losses were recorded in net occupancy expense in the Condensed Consolidated Statements of Income.

The following table presents undiscounted cash flows for both operating leases and finance leases for the remainder of 2022 through 2027 and thereafter as well as a reconciliation of the undiscounted cash flows to the total lease liabilities:

| As of March 31, 2022 ($ in millions) | | Operating Leases | Finance Leases | Total |
|---|---|---|---|---|
| Remainder of 2022 | $ | 66 | 16 | 82 |
| 2023 | | 81 | 19 | 100 |
| 2024 | | 73 | 19 | 92 |
| 2025 | | 66 | 12 | 78 |
| 2026 | | 57 | 7 | 64 |
| 2027 | | 50 | 7 | 57 |
| Thereafter | | 223 | 107 | 330 |
| Total undiscounted cash flows | $ | 616 | 187 | 803 |
| Less: Difference between undiscounted cash flows and discounted cash flows | | 83 | 39 | 122 |
| Present value of lease liabilities | $ | 533 | 148 | 681 |

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

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

| | **March 31, 2022** | December 31, 2021 |
|---|---|---|
| Weighted-average remaining lease term (years): | | |
| Operating leases | **9.49** | 8.92 |
| Finance leases | **14.76** | 14.70 |
| Weighted-average discount rate: | | |
| Operating leases | **2.87 %** | 2.88 |
| Finance leases | **2.69** | 2.74 |

The following table presents information related to lease transactions for the three months ended March 31:

| ($ in millions) | **2022** | 2021 |
|---|---|---|
| Cash paid for amounts included in the measurement of lease liabilities:[(a)] | | |
| Operating cash flows from operating leases | **$ 22** | 22 |
| Operating cash flows from finance leases | **1** | 1 |
| Financing cash flows from finance leases | **4** | 3 |

*(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. 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 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 March 31, 2022** | | | |
| Core deposit intangibles | **$ 229** | **(161)** | **68** |
| Developed technology | **62** | **(5)** | **57** |
| Customer relationships | **25** | **(8)** | **17** |
| Operating leases | **10** | **(8)** | **2** |
| Other | **4** | **(3)** | **1** |
| Total intangible assets | **$ 330** | **(185)** | **145** |
| As of December 31, 2021 | | | |
| Core deposit intangibles | $ 229 | (153) | 76 |
| Developed technology | 62 | (3) | 59 |
| Customer relationships | 25 | (7) | 18 |
| Operating leases | 11 | (9) | 2 |
| Other | 4 | (3) | 1 |
| Total intangible assets | $ 331 | (175) | 156 |

As of March 31, 2022, all of the Bancorp's intangible assets were being amortized. Amortization expense recognized on intangible assets was $11 million and $12 million for the three months ended March 31, 2022 and 2021, respectively. The Bancorp's projections of amortization expense shown in the following table are based on existing asset balances as of March 31, 2022. Future amortization expense may vary from these projections.

Estimated amortization expense for the remainder of 2022 through 2026 is as follows:

| ($ in millions) | Total |
|---|---|
| Remainder of 2022 | $ 29 |
| 2023 | 32 |
| 2024 | 24 |
| 2025 | 17 |
| 2026 | 11 |

**11. 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 a VIE related to an automobile loan securitization 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 the consolidated VIE as of:

| ($ in millions) | | **March 31, 2022** | December 31, 2021 |
|---|---|---|---|
| Assets: | | | |
| Other short-term investments | **$** | **24** | 24 |
| Indirect secured consumer loans | | **266** | 322 |
| ALLL | | **(2)** | (2) |
| Other assets | | **2** | 2 |
| Total assets | **$** | **290** | 346 |
| Liabilities: | | | |
| Other liabilities | **$** | **—** | 1 |
| Long-term debt | | **209** | 263 |
| Total liabilities | **$** | **209** | 264 |

The Bancorp previously completed a securitization transaction in which the Bancorp transferred certain consumer automobile loans to a bankruptcy remote trust which was deemed to be a VIE. In this securitization transaction, the primary purpose of the VIE was 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 VIE and, therefore, has an obligation to absorb losses and a right to receive benefits from the VIE that could potentially be significant to the VIE. In addition, the Bancorp retained servicing rights for the underlying loans and, therefore, holds the power to direct the activities of the VIE that most significantly impact the economic performance of the VIE. As a result, the Bancorp concluded that it is the primary beneficiary of the VIE and has consolidated this VIE. The assets of the VIE are restricted to the settlement of the asset-backed securities and other obligations of the VIE. 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 VIE is most significantly impacted by the performance of the underlying loans. The principal risks to which the VIE is 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:

| **March 31, 2022 ($ in millions)** | | Total Assets | Total Liabilities | Maximum Exposure |
|---|---|---|---|---|
| CDC investments | **$** | **1,683** | **529** | **1,683** |
| Private equity investments | | **143** | **—** | **278** |
| Loans provided to VIEs | | **3,668** | **—** | **5,171** |
| Lease pool entities | | **66** | **—** | **66** |

| December 31, 2021 ($ in millions) | Total Assets | Total Liabilities | Maximum Exposure |
|---|---|---|---|
| CDC investments | $ 1,705 | 580 | 1,705 |
| Private equity investments | 133 | — | 257 |
| Loans provided to VIEs | 3,386 | — | 4,873 |
| Lease pool entities | 68 | — | 68 |

*CDC investments*

CDC, a wholly-owned indirect subsidiary of the Bancorp, was created to invest in projects to create affordable housing and revitalize business and residential areas. 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, 2021.

The Bancorp's funding requirements are limited to its invested capital and any additional unfunded commitments for future equity contributions. The Bancorp's maximum exposure to loss as a result of its involvement with the VIEs is limited to the carrying amounts of the investments, including the unfunded commitments. The carrying amounts of these investments, which are included in other assets in the Condensed Consolidated Balance Sheets, and the liabilities related to the unfunded commitments, which are included in other liabilities in the Condensed Consolidated Balance Sheets, are included in the previous tables for all periods presented. The Bancorp has no other liquidity arrangements or obligations to purchase assets of the VIEs that would expose the Bancorp to a loss. In certain arrangements, the general partner/managing member of the VIE has guaranteed a level of projected tax credits to be received by the limited partners/investor members, thereby minimizing a portion of the Bancorp's risk.

At both March 31, 2022 and December 31, 2021, the Bancorp's CDC investments included $1.4 billion of investments in affordable housing tax credits recognized in other assets in the Condensed Consolidated Balance Sheets. The unfunded commitments related to these investments were $521 million and $573 million at March 31, 2022 and December 31, 2021, respectively. The unfunded commitments as of March 31, 2022 are expected to be funded from 2022 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 March 31, **2022** | 2021 |
|---|---|---|---|
| Proportional amortization | Applicable income tax expense | **$ 35** | 44 |
| Tax credits and other benefits | Applicable income tax expense | **(41)** | (51) |

*(a) The Bancorp did not recognize impairment losses resulting from the forfeiture or ineligibility of tax credits or other circumstances during both the three months ended March 31, 2022 and 2021.*

*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 March 31, 2022 and December 31, 2021, the Bancorp's unfunded commitment amounts to the private equity funds were $135 million and $124 million, respectively. As part of previous commitments, the Bancorp made capital contributions to private equity investments of $9 million and $2 million during the three months ended March 31, 2022 and 2021, 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. At both March 31, 2022 and December 31, 2021, the Bancorp's unfunded commitments to these entities were $1.5 billion. 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.

## 12. Sales of Receivables and Servicing Rights

***Residential Mortgage Loan Sales***

The Bancorp sold fixed and adjustable-rate residential mortgage loans during the three months ended March 31, 2022 and 2021. 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 March 31, | |
|---|---|---|
| ($ in millions) | **2022** | 2021 |
| Residential mortgage loan sales[(a)] | **$ 3,400** | 3,207 |
| Origination fees and gains on loan sales | **25** | 89 |
| Gross mortgage servicing fees | **71** | 59 |

*(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 three months ended March 31:

| ($ in millions) | **2022** | 2021 |
|---|---|---|
| Balance, beginning of period | **$ 1,121** | 656 |
| Servicing rights originated | **47** | 39 |
| Servicing rights purchased | **139** | 18 |
| Changes in fair value: | | |
| Due to changes in inputs or assumptions[(a)] | **190** | 152 |
| Other changes in fair value[(b)] | **(53)** | (81) |
| Balance, end of period | **$ 1,444** | 784 |

*(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 March 31, | |
|---|---|---|
| ($ in millions) | **2022** | 2021 |
| Securities losses, net – non-qualifying hedges on mortgage servicing rights | **$ (1)** | (2) |
| Changes in fair value and settlement of free-standing derivatives purchased to economically hedge the MSR portfolio[(a)] | **(181)** | (134) |
| MSR fair value adjustment due to changes in inputs or assumptions[(a)] | **190** | 152 |

*(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 March 31, 2022 and 2021 were as follows:

| | **March 31, 2022** | | | March 31, 2021 | | |
|---|---|---|---|---|---|---|
| | Weighted-Average Life (in years) | Prepayment Speed (annual) | OAS (bps) | Weighted-Average Life (in years) | Prepayment Speed (annual) | OAS (bps) |
| Fixed-rate | **7.3** | **8.1 %** | **729** | 5.9 | 11.6 % | 612 |
| Adjustable-rate | **2.8** | **27.7** | **798** | — | — | — |

At March 31, 2022 and December 31, 2021, the Bancorp serviced $97.7 billion and $89.2 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 March 31, 2022, 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 | $ 1,439 | 8.1 | 6.7 % | $ (41) | (78) | (175) | 749 | $ (43) | (83) |
| Adjustable-rate | 5 | 4.5 | 19.7 | (1) | (1) | (2) | 1,092 | — | — |

*(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.

**13. 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 March 31, 2022 and December 31, 2021, the balance of collateral held by the Bancorp for derivative assets was $1.2 billion and $1.1 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 $759 million and $771 million as of March 31, 2022 and December 31, 2021, respectively, were applied to reduce the respective derivative contracts and were also not included in the total amount of collateral held. As of March 31, 2022 and December 31, 2021, the credit component negatively impacting the fair value of derivative assets associated with customer accommodation contracts was $11 million and $20 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 March 31, 2022 and December 31, 2021, the balance of collateral posted by the Bancorp for derivative liabilities was $2.3 billion and $1.3 billion, respectively. Additionally, as of March 31, 2022 and December 31, 2021, $465 million and $570 million, respectively, of variation margin payments were applied to the respective derivative contracts to reduce the Bancorp's derivative liabilities and were also not included in the total amount of collateral posted. Certain of the Bancorp's derivative liabilities contain credit-risk related contingent features that could result in the requirement to post additional collateral upon the occurrence of specified events. As of both March 31, 2022 and December 31, 2021, the fair value of the additional collateral that could be required to be posted as a result of the credit-risk-related contingent features being triggered was immaterial to the Bancorp's Condensed Consolidated Financial Statements. The posting of collateral has been determined to remove the need for further consideration of

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 | |
|---|---|---|---|
| **March 31, 2022 ($ 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 | **$ 1,955** | **266** | **27** |
| Total fair value hedges | | **266** | **27** |
| Cash flow hedges: | | | |
| Interest rate floors related to C&I loans | **3,000** | **46** | **—** |
| Interest rate swaps related to C&I loans | **8,000** | **—** | **2** |
| Interest rate swaps related to commercial mortgage and commercial construction loans | **4,000** | **—** | **15** |
| Total cash flow hedges | | **46** | **17** |
| Total derivatives designated as qualifying hedging instruments | | **312** | **44** |
| **Derivatives Not Designated as Qualifying Hedging Instruments:** | | | |
| Free-standing derivatives - risk management and other business purposes: | | | |
| Interest rate contracts related to MSR portfolio | **4,965** | **57** | **1** |
| Forward contracts related to residential mortgage loans held for sale[(b)] | **2,505** | **40** | **7** |
| Swap associated with the sale of Visa, Inc. Class B Shares | **3,627** | **—** | **198** |
| Foreign exchange contracts | **187** | **—** | **3** |
| Interest rate contracts for collateral management | **12,000** | **7** | **7** |
| Interest rate contracts for LIBOR transition | **2,372** | **—** | **—** |
| Total free-standing derivatives – risk management and other business purposes | | **104** | **216** |
| Free-standing derivatives – customer accommodation: | | | |
| Interest rate contracts[(a)] | **76,263** | **423** | **674** |
| Interest rate lock commitments | **773** | **8** | **2** |
| Commodity contracts | **14,720** | **3,056** | **2,951** |
| TBA securities | **48** | **—** | **—** |
| Foreign exchange contracts | **22,264** | **367** | **354** |
| Total free-standing derivatives – customer accommodation | | **3,854** | **3,981** |
| Total derivatives not designated as qualifying hedging instruments | | **3,958** | **4,197** |
| Total | **$** | **4,270** | **4,241** |

*(a) Derivative assets and liabilities are presented net of variation margin of $316 and $80, 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.*

| December 31, 2021 ($ 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 | 393 | 2 |
| Interest rate swaps related to available-for-sale debt and other securities | 445 | 7 | — |
| Total fair value hedges | | 400 | 2 |
| Cash flow hedges: | | | |
| Interest rate floors related to C&I loans | 3,000 | 122 | — |
| Interest rate swaps related to C&I loans | 8,000 | — | 1 |
| Interest rate swaps related to commercial mortgage and commercial construction loans | 4,000 | — | — |
| Total cash flow hedges | | 122 | 1 |
| Total derivatives designated as qualifying hedging instruments | | 522 | 3 |
| **Derivatives Not Designated as Qualifying Hedging Instruments:** | | | |
| Free-standing derivatives – risk management and other business purposes: | | | |
| Interest rate contracts related to MSR portfolio | 6,260 | 140 | — |
| Forward contracts related to residential mortgage loans held for sale[(b)] | 1,952 | 2 | 2 |
| Swap associated with the sale of Visa, Inc. Class B Shares | 3,545 | — | 214 |
| Foreign exchange contracts | 158 | — | 1 |
| Interest rate contracts for collateral management | 12,000 | 5 | 4 |
| Interest rate contracts for LIBOR transition | 2,372 | — | — |
| Total free-standing derivatives – risk management and other business purposes | | 147 | 221 |
| Free-standing derivatives – customer accommodation: | | | |
| Interest rate contracts[(a)] | 76,061 | 578 | 232 |
| Interest rate lock commitments | 673 | 12 | — |
| Commodity contracts | 12,376 | 1,326 | 1,260 |
| TBA securities | 55 | — | — |
| Foreign exchange contracts | 23,148 | 323 | 297 |
| Total free-standing derivatives – customer accommodation | | 2,239 | 1,789 |
| Total derivatives not designated as qualifying hedging instruments | | 2,386 | 2,010 |
| Total | $ | 2,908 | 2,013 |

*(a) Derivative assets and liabilities are presented net of variation margin of $104 and $472, 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.*

***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 March 31, 2022, 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 March 31, 2022 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 changes in fair value of interest rate contracts, designated as fair value hedges and the changes in fair value of the related hedged items attributable to the risk being hedged, as well as the line items in the Condensed Consolidated Statements of Income in which the corresponding gains or losses are recorded:

| ($ in millions) | Condensed Consolidated Statements of Income Caption | For the three months ended March 31, | |
|---|---|---|---|
| | | **2022** | 2021 |
| Long-term debt: | | | |
| Change in fair value of interest rate swaps hedging long-term debt | Interest on long-term debt | **$ (152)** | (145) |
| Change in fair value of hedged long-term debt attributable to the risk being hedged | Interest on long-term debt | **152** | 145 |
| 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 | **8** | — |
| Change in fair value of hedged available-for-sale debt and other securities attributable to the risk being hedged | Interest on securities | **(8)** | — |

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 | **March 31, 2022** | December 31, 2021 |
|---|---|---|---|
| Long-term debt: | | | |
| Carrying amount of the hedged items | Long-term debt | **$ 2,187** | 2,339 |
| Cumulative amount of fair value hedging adjustments included in the carrying amount of the hedged items | Long-term debt | **244** | 396 |
| Available-for-sale debt and other securities: | | | |
| Carrying amount of the hedged items[(a)] | Available-for-sale debt and other securities | **—** | 465 |
| Cumulative amount of fair value hedging adjustments included in the carrying amount of the hedged items | Available-for-sale debt and other securities | **—** | (8) |
| Cumulative amount of fair value hedging adjustments remaining for hedged items for which hedge accounting has been discontinued | Available-for-sale debt and other securities | **(15)** | — |

*(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 March 31, 2022, 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 March 31, 2022, the maximum length of time over which the Bancorp is hedging its exposure to the variability in future cash flows is 34 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 March 31, 2022 and December 31, 2021, $20 million and $353 million, respectively, of net deferred losses and net deferred gains, net of tax, on cash flow hedges were recorded in AOCI in the Condensed Consolidated Balance Sheets. As of March 31, 2022, $63 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 March 31, 2022.

During both the three months ended March 31, 2022 and 2021, 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 (losses) gains 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 March 31, | |
|---|---|---|
| ($ in millions) | **2022** | 2021 |
| Amount of pre-tax net losses recognized in OCI | **$ (407)** | (84) |
| Amount of pre-tax net gains reclassified from OCI into net income | **78** | 72 |

***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. These contracts generally settle within one year or less. IRLCs issued on residential mortgage loan commitments that will be held for sale are also considered free-standing derivative instruments and the interest rate exposure on these commitments is economically hedged primarily with forward contracts. Revaluation gains and losses from free-standing derivatives related to mortgage banking activity are recorded as a component of mortgage banking net revenue in the Condensed Consolidated Statements of Income.

In conjunction with the sale of Visa, Inc. Class B Shares in 2009, the Bancorp entered into a total return swap in which the Bancorp will make or receive payments based on subsequent changes in the conversion rate of the Class B Shares into Class A Shares. This total return swap is accounted for as a free-standing derivative. Refer to Note 20 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:

| | Condensed Consolidated Statements of Income Caption | For the three months ended March 31, | |
|---|---|---|---|
| ($ in millions) | | **2022** | 2021 |
| Interest rate contracts: | | | |
| Forward contracts related to residential mortgage loans held for sale | Mortgage banking net revenue | **$ 33** | 67 |
| Interest rate contracts related to MSR portfolio | Mortgage banking net revenue | **(181)** | (134) |
| Foreign exchange contracts: | | | |
| Foreign exchange contracts for risk management purposes | Other noninterest income | **(2)** | (2) |
| Equity contracts: | | | |
| Swap associated with sale of Visa, Inc. Class B Shares | Other noninterest income | **(11)** | (13) |

***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 $3.7 billion and $3.8 billion at March 31, 2022 and December 31, 2021, respectively, and the fair value was a liability of $8 million at both March 31, 2022 and December 31, 2021 which is included in other liabilities in the Condensed Consolidated Balance Sheets. As of March 31, 2022, the risk participation agreements had a weighted-average remaining life of 3.4 years.

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

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

| ($ in millions) | | **March 31, 2022** | December 31, 2021 |
|---|---|---|---|
| Pass | **$** | **3,676** | 3,733 |
| Special mention | | **—** | 13 |
| Substandard | | **34** | 34 |
| Total | **$** | **3,710** | 3,780 |

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 March 31, **2022** | 2021 |
|---|---|---|---|
| Interest rate contracts: | | | |
| Interest rate contracts for customers (contract revenue) | Commercial banking revenue | **$ 16** | 7 |
| Interest rate contracts for customers (credit portion of fair value adjustment) | Other noninterest expense | **6** | 15 |
| Interest rate lock commitments | Mortgage banking net revenue | **—** | 32 |
| Commodity contracts: | | | |
| Commodity contracts for customers (contract revenue) | Commercial banking revenue | **9** | 5 |
| Commodity contracts for customers (credit portion of fair value adjustment) | Other noninterest expense | **(1)** | 1 |
| Foreign exchange contracts: | | | |
| Foreign exchange contracts for customers (contract revenue) | Commercial banking revenue | **16** | 14 |
| Foreign exchange contracts for customers (contract revenue) | Other noninterest income | **2** | 2 |
| Foreign exchange contracts for customers (credit portion of fair value adjustment) | Other noninterest expense | **(1)** | — |

***Offsetting Derivative Financial Instruments***

The Bancorp's derivative transactions are generally governed by ISDA Master Agreements and similar arrangements, which include provisions governing the setoff of assets and liabilities between the parties. When the Bancorp has more than one outstanding derivative transaction with a single counterparty, the setoff provisions contained within these agreements generally allow the non-defaulting party the right to reduce its liability to the defaulting party by amounts eligible for setoff, including the collateral received as well as eligible offsetting transactions with that counterparty, irrespective of the currency, place of payment or booking office. The Bancorp's policy is to present its derivative assets and derivative liabilities on the Condensed Consolidated Balance Sheets on a gross basis, even when provisions allowing for setoff are in place. However, for derivative contracts cleared through certain central clearing parties who have modified their rules to treat variation margin payments as settlements, the fair value of the respective derivative contracts is reported net of the variation margin payments.

Collateral amounts included in the tables below consist primarily of cash and highly rated government-backed securities and do not include variation margin payments for derivative contracts with legal rights of setoff for both periods shown.

The following table provides 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 March 31, 2022** | | | | |
| Derivative assets | **$ 4,262** | **(1,456)** | **(484)** | **2,322** |
| Derivative liabilities | **4,239** | **(1,456)** | **(1,560)** | **1,223** |
| As of December 31, 2021 | | | | |
| Derivative assets | $ 2,896 | (837) | (548) | 1,511 |
| Derivative liabilities | 2,013 | (837) | (712) | 464 |

*(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.*

**14. 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) | **March 31, 2022** | December 31, 2021 |
|---|---|---|
| Securities sold under repurchase agreements | **$ 501** | 544 |
| Derivative collateral | **371** | 436 |
| Total other short-term borrowings | **$ 872** | 980 |

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 March 31, 2022 and December 31, 2021, all securities sold under repurchase agreements were secured by agency residential mortgage-backed securities and the repurchase agreements had an overnight remaining contractual maturity.

**15. 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) | | **March 31, 2022** | December 31, 2021 |
|---|---|---|---|
| Commitments to extend credit | **$** | **79,019** | 80,641 |
| Forward contracts related to residential mortgage loans held for sale | | **2,505** | 1,952 |
| Letters of credit | | **2,067** | 1,953 |
| Purchase obligations | | **147** | 160 |
| Capital commitments for private equity investments | | **135** | 124 |
| Capital expenditures | | **79** | 78 |

*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 March 31, 2022 and December 31, 2021, the Bancorp had a reserve for unfunded commitments, including letters of credit, totaling $177 million and $182 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) | | **March 31, 2022** | December 31, 2021 |
|---|---|---|---|
| Pass | **$** | **77,009** | 78,298 |
| Special mention | | **698** | 1,058 |
| Substandard | | **1,312** | 1,285 |
| Total commitments to extend credit | **$** | **79,019** | 80,641 |

*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 March 31, 2022:

| ($ in millions) | | |
|---|---|---|
| Less than 1 year[(a)] | $ | 1,038 |
| 1 - 5 years[(a)] | | 1,028 |
| Over 5 years | | 1 |
| Total letters of credit | $ | 2,067 |

*(a) Includes $1 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 March 31, 2022 and December 31, 2021 and are considered guarantees in accordance with U.S. GAAP. Approximately 68% and 71% of the total standby letters of credit were collateralized as of March 31, 2022 and December 31, 2021, 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 $25 million and $24 million at March 31, 2022 and December 31, 2021, 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) | | March 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Pass | $ | **1,905** | 1,778 |
| Special mention | | **22** | 40 |
| Substandard | | **140** | 135 |
| Total letters of credit | $ | **2,067** | 1,953 |

At March 31, 2022 and December 31, 2021, 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 March 31, 2022 and December 31, 2021, total VRDNs, of which FTS was the remarketing agent for all, were $460 million and $464 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 $112 million and $118 million of the VRDNs remarketed by FTS at March 31, 2022 and December 31, 2021, respectively. These letters of credit are included in the total letters of credit balance provided in the previous tables. The Bancorp held $1 million of these VRDNs in its portfolio and classified them as trading debt securities at both March 31, 2022 and December 31, 2021.

*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 16 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, 2021.

As of both March 31, 2022 and December 31, 2021, the Bancorp maintained reserves related to loans sold with representation and warranty provisions totaling $9 million, 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 March 31, 2022 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 $10 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.

During both the three months ended March 31, 2022 and 2021, the Bancorp paid an immaterial amount in the form of make-whole payments and repurchased $14 million and $10 million, respectively, in outstanding principal of loans to satisfy investor demands. Total repurchase demand requests during the three months ended March 31, 2022 and 2021 were $23 million and $10 million, respectively. Total outstanding repurchase demand inventory was $12 million and $18 million at March 31, 2022 and December 31, 2021, 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 $20 million at March 31, 2022 and December 31, 2021, respectively. In the event of 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 March 31, 2022 and December 31, 2021.

*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 20 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 March 31, 2022, 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 $198 million at March 31, 2022 and $214 million at December 31, 2021. Refer to Note 13 and Note 20 for further information.

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

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 |
| Q4 2021 | 250 | 11 |

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**16. 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 15 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. 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 15 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, plus interest under Ohio law. On March 26, 2021, the trial court granted plaintiffs' motion for class certification. The court has set a trial date in April 2023.

*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. Plaintiffs appealed the order granting partial summary judgment on the unjust enrichment claim. Plaintiffs abandoned the remainder of the unjust enrichment claim on appeal and the trial court has vacated the trial date. On March 30, 2022, the appellate court affirmed the trial court's grant of summary judgment.

*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 case is currently in discovery and no trial date has been set.

*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 without prejudice, and provided the plaintiff with leave to amend to attempt to cure the deficiencies. On October 8, 2021, the 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. The case is currently in discovery and no trial date has been set.

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). On March 31, 2022, the district court granted the defendants' motion to dismiss those cases without prejudice. On April 29, 2022, plaintiffs filed an amended complaint. Also separately pending in the Hamilton County, Ohio Court of Common Pleas is Sandys v. Carmichael, et al., Case No. A2004539 (filed December 28, 2020) and The City of Miami Firefighters' and Police Officers' Retirement Trust v. Carmichael, et al., Case No. A2200330 (filed January 27, 2022). On April 18, 2022, the Sandys shareholder voluntarily dismissed the lawsuit without prejudice.

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.

*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 $60 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.

**17. Income Taxes**

The applicable income tax expense was $118 million and $189 million for the three months ended March 31, 2022 and 2021, respectively. The effective tax rates for the three months ended March 31, 2022 and 2021 were 19.2% and 21.4%, respectively.

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 twelve months, the Bancorp believes it is unlikely that its unrecognized tax benefits will change by a material amount during the next twelve months.

**18. 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 | | |
|---|---|---|---|---|---|---|
| **March 31, 2022 ($ 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 | **$ (2,505)** | **576** | **(1,929)** | | | |
| Reclassification adjustment for net gains on available-for-sale debt securities included in net income | **(3)** | **1** | **(2)** | | | |
| Net unrealized losses on available-for-sale debt securities | **(2,508)** | **577** | **(1,931)** | **891** | **(1,931)** | **(1,040)** |
| Unrealized holding losses on cash flow hedge derivatives arising during period | **(407)** | **94** | **(313)** | | | |
| Reclassification adjustment for net gains on cash flow hedge derivatives included in net income | **(78)** | **18** | **(60)** | | | |
| Net unrealized losses on cash flow hedge derivatives | **(485)** | **112** | **(373)** | **353** | **(373)** | **(20)** |
| Reclassification of amounts to net periodic benefit costs | **1** | **—** | **1** | | | |
| Defined benefit pension plans, net | **1** | **—** | **1** | **(33)** | **1** | **(32)** |
| Other | **—** | **—** | **—** | **(4)** | **—** | **(4)** |
| Total | **$ (2,992)** | **689** | **(2,303)** | **1,207** | **(2,303)** | **(1,096)** |

| | Total OCI | | | Total AOCI | | |
|---|---|---|---|---|---|---|
| March 31, 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 | $ (914) | 214 | (700) | | | |
| Reclassification adjustment for net losses on available-for-sale debt securities included in net income | 15 | (4) | 11 | | | |
| Net unrealized gains on available-for-sale debt securities | (899) | 210 | (689) | 1,931 | (689) | 1,242 |
| Unrealized holding losses on cash flow hedge derivatives arising during period | (84) | 20 | (64) | | | |
| Reclassification adjustment for net gains on cash flow hedge derivatives included in net income | (72) | 15 | (57) | | | |
| Net unrealized gains on cash flow hedge derivatives | (156) | 35 | (121) | 718 | (121) | 597 |
| Reclassification of amounts to net periodic benefit costs | 2 | (1) | 1 | | | |
| Defined benefit pension plans, net | 2 | (1) | 1 | (44) | 1 | (43) |
| Other | — | — | — | (4) | — | (4) |
| Total | $ (1,053) | 244 | (809) | 2,601 | (809) | 1,792 |

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

The table below presents reclassifications out of AOCI:

| ($ in millions) | Condensed Consolidated Statements of Income Caption | For the three months ended March 31, 2022 | 2021 |
|---|---|---|---|
| Net unrealized (losses) gains on available-for-sale debt securities:[(b)] | | | |
| Net gains (losses) included in net income | Securities (losses) gains, net | **$ 3** | (15) |
| | Income before income taxes | **3** | (15) |
| | Applicable income tax expense | **(1)** | 4 |
| | Net income | **2** | (11) |
| Net unrealized (losses) gains on cash flow hedge derivatives:[(b)] | | | |
| Interest rate contracts related to C&I, commercial mortgage and commercial construction loans | Interest and fees on loans and leases | **78** | 72 |
| | Income before income taxes | **78** | 72 |
| | Applicable income tax expense | **(18)** | (15) |
| | Net income | **60** | 57 |
| Net periodic benefit costs:[(b)] | | | |
| Amortization of net actuarial loss | Compensation and benefits[(a)] | **(1)** | (2) |
| | Income before income taxes | **(1)** | (2) |
| | Applicable income tax expense | **—** | 1 |
| | Net income | **(1)** | (1) |
| Total reclassifications for the period | Net income | **$ 61** | 45 |

*(a) This AOCI component is included in the computation of net periodic benefit cost. Refer to Note 22 of the Notes to Consolidated Financial Statements included in the Bancorp's Annual Report on Form 10-K for the year ended December 31, 2021 for further information.*

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

**19. Earnings Per Share**

The following table provides the calculation of earnings per share and the reconciliation of earnings per share and earnings per diluted share:

| For the three months ended March 31, (in millions, except per share data) | 2022 Income | 2022 Average Shares | 2022 Per Share Amount | 2021 Income | 2021 Average Shares | 2021 Per Share Amount |
|---|---|---|---|---|---|---|
| **Earnings Per Share:** | | | | | | |
| Net income available to common shareholders | **$ 474** | | | $ 674 | | |
| Less: Income allocated to participating securities | **1** | | | 2 | | |
| Net income allocated to common shareholders | **$ 473** | **688** | **$ 0.69** | $ 672 | 714 | $ 0.94 |
| **Earnings Per Diluted Share:** | | | | | | |
| Net income available to common shareholders | **$ 474** | | | $ 674 | | |
| Effect of dilutive securities: | | | | | | |
| Stock-based awards | **—** | **8** | | — | 9 | |
| Net income available to common shareholders plus assumed conversions | **$ 474** | | | $ 674 | | |
| Less: Income allocated to participating securities | **1** | | | 2 | | |
| Net income allocated to common shareholders plus assumed conversions | **$ 473** | **696** | **$ 0.68** | $ 672 | 723 | $ 0.93 |

Shares are excluded from the computation of earnings per diluted share when their inclusion has an anti-dilutive effect on earnings per share. The diluted earnings per share computation for the three months ended March 31, 2022 and 2021 excludes 1 million shares and an immaterial amount, respectively, of stock-based awards because their inclusion would have been anti-dilutive.

**20. 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, 2021.

***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 | | | |
|---|---|---|---|---|
| **March 31, 2022 ($ 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 | $ **1,688** | **—** | **—** | **1,688** |
| Obligations of states and political subdivisions securities | **—** | **18** | **—** | **18** |
| Mortgage-backed securities: | | | | |
| Agency residential mortgage-backed securities | **—** | **10,891** | **—** | **10,891** |
| Agency commercial mortgage-backed securities | **—** | **24,593** | **—** | **24,593** |
| Non-agency commercial mortgage-backed securities | **—** | **4,969** | **—** | **4,969** |
| Asset-backed securities and other debt securities | **—** | **6,155** | **—** | **6,155** |
| Available-for-sale debt and other securities[(a)] | **1,688** | **46,626** | **—** | **48,314** |
| Trading debt securities: | | | | |
| U.S. Treasury and federal agencies securities | **50** | **12** | **—** | **62** |
| Obligations of states and political subdivisions securities | **—** | **20** | **—** | **20** |
| Agency residential mortgage-backed securities | **—** | **9** | **—** | **9** |
| Asset-backed securities and other debt securities | **—** | **233** | **—** | **233** |
| Trading debt securities | **50** | **274** | **—** | **324** |
| Equity securities | **346** | **12** | **—** | **358** |
| Residential mortgage loans held for sale | **—** | **858** | **—** | **858** |
| Residential mortgage loans[(b)] | **—** | **—** | **145** | **145** |
| Servicing rights | **—** | **—** | **1,444** | **1,444** |
| Derivative assets: | | | | |
| Interest rate contracts | **41** | **798** | **8** | **847** |
| Foreign exchange contracts | **—** | **367** | **—** | **367** |
| Commodity contracts | **59** | **2,997** | **—** | **3,056** |
| Derivative assets[(c)] | **100** | **4,162** | **8** | **4,270** |
| Total assets | $ **2,184** | **51,932** | **1,597** | **55,713** |
| Liabilities: | | | | |
| Derivative liabilities: | | | | |
| Interest rate contracts | $ **7** | **718** | **10** | **735** |
| Foreign exchange contracts | **—** | **357** | **—** | **357** |
| Equity contracts | **—** | **—** | **198** | **198** |
| Commodity contracts | **700** | **2,251** | **—** | **2,951** |
| Derivative liabilities[(d)] | **707** | **3,326** | **208** | **4,241** |
| Short positions: | | | | |
| U.S. Treasury and federal agencies securities | **70** | **—** | **—** | **70** |
| Asset-backed securities and other debt securities | **—** | **209** | **—** | **209** |
| Short positions[(d)] | **70** | **209** | **—** | **279** |
| Total liabilities | $ **777** | **3,535** | **208** | **4,520** |

*(a) Excludes FHLB, FRB and DTCC restricted stock holdings totaling $30, $486 and $2, respectively, at March 31, 2022.*
*(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.*

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

| December 31, 2021 ($ 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 | $ 86 | — | — | 86 |
| Obligations of states and political subdivisions securities | — | 18 | — | 18 |
| Mortgage-backed securities: | | | | |
| Agency residential mortgage-backed securities | — | 8,782 | — | 8,782 |
| Agency commercial mortgage-backed securities | — | 18,951 | — | 18,951 |
| Non-agency commercial mortgage-backed securities | — | 4,479 | — | 4,479 |
| Asset-backed securities and other debt securities | — | 5,275 | — | 5,275 |
| Available-for-sale debt and other securities[(a)] | 86 | 37,505 | — | 37,591 |
| Trading debt securities: | | | | |
| U.S. Treasury and federal agencies securities | 72 | 12 | — | 84 |
| Obligations of states and political subdivisions securities | — | 32 | — | 32 |
| Agency residential mortgage-backed securities | — | 105 | — | 105 |
| Asset-backed securities and other debt securities | — | 291 | — | 291 |
| Trading debt securities | 72 | 440 | — | 512 |
| Equity securities | 365 | 11 | — | 376 |
| Residential mortgage loans held for sale | — | 1,023 | — | 1,023 |
| Residential mortgage loans[(b)] | — | — | 154 | 154 |
| Servicing rights | — | — | 1,121 | 1,121 |
| Derivative assets: | | | | |
| Interest rate contracts | 2 | 1,245 | 12 | 1,259 |
| Foreign exchange contracts | — | 323 | — | 323 |
| Commodity contracts | 26 | 1,300 | — | 1,326 |
| Derivative assets[(c)] | 28 | 2,868 | 12 | 2,908 |
| Total assets | $ 551 | 41,847 | 1,287 | 43,685 |
| Liabilities: | | | | |
| Derivative liabilities: | | | | |
| Interest rate contracts | $ 2 | 231 | 8 | 241 |
| Foreign exchange contracts | — | 298 | — | 298 |
| Equity contracts | — | — | 214 | 214 |
| Commodity contracts | 285 | 975 | — | 1,260 |
| Derivative liabilities[(d)] | 287 | 1,504 | 222 | 2,013 |
| Short positions: | | | | |
| U.S. Treasury and federal agencies securities | 96 | — | — | 96 |
| Asset-backed securities and other debt securities | — | 201 | — | 201 |
| Short positions[(d)] | 96 | 201 | — | 297 |
| Total liabilities | $ 383 | 1,705 | 222 | 2,310 |

*(a) Excludes FHLB, FRB and DTCC restricted stock holdings totaling $30, $486 and $3, respectively, at December 31, 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.*

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*
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 transferred from Level 2 to 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 12 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 March 31, 2022 and December 31, 2021, 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 15 for additional information on the Covered Litigation.

The net asset fair value of the Bancorp's IRLCs at March 31, 2022 was $6 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 $7 million and $13 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 $7 million and $15 million, respectively. The decrease in fair value of IRLCs due to immediate 10% and 20% adverse changes in the assumed loan closing rates would both be approximately $1 million, and the increase in fair value due to immediate 10% and 20% favorable changes in the assumed loan closing rates would both be approximately $1 million. 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.

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

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 March 31, 2022 ($ in millions)** | Residential Mortgage Loans | Servicing Rights | Interest Rate Derivatives, Net[(a)] | Equity Derivatives | Total Fair Value |
| Balance, beginning of period | **$ 154** | **1,121** | **4** | **(214)** | **1,065** |
| Total (losses) gains (realized/unrealized):[(b)] | | | | | |
| Included in earnings | **(6)** | **137** | **2** | **(11)** | **122** |
| Purchases/originations | **—** | **186** | **(2)** | **—** | **184** |
| Settlements | **(9)** | **—** | **(6)** | **27** | **12** |
| Transfers into Level 3[(c)] | **6** | **—** | **—** | **—** | **6** |
| Balance, end of period | **$ 145** | **1,444** | **(2)** | **(198)** | **1,389** |
| 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 March 31, 2022 | **$ (6)** | **207** | **7** | **(11)** | **197** |

*(a) Net interest rate derivatives include derivative assets and liabilities of $8 and $10, respectively, as of March 31, 2022.*
*(b) There were no unrealized gains or losses for the period included in other comprehensive income for instruments still held at March 31, 2022.*
*(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 March 31, 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 gains (losses) (realized/unrealized):[(b)] | | | | | |
| Included in earnings | (1) | 71 | 35 | (13) | 92 |
| Purchases/originations | — | 57 | (1) | — | 56 |
| Settlements | (16) | — | (57) | 19 | (54) |
| Transfers into Level 3[(c)] | 9 | — | — | — | 9 |
| Balance, end of period | $ 153 | 784 | 30 | (195) | 772 |
| 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 March 31, 2021 | $ (1) | 138 | 29 | (13) | 153 |

*(a) Net interest rate derivatives include derivative assets and liabilities of $39 and $9, respectively, as of March 31, 2021.*
*(b) There were no unrealized gains or losses for the period included in other comprehensive income for instruments still held at March 31, 2021.*
*(c) Includes certain residential mortgage loans originated as held for sale that were transferred to held for investment.*

The total gains and losses included in earnings for assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) were recorded in the Condensed Consolidated Statements of Income as follows:

| | For the three months ended March 31, | |
|---|---|---|
| ($ in millions) | **2022** | 2021 |
| Mortgage banking net revenue | **$ 132** | 104 |
| Commercial banking revenue | **1** | 1 |
| Other noninterest income | **(11)** | (13) |
| Total gains | **$ 122** | 92 |

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 March 31, 2022 and 2021 were recorded in the Condensed Consolidated Statements of Income as follows:

| | For the three months ended March 31, | |
|---|---|---|
| ($ in millions) | **2022** | 2021 |
| Mortgage banking net revenue | **$ 207** | 165 |
| Commercial banking revenue | **1** | 1 |
| Other noninterest income | **(11)** | (13) |
| Total gains | **$ 197** | 153 |

The following tables present information as of March 31, 2022 and 2021 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 March 31, 2022 ($ in millions)**

| Financial Instrument | Fair Value | Valuation Technique | Significant Unobservable Inputs | Range of Inputs | Weighted-Average | |
|---|---|---|---|---|---|---|
| Residential mortgage loans | **$ 145** | Loss rate model | Interest rate risk factor | **(13.2) - 5.9%** | | **(3.7)%** [(a)] |
| | | | Credit risk factor | **— - 20.7%** | | **0.2 %** [(a)] |
| | | | | | (Fixed) | **6.7 %** [(b)] |
| Servicing rights | **1,444** | DCF | Prepayment speed | **— - 100%** | (Adjustable) | **19.7 %** [(b)] |
| | | | | | (Fixed) | **749** [(b)] |
| | | | OAS (bps) | **615 - 1,513** | (Adjustable) | **1,092** [(b)] |
| IRLCs, net | **6** | DCF | Loan closing rates | **42.0 - 98.3%** | | **85.9 %** [(c)] |
| Swap associated with the sale of Visa, Inc. Class B Shares | **(198)** | DCF | Timing of the resolution of the Covered Litigation | **Q1 2023 - Q2 2025** | | **Q2 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 March 31, 2021 ($ in millions)

| Financial Instrument | Fair Value | Valuation Technique | Significant Unobservable Inputs | Range of Inputs | Weighted-Average | |
|---|---|---|---|---|---|---|
| Residential mortgage loans | $ 153 | Loss rate model | Interest rate risk factor | (9.3) - 7.8 % | | 0.8 % [(a)] |
| | | | Credit risk factor | — - 25.6 % | | 0.4 % [(a)] |
| | | | | | (Fixed) | 13.0 % [(b)] |
| Servicing rights | 784 | DCF | Prepayment speed | 0.4 - 99.9 % | (Adjustable) | 21.4 % [(b)] |
| | | | | | (Fixed) | 645 [(b)] |
| | | | OAS (bps) | 536 - 1,587 | (Adjustable) | 968 [(b)] |
| IRLCs, net | 38 | DCF | Loan closing rates | 7.2 - 97.2 % | | 75.9 % [(c)] |
| Swap associated with the sale of Visa, Inc. Class B Shares | (195) | DCF | Timing of the resolution of the Covered Litigation | Q4 2022 - Q4 2024 | | Q3 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 March 31, 2022 and 2021, and for which a nonrecurring fair value adjustment was recorded during the three months ended March 31, 2022 and 2021, 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.

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

| | Fair Value Measurements Using | | | | Total (Losses) Gains |
|---|---|---|---|---|---|
| **As of March 31, 2022 ($ in millions)** | Level 1 | Level 2 | Level 3 | Total | **For the three months ended March 31, 2022** |
| Commercial loans and leases | **$ —** | **—** | **178** | **178** | **(32)** |
| Consumer and residential mortgage loans | **—** | **—** | **117** | **117** | **—** |
| OREO | **—** | **—** | **1** | **1** | **1** |
| Bank premises and equipment | **—** | **—** | **1** | **1** | **—** |
| Operating lease equipment | **—** | **—** | **6** | **6** | **(2)** |
| Private equity investments | **—** | **9** | **2** | **11** | **(6)** |
| Total | **$ —** | **9** | **305** | **314** | **(39)** |

| | Fair Value Measurements Using | | | | Total (Losses) Gains |
|---|---|---|---|---|---|
| As of March 31, 2021 ($ in millions) | Level 1 | Level 2 | Level 3 | Total | For the three months ended March 31, 2021 |
| Commercial loans held for sale | $ — | — | 14 | 14 | 1 |
| Commercial loans and leases | — | — | 311 | 311 | (5) |
| Consumer and residential mortgage loans | — | — | 153 | 153 | (2) |
| OREO | — | — | 9 | 9 | (6) |
| Bank premises and equipment | — | — | 7 | 7 | (2) |
| Operating lease equipment | — | — | 35 | 35 | (25) |
| Private equity investments | — | 1 | 1 | 2 | — |
| Total | $ — | 1 | 530 | 531 | (39) |

The following tables present information as of March 31, 2022 and 2021 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 March 31, 2022 ($ in millions)** | | | | | |
|---|---|---|---|---|---|
| Financial Instrument | Fair Value | Valuation Technique | Significant Unobservable Inputs | Ranges of Inputs | Weighted-Average |
| Commercial loans and leases | **$ 178** | Appraised value | Collateral value | **NM** | **NM** |
| Consumer and residential mortgage loans | **117** | Appraised value | Collateral value | **NM** | **NM** |
| OREO | **1** | Appraised value | Appraised value | **NM** | **NM** |
| Bank premises and equipment | **1** | Appraised value | Appraised value | **NM** | **NM** |
| Operating lease equipment | **6** | Appraised value | Appraised value | **NM** | **NM** |
| Private equity investments | **2** | Comparable company analysis | Market comparable transactions | **NM** | **NM** |

| As of March 31, 2021 ($ in millions) | | | | | |
|---|---|---|---|---|---|
| Financial Instrument | Fair Value | Valuation Technique | Significant Unobservable Inputs | Ranges of Inputs | Weighted-Average |
| Commercial loans held for sale | $ 14 | Comparable company analysis | Market comparable transactions | NM | NM |
| Commercial loans and leases | 311 | Appraised value | Collateral value | NM | NM |
| Consumer and residential mortgage loans | 153 | Appraised value | Collateral value | NM | NM |
| OREO | 9 | Appraised value | Appraised value | NM | NM |
| Bank premises and equipment | 7 | Appraised value | Appraised value | NM | NM |
| Operating lease equipment | 35 | Appraised value | Appraised value | NM | NM |
| Private equity investments | 1 | 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, resulting in a positive fair value adjustment of an immaterial amount during the three months ended March 31, 2021. 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 $1 million on the sale of certain commercial loans held for sale during the three months ended March 31, 2021.

*Portfolio loans and leases*

During the three months ended March 31, 2022 and 2021, 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 amortized cost basis of the loan or lease exceeds the estimated net realizable value of the collateral, then an ALLL is recognized, or a charge-off once the remaining amount is considered uncollectible.

*OREO*
During the three months ended March 31, 2022 and 2021, 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 $5 million in losses, recorded as charge-offs on new OREO properties transferred from loans, during the three months ended March 31, 2022 and 2021, respectively. These losses also included $1 million recorded as positive fair value adjustments on OREO for the three months ended March 31, 2022 and $1 million recorded as negative fair value adjustments on OREO for the three months ended March 31, 2021, 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 $4 million and an immaterial amount during the three months ended March 31, 2022 and 2021, respectively, resulting from observable price changes. The carrying value of the Bancorp's private equity investments still held as of March 31, 2022 includes a cumulative $72 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 $10 million and an immaterial amount for the three months ended March 31, 2022 and 2021, respectively. The carrying value of the Bancorp's private equity investments still held as of March 31, 2022 includes a cumulative $34 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.

Fair value changes recognized in earnings for residential mortgage loans held at March 31, 2022 and 2021 for which the fair value option was elected, as well as the changes in fair value of the underlying IRLCs, included losses of $10 million and gains of $30 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 at both March 31, 2022 and December 31, 2021. 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:

| **March 31, 2022 ($ in millions)** | Aggregate Fair Value | Aggregate Unpaid Principal Balance | Difference |
|---|---|---|---|
| Residential mortgage loans measured at fair value | **$ 1,003** | **1,013** | **(10)** |
| Past due loans of 90 days or more | **3** | **3** | **—** |
| Nonaccrual loans | **1** | **1** | **—** |
| December 31, 2021 | | | |
| Residential mortgage loans measured at fair value | $ 1,177 | 1,149 | 28 |
| Past due loans of 90 days or more | 3 | 3 | — |
| Nonaccrual loans | — | — | — |

The Bancorp may invest in certain hybrid financial instruments with embedded derivatives that are not clearly and closely related to the host contracts. The Bancorp elected to measure the entire instrument at fair value with changes in fair value recognized in earnings. The Bancorp did not hold these investments as of March 31, 2022 and the carrying value of these investments was $89 million as of December 31, 2021 and the investments were classified as trading debt securities in the Condensed Consolidated Balance Sheets. Fair value changes recognized in earnings included gains of $11 million and $9 million for the three months ended March 31, 2022 and 2021, respectively, reported in securities (losses) gains, 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 March 31, 2022 ($ 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 | **$ 3,049** | **3,049** | **—** | **—** | **3,049** |
| Other short-term investments | **20,529** | **20,529** | **—** | **—** | **20,529** |
| Other securities | **518** | **—** | **518** | **—** | **518** |
| Held-to-maturity securities | **6** | **—** | **—** | **6** | **6** |
| Loans and leases held for sale | **1,758** | **—** | **—** | **1,767** | **1,767** |
| Portfolio loans and leases: | | | | | |
| Commercial loans and leases | **71,828** | **—** | **—** | **72,153** | **72,153** |
| Consumer and residential mortgage loans | **41,984** | **—** | **—** | **41,802** | **41,802** |
| Total portfolio loans and leases, net | **$ 113,812** | **—** | **—** | **113,955** | **113,955** |
| Financial liabilities: | | | | | |
| Deposits | **$ 170,611** | **—** | **170,585** | **—** | **170,585** |
| Federal funds purchased | **250** | **250** | **—** | **—** | **250** |
| Other short-term borrowings | **872** | **—** | **872** | **—** | **872** |
| Long-term debt | **10,571** | **10,659** | **376** | **—** | **11,035** |

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

| As of December 31, 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 | $ | 2,994 | 2,994 | — | — | 2,994 |
| Other short-term investments | | 34,572 | 34,572 | — | — | 34,572 |
| Other securities | | 519 | — | 519 | — | 519 |
| Held-to-maturity securities | | 8 | — | — | 8 | 8 |
| Loans and leases held for sale | | 3,392 | — | — | 3,405 | 3,405 |
| Portfolio loans and leases: | | | | | | |
| Commercial loans and leases | | 69,166 | — | — | 69,924 | 69,924 |
| Consumer and residential mortgage loans | | 40,838 | — | — | 41,632 | 41,632 |
| Total portfolio loans and leases, net | $ | 110,004 | — | — | 111,556 | 111,556 |
| Financial liabilities: | | | | | | |
| Deposits | $ | 169,324 | — | 169,316 | — | 169,316 |
| Federal funds purchased | | 281 | 281 | — | — | 281 |
| Other short-term borrowings | | 980 | — | 980 | — | 980 |
| Long-term debt | | 11,425 | 12,091 | 387 | — | 12,478 |

**21. 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 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 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 1,079 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.

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

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

| March 31, 2022 ($ in millions) | Commercial Banking | Branch Banking | Consumer Lending | Wealth and Asset Management | General Corporate and Other | Eliminations | Total |
|---|---|---|---|---|---|---|---|
| Net interest income | $ 479 | 430 | 131 | 35 | 120 | — | 1,195 |
| Provision for (benefit from) credit losses | (28) | 17 | 6 | — | 50 | — | 45 |
| Net interest income after provision for (benefit from) credit losses | $ 507 | 413 | 125 | 35 | 70 | — | 1,150 |
| Noninterest income: | | | | | | | |
| Service charges on deposits | $ 94 | 59 | — | — | (1) | — | 152 |
| Wealth and asset management revenue | — | 51 | — | 142 | — | (44) [a] | 149 |
| Commercial banking revenue | 133 | 2 | — | — | — | — | 135 |
| Card and processing revenue | 16 | 78 | — | 1 | 2 | — | 97 |
| Leasing business revenue | 62 [c] | — | — | — | — | — | 62 |
| Mortgage banking net revenue | — | 2 | 50 | — | — | — | 52 |
| Other noninterest income[b] | 22 | 24 | 3 | 1 | 2 | — | 52 |
| Securities losses, net | — | — | — | — | (14) | — | (14) |
| Securities losses, net – non-qualifying hedges on MSRs | — | — | (1) | — | — | — | (1) |
| Total noninterest income | $ 327 | 216 | 52 | 144 | (11) | (44) | 684 |
| Noninterest expense: | | | | | | | |
| Compensation and benefits | $ 166 | 177 | 57 | 60 | 251 | — | 711 |
| Technology and communications | 5 | 1 | 3 | — | 92 | — | 101 |
| Net occupancy expense[e] | 9 | 47 | 2 | 3 | 16 | — | 77 |
| Equipment expense | 7 | 9 | — | — | 20 | — | 36 |
| Leasing business expense | 32 | — | — | — | — | — | 32 |
| Marketing expense | 1 | 10 | 1 | — | 12 | — | 24 |
| Card and processing expense | 2 | 18 | — | — | (1) | — | 19 |
| Other noninterest expense | 224 | 228 | 81 | 79 | (346) | (44) | 222 |
| Total noninterest expense | $ 446 | 490 | 144 | 142 | 44 | (44) | 1,222 |
| Income before income taxes | $ 388 | 139 | 33 | 37 | 15 | — | 612 |
| Applicable income tax expense | 70 | 30 | 7 | 8 | 3 | — | 118 |
| Net income | $ 318 | 109 | 26 | 29 | 12 | — | 494 |
| Total goodwill | $ 1,980 | 2,303 | — | 231 | — | — | 4,514 |
| Total assets | $ 77,820 | 94,552 | 32,680 | 13,715 | (7,308) [d] | — | 211,459 |

*(a) Revenue sharing agreements between wealth and asset management and branch banking are eliminated in the Condensed Consolidated Statements of Income.*
*(b) Includes an immaterial amount of impairment charges for bank premises and equipment recorded in Branch Banking. For more information, refer to Note 7 and Note 20.*
*(c) Includes impairment charges of $2 for operating lease equipment. For more information, refer to Note 8 and Note 20.*
*(d) Includes bank premises and equipment of $25 classified as held for sale. For more information, refer to Note 7.*
*(e) Includes $1 of impairment losses and termination charges for ROU assets related to certain operating leases. For more information, refer to Note 9.*

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

| March 31, 2021 ($ in millions) | | Commercial Banking | Branch Banking | Consumer Lending | Wealth and Asset Management | General Corporate and Other | Eliminations | Total |
|---|---|---|---|---|---|---|---|---|
| Net interest income | $ | 365 | 295 | 128 | 21 | 367 | — | 1,176 |
| (Benefit from) provision for credit losses | | (76) | 41 | 8 | (1) | (145) | — | (173) |
| Net interest income after (benefit from) provision for credit losses | $ | 441 | 254 | 120 | 22 | 512 | — | 1,349 |
| Noninterest income: | | | | | | | | |
| Service charges on deposits | $ | 90 | 54 | — | — | — | — | 144 |
| Wealth and asset management revenue | | 1 | 49 | — | 136 | — | (43) [(a)] | 143 |
| Commercial banking revenue | | 151 | 2 | — | — | — | — | 153 |
| Card and processing revenue | | 14 | 77 | — | — | 3 | — | 94 |
| Leasing business revenue | | 87 [(c)] | — | — | — | — | — | 87 |
| Mortgage banking net revenue | | — | 2 | 82 | 1 | — | — | 85 |
| Other noninterest income[(b)] | | 12 | 20 | 2 | 1 | 7 | — | 42 |
| Securities gains (losses), net | | 6 | — | — | — | (3) | — | 3 |
| Securities losses, net – non-qualifying hedges on MSRs | | — | — | (2) | — | — | — | (2) |
| Total noninterest income | $ | 361 | 204 | 82 | 138 | 7 | (43) | 749 |
| Noninterest expense: | | | | | | | | |
| Compensation and benefits | $ | 156 | 170 | 66 | 53 | 261 | — | 706 |
| Technology and communications | | 4 | 1 | 2 | — | 86 | — | 93 |
| Net occupancy expense | | 8 | 47 | 3 | 4 | 17 | — | 79 |
| Equipment expense | | 6 | 10 | — | — | 18 | — | 34 |
| Leasing business expense | | 35 | — | — | — | — | — | 35 |
| Marketing expense | | 1 | 8 | — | — | 14 | — | 23 |
| Card and processing expense | | 1 | 30 | — | — | (1) | — | 30 |
| Other noninterest expense | | 209 | 223 | 90 | 78 | (342) | (43) | 215 |
| Total noninterest expense | $ | 420 | 489 | 161 | 135 | 53 | (43) | 1,215 |
| Income (loss) before income taxes | $ | 382 | (31) | 41 | 25 | 466 | — | 883 |
| Applicable income tax expense (benefit) | | 70 | (7) | 9 | 5 | 112 | — | 189 |
| Net income (loss) | $ | 312 | (24) | 32 | 20 | 354 | — | 694 |
| Total goodwill | $ | 1,980 | 2,047 | — | 232 | — | — | 4,259 |
| Total assets | $ | 68,645 | 87,645 | 31,873 | 11,654 | 7,082 [(d)] | — | 206,899 |

*(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 $1 recorded in Branch Banking and $1 recorded in General Corporate and Other for bank premises and equipment. For more information, refer to Note 7 and Note 20.*
*(c) Includes impairment charges of $25 for operating lease equipment. For more information, refer to Note 8 and Note 20.*
*(d) Includes bank premises and equipment of $27 classified as held for sale. For more information, refer to Note 7.*

**22. Subsequent Event**

On April 25, 2022, the Bancorp issued and sold $1 billion of fixed-rate/floating-rate senior notes. $400 million of the notes will bear interest at a rate of 4.055% per annum to, but excluding, April 25, 2027, followed by an interest rate of compounded SOFR plus 1.355% until maturity on April 25, 2028. The remaining $600 million of the notes will bear interest at a rate of 4.337% per annum to, but excluding, April 25, 2032, followed by an interest rate of compounded SOFR plus 1.660% until maturity on April 25, 2033. The Bancorp entered into interest rate swaps to convert the fixed-rate periods of the notes to floating-rate, resulting in effective rates of 1.907% and 2.211% for the notes due April 25, 2028 and the notes due April 25, 2033, respectively. Each tranche of notes is redeemable in whole at par plus accrued and unpaid interest one year prior to its maturity date, or may be wholly or partially redeemed 30 days or 90 days prior to maturity for the 2028 notes and the 2033 notes, respectively.

## PART II. OTHER INFORMATION

### Legal Proceedings (Item 1)
Refer to Note 16 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 first quarter of 2022 to any of the risk factors as previously disclosed in the Bancorp's Annual Report on Form 10-K for the year ended December 31, 2021.

### 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 first quarter of 2022.

### 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 April 12, 2022. |
| 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). |

## 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: May 9, 2022

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

**Exhibit 3.2**

As amended April 12, 2022

# CODE OF REGULATIONS
# OF
# FIFTH THIRD BANCORP

## AS AMENDED

## ARTICLE I.

## OFFICES

The principal office of Fifth Third Bancorp (hereinafter referred to as the "Corporation") shall be located in the City of Cincinnati, County of Hamilton, State of Ohio and the Corporation may establish or discontinue, from time to time, such other offices and places of business within or without the State of Ohio as may be deemed proper for the conduct of the Corporation's business.

## ARTICLE II.

## MEETINGS OF SHAREHOLDERS

Section 1. **Annual Meeting.** The annual meeting of the shareholders shall be held at such hour and at such place as may be fixed in the notice of such meeting on: (1) the third Tuesday in April of each year, if not a legal holiday under the laws of the place where the meeting is to be held, and, if a legal holiday, then on the next succeeding day not a legal holiday under the laws of such place, or (2) such other date as may from time to time be determined by the Board of Directors and communicated in writing to the shareholders not later than seven (7) days prior to such meeting.

Section 2. **Special Meetings.** In addition to such special meetings as are provided for by law or by the Articles of Incorporation, special meetings of the holders of any class or series or of all classes or series of the Corporation's shares may be called at any time by the Board of Directors; special meetings of all shareholders of the Corporation entitled to vote shall be called by the Secretary upon written request, stating the purpose or purposes of any such meeting, of the holders of shares who hold of record collectively at least twenty-five percent (25%) of the shares of the Corporation outstanding and entitled to vote at the meeting; and special meetings of the holders of the common stock, without par value, of the Corporation (hereinafter called "Common Shares") shall be called by the Secretary upon written request, stating the purpose or purposes of any such meeting, of the holders of Common Shares who hold of record collectively at least twenty-five percent (25%) of the outstanding shares of Common Shares of the Corporation. Unless limited by law, the Articles of Incorporation, this Code of Regulations, or by the terms of the notice thereof, any and all business may be transacted by any special meeting of shareholders.

Section 3. **Place of Meetings; Meetings by Communications Equipment.** (a) Meetings of the shareholders shall be held at such place within or without the State of Ohio as shall be designated by the Board of Directors; provided, however, that the Board of Directors may determine that a meeting of the shareholders will not be held at any physical place, but instead may be held solely by means of communications equipment in the manner set forth in Section 15 of this Article II.

Section 4. **Notice of Meetings.** Except as otherwise provided by law, notice of each meeting of shareholders, and the means, if any, by which shareholders can be present and vote at

the meeting through the use of communications equipment, shall be given either by personal delivery or by mail, overnight delivery service, or any other means of communication authorized by the shareholder (subject to revocation of such authorization as provided in Ohio law) If mailed or sent by overnight delivery service, the notice shall be sent to the shareholder at the shareholder's address as it appears on the records of the Corporation, unless prior to the time of mailing, the Secretary shall have received from any such shareholder a written request that notices intended for such shareholder be mailed to some other address, in which case notices intended for such shareholder shall be mailed to the address designated in such request. If sent by another means of communication authorized by the shareholder, the notice shall be sent to the address furnished by the shareholder for those transmissions. Notice of each meeting of shareholders shall be in such form as is approved by the Board of Directors and shall state the purpose or purposes for which the meeting is called, the time when and the place where it is to be held, and shall be delivered personally or mailed not less than seven (7) nor more than sixty (60) days before the day of the meeting.

Section 5. **Waiver of Notice.** Anything herein contained to the contrary notwithstanding, notice of any meeting of shareholders shall not be required as to any shareholder who shall attend and participate in the business transacted at such meeting in person or by proxy, and who shall have protested the lack of proper notice prior to or at the commencement of such meeting, or who shall, or whose proxy or attorney duly authorized shall, sign a written waiver thereof, whether before or after the time stated therein.

Section 6. **Organization.** The Chair of the Board, if one be elected, the Vice Chair, if one be elected in the absence of the Chair, or the President, in the absence of the Chair and the Vice Chair, shall act as chair at all meetings of shareholders at which such officer is present, and as such chair shall call such meetings of shareholders to order and preside thereat. If the Chair of the Board, the Vice Chair, and the President shall be absent from any meeting of shareholders, the duties otherwise provided in this Section 6 of Article II to be performed by such officer at such meeting shall be performed at such meeting by the officer prescribed in Article VI hereof. If no such officer is present at such meeting, any shareholder or the proxy of any shareholder entitled to vote at the meeting may call the meeting to order and a chair shall be elected who shall preside thereat. The Secretary of the Corporation shall act as the secretary at all meetings of the shareholders, but in the absence of the Secretary, the chair of the meeting may appoint any person present to act as secretary of the meeting.

Section 7. **Inspectors.** Except as otherwise provided by law or by the Articles of Incorporation, all votes by ballot at any meeting of shareholders shall be conducted by three inspectors who shall be appointed for the purpose by the chair of the meeting. The inspectors shall decide upon the qualifications of voters, count the votes and declare the result.

Section 8. **Shareholders Entitled to Vote.** Nothing herein contained shall be construed to enlarge the voting rights of any shareholder of the Corporation as provided by the Articles of Incorporation or by the laws of the State of Ohio. The Board of Directors may close the share transfer books of the Corporation for a period not exceeding sixty (60) days preceding the date of any meeting of shareholders or preceding the last day on which the consent or dissent of shareholders may effectively be expressed for any purpose without a meeting. In lieu of closing the share transfer books of the Corporation as aforesaid, the Board of Directors may fix a date not more than sixty (60) days prior to the date of any meeting of shareholders, or prior to the last day on which the consent or dissent of shareholders may be effectively expressed for any purpose without a meeting, as a record date for the determination of the shareholders entitled to notice of, and to vote at, such meeting and any adjournment thereof, or to give such consent or express such dissent and in such case such shareholders and only such shareholders as shall be shareholders of record on the date so fixed, shall be entitled to notice of, and to vote at, such meeting and any adjournment thereof, or to give such consent or express such dissent, as the case

may be, notwithstanding any transfer of any shares on the books of the Corporation after any such record date fixed as aforesaid. The Secretary shall prepare and make or cause to be prepared and made, at least ten (10) days before every election of directors, a complete list of the shareholders entitled to vote at such election, arranged in alphabetical order and showing the address of each such shareholder and the number of shares registered in the name of each such shareholder. Such list shall be open to the examination of any shareholder during ordinary business hours, for a period of at least ten (10) days prior to the election, either at a place, specified in the notice of the meeting, within the city where the election is to be held, or at the place where the election is to be held. Such list shall be produced and kept at the time and place of election during the whole time thereof, and subject to the inspection of any shareholder who may be present.

Section 9. **Quorum and Adjournment.** The holders of shares entitling them to exercise a majority of the voting power of the Corporation entitled to vote at the meeting on each matter that is to be voted on shall constitute a quorum at all meetings of the shareholders. In the absence of a quorum, the holders of shares entitling them to exercise a majority of the voting power present in person or by proxy may adjourn any meeting, from time to time, until a quorum shall attend. At any such adjourned meeting at which a quorum may be present, any business may be transacted which might have been transacted at the meeting as originally called. No notice of any adjourned meeting need be given other than by announcement at the meeting that is being adjourned.

Section 10. **Order of Business.** The order of business at all meetings of shareholders shall be determined by the chair of the meeting or as is otherwise determined by the vote of the holders of a majority of the shares present in person or by proxy and entitled to vote on every matter that is to be voted on.

Section 11. **Notice of Shareholder Business and Nominations to be Brought Before a Meeting of Shareholders.**

(A) *Business Properly Brought Before an Annual Meeting of Shareholders.* Nominations of persons for election to the Board of Directors, or the proposal of other business to be considered by the shareholders, may be made at an annual meeting of shareholders only if properly brought before a meeting. To be properly brought before an annual meeting of shareholders, any Director nominations or other business must be (I) specified in the notice of meeting given in accordance with Article I, Section 4 hereof, (II) brought before the meeting by the chair of the meeting or by or at the direction of the Board of Directors, (III) properly brought before the meeting in accordance with this Section by a shareholder who (a) was a holder of record of shares of the Corporation of a class or series entitled to vote on the matter being brought before the meeting (and, with respect to any beneficial owner, if different, on whose behalf such business is proposed, only if such beneficial owner was the beneficial owner of such shares of a class or series entitled to vote on the matter being brought before the meeting) both at the time of giving the notice provided for in this Section and at the time of the annual meeting of shareholders, (b) is entitled to vote at the annual meeting of shareholders, and (c) has complied with this Section as to such business, or (IV) properly brought before the meeting by a Nominating Shareholder (as defined in Section 12 of this Article II) in accordance with Section 12 of this Article II. Except for proposals properly made in accordance with Rule 14a-8 under the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder (as so amended and inclusive of such rules and regulations, the "Exchange Act"), and included in the notice of meeting given by or at the direction of the Board of Directors, the foregoing clauses (III) and (IV) shall be the exclusive means for a shareholder of the Corporation to make nominations or propose other business to be brought before an annual meeting of shareholders.

(B) *Business Properly Brought Before a Special Meeting of Shareholders*. At a special meeting of shareholders of the Corporation, only such business will be conducted or considered as is properly brought before the meeting. To be properly brought before a special meeting of shareholders, business must be (I) specified in the notice of the meeting given in accordance with Section 4 hereof or (II) otherwise brought before the meeting by the chair of the meeting or at the direction of the Board of Directors. Nominations of persons for election as Directors may not be made at a special meeting of shareholders unless Directors are to be elected pursuant to the Company's notice of meeting. In such case, any holder of shares of a class or series entitled to vote in the election of Directors who (I) was a shareholder of record (and, with respect to any beneficial owner, if different, on whose behalf such business is proposed, only if such beneficial owner was the beneficial owner of shares of a class or series entitled to vote in the election of Directors) both at the time of giving the notice provided for in this Section 11 and at the time of the meeting, (II) is entitled to vote at the meeting, and (III) has complied with this Section 11 as to such nomination, may nominate a person or persons for election as a Director as specified in the Corporation's notice of meeting.

(C) *Requirement of Timely Notice of Shareholder Business and Nominations for Director for the Annual or Special Meeting of Shareholders*.

I. To properly bring business before an annual or special meeting of shareholders, a shareholder must provide (a) Timely Notice (as defined herein) thereof in writing and in proper form to the Secretary of the Corporation and (b) any updates or supplements to such notice at the times and in the forms required by this Section 11.

II. With respect to any nominations for persons for election to the Board of Directors or any other business to be properly brought before an annual meeting of shareholders by a shareholder, a shareholder's notice must be delivered to, or mailed and received at, the principal executive offices of the Corporation not less than sixty (60) nor more than ninety (90) days prior to the anniversary of the previous year's annual meeting of shareholders; provided, however, that if the date of the annual meeting of shareholders is more than thirty (30) days before or more than sixty (60) days after such anniversary date, notice by the shareholder to be timely must be so delivered, or mailed and received, not earlier than the ninetieth ($90^{th}$) day prior to such annual meeting of shareholders and not later than the sixtieth ($60^{th}$) day prior to such annual meeting of shareholders or, if the first Public Announcement (as defined herein) of such annual meeting of shareholders is less than one hundred (100) days prior to the date of such annual meeting of shareholders, the tenth ($10^{th}$) day following the day on which such Public Announcement is first made by the Corporation. Under no circumstances shall any adjournment or postponement of an annual meeting of shareholders or the announcement thereof commence a new time period for the giving of Timely Notice as described herein.

III. With respect to any nominations for persons for election as a Director or any other business to be properly brought before a special meeting of shareholders by a shareholder, a shareholder's notice must be delivered to, or mailed and received at, the principal executive offices of the Corporation not less than sixty (60) days nor more than ninety (90) days prior to such special meeting of shareholders or the tenth ($10^{th}$) day following the day on which Public Announcement is first made of the date of the special meeting of shareholders and of the nominees proposed by the Board of Directors to be elected at such meeting. Under no circumstances shall any adjournment or postponement of a special meeting of shareholders or the announcement thereof commence a new time period for the giving of Timely Notice as described herein.

(D) *Requirements for Proper Form of Shareholder Notice.* To be in proper form for purposes of this Section 11, a shareholder's notice to the Secretary of the Corporation must:

I. set forth, as to the shareholder giving notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (a) the name and address of such shareholder, as they appear on the Corporation's books, and the name and address of such beneficial owner, and, if different, the current name and address of the shareholder and any beneficial owner; (b) the class or series and number of shares of the Corporation which are held of record by such shareholder or beneficially owned (within the meaning of Section 13(d)) of the Exchange Act as of the date of the notice, and a representation that the shareholder will notify the Corporation in writing within five (5) business days after the record date for such meeting of the class or series and number of shares of the Corporation held of record or beneficially owned on such record date; (c) any other information relating to such shareholder and beneficial owner, if any, that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for, as applicable, the proposal and/or for the election of Directors in a contested election pursuant to Section 14 of the Exchange Act; and (d) such shareholder's and beneficial owner's written consent to the public disclosure of information provided to the Corporation pursuant to this Section 11;

II. set forth, as to the shareholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (a) any agreements, arrangements or understandings entered into by the shareholder or beneficial owner and its affiliates with respect to equity securities of the Corporation, including any put or call arrangements, derivative securities, short positions, borrowed shares or swap or similar arrangements, specifying in each case the effect of such agreements, arrangements or understandings on any voting or economic rights of equity securities of the Corporation, in each case as of the date of the notice and in each case describing any changes in voting or economic rights which may arise pursuant to the terms of such agreements, arrangements or understandings; (b) to the extent not covered in clause (a) hereof, any disclosures that would be required pursuant to Item 5 or Item 6 of Schedule 13D (regardless of whether the requirement to file a Schedule 13D is applicable to the shareholder or beneficial owner); and (c) a representation that the shareholder will notify the Corporation in writing within five (5) business days after the record date for such meeting of the information set forth in clauses (a) and (b) herein as of such record date;

III. if the notice relates to any business other than the nomination of a Director or
Directors that the shareholder proposes to bring before the meeting, set forth (a) a description in reasonable detail of the business to be brought before the meeting, the reasons for conducting such business at the meeting, and any material interest in such business of such shareholder and the beneficial owner, if any, in such business; (b) the text of the proposal or business (including the text of any resolutions proposed for consideration and, if the business includes a proposal to amend this Code of Regulations or the Articles of Incorporation, the language of the proposed amendment); and (c) a description of all agreements, arrangements and understandings between such shareholder and beneficial owner, if any, and any other person or persons (including their names) in connection with the proposal of such business by such shareholder;

IV. set forth, as to each person, if any, whom the shareholder proposes to nominate for election or re-election as a Director: (a) all information relating to such person that is required to be disclosed in a proxy statement or other filing required to be made in connection with solicitations of proxies for, as applicable, election of directors in a contested election pursuant to Section 14 of the Exchange Act (including such person's written consent to being named in the proxy statement as a nominee and to serving as a Director if elected) and (b) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three (3) years, and any material relationships, between or among such shareholder and beneficial owner, if any, and their respective affiliates and associates, or others acting in consent therewith, on the one hand, and each proposed nominee, and such nominee's respective affiliates and associates, or other acting in concert therewith, on the other hand, including without limitation all information that would be required

to be disclosed pursuant to Item 404 promulgated under Regulation S-K updated by the Securities and Exchange Commission (or any successor regulation) if the shareholder making the nomination and any beneficial owner on whose behalf the nomination is made, if any, or any affiliate or associate therewith or person acting in concert therewith, were the "registrant" for purposes of such rule and the nominee were a director or executive officer of such registrant;

V. set forth a representation that such shareholder intends to appear at the annual or special meeting of shareholders to bring such nomination or other business before the annual or special meeting of shareholders;

VI. set forth such other information as may reasonably be required by the Board of Directors as described in the Corporation's proxy statement for the preceding year's annual meeting of shareholders; and

VII. be followed, within five (5) business days after the record date for such meeting, by the written notice providing the information described in clauses (I) and (II) hereof.

The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as an independent Director of the Corporation or that could be material to a reasonable shareholder's understanding of the independence, or lack thereof, of such nominee.

(E) *Determination of Business Not Properly Brought Before a Meeting.* Only such persons who are nominated in accordance with the procedures set forth in this Section 11 or in Section 12 of this Article II shall be eligible to serve as Directors and only such business shall be conducted at a meeting of shareholders as shall have been properly brought before the meeting in accordance with the procedures set forth in this Section 11. Except as otherwise provided by law, the Articles of Incorporation or this Code of Regulations, the determination of whether any business sought to be brought before any annual or special meeting of shareholders is properly brought before such meeting in accordance with this Section 11 shall be made by the chair of the meeting. If the chair of the meeting determines that any business is not properly brought before such meeting, the chair shall so declare to the meeting and any such business will not be conducted or considered.

(F) *Rule 14a-8; Exchange Act Compliance.* This Section 11 is expressly intended to apply to any business proposed to be brought before an annual or special meeting of shareholders other than any shareholder proposal made pursuant to Rule 14a-8 under the Exchange Act. Notwithstanding the foregoing provisions of this Section 11, a shareholder must also comply with all applicable requirements of the Exchange Act with respect to the matters set forth in this Section 11. Nothing in this Section 11 shall be deemed to affect any rights of shareholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

(G) *Definition of Public Announcement.* For purposes of this Section 11, Public Announcement shall mean disclosure in a press release reported by a national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Sections 13, 14, or 15(d) of the Exchange Act.

Section 12. **Shareholder Nominations Included in the Corporation's Proxy Materials.**

(A) *Inclusion of Nominees in Proxy Statement*. Subject to the provisions of this Section 12, if expressly requested in the relevant Nomination Notice (as defined below), the Corporation shall include in its proxy statement for any annual meeting of shareholders:

I. the names of any person or persons nominated for election (each, a "Nominee"), which shall also be included on the Corporation's form of proxy and ballot, by any Eligible Holder (as defined below) or group of up to 20 Eligible Holders that has (individually and collectively, in the case of a group) satisfied, as determined by the Board of Directors, all applicable conditions and complied with all applicable procedures set forth in this Section 12 (such Eligible Holder or group of Eligible Holders being a "Nominating Shareholder");

II. disclosure about each Nominee and the Nominating Shareholder required under the rules of the U.S. Securities and Exchange Commission (the "SEC") or other applicable law to be included in the proxy statement;

III. any statement included by the Nominating Shareholder in the Nomination Notice for inclusion in the proxy statement in support of each Nominee's election to the Board of Directors (subject, without limitation, to Section 12(E)(II)), if such statement does not exceed 500 words and fully complies with Section 14 of the Exchange Act and the rules and regulations thereunder, including Rule 14a-9 (the "Supporting Statement"); and

IV. any other information that the Corporation or the Board of Directors determines, in its discretion, to include in the proxy statement relating to the nomination of each Nominee, including, without limitation, any statement in opposition to the nomination, any of the information provided pursuant to this Section and any solicitation materials or related information with respect to a Nominee.

For purposes of this Section 12, any determination to be made by the Board of Directors may be made by the Board of Directors, a committee of the Board of Directors or any officer of the Corporation designated by the Board of Directors or a committee of the Board of Directors, and any such determination shall be final and binding on the Corporation, any Eligible Holder, any Nominating Shareholder, any Nominee and any other person so long as made in good faith (without any further requirements). The chair of the Company's annual meeting of shareholders, in addition to making any other determinations that may be appropriate to the conduct of the meeting, shall have the power and duty to determine whether a Nominee has been nominated in accordance with the requirements of this Section 12 and, if not so nominated, shall direct and declare at the meeting that such Nominee shall not be considered.

(B) *Maximum Number of Nominees*.

I. The Corporation shall not be required to include in the proxy statement for an annual meeting of shareholders more Nominees than that number of Directors that is 20% of the total number of Directors of the Corporation on the last day on which a Nomination Notice may be submitted pursuant to this Section 12 (rounded down to the nearest whole number) (the "Maximum Number"). The Maximum Number for a particular annual meeting of shareholders shall be reduced by: (1) Nominees who the Board of Directors itself decides to nominate for election at such annual meeting of shareholders and (2) the number of incumbent Directors who had been Nominees with respect to any of the preceding two annual meetings of shareholders and whose reelection at the upcoming annual meeting of shareholders is being recommended by the Board of Directors. In the event that one or more vacancies for any reason occurs on the Board of Directors after the deadline for submitting a Nomination Notice as set forth in Section 12(D) below but before the date of the annual meeting of shareholders, and the Board of Directors resolves to reduce the size of the Board of Directors in connection therewith, the Maximum Number shall be calculated based on the number of Directors in office as so reduced.

II. If the number of Nominees pursuant to this Section 12 for any annual meeting of shareholders exceeds the Maximum Number then, promptly upon notice from the Corporation, each Nominating Shareholder will select one Nominee for inclusion in the proxy statement until the Maximum Number is reached, going in order of the amount (largest to smallest) of the ownership position as disclosed in each Nominating Shareholder's Nomination Notice, with the process repeated if the Maximum Number is not reached after each Nominating Shareholder has selected one Nominee. If, after the deadline for submitting a Nomination Notice as set forth in Section 12(D), a Nominating Shareholder or a Nominee ceases to satisfy the eligibility requirements in this Section 12, as determined by the Board of Directors; a Nominating Shareholder withdraws its nomination; or a Nominee becomes unwilling to serve on the Board of Directors, whether before or after the mailing or other distribution of the definitive proxy statement, then the nomination shall be disregarded, and the Corporation: (1) shall not be required to include in its proxy statement or on any ballot or form of proxy the disregarded Nominee or any successor or replacement nominee proposed by the Nominating Shareholder or by any other Nominating Shareholder and (2) may otherwise communicate to its shareholders, including without limitation by amending or supplementing its proxy statement or ballot or form of proxy, that a Nominee will not be included as a nominee in the proxy statement or on any ballot or form of proxy and will not be voted on at the annual meeting of shareholders.

(C) *Eligibility of Nominating Shareholder*.

I. An "Eligible Holder" is a person who has either (1) been a record holder of the Common Shares used to satisfy the eligibility requirements in this Section 12(C) continuously for the three-year period specified in Subsection II below or (2) provides to the Secretary, within the time period referred to in Section 12(D), evidence of continuous ownership of such shares for such three-year period from one or more securities intermediaries in a form that the Board of Directors determines would be deemed acceptable for purposes of a shareholder proposal under Rule 14a-8(b)(2) under the Exchange Act (or any successor rule).

II. An Eligible Holder or group of up to 20 Eligible Holders may submit a nomination in accordance with this Section 12 only if the person or group (in the aggregate) has continuously owned at least the Minimum Number (as defined below) of

Common Shares throughout the three-year period preceding and including the date of submission of the Nomination Notice, and continues to own at least the Minimum Number through the date of the annual meeting of shareholders. Two or more funds that are (x) under common management and investment control, (y) under common management and funded primarily by a single employer or (z) a "group of investment companies," as such term is defined in Section 12(d)(1)(G)(ii) of the Investment Company Act of 1940, as amended, shall be treated as one Eligible Holder if such Eligible Holder shall provide together with the Nomination Notice documentation reasonably satisfactory to the Corporation that demonstrates that the funds meet the criteria set forth in (x), (y) or (z) hereof. For the avoidance of doubt, in the event of a nomination by a group of Eligible Holders, any and all requirements and obligations for an individual Eligible Holder that are set forth in this Section 12, including the minimum holding period, shall apply to each member of such group; provided, however, that the Minimum Number shall apply to the ownership of the group in the aggregate. Should any shareholder cease to satisfy the eligibility requirements in this Section 12, as determined by the Board of Directors, or withdraw from a group constituting a Nominating Shareholder at any time prior to the annual meeting of shareholders, the group constituting the Nominating Shareholder shall only be deemed to own the Common Shares held by the remaining members of the group.

III. The "Minimum Number" of Common Shares means 3% of the number of outstanding Common Shares as of the most recent date for which such amount is given in any filing by the Corporation with the SEC prior to the submission of the Nomination Notice.

IV. For purposes of this Section 12, an Eligible Holder "owns" only those outstanding Common Shares as to which the Eligible Holder possesses both:

(a) the full voting and investment rights pertaining to such Common Shares; and

(b) the full economic interest in (including the opportunity for profit and risk of loss on) such Common Shares;

provided that the number of Common Shares calculated in accordance with the foregoing clauses (a) and (b) shall not include any shares: (1) purchased or sold by such Eligible Holder or any of its affiliates in any transaction that has not been settled or closed, (2) sold short by such Eligible Holder, (3) borrowed by such Eligible Holder or any of its affiliates for any purpose or purchased by such Eligible Holder or any of its affiliates pursuant to an agreement to resell or subject to any other obligation to resell to another person, or (4) subject to any option, warrant, forward contract, swap, contract of sale, other derivative or similar agreement entered into by such Eligible Holder or any of its affiliates, whether any such instrument or agreement is to be settled with shares or with cash based on the notional amount or value of outstanding shares of Common Shares, in any such case which instrument or agreement has, or is intended to have, the purpose or effect of: (x) reducing in any manner, to any extent or at any time in the future, such Eligible Holder's or any of its affiliates' full right to vote or direct the voting of any such Common Shares, and/or (y) hedging, offsetting, or altering to any degree, gain or loss arising from the full economic ownership of such Common Shares by such Eligible Holder or any of its affiliates.

For purposes of this Section 12, an Eligible Holder "owns" Common Shares held in the name of a nominee or other intermediary so long as the Eligible Holder retains the right to instruct how the Common Shares are voted with respect to the election of Directors

and possesses the full economic interest in the Common Shares. An Eligible Holder's ownership of Common Shares shall be deemed to continue during any period in which the Eligible Holder has delegated any voting power by means of a proxy, power of attorney, or other similar instrument or arrangement that is revocable at any time by the Eligible Holder. An Eligible Holder's ownership of Common Shares shall be deemed to continue during any period in which the Eligible Holder has loaned such shares provided that the Eligible Holder has the power to recall such loaned shares on five business days' notice, promptly recalls such loaned shares upon being notified by the Corporation that any of its Nominees will be included in the Corporation's proxy materials and continues to hold such shares through the date of the annual meeting of shareholders. The terms "owned," "owning" and other variations of the word "own" shall have correlative meanings. Whether outstanding Common Shares are "owned" for these purposes shall be determined by the Board.

V. No Eligible Holder shall be permitted to be in more than one group constituting a Nominating Shareholder, and if any Eligible Holder appears as a member of more than one group, it shall be deemed to be a member of the group that has the largest ownership position as reflected in the Nomination Notice.

(D) *Nomination Notice*. To nominate a Nominee, the Nominating Shareholder must, no earlier than 150 calendar days and no later than 120 calendar days before the anniversary of the date that the Corporation mailed its proxy statement for the prior year's annual meeting of shareholders, submit to the Secretary at the principal executive office of the Corporation all of the following information and documents (collectively, the "Nomination Notice"); provided, however, that if (and only if) the annual meeting of shareholders is not scheduled to be held within a period that commences 30 days before such anniversary date and ends 30 days after such anniversary date (an annual meeting date outside such period being referred to herein as an "Other Meeting Date"), the Nomination Notice shall be given in the manner provided herein by the later of the close of business on the date that is 180 days prior to such Other Meeting Date or the tenth day following the date such Other Meeting Date is first publicly announced or disclosed:

I. A Schedule 14N (or any successor form) relating to each Nominee, completed and filed with the SEC by the Nominating Shareholder as applicable, in accordance with SEC rules;

II. A written notice, in a form deemed satisfactory by the Board of Directors, of the nomination of each Nominee that includes the following additional information, agreements, representations and warranties by the Nominating Shareholder (including each group member):

(a) the information required by Article II, Section 11(D) of this Code of Regulations with respect to the nomination of Directors pursuant to paragraph (A) of Article II, Section 11 of this Code of Regulations;

(b) the details of any relationship that existed within the past three years and that would have been described pursuant to Item 6(e) of Schedule 14N (or any successor item) if it existed on the date of submission of the Schedule 14N;

(c) a representation and warranty that the Nominating Shareholder acquired the Common Shares in the ordinary course of business and did not acquire, and is not holding, Common Shares for the purpose or with the effect of influencing or changing control of the Corporation;

(d) a representation and warranty that each Nominee's candidacy or, if elected, Board membership would not violate applicable state or federal law or the rules of any stock exchange on which any of the Corporation's securities are traded;

(e) a representation and warranty that each Nominee:

(i) does not have any direct or indirect relationship with the Corporation that would cause the Nominee to be considered not independent pursuant to the Corporation's Corporate Governance Guidelines and otherwise qualifies as independent under the rules of the primary stock exchange on which the Common Shares are traded;

(ii) meets the audit committee and compensation committee independence requirements under the rules of the primary stock exchange on which the Common Shares are traded;

(iii) is a "non-employee director" for the purposes of Rule 16b-3 under the Exchange Act (or any successor rule); and

(iv) is not and has not been subject to any event specified in Rule 506(d)(1) of Regulation D (or any successor rule) under the Securities Act of 1933 or Item 401(f) of Regulation S-K (or any successor rule) under the Exchange Act, without reference to whether the event is material to an evaluation of the ability or integrity of such Nominee; and

(f) a representation and warranty that the Nominating Shareholder satisfies the eligibility requirements set forth in Section 12(C) and has provided evidence of ownership to the extent required by Section 12(C)I;

(g) a representation and warranty that the Nominating Shareholder intends to continue to satisfy the eligibility requirements described in Section 12(C) through the date of the annual meeting of shareholders;

(h) the details of any position of a Nominee as an officer or director of any competitor (that is, any entity that produces products or provides services that compete with or are alternatives to the products produced or services provided by the Corporation or its affiliates) of the Corporation, within the three years preceding the submission of the Nomination Notice;

(i) the details of any compensatory, payment or other financial agreement, arrangement or understanding with any person or entity in connection with service or action as a Director of the Corporation and details of any agreement, arrangement or understanding with any person or entity as to how such Nominee would vote or act on any issue or question as a Director (a "Voting Commitment");

(j) a statement detailing whether the Nominee is experienced in matters of risk management for purposes of Regulation YY of the Federal Reserve Board;

(k) a representation and warranty that the Nominating Shareholder will not engage in a "solicitation" within the meaning of Rule 14a-1(l) (without

reference to the exception in Section 14a-1(l)(2)(iv)) (or any successor rules) with respect to the annual meeting of shareholders, other than with respect to a Nominee or any nominee of the Board;

(l) a representation and warranty that the Nominating Shareholder will not use any proxy card other than the Corporation's proxy card in soliciting shareholders in connection with the election of a Nominee at the annual meeting of shareholders;

(m) if desired, a Supporting Statement; and

(n) in the case of a nomination by a group of Nominating Shareholders, the designation by all group members of one group member that is authorized to act on behalf of all group members with respect to matters relating to the nomination, including withdrawal of the nomination.

III. An executed agreement, in a form deemed satisfactory by the Board of Directors, pursuant to which the Nominating Shareholder (including each group member) agrees:

(a) to comply with all applicable laws, rules and regulations in connection with the nomination, solicitation and election;

(b) to file any written solicitation or other communication with the Corporation's shareholders relating to one or more of the Corporation's Directors or Director nominees or any Nominee with the SEC, regardless of whether any such filing is required under rule or regulation or whether any exemption from filing is available for such materials under any rule or regulation;

(c) to assume all liability stemming from an action, suit or proceeding concerning any actual or alleged legal or regulatory violation arising out of any communication by the Nominating Shareholder or any of its Nominees with the Corporation, its shareholders or any other person in connection with the nomination or election of Directors, including, without limitation, the Nomination Notice;

(d) jointly with all other group members, if any, to indemnify and hold harmless the Corporation and each of its Directors, officers and employees individually against any liability, loss, damages, expenses or other costs (including attorneys' fees) incurred in connection with any threatened or pending action, suit or proceeding, whether legal, administrative or investigative, against the Corporation or any of its Directors, officers or employees arising out of or relating to a failure or alleged failure of the Nominating Shareholder or any of its Nominees to comply with, or any breach or alleged breach of, its or their obligations, agreements or representations under this Section 12; and

(e) in the event that any information included in the Nomination Notice, or any other communication by the Nominating Shareholder (including with respect to any group member), with the Corporation, its shareholders or any other person in connection with the nomination or election ceases to be true and accurate in all material respects (or omits a material fact necessary to make the statements made not misleading), or that the Nominating Shareholder (including any group member) has failed to continue to satisfy the eligibility requirements described in Section 12(C), to promptly (and in any event within 48 hours of

discovering such misstatement, omission or failure) notify the Corporation and any other recipient of such communication of (A) the misstatement or omission in such previously provided information and of the information that is required to correct the misstatement or omission or (B) such failure; and

IV. An executed agreement, in a form deemed satisfactory by the Board of Directors, by each Nominee:

(a) to provide to the Corporation such other information and certifications, including completion of the Corporation's director questionnaire, as it may reasonably request;

(b) at the reasonable request of the Nominating and Corporate Governance Committee of the Corporation's Board of Directors (or any successor committee with equivalent duties), to meet with the Nominating and Corporate Governance Committee to discuss matters relating to the nomination of such Nominee to the Board of Directors, including the information provided by such Nominee to the Corporation in connection with the Nominee's nomination and such Nominee's eligibility to serve as a Director;

(c) that such Nominee has read and agrees, if elected, to serve as a Director, to adhere to the Corporation's Code of Business Conduct and Ethics, Enterprise Insider Trading and Ethical Investing Policy, Corporate Governance Guidelines and any other rule, regulation, policy or standard of conduct applicable to Directors; and

(d) that such Nominee is not and will not become a party to (i) any compensatory, payment or other financial agreement, arrangement or understanding with any person or entity in connection with such Nominee's nomination, service or action as a Director of the Corporation that has not been disclosed to the Corporation, (ii) any Voting Commitment that has not been disclosed to the Corporation or (iii) any Voting Commitment that could limit or interfere with such Nominee's ability to comply, if elected as a Director, with the fiduciary duties of a Director under applicable law.

The information and documents required by this Section 12(D) to be provided by the Nominating Shareholder shall be: (i) provided with respect to and executed by each group member, in the case of information applicable to group members; and (ii) provided with respect to the persons specified in Instruction 1 to Items 6(c) and (d) of Schedule 14N (or any successor item) in the case of a Nominating Shareholder or group member that is an entity. The Nomination Notice shall be deemed submitted on the date on which all the information and documents referred to in this Section 12(D) (other than such information and documents contemplated to be provided after the date the Nomination Notice is provided) have been delivered to or, if sent by mail, received by the Secretary.

(E) *Exceptions*.

I. Notwithstanding anything to the contrary contained in this Section 12, the Corporation may omit from its proxy statement any Nominee and any information concerning such Nominee (including a Nominating Shareholder's Supporting Statement) and no vote on such Nominee will occur (notwithstanding that proxies in respect of such vote may have been received by the Corporation), and the Nominating Shareholder may not, after the last day on which a Nomination Notice would be timely, cure in any way any defect preventing the nomination of such Nominee, if:

(a) the Corporation receives a notice pursuant to paragraph (A) of Article II, Section 11 of this Code of Regulations that a shareholder intends to nominate a candidate for Director at the annual meeting of shareholders, whether or not such notice is subsequently withdrawn or made the subject of a settlement with the Corporation;

(b) the Nominating Shareholder or the designated lead group member, as applicable, or any qualified representative thereof, does not appear at the annual meeting of shareholders to present the nomination submitted pursuant to this Section 12; the Nominating Shareholder withdraws its nomination; or the chair of the annual meeting of shareholders declares that such nomination was not made in accordance with the procedures prescribed by this Section 12 and shall therefore be disregarded;

(c) the Board of Directors determines that such Nominee's nomination or election as a Director would result in the Corporation violating or failing to be in compliance with this Code of Regulations or the Corporation's Articles of Incorporation or any applicable law, rule or regulation to which the Corporation is subject, including any rules or regulations of the primary stock exchange on which the Common Shares are traded;

(d) (1) such Nominee has been, within the past three years, an officer or director of a competitor, as defined for purposes of Section 12 of the Clayton Antitrust Act of 1914, as amended; (2) the Nominee's election as a Director would cause the Corporation to seek, or assist in the seeking of, advance approval or to obtain, or assist in the obtaining of, an interlock waiver pursuant to the rules or regulations of the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Ohio Division of Financial Institutions or any other federal or state regulator; or (3) the Nominee is a director, trustee, officer or employee with management functions for any depository institution, depository institution holding company or entity that has been designated as a Systemically Important Financial Institution, each as defined in the Depository Institution Management Interlocks Act; provided, however, that this clause (3) shall apply only so long as the Corporation is subject to compliance with Section 14 of the Todd-Frank Wall Street Reform and Consumer Protection Act; or

(e) the Corporation is notified, or the Board of Directors determines, that the Nominating Shareholder or the Nominee has failed to continue to satisfy the eligibility requirements described in Section 12(C); any of the representations and warranties made in the Nomination Notice ceases to be true and accurate in all material respects (or omits a material fact necessary to make the statements made not misleading); such Nominee becomes unwilling or unable to serve on the Board of Directors; or any material violation or breach occurs of the obligations, agreements, representations or warranties of the Nominating Shareholder or such Nominee under this Section 12.

II. Notwithstanding anything to the contrary contained in this Section 12, the Corporation may omit from its proxy statement, or may supplement or correct, any information, including all or any portion of the Supporting Statement or any other statement in support of a Nominee included in the Nomination Notice, if the Board of Directors determines that:

(a) such information is not true in all material respects or omits a material statement necessary to make the statements made not misleading;

(b) such information directly or indirectly impugns the character, integrity or personal reputation of, or directly or indirectly makes charges concerning improper, illegal or immoral conduct or associations, without factual foundation, with respect to, any person; or

(c) the inclusion of such information in the proxy statement would otherwise violate the SEC proxy rules or any other applicable law, rule or regulation.

The Corporation may solicit against, and include in the proxy statement its own statement relating to, any Nominee.

Section 13. **Vote of Shareholders.** Except as otherwise permitted by law or by the Articles of Incorporation, all action by shareholders shall be taken at a meeting of the shareholders. Every shareholder of record as determined pursuant to Section 8 of this Article II and who is entitled to vote, shall be entitled at every meeting of the shareholders to the number of votes for every share standing in the shareholder's name on the books of the Corporation specified in the express terms of such shares. Every shareholder entitled to vote shall have the right to vote in person or by proxy duly appointed by an instrument in writing subscribed by such shareholder or a verifiable communication authorized by such shareholder and executed or authorized not more than eleven (11) months prior to the meeting, unless the instrument or verifiable communication provides for a longer period. Any transmission that creates a record capable of authentication, including, but not limited to, a telegram, a cablegram, electronic mail, or an electronic, telephonic, or other transmission, that appears to have been transmitted by a shareholder entitled to vote, and that appoints a proxy is a sufficient verifiable communication to appoint a proxy. A photographic, photostatic, facsimile transmission, or equivalent reproduction of a writing that is signed by a shareholder entitled to vote and that appoints a proxy is a sufficient writing to appoint a proxy. Except as otherwise provided by law or by the Articles of Incorporation, no vote on any question upon which a vote of the shareholders may be taken need be by ballot unless the chair of the meeting shall determine that it shall be by ballot or the holders of a majority of the voting power of the Corporation present in person or by proxy and entitled to participate in such vote shall so demand. In a vote by ballot each ballot shall state the number of shares of each class or series voted and name of the shareholder or proxy voting. All elections of directors shall be by vote of the shareholders entitled to vote thereon as specified in Article Eighth of the Corporation's Articles of Incorporation, as may be amended from time to time, except as otherwise provided by law, or by Section 14 of Article III hereof. All other questions shall be decided by the affirmative vote of the holders of shares entitling them to exercise at least a majority of the voting power of the Corporation present in person or by proxy at the meeting and entitled to vote on the question.

Section 14. **Attendance at a Meeting of the Shareholders.** Any shareholder of the Corporation who is not entitled to notice of, or to vote at, a meeting of shareholders of the Corporation may nevertheless attend any such meeting upon receipt of a written invitation from the Board of Directors of the Corporation.

Section 15. **Participation in a Meeting of the Shareholders by Means of Communications Equipment.** The Board of Directors may authorize shareholders of the Corporation and the proxyholders of such shareholders who are not physically present at a meeting of shareholders to attend the meeting by use of communications equipment that enables the shareholder or proxyholder an opportunity to participate in the meeting and to vote on matters submitted to the shareholders, including an opportunity to read or hear the proceedings of

the meeting and to speak or otherwise participate in the proceedings contemporaneously with those physically present, if any. Any shareholder using communications equipment will be deemed present in person at the meeting whether the meeting is to be held at a designated place or solely by means of communications equipment. The Board of Directors may adopt guidelines and procedures for the use of communications equipment in connection with a meeting of shareholders to permit the Corporation to verify that a person is a shareholder of the Corporation or the proxyholder of such a shareholder and to maintain a record of any vote or other action.

## ARTICLE III.

## BOARD OF DIRECTORS

Section 1. **Election and Term.** Except as otherwise provided by law or by the Articles of Incorporation, and subject to the provisions of Sections 12, 13 and 14 of this Article III, Directors shall be elected at the annual meeting of shareholders to serve until the next annual meeting of shareholders and until their successors are elected and qualify.

Section 2. **Number.** The Board of Directors shall be composed of fifteen (15) persons unless this number is changed by: (1) the holders of shares entitling them to exercise a majority of the voting power of the Corporation that is represented at the meeting and entitled to vote on the proposal, or (2) the vote of a majority of the Directors in office. The Directors may increase the number to not more than thirty (30) persons and may decrease the number to not less than ten (10) persons. Any Director's office created by the Directors by reason of an increase in their number may be filled by action of majority of the Directors in office.

Section 3. **General Powers.** The Board of Directors may exercise all the powers of the Corporation and do all lawful acts and things which are not reserved to the shareholders by law, by the Articles of Incorporation or by this Code of Regulations. Specifically, the business, properties and affairs of the Corporation shall be managed by the Board of Directors, which without limiting the generality of the foregoing, shall have power to elect and appoint the officers of the Corporation, to appoint and direct agents, to grant general or limited authority to officers, employees and agents of the Corporation to make, execute and deliver contracts and other instruments and documents in the name and on behalf of the Corporation, without specific authority in each case, and to appoint committees, the membership of which may consist of such persons as may be designated by the Board of Directors whether or not any of such persons is then a Director of the Corporation, and which committees so appointed may advise the Board of Directors with respect to any matters relating to the conduct of the Corporation's business.

Section 4. **Place of Meeting.** Meetings of the Board of Directors may be held at any place, within or without the State of Ohio, from time to time designated by the Board of Directors, or may be held through any communications equipment if all persons participating can hear each other (and any such participation shall constitute presence at the meeting).

Section 5. **Organization Meeting.** A newly elected Board of Directors shall meet and organize as soon as practicable after each annual meeting of shareholders, at the place at which such meeting of shareholders took place or through communications equipment as provided in Section 4 of this Article III, without notice of such meeting, provided a majority of the whole of the Board of Directors is present. If such a majority is not present, such organizational meeting may be held at any other time or place which may be specified in a notice given in the manner provided in Section 7 of this Article III for special meetings of the Board of Directors, or in a waiver of notice thereof.

Section 6. **Regular Meetings.** Regular meetings of the Board of Directors shall be held at such times as may be determined by resolution of the Board of Directors and no notice shall be required for any regular meeting. Except as otherwise provide by law, any business may be transacted at any regular meeting of the Board of Directors.

Section 7. **Special Meetings; Notice and Waiver of Notice.** Special meetings of the Board of Directors shall be called by the Secretary on the request of the Chair of the Board, if one be elected, or of the Vice Chair, if one be elected, or of the lead Director of the Board of Directors (the "Lead Director"), if one be elected, or in their absence, of the President, any Vice President, or of any five Directors stating the purpose or purposes of such meeting. Notice of any special meeting shall be in form approved by the officer requesting, or if the meeting is called pursuant to the request of five Directors, and there shall be a failure to approve the form of notice as aforesaid, then in form approved by such Directors. Notices of special meetings shall be mailed to each Director, addressed to the Director at such Director's residence or usual place of business, not later than seven (7) days before the day on which the meeting is to be held, or shall be sent to the Director at such place by telegraph, cablegram, overnight delivery service, personal delivery or any other means of communication authorized by the director, not later than two (2) days before such day of meeting. Notice of any meeting of the Board of Directors need not be given to any Director if such Director shall sign a written waiver thereof either before or after the time stated therein, or if such Director shall be present at the meeting and not prior to or at the commencement of the meeting protest the lack of proper notice; and any meeting of the Board of Directors shall be a legal meeting without any notice thereof having been given, if all the Directors shall be present thereat. Unless limited by law, by the Articles of Incorporation, by the Code of Regulations, or by the terms of the notice thereof, any and all business may be transacted at any special meeting.

Section 8. **Organization.** The Chair of the Board, if the Chair be elected, the Lead Director, in the absence of the Chair, or the Vice Chair, if the Vice Chair be elected, in the absence of the Chair of the Board or the Lead Director, shall preside at all meetings of the Board of Directors. If the Chair of the Board, the Lead Director, and the Vice Chair shall all be absent from any meeting of the Board of Directors, the duties otherwise provided in this Section 8 of Article III to be performed by such officer at such meeting shall be performed at such meeting by the officer prescribed by Article VI hereof. If no such officer is present at such meeting, one of the Directors present shall be chosen by the Directors present to preside at such meeting. The Secretary of the Corporation shall act as the secretary at all meetings of the Board of Directors but in the absence of the Secretary, the chair of the meeting may appoint any person present to act as secretary of the meeting.

Section 9. **Quorum and Manner of Acting.** Except as otherwise provided, at every meeting of the Board of Directors one-third (1/3) of the total number of Directors shall constitute a quorum. Except as otherwise provided by law, or by this Code of Regulations, the act of a majority of the Directors present at any such meeting at which a quorum is present shall be the act of the Board of Directors. In the absence of a quorum, a majority of the Directors present may adjourn any meeting, from time to time, until a quorum is present. No notice of any adjourned meeting need be given other than by announcement at the meeting that is being adjourned.

Section 10. **Voting.** On any question on which the Board of Directors shall vote, the names of those voting and their votes shall be entered in the minutes of the meeting when any member of the Board of Directors so requests.

Section 11. **Action Without a Meeting.** Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if prior to such action a written consent thereto is signed by all of the Directors or all of

the members of such committee, as the case may be, and such written consent is filed with the minutes of proceedings of the Board of Directors or the committee.

Section 12. **Resignations.** Any Director may resign at any time either by oral tender of resignation at any meeting of the Board of Directors or by such tender to the Chair of the Board or the President or by giving written notice thereof to the Corporation. Any resignation shall be effective immediately, unless otherwise specified therein for it to take effect. Acceptance of any resignation shall not be necessary to make it effective, unless such resignation is tendered expressly subject to acceptance.

Section 13. **Removal of Directors.** Except as otherwise provided by the Articles of Incorporation, no Director shall be removed, without cause, during such Director's term of office. Any Director may be removed, for cause, at any time, by action of the holders of record of majority of the voting power of the Corporation entitled to elect Directors in place of those removed at a meeting of the holders of such shares, and the vacancy in the Board of Directors caused by any such removal may be filled by action of such shareholders at such meeting or at any subsequent meeting.

Section 14. **Filling of Vacancies Not Caused by Removal.** Expect as otherwise provided by law or except as otherwise provided by the Articles of Incorporation, in case of any increase in the number of Directors, or of any vacancy created by death, resignation or otherwise, the additional Director or Directors may be elected, or, as the case may be, the vacancy or vacancies may be filled either (a) by the Board of Directors at any meeting by affirmative vote of a majority of the remaining Directors though the remaining Directors be less than the quorum provided for by this Article III, or (b) by the vote of the shareholders entitled to vote thereon, either at an annual meeting of shareholders or at a special meeting of such holders called for the purpose, as specified in Article Eighth of the Corporation's Articles of Incorporation, as may be amended from time to time. The Directors so chosen shall hold office until the next annual meeting of shareholders and until their successors are elected and qualify.

Section 15. **Director's Compensation.** Each Director shall be entitled to reimbursement for the expense incurred in attending meetings or otherwise incurred in connection with the Director's attention to the business of the Corporation. Each Director, for the Director's services, as a Director and as a member of any committee of the Board of Directors, shall also be entitled to receive such compensation as the Board of Directors shall from time to time fix. Such compensation may be a salary or a fee for attendance at a meeting of the Board of Directors or both.

Section 16. **Transactions by Directors.** A Director shall not be disqualified from dealing or contracting with the Corporation as vendor, purchaser, employee, agent or otherwise; nor shall any transaction or contract or act of the Corporation be void or voidable or in any way affected or invalidated by the fact that any Director or any firm of which any Director is a member or any corporation of which any Director is a shareholder, director, officer or employee is in any way interested in such transaction or contract or act, provided the fact that such Director or such firm or such corporation is so interested shall be disclosed or shall be known to the Board of Directors or such Directors as shall be present at any meeting of the Board of Directors at which action upon any such contract or transaction or act shall be taken; nor shall any such Director be accountable or responsible to the Corporation for or in respect to any such transaction or contract or act of the Corporation or for any gains or profits realized by such Director by reason of the fact that such Director or any firm of which such Director is a member or any corporation of which such Director is a shareholder, director or officer is interested in such transaction or contract or act; and any such Director may be counted in determining the existence of a quorum at any meeting of the Board of Directors of the Corporation which shall authorize or take action in respect to any such contract, or transaction, or act, including the

establishment of and payment of compensation to such Director and may vote to authorize, ratify, or approve any such contract or transaction or act, including the establishment of and payment of compensation to such Director, with like force and effect as if such Director or any firm of which such Director is a member, or any corporation of which such Director is a shareholder, director or officer were not interested in such transaction or contract or act or compensation.

Section 17. **Indemnification.** The Corporation shall indemnify, to the full extent permitted or authorized by applicable law, as it may from time to time be amended, any person made or threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative, by reason of the fact that he or she is or was a director, officer, or employee of the Corporation, or is or was serving at the request of the Corporation as a director, trustee, officer, or employee of a bank, other corporation, partnership, joint venture, trust, or other enterprise. In the case of a merger into the Corporation of a constituent corporation which, if its separate existence had continued, would have been required to indemnify directors, officers, or employees in specified situations prior to the merger, any person who served as a director, officer, or employee of the constituent corporation, or served at the request of the constituent corporation as a director, trustee, officer, or employee of a bank, other corporation, partnership, joint venture, trust, or other enterprise, shall be entitled to indemnification by the Corporation (as the surviving corporation) for acts, omissions, or other events or occurrences prior to the merger to the same extent as such person would have been entitled to indemnification by the constituent corporation if its separate existence had continued. The indemnification provided by this Section shall not be deemed exclusive of any other rights to which any person seeking indemnification may be entitled under the Articles of Incorporation or this Code of Regulations, or any agreement, vote of shareholders or disinterested directors, or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, trustee, officer, or employee and shall inure to the benefit of the heirs, executors, and administrators of such a person.

Section 18. **Advancement of Expenses.** To the extent permitted by applicable law, expenses (including attorneys' fees) incurred by a director subject to Section 17 in defending any action, suit or proceeding referred to in Section 17 shall be paid by the Corporation as incurred, in advance of the final disposition of such action, suit or proceeding, upon receipt by the Corporation of an undertaking by or on behalf of such director that satisfies the conditions for such advancement under Ohio law. To the extent permitted by applicable law, liabilities and expenses (including attorneys' fees) incurred by any person subject to Section 17 other than a director in defending any action, suit or proceeding referred to in Section 17 may be paid by the Corporation as incurred, in advance of the final disposition of such action, suit or proceeding, if and to the extent so determined by the Board of Directors (including pursuant to policies adopted from time to time by the Board of Directors), subject to compliance by such person with the applicable conditions for such advancement under Ohio law and any other conditions determined by the Board of Directors.

## ARTICLE IV

## EXECUTIVE COMMITTEE

Section 1. **Constitution and Powers.** The Board of Directors may appoint an Executive Committee, which shall have and may exercise, during the intervals between the meetings of the Board of Directors, all the powers of the Board of Directors in the management of the business, properties and affairs of the Corporation, including authority to take all action provided in this Code of Regulations to be taken by the Board of Directors; provided, however, that the foregoing

is subject to the applicable provisions of law and shall not be construed as authorizing action by the Executive Committee with respect to any action which pursuant to Section 14(a) of Article III, this Section 1, and Section 8 of this Article IV, Section 1 of Article V and Section 3 and Section 6 of Article VI, is required to be taken by vote of a specified proportion of the whole Board of Directors, or as authorizing the Executive Committee to declare any dividend. The Executive Committee shall consist of such number of Directors as may from time to time be designated by the Board of Directors, but shall not be less than three (3) nor more than seven (7) directors. So far as practicable, the members and alternate members of the Executive Committee shall be appointed at the organization meeting of the Board of Directors in each year, and unless sooner discharged by affirmative vote of a majority of the whole Board of Directors, shall hold office until the next annual meeting of the shareholders and until their respective successors are appointed. All acts done and powers conferred by the Executive Committee shall be deemed to be and may be certified as being, done or conferred under authority of the Board of Directors.

Section 2. **Place of Meeting.** Meetings of the Executive Committee may be held at any place, within or without the State of Ohio, from time to time designated by the Board of Directors or the Executive Committee, or may be held through any communications equipment if all persons participating can hear each other (and any such participation shall constitute presence at the meeting). The Board of Directors may also appoint one or more Directors as alternate members of such Committee.

Section 3. **Meetings; Notice and Waiver of Notice.** Regular meetings of the Executive Committee shall be held at such times as may be determined by resolution either of the Board of Directors or the Executive Committee, and no notice shall be required for any regular meeting. Special meetings of the Executive Committee shall be called by the Secretary upon the request of any member thereof. Notice of any special meeting of the Executive Committee shall be in form approved by the Chair of the Executive Committee, or if the meeting is called pursuant to the request of some other member of the Executive Committee and there shall be a failure to approve the form of notice as aforesaid, then in the form approved by such member. Notice of special meetings shall be mailed to each member, addressed to such member's residence or usual place of business, not later than two (2) days before the day on which the meeting is to be held, or shall be sent to the Director at such place by telegraph, cablegram, overnight delivery service, personal delivery or any other means of communication authorized by the director, not later than the day before such day of meeting. Notices of such meeting need not be to any member of the Executive Committee, however, if waived by such member as provided in Section 7 of Article III, the provisions of such Section 7 with respect to waiver of notice of meetings of the Board of Directors applying to meetings of the Executive Committee as well.

Section 4. **Organization.** The Chair of the Executive Committee shall be elected by the Board of Directors and shall preside at all meetings of the Executive Committee at which the Chair is present. In the absence of the Chair of the Executive Committee, one of the members present shall be chosen by the members of the Executive Committee present to preside at such meeting. The Chair of the Executive Committee shall designate a member of said Committee to act as secretary at all meetings of the Executive Committee and in the Chair's absence a temporary secretary shall be appointed by the chair of the meeting.

Section 5. **Quorum and Manner of Acting.** A majority of the members of the Executive Committee shall constitute a quorum for the transaction of business, and the act of a majority of those present at any meeting at which a quorum is present, shall be the act of the Executive Committee. In the absence of a quorum, a majority of the members of the Executive Committee present may adjourn any meeting, from time to time, until a quorum is present. No notice of any adjourned meeting need be given other than by announcement at the meeting that is being adjourned. The provisions of Section 11 of Article III with respect to action taken by a

committee of the Board of Directors without a meeting shall apply to action taken by the Executive Committee.

Section 6. **Voting.** On any question on which the Executive Committee shall vote, the names of those voting and their votes shall be entered in the minutes of the meeting when any member of the Executive Committee so requests.

Section 7. **Records.** The Executive Committee shall keep minutes of its acts and proceedings which shall be submitted at the next regular meeting of the Board of Directors, and any action taken by the Board of Directors with respect thereto shall be entered in the minutes of the Board of Directors.

Section 8. **Vacancies.** Any vacancy among the appointed members of the Executive Committee may be filled by affirmative vote of a majority of the whole Board of Directors.

## ARTICLE V.

## OTHER COMMITTEES

Section 1. **Appointing Other Committees.** The Board of Directors may from time to time by resolution adopted by affirmative vote of a majority of the whole Board of Directors, appoint other committees of the Board of Directors which shall have such powers and duties as the Board of Directors may properly determine. No such other committee of the Board of Directors shall be composed of fewer than three (3) directors.

Section 2. **Time and Place of Meetings; Manner of Acting; Notice and Waiver of Notice.** Meetings of such committees of the Board of Directors may be held at any place, within or without the State of Ohio, from time to time designated by the Board of Directors, or the committee in question, or may be held through any communications equipment if all persons participating can hear each other (and any such participation shall constitute presence at the meeting). Regular meetings of any such committee shall be held at such times as may be determined by resolution of the Board of Directors, or the committee and no notice shall be required for any regular meeting. A special meeting of any such committee shall be called by resolution of the Board of Directors, or by its Secretary upon request of any member of the committee. The provisions of Section 3 of Article IV with respect to notice and waiver of notice of special meetings of the Executive Committee shall also apply to all special meetings of other committees of the Board of Directors. Any such committee may make rules for holding and conducting its meetings and shall keep minutes thereof. The provisions of Section 11 of Article III with respect to action taken by a committee of the Board of Directors without a meeting shall apply to action taken by any such committee.

## ARTICLE VI.

## THE OFFICERS

Section 1. **Officers.** The elected officers of the Corporation shall be a Chair of the Board (if desired), a Vice Chair (if desired), a President, one or more Vice Presidents, a Secretary and a Treasurer. The elected officers shall be elected by the Board of Directors. The Chair and the Vice Chair (if desired) shall be selected from the Directors. The Board of Directors may also appoint one or more Assistant Vice Presidents, Assistant Secretaries, Assistant Treasurers and such other officers and agents as in their judgment the business of the Corporation may require.

Section 2. **Terms of Office; Vacancies.** So far as is practicable, all elected officers shall be elected at the organization meeting of the Board of Directors in each year, and, except as otherwise provided in this Article VI, shall hold office until the organization meeting of the Board of Directors in the next subsequent year and until their respective successors are elected and qualify, provided, however, that this Section 2 shall not be deemed to create any contract rights in such offices. All other officers hold office during the pleasure of the Board of Directors. If any vacancy shall occur in any office, the Board of Directors may elect or appoint a successor to fill such vacancy for the remainder of the term.

Section 3. **Removal of Elected Officers.** Any elected officer may be removed at any time, either for or without cause, by affirmative vote of a majority of the whole Board of Directors, at any regular meeting or at any special meeting called for the purpose.

Section 4. **Resignations.** Any officer may resign at any time, either by oral tender or resignation to the Chair of the Board or the President or by giving written notice thereof to the Corporation. Any resignation shall be effective immediately unless a date certain is specified for it to take effect and acceptance of any resignation shall not be necessary to make it effective unless such resignation is tendered subject to such acceptance.

Section 5. **Officers Holding More than One Office.** Any officer may hold two or more offices the duties of which can be consistently performed by the same person.

Section 6. **Chief Executive Officer.** The Chief Executive Officer of the Corporation shall be so designated from time to time by vote of a majority of the whole Board of Directors. Subject to the direction and control of the Executive Committee and the Board of Directors, the Chief Executive Officer shall have general and active management of the business and affairs of the Corporation, and shall have the responsibility for having all orders of the Executive Committee and the Board of Directors carried into effect. The Chief Executive Officer shall have general authority to execute bonds, deeds and contracts in the name and on behalf of the Corporation, and in general to exercise all the power generally appertaining to the chief executive officer of a corporation. In the absence of the Chief Executive Officer, the Chief Executive Officer's duties shall be performed, and the powers of the Chief Executive Officer may be exercised, by the persons so designated by vote of a majority of the whole Board of Directors.

Section 7. **The Chair of the Board, the Vice Chair, the President and Vice Presidents.** The Chair of the Board, the Vice Chair, the President and Vice President (or Vice Presidents) shall perform such duties and have such powers as may from time to time be assigned to them by the Board of Directors or the Executive Committee.

Section 8. **The Secretary.** The Secretary shall attend to the giving of notice of all meetings of shareholders, shall keep minutes of all proceedings at meetings of the shareholders, and the Board of Directors, and shall perform such other duties as assigned to the Secretary by the Board of Directors or the Executive Committee.

Section 9. **The Treasurer.** The Treasurer shall have the care and custody of all the funds of the Corporation and shall deposit the same in such banks or other depositories as the Board of Directors, or any officer or officers, or any officer and agent jointly, thereunto duly authorized by the Board of Directors shall, from time to time, direct or approve. The Treasurer shall keep a full and accurate account of all moneys received and paid on account of the Corporation, and shall render a statement of accounts whenever the Board of Directors shall require. The Treasurer shall perform all other necessary acts and duties in connection with administration of the financial affairs of the Corporation, and shall generally perform all the duties usually appertaining to the affairs of the treasurer of a corporation, including specifically

the duty of supervising and causing the timely filing of all federal, state and municipal tax reports and returns and the timely payment of all taxes due to or withheld for such federal, state or local governments. When required by the Board of Directors, the Treasurer shall give bonds for the faithful discharge of the Treasurer's duties in such and with such sureties as the Board of Directors shall approve. In the absence of the Treasurer, such person as shall be designated by the Chief Executive Officer shall perform the Treasurer's duties.

Section 10. **Additional Powers and Duties.** In addition to the foregoing especially enumerated duties and powers, the several officers of the Corporation shall perform such other duties and exercise such further powers as the Board of Directors may, from time to time, determine, or as may be assigned to them by any superior officer.

Section 11. **Compensation.** The compensation of all officers and directors of the Corporation shall be fixed by the Board of Directors. The compensation of all other employees and agents of the Corporation shall be fixed by the Chief Executive Officer or by such person or persons as shall be designated by the Chief Executive Officer.

## ARTICLE VII.

## SHARES AND TRANSFERS OF SHARES

Section 1. **Uncertificated Shares; Share Certificates.** To the extent permitted by applicable law and unless otherwise provided by the Corporation's Articles of Incorporation, the Board of Directors may provide by resolution that some or all of any or all classes and series of shares of the Corporation shall be issued in uncertificated form pursuant to customary arrangements for issuing shares in such uncertificated form. Any such resolution shall not apply to shares then represented by a certificate until such certificate is surrendered to the Corporation, nor shall such a resolution apply to a certificated share issued in exchange for an uncertificated share. Within a reasonable time after the issuance or transfer of uncertificated shares, the Corporation shall send to the registered owner of the shares a written notice containing the information required to be set forth or stated on certificates pursuant to applicable law. Notwithstanding the foregoing, upon the written request of a holder of shares of the Corporation delivered to the Secretary of the Corporation, such holder is entitled to receive one or more certificates representing the shares of the Corporation held by such holder. Any such certificate shall be signed by the Chair of the Board, the President or a Vice President and the Secretary or Treasurer or an Assistant Secretary, and sealed with the seal of the Corporation. Such signatures and/or seal may be a facsimile, engraved or printed. In case any such officer who has signed any such certificate shall have ceased to be such officer before such certificate is delivered by the Corporation, it may nevertheless be issued and delivered by the Corporation with the same effect as if such officer had not ceased to be such at the date of its delivery. Any certificate representing the shares of the Corporation shall be in such form as shall be approved by the Board of Directors and shall conform to the requirements of the laws of the State of Ohio.

Section 2. **Transfer of Shares.** Transfers of uncertificated shares shall be made on the books of the Corporation only by the holder thereof in person or by attorney upon presentment of proper evidence of succession, assignation or authority to transfer in accordance with customary procedures for transferring shares in uncertificated form. Transfers of certificated shares shall be made on the books of the Corporation only by the person named in the certificate, or by an attorney lawfully constituted in writing, and upon surrender and cancellation of a certificate or certificates for a like number of shares of the same class or series, with duly executed assignment and power of transfer endorsed thereon or attached thereto, and with such proof of the authenticity of the signatures as the Corporation or its agents may reasonably require. No

transfer of shares shall be valid until such transfer shall have been made upon the books of the Corporation.

Section 3. **Lost Certificates.** In case any certificate representing shares shall be lost, stolen or destroyed, the Board of Directors, in its discretion, or any officer or officers thereunto duly authorized by the Board of Directors, may authorize the issue of a substitute certificate or substitute shares in uncertificated form in the place of the certificate so lost, stolen or destroyed; provided, however, that in each such case, the applicant for a substitute certificate or substitute shares in uncertificated form shall furnish to the Corporation evidence to the Corporation, which determines in its discretion is satisfactory, of the loss, theft, or destruction of such certificate and of the ownership thereof, and also such security or indemnity as may be required.

Section 4. **Determination of Shareholders of Record for Certain Purposes.** The Board of Directors may fix a date, not exceeding thirty (30) days preceding the date for the payment of any dividend, or the date for the allotment of rights, or the date when any change or conversion or exchange of shares shall go into effect, as a record date for the determination of the shareholders entitled to receive payment of any such dividend, or to any such allotment of rights, or to exercise the rights in respect of any such change, conversion or exchange of its shares, and in such case only shareholders of record on the date so fixed shall be entitled to receive payment of such dividend, or to receive such allotment of rights, or to exercise such rights, notwithstanding any transfer books of the Corporation for a period not exceeding thirty (30) days prior to the date for the payment of any such dividend or the date for the allotment of any such rights or the date when any such change or conversion or exchange of shares shall go into effect.

## ATICLE VIII.

## CORPORATE SEAL

Section 1. **Seal.** The seal of the Corporation shall be in the form of a circle, and shall bear the name of the Corporation and the state of "Ohio" and in the center of the circle the word "Seal."

Section 2. **Affixing and Attesting.** The seal of the Corporation shall be in the custody of the Secretary, who shall have the power to affix it to the proper corporate instruments and documents, and who shall attest it. In the Secretary's absence, it may be affixed and attested by an Assistant Secretary or by the Treasurer, or an Assistant Treasurer, or by any other person or persons as may be designated by the Board of Directors.

## ARTICLE IX.

## MISCELLANEOUS

Section 1. **Fiscal Year.** The fiscal year of the Corporation shall end on the 31st day of December in each year and the succeeding fiscal year shall begin the 1st day of January next succeeding the last day of the preceding fiscal year.

Section 2. **Signatures on Negotiable Instruments.** All bills, notes, checks or other instruments for the payment of money shall be signed or countersigned by such officers or agents and in such manner as, from time to time, may be prescribed by resolution (whether general or special) of the Board of Directors.

Section 3. **References to Article and Section Numbers and to the Code of Regulations and Articles of Incorporation.** Whenever in this Code of Regulations reference is made to an Article or Section number, such reference is to the number of an Article or Section of this Code of Regulations. Whenever in this Code of Regulations reference is made to Code of Regulations such reference is to this Code of Regulations as the same may from time to time be amended, and whenever reference is made to the Articles of Incorporation, such reference is to the Articles of Incorporation of the Corporation as the same may from time to time be amended.

## ARTICLE X.

## AMENDMENTS

This Code of Regulation may be altered, amended or repealed, from time to time, at a meeting held for such purpose, by the affirmative vote of the holders of shares entitling them to exercise a majority of the voting power of the Corporation on such proposal, or may be adopted without a meeting by the written consent of the holders of shares entitling them to exercise two-thirds (2/3) of the voting power on such proposal. This Code of Regulations may also be altered and amended, from time to time, by the Directors to the extent permitted by the Ohio General Corporation Law.

## ARTICLE XI.

## FORUM FOR ADJUDICATION OF CERTAIN DISPUTES

Unless the Corporation consents in writing to the selection of an alternate forum, the federal courts of the United States shall be the exclusive forum for the resolution of any claim arising under the Securities Act of 1933, as amended.

**Exhibit 31(i)**

**CERTIFICATION PURSUANT**
**TO SECTION 302 OF THE**
**SARBANES-OXLEY ACT OF 2002**

I, Greg D. Carmichael, certify that:

1. I have reviewed this report on Form 10-Q of Fifth Third Bancorp (the "Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

/s/ Greg D. Carmichael
Greg D. Carmichael
Chairman and Chief Executive Officer
May 9, 2022

**Exhibit 31(ii)**

**CERTIFICATION PURSUANT**
**TO SECTION 302 OF THE**
**SARBANES-OXLEY ACT OF 2002**

I, James C. Leonard, certify that:

1. I have reviewed this report on Form 10-Q of Fifth Third Bancorp (the "Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

/s/ James C. Leonard

James C. Leonard
Executive Vice President and
Chief Financial Officer
May 9, 2022

**Exhibit 32(i)**

**CERTIFICATION PURSUANT TO**
**18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Fifth Third Bancorp (the "Registrant") on Form 10-Q for the period ended March 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Greg D. Carmichael, Chairman and Chief Executive Officer of the Registrant, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Greg D. Carmichael

Greg D. Carmichael
Chairman and Chief Executive Officer
May 9, 2022

**Exhibit 32(ii)**

**CERTIFICATION PURSUANT TO**
**18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Fifth Third Bancorp (the "Registrant") on Form 10-Q for the period ended March 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James C. Leonard, Executive Vice President and Chief Financial Officer of the Registrant, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ James C. Leonard

James C. Leonard
Executive Vice President and
Chief Financial Officer
May 9, 2022