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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended September 30, 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 686,396,166 shares of the Registrant's common stock, without par value, outstanding as of October 31, 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. Moreover, you should treat these statements as speaking only as of the date they are made and based only on information then actually known to us. There are a number of important factors that could cause future results to differ materially from historical performance and these forward-looking statements. Factors that might cause such a difference include, but are not limited to: (1) effects of the global COVID-19 pandemic; (2) deteriorating credit quality; (3) loan concentration by location or industry of borrowers or collateral; (4) problems encountered by other financial institutions; (5) inadequate sources of funding or liquidity; (6) unfavorable actions of rating agencies; (7) inability to maintain or grow deposits; (8) limitations on the ability to receive dividends from subsidiaries; (9) cyber-security risks; (10) Fifth Third's ability to secure confidential information and deliver products and services through the use of computer systems and telecommunications networks; (11) failures by third-party service providers; (12) inability to manage strategic initiatives and/or organizational changes; (13) inability to implement technology system enhancements; (14) failure of internal controls and other risk management systems; (15) losses related to fraud, theft, 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 environmental and/or social 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	**FTS**: Fifth Third Securities, Inc.
AFS: Available-For-Sale	**GDP**: Gross Domestic Product
ALCO: Asset Liability Management Committee	**GNMA**: Government National Mortgage Association
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	
CDC: Fifth Third Community Development Corporation	**MSR**: Mortgage Servicing Right
CECL: Current Expected Credit Loss	**N/A**: Not Applicable
CET1: Common Equity Tier 1	**NII**: Net Interest Income
CFPB: United States Consumer Financial Protection Bureau	**NM**: Not Meaningful
C&I: Commercial and Industrial	**OAS**: Option-Adjusted Spread
DCF: Discounted Cash Flow	**OCC**: Office of the Comptroller of the Currency
DTCC: Depository Trust & Clearing Corporation	**OCI**: Other Comprehensive Income (Loss)
DTI: Debt-to-Income Ratio	**OREO**: Other Real Estate Owned
ERM: Enterprise Risk Management	**PPP**: Paycheck Protection Program
ERMC: Enterprise Risk Management Committee	**ROU**: Right-of-Use
EVE: Economic Value of Equity	**SBA**: Small Business Administration
FASB: Financial Accounting Standards Board	**SEC**: United States Securities and Exchange Commission
FDIC: Federal Deposit Insurance Corporation	**SOFR**: Secured Overnight Financing Rate
FHA: Federal Housing Administration	**TBA**: To Be Announced
FHLB: Federal Home Loan Bank	**TDR**: Troubled Debt Restructuring
FHLMC: Federal Home Loan Mortgage Corporation	**TILA**: Truth in Lending Act
FICO: Fair Isaac Corporation (credit rating)	**U.S.**: United States of America
FINRA: Financial Industry Regulatory Authority	**USD**: United States Dollar
FNMA: Federal National Mortgage Association	**U.S. GAAP**: United States Generally Accepted Accounting Principles
FOMC: Federal Open Market Committee	
FRB: Federal Reserve Bank	**VA**: United States Department of Veterans Affairs
FTE: Fully Taxable Equivalent	**VIE**: Variable Interest Entity
FTP: Funds Transfer Pricing	**VRDN**: Variable Rate Demand Note

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

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

OVERVIEW

Fifth Third Bancorp is a diversified financial services company headquartered in Cincinnati, Ohio. At September 30, 2022, the Bancorp had $205 billion in assets and operated 1,080 full-service banking centers and 2,146 Fifth Third branded ATMs in eleven states throughout the Midwestern and Southeastern regions of the U.S. The Bancorp reports on three business segments: Commercial Banking, Consumer and Small Business Banking 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 September 30, 2022, net interest income on an FTE basis and noninterest income provided 69% and 31% of total revenue, respectively. For the nine months ended September 30, 2022, net interest income on an FTE basis and noninterest income provided 67% and 33% of total revenue, respectively. The Bancorp derives the majority of its revenues within the U.S. from customers domiciled in the U.S. Revenue from foreign countries and external customers domiciled in foreign countries was immaterial to the Condensed Consolidated Financial Statements for the three and nine months ended September 30, 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. Government and public responses to the COVID-19 pandemic caused reductions and instability in economic activity and volatility in the financial markets. This market volatility has persisted as the impacts of the pandemic have continued to evolve. Furthermore, resurgence risk remains as new strains of the virus become prevalent which may cause additional economic disruption. The Bancorp continues to closely monitor the pandemic and its effect on customers, employees, communities and markets.

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

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.

Current Economic Conditions

Robust demand, labor shortages and supply chain constraints have led to persistent inflationary pressures throughout the economy. In response to these inflationary pressures, the FRB has raised benchmark interest rates in recent months and may continue to raise interest rates in response to economic conditions, particularly a continued high rate of inflation. Amidst these uncertainties, some financial markets have continued to experience volatility.

Changes in interest rates can affect numerous aspects of the Bancorp's business and may impact the Bancorp's future performance. If financial markets remain volatile, this may impact the future performance of various segments of the Bancorp's business, including the value of the Bancorp's investment securities portfolio. The Bancorp continues to closely monitor the pace of inflation and the impacts of inflation on the larger market, including labor and supply chain impacts.

For further discussion on current economic conditions, refer to the Credit Risk Management subsection of the Risk Management section of MD&A. Additionally, refer to the Interest Rate and Price Risk Management subsection of the Risk Management section of MD&A for additional information about the Bancorp's interest rate risk management activities.

In August 2022, the Inflation Reduction Act of 2022 was signed into law to address inflation, healthcare costs, climate change and renewal energy incentives, among other things. This law includes provisions for the creation of a 15% corporate alternative minimum tax rate that is effective for tax years beginning January 1, 2023, for corporations with an average annual adjusted financial statement income in excess of $1 billion.

Senior Notes Offering

On July 28, 2022, the Bancorp issued and sold $1 billion of fixed-rate/floating-rate senior notes which will mature on July 28, 2030. The senior notes bear interest at a rate of 4.772% per annum to, but excluding, July 28, 2029. From, and including, July 28, 2029 until, but excluding, July 28, 2030, the senior notes will have an interest rate of compounded SOFR plus 2.127%. The Bancorp entered into interest rate swaps designated as fair value hedges to convert the fixed-rate period of the notes to a floating rate of compounded SOFR plus 2.132%. The senior notes are redeemable in whole at par plus accrued and unpaid interest one year prior to their maturity date, or may be wholly or partially redeemed 60 days prior to maturity. For further information on a subsequent event related to long-term debt, refer to Note 24.

Business Combination

During the second quarter of 2022, the Bancorp completed the acquisition of a national point-of-sale consumer lender specializing in home improvement and solar energy installation loans originated through a network of contractors and installers. The acquisition was accounted for under the acquisition method of accounting which generally requires assets acquired and liabilities assumed to be recorded at their estimated fair values at acquisition date. These fair value estimates are considered preliminary as of September 30, 2022 and are subject to change for up to one year after the acquisition date as additional information becomes available. For more information on the acquisition, refer to Notes 10 and 11 of the Notes to Condensed Consolidated Financial Statements.

LIBOR Transition

In July 2017, the Chief Executive of the United Kingdom Financial Conduct Authority (the "FCA"), which regulates LIBOR, announced that 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

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

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. On July 28, 2022, the Federal Reserve Board published a Notice of Proposed Rulemaking in the Federal Register that detailed a proposed regulation carrying out the terms of the LIBOR Act. As of September 30, 2022, the comment period had closed for this proposed regulation but it had not yet been finalized.

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, such 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 September 30, 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 $102 billion, loans outstanding of approximately $31 billion, preferred stock of approximately $1.4 billion and long-term debt of approximately $237 million. The Bancorp currently estimates that approximately 12% 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 either be amended prior to June 30, 2023 to include such provisions or to transition to an alternative reference rate pursuant to the terms of the LIBOR Act and its related regulations.

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.

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

TABLE 1: Earnings Summary

($ in millions, except for per share data)	For the three months ended September 30, 2022	2021	% Change	For the nine months ended September 30, 2022	2021	% Change
Income Statement Data						
Net interest income (U.S. GAAP)	**$ 1,498**	1,189	26	**$ 4,032**	3,574	13
Net interest income (FTE)[(a)(b)]	**1,502**	1,192	26	**4,043**	3,583	13
Noninterest income	**672**	836	(20)	**2,031**	2,326	(13)
Total revenue (FTE)[(a)(b)]	**2,174**	2,028	7	**6,074**	5,909	3
Provision for (benefit from) credit losses	**158**	(42)	NM	**383**	(330)	NM
Noninterest expense	**1,167**	1,172	—	**3,501**	3,541	(1)
Net income	**653**	704	(7)	**1,709**	2,107	(19)
Net income available to common shareholders	**631**	684	(8)	**1,631**	2,032	(20)
Common Share Data						
Earnings per share - basic	**$ 0.91**	0.98	(7)	**$ 2.37**	2.87	(17)
Earnings per share - diluted	**0.91**	0.97	(6)	**2.34**	2.83	(17)
Cash dividends declared per common share	**0.33**	0.30	10	**0.93**	0.84	11
Book value per share	**21.30**	29.59	(28)	**21.30**	29.59	(28)
Market value per share	**31.96**	42.44	(25)	**31.96**	42.44	(25)
Financial Ratios						
Return on average assets	**1.25 %**	1.36	(8)	**1.10 %**	1.37	(20)
Return on average common equity	**14.9**	13.0	15	**12.3**	13.1	(6)
Return on average tangible common equity[(b)]	**21.9**	16.9	30	**17.3**	16.8	3
Dividend payout	**36.3**	30.6	19	**39.2**	29.3	34

(a) Amounts presented on an FTE basis. The FTE adjustments were $4 and $3 for the three months ended September 30, 2022 and 2021, respectively and $11 and $9 for the nine months ended September 30, 2022 and 2021, respectively.

(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 third quarter of 2022 was $631 million, or $0.91 per diluted share, which was net of $22 million in preferred stock dividends. The Bancorp's net income available to common shareholders for the third quarter of 2021 was $684 million, or $0.97 per diluted share, which was net of $20 million in preferred stock dividends. The Bancorp's net income available to common shareholders for the nine months ended September 30, 2022 was $1.6 billion, or $2.34 per diluted share, which was net of $78 million in preferred stock dividends. The Bancorp's net income available to common shareholders for the nine months ended September 30, 2021 was $2.0 billion, or $2.83 per diluted share, which was net of $75 million in preferred stock dividends.

Net interest income on an FTE basis (non-GAAP) was $1.5 billion for the three months ended September 30, 2022, an increase of $310 million compared to the same period in the prior year. Net interest income benefited from increases in market interest rates, resulting in increases in yields on average commercial loans and leases, average other short-term investments and average consumer loans for the three months ended September 30, 2022 compared to the same period in the prior year. Net interest income also benefited from increases in average taxable securities and average commercial and industrial loans for the three months ended September 30, 2022 compared to the same period in the prior year. These positive impacts were partially offset by an increase in rates paid on average interest checking deposits and an increase in the average balance of FHLB advances as well as a decrease in interest income recognized from PPP loans for the three months ended September 30, 2022 compared to the same period in the prior year.

Net interest income on an FTE basis (non-GAAP) was $4.0 billion for the nine months ended September 30, 2022, an increase of $460 million compared to the same period in the prior year. Net interest income benefited from increases in market interest rates, resulting in increases in yields on average commercial loans and leases and average other short-term investments for the nine months ended September 30, 2022 compared to the same period in the prior year. Additionally, net interest income benefited from increases in average taxable securities, average commercial and industrial loans and average indirect secured consumer loans for the nine months ended September 30, 2022 compared to the same period in the prior year. Net interest income also benefited from a decrease in average long-term debt for the nine months ended September 30, 2022 compared to the same period in the prior year. These positive impacts were partially offset by an increase in rates paid on average interest checking deposits and an increase in the average balance of FHLB advances for the nine months ended September 30, 2022 compared to the same period in the prior year. Additionally, interest income recognized from PPP loans decreased for the nine months ended September 30, 2022 compared to the same period in the prior year. Net interest margin on an FTE basis (non-GAAP) was 3.22% and 2.91% for the three and nine months ended September 30, 2022, respectively, compared to 2.59% and 2.61% for the same periods in the prior year.

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

The provision for credit losses was $158 million and $383 million for the three and nine months ended September 30, 2022, respectively, compared to a benefit from credit losses of $42 million and $330 million during the same periods in the prior year. The increases in provision expense for the three and nine months ended September 30, 2022 were primarily driven by factors that caused increases in the ACL during those periods including higher period-end loan and lease balances and deterioration in forecasted macroeconomic conditions. The increase in provision expense for the nine months ended September 30, 2022 was also driven by the initial recognition of provision expense on loans acquired as part of a business acquisition completed in the second quarter of 2022. Net losses charged off as a percent of average portfolio loans and leases were 0.21% and 0.08% for the three months ended September 30, 2022 and 2021, respectively, and 0.18% and 0.17% for the nine months ended September 30, 2022 and 2021, respectively. At September 30, 2022 and December 31, 2021, nonperforming portfolio assets as a percent of portfolio loans and leases and OREO were 0.46% and 0.47%, respectively. 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 $164 million for the three months ended September 30, 2022 compared to the same period in the prior year primarily due to decreases in other noninterest income, commercial banking revenue, leasing business revenue and mortgage banking net revenue.

Noninterest income decreased $295 million for the nine months ended September 30, 2022 compared to the same period in the prior year primarily due to decreases in mortgage banking net revenue, commercial banking revenue, leasing business revenue and other noninterest income.

Noninterest expense decreased $5 million for the three months ended September 30, 2022 compared to the same period in the prior year primarily due to a decrease in compensation and benefits, partially offset by increases in technology and communications expense and marketing expense.

Noninterest expense decreased $40 million for the nine months ended September 30, 2022 compared to the same period in the prior year primarily due to decreases in compensation and benefits and card and processing expense, partially offset by increases in technology and communications expense, other noninterest expense and marketing expense.

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

Capital Summary

The Bancorp calculated its regulatory capital ratios under the Basel III standardized approach to risk-weighting of assets and pursuant to the five-year transition provision option to phase in the effects of CECL on regulatory capital as of September 30, 2022. As of September 30, 2022, the Bancorp's capital ratios, as defined by the U.S. banking agencies, were:

- CET1 capital ratio: 9.14%;
- Tier 1 risk-based capital ratio: 10.40%;
- Total risk-based capital ratio: 12.64%;
- Leverage ratio: 8.44%.

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

NON-GAAP FINANCIAL MEASURES

The following are non-GAAP financial measures which provide useful insight to the reader of the Condensed Consolidated Financial Statements but should be supplemental to primary U.S. GAAP measures and should not be read in isolation or relied upon as a substitute for the primary U.S. GAAP measures. The 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 September 30,		For the nine months ended September 30,	
($ in millions)	**2022**	2021	**2022**	2021
Net interest income (U.S. GAAP)	**$ 1,498**	1,189	**4,032**	3,574
Add: FTE adjustment	**4**	3	**11**	9
Net interest income on an FTE basis (1)	**$ 1,502**	1,192	**4,043**	3,583
Net interest income on an FTE basis (annualized) (2)	**5,959**	4,729	**5,405**	4,790
Interest income (U.S. GAAP)	**$ 1,760**	1,292	**4,512**	3,916
Add: FTE adjustment	**4**	3	**11**	9
Interest income on an FTE basis	**$ 1,764**	1,295	**4,523**	3,925
Interest income on an FTE basis (annualized) (3)	**6,998**	5,138	**6,047**	5,248
Interest expense (annualized) (4)	**$ 1,039**	409	**642**	457
Noninterest income (5)	**672**	836	**2,031**	2,326
Noninterest expense (6)	**1,167**	1,172	**3,501**	3,541
Average interest-earning assets (7)	**185,378**	182,801	**185,883**	183,479
Average interest-bearing liabilities (8)	**119,773**	113,548	**117,344**	115,383
Ratios:				
Net interest margin on an FTE basis (2) / (7)	**3.22 %**	2.59	**2.91**	2.61
Net interest rate spread on an FTE basis ((3) / (7)) - ((4) / (8))	**2.91**	2.45	**2.70**	2.46
Efficiency ratio on an FTE basis (6) / ((1) + (5))	**53.7**	57.8	**57.6**	59.9

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 September 30,		For the nine months ended September 30,	
($ in millions)	**2022**	2021	**2022**	2021
Net income available to common shareholders (U.S. GAAP)	**$ 631**	684	**1,631**	2,032
Add: Intangible amortization, net of tax	**10**	9	**27**	25
Tangible net income available to common shareholders	**$ 641**	693	**1,658**	2,057
Tangible net income available to common shareholders (annualized) (1)	**2,543**	2,749	**2,217**	2,750
Average Bancorp shareholders' equity (U.S. GAAP)	**$ 18,864**	22,927	**19,829**	22,935
Less: Average preferred stock	**2,116**	2,116	**2,116**	2,116
Average goodwill	**4,926**	4,430	**4,729**	4,317
Average intangible assets	**188**	149	**165**	135
Average tangible common equity (2)	**$ 11,634**	16,232	**12,819**	16,367
Return on average tangible common equity (1) / (2)	**21.9 %**	16.9	**17.3**	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)	**September 30, 2022**	December 31, 2021
Total Bancorp Shareholders' Equity (U.S. GAAP)	**$ 16,736**	22,210
Less: Preferred stock	**2,116**	2,116
Goodwill	**4,925**	4,514
Intangible assets	**181**	156
AOCI	**(5,306)**	1,207
Tangible common equity, excluding AOCI (1)	**$ 14,820**	14,217
Add: Preferred stock	**2,116**	2,116
Tangible equity (2)	**$ 16,936**	16,333
Total Assets (U.S. GAAP)	**$ 205,463**	211,116
Less: Goodwill	**4,925**	4,514
Intangible assets	**181**	156
AOCI, before tax	**(6,716)**	1,528
Tangible assets, excluding AOCI (3)	**$ 207,073**	204,918
Ratios:		
Tangible equity as a percentage of tangible assets (2) / (3)	**8.18 %**	7.97
Tangible common equity as a percentage of tangible assets (1) / (3)	**7.16**	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 standards applicable to the Bancorp and the expected impact of significant accounting standards issued, but not yet required to be adopted.

CRITICAL ACCOUNTING POLICIES

The Bancorp's Condensed Consolidated Financial Statements are prepared in accordance with U.S. GAAP. Certain accounting policies require management to exercise judgment in determining methodologies, economic assumptions and estimates that may materially affect the Bancorp's financial position, results of operations and cash flows. The Bancorp's critical accounting policies include the accounting for the ALLL, reserve for unfunded commitments, valuation of servicing rights, fair value measurements, goodwill and legal contingencies. These accounting policies are discussed in detail in the Critical Accounting Policies section of the Bancorp's Annual Report on Form 10-K for the year ended December 31, 2021. There have been no material changes to the valuation techniques or models during the nine months ended September 30, 2022.

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

STATEMENTS OF INCOME ANALYSIS

Net Interest Income

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

Tables 5 and 6 present the components of net interest income, net interest margin and net interest rate spread for the three and nine months ended September 30, 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 $1.5 billion for the three months ended September 30, 2022, an increase of $310 million compared to the same period in the prior year. Net interest income benefited from increases in market interest rates, resulting in increases in yields on average loans and leases and average other short-term investments for the three months ended September 30, 2022 compared to the same period in the prior year. Net interest income also benefited from increases in average taxable securities of $20.4 billion and average commercial and industrial loans of $8.9 billion for the three months ended September 30, 2022 compared to the same period in the prior year. These positive impacts were partially offset by an increase in rates paid on average interest-bearing core deposits of 37 bps and an increase in the average balance of FHLB advances of $6.6 billion for the three months ended September 30, 2022 compared to the same period in the prior year. Interest income recognized from PPP loans decreased to $6 million for the three months ended September 30, 2022 compared to $47 million for the same period in the prior year.

Net interest income on an FTE basis (non-GAAP) was $4.0 billion for the nine months ended September 30, 2022, an increase of $460 million compared to the same period in the prior year. Net interest income benefited from increases in market interest rates, resulting in increases in yields on average loans and leases and average other short-term investments for the nine months ended September 30, 2022 compared to the same period in the prior year. Additionally, net interest income benefited from increases in average taxable securities, average commercial and industrial loans and average indirect secured consumer loans of $14.5 billion, $6.1 billion and $2.3 billion, respectively, for the nine months ended September 30, 2022 compared to the same period in the prior year. Net interest income also benefited from a decrease in average long-term debt of $2.2 billion for the nine months ended September 30, 2022 compared to the same period in the prior year. These positive impacts were partially offset by an increase in rates paid on average interest-bearing core deposits of 12 bps and an increase in the average balance of FHLB advances of $3.1 billion for the nine months ended September 30, 2022 compared to the same period in the prior year. Additionally, interest income recognized from PPP loans decreased to $38 million for the nine months ended September 30, 2022 compared to $153 million for the same period in the prior year.

Net interest rate spread on an FTE basis (non-GAAP) was 2.91% and 2.70% during the three and nine months ended September 30, 2022, respectively, compared to 2.45% and 2.46% in the same periods in the prior year. Yields on average interest-earning assets increased 97 bps and 39 bps, partially offset by increases in rates paid on average interest-bearing liabilities of 51 bps and 15 bps for the three and nine months ended September 30, 2022, respectively, compared to the three and nine months ended September 30, 2021.

Net interest margin on an FTE basis (non-GAAP) was 3.22% and 2.91% for the three and nine months ended September 30, 2022, respectively, compared to 2.59% and 2.61% for the comparable periods in the prior year. Net interest margin for the three and nine months ended September 30, 2022 was positively impacted by the previously mentioned increases in the net interest rate spread. Net interest margin results are expected to continue increasing as rates rise and assets reprice more than liabilities.

Interest income on an FTE basis (non-GAAP) from loans and leases increased $301 million and $300 million during the three and nine months ended September 30, 2022, respectively, compared to the three and nine months ended September 30, 2021, driven by the previously mentioned increases in market interest rates and average loan and lease balances, partially offset by lower income from PPP 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 $168 million and $298 million during the three and nine months ended September 30, 2022, respectively, compared to the three and nine months ended September 30, 2021 primarily due to the previously mentioned increases in average taxable securities and yields on average other short-term investments. The increase for the nine months ended September 30, 2022 was partially offset by a decrease in yields on average taxable securities of 15 bps from the same period in the prior year.

Interest expense on core deposits increased $90 million and $92 million for the three and nine months ended September 30, 2022, respectively, compared to the three and nine months ended September 30, 2021 primarily due to increases in the cost of average interest-bearing core deposits to 41 bps and 18 bps for the three and nine months ended September 30, 2022, respectively, from 4 bps and 6 bps for

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

the three and nine months ended September 30, 2021, respectively, as a result of increasing short-term interest rates. 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 increased $69 million and $46 million for the three and nine months ended September 30, 2022, respectively, compared to the three and nine months ended September 30, 2021. The increases for the three and nine months ended September 30, 2022 were primarily due to the previously mentioned increases in the average balances of FHLB advances and increases in rates paid on average long-term debt. The increase for the nine months ended September 30, 2022 was partially offset by a decrease in the average balance of long-term debt of $2.2 billion from the same period in the prior year. Refer to the Borrowings subsection of the Balance Sheet Analysis section of MD&A for additional information on the Bancorp's borrowings. During the three and nine months ended September 30, 2022, average wholesale funding represented 18% and 14%, respectively, of average interest-bearing liabilities, compared to 12% and 14%, respectively, for the three and nine months ended September 30, 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.

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

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

For the three months ended	September 30, 2022			September 30, 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	**$ 56,648**	**646**	**4.53 %**	$ 47,774	426	3.54 %	$ 88	132	220
Commercial mortgage loans	**10,751**	**111**	**4.10**	10,339	78	3.00	3	30	33
Commercial construction loans	**5,557**	**66**	**4.71**	5,729	45	3.12	(1)	22	21
Commercial leases	**2,793**	**22**	**3.08**	3,158	23	2.84	(3)	2	(1)
Total commercial loans and leases	**$ 75,749**	**845**	**4.42**	$ 67,000	572	3.39	$ 87	186	273
Residential mortgage loans	**19,870**	**166**	**3.32**	21,750	176	3.21	(16)	6	(10)
Home equity	**3,956**	**48**	**4.84**	4,409	40	3.59	(4)	12	8
Indirect secured consumer loans	**16,750**	**141**	**3.34**	15,590	128	3.27	10	3	13
Credit card	**1,756**	**57**	**12.89**	1,748	55	12.38	—	2	2
Other consumer loans	**3,819**	**60**	**6.21**	3,031	45	5.91	12	3	15
Total consumer loans	**$ 46,151**	**472**	**4.06**	$ 46,528	444	3.79	$ 2	26	28
Total loans and leases	**$121,900**	**1,317**	**4.29 %**	$113,528	1,016	3.55 %	$ 89	212	301
Securities:									
Taxable	**56,535**	**408**	**2.86**	36,177	261	2.86	147	—	147
Exempt from income taxes[b]	**1,178**	**8**	**2.77**	1,031	6	2.22	1	1	2
Other short-term investments	**5,765**	**31**	**2.15**	32,065	12	0.15	(18)	37	19
Total interest-earning assets	**$185,378**	**1,764**	**3.78 %**	$182,801	1,295	2.81 %	$ 219	250	469
Cash and due from banks	**3,162**			3,114					
Other assets	**20,163**			21,566					
Allowance for loan and lease losses	**(2,015)**			(2,032)					
Total assets	**$206,688**			$205,449					
Liabilities and Equity:									
Interest-bearing liabilities:									
Interest checking deposits	**$ 42,574**	**77**	**0.72 %**	$ 45,128	6	0.05 %	$ —	71	71
Savings deposits	**23,814**	**7**	**0.12**	20,941	1	0.02	—	6	6
Money market deposits	**29,066**	**16**	**0.22**	30,514	3	0.03	—	13	13
Foreign office deposits	**206**	**—**	**0.78**	195	—	0.03	—	—	—
CDs $250,000 or less	**2,048**	**1**	**0.09**	2,937	1	0.19	—	—	—
Total interest-bearing core deposits	**$ 97,708**	**101**	**0.41**	$ 99,715	11	0.04	$ —	90	90
CDs over $250,000	**2,226**	**11**	**1.90**	306	1	1.10	9	1	10
Federal funds purchased	**607**	**3**	**2.10**	348	—	0.13	—	3	3
Securities sold under repurchase agreements	**472**	**—**	**0.22**	570	—	0.01	—	—	—
FHLB advances	**6,608**	**38**	**2.30**	—	—	—	38	—	38
Derivative collateral and other borrowed money	**356**	**5**	**4.92**	552	—	0.24	—	5	5
Long-term debt	**11,796**	**104**	**3.49**	12,057	91	2.98	(2)	15	13
Total interest-bearing liabilities	**$119,773**	**262**	**0.87 %**	$113,548	103	0.36 %	$ 45	114	159
Demand deposits	**59,535**			62,626					
Other liabilities	**8,516**			6,348					
Total liabilities	**$187,824**			$182,522					
Total equity	**$ 18,864**			$ 22,927					
Total liabilities and equity	**$206,688**			$205,449					
Net interest income (FTE)[c]		**$ 1,502**			$ 1,192		$ 174	136	310
Net interest margin (FTE)[c]			**3.22 %**			2.59 %			
Net interest rate spread (FTE)[c]			**2.91**			2.45			
Interest-bearing liabilities to interest-earning assets			**64.61**			62.12			

(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 $4 and $3 for the three months ended September 30, 2022 and 2021, respectively.

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

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

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

For the nine months ended	September 30, 2022			September 30, 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	**$ 54,907**	**1,569**	**3.82 %**	$ 48,761	1,308	3.59 %	$ 172	89	261
Commercial mortgage loans	**10,664**	**278**	**3.49**	10,446	239	3.06	5	34	39
Commercial construction loans	**5,429**	**159**	**3.91**	5,936	139	3.14	(12)	32	20
Commercial leases	**2,858**	**63**	**2.95**	3,154	70	2.98	(6)	(1)	(7)
Total commercial loans and leases	**$ 73,858**	**2,069**	**3.75**	$ 68,297	1,756	3.44	$ 159	154	313
Residential mortgage loans	**19,981**	**479**	**3.20**	21,316	524	3.28	(32)	(13)	(45)
Home equity	**3,953**	**120**	**4.06**	4,695	126	3.59	(21)	15	(6)
Indirect secured consumer loans	**17,041**	**407**	**3.20**	14,755	377	3.41	55	(25)	30
Credit card	**1,717**	**161**	**12.50**	1,798	165	12.29	(7)	3	(4)
Other consumer loans	**3,234**	**148**	**6.10**	3,029	136	5.99	9	3	12
Total consumer loans	**$ 45,926**	**1,315**	**3.83**	$ 45,593	1,328	3.89	$ 4	(17)	(13)
Total loans and leases	**$119,784**	**3,384**	**3.78 %**	$113,890	3,084	3.62 %	$ 163	137	300
Securities:									
Taxable	**50,529**	**1,060**	**2.81**	36,014	798	2.96	306	(44)	262
Exempt from income taxes[b]	**1,084**	**21**	**2.56**	797	14	2.32	5	2	7
Other short-term investments	**14,486**	**58**	**0.53**	32,778	29	0.12	(24)	53	29
Total interest-earning assets	**$185,883**	**4,523**	**3.25 %**	$183,479	3,925	2.86 %	$ 450	148	598
Cash and due from banks	**3,081**			3,046					
Other assets	**20,211**			20,922					
Allowance for loan and lease losses	**(1,939)**			(2,228)					
Total assets	**$207,236**			$205,219					
Liabilities and Equity:									
Interest-bearing liabilities:									
Interest checking deposits	**$ 45,172**	**100**	**0.30 %**	$ 45,333	20	0.06 %	$ —	80	80
Savings deposits	**23,435**	**10**	**0.06**	20,136	3	0.02	1	6	7
Money market deposits	**29,533**	**22**	**0.10**	30,653	10	0.04	—	12	12
Foreign office deposits	**157**	**—**	**0.39**	155	—	0.04	—	—	—
CDs $250,000 or less	**2,205**	**2**	**0.10**	3,420	9	0.34	(2)	(5)	(7)
Total interest-bearing core deposits	**$100,502**	**134**	**0.18**	$ 99,697	42	0.06	$ (1)	93	92
CDs over $250,000	**1,055**	**13**	**1.64**	620	6	1.36	5	2	7
Federal funds purchased	**421**	**4**	**1.31**	339	—	0.12	—	4	4
Securities sold under repurchase agreements	**484**	**—**	**0.10**	599	—	0.02	—	—	—
FHLB advances	**3,141**	**48**	**2.04**	—	—	—	48	—	48
Derivative collateral and other borrowed money	**365**	**8**	**2.70**	543	1	0.31	—	7	7
Long-term debt	**11,376**	**273**	**3.21**	13,585	293	2.88	(51)	31	(20)
Total interest-bearing liabilities	**$117,344**	**480**	**0.55 %**	$115,383	342	0.40 %	$ 1	137	138
Demand deposits	**62,084**			61,084					
Other liabilities	**7,979**			5,817					
Total liabilities	**$187,407**			$182,284					
Total equity	**$ 19,829**			$ 22,935					
Total liabilities and equity	**$207,236**			$205,219					
Net interest income (FTE)[c]		**$ 4,043**			$ 3,583		$ 449	11	460
Net interest margin (FTE)[c]			**2.91 %**			2.61 %			
Net interest rate spread (FTE)[c]			**2.70**			2.46			
Interest-bearing liabilities to interest-earning assets			**63.13**			62.89			

(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 $11 and $9 for the nine months ended September 30, 2022 and 2021, respectively.

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

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

Provision for Credit Losses

The Bancorp provides, as an expense, an amount for expected credit losses within the loan and lease portfolio and the portfolio of unfunded commitments and letters of credit that is based on factors previously discussed in the Critical Accounting Policies section of the Bancorp's Annual Report on Form 10-K for the year ended December 31, 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 $158 million and $383 million for the three and nine months ended September 30, 2022, respectively, compared to a benefit from credit losses of $42 million and $330 million during the same periods in the prior year. Provision expense increased for the three and nine months ended September 30, 2022 compared to the same periods in the prior year primarily driven by factors which caused increases in the ACL during those periods including higher period-end loan and lease balances and deterioration in forecasted macroeconomic conditions. The increase in provision expense for the nine months ended September 30, 2022 was also driven by the initial recognition of provision expense on loans acquired as part of a business acquisition during the second quarter of 2022. The benefit from credit losses for the three and nine months ended September 30, 2021 was driven by decreases in the ACL in response to improved economic forecasts and improved commercial and consumer credit quality.

The ALLL increased $207 million from December 31, 2021 to $2.1 billion at September 30, 2022. At September 30, 2022, the ALLL as a percent of portfolio loans and leases increased to 1.75%, compared to 1.69% at December 31, 2021. The reserve for unfunded commitments increased $17 million from December 31, 2021 to $199 million at September 30, 2022. At September 30, 2022, the ACL as a percent of portfolio loans and leases increased to 1.91%, compared to 1.85% at December 31, 2021.

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 $164 million and $295 million for the three and nine months ended September 30, 2022, respectively, compared to the three and nine months ended September 30, 2021.

The following table presents the components of noninterest income:

TABLE 7: Components of Noninterest Income

	For the three months ended September 30,			For the nine months ended September 30,		
($ in millions)	**2022**	2021	% Change	**2022**	2021	% Change
Service charges on deposits	**$ 143**	152	(6)	**$ 449**	445	1
Wealth and asset management revenue	**141**	147	(4)	**430**	436	(1)
Commercial banking revenue	**134**	152	(12)	**406**	465	(13)
Card and processing revenue	**105**	102	3	**306**	298	3
Leasing business revenue	**60**	78	(23)	**179**	226	(21)
Mortgage banking net revenue	**69**	86	(20)	**152**	235	(35)
Other noninterest income	**59**	120	(51)	**195**	211	(8)
Securities (losses) gains, net	**(38)**	(1)	NM	**(84)**	12	NM
Securities losses, net – non-qualifying hedges on mortgage servicing rights	**(1)**	—	NM	**(2)**	(2)	—
Total noninterest income	**$ 672**	836	(20)	**$ 2,031**	2,326	(13)

Service charges on deposits

Service charges on deposits consisted of $105 million and $331 million of service charges on commercial deposits and $38 million and $118 million of service charges on consumer deposits for the three and nine months ended September 30, 2022, respectively. Service charges on deposits consisted of $110 million and $325 million of service charges on commercial deposits and $42 million and $120 million of service charges on consumer deposits for the three and nine months ended September 30, 2021, respectively. Service charges on deposits decreased $9 million and increased $4 million for the three and nine months ended September 30, 2022, respectively, compared to the three and nine months ended September 30, 2021. The decrease for the three months ended September 30, 2022 was primarily driven by higher treasury management earnings credits. The increase for the nine months ended September 30, 2022 was primarily due to an increase in commercial treasury management fees.

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

Wealth and asset management revenue

Wealth and asset management revenue decreased $6 million for both the three and nine months ended September 30, 2022 compared to the three and nine months ended September 30, 2021. The decrease for the three months ended September 30, 2022 was primarily driven by a decrease in private client service fees. The decrease for the nine months ended September 30, 2022 was primarily driven by decreases in securities income and private client service fees. The Bancorp's trust and registered investment advisory businesses had approximately $494 billion and $541 billion in total assets under care as of September 30, 2022 and 2021, respectively, and managed $52 billion and $61 billion in assets for individuals, corporations and not-for-profit organizations as of September 30, 2022 and 2021, respectively.

Commercial banking revenue

Commercial banking revenue decreased $18 million and $59 million for the three and nine months ended September 30, 2022, respectively, compared to the three and nine months ended September 30, 2021 primarily driven by decreases in corporate bond fees, loan syndication fees and merger and acquisition fees, partially offset by increases in contract revenue from commodity derivatives and commercial customer derivatives.

Card and processing revenue

Card and processing revenue increased $3 million and $8 million for the three and nine months ended September 30, 2022, respectively, compared to the three and nine months ended September 30, 2021 primarily due to an increase in credit card interchange, partially offset by increased reward costs as well as a decrease in other EFT income. 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 $18 million and $47 million for the three and nine months ended September 30, 2022, respectively, compared to the three and nine months ended September 30, 2021. The decreases for the three and nine months ended September 30, 2022 were primarily due to decreases in leasing business solutions revenue, partially offset by increases in lease remarketing fees. The decreases in leasing business solutions revenue were related to the disposition of LaSalle Solutions during the second quarter of 2022. The decrease for the nine months ended September 30, 2022 also included a decrease in lease syndication fees.

Mortgage banking net revenue

Mortgage banking net revenue decreased $17 million and $83 million for the three and nine months ended September 30, 2022, respectively, compared to the three and nine months ended September 30, 2021.

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

TABLE 8: Components of Mortgage Banking Net Revenue

	For the three months ended September 30,		For the nine months ended September 30,	
($ in millions)	**2022**	2021	**2022**	2021
Origination fees and gains on loan sales	**$ 24**	78	**73**	248
Net mortgage servicing revenue:				
Gross mortgage servicing fees	**81**	63	**230**	181
Net valuation adjustments on MSRs and free-standing derivatives purchased to economically hedge MSRs	**(36)**	(55)	**(151)**	(194)
Net mortgage servicing revenue	**45**	8	**79**	(13)
Total mortgage banking net revenue	**$ 69**	86	**152**	235

Origination fees and gains on loan sales decreased $54 million and $175 million for the three and nine months ended September 30, 2022, respectively, compared to the three and nine months ended September 30, 2021 primarily driven by decreases in gain on sale margins and lower volume as well as the impact of gains recognized during the three and nine months ended September 30, 2021 from sales of forbearance loans that were repurchased from GNMA. Residential mortgage loan originations decreased to $4.0 billion and $11.7 billion for the three and nine months ended September 30, 2022, respectively, from $5.0 billion and $14.7 billion for the three and nine months ended September 30, 2021, respectively, due to the impact of higher market interest rates on refinance activity.

Net mortgage servicing revenue increased $37 million and $92 million for the three and nine months ended September 30, 2022, respectively, compared to the three and nine months ended September 30, 2021 primarily due to increases in gross mortgage servicing fees and decreases in net negative valuation adjustments. Refer to Table 9 for the components of net valuation adjustments on the MSR portfolio and the impact of the Bancorp's non-qualifying hedging strategy.

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

TABLE 9: Components of Net Valuation Adjustments on MSRs

	For the three months ended September 30,		For the nine months ended September 30,	
($ in millions)	**2022**	2021	**2022**	2021
Changes in fair value and settlement of free-standing derivatives purchased to economically hedge the MSR portfolio	**$ (84)**	(11)	**(368)**	(99)
Changes in fair value:				
Due to changes in inputs or assumptions[(a)]	**83**	20	**358**	123
Other changes in fair value[(b)]	**(35)**	(64)	**(141)**	(218)
Net valuation adjustments on MSRs and free-standing derivatives purchased to economically hedge MSRs	**$ (36)**	(55)	**(151)**	(194)

(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 recognized income of $48 million and $217 million for three and nine months ended September 30, 2022, respectively, and losses of $44 million and $95 million for the three and nine months ended September 30, 2021, respectively, in mortgage banking net revenue for valuation adjustments on the MSR portfolio. The valuation adjustments on the MSR portfolio included increases of $83 million and $358 million for the three and nine months ended September 30, 2022, respectively, and increases of $20 million and $123 million for the three and nine months ended September 30, 2021, respectively, due to changes in market rates and other inputs in the valuation model, including future prepayment speeds and OAS assumptions. Mortgage rates increased during the three and nine months ended September 30, 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 a decrease in the modeled OAS assumptions for the three months ended September 30, 2022 and an increase in the modeled OAS assumptions for the nine months ended September 30, 2022. The fair value of the MSR portfolio decreased $35 million and $141 million for the three and nine months ended September 30, 2022, respectively, and decreased $64 million and $218 million for the three and nine months ended September 30, 2021, respectively, as a result of contractual principal payments and actual prepayment activity.

Further detail on the valuation of MSRs can be found in Note 13 of the Notes to Condensed Consolidated Financial Statements. The Bancorp maintains a non-qualifying hedging strategy to manage a portion of the risk associated with changes in the valuation of the MSR portfolio. Refer to Note 14 of the Notes to Condensed Consolidated Financial Statements for more information on the free-standing derivatives used to economically hedge the MSR portfolio.

In addition to the derivative positions used to economically hedge the MSR portfolio, the Bancorp acquires various securities as a component of its non-qualifying hedging strategy. The Bancorp recognized net losses of $1 million and $2 million during the three and nine months ended September 30, 2022, respectively, compared to net losses of an immaterial amount and $2 million during the three and nine months ended September 30, 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 September 30, 2022 and 2021 were $120.3 billion and $92.7 billion, respectively, with $102.7 billion and $77.9 billion, respectively, of residential mortgage loans serviced for others.

Other noninterest income

The following table presents the components of other noninterest income:

TABLE 10: Components of Other Noninterest Income

	For the three months ended September 30,		For the nine months ended September 30,	
($ in millions)	**2022**	2021	**2022**	2021
Private equity investment income	**$ 14**	22	**55**	41
BOLI income	**15**	16	**48**	46
Cardholder fees	**14**	13	**41**	38
Banking center income	**6**	6	**18**	17
Equity method investment income	**4**	3	**17**	24
Consumer loan fees	**5**	4	**15**	13
Gains on contract sales	**1**	61	**2**	62
Loss on swap associated with the sale of Visa, Inc. Class B Shares	**(17)**	(17)	**(46)**	(67)
(Losses) gains on sale of businesses	**(1)**	—	**(7)**	1
Other, net	**18**	12	**52**	36
Total other noninterest income	**$ 59**	120	**195**	211

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

Other noninterest income decreased $61 million and $16 million for the three and nine months ended September 30, 2022, respectively, compared to the three and nine months ended September 30, 2021, primarily due to a decrease in gains on contract sales. The decrease for the nine months ended September 30, 2022 was partially offset by a decrease in the loss on the swap associated with the sale of Visa, Inc. Class B Shares and an increase in private equity investment income.

Gains on contract sales for the three and nine months ended September 30, 2021 primarily included the recognition of a $60 million gain on the sale of the Bancorp's HSA deposit portfolio, which was completed in the third quarter of 2021. The Bancorp recognized negative valuation adjustments of $46 million related to the Visa total return swap during the nine months ended September 30, 2022 compared to negative valuation adjustments of $67 million during the nine months ended September 30, 2021. For additional information on the valuation of the swap associated with the sale of Visa, Inc. Class B Shares, refer to Note 22 of the Notes to Condensed Consolidated Financial Statements. Private equity investment income increased $14 million for the nine months ended September 30, 2022 compared to the same period in the prior year primarily driven by gains recognized on certain private equity investments.

Noninterest Expense

Noninterest expense decreased $5 million and $40 million for the three and nine months ended September 30, 2022, respectively, compared to the same periods in the prior year.

The following table presents the components of noninterest expense:

TABLE 11: Components of Noninterest Expense

	For the three months ended September 30,			For the nine months ended September 30,		
($ in millions)	**2022**	2021	% Change	**2022**	2021	% Change
Compensation and benefits	**$ 605**	627	(4)	**$ 1,900**	1,971	(4)
Technology and communications	**106**	98	8	**306**	285	7
Net occupancy expense	**74**	79	(6)	**225**	235	(4)
Equipment expense	**36**	34	6	**108**	102	6
Leasing business expense	**33**	33	—	**95**	102	(7)
Marketing expense	**35**	29	21	**87**	72	21
Card and processing expense	**21**	19	11	**59**	70	(16)
Other noninterest expense	**257**	253	2	**721**	704	2
Total noninterest expense	**$ 1,167**	1,172	—	**$ 3,501**	3,541	(1)
Efficiency ratio on an FTE basis[(a)]	**53.7%**	57.8		**57.6%**	59.9	

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

Compensation and benefits expense decreased $22 million and $71 million for the three and nine months ended September 30, 2022, respectively, compared to the same periods in the prior year primarily driven by decreases in non-qualified deferred compensation expense and performance-based compensation, partially offset by the additional personnel costs of an acquired business as well as the impact of raising the Bancorp's minimum wage in the third quarter of 2022. The decrease for the nine months ended September 30, 2022 was partially offset by the impact of a special broad-based compensation bonus granted in the first quarter of 2022. Full-time equivalent employees totaled 19,187 at September 30, 2022 compared to 19,171 at September 30, 2021.

Technology and communications expense increased $8 million and $21 million for the three and nine months ended September 30, 2022, respectively, compared to the same periods in the prior year primarily driven by increased investment in strategic initiatives and technology. Marketing expense increased $6 million and $15 million for the three and nine months ended September 30, 2022, respectively, compared to the same periods in the prior year primarily due to an increase in account acquisition programs. The increase for the nine months ended September 30, 2022 was also driven by increased advertising.

Card and processing expense decreased $11 million for the nine months ended September 30, 2022 compared to the same period in the prior year primarily due to contract renegotiations with a third-party vendor.

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

The following table presents the components of other noninterest expense:

TABLE 12: Components of Other Noninterest Expense

	For the three months ended September 30,		For the nine months ended September 30,	
($ in millions)	**2022**	2021	**2022**	2021
Loan and lease	**$ 40**	54	**127**	158
FDIC insurance and other taxes	**37**	29	**101**	87
Losses and adjustments	**26**	19	**62**	49
Data processing	**21**	19	**61**	60
Travel	**15**	12	**45**	22
Professional service fees	**16**	14	**42**	46
Intangible amortization	**12**	11	**34**	32
Postal and courier	**10**	9	**30**	28
Other, net	**80**	86	**219**	222
Total other noninterest expense	**$ 257**	253	**721**	704

Other noninterest expense increased $4 million and $17 million for the three and nine months ended September 30, 2022, respectively, compared to the same periods in the prior year primarily due to increases in FDIC insurance and other taxes and losses and adjustments, partially offset by a decrease in loan and lease expense. The increase for the nine months ended September 30, 2022 also included an increase in travel expense.

FDIC insurance and other taxes increased $8 million and $14 million for the three and nine months ended September 30, 2022, respectively, compared to the same periods in the prior year primarily as a result of an increase in the FDIC insurance assessment rate. Losses and adjustments increased $7 million and $13 million for the three and nine months ended September 30, 2022, respectively, compared to the same periods in the prior year. The increase for the three months ended September 30, 2022 was primarily due to increases in operational losses and legal settlements. The increase for the nine months ended September 30, 2022 was primarily due to a reduction in the net benefit from changes in credit valuation adjustments on customer accommodation derivatives and an increase in operational losses, partially offset by a decrease in legal settlements. Travel expense increased $23 million for the nine months ended September 30, 2022 compared to the same period in the prior year due to an increase in travel as a result of the gradual cessation of travel restrictions related to the COVID-19 pandemic.

Loan and lease expense decreased $14 million and $31 million for the three and nine months ended September 30, 2022, respectively, compared to the same periods in the prior year primarily driven by a decrease in loan servicing expenses related to the Bancorp's sales of certain government-guaranteed residential mortgage loans that were previously in forbearance programs and serviced by a third party.

Applicable Income Taxes

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

TABLE 13: Applicable Income Taxes

	For the three months ended September 30,		For the nine months ended September 30,	
($ in millions)	**2022**	2021	**2022**	2021
Income before income taxes	**$ 845**	895	**2,179**	2,689
Applicable income tax expense	**192**	191	**470**	582
Effective tax rate	**22.7 %**	21.3	**21.6**	21.6

Applicable income tax expense for all periods presented includes the benefit from tax-exempt income, tax-advantaged investments, and tax credits (and other related tax benefits), partially offset by the effect of proportional amortization of qualifying LIHTC investments and certain nondeductible expenses. The tax credits are primarily associated with the Low-Income Housing Tax Credit program established under Section 42 of the IRC, the New Markets Tax Credit program established under Section 45D of the IRC, the Rehabilitation Investment Tax 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 increased to 22.7% for the three months ended September 30, 2022 compared to 21.3% for the same period in the prior year primarily related to a decrease in excess tax benefits related to share-based compensation and an increase in the amount of nondeductible expenses. The effective tax rate was 21.6% for both the nine months ended September 30, 2022 and 2021.

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BALANCE SHEET ANALYSIS

Loans and Leases

The Bancorp classifies its commercial loans and leases based upon primary purpose and consumer loans based upon product or collateral. Table 14 summarizes end of period loans and leases, including loans and leases held for sale, and Table 15 summarizes average total loans and leases, including average loans and leases held for sale.

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

	September 30, 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)]	**$ 56,505**	**46 %**	$ 51,666	44 %
Commercial mortgage loans	**10,947**	**9**	10,329	9
Commercial construction loans	**5,573**	**5**	5,241	4
Commercial leases	**2,822**	**2**	3,053	3
Total commercial loans and leases	**$ 75,847**	**62**	$ 70,289	60
Consumer loans:				
Residential mortgage loans	**19,471**	**16**	20,791	18
Home equity	**4,000**	**3**	4,084	4
Indirect secured consumer loans	**16,646**	**14**	16,783	14
Credit card	**1,770**	**2**	1,766	2
Other consumer loans	**4,205**	**3**	2,752	2
Total consumer loans	**$ 46,092**	**38**	$ 46,176	40
Total loans and leases	**$ 121,939**	**100 %**	$ 116,465	100 %
Total portfolio loans and leases (excluding loans and leases held for sale)	**$ 119,999**		$ 112,050	

(a) Includes $210 million and $1.3 billion as of September 30, 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 $5.5 billion, or 5%, from December 31, 2021 primarily as a result of a $5.6 billion, or 8%, increase in commercial loans and leases.

Commercial loans and leases increased $5.6 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 $4.8 billion, or 9%, 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 $618 million, or 6%, from December 31, 2021 as loan originations exceeded payoffs. Commercial construction loans increased $332 million, or 6%, from December 31, 2021 as draws on existing commitments and loan originations exceeded payoffs. Commercial leases decreased $231 million, or 8%, from December 31, 2021 primarily as a result of a planned reduction in indirect non-relationship-based lease originations.

Consumer loans decreased $84 million from December 31, 2021 primarily due to decreases in residential mortgage loans, indirect secured consumer loans and home equity, partially offset by an increase in other consumer loans. Residential mortgage loans decreased $1.3 billion, or 6%, 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. Indirect secured consumer loans decreased $137 million, or 1%, from December 31, 2021 primarily driven by indirect automobile payoffs exceeding loan production, partially offset by increased loan production in non-automobile indirect loans. Home equity decreased $84 million, or 2%, from December 31, 2021 as payoffs exceeded loan originations and new advances. Other consumer loans increased $1.5 billion, or 53%, from December 31, 2021 primarily driven by the impacts of a business acquisition completed in the second quarter of 2022, including loans acquired in addition to post-acquisition loan originations exceeding payoffs.

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

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

For the three months ended ($ in millions)	September 30, 2022 Carrying Value	September 30, 2022 % of Total	September 30, 2021 Carrying Value	September 30, 2021 % of Total
Commercial loans and leases:				
Commercial and industrial loans	**$ 56,648**	**46 %**	$ 47,774	42 %
Commercial mortgage loans	**10,751**	**9**	10,339	9
Commercial construction loans	**5,557**	**5**	5,729	5
Commercial leases	**2,793**	**2**	3,158	3
Total commercial loans and leases	**$ 75,749**	**62**	$ 67,000	59
Consumer loans:				
Residential mortgage loans	**19,870**	**16**	21,750	19
Home equity	**3,956**	**3**	4,409	4
Indirect secured consumer loans	**16,750**	**14**	15,590	14
Credit card	**1,756**	**2**	1,748	1
Other consumer loans	**3,819**	**3**	3,031	3
Total consumer loans	**$ 46,151**	**38**	$ 46,528	41
Total average loans and leases	**$ 121,900**	**100 %**	$ 113,528	100 %
Total average portfolio loans and leases (excluding loans and leases held for sale)	**$ 119,644**		$ 107,970	

Average loans and leases, including average loans and leases held for sale, increased $8.4 billion, or 7%, for the three months ended September 30, 2022 compared to the same period in the prior year as a result of a $8.7 billion, or 13%, increase in average commercial loans and leases, partially offset by a $377 million, or 1%, decrease in average consumer loans.

Average commercial loans and leases increased $8.7 billion for the three months ended September 30, 2022 compared to the same period in the prior year due to increases in average commercial and industrial loans and average commercial mortgage loans, partially offset by decreases in average commercial leases and average commercial construction loans. Average commercial and industrial loans increased $8.9 billion, or 19%, for the three months ended September 30, 2022 compared to the same period in the prior year primarily driven by increased revolving line of credit utilization and increased production, partially offset by PPP loan forgiveness and paydowns. Average commercial mortgage loans increased $412 million, or 4%, for the three months ended September 30, 2022 compared to the same period in the prior year as loan originations exceeded payoffs. Average commercial leases decreased $365 million, or 12%, for the three months ended September 30, 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 commercial construction loans decreased $172 million, or 3%, for the three months ended September 30, 2022 compared to the same period in the prior year as payoffs exceeded draws on existing commitments and loan originations.

Average consumer loans decreased $377 million for the three months ended September 30, 2022 compared to the same period in the prior year primarily due to decreases in average residential mortgage loans and average home equity, partially offset by increases in average indirect secured consumer loans and average other consumer loans. Average residential mortgage loans decreased $1.9 billion, or 9%, for the three months ended September 30, 2022 compared to the same period in the prior year primarily due to decreases in residential mortgage loans held for sale as the Bancorp sold government-guaranteed loans that were previously in forbearance programs. Average home equity decreased $453 million, or 10%, for the three months ended September 30, 2022 compared to the same period in the prior year as payoffs exceeded loan originations and new advances. Average indirect secured consumer loans increased $1.2 billion, or 7%, for the three months ended September 30, 2022 compared to the same period in the prior year primarily driven by higher demand and other favorable market conditions from September 30, 2021, which contributed to increased loan production. Average other consumer loans increased $788 million, or 26%, for the three months ended September 30, 2022 compared to the same period in the prior year primarily driven by the impacts of a business acquisition completed in the second quarter of 2022, including loans acquired in addition to post-acquisition loan originations exceeding payoffs.

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 $52.0 billion and $39.0 billion at September 30, 2022 and December 31, 2021, respectively. The taxable available-for-sale debt and other investment securities portfolio had an effective duration of 5.5 at September 30, 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 September 30, 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 September 30, 2022 and December 31, 2021.

During the three and nine months ended September 30, 2021, the Bancorp recognized $12 million and $19 million, respectively, of impairment losses on its available-for-sale debt and other securities, included in securities (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 September 30, 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 and nine months ended September 30, 2022 and 2021.

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

TABLE 16: Components of Investment Securities

As of ($ in millions)		September 30, 2022	December 31, 2021
Available-for-sale debt and other securities (amortized cost basis):			
U.S. Treasury and federal agencies securities	$	**2,581**	85
Obligations of states and political subdivisions securities		**18**	18
Mortgage-backed securities:			
Agency residential mortgage-backed securities		**12,573**	8,432
Agency commercial mortgage-backed securities		**29,440**	18,236
Non-agency commercial mortgage-backed securities		**5,256**	4,364
Asset-backed securities and other debt securities		**6,630**	5,287
Other securities[(a)]		**874**	519
Total available-for-sale debt and other securities	$	**57,372**	36,941
Held-to-maturity securities (amortized cost basis):			
Obligations of states and political subdivisions securities	$	**3**	6
Asset-backed securities and other debt securities		**2**	2
Total held-to-maturity securities	$	**5**	8
Trading debt securities (fair value):			
U.S. Treasury and federal agencies securities	$	**82**	84
Obligations of states and political subdivisions securities		**36**	32
Agency residential mortgage-backed securities		**7**	105
Asset-backed securities and other debt securities		**289**	291
Total trading debt securities	$	**414**	512
Total equity securities (fair value)	$	**315**	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 $20.4 billion from December 31, 2021 as a result of the deployment of excess short-term investments into longer duration assets in the investment portfolio during the nine months ended September 30, 2022.

On an amortized cost basis, available-for-sale debt and other securities were 31% and 20% of total interest-earning assets at September 30, 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 7.1 years at September 30, 2022 compared to 6.6 years at December 31, 2021. In addition, at September 30, 2022, the debt securities in the available-for-sale debt and other securities portfolio had a weighted-average yield of 2.88% compared to 2.77% at December 31, 2021.

Information presented in Table 17 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 $6.1 billion at September 30, 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 decreases when interest rates increase or when credit spreads widen.

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TABLE 17: Characteristics of Available-for-Sale Debt and Other Securities

As of September 30, 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	$	975	902	3.9	2.14 %
Average life after five years through ten years		1,606	1,475	6.0	2.51
Total	$	2,581	2,377	5.2	2.37 %
Obligations of states and political subdivisions securities:					
Average life within one year		17	17	0.4	1.80
Average life after ten years		1	1	14.1	7.00
Total	$	18	18	1.2	2.11 %
Agency residential mortgage-backed securities:					
Average life within one year		43	42	0.6	2.16
Average life after one year through five years		979	913	3.6	2.77
Average life after five years through ten years		10,451	9,364	8.2	3.07
Average life after ten years		1,100	913	12.0	2.88
Total	$	12,573	11,232	8.1	3.03 %
Agency commercial mortgage-backed securities:[(a)]					
Average life within one year		108	108	0.5	4.99
Average life after one year through five years		7,247	6,723	3.6	2.83
Average life after five years through ten years		15,579	13,678	7.5	2.80
Average life after ten years		6,506	5,380	12.8	2.77
Total	$	29,440	25,889	7.7	2.81 %
Non-agency commercial mortgage-backed securities:					
Average life within one year		97	95	0.9	3.08
Average life after one year through five years		3,052	2,867	3.0	3.22
Average life after five years through ten years		2,107	1,746	8.6	2.75
Total	$	5,256	4,708	5.2	3.03 %
Asset-backed securities and other debt securities:					
Average life within one year		354	331	0.7	2.79
Average life after one year through five years		3,599	3,368	3.1	2.99
Average life after five years through ten years		2,515	2,334	6.8	3.08
Average life after ten years		162	158	11.0	3.74
Total	$	6,630	6,191	4.5	3.03 %
Other securities		874	874		
Total available-for-sale debt and other securities	$	57,372	51,289	7.1	2.88 %

(a) Taxable-equivalent yield adjustments included in the above table are 0.10% 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. The Bancorp uses other short-term investments as part of its liquidity risk management tools. Other short-term investments were $6.6 billion and $34.6 billion at September 30, 2022 and December 31, 2021, respectively. The decrease of $28.0 billion from December 31, 2021 was primarily attributable to purchases of investment securities, a decline in core deposit balances and loan growth during the nine months ended September 30, 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 76% and 79% of the Bancorp's average asset funding base for the three months ended September 30, 2022 and 2021, respectively.

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

TABLE 18: Components of Deposits

	September 30, 2022		December 31, 2021	
As of ($ in millions)	Balance	% of Total	Balance	% of Total
Demand	**$ 57,601**	**36 %**	$ 65,088	38 %
Interest checking	**46,985**	**29**	48,870	29
Savings	**23,771**	**15**	22,227	13
Money market	**28,707**	**18**	30,263	18
Foreign office	**185**	**—**	121	—
Total transaction deposits	**$ 157,249**	**98**	$ 166,569	98
CDs $250,000 or less	**2,007**	**1**	2,486	2
Total core deposits	**$ 159,256**	**99**	$ 169,055	100
CDs over $250,000[(a)]	**2,396**	**1**	269	—
Total deposits	**$ 161,652**	**100 %**	$ 169,324	100 %

(a) Includes retail brokered certificates of deposit.

Core deposits decreased $9.8 billion, or 6%, from December 31, 2021 primarily due to decreases in demand deposits, interest checking deposits, money market deposits and CDs $250,000 or less, partially offset by an increase in savings deposits. Demand deposits decreased $7.5 billion, or 12%, from December 31, 2021 primarily as a result of lower balances per commercial customer account and balance migration into interest checking deposits, partially offset by consumer balance growth. Interest checking deposits decreased $1.9 billion, or 4% from December 31, 2021 primarily as a result of lower balances per customer account, partially offset by balance migration from demand deposits and money market deposits. Money market deposits decreased $1.6 billion, or 5%, from December 31, 2021 primarily as a result of lower balances per commercial customer account and balance migration into interest checking deposits, partially offset by higher balances per consumer customer account. The decreases in demand deposits, interest checking deposits and money market deposits also reflected the impact of the deliberate runoff during the second quarter of 2022 of higher cost commercial deposits. CDs $250,000 or less decreased $479 million, or 19%, from December 31, 2021 primarily due to lower offering rates. Savings deposits increased $1.5 billion, or 7%, from December 31, 2021 primarily as a result of consumer balance growth.

CDs over $250,000 increased $2.1 billion from December 31, 2021 primarily due to an increase in retail brokered certificates of deposit issued.

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

TABLE 19: Components of Average Deposits

	September 30, 2022		September 30, 2021	
($ in millions)	Balance	% of Total	Balance	% of Total
Demand	**$ 59,535**	**37 %**	$ 62,626	38 %
Interest checking	**42,574**	**27**	45,128	28
Savings	**23,814**	**15**	20,941	13
Money market	**29,066**	**18**	30,514	19
Foreign office	**206**	**—**	195	—
Total transaction deposits	**$ 155,195**	**97**	$ 159,404	98
CDs $250,000 or less	**2,048**	**1**	2,937	2
Total core deposits	**$ 157,243**	**98**	$ 162,341	100
CDs over $250,000[(a)]	**2,226**	**2**	306	—
Total average deposits	**$ 159,469**	**100 %**	$ 162,647	100 %

(a) Includes retail brokered certificates of deposit.

On an average basis, core deposits decreased $5.1 billion, or 3%, for the three months ended September 30, 2022 compared to the same period in the prior year primarily driven by decreases in average demand deposits, average interest checking deposits, average money market deposits and average CDs $250,000 or less, partially offset by an increase in average savings deposits. Average demand deposits decreased $3.1 billion, or 5%, for the three months ended September 30, 2022 compared to the same period in the prior year primarily as a result of lower average balances per commercial customer account and balance migration into interest checking deposits, partially offset by higher average balances per consumer customer account. Average interest checking deposits decreased $2.6 billion, or 6%, for the three months ended September 30, 2022 compared to the same period in the prior year primarily as a result of lower average balances per commercial customer account, partially offset by balance migration from demand deposits and money market deposits. Average money market deposits decreased $1.4 billion, or 5%, for the three months ended September 30, 2022 compared to the same period in the prior year primarily as a result of lower average balances per commercial customer account and balance migration into interest checking deposits, partially offset by

higher average balances per consumer customer account. The decreases in average demand deposits, average interest checking deposits and average money market deposits also reflected the impact of the deliberate runoff during the second quarter of 2022 of higher cost commercial deposits. Average CDs $250,000 or less decreased $889 million, or 30%, for the three months ended September 30, 2022 compared to the same period in the prior year primarily due to lower offering rates. Average savings deposits increased $2.9 billion, or 14%, for the three months ended September 30, 2022 compared to the same period in the prior year primarily as a result of consumer balance growth.

Average CDs over $250,000 increased $1.9 billion for the three months ended September 30, 2022 compared to the same period in the prior year primarily due to an increase in retail brokered certificates of deposit issued.

Contractual maturities

The contractual maturities of CDs as of September 30, 2022 are summarized in the following table:

TABLE 20: Contractual Maturities of CDs[(a)]

($ in millions)		
Next 12 months	$	4,061
13-24 months		178
25-36 months		84
37-48 months		63
49-60 months		13
After 60 months		4
Total CDs	$	4,403

(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 September 30, 2022 and December 31, 2021, approximately $64.9 billion and $80.2 billion, respectively, of the Bancorp's domestic deposits were uninsured. At September 30, 2022 and December 31, 2021, approximately $425 million and $468 million, respectively, of the Bancorp's time deposits were not fully insured. The estimated uninsured portions of those time deposits were $183 million and $236 million at September 30, 2022 and December 31, 2021, respectively. 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 17% and 12% for the three months ended September 30, 2022 and 2021, respectively.

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

TABLE 21: Components of Borrowings

As of ($ in millions)		**September 30, 2022**	December 31, 2021
Federal funds purchased	**$**	**212**	281
Other short-term borrowings		**6,378**	980
Long-term debt		**11,712**	11,821
Total borrowings	**$**	**18,302**	13,082

Total borrowings increased $5.2 billion, or 40%, from December 31, 2021 primarily due to increases in other short-term borrowings, partially offset by a decrease in long-term debt. Other short-term borrowings increased $5.4 billion from December 31, 2021 primarily due to increased funding needs resulting from an increase in investment securities, loan growth and a decline in core deposit balances. The level of other short-term borrowings can fluctuate significantly from period to period depending on funding needs and the sources that are used to satisfy those needs. For further information on the components of other short-term borrowings, refer to Note 15 of the Notes to Condensed Consolidated Financial Statements. Long-term debt decreased $109 million from December 31, 2021 primarily driven by the early redemptions under the par call options of $1.5 billion of notes, $493 million of fair value adjustments associated with interest rate swaps hedging long-term debt and $141 million of paydowns on long-term debt associated with automobile loan securitizations during the nine months ended September 30, 2022. These decreases were partially offset by the issuances of senior fixed-rate/floating-rate notes in April and July of 2022 totaling $2.0 billion. Refer to Note 16 of the Notes to Condensed Consolidated Financial Statements for additional information

about these issuances. For further information on a subsequent event related to long-term debt, refer to Note 24 of the Notes to Condensed Consolidated Financial Statements.

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

TABLE 22: Components of Average Borrowings

($ in millions)		**September 30, 2022**	September 30, 2021
Federal funds purchased	**$**	**607**	348
Other short-term borrowings		**7,436**	1,122
Long-term debt		**11,796**	12,057
Total average borrowings	**$**	**19,839**	13,527

Total average borrowings increased $6.3 billion, or 47%, for the three months ended September 30, 2022 compared to the same period in the prior year primarily due to increases in average other short-term borrowings and average federal funds purchased, partially offset by a decrease in average long-term debt. Average other short-term borrowings and average federal funds purchased increased $6.3 billion and $259 million, respectively, for the three months ended September 30, 2022 compared to the same period in the prior year primarily due to increased funding needs resulting from an increase in investment securities, loan growth and a decline in core deposit balances. Average long-term debt decreased $261 million for the three months ended September 30, 2022 compared to the same period in the prior year primarily driven by the early redemptions under the par call options of $1.5 billion of notes, $507 million of fair value adjustments associated with interest rate swaps hedging long-term debt and $200 million of paydowns on long-term debt associated with automobile loan securitizations since September 30, 2021. The decrease in average long-term debt was partially offset by the issuances of senior fixed-rate/ floating-rate notes in November of 2021, April of 2022 and July of 2022 of $500 million, $1.0 billion and $1.0 billion, respectively. 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.

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

BUSINESS SEGMENT REVIEW

During the third quarter of 2022, the Bancorp reorganized its management reporting structure and now reports on three business segments: Commercial Banking, Consumer and Small Business Banking and Wealth and Asset Management. Additional information on each business segment is included in Note 23 of the Notes to Condensed Consolidated Financial Statements. Prior period results have been adjusted to conform to the new segment presentation. 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 nine months ended September 30, 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 23: Net Income (Loss) by Business Segment

	For the three months ended September 30,		For the nine months ended September 30,	
($ in millions)	**2022**	2021	**2022**	2021
Income Statement Data				
Commercial Banking	**$ 369**	470	**1,026**	1,186
Consumer and Small Business Banking	**377**	93	**699**	161
Wealth and Asset Management	**56**	24	**125**	68
General Corporate and Other	**(149)**	117	**(141)**	692
Net income	**$ 653**	704	**1,709**	2,107

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Commercial Banking

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

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

TABLE 24: Commercial Banking

	For the three months ended September 30,		For the nine months ended September 30,	
($ in millions)	**2022**	2021	**2022**	2021
Income Statement Data				
Net interest income (FTE)[(a)]	**$ 596**	396	**1,676**	1,189
Provision for (benefit from) credit losses	**(2)**	(250)	**44**	(479)
Noninterest income:				
Commercial banking revenue	**133**	151	**405**	462
Service charges on deposits	**90**	96	**285**	288
Leasing business revenue	**60**	78	**179**	226
Other noninterest income	**15**	49	**123**	137
Noninterest expense:				
Compensation and benefits	**147**	152	**483**	475
Leasing business expense	**33**	33	**95**	102
Other noninterest expense	**260**	249	**783**	736
Income before income taxes (FTE)	**456**	586	**1,263**	1,468
Applicable income tax expense[(a)(b)]	**87**	116	**237**	282
Net income	**$ 369**	470	**1,026**	1,186
Average Balance Sheet Data				
Commercial loans and leases, including held for sale	**$ 72,086**	61,865	**70,123**	62,068
Demand deposits	**34,503**	38,439	**36,930**	37,607
Interest checking deposits	**18,495**	22,001	**20,086**	22,168
Savings and money market deposits	**5,615**	7,665	**6,212**	7,921
Certificates of deposit	**106**	112	**116**	118
Foreign office deposits	**206**	195	**157**	155

(a) Includes FTE adjustments of $2 for both the three months ended September 30, 2022 and 2021, and $7 and $6 for the nine months ended September 30, 2022 and 2021, respectively.

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

Net income was $369 million and $1.0 billion for the three and nine months ended September 30, 2022, respectively, compared to $470 million and $1.2 billion for the same periods in the prior year. The decreases for both periods were primarily driven by increases in provision for credit losses, decreases in noninterest income and increases in noninterest expense, partially offset by increases in net interest income on an FTE basis.

Net interest income on an FTE basis increased $200 million and $487 million for the three and nine months ended September 30, 2022, respectively, compared to the same periods in the prior year primarily driven by increases in FTP credit rates on deposits as well as increases in yields on and average balances of commercial loans and leases. These positive impacts were partially offset by increases in FTP charges on commercial loans and leases as well as increases in rates paid on interest checking deposits and savings and money market deposits.

The benefit from credit losses was $2 million and the provision for credit losses was $44 million for the three and nine months ended September 30, 2022, respectively, compared to a benefit from credit losses of $250 million and $479 million for the three and nine months ended September 30, 2021, respectively. The benefits from credit losses for the three and nine months ended September 30, 2021 were primarily driven by decreases in commercial criticized asset levels during those periods. The increases in provision expense for the three and nine months ended September 30, 2022 compared to the same periods in the prior year were driven by increases in net charge-offs on commercial and industrial loans. Annualized net charge-offs as a percent of average portfolio loans and leases increased to 16 bps and 13 bps for the three and nine months ended September 30, 2022, respectively, compared to 1 bp and 9 bps for the same periods in the prior year.

Noninterest income decreased $76 million and $121 million for the three and nine months ended September 30, 2022, respectively, compared to the same periods in the prior year primarily driven by decreases in commercial banking revenue, leasing business revenue and other

noninterest income. Commercial banking revenue decreased $18 million and $57 million for the three and nine months ended September 30, 2022, respectively, compared to the same periods in the prior year primarily due to decreases in corporate bond fees, loan syndication fees and merger and acquisition fees, partially offset by increases in contract revenue from commodity derivatives and commercial customer derivatives. Leasing business revenue decreased $18 million and $47 million for the three and nine months ended September 30, 2022, respectively, compared to the three and nine months ended September 30, 2021 primarily due to decreases in leasing business solutions revenue, partially offset by increases in lease remarketing fees. The decreases in leasing business solutions revenue were related to the disposition of LaSalle Solutions during the second quarter of 2022. The decrease for the nine months ended September 30, 2022 also included a decrease in lease syndication fees. Other noninterest income decreased $34 million and $14 million for the three and nine months ended September 30, 2022, respectively, compared to the same periods in the prior year primarily driven by the recognition of securities losses during the three and nine months ended September 30, 2022. The decrease for the nine months ended September 30, 2022 was partially offset by an increase in private equity investment income.

Noninterest expense increased $6 million and $48 million for the three and nine months ended September 30, 2022, respectively, compared to the same periods in the prior year primarily driven by increases in other noninterest expense. The increase for the three months ended September 30, 2022 was partially offset by a decrease in compensation and benefits. The increase for the nine months ended September 30, 2022 also included an increase in compensation and benefits, partially offset by a decrease in leasing business expense. Other noninterest expense increased $11 million and $47 million for the three and nine months ended September 30, 2022, respectively, compared to the same periods in the prior year primarily due to increases in allocated expenses related to information technology support services and cash management services as well as increases in FDIC insurance and other taxes. The increase for the nine months ended September 30, 2022 was also driven by an increase in travel expense as well as the impact of a benefit associated with a decline in credit valuation adjustments on derivatives associated with customer accommodation contracts during the nine months ended September 30, 2021. Compensation and benefits decreased $5 million and increased $8 million for the three and nine months ended September 30, 2022, respectively, compared to the same periods in the prior year. The decrease for the three months ended September 30, 2022 was primarily driven by a decrease in incentive compensation, partially offset by an increase in base compensation. The increase for the nine months ended September 30, 2022 was primarily driven by an increase in base compensation, partially offset by a decrease in incentive compensation. Leasing business expense decreased $7 million for the nine months ended September 30, 2022 compared to the same period in the prior year primarily due to a decrease in operating lease equipment depreciation.

Average commercial loans and leases increased $10.2 billion and $8.1 billion for the three and nine months ended September 30, 2022, respectively, compared to the same periods in the prior year primarily due to increases 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 for the three and nine months ended September 30, 2022 compared to the same periods in the prior year primarily driven by increased revolving line of credit utilization and increased production, partially offset by PPP loan forgiveness and paydowns. Average commercial construction loans decreased for the three and nine months ended September 30, 2022 compared to the same periods in the prior year as payoffs exceeded draws on existing commitments and loan originations. Average commercial leases decreased for the three and nine months ended September 30, 2022 compared to the same periods in the prior year primarily as a result of a planned reduction in indirect non-relationship-based lease originations.

Average deposits decreased $9.5 billion and $4.5 billion for the three and nine months ended September 30, 2022, respectively, compared to the same periods in the prior year primarily due to decreases in average interest checking deposits, average savings and money market deposits and average demand deposits. Average interest checking deposits decreased $3.5 billion and $2.1 billion, average savings and money market deposits decreased $2.1 billion and $1.7 billion and average demand deposits decreased $3.9 billion and $677 million for the three and nine months ended September 30, 2022, respectively, compared to the same periods in the prior year primarily as a result of lower average balances per commercial customer account. The decreases in demand deposits, interest checking deposits and money market deposits also reflected the impact of the deliberate runoff during the second quarter of 2022 of higher cost commercial deposits.

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Consumer and Small Business Banking

Consumer and Small Business Banking provides a full range of deposit and loan products to individuals and small businesses through a network of full-service banking centers and relationships with indirect and correspondent loan originators in addition to providing products designed to meet the specific needs of small businesses, including cash management services. Consumer and Small Business Banking includes the Bancorp's residential mortgage, home equity loans and lines of credit, credit cards, automobile and other indirect lending and other consumer lending activities. Residential mortgage activities include the origination, retention and servicing of residential mortgage loans, sales and securitizations of those loans and all associated hedging activities. Indirect lending activities include extending loans to consumers through automobile dealers, motorcycle dealers, powersport dealers, recreational vehicle dealers and marine dealers. Other consumer lending activities include home improvement and solar energy installation loans originated through a network of contractors and installers.

The following table contains selected financial data for the Consumer and Small Business Banking segment:

TABLE 25: Consumer and Small Business Banking

	For the three months ended September 30,		For the nine months ended September 30,	
($ in millions)	**2022**	2021	**2022**	2021
Income Statement Data				
Net interest income	**$ 833**	429	**1,981**	1,247
Provision for credit losses	**34**	19	**93**	95
Noninterest income:				
Card and processing revenue	**79**	78	**231**	232
Service charges on deposits	**53**	56	**164**	157
Wealth and asset management revenue	**52**	53	**154**	154
Mortgage banking net revenue	**69**	85	**151**	233
Other noninterest income	**33**	29	**86**	75
Noninterest expense:				
Compensation and benefits	**207**	207	**630**	633
Net occupancy and equipment expense	**58**	58	**175**	177
Card and processing expense	**19**	18	**54**	68
Other noninterest expense	**324**	310	**930**	920
Income before income taxes	**$ 477**	118	**885**	205
Applicable income tax expense	**100**	25	**186**	44
Net income	**$ 377**	93	**699**	161
Average Balance Sheet Data				
Consumer loans, including held for sale	**$ 43,187**	43,693	**43,066**	42,804
Commercial loans, including held for sale	**1,868**	983	**1,603**	861
Demand deposits	**23,606**	23,368	**23,705**	22,665
Interest checking deposits	**15,111**	14,692	**15,418**	14,467
Savings and money market deposits	**43,521**	41,170	**43,220**	40,271
Certificates of deposit	**2,235**	3,062	**2,417**	3,450

Net income was $377 million and $699 million for the three and nine months ended September 30, 2022, respectively, compared to $93 million and $161 million for the same periods in the prior year. The increases were primarily driven by increases in net interest income, partially offset by decreases in noninterest income.

Net interest income increased $404 million and $734 million for the three and nine months ended September 30, 2022, respectively, compared to the same periods in the prior year primarily due to increases in FTP credits on deposits. The increase for the three months ended September 30, 2022 also included an increase in yields on and average balances of loans and leases. These positive impacts were partially offset by increases in FTP charge rates on loans and leases.

Provision for credit losses increased $15 million and decreased $2 million for the three and nine months ended September 30, 2022, respectively, compared to the same periods in the prior year. The increase for the three months ended September 30, 2022 compared to the same period in the prior year was primarily due to an increase in net charge-offs on indirect secured consumer loans. The decrease for the nine months ended September 30, 2022 compared to the same period in the prior year was primarily due to a decrease in net charge-offs on credit card, partially offset by an increase in net charge-offs on indirect secured consumer loans. Annualized net charge-offs as a percent of average portfolio loans and leases were 32 bps and 30 bps for the three and nine months ended September 30, 2022, respectively, compared to 21 bps and 34 bps for the same periods in the prior year.

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

Noninterest income decreased $15 million and $65 million for the three and nine months ended September 30, 2022, respectively, compared to the same periods in the prior year primarily driven by decreases in mortgage banking net revenue. The decrease for the nine months ended September 30, 2022 was partially offset by increases in other noninterest income and service charges on deposits. 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. Other noninterest income increased $11 million for the nine months ended September 30, 2022 compared to the same period in the prior year. Service charges on deposits increased $7 million for the nine months ended September 30, 2022 compared to the same period in the prior year primarily due to an increase in commercial treasury management fees.

Noninterest expense increased $15 million and decreased $9 million for the three and nine months ended September 30, 2022, respectively, compared to the same periods in the prior year. The increase for the three months ended September 30, 2022 compared to the same period in the prior year was primarily driven by an increase in other noninterest expense. The decrease for the nine months ended September 30, 2022 was primarily driven by a decrease in card and processing expense, partially offset by an increase in other noninterest expense. Other noninterest expense increased $14 million and $10 million for the three and nine months ended September 30, 2022, respectively, compared to the same periods in the prior year primarily due to increases in marketing expense, allocated expenses related to information technology support services and FDIC insurance and other taxes. These increases were partially offset by decreases in loan and lease expense primarily driven by a decrease in loan servicing expenses related to the Bancorp's sales of certain government-guaranteed residential mortgage loans that were previously in forbearance programs and serviced by a third party. Card and processing expense decreased $14 million for the nine months ended September 30, 2022 compared to the same period in the prior year primarily driven by contract renegotiations with a third-party vendor.

Average consumer loans decreased $506 million and increased $262 million for the three and nine months ended September 30, 2022, respectively, compared to the same periods in the prior year. The decrease for the three months ended September 30, 2022 was primarily due to decreases in average residential mortgage loans and average home equity, partially offset by an increase in average indirect secured consumer loans. The increase for the nine months ended September 30, 2022 was primarily due to an increase in average indirect secured consumer loans, partially offset by decreases in average residential mortgage loans and average home equity. Average indirect consumer loans increased for the three and nine months ended September 30, 2022 primarily driven by higher demand and other favorable market conditions from September 30, 2021, which contributed to increased loan production. Average residential mortgage loans decreased for the three and nine months ended September 30, 2022 primarily driven by decreases in residential mortgage loans held for sale as the Bancorp sold government-guaranteed loans that were previously in forbearance programs. Average home equity decreased for the three and nine months ended September 30, 2022 as payoffs exceeded loan originations and new advances. Average commercial loans increased $885 million and $742 million for the three and nine months ended September 30, 2022, respectively, compared to the same periods in the prior year primarily driven by increases in average commercial and industrial loans and average commercial mortgage loans.

Average deposits increased $2.2 billion and $3.9 billion for the three and nine months ended September 30, 2022, respectively, compared to the same periods in the prior year primarily driven by increases in average savings and money market deposits, average demand deposits and average interest checking deposits, partially offset by decreases in average certificates of deposit. Average savings and money market deposits increased $2.4 billion and $2.9 billion, average demand deposits increased $238 million and $1.0 billion and average interest checking deposits increased $419 million and $951 million for the three and nine months ended September 30, 2022, respectively, compared to the same periods 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 certificates of deposit decreased $827 million and $1.0 billion for the three and nine months ended September 30, 2022, respectively, compared to the same periods in the prior year primarily due to lower offering rates.

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

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 September 30,		For the nine months ended September 30,	
($ in millions)	**2022**	2021	**2022**	2021
Income Statement Data				
Net interest income	**$ 79**	22	**167**	64
Benefit from credit losses	**—**	—	**—**	(1)
Noninterest income:				
Wealth and asset management revenue	**132**	140	**407**	414
Other noninterest income	**2**	3	**5**	8
Noninterest expense:				
Compensation and benefits	**54**	48	**166**	151
Other noninterest expense	**88**	86	**255**	249
Income before income taxes	**$ 71**	31	**158**	87
Applicable income tax expense	**15**	7	**33**	19
Net income	**$ 56**	24	**125**	68
Average Balance Sheet Data				
Loans and leases, including held for sale	**$ 4,512**	3,909	**4,383**	3,810
Deposits	**12,258**	11,072	**13,020**	11,326

Net income was $56 million and $125 million for the three and nine months ended September 30, 2022, respectively, compared to $24 million and $68 million for the same periods in the prior year. The increases were primarily driven by increases in net interest income, partially offset by increases in noninterest expense and decreases in noninterest income.

Net interest income increased $57 million and $103 million for the three and nine months ended September 30, 2022, respectively, compared to the same periods in the prior year primarily driven by increases in FTP credits on deposits as well as increases in yields on and average balances of loans and leases. These positive impacts were partially offset by increases in rates paid on average interest checking deposits and FTP charges on loans and leases for the three and nine months ended September 30, 2022 compared to the same periods in the prior year.

Noninterest income decreased $9 million and $10 million for the three and nine months ended September 30, 2022, respectively, compared to the same periods in the prior year primarily driven by decreases in wealth and asset management revenue. Wealth and asset management revenue decreased $8 million and $7 million for the three and nine months ended September 30, 2022 compared to the same periods in the prior year primarily as a result of decreases in securities income and private client service fees.

Noninterest expense increased $8 million and $21 million for the three and nine months ended September 30, 2022, respectively, compared to the same periods in the prior year primarily driven by increases in compensation and benefits. Compensation and benefits increased $6 million and $15 million for the three and nine months ended September 30, 2022, respectively, compared to the same periods in the prior year primarily as a result of increases in incentive compensation and base compensation.

Average loans and leases increased $603 million and $573 million for the three and nine months ended September 30, 2022, respectively, compared to the same periods in the prior year primarily driven by increases in average commercial and industrial loans as a result of higher loan production.

Average deposits increased $1.2 billion and $1.7 billion for the three and nine months ended September 30, 2022, respectively, compared to the same periods 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.

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

General Corporate and Other

General Corporate and Other includes the unallocated portion of the investment securities portfolio, securities gains and losses, certain non-core deposit funding, unassigned equity, 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 $352 million and $865 million for the three and nine months ended September 30, 2022, respectively, compared to the same periods in the prior year primarily driven by increases in FTP credits on deposits allocated to the business segments as well as decreases in interest income on loans and leases. These negative impacts were partially offset by increases in the benefit related to FTP charge rates on loans and leases allocated to the business segments as well as increases in interest income on investment securities.

The provision for credit losses decreased $63 million and increased $191 million for the three and nine months ended September 30, 2022, respectively, compared to the same periods in the prior year. The decrease in provision expense for the three months ended September 30, 2022 compared to the same period in the prior year was primarily driven by the impact of allocations to the business segments, partially offset by factors which caused an increase in the ACL during this period including higher period-end loan and lease balances and deterioration in forecasted macroeconomic conditions. The increase in provision expense for the nine months ended September 30, 2022 compared to the same period in the prior year was primarily driven by factors which caused an increase in the ACL during this period including higher period-end loan and lease balances and deterioration in forecasted macroeconomic conditions, partially offset by the impact of allocations to the business segments.

Noninterest income decreased $66 million and $100 million for the three and nine months ended September 30, 2022, respectively, compared to the same periods in the prior year primarily driven by a $60 million gain on the sale of the Bancorp's HSA deposit portfolio in the third quarter of 2021. The decrease for the nine months ended September 30, 2022 was also driven by increases in net securities losses, partially offset by a decrease in the loss recognized on the swap associated with the sale of Visa, Inc. Class B shares.

Noninterest expense decreased $36 million and $101 million for the three and nine months ended September 30, 2022, respectively, compared to the same periods in the prior year primarily driven by decreases in compensation and benefits due to decreases in benefits expense, variable compensation and deferred compensation. The decreases also included the impact of increases 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.

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

RISK MANAGEMENT - OVERVIEW

The Risk Management Overview section included in Item 7 of the Bancorp's Annual Report on Form 10-K describes 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. Item 7 of the Bancorp's Annual Report on Form 10-K also includes 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 September 30, 2022 ($ in millions)	Carrying Value	Unpaid Principal Balance	Exposure
Commercial and industrial loans	**$ 1,799**	**1,800**	**2,929**
Commercial mortgage loans	**522**	**524**	**530**
Commercial construction loans	**279**	**279**	**298**
Commercial leases	**86**	**86**	**89**
Total potential problem portfolio loans and leases	**$ 2,686**	**2,689**	**3,846**

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

Financial conditions continued to tighten in the third quarter as persistent inflation led the FOMC to aggressively increase interest rates to restore price stability and long-term treasury rates increased to their highest levels since 2010. The dramatic rise in the dollar against other global currencies is threatening global growth and adding to the inflationary pressures in other countries. Global central banks are expected to continue to aggressively increase interest rates, despite driving weaker growth, as they attempt to stabilize their currencies and offset the inflationary strain from commodities priced in dollars.

Financial market volatility remained high throughout the third quarter as investors assessed the impact of the FOMC's aggressive rate hikes on the macroeconomic outlook. Despite having increased rates 300 basis points since December 31, 2021, FRB officials indicated that additional rate hikes were necessary as high inflation continues to persist and unemployment remains at historically low levels. The FRB pushed back against market expectations for a pivot in monetary policy, indicating that a longer period of tighter policy will be necessary to return inflation to its long-run target of 2%. With the FOMC moving monetary policy into a restrictive setting, the increase in real yields along with the inversion of the yield curve are signaling increasing risks of a recession.

The dramatic increase in household wealth since March 2020 has supported consumer demand to date. However, higher prices are threatening to erode consumer's living standards and may result in pressures on discretionary spending as essential items consume a greater share of consumers' income. Many businesses are also facing a more challenging environment as profit margins are pressured from higher inflation and supply chain disruptions.

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 various economic conditions and their impacts on commercial borrowers, including the pace of inflation, rising interest rates, labor and supply chain issues, and changes in consumer discretionary spending patterns, among others. The Bancorp maintains focus on disciplined client selection, adherence to underwriting policy and attention to borrower and industry concentrations.

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

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.

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

	September 30, 2022			December 31, 2021		
($ in millions)	Outstanding	Exposure	Nonaccrual	Outstanding	Exposure	Nonaccrual
By Industry:						
Manufacturing	**$ 11,464**	**21,386**	**64**	11,131	22,082	82
Real estate	**11,023**	**17,288**	**25**	10,370	16,067	37
Financial services and insurance	**9,562**	**20,411**	**—**	9,196	18,562	—
Healthcare	**5,700**	**7,971**	**35**	5,011	7,608	6
Business services	**5,477**	**10,049**	**2**	5,149	9,481	23
Wholesale trade	**5,432**	**9,910**	**5**	4,733	9,266	6
Retail trade	**4,500**	**9,962**	**19**	4,053	10,001	2
Accommodation and food	**4,463**	**7,176**	**10**	4,354	7,089	28
Communication and information	**3,586**	**6,898**	**27**	2,969	6,665	24
Mining	**3,569**	**6,231**	**5**	2,512	5,023	16
Construction	**3,179**	**6,185**	**23**	2,918	6,111	6
Transportation and warehousing	**2,688**	**4,611**	**2**	2,774	4,628	8
Utilities	**1,698**	**3,979**	**—**	1,446	3,698	—
Entertainment and recreation	**1,559**	**2,990**	**69**	1,401	2,948	86
Other services	**1,049**	**1,484**	**9**	1,140	1,501	8
Public administration	**350**	**453**	**1**	606	856	3
Agribusiness	**348**	**566**	**1**	355	616	1
Other	**68**	**69**	**1**	89	90	1
Individuals	**63**	**109**	**—**	61	93	—
Total	**$ 75,778**	**137,728**	**298**	70,268	132,385	337
By Loan Size:						
Less than $1 million	**4 %**	**3**	**15**	5	3	14
$1 million to $5 million	**7**	**6**	**10**	8	6	14
$5 million to $10 million	**5**	**5**	**15**	6	5	8
$10 million to $25 million	**15**	**13**	**47**	15	14	42
$25 million to $50 million	**23**	**23**	**13**	24	24	22
Greater than $50 million	**46**	**50**	**—**	42	48	—
Total	**100 %**	**100**	**100**	100	100	100
By State:						
Illinois	**10 %**	**9**	**31**	11	9	29
Ohio	**9**	**11**	**9**	10	12	4
California	**9**	**8**	**2**	8	8	2
Texas	**9**	**9**	**13**	8	8	6
Florida	**7**	**7**	**7**	8	7	2
Michigan	**5**	**5**	**9**	6	5	9
Georgia	**4**	**4**	**1**	3	4	8
Indiana	**3**	**3**	**1**	3	4	2
Tennessee	**3**	**3**	**2**	3	3	3
North Carolina	**3**	**2**	**2**	2	2	1
Kentucky	**2**	**2**	**1**	2	2	1
South Carolina	**2**	**2**	**—**	2	1	—
Other	**34**	**35**	**22**	34	35	33
Total	**100 %**	**100**	**100**	100	100	100

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

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

As of September 30, 2022 ($ in millions)	LTV > 100%	LTV 80-100%	LTV < 80%
Commercial mortgage owner-occupied loans	**$ 168**	**538**	**3,330**
Commercial mortgage nonowner-occupied loans	**11**	**91**	**4,583**
Total	**$ 179**	**629**	**7,913**

TABLE 31: 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 nonowner-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 32: Nonowner-Occupied Commercial Real Estate (excluding loans held for sale)[(a)]

As of September 30, 2022 ($ in millions)					**For the three months ended September 30, 2022**	**For the nine months ended September 30, 2022**
	Outstanding	Exposure	90 Days Past Due	Nonaccrual	Net Charge-offs	Net Charge-offs
By State:						
Illinois	**$ 1,510**	**1,709**	—	**24**	—	—
Florida	**1,168**	**1,902**	—	—	—	—
Ohio	**1,076**	**1,465**	—	—	—	—
Michigan	**868**	**1,146**	—	—	—	—
Texas	**822**	**1,357**	—	—	—	—
North Carolina	**364**	**570**	—	**1**	—	—
Indiana	**318**	**532**	—	—	—	—
All other states	**4,469**	**6,807**	—	—	—	**3**
Total	**$ 10,595**	**15,488**	—	**25**	—	**3**

(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.

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

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

As of September 30, 2021 ($ in millions)					For the three months ended September 30, 2021	For the nine months ended September 30, 2021
	Outstanding	Exposure	90 Days Past Due	Nonaccrual	Net (Recoveries) Charge-offs	Net (Recoveries) Charge-offs
By State:						
Illinois	$ 1,793	2,019	—	21	—	—
Florida	1,221	1,826	—	—	—	—
Ohio	1,084	1,521	—	—	—	—
Michigan	787	957	—	—	—	—
Texas	707	1,169	—	—	—	—
North Carolina	323	451	—	2	—	—
Indiana	330	546	—	—	—	—
All other states	4,006	5,688	—	4	(1)	(2)
Total	$ 10,251	14,177	—	27	(1)	(2)

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

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. With continued increases in interest rates, minimum payments on these products also increase, raising the potential for the environment to be disruptive to some borrowers. The Bancorp actively monitors the portion of its consumer portfolio that is susceptible to increases in minimum payments and continues to assess the impact on the overall risk appetite and soundness of the portfolio.

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, 95% are expected to experience an increase in rate, with an average increase of approximately 1.92%. Underlying characteristics of these borrowers are relatively strong with a weighted average origination DTI of 35% 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.

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

TABLE 34: Residential Mortgage Portfolio Loans by LTV at Origination

	September 30, 2022		December 31, 2021	
($ in millions)	Outstanding	Weighted-Average LTV	Outstanding	Weighted-Average LTV
LTV ≤ 80%	**$ 12,447**	**61.8 %**	$ 12,207	62.5%
LTV > 80%, with mortgage insurance[(a)]	**2,795**	**94.6**	2,227	94.9
LTV > 80%, no mortgage insurance	**2,358**	**91.1**	1,963	90.8
Total	**$ 17,600**	**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 35: Residential Mortgage Portfolio Loans, LTV Greater Than 80% at Origination, No Mortgage Insurance

As of September 30, 2022 ($ in millions)				**For the three months ended September 30, 2022**	**For the nine months ended September 30, 2022**
	Outstanding	90 Days Past Due	Nonaccrual	Net Charge-offs	Net (Recoveries) Charge-offs
By State:					
Ohio	**$ 532**	**—**	**10**	**—**	**—**
Illinois	**477**	**1**	**5**	**—**	**—**
Florida	**392**	**—**	**3**	**—**	**(1)**
Michigan	**173**	**—**	**1**	**—**	**—**
Indiana	**167**	**—**	**2**	**—**	**—**
North Carolina	**166**	**—**	**—**	**—**	**—**
Kentucky	**128**	**—**	**1**	**—**	**—**
All other states	**323**	**—**	**6**	**—**	**—**
Total	**$ 2,358**	**1**	**28**	**—**	**(1)**

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

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

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 40% 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 16% 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 38 and Table 39. Of the total $4.0 billion of outstanding home equity loans:

- 79% reside within the Bancorp's Midwest footprint of Ohio, Michigan, Illinois, Indiana and Kentucky as of September 30, 2022;
- 41% are in senior lien positions and 59% are in junior lien positions at September 30, 2022;
- 79% of non-delinquent borrowers made at least one payment greater than the minimum payment during the three months ended September 30, 2022; and
- The portfolio had a weighted average refreshed FICO score of 751 at September 30, 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 37: Home Equity Portfolio Loans Outstanding by Refreshed FICO Score

	September 30, 2022		December 31, 2021	
($ in millions)	Outstanding	% of Total	Outstanding	% of Total
Senior Liens:				
FICO ≤ 659	**$ 126**	**3 %**	$ 143	3 %
FICO 660-719	**211**	**6**	228	6
FICO ≥ 720	**1,286**	**32**	1,333	33
Total senior liens	**$ 1,623**	**41**	1,704	42
Junior Liens:				
FICO ≤ 659	**216**	**5**	245	6
FICO 660-719	**413**	**10**	430	10
FICO ≥ 720	**1,748**	**44**	1,705	42
Total junior liens	**$ 2,377**	**59**	2,380	58
Total	**$ 4,000**	**100 %**	$ 4,084	100 %

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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 38: Home Equity Portfolio Loans Outstanding by LTV at Origination

	September 30, 2022		December 31, 2021	
($ in millions)	Outstanding	Weighted-Average LTV	Outstanding	Weighted-Average LTV
Senior Liens:				
LTV ≤ 80%	**$ 1,423**	**52.4 %**	$ 1,485	53.5 %
LTV > 80%	**200**	**88.7**	219	88.8
Total senior liens	**$ 1,623**	**57.1**	1,704	58.3
Junior Liens:				
LTV ≤ 80%	**1,559**	**65.8**	1,479	66.4
LTV > 80%	**818**	**89.3**	901	89.7
Total junior liens	**$ 2,377**	**74.6**	2,380	76.0
Total	**$ 4,000**	**67.3 %**	$ 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 39: Home Equity Portfolio Loans Outstanding with an LTV Greater than 80% at Origination

As of September 30, 2022 ($ in millions)					**For the three months ended September 30, 2022**	**For the nine months ended September 30, 2022**
	Outstanding	Exposure	90 Days Past Due	Nonaccrual	Net (Recoveries) Charge-offs	Net (Recoveries) Charge-offs
By State:						
Ohio	**$ 318**	**865**	**—**	**8**	**—**	**(1)**
Illinois	**168**	**370**	**1**	**4**	**—**	**(1)**
Michigan	**163**	**441**	**—**	**3**	**(1)**	**(1)**
Indiana	**98**	**259**	**—**	**2**	**—**	**—**
Kentucky	**84**	**220**	**—**	**1**	**—**	**—**
Florida	**75**	**185**	**—**	**2**	**—**	**—**
All other states	**112**	**293**	**—**	**3**	**—**	**—**
Total	**$ 1,018**	**2,633**	**1**	**23**	**(1)**	**(3)**

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

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

Indirect secured consumer portfolio

The indirect secured consumer portfolio is comprised of $14.3 billion of automobile loans and $2.3 billion of indirect motorcycle, powersport, recreational vehicle and marine loans as of September 30, 2022. All concentration and guideline changes are monitored monthly to ensure alignment with original credit performance and return projections.

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

TABLE 41: Indirect Secured Consumer Portfolio Loans Outstanding by FICO Score at Origination

	September 30, 2022		December 31, 2021	
($ in millions)	Outstanding	% of Total	Outstanding	% of Total
FICO ≤ 659	**$ 258**	**1 %**	$ 312	2 %
FICO 660-719	**3,612**	**22**	3,745	22
FICO ≥ 720	**12,776**	**77**	12,726	76
Total	**$ 16,646**	**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 42: Indirect Secured Consumer Portfolio Loans Outstanding by LTV at Origination

	September 30, 2022		December 31, 2021	
($ in millions)	Outstanding	Weighted-Average LTV	Outstanding	Weighted-Average LTV
LTV ≤ 100%	**$ 12,186**	**79.5 %**	$ 12,327	79.5 %
LTV > 100%	**4,460**	**110.6**	4,456	111.1
Total	**$ 16,646**	**87.8 %**	$ 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 43: Indirect Secured Consumer Portfolio Loans Outstanding with an LTV Greater than 100% at Origination

As of ($ in millions)	Outstanding	90 Days Past Due and Accruing	Nonaccrual	Net Charge-offs for the Three Months Ended	Net Charge-offs for the Nine Months Ended
September 30, 2022	**$ 4,460**	**7**	**9**	**6**	**14**
September 30, 2021	4,316	5	22	—	7

Credit card portfolio

The credit card portfolio consists of predominantly prime accounts with 98% of balances existing within the Bancorp's footprint at both September 30, 2022 and December 31, 2021. At both September 30, 2022 and December 31, 2021, 72% 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 44: Credit Card Portfolio Loans Outstanding by FICO Score at Origination

	September 30, 2022		December 31, 2021	
($ in millions)	Outstanding	% of Total	Outstanding	% of Total
FICO ≤ 659	**$ 79**	**4 %**	$ 82	5 %
FICO 660-719	**508**	**29**	518	29
FICO ≥ 720	**1,183**	**67**	1,166	66
Total	**$ 1,770**	**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, home improvement and solar energy installation loans originated through a network of contractors and installers, and point-of-sale loans originated or purchased in connection with third-party companies. The Bancorp had $157 million in unfunded commitments associated with loans originated in connection with third-party companies as of September 30, 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. The Bancorp discontinued origination of new loans with this third-party company in September 2022.

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

TABLE 45: Other Consumer Portfolio Loans Outstanding by Product Type

	September 30, 2022		December 31, 2021	
($ in millions)	Outstanding	% of Total	Outstanding	% of Total
Third-party point-of-sale	**$ 1,378**	**33 %**	$ 1,464	53 %
Point-of-sale	**1,350**	**32**	—	—
Other secured	**951**	**23**	797	29
Unsecured	**526**	**12**	491	18
Total	**$ 4,205**	**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 46. 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 $546 million at September 30, 2022 compared to $542 million at December 31, 2021. At September 30, 2022, an immaterial amount 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 0.46% and 0.47% at September 30, 2022 and December 31, 2021, respectively. Nonaccrual loans and leases secured by real estate were 44% of nonaccrual loans and leases as of September 30, 2022 compared to 33% as of December 31, 2021.

Portfolio commercial nonaccrual loans and leases were $298 million at September 30, 2022, a decrease of $39 million from December 31, 2021. Portfolio consumer nonaccrual loans were $224 million at September 30, 2022, an increase of $63 million from December 31, 2021. Refer to Table 47 for a rollforward of the portfolio nonaccrual loans and leases.

OREO and other repossessed property was $24 million and $29 million at September 30, 2022 and December 31, 2021, respectively. The Bancorp recognized an immaterial amount of losses on the transfer, sale or write-down of OREO properties for both the three and nine months ended September 30, 2022. The Bancorp recognized an immaterial amount and $6 million in losses on the transfer, sale or write-down of OREO properties for the three and nine months ended September 30, 2021, respectively.

For the three and nine months ended September 30, 2022, approximately $9 million and $24 million, respectively, of interest income would have been recognized if the nonaccrual and restructured loans and leases on nonaccrual status had been current in accordance with their contractual terms compared to $6 million and $24 million in the same periods in the prior year. Although these values help demonstrate the costs of carrying nonaccrual credits, the Bancorp does not expect to recover the full amount of interest as nonaccrual loans and leases are generally carried below their principal balance.

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TABLE 46: Summary of Nonperforming Assets and Delinquent Loans and Leases

As of ($ in millions)		September 30, 2022	December 31, 2021
Nonaccrual portfolio loans and leases:			
Commercial and industrial loans	$	**111**	116
Commercial mortgage loans		**10**	42
Commercial construction loans		**—**	6
Commercial leases		**2**	4
Residential mortgage loans[(c)]		**49**	10
Home equity		**43**	47
Indirect secured consumer loans		**4**	5
Other consumer loans		**3**	1
Nonaccrual portfolio restructured loans and leases:			
Commercial and industrial loans		**143**	163
Commercial mortgage loans		**30**	6
Commercial construction loans		**2**	—
Residential mortgage loans[(c)]		**66**	23
Home equity		**25**	30
Indirect secured consumer loans		**11**	22
Credit card		**23**	23
Total nonaccrual portfolio loans and leases[(b)]	$	**522**	498
OREO and other repossessed property		**24**	29
Total nonperforming portfolio loans and leases and OREO	$	**546**	527
Nonaccrual loans held for sale		**—**	15
Total nonperforming assets	$	**546**	542
Total portfolio loans and leases 90 days past due and still accruing:			
Commercial and industrial loans	$	**16**	17
Commercial mortgage loans		**—**	1
Commercial construction loans		**—**	1
Commercial leases		**10**	—
Residential mortgage loans[(a)(c)]		**7**	72
Home equity		**1**	1
Indirect secured consumer loans		**10**	9
Credit card		**14**	15
Other consumer loans		**1**	1
Total portfolio loans and leases 90 days past due and still accruing	$	**59**	117
Nonperforming portfolio assets as a percent of portfolio loans and leases and OREO		**0.46%**	0.47
Nonperforming portfolio loans and leases as a percent of portfolio loans and leases		**0.44**	0.44
ACL as a percent of nonperforming portfolio loans and leases		**440**	416
ACL as a percent of nonperforming portfolio assets		**420**	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 $235 as of September 30, 2022 and $349 as of December 31, 2021. The Bancorp recognized losses of an immaterial amount and $1 for the three months ended September 30, 2022 and 2021, respectively, and $2 for both the nine months ended September 30, 2022 and 2021, due to claim denials and curtailments associated with these insured or guaranteed loans.

(b) Includes $14 and $26 of nonaccrual government insured commercial loans whose repayments are insured by the SBA as of September 30, 2022 and December 31, 2021, respectively, of which $8 and $11 are restructured nonaccrual government insured commercial loans as of September 30, 2022 and December 31, 2021, respectively.

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

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

TABLE 47: Rollforward of Portfolio Nonaccrual Loans and Leases

For the nine months ended September 30, 2022 ($ in millions)	Commercial	Residential Mortgage[(a)]	Consumer	Total
Balance, beginning of period	**$ 337**	**33**	**128**	**498**
Transfers to nonaccrual status	**194**	**120**	**97**	**411**
Transfers to accrual status	**(2)**	**(22)**	**(52)**	**(76)**
Transfers to held for sale	**(23)**	**—**	**—**	**(23)**
Loan paydowns/payoffs	**(117)**	**(15)**	**(41)**	**(173)**
Transfers to OREO	**—**	**(3)**	**—**	**(3)**
Charge-offs	**(95)**	**—**	**(23)**	**(118)**
Draws/other extensions of credit	**4**	**2**	**—**	**6**
Balance, end of period	**$ 298**	**115**	**109**	**522**

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

TABLE 48: Rollforward of Portfolio Nonaccrual Loans and Leases

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

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 $733 million and $675 million at September 30, 2022 and December 31, 2021, respectively. As of September 30, 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 29%, 19% and 30%, respectively.

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

TABLE 49: Accruing and Nonaccruing Portfolio TDRs

		Accruing				
As of September 30, 2022 ($ in millions)		Current	30-89 Days Past Due	90 Days or More Past Due	Nonaccruing	Total
Commercial loans[(a)]	**$**	**245**	**—**	**—**	**175**	**420**
Residential mortgage loans[(b)]		**396**	**28**	**67**	**66**	**557**
Home equity		**131**	**5**	**—**	**25**	**161**
Indirect secured consumer loans		**80**	**8**	**—**	**11**	**99**
Credit card		**16**	**2**	**—**	**23**	**41**
Total	**$**	**868**	**43**	**67**	**300**	**1,278**

(a) Excludes restructured nonaccrual loans held for sale.

(b) Information includes advances made pursuant to servicing agreements for GNMA mortgage pools whose repayments are insured by the FHA or guaranteed by the VA. As of September 30, 2022, these advances represented $194 of current loans, $22 of 30-89 days past due loans, $65 of 90 days or more past due loans and $19 of nonaccrual loans.

TABLE 50: 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 21 bps and 8 bps of average portfolio loans and leases for the three months ended September 30, 2022 and 2021, respectively, and were 18 bps and 17 bps of average portfolio loans and leases for the nine months ended September 30, 2022 and 2021, respectively. Table 51 provides a summary of credit loss experience and net charge-offs as a percent of average portfolio loans and leases outstanding by loan category.

The ratio of commercial loan and lease net charge-offs as a percent of average portfolio commercial loans and leases increased to 17 bps during the three months ended September 30, 2022, compared to 3 bps during the same period in the prior year primarily due to an increase in net charge-offs on commercial and industrial loans of $29 million. The ratio of commercial loan and lease net charge-offs as a percent of average portfolio commercial loans and leases increased to 14 bps during the nine months ended September 30, 2022, compared to 10 bps during the same period in the prior year primarily due to an increase in net charge-offs on commercial and industrial loans of $31 million, partially offset by a decrease in net charge-offs on commercial mortgage loans of $9 million.

The ratio of consumer loan net charge-offs as a percent of average portfolio consumer loans increased to 28 bps during the three months ended September 30, 2022, compared to 16 bps during the same period in the prior year primarily due to an increase in net charge-offs on indirect secured consumer loans of $11 million. The ratio of consumer loan net charge-offs as a percent of average portfolio consumer loans decreased to 26 bps during the nine months ended September 30, 2022, compared to 28 bps during the same period in the prior year primarily due to a decrease in net charge-offs on credit card of $18 million, partially offset by an increase in net charge-offs on indirect secured consumer loans of $15 million.

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TABLE 51: Summary of Credit Loss Experience

	For the three months ended September 30,		For the nine months ended September 30,	
($ in millions)	**2022**	2021	**2022**	2021
Losses charged-off:				
Commercial and industrial loans	**$ (46)**	(10)	**(91)**	(78)
Commercial mortgage loans	**—**	—	**—**	(12)
Commercial construction loans	**—**	—	**(3)**	—
Commercial leases	**(1)**	—	**(1)**	(1)
Residential mortgage loans	**(1)**	(1)	**(2)**	(3)
Home equity	**(2)**	(2)	**(7)**	(6)
Indirect secured consumer loans	**(18)**	(9)	**(48)**	(38)
Credit card	**(15)**	(17)	**(51)**	(74)
Other consumer loans[(a)]	**(21)**	(17)	**(56)**	(56)
Total losses charged-off	**$ (104)**	(56)	**(259)**	(268)
Recoveries of losses previously charged-off:				
Commercial and industrial loans	**$ 12**	5	**15**	33
Commercial mortgage loans	**—**	1	**1**	4
Commercial construction loans	**1**	—	**1**	—
Commercial leases	**2**	—	**2**	3
Residential mortgage loans	**2**	2	**4**	5
Home equity	**3**	3	**9**	8
Indirect secured consumer loans	**8**	10	**25**	30
Credit card	**3**	5	**12**	17
Other consumer loans[(a)]	**11**	9	**31**	32
Total recoveries of losses previously charged-off	**$ 42**	35	**100**	132
Net losses charged-off:				
Commercial and industrial loans	**$ (34)**	(5)	**(76)**	(45)
Commercial mortgage loans	**—**	1	**1**	(8)
Commercial construction loans	**1**	—	**(2)**	—
Commercial leases	**1**	—	**1**	2
Residential mortgage loans	**1**	1	**2**	2
Home equity	**1**	1	**2**	2
Indirect secured consumer loans	**(10)**	1	**(23)**	(8)
Credit card	**(12)**	(12)	**(39)**	(57)
Other consumer loans	**(10)**	(8)	**(25)**	(24)
Total net losses charged-off	**$ (62)**	(21)	**(159)**	(136)
Net losses charged-off as a percent of average portfolio loans and leases:				
Commercial and industrial loans	**0.24 %**	0.04	**0.18**	0.12
Commercial mortgage loans	**(0.01)**	(0.03)	**(0.01)**	0.10
Commercial construction loans	**(0.08)**	—	**0.05**	—
Commercial leases	**(0.12)**	—	**(0.05)**	(0.10)
Total commercial loans and leases	**0.17 %**	0.03	**0.14**	0.10
Residential mortgage loans	**(0.02)**	(0.02)	**(0.02)**	(0.01)
Home equity	**(0.08)**	(0.13)	**(0.07)**	(0.07)
Indirect secured consumer loans	**0.24**	(0.02)	**0.18**	0.07
Credit card	**2.69**	2.70	**3.02**	4.26
Other consumer loans	**1.10**	1.05	**1.07**	1.04
Total consumer loans	**0.28 %**	0.16	**0.26**	0.28
Total net losses charged-off as a percent of average portfolio loans and leases	**0.21 %**	0.08	**0.18**	0.17

(a) The Bancorp recorded $8 and $23 in both losses charged off and recoveries of losses previously charged off related to customer defaults on point-of-sale consumer loans for which the Bancorp obtained recoveries under third-party credit enhancements for the three and nine months ended September 30, 2022, respectively, compared to $7 and $25 for the three and nine months ended September 30, 2021, respectively.

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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 September 30, 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.

September 30, 2022 ACL

The ACL as of September 30, 2022 was impacted by several factors, including growth in portfolio loan and lease balances, primarily concentrated in the other consumer loan portfolio, and deterioration in the forecasted macroeconomic conditions in each of the three forecast scenarios. As a result of these factors, the Bancorp incorporated a combination of quantitative model-based estimates and qualitative adjustments. As of September 30, 2022, the Bancorp's economic scenarios included estimates of the expected impacts of the changes in economic conditions caused by inflationary and rising interest rate pressures, energy prices and the ongoing Russia-Ukraine conflict. The Baseline scenario was assigned a probability weighting of 80%, with the more favorable scenario (Upside) assigned a probability weighting

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of 10% and the less favorable scenario (Downside) assigned a probability of 10%. The Baseline scenario assumed real GDP growth for 2022 at 1.6%, which is notably lower than the May 2022 scenario, due to the impacts of higher global energy prices, tighter financial market conditions in the U.S. and a 0.9% decrease in real GDP in the second quarter (the second consecutive decline). The Baseline scenario also assumes an average unemployment rate of 3.6% in 2022, increasing to an average of 3.9% in both 2023 and 2024. Lastly, the Baseline scenario assumed continued increases to the target federal funds rate until stabilizing in 2023 and decreasing in 2024. The Upside scenario assumes a faster than anticipated resolution to the Russia-Ukraine conflict with related improvement to economic measures. The Upside scenario also assumes that on an average annual basis, the change in real GDP is 1.9% in 2022 and 4.2% in 2023, with the unemployment rate at an annual average of 3.6% in 2022 and 3.3% in both 2023 and 2024. In the Upside scenario, the forecast for the federal funds rate is consistent with the Baseline scenario but with slightly lower increases resulting from an improving inflation outlook. The Downside scenario includes significant worsening of the Russia-Ukraine conflict resulting in continued increases in oil prices and inflation, causing the U.S. economy to fall into a recession in the fourth quarter of 2022. The Downside scenario assumes that real GDP will decline through the second quarter of 2023, with the change in real GDP at (0.9%) in the fourth quarter of 2022, and an average of (1.9%) in 2023. The Downside scenario unemployment rate peaks at 7.8% in the fourth quarter of 2023 and decreases to an average of 6.9% in 2024 and 5.7% in 2025. In the Downside scenario, the forecast for the federal funds rate includes higher increases than the Baseline scenario in 2022 and the first half of 2023, followed by rapid decreases through the first half of 2024.

The Bancorp's quantitative credit loss models are sensitive to changes in economic forecast assumptions over the reasonable and supportable forecast period. Applying a 100% probability weighting to the Downside scenario rather than using the probability-weighted three scenario approach would result in an increase in the quantitative ACL of approximately $2.0 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 September 30, 2022, the ACL attributed to certain segments of commercial real estate included a qualitative component related to the remaining risks associated with supply chain constraints, labor shortages and changes in workplace practices.

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

TABLE 52: Changes in Allowance for Credit Losses

	For the three months ended September 30,		For the nine months ended September 30,	
($ in millions)	**2022**	2021	**2022**	2021
ALLL:				
Balance, beginning of period	**$ 2,014**	2,033	**1,892**	2,453
Losses charged-off[(a)]	**(104)**	(56)	**(259)**	(268)
Recoveries of losses previously charged-off[(a)]	**42**	35	**100**	132
Provision for (benefit from) loan and lease losses	**147**	(58)	**366**	(363)
Balance, end of period	**$ 2,099**	1,954	**2,099**	1,954
Reserve for unfunded commitments:				
Balance, beginning of period	**$ 188**	189	**182**	172
Provision for the reserve for unfunded commitments	**11**	16	**17**	33
Balance, end of period	**$ 199**	205	**199**	205

(a) The Bancorp recorded $8 and $23 in both losses charged off and recoveries of losses previously charged off related to customer defaults on point-of-sale consumer loans for which the Bancorp obtained recoveries under third-party credit enhancements for the three and nine months ended September 30, 2022, respectively, compared to $7 and $25 for the three and nine months ended September 30, 2021, respectively.

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

TABLE 53: Attribution of Allowance for Loan and Lease Losses to Portfolio Loans and Leases

As of ($ in millions)		September 30, 2022	December 31, 2021
Attributed ALLL:			
Commercial and industrial loans	$	**806**	711
Commercial mortgage loans		**239**	304
Commercial construction loans		**97**	72
Commercial leases		**16**	15
Residential mortgage loans		**254**	235
Home equity		**124**	123
Indirect secured consumer loans		**180**	119
Credit card		**221**	209
Other consumer loans		**162**	104
Total ALLL	$	**2,099**	1,892
Portfolio loans and leases:			
Commercial and industrial loans	$	**56,437**	51,659
Commercial mortgage loans		**10,947**	10,316
Commercial construction loans		**5,573**	5,241
Commercial leases		**2,821**	3,052
Residential mortgage loans		**17,600**	16,397
Home equity		**4,000**	4,084
Indirect secured consumer loans		**16,646**	16,783
Credit card		**1,770**	1,766
Other consumer loans		**4,205**	2,752
Total portfolio loans and leases	$	**119,999**	112,050
Attributed ALLL as a percent of respective portfolio loans and leases:			
Commercial and industrial loans		**1.43 %**	1.38
Commercial mortgage loans		**2.18**	2.95
Commercial construction loans		**1.74**	1.37
Commercial leases		**0.57**	0.49
Residential mortgage loans		**1.44**	1.43
Home equity		**3.10**	3.01
Indirect secured consumer loans		**1.08**	0.71
Credit card		**12.49**	11.83
Other consumer loans		**3.85**	3.78
Total ALLL as a percent of portfolio loans and leases		**1.75 %**	1.69
Total ACL as a percent of portfolio loans and leases		**1.91**	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.

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INTEREST RATE AND PRICE RISK MANAGEMENT

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

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

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

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

The Commercial Banking and Wealth and Asset Management lines of business manage price risk for capital markets sales and trading activities related to their respective businesses. The Consumer and Small Business Banking 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 and reports to the Corporate Credit Committee (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. The NII simulation model does not represent a forecast of the Bancorp's net interest income but is a tool utilized to assess the risk of the impact of changing market interest rates across a range of market interest rate environments. As a result, actual results will differ from simulated results for multiple reasons, which may include actual balance sheet composition differences, timing, magnitude and frequency of interest rate changes, deviations from projected customer behavioral assumptions as well as from changes in market conditions and management strategies.

As of September 30, 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 and a 200 bps decrease in interest rates over twelve 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.

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 $2 billion of additional demand deposit balances run-off over 24 months for each 100 bps increase in short-term market interest rates. Similarly, the Bancorp's NII sensitivity modeling incorporates approximately $2 billion of incremental growth in noninterest-bearing deposit balances over 24 months for each 100 bps decrease in short-term market interest rates. The

incremental balance run-off and growth are modeled to flow into and out of funding products that reprice in conjunction with short-term market rate changes.

Another important deposit modeling assumption is the amount by which interest-bearing deposit rates will increase or decrease when market interest rates increase or decrease. This deposit repricing sensitivity is known as the beta, and it represents the expected amount by which 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. The dynamic beta models were developed utilizing the Bancorp's performance during prior interest rate cycles. During 2022, the Bancorp's actual deposit repricing has been slower than what was experienced in prior interest rate cycles, and as a result, the Bancorp has outperformed the NII simulation expectations. Using the dynamic beta models, the Bancorp's NII sensitivity modeling assumes weighted-average rising-rate interest-bearing deposit betas at the end of the ramped parallel scenarios of 60% and 62%, 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 200 bps decrease in rates of 48% at September 30, 2022, while also maintaining that deposit rates themselves will not become negative. 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. In addition, assumed deposit migration from low-beta deposit products to more rate-sensitive deposit products contribute additional beta of 15%-25% across the rising-rate ramps, resulting in an effective beta of 75-80% in our baseline NII sensitivity profile. Given the year-to-date performance in 2022, the Bancorp may continue to exceed the NII simulation expectations in the event of continued interest rate increases. The Bancorp provides sensitivity analysis in Tables 55 and 56 for key assumptions related to its deposit modeling, including beta and DDA balance performance.

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 54: Estimated NII Sensitivity Profile and ALCO Policy Limits

	September 30, 2022				September 30, 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	**(2.36) %**	**(2.13)**	**(4.00)**	**(6.00)**	10.88	22.39	(4.00)	(6.00)
+100 Ramp over 12 months	**(1.66)**	**(1.20)**	**N/A**	**N/A**	5.67	12.31	N/A	N/A
-25 Ramp over 3 months	**N/A**	**N/A**	**N/A**	**N/A**	(1.95)	(3.18)	N/A	N/A
-200 Ramp over 12 months	**(3.53)**	**(9.79)**	**(8.00)**	**(12.00)**	N/A	N/A	N/A	N/A

At September 30, 2022, the Bancorp's NII sensitivity is liability sensitive in year one and in year two under the parallel rate ramp increases, due to the previously discussed deposit dynamic beta and balance migration assumptions. The Bancorp's NII simulation projects a decrease in both year one and year two under the parallel 200 bps ramp decrease in interest rates. 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 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 certain falling-rate scenarios. However, continued re-positioning into securities with less near-term principal cash flows and the execution of additional receive-fixed hedges have added significant protection from declining rates. The changes in the estimated NII sensitivity profile compared to September 30, 2021 were primarily attributable to significant deployment of cash and other short-term investments into long-term fixed-rate securities during the nine months ended September 30, 2022, the dynamic beta model implementation mentioned previously and higher market interest rates.

Tables 55 and 56 provide the sensitivity of the Bancorp's estimated NII profile at September 30, 2022 to changes to certain deposit balance and deposit repricing sensitivity (betas) assumptions.

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The following table includes the Bancorp's estimated NII sensitivity profile with an immediate $2 billion decrease and an immediate $2 billion increase in demand deposit balances as of September 30, 2022:

TABLE 55: Estimated NII Sensitivity Profile at September 30, 2022 with a $2 Billion Change in Demand Deposit Assumption

	% Change in NII (FTE)			
	Immediate $2 Billion Balance Decrease		Immediate $2 Billion Balance Increase	
Change in Interest Rates (bps)	12 Months	13-24 Months	12 Months	13-24 Months
+200 Ramp over 12 months	(3.64)%	(3.58)	(1.07)	(0.68)
+100 Ramp over 12 months	(2.80)	(2.37)	(0.53)	(0.03)
-200 Ramp over 12 months	(4.82)	(11.24)	(2.24)	(8.34)

The following table includes the Bancorp's estimated NII sensitivity profile with a 10% increase and a 10% decrease to the corresponding deposit beta assumptions as of September 30, 2022:

TABLE 56: Estimated NII Sensitivity Profile at September 30, 2022 with Deposit Beta Assumptions Changes

	% Change in NII (FTE)			
	Betas 10% Higher[(a)]		Betas 10% Lower[(a)]	
Change in Interest Rates (bps)	12 Months	13-24 Months	12 Months	13-24 Months
+200 Ramp over 12 months	(3.48)%	(4.21)	(1.23)	(0.05)
+100 Ramp over 12 months	(2.21)	(2.21)	(1.11)	(0.20)
-200 Ramp over 12 months	(3.07)	(9.53)	(4.06)	(10.61)

(a) Applies a +/- 10% multiple on assumed betas and includes deposit migration assumptions based on the changes in rates.

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 57: Estimated EVE Sensitivity Profile

	September 30, 2022		September 30, 2021	
Change in Interest Rates (bps)	% Change in EVE	ALCO Policy Limit	% Change in EVE	ALCO Policy Limit
+200 Shock	**(7.97) %**	**(12.00)**	8.13	(12.00)
+100 Shock	**(3.75)**	**N/A**	4.68	N/A
-25 Shock	**N/A**	**N/A**	(1.48)	N/A
-200 Shock	**0.58**	**(12.00)**	N/A	N/A

The EVE sensitivity is negative in a +200 bps rising-rate scenario and positive in a -200 bps falling-rate scenario at September 30, 2022. The changes in the estimated EVE sensitivity profile from September 30, 2021 were primarily related to significant deployment of cash and other short-term investments into long-term fixed-rate securities and forward-starting receive-fixed hedging transactions executed during the nine months ended September 30, 2022. The implementation of dynamic deposit beta models also had a detrimental effect to rising-rate EVE-at-Risk due to current implied long-term rate levels.

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 58 and 59 show all swap and floor positions that are utilized for purposes of managing the Bancorp's exposures to the variability of interest rates. These positions are used to convert the contractual interest rate index of agreed-upon amounts of assets and liabilities (i.e., notional amounts) to another interest rate index, to hedge the exposure to changes in fair value of a recognized asset attributable to changes in the benchmark interest rate or to hedge forecasted transactions for the variability in cash flows attributable to the contractually specified interest rate. The volume, maturity and mix of portfolio swaps change frequently as the Bancorp adjusts its broader interest rate risk management objectives and the balance sheet positions to be hedged. For further information, including the notional amount and fair values of these derivatives, refer to Note 14 of the Notes to Condensed Consolidated Financial Statements.

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

TABLE 58: Weighted-Average Maturity, Receive Rate and Pay Rate on Qualifying Hedging Instruments

As of September 30, 2022 ($ in millions)		Notional Amount	Fair Value	Remaining (years)	Fixed Rate	Index
Interest rate swaps related to C&I loans – cash flow – receive-fixed	**$**	**8,000**	**(97)**	**1.3**	**3.02 %**	**1 ML**
Interest rate swaps related to C&I loans – cash flow – receive-fixed – forward starting[(a)]		**11,000**	**3**	**8.5**	**3.05**	**1 ML**
Interest rate swaps related to commercial mortgage and commercial construction loans – cash flow – receive-fixed		**4,000**	**(15)**	**2.3**	**0.99**	**1 ML**
Interest rate swaps related to commercial mortgage and commercial construction loans – cash flow – receive-fixed – forward starting[(a)]		**1,000**	**—**	**9.3**	**3.36**	**1 ML**
Interest rate swaps related to long-term debt – fair value – receive-fixed		**3,955**	**(102)**	**7.4**	**4.71**	**1 ML / 3 ML / SOFR**
Total interest rate swaps	**$**	**27,955**	**(211)**			
Interest rate floors related to C&I loans– cash flow – receive-fixed	**$**	**3,000**	**5**	**2.2**	**2.25**	**1 ML**

(a) Forward starting swaps will become effective on various dates between February 2023 and January 2025.

TABLE 59: 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 related to C&I loans – 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 14 of the Notes to Condensed Consolidated Financial Statements.

Residential Mortgage Servicing Rights and Price Risk

The fair value of the residential MSR portfolio was $1.7 billion and $1.1 billion at September 30, 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 $85 million and $370 million on its non-qualifying hedging strategy for the three and nine months ended September 30, 2022, respectively, compared to net losses of $11 million and $101 million for the three and nine months ended September 30, 2021, respectively. These amounts included net losses of $1 million and $2 million for the three and nine months ended September 30, 2022, respectively, compared to net losses of an immaterial amount and $2 million for the three and nine months ended September 30, 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 13 of the Notes to Condensed Consolidated Financial Statements for further discussion on servicing rights and the instruments used to hedge price risk on MSRs.

Foreign Currency Risk

The Bancorp may enter into foreign exchange derivative contracts to economically hedge certain foreign denominated loans. The derivatives are classified as free-standing instruments with the revaluation gain or loss being recorded in other noninterest income in the Condensed Consolidated Statements of Income. The balance of the Bancorp's foreign denominated loans at September 30, 2022 and December 31, 2021 was $961 million 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.

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

LIQUIDITY RISK MANAGEMENT

The goal of liquidity management is to provide adequate funds to meet changes in loan and lease demand, unexpected levels of deposit withdrawals and other contractual obligations. Mitigating liquidity risk is accomplished by maintaining liquid assets in the form of cash and investment securities, maintaining sufficient unused borrowing capacity in the debt markets and delivering consistent growth in core deposits. A summary of certain obligations and commitments to make future payments under contracts is included in Note 17 of the Notes to Condensed Consolidated Financial Statements.

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

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

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

Sources of Funds

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

Of the $51.3 billion of securities in the Bancorp's available-for-sale debt and other securities portfolio at September 30, 2022, $4.5 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 and nine months ended September 30, 2022, the Bancorp sold loans and leases totaling $4.0 billion and $10.6 billion, respectively, compared to $4.8 billion and $12.9 billion during the three and nine months ended September 30, 2021, respectively. For further information, refer to Note 13 of the Notes to Condensed Consolidated Financial Statements.

Core deposits have historically provided the Bancorp with a sizeable source of relatively stable and low-cost funds. The Bancorp's average core deposits and average shareholders' equity funded 85% and 88% of its average total assets for the three and nine months ended September 30, 2022, respectively, compared to 90% for both the three and nine months ended September 30, 2021. 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.

In June of 2022, the Board of Directors authorized $5.0 billion of debt or other securities for issuance, of which $4.0 billion of debt or other securities were available for issuance as of September 30, 2022. 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. The Bancorp issued and sold fixed-rate/floating-rate senior notes of $1 billion in April of 2022 and $1 billion in July of 2022 as further discussed in Note 16 of the Notes to Condensed Consolidated Financial Statements.

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

As of September 30, 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 September 30, 2022, the Bank had approximately $49.2 billion of borrowing capacity available through secured borrowing sources, including the FRB and FHLB.

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

Current Liquidity Position

The Bancorp maintains a strong liquidity profile driven by strong core deposit funding and over $95 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, while supplementing with a variety of secured and unsecured wholesale funding sources across the maturity spectrum, which allows for the effective management of concentration and rollover risk. A significant portion of the Bancorp's excess cash and other short-term investments have been invested in long-term fixed-rate securities since the start of 2022. 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 September 30, 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 23 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 60. 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 60: Agency Ratings

As of November 8, 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

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

CAPITAL MANAGEMENT

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

Regulatory Capital Ratios

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

TABLE 61: 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 as part of the FRB's 2022 supervisory stress test with an effective date of October 1, 2022. 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 September 30, 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 21 bps as of September 30, 2022.

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

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

TABLE 62: Capital Ratios

($ in millions)	September 30, 2022	December 31, 2021
Quarterly average total Bancorp shareholders' equity as a percent of average assets	**9.13 %**	10.71
Tangible equity as a percent of tangible assets[(a)(b)]	**8.18**	7.97
Tangible common equity as a percent of tangible assets[(a)(b)]	**7.16**	6.94
Regulatory capital:[(c)]		
CET1 capital	**$ 15,264**	14,781
Tier 1 capital	**17,380**	16,897
Total regulatory capital	**21,123**	20,789
Risk-weighted assets	**167,060**	154,860
Regulatory capital ratios:[(c)]		
CET1 capital	**9.14 %**	9.54
Tier 1 risk-based capital	**10.40**	10.91
Total risk-based capital	**12.64**	13.42
Leverage	**8.44**	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 September 30, 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 $0.33 and $0.30 for the three months ended September 30, 2022 and 2021, respectively, and $0.93 and $0.84 for the nine months ended September 30, 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 September 30, 2022:

TABLE 63: Share Repurchases

Period	Total Number of Shares Purchased[(a)]	Average Price Paid per Share	Total Number of Shares Purchased as a Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased under the Plans or Programs[(b)]
July 1 - July 31, 2022	18,766	$ 33.96	—	40,785,269
August 1 - August 31, 2022	69,713	34.40	—	40,785,269
September 1 - September 30, 2022	3,846	34.39	—	40,785,269
Total	92,325	$ 34.31	—	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 the Bancorp believes are forward-looking statements. Refer to page 1 for cautionary information regarding forward-looking statements.

Controls and Procedures (Item 4)

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

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

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

CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)

($ in millions, except share data)		As of September 30, 2022	As of December 31, 2021
Assets			
Cash and due from banks	$	**3,068**	2,994
Other short-term investments[(a)]		**6,594**	34,572
Available-for-sale debt and other securities[(b)]		**51,289**	38,110
Held-to-maturity securities[(c)]		**5**	8
Trading debt securities		**414**	512
Equity securities		**315**	376
Loans and leases held for sale[(d)]		**1,940**	4,415
Portfolio loans and leases[(a)(e)]		**119,999**	112,050
Allowance for loan and lease losses[(a)]		**(2,099)**	(1,892)
Portfolio loans and leases, net		**117,900**	110,158
Bank premises and equipment[(f)]		**2,155**	2,120
Operating lease equipment		**612**	616
Goodwill		**4,925**	4,514
Intangible assets		**181**	156
Servicing rights		**1,732**	1,121
Other assets[(a)]		**14,333**	11,444
Total Assets	$	**205,463**	211,116
Liabilities			
Deposits:			
Noninterest-bearing deposits	$	**57,601**	65,088
Interest-bearing deposits		**104,051**	104,236
Total deposits		**161,652**	169,324
Federal funds purchased		**212**	281
Other short-term borrowings		**6,378**	980
Accrued taxes, interest and expenses		**1,589**	2,233
Other liabilities[(a)]		**7,184**	4,267
Long-term debt[(a)]		**11,712**	11,821
Total Liabilities	$	**188,727**	188,906
Equity			
Common stock[(g)]	$	**2,051**	2,051
Preferred stock[(h)]		**2,116**	2,116
Capital surplus		**3,660**	3,624
Retained earnings		**21,219**	20,236
Accumulated other comprehensive (loss) income		**(5,306)**	1,207
Treasury stock[(g)]		**(7,004)**	(7,024)
Total Equity	$	**16,736**	22,210
Total Liabilities and Equity	$	**205,463**	211,116

(a) Includes $19 and $24 of other short-term investments, $223 and $322 of portfolio loans and leases, $(3) and $(2) of ALLL, $2 and $2 of other assets, $9 and $1 of other liabilities, and $156 and $263 of long-term debt from consolidated VIEs that are included in their respective captions above at September 30, 2022 and December 31, 2021, respectively. For further information, refer to Note 12.

(b) Amortized cost of $57,372 and $36,941 at September 30, 2022 and December 31, 2021, respectively.

(c) Fair value of $5 and $8 at September 30, 2022 and December 31, 2021, respectively.

(d) Includes $1,107 and $1,023 of residential mortgage loans held for sale measured at fair value at September 30, 2022 and December 31, 2021, respectively.

(e) Includes $125 and $154 of residential mortgage loans measured at fair value at September 30, 2022 and December 31, 2021, respectively.

(f) Includes $24 of bank premises and equipment held for sale at both September 30, 2022 and December 31, 2021.

(g) Common shares: Stated value $2.22 per share; authorized 2,000,000,000; outstanding at September 30, 2022 – 686,343,370 (excludes 237,549,211 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 September 30, 2022 and December 31, 2021. There were 422,000 unissued shares of undesignated no par value preferred stock at both September 30, 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 September 30, 2022 and December 31, 2021. There were 300,000 unissued shares of undesignated no par value Class B preferred stock at both September 30, 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)

($ in millions, except share data)	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	**2022**	2021
Interest Income				
Interest and fees on loans and leases	**$ 1,315**	1,014	**3,377**	3,078
Interest on securities	**414**	266	**1,077**	809
Interest on other short-term investments	**31**	12	**58**	29
Total interest income	**1,760**	1,292	**4,512**	3,916
Interest Expense				
Interest on deposits	**112**	12	**147**	48
Interest on federal funds purchased	**3**	—	**4**	—
Interest on other short-term borrowings	**43**	—	**56**	1
Interest on long-term debt	**104**	91	**273**	293
Total interest expense	**262**	103	**480**	342
Net Interest Income	**1,498**	1,189	**4,032**	3,574
Provision for (benefit from) credit losses	**158**	(42)	**383**	(330)
Net Interest Income After Provision for (Benefit from) Credit Losses	**1,340**	1,231	**3,649**	3,904
Noninterest Income				
Service charges on deposits	**143**	152	**449**	445
Wealth and asset management revenue	**141**	147	**430**	436
Commercial banking revenue	**134**	152	**406**	465
Card and processing revenue	**105**	102	**306**	298
Leasing business revenue	**60**	78	**179**	226
Mortgage banking net revenue	**69**	86	**152**	235
Other noninterest income	**59**	120	**195**	211
Securities (losses) gains, net	**(38)**	(1)	**(84)**	12
Securities losses, net – non-qualifying hedges on mortgage servicing rights	**(1)**	—	**(2)**	(2)
Total noninterest income	**672**	836	**2,031**	2,326
Noninterest Expense				
Compensation and benefits	**605**	627	**1,900**	1,971
Technology and communications	**106**	98	**306**	285
Net occupancy expense	**74**	79	**225**	235
Equipment expense	**36**	34	**108**	102
Leasing business expense	**33**	33	**95**	102
Marketing expense	**35**	29	**87**	72
Card and processing expense	**21**	19	**59**	70
Other noninterest expense	**257**	253	**721**	704
Total noninterest expense	**1,167**	1,172	**3,501**	3,541
Income Before Income Taxes	**845**	895	**2,179**	2,689
Applicable income tax expense	**192**	191	**470**	582
Net Income	**653**	704	**1,709**	2,107
Dividends on preferred stock	**22**	20	**78**	75
Net Income Available to Common Shareholders	**$ 631**	684	**1,631**	2,032
Earnings per share - basic	**$ 0.91**	0.98	**2.37**	2.87
Earnings per share - diluted	**$ 0.91**	0.97	**2.34**	2.83
Average common shares outstanding - basic	**689,278,078**	697,457,483	**688,617,910**	706,845,513
Average common shares outstanding - diluted	**694,592,855**	706,089,674	**695,207,279**	715,803,010

Refer to the Notes to Condensed Consolidated Financial Statements.

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

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)

($ in millions)	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	**2022**	2021
Net Income	**$ 653**	704	**1,709**	2,107
Other Comprehensive Loss, Net of Tax:				
Net unrealized (losses) gains on available-for-sale debt securities:				
Unrealized holding losses arising during period	**(2,129)**	(281)	**(5,564)**	(748)
Reclassification adjustment for net (gains) losses included in net income	**—**	(1)	**(2)**	7
Net unrealized (losses) gains on cash flow hedge derivatives:				
Unrealized holding (losses) gains arising during period	**(530)**	2	**(840)**	(53)
Reclassification adjustment for net gains included in net income	**(3)**	(58)	**(109)**	(173)
Defined benefit pension plans, net:				
Net actuarial loss arising during the year	**(1)**	(1)	**(2)**	(2)
Reclassification of amounts to net periodic benefit costs	**1**	2	**4**	5
Other comprehensive loss, net of tax	**(2,662)**	(337)	**(6,513)**	(964)
Comprehensive (Loss) Income	**$ (2,009)**	367	**(4,804)**	1,143

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 June 30, 2021	$ 2,051	2,116	3,602	19,343	1,974	(6,160)	22,926
Net income				704			704
Other comprehensive loss, net of tax					(337)		(337)
Cash dividends declared:							
Common stock ($0.30 per share)				(210)			(210)
Preferred stock:							
Series I ($414.06 per share)				(7)			(7)
Series J ($209.30 per share)				(3)			(3)
Series K ($309.38 per share)				(3)			(3)
Series L ($281.25 per share)				(4)			(4)
Class B, Series A ($15.00 per share)				(3)			(3)
Shares acquired for treasury						(550)	(550)
Impact of stock transactions under stock compensation plans, net			9			2	11
Balance at September 30, 2021	$ 2,051	2,116	3,611	19,817	1,637	(6,708)	22,524
Balance at June 30, 2022	**$ 2,051**	**2,116**	**3,636**	**20,818**	**(2,644)**	**(7,007)**	**18,970**
Net income				**653**			**653**
Other comprehensive loss, net of tax					**(2,662)**		**(2,662)**
Cash dividends declared:							
Common stock ($0.33 per share)				**(230)**			**(230)**
Preferred stock:							
Series I ($414.06 per share)				**(8)**			**(8)**
Series J ($343.62 per share)				**(4)**			**(4)**
Series K ($309.38 per share)				**(3)**			**(3)**
Series L ($281.25 per share)				**(4)**			**(4)**
Class B, Series A ($15.00 per share)				**(3)**			**(3)**
Impact of stock transactions under stock compensation plans, net			**24**			**3**	**27**
Balance at September 30, 2022	**$ 2,051**	**2,116**	**3,660**	**21,219**	**(5,306)**	**(7,004)**	**16,736**

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				2,107			2,107
Other comprehensive loss, net of tax					(964)		(964)
Cash dividends declared:							
Common stock ($0.84 per share)				(597)			(597)
Preferred stock:							
Series H ($637.50 per share)				(15)			(15)
Series I ($1,242.18 per share)				(22)			(22)
Series J ($631.24 per share)				(8)			(8)
Series K ($928.13 per share)				(9)			(9)
Series L ($843.75 per share)				(12)			(12)
Class B, Series A ($45.00 per share)				(9)			(9)
Shares acquired for treasury						(1,077)	(1,077)
Impact of stock transactions under stock compensation plans, net			(24)			44	20
Other				(2)		1	(1)
Balance at September 30, 2021	$ 2,051	2,116	3,611	19,817	1,637	(6,708)	22,524
Balance at December 31, 2021	**$ 2,051**	**2,116**	**3,624**	**20,236**	**1,207**	**(7,024)**	**22,210**
Net income				**1,709**			**1,709**
Other comprehensive loss, net of tax					**(6,513)**		**(6,513)**
Cash dividends declared:							
Common stock ($0.93 per share)				**(648)**			**(648)**
Preferred stock:							
Series H ($637.50 per share)				**(15)**			**(15)**
Series I ($1,242.18 per share)				**(23)**			**(23)**
Series J ($814.49 per share)				**(10)**			**(10)**
Series K ($928.13 per share)				**(9)**			**(9)**
Series L ($843.75 per share)				**(12)**			**(12)**
Class B, Series A ($45.00 per share)				**(9)**			**(9)**
Impact of stock transactions under stock compensation plans, net			**36**			**20**	**56**
Balance at September 30, 2022	**$ 2,051**	**2,116**	**3,660**	**21,219**	**(5,306)**	**(7,004)**	**16,736**

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)

	For the nine months ended September 30,	
($ in millions)	**2022**	2021
Operating Activities		
Net income	**$ 1,709**	2,107
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for (benefit from) credit losses	**383**	(330)
Depreciation, amortization and accretion	**324**	371
Stock-based compensation expense	**137**	100
Benefit from deferred income taxes	**(19)**	(217)
Securities losses (gains), net	**90**	(6)
MSR fair value adjustment	**(217)**	95
Net gains on sales of loans and fair value adjustments on loans held for sale	**(77)**	(264)
Net (gains) losses on disposition and impairment of bank premises and equipment and operating lease equipment	**(6)**	16
Gain on sale of HSA deposit portfolio	**—**	(60)
Proceeds from sales of loans held for sale	**10,328**	12,767
Loans originated or purchased for sale, net of repayments	**(8,380)**	(13,250)
Dividends representing return on equity investments	**32**	33
Net change in:		
Equity and trading debt securities	**66**	(125)
Other assets	**507**	292
Accrued taxes, interest and expenses and other liabilities	**(522)**	(167)
Net Cash Provided by Operating Activities	**4,355**	1,362
Investing Activities		
Proceeds from sales:		
AFS securities and other investments	**4,242**	2,832
Loans and leases	**155**	653
Bank premises and equipment	**1**	18
Proceeds from repayments / maturities of AFS and HTM securities and other investments	**3,770**	4,504
Purchases:		
AFS securities and other investments	**(28,521)**	(8,772)
Bank premises and equipment	**(240)**	(224)
MSRs	**(208)**	(210)
Proceeds from settlement of BOLI	**37**	20
Proceeds from sales and dividends representing return of equity investments	**61**	33
Net cash received for divestitures	**46**	—
Net cash paid on acquisitions	**(917)**	(296)
Net cash paid on sale of HSA deposit portfolio	**—**	(431)
Net change in:		
Other short-term investments and federal funds sold	**27,981**	(803)
Portfolio loans and leases	**(7,425)**	330
Operating lease equipment	**(79)**	21
Net Cash Used in Investing Activities	**(1,097)**	(2,325)
Financing Activities		
Net change in deposits	**(8,033)**	6,518
Net change in other short-term borrowings and federal funds purchased	**5,329**	(196)
Dividends paid on common and preferred stock	**(700)**	(654)
Proceeds from issuance of long-term debt	**2,003**	56
Repayment of long-term debt	**(1,702)**	(3,525)
Repurchases of treasury stock and related forward contract	**—**	(1,077)
Other	**(81)**	(93)
Net Cash (Used in) Provided by Financing Activities	**(3,184)**	1,029
Increase in Cash and Due from Banks	**74**	66
Cash and Due from Banks at Beginning of Period	**2,994**	3,147
Cash and Due from Banks at End of Period	**$ 3,068**	3,213

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 and changes in equity for the three and nine months ended September 30, 2022 and 2021 and the cash flows for the nine months ended September 30, 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 nine months ended September 30:

($ in millions)		**2022**	2021
Cash Payments:			
Interest	**$**	**487**	431
Income taxes		**124**	500
Transfers:			
Portfolio loans and leases to loans and leases held for sale	**$**	**105**	414
Loans and leases held for sale to portfolio loans and leases		**406**	38
Portfolio loans and leases to OREO		**5**	7
Bank premises and equipment to OREO		**22**	19
Supplemental Disclosures:			
Net additions to lease liabilities under operating leases	**$**	**102**	59
Net additions to lease liabilities under finance leases		**29**	29

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

3. Accounting and Reporting Developments

Standards Adopted in 2022

The Bancorp adopted the following new accounting standard during the nine months ended September 30, 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 simplified 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 September 30, 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 but currently expects that the adoption will primarily impact its credit quality disclosures and its methodology for measuring the ACL on TDRs.

ASU 2022-03 – Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions

In June 2022, the FASB issued ASU 2022-03, which clarifies the guidance in ASC 820 on the fair value measurement of an equity security that is subject to contractual sale restrictions, stating that such restrictions are not considered part of the unit of account of the security and therefore are not considered in measuring fair value. The amended guidance also requires disclosure of the fair value of equity securities subject to contractual sale restrictions and certain additional information about those restrictions. The amended guidance is effective for the Bancorp on January 1, 2024, with early adoption permitted, and is to be applied prospectively. The Bancorp is in the process of evaluating the impact of the amended guidance on its Condensed Consolidated Financial Statements.

ASU 2022-04 – Liabilities-Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations

In September 2022, the FASB issued ASU 2022-04, which provides guidance on the disclosure requirements for supplier finance programs. The amendments require that a buyer in a supplier finance program disclose sufficient qualitative and quantitative information about the

program to allow a user of financial statements to understand the program's nature, activity during the period, changes from period to period, and potential magnitude. The amended guidance is effective for the Bancorp on January 1, 2023, with the amendment on rollforward information effective January 1, 2024, with early adoption permitted. The amendments on supplier finance programs should be applied retrospectively except for the amendment on rollforward information, which should be applied prospectively. 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.

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

4. Investment Securities

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

September 30, 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	**$**	**2,581**	**—**	**(204)**	**2,377**
Obligations of states and political subdivisions securities		**18**	**—**	**—**	**18**
Mortgage-backed securities:					
Agency residential mortgage-backed securities		**12,573**	**—**	**(1,341)**	**11,232**
Agency commercial mortgage-backed securities		**29,440**	**1**	**(3,552)**	**25,889**
Non-agency commercial mortgage-backed securities		**5,256**	**—**	**(548)**	**4,708**
Asset-backed securities and other debt securities		**6,630**	**5**	**(444)**	**6,191**
Other securities[(a)]		**874**	**—**	**—**	**874**
Total available-for-sale debt and other securities	**$**	**57,372**	**6**	**(6,089)**	**51,289**
Held-to-maturity securities:					
Obligations of states and political subdivisions securities	**$**	**3**	**—**	**—**	**3**
Asset-backed securities and other debt securities		**2**	**—**	**—**	**2**
Total held-to-maturity securities	**$**	**5**	**—**	**—**	**5**

(a) Other securities consist of FHLB, FRB and DTCC restricted stock holdings of $382, $490 and $2, respectively, at September 30, 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)		**September 30, 2022**	December 31, 2021
Trading debt securities	**$**	**414**	512
Equity securities		**315**	376

The amounts reported in the preceding tables exclude accrued interest receivable on investment securities of $132 million and $82 million at September 30, 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.

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

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 September 30,		For the nine months ended September 30,	
($ in millions)	**2022**	2021	**2022**	2021
Available-for-sale debt and other securities:				
Realized gains	**$ 3**	16	**15**	24
Realized losses	**(3)**	(3)	**(12)**	(14)
Impairment losses	**—**	(12)	**—**	(19)
Net realized gains (losses) on available-for-sale debt and other securities	**$ —**	1	**3**	(9)
Trading debt securities:				
Net realized losses	**(1)**	—	**(2)**	(1)
Net unrealized gains (losses)	**—**	(1)	**11**	—
Net trading debt securities gains (losses)	**$ (1)**	(1)	**9**	(1)
Equity securities:				
Net realized gains	**1**	2	**1**	6
Net unrealized (losses) gains	**(39)**	(3)	**(99)**	14
Net equity securities (losses) gains	**$ (38)**	(1)	**(98)**	20
Total (losses) gains recognized in income from available-for-sale debt and other securities, trading debt securities and equity securities[(a)]	**$ (39)**	(1)	**(86)**	10

(a) Excludes $1 and $4 of net securities losses for the three and nine months ended September 30, 2022, respectively, and $1 and $4 of net securities losses for the three and nine months ended September 30, 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 $12 million and $19 million during the three and nine months ended September 30, 2021, respectively. These losses were 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 September 30, 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 and nine months ended September 30, 2022 and 2021.

At September 30, 2022 and December 31, 2021, investment securities with a fair value of $10.3 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 September 30, 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	$ 264	261	—	—
Due after 1 year through 5 years	12,971	12,086	3	3
Due after 5 years through 10 years	30,793	27,259	—	—
Due after 10 years	12,470	10,809	2	2
Other securities	874	874	—	—
Total	$ 57,372	51,289	5	5

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

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

	Less than 12 months		12 months or more		Total	
($ in millions)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
September 30, 2022						
U.S. Treasury and federal agencies securities	**$ 2,377**	**(204)**	**—**	**—**	**2,377**	**(204)**
Obligations of states and political subdivisions securities	**1**	**—**	**—**	**—**	**1**	**—**
Agency residential mortgage-backed securities	**10,719**	**(1,231)**	**509**	**(110)**	**11,228**	**(1,341)**
Agency commercial mortgage-backed securities	**24,048**	**(3,020)**	**1,806**	**(532)**	**25,854**	**(3,552)**
Non-agency commercial mortgage-backed securities	**4,155**	**(421)**	**485**	**(127)**	**4,640**	**(548)**
Asset-backed securities and other debt securities	**4,521**	**(317)**	**1,332**	**(127)**	**5,853**	**(444)**
Total	**$ 45,821**	**(5,193)**	**4,132**	**(896)**	**49,953**	**(6,089)**
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 September 30, 2022 and December 31, 2021, $75 million and $2 million, respectively, of unrealized losses in the available-for-sale debt and other securities portfolio were related to non-rated securities.

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5. Loans and Leases

The Bancorp diversifies its loan and lease portfolio by offering a variety of loan and lease products with various payment terms and rate structures. The Bancorp's commercial loan and lease portfolio consists of lending to various industry types. Management periodically reviews the performance of its loan and lease products to evaluate whether they are performing within acceptable interest rate and credit risk levels and changes are made to underwriting policies and procedures as needed. The Bancorp maintains an allowance to absorb loan and lease losses that are expected to be incurred over the remaining contractual terms of the related loans and leases. For further information on credit quality and the ALLL, refer to Note 6.

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

($ in millions)		September 30, 2022	December 31, 2021
Loans and leases held for sale:			
Commercial and industrial loans	$	**68**	7
Commercial mortgage loans		**—**	13
Commercial leases		**1**	1
Residential mortgage loans		**1,871**	4,394
Total loans and leases held for sale	$	**1,940**	4,415
Portfolio loans and leases:			
Commercial and industrial loans[(a)]	$	**56,437**	51,659
Commercial mortgage loans		**10,947**	10,316
Commercial construction loans		**5,573**	5,241
Commercial leases		**2,821**	3,052
Total commercial loans and leases	$	**75,778**	70,268
Residential mortgage loans	$	**17,600**	16,397
Home equity		**4,000**	4,084
Indirect secured consumer loans		**16,646**	16,783
Credit card		**1,770**	1,766
Other consumer loans		**4,205**	2,752
Total consumer loans	$	**44,221**	41,782
Total portfolio loans and leases	$	**119,999**	112,050

(a) Includes $210 million and $1.3 billion as of September 30, 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 $241 million and $244 million as of September 30, 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 $355 million and $498 million as of September 30, 2022 and December 31, 2021, respectively. The amortized cost basis of loans and leases excludes accrued interest receivable of $403 million and $332 million at September 30, 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 $16.7 billion and $15.3 billion as of September 30, 2022 and December 31, 2021, respectively, pledged at the FHLB, and loans of $56.6 billion and $50.9 billion at September 30, 2022 and December 31, 2021, respectively, pledged at the FRB.

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

	Carrying Value		90 Days Past Due and Still Accruing[(a)]	
($ in millions)	**September 30, 2022**	December 31, 2021	**September 30, 2022**	December 31, 2021
Commercial and industrial loans	**$ 56,505**	51,666	**16**	17
Commercial mortgage loans	**10,947**	10,329	**—**	1
Commercial construction loans	**5,573**	5,241	**—**	1
Commercial leases	**2,822**	3,053	**10**	—
Residential mortgage loans	**19,471**	20,791	**7**	72
Home equity	**4,000**	4,084	**1**	1
Indirect secured consumer loans	**16,646**	16,783	**10**	9
Credit card	**1,770**	1,766	**14**	15
Other consumer loans	**4,205**	2,752	**1**	1
Total loans and leases	**$ 121,939**	116,465	**59**	117
Less: Loans and leases held for sale	**1,940**	4,415		
Total portfolio loans and leases	**$ 119,999**	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 September 30,		For the nine months ended September 30,	
($ in millions)	**2022**	2021	**2022**	2021
Commercial and industrial loans	**$ 34**	5	**76**	45
Commercial mortgage loans	**—**	(1)	**(1)**	8
Commercial construction loans	**(1)**	—	**2**	—
Commercial leases	**(1)**	—	**(1)**	(2)
Residential mortgage loans	**(1)**	(1)	**(2)**	(2)
Home equity	**(1)**	(1)	**(2)**	(2)
Indirect secured consumer loans	**10**	(1)	**23**	8
Credit card	**12**	12	**39**	57
Other consumer loans	**10**	8	**25**	24
Total net charge-offs	**$ 62**	21	**159**	136

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 portfolio leases as of:

($ in millions)[(a)]	**September 30, 2022**	December 31, 2021
Net investment in direct financing leases:		
Lease payment receivable (present value)	**$ 655**	886
Unguaranteed residual assets (present value)	**129**	147
Net premium on acquired leases	**1**	1
Net investment in sales-type leases:		
Lease payment receivable (present value)	**1,721**	1,678
Unguaranteed residual assets (present value)	**67**	55

(a) Excludes $248 and $285 of leveraged leases at September 30, 2022 and December 31, 2021, respectively.

Interest income recognized in the Condensed Consolidated Statements of Income for the three and nine months ended September 30, 2022 was $7 million and $22 million, respectively, for direct financing leases and $13 million and $36 million, respectively, for sales-type leases.

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For the three and nine months ended September 30, 2021, interest income recognized was $10 million and $33 million, respectively, for direct financing leases and $11 million and $31 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 September 30, 2022 ($ in millions)	Direct Financing Leases	Sales-Type Leases
Remainder of 2022	$ 52	139
2023	211	494
2024	152	407
2025	111	342
2026	83	189
2027	44	137
Thereafter	44	141
Total undiscounted cash flows	$ 697	1,849
Less: Difference between undiscounted cash flows and discounted cash flows	42	128
Present value of lease payments (recognized as lease receivables)	$ 655	1,721

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 $16 million and $15 million at September 30, 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 lease residual value. Refer to Note 6 for additional information on credit quality and the ALLL.

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

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

Allowance for Loan and Lease Losses

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

For the three months ended September 30, 2022 ($ in millions)	Commercial	Residential Mortgage	Consumer	Total
Balance, beginning of period	**$ 1,165**	**248**	**601**	**2,014**
Losses charged off[(a)]	**(47)**	**(1)**	**(56)**	**(104)**
Recoveries of losses previously charged off[(a)]	**15**	**2**	**25**	**42**
Provision for loan and lease losses	**25**	**5**	**117**	**147**
Balance, end of period	**$ 1,158**	**254**	**687**	**2,099**

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

(a) The Bancorp recorded $7 in both losses charged off and recoveries of losses previously charged off related to customer defaults on point-of-sale consumer loans for which the Bancorp obtained recoveries under third-party credit enhancements.

For the nine months ended September 30, 2022 ($ in millions)	Commercial	Residential Mortgage	Consumer	Total
Balance, beginning of period	**$ 1,102**	**235**	**555**	**1,892**
Losses charged off[(a)]	**(95)**	**(2)**	**(162)**	**(259)**
Recoveries of losses previously charged off[(a)]	**19**	**4**	**77**	**100**
Provision for loan and lease losses	**132**	**17**	**217**	**366**
Balance, end of period	**$ 1,158**	**254**	**687**	**2,099**

(a) The Bancorp recorded $23 in both losses charged off and recoveries of losses previously charged off related to customer defaults on point-of-sale consumer loans for which the Bancorp obtained recoveries under third-party credit enhancements.

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

(a) The Bancorp recorded $25 in both losses charged off and recoveries of losses previously charged off related to customer defaults on point-of-sale consumer loans for which the Bancorp obtained recoveries under third-party credit enhancements.

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

As of September 30, 2022 ($ in millions)		Commercial	Residential Mortgage	Consumer	Total
ALLL:[(a)]					
Individually evaluated	**$**	**63**	**50**	**44**	**157**
Collectively evaluated		**1,095**	**204**	**643**	**1,942**
Total ALLL	**$**	**1,158**	**254**	**687**	**2,099**
Portfolio loans and leases:[(b)]					
Individually evaluated	**$**	**561**	**557**	**301**	**1,419**
Collectively evaluated		**75,217**	**16,918**	**26,320**	**118,455**
Total portfolio loans and leases	**$**	**75,778**	**17,475**	**26,621**	**119,874**

(a) Includes $2 related to commercial leveraged leases at September 30, 2022.
(b) Excludes $125 of residential mortgage loans measured at fair value and includes $248 of commercial leveraged leases, net of unearned income at September 30, 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.

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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.

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

As of September 30, 2022 ($ in millions)	Term Loans and Leases by Origination Year						Revolving Loans	Revolving Loans Converted to Term Loans	Total
	2022	2021	2020	2019	2018	Prior			
Commercial and industrial loans:									
Pass	$ 3,105	3,508	1,145	567	348	631	43,715	—	53,019
Special mention	41	48	22	40	8	23	1,072	—	1,254
Substandard	60	86	245	28	10	149	1,566	—	2,144
Doubtful	14	—	—	—	—	—	6	—	20
Total commercial and industrial loans	$ 3,220	3,642	1,412	635	366	803	46,359	—	56,437
Commercial mortgage owner-occupied loans:									
Pass	$ 976	893	571	284	192	304	1,414	—	4,634
Special mention	12	20	15	11	13	5	52	—	128
Substandard	21	16	33	83	15	38	99	—	305
Doubtful	—	—	—	—	—	—	—	—	—
Total commercial mortgage owner-occupied loans	$ 1,009	929	619	378	220	347	1,565	—	5,067
Commercial mortgage nonowner-occupied loans:									
Pass	$ 919	440	520	485	241	195	2,465	—	5,265
Special mention	—	161	28	—	—	28	136	—	353
Substandard	100	1	18	4	3	17	119	—	262
Doubtful	—	—	—	—	—	—	—	—	—
Total commercial mortgage nonowner-occupied loans	$ 1,019	602	566	489	244	240	2,720	—	5,880
Commercial construction loans:									
Pass	$ 75	28	93	9	35	7	4,895	—	5,142
Special mention	—	—	—	—	—	—	151	—	151
Substandard	49	—	—	—	—	2	229	—	280
Doubtful	—	—	—	—	—	—	—	—	—
Total commercial construction loans	$ 124	28	93	9	35	9	5,275	—	5,573
Commercial leases:									
Pass	$ 444	715	331	214	167	782	—	—	2,653
Special mention	—	24	4	6	22	23	—	—	79
Substandard	1	9	7	9	13	50	—	—	89
Doubtful	—	—	—	—	—	—	—	—	—
Total commercial leases	$ 445	748	342	229	202	855	—	—	2,821
Total commercial loans and leases:									
Pass	$ 5,519	5,584	2,660	1,559	983	1,919	52,489	—	70,713
Special mention	53	253	69	57	43	79	1,411	—	1,965
Substandard	231	112	303	124	41	256	2,013	—	3,080
Doubtful	14	—	—	—	—	—	6	—	20
Total commercial loans and leases	$ 5,817	5,949	3,032	1,740	1,067	2,254	55,919	—	75,778

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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

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Age Analysis of Past Due Commercial Loans and Leases

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

As of September 30, 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)]	**$ 56,256**	**144**	**37**	**181**	**56,437**	**16**
Commercial mortgage owner-occupied loans	**5,050**	**16**	**1**	**17**	**5,067**	**—**
Commercial mortgage nonowner-occupied loans	**5,876**	**3**	**1**	**4**	**5,880**	**—**
Commercial construction loans	**5,571**	**—**	**2**	**2**	**5,573**	**—**
Commercial leases	**2,802**	**9**	**10**	**19**	**2,821**	**10**
Total portfolio commercial loans and leases	**$ 75,555**	**172**	**51**	**223**	**75,778**	**26**

(a) Includes accrual and nonaccrual loans and leases.
(b) Includes loans related to the SBA's Paycheck Protection Program of which $3 were 30-89 days past due and $8 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 are 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.

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The following tables present the amortized cost basis of the Bancorp's residential mortgage and consumer portfolio segments, by class and vintage, disaggregated by both age and performing versus nonperforming status:

	Term Loans by Origination Year								
As of September 30, 2022 ($ in millions)	2022	2021	2020	2019	2018	Prior	Revolving Loans	Revolving Loans Converted to Term Loans	Total
Residential mortgage loans:									
Performing:									
Current[(a)]	$ 2,836	5,528	3,042	1,079	358	4,495	—	—	17,338
30-89 days past due	1	1	2	1	—	12	—	—	17
90 days or more past due	—	1	—	—	1	5	—	—	7
Total performing	2,837	5,530	3,044	1,080	359	4,512	—	—	17,362
Nonperforming	—	2	3	4	6	98	—	—	113
Total residential mortgage loans[(b)]	$ 2,837	5,532	3,047	1,084	365	4,610	—	—	17,475
Home equity:									
Performing:									
Current	$ 12	2	5	9	13	93	3,760	15	3,909
30-89 days past due	—	—	—	—	—	2	20	—	22
90 days or more past due	—	—	—	—	—	1	—	—	1
Total performing	12	2	5	9	13	96	3,780	15	3,932
Nonperforming	—	—	—	—	—	8	59	1	68
Total home equity	$ 12	2	5	9	13	104	3,839	16	4,000
Indirect secured consumer loans:									
Performing:									
Current	$ 4,944	6,430	2,920	1,413	508	298	—	—	16,513
30-89 days past due	18	32	23	19	11	5	—	—	108
90 days or more past due	1	3	2	2	1	1	—	—	10
Total performing	4,963	6,465	2,945	1,434	520	304	—	—	16,631
Nonperforming	—	1	6	3	3	2	—	—	15
Total indirect secured consumer loans	$ 4,963	6,466	2,951	1,437	523	306	—	—	16,646
Credit card:									
Performing:									
Current	$ —	—	—	—	—	—	1,715	—	1,715
30-89 days past due	—	—	—	—	—	—	18	—	18
90 days or more past due	—	—	—	—	—	—	14	—	14
Total performing	—	—	—	—	—	—	1,747	—	1,747
Nonperforming	—	—	—	—	—	—	23	—	23
Total credit card	$ —	—	—	—	—	—	1,770	—	1,770
Other consumer loans:									
Performing:									
Current	$ 1,723	607	391	191	125	160	957	24	4,178
30-89 days past due	5	5	3	2	2	2	4	—	23
90 days or more past due	—	—	—	—	—	—	1	—	1
Total performing	1,728	612	394	193	127	162	962	24	4,202
Nonperforming	1	1	—	—	—	1	—	—	3
Total other consumer loans	$ 1,729	613	394	193	127	163	962	24	4,205
Total residential mortgage and consumer loans:									
Performing:									
Current	$ 9,515	12,567	6,358	2,692	1,004	5,046	6,432	39	43,653
30-89 days past due	24	38	28	22	13	21	42	—	188
90 days or more past due	1	4	2	2	2	7	15	—	33
Total performing	9,540	12,609	6,388	2,716	1,019	5,074	6,489	39	43,874
Nonperforming	1	4	9	7	9	109	82	1	222
Total residential mortgage and consumer loans[(b)]	$ 9,541	12,613	6,397	2,723	1,028	5,183	6,571	40	44,096

(a) Information includes advances made pursuant to servicing agreements for GNMA mortgage pools whose repayments are insured by the FHA or guaranteed by the VA. As of September 30, 2022, $74 of these loans were 30-89 days past due and $139 were 90 days or more past due. The Bancorp recognized an immaterial amount and $2 of losses during the three and nine months ended September 30, 2022, respectively, due to claim denials and curtailments associated with these insured or guaranteed loans.

(b) Excludes $125 of residential mortgage loans measured at fair value at September 30, 2022, including $2 of nonperforming loans.

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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 and $2 of losses during the three and nine months ended September 30, 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, including $2 of 90 days or more past due loans.

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Collateral-Dependent Loans and Leases

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

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

($ in millions)		**September 30, 2022**	December 31, 2021
Commercial loans and leases:			
Commercial and industrial loans	**$**	**469**	467
Commercial mortgage owner-occupied loans		**12**	22
Commercial mortgage nonowner-occupied loans		**29**	31
Commercial construction loans		**50**	56
Commercial leases		**1**	3
Total commercial loans and leases	**$**	**561**	579
Residential mortgage loans		**60**	60
Consumer loans:			
Home equity		**55**	58
Indirect secured consumer loans		**7**	8
Total consumer loans	**$**	**62**	66
Total portfolio loans and leases	**$**	**683**	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:

		September 30, 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	**$**	**151**	**103**	**254**	151	128	279
Commercial mortgage owner-occupied loans		**8**	**8**	**16**	10	13	23
Commercial mortgage nonowner-occupied loans		**21**	**3**	**24**	22	3	25
Commercial construction loans		**—**	**2**	**2**	6	—	6
Commercial leases		**—**	**2**	**2**	3	1	4
Total nonaccrual portfolio commercial loans and leases	**$**	**180**	**118**	**298**	192	145	337
Residential mortgage loans		**70**	**45**	**115**	14	19	33
Consumer loans:							
Home equity		**49**	**19**	**68**	53	24	77
Indirect secured consumer loans		**12**	**3**	**15**	21	6	27
Credit card		**23**	**—**	**23**	23	—	23
Other consumer loans		**3**	**—**	**3**	1	—	1
Total nonaccrual portfolio consumer loans	**$**	**87**	**22**	**109**	98	30	128
Total nonaccrual portfolio loans and leases[(a)(b)]	**$**	**337**	**185**	**522**	304	194	498
OREO and other repossessed property		**—**	**24**	**24**	—	29	29
Total nonperforming portfolio assets[(a)(b)]	**$**	**337**	**209**	**546**	304	223	527

(a) Excludes an immaterial amount and $15 of nonaccrual loans held for sale as of September 30, 2022 and December 31, 2021, respectively.

(b) Includes $14 and $26 of nonaccrual government insured commercial loans whose repayments are insured by the SBA as of September 30, 2022 and December 31, 2021, respectively, of which $8 and $11 are restructured nonaccrual government insured commercial loans as of September 30, 2022 and December 31, 2021, respectively.

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The Bancorp recognized an immaterial amount of interest income on nonaccrual loans and leases for both the three and nine months ended September 30, 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 $167 million and $84 million as of September 30, 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 $122 million and $66 million, respectively, as of September 30, 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:

September 30, 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	**19**	**$ 31**	**—**	**—**
Commercial mortgage owner-occupied loans	**2**	**1**	**—**	**—**
Residential mortgage loans	**190**	**28**	**—**	**—**
Consumer loans:				
Home equity	**54**	**3**	**(1)**	**—**
Indirect secured consumer loans	**448**	**7**	**—**	**—**
Credit card	**1,380**	**7**	**3**	**—**
Total portfolio loans	**2,093**	**$ 77**	**2**	**—**

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

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September 30, 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	29	$ 23	(1)	—
Commercial mortgage owner-occupied loans	3	1	—	—
Commercial mortgage nonowner-occupied loans	1	—	—	—
Residential mortgage loans	98	15	1	—
Consumer loans:				
Home equity	54	3	(1)	—
Indirect secured consumer loans	1,045	19	—	—
Credit card	1,170	6	2	—
Total portfolio loans	2,400	$ 67	1	—

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

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

September 30, 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	**69**	**$ 196**	**13**	—
Commercial mortgage owner-occupied loans	**8**	**5**	**(1)**	—
Commercial mortgage nonowner-occupied loans	**3**	**23**	—	—
Commercial construction loans	**2**	**4**	**(3)**	—
Residential mortgage loans	**928**	**143**	**7**	—
Consumer loans:				
Home equity	**178**	**13**	**(3)**	—
Indirect secured consumer loans	**2,499**	**48**	**1**	—
Credit card	**3,694**	**19**	**8**	—
Total portfolio loans	**7,381**	**$ 451**	**22**	—

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

September 30, 2021 ($ in millions)	Number of Loans Modified in a TDR During the Period[(a)]	Amortized Cost Basis of Loans Modified in a TDR During the Period	Increase (Decrease) to ALLL Upon Modification	Charge-offs Recognized Upon Modification
Commercial loans:				
Commercial and industrial loans	55	$ 54	—	—
Commercial mortgage owner-occupied loans	4	6	—	—
Commercial mortgage nonowner-occupied loans	4	26	—	—
Residential mortgage loans	400	74	3	—
Consumer loans:				
Home equity	151	8	(2)	—
Indirect secured consumer loans	3,238	70	1	—
Credit card	4,338	24	6	—
Total portfolio loans	8,190	$ 262	8	—

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

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

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

The following tables provide a summary of TDRs that subsequently defaulted during the three months ended September 30, 2022 and 2021 and were within 12 months of the restructuring date:

September 30, 2022 ($ in millions)[(a)]	Number of Contracts	Amortized Cost
Commercial loans:		
Commercial and industrial loans	**1**	**$ —**
Residential mortgage loans	**70**	**11**
Consumer loans:		
Home equity	**6**	**—**
Indirect secured consumer loans	**43**	**—**
Credit card	**83**	**—**
Total portfolio loans	**203**	**$ 11**

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

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

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

The following tables provide a summary of TDRs that subsequently defaulted during the nine months ended September 30, 2022 and 2021 and were within 12 months of the restructuring date:

September 30, 2022 ($ in millions)[(a)]	Number of Contracts	Amortized Cost
Commercial loans:		
Commercial and industrial loans	**8**	**$ —**
Commercial construction loans	**1**	**2**
Residential mortgage loans	**176**	**24**
Consumer loans:		
Home equity	**21**	**1**
Indirect secured consumer loans	**102**	**1**
Credit card	**255**	**1**
Total portfolio loans	**563**	**$ 29**

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

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

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

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7. Bank Premises and Equipment

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

($ in millions)		September 30, 2022	December 31, 2021
Equipment	$	**2,468**	2,392
Buildings[(a)]		**1,680**	1,668
Land and improvements[(a)]		**646**	645
Leasehold improvements		**537**	517
Construction in progress[(a)]		**118**	84
Bank premises and equipment held for sale:			
Land and improvements		**18**	18
Buildings		**6**	6
Accumulated depreciation and amortization		**(3,318)**	(3,210)
Total bank premises and equipment	$	**2,155**	2,120

(a) Buildings, land and improvements and construction in progress included $28 and $39 associated with parcels of undeveloped land intended for future branch expansion at September 30, 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 nine months ended September 30, 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 $1 million and $3 million for the three months ended September 30, 2022 and 2021, respectively, and $2 million and $7 million for the nine months ended September 30, 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 $612 million and $616 million at September 30, 2022 and December 31, 2021, respectively, net of accumulated depreciation of $326 million and $304 million at September 30, 2022 and December 31, 2021, respectively. The Bancorp recorded lease income of $36 million and $38 million relating to lease payments for operating leases in leasing business revenue in the Condensed Consolidated Statements of Income during the three months ended September 30, 2022 and 2021, respectively, and $108 million and $116 million during the nine months ended September 30, 2022 and 2021, respectively. Depreciation expense related to operating lease equipment was $30 million and $31 million during the three months ended September 30, 2022 and 2021, respectively, and $89 million and $95 million during the nine months ended September 30, 2022 and 2021, respectively. The Bancorp received payments of $109 million and $118 million related to operating leases during the nine months ended September 30, 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 did not recognize any impairment losses associated with operating lease assets during both the three months ended September 30, 2022 and 2021, and recognized $2 million and $25 million of impairment losses during the nine months ended September 30, 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 September 30, 2022 ($ in millions)		Undiscounted Cash Flows
Remainder of 2022	$	36
2023		129
2024		95
2025		68
2026		44
2027		20
Thereafter		20
Total operating lease payments	$	412

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9. Lease Obligations – Lessee

The Bancorp leases certain banking centers, ATM sites, land for owned buildings and equipment. The Bancorp's lease agreements typically do not contain any residual value guarantees or any material restrictive covenants. For more information on the accounting for lease obligations, refer to Note 1 of the Notes to Consolidated Financial Statements included in the Bancorp's Annual Report on Form 10-K for the year ended December 31, 2021.

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

($ in millions)	Condensed Consolidated Balance Sheets Caption		**September 30, 2022**	December 31, 2021
Assets				
Operating lease right-of-use assets	Other assets	**$**	**479**	427
Finance lease right-of-use assets	Bank premises and equipment		**158**	145
Total right-of-use assets[(a)]		**$**	**637**	572
Liabilities				
Operating lease liabilities	Accrued taxes, interest and expenses	**$**	**568**	520
Finance lease liabilities	Long-term debt		**163**	149
Total lease liabilities		**$**	**731**	669

(a) Operating and finance lease right-of-use assets are recorded net of accumulated amortization of $239 and $61, respectively, as of September 30, 2022, and $198 and $47, respectively, as of December 31, 2021.

The following table presents the components of lease costs:

($ in millions)	Condensed Consolidated Statements of Income Caption	For the three months ended September 30,		For the nine months ended September 30,	
		2022	2021	**2022**	2021
Lease costs:					
Amortization of ROU assets	Net occupancy and equipment expense	**$ 5**	5	**14**	14
Interest on lease liabilities	Interest on long-term debt	**1**	1	**4**	3
Total finance lease costs		**$ 6**	6	**18**	17
Operating lease cost	Net occupancy expense	**$ 21**	20	**62**	59
Short-term lease cost	Net occupancy expense	**—**	—	**1**	1
Variable lease cost	Net occupancy expense	**8**	8	**21**	24
Sublease income	Net occupancy expense	**(1)**	(1)	**(2)**	(2)
Total operating lease costs		**$ 28**	27	**82**	82
Total lease costs		**$ 34**	33	**100**	99

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 an immaterial amount and $1 million of impairment losses and termination charges for the ROU assets related to certain operating leases during the three months ended September 30, 2022 and 2021, respectively, and $2 million and $3 million during the nine months ended September 30, 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 September 30, 2022 ($ in millions)	Operating Leases	Finance Leases	Total
Remainder of 2022	$ 23	6	29
2023	87	21	108
2024	80	21	101
2025	73	14	87
2026	64	9	73
2027	56	8	64
Thereafter	287	131	418
Total undiscounted cash flows	$ 670	210	880
Less: Difference between undiscounted cash flows and discounted cash flows	102	47	149
Present value of lease liabilities	$ 568	163	731

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

	September 30, 2022	December 31, 2021
Weighted-average remaining lease term (years):		
Operating leases	**10.14**	8.92
Finance leases	**15.36**	14.70
Weighted-average discount rate:		
Operating leases	**3.02 %**	2.88
Finance leases	**2.90**	2.74

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

($ in millions)	2022	2021
Cash paid for amounts included in the measurement of lease liabilities:[(a)]		
Operating cash flows from operating leases	**$ 67**	66
Operating cash flows from finance leases	**4**	3
Financing cash flows from finance leases	**13**	12
Gains on sale-leaseback transactions	**4**	2

(a) The cash flows related to the short-term and variable lease payments are not included in the amounts in the table as they were not included in the measurement of lease liabilities.

10. Goodwill

Business combinations entered into by the Bancorp typically result in the recognition of goodwill. Acquisition activity includes acquisitions in the respective period in addition to purchase accounting adjustments related to previous acquisitions. During the third quarter of 2022, the Bancorp reorganized its management reporting structure and now reports on three business segments, which are also reporting units: Commercial Banking, Consumer and Small Business Banking and Wealth and Asset Management. In conjunction with this reorganization, the Bancorp reallocated a portion of its goodwill from Consumer and Small Business Banking to Commercial Banking using a relative fair value approach for the portions of the business which were transferred between reporting units. Refer to Note 23 for additional information.

The Bancorp completed its annual goodwill impairment test as of September 30, 2022 and the estimated fair values of the Commercial Banking, Consumer and Small Business Banking and Wealth and Asset Management reporting units exceeded their carrying values, including goodwill.

Changes in the net carrying amount of goodwill, by reporting unit, for the nine months ended September 30, 2022 and the year ended December 31, 2021 were as follows:

($ in millions)	Commercial Banking	Consumer and Small Business Banking	Wealth and Asset Management	General Corporate and Other	Total
Goodwill	$ 2,730	2,262	231	—	5,223
Accumulated impairment losses	(750)	(215)	—	—	(965)
Net carrying value as of December 31, 2020	$ 1,980	2,047	231	—	4,258
Acquisition activity	—	256	—	—	256
Net carrying value as of December 31, 2021	**1,980**	**2,303**	**231**	**—**	**4,514**
Acquisition activity	**—**	**450**	**—**	**—**	**450**
Reallocation of goodwill	**378**	**(378)**	**—**	**—**	**—**
Sale of businesses	**(34)**	**—**	**(5)**	**—**	**(39)**
Net carrying value as of September 30, 2022	**$ 2,324**	**2,375**	**226**	**—**	**4,925**

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11. Intangible Assets

Intangible assets consist of core deposit intangibles, developed technology, customer relationships, operating leases, non-compete agreements, trade names and books of business. Intangible assets are amortized on either a straight-line or an accelerated basis over their estimated useful lives and, based on the type of intangible asset, the amortization expense may be recorded in either leasing business revenue or other noninterest expense in the Condensed Consolidated Statements of Income. The increase in the gross carrying amount of intangible assets from the year ended December 31, 2021 reflects acquisition activity during the second quarter of 2022, which included the recognition of $44 million in developed technology, $12 million in customer relationships, $7 million in trade name and $3 million of backlog. These assets will be amortized over their remaining useful life, which was estimated to be 5, 12, 5 and 5 years, respectively, at the time of acquisition.

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

($ in millions)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
As of September 30, 2022			
Core deposit intangibles	**$ 229**	**(175)**	**54**
Developed technology	**106**	**(12)**	**94**
Customer relationships	**30**	**(7)**	**23**
Operating leases	**8**	**(7)**	**1**
Other	**14**	**(5)**	**9**
Total intangible assets	**$ 387**	**(206)**	**181**
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 September 30, 2022, all of the Bancorp's intangible assets were being amortized. Amortization expense recognized on intangible assets was $13 million and $12 million for the three months ended September 30, 2022 and 2021, respectively, and $36 million and $34 million for the nine months ended September 30, 2022 and 2021, respectively. The Bancorp's projections of amortization expense shown in the following table are based on existing asset balances as of September 30, 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	$ 12
2023	43
2024	35
2025	28
2026	22

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12. Variable Interest Entities

The Bancorp, in the normal course of business, engages in a variety of activities that involve VIEs, which are legal entities that lack sufficient equity at risk to finance their activities without additional subordinated financial support or the equity investors of the entities as a group lack any of the characteristics of a controlling interest. The Bancorp evaluates its interest in certain entities to determine if these entities meet the definition of a VIE and whether the Bancorp is the primary beneficiary and should consolidate the entity based on the variable interests it held both at inception and when there is a change in circumstances that requires a reconsideration. If the Bancorp is determined to be the primary beneficiary of a VIE, it must account for the VIE as a consolidated subsidiary. If the Bancorp is determined not to be the primary beneficiary of a VIE but holds a variable interest in the entity, such variable interests are accounted for under the equity method of accounting or other accounting standards as appropriate.

Consolidated VIEs

The Bancorp has consolidated VIEs related to an automobile loan securitization and a solar 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 VIEs as of:

($ in millions)		**September 30, 2022**	December 31, 2021
Assets:			
Other short-term investments	**$**	**19**	24
Indirect secured consumer loans		**177**	322
Other consumer loans		**46**	—
ALLL		**(3)**	(2)
Other assets		**2**	2
Total assets	**$**	**241**	346
Liabilities:			
Other liabilities	**$**	**9**	1
Long-term debt		**156**	263
Total liabilities	**$**	**165**	264

As a result of a business acquisition in the second quarter of 2022, the Bancorp acquired interests in a previously completed securitization transaction in which solar loans were transferred to a bankruptcy remote trust which was deemed to be a VIE. Additionally, 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 each of these securitization transactions, the primary purposes of the VIEs were to issue asset-backed securities with varying levels of credit subordination and payment priority, as well as residual interests, and to provide access to liquidity for originated loans. The Bancorp retained residual interests in the VIEs and, therefore, has an obligation to absorb losses and a right to receive benefits from the VIEs that could potentially be significant to the VIEs. In addition, the Bancorp retained servicing rights for the underlying loans and, therefore, holds the power to direct the activities of the VIEs that most significantly impact the economic performance of the VIEs. As a result, the Bancorp concluded that it is the primary beneficiary of the VIEs and has consolidated these VIEs. The assets of the VIEs are restricted to the settlement of the asset-backed securities and other obligations of the VIEs. The third-party holders of the asset-backed notes do not have recourse to the general assets of the Bancorp.

The economic performance of the VIEs is most significantly impacted by the performance of the underlying loans. The principal risks to which the VIEs are exposed include credit risk and prepayment risk. The credit and prepayment risks are managed through credit enhancements in the form of reserve accounts, overcollateralization, excess interest on the loans and the subordination of certain classes of asset-backed securities to other classes.

Non-consolidated VIEs

The following tables provide a summary of assets and liabilities carried on the Condensed Consolidated Balance Sheets related to non-consolidated VIEs for which the Bancorp holds an interest, but is not the primary beneficiary of the VIE, as well as the Bancorp's maximum exposure to losses associated with its interests in the entities as of:

September 30, 2022 ($ in millions)		Total Assets	Total Liabilities	Maximum Exposure
CDC investments	**$**	**1,759**	**614**	**1,759**
Private equity investments		**177**	**—**	**340**
Loans provided to VIEs		**4,244**	**—**	**6,118**
Lease pool entities		**63**	**—**	**63**
Solar loan securitizations		**10**	**—**	**10**

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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.

The Bancorp's CDC investments included $1.5 billion and $1.4 billion of investments in affordable housing tax credits recognized in other assets in the Condensed Consolidated Balance Sheets at September 30, 2022 and December 31, 2021, respectively. The unfunded commitments related to these investments were $607 million and $573 million at September 30, 2022 and December 31, 2021, respectively. The unfunded commitments as of September 30, 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 September 30,		For the nine months ended September 30,	
		2022	2021	**2022**	2021
Proportional amortization	Applicable income tax expense	**$ 53**	38	**130**	125
Tax credits and other benefits	Applicable income tax expense	**(58)**	(47)	**(149)**	(148)

(a) The Bancorp did not recognize impairment losses resulting from the forfeiture or ineligibility of tax credits or other circumstances during both the three and nine months ended September 30, 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 September 30, 2022 and December 31, 2021, the Bancorp's unfunded commitment amounts to the private equity funds were $163 million and $124 million, respectively. As part of previous commitments, the Bancorp made capital contributions to private equity investments of $7 million and $4 million during the three months ended September 30, 2022 and 2021, respectively, and $28 million and $12 million during the nine months ended September 30, 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. As of September 30, 2022 and December 31, 2021, the Bancorp's unfunded commitments to these entities were $1.9 billion and $1.5 billion, respectively. The loans and unfunded commitments to these VIEs are included in the Bancorp's overall analysis of the ALLL and reserve for unfunded commitments, respectively. The Bancorp does not provide any implicit or explicit liquidity guarantees or principal value guarantees to these VIEs.

Lease pool entities

The Bancorp is a co-investor with other unrelated leasing companies in three LLCs designed for the purpose of purchasing pools of residual interests in leases which have been originated or purchased by the other investing member. For each LLC, the leasing company is the managing member and has full authority over the day-to-day operations of the entity. While the Bancorp holds more than 50% of the equity interests in each LLC, the operating agreements require both members to consent to significant corporate actions, such as liquidating the entity or removing the manager. In addition, the Bancorp has a preference with regards to distributions such that all of the Bancorp's equity contribution for each pool must be distributed, plus a pre-defined rate of return, before the other member may receive distributions. The leasing company is also entitled to the return of its investment plus a pre-defined rate of return before any residual profits are distributed to the members.

The lease pool entities are primarily subject to risk of losses on the lease residuals purchased. The Bancorp has determined that it is not the primary beneficiary of these VIEs because it does not have the power to direct the activities that most significantly impact the economic performance of the entities. This power is held by the leasing company, who as managing member controls the servicing of the leases and collection of the proceeds on the residual interests.

Solar loan securitizations

As a result of a business acquisition in the second quarter of 2022, the Bancorp acquired interests in previously completed securitization transactions in which solar loans were transferred to bankruptcy remote trusts which were deemed to be VIEs. In each of these securitization transactions, the primary purposes of the VIEs were to issue asset-backed securities with varying levels of credit subordination and payment priority, as well as residual interests, and to provide access to liquidity for originated loans. The Bancorp retained certain risk retention interests in the classes of securities issued by the VIEs and retained servicing rights for the underlying loans. The Bancorp has determined that it is not the primary beneficiary of the VIEs because it does not have the obligation to absorb the VIEs expected losses or the right to receive the VIEs expected residual returns that could potentially be significant to the VIEs. The risk retention interests held by the Bancorp were included in available-for-sale debt and other securities on the Condensed Consolidated Balance Sheets.

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13. Sales of Receivables and Servicing Rights

Residential Mortgage Loan Sales

The Bancorp sold fixed and adjustable-rate residential mortgage loans during the three and nine months ended September 30, 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 September 30,		For the nine months ended September 30,	
($ in millions)	**2022**	2021	**2022**	2021
Residential mortgage loan sales[(a)]	**$ 3,943**	4,722	**10,445**	12,348
Origination fees and gains on loan sales	**24**	78	**73**	248
Gross mortgage servicing fees	**81**	63	**230**	181

(a) Represents the unpaid principal balance at the time of the sale.

Servicing Rights

The Bancorp measures all of its mortgage servicing rights at fair value with changes in fair value reported in mortgage banking net revenue in the Condensed Consolidated Statements of Income.

The following table presents changes in the servicing rights related to residential mortgage loans for the nine months ended September 30:

($ in millions)	**2022**	2021
Balance, beginning of period	**$ 1,121**	656
Servicing rights originated	**186**	172
Servicing rights purchased	**208**	210
Changes in fair value:		
Due to changes in inputs or assumptions[(a)]	**358**	123
Other changes in fair value[(b)]	**(141)**	(218)
Balance, end of period	**$ 1,732**	943

(a) Primarily reflects changes in prepayment speed and OAS assumptions which are updated based on market interest rates.
(b) Primarily reflects changes due to realized cash flows and the passage of time.

The Bancorp maintains a non-qualifying hedging strategy to manage a portion of the risk associated with changes in the value of the MSR portfolio. This strategy may include the purchase of free-standing derivatives and various available-for-sale debt and trading debt securities. The interest income, mark-to-market adjustments and gain or loss from sale activities associated with these portfolios are expected to economically hedge a portion of the change in value of the MSR portfolio caused by fluctuating OAS, earnings rates and prepayment speeds. The fair value of the servicing asset is based on the present value of expected future cash flows.

The following table presents activity related to valuations of the MSR portfolio and the impact of the non-qualifying hedging strategy:

	For the three months ended September 30,		For the nine months ended September 30,	
($ in millions)	**2022**	2021	**2022**	2021
Securities losses, net – non-qualifying hedges on mortgage servicing rights	**$ (1)**	—	**(2)**	(2)
Changes in fair value and settlement of free-standing derivatives purchased to economically hedge the MSR portfolio[(a)]	**(84)**	(11)	**(368)**	(99)
MSR fair value adjustment due to changes in inputs or assumptions[(a)]	**83**	20	**358**	123

(a) Included in mortgage banking net revenue in the Condensed Consolidated Statements of Income.

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The key economic assumptions used in measuring the servicing rights related to residential mortgage loans that continued to be held by the Bancorp at the date of sale, securitization or purchase resulting from transactions completed during the three months ended September 30, 2022 and 2021 were as follows:

	September 30, 2022			September 30, 2021		
	Weighted-Average Life (in years)	Prepayment Speed (annual)	OAS (bps)	Weighted-Average Life (in years)	Prepayment Speed (annual)	OAS (bps)
Fixed-rate	**6.9**	**11.3 %**	**760**	6.5	10.8 %	777
Adjustable-rate	**2.2**	**35.1**	**803**	2.8	28.1	627

At September 30, 2022 and December 31, 2021, the Bancorp serviced $102.7 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. The weighted-average coupon of the MSR portfolio was 3.53% and 3.45% at September 30, 2022 and December 31, 2021, respectively.

At September 30, 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	
($ in millions)[(a)]	Fair Value	Weighted-Average Life (in years)	Rate	10%	20%	50%	OAS (bps)	10%	20%
Fixed-rate	$ 1,726	9.1	5.2 %	$ (37)	(71)	(160)	723	$ (50)	(98)
Adjustable-rate	6	5.1	20.3	(1)	(1)	(2)	1,204	—	—

(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.

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14. Derivative Financial Instruments

The Bancorp maintains an overall risk management strategy that incorporates the use of derivative instruments to reduce certain risks related to interest rate, prepayment and foreign currency volatility. Additionally, the Bancorp holds derivative instruments for the benefit of its commercial customers and for other business purposes. The Bancorp does not enter into unhedged speculative derivative positions.

The Bancorp's interest rate risk management strategy involves modifying the repricing characteristics of certain financial instruments so that changes in interest rates do not adversely affect the Bancorp's net interest margin and cash flows. Derivative instruments that the Bancorp may use as part of its interest rate risk management strategy include interest rate swaps, interest rate floors, interest rate caps, forward contracts, forward starting interest rate swaps, options, swaptions and TBA securities. Interest rate swap contracts are exchanges of interest payments, such as fixed-rate payments for floating-rate payments, based on a stated notional amount and maturity date. Interest rate floors protect against declining rates, while interest rate caps protect against rising interest rates. Forward contracts are contracts in which the buyer agrees to purchase, and the seller agrees to make delivery of, a specific financial instrument at a predetermined price or yield. Options provide the purchaser with the right, but not the obligation, to purchase or sell a contracted item during a specified period at an agreed-upon price. Swaptions are financial instruments granting the owner the right, but not the obligation, to enter into or cancel a swap.

Prepayment volatility arises mostly from changes in fair value of the largely fixed-rate MSR portfolio, mortgage loans and mortgage-backed securities. The Bancorp may enter into various free-standing derivatives (principal-only swaps, interest rate swaptions, interest rate floors, mortgage options, TBA securities and interest rate swaps) to economically hedge prepayment volatility. Principal-only swaps are total return swaps based on changes in the value of the underlying mortgage principal-only trust. TBA securities are a forward purchase agreement for a mortgage-backed securities trade whereby the terms of the security are undefined at the time the trade is made.

Foreign currency volatility occurs as the Bancorp enters into certain loans denominated in foreign currencies. Derivative instruments that the Bancorp may use to economically hedge these foreign denominated loans include foreign exchange swaps and forward contracts.

The Bancorp also enters into derivative contracts (including foreign exchange contracts, commodity contracts and interest rate contracts) for the benefit of commercial customers and other business purposes. The Bancorp economically hedges significant exposures related to these free-standing derivatives by entering into offsetting third-party contracts with approved, reputable and independent counterparties with substantially matching terms and currencies. Credit risk arises from the possible inability of counterparties to meet the terms of their contracts. The Bancorp's exposure is limited to the replacement value of the contracts rather than the notional, principal or contract amounts. Credit risk is minimized through credit approvals, limits, counterparty collateral and monitoring procedures.

The fair value of derivative instruments is presented on a gross basis, even when the derivative instruments are subject to master netting arrangements. Derivative instruments with a positive fair value are reported in other assets in the Condensed Consolidated Balance Sheets while derivative instruments with a negative fair value are reported in other liabilities in the Condensed Consolidated Balance Sheets. Cash collateral payables and receivables associated with the derivative instruments are not added to or netted against the fair value amounts with the exception of certain variation margin payments that are considered legal settlements of the derivative contracts. For derivative contracts cleared through certain central clearing parties who have modified their rules to treat variation margin payments as settlements, the variation margin payments are applied to net the fair value of the respective derivative contracts.

The Bancorp's derivative assets include certain contractual features in which the Bancorp requires the counterparties to provide collateral in the form of cash and securities to offset changes in the fair value of the derivatives, including changes in the fair value due to credit risk of the counterparty. As of September 30, 2022 and December 31, 2021, the balance of collateral held by the Bancorp for derivative assets was $1.4 billion and $1.1 billion, respectively. For derivative contracts cleared through certain central clearing parties whose rules treat variation margin payments as settlements of the derivative contract, the payments for variation margin of $1.2 billion and $771 million as of September 30, 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 September 30, 2022 and December 31, 2021, the credit component negatively impacting the fair value of derivative assets associated with customer accommodation contracts was $9 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 both September 30, 2022 and December 31, 2021, the balance of collateral posted by the Bancorp for derivative liabilities was $1.3 billion. Additionally, as of September 30, 2022 and December 31, 2021, $1.2 billion 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 September 30, 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

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credit risk. As a result, the Bancorp determined that the impact of the Bancorp's credit risk to the valuation of its derivative liabilities was immaterial to the Bancorp's Condensed Consolidated Financial Statements.

The Bancorp holds certain derivative instruments that qualify for hedge accounting treatment and are designated as either fair value hedges or cash flow hedges. Derivative instruments that do not qualify for hedge accounting treatment, or for which hedge accounting is not established, are held as free-standing derivatives. All customer accommodation derivatives are held as free-standing derivatives.

The following tables reflect the notional amounts and fair values for all derivative instruments included in the Condensed Consolidated Balance Sheets as of:

		Fair Value	
September 30, 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	**$ 3,955**	**110**	**212**
Total fair value hedges		**110**	**212**
Cash flow hedges:			
Interest rate floors related to C&I loans	**3,000**	**5**	**—**
Interest rate swaps related to C&I loans	**8,000**	**—**	**97**
Interest rate swaps related to C&I loans - forward starting[(c)]	**11,000**	**3**	**—**
Interest rate swaps related to commercial mortgage and commercial construction loans	**4,000**	**—**	**15**
Interest rate swaps related to commercial mortgage and commercial construction loans - forward starting[(c)]	**1,000**	**—**	**—**
Total cash flow hedges		**8**	**112**
Total derivatives designated as qualifying hedging instruments		**118**	**324**
Derivatives Not Designated as Qualifying Hedging Instruments:			
Free-standing derivatives - risk management and other business purposes:			
Interest rate contracts related to MSR portfolio	**2,975**	**66**	**24**
Forward contracts related to residential mortgage loans held for sale[(b)]	**2,418**	**68**	**7**
Swap associated with the sale of Visa, Inc. Class B Shares	**2,884**	**—**	**174**
Foreign exchange contracts	**178**	**8**	**—**
Interest-only strips	**58**	**5**	**—**
Interest rate contracts for collateral management	**12,000**	**6**	**5**
Interest rate contracts for LIBOR transition	**2,372**	**—**	**—**
Total free-standing derivatives – risk management and other business purposes		**153**	**210**
Free-standing derivatives – customer accommodation:			
Interest rate contracts[(a)]	**77,980**	**953**	**1,726**
Interest rate lock commitments	**634**	**3**	**6**
Commodity contracts	**15,366**	**2,367**	**2,181**
TBA securities	**50**	**—**	**—**
Foreign exchange contracts	**26,179**	**745**	**705**
Total free-standing derivatives – customer accommodation		**4,068**	**4,618**
Total derivatives not designated as qualifying hedging instruments		**4,221**	**4,828**
Total		**$ 4,339**	**5,152**

(a) Derivative assets and liabilities are presented net of variation margin of $813 and $49, 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.
(c) Forward starting swaps will become effective on various dates between February 2023 and January 2025.

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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 September 30, 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 September 30, 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.

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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 September 30,		For the nine months ended September 30,	
		2022	2021	**2022**	2021
Long-term debt:					
Change in fair value of interest rate swaps hedging long-term debt	Interest on long-term debt	**$ (230)**	(25)	**(493)**	(124)
Change in fair value of hedged long-term debt attributable to the risk being hedged	Interest on long-term debt	**230**	25	**493**	124
Available-for-sale debt and other securities:					
Change in fair value of interest rate swaps hedging available-for-sale debt and other securities	Interest on securities	**—**	9	**8**	9
Change in fair value of hedged available-for-sale debt and other securities attributable to the risk being hedged	Interest on securities	**—**	(9)	**(8)**	(9)

The following amounts were recorded in the Condensed Consolidated Balance Sheets related to cumulative basis adjustments for fair value hedges as of:

($ in millions)	Condensed Consolidated Balance Sheets Caption	**September 30, 2022**	December 31, 2021
Long-term debt:			
Carrying amount of the hedged items	Long-term debt	**$ 3,838**	2,339
Cumulative amount of fair value hedging adjustments included in the carrying amount of the hedged items	Long-term debt	**(97)**	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	**(14)**	—

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

Cash Flow Hedges

The Bancorp may enter into interest rate swaps to convert floating-rate assets and liabilities to fixed rates or to hedge certain forecasted transactions for the variability in cash flows attributable to the contractually specified interest rate. The assets or liabilities may be grouped in circumstances where they share the same risk exposure that the Bancorp desires to hedge. The Bancorp may also enter into interest rate caps and floors to limit cash flow variability of floating-rate assets and liabilities. As of September 30, 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 September 30, 2022, the maximum length of time over which the Bancorp is hedging its exposure to the variability in future cash flows is 111 months.

Reclassified gains and losses on interest rate contracts related to commercial and industrial loans are recorded within interest income in the Condensed Consolidated Statements of Income. As of September 30, 2022 and December 31, 2021, respectively, $596 million of net deferred losses, net of tax, and $353 million of net deferred gains, net of tax, on cash flow hedges were recorded in AOCI in the Condensed Consolidated Balance Sheets. As of September 30, 2022, $181 million in net unrealized losses, net of tax, recorded in AOCI are expected to be reclassified into earnings during the next 12 months. This amount could differ from amounts actually recognized due to changes in interest rates, hedge de-designations or the addition of other hedges subsequent to September 30, 2022.

During both the three and nine months ended September 30, 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.

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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 September 30,		For the nine months ended September 30,	
($ in millions)	**2022**	2021	**2022**	2021
Amount of pre-tax net (losses) gains recognized in OCI	**$ (688)**	3	**(1,092)**	(67)
Amount of pre-tax net gains reclassified from OCI into net income	**4**	74	**140**	219

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 22 for further discussion of significant inputs and assumptions used in the valuation of this instrument.

The Bancorp entered into certain interest rate swap contracts for the purpose of managing its collateral positions across two central clearing parties. These interest rate swaps were perfectly offsetting positions that allowed the Bancorp to lower the cash posted as required initial margin at the clearing parties, which reduced its credit exposure to the clearing parties. Given that all relevant terms for these interest rate swaps are offsetting, these trades create no additional market risk for the Bancorp.

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

The net gains (losses) recorded in the Condensed Consolidated Statements of Income relating to free-standing derivative instruments used for risk management and other business purposes are summarized in the following table:

	Condensed Consolidated Statements of	For the three months ended September 30,		For the nine months ended September 30,	
($ in millions)	Income Caption	**2022**	2021	**2022**	2021
Interest rate contracts:					
Forward contracts related to residential mortgage loans held for sale	Mortgage banking net revenue	**$ 59**	23	**61**	32
Interest rate contracts related to MSR portfolio	Mortgage banking net revenue	**(84)**	(11)	**(368)**	(99)
Foreign exchange contracts:					
Foreign exchange contracts for risk management purposes	Other noninterest income	**11**	3	**14**	(3)
Equity contracts:					
Swap associated with sale of Visa, Inc. Class B Shares	Other noninterest income	**(17)**	(17)	**(46)**	(67)

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 September 30, 2022 and December 31, 2021, respectively, and the fair value was a liability of $8 million at both September 30, 2022 and December 31, 2021 which is included in other liabilities in the Condensed Consolidated Balance Sheets. As of September 30, 2022, the risk participation agreements had a weighted-average remaining life of 3.3 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)		**September 30, 2022**	December 31, 2021
Pass	**$**	**3,524**	3,733
Special mention		**95**	13
Substandard		**34**	34
Total	**$**	**3,653**	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:

		For the three months ended September 30,		For the nine months ended September 30,	
($ in millions)	Condensed Consolidated Statements of Income Caption	**2022**	2021	**2022**	2021
Interest rate contracts:					
Interest rate contracts for customers (contract revenue)	Commercial banking revenue	**$ 12**	8	**37**	27
Interest rate contracts for customers (credit portion of fair value adjustment)	Other noninterest expense	**2**	2	**11**	19
Interest rate lock commitments	Mortgage banking net revenue	**(6)**	44	**5**	132
Commodity contracts:					
Commodity contracts for customers (contract revenue)	Commercial banking revenue	**11**	6	**30**	17
Commodity contracts for customers (credit portion of fair value adjustment)	Other noninterest expense	**1**	(1)	**(1)**	(1)
Foreign exchange contracts:					
Foreign exchange contracts for customers (contract revenue)	Commercial banking revenue	**15**	15	**52**	45
Foreign exchange contracts for customers (contract revenue)	Other noninterest income	**12**	2	**22**	2
Foreign exchange contracts for customers (credit portion of fair value adjustment)	Other noninterest expense	**(1)**	—	**(3)**	—

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 September 30, 2022				
Derivative assets	**$ 4,336**	**(1,927)**	**(864)**	**1,545**
Derivative liabilities	**5,146**	**(1,927)**	**(661)**	**2,558**
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.

15. Other Short-Term Borrowings

Borrowings with original maturities of one year or less are classified as short-term. The following table presents a summary of the Bancorp's other short-term borrowings as of:

($ in millions)	**September 30, 2022**	December 31, 2021
FHLB advances	**$ 5,750**	—
Securities sold under repurchase agreements	**475**	544
Derivative collateral	**127**	436
Other borrowed money	**26**	—
Total other short-term borrowings	**$ 6,378**	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 September 30, 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.

16. Long-Term Debt

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 designated as fair value hedges to convert the fixed-rate periods of the notes to floating rates of one-month LIBOR plus 1.239% and one-month LIBOR plus 1.543% 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.

On July 28, 2022, the Bancorp issued and sold $1 billion of fixed-rate/floating-rate senior notes which will mature on July 28, 2030. The senior notes bear interest at a rate of 4.772% per annum to, but excluding, July 28, 2029. From, and including July 28, 2029 until, but excluding July 28, 2030, the senior notes will bear interest at a rate of compounded SOFR plus 2.127%. The Bancorp entered into interest rate swaps designated as fair value hedges to convert the fixed-rate period of the notes to a floating rate of compounded SOFR plus 2.132%. The senior notes are redeemable in whole at par plus accrued and unpaid interest one year prior to their maturity date, or may be wholly or partially redeemed 60 days prior to maturity. For further information on a subsequent event related to long-term debt, refer to Note 24.

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17. Commitments, Contingent Liabilities and Guarantees

The Bancorp, in the normal course of business, enters into financial instruments and various agreements to meet the financing needs of its customers. The Bancorp also enters into certain transactions and agreements to manage its interest rate and prepayment risks, provide funding, equipment and locations for its operations and invest in its communities. These instruments and agreements involve, to varying degrees, elements of credit risk, counterparty risk and market risk in excess of the amounts recognized in the Condensed Consolidated Balance Sheets. The creditworthiness of counterparties for all instruments and agreements is evaluated on a case-by-case basis in accordance with the Bancorp's credit policies. The Bancorp's significant commitments, contingent liabilities and guarantees in excess of the amounts recognized in the Condensed Consolidated Balance Sheets are discussed in the following sections.

Commitments

The Bancorp has certain commitments to make future payments under contracts. The following table reflects a summary of significant commitments as of:

($ in millions)		**September 30, 2022**	December 31, 2021
Commitments to extend credit	**$**	**81,206**	80,641
Forward contracts related to residential mortgage loans held for sale		**2,418**	1,952
Letters of credit		**2,040**	1,953
Capital commitments for private equity investments		**163**	124
Purchase obligations		**124**	160
Capital expenditures		**103**	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 September 30, 2022 and December 31, 2021, the Bancorp had a reserve for unfunded commitments, including letters of credit, totaling $199 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)		**September 30, 2022**	December 31, 2021
Pass	**$**	**79,242**	78,298
Special mention		**801**	1,058
Substandard		**1,163**	1,285
Total commitments to extend credit	**$**	**81,206**	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 September 30, 2022:

($ in millions)		
Less than 1 year[(a)]	$	977
1 - 5 years[(a)]		1,060
Over 5 years		3
Total letters of credit	$	2,040

(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 September 30, 2022 and December 31, 2021 and are considered guarantees in accordance with U.S. GAAP. Approximately 67% and 71% of the total standby letters of credit were collateralized as of September 30, 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 September 30, 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)		September 30, 2022	December 31, 2021
Pass	$	**1,849**	1,778
Special mention		**46**	40
Substandard		**145**	135
Total letters of credit	$	**2,040**	1,953

At September 30, 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 September 30, 2022 and December 31, 2021, total VRDNs, of which FTS was the remarketing agent for all, were $435 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 September 30, 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 $2 million and $1 million of these VRDNs in its portfolio and classified them as trading debt securities at September 30, 2022 and December 31, 2021, respectively.

Forward contracts related to residential mortgage loans held for sale
The Bancorp enters into forward contracts to economically hedge the change in fair value of certain residential mortgage loans held for sale due to changes in interest rates. The outstanding notional amounts of these forward contracts are included in the summary of significant commitments table for all periods presented.

Other commitments
The Bancorp has entered into a limited number of agreements for work related to banking center construction and to purchase goods or services.

Contingent Liabilities
Legal claims
There are legal claims pending against the Bancorp and its subsidiaries that have arisen in the normal course of business. Refer to Note 18 for additional information regarding these proceedings.

Guarantees
The Bancorp has performance obligations upon the occurrence of certain events under financial guarantees provided in certain contractual arrangements as discussed in the following sections.

Residential mortgage loans sold with representation and warranty provisions
Conforming residential mortgage loans sold to unrelated third parties are generally sold with representation and warranty provisions. A contractual liability arises only in the event of a breach of these representations and warranties and, in general, only when a loss results from the breach. The Bancorp may be required to repurchase any previously sold loan, or indemnify or make whole the investor or insurer for which the representation or warranty of the Bancorp proves to be inaccurate, incomplete or misleading. For more information on how the Bancorp establishes the residential mortgage repurchase reserve, refer to Note 1 of the Notes to Consolidated Financial Statements included in the Bancorp's Annual Report on Form 10-K for the year ended December 31, 2021.

As of both September 30, 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 September 30, 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.

For both the three months ended September 30, 2022 and 2021, the Bancorp paid an immaterial amount in the form of make-whole payments and repurchased $16 million and $11 million, respectively, in outstanding principal of loans to satisfy investor demands. For both the nine months ended September 30, 2022 and 2021, the Bancorp paid an immaterial amount in the form of make-whole payments and repurchased $44 million and $29 million, respectively, in outstanding principal of loans to satisfy investor demands. Total repurchase demand requests during the three months ended September 30, 2022 and 2021 were $28 million and $14 million, respectively. Total repurchase demand requests during the nine months ended September 30, 2022 and 2021 were $72 million and $42 million, respectively. Total outstanding repurchase demand inventory was $19 million and $18 million at September 30, 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 $8 million and $20 million at September 30, 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 September 30, 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 22 for additional information on the valuation of the swap. The counterparty to the swap as a result of its ownership of the Class B Shares will be impacted by dilutive adjustments to the conversion rate of the Class B Shares into Class A Shares caused by any Covered Litigation losses in excess of the litigation escrow account. If actual judgments in, or settlements of, the Covered Litigation significantly exceed current expectations, then additional funding by Visa of the litigation escrow account and the resulting dilution of the Class B Shares could result in a scenario where the Bancorp's ultimate exposure associated with the Covered Litigation (the "Visa Litigation Exposure") exceeds the value of the Class B Shares owned by the swap counterparty (the "Class B Value"). In the event the Bancorp concludes that it is probable that the Visa Litigation Exposure exceeds the Class B Value, the Bancorp would record a litigation reserve liability and a corresponding amount of other noninterest expense for the amount of the excess. Any such litigation reserve liability would be separate and distinct from the fair value derivative liability associated with the total return swap.

As of the date of the Bancorp's sale of the Visa Class B Shares and through September 30, 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 $174 million at September 30, 2022 and $214 million at December 31, 2021. Refer to Note 14 and Note 22 for further information.

Fifth Third Bancorp and Subsidiaries
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After the Bancorp's sale of the Class B Shares, Visa has funded additional amounts into the litigation escrow account which have resulted in further dilutive adjustments to the conversion of Class B Shares into Class A Shares, and along with other terms of the total return swap, required the Bancorp to make cash payments in varying amounts to the swap counterparty as follows:

Period ($ in millions)	Visa Funding Amount	Bancorp Cash Payment Amount
Q2 2010	$ 500	20
Q4 2010	800	35
Q2 2011	400	19
Q1 2012	1,565	75
Q3 2012	150	6
Q3 2014	450	18
Q2 2018	600	26
Q3 2019	300	12
Q4 2021	250	11
Q2 2022	600	25

18. Legal and Regulatory Proceedings

Litigation

Visa/MasterCard Merchant Interchange Litigation

In April 2006, the Bancorp was added as a defendant in a consolidated antitrust class action lawsuit originally filed against Visa®, MasterCard® and several other major financial institutions in the United States District Court for the Eastern District of New York (In re: Payment Card Interchange Fee and Merchant Discount Antitrust Litigation, Case No. 5-MD-1720). The plaintiffs, merchants operating commercial businesses throughout the U.S. and trade associations, claimed that the interchange fees charged by card-issuing banks were unreasonable and sought injunctive relief and unspecified damages. In addition to being a named defendant, the Bancorp is currently also subject to a possible indemnification obligation of Visa as discussed in Note 17 and has also entered into judgment and loss sharing agreements with Visa, MasterCard and certain other named defendants. In October 2012, the parties to the litigation entered into a settlement agreement that was initially approved by the trial court but reversed by the U.S. Second Circuit Court of Appeals and remanded to the district court for further proceedings. More than 500 of the merchants who requested exclusion from the class filed separate federal lawsuits against Visa, MasterCard and certain other defendants alleging similar antitrust violations. These individual federal lawsuits were transferred to the United States District Court for the Eastern District of New York. While the Bancorp is only named as a defendant in one of the individual federal lawsuits, it may have obligations pursuant to indemnification arrangements and/or the judgment or loss sharing agreements noted above. On September 17, 2018, the defendants in the consolidated class action signed a second settlement agreement (the "Amended Settlement Agreement") resolving the claims seeking monetary damages by the proposed plaintiffs' class (the "Plaintiff Damages Class") and superseding the original settlement agreement entered into in October 2012. The Amended Settlement Agreement included, among other terms, a release from participating class members for liability for claims that accrue no later than five years after the Amended Settlement Agreement becomes final. The Amended Settlement Agreement provided for a total payment by all defendants of approximately $6.24 billion, composed of approximately $5.34 billion held in escrow plus an additional $900 million in new funds. Pursuant to the terms of the Settlement Agreement, $700 million of the additional $900 million has been returned to the defendants due to the level of opt-outs from the class. The Bancorp's allocated share of the settlement is within existing reserves, including funds maintained in escrow. On December 13, 2019, the Court entered an order granting final approval for the settlement, which is currently pending appeal. The settlement does not resolve the claims of the separate proposed plaintiffs' class seeking injunctive relief or the claims of merchants who have opted out of the proposed class settlement and are pursuing, or may in the future decide to pursue, private lawsuits. On September 27, 2021, the Court entered an order certifying a class of merchants pursuing claims for injunctive relief. The ultimate outcome in this matter, including the timing of resolution, remains uncertain. Refer to Note 17 for further information.

Klopfenstein v. Fifth Third Bank

On August 3, 2012, William Klopfenstein and Adam McKinney filed a lawsuit against Fifth Third Bank in the United States District Court for the Northern District of Ohio (Klopfenstein et al. v. Fifth Third Bank), alleging that the 120% APR that Fifth Third disclosed on its Early Access program was misleading. Early Access is a deposit-advance program offered to eligible customers with checking accounts. The plaintiffs sought to represent a nationwide class of customers who used the Early Access program and repaid their cash advances within 30 days. On October 31, 2012, the case was transferred to the United States District Court for the Southern District of Ohio. In 2013, four similar putative class action lawsuits were filed against Fifth Third Bank in federal courts throughout the country (Lori and Danielle Laskaris v. Fifth Third Bank, Janet Fyock v. Fifth Third Bank, Jesse McQuillen v. Fifth Third Bank, and Brian Harrison v. Fifth Third Bank). Those four lawsuits were transferred to the Southern District of Ohio and consolidated with the original lawsuit as In re: Fifth Third Early Access Cash Advance Litigation (Case No. 1:12-CV-851). On behalf of a putative class, the plaintiffs sought unspecified monetary and statutory damages, injunctive relief, punitive damages, attorneys' fees, and pre- and post-judgment interest. On March 30, 2015, the court dismissed all claims alleged in the consolidated lawsuit except a claim under the TILA. On May 28, 2019, the Sixth Circuit Court of Appeals reversed the dismissal of plaintiffs' breach of contract claim and remanded for further proceedings. The plaintiffs' claimed damages for the alleged breach of contract claim exceed $280 million, 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 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. The appeals court reversed summary judgment on one claim alleging Fifth Third was unjustly enriched through its receipt of certain trust management fees. On remand, on July 28, 2021 the trial court issued an order granting summary judgment to Fifth Third on a portion of plaintiffs' unjust enrichment claim. Plaintiffs abandoned the remainder of the unjust enrichment claim. 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 former 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 May 25, 2022, the Court granted defendants' motion to dismiss the amended complaint with prejudice. The plaintiff did not appeal that decision and the case is now concluded.

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 case brought by The City of Miami Firefighters' and Police Officers' Retirement Trust is pending.

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 $73 million in excess of amounts accrued, with it also being reasonably possible that no losses will be incurred in these matters. The estimates included in this amount are based on the Bancorp's analysis of currently available information, and as new information is obtained the Bancorp may change its estimates.

For these matters and others where an unfavorable outcome is reasonably possible but not probable, there may be a range of possible losses in excess of the established accrual that cannot be estimated. Based on information currently available, advice of counsel, available insurance coverage and established accruals, the Bancorp believes that the eventual outcome of the actions against the Bancorp and/or its subsidiaries, including the matters described above, will not, individually or in the aggregate, have a material adverse effect on the Bancorp's consolidated financial position. However, in the event of unexpected future developments, it is possible that the ultimate resolution of those matters, if unfavorable, may be material to the Bancorp's results of operations for any particular period, depending, in part, upon the size of the loss or liability imposed and the operating results for the applicable period.

19. Income Taxes

The applicable income tax expense was $192 million and $191 million for the three months ended September 30, 2022 and 2021, respectively, and $470 million and $582 million for the nine months ended September 30, 2022 and 2021, respectively. The effective tax rates for the three months ended September 30, 2022 and 2021 were 22.7% and 21.3%, respectively, and 21.6% for both the nine months ended September 30, 2022 and 2021.

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.

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

20. Accumulated Other Comprehensive Income

The tables below present the activity of the components of OCI and AOCI for the three months ended:

	Total OCI			Total AOCI		
September 30, 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	**$ (2,780)**	**651**	**(2,129)**			
Reclassification adjustment for net gains on available-for-sale debt securities included in net income	**—**	**—**	**—**			
Net unrealized losses on available-for-sale debt securities	**(2,780)**	**651**	**(2,129)**	**(2,546)**	**(2,129)**	**(4,675)**
Unrealized holding losses on cash flow hedge derivatives arising during period	**(688)**	**158**	**(530)**			
Reclassification adjustment for net gains on cash flow hedge derivatives included in net income	**(4)**	**1**	**(3)**			
Net unrealized losses on cash flow hedge derivatives	**(692)**	**159**	**(533)**	**(63)**	**(533)**	**(596)**
Net actuarial loss arising during the year	**(1)**	**—**	**(1)**			
Reclassification of amounts to net periodic benefit costs	**1**	**—**	**1**			
Defined benefit pension plans, net	**—**	**—**	**—**	**(31)**	**—**	**(31)**
Other	**—**	**—**	**—**	**(4)**	**—**	**(4)**
Total	**$ (3,472)**	**810**	**(2,662)**	**(2,644)**	**(2,662)**	**(5,306)**

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

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

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

	Total OCI			Total AOCI		
September 30, 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	**$ (7,249)**	**1,685**	**(5,564)**			
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	**(7,252)**	**1,686**	**(5,566)**	**891**	**(5,566)**	**(4,675)**
Unrealized holding losses on cash flow hedge derivatives arising during period	**(1,092)**	**252**	**(840)**			
Reclassification adjustment for net gains on cash flow hedge derivatives included in net income	**(140)**	**31**	**(109)**			
Net unrealized losses on cash flow hedge derivatives	**(1,232)**	**283**	**(949)**	**353**	**(949)**	**(596)**
Net actuarial loss arising during the year	**(2)**	**—**	**(2)**			
Reclassification of amounts to net periodic benefit costs	**5**	**(1)**	**4**			
Defined benefit pension plans, net	**3**	**(1)**	**2**	**(33)**	**2**	**(31)**
Other	**—**	**—**	**—**	**(4)**	**—**	**(4)**
Total	**$ (8,481)**	**1,968**	**(6,513)**	**1,207**	**(6,513)**	**(5,306)**

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

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 September 30,		For the nine months ended September 30,	
		2022	2021	**2022**	2021
Net unrealized (losses) gains on available-for-sale debt securities:[(b)]					
Net gains (losses) included in net income	Securities (losses) gains, net	**$ —**	1	**3**	(9)
	Income before income taxes	**—**	1	**3**	(9)
	Applicable income tax expense	**—**	—	**(1)**	2
	Net income	**—**	1	**2**	(7)
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	**4**	74	**140**	219
	Income before income taxes	**4**	74	**140**	219
	Applicable income tax expense	**(1)**	(16)	**(31)**	(46)
	Net income	**3**	58	**109**	173
Net periodic benefit costs:[(b)]					
Amortization of net actuarial loss	Compensation and benefits[(a)]	**(1)**	(2)	**(3)**	(5)
Settlements	Compensation and benefits[(a)]	**—**	(1)	**(2)**	(2)
	Income before income taxes	**(1)**	(3)	**(5)**	(7)
	Applicable income tax expense	**—**	1	**1**	2
	Net income	**(1)**	(2)	**(4)**	(5)
Total reclassifications for the period	Net income	**$ 2**	57	**107**	161

(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.

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21. Earnings Per Share

The following tables provide the calculation of earnings per share and the reconciliation of earnings per share and earnings per diluted share:

For the three months ended September 30, (in millions, except per share data)	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	**$ 631**			$ 684		
Less: Income allocated to participating securities	**—**			1		
Net income allocated to common shareholders	**$ 631**	**689**	**$ 0.91**	$ 683	697	$ 0.98
Earnings Per Diluted Share:						
Net income available to common shareholders	**$ 631**			$ 684		
Effect of dilutive securities:						
Stock-based awards	**—**	**6**		—	9	
Net income available to common shareholders plus assumed conversions	**$ 631**			$ 684		
Less: Income allocated to participating securities	**—**			1		
Net income allocated to common shareholders plus assumed conversions	**$ 631**	**695**	**$ 0.91**	$ 683	706	$ 0.97

For the nine months ended September 30, (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	**$ 1,631**			$ 2,032		
Less: Income allocated to participating securities	**1**			5		
Net income allocated to common shareholders	**$ 1,630**	**689**	**$ 2.37**	$ 2,027	707	$ 2.87
Earnings Per Diluted Share:						
Net income available to common shareholders	**$ 1,631**			$ 2,032		
Effect of dilutive securities:						
Stock-based awards	**—**	**6**		—	9	
Net income available to common shareholders plus assumed conversions	**$ 1,631**			$ 2,032		
Less: Income allocated to participating securities	**1**			5		
Net income allocated to common shareholders plus assumed conversions	**$ 1,630**	**695**	**$ 2.34**	$ 2,027	716	$ 2.83

Shares are excluded from the computation of earnings per diluted share when their inclusion has an anti-dilutive effect on earnings per share. The diluted earnings per share computation for both the three and nine months ended September 30, 2022 excludes 3 million shares of stock-based awards because their inclusion would have been anti-dilutive. The diluted earnings per share computation for both the three and nine months ended September 30, 2021 excludes an immaterial amount of stock-based awards because their inclusion would have been anti-dilutive.

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22. Fair Value Measurements

The Bancorp measures certain financial assets and liabilities at fair value in accordance with U.S. GAAP, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. U.S. GAAP also establishes a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the instrument's fair value measurement. For more information regarding the fair value hierarchy, refer to Note 1 of the Notes to Consolidated Financial Statements included in the Bancorp's Annual Report on Form 10-K for the year ended December 31, 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			
September 30, 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	**$ 2,377**	**—**	**—**	**2,377**
Obligations of states and political subdivisions securities	**—**	**18**	**—**	**18**
Mortgage-backed securities:				
Agency residential mortgage-backed securities	**—**	**11,232**	**—**	**11,232**
Agency commercial mortgage-backed securities	**—**	**25,889**	**—**	**25,889**
Non-agency commercial mortgage-backed securities	**—**	**4,708**	**—**	**4,708**
Asset-backed securities and other debt securities	**—**	**6,191**	**—**	**6,191**
Available-for-sale debt and other securities[(a)]	**2,377**	**48,038**	**—**	**50,415**
Trading debt securities:				
U.S. Treasury and federal agencies securities	**73**	**9**	**—**	**82**
Obligations of states and political subdivisions securities	**—**	**36**	**—**	**36**
Agency residential mortgage-backed securities	**—**	**7**	**—**	**7**
Asset-backed securities and other debt securities	**—**	**289**	**—**	**289**
Trading debt securities	**73**	**341**	**—**	**414**
Equity securities	**306**	**9**	**—**	**315**
Residential mortgage loans held for sale	**—**	**1,107**	**—**	**1,107**
Residential mortgage loans[(b)]	**—**	**—**	**125**	**125**
Servicing rights	**—**	**—**	**1,732**	**1,732**
Derivative assets:				
Interest rate contracts	**70**	**1,142**	**7**	**1,219**
Foreign exchange contracts	**—**	**753**	**—**	**753**
Commodity contracts	**89**	**2,278**	**—**	**2,367**
Derivative assets[(c)]	**159**	**4,173**	**7**	**4,339**
Total assets	**$ 2,915**	**53,668**	**1,864**	**58,447**
Liabilities:				
Derivative liabilities:				
Interest rate contracts	**$ 8**	**2,070**	**14**	**2,092**
Foreign exchange contracts	**—**	**705**	**—**	**705**
Equity contracts	**—**	**—**	**174**	**174**
Commodity contracts	**217**	**1,964**	**—**	**2,181**
Derivative liabilities[(d)]	**225**	**4,739**	**188**	**5,152**
Short positions:				
U.S. Treasury and federal agencies securities	**78**	**—**	**—**	**78**
Asset-backed securities and other debt securities	**—**	**222**	**—**	**222**
Short positions[(d)]	**78**	**222**	**—**	**300**
Total liabilities	**$ 303**	**4,961**	**188**	**5,452**

(a) Excludes FHLB, FRB and DTCC restricted stock holdings totaling $382, $490 and $2, respectively, at September 30, 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.

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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 13 for further information on the assumptions used in the valuation of the Bancorp's MSRs.

Derivatives
Exchange-traded derivatives valued using quoted prices and certain over-the-counter derivatives valued using active bids are classified within Level 1 of the valuation hierarchy. Most of the Bancorp's derivative contracts are valued using DCF or other models that incorporate current market interest rates, credit spreads assigned to the derivative counterparties and other market parameters and, therefore, are classified within Level 2 of the valuation hierarchy. Such derivatives include basic and structured interest rate, foreign exchange and commodity swaps and options. Derivatives that are valued based upon models with significant unobservable market parameters are classified within Level 3 of the valuation hierarchy. At September 30, 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 17 for additional information on the Covered Litigation.

The net liability fair value of the Bancorp's IRLCs at September 30, 2022 was $3 million. Immediate decreases in current interest rates of 25 bps and 50 bps would result in increases in the fair value of the liability of approximately $5 million and $10 million, respectively. Immediate increases in current interest rates of 25 bps and 50 bps would result in decreases in the fair value of the liability of approximately $6 million and $12 million, respectively. Immediate changes in the assumed loan closing rates, either adverse or favorable, of 10% and 20% would result in changes in the fair value of IRLCs of approximately an immaterial amount and $1 million, respectively. These sensitivities are hypothetical and should be used with caution, as changes in fair value based on a variation in assumptions typically cannot be extrapolated because the relationship of the change in assumptions to the change in fair value may not be linear.

Short positions
Where quoted prices are available in an active market, short positions are classified within Level 1 of the valuation hierarchy. Level 1 securities include U.S. Treasury securities. If quoted market prices are not available, then fair values are estimated using pricing models which primarily utilize quoted prices of securities with similar characteristics and therefore are classified within Level 2 of the valuation hierarchy. Level 2 securities include asset-backed and other debt securities.

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The following tables are a reconciliation of assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)				
For the three months ended September 30, 2022 ($ in millions)	Residential Mortgage Loans	Servicing Rights	Interest Rate Derivatives, Net[(a)]	Equity Derivatives	Total Fair Value
Balance, beginning of period	**$ 133**	**1,582**	**8**	**(199)**	**1,524**
Total gains (losses) (realized/unrealized):[(b)]					
Included in earnings	**(7)**	**48**	**(5)**	**(17)**	**19**
Purchases/originations	**—**	**102**	**(1)**	**—**	**101**
Settlements	**(4)**	**—**	**(9)**	**42**	**29**
Transfers into Level 3[(c)]	**3**	**—**	**—**	**—**	**3**
Balance, end of period	**$ 125**	**1,732**	**(7)**	**(174)**	**1,676**
The amount of total gains (losses) for the period included in earnings attributable to the change in unrealized gains or losses relating to instruments still held at September 30, 2022	**$ (7)**	**80**	**(2)**	**(17)**	**54**

(a) Net interest rate derivatives include derivative assets and liabilities of $7 and $14, respectively, as of September 30, 2022.
(b) There were no unrealized gains or losses for the period included in other comprehensive income for instruments still held at September 30, 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 September 30, 2021 ($ in millions)	Residential Mortgage Loans	Servicing Rights	Interest Rate Derivatives, Net[(a)]	Equity Derivatives	Total Fair Value
Balance, beginning of period	$ 151	818	31	(213)	787
Total (losses) gains (realized/unrealized):[(b)]					
Included in earnings	—	(44)	44	(17)	(17)
Purchases/originations	—	169	—	—	169
Settlements	(13)	—	(56)	19	(50)
Transfers into Level 3[(c)]	18	—	—	—	18
Balance, end of period	$ 156	943	19	(211)	907
The amount of total gains (losses) for the period included in earnings attributable to the change in unrealized gains or losses relating to instruments still held at September 30, 2021	$ —	19	25	(17)	27

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

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)				
For the nine months ended September 30, 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 gains (losses) (realized/unrealized):[(b)]					
Included in earnings	**(20)**	**217**	**8**	**(46)**	**159**
Purchases/originations/acquisitions	**—**	**394**	**1**	**—**	**395**
Settlements	**(19)**	**—**	**(20)**	**86**	**47**
Transfers into Level 3[(c)]	**10**	**—**	**—**	**—**	**10**
Balance, end of period	**$ 125**	**1,732**	**(7)**	**(174)**	**1,676**
The amount of total gains (losses) for the period included in earnings attributable to the change in unrealized gains or losses relating to instruments still held at September 30, 2022	**$ (20)**	**338**	**1**	**(46)**	**273**

(a) Net interest rate derivatives include derivative assets and liabilities of $7 and $14, respectively, as of September 30, 2022.
(b) There were no unrealized gains or losses for the period included in other comprehensive income for instruments still held at September 30, 2022.
(c) Includes certain residential mortgage loans originated as held for sale that were transferred to held for investment.

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

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

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:

($ in millions)	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	**2022**	2021
Mortgage banking net revenue	**$ 35**	—	**202**	38
Commercial banking revenue	**1**	—	**3**	2
Other noninterest income	**(17)**	(17)	**(46)**	(67)
Total gains (losses)	**$ 19**	(17)	**159**	(27)

The total gains and losses included in earnings attributable to changes in unrealized gains and losses related to Level 3 assets and liabilities still held at September 30, 2022 and 2021 were recorded in the Condensed Consolidated Statements of Income as follows:

($ in millions)	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	**2022**	2021
Mortgage banking net revenue	**$ 70**	44	**316**	102
Commercial banking revenue	**1**	—	**3**	2
Other noninterest income	**(17)**	(17)	**(46)**	(67)
Total gains (losses)	**$ 54**	27	**273**	37

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The following tables present information as of September 30, 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 September 30, 2022 ($ in millions)						
Financial Instrument	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range of Inputs	Weighted-Average	
Residential mortgage loans	**$ 125**	Loss rate model	Interest rate risk factor	**(24.6) - 2.6%**		**(13.1)%** [(a)]
			Credit risk factor	**— - 23.1%**		**0.4 %** [(a)]
					(Fixed)	**5.2 %** [(b)]
Servicing rights	**1,732**	DCF	Prepayment speed	**— - 100%**	(Adjustable)	**20.3 %** [(b)]
					(Fixed)	**723** [(b)]
			OAS (bps)	**615 - 1,513**	(Adjustable)	**1,204** [(b)]
IRLCs, net	**(3)**	DCF	Loan closing rates	**48.9 - 98.6%**		**90.1 %** [(c)]
Swap associated with the sale of Visa, Inc. Class B Shares	**(174)**	DCF	Timing of the resolution of the Covered Litigation	**Q4 2023 - Q3 2026**		**Q1 2025** [(d)]

(a) Unobservable inputs were weighted by the relative carrying value of the instruments.
(b) Unobservable inputs were weighted by the relative unpaid principal balance of the instruments.
(c) Unobservable inputs were weighted by the relative notional amount of the instruments.
(d) Unobservable inputs were weighted by the probability of the final funding date of the instruments.

As of September 30, 2021 ($ in millions)						
Financial Instrument	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range of Inputs	Weighted-Average	
Residential mortgage loans	$ 156	Loss rate model	Interest rate risk factor	(7.5) - 8.6 %		1.1 % [(a)]
			Credit risk factor	— - 28.3 %		0.3 % [(a)]
					(Fixed)	11.3 % [(b)]
Servicing rights	943	DCF	Prepayment speed	— - 100.0 %	(Adjustable)	22.5 % [(b)]
					(Fixed)	757 [(b)]
			OAS (bps)	536 - 1,587	(Adjustable)	990 [(b)]
IRLCs, net	27	DCF	Loan closing rates	24.3 - 97.2 %		76.5 % [(c)]
Swap associated with the sale of Visa, Inc. Class B Shares	(211)	DCF	Timing of the resolution of the Covered Litigation	Q1 2023 - Q1 2025		Q1 2024 [(d)]

(a) Unobservable inputs were weighted by the relative carrying value of the instruments.
(b) Unobservable inputs were weighted by the relative unpaid principal balance of the instruments.
(c) Unobservable inputs were weighted by the relative notional amount of the instruments.
(d) Unobservable inputs were weighted by the probability of the final funding date of the instruments.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Certain assets and liabilities are measured at fair value on a nonrecurring basis. These assets and liabilities are not measured at fair value on an ongoing basis; however, they are subject to fair value adjustments in certain circumstances, such as when there is evidence of impairment.

The following tables provide the fair value hierarchy and carrying amount of all assets that were held as of September 30, 2022 and 2021, and for which a nonrecurring fair value adjustment was recorded during the three and nine months ended September 30, 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.

	Fair Value Measurements Using				Total Losses	
As of September 30, 2022 ($ in millions)	Level 1	Level 2	Level 3	Total	**For the three months ended September 30, 2022**	**For the nine months ended September 30, 2022**
Commercial loans and leases	**$ —**	**—**	**161**	**161**	**(42)**	**(89)**
Consumer and residential mortgage loans	**—**	**—**	**120**	**120**	**—**	**—**
OREO	**—**	**—**	**3**	**3**	**—**	**—**
Bank premises and equipment	**—**	**—**	**3**	**3**	**(1)**	**(2)**
Operating lease equipment	**—**	**—**	**2**	**2**	**—**	**(2)**
Private equity investments	**—**	**9**	**1**	**10**	**(1)**	**(8)**
Total	**$ —**	**9**	**290**	**299**	**(44)**	**(101)**

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	Fair Value Measurements Using				Total (Losses) Gains	
As of September 30, 2021 ($ in millions)	Level 1	Level 2	Level 3	Total	For the three months ended September 30, 2021	For the nine months ended September 30, 2021
Commercial loans held for sale	$ —	—	2	2	—	2
Commercial loans and leases	—	—	268	268	7	(37)
Consumer and residential mortgage loans	—	—	126	126	—	(1)
OREO	—	—	9	9	—	(6)
Bank premises and equipment	—	—	11	11	(3)	(6)
Operating lease equipment	—	—	31	31	—	(25)
Private equity investments	—	1	14	15	8	8
Total	$ —	1	461	462	12	(65)

The following tables present information as of September 30, 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 September 30, 2022 ($ in millions)

Financial Instrument	Fair Value	Valuation Technique	Significant Unobservable Inputs	Ranges of Inputs	Weighted-Average
Commercial loans and leases	**$ 161**	Appraised value	Collateral value	**NM**	**NM**
Consumer and residential mortgage loans	**120**	Appraised value	Collateral value	**NM**	**NM**
OREO	**3**	Appraised value	Appraised value	**NM**	**NM**
Bank premises and equipment	**3**	Appraised value	Appraised value	**NM**	**NM**
Operating lease equipment	**2**	Appraised value	Appraised value	**NM**	**NM**
Private equity investments	**1**	Comparable company analysis	Market comparable transactions	**NM**	**NM**

As of September 30, 2021 ($ in millions)

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

Commercial loans held for sale
The Bancorp estimated the fair value of certain commercial loans held for sale resulting in positive fair value adjustments of an immaterial amount and $1 million during the three and nine months ended September 30, 2021, respectively. These valuations were based on quoted prices for similar assets in active markets (Level 2 of the valuation hierarchy), appraisals of the underlying collateral or by applying unobservable inputs such as an estimated market discount to the unpaid principal balance of the loans or the appraised values of the assets (Level 3 of the valuation hierarchy). The Bancorp recognized gains of an immaterial amount and $1 million on the sale of certain commercial loans held for sale during the three and nine months ended September 30, 2021, respectively.

Portfolio loans and leases
During the three and nine months ended September 30, 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 and nine months ended September 30, 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 in losses recorded as charge-offs on new OREO properties

transferred from loans, during both the three and nine months ended September 30, 2022, compared to an immaterial amount and $6 million in losses during the three and nine months ended September 30, 2021, respectively. These losses also included immaterial amounts recorded as fair value adjustments for properties 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 an immaterial amount and $4 million during the three and nine months ended September 30, 2022, respectively, and gains of $10 million during both the three and nine months ended September 30, 2021, resulting from observable price changes. The carrying value of the Bancorp's private equity investments still held as of September 30, 2022 includes a cumulative $45 million of positive adjustments as a result of observable price changes since January 1, 2018. Because these adjustments are based on observable transactions in inactive markets, they are classified in Level 2 of the fair value hierarchy.

For private equity investments which are accounted for using the measurement alternative to fair value, the Bancorp qualitatively evaluates each investment quarterly to determine if impairment may exist. If necessary, the Bancorp then measures impairment by estimating the value of its investment and comparing that to the investment's carrying value, whether or not the Bancorp considers the impairment to be temporary. These valuations are typically developed using a DCF method, but other methods may be used if more appropriate for the circumstances. These valuations are based on unobservable inputs and therefore are classified in Level 3 of the fair value hierarchy. The Bancorp recognized impairment charges of $1 million and $12 million for the three and nine months ended September 30, 2022, respectively, and impairment charges of $2 million for both the three and nine months ended September 30, 2021. The carrying value of the Bancorp's private equity investments still held as of September 30, 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 September 30, 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 $49 million and gains of $46 million, respectively. These losses and 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 $1 million and an immaterial amount at September 30, 2022 and December 31, 2021, respectively. Interest on loans measured at fair value is accrued as it is earned using the effective interest method and is reported as interest income in the Condensed Consolidated Statements of Income.

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The following table summarizes the difference between the fair value and the unpaid principal balance for residential mortgage loans measured at fair value as of:

September 30, 2022 ($ in millions)	Aggregate Fair Value	Aggregate Unpaid Principal Balance	Difference
Residential mortgage loans measured at fair value	**$ 1,232**	**1,281**	**(49)**
Past due loans of 90 days or more	**1**	**1**	—
Nonaccrual loans	**2**	**2**	—
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 September 30, 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 zero and $11 million for the three and nine months ended September 30, 2022, respectively, and losses of $1 million and gains of an immaterial amount for the three and nine months ended September 30, 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 September 30, 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	**$ 3,068**	**3,068**	—	—	**3,068**
Other short-term investments	**6,594**	**6,594**	—	—	**6,594**
Other securities	**874**	—	**874**	—	**874**
Held-to-maturity securities	**5**	—	—	**5**	**5**
Loans and leases held for sale	**833**	—	—	**837**	**837**
Portfolio loans and leases:					
Commercial loans and leases	**74,620**	—	—	**74,090**	**74,090**
Consumer and residential mortgage loans	**43,155**	—	—	**40,819**	**40,819**
Total portfolio loans and leases, net	**$ 117,775**	—	—	**114,909**	**114,909**
Financial liabilities:					
Deposits	**$ 161,652**	—	**161,606**	—	**161,606**
Federal funds purchased	**212**	**212**	—	—	**212**
Other short-term borrowings	**6,378**	—	**6,365**	—	**6,365**
Long-term debt	**11,808**	**11,032**	**403**	—	**11,435**

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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

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23. Business Segments

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.

During the third quarter of 2022, the Bancorp reorganized its management reporting structure and now reports on three business segments: Commercial Banking, Consumer and Small Business Banking and Wealth and Asset Management. This reorganization primarily involved merging the Bancorp's previously reported Branch Banking and Consumer Lending segments and the transfer of certain portions of the newly combined segment to the Commercial Banking segment. These portions primarily included the loans, deposits and other services provided to relationship manager assigned lower middle-market business customers, along with the income and expenses associated with those customers. Prior period results have been adjusted to conform to the new segment presentation.

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.

Consumer and Small Business Banking provides a full range of deposit and loan products to individuals and small businesses through a network of full-service banking centers and relationships with indirect and correspondent loan originators in addition to providing products designed to meet the specific needs of small businesses, including cash management services. Consumer and Small Business Banking includes the Bancorp's residential mortgage, home equity loans and lines of credit, credit cards, automobile and other indirect lending and other consumer lending activities. Residential mortgage activities include the origination, retention and servicing of residential mortgage loans, sales and securitizations of those loans and all associated hedging activities. Indirect lending activities include extending loans to consumers through automobile dealers, motorcycle dealers, powersport dealers, recreational vehicle dealers and marine dealers. Other consumer lending activities include home improvement and solar energy installation loans originated through a network of contractors and installers.

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

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Institutional Services provides advisory services for institutional clients including middle market businesses, non-profits, states and municipalities.

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

September 30, 2022 ($ in millions)	Commercial Banking	Consumer and Small Business Banking	Wealth and Asset Management	General Corporate and Other	Eliminations	Total
Net interest income	$ 594	833	79	(8)	—	1,498
Provision for (benefit from) credit losses	(2)	34	—	126	—	158
Net interest income after provision for (benefit from) credit losses	$ 596	799	79	(134)	—	1,340
Noninterest income:						
Service charges on deposits	$ 90	53	—	—	—	143
Wealth and asset management revenue	1	52	132	—	(44) [(a)]	141
Commercial banking revenue	133	1	1	(1)	—	134
Card and processing revenue	22	79	1	3	—	105
Leasing business revenue	60	—	—	—	—	60
Mortgage banking net revenue	—	69	—	—	—	69
Other noninterest income[(b)]	24	33	—	2	—	59
Securities losses, net	(32)	—	—	(6)	—	(38)
Securities losses, net – non-qualifying hedges on MSRs	—	(1)	—	—	—	(1)
Total noninterest income	$ 298	286	134	(2)	(44)	672
Noninterest expense:						
Compensation and benefits	$ 147	207	54	197	—	605
Technology and communications	2	6	—	98	—	106
Net occupancy expense	10	49	3	12	—	74
Equipment expense	7	9	—	20	—	36
Leasing business expense	33	—	—	—	—	33
Marketing expense	1	20	—	14	—	35
Card and processing expense	3	19	—	(1)	—	21
Other noninterest expense	237	298	85	(319)	(44)	257
Total noninterest expense	$ 440	608	142	21	(44)	1,167
Income (loss) before income taxes	$ 454	477	71	(157)	—	845
Applicable income tax expense (benefit)	85	100	15	(8)	—	192
Net income (loss)	$ 369	377	56	(149)	—	653
Total goodwill	$ 2,324	2,375	226	—	—	4,925
Total assets	$ 83,798	84,653	12,232	24,780 [(c)]	—	205,463

(a) Revenue sharing agreements between Wealth and Asset Management and Consumer and Small Business Banking are eliminated in the Condensed Consolidated Statements of Income.

(b) Includes $1 of impairment charges for bank premises and equipment recorded in Consumer and Small Business Banking. For more information, refer to Note 7 and Note 22.

(c) Includes bank premises and equipment of $24 classified as held for sale. For more information, refer to Note 7.

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September 30, 2021 ($ in millions)	Commercial Banking	Consumer and Small Business Banking	Wealth and Asset Management	General Corporate and Other	Eliminations	Total
Net interest income	$ 394	429	22	344	—	1,189
(Benefit from) provision for credit losses	(250)	19	—	189	—	(42)
Net interest income after (benefit from) provision for credit losses	$ 644	410	22	155	—	1,231
Noninterest income:						
Service charges on deposits	$ 96	56	—	—	—	152
Wealth and asset management revenue	—	53	140	—	(46) [(a)]	147
Commercial banking revenue	151	1	—	—	—	152
Card and processing revenue	21	78	1	2	—	102
Leasing business revenue	78	—	—	—	—	78
Mortgage banking net revenue	—	85	1	—	—	86
Other noninterest income[(b)]	26	28	1	65	—	120
Securities (losses) gains, net	2	—	—	(3)	—	(1)
Securities losses, net – non-qualifying hedges on MSRs	—	—	—	—	—	—
Total noninterest income	$ 374	301	143	64	(46)	836
Noninterest expense:						
Compensation and benefits	$ 152	207	48	220	—	627
Technology and communications	5	4	—	89	—	98
Net occupancy expense[(c)]	9	49	4	17	—	79
Equipment expense	7	9	—	18	—	34
Leasing business expense	33	—	—	—	—	33
Marketing expense	1	11	1	16	—	29
Card and processing expense	2	18	—	(1)	—	19
Other noninterest expense	225	295	81	(302)	(46)	253
Total noninterest expense	$ 434	593	134	57	(46)	1,172
Income before income taxes	$ 584	118	31	162	—	895
Applicable income tax expense	114	25	7	45	—	191
Net income	$ 470	93	24	117	—	704
Total goodwill	$ 1,981	2,302	231	—	—	4,514
Total assets	$ 72,423	83,130	11,272	40,906 [(d)]	—	207,731

(a) Revenue sharing agreements between Wealth and Asset Management and Consumer and Small Business Banking are eliminated in the Condensed Consolidated Statements of Income.

(b) Includes impairment charges of $3 recorded in Consumer and Small Business Banking for bank premises and equipment. For more information, refer to Note 7 and Note 22.

(c) Includes impairment losses and termination charges of $1 for ROU assets related to certain operating leases. For more information, refer to Note 9.

(d) Includes bank premises and equipment of $25 classified as held for sale. For more information, refer to Note 7.

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

September 30, 2022 ($ in millions)	Commercial Banking	Consumer and Small Business Banking	Wealth and Asset Management	General Corporate and Other	Eliminations	Total
Net interest income	$ 1,669	1,981	167	215	—	4,032
Provision for credit losses	44	93	—	246	—	383
Net interest income after provision for credit losses	$ 1,625	1,888	167	(31)	—	3,649
Noninterest income:						
Service charges on deposits	$ 285	164	1	(1)	—	449
Wealth and asset management revenue	2	154	407	—	(133) [(a)]	430
Commercial banking revenue	405	2	1	(2)	—	406
Card and processing revenue	65	231	2	8	—	306
Leasing business revenue	179 [(c)]	—	—	—	—	179
Mortgage banking net revenue	—	151	1	—	—	152
Other noninterest income[(b)]	88	86	—	21	—	195
Securities losses, net	(32)	—	—	(52)	—	(84)
Securities losses, net – non-qualifying hedges on MSRs	—	(2)	—	—	—	(2)
Total noninterest income	$ 992	786	412	(26)	(133)	2,031
Noninterest expense:						
Compensation and benefits	$ 483	630	166	621	—	1,900
Technology and communications	9	15	1	281	—	306
Net occupancy expense[(e)]	30	147	9	39	—	225
Equipment expense	21	28	—	59	—	108
Leasing business expense	95	—	—	—	—	95
Marketing expense	3	44	1	39	—	87
Card and processing expense	8	54	—	(3)	—	59
Other noninterest expense	712	871	244	(973)	(133)	721
Total noninterest expense	$ 1,361	1,789	421	63	(133)	3,501
Income (loss) before income taxes	$ 1,256	885	158	(120)	—	2,179
Applicable income tax expense	230	186	33	21	—	470
Net income (loss)	$ 1,026	699	125	(141)	—	1,709
Total goodwill	$ 2,324	2,375	226	—	—	4,925
Total assets	$ 83,798	84,653	12,232	24,780 [(d)]	—	205,463

(a) Revenue sharing agreements between Wealth and Asset Management and Consumer and Small Business Banking are eliminated in the Condensed Consolidated Statements of Income.

(b) Includes $2 of impairment charges for bank premises and equipment recorded in Consumer and Small Business Banking. For more information, refer to Note 7 and Note 22.

(c) Includes impairment charges of $2 for operating lease equipment. For more information, refer to Note 8 and Note 22.

(d) Includes bank premises and equipment of $24 classified as held for sale. For more information, refer to Note 7.

(e) Includes $2 of impairment losses and termination charges for ROU assets related to certain operating leases. For more information, refer to Note 9.

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September 30, 2021 ($ in millions)	Commercial Banking	Consumer and Small Business Banking	Wealth and Asset Management	General Corporate and Other	Eliminations	Total
Net interest income	$ 1,183	1,247	64	1,080	—	3,574
(Benefit from) provision for credit losses	(479)	95	(1)	55	—	(330)
Net interest income after (benefit from) provision for credit losses	$ 1,662	1,152	65	1,025	—	3,904
Noninterest income:						
Service charges on deposits	$ 288	157	—	—	—	445
Wealth and asset management revenue	2	154	414	—	(134) [(a)]	436
Commercial banking revenue	462	2	1	—	—	465
Card and processing revenue	57	232	2	7	—	298
Leasing business revenue	226 [(c)]	—	—	—	—	226
Mortgage banking net revenue	—	233	2	—	—	235
Other noninterest income[(b)]	70	75	3	63	—	211
Securities gains, net	8	—	—	4	—	12
Securities losses, net – non-qualifying hedges on MSRs	—	(2)	—	—	—	(2)
Total noninterest income	$ 1,113	851	422	74	(134)	2,326
Noninterest expense:						
Compensation and benefits	$ 475	633	151	712	—	1,971
Technology and communications	12	12	1	260	—	285
Net occupancy expense[(d)]	28	149	11	47	—	235
Equipment expense	19	28	—	55	—	102
Leasing business expense	102	—	—	—	—	102
Marketing expense	4	26	1	41	—	72
Card and processing expense	5	68	—	(3)	—	70
Other noninterest expense	668	882	236	(948)	(134)	704
Total noninterest expense	$ 1,313	1,798	400	164	(134)	3,541
Income before income taxes	$ 1,462	205	87	935	—	2,689
Applicable income tax expense	276	44	19	243	—	582
Net income	$ 1,186	161	68	692	—	2,107
Total goodwill	$ 1,981	2,302	231	—	—	4,514
Total assets	$ 72,423	83,130	11,272	40,906 [(e)]	—	207,731

(a) Revenue sharing agreements between Wealth and Asset Management and Consumer and Small Business Banking are eliminated in the Condensed Consolidated Statements of Income.

(b) Includes impairment charges of $6 and $1 for branches and land recorded in Consumer and Small Business Banking and General Corporate and Other, respectively. For more information, refer to Note 7 and Note 22.

(c) Includes impairment charges of $25 for operating lease equipment. For more information, refer to Note 8 and Note 22.

(d) Includes impairment losses and termination charges of $3 for ROU assets related to certain operating leases. For more information, refer to Note 9.

(e) Includes bank premises and equipment of $25 classified as held for sale. For more information, refer to Note 7.

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24. Subsequent Event

On October 27, 2022, the Bancorp issued and sold $1 billion of fixed-rate/floating-rate senior notes which will mature on October 27, 2028. The senior notes will bear interest at a rate of 6.361% per annum to, but excluding, October 27, 2027. From, and including October 27, 2027 until, but excluding October 27, 2028, the senior notes will bear interest at a rate of compounded SOFR plus 2.192%. The Bancorp entered into interest rate swaps designated as fair value hedges to convert the fixed-rate period of the notes to a floating rate of compounded SOFR plus 2.193%. The senior notes are redeemable in whole at par plus accrued and unpaid interest one year prior to their maturity date, or may be wholly or partially redeemed on or after 30 days prior to maturity. Additionally, the senior notes are redeemable at the Bancorp's option, in whole or in part, beginning 180 days after the issue date and prior to October 27, 2027, at the greater of: (a) the aggregate principal amount of the senior notes being redeemed, or (b) the discounted present value of the remaining scheduled payments of principal and interest that would be due if the senior notes being redeemed matured on October 27, 2027.

On October 27, 2022, under its global bank note program, the Bank issued and sold $1 billion of fixed-rate/floating-rate senior notes which will mature on October 27, 2025. The senior notes will bear interest at a rate of 5.852% per annum to, but excluding, October 27, 2024. From, and including October 27, 2024 until, but excluding October 27, 2025, the senior notes will bear interest at a rate of compounded SOFR plus 1.230%. The Bank entered into interest rate swaps designated as fair value hedges to convert the fixed-rate period of the notes to a floating rate of compounded SOFR plus 1.218%. The senior notes are redeemable in whole at par plus accrued and unpaid interest one year prior to their maturity date, or may be wholly or partially redeemed on or after 30 days prior to maturity.

PART II. OTHER INFORMATION

Legal Proceedings (Item 1)

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

Risk Factors (Item 1A)

There have been no material changes made during the third quarter of 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 third 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. Incorporated by reference to Exhibit 3.2 of the Registrant's Quarterly Report on Form 10-Q filed on May 9, 2022.
4.1	Thirteenth Supplemental Indenture dated as of July 28, 2022 between Fifth Third Bancorp and Wilmington Trust Company, as Trustee, to the Indenture for Senior Debt Securities dated as of April 30, 2008 between Fifth Third Bancorp and the Trustee, as amended by Article 4 of the Twelfth Supplemental Indenture dated April 25, 2022 between Fifth Third Bancorp and the Trustee. Incorporated by reference to Exhibit 4.1 of the Registrant's Current Report on Form 8-K filed on July 28, 2022.
4.2	Form of 4.772% Fixed Rate/Floating Rate Senior Notes due 2030. Incorporated by reference to Exhibit 4.2 of the Registrant's Current Report on Form 8-K filed on July 28, 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: November 8, 2022

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