Fifth Third Bancorp

2020 ANNUAL REPORT

DEAR SHAREHOLDERS:

For 162 years, spanning a Civil War, two world wars, 34 recessions (including the Great Depression), 10 banking crises, and two severe global pandemics, Fifth Third Bank has stood firmly with our customers, communities and employees. We always rise to the occasion to help others and be a source of value and trust, especially in the most challenging times.

In that regard, this past year was no different—**we remain steadfast in our resolve to always be a pillar of strength, guidance, and assistance for all.** Yet in virtually every other way, 2020 was a unique and remarkably challenging year for many people, forever redefined by the fallout from the global COVID-19 pandemic that has reshaped the way many Americans bank, shop, work, communicate, and live. We have never witnessed anything like this in our lifetimes, and neither has our role as a business essential to the economy been so evident.

With the economic fallout and even more devastating health crisis, my sincerest thoughts are with the millions who have been affected by the virus, including all those who have lost a loved one.

RISING TO THE CHALLENGE

Several years of strong and steady financial results, combined with a diversified mix of fee revenues and a resilient balance sheet, give us the strength and capacity to serve our customers. As the pandemic began filling hospitals, shutting down businesses, and fundamentally changing life in the U.S. for many in early 2020, **we at Fifth Third took proactive steps to continue to be there for our customers, our employees, and our communities.**

GUIDANCE FOR OUR CUSTOMERS

For all of our customers, we were a leader among our peers in offering hardship relief programs, even before the federal government implemented relief as part of the CARES Act.

The relief we provided customers was one of the most valuable of assets—time—when, virtually overnight, the unprecedented economic sudden stop threatened the stability of both companies and households. We have provided various relief programs, including payment deferrals, covenant waivers, and other modifications in order to help our customers bridge the challenges of the pandemic, in

Greg D. Carmichael
Chairman and Chief Executive Officer, Fifth Third Bancorp

2020 HIGHLIGHTS*

NET INCOME:
$1.4 BILLION

EARNINGS:
$1.83 PER DILUTED SHARE

ASSETS:
$205 BILLION

CORE DEPOSITS:
$157 BILLION

COMMON DIVIDENDS PER SHARE:
15% INCREASE

addition to extending billions in total credit between consumer and commercial clients through 2020. Regulated banks like Fifth Third provide stability not only on an individual basis, but also on a macro level, acting as a massive shock absorber for the entire system. **As bankers, we are proud that we fulfilled this critical function to help stabilize the broader economy.**

Specifically, for our small and mid-sized business customers, we take great pride in knowing that Fifth Third has played an essential role by our lending through the Paycheck Protection Program (PPP) through last year and into 2021. We have made a positive, direct, and significant impact on nearly 40,000 businesses that has protected approximately 605,000 jobs.

We have stood resolute with our customers in order to help them get back on their feet, and we will continue to be there for them as a caring and trusted source of financial advice and capital. Their need was not dependent on their size or profitability, and neither was our service. As a result, 85% of the PPP loans we originated were less than $150,000.

Despite our balance sheet's skew toward larger, more resilient clients and our No. 53 SBA ranking prior to the pandemic, we became the No. 13 top PPP lender in 2020—a testament to the success we had in providing our existing customers with necessary funding and financial assistance. Our dedication to helping our customers through PPP lending has continued into 2021 with the latest round enacted in January. We are proud of the significant role Fifth Third continues to play in aiding small businesses throughout our footprint and will work diligently to remain a source of strength for our customers during this challenging time.

It is important to note that we invested a considerable amount of time, energy, and expense in our technology division to help our customers with the PPP process. These investments include technology solutions that help customers automate and streamline the process and minimize the time from application to funding, as well as helping clients with the forgiveness process. I am proud of our efforts to get it right for our customers in an efficient and operationally sound manner.

Additionally, as we navigated the fallout from COVID-19, **we developed cross-functional credit advisory forums in our Commercial business.** They included senior members in credit risk, the line of business, and others in the organization with in-depth industry knowledge to drive consistent credit decisions in a holistic manner, while also helping clients find the right solutions for their circumstances.

*As of and for the year ended December 31, 2020

For our consumer customers, we directly reached out to them by making over 3 million calls, proactively assessing their financial and even personal well-being throughout the pandemic.

As part of the CARES Act relief, we offered hardship assistance when requested by the customer, which was one of our many relief programs. In addition to the accommodative payment deferral programs I mentioned earlier, we also provided relief to our customers by halting vehicle repossessions and home foreclosure evictions and by waiving late fees and overdraft charges. Since the inception of our consumer hardship assistance programs, we processed more than 150,000 hardship requests, which represent approximately $3 billion in Fifth Third loan balances in addition to approximately $6 billion in our mortgage servicing portfolio.

Additionally, since the onset of the pandemic, **we have kept approximately 99% of our branches open for business and fully operational,** with modified health protocols to ensure the safety of our customers and branch employees and amended hours as appropriate. Our banking centers are the face of our company for many customers, so making sure they know we are there for them has meant a lot to many customers as a beacon of stability in uncertain times.

We quickly mobilized so our customers could easily schedule appointments with our bankers for complex financial matters by calling their financial center, via our mobile app, or through our internet banking platform. For many of their banking needs, **we continue to encourage our customers to use our highly rated digital platforms** in addition to our network of approximately 52,000 fee-free ATMs.

STRENGTH FOR OUR EMPLOYEES

For our employees, starting in early February 2020, our executive team and Board of Directors began actively planning and prioritizing our pandemic response efforts, which led us to **quickly mobilize our workforce to accommodate remote access for a large number of employees.** At our peak, over 95% of those working in non-customer facing roles were doing so remotely. As I mentioned, for employees who have not been able to do their job remotely, we acted quickly to adapt our safety measures.

We continue to emphasize remote working arrangements for our employees wherever it is feasible and efficient to do so. The timing of a larger-scale return to our corporate offices will commence only when it is safe, and we may ultimately allow a more flexible work arrangement for certain employees going forward.

ABOVE & BEYOND A FIFTH THIRD BETTER®

In March 2020, employees at the Fremont Banking Center in West Michigan were making outbound calls to check in with customers. As employees asked if they could help in any way, one customer, a 98-year-old woman, burst into tears. She said she lived alone and that her caregiver was unable to deliver her groceries.

Employees at the banking center sprang into action. They investigated solutions only to learn that all resources were too overwhelmed to respond quickly. Employees pitched in their own money and personal time to shop for groceries and deliver supplies to the customer's home. They also provided a list of local contact numbers that the customer could call for help in the future.

This is stepping up and delivering a customer experience *above and beyond* a Fifth Third better.®

Congratulations to Kyleigh Juska, Heather Youngs, Briana Oatis, and Jason Stalbaum for being recognized as Fifth Third 2020 Summit Award winners. *Nomination submitted by Shawn Niehaus.*

Taking care of our employees' health and safety has always been a top priority. We strictly follow guidelines of U.S. CDC officials regarding enhanced social distancing and protective measures and have improved our cleaning measures to safeguard employees and customers.

Although we have taken precautions to mitigate health risks through our enhanced safety measures, **we recognize the unavoidable risk being taken by our front-line employees given their role in providing essential banking services.** To that end, we provided special payments of up to $1,000 per impacted employee. In addition to simply being the right thing to do, these measures also helped maintain call center operations and branch personnel at appropriate levels to serve our customers best.

We took additional action for our employees, including providing free meals, enhanced paid time off, and other benefits during the pandemic. We paid employees for non-worked PTO and reloaded their sick time midway through the year, so they didn't feel obligated to work if they were feeling ill.

We also refunded unused and purchased vacation days and provided most employees with extra PTO for 2021 in acknowledgment that most were not able to use vacation time during the pandemic.

ASSISTANCE TO OUR COMMUNITIES

For our communities, Fifth Third was very active with helping various local, state, and national groups to respond to the pandemic. We led task force groups throughout our markets, including the Cincinnati USA Regional Chamber of Commerce's RESTART task force, a collaboration of more than 20 CEOs to help businesses within the region tackle the collective challenges brought on by the pandemic.

Furthermore, we committed nearly $9 million in philanthropic funds to help address the effects of the COVID-19 pandemic.

Our COVID-19 response efforts were acknowledged externally. In July 2020, we were recognized by an independent third party as **the top-performing bank among the 12 largest U.S. retail banks, based on our pandemic response for our customers, communities, and employees.**

PREPARING IN THE GOOD TIMES FOR THE HARD TIMES TO COME

While our performance during and after the onset of the pandemic was inspiring, it is worth spending a moment to share with you some of the deliberate actions we took before the pandemic that enabled us to be in a significantly stronger position for our customers today.

> ***Well before the current health crisis was upon us, we spent several years preparing for an eventual turn in the economic cycle by building a more resilient balance sheet.***

While we could not have predicted the specific catalyst that would put the global economy into a deep recession and the speed at which it unfolded, our actions before the downturn put us in a position of significant strength.

TAKING DELIBERATE ACTIONS

We repositioned and optimized our balance sheet, diversified our lending exposures, and enhanced the granularity of our loan portfolio through our 2019 acquisition of MB Financial. We have remained diligent with respect to client selection in our commercial business, focusing on generating relationships with clients who have more diversified and resilient balance sheets as well as multiple sources of repayment. We also reduced our highly monitored leveraged lending portfolio (which is centrally underwritten and well-diversified by industry and geography) by over 50% since 2015, and now this portfolio makes up just 3% of total loans.

Furthermore, we continue to be well positioned relative to peers in commercial real estate (CRE), an area that I believe is particularly vulnerable in the current economic environment. Thus we will maintain our relatively lower exposure versus peers and a focus on high-quality borrowers, predominantly on top-tier developers with a track record of resilience and significantly lower loan-to-value ratios compared to the last downturn.

Our portfolio is well diversified by geography (with no MSA weighting greater than 4% of the total CRE portfolio) and by property type, with a lower concentration of exposures to retail and hospitality. We also have the lowest concentration of CRE as a percentage of capital among our peers.

In consumer lending, we have maintained our strong underwriting and credit quality standards, focusing primarily on prime and super prime borrowers. As a result, before the pandemic, our balance-weighted FICO score for consumer loans was 755. Since the pandemic, we enhanced underwriting within most of our portfolios, further enhancing credit quality. Additionally, around 90% of our total consumer portfolio is secured, with approximately 85% of our residential real estate portfolio in a first lien position.

It is also worth noting that, across both our consumer and commercial portfolios, **we have focused on maintaining geographical diversification through several national businesses,** including our auto and residential mortgage businesses, as well as in our commercial and industrial and CRE loans.

Our credit risk is well diversified beyond our retail footprint through these national lending businesses. This will be instrumental in delivering a differentiated credit performance given the likelihood of an uneven economic recovery and uncertainties surrounding vaccine delivery.

In fact, strengthening our balance sheet has been a keystone of my tenure since becoming CEO in 2015. **While we clearly did not see this specific pandemic coming, we had been preparing for an eventual downturn in the economy for some time.** We have evaluated all of our businesses and exposures to ensure we perform well through-the-cycle, under various business and rate cycles, and not just when times are good.

Our approach has served us well, as demonstrated by our performance since the economic collapse in early 2020. This continues to be our guiding principle when assessing future growth opportunities today. **We have maintained our disciplined client selection, stuck to our conservative underwriting, and maintained an overall balance sheet management approach focused on a long-term performance horizon.**

STANDING BY OUR CORE VALUES

In times like these, it is just as important to note what Fifth Third does not do.

WE DO NOT:

- Engage in commodity trader lending.
- Facilitate margin trading in our Private Bank or Institutional businesses.
- Engage in mezzanine lending.
- Originate or hold any material land lot loans.
- Originate or hold student loan balances.
- Originate large-ticket indirect leases.
- Knowingly engage with businesses directly involved in bribery, child labor, illegal logging, and other prohibited activities listed in our Environmental and Social Policy.
- Do business with debt collectors, high interest rate lenders, or manufacturers and distributors of military-style firearms for non-law enforcement, non-military use without performing enhanced due diligence to ensure they are not in conflict with our Core Values and Code of Conduct.
- Do business with clients in sectors with elevated environmental and social risks without enhanced due diligence to ensure a comprehensive understanding, including, but not limited to, forestry, palm oil, coal mining, nuclear power, and Arctic drilling.

In addition to our balance sheet strength, we have also been deliberate about diversifying our fee revenues in areas with a lower correlation to key macroeconomic factors. This helps cushion the impact of lower rates and helps produce strong and steady results with lower volatility during economic downturns.

RESILIENT BALANCE SHEET

From a capital management perspective, we have taken action to ensure we continue to operate safely and soundly, with an ample cushion above the well capitalized regulatory levels.

In early 2020 we proactively paused share repurchases before most U.S. banks and well before the Federal Reserve mandated that all 34 of the largest financial institutions had to suspend share repurchases and common dividend increases.

Additionally, **in the span of 12 months, we ran six company-wide stress tests for management and our Board of Directors to evaluate our resilience under a range of different severely adverse macroeconomic scenarios,** assess additional shocks applied to idiosyncratic risks specific to Fifth Third, and evaluate additional areas of potential hidden risk in order to make forward-looking and data-driven decisions regarding our capital deployment plans.

Our regulatory capital ratios improved through 2020 despite the impacts of building our credit reserves, with our CET1 ratio currently at its highest level in over two years. It is worth noting that we do not include the unrealized gains from our securities or hedges in our regulatory capital, which, at $3.5 billion at year's end, equates to an incremental capital cushion of approximately 190 basis points. Our regulatory capital—combined with our allowance for credit losses and our accumulated other comprehensive income (AOCI)—remains best-in-class among peers.

> **We are also now carrying historic levels of excess liquidity, currently around 20 times our prepandemic average.**

The liquidity on our balance sheet primarily reflects our strong and long-standing client relationships, our customers' desire to remain extremely liquid in this dynamic environment, and the tepid investment and growth opportunities compared to 2019.

As a result, our loan-to-deposit ratio is also at a record low level. **We will continue to evaluate opportunities to deploy our excess liquidity with our through-the-cycle performance lens** to ensure we make the right decisions in order to improve our long-term financial performance.

We remain steadfast in our willingness to use the strength of our significant capital and liquidity position to provide maximum support to our customers and the overall economy. We believe that strength will serve us well over the long run.

2020 FINANCIAL PERFORMANCE

Our balance sheet strength stems from our ability to generate strong and steady financial results year in and year out, which we once again produced in 2020. **Here are some of the key highlights.**

> ***Full year net income was $1.4 billion, or $1.83 per diluted share. We delivered strong financial performance despite the challenging operating environment brought on by the pandemic.***

We continued to generate peer-leading consumer household growth of 3% in 2020, with outsized success in Chicago and our key Southeast markets. While nearly doubling our reserves, we generated strong returns for the full year and even stronger returns in the fourth quarter of 2020.

Additionally, **we navigated the unfavorable interest rate environment better than virtually all of our peers,** given the Federal Reserve's lowering short-term interest rates 150 basis points in a two-week period in early March 2020.

We benefited from several actions we have taken over the past several years, including the structural protection of our investment portfolio, our long duration cashflow hedge portfolio, which will continue to provide long-term net interest margin protection for several years, and the proactive measures we have taken to manage our borrowing costs during 2020.

Notwithstanding the significant rate pressures, we generated strong pre-provision net revenue, reflecting record revenue in commercial banking (including record capital markets revenue), and wealth and asset management. **We have achieved this even while maintaining our culture of expense discipline and demonstrating our commitment to consistent and solid through-the-cycle performance.**

STRATEGIC PRIORITIES

As always, generating long-term shareholder value requires long-term planning and discipline in executing our strategy. **Our key strategic priorities have not changed over the past several years, even since the onset of the pandemic.**

ACCELERATE DIGITAL TRANSFORMATION

In an increasingly digital-first world, we are committed to delivering a banking experience that is simple, seamless, and secure. The pandemic has accelerated our focus on leveraging technology in order to digitally enable our customers.

This requires investing in areas of the company that will also generate efficiencies and scale benefits in areas such as digitization and automation (for example: in call center automation and other improvements in our middle market and back-office functions, including enhancements in our commercial origination platform).

We also have introduced our digital mortgage application platform, which guides our borrowers through a self-service interface accessible on any device. With its launch in the third quarter, **approximately 75% of retail and direct applications now run through our digital channel.**

We are also focused on improving the resiliency of our technology infrastructure to achieve a world-class network structure as more and more customer interactions are shifting to digital products.

We will continue to use technology to generate efficiencies throughout the organization while also providing a differentiated customer and employee experience.

INVEST TO DRIVE ORGANIC GROWTH AND PROFITABILITY

We continue to invest in our businesses to drive profitable organic growth and to improve both the employee and customer experience. Over the past year, we have made several investments to support our growth plans and maximize productivity.

In our retail franchise, we continue to invest in our Next Generation branch design, which is approximately 40% smaller, highly automated, and more interactive than our legacy branches. **We currently have 50 next-gen banking centers in our network, with more to come in 2021 and beyond.** As we have continued to prioritize expanding our retail footprint in the Southeast, we opened our first location in South Carolina in September 2020.

Additionally, we continue to invest in expanding the reach of our middle market banking operations, adding key talent in the Southeast and in our newer middle market commercial banking markets in California and Texas.

In our corporate banking business, we continue to see positive outcomes from our ongoing investments in both our sales force and technology. We also expect significant growth in our commercial fee-based businesses going forward, particularly in treasury management and other managed account services.

Further, we are investing in adding fee-based capabilities, with a particular focus on supporting our commercial verticals. For instance, we recently upgraded the capabilities of our health care vertical, our largest and longest-standing vertical. The acquisition of Hammond Hanlon Camp, or H2C, provides investment banking and strategic advisory services for our health care clients. H2C strengthens our vertical and complements the capital markets capabilities provided by our Coker Capital team, which was added in 2018.

We continue to assess non-bank M&A opportunities where we believe we can generate strong returns and where it is additive to both our products and our service capabilities. This includes, but is not limited to, adding capabilities in areas such as wealth and asset management, payments, and capital markets.

EXPAND MARKET SHARE IN KEY GEOGRAPHIES

A strong retail branch network remains important in securing the primary customer relationship.

Therefore, we remain committed to generating smart scale in our retail network by expanding in our faster-growing, existing Southeast markets, where we see stronger deposit growth trends, higher expected population growth, and greater market vitality than in some of our legacy markets.

While we remain focused on expanding in high-growth markets where a top position is achievable to generate necessary scale, we also are optimizing our legacy network to meet evolving customer preferences. Over the past six years, we have reduced our number of branches at a rate of 2% per year with less than 1% incremental customer attrition and a 3:1 closure to opening ratio.

> *Moving forward, we will continue to evaluate carefully the optimal size of our branch network given customer engagement preferences.*

A good example of our ability to grow successfully while maintaining expense discipline is in our Chicago market. Over the past year, we generated 4% household growth while maintaining our top 3 retail deposit market share and No. 2 middle-market relationship share in Chicago. This was achieved while rationalizing staffing, vendors, and branches and delivering on all our expense commitments as part of our acquisition of MB Financial.

MAINTAIN DISCIPLINE

To paraphrase legendary football coach Nick Saban, either you face the pain of discipline or the pain of disappointment, and if you can handle the first you never have to worry about the second.

Over the past several years, we have maintained our culture of expense discipline. **In 2020, we generated an adjusted efficiency ratio, which was stable compared to the previous year despite the challenging environment.** It was near a decade-low level, even as we continued to invest for future growth.

That notwithstanding, we took proactive and decisive steps beginning in the fall of 2020 to right-size our expense base in the face of the revenue headwinds. We took action to reduce our staffing levels, renegotiated key vendor contracts, further optimized our branch network, realized non-branch real estate savings by reducing total corporate office space by 20%, and divested non-core businesses where we did not see a path forward to achieve the necessary scale to generate the appropriate returns. Those included our 401(k) record-keeping and our property and casualty insurance businesses.

Streamlining the organization enables us to focus on the areas where we do have the scale to generate better returns. **We will continue to prioritize areas where we see the highest probability of driving strong financial returns and generating long-term value for our shareholders.**

> *Our balance sheet strength, diversified revenues, and continued focus on disciplined expense management will serve us well as we navigate the environment in 2021 and beyond.*

FOCUSED ON ESG

While our financial performance and priorities are critically important, it is equally important to note that generating sustainable value means taking into consideration the long-term implications of our actions for all our stakeholders, including shareholders. As evidenced by our pandemic response, I firmly believe in the important role that Fifth Third plays in society.

It is a privilege to be in a position to earn our stakeholders' value and trust, and to improve the lives of customers and the well-being of our communities. It is a responsibility that we at Fifth Third do not take lightly. We strive always to do well by doing good. **To communicate properly much of the great work we have been doing to generate value for all, this past year we published our inaugural Environmental, Social, and Governance (ESG) report.**

We have made substantial progress as an organization to improve our ESG-related outcomes, disclosures, and strategies. We have highly engaged leadership in our Board of Directors, with 11 directors experienced in ESG matters. Additionally, **we created a management-level ESG Committee, which reports directly to the Nominating and Governance Committee of the Board, dedicated to focusing on Fifth Third's ESG practices and reporting across a wide array of topics.**

The details of the tremendous work we have done to improve our ESG outcomes can be found in our ESG report or on our dedicated ESG webpage, but here are some of our **key highlights at the Bank:**

- Became the first U.S. commercial bank to join the SASB Alliance in the GRI community.
- Aligned our ESG report to internationally recognized frameworks (SASB, GRI, TCFD, UN SDGs).
- Completed external stakeholder materiality assessment to prioritize ESG topics.
- **Reported 33% of the Fifth Third Bancorp's Directors are women** and earned recognition as a Winning "W" company for 2020 Women on Boards.
- Established an ESG Committee accountable to the Nominating and Corporate Governance Committee of the Board of Directors.
- **Exceeded our five-year $32 billion Community Commitment.**
- **Announced our $8 billion 2025 sustainable finance goal.**
- **Published Environmental & Social Policy.**
- Maintained an "A-" Leadership Band score in 2020 from CDP (as well as other ESG awards and accolades listed in the ESG Report).
- Published other important ESG materials, including a Human Rights Statement, Supplier Code of Conduct, and Commitment to Data Security and Privacy.
- Established an Executive Diversity Leadership Council and an Inclusion Toolkit.
- **Announced a $2.8 billion investment to accelerate racial equity, equality, and inclusion.**
- **Recognized by the Ethisphere Institute® as one of the World's Most Ethical Companies.**

- **Received a 100% on the Human Rights Campaign Foundation's Corporate Equality Index** for the sixth consecutive year.
- **Launched the first-ever digital version of the Fifth Third Young Bankers Club®,** our signature program developed in 2004 with nearly 30,000 students educated.
- **We are the first U.S. regional bank to be carbon neutral in our operations.**

> *"There's ESG in the banking sector, and then there's Fifth Third Bank. And that is why we are happy to call Fifth Third CleanTechnica's bank."*
>
> *—CleanTechnica, a leading source for cleantech news and analysis (Jan. 20, 2021)*

All members of the Fifth Third team—from every Board member to each and every employee—have a responsibility to contribute to generating sustainable value for our stakeholders. This includes understanding Fifth Third's ESG goals, as well as incorporating the consideration of ESG principles into Fifth Third's operations and businesses. **We will continue building on our momentum to provide enhanced ESG outcomes and disclosures going forward.**

IN CLOSING

We take our commitments to our customers, employees, communities, and shareholders very seriously, and we intend to continue delivering on those in the years ahead. None of that would be possible without the hard work and tremendous efforts by all of our employees across the Bank, and for that I am grateful and proud.

Our financial results continue to reflect our focused execution, discipline, and through-the-cycle principles. We remain committed to generating sustainable long-term value for our shareholders and anticipate that we will continue improving our relative performance as a top-performing regional bank.

> *Together, we are working to be the One Bank people most value and trust. Thank you for your continued support.*

GREG D. CARMICHAEL
Chairman and Chief Executive Officer, Fifth Third Bancorp

2020 HIGHLIGHTS*

TOTAL REVENUE:
$2.4 BILLION

AVERAGE LOANS:
$15.0 BILLION

AVERAGE CORE DEPOSITS:
$73.5 BILLION

DIGITAL BANKING CUSTOMERS:
2.9 MILLION

FULL-SERVICE BANKING CENTERS:
1,134

BRANCH BANKING

As our customers' banking journey evolves, so do our branches.

PERSONALIZED CUSTOMER EXPERIENCE

From handling complex service needs to providing advice on important financial decisions, **our financial centers enable customers to experience our company on a more personal level.** They remain critical to the future of the Bank.

At Fifth Third, we offer a complete suite of retail banking products and services through our localized, high-touch service model concentrated primarily in the Midwest and Southeast. While a brick-and-mortar presence remains important, **we also provide customers with superior, integrated experiences across branch and digital banking channels**—and we continue to expand our digital capabilities to adapt to evolving customer preferences.

A BLUEPRINT FOR MEETING CHANGING NEEDS

In 2018, we announced an initiative to optimize our retail network that is **repositioning our branch network to invest more in higher-growth markets,** even as we maintain a top market share in the Midwest. We also are redesigning our branches and digitizing our branch operations in an effort to meet ever-evolving customer preferences.

The financial centers themselves are evolving, too. **Our redesigned branches will improve the customer experience by providing a more open atmosphere with increased digital capabilities.** They will encompass approximately 40% less square footage, but these new branches will meet our customers' needs in fresh and exciting ways.

Our efforts to more effectively integrate digital technology in this rapidly changing environment will continue to create significant shareholder value. **The Fifth Third Mobile Banking app continues to average 4+ ratings in both the Apple App Store and Google Play Store.** We continue to enhance the customer experience by making everyday banking possible anywhere at any time.

With tech-enabled self-service capabilities that are human centered, customers can manage accounts, transfer funds, or pay bills online with ease. The seamless physical-digital integration provides innovative products and services that digitally equip our bankers to better serve and empower customers to attain their financial goals.

KEY BRANCH BANKING INITIATIVES

- Retail network optimization
- Branch redesign
- Digitizing branch operations

*As of Dec. 31, 2020.

CONSUMER LENDING

Creating new possibilities and lasting relationships.

HELPING CUSTOMERS WITH MAJOR PURCHASES

In Consumer Lending, we are here to help customers with their major purchases—whether buying a first home or purchasing a new car.

Offering competitive rates and a variety of products, our Consumer Lending division helps customers reach their goals, whether they're short-term or long-term. That's just the beginning. Our goal is to create lasting value for our customers well beyond the life of an initial loan. We do this by striving to make the loan process as simple as possible, whether credit customers come to the Bank through auto, mortgage or other consumer lending areas.

AUTO & SPECIALTY LENDING

Fifth Third's auto business is an important component of lending to consumers. **Fifth Third is one of the largest bank originators of indirect auto loans in the country,** and we continue to value these relationships with an extensive dealer network across our more than 40-state indirect auto footprint. **Included is lending for RV, motorcycle, marine and power sport products.**

MORTGAGE LENDING

The mortgage business is one of the Bank's most cyclical. We managed well through the most recent cycle, in part due to **a business model that can be adjusted quickly in response to the changing environment.** Fifth Third is primarily an in-footprint retail lender, though we also have a broad-footprint direct channel and purchase loans through a correspondent channel.

2020 HIGHLIGHTS*

TOTAL REVENUE:
$700 MILLION

AVERAGE LOANS:
$25.6 BILLION

MORTGAGE SERVICING PORTFOLIO:
$87 BILLION

DEALER INDIRECT AUTO LENDING NETWORK:
~7,100

ADDRESSING PRESENT AND FUTURE LENDING NEEDS

To drive profitable growth, meet our customers' changing needs and improve the customer experience, **we have focused on expanding our personal lending offerings.** We continue to explore ways to improve the financial well-being of our customers, while providing a holistic digital experience.

We believe lasting relationships start by working proactively with borrowers to explore options that make sense with their current financial situation. To that end, **we will always be committed to being better listeners and problem-solvers.**

*As of Dec. 31, 2020.

2020 HIGHLIGHTS*

TOTAL REVENUE:
$3.2 BILLION

AVERAGE LOANS:
$66.6 BILLION

AVERAGE CORE DEPOSITS:
$57.0 BILLION

COMMERCIAL BANKING

A strategic resource in our customers' financial success.

MAXIMIZING CLIENT VALUE

Fifth Third's Commercial Banking business is focused on building and deepening client relationships through a full-service platform that combines creative solutions with strategic insights in order to maximize client value.

The comprehensive offerings of the Commercial Bank span from traditional lending and treasury management to capital markets and advisory services, with a full suite of complementary products delivered through the One Bank service model. Our wide range of services and depth of experience enable the Commercial Bank to address clients' needs through **strategic capital and financing solutions,** as well as **advanced payments capabilities.**

Through focused segmentation and a broad range of solutions, the Commercial Bank targets clients in a wide range of industries, combining a national corporate banking and commercial real estate franchise, with a middle market banking group that primarily aligns with the Bank's **11-state footprint, as well as California and Texas.**

PLANNING FOR GREATER GROWTH AND MARKET SHARE

We continue to focus on strengthening our core middle market banking to expand market share and enhance profitability. In addition, we have been successful in using technology and analytical advancements, as well as leveraging the One Bank delivery model, to create strategic partnerships and generate higher returns.

EXPANDING OUR INDUSTRY EXPERTISE

Given the unique challenges our clients face in their respective industries, the **Commercial Bank has specialized verticals that provide industry-specific banking expertise and comprehensive financial solutions.** In addition to the renewable energy team expansion we initiated in 2019, we continue to provide our clients industry expertise in consumer & retail, healthcare, financial institutions, technology, media & telecommunications, entertainment, and lodging & leisure.

OFFERING ROBUST FINANCING SOLUTIONS AND STRATEGIC GUIDANCE

The Commercial Banking segment offers a wide range of solutions, including credit products, capital markets services and treasury management services.

- ***The credit products group*** *provides comprehensive specialized commercial financing solutions in asset based lending, equipment finance and traditional lending, which have been significantly enhanced with the addition of the strategic business from the MB Financial merger. We have materially strengthened our credit underwriting by adding experienced talent and by maintaining centralized credit and risk functions.*
- ***Capital markets*** *provide critical market analysis, strategic guidance and precise execution of capital solutions through M&A advisory services, debt capital markets and equity capital markets. Additionally, we offer a robust and state-of-the-art platform delivering financial risk management products.*
- ***Treasury management solutions*** *include integrated payables and receivables, risk management and liquidity solutions.*

At the Commercial Bank, we are committed to providing advisory-based services helping businesses adapt to a changing economy, drive innovation and growth, and assure access to the working capital they need to meet their goals.

*As of Dec. 31, 2020.

WEALTH & ASSET MANAGEMENT

Delivering expert guidance to clients and continued growth to shareholders.

By providing advice, guidance and platforms that are thoughtful and holistic—and by focusing on the unique needs of our clients—Wealth & Asset Management (W&AM) is poised to keep delivering strong results for shareholders.

2020 HIGHLIGHTS*

TOTAL REVENUE:
$665 MILLION

AVERAGE LOANS:
$3.7 BILLION

AVERAGE CORE DEPOSITS:
$11.0 BILLION

ASSETS UNDER MANAGEMENT:**
$54 BILLION

ASSETS UNDER CARE:**
$434 BILLION

TWO-PRONGED CLIENT APPROACH LEADS TO A YEAR OF INCREASED ASSETS

W&AM draws on the expertise of local advisors spanning the Bank's footprint with support from robust digital capabilities. This approach enables advisors to create a personalized wealth strategy for our clients and their families.

In 2020, total client assets under management grew to $54 billion. Additionally, the number of Private Bank households grew by 6 percent, with clients entrusting W&AM with more than an additional $2 billion in gross new assets under management, with more than $500 million of net new assets under management in the second half of the year.

DIGITAL TRANSFORMATION HELPS BOLSTER GROWTH

As our clients' needs and preferences evolve, investment in secure technology is also essential for continued growth.

Committed to the client experience, the business recently rolled out its digital and paperless client onboarding process. Today, the front, middle and back offices are all connected to eliminate what was once a manual process for client onboarding.

Further, as clients increasingly turned to Fifth Third amid the pandemic, advisors leveraged the Bank's Life360 platform to stay closely connected and help navigate the unprecedented levels of change and challenges in 2020.

ABOUT W&AM

Comprising two businesses, W&AM puts more than 100 years of experience to work for its individual and institutional clients:

Fifth Third Private Bank serves complex financial needs with teams of professionals dedicated to helping clients achieve their unique financial goals.

Fifth Third Institutional Services provides custody, investment and retirement plan services for corporations, financial institutions, foundations, endowments and not-for-profit organizations.

*As of Dec. 31, 2020.

**Includes trust and brokerage assets.

COMPANY FACTS

Fifth Third Bancorp is a diversified financial services company headquartered in Cincinnati, Ohio.

FIFTH THIRD BANK WAS ESTABLISHED IN 1858. AS OF DECEMBER 31, 2020, THE COMPANY HAD:

$205B
IN ASSETS

ACCESS TO APPROXIMATELY
52,000 FEE-FREE ATMs

$54B
IN ASSETS UNDER MANAGEMENT*

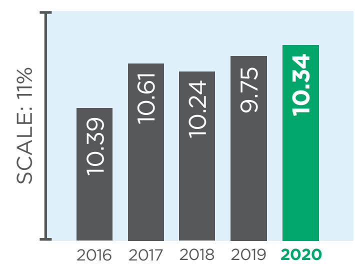
1,134
FULL-SERVICE BANKING CENTERS

$434B
IN ASSETS UNDER CARE*

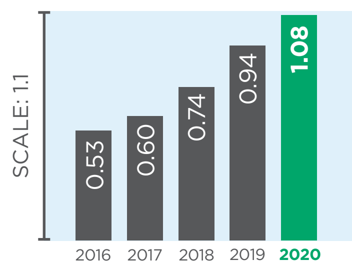
4 BUSINESS UNITS
BRANCH BANKING, COMMERCIAL BANKING, CONSUMER LENDING AND WEALTH & ASSET MANAGEMENT

FINANCIAL HIGHLIGHTS

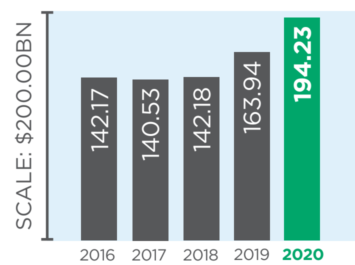
COMMON EQUITY TIER 1 RATIO



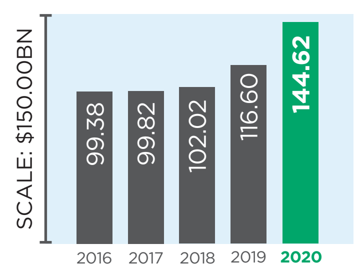
CASH DIVIDENDS PER COMMON SHARE



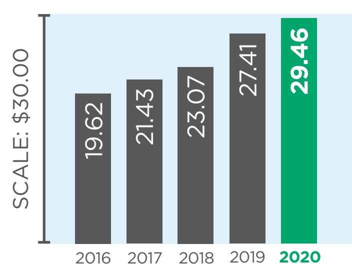
AVERAGE ASSETS



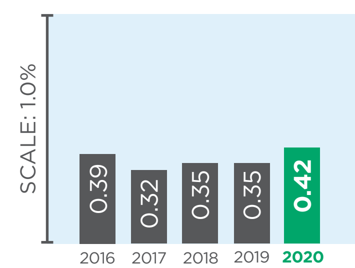
AVERAGE CORE DEPOSITS



BOOK VALUE PER SHARE



NET CHARGE-OFF RATIO



*Assets under management and assets under care include trust and brokerage assets. Fifth Third Bank, National Association. Member FDIC. Equal Housing Lender.

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

FORM 10-K

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

For the fiscal year ended December 31, 2020
Commission File Number 001-33653

FIFTH THIRD BANCORP
(Exact name of Registrant specified in its charter)

Ohio **(State or other jurisdiction of incorporation or organization)**	**31-0854434** **(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

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes: ☒ No: ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes: ☐ No: ☒

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 (§232.405 of this chapter) 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 definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

There were 708,697,950 shares of the Bancorp's Common Stock, without par value, outstanding as of January 31, 2021. The Aggregate Market Value of the Voting Stock held by non-affiliates of the Bancorp was $12,243,222,418 as of June 30, 2020.

DOCUMENTS INCORPORATED BY REFERENCE

This report incorporates into a single document the requirements of the U.S. Securities and Exchange Commission (the "SEC") with respect to annual reports on Form 10-K and annual reports to shareholders. Sections of the Bancorp's Proxy Statement for the 2021 Annual Meeting of Shareholders are incorporated by reference into Part III of this report.

Only those sections of this 2020 Annual Report to Shareholders that are specified in this Cross Reference Index constitute part of the registrant's Form 10-K for the year ended December 31, 2020. No other information contained in this 2020 Annual Report to Shareholders shall be deemed to constitute any part of this Form 10-K nor shall any such information be incorporated into the Form 10-K and shall not be deemed "filed" as part of the registrant's Form 10-K.

10-K CROSS REFERENCE INDEX

FORWARD-LOOKING STATEMENTS

This report contains statements that we believe are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Rule 175 promulgated thereunder, and Section 21E of the Securities Exchange Act of 1934, as amended, and Rule 3b-6 promulgated thereunder. These statements relate to our financial condition, results of operations, plans, objectives, future performance, 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 the Risk Factors section in Item 1A in this Annual Report on Form 10-K. When considering these forward-looking statements, you should keep in mind these risks and uncertainties, as well as any cautionary statements we may make. Moreover, you should treat these statements as speaking only as of the date they are made and based only on information then actually known to us. We undertake no obligation to release revisions to these forward-looking statements or reflect events or circumstances after the date of this document. There are a number of important factors that could cause future results to differ materially from historical performance and these forward-looking statements. Factors that might cause such a difference include, but are not limited to: (1) effects of the global COVID-19 pandemic; (2) deteriorating credit quality; (3) loan concentration by location or industry of borrowers or collateral; (4) problems encountered by other financial institutions; (5) inadequate sources of funding or liquidity; (6) unfavorable actions of rating agencies; (7) inability to maintain or grow deposits; (8) limitations on the ability to receive dividends from subsidiaries; (9) cyber-security risks; (10) Fifth Third's ability to secure confidential information and deliver products and services through the use of computer systems and telecommunications networks; (11) failures by third-party service providers; (12) inability to manage strategic initiatives and/or organizational changes; (13) inability to implement technology system enhancements; (14) failure of internal controls and other risk management systems; (15) losses related to fraud, theft, misappropriation or violence; (16) inability to attract and retain skilled personnel; (17) adverse impacts of government regulation; (18) governmental or regulatory changes or other actions; (19) failures to meet applicable capital requirements; (20) regulatory objections to Fifth Third's capital plan; (21) regulation of Fifth Third's derivatives activities; (22) deposit insurance premiums; (23) assessments for the orderly liquidation fund; (24) replacement of LIBOR; (25) weakness in the national or local economies; (26) global political and economic uncertainty or negative actions; (27) changes in interest rates; (28) changes and trends in capital markets; (29) fluctuation of Fifth Third's stock price; (30) volatility in mortgage banking revenue; (31) litigation, investigations, and enforcement proceedings by governmental authorities; (32) breaches of contractual covenants, representations and warranties; (33) competition and changes in the financial services industry; (34) changing retail distribution strategies, customer preferences and behavior; (35) difficulties in identifying, acquiring or integrating suitable strategic partnerships, investments or acquisitions; (36) potential dilution from future acquisitions; (37) loss of income and/or difficulties encountered in the sale and separation of businesses, investments or other assets; (38) results of investments or acquired entities; (39) changes in accounting standards or interpretation or declines in the value of Fifth Third's goodwill or other intangible assets; (40) inaccuracies or other failures from the use of models; (41) effects of critical accounting policies and judgments or the use of inaccurate estimates; (42) weather-related events, other natural disasters, or health emergencies (including pandemics); (43) the impact of reputational risk created by these or other developments on such matters as business generation and retention, funding and liquidity; and (44) changes in law or requirements imposed by Fifth Third's regulators impacting our capital actions, including dividend payments and stock repurchases.

PART I
ITEM 1. BUSINESS
General Information
Fifth Third Bancorp (the “Bancorp” or “Fifth Third”), an Ohio corporation organized in 1975, is a bank holding company (“BHC”) as defined by the Bank Holding Company Act of 1956, as amended (the “BHCA”), and has elected to be treated as a financial holding company (“FHC”) under the Gramm-Leach-Bliley Act of 1999 (“GLBA”) and regulations of the Board of Governors of the Federal Reserve System (the “FRB”).

The Bancorp is a diversified financial services company headquartered in Cincinnati, Ohio and is the indirect holding company of Fifth Third Bank, National Association (the “Bank”). As of December 31, 2020, Fifth Third had $205 billion in assets and operates 1,134 full-service Banking Centers and 2,397 Fifth Third branded ATMs in Ohio, Kentucky, Indiana, Michigan, Illinois, Florida, Tennessee, West Virginia, Georgia, North Carolina and South Carolina. The Bancorp operates four main businesses: Commercial Banking, Branch Banking, Consumer Lending and Wealth & Asset Management. Fifth Third is among the largest money managers in the Midwest and, as of December 31, 2020, had $434 billion in assets under care, of which it managed $54 billion for individuals, corporations and not-for-profit organizations. Investor information and press releases can be viewed at www.53.com. Information on or accessible through our website is not deemed to be incorporated into this Annual Report on Form 10-K. Website references in this Annual Report are merely textual references. Fifth Third’s common stock is traded on the NASDAQ® Global Select Market under the symbol “FITB.”

The Bancorp’s subsidiaries provide a wide range of financial products and services to the commercial, financial, retail, governmental, educational, energy and healthcare sectors. This includes a variety of checking, savings and money market accounts, wealth management solutions, payments and commerce solutions, insurance services and credit products such as commercial loans and leases, mortgage loans, credit cards, installment loans and auto loans. These products and services are delivered through a variety of channels including the Company’s Banking Centers, other offices, telephone sales, the internet and mobile applications. The Bank has deposit insurance provided by the Federal Deposit Insurance Corporation (the “FDIC”) through the Deposit Insurance Fund (the “DIF”). Refer to Exhibit 21 filed as an attachment to this Annual Report on Form 10-K for a list of subsidiaries of the Bancorp as of February 15, 2021.

Additional information regarding the Bancorp’s businesses is included in Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Availability of Financial Information
The Bancorp files reports with the SEC. Those reports include the annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and annual proxy statement, as well as any amendments to those reports. The SEC maintains an internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC at www.sec.gov. The Bancorp’s annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, annual proxy statement and amendments to those reports filed or furnished pursuant to section 13(a) or 15(d) of the Exchange Act are accessible at no cost on the Bancorp’s website at www.53.com on a same day basis after they are electronically filed with or furnished to the SEC.

Information about the Bancorp’s Code of Business Conduct and Ethics (as amended from time to time), is available on Fifth Third’s corporate website at www.53.com. In addition, any future waivers from a provision of the Fifth Third Code of Business Conduct and Ethics covering any of Fifth Third’s directors or executive officers (including Fifth Third’s principal executive officer, principal financial officer, and principal accounting officer or controller) will be posted at this internet address.

Competition
The Bancorp, primarily through the Bank, competes for deposits, loans and other banking services in its principal geographic markets as well as in selected national markets as opportunities arise. In addition to traditional financial institutions, the Bancorp competes with securities dealers, brokers, mortgage bankers, investment advisors, specialty finance, telecommunications, technology and insurance companies as well as large retailers. These companies compete across geographic boundaries and provide customers with meaningful alternatives to traditional banking services in nearly all significant products. The increasingly competitive environment is a result primarily of changes in regulation, changes in technology, product delivery systems and the accelerating pace of consolidation among financial service providers. These competitive trends are likely to continue.

Human Capital Resources
At December 31, 2020, the Bancorp had 19,872 full-time equivalent employees, compared to 19,869 at December 31, 2019. These employees support Fifth Third’s Vision to be the One Bank people most value and trust by upholding the Company’s four Core Values: Be Respectful & Inclusive, Take Accountability, Work as One Bank and Act with Integrity.

Inclusion and Diversity
Fifth Third strives to create an intentionally inclusive, diverse and thriving workplace where each person feels valued, respected and understood.

Our Human Capital programs are designed to attract, develop and retain a workforce that aims to reflect the communities we serve. As of December 31, 2020, the makeup of the Company's employees consisted of approximately 59% women and approximately 26% persons of color. Additionally, the Bancorp adopted in 2019 a footprint-wide ban on salary history (by not asking for or using an applicant's current salary as a factor in an employment offer) to immediately reduce historical gender or racial pay inequities.

To strengthen a sense of belonging for all employees, the Bancorp operates a number of inclusion councils at both enterprise and regional levels, as well as local Business Resource Groups (BRGs) in the following categories: African American, Asian & Pacific Islander, Individuals with Disabilities, Latino, LGBTQ+, Military, Women's and Young Professionals. Senior executives led eight virtual Enterprise BRGs in 2020 that enabled all employees to participate regardless of their work location—greatly expanding access for employees. In 2020, the Bancorp also launched a new Executive Diversity Leadership Council that is currently charged to develop and deliver strategic short- and long-term solutions to advance our diversity efforts relating to Black employees, communities and customers.

Employee Engagement
Fifth Third believes that an engaged workforce is one of its most valuable assets in sustaining its success. The Bancorp's Board of Directors and executive management oversee employee engagement on a regular basis by collecting employee feedback, primarily through employee viewpoints surveys. As further discussed later in this section, the Bancorp performed additional surveys in 2020 in response to the challenges of remote work and the COVID-19 pandemic.

Compensation and Benefits
The Bancorp is committed to providing competitive compensation and benefits programs that reward employees for delivering the right products to the right customers, in ways that consider shareholders' long-term interests, while also staying within the Bancorp's risk tolerance. These programs include an $18 per hour minimum wage, a 401(k) retirement program that pays a match up to 7% of an employee's compensation and other traditional benefits. The Bancorp also offers parental bonding leave, and several other health, wellness and financial benefits programs and services that assist employees in maintaining a healthy work-life balance.

Human Capital Response to COVID-19 Pandemic
The Bancorp took significant measures to provide employees with a sense of safety, security and certainty in response to the COVID-19 pandemic. Approximately 50% of employees were transitioned to remote work, supported through enhanced technology solutions, revised hiring and onboarding programs and increased communication. The Bancorp also rewarded specific employees who provided front-line, essential banking services during the pandemic with special one-time payments of up to $1,000.

To protect the health and safety of employees and customers and consistent with CDC, state and local guidance, Fifth Third established social distancing, hygiene and environmental safety protocols for on-site workers at the Bancorp's banking centers and offices. The Bancorp also provided free COVID-19 testing for employees enrolled in Fifth Third's medical coverage, provided backup child care solutions to address evolving needs and increased paid time away (including mid-year replenishment of sick days, providing additional vacation days to eligible employees to use in 2021 and reimbursing employees for unused vacation time in certain situations). The Bancorp also developed tracking and reporting solutions to monitor employee health and work situations related to the COVID-19 pandemic.

Fifth Third also conducted pulse surveys with employees in 2020 to collect feedback on employees' well-being and their perspective on the Bancorp's pandemic response.

Acquisitions and Investments
The Bancorp's strategy for growth includes strengthening its presence in core markets and broadening its product offerings while taking into account the integration and other risks of growth. The Bancorp evaluates strategic acquisition and investment opportunities and conducts due diligence activities in connection with possible transactions. As a result, discussions, and in some cases, negotiations regarding acquisitions and investments may take place and future transactions involving cash, debt or equity securities may occur. These typically involve the payment of a premium over book value and current market price, and therefore, some dilution of book value and net income per share may occur with any future transactions.

Regulation and Supervision
In addition to the generally applicable state and federal laws governing businesses and employers, the Bancorp and the Bank are subject to extensive regulation and supervision under federal and state laws and regulations applicable to financial institutions and their parent companies. Virtually all aspects of the business of the Bancorp and the Bank are subject to specific requirements or restrictions and general regulatory oversight. The principal objectives of state and federal banking laws and regulations and the supervision, regulation and examination of banks and their parent companies (such as the Bank and the Bancorp) by bank regulatory agencies are the maintenance of the safety and soundness of financial institutions, the maintenance of the federal deposit insurance system and the protection of consumers or classes of consumers, rather than the protection of shareholders or debtholders of a bank or the parent company of a bank. The Bancorp and its subsidiaries are subject to an extensive regulatory framework of complex and comprehensive federal and state laws and regulations addressing the provision of banking and other financial services and other aspects of the Bancorp's businesses and operations. The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank") and legislation modifying Dodd-Frank, the Economic Growth,

Regulatory Relief and Consumer Protection Act of 2018 ("EGRRCPA"), will continue to impact the Bancorp and the Bank. To the extent the following material describes statutory or regulatory provisions, it is qualified in its entirety by reference to the particular statute or regulation.

Both the scope of the laws and regulations and the intensity of the supervision to which the Bancorp and its subsidiaries are subject increased in response to the financial crisis, as well as other factors, such as technological and market changes. Regulatory enforcement and fines have also increased across the banking and financial services sector. Many of these changes have occurred as a result of Dodd-Frank and its implementing regulations, most of which are now in place. While the regulatory environment has recently been in a period of rebalancing the post financial crisis framework, the Bancorp expects that its business will remain subject to extensive regulation and supervision. It is possible that the intensity of regulation and supervision will be higher in the Biden Administration.

On May 24, 2018, the EGRRCPA was signed into law. Among other regulatory changes, the EGRRCPA amends various sections of Dodd-Frank, including section 165, which was revised to raise the asset thresholds for determining the application of enhanced prudential standards for BHCs. The EGRRCPA's increased asset thresholds took effect immediately for BHCs with total consolidated assets less than $100 billion, with the exception of risk committee requirements, which now apply to publicly-traded BHCs with $50 billion or more of consolidated assets. BHCs with consolidated assets between $100 billion and $250 billion, including the Bancorp, were subject to the enhanced prudential standards that applied to them before enactment of EGRRCPA until December 31, 2019, when rules adopted by the FRB that tailor the applicability of enhanced prudential standards and capital and liquidity requirements for BHCs with $100 billion or more in total consolidated assets became effective, as described in detail below.

On October 10, 2019, the FRB adopted a rule that adjusts the thresholds at which certain enhanced prudential standards ("EPS") apply to BHCs with $100 billion or more in total consolidated assets (the "EPS Tailoring Rule") and the FRB, the Office of the Comptroller of the Currency (the "OCC") and FDIC adopted a rule that similarly adjusts the thresholds at which certain other capital and liquidity standards apply to BHCs and banks with $100 billion or more in total consolidated assets (the "Capital and Liquidity Tailoring Rule" and, together with the EPS Tailoring Rule, the "Tailoring Rules"). The Tailoring Rules establish four risk-based categories of institutions, and the extent to which enhanced prudential standards and certain other capital and liquidity standards apply to these BHCs and banks depends on the banking organization's category. Under the Tailoring Rules, the Bancorp and the Bank each qualify as a Category IV banking organization subject to the least restrictive of the requirements applicable to firms with $100 billion or more in total consolidated assets.

Regulators

The Bancorp and/or the Bank are subject to regulation and supervision primarily by the FRB, the Consumer Financial Protection Bureau (the "CFPB") and the OCC and additionally by certain other functional regulators and self-regulatory organizations. The Bancorp is also subject to regulation by the SEC by virtue of its status as a public company and due to the nature of some of its businesses. The Bank is also subject to regulation by the FDIC, which insures the Bank's deposits as permitted by law.

The federal and state laws and regulations that are applicable to banks and to BHCs regulate, among other matters, the scope of the Bancorp's and the Bank's businesses, their activities, their investments, their capital and liquidity levels, their ability to make capital distributions (such as share repurchases and dividends), their reserves against deposits, the timing of the availability of deposited funds, the amount of loans to individual and related borrowers and the nature, the amount of and collateral for certain loans, and the amount of interest that may be charged on loans, as applicable. Various federal and state consumer laws and regulations also affect the services provided to consumers.

The Bancorp and the Bank are required to file various reports with and are subject to examination by various regulators, including the FRB and the OCC. The FRB, the OCC and the CFPB have the authority to issue orders for BHCs and banks to cease and desist from certain banking practices and violations of conditions imposed by, or violations of agreements with, the FRB, the OCC and the CFPB. Certain of the Bancorp's and the Bank's regulators are also empowered to assess civil money penalties against companies or individuals in certain situations, such as when there is a violation of a law or regulation. Applicable state and federal laws also grant certain regulators the authority to impose additional requirements and restrictions on the activities of the Bancorp and the Bank and, in some situations, the imposition of such additional requirements and restrictions will not be publicly available information.

The following discussion describes certain elements of the comprehensive regulatory framework applicable to the Bancorp and its subsidiaries. This discussion is not intended to describe all laws and regulations applicable to the Bancorp, the Bank, and the Bancorp's other subsidiaries.

Acquisitions

The BHCA requires the prior approval of the FRB for a BHC to acquire substantially all the assets of a bank or to acquire direct or indirect ownership or control of more than 5% of any class of the voting shares of any bank, BHC or savings association, or to increase any such non-majority ownership or control of any bank, BHC or savings association, or to merge or consolidate with any BHC.

The BHCA generally prohibits a BHC from acquiring a direct or indirect interest in or control of more than 5% of any class of the voting shares of a company that is not a bank or a BHC and from engaging directly or indirectly in activities other than those of banking, managing or controlling banks or furnishing services to its banking subsidiaries, except that it may engage in and may own shares of companies engaged in certain activities the FRB has determined to be so closely related to banking or managing or controlling banks as to be proper incident thereto.

Financial Holding Companies
The Bancorp is registered as a BHC with the FRB under the BHCA and qualifies for and has elected to become an FHC. An FHC is permitted to engage directly or indirectly in a broader range of activities than those permitted for a BHC under the BHCA. Permitted activities for an FHC include securities underwriting and dealing, insurance underwriting and brokerage, merchant banking and other activities that are declared by the FRB, in cooperation with the Treasury Department, to be "financial in nature or incidental thereto" or are declared by the FRB unilaterally to be "complementary" to financial activities. In addition, an FHC is allowed to conduct permissible new financial activities or acquire permissible non-bank financial companies with after-the-fact notice to the FRB. A BHC may elect to become an FHC if the BHC is well-capitalized and is well managed and each of its banking subsidiaries is well-capitalized, is well managed and has at least a "Satisfactory" rating under the Community Reinvestment Act ("CRA"). To maintain FHC status, a BHC must continue to meet these requirements. The failure to meet such requirements could result in material restrictions on the activities of the FHC and may also adversely affect the FHC's ability to enter into certain transactions (including mergers and acquisitions) or obtain necessary approvals in connection therewith, as well as loss of FHC status. If restrictions are imposed on the activities of an FHC, such information may not necessarily be available to the public.

Dividends
The Bancorp is a legal entity separate and distinct from its subsidiaries and depends in part upon dividends received from its direct and indirect subsidiaries, including the Bank, to fund its activities, including its ability to make capital distributions, such as paying dividends or repurchasing shares. Under federal law, there are various limitations on the extent to which the Bank can declare and pay dividends to the Bancorp, including those related to regulatory capital requirements, general regulatory oversight to prevent unsafe or unsound practices, and federal banking law requirements concerning the payment of dividends out of net profits, surplus, and available earnings. Certain contractual restrictions also may limit the ability of the Bank to pay dividends to the Bancorp. No assurances can be given that the Bank will, in any circumstances, pay dividends to the Bancorp.

The Bancorp's ability to declare and pay dividends is similarly limited by federal banking law and FRB regulations and policy. The FRB has authority to prohibit BHCs from making capital distributions if they would be deemed to be an unsafe or unsound practice. The FRB has indicated generally that it may be an unsafe or unsound practice for BHCs to pay dividends unless a BHC's net income is sufficient to fund the dividends and the expected rate of earnings retention is consistent with the organization's capital needs, asset quality and overall financial condition. In addition, the Bancorp's ability to make capital distributions, including paying dividends and repurchasing shares, is subject to the Bancorp complying with the automatic restrictions on capital distributions under the FRBs capital rules ("CCAR") process discussed below (see Regulatory Capital Requirements below).

In response to the uncertainty caused by the COVID-19 pandemic, certain large BHCs, including the Bancorp, were not permitted to make share repurchases, subject to certain limited exceptions, during the third and fourth quarters of 2020, but were permitted to make dividend payments subject to limits based on the amount of dividends paid in the second quarter and the firm's average net income for the four preceding quarters. For the first quarter of 2021, provided that a BHC does not increase its common stock dividends higher than the level paid in the second quarter of 2020, BHCs, including the Bancorp, are permitted to pay common dividends and make share repurchases that, in the aggregate, do not exceed an amount equal to the average of the firm's net income for the four preceding calendar quarters. BHCs may also make additional share repurchases up to the amount of share issuances related to expensed employee compensation. For further information on a subsequent event related to an accelerated share repurchase transaction, refer to Note 33 of the Notes to Consolidated Financial Statements.

Source of Strength
A BHC, including the Bancorp, is expected to act as a source of financial and managerial strength to each of its banking subsidiaries and to commit resources to their support. This support may be required at times when the BHC may not have the resources to provide it or when doing so is not otherwise in the interests of the Bancorp or its shareholders or creditors. The FRB may require a BHC to make capital injections into a troubled subsidiary bank and may charge the BHC with engaging in unsafe and unsound practices if the BHC fails to commit resources to such a subsidiary bank or if it undertakes actions that the FRB believes might jeopardize the BHC's ability to commit resources to such subsidiary bank.

Under these requirements, the Bancorp may in the future be required to provide financial assistance to the Bank should it experience financial distress. Capital loans by the Bancorp to the Bank would be subordinate in right of payment to deposits and certain other debts of the Bank. In the event of the Bancorp's bankruptcy, any commitment by the Bancorp to a federal bank regulatory agency to maintain the capital of the Bank would be assumed by the bankruptcy trustee and entitled to a priority of payment.

FDIC Assessments
The DIF provides insurance coverage for certain deposits, up to a standard maximum deposit insurance amount of $250,000 per depositor per account ownership category and is funded through assessments on insured depository institutions, based on the risk each institution poses to

the DIF. The Bank accepts customer deposits that are insured by the DIF and, therefore, must pay insurance premiums. The FDIC may increase the Bank's insurance premiums based on various factors, including the FDIC's assessment of its risk profile.

The FDIC has required that large insured depository institutions, including the Bank, enhance their deposit account record keeping and related information technology system capabilities to facilitate prompt payment of insured deposits if such an institution were to fail. The FDIC has established an initial compliance date of April 1, 2020 while granting institutions an optional extension of the compliance date for up to one year, to a date no later than April 1, 2021.

As of June 30, 2020, the DIF reserve ratio fell to 1.30%. The FDIC, as required under the Federal Deposit Insurance Act, established a plan on September 15, 2020 to restore the DIF reserve ratio to meet or exceed 1.35% within eight years. The FDIC's restoration plan projects the reserve ratio to exceed 1.35% without increasing the deposit insurance assessment rate, subject to ongoing monitoring over the next eight years. The FDIC could increase the deposit insurance assessments for certain insured depository institutions, including the Bank, if the DIF reserve ratio is not restored as projected.

Transactions with Affiliates

Federal banking laws restrict transactions between a bank and its affiliates, including a parent BHC. The Bank is subject to these restrictions, which include quantitative and qualitative limits on the amounts and types of transactions that may take place, including extensions of credit to affiliates, investments in the stock or securities of affiliates, purchases of assets from affiliates and certain other transactions with affiliates. These restrictions also require that credit transactions with affiliates be collateralized and that transactions with affiliates be on market terms or better for the bank. Generally, a bank's covered transactions with any affiliate are limited to 10% of the bank's capital stock and surplus and covered transactions with all affiliates are limited to 20% of the bank's capital stock and surplus. Dodd-Frank expanded the scope of these regulations, including by applying them to the credit exposure arising under derivative transactions, repurchase and reverse repurchase agreements, and securities borrowing and lending transactions. Federal banking laws also place similar restrictions on loans and other extensions of credit by FDIC-insured banks, such as the Bank, and their subsidiaries to their directors, executive officers, and principal shareholders.

Community Reinvestment Act

The CRA generally requires insured depository institutions, including the Bank, to identify the communities they serve and to make loans and investments and provide services that meet the credit needs of those communities. The CRA requires the OCC to evaluate the performance of national banks (including the Bank) with respect to these CRA obligations. Depository institutions must maintain comprehensive records of their CRA activities for purposes of these examinations. The OCC must take into account the institution's record of performance in meeting the credit needs of the entire community served, including low-and moderate-income neighborhoods. For purposes of CRA examinations, the OCC rates each institution's compliance with the CRA as "Outstanding," "Satisfactory," "Needs to Improve" or "Substantial Noncompliance." The FRB, which was responsible for CRA evaluations of the Bank prior to its conversion to a national bank charter, conducted a regularly scheduled examination covering 2014 through 2016 to determine the Bank's compliance with the CRA. This CRA examination resulted in a change in rating from "Needs to Improve" to "Outstanding."

The CRA requires the relevant federal bank regulatory agency to consider a bank's CRA assessment when considering the bank's application to conduct certain mergers or acquisitions or to open or relocate a branch office. The FRB also must consider the CRA record of each subsidiary bank of a BHC in connection with any acquisition or merger application filed by the BHC. An unsatisfactory CRA record could substantially delay or result in the denial of an approval or application by the Bancorp or the Bank.

In May 2020, the OCC finalized amendments to its CRA rules, which apply to national banks, including the Bank. The OCC's final rule clarifies and expands the types of activities that qualify for positive CRA consideration, updates how banks determine assessment areas in which they are evaluated, establishes objective performance standards to evaluate CRA performance and imposes more comprehensive CRA-related data collection and reporting requirements. The Bank must comply with most of these amended requirements by January 1, 2023.

The other federal banking agencies, the FDIC and FRB, are also in the process of proposing amendments to their respective CRA rules. While FDIC and FRB CRA rules do not apply to the Bank, future rulemaking to harmonize the CRA rules of the three federal banking agencies could result in changes to CRA requirements applicable to national banks, including the Bank.

Regulatory Capital Requirements

The Bancorp and the Bank are subject to certain risk-based capital and leverage ratio requirements under the capital adequacy rules (the "Final Capital Rules") adopted by the FRB, for the Bancorp, and by the OCC, for the Bank. These quantitative calculations are minimums, and the FRB and OCC may determine that a banking organization, based on its size, complexity, or risk profile, must maintain a higher level of capital in order to operate in a safe and sound manner. Failure to be well-capitalized or to meet minimum capital requirements could result in certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have an adverse material effect on the Bancorp's operations or financial condition. Failure to be well-capitalized or to meet minimum capital requirements could also result in restrictions on the Bancorp's or the Bank's ability to pay dividends or otherwise distribute capital or to receive regulatory approval of applications. Under the Final Capital Rules, the Bancorp's and the Bank's assets, exposures, and certain off-balance sheet items are subject to risk weights used to determine the institutions' risk-weighted assets pursuant to the federal banking agencies' Standardized Approach to risk-weighting of assets. These risk-weighted assets are used to calculate the following minimum capital ratios for the Bancorp and the Bank:

- Common Equity Tier 1 ("CET1") Risk-Based Capital Ratio, equal to the ratio of CET1 capital to risk-weighted assets. CET1 capital primarily includes common shareholders' equity subject to certain regulatory adjustments and deductions, including with respect to goodwill, intangible assets, certain deferred tax assets, and accumulated other comprehensive income ("AOCI"). In the first quarter of 2015, under the Final Capital Rules, the Bancorp made a one-time election to exclude certain AOCI components, with the result that those components are not recognized in the Bancorp's CET1. In July 2019, the FDIC, the FRB and the OCC issued final rules for institutions that do not apply advanced approaches to regulatory capital, including the Bancorp and the Bank. These rules simplified the capital treatment of certain items (including mortgage servicing assets, deferred tax assets and investments in the capital of unconsolidated financial institutions) and simplified the recognition and calculation of minority interests that are includable in regulatory capital. The advanced approaches to regulatory capital are generally required for large, internationally active banking organizations including those designated as global systemically important bank holding companies and those with total assets or cross-jurisdictional activity in excess of certain thresholds. Banking organizations were required to adopt these changes by April 1, 2020.
- Tier 1 Risk-Based Capital Ratio, equal to the ratio of Tier 1 capital to risk-weighted assets. Tier 1 capital is primarily comprised of CET1 capital, perpetual preferred stock and certain qualifying capital instruments.
- Total Risk-Based Capital Ratio, equal to the ratio of total capital, including CET1 capital, Tier 1 capital, and Tier 2 capital, to risk-weighted assets. Tier 2 capital primarily includes qualifying subordinated debt and qualifying allowance for loan and lease losses ("ALLL"). Tier 2 capital also includes, among other things, certain trust preferred securities.
- Tier 1 Leverage Ratio, equal to the ratio of Tier 1 capital to quarterly average assets (net of goodwill, certain other intangible assets, and certain other deductions).

In August 2020, the U.S. federal banking agencies adopted a final rule altering the definition of eligible retained income in their respective capital rules. Under the new rule, eligible retained income is the greater of a firm's (i) net income for the four preceding calendar quarters, net of any distributions and associated tax effects not already reflected in net income, and (ii) average net income over the preceding four quarters. An institution's eligible retained income, when considered in conjunction with capital ratios and the stress capital buffer, provides limitations on capital distributions (including dividends and share repurchases) and certain executive compensation arrangements for the quarter following the calculation. As of December 31, 2020, the Bancorp was permitted to use 100% of its eligible retained income for these purposes in the first quarter of 2021. This definition applies with respect to all of the Bancorp's capital requirements. In addition, in December 2018, the U.S. federal banking agencies finalized rules that would permit BHCs and banks to phase-in, for regulatory capital purposes, the day-one impact of ASU 2016-13 ("CECL") on retained earnings over a period of three years. As part of their response to the COVID-19 pandemic, the U.S. federal banking agencies issued another final rule for additional transitional relief to regulatory capital related to the impact of the adoption of CECL. The final rule provides banking organizations that adopt CECL in the 2020 calendar year with the option to delay for two years the estimated impact of CECL on regulatory capital, followed by the aforementioned three-year transition period to phase out the aggregate amount of benefit during the initial two-year delay for a total five-year transition. The estimated impact of CECL on regulatory capital (modified CECL transitional amount) is calculated as the sum of the day-one impact on retained earnings upon adoption of CECL (CECL transitional amount) and the calculated change in the ACL relative to the day-one ACL upon adoption of CECL multiplied by a scaling factor of 25%. The scaling factor is used to approximate the difference in the ACL under CECL relative to the incurred loss methodology. The modified CECL transitional amount will be calculated each quarter for the first two years of the five-year transition. The amount of the modified CECL transition amount will be fixed as of December 31, 2021 and that amount will be subject to the three-year phase out. For further discussion of CECL, see Note 1 of the Notes to Consolidated Financial Statements.

The Final Capital Rules also require banking organizations to maintain a capital conservation buffer of 2.5% or stress capital buffer, as applicable, to avoid becoming subject to restrictions on capital distributions and certain discretionary bonus payments to management (see Stress Buffer Requirements below). For more information related to the capital conservation buffer and stress capital buffer, refer to Note 30 of the Notes to Consolidated Financial Statements.

The total minimum regulatory capital ratios and well-capitalized minimum ratios are reflected in the table below. The FRB has not yet revised the well-capitalized standard for BHCs to reflect the higher capital requirements imposed under the Final Capital Rules. For purposes of the FRB's Regulation Y, including determining whether a BHC meets the requirements to be an FHC, BHCs, such as the Bancorp, must maintain a Tier 1 Risk-Based Capital Ratio of 6.0% or greater and a Total Risk-Based Capital Ratio of 10.0% or greater. If the FRB were to apply the same or a very similar well-capitalized standard to BHCs as that applicable to the Bank, the Bancorp's capital ratios as of December 31, 2020, would exceed such revised well-capitalized standard. The FRB may require BHCs, including the Bancorp, to maintain capital ratios substantially in excess of mandated minimum levels, depending upon general economic conditions and a BHC's particular condition, risk profile, and growth plans.

The following table presents the minimum regulatory capital ratios, minimum ratio plus capital conservation buffer, and well-capitalized minimums compared with the Bancorp's and the Bank's regulatory capital ratios as of December 31, 2020, calculated using the regulatory capital methodology applicable during 2020:

Regulatory Capital Ratios:

	Minimum Regulatory Capital Ratio	Minimum Ratio + Applicable Buffer[(a)]	Well-Capitalized Minimums[(b)]	Actual at December 31, 2020
CET1 risk-based capital ratio:				
Fifth Third Bancorp	4.50 %	7.00	N/A	10.34
Fifth Third Bank, National Association	4.50	7.00	6.50	12.28
Tier I risk-based capital ratio:				
Fifth Third Bancorp	6.00	8.50	6.00	11.83
Fifth Third Bank, National Association	6.00	8.50	8.00	12.28
Total risk-based capital ratio:				
Fifth Third Bancorp	8.00	10.50	10.00	15.08
Fifth Third Bank, National Association	8.00	10.50	10.00	14.17
Tier I leverage ratio:				
Fifth Third Bancorp	4.00	N/A	N/A	8.49
Fifth Third Bank, National Association	4.00	N/A	5.00	8.85

(a) *Reflects the capital conservation buffer of 2.5% applicable to the Bank during 2020 and to the Bancorp until September 30, 2020. As of October 1, 2020, the capital conservation buffer was replaced with a stress capital buffer of 2.5% for the Bancorp.*
(b) *Reflects the well-capitalized standard applicable to the Bancorp under FRB Regulation Y and the well-capitalized standard applicable to the Bank.*

Liquidity Regulation
As a result of the Tailoring Rules, the Bancorp, as a Category IV banking organization, is now exempt from the liquidity coverage ratio requirement, but remains subject to internal liquidity stress tests and standards.

Capital Planning and Stress Testing
BHCs with $100 billion or more in consolidated assets, including the Bancorp, generally must submit capital plans to the FRB on an annual basis. In March 2020, the FRB adopted a final rule to integrate the annual capital planning and stress testing requirements with certain ongoing regulatory capital requirements for large BHCs. As a result, the FRB's annual CCAR process is now used to calibrate the Bancorp's stress capital buffer requirement. Among other changes, the revised capital plan rule also eliminates the assumption that the Bancorp's balance sheet assets would increase over the planning horizon. In addition, provided that the Bancorp is otherwise in compliance with automatic restrictions on distributions under the Final Capital Rules, the Bancorp will no longer be required to seek prior approval to make capital distributions in excess of those included in its capital plan. The Bancorp is required to provide the FRB notice within 15 days after making any capital distributions in excess of those included in its capital plan.

Under its CCAR process, the FRB annually evaluates capital adequacy, internal capital adequacy, assessment processes and capital distribution plans of BHCs with $100 billion or more in total consolidated assets. The CCAR process is intended to help ensure that those BHCs have robust, forward-looking capital planning processes that account for each company's unique risks and that permit continued operations during times of economic and financial stress. The mandatory elements of the capital plan are an assessment of the expected uses and sources of capital over a nine-quarter planning horizon, a description of all planned capital actions over the planning horizon, a discussion of any expected changes to the BHC's business plan that are likely to have a material impact on its capital adequacy or liquidity, a detailed description of the BHC's process for assessing capital adequacy and the BHC's capital policy.

As a result of the EPS Tailoring Rule, the Bancorp is subject to a quantitative assessment of capital through supervisory stress tests every two years, with the next required submission due in 2022. These supervisory stress tests are forward-looking quantitative evaluations of the impact of stressful economic and financial market conditions on the Bancorp's capital. Additionally, under the EPS Tailoring Rule, the Bancorp is no longer required to file semi-annual, company-run stress tests with the FRB and publicly disclose the results.

Stress Buffer Requirements
In March 2020, the FRB issued a final rule amending regulatory capital rules, capital plan rules and stress test rules. Under the final rule, the capital conservation buffer is replaced with a stress capital buffer requirement. During each supervisory stress testing cycle, the FRB will use the Bancorp's supervisory stress test to determine its stress capital buffer, subject to a floor of 2.5%. Similar to the capital conservation buffer, the Bancorp must maintain capital ratios above the sum of its minimum risk-based capital ratios and the stress capital buffer to avoid restrictions on capital distributions and discretionary bonus payments to executive officers. The final rule is applicable to BHCs with $100 billion or more in total consolidated assets and was effective on October 1, 2020. The FRB provided the Bancorp with a stress capital buffer of 2.5% that was effective as of October 1, 2020. The FRB required large banking organizations, including the Bancorp, to resubmit their capital plans to reflect the stresses caused by the COVID-19 pandemic, and the FRB will notify the Bancorp by March 31, 2021 if it will elect to recalculate the Bancorp's stress capital buffer requirement.

Enhanced Prudential Standards
Pursuant to Title I of Dodd-Frank, certain U.S. BHCs are subject to enhanced prudential standards and early remediation requirements. As a result, the Bancorp is subject to more stringent standards, including liquidity and capital requirements, leverage limits, stress testing,

resolution planning, and risk management standards, than those applicable to smaller institutions. Certain larger banking organizations are subject to additional enhanced prudential standards.

As discussed above, under the EPS Tailoring Rule, the Bancorp, as a Category IV banking organization, is subject to the least restrictive enhanced prudential standards applicable to firms with $100 billion or more in total consolidated assets. As compared to enhanced prudential standards that were applicable to the Bancorp, under the EPS Tailoring Rule, the Bancorp is no longer subject to company-run stress testing requirements and is subject to less frequent supervisory stress tests, less frequent internal liquidity stress tests, and reduced liquidity risk management requirements.

Heightened Governance and Risk Management Standards
The OCC has published guidelines documenting expectations for the governance and risk management practices of certain large financial institutions, including the Bank. The guidelines require covered institutions to establish and adhere to a written governance framework in order to manage and control their risk-taking activities. In addition, the guidelines provide standards for the institutions' boards of directors to oversee the risk governance framework. The Bank currently has a written governance framework and associated controls.

Privacy and Data Security
The OCC, FRB, FDIC and other bank regulatory agencies have adopted guidelines (the "Guidelines") for safeguarding confidential, personal customer information. The Guidelines require each financial institution, under the supervision and ongoing oversight of its board of directors or an appropriate committee thereof, to create, implement and maintain a comprehensive written information security program designed to ensure the security and confidentiality of customer information, protect against any anticipated threats or hazards to the security or integrity of such information and protect against unauthorized access to or use of such information that could result in substantial harm or inconvenience to any customer. In addition, various U.S. regulators, including the OCC, FRB and the SEC, have increased their focus on cyber security through guidance, examinations and regulations. The Bancorp has adopted a customer information security program that has been approved by the Bancorp's Board of Directors.

The GLBA requires financial institutions to implement policies and procedures regarding the disclosure of nonpublic personal information about consumers to non-affiliated third parties. In general, the statute requires explanations to consumers on policies and procedures regarding the disclosure of such nonpublic personal information and, except as otherwise required by law, prohibits disclosing such information except as provided in the banking subsidiary's policies and procedures. The Bancorp's banking subsidiary has implemented a privacy policy.

States are also increasingly proposing or enacting legislation that relates to data privacy and data protection such as the California Consumer Privacy Act which went into effect on January 1, 2020. The Bancorp continues to assess the requirements of such laws and proposed legislation and their applicability to the Bancorp. Moreover, these laws, and proposed legislation, are still subject to revision or formal guidance and they may be interpreted or applied in a manner inconsistent with our understanding.

Like other lenders, the Bank and other of the Bancorp's subsidiaries use credit bureau data in their underwriting activities. Use of such data is regulated under the Fair Credit Reporting Act ("FCRA"), and the FCRA also regulates reporting information to credit bureaus, prescreening individuals for credit offers, sharing of information between affiliates, and using affiliate data for marketing purposes. Similar state laws may impose additional requirements on the Bancorp and its subsidiaries.

Anti-Money Laundering and Economic Sanctions
The Bancorp is subject to federal laws that are designed to counter money laundering and terrorist financing, and transactions with persons, companies or foreign governments sanctioned by the United States. These include the Bank Secrecy Act, the Money Laundering Control Act, the USA PATRIOT Act and regulations for the International Emergency Economic Powers Act and the Trading with the Enemy Act, as administered by the United States Treasury Department's Office of Foreign Assets Control. These laws obligate depository institutions and broker-dealers to verify their customers' identity, conduct customer due diligence, report on suspicious activity, file reports of transactions in currency and conduct enhanced due diligence on certain accounts. They also prohibit U.S. persons from engaging in transactions with certain designated restricted countries and persons. Depository institutions and broker-dealers are required by their federal regulators to maintain robust policies and procedures in order to ensure compliance with these obligations.

Failure to comply with these laws or maintain an adequate compliance program can lead to significant monetary penalties and reputational damage and federal regulators evaluate the effectiveness of an applicant in combating money laundering when determining whether to approve a proposed bank merger, acquisition, restructuring, or other expansionary activity. There have been a number of significant enforcement actions by regulators, as well as state attorneys general and the Department of Justice, against banks, broker-dealers and non-bank financial institutions with respect to these laws and some have resulted in substantial penalties, including criminal pleas. The Bancorp's Board has approved policies and procedures that the Bancorp believes comply with these laws.

Executive Compensation
Pursuant to Dodd-Frank, each public company must give its shareholders the opportunity to vote on the compensation of its executives at least once every three years. The SEC also adopted rules on disclosure and voting requirements for golden parachute compensation that is payable to named executive officers in connection with sale transactions.

The SEC's rules also direct the stock exchanges to prohibit listing classes of equity securities of a company if a company's compensation committee members are not independent. The rules also provide that a company's compensation committee may only select a compensation consultant, legal counsel or other advisor after taking into consideration factors to be identified by the SEC that affect the independence of a compensation consultant, legal counsel or other advisor.

The rules implementing the pay ratio provisions of Dodd-Frank require companies to disclose the ratio of the compensation of its chief executive officer to the median compensation of its employees. For a registrant with a fiscal year ending on December 31, such as the Bancorp, the pay ratio was first required as part of its executive compensation disclosure in its annual proxy statement or Form 10-K filed starting in 2018.

Dodd-Frank provides that the SEC must issue rules directing the stock exchanges to prohibit listing any security of a company unless the company develops and implements a policy providing for disclosure of the policy of the company on incentive-based compensation that is based on financial information required to be reported under the securities laws. In the event the company is required to prepare an accounting restatement due to the material noncompliance of the company with any financial reporting requirement under the securities laws, the company will recover from any current or former executive officer of the company who received incentive-based compensation during the three-year period preceding the date on which the company is required to prepare the restatement based on the erroneous data, any exceptional compensation above what would have been paid under the restatement.

Dodd-Frank required the SEC to adopt a rule to require that each company disclose in the proxy materials for its annual meetings whether an employee or board member is permitted to purchase financial instruments designed to hedge or offset decreases in the market value of equity securities granted as compensation or otherwise held by the employee or board member. The SEC adopted final rules requiring this disclosure on December 18, 2018. The Bancorp was required to comply with this new rule beginning July 1, 2019.

The Bancorp's compensation practices are also subject to oversight by the FRB. The scope and content of compensation regulation in the financial industry are continuing to develop, and the regulations and resulting market practices are expected to continue to evolve over a number of years. In June 2016, the SEC and the federal banking agencies issued a proposed rule to implement the incentive-based compensation provisions of section 956 of Dodd-Frank. The proposal would establish new requirements for incentive-based compensation at institutions with assets of at least $1 billion. No final rule has been issued, but the Biden Administration may revisit this proposal.

Debit Card Interchange Fees
Dodd-Frank includes a set of rules requiring that interchange transaction fees for electronic debit transactions be reasonable and proportional to certain costs associated with processing the transactions. Interchange fees for electronic debit transactions are limited to 21 cents plus 0.05% of the transaction, plus an additional one cent per transaction fraud adjustment. These fees impose requirements regarding routing and exclusivity of electronic debit transactions, and generally require that debit cards be usable in at least two unaffiliated networks.

Resolution Planning
In past years, the Bancorp was required to submit annually to the FRB and the FDIC a resolution plan for the orderly resolution of the Bancorp and its significant legal entities under the U.S. Bankruptcy Code or other applicable insolvency laws in a rapid and orderly fashion in the event of future material financial distress or failure. In October 2019, the FRB and the FDIC adopted amendments to their resolution planning rule to adjust the thresholds at which certain resolution planning requirements apply to BHCs with $100 billion or more in total consolidated assets, including the Bancorp. As a result of these amendments, the Bancorp is no longer required to submit an annual resolution plan to the FRB and the FDIC.

In addition, the Bank is required to periodically file a separate resolution plan with the FDIC. EGRRCPA did not change the FDIC's rules that require the Bank to periodically file a separate resolution plan. In April 2019, the FDIC released an advanced notice of proposed rulemaking with respect to the FDIC's bank resolution plan requirements that requested comments on how to better tailor bank resolution plans to a firm's size, complexity, and risk profile. Until the FDIC's revisions to its bank resolution plan requirement are finalized, no bank resolution plans will be required to be filed.

Proprietary Trading and Investing in Certain Funds
Dodd-Frank sets forth restrictions on banking organizations' ability to engage in proprietary trading and to have certain ownership interests in and relationships with certain covered funds, such as private equity and hedge funds (the "Volcker Rule"). The Volcker Rule generally prohibits any banking entity from engaging in short-term proprietary trading for its own account, but permits transactions in certain securities (such as securities of the U.S. government), transactions on behalf of customers and activities such as market making, underwriting and risk-mitigating hedging. In addition, the Volcker Rule limits the sponsorship of or investment in a covered fund by any banking entity. The Volcker Rule also prohibits certain types of transactions between a banking entity and any covered fund that is sponsored by the banking

entity or for which it serves as investment manager or investment advisor, similar to those transactions between banks and their affiliates that are limited as described above. The FRB granted extensions to banking entities, including the Bancorp, to conform to the requirements of the Volcker Rule with respect to "illiquid funds," as defined in the Volcker Rule. The Bancorp is also required to maintain a satisfactory Volcker Rule compliance program.

As of October 2019, the FRB, OCC, FDIC, Commodity Futures Trading Commission ("CFTC") and SEC finalized amendments to the Volcker Rule. These amendments tailor the Volcker Rule's compliance requirements to the amount of a firm's trading activity, revise the definition of trading account, clarify certain key provisions in the Volcker Rule, and modify the information companies are required to provide to federal agencies. These amendments to the Volcker Rule are not material to our investing and trading activities.

In June 2020, the five federal agencies finalized amendments to the Volcker Rule's restrictions on ownership interests in and relationships with covered funds. Among other things, these amendments permit banking entities to have relationships with and offer additional financial services to additional types of funds and investment vehicles. These requirements are not expected to have a material impact on the Bancorp's investing and trading activities

Derivatives

Title VII of Dodd-Frank imposes a regulatory structure on the over-the-counter derivatives market, including requirements for clearing, exchange trading, capital margin, segregation trade reporting, and recordkeeping. Title VII also requires certain persons to register as a swap dealer or a security-based swap dealer. The Bank is provisionally registered with the CFTC as a swap dealer. The CFTC and U.S. banking regulators have finalized most rules applicable to the over-the-counter derivatives markets and swap dealers, and the SEC has finalized most of its rules related to security-based swaps. The CFTC's Title VII regulations are applicable to the Bank's activity as a swap dealer and include rules related to internal and external business conduct standards, reporting and recordkeeping, mandatory clearing for certain swaps, and trade documentation and confirmation requirements. In addition, the U.S. banking regulators have finalized regulations applicable to the Bank regarding mandatory posting and collection of margin by certain swap counterparties and segregation of customer funds. The Bank is not currently subject to regulation as a security-based swap dealer.

Consumer Protection Regulation and Supervision

The Bancorp is subject to supervision and regulation by the CFPB with respect to federal consumer protection laws. The Bancorp is also subject to certain state consumer protection laws, and under Dodd-Frank, state attorneys general and other state officials are empowered to enforce certain federal consumer protection laws and regulations. State authorities have increased their focus on and enforcement of consumer protection rules. These federal and state consumer protection laws apply to a broad range of our activities and to various aspects of our business and include laws relating to interest rates, fair lending, disclosures of credit terms and estimated transaction costs to consumer borrowers, debt collection practices, the use of and the provision of information to consumer reporting agencies, and the prohibition of unfair, deceptive, or abusive acts or practices in connection with the offer, sale, or provision of consumer financial products and services.

The CFPB has promulgated many mortgage-related final rules since it was established under Dodd-Frank, including rules related to the ability to repay and qualified mortgage standards, mortgage servicing standards, loan originator compensation standards, high-cost mortgage requirements, Home Mortgage Disclosure Act requirements, and appraisal and escrow standards for higher priced mortgages. The mortgage-related final rules issued by the CFPB have materially restructured the origination, servicing, and securitization of residential mortgages in the United States. These rules have impacted, and will continue to impact, the business practices of mortgage lenders, including the Bancorp.

Future Legislative and Regulatory Initiatives

Federal and state legislators as well as regulatory agencies may introduce or enact new laws and rules, or amend existing laws and rules, that may affect the regulation of financial institutions and their holding companies. The impact of any future legislative or regulatory changes cannot be predicted. However, such changes could affect the Bancorp's business, financial condition and results of operations.

ITEM 1A. RISK FACTORS

The risks and uncertainties listed below present risks that could have a material impact on the Bancorp's financial condition, the results of its operations or its business. Some of these risks and uncertainties are interrelated and the occurrence of one or more of them may exacerbate the effect of others. The risks and uncertainties described below are not the only ones Fifth Third faces. Additional risks and uncertainties not presently known to Fifth Third or that Fifth Third currently believes to be immaterial may also adversely affect its business. See "Cautionary Note Regarding Forward-Looking Statements" elsewhere in this Annual Report on Form 10-K for more information.

CREDIT RISKS

Deteriorating credit quality has adversely impacted Fifth Third in the past and may adversely impact Fifth Third in the future.

When Fifth Third lends money or commits to lend money, the Bancorp incurs credit risk or the risk of loss if borrowers do not repay their loans, leases, credit cards, derivative obligations, or other credit obligations. The performance of these credit portfolios significantly affects the Bancorp's financial results and condition. If the current economic environment were to deteriorate, more customers may have difficulty in repaying their credit obligations which could result in a higher level of credit losses and reserves for credit losses. Fifth Third reserves for credit losses by establishing reserves through a charge to earnings. The amount of these reserves is based on Fifth Third's assessment of credit losses inherent in the credit portfolios including unfunded credit commitments. The process for determining the amount of the ALLL and the reserve for unfunded commitments is critical to Fifth Third's financial results and condition. It requires difficult, subjective and complex judgments about the environment, including analysis of economic or market conditions that might impair the ability of borrowers to repay their loans.

Fifth Third might underestimate the credit losses inherent in its portfolios and have credit losses in excess of the amount reserved. Fifth Third might increase the reserve because of changing economic conditions, including falling home prices or higher unemployment, or other factors such as changes in borrower's behavior or changing protections in credit agreements. As an example, borrowers may "strategically default," or discontinue making payments on their real estate-secured loans if the value of the real estate is less than what they owe, even if they are still financially able to make the payments.

Fifth Third believes that both the ALLL and the reserve for unfunded commitments are adequate to cover inherent losses at December 31, 2020; however, there is no assurance that they will be sufficient to cover future credit losses, especially if housing and employment conditions decline. In the event of significant deterioration in economic conditions, Fifth Third may be required to increase reserves in future periods, which would reduce earnings.

For more information, refer to the Credit Risk Management subsection of the Risk Management section and the ALLL and Reserve for Unfunded Commitments subsections of the Critical Accounting Policies section of Management's Discussion and Analysis of Financial Condition and Results of Operations.

Fifth Third may have more credit risk and higher credit losses to the extent loans are concentrated by location or industry of the borrowers or collateral.

Fifth Third's credit risk and credit losses can increase if its loans are concentrated to borrowers engaged in the same or similar activities or to borrowers who as a group may be uniquely or disproportionately affected by economic or market conditions. Deterioration in economic conditions, housing conditions and commodity and real estate values in certain states or locations could result in materially higher credit losses if loans are concentrated in those locations. Fifth Third has significant exposures to businesses in certain economic sectors such as manufacturing, real estate, financial services, insurance and healthcare, and weaknesses in those businesses may adversely impact Fifth Third's business, results of operations or financial condition. Additionally, Fifth Third has a substantial portfolio of commercial and residential real estate loans and weaknesses in residential or commercial real estate markets may adversely impact Fifth Third's business, results of operations or financial condition.

The COVID-19 pandemic has caused certain industries to have experienced increased stress. These include consumer-driven industries that require gathering or congregation such as leisure and recreation (including casinos, restaurants, sports, fitness, hotels and other industries), non-essential retail and leisure travel (primarily including airlines and cruise lines). Certain segments of the healthcare industry (including skilled nursing, physician offices and surgery/outpatient centers, among others) have also been impacted by the pandemic given delays and restrictions on in-person visits and elective procedures.

Problems encountered by financial institutions larger than or similar to Fifth Third could adversely affect financial markets generally and have direct and indirect adverse effects on Fifth Third.

Fifth Third has exposure to counterparties in the financial services industry and other industries, and routinely executes transactions with such counterparties, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds and other institutional clients. Many of Fifth Third's transactions with other financial institutions expose Fifth Third to credit risk in the event of default of a counterparty or client. In addition, Fifth Third's credit risk may be affected when the collateral it holds cannot be realized or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure. The commercial soundness of many financial institutions may be closely interrelated as a result of credit, trading, clearing or other relationships between the institutions. As a result, concerns about, or a default or threatened default by, one institution could lead to significant market-wide liquidity and credit problems, losses or defaults by other institutions. This is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges, with which the Bancorp interacts on a daily basis, and therefore could adversely affect Fifth Third.

LIQUIDITY RISKS

Fifth Third must maintain adequate sources of funding and liquidity.

Fifth Third must maintain adequate funding sources in the normal course of business to support its operations and fund outstanding liabilities, as well as meet regulatory expectations. Fifth Third primarily relies on bank deposits to be a low cost and stable source of funding for the loans Fifth Third makes and the operations of Fifth Third's business. Core deposits, which include transaction deposits and other time deposits, have historically provided Fifth Third with a sizeable source of relatively stable and low-cost funds (average core deposits funded 74% of average total assets for the year ending December 31, 2020). In addition to customer deposits, sources of liquidity include investments in the securities portfolio, Fifth Third's sale or securitization of loans in secondary markets and the pledging of loans and investment securities to access secured borrowing facilities through the FHLB and the FRB, and Fifth Third's ability to raise funds in domestic and international money and capital markets.

Fifth Third's liquidity and ability to fund and run its business could be materially adversely affected by a variety of conditions and factors, including financial and credit market disruptions and volatility or a lack of market or customer confidence in financial markets in general similar to what occurred during the financial crisis in 2008 and early 2009, which may result in a loss of customer deposits or outflows of cash or collateral and/or ability to access capital markets on favorable terms.

Other conditions and factors that could materially adversely affect Fifth Third's liquidity and funding include:

- a lack of market or customer confidence in Fifth Third or negative news about Fifth Third or the financial services industry generally, which also may result in a loss of deposits and/or negatively affect the ability to access the capital markets;
- the loss of customer deposits due to competition from other banks or due to alternative investments;
- inability to sell or securitize loans or other assets;
- increased regulatory requirements; and
- reductions in one or more of Fifth Third's credit ratings.

A reduced credit rating could adversely affect Fifth Third's ability to borrow funds and raise the cost of borrowings substantially and could cause creditors and business counterparties to raise collateral requirements or take other actions that could adversely affect Fifth Third's ability to raise liquidity or capital. Many of the above conditions and factors may be caused by events over which Fifth Third has little or no control such as what occurred during the financial crisis. There can be no assurance that significant disruption and volatility in the financial markets will not occur again in the future.

Regulatory changes relating to liquidity and risk management may also negatively impact Fifth Third's results of operations and competitive position. Various regulations have been adopted to impose more stringent liquidity requirements for large financial institutions, including Fifth Third. These regulations address, among other matters, liquidity stress testing and minimum liquidity requirements. The application of certain of these regulations to banking organizations, such as Fifth Third, have been modified, including in connection with the implementation of the EGRRCPA.

If Fifth Third is unable to continue to fund assets through customer bank deposits or access capital markets on favorable terms or if Fifth Third suffers an increase in borrowing costs or otherwise fails to manage liquidity effectively, then Fifth Third's liquidity, operating margins and financial results and condition may be materially adversely affected. Fifth Third may also need to raise additional capital and liquidity through the issuance of stock, which could dilute the ownership of existing stockholders, or reduce or even eliminate common stock dividends or share repurchases to preserve capital and liquidity.

Fifth Third and/or the holders of its securities could be adversely affected by unfavorable ratings from rating agencies.

Fifth Third's ability to access the capital markets is important to its overall funding profile. This access is affected by the ratings assigned by rating agencies to Fifth Third, certain of its subsidiaries and particular classes of securities they issue. The interest rates that Fifth Third pays on its securities are also influenced by, among other things, the credit ratings that it, its subsidiaries and/or its securities receive from recognized rating agencies. A downgrade to Fifth Third or its subsidiaries' credit rating could affect its ability to access the capital markets, increase its borrowing costs and negatively impact its profitability. A ratings downgrade to Fifth Third, its subsidiaries or their securities could also create obligations or liabilities of Fifth Third under the terms of its outstanding securities that could increase Fifth Third's costs or otherwise have a negative effect on its results of operations or financial condition.

Additionally, a downgrade of the credit rating of any particular security issued by Fifth Third or its subsidiaries could negatively affect the ability of the holders of that security to sell the securities and the prices at which any such securities may be sold.

On April 28, 2020, Fitch Ratings Inc. ("Fitch") revised Fifth Third Bancorp's Rating Outlook on its Long- and Short-Term Issuer Default Ratings to "Negative" from "Stable" as part of an ongoing horizontal review of all U.S. banks the agency is conducting as a result of concerns about significant operating environment challenges due to the disruption to economic activity and financial markets from the COVID-19 pandemic. On May 20, 2020, DBRS, Inc. ("DBRS") also revised the trend for all long-term ratings at Fifth Third Bancorp and Fifth Third Bank, National Association to "Negative" from "Stable." As of the date of this filing, Fifth Third is under review by Fitch and DBRS, and neither Fitch, nor DBRS, has changed its ratings. Accordingly, Fifth Third's Fitch and DBRS ratings are subject to change at any time.

Other rating agencies may also take actions to downgrade their ratings of the securities issued by Fifth Third or its subsidiaries. There can be no assurances that Fifth Third or its subsidiaries will retain any specific rating from any specific rating agency.

If Fifth Third is unable to maintain or grow its deposits, it may be subject to paying higher funding costs.
The total amount that Fifth Third pays for funding costs is dependent, in part, on Fifth Third's ability to maintain or grow its deposits. If Fifth Third is unable to sufficiently maintain or grow its deposits to meet liquidity objectives, it may be subject to paying higher funding costs. Fifth Third competes with banks and other financial services companies for deposits. If competitors raise the rates they pay on deposits, Fifth Third's funding costs may increase, either because Fifth Third raises rates to avoid losing deposits or because Fifth Third loses deposits and must rely on more expensive sources of funding. Also, customers typically move money from bank deposits to alternative investments during rising interest rate environments. Customers may also move noninterest-bearing deposits to interest-bearing accounts increasing the cost of those deposits. Checking and savings account balances and other forms of customer deposits may decrease when customers perceive alternative investments, such as the stock market, as providing a better risk/return trade-off. Fifth Third's bank customers could take their money out of the Bank and put it in alternative investments, causing Fifth Third to lose a lower cost source of funding. Higher funding costs reduce Fifth Third's net interest margin and net interest income.

The Bancorp's ability to receive dividends from its subsidiaries accounts for most of its revenue and could affect its liquidity and ability to pay dividends.
Fifth Third Bancorp is a separate and distinct legal entity from its subsidiaries. Fifth Third Bancorp typically receives substantially all of its revenue from dividends from its subsidiaries. These dividends are the principal source of funds to pay dividends on Fifth Third Bancorp's stock and interest and principal on its debt. Various federal and/or state laws and regulations, as well as regulatory expectations, limit the amount of dividends that the Bancorp's banking subsidiary and certain nonbank subsidiaries may pay to the Bancorp. Regulatory scrutiny of liquidity and capital levels at bank holding companies and insured depository institutions has resulted in increased regulatory focus on all aspects of capital planning, including dividends and other distributions to shareholders of banks such as the parent bank holding companies. In addition, Fifth Third Bancorp's right to participate in a distribution of assets upon a subsidiary's liquidation or reorganization is subject to the prior claims of that subsidiary's creditors.

Regulatory limitations on the Bancorp's ability to receive dividends from its subsidiaries could have a material adverse effect on its liquidity and ability to pay dividends on stock or interest and principal on its debt and to engage in share repurchases. For further information, refer to Regulation and Supervision and Note 4 of the Notes to Consolidated Financial Statements.

OPERATIONAL RISKS

Fifth Third is exposed to cyber security risks, including denial of service, hacking and identity theft, which could result in the disclosure, theft or destruction of confidential information.
Fifth Third relies heavily on communications and information systems to conduct its business. This includes the use of networks, the internet, digital applications and the telecommunications and computer systems of third party service providers to perform business activities. Additionally, digital and mobile technologies are leveraged to interact with customers, which increases the risk of information security breaches. Failures, interruptions or breaches in the security of these systems occur across Fifth Third's industry with some frequency and, if a material event of this nature affects Fifth Third, this could result in disruptions to Fifth Third's accounting, deposit, loan and other systems, and adversely affect its customer relationships. While Fifth Third has policies and procedures designed to prevent or limit the effect of these possible events, there can be no assurance that any such failure, interruption or security breach will not occur or, if any does occur, that it can be sufficiently remediated.

There have been increasing efforts on the part of threat actors, including through cyber-attacks, to breach data security at financial institutions or with respect to financial transactions. There have been several recent instances involving financial services, credit bureaus and consumer-based companies reporting the unauthorized disclosure of client or customer information or the destruction or theft of corporate data, by both private individuals and foreign governments. In addition, because the techniques used to cause such security breaches change frequently, often are not recognized until launched against a target and may originate from less regulated and remote areas around the world, Fifth Third may be unable to proactively address these techniques or to implement adequate preventative measures. Furthermore, there has been a well-publicized series of apparently related distributed denial of service attacks on large financial services companies and "ransom" attacks where hackers have requested payments in exchange for not disclosing customer information. The unintentional or willful acts or omissions of employees may also create or exacerbate cybersecurity risks.

Cyber threats are rapidly evolving and Fifth Third may not be able to anticipate or prevent all such attacks. Additionally, Fifth Third may be impacted by a breach where Fifth Third is not the primary target (i.e. SolarWinds event). These risks are heightened through the increasing use of digital and mobile solutions which allow for rapid money movement and increase the difficulty to detect and prevent fraudulent transactions. Across Fifth Third's industry, the cost of minimizing these risks and investigating incidents has continued to increase with the frequency and sophistication of these threats. Despite its efforts, the occurrence of any failure, interruption or security breach of Fifth Third's systems or third-party service providers (or providers to such third-party service providers), particularly if widespread or resulting in financial losses to customers, could also seriously damage Fifth Third's reputation, result in a loss of customer business, result in substantial remediation costs, additional cyber-security protection costs and increased insurance premiums, subject it to additional regulatory scrutiny, or expose it to civil litigation and financial liability. Fifth Third's insurance may be inadequate to compensate for losses from a cyber-attack.

Fifth Third relies on its systems and certain third-party service providers and certain failures could materially adversely affect operations.
Fifth Third's operations, including its financial and accounting systems, use computer systems and telecommunications networks operated by both Fifth Third and third-party service providers. Additionally, Fifth Third collects, processes and stores sensitive consumer data by utilizing those and other systems and networks. Fifth Third has security, backup and recovery systems in place, as well as a business continuity plan to ensure the systems will not be inoperable. Fifth Third also has security to prevent unauthorized access to the systems. In addition, Fifth Third requires its third-party service providers to maintain similar controls. However, Fifth Third cannot be certain that the measures will be successful.

A security breach in these systems or the loss or corruption of confidential information such as business results, transaction records and related information could adversely impact Fifth Third's ability to provide timely and accurate financial information in compliance with legal and regulatory requirements, which could result in sanctions from regulatory authorities, significant reputational harm and the loss of confidence in Fifth Third. Additionally, security breaches or the loss, theft or corruption of customer information such as social security numbers, credit card numbers, account balances or other information could result in losses by Fifth Third's customers, litigation, regulatory sanctions, lost customers and revenue, increased costs and significant reputational harm.

Fifth Third's necessary dependence upon automated systems to record and process its transaction volume poses the risk that technical system flaws or employee errors, tampering or manipulation of those systems will result in losses and may be difficult to detect. Fifth Third may also be subject to disruptions of its operating systems arising from events that are beyond its control (for example, computer viruses or electrical or telecommunications outages).

Third party service providers with which the Bancorp does business both domestically and offshore, as well as vendors and other third parties with which the Bancorp's customers do business, can also be sources of operational risk to the Bancorp, particularly where activities of customers are beyond the Bancorp's security and control systems, such as through the use of the internet, personal computers, tablets, smart phones and other mobile services. Security breaches affecting the Bancorp's customers, or systems breakdowns or failures, security breaches or employee misconduct affecting such other third party service providers, may require the Bancorp to take steps to protect the integrity of its own operational systems or to safeguard confidential information of the Bancorp or its customers, thereby increasing the Bancorp's operational costs and potentially diminishing customer satisfaction. If personal, confidential or proprietary information of customers or clients in the Bancorp's or such vendors' or other third parties' possession were to be mishandled or misused, the Bancorp could suffer significant regulatory consequences, reputational damage and financial loss. Such mishandling or misuse could include circumstances where, for example, such information was erroneously provided to parties who are not permitted to have the information, either through the fault of the Bancorp's systems, employees or counterparties, or where such information was intercepted or otherwise compromised by threat actors. The Bancorp may be subject to disruptions of its operating systems arising from events that are wholly or partially beyond the Bancorp's control, which may include, for example, security breaches; electrical or telecommunications outages; failures of computer components or servers or other damage to the Bancorp's property or assets; natural disasters or severe weather conditions; health emergencies; or events arising from local or larger-scale political events, including outbreaks of hostilities or terrorist acts. For example, it has been reported that there is a fundamental security flaw in computer chips found in many types of computing devices, including phones, tablets, laptops and desktops. While the Bancorp believes that its current resiliency plans are both sufficient and adequate, there can be no assurance that such plans will fully mitigate all potential business continuity risks to the Bancorp or its customers and clients.

Any failures or disruptions of the Bancorp's systems or operations could give rise to losses in service to customers and clients, adversely affect the Bancorp's business and results of operations by subjecting the Bancorp to losses or liability, or require the Bancorp to expend significant resources to correct the failure or disruption, as well as by exposing the Bancorp to reputational harm, litigation, regulatory fines or penalties or losses not covered by insurance. The Bancorp could also be adversely affected if it loses access to information or services from a third-party service provider as a result of a security breach or system or operational failure, or disruption affecting the third-party service provider. Fifth Third's insurance may be inadequate to compensate for failures by, or affecting third party service providers upon which Fifth Third relies.

Fifth Third may not be able to effectively manage organizational changes and implement key initiatives in a timely fashion, or at all, due to competing priorities which could adversely affect its business, results of operations, financial condition and reputation.
Fifth Third is subject to rapid changes in technology, regulation and product innovation, and faces intense competition for customers, sources of revenue, capital, services, qualified employees and other essential business resources. In order to meet these challenges, Fifth Third is or may be engaged in numerous critical strategic initiatives at the same time. Accomplishing these initiatives may be complex, time intensive and require significant financial, technological, management and other resources. These initiatives may consume management's attention and may compete for limited resources. In addition, organizational changes may need to be implemented throughout Fifth Third as a result of the

new products, services, partnerships and processes that arise from the execution of the various strategic initiatives. Fifth Third may have difficulty managing these organizational changes and executing these initiatives effectively in a timely fashion, or at all. Fifth Third's failure to do so could expose it to litigation or regulatory action and may damage Fifth Third's business, results of operations, financial condition and reputation.

Fifth Third may not be able to successfully implement future information technology system enhancements, which could adversely affect Fifth Third's business operations and profitability.
Fifth Third invests significant resources in information technology system enhancements in order to provide functionality and security at an appropriate level. Fifth Third may not be able to successfully implement and integrate future system enhancements, or may not be able to do so on a cost-effective basis. Such sanctions could include fines and result in reputational harm and have other negative effects. In addition, future system enhancements could have higher than expected costs and/or result in operating inefficiencies, which could increase the costs associated with the implementation as well as ongoing operations. Failure to properly utilize system enhancements that are implemented in the future could result in impairment charges that adversely impact Fifth Third's financial condition and results of operations and could result in significant costs to remediate or replace the defective components. In addition, Fifth Third may incur significant training, licensing, maintenance, consulting and amortization expenses during and after systems implementations, and any such costs may continue for an extended period of time.

Fifth Third's framework for managing risks may not be effective in mitigating its risk and loss.
Fifth Third's risk management framework seeks to mitigate risk and loss. Fifth Third has established processes and procedures intended to identify, measure, monitor, report and manage the types of risk to which it is subject, including liquidity risk, credit risk, interest rate risk, price risk, legal and regulatory compliance risk, strategic risk, reputational risk and operational risk related to its employees, systems and vendors, among others. Any system of control and any system to reduce risk exposure, however well designed and operated, is based in part on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the system are met. A failure in Fifth Third's internal controls could have a significant negative impact not only on its earnings, but also on the perception that customers, regulators and investors may have of Fifth Third. Fifth Third continues to devote a significant amount of effort, time and resources to improving its controls and ensuring compliance with complex regulations.

Additionally, instruments, systems and strategies used to hedge or otherwise manage exposure to various types of interest rate, price, legal and regulatory compliance, credit, liquidity, operational and business risks and enterprise-wide risk could be less effective than anticipated. As a result, Fifth Third may not be able to effectively mitigate its risk exposures in particular market environments or against particular types of risk. If Fifth Third's risk management framework proves ineffective, Fifth Third could incur litigation, negative regulatory consequences, reputational damages among other adverse consequences and Fifth Third could suffer unexpected losses that may affect its financial condition or results of operations.

Fifth Third may experience losses related to fraud, theft or violence.
Fifth Third has experienced, and may experience again in the future, losses incurred due to customer or employee fraud, theft or physical violence. Additionally, physical violence may negatively affect Fifth Third's key personnel, facilities or systems. These losses may be material and negatively affect Fifth Third's results of operations, financial condition or prospects. These losses could also lead to significant reputational risks and other effects. The sophistication of external fraud actors continues to increase, and in some cases includes large criminal rings, which increases the resources and infrastructure needed to thwart these attacks. The industry fraud threat continues to evolve, including but not limited to card fraud, check fraud, social engineering and phishing attacks for identity theft and account takeover. Fifth Third continues to invest in fraud prevention in the forms of people and systems designed to prevent, detect and mitigate the customer and financial impacts.

Fifth Third could suffer if it fails to attract and retain skilled personnel.
Fifth Third's success depends, in large part, on its ability to attract and retain key individuals. Competition for qualified candidates in the activities and markets that Fifth Third serves is intense, which may increase Fifth Third's expenses and may result in Fifth Third not being able to hire candidates or retain them. If Fifth Third is not able to hire qualified candidates or retain its key personnel, Fifth Third may be unable to execute its business strategies and may suffer adverse consequences to its business, operations and financial condition.

Compensation paid by financial institutions such as Fifth Third is heavily regulated, particularly under Dodd-Frank, which affects the amount and form of compensation Fifth Third pays to hire and retain talented employees. If Fifth Third is unable to attract and retain qualified employees, or do so at rates necessary to maintain its competitive position, or if compensation costs required to attract and retain employees become more expensive, Fifth Third's performance, including its competitive position, could be materially adversely affected.

LEGAL AND REGULATORY COMPLIANCE RISKS

Fifth Third and/or its affiliates are or may become involved from time to time in information-gathering requests, investigations and litigation, regulatory or other enforcement proceedings by various governmental regulatory agencies and law enforcement authorities, as well as self-regulatory agencies which may lead to adverse consequences.
Fifth Third and/or its affiliates are or may become involved from time to time in information-gathering requests, reviews, investigations and proceedings (both formal and informal) by governmental regulatory agencies and law enforcement authorities, as well as self-regulatory agencies, regarding their respective customers and businesses, as well as their sales practices, data security, product offerings, compensation practices and other compliance issues. Also, a violation of law or regulation by another financial institution may give rise to an inquiry or investigation by regulators or other authorities of the same or similar practices by Fifth Third. In addition, the complexity of the federal and state regulatory and enforcement regimes in the U.S. means that a single event or topic may give rise to numerous and overlapping investigations and regulatory proceedings. Furthermore, Fifth Third and certain of its directors and officers have been named from time to time as defendants in various class actions and other litigation relating to Fifth Third's business and activities, as well as regulatory or other enforcement proceedings. Past, present and future litigation have included or could include claims for substantial compensatory and/or punitive damages or claims for indeterminate amounts of damages. Enforcement authorities may seek admissions of wrongdoing and, in some cases, criminal pleas as part of the resolutions of matters and any such resolution of a matter involving Fifth Third which could lead to increased exposure to private litigation, could adversely affect Fifth Third's reputation and could result in limitations on Fifth Third's ability to do business in certain jurisdictions.

Each of the matters described above may result in material adverse consequences, including without limitation, adverse judgments, settlements, fines, penalties, injunctions or other actions, amendments and/or restatements of Fifth Third's SEC filings and/or financial statements, as applicable, and/or determinations of material weaknesses in its disclosure controls and procedures. In addition, responding to information-gathering requests, reviews, investigations and proceedings, regardless of the ultimate outcome of the matter, could be time-consuming and expensive.

Like other large financial institutions and companies, Fifth Third is also subject to risk from potential employee misconduct, including non-compliance with policies and improper use or disclosure of confidential information. Substantial legal liability or significant regulatory or other enforcement action against Fifth Third could materially adversely affect its business, financial condition or results of operations and/or cause significant reputational harm to its business. The outcome of lawsuits and regulatory proceedings may be difficult to predict or estimate. Although Fifth Third establishes accruals for legal proceedings when information related to the loss contingencies represented by those matters indicates both that a loss is probable and that the amount of loss can be reasonably estimated, Fifth Third does not have accruals for all legal proceedings where it faces a risk of loss. In addition, due to the inherent subjectivity of the assessments and unpredictability of the outcome of legal proceedings, amounts accrued may not represent the ultimate loss to Fifth Third from the legal proceedings in question. Thus, Fifth Third's ultimate losses may be higher, and possibly significantly so, than the amounts accrued for legal loss contingencies, which could adversely affect Fifth Third's results of operations.

In addition, there has been a trend of public settlements with governmental agencies that may adversely affect other financial institutions, to the extent such settlements are used as a template for future settlements. The uncertain regulatory enforcement environment makes it difficult to estimate probable losses, which can lead to substantial disparities between legal reserves and actual settlements or penalties.

For further information on specific legal and regulatory proceedings, refer to Note 20 of the Notes to Consolidated Financial Statements.

Fifth Third may be required to repurchase residential mortgage loans or reimburse investors and others as a result of breaches in contractual representations and warranties.
Fifth Third sells residential mortgage loans to various parties, including government-sponsored enterprises ("GSE") and other financial institutions that purchase residential mortgage loans for investment or private label securitization. Fifth Third may be required to repurchase residential mortgage loans, indemnify the securitization trust, investor or insurer, or reimburse the securitization trust, investor or insurer, for credit losses incurred on loans in the event of a breach of contractual representations or warranties that is not remedied within a specified period (usually 60 days or less) after Fifth Third receives notice of the breach. Contracts for residential mortgage loan sales to the GSEs include various types of specific remedies and penalties that could be applied to inadequate responses to repurchase requests. If economic conditions and the housing market deteriorate or future investor repurchase demand and Fifth Third's success at appealing repurchase requests differ from past experience, Fifth Third could have increased repurchase obligations and increased loss severity on repurchases, requiring material additions to the repurchase reserve.

Fifth Third is subject to extensive governmental regulation which could adversely impact Fifth Third or the businesses in which Fifth Third is engaged.
Government regulation and legislation subject Fifth Third and other financial institutions to restrictions, oversight and/or costs that may have an impact on Fifth Third's business, financial condition, results of operations or the price of its common stock.

Fifth Third is subject to extensive state and federal regulation, supervision and legislation that govern almost all aspects of its operations and limit the businesses in which Fifth Third may engage. These laws and regulations may change from time to time and are primarily intended for the protection of consumers, borrowers and depositors and are not designed to protect security-holders. The impact of any changes to laws and regulations or other actions by regulatory agencies may negatively impact Fifth Third or its ability to increase the value of its business. Additionally, actions by regulatory agencies or significant litigation against Fifth Third could cause it to devote significant time and resources to defending itself and may lead to penalties that materially affect Fifth Third and its shareholders. Future changes in the laws, including tax laws, or regulations or their interpretations or enforcement may also be materially adverse to Fifth Third and its shareholders or may require Fifth Third to expend significant time and resources to comply with such requirements.

Fifth Third expects that the Biden Administration will seek to implement a regulatory reform agenda that is significantly different than that of the Trump Administration. This reform agenda could include a heightened focus on the regulation of loan portfolios and credit concentrations to borrowers impacted by climate change, heightened scrutiny on Bank Secrecy Act and anti-money laundering requirements, topics related to social equity, executive compensation, and increased capital and liquidity, as well as limits on share buybacks and dividends. In addition, mergers and acquisitions could be dampened by increased antitrust scrutiny. Reform proposals are also expected for the short-term wholesale markets. It is too early to assess which, if any of these policies, would be implemented and what their impact would be.

Fifth Third cannot predict whether any pending or future legislation will be adopted or the substance and impact of any such new legislation on Fifth Third. Changes in regulation could affect Fifth Third in a substantial way and could have an adverse effect on its business, financial condition and results of operations. Additionally, legislation or regulatory reform could affect the behaviors of third parties that Fifth Third deals with in the course of business, such as rating agencies, insurance companies and investors. The extent to which Fifth Third can adjust its strategies to offset such adverse impacts also is not known at this time.

In addition, changes in laws or regulations that affect Fifth Third's customers and business partners could negatively affect Fifth Third's revenues and expenses. Certain changes in laws such as tax law reforms that impose limitations on the deductibility of interest may decrease the demand for Fifth Third's products or services and could negatively affect its revenues and results of operations. Other changes in laws or regulations could cause Fifth Third's third-party service providers and other vendors to increase the prices they charge to Fifth Third and negatively affect Fifth Third's expenses and financial results.

Fifth Third could suffer from unauthorized use of intellectual property.
Fifth Third develops for itself, and licenses from others, intellectual property for use in conducting its business. This intellectual property has been, and may be, subject to misappropriation or infringement by third parties as well as claims that Fifth Third's use of certain technology or other intellectual property infringes on rights owned by others. Fifth Third has been, and may be, subject to disputes and/or litigation concerning these claims and could be held responsible for significant damages covering past activities and substantial fees to continue to engage in these activities in the future. Fifth Third may also be unable to acquire rights to use certain intellectual property that is important for its business and may be unable to effectively engage in critical business activities. If Fifth Third is unable to protect or acquire rights to use intellectual property it owns or licenses, it may lose certain competitive advantages, incur expenses and/or lose revenue and may suffer harm to its business results and financial condition.

Fifth Third is subject to various regulatory requirements that may limit its operations and potential growth.
Under federal and state laws and regulations pertaining to the safety and soundness of insured depository institutions and their holding companies, the FRB, the FDIC, the CFPB and the OCC have the authority to compel or restrict certain actions by the Bancorp and the Bank. The Bancorp and the Bank are subject to such supervisory authority and, more generally, must, in certain instances, obtain prior regulatory approval before engaging in certain activities or corporate decisions. There can be no assurance that such approvals, if required, would be forthcoming or that such approvals would be granted in a timely manner. Failure to receive any such approval, if required, could limit or impair the Bancorp's operations, restrict its growth, ability to compete, innovate or participate in industry consolidation and/or affect its dividend policy. Such actions and activities that may be subject to prior approval include, but are not limited to, increasing dividends or other capital distributions by the Bancorp or the Bank, entering into a merger or acquisition transaction, acquiring or establishing new branches, and entering into certain new businesses.

Failure by the Bancorp or the Bank to meet the applicable eligibility requirements for FHC status (including capital and management requirements and that the Bank maintain at least a "Satisfactory" CRA rating) may result in restrictions on certain activities of the Bancorp, including the commencement of new activities and mergers with or acquisitions of other financial institutions and could ultimately result in the loss of financial holding company status.

Fifth Third and other financial institutions are subject to scrutiny from government authorities, including bank regulatory authorities, stemming from broader systemic regulatory concerns, including with respect to stress testing, liquidity and capital levels, asset quality, provisioning, AML/BSA, consumer compliance and other prudential matters and efforts to ensure that financial institutions take steps to improve their risk management and prevent future crises.

In this regard, government authorities, including the bank regulatory agencies and law enforcement, are also pursuing aggressive enforcement actions with respect to compliance and other legal matters involving financial activities, which heightens the risks associated with actual and perceived compliance failures and may also adversely affect Fifth Third's ability to enter into certain transactions or engage in certain activities, or obtain necessary regulatory approvals in connection therewith. The government enforcement authority includes, among other things, the ability to assess significant civil or criminal monetary penalties, fines, or restitution; to issue cease and desist or removal orders; and to initiate injunctive actions against banking organizations and institution-affiliated parties. These enforcement actions may be initiated for violations of laws and regulations and unsafe or unsound practices.

In some cases, regulatory agencies may take supervisory actions that may not be publicly disclosed, which restrict or limit a financial institution. Finally, as part of Fifth Third's regular examination process, the Bancorp and the Bank's respective regulators may advise it and its banking subsidiary to operate under various restrictions as a prudential matter. Such supervisory actions or restrictions, if and in whatever manner imposed, could negatively affect Fifth Third's ability to engage in new activities and certain transactions, as well as have a material adverse effect on Fifth Third's business and results of operations and may not be publicly disclosed.

Fifth Third could face serious negative consequences if its third-party service providers, business partners or investments fail to comply with applicable laws, rules or regulations.

Fifth Third is expected to oversee the legal and regulatory compliance of its business endeavors, including those performed by third-party service providers, business partners, other vendors and certain companies in which Fifth Third has invested. Legal authorities and regulators could hold Fifth Third responsible for failures by these parties to comply with applicable laws, rules or regulations. These failures could expose Fifth Third to significant litigation or regulatory action that could limit its activities or impose significant fines or other financial losses. Additionally, Fifth Third could be subject to significant litigation from consumers or other parties harmed by these failures and could suffer significant losses of business and revenue, as well as reputational harm as a result of these failures.

As a regulated entity, the Bancorp is subject to certain capital requirements that may limit its operations, potential growth and ability to pay or increase dividends on its common stock or to repurchase its capital stock.

As a BHC and an FHC, the Bancorp is subject to the comprehensive, consolidated supervision and regulation of the FRB, including risk-based and leverage capital requirements, investment practices, dividend policy and growth. The Bancorp must maintain certain risk-based and leverage capital ratios as required by the FRB which can change depending upon general economic conditions and the Bancorp's particular condition, risk profile and growth plans. Compliance with the capital requirements, including leverage ratios, may limit operations that require the intensive use of capital and could adversely affect the Bancorp's ability to expand or maintain present business levels.

Failure by the Bank to meet applicable capital requirements could subject it to a variety of enforcement actions available to the federal regulatory authorities. These include limitations on the ability of the Bancorp to pay dividends and/or repurchase shares, the issuance by the regulatory authority of a capital directive to increase capital, loss of FHC status and the termination of deposit insurance by the FDIC.

In response to the uncertainty caused by the COVID-19 pandemic, certain large BHCs, including the Bancorp, were not permitted to make share repurchases, subject to certain limited exceptions, during the third and fourth quarters of 2020, but were permitted to make dividend payments subject to certain limitations. For the first quarter of 2021, provided that a BHC does not increase its common stock dividends higher than the level paid in the second quarter of 2020, BHCs, including the Bancorp, are permitted to pay common dividends and make share repurchases that, in the aggregate, do not exceed an amount equal to the average of the firm's net income for the four preceding calendar quarters. BHCs may also make additional share repurchases up to the amount of share issuances related to expensed employee compensation. For further information on a subsequent event related to an accelerated share repurchase transaction, refer to Note 33 of the Notes to Consolidated Financial Statements.

Regulation of Fifth Third by the Commodity Futures Trading Commission ("CFTC") imposes additional operational and compliance costs.

The CFTC and SEC are primarily responsible for regulation of the U.S. derivatives markets. While most of the provisions related to derivatives markets are now in effect, several additional requirements await final regulations from the relevant regulatory agencies for derivatives, including the CFTC and the SEC. As a result of this regulatory regime, the CFTC has a meaningful supervisory role with respect to some of Fifth Third's businesses. The Bank is provisionally registered as a swap dealer with the CFTC and is subject to certain requirements, including real time trade reporting and robust record keeping requirements, business conduct requirements (including daily valuations, disclosure of material risks associated with swaps and disclosure of material incentives and conflicts of interest) and mandatory clearing and exchange trading of certain swaps designated by the relevant regulatory agencies as required to be cleared. Fifth Third's derivatives activity is also subject to the U.S. banking regulators' margin and segregation requirements for uncleared swaps. These requirements collectively impose implementation and ongoing compliance burdens on Fifth Third and introduce additional legal risk, including as a result of antifraud and anti-manipulation provisions and private rights of action. These rules raise the costs and liquidity burden associated with Fifth Third's derivatives activities and could have an adverse effect on its business, financial condition and results of operations. For more information, refer to Regulation and Supervision—Derivatives.

Deposit insurance premiums levied against the Bank may increase if the number of bank failures increase or the cost of resolving failed banks increases.

The FDIC maintains a Deposit Insurance Fund ("DIF") to protect insured depositors in the event of bank failures. The DIF is funded by fees assessed on insured depository institutions including the Bank. Future deposit premiums paid by the Bank depend on FDIC rules, which are subject to change, the level of the DIF and the magnitude and cost of future bank failures. The Bank may be required to pay significantly higher FDIC premiums if market developments change such that the DIF balance is reduced or the FDIC changes its rules to require higher premiums.

If an orderly liquidation of a systemically important BHC or non-bank financial company were triggered, Fifth Third could face assessments for the Orderly Liquidation Fund.
Dodd-Frank created authority for the orderly liquidation of systemically important BHCs and non-bank financial companies and is based on the FDIC’s bank resolution model. The Secretary of the U.S. Treasury may trigger liquidation under this authority only after consultation with the President of the United States and after receiving a recommendation from the board of the FDIC and the FRB upon a two-thirds vote. Liquidation proceedings will be funded by the Orderly Liquidation Fund established under Dodd-Frank, which will borrow from the U.S. Treasury and impose risk-based assessments on covered financial companies. Risk-based assessments would be made, first, on entities that received more in the resolution than they would have received in the liquidation to the extent of such excess and second, if necessary, on, among others, bank holding companies with total consolidated assets of $50 billion or more, such as Fifth Third. Any such assessments may adversely affect Fifth Third’s business, financial condition or results of operations.

MARKET RISKS: INTEREST RATE RISKS AND PRICE RISKS

The replacement of LIBOR could adversely affect Fifth Third’s revenue or expenses and the value of those assets or obligations.
LIBOR and certain other “benchmarks” are the subject of recent national, international and other regulatory guidance and proposals for reform. These reforms may cause such benchmarks to perform differently than in the past or have other consequences which cannot be predicted. On July 27, 2017, the United Kingdom’s Financial Conduct Authority, which regulates LIBOR, publicly announced that it intends to stop persuading or compelling banks to submit LIBOR rates after 2021. The announcement indicates that the continuation of LIBOR on the current basis cannot be guaranteed after 2021. While there is no consensus on what rate or rates may become accepted alternatives to LIBOR, a group of large banks, the Alternative Reference Rate Committee (“ARRC”), selected and the Federal Reserve Bank of New York started in May 2018 to publish the Secured Overnight Finance Rate as an alternative to LIBOR. SOFR is a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities, given the depth and robustness of the U.S. Treasury repurchase market. Furthermore, in 2018, the Bank of England commenced publication of a reformed Sterling Overnight Index Average (“SONIA”), comprised of a broader set of overnight Sterling money market transactions. The SONIA has been recommended as the alternative to Sterling LIBOR by the Working Group on Sterling Risk-Free Reference Rates. In the United States, it is likely that LIBOR-priced transactions and products will transfer to SOFR. On November 30, 2020, the FRB, OCC and FDIC issued a public statement that the administrator of LIBOR announced it will consult on an extension of publication of certain U.S. Dollar LIBOR tenors until June 30, 2023, which would allow additional legacy USD LIBOR contracts to mature before the succession of LIBOR. The administrator has not yet announced the results of its consultation.

The market transition away from LIBOR to an alternative reference rate, including SOFR or SONIA, is complex and subjects Fifth Third to financial, legal and operational risks. In particular, any such transition could:

- adversely affect the interest rates paid or received on, and the revenue and expenses associated with, the Bancorp’s floating rate obligations, loans, deposits, derivatives and other financial instruments tied to LIBOR rates, or other securities or financial arrangements given LIBOR’s role in determining market interest rates globally;
- adversely affect the value of the Bancorp’s floating rate obligations, loans, deposits, derivatives and other financial instruments tied to LIBOR rates, or other securities or financial arrangements given LIBOR’s role in determining market interest rates globally;
- prompt inquiries or other actions from regulators in respect of the Bancorp’s preparation and readiness for the replacement of LIBOR with an alternative reference rate;
- result in certain LIBOR-based instruments such as the Bancorp's Series H, Series I and Series J preferred stock moving from floating-rate instruments to fixed-rate instruments if the fallback language is unable to be amended to adopt alternative rates;
- result in disputes, litigation or other actions with counterparties regarding the interpretation and enforceability of certain fallback language in LIBOR-based securities; and
- require the transition to or development of appropriate systems and analytics to effectively transition the Bancorp’s risk management processes from LIBOR-based products to those based on the applicable alternative pricing benchmark, such as SOFR or reformed SONIA.

The manner and impact of this transition, as well as the effect of these developments on Fifth Third’s funding costs, loan and investment and trading securities portfolios, asset-liability management, and business, is uncertain.

Weakness in the U.S. economy, including within Fifth Third’s geographic footprint, has adversely affected Fifth Third in the past and may adversely affect Fifth Third in the future.
If the strength of the U.S. economy in general or the strength of the local economies in which Fifth Third conducts operations declines, this could result in, among other things, a decreased demand for Fifth Third’s products and services, a deterioration in credit quality or a reduced demand for credit, including a resultant effect on Fifth Third’s loan portfolio and ALLL and in the receipt of lower proceeds from the sale of loans and foreclosed properties. These factors could result in higher delinquencies, greater charge-offs and increased losses in future periods, which could materially adversely affect Fifth Third’s financial condition and results of operations.

Financial disruption or a prolonged economic downturn could materially and adversely affect Fifth Third's business.
Worldwide financial markets have recently experienced periods of extraordinary disruption and volatility, which has been exacerbated by the COVID-19 pandemic, resulting in heightened credit risk, reduced valuation of investments and decreased economic activity. Moreover, many companies have experienced reduced liquidity and uncertainty as to their ability to raise capital during such periods of market disruption and volatility. In the event that these conditions recur or result in a prolonged economic downturn, Fifth Third's results of operations, financial position and/or liquidity could be materially and adversely affected. These market conditions may affect the Bancorp's ability to access debt and equity capital markets. In addition, as a result of recent financial events, Fifth Third may face increased regulation. Many of the other risk factors discussed in this Risk Factors section identify risks that result from, or are exacerbated by, financial economic downturn. These include risks related to Fifth Third's investments portfolio, the competitive environment and regulatory developments.

Global and domestic political, social and economic uncertainties and changes may adversely affect Fifth Third.
Global financial markets, including the United States, face political and economic uncertainties that may delay investment and hamper economic activity. International events such as trade disputes, separatist movements, leadership changes and political and military conflicts could adversely affect global financial activity and markets and could negatively affect the U.S. economy. Additionally, the FRB and other major central banks have begun the process of removing or reducing monetary accommodation, increasing the risk of recession and may also negatively impact asset values and credit spreads that were impacted by extraordinary monetary stimulus. These potential negative effects on financial markets and economic activity could lead to reduced revenues, increased costs, increased credit risks and volatile markets, and could negatively impact Fifth Third's businesses, results of operations and financial condition.

Changes in interest rates could affect Fifth Third's income and cash flows.
Fifth Third's income and cash flows depend to a great extent on the difference between the interest rates earned on interest-earning assets such as loans and investment securities and the interest rates paid on interest-bearing liabilities such as deposits and borrowings. These rates are highly sensitive to many factors that are beyond Fifth Third's control, including general economic conditions in the U.S. or abroad and the policies of various governmental and regulatory agencies (in particular, the FRB). Changes in monetary policy, including changes in interest rates, will influence the origination of loans, the prepayment speed of loans, the purchase of investments, the generation of deposits and the rates received on loans and investment securities and paid on deposits or other sources of funding as well as customers' ability to repay loans. The impact of these changes may be magnified if Fifth Third does not effectively manage the relative sensitivity of its assets and liabilities to changes in market interest rates. Fluctuations in these areas may adversely affect Fifth Third, its customers and its shareholders. In addition, in response to the outbreak of the COVID-19 pandemic and its economic consequences, the FRB lowered its target for the federal funds rate to a range of 0% to 0.25%. As a result of the high percentage of Fifth Third's assets and liabilities that are in the form of interest-bearing or interest-related instruments, this change in interest rates could adversely affect Fifth Third's profitability. Moreover, such low rates increase the risk in the U.S. of a negative interest rate environment in which interest rates drop below zero, either broadly or for some types of instruments. For example, yields on one-month and three-month Treasuries briefly dropped below zero in March 2020. Such an occurrence would likely further reduce the interest Fifth Third earns on loans and other earning assets. Fifth Third cannot predict the nature or timing of future changes in monetary policies in response to the COVID-19 pandemic or the precise effects that they may have on Fifth Third's activities and financial results.

Changes and trends in the capital markets may affect Fifth Third's income and cash flows.
Fifth Third enters into and maintains trading and investment positions in the capital markets on its own behalf and manages investment positions on behalf of its customers. These investment positions include derivative financial instruments. The revenues and profits Fifth Third derives from managing proprietary and customer trading and investment positions are dependent on market prices. Market changes and trends may result in a decline in wealth and asset management revenue or investment or trading losses that may impact Fifth Third. Losses on behalf of its customers could expose Fifth Third to reputational issues, litigation, credit risks or loss of revenue from those clients and customers. Additionally, losses in Fifth Third's trading and investment positions could lead to a loss with respect to those investments and may adversely affect Fifth Third's income, cash flows and funding costs.

Fifth Third's stock price is volatile.
Fifth Third's stock price has been volatile in the past and several factors could cause the price to fluctuate substantially in the future. These factors include, without limitation:

- actual or anticipated variations in earnings;
- changes in analysts' recommendations or projections;
- Fifth Third's announcements of developments related to its businesses;
- operating and stock performance of other companies deemed to be peers;
- actions by government regulators and changes in the regulatory regime;
- new technology used or services offered by traditional and non-traditional competitors;
- news reports of trends, concerns and other issues related to the financial services industry;
- U.S. and global economic conditions;
- natural disasters;
- geopolitical conditions such as acts or threats of terrorism, military conflicts and withdrawal from the EU by EU member countries.

The price for shares of Fifth Third's common stock may fluctuate significantly in the future, and these fluctuations may be unrelated to Fifth Third's performance. General market price declines or market volatility in the future could adversely affect the price for shares of Fifth Third's common stock and the current market price of such shares may not be indicative of future market prices.

Fifth Third's mortgage banking net revenue can be volatile from quarter to quarter.
Fifth Third earns revenue from the fees it receives for originating mortgage loans and for servicing mortgage loans. When rates rise, the demand for mortgage loans tends to fall, reducing the revenue Fifth Third receives from loan originations. At the same time, revenue from mortgage servicing rights ("MSR") can increase through increases in fair value. When rates fall, mortgage originations tend to increase and the value of MSRs tends to decline, also with some offsetting revenue effect. Even though the origination of mortgage loans can act as a "natural hedge," the hedge is not perfect, either in amount or timing. For example, the negative effect on revenue from a decrease in the fair value of residential MSRs is immediate, but any offsetting revenue benefit from more originations and the MSRs relating to the new loans would accrue over time. It is also possible that even if interest rates were to fall, mortgage originations may also fall or any increase in mortgage originations may not be enough to offset the decrease in the MSRs value caused by the lower rates.

Fifth Third typically uses derivatives and other instruments to hedge its mortgage banking interest rate risk. Fifth Third generally does not hedge all of its risks and the fact that Fifth Third attempts to hedge any of the risks does not mean Fifth Third will be successful. Hedging is a complex process, requiring sophisticated models and constant monitoring. Fifth Third may use hedging instruments tied to U.S. Treasury rates, LIBOR or Eurodollars that may not perfectly correlate with the value or income being hedged. Fifth Third could incur significant losses from its hedging activities. There may be periods where Fifth Third elects not to use derivatives and other instruments to hedge mortgage banking interest rate risk.

STRATEGIC RISKS

If Fifth Third does not respond to intense competition and rapid changes in the financial services industry or otherwise adapt to changing customer preferences, its financial performance may suffer.
Fifth Third's ability to deliver strong financial performance and returns on investment to shareholders will depend in part on its ability to expand the scope of available financial services to meet the needs and demands of its customers. In addition to the challenge of competing against other banks in attracting and retaining customers for traditional banking services, Fifth Third's competitors also include securities dealers, brokers, mortgage bankers, investment advisors and specialty finance, telecommunications, technology and insurance companies as well as large retailers who seek to offer one-stop financial services in addition to other products and services desired by consumers that may include services that banks have not been able or allowed to offer to their customers in the past or may not be currently able or allowed to offer. Many of these other firms may be significantly larger than Fifth Third and may have access to customers and financial resources that are beyond Fifth Third's capability. Fifth Third competes with these firms with respect to capital, access to capital, revenue generation, products, services, transaction execution, innovation, reputation, talent and price.

This increasingly competitive environment is primarily a result of changes in customer preferences, regulation, changes in technology and product delivery systems, as well as the accelerating pace of consolidation among financial service providers. Rapidly changing technology and consumer preferences may require Fifth Third to effectively implement new technology-driven products and services in order to compete and meet customer demands. Fifth Third may not be able to do so or be successful in marketing these products and services to its customers. As a result, Fifth Third's ability to effectively compete to retain or acquire new business may be impaired, and its business, financial condition or results of operations, may be adversely affected.

Fifth Third may make strategic investments and may expand an existing line of business or enter into new lines of business to remain competitive. If Fifth Third's chosen strategies are not appropriate to allow Fifth Third to effectively compete or Fifth Third does not execute them in an appropriate or timely manner, Fifth Third's business and results may suffer. Additionally, these strategies, products and lines of business may bring with them unforeseeable or unforeseen risks and may not generate the expected results or returns, which could adversely affect Fifth Third's results of operations or future growth prospects and cause Fifth Third to fail to meet its stated goals and expectations.

Changes in retail distribution strategies and consumer behavior may adversely impact Fifth Third's investments in its bank premises and equipment and other assets and may lead to increased expenditures to change its retail distribution channel.
Fifth Third has significant investments in bank premises and equipment for its branch network including its 1,134 full-service banking centers and 59 locations held for the development of future banking centers of which 44 locations are developed or in the process of being developed as branches, as well as its retail work force and other branch banking assets. Advances in technology such as e-commerce, telephone, internet and mobile banking, and in-branch self-service technologies including automatic teller machines and other equipment, as well as changing customer preferences for these other methods of accessing Fifth Third's products and services, could affect the value of Fifth Third's branch network or other retail distribution assets and may cause it to change its retail distribution strategy, close and/or sell certain branches or parcels of land held for development and restructure or reduce its remaining branches and work force. Further advances in technology and/or changes in customer preferences could have additional changes in Fifth Third's retail distribution strategy and/or branch network. These actions could lead to losses on these assets or could adversely impact the carrying value of other long-lived assets and may lead to increased expenditures to renovate and reconfigure remaining branches or to otherwise reform its retail distribution channel.

Difficulties in identifying suitable opportunities or combining the operations of acquired entities or assets with Fifth Third's own operations or assessing the effectiveness of businesses in which Fifth Third makes strategic investments or with which Fifth Third enters into strategic contractual relationships may prevent Fifth Third from achieving the expected benefits from these acquisitions, investments or relationships.

Inherent uncertainties exist when assessing, acquiring or integrating the operations of another business or investment or relationship opportunity. Fifth Third may not be able to fully achieve its strategic objectives and planned operating efficiencies relevant to an acquisition or strategic relationship. In addition, the markets and industries in which Fifth Third and its potential acquisition and investment targets operate are highly competitive. Acquisition or investment targets may lose customers or otherwise perform poorly or unprofitably, or in the case of an acquired business or strategic relationship, cause Fifth Third to lose customers or perform poorly or unprofitably. Future acquisition and investment activities and efforts to monitor newly acquired businesses or reap the benefits of a new strategic relationship may require Fifth Third to devote substantial time and resources and may cause these acquisitions, investments and relationships to be unprofitable or cause Fifth Third to be unable to pursue other business opportunities.

After completing an acquisition, Fifth Third may find that certain material information was not adequately disclosed during the due diligence process or that certain items were not accounted for properly in accordance with financial accounting and reporting standards. Fifth Third may also not realize the expected benefits of the acquisition due to lower financial results pertaining to the acquired entity or assets. For example, Fifth Third could experience higher charge-offs than originally anticipated related to the acquired loan portfolio. Additionally, acquired companies or businesses may increase Fifth Third's risk of regulatory action or restrictions related to the operations of the acquired business.

Future acquisitions may dilute current shareholders' ownership of Fifth Third and may cause Fifth Third to become more susceptible to adverse economic events.

Future business acquisitions could be material to Fifth Third and it may issue additional shares of stock to pay for those acquisitions, which would dilute current shareholders' ownership interests. Acquisitions also could require Fifth Third to use substantial cash or other liquid assets or to incur debt. In those events, Fifth Third could become more susceptible to economic downturns, dislocations in capital markets and competitive pressures.

Fifth Third may sell or consider selling one or more of its businesses or investments. Should it determine to sell such a business or investment, it may not be able to generate gains on sale or related increase in shareholders' equity commensurate with desirable levels. Moreover, if Fifth Third sold such businesses or investments, the loss of income could have an adverse effect on its earnings and future growth.

Fifth Third owns, or owns a minority stake in, as applicable, several non-strategic businesses, investments and other assets that are not significantly synergistic with its core financial services businesses or, in the future, may no longer be aligned with Fifth Third's strategic plans or regulatory expectations. If Fifth Third were to sell one or more of its businesses or investments, it would be subject to market forces that may affect the timing or pricing of such sale or result in an unsuccessful sale. If Fifth Third were to complete the sale of any of its businesses, investments and/or interests in third parties, it would lose the income from the sold businesses and/or interests, including those accounted for under the equity method of accounting, and such loss of income could have an adverse effect on its future earnings and growth. Additionally, Fifth Third may encounter difficulties in separating the operations of any businesses it sells, which may affect its business or results of operations.

GENERAL BUSINESS RISKS

Changes in accounting standards or interpretations could impact Fifth Third's reported earnings and financial condition.

The accounting standard setters, including the FASB, the SEC and other regulatory agencies, periodically change the financial accounting and reporting standards that govern the preparation of Fifth Third's consolidated financial statements. These changes can be hard to predict and can materially impact how Fifth Third records and reports its financial condition and results of operations. In some cases, Fifth Third could be required to apply a new or revised standard retroactively, which would result in the recasting of Fifth Third's prior period financial statements.

Fifth Third uses models for business planning purposes that may not adequately predict future results.

Fifth Third uses financial models to aid in its planning for various purposes including its capital and liquidity needs and other purposes. The models used may not accurately account for all variables, may fail to predict outcomes accurately, and/or may overstate or understate certain effects. As a result of these potential failures, Fifth Third may not adequately prepare for future events and may suffer losses or other setbacks due to these failures.

Also, information Fifth Third provides to the public or to its regulators based on models could be inaccurate or misleading due to inadequate design or implementation, for example. Decisions that its regulators make, including those related to capital distributions to its shareholders, could be affected adversely due to the perception that the models used to generate the relevant information are unreliable or inadequate.

The preparation of financial statements requires Fifth Third to make subjective determinations and use estimates that may vary from actual results and materially impact its results of operations or financial position.

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make significant estimates that affect the financial statements. If new information arises that results in a material change to a reserve amount, such a change could result in a change to previously announced financial results. Refer to the Critical Accounting Policies section of Management's Discussion and Analysis of Financial Condition and Results of Operation for more information regarding management's significant estimates.

Weather-related events, other natural disasters, or health emergencies may have an effect on the performance of Fifth Third's loan portfolios, thereby adversely impacting its results of operations.

Fifth Third's footprint stretches from the upper Midwestern to lower Southeastern regions of the United States and it has offices in many other areas of the country. Some of these regions have experienced weather events including hurricanes, tornadoes, fires and other natural disasters. The nature and level of these events and the impact of global climate change upon their frequency and severity cannot be predicted. If large scale events occur, they may significantly impact its loan portfolios by damaging properties pledged as collateral as well as impairing its borrowers' ability to repay their loans.

Additionally, the impact of widespread health emergencies may adversely impact Fifth Third's results of operations, such as the potential impact from the COVID-19 pandemic. If its borrowers are adversely affected due to a widespread health emergency that impacts Fifth Third employees, vendors or economic growth generally, Fifth Third's financial condition and results of operations could be adversely affected.

Societal responses to climate change could adversely affect Fifth Third's business and performance, including indirectly through impacts on Fifth Third's customers.

Concerns over the long-term impacts of climate change have led and may continue to lead to governmental efforts around the world to mitigate those impacts. Consumers and businesses also may change their behavior on their own as a result of these concerns. Fifth Third and its customers will need to respond to new laws and regulations, as well as consumer and business preferences resulting from climate change concerns. Fifth Third and its customers may face cost increases, asset value reductions, operating process changes, and the like. The impact on Fifth Third's customers will likely vary depending on their specific attributes, including reliance on or role in carbon intensive activities. Fifth Third could experience a drop in demand for Fifth Third's products and services, particularly in certain sectors. In addition, Fifth Third could face reductions in creditworthiness on the part of some customers or in the value of assets securing loans. Fifth Third's efforts to take these risks into account in making lending and other decisions, including by increasing business relationships with climate-friendly companies, may not be effective in protecting Fifth Third from the negative impact of new laws and regulations or changes in consumer or business behavior.

Fifth Third is exposed to reputational risk.

Fifth Third's actual or alleged conduct in activities, such as certain sales and lending practices, data security, corporate governance and acquisitions, inappropriate behavior or misconduct of employees, association with particular customers, business partners, investments or vendors, as well as developments from any of the other risks described above, may result in negative public opinion at large (or with certain segments of the public) and may damage Fifth Third's reputation. Actions taken by government regulators, shareholder activists and community organizations may also damage Fifth Third's reputation. Additionally, whereas negative public opinion once was primarily driven by adverse news coverage in traditional media, the advent and expansion of social media facilitates the rapid dissemination of information or misinformation. Though Fifth Third monitors social media channels, the potential remains for rapid and widespread dissemination of inaccurate, misleading or false information or other negative information that could damage Fifth Third's reputation. Negative public opinion can adversely affect Fifth Third's ability to attract and keep customers and can increase the risk that it will be a target of litigation and regulatory action. Social activists are increasingly targeting financial firms with public criticism for their relationships with clients that are engaged in certain sensitive industries, including businesses whose products are or are perceived to be harmful to health, the environment or the social good. Activist criticism of Fifth Third's relationships with clients in sensitive industries could potentially engender dissatisfaction among clients, customers, investors, politicians, the government and employees with how Fifth Third addresses social concerns through business activities which could negatively affect its business or reputation.

Furthermore, investors have begun to consider how corporations are addressing environmental, social and governance matters, commonly known as "ESG matters," when making investment decisions. For example, certain investors are beginning to incorporate the business risks of climate change and the adequacy of companies' responses to climate change and other ESG matters as part of their investment theses. These shifts in investing priorities may result in adverse effects on the trading price of Fifth Third's common stock if investors determine that Fifth Third has not made sufficient progress on ESG matters.

Potential noncompliance with evolving federal and state laws governing cannabis-related businesses (CRBs) could subject Fifth Third to liabilities.

While a significant majority of states have legalized some form of marijuana, it remains a Schedule I controlled substance under federal law. Hemp is no longer classified as a Schedule I controlled substance under federal law; however, the regulatory scheme governing hemp has not been fully developed. Further, the "naked eye" cannot distinguish between legal hemp and illegal marijuana under federal law. There are a number of states where Fifth Third operates with laws permitting medicinal or recreational marijuana, which increases the probability of individuals or entities using bank products or services to sell, distribute, cultivate, manufacture or profit from marijuana. This, and the divergence and continued changes in laws governing CRBs results in challenges to us to maintain compliance with them, particularly in connection with Fifth Third's commercial and consumer lending and capital markets businesses. While Fifth Third monitors regulatory developments in this area to avoid noncompliance, Fifth Third cannot assure that it will be at all times fully compliant with CRB-related laws, which could result in significant fines, penalties or other losses.

The COVID-19 pandemic creates significant risks and uncertainties for Fifth Third's business.

In March 2020, the World Health Organization declared novel coronavirus disease 2019 (COVID-19) a global pandemic. The COVID-19 pandemic has negatively impacted the global economy, disrupted global supply chains, lowered equity market valuations, created significant volatility and disruption in financial markets, and increased unemployment levels, all of which may become heightened concerns upon subsequent waves of infection or future developments. In addition, the pandemic resulted in temporary closures of many businesses and the institution of social distancing and sheltering in place requirements in many states and communities, including those in major markets in which the Bancorp is located or does business.

As a result, the demand for the Bancorp's products and services has been, and is expected to continue to be, significantly impacted. Furthermore, the pandemic could influence the recognition of credit losses in the Bancorp's loan and lease portfolios and increase its allowance for credit losses as both businesses and consumers are negatively impacted by the economic downturn. In addition, governmental actions are meaningfully influencing the interest-rate environment, which could adversely affect the Bancorp's results of operations and financial condition. The business operations of subsidiaries of the Bancorp, such as Fifth Third Bank, National Association, have been, and may also be disrupted in the future, if significant portions of their workforce are unable to work effectively, including because of illness, quarantines, government actions, or other restrictions in connection with the pandemic, travel restrictions, technology limitations and/or disruptions. Furthermore, the business operations of subsidiaries of the Bancorp have been, and may again in the future be, disrupted due to vendors and third party service providers being unable to work or provide services effectively, including because of illness, quarantines, government actions, or other restrictions in connection with the pandemic. An increase in remote work force due to the COVID-19 pandemic and the potential for a long-term change in Fifth Third's remote work strategy may also increase risks related to cybersecurity and information security.

In response to the pandemic, the Bancorp provided financial hardship relief to borrowers that were negatively impacted by the pandemic and its related economic impacts. These programs included payment deferrals and forbearances for both commercial and retail borrowers. The Bancorp also temporarily suspended initiating any new repossession actions on vehicles and temporarily suspended all residential foreclosure activity. These actions are expected to negatively impact revenue and other results of operations of the Bancorp in the near term and, if not effective in mitigating the effect of the COVID-19 pandemic on the Bancorp's customers, may adversely affect the Bancorp's business and results of operations more substantially over a longer period of time.

Among other relief programs, the Bancorp participated in the SBA's Paycheck Protection Program in 2020. Paycheck Protection Program loans are fixed, unsecured, low interest rate loans that are guaranteed by the SBA and subject to numerous other regulatory requirements, and a borrower may apply to have all or a portion of the loan forgiven. If Paycheck Protection Program borrowers fail to qualify for loan forgiveness, the Bancorp faces a heightened risk of holding these loans at unfavorable interest rates for an extended period of time. While the Paycheck Protection Program loans are guaranteed by the SBA, various regulatory requirements will apply to the Bancorp's ability to seek recourse under the guarantees, and related procedures are currently subject to uncertainty. If a borrower defaults on a Paycheck Protection Program loan, these requirements and uncertainties may limit the Bancorp's ability to fully recover against the loan guarantee or to seek full recourse against the borrower. The extent to which the COVID-19 pandemic impacts the Bancorp's business, results of operations, and financial condition, as well as its regulatory capital and liquidity ratios, will depend on future developments, which are highly uncertain, including the scope and duration of the pandemic and actions taken by governmental authorities and other third parties in response to the pandemic. Even after the COVID-19 pandemic subsides, the U.S. economy will likely require some time to recover from its effects, the length of which is unknown and during which time the U.S. may experience a recession. As a result, Fifth Third anticipates its business may be materially and adversely affected during this recovery. Moreover, the effects of the COVID-19 pandemic may heighten many of the other risks described in this Section 1A entitled "Risk Factors" and any subsequent Quarterly Report on Form 10-Q or Current Report on Form 8-K, including, but not limited to, risks of credit deterioration, interest rate changes, rating agency actions, governmental actions, market volatility, theft, fraud, security breaches and technology interruptions.

ITEM 1B. UNRESOLVED STAFF COMMENTS

There are no SEC staff comments regarding Fifth Third's periodic or current reports under the Exchange Act that are pending resolution.

ITEM 2. PROPERTIES

The Bancorp's executive offices and the main office of the Bank are located on Fountain Square Plaza in downtown Cincinnati, Ohio in a 32-story office tower and a five-story office building with an attached parking garage known as the Fifth Third Center and the William S. Rowe Building, respectively. The Bancorp's main operations campus is located in Cincinnati, Ohio, and is comprised of a three-story building with an attached parking garage known as the George A. Schaefer, Jr. Operations Center, and a two-story building with surface parking known as the Madisonville Office Building. The Bank owns 100% of these buildings.

At December 31, 2020, the Bancorp, through its banking and non-banking subsidiaries, operated 1,134 banking centers, of which 792 were owned, 231 were leased and 111 for which the buildings are owned but the land is leased. The banking centers are located in the states of Ohio, Kentucky, Indiana, Michigan, Illinois, Florida, Tennessee, West Virginia, Georgia, North Carolina and South Carolina. The Bancorp's significant owned properties are owned free from mortgages and major encumbrances.

ITEM 3. LEGAL PROCEEDINGS

Refer to Note 20 of the Notes to Consolidated Financial Statements in Part II, Item 8 of this report for information regarding legal proceedings, which is incorporated herein by reference.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

Officers are appointed annually by the Board of Directors at the meeting of Directors immediately following the Annual Meeting of Shareholders. The names, ages and positions of the Executive Officers of the Bancorp as of February 26, 2021 are listed below along with their business experience during the past five years:

Greg D. Carmichael, 59. Chairman of the Board since February 2018 and Chief Executive Officer of the Bancorp since November 2015. Previously, Mr. Carmichael was President of the Bancorp from September 2012 to October 2020, Chief Operating Officer of the Bancorp from June 2006 to August 2015, Executive Vice President of the Bancorp from June 2006 to September 2012 and Chief Information Officer of the Bancorp from June 2003 to June 2006.

Lars C. Anderson, 59. Executive Vice President and Vice Chairman of Commercial Banking Strategic Growth Initiatives since January 2020. Previously, Mr. Anderson was Executive Vice President and Chief Operating Officer of the Bancorp from August 2015 to January 2020. Mr. Anderson was Vice Chairman of Comerica Incorporated and Comerica Bank from December 2010 to August 2015.

Kristine R. Garrett, 62, Executive Vice President and Head of Wealth & Asset Management since November 2020. Previously she was Senior Vice President and Head of Wealth & Asset Management from July 2019 to November 2020 and Head of Fifth Third Private Bank from October 2017 until July 2019. Previously, she was President of Private Wealth in Chicago at CIBC U.S. from 2009 to 2017.

Howard Hammond, 55, Executive Vice President and Head of Consumer Bank since February 2021. Previously, he was Senior Vice President and Head of Retail Banking and Retail Brokerage from April 2020 through February 2021, Head of Retail and Brokerage Distribution from June 2019 through April 2020, and Head Managing Director of Fifth Third Securities from March 2006 through June 2019.

Mark D. Hazel, 55. Senior Vice President and Controller of the Bancorp since February 2010. Prior to that, Mr. Hazel was the Assistant Bancorp Controller since 2006 and was the Controller of Nonbank entities since 2003.

Margaret B. Jula, 53, Executive Vice President and Chief Human Resource Officer since November 2020. Previously, Ms. Jula was Senior Vice President and Director of Business Controls for Human Capital from July 2014 to November 2020. Prior to that, she held various positions in Fifth Third's human capital organization.

Kevin P. Lavender, 59. Executive Vice President and Head of Commercial Banking of the Bancorp since January 2020. Mr. Lavender has been Executive Vice President of the Bank since 2016 and was the Head of Corporate Banking from 2016 to January 2020. Previously, Mr. Lavender was Senior Vice President and Managing Director of Large Corporate and Specialized Lending from January 2009 to 2016 and the Senior Vice President and Head of National Healthcare Lending from December 2005 to January 2009.

James C. Leonard, 51. Executive Vice President and Chief Financial Officer since November 2020. Mr. Leonard has been an Executive Vice President of the Bancorp since September 2015. Previously, Mr. Leonard was Chief Risk Officer from February 2020 to November 2020, Treasurer of the Bancorp from October 2013 to January 2020, Senior Vice President from October 2013 to September 2015, the Director of Business Planning and Analysis from 2006 to 2013 and the Chief Financial Officer of the Commercial Banking Division from 2001 to 2006.

Jude A. Schramm, 48. Executive Vice President and Chief Information Officer since March 2018. Previously, Mr. Schramm served as Chief Information Officer for GE Aviation and held various positions at GE beginning in 2001.

Robert P. Shaffer, 51. Executive Vice President and Chief Risk Officer since November 2020. Previously, Mr. Shaffer was Chief Human Resource Officer from February 2017 to November 2020 and Chief Auditor from August 2007 to February 2017. He was named Executive Vice President in 2010 and Senior Vice President in 2004. Prior to that, he held various positions within Fifth Third's audit division.

Timothy N. Spence, 42. President since October 2020. Previously, Mr. Spence was Executive Vice President and Head of Consumer Bank, Payments, and Strategy of the Bancorp from August 2018 to October 2020, Head of Payments, Strategy and Digital Solutions from 2017 to 2020, and Chief Strategy Officer of the Bancorp from September 2015 to October 2020. He also previously served as a senior partner in the Financial Services practice at Oliver Wyman since 2006, a global strategy and risk management consulting firm.

Richard L. Stein, 51, Executive Vice President and Chief Credit Officer since November 2020. Mr. Stein has been an Executive Vice President of the Bancorp since April 2016. Previously, Mr. Stein was Chief Credit Officer from March 2018 through November 2020, Head of the Commercial Bank from March 2016 through March 2018 and Senior Vice President and Chief Credit Officer from November 2014 through March 2016.

Melissa S. Stevens, 46, Executive Vice President and Chief Digital Officer and Head of Digital, Marketing, Design and Innovation since November 2020. Previously, Ms. Stevens served as Senior Vice President, Chief Digital Officer, and Head of Omnichannel Banking Experiences, Design, and Innovation from May 2016 through November 2020. Prior to joining Fifth Third, she served in several senior management positions at Citigroup, including Chief Operating Officer and Managing Director of Citi FinTech from November 2015 through April 2016.

Susan B. Zaunbrecher, 61. Executive Vice President and Chief Legal Officer of the Bancorp since May 2018. Previously, Ms. Zaunbrecher was a partner at the law firm Dinsmore and Shohl LLP, where she practiced for 28 years and served as the Chair of the Corporate Department and a member of the firm's board of directors and executive committee.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The Bancorp's common stock is traded in the over-the-counter market and is listed under the symbol "FITB" on the NASDAQ® Global Select Market System.

See a discussion of dividend limitations that the subsidiaries can pay to the Bancorp discussed in Note 4 of the Notes to Consolidated Financial Statements, which is incorporated herein by reference. Additionally, as of December 31, 2020, the Bancorp had 36,824 shareholders of record.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased[(a)]	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs
October 2020	44,736	$ 22.91	—	76,437,348
November 2020	129,978	25.27	—	76,437,348
December 2020	97,521	26.80	—	76,437,348
Total	272,235	$ 25.43	—	76,437,348

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

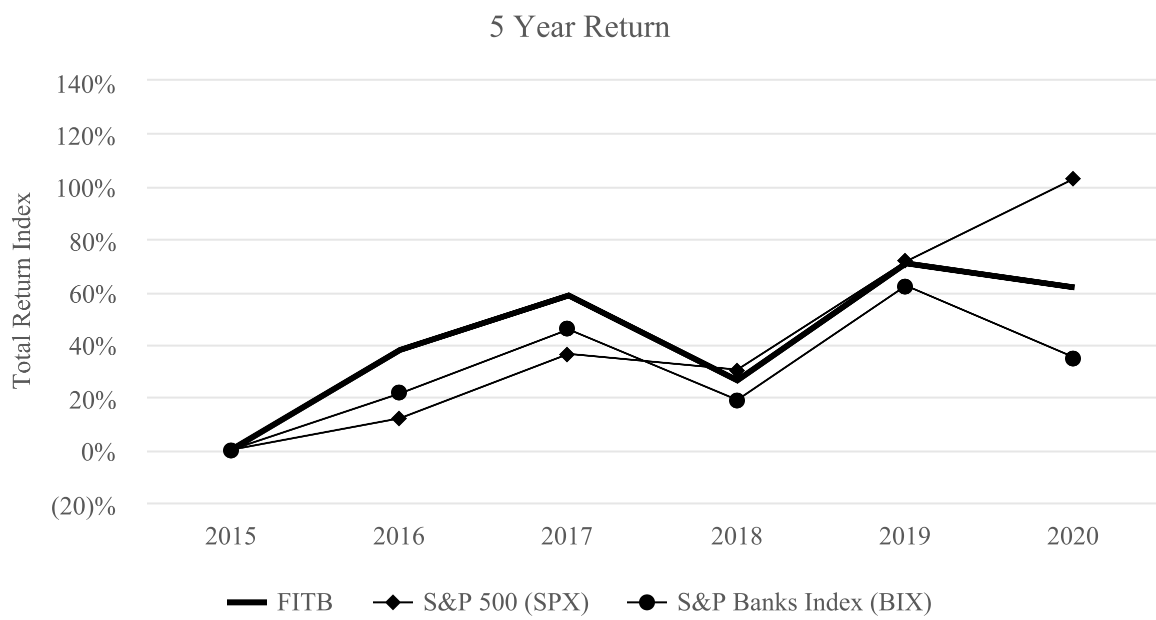
See further discussion on share repurchase transactions and stock-based compensation in Note 25 and Note 26 of the Notes to Consolidated Financial Statements, which is incorporated herein by reference.

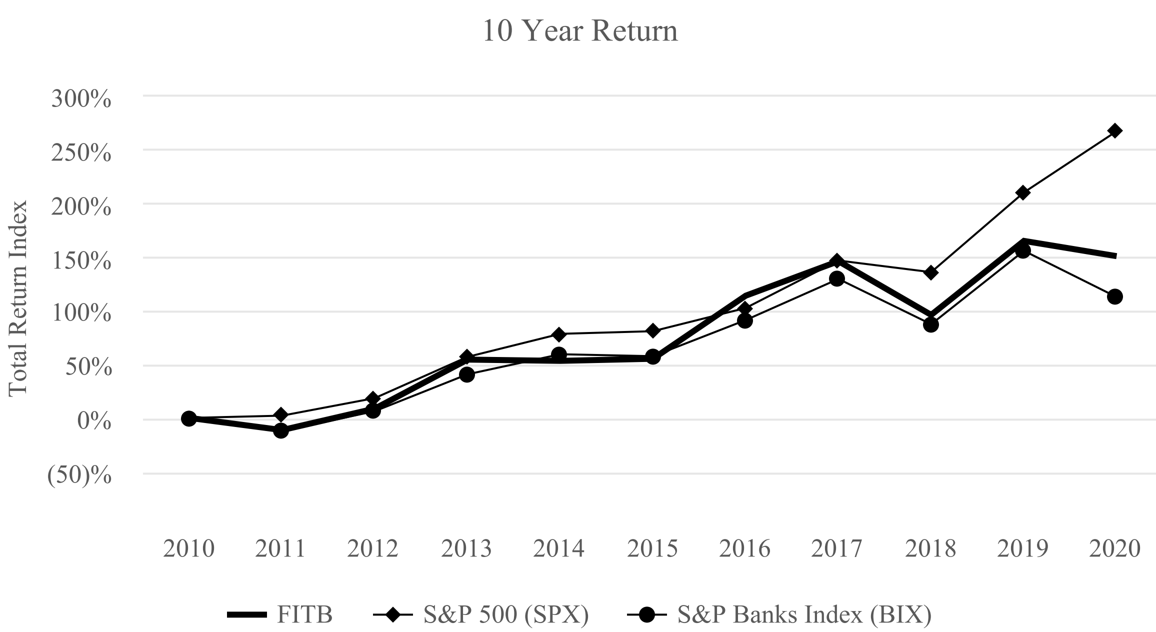
The following performance graphs do not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Company filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent the Bancorp specifically incorporates the performance graphs by reference therein.

Total Return Analysis

The graphs below summarize the cumulative return experienced by the Bancorp's shareholders over the five and ten year periods ended December 31, 2020, respectively, compared to the S&P 500 Stock and the S&P Banks indices.

FIFTH THIRD BANCORP VS. MARKET INDICES





FIFTH THIRD BANCORP
2020 ANNUAL REPORT
FINANCIAL CONTENTS

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 Consolidated Financial Statements and the Notes to Consolidated Financial Statements.

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

SELECTED FINANCIAL DATA

ITEM 6. SELECTED FINANCIAL DATA

As of and for the years ended December 31 ($ in millions, except for per share data)		2020	2019	2018	2017	2016
Income Statement Data						
Net interest income (U.S. GAAP)	$	**4,782**	4,797	4,140	3,798	3,615
Net interest income (FTE)[(a)(b)]		**4,795**	4,814	4,156	3,824	3,640
Noninterest income		**2,830**	3,536	2,790	3,224	2,696
Total revenue (FTE)[(a)(b)]		**7,625**	8,350	6,946	7,048	6,336
Provision for credit losses[(c)]		**1,097**	471	207	261	366
Noninterest expense		**4,718**	4,660	3,958	3,782	3,737
Net income		**1,427**	2,512	2,193	2,180	1,543
Net income available to common shareholders		**1,323**	2,419	2,118	2,105	1,472
Common Share Data						
Earnings per share - basic	$	**1.84**	3.38	3.11	2.86	1.92
Earnings per share - diluted		**1.83**	3.33	3.06	2.81	1.91
Cash dividends declared per common share		**1.08**	0.94	0.74	0.60	0.53
Book value per share		**29.46**	27.41	23.07	21.43	19.62
Market value per share		**27.57**	30.74	23.53	30.34	26.97
Financial Ratios						
Return on average assets		**0.73 %**	1.53	1.54	1.55	1.09
Return on average common equity		**6.4**	13.1	14.5	13.9	9.7
Return on average tangible common equity[(b)]		**8.4**	17.1	17.5	16.6	11.6
Dividend payout		**58.7**	27.8	23.8	21.0	27.6
Average total Bancorp shareholders' equity as a percent of average assets		**11.61**	12.14	11.23	11.69	11.57
Tangible common equity as a percent of tangible assets (excluding AOCI)[(b)]		**7.11**	8.44	8.71	8.83	8.77
Net interest margin[(a)(b)]		**2.78**	3.31	3.22	3.03	2.88
Net interest rate spread[(a)(b)]		**2.57**	2.92	2.87	2.76	2.66
Efficiency[(a)(b)]		**61.9**	55.8	57.0	53.7	59.0
Credit Quality						
Net losses charged-off	$	**471**	369	330	298	362
Net losses charged-off as a percent of average portfolio loans and leases		**0.42 %**	0.35	0.35	0.32	0.39
ALLL as a percent of portfolio loans and leases		**2.25**	1.10	1.16	1.30	1.36
ACL as a percent of portfolio loans and leases[(d)]		**2.41**	1.23	1.30	1.48	1.54
Nonperforming portfolio assets as a percent of portfolio loans and leases and OREO		**0.79**	0.62	0.41	0.53	0.80
Average Balances						
Loans and leases, including held for sale	$	**114,411**	107,794	93,876	92,731	94,320
Securities and other short-term investments		**58,277**	37,610	35,029	33,562	31,965
Total assets		**194,230**	163,936	142,183	140,527	142,173
Transaction deposits[(e)]		**140,505**	111,130	97,914	96,052	95,371
Core deposits[(f)]		**144,623**	116,600	102,020	99,823	99,381
Wholesale funding[(g)]		**21,506**	22,451	20,573	20,360	21,813
Bancorp shareholders' equity		**22,555**	19,902	15,970	16,424	16,453
Regulatory Capital[(h)]						
CET1 capital		**10.34 %**	9.75	10.24	10.61	10.39
Tier I risk-based capital		**11.83**	10.99	11.32	11.74	11.50
Total risk-based capital		**15.08**	13.84	14.48	15.16	15.02
Tier I leverage		**8.49**	9.54	9.72	10.01	9.90

(a) *Amounts presented on an FTE basis. The FTE adjustment for the years ended December 31, 2020, 2019, 2018, 2017, and 2016 was $13, $17, $16, $26 and $25, respectively.*
(b) *These are non-GAAP measures. For further information, refer to the Non-GAAP Financial Measures section of MD&A.*
(c) *The provision for credit losses is the sum of the provision for loan and lease losses and the provision for (benefit from) the reserve for unfunded commitments.*
(d) *The ACL is the sum of the ALLL and the reserve for unfunded commitments.*
(e) *Includes demand deposits, interest checking deposits, savings deposits, money market deposits and foreign office deposits.*
(f) *Includes transaction deposits and other time deposits.*
(g) *Includes certificates $100,000 and over, other deposits, federal funds purchased, other short-term borrowings and long-term debt.*
(h) *Regulatory capital ratios as of December 31, 2020 are calculated pursuant to the five-year transition provision option to phase in the effects of CECL on regulatory capital.*

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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 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

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

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

The Bancorp's revenues are dependent on both net interest income and noninterest income. For the year ended December 31, 2020, net interest income on an FTE basis and noninterest income provided 63% and 37% 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 Consolidated Financial Statements for the year ended December 31, 2020. Changes in interest rates, credit quality, economic trends and the capital markets are primary factors that drive the performance of the Bancorp. As discussed later in the Risk Management section of MD&A, risk identification, measurement, monitoring, control and reporting are important to the management of risk and to the financial performance and capital strength of the Bancorp.

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

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

COVID-19 Global Pandemic

The COVID-19 pandemic has introduced significant economic uncertainty during the year ended December 31, 2020. To address concerns that COVID-19 may overwhelm the health care system, states across the U.S. declared lockdowns that restricted social gatherings and ordered temporary closures of businesses deemed non-essential. Despite the partial lifting of these measures in some of the states in the Bancorp's geographic footprint, the recent fluctuations in the number of COVID-19 cases mean that it remains unknown when there will be a return to normal economic activity. During the year ended December 31, 2020, the Bancorp observed the impact of the pandemic on its business. The decline of asset prices, reduction in interest rates, widening of credit spreads, borrower and counterparty credit deterioration and market volatility had the most immediate negative impacts on current performance. Although the Bancorp is unable to estimate the extent of the impact, the continuing pandemic and related global economic crisis will adversely impact its future operating results.

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

Government Response to the COVID-19 Pandemic

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

The CARES Act

The Coronavirus Aid, Relief and Economic Security ("CARES") Act was signed into law on March 27, 2020 and has subsequently been amended several times, including by the Consolidated Appropriations Act, 2021. Among other provisions, the CARES Act includes funding for the SBA to expand lending, relief from certain U.S. GAAP requirements to allow COVID-19-related loan modifications to not be categorized as TDRs and a range of incentives to encourage deferment, forbearance or modification of consumer credit and mortgage contracts. One of the key CARES Act programs is the Paycheck Protection Program, which has temporarily expanded the SBA's business loan guarantee program. Paycheck Protection Program loans are available to a broader range of entities than ordinary SBA loans, require deferral of principal and interest repayment, and the loan may be forgiven if the borrower demonstrates that the loan proceeds were used for qualified payroll costs and certain other expenses. The Paycheck Protection Program was expanded to permit a second round of funding, including for certain borrowers who have already received a PPP loan, subject to certain conditions.

The CARES Act contains additional protections for homeowners and renters of properties with federally-backed mortgages, including a 60-day moratorium on the initiation of foreclosure proceedings beginning on March 18, 2020 and a 120-day moratorium on initiating eviction proceedings effective March 27, 2020. Borrowers of federally-backed mortgages have the right under the CARES Act to request up to 360 days of forbearance on their mortgage payments if they experience financial hardship directly or indirectly due to the COVID-19 public health emergency. The Federal Housing Administration, Fannie Mae and Freddie Mac have independently extended their moratorium on foreclosures and evictions for single-family federally backed mortgages until at least June 30, 2021.

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

FRB Actions

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

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

FRB facilities and programs that expired as of December 31, 2020 included:

- Main Street New Loan Facility, a Main Street Priority Loan Facility, and a Main Street Expanded Loan Facility to purchase loan participations, under specified conditions, from banks lending to small and medium U.S. businesses;
- Primary Market Corporate Credit Facility to purchase corporate bonds directly from, or make loans directly to, eligible participants;
- Secondary Market Corporate Credit Facility to purchase corporate bonds trading in secondary markets, including from exchange-traded funds, that were issued by eligible participants;
- Term Asset-Backed Securities Loan Facility to make loans secured by asset-backed securities; and
- Municipal Liquidity Facility to purchase bonds directly from U.S. state, city and county issuers.

FRB facilities and programs that remain active include:

- Paycheck Protection Program Liquidity Facility to provide financing related to Paycheck Protection Program loans made by banks;
- Primary Dealer Credit Facility to provide liquidity to primary dealers through a secured lending facility;
- Commercial Paper Funding Facility to purchase the commercial paper of certain U.S. issuers; and
- Money Market Mutual Fund Liquidity Facility to purchase certain assets from, or make loans to, financial institutions providing financing to eligible money market mutual funds.

For commercial and consumer customers, Fifth Third has provided a host of relief options, including loan covenant relief, loan maturity extensions, payment deferrals, forbearances and fee waivers.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Paycheck Protection Program

As previously discussed, the Bancorp is participating in the SBA's Paycheck Protection Program which was created by the CARES Act on March 27, 2020. As of December 31, 2020, the Bancorp held approximately 24,000 loans with a carrying amount of $4.8 billion under the program.

For further discussion on Fifth Third's hardship relief programs as a result of the COVID-19 pandemic, refer to the Credit Risk Management subsection of the Risk Management section of MD&A and Note 1 of the Notes to Consolidated Financial Statements.

Senior Notes Offerings

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

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

For more information on the senior notes offerings, including disclosure on the redemption options, refer to Note 18 of the Notes to Consolidated Financial Statements.

Preferred Stock Offering

On July 30, 2020, the Bancorp issued in a registered public offering 350,000 depositary shares, representing 14,000 shares of 4.50% fixed-rate reset non-cumulative perpetual preferred stock, Series L, for net proceeds of approximately $346 million. Each preferred share has a $25,000 liquidation preference.

For more information on the preferred stock offering, including disclosure on the redemption options, refer to Note 25 of the Notes to Consolidated Financial Statements.

LIBOR Transition

In July 2017, the Chief Executive of the United Kingdom Financial Conduct Authority (the "FCA"), which regulates LIBOR, announced that FCA will stop persuading or compelling banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021. Since then, central banks around the world, including the Federal Reserve, have commissioned working groups of market participants and official sector representatives with the goal of finding suitable replacements for LIBOR. The Bancorp has substantial exposure to LIBOR-based products within its commercial lending, commercial deposits, business banking, consumer lending and capital markets lines of business as well as corporate treasury function. It is expected that a transition away from the widespread use of LIBOR to alternative reference rates for new financial contracts will occur by the end of 2021. On November 30, 2020, the Federal Reserve, OCC, and FDIC issued a public statement that the administrator of LIBOR announced it will consult on an extension of publication of certain U.S. Dollar ("USD") LIBOR tenors until June 30, 2023, which would allow additional legacy USD LIBOR contracts to mature before the succession of LIBOR. The administrator has not yet announced the results of its consultation. Although the full impact of LIBOR reforms and actions remains unclear, the Bancorp continues to prepare to transition from LIBOR to these alternative reference rates. In the United States, it is likely that LIBOR-priced transactions and products will transfer to the Secured Overnight Financing Rate ("SOFR"). There are risks inherent with the transition to any alternative rate such as SOFR as the rates may behave differently than LIBOR in reaction to monetary, market and economic events.

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.

For a further discussion of the various risks the Bancorp faces in connection with the expected replacement of LIBOR on its operations, see "Risk Factors—Market Risks—The replacement of LIBOR could adversely affect Fifth Third's revenue or expenses and the value of those assets or obligations." in Item 1A. Risk Factors of this Annual Report on Form 10-K.

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 key performance indicators used by management to make operating decisions and evaluate capital utilization:

- CET1 Capital Ratio: CET1 capital divided by risk-weighted assets as defined by the Basel III standardized approach to risk-weighting of assets

- Return on Average Tangible Common Equity (non-GAAP): Tangible net income available to common shareholders divided by average tangible common equity
- Efficiency Ratio: Noninterest expense divided by the sum of net interest income on an FTE basis (non-GAAP) and noninterest income
- Earnings Per Share, Diluted: Net income allocated to common shareholders divided by average common shares outstanding after the effect of dilutive stock-based awards
- Nonperforming Portfolio Assets Ratio: Nonperforming portfolio assets divided by portfolio loans and leases and OREO
- Return on Average Assets: Net income divided by average assets
- Loan-to-Deposit Ratio: Total loans divided by total deposits

TABLE 1: Condensed Consolidated Statements of Income

For the years ended December 31 ($ in millions, except per share data)		**2020**	2019	2018	2017	2016
Interest income (FTE)[(a)]	$	**5,585**	6,271	5,199	4,515	4,218
Interest expense		**790**	1,457	1,043	691	578
Net Interest Income (FTE)[(a)]		**4,795**	4,814	4,156	3,824	3,640
Provision for credit losses		**1,097**	471	207	261	366
Net Interest Income After Provision for Credit Losses (FTE)[(a)]		**3,698**	4,343	3,949	3,563	3,274
Noninterest income		**2,830**	3,536	2,790	3,224	2,696
Noninterest expense		**4,718**	4,660	3,958	3,782	3,737
Income Before Income Taxes (FTE)[(a)]		**1,810**	3,219	2,781	3,005	2,233
Fully taxable equivalent adjustment		**13**	17	16	26	25
Applicable income tax expense		**370**	690	572	799	665
Net Income		**1,427**	2,512	2,193	2,180	1,543
Less: Net income attributable to noncontrolling interests		**—**	—	—	—	(4)
Net Income Attributable to Bancorp		**1,427**	2,512	2,193	2,180	1,547
Dividends on preferred stock		**104**	93	75	75	75
Net Income Available to Common Shareholders	$	**1,323**	2,419	2,118	2,105	1,472
Earnings per share - basic	$	**1.84**	3.38	3.11	2.86	1.92
Earnings per share - diluted	$	**1.83**	3.33	3.06	2.81	1.91
Cash dividends declared per common share	$	**1.08**	0.94	0.74	0.60	0.53

(a) 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 year ended December 31, 2020 was $1.3 billion, or $1.83 per diluted share, which was net of $104 million in preferred stock dividends. The Bancorp’s net income available to common shareholders for the year ended December 31, 2019 was $2.4 billion, or $3.33 per diluted share, which was net of $93 million in preferred stock dividends.

Net interest income on an FTE basis (non-GAAP) was $4.8 billion for both the years ended December 31, 2020 and 2019. Net interest income was negatively impacted by decreases in yields on average interest-earning assets of 108 bps. The decreases in yields on average interest-earning assets were primarily driven by lower yields on total average loans and leases primarily as a result of decreases in yields on average commercial and industrial loans, average commercial mortgage loans, average commercial construction loans and average home equity of 98 bps, 127 bps, 172 bps and 126 bps, respectively, from the year ended December 31, 2019. The decrease in yields on total average loans and leases for the year ended December 31, 2020 was primarily due to a decrease in market rates, impacting the Bancorp’s portfolios of floating interest rate loans, which are primarily LIBOR- and Prime-based. Net interest income was also negatively impacted by increases in average interest checking deposits and average money market deposits of $10.2 billion and $4.0 billion, respectively, from the year ended December 31, 2019. These negative impacts were partially offset by decreases in rates paid on average interest-bearing liabilities of 73 bps. The decreases in rates paid on average interest-bearing liabilities were primarily driven by decreases in rates paid on average interest checking deposits, average money market deposits and average long-term debt of 81 bps, 76 bps and 48 bps, respectively, from the year ended December 31, 2019. Net interest income also benefited from increases in average commercial and industrial loans, average indirect secured consumer loans and average commercial mortgage loans of $3.6 billion, $2.1 billion and $1.1 billion, respectively, from the year ended December 31, 2019. Net interest income for the year ended December 31, 2020 compared to the year ended December 31, 2019 was adversely impacted by lower market interest rates due to the FOMC decisions to lower the target range of the federal funds rate and the Federal Reserve's bond purchase programs. During the years ended December 31, 2020 and 2019, net interest income included $57 million and $65 million, respectively, of amortization and accretion of premiums and discounts on acquired loans and leases and assumed deposits and long-term debt from acquisitions. Net interest margin on an FTE basis (non-GAAP) was 2.78% for the year ended December 31, 2020 compared to 3.31% for the year ended December 31, 2019.

Effective January 1, 2020, the Bancorp adopted ASU 2016-13 which established a new approach for estimating credit losses on certain types of financial instruments. The Bancorp recognized an initial increase to the ACL of approximately $653 million upon adoption of ASU 2016-13 on January 1, 2020, which included $171 million from the non-PCD loan portfolio resulting from the MB Financial, Inc. acquisition. The provision for credit losses was $1.1 billion for the year ended December 31, 2020 compared to $471 million for the prior year. The increase in provision expense for the year ended December 31, 2020 compared to the prior year was primarily due to an increase in the ACL reflecting deterioration in the macroeconomic environment as a result of the impact of the COVID-19 pandemic and the resulting impact of this environment on commercial borrowers as reflected in increased levels of commercial criticized assets. The increase in the provision for credit losses also reflected the impact of the change in methodology for estimating credit losses from the incurred loss methodology to the expected credit loss methodology beginning in the first quarter of 2020. Net losses charged off as a percent of average portfolio loans and leases were 0.42% and 0.35% for the years ended December 31, 2020 and 2019, respectively. At December 31, 2020, nonperforming portfolio assets as a percent of portfolio loans and leases and OREO increased to 0.79% compared to 0.62% at December 31, 2019. For further discussion on credit quality refer to the Credit Risk Management subsection of the Risk Management section of MD&A as well as Note 7 of the Notes to Consolidated Financial Statements.

Noninterest income decreased $706 million for the year ended December 31, 2020 compared to the year ended December 31, 2019 primarily due to a decrease in other noninterest income, partially offset by increases in commercial banking revenue, wealth and asset management revenue and mortgage banking net revenue. Other noninterest income decreased $853 million for the year ended December 31, 2020 compared to the year ended December 31, 2019 primarily due to the $562 million gain on sale of Worldpay, Inc. shares recognized during the first quarter of 2019 and a decrease of $272 million in the income from the TRA associated with Worldpay, Inc primarily driven by a $345 million gain recognized in the fourth quarter of 2019 from the Worldpay, Inc. TRA transaction. Commercial banking revenue increased $68 million for the year ended December 31, 2020 compared to the year ended December 31, 2019 primarily driven by increases in institutional sales and bridge fees of $68 million and $10 million, respectively, partially offset by a decrease in loan syndication fees of $20 million. Wealth and asset management revenue increased $33 million for the year ended December 31, 2020 compared to the year ended December 31, 2019 primarily due to increases of $16 million in both private client service fees and broker income. Mortgage banking net revenue increased $33 million for the year ended December 31, 2020 compared to the year ended December 31, 2019 primarily due to an increase of $140 million in origination fees and gains on loan sales, partially offset by an increase of $103 million in net negative valuation adjustments.

Noninterest expense increased $58 million for the year ended December 31, 2020 compared to the year ended December 31, 2019 primarily due to an increase in compensation and benefits expense, partially offset by decreases in technology and communications expense and marketing expense. The Bancorp recognized $16 million of merger-related expenses related to the MB Financial, Inc. acquisition for the year ended December 31, 2020 compared to $222 million for the year ended December 31, 2019. Compensation and benefits expense increased $172 million for the year ended December 31, 2020 compared to the year ended December 31, 2019 primarily due to strategic hiring and the impact of raising the Bancorp’s minimum wage in the fourth quarter of 2019, as well as increases in incentive compensation driven by strong performance in fees related to business growth during the year ended December 31, 2020. Technology and communications expense decreased $60 million for the year ended December 31, 2020 compared to the year ended December 31, 2019 primarily driven by decreased integration and conversion costs related to the acquisition of MB Financial, Inc. Marketing expense decreased $58 million for the year ended December 31, 2020 compared to the year ended December 31, 2019 primarily due to the impact of the COVID-19 pandemic, which resulted in a pause or slowdown in numerous marketing campaigns, including running less advertising as well as the suspension of cash bonus and other account acquisition programs.

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 December 31, 2020. As of December 31, 2020, the Bancorp’s capital ratios, as defined by the U.S. banking agencies, were:

- CET1 capital ratio: 10.34%;
- Tier I risk-based capital ratio: 11.83%;
- Total risk-based capital ratio: 15.08%;
- Tier I leverage ratio: 8.49%

NON-GAAP FINANCIAL MEASURES

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

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

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

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

For the years ended December 31 ($ in millions)		**2020**	2019	2018
Net interest income (U.S. GAAP)	$	**4,782**	4,797	4,140
Add: FTE adjustment		**13**	17	16
Net interest income on an FTE basis (1)	$	**4,795**	4,814	4,156
Interest income (U.S. GAAP)	$	**5,572**	6,254	5,183
Add: FTE adjustment		**13**	17	16
Interest income on an FTE basis (2)	$	**5,585**	6,271	5,199
Interest expense (3)	$	**790**	1,457	1,043
Noninterest income (4)		**2,830**	3,536	2,790
Noninterest expense (5)		**4,718**	4,660	3,958
Average interest-earning assets (6)		**172,688**	145,404	128,905
Average interest-bearing liabilities (7)		**119,018**	104,708	89,959
Ratios:				
Net interest margin on an FTE basis (1) / (6)		**2.78 %**	3.31	3.22
Net interest rate spread on an FTE basis ((2) / (6)) - ((3) / (7))		**2.57**	2.92	2.87
Efficiency ratio on an FTE basis (5) / ((1) + (4))		**61.9**	55.8	57.0

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

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 years ended December 31 ($ in millions)		**2020**	2019
Net income available to common shareholders (U.S. GAAP)	$	**1,323**	2,419
Add: Intangible amortization, net of tax		**38**	35
Tangible net income available to common shareholders (1)	$	**1,361**	2,454
Average Bancorp shareholders' equity (U.S. GAAP)	$	**22,555**	19,902
Less: Average preferred stock		**1,916**	1,470
Average goodwill		**4,258**	3,888
Average intangible assets		**172**	169
Average tangible common equity (2)	$	**16,209**	14,375
Return on average tangible common equity (1) / (2)		**8.4 %**	17.1

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

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

TABLE 4: Non-GAAP Financial Measures - Capital Ratios

As of December 31 ($ in millions)		**2020**	2019
Total Bancorp Shareholders' Equity (U.S. GAAP)	**$**	**23,111**	21,203
Less: Preferred stock		**2,116**	1,770
Goodwill		**4,258**	4,252
Intangible assets		**139**	201
AOCI		**2,601**	1,192
Tangible common equity, excluding AOCI (1)		**13,997**	13,788
Add: Preferred stock		**2,116**	1,770
Tangible equity (2)	**$**	**16,113**	15,558
Total Assets (U.S. GAAP)	**$**	**204,680**	169,369
Less: Goodwill		**4,258**	4,252
Intangible assets		**139**	201
AOCI, before tax		**3,292**	1,509
Tangible assets, excluding AOCI (3)	**$**	**196,991**	163,407
Ratios:			
Tangible equity as a percentage of tangible assets (2) / (3)		**8.18 %**	9.52
Tangible common equity as a percentage of tangible assets (1) / (3)		**7.11**	8.44

RECENT ACCOUNTING STANDARDS

Note 1 of the Notes to Consolidated Financial Statements provides a discussion of the significant new accounting standards applicable to the Bancorp during 2020 and the expected impact of significant accounting standards issued, but not yet required to be adopted.

CRITICAL ACCOUNTING POLICIES

The Bancorp's 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. On January 1, 2020, the Bancorp adopted ASU 2016-13 ("Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments") and its related subsequent amendments, along with ASU 2017-04 ("Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment"). For additional information about these ASUs and their impacts on the Bancorp, refer to Note 1 of the Notes to Consolidated Financial Statements. As a result of the adoption of these ASUs, the accounting policies for the ALLL, reserve for unfunded commitments and goodwill have been updated as of January 1, 2020, and the related policies that were in effect for periods prior to January 1, 2020 are provided in the Critical Accounting Policies Applicable Prior to January 1, 2020 section below. There have been no other material changes to the valuation techniques or models described below during the year ended December 31, 2020.

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

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

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

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

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

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

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

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

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

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

Reserve for Unfunded Commitments

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

Valuation of Servicing Rights

When the Bancorp sells loans through either securitizations or individual loan sales in accordance with its investment policies, it often obtains servicing rights. The Bancorp may also purchase servicing rights. The Bancorp has elected to measure all existing classes of its residential mortgage servicing rights at fair value at each reporting date with changes in the fair value of servicing rights reported in earnings in the period in which the changes occur. Servicing rights are valued using internal OAS models. Significant management judgment is necessary to identify key economic assumptions used in estimating the fair value of the servicing rights including the prepayment speeds of the underlying loans, the weighted-average life, the OAS and the weighted-average coupon rate, as applicable. The primary risk of material changes to the value of the servicing rights resides in the potential volatility in the economic assumptions used, particularly the prepayment speeds. In order to assist in the assessment of the fair value of servicing rights, the Bancorp obtains external valuations of the servicing rights portfolio from third parties and participates in peer surveys that provide additional confirmation of the reasonableness of key assumptions utilized in the internal OAS model. For additional information on servicing rights, refer to Note 14 of the Notes to Consolidated Financial Statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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. The Bancorp employs various valuation approaches to measure fair value including the market, income and cost approaches. The market approach uses prices or relevant information generated by market transactions involving identical or comparable assets or liabilities. The income approach involves discounting future amounts to a single present amount and is based on current market expectations about those future amounts. The cost approach is based on the amount that currently would be required to replace the service capacity of the asset.

U.S. GAAP 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 additional information on the fair value hierarchy and fair value measurements, refer to Note 1 of the Notes to Consolidated Financial Statements.

The Bancorp's fair value measurements involve various valuation techniques and models, which involve inputs that are observable, when available. Valuation techniques and parameters used for measuring assets and liabilities are reviewed and validated by the Bancorp on a quarterly basis. Additionally, the Bancorp monitors the fair values of significant assets and liabilities using a variety of methods including the evaluation of pricing runs and exception reports based on certain analytical criteria, comparison to previous trades and overall review and assessments for reasonableness. The level of management judgment necessary to determine fair value varies based upon the methods used in the determination of fair value. Financial instruments that are measured at fair value using quoted prices in active markets (Level 1) require minimal judgment. The valuation of financial instruments when quoted market prices are not available (Levels 2 and 3) may require significant management judgment to assess whether quoted prices for similar instruments exist, the impact of changing market conditions including reducing liquidity in the capital markets and the use of estimates surrounding significant unobservable inputs. Table 5 provides a summary of the fair value of financial instruments carried at fair value on a recurring basis and the amounts of financial instruments valued using Level 3 inputs.

TABLE 5: Fair Value Summary

As of ($ in millions)	**December 31, 2020**		December 31, 2019	
	Balance	Level 3	Balance	Level 3
Assets carried at fair value	**$ 43,079**	**878**	40,446	1,194
As a percent of total assets	**21 %**	**—**	24	1
Liabilities carried at fair value	**$ 1,527**	**209**	890	171
As a percent of total liabilities	**1 %**	**—**	1	—

Refer to Note 29 of the Notes to Consolidated Financial Statements for further information on fair value measurements including a description of the valuation methodologies used for significant financial instruments.

Goodwill

Business combinations entered into by the Bancorp typically include the recognition of goodwill. U.S. GAAP requires goodwill to be tested for impairment at the Bancorp's reporting unit level on an annual basis, which for the Bancorp is September 30, and more frequently if events or circumstances indicate that there may be impairment. Refer to Note 1 of the Notes to Consolidated Financial Statements for a discussion on the methodology used by the Bancorp to assess goodwill for impairment.

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

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

Legal Contingencies

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 and significant judgment may be required in the determination of both the probability of loss and whether the amount of the loss is reasonably estimable. The Bancorp's estimates are subjective and are based on the status of legal and regulatory proceedings, the merit of the Bancorp's defenses and consultation with internal and external legal counsel. 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. Refer to Note 20 of the Notes to Consolidated Financial Statements for further information regarding the Bancorp's legal proceedings.

Critical Accounting Policies Applicable Prior to January 1, 2020

The following paragraphs describe the portions of the Bancorp's critical accounting policies that were applicable prior to January 1, 2020 but were updated in conjunction with the prospective adoption of ASU 2016-13 and ASU 2017-04 on January 1, 2020. The following paragraphs do not include the portions of the respective policies that were not affected by the adoption of these new accounting standards. Refer to Note 1 of the Notes to Consolidated Financial Statements for additional information.

ALLL

The Bancorp maintained the ALLL to absorb probable loan and lease losses inherent in its portfolio segments. The ALLL was maintained at a level the Bancorp considered to be adequate and was based on ongoing quarterly assessments and evaluations of the collectability and historical loss experience of loans and leases. Credit losses were charged and recoveries were credited to the ALLL. Provisions for loan and lease losses were based on the Bancorp's review of the historical credit loss experience and such factors that, in management's judgment, deserved consideration under existing economic conditions in estimating probable credit losses.

The Bancorp's methodology for determining the ALLL required significant management judgment and was based on historical loss rates, current credit grades, specific allocation on loans modified in a TDR and impaired commercial credits above specified thresholds and other qualitative adjustments. Allowances on individual commercial loans and leases, TDRs and historical loss rates were reviewed quarterly and adjusted as necessary based on changing borrower and/or collateral conditions and actual collection and charge-off experience. An unallocated allowance was maintained to recognize the imprecision in estimating and measuring losses when evaluating allowances for pools of loans and leases.

Larger commercial loans and leases included within aggregate borrower relationship balances exceeding $1 million that exhibited probable or observed credit weaknesses, as well as loans that had been modified in a TDR, were subject to individual review for impairment. The Bancorp considered the current value of collateral, credit quality of any guarantees, the guarantor's liquidity and willingness to cooperate, the loan or lease structure and other factors when evaluating whether an individual loan or lease was impaired. Other factors might include the industry and geographic region of the borrower, size and financial condition of the borrower, cash flow and leverage of the borrower and the Bancorp's evaluation of the borrower's management. When individual loans and leases were impaired, allowances were determined based on management's estimate of the borrower's ability to repay the loan or lease given the availability of collateral and other sources of cash flow, as well as an evaluation of legal options available to the Bancorp. Allowances for impaired loans and leases were measured based on the present value of expected future cash flows discounted at the loan's effective interest rate, fair value of the underlying collateral or readily observable secondary market values. The Bancorp evaluated the collectability of both principal and interest when assessing the need for a loss accrual.

Historical credit loss rates were applied to commercial loans and leases that were not impaired or were impaired, but smaller than the established threshold of $1 million and thus not subject to specific allowance allocations. The loss rates were derived from migration analyses for several portfolio stratifications, which tracked the historical net charge-off experience sustained on loans and leases according to their internal risk grade. The risk grading system utilized for allowance analysis purposes encompassed ten categories, which were based on regulatory guidance for credit risk systems.

Homogenous loans in the residential mortgage and consumer portfolio segments were not individually risk graded. Rather, standard credit scoring systems and delinquency monitoring were used to assess credit risks and allowances were established based on the expected net charge-offs. Loss rates were based on the trailing twelve-month net charge-off history by loan category. Historical loss rates were adjusted for certain prescriptive and qualitative factors that, in management's judgment, were necessary to reflect losses inherent in the portfolio. The prescriptive loss rate factors included adjustments for delinquency trends, LTV trends, refreshed FICO score trends and product mix.

The Bancorp also considered qualitative factors in determining the ALLL. These included 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, geographic concentrations, estimated loss emergence period and specific portfolio loans backed by enterprise valuations and private equity sponsors. The Bancorp considered home price index trends in its footprint and the volatility of collateral valuation trends when determining the collateral value qualitative factor.

Reserve for unfunded commitments

The reserve for unfunded commitments was maintained at a level believed by management to be sufficient to absorb estimated probable losses related to unfunded credit facilities and was included in other liabilities in the Consolidated Balance Sheets. The determination of the adequacy of the reserve was based upon an evaluation of the unfunded credit facilities, including an assessment of historical commitment utilization experience, credit risk grading and historical loss rates based on credit grade migration. This process took into consideration the same risk elements that were analyzed in the determination of the adequacy of the Bancorp's ALLL, as previously discussed. Net adjustments to the reserve for unfunded commitments were included in provision for credit losses in the Consolidated Statements of Income.

Goodwill

Impairment existed when a reporting unit's carrying amount of goodwill exceeded its implied fair value. In testing goodwill for impairment, U.S. GAAP permitted the Bancorp to first assess qualitative factors to determine whether it was more likely than not that the fair value of a reporting unit was less than its carrying amount. In this qualitative assessment, the Bancorp evaluated events and circumstances which might include, but were not limited to, the general economic environment, banking industry and market conditions, the overall financial performance of the Bancorp, the performance of the Bancorp's common stock, the key financial performance metrics of the Bancorp's reporting units and events affecting the reporting units. If, after assessing the totality of events and circumstances, the Bancorp determined it was not more likely than not that the fair value of a reporting unit was less than its carrying amount, then performing the two-step impairment test would be unnecessary. However, if the Bancorp concluded otherwise or elected to bypass the qualitative assessment, it would then be required to perform the first step (Step 1) of the goodwill impairment test, and continue to the second step (Step 2), if necessary. Step 1 of the goodwill impairment test compared the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying amount of the reporting unit exceeded its fair value, Step 2 of the goodwill impairment test was necessary to measure the amount of impairment loss, which was equal to any excess of the carrying amount of goodwill over its implied fair value with such loss limited to the carrying amount of goodwill.

The fair value of a reporting unit was the price that would be received to sell the unit as a whole in an orderly transaction between market participants at the measurement date. As none of the Bancorp's reporting units were publicly traded, individual reporting unit fair value determinations could not be directly correlated to the Bancorp's stock price. To determine the fair value of a reporting unit, the Bancorp employed an income-based approach, utilizing the reporting unit's forecasted cash flows (including a terminal value approach to estimate cash flows beyond the final year of the forecast) and the reporting unit's estimated cost of equity as the discount rate. Significant management judgment was necessary in the preparation of each reporting unit's forecasted cash flows surrounding expectations for earnings projections, growth and credit loss expectations. Additionally, the Bancorp determined its market capitalization based on the average of the closing price of the Bancorp's stock during the month including the measurement date, incorporating an additional control premium, and compared this market-based fair value measurement to the aggregate fair value of the Bancorp's reporting units in order to corroborate the results of the income approach.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

STATEMENTS OF INCOME ANALYSIS

Net Interest Income

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

Tables 6 and 7 present the components of net interest income, net interest margin and net interest rate spread for the years ended December 31, 2020, 2019 and 2018, 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 $4.8 billion for both the years ended December 31, 2020 and 2019. Net interest income was negatively impacted by decreases in yields on average interest-earning assets of 108 bps. The decreases in yields on average interest-earning assets were primarily driven by lower yields on total average loans and leases primarily as a result of decreases in yields on average commercial and industrial loans, average commercial mortgage loans, average commercial construction loans and average home equity of 98 bps, 127 bps, 172 bps and 126 bps, respectively, from the year ended December 31, 2019. The decrease in yields on total average loans and leases for the year ended December 31, 2020 was primarily due to a decrease in market rates, impacting the Bancorp's portfolios of floating interest rate loans, which are primarily LIBOR- and Prime-based. The Bancorp's portfolios of fixed interest rate loans also decreased in yield as a result of increased refinance activity and lower reinvestment yields due to lower overall market rates. Net interest income was also negatively impacted by increases in average interest checking deposits and average money market deposits of $10.2 billion and $4.0 billion, respectively, from the year ended December 31, 2019. These negative impacts were partially offset by decreases in rates paid on average interest-bearing liabilities of 73 bps. The decreases in rates paid on average interest-bearing liabilities were primarily driven by decreases in rates paid on average interest checking deposits, average money market deposits and average long-term debt of 81 bps, 76 bps and 48 bps, respectively, from the year ended December 31, 2019. Net interest income also benefited from increases in average commercial and industrial loans, average indirect secured consumer loans and average commercial mortgage loans of $3.6 billion, $2.1 billion and $1.1 billion, respectively, from the year ended December 31, 2019. The increase in average commercial and industrial loans was primarily as a result of PPP loans originated during the year ended December 31, 2020.

Net interest income for the year ended December 31, 2020 compared to the year ended December 31, 2019 was adversely impacted by the FOMC decisions to lower the target range of the federal funds rate and the Federal Reserve's bond purchase programs. During the years ended December 31, 2020 and 2019, net interest income included $57 million and $65 million, respectively, of amortization and accretion of premiums and discounts on acquired loans and leases and assumed deposits and long-term debt from acquisitions.

Net interest rate spread on an FTE basis (non-GAAP) was 2.57% during the year ended December 31, 2020 compared to 2.92% during the year ended December 31, 2019. Yields on average interest-earning assets decreased 108 bps, partially offset by a 73 bps decrease in rates paid on average interest-bearing liabilities for the year ended December 31, 2020 compared to the year ended December 31, 2019.

Net interest margin on an FTE basis (non-GAAP) was 2.78% for the year ended December 31, 2020 compared to 3.31% for the year ended December 31, 2019. Net interest margin was negatively impacted by lower market interest rates, a $19.8 billion increase in low-yielding reserves held at the FRB reported in other short-term investments and the previously mentioned growth in PPP loans. These negative impacts were partially offset by increases in average free funding balances as average demand deposits increased $12.8 billion and average shareholders' equity increased $2.6 billion compared to the year ended December 31, 2019. Net interest margin results are expected to remain suppressed as a result of increased liquidity levels in the form of excess cash balances, which are expected to remain at elevated levels driven by the amount of fiscal stimulus that has increased the banking industry's balance sheets, including the Bancorp's.

Interest income on an FTE basis (non-GAAP) from loans and leases decreased $632 million from the year ended December 31, 2019 driven by the previously mentioned decreases in yields on average loans and leases, partially offset by increases in average commercial and industrial loans, average indirect secured consumer loans and average commercial mortgage loans as well as the impact of accelerated PPP fees recognized upon loan forgiveness during the year ended December 31, 2020. For more information on the Bancorp's loan and lease portfolio, refer to the Loans and Leases subsection of the Balance Sheet Analysis section of MD&A. Interest income on an FTE basis (non-GAAP) from investment securities and other short-term investments decreased $54 million from the year ended December 31, 2019 primarily due to decreases in yields on average other short-term investments and average taxable securities, partially offset by increases in average balances.

Interest expense on core deposits decreased $518 million from the year ended December 31, 2019 primarily due to decreases in the cost of average interest-bearing core deposits to 28 bps for the year ended December 31, 2020 from 96 bps for the year ended December 31, 2019. The decreases in the cost of average interest-bearing core deposits were primarily due to the previously mentioned decreases in the rates paid on average interest checking deposits and average money market deposits. Refer to the Deposits subsection of the Balance Sheet Analysis section of MD&A for additional information on the Bancorp's deposits.

Interest expense on average wholesale funding decreased $149 million for the year ended December 31, 2020 compared to the year ended December 31, 2019 primarily due to the previously mentioned decreases in rates paid on average long-term debt as well as decreases in rates paid on average other short-term borrowings and average certificates $100,000 and over, in addition to a decrease in the average balance of certificates $100,000 and over. Refer to the Borrowings subsection of the Balance Sheet Analysis section of MD&A for additional information on the Bancorp's borrowings. During the year ended December 31, 2020, average wholesale funding represented 18% of average interest-bearing liabilities compared to 21% for the year ended December 31, 2019. 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.

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TABLE 6: Consolidated Average Balance Sheet and Analysis of Net Interest Income on an FTE Basis

For the years ended December 31	**2020**			2019			2018		
($ in millions)	Average Balance	Revenue/ Cost	Average Yield/ Rate	Average Balance	Revenue/ Cost	Average Yield/ Rate	Average Balance	Revenue/ Cost	Average Yield/ Rate
Assets:									
Interest-earning assets:									
Loans and leases:[(a)]									
Commercial and industrial loans	**$ 53,814**	**1,954**	**3.63 %**	$ 50,168	2,313	4.61 %	$ 42,668	1,826	4.28 %
Commercial mortgage loans	**11,011**	**391**	**3.54**	9,905	476	4.81	6,661	298	4.47
Commercial construction loans	**5,509**	**201**	**3.65**	5,174	278	5.37	4,793	240	5.01
Commercial leases	**3,038**	**104**	**3.43**	3,578	119	3.31	3,795	108	2.84
Total commercial loans and leases	**73,372**	**2,650**	**3.61**	68,825	3,186	4.63	57,917	2,472	4.27
Residential mortgage loans	**17,828**	**622**	**3.49**	17,337	635	3.66	16,150	580	3.59
Home equity	**5,679**	**222**	**3.90**	6,286	324	5.16	6,631	326	4.92
Indirect secured consumer loans	**12,454**	**490**	**3.93**	10,345	423	4.08	8,993	304	3.38
Credit card	**2,230**	**260**	**11.64**	2,437	304	12.49	2,280	279	12.25
Other consumer loans	**2,848**	**192**	**6.76**	2,564	196	7.63	1,905	132	6.94
Total consumer loans	**41,039**	**1,786**	**4.35**	38,969	1,882	4.83	35,959	1,621	4.51
Total loans and leases	**$114,411**	**4,436**	**3.88 %**	$107,794	5,068	4.70 %	$ 93,876	4,093	4.36 %
Securities:									
Taxable	**$ 36,109**	**1,114**	**3.08 %**	$ 35,429	1,160	3.28 %	$ 33,487	1,079	3.22 %
Exempt from income taxes[(a)]	**233**	**6**	**2.61**	41	2	3.97	66	2	3.37
Other short-term investments	**21,935**	**29**	**0.13**	2,140	41	1.91	1,476	25	1.68
Total interest-earning assets	**$172,688**	**5,585**	**3.23 %**	$145,404	6,271	4.31 %	$128,905	5,199	4.03 %
Cash and due from banks	**2,978**			2,748			2,200		
Other assets	**20,933**			16,903			12,203		
Allowance for loan and lease losses	**(2,369)**			(1,119)			(1,125)		
Total assets	**$194,230**			$163,936			$142,183		
Liabilities and Equity:									
Interest-bearing liabilities:									
Interest checking deposits	**$ 46,890**	**126**	**0.27 %**	$ 36,658	396	1.08 %	$ 29,818	252	0.85 %
Savings deposits	**16,440**	**10**	**0.06**	14,041	22	0.16	13,330	14	0.10
Money market deposits	**29,879**	**88**	**0.29**	25,879	272	1.05	21,769	162	0.74
Foreign office deposits	**185**	**—**	**0.21**	209	1	0.63	363	1	0.33
Other time deposits	**4,118**	**47**	**1.14**	5,470	98	1.79	4,106	59	1.44
Total interest-bearing core deposits	**97,512**	**271**	**0.28**	82,257	789	0.96	69,386	488	0.70
Certificates $100,000 and over	**3,337**	**50**	**1.49**	4,504	97	2.14	2,426	41	1.69
Other deposits	**71**	**1**	**0.76**	265	6	2.27	476	9	1.94
Federal funds purchased	**385**	**2**	**0.58**	1,267	29	2.26	1,509	30	1.97
Other short-term borrowings	**1,709**	**14**	**0.81**	1,046	28	2.67	1,611	29	1.82
Long-term debt	**16,004**	**452**	**2.82**	15,369	508	3.30	14,551	446	3.06
Total interest-bearing liabilities	**$119,018**	**790**	**0.66 %**	$104,708	1,457	1.39 %	$ 89,959	1,043	1.16 %
Demand deposits	**47,111**			34,343			32,634		
Other liabilities	**5,546**			4,897			3,603		
Total liabilities	**$171,675**			$143,948			$126,196		
Total equity	**$ 22,555**			$ 19,988			$ 15,987		
Total liabilities and equity	**$194,230**			$163,936			$142,183		
Net interest income (FTE)[(b)]		**$ 4,795**			$ 4,814			$ 4,156	
Net interest margin (FTE)[(b)]			**2.78 %**			3.31 %			3.22 %
Net interest rate spread (FTE)[(b)]			**2.57**			2.92			2.87
Interest-bearing liabilities to interest-earning assets			**68.92**			72.01			69.79

(a) The FTE adjustments included in the above table were $13, $17 and $16 for the years ended December 31, 2020, 2019, and 2018, respectively.

(b) 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.

TABLE 7: Changes in Net Interest Income Attributable to Volume and Yield/Rate[(a)]

For the years ended December 31		**2020 Compared to 2019**			2019 Compared to 2018		
($ in millions)		Volume	Yield/Rate	Total	Volume	Yield/Rate	Total
Assets:							
Interest-earning assets:							
Loans and leases:							
Commercial and industrial loans	$	**159**	**(518)**	**(359)**	338	149	487
Commercial mortgage loans		**50**	**(135)**	**(85)**	154	24	178
Commercial construction loans		**17**	**(94)**	**(77)**	20	18	38
Commercial leases		**(19)**	**4**	**(15)**	(6)	17	11
Total commercial loans and leases		**207**	**(743)**	**(536)**	506	208	714
Residential mortgage loans		**17**	**(30)**	**(13)**	43	12	55
Home equity		**(28)**	**(74)**	**(102)**	(17)	15	(2)
Indirect secured consumer loans		**83**	**(16)**	**67**	50	69	119
Credit card		**(24)**	**(20)**	**(44)**	20	5	25
Other consumer loans		**20**	**(24)**	**(4)**	50	14	64
Total consumer loans		**68**	**(164)**	**(96)**	146	115	261
Total loans and leases	$	**275**	**(907)**	**(632)**	652	323	975
Securities:							
Taxable	$	**23**	**(69)**	**(46)**	63	18	81
Exempt from income taxes		**5**	**(1)**	**4**	—	—	—
Other short-term investments		**58**	**(70)**	**(12)**	12	4	16
Total change in interest income	$	**361**	**(1,047)**	**(686)**	727	345	1,072
Liabilities:							
Interest-bearing liabilities:							
Interest checking deposits	$	**88**	**(358)**	**(270)**	65	79	144
Savings deposits		**3**	**(15)**	**(12)**	—	8	8
Money market deposits		**37**	**(221)**	**(184)**	35	75	110
Foreign office deposits		**—**	**(1)**	**(1)**	(1)	1	—
Other time deposits		**(21)**	**(30)**	**(51)**	22	17	39
Total interest-bearing core deposits		**107**	**(625)**	**(518)**	121	180	301
Certificates $100,000 and over		**(22)**	**(25)**	**(47)**	43	13	56
Other deposits		**(2)**	**(3)**	**(5)**	(4)	1	(3)
Federal funds purchased		**(13)**	**(14)**	**(27)**	(5)	4	(1)
Other short-term borrowings		**12**	**(26)**	**(14)**	(12)	11	(1)
Long-term debt		**20**	**(76)**	**(56)**	25	37	62
Total change in interest expense	$	**102**	**(769)**	**(667)**	168	246	414
Total change in net interest income	$	**259**	**(278)**	**(19)**	559	99	658

(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.

Provision for Credit Losses

The Bancorp provides as an expense an amount for expected credit losses within the loan and lease portfolio and the portfolio of unfunded loan commitments and letters of credit that is based on factors discussed in the Critical Accounting Policies section of MD&A. 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 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 $1.1 billion for the year ended December 31, 2020 compared to $471 million for the prior year. The increase in provision expense for the year ended December 31, 2020 compared to the prior year was primarily due to an increase in the ACL reflecting deterioration in the macroeconomic environment as a result of the impact of the COVID-19 pandemic and the resulting impact of this environment on commercial borrowers as reflected in increased levels of commercial criticized assets. The increase in the provision for credit losses also reflected the impact of the change in methodology for estimating credit losses from the incurred loss methodology to the expected credit loss methodology beginning in the first quarter of 2020.

The ALLL increased $1.3 billion from December 31, 2019 to $2.5 billion at December 31, 2020. At December 31, 2020, the ALLL as a percent of portfolio loans and leases increased to 2.25%, compared to 1.10% at December 31, 2019. The reserve for unfunded commitments increased $28 million from December 31, 2019 to $172 million at December 31, 2020. The ACL as a percent of portfolio loans and leases increased to 2.41% at December 31, 2020, compared to 1.23% at December 31, 2019. These increases reflect the adoption of ASU 2016-13 which resulted in a combined increase to the ALLL and reserve for unfunded commitments of approximately $653 million, as well as the previously mentioned items impacting the provision for credit losses.

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

Noninterest Income

Noninterest income decreased $706 million for the year ended December 31, 2020 compared to the year ended December 31, 2019. The following table presents the components of noninterest income:

TABLE 8: Components of Noninterest Income

For the years ended December 31 ($ in millions)		**2020**	2019	2018	2017	2016
Service charges on deposits	**$**	**559**	565	549	554	558
Commercial banking revenue		**528**	460	408	386	400
Wealth and asset management revenue		**520**	487	444	419	404
Card and processing revenue		**352**	360	329	313	319
Mortgage banking net revenue		**320**	287	212	224	285
Leasing business revenue		**276**	270	114	63	134
Other noninterest income		**211**	1,064	803	1,261	586
Securities gains (losses), net		**62**	40	(54)	2	10
Securities gains (losses), net - non-qualifying hedges on MSRs		**2**	3	(15)	2	—
Total noninterest income	**$**	**2,830**	3,536	2,790	3,224	2,696

Service charges on deposits

Service charges on deposits decreased $6 million for the year ended December 31, 2020 compared to the year ended December 31, 2019 driven by a decrease of $32 million in consumer deposit fees due to lower overdraft occurrences as a result of the impact of COVID-19 financial assistance and fiscal stimulus programs, partially offset by an increase of $26 million in commercial deposit fees.

Commercial banking revenue

Commercial banking revenue increased $68 million for the year ended December 31, 2020 compared to the year ended December 31, 2019 primarily driven by increases in institutional sales and bridge fees of $68 million and $10 million, respectively, partially offset by a decrease in loan syndication fees of $20 million.

Wealth and asset management revenue

Wealth and asset management revenue increased $33 million for the year ended December 31, 2020 compared to the year ended December 31, 2019 primarily due to increases of $16 million in both private client service fees and broker income. The Bancorp's trust and registered investment advisory businesses had approximately $434 billion and $413 billion in total assets under care as of December 31, 2020 and 2019, respectively, and managed $54 billion and $49 billion in assets for individuals, corporations and not-for-profit organizations as of December 31, 2020 and 2019, respectively.

Card and processing revenue

Card and processing revenue decreased $8 million for the year ended December 31, 2020 compared to the year ended December 31, 2019 primarily driven by a decrease in customer spend volume as a result of reduced economic activity related to government-mandated shutdowns of local economies and other COVID-related impacts, partially offset by lower reward costs.

Mortgage banking net revenue

Mortgage banking net revenue increased $33 million for the year ended December 31, 2020 compared to the year ended December 31, 2019.

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

TABLE 9: Components of Mortgage Banking Net Revenue

For the years ended December 31 ($ in millions)		2020	2019	2018
Origination fees and gains on loan sales	$	**315**	175	100
Net mortgage servicing revenue:				
Gross mortgage servicing fees		**263**	267	216
Net valuation adjustments on MSRs and free-standing derivatives purchased to economically hedge MSRs		**(258)**	(155)	(104)
Net mortgage servicing revenue		**5**	112	112
Total mortgage banking net revenue	$	**320**	287	212

Origination fees and gains on loan sales increased $140 million for the year ended December 31, 2020 compared to the year ended December 31, 2019 primarily driven by an increase in originations and gain on sale margins due to the lower interest rate environment. Residential mortgage loan originations increased to $15.9 billion for the year ended December 31, 2020 from $11.6 billion for the year ended December 31, 2019.

Net mortgage servicing revenue decreased $107 million for the year ended December 31, 2020 compared to the year ended December 31, 2019 primarily due to an increase in net negative valuation adjustments of $103 million as well as a decrease in gross mortgage servicing fees of $4 million. Refer to Table 10 for the components of net valuation adjustments on the MSR portfolio and the impact of the non-qualifying hedging strategy.

TABLE 10: Components of Net Valuation Adjustments on MSRs

For the years ended December 31 ($ in millions)		2020	2019	2018
Changes in fair value and settlement of free-standing derivatives purchased to economically hedge the MSR portfolio	$	**307**	221	(21)
Changes in fair value:				
Due to changes in inputs or assumptions		**(311)**	(203)	42
Other changes in fair value		**(254)**	(173)	(125)
Net valuation adjustments on MSRs and free-standing derivatives purchased to economically hedge MSRs	$	**(258)**	(155)	(104)

Mortgage rates decreased during the years ended December 31, 2020 and 2019 which caused modeled prepayment speeds to rise. Additionally, mortgage swap spreads widened during the year ended December 31, 2020 which caused modeled OAS assumptions to increase. For the years ended December 31, 2020 and 2019, the fair value of the MSR portfolio decreased $311 million and $203 million, respectively, due to changes to inputs to the valuation model, including prepayment speeds and OAS assumptions, and decreased $254 million and $173 million, respectively, due to the impact of contractual principal payments and actual prepayment activity.

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

In addition to the derivative positions used to economically hedge the MSR portfolio, the Bancorp acquires various securities as a component of its non-qualifying hedging strategy. The Bancorp recognized net gains of $2 million and $3 million during the years ended December 31, 2020 and 2019, respectively, recorded in securities gains (losses), net - non-qualifying hedges on MSRs in the Bancorp's Consolidated Statements of Income.

The Bancorp's total residential mortgage loans serviced at December 31, 2020 and 2019 were $86.6 billion and $98.4 billion, respectively, with $68.8 billion and $80.7 billion, respectively, of residential mortgage loans serviced for others.

Leasing business revenue

Leasing business revenue increased $6 million for the year ended December 31, 2020 compared to the year ended December 31, 2019 primarily driven by increases in lease syndication fees and operating lease income of $9 million and $5 million, respectively, partially offset by a decrease in lease remarketing fees of $8 million.

Other noninterest income

The following table presents the components of other noninterest income:

TABLE 11: Components of Other Noninterest Income

For the years ended December 31 ($ in millions)		**2020**	2019	2018
Private equity investment income	$	**75**	65	63
Income from the TRA associated with Worldpay, Inc.		**74**	346	20
BOLI income		**63**	60	56
Cardholder fees		**44**	58	56
Consumer loan and lease fees		**20**	23	23
Banking center income		**20**	22	21
Insurance income		**20**	19	20
Loss on swap associated with the sale of Visa, Inc. Class B Shares		**(103)**	(107)	(59)
Net losses on disposition and impairment of bank premises and equipment		**(31)**	(23)	(43)
Gain on sale of Worldpay, Inc. shares		**—**	562	205
Equity method income from interest in Worldpay Holding, LLC		**—**	2	1
Gain related to Vantiv, Inc.'s acquisition of Worldpay Group plc.		**—**	—	414
Other, net		**29**	37	26
Total other noninterest income	$	**211**	1,064	803

Other noninterest income decreased $853 million for the year ended December 31, 2020 compared to the year ended December 31, 2019 primarily due to the gain on sale of Worldpay, Inc. shares recognized during the first quarter of 2019 and a decrease in the income from the TRA associated with Worldpay, Inc.

The Bancorp recognized a $562 million gain related to the sale of Worldpay, Inc. shares during the first quarter of 2019. Income from the TRA associated with Worldpay Inc. decreased $272 million from the year ended December 31, 2019 primarily driven by a $345 million gain recognized in the fourth quarter of 2019 from the Worldpay, Inc. TRA transaction. For additional information, refer to Note 21 of the Notes to Consolidated Financial Statements.

Noninterest Expense

Noninterest expense increased $58 million for the year ended December 31, 2020 compared to the year ended December 31, 2019 primarily due to an increase in compensation and benefits expense, partially offset by decreases in technology and communications expense and marketing expense.

The following table presents the components of noninterest expense:

TABLE 12: Components of Noninterest Expense

For the years ended December 31 ($ in millions)		**2020**	2019	2018	2017	2016
Compensation and benefits	$	**2,590**	2,418	2,115	1,989	1,951
Technology and communications		**362**	422	285	245	234
Net occupancy expense		**350**	332	292	295	299
Leasing business expense		**140**	133	76	87	86
Equipment expense		**130**	129	123	117	118
Card and processing expense		**121**	130	123	129	132
Marketing expense		**104**	162	147	114	104
Other noninterest expense		**921**	934	797	806	813
Total noninterest expense	$	**4,718**	4,660	3,958	3,782	3,737
Efficiency ratio on an FTE basis[(a)]		**61.9 %**	55.8	57.0	53.7	59.0

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

The Bancorp recognized $16 million and $222 million of merger-related expenses for the years ended December 31, 2020 and 2019, respectively.

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

TABLE 13: Merger-Related Expenses

For the years ended December 31 ($ in millions)		**2020**	2019
Compensation and benefits	**$**	**4**	90
Technology and communications		**6**	71
Net occupancy expense		**4**	13
Equipment expense		**—**	1
Card and processing expense		**—**	1
Marketing expense		**—**	7
Other noninterest expense		**2**	39
Total	**$**	**16**	222

Compensation and benefits expense increased $172 million for the year ended December 31, 2020 compared to the year ended December 31, 2019 primarily due to strategic hiring and the impact of raising the Bancorp’s minimum wage in the fourth quarter of 2019, as well as increases in incentive compensation driven by strong performance in fees related to business growth during the year ended December 31, 2020. Compensation and benefits expense for the year ended December 31, 2020 included $10 million of special payments to employees providing essential banking services through the COVID-19 pandemic. Full-time equivalent employees totaled 19,872 at December 31, 2020 compared to 19,869 at December 31, 2019.

Technology and communications expense decreased $60 million for the year ended December 31, 2020 compared to the year ended December 31, 2019 primarily driven by decreased integration and conversion costs related to the acquisition of MB Financial, Inc.

Marketing expense decreased $58 million for the year ended December 31, 2020 compared to the year ended December 31, 2019 primarily due to the impact of the COVID-19 pandemic, which resulted in a pause or slowdown in numerous marketing campaigns, including running less advertising as well as the suspension of cash bonus and other account acquisition programs.

The following table presents the components of other noninterest expense:

TABLE 14: Components of Other Noninterest Expense

For the years ended December 31 ($ in millions)		**2020**	2019	2018
Loan and lease	**$**	**162**	142	112
FDIC insurance and other taxes		**118**	81	119
Losses and adjustments		**100**	102	61
Data processing		**75**	70	57
Professional service fees		**49**	70	67
Intangible amortization		**48**	45	5
Postal and courier		**36**	38	35
Donations		**36**	30	21
Travel		**27**	68	52
Recruitment and education		**21**	28	32
Insurance		**15**	14	13
Supplies		**13**	14	13
Other, net		**221**	232	210
Total other noninterest expense	**$**	**921**	934	797

Other noninterest expense decreased $13 million for the year ended December 31, 2020 compared to the year ended December 31, 2019 primarily due to decreases in travel expense and professional service fees, partially offset by increases in FDIC insurance and other taxes and loan and lease expense.

Travel expense decreased $41 million for the year ended December 31, 2020 compared to the year ended December 31, 2019 primarily due to reduced business travel as a direct result of the COVID-19 pandemic. Professional service fees decreased $21 million for the year ended December 31, 2020 compared to the year ended December 31, 2019 primarily due to decreases in acquisition costs, consulting fees and legal expenses. FDIC insurance and other taxes increased $37 million for the year ended December 31, 2020 compared to the year ended December 31, 2019 primarily as a result of an increase in the assessment rate due to a change in asset mix as well as an increase in the assessment base. Loan and lease expense increased $20 million for the year ended December 31, 2020 compared to the year ended December 31, 2019 primarily due to an increase in loan closing expenses.

Applicable Income Taxes

Applicable income tax expense for all periods includes the benefit from tax-exempt income, tax-advantaged investments, certain gains on sales of leveraged leases that are exempt from federal taxation 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 rates for the years ended December 31, 2020 and 2019 were primarily impacted by $175 million and $160 million, respectively, of low-income housing tax credits and other tax benefits and $27 million and $40 million, respectively, of tax benefits from tax exempt income, and were partially offset by $150 million and $140 million, respectively, of proportional amortization related to qualifying LIHTC investments. The decrease in the effective tax rate for the year ended December 31, 2020 from 2019 was attributable to a decrease in state income taxes.

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

TABLE 15: Applicable Income Taxes

For the years ended December 31 ($ in millions)	**2020**	2019	2018	2017	2016
Income before income taxes	**$ 1,797**	3,202	2,765	2,979	2,208
Applicable income tax expense	**370**	690	572	799	665
Effective tax rate	**20.6 %**	21.6	20.7	26.8	30.1

BUSINESS SEGMENT REVIEW

The Bancorp reports on four business segments: Commercial Banking, Branch Banking, Consumer Lending and Wealth and Asset Management. Additional information on each business segment is included in Note 32 of the Notes to Consolidated Financial Statements. Results of the Bancorp's business segments are presented based on its management structure and management accounting practices. The structure and accounting practices are specific to the Bancorp; therefore, the financial results of the Bancorp's business segments are not necessarily comparable with similar information for other financial institutions. The Bancorp refines its methodologies from time to time as management's accounting practices and businesses change.

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

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

The Bancorp's methodology for allocating provision for credit losses expense to the business segments includes charges or benefits associated with changes in criticized commercial loan levels in addition to actual net charge-offs experienced by the loans and leases owned by each business segment. Provision for credit losses expense attributable to loan and lease growth and changes in ALLL factors is captured in General Corporate and Other. The financial results of the business segments include allocations for shared services and headquarters expenses. Additionally, the business segments form synergies by taking advantage of 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 16: Net Income (Loss) by Business Segment

For the years ended December 31 ($ in millions)		**2020**	2019	2018
Income Statement Data				
Commercial Banking	**$**	**387**	1,424	1,139
Branch Banking		**251**	860	702
Consumer Lending		**117**	92	(1)
Wealth and Asset Management		**102**	112	97
General Corporate and Other		**570**	24	256
Net income	**$**	**1,427**	2,512	2,193

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 17: Commercial Banking

For the years ended December 31 ($ in millions)		**2020**	2019	2018
Income Statement Data				
Net interest income (FTE)[(a)]	$	**1,916**	2,377	1,729
Provision for (benefit from) credit losses		**1,050**	183	(26)
Noninterest income:				
Commercial banking revenue		**524**	455	402
Service charges on deposits		**343**	308	273
Leasing business revenue		**276**	270	114
Other noninterest income		**158**	154	128
Noninterest expense:				
Compensation and benefits		**557**	466	344
Leasing business expense		**140**	133	76
Other noninterest expense		**1,024**	1,022	843
Income before income taxes (FTE)		**446**	1,760	1,409
Applicable income tax expense[(a)(b)]		**59**	336	270
Net income	$	**387**	1,424	1,139
Average Balance Sheet Data				
Commercial loans and leases, including held for sale	$	**66,552**	65,475	54,748
Demand deposits		**24,352**	16,424	16,560
Interest checking deposits		**25,769**	18,259	12,203
Savings and money market deposits		**6,695**	4,904	4,128
Other time deposits and certificates $100,000 and over		**154**	332	377
Foreign office deposits		**184**	209	362

(a) Includes FTE adjustments of $13, $17 and $16 for the years ended December 31, 2020, 2019 and 2018, 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.

Comparison of the year ended 2020 with 2019

Net income was $387 million for the year ended December 31, 2020 compared to net income of $1.4 billion for the year ended December 31, 2019. The decrease in net income was primarily driven by an increase in provision for credit losses, a decrease in net interest income on an FTE basis as well as an increase in noninterest expense partially offset by an increase in noninterest income.

Net interest income on an FTE basis decreased $461 million from the year ended December 31, 2019 primarily driven by decreases in yields on average commercial loans and leases as well as decreases in FTP credit rates on demand deposits, interest checking deposits and savings and money market deposits. These negative impacts were partially offset by decreases in FTP charge rates on loans and leases as well as decreases in rates paid on average interest checking deposits and average savings and money market deposits.

Provision for credit losses increased $867 million from the year ended December 31, 2019 primarily driven by an increase in commercial criticized asset levels as well as increases in net charge-offs on commercial and industrial loans, commercial mortgage loans and commercial leases. Net charge-offs as a percent of average portfolio loans and leases increased to 35 bps for the year ended December 31, 2020 compared to 14 bps for the year ended December 31, 2019.

Noninterest income increased $114 million from the year ended December 31, 2019 driven by increases in commercial banking revenue, service charges on deposits and leasing business revenue. Commercial banking revenue increased $69 million from the year ended December 31, 2019 primarily due to increases in institutional sales and bridge fees partially offset by a decrease in loan syndication fees. Service charges on deposits increased $35 million from the year ended December 31, 2019 primarily due to an increase in commercial deposit fees primarily due to lower earnings credit rates. Leasing business revenue increased $6 million from the year ended December 31, 2019 primarily driven by increases in lease syndication fees and operating lease income partially offset by a decrease in lease remarketing fees.

Noninterest expense increased $100 million from the year ended December 31, 2019 driven by increases in compensation and benefits and leasing business expense. Compensation and benefits increased $91 million from the year ended December 31, 2019 due to an increase in personnel costs primarily as a result of the MB Financial, Inc. acquisition at the end of the first quarter of 2019 and an increase in incentive compensation driven by strong performance in fees related to business growth during the year ended December 31, 2020, as well as strategic hiring. Leasing business expense increased $7 million from the year ended December 31, 2019 primarily due to an increase in operating lease expense driven by the MB Financial, Inc. acquisition at the end of the first quarter of 2019.

Average commercial loans and leases increased $1.1 billion from the year ended December 31, 2019 primarily due to increases in average commercial mortgage loans and average commercial construction loans partially offset by a decrease in average commercial leases. Average commercial mortgage loans increased $1.1 billion from the year ended December 31, 2019 primarily as a result of increases in loan originations and permanent financing from the Bancorp's commercial construction loan portfolio. Average commercial construction loans increased $360 million from the year ended December 31, 2019 primarily as a result of increased line of credit utilization as well as lower levels of payoffs. Average commercial leases decreased $541 million from the year ended December 31, 2019 primarily as a result of a planned reduction in indirect non-relationship-based lease originations.

Average core deposits increased $17.2 billion from the year ended December 31, 2019 primarily due to increases in average demand deposits, average interest checking deposits and average savings and money market deposits. Average interest checking deposits increased $7.5 billion, average demand deposits increased $7.9 billion and average savings and money market deposits increased $1.8 billion from the year ended December 31, 2019. These increases were primarily as a result of higher average balances per commercial customer account due to increased liquidity levels in the current economic environment.

Comparison of the year ended 2019 with 2018

Net income was $1.4 billion for the year ended December 31, 2019 compared to net income of $1.1 billion for the year ended December 31, 2018. The increase in net income was driven by increases in net interest income on an FTE basis and noninterest income partially offset by increases in noninterest expense and provision for credit losses.

Net interest income on an FTE basis increased $648 million from the year ended December 31, 2018 primarily driven by increases in both average balances and yields on commercial loans and leases, increases in FTP credits on interest checking deposits and increases in FTP credit rates on demand deposits. These increases were partially offset by increases in FTP charges on loans and leases and increases in both average balances and rates paid on interest checking deposits.

Provision for credit losses increased $209 million from the year ended December 31, 2018 driven by the impact of an increase in criticized asset levels partially offset by a decrease in net charge-offs on commercial and industrial loans. Net charge-offs as a percent of average portfolio loans and leases decreased to 14 bps for the year ended December 31, 2019 compared to 18 bps for the year ended December 31, 2018.

Noninterest income increased $270 million from the year ended December 31, 2018 driven by increases in leasing business revenue, commercial banking revenue, service charges on deposits and other noninterest income. Leasing business revenue increased $156 million from the year ended December 31, 2018 primarily due to increases in operating lease income, leasing business solutions revenue and lease remarketing fees partially offset by a decrease in lease syndication fees. Commercial banking revenue increased $53 million from the year ended December 31, 2018 driven by increases in institutional sales revenue and business lending fees. Service charges on deposits increased $35 million from the year ended December 31, 2018 primarily driven by an increase in commercial deposit fees. Other noninterest income increased $26 million from the year ended December 31, 2018 primarily due to increases in card and processing revenue and private equity investment income.

Noninterest expense increased $358 million from the year ended December 31, 2018 due to increases in other noninterest expense, compensation and benefits and leasing business expense. Other noninterest expense increased $179 million from the year ended December 31, 2018 primarily due to increases in corporate overhead allocations, intangible amortization expense and losses and adjustments. Compensation and benefits increased $122 million from the year ended December 31, 2018 due to increases in base compensation and incentive compensation primarily as a result of the MB Financial, Inc. acquisition as well as an increase in employee benefits expense. Leasing business expense increased $57 million from the year ended December 31, 2018 primarily due to an increase in operating lease expense.

Average commercial loans and leases increased $10.7 billion from the year ended December 31, 2018 primarily due to increases in average commercial and industrial loans and average commercial mortgage loans. Average commercial and industrial loans increased $7.4 billion from the year ended December 31, 2018 primarily as a result of the acquisition of MB Financial, Inc. as well as an increase in loan originations. Average commercial mortgage loans increased $3.2 billion from the year ended December 31, 2018 as a result of the acquisition of MB Financial, Inc. and increases in loan originations as well as permanent financing from the Bancorp's commercial construction loan portfolio.

Average core deposits increased $6.6 billion from the year ended December 31, 2018 primarily driven by increases in average interest checking deposits and average savings and money market deposits partially offset by decreases in average foreign office deposits and average demand deposits. Average interest checking deposits increased $6.1 billion from the year ended December 31, 2018 primarily due to balance migration from demand deposit accounts and an increase in average balances per commercial customer account as well as the acquisition of MB Financial, Inc. Average savings and money market deposits increased $776 million from the year ended December 31, 2018 primarily due to the acquisition of MB Financial, Inc. and an increase in average balances per commercial customer account. Average foreign office deposits decreased $153 million from the year ended December 31, 2018 driven by balance migration into interest checking deposits. Average demand deposits decreased $136 million from the year ended December 31, 2018 primarily driven by balance migration into interest checking deposits partially offset by the acquisition of MB Financial, Inc.

Branch Banking

Branch Banking provides a full range of deposit and loan products to individuals and small businesses through 1,134 full-service banking centers. Branch Banking offers depository and loan products, such as checking and savings accounts, home equity loans and lines of credit, credit cards and loans for automobiles and other personal financing needs, as well as products designed to meet the specific needs of small businesses, including cash management services.

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

TABLE 18: Branch Banking

For the years ended December 31 ($ in millions)		**2020**	2019	2018
Income Statement Data				
Net interest income	$	**1,667**	2,371	2,034
Provision for credit losses		**231**	224	171
Noninterest income:				
Card and processing revenue		**283**	285	266
Service charges on deposits		**215**	260	275
Wealth and asset management revenue		**172**	158	150
Other noninterest income		**81**	99	63
Noninterest expense:				
Compensation and benefits		**649**	601	536
Net occupancy and equipment expense		**217**	221	225
Card and processing expense		**116**	123	121
Other noninterest expense		**887**	915	846
Income before income taxes		**318**	1,089	889
Applicable income tax expense		**67**	229	187
Net income	$	**251**	860	702
Average Balance Sheet Data				
Consumer loans	$	**12,777**	13,200	13,034
Commercial loans, including held for sale		**2,268**	2,170	1,938
Demand deposits		**19,755**	15,802	14,336
Interest checking deposits		**12,608**	10,716	10,187
Savings and money market deposits		**37,030**	33,173	29,473
Other time deposits and certificates $100,000 and over		**5,370**	7,532	5,348

Comparison of the year ended 2020 with 2019

Net income was $251 million for the year ended December 31, 2020 compared to net income of $860 million for the year ended December 31, 2019. The decrease was driven by decreases in net interest income and noninterest income as well as increases in noninterest expense and provision for credit losses.

Net interest income decreased $704 million from the year ended December 31, 2019 primarily due to decreases in FTP credit rates on core deposits and FTP credits on certificates $100,000 and over as well as decreases in yields on and average balances of home equity and credit card. These negative impacts were partially offset by decreases in the rates paid on average interest-bearing deposits as well as decreases in FTP charge rates on loans and leases.

Provision for credit losses increased $7 million from the year ended December 31, 2019 primarily due to an increase in commercial criticized asset levels as well as an increase in net charge-offs on commercial and industrial loans partially offset by decreases in net charge-offs on other consumer loans, credit card and home equity. Net charge-offs as a percent of average portfolio loans and leases decreased to 135 bps for the year ended December 31, 2020 compared to 144 bps for the year ended December 31, 2019.

Noninterest income decreased $51 million from the year ended December 31, 2019 primarily driven by decreases in service charges on deposits and other noninterest income partially offset by an increase in wealth and asset management revenue. Service charges on deposits decreased $45 million from the year ended December 31, 2019 driven by decreases in both consumer deposit fees and commercial deposit fees. Other noninterest income decreased $18 million from the year ended December 31, 2019 primarily driven by a decrease in cardholder fees and an increase in net losses on disposition and impairment of bank premises and equipment. Wealth and asset management revenue increased $14 million from the year ended December 31, 2019 primarily driven by increases in broker income and private client service fees.

Noninterest expense increased $9 million from the year ended December 31, 2019 primarily due to an increase in compensation and benefits partially offset by decreases in other noninterest expense and card and processing expense. Compensation and benefits increased $48 million from the year ended December 31, 2019 driven by increases in base compensation, employee benefits expense and incentive compensation. Other noninterest expense decreased $28 million from the year ended December 31, 2019 primarily driven by decreases in marketing expense and losses and adjustments partially offset by increases in corporate overhead allocations and FDIC insurance and other taxes. Card and processing expense decreased $7 million from the year ended December 31, 2019 primarily driven by a decrease in customer spend volume.

Average consumer loans decreased $423 million from the year ended December 31, 2019 primarily driven by a decrease in average home equity as payoffs exceeded loan originations as well as a decrease in average credit card driven by the negative economic impacts from the COVID-19 pandemic, including reductions in the number of active accounts as well as higher paydowns relative to spend per active account. These decreases were partially offset by an increase in average other consumer loans primarily as a result of increases in loan originations.

Average deposits increased $7.5 billion from the year ended December 31, 2019 primarily driven by increases in average demand deposits, average savings and money market deposits and average interest checking deposits partially offset by decreases in average other time deposits and certificates $100,000 and over. Average demand deposits increased $4.0 billion, average savings and money market deposits increased $3.9 billion and average interest checking deposits increased $1.9 billion from the year ended December 31, 2019 primarily as a result of higher balances per customer account due to uncertainty regarding the COVID-19 pandemic, fiscal stimulus and decreased consumer spending. Average other time deposits and certificates $100,000 and over decreased $2.2 billion from the year ended December 31, 2019 primarily due to lower offering rates on certificates less than $100,000 as well as a decrease in average certificates $100,000 and over from the year ended December 31, 2019.

Comparison of the year ended 2019 with 2018

Net income was $860 million for the year ended December 31, 2019 compared to net income of $702 million for the year ended December 31, 2018. The increase was driven by increases in net interest income and noninterest income partially offset by increases in noninterest expense and provision for credit losses.

Net interest income increased $337 million from the year ended December 31, 2018. The increase was primarily due to increases in FTP credits on core deposits and certificates $100,000 and over as well as increases in average balances of other consumer loans and credit card. These benefits were partially offset by increases in both the rates paid on and average balances of savings and money market deposits and other time deposits and certificates $100,000 and over as well as an increase in FTP charge rates on loans and leases.

Provision for credit losses increased $53 million from the year ended December 31, 2018 primarily due to increases in net charge-offs on credit card and other consumer loans. Net charge-offs as a percent of average portfolio loans and leases increased to 144 bps for the year ended December 31, 2019 compared to 114 bps for the year ended December 31, 2018.

Noninterest income increased $48 million from the year ended December 31, 2018 driven by increases in other noninterest income, card and processing revenue and wealth and asset management revenue partially offset by a decrease in service charges on deposits. Other noninterest income increased $36 million from the year ended December 31, 2018 primarily due to the impact of impairment on bank premises and equipment recognized during 2018. Card and processing revenue increased $19 million from the year ended December 31, 2018 primarily driven by increases in the number of actively used cards and customer spend volume. Wealth and asset management revenue increased $8 million from the year ended December 31, 2018 primarily driven by increases in broker income and private client service fees. Service charges on deposits decreased $15 million from the year ended December 31, 2018 due to a decrease in consumer deposit fees partially offset by an increase in commercial deposit fees.

Noninterest expense increased $132 million from the year ended December 31, 2018 primarily due to increases in other noninterest expense and compensation and benefits. Other noninterest expense increased $69 million from the year ended December 31, 2018 primarily due to increases in corporate overhead allocations, intangible amortization expense and loan and lease expense partially offset by a decrease in FDIC insurance and other taxes. Compensation and benefits increased $65 million from the year ended December 31, 2018 due to higher base compensation primarily as a result of the MB Financial, Inc. acquisition as well as increases in employee benefits expense and incentive compensation.

Average consumer loans increased $166 million from the year ended December 31, 2018 primarily driven by an increase in average other consumer loans of $649 million primarily due to growth in point-of-sale loan originations. This increase was partially offset by decreases in average home equity loans of $303 million and average residential mortgage loans of $259 million as payoffs exceeded loan production.

Average core deposits increased $7.0 billion from the year ended December 31, 2018 primarily driven by growth in average savings and money market deposits of $3.7 billion and growth in average demand deposits of $1.5 billion. These increases were primarily due to the acquisition of MB Financial, Inc. as well as promotional product offerings, which drove consumer customer acquisition and growth in balances from existing customers. The increase in average core deposits also included an increase in interest checking deposits of $529 million from the year ended December 31, 2018 primarily as a result of the acquisition of MB Financial, Inc. Average other time deposits and certificates $100,000 and over increased $2.2 billion from the year ended December 31, 2018 primarily as a result of the acquisition of MB Financial, Inc. as well as promotional product offerings, which drove increased production.

Consumer Lending

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

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

TABLE 19: Consumer Lending

For the years ended December 31 ($ in millions)		**2020**	2019	2018
Income Statement Data				
Net interest income	$	**381**	325	237
Provision for credit losses		**34**	49	42
Noninterest income:				
Mortgage banking net revenue		**307**	279	206
Other noninterest income		**12**	17	(1)
Noninterest expense:				
Compensation and benefits		**221**	196	192
Other noninterest expense		**297**	259	210
Income (loss) before income taxes		**148**	117	(2)
Applicable income tax expense (benefit)		**31**	25	(1)
Net income (loss)	$	**117**	92	(1)
Average Balance Sheet Data				
Residential mortgage loans, including held for sale	$	**13,182**	13,027	11,803
Home equity		**192**	220	243
Indirect secured consumer loans		**12,273**	10,109	8,676

Comparison of the year ended 2020 with 2019

Net income was $117 million for the year ended December 31, 2020 compared to net income of $92 million for the year ended December 31, 2019. The increase was primarily driven by increases in net interest income and noninterest income as well as a decrease in provision for credit losses partially offset by an increase in noninterest expense.

Net interest income increased $56 million from the year ended December 31, 2019 primarily driven by increases in average indirect secured consumer loans and decreases in FTP charge rates on loans and leases partially offset by decreases in FTP credit rates on demand deposits and yields on average residential mortgage loans and average indirect secured consumer loans.

Provision for credit losses decreased $15 million from the year ended December 31, 2019 primarily driven by a decrease in net charge-offs on indirect secured consumer loans. Net charge-offs as a percent of average portfolio loans and leases decreased to 14 bps for the year ended December 31, 2020 compared to 22 bps for the year ended December 31, 2019.

Noninterest income increased $23 million from the year ended December 31, 2019 driven by an increase in mortgage banking net revenue primarily due to an increase in origination fees and gains on loan sales, partially offset by a decrease in net mortgage servicing revenue. Refer to the Noninterest Income subsection of the Statements of Income Analysis section of MD&A for additional information on the fluctuations in mortgage banking net revenue.

Noninterest expense increased $63 million from the year ended December 31, 2019 due to increases in other noninterest expense and compensation and benefits. Other noninterest expense increased $38 million from the year ended December 31, 2019 primarily driven by an increase in corporate overhead allocations partially offset by a decrease in OREO expense. Compensation and benefits increased $25 million from the year ended December 31, 2019 primarily due to increases in base compensation and incentive compensation resulting from the increased mortgage origination activity for the year ended December 31, 2020.

Average consumer loans increased $2.3 billion from the year ended December 31, 2019 primarily due to increases in average indirect secured consumer loans and average residential mortgage loans. Average indirect secured consumer loans increased $2.2 billion from the year ended December 31, 2019 primarily due to loan production exceeding payoffs. Average residential mortgage loans increased $155 million from the year ended December 31, 2019 driven by the repurchase of certain loans from GNMA that were in forbearance programs partially offset by higher runoff due to payoffs exceeding loan originations.

Comparison of the year ended 2019 with 2018

Net income was $92 million for the year ended December 31, 2019 compared to a net loss of $1 million for the year ended December 31, 2018. The increase was driven by increases in noninterest income and net interest income partially offset by increases in noninterest expense and provision for credit losses.

Net interest income increased $88 million from the year ended December 31, 2018 primarily driven by increases in both yields on and average balances of indirect secured consumer loans and residential mortgage loans as well as an increase in FTP credits on demand deposits. These benefits were partially offset by increases in FTP charges on loans and leases.

Provision for credit losses increased $7 million from the year ended December 31, 2018 primarily driven by an increase in net charge-offs on indirect secured consumer loans partially offset by a decrease in net charge-offs on residential mortgage loans. Net charge-offs as a percent of average portfolio loans and leases increased to 22 bps for the year ended December 31, 2019 compared to 21 bps for the year ended December 31, 2018.

Noninterest income increased $91 million from the year ended December 31, 2018 driven by increases in mortgage banking net revenue and other noninterest income. Mortgage banking net revenue increased $73 million from the year ended December 31, 2018 primarily driven by an increase in origination fees and gains on loan sales. 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 $18 million from the year ended December 31, 2018 primarily due to the recognition of $3 million of gains on securities acquired as a component of the Bancorp’s non-qualifying hedging strategy of MSRs during the year ended December 31, 2019 compared to the recognition of $15 million of losses during the year ended December 31, 2018.

Noninterest expense increased $53 million from the year ended December 31, 2018 primarily due to an increase in other noninterest expense primarily driven by increases in corporate overhead allocations, loan and lease expense and losses and adjustments.

Average consumer loans increased $2.6 billion from the year ended December 31, 2018 primarily driven by increases in average indirect secured consumer loans and average residential mortgage loans. Average indirect secured consumer loans increased $1.4 billion from the year ended December 31, 2018 primarily driven by the acquisition of MB Financial, Inc. and higher loan production exceeding payoffs. Average residential mortgage loans increased $1.2 billion from the year ended December 31, 2018 primarily driven by the acquisition of MB Financial, Inc.

Wealth and Asset Management

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

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

TABLE 20: Wealth and Asset Management

For the years ended December 31 ($ in millions)		2020	2019	2018
Income Statement Data				
Net interest income	$	**139**	182	182
Provision for credit losses		**3**	—	12
Noninterest income:				
Wealth and asset management revenue		**498**	469	429
Other noninterest income		**28**	20	27
Noninterest expense:				
Compensation and benefits		**218**	217	202
Other noninterest expense		**315**	312	302
Income before income taxes		**129**	142	122
Applicable income tax expense		**27**	30	25
Net income	$	**102**	112	97
Average Balance Sheet Data				
Loans and leases, including held for sale	$	**3,659**	3,580	3,421
Core deposits		**10,967**	9,701	9,332

Comparison of the year ended 2020 with 2019

Net income was $102 million for the year ended December 31, 2020 compared to net income of $112 million for the year ended December 31, 2019. The decrease in net income was primarily driven by a decrease in net interest income partially offset by an increase in noninterest income.

Net interest income decreased $43 million for the year ended December 31, 2020 compared to the year ended December 31, 2019 primarily driven by decreases in FTP credit rates on deposits as well as decreases in yields on average loans and leases. These negative impacts were partially offset by decreases in the rates paid on average interest checking deposits and average savings and money market deposits as well as decreases in FTP charge rates on loans and leases.

Provision for credit losses increased $3 million from the year ended December 31, 2019 primarily driven by an increase in net charge-offs on residential mortgage loans.

Noninterest income increased $37 million from the year ended December 31, 2019 due to increases in wealth and asset management revenue and other noninterest income. Wealth and asset management revenue increased $29 million from the year ended December 31, 2019 primarily as a result of increases in broker income, private client service fees and institutional fees. Other noninterest income increased $8 million from the year ended December 31, 2019 primarily due to a loss on sale of a business recognized during the year ended December 31, 2019.

Noninterest expense increased $4 million from the year ended December 31, 2019 primarily due to an increase in other noninterest expense driven by an increase in corporate overhead allocations partially offset by a decrease in travel expense.

Average loans and leases increased $79 million from the year ended December 31, 2019 primarily driven by increases in average residential mortgage loans and average other consumer loans as a result of higher loan production, partially offset by a decrease in average commercial and industrial loans as payoffs exceeded new loan production.

Average core deposits increased $1.3 billion from the year ended December 31, 2019 primarily due to increases in average interest checking deposits and average savings and money market deposits as a result of higher balances per customer account due to the current economic environment.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Comparison of the year ended 2019 with 2018
Net income was $112 million for the year ended December 31, 2019 compared to net income of $97 million for the year ended December 31, 2018. The increase in net income was driven by an increase in noninterest income as well as a decrease in provision for credit losses partially offset by an increase in noninterest expense.

Net interest income remained flat for the year ended December 31, 2019 compared to the year ended December 31, 2018. Net interest income was positively impacted by increases in FTP credits on interest checking deposits and savings and money market deposits as well as increases in both yields on and average balances of loans and leases. These positive impacts were offset by an increase in the rates paid on interest checking deposits as well as an increase in FTP charges on loans and leases.

Provision for credit losses decreased $12 million from the year ended December 31, 2018 driven by a decrease in net charge-offs on commercial and industrial loans. This decrease was partially offset by the impact of the benefit of lower criticized asset levels for the year ended December 31, 2018.

Noninterest income increased $33 million from the year ended December 31, 2018 due to an increase in wealth and asset management revenue partially offset by a decrease in other noninterest income. Wealth and asset management revenue increased $40 million from the year ended December 31, 2018 primarily due to an increase in private client service fees driven by increased sales production and strong market performance as well as the full-year benefit from acquisitions in 2018 and the acquisition of MB Financial, Inc. Other noninterest income decreased $7 million from the year ended December 31, 2018 primarily due to a loss on sale of a business recognized during the second quarter of 2019.

Noninterest expense increased $25 million from the year ended December 31, 2018 due to increases in compensation and benefits and other noninterest expense. Compensation and benefits increased $15 million from the year ended December 31, 2018 primarily due to higher base compensation driven by the full-year impact from acquisitions in 2018 and the acquisition of MB Financial, Inc. Other noninterest expense increased $10 million from the year ended December 31, 2018 primarily driven by an increase in corporate overhead allocations partially offset by a decrease in FDIC insurance and other taxes.

Average loans and leases increased $159 million from the year ended December 31, 2018 primarily due to an increase in average residential mortgage loans driven by the acquisition of MB Financial, Inc., partially offset by a decrease in average commercial and industrial loans as payoffs exceeded new loan production.

Average core deposits increased $369 million from the year ended December 31, 2018 primarily due to an increase in average interest checking deposits primarily as a result of the acquisition of MB Financial, Inc. as well as an increase in average savings and money market deposits.

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.

Comparison of the year ended 2020 with 2019
Net interest income increased $1.1 billion from the year ended December 31, 2019 primarily driven by decreases in FTP credit rates on deposits allocated to the business segments, increases in interest income on loans and leases and decreases in interest expense on long-term debt, federal funds purchased, deposits and other short-term borrowings. These positive impacts were partially offset by decreases in the benefit related to FTP charge rates on loans and leases and a decrease in interest income on taxable securities.

The benefit from credit losses was $221 million for the year ended December 31, 2020 compared to a provision for credit losses of $15 million for the year ended December 31, 2019. The decrease for the year ended December 31, 2020 was primarily driven by an increase in the allocation of provision expense to the business segments due to an increase in commercial criticized asset levels, partially offset by an increase in the ACL reflecting deterioration in the macroeconomic environment as a result of the impact of the COVID-19 pandemic and the resulting impact of this environment on commercial borrowers. The change in provision for credit losses also reflected the impact of the change in methodology for estimating credit losses from the incurred loss methodology to the expected credit loss methodology beginning in the first quarter of 2020.

Noninterest income decreased $819 million from the year ended December 31, 2019 primarily due to the recognition of a $74 million gain from the TRA associated with Worldpay, Inc. for the year ended December 31, 2020 compared to the recognition of a $562 million gain related to the sale of Worldpay, Inc. shares in addition to the recognition of a $345 million gain from the Worldpay, Inc. TRA transaction during the year ended December 31, 2019. These negative impacts were partially offset by the recognition of securities gains of $62 million for the year ended December 31, 2020 compared to securities gains of $40 million for the year ended December 31, 2019.

Noninterest expense decreased $108 million from the year ended December 31, 2019 primarily driven by a decrease in technology and communications expense and an increase in corporate overhead allocations from General Corporate and Other to the other business segments, as well as decreases in travel expense, marketing expense and consulting fees, partially offset by increases in net occupancy expense and FDIC insurance and other taxes.

Comparison of the year ended 2019 with 2018

Net interest income decreased $415 million from the year ended December 31, 2018 primarily driven by an increase in FTP credits on deposits allocated to the business segments and increases in interest expense on long-term debt. These negative impacts were partially offset by an increase in the benefit related to FTP charges on loans and leases and an increase in interest income on taxable securities.

Provision for credit losses increased $7 million from the year ended December 31, 2018 primarily due to increases in both outstanding loan balances and unfunded commitments in 2019, exclusive of loans and leases acquired in the MB Financial, Inc. acquisition. This was partially offset by an increase in the allocation of provision expense to the business segments driven by an increase in commercial criticized asset levels.

Noninterest income increased $309 million from the year ended December 31, 2018 primarily driven by the recognition of a $562 million gain on the sale of Worldpay, Inc. shares for the year ended December 31, 2019 in addition to a $345 million gain recognized in the fourth quarter of 2019 from the Worldpay, Inc. TRA transaction compared to a $205 million gain on the sale of Worldpay, Inc. shares for the year ended December 31, 2018 and a $414 million gain recognized in the first quarter of 2018 related to Vantiv, Inc.'s acquisition of Worldpay Group plc. The increase from the year ended December 31, 2018 also included securities gains of $40 million during the year ended December 31, 2019 compared to securities losses of $54 million during the year ended December 31, 2018. These positive impacts were partially offset by an increase in the loss on the swap associated with the sale of Visa, Inc. Class B Shares. The Bancorp recognized negative valuation adjustments of $107 million related to the Visa total return swap for the year ended December 31, 2019 compared to negative valuation adjustments of $59 million during the year ended December 31, 2018.

Noninterest expense increased $139 million from the year ended December 31, 2018. The increase was primarily due to increases in technology and communications expense, compensation and benefits and net occupancy expense driven by merger-related expenses as a result of the acquisition of MB Financial, Inc. partially offset by an increase in corporate overhead allocations from General Corporate and Other to the other business segments. Refer to the Noninterest Expense subsection of the Statements of Income Analysis section of MD&A for additional information on merger-related expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FOURTH QUARTER REVIEW

The Bancorp's 2020 fourth quarter net income available to common shareholders was $569 million, or $0.78 per diluted share, compared to net income available to common shareholders of $562 million, or $0.78 per diluted share, for the third quarter of 2020 and net income available to common shareholders of $701 million, or $0.96 per diluted share, for the fourth quarter of 2019.

Net interest income on an FTE basis (non-GAAP) was $1.2 billion for the fourth quarter of 2020, an increase of $12 million from the third quarter of 2020 and a decrease of $47 million from the fourth quarter of 2019. The increase from the third quarter of 2020 was primarily driven by lower core deposit and wholesale borrowing costs, an increase in accelerated PPP fees recognized upon loan forgiveness and elevated investment portfolio prepayment penalty proceeds, partially offset by the impact of lower commercial loan balances and a decline in mortgage rates. The decrease from the fourth quarter of 2019 was primarily driven by lower yields and lower balances on commercial loans, partially offset by lower deposits costs, the favorable impact of previously executed cash flow hedges and growth from PPP loans. Net interest income for the fourth quarter of 2020 included $12 million of amortization and accretion of premiums and discounts on acquired loans and leases and assumed deposits and long-term debt from acquisitions compared to $13 million in the third quarter of 2020 and $18 million in the fourth quarter of 2019.

Noninterest income was $787 million for the fourth quarter of 2020, an increase of $65 million compared to the third quarter of 2020 and a decrease of $248 million compared to the fourth quarter of 2019. The increase from the third quarter of 2020 was primarily due to an increase in other noninterest income, partially offset by decreases in mortgage banking net revenue and net securities gains. The decrease compared to the fourth quarter of 2019 was primarily driven by decreases in other noninterest income and mortgage banking net revenue.

Service charges on deposits were $146 million for the fourth quarter of 2020, an increase of $2 million compared to the previous quarter and a decrease of $3 million compared to the fourth quarter of 2019. The increase from the third quarter of 2020 was primarily due to an increase in consumer deposit fees. The decrease compared to the fourth quarter of 2019 was primarily due to a decrease in consumer deposit fees, partially offset by an increase in commercial deposit fees.

Commercial banking revenue was $141 million for the fourth quarter of 2020, an increase of $16 million compared to the third quarter of 2020 and $14 million compared to the fourth quarter of 2019. The increase from the previous quarter was primarily driven by increases in institutional sales and loan syndication fees, partially offset by lower corporate bond fees. The increase compared to the fourth quarter of 2019 was primarily driven by increases in institutional sales and corporate bond fees.

Mortgage banking net revenue was $25 million for the fourth quarter of 2020, a decrease of $51 million compared to the third quarter of 2020 and $48 million compared to the fourth quarter of 2019. The decrease in mortgage banking net revenue compared to the third quarter of 2020 was primarily driven by lower origination fees and gains on loan sales resulting from a decrease in originations, the decision to retain certain mortgages originated during the fourth quarter of 2020 and margin compression. The decrease in mortgage banking net revenue compared to the fourth quarter of 2019 was primarily driven by an increase in net negative valuation adjustments on MSRs and higher prepayment speeds. Mortgage banking net revenue is affected by net valuation adjustments, which include MSR valuation adjustments caused by fluctuating OAS, earning rates and prepayment speeds, as well as mark-to-market adjustments on free-standing derivatives used to economically hedge the MSR portfolio. Net negative valuation adjustments on MSRs were $88 million and $83 million in the fourth and third quarters of 2020, respectively, and $47 million in the fourth quarter of 2019. Residential mortgage originations for the fourth quarter of 2020 were $3.9 billion, compared with $4.5 billion in the previous quarter and $3.8 billion the fourth quarter of 2019. Originations for the fourth quarter of 2020 resulted in gains of $47 million on mortgages sold, compared with gains of $93 million for the previous quarter and $49 million for the fourth quarter of 2019. Gross mortgage servicing fees were $66 million in both the fourth and third quarters of 2020 and $72 million in the fourth quarter of 2019.

Wealth and asset management revenue was $133 million for the fourth quarter of 2020, an increase of $1 million from the previous quarter and $4 million from the fourth quarter of 2019. The increase from the third quarter of 2020 was primarily driven by higher personal asset management revenue and brokerage income, partially offset by lower institutional trust fees. The increase compared to the fourth quarter of 2019 was primarily driven by higher personal asset management revenue and brokerage income.

Card and processing revenue was $92 million for both the fourth and third quarters of 2020 and was $3 million lower than the fourth quarter of 2019. The decrease from the fourth quarter of 2019 was primarily driven by lower commercial and consumer card spend volumes, partially offset by lower reward costs.

Leasing business revenue was $69 million for the fourth quarter of 2020, a decrease of $8 million from the third quarter of 2020 and $2 million from the fourth quarter of 2019. The decrease from the third quarter of 2020 was primarily driven by a decrease in business solutions revenue. The decrease compared to the fourth quarter of 2019 was primarily driven by decreases in lease remarketing fees and operating lease income.

Other noninterest income was $168 million for the fourth quarter of 2020, an increase of $142 million compared to the third quarter of 2020 and a decrease of $214 million from the fourth quarter of 2019. The increase from the third quarter of 2020 was primarily driven by an increase in private equity investment income as well as income from the TRA associated with Worldpay, Inc. recognized during the fourth quarter of 2020. The decrease compared to the fourth quarter of 2019 was primarily due to a decrease in the income recognized from the TRA associated with Worldpay, Inc. driven by the Worldpay, Inc. transaction in the fourth quarter of 2019, partially offset by an increase in private equity investment income. For additional information on the Worldpay, Inc. transaction, refer to Note 21 of the Notes to Consolidated Financial Statements.

The net gains on investment securities were $14 million for the fourth quarter of 2020, $51 million for the third quarter of 2020 and $10 million for the fourth quarter of 2019. Net losses on securities held as non-qualifying hedges for MSRs were $1 million for both the fourth and third quarters of 2020 as well as the fourth quarter of 2019.

Noninterest expense was $1.2 billion for the fourth quarter of 2020, an increase of $75 million from the previous quarter and $76 million from the fourth quarter of 2019. The increase in noninterest expense from the previous quarter was primarily due to increases in compensation and benefits expense and other noninterest expense. Compensation and benefits expense increased from the prior quarter primarily due to increases in incentive compensation driven by strong performance in fees related to business growth during the fourth quarter of 2020, partially offset by a decrease in base compensation. Other noninterest expense increased from the prior quarter primarily driven by an increase in donations expense, partially offset by a decrease in losses and adjustments. The increase in noninterest expense compared to the fourth quarter of 2019 was primarily driven by an increase in compensation and benefits expense, partially offset by decreases in marketing expense, technology and communications expenses and other noninterest expense. Compensation and benefits expense increased from the fourth quarter of 2019 primarily due to increases in incentive compensation, base compensation and employee benefits expense. Marketing expense decreased from the fourth quarter of 2019 primarily due to the impact of the COVID-19 pandemic which resulted in a pause or slowdown in numerous marketing campaigns. Technology and communications expense decreased from the fourth quarter of 2019 primarily attributable to non-recurring integration and conversion costs incurred in the fourth quarter of 2019. Other noninterest expense decreased from the fourth quarter of 2019 primarily driven by decreases in losses and adjustments and travel expense, partially offset by increases in FDIC insurance and other taxes.

The ALLL as a percentage of portfolio loans and leases was 2.25% as of December 31, 2020 compared to 2.32% as of September 30, 2020 and 1.10% as of December 31, 2019. The benefit from credit losses was $13 million in the fourth quarter of 2020 compared with $15 million in the third quarter of 2020, and a provision for credit losses of $162 million in the fourth quarter of 2019. Net losses charged-off were $118 million in the fourth quarter of 2020, or 43 bps of average portfolio loans and leases on an annualized basis, compared with net losses charged-off of $101 million in the third quarter of 2020 and $113 million in the fourth quarter of 2019.

TABLE 21: Quarterly Information (unaudited)

	2020					2019			
For the three months ended ($ in millions, except per share data)		**December, 31**	**September, 30**	**June, 30**	**March, 31**	December, 31	September, 30	June, 30	March, 31
Net interest income[(a)]	$	**1,185**	**1,173**	**1,203**	**1,233**	1,232	1,246	1,250	1,086
(Benefit from) provision for credit losses		**(13)**	**(15)**	**485**	**640**	162	134	85	90
Noninterest income		**787**	**722**	**650**	**671**	1,035	740	660	1,101
Noninterest expense		**1,236**	**1,161**	**1,121**	**1,200**	1,160	1,159	1,243	1,097
Net income		**604**	**581**	**195**	**46**	734	549	453	775
Net income available to common shareholders		**569**	**562**	**163**	**29**	701	530	427	760
Earnings per share, basic	$	**0.79**	**0.78**	**0.23**	**0.04**	0.97	0.72	0.57	1.14
Earnings per share, diluted	$	**0.78**	**0.78**	**0.23**	**0.04**	0.96	0.71	0.57	1.12

(a) *Amounts presented on an FTE basis. The FTE adjustment was $3 for the three months ended December 31, 2020, September 30, 2020 and June 30, 2020 and $4 for the three months ended March 31, 2020. The FTE adjustment was $4 for both the three months ended December 31, 2019 and September 30, 2019, $5 for the three months ended June 30, 2019 and $4 for the three months ended March 31, 2019.*

COMPARISON OF THE YEAR ENDED 2019 WITH 2018

The Bancorp's net income available to common shareholders for the year ended December 31, 2019 was $2.4 billion, or $3.33 per diluted share, which was net of $93 million in preferred stock dividends. The Bancorp's net income available to common shareholders for the year ended December 31, 2018 was $2.1 billion, or $3.06 per diluted share, which was net of $75 million in preferred stock dividends.

The provision for credit losses was $471 million for the year ended December 31, 2019 compared to $207 million for the same period in the prior year. The increase in provision expense for the year ended December 31, 2019 compared to the prior year was primarily due to increases in specific reserves on certain impaired commercial loans and the level of commercial criticized assets as well as increases in both outstanding loan balances and unfunded commitments in 2019, exclusive of loans and leases acquired in the MB Financial, Inc. acquisition. The ALLL increased $99 million from December 31, 2018 to $1.2 billion at December 31, 2019. At December 31, 2019, the ALLL as a percent of portfolio loans and leases decreased to 1.10%, compared to 1.16% at December 31, 2018. This decrease reflects the impact of the MB Financial, Inc. acquisition, which added approximately $13.4 billion in portfolio loans and leases at the acquisition date. Loans acquired by the Bancorp through a purchase business combination are recorded at fair value as of the acquisition date. The Bancorp did not carry over the acquired company's ALLL, nor did the Bancorp add to its existing ALLL as part of purchase accounting. The reserve for unfunded commitments increased $13 million from December 31, 2018 to $144 million at December 31, 2019. This increase reflects the impact of the MB Financial, Inc. acquisition, which included approximately $8 million in reserves for unfunded commitments at the acquisition date.

Net interest income on an FTE basis (non-GAAP) was $4.8 billion and $4.2 billion for the years ended December 31, 2019 and 2018, respectively. Net interest income was positively impacted by increases in average commercial and industrial loans and average commercial mortgage loans from the year ended December 31, 2018. Additionally, net interest income benefited from an increase in yields on average loans and leases from the year ended December 31, 2018. These positive impacts were partially offset by increases in both the rates paid on and balances of average interest-bearing core deposits and average long-term debt as well as an increase in average certificates $100,000 and over for the year ended December 31, 2019 compared to the year ended December 31, 2018. Additionally, net interest income was negatively impacted by the August 2019, September 2019 and October 2019 decisions of the FOMC to lower the target range of the federal funds rate. Net interest income for the year ended December 31, 2019 included $65 million of amortization and accretion of premiums and discounts on acquired loans and leases and assumed deposits and long-term debt from acquisitions. Net interest margin on an FTE basis (non-GAAP) was 3.31% for the year ended December 31, 2019 compared to 3.22% for the year ended December 31, 2018.

Noninterest income increased $746 million for the year ended December 31, 2019 compared to the year ended December 31, 2018 primarily due to increases in other noninterest income, leasing business revenue, mortgage banking net revenue, commercial banking revenue and wealth and asset management revenue. Other noninterest income increased $261 million for the year ended December 31, 2019 compared to the year ended December 31, 2018 primarily due to the recognition of gains on the sale of Worldpay Inc. shares driven by the Bancorp's sale of shares during the first quarter of 2019, an increase in the income from the TRA associated with Worldpay, Inc. and a decrease in the net losses on disposition and impairment of bank premises and equipment. These benefits were partially offset by the gain related to Vantiv, Inc.'s acquisition of Worldpay Group plc. recognized during the first quarter of 2018 as well as an increase in the loss on the swap associated with the sale of Visa, Inc. Class B Shares. Leasing business revenue increased $156 million for the year ended December 31, 2019 compared to the year ended December 31, 2018. The increase from the prior year was primarily driven by increases in operating lease income, leasing business solutions revenue and lease remarketing fees of $67 million, $50 million and $44 million, respectively. The increase in leasing business solutions revenue was driven by the acquisition of MB Financial, Inc. Mortgage banking net revenue increased $75 million for the year ended December 31, 2019 compared to the year ended December 31, 2018 primarily due to a $75 million increase in origination fees and gains on loan sales due to the lower interest rate environment. Commercial banking revenue increased $52 million for the year ended December 31, 2019 compared to the year ended December 31, 2018. The increase from the prior year was primarily driven by increases in institutional sales revenue and business lending fees of $26 million and $21 million, respectively. Wealth and asset management revenue increased $43 million for the year ended December 31, 2019 compared to the year ended December 31, 2018 primarily due to an increase of $37 million in private client service fees. This increase was driven by increased sales production and strong market performance as well as the full-year benefit from acquisitions in 2018 and the acquisition of MB Financial, Inc.

Noninterest expense increased $702 million for the year ended December 31, 2019 compared to the year ended December 31, 2018 primarily due to increases in compensation and benefits expense, other noninterest expense and technology and communications expense. Compensation and benefits expense increased $303 million for the year ended December 31, 2019 compared to the year ended December 31, 2018 driven by $90 million in merger-related expenses for the year ended December 31, 2019, the addition of personnel costs from the acquisition of MB Financial, Inc. and higher deferred compensation expense. Other noninterest expense increased $137 million for the year ended December 31, 2019 compared to the year ended December 31, 2018 and included the impact of an increase of $23 million in merger-related expenses related to the acquisition of MB Financial, Inc. as well as increases in intangible amortization expense, losses and adjustments and loan and lease expense, partially offset by a decrease in FDIC insurance and other taxes. Technology and communications expense increased $137 million for the year ended December 31, 2019 compared to the year ended December 31, 2018 driven by $71 million in merger-related expenses for the year ended December 31, 2019, as well as increased investment in contemporizing information technology architecture, mitigating information security risks and growth initiatives.

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 22 summarizes end of period loans and leases, including loans and leases held for sale and Table 23 summarizes average total loans and leases, including average loans and leases held for sale.

TABLE 22: Components of Total Loans and Leases (including loans and leases held for sale)

As of December 31 ($ in millions)		**2020**	2019	2018	2017	2016
Commercial loans and leases:						
Commercial and industrial loans[(a)]	$	**49,895**	50,677	44,407	41,170	41,736
Commercial mortgage loans		**10,609**	10,964	6,977	6,610	6,904
Commercial construction loans		**5,815**	5,090	4,657	4,553	3,903
Commercial leases		**2,954**	3,363	3,600	4,068	3,974
Total commercial loans and leases		**69,273**	70,094	59,641	56,401	56,517
Consumer loans:						
Residential mortgage loans[(b)]		**20,393**	17,988	16,041	16,077	15,737
Home equity		**5,183**	6,083	6,402	7,014	7,695
Indirect secured consumer loans		**13,653**	11,538	8,976	9,112	9,983
Credit card		**2,007**	2,532	2,470	2,299	2,237
Other consumer loans		**3,014**	2,723	2,342	1,559	680
Total consumer loans		**44,250**	40,864	36,231	36,061	36,332
Total loans and leases	$	**113,523**	110,958	95,872	92,462	92,849
Total portfolio loans and leases (excluding loans and leases held for sale)[(c)]	$	**108,782**	109,558	95,265	91,970	92,098

(a) Includes $4.8 billion, as of December 31, 2020, related to the SBA's Paycheck Protection Program.

(b) Includes $39, as of December 31, 2020, of residential mortgage loans previously sold to GNMA for which the Bancorp is deemed to have regained effective control over under ASC Topic 860, but did not exercise its option to repurchase. Refer to Note 17 of the Notes to Consolidated Financial Statements for further information.

(c) Subsequent to the Bancorp's earnings release furnished in a Form 8-K on January 21, 2021, the Bancorp reclassified $178 of loans from portfolio loans and leases to loans and leases held for sale because it was determined that those loans met the criteria for classification as held for sale as of December 31, 2020.

Total loans and leases, including loans and leases held for sale, increased $2.6 billion, or 2%, from December 31, 2019. The increase from December 31, 2019 was the result of an increase of $3.4 billion, or 8%, in consumer loans partially offset by a decrease of $821 million, or 1%, in commercial loans and leases.

Commercial loans and leases decreased $821 million from December 31, 2019 due to decreases in commercial and industrial loans, commercial leases and commercial mortgage loans, partially offset by an increase in commercial construction loans. Commercial and industrial loans decreased $782 million, or 2%, from December 31, 2019 primarily as a result of a decrease in revolving line of credit utilization, the strategic exit of certain relationships as well as payoffs outpacing production, partially offset by loans originated under the SBA's Paycheck Protection Program during 2020. Commercial leases decreased $409 million, or 12%, from December 31, 2019 primarily as a result of a planned reduction in indirect non-relationship-based lease originations. Commercial mortgage loans decreased $355 million, or 3%, from December 31, 2019 as payoffs exceeded loan originations. Commercial construction loans increased $725 million, or 14%, from December 31, 2019 primarily as a result of increased line of credit utilization as well as lower levels of payoffs.

Consumer loans increased $3.4 billion from December 31, 2019 due to increases in residential mortgage loans, indirect secured consumer loans and other consumer loans, partially offset by decreases in home equity and credit card. Residential mortgage loans increased $2.4 billion, or 13%, from December 31, 2019 primarily due to increases in residential mortgage loans held for sale as the Bancorp purchased $2.1 billion of government-guaranteed loans in forbearance programs and also repurchased certain loans from GNMA that were in forbearance programs. These increases were partially offset by payoffs exceeding loan originations on portfolio loans. Indirect secured consumer loans increased $2.1 billion, or 18%, from December 31, 2019 primarily as a result of loan production exceeding payoffs. Other consumer loans increased $291 million, or 11%, from December 31, 2019 primarily as a result of the purchase of a portfolio of point-of-sale loans as well as increases in loan originations. Home equity decreased $900 million, or 15%, from December 31, 2019 as payoffs exceeded loan originations. Credit card decreased $525 million, or 21%, from December 31, 2019 primarily due to the economic impacts from the COVID-19 pandemic, including reductions in the number of active accounts as well as higher net paydowns per active account.

TABLE 23: Components of Average Loans and Leases (including average loans and leases held for sale)

For the years ended December 31 ($ in millions)	**2020**	2019	2018	2017	2016
Commercial loans and leases:					
Commercial and industrial loans	$ **53,814**	50,168	42,668	41,577	43,184
Commercial mortgage loans	**11,011**	9,905	6,661	6,844	6,899
Commercial construction loans	**5,509**	5,174	4,793	4,374	3,648
Commercial leases	**3,038**	3,578	3,795	4,011	3,916
Total commercial loans and leases	**73,372**	68,825	57,917	56,806	57,647
Consumer loans:					
Residential mortgage loans	**17,828**	17,337	16,150	16,053	15,101
Home equity	**5,679**	6,286	6,631	7,308	7,998
Indirect secured consumer loans	**12,454**	10,345	8,993	9,407	10,708
Credit card	**2,230**	2,437	2,280	2,141	2,205
Other consumer loans	**2,848**	2,564	1,905	1,016	661
Total consumer loans	**41,039**	38,969	35,959	35,925	36,673
Total average loans and leases	$ **114,411**	107,794	93,876	92,731	94,320
Total average portfolio loans and leases (excluding loans and leases held for sale)	$ **112,993**	106,840	93,216	92,068	93,426

Average loans and leases, including average loans and leases held for sale, increased $6.6 billion, or 6%, from December 31, 2019 as the result of a $4.5 billion, or 7%, increase in average commercial loans and leases as well as a $2.1 billion, or 5%, increase in average consumer loans.

Average commercial loans and leases increased $4.5 billion from December 31, 2019 due to increases in average commercial and industrial loans, average commercial mortgage loans and average commercial construction loans, partially offset by a decrease in average commercial leases. Average commercial and industrial loans increased $3.6 billion, or 7%, from December 31, 2019 primarily driven by the aforementioned increases in Paycheck Protection Program loans. Average commercial mortgage loans increased $1.1 billion, or 11%, from December 31, 2019 primarily as a result of increases in loan originations and permanent financing from the Bancorp's commercial construction loan portfolio. Average commercial construction loans increased $335 million, or 6%, from December 31, 2019 primarily as a result of increased line of credit utilization as well as lower levels of payoffs. Average commercial leases decreased $540 million, or 15%, from December 31, 2019 primarily as a result of a planned reduction in indirect non-relationship-based lease originations.

Average consumer loans increased $2.1 billion from December 31, 2019 due to increases in average indirect secured consumer loans, average residential mortgage loans and average other consumer loans, partially offset by decreases in average home equity and average credit card. Average indirect secured consumer loans increased $2.1 billion, or 20%, from December 31, 2019 primarily due to loan production exceeding payoffs. Average residential mortgage loans increased $491 million, or 3%, from December 31, 2019 primarily driven by the repurchase of certain loans from GNMA that were in forbearance programs, partially offset by higher runoff due to payoffs exceeding loan originations. Average other consumer loans increased $284 million, or 11%, from December 31, 2019 primarily as a result of increases in loan originations. Average home equity decreased $607 million, or 10%, from December 31, 2019 as payoffs exceeded loan originations. Average credit card decreased $207 million, or 8%, from December 31, 2019 driven by the negative economic impacts from the COVID-19 pandemic, including reductions in the number of active accounts as well as higher net paydowns per active account.

Investment Securities

The Bancorp uses investment securities as a means of managing interest rate risk, providing collateral for pledging purposes and for liquidity risk management. Total investment securities were $38.4 billion and $36.9 billion at December 31, 2020 and December 31, 2019, respectively. The taxable available-for-sale debt and other investment securities portfolio had an effective duration of 4.4 years at December 31, 2020 compared to 5.1 years at December 31, 2019.

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

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

At December 31, 2020, the Bancorp completed its evaluation of the available-for-sale debt and other securities in an unrealized loss position and did not recognize an allowance for credit losses. The Bancorp did not recognize provision expense for the year ended December 31, 2020 related to available-for-sale debt and other securities in an unrealized loss position. During the year ended December 31, 2019, the Bancorp recognized $1 million of OTTI on its available-for-sale debt and other securities, included in securities gains (losses), net, in the Consolidated Statements of Income.

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

TABLE 24: Components of Investment Securities

As of December 31 ($ in millions)		**2020**	2019	2018	2017	2016
Available-for-sale debt and other securities (amortized cost basis):						
U.S. Treasury and federal agencies securities	$	**74**	74	98	98	547
Obligations of states and political subdivisions securities		**17**	18	2	43	44
Mortgage-backed securities:						
Agency residential mortgage-backed securities[(a)]		**11,147**	13,746	16,403	15,281	15,525
Agency commercial mortgage-backed securities		**16,745**	15,141	10,770	10,113	9,029
Non-agency commercial mortgage-backed securities		**3,323**	3,242	3,305	3,247	3,076
Asset-backed securities and other debt securities		**3,152**	2,189	1,998	2,183	2,106
Other securities[(b)]		**524**	556	552	612	607
Total available-for-sale debt and other securities	$	**34,982**	34,966	33,128	31,577	30,934
Held-to-maturity securities (amortized cost basis):						
Obligations of states and political subdivisions securities	$	**9**	15	16	22	24
Asset-backed securities and other debt securities		**2**	2	2	2	2
Total held-to-maturity securities	$	**11**	17	18	24	26
Trading debt securities (fair value):						
U.S. Treasury and federal agencies securities	$	**81**	2	16	12	23
Obligations of states and political subdivisions securities		**10**	9	35	22	39
Agency residential mortgage-backed securities		**30**	55	68	395	8
Asset-backed securities and other debt securities		**439**	231	168	63	15
Total trading debt securities	$	**560**	297	287	492	85
Total equity securities (fair value)	$	**313**	564	452	439	416

(a) Includes interest-only mortgage-backed securities recorded at fair value with fair value changes recorded in securities gains (losses), net in the Consolidated Statements of Income.

(b) 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 were 19% and 24% of total interest-earning assets at December 31, 2020 and 2019, respectively. The estimated weighted-average life of the debt securities in the available-for-sale debt and other securities portfolio was 5.7 and 6.6 years at December 31, 2020 and 2019, respectively. In addition, at December 31, 2020 and 2019 the debt securities in the available-for-sale debt and other securities portfolio had a weighted-average yield of 3.05% and 3.22%, respectively.

Information presented in Table 25 is on a weighted-average life basis, anticipating future prepayments. Yield information is presented on an FTE basis and is computed using amortized cost balances and reflects the impact of prepayments. Maturity and yield calculations for the total available-for-sale debt and other securities portfolio exclude other securities that have no stated yield or maturity. Total net unrealized gains on the available-for-sale debt and other securities portfolio were $2.5 billion at December 31, 2020 compared to $1.1 billion at December 31, 2019. The fair value of investment securities is impacted by interest rates, credit spreads, market volatility and liquidity conditions. The fair value of investment securities generally increases when interest rates decrease or when credit spreads contract.

TABLE 25: Characteristics of Available-for-Sale Debt and Other Securities

As of December 31, 2020 ($ in millions)	Amortized Cost	Fair Value	Weighted-Average Life (in years)	Weighted-Average Yield
U.S. Treasury and federal agencies securities:				
Average life 1 – 5 years	$ 74	78	2.1	2.12 %
Total	$ 74	78	2.1	2.12 %
Obligations of states and political subdivisions securities:				
Average life of 1 year or less	—	—	0.1	5.90
Average life 1 – 5 years	17	17	2.2	1.81
Total	$ 17	17	2.2	1.82 %
Agency residential mortgage-backed securities:				
Average life of 1 year or less	551	565	0.6	4.14
Average life 1 – 5 years	5,347	5,666	3.3	3.18
Average life 5 – 10 years	4,510	4,864	6.7	3.01
Average life greater than 10 years	739	812	14.0	2.97
Total	$ 11,147	11,907	5.2	3.15 %
Agency commercial mortgage-backed securities:[(a)]				
Average life of 1 year or less	45	47	0.3	2.80
Average life 1 – 5 years	7,104	7,623	3.2	3.11
Average life 5 – 10 years	7,146	7,912	7.4	3.25
Average life greater than 10 years	2,450	2,639	13.2	2.61
Total	$ 16,745	18,221	6.4	3.09 %
Non-agency commercial mortgage-backed securities:				
Average life of 1 year or less	36	36	0.5	2.38
Average life 1 – 5 years	2,836	3,055	3.7	3.20
Average life 5 – 10 years	451	499	5.8	3.26
Total	$ 3,323	3,590	4.0	3.20 %
Asset-backed securities and other debt securities:				
Average life of 1 year or less	175	176	0.5	4.26
Average life 1 – 5 years	1,211	1,233	2.6	3.07
Average life 5 – 10 years	1,340	1,336	6.8	1.94
Average life greater than 10 years	426	431	13.9	1.16
Total	$ 3,152	3,176	5.8	2.39 %
Other securities	524	524		
Total available-for-sale debt and other securities	$ 34,982	37,513	5.7	3.05 %

(a) *Taxable-equivalent yield adjustments included in the above table are 0.08% and 0.01% 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 $33.4 billion and $2.0 billion at December 31, 2020 and December 31, 2019, respectively. The increase of $31.4 billion from December 31, 2019 was primarily attributable to deposit growth during the year ended December 31, 2020.

Deposits

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

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

TABLE 26: Components of Deposits

As of December 31 ($ in millions)		2020	2019	2018	2017	2016
Demand	$	**57,711**	35,968	32,116	35,276	35,782
Interest checking		**47,270**	40,409	34,058	27,703	26,679
Savings		**18,258**	14,248	12,907	13,425	13,941
Money market		**30,650**	27,277	22,597	20,097	20,749
Foreign office		**143**	221	240	484	426
Total transaction deposits		**154,032**	118,123	101,918	96,985	97,577
Other time		**3,023**	5,237	4,490	3,775	3,866
Total core deposits		**157,055**	123,360	106,408	100,760	101,443
Certificates $100,000 and over(a)		**2,026**	3,702	2,427	2,402	2,378
Total deposits	$	**159,081**	127,062	108,835	103,162	103,821

(a) Includes $1.3 billion, $2.1 billion, $1.2 billion, $1.3 billion and $1.3 billion of institutional, retail and wholesale certificates $250,000 and over at December 31, 2020, 2019, 2018, 2017 and 2016, respectively.

Core deposits increased $33.7 billion, or 27%, from December 31, 2019, driven by an increase in transaction deposits, partially offset by a decrease in other time deposits. Transaction deposits increased $35.9 billion, or 30%, from December 31, 2019 primarily due to increases in demand deposits, interest checking deposits, savings deposits and money market deposits. Demand deposits increased $21.7 billion, or 60%, from December 31, 2019 primarily as a result of higher balances per commercial customer account due to increased liquidity levels in the form of excess cash balances driven by the amount of fiscal stimulus during the year ended December 31, 2020 as well as balance migration from interest checking deposits. Interest checking deposits increased $6.9 billion, or 17%, from December 31, 2019 primarily as a result of higher balances per customer account due to the previously mentioned increased liquidity levels in the current economic environment, partially offset by the aforementioned balance migration into demand deposits. Savings deposits increased $4.0 billion, or 28%, and money market deposits increased $3.4 billion, or 12%, from December 31, 2019 primarily as a result of higher balances per customer account due to uncertainty regarding the COVID-19 pandemic, fiscal stimulus as well as higher demand for low-risk investment alternatives and decreased consumer spending. Other time deposits decreased $2.2 billion, or 42%, from December 31, 2019 primarily due to lower offering rates on certificates less than $100,000.

Certificates $100,000 and over decreased $1.7 billion, or 45%, from December 31, 2019, primarily due to a decrease in certificates of deposit issued since December 31, 2019.

The following table presents the components of average deposits for the years ended December 31:

TABLE 27: Components of Average Deposits

($ in millions)		2020	2019	2018	2017	2016
Demand	$	**47,111**	34,343	32,634	35,093	35,862
Interest checking		**46,890**	36,658	29,818	26,382	25,143
Savings		**16,440**	14,041	13,330	13,958	14,346
Money market		**29,879**	25,879	21,769	20,231	19,523
Foreign office		**185**	209	363	388	497
Total transaction deposits		**140,505**	111,130	97,914	96,052	95,371
Other time		**4,118**	5,470	4,106	3,771	4,010
Total core deposits		**144,623**	116,600	102,020	99,823	99,381
Certificates $100,000 and over(a)		**3,337**	4,504	2,426	2,564	2,735
Other deposits		**71**	265	476	277	333
Total average deposits	$	**148,031**	121,369	104,922	102,664	102,449

(a) Includes $2.2 billion, $2.6 billion, $1.1 billion, $1.4 billion and $1.5 billion of average institutional, retail and wholesale certificates $250,000 and over during the years ended December 31, 2020, 2019, 2018, 2017 and 2016, respectively.

On an average basis, core deposits increased $28.0 billion, or 24%, from December 31, 2019 due to an increase of $29.4 billion, or 26%, in average transaction deposits, partially offset by a decrease of $1.4 billion, or 25%, in average other time deposits. The increase in average transaction deposits was driven by increases in average demand deposits, average interest checking deposits, average money market deposits and average savings deposits. Average demand deposits increased $12.8 billion, or 37%, from December 31, 2019 primarily as a result of higher average balances per commercial customer account due to the previously mentioned increased liquidity levels in the current economic environment in the form of excess cash balances driven by the amount of fiscal stimulus as well as balance migration from interest checking deposits. Average interest checking deposits increased $10.2 billion, or 28%, from December 31, 2019 primarily as a result of higher average balances per customer account due to the previously mentioned increased liquidity levels in the current economic environment in the form of excess cash balances driven by the amount of fiscal stimulus partially offset by the aforementioned balance migration into demand deposits. Average money market deposits increased $4.0 billion, or 15%, and average savings deposits increased $2.4 billion, or 17% from December 31, 2019 primarily as a result of higher average balances per customer account due to the previously mentioned increased liquidity levels in the current economic environment as well as higher demand for low-risk investment alternatives and decreased consumer spending amidst uncertainty regarding the COVID-19 pandemic. Average other time deposits decreased primarily due to lower offering rates on certificates less than $100,000.

Average certificates $100,000 and over decreased $1.2 billion, or 26%, from December 31, 2019 primarily due to a decrease in average certificates of deposit issued since December 31, 2019. Average other deposits decreased $194 million, or 73%, from December 31, 2019 primarily due to a decrease in average Eurodollar trade deposits.

Contractual Maturities

The contractual maturities of certificates $100,000 and over as of December 31, 2020 are summarized in the following table:

TABLE 28: Contractual Maturities of Certificates $100,000 and Over

($ in millions)		
Next 3 months	$	586
3-6 months		1,032
6-12 months		211
After 12 months		197
Total certificates $100,000 and over	$	2,026

The contractual maturities of other time deposits and certificates $100,000 and over as of December 31, 2020 are summarized in the following table:

TABLE 29: Contractual Maturities of Other Time Deposits and Certificates $100,000 and Over

($ in millions)		
Next 12 months	$	4,413
13-24 months		355
25-36 months		128
37-48 months		73
49-60 months		59
After 60 months		21
Total other time deposits and certificates $100,000 and over	$	5,049

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 15% at December 31, 2020 compared to 17% at December 31, 2019.

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

TABLE 30: Components of Borrowings

As of December 31 ($ in millions)		**2020**	2019	2018	2017	2016
Federal funds purchased	$	**300**	260	1,925	174	132
Other short-term borrowings		**1,192**	1,011	573	4,012	3,535
Long-term debt		**14,973**	14,970	14,426	14,904	14,388
Total borrowings	$	**16,465**	16,241	16,924	19,090	18,055

Total borrowings increased $224 million, or 1%, from December 31, 2019 due to increases in other short-term borrowings, federal funds purchased and long-term debt. Other short-term borrowings increased $181 million from December 31, 2019 primarily as a result of increases in securities sold under repurchase agreements driven by an increase in commercial customer activity. The level of other short-term borrowings can fluctuate significantly from period to period depending on funding needs and the sources that are used to satisfy those needs. For further information on the components of other short-term borrowings, refer to Note 17 of the Notes to Consolidated Financial Statements. Federal funds purchased increased $40 million from December 31, 2019 primarily due to an increase in commercial customer activity. Long-term debt increased $3 million from December 31, 2019 primarily driven by the issuance of $1.25 billion of unsecured senior fixed-rate bank notes in January of 2020, the issuance of $1.25 billion of unsecured senior fixed-rate notes in May of 2020 and $133 million of fair value adjustments associated with interest rate swaps hedging long-term debt during the year ended December 31, 2020. These increases were partially offset by the maturity of $1.1 billion of unsecured senior fixed-rate notes, the maturity of $750 million of unsecured senior fixed-rate bank notes, the maturity of $300 million of unsecured senior floating-rate bank notes and $568 million of paydowns on long-term debt associated with automobile loan securitizations during the year ended December 31, 2020. For additional information regarding the long-term debt issuances, refer to Note 18 of the Notes to Consolidated Financial Statements.

The following table summarizes the components of average borrowings:

TABLE 31: Components of Average Borrowings

For the years ended December 31 ($ in millions)		**2020**	2019	2018	2017	2016
Federal funds purchased	**$**	**385**	1,267	1,509	557	506
Other short-term borrowings		**1,709**	1,046	1,611	3,158	2,845
Long-term debt		**16,004**	15,369	14,551	13,804	15,394
Total average borrowings	**$**	**18,098**	17,682	17,671	17,519	18,745

Total average borrowings increased $416 million, or 2%, compared to December 31, 2019 due to increases in average other short-term borrowings and average long-term debt, partially offset by a decrease in average federal funds purchased. Average other short-term borrowings increased $663 million compared to December 31, 2019 driven primarily by an increase in FHLB advances attributable to short-term advances executed during the early stages of the COVID-19 pandemic. Average long-term debt increased $635 million compared to December 31, 2019 primarily driven by the issuances of $1.25 billion of unsecured senior fixed-rate bank notes and $1.25 billion of unsecured senior fixed-rate notes during the year ended December 31, 2020 and the issuance of $750 million of unsecured senior fixed-rate notes in the fourth quarter in 2019. These increases were partially offset by the maturity of $1.1 billion of unsecured senior fixed-rate notes, the maturity of $750 million of unsecured senior fixed-rate bank notes, the maturity of $300 million of unsecured senior floating-rate bank notes and $568 million of paydowns on long-term debt associated with automobile loan securitizations since December 31, 2019. Average federal funds purchased decreased $882 million compared to December 31, 2019 primarily due to lower short-term funding needs given core deposit growth. Information on the average rates paid on borrowings is discussed in the Net Interest Income subsection of the Statements of Income Analysis section of MD&A. In addition, refer to the Liquidity Risk Management subsection of the Risk Management section of MD&A for a discussion on the role of borrowings in the Bancorp’s liquidity management.

RISK MANAGEMENT - OVERVIEW

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

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

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

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

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

CREDIT RISK MANAGEMENT

The objective of the Bancorp's credit risk management strategy is to quantify and manage credit risk on an aggregate portfolio basis, as well as to limit the risk of loss resulting from the failure of a borrower or counterparty to honor its financial or contractual obligations to the Bancorp. The Bancorp's credit risk management strategy is based on three core principles: conservatism, diversification and monitoring. The Bancorp believes that effective credit risk management begins with conservative lending practices which are described below. These practices include the use of intentional risk-based limits for single name exposures and counterparty selection criteria designed to reduce or eliminate exposure to borrowers who have higher than average default risk and defined weaknesses in financial performance. The Bancorp carefully designed and monitors underwriting, documentation and collection standards. The Bancorp's credit risk management strategy also emphasizes diversification on a geographic, industry and customer level as well as ongoing portfolio monitoring and timely management reviews of large credit exposures and credits experiencing deterioration of credit quality. Credit officers with the authority to extend credit are delegated specific authority amounts, the utilization of which is closely monitored. Underwriting activities are centrally managed, and ERM manages the policy and the authority delegation process directly. The Credit Risk Review function provides independent and objective assessments of the quality of underwriting and documentation, the accuracy of risk grades and the charge-off, nonaccrual and reserve analysis process. The Bancorp's credit review process and overall assessment of the adequacy of the allowance for credit losses is based on quarterly assessments of the estimated losses expected in the loan and lease portfolio. The Bancorp uses these assessments to promptly identify potential problem loans or leases within the portfolio, maintain an adequate allowance for credit losses and record any necessary charge-offs. The Bancorp defines potential problem loans and leases as those rated substandard that do not meet the definition of a nonaccrual loan or a restructured loan. Refer to Note 7 of the Notes to 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 32: Potential Problem Portfolio Loans and Leases

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

TABLE 33: Potential Problem Portfolio Loans and Leases

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

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

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

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

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

Overview

Financial markets began the year optimistic as the signing of the Phase I trade between China and the U.S. lifted investor expectations for global growth in 2020. In February, the onset of the COVID-19 pandemic and the related shutdown of the economy led to a dramatic repricing of financial markets. From mid-February to late March 2020 the S&P 500 declined 34%, the 10-year Treasury fell to all-time lows, investment grade credit spreads widened 350 basis points, and the U.S. dollar appreciated strongly versus other currencies. In response to the economic and financial market dislocations, unprecedented fiscal and monetary policies were implemented to offset the economic shock. These policies along with the development of multiple vaccines helped support the recovery from the COVID-19 pandemic as the year progressed.

Economic recovery continued in the fourth quarter of 2020 as accommodative monetary policy and additional fiscal stimulus supported economic activity while the beginning of COVID-19 vaccinations in December 2020 supported the risk on sentiment in financial markets. The Federal Reserve maintained their commitment to keeping the target rate for federal funds at 0% to 0.25% for the foreseeable future while continuing to expand their balance sheet holdings by at least $80 billion of treasuries and $40 billion of agency mortgage-backed securities per month. At the December 2020 FOMC meeting, federal officials indicated balance sheet purchases would continue at the current pace “until substantial further progress has been made toward the Committee’s maximum employment and price stability goals.” In December 2020, the federal government enacted legislation that provides additional relief for individuals, businesses and hospitals in response to the economic distress caused by the COVID-19 pandemic. The $900 billion relief legislation included an extension of the Federal Pandemic Unemployment Compensation program, a new round of stimulus checks for individuals, a second round of the Paycheck Protection Program, assistance for schools and the transportation sector and funding to assist states with COVID-19 testing and vaccine distribution.

Although COVID-19 cases rose to new records in December 2020, along with hospitalizations and deaths, the start of the vaccination process supported investors’ expectations for an end of the pandemic in 2021. In addition, the results of the federal elections in November 2020 supported investors’ expectations of additional fiscal stimulus and a robust recovery in the second half of 2021. The bullish sentiment led to yield curve steepening in the treasury market, all-time high equity valuations, tighter credit spreads and flatter credit curves. The housing market remained robust as low mortgage rates and tight inventory levels supported the strongest home price growth since 2014, while the S&P 500 increased 12.15% in the fourth quarter of 2020 and 18.40% for the year ended December 31, 2020. With the rise in asset prices, household net worth reached a record at the end of the third quarter of 2020, up approximately 7% year-over-year. Lastly, the U.S. employment picture continued to improve during the fourth quarter of 2020 as the unemployment rate declined from 7.8% to 6.7% despite the new COVID-19 lockdown restrictions which led to higher unemployment claims and a loss in jobs in the most recent employment report.

COVID-19 Hardship Relief Programs

In response to the COVID-19 pandemic, beginning in March 2020, the Bancorp began providing financial hardship relief to borrowers that were negatively impacted by the pandemic and its related economic impacts. For retail borrowers, these relief programs included three-month payment deferrals for non-real estate secured and unsecured portfolios, six-month payment deferrals for home equity loans and lines of credit and six-month forbearances for residential mortgages. The Bancorp also temporarily waived fees for certain products and services, suspended initiating any new repossession actions on vehicles and suspended all residential foreclosure activity. In most cases, these offers are not classified as TDRs and do not result in loans being placed on nonaccrual status. The fee waiver, repossession suspension and payment deferral programs for non-real estate secured and unsecured and home equity loans and lines of credit were discontinued early in the third quarter of 2020. However, new programs to assist consumer customers are now being offered to meet the uniqueness of the current economic environment. These primarily include a short-term hardship program which allows for a reduced payment amount for six months with full payments resuming thereafter or placement into a loan modification program that could include permanent rate reductions or maturity extensions.

The Bancorp currently plans to continue to offer the six-month forbearance program for its residential mortgage borrowers in alignment with the forbearances offered for federally-backed mortgage loans under the provisions of the CARES Act. Upon completion of the initial six-month forbearance period for residential mortgage loans, borrowers may request to extend the forbearance period for an additional period of up to six months. Additionally, the Bancorp will continue to follow the specific GSE guidance for other non-forbearance related COVID-19 pandemic relief programs when servicing its residential mortgage portfolio. These programs include traditional loan modifications and/or deferral of past due payments to the maturity of the loan. The Bancorp continues to suspend residential foreclosure activity in alignment with GSE practices. The Bancorp will also be responsive to any legislative changes related to foreclosure activity.

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

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

For commercial leases that receive payment deferrals under the Bancorp’s COVID-19 pandemic hardship relief programs, the Bancorp will continue to recognize interest income during the deferral period, but the yield will be recalculated based on the timing and amount of remaining payments over the remaining lease term. The revised yield will be used for prospectively recognizing interest income and adjusting the net investment in the lease. The Bancorp’s hardship relief programs for commercial leases affect the timing of payments but do not generally result in an increase in the rights of the lessor or the obligations of the lessee. Therefore, the Bancorp has elected to forego certain requirements that would typically apply for lease modifications when accounting for the effects of the hardship relief programs. Refer to the Regulatory Developments Related to the COVID-19 Pandemic section of Note 1 of the Notes to Consolidated Financial Statements for further information.

As of December 31, 2020, the Bancorp had discontinued new enrollments for its consumer hardship relief programs except for the residential mortgage forbearance program previously discussed. The remaining consumer loans that were in an active relief period as of December 31, 2020 primarily consisted of borrowers who were previously enrolled in a hardship relief program and then subsequently requested additional assistance. These extended assistance periods generally provide reduced payments for a period of up to six months and are expected to be substantially complete in the first quarter of 2021. As previously discussed, residential mortgage borrowers may receive a total forbearance of up to one year so borrowers will be in active relief periods for a longer period of time. However, the Bancorp currently expects most of its residential mortgage loans to exit forbearance in the first half of 2021.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following table provides a summary of portfolio loans and leases as of December 31, 2020, by class, that have received payment deferrals or forbearances as part of the Bancorp's COVID-19 pandemic hardship relief programs:

TABLE 34: Summary of Portfolio Loans and Leases Enrolled In Hardship Relief Programs

	Amortized Cost Basis of Loans and Leases							
						Past Due[c]		
December 31, 2020 ($ in millions)		Completed Relief Period	In Active Relief Period[a]	Total that Have Received Payment Relief[b]	Current[c]	30-89 Days	90 Days or More	Total Past Due
Commercial loans:								
Commercial and industrial loans	$	1,355	10	1,365	1,347	14	4	18
Commercial mortgage owner-occupied loans		564	16	580	575	4	1	5
Commercial mortgage nonowner-occupied loans		1,081	97	1,178	1,125	27	26	53
Commercial construction loans		470	15	485	485	—	—	—
Commercial leases		91	—	91	91	—	—	—
Residential mortgage loans[b]		859	615	1,474	1,243	53	178	231
Consumer loans:								
Home equity		195	11	206	183	15	8	23
Indirect secured consumer loans[d]		771	216	987	922	49	16	65
Credit card		110	25	135	109	12	14	26
Other consumer loans		95	14	109	103	4	2	6
Total portfolio loans and leases	$	5,591	1,019	6,610	6,183	178	249	427

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

(b) Excludes $921 of loans previously sold to GNMA that the Bancorp had the option to repurchase as a result of forbearance, $882 of which were repurchased and are classified as held for sale.

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

(d) Indirect secured consumer loans which are still in an active relief period as of December 31, 2020 are required to make payments but at a reduced amount from original contractual terms.

As of December 31, 2020, $1.5 billion of the Bancorp's residential mortgage loans had been enrolled in a COVID-19 forbearance program (either active or completed). These loans had a weighted-average FICO score of approximately 690 and a weighted-average origination LTV of approximately 81%. Approximately 60% of these borrowers made at least one payment since entering forbearance, and 84% of balances are reported as current as of December 31, 2020. The Bancorp had $615 million of these loans in an active relief period as of December 31, 2020 and these loans had a weighted-average FICO score of approximately 660 and a weighted-average origination LTV of approximately 83%. Approximately one third of borrowers in an active forbearance period have made at least one payment since entering forbearance and approximately 85% of the residential mortgage loans still in an active relief period have completed the initial six-month forbearance period and have requested an extended forbearance for up to an additional six months.

Commercial Portfolio

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

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

Certain industries have experienced increased stress due to the COVID-19 pandemic. These include consumer-driven industries that require gathering or congregation such as leisure and recreation (including casinos, restaurants, sports, fitness, hotels and other industries), non-essential retail and leisure travel (primarily including airlines and cruise lines). Certain segments of the healthcare industry (including skilled nursing, physician offices and surgery/outpatient centers, among others) have also been impacted by the pandemic given delays and restrictions on in-person visits and elective procedures. The following table presents industries impacted the most severely within the Bancorp's commercial and industrial and commercial real estate loan portfolios as of December 31, 2020:

TABLE 35: Industries Impacted the Most Severely by the COVID-19 Pandemic

($ in millions)		Balance	Exposure	Industry Classification[(b)]
Commercial and industrial loans:[(a)]				
Leisure and recreation[(c)]	$	3,827	7,254	Accommodation and food / Entertainment and recreation
Healthcare		834	1,560	Healthcare
Retail - non-essential		690	3,043	Retail trade
Leisure travel		416	585	Transportation and warehousing
Total commercial and industrial loans		5,767	12,442	
Commercial real estate loans:				
Leisure and recreation[(c)]		2,225	2,568	Accommodation and food / Entertainment and recreation
Healthcare		1,647	2,025	Healthcare
Retail - non-essential		1,242	1,335	Real estate
Total commercial real estate loans		5,114	5,928	
Total	$	10,881	18,370	

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

Additionally, the Bancorp's energy loan portfolio of $2.6 billion for oil and gas production and related industries was also impacted by significant declines in oil prices during the year ended December 31, 2020.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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:

TABLE 36: Commercial Loan and Lease Portfolio (excluding loans and leases held for sale)

	2020			2019		
As of December 31 ($ in millions)	Outstanding	Exposure	Nonaccrual	Outstanding	Exposure	Nonaccrual
By Industry:						
Real estate	**$ 11,416**	**16,865**	**143**	11,320	16,993	9
Manufacturing	**10,699**	**21,986**	**68**	11,996	22,079	87
Financial services and insurance	**6,868**	**15,113**	**—**	7,214	15,398	—
Business services	**5,344**	**9,114**	**66**	5,170	8,579	75
Healthcare	**5,168**	**7,874**	**41**	4,984	7,206	38
Wholesale trade	**4,204**	**7,990**	**25**	4,502	7,715	17
Accommodation and food	**4,166**	**6,600**	**35**	3,745	6,525	21
Retail trade	**3,651**	**8,871**	**6**	3,948	8,255	39
Communication and information	**3,128**	**5,802**	**39**	3,166	5,567	2
Transportation and warehousing	**2,846**	**4,596**	**13**	2,880	4,996	12
Construction	**2,631**	**6,053**	**4**	2,526	5,327	4
Mining	**2,626**	**4,171**	**94**	3,046	4,966	37
Entertainment and recreation	**2,248**	**3,537**	**84**	1,905	3,327	40
Other services	**1,362**	**1,770**	**7**	1,224	1,662	4
Utilities	**1,162**	**3,011**	**—**	991	2,672	—
Public administration	**880**	**1,428**	**—**	782	1,107	—
Agribusiness	**394**	**616**	**10**	344	554	9
Other	**127**	**129**	**2**	151	153	3
Individuals	**77**	**123**	**1**	64	128	—
Total	**$ 68,997**	**125,649**	**638**	69,958	123,209	397
By Loan Size:						
Less than $1 million	**7 %**	**5**	**10**	4	3	10
$1 million to $5 million	**9**	**7**	**18**	9	7	22
$5 million to $10 million	**7**	**6**	**14**	7	6	11
$10 million to $25 million	**18**	**16**	**27**	20	17	27
$25 million to $50 million	**24**	**23**	**31**	24	24	30
Greater than $50 million	**35**	**43**	**—**	36	43	—
Total	**100 %**	**100**	**100**	100	100	100
By State:						
Illinois	**14 %**	**12**	**28**	15	12	18
Ohio	**11**	**12**	**4**	10	11	6
Florida	**8**	**7**	**1**	7	7	6
Michigan	**6**	**6**	**7**	6	6	7
Indiana	**4**	**4**	**1**	4	4	2
Georgia	**3**	**4**	**7**	3	4	11
North Carolina	**3**	**2**	**3**	3	3	10
Tennessee	**2**	**3**	**1**	3	3	1
Kentucky	**2**	**2**	**4**	2	2	9
Other	**47**	**48**	**44**	47	48	30
Total	**100 %**	**100**	**100**	100	100	100

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

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

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

TABLE 38: Commercial Mortgage Loans Outstanding by LTV, Loans Greater Than $1 Million

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

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

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

TABLE 39: Nonowner-Occupied Commercial Real Estate (excluding loans held for sale)[(a)]

As of December 31, 2020 ($ in millions)						**For the Year Ended December 31, 2020**
		Outstanding	Exposure	90 Days Past Due	Nonaccrual	Net Charge-offs
By State:						
Illinois	**$**	**2,844**	**3,375**	**1**	**45**	**6**
Ohio		**1,405**	**1,990**	**—**	**4**	**—**
Florida		**1,132**	**1,668**	**—**	**—**	**—**
North Carolina		**854**	**1,124**	**—**	**2**	**—**
Michigan		**810**	**926**	**—**	**1**	**—**
Indiana		**580**	**1,029**	**—**	**—**	**—**
Georgia		**424**	**924**	**—**	**1**	**—**
All other states		**2,981**	**4,539**	**—**	**25**	**35**
Total	**$**	**11,030**	**15,575**	**1**	**78**	**41**

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

TABLE 40: Nonowner-Occupied Commercial Real Estate (excluding loans held for sale)[(a)]

As of December 31, 2019 ($ in millions)						For the Year Ended December 31, 2019
		Outstanding	Exposure	90 Days Past Due	Nonaccrual	Net Charge-offs
By State:						
Illinois	$	3,097	3,639	6	—	2
Ohio		1,402	1,861	—	1	—
Florida		951	1,605	—	—	—
North Carolina		635	1,040	—	—	—
Michigan		714	849	—	—	—
Indiana		582	865	—	—	—
Georgia		351	897	—	—	—
All other states		2,883	4,569	—	—	—
Total	$	10,615	15,325	6	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. Credit risk management continues to closely monitor the indirect secured consumer portfolio performance, which includes automobile loans. The automobile market has exhibited industry-wide gradual loosening of credit standards such as lower FICOs, longer terms and higher LTVs. The Bancorp has adjusted credit standards focused on improving risk-adjusted returns while maintaining credit risk tolerance. The Bancorp actively manages the automobile portfolio through concentration limits, which mitigate credit risk through limiting the exposure to lower FICO scores, higher advance rates and extended term originations.

Additionally, the Bancorp enhanced its credit underwriting guidelines across the entire consumer portfolio in response to the economic stress created by the COVID-19 pandemic. The Bancorp routinely and consistently evaluates underwriting practices to align with economic conditions as part of standard risk management protocols. The Bancorp will continue to evaluate these practices based on underlying economic factors and internal considerations.

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 $559 million of ARM loans will have rate resets during the next twelve months. Of these resets, 6% are expected to experience an increase in rate, with an average increase of approximately 0.4%. Underlying characteristics of these borrowers are relatively strong with a weighted-average origination DTI of 32% and weighted-average origination LTV of 71%.

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

Portfolio residential mortgage loans from 2010 and later vintages represented 94% of the portfolio as of December 31, 2020 and had a weighted-average origination LTV of 73% and a weighted-average origination FICO of 762.

In response to the COVID-19 pandemic, the Bancorp has provided forbearances for up to six months for customers who are experiencing a hardship related to COVID-19, with an option for borrowers to extend the forbearance period for an additional period of up to six months upon request. Additionally, the Bancorp has maintained tighter credit underwriting guidelines for new originations, raising the minimum FICO score at origination to 680 and lowering the maximum allowable LTV to 80%. For further information on reporting of past due loans, refer to Note 1 of the Notes to Consolidated Financial Statements.

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

TABLE 41: Residential Mortgage Portfolio Loans by LTV at Origination

	2020		2019	
As of December 31 ($ in millions)	Outstanding	Weighted-Average LTV	Outstanding	Weighted-Average LTV
LTV ≤ 80%	**$ 11,336**	**65.2 %**	$ 12,100	66.3 %
LTV > 80%, with mortgage insurance[(a)]	**2,535**	**95.5**	2,373	95.2
LTV > 80%, no mortgage insurance	**2,057**	**91.1**	2,251	93.1
Total	**$ 15,928**	**73.9 %**	$ 16,724	74.3 %

(a) Includes loans with both borrower and 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 42: Residential Mortgage Portfolio Loans, LTV Greater Than 80% at Origination, No Mortgage Insurance

As of December 31, 2020 ($ in millions)					**For the Year Ended December 31, 2020**
		Outstanding	90 Days Past Due	Nonaccrual	Net Charge-offs
By State:					
Ohio	$	**459**	**4**	**4**	**2**
Illinois		**410**	**3**	**1**	**—**
Florida		**306**	**1**	**2**	**—**
Michigan		**180**	**2**	**1**	**—**
Indiana		**147**	**1**	**1**	**—**
North Carolina		**139**	**2**	**—**	**—**
Kentucky		**92**	**1**	**—**	**—**
All other states		**324**	**3**	**2**	**—**
Total	$	**2,057**	**17**	**11**	**2**

TABLE 43: Residential Mortgage Portfolio Loans, LTV Greater Than 80% at Origination, No Mortgage Insurance

As of December 31, 2019 ($ in millions)					For the Year Ended December 31, 2019
		Outstanding	90 Days Past Due	Nonaccrual	Net Charge-offs (Recoveries)
By State:					
Ohio	$	482	3	4	1
Illinois		468	2	3	1
Florida		305	2	1	(1)
Michigan		217	2	1	—
Indiana		175	1	1	—
North Carolina		139	—	2	—
Kentucky		93	—	—	—
All other states		372	3	3	1
Total	$	2,251	13	15	2

Home equity portfolio

The Bancorp's home equity portfolio is primarily comprised of home equity lines of credit. Beginning in the first quarter of 2013, the Bancorp's newly originated home equity lines of credit have a 10-year interest-only draw period followed by a 20-year amortization period. The home equity line of credit previously offered by the Bancorp was a revolving facility with a 20-year term, minimum payments of interest-only and a balloon payment of principal at maturity. Peak maturity years for the balloon home equity lines of credit are 2025 to 2028 and approximately 23% 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 45 and Table 46. Of the total $5.2 billion of outstanding home equity loans:

- 80% reside within the Bancorp's Midwest footprint of Ohio, Michigan, Kentucky, Indiana and Illinois as of December 31, 2020;
- 39% are in senior lien positions and 61% are in junior lien positions at December 31, 2020;
- 78% of non-delinquent borrowers made at least one payment greater than the minimum payment during the year ended December 31, 2020; and
- The portfolio had a weighted-average refreshed FICO score of 748 at December 31, 2020.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

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

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

TABLE 44: Home Equity Portfolio Loans Outstanding by Refreshed FICO Score

	2020		2019	
As of December 31 ($ in millions)	Outstanding	% of Total	Outstanding	% of Total
Senior Liens:				
FICO ≤ 659	**$ 174**	**3 %**	$ 219	4 %
FICO 660-719	**284**	**6**	330	5
FICO ≥ 720	**1,546**	**30**	1,732	28
Total senior liens	**2,004**	**39**	2,281	37
Junior Liens:				
FICO ≤ 659	**339**	**6**	446	7
FICO 660-719	**610**	**12**	716	12
FICO ≥ 720	**2,230**	**43**	2,640	44
Total junior liens	**3,179**	**61**	3,802	63
Total	**$ 5,183**	**100 %**	$ 6,083	100 %

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

TABLE 45: Home Equity Portfolio Loans Outstanding by LTV at Origination

	2020		2019	
As of December 31 ($ in millions)	Outstanding	Weighted-Average LTV	Outstanding	Weighted-Average LTV
Senior Liens:				
LTV ≤ 80%	**$ 1,728**	**53.8 %**	$ 1,964	53.8 %
LTV > 80%	**276**	**89.1**	317	88.8
Total senior liens	**2,004**	**58.8**	2,281	58.9
Junior Liens:				
LTV ≤ 80%	**1,864**	**66.5**	2,213	66.8
LTV > 80%	**1,315**	**89.8**	1,589	89.7
Total junior liens	**3,179**	**77.1**	3,802	77.4
Total	**$ 5,183**	**69.8 %**	$ 6,083	70.3 %

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

TABLE 46: Home Equity Portfolio Loans Outstanding with an LTV Greater than 80% at Origination

As of December 31, 2020 ($ in millions)					For the Year Ended December 31, 2020
	Outstanding	Exposure	90 Days Past Due	Nonaccrual	Net Charge-offs (Recoveries)
By State:					
Ohio	$ **493**	**1,109**	**—**	**9**	**1**
Michigan	**283**	**590**	**—**	**4**	**(1)**
Illinois	**251**	**468**	**2**	**7**	**—**
Indiana	**148**	**318**	**—**	**3**	**—**
Kentucky	**126**	**280**	**—**	**1**	**—**
Florida	**113**	**220**	**—**	**3**	**—**
All other states	**177**	**347**	**—**	**4**	**—**
Total	$ **1,591**	**3,332**	**2**	**31**	**—**

TABLE 47: Home Equity Portfolio Loans Outstanding with an LTV Greater than 80% at Origination

As of December 31, 2019 ($ in millions)					For the Year Ended December 31, 2019
	Outstanding	Exposure	90 Day Past Due	Nonaccrual	Net Charge-offs
By State:					
Ohio	$ 610	1,269	—	10	3
Michigan	356	674	—	7	1
Illinois	263	486	—	5	3
Indiana	182	365	—	4	1
Kentucky	155	321	—	2	—
Florida	132	246	—	3	1
All other states	208	389	—	4	1
Total	$ 1,906	3,750	—	35	10

Indirect secured consumer portfolio

The indirect secured consumer portfolio is comprised of $12.6 billion of automobile loans and $1.0 billion of indirect motorcycle, powersport, recreational vehicle and marine loans as of December 31, 2020. The concentration of lower FICO (≤659) origination balances remained within targeted credit risk tolerance during the year ended December 31, 2020. All concentration and guideline changes are monitored monthly to ensure alignment with original credit performance and return projections.

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

TABLE 48: Indirect Secured Consumer Portfolio Loans Outstanding by FICO Score at Origination

	2020		2019	
As of December 31 ($ in millions)	Outstanding	% of Total	Outstanding	% of Total
FICO ≤ 659	$ **417**	**3 %**	$ 508	4 %
FICO 660-719	**3,568**	**26**	3,449	30
FICO ≥ 720	**9,668**	**71**	7,581	66
Total	$ **13,653**	**100 %**	$ 11,538	100 %

As of December 31, 2020, 94% of the indirect secured consumer loan portfolio is comprised of automobile loans, powersport loans and motorcycle loans. It is a common industry practice to advance on these types of loans an amount in excess of the collateral value due to the inclusion of negative equity trade-in, maintenance/warranty products, taxes, title and other fees paid at closing. The Bancorp monitors its exposure to these higher risk loans. The remainder of the indirect secured consumer loan portfolio is comprised of marine and recreational vehicle loans. The Bancorp's credit policies limit the maximum advance rate on these to 100% of collateral value.

In response to the COVID-19 pandemic, the Bancorp enhanced its credit underwriting guidelines for indirect automobile originations. These enhancements include lowering maximum advance rates to 110%, raising the minimum FICO score at origination to 650, raising internal score cutoffs and tightening capacity to repay standards. Revised credit underwriting guidelines have also been implemented in the marine, recreational vehicle and powersport channels, raising the minimum FICO score at origination and reducing the maximum allowable advance.

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

TABLE 49: Indirect Secured Consumer Portfolio Loans Outstanding by LTV at Origination

	2020		2019	
As of December 31 ($ in millions)	Outstanding	Weighted-Average LTV	Outstanding	Weighted-Average LTV
LTV ≤ 100%	$ 9,371	80.3 %	$ 7,420	81.3 %
LTV > 100%	4,282	112.7	4,118	113.4
Total	$ 13,653	90.8 %	$ 11,538	93.1 %

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

TABLE 50: Indirect Secured Consumer Portfolio Loans Outstanding with an LTV Greater than 100% at Origination

($ in millions)	Outstanding	90 Days Past Due and Accruing	Nonaccrual	Net Charge-offs
December 31, 2020	$ 4,282	6	10	26
December 31, 2019	4,118	7	4	37

Credit card portfolio

The credit card portfolio consists of predominantly prime accounts with 97% of balances existing within the Bancorp's footprint at both December 31, 2020 and December 31, 2019. At December 31, 2020 and 2019, 69% and 67%, respectively, of the outstanding balances were originated through branch-based relationships with the remainder coming from direct mail campaigns and online acquisitions.

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

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

TABLE 51: Credit Card Portfolio Loans Outstanding by FICO Score at Origination

	2020		2019	
As of December 31 ($ in millions)	Outstanding	% of Total	Outstanding	% of Total
FICO ≤ 659	$ 94	5 %	$ 107	4 %
FICO 660-719	654	32	834	33
FICO ≥ 720	1,259	63	1,591	63
Total	$ 2,007	100 %	$ 2,532	100 %

Other consumer portfolio loans

Other consumer portfolio loans are comprised of secured and unsecured loans originated through the Bancorp's branch network as well as point-of-sale loans originated in connection with third-party financial technology companies. The Bancorp had $285 million in unfunded commitments associated with loans originated in connection with third-party financial technology companies as of December 31, 2020. The Bancorp closely monitors the credit performance of point-of-sale loans which, for the Bancorp, is impacted by certain credit loss protection coverage provided by the third-party financial technology companies.

In response to the COVID-19 pandemic, the minimum FICO score at origination for unsecured loans originated through Fifth Third has been raised to 720. The minimum FICO scores at originations for loans originated through third parties is now set at 680. Additionally, for Fifth Third originated unsecured loans, a qualifying Fifth Third deposit relationship is now required.

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

TABLE 52: Other Consumer Portfolio Loans Outstanding by Product Type

	2020		2019	
As of December 31 ($ in millions)	Outstanding	% of Total	Outstanding	% of Total
Unsecured	$ 683	23 %	$ 783	29 %
Other secured	774	26	530	19
Point-of-sale	1,557	51	1,410	52
Total	$ 3,014	100 %	$ 2,723	100 %

Analysis of Nonperforming Assets

Nonperforming assets include nonaccrual loans and leases for which ultimate collectability of the full amount of the principal and/or interest is uncertain; restructured commercial, credit card and certain consumer loans which have not yet met the requirements to be classified as a performing asset; restructured consumer loans which are 90 days past due based on the restructured terms unless the loan is both well-secured and in the process of collection; and certain other assets, including OREO and other repossessed property. A summary of nonperforming assets is included in Table 53. 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.

Nonperforming assets were $870 million at December 31, 2020 compared to $687 million at December 31, 2019. At December 31, 2020, $6 million of nonaccrual loans were held for sale, compared to $7 million at December 31, 2019.

Nonperforming portfolio assets as a percent of portfolio loans and leases and OREO were 0.79% as of December 31, 2020 compared to 0.62% as of December 31, 2019. Nonaccrual loans and leases secured by real estate were 36% of nonaccrual loans and leases as of December 31, 2020 compared to 35% as of December 31, 2019.

Portfolio commercial nonaccrual loans and leases were $638 million at December 31, 2020, an increase of $241 million from December 31, 2019. Portfolio consumer nonaccrual loans were $196 million at December 31, 2020, a decrease of $25 million from December 31, 2019. Refer to Table 54 for a rollforward of the portfolio nonaccrual loans and leases.

OREO and other repossessed property was $30 million at December 31, 2020, compared to $62 million at December 31, 2019. The Bancorp recognized $7 million and $6 million in losses on the transfer, sale or write-down of OREO properties during the years ended December 31, 2020 and 2019, respectively.

During the years ended December 31, 2020 and 2019, approximately $38 million and $35 million, respectively, of interest income would have been recognized if the nonaccrual and renegotiated loans and leases on nonaccrual status had been current in accordance with their original terms. Although these values help demonstrate the costs of carrying nonaccrual credits, the Bancorp does not expect to recover the full amount of interest as nonaccrual loans and leases are generally carried below their principal balance.

TABLE 53: Summary of Nonperforming Assets and Delinquent Loans and Leases

As of December 31 ($ in millions)		**2020**	2019	2018	2017	2016
Nonaccrual portfolio loans and leases:						
Commercial and industrial loans	$	**230**	118	54	144	302
Commercial mortgage loans		**82**	21	9	12	27
Commercial construction loans		**—**	1	—	—	—
Commercial leases		**7**	26	18	—	2
Residential mortgage loans[(a)]		**25**	12	10	17	17
Home equity		**52**	55	56	56	55
Indirect secured consumer loans		**9**	1	—	—	—
Other consumer loans		**2**	2	1	—	—
Nonaccrual portfolio restructured loans and leases:						
Commercial and industrial loans		**243**	220	139	132	176
Commercial mortgage loans		**75**	9	4	14	14
Commercial construction loans		**1**	—	—	—	—
Commercial leases		**—**	2	4	4	2
Residential mortgage loans[(a)]		**35**	79	12	13	17
Home equity		**34**	39	13	18	18
Indirect secured consumer loans		**7**	6	1	1	2
Credit card		**32**	27	27	26	28
Total nonaccrual portfolio loans and leases[(b)]		**834**	618	348	437	660
OREO and other repossessed property[(c)]		**30**	62	47	52	78
Total nonperforming portfolio loans and leases and OREO		**864**	680	395	489	738
Nonaccrual loans held for sale		**5**	—	—	5	4
Nonaccrual restructured loans held for sale		**1**	7	16	1	9
Total nonperforming assets	$	**870**	687	411	495	751
Portfolio loans and leases 90 days past due and still accruing:						
Commercial and industrial loans	$	**39**	11	4	3	4
Commercial mortgage loans		**8**	15	2	—	—
Commercial leases		**1**	—	—	—	—
Residential mortgage loans[(a)]		**70**	50	38	57	49
Home equity		**2**	1	—	—	—
Indirect secured consumer loans		**10**	10	12	10	9
Credit card		**31**	42	37	27	22
Other consumer loans		**2**	1	—	—	—
Total portfolio loans and leases 90 days past due and still accruing	$	**163**	130	93	97	84
Nonperforming portfolio assets as a percent of portfolio loans and leases and OREO		**0.79 %**	0.62	0.41	0.53	0.80
ALLL as a percent of nonperforming portfolio assets		**284**	177	279	245	170
ACL as a percent of nonperforming portfolio assets		**304**	198	317	274	190

(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 $317, $261, $195, $290 and $312 as of December 31, 2020, 2019, 2018, 2017 and 2016, respectively. The Bancorp recognized losses of $3, $4, $5, $5 and $6 for the years ended December 31, 2020, 2019, 2018, 2017 and 2016, respectively.*

(b) *Includes $29, $16, $6, $3 and $4 of nonaccrual government insured commercial loans whose repayments are insured by the SBA at December 31, 2019, 2019, 2018, 2017 and 2016, respectively, of which $17, $11, $2, $3 and $1 were restructured nonaccrual government insured commercial loans at December 31, 2020, 2019, 2018, 2017 and 2016, respectively.*

(c) *Upon completion of Fifth Third Bank's conversion to a national charter in 2019, the Bancorp conformed to OCC guidance with regard to branch-related real estate no longer intended to be used for banking purposes. The impact of the change resulted in an increase to OREO of approximately $30 million with an offsetting reduction to bank premises and equipment.*

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

TABLE 54: Rollforward of Portfolio Nonaccrual Loans and Leases

For the year ended December 31, 2020 ($ in millions)	Commercial	Residential Mortgage	Consumer	Total
Balance, beginning of period	$ 397	91	130	618
Transfers to nonaccrual status	794	136	170	1,100
Transfers to accrual status	(34)	(149)	(85)	(268)
Transfers to held for sale	(46)	—	—	(46)
Loan paydowns/payoffs	(216)	(8)	(47)	(271)
Transfers to OREO	(1)	(7)	—	(8)
Charge-offs	(282)	(3)	(34)	(319)
Draws/other extensions of credit	26	—	2	28
Balance, end of period	$ 638	60	136	834

TABLE 55: Rollforward of Portfolio Nonaccrual Loans and Leases

For the year ended December 31, 2019 ($ in millions)	Commercial	Residential Mortgage	Consumer	Total
Balance, beginning of period	$ 228	22	98	348
Transfers to nonaccrual status	456	107	176	739
Acquired nonaccrual loans	8	—	—	8
Transfers to accrual status	—	(20)	(72)	(92)
Transfers to held for sale	(17)	—	—	(17)
Loan paydowns/payoffs	(165)	(9)	(30)	(204)
Transfers to OREO	(5)	(7)	(4)	(16)
Charge-offs	(127)	(2)	(38)	(167)
Draws/other extensions of credit	19	—	—	19
Balance, end of period	$ 397	91	130	618

Troubled Debt Restructurings

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

At the time of modification, the Bancorp maintains certain consumer loan TDRs (including certain residential mortgage loans, home equity loans and other consumer loans) on accrual status, provided there is reasonable assurance of repayment and performance according to the modified terms based upon a current, well-documented credit evaluation. Loans discharged in a Chapter 7 bankruptcy and not reaffirmed by the borrower are classified as collateral-dependent TDRs and placed on nonaccrual status regardless of the borrower's payment history or capacity to repay in the future. These loans are returned to accrual status provided there is a sustained payment history of twelve months after bankruptcy and collectability is reasonably assured for all remaining contractual payments. Commercial loans modified as part of a TDR are maintained on accrual status provided there is a sustained payment history of six months or greater prior to the modification in accordance with the modified terms and all remaining contractual payments under the modified terms are reasonably assured of collection. TDRs of commercial loans and credit card loans that do not have a sustained payment history of six months or greater in accordance with the modified terms remain on nonaccrual status until a six-month payment history is sustained. Refer to the Regulatory Developments Related to the COVID-19 Pandemic section of Note 1 of the Notes to Consolidated Financial Statements for additional information on loans that were modified related to the COVID-19 pandemic but not classified as TDRs.

Consumer restructured loans on accrual status totaled $796 million and $965 million at December 31, 2020 and 2019, respectively. As of December 31, 2020, the percentage of restructured residential mortgage loans, home equity loans, and credit card loans that are past due 30 days or more from their modified terms were 27%, 19% and 31%, respectively.

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

TABLE 56: Accruing and Nonaccruing Portfolio TDRs

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

(a) *Excludes restructured nonaccrual loans held for sale.*
(b) *Information includes advances made pursuant to servicing agreements for GNMA mortgage pools whose repayments are insured by the FHA or guaranteed by the VA. As of December 31, 2020, these advances represented $276 of current loans, $28 of 30-89 days past due loans and $78 of 90 days or more past due loans.*
(c) *Excludes approximately $3 of residential mortgage loans that were modified prior to repurchase.*
(d) *Excludes approximately $142 of residential mortgage loans that were modified prior to repurchase.*

TABLE 57: Accruing and Nonaccruing Portfolio TDRs

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

(a) *Excludes restructured nonaccrual loans held for sale.*
(b) *Information includes advances made pursuant to servicing agreements for GNMA mortgage pools whose repayments are insured by the FHA or guaranteed by the VA. As of December 31, 2020, these advances represented $321 of current loans, $40 of 30-89 days past due loans and $109 of 90 days or more past due loans.*
(c) *Upon completion of Fifth Third Bank's conversion to a national charter, the Bancorp conformed to OCC guidance with regard to non-reaffirmed loans included in Chapter 7 bankruptcy filings to be accounted for as TDRs and collateral dependent loans regardless of payment history and capacity to pay in the future. The impact of the change resulted in an increase to TDRs of approximately $105, of which $83 were transferred to nonaccrual status.*

Analysis of Net Loan Charge-offs

Net charge-offs were 42 bps and 35 bps of average portfolio loans and leases for the years ended December 31, 2020 and 2019, respectively. Table 58 provides a summary of credit loss experience and net charge-offs as a percentage of average portfolio loans and leases outstanding by loan category.

The ratio of commercial loan and lease net charge-offs to average portfolio commercial loans and leases increased to 36 bps during the year ended December 31, 2020, compared to 16 bps during the year ended December 31, 2019. The increase was primarily due to increases in net charge-offs on commercial and industrial loans and commercial mortgage loans of $95 million and $47 million, respectively.

The ratio of consumer loan net charge-offs to average portfolio consumer loans decreased to 52 bps for the year ended December 31, 2020 compared to 68 bps for the year ended December 31, 2019. The decrease was primarily due to decreases in net charge-offs on indirect secured consumer loans and other consumer loans of $18 million and $15 million, respectively. The decreases for the year ended December 31, 2020 included the impact of government stimulus programs and the Bancorp's hardship programs.

TABLE 58: Summary of Credit Loss Experience

For the years ended December 31 ($ in millions)		2020	2019	2018	2017	2016
Losses charged-off:						
Commercial and industrial loans	$	**(210)**	(120)	(151)	(136)	(205)
Commercial mortgage loans		**(46)**	—	(5)	(16)	(22)
Commercial construction loans		**—**	—	—	—	—
Commercial leases		**(26)**	(7)	(1)	(2)	(5)
Residential mortgage loans		**(9)**	(9)	(13)	(15)	(19)
Home equity		**(14)**	(28)	(23)	(32)	(41)
Indirect secured consumer loans		**(67)**	(81)	(63)	(58)	(54)
Credit card		**(147)**	(156)	(125)	(94)	(89)
Other consumer loans[(a)]		**(92)**	(109)	(69)	(28)	(21)
Total losses charged-off	$	**(611)**	(510)	(450)	(381)	(456)
Recoveries of losses previously charged-off:						
Commercial and industrial loans	$	**12**	17	19	25	33
Commercial mortgage loans		**1**	2	6	4	7
Commercial construction loans		**—**	—	—	—	1
Commercial leases		**3**	—	—	—	1
Residential mortgage loans		**7**	5	6	8	9
Home equity		**9**	10	11	13	14
Indirect secured consumer loans		**35**	31	23	21	19
Credit card		**21**	22	24	10	9
Other consumer loans[(a)]		**52**	54	31	2	1
Total recoveries of losses previously charged-off	$	**140**	141	120	83	94
Net losses charged-off:						
Commercial and industrial loans	$	**(198)**	(103)	(132)	(111)	(172)
Commercial mortgage loans		**(45)**	2	1	(12)	(15)
Commercial construction loans		**—**	—	—	—	1
Commercial leases		**(23)**	(7)	(1)	(2)	(4)
Residential mortgage loans		**(2)**	(4)	(7)	(7)	(10)
Home equity		**(5)**	(18)	(12)	(19)	(27)
Indirect secured consumer loans		**(32)**	(50)	(40)	(37)	(35)
Credit card		**(126)**	(134)	(101)	(84)	(80)
Other consumer loans		**(40)**	(55)	(38)	(26)	(20)
Total net losses charged-off	$	**(471)**	(369)	(330)	(298)	(362)
Net losses charged-off as a percent of average portfolio loans and leases:						
Commercial and industrial loans		**0.37 %**	0.20	0.31	0.27	0.40
Commercial mortgage loans		**0.41**	(0.02)	(0.01)	0.17	0.23
Commercial construction loans		**—**	—	—	—	(0.01)
Commercial leases		**0.76**	0.21	0.03	0.06	0.10
Total commercial loans and leases		**0.36 %**	0.16	0.23	0.22	0.33
Residential mortgage loans		**0.02**	0.03	0.04	0.04	0.07
Home equity		**0.08**	0.28	0.17	0.26	0.33
Indirect secured consumer loans		**0.26**	0.48	0.45	0.39	0.33
Credit card		**5.63**	5.49	4.44	3.93	3.69
Other consumer loans		**1.39**	2.16	1.93	2.57	2.93
Total consumer loans		**0.52 %**	0.68	0.56	0.49	0.48
Total net losses charged-off as a percent of average portfolio loans and leases		**0.42 %**	0.35	0.35	0.32	0.39

(a) *For the years ended December 31, 2020 and 2019, the Bancorp recorded $42 and $48, respectively, in both losses charged-off and recoveries of losses charged-off related to customer defaults on point-of-sale consumer loans for which the Bancorp obtained recoveries under third-party credit enhancements.*

Allowance for Credit Losses

The allowance for credit losses is comprised of the ALLL and the reserve for unfunded commitments. As further described in Note 1 of the Notes to Consolidated Financial Statements, the Bancorp adopted ASU 2016-13 on January 1, 2020 which established a new approach for estimating credit losses on certain types of financial instruments. After adoption of this amended guidance, the Bancorp maintains the ALLL to absorb the amount of credit losses that are expected to be incurred over the remaining contractual terms of the related loans and leases (as adjusted for prepayments and reasonably expected TDRs). The Bancorp's methodology for determining the ALLL includes an estimate of expected credit losses on a collective basis for groups of loans and leases with similar risk characteristics and specific allowances for loans and leases which are individually evaluated. For collectively evaluated loans and leases, the Bancorp uses quantitative models to forecast expected credit losses based on the probability of a loan or lease defaulting, the expected balance at the estimated date of default and the expected loss percentage given a default. The Bancorp's expected credit loss models consider historical credit loss experience, current market and economic conditions, and forecasted changes in market and economic conditions if such forecasts are considered reasonable and supportable.

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

Refer to Note 1 of the Notes to Consolidated Financial Statements for discussion of the accounting policies for the ALLL and reserve for unfunded commitments for periods prior to January 1, 2020.

In addition to the ALLL, the Bancorp maintains a reserve for unfunded commitments recorded in other liabilities in the 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 Consolidated Statements of Income.

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

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

Day 1 Adoption Impact

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

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

December 31, 2020 ACL

The ACL as of December 31, 2020 was impacted by several factors, including general improvement in the economic outlook. As a result, the Bancorp incorporated a combination of quantitative model-based estimates and qualitative overlays. For the quantitative estimates, the Bancorp incorporated three scenarios developed by the third party in November 2020 that included estimates of the expected impacts of the changes in economic conditions caused by the COVID-19 pandemic. The Baseline scenario was assigned a probability weighting of 60%, with a more favorable scenario (Upside) assigned a probability weighting of 20% and a less favorable scenario (Downside) assigned a probability of 20%. The Baseline scenario utilized by the Bancorp assumes additional stimulus enacted in the first quarter of 2021 including unemployment and individual benefits, but no aid to state and local governments. GDP growth is expected to be at a 3.1% annualized rate in 2021 and at a 4.1% annualized rate in 2022. The Baseline scenario also assumes a 7.2% unemployment rate through the fourth quarter of 2020 with an average unemployment rate of 8.2% in the first half of 2021. The Upside scenario assumes that the COVID-19 crisis resolves sooner than anticipated, with businesses returning to full operation sooner than expected and an increase in consumer spending. In this scenario, housing prices rise by 3.7% (compared to 0.4% in the Baseline) during 2021. Upside real GDP growth is expected to be 6.6% in 2021, and a full-employment rate is expected to be achieved by mid-2022, a year earlier than Baseline. The Downside scenario reflects no additional federal fiscal stimulus, which causes an increase in unemployment to above 10% by the end of 2021. This scenario shows annual average GDP growth of 0% in 2021 and 2.3% in 2022 and housing prices decreasing by 10% through 2021.

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 $897 million. This sensitivity calculation only reflects the impact of changing the probability weighting of the scenarios in the quantitative credit loss models and excludes any additional considerations associated with the qualitative component of the ACL that might be warranted in the circumstance.

At December 31, 2020, the qualitative component of the ACL included consideration of certain factors that represent emerging risks specifically associated with the current economic environment and the COVID-19 pandemic. These considerations resulted in qualitative adjustments to increase the ACL, primarily related to volatility in short-term unemployment rates, commercial borrowers experiencing prolonged distress, commercial borrowers in certain industries which have been severely impacted by the COVID-19 pandemic and consumer borrowers that deferred contractual payments under COVID-19 forbearance or hardship programs.

TABLE 59: Changes in Allowance for Credit Losses

For the years ended December 31 ($ in millions)		**2020**[(b)]	2019[(c)]	2018[(c)]	2017[(c)]	2016[(c)]
ALLL:						
Balance, beginning of period	**$**	**1,202**	1,103	1,196	1,253	1,272
Impact of adoption of ASU 2016-13		**643**	—	—	—	—
Losses charged-off[(a)]		**(611)**	(510)	(450)	(381)	(456)
Recoveries of losses previously charged-off[(a)]		**140**	141	120	83	94
Provision for loan and lease losses		**1,079**	468	237	261	343
Deconsolidation of a VIE		**—**	—	—	(20)	—
Balance, end of period	**$**	**2,453**	1,202	1,103	1,196	1,253
Reserve for unfunded commitments:						
Balance, beginning of period	**$**	**144**	131	161	161	138
Impact of adoption of ASU 2016-13		**10**	—	—	—	—
Reserve for acquired unfunded commitments		**—**	8	—	—	—
Provision for (benefit from) the reserve for unfunded commitments		**18**	5	(30)	—	23
Balance, end of period	**$**	**172**	144	131	161	161

(a) For the years ended December 31, 2020 and 2019, the Bancorp recorded $42 and $48, respectively, in both losses charged-off and recoveries of losses charged-off related to customer defaults on point-of-sale consumer loans for which the Bancorp obtained recoveries under third-party credit enhancements.
(b) The ALLL and Reserve for unfunded commitments were calculated under the expected loss methodology upon the adoption of ASU 2016-13 on January 1, 2020.
(c) The ALLL and Reserve for unfunded commitments were calculated under the incurred loss methodology for periods ending prior to January 1, 2020.

As shown in Table 60, the ALLL as a percent of portfolio loans and leases was 2.25% at December 31, 2020, compared to 1.10% at December 31, 2019. The ALLL was $2.5 billion and $1.2 billion at December 31, 2020 and 2019, respectively.

TABLE 60: Attribution of Allowance for Loan and Lease Losses to Portfolio Loans and Leases

As of December 31 ($ in millions)	**2020[(a)]**	2019[(b)]	2018[(b)]	2017[(b)]	2016[(b)]
Attributed ALLL:					
Commercial and industrial loans	**$ 901**	561	515	651	718
Commercial mortgage loans	**402**	87	80	65	82
Commercial construction loans	**124**	45	32	23	16
Commercial leases	**29**	17	18	14	15
Residential mortgage loans	**294**	73	81	89	96
Home equity	**201**	37	36	46	58
Indirect secured consumer loans	**131**	53	42	38	42
Credit card	**252**	168	156	117	102
Other consumer loans	**119**	40	33	33	12
Unallocated	**N/A**	121	110	120	112
Total ALLL	**$ 2,453**	1,202	1,103	1,196	1,253
Portfolio loans and leases:					
Commercial and industrial loans	**$ 49,665**	50,542	44,340	41,170	41,676
Commercial mortgage loans	**10,602**	10,963	6,974	6,604	6,899
Commercial construction loans	**5,815**	5,090	4,657	4,553	3,903
Commercial leases	**2,915**	3,363	3,600	4,068	3,974
Residential mortgage loans	**15,928**	16,724	15,504	15,591	15,051
Home equity	**5,183**	6,083	6,402	7,014	7,695
Indirect secured consumer loans	**13,653**	11,538	8,976	9,112	9,983
Credit card	**2,007**	2,532	2,470	2,299	2,237
Other consumer loans	**3,014**	2,723	2,342	1,559	680
Total portfolio loans and leases	**$ 108,782**	109,558	95,265	91,970	92,098
Attributed ALLL as a percent of respective portfolio loans and leases:					
Commercial and industrial loans	**1.81 %**	1.11	1.16	1.58	1.72
Commercial mortgage loans	**3.79**	0.79	1.15	0.98	1.19
Commercial construction loans	**2.13**	0.88	0.69	0.51	0.41
Commercial leases	**0.99**	0.51	0.50	0.34	0.38
Residential mortgage loans	**1.85**	0.44	0.52	0.57	0.64
Home equity	**3.88**	0.61	0.56	0.66	0.75
Indirect secured consumer loans	**0.96**	0.46	0.47	0.42	0.42
Credit card	**12.56**	6.64	6.32	5.09	4.56
Other consumer loans	**3.95**	1.47	1.41	2.12	1.76
Unallocated (as a percent of portfolio loans and leases)	**N/A**	0.11	0.12	0.13	0.12
Total ALLL as a percent of portfolio loans and leases	**2.25 %**	1.10	1.16	1.30	1.36
Total ACL as a percent of portfolio loans and leases	**2.41**	1.23	1.30	1.48	1.54

(a) The ALLL and ACL were calculated under the expected loss methodology upon the adoption of ASU 2016-13 on January 1, 2020.
(b) The ALLL and ACL were calculated under the incurred loss methodology for periods ending prior to January 1, 2020.

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

The Bancorp's ALLL may vary significantly from period to period after the adoption date as it will be based on changes in economic conditions, economic forecasts and the composition and credit quality of the Bancorp's loan and lease portfolio. The adoption of ASU 2016-13 will also have an impact on the provision for credit losses in periods after adoption, which could differ materially from historical trends. For additional information on ASU 2016-13, refer to Note 1 of the Notes to Consolidated Financial Statements.

INTEREST RATE AND PRICE RISK MANAGEMENT

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

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

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

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

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

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

Net Interest Income Sensitivity

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

As of December 31, 2020, the Bancorp's interest rate risk exposure is governed by a risk framework that utilizes the change in NII over 12-month and 24-month horizons assuming a 200 bps parallel ramped increase in interest rates. Given the unlikely probability associated with a potential negative rate environment, the Bancorp does not have a policy limit for scenarios that include negative rates. Therefore, the Bancorp has no policy limit for a scenario with a decrease in interest rates currently in effect as the Federal Funds target range is currently between zero and 25 basis points. However, the Bancorp routinely analyzes various potential and extreme scenarios, including ramps, shocks and non-parallel shifts in rates, including negative rate scenarios, to assess where risks to net interest income persist or develop as changes in the balance sheet and market rates evolve. Additionally, the Bancorp routinely evaluates its exposures to changes in the bases between interest rates. The ongoing COVID-19 pandemic has caused significant changes to interest rates, volatilities, and the composition of the Bancorp's balance sheet, including significant increases in deposit funding related to stimulus programs, which has resulted in an excess liquidity position. The excess liquidity is likely to continue negatively impacting net interest margin if short-term interest rates hold steady or move lower, but may be partially offset by the amortization of fees related to PPP loans and investment opportunities should the yield curve continue steepening.

In order to recognize the risk of noninterest-bearing demand deposit balance run-off in a rising interest rate environment, the Bancorp's NII sensitivity modeling assumes that approximately $5 billion of additional demand deposit balances run-off over 24 months above what is included in senior management's baseline projections for each 100 bps increase in short-term market interest rates. Similarly, the Bancorp's NII sensitivity modeling incorporates approximately $5 billion of incremental growth in noninterest-bearing deposit balances over 24 months above senior management's baseline projections for each 100 bps decrease in short-term market interest rates. The incremental balance run-off and growth are modeled to flow into and out of funding products that reprice in conjunction with short-term market rate changes and reflect the Bank's excess liquidity position.

Another important deposit modeling assumption is the amount by which interest-bearing deposit rates will increase or decrease when market interest rates increase or decrease. This deposit repricing sensitivity is known as the beta, and it represents the expected amount by which Bancorp deposit rates will change for a given change in short-term market rates. The Bancorp's NII sensitivity modeling assumes a weighted-average rising-rate interest-bearing deposit beta of 70% at December 31, 2020, which is approximately 10 to 30 percentage points higher than the average beta that the Bancorp experienced in the FRB tightening cycles from June 2004 to June 2006 and from December 2015 to December 2018. In the event of further rate cuts by the FRB into negative territory, the Bancorp's NII sensitivity modeling assumes a weighted-average falling-rate interest-bearing deposit beta of 35% at December 31, 2020 while maintaining that deposit rates themselves will not become negative. In addition, the modeling assumes there is no lag between the timing of changes in market rates and the timing of deposit repricing despite such timing lags having occurred in prior rate cycles.

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

The following table shows the Bancorp's estimated NII sensitivity profile and ALCO policy limits as of December 31:

TABLE 61: Estimated NII Sensitivity Profile and ALCO Policy Limits

	2020				2019			
	% Change in NII (FTE)		ALCO Policy Limits		% Change in NII (FTE)		ALCO Policy Limits	
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	**2.93 %**	**7.73**	**(4.00)**	**(6.00)**	(0.22)	3.94	(4.00)	(6.00)
+ 100 Ramp over 12 months	**1.69**	**4.95**	**N/A**	**N/A**	(0.16)	2.07	N/A	N/A
− 25 Ramp over 3 months	**(1.93)**	**(2.88)**	**N/A**	**N/A**	N/A	N/A	N/A	N/A
− 100 Ramp over 12 months	**N/A**	**N/A**	**N/A**	**N/A**	(2.66)	(7.90)	(8.00)	(12.00)

At December 31, 2020, the Bancorp's NII would benefit in both year one and year two under the parallel rate ramp increases. The Bancorp maintains an asymmetric NII sensitivity profile, which is attributable to the level of floating-rate assets, including the predominantly floating-rate commercial loan portfolio, exceeding the level of floating-rate liabilities due to the increased amount of deposit rates near zero in this low interest rate environment and other fixed-rate borrowings. Reductions in the yield of the commercial loan portfolio would be expected to be only partially offset by a decline in the cost of interest-bearing deposits in a falling-rate scenario. However, proactive management of the securities and derivatives portfolios has reduced the ongoing near-term risk to declining market rates and provided significant protection from the decline in rates experienced as the COVID-19 pandemic unfolded. The changes in the estimated NII sensitivity profile compared to December 31, 2019 were primarily attributable to the impact of the current near-zero interest rate environment on the previously discussed interest rate profile and the significant increase in noninterest-bearing and low-cost interest-bearing deposits. The down rate scenarios were also impacted by the higher composition of low-cost deposits hitting their floor rates more quickly in the current-year scenarios due to the low-rate environment.

Tables 62 and 63 provide the sensitivity of the Bancorp's estimated NII profile at December 31, 2020 to changes to certain deposit balance and deposit repricing sensitivity (betas) assumptions.

The following table includes the Bancorp's estimated NII sensitivity profile with an immediate $1 billion decrease and an immediate $1 billion increase in demand deposit balances as of December 31, 2020:

TABLE 62: Estimated NII Sensitivity Profile at December 31, 2020 with a $1 Billion Change in Demand Deposit Assumption

	% Change in NII (FTE)			
	Immediate $1 Billion Balance Decrease		Immediate $1 Billion Balance Increase	
Change in Interest Rates (bps)	12 Months	13-24 Months	12 Months	13-24 Months
+ 200 Ramp over 12 months	2.71 %	7.28	3.15	8.19
+ 100 Ramp over 12 months	1.58	4.72	1.80	5.18
− 25 Ramp over 3 months	(1.98)	(2.94)	(1.88)	(2.82)

The following table includes the Bancorp's estimated NII sensitivity profile with a 25% increase and a 25% decrease to the corresponding deposit beta assumptions as of December 31, 2020:

TABLE 63: Estimated NII Sensitivity Profile at December 31, 2020 with Deposit Beta Assumptions Changes

	% Change in NII (FTE)			
	Betas 25% Higher[(a)]		Betas 25% Lower[(b)]	
Change in Interest Rates (bps)	12 Months	13-24 Months	12 Months	13-24 Months
+ 200 Ramp over 12 months	(0.95)%	0.65	6.81	14.81
+ 100 Ramp over 12 months	(0.25)	1.44	3.62	8.46
− 25 Ramp over 3 months	(1.80)	(2.77)	(2.08)	(3.01)

(a) Includes weighted-average rising-rate and falling-rate interest-bearing deposit betas of 87% and 44%, respectively.
(b) Includes weighted-average rising-rate and falling-rate interest-bearing deposit betas of 52% and 27%, respectively..

Economic Value of Equity Sensitivity

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

The following table shows the Bancorp's estimated EVE sensitivity profile as of December 31:

TABLE 64: Estimated EVE Sensitivity Profile

	2020		2019	
Change in Interest Rates (bps)	% Change in EVE	ALCO Policy Limit	% Change in EVE	ALCO Policy Limit
+ 200 Shock	**(0.05)%**	**(12.00)**	(5.12)	(12.00)
+ 100 Shock	**0.64**	**N/A**	(2.01)	N/A
− 25 Shock	**(0.92)**	**N/A**	N/A	N/A
− 150 Shock	**N/A**	**N/A**	(6.07)	(12.00)

The EVE sensitivity is neutral in a +200 bps rising-rate scenario at December 31, 2020. The changes in the estimated EVE sensitivity profile from December 31, 2019 were primarily related to the low-rate environment, growth in noninterest-bearing and low-cost interest-bearing deposits and the shorter expected lives of prepayable, fixed-rate assets due to the decrease in market interest rates. These items were partially offset by continued repositioning of the investment portfolio into securities with less principal cash flows in the near term.

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

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

Use of Derivatives to Manage Interest Rate Risk

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

Tables 65 and 66 show all swap and floor positions that are utilized for purposes of managing the Bancorp's exposures to the variability of interest rates. These positions are used to convert the contractual interest rate index of agreed-upon amounts of assets and liabilities (i.e., notional amounts) to another interest rate index or to hedge forecasted transactions for the variability in cash flows attributable to the contractually specified interest rate. The volume, maturity and mix of portfolio swaps change frequently as the Bancorp adjusts its broader interest rate risk management objectives and the balance sheet positions to be hedged. For further information, including the notional amount and fair values of these derivatives, refer to Note 15 of the Notes to 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 65: Weighted-Average Maturity, Receive Rate and Pay Rate on Qualifying Hedging Instruments

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

TABLE 66: Weighted-Average Maturity, Receive Rate and Pay Rate on Qualifying Hedging Instruments

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

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

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

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

Portfolio Loans and Leases and Interest Rate Risk

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

The following table summarizes the carrying value of the Bancorp's portfolio loans and leases expected cash flows, excluding interest receivable, as of December 31, 2020:

TABLE 67: Portfolio Loans and Leases Expected Cash Flows[(a)]

($ in millions)	Less than 1 Year	1-5 Years	Over 5 Years	Total
Commercial and industrial loans	$ 23,547	25,118	999	49,665
Commercial mortgage loans	3,973	5,722	907	10,602
Commercial construction loans	2,966	2,737	112	5,815
Commercial leases	829	1,547	539	2,915
Total commercial loans and leases	31,315	35,124	2,557	68,997
Residential mortgage loans[(b)]	4,009	6,803	5,116	15,928
Home equity	1,421	2,805	957	5,183
Indirect secured consumer loans	4,639	8,160	854	13,653
Credit card	401	1,606	—	2,007
Other consumer loans	1,727	1,123	164	3,014
Total consumer loans	12,197	20,497	7,091	39,785
Total portfolio loans and leases	$ 43,512	55,621	9,648	108,782

(a) *Expected cash flows from portfolio loans and leases do not reflect changes in timing due to hardship programs offered in response to the COVID-19 pandemic which are not expected to be significant.*
(b) *Includes residential mortgage loans previously sold to GNMA for which the Bancorp is deemed to have regained effective control over under ASC Topic 860, but did not exercise its option to repurchase.*

The following table displays a summary of expected cash flows, excluding interest receivable, occurring after one year for both fixed and floating/adjustable-rate loans and leases as of December 31, 2020:

TABLE 68: Portfolio Loans and Leases Expected Cash Flows Occurring After One Year[(a)]

	Interest Rate	
($ in millions)	Fixed	Floating or Adjustable
Commercial and industrial loans	$ 3,164	22,953
Commercial mortgage loans	1,461	5,168
Commercial construction loans	46	2,803
Commercial leases	2,086	—
Total commercial loans and leases	6,757	30,924
Residential mortgage loans[(b)]	9,510	2,409
Home equity	370	3,392
Indirect secured consumer loans	9,000	14
Credit card	244	1,362
Other consumer loans	1,018	269
Total consumer loans	20,142	7,446
Total portfolio loans and leases	$ 26,899	38,370

(a) *Expected cash flows from portfolio loans and leases do not reflect changes in timing due to hardship programs offered in response to the COVID-19 pandemic which are not expected to be significant.*
(b) *Includes residential mortgage loans previously sold to GNMA for which the Bancorp is deemed to have regained effective control over under ASC Topic 860, but did not exercise its option to repurchase.*

Residential Mortgage Servicing Rights and Price Risk

The fair value of the residential MSR portfolio was $656 million and $993 million at December 31, 2020 and December 31, 2019, respectively. The value of servicing rights can fluctuate sharply depending on changes in interest rates and other factors. Generally, as interest rates decline and loans are prepaid to take advantage of refinancing, the total value of existing servicing rights declines because no further servicing fees are collected on repaid loans. The Bancorp maintains a non-qualifying hedging strategy relative to its mortgage banking activity in order to manage a portion of the risk associated with changes in the value of its MSR portfolio as a result of changing interest rates.

Mortgage rates decreased during the years ended December 31, 2020 and 2019 which caused modeled prepayment speeds to rise. The fair value of the MSR portfolio decreased $311 million and $203 million, respectively, due to changes to inputs to the valuation model, including prepayment speeds and OAS assumptions, and decreased $254 million and $173 million, respectively, due to the impact of contractual principal payments and actual prepayment activity for the years ended December 31, 2020 and 2019.

The Bancorp recognized net gains of $309 million and $224 million, respectively, on its non-qualifying hedging strategy during the years ended December 31, 2020 and 2019. These amounts included net gains of $2 million and $3 million during the years ended December 31, 2020 and 2019, 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 14 of the Notes to 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 Consolidated Statements of Income. The balance of the Bancorp's foreign denominated loans at December 31, 2020 and 2019 was $655 million and $880 million, respectively. The Bancorp also enters into foreign exchange contracts for the benefit of commercial customers to hedge their exposure to foreign currency fluctuations. Similar to the hedging of price risk from interest rate derivative contracts entered into with commercial customers, the Bancorp also enters into foreign exchange contracts with major financial institutions to economically hedge a substantial portion of the exposure from client driven foreign exchange activity. The Bancorp has risk limits and internal controls in place to help ensure excessive risk is not being taken in providing this service to customers. These controls include an independent determination of currency volatility and credit equivalent exposure on these contracts, counterparty credit approvals and country limits performed by independent risk management.

Commodity Risk

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

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 19 of the Notes to 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.

Table 67 of the Interest Rate and Price Risk Management subsection of the Risk Management section of MD&A illustrates the expected maturities from loan and lease repayments. Of the $37.5 billion of securities in the Bancorp’s available-for-sale debt and other securities portfolio at December 31, 2020, $4.6 billion in principal and interest is expected to be received in the next 12 months and an additional $5.0 billion is expected to be received in the next 13 to 24 months. For further information on the Bancorp’s securities portfolio, refer to the Investment Securities subsection of the Balance Sheet Analysis section of MD&A.

Asset-driven liquidity is provided by the Bancorp’s ability to sell or securitize loans and leases. In order to reduce the exposure to interest rate fluctuations and to manage liquidity, the Bancorp has developed securitization and sale procedures for several types of interest-sensitive assets. A majority of the long-term, fixed-rate single-family residential mortgage loans underwritten according to FHLMC or FNMA guidelines are sold for cash upon origination. Additional assets such as certain other residential mortgage loans, certain commercial loans, home equity loans, automobile loans and other consumer loans are also capable of being securitized or sold. The Bancorp sold or securitized loans and leases totaling $12.3 billion during the year ended December 31, 2020 compared to $9.7 billion during the year ended December 31, 2019. For further information, refer to Note 13 and Note 14 of the Notes to 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 86% and 83% of its average total assets for the years ended December 31, 2020 and 2019, respectively. In addition to core deposit funding, the Bancorp also accesses a variety of other short-term and long-term funding sources, which include the use of the FHLB system. Certificates $100,000 and over and certain deposits in the Bancorp’s foreign branch located in the Cayman Islands are wholesale funding tools utilized to fund asset growth. Management does not rely on any one source of liquidity and manages availability in response to changing balance sheet needs.

As of December 31, 2020, $4.7 billion of debt or other securities were available for issuance under the current Bancorp’s Board of Directors’ authorizations and the Bancorp is authorized to file any necessary registration statements with the SEC to permit ready access to the public securities markets; however, access to these markets may depend on market conditions. During the year ended December 31, 2020, the Bancorp issued and sold $1.25 billion in aggregate principal amount of senior fixed-rate notes and issued in a registered public offering 350,000 depositary shares, representing 14,000 shares of 4.50% fixed-rate reset non-cumulative perpetual preferred stock, Series L, for net proceeds of approximately $346 million.

As of December 31, 2020, the Bank's global bank note program had a borrowing capacity of $25.0 billion, of which $19.1 billion was available for issuance. During the year ended December 31, 2020, the Bank issued and sold $1.25 billion in aggregate principal amount of senior fixed-rate notes. Additionally, at December 31, 2020, the Bank had approximately $44.0 billion of borrowing capacity available through secured borrowing sources including the FRB and FHLB.

Current Liquidity Position

The COVID-19 pandemic has significantly impacted the economic environment, although financial markets, initially supported by Federal Reserve programs, have been stable and well-functioning following the onset of the crisis and the early monetary and fiscal response. During 2020, the Bancorp's core deposit funding increased, while revolving line of credit utilization and portfolio loans and leases decreased. As a result, the Bancorp maintains a strong liquidity profile driven by strong core deposit funding and over $100 billion in current available liquidity. The Bancorp is managing liquidity prudently in the current environment and maintains a liquidity profile focused on core deposit and stable long-term funding sources which allows for the effective management of concentration and rollover risk.

As of December 31, 2020, the Bancorp has sufficient liquidity to meet contractual obligations and all preferred and common dividends without accessing the capital markets or receiving upstream dividends from the Bank subsidiary for 32 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 69. 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 69: Agency Ratings

As of February 26, 2021	Moody's	Standard and Poor's	Fitch	DBRS
Fifth Third Bancorp:				
Short-term borrowings	No rating	A-2	F1	R-1L
Senior debt	Baa1	BBB+	A-	A
Subordinated debt	Baa1	BBB	BBB+	AL
Fifth Third Bank, National Association:				
Short-term borrowings	P-2	A-2	F1	R-1M
Short-term deposit	P-1	No rating	F1	No rating
Long-term deposit	Aa3	No rating	A	AH
Senior debt	A3	A-	A-	AH
Subordinated debt	Baa1	BBB+	BBB+	A
Rating Agency Outlook for Fifth Third Bancorp and Fifth Third Bank, National Association:	Stable	Stable	Negative	Negative

OPERATIONAL RISK MANAGEMENT

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

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

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

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

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

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

LEGAL AND REGULATORY COMPLIANCE RISK MANAGEMENT

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

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

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

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 70: Prescribed Capital Ratios

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

The Bancorp was subject to a capital conservation buffer of 2.5%, in addition to the minimum capital ratios, in order to avoid limitations on certain capital distributions and discretionary bonus payments to executive officers through September 30, 2020. On October 1, 2020, the Bancorp became subject to the stress capital buffer requirement which replaced the capital conservation buffer. During each supervisory stress testing cycle, the FRB uses the Bancorp's supervisory stress test to determine its stress capital buffer, subject to a floor of 2.5%. On August 7, 2020, the FRB provided the Bancorp a final stress capital buffer requirement of 2.5% which is effective for the period of October 1, 2020 to September 30, 2021. After evaluating the Bancorp's capital plan which was re-submitted on November 5, 2020, the FRB may update the Bancorp's stress capital buffer until March 31, 2021. The Bancorp exceeded these "capital conservation buffer" and "stress capital buffer" ratios for all periods presented.

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

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

The Bancorp adopted ASU 2016-13 on January 1, 2020 and elected the five-year transition phase-in option for the impact of CECL on regulatory capital with its regulatory filings as of March 31, 2020. The impact of the modified CECL transition amount on the Bancorp's regulatory capital at December 31, 2020 was an increase in capital of approximately $630 million. On a fully phased-in basis, the Bancorp's CET1 ratio would be reduced by 39 basis points as of December 31, 2020. For additional information on ASU 2016-13, refer to Note 1 of the Notes to Consolidated Financial Statements.

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

The following table summarizes the Bancorp's capital ratios as of December 31:

TABLE 71: Capital Ratios

($ in millions)	**2020**	2019	2018	2017	2016
Average total Bancorp shareholders' equity as a percent of average assets	**11.61 %**	12.14	11.23	11.69	11.57
Tangible equity as a percent of tangible assets(a)(c)(d)	**8.18**	9.52	9.63	9.79	9.72
Tangible common equity as a percent of tangible assets(a)(c)(d)	**7.11**	8.44	8.71	8.83	8.77
Regulatory capital:					
CET1 capital(b)	**$ 14,682**	13,847	12,534	12,517	12,426
Tier I capital(b)	**16,797**	15,616	13,864	13,848	13,756
Total regulatory capital(b)	**21,412**	19,661	17,723	17,887	17,972
Risk-weighted assets	**141,974**	142,065	122,432	117,997	119,632
Regulatory capital ratios:(b)					
CET1 capital	**10.34 %**	9.75	10.24	10.61	10.39
Tier I risk-based capital	**11.83**	10.99	11.32	11.74	11.50
Total risk-based capital	**15.08**	13.84	14.48	15.16	15.02
Tier I leverage(d)	**8.49**	9.54	9.72	10.01	9.90

(a) These are non-GAAP measures. For further information, refer to the Non-GAAP Financial Measures section of MD&A.
(b) Regulatory capital ratios as of December 31, 2020 are calculated pursuant to the five-year transition provision option to phase in the effects of CECL on regulatory capital.
(c) Excludes AOCI.
(d) The decrease in these capital ratios is primarily attributable to the Bancorp's growth of assets during the year ended December 31, 2020.

Capital Planning

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

On October 10, 2019, the Federal Reserve Board adopted final rules to tailor certain prudential standards for large domestic and foreign banking organizations. As a result of the EPS Tailoring Rule, the Bancorp is subject to category IV standards, under which the Bancorp is no longer required to file semi-annual, company-run stress tests with the FRB and publicly disclose the results. 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 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. As noted above, the Bancorp remains subject to the Board's capital plan rule, and its requirement to develop and maintain a capital plan, and the Board of Directors of the Bancorp must review and approve the capital plan.

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

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

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

In September 2020, the Bancorp was informed by the FRB that the capital plan resubmission due date was November 2, 2020, which the Bancorp submitted, as required. Additionally, on September 30, 2020 the FRB extended the third quarter of 2020 restrictions on share repurchases and dividends to the fourth quarter of 2020, and dividends remained limited according to a formula based on recent income.

In December 2020, in connection with its announcement of the stress test resubmission results, the FRB extended the fourth quarter of 2020 restrictions on share repurchases and dividends to the first quarter of 2021, with modifications. Specifically, the Bancorp is authorized to pay dividends and execute share repurchases according to a formula based on recent income provided the Bancorp does not increase the amount of its dividend. For further information on a subsequent event related to an accelerated share repurchase transaction, refer to Note 33 of the Notes to Consolidated Financial Statements.

Preferred Stock Transactions

On July 30, 2020, the Bancorp issued in a registered public offering 350,000 depositary shares, representing 14,000 shares of 4.50% fixed-rate reset non-cumulative perpetual preferred stock, Series L, for net proceeds of approximately $346 million. Each preferred share has a $25,000 liquidation preference.

For more information on the preferred stock offering, including disclosure on the redemption options, refer to Note 25 of the Notes to Consolidated Financial Statements.

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 $1.08 and $0.94 during the years ended December 31, 2020 and 2019, respectively.

The following table summarizes shares authorized for repurchase as part of publicly announced plans or programs:

TABLE 72: Share Repurchases

For the years ended December 31	**2020**	2019
Shares authorized for repurchase at January 1	**76,437,348**	60,564,282
Additional authorizations	—	80,474,957
Share repurchases[(a)]	—	(64,601,891)
Shares authorized for repurchase at December 31	**76,437,348**	76,437,348
Average price paid per share[(a)]	**$** —	26.05

(a) *Excludes 1,915,872 and 2,693,318 shares repurchased during the years ended December 31, 2020 and 2019, respectively, in connection with various employee compensation plans. These purchases are not included in the calculation for average price paid per share and do not count against the maximum number of shares that may yet be repurchased under the Board of Directors’ authorization.*

OFF-BALANCE SHEET ARRANGEMENTS

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

Commitments

The Bancorp has certain commitments to make future payments under contracts, including commitments to extend credit, forward contracts related to residential mortgage loans held for sale, letters of credit, purchase obligations, capital commitments for private equity investments and capital expenditures. Refer to Note 19 of the Notes to Consolidated Financial Statements for additional information on commitments.

Contingent Liabilities and Guarantees

The Bancorp has performance obligations upon the occurrence of certain events provided in certain contractual arrangements, including residential mortgage loans sold with representation and warranty provisions. Refer to Note 19 of the Notes to Consolidated Financial Statements for additional information on contingent liabilities and guarantees.

Transactions with Non-consolidated VIEs

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

CONTRACTUAL OBLIGATIONS AND OTHER COMMITMENTS

The Bancorp has certain obligations and commitments to make future payments under contracts. The aggregate contractual obligations and commitments at December 31, 2020 are shown in Table 73. As of December 31, 2020, the Bancorp had unrecognized tax benefits that, if recognized, would impact the effective tax rate in future periods. Due to the uncertainty of the amounts to be ultimately paid as well as the timing of such payments, all uncertain tax liabilities that have not been paid have been excluded from the following table. For further detail on the impact of income taxes, refer to Note 22 of the Notes to Consolidated Financial Statements.

TABLE 73: Contractual Obligations and Other Commitments

As of December 31, 2020 ($ in millions)	Less than 1 year	1-3 years	3-5 years	Greater than 5 years	Total
Contractually obligated payments due by period:					
Deposits with no stated maturity[(a)(b)]	$ 154,032	—	—	—	154,032
Long-term debt[(a)(c)]	3,162	3,164	3,997	4,650	14,973
Time deposits[(a)(d)]	4,413	483	132	21	5,049
Forward contracts related to residential mortgage loans held for sale[(f)]	2,903	—	—	—	2,903
Short-term borrowings[(a)(e)]	1,492	—	—	—	1,492
Operating lease obligations[(g)]	86	155	123	246	610
Partnership investment commitments[(h)]	223	188	30	37	478
Purchase obligations and capital expenditures[(j)]	76	135	59	—	270
Finance lease obligations[(g)]	18	35	27	78	158
Pension benefit payments[(i)]	18	35	34	66	153
Total contractually obligated payments due by period	$ 166,423	4,195	4,402	5,098	180,118
Other commitments by expiration period:					
Commitments to extend credit[(k)]	$ 26,372	23,567	16,997	7,646	74,582
Letters of credit[(l)]	1,098	565	318	1	1,982
Total other commitments by expiration period	$ 27,470	24,132	17,315	7,647	76,564

(a) Interest-bearing obligations are principally used to fund interest-earning assets. Interest charges on contractual obligations were excluded from reported amounts, as the potential cash outflows would have corresponding cash inflows from interest-earning assets.
(b) Includes demand, interest checking, savings, money market and foreign office deposits. For additional information, refer to the Deposits subsection of the Balance Sheet Analysis section of MD&A.
(c) Includes debt obligations with an original maturity of greater than one year. Refer to Note 18 of the Notes to Consolidated Financial Statements for additional information on these debt instruments.
(d) Includes other time deposits and certificates $100,000 and over. For additional information, refer to the Deposits subsection of the Balance Sheet Analysis section of MD&A.
(e) Includes federal funds purchased and borrowings with an original maturity of less than one year. For additional information, refer to Note 17 of the Notes to Consolidated Financial Statements.
(f) Refer to Note 15 of the Notes to Consolidated Financial Statements for additional information on forward contracts to sell residential mortgage loans.
(g) Refer to Note 10 of the Notes to Consolidated Financial Statements for additional information on lease obligations.
(h) Includes LIHTC investments. For additional information, refer to Note 13 of the Notes to Consolidated Financial Statements.
(i) Refer to Note 23 of the Notes to Consolidated Financial Statements for additional information on pension obligations.
(j) Represents agreements to purchase goods or services and includes commitments to various general contractors for work related to banking center construction.
(k) Commitments to extend credit are agreements to lend, typically having fixed expiration dates or other termination clauses that may require payment of a fee. Many of the commitments to extend credit may expire without being drawn upon. The total commitment amounts include capital commitments for private equity investments and do not necessarily represent future cash flow requirements. For additional information, refer to Note 19 of the Notes to Consolidated Financial Statements.
(l) Letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. For additional information, refer to Note 19 of the Notes to Consolidated Financial Statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

This information is set forth in the Interest Rate and Price Risk Management section of Item 7 of this Report on pages 114-119 and is incorporated herein by reference. This information contains certain statements that we believe are forward-looking statements. Refer to page 19 for cautionary information regarding forward-looking statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Fifth Third Bancorp:

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Fifth Third Bancorp and subsidiaries (the "Bancorp") as of December 31, 2020 and 2019, the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bancorp as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Bancorp's internal control over financial reporting as of December 31, 2020, based on the criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 26, 2021 expressed an unqualified opinion on the Bancorp's internal control over financial reporting.

Change in Accounting Principle

As discussed in Note 1 to the Consolidated Financial Statements, the Bancorp has changed its method of accounting for financial assets measured at amortized cost in 2020 due to adoption of ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.*

Basis for Opinion

These financial statements are the responsibility of the Bancorp's management. Our responsibility is to express an opinion on the Bancorp's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Bancorp in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Allowance for Loan and Lease Losses ("ALLL") — Qualitative Factors — Commercial Loans—Refer to Note 1 and Note 7 of the Notes to Consolidated Financial Statements

Critical Audit Matter Description

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. 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 loans that are not individually evaluated, the Bancorp develops its estimate of expected credit losses using quantitative models, subject to certain qualitative adjustments. The expected credit loss models consider historical credit loss experience, current market and economic conditions, and forecasted changes in market and economic conditions to the extent such forecasts are considered reasonable and supportable.

Qualitative factors are used to capture characteristics in the portfolio that impact expected credit losses but that are not fully captured within the Bancorp's quantitative models.

At December 31, 2020, the key qualitative factors included adjustments associated with the current economic environment and the COVID-19 pandemic. These qualitative factors address the incremental loss exposures relating to commercial borrowers in certain industries which have been severely impacted by the COVID-19 pandemic or are otherwise experiencing prolonged distress. The qualitative factors also include an adjustment to address the impact of unemployment metrics on the expected credit loss models.

The ALLL for the commercial portfolio segment was $1.5 billion at December 31, 2020, which includes adjustments for the qualitative factors noted above.

Considering the estimation and judgment in determining adjustments for such qualitative factors, our audit of the ALLL and the related disclosures involved subjective judgment about the qualitative adjustments to the commercial portfolio segment ALLL.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the qualitative adjustments for the commercial portfolio segment ALLL included the following, among others:

- We tested the effectiveness of the Bancorp's controls over the qualitative adjustments to the ALLL.
- We assessed the reasonableness of, and evaluated support for, key qualitative adjustments based on market conditions, external market data and commercial portfolio performance metrics.
- We tested the completeness and accuracy and evaluated the relevance of the key data used as inputs to the direct impact qualitative adjustment estimation process, including:
    - Portfolio segment loan balances and other borrower-specific data
    - Relevant macroeconomic indicators and data
- With the assistance of our credit specialists, we evaluated the methodology and tested the mathematical accuracy of the underlying support used as a basis for the qualitative adjustments.

/s/ Deloitte & Touche LLP

Cincinnati, Ohio
February 26, 2021

We have served as the Company's auditor since 1970.

CONSOLIDATED BALANCE SHEETS

As of December 31 ($ in millions, except share data)		2020	2019
Assets			
Cash and due from banks	$	**3,147**	3,278
Other short-term investments[(a)]		**33,399**	1,950
Available-for-sale debt and other securities[(b)]		**37,513**	36,028
Held-to-maturity securities[(c)]		**11**	17
Trading debt securities		**560**	297
Equity securities		**313**	564
Loans and leases held for sale[(d)]		**4,741**	1,400
Portfolio loans and leases[(a)(e)]		**108,782**	109,558
Allowance for loan and lease losses[(a)]		**(2,453)**	(1,202)
Portfolio loans and leases, net		**106,329**	108,356
Bank premises and equipment[(f)]		**2,088**	1,995
Operating lease equipment		**777**	848
Goodwill		**4,258**	4,252
Intangible assets		**139**	201
Servicing rights		**656**	993
Other assets[(a)]		**10,749**	9,190
Total Assets	$	**204,680**	169,369
Liabilities			
Deposits:			
Noninterest-bearing deposits	$	**57,711**	35,968
Interest-bearing deposits[(g)]		**101,370**	91,094
Total deposits		**159,081**	127,062
Federal funds purchased		**300**	260
Other short-term borrowings		**1,192**	1,011
Accrued taxes, interest and expenses		**2,614**	2,441
Other liabilities[(a)]		**3,409**	2,422
Long-term debt[(a)]		**14,973**	14,970
Total Liabilities	$	**181,569**	148,166
Equity			
Common stock[(h)]	$	**2,051**	2,051
Preferred stock[(i)]		**2,116**	1,770
Capital surplus		**3,635**	3,599
Retained earnings		**18,384**	18,315
Accumulated other comprehensive income		**2,601**	1,192
Treasury stock[(h)]		**(5,676)**	(5,724)
Total Equity	$	**23,111**	21,203
Total Liabilities and Equity	$	**204,680**	169,369

(a) Includes $55 and $74 of other short-term investments, $756 and $1,354 of portfolio loans and leases, $(7) and $(7) of ALLL, $5 and $8 of other assets, $2 and $2 of other liabilities and $656 and $1,253 of long-term debt from consolidated VIEs that are included in their respective captions above at December 31, 2020 and 2019, respectively. For further information, refer to Note 13.
(b) Amortized cost of $34,982 and $34,966 at December 31, 2020 and 2019, respectively.
(c) Fair value of $11 and $17 at December 31, 2020 and 2019, respectively.
(d) Includes $1,481 and $1,264 of residential mortgage loans held for sale measured at fair value at December 31, 2020 and 2019, respectively.
(e) Includes $161 and $183 of residential mortgage loans measured at fair value at December 31, 2020 and 2019, respectively.
(f) Includes $35 and $27 of bank premises and equipment held for sale at December 31, 2020 and 2019, respectively. For further information, refer to Note 8.
(g) Includes $351 of interest checking deposits held for sale at December 31, 2020.
(h) Common shares: Stated value $2.22 per share; authorized 2,000,000,000; outstanding at December 31, 2020 – 712,760,325 (excludes 211,132,256 treasury shares), 2019 – 708,915,629 (excludes 214,976,952 treasury shares).
(i) 500,000 shares of no par value preferred stock were authorized at both December 31, 2020 and 2019. There were 422,000 and 436,000 unissued shares of undesignated no par value preferred stock at December 31, 2020 and 2019, respectively. 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 December 31, 2020 and 2019. There were 300,000 unissued shares of undesignated no par value Class B preferred stock at both December 31, 2020 and 2019. Each issued share of no par value Class B preferred stock has a liquidation preference of $1,000.

Refer to the Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31 ($ in millions, except share data)		**2020**	2019	2018
Interest Income				
Interest and fees on loans and leases	$	**4,424**	5,051	4,078
Interest on securities		**1,119**	1,162	1,080
Interest on other short-term investments		**29**	41	25
Total interest income		**5,572**	6,254	5,183
Interest Expense				
Interest on deposits		**322**	892	538
Interest on federal funds purchased		**2**	29	30
Interest on other short-term borrowings		**14**	28	29
Interest on long-term debt		**452**	508	446
Total interest expense		**790**	1,457	1,043
Net Interest Income		**4,782**	4,797	4,140
Provision for credit losses		**1,097**	471	207
Net Interest Income After Provision for Credit Losses		**3,685**	4,326	3,933
Noninterest Income(a)				
Service charges on deposits		**559**	565	549
Commercial banking revenue		**528**	460	408
Wealth and asset management revenue		**520**	487	444
Card and processing revenue		**352**	360	329
Mortgage banking net revenue		**320**	287	212
Leasing business revenue		**276**	270	114
Other noninterest income		**211**	1,064	803
Securities gains (losses), net		**62**	40	(54)
Securities gains (losses), net - non-qualifying hedges on mortgage servicing rights		**2**	3	(15)
Total noninterest income		**2,830**	3,536	2,790
Noninterest Expense(a)				
Compensation and benefits		**2,590**	2,418	2,115
Technology and communications		**362**	422	285
Net occupancy expense		**350**	332	292
Leasing business expense		**140**	133	76
Equipment expense		**130**	129	123
Card and processing expense		**121**	130	123
Marketing expense		**104**	162	147
Other noninterest expense		**921**	934	797
Total noninterest expense		**4,718**	4,660	3,958
Income Before Income Taxes		**1,797**	3,202	2,765
Applicable income tax expense		**370**	690	572
Net Income		**1,427**	2,512	2,193
Dividends on preferred stock		**104**	93	75
Net Income Available to Common Shareholders	$	**1,323**	2,419	2,118
Earnings per share - basic	$	**1.84**	3.38	3.11
Earnings per share - diluted	$	**1.83**	3.33	3.06
Average common shares outstanding - basic		**714,729,585**	710,433,611	673,346,168
Average common shares outstanding - diluted		**719,735,415**	720,065,498	685,488,498

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

Refer to the Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31 ($ in millions)		2020	2019	2018
Net Income	**$**	**1,427**	2,512	2,193
Other Comprehensive Income (Loss), Net of Tax:				
Unrealized gains (losses) on available-for-sale debt securities:				
Unrealized holding gains (losses) arising during the year		**1,153**	1,046	(371)
Reclassification adjustment for net (gains) losses included in net income		**(34)**	(7)	9
Unrealized gains on cash flow hedge derivatives:				
Unrealized holding gains arising during the year		**483**	275	169
Reclassification adjustment for net (gains) losses included in net income		**(187)**	(13)	2
Defined benefit pension plans, net:				
Net actuarial (loss) gain arising during the year		**(9)**	(5)	1
Reclassification of amounts to net periodic benefit costs		**7**	8	7
Other		**(4)**	—	—
Other comprehensive income (loss), net of tax		**1,409**	1,304	(183)
Comprehensive Income	**$**	**2,836**	3,816	2,010

Refer to the Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

($ in millions, except per share data)	Bancorp Shareholders' Equity: Common Stock	Preferred Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Bancorp Shareholders' Equity	Non-Controlling Interests	Total Equity
Balance at December 31, 2017	$ 2,051	1,331	2,790	14,957	73	(5,002)	16,200	20	16,220
Impact of cumulative effect of change in accounting principle				6	(2)		4		4
Balance at January 1, 2018	$ 2,051	1,331	2,790	14,963	71	(5,002)	16,204	20	16,224
Net income				2,193			2,193		2,193
Other comprehensive loss, net of tax					(183)		(183)		(183)
Cash dividends declared:									
Common stock ($0.74 per share)				(499)			(499)		(499)
Preferred stock:[a]									
Series H ($1,275.00 per share)				(30)			(30)		(30)
Series I ($1,656.24 per share)				(30)			(30)		(30)
Series J ($1,225.00 per share)				(15)			(15)		(15)
Shares acquired for treasury			41			(1,494)	(1,453)		(1,453)
Impact of stock transactions under stock compensation plans, net			42			23	65		65
Other				(4)		2	(2)	(20)	(22)
Balance at December 31, 2018	$ 2,051	1,331	2,873	16,578	(112)	(6,471)	16,250	—	16,250
Impact of cumulative effect of change in accounting principle				10			10		10
Balance at January 1, 2019	$ 2,051	1,331	2,873	16,588	(112)	(6,471)	16,260	—	16,260
Net income				2,512			2,512		2,512
Other comprehensive income, net of tax					1,304		1,304		1,304
Cash dividends declared:									
Common stock ($0.94 per share)				(691)			(691)		(691)
Preferred stock:[a]									
Series H ($1,275.00 per share)				(30)			(30)		(30)
Series I ($1,656.24 per share)				(30)			(30)		(30)
Series J ($1,559.42 per share)				(19)			(19)		(19)
Series K ($357.50 per share)				(4)			(4)		(4)
Class B, Series A ($20.83 per share)				(4)			(4)		(4)
Other[b] ($30.00 per share)				(6)			(6)		(6)
Shares acquired for treasury						(1,763)	(1,763)		(1,763)
Issuance of preferred stock		242					242		242
Conversion of outstanding preferred stock issued by a Bancorp subsidiary		197					197	(197)	—
Impact of MB Financial, Inc. acquisition			712			2,447	3,159	197	3,356
Impact of stock transactions under stock compensation plans, net			14	2		56	72		72
Other				(3)		7	4		4
Balance at December 31, 2019	$ 2,051	1,770	3,599	18,315	1,192	(5,724)	21,203	—	21,203

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

	Bancorp Shareholders' Equity								
($ in millions, except per share data)	Common Stock	Preferred Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total Bancorp Shareholders' Equity	Non-Controlling Interests	Total Equity
Balance at December 31, 2019	**$ 2,051**	**1,770**	**3,599**	**18,315**	**1,192**	**(5,724)**	**21,203**	**—**	**21,203**
Impact of cumulative effect of change in accounting principle[(c)]				**(472)**			**(472)**		**(472)**
Balance at January 1, 2020	**$ 2,051**	**1,770**	**3,599**	**17,843**	**1,192**	**(5,724)**	**20,731**	**—**	**20,731**
Net income				**1,427**			**1,427**		**1,427**
Other comprehensive income, net of tax					**1,409**		**1,409**		**1,409**
Cash dividends declared:									
Common stock ($1.08 per share)				**(780)**			**(780)**		**(780)**
Preferred stock:[(a)]									
Series H ($1,275.00 per share)				**(31)**			**(31)**		**(31)**
Series I ($1,656.24 per share)				**(30)**			**(30)**		**(30)**
Series J ($1,043.48 per share)				**(12)**			**(12)**		**(12)**
Series K ($1,237.52 per share)				**(12)**			**(12)**		**(12)**
Series L ($468.75 per share)				**(7)**			**(7)**		**(7)**
Class B, Series A ($60.00 per share)				**(12)**			**(12)**		**(12)**
Issuance of preferred stock		**346**					**346**		**346**
Impact of stock transactions under stock compensation plans, net			**36**			**46**	**82**		**82**
Other				**(2)**		**2**	**—**		**—**
Balance at December 31, 2020	**$ 2,051**	**2,116**	**3,635**	**18,384**	**2,601**	**(5,676)**	**23,111**	**—**	**23,111**

(a) *Refer to Note 25 for further information on dividends declared for preferred stock.*
(b) *Dividends declared for Perpetual Preferred Stock, Series C, of MB Financial, Inc., previously a subsidiary of the Bancorp.*
(c) *Related to the adoption of ASU 2016-13 as of January 1, 2020. Refer to Note 1 for additional information.*

Refer to the Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31 ($ in millions)		2020	2019	2018
Operating Activities				
Net income	$	**1,427**	2,512	2,193
Adjustments to reconcile net income to net cash provided by operating activities:				
Provision for credit losses		**1,097**	471	207
Depreciation, amortization and accretion		**492**	472	360
Stock-based compensation expense		**123**	132	127
(Benefit from) provision for deferred income taxes		**(162)**	(246)	30
Securities (gains) losses, net		**(69)**	(50)	69
MSR fair value adjustment		**565**	376	83
Net gains on sales of loans and fair value adjustments on loans held for sale		**(291)**	(137)	(71)
Net losses on disposition and impairment of bank premises and equipment		**31**	23	43
Net (gains) losses on disposition and impairment of operating lease equipment		**(5)**	1	(6)
Gain related to Vantiv, Inc.'s acquisition of Worldpay Group plc.		**—**	—	(414)
Gain on sale of Worldpay, Inc. shares		**—**	(562)	(205)
Gain on the TRA associated with Worldpay, Inc.		**(74)**	(346)	(20)
Proceeds from sales of loans held for sale		**12,481**	8,157	5,199
Loans originated or purchased for sale, net of repayments		**(14,767)**	(8,896)	(5,378)
Dividends representing return on equity investments		**17**	66	12
Net change in:				
Equity and trading debt securities		**12**	(29)	132
Other assets		**(855)**	20	303
Accrued taxes, interest and expenses and other liabilities		**349**	(140)	192
Net Cash Provided by Operating Activities		**371**	1,824	2,856
Investing Activities				
Proceeds from sales:				
AFS securities and other investments		**1,743**	10,596	12,430
Loans and leases		**157**	259	305
Bank premises and equipment		**33**	90	57
Proceeds from repayments / maturities of AFS and HTM securities and other investments		**3,646**	2,271	1,851
Purchases:				
AFS securities and other investments		**(5,266)**	(13,959)	(16,207)
Bank premises and equipment		**(305)**	(243)	(192)
MSRs		**(44)**	(26)	(82)
Proceeds from settlement of BOLI		**19**	28	16
Proceeds from sales and dividends representing return of equity investments		**69**	1,057	604
Net cash (paid) received for acquisitions and divestitures		**(4)**	1,210	(43)
Net change in:				
Other short-term investments and federal funds sold		**(31,446)**	(612)	928
Portfolio loans and leases		**(451)**	(1,407)	(3,866)
Operating lease equipment		**(53)**	(61)	58
Net Cash Used in Investing Activities		**(31,902)**	(797)	(4,141)
Financing Activities				
Net change in deposits		**32,019**	3,742	5,673
Net change in other short-term borrowings and federal funds purchased		**182**	(1,494)	(1,688)
Dividends paid on common and preferred stock		**(858)**	(753)	(565)
Proceeds from issuance of long-term debt		**2,557**	3,866	2,438
Repayment of long-term debt		**(2,799)**	(4,212)	(2,884)
Repurchases of treasury stock and related forward contract		**—**	(1,763)	(1,453)
Issuance of preferred stock		**346**	242	—
Other		**(47)**	(58)	(69)
Net Cash Provided by (Used in) Financing Activities		**31,400**	(430)	1,452
(Decrease) Increase in Cash and Due from Banks		**(131)**	597	167
Cash and Due from Banks at Beginning of Period		**3,278**	2,681	2,514
Cash and Due from Banks at End of Period	$	**3,147**	3,278	2,681

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting and Reporting Policies

Nature of Operations
Fifth Third Bancorp, an Ohio corporation, conducts its principal lending, deposit gathering, transaction processing and service advisory activities through its banking and non-banking subsidiaries from banking centers located throughout the Midwestern and Southeastern regions of the United States.

Basis of Presentation
The 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 of accounting 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, if any, and plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. Intercompany transactions and balances among consolidated entities have been eliminated. Certain prior period data has been reclassified to conform to current period presentation. Specifically, certain line items within total noninterest income and total noninterest expense have been reclassified to better align disclosures to business activities. These reclassifications were retrospectively applied to all prior periods presented. Total noninterest income and noninterest expense did not change as a result of these reclassifications.

Use of Estimates
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.

Updates to Significant Accounting and Reporting Policies
In conjunction with the prospective adoption of ASU 2016-13 and ASU 2017-04 on January 1, 2020, the Bancorp has updated its accounting and reporting policies for investment securities, portfolio loans and leases, the ALLL, the reserve for unfunded commitments and goodwill as described below. The accounting and reporting policies for these sections for periods prior to January 1, 2020 are provided in the Significant Accounting and Reporting Policies Applicable Prior to January 1, 2020 section below. Refer to the Accounting and Reporting Developments section for additional information. Further, for loans and leases that were part of the Bancorp's COVID-19 customer relief programs, the Bancorp has elected certain accounting relief provisions that were provided by the FASB and/or various national banking regulatory agencies. Refer to the Regulatory Developments Related to the COVID-19 Pandemic section for additional information.

Cash and Due from Banks
Cash and due from banks consist of currency and coin, cash items in the process of collection and due from banks. Currency and coin includes both U.S. and foreign currency owned and held at Fifth Third offices and that is in-transit to the FRB. Cash items in the process of collection include checks and drafts that are drawn on another depository institution or the FRB that are payable immediately upon presentation in the U.S. Balances due from banks include noninterest-bearing balances that are funds on deposit at other depository institutions or the FRB.

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Premiums on purchased callable debt securities are amortized to the earliest call date if the call feature meets certain criteria. Otherwise, premiums are amortized to maturity similar to discounts on callable debt securities.

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

Portfolio Loans and Leases

Basis of accounting

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

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

For loans and finance leases that exhibit evidence of more-than-insignificant credit quality deterioration since origination, the Bancorp's estimate of expected credit losses is added to the ALLL upon acquisition and to the initial purchase price of the loans and leases to determine the initial amortized cost basis for the purchased financial assets with credit deterioration. Any resulting difference between the initial amortized cost basis (as adjusted for expected credit losses) and the par value of the loans and leases at the acquisition date represents the non-credit premium or discount, which is amortized over the contractual life of the loan or lease as an adjustment to yield. This method of accounting for loans acquired with deteriorated credit quality does not apply to loans carried at fair value or residential mortgage loans held for sale. Refer to the Accounting and Reporting Developments section for a discussion on the impact of the adoption of ASU 2016-13 on the accounting for purchased loans and finance leases that exhibited evidence of more-than-insignificant credit deterioration since origination at the time of purchase.

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Nonaccrual loans and leases

When a loan is placed on nonaccrual status, the accrual of interest, amortization of loan premium, accretion of loan discount and amortization/accretion of deferred net direct loan origination fees or costs are discontinued and all previously accrued and unpaid interest is charged against income. Commercial loans are placed on nonaccrual status when there is a clear indication that the borrower's cash flows may not be sufficient to meet payments as they become due. Such loans are also placed on nonaccrual status when the principal or interest is past due 90 days or more, unless the loan is both well-secured and in the process of collection. The Bancorp classifies residential mortgage loans that have principal and interest payments that have become past due 150 days as nonaccrual unless the loan is both well-secured and in the process of collection. Residential mortgage loans may stay on nonaccrual status for an extended time as the foreclosure process typically lasts longer than 180 days. Home equity loans and lines of credit are reported on nonaccrual status if principal or interest has been in default for 90 days or more unless the loan is both well-secured and in the process of collection. Home equity loans and lines of credit that have been in default for 60 days or more are also reported on nonaccrual status if the senior lien has been in default 120 days or more, unless the loan is both well secured and in the process of collection. Loans discharged in a Chapter 7 bankruptcy and not reaffirmed by the borrower are classified as collateral-dependent TDRs and placed on nonaccrual status regardless of the borrower's payment history or capacity to repay in the future. Residential mortgage, home equity, automobile and other consumer loans that have been modified in a TDR and subsequently become past due 90 days are placed on nonaccrual status unless the loan is both well-secured and in the process of collection. Commercial and credit card loans that have been modified in a TDR are classified as nonaccrual unless such loans have sustained repayment performance of six months or more and are reasonably assured of repayment in accordance with the restructured terms. Well-secured loans are collateralized by perfected security interests in real and/or personal property for which the Bancorp estimates proceeds from the sale would be sufficient to recover the outstanding principal and accrued interest balance of the loan and pay all costs to sell the collateral. The Bancorp considers a loan in the process of collection if collection efforts or legal action is proceeding and the Bancorp expects to collect funds sufficient to bring the loan current or recover the entire outstanding principal and accrued interest balance.

Nonaccrual commercial loans and nonaccrual credit card loans are generally accounted for on the cost recovery method. The Bancorp believes the cost recovery method is appropriate for nonaccrual commercial loans and nonaccrual credit card loans because the assessment of collectability of the remaining amortized cost basis of these loans involves a high degree of subjectivity and uncertainty due to the nature or absence of underlying collateral. Under the cost recovery method, any payments received are applied to reduce principal. Once the entire recorded investment is collected, additional payments received are treated as recoveries of amounts previously charged-off until recovered in full, and any subsequent payments are treated as interest income. Nonaccrual residential mortgage loans and other nonaccrual consumer loans are generally accounted for on the cash basis method. The Bancorp believes the cash basis method is appropriate for nonaccrual residential mortgage and other nonaccrual consumer loans because such loans have generally been written down to estimated collateral values and the collectability of the remaining investment involves only an assessment of the fair value of the underlying collateral, which can be measured more objectively with a lesser degree of uncertainty than assessments of typical commercial loan collateral. Under the cash basis method, interest income is recognized when cash is received, to the extent such income would have been accrued on the loan's remaining balance at the contractual rate. Nonaccrual loans may be returned to accrual status when all delinquent interest and principal payments become current in accordance with the loan agreement and are reasonably assured of repayment in accordance with the contractual terms of the loan agreement, or when the loan is both well-secured and in the process of collection.

Commercial loans on nonaccrual status, including those modified in a TDR, as well as criticized commercial loans with aggregate borrower relationships exceeding $1 million, are subject to an individual review to identify charge-offs. The Bancorp does not have an established delinquency threshold for partially or fully charging off commercial loans. Residential mortgage loans, home equity loans and lines of credit and credit card loans that have principal and interest payments that have become past due 180 days are assessed for a charge-off to the ALLL, unless such loans are both well-secured and in the process of collection. Home equity loans and lines of credit are also assessed for charge-off to the ALLL when such loans or lines of credit have become past due 120 days if the senior lien is also 120 days past due, unless such loans are both well-secured and in the process of collection. Automobile and other consumer loans that have principal and interest payments that have become past due 120 days are assessed for a charge-off to the ALLL, unless such loans are both well-secured and in the process of collection.

Restructured loans and leases

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.

The Bancorp measures the impairment loss of a TDR based on the difference between the original loan's carrying amount and the present value of expected future cash flows discounted at the original, effective yield of the loan. Except for loans discharged in a Chapter 7 bankruptcy that are not reaffirmed by the borrower, residential mortgage loans, home equity loans, automobile loans and other consumer loans modified as part of a TDR are maintained on accrual status, provided there is reasonable assurance of repayment and of performance according to the modified terms based upon a current, well-documented credit evaluation. Loans discharged in a Chapter 7 bankruptcy and not reaffirmed by the borrower are classified as collateral-dependent TDRs and placed on nonaccrual status regardless of the borrower's payment history or capacity to repay in the future. These loans are returned to accrual status provided there is a sustained payment history of twelve months after bankruptcy and collectability is reasonably assured for all remaining contractual payments.

Commercial loans and credit card loans modified as part of a TDR are maintained on accrual status provided there is a sustained payment history of six months or more prior to the modification in accordance with the modified terms and collectability is reasonably assured for all remaining contractual payments under the modified terms. TDRs of commercial loans and credit card loans that do not have a sustained payment history of six months or more in accordance with their modified terms remain on nonaccrual status until a six-month payment history is sustained. In certain cases, commercial TDRs on nonaccrual status may be accounted for using the cash basis method for income recognition, provided that full repayment of principal under the modified terms of the loan is reasonably assured.

Residential mortgage loans that were restructured after receiving a forbearance related to the COVID-19 pandemic but that were not classified as a TDR as a result of the CARES Act are placed on nonaccrual status if they subsequently become past due 90 days unless the loan is both well-secured and in the process of collection, consistent with the Bancorp's treatment of residential mortgage loan TDRs which subsequently become past due. Refer to the Regulatory Developments Related to the COVID-19 Pandemic section for additional information.

Loans and Leases Held for Sale

Loans and leases held for sale primarily represent conforming fixed-rate residential mortgage loans originated or acquired with the intent to sell in the secondary market and jumbo residential mortgage loans, commercial loans, other residential mortgage loans and other consumer loans that management has the intent to sell. Loans and leases held for sale may be carried at the lower of cost or fair value, or carried at fair value where the Bancorp has elected the fair value option of accounting under U.S. GAAP. The Bancorp has elected to measure certain groups of loans held for sale under the fair value option, including certain residential mortgage loans originated as held for sale and certain purchased commercial loans designated as held for sale at acquisition. For loans in which the Bancorp has not elected the fair value option, the lower of cost or fair value is determined at the individual loan level.

The fair value of residential mortgage loans held for sale for which the fair value election has been made 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 effects 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. These fair value marks are recorded as a component of noninterest income in mortgage banking net revenue. For residential mortgage loans that it has originated as held for sale, the Bancorp generally has commitments to sell these loans in the secondary market. Gains or losses on sales are recognized in mortgage banking net revenue.

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, thereafter, reported within the Bancorp's residential mortgage class of portfolio loans and leases. In such cases, if the fair value election was made, the residential mortgage loans will continue to be measured at fair value, which is based on mortgage-backed securities prices, interest rate risk and an internally developed credit component.

Loans and leases held for sale are placed on nonaccrual status consistent with the Bancorp's nonaccrual policy for portfolio loans and leases.

Other Real Estate Owned

OREO, which is included in other assets in the Consolidated Balance Sheets, represents property acquired through foreclosure or other proceedings and branch-related real estate no longer intended to be used for banking purposes. OREO is carried at the lower of cost or fair value, less costs to sell. All OREO property is periodically evaluated for impairment and decreases in carrying value are recognized as reductions in other noninterest income in the Consolidated Statements of Income. For government-guaranteed mortgage loans, upon foreclosure, a separate other receivable is recognized if certain conditions are met for the amount of the loan balance (principal and interest) expected to be recovered from the guarantor. This receivable is also included in other assets, separate from OREO, in the Consolidated Balance Sheets.

ALLL

The Bancorp disaggregates its portfolio loans and leases into portfolio segments for purposes of determining the ALLL. The Bancorp's portfolio segments include commercial, residential mortgage and consumer. The Bancorp further disaggregates its portfolio segments into classes for purposes of monitoring and assessing credit quality based on certain risk characteristics. Classes within the commercial portfolio segment include commercial and industrial, commercial mortgage owner-occupied, commercial mortgage nonowner-occupied, commercial construction and commercial leasing. The residential mortgage portfolio segment is also considered a class. Classes within the consumer portfolio segment include home equity, indirect secured consumer, credit card and other consumer loans. For an analysis of the Bancorp's ALLL by portfolio segment and credit quality information by class, refer to Note 7.

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

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

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

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

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

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

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

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

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

Reserve for Unfunded Commitments

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

Loan Sales and Securitizations

The Bancorp periodically sells loans through either securitizations or individual loan sales in accordance with its investment policies. The sold loans are removed from the Consolidated Balance Sheet and a net gain or loss is recognized in the Consolidated Financial Statements at the time of sale. The Bancorp typically isolates the loans through the use of a VIE and thus is required to assess whether the entity holding the sold or securitized loans is a VIE and whether the Bancorp is the primary beneficiary and therefore consolidator of that VIE. If the Bancorp holds the power to direct activities most significant to the economic performance of the VIE and has the obligation to absorb losses or right to receive benefits that could potentially be significant to the VIE, then the Bancorp will generally be deemed the primary beneficiary of the VIE. 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. Refer to Note 13 for further information on consolidated and non-consolidated VIEs.

The Bancorp's loan sales and securitizations are generally structured with servicing retained, which often results in the recording of servicing rights. The Bancorp may also purchase servicing rights. The Bancorp has elected to measure all existing classes of its residential mortgage servicing rights portfolio at fair value with changes in the fair value of servicing rights reported in mortgage banking net revenue in the Consolidated Statements of Income in the period in which the changes occur.

Servicing rights are valued using internal OAS models. Key economic assumptions used in estimating the fair value of the servicing rights include the prepayment speeds of the underlying loans, the weighted-average life, the OAS and the weighted-average coupon rate, as applicable. The primary risk of material changes to the value of the servicing rights resides in the potential volatility in the economic assumptions used, particularly the prepayment speeds. In order to assist in the assessment of the fair value of servicing rights, the Bancorp obtains external valuations of the servicing rights portfolio from third parties and participates in peer surveys that provide additional confirmation of the reasonableness of the key assumptions utilized in the internal OAS model.

Fees received for servicing loans owned by investors are based on a percentage of the outstanding monthly principal balance of such loans and are included in noninterest income in the Consolidated Statements of Income as loan payments are received. Costs of servicing loans are charged to expense as incurred.

Reserve for 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 (make whole) the investor or insurer for which the representation or warranty of the Bancorp proves to be inaccurate, incomplete or misleading. The Bancorp establishes a residential mortgage repurchase reserve related to various representations and warranties that reflects management's estimate of losses based on a combination of factors.

The Bancorp's estimation process requires management to make subjective and complex judgments about matters that are inherently uncertain, such as future demand expectations, economic factors and the specific characteristics of the loans subject to repurchase. Such factors incorporate historical investor audit and repurchase demand rates, appeals success rates, historical loss severity and any additional information obtained from the GSEs regarding future mortgage repurchase and file request criteria. At the time of a loan sale, the Bancorp records a representation and warranty reserve at the estimated fair value of the Bancorp's guarantee and continually updates the reserve during the life of the loan as losses in excess of the reserve become probable and reasonably estimable. The provision for the estimated fair value of the representation and warranty guarantee arising from the loan sales is recorded as an adjustment to the gain on sale, which is included in other noninterest income in the Consolidated Statements of Income at the time of sale. Updates to the reserve are recorded in other noninterest expense in the Consolidated Statements of Income.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Legal Contingencies

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 and significant judgment may be required in the determination of both the probability of loss and whether the amount of the loss is reasonably estimable. The Bancorp's estimates are subjective and are based on the status of legal and regulatory proceedings, the merit of the Bancorp's defenses and consultation with internal and external legal counsel. 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. This accrual is included in other liabilities in the Consolidated Balance Sheets and is adjusted from time to time as appropriate to reflect changes in circumstances. Legal expenses are recorded in other noninterest expense in the Consolidated Statements of Income.

Bank Premises and Equipment and Other Long-Lived Assets

Bank premises and equipment, including leasehold improvements, are carried at cost less accumulated depreciation and amortization. Depreciation is calculated using the straight-line method based on estimated useful lives of the assets for book purposes, while accelerated depreciation is used for income tax purposes. Amortization of leasehold improvements is computed using the straight-line method over the lives of the related leases or useful lives of the related assets, whichever is shorter. Whenever events or changes in circumstances dictate, the Bancorp tests its long-lived assets for impairment by determining whether the sum of the estimated undiscounted future cash flows attributable to a long-lived asset or asset group is less than the carrying amount of the long-lived asset or asset group through a probability-weighted approach. In the event the carrying amount of the long-lived asset or asset group is not recoverable, an impairment loss is measured as the amount by which the carrying amount of the long-lived asset or asset group exceeds its fair value. Maintenance, repairs and minor improvements are charged to noninterest expense in the Consolidated Statements of Income as incurred.

Lessee Accounting

ROU assets and lease liabilities are recognized for all leases unless the initial term of the lease is twelve months or less. Lease costs for operating leases are recognized on a straight-line basis over the lease term unless another systematic basis is more representative of the pattern of consumption. The lease term includes any renewal period that the Bancorp is reasonably certain to exercise. The Bancorp uses its incremental borrowing rate to discount the lease payments if the rate implicit in the lease is not readily determinable. Variable lease payments associated with operating leases are recognized in the period in which the obligation for payments is incurred.

For finance leases, the lease liability is measured using the effective interest method such that the liability is increased for interest based on the discount rate that is implicit in the lease or the Bancorp's incremental borrowing rate if the implicit rate cannot be readily determined, offset by a decrease in the liability resulting from the periodic lease payments. The ROU asset associated with the finance lease is amortized on a straight-line basis unless there is another systematic and rational basis that better reflects how the benefits of the underlying assets are consumed over the lease term. The period over which the ROU asset is amortized is generally the lesser of the remaining lease term or the remaining useful life of the leased asset. Variable lease payments associated with finance leases are recognized in the period in which the obligation for those payments is incurred.

When the lease liability is remeasured to reflect changes to the lease payments as a result of a lease modification, the ROU asset is adjusted for the amount of the lease liability remeasurement. If a lease modification reduces the scope of a lease, the ROU asset would be reduced proportionately based on the change in the lease liability and the difference between the lease liability adjustment and the resulting ROU asset adjustment would be recognized as a gain or loss in the Consolidated Statements of Income. Additionally, the amortization of the ROU asset is adjusted prospectively from the date of remeasurement.

The Bancorp performs impairment assessments for ROU assets when events or changes in circumstances indicate that their carrying values may not be recoverable. Any impairment loss is recognized in net occupancy expense. Refer to the Bank Premises and Equipment and Other Long-Lived Assets section of this note for further information.

Derivative Financial Instruments

The Bancorp accounts for its derivatives as either assets or liabilities measured at fair value through adjustments to AOCI and/or current earnings, as appropriate. On the date the Bancorp enters into a derivative contract, the Bancorp designates the derivative instrument as either a fair value hedge, cash flow hedge or as a free-standing derivative instrument. For a fair value hedge, 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 are recorded in current period net income. For a cash flow hedge, changes in the fair value of the derivative instrument are recorded in AOCI and subsequently reclassified to net income in the same period(s) that the hedged transaction impacts net income. For free-standing derivative instruments, changes in fair values are reported in current period net income.

When entering into a hedge transaction, the Bancorp formally documents the relationship between the hedging instrument and the hedged item, as well as the risk management objective and strategy for undertaking the hedge transaction before the end of the quarter in which the transaction is consummated. This process includes linking the derivative instrument designated as a fair value or cash flow hedge to a specific asset or liability on the balance sheet or to specific forecasted transactions and the risk being hedged, along with a formal assessment at the inception of the hedge as to the effectiveness of the derivative instrument in offsetting changes in fair values or cash flows of the hedged item.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Bancorp continues to assess hedge effectiveness on an ongoing basis using either a qualitative or a quantitative assessment (regression analysis). Additionally, the Bancorp may also utilize the shortcut method to evaluate hedge effectiveness for certain qualifying hedges with matched terms that permit the assumption of perfect offset. If the shortcut method is no longer appropriate, the Bancorp would apply the long-haul method identified at inception of the hedging transaction for assessing hedge effectiveness as long as the hedge is highly effective. If it is determined that the derivative instrument is not highly effective as a hedge, hedge accounting is discontinued.

Investments in Qualified Affordable Housing Projects

The Bancorp invests in projects to create affordable housing, revitalize business and residential areas and preserve historic landmarks. These investments are classified as other assets on the Bancorp's Consolidated Balance Sheets. Investments in affordable housing projects that qualify for LIHTC are accounted for using the proportional amortization method. Under the proportional amortization method, the initial cost of the investment is amortized in proportion to the tax credits and other benefits received and recognized as a component of applicable income tax expense in the Consolidated Statements of Income. Investments which do not meet the qualification criteria for the proportional amortization method are accounted for using the equity method of accounting with impairment associated with the investments recognized in other noninterest expense in the Consolidated Statements of Income.

Income Taxes

The Bancorp accounts for income taxes using the asset and liability method, which requires the recognition of deferred tax assets and liabilities for expected future tax consequences. Under the asset and liability method, deferred tax assets and liabilities are determined by applying the federal and state tax rates to the differences between financial statement carrying amounts and the corresponding tax bases of assets and liabilities. Deferred tax assets are also recorded for any tax attributes, such as tax credits and net operating loss carryforwards. The net balances of deferred tax assets and liabilities are reported in other assets and accrued taxes, interest and expenses in the Consolidated Balance Sheets. Any effect of a change in federal or state tax rates on deferred tax assets and liabilities is recognized in income tax expense in the period that includes the enactment date. The Bancorp reflects the expected amount of income tax to be paid or refunded during the year as current income tax expense or benefit. Accrued taxes represent the net expected amount due to and/or from taxing jurisdictions and are reported in accrued taxes, interest and expenses in the Consolidated Balance Sheets.

The Bancorp evaluates the realization of deferred tax assets based on all positive and negative evidence available at the balance sheet date. Realization of deferred tax assets is based on the Bancorp's judgment about relevant factors affecting their realization, including the taxable income within any applicable carry back periods, future projected taxable income, the reversal of taxable temporary differences and tax-planning strategies. The Bancorp records a valuation allowance for deferred tax assets where the Bancorp does not believe that it is more-likely-than-not that the deferred tax assets will be realized.

Income tax benefits from uncertain tax positions are recognized in the financial statements only if the Bancorp believes that it is more-likely-than-not that the uncertain tax position will be sustained based solely on the technical merits of the tax position and consideration of the relevant taxing authority's widely understood administrative practices and precedents. If the Bancorp does not believe that it is more-likely-than-not that an uncertain tax position will be sustained, the Bancorp records a liability for the uncertain tax position. If the Bancorp believes that it is more likely than not that an uncertain tax position will be sustained, the Bancorp only records a tax benefit for the portion of the uncertain tax position where the likelihood of realization is greater than 50% upon settlement with the relevant taxing authority that has full knowledge of all relevant information. The Bancorp recognizes interest expense, interest income and penalties related to unrecognized tax benefits within current income tax expense. Refer to Note 22 for further discussion regarding income taxes.

Earnings Per Share

Basic earnings per share is computed by dividing net income available to common shareholders by the weighted-average number of shares of common stock outstanding during the period. Earnings per diluted share is computed by dividing adjusted net income available to common shareholders by the weighted-average number of shares of common stock and common stock equivalents outstanding during the period. Dilutive common stock equivalents represent the exercise of dilutive stock-based awards and the dilutive effect of the settlement of outstanding forward contracts.

The Bancorp calculates earnings per share pursuant to the two-class method. The two-class method is an earnings allocation formula that determines earnings per share separately for common stock and participating securities according to dividends declared and participation rights in undistributed earnings. For purposes of calculating earnings per share under the two-class method, restricted shares that contain nonforfeitable rights to dividends are considered participating securities until vested. While the dividends declared per share on such restricted shares are the same as dividends declared per common share outstanding, the dividends recognized on such restricted shares may be less because dividends paid on restricted shares that are expected to be forfeited are reclassified to compensation expense during the period when forfeiture is expected.

Goodwill

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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. The Bancorp employs various valuation approaches to measure fair value including the market, income and cost approaches. The market approach uses prices or relevant information generated by market transactions involving identical or comparable assets or liabilities. The income approach involves discounting future amounts to a single present amount and is based on current market expectations about those future amounts. The cost approach is based on the amount that currently would be required to replace the service capacity of the asset.

U.S. GAAP 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. The three levels within the fair value hierarchy are described as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Bancorp has the ability to access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Unobservable inputs for the asset or liability for which there is little, if any, market activity at the measurement date. Unobservable inputs reflect the Bancorp's own assumptions about what market participants would use to price the asset or liability. The inputs are developed based on the best information available in the circumstances, which might include the Bancorp's own financial data such as internally developed pricing models and DCF methodologies, as well as instruments for which the fair value determination requires significant management judgment.

The Bancorp's fair value measurements involve various valuation techniques and models, which involve inputs that are observable, when available. Valuation techniques and parameters used for measuring assets and liabilities are reviewed and validated by the Bancorp on a quarterly basis. Additionally, the Bancorp monitors the fair values of significant assets and liabilities using a variety of methods including the evaluation of pricing runs and exception reports based on certain analytical criteria, comparison to previous trades and overall review and assessments for reasonableness. The Bancorp may, as a practical expedient, measure the fair value of certain investments on the basis of the net asset value per share of the investment, or its equivalent. Any investments which are valued using this practical expedient are not classified in the fair value hierarchy. Refer to Note 29 for further information on fair value measurements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Stock-Based Compensation

The Bancorp recognizes compensation expense for the grant-date fair value of stock-based awards that are expected to vest over the requisite service period. All awards, both those with cliff vesting and graded vesting, are expensed on a straight-line basis over the requisite service period. Awards to employees that meet eligible retirement status are expensed immediately. As compensation expense is recognized, a deferred tax asset is recorded that represents an estimate of the future tax deduction from exercise or release of restrictions. At the time awards are exercised, cancelled, expire or restrictions are released, the Bancorp recognizes an adjustment to income tax expense for the difference between the previously estimated tax deduction and the actual tax deduction realized. For further information on the Bancorp's stock-based compensation plans, refer to Note 26.

Pension Plans

The Bancorp uses an expected long-term rate of return applied to the fair market value of assets as of the beginning of the year and the expected cash flow during the year for calculating the expected investment return on all pension plan assets. Amortization of the net gain or loss resulting from experience different from that assumed and from changes in assumptions (excluding asset gains and losses not yet reflected in market-related value) is included as a component of net periodic benefit cost. If, as of the beginning of the year, that net gain or loss exceeds 10% of the greater of the projected benefit obligation and the market-related value of plan assets, the amortization is that excess divided by the average remaining service period of participating employees expected to receive benefits under the plan. The Bancorp uses a third-party actuary to compute the remaining service period of participating employees. This period reflects expected turnover, pre-retirement mortality and other applicable employee demographics.

Revenue Recognition

The Bancorp generally measures revenue based on the amount of consideration the Bancorp expects to be entitled for the transfer of goods or services to a customer, then recognizes this revenue when or as the Bancorp satisfies its performance obligations under the contract, except in transactions where U.S. GAAP provides other applicable guidance. When the amount of consideration is variable, the Bancorp will only recognize revenue to the extent that it is probable that the cumulative amount recognized will not be subject to a significant reversal in the future. Substantially all of the Bancorp's contracts with customers have expected durations of one year or less and payments are typically due when or as the services are rendered or shortly thereafter. When third parties are involved in providing goods or services to customers, the Bancorp recognizes revenue on a gross basis when it has control over those goods or services prior to transfer to the customer; otherwise, revenue is recognized for the net amount of any fee or commission. The Bancorp excludes sales taxes from the recognition of revenue and recognizes the incremental costs of obtaining contracts as an expense if the period of amortization for those costs would be one year or less.

The Bancorp's interest income is derived from loans and leases, securities and other short-term investments. The Bancorp recognizes interest income in accordance with the applicable guidance in U.S. GAAP for these assets. Refer to the Portfolio Loans and Leases and Investment Securities sections of this footnote for further information. The following provides additional information about the components of noninterest income:

- Service charges on deposits consist primarily of treasury management fees for commercial clients, monthly service charges on consumer deposit accounts, transaction-based fees (such as overdraft fees and wire transfer fees), and other deposit account-related charges. The Bancorp's performance obligations for treasury management fees and consumer deposit account service charges are typically satisfied over time while performance obligations for transaction-based fees are typically satisfied at a point in time. Revenues are recognized on an accrual basis when or as the services are provided to the customer, net of applicable discounts, waivers and reversals. Payments are typically collected from customers directly from the related deposit account at the time the transaction is processed and/or at the end of the customer's statement cycle (typically monthly).
- Commercial banking revenue consists primarily of service fees and other income related to loans to commercial clients, underwriting revenue recognized by the Bancorp's broker-dealer subsidiary and fees for other services provided to commercial clients. Revenue related to loans is recognized in accordance with the Bancorp's policies for portfolio loans and leases. Underwriting revenue is generally recognized on the trade date, which is when the Bancorp's performance obligations are satisfied.
- Wealth and asset management revenue consists primarily of service fees for investment management, custody, and trust administration services provided to commercial and consumer clients. The Bancorp's performance obligations for these services are generally satisfied over time and revenues are recognized monthly based on the fee structure outlined in individual contracts. Transaction prices are most commonly based on the market value of assets under management or care and/or a fee per transaction processed. The Bancorp also offers certain services for which the performance obligations are satisfied and revenue is recognized at a point in time, when the services are performed. Wealth and asset management revenue also includes trailing commissions received from investments and annuities held in customer accounts, which are recognized in revenue when the Bancorp determines that it has satisfied its performance obligations and has sufficient information to estimate the amount of the commissions to which it expects to be entitled.
- Leasing business revenue consists primarily of noninterest income such as operating lease income, leasing business solutions revenue, lease remarketing fees and lease syndication fees from lease arrangements to commercial clients. Revenue related to leases is recognized either in accordance with the Bancorp's policies for portfolio loans and leases or when the Bancorp's performance obligations are satisfied.
- Card and processing revenue consists primarily of ATM fees and interchange fees earned when the Bancorp's credit and debit cards are processed through card association networks. The Bancorp's performance obligations are generally complete when the

transactions generating the fees are processed. Revenue is recognized on an accrual basis as such services are performed, net of certain costs not controlled by the Bancorp (primarily interchange fees charged by credit card associations and expenses of certain transaction-based rewards programs offered to customers).

- Mortgage banking net revenue consists primarily of origination fees and gains on loan sales, mortgage servicing fees and the impact of MSRs. Refer to the Loans and Leases Held for Sale and Loan Sales and Securitizations sections of this footnote for further information.
- Other noninterest income includes certain fees derived from loans, BOLI income, gains and losses on other assets, and other miscellaneous revenues and gains.

Other

Securities and other property held by Fifth Third Wealth and Asset Management, a division of the Bancorp's banking subsidiary, in a fiduciary or agency capacity are not included in the Consolidated Balance Sheets because such items are not assets of the subsidiaries.

Other short-term investments have original maturities less than one year and primarily include interest-bearing balances that are funds on deposit at other depository institutions or the FRB, federal funds sold and reverse repurchase agreements. The Bancorp uses other short-term investments as part of its liquidity risk management activities.

The Bancorp purchases life insurance policies on the lives of certain directors, officers and employees and is the owner and beneficiary of the policies. The Bancorp invests in these policies, known as BOLI, to provide an efficient form of funding for long-term retirement and other employee benefits costs. Certain BOLI policies have a stable value agreement through either a large, well-rated bank or multi-national insurance carrier that provides limited cash surrender value protection from declines in the value of each policy's underlying investments. The Bancorp records these BOLI policies within other assets in the Consolidated Balance Sheets at each policy's respective cash surrender value, with changes recorded in other noninterest income in the Consolidated Statements of Income.

Intangible assets consist of core deposit intangibles, customer relationships, operating leases, non-compete agreements, trade names and books of business. Intangible assets are amortized on either a straight-line or an accelerated basis over their estimated useful lives. The Bancorp reviews intangible assets for impairment whenever events or changes in circumstances indicate that carrying amounts may not be recoverable.

Securities sold under repurchase agreements are accounted for as secured borrowings and included in other short-term borrowings in the Consolidated Balance Sheets at the amounts at which the securities were sold plus accrued interest.

Acquisitions of treasury stock are carried at cost. Reissuance of shares in treasury for acquisitions, exercises of stock-based awards or other corporate purposes is recorded based on the specific identification method.

Advertising costs are generally expensed as incurred.

Significant Accounting and Reporting Policies Applicable Prior to January 1, 2020

The following paragraphs describe the portions of the Bancorp's accounting and reporting policies that were applicable prior to January 1, 2020 but were updated in conjunction with the prospective adoption of ASU 2016-13 and ASU 2017-04 on January 1, 2020. The following paragraphs do not include the portions of the respective policies that were not affected by the adoption of these new accounting standards. Refer to the Accounting and Reporting Developments section for additional information.

Investment securities

Available-for-sale and held-to-maturity debt securities with unrealized losses were reviewed quarterly for possible OTTI. If the Bancorp intended to sell the debt security or would more likely than not be required to sell the debt security before recovery of the entire amortized cost basis, then an OTTI was deemed to have occurred. However, even if the Bancorp did not intend to sell the debt security and would not likely be required to sell the debt security before recovery of its entire amortized cost basis, the Bancorp evaluated expected cash flows to be received to determine if a credit loss had occurred. In the event of a credit loss, the credit component of the impairment was recognized within noninterest income and the non-credit component was recognized through OCI.

Portfolio loans and leases – basis of accounting

Loans acquired by the Bancorp through a purchase business combination were recorded at fair value as of the acquisition date. The Bancorp did not carry over the acquired company's ALLL, nor did the Bancorp add to its existing ALLL as part of purchase accounting.

Purchased loans were evaluated for evidence of credit deterioration at acquisition and recorded at their initial fair value. For loans acquired with no evidence of credit deterioration, the fair value discount or premium was amortized over the contractual life of the loan as an adjustment to yield. For loans acquired with evidence of credit deterioration, the Bancorp determined at the acquisition date the excess of the loan's contractually required payments over all cash flows expected to be collected as an amount that should not be accreted into interest income (nonaccretable difference). The remaining amount representing the difference in the expected cash flows of acquired loans and the initial investment in the acquired loans was accreted into interest income over the remaining life of the loan or pool of loans (accretable yield). Subsequent to the acquisition date, increases in expected cash flows over those expected at the acquisition date were recognized prospectively as interest income over the remaining life of the loan. The present values of any decreases in expected cash flows resulting directly from a change in the contractual interest rate were recognized prospectively as a reduction of the accretable yield. The present values of any decreases in expected cash flows after the acquisition date as a result of credit deterioration were recognized by recording an ALLL or a direct charge-off. Subsequent to the acquisition date, the methods utilized to estimate the required ALLL were similar to originated loans. This method of accounting for loans acquired with deteriorated credit quality did not apply to loans carried at fair value, residential mortgage loans held for sale and loans under revolving credit agreements.

Impaired loans and leases

A loan was considered to be impaired when, based on current information and events, it was probable that the Bancorp would be unable to collect all amounts due (including both principal and interest) according to the contractual terms of the loan agreement. Impaired loans generally consisted of nonaccrual loans and leases, loans modified in a TDR and loans over $1 million that were currently on accrual status and not yet modified in a TDR, but for which the Bancorp had determined that it was probable that it would grant a payment concession in the near term due to the borrower's financial difficulties. For loans modified in a TDR, the contractual terms of the loan agreement referred to the terms specified in the original loan agreement. A loan restructured in a TDR was no longer considered impaired in years after the restructuring if the restructuring agreement specified a rate equal to or greater than the rate the Bancorp was willing to accept at the time of the restructuring for a new loan with comparable risk and the loan was not impaired based on the terms specified by the restructuring agreement. Refer to the following ALLL section for discussion regarding the Bancorp's methodology for identifying impaired loans and determination of the need for a loss accrual.

ALLL

The Bancorp maintained the ALLL to absorb probable loan and lease losses inherent in its portfolio segments. The ALLL was maintained at a level the Bancorp considered to be adequate and was based on ongoing quarterly assessments and evaluations of the collectability and historical loss experience of loans and leases. Credit losses were charged and recoveries were credited to the ALLL. Provisions for loan and lease losses were based on the Bancorp's review of the historical credit loss experience and such factors that, in management's judgment, deserved consideration under existing economic conditions in estimating probable credit losses.

The Bancorp's methodology for determining the ALLL required significant management judgment and was based on historical loss rates, current credit grades, specific allocation on loans modified in a TDR and impaired commercial credits above specified thresholds and other qualitative adjustments. Allowances on individual commercial loans and leases, TDRs and historical loss rates were reviewed quarterly and adjusted as necessary based on changing borrower and/or collateral conditions and actual collection and charge-off experience. An unallocated allowance was maintained to recognize the imprecision in estimating and measuring losses when evaluating allowances for pools of loans and leases.

Larger commercial loans and leases included within aggregate borrower relationship balances exceeding $1 million that exhibited probable or observed credit weaknesses, as well as loans that had been modified in a TDR, were subject to individual review for impairment. The Bancorp considered the current value of collateral, credit quality of any guarantees, the guarantor's liquidity and willingness to cooperate, the loan or lease structure and other factors when evaluating whether an individual loan or lease was impaired. Other factors might include the industry and geographic region of the borrower, size and financial condition of the borrower, cash flow and leverage of the borrower and the Bancorp's evaluation of the borrower's management. When individual loans and leases were impaired, allowances were determined based on management's estimate of the borrower's ability to repay the loan or lease given the availability of collateral and other sources of cash flow, as well as an evaluation of legal options available to the Bancorp. Allowances for impaired loans and leases were measured based on the present value of expected future cash flows discounted at the loan's effective interest rate, fair value of the underlying collateral or readily observable secondary market values. The Bancorp evaluated the collectability of both principal and interest when assessing the need for a loss accrual.

Historical credit loss rates were applied to commercial loans and leases that were not impaired or were impaired, but smaller than the established threshold of $1 million and thus not subject to specific allowance allocations. The loss rates were derived from migration analyses for several portfolio stratifications, which tracked the historical net charge-off experience sustained on loans and leases according to their internal risk grade. The risk grading system utilized for allowance analysis purposes encompassed ten categories, which were based on regulatory guidance for credit risk systems.

Homogenous loans in the residential mortgage and consumer portfolio segments were not individually risk graded. Rather, standard credit scoring systems and delinquency monitoring were used to assess credit risks and allowances were established based on the expected net charge-offs. Loss rates were based on the trailing twelve-month net charge-off history by loan category. Historical loss rates were adjusted for certain prescriptive and qualitative factors that, in management's judgment, were necessary to reflect losses inherent in the portfolio. The prescriptive loss rate factors included adjustments for delinquency trends, LTV trends, refreshed FICO score trends and product mix.

The Bancorp also considered qualitative factors in determining the ALLL. These included 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, geographic concentrations, estimated loss emergence period and specific portfolio loans backed by enterprise valuations and private equity sponsors. The Bancorp considered home price index trends in its footprint and the volatility of collateral valuation trends when determining the collateral value qualitative factor.

Reserve for unfunded commitments
The reserve for unfunded commitments was maintained at a level believed by management to be sufficient to absorb estimated probable losses related to unfunded credit facilities and was included in other liabilities in the Consolidated Balance Sheets. The determination of the adequacy of the reserve was based upon an evaluation of the unfunded credit facilities, including an assessment of historical commitment utilization experience, credit risk grading and historical loss rates based on credit grade migration. This process took into consideration the same risk elements that were analyzed in the determination of the adequacy of the Bancorp's ALLL, as previously discussed. Net adjustments to the reserve for unfunded commitments were included in provision for credit losses in the Consolidated Statements of Income.

Goodwill
Impairment existed when a reporting unit's carrying amount of goodwill exceeded its implied fair value. In testing goodwill for impairment, U.S. GAAP permitted the Bancorp to first assess qualitative factors to determine whether it was more likely than not that the fair value of a reporting unit was less than its carrying amount. In this qualitative assessment, the Bancorp evaluated events and circumstances which might include, but were not limited to, the general economic environment, banking industry and market conditions, the overall financial performance of the Bancorp, the performance of the Bancorp's common stock, the key financial performance metrics of the Bancorp's reporting units and events affecting the reporting units. If, after assessing the totality of events and circumstances, the Bancorp determined it was not more likely than not that the fair value of a reporting unit was less than its carrying amount, then performing the two-step impairment test would be unnecessary. However, if the Bancorp concluded otherwise or elected to bypass the qualitative assessment, it would then be required to perform the first step (Step 1) of the goodwill impairment test, and continue to the second step (Step 2), if necessary. Step 1 of the goodwill impairment test compared the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying amount of the reporting unit exceeded its fair value, Step 2 of the goodwill impairment test was necessary to measure the amount of impairment loss, which was equal to any excess of the carrying amount of goodwill over its implied fair value with such loss limited to the carrying amount of goodwill.

The fair value of a reporting unit was the price that would be received to sell the unit as a whole in an orderly transaction between market participants at the measurement date. As none of the Bancorp's reporting units were publicly traded, individual reporting unit fair value determinations could not be directly correlated to the Bancorp's stock price. To determine the fair value of a reporting unit, the Bancorp employed an income-based approach, utilizing the reporting unit's forecasted cash flows (including a terminal value approach to estimate cash flows beyond the final year of the forecast) and the reporting unit's estimated cost of equity as the discount rate. Additionally, the Bancorp determined its market capitalization based on the average of the closing price of the Bancorp's stock during the month including the measurement date, incorporating an additional control premium, and compared this market-based fair value measurement to the aggregate fair value of the Bancorp's reporting units in order to corroborate the results of the income approach.

ACCOUNTING AND REPORTING DEVELOPMENTS

Standards Adopted in 2020

The Bancorp adopted the following new accounting standards effective January 1, 2020:

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

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

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

ASU 2018-13 – Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement
In August 2018, the FASB issued ASU 2018-13 which modifies the disclosure requirements for fair value measurements. The amendments remove the requirements to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, the policy for timing of transfers between levels and the valuation processes for Level 3 fair value measurements. The amendments also add new disclosure requirements regarding unrealized gains and losses from recurring Level 3 fair value measurements and the significant unobservable inputs used to develop Level 3 fair value measurements. The Bancorp adopted the amended guidance on January 1, 2020 and the required disclosures are included in Note 29.

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

ASU 2020-04 – Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate on Financial Reporting and ASU 2021-01 – Reference Rate Reform (Topic 848): Scope
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. ASU 2021-01 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 that an entity has elected certain optional expedients for and that are retained through the end of the hedging relationship. The amendments in this ASU are effective for the Bancorp as of March 12, 2020 through December 31, 2022. The Bancorp is in the process of evaluating 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.

Standards Issued but Not Yet Adopted
The following accounting standard was issued but not yet adopted by the Bancorp as of December 31, 2020:

ASU 2019-12 – Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes
In December 2019, the FASB issued ASU 2019-12, which simplifies the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The amendments also clarify and amend existing guidance for other areas of Topic 740. The amended guidance was adopted by the Bancorp on January 1, 2021 either prospectively or retrospectively for the specific amendment based on the transition method prescribed by the FASB. The adoption of the amended guidance did not have a material impact on the Consolidated Financial Statements.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The statement also clarifies that loans modified in response to the COVID-19 pandemic should be evaluated on the basis of their modified terms when reporting loans as past due and evaluating for nonaccrual status and charge-off.

On March 27, 2020, the CARES Act was signed into law. Section 4013 of the CARES Act provides financial institutions the option to temporarily suspend certain requirements under U.S. GAAP related to TDRs for a limited period of time in certain circumstances. This temporary suspension may only be applied to modifications of loans that were not more than 30 days past due as of December 31, 2019 and may not be applied to modifications that are not related to the COVID-19 pandemic. If elected, the temporary suspension may be applied to eligible modifications executed during the period beginning on March 1, 2020 and ending on the earlier of December 31, 2020 or 60 days after the termination of the COVID-19 national emergency. The December 31, 2020 expiration date was subsequently extended to January 1, 2022 upon passage of the Consolidated Appropriations Act of 2021. On April 7, 2020, the national banking regulatory agencies revised their previously issued interagency statement to clarify the interactions with the provisions of Section 4013 of the CARES Act.

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

Loans and leases which received payment deferrals or forbearances as part of the Bancorp's COVID-19 hardship 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. Those loans and leases that were 30 days or more past due at March 1, 2020 continue to be reported at their March 1, 2020 delinquency status unless the borrower makes supplemental payments to resolve the delinquency. After the conclusion of the payment deferral or forbearance period, borrowers who were delinquent as of March 1, 2020 may be returned to current status once they demonstrate a willingness and ability to repay the loan according to its modified terms. This may be evidenced by payment history after the payment deferral or forbearance period, or by completing an evaluation of the borrower's creditworthiness upon exit from the Bancorp's hardship programs.

For loans that received payment deferrals or forbearances as part of the Bancorp's COVID-19 hardship relief programs, the Bancorp continues to accrue interest and recognize interest income during the period of the deferral. Depending on the terms of each program, all or a portion of this accrued interest may be paid directly by the borrower (either during the relief period, at the end of the relief period or at maturity of the loan) or added to the customer's outstanding balance. For certain programs, the maturity date of the loan may also be extended by the number of payments deferred. Interest income will continue to be recognized at the original contractual interest rate unless that rate is concurrently modified upon entering the relief program (in which case, the modified rate would be used to recognize interest).

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 years ended December 31:

($ in millions)		2020	2019	2018
Cash Payments:				
Interest	$	**825**	1,441	1,016
Income taxes		**491**	726	359
Transfers:				
Portfolio loans and leases to loans and leases held for sale[(a)]	$	**926**	211	275
Loans and leases held for sale to portfolio loans and leases		**49**	37	95
Portfolio loans and leases to OREO		**12**	29	39
Loans and leases held for sale to OREO		**2**	—	—
Supplemental Disclosures:				
Additions to lease liabilities under operating leases	$	**56**	76	—
Additions to lease liabilities under finance leases		**110**	24	—
Right-of-use assets recognized at adoption of ASU 2016-02		**—**	509	—
Conversion of outstanding preferred stock issued by a Bancorp subsidiary		**—**	197	—

(a) Includes $794 of residential mortgage loans previously sold to GNMA which the Bancorp was initially deemed to have regained effective control over under ASC Topic 860 and which were recorded as portfolio loans. The Bancorp subsequently repurchased these loans and classified them as held for sale.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Business Combination

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

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

Cash and due from banks and other short-term investments

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

Available-for-sale debt and other securities, held-to-maturity securities and equity securities

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

Loans and leases held for sale and portfolio loans and leases

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

Bank premises and equipment

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

Operating lease equipment

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

Intangible assets

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

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

Servicing rights

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

Other assets

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

Deposits

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

Long-term debt

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

Merger-Related Expenses

Direct merger-related expenses related to the acquisition of MB Financial, Inc. were expensed as incurred by the Bancorp and were $16 million and $222 million for the years ended December 31, 2020 and 2019, respectively.

The following table provides a summary of merger-related expenses recorded in noninterest expense for the years ended December 31:

($ in millions)		2020	2019
Compensation and benefits	$	**4**	90
Technology and communications		**6**	71
Net occupancy expense		**4**	13
Equipment expense		**—**	1
Card and processing expense		**—**	1
Marketing expense		**—**	7
Other noninterest expense		**2**	39
Total	$	**16**	222

Pro Forma Information

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

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

($ in millions)	Unaudited Pro Forma Information For the year ended December 31, 2019
Net interest income	$ 4,918
Noninterest income	3,638
Net income available to common shareholders	2,534

Acquired Loans and Leases

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

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

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

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

($ in millions)	Accretable Yield
Balance as of December 31, 2018	$ —
Additions	202
Accretion	(41)
Reclassifications (to) from nonaccretable difference	(14)
Balance as of December 31, 2019	$ 147

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

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

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

4. Restrictions on Cash, Dividends and Other Capital Actions

Reserve Requirement
The FRB, under Regulation D, requires that banks hold cash in reserve against deposit liabilities when total reservable deposit liabilities are greater than the regulatory exemption, known as the reserve requirement. The reserve requirement is calculated based on a two-week average of daily net transaction account deposits as defined by the FRB and may be satisfied with average vault cash during the following two-week maintenance period. When vault cash is not sufficient to meet the reserve requirement, the remaining amount must be satisfied with average funds held at the FRB. As part of the government response to the COVID-19 pandemic, the FRB has taken a range of actions to support the flow of credit to households and businesses, including reducing the reserve requirement to zero effective March 26, 2020. The reserve requirement continued to be zero at December 31, 2020. At December 31, 2019, the Bancorp's banking subsidiary reserve requirement was $1.7 billion. Additionally, the Bancorp's banking subsidiary average reserve requirement was $1.7 billion in 2019.

Restrictions on Cash Dividends
The principal source of income and funds for the Bancorp (parent company) are dividends from its subsidiaries. The dividends paid by the Bancorp's banking subsidiary are subject to regulations and limitations prescribed by state and federal supervisory agencies. The Bancorp's banking subsidiary paid the Bancorp's nonbank subsidiary holding company, which in turn paid the Bancorp $1.3 billion and $2.0 billion in dividends during the years ended December 31, 2020 and 2019, respectively. Additionally, a $200 million dividend was paid by MB Financial, Inc. to the Bancorp during the year ended December 31, 2019. The Bancorp's nonbank subsidiaries are also limited by certain federal and state statutory provisions and regulations covering the amount of dividends that may be paid in any given year. Additionally, as discussed below, during 2020 the FRB took actions in response to the COVID-19 pandemic that limit the amount of cash dividends that the Bancorp may pay to its shareholders.

Capital Actions
The Bancorp is subject to restrictions on its capital actions, primarily as a result of supervisory policies set by the FRB. The Bancorp is required to develop and maintain a capital plan that governs its capacity to pay dividends and execute share repurchases and this plan is required to be submitted to the FRB periodically.

In June 2020, the FRB took several actions in connection with its announcement of stress test results in light of the uncertainty caused by the COVID-19 pandemic. Specifically, for the third quarter of 2020, the FRB required large banking organizations, including the Bancorp, to suspend share repurchases, cap dividend payments to the amount paid during the second quarter of 2020, and further limit dividends according to a formula based on recent income. Additionally, on September 30, 2020 the FRB extended the third quarter of 2020 restrictions on share repurchases and dividends to the fourth quarter of 2020, and dividends remain limited according to a formula based on recent income. The Bancorp did not execute any accelerated share repurchase or open market share repurchase transactions during the year ended December 31, 2020 but increased its quarterly common stock dividend to $0.27 per share in the first quarter of 2020.

The FRB also required large banking organizations, including the Bancorp, to reevaluate their longer-term capital plans, and such organizations were required to update and resubmit their capital plans to reflect stresses caused by the COVID-19 pandemic. The Bancorp resubmitted its capital plan as required. The FRB may conduct additional analysis each quarter to determine if adjustments to this response are appropriate.

In December 2020, the FRB announced an extension of its restrictions on distributions through the first quarter of 2021, but with certain modifications. For the first quarter of 2021, both dividends and share repurchases are limited to an amount based on recent income provided the Bancorp does not increase the amount of its common stock dividend. Refer to Note 33 for further information about a subsequent event related to capital actions.

The Bancorp executed accelerated share repurchase and open market share repurchase transactions during the year ended December 31, 2019. For more information related to these transactions, refer to Note 25.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Investment Securities

The following table provides 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 December 31:

	2020				2019			
($ in millions)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale debt and other securities:								
U.S. Treasury and federal agencies securities	$ **74**	**4**	**—**	**78**	74	1	—	75
Obligations of states and political subdivisions securities	**17**	**—**	**—**	**17**	18	—	—	18
Mortgage-backed securities:								
Agency residential mortgage-backed securities	**11,147**	**768**	**(8)**	**11,907**	13,746	388	(19)	14,115
Agency commercial mortgage-backed securities	**16,745**	**1,481**	**(5)**	**18,221**	15,141	564	(12)	15,693
Non-agency commercial mortgage-backed securities	**3,323**	**267**	**—**	**3,590**	3,242	123	—	3,365
Asset-backed securities and other debt securities	**3,152**	**48**	**(24)**	**3,176**	2,189	29	(12)	2,206
Other securities[(a)]	**524**	**—**	**—**	**524**	556	—	—	556
Total available-for-sale debt and other securities	$ **34,982**	**2,568**	**(37)**	**37,513**	34,966	1,105	(43)	36,028
Held-to-maturity securities:								
Obligations of states and political subdivisions securities	$ **9**	**—**	**—**	**9**	15	—	—	15
Asset-backed securities and other debt securities	**2**	**—**	**—**	**2**	2	—	—	2
Total held-to-maturity securities	$ **11**	**—**	**—**	**11**	17	—	—	17

(a) Other securities consist of FHLB, FRB and DTCC restricted stock holdings of $40, $482 and $2, respectively, at December 31, 2020 and $76, $478 and $2, respectively, at December 31, 2019, that are carried at cost.

The following table provides the fair value of trading debt securities and equity securities as of December 31:

($ in millions)	2020	2019
Trading debt securities	$ **560**	297
Equity securities	**313**	564

The amounts reported in the preceding tables exclude accrued interest receivable on investment securities of $87 million at December 31, 2020, which is presented as a component of other assets in the Consolidated Balance Sheets.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table presents securities gains (losses) recognized in the Consolidated Statements of Income for the years ended December 31:

($ in millions)		**2020**	2019	2018
Available-for-sale debt and other securities:				
Realized gains	**$**	**47**	60	72
Realized losses		**(2)**	(50)	(82)
OTTI		**—**	(1)	—
Net realized gains (losses) on available-for-sale debt and other securities	**$**	**45**	9	(10)
Total trading debt securities gains (losses)	**$**	**2**	3	(15)
Total equity securities gains (losses)(a)	**$**	**17**	31	(44)
Total gains (losses) recognized in income from available-for-sale debt and other securities, trading debt securities and equity securities(b)	**$**	**64**	43	(69)

(a) *Includes $7 of net unrealized gains, $26 of net unrealized gains and $45 of net unrealized losses for the years ended December 31, 2020, 2019 and 2018, respectively.*

(b) *Excludes $5 and $7 of net securities gains for the years ended December 31, 2020 and 2019, respectively, and an insignificant amount of net securities losses for the year ended December 31, 2018 related to securities held by FTS to facilitate the timely execution of customer transactions. These gains (losses) are included in commercial banking revenue and wealth and asset management revenue in the Consolidated Statements of Income.*

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

At December 31, 2020, the Bancorp completed its evaluation of the available-for-sale debt and other securities in an unrealized loss position and did not recognize an allowance for credit losses. The Bancorp did not recognize provision expense for the year ended December 31, 2020 related to available-for-sale debt and other securities in an unrealized loss position.

At December 31, 2020 and 2019, investment securities with a fair value of $11.0 billion and $8.1 billion, respectively, were pledged to secure borrowings, public deposits, trust funds, derivative contracts and for other purposes as required or permitted by law.

The expected maturity distribution of the Bancorp's mortgage-backed securities and the contractual maturity distribution of the remainder of the Bancorp's available-for-sale debt and other securities and held-to-maturity investment securities as of December 31, 2020 are shown in the following table:

		Available-for-Sale Debt and Other		Held-to-Maturity	
($ in millions)		Amortized Cost	Fair Value	Amortized Cost	Fair Value
Debt securities:(a)					
Less than 1 year	$	633	648	2	2
1-5 years		15,881	16,959	7	7
5-10 years		12,214	13,385	—	—
Over 10 years		5,730	5,997	2	2
Other securities		524	524	—	—
Total	$	34,982	37,513	11	11

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 December 31:

	Less than 12 months		12 months or more		Total	
($ in millions)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
2020						
Agency residential mortgage-backed securities	**$ 426**	**(8)**	**1**	**—**	**427**	**(8)**
Agency commercial mortgage-backed securities	**388**	**(5)**	**—**	**—**	**388**	**(5)**
Non-agency commercial mortgage-backed securities	**2**	**—**	**—**	**—**	**2**	**—**
Asset-backed securities and other debt securities	**520**	**(7)**	**603**	**(17)**	**1,123**	**(24)**
Total	**$ 1,336**	**(20)**	**604**	**(17)**	**1,940**	**(37)**
2019						
Agency residential mortgage-backed securities	$ 2,159	(19)	4	—	2,163	(19)
Agency commercial mortgage-backed securities	1,602	(12)	—	—	1,602	(12)
Asset-backed securities and other debt securities	367	(3)	379	(9)	746	(12)
Total	$ 4,128	(34)	383	(9)	4,511	(43)

At December 31, 2020 and 2019, $1 million and an immaterial amount of unrealized losses in the available-for-sale debt and other securities portfolio were represented by non-rated securities, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Loans and Leases

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

The following table provides a summary of commercial loans and leases classified by primary purpose and consumer loans classified based upon product or collateral as of December 31:

($ in millions)		**2020**	2019
Loans and leases held for sale:			
Commercial and industrial loans	$	**230**	135
Commercial mortgage loans		**7**	1
Commercial leases		**39**	—
Residential mortgage loans		**4,465**	1,264
Total loans and leases held for sale	$	**4,741**	1,400
Portfolio loans and leases:			
Commercial and industrial loans[(a)]	$	**49,665**	50,542
Commercial mortgage loans		**10,602**	10,963
Commercial construction loans		**5,815**	5,090
Commercial leases		**2,915**	3,363
Total commercial loans and leases		**68,997**	69,958
Residential mortgage loans[(b)]		**15,928**	16,724
Home equity		**5,183**	6,083
Indirect secured consumer loans		**13,653**	11,538
Credit card		**2,007**	2,532
Other consumer loans		**3,014**	2,723
Total consumer loans		**39,785**	39,600
Total portfolio loans and leases	$	**108,782**	109,558

(a) Includes $4.8 billion, as of December 31, 2020, related to the SBA's Paycheck Protection Program.
(b) Includes $39, as of December 31, 2020, of residential mortgage loans previously sold to GNMA for which the Bancorp is deemed to have regained effective control over under ASC Topic 860, but did not exercise its option to repurchase. Refer to Note 17 for further information.

Portfolio loans and leases are recorded net of unearned income, which totaled $280 million as of December 31, 2020 and $354 million as of December 31, 2019. Additionally, portfolio loans and leases are recorded net of unamortized premiums and discounts, deferred direct loan origination fees and costs and fair value adjustments (associated with acquired loans or loans designated as fair value upon origination) which totaled a net premium of $251 million and $249 million as of December 31, 2020 and 2019, respectively. The amortized cost basis of loans and leases excludes accrued interest receivable of $350 million at December 31, 2020, which is presented as a component of other assets in the Consolidated Balance Sheets.

The Bancorp's FHLB and FRB borrowings are primarily secured by loans. The Bancorp had loans of $15.5 billion and $16.7 billion at December 31, 2020 and 2019, respectively, pledged at the FHLB, and loans of $37.8 billion and $47.3 billion at December 31, 2020 and 2019, respectively, pledged at the FRB.

The following table presents a summary of the total loans and leases owned by the Bancorp and net charge-offs (recoveries) as of and for the years ended December 31:

	Carrying Value			90 Days Past Due and Still Accruing		Net Charge-Offs (Recoveries)	
($ in millions)		**2020**	2019	**2020**	2019	**2020**	2019
Commercial and industrial loans	$	**49,895**	50,677	**39**	11	**198**	103
Commercial mortgage loans		**10,609**	10,964	**8**	15	**45**	(2)
Commercial construction loans		**5,815**	5,090	**—**	—	**—**	—
Commercial leases		**2,954**	3,363	**1**	—	**23**	7
Residential mortgage loans		**20,393**	17,988	**70**	50	**2**	4
Home equity		**5,183**	6,083	**2**	1	**5**	18
Indirect secured consumer loans		**13,653**	11,538	**10**	10	**32**	50
Credit card		**2,007**	2,532	**31**	42	**126**	134
Other consumer loans		**3,014**	2,723	**2**	1	**40**	55
Total loans and leases	$	**113,523**	110,958	**163**	130	**471**	369
Less: Loans and leases held for sale	$	**4,741**	1,400				
Total portfolio loans and leases	$	**108,782**	109,558				

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

The following table presents the components of the net investment in leases as of December 31:

($ in millions)[(a)]		**2020**	2019
Net investment in direct financing leases:			
Lease payment receivable (present value)	$	**1,400**	2,196
Unguaranteed residual assets (present value)		**181**	220
Net discount on acquired leases		**(1)**	(7)
Net investment in sales-type leases:			
Lease payment receivable (present value)		**976**	510
Unguaranteed residual assets (present value)		**36**	15

(a) Excludes $323 and $429 of leveraged leases at December 31, 2020 and 2019, respectively.

Interest income recognized in the Consolidated Statements of Income for the years ended December 31, 2020 and 2019 was $64 million and $88 million, respectively, for direct financing leases and $28 million and $13 million, respectively, for sales-type leases.

The following table presents undiscounted cash flows for both direct financing and sales-type leases for 2021 through 2025 and thereafter as well as a reconciliation of the undiscounted cash flows to the total lease receivables as follows:

As of December 31, 2020 ($ in millions)		Direct Financing Leases	Sales-Type Leases
2021	$	470	297
2022		360	253
2023		227	183
2024		161	132
2025		115	69
Thereafter		164	129
Total undiscounted cash flows	$	1,497	1,063
Less: Difference between undiscounted cash flows and discounted cash flows		97	87
Present value of lease payments (recognized as lease receivables)	$	1,400	976

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 $29 million at December 31, 2020 to cover the losses that are expected to be incurred over the remaining contractual terms of the related leases, including the potential losses related to the residual value, in the net investment in leases. The Bancorp maintained an allowance of $17 million at December 31, 2019 to cover the inherent losses, including the potential losses related to the residual value, in the net investment in leases. Refer to Note 7 for additional information on credit quality and the ALLL.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

Allowance for Loan and Lease Losses

The following tables summarize transactions in the ALLL by portfolio segment for the years ended December 31:

2020 ($ in millions)		Commercial	Residential Mortgage	Consumer	Unallocated	Total
Balance, beginning of period	**$**	**710**	**73**	**298**	**121**	**1,202**
Impact of adoption of ASU 2016-13[(a)]		**160**	**196**	**408**	**(121)**	**643**
Losses charged-off[(b)]		**(282)**	**(9)**	**(320)**	**—**	**(611)**
Recoveries of losses previously charged-off[(b)]		**16**	**7**	**117**	**—**	**140**
Provision for loan and lease losses		**852**	**27**	**200**	**—**	**1,079**
Balance, end of period	**$**	**1,456**	**294**	**703**	**—**	**2,453**

(a) Includes $31, $2 and $1 in Commercial, Residential Mortgage and Consumer, respectively, related to the initial recognition of an ALLL on PCD loans.
(b) The Bancorp recorded $42 in both losses charged-off and recoveries of losses charged-off related to customer defaults on point-of-sale consumer loans for which the Bancorp obtained recoveries under third-party credit enhancements.

2019 ($ in millions)		Commercial	Residential Mortgage	Consumer	Unallocated	Total
Balance, beginning of period	$	645	81	267	110	1,103
Losses charged-off[(a)]		(127)	(9)	(374)	—	(510)
Recoveries of losses previously charged-off[(a)]		19	5	117	—	141
Provision for (benefit from) loan and lease losses		173	(4)	288	11	468
Balance, end of period	$	710	73	298	121	1,202

(a) The Bancorp recorded $48 in both losses charged-off and recoveries of losses charged-off related to customer defaults on point-of-sale consumer loans for which the Bancorp obtained recoveries under third-party credit enhancements.

2018 ($ in millions)		Commercial	Residential Mortgage	Consumer	Unallocated	Total
Balance, beginning of period	$	753	89	234	120	1,196
Losses charged-off[(a)]		(157)	(13)	(280)	—	(450)
Recoveries of losses previously charged-off[(a)]		25	6	89	—	120
Provision for (benefit from) loan and lease losses		24	(1)	224	(10)	237
Balance, end of period	$	645	81	267	110	1,103

(a) The Bancorp recorded $29 in both losses charged-off and recoveries of losses charged-off related to customer defaults on point-of-sale consumer loans for which the Bancorp obtained recoveries under third-party credit enhancements.

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

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

(a) Includes $3 related to commercial leveraged leases at December 31, 2020.
(b) Excludes $161 of residential mortgage loans measured at fair value and includes $323 of commercial leveraged leases, net of unearned income, at December 31, 2020.
(c) Includes $39, as of December 31, 2020, of residential mortgage loans previously sold to GNMA for which the Bancorp is deemed to have regained effective control over under ASC Topic 860, but did not exercise its option to repurchase. Refer to Note 17 for further information.

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

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

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

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

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

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

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

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

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

For loans and leases that are collectively evaluated, the Bancorp utilizes models to forecast expected credit losses over a reasonable and supportable forecast period based on the probability of a loan or lease defaulting, the expected balance at the estimated date of default and the expected loss percentage given a default. For the commercial portfolio segment, the estimates for probability of default are primarily based on internal ratings assigned to each commercial borrower on a 13-point scale and historical observations of how those ratings migrate to a default over time in the context of macroeconomic conditions. For loans with available credit, the estimate of the expected balance at the time of default considers expected utilization rates, which are primarily based on macroeconomic conditions and the utilization history of similar borrowers under those economic conditions. The estimates for loss severity are primarily based on collateral type and coverage levels and the susceptibility of those characteristics to changes in macroeconomic conditions. Refer to Note 1 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 December 31, 2020 ($ in millions)	Current Loans and Leases(a)	Past Due 30-89 Days(a)	Past Due 90 Days or More(a)	Past Due Total Past Due	Total Loans and Leases	90 Days Past Due and Still Accruing
Commercial loans and leases:						
Commercial and industrial loans	$ **49,421**	**119**	**125**	**244**	**49,665**	**39**
Commercial mortgage owner-occupied loans	**4,645**	**7**	**23**	**30**	**4,675**	**7**
Commercial mortgage nonowner-occupied loans	**5,860**	**31**	**36**	**67**	**5,927**	**1**
Commercial construction loans	**5,808**	**7**	**—**	**7**	**5,815**	**—**
Commercial leases	**2,906**	**7**	**2**	**9**	**2,915**	**1**
Total portfolio commercial loans and leases	$ **68,640**	**171**	**186**	**357**	**68,997**	**48**

(a) Includes accrual and nonaccrual loans and leases.

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

(a) Includes accrual and nonaccrual loans and leases.

Residential Mortgage and Consumer Portfolio Segments

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

The Bancorp considers repayment performance as the best indicator of credit quality for residential mortgage and consumer loans, which includes both the delinquency status and performing versus nonperforming status of the loans. The delinquency status of all residential mortgage and consumer loans and the performing versus nonperforming status is presented in the following table. Refer to the nonaccrual loans and leases section of Note 1 for additional delinquency and nonperforming information. 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 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 credit card and home equity). The estimate of the expected balance at the time of default considers expected prepayment and utilization rates where applicable, which are primarily based on macroeconomic conditions and the utilization history of similar borrowers under those economic conditions. Refer to Note 1 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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(a) *Information includes advances made pursuant to servicing agreements for GNMA mortgage pools whose repayments are insured by the FHA or guaranteed by the VA. As of December 31, 2020, $103 of these loans were 30-89 days past due and $242 were 90 days or more past due. The Bancorp recognized $3 of losses during the year ended December 31, 2020 due to claim denials and curtailments associated with these insured or guaranteed loans.*

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

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

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

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

Age Analysis of Past Due Consumer Loans

The following table summarizes the Bancorp's amortized cost basis of portfolio consumer loans, by age and class:

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

(a) *Excludes $183 of residential mortgage loans measured at fair value at December 31, 2019.*
(b) *Information includes advances made pursuant to servicing agreements for GNMA mortgage pools whose repayments are insured by the FHA or guaranteed by the VA. As of December 31, 2019, $94 of these loans were 30-89 days past due and $261 were 90 days or more past due. The Bancorp recognized $4 of losses during the year ended December 31, 2019 due to claim denials and curtailments associated with these insured or guaranteed loans.*
(c) *Includes accrual and nonaccrual loans.*

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 December 31, 2020 ($ in millions)	Amortized Cost Basis
Commercial loans and leases:	
Commercial and industrial loans	$ 810
Commercial mortgage owner-occupied loans	101
Commercial mortgage nonowner-occupied loans	82
Commercial construction loans	19
Commercial leases	6
Total commercial loans and leases	1,018
Residential mortgage loans	80
Consumer loans:	
Home equity	71
Indirect secured consumer loans	9
Other consumer loans	—
Total consumer loans	80
Total portfolio loans and leases	$ 1,178

Nonperforming Assets

Nonperforming assets include nonaccrual loans and leases for which ultimate collectability of the full amount of the principal and/or interest is uncertain; restructured loans which have not yet met the requirements to be returned to accrual status; certain restructured consumer and residential mortgage loans which are 90 days past due based on the restructured terms unless the loan is both well-secured and in the process of collection; and certain other assets, including OREO and other repossessed property.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 December 31, 2020 ($ in millions)	With an ALLL	No Related ALLL	Total	For the year ended December 31, 2020 Interest Income Recognized
Commercial loans and leases:				
Commercial and industrial loans	$ 213	260	473	8
Commercial mortgage owner-occupied loans	20	60	80	—
Commercial mortgage nonowner-occupied loans	34	43	77	1
Commercial construction loans	1	—	1	—
Commercial leases	6	1	7	1
Total nonaccrual portfolio commercial loans and leases	274	364	638	10
Residential mortgage loans	11	49	60	28
Consumer loans:				
Home equity	55	31	86	9
Indirect secured consumer loans	8	8	16	—
Credit card	32	—	32	4
Other consumer loans	2	—	2	—
Total nonaccrual portfolio consumer loans	97	39	136	13
Total nonaccrual portfolio loans and leases(a)(b)	$ 382	452	834	51
OREO and other repossessed property	—	30	30	—
Total nonperforming portfolio assets(a)(b)	$ 382	482	864	51

(a) Excludes $5 of nonaccrual loans held for sale and $1 of nonaccrual restructured loans held for sale.
(b) Includes $29 of nonaccrual government insured commercial loans whose repayments are insured by the SBA, of which $17 are restructured nonaccrual government insured commercial loans.

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

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

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

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 $136 million and $212 million as of December 31, 2020 and 2019, respectively.

Troubled Debt Restructurings

A loan is accounted for as a TDR if the Bancorp, for economic or legal reasons related to the borrower's financial difficulties, grants a concession to the borrower that it would not otherwise consider. TDRs include concessions granted under reorganization, arrangement or other provisions of the Federal Bankruptcy Act. Within each of the Bancorp's loan classes, TDRs typically involve either a reduction of the stated interest rate of the loan, an extension of the loan's maturity date with a stated rate lower than the current market rate for a new loan with similar risk, or in limited circumstances, a reduction of the principal balance of the loan or the loan's accrued interest. Modifying the terms of a loan may result in an increase or decrease to the ALLL depending upon the terms modified, the method used to measure the ALLL for a loan prior to modification, the extent of collateral, and whether any charge-offs were recorded on the loan before or at the time of modification. Refer to the ALLL section of Note 1 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 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 $67 million and $72 million, respectively, as of December 31, 2020 compared with $41 million and $58 million, respectively, as of December 31, 2019.

The following tables provide a summary of portfolio loans and leases, by class, modified in a TDR by the Bancorp during the years ended December 31:

2020 ($ in millions)	Number of Loans Modified in a TDR During the Year[(a)]	Amortized Cost Basis of Loans Modified in a TDR During the Year	Increase (Decrease) to ALLL Upon Modification	Charge-offs Recognized Upon Modification
Commercial loans:				
Commercial and industrial loans	**124**	**$ 305**	**26**	**7**
Commercial mortgage owner-occupied loans	**43**	**58**	**(11)**	**—**
Commercial mortgage nonowner-occupied loans	**19**	**44**	**(2)**	**—**
Commercial construction loans	**3**	**21**	**1**	**—**
Residential mortgage loans	**424**	**58**	**1**	**—**
Consumer loans:				
Home equity	**147**	**7**	**(4)**	**—**
Indirect secured consumer loans	**70**	**—**	**—**	**—**
Credit card	**5,701**	**32**	**11**	**1**
Total portfolio loans	**6,531**	**$ 525**	**22**	**8**

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

2019 ($ in millions)[(a)(b)]	Number of Loans Modified in a TDR During the Year[(c)]	Recorded Investment in Loans Modified in a TDR During the Year	(Decrease) Increase to ALLL Upon Modification	Charge-offs Recognized Upon Modification
Commercial loans:				
Commercial and industrial loans	97	$ 223	(19)	5
Commercial mortgage owner-occupied loans	15	12	—	—
Commercial mortgage nonowner-occupied loans	1	—	—	—
Residential mortgage loans	722	101	1	—
Consumer loans:				
Home equity	80	4	—	—
Indirect secured consumer loans	100	—	—	—
Credit card	6,041	34	8	3
Total portfolio loans	7,056	$ 374	(10)	8

(a) Excludes all loans acquired with deteriorated credit quality which were accounted for within a pool.
(b) Excludes loans classified as TDRs as a result of the Bancorp's conformance to OCC guidance with regard to non-reaffirmed loans included in Chapter 7 bankruptcy filings.
(c) Represents number of loans post-modification and excludes loans previously modified in a TDR.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2018 ($ in millions)(a)	Number of Loans Modified in a TDR During the Year(b)	Recorded Investment in Loans Modified in a TDR During the Year	Increase (Decrease) to ALLL Upon Modification	Charge-offs Recognized Upon Modification
Commercial loans:				
Commercial and industrial loans	54	$ 200	1	7
Commercial mortgage owner-occupied loans	6	3	(1)	—
Commercial mortgage nonowner-occupied loans	3	—	—	—
Residential mortgage loans	1,128	168	4	—
Consumer loans:				
Home equity	111	7	—	—
Indirect secured consumer loans	84	—	—	—
Credit card	7,483	37	9	2
Total portfolio loans	8,869	$ 415	13	9

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

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

The following tables provide a summary of TDRs that subsequently defaulted during the years ended December 31, 2020, 2019 and 2018 and were within 12 months of the restructuring date:

December 31, 2020 ($ in millions)(a)	Number of Contracts	Amortized Cost
Commercial loans:		
Commercial and industrial loans	**13**	**$ 5**
Commercial mortgage owner-occupied loans	**8**	**3**
Commercial mortgage nonowner-occupied loans	**3**	**11**
Residential mortgage loans	**149**	**23**
Consumer loans:		
Home equity	**6**	**—**
Indirect secured consumer loans	**18**	**—**
Credit card	**260**	**1**
Total portfolio loans	**457**	**$ 43**

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

December 31, 2019 ($ in millions)(a)(b)	Number of Contracts	Recorded Investment
Commercial loans:		
Commercial and industrial loans	12	$ 20
Commercial mortgage owner-occupied loans	4	1
Commercial mortgage nonowner-occupied loans	1	—
Residential mortgage loans	274	42
Consumer loans:		
Home equity	15	—
Credit card	655	3
Total portfolio loans	961	$ 66

(a) Excludes all loans held for sale and loans acquired with deteriorated credit quality which were accounted for within a pool.
(b) Excludes loans classified as TDRs as a result of the Bancorp's conformance to OCC guidance with regard to non-reaffirmed loans included in Chapter 7 bankruptcy filings.

December 31, 2018 ($ in millions)(a)	Number of Contracts		Recorded Investment
Commercial loans:			
Commercial and industrial loans	8	$	61
Commercial mortgage owner-occupied loans	2		—
Residential mortgage loans	225		35
Consumer loans:			
Home equity	10		—
Credit card	655		4
Total portfolio loans	900	$	100

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

8. Bank Premises and Equipment

The following table provides a summary of bank premises and equipment as of December 31:

($ in millions)	Estimated Useful Life		**2020**	2019
Land and improvements(a)		**$**	**636**	639
Buildings(a)	1 - 30 years		**1,612**	1,575
Equipment	2 - 20 years		**2,302**	2,126
Leasehold improvements	1 - 30 years		**467**	432
Construction in progress(a)			**108**	85
Bank premises and equipment held for sale:				
Land and improvements			**27**	8
Buildings			**8**	18
Equipment			**—**	1
Accumulated depreciation and amortization			**(3,072)**	(2,889)
Total bank premises and equipment		**$**	**2,088**	1,995

(a) At December 31, 2020 and 2019, land and improvements, buildings and construction in progress included $46 and $51, respectively, associated with parcels of undeveloped land intended for future branch expansion.

Depreciation and amortization expense related to bank premises and equipment, including amortization of finance lease ROU assets, was $256 million, $255 million and $238 million for the years ended December 31, 2020, 2019 and 2018, 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 branches at certain of its existing banking center locations. Similarly, the Bancorp may also determine that it is no longer fully committed to building banking centers on certain parcels of land which had previously been held for future branch expansion.

During the second quarter of 2018, the Bancorp adopted a plan to close approximately 100 to 125 branches over the next three years, exclusive of branches identified for closure as part of the MB Financial, Inc. acquisition. As of December 31, 2020, 102 branches have been closed under this plan. Additionally, the Bancorp has identified 36 branches that it expects to close in the first quarter of 2021 and seven in the second quarter of 2021.

As a result of the MB Financial, Inc. acquisition, the Bancorp identified 46 branches in the Chicago market that it planned to close. Of these locations, 45 were closed in the third quarter of 2019 and the final location was closed in the first quarter of 2020. These 46 branches were not part of the aforementioned plan and were in addition to the branch in the Chicago market that the Bancorp closed in November 2018. In addition, the Bancorp previously identified 11 other non-branch locations that it planned to sell that were acquired from MB Financial, Inc. These locations had a fair value, less cost to sell, of $15 million. Of these locations, eight have been sold as of December 31, 2020.

The Bancorp performs assessments of the recoverability of long-lived assets when events or changes in circumstances indicate that their carrying values may not be recoverable. Impairment losses associated with such assessments and lower of cost or market adjustments were $30 million, $28 million and $45 million for the years ended December 31, 2020, 2019 and 2018, respectively. For the year ended December 31, 2019, impairment charges included $14 million associated with Fifth Third branches in the Chicago market that were assessed for impairment as a result of the MB Financial, Inc. acquisition. The recognized impairment losses were recorded in other noninterest income in the Consolidated Statements of Income.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Operating Lease Equipment

Operating lease equipment was $777 million and $848 million at December 31, 2020 and 2019, respectively, net of accumulated depreciation of $290 million and $237 million at December 31, 2020 and 2019, respectively. The Bancorp recorded lease income of $156 million, $151 million and $84 million relating to lease payments for operating leases in leasing business revenue in the Consolidated Statements of Income for the years ended December 31, 2020, 2019 and 2018, respectively. Depreciation expense related to operating lease equipment was $126 million, $122 million and $73 million for the years ended December 31, 2020, 2019 and 2018, respectively. The Bancorp received payments of $161 million and $157 million related to operating leases during the years ended December 31, 2020 and 2019, respectively.

The Bancorp performs assessments of the recoverability of long-lived assets when events or changes in circumstances indicate that their carrying values may not be recoverable. As a result of these recoverability assessments, the Bancorp recognized $7 million, $3 million and $4 million of impairment losses associated with operating lease assets for the years ended December 31, 2020, 2019 and 2018, respectively. The recognized impairment losses were recorded in leasing business revenue in the Consolidated Statements of Income.

The following table presents undiscounted future lease payments for operating leases for 2021 through 2025 and thereafter:

As of December 31, 2020 ($ in millions)	Undiscounted Cash Flows
2021	$ 143
2022	119
2023	91
2024	55
2025	34
Thereafter	51
Total operating lease payments	$ 493

10. Lease Obligations - Lessee

The Bancorp leases certain banking centers, ATM sites, land for owned buildings and equipment. The Bancorp's lease agreements typically do not contain any residual value guarantees or any material restrictive covenants.

The following table provides a summary of lease assets and lease liabilities as of December 31:

($ in millions)	Consolidated Balance Sheets Caption	2020	2019
Assets			
Operating lease right-of-use assets	Other assets	**$ 423**	473
Finance lease right-of-use assets	Bank premises and equipment	**129**	34
Total right-of-use assets[(a)]		**$ 552**	507
Liabilities			
Operating lease liabilities	Accrued taxes, interest and expenses	**$ 527**	555
Finance lease liabilities	Long-term debt	**130**	35
Total lease liabilities		**$ 657**	590

(a) Operating and finance lease right-of-use assets are recorded net of accumulated amortization of $152 and $29, respectively, as of December 31, 2020, and $75 and $27, respectively, as of December 31, 2019.

The following table presents the components of lease costs for the years ended December 31:

($ in millions)	Consolidated Statements of Income Caption	2020	2019
Lease costs:			
Amortization of ROU assets	Net occupancy and equipment expense	**$ 11**	6
Interest on lease liabilities	Interest on long-term debt	**3**	1
Total finance lease costs		**$ 14**	7
Operating lease cost	Net occupancy expense	**$ 110**	96
Short-term lease cost	Net occupancy expense	**1**	1
Variable lease cost	Net occupancy expense	**29**	30
Sublease income	Net occupancy expense	**(3)**	(3)
Total operating lease costs		**$ 137**	124
Total lease costs		**$ 151**	131

Gross occupancy expense for cancelable and noncancelable leases, which was included in net occupancy expense in the Consolidated Statements of Income, was $101 million for the year ended December 31, 2018.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 $8 million and $15 million of impairment losses and termination charges for the ROU assets related to certain operating leases for the years ended December 31, 2020 and 2019, respectively. The recognized losses were recorded in net occupancy expense in the Consolidated Statements of Income.

The following table presents undiscounted cash flows for both operating leases and finance leases for 2021 through 2025 and thereafter as well as a reconciliation of the undiscounted cash flows to the total lease liabilities as follows:

As of December 31, 2020 ($ in millions)	Operating Leases	Finance Leases	Total
2021	$ 86	18	104
2022	81	19	100
2023	74	16	90
2024	65	17	82
2025	58	10	68
Thereafter	246	78	324
Total undiscounted cash flows	$ 610	158	768
Less: Difference between undiscounted cash flows and discounted cash flows	83	28	111
Present value of lease liabilities	$ 527	130	657

The following table presents the weighted-average remaining lease term and weighted-average discount rate as of December 31:

	2020	2019
Weighted-average remaining lease term (years):		
Operating leases	**9.06**	9.48
Finance leases	**12.93**	14.17
Weighted-average discount rate:		
Operating leases	**3.05 %**	3.19
Finance leases	**2.39**	4.30

The following table presents information related to lease transactions for the years ended December 31:

($ in millions)	**2020**	2019
Cash paid for amounts included in the measurement of lease liabilities:[(a)]		
Operating cash flows from operating leases	**$ 91**	97
Operating cash flows from finance leases	**3**	1
Financing cash flows from finance leases	**11**	5
Gains on sale and leaseback transactions	**3**	5

(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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Goodwill

Business combinations entered into by the Bancorp typically result in the recognition of goodwill. Acquisition activity includes acquisitions in the respective period in addition to purchase accounting adjustments related to previous acquisitions. On March 22, 2019, the Bancorp completed its acquisition of MB Financial, Inc. In connection with the acquisition, the Bancorp recorded $1.8 billion of goodwill in 2019. During the first quarter of 2020, the Bancorp finalized the valuations for the assets acquired, liabilities assumed and noncontrolling interest recognized based on additional information available subsequent to the acquisition date. As a result, the Bancorp recognized additional goodwill of $9 million in connection with the acquisition of MB Financial, Inc. during the three months ended March 31, 2020.

The Bancorp completed its annual goodwill impairment test as of September 30, 2020 and the estimated fair values of the Commercial Banking, Branch Banking and Wealth and Asset Management reporting units exceeded their carrying amounts, including goodwill. The Bancorp performed a qualitative assessment of its goodwill as of December 31, 2020 in consideration of the overall economic impact of the COVID-19 pandemic as well as the uncertainties it has introduced. Based upon this assessment, the Bancorp concluded that it was not more likely than not that the fair values of its reporting units were less than their carrying amounts.

Changes in the net carrying amount of goodwill, by reporting unit, for the years ended December 31, 2020 and 2019 were as follows:

($ in millions)		Commercial Banking	Branch Banking	Consumer Lending	Wealth and Asset Management	General Corporate and Other	Total
Goodwill	$	1,380	1,655	215	193	—	3,443
Accumulated impairment losses		(750)	—	(215)	—	—	(965)
Net carrying amount as of December 31, 2018	$	630	1,655	—	193	—	2,478
Acquisition activity		1,324	391	—	62	—	1,777
Sale of business		—	—	—	(3)	—	(3)
Net carrying amount as of December 31, 2019	**$**	**1,954**	**2,046**	**—**	**252**	**—**	**4,252**
Acquisition activity		**26**	**1**	**—**	**1**	**—**	**28**
Sale of business		**—**	**—**	**—**	**(22)**	**—**	**(22)**
Net carrying amount as of December 31, 2020	**$**	**1,980**	**2,047**	**—**	**231**	**—**	**4,258**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. Intangible Assets

Intangible assets consist of core deposit intangibles, customer relationships, operating leases, non-compete agreements, trade names and books of business. Intangible assets are amortized on either a straight-line or an accelerated basis over their estimated useful lives and, based on the type of intangible asset, the amortization expense may be recorded in either leasing business revenue or other noninterest expense in the Consolidated Statements of Income.

On March 22, 2019, the Bancorp completed its acquisition of MB Financial, Inc. In connection with the acquisition, the Bancorp recorded a $195 million core deposit intangible asset with a weighted-average amortization period of 7.2 years. Additionally, the Bancorp recorded a $24 million operating lease intangible asset with a weighted-average amortization period of 1.7 years. The fair values of these intangibles were finalized as of March 31, 2020.

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

($ in millions)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
As of December 31, 2020			
Core deposit intangibles	**$ 229**	**(116)**	**113**
Customer relationships	**24**	**(5)**	**19**
Operating leases	**17**	**(12)**	**5**
Other	**3**	**(1)**	**2**
Total intangible assets	**$ 273**	**(134)**	**139**
As of December 31, 2019			
Core deposit intangibles	$ 229	(70)	159
Customer relationships	29	(6)	23
Operating leases	23	(9)	14
Non-compete agreements	13	(11)	2
Other	4	(1)	3
Total intangible assets	$ 298	(97)	201

As of December 31, 2020, all of the Bancorp's intangible assets were being amortized. Amortization expense recognized on intangible assets was $55 million, $54 million and $5 million for the years ended December 31, 2020, 2019 and 2018, respectively. The Bancorp's projections of amortization expense shown in the following table are based on existing asset balances as of December 31, 2020. Future amortization expense may vary from these projections.

Estimated amortization expense for the years ending December 31, 2021 through 2025 is as follows:

($ in millions)	Total
2021	$ 43
2022	33
2023	24
2024	16
2025	9

13. Variable Interest Entities

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

Consolidated VIEs

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

($ in millions)		**December 31, 2020**	December 31, 2019
Assets:			
Other short-term investments	**$**	**55**	74
Indirect secured consumer loans		**756**	1,354
ALLL		**(7)**	(7)
Other assets		**5**	8
Total assets	**$**	**809**	1,429
Liabilities:			
Other liabilities	**$**	**2**	2
Long-term debt		**656**	1,253
Total liabilities	**$**	**658**	1,255

In a securitization transaction that occurred in 2019, the Bancorp transferred approximately $1.43 billion in automobile loans to a bankruptcy remote trust which was deemed to be a VIE. This trust then subsequently issued approximately $1.37 billion of asset-backed notes, of which approximately $68 million were retained by the Bancorp. Refer to Note 18 for further information. The Bancorp also has previously completed securitization transactions in which the Bancorp transferred certain consumer automobile loans to bankruptcy remote trusts which were also deemed to be VIEs. In each of these securitization transactions, the primary purposes of the VIEs were to issue asset-backed securities with varying levels of credit subordination and payment priority, as well as residual interests, and to provide the Bancorp with access to liquidity for its originated loans. The Bancorp retained residual interests in the VIEs and, therefore, has an obligation to absorb losses and a right to receive benefits from the VIEs that could potentially be significant to the VIEs. In addition, the Bancorp retained servicing rights for the underlying loans and, therefore, holds the power to direct the activities of the VIEs that most significantly impact the economic performance of the VIEs. As a result, the Bancorp concluded that it is the primary beneficiary of the VIEs and has consolidated these VIEs. The assets of the VIEs are restricted to the settlement of the asset-backed securities and other obligations of the VIEs. The third party holders of the asset-backed notes do not have recourse to the general assets of the Bancorp.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Non-consolidated VIEs

The following tables provide a summary of assets and liabilities carried on the 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:

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

December 31, 2019 ($ in millions)		Total Assets	Total Liabilities	Maximum Exposure
CDC investments	$	1,435	428	1,435
Private equity investments		89	—	164
Loans provided to VIEs		2,715	—	4,083
Lease pool entities		74	—	74

CDC investments

CDC, a wholly-owned indirect subsidiary of the Bancorp, was created to invest in projects to create affordable housing, revitalize business and residential areas and preserve historic landmarks. CDC generally co-invests with other unrelated companies and/or individuals and typically makes investments in a separate legal entity that owns the property under development. The entities are usually formed as limited partnerships and LLCs and CDC typically invests as a limited partner/investor member in the form of equity contributions. The economic performance of the VIEs is driven by the performance of their underlying investment projects as well as the VIEs' ability to operate in compliance with the rules and regulations necessary for the qualification of tax credits generated by equity investments. The Bancorp has determined that it is not the primary beneficiary of these VIEs because it lacks the power to direct the activities that most significantly impact the economic performance of the underlying project or the VIEs' ability to operate in compliance with the rules and regulations necessary for the qualification of tax credits generated by equity investments. This power is held by the managing members who exercise full and exclusive control of the operations of the VIEs. For information regarding the Bancorp's accounting for these investments, refer to Note 1.

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 Consolidated Balance Sheets, and the liabilities related to the unfunded commitments, which are included in other liabilities in the Consolidated Balance Sheets, are included in the previous tables for all periods presented. The Bancorp has no other liquidity arrangements or obligations to purchase assets of the VIEs that would expose the Bancorp to a loss. In certain arrangements, the general partner/managing member of the VIE has guaranteed a level of projected tax credits to be received by the limited partners/investor members, thereby minimizing a portion of the Bancorp's risk.

At December 31, 2020 and 2019, the Bancorp's CDC investments included $1.3 billion and $1.2 billion, respectively, of investments in affordable housing tax credits recognized in other assets in the Consolidated Balance Sheets. The unfunded commitments related to these investments were $478 million and $428 million at December 31, 2020 and 2019, respectively. The unfunded commitments as of December 31, 2020 are expected to be funded from 2021 to 2036.

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 Consolidated Statements of Income related to these investments for the years ended December 31:

($ in million)	Consolidated Statements of Income Caption[(a)]		**2020**	2019	2018
Proportional amortization	Applicable income tax expense	**$**	**150**	140	154
Tax credits and other benefits	Applicable income tax expense		**(175)**	(163)	(192)

(a) The Bancorp did not recognize impairment losses resulting from the forfeiture or ineligibility of tax credits or other circumstances during the years ended December 31, 2020, 2019 and 2018.

Private equity investments

The Bancorp invests as a limited partner in private equity investments which provide the Bancorp an opportunity to obtain higher rates of return on invested capital, while also creating cross selling opportunities for the Bancorp's commercial products. Each of the limited partnerships has an unrelated third-party general partner responsible for appointing the fund manager. The Bancorp has not been appointed fund manager for any of these private equity investments. The funds finance primarily all of their activities from the partners' capital contributions and investment returns. The Bancorp has determined that it is not the primary beneficiary of the funds because it does not have the obligation to absorb the funds' expected losses or the right to receive the funds' expected residual returns that could potentially be significant to the funds and lacks the power to direct the activities that most significantly impact the economic performance of the funds. The

Bancorp, as a limited partner, does not have substantive participating or substantive kick-out rights over the general partner. Therefore, the Bancorp accounts for its investments in these limited partnerships under the equity method of accounting.

The Bancorp is exposed to losses arising from the negative performance of the underlying investments in the private equity investments. As a limited partner, the Bancorp's maximum exposure to loss is limited to the carrying amounts of the investments plus unfunded commitments. The carrying amounts of these investments, which are included in other assets in the Consolidated Balance Sheets, are presented in previous tables. Also, at December 31, 2020 and 2019, the Bancorp's unfunded commitment amounts to the private equity funds were $83 million and $75 million, respectively. As part of previous commitments, the Bancorp made capital contributions to private equity investments of $19 million and $12 million during the years ended December 31, 2020 and 2019, respectively. The Bancorp did not recognize OTTI associated with certain nonconforming investments affected by the Volcker Rule during the years ended December 31, 2020 and 2019 and recognized $8 million for the year ended December 31, 2018.

Loans provided to VIEs

The Bancorp has provided funding to certain unconsolidated VIEs sponsored by third parties. These VIEs are generally established to finance certain consumer and small business loans originated by third parties. The entities are primarily funded through the issuance of a loan from the Bancorp or a syndication through which the Bancorp is involved. The sponsor/administrator of the entities is responsible for servicing the underlying assets in the VIEs. Because the sponsor/administrator, not the Bancorp, holds the servicing responsibilities, which include the establishment and employment of default mitigation policies and procedures, the Bancorp does not hold the power to direct the activities that most significantly impact the economic performance of the entity and, therefore, is not the primary beneficiary.

The principal risk to which these entities are exposed is credit risk related to the underlying assets. The Bancorp's maximum exposure to loss is equal to the carrying amounts of the loans and unfunded commitments to the VIEs. The Bancorp's outstanding loans to these VIEs are included in commercial loans in Note 6. As of December 31, 2020 and 2019, the Bancorp's unfunded commitments to these entities were $1.2 billion and $1.4 billion, respectively. The loans and unfunded commitments to these VIEs are included in the Bancorp's overall analysis of the ALLL and reserve for unfunded commitments, respectively. The Bancorp does not provide any implicit or explicit liquidity guarantees or principal value guarantees to these VIEs.

Lease pool entities

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Sales of Receivables and Servicing Rights

Residential Mortgage Loan Sales

The Bancorp sold fixed and adjustable-rate residential mortgage loans during the years ended December 31, 2020, 2019 and 2018. 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 Consolidated Statements of Income, for the years ended December 31 is as follows:

($ in millions)		2020	2019	2018
Residential mortgage loan sales[(a)]	$	**11,827**	7,781	5,078
Origination fees and gains on loan sales		**315**	175	100
Gross mortgage servicing fees		**263**	267	216

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

Servicing Rights

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

The following table presents changes in the servicing rights related to residential mortgage loans for the years ended December 31:

($ in millions)		2020	2019
Balance, beginning of period	$	**993**	938
Servicing rights originated		**184**	142
Servicing rights purchased		**44**	26
Servicing rights obtained in acquisition		**—**	263
Changes in fair value:			
Due to changes in inputs or assumptions[(a)]		**(311)**	(203)
Other changes in fair value[(b)]		**(254)**	(173)
Balance, end of period	$	**656**	993

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

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

The following table presents activity related to valuations of the MSR portfolio and the impact of the non-qualifying hedging strategy for the years ended December 31:

($ in millions)		2020	2019	2018
Securities gains (losses), net -non-qualifying hedges on MSRs	$	**2**	3	(15)
Changes in fair value and settlement of free-standing derivatives purchased to economically hedge the MSR portfolio[(a)]		**307**	221	(21)
MSR fair value adjustment due to changes in inputs or assumptions[(a)]		**(311)**	(203)	42

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

The key economic assumptions used in measuring the interests in residential mortgage loans that continued to be held by the Bancorp at the date of sale, securitization, or purchase resulting from transactions completed during the years ended December 31 were as follows:

		2020			2019		
	Rate	Weighted-Average Life (in years)	Prepayment Speed (annual)	OAS (bps)	Weighted-Average Life (in years)	Prepayment Speed (annual)	OAS (bps)
Residential mortgage loans:							
Servicing rights	Fixed	**5.9**	**12.1 %**	**727**	5.9	12.6 %	530
Servicing rights	Adjustable	**3.8**	**18.3 %**	**681**	—	—	—

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Based on historical credit experience, expected credit losses for residential mortgage loan servicing rights have been deemed immaterial, as the Bancorp sold the majority of the underlying loans without recourse. At December 31, 2020 and 2019, the Bancorp serviced $68.8 billion and $80.7 billion, respectively, of residential mortgage loans for other investors. The value of MSRs that continue to be held by the Bancorp is subject to credit, prepayment and interest rate risks on the sold financial assets.

At December 31, 2020, the sensitivity of the current fair value of residual cash flows to immediate 10%, 20% and 50% adverse changes in prepayment speed assumptions and immediate 10% and 20% adverse changes in OAS are as follows:

				Prepayment Speed Assumption				OAS Assumption		
					Impact of Adverse Change on Fair Value				Impact of Adverse Change on Fair Value	
($ in millions)[(a)]	Rate	Fair Value	Weighted-Average Life (in years)	Rate	10%	20%	50%	OAS (bps)	10%	20%
Residential mortgage loans:										
Servicing rights	Fixed	$ 649	4.2	17.8 %	$ (21)	(41)	(91)	723	$ (16)	(30)
Servicing rights	Adjustable	7	3.5	22.6	(1)	(1)	(2)	950	—	—

(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 variations of these levels are reasonably possible; however, there is the potential that adverse changes in key assumptions could be even greater. Also, in the previous table, the effect of a variation in a particular assumption on the fair value of the interests that continue to be held by the Bancorp is calculated without changing any other assumption; in reality, changes in one factor may result in changes in another (for example, increases in market interest rates may result in lower prepayments), which might magnify or counteract these sensitivities.

15. Derivative Financial Instruments

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

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

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

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

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

The fair value of derivative instruments is presented on a gross basis, even when the derivative instruments are subject to master netting arrangements. Derivative instruments with a positive fair value are reported in other assets in the Consolidated Balance Sheets while derivative instruments with a negative fair value are reported in other liabilities in the 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 December 31, 2020 and 2019, the balance of collateral held by the Bancorp for derivative assets was $1.0 billion and $894 million, respectively. For derivative contracts cleared through certain central clearing parties whose rules treat variation margin payments as settlement of the derivative contract, the payments for variation margin of $1.1 billion and $623 million were applied to reduce the respective derivative contracts and were also not included in the total amount of collateral held as of December 31, 2020 and 2019, respectively. The credit component negatively impacting the fair value of derivative assets associated with customer accommodation contracts was $42 million and $17 million as of December 31, 2020 and 2019, 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 December 31, 2020 and 2019, the balance of collateral posted by the Bancorp for derivative liabilities was $463 million and $347 million, respectively. Additionally, $1.1 billion and $488 million of variation margin payments were applied to the respective derivative contracts to reduce the Bancorp's derivative liabilities as of December 31, 2020 and 2019, respectively, 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 December 31, 2020 and 2019, the fair value of the additional collateral that could be required to be posted as a result of the credit-risk related contingent features being triggered was immaterial to the Bancorp's Consolidated Financial Statements. The posting of collateral has been determined to remove the need for further consideration of credit risk. As a result, the Bancorp determined that the impact of the Bancorp's credit risk to the valuation of its derivative liabilities was immaterial to the Bancorp's Consolidated Financial Statements.

NOTES TO 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 Consolidated Balance Sheets as of:

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

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

December 31, 2019 ($ in millions)	Notional Amount	Fair Value Derivative Assets	Fair Value Derivative Liabilities
Derivatives Designated as Qualifying Hedging Instruments			
Fair value hedges:			
Interest rate swaps related to long-term debt	$ 2,705	393	—
Total fair value hedges		393	—
Cash flow hedges:			
Interest rate floors related to C&I loans	3,000	115	—
Interest rate swaps related to C&I loans	8,000	—	2
Total cash flow hedges		115	2
Total derivatives designated as qualifying hedging instruments		508	2
Derivatives Not Designated as Qualifying Hedging Instruments			
Free-standing derivatives - risk management and other business purposes:			
Interest rate contracts related to MSR portfolio	6,420	131	2
Forward contracts related to residential mortgage loans held for sale	2,901	1	5
Swap associated with the sale of Visa, Inc. Class B Shares	3,082	—	163
Foreign exchange contracts	195	—	5
Total free-standing derivatives - risk management and other business purposes		132	175
Free-standing derivatives - customer accommodation:			
Interest rate contracts[(a)]	73,327	579	148
Interest rate lock commitments	907	18	—
Commodity contracts	8,525	271	270
TBA securities	50	—	—
Foreign exchange contracts	14,144	165	146
Total free-standing derivatives - customer accommodation		1,033	564
Total derivatives not designated as qualifying hedging instruments		1,165	739
Total		$ 1,673	741

(a) Derivative assets and liabilities are presented net of variation margin of $40 and $493, respectively.

Fair Value Hedges

The Bancorp may enter into interest rate swaps to convert its fixed-rate funding to floating-rate. Decisions to convert fixed-rate funding to floating are made primarily through consideration of the asset/liability mix of the Bancorp, the desired asset/liability sensitivity and interest rate levels. As of December 31, 2020, certain interest rate swaps met the criteria required to qualify for the shortcut method of accounting that permits the assumption of perfect offset. For all designated fair value hedges of interest rate risk as of December 31, 2020 that were not accounted for under the shortcut method of accounting, the Bancorp performed an assessment of hedge effectiveness using regression analysis with changes in the fair value of the derivative instrument and changes in the fair value of the hedged asset or liability attributable to the hedged risk recorded in the same income statement line in current period net income.

The following table reflects the change in fair value of interest rate contracts, designated as fair value hedges, as well as the change in fair value of the related hedged items attributable to the risk being hedged, included in the Consolidated Statements of Income:

For the years ended December 31 ($ in millions)	Consolidated Statements of Income Caption	**2020**	2019	2018
Change in fair value of interest rate swaps hedging long-term debt	Interest on long-term debt	**$ 134**	152	(36)
Change in fair value of hedged long-term debt attributable to the risk being hedged	Interest on long-term debt	**(133)**	(147)	41

The following amounts were recorded in the Consolidated Balance Sheets related to cumulative basis adjustments for fair value hedges as of December 31:

($ in millions)	Consolidated Balance Sheets Caption	**2020**	2019
Carrying amount of the hedged items	Long-term debt	**$ 2,478**	3,093
Cumulative amount of fair value hedging adjustments included in the carrying amount of the hedged items	Long-term debt	**534**	402

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 December 31, 2020, all hedges designated as cash flow hedges were assessed for effectiveness using regression analysis. The entire change in the fair value of the interest rate swap included in the assessment of hedge effectiveness is recorded in AOCI and reclassified from AOCI to current period earnings when the hedged item affects earnings. As of December 31, 2020, the maximum length of time over which the Bancorp is hedging its exposure to the variability in future cash flows is 48 months.

Reclassified gains and losses on interest rate contracts related to commercial and industrial loans are recorded within interest income in the Consolidated Statements of Income. As of December 31, 2020 and 2019, $718 million and $422 million, respectively, of net deferred gains, net of tax, on cash flow hedges were recorded in AOCI in the Consolidated Balance Sheets. As of December 31, 2020, $226 million in net unrealized gains, net of tax, recorded in AOCI are expected to be reclassified into earnings during the next 12 months. This amount could differ from amounts actually recognized due to changes in interest rates, hedge de-designations or the addition of other hedges subsequent to December 31, 2020.

During both the years ended December 31, 2020 and 2019, there were no gains or losses reclassified from AOCI into earnings associated with the discontinuance of cash flow hedges because it was probable that the original forecasted transaction would no longer occur by the end of the originally specified time period or within the additional period of time as defined by U.S. GAAP.

The following table presents the pre-tax net gains (losses) recorded in the Consolidated Statements of Income and in the Consolidated Statements of Comprehensive Income relating to derivative instruments designated as cash flow hedges:

For the years ended December 31 ($ in millions)		**2020**	2019	2018
Amount of pre-tax net gains recognized in OCI	**$**	**611**	348	214
Amount of pre-tax net gains (losses) reclassified from OCI into net income		**237**	16	(2)

Free-Standing Derivative Instruments – Risk Management and Other Business Purposes

As part of its overall risk management strategy relative to its mortgage banking activity, the Bancorp may enter into various free-standing derivatives (principal-only swaps, interest rate swaptions, interest rate floors, mortgage options, TBA securities and interest rate swaps) to economically hedge changes in fair value of its largely fixed-rate MSR portfolio. Principal-only swaps hedge the spread between mortgage rates and LIBOR because these swaps appreciate in value as a result of tightening spreads. Principal-only swaps also provide prepayment protection by increasing in value when prepayment speeds increase, as opposed to MSRs that lose value in a faster prepayment environment. Receive fixed/pay floating interest rate swaps and swaptions increase in value when interest rates do not increase as quickly as expected.

The Bancorp enters into forward contracts and mortgage options to economically hedge the change in fair value of certain residential mortgage loans held for sale due to changes in interest rates. IRLCs issued on residential mortgage loan commitments that will be held for sale are also considered free-standing derivative instruments and the interest rate exposure on these commitments is economically hedged primarily with forward contracts. Revaluation gains and losses from free-standing derivatives related to mortgage banking activity are recorded as a component of mortgage banking net revenue in the 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 29 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 central clearing parties, which reduced its credit exposure to the central 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

For the years ended December 31 ($ in millions)	Consolidated Statements of Income Caption	2020	2019	2018
Interest rate contracts:				
Forward contracts related to residential mortgage loans held for sale	Mortgage banking net revenue	$ **(12)**	4	(8)
Interest rate contracts related to MSR portfolio	Mortgage banking net revenue	**307**	221	(21)
Foreign exchange contracts:				
Foreign exchange contracts for risk management purposes	Other noninterest income	**(3)**	(7)	10
Equity contracts:				
Swap associated with sale of Visa, Inc. Class B Shares	Other noninterest income	**(103)**	(107)	(59)

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 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 Consolidated Statements of Income.

The Bancorp enters into risk participation agreements, under which the Bancorp assumes credit exposure relating to certain underlying interest rate derivative contracts. The Bancorp only enters into these risk participation agreements in instances in which the Bancorp has participated in the loan that the underlying interest rate derivative contract was designed to hedge. The Bancorp will make payments under these agreements if a customer defaults on its obligation to perform under the terms of the underlying interest rate derivative contract. As of December 31, 2020 and 2019, the total notional amount of the risk participation agreements was $3.4 billion and $3.9 billion, respectively, and the fair value was a liability of $8 million at both December 31, 2020 and 2019 which is included in other liabilities in the Consolidated Balance Sheets. As of December 31, 2020, the risk participation agreements had a weighted-average remaining life of 3.5 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 December 31:

($ in millions)	2020	2019
Pass	$ **3,231**	3,841
Special mention	**113**	86
Substandard	**52**	16
Total	$ **3,396**	3,943

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The net gains (losses) recorded in the Consolidated Statements of Income relating to free-standing derivative instruments used for customer accommodation are summarized in the following table:

For the years ended December 31 ($ in millions)	Consolidated Statements of Income Caption		2020	2019	2018
Interest rate contracts:					
Interest rate contracts for customers (contract revenue)	Commercial banking revenue	$	**36**	40	32
Interest rate contracts for customers (credit portion of fair value adjustment)	Other noninterest expense		**(22)**	(15)	—
Interest rate lock commitments	Mortgage banking net revenue		**271**	144	70
Commodity contracts:					
Commodity contracts for customers (contract revenue)	Commercial banking revenue		**15**	8	9
Commodity contracts for customers (credit losses)	Other noninterest expense		**(1)**	—	—
Commodity contracts for customers (credit portion of fair value adjustment)	Other noninterest expense		**(2)**	1	(1)
Foreign exchange contracts:					
Foreign exchange contracts for customers (contract revenue)	Commercial banking revenue		**55**	49	55
Foreign exchange contracts for customers (contract revenue)	Other noninterest expense		**(11)**	12	14
Foreign exchange contracts for customers (credit portion of fair value adjustment)	Other noninterest expense		**(1)**	—	1

Offsetting Derivative Financial Instruments

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

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

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

As of December 31, 2020 ($ in millions)		Gross Amount Recognized in the Consolidated Balance Sheets[(a)]	Gross Amounts Not Offset in the Consolidated Balance Sheets		Net Amount
			Derivatives	Collateral[(b)]	
Assets:					
Derivatives	$	**2,862**	**(621)**	**(755)**	**1,486**
Total assets		**2,862**	**(621)**	**(755)**	**1,486**
Liabilities:					
Derivatives		**1,072**	**(621)**	**(221)**	**230**
Total liabilities	$	**1,072**	**(621)**	**(221)**	**230**

(a) Amount does not include IRLCs because these instruments are not subject to master netting or similar arrangements.
(b) Amount of collateral received as an offset to asset positions or pledged as an offset to liability positions. Collateral values in excess of related derivative amounts recognized in the Consolidated Balance Sheets were excluded from this table.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2019 ($ in millions)		Gross Amount Recognized in the Consolidated Balance Sheets[a]	Gross Amounts Not Offset in the Consolidated Balance Sheets: Derivatives	Gross Amounts Not Offset in the Consolidated Balance Sheets: Collateral[b]	Net Amount
Assets:					
Derivatives	$	1,655	(417)	(504)	734
Total assets		1,655	(417)	(504)	734
Liabilities:					
Derivatives		741	(417)	(97)	227
Total liabilities	$	741	(417)	(97)	227

(a) Amount does not include IRLCs because these instruments are not subject to master netting or similar arrangements.
(b) Amount of collateral received as an offset to asset positions or pledged as an offset to liability positions. Collateral values in excess of related derivative amounts recognized in the Consolidated Balance Sheets were excluded from this table.

16. Other Assets

The following table provides the components of other assets included in the Consolidated Balance Sheets as of December 31:

($ in millions)		**2020**	2019
Derivative instruments	**$**	**2,919**	1,673
Accounts receivable and drafts-in-process		**2,121**	2,278
Bank owned life insurance		**2,003**	1,960
Partnership investments		**1,872**	1,729
Accrued interest and fees receivable		**486**	424
Operating lease right-of-use assets		**423**	473
Worldpay, Inc. TRA receivable		**321**	345
Income tax receivable		**166**	32
Prepaid expenses		**129**	101
OREO and other repossessed property		**30**	64
Other		**279**	111
Total other assets	**$**	**10,749**	9,190

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17. Short-Term Borrowings

Borrowings with original maturities of one year or less are classified as short-term and include federal funds purchased and other short-term borrowings. Federal funds purchased are excess balances in reserve accounts held at the FRB that the Bancorp purchased from other member banks on an overnight basis. Other short-term borrowings include securities sold under repurchase agreements, derivative collateral, FHLB advances and other borrowings with original maturities of one year or less.

The following table summarizes short-term borrowings and weighted-average rates:

	2020		2019	
($ in millions)	Amount	Rate	Amount	Rate
As of December 31:				
Federal funds purchased	**$ 300**	**0.14 %**	$ 260	1.49 %
Other short-term borrowings	**1,192**	**0.19**	1,011	1.24
Average for the years ended December 31:				
Federal funds purchased	**$ 385**	**0.58 %**	$ 1,267	2.26 %
Other short-term borrowings	**1,709**	**0.81**	1,046	2.67
Maximum month-end balance for the years ended December 31:				
Federal funds purchased	**$ 1,625**		$ 2,693	
Other short-term borrowings	**4,542**		4,046	

The following table presents a summary of the Bancorp’s other short-term borrowings as of December 31:

($ in millions)	**2020**	2019
Securities sold under repurchase agreements	**$ 679**	469
Derivative collateral	**474**	542
Other secured borrowings	**39**	—
Total other short-term borrowings	**$ 1,192**	1,011

The Bancorp’s securities sold under repurchase agreements are accounted for as secured borrowings and are collateralized by securities included in available-for-sale debt and other securities in the 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 December 31, 2020 and 2019, all securities sold under repurchase agreements were secured by agency residential mortgage-backed securities and the repurchase agreements have an overnight remaining contractual maturity.

As of December 31, 2020, other secured borrowings primarily includes obligations recognized by the Bancorp under ASC Topic 860 related to certain loans sold to GNMA and serviced by the Bancorp. Under ASC Topic 860, once the Bancorp has the unilateral right to repurchase the GNMA loans due to the borrower missing three consecutive payments, the Bancorp is considered to have regained effective control over the loan. As such, the Bancorp is required to recognize both the loan and the repurchase liability on the balance sheet, regardless of the intent to repurchase the loans.

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18. Long-Term Debt

The following table is a summary of the Bancorp's long-term borrowings at December 31:

($ in millions)	Maturity	Interest Rate	**2020**	2019
Parent Company				
Senior:				
Fixed-rate notes	2020	2.875%	$ —	1,099
Floating-rate notes[(b)]	2021	0.70%	**250**	250
Fixed-rate notes	2022	2.60%	**699**	699
Fixed-rate notes	2022	3.50%	**499**	499
Fixed-rate notes	2023	1.625%	**498**	—
Fixed-rate notes	2024	3.65%	**1,494**	1,493
Fixed-rate notes	2025	2.375%	**747**	746
Fixed-rate notes	2027	2.55%	**746**	—
Fixed-rate notes	2028	3.95%	**647**	646
Subordinated:[(a)]				
Fixed-rate notes	2024	4.30%	**748**	748
Fixed-rate notes	2038	8.25%	**1,433**	1,333
Subsidiaries				
Senior:				
Fixed-rate notes	2020	2.20%	—	752
Floating-rate notes[(c)]	2020	2.186%	—	300
Fixed-rate notes	2021	2.25%	**1,249**	1,249
Fixed-rate notes	2021	2.875%	**849**	848
Fixed-rate notes	2021	3.35%	**506**	508
Floating-rate notes[(b)]	2021	0.655%	**300**	299
Floating-rate notes[(b)]	2022	0.854%	**300**	299
Fixed-rate notes	2023	1.80%	**648**	—
Fixed-rate notes	2025	3.95%	**836**	797
Fixed-rate notes	2027	2.25%	**598**	—
Subordinated:[(a)]				
Fixed-rate bank notes	2026	3.85%	**748**	748
Fixed-rate bank notes	2027	4.00%	**172**	171
Junior subordinated:				
Floating-rate debentures[(b)]	2035	1.73% - 1.91%	**54**	53
FHLB advances	2021 - 2047	0.05% - 5.91	**67**	91
Notes associated with consolidated VIEs:				
Automobile loan securitizations:				
Fixed-rate notes	2022 - 2026	1.80% - 2.69%	**623**	1,147
Floating-rate notes[(b)]	2022	0.33%	—	42
Other	2021 - 2041	Varies	**262**	153
Total			**$ 14,973**	14,970

(a) *In aggregate, $2.8 billion and $2.7 billion qualifies as Tier II capital for regulatory capital purposes for the years ended December 31, 2020 and 2019, respectively.*

(b) *These rates reflect the floating rates as of December 31, 2020.*

(c) *These rates reflect the floating rates as of December 31, 2019.*

The Bancorp pays down long-term debt in accordance with contractual terms over maturity periods summarized in the previous table. The aggregate annual maturities of long-term debt obligations (based on final maturity dates) as of December 31, 2020 are presented in the following table:

($ in millions)	Parent	Subsidiaries	Total
2021	$ 250	2,912	3,162
2022	1,198	325	1,523
2023	498	1,143	1,641
2024	2,242	98	2,340
2025	747	910	1,657
Thereafter	2,826	1,824	4,650
Total	$ 7,761	7,212	14,973

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

At December 31, 2020, the Bancorp's long-term borrowings consisted of outstanding principal balances of $14.5 billion, net discounts of $19 million, debt issuance costs of $31 million and additions for mark-to-market adjustments on its hedged debt of $534 million. At December 31, 2019, the Bancorp's long-term borrowings consisted of outstanding principal balances of $14.6 billion, net discounts of $18 million, debt issuance costs of $33 million and additions for mark-to-market adjustments on its hedged debt of $402 million. The Bancorp was in compliance with all debt covenants at December 31, 2020 and 2019.

Parent Company Long-Term Borrowings

Senior notes

On March 7, 2012, the Bancorp issued and sold $500 million of senior notes to third-party investors and entered into a Supplemental Indenture dated March 7, 2012 with the Trustee, which modified the existing Indenture for Senior Debt Securities dated April 30, 2008. The Supplemental Indenture and the Indenture define the rights of the senior notes and that they are represented by a Global Security dated as of March 7, 2012. The senior notes bear a fixed-rate of interest of 3.50% per annum. The notes are unsecured, senior obligations of the Bancorp. Payment of the full principal amounts of the notes will be due upon maturity on March 15, 2022. These fixed-rate senior notes will be redeemable by the Bancorp, in whole or in part, on or after the date that is 30 days prior to the maturity date at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest up to, but excluding, the redemption date.

On June 15, 2017, the Bancorp issued and sold $700 million of senior notes to third-party investors. The senior notes bear a fixed-rate of interest of 2.60% per annum. The notes are unsecured, senior obligations of the Bancorp. Payment of the full principal amounts of the notes is due upon maturity on June 15, 2022. These fixed-rate senior notes will be redeemable by the Bancorp, in whole or in part, on or after the date that is 30 days prior to the maturity date at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest up to, but excluding, the redemption date.

On March 14, 2018, the Bancorp issued and sold $650 million of senior notes to third-party investors. The senior notes bear a fixed-rate of interest of 3.95% per annum. The notes are unsecured, senior obligations of the Bancorp. Payment of the full principal amounts of the notes is due upon maturity on March 14, 2028. These fixed-rate senior notes will be redeemable by the Bancorp, in whole or in part, on or after the date that is 30 days prior to the maturity date at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest up to, but excluding, the redemption date.

On June 5, 2018, the Bancorp issued and sold $250 million of senior notes to third-party investors. The senior notes bear a floating-rate of three-month LIBOR plus 47 bps. The notes are unsecured, senior obligations of the Bancorp. Payment of the full principal amounts of the notes is due upon maturity on June 4, 2021. These floating-rate senior notes will be redeemable by the Bancorp, in whole or in part, on or after the date that is 30 days prior to the maturity date at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest up to, but excluding, the redemption date.

On January 25, 2019, the Bancorp issued and sold $1.5 billion of senior notes to third-party investors. The senior notes bear a fixed-rate of interest of 3.65% per annum. The notes are unsecured, senior obligations of the Bancorp. Payment of the full principal amounts of the notes is due upon maturity on January 25, 2024. These fixed-rate senior notes will be redeemable by the Bancorp, in whole or in part, on or after the date that is 30 days prior to the maturity date at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest up to, but excluding, the redemption date.

On October 28, 2019, the Bancorp issued and sold $750 million of senior notes to third-party investors. The senior notes bear a fixed-rate of interest of 2.375% per annum. The notes are unsecured, senior obligations of the Bancorp. Payment of the full principal amounts of the notes is due upon maturity on January 28, 2025. These notes will be redeemable at the Bancorp's option, in whole or in part, at any time or from time to time, on or after April 25, 2020, and prior to December 29, 2024, in each case at a redemption price, plus accrued and unpaid interest thereon, if any, to, but excluding, the redemption date, equal to the greater of (i) 100% of the aggregate principal amount of the notes being redeemed on that redemption date; and (ii) the sum of the present values of the remaining scheduled payments of principal and interest on the notes being redeemed that would be due if the notes to be redeemed matured on December 29, 2024 discounted to the redemption date on a semi-annual basis at the applicable treasury rate plus 15 bps. Additionally, these notes will be redeemable by the Bancorp, in whole or in part, on or after the date that is 30 days prior to the maturity date at a redemption price equal to 100% of the principal amount of the notes to be redeemed plus accrued and unpaid interest thereon to, but excluding, the redemption date.

On May 5, 2020, the Bancorp issued and sold $1.25 billion in aggregate principal amount of senior fixed-rate notes. The notes consisted of $500 million of 1.625% senior fixed-rate notes, with a maturity of three years, due on May 5, 2023; and $750 million of 2.55% senior fixed-rate notes, with a maturity of seven years, due on May 5, 2027. The 1.625% and 2.55% senior fixed-rate notes will be redeemable on or after April 5, 2023 and April 5, 2027, respectively (the respective "Applicable Par Call Date"), in whole or in part, at any time and from time to time, at the Bancorp's option at a redemption price equal to 100% of the aggregate principal amount of the senior fixed-rate notes being redeemed, plus accrued and unpaid interest thereon, if any, to, but excluding, the redemption date. Additionally, the 1.625% and 2.55% senior fixed-rate notes will be redeemable at the Bancorp's option, in whole or in part, at any time or from time to time, on or after November 2, 2020, and prior to the notes' respective Applicable Par Call Date, in each case at a redemption price, plus accrued and unpaid interest thereon, if any, to, but excluding, the redemption date, equal to the greater of: (a) 100% of the aggregate principal amount of the senior fixed-rate notes being redeemed on that redemption date; and (b) the sum of the present values of the remaining scheduled payments of principal and interest on the senior fixed-rate notes being redeemed that would be due if the senior fixed-rate notes to be redeemed matured on their respective Applicable Par Call Date (not including any portion of such payments of interest accrued to the redemption date) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the applicable Treasury Rate plus either 25 bps (for the 1.625% senior fixed-rate notes) or 35 bps (for the 2.55% senior fixed-rate notes), as the case may be.

Subordinated debt

The Bancorp has entered into interest rate swaps to convert part of its subordinated fixed-rate notes due in 2038 to floating-rate. Of the $1.0 billion in 8.25% subordinated fixed-rate notes due in 2038, $705 million were subsequently hedged to floating-rate and paid a rate of 3.27% at December 31, 2020.

On November 20, 2013, the Bancorp issued and sold $750 million of 4.30% unsecured subordinated fixed-rate notes due on January 16, 2024. These fixed-rate notes will be redeemable by the Bancorp, in whole or in part, on or after the date that is 30 days prior to the maturity date at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest up to, but excluding, the redemption date.

Subsidiary Long-Term Borrowings

Senior and subordinated debt

Medium-term senior notes and subordinated bank notes with maturities ranging from one year to 30 years can be issued by the Bancorp's banking subsidiary. Under the Bancorp's banking subsidiary's global bank note program, the Bank's capacity to issue its senior and subordinated unsecured bank notes is $25.0 billion. As of December 31, 2020, $19.1 billion was available for future issuance under the global bank note program.

On September 5, 2014, the Bank issued and sold, under its bank notes program, $850 million of 2.875% unsecured senior fixed-rate bank notes due on October 1, 2021. These bank notes will be redeemable by the Bank, in whole or in part, on or after the date that is 30 days prior to the maturity date at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest up to, but excluding, the redemption date.

On March 15, 2016, the Bank issued and sold, under its bank notes program, $750 million of 3.85% subordinated fixed-rate notes due on March 15, 2026. These bank notes will be redeemable by the Bank, in whole or in part, on or after the date that is 30 days prior to the maturity date at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest up to, but excluding, the redemption date.

On June 14, 2016, the Bank issued and sold, under its bank notes program, $1.3 billion of 2.25% unsecured senior fixed-rate notes due on June 14, 2021. These bank notes will be redeemable by the Bank, in whole or in part, on or after the date that is 30 days prior to the maturity date at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest up to, but excluding, the redemption date.

On July 26, 2018 the Bank issued and sold, under its bank notes program, $1.55 billion in aggregate principal amount of unsecured senior bank notes. The bank notes consisted of $500 million of 3.35% senior fixed-rate notes, with a maturity of three years, due on July 26, 2021; $300 million of senior floating-rate notes at three-month LIBOR plus 44 bps, with a maturity of three years, due on July 26, 2021; and $750 million of 3.95% senior fixed-rate notes, with a maturity of seven years, due July 28, 2025. The Bank entered into interest rate swaps to convert the fixed-rate notes due in 2021 and 2025 to a floating-rate, which resulted in an effective interest rate of one-month LIBOR plus 53 bps and 104 bps, respectively. These bank notes will be redeemable by the Bank, in whole or in part, on or after the date that is 30 days prior to the maturity date at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest up to, but excluding, the redemption date.

On February 1, 2019, the Bank issued and sold, under its bank notes program, $300 million in unsecured senior floating-rate bank notes due on February 1, 2022. Interest on the floating-rate notes is three-month LIBOR plus 64 bps. These notes will be redeemable by the Bank, in whole or in part, on or after the date that is 30 days prior to the maturity date at a redemption price equal to 100% of the principal amount of the notes to be redeemed plus accrued and unpaid interest up to, but excluding, the redemption date.

As a result of the MB Financial, Inc. acquisition, the Bank assumed $175 million of 4.00% subordinated fixed-rate notes due on December 1, 2027. These bank notes will be redeemable by the Bank, in whole or in part, on any interest payment date on or after December 1, 2022 at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest up to, but excluding, the redemption date. From December 1, 2022 until maturity, the bank notes pay interest quarterly on the first day of March, June, September and December.

On January 31, 2020, the Bank issued and sold, under its bank notes program, $1.25 billion in aggregate principal amount of senior fixed-rate notes. The bank notes consisted of $650 million of 1.80% senior fixed-rate notes, with a maturity of three years, due on January 30, 2023; and $600 million of 2.25% senior fixed-rate notes, with a maturity of seven years, due on February 1, 2027. On or after the date that is 30 days before the maturity date, the 1.80% senior fixed-rate notes will be redeemable, in whole or in part, at any time and from time to time, at the Bank's option at a redemption price equal to 100% of the aggregate principal amount of the 1.80% senior fixed-rate notes being redeemed, plus accrued and unpaid interest thereon, if any, to, but excluding, the redemption date. The 2.25% senior fixed-rate notes will be redeemable at the Bank's option, in whole or in part, at any time or from time to time, on or after July 31, 2020, and prior to January 4, 2027 (the

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"Applicable Par Call Date"), in each case at a redemption price, plus accrued and unpaid interest thereon, if any, to, but excluding, the redemption date, equal to the greater of: (a) 100% of the aggregate principal amount of the 2.25% senior fixed-rate notes being redeemed on that redemption date; and (b) the sum of the present values of the remaining scheduled payments of principal and interest on the 2.25% senior fixed-rate notes being redeemed that would be due if the 2.25% senior fixed-rate notes to be redeemed matured on the Applicable Par Call Date (not including any portion of such payments of interest accrued to the redemption date) discounted to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the applicable Treasury Rate plus the Applicable Spread for the Notes to be redeemed. Additionally, on or after January 4, 2027, the 2.25% senior fixed-rate notes will also be redeemable, in whole or in part, at any time and from time to time, at the Bank's option at a redemption price equal to 100% of the aggregate principal amount of the 2.25% senior fixed-rate notes being redeemed, plus accrued and unpaid interest thereon, if any, to, but excluding, the redemption date.

Junior subordinated debt

The junior subordinated floating-rate debentures due in 2035 were assumed by the Bancorp's direct nonbank subsidiary holding company as part of the acquisition of First Charter in June 2008. The obligation was issued to First Charter Capital Trust I and II. The notes of First Charter Capital Trust I and II pay a floating rate at three-month LIBOR plus 169 bps and 142 bps, respectively. The Bancorp's nonbank subsidiary holding company has fully and unconditionally guaranteed all obligations under the acquired TruPS issued by First Charter Capital Trust I and II.

FHLB advances

At December 31, 2020, FHLB advances have rates ranging from 0.05% to 5.91%, with interest payable monthly. The Bancorp has pledged $16.7 billion of certain residential mortgage loans and securities to secure its borrowing capacity at the FHLB which is partially utilized to fund $67 million in FHLB advances that are outstanding. The FHLB advances mature as follows: $1 million in 2021, $1 million in 2022, $51 million in 2023, an immaterial amount in 2024, $5 million in 2025, and $9 million thereafter.

Notes associated with consolidated VIEs

As previously discussed in Note 13, the Bancorp was determined to be the primary beneficiary of various VIEs associated with certain automobile loan securitizations. Third-party holders of this debt do not have recourse to the general assets of the Bancorp. In a securitization transaction that occurred in 2019, the Bancorp transferred approximately $1.43 billion in automobile loans to a bankruptcy remote trust which was deemed to be a VIE. This trust then subsequently issued approximately $1.37 billion of asset-backed notes, of which approximately $68 million were retained by the Bancorp. Approximately $543 million of outstanding notes from the 2019 securitization transaction are included in long-term debt in the Consolidated Balance Sheets as of December 31, 2020. Additionally, in prior years the Bancorp completed securitization transactions in which the Bancorp transferred certain consumer automobile loans to bankruptcy remote trusts which were also deemed to be VIEs. As such, approximately $80 million of outstanding notes related to these VIEs were included in long-term debt in the Consolidated Balance Sheets as of December 31, 2020.

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19. 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 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 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 December 31:

($ in millions)		**2020**	2019
Commitments to extend credit	**$**	**74,499**	75,696
Forward contracts related to residential mortgage loans held for sale		**2,903**	2,901
Letters of credit		**1,982**	2,137
Purchase obligations		**195**	113
Capital commitments for private equity investments		**83**	75
Capital expenditures		**75**	84

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 December 31, 2020 and 2019, the Bancorp had a reserve for unfunded commitments, including letters of credit, totaling $172 million and $144 million, respectively, included in other liabilities in the 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 December 31:

($ in millions)		**2020**	2019
Pass	**$**	**71,386**	74,654
Special mention		**2,049**	633
Substandard		**1,063**	408
Doubtful		**1**	1
Total commitments to extend credit	**$**	**74,499**	75,696

Letters of credit

Standby and commercial letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party and expire as summarized in the following table as of December 31, 2020:

($ in millions)		
Less than 1 year[(a)]	$	1,098
1 - 5 years[(a)]		883
Over 5 years		1
Total letters of credit	$	1,982

(a) *Includes $9 and $2 issued on behalf of commercial customers to facilitate trade payments in U.S. dollars and foreign currencies which expire less than 1 year and between 1 -5 years, respectively.*

Standby letters of credit accounted for approximately 99% of total letters of credit at both December 31, 2020 and 2019 and are considered guarantees in accordance with U.S. GAAP. Approximately 68% and 66% of the total standby letters of credit were collateralized as of December 31, 2020 and 2019, respectively. In the event of nonperformance by the customers, the Bancorp has rights to the underlying collateral, which can include commercial real estate, physical plant and property, inventory, receivables, cash and marketable securities. The reserve related to these standby letters of credit, which is included in the total reserve for unfunded commitments, was $27 million at December 31, 2020 and $20 million at December 31, 2019. 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.

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Risk ratings of outstanding letters of credit under this risk rating system are summarized in the following table as of December 31:

($ in millions)		2020	2019
Pass	$	**1,739**	2,005
Special mention		**111**	20
Substandard		**132**	111
Doubtful		**—**	1
Total letters of credit	$	**1,982**	2,137

At December 31, 2020 and 2019, the Bancorp had outstanding letters of credit that were supporting certain securities issued as VRDNs. The Bancorp facilitates financing for its commercial customers, which consist of companies and municipalities, by marketing the VRDNs to investors. The VRDNs pay interest to holders at a rate of interest that fluctuates based upon market demand. The VRDNs generally have long-term maturity dates, but can be tendered by the holder for purchase at par value upon proper advance notice. When the VRDNs are tendered, a remarketing agent generally finds another investor to purchase the VRDNs to keep the securities outstanding in the market. As of December 31, 2020 and 2019, total VRDNs in which the Bancorp was the remarketing agent or were supported by a Bancorp letter of credit were $385 million and $449 million, respectively, of which FTS acted as the remarketing agent to issuers on $385 million and $445 million, respectively. As remarketing agent, FTS is responsible for actively remarketing VRDNs to other investors when they have been tendered. If another investor is not identified, FTS may choose to purchase the VRDNs into inventory at its discretion while it continues to remarket them. If FTS purchases the VRDNs into inventory, it can subsequently tender back the VRDNs to the issuer’s trustee with proper advance notice. The Bancorp issued letters of credit, as a credit enhancement, to $142 million and $187 million of the VRDNs remarketed by FTS, in addition to zero and $3 million in VRDNs remarketed by third parties at December 31, 2020 and 2019, respectively. These letters of credit are included in the total letters of credit balance provided in the previous table. The Bancorp held zero and $3 million of these VRDNs in its portfolio and classified them as trading securities at December 31, 2020 and 2019, respectively.

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

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

Contingent Liabilities

Legal claims
There are legal claims pending against the Bancorp and its subsidiaries that have arisen in the normal course of business. Refer to Note 20 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.

As of December 31, 2020 and 2019, the Bancorp maintained reserves related to loans sold with representation and warranty provisions totaling $8 million and $6 million, respectively, included in other liabilities in the 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 December 31, 2020, are reasonably possible. The Bancorp currently estimates that it is reasonably possible that it could incur losses related to mortgage representation and warranty provisions in an amount up to approximately $8 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.

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During both the years ended December 31, 2020 and 2019, the Bancorp paid an immaterial amount in the form of make whole payments and repurchased $25 million in outstanding principal of loans to satisfy investor demands. Total repurchase demand requests during the years ended December 31, 2020 and 2019 were $32 million and $45 million, respectively. Total outstanding repurchase demand inventory was $5 million and $6 million at December 31, 2020 and 2019, respectively.

Margin accounts

FTS, an indirect wholly-owned subsidiary of the Bancorp, guarantees the collection of all margin account balances held by its brokerage clearing agent for the benefit of its customers. FTS is responsible for payment to its brokerage clearing agent for any loss, liability, damage, cost or expense incurred as a result of customers failing to comply with margin or margin maintenance calls on all margin accounts. The margin account balances held by the brokerage clearing agent were $14 million and $12 million at December 31, 2020 and 2019, 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 December 31, 2020 and 2019.

Visa litigation

The Bancorp, as a member bank of Visa prior to Visa's reorganization and IPO (the "IPO") of its Class A common shares (the "Class A Shares") in 2008, had certain indemnification obligations pursuant to Visa's certificate of incorporation and bylaws and in accordance with its membership agreements. In accordance with Visa's bylaws prior to the IPO, the Bancorp could have been required to indemnify Visa for the Bancorp's proportional share of losses based on the pre-IPO membership interests. As part of its reorganization and IPO, the Bancorp's indemnification obligation was modified to include only certain known or anticipated litigation (the "Covered Litigation") as of the date of the restructuring. This modification triggered a requirement for the Bancorp to recognize a liability equal to the fair value of the indemnification liability.

In conjunction with the IPO, the Bancorp received 10.1 million of Visa's Class B common shares (the "Class B Shares") based on the Bancorp's membership percentage in Visa prior to the IPO. The Class B Shares are not transferable (other than to another member bank) until the later of the third anniversary of the IPO closing or the date on which the Covered Litigation has been resolved; therefore, the Bancorp's Class B Shares were classified in other assets and accounted for at their carryover basis of $0. Visa deposited $3 billion of the proceeds from the IPO into a litigation escrow account, established for the purpose of funding judgments in, or settlements of, the Covered Litigation. Since then, when Visa's litigation committee determined that the escrow account was insufficient, Visa issued additional Class A Shares and deposited the proceeds from the sale of the Class A Shares into the litigation escrow account. When Visa funded the litigation escrow account, the Class B Shares were subjected to dilution through an adjustment in the conversion rate of Class B Shares into Class A Shares.

In 2009, the Bancorp completed the sale of Visa, Inc. Class B Shares and entered into a total return swap in which the Bancorp will make or receive payments based on subsequent changes in the conversion rate of the Class B Shares into Class A Shares. The swap terminates on the later of the third anniversary of Visa's IPO or the date on which the Covered Litigation is settled. Refer to Note 29 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 December 31, 2020, the Bancorp has concluded that it is not probable that the Visa Litigation Exposure will exceed the Class B Value. Based on this determination, upon the sale of the 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 $201 million and $163 million at December 31, 2020 and 2019, respectively. Refer to Note 15 and Note 29 for further information.

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

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

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20. 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 19 and has also entered into judgment and loss sharing agreements with Visa, MasterCard and certain other named defendants. In October 2012, the parties to the litigation entered into a settlement agreement that was initially approved by the trial court but reversed by the U.S. Second Circuit Court of Appeals and remanded to the district court for further proceedings. Pursuant to the terms of the overturned settlement agreement, the Bancorp had previously paid $46 million into a class settlement escrow account. Approximately 8,000 merchants requested exclusion from the class settlement, and therefore, pursuant to the terms of the overturned settlement agreement, approximately 25% of the funds paid into the class settlement escrow account had been already returned to the control of the defendants. The remaining settlement funds paid by the Bancorp have been maintained in the escrow account. More than 500 of the merchants who requested exclusion from the class filed separate federal lawsuits against Visa, MasterCard and certain other defendants alleging similar antitrust violations. These individual federal lawsuits were transferred to the United States District Court for the Eastern District of New York. While the Bancorp is only named as a defendant in one of the individual federal lawsuits, it may have obligations pursuant to indemnification arrangements and/or the judgment or loss sharing agreements noted above. On September 17, 2018, the defendants in the consolidated class action signed a second settlement agreement (the “Amended Settlement Agreement”) resolving the claims seeking monetary damages by the proposed plaintiffs’ class (the “Plaintiff Damages Class”) and superseding the original settlement agreement entered into in October 2012. The Amended Settlement Agreement included, among other terms, a release from participating class members for liability for claims that accrue no later than five years after the Amended Settlement Agreement becomes final. The Amended Settlement Agreement provided for a total payment by all defendants of approximately $6.24 billion, composed of approximately $5.34 billion held in escrow plus an additional $900 million in new funds. Pursuant to the terms of the Settlement Agreement, $700 million of the additional $900 million has been returned to the defendants due to the level of opt-outs from the class. The Bancorp’s allocated share of the settlement is within existing reserves, including funds maintained in escrow. On December 13, 2019, the Court entered an order granting final approval for the settlement. The settlement does not resolve the claims of the separate proposed plaintiffs’ class seeking injunctive relief or the claims of merchants who have opted out of the proposed class settlement and are pursuing, or may in the future decide to pursue, private lawsuits. The ultimate outcome in this matter, including the timing of resolution, therefore remains uncertain. Refer to Note 19 for further information.

Klopfenstein v. Fifth Third Bank

On August 3, 2012, William Klopfenstein and Adam McKinney filed a lawsuit against Fifth Third Bank in the United States District Court for the Northern District of Ohio (Klopfenstein et al. v. Fifth Third Bank), alleging that the 120% APR that Fifth Third disclosed on its Early Access program was misleading. Early Access is a deposit-advance program offered to eligible customers with checking accounts. The plaintiffs sought to represent a nationwide class of customers who used the Early Access program and repaid their cash advances within 30 days. On October 31, 2012, the case was transferred to the United States District Court for the Southern District of Ohio. In 2013, four similar putative class actions were filed against Fifth Third Bank in federal courts throughout the country (Lori and Danielle Laskaris v. Fifth Third Bank, Janet Fyock v. Fifth Third Bank, Jesse McQuillen v. Fifth Third Bank, and Brian Harrison v. Fifth Third Bank). Those four lawsuits were transferred to the Southern District of Ohio and consolidated with the original lawsuit as In re: Fifth Third Early Access Cash Advance Litigation (Case No. 1:12-CV-851). On behalf of a putative class, the plaintiffs sought unspecified monetary and statutory damages, injunctive relief, punitive damages, attorney’s 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. The plaintiffs’ motion for class certification was filed on April 20, 2020 and is now fully briefed and awaiting decision. No trial date has been set.

Helton v. Fifth Third Bank

On August 31, 2015, trust beneficiaries filed an action against Fifth Third Bank, as trustee, in the Probate Court for Hamilton County, Ohio (Helen Clarke Helton, et al. v. Fifth Third Bank, Case No. 2015003814). The plaintiffs alleged breach of the duty to diversify, breach of the duty of impartiality, breach of trust/fiduciary duty, and unjust enrichment, based on Fifth Third’s alleged failure to diversify assets held in two trusts for the plaintiffs’ benefit. The lawsuit sought over $800 million in alleged damages, attorney’s fees, removal of Fifth Third as trustee, and injunctive relief. On April 20, 2018, the Court denied plaintiffs’ motion for summary judgment and granted summary judgment to Fifth Third, dismissing the case in its entirety. On December 18, 2019, the Ohio Court of Appeals affirmed the Probate Court’s dismissal of all of plaintiffs’ claims based upon allegations of Fifth Third’s alleged failure to diversify assets held in two trusts for plaintiffs’ benefit. The appeals court reversed summary judgment on one claim related to Fifth Third’s alleged unjust enrichment through its receipt of certain fees in managing the trusts. The Court of Appeals remanded the case to the Probate Court for further consideration of the lone surviving claim, which comprises a small fraction of the damages originally sought by plaintiffs in the lawsuit. Plaintiffs filed an appeal to the Ohio Supreme Court, seeking review of the decision from the Ohio Court of Appeals. On April 14, 2020, the Ohio Supreme Court announced its denial of

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plaintiffs' request for review, and subsequently denied plaintiffs' request for reconsideration. Thereafter, the case returned to the trial court for further adjudication of the lone surviving claim. On January 8, 2021 the trial court issued an order denying Fifth Third's motion for summary judgment on the remaining claim leaving it to be resolved at trial.

Bureau of Consumer Financial Protection v. Fifth Third Bank, National Association

On March 9, 2020, the CFPB filed a lawsuit against Fifth Third in the United States District Court for the Northern District of Illinois entitled CFPB v. Fifth Third Bank, National Association, Case No. 1:20-CV-1683 (N.D. Ill.) (ABW), alleging violations of the Consumer Financial Protection Act, TILA, and Truth in Savings Act related to Fifth Third's alleged opening of unspecified numbers of allegedly unauthorized credit card, savings, checking, online banking and early access accounts from 2010 through 2016. The CFPB seeks unspecified amounts of civil monetary penalties as well as unspecified customer remediation. On February 12, 2021, the court granted Fifth Third's motion to transfer venue to the United States District Court for the Southern District of Ohio. The Bancorp is also subject to a consumer class action related to the alleged opening of unauthorized accounts.

Shareholder Litigation

On April 7, 2020, Plaintiff Lee Christakis filed a putative class action against Fifth Third Bancorp, Fifth Third President and Chief Executive Officer Greg D. Carmichael, and 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 July 31, 2020, a second putative shareholder class action captioned Dr. Steven Fox, individually and on behalf of all others similarly situated v. Fifth Third Bancorp, et al., Case No. 2020CH05219 was filed on behalf of former shareholders of MB Financial, Inc. in the Cook County, Illinois Circuit Court. The suit brings claims for violation of Sections 11 and 12(a)(2) of the Securities Act of 1933, alleging that the Bancorp and certain of its officers and directors made material misstatements and omissions regarding the alleged improper cross-selling strategy in filings made in connection with the Bancorp's merger with MB Financial, Inc.

In addition, shareholder derivative lawsuits have been filed seeking monetary damages on behalf of the Bancorp alleging certain claims against various officers and directors relating to an alleged improper cross-selling strategy. Four lawsuits filed in the U.S. District Court for the Northern District of Illinois have been consolidated into a single action 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); and (4) Hansen v. Carmichael, et al., Case No. 20-cv-5339 (filed September 10, 2020). Also pending are shareholder derivative matters Reese v. Carmichael, et al., Case No. 20-cv-866 pending in the U.S. District Court of the Southern District of Ohio (filed November 4, 2020) and Sandys v. Carmichael, et al., Case No. A2004539 pending in the Hamilton County, Ohio Court of Common Pleas (filed December 28, 2020). The Bancorp has also received several shareholder demands under Ohio Rev. Code § 1701.37(c) and lawsuits have been filed arising out of the same. Finally, the Bancorp has received a shareholder demand that the Bancorp's Board of Directors investigate and commence a civil action for failure to detect and/or prevent the alleged illegal cross-selling strategy. The shareholder subsequently filed the aforementioned Sandys v. Carmichael, et al. matter.

Other litigation

The Bancorp and its subsidiaries are not parties to any other material litigation. However, there are other litigation matters that arise in the normal course of business. While it is impossible to ascertain the ultimate resolution or range of financial liability with respect to these contingent matters, management believes that the resulting liability, if any, from these other actions would not have a material effect upon the Bancorp's consolidated financial position, results of operations or cash flows.

Governmental Investigations and Proceedings

The Bancorp and/or its affiliates are or may become involved in information-gathering requests, reviews, investigations and proceedings (both formal and informal) by various governmental regulatory agencies and law enforcement authorities, including but not limited to the FRB, OCC, CFPB, SEC, FINRA, U.S. Department of Justice, etc., as well as state and other governmental authorities and self-regulatory bodies regarding their respective businesses. Additional matters will likely arise from time to time. Any of these matters may result in material adverse consequences or reputational harm to the Bancorp, its affiliates and/or their respective directors, officers and other personnel, including adverse judgments, findings, settlements, fines, penalties, orders, injunctions or other actions, amendments and/or restatements of the Bancorp's SEC filings and/or financial statements, as applicable, and/or determinations of material weaknesses in our disclosure controls and procedures. Investigations by regulatory authorities may from time to time result in civil or criminal referrals to law enforcement. Additionally, in some cases, regulatory authorities may take supervisory actions that are considered to be confidential supervisory information which may not be publicly disclosed.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 $65 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

21. Related Party Transactions

The Bancorp maintains written policies and procedures covering related party transactions with principal shareholders, directors and executives of the Bancorp. These procedures cover transactions such as employee-stock purchase loans, personal lines of credit, residential secured loans, overdrafts, letters of credit and increases in indebtedness. Such transactions are subject to the Bancorp's normal underwriting and approval procedures. Prior to approving a loan to a related party, Compliance Risk Management must review and determine whether the transaction requires approval from or a post notification to the Bancorp's Board of Directors. At December 31, 2020 and 2019, certain directors, executive officers, principal holders of Bancorp common stock and their related interests were indebted, including undrawn commitments to lend, to the Bancorp's banking subsidiary.

The following table summarizes the Bancorp's lending activities with its principal shareholders, directors, executives and their related interests at December 31:

($ in millions)		**2020**	2019
Commitments to lend, net of participations:			
Directors and their affiliated companies	**$**	**79**	736
Executive officers		**7**	5
Total	**$**	**86**	741
Outstanding balance on loans, net of participations and undrawn commitments	**$**	**67**	49

The commitments to lend are in the form of loans and guarantees for various business and personal interests. This indebtedness was incurred in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties. This indebtedness does not involve more than the normal risk of repayment or present other features unfavorable to the Bancorp.

Worldpay, Inc. and Worldpay Holding, LLC

On June 30, 2009, the Bancorp completed the sale of a majority interest in its processing business, Vantiv Holding, LLC (now Worldpay Holding, LLC). Advent International acquired an approximate 51% interest in Worldpay Holding, LLC for cash and a warrant. The Bancorp retained the remaining approximate 49% interest in Worldpay Holding, LLC.

During the first quarter of 2012, Vantiv, Inc. (now Worldpay, Inc.) priced an IPO of its shares and contributed the net proceeds to Worldpay Holding, LLC for additional ownership interests, reducing the Bancorp's ownership percentage to 39%. Subsequent to the IPO, the Bancorp consummated a series of sales transactions which culminated in the sale of all of its remaining interests in Worldpay Holding, LLC in the first quarter of 2019. The Bancorp recognized a gain of $562 million in other noninterest income during the first quarter of 2019 as a result of the final sale transaction. As of January 1, 2020, Worldpay Holding, LLC and Worldpay, Inc. are no longer considered related parties of the Bancorp as the Bancorp no longer beneficially owns any of Worldpay, Inc.'s equity securities.

In conjunction with Worldpay, Inc.'s IPO in 2012, the Bancorp entered into two TRAs with Worldpay, Inc. The TRAs provide for payments by Worldpay, Inc. to the Bancorp of 85% of the cash savings actually realized as a result of the increase in tax basis that results from the historical or future purchase of equity in Worldpay Holding, LLC from the Bancorp or from the exchange of equity units in Worldpay Holding, LLC for cash or Class A Stock, as well as any tax benefits attributable to payments made under the TRA. One of the TRAs has been settled and terminated and the Bancorp accounts for the remaining TRA as a gain contingency and recognizes income when all uncertainties surrounding the realization of such amounts are resolved.

During the fourth quarter of 2019, the Bancorp entered into an agreement with Fidelity National Information Services, Inc. and Worldpay, Inc. under which Worldpay, Inc. may be obligated to pay up to approximately $366 million to the Bancorp to terminate and settle certain remaining TRA cash flows, totaling an estimated $720 million, upon the exercise of certain call options by Worldpay, Inc. or certain put options by the Bancorp. In 2019, the Bancorp recognized a gain of approximately $345 million in other noninterest income associated with these options. The Worldpay, Inc. TRA receivable associated with this transaction, recorded in other assets in the Consolidated Balance Sheets, was $321 million and $345 million as of December 31, 2020 and 2019, respectively.

Separate from the impact of the TRA settlement agreement discussed above, the Bancorp recognized $74 million, $1 million and $20 million in other noninterest income in the Consolidated Statements of Income associated with the TRA during the years ended December 31, 2020, 2019 and 2018, respectively. The Bancorp expects to receive approximately $122 million of future payments through 2025 under the TRA that are not subject to the call or put options. These remaining cash flows will be recognized in future periods when the related uncertainties are resolved.

The Bancorp and Worldpay Holding, LLC had various agreements in place covering services including interchange clearing, settlement and sponsorship. Worldpay Holding, LLC paid the Bancorp $87 million and $75 million for these services for the years ended December 31, 2019 and 2018, respectively. In addition to the previously mentioned services, the Bancorp previously entered into an agreement under which Worldpay Holding, LLC would provide processing services to the Bancorp. The total amount of fees relating to the processing services provided to the Bancorp by Worldpay Holding, LLC totaled $77 million and $74 million for the years ended December 31, 2019 and 2018, respectively. These fees were primarily reported as a component of card and processing expense in the Consolidated Statements of Income.

SLK Global Solutions Private Limited

As of December 31, 2020, the Bancorp owns 100% of Fifth Third Mauritius Holdings Limited, which owns 49% of SLK Global Solutions Private Limited, and accounts for this investment under the equity method of accounting. The Bancorp recognized $5 million, $3 million and $2 million in other noninterest income in the Consolidated Statements of Income as part of its equity method investment in SLK Global Solutions Private Limited for the years ended December 31, 2020, 2019 and 2018, respectively. The Bancorp received cash distributions of $1 million during both the years ended December 31, 2020 and 2019. The Bancorp's investment in SLK Global Solutions Private Limited was $26 million at both December 31, 2020 and 2019. The Bancorp paid SLK Global Solutions Private Limited $27 million, $22 million and $21 million for their process and software services during the years ended December 31, 2020, 2019 and 2018, respectively, which are included in other noninterest expense in the Consolidated Statements of Income.

CDC investments

The Bancorp's subsidiary, CDC, has equity investments in entities in which the Bancorp had $18 million and $12 million of loans outstanding at December 31, 2020 and 2019, respectively, and unfunded commitment balances of $39 million and $21 million at December 31, 2020 and 2019, respectively. The Bancorp held $63 million and $116 million of deposits for these entities at December 31, 2020 and 2019, respectively. For further information on CDC investments, refer to Note 13.

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22. Income Taxes

The Bancorp and its subsidiaries file a consolidated federal income tax return. The following is a summary of applicable income taxes included in the Consolidated Statements of Income for the years ended December 31:

($ in millions)		2020	2019	2018
Current income tax expense:				
U.S. Federal income taxes	$	**463**	788	463
State and local income taxes		**69**	148	71
Foreign income taxes		**—**	—	8
Total current income tax expense		**532**	936	542
Deferred income tax (benefit) expense:				
U.S. Federal income taxes		**(140)**	(212)	24
State and local income taxes		**(23)**	(35)	4
Foreign income taxes		**1**	1	2
Total deferred income tax (benefit) expense		**(162)**	(246)	30
Applicable income tax expense	$	**370**	690	572

The current U.S. Federal income taxes above include proportional amortization for qualifying LIHTC investments of $150 million, $140 million and $154 million for the years ended December 31, 2020, 2019 and 2018, respectively.

The following is a reconciliation between the federal statutory corporate tax rate and the Bancorp's effective tax rate for the years ended December 31:

	2020	2019	2018
Statutory tax rate	**21.0 %**	21.0	21.0
Increase (decrease) resulting from:			
State taxes, net of federal benefit	**2.0**	2.8	2.1
Tax-exempt income	**(1.5)**	(1.2)	(0.8)
LIHTC investment and other tax benefits	**(9.7)**	(5.0)	(6.8)
LIHTC investment proportional amortization	**8.3**	4.4	5.6
Other tax credits	**(0.4)**	(0.2)	(0.1)
Other, net	**0.9**	(0.2)	(0.3)
Effective tax rate	**20.6 %**	21.6	20.7

Other tax credits in the rate reconciliation table include New Markets, Rehabilitation Investment and Qualified Zone Academy Bond tax credits. Tax-exempt income in the rate reconciliation table includes interest on municipal bonds, interest on tax-exempt lending, income on life insurance policies held by the Bancorp and certain gains on sales of leases that are exempt from federal taxation.

The following table provides a reconciliation of the beginning and ending amounts of the Bancorp's unrecognized tax benefits:

($ in millions)		2020	2019	2018
Unrecognized tax benefits at January 1	$	**65**	55	34
Gross increases for tax positions taken during prior period		**29**	25	20
Gross decreases for tax positions taken during prior period		**(3)**	(3)	(1)
Gross increases for tax positions taken during current period		**12**	6	8
Settlements with taxing authorities		**(1)**	(9)	(5)
Lapse of applicable statute of limitations		**(2)**	(9)	(1)
Unrecognized tax benefits at December 31[(a)]	$	**100**	65	55

(a) *With the exception of $6, $6 and $5 in 2020, 2019 and 2018, respectively, all amounts represent unrecognized tax benefits that, if recognized, would affect the annual effective tax rate.*

The Bancorp's unrecognized tax benefits as of December 31, 2020, 2019 and 2018 primarily related to state income tax exposures from taking tax positions where the Bancorp believes it is likely that, upon examination, a state will take a position contrary to the position taken by the Bancorp.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Deferred income taxes are comprised of the following items at December 31:

($ in millions)		2020	2019
Deferred tax assets:			
Allowance for loan and lease losses	$	**515**	252
Deferred compensation		**107**	103
Reserves		**40**	32
Reserve for unfunded commitments		**36**	30
State net operating loss carryforwards		**3**	9
State deferred taxes		**1**	—
Other		**160**	154
Total deferred tax assets	$	**862**	580
Deferred tax liabilities:			
Other comprehensive income	$	**779**	352
Lease financing		**638**	650
MSRs and related economic hedges		**120**	144
Bank premises and equipment		**91**	73
Investments in joint ventures and partnership interests		**58**	25
State deferred taxes		**—**	47
Other		**128**	127
Total deferred tax liabilities	$	**1,814**	1,418
Total net deferred tax liability	$	**(952)**	(838)

At December 31, 2020 and 2019, the Bancorp recorded deferred tax assets of $3 million and $9 million, respectively, related to state net operating loss carryforwards. The deferred tax assets relating to state net operating losses are presented net of specific valuation allowances of $4 million and $17 million at December 31, 2020 and 2019, respectively. If these carryforwards are not utilized, they will expire in varying amounts through 2039.

The Bancorp has determined that a valuation allowance is not needed against the remaining deferred tax assets as of December 31, 2020 or 2019. The Bancorp considered all of the positive and negative evidence available to determine whether it is more likely than not that the deferred tax assets will ultimately be realized and, based upon that evidence, the Bancorp believes it is more likely than not that the deferred tax assets recorded at December 31, 2020 and 2019 will ultimately be realized. The Bancorp reached this conclusion as it is expected that the Bancorp’s remaining deferred tax assets will be realized through the reversal of its existing taxable temporary differences and its projected future taxable income.

The IRS has concluded its examination of the Bancorp’s 2016 federal income tax return. The statute of limitations for the Bancorp’s federal income tax returns remains open for tax years 2017 through 2020. On occasion, as various state and local taxing jurisdictions examine the returns of the Bancorp and its subsidiaries, the Bancorp may agree to extend the statute of limitations for a reasonable period of time. Otherwise, the statutes of limitations for state income tax returns remain open only for tax years in accordance with each state’s statutes.

Any interest and penalties incurred in connection with income taxes are recorded as a component of applicable income tax expense in the Consolidated Financial Statements. During the years ended December 31, 2020, 2019 and 2018, the Bancorp recognized $3 million, $1 million and $1 million, respectively, of interest expense in connection with income taxes. At December 31, 2020 and 2019, the Bancorp had accrued interest liabilities, net of the related tax benefits, of $7 million and $4 million, respectively. No material liabilities were recorded for penalties related to income taxes.

Retained earnings at December 31, 2020 and 2019 included $157 million in allocations of earnings for bad debt deductions of former thrift subsidiaries for which no income tax has been provided. Under current tax law, if certain of the Bancorp’s subsidiaries use these bad debt reserves for purposes other than to absorb bad debt losses, they will be subject to federal income tax at the current corporate tax rate.

23. Retirement and Benefit Plans

The Bancorp's qualified defined benefit plan's benefits were frozen in 1998, except for grandfathered employees. The Bancorp's other defined benefit retirement plans consist of non-qualified plans which are frozen and funded on an as-needed basis. A majority of these plans were obtained in acquisitions and are included with the qualified defined benefit plan in the following tables ("the Plan"). The Bancorp recognizes the overfunded or underfunded status of the Plan in other assets and accrued taxes, interest and expenses, respectively, in the Consolidated Balance Sheets.

The following table summarizes the defined benefit retirement plans as of and for the years ended December 31:

($ in millions)		**2020**	2019
Fair value of plan assets at January 1	$	**175**	164
Actual return on assets		**13**	26
Contributions		**2**	2
Settlement		**(9)**	(9)
Benefits paid		**(8)**	(8)
Fair value of plan assets at December 31	$	**173**	175
Projected benefit obligation at January 1	$	**194**	181
Interest cost		**6**	7
Settlement		**(9)**	(9)
Actuarial loss		**20**	23
Benefits paid		**(8)**	(8)
Projected benefit obligation at December 31	$	**203**	194
Underfunded projected benefit obligation at December 31	$	**(30)**	(19)
Accumulated benefit obligation at December 31[(a)]	$	**203**	194

(a) *Since the Plan's benefits are frozen, the rate of compensation increase is no longer an assumption used to calculate the accumulated benefit obligation. Therefore, the accumulated benefit obligation was the same as the projected benefit obligation at both December 31, 2020 and 2019.*

The following table summarizes net periodic benefit cost and other changes in the Plan's assets and benefit obligations recognized in OCI for the years ended December 31:

($ in millions)		**2020**	2019	2018
Components of net periodic benefit cost:				
Interest cost	$	**6**	7	7
Expected return on assets		**(4)**	(8)	(11)
Amortization of net actuarial loss		**6**	6	6
Settlement		**3**	3	3
Net periodic benefit cost	$	**11**	8	5
Other changes in plan assets and benefit obligations recognized in other comprehensive income:				
Net actuarial loss (gain)	$	**12**	5	(1)
Amortization of net actuarial loss		**(6)**	(6)	(6)
Settlement		**(3)**	(3)	(3)
Total recognized in other comprehensive income		**3**	(4)	(10)
Total recognized in net periodic benefit cost and other comprehensive income	$	**14**	4	(5)

Fair Value Measurements of Plan Assets

The following tables summarize Plan assets measured at fair value on a recurring basis as of December 31:

	Fair Value Measurements Using[(a)]				
2020 ($ in millions)		Level 1	Level 2	Level 3	Total Fair Value
Cash equivalents	$	**4**	—	—	**4**
Mutual and exchange-traded funds		**68**	—	—	**68**
Debt securities:					
U.S. Treasury and federal agencies securities		**57**	**6**	—	**63**
Mortgage-backed securities:					
Non-agency commercial mortgage-backed securities		—	**1**	—	**1**
Asset-backed securities and other debt securities[(b)]		—	**37**	—	**37**
Total debt securities	$	**57**	**44**	—	**101**
Total Plan assets	$	**129**	**44**	—	**173**

(a) *For further information on fair value hierarchy levels, refer to Note 1.*
(b) *Includes corporate bonds.*

2019 ($ in millions)	Fair Value Measurements Using[a] Level 1	Level 2	Level 3	Total Fair Value
Cash equivalents	$ 14	—	—	14
Mutual and exchange-traded funds	76	—	—	76
Debt securities:				
U.S. Treasury and federal agencies securities	57	6	—	63
Mortgage-backed securities:				
Non-agency commercial mortgage-backed securities	—	1	—	1
Asset-backed securities and other debt securities[b]	—	21	—	21
Total debt securities	$ 57	28	—	85
Total Plan assets	$ 147	28	—	175

(a) *For further information on fair value hierarchy levels, refer to Note 1.*
(b) *Includes corporate bonds.*

The following is a description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Cash equivalents
Cash equivalents are comprised of money market mutual funds that invest in short-term money market instruments that are issued and payable in U.S. dollars. The Plan measures its cash equivalent funds that are exchange-traded using the fund's quoted price, which is in an active market. Therefore, these investments are classified within Level 1 of the valuation hierarchy.

Mutual and exchange-traded funds
The Plan measures its mutual and exchange-traded funds, which are registered with the SEC, using the funds' quoted prices which are available in an active market. Therefore, these investments are classified within Level 1 of the valuation hierarchy. The mutual and exchange-traded funds held by the Plan are open-ended funds and are required to publicly publish their NAV on a daily basis. The funds are also required to transact and use the daily NAV as a basis for transactions. Therefore, the NAV reflects the fair value of the Plan's investment.

Debt 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. If quoted market prices are not available, then fair values are estimated using pricing models, quoted prices of securities with similar characteristics, or DCFs. Examples of such instruments, which are classified within Level 2 of the valuation hierarchy, include federal agencies securities, non-agency commercial mortgage-backed securities and asset-backed securities and other debt securities.

Plan Assumptions
The Plan's assumptions are evaluated annually and are updated as necessary. The discount rate assumption reflects the yield on a portfolio of high quality fixed-income instruments that have a similar duration to the Plan's liabilities. The expected long-term rate of return assumption reflects the average return expected on the assets invested to provide for the Plan's liabilities. In determining the expected long-term rate of return, the Bancorp evaluated actuarial and economic inputs, including long-term inflation rate assumptions and broad equity and bond indices long-term return projections, as well as actual long-term historical plan performance.

The following table summarizes the weighted-average plan assumptions for the years ended December 31:

	2020	2019	2018
For measuring benefit obligations at year end:[a]			
Discount rate	**2.26 %**	3.05	4.10
For measuring net periodic benefit cost:[a]			
Discount rate	**3.05**	4.10	3.47
Expected return on plan assets	**2.64**	5.50	6.00

(a) *Since the Plan's benefits were frozen, except for grandfathered employees, the rate of compensation increase is no longer applicable beginning in 2014 since minimal grandfathered employees are still accruing benefits.*

Lowering both the expected rate of return on the plan assets and the discount rate by 0.25% would have increased the 2020 pension expense by approximately $1 million.

Based on the actuarial assumptions, the Bancorp expects to contribute $2 million to the Plan in 2021. Estimated pension benefit payments are $18 million for 2021, $17 million for 2022, $18 million for 2023, $16 million for 2024 and $18 million for 2025. The total estimated payments for the years 2026 through 2030 is $66 million.

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Investment Policies and Strategies

The Bancorp's policy for the investment of Plan assets is to employ investment strategies that achieve a range of weighted-average target asset allocations relating to equity securities, fixed-income securities (including U.S. Treasury and federal agencies securities, mortgage-backed securities, asset-backed securities, corporate bonds and municipal bonds), alternative strategies (including traditional mutual funds, precious metals and commodities) and cash.

The following table provides the Bancorp's targeted and actual weighted-average asset allocations by asset category for the years ended December 31:

	Targeted Range[(b)]	**2020**	2019
Equity securities[(a)]	0-55 %	**3**	19
Fixed-income securities	50-100	**90**	59
Alternative strategies	0-5	**—**	—
Cash or cash equivalents	0-100	**7**	22
Total		**100 %**	100

(a) Includes mutual and exchange-traded funds.
(b) These reflect the targeted ranges for the year ended December 31, 2020.

Plan Management's objective is to achieve and maintain a fully-funded status of the qualified defined benefit plan while also minimizing the risk of excess assets. As a result, the portfolio assets of the qualified defined benefit plan will continue to increase the weighting of long duration fixed income, or liability matching assets, as the funded status increases. There were no significant concentrations of risk associated with the investments of the Plan at December 31, 2020.

Permitted asset classes of the Plan include cash and cash equivalents, fixed-income (domestic and non-U.S. bonds), equities (U.S., non-U.S., emerging markets and real estate investment trusts), equipment leasing and mortgages. The Plan utilizes derivative instruments including puts, calls, straddles or other option strategies, as approved by management.

Fifth Third Bank, National Association, as Trustee, is expected to manage Plan assets in a manner consistent with the Plan agreement and other regulatory, federal and state laws. As of December 31, 2020 and 2019, $173 million and $175 million, respectively, of Plan assets were managed by Fifth Third Bank, National Association. The Fifth Third Bank Pension, 401(k) and Medical Plan Committee (the "Committee") is the plan administrator. The Trustee is required to provide to the Committee monthly and quarterly reports covering a list of Plan assets, portfolio performance, transactions and asset allocation. The Trustee is also required to keep the Committee apprised of any material changes in the Trustee's outlook and recommended investment policy. There were no fees paid by the Plan for investment management, accounting or administrative services provided by the Trustee.

Other Information on Retirement and Benefit Plans

The Bancorp has a qualified defined contribution savings plan that allows participants to make voluntary 401(k) contributions on a pre-tax or Roth basis, subject to statutory limitations. Expenses recognized for matching contributions to the Bancorp's qualified defined contribution savings plan were $105 million, $90 million and $83 million for the years ended December 31, 2020, 2019 and 2018, respectively. The Bancorp did not make profit sharing contributions during both the years ended December 31, 2020 and 2018. The Bancorp recognized $4 million of profit sharing expense associated with the MB Financial, Inc. acquisition during the year ended December 31, 2019. In addition, the Bancorp has a non-qualified defined contribution plan that allows certain employees to make voluntary contributions into a deferred compensation plan. Expenses recognized by the Bancorp for its non-qualified defined contribution plan were $5 million, $6 million and $4 million for the years ended December 31, 2020, 2019 and 2018, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

24. Accumulated Other Comprehensive Income

The tables below present the activity of the components of OCI and AOCI for the years ended December 31:

2020 ($ in millions)	Total OCI Pre-tax Activity	Total OCI Tax Effect	Total OCI Net Activity	Total AOCI Beginning Balance	Total AOCI Net Activity	Total AOCI Ending Balance
Unrealized holding gains on available-for-sale debt securities arising during the year	**$ 1,514**	**(361)**	**1,153**			
Reclassification adjustment for net gains on available-for-sale debt securities included in net income	**(45)**	**11**	**(34)**			
Net unrealized gains on available-for-sale debt securities	**1,469**	**(350)**	**1,119**	**812**	**1,119**	**1,931**
Unrealized holding gains on cash flow hedge derivatives arising during the year	**611**	**(128)**	**483**			
Reclassification adjustment for net gains on cash flow hedge derivatives included in net income	**(237)**	**50**	**(187)**			
Net unrealized gains on cash flow hedge derivatives	**374**	**(78)**	**296**	**422**	**296**	**718**
Net actuarial loss arising during the year	**(12)**	**3**	**(9)**			
Reclassification of amounts to net periodic benefit costs	**9**	**(2)**	**7**			
Defined benefit pension plans, net	**(3)**	**1**	**(2)**	**(42)**	**(2)**	**(44)**
Other	**(4)**	**—**	**(4)**	**—**	**(4)**	**(4)**
Total	**$ 1,836**	**(427)**	**1,409**	**1,192**	**1,409**	**2,601**

2019 ($ in millions)	Total OCI Pre-tax Activity	Total OCI Tax Effect	Total OCI Net Activity	Total AOCI Beginning Balance	Total AOCI Net Activity	Total AOCI Ending Balance
Unrealized holding gains on available-for-sale debt securities arising during the year	$ 1,369	(323)	1,046			
Reclassification adjustment for net gains on available-for-sale debt securities included in net income	(9)	2	(7)			
Net unrealized gains on available-for-sale debt securities	1,360	(321)	1,039	(227)	1,039	812
Unrealized holding gains on cash flow hedge derivatives arising during the year	348	(73)	275			
Reclassification adjustment for net gains on cash flow hedge derivatives included in net income	(16)	3	(13)			
Net unrealized gains on cash flow hedge derivatives	332	(70)	262	160	262	422
Net actuarial loss arising during the year	(5)	—	(5)			
Reclassification of amounts to net periodic benefit costs	9	(1)	8			
Defined benefit pension plans, net	4	(1)	3	(45)	3	(42)
Total	$ 1,696	(392)	1,304	(112)	1,304	1,192

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2018 ($ in millions)	Total OCI Pre-tax Activity	Total OCI Tax Effect	Total OCI Net Activity	Total AOCI Beginning Balance	Total AOCI Net Activity	Total AOCI Ending Balance
Unrealized holding losses on available-for-sale debt securities arising during the year	$ (483)	112	(371)			
Reclassification adjustment for net losses on available-for-sale debt securities included in net income	11	(2)	9			
Net unrealized losses on available-for-sale debt securities	(472)	110	(362)	135	(362)	(227)
Unrealized holding gains on cash flow hedge derivatives arising during the year	214	(45)	169			
Reclassification adjustment for net losses on cash flow hedge derivatives included in net income	2	—	2			
Net unrealized gains on cash flow hedge derivatives	216	(45)	171	(11)	171	160
Net actuarial gain arising during the year	1	—	1			
Reclassification of amounts to net periodic benefit costs	9	(2)	7			
Defined benefit pension plans, net	10	(2)	8	(53)	8	(45)
Total	$ (246)	63	(183)	71	(183)	(112)

The table below presents reclassifications out of AOCI for the years ended December 31:

Components of AOCI: ($ in millions)	Consolidated Statements of Income Caption	**2020**	2019	2018
Net unrealized gains (losses) on available-for-sale debt securities:[(b)]				
Net gains (losses) included in net income	Securities gains (losses), net	**$ 45**	9	(11)
	Income before income taxes	**45**	9	(11)
	Applicable income tax expense	**(11)**	(2)	2
	Net income	**34**	7	(9)
Net unrealized gains (losses) on cash flow hedge derivatives:[(b)]				
Interest rate contracts related to C&I loans	Interest and fees on loans and leases	**237**	16	(2)
	Income before income taxes	**237**	16	(2)
	Applicable income tax expense	**(50)**	(3)	—
	Net income	**187**	13	(2)
Net periodic benefit costs:[(b)]				
Amortization of net actuarial loss	Compensation and benefits[(a)]	**(6)**	(6)	(6)
Settlements	Compensation and benefits[(a)]	**(3)**	(3)	(3)
	Income before income taxes	**(9)**	(9)	(9)
	Applicable income tax expense	**2**	1	2
	Net income	**(7)**	(8)	(7)
Total reclassifications for the period	Net income	**$ 214**	12	(18)

(a) This AOCI component is included in the computation of net periodic benefit cost. Refer to Note 23 for information on the computation of net periodic benefit cost.
(b) Amounts in parentheses indicate reductions to net income.

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25. Common, Preferred and Treasury Stock

The table presents a summary of the share activity within common, preferred and treasury stock for the years ended:

	Common Stock		Preferred Stock		Treasury Stock	
($ in millions, except share data)	Value	Shares	Value	Shares	Value	Shares
December 31, 2017	$ 2,051	923,892,581	$ 1,331	54,000	$ (5,002)	230,087,688
Shares acquired for treasury	—	—	—	—	(1,494)	49,967,134
Impact of stock transactions under stock compensation plans, net	—	—	—	—	23	(2,698,451)
Other	—	—	—	—	2	(94,647)
December 31, 2018	$ 2,051	923,892,581	$ 1,331	54,000	$ (6,471)	277,261,724
Shares acquired for treasury	—	—	—	—	(1,763)	64,601,891
Issuance of preferred shares, Series K	—	—	242	10,000	—	—
Conversion of outstanding preferred stock issued by a Bancorp subsidiary	—	—	197	200,000	—	—
Impact of MB Financial, Inc. acquisition	—	—	—	—	2,447	(122,848,442)
Impact of stock transactions under stock compensation plans, net	—	—	—	—	56	(4,258,132)
Other	—	—	—	—	7	219,911
December 31, 2019	$ 2,051	923,892,581	$ 1,770	264,000	$ (5,724)	214,976,952
Issuance of preferred shares, Series L	**—**	**—**	**346**	**14,000**	**—**	**—**
Impact of stock transactions under stock compensation plans, net	**—**	**—**	**—**	**—**	**46**	**(3,818,518)**
Other	**—**	**—**	**—**	**—**	**2**	**(26,178)**
December 31, 2020	**$ 2,051**	**923,892,581**	**$ 2,116**	**278,000**	**$ (5,676)**	**211,132,256**

Preferred Stock—Series L

On July 30, 2020, the Bancorp issued in a registered public offering 350,000 depositary shares, representing 14,000 shares of 4.50% fixed-rate reset non-cumulative perpetual preferred stock, Series L, for net proceeds of approximately $346 million. Each preferred share has a $25,000 liquidation preference. The preferred stock accrues dividends on a non-cumulative basis at an annual rate of 4.50% through but excluding September 30, 2025. From, and including, September 30, 2025 and for each dividend reset period thereafter, dividends will accrue on the Series L preferred stock, on a non-cumulative basis, at a rate equal to the five-year U.S. Treasury rate as of the most recent reset dividend determination date plus 4.215%. Dividends will be payable, when, as and if declared by the Bancorp's Board of Directors, quarterly in arrears on each of March 31, June 30, September 30 and December 31, beginning on September 30, 2020. Subject to obtaining all required regulatory approvals, on any dividend payment date on or after September 30, 2025, the Bancorp may redeem the Series L preferred stock and the related depositary shares in whole or in part, at 100% of their liquidation preference, plus an amount equal to any declared and unpaid dividends, without accumulation of any undeclared dividends. In addition, the Series L preferred stock and the related depositary shares may be redeemed, subject to obtaining all required regulatory approvals, in whole but not in part, at any time, following the occurrence of a regulatory capital event, at 100% of their liquidation preference, plus an amount equal to any declared and unpaid dividends, without accumulation of any undeclared dividends. The Series L preferred shares are not convertible into Bancorp common shares or any other securities.

Preferred Stock—Series K

On September 17, 2019, the Bancorp issued, in a registered public offering 10,000,000 depositary shares, representing 10,000 shares of 4.95% non-cumulative Series K perpetual preferred stock, for net proceeds of approximately $242 million. Each preferred share has a $25,000 liquidation preference. Subject to any required regulatory approval, the Bancorp may redeem the Series K preferred shares at its option in whole or in part, on any dividend payment date on or after September 30, 2024 and may redeem in whole, but not in part, at any time following a regulatory capital event. The Series K preferred shares are not convertible into Bancorp common shares or any other securities.

Preferred Stock—Class B, Series A

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

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Preferred Stock—Series J

On June 5, 2014, the Bancorp issued, in a registered public offering, 300,000 depositary shares, representing 12,000 shares of 4.90% fixed to floating-rate non-cumulative Series J perpetual preferred stock, for net proceeds of $297 million. Each preferred share has a $25,000 liquidation preference. The preferred stock accrued dividends, on a non-cumulative semi-annual basis, at an annual rate of 4.90% through but excluding September 30, 2019, at which time it converted to a quarterly floating-rate dividend of three-month LIBOR plus 3.129%. Subject to any required regulatory approval, the Bancorp may redeem the Series J preferred shares at its option, in whole or in part, at any time on or after September 30, 2019, or any time prior following a regulatory capital event. The Series J preferred shares are not convertible into Bancorp common shares or any other securities.

Preferred Stock—Series I

On December 9, 2013, the Bancorp issued, in a registered public offering, 18,000,000 depositary shares, representing 18,000 shares of 6.625% fixed to floating-rate non-cumulative Series I perpetual preferred stock, for net proceeds of $441 million. Each preferred share has a $25,000 liquidation preference. The preferred stock accrues dividends, on a non-cumulative quarterly basis, at an annual rate of 6.625% through but excluding December 31, 2023, at which time it converts to a quarterly floating-rate dividend of three-month LIBOR plus 3.71%. Subject to any required regulatory approval, the Bancorp may redeem the Series I preferred shares at its option in whole or in part, at any time on or after December 31, 2023 and may redeem in whole but not in part, following a regulatory capital event at any time prior to December 31, 2023. The Series I preferred shares are not convertible into Bancorp common shares or any other securities.

Preferred Stock—Series H

On May 16, 2013, the Bancorp issued, in a registered public offering, 600,000 depositary shares, representing 24,000 shares of 5.10% fixed to floating-rate non-cumulative Series H perpetual preferred stock, for net proceeds of $593 million. Each preferred share has a $25,000 liquidation preference. The preferred stock accrues dividends, on a non-cumulative semi-annual basis, at an annual rate of 5.10% through but excluding June 30, 2023, at which time it converts to a quarterly floating-rate dividend of three-month LIBOR plus 3.033%. Subject to any required regulatory approval, the Bancorp may redeem the Series H preferred shares at its option in whole or in part, at any time on or after June 30, 2023 and may redeem in whole but not in part, following a regulatory capital event at any time prior to June 30, 2023. The Series H preferred shares are not convertible into Bancorp common shares or any other securities.

Treasury Stock

In June of 2019, the Board of Directors authorized the Bancorp to repurchase up to 100 million common shares in the open market or in privately negotiated transactions and to utilize any derivative or similar instrument to effect share repurchase transactions. This share repurchase authorization replaced the Board's previous authorization from February of 2018.

The Bancorp entered into a number of accelerated share repurchase transactions during the year ended December 31, 2019. As part of these transactions, the Bancorp entered into forward contracts in which the final number of shares delivered at settlement was based generally on a discount to the average daily volume weighted-average price of the Bancorp's common stock during the term of these repurchase agreements. The accelerated share repurchases were treated as two separate transactions: (i) the repurchase of treasury shares on the repurchase date and (ii) a forward contract indexed to the Bancorp's common stock.

The following table presents a summary of the Bancorp's accelerated share repurchase transactions that were entered into or settled during the year ended December 31, 2019:

Repurchase Date	Amount ($ in millions)	Shares Repurchased on Repurchase Date	Shares Received from Forward Contract	Total Shares Repurchased	Settlement Date
March 27, 2019[(a)]	$ 913	31,779,280	2,026,584	33,805,864	June 28, 2019
April 29, 2019[(b)]	200	6,015,570	1,217,805	7,233,375	May 23, 2019 - May 24, 2019
August 7, 2019	100	3,150,482	694,238	3,844,720	August 16, 2019
August 9, 2019[(b)]	200	6,405,426	1,475,487	7,880,913	August 28, 2019
October 25, 2019	300	9,020,163	1,149,121	10,169,284	December 17, 2019

(a) This accelerated share repurchase transaction consisted of two supplemental confirmations each with a notional amount of $456.5 million.
(b) This accelerated share repurchase transaction consisted of two supplemental confirmations each with a notional amount of $100 million.

Between July 29, 2019 and July 30, 2019, the Bancorp repurchased 1,667,735 shares, or approximately $50 million, of its outstanding common stock through open market repurchase transactions, which settled between July 31, 2019 and August 1, 2019.

For further information on a subsequent event related to treasury stock refer to Note 33.

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26. Stock-Based Compensation

Stock-based awards are eligible for issuance under the Bancorp's Incentive Compensation Plan to executives, directors and key employees of the Bancorp and its subsidiaries. The 2019 Incentive Compensation Plan was approved by shareholders on April 16, 2019 and authorized the issuance of up to 40 million shares, as equity compensation and provides for SARs, RSAs, RSUs, stock options, performance share or unit awards, dividend or dividend equivalent rights and stock awards. As of December 31, 2020, there were 28.7 million shares available for future issuance. Based on total stock-based awards outstanding (including SARs, RSAs, RSUs, stock options and PSAs) and shares remaining for future grants under the 2019 Incentive Compensation Plan, the potential dilution to which the Bancorp's shareholders of common stock are exposed due to the potential that stock-based compensation will be awarded to executives, directors or key employees of the Bancorp and its subsidiaries is 8%. SARs, RSAs, RSUs, stock options and PSAs outstanding represent 4% of the Bancorp's issued shares at December 31, 2020.

All of the Bancorp's stock-based awards are to be settled with stock. The Bancorp has historically used treasury stock to settle stock-based awards, when available. SARs, issued at fair value based on the closing price of the Bancorp's common stock on the date of grant, have up to ten year terms and vest and become exercisable ratably over a three or four-year period of continued employment. The Bancorp does not grant discounted SARs or stock options, re-price previously granted SARs or stock options or grant reload stock options. RSAs and RSUs are released after three or four years or ratably over three or four years of continued employment. RSAs include dividend and voting rights while RSUs receive dividend equivalents only. Dividend equivalents are accrued and paid in cash when the underlying shares are distributed, except for certain RSUs which have the rights to receive dividend equivalents paid in cash at each dividend payment date. For PSAs that are eligible to receive dividend equivalents, the accrued cash dividends are adjusted by the payout percentage achieved on the underlying awards. Stock options were previously issued at fair value based on the closing price of the Bancorp's common stock on the date of grant, had up to ten year terms and vested and became fully exercisable ratably over a three or four-year period of continued employment. PSAs have three-year cliff vesting terms with performance conditions as defined by the plan. All of the Bancorp's executive stock-based awards contain an annual performance hurdle of 2% return on tangible common equity. If this threshold is not met in any one of the three years during the performance period, one-third of PSAs are forfeited. Additionally, if this threshold is not met, all SARs, RSAs and RSUs that would vest in the next year may also be forfeited at the discretion of the Human Capital and Compensation Committee of the Board of Directors. The Bancorp met this threshold as of December 31, 2020.

Under the terms of the merger agreement with MB Financial, Inc., the Bancorp granted stock-based awards to replace those awards previously granted by MB Financial, Inc. that were outstanding as of March 22, 2019. The replacement awards included RSAs, RSUs, and stock options. Approximately 1.65 replacement awards were granted to replace each outstanding MB Financial, Inc. award and the strike prices of replacement stock options were also adjusted to reflect this exchange ratio. Otherwise, the replacement awards were granted with substantially the same terms as the MB Financial, Inc. awards that were being replaced, including vesting and expiration dates.

The fair value of the awards being replaced and the replacement awards were measured as of the date of the merger. The portion of the fair value of the awards being replaced which was attributable to pre-combination service was included as a component of the consideration paid in the merger. The portion attributable to post-combination service, in addition to any increased value of the replacement awards over the awards being replaced, was recognized as stock-based compensation expense over each award's remaining service period.

Stock-based compensation expense was $123 million, $132 million and $127 million for the years ended December 31, 2020, 2019 and 2018, respectively, and is included in compensation and benefits expense in the Consolidated Statements of Income. The total related income tax benefit recognized was $26 million for the year ended December 31, 2020 and $27 million for both the years ended December 31, 2019 and 2018.

Stock Appreciation Rights

The Bancorp uses assumptions, which are evaluated and revised as necessary, in estimating the grant-date fair value of each SAR grant.

The weighted-average assumptions were as follows for the years ended December 31:

	2020	2019	2018
Expected life (in years)	**7**	7	7
Expected volatility	**24 %**	32	35
Expected dividend yield	**3.2**	3.3	1.9
Risk-free interest rate	**1.5**	2.6	2.6

The expected life is generally derived from historical exercise patterns and represents the amount of time that SARs granted are expected to be outstanding. The expected volatility is based on a combination of historical and implied volatilities of the Bancorp's common stock. The expected dividend yield is based on annual dividends divided by the Bancorp's stock price. Annual dividends are based on projected dividends, estimated using an expected long-term dividend payout ratio, over the estimated life of the awards. The risk-free interest rate for periods within the contractual life of the SARs is based on the U.S. Treasury yield curve in effect at the time of grant.

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The grant-date fair value of SARs is measured using the Black-Scholes option-pricing model. The weighted-average grant-date fair value of SARs granted was $6.82, $7.38 and $11.33 per share for the years ended December 31, 2020, 2019 and 2018, respectively. The total grant-date fair value of SARs that vested during the years ended December 31, 2020, 2019 and 2018 was $15 million, $20 million and $26 million, respectively.

At December 31, 2020, there was $1 million of stock-based compensation expense related to outstanding SARs not yet recognized. The expense is expected to be recognized over an estimated remaining weighted-average period at December 31, 2020 of 1.2 years.

	2020		2019		2018	
SARs (in thousands, except per share data)	Number of SARs	Weighted-Average Grant Price Per Share	Number of SARs	Weighted-Average Grant Price Per Share	Number of SARs	Weighted-Average Grant Price Per Share
Outstanding at January 1	**21,449**	**$ 18.38**	26,196	$ 17.30	31,929	$ 17.22
Granted	**365**	**29.64**	399	26.72	272	33.15
Exercised	**(2,420)**	**16.10**	(4,829)	13.34	(5,058)	16.96
Forfeited or expired	**(136)**	**25.50**	(317)	23.47	(947)	20.93
Outstanding at December 31	**19,258**	**$ 18.83**	21,449	$ 18.38	26,196	$ 17.30
Exercisable at December 31	**17,979**	**$ 18.19**	18,249	$ 17.50	20,132	$ 15.90

The following table summarizes outstanding and exercisable SARs by grant price per share at December 31, 2020.

	Outstanding SARs			Exercisable SARs		
SARs (in thousands, except per share data)	Number of SARs	Weighted-Average Grant Price Per Share	Weighted-Average Remaining Contractual Life (in years)	Number of SARs	Weighted-Average Grant Price Per Share	Weighted-Average Remaining Contractual Life (in years)
$10.01-$20.00	13,661	$ 16.23	2.9	13,661	$ 16.23	2.9
$20.01-$30.00	5,343	24.81	5.3	4,148	24.04	4.7
$30.01-$40.00	254	33.15	7.1	170	33.15	7.1
All SARs	19,258	$ 18.83	3.6	17,979	$ 18.19	3.3

Restricted Stock Awards

The total grant-date fair value of RSAs that were released was immaterial during the year ended December 31, 2020 and $16 million and $27 million for the years ended December 31, 2019 and 2018, respectively. The Bancorp has not granted any RSAs in the years ended December 31, 2020, 2019 or 2018 and the number of RSAs outstanding at December 31, 2020 was immaterial.

	2019		2018	
RSAs (in thousands, except per share data)	Shares	Weighted-Average Grant-Date Fair Value Per Share	Shares	Weighted-Average Grant-Date Fair Value Per Share
Outstanding at January 1	868	$ 19.18	2,321	$ 19.72
Assumed	11	25.48	—	—
Released	(867)	18.91	(1,347)	20.09
Forfeited	(12)	19.01	(106)	19.40
Outstanding at December 31	—	$ 25.48	868	$ 19.18

Restricted Stock Units

The total grant-date fair value of RSUs that were released during the years ended December 31, 2020, 2019 and 2018 was $107 million, $73 million and $42 million, respectively. At December 31, 2020, there was $119 million of stock-based compensation expense related to outstanding RSUs not yet recognized. The expense is expected to be recognized over an estimated remaining weighted-average period at December 31, 2020 of 2.4 years.

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RSUs (in thousands, except per unit data)	2020 Units	2020 Weighted-Average Grant-Date Fair Value Per Unit	2019 Units	2019 Weighted-Average Grant-Date Fair Value Per Unit	2018 Units	2018 Weighted-Average Grant-Date Fair Value Per Unit
Outstanding at January 1	**10,006**	**$ 27.30**	8,020	$ 27.04	6,986	$ 22.25
Granted	**4,177**	**28.75**	4,375	26.68	3,674	32.84
Assumed	—	—	1,476	25.48	—	—
Released	**(4,076)**	**26.19**	(2,951)	24.76	(1,977)	21.15
Forfeited	**(641)**	**27.70**	(914)	27.41	(663)	26.45
Outstanding at December 31	**9,466**	**$ 28.38**	10,006	$ 27.30	8,020	$ 27.04

The following table summarizes outstanding RSUs by grant-date fair value per unit at December 31, 2020.

RSUs (in thousands)	Outstanding RSUs Units	Outstanding RSUs Weighted-Average Remaining Contractual Life (in years)
Under $15.00	51	1.6
$15.01-$20.00	249	0.4
$20.01-$25.00	259	1.2
$25.01-$30.00	7,380	1.3
$30.01-$35.00	1,527	0.6
All RSUs	9,466	1.1

Stock Options

There were no stock options granted during the years ended December 31, 2020, 2019 and 2018, except for replacement stock option awards assumed in conjunction with the MB Financial, Inc. acquisition. While the Bancorp has historically utilized the Black-Scholes option pricing model to measure the fair value of stock option grants, the fair value of these grants were measured using the Hull-White option pricing model as it was expected to provide a more precise estimate of fair value in a business combination scenario. The assumptions used in the valuation model varied for each grant tranche, but included expected volatility of 23%-29%, no expected dividend yield, risk-free interest rates of 2.34%-2.51%, a departure rate of 10% and exercise ratios of 2.2-2.8. The replacement stock option awards had a weighted-average time to maturity of 5.4 years as of March 22, 2019.

The total intrinsic value of stock options exercised was $3 million and $7 million for the years ended December 31, 2020 and 2019, respectively, and was immaterial for year ended December 31, 2018. Cash received from stock options exercised was $5 million and $11 million for the years ended December 31, 2020 and 2019, respectively, and immaterial for the year ended December 31, 2018. The tax benefit realized from exercised stock options was $1 million for both the years ended December 31, 2020 and 2019 and immaterial for the year ended December 31, 2018. No stock options vested during the years ended December 31, 2020, 2019 or 2018. As of December 31, 2020, the aggregate intrinsic value of both outstanding stock options and exercisable stock options was $5 million.

Stock Options (in thousands, except per share data)	2020 Number of Options	2020 Weighted-Average Exercise Price Per Share	2019 Number of Options	2019 Weighted-Average Exercise Price Per Share	2018 Number of Options	2018 Weighted-Average Exercise Price Per Share
Outstanding at January 1	**1,381**	**$ 20.15**	—	$ —	2	$ 16.50
Assumed	—	—	2,120	19.34	—	—
Exercised	**(440)**	**17.48**	(660)	17.36	(1)	8.59
Forfeited or expired	**(148)**	**23.99**	(79)	22.18	(1)	24.41
Outstanding at December 31	**793**	**$ 20.81**	1,381	$ 20.15	—	$ —
Exercisable at December 31	**725**	**$ 20.34**	1,162	$ 19.17	—	$ —

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The following table summarizes outstanding and exercisable stock options by exercise price per share at December 31, 2020.

	Outstanding Stock Options			Exercisable Stock Options		
Stock Options (in thousands, except per share data)	Number of Options	Weighted-Exercise Price Per Share	Weighted-Average Contractual Life (in years)	Number of Options	Weighted-Exercise Price Per Share	Weighted-Average Contractual Life (in years)
Under $10.00	7	$ 8.58	5.6	7	$ 8.58	5.6
$10.01-$20.00	481	17.53	2.9	481	17.52	2.9
$20.01-$30.00	305	26.26	4.4	237	26.39	3.7
All stock options	793	$ 20.81	3.5	725	$ 20.34	3.2

Other Stock-Based Compensation

PSAs are payable contingent upon the Bancorp achieving certain predefined performance targets over the three-year measurement period and ranges from zero shares to approximately 1 million shares. Awards granted during the years ended December 31, 2020, 2019 and 2018 will be entirely settled in stock. The performance targets are based on the Bancorp's performance relative to a defined peer group. PSAs use a performance-based metric based on return on tangible common equity in relation to peers. During the years ended December 31, 2020, 2019 and 2018, 280,026, 328,068 and 279,568 PSAs, respectively, were granted by the Bancorp. These awards were granted at a weighted-average grant-date fair value of $29.64, $26.72 and $33.15 per unit during the years ended December 31, 2020, 2019 and 2018, respectively.

The Bancorp sponsors an employee stock purchase plan that allows qualifying employees to purchase shares of the Bancorp's common stock with a 15% match. During the years ended December 31, 2020, 2019 and 2018, there were 883,735, 564,061 and 471,818 shares, respectively, purchased by participants and the Bancorp recognized stock-based compensation expense of $2 million in each of the respective years. As of December 31, 2020, there were 3.7 million shares available for future issuance, which represents the remaining shares of Fifth Third common stock under the Bancorp's 1993 Stock Purchase Plan, as amended and restated, including an additional 1.5 million shares approved by shareholders on March 28, 2007 and an additional 12 million shares approved by shareholders on April 21, 2009.

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27. Other Noninterest Income and Other Noninterest Expense

The following table presents the major components of other noninterest income and other noninterest expense for the years ended December 31:

($ in millions)		2020	2019	2018
Other noninterest income:				
Private equity investment income	$	**75**	65	63
Income from the TRA associated with Worldpay, Inc.		**74**	346	20
BOLI income		**63**	60	56
Cardholder fees		**44**	58	56
Consumer loan and lease fees		**20**	23	23
Banking center income		**20**	22	21
Insurance income		**20**	19	20
Loss on swap associated with the sale of Visa, Inc. Class B Shares		**(103)**	(107)	(59)
Net losses on disposition and impairment of bank premises and equipment		**(31)**	(23)	(43)
Gain on sale of Worldpay, Inc. shares		**—**	562	205
Equity method income from interest in Worldpay Holding, LLC		**—**	2	1
Gain related to Vantiv, Inc.'s acquisition of Worldpay Group plc.		**—**	—	414
Other, net		**29**	37	26
Total other noninterest income	$	**211**	1,064	803
Other noninterest expense:				
Loan and lease	$	**162**	142	112
FDIC insurance and other taxes		**118**	81	119
Losses and adjustments		**100**	102	61
Data processing		**75**	70	57
Professional service fees		**49**	70	67
Intangible amortization		**48**	45	5
Postal and courier		**36**	38	35
Donations		**36**	30	21
Travel		**27**	68	52
Recruitment and education		**21**	28	32
Insurance		**15**	14	13
Supplies		**13**	14	13
Other, net		**221**	232	210
Total other noninterest expense	$	**921**	934	797

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28. Earnings Per Share

The following table provides the calculation of earnings per share and the reconciliation of earnings per share and earnings per diluted share for the years ended December 31:

($ in millions, except per share data)	2020 Income	2020 Average Shares	2020 Per Share Amount	2019 Income	2019 Average Shares	2019 Per Share Amount	2018 Income	2018 Average Shares	2018 Per Share Amount
Earnings Per Share:									
Net income available to common shareholders	**$ 1,323**			2,419			2,118		
Less: Income allocated to participating securities	**6**			21			23		
Net income allocated to common shareholders	**$ 1,317**	**715**	**1.84**	2,398	710	3.38	2,095	673	3.11
Earnings Per Diluted Share:									
Net income available to common shareholders	**$ 1,323**			2,419			2,118		
Effect of dilutive securities:									
Stock-based awards	**—**	**5**		—	10		—	12	
Net income available to common shareholders plus assumed conversions	**1,323**			2,419			2,118		
Less: Income allocated to participating securities	**6**			21			23		
Net income allocated to common shareholders plus assumed conversions	**$ 1,317**	**720**	**1.83**	2,398	720	3.33	2,095	685	3.06

Shares are excluded from the computation of earnings per diluted share when their inclusion has an anti-dilutive effect on earnings per share. The diluted earnings per share computation for the years ended December 31, 2020, 2019 and 2018 excludes 7 million, 2 million and 3 million shares, respectively, of stock-based awards because their inclusion would have been anti-dilutive.

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29. 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. For more information regarding the fair value hierarchy and how the Bancorp measures fair value, refer to Note 1.

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

(a) *Excludes FHLB, FRB and DTCC restricted stock holdings totaling $40, $482 and $2, respectively, at December 31, 2020.*
(b) *Includes residential mortgage loans originated as held for sale and subsequently transferred to held for investment.*
(c) *Included in other assets in the Consolidated Balance Sheets.*
(d) *Included in other liabilities in the Consolidated Balance Sheets.*

December 31, 2019 ($ in millions)	Fair Value Measurements Using Level 1	Level 2	Level 3	Total Fair Value
Assets:				
Available-for-sale debt and other securities:				
U.S. Treasury and federal agencies securities	$ 75	—	—	75
Obligations of states and political subdivisions securities	—	18	—	18
Mortgage-backed securities:				
Agency residential mortgage-backed securities	—	14,115	—	14,115
Agency commercial mortgage-backed securities	—	15,693	—	15,693
Non-agency commercial mortgage-backed securities	—	3,365	—	3,365
Asset-backed securities and other debt securities	—	2,206	—	2,206
Available-for-sale debt and other securities(a)	75	35,397	—	35,472
Trading debt securities:				
U.S. Treasury and federal agencies securities	2	—	—	2
Obligations of states and political subdivisions securities	—	9	—	9
Agency residential mortgage-backed securities	—	55	—	55
Asset-backed securities and other debt securities	—	231	—	231
Trading debt securities	2	295	—	297
Equity securities	554	10	—	564
Residential mortgage loans held for sale	—	1,264	—	1,264
Residential mortgage loans(b)	—	—	183	183
Servicing rights	—	—	993	993
Derivative assets:				
Interest rate contracts	1	1,218	18	1,237
Foreign exchange contracts	—	165	—	165
Commodity contracts	37	234	—	271
Derivative assets(c)	38	1,617	18	1,673
Total assets	$ 669	38,583	1,194	40,446
Liabilities:				
Derivative liabilities:				
Interest rate contracts	$ 5	144	8	157
Foreign exchange contracts	—	151	—	151
Equity contracts	—	—	163	163
Commodity contracts	17	253	—	270
Derivative liabilities(d)	22	548	171	741
Short positions:				
U.S. Treasury and federal agencies securities	49	—	—	49
Asset-backed securities and other debt securities	—	100	—	100
Short positions(d)	$ 49	100	—	149
Total liabilities	$ 71	648	171	890

(a) Excludes FHLB, FRB and DTCC restricted stock holdings totaling $76, $478 and $2, respectively, at December 31, 2019.
(b) Includes residential mortgage loans originated as held for sale and subsequently transferred to held for investment.
(c) Included in other assets in the Consolidated Balance Sheets.
(d) Included in other liabilities in the Consolidated Balance Sheets.

The following is a description of the valuation methodologies used for significant instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Available-for-sale debt and other securities, trading debt securities and equity securities
Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include U.S. Treasury securities and equity securities. If quoted market prices are not available, then fair values are estimated using pricing models, quoted prices of securities with similar characteristics or DCFs. Level 2 securities may include federal agencies securities, obligations of states and political subdivisions securities, agency residential mortgage-backed securities, agency and non-agency commercial mortgage-backed securities, asset-backed securities and other debt securities and equity securities. These securities are generally valued using a market approach based on observable prices of securities with similar characteristics.

Residential mortgage loans held for sale
For residential mortgage loans held for sale for which the fair value election has been made, fair value is estimated based upon mortgage-backed securities prices and spreads to those prices or, for certain ARM loans, DCF models that may incorporate the anticipated portfolio

composition, credit spreads of asset-backed securities with similar collateral and market conditions. The anticipated portfolio composition includes the effect of interest rate spreads and discount rates due to loan characteristics such as the state in which the loan was originated, the loan amount and the ARM margin. Residential mortgage loans held for sale that are valued based on mortgage-backed securities prices are classified within Level 2 of the valuation hierarchy as the valuation is based on external pricing for similar instruments. ARM loans classified as held for sale are also classified within Level 2 of the valuation hierarchy due to the use of observable inputs in the DCF model. These observable inputs include interest rate spreads from agency mortgage-backed securities market rates and observable discount rates.

Residential mortgage loans

Residential mortgage loans held for sale that are reclassified to held for investment are transferred from Level 2 to Level 3 of the fair value hierarchy. For residential mortgage loans for which the fair value election has been made, and that are reclassified from held for sale to held for investment, the fair value estimation is based on mortgage-backed securities prices, interest rate risk and an internally developed credit component. Therefore, these loans are classified within Level 3 of the valuation hierarchy. An adverse change in the loss rate or severity assumption would result in a decrease in fair value of the related loans.

Servicing rights

MSRs do not trade in an active, open market with readily observable prices. While sales of MSRs do occur, the precise terms and conditions typically are not readily available. Accordingly, the Bancorp estimates the fair value of MSRs using internal OAS models with certain unobservable inputs, primarily prepayment speed assumptions, OAS and weighted-average lives, resulting in a classification within Level 3 of the valuation hierarchy. Refer to Note 14 for further information on the assumptions used in the valuation of the Bancorp’s MSRs.

Derivatives

Exchange-traded derivatives valued using quoted prices and certain over-the-counter derivatives valued using active bids are classified within Level 1 of the valuation hierarchy. Most of the Bancorp’s derivative contracts are valued using DCF or other models that incorporate current market interest rates, credit spreads assigned to the derivative counterparties and other market parameters and, therefore, are classified within Level 2 of the valuation hierarchy. Such derivatives include basic and structured interest rate, foreign exchange and commodity swaps and options. Derivatives that are valued based upon models with significant unobservable market parameters are classified within Level 3 of the valuation hierarchy. During the years ended December 31, 2020 and 2019, derivatives classified as Level 3, which are valued using models containing unobservable inputs, consisted primarily of a total return swap associated with the Bancorp’s sale of Visa, Inc. Class B Shares 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 19 for additional information on the Covered Litigation.

The net asset fair value of the IRLCs at December 31, 2020 was $57 million. Immediate decreases in current interest rates of 25 bps and 50 bps would result in increases in the fair value of the IRLCs of approximately $13 million and $25 million, respectively. Immediate increases of current interest rates of 25 bps and 50 bps would result in decreases in the fair value of the IRLCs of approximately $13 million and $26 million, respectively. The decrease in fair value of IRLCs due to immediate 10% and 20% adverse changes in the assumed loan closing rates would be approximately $6 million and $12 million, respectively, and the increase in fair value due to immediate 10% and 20% favorable changes in the assumed loan closing rates would be approximately $6 million and $12 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, quoted prices of securities with similar characteristics or DCFs 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 year ended December 31, 2020 ($ in millions)		Residential Mortgage Loans	Servicing Rights	Interest Rate Derivatives, Net[(a)]	Equity Derivatives	Total Fair Value
Balance, beginning of period	**$**	**183**	**993**	**10**	**(163)**	**1,023**
Total (losses) gains (realized/unrealized):[(d)]						
Included in earnings		**3**	**(565)**	**272**	**(103)**	**(393)**
Purchases/originations		**—**	**228**	**4**	**—**	**232**
Settlements		**(74)**	**—**	**(233)**	**65**	**(242)**
Transfers into Level 3[(b)]		**49**	**—**	**—**	**—**	**49**
Balance, end of period	**$**	**161**	**656**	**53**	**(201)**	**669**
The amount of total (losses) gains for the period included in earnings attributable to the change in unrealized gains or losses relating to instruments still held at December 31, 2020[(c)]	**$**	**3**	**(227)**	**58**	**(103)**	**(269)**

(a) Net interest rate derivatives include derivative assets and liabilities of $61 and $8, respectively, as of December 31, 2020.
(b) Includes certain residential mortgage loans originated as held for sale that were transferred to held for investment.
(c) Includes interest income and expense.
(d) There were no unrealized gains or losses for the period included in other comprehensive income for instruments still held at December 31, 2020.

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)					
For the year ended December 31, 2019 ($ in millions)		Residential Mortgage Loans	Servicing Rights	Interest Rate Derivatives, Net[(a)]	Equity Derivatives	Total Fair Value
Balance, beginning of period	$	179	938	(1)	(125)	991
Total (losses) gains (realized/unrealized):						
Included in earnings		(1)	(376)	145	(107)	(339)
Purchases/originations		—	431	(3)	—	428
Settlements		(31)	—	(131)	69	(93)
Transfers into Level 3[(b)]		36	—	—	—	36
Balance, end of period	$	183	993	10	(163)	1,023
The amount of total (losses) gains for the period included in earnings attributable to the change in unrealized gains or losses relating to instruments still held at December 31, 2019[(c)]	$	(1)	(250)	20	(107)	(338)

(a) Net interest rate derivatives include derivative assets and liabilities of $18 and $8, respectively, as of December 31, 2019.
(b) Includes certain residential mortgage loans held for sale that were transferred to held for investment.
(c) Includes interest income and expense.

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)					
For the year ended December 31, 2018 ($ in millions)		Residential Mortgage Loans	Servicing Rights	Interest Rate Derivatives, Net[(a)]	Equity Derivatives	Total Fair Value
Balance, beginning of period	$	137	858	3	(137)	861
Total (losses) gains (realized/unrealized):						
Included in earnings		(3)	(83)	72	(59)	(73)
Purchases/originations		—	163	(5)	—	158
Settlements		(19)	—	(71)	71	(19)
Transfers into Level 3[(b)]		64	—	—	—	64
Balance, end of period	$	179	938	(1)	(125)	991
The amount of total (losses) gains for the period included in earnings attributable to the change in unrealized gains or losses relating to instruments still held at December 31, 2018[(c)]	$	(3)	(4)	9	(59)	(57)

(a) Net interest rate derivatives include derivative assets and liabilities of $7 and $8, respectively, as of December 31, 2018.
(b) Includes certain residential mortgage loans held for sale that were transferred to held for investment.
(c) Includes interest income and expense.

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The total losses and gains included in earnings for assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) were recorded in the Consolidated Statements of Income for the years ended December 31, 2020, 2019 and 2018 as follows:

($ in millions)		2020	2019	2018
Mortgage banking net revenue	$	**(291)**	(235)	(16)
Commercial banking revenue		**2**	3	2
Other noninterest income		**(104)**	(107)	(59)
Total losses	$	**(393)**	(339)	(73)

The total losses and gains included in earnings attributable to changes in unrealized gains and losses related to Level 3 assets and liabilities still held at December 31, 2020, 2019 and 2018 were recorded in the Consolidated Statements of Income as follows:

($ in millions)		2020	2019	2018
Mortgage banking net revenue	$	**(167)**	(233)	—
Commercial banking revenue		**2**	2	2
Other noninterest income		**(104)**	(107)	(59)
Total losses	$	**(269)**	(338)	(57)

The following tables present information 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 December 31, 2020 ($ in millions)

Financial Instrument	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range of Inputs		Weighted-Average
Residential mortgage loans	**$ 161**	Loss rate model	Interest rate risk factor	**(8.2) - 7.8%**		**1.7 %** [(a)]
			Credit risk factor	**— - 25.7%**		**0.6 %** [(a)]
					(Fixed)	**17.8 %** [(b)]
Servicing rights	**656**	DCF	Prepayment speed	**0.5 - 99.9%**	(Adjustable)	**22.6 %** [(b)]
					(Fixed)	**723** [(b)]
			OAS (bps)	**536 - 1,587**	(Adjustable)	**950** [(b)]
IRLCs, net	**57**	DCF	Loan closing rates	**18.1 - 97.2%**		**60.8 %** [(c)]
Swap associated with the sale of Visa, Inc. Class B Shares	**(201)**	DCF	Timing of the resolution of the Covered Litigation	**Q3 2022 - Q3 2024**		**Q2 2023** [(d)]

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

As of December 31, 2019 ($ in millions)

Financial Instrument	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range of Inputs		Weighted-Average
Residential mortgage loans	$ 183	Loss rate model	Interest rate risk factor	(9.2) - 9.8%		(0.2)%
			Credit risk factor	— - 26.5%		0.5 %
					(Fixed)	13.0 %
Servicing rights	993	DCF	Prepayment speed	0.5 - 97.0%	(Adjustable)	22.6 %
					(Fixed)	602
			OAS (bps)	507 - 1,513	(Adjustable)	921
IRLCs, net	18	DCF	Loan closing rates	7.3 - 97.1%		81.7 %
Swap associated with the sale of Visa, Inc. Class B Shares	(163)	DCF	Timing of the resolution of the Covered Litigation	Q1 2022 - Q4 2023		Q3 2022

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

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

The following tables provide the fair value hierarchy and carrying amount of all assets that were held as of December 31, 2020 and 2019 and for which a nonrecurring fair value adjustment was recorded during the years ended December 31, 2020 and 2019, and the related gains and losses from fair value adjustments on assets sold during the period as well as assets still held as of the end of the period.

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	Fair Value Measurements Using				Total (Losses) Gains
As of December 31, 2020 ($ in millions)	Level 1	Level 2	Level 3	Total	**For the year ended December 31, 2020**
Commercial loans held for sale	**$ —**	**8**	**16**	**24**	**(5)**
Commercial and industrial loans	**—**	**—**	**422**	**422**	**(176)**
Commercial mortgage loans	**—**	**—**	**78**	**78**	**(54)**
Commercial leases	**—**	**—**	**4**	**4**	**(13)**
Consumer loans	**—**	**—**	**159**	**159**	**1**
OREO	**—**	**—**	**20**	**20**	**(7)**
Bank premises and equipment	**—**	**—**	**26**	**26**	**(30)**
Operating lease equipment	**—**	**—**	**35**	**35**	**(6)**
Private equity investments	**—**	**27**	**69**	**96**	**18**
Total	**$ —**	**35**	**829**	**864**	**(272)**

	Fair Value Measurements Using				Total (Losses) Gains
As of December 31, 2019 ($ in millions)	Level 1	Level 2	Level 3	Total	For the year ended December 31, 2019
Commercial and industrial loans	$ —	—	169	169	(96)
Commercial mortgage loans	—	—	12	12	—
Commercial leases	—	—	20	20	(6)
OREO	—	—	13	13	(6)
Bank premises and equipment	—	—	27	27	(27)
Operating lease equipment	—	—	6	6	(3)
Private equity investments	—	11	2	13	8
Total	$ —	11	249	260	(130)

The following tables present information as of December 31, 2020 and 2019 about significant unobservable inputs related to the Bancorp's categories of Level 3 financial assets and liabilities measured on a nonrecurring basis:

As of December 31, 2020 ($ in millions)					
Financial Instrument	Fair Value	Valuation Technique	Significant Unobservable Inputs	Ranges of Inputs	Weighted-Average
Commercial loans held for sale	**$ 16**	Comparable company analysis	Market comparable transactions	**NM**	**NM**
Commercial and industrial loans	**422**	Appraised value	Collateral value	**NM**	**NM**
Commercial mortgage loans	**78**	Appraised value	Collateral value	**NM**	**NM**
Commercial leases	**4**	Appraised value	Collateral value	**NM**	**NM**
Consumer loans	**159**	Appraised value	Collateral value	**NM**	**NM**
OREO	**20**	Appraised value	Appraised value	**NM**	**NM**
Bank premises and equipment	**26**	Appraised value	Appraised value	**NM**	**NM**
Operating lease equipment	**35**	Appraised value	Appraised value	**NM**	**NM**
Private equity investments	**69**	Comparable company analysis	Market comparable transactions	**NM**	**NM**

As of December 31, 2019 ($ in millions)					
Financial Instrument	Fair Value	Valuation Technique	Significant Unobservable Inputs	Ranges of Inputs	Weighted-Average
Commercial and industrial loans	$ 169	Appraised value	Collateral value	NM	NM
Commercial mortgage loans	12	Appraised value	Collateral value	NM	NM
Commercial leases	20	Appraised value	Collateral value	NM	NM
OREO	13	Appraised value	Appraised value	NM	NM
Bank premises and equipment	27	Appraised value	Appraised value	NM	NM
Operating lease equipment	6	Appraised value	Appraised value	NM	NM
Private equity investments	2	Comparable company analysis	Market comparable transactions	NM	NM

Commercial loans held for sale

The Bancorp estimated the fair value of certain commercial loans held for sale during the year ended December 31, 2020, resulting in a negative fair value adjustment totaling $5 million. 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).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Portfolio loans and leases

During the years ended December 31, 2020 and 2019, the Bancorp recorded nonrecurring impairment adjustments to certain collateral-dependent portfolio loans and leases. When the loan is collateral-dependent, the fair value of the loan is generally based on the fair value less cost to sell of the underlying collateral supporting the loan and therefore these loans were classified within Level 3 of the valuation hierarchy. In cases where the carrying value exceeds the fair value, an impairment loss is recognized. The fair values and recognized impairment losses are reflected in the previous tables.

OREO

During the years ended December 31, 2020 and 2019, the Bancorp recorded nonrecurring adjustments to certain commercial and residential real estate properties classified as OREO and measured at the lower of carrying amount or fair value. These nonrecurring losses were primarily due to declines in real estate values of the properties recorded in OREO. For both the years ended December 31, 2020 and 2019, these losses include $3 million in losses recorded as charge-offs on new OREO properties transferred from loans during the respective periods and $4 million and $3 million, respectively, recorded as negative fair value adjustments on OREO in other noninterest expense in the Consolidated Statements of Income subsequent to their transfer from loans. 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 8.

Operating lease equipment

The Bancorp performs assessments of the recoverability of long-lived assets when events or changes in circumstances indicate that their carrying values may not be recoverable. When evaluating whether an individual asset is impaired, the Bancorp considers the current fair value of the asset, the changes in overall market demand for the asset and the rate of change in advancements associated with technological improvements that impact the demand for the specific asset under review. As part of this ongoing assessment, the Bancorp determined that the carrying values of certain operating lease equipment were not recoverable and as a result, the Bancorp recorded an impairment loss equal to the amount by which the carrying value of the assets exceeded the fair value. The fair value amounts were generally based on appraised values of the assets, resulting in a classification within Level 3 of the valuation hierarchy.

Private equity investments

The Bancorp accounts for its private equity investments using the measurement alternative to fair value, except for those accounted for under the equity method of accounting. Under the measurement alternative, the Bancorp carries each investment at its cost basis minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer. The Bancorp recognized gains of $23 million and $13 million during the years ended December 31, 2020 and 2019, respectively, resulting from observable price changes. The carrying value of the Bancorp's private equity investments still held as of December 31, 2020 includes a cumulative $69 million of positive adjustments as a result of observable price changes since January 1, 2018. Because these adjustments are based on observable transactions in inactive markets, they are classified in Level 2 of the fair value hierarchy.

For private equity investments which are accounted for using the measurement alternative to fair value, the Bancorp qualitatively evaluates each investment quarterly to determine if impairment may exist. If necessary, the Bancorp then measures impairment by estimating the value of its investment and comparing that to the investment's carrying value, whether or not the Bancorp considers the impairment to be temporary. These valuations are typically developed using a DCF method, but other methods may be used if more appropriate for the circumstances. These valuations are based on unobservable inputs and therefore are classified in Level 3 of the fair value hierarchy. The Bancorp recognized impairment of $9 million and $5 million during the years ended December 31, 2020 and 2019, respectively. During the year ended December 31, 2020, the Bancorp recognized a gain of $4 million on the sale of certain private equity investments that previously recognized an impairment. The carrying value of the Bancorp's private equity investments still held as of December 31, 2020 includes a cumulative $21 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Fair value changes recognized in earnings for residential mortgage loans held at December 31, 2020 and 2019 for which the fair value option was elected, as well as the changes in fair value of the underlying IRLCs, included gains of $75 million and $37 million, respectively. These gains are reported in mortgage banking net revenue in the Consolidated Statements of Income.

Valuation adjustments related to instrument-specific credit risk for residential mortgage loans measured at fair value negatively impacted the fair value of those loans by $1 million at both December 31, 2020 and 2019. 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 Consolidated Statements of Income.

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

($ in millions)		Aggregate Fair Value	Aggregate Unpaid Principal Balance	Difference
December 31, 2020				
Residential mortgage loans measured at fair value	**$**	**1,642**	**1,567**	**75**
Past due loans of 90 days or more		**3**	**3**	**—**
Nonaccrual loans		**—**	**—**	**—**
December 31, 2019				
Residential mortgage loans measured at fair value	$	1,447	1,410	37
Past due loans of 90 days or more		2	2	—
Nonaccrual loans		1	1	—

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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 December 31, 2020 ($ in millions)	Net Carrying Amount	Fair Value Measurements Using Level 1	Level 2	Level 3	Total Fair Value
Financial assets:					
Cash and due from banks	**$ 3,147**	**3,147**	—	—	**3,147**
Other short-term investments	**33,399**	**33,399**	—	—	**33,399**
Other securities	**524**	—	**524**	—	**524**
Held-to-maturity securities	**11**	—	—	**11**	**11**
Loans and leases held for sale	**3,260**	—	—	**3,269**	**3,269**
Portfolio loans and leases:					
Commercial and industrial loans	**48,764**	—	—	**49,140**	**49,140**
Commercial mortgage loans	**10,200**	—	—	**9,968**	**9,968**
Commercial construction loans	**5,691**	—	—	**5,860**	**5,860**
Commercial leases	**2,886**	—	—	**2,842**	**2,842**
Residential mortgage loans	**15,473**	—	—	**16,884**	**16,884**
Home equity	**4,982**	—	—	**5,275**	**5,275**
Indirect secured consumer loans	**13,522**	—	—	**13,331**	**13,331**
Credit card	**1,755**	—	—	**1,934**	**1,934**
Other consumer loans	**2,895**	—	—	**3,098**	**3,098**
Total portfolio loans and leases, net	**$ 106,168**	—	—	**108,332**	**108,332**
Financial liabilities:					
Deposits	**$ 159,081**	—	**159,094**	—	**159,094**
Federal funds purchased	**300**	**300**	—	—	**300**
Other short-term borrowings	**1,192**	—	**1,192**	—	**1,192**
Long-term debt	**14,973**	**15,606**	**923**	—	**16,529**

As of December 31, 2019 ($ in millions)	Net Carrying Amount	Fair Value Measurements Using Level 1	Level 2	Level 3	Total Fair Value
Financial assets:					
Cash and due from banks	$ 3,278	3,278	—	—	3,278
Other short-term investments	1,950	1,950	—	—	1,950
Other securities	556	—	556	—	556
Held-to-maturity securities	17	—	—	17	17
Loans and leases held for sale	136	—	—	136	136
Portfolio loans and leases:					
Commercial and industrial loans	49,981	—	—	51,128	51,128
Commercial mortgage loans	10,876	—	—	10,823	10,823
Commercial construction loans	5,045	—	—	5,249	5,249
Commercial leases	3,346	—	—	3,133	3,133
Residential mortgage loans	16,468	—	—	17,509	17,509
Home equity	6,046	—	—	6,315	6,315
Indirect secured consumer loans	11,485	—	—	11,331	11,331
Credit card	2,364	—	—	2,774	2,774
Other consumer loans	2,683	—	—	2,866	2,866
Unallocated ALLL	(121)	—	—	—	—
Total portfolio loans and leases, net	$ 108,173	—	—	111,128	111,128
Financial liabilities:					
Deposits	$ 127,062	—	127,059	—	127,059
Federal funds purchased	260	260	—	—	260
Other short-term borrowings	1,011	—	1,011	—	1,011
Long-term debt	14,970	15,244	700	—	15,944

30. Regulatory Capital Requirements and Capital Ratios

The Board of Governors of the Federal Reserve System issued capital adequacy guidelines pursuant to which it assesses the adequacy of capital in examining and supervising a BHC. These guidelines include quantitative measures that assign risk weightings to assets and off-balance sheet items, as well as define and set minimum regulatory capital requirements. The regulatory capital requirements were revised by the Banking Agencies with the Basel III Final Rule which was effective for the Bancorp on January 1, 2015. It established quantitative measures defining minimum regulatory capital requirements as well as the measure of "well-capitalized" status. Additionally, the Banking Agencies issued similar guidelines for minimum regulatory capital requirements and "well-capitalized" measurements for banking subsidiaries.

The following table summarizes the prescribed capital ratios for the Bancorp and its banking subsidiary.

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

Failure to meet the minimum capital requirements or falling below the "well-capitalized" measure can initiate certain actions by regulators that could have a direct material effect on the Consolidated Financial Statements of the Bancorp. The Bancorp was subject to a capital conservation buffer of 2.5%, in addition to the minimum capital ratios, in order to avoid limitations on certain capital distributions and discretionary bonus payments to executive officers through September 30, 2020. On October 1, 2020, the Bancorp became subject to the stress capital buffer requirement which replaced the capital conservation buffer. During each supervisory stress testing cycle, the FRB uses the Bancorp's supervisory stress test to determine its stress capital buffer, subject to a floor of 2.5%. On August 7, 2020, the FRB provided the Bancorp a final stress capital buffer requirement of 2.5% which is effective for the period of October 1, 2020 to September 30, 2021. After evaluating the Bancorp's capital plan which was re-submitted on November 5, 2020, the FRB may update the Bancorp's stress capital buffer until March 31, 2021. The Bancorp exceeded these "capital conservation buffer" and "stress capital buffer" ratios for all periods presented.

The Bancorp and its banking subsidiary, Fifth Third Bank, National Association, had CET1 capital, Tier I risk-based capital, Total risk-based capital and Tier I leverage ratios above the "well-capitalized" levels at both December 31, 2020 and 2019. To continue to qualify for financial holding company status pursuant to the Gramm-Leach-Bliley Act of 1999, the Bancorp's banking subsidiary must, among other things, maintain "well-capitalized" capital ratios.

The following table presents capital and risk-based capital and leverage ratios for the Bancorp and its banking subsidiary at December 31:

	2020		2019	
($ in millions)	**Amount**	**Ratio**	Amount	Ratio
CET1 capital:				
Fifth Third Bancorp	**$ 14,682**	**10.34 %**	$ 13,847	9.75 %
Fifth Third Bank, National Association	**17,253**	**12.28**	16,704	11.86
Tier I risk-based capital:				
Fifth Third Bancorp	**16,797**	**11.83**	15,616	10.99
Fifth Third Bank, National Association	**17,253**	**12.28**	16,704	11.86
Total risk-based capital:				
Fifth Third Bancorp	**21,412**	**15.08**	19,661	13.84
Fifth Third Bank, National Association	**19,915**	**14.17**	18,968	13.46
Tier I leverage:(a)				
Fifth Third Bancorp	**16,797**	**8.49**	15,616	9.54
Fifth Third Bank, National Association	**17,253**	**8.85**	16,704	10.36

(a) *Quarterly average assets are a component of the Tier I leverage ratio and for this purpose do not include goodwill and any other intangible assets and other investments that the Banking Agencies determine should be deducted from Tier I capital.*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31. Parent Company Financial Statements

Condensed Statements of Income (Parent Company Only)

For the years ended December 31 ($ in millions)	2020	2019	2018
Income			
Dividends from consolidated nonbank subsidiaries[(a)]	$ 1,285	2,155	1,890
Securities gains, net	1	2	—
Interest on loans to subsidiaries	17	24	24
Total income	1,303	2,181	1,914
Expenses			
Interest	266	267	211
Other	26	65	34
Total expenses	292	332	245
Income Before Income Taxes and Change in Undistributed Earnings of Subsidiaries	1,011	1,849	1,669
Applicable income tax benefit	(65)	(69)	(50)
Income Before Change in Undistributed Earnings of Subsidiaries	1,076	1,918	1,719
Equity in undistributed earnings	351	594	474
Net Income Attributable to Bancorp	$ 1,427	2,512	2,193
Other Comprehensive Income	—	—	—
Comprehensive Income Attributable to Bancorp	$ 1,427	2,512	2,193

(a) *The Bancorp's indirect banking subsidiary paid dividends to the Bancorp's direct nonbank subsidiary holding company of $1.3 billion, $2.0 billion and $1.9 billion for the years ended December 31, 2020, 2019 and 2018, respectively. Additionally, a $200 million dividend was paid by MB Financial, Inc. to the Bancorp during the year ended December 31, 2019.*

Condensed Balance Sheets (Parent Company Only)

As of December 31 ($ in millions)	2020	2019
Assets		
Cash	$ 120	118
Other short-term investments	5,578	4,723
Equity securities	49	49
Loans to nonbank subsidiaries	350	444
Investment in nonbank subsidiaries	25,214	23,779
Goodwill	80	80
Other assets	479	379
Total Assets	$ 31,870	29,572
Liabilities		
Other short-term borrowings	$ 450	359
Accrued expenses and other liabilities	548	497
Long-term debt (external)	7,761	7,513
Total Liabilities	$ 8,759	8,369
Equity		
Common stock	$ 2,051	2,051
Preferred stock	2,116	1,770
Capital surplus	3,635	3,599
Retained earnings	18,384	18,315
Accumulated other comprehensive income	2,601	1,192
Treasury stock	(5,676)	(5,724)
Total Equity	23,111	21,203
Total Liabilities and Equity	$ 31,870	29,572

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Condensed Statements of Cash Flows (Parent Company Only)

For the years ended December 31 ($ in millions)		2020	2019	2018
Operating Activities				
Net income	$	**1,427**	2,512	2,193
Adjustments to reconcile net income to net cash provided by operating activities:				
Amortization and accretion		**7**	7	4
Provision for (benefit from) deferred income taxes		**—**	(11)	3
Securities gains, net		**(1)**	(2)	—
Equity in undistributed earnings		**(351)**	(594)	(474)
Net change in:				
Equity securities		**—**	(49)	—
Other assets		**(1)**	(80)	61
Accrued expenses and other liabilities		**—**	127	(120)
Net Cash Provided by Operating Activities		**1,081**	1,910	1,667
Investing Activities				
Net change in:				
Other short-term investments		**(855)**	(1,081)	(149)
Loans to nonbank subsidiaries		**94**	127	272
Net cash paid on acquisition		**—**	(469)	—
Net Cash (Used in) Provided by Investing Activities		**(761)**	(1,423)	123
Financing Activities				
Net change in other short-term borrowings		**91**	106	(62)
Dividends paid on common and preferred stock		**(858)**	(753)	(565)
Proceeds from issuance of long-term debt		**1,243**	2,235	895
Repayment of long-term debt		**(1,100)**	(500)	(500)
Issuance of preferred stock		**346**	242	—
Repurchase of treasury stock and related forward contract		**—**	(1,763)	(1,453)
Other, net		**(40)**	(56)	(65)
Net Cash Used in Financing Activities		**(318)**	(489)	(1,750)
Increase (Decrease) in Cash		**2**	(2)	40
Cash at Beginning of Period		**118**	120	80
Cash at End of Period	$	**120**	118	120

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

32. Business Segments

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

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

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

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

The following is a description of each of the Bancorp's business segments and the products and services they provide to their respective client bases.

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

Branch Banking provides a full range of deposit and loan and lease products to individuals and small businesses through 1,134 full-service banking centers. Branch Banking offers depository and loan products, such as checking and savings accounts, home equity loans and lines of credit, credit cards and loans for automobiles and other personal financing needs, as well as products designed to meet the specific needs of small businesses, including cash management services.

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following tables present the results of operations and assets by business segment for the years ended December 31:

2020 ($ in millions)	Commercial Banking	Branch Banking	Consumer Lending	Wealth and Asset Management	General Corporate and Other	Eliminations	Total
Net interest income	$ 1,903	1,667	381	139	692	—	4,782
Provision for (benefit from) credit losses	1,050	231	34	3	(221)	—	1,097
Net interest income after provision for (benefit from) credit losses	853	1,436	347	136	913	—	3,685
Noninterest income:							
Service charges on deposits	343	215	—	1	—	—	559
Commercial banking revenue	524	5	—	2	(3)	—	528
Wealth and asset management revenue	3	172	—	498	—	(153) (a)	520
Card and processing revenue	54	283	—	2	13	—	352
Mortgage banking net revenue	—	8	307	5	—	—	320
Leasing business revenue	276 (c)	—	—	—	—	—	276
Other noninterest income(b)	101	68	10	18	14	—	211
Securities gains, net	—	—	—	—	62	—	62
Securities gains, net -non-qualifying hedges on MSRs	—	—	2	—	—	—	2
Total noninterest income	1,301	751	319	526	86	(153)	2,830
Noninterest expense:							
Compensation and benefits	557	649	221	218	945	—	2,590
Technology and communications	13	4	8	1	336	—	362
Net occupancy expense(e)	31	176	10	12	121	—	350
Leasing business expense	140	—	—	—	—	—	140
Equipment expense	27	41	—	1	61	—	130
Card and processing expense	7	116	—	1	(3)	—	121
Marketing expense	8	32	3	2	59	—	104
Other noninterest expense	938	851	276	298	(1,289)	(153)	921
Total noninterest expense	1,721	1,869	518	533	230	(153)	4,718
Income before income taxes	433	318	148	129	769	—	1,797
Applicable income tax expense	46	67	31	27	199	—	370
Net income	387	251	117	102	570	—	1,427
Total goodwill	$ 1,980	2,047	—	231	—	—	4,258
Total assets	$ 70,241	79,982	30,480	12,466	11,511 (d)	—	204,680

(a) Revenue sharing agreements between wealth and asset management and branch banking are eliminated in the Consolidated Statements of Income.
(b) Includes impairment charges of $30 for branches and land. For more information, refer to Note 8 and Note 29.
(c) Includes impairment charges of $7 for operating lease equipment. For more information, refer to Note 9 and Note 29.
(d) Includes bank premises and equipment of $35 classified as held for sale. For more information, refer to Note 8.
(e) Includes impairment losses and termination charges of $8 for ROU assets related to certain operating leases. For more information, refer to Note 10.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2019 ($ in millions)	Commercial Banking	Branch Banking	Consumer Lending	Wealth and Asset Management	General Corporate and Other	Eliminations	Total
Net interest income	$ 2,360	2,371	325	182	(441)	—	4,797
Provision for credit losses	183	224	49	—	15	—	471
Net interest income after provision for credit losses	2,177	2,147	276	182	(456)	—	4,326
Noninterest income:							
Service charges on deposits	308	260	—	1	(4)	—	565
Commercial banking revenue	455	4	—	1	—	—	460
Wealth and asset management revenue	3	158	—	469	—	(143) (a)	487
Card and processing revenue	66	285	—	3	6	—	360
Mortgage banking net revenue	—	6	279	2	—	—	287
Leasing business revenue	270 (c)	—	—	—	—	—	270
Other noninterest income(b)	85	89	14	13	863	—	1,064
Securities gains, net	—	—	—	—	40	—	40
Securities gains, net -non-qualifying hedges on MSRs	—	—	3	—	—	—	3
Total noninterest income	1,187	802	296	489	905	(143)	3,536
Noninterest expense:							
Compensation and benefits	466	601	196	217	938	—	2,418
Technology and communications	11	4	8	1	398	—	422
Net occupancy expense(e)	28	173	10	13	108	—	332
Leasing business expense	133	—	—	—	—	—	133
Equipment expense	25	48	—	1	55	—	129
Card and processing expense	8	123	—	1	(2)	—	130
Marketing expense	12	72	4	5	69	—	162
Other noninterest expense	938	839	237	291	(1,228)	(143)	934
Total noninterest expense	1,621	1,860	455	529	338	(143)	4,660
Income before income taxes	1,743	1,089	117	142	111	—	3,202
Applicable income tax expense	319	229	25	30	87	—	690
Net income	1,424	860	92	112	24	—	2,512
Total goodwill	$ 1,954	2,046	—	252	—	—	4,252
Total assets	$ 74,570	69,413	26,555	10,500	(11,669) (d)	—	169,369

(a) *Revenue sharing agreements between wealth and asset management and branch banking are eliminated in the Consolidated Statements of Income.*
(b) *Includes impairment charges of $28 for branches and land. For more information, refer to Note 8 and Note 29.*
(c) *Includes impairment charges of $3 for operating lease equipment. For more information, refer to Note 9 and Note 29.*
(d) *Includes bank premises and equipment of $27 classified as held for sale. For more information, refer to Note 8.*
(e) *Includes impairment losses and termination charges of $15 for ROU assets related to certain operating leases. For more information, refer to Note 10.*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2018 ($ in millions)	Commercial Banking	Branch Banking	Consumer Lending	Wealth and Asset Management	General Corporate and Other	Eliminations	Total
Net interest income	$ 1,713	2,034	237	182	(26)	—	4,140
Provision for (benefit from) credit losses	(26)	171	42	12	8	—	207
Net interest income after provision for (benefit from) credit losses	1,739	1,863	195	170	(34)	—	3,933
Noninterest income:							
Service charges on deposits	273	275	—	1	—	—	549
Commercial banking revenue	402	5	—	2	(1)	—	408
Wealth and asset management revenue	3	150	—	429	—	(138) (a)	444
Card and processing revenue	58	266	—	5	—	—	329
Mortgage banking net revenue	—	5	206	1	—	—	212
Leasing business revenue	114 (c)	—	—	—	—	—	114
Other noninterest income(b)	67	53	14	18	651	—	803
Securities losses, net	—	—	—	—	(54)	—	(54)
Securities losses, net -non-qualifying hedges on MSRs	—	—	(15)	—	—	—	(15)
Total noninterest income	917	754	205	456	596	(138)	2,790
Noninterest expense:							
Compensation and benefits	344	536	192	202	841	—	2,115
Technology and communications	7	5	5	1	267	—	285
Net occupancy expense	26	175	10	12	69	—	292
Leasing business expense	76	—	—	—	—	—	76
Equipment expense	23	50	—	1	49	—	123
Card and processing expense	4	121	—	—	(2)	—	123
Marketing expense	6	67	4	4	66	—	147
Other noninterest expense	777	774	191	284	(1,091)	(138)	797
Total noninterest expense	1,263	1,728	402	504	199	(138)	3,958
Income (loss) before income taxes	1,393	889	(2)	122	363	—	2,765
Applicable income tax expense (benefit)	254	187	(1)	25	107	—	572
Net income (loss)	1,139	702	(1)	97	256	—	2,193
Total goodwill	$ 630	1,655	—	193	—	—	2,478
Total assets	$ 61,630	61,040	22,044	10,337	(8,982) (d)	—	146,069

(a) Revenue sharing agreements between wealth and asset management and branch banking are eliminated in the Consolidated Statements of Income.
(b) Includes impairment charges of $45 for branches and land. For more information, refer to Note 8.
(c) Includes impairment charges of $4 for operating lease equipment. For more information, refer to Note 9.
(d) Includes bank premises and equipment of $42 classified as held for sale.

33. Subsequent Event

On January 22, 2021, the Bancorp entered into an accelerated share repurchase transaction with a counterparty pursuant to which the Bancorp paid $180 million on January 26, 2021 to repurchase shares of its outstanding common stock. The Bancorp is repurchasing the shares of its common stock as part of its Board-approved 100 million share repurchase program previously announced on June 18, 2019. The Bancorp expects the settlement of the transaction to occur on or before March 31, 2021.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

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 management including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

MANAGEMENT'S ASSESSMENT AS TO THE EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Fifth Third Bancorp is responsible for establishing and maintaining adequate internal control, designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. The Bancorp's management assessed the effectiveness of the Bancorp's internal control over financial reporting as of December 31, 2020. Management's assessment is based on the criteria established in the *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and was designed to provide reasonable assurance that the Bancorp maintained effective internal control over financial reporting as of December 31, 2020. Based on this assessment, management believes that the Bancorp maintained effective internal control over financial reporting as of December 31, 2020. The Bancorp's independent registered public accounting firm, that audited the Bancorp's consolidated financial statements included in this annual report, has issued an audit report on our internal control over financial reporting as of December 31, 2020. This report appears on page 235 of the annual report.

CHANGES IN INTERNAL CONTROLS

The Bancorp's management also conducted an evaluation of internal control over financial reporting to determine whether any changes occurred during the year 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 year covered by this report.

/s/ Greg D. Carmichael	/s/ James C. Leonard
Greg D. Carmichael	James C. Leonard
Chairman and Chief Executive Officer	Executive Vice President and Chief Financial Officer
February 26, 2021	February 26, 2021

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and Board of Directors of Fifth Third Bancorp:

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Fifth Third Bancorp and subsidiaries (the “Bancorp”) as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Bancorp maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2020, of the Bancorp and our report dated February 26, 2021 expressed an unqualified opinion on those consolidated financial statements and included an explanatory paragraph regarding the Bancorp’s change in its method of accounting for financial assets measured at amortized cost due to adoption of ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*.

Basis for Opinion

The Bancorp's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Assessment as to the Effectiveness of Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Bancorp’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Bancorp in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Cincinnati, Ohio
February 26, 2021

ITEM 9B. OTHER INFORMATION
None.

PART III
ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE
The information required by this item relating to the Executive Officers of the Registrant is included in PART I under "INFORMATION ABOUT OUR EXECUTIVE OFFICERS."

The information required by this item concerning Directors and the nomination process is incorporated herein by reference under the caption "ELECTION OF DIRECTORS" of the Bancorp's Proxy Statement for the 2021 Annual Meeting of Shareholders.

The information required by this item concerning the Audit Committee and Code of Business Conduct and Ethics is incorporated herein by reference under the captions "CORPORATE GOVERNANCE" and "BOARD OF DIRECTORS, ITS COMMITTEES, MEETINGS AND FUNCTIONS" of the Bancorp's Proxy Statement for the 2021 Annual Meeting of Shareholders. Fifth Third's Code of Business Conduct and Ethics is available on Fifth Third's corporate website at www.53.com. In addition, any future amendments to, or waivers from, a provision of the Fifth Third Code of Business Conduct and Ethics that applies to Fifth Third's directors or executive officers (including Fifth Third's principal executive officer, principal financial officer, and principal accounting officer or controller) will be posted at this internet address.

ITEM 11. EXECUTIVE COMPENSATION
The information required by this item is incorporated herein by reference under the captions "COMPENSATION DISCUSSION AND ANALYSIS," "COMPENSATION OF NAMED EXECUTIVE OFFICERS," "BOARD OF DIRECTORS COMPENSATION," "CEO PAY RATIO," "HUMAN CAPITAL AND COMPENSATION COMMITTEE REPORT" and "COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION" of the Bancorp's Proxy Statement for the 2021 Annual Meeting of Shareholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS
Security ownership information of certain beneficial owners and management is incorporated herein by reference under the captions "CERTAIN BENEFICIAL OWNERS," "ELECTION OF DIRECTORS," "COMPENSATION DISCUSSION AND ANALYSIS," "BOARD OF DIRECTORS COMPENSATION," and "COMPENSATION OF NAMED EXECUTIVE OFFICERS" of the Bancorp's Proxy Statement for the 2021 Annual Meeting of Shareholders.

The information required by this item concerning Equity Compensation Plan information is included in Note 26 of the Notes to Consolidated Financial Statements.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE
The information required by this item is incorporated herein by reference under the captions "CERTAIN TRANSACTIONS", "ELECTION OF DIRECTORS", "CORPORATE GOVERNANCE" and "BOARD OF DIRECTORS, ITS COMMITTEES, MEETINGS AND FUNCTIONS" of the Bancorp's Proxy Statement for the 2021 Annual Meeting of Shareholders.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES
The information required by this item is incorporated herein by reference under the caption "PRINCIPAL INDEPENDENT EXTERNAL AUDIT FIRM FEES" of the Bancorp's Proxy Statement for the 2021 Annual Meeting of Shareholders.

PART IV
ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

	Pages
Public Accounting Firm	129-130, 235
Fifth Third Bancorp and Subsidiaries Consolidated Financial Statements	131-136
Notes to Consolidated Financial Statements	137-233

The schedules for the Bancorp and its subsidiaries are omitted because of the absence of conditions under which they are required, or because the information is set forth in the Consolidated Financial Statements or the notes thereto.

The following lists the Exhibits to the Annual Report on Form 10-K:

2.1	Agreement and Plan of Merger by and among Fifth Third Bancorp, Fifth Third Financial Corporation and MB Financial, Inc. dated as of May 20, 2018. Incorporated by reference to Exhibit 2.1 to the Registrants Current Report on Form 8-K filed with the SEC on May 22, 2018.
3.1	Amended Articles of Incorporation of Fifth Third Bancorp. Incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the SEC on June 20, 2019.
3.2	Amendment to the Amended Articles of Incorporation of Fifth Third Bancorp. Incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the SEC on August 26, 2019.
3.3	Amendment to the Amended Articles of Incorporation of Fifth Third Bancorp, as Amended (included as Attachment to Exhibit 3.3). Incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the SEC on September 17, 2019.
3.4	Amendment to the Amended Articles of Incorporation of Fifth Third Bancorp, as Amended (included as Attachment to Exhibit 3.4). Incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the SEC on July 30, 2020.
3.5	Regulations of Fifth Third Bancorp, as Amended as of March 23, 2020. Incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed with the SEC on March 24, 2020.
4.1	Indenture, dated as of May 23, 2003, between Fifth Third Bancorp and Wilmington Trust Company, as Trustee. Incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the SEC on May 22, 2003.
4.2	First Supplemental Indenture, dated as of December 20, 2006, between Fifth Third Bancorp and Wilmington Trust Company, as Trustee. Incorporated by reference to Exhibit 4.14 to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2006.
4.3	Global Security dated as of March 4, 2008 representing Fifth Third Bancorp's $500,000,000 8.25% Subordinated Notes due 2038. Incorporated by reference to Exhibit 4.1 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2008. (1)
4.4	Indenture for Senior Debt Securities dated as of April 30, 2008 between Fifth Third Bancorp and Wilmington Trust Company, as trustee. Incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed with the SEC on May 6, 2008.
4.5	First Supplemental Indenture dated as of January 25, 2011 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 and the Trustee. Incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed with the SEC on January 25, 2011.
4.6	Second Supplemental Indenture dated as of March 7, 2012 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 Wilmington Trust Company. Incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the SEC on March 7, 2012.
4.7	Global Security dated as of March 7, 2012 representing Fifth Third Bancorp's $500,000,000 3.500% Senior Notes due 2022. Incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K/A filed with the SEC on March 7, 2012.
4.8	Deposit Agreement dated as of May 16, 2013, between Fifth Third Bancorp, as issuer, Wilmington Trust, National Association, as depositary and calculation agent, American Stock Transfer & Trust Company, LLC, as transfer agent and registrar, and the holders from time to time of the depositary receipts issued thereunder. Incorporated by reference to Exhibit 4.3 of the Registrant's Current Report on Form 8-K filed with the SEC on May 16, 2013.
4.9	Form of Certificate Representing the 5.10% Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series H, of Fifth Third Bancorp. Incorporated by reference to Exhibit 4.2 of the Registrant's Current Report on Form 8-K filed with the SEC on May 16, 2013.
4.10	Form of Depositary Receipt for the 5.10% Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series H, of Fifth Third Bancorp. Incorporated by reference as Exhibit A to Exhibit 4.3 of the Registrant's Current Report on Form 8-K filed with the SEC on May 16, 2013.
4.11	Global Security dated as of November 20, 2013 representing Fifth Third Bancorp's $500,000,000 4.30% Subordinated Notes due 2024. Incorporated by reference to Exhibit 4.1 of the Registrant's Current Report on Form 8-K filed with the SEC on November 20, 2013. (2)
4.12	Deposit Agreement dated December 9, 2013, between Fifth Third Bancorp, as issuer, Wilmington Trust, National Association, as depositary and calculation agent, American Stock Transfer & Trust Company, LLC as transfer agent and registrar, and the holders from time to time of the depositary receipts issued thereunder. Incorporated by reference to Exhibit 4.3 of the Registrant's Current Report on Form 8-K filed with the SEC on December 9, 2013.
4.13	Form of Certificate Representing the 6.625% Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series I, of Fifth Third Bancorp. Incorporated by reference to Exhibit 4.2 of the Registrant's Current Report on Form 8-K filed with the SEC on December 9, 2013.
4.14	Form of Depositary Receipt for the 6.625% Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series I, of Fifth Third Bancorp. Incorporated by reference as Exhibit A to Exhibit 4.3 of the Registrant's Current Report on Form 8-K filed with the SEC on December 9, 2013.
4.15	Deposit Agreement dated June 5, 2014, among Fifth Third Bancorp, as issuer, Wilmington Trust, National Association, as depositary and calculation agent, American Stock Transfer & Trust Company, LLC as transfer agent and registrar, and the holders from time to time of the depositary receipts issued thereunder. Incorporated by reference to Exhibit 4.3 of the Registrant's Current Report on Form 8-K filed with the SEC on June 5, 2014.
4.16	Form of Certificate Representing the 4.90% Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series J, of Fifth Third Bancorp. Incorporated by reference to Exhibit 4.2 of the Registrant's Current Report on Form 8-K filed with the SEC on June 5, 2014.
4.17	Form of Depositary Receipt for the 4.90% Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series J, of Fifth Third Bancorp. Incorporated by reference as Exhibit A to Exhibit 4.3 of the Registrant's Current Report on Form 8-K filed with the SEC on June 5, 2014.

4.18	Third Supplemental Indenture dated as of February 28, 2014 between Fifth Third Bancorp and Wilmington Trust Company, as Trustee, to the Indenture for Senior Debt Securities dated as of April 30, 2008 between Fifth Third Bancorp and the Trustee. Incorporated by reference to Exhibit 4.1 of the Registrant's Current Report on Form 8-K filed with the SEC on February 28, 2014.
4.19	Fourth Supplemental Indenture dated as of July 27, 2015 between Fifth Third Bancorp and Wilmington Trust Company, as Trustee, to the Indenture for Senior Debt Securities dated as of April 30, 2008 between Fifth Third Bancorp and the Trustee. Incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the SEC on July 27, 2015.
4.20	Fifth Supplemental Indenture dated as of June 15, 2017 between Fifth Third Bancorp and Wilmington Trust Company, as Trustee, to the Indenture for Senior Debt Securities dated as of April 30, 2008 between Fifth Third Bancorp and the Trustee. Incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the SEC on June 15, 2017.
4.21	Form of 2.600% Senior Notes due 2022. Incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed with the SEC on June 15, 2017.
4.22	Sixth Supplemental Indenture dated as of March 14, 2018 between Fifth Third Bancorp and Wilmington Trust Company, as Trustee, to the Indenture for Senior Debt Securities dated as of April 30, 2008 between Fifth Third Bancorp and the Trustee. Incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the SEC on March 14, 2018.
4.23	Form of 3.950% Senior Notes due 2028. Incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed with the SEC on March 14, 2018.
4.24	Seventh Supplemental Indenture dated as of June 5, 2018 between Fifth Third Bancorp and Wilmington Trust Company, as Trustee, to the Indenture for Senior Debt Securities dated as of April 30, 2008 between Fifth Third Bancorp and the Trustee. Incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the SEC on June 5, 2018.
4.25	Form of Floating Rate Senior Notes due 2021. Incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed with the SEC on June 5, 2018.
4.26	Amendment dated as of August 31, 2018 to Seventh Supplemental Indenture dated as of June 5, 2018 between Fifth Third Bancorp and Wilmington Trust Company, as Trustee, to the Indenture for Senior Debt Securities dated as of April 30, 2008 between Fifth Third Bancorp and the Trustee. Incorporated by reference to Exhibit 4.1 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2018.
4.27	Eighth Supplemental Indenture dated as of January 25, 2019 between Fifth Third Bancorp and Wilmington Trust Company, as Trustee, to the Indenture for Senior Debt Securities dated as of April 30, 2008 between Fifth Third Bancorp and the Trustee. Incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the SEC on January 25, 2019.
4.28	Form of 3.650% Senior Notes due 2024. Incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed with the SEC on January 25, 2019.
4.29	Second Amended and Restated Deposit Agreement, dated as of August 26, 2019, among Fifth Third Bancorp, as issuer, and American Stock Transfer & Trust Company, LLC, as depositary, transfer agent and registrar, and the holders from time to time of the depositary receipts issued. Incorporated by reference to Exhibit 4.1 to the Registrant's Form 8-A filed with the SEC on August 26, 2019.
4.30	Form of depositary receipt representing the Depositary Shares (included as Exhibit A to Exhibit 4.34). Incorporated by reference to Exhibit 4.1 to the Registrant's Form 8-A filed with the SEC on August 26, 2019.
4.31	Deposit Agreement dated September 17, 2019, between Fifth Third Bancorp, as issuer, American Stock Transfer & Trust Company, LLC, as depositary, transfer agent and registrar, relating to receipts, Depositary Shares and related 4.95% Non-Cumulative Perpetual Preferred Stock, Series K. Incorporated by reference to Exhibit 4.3 to the Registrant's Current Report on Form 8-K filed with the SEC on September 17, 2019.
4.32	Form of Certificate Representing the 4.95% Non-Cumulative Perpetual Preferred Stock, Series K, of Fifth Third Bancorp. Incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed with the SEC on September 17, 2019.
4.33	Form of Depositary Receipt for the 4.95% Non-Cumulative Perpetual Preferred Stock, Series K, of Fifth Third Bancorp. Incorporated by reference to Exhibit 4.4 to the Registrant's Current Report on Form 8-K filed with the SEC on September 17, 2019.
4.34	Ninth Supplemental Indenture dated as of October 28, 2019 between Fifth Third Bancorp and Wilmington Trust Company, as Trustee, to the Indenture for Senior Debt Securities dated as of April 30, 2008 between Fifth Third Bancorp and the Trustee. Incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the SEC on October 28, 2019.
4.35	Form of 2.375% Senior Notes due 2025. Incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed with the SEC on October 28, 2019.
4.36	Tenth Supplemental Indenture dated as of May 5, 2020 between Fifth Third Bancorp and Wilmington Trust Company, as Trustee, to the Indenture for Senior Debt Securities dated as of April 30, 2008 between Fifth Third Bancorp and the Trustee. Incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the SEC on May 5, 2020.
4.37	Form of 1.625% Senior Notes due 2023. Incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed with the SEC on May 5, 2020.
4.38	Form of 2.550% Senior Notes due 2027. Incorporated by reference to Exhibit 4.3 to the Registrant's Current Report on Form 8-K filed with the SEC on May 5, 2020.
4.39	Form of Certificate Representing the 4.500% Fixed-Rate Reset Non-Cumulative Perpetual Preferred Stock, Series L, of Fifth Third Bancorp. Incorporated by reference to Exhibit 4.2 of the Registrant's Current Report on Form 8-K filed with the SEC on July 30, 2020.
4.40	Deposit Agreement dated July 30, 2020, between Fifth Third Bancorp, as issuer, American Stock Transfer & Trust Company, LLC, as depositary, transfer agent and registrar, and the holders from time to time of depositary receipts issued. Incorporated by reference to Exhibit 4.3 to the Registrant's Current Report on Form 8-K filed with the SEC on July 30, 2020.
4.41	Form of Depositary Receipt for the 4.500% Fixed-Rate Reset Non-Cumulative Perpetual Preferred Stock, Series L, of Fifth Third Bancorp. Incorporated by reference to Exhibit A of Exhibit 4.3 to the Registrant's Current Report of Form 8-K filed with the SEC on July 30, 2020.
4.42	Certain instruments defining the rights of holders of long-term debt securities of the Registrant and its subsidiaries are omitted pursuant to Item 601(b)(4)(iii) of Regulation S-K. The Registrant hereby undertakes to furnish to the SEC, upon request, copies of any such instruments.
4.43	Description of Registrant's Securities.
10.1	Fifth Third Bancorp Unfunded Deferred Compensation Plan for Non-Employee Directors (as amended and restated effective as of September 1, 2020). Incorporated by reference to Exhibit 10.2 of the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2020.*
10.2	Fifth Third Bancorp Master Profit Sharing Plan, as Amended and Restated. Incorporated by reference to Exhibit 10.5 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2011.*
10.3	First Amendment to Fifth Third Bancorp Master Profit Sharing Plan, as Amended and Restated. Incorporated by reference to Exhibit 10.6 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2011.*
10.4	Second Amendment to Fifth Third Bancorp Master Profit Sharing Plan, as Amended and Restated. Incorporated by reference to Exhibit 10.7 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2012.*

10.5	Third Amendment to Fifth Third Bancorp Master Profit Sharing Plan, as Amended and Restated. Incorporated by reference to Exhibit 10.8 of the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2013.*
10.6	Fifth Third Bancorp 401(k) Savings Plan, as Amended and Restated effective January 1, 2020. Incorporated by reference to Exhibit 10.15 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2019.*
10.7	The Fifth Third Bancorp Master Retirement Plan, as Amended and Restated. Incorporated by reference to Exhibit 10.8 of the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2014.*
10.8	First Amendment to The Fifth Third Bancorp Master Retirement Plan, as Amended and Restated. Incorporated by reference to Exhibit 10.10 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2015.*
10.9	Second Amendment to The Fifth Third Bancorp Master Retirement Plan, as Amended and Restated. Incorporated by reference to Exhibit 10.11 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2016.*
10.10	Third Amendment to The Fifth Third Bancorp Master Retirement Plan, as Amended and Restated. Incorporated by reference to Exhibit 10.16 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2017.*
10.11	Fourth Amendment to The Fifth Third Bancorp Master Retirement Plan, as Amended and Restated. Incorporated by reference to Exhibit 10.19 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2018.*
10.12	Fifth Third Bancorp 2008 Incentive Compensation Plan. Incorporated by reference to Annex 2 to the Registrant's Proxy Statement dated March 6, 2008.*
10.13	First Amendment to the Fifth Third Bancorp 2008 Incentive Compensation Plan. Incorporated by reference to Exhibit 10.22 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2018.*
10.14	Fifth Third Bancorp 2011 Incentive Compensation Plan. Incorporated by reference to Annex 1 to the Registrant's Proxy Statement dated March 10, 2011.*
10.15	First Amendment to the Fifth Third Bancorp 2011 Incentive Compensation Plan. Incorporated by reference to Exhibit 10.24 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2018.*
10.16	Fifth Third Bancorp 2014 Incentive Compensation Plan. Incorporated by reference to Annex A to the Registrant's Proxy Statement dated March 6, 2014.*
10.17	First Amendment to the Fifth Third Bancorp 2014 Incentive Compensation Plan. Incorporated by reference to Exhibit 10.26 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2018.*
10.18	Fifth Third Bancorp 2017 Incentive Compensation Plan. Incorporated by reference to Annex A to the Registrant's Proxy Statement dated March 9, 2017.*
10.19	First Amendment to the Fifth Third Bancorp 2017 Incentive Compensation Plan. Incorporated by reference to Exhibit 10.28 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2018.*
10.20	Fifth Third Bancorp 2019 Incentive Compensation Plan. Incorporated by reference to Exhibit 4.3 to the Registrant's Form S-8 Registration Statement filed on April 16, 2019 (Registration Statement No. 333-230900).*
10.21	Amended and Restated Fifth Third Bancorp 1993 Stock Purchase Plan. Incorporated by reference to Exhibit 10.8 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2011.*
10.22	Fifth Third Bancorp Non-qualified Deferred Compensation Plan (as amended and restated effective as of September 1, 2020). Incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2020.*
10.23	Fifth Third Bancorp Stock Option Gain Deferral Plan. Incorporated by reference to Annex 5 to the Registrant's Proxy Statement dated February 9, 2001.*
10.24	Amendment No. 1 to Fifth Third Bancorp Stock Option Gain Deferral Plan. Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the SEC on May 26, 2005.*
10.25	Amended and Restated First National Bankshares of Florida, Inc. 2003 Incentive Plan. Incorporated by reference to Exhibit 10.10 to First National Bankshares of Florida, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2003.*
10.26	Fifth Third Bancorp Executive Change in Control Severance Plan, effective January 1, 2015. Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed with the SEC on November 21, 2014.*
10.27	First Amendment to the Fifth Third Bancorp Executive Change in Control Severance Plan. Incorporated by reference to Exhibit 10.40 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2018.*
10.28	Stock Appreciation Right Award Agreement. Incorporated by reference to Exhibit 10.2 of the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2013.*
10.29	Performance Share Award Agreement. Incorporated by reference to Exhibit 10.3 of the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2013.*
10.30	Restricted Stock Award Agreement (for Directors). Incorporated by reference to Exhibit 10.4 of the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2013.*
10.31	Restricted Stock Award Agreement (for Executive Officers). Incorporated by reference to Exhibit 10.5 of the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2013.*
10.32	Stock Appreciation Right Award Agreement. Incorporated by reference to Exhibit 10.34 of the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2014.*
10.33	Performance Share Award Agreement. Incorporated by reference to Exhibit 10.35 of the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2014.*
10.34	Restricted Stock Unit Agreement (for Directors). Incorporated by reference to Exhibit 10.36 of the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2014.*
10.35	Restricted Stock Award Agreement (for Executive Officers). Incorporated by reference to Exhibit 10.37 of the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2014.*
10.36	Master Confirmation for accelerated share repurchase transaction between Fifth Third Bancorp and Deutsche Bank AG, London Branch, with Deutsche Bank Securities Inc. acting as agent. Incorporated by reference to Exhibit 10.6 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2013.**
10.37	Master Confirmation, as supplemented by a Supplemental Confirmation, for accelerated share repurchase transaction dated October 20, 2014 between Fifth Third Bancorp and Deutsche Bank AG, London Branch. Incorporated by reference to Exhibit 10.38 of the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2014.**

10.38	Master Confirmation, as supplemented by a Supplemental Confirmation, for accelerated share repurchase transaction dated July 29, 2015 between Fifth Third Bancorp and Morgan Stanley & Co. LLC. Incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2015.**
10.39	Master Confirmation, as supplemented by a Supplemental Confirmation, for accelerated share repurchase transaction dated April 27, 2015 between Fifth Third Bancorp and Barclays Bank PLC, through its agent Barclays Capital Inc. Incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2015.**
10.40	Master Confirmation, dated January 22, 2015, and Supplemental Confirmation, for accelerated share repurchase transaction dated January 22, 2015 between Fifth Third Bancorp and Wells Fargo Bank, National Association. Incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2015.**
10.41	Bancorp Director Pay Program. Incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2016.*
10.42	2016 Restricted Stock Unit Grant Agreement (for Directors). Incorporated by reference to Exhibit 10.48 of the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2016.*
10.43	2017 Stock Appreciation Right Award Agreement (for Executive Officers). Incorporated by reference to Exhibit 10.49 of the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2016.*
10.44	2017 Performance Share Award Agreement. Incorporated by reference to Exhibit 10.50 of the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2016.*
10.45	2017 Restricted Stock Unit Grant Agreement (for Executive Officers). Incorporated by reference to Exhibit 10.51 of the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2016.*
10.46	Long-Term Incentive Award Overview February 2017 Grants. Incorporated by reference to Exhibit 10.52 of the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2016.*
10.47	Restricted Stock Unit Grant Agreement (for Directors) for Fifth Third Bancorp 2017 Incentive Compensation Plan. Incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2017.*
10.48	2018 Stock Appreciation Right Award Agreement (for Executive Officers). Incorporated by reference to Exhibit 10.67 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2017.*
10.49	2018 Performance Share Award Agreement. Incorporated by reference to Exhibit 10.68 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2017.*
10.50	2018 Restricted Stock Unit Agreement (for Executive Officers). Incorporated by reference to Exhibit 10.69 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2017.*
10.51	Long-Term Incentive Award Overview 2018 Grants. Incorporated by reference to Exhibit 10.70 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2017.*
10.52	2018 Restricted Stock Unit Grant Agreement (for Directors). Incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2018.*
10.53	2018 Long-Term Incentive Compensation Program Overview February 2019 Grants. Incorporated by reference to Exhibit 10.74 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2018.*
10.54	2019 Performance Share Award Agreement. Incorporated by reference to Exhibit 10.75 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2018.*
10.55	2019 Restricted Stock Unit Agreement (for Executive Officers). Incorporated by reference to Exhibit 10.76 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2018.*
10.56	2019 Stock Appreciation Right Award Agreement (for Executive Officers). Incorporated by reference to Exhibit 10.77 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2018.*
10.57	2019 Long-Term Incentive Compensation Program Overview February 2020 Grants. Incorporated by reference to Exhibit 10.72 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2019.*
10.58	2020 Performance Share Award Agreement. Incorporated by reference to Exhibit 10.73 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2019.*
10.59	2020 Restricted Stock Unit Agreement (for Executive Officers). Incorporated by reference to Exhibit 10.74 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2019.*
10.60	2020 Stock Appreciation Right Award Agreement (for Executive Officers). Incorporated by reference to Exhibit 10.75 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2019.*
10.61	2019 Restricted Stock Unit Grant Agreement (for Directors). Incorporated by reference to Exhibit 10.76 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2019.*
10.62	2020 Restricted Stock Unit Grant Agreement (for Directors). Incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2020.*
10.63	2020 Long-Term Incentive Compensation Program Overview February 2021 Grants.*
10.64	2021 Performance Share Award Agreement.*
10.65	2021 Restricted Stock Unit Agreement (for Executive Officers).*
10.66	2021 Stock Appreciation Right Award Agreement (for Executive Officers).*
10.70	Master Confirmation, as supplemented by two Supplemental Confirmations, for accelerated share repurchase transaction dated March 11, 2019 between Fifth Third Bancorp and JPMorgan Chase Bank, National Association, London Branch. Incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2019.**
10.71	Master Confirmation dated as of August 5, 2019, as supplemented by a Supplemental Confirmation dated August 5, 2019, for accelerated share repurchase transaction between Fifth Third Bancorp and Citibank, N.A. Incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2019.***
10.72	Employment Agreement between Fifth Third Bancorp, Fifth Third Bank, and Teresa Tanner dated July 1, 2019. Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K/A filed with the SEC on July 3, 2019.*
21	Fifth Third Bancorp Subsidiaries, as of February 15, 2021.
23	Consent of Independent Registered Public Accounting Firm-Deloitte & Touche LLP.
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.INSXBRL	Instance Document.
101.SCHXBRL	Taxonomy Extension Schema Document.
101.CALXBRL	Taxonomy Extension Calculation Linkbase Document.
101.DEFXBRL	Taxonomy Extension Definition Linkbase Document.
101.LABXBRL	Taxonomy Extension Label Linkbase Document.
101.PREXBRL	Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

(1) Fifth Third Bancorp also entered into an identical security on March 4, 2008 representing an additional $500,000,000 of its 8.25% Subordinated Notes due 2038.

(2) Fifth Third Bancorp also entered into an identical security on November 20, 2013 representing an additional $250,000,000 in principal amount of its 4.30% Subordinated Notes due 2024.

* *Denotes management contract or compensatory plan or arrangement.*
** *An application for confidential treatment for selected portions of this exhibit has been filed with the SEC.*
*** *Selected portions of this exhibit have been omitted in accordance with Item 601(b)(10) of Regulation S-K.*

ITEM 16. FORM 10–K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

/s/ Greg D. Carmichael
Greg D. Carmichael
Chairman and CEO
Principal Executive Officer
February 26, 2021

Pursuant to requirements of the Securities Exchange Act of 1934, this report has been signed on February 26, 2021 by the following persons on behalf of the Registrant and in the capacities indicated.

OFFICERS:

/s/ Greg D. Carmichael
Greg D. Carmichael
Chairman and CEO
Principal Executive Officer

/s/ James C. Leonard
James C. Leonard
Executive Vice President and CFO
Principal Financial Officer

/s/ Mark D. Hazel
Mark D. Hazel
Senior Vice President and Controller
Principal Accounting Officer

DIRECTORS:

/s/ Greg D. Carmichael
Greg D. Carmichael
Chairman

/s/ Marsha C. Williams
Marsha C. Williams
Lead Independent Director

/s/ Nicholas K. Akins
Nicholas K. Akins

/s/ B. Evan Bayh III
B. Evan Bayh III

/s/ Jorge L. Benitez
Jorge L. Benitez

/s/ Katherine B. Blackburn
Katherine B. Blackburn

/s/ Emerson L. Brumback
Emerson L. Brumback

/s/ C. Bryan Daniels
C. Bryan Daniels

/s/ Mitchell S. Feiger
Mitchell S. Feiger

/s/ Thomas H. Harvey
Thomas H. Harvey

/s/ Gary R. Heminger
Gary R. Heminger

/s/ Linda W. Clement-Holmes
Linda W. Clement-Holmes

/s/ Jewell D. Hoover
Jewell D. Hoover

/s/ Eileen A. Mallesch
Eileen A. Mallesch

/s/ Michael B. McCallister
Michael B. McCallister

CONSOLIDATED TEN YEAR COMPARISON

AVERAGE ASSETS FOR THE YEARS ENDED DECEMBER 31 ($ IN MILLIONS)

	Interest-Earning Assets						
Year	Loans and Leases	Other Short-Term Investments	Investment Securities	Total	Cash and Due from Banks	Other Assets	Total Average Assets
2020	**$ 114,411**	**21,935**	**36,342**	**172,688**	**2,978**	**20,933**	**194,230**
2019	107,794	2,140	35,470	145,404	2,748	16,903	163,936
2018	93,876	1,476	33,553	128,905	2,200	12,203	142,183
2017	92,731	1,390	32,172	126,293	2,224	13,236	140,527
2016	94,320	1,866	30,099	126,285	2,303	14,870	142,173
2015	93,339	3,258	26,987	123,584	2,608	15,100	139,999
2014	91,127	3,043	21,823	115,993	2,892	14,443	131,847
2013	89,093	2,417	16,444	107,954	2,482	15,025	123,704
2012	84,822	1,495	15,319	101,636	2,355	15,643	117,562
2011	80,214	2,031	15,437	97,682	2,352	15,259	112,590

AVERAGE DEPOSITS AND SHORT-TERM BORROWINGS FOR THE YEARS ENDED DECEMBER 31 ($ IN MILLIONS)

	Deposits									
Year	Demand	Interest Checking	Savings	Money Market	Other Time	Certificates $100,000 and Over	Foreign Office and Other	Total	Short-Term Borrowings[(a)]	Total
2020	**$ 47,111**	**46,890**	**16,440**	**29,879**	**4,118**	**3,337**	**256**	**148,031**	**2,094**	**150,125**
2019	34,343	36,658	14,041	25,879	5,470	4,504	474	121,369	2,313	123,682
2018	32,634	29,818	13,330	21,769	4,106	2,426	839	104,922	3,120	108,042
2017	35,093	26,382	13,958	20,231	3,771	2,564	665	102,664	3,715	106,379
2016	35,862	25,143	14,346	19,523	4,010	2,735	830	102,449	3,351	105,800
2015	35,164	26,160	14,951	18,152	4,051	2,869	874	102,221	2,641	104,862
2014	31,755	25,382	16,080	14,670	3,762	3,929	1,828	97,406	2,331	99,737
2013	29,925	23,582	18,440	9,467	3,760	6,339	1,518	93,031	3,527	96,558
2012	27,196	23,096	21,393	4,903	4,306	3,102	1,555	85,551	4,806	90,357
2011	23,389	18,707	21,652	5,154	6,260	3,656	3,497	82,315	3,122	85,437

INCOME FOR THE YEARS ENDED DECEMBER 31 ($ IN MILLIONS, EXCEPT PER SHARE DATA)

						Per Share		
Year	Interest Income	Interest Expense	Noninterest Income	Noninterest Expense	Net Income Available to Common Shareholders	Earnings	Diluted Earnings	Dividends Declared
2020	**$ 5,572**	**790**	**2,830**	**4,718**	**1,323**	**1.84**	**1.83**	**1.08**
2019	6,254	1,457	3,536	4,660	2,419	3.38	3.33	0.94
2018	5,183	1,043	2,790	3,958	2,118	3.11	3.06	0.74
2017	4,489	691	3,224	3,782	2,105	2.86	2.81	0.60
2016	4,193	578	2,696	3,737	1,472	1.92	1.91	0.53
2015	4,028	495	3,003	3,643	1,610	2.00	1.97	0.52
2014	4,030	451	2,473	3,619	1,384	1.65	1.63	0.51
2013	3,973	412	3,227	3,978	1,799	2.05	2.02	0.47
2012	4,107	512	2,999	4,083	1,541	1.69	1.66	0.36
2011	4,218	661	2,455	3,804	1,094	1.20	1.18	0.28

MISCELLANEOUS AT DECEMBER 31 ($ IN MILLIONS, EXCEPT PER SHARE DATA)

		Equity								
Year	Common Shares Outstanding	Common Stock	Preferred Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total	Book Value Per Share	Allowance for Loan and Lease Losses
2020	**712,760,325**	**$ 2,051**	**2,116**	**3,635**	**18,384**	**2,601**	**(5,676)**	**23,111**	**29.46**	**2,453**
2019	708,915,629	2,051	1,770	3,599	18,315	1,192	(5,724)	21,203	27.41	1,202
2018	646,630,857	2,051	1,331	2,873	16,578	(112)	(6,471)	16,250	23.07	1,103
2017	693,804,893	2,051	1,331	2,790	14,957	73	(5,002)	16,200	21.43	1,196
2016	750,479,299	2,051	1,331	2,756	13,290	59	(3,433)	16,054	19.62	1,253
2015	785,080,314	2,051	1,331	2,666	12,224	197	(2,764)	15,705	18.31	1,272
2014	824,046,952	2,051	1,331	2,646	11,034	429	(1,972)	15,519	17.22	1,322
2013	855,305,745	2,051	1,034	2,561	10,156	82	(1,295)	14,589	15.85	1,582
2012	882,152,057	2,051	398	2,758	8,768	375	(634)	13,716	15.10	1,854
2011	919,804,436	2,051	398	2,792	7,554	470	(64)	13,201	13.92	2,255

(a) *Includes federal funds purchased and other short-term investments.*

DIRECTORS AND OFFICERS

FIFTH THIRD BANCORP DIRECTORS

Greg D. Carmichael
Chairman & Chief Executive Officer
Fifth Third Bancorp

Marsha C. Williams, Lead Director
Retired Chief Financial Officer
Orbitz Worldwide, Inc.

Nicholas K. Akins
Chairman, President & Chief Executive Officer
American Electric Power Company

B. Evan Bayh III
Senior Advisor
Apollo Global Management

Jorge L. Benitez
Retired Chief Executive Officer
North America of Accenture plc

Katherine B. Blackburn
Executive Vice President
Cincinnati Bengals, Inc.

Emerson L. Brumback
Retired President & Chief Operating Officer
M&T Bank

C. Bryan Daniels
Founding Partner
Prairie Capital

Mitchell S. Feiger
Retired CEO and President
MB Financial, Inc.

Thomas H. Harvey
Chief Executive Officer
Energy Innovation: Policy and Technology, LLC

Gary R. Heminger
Chief Executive Officer & Chairman
Marathon Petroleum Corporation

Linda W. Clement-Holmes
Retired Chief Information Officer
The Procter & Gamble Company

Jewell D. Hoover
Retired Senior Official
Comptroller of the Currency

Eileen A. Mallesch
Retired Chief Financial Officer
Nationwide Property & Casualty Segment,
Nationwide Mutual Insurance Company

Michael B. McCallister
Retired Chairman & Chief Executive Officer
Humana, Inc.

FIFTH THIRD BANCORP OFFICERS

Greg D. Carmichael
Chairman &
Chief Executive Officer

Lars C. Anderson
Executive Vice President &
Vice Chairman of Commercial Banking
Strategic Growth Initiatives

Kristine Garrett
Executive Vice President &
Head of Wealth & Asset Management

Howard Hammond
Executive Vice President &
Head of Consumer Bank

Mark D. Hazel
Senior Vice President &
Controller

Margaret P. Jula
Executive Vice President &
Chief Human Resource Officer

Kevin P. Lavender
Executive Vice President &
Head of Commercial Banking

James C. Leonard
Executive Vice President &
Chief Financial Officer

Jude A. Schramm
Executive Vice President &
Chief Information Officer

Robert P. Shaffer
Executive Vice President &
Chief Risk Officer

Timothy N. Spence
President

Richard L. Stein
Executive Vice President &
Chief Credit Officer

Melissa S. Stevens
Executive Vice President &
Head of Digital, Marketing, Design and
Innovation

Susan B. Zaunbrecher
Executive Vice President &
Chief Legal Officer

REGIONAL PRESIDENTS

Michael Ash
David Briggs
David A. Call
Joseph DiRocco
Timothy Elsbrock
Lee Fite
David Girodat
Kimberly Halbauer
Francie Henry
Mark Hoppe
Randy Koporc
Cary Putrino
Thomas G. Welch, Jr.

FIFTH THIRD BANCORP BOARD COMMITTEES

Audit Committee
Eileen A. Mallesch, Chair
Katherine B. Blackburn
Thomas H. Harvey
Jewell D. Hoover
Michael B. McCallister

Finance Committee
Gary R. Heminger, Chair
Nicholas K. Akins
Jorge L. Benitez
Emerson L. Brumback
Michael B. McCallister
Marsha C. Williams

Human Capital and Compensation Committee
Michael B. McCallister, Chair
Emerson L. Brumback
Gary R. Heminger
Eileen A. Mallesch
Marsha C. Williams

Nominating and Corporate Governance Committee
Nicholas K. Akins, Chair
B. Evan Bayh III
Jorge L. Benitez
Katherine B. Blackburn
Thomas H. Harvey
Marsha C. Williams

Risk and Compliance Committee
Emerson L. Brumback, Chair
C. Bryan Daniels
Gary R. Heminger
Jewell D. Hoover
Eileen A. Mallesch

Technology Committee
Jorge L. Benitez, Chair
Nicholas K. Akins
B. Evan Bayh III
Linda W. Clement-Holmes
C. Bryan Daniels
Thomas H. Harvey

PERFORMANCE COMPARISON

For the years ended Dec. 31 *$ in millions, except per share data*	2020	2019	2018
EARNINGS AND DIVIDENDS			
Net Income	**$ 1,427**	$ 2,512	$ 2,193
Common Dividends Declared	**780**	691	499
Preferred Dividends Declared	**104**	93	75
PER COMMON SHARE			
Earnings	**$ 1.84**	$ 3.38	$ 3.11
Diluted Earnings	**1.83**	3.33	3.06
Cash Dividends Declared	**1.08**	0.94	0.74
Book Value	**29.46**	27.41	23.07
AT YEAR-END			
Total Assets	**$ 204,680**	$ 169,369	$ 146,069
Total Loans and Leases *(incl. Held-for-Sale)*	**113,523**	110,958	95,872
Deposits	**159,081**	127,062	108,835
Bancorp Shareholders' Equity	**23,111**	21,203	16,250
KEY RATIOS			
Net Interest Margin (FTE)[1]	**2.78%**	3.31%	3.22%
Efficiency Ratio (FTE)[1,2]	**61.9%**	55.8%	57.0%
CET1 Ratio	**10.34%**	9.75%	10.24%
Tier 1 Risk-Based Ratio	**11.83%**	10.99%	11.32%
Total Risk-Based Capital Ratio	**15.08%**	13.84%	14.48%
ACTUALS			
Common Shares Outstanding (000's)	**712,760**	708,916	646,631
Banking Centers	**1,134**	1,149	1,121
ATMs	**2,397**	2,481	2,419
Full-Time Equivalent Employees	**19,872**	19,869	17,437

[1] Non-GAAP measure. For further information, see the Non-GAAP Financial Measures section of MD&A.
[2] Certain prior period data has been reclassified to conform to current period presentation.

Stock Performance	2020 High	2020 Low	2020 Dividends Declared Per Share	2019 High	2019 Low	2019 Dividends Declared Per Share
Fourth Quarter	**$ 28.11**	**$ 20.52**	**$ 0.27**	$ 31.64	$ 25.42	$ 0.24
Third Quarter	**22.55**	**17.28**	**0.27**	30.20	24.97	0.24
Second Quarter	**24.93**	**13.15**	**0.27**	29.18	25.48	0.24
First Quarter	**31.02**	**11.10**	**0.27**	29.00	23.11	0.22

Includes intraday stock prices.
Fifth Third's common stock is traded on the NASDAQ® Global Select Market under the symbol "FITB."

FIFTH THIRD BANCORP

Corporate Address

38 Fountain Square Plaza
Cincinnati, OH 45263

www.53.com

1.800.972.3030

Investor Relations

(For Inquiries of Shareholders Only)

38 Fountain Square Plaza
MD 1090QC
Cincinnati, OH 45263

ir@53.com

1.866.670.0468

TRANSFER AGENT

American Stock Transfer and Trust Company, LLC.

For Correspondence:

6201 15th Ave.
Brooklyn, NY 11219

www.astfinancial.com

1.888.294.8285

For Dividend Reinvestment and Direct Stock Purchase Plan Transaction Processing:

P.O. Box 922
Wall Street Station
New York, NY 10269-0560

FIFTH THIRD BANCORP

Fifth Third Bancorp