FIFTH THIRD BANCORP
Form 10-Q
November 06, 2017
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended September 30, 2017

Commission File Number 001-33653

(Exact name of Registrant as specified in its charter)

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

Fifth Third Center

Cincinnati, Ohio 45263

(Address of principal executive offices)

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

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

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post 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. (Check one):

Large accelerated filer		Accelerated filer
Non-accelerated filer	(Do not check if a smaller reporting company)	Smaller reporting company
		Emerging growth company

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

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

There were 705,581,268 shares of the Registrant s common stock, without par value, outstanding as of October 31, 2017.

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FINANCIAL CONTENTS

FORWARD-LOOKING STATEMENTS

This report contains statements that we believe are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Rule 175 promulgated thereunder, and Section 21E of the Securities Exchange Act of 1934, as amended, and Rule 3b-6 promulgated thereunder. These statements relate to our financial condition, results of operations, plans, objectives, future performance or business. They usually can be identified by the use of forward-looking language such as will likely result, may, are expected to, is anticipated, potential, e forecast, projected, intends to, or may include other similar words or phrases such as believes, plans, trend, continue, remain, or similar expressions, or future or conditional verbs such as will, would, should, could, or similar verbs. You should not place undue reliance on these statements, as they are subject to risks and uncertainties, including but not limited to the risk factors set forth in our most recent Annual Report on Form 10-K. When considering these forward-looking statements, you should keep in mind these risks and uncertainties, as well as any cautionary statements we may make. Moreover, you should treat these statements as speaking only as of the date they are made and based only on information then actually known to us. There are a number of important factors that could cause future results to differ materially from historical performance and these forward-looking statements. Factors that might cause such a difference include, but are not limited to: (1) general economic or real estate market conditions, either nationally or in the states in which Fifth Third, one or more acquired entities and/or the combined company do business, weaken or are less favorable than expected; (2) deteriorating credit quality; (3) political developments, wars or other hostilities may disrupt or increase volatility in securities markets or other economic conditions; (4) changes in the interest rate environment reduce interest margins; (5) prepayment speeds, loan origination and sale volumes, charge-offs and loan loss provisions; (6) Fifth Third s ability to maintain required capital levels and adequate sources of funding and liquidity; (7) maintaining capital requirements and adequate sources of funding and liquidity may limit Fifth Third s operations and potential growth; (8) changes and trends in capital markets; (9) problems encountered by larger or similar financial institutions may adversely affect the banking industry and/or Fifth Third; (10) competitive pressures among depository institutions increase significantly; (11) changes in customer preferences or information technology systems; (12) effects of critical accounting policies and judgments; (13) changes in accounting policies or procedures as may be required by the Financial Accounting Standards Board (FASB) or other regulatory agencies; (14) legislative or regulatory changes or actions, or significant litigation, adversely affect Fifth Third, one or more acquired entities and/or the combined company or the businesses in which Fifth Third, one or more acquired entities and/or the combined company are engaged, including the Dodd-Frank Wall Street Reform and Consumer Protection Act; (15) ability to maintain favorable ratings from rating agencies; (16) failure of models or risk management systems or controls; (17) fluctuation of Fifth Third s stock price; (18) ability to attract and retain key personnel; (19) ability to receive dividends from its subsidiaries; (20) potentially dilutive effect of future acquisitions on current shareholders ownership of Fifth Third; (21) declines in the value of Fifth Third s goodwill or other intangible assets; (22) effects of accounting or financial results of one or more acquired entities; (23) difficulties from Fifth Third s investment in, relationship with, and nature of the operations of Vantiv Holding, LLC; (24) loss of income from any sale or potential sale of businesses; (25) difficulties in separating the operations of any branches or other assets divested; (26) losses or adverse impacts on the carrying values of branches and long-lived assets in connection with their sales or anticipated sales; (27) inability to achieve expected benefits from branch consolidations and planned sales within desired timeframes, if at all; (28) ability to secure confidential information and deliver products and services through the use of computer systems and telecommunications networks; (29) the negotiation and (if any) implementation by Vantiv, Inc. and/or Worldpay Group plc of the potential acquisition of Worldpay Group plc by Vantiv, Inc. and such other actions as Vantiv, Inc. and Worldpay Group plc may take in furtherance thereof; and (30) the impact of reputational risk created by these developments on such matters as business generation and retention, funding and liquidity.

Glossary of Abbreviations and Acronyms

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

ALCO: Asset Liability Management Committee

ALLL: Allowance for Loan and Lease Losses

AOCI: Accumulated Other Comprehensive Income

APR: Annual Percentage Rate

ARM: Adjustable Rate Mortgage

ASF: Available Stable Funding

ASU: Accounting Standards Update

ATM: Automated Teller Machine

BCBS: Basel Committee on Banking Supervision

BHC: Bank Holding Company

BOLI: Bank Owned Life Insurance

BPO: Broker Price Opinion

bps: Basis Points

CCAR: Comprehensive Capital Analysis and Review

CDC: Fifth Third Community Development Corporation

CET1: Common Equity Tier 1

CFPB: Consumer Financial Protection Bureau

C&I: Commercial and Industrial

GSE: United States Government Sponsored Enterprise

HQLA: High Quality Liquid Assets

IPO: Initial Public Offering

IRC: Internal Revenue Code

IRLC: Interest Rate Lock Commitment

ISDA: International Swaps and Derivatives Association, Inc.

LCR: Liquidity Coverage Ratio

LIBOR: London Interbank Offered Rate

LLC: Limited Liability Company

LTV: Loan-to-Value

MD&A: Management s Discussion and Analysis of Financial Condition and Results of Operations

MSA: Metropolitan Statistical Area

MSR: Mortgage Servicing Right

N/A: Not Applicable

NII: Net Interest Income

NM: Not Meaningful

NSFR: Net Stable Funding Ratio

DCF: Discounted Cash Flow

DFA: Dodd-Frank Wall Street Reform & Consumer Protection Act

DTCC: Depository Trust & Clearing Corporation

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

FICA: Federal Insurance Contributions Act

FICO: Fair Isaac Corporation (credit rating)

FINRA: Financial Industry Regulatory Authority

FNMA: Federal National Mortgage Association

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

OAS: Option-Adjusted Spread

OCI: Other Comprehensive Income (Loss)

OREO: Other Real Estate Owned

OTTI: Other-Than-Temporary Impairment

PCA: Prompt Corrective Action

RCC: Risk Compliance Committee

RSF: Required Stable Funding

SARs: Stock Appreciation Rights

SBA: Small Business Administration

SEC: United States Securities and Exchange Commission

TBA: To Be Announced

TDR: Troubled Debt Restructuring

TILA: Truth in Lending Act

TRA: Tax Receivable Agreement

U.S.: United States of America

U.S. GAAP: United States Generally Accepted Accounting Principles

VA: United States Department of Veteran Affairs

VIE: Variable Interest Entity

VRDN: Variable Rate Demand Note

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

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

TABLE 1: Selected Financial Data

($ in millions, except for per share data)	For the three months ended September 30, 2017	2016[h]	% Change	For the nine months ended September 30, 2017	2016[h]	% Change
Income Statement Data						
Net interest income (U.S. GAAP)	$ **970**	907	7	$ **2,842**	2,712	5
Net interest income (FTE)[a][b]	**977**	913	7	**2,861**	2,730	5
Noninterest income	**1,561**	840	86	**2,648**	2,075	28
Total revenue[a]	**2,538**	1,753	45	**5,509**	4,805	15
Provision for loan and lease losses	**67**	80	(16)	**193**	289	(33)
Noninterest expense	**975**	973	-	**2,918**	2,942	(1)
Net income attributable to Bancorp	**1,014**	516	97	**1,685**	1,170	44
Net income available to common shareholders	**999**	501	99	**1,633**	1,118	46
Common Share Data						
Earnings per share - basic	$ **1.37**	0.66	NM	$ **2.19**	1.45	51
Earnings per share - diluted	**1.35**	0.65	NM	**2.16**	1.44	50
Cash dividends declared per common share	**0.16**	0.13	23	**0.44**	0.39	13
Book value per share	**21.30**	20.44	4	**21.30**	20.44	4
Market value per share	**27.98**	20.46	37	**27.98**	20.46	37
Financial Ratios						
Return on average assets	**2.85** %	1.44	98	**1.60** %	1.10	45
Return on average common equity	**25.6**	12.8	100	**14.3**	9.8	46
Return on average tangible common equity[b]	**30.4**	15.2	100	**17.0**	11.6	47
Dividend payout ratio	**11.7**	19.7	(41)	**20.1**	26.9	(25)
Average total Bancorp shareholders equity as a percent of average assets	**11.93**	11.83	1	**11.83**	11.67	1
Tangible common equity as a percent of tangible assets[b]	**8.89**	8.78	1	**8.89**	8.78	1
Net interest margin[a][b]	**3.07**	2.88	7	**3.03**	2.88	5

Efficiency[(a)(b)]		**38.4**		55.5	(31)		**53.0**		61.2	(13)
Credit Quality										
Net losses charged-off	$	**68**		107	(36)	$	**221**		289	(24)
Net losses charged-off as a percent of average portfolio loans and leases		**0.29**	%	0.45	(36)		**0.32**	%	0.41	(22)
ALLL as a percent of portfolio loans and leases		**1.31**		1.37	(4)		**1.31**		1.37	(4)
Allowance for credit losses as a percent of portfolio loans and leases[(c)]		**1.48**		1.54	(4)		**1.48**		1.54	(4)
Nonperforming portfolio assets as a percent of portfolio loans and leases and OREO		**0.60**		0.75	(20)		**0.60**		0.75	(20)
Average Balances										
Loans and leases, including held for sale	$	**92,617**		94,417	(2)	$	**92,686**		94,434	(2)
Total securities and other short-term investments		**33,826**		31,675	7		**33,497**		31,763	5
Total assets		**140,992**		142,726	(1)		**140,495**		142,410	(1)
Transaction deposits[(d)]		**94,927**		94,855	-		**95,916**		94,821	1
Core deposits[(e)]		**98,649**		98,875	-		**99,680**		98,854	1
Wholesale funding[(f)]		**21,529**		22,236	(3)		**20,450**		22,418	(9)
Bancorp shareholders equity		**16,820**		16,883	-		**16,623**		16,615	-
Regulatory Capital and Liquidity Ratios										
CET1 capital[(g)]		**10.59**	%	10.17	4		**10.59**	%	10.17	4
Tier I risk-based capital[(g)]		**11.72**		11.27	4		**11.72**		11.27	4
Total risk-based capital[(g)]		**15.16**		14.88	2		**15.16**		14.88	2
Tier I leverage		**9.97**		9.80	2		**9.97**		9.80	2
CET1 capital (fully phased-in)[(b)(g)]		**10.47**		10.09	4		**10.47**		10.09	4
Modified LCR		**124**		115	8		**124**		115	8

*(a) Amounts presented on an FTE basis. The FTE adjustment for the three months ended **September 30, 2017** and 2016 was **$7** and $6, respectively, and for the nine months ended **September 30, 2017** and 2016 was **$19** and $18, respectively.*

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

(c) The allowance for credit losses is the sum of the ALLL and the reserve for unfunded commitments.

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

(e) Includes transaction deposits and other time deposits.

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

(g) Under the U.S. banking agencies Basel III Final Rule, assets and credit equivalent amounts of off-balance sheet exposures are calculated according to the standardized approach for risk-weighted assets. The resulting values are added together in the Bancorp s total risk-weighted assets.

(h) Net tax deficiencies of $6 were reclassified from capital surplus to applicable income tax expense for the nine months ended September 30, 2016, and average common shares outstanding diluted were adjusted for the three and nine months ended September 30, 2016, related to the early adoption of ASU 2016-09 during the fourth quarter of 2016, with an effective date of January 1, 2016.

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

OVERVIEW

Fifth Third Bancorp is a diversified financial services company headquartered in Cincinnati, Ohio. At September 30, 2017, the Bancorp had $142.3 billion in assets and operated 1,155 full-service banking centers and 2,465 ATMs in ten states throughout the Midwestern and Southeastern regions of the U.S. The Bancorp reports on four business segments: Commercial Banking, Branch Banking, Consumer Lending and Wealth and Asset Management. The Bancorp also has an approximate 8.6% interest in Vantiv Holding, LLC. The carrying value of the Bancorp s investment in Vantiv Holding, LLC was $219 million at September 30, 2017.

This overview of MD&A highlights selected information in the financial results of the Bancorp and may not contain all of the information that is important to you. For a more complete understanding of trends, events, commitments, uncertainties, liquidity, capital resources and critical accounting policies and estimates, you should carefully read this entire document as well as the Bancorp s Annual Report on Form 10-K for the year ended December 31, 2016. Each of these items could have an impact on the Bancorp s financial condition, results of operations and cash flows. In addition, refer to the Glossary of Abbreviations and Acronyms in this report for a list of terms included as a tool for the reader of this quarterly report on Form 10-Q. The abbreviations and acronyms identified therein are used throughout this MD&A, as well as the Condensed Consolidated Financial Statements and Notes to Condensed Consolidated Financial Statements.

Net interest income, net interest margin 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 three months ended September 30, 2017, net interest income on an FTE basis and noninterest income provided 38% and 62% of total revenue, respectively. For the nine months ended September 30, 2017, net interest income on an FTE basis and noninterest income provided 52% and 48% of total revenue, respectively. The Bancorp derives the majority of its revenues within the U.S. from customers domiciled in the U.S. Revenue from foreign countries and external customers domiciled in foreign countries was immaterial to the Condensed Consolidated Financial Statements for both the three and nine months ended September 30, 2017. Changes in interest rates, credit quality, economic trends and the capital markets are primary factors that drive the performance of the Bancorp. As discussed later in the Risk Management section of MD&A, risk identification, measurement, monitoring, control and reporting are important to the management of risk and to the financial performance and capital strength of the Bancorp.

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

Noninterest income is derived from service charges on deposits, wealth and asset management revenue, corporate banking revenue, card and processing revenue, mortgage banking net revenue, net securities gains and other noninterest income. Noninterest expense includes personnel costs, net occupancy expense, technology and communication costs, card and processing expense, equipment expense and other noninterest expense.

Vantiv, Inc. Share Sale

On August 7, 2017, Fifth Third Bancorp and Fifth Third Bank entered into a transaction agreement with Vantiv, Inc. and Vantiv Holding, LLC under which Fifth Third Bank agreed to exercise its right to exchange 19.79 million of its Class B Units in Vantiv Holding, LLC for 19.79 million shares of Vantiv, Inc. s Class A Common Stock and Vantiv, Inc. agreed to repurchase the newly issued shares of Class A Common Stock upon issue directly from Fifth Third Bank at a price of $64.04 per share, the closing share price of the Class A Common Stock on the New York Stock Exchange on August 4, 2017.

As a result of these transactions, the Bancorp recognized a gain of approximately $1.0 billion during the third quarter of 2017. Following the share repurchase, the Bancorp beneficially owns approximately 8.6% of Vantiv Holding, LLC s equity through its ownership of approximately 15.25 million Class B Units of Vantiv Holding, LLC. The Bancorp continues to account for this investment under the equity method given the nature of Vantiv Holding, LLC s structure as a limited liability company and contractual arrangements between Vantiv Holding, LLC and the Bancorp. For more information, refer to Note 19 of the Notes to Condensed Consolidated Financial Statements.

Accelerated Share Repurchase Transactions

During the nine months ended September 30, 2017, the Bancorp entered into or settled accelerated share repurchase transactions. As part of these transactions, the Bancorp entered into forward contracts in which the final number of shares delivered at settlement was based generally on a discount to the average daily volume weighted-average price of the Bancorp s common stock during the term of the repurchase agreements.

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

For more information on the accelerated share repurchase program, refer to Note 16 of the Notes to Condensed Consolidated Financial Statements. For a summary of the Bancorp s accelerated share repurchase transactions that were entered into or settled during the nine months ended September 30, 2017, refer to Table 2.

TABLE 2: Summary of Accelerated Share Repurchase Transactions

Repurchase Date	Amount ($ in millions)	Shares Repurchased on Repurchase Date	Shares Received from Forward Contract Settlement	Total Shares Repurchased	Settlement Date
December 20, 2016	$ 155	4,843,750	1,044,362	5,888,112	February 6, 2017
May 1, 2017	342	11,641,971	2,248,250	13,890,221	July 31, 2017
August 17, 2017	990	31,540,480	*(a)*	*(a)*	*(a)*

(a) The settlement of the transaction is expected to occur on or before December 18, 2017.

Senior Notes Offering

On June 15, 2017, the Bancorp issued and sold $700 million of 2.60% senior fixed-rate notes, with a maturity of five years, due on June 15, 2022. 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 plus accrued and unpaid interest thereon to, but excluding, the redemption date.

Automobile Loan Securitization

In a securitization transaction that occurred in September of 2017, the Bancorp transferred $1.1 billion in aggregate automobile loans to a bankruptcy remote trust which subsequently issued approximately $1.0 billion of asset-backed notes, of which approximately $261 million of the asset-backed notes were retained by the Bancorp, resulting in approximately $750 million of outstanding notes included in long-term debt in the Condensed Consolidated Balance Sheets. Additionally, as discussed in Note 11, the bankruptcy remote trust was deemed to be a VIE and the Bancorp, as the primary beneficiary, consolidated the VIE. The third-party holders of the asset-backed notes do not have recourse to the general assets of the Bancorp. For additional information on this automobile loan securitization, refer to Note 11 and Note 15 of the Notes to Condensed Consolidated Financial Statements.

Earnings Summary

The Bancorp s net income available to common shareholders for the third quarter of 2017 was $999 million, or $1.35 per diluted share, which was net of $15 million in preferred stock dividends. The Bancorp s net income available to common shareholders for the third quarter of 2016 was $501 million, or $0.65 per diluted share, which was net of $15 million in preferred stock dividends. The Bancorp s net income available to common shareholders for the nine months ended September 30, 2017 was $1.6 billion, or $2.16 per diluted share, which was net of $52 million in preferred stock dividends. For the nine months ended September 30, 2016, the Bancorp s net income available to common shareholders was $1.1 billion, or $1.44 per diluted share, which was net of $52 million in preferred stock dividends.

Net interest income on an FTE basis (non-GAAP) was $977 million and $2.9 billion for the three and nine months ended September 30, 2017, respectively, an increase of $64 million and $131 million compared to the same periods in the prior year. For both the three and nine months ended September 30, 2017, net interest income was positively impacted by increases in yields on average loans and leases, increases in average taxable securities and decreases in average long-term debt. Additionally, net interest income was positively impacted by the decisions of the Federal Open Market Committee in December 2016, March 2017 and June 2017 to raise the target range of federal funds rate 25 bps and a favorable consumer loan mix shift. These positive impacts were partially offset by decreases in average loans and leases and increases in the rates paid on average other short-term borrowings, average long-term debt and average interest-bearing core deposits during both the three and nine months ended September 30, 2017. Net interest margin on an FTE basis (non-GAAP) was 3.07% and 3.03% for the three and nine months ended September 30, 2017, respectively compared to 2.88% for both periods in the prior year.

Noninterest income increased $721 million for the three months ended September 30, 2017 compared to the same period in the prior year primarily due to an increase in other noninterest income, partially offset by a decrease in corporate banking revenue. Other noninterest income increased $740 million during the three months ended September 30, 2017 compared to the three months ended September 30, 2016 primarily due to the gain on sale of Vantiv, Inc. shares, a decrease in the net losses on disposition and impairment of bank premises and equipment and an increase in private equity investment income. These benefits were partially offset by the impact of income from the TRA transactions associated with Vantiv, Inc. during the third quarter of 2016, as well as an increase in the loss on the swap associated with the sale of Visa, Inc. Class B shares and a decrease in equity method income from the Bancorp s interest in Vantiv Holding, LLC during the three months ended September 30, 2017. Corporate banking revenue decreased $10 million for the three months ended September 30, 2017 compared to the same period in the prior year primarily due to a decrease in lease remarketing fees.

Noninterest income increased $573 million for the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016 primarily due to an increase in other noninterest income, partially offset by decreases in corporate banking revenue and mortgage banking net revenue. Other noninterest income increased $685 million during the nine months ended September 30, 2017 compared to the same period in the prior year primarily due to the gain on sale of Vantiv, Inc. shares, an increase in private equity investment income and a decrease in the net losses on disposition and impairment of bank premises and equipment. These benefits were partially offset by the impact of certain transactions that occurred during the nine months ended September 30, 2016 which included the impact of income from the TRA transactions associated with Vantiv, Inc., positive valuation adjustments on the warrant associated with Vantiv Holding, LLC and the gains on the sale of certain retail branch operations. The nine months ended September 30, 2017 also included a reduction in equity method income from the Bancorp s interest in Vantiv Holding, LLC and an increase in the loss on the swap associated with the sale of Visa, Inc. Class B Shares. Corporate banking revenue decreased $54 million during the nine months ended September 30, 2017 compared to the same period in the prior year primarily due to decreases in lease remarketing fees, foreign exchange fees and letter of credit fees. Mortgage banking net revenue decreased $49 million during the nine months ended September 30, 2017 compared to the same period in the prior year primarily driven by a decrease in origination fees and gains on loan sales.

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

Noninterest expense increased $2 million for the three months ended September 30, 2017 compared to the same period in the prior year primarily due to increases in personnel costs partially offset by a decrease in other noninterest expense. Personnel costs increased $6 million for the three months ended September 30, 2017 compared to the same period in the prior year driven by an increase in base compensation primarily due to personnel additions in information technology. Other noninterest expense decreased $8 million for the three months ended September 30, 2017 compared to the same period in the prior year primarily due to the benefit from the reserve for unfunded commitments and a decrease in donations expense and loan and lease expense, partially offset by increases in losses and adjustments and marketing expense.

Noninterest expense decreased $24 million for the nine months ended September 30, 2017 compared to the same period in the prior year primarily due to decreases in other noninterest expense, card and processing expense and net occupancy expense, partially offset by an increase in personnel costs. Other noninterest expense decreased $28 million for the nine months ended September 30, 2017 compared to the same period in the prior year primarily due to the benefit from the reserve for unfunded commitments and decreases in impairment on affordable housing investments, loan and lease expense, donations expense, and losses and adjustments, partially offset by increases in professional service fees and marketing expense. Card and processing expense decreased $6 million for the nine months ended September 30, 2017 compared to the same period in the prior year primarily due to the impact of renegotiated service contracts. Net occupancy expense decreased $5 million for the nine months ended September 30, 2017 compared to the same period in the prior year due to lower rent expense driven by a reduction in the number of full-service banking centers and ATM locations. These items were partially offset by an increase in personnel costs of $17 million for the nine months ended September 30, 2017 compared to the same period in the prior year driven by increases in long-term incentive compensation, base compensation and medical and FICA expenses, partially offset by a decrease in severance costs related to the Bancorp s voluntary early retirement program in 2016.

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

Credit Summary

The provision for loan and lease losses was $67 million and $193 million for the three and nine months ended September 30, 2017, respectively, compared to $80 million and $289 million for the comparable periods in 2016. Net losses charged-off as a percent of average portfolio loans and leases decreased to 0.29% during the three months ended September 30, 2017 compared to 0.45% during the same period in the prior year and decreased to 0.32% for the nine months ended September 30, 2017 compared to 0.41% for the same period in the prior year. At September 30, 2017, nonperforming portfolio assets as a percent of portfolio loans and leases and OREO decreased to 0.60% compared to 0.80% at December 31, 2016. For further discussion on credit quality refer to the Credit Risk Management subsection of the Risk Management section of MD&A.

Capital Summary

The Bancorp s capital ratios exceed the well-capitalized guidelines as defined by the PCA requirements of the U.S. banking agencies. As of September 30, 2017, as calculated under the Basel III transition provisions, the CET1 capital ratio was 10.59%, the Tier I risk-based capital ratio was 11.72%, the Total risk-based capital ratio was 15.16% and the Tier I leverage ratio was 9.97%.

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

NON-GAAP FINANCIAL MEASURES

The following are non-GAAP measures which are important to the reader of the Condensed Consolidated Financial Statements but should be supplemental to 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, net interest margin and the efficiency ratio on an FTE basis to U.S. GAAP:

TABLE 3: Non-GAAP Financial Measures - Net Interest Income, Net Interest Margin and Efficiency Ratio on an FTE Basis

		For the three months ended September 30,			For the nine months ended September 30,	
($ in millions)		**2017**		2016	**2017**	2016
Net interest income (U.S. GAAP)	$	**970**		907	**2,842**	2,712
Add: FTE adjustment		**7**		6	**19**	18
Net interest income on an FTE basis (1)	$	**977**		913	**2,861**	2,730
Net interest income on an FTE basis (annualized) (2)		**3,876**		3,632	**3,815**	3,640
Noninterest income (3)	$	**1,561**		840	**2,648**	2,075
Noninterest expense (4)		**975**		973	**2,918**	2,942
Average interest-earning assets (5)		**126,443**		126,092	**126,183**	126,197
Ratios:						
Net interest margin on an FTE basis (2) / (5)		**3.07**	%	2.88	**3.03**	2.88
Efficiency ratio on an FTE basis (4) / (1) + (3)		**38.4**		55.5	**53.0**	61.2

The following table reconciles the non-GAAP financial measure of income before income taxes on an FTE basis to U.S. GAAP:

TABLE 4: Non-GAAP Financial Measure - Income Before Income Taxes on an FTE Basis

($ in millions)		For the three months ended September 30, 2017	2016	For the nine months ended September 30, 2017	2016
Income before income taxes (U.S. GAAP)	$	**1,489**	694	**2,379**	1,556
Add: FTE adjustment		**7**	6	**19**	18
Income before income taxes on an FTE basis	$	**1,496**	700	**2,398**	1,574

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

($ in millions)		For the three months ended September 30, 2017	2016	For the nine months ended September 30, 2017	2016[(a)]
Net income available to common shareholders (U.S. GAAP)	$	**999**	501	**1,633**	1,118
Add: Intangible amortization, net of tax		**-**	-	**1**	1
Tangible net income available to common shareholders	$	**999**	501	**1,634**	1,119
Tangible net income available to common shareholders (annualized) (1)		**3,963**	1,993	**2,179**	1,492
Average Bancorp shareholders equity (U.S. GAAP)	$	**16,820**	16,883	**16,623**	16,615
Less: Average preferred stock		**(1,331)**	(1,331)	**(1,331)**	(1,331)
Average goodwill		**(2,423)**	(2,416)	**(2,421)**	(2,416)
Average intangible assets and other servicing rights		**(18)**	(10)	**(15)**	(10)
Average tangible common equity (2)	$	**13,048**	13,126	**12,856**	12,858
Return on average tangible common equity (1) / (2)		**30.4 %**	15.2	**17.0**	11.6

(a) Net tax deficiencies of $6 were reclassified from capital surplus to applicable income tax expense for the nine months ended September 30, 2016, related to the early adoption of ASU 2016-09 during the fourth quarter of 2016, with an effective date of January 1, 2016.

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.

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

Additionally, the Bancorp became subject to the Basel III Final Rule on January 1, 2015 which defined various regulatory capital ratios including the CET1 ratio. The CET1 capital ratio has transition provisions that will be phased out over time. The Bancorp is presenting the CET1 capital ratio on a fully phased-in basis for comparative purposes with other organizations. The Bancorp considers the fully phased-in CET1 ratio a non-GAAP measure since it is not the CET1 ratio in effect for the periods presented. Since analysts and the U.S. banking agencies may assess the Bancorp s capital adequacy using these ratios, the Bancorp believes they are useful to provide investors the ability to assess its capital adequacy on the same basis. The Bancorp encourages readers to consider its Condensed Consolidated Financial Statements in their entirety and not to rely on any single financial measure.

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

TABLE 6: Non-GAAP Financial Measures - Capital Ratios

As of ($ in millions)		**September 30, 2017**	December 31, 2016
Total Bancorp Shareholders Equity (U.S. GAAP)	**$**	**16,360**	16,205
Less: Preferred stock		**(1,331)**	(1,331)
Goodwill		**(2,423)**	(2,416)
Intangible assets and other servicing rights		**(18)**	(10)
AOCI		**(185)**	(59)
Tangible common equity, excluding unrealized gains / losses (1)		**12,403**	12,389
Add: Preferred stock		**1,331**	1,331
Tangible equity (2)	**$**	**13,734**	13,720
Total Assets (U.S. GAAP)	**$**	**142,264**	142,177
Less: Goodwill		**(2,423)**	(2,416)
Intangible assets and other servicing rights		**(18)**	(10)
AOCI, before tax		**(285)**	(91)
Tangible assets, excluding unrealized gains / losses (3)	**$**	**139,538**	139,660
Ratios:			
Tangible equity as a percentage of tangible assets (2) / (3)		**9.84 %**	9.82
Tangible common equity as a percentage of tangible assets (1) / (3)		**8.89**	8.87
Basel III Final Rule - Transition to Fully Phased-In			
CET1 capital (transitional)	**$**	**12,443**	12,426
Less: Adjustments to CET1 capital from transitional to fully phased-in[(a)]		**(4)**	(4)
CET1 capital (fully phased-in) (4)		**12,439**	12,422
Risk-weighted assets (transitional)[(b)]		**117,527**	119,632
		1,272	1,115

Add: Adjustments to risk-weighted assets from transitional to fully phased-in[c]			
Risk-weighted assets (fully phased-in) (5)	**$**	**118,799**	120,747
CET1 capital ratio under Basel III Final Rule (fully phased-in) (4) / (5)		**10.47 %**	10.29

(a) Primarily relates to disallowed intangible assets (other than goodwill and MSRs, net of associated deferred tax liabilities).

(b) Under the banking agencies risk-based capital guidelines, assets and credit equivalent amounts of derivatives and off-balance sheet exposures are assigned to broad risk categories. The aggregate dollar amount in each risk category is multiplied by the associated risk-weight of the category. The resulting weighted values are added together, along with the measure for market risk, resulting in the Bancorp s total risk-weighted assets.

(c) Primarily relates to higher risk-weighting for MSRs.

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

RECENT ACCOUNTING STANDARDS

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

CRITICAL ACCOUNTING POLICIES

The Bancorp s Condensed Consolidated Financial Statements are prepared in accordance with U.S. GAAP. Certain accounting policies require management to exercise judgment in determining methodologies, economic assumptions and estimates that may materially affect the Bancorp s financial position, results of operations and cash flows. The Bancorp s critical accounting policies include the accounting for the ALLL, reserve for unfunded commitments, income taxes, valuation of servicing rights, fair value measurements, goodwill and legal contingencies. These accounting policies are discussed in detail in the Critical Accounting Policies section of the Bancorp s Annual Report on Form 10-K for the year ended December 31, 2016. Effective January 1, 2017, the Bancorp elected to adopt the fair value method of measuring all existing classes of its residential mortgage servicing rights as described below. Previously, the Bancorp had measured its servicing rights subsequent to initial recognition using the amortization method. There have been no other material changes to the valuation techniques or models during the nine months ended September 30, 2017.

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 from time to time. Effective January 1, 2017, the Bancorp elected to prospectively adopt the fair value method for all existing classes of its residential mortgage servicing rights portfolio. Upon this election, all servicing rights in these classes are measured at fair value at each reporting date and changes in the fair value of servicing rights are 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 spread 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.

Prior to the election of the fair value method, servicing rights were initially recorded at fair value and subsequently amortized in proportion to, and over the period of, estimated net servicing revenue. Servicing rights were assessed for impairment monthly, based on fair value, with temporary impairment recognized through a valuation allowance and other-than-temporary impairment recognized through a write-off of the servicing asset and related valuation allowance.

For additional information on servicing rights, refer to Note 12 of the Notes to Condensed Consolidated Financial Statements.

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

STATEMENTS OF INCOME ANALYSIS

Net Interest Income

Net interest income is the interest earned on loans and leases (including yield-related fees), securities and other short-term investments less the interest paid for 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 7 and 8 present the components of net interest income, net interest margin and net interest rate spread for the three and nine months ended September 30, 2017 and 2016, as well as the relative impact of changes in the 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 on available-for-sale and other securities included in other assets.

Net interest income on an FTE basis (non-GAAP) was $977 million and $2.9 billion for the three and nine months ended September 30, 2017, respectively, an increase of $64 million and $131 million compared to the same periods in the prior year. Net interest income was positively impacted by an increase in yields on average loans and leases of 42 bps and 31 bps for the three and nine months ended September 30, 2017, respectively. Net interest income also benefited from increases in average taxable securities of $2.5 billion and $2.3 billion for the three and nine months ended September 30, 2017, respectively, and decreases in average long-term debt of $2.6 billion and $1.9 billion for the three and nine months ended September 30, 2017, respectively, compared to the same periods in the prior year. Additionally, net interest income was positively impacted by the decisions of the Federal Open Market Committee in December 2016, March 2017 and June 2017 to raise the target range of the federal funds rate 25 bps and a favorable consumer loan mix shift. These positive impacts were partially offset by decreases in average loans and leases and increases in the rates paid on average other short-term borrowings, average long-term debt and average interest-bearing core deposits for both the three and nine months ended September 30, 2017 compared to the same periods in the prior year. Average loans and leases decreased $1.8 billion and $1.7 billion for the three and nine months ended September 30, 2017, respectively, compared to the same periods in the prior year. The rates paid on average other short-term borrowings increased 79 bps and 56 bps, respectively, for the three and nine months ended September 30, 2017 compared to the same periods in the prior year. The rates paid on average long-term debt increased 42 bps for both the three and nine months ended September 30, 2017 compared to the same periods in the prior year. The rates paid on average interest-bearing core deposits increased 13 bps and 9 bps, respectively, for the three and nine months ended September 30, 2017 compared to the same periods in the prior year.

Net interest rate spread was 2.79% and 2.77% during the three and nine months ended September 30, 2017, respectively, compared to 2.66% and 2.68% in the same periods in the prior year. Yields on average interest-earning assets increased 28 bps and 21 bps for the three and nine months ended September 30, 2017, respectively, partially offset by a 15 bps and 12 bps increase in rates paid on average interest-bearing liabilities for the three and nine months ended September 30, 2017, respectively, compared to the same periods in the prior year.

Net interest margin on an FTE basis (non-GAAP) was 3.07% and 3.03% for the three and nine months ended September 30, 2017, respectively, compared to 2.88% for both the three and nine months ended September 30, 2016. The increase for both periods was driven primarily by the previously mentioned increases in the net interest rate spread partially offset by a decrease in average free funding balances. The decrease in average free funding balances for both periods was driven by a decrease in average demand deposits of $1.1 billion and $729 million for the three and nine months ended September 30, 2017, respectively, compared to the same periods in the prior year.

Interest income on an FTE basis from loans and leases (non-GAAP) increased $83 million and $166 million for the three and nine months ended September 30, 2017, respectively, compared to the same periods in the prior year. The increase for both periods was driven by the previously mentioned increases in yields on average loans and leases, partially offset by decreases in average loans and leases. Average loans and leases decreased for both periods primarily due to decreases in average commercial and industrial loans and average automobile loans partially offset by an increase in average residential mortgage loans. For more information on the Bancorp s loan and lease portfolio, refer to the Loans and Leases subsection of the Balance Sheet Analysis section of MD&A. Interest income from investment securities and other short-term investments increased $13 million and $37 million for the three and nine months ended September 30, 2017, respectively, compared to the same periods in the prior year primarily as a result of the aforementioned increases in average taxable securities.

Interest expense on core deposits increased $20 million and $45 million for the three and nine months ended September 30, 2017, respectively, compared to the same periods in the prior year. These increases were primarily due to increases in the cost of average interest-bearing core deposits to 39 bps and 35 bps for the three and nine months ended September 30, 2017, respectively, from 26 bps for both the three and nine months ended September 30, 2016. The increase in the cost of average interest-bearing core deposits for both periods was primarily due to increases in the cost of 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 increased $12 million and $27 million for the three and nine months ended September 30, 2017, respectively, compared to the same periods in the prior year primarily due to the previously mentioned increases in the rates paid on average other short-term borrowings and average long-term debt partially offset by the aforementioned decreases in average long-term debt. Refer to the Borrowings subsection of the Balance Sheet Analysis section of MD&A for additional information on the Bancorp s borrowings. During the three and nine months ended September 30, 2017, average wholesale funding represented 25% and 24% of average interest-bearing liabilities, respectively, compared to 26% during both the three and nine months ended September 30, 2016.

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

For more information on the Bancorp s interest rate risk management, including estimated earnings sensitivity to changes in market interest rates, see the Market Risk Management subsection of the Risk Management section of MD&A.

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

For the three months ended		**September 30, 2017**				September 30, 2016				Attribution of Change in Net Interest Income[a]		
($ in millions)		Average Balance	Revenue/ Cost	Average Yield/ Rate		Average Balance	Revenue/ Cost	Average Yield/ Rate		Volume	Yield/Rate	Total
Assets:												
Interest-earning assets:												
Loans and leases:[b]												
Commercial and industrial loans	$	**41,314**	**391**	**3.75%**	$	43,125	356	3.28%	$	(14)	49	35
Commercial mortgage loans		**6,814**	**66**	**3.85**		6,891	57	3.31		-	9	9
Commercial construction loans		**4,533**	**48**	**4.23**		3,848	33	3.43		7	8	15
Commercial leases		**4,079**	**28**	**2.70**		3,963	26	2.64		1	1	2
Total commercial loans and leases		**56,740**	**533**	**3.72**		57,827	472	3.25		(6)	67	61
Residential mortgage loans		**16,206**	**142**	**3.48**		15,346	136	3.51		7	(1)	6
Home equity		**7,207**	**80**	**4.39**		7,918	75	3.76		(7)	12	5
Automobile loans		**9,267**	**69**	**2.96**		10,508	72	2.71		(9)	6	(3)
Credit card		**2,140**	**63**	**11.63**		2,165	56	10.34		-	7	7
Other consumer loans		**1,057**	**18**	**6.89**		653	11	6.90		7	-	7
Total consumer loans		**35,877**	**372**	**4.12**		36,590	350	3.80		(2)	24	22
Total loans and leases	$	**92,617**	**905**	**3.88%**	$	94,417	822	3.46%	$	(8)	91	83
Securities:												
Taxable		**32,289**	**249**	**3.06**		29,772	238	3.18		21	(10)	11
Exempt from income taxes[b]		**65**	**1**	**5.33**		76	1	4.91		-	-	-
Other short-term investments		**1,472**	**4**	**1.16**		1,827	2	0.44		(1)	3	2

Total interest-earning assets	$	**126,443**	**1,159**	**3.64%**	$	126,092	1,063	3.36%	$	12	84	96
Cash and due from banks		**2,227**				2,289						
Other assets		**13,532**				15,644						
Allowance for loan and lease losses		**(1,210)**				(1,299)						
Total assets	$	**140,992**			$	142,726						
Liabilities and Equity:												
Interest-bearing liabilities:												
Interest checking deposits	$	**25,765**	**29**	**0.44%**	$	24,475	14	0.23%	$	1	14	15
Savings deposits		**13,889**	**2**	**0.06**		14,232	2	0.04		(1)	1	-
Money market deposits		**20,028**	**19**	**0.39**		19,706	13	0.27		-	6	6
Foreign office deposits		**395**	**-**	**0.21**		524	-	0.17		-	-	-
Other time deposits		**3,722**	**12**	**1.23**		4,020	13	1.24		(1)	-	(1)
Total interest-bearing core deposits		**63,799**	**62**	**0.39**		62,957	42	0.26		(1)	21	20
Certificates $100,000 and over		**2,625**	**9**	**1.38**		2,768	8	1.28		-	1	1
Other deposits		**560**	**2**	**1.16**		749	1	0.41		-	1	1
Federal funds purchased		**675**	**2**	**1.16**		446	-	0.40		1	1	2
Other short-term borrowings		**4,212**	**12**	**1.09**		2,171	2	0.30		3	7	10
Long-term debt		**13,457**	**95**	**2.82**		16,102	97	2.40		(18)	16	(2)
Total interest-bearing liabilities	$	**85,328**	**182**	**0.85%**	$	85,193	150	0.70%	$	(15)	47	32
Demand deposits		**34,850**				35,918						
Other liabilities		**3,973**				4,704						
Total liabilities	$	**124,151**			$	125,815						
Total equity	$	**16,841**			$	16,911						
Total liabilities and equity	$	**140,992**			$	142,726						
Net interest income (FTE)[(c)]			**$ 977**				$ 913		$	27	37	64
Net interest margin (FTE)[(c)]				**3.07%**				2.88%				
Net interest rate spread (FTE)				**2.79**				2.66				
Interest-bearing liabilities to interest-earning assets				**67.48**				67.56				

(a)

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

(b) *The FTE adjustments included in the above table were **$7** and $6 for the three months ended **September 30, 2017** and 2016, respectively.*

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

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

TABLE 8: Condensed Average Balance Sheets and Analysis of Net Interest Income on an FTE Basis

r the nine months ended	**September 30, 2017**			September 30, 2016			Attribution of Change in Net Interest Income[a]		
in millions)	Average Balance	Revenue/ Cost	Average Yield/ Rate	Average Balance	Revenue/ Cost	Average Yield/ Rate	Volume	Yield/Rate	Tota
ssets:									
terest-earning assets:									
oans and leases:[b]									
Commercial and industrial loans	**$ 41,619**	**1,123**	**3.61%**	$ 43,376	1,057	3.25%	$ (45)	111	66
Commercial mortgage loans	**6,873**	**189**	**3.68**	6,878	169	3.29	-	20	20
Commercial construction loans	**4,277**	**128**	**4.01**	3,567	91	3.39	19	18	37
Commercial leases	**4,008**	**81**	**2.71**	3,914	79	2.71	2	-	2
otal commercial loans and leases	**56,777**	**1,521**	**3.58**	57,735	1,396	3.23	(24)	149	125
Residential mortgage loans	**16,011**	**423**	**3.53**	14,866	397	3.57	31	(5)	26
Home equity	**7,389**	**232**	**4.19**	8,072	229	3.79	(20)	23	3
Automobile loans	**9,486**	**204**	**2.88**	10,892	219	2.68	(31)	16	(15
Credit card	**2,121**	**188**	**11.84**	2,213	174	10.48	(8)	22	14
Other consumer loans	**902**	**45**	**6.70**	656	32	6.51	12	1	13
otal consumer loans	**35,909**	**1,092**	**4.06**	36,699	1,051	3.82	(16)	57	41
otal loans and leases	**$ 92,686**	**2,613**	**3.77%**	$ 94,434	2,447	3.46%	$ (40)	206	166
curities:									
Taxable	**32,067**	**738**	**3.08**	29,798	705	3.16	53	(20)	33
Exempt from income taxes[b]	**63**	**2**	**5.38**	80	2	4.43	(1)	1	
her short-term investments	**1,367**	**10**	**0.97**	1,885	6	0.43	(2)	6	4
otal interest-earning assets	**$ 126,183**	**3,363**	**3.56%**	$ 126,197	3,160	3.35%	$ 10	193	203
Cash and due from banks	**2,202**			2,284					
Other assets	**13,343**			15,218					
Allowance for loan and lease losses	**(1,233)**			(1,289)					
otal assets	**$ 140,495**			$ 142,410					
abilities and Equity:									
terest-bearing liabilities:									
nterest checking deposits	**$ 26,176**	**73**	**0.38%**	$ 24,974	42	0.23%	$ 2	29	31
avings deposits	**14,081**	**6**	**0.06**	14,469	5	0.05	-	1	1
Money market deposits	**20,301**	**53**	**0.35**	19,203	37	0.26	2	14	16
oreign office deposits	**409**	**1**	**0.17**	497	1	0.16	-	-	
Other time deposits	**3,764**	**35**	**1.23**	4,033	38	1.23	(3)	-	(3
otal interest-bearing core deposits	**64,731**	**168**	**0.35**	63,176	123	0.26	1	44	45
Certificates $100,000 and over	**2,609**	**27**	**1.36**	2,801	27	1.28	(2)	2	
Other deposits	**330**	**2**	**1.03**	407	1	0.41	(1)	2	1
ederal funds purchased	**542**	**4**	**0.94**	582	2	0.38	-	2	2

Other short-term borrowings	**3,441**	**24**	**0.92**	3,160	8	0.36	1	15	16
Long-term debt	**13,528**	**277**	**2.75**	15,468	269	2.33	(37)	45	8
otal interest-bearing liabilities	**$ 85,181**	**502**	**0.79%**	$ 85,594	430	0.67%	$ (38)	110	72
emand deposits	**34,949**			35,678					
her liabilities	**3,717**			4,492					
otal liabilities	**$ 123,847**			$ 125,764					
otal equity	**$ 16,648**			$ 16,646					
otal liabilities and equity	**$ 140,495**			$ 142,410					
et interest income (FTE)[(c)]		**$ 2,861**			$ 2,730		$ 48	83	131
et interest margin (FTE)[(c)]			**3.03%**			2.88%			
et interest rate spread (FTE)			**2.77**			2.68			
terest-bearing liabilities to interest-earning assets			**67.51**			67.83			

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

*(b) The FTE adjustments included in the above table were **$19** and $18 for the nine months ended **September 30, 2017** and 2016, respectively.*

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

Provision for Loan and Lease Losses

The Bancorp provides as an expense an amount for probable loan and lease losses within the loan and lease portfolio that is based on factors previously discussed in the Critical Accounting Policies section of the Bancorp s Annual Report on Form 10-K for the year ended December 31, 2016. The provision is recorded to bring the ALLL to a level deemed appropriate by the Bancorp to cover losses inherent in the portfolio. Actual credit losses on loans and leases are charged against the ALLL. The amount of loans and leases actually removed from the Condensed Consolidated Balance Sheets are referred to as charge-offs. Net charge-offs include current period charge-offs less recoveries on previously charged-off loans and leases.

The provision for loan and lease losses was $67 million and $193 million for the three and nine months ended September 30, 2017, respectively, compared to $80 million and $289 million during the same periods in the prior year. The decrease in provision expense for both periods was primarily due to the decrease in the level of commercial criticized assets, which reflected improvement in the national economy and stabilization of commodity prices, and a decrease in outstanding loan balances. The ALLL decreased $48 million from December 31, 2016 to $1.2 billion at September 30, 2017. At September 30, 2017, the ALLL as a percent of portfolio loans and leases decreased to 1.31% compared to 1.36% at December 31, 2016.

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

Refer to the Credit Risk Management subsection of the Risk Management section of MD&A as well as Note 6 of the Notes to Condensed Consolidated Financial Statements for more detailed information on the provision for loan and lease losses, including an analysis of loan and lease portfolio composition, nonperforming assets, net charge-offs and other factors considered by the Bancorp in assessing the credit quality of the loan and lease portfolio and the ALLL.

Noninterest Income

Noninterest income increased $721 million and $573 million for the three and nine months ended September 30, 2017, respectively, compared to the same periods in the prior year.

The following table presents the components of noninterest income:

TABLE 9: Components of Noninterest Income

($ in millions)	For the three months ended September 30, 2017	2016	% Change	For the nine months ended September 30, 2017	2016	% Change
Service charges on deposits	$ **138**	143	(3)	$ **415**	417	-
Wealth and asset management revenue	**102**	101	1	**313**	304	3
Corporate banking revenue	**101**	111	(9)	**276**	330	(16)
Card and processing revenue	**79**	79	-	**232**	240	(3)
Mortgage banking net revenue	**63**	66	(5)	**170**	219	(22)
Other noninterest income	**1,076**	336	NM	**1,237**	552	NM
Securities gains, net	**-**	4	(100)	**1**	13	(92)
Securities gains, net, non-qualifying hedges on MSRs	**2**	-	NM	**4**	-	NM
Total noninterest income	$ **1,561**	840	86	$ **2,648**	2,075	28

Service charges on deposits

Service charges on deposits decreased $5 million and $2 million for the three and nine months ended September 30, 2017, respectively, compared to the same periods in the prior year. The decrease for the three and nine months ended September 30, 2017 compared to the same periods in the prior year was primarily due to decreases of $3 million and $1 million, respectively, in commercial deposit fees and decreases of $2 million and $1 million, respectively, in consumer deposit fees.

Wealth and asset management revenue

Wealth and asset management revenue increased $1 million and $9 million for the three and nine months ended September 30, 2017, respectively, compared to the same periods in the prior year. The increase for both the three and nine months ended September 30, 2017 compared to the same periods in the prior year was primarily due to increases of $1 million and $8 million, respectively, in private client service fees driven by the impact of an acquisition in the second quarter of 2017 and an increase in assets under management as a result of strong market performance and increased asset production. The Bancorp s trust and registered investment advisory businesses had approximately $348 billion and $314 billion in total assets under care at September 30, 2017 and 2016, respectively, and managed $36 billion and $30 billion in assets for individuals, corporations and not-for-profit organizations at September 30, 2017 and 2016, respectively.

Corporate banking revenue

Corporate banking revenue decreased $10 million and $54 million for the three and nine months ended September 30, 2017, respectively, compared to the same periods in the prior year. The decrease for both the three months and nine months ended September 30, 2017 compared to the same periods in the prior year was primarily driven by decreases in lease remarketing fees of $7 million and $36 million, respectively. The decrease in lease remarketing fees for the three months ended September 30, 2017 included the impact of an $11 million gain recognized during the three months ended September 30, 2016 on certain commercial lease terminations partially offset by $6 million of impairment charges related to certain operating lease equipment. The decrease in lease remarketing fees for the nine months ended September 30, 2017 included the impact of a $31 million impairment charge related to certain operating lease assets that was recognized during the first quarter of 2017 and the previously mentioned gain on commercial lease terminations and impairment charges on operating lease equipment during the nine months ended September 30, 2016. Additionally, the decrease in corporate banking revenue for the nine months ended September 30, 2017 compared to the same period in the prior year also included an $11 million decrease in foreign exchange fees and a $5 million decrease in letter of credit fees.

Card and processing revenue

Card and processing revenue was flat for the three months ended September 30, 2017 and decreased $8 million for the nine months ended September 30, 2017 compared to the same period in the prior year. The decrease for the nine months ended September 30, 2017 compared to the same period in the prior year was primarily driven by higher reward costs.

Mortgage banking net revenue

Mortgage banking net revenue decreased $3 million and $49 million for the three and nine months ended September 30, 2017, respectively, compared to the same periods in the prior year.

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

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

TABLE 10: Components of Mortgage Banking Net Revenue

($ in millions)		For the three months ended September 30, **2017**	2016	For the nine months ended September 30, **2017**	2016
Origination fees and gains on loan sales	$	**40**	61	**106**	156
Net mortgage servicing revenue:					
Gross mortgage servicing fees		**56**	49	**152**	151
MSR amortization		**-**	(35)	**-**	(96)
Net valuation adjustments on MSRs and free-standing derivatives purchased to economically hedge MSRs		**(33)**	(9)	**(88)**	8
Net mortgage servicing revenue		**23**	5	**64**	63
Mortgage banking net revenue	$	**63**	66	**170**	219

Origination fees and gains on loan sales decreased $21 million and $50 million for the three and nine months ended September 30, 2017, respectively, compared to the same periods in the prior year driven by a decrease in originations and lower margins due to the interest rate environment. Residential mortgage loan originations decreased to $2.1 billion and $6.3 billion during the three and nine months ended September 30, 2017, respectively, compared to $2.9 billion and $7.3 billion during the same periods in the prior year.

Effective January 1, 2017, the Bancorp elected to prospectively adopt the fair value method for all existing classes of its residential mortgage servicing rights portfolio. Upon this election, all servicing rights are measured at fair value at each reporting date and changes in the fair value of servicing rights are reported in mortgage banking net revenue in the Condensed Consolidated Statements of Income in the period in which the changes occur.

Prior to the election of the fair value method, servicing rights were initially recorded at fair value and subsequently amortized in proportion to, and over the period of, estimated net servicing revenue. Servicing rights were assessed for impairment monthly, based on fair value, with temporary impairment recognized through a valuation allowance.

Net mortgage servicing revenue increased $18 million and $1 million for the three and nine months ended September 30, 2017, respectively, compared to the same periods in the prior year. The increase for the three months ended September 30, 2017 compared to the same period in the prior year was primarily due to a decrease in net valuation adjustments (including MSR amortization) of $11 million and an increase in gross mortgage servicing fees of $7 million. The increase for the nine months ended September 30, 2017 compared to the same period in the prior year was primarily due to an increase in gross mortgage servicing fees of $1 million. Refer to Table 11 for the components of net valuation adjustments on the MSR portfolio and the impact of the non-qualifying hedging strategy:

TABLE 11: Components of Net Valuation Adjustments on MSRs

($ in millions)		For the three months ended September 30, 2017	2016	For the nine months ended September 30, 2017	2016
Changes in fair value and settlement of free-standing derivatives purchased to economically hedge the MSR portfolio	$	**1**	(16)	**16**	133
Changes in fair value:					
Due to changes in inputs or assumptions		**(2)**	-	**(15)**	-
Other changes in fair value		**(32)**	-	**(89)**	-
(Provision for) recovery of MSR impairment		**-**	7	**-**	(125)
Net valuation adjustments on MSR and free-standing derivatives purchased to economically hedge MSRs	$	**(33)**	(9)	**(88)**	8

Mortgage rates decreased during both the three and nine months ended September 30, 2017 which caused modeled prepayment speeds to increase, which led to fair value adjustments on servicing rights. The fair value of the MSR decreased $2 million and $15 million, respectively, due to changes to inputs to the valuation model including prepayment speeds and OAS spread assumptions and decreased $32 million and $89 million, respectively, due to the passage of time, including the impact of regularly scheduled repayments, paydowns and payoffs for the three and nine months ended September 30, 2017.

Mortgage rates increased during the three months ended September 30, 2016. Actual prepayment speeds also increased during the three months ended September 30, 2016, but were associated with the interest rate decline at the end of the second quarter of 2016 as there is a natural lag between interest rate movements and prepayments. The increase in mortgage rates caused modeled prepayment speeds to decrease, which led to a recovery of temporary impairment of $7 million on servicing rights. Mortgage rates decreased during the nine months ended September 30, 2016 which caused modeled prepayments speeds to increase, which led to temporary impairment of $125 million on servicing rights. Previously, servicing rights were deemed temporarily impaired when a borrower s loan rate was distinctly higher than prevailing rates. Temporary impairment on servicing rights was reversed when the prevailing rates returned to a level commensurate with the borrower s loan rate.

Further detail on the valuation of MSRs can be found in Note 12 of the Notes to Condensed Consolidated Financial Statements. The Bancorp maintains a non-qualifying hedging strategy to manage a portion of the risk associated with changes in the valuation of the MSR portfolio. Refer to Note 13 of the Notes to Condensed Consolidated Financial Statements for more information on the free-standing derivatives used to economically hedge the MSR portfolio.

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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 $4 million during the three and nine months ended September 30, 2017, respectively, recorded in securities gains, net, non-qualifying hedges on MSRs in the Bancorp s Condensed Consolidated Statements of Income. The Bancorp did not hold any securities as economic hedges on MSRs during the three and nine months ended September 30, 2016.

The Bancorp s total residential mortgage loans serviced at September 30, 2017 and 2016 were $77.1 billion and $70.2 billion, respectively, with $60.8 billion and $54.6 billion, respectively, of residential mortgage loans serviced for others.

Other noninterest income

The following table presents the components of other noninterest income:

TABLE 12: Components of Other Noninterest Income

	For the three months ended September 30,		For the nine months ended September 30,	
($ in millions)	**2017**	2016	**2017**	2016
Gain on sale of Vantiv, Inc. shares	**$ 1,037**	-	**1,037**	-
Operating lease income	**23**	27	**73**	76
Cardholder fees	**14**	12	**41**	33
BOLI income	**13**	12	**38**	39
Equity method income from interest in Vantiv Holding, LLC	**13**	21	**37**	51
Private equity investment income	**2**	(5)	**29**	5
Consumer loan and lease fees	**6**	7	**17**	17
Banking center income	**5**	5	**15**	15
Insurance income	**2**	3	**5**	9
Loss on swap associated with the sale of Visa, Inc. Class B Shares	**(47)**	(12)	**(69)**	(61)
Net losses on disposition and impairment of bank premises and equipment	**(1)**	(17)	**(3)**	(14)
Net (losses) gains on loan sales	**-**	1	**(2)**	8
Valuation adjustments on the warrant associated with Vantiv Holding, LLC	**-**	(2)	**-**	64
Gains on sales of certain retail branches	**-**	-	**-**	19
Income from the TRA associated with Vantiv, Inc.	**-**	280	**-**	280
Other, net	**9**	4	**19**	11
Total other noninterest income	**$ 1,076**	336	**1,237**	552

Other noninterest income increased $740 million during the three months ended September 30, 2017 compared to the same period in the prior year primarily due to the gain on sale of Vantiv, Inc. shares, a decrease in the net losses on disposition and impairment of bank premises and equipment and an increase in private equity investment income.

These benefits were partially offset by the impact of income from the TRA transactions associated with Vantiv, Inc. during the third quarter of 2016, as well as an increase in the loss on the swap associated with the sale of Visa, Inc. Class B shares and a decrease in equity method income from the Bancorp s interest in Vantiv Holding, LLC during the three months ended September 30, 2017.

The Bancorp recognized a $1.0 billion gain on the sale of Vantiv, Inc. shares during the three months ended September 30, 2017. For more information, refer to Note 19 of the Notes to Condensed Consolidated Financial Statements. The increase for the three months ended September 30, 2017 also included the impact of impairment charges of $1 million included in net losses on disposition and impairment of bank premises and equipment, compared to impairment charges of $28 million recognized during the same period in the prior year. The impairment charges for the three months ended September 30, 2016 were partially offset by a gain of $11 million on the sale-leaseback of an office complex during the third quarter of 2016. Private equity investment income increased $7 million for the three months ended September 30, 2017 compared to the same period in the prior year due to the recognition of $9 million of OTTI on certain private equity investments in the third quarter of 2016. The third quarter of September 30, 2016 also included the impact of a $280 million gain from the termination and settlement of gross cash flows from existing Vantiv, Inc. TRAs and the expected obligation to terminate and settle the remaining Vantiv, Inc. TRA cash flows upon the exercise of put or call options. During the three months ended September 30, 2017, the Bancorp recognized a $47 million negative valuation adjustment related to the Visa total return swap compared to a negative valuation adjustment of $12 million during the three months ended September 30, 2016. The increase from the prior period was attributable to litigation developments during the quarter and an increase in Visa, Inc. s share price. Equity method earnings from the Bancorp s interest in Vantiv Holding, LLC decreased $8 million compared to the same period in the prior year primarily due to a decrease in the Bancorp s ownership percentage of Vantiv Holding, LLC from approximately 18.3% at September 30, 2016 to approximately 8.6% at September 30, 2017.

Other noninterest income increased $685 million during the nine months ended September 30, 2017 compared to the same period in the prior year primarily due to the gain on sale of Vantiv, Inc. shares, an increase in private equity investment income and a decrease in the net losses on disposition and impairment of bank premises and equipment. These benefits were partially offset by the impact of certain transactions that occurred during the nine months ended September 30, 2016 which included the impact of income from the TRA transactions associated with Vantiv, Inc., positive valuation adjustments on the warrant associated with Vantiv Holding, LLC and the gains on the sale of certain retail branch operations. The nine months ended September 30, 2017 also included a reduction in equity method income from the Bancorp s interest in Vantiv Holding, LLC and an increase in the loss on the swap associated with the sale of Visa, Inc. Class B shares.

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The Bancorp recognized a $1.0 billion gain on the sale of Vantiv, Inc. shares during the nine months ended September 30, 2017. Private equity investment income increased $24 million compared to the same period in the prior year driven by gains on the sales of certain private equity funds during the nine months ended September 30, 2017 and the recognition of $9 million of OTTI on certain private equity investments in the third quarter of 2016. Net losses on disposition and impairment of bank premises and equipment for the nine months ended September 30, 2017 included the impact of impairment charges of $6 million, compared to impairment charges of $31 million recognized during the same period in the prior year. The impairment charges for the nine months ended September 30, 2016 were partially offset by a gain of $11 million on the sale-leaseback of an office complex during the third quarter of 2016. The third quarter of September 30, 2016 included the impact of a $280 million gain from the termination and settlement of gross cash flows from existing Vantiv, Inc. TRAs and the expected obligation to terminate and settle the remaining Vantiv, Inc. TRA cash flows upon the exercise of put or call options. The Bancorp recognized positive valuation adjustments on the stock warrant associated with Vantiv, Holding LLC of $64 million during the nine months ended September 30, 2016. The stock warrant was not outstanding during 2017 as the Bancorp exercised the remaining warrant in Vantiv Holding, LLC during the fourth quarter of 2016. During the nine months ended September 30, 2016, the Bancorp recognized $19 million of gains on the sales of its retail branch operations in the St. Louis MSA to Great Southern Bank and Pittsburgh MSA to First National Bank of Pennsylvania as part of the previously announced Branch Consolidation and Sales Plan. Equity method earnings from the Bancorp s interest in Vantiv Holding, LLC decreased $14 million compared to the same period in the prior year primarily due to a decrease in the Bancorp s ownership percentage of Vantiv Holding, LLC from approximately 18.3% at September 30, 2016 to approximately 8.6% at September 30, 2017. During the nine months ended September 30, 2017, the Bancorp recognized negative valuation adjustments of $69 million related to the Visa total return swap compared to negative valuation adjustments of $61 million during the nine months ended September 30, 2016. The increase from prior period was attributable to litigation developments during the quarter and an increase in Visa, Inc. s share price.

For additional information on the valuation of the warrant associated with the sale of Vantiv Holding, LLC and the valuation of the swap associated with the sale of Visa, Inc. Class B Shares, and the related Visa litigation matters, refer to Note 17, Note 18, and Note 23 of the Notes to Condensed Consolidated Financial Statements.

Noninterest Expense

Noninterest expense increased $2 million for the three months ended September 30, 2017 compared to the same period in the prior year primarily due to increases in personnel costs (salaries, wages and incentives plus employee benefits) partially offset by a decrease in other noninterest expense. Noninterest expense decreased $24 million for the nine months ended September 30, 2017 compared to the same period in the prior year primarily due to decreases in other noninterest expense, card and processing expense and net occupancy expense, partially offset by an increase in personnel costs.

The following table presents the components of noninterest expense:

TABLE 13: Components of Noninterest Expense

($ in millions)	For the three months ended September 30, 2017	2016	% Change	For the nine months ended September 30, 2017	2016	% Change
Salaries, wages and incentives	$ **407**	400	2	$ **1,215**	1,209	-
Employee benefits	**77**	78	(1)	**274**	263	4
Net occupancy expense	**74**	73	1	**221**	226	(2)
Technology and communications	**62**	62	-	**177**	178	(1)
Card and processing expense	**32**	30	7	**95**	101	(6)
Equipment expense	**30**	29	3	**88**	89	(1)
Other noninterest expense	**293**	301	(3)	**848**	876	(3)
Total noninterest expense	$ **975**	973	-	$ **2,918**	2,942	(1)
Efficiency ratio on an FTE basis[(a)]	**38.4%**	55.5		**53.0%**	61.2	

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

Personnel costs increased $6 million for the three months ended September 30, 2017, compared to the same period in the prior year driven by an increase in base compensation, primarily due to personnel additions in information technology. Personnel costs increased $17 million for the nine months ended September 30, 2017, compared to the same period in the prior year. The increase was driven by increases in long-term incentive compensation, base compensation and medical and FICA expenses, partially offset by a decrease in severance costs related to the Bancorp s voluntary early retirement program in 2016. Full-time equivalent employees totaled 17,797 at September 30, 2017 compared to 18,072 at September 30, 2016.

Net occupancy expense decreased $5 million for the nine months ended September 30, 2017 compared to the same period in the prior year primarily due to lower rent expense driven by a reduction in the number of full-service banking centers and ATM locations.

Card and processing expense decreased $6 million for the nine months ended September 30, 2017 compared to the same period in the prior year primarily due to the impact of renegotiated service contracts.

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

The following table presents the components of other noninterest expense:

TABLE 14: Components of Other Noninterest Expense

		For the three months ended September 30,		For the nine months ended September 30,	
($ in millions)		**2017**	2016	**2017**	2016
Impairment on affordable housing investments	$	**41**	42	**119**	128
FDIC insurance and other taxes		**33**	33	**98**	95
Marketing		**37**	30	**86**	81
Loan and lease		**26**	30	**72**	81
Operating lease		**20**	22	**67**	64
Professional service fees		**17**	14	**61**	43
Losses and adjustments		**20**	8	**46**	51
Data processing		**14**	14	**43**	37
Travel		**12**	11	**35**	34
Postal and courier		**10**	12	**33**	35
Recruitment and education		**9**	10	**26**	28
Supplies		**3**	4	**10**	11
Donations		**4**	9	**10**	15
Insurance		**3**	4	**9**	11
(Benefit from) provision for the reserve for unfunded commitments		**(5)**	11	**(4)**	24
Other, net		**49**	47	**137**	138
Total other noninterest expense	$	**293**	301	**848**	876

Other noninterest expense decreased $8 million for the three months ended September 30, 2017 compared to the same period in the prior year primarily due to the benefit from the reserve for unfunded commitments and decreases in donations expense and loan and lease expense, partially offset by increases in losses and adjustments and marketing expense. The benefit from the reserve for unfunded commitments was $5 million for the three months ended September 30, 2017 compared to a provision for the reserve for unfunded commitments of $11 million for the same period in the prior year as a result of a decrease in total unfunded commitments outstanding. Donations expense decreased $5 million for the three months ended September 30, 2017 compared to the same period in the prior year primarily due to a contribution made to the Fifth Third Foundation during the third quarter of 2016. Loan and lease expense decreased $4 million for the three months ended September 30, 2017 compared to the same period in the prior year primarily due to lower loan closing and appraisal costs driven by a decline in mortgage loan originations. Losses and adjustments increased $12 million for the three months ended September 30, 2017 compared to the same period in the prior year primarily due to increases in operational losses during the three months ended September 30, 2017. Marketing expense increased $7 million for the three months ended September 30, 2017 compared to the same period in the prior year primarily due to the new brand campaign.

Other noninterest expense decreased $28 million for the nine months ended September 30, 2017 compared to the same period in the prior year primarily due to the benefit from the reserve for unfunded commitments and decreases in impairment on affordable housing investments, loan and lease expense, donations expense, and losses and adjustments, partially offset by increases in professional service fees and marketing expense. The benefit from the reserve for unfunded commitments was $4 million for the nine months ended September 30, 2017 compared to a provision for the reserve for unfunded commitments of $24 million for the same period in the prior year as a result of the decrease in total unfunded commitments outstanding. Impairment on affordable housing investments decreased $9 million for the nine months ended September 30, 2017 compared to the same period in the prior year primarily due to a decrease in the number of investments. Loan and lease expense decreased $9 million for the nine months ended September 30, 2017 compared to the same period in the prior year primarily due to lower loan closing and appraisal costs driven by a decline in mortgage loan originations. Donations expense decreased $5 million for the nine months ended September 30, 2017 compared to the same period in the prior year primarily due to a contribution made to the Fifth Third Foundation during the third quarter of 2016. Losses and adjustments decreased $5 million for the nine months ended September 30, 2017 compared to the same period in the prior year primarily due to the impact of favorable legal settlements during the nine months ended September 30, 2017. Professional service fees increased $18 million for the nine months ended September 30, 2017 compared to the same period in the prior year primarily due to investments in the NorthStar strategy and other strategic initiatives. Marketing expense increased $5 million for the nine months ended September 30, 2017 compared to the same period in the prior year primarily due to the new brand campaign.

The Bancorp continues to focus on efficiency initiatives as part of its core emphasis on operating leverage and expense control. The efficiency ratio was 38.4% and 53.0% for the three and nine months ended September 30, 2017, respectively, compared to 55.5% and 61.2% for the three and nine months ended September 30, 2016, respectively. The primary driver for the efficiency ratio decrease for both the three and nine months ended September 30, 2017 was the impact of the gain on the sale of Vantiv, Inc. shares during the third quarter of 2017.

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Applicable Income Taxes

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

TABLE 15: Applicable Income Taxes

	For the three months ended September 30,		For the nine months ended September 30,	
($ in millions)	**2017**	2016	**2017**	2016[(a)]
Income before income taxes	**$ 1,489**	694	**2,379**	1,556
Applicable income tax expense	**475**	178	**694**	390
Effective tax rate	**31.9%**	25.6	**29.2**	25.0

(a) Net tax deficiencies of $6 were reclassified from capital surplus to applicable income tax expense for the nine months ended September 30, 2016, related to the early adoption of ASU 2016-09 during the fourth quarter of 2016, with an effective date of January 1, 2016.

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, partially offset by the effect of certain nondeductible expenses. The tax credits are 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 increases in the effective tax rates for the three and nine months ended September 30, 2017 compared to the same periods in the prior year were primarily the result of elevated pre-tax income in the third quarter of 2017 related to the sale of a portion of the Bancorp s interest in Vantiv Holding, LLC.

For stock-based awards, U.S. GAAP requires that the tax consequences for the difference between the expense recognized for financial reporting and the Bancorp s actual tax deduction for the stock-based awards be recognized through income tax expense in the interim periods in which they occur. In 2017, the Bancorp transitioned to granting its non-executive stock based compensation awards in the first quarter of the calendar year rather than the second quarter as it had done in previous years. In light of this change to the timing of these annual grants, the Bancorp expects to recognize the excess tax benefits or deficiencies associated with its restricted stock awards primarily in the first and second quarters of 2018, 2019, 2020 and in the first quarter of 2021 as these annual awards vest.

The Bancorp cannot predict its stock price or whether and when its employees will exercise stock-based awards in the future. Based on its stock price at September 30, 2017, the Bancorp estimates that it may be necessary to recognize $15 million of additional income tax benefit over the next twelve months related to the settlement of stock-based awards primarily in the first half of 2018. However, the amount of income tax expense or benefit recognized upon settlement may vary significantly from expectations based on the Bancorp s stock price and the number of SARs exercised by employees.

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BALANCE SHEET ANALYSIS

Loans and Leases

The Bancorp classifies its commercial loans and leases based upon primary purpose and consumer loans based upon product or collateral. Table 16 summarizes end of period loans and leases, including loans and leases held for sale and Table 17 summarizes average total loans and leases, including loans and leases held for sale.

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

	September 30, 2017		December 31, 2016	
As of ($ in millions)	Carrying Value	% of Total	Carrying Value	% of Total
Commercial loans and leases:				
Commercial and industrial loans	**$ 41,027**	**45**	$ 41,736	46
Commercial mortgage loans	**6,871**	**7**	6,904	7
Commercial construction loans	**4,652**	**5**	3,903	4
Commercial leases	**4,046**	**4**	3,974	4
Total commercial loans and leases	**$ 56,596**	**61**	$ 56,517	61
Consumer loans:				
Residential mortgage loans	**16,272**	**18**	15,737	17
Home equity	**7,143**	**8**	7,695	8
Automobile loans	**9,236**	**10**	9,983	11
Credit card	**2,168**	**2**	2,237	2
Other consumer loans	**1,179**	**1**	680	1
Total consumer loans	**$ 35,998**	**39**	$ 36,332	39
Total loans and leases	**$ 92,594**	**100**	$ 92,849	100
Total portfolio loans and leases (excluding loans and leases held for sale)	**$ 91,883**		$ 92,098	

Loans and leases, including loans and leases held for sale, decreased $255 million from December 31, 2016. The decrease from December 31, 2016 was the result of a $334 million, or 1%, decrease in consumer loans, partially offset by a $79 million increase in commercial loans and leases.

Consumer loans decreased from December 31, 2016 primarily due to decreases in automobile loans, home equity and credit card, partially offset by increases in residential mortgage loans and other consumer loans. Automobile loans decreased $747 million, or 7%, from December 31, 2016 as payoffs exceeded new loan production due to a strategic shift focusing on improving risk-adjusted returns. Home equity decreased $552 million, or 7%, from December 31, 2016 as payoffs exceeded new loan production. Credit card decreased $69 million, or 3%, from December 31, 2016 primarily due to seasonal trends from the paydown of year-end balances which were higher due to holiday spending. Residential mortgage loans increased $535 million, or 3%, from December 31, 2016 primarily due to the continued retention of certain conforming ARMs and certain other fixed-rate loans originated during the nine months ended September 30, 2017. Other consumer loans increased $499 million, or 73%, from December 31, 2016 primarily due to growth in point-of-sale loan originations.

Commercial loans and leases increased from December 31, 2016 primarily due to an increase in commercial construction loans, partially offset by a decrease in commercial and industrial loans. Commercial construction loans increased $749 million, or 19%, from December 31, 2016 primarily due to an increase in draw levels on existing commitments. Commercial and industrial loans decreased $709 million, or 2%, from December 31, 2016 primarily as a result of deliberate exits from certain loans that did not meet the Bancorp s risk-adjusted profitability targets and softer loan demand.

TABLE 17: Components of Average Loans and Leases (including loans and leases held for sale)

	September 30, 2017		September 30, 2016	
For the three months ended ($ in millions)	Carrying Value	% of Total	Carrying Value	% of Total
Commercial loans and leases:				
Commercial and industrial loans	**$ 41,314**	**45**	$ 43,125	46
Commercial mortgage loans	**6,814**	**7**	6,891	7
Commercial construction loans	**4,533**	**5**	3,848	4
Commercial leases	**4,079**	**4**	3,963	4
Total commercial loans and leases	**$ 56,740**	**61**	$ 57,827	61
Consumer loans:				
Residential mortgage loans	**16,206**	**18**	15,346	17
Home equity	**7,207**	**8**	7,918	8
Automobile loans	**9,267**	**10**	10,508	11
Credit card	**2,140**	**2**	2,165	2
Other consumer loans	**1,057**	**1**	653	1
Total consumer loans	**$ 35,877**	**39**	$ 36,590	39
Total average loans and leases	**$ 92,617**	**100**	$ 94,417	100
Total average portfolio loans and leases (excluding loans and leases held for sale)	**$ 91,906**		$ 93,511	

Average loans and leases, including loans and leases held for sale, decreased $1.8 billion, or 2%, from September 30, 2016. The decrease from September 30, 2016 was the result of a $1.1 billion, or 2%, decrease in average commercial loans and leases and a $713 million, or 2%, decrease in average consumer loans.

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Average commercial loans and leases decreased from September 30, 2016 primarily due to a decrease in average commercial and industrial loans, partially offset by an increase in average commercial construction loans. Average commercial and industrial loans decreased $1.8 billion, or 4%, from September 30, 2016 primarily as a result of deliberate exits from certain loans that did not meet the Bancorp s risk-adjusted profitability targets and softer loan demand. Average commercial construction loans increased $685 million, or 18%, from September 30, 2016 primarily due to an increase in draw levels on existing commitments.

Average consumer loans decreased from September 30, 2016 primarily due to decreases in average automobile loans and average home equity, partially offset by increases in average residential mortgage loans and average other consumer loans. Average automobile loans decreased $1.2 billion, or 12%, from September 30, 2016 as payoffs exceeded new loan production due to a strategic shift focusing on improving risk-adjusted returns. Average home equity decreased $711 million, or 9%, from September 30, 2016 as payoffs exceeded new loan production. Average residential mortgage loans increased $860 million, or 6%, from September 30, 2016 primarily driven by the continued retention of certain conforming ARMs and certain other fixed-rate loans. Average other consumer loans increased $404 million, or 62%, from September 30, 2016 primarily due to growth in point-of-sale loan originations.

Investment Securities

The Bancorp uses investment securities as a means of managing interest rate risk, providing both liquidity support and collateral for pledging purposes. Total investment securities were $32.4 billion and $31.6 billion at September 30, 2017 and December 31, 2016, respectively. The taxable available-for-sale securities portfolio had an effective duration of 4.6 years at September 30, 2017 compared to 5.0 years at December 31, 2016.

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. Securities are classified as trading when bought and held principally for the purpose of selling them in the near term. At September 30, 2017, the Bancorp s investment portfolio consisted primarily of AAA-rated available-for-sale securities. Securities classified as below investment grade were immaterial at both September 30, 2017 and December 31, 2016. The Bancorp s management has evaluated the securities in an unrealized loss position in the available-for-sale and held-to-maturity portfolios for OTTI.

The following table provides a summary of OTTI by security type:

TABLE 18: Components of OTTI by Security Type

($ in millions)		For the three months ended September 30, 2017	2016	For the nine months ended September 30, 2017	2016
Available-for-sale and other debt securities	$	**(4)**	(2)	**(28)**	(7)
Available-for-sale equity securities		**-**	-	**-**	(1)
Total OTTI[(a)]	$	**(4)**	(2)	**(28)**	(8)

(a) Included in securities gains, net, in the Condensed Consolidated Statements of Income.

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

TABLE 19: Components of Investment Securities

As of ($ in millions)		**September 30, 2017**	December 31, 2016
Available-for-sale and other securities (amortized cost basis):			
U.S. Treasury and federal agencies securities	**$**	**69**	547
Obligations of states and political subdivisions securities		**44**	44
Mortgage-backed securities:			
Agency residential mortgage-backed securities*(a)*		**15,750**	15,525
Agency commercial mortgage-backed securities		**9,137**	9,029
Non-agency commercial mortgage-backed securities		**3,300**	3,076
Asset-backed securities and other debt securities		**2,116**	2,106
Equity securities*(b)*		**698**	697
Total available-for-sale and other securities	**$**	**31,114**	31,024
Held-to-maturity securities (amortized cost basis):			
Obligations of states and political subdivisions securities	**$**	**23**	24
Asset-backed securities and other debt securities		**2**	2
Total held-to-maturity securities	**$**	**25**	26
Trading securities (fair value):			
U.S. Treasury and federal agencies securities	**$**	**21**	23
Obligations of states and political subdivisions securities		**35**	39
Agency residential mortgage-backed securities		**402**	8
Asset-backed securities and other debt securities		**52**	15
Equity securities		**340**	325
Total trading securities	**$**	**850**	410

*(a) Includes interest-only mortgage-backed securities of **$36** and $60 as of **September 30, 2017** and December 31, 2016, respectively, recorded at fair value with fair value changes recorded in securities gains, net in the Condensed Consolidated Statements of Income.*

*(b) Equity securities consist of FHLB, FRB and DTCC restricted stock holdings of **$248**, **$361** and **$2**, respectively, at **September 30, 2017** and $248, $358, and $1, respectively, at December 31, 2016, that are carried at cost, and certain mutual fund and equity security holdings.*

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On an amortized cost basis, available-for-sale and other securities increased $90 million from December 31, 2016 primarily due to increases in agency residential mortgage-backed securities, non-agency commercial mortgage-backed securities and agency commercial mortgage-backed securities, partially offset by a decrease in U.S. Treasury and federal agencies securities.

On an amortized cost basis, available-for-sale and other securities were 24% of total interest-earning assets at both September 30, 2017 and December 31, 2016. The estimated weighted-average life of the debt securities in the available-for-sale and other securities portfolio was 6.5 years at September 30, 2017 compared to 6.7 years at December 31, 2016. In addition, at September 30, 2017, the available-for-sale and other securities portfolio had a weighted-average yield of 3.10%, compared to 3.19% at December 31, 2016.

Trading securities increased $440 million from December 31, 2016 primarily due to an increase in agency residential mortgage-backed securities purchased as part of the Bancorp s non-qualifying hedging strategy to economically hedge a portion of the risk associated with the MSR portfolio. Refer to Note 12 of the Notes to Condensed Consolidated Financial Statements for further information.

Information presented in Table 20 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. Maturity and yield calculations for the total available-for-sale and other securities portfolio exclude equity securities that have no stated yield or maturity. Total net unrealized gains on the available-for-sale and other securities portfolio were $366 million at September 30, 2017 compared to $159 million at December 31, 2016. 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 20: Characteristics of Available-for-Sale and Other Securities

As of September 30, 2017 ($ in millions)		Amortized Cost	Fair Value	Weighted-Average Life (in years)	Weighted-Average Yield
U.S. Treasury and federal agencies securities:					
Average life of 1 year or less	$	-	-	-	3.14 %
Average life 1 5 years		69	69	3.7	1.82
Total	$	69	69	3.7	1.82 %
Obligations of states and political subdivisions securities:[a]					
Average life of 1 year or less		9	9	0.6	0.02
Average life 1 5 years		19	19	4.6	4.17
Average life 5 10 years		16	17	6.5	3.67
Total	$	44	45	4.5	3.13 %
Agency residential mortgage-backed securities:					
Average life of 1 year or less		71	72	0.7	3.83

Average life 1 5 years	4,667	4,739	3.7	3.16
Average life 5 10 years	10,261	10,367	6.7	3.05
Average life greater than 10 years	751	755	11.1	3.04
Total	$ 15,750	15,933	6.0	3.09 %
Agency commercial mortgage-backed securities:				
Average life of 1 year or less	11	11	0.5	2.88
Average life 1 5 years	2,917	2,921	3.6	2.89
Average life 5 10 years	5,929	6,021	7.2	3.03
Average life greater than 10 years	280	279	12.9	2.97
Total	$ 9,137	9,232	6.2	2.98 %
Non-agency commercial mortgage-backed securities:				
Average life of 1 year or less	50	51	0.5	16.66
Average life 1 5 years	120	122	3.1	3.21
Average life 5 10 years	3,130	3,185	7.1	3.24
Total	$ 3,300	3,358	6.9	3.44 %
Asset-backed securities and other debt securities:				
Average life of 1 year or less	7	7	0.5	2.94
Average life 1 5 years	509	515	3.0	3.44
Average life 5 10 years	286	292	7.6	3.13
Average life greater than 10 years	1,314	1,329	15.3	3.13
Total	$ 2,116	2,143	11.3	3.20 %
Equity securities	698	700		
Total available-for-sale and other securities	$ 31,114	31,480	6.5	3.10 %

(a) Taxable-equivalent yield adjustments included in the above table are 0.00%, 2.25%, 2.00% and 1.69% for securities with an average life of 1 year or less, 1-5 years, 5-10 years and in total, respectively.

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Deposits

The Bancorp s deposit balances represent an important source of funding and revenue growth opportunity. The Bancorp continues to focus on core deposit growth in its retail and commercial franchises by improving customer satisfaction, building full relationships and offering competitive rates. Average core deposits represented 70% of the Bancorp s average asset funding base at both September 30, 2017 and December 31, 2016.

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

TABLE 21: Components of Deposits

	September 30, 2017		December 31, 2016	
As of ($ in millions)	Balance	% of Total	Balance	% of Total
Demand	**$ 35,246**	**35**	$ 35,782	34
Interest checking	**26,091**	**26**	26,679	26
Savings	**13,693**	**13**	13,941	13
Money market	**19,646**	**19**	20,749	20
Foreign office	**609**	**1**	426	1
Transaction deposits	**95,285**	**94**	97,577	94
Other time	**3,756**	**4**	3,866	4
Core deposits	**99,041**	**98**	101,443	98
Certificates $100,000 and over(a)	**2,411**	**2**	2,378	2
Other	**-**	**-**	-	-
Total deposits	**$ 101,452**	**100**	$ 103,821	100

*(a) Includes **$1,097** and $1,280 of certificates $250,000 and over at **September 30, 2017** and December 31, 2016, respectively.*

Core deposits decreased $2.4 billion, or 2%, from December 31, 2016 driven by a decrease of $2.3 billion in transaction deposits. Transaction deposits decreased from December 31, 2016 primarily due to decreases in money market deposits, interest checking deposits and demand deposits. Money market deposits decreased $1.1 billion, or 5%, from December 31, 2016 driven primarily by lower balances per account for commercial customers partially offset by a promotional product offering which drove consumer customer acquisition. Interest checking deposits decreased $588 million, or 2%, from December 31, 2016 driven primarily by lower balances per account for commercial customers partially offset by the acquisition of new commercial customers. Demand deposits decreased $536 million, or 1%, from December 31, 2016 driven primarily by lower balances per account for commercial customers and consumer customer seasonality.

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

TABLE 22: Components of Average Deposits

	September 30, 2017		September 30, 2016	
($ in millions)	Balance	% of Total	Balance	% of Total

Demand	**$**	**34,850**	**33**	$ 35,918	34
Interest checking		**25,765**	**25**	24,475	24
Savings		**13,889**	**14**	14,232	14
Money market		**20,028**	**20**	19,706	19
Foreign office		**395**	**-**	524	1
Transaction deposits		**94,927**	**92**	94,855	92
Other time		**3,722**	**4**	4,020	4
Core deposits		**98,649**	**96**	98,875	96
Certificates $100,000 and over(a)		**2,625**	**3**	2,768	3
Other		**560**	**1**	749	1
Total average deposits	**$**	**101,834**	**100**	$ 102,392	100

*(a) Includes **$1,167** and $1,270 of average certificates $250,000 and over for the three months ended **September 30, 2017** and 2016, respectively.*

On an average basis, core deposits decreased $226 million from September 30, 2016 driven by a decrease in average other time deposits. Average other time deposits decreased $298 million, or 7%, from September 30, 2016, primarily due to a decrease in average certificates less than $100,000 as a result of the low rate environment. Average transaction deposits increased $72 million from September 30, 2016 primarily driven by increases in average interest checking deposits and average money market deposits, partially offset by decreases in average demand deposits and average savings deposits. Average interest checking deposits increased $1.3 billion, or 5%, from September 30, 2016, primarily due to the acquisition of new commercial customers. Average money market deposits increased $322 million, or 2%, from September 30, 2016, primarily due to a promotional product offering which drove consumer customer acquisition and balance migration from savings deposits, which decreased $343 million, or 2%, compared to September 30, 2016. The increase in average money market deposits from September 30, 2016 was partially offset by a decrease in average commercial customer balances per account. Average demand deposits decreased $1.1 billion, or 3%, from September 30, 2016 primarily due to lower average balances per commercial customer.

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Contractual maturities

The contractual maturities of certificates $100,000 and over as of September 30, 2017 are summarized in the following table:

TABLE 23: Contractual Maturities of Certificates $100,000 and Over

($ in millions)		
Next 3 months	$	194
3-6 months		656
6-12 months		416
After 12 months		1,145
Total certificates $100,000 and over	$	2,411

The contractual maturities of other time deposits and certificates $100,000 and over as of September 30, 2017 are summarized in the following table:

TABLE 24: Contractual Maturities of Other Time Deposits and Certificates $100,000 and Over

($ in millions)		
Next 12 months	$	2,914
13-24 months		1,230
25-36 months		1,476
37-48 months		463
49-60 months		74
After 60 months		10
Total other time deposits and certificates $100,000 and over	$	6,167

Borrowings

The Bancorp accesses a variety of other 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. As of September 30, 2017, average total borrowings as a percent of average interest-bearing liabilities were 21% compared to 22% at December 31, 2016.

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

TABLE 25: Components of Borrowings

As of ($ in millions)	**September 30, 2017**	December 31, 2016

Federal funds purchased	**$ 118**	132
Other short-term borrowings	**5,688**	3,535
Long-term debt	**14,039**	14,388
Total borrowings	**$ 19,845**	18,055

Total borrowings increased $1.8 billion, or 10%, from December 31, 2016 primarily due to an increase in other short-term borrowings, partially offset by a decrease in long-term debt. Other short-term borrowings increased $2.2 billion from December 31, 2016 driven by an increase of $2.2 billion in FHLB short-term borrowings. The level of other short-term borrowings can fluctuate significantly from period to period depending on funding needs and which sources are used to satisfy those needs. For further information on the components of other short-term borrowings, refer to Note 14 of the Notes to Condensed Consolidated Financial Statements. Long-term debt decreased $349 million from December 31, 2016 primarily driven by the maturity of $650 million of unsecured senior bank notes and $500 million of unsecured subordinated debt and $615 million of paydowns on long-term debt associated with automobile loan securitizations during the nine months ended September 30, 2017. These decreases were partially offset by the issuance of $700 million of senior notes and the issuance of asset-backed securities of $750 million related to an automobile loan securitization during the nine months ended September 30, 2017. For additional information regarding the automobile securitization and long-term debt, refer to Note 11 and Note 15 of the Notes to Condensed Consolidated Financial Statements.

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

TABLE 26: Components of Average Borrowings

($ in millions)	**September 30, 2017**	September 30, 2016
Federal funds purchased	**$ 675**	446
Other short-term borrowings	**4,212**	2,171
Long-term debt	**13,457**	16,102
Total average borrowings	**$ 18,344**	18,719

Total average borrowings decreased $375 million, or 2%, compared to September 30, 2016, primarily due to decreases in average long-term debt partially offset by an increase in average other short-term borrowings. Average long-term debt decreased $2.6 billion compared to September 30, 2016. The decrease was driven primarily by the maturities of unsecured senior notes and subordinated debt and paydowns on long-term debt associated with automobile loan securitizations, partially offset by issuances of long-term debt since September 30, 2016. Average other short-term borrowings increased $2.0 billion compared to September 30, 2016, driven primarily by the aforementioned increase in FHLB short-term borrowings. Information on the average rates paid on borrowings is discussed in the Net Interest Income subsection of the Statements of Income Analysis section of MD&A. In addition, refer to the Liquidity Risk Management subsection of the Risk Management section of MD&A for a discussion on the role of borrowings in the Bancorp s liquidity management.

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

BUSINESS SEGMENT REVIEW

The Bancorp reports on four business segments: Commercial Banking, Branch Banking, Consumer Lending and Wealth and Asset Management. Additional information on each business segment is included in Note 24 of the Notes to Condensed Consolidated Financial Statements. Results of the Bancorp s business segments are presented based on its management structure and management accounting practices. The structure and accounting practices are specific to the Bancorp; therefore, the financial results of the Bancorp s business segments are not necessarily comparable with similar information for other financial institutions. The Bancorp refines its methodologies from time to time as management s accounting practices or 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 rates 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 rate 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 behavioural assumptions, such as prepayment rates on interest-earning assets and the estimated durations for indeterminate-lived deposits. Key assumptions, including the credit rates provided for deposit accounts, are reviewed annually. Credit rates for deposit products and charge rates for loan products may be reset more frequently in response to changes in market conditions. The credit rates for several deposit products were reset January 1, 2017 to reflect the current market rates and updated market assumptions. These rates were generally higher than those in place during 2016, thus net interest income for deposit-providing business segments was positively impacted during 2017. FTP charge rates on assets were affected by the prevailing level of interest rates and by the duration and repricing characteristics of the portfolio. As overall market rates increased, the FTP charge increased for asset-generating business segments during 2017.

The Bancorp s methodology for allocating provision for loan and lease 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 loan and lease losses expense attributable to loan and lease growth and changes in ALLL factors is captured in General Corporate and Other. The financial results of the business segments include allocations for shared services and headquarters expenses. Additionally, the business segments form synergies by taking advantage of cross-sell opportunities and when funding operations by accessing the capital markets as a collective unit.

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

TABLE 27: Net Income (Loss) by Business Segment

	For the three months ended September 30,		For the nine months ended September 30,	
($ in millions)	**2017**	2016	**2017**	2016[(a)]
Income Statement Data				
Commercial Banking	**$ 234**	279	**672**	715
Branch Banking	**134**	91	**365**	330
Consumer Lending	**2**	3	**(16)**	18
Wealth and Asset Management	**21**	23	**59**	73
General Corporate and Other	**623**	120	**605**	30
Net income	**1,014**	516	**1,685**	1,166
Less: Net income attributable to noncontrolling interests	**-**	-	**-**	(4)
Net income attributable to Bancorp	**1,014**	516	**1,685**	1,170
Dividends on preferred stock	**15**	15	**52**	52
Net income available to common shareholders	**$ 999**	501	**1,633**	1,118

(a) Net tax deficiencies of $6 were reclassified from capital surplus to applicable income tax expense for the nine months ended September 30, 2016, related to the early adoption of ASU 2016-09 during the fourth quarter of 2016, with an effective date of January 1, 2016.

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Commercial Banking

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

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

TABLE 28: Commercial Banking

		For the three months ended September 30,		For the nine months ended September 30,	
($ in millions)		**2017**	2016	**2017**	2016
Income Statement Data					
Net interest income (FTE)[(a)]	$	**429**	462	**1,280**	1,385
Provision for (benefit from) loan and lease losses		**(3)**	(18)	**25**	119
Noninterest income:					
Corporate banking revenue		**100**	110	**272**	328
Service charges on deposits		**71**	75	**217**	218
Other noninterest income		**45**	43	**156**	137
Noninterest expense:					
Personnel costs		**71**	69	**225**	222
Other noninterest expense		**285**	280	**846**	843
Income before income taxes (FTE)		**292**	359	**829**	884
Applicable income tax expense[(a)(b)]		**58**	80	**157**	169
Net income	$	**234**	279	**672**	715
Average Balance Sheet Data					
Commercial loans and leases, including held for sale	$	**53,722**	54,798	**53,708**	54,648
Demand deposits		**19,292**	20,798	**19,466**	20,612
Interest checking deposits		**8,680**	8,284	**8,912**	8,543
Savings and money market deposits		**4,972**	6,655	**5,615**	6,692
Other time deposits and certificates $100,000 and over		**903**	1,008	**931**	1,065
Foreign office deposits		**391**	523	**391**	496

*(a) Includes FTE adjustments of **$7** and $6 for the three months ended **September 30, 2017** and 2016, respectively, and **$19** and $18 for the nine months ended **September 30, 2017** and 2016, respectively. This is a non-GAAP measure.*

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

Net income was $234 million for the three months ended September 30, 2017 compared to net income of $279 million for the three months ended September 30, 2016. The decrease for the three months ended September 30, 2017 was driven by decreases in net interest income on an FTE basis, the benefit from loan and lease losses and noninterest income and by an increase in noninterest expense. Net income was $672 million for the nine months ended September 30, 2017 compared to net income of $715 million for the nine months ended September 30, 2016. The decrease for the nine months ended September 30, 2017 was driven by decreases in net interest income on an FTE basis and noninterest income and an increase in noninterest expense partially offset by a decrease in the provision for loan and lease losses.

Net interest income on an FTE basis decreased $33 million and $105 million for the three and nine months ended September 30, 2017, respectively, compared to the same periods in the prior year primarily driven by increases in FTP charge rates on loans and leases and increases in the rates paid on core deposits. These decreases in net interest income were partially offset by increases in yields on average commercial loans and leases of 53 bps and 39 bps for the three and nine months ended September 30, 2017, respectively, compared to the same periods in the prior year.

Provision for loan and lease losses increased $15 million and decreased $94 million for the three and nine months ended September 30, 2017, respectively, compared to the same periods in the prior year primarily driven by decreases in net charge-offs on commercial and industrial loans. The change in the provision for loan and lease losses for both periods also included the impact of fluctuations in criticized assets from the same periods in the prior year. Net charge-offs as a percent of average portfolio loans and leases decreased to 19 bps for both the three and nine months ended September 30, 2017 compared to 43 bps and 37 bps for the same periods in the prior year.

Noninterest income decreased $12 million and $38 million for the three and nine months ended September 30, 2017, respectively, compared to the same periods in the prior year primarily due to decreases in corporate banking revenue. The decrease for the nine months ended September 30, 2017 was partially offset by increases in other noninterest income. Corporate banking revenue decreased $10 million and $56 million for the three and nine months ended September 30, 2017, respectively, compared to the same periods in the prior year driven by decreases in lease remarketing fees, foreign exchange fees and letter of credit fees. The decrease in lease remarketing fees for the three months ended September 30, 2017 included the impact of an $11 million gain recognized during the three months ended September 30, 2016 on certain commercial lease terminations partially offset by $6 million of impairment charges related to certain operating lease equipment. The decrease in lease remarketing fees for the nine months ended September 30, 2017 included the impact of a $31 million impairment charge related to certain operating lease assets that was recognized during the first quarter of 2017 and the previously mentioned gain on commercial lease terminations and impairment charges on operating lease equipment during the nine months ended September 30, 2016. Other noninterest income increased $19 million for the nine months ended September 30, 2017 compared to the same period in the prior year driven by an increase in private equity investment income primarily due to gains on the sale of certain private equity investments.

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

Noninterest expense increased $7 million and $6 million for the three and nine months ended September 30, 2017, respectively, compared to the same periods in the prior year as a result of increases in other noninterest expense and personnel costs. Other noninterest expense increased $5 million and $3 million for the three and nine months ended September 30, 2017, respectively, compared to the same periods in the prior year primarily due to increases in corporate overhead allocations and consulting expense partially offset by decreases in impairment on affordable housing investments. Personnel costs increased $2 million and $3 million for the three and nine months ended September 30, 2017, respectively, compared to the same periods in the prior year primarily due to increased incentive compensation.

Average commercial loans decreased $1.1 billion and $940 million for the three and nine months ended September 30, 2017, respectively, compared to the same periods in the prior year primarily due to a decrease in average commercial and industrial loans partially offset by an increase in average commercial construction loans. Average commercial and industrial loans decreased $1.8 billion for both the three and nine months ended September 30, 2017 compared to the same periods in the prior year primarily as a result of deliberate exits from certain loans that did not meet the Bancorp s risk-adjusted profitability targets and softer loan demand. Average commercial construction loans increased $684 million and $709 million for the three and nine months ended September 30, 2017, respectively, compared to the same periods in the prior year primarily due to an increase in draw levels on existing commitments.

Average core deposits decreased $2.9 billion and $2.0 billion for the three and nine months ended September 30, 2017, respectively, compared to the same periods in the prior year. The decrease for the three and nine months ended September 30, 2017 was primarily driven by decreases in average demand deposits of $1.5 billion and $1.1 billion, respectively, and average savings and money market deposits of $1.7 billion and $1.1 billion, respectively, compared to the same periods in the prior year. These decreases were partially offset by an increase in average interest checking deposits of $396 million and $369 million for the three and nine months ended September 30, 2017, respectively, compared to the same periods in the prior year.

Branch Banking

Branch Banking provides a full range of deposit and loan products to individuals and small businesses through 1,155 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 29: Branch Banking

	For the three months ended September 30,		For the nine months ended September 30,	
($ in millions)	**2017**	2016	**2017**	2016
Income Statement Data				

Net interest income	$	**453**	414	**1,320**	1,272
Provision for loan and lease losses		**35**	34	**115**	104
Noninterest income:					
Service charges on deposits		**67**	68	**196**	198
Card and processing revenue		**64**	64	**185**	190
Wealth and asset management revenue		**35**	35	**106**	107
Other noninterest income		**25**	(4)	**76**	71
Noninterest expense:					
Personnel costs		**126**	130	**387**	392
Net occupancy and equipment expense		**56**	59	**172**	177
Card and processing expense		**31**	29	**93**	98
Other noninterest expense		**190**	184	**552**	556
Income before income taxes		**206**	141	**564**	511
Applicable income tax expense		**72**	50	**199**	181
Net income	$	**134**	91	**365**	330
Average Balance Sheet Data					
Consumer loans, including held for sale	$	**12,905**	13,428	**13,013**	13,658
Commercial loans		**1,915**	1,849	**1,928**	1,896
Demand deposits		**13,875**	13,300	**13,839**	13,283
Interest checking deposits		**10,228**	9,699	**10,231**	9,597
Savings and money market deposits		**27,671**	26,084	**27,539**	25,783
Other time deposits and certificates $100,000 and over		**4,903**	5,225	**4,962**	5,221

Net income was $134 million for the three months ended September 30, 2017 compared to net income of $91 million for the three months ended September 30, 2016. The increase for three months ended September 30, 2017 was driven by increases in net interest income and noninterest income. Net income was $365 million for the nine months ended September 30, 2017 compared to $330 million for the nine months ended September 30, 2016. The increase for the nine months ended September 30, 2017 was driven by an increase in net interest income and a decrease in noninterest expense partially offset by an increase in the provision for loan and lease losses.

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

Net interest income increased $39 million and $48 million for the three and nine months ended September 30, 2017, respectively, compared to the same periods in the prior year. The increase in net interest income for both periods was primarily due to an increase in FTP credits driven by an increase in average core deposits, an increase in FTP credit rates on core deposits and increases in yields on average consumer loans. The increase in net interest income for the nine months ended September 30, 2017 included an increase in interest income on credit card which included the impact of a $12 million benefit related to a revised estimate of refunds offered to certain bankcard customers in the first quarter of 2017. These benefits for both periods were partially offset by increases in FTP charge rates on loans and leases and increases in the rates paid on core deposits.

Provision for loan and lease losses increased $1 million and $11 million for the three and nine months ended September 30, 2017, respectively, compared to the same periods in the prior year as net charge-offs as a percent of average portfolio loans and leases increased to 96 bps and 103 bps for the three and nine months ended September 30, 2017, respectively, compared to 93 bps and 90 bps for the three and nine months ended September 30, 2016, respectively.

Noninterest income increased $28 million for the three months ended September 30, 2017 compared to the same period in the prior year primarily driven by an increase in other noninterest income. Other noninterest income increased $29 million for the three months ended September 30, 2017 compared to the same period in the prior year as the three months ended September 30, 2016 included the impact of impairment charges of $28 million on bank premises and equipment.

Noninterest expense decreased $19 million for the nine months ended September 30, 2017 compared to the same period in the prior year. Personnel expense decreased $5 million for the nine months ended September 30, 2017 compared to the same period in the prior year primarily due to a decline in base compensation. Net occupancy and equipment expense decreased $5 million for the nine months ended September 30, 2017 compared to the same period in the prior year primarily due to lower rent expense driven by a reduction in the number of full-service banking centers and ATM locations. Card and processing expense decreased $5 million for the nine months ended September 30, 2017 compared to the same period in the prior year primarily due to the impact of renegotiated service contracts. Other noninterest expense decreased $4 million for the nine months ended September 30, 2017 compared to the same period in the prior year primarily driven by a decline in corporate overhead allocations.

Average consumer loans decreased $523 million and $645 million for the three and nine months ended September 30, 2017, respectively, compared to the same periods in the prior year. The decrease for both periods was primarily driven by decreases in average home equity loans of $564 million and $544 million for the three and nine months ended September 30, 2017, respectively, and decreases in average residential mortgage loans of $237 million and $226 million for the three and nine months ended September 30, 2017, respectively, compared to the same periods in the prior year as payoffs exceeded new loan production. The decrease for both periods was partially offset by increases in average other consumer loans of $374 million and $156 million for the three and nine months ended September 30, 2017, respectively, primarily due to growth in point-of-sale loan originations.

Average core deposits increased $2.4 billion and $2.7 billion for the three and nine months ended September 30, 2017 compared to the same periods in the prior year. The increase for both periods was primarily driven by growth in average savings and money market deposits of $1.6 billion and $1.8 billion, growth in average interest checking deposits of $529 million and $634 million and growth in average demand deposits of $575 million and $556 million for the three and nine months ended September 30, 2017, respectively, compared to the same periods in the prior year. The growth in average savings and money market deposits, average interest checking deposits and average demand deposits was driven by an increase in average balances per customer account and the acquisition of new customers.

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Consumer Lending

Consumer Lending includes the Bancorp s residential mortgage, home equity, automobile and other indirect lending activities. Lending activities include the origination, retention and servicing of residential mortgage and home equity loans or lines of credit, sales and securitizations of those loans, pools of loans or lines of credit and all associated hedging activities. Indirect lending activities include extending loans to consumers through correspondent lenders and automobile dealers.

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

TABLE 30: Consumer Lending

		For the three months ended September 30,		For the nine months ended September 30,	
($ in millions)		**2017**	2016	**2017**	2016
Income Statement Data					
Net interest income	$	**59**	63	**179**	185
Provision for loan and lease losses		**8**	12	**30**	32
Noninterest income:					
Mortgage banking net revenue		**61**	64	**164**	214
Other noninterest income		**7**	7	**18**	20
Noninterest expense:					
Personnel costs		**46**	48	**142**	147
Other noninterest expense		**70**	69	**213**	211
Income (loss) before income taxes		**3**	5	**(24)**	29
Applicable income tax (benefit) expense		**1**	2	**(8)**	11
Net income (loss)	$	**2**	3	**(16)**	18
Average Balance Sheet Data					
Residential mortgage loans, including held for sale	$	**11,672**	10,795	**11,422**	10,304
Home equity		**285**	348	**299**	365
Automobile loans		**8,826**	9,967	**8,995**	10,366

Net income was $2 million for the three months ended September 30, 2017 compared to net income of $3 million for the three months ended September 30, 2016. The decrease for three months ended September 30, 2017 was driven by decreases in net interest income and noninterest income partially offset by a decrease in the provision for loan and lease losses. Consumer Lending incurred a net loss of $16 million for the nine months ended September 30, 2017 compared to net income of $18 million for the nine months ended September 30, 2016. The decrease for the nine months ended September 30, 2017 was driven by decreases in noninterest income.

Net interest income decreased $4 million and $6 million for the three and nine months ended September 30, 2017, respectively, compared to the same periods in the prior year. The decrease for both periods was primarily driven by increases in FTP charge rates on loans and leases partially offset by increases in yields on average automobile loans.

Provision for loan and lease losses decreased $4 million and $2 million for the three and nine months ended September 30, 2017, respectively, compared to the same periods in the prior year. Net charge-offs as a percent of average portfolio loans and leases decreased to 15 bps for the three months ended September 30, 2017 compared to 23 bps for the same period in the prior year and decreased to 20 bps for the nine months ended September 30, 2017 compared to 21 bps for the same period in the prior year.

Noninterest income decreased $3 million and $52 million for the three and nine months ended September 30, 2017, respectively, compared to the same periods in the prior year primarily due to decreases in mortgage banking net revenue. The decrease in mortgage banking net revenue for the three and nine months ended September 30, 2017 compared to the same periods in the prior year was primarily driven by decreases in mortgage origination fees and gains on loan sales of $21 million and $51 million, respectively, partially offset by increases in net mortgage servicing revenue of $18 million and $1 million, respectively. Refer to the Noninterest Income subsection of the Statements of Income Analysis of MD&A for additional information on the fluctuations in mortgage banking net revenue.

Average consumer loans decreased $327 million and $319 million for the three and nine months ended September 30, 2017, respectively, compared to the same periods in the prior year. Average automobile loans decreased $1.1 billion and $1.4 billion for the three and nine months ended September 30, 2017, respectively, compared to the same periods in the prior year as payoffs exceeded new loan production due to a strategic shift focusing on improving risk-adjusted returns. Average residential mortgage loans increased $877 million and $1.1 billion for the three and nine months ended September 30, 2017, respectively, compared to the same periods in the prior year primarily driven by the continued retention of certain conforming ARMs and certain other fixed-rate loans.

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; ClearArc Capital, Inc., an indirect wholly-owned subsidiary of the Bancorp; Fifth Third Private Bank; and Fifth Third Institutional Services. FTS offers full-service retail brokerage services to individual clients and broker dealer services to the institutional marketplace. ClearArc Capital, Inc. provides asset management services. Fifth Third Private Bank offers holistic strategies to affluent clients in wealth planning, investing, insurance and wealth protection. Fifth Third Institutional Services provides advisory services for institutional clients including states and municipalities.

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

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

TABLE 31: Wealth and Asset Management

	For the three months ended September 30,		For the nine months ended September 30,	
($ in millions)	**2017**	2016	**2017**	2016
Income Statement Data				
Net interest income	$ **38**	40	**114**	127
Provision for (benefit from) loan and lease losses	**(1)**	-	**2**	1
Noninterest income:				
Wealth and asset management revenue	**99**	98	**304**	294
Other noninterest income	**2**	1	**8**	8
Noninterest expense:				
Personnel costs	**42**	41	**136**	127
Other noninterest expense	**66**	62	**198**	190
Income before income taxes	**32**	36	**90**	111
Applicable income tax expense	**11**	13	**31**	38
Net income	$ **21**	23	**59**	73
Average Balance Sheet Data				
Loans and leases, including held for sale	$ **3,265**	3,148	**3,257**	3,109
Core deposits	**8,543**	8,159	**8,721**	8,459

Net income was $21 million for the three months ended September 30, 2017 compared to net income of $23 million for the three months ended September 30, 2016. Net income was $59 million for the nine months ended September 30, 2017 compared to $73 million for the nine months ended September 30, 2016. The decreases for both periods were driven primarily by decreases in net interest income and increases in noninterest expense. The decrease for the nine months ended was partially offset by an increase in noninterest income.

Net interest income decreased $2 million and $13 million for the three and nine months ended September 30, 2017, respectively, compared to the same periods in the prior year primarily due to increases in FTP charge rates on loans and leases as well as increases in the rates paid on interest checking deposits. These negative impacts were partially offset by increases in yields on average loans and leases as well as increases in interest income on loans and leases due to increases in average balances. The decrease for the three months ended September 30, 2017 was also partially offset by an increase in FTP credit rates on interest checking deposits.

Provision for loan and lease losses decreased $1 million and increased $1 million for the three and nine months ended September 30, 2017, respectively, compared to the same periods in the prior year primarily driven by fluctuations in criticized assets.

Noninterest income increased $10 million for the nine months ended September 30, 2017 compared to the same period in the prior year. Wealth and asset management revenue increased $10 million for the nine months ended September 30, 2017 compared to the same period in the prior year primarily due to an increase in private client service fees driven by the impact of an acquisition in the second quarter of 2017 and an increase in assets under management as a result of strong market performance and increased asset production.

Noninterest expense increased $5 million and $17 million for the three and nine months ended September 30, 2017, respectively, compared to the same periods in the prior year. Other noninterest expense increased $4 million and $8 million for the three and nine months ended September 30, 2017, respectively, compared to the same periods in the prior year primarily driven by an increase in corporate overhead allocations. Personnel costs increased $9 million for the nine months ended September 30, 2017 compared to the same period in the prior year primarily driven by higher incentive and base compensation.

Average loans and leases increased $117 million and $148 million for the three and nine months ended September 30, 2017, respectively, compared to the same periods in the prior year driven by increases in average residential mortgage loans due to increases in new loan origination activity. These increases were partially offset by a decline in average home equity balances.

Average core deposits increased $384 million and $262 million for the three and nine months ended September 30, 2017, respectively, compared to the same periods in the prior year primarily due to increases in average interest checking 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 loan and lease losses expense or a benefit from the reduction of the ALLL, the payment of preferred stock dividends and certain support activities and other items not attributed to the business segments.

Net interest income increased $64 million and $207 million for the three and nine months ended September 30, 2017, respectively, compared to the same periods in the prior year. The increase for both periods was primarily driven by an increase in the benefit related to the FTP charges on loans and leases as well as an increase in interest income on taxable securities. These positive impacts were partially offset by increases in FTP credit rates on deposits allocated to the business segments. The increase for the nine months ended September 30, 2017 was also partially offset by an increase in interest expense on long-term debt.

The provision for loan and lease losses decreased $24 million and $12 million for the three and nine months ended September 30, 2017, respectively, compared to the same periods in the prior year due to increases in the allocation of provision expense to the business segments.

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

Noninterest income increased $705 million and $655 million for the three and nine months ended September 30, 2017, respectively, compared to the same periods in the prior year primarily driven by the recognition of a $1.0 billion gain on the sale of Vantiv, Inc. shares during the third quarter of 2017. The increase for both periods was partially offset by the impact of a $280 million gain for both the three and nine months ended September 30, 2016 from the termination and settlement of gross cash flows from existing Vantiv, Inc. TRAs and the expected obligation to terminate and settle the remaining Vantiv, Inc. TRA cash flows upon the exercise of put or call options. The nine months ended September 30, 2016 also included positive valuation adjustments on the stock warrant associated with Vantiv Holding, LLC of $64 million. The stock warrant was not outstanding during 2017 as the Bancorp exercised the remaining warrant in Vantiv Holding, LLC during the fourth quarter of 2016. Both periods were negatively impacted by an increase in the negative valuation adjustments related to the Visa total return swap which were $47 million and $69 million for the three and nine months ended September 30, 2017, respectively, compared with $12 million and $61 million for the same periods in the prior year. Additionally, equity method earnings from the Bancorp s interest in Vantiv Holding, LLC decreased $8 million and $14 million compared to the three and nine months ended September 30, 2016, respectively.

Noninterest expense decreased $11 million and $26 million for the three and nine months ended September 30, 2017, respectively, compared to the same periods in the prior year. The decrease for both periods was primarily due to increases in corporate overhead allocations from General Corporate and Other to the other business segments and decreases in the provision for the reserve for unfunded commitments partially offset by increases in personnel costs and marketing expense.

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RISK MANAGEMENT OVERVIEW

Risk management is critical for effectively serving customers financial needs while protecting the Bancorp and achieving strategic goals. It is also essential to reducing the volatility of earnings and safeguarding our brand and reputation. Further, risk management is integral to the Bancorp s strategic and capital planning processes. It is essential that the Bancorp s business strategies consistently align to its overall risk appetite and capital considerations. Maintaining risks within the Bancorp s risk appetite requires that risks are understood by all employees across the enterprise, and appropriate risk mitigants and controls are in place to limit risk to within the risk appetite. To achieve this, the Bancorp implements a framework for managing risk that encompasses business as usual activities and the utilization of a risk process for identifying, assessing, managing, monitoring and reporting risks.

Fifth Third uses a structure consisting of three lines of defense in order to clarify the roles and responsibilities for effective risk management.

The risk taking functions within the lines of business comprise the first line of defense. The first line of defense originates risk through normal business as usual activities; therefore, it is essential that they monitor, assess and manage the risks being taken, implement controls necessary to mitigate those risks and take responsibility for managing their business within the Bancorp s risk appetite.

Control functions, such as the Risk Management organization, are the second line of defense and are responsible for providing challenge, oversight and governance of activities performed by the first line.

The Audit division is the third line of defense and provides an independent assessment of the Bancorp s internal control structure and related systems and processes. The Credit Risk Review division provides an independent assessment of credit risk, which includes evaluating the sufficiency of underwriting, documentation and approval processes for consumer and commercial credits, the accuracy of risk grades assigned to commercial credit exposure, nonaccrual status, specific reserves and monitoring for charge-offs.

Fifth Third s core values and culture provide a foundation for supporting sound risk management practices by setting expectations for appropriate conduct and accountability across the organization.

All employees are expected to conduct themselves in alignment with Fifth Third s core values and Code of Business Conduct & Ethics, which may be found on https://www.53.com, while carrying out their responsibilities. Prudent risk management is a responsibility that is expected from all employees across the first, second and third lines of defense and is a foundational element of Fifth Third s culture.

Below are the Bancorp s core principles of risk management that are used to ensure the Bancorp is operating in a safe and sound manner:

- Understand the risks taken as a necessary part of business; however, the Bancorp ensures risks taken are in alignment with its strategy and risk appetite.
- Provide transparency and escalate risks and issues as necessary.

Ensure Fifth Third s products and services are designed, delivered and maintained to provide value and benefit to its customers and to Fifth Third, and that potential opportunities remain aligned to the core customer base.
Avoid risks that cannot be understood, managed and monitored.
Act with integrity in all activities.
Focus on providing operational excellence by providing reliable, accurate and efficient services to meet customer s needs.
Maintain a strong financial position to ensure that the Bancorp meets its strategic objectives through all economic cycles and are able to access the capital markets at all times, even under stressed conditions.
Protect the Bancorp s reputation by thoroughly understanding the consequences of business strategies, products and processes.
Conduct business in compliance with all applicable laws, rules and regulations and in alignment with internal policies and procedures.

Fifth Third s success is dependent on effective risk management and understanding and controlling the risks taken in order to deliver sustainable returns for employees and shareholders. The Bancorp s goal is to ensure that aggregate risks do not exceed its risk capacity, and that risks taken are supportive of the Bancorp s portfolio diversification and profitability objectives.

Fifth Third s *Risk Management Framework,* states its risk appetite and the linkage to strategic and capital planning, defines and sets the tolerance for each of the eight risk types, explains the process used to manage risk across the enterprise and sets forth its risk governance structure.

The Board of Directors (the Board) and executive management define the risk appetite, which is considered in the development of business strategies, and forms the basis for enterprise risk management. The Bancorp s risk appetite is set annually in alignment with the strategic, capital and financial plans, and is reviewed by the Board on an annual basis.
The Risk Management Process provides a consistent and integrated approach for managing risks and ensuring appropriate risk mitigants and controls are in place, and risks and issues are appropriately escalated. Five components are utilized for effective risk management; identifying, assessing, managing, monitoring and reporting risks.
The Board and executive management have identified eight risk types for monitoring the overall risk of the Bancorp; Credit Risk, Market Risk, Liquidity Risk, Operational Risk, Regulatory Compliance Risk, Legal Risk, Reputation Risk and Strategic Risk, and have also qualitatively established a risk tolerance, which is defined as the maximum amount of risk the Bancorp is willing to take for each of the eight risk types. These risk types are assessed on an ongoing basis and reported to the board each quarter, or more frequently, if necessary. In addition, each business and operational function (first line of defense) is accountable for proactively identifying and managing risk using its risk management process. Risk tolerances and risk limits are also established, where appropriate, in order to ensure that businesses and operational functions across the enterprise are able to monitor and manage risks at a more granular level, while ensuring that aggregate risks across the enterprise do not exceed the overall risk appetite.

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

The Bancorp s risk governance structure includes management committees operating under delegation from, and providing information directly or indirectly to, the Board. The Bancorp Board delegates certain responsibilities to Board sub-committees, including the RCC as outlined in each respective Committee Charter, which may be found on https://www.53.com. The ERMC, which reports to the RCC, comprises senior management from across the Bancorp and reviews and approves risk management frameworks and policies, oversees the management of all risk types to ensure that aggregated risks remain within the Bancorp s risk appetite, and fosters a risk culture to ensure appropriate escalation and transparency of risks.

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 probable estimated losses inherent 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 take any necessary charge-offs. The Bancorp defines potential problem loans and leases as those rated substandard that do not meet the definition of a nonaccrual loan or a restructured loan. Refer to Note 6 of the Notes to Condensed Consolidated Financial Statements for further information on the Bancorp s credit grade categories, which are derived from standard regulatory rating definitions. In addition, stress testing is performed on various commercial and consumer portfolios using the CCAR model and for certain portfolios, such as real estate and leveraged lending, the 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 September 30, 2017 ($ in millions)	Carrying Value	Unpaid Principal Balance	Exposure

Commercial and industrial loans	**$**	**1,006**	**1,007**	**1,578**
Commercial mortgage loans		**146**	**146**	**146**
Commercial leases		**79**	**79**	**79**
Total potential problem portfolio loans and leases	**$**	**1,231**	**1,232**	**1,803**

TABLE 33: Potential Problem Portfolio Loans and Leases

As of December 31, 2016 ($ in millions)		Carrying Value	Unpaid Principal Balance	Exposure
Commercial and industrial loans	$	1,108	1,110	1,807
Commercial mortgage loans		102	102	104
Commercial leases		22	22	22
Total potential problem portfolio loans and leases	$	1,232	1,234	1,933

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 risk grading system currently utilized for allowance for credit loss analysis purposes encompasses ten categories. 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 risk rating system. The Bancorp has completed significant validation and testing of the dual risk rating system as a commercial credit risk management tool. The Bancorp is assessing the necessary modifications to the dual risk rating system outputs to develop a U.S. GAAP compliant ALLL as part of the Bancorp s adoption of ASU 2016-13 *Measurement of Credit Losses on Financial Instruments*, which will be effective for the Bancorp on January 1, 2020. Scoring systems, various analytical tools and portfolio performance monitoring are used to assess the credit risk in the Bancorp s homogenous consumer and small business loan portfolios.

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

Overview

Economic growth continues to improve as data has been broadly positive. There have been steady gains in the job market and real GDP is expected to expand at a moderate pace in 2017. Household spending continues to be the strongest driver of the U.S. economy. Inflation continues to run below the FRB s stated objective. Improving global conditions are supporting U.S. manufacturing activity and housing prices continue to increase across the country. With regard to commercial real estate, the credit market has become somewhat more selective even though market data and vacancies remain positive. Credit department personnel are monitoring potential increased risks in the Retail sector as a result of profitability declines among many large retailers and a continued shift to online purchasing; in addition the Healthcare sector is being watched closely due to potential regulatory changes that may impact some companies in this industry.

Commercial Portfolio

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

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

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), sensitivity and pro-forma analysis requirements and interest rate sensitivity. The Bancorp requires a valuation of real estate collateral, which may include third-party appraisals, be performed at the time of origination and renewal in accordance with regulatory requirements and on an as needed basis when market conditions justify. Although the Bancorp does not back test these collateral value assumptions, the Bancorp maintains an appraisal review department to order and review third-party appraisals in accordance with regulatory requirements. Collateral values on criticized assets with relationships exceeding $1 million are reviewed quarterly to assess the appropriateness of the value ascribed in the assessment of charge-offs and specific reserves.

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

$1 million.

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

As of September 30, 2017 ($ in millions)	LTV > 100%	LTV 80-100%	LTV < 80%
Commercial mortgage owner-occupied loans	**$ 79**	**148**	**2,136**
Commercial mortgage nonowner-occupied loans	**17**	**174**	**2,488**
Total	**$ 96**	**322**	**4,624**

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

As of December 31, 2016 ($ in millions)	LTV > 100%	LTV 80-100%	LTV < 80%
Commercial mortgage owner-occupied loans	$ 106	178	1,953
Commercial mortgage nonowner-occupied loans	22	100	2,598
Total	$ 128	278	4,551

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

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

	September 30, 2017			December 31, 2016		
($ in millions)	Outstanding	Exposure	Nonaccrual	Outstanding	Exposure	Nonaccrual
By Industry:						
Manufacturing	$ **10,294**	**18,911**	**81**	10,070	19,646	50
Real estate	**7,951**	**12,877**	**25**	7,206	11,919	26
Financial services and insurance	**5,721**	**11,424**	**2**	5,648	11,522	2
Healthcare	**4,531**	**6,271**	**26**	4,649	6,450	23
Business services	**4,180**	**6,756**	**43**	4,599	6,996	65
Retail trade	**3,705**	**7,504**	**3**	4,048	7,598	6
Accommodation and food	**3,372**	**5,310**	**5**	3,051	4,817	5
Wholesale trade	**3,111**	**5,617**	**12**	3,482	6,249	24
Communication and information	**3,044**	**5,096**	**-**	2,901	4,726	-
Transportation and warehousing	**3,005**	**4,342**	**30**	3,059	4,473	38
Construction	**2,303**	**4,277**	**2**	2,025	3,786	3
Entertainment and recreation	**1,750**	**2,983**	**7**	1,736	2,979	3
Mining	**1,413**	**2,848**	**114**	1,312	2,621	246
Utilities	**799**	**2,176**	**-**	1,168	2,799	-
Other services	**687**	**889**	**17**	729	945	24
Public administration	**399**	**468**	**-**	417	463	-
Agribusiness	**259**	**431**	**1**	284	426	2
Individuals	**29**	**50**	**-**	66	83	1
Other	**16**	**16**	**5**	2	2	5
Total	$ **56,569**	**98,246**	**373**	56,452	98,500	523
By Loan Size:						
Less than $200,000	**1 %**	**1**	**4**	1	1	3
$200,000 - $1 million	**3**	**2**	**7**	3	3	5
$1 million - $5 million	**7**	**7**	**16**	9	7	16
$5 million - $10 million	**6**	**5**	**13**	7	6	13
$10 million - $25 million	**22**	**19**	**43**	23	20	54
Greater than $25 million	**61**	**66**	**17**	57	63	9
Total	**100 %**	**100**	**100**	100	100	100
By State:						
Ohio	**14 %**	**15**	**6**	15	16	4
Florida	**8**	**8**	**5**	8	7	5
Michigan	**7**	**7**	**6**	7	7	5

Illinois	**7**	**6**	**8**	7	7	9
Indiana	**4**	**4**	**2**	4	4	2
North Carolina	**3**	**3**	**1**	4	4	-
Tennessee	**3**	**3**	**6**	3	3	1
Kentucky	**3**	**3**	**1**	3	3	2
Other	**51**	**51**	**65**	49	49	72
Total	**100 %**	**100**	**100**	100	100	100

The Bancorp s non-power producing energy and nonowner-occupied commercial real estate portfolios have been identified by the Bancorp as loans which it believes represent a higher level of risk compared to the rest of the Bancorp s commercial loan portfolio due to economic or market conditions within the Bancorp s key lending areas.

Due to the sensitivity of the non-power producing energy portfolio to downward movements in oil prices, the Bancorp saw a migration into criticized classifications during 2015 through the second quarter of 2016. However, in the second half of 2016 and continuing into 2017, this portfolio has stabilized with signs of improvement evident. The reserve-based energy loans that the Bancorp holds are senior secured loans with a borrowing base that is re-determined on a semi-annual basis. In addition to the non-power producing energy lending exposure shown in Table 37, the Bancorp has approximately $184 million of operating lease assets, recorded in operating lease equipment in the Condensed Consolidated Balance Sheets, that are leased to customers in non-power producing energy industries.

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The following tables provide an analysis of the non-power producing energy loan portfolio:

TABLE 37: Non-Power Producing Energy Portfolio

As of September 30, 2017 ($ in millions)		Pass	Criticized	Outstanding	Exposure	90 Days Past Due	Nonaccrual	**Net Charge-offs for September 30, 2017** Three Months Ended	Nine Months Ended
Reserve-based lending	$	**752**	**163**	**915**	**1,903**	**-**	**70**	**-**	**-**
Midstream		**333**	**-**	**333**	**893**	**-**	**-**	**-**	**-**
Oil field services		**16**	**177**	**193**	**288**	**-**	**29**	**4**	**5**
Oil and gas		**31**	**55**	**86**	**392**	**-**	**14**	**-**	**-**
Refining		**49**	**-**	**49**	**382**	-	-	-	-
Total	$	**1,181**	**395**	**1,576**	**3,858**	**-**	**113**	**4**	**5**

TABLE 38: Non-Power Producing Energy Portfolio

As of September 30, 2016 ($ in millions)		Pass	Criticized	Outstanding	Exposure	90 Days Past Due	Nonaccrual	Net Charge-offs for September 30, 2016 Three Months Ended	Nine Months Ended
Reserve-based lending	$	283	378	661	1,154	-	133	-	-
Midstream		292	-	292	980	-	-	-	-
Oil field services		129	81	210	370	-	36	8	19
Oil and gas		34	79	113	422	-	40	1	1
Refining		90	-	90	568	-	-	-	-
Total	$	828	538	1,366	3,494	-	209	9	20

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 September 30, 2017 ($ in millions)		Outstanding	Exposure	90 Days Past Due	Nonaccrual	**Net Charge-offs for September 30, 2017** Three Months Ended	Nine Months Ended
By State:							
Ohio	$	**1,695**	**2,219**	**-**	**2**	**-**	**8**
Florida		**1,040**	**1,536**	**-**	**1**	**-**	**-**
Illinois		**755**	**1,042**	**-**	**-**	**-**	**-**

Indiana		**611**	**973**	**-**	**-**	**-**	**-**
Michigan		**573**	**732**	**-**	**1**	**-**	**-**
North Carolina		**499**	**754**	**-**	**-**	**-**	**-**
All other states		**2,801**	**4,717**	**-**	**2**	**1**	**1**
Total	**$**	**7,974**	**11,973**	**-**	**6**	**1**	**9**

(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 September 30, 2016 ($ in millions)						Net Charge-offs (Recoveries) for September 30, 2016	
		Outstanding	Exposure	90 Days Past Due	Nonaccrual	Three Months Ended	Nine Months Ended
By State:							
Ohio	$	1,350	1,881	-	4	(1)	(1)
Florida		832	1,253	-	1	-	1
Illinois		714	1,271	-	1	-	-
Indiana		255	438	-	-	-	-
Michigan		583	646	-	1	1	2
North Carolina		528	822	-	-	-	1
All other states		2,797	4,916	-	3	-	3
Total	$	7,059	11,227	-	10	-	6

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

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

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 four categories of loans: residential mortgage loans, home equity loans, automobile loans and credit card. The Bancorp has identified certain credit characteristics within these four 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 LTV ratios for the consumer portfolio subsequent to origination except as part of the charge-off process for real estate secured loans. Among consumer portfolios, legacy underwritten residential mortgage and brokered home equity portfolios exhibited the most stress during the past credit crisis. As of September 30, 2017, consumer real estate loans, consisting of residential mortgage loans and home equity loans, originated from 2005 through 2008 represent approximately 15% of the consumer real estate portfolio. These loans accounted for 39% and 45% of total consumer real estate secured losses for the three and nine months ended September 30, 2017, respectively. Current loss rates in the residential mortgage and home equity portfolios are below pre-crisis levels. In addition to the consumer real estate portfolio, credit risk management continues to closely monitor the automobile portfolio performance. The automobile market has exhibited industry-wide gradual loosening of credit standards such as lower FICOs, longer terms and higher LTVs. Fifth Third has adjusted credit standards focused on improving risk-adjusted returns while maintaining credit risk tolerance. Fifth Third actively manages the automobile portfolio through concentration limits, which mitigates credit risk through limiting the exposure to lower FICO scores, higher advance rates and extended term originations.

Residential mortgage portfolio

The Bancorp manages credit risk in the residential mortgage portfolio through underwriting guidelines that limit exposure to higher LTV ratios 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 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 $685 million of ARM loans will have rate resets during the next twelve months. Of these resets, 98% are expected to experience an increase in rate, with an average increase of approximately one half of a percent.

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 LTV ratios, multiple loans on the same collateral that when combined result in a LTV greater than 80% and interest-only loans. The Bancorp has deemed residential mortgage loans with greater than 80% LTV ratios and no mortgage insurance as loans that represent a higher level of risk.

Portfolio residential mortgage loans from 2010 and later vintages represented 90% of the portfolio as of September 30, 2017 and had a weighted-average LTV of 72% and a weighted-average origination FICO of 760.

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

TABLE 41: Residential Mortgage Portfolio Loans by LTV at Origination

	September 30, 2017		December 31, 2016	
($ in millions)	Outstanding	Weighted-Average LTV	Outstanding	Weighted-Average LTV
LTV £ 80%	**$ 11,792**	**66.3 %**	$ 11,412	65.9%
LTV > 80%, with mortgage insurance[(a)]	**1,863**	**94.7**	1,664	94.3
LTV > 80%, no mortgage insurance	**1,933**	**94.8**	1,975	95.4
Total	**$ 15,588**	**73.6 %**	$ 15,051	73.2%

(a) Includes lender paid mortgage insurance.

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

TABLE 42: Residential Mortgage Portfolio Loans, LTV Greater than 80%, No Mortgage Insurance

As of September 30, 2017 ($ in millions)				**Net Charge-offs for September 30, 2017**	
	Outstanding	90 Days Past Due	Nonaccrual	Three Months Ended	Nine Months Ended
By State:					
Ohio	**$ 443**	**4**	**3**	**-**	**1**
Illinois	**380**	**-**	**2**	**-**	**-**
Florida	**288**	**1**	**2**	**-**	**1**
Michigan	**228**	**1**	**1**	**-**	**-**
Indiana	**138**	**1**	**1**	**-**	**-**
North Carolina	**87**	**-**	**1**	**-**	**-**
Kentucky	**74**	**1**	**-**	**-**	**-**
All other states	**295**	**3**	**2**	**-**	**-**
Total	**$ 1,933**	**11**	**12**	**-**	**2**

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

TABLE 43: Residential Mortgage Portfolio Loans, LTV Greater than 80%, No Mortgage Insurance

As of September 30, 2016 ($ in millions)					Net Charge-offs for September 30, 2016	
		Outstanding	90 Days Past Due	Nonaccrual	Three Months Ended	Nine Months Ended
By State:						
Ohio	$	479	2	5	1	2
Illinois		350	1	3	-	-
Florida		283	1	2	-	-
Michigan		252	-	1	-	1
Indiana		140	1	2	-	-
North Carolina		94	-	1	-	-
Kentucky		71	1	-	-	-
All other states		300	3	1	-	-
Total	$	1,969	9	15	1	3

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 26% of the balances mature before 2025. Less than 2% of this population is expected to mature by 2019.

The ALLL provides coverage for probable and estimable 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 calculated on a pooled basis with senior lien and junior lien categories segmented in the determination of the probable credit losses in the home equity portfolio. The modeled loss factor for the home equity portfolio is based on the trailing twelve month historical loss rate for each category, as adjusted for certain prescriptive loss rate factors and certain qualitative adjustment factors to reflect risks associated with current conditions and trends. The prescriptive loss rate factors include adjustments for delinquency trends, LTV trends and refreshed FICO score 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 Bancorp considers home price index trends when determining the collateral value qualitative factor.

The home equity portfolio is managed in two primary groups: loans outstanding with a combined LTV greater than 80% and those loans with a 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 $7.1 billion of outstanding home equity loans:

- 88% reside within the Bancorp s Midwest footprint of Ohio, Michigan, Kentucky, Indiana and Illinois as of September 30, 2017;

- 37% are in senior lien positions and 63% are in junior lien positions at September 30, 2017;
- 78% of non-delinquent borrowers made at least one payment greater than the minimum payment during the three months ended September 30, 2017; and
- The portfolio had an average refreshed FICO score of 744 at September 30, 2017.

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 LTV ratios 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.

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

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

	September 30, 2017		December 31, 2016	
($ in millions)	Outstanding	% of Total	Outstanding	% of Total
Senior Liens:				
FICO £ 659	**$ 254**	**4 %**	$ 262	3 %
FICO 660-719	**374**	**5**	424	6
FICO ³ 720	**1,994**	**28**	2,112	27
Total senior liens	**2,622**	**37**	2,798	36
Junior Liens:				
FICO £ 659	**562**	**8**	633	8
FICO 660-719	**872**	**12**	975	13
FICO ³ 720	**3,087**	**43**	3,289	43
Total junior liens	**4,521**	**63**	4,897	64
Total	**$ 7,143**	**100 %**	$ 7,695	100 %

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

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

	September 30, 2017		December 31, 2016	
($ in millions)	Outstanding	Weighted-Average LTV	Outstanding	Weighted-Average LTV
Senior Liens:				
LTV £ 80%	**$ 2,302**	**55.0 %**	$ 2,454	55.1 %
LTV > 80%	**320**	**88.9**	344	89.0
Total senior liens	**2,622**	**59.4**	2,798	59.5
Junior Liens:				
LTV £ 80%	**2,655**	**67.5**	2,892	67.6
LTV > 80%	**1,866**	**90.4**	2,005	90.7
Total junior liens	**4,521**	**78.4**	4,897	78.7
Total	**$ 7,143**	**71.0 %**	$ 7,695	71.2 %

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

TABLE 46: Home Equity Portfolio Loans Outstanding with a LTV Greater than 80%

As of September 30, 2017 ($ in millions)					Net Charge-offs for September 30, 2017	
					Three Months	Nine Months
	Outstanding	Exposure	90 Days Past Due	Nonaccrual	Ended	Ended
By State:						
Ohio	$ **1,040**	**1,908**	**-**	**7**	**1**	**3**
Michigan	**375**	**590**	**-**	**5**	**-**	**1**
Illinois	**236**	**366**	**-**	**4**	**1**	**2**
Indiana	**162**	**273**	**-**	**3**	**-**	**1**
Kentucky	**149**	**266**	**-**	**2**	**-**	**1**
Florida	**70**	**100**	**-**	**2**	**-**	**-**
All other states	**154**	**225**	**-**	**3**	**-**	**-**
Total	$ **2,186**	**3,728**	**-**	**26**	**2**	**8**

TABLE 47: Home Equity Portfolio Loans Outstanding with a LTV Greater than 80%

As of September 30, 2016 ($ in millions)					Net Charge-offs for September 30, 2016	
					Three Months	Nine Months
	Outstanding	Exposure	90 Days Past Due	Nonaccrual	Ended	Ended
By State:						
Ohio	$ 1,036	1,816	-	10	1	4
Michigan	456	694	-	6	1	2
Illinois	274	415	-	4	1	2
Indiana	194	315	-	3	-	1
Kentucky	180	308	-	1	1	1
Florida	86	118	-	2	-	-
All other states	194	273	-	4	-	1
Total	$ 2,420	3,939	-	30	4	11

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Automobile portfolio

The Bancorp s automobile portfolio balances have declined since December 31, 2016 as payoffs exceeded new loan production due to a strategic shift focusing on improving risk-adjusted returns. Additionally, the concentration of lower FICO (<690) origination balances remained within targeted credit risk tolerance during the nine months ended September 30, 2017. 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 automobile portfolio loans outstanding disaggregated based upon FICO score as of:

TABLE 48: Automobile Portfolio Loans Outstanding by FICO Score at Origination

	September 30, 2017		December 31, 2016	
($ in millions)	Outstanding	% of Total	Outstanding	% of Total
FICO £ 690	**$ 1,582**	**17 %**	$ 1,714	17 %
FICO > 690	**7,654**	**83**	8,269	83
Total	**$ 9,236**	**100 %**	$ 9,983	100 %

The automobile portfolio is characterized by direct and indirect lending products to consumers. As of September 30, 2017, 45% of the automobile loan portfolio is comprised of loans collateralized by new automobiles. It is a common industry practice to advance on automobile loans an amount in excess of the automobile value due to the inclusion of negative equity trade-in, maintenance/warranty products, taxes, title and other fees paid at closing. The Bancorp monitors its exposure to these higher risk loans.

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

TABLE 49: Automobile Portfolio Loans Outstanding by LTV at Origination

	September 30, 2017		December 31, 2016	
		Weighted-		Weighted-
($ in millions)	Outstanding	Average LTV	Outstanding	Average LTV
LTV £ 100%	**$ 5,949**	**82.1 %**	$ 6,637	82.0 %
LTV > 100%	**3,287**	**112.3**	3,346	111.7
Total	**$ 9,236**	**93.3 %**	$ 9,983	92.4 %

The following table provides an analysis of the Bancorp s automobile portfolio loans with a LTV at origination greater than 100%:

TABLE 50: Automobile Portfolio Loans Outstanding with a LTV Greater than 100%

As of ($ in millions)	Outstanding	90 Days Past Due and Accruing	Nonaccrual	Net Charge-offs for the Three Months Ended	Net Charge-offs for the Nine Months Ended
September 30, 2017	**$ 3,287**	**5**	**1**	**5**	**17**
September 30, 2016	3,433	5	2	7	17

Credit card portfolio

The credit card portfolio consists of predominately prime accounts with 97% of loan balances existing within the Bancorp s footprint as of both September 30, 2017 and December 31, 2016. At September 30, 2017 and December 31, 2016, 77% and 78%, respectively, of the outstanding balances were originated through branch based relationships with the remainder coming from direct mail campaigns and online acquisitions.

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

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

	September 30, 2017		December 31, 2016	
($ in millions)	Outstanding	% of Total	Outstanding	% of Total
FICO £ 659	**$ 55**	**3 %**	$ 45	2 %
FICO 660-719	**540**	**25**	521	23
FICO ³ 720	**1,573**	**72**	1,671	75
Total	**$ 2,168**	**100 %**	$ 2,237	100 %

European Exposure

The Bancorp has no direct sovereign exposure to any European government as of September 30, 2017. In providing services to customers, the Bancorp routinely enters into financial transactions with foreign domiciled and U.S. subsidiaries of foreign businesses as well as foreign financial institutions. These financial transactions are in the form of loans, loan commitments, letters of credit, derivatives, guarantees, banker s acceptances and securities. The Bancorp s risk appetite for foreign country exposure is managed by having established country exposure limits. The Bancorp s total exposure to European domiciled or owned businesses and European financial institutions was $3.3 billion and funded exposure was $1.8 billion as of September 30, 2017. Additionally, the Bancorp was within its established country exposure limits for all European countries.

The Bancorp continues to monitor the Brexit situation and its potential impact on the Bancorp. The Bancorp s United Kingdom exposure is shown in the following table.

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The following table provides detail about the Bancorp s exposure to all European domiciled and U.S. subsidiaries of European businesses as well as European financial institutions as of September 30, 2017:

TABLE 52: European Exposure

($ in millions)	Sovereigns Total Exposure(a)	Sovereigns Funded Exposure	Financial Institutions Total Exposure(a)	Financial Institutions Funded Exposure	Non-Financial Institutions Total Exposure(a)	Non-Financial Institutions Funded Exposure	Total Total Exposure(a)	Total Funded Exposure
Peripheral Europe(b)	$ -	-	80	38	218	67	298	105
Other Eurozone(c)	-	-	351	148	1,429	852	1,780	1,000
Total Eurozone	$ -	-	431	186	1,647	919	2,078	1,105
United Kingdom	-	-	61	60	1,032	586	1,093	646
Other Europe(d)	-	-	-	-	108	49	108	49
Total Europe	$ -	-	492	246	2,787	1,554	3,279	1,800

(a) Total exposure includes funded exposure and unfunded commitments.
(b) Peripheral Europe includes Greece, Ireland, Italy, Portugal and Spain.
(c) Eurozone includes countries participating in the European common currency (Euro).
(d) Other Europe includes European countries not part of the Eurozone (primarily Switzerland, Norway and Sweden).

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 and credit card 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 included in the Bancorp s Annual Report on Form 10-K for the year ended December 31, 2016.

Nonperforming assets were $575 million at September 30, 2017 compared to $751 million at December 31, 2016. At September 30, 2017, $20 million of nonaccrual loans were held for sale, compared to $13 million at December 31, 2016.

Nonperforming portfolio assets as a percent of portfolio loans and leases and OREO were 0.60% as of September 30, 2017 compared to 0.80% as of December 31, 2016. Nonaccrual loans and leases secured by real estate were 28% of nonaccrual loans and leases as of September 30, 2017 compared to 25% as of December 31, 2016.

Commercial portfolio nonaccrual loans and leases were $373 million at September 30, 2017, a decrease of $150 million from December 31, 2016. Consumer portfolio nonaccrual loans and leases were $133 million at

September 30, 2017, a decrease of $4 million from December 31, 2016. Refer to Tables 54 and 55 for rollforwards of the portfolio nonaccrual loans and leases.

OREO and other repossessed property was $49 million at September 30, 2017, compared to $78 million at December 31, 2016. The Bancorp recognized $3 million and $5 million in losses on the sale or write-down of OREO properties for the three months ended September 30, 2017 and 2016, respectively, and $8 million and $14 million in losses on the sale or write-down of OREO properties for the nine months ended September 30, 2017 and 2016, respectively.

For the three and nine months ended September 30, 2017, approximately $9 million and $28 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. For the three and nine months ended September 30, 2016 approximately $10 million and $32 million, respectively, of interest income would have been recognized. Although these values help demonstrate the costs of carrying nonaccrual credits, the Bancorp does not expect to recover the full amount of interest as nonaccrual loans and leases are generally carried below their principal balance.

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TABLE 53: Summary of Nonperforming Assets and Delinquent Loans

As of ($ in millions)		September 30, 2017		December 31, 2016
Nonaccrual portfolio loans and leases:				
Commercial and industrial loans	$	**144**		302
Commercial mortgage loans		**14**		27
Commercial leases		**1**		2
Residential mortgage loans		**19**		17
Home equity		**56**		55
Nonaccrual portfolio restructured loans and leases:				
Commercial and industrial loans		**197**		176
Commercial mortgage loans		**17**		14 [(c)]
Commercial leases		**-**		2
Residential mortgage loans		**12**		17
Home equity		**18**		18
Automobile loans		**1**		2
Credit card		**27**		28
Total nonaccrual portfolio loans and leases[(b)]		**506**		660
OREO and other repossessed property		**49**		78
Total nonperforming portfolio assets		**555**		738
Nonaccrual loans held for sale		**18**		4
Nonaccrual restructured loans held for sale		**2**		9
Total nonperforming assets	$	**575**		751
Loans and leases 90 days past due and still accruing				
Commercial and industrial loans	$	**3**		4
Residential mortgage loans[(a)]		**43**		49
Automobile loans		**10**		9
Credit card		**21**		22
Total loans and leases 90 days past due and still accruing	$	**77**		84
Nonperforming portfolio assets as a percent of portfolio loans and leases and OREO		**0.60**	%	0.80
ALLL as a percent of nonperforming portfolio assets		**217**		170

(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 90 days or more past due were* ***$173*** *as of* ***September 30, 2017*** *and $202 as of December 31, 2016. The Bancorp recognized losses of* ***$1*** *and $2 for the three months ended* ***September 30, 2017*** *and 2016, respectively, and* ***$4*** *and $5 on these insured or guaranteed loans for the nine months ended* ***September 30, 2017*** *and 2016, respectively.*

(b) *Includes* ***$4*** *of nonaccrual government insured commercial loans whose repayments are insured by the SBA at both* ***September 30, 2017*** *and December 31, 2016 and* ***$1*** *of restructured nonaccrual government insured commercial loans at both* ***September 30, 2017*** *and December 31, 2016.*

(c) *Excludes $19 of restructured nonaccrual loans at December 31, 2016 associated with a consolidated VIE in which the Bancorp had no continuing credit risk due to the risk being assumed by a third party. Refer to*

Note 11 of the Notes to Condensed Consolidated Financial Statements for further discussion on the deconsolidation of a VIE associated with these loans in the third quarter of 2017.

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 nine months ended September 30, 2017 ($ in millions)		Commercial	Residential Mortgage	Consumer	Total
Balance, beginning of period	**$**	**523**	**34**	**103**	**660**
Transfers to nonaccrual status		**249**	**38**	**93**	**380**
Transfers to accrual status		**(59)**	**(21)**	**(38)**	**(118)**
Transfers to held for sale		**(5)**	**-**	**-**	**(5)**
Loans sold from portfolio		**(15)**	**-**	**-**	**(15)**
Loan paydowns/payoffs		**(223)**	**(8)**	**(22)**	**(253)**
Transfers to OREO		**(2)**	**(9)**	**(5)**	**(16)**
Charge-offs		**(120)**	**(3)**	**(29)**	**(152)**
Draws/other extensions of credit		**25**	**-**	**-**	**25**
Balance, end of period	**$**	**373**	**31**	**102**	**506**

TABLE 55: Rollforward of Portfolio Nonaccrual Loans and Leases

For the nine months ended September 30, 2016 ($ in millions)		Commercial	Residential Mortgage	Consumer	Total
Balance, beginning of period	$	341	51	114	506
Transfers to nonaccrual status		555	39	117	711
Transfers to accrual status		(9)	(37)	(55)	(101)
Transfers to held for sale		(39)	-	-	(39)
Loans sold from portfolio		(11)	-	-	(11)
Loan paydowns/payoffs		(203)	(6)	(24)	(233)
Transfers to OREO		(5)	(12)	(8)	(25)
Charge-offs		(192)	(3)	(35)	(230)
Draws/other extensions of credit		23	-	-	23
Balance, end of period	$	460	32	109	601

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Troubled Debt Restructurings

If a borrower is experiencing financial difficulty, the Bancorp may consider, in certain circumstances, modifying the terms of their loan to maximize collection of amounts due. Typically, these modifications reduce the loan interest rate, extend the loan term, reduce the accrued interest or in limited circumstances, reduce the principal balance of the loan. These modifications are classified as TDRs.

At the time of modification, the Bancorp maintains certain consumer loan TDRs (including 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. 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.

Consumer restructured loans on accrual status totaled $929 million and $958 million at September 30, 2017 and December 31, 2016, respectively. As of September 30, 2017, the percent of restructured residential mortgage loans, home equity loans and credit card loans that were past due 30 days or more from their modified terms were 26%, 12% and 36%, respectively.

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

TABLE 56: Accruing and Nonaccruing Portfolio TDRs

			Accruing			
As of September 30, 2017 ($ in millions)		Current	30-89 Days Past Due	90 Days or More Past Due	Nonaccruing	Total
Commercial loans[(b)]	$	**232**	**-**	**-**	**214**	**446**
Residential mortgage loans[(a)]		**485**	**46**	**115**	**12**	**658**
Home equity		**240**	**14**	**-**	**18**	**272**
Automobile loans		**9**	**1**	**-**	**1**	**11**
Credit card		**16**	**3**	**-**	**27**	**46**
Total	$	**982**	**64**	**115**	**272**	**1,433**

(a) Information includes advances made pursuant to servicing agreements for GNMA mortgage pools whose repayments are insured by the FHA or guaranteed by the VA. As of ***September 30, 2017****, these advances represented* ***$279*** *of current loans,* ***$39*** *of 30-89 days past due loans and* ***$101*** *of 90 days or more past due loans.*

(b) Excludes restructured nonaccrual loans held for sale.

TABLE 57: Accruing and Nonaccruing Portfolio TDRs

As of December 31, 2016 ($ in millions)		Current	Accruing 30-89 Days Past Due	90 Days or More Past Due	Nonaccruing	Total
Commercial loans[b][c]	$	319	3	-	192	514
Residential mortgage loans[a]		458	56	121	17	652
Home equity		269	18	-	18	305
Automobile loans		12	-	-	2	14
Credit card		20	4	-	28	52
Total	$	1,078	81	121	257	1,537

(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, 2016, these advances represented $230 of current loans, $46 of 30-89 days past due loans and $107 of 90 days or more past due loans.

(b) As of December 31, 2016, excludes $7 of restructured accruing loans and $19 of restructured nonaccrual loans associated with a consolidated VIE in which the Bancorp had no continuing credit risk due to the risk being assumed by a third party. Refer to Note 11 of the Notes to Condensed Consolidated Financial Statements for further discussion on the deconsolidation of a VIE associated with these loans in the third quarter of 2017.

(c) Excludes restructured nonaccrual loans held for sale.

Analysis of Net Loan Charge-offs

Net charge-offs were 29 bps and 45 bps of average portfolio loans and leases for the three months ended September 30, 2017 and 2016, respectively, and were 32 bps and 41 bps of average portfolio loans and leases for the nine months ended September 30, 2017 and 2016, respectively. Table 58 provides a summary of credit loss experience and net charge-offs as a percent of average portfolio loans and leases outstanding by loan category.

The ratio of commercial loan and lease net charge-offs to average portfolio commercial loans and leases decreased to 21 bps and 22 bps during the three and nine months ended September 30, 2017, respectively, compared to 43 bps and 38 bps during the three and nine months ended September 30, 2016, respectively. The decreases for both the three and nine months ended September 30, 2017 were driven by decreases in net charge-offs on commercial and industrial loans. The three and nine months ended September 30, 2016 included $29 million of charge-offs related to certain healthcare loans, included in net charge-offs on commercial and industrial loans. Additionally, the nine months ended September 30, 2016 included $35 million of charge-offs in the energy related portfolio including oil field services and coal mining loans, included in net charge-offs on commercial and industrial loans.

Consumer loan net charge-offs as a percent of average portfolio consumer loans and leases were 43 bps and 48 bps during the three and nine months ended September 30, 2017, respectively, compared to 49 bps and 47 bps for the three and nine months ended September 30, 2016, respectively. Consumer net charge-offs decreased $6 million and increased $1 million for the three and nine months ended September 30, 2017, respectively, compared to the same periods in the prior year. Refer to Table 58 for a summary of net charge-offs by consumer loan category.

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TABLE 58: Summary of Credit Loss Experience

	For the three months ended September 30,		For the nine months ended September 30,	
($ in millions)	**2017**	2016	**2017**	2016
Losses charged-off:				
Commercial and industrial loans	$ **(30)**	(76)	**(102)**	(169)
Commercial mortgage loans	**(3)**	(4)	**(15)**	(19)
Commercial construction loans	**-**	-	**-**	-
Commercial leases	**-**	(1)	**(2)**	(4)
Residential mortgage loans	**(2)**	(4)	**(12)**	(14)
Home equity	**(6)**	(10)	**(24)**	(30)
Automobile loans	**(13)**	(14)	**(42)**	(40)
Credit card	**(23)**	(22)	**(71)**	(68)
Other consumer loans	**(8)**	(6)	**(19)**	(15)
Total losses charged-off	$ **(85)**	(137)	**(287)**	(359)
Recoveries of losses previously charged-off:				
Commercial and industrial loans	$ **3**	15	**23**	22
Commercial mortgage loans	**-**	2	**2**	5
Commercial construction loans	**-**	-	**-**	1
Commercial leases	**-**	1	**-**	1
Residential mortgage loans	**3**	2	**7**	7
Home equity	**3**	3	**10**	10
Automobile loans	**5**	5	**16**	14
Credit card	**3**	2	**7**	7
Other consumer loans	**-**	-	**1**	3
Total recoveries of losses previously charged-off	$ **17**	30	**66**	70
Net losses charged-off:				
Commercial and industrial loans	$ **(27)**	(61)	**(79)**	(147)
Commercial mortgage loans	**(3)**	(2)	**(13)**	(14)
Commercial construction loans	**-**	-	**-**	1
Commercial leases	**-**	-	**(2)**	(3)
Residential mortgage loans	**1**	(2)	**(5)**	(7)
Home equity	**(3)**	(7)	**(14)**	(20)
Automobile loans	**(8)**	(9)	**(26)**	(26)
Credit card	**(20)**	(20)	**(64)**	(61)
Other consumer loans	**(8)**	(6)	**(18)**	(12)
Total net losses charged-off	$ **(68)**	(107)	**(221)**	(289)
Net losses charged-off as a percent of average portfolio loans and leases:				
Commercial and industrial loans	**0.26** %	0.56	**0.26**	0.45
Commercial mortgage loans	**0.16**	0.08	**0.26**	0.27
Commercial construction loans	**-**	-	**-**	(0.02)

Commercial leases	**0.01**	-	**0.05**	0.09
Total commercial loans and leases	**0.21 %**	0.43	**0.22**	0.38
Residential mortgage loans	**(0.02)**	0.07	**0.05**	0.07
Home equity	**0.18**	0.32	**0.26**	0.33
Automobile loans	**0.35**	0.35	**0.37**	0.31
Credit card	**3.75**	3.61	**4.00**	3.75
Other consumer loans	**2.80**	3.70	**2.66**	2.80
Total consumer loans	**0.43 %**	0.49	**0.48**	0.47
Total net losses charged-off as a percent of average portfolio loans and leases	**0.29 %**	0.45	**0.32**	0.41

Allowance for Credit Losses

The allowance for credit losses is comprised of the ALLL and the reserve for unfunded commitments. The ALLL provides coverage for probable and estimable losses in the loan and lease portfolio. The Bancorp evaluates the ALLL each quarter to determine its adequacy to cover inherent losses. Several factors are taken into consideration in the determination of the overall ALLL, including an unallocated component. These factors include, but are not limited to, the overall risk profile of the loan and lease portfolios, net charge-off experience, the extent of impaired loans and leases, the level of nonaccrual loans and leases, the level of 90 days past due loans and leases and the overall level of the ALLL as a percent of portfolio loans and leases. The Bancorp also considers overall asset quality trends, credit administration and portfolio management practices, risk identification practices, credit policy and underwriting practices, overall portfolio growth, portfolio concentrations and current economic conditions that might impact the portfolio. More information on the ALLL can be found in the Critical Accounting Policies section of the Bancorp s Annual Report on Form 10-K for the year ended December 31, 2016.

During the three months ended September 30, 2017, the Bancorp did not substantively change any material aspect of its overall approach in the determination of the ALLL and there have been no material changes in assumptions or estimation techniques as compared to prior periods that impacted the determination of the current period allowance. In addition to the ALLL, the Bancorp maintains a reserve for unfunded commitments recorded in other liabilities in the Condensed Consolidated Balance Sheets. The methodology used to determine the adequacy of this reserve is similar to the Bancorp s methodology for determining the ALLL. The provision for unfunded commitments is included in other noninterest expense in the Condensed Consolidated Statements of Income.

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The ALLL attributable to the portion of the residential mortgage and consumer loan and lease portfolio that has not been restructured is determined on a pooled basis with the segmentation based on the similarity of credit risk characteristics. Loss factors for consumer loans are developed for each pool based on the trailing twelve month historical loss rate, as adjusted for certain prescriptive loss rate factors and certain qualitative adjustment factors. The prescriptive loss rate factors and qualitative adjustments are designed to reflect risks associated with current conditions and trends which are not believed to be fully reflected in the trailing twelve month historical loss rate. For real estate backed consumer loans, the prescriptive loss rate factors include adjustments for delinquency trends, LTV trends, refreshed FICO score trends and product mix, and 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 Bancorp considers home price index trends in its footprint and the volatility of collateral valuation trends when determining the collateral value qualitative factor.

The Bancorp s determination of the ALLL for commercial loans is sensitive to the risk grades it assigns to these loans. In the event that 10% of commercial loans in each risk category would experience a downgrade of one risk category, the allowance for commercial loans would increase by approximately $162 million at September 30, 2017. In addition, the Bancorp s determination of the ALLL for residential mortgage loans and consumer loans is sensitive to changes in estimated loss rates. In the event that estimated loss rates would increase by 10%, the ALLL for residential mortgage loans and consumer loans would increase by approximately $31 million at September 30, 2017. As several qualitative and quantitative factors are considered in determining the ALLL, these sensitivity analyses do not necessarily reflect the nature and extent of future changes in the ALLL. They are intended to provide insights into the impact of adverse changes to risk grades and estimated loss rates and do not imply any expectation of future deterioration in the risk ratings or loss rates. Given current processes employed by the Bancorp, management believes the risk grades and estimated loss rates currently assigned are appropriate.

During the third quarter of 2017, the United States incurred two major hurricanes impacting the states of Texas and Florida. The Bancorp is assessing the impact of these storms and providing assistance to customers that were negatively impacted. The Bancorp s ALLL included $10 million for the estimated impact of hurricane related losses at September 30, 2017.

TABLE 59: Changes in Allowance for Credit Losses

		For the three months ended September 30,		For the nine months ended September 30,	
($ in millions)		**2017**	2016	**2017**	2016
ALLL:					
Balance, beginning of period	$	**1,226**	1,299	**1,253**	1,272
Losses charged-off		**(85)**	(137)	**(287)**	(359)
Recoveries of losses previously charged-off		**17**	30	**66**	70
Provision for loan and lease losses		**67**	80	**193**	289
Deconsolidation of a VIE[(a)]		**(20)**	-	**(20)**	-
Balance, end of period	$	**1,205**	1,272	**1,205**	1,272

Reserve for unfunded commitments:						
Balance, beginning of period	$	**162**	151		**161**	138
(Benefit from) provision for unfunded commitments		**(5)**	11		**(4)**	24
Balance, end of period	$	**157**	162		**157**	162

(a) Refer to Note 11 of the Notes to Condensed Consolidated Financial Statements for further discussion on the deconsolidation of a VIE.

Certain inherent but unconfirmed losses are probable within the loan and lease portfolio. The Bancorp s current methodology for determining the level of losses is based on historical loss rates, current credit grades, specific allocation on impaired commercial credits above specified thresholds and restructured loans and other qualitative adjustments. Due to the heavy reliance on realized historical losses and the credit grade rating process, the model-derived estimate of ALLL tends to slightly lag behind the deterioration in the portfolio in a stable or deteriorating credit environment, and tends not to be as responsive when improved conditions have presented themselves. Given these model limitations, the qualitative adjustment factors may be incremental or decremental to the quantitative model results.

An unallocated component of the ALLL is maintained to recognize the imprecision in estimating and measuring loss. The unallocated allowance as a percent of total portfolio loans and leases was 0.13% and 0.12% at September 30, 2017 and December 31, 2016, respectively. The unallocated allowance was 10% and 9% of the total allowance at September 30, 2017 and December 31, 2016, respectively.

As shown in Table 60, the ALLL as a percent of portfolio loans and leases was 1.31% at September 30, 2017 and 1.36% at December 31, 2016. The ALLL was $1.2 billion at September 30, 2017 and $1.3 billion at December 31, 2016.

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

As of ($ in millions)		September 30, 2017		December 31, 2016
Attributed ALLL:				
Commercial and industrial loans	$	**670**		718
Commercial mortgage loans		**72**		82
Commercial construction loans		**24**		16
Commercial leases		**11**		15
Residential mortgage loans		**90**		96
Home equity		**47**		58
Automobile loans		**39**		42
Credit card		**107**		102
Other consumer loans		**25**		12
Unallocated		**120**		112
Total ALLL	$	**1,205**		1,253
Portfolio loans and leases:				
Commercial and industrial loans	$	**41,011**		41,676
Commercial mortgage loans		**6,863**		6,899
Commercial construction loans		**4,652**		3,903
Commercial leases		**4,043**		3,974
Residential mortgage loans		**15,588**		15,051
Home equity		**7,143**		7,695
Automobile loans		**9,236**		9,983
Credit card		**2,168**		2,237
Other consumer loans		**1,179**		680
Total portfolio loans and leases	$	**91,883**		92,098
Attributed ALLL as a percent of respective portfolio loans and leases:				
Commercial and industrial loans		**1.63**	**%**	1.72
Commercial mortgage loans		**1.05**		1.19
Commercial construction loans		**0.52**		0.41
Commercial leases		**0.27**		0.38
Residential mortgage loans		**0.58**		0.64
Home equity		**0.66**		0.75
Automobile loans		**0.42**		0.42
Credit card		**4.94**		4.56
Other consumer loans		**2.12**		1.76
Unallocated (as a percent of total portfolio loans and leases)		**0.13**		0.12
Attributed ALLL as a percent of total portfolio loans and leases		**1.31**	**%**	1.36

MARKET RISK MANAGEMENT

Market risk is the day-to-day potential for the value of a financial instrument to increase or decrease due to movements in market factors. The Bancorp s market risk includes risks resulting from movements in interest rates, foreign exchange rates, equity prices and commodity prices. Interest rate risk, a component of market risk, primarily impacts the Bancorp s NII and interest sensitive fee income categories through changes in interest income on earning assets and cost of interest bearing liabilities, and through fee items that are related to interest sensitive activities such as mortgage origination and servicing income. 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, interest rates can indirectly impact earnings through their effect on loan and deposit demand, credit losses, mortgage originations, the value of servicing rights and other sources of the Bancorp s earnings. Stability of the Bancorp s net income is largely dependent upon the effective management of interest rate risk. Management continually reviews the Bancorp s balance sheet composition and earnings flows and models the interest rate risk, and possible actions to reduce this risk, given numerous possible future interest rate scenarios. A series of Policy Limits and Key Risk Indicators are employed to ensure that this risk is managed within the Bancorp s risk tolerance.

Interest Rate Risk Management Oversight

The Bancorp s ALCO, which includes senior management representatives and is accountable to the ERMC, monitors and manages interest rate risk within Board approved policy limits. In addition to the risk management activities of ALCO, the Bancorp has a Market Risk Management function as part of ERM that provides independent oversight of market risk 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 assumed 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 changes in market conditions and management strategies.

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The Bancorp s interest rate risk exposure is evaluated by measuring the anticipated change in NII over 12-month and 24-month horizons assuming 100 bps and 200 bps parallel ramped increases and a 62.5 bps parallel ramped decrease in interest rates. The analysis would typically include 100 bps and 200 bps parallel ramped decreases in interest rates; however, this analysis is currently omitted due to the current levels of certain interest rates.

In this economic cycle, banks have experienced significant growth in deposit balances, particularly in noninterest-bearing demand deposits. The Bancorp, like other banks, is exposed to deposit balance run-off in a rising interest rate environment. In consideration of this risk, the Bancorp s NII sensitivity modeling assumes that approximately $2.5 billion of noninterest-bearing 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. These noninterest-bearing demand deposit balances are modeled to flow into funding products that reprice in conjunction with market rate increases.

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 69% at September 30, 2017, which is approximately 20 percentage points higher than the beta that the Bancorp experienced in the last FRB tightening cycle from June 2004 to June 2006.

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 net interest income sensitivity profile and ALCO policy limits as of:

TABLE 61: Estimated NII Sensitivity Profile and ALCO Policy Limits

	September 30, 2017				September 30, 2016			
	% 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	**1.52 %**	**4.73**	**(4.00)**	**(6.00)**	3.42	11.02	(4.00)	(6.00)
+100 Ramp over 12 months	**0.96**	**3.03**	**N/A**	**N/A**	1.89	6.67	-	-
-62.5 Ramp over 7 months	**(3.61)**	**(6.40)**	**(6.00)**	**(8.00)**	N/A	N/A	-	-

At September 30, 2017, the Bancorp s NII would benefit in both year one and year two under the parallel rate ramp increases. The Bancorp s NII would decline in both year one and year two under the parallel 62.5 bps ramped decrease in interest rates. The NII sensitivity profile is attributable to the combination of floating-rate assets, including the predominantly floating-rate commercial loan portfolio, and certain intermediate-term fixed-rate liabilities. As the Federal Reserve has increased its target range for Fed Funds, the sensitivity to declining rates has increased, which is a reflection of the balance sheet mix described above. 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 this scenario. The changes in the estimated NII sensitivity profile as of September 30, 2017 compared to September 30, 2016 were primarily attributable to increases in market interest rates, growth in fixed-rate securities balances and lower projected demand deposit balances.

Tables 62 and 63 provide the Bancorp s estimated NII profile at September 30, 2017 with changes to certain deposit balances and deposit repricing sensitivity (betas) assumptions.

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The following table includes the Bancorp s estimated NII sensitivity profile at September 30, 2017 with an immediate $1 billion decrease and an immediate $1 billion increase in demand deposit balances:

TABLE 62: Estimated NII Sensitivity Profile at September 30, 2017 with a $1 Billion Change in Demand Deposit Assumption

	% Change in NII (FTE)			
	Immediate $1 Billion Balance Decrease		Immediate $1 Billion Balance Increase	
Change in Interest Rates (bps)	12 Months	13-24 Months	12 Months	13-24 Months
+200 Ramp over 12 months	1.26 %	4.22	1.78	5.24
+100 Ramp over 12 months	0.83	2.78	1.08	3.29

The following table includes the Bancorp s estimated NII sensitivity profile at September 30, 2017 with a 25% increase and a 25% decrease to the rising rate deposit beta assumptions as of September 30, 2017. The resulting weighted-average interest-bearing deposit betas included in this analysis are approximately 86% and 52%, respectively, as of September 30, 2017:

TABLE 63: Estimated NII Sensitivity Profile at September 30, 2017 with Deposit Beta Assumptions Changes

	% Change in NII (FTE)			
	Betas 25% Higher		Betas 25% Lower	
Change in Interest Rates (bps)	12 Months	13-24 Months	12 Months	13-24 Months
+200 Ramp over 12 months	(1.33)%	(0.96)	4.37	10.43
+100 Ramp over 12 months	(0.47)	0.19	2.38	5.88

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 transaction deposits.

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

TABLE 64: Estimated EVE Sensitivity Profile

	September 30, 2017		September 30, 2016	
Change in Interest Rates (bps)	% Change in EVE	ALCO Policy Limit	% Change in EVE	ALCO Policy Limit
+200 Shock	**(4.11) %**	**(12.00)**	(1.56)	(12.00)
+100 Shock	**(1.43)**	**N/A**	0.10	-
+25 Shock	**(0.16)**	**N/A**	0.24	-
-100 Shock	**(1.67)**	**N/A**	N/A	N/A

The EVE sensitivity to the +200 bps rising rate scenario is moderately negative at September 30, 2017 and slightly negative to a 100 bps decline in market rates. The +100 and +200 bps rising rate sensitivities are up from the sensitivities at September 30, 2016. The higher risk is primarily related to increases in market interest rates, growth in fixed-rate securities balances and lower outstanding demand deposit and long-term debt balances.

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 impact on NII on an FTE basis and EVE of extreme changes in interest rates is modeled, wherein the Bancorp employs the use of yield curve shocks and environment-specific scenarios.

Use of Derivatives to Manage Interest Rate Risk

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

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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. Additionally, the Bancorp economically hedges its exposure to residential mortgage loans held for sale through the use of forward contracts and mortgage options.

The Bancorp also enters into derivatives 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 counterparties to meet the terms of their contracts, which the Bancorp minimizes through collateral arrangements, approvals, limits and monitoring procedures. For further information including the notional amount and fair values of these derivatives, refer to Note 13 of the Notes to Condensed Consolidated Financial Statements.

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 September 30, 2017:

TABLE 65: Portfolio Loans and Leases Expected Cash Flows

($ in millions)	Less than 1 year	1-5 years	Over 5 years	Total
Commercial and industrial loans	$ 22,016	17,809	1,186	41,011
Commercial mortgage loans	2,823	3,540	500	6,863
Commercial construction loans	1,832	2,757	63	4,652
Commercial leases	881	1,992	1,170	4,043
Total commercial loans and leases	27,552	26,098	2,919	56,569
Residential mortgage loans	2,791	6,684	6,113	15,588
Home equity	1,863	3,616	1,664	7,143
Automobile loans	4,024	4,865	347	9,236
Credit card	434	1,734	-	2,168
Other consumer loans	671	485	23	1,179
Total consumer loans	9,783	17,384	8,147	35,314
Total portfolio loans and leases	$ 37,335	43,482	11,066	91,883

Additionally, 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 September 30, 2017:

TABLE 66: Portfolio Loans and Leases Expected Cash Flows Occurring After 1 Year

Interest Rate

($ in millions)		Fixed	Floating or Adjustable
Commercial and industrial loans	$	2,334	16,661
Commercial mortgage loans		834	3,206
Commercial construction loans		62	2,758
Commercial leases		3,162	-
Total commercial loans and leases		6,392	22,625
Residential mortgage loans		9,706	3,091
Home equity		468	4,812
Automobile loans		5,171	41
Credit card		446	1,288
Other consumer loans		279	229
Total consumer loans		16,070	9,461
Total portfolio loans and leases	$	22,462	32,086

Residential Mortgage Servicing Rights and Interest Rate Risk

Effective January 1, 2017, the Bancorp elected to prospectively adopt the fair value method for all existing classes of its residential mortgage servicing rights portfolio. Upon this election, all servicing rights are measured at fair value at each reporting date and changes in the fair value of servicing rights are reported in mortgage banking net revenue in the Condensed Consolidated Statements of Income in the period in which the changes occur. Prior to the election of the fair value method, servicing rights were initially recorded at fair value and subsequently amortized in proportion to, and over the period of, estimated net servicing revenue. Servicing rights were assessed for impairment monthly, based on fair value, with temporary impairment recognized through a valuation allowance.

The fair value of the residential MSR portfolio was $848 million at September 30, 2017 and the net carrying amount of the residential MSR portfolio was $744 million as of December 31, 2016. 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.

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Mortgage rates decreased during both the three and nine months ended September 30, 2017 which caused modeled prepayment speeds to increase, which led to fair value adjustments on servicing rights. The fair value of the MSR decreased $2 million and $15 million, respectively, due to changes to inputs to the valuation model including prepayment speeds and OAS spread assumptions and decreased $32 million and $89 million, respectively, due to the passage of time, including the impact of regularly scheduled repayments, paydowns and payoffs for the three and nine months ended September 30, 2017.

Mortgage rates increased during the three months ended September 30, 2016. Actual prepayment speeds also increased during the three months ended September 30, 2016, but were associated with the interest rate decline at the end of the second quarter of 2016 as there is a natural lag between interest rate movements and prepayments. The increase in mortgage rates caused modeled prepayment speeds to decrease, which led to a recovery of temporary impairment of $7 million on servicing rights. Mortgage rates decreased during the nine months ended September 30, 2016 which caused modeled prepayment speeds to increase, which led to temporary impairment of $125 million on servicing rights. Previously, servicing rights were deemed temporarily impaired when a borrower s loan rate was distinctly higher than prevailing rates. Temporary impairment on servicing rights was reversed when the prevailing rates returned to a level commensurate with the borrower s loan rate.

The Bancorp recognized net gains of $3 million and $20 million, respectively, on its non-qualifying hedging strategy for the three and nine months ended September 30, 2017 compared to net losses of $16 million and net gains of $133 million, respectively, during the three and nine months ended September 30, 2016. These amounts include net gains on securities related to the Bancorp s non-qualifying hedging strategy which were $2 million and $4 million, respectively, during the three and nine months ended September 30, 2017 and zero for both the three and nine months ended September 30, 2016. The Bancorp may adjust its hedging strategy to reflect its assessment of the composition of its MSR portfolio, the cost of hedging and the anticipated effectiveness of the hedges given the economic environment. Refer to Note 12 of the Notes to Condensed Consolidated Financial Statements for further discussion on servicing rights and the instruments used to hedge interest rate risk on MSRs.

Foreign Currency Risk

The Bancorp may enter into foreign exchange derivative contracts to economically hedge certain foreign denominated loans. The derivatives are classified as free-standing instruments with the revaluation gain or loss being recorded in other noninterest income in the Condensed Consolidated Statements of Income. The balance of the Bancorp s foreign denominated loans at September 30, 2017 and December 31, 2016 was $990 million and $827 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 interest rate risk from interest rate derivative contracts, 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 the Capital Markets Credit department and Capital Markets Risk department.

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 interest rate 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 the Capital Markets Credit department and Capital Markets Risk department.

LIQUIDITY RISK MANAGEMENT

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

The 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, 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.

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Liquidity Risk Management Oversight

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 Market 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 65 of the Market Risk Management subsection of the Risk Management section of MD&A illustrates the expected maturities from loan and lease repayments. Of the $31.5 billion of securities in the Bancorp s available-for-sale and other portfolio at September 30, 2017, $4.4 billion in principal and interest is expected to be received in the next 12 months and an additional $3.5 billion is expected to be received in the next 13 to 24 months. For further information on the Bancorp s securities portfolio, refer to the Investment Securities subsection of the Balance Sheet Analysis section of MD&A.

Asset-driven liquidity is provided by the Bancorp s ability to sell or securitize loans and leases. In order to reduce the exposure to interest rate fluctuations and to manage liquidity, the Bancorp has developed securitization and sale procedures for several types of interest-sensitive assets. A majority of the long-term, fixed-rate single-family residential mortgage loans underwritten according to FHLMC or FNMA guidelines are sold for cash upon origination. Additional assets such as certain other residential mortgage loans, certain commercial loans, home equity loans, automobile loans and other consumer loans are also capable of being securitized or sold. The Bancorp sold or securitized loans totaling $2.6 billion and $5.8 billion during the three and nine months ended September 30, 2017, respectively, compared to $1.9 billion and $5.0 billion during the three and nine months ended September 30, 2016, respectively. For further information on the transfer of financial assets, refer to Note 12 of the Notes to Condensed Consolidated Financial Statements.

Core deposits have historically provided the Bancorp with a sizeable source of relatively stable and low cost funds. The Bancorp s average core deposits and average shareholders equity funded 82% and 83% of its average total assets for the three and nine months ended September 30, 2017, respectively, and 81% for both the three and nine months ended September 30, 2016, 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 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 September 30, 2017, $8.2 billion of debt or other securities were available for issuance under the current Bancorp s Board of Directors authorizations and the Bancorp is authorized to file any necessary registration statements with the SEC to permit ready access to the public securities markets; however, access to these markets may depend on market conditions. On June 15, 2017, the Bancorp issued and sold $700 million of unsecured senior fixed-rate notes. At September 30, 2017, the Bancorp has approximately $38.7 billion of borrowing capacity available through secured borrowing sources including the FHLB and FRB.

The Bank s global bank note program has a borrowing capacity of $25.0 billion, of which $17.7 billion was available for issuance as of September 30, 2017. For further information on a subsequent event related to long-term debt, refer to Note 25.

In a securitization transaction that occurred in September of 2017, the Bancorp transferred $1.1 billion in aggregate automobile loans to a bankruptcy remote trust which subsequently issued approximately $1.0 billion of asset-backed notes, of which approximately $261 million of the asset-backed notes were retained by the Bancorp, resulting in approximately $750 million of outstanding notes included in long-term debt in the Condensed Consolidated Balance Sheets. The bankruptcy remote trust was deemed to be a VIE and the Bancorp, as the primary beneficiary, consolidated the VIE. The third-party holders of the asset-backed notes do not have recourse to the general assets of the Bancorp. Refer to Note 11, for additional information.

Liquidity Coverage Ratio and Net Stable Funding Ratio

The Bancorp is subject to the Modified LCR requirement, which stipulates that BHCs with $50 billion or more in total consolidated assets that are not internationally active, such as the Bancorp, maintain HQLA equal to their calculated net cash outflows over a 30 calendar-day stress period multiplied by a factor of 0.7. The Bancorp s Modified LCR was 124% at September 30, 2017.

On June 1, 2016, the U.S. banking agencies published a notice of proposed rulemaking to implement a modified NSFR for certain bank holding companies with at least $50 billion but less than $250 billion in total consolidated assets and with less than $10 billion in on-balance sheet foreign exposures, including the Bancorp. Generally consistent with the BCBS framework, under the proposed rule banking organizations would be required to hold an amount of ASF over a one-year time horizon that equals or exceeds the institution s amount of RSF, with the ASF representing the numerator and the RSF representing the denominator of the NSFR. Banking organizations subject to the modified NSFR would multiply the RSF amount by 70%, such that the RSF amount required for these institutions would be equivalent to 70% of the RSF amount that would be required pursuant to the full NSFR generally applicable to institutions with at least $250 billion in total consolidated assets or $10 billion or more in on-balance sheet foreign exposures under the proposed rule. The comment period for this proposal ended on August 5, 2016. The Bancorp is currently awaiting the final rule from the U.S. banking agencies.

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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 67. 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 67: Agency Ratings

As of November 6, 2017	Moody s	Standard and Poor s	Fitch	DBRS
Fifth Third Bancorp:				
Short-term	No rating	A-2	F1	R-1L
Senior debt	Baa1	BBB+	A-	AL
Subordinated debt	Baa1	BBB	BBB+	BBBH
Fifth Third Bank:				
Short-term	P-1	A-2	F1	R-1L
Long-term deposit	Aa3	No rating	A	A
Senior debt	A3	A-	A-	A
Subordinated debt	Baa1	BBB+	BBB+	AL
Rating Agency Outlook for Fifth Third Bancorp and Fifth Third Bank:	Stable	Stable	Stable	Stable

OPERATIONAL RISK MANAGEMENT

Operational risk is the risk of loss resulting from inadequate or failed processes or systems or due to 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, cyber-security incidents and privacy breaches or failure of vendors to perform in accordance with their arrangements. These events could result in financial losses, litigation and regulatory fines, as well as other damage to the Bancorp. The Bancorp s risk management goal is to keep operational risk at appropriate levels consistent with the Bancorp s risk appetite, financial strength, the characteristics of its businesses, the markets in which it operates and the competitive and regulatory environment to which it is subject.

To control, monitor and govern operational risk, the Bancorp maintains an overall Risk Management Framework which comprises governance oversight, risk assessment, capital measurement, monitoring and reporting as well as a formal three lines of defense approach. ERM is responsible for prescribing the framework to the lines of business and corporate functions, and to provide 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, Vendor 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.

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 Committee of the Board of Directors.

COMPLIANCE RISK MANAGEMENT

Regulatory compliance risk is defined as 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. Fifth Third focuses on managing regulatory compliance risk in accordance with the Bancorp s integrated risk management framework, which ensures consistent processes for identifying, assessing, managing, monitoring, and reporting risks. The Bancorp s risk management goal is to keep compliance risk at appropriate levels consistent with the Bancorp s risk appetite.

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The current regulatory environment, including heightened regulatory expectations and material changes in laws and regulations, increases compliance risk. To mitigate compliance risk, Compliance Risk Management provides independent oversight to ensure consistency and sufficiency in the execution of the program, and ensures that lines of business, regions and support functions are adequately identifying, assessing and monitoring compliance risks and adopting proper mitigation strategies. The lines of business and enterprise functions are responsible for managing the compliance risks associated with their areas. Additionally, Compliance Risk Management implements key compliance programs and processes including but not limited to, risk assessments, key risk indicators, issues tracking, regulatory compliance testing and monitoring, anti-money laundering, privacy and, in partnership with the Corporate Responsibility and Reputation team, oversees the Bancorp s compliance with the Community Reinvestment Act.

Fifth Third also focuses on the reporting and escalation of compliance issues to senior management and the Board of Directors. The Management Compliance Committee is the key committee that oversees and supports Fifth Third in the management of compliance risk across the enterprise. The Management Compliance Committee oversees Fifth Third-wide compliance issues, industry best practices, legislative developments (in coordination with the Regulatory Change Management Committee), regulatory concerns, and other leading indicators of compliance risk. The Management Compliance Committee reports to the ERMC, which reports to the Risk and Compliance Committee of the Board of Directors.

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 was effective for the Bancorp on January 1, 2015 and set minimum regulatory capital ratios as well as defined the measure of well-capitalized .

TABLE 68: Prescribed Capital Ratios

	Minimum	Well-Capitalized
CET1 capital	4.50 %	6.50
Tier I risk-based capital	6.00	8.00
Total risk-based capital	8.00	10.00
Tier I leverage	4.00	5.00

On January 1, 2016, the Bancorp became subject to a capital conservation buffer which will be phased in over a three-year period ending January 1, 2019. Once fully phased-in, the capital conservation buffer will be 2.5% in addition to the minimum capital ratios, in order to avoid limitations on certain capital distributions and discretionary bonus payments to executive officers. The capital conservation buffer was 0.625% in 2016 and is 1.25% in 2017. The

Bancorp exceeded these well-capitalized and capital conservation buffer ratios for all periods presented.

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

TABLE 69: Capital Ratios

($ in millions)		**September 30, 2017**	December 31, 2016
Quarterly average total Bancorp shareholders equity as a percent of average assets		**11.93 %**	11.66
Tangible equity as a percent of tangible assets[(a)]		**9.84**	9.82
Tangible common equity as a percentage of tangible assets[(a)]		**8.89**	8.87
		Basel III Transitional[(b)]	
CET1 capital	**$**	**12,443**	12,426
Tier I capital		**13,773**	13,756
Total regulatory capital		**17,816**	17,972
Risk-weighted assets		**117,527**	119,632
Regulatory capital ratios:			
CET1 capital		**10.59 %**	10.39
Tier I risk-based capital		**11.72**	11.50
Total risk-based capital		**15.16**	15.02
Tier I leverage		**9.97**	9.90
		Basel III Fully Phased-In[(b)]	
CET1 capital[(a)]		**10.47 %**	10.29

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

(b) Under the U.S. banking agencies Basel III Final Rule, assets and credit equivalent amounts of off-balance sheet exposures are calculated according to the standardized approach for risk-weighted assets. The resulting weighted values are added together resulting in the total risk-weighted assets.

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

Stress Tests and CCAR

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. Further, each BHC must also 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 scenarios. The FRB launched the 2017 stress testing program and CCAR on February 3, 2017, with submissions of stress test results and capital plans to the FRB due on April 5, 2017, which the Bancorp submitted as required.

The FRB s review of the capital plan assessed the comprehensiveness of the capital plan, the reasonableness of the assumptions and the analysis underlying the capital plan. Additionally, the FRB reviewed the robustness of the capital adequacy process, the capital policy and the Bancorp s ability to maintain capital above each minimum regulatory capital ratio on a pro forma basis under expected and stressful conditions throughout the planning horizon.

On June 28, 2017, the Bancorp announced the results of its capital plan submitted to the FRB as part of the 2017 CCAR. For BHCs that proposed capital distributions in their plans, the FRB either objected to the plan or provided a non-objection whereby the FRB permitted the proposed capital distributions. The FRB indicated to the Bancorp that it did not object to the following capital actions for the period beginning July 1, 2017 and ending June 30, 2018:

- The increase in the quarterly common stock dividend to $0.16 from $0.14 beginning in the third quarter of 2017 and to $0.18 beginning in the second quarter of 2018;
- The repurchase of common shares in an amount up to $1.161 billion, or a 76% increase over the 2016 capital plan. These repurchases include $88 million in repurchases related to share issuances under employee benefit plans and $48 million in repurchases related to previously-recognized TRA transaction after-tax gains;
- The additional ability to repurchase common shares in the amount of any after-tax capital generated from the sale of Vantiv, Inc. common stock;
- The additional ability to repurchase common shares in the amount of any after-tax cash income generated from the termination and settlement of gross cash flows from existing TRAs with Vantiv, Inc. or potential future TRAs that may be generated from additional sales of Vantiv, Inc.

Additionally, as a CCAR institution, the Bancorp is required to disclose the results of its company-run stress test under the supervisory adverse and supervisory severely adverse scenarios and to provide information related to the types of risk included in its stress testing, a general description of the methodologies used, estimates of certain financial results and pro forma capital ratios, and an explanation of the most significant causes of changes in regulatory capital ratios. On June 22, 2017 the Bancorp publicly disclosed the results of its company-run stress test as required by the DFA stress testing rules, which is available on Fifth Third s website at https://www.53.com. With Fifth Third s designation as a Large and Non-complex Bank, it is no longer subject to the qualitative aspects of the CCAR program.

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, the need to comply with safe and sound banking practices as well as meet regulatory requirements and expectations. The Bancorp declared dividends per common share of $0.16 and $0.13 for the three months ended September 30, 2017 and 2016, respectively, and $0.44 and $0.39 for the nine months ended September 30, 2017 and 2016, respectively. As contemplated by the 2016 and 2017 CCARs, the Bancorp entered into or settled a number of accelerated share repurchase transactions during the nine months ended September 30, 2017. Refer to Note 16 of the Notes to Condensed Consolidated Financial Statements for additional information on the accelerated share repurchases.

The following table summarizes the monthly share repurchase activity for the three months ended September 30, 2017:

TABLE 70: Share Repurchases

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[(b)]
July 1, 2017 - July 31, 2017	2,356,508	$ 24.61	2,248,250	66,706,814
August 1, 2017 - August 31, 2017	31,628,819	27.05	31,540,480	35,166,334
September 1, 2017 - September 30, 2017	76,517	24.19	-	35,166,334
Total	34,061,844	$ 26.88	33,788,730	35,166,334

(a) Includes 273,114 shares repurchased during the third quarter of 2017 in connection with various employee compensation plans. These purchases do not count against the maximum number of shares that may yet be purchased under the Board of Directors authorization.

(b) In March of 2016, the Bancorp announced that its Board of Directors had authorized management to purchase 100 million shares of the Bancorp s common stock through the open market or in any private party transactions. The authorization does not include specific price targets or an expiration date.

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

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 market, credit and liquidity risk in excess of the amounts recognized in the Bancorp s Condensed Consolidated Balance Sheets. The Bancorp s off-balance sheet arrangements include commitments, guarantees, contingent liabilities, 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, letters of credit, forward contracts related to residential mortgage loans held for sale, noncancelable operating lease obligations, purchase obligations, capital commitments for private equity investments, capital expenditures, and capital lease obligations. Refer to Note 17 of the Notes to Condensed Consolidated Financial Statements for additional information on commitments.

Guarantees and Contingent Liabilities

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 or credit recourse. Refer to Note 17 of the Notes to Condensed Consolidated Financial Statements for additional information on guarantees and contingent liabilities.

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 11 of the Notes to Condensed Consolidated Financial Statements for additional information on non-consolidated VIEs.

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Quantitative and Qualitative Disclosure about Market Risk (Item 3)

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

Controls and Procedures (Item 4)

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

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

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Fifth Third Bancorp and Subsidiaries

Condensed Consolidated Financial Statements and Notes (Item 1)

CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)

($ in millions, except share data)	As of September 30, 2017	As of December 31, 2016
Assets		
Cash and due from banks[(a)]	**$ 2,205**	2,392
Available-for-sale and other securities[(b)]	**31,480**	31,183
Held-to-maturity securities[(c)]	**25**	26
Trading securities	**850**	410
Other short-term investments	**3,298**	2,754
Loans and leases held for sale[(d)]	**711**	751
Portfolio loans and leases[(a)(e)]	**91,883**	92,098
Allowance for loan and lease losses[(a)]	**(1,205)**	(1,253)
Portfolio loans and leases, net	**90,678**	90,845
Bank premises and equipment[(f)]	**2,018**	2,065
Operating lease equipment	**663**	738
Goodwill	**2,423**	2,416
Intangible assets	**18**	9
Servicing rights[(g)]	**848**	744
Other assets[(a)]	**7,047**	7,844
Total Assets	**$ 142,264**	142,177
Liabilities		
Deposits:		
Noninterest-bearing deposits	**$ 35,246**	35,782
Interest-bearing deposits	**66,206**	68,039
Total deposits	**101,452**	103,821
Federal funds purchased	**118**	132
Other short-term borrowings	**5,688**	3,535
Accrued taxes, interest and expenses	**2,071**	1,800
Other liabilities[(a)]	**2,516**	2,269
Long-term debt[(a)]	**14,039**	14,388
Total Liabilities	**$ 125,884**	125,945
Equity		
Common stock[(h)]	**$ 2,051**	2,051
Preferred stock[(i)]	**1,331**	1,331
Capital surplus	**2,682**	2,756
Retained earnings	**14,748**	13,441
Accumulated other comprehensive income	**185**	59
Treasury stock[(h)]	**(4,637)**	(3,433)
Total Bancorp shareholders equity	**$ 16,360**	16,205
Noncontrolling interests	**20**	27
Total Equity	**16,380**	16,232
Total Liabilities and Equity	**$ 142,264**	142,177

(a)

*Includes **$116** and $85 of cash and due from banks, **$1,532** and $1,216 of portfolio loans and leases, **$(8)** and $(26) of ALLL, **$9** and $9 of other assets, **$3** and $3 of other liabilities, and **$1,491** and $1,094 of long-term debt from consolidated VIEs that are included in their respective captions above at **September 30, 2017** and December 31, 2016, respectively. For further information refer to Note 11.*

*(b) Amortized cost of **$31,114** and $31,024 at **September 30, 2017** and December 31, 2016, respectively.*

*(c) Fair value of **$25** and $26 at **September 30, 2017** and December 31, 2016, respectively.*

*(d) Includes **$651** and $686 of residential mortgage loans held for sale measured at fair value and **$5** and $0 of commercial loans held for sale measured at fair value at **September 30, 2017** and December 31, 2016, respectively.*

*(e) Includes **$140** and $143 of residential mortgage loans measured at fair value at **September 30, 2017** and December 31, 2016, respectively.*

*(f) Includes **$36** and $39 of bank premises and equipment held for sale at **September 30, 2017** and December 31, 2016, respectively. For further information refer to Note 7.*

*(g) Effective January 1, 2017, the Bancorp has elected the fair value measurement method for all existing classes of its residential mortgage servicing rights. The servicing rights were measured at fair value at **September 30, 2017** and were measured under the amortization method at December 31, 2016. For further information refer to Note 12.*

*(h) Common shares: Stated value $2.22 per share; authorized 2,000,000,000; outstanding at **September 30, 2017** **705,473,789** (excludes **218,418,792** treasury shares), December 31, 2016 750,479,299 (excludes 173,413,282 treasury shares).*

*(i) **446,000** shares of undesignated no par value preferred stock are authorized and unissued at **September 30, 2017** and December 31, 2016; fixed-to-floating rate non-cumulative Series H perpetual preferred stock with a $25,000 liquidation preference: **24,000** authorized shares, issued and outstanding at **September 30, 2017** and December 31, 2016; fixed-to-floating rate non-cumulative Series I perpetual preferred stock with a $25,000 liquidation preference; **18,000** authorized shares, issued and outstanding at **September 30, 2017** and December 31, 2016; and fixed-to-floating rate non-cumulative Series J perpetual preferred stock with a $25,000 liquidation preference: **12,000** authorized shares, issued and outstanding at **September 30, 2017** and December 31, 2016.*

Refer to the Notes to Condensed Consolidated Financial Statements.

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Fifth Third Bancorp and Subsidiaries

Condensed Consolidated Financial Statements and Notes (continued)
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (unaudited)

($ in millions, except share data)	For the three months ended September 30, 2017	2016[a]	For the nine months ended September 30, 2017	2016[a]
Interest Income				
Interest and fees on loans and leases	$ **899**	816	**2,595**	2,429
Interest on securities	**249**	239	**739**	707
Interest on other short-term investments	**4**	2	**10**	6
Total interest income	**1,152**	1,057	**3,344**	3,142
Interest Expense				
Interest on deposits	**73**	51	**197**	151
Interest on federal funds purchased	**2**	-	**4**	2
Interest on other short-term borrowings	**12**	2	**24**	8
Interest on long-term debt	**95**	97	**277**	269
Total interest expense	**182**	150	**502**	430
Net Interest Income	**970**	907	**2,842**	2,712
Provision for loan and lease losses	**67**	80	**193**	289
Net Interest Income After Provision for Loan and Lease Losses	**903**	827	**2,649**	2,423
Noninterest Income				
Service charges on deposits	**138**	143	**415**	417
Wealth and asset management revenue	**102**	101	**313**	304
Corporate banking revenue	**101**	111	**276**	330
Card and processing revenue	**79**	79	**232**	240
Mortgage banking net revenue	**63**	66	**170**	219
Other noninterest income	**1,076**	336	**1,237**	552
Securities gains, net	**-**	4	**1**	13
Securities gains, net - non-qualifying hedges on mortgage servicing rights	**2**	-	**4**	-
Total noninterest income	**1,561**	840	**2,648**	2,075
Noninterest Expense				
Salaries, wages and incentives	**407**	400	**1,215**	1,209
Employee benefits	**77**	78	**274**	263
Net occupancy expense	**74**	73	**221**	226
Technology and communications	**62**	62	**177**	178
Card and processing expense	**32**	30	**95**	101
Equipment expense	**30**	29	**88**	89
Other noninterest expense	**293**	301	**848**	876
Total noninterest expense	**975**	973	**2,918**	2,942
Income Before Income Taxes	**1,489**	694	**2,379**	1,556
Applicable income tax expense	**475**	178	**694**	390
Net Income	**1,014**	516	**1,685**	1,166
Less: Net income attributable to noncontrolling interests	**-**	-	**-**	(4)
Net Income Attributable to Bancorp	**1,014**	516	**1,685**	1,170

Dividends on preferred stock		**15**	15	**52**	52
Net Income Available to Common Shareholders	**$**	**999**	501	**1,633**	1,118
Earnings per share - basic	**$**	**1.37**	0.66	**2.19**	1.45
Earnings per share - diluted	**$**	**1.35**	0.65	**2.16**	1.44
Average common shares outstanding - basic		**721,280,389**	750,885,834	**736,686,213**	761,147,543
Average common shares outstanding - diluted		**733,284,502**	757,855,877	**748,706,522**	766,775,598
Cash dividends declared per common share	**$**	**0.16**	0.13	**0.44**	0.39

(a) Net tax deficiencies of $6 were reclassified from capital surplus to applicable income tax expense for the nine months ended September 30, 2016, and average common shares outstanding diluted were adjusted for both the three and nine months ended September 30, 2016, related to the early adoption of ASU 2016-09 during the fourth quarter of 2016, with an effective date of January 1, 2016.

Refer to the Notes to Condensed Consolidated Financial Statements.

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Fifth Third Bancorp and Subsidiaries

Condensed Consolidated Financial Statements and Notes (continued)
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)

($ in millions)	For the three months ended September 30, 2017	2016	For the nine months ended September 30, 2017	2016[(a)]
Net Income	**$ 1,014**	516	**1,685**	1,166
Other Comprehensive Income (Loss), Net of Tax:				
Unrealized gains on available-for-sale securities:				
Unrealized holding gains (losses) arising during period	**22**	(113)	**130**	538
Reclassification adjustment for net losses (gains) included in net income	**1**	(1)	**2**	(11)
Unrealized gains on cash flow hedge derivatives:				
Unrealized holding gains (losses) arising during period	**-**	(15)	**2**	49
Reclassification adjustment for net gains included in net income	**(2)**	(7)	**(11)**	(23)
Defined benefit pension plans, net:				
Net actuarial loss arising during period	**(2)**	(3)	**(3)**	(3)
Reclassification of amounts to net periodic benefit costs	**3**	5	**6**	8
Other comprehensive income (loss), net of tax	**22**	(134)	**126**	558
Comprehensive Income	**1,036**	382	**1,811**	1,724
Less: Comprehensive income attributable to noncontrolling interests	**-**	-	**-**	(4)
Comprehensive Income Attributable to Bancorp	**$ 1,036**	382	**1,811**	1,728

(a) Net tax deficiencies of $6 million were reclassified from capital surplus to applicable income tax expense for the nine months ended September 30, 2016, related to the early adoption of ASU 2016-09 during the fourth quarter of 2016, with an effective date of January 1, 2016.

Refer to the Notes to Condensed Consolidated Financial Statements.

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Fifth Third Bancorp and Subsidiaries

Condensed Consolidated Financial Statements and Notes (continued)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (unaudited)

	Bancorp Shareholders' Equity								
($ in millions, except per share data)	Common Stock	Preferred Stock	Capital Surplus[b]	Retained Earnings[b]	Accumulated Other Comprehensive Income	Treasury Stock	Total Bancorp Shareholders' Equity	Non-Controlling Interests	Total Equity
Balance at December 31, 2015	$ 2,051	1,331	2,666	12,358	197	(2,764)	15,839	31	15,870
Net income				1,170			1,170	(4)	1,166
Other comprehensive income, net of tax					558		558		558
Cash dividends declared:									
Common stock at $0.39 per share				(300)			(300)		(300)
Preferred stock[a]				(52)			(52)		(52)
Shares acquired for treasury			3			(509)	(506)		(506)
Impact of stock transactions under stock compensation plans, net			81	1		(15)	67		67
Other				(2)		2	-	1	1
Balance at September 30, 2016	$ 2,051	1,331	2,750	13,175	755	(3,286)	16,776	28	16,804
Balance at December 31, 2016	**$ 2,051**	**1,331**	**2,756**	**13,441**	**59**	**(3,433)**	**16,205**	**27**	**16,232**
Net income				**1,685**			**1,685**		**1,685**
Other comprehensive income, net of tax					**126**		**126**		**126**
Cash dividends declared:									
Common stock at **$0.44** per share				**(324)**			**(324)**		**(324)**
Preferred stock[a]				**(52)**			**(52)**		**(52)**
Shares acquired for treasury			**(113)**			**(1,219)**	**(1,332)**		**(1,332)**
Impact of stock transactions under stock compensation plans, net			**39**			**12**	**51**		**51**
Other				**(2)**		**3**	**1**	**(7)**	**(6)**
Balance at September 30, 2017	**$ 2,051**	**1,331**	**2,682**	**14,748**	**185**	**(4,637)**	**16,360**	**20**	**16,380**

(a) *For both the nine months ended **September 30, 2017** and 2016, dividends were **$637.50** per preferred share for Perpetual Preferred Stock, Series H; **$1,242.18** per preferred share for Perpetual Preferred Stock, Series I; and **$1,225.00** per preferred share for Perpetual Preferred Stock, Series J.*

(b) *Net tax deficiencies of $6 were reclassified from capital surplus to applicable income tax expense for the nine months ended September 30, 2016, related to the early adoption of ASU 2016-09 during the fourth quarter of 2016, with an effective date of January 1, 2016.*

Refer to the Notes to Condensed Consolidated Financial Statements.

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Fifth Third Bancorp and Subsidiaries

Condensed Consolidated Financial Statements and Notes (continued)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

($ in millions)	For the nine months ended September 30, 2017	2016[(a)]
Operating Activities		
Net income	**$ 1,685**	1,166
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan and lease losses	**193**	289
Depreciation, amortization and accretion	**255**	341
Stock-based compensation expense	**95**	86
(Benefit from) provision for deferred income taxes	**(97)**	27
Securities gains, net	**(2)**	(12)
Securities gains, net - non-qualifying hedges on mortgage servicing rights	**(4)**	-
MSR fair value adjustment	**104**	-
Provision for MSR impairment	**-**	125
Net gains on sales of loans and fair value adjustments on loans held for sale	**(82)**	(79)
Net losses on disposition and impairment of bank premises and equipment	**3**	14
Gains on sales of certain retail branch operations	**-**	(19)
Net losses on disposition and impairment of operating lease equipment	**18**	9
Gain on sale of Vantiv, Inc. shares	**(1,037)**	-
Gain on the TRA associated with Vantiv, Inc.	**-**	(164)
Proceeds from sales of loans held for sale	**4,741**	4,633
Loans originated for sale, net of repayments	**(4,608)**	(5,001)
Dividends representing return on equity method investments	**29**	21
Net change in:		
Trading securities	**(430)**	(42)
Other assets	**129**	192
Accrued taxes, interest and expenses	**288**	(338)
Other liabilities	**(44)**	(48)
Net Cash Provided by Operating Activities	**1,236**	1,200
Investing Activities		
Proceeds from sales:		
Available-for-sale securities	**7,484**	14,691
Loans	**105**	214
Bank premises and equipment	**25**	72
Proceeds from repayments / maturities:		
Available-for-sale securities	**1,799**	2,487
Held-to-maturity securities	**1**	13
Purchases:		
Available-for-sale securities	**(8,849)**	(17,884)

Bank premises and equipment	**(155)**	(148)
MSRs	**(109)**	-
Proceeds from sales and dividends representing return of equity method investments	**1,358**	49
Net cash paid on sales of certain retail branch operations	**-**	(219)
Net cash paid on acquisitions	**(12)**	-
Net change in:		
Other short-term investments	**(544)**	(324)
Loans and leases	**(191)**	(1,022)
Operating lease equipment	**(6)**	(136)
Net Cash Provided by (Used in) Investing Activities	**906**	(2,207)
Financing Activities		
Net change in:		
Deposits	**(2,369)**	(1,404)
Federal funds purchased	**(14)**	(25)
Other short-term borrowings	**2,153**	1,987
Dividends paid on common stock	**(339)**	(303)
Dividends paid on preferred stock	**(38)**	(52)
Proceeds from issuance of long-term debt	**1,444**	3,735
Repayment of long-term debt	**(1,794)**	(2,777)
Repurchase of treasury stock and related forward contract	**(1,332)**	(506)
Other	**(40)**	(24)
Net Cash (Used in) Provided by Financing Activities	**(2,329)**	631
Decrease in Cash and Due from Banks	**(187)**	(376)
Cash and Due from Banks at Beginning of Period	**2,392**	2,540
Cash and Due from Banks at End of Period	**$ 2,205**	2,164

(a) Net tax deficiencies of $6 were reclassified from capital surplus to applicable income tax expense for the nine months ended September 30, 2016, related to the early adoption of ASU 2016-09 during the fourth quarter of 2016, with an effective date of January 1, 2016.

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

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Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (unaudited)

1. Basis of Presentation

The Condensed Consolidated Financial Statements include the accounts of the Bancorp and its majority-owned subsidiaries and VIEs in which the Bancorp has been determined to be the primary beneficiary. Other entities, including certain joint ventures, in which the Bancorp has the ability to exercise significant influence over operating and financial policies of the investee, but upon which the Bancorp does not possess control, are accounted for by the equity method and not consolidated. Those entities in which the Bancorp does not have the ability to exercise significant influence are generally carried at the lower of cost or fair value. Intercompany transactions and balances have been eliminated.

In the opinion of management, the unaudited Condensed Consolidated Financial Statements include all adjustments, which consist of normal recurring accruals, necessary to present fairly the results for the periods presented. In accordance with U.S. GAAP and the rules and regulations of the SEC for interim financial information, these statements do not include certain information and footnote disclosures required for complete annual financial statements and it is suggested that these Condensed Consolidated Financial Statements be read in conjunction with the Bancorp s Annual Report on Form 10-K. The results of operations and comprehensive income for the three and nine months ended September 30, 2017 and 2016 and the cash flows and changes in equity for the nine months ended September 30, 2017 and 2016 are not necessarily indicative of the results to be expected for the full year. Financial information as of December 31, 2016 has been derived from the Bancorp s Annual Report on Form 10-K.

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

2. Supplemental Cash Flow Information

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

($ in millions)	2017	2016
Cash Payments:		
Interest	$ **556**	481
Income taxes	**439**	605
Transfers:		
Portfolio loans to loans held for sale	**152**	153
Loans held for sale to portfolio loans	**11**	20
Portfolio loans to OREO	**28**	39

3. Accounting and Reporting Developments

Standards Adopted in 2017

The Bancorp adopted the following new accounting standards effective January 1, 2017:

ASU 2016-05 Derivatives and Hedging (Topic 815): Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships

In March 2016, the FASB issued ASU 2016-05 which clarifies that a change in counterparty in a derivative contract does not, in and of itself, represent a change in critical terms that would require discontinuation of hedge accounting provided that other hedge accounting criteria continue to be met. The Bancorp adopted the amended guidance prospectively on January 1, 2017. The adoption did not have a material impact on the Condensed Consolidated Financial Statements.

ASU 2016-06 Derivatives and Hedging (Topic 815): Contingent Put and Call Options in Debt Instruments

In March 2016, the FASB issued ASU 2016-06 which clarifies the requirements for determining when contingent put and call options embedded in debt instruments should be bifurcated from the debt instrument and accounted for separately as derivatives. A four-step decision sequence should be followed in determining whether such options are clearly and closely related to the economic characteristics and risks of the debt instrument, which determines whether bifurcation is necessary. The Bancorp adopted the amended guidance on January 1, 2017 on a modified retrospective basis. The adoption did not have a material impact on the Condensed Consolidated Financial Statements.

ASU 2016-07 Investments Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting

In March 2016, the FASB issued ASU 2016-07 to eliminate the requirement that when an investment qualifies for use of the equity method as a result of an increase in the level of ownership interest or degree of influence, an investor must adjust the investment, results of operations and retained earnings retroactively on a step-by-step basis as if the equity method had been in effect during all previous periods that the investment had been held. The amendments require that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor s previously held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting, eliminating the requirement to retrospectively apply the equity method of accounting back to the date of the initial investment. The Bancorp adopted the amended guidance prospectively on January 1, 2017. The adoption did not have a material impact on the Condensed Consolidated Financial Statements.

ASU 2016-17 Consolidation (Topic 810): Interests Held Through Related Parties That Are Under Common Control

In October 2016, the FASB issued ASU 2016-17 which changes the accounting for the consolidation of VIEs in certain situations involving entities under common control. Specifically, the amendments change how the indirect interests held through related parties that are under common control should be included in a reporting entity s evaluation of whether it is a primary beneficiary of a VIE.

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Under the amended guidance, the reporting entity is only required to include the indirect interests held through related parties that are under common control in a VIE on a proportionate basis. The Bancorp adopted the amended guidance retrospectively on January 1, 2017. The adoption did not have a material impact on the Condensed Consolidated Financial Statements.

Standards Issued but Not Yet Adopted

The following accounting standards were issued but not yet adopted by the Bancorp as of September 30, 2017:

ASU 2014-09 Revenue from Contracts with Customers (Topic 606)

In May 2014, the FASB issued ASU 2014-09 which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most contract revenue recognition guidance, including industry-specific guidance. The core principle of the amended guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Subsequent to the issuance of ASU 2014-09, the FASB has issued additional guidance to clarify certain implementation issues, including ASUs 2016-08 (Principal versus Agent Considerations), 2016-10 (Identifying Performance Obligations and Licensing), 2016-12 (Narrow-Scope Improvements and Practical Expedients), and 2016-20 (Technical Corrections and Improvements) in March, April, May and December 2016, respectively. These amendments do not change the core principles in ASU 2014-09 and the effective date and transition requirements are consistent with those in the original ASU. The Bancorp plans to adopt the amended guidance on its required effective date of January 1, 2018, using a modified retrospective approach, with the potential cumulative effect of initially applying the amendments recognized at the date of initial application. Because the amended guidance does not apply to revenue associated with financial instruments, including loans and securities that are accounted for under other U.S. GAAP, the Bancorp s preliminary analysis suggests that the adoption of this amended guidance is not expected to have a material impact on its Condensed Consolidated Financial Statements, although the Bancorp will also be subject to expanded disclosure requirements upon adoption and will be required to update its revenue recognition policies and procedures. The Bancorp expects that the presentation of certain underwriting expenses incurred by its broker-dealer subsidiary may change from net to gross presentation upon adoption but this change is expected to be immaterial and is not expected to have an impact on income before income taxes or net income.

ASU 2016-01 Financial Instruments Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities

In January 2016, the FASB issued ASU 2016-01 which revises an entity s accounting related to 1) the classification and measurement of investments in equity securities, 2) the presentation of certain fair value changes for financial liabilities measured at fair value, and 3) certain disclosure requirements associated with the fair value of financial instruments. The amendments require equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. However, an entity may choose to measure equity investments that do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes as a result of an observable price change. The amendments also simplify the impairment assessment of equity investments for which fair value is not readily determinable by requiring an entity to perform a qualitative assessment to identify impairment. If qualitative indicators are identified, the entity will be required to measure the investment at fair value. For financial liabilities that an entity has elected to measure at fair value, the amendments require an entity to present separately in other comprehensive income the portion of the change in fair value that results from a change in instrument-specific credit risk. For public business entities, the amendments 1) eliminate the requirement to disclose the method(s) and significant assumptions used to estimate fair value for financial instruments measured at amortized cost and 2) require, for disclosure purposes, the use of an exit price notion in the determination of the fair value of financial instruments. The Bancorp plans to adopt the amended guidance on its required effective date of January 1, 2018. Upon adoption, the Bancorp will be required to make a cumulative-effect adjustment to the Condensed Consolidated Balance Sheets as of the beginning of the fiscal year of adoption. However, for equity securities without a readily determinable fair value, the guidance will be applied prospectively to all equity investments that exist as of the date of adoption. Early adoption of the amendments is not permitted with the exception of the presentation of certain fair value changes for financial liabilities measured at fair value for which early application is permitted. The Bancorp is currently in the process of evaluating the impact of the amended guidance on its Condensed Consolidated Financial Statements, but does not currently expect the impact of adoption to be material based on the results of its preliminary analysis.

ASU 2016-02 Leases (Topic 842)

In February 2016, the FASB issued ASU 2016-02 which establishes a new accounting model for leases. The amended guidance requires lessees to record lease liabilities on the lessees balance sheets along with corresponding right-of-use assets for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the lessee s statements of income. From a lessor perspective, the accounting model is largely unchanged, except that the amended guidance includes certain targeted improvements to align, where necessary, lessor accounting with the lessee accounting model and the revenue recognition guidance in ASC Topic 606. The amendments also modify disclosure requirements for an entity s lease arrangements. The amended guidance is effective for the Bancorp on January 1, 2019, with early adoption permitted. The amendments should be applied to each prior reporting period presented using a modified retrospective approach, although the amended guidance contains certain transition relief provisions that, among other things, permit an entity to elect not to reassess the classification of leases which existed or expired as of the date the amendments are effective. The Bancorp is currently in the process of developing an inventory of all leases and accumulating the lease data necessary to apply the amended guidance. The Bancorp is continuing to evaluate the impact of the amended guidance on its Condensed Consolidated Financial Statements, but the effects of recognizing most operating leases on the Condensed Consolidated Balance Sheets are expected to be material. The Bancorp expects to recognize right-of-use assets and lease liabilities for substantially all of its operating lease commitments based on the present value of unpaid lease payments as of the date of adoption.

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ASU 2016-04 Liabilities Extinguishments of Liabilities (Subtopic 405-20): Recognition of Breakage for Certain Prepaid Stored-Value Products

In March 2016, the FASB issued ASU 2016-04 which permits proportional derecognition of the liability for unused funds on certain prepaid stored-value products (known as breakage) to the extent that it is probable that a significant reversal of the recognized breakage amount will not subsequently occur. The amendments do not apply to any prepaid stored-value products that are attached to a segregated customer deposit account, or products for which unused funds are subject to unclaimed property remittance laws. The amended guidance may be applied retrospectively to all comparable periods presented in the year of adoption or applied on a modified retrospective basis by means of a cumulative-effect adjustment to retained earnings as of the beginning of the fiscal year of adoption. The Bancorp plans to adopt the amended guidance on its required effective date of January 1, 2018 and is currently in the process of evaluating the impact of the amended guidance on its Condensed Consolidated Financial Statements. However, the Bancorp s preliminary analysis suggests that most of its prepaid stored-value products will not be affected by the amended guidance.

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 will require the use of an expected credit loss model for financial instruments measured at amortized cost and certain other instruments, including 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 new expected credit loss model will also apply to purchased financial assets with credit deterioration, superseding current 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 states that an entity will 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 current 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. The amended guidance is effective for the Bancorp on January 1, 2020, with early adoption permitted as early as January 1, 2019. The amended guidance is to be applied on a modified retrospective basis with the cumulative effect of initially applying the amendments recognized in retained earnings at the date of initial application. However, certain provisions of the guidance are only required to be applied on a prospective basis. While the Bancorp is currently in the process of evaluating the impact of the amended guidance on its Condensed Consolidated Financial Statements, it currently expects the ALLL to increase upon adoption given that the allowance will be required to cover the full remaining expected life of the portfolio upon adoption, rather than the incurred loss model under current U.S. GAAP. The extent of this increase is still being evaluated and will depend on economic conditions and the composition of the Bancorp s loan and lease portfolio at the time of adoption.

ASU 2016-15 Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments

In August 2016, the FASB issued ASU 2016-15 to clarify the classification of certain cash receipts and payments within an entity s statement of cash flows. These items include debt prepayment or extinguishment costs, settlement of zero-coupon debt instruments, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of BOLI policies, distributions received from equity method investees, and beneficial interests in securitization transactions. The amended guidance also specifies how to address classification of cash receipts and payments that have aspects of more than one class of cash flows. The amended guidance is effective for the Bancorp on January 1, 2018, with early adoption permitted, and is to be applied on a retrospective basis unless it is impractical to do so. The Bancorp is currently in the process of evaluating the impact of the amended guidance on its Condensed Consolidated Financial Statements, but does not currently expect the impact of adoption to be material based on the results of its preliminary analysis.

ASU 2016-16 Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory

In October 2016, the FASB issued ASU 2016-16 which requires an entity to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. Current U.S. GAAP prohibits the recognition of current and deferred income taxes for an intra-entity asset transfer until the asset has been sold to an outside party. The amended guidance is effective for the Bancorp on January 1, 2018, with early adoption permitted, and is applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the fiscal year in which the guidance is effective. The Bancorp is currently in the process of evaluating the impact of the amended guidance on its Condensed Consolidated Financial Statements, but does not currently expect the impact of adoption to be material based on the results of its preliminary analysis.

ASU 2017-01 Business Combinations (Topic 805): Clarifying the Definition of a Business

In January 2017, the FASB issued ASU 2017-01 which clarifies the definition of a business in order to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The amended guidance provides a screen which states that when substantially all of the fair value of assets acquired (or disposed) is concentrated in a single asset or group of similar assets, then the set of assets and activities would not be considered a business. The amended guidance is effective for the Bancorp on January 1, 2018, and is to be applied prospectively. Upon adoption, the Bancorp will evaluate future transactions to determine if they should be accounted for as acquisitions (or disposals) of assets or businesses based on the amended guidance.

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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 amended guidance is effective for the Bancorp on January 1, 2020, with early adoption permitted, and is to be applied prospectively to all goodwill impairment tests performed after the adoption date.

ASU 2017-05 Other Income Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets

In February 2017, the FASB issued ASU 2017-05 which clarifies the scope of Subtopic 610-20 and defines the term in substance nonfinancial asset. The amendments require that an entity should initially identify each distinct nonfinancial asset or in substance nonfinancial asset promised to a counterparty and derecognize each asset when a counterparty obtains control of it. The amendments provide specific guidance on accounting for partial sales of nonfinancial assets, which require an entity to derecognize a distinct nonfinancial asset or in substance nonfinancial asset in a partial sale transaction when it 1) does not have (or ceases to have) a controlling financial interest in the legal entity that holds the asset and 2) transfers control of the asset. Once an entity transfers control of a distinct nonfinancial asset or distinct in substance nonfinancial asset, it is required to measure any noncontrolling interest it receives (or retains) at fair value. The amended guidance is effective for the Bancorp on January 1, 2018, concurrent with the adoption of ASU 2014-09. It is to be applied using either a retrospective or modified retrospective approach, consistent with the transition method for ASU 2014-09. The Bancorp is currently in the process of evaluating the impact of the amended guidance on its Condensed Consolidated Financial Statements, but does not currently expect the impact of adoption to be material based on the results of its preliminary analysis.

ASU 2017-08 Receivables Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities

In March 2017, the FASB issued ASU 2017-08 which shortens the amortization period for certain callable debt securities held at a premium. Specifically, the amendments require the premium to be amortized to the earliest call date. The amendments do not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. The amended guidance is effective for the Bancorp on January 1, 2019, with early adoption permitted, and is to be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. The Bancorp shall provide a disclosure regarding the change in accounting principle. The Bancorp is currently in the process of evaluating the impact of the amended guidance on its Condensed Consolidated Financial Statements.

ASU 2017-09 Compensation Stock Compensation (Topic 718): Scope of Modification Accounting

In May 2017, the FASB issued ASU 2017-09 which provides guidance about which changes to the terms or conditions of a share-based payment award require the application of modification accounting in Topic 718. The amendments specify that an entity should account for the effects of such changes as a modification unless the fair value, vesting conditions and classification (as an equity or liability) of the awards are all unaffected by the change. The amended guidance is effective for the Bancorp on January 1, 2018, and is to be applied prospectively to awards modified on or after the adoption date, with early adoption permitted. Upon adoption, the Bancorp will evaluate future changes in award terms to determine if they should be accounted for as modifications based on the amended guidance.

ASU 2017-12 Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities

In August 2017, the FASB issued ASU 2017-12 which makes several amendments to existing guidance for hedge accounting. The amendments are intended to simplify the application of hedge accounting guidance in current GAAP, improve the alignment of financial reporting with an entity s risk management strategies and allow more financial and nonfinancial hedging strategies to be eligible for hedge accounting. Among other things, the amendments 1) permit hedge accounting for risk components in certain hedging relationships including nonfinancial risk and interest rate risk, 2) provide new alternatives for designating and measuring fair value changes in the hedged item for fair value hedges of interest rate risk, 3) modify the recognition and presentation requirements for the effects of hedging instruments, 4) allow entities to exclude certain components from the assessment of hedge effectiveness and 5) ease the application of current guidance related to the assessment of hedge effectiveness. There are also additional modifications to disclosure requirements. The amended guidance is effective for the Bancorp on January 1, 2019 with early adoption permitted in any interim period subsequent to issuance of the ASU, provided that the effect of adoption is reflected as of the beginning of the fiscal year of adoption. The amended presentation and disclosure guidance is to be applied prospectively while the elimination of separate measurement of ineffectiveness for cash flow hedges is to be applied using a cumulative-effect adjustment to retained earnings. The Bancorp is currently in the process of evaluating the impact of the amended guidance on its Condensed Consolidated Financial Statements.

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4. Investment Securities

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

September 30, 2017 ($ in millions)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale and other securities:				
U.S. Treasury and federal agencies securities	**$ 69**	**-**	**-**	**69**
Obligations of states and political subdivisions securities	**44**	**1**	**-**	**45**
Mortgage-backed securities:				
Agency residential mortgage-backed securities[(a)]	**15,750**	**218**	**(35)**	**15,933**
Agency commercial mortgage-backed securities	**9,137**	**130**	**(35)**	**9,232**
Non-agency commercial mortgage-backed securities	**3,300**	**62**	**(4)**	**3,358**
Asset-backed securities and other debt securities	**2,116**	**41**	**(14)**	**2,143**
Equity securities[(b)]	**698**	**3**	**(1)**	**700**
Total available-for-sale and other securities	**$ 31,114**	**455**	**(89)**	**31,480**
Held-to-maturity securities:				
Obligations of states and political subdivisions securities	**$ 23**	**-**	**-**	**23**
Asset-backed securities and other debt securities	**2**	**-**	**-**	**2**
Total held-to-maturity securities	**$ 25**	**-**	**-**	**25**

*(a) Includes interest-only mortgage-backed securities of **$36** as of **September 30, 2017**, recorded at fair value with fair value changes recorded in securities gains, net, in the Condensed Consolidated Statements of Income.*

*(b) Equity securities consist of FHLB, FRB and DTCC restricted stock holdings of **$248**, **$361** and **$2**, respectively, at **September 30, 2017**, that are carried at cost, and certain mutual fund and equity security holdings.*

December 31, 2016 ($ in millions)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale and other securities:				
U.S. Treasury and federal agencies securities	$ 547	2	-	549
Obligations of states and political subdivisions securities	44	1	-	45
Mortgage-backed securities:				
Agency residential mortgage-backed securities[(a)]	15,525	178	(95)	15,608
Agency commercial mortgage-backed securities	9,029	87	(61)	9,055
Non-agency commercial mortgage-backed securities	3,076	51	(15)	3,112
Asset-backed securities and other debt securities	2,106	28	(18)	2,116
Equity securities[(b)]	697	3	(2)	698

Total available-for-sale and other securities	$	31,024	350	(191)	31,183
Held-to-maturity securities:					
Obligations of states and political subdivisions securities	$	24	-	-	24
Asset-backed securities and other debt securities		2	-	-	2
Total held-to-maturity securities	$	26	-	-	26

(a) Includes interest-only mortgage-backed securities of $60 as of December 31, 2016, recorded at fair value with fair value changes recorded in securities gains, net, in the Condensed Consolidated Statements of Income.

(b) Equity securities consist of FHLB, FRB and DTCC restricted stock holdings of $248, $358 and $1, respectively, at December 31, 2016, that are carried at cost, and certain mutual fund and equity security holdings.

Trading securities were $850 million as of September 30, 2017 compared to $410 million at December 31, 2016. The following table presents net realized gains and losses that were recognized in income from available-for-sale and other securities as well as total gains that were recognized in income from trading securities:

($ in millions)		For the three months ended September 30, 2017	2016	For the nine months ended September 30, 2017	2016
Available-for-sale and other securities:					
Realized gains	**$**	**24**	13	**53**	42
Realized losses		**(21)**	(9)	**(28)**	(16)
OTTI		**(4)**	(2)	**(28)**	(8)
Net realized (losses) gains on available-for-sale and other securities[(a)]	**$**	**(1)**	2	**(3)**	18
Total trading securities gains[(b)]	**$**	**5**	2	**11**	2
Total gains and losses recognized in income from available-for-sale and other securities and trading securities	**$**	**4**	4	**8**	20

*(a) Excludes net losses on interest-only mortgage-backed securities of **$1** and **$2** for the three and nine months ended **September 30, 2017**, respectively, and an immaterial net gain and net losses of $8 for the three and nine months ended September 30, 2016, respectively.*

*(b) Includes net gains of **$1** for both the three and nine months ended **September 30, 2017**, and an immaterial net loss and net losses of $1 for the three and nine months ended September 30, 2016, respectively, recorded in corporate banking revenue and wealth and asset management revenue in the Condensed Consolidated Statements of Income.*

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The following table provides a summary of OTTI by security type:

	For the three months ended September 30,		For the nine months ended September 30,	
($ in millions)	**2017**	2016	**2017**	2016
Available-for-sale and other debt securities	**$ (4)**	(2)	**(28)**	(7)
Available-for-sale equity securities	**-**	-	**-**	(1)
Total OTTI[(a)]	**$ (4)**	(2)	**(28)**	(8)

(a) Included in securities gains, net in the Condensed Consolidated Statements of Income.

At September 30, 2017 and December 31, 2016, securities with a fair value of $7.3 billion and $10.1 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 and other and held-to-maturity investment securities as of September 30, 2017 are shown in the following table:

	Available-for-Sale and Other		Held-to-Maturity	
($ in millions)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Debt securities:[(a)]				
Less than 1 year	$ 148	149	7	7
1-5 years	8,034	8,117	8	8
5-10 years	19,631	19,887	8	8
Over 10 years	2,603	2,627	2	2
Equity securities	698	700	-	-
Total	$ 31,114	31,480	25	25

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

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

	Less than 12 months	12 months or more	Total
($ in millions)	Fair Value	Fair Value	Fair Value

		Unrealized Losses		Unrealized Losses		Unrealized Losses
September 30, 2017						
Agency residential mortgage-backed securities	**$ 2,527**	**(16)**	**598**	**(19)**	**3,125**	**(35)**
Agency commercial mortgage-backed securities	**2,266**	**(30)**	**135**	**(5)**	**2,401**	**(35)**
Non-agency commercial mortgage-backed securities	**403**	**(4)**	**6**	**-**	**409**	**(4)**
Asset-backed securities and other debt securities	**181**	**(2)**	**407**	**(12)**	**588**	**(14)**
Equity securities	**-**	**-**	**37**	**(1)**	**37**	**(1)**
Total	**$ 5,377**	**(52)**	**1,183**	**(37)**	**6,560**	**(89)**
December 31, 2016						
U.S. Treasury and federal agencies	$ 199	-	-	-	199	-
Agency residential mortgage-backed securities	6,223	(88)	172	(7)	6,395	(95)
Agency commercial mortgage-backed securities	3,183	(61)	-	-	3,183	(61)
Non-agency commercial mortgage-backed securities	1,052	(15)	-	-	1,052	(15)
Asset-backed securities and other debt securities	422	(8)	336	(10)	758	(18)
Equity securities	-	-	37	(2)	37	(2)
Total	$ 11,079	(172)	545	(19)	11,624	(191)

At both September 30, 2017 and December 31, 2016, an immaterial amount of unrealized losses in the available-for-sale and other securities portfolio were represented by non-rated securities.

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5. Loans and Leases

The Bancorp diversifies its loan and lease portfolio by offering a variety of loan and lease products with various payment terms and rate structures. Lending activities are generally concentrated within those states in which the Bancorp has banking centers and are primarily located in the Midwestern and Southeastern regions of the U.S. The Bancorp s commercial loan 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 inherent in the portfolio. For further information on credit quality and the ALLL, refer to Note 6.

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

($ in millions)		**September 30, 2017**	December 31, 2016
Loans and leases held for sale:			
Commercial and industrial loans	$	**16**	60
Commercial mortgage loans		**8**	5
Commercial leases		**3**	-
Residential mortgage loans		**684**	686
Total loans and leases held for sale	$	**711**	751
Portfolio loans and leases:			
Commercial and industrial loans	$	**41,011**	41,676
Commercial mortgage loans		**6,863**	6,899
Commercial construction loans		**4,652**	3,903
Commercial leases		**4,043**	3,974
Total commercial loans and leases	$	**56,569**	56,452
Residential mortgage loans	$	**15,588**	15,051
Home equity		**7,143**	7,695
Automobile loans		**9,236**	9,983
Credit card		**2,168**	2,237
Other consumer loans		**1,179**	680
Total consumer loans	$	**35,314**	35,646
Total portfolio loans and leases	$	**91,883**	92,098

Total portfolio loans and leases are recorded net of unearned income, which totaled $487 million as of September 30, 2017 and $503 million as of December 31, 2016. 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 $276 million and $240 million as of September 30, 2017 and December 31, 2016, respectively.

The Bancorp s FHLB and FRB advances are generally secured by loans. The Bancorp had loans of $13.4 billion and $13.1 billion at September 30, 2017 and December 31, 2016, respectively, pledged at the FHLB, and loans of $40.0 billion at both September 30, 2017 and December 31, 2016 pledged at the FRB.

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

	Carrying Value		90 Days Past Due and Still Accruing	
($ in millions)	**September 30, 2017**	December 31, 2016	**September 30, 2017**	December 31, 2016
Commercial and industrial loans	**$ 41,027**	41,736	**3**	4
Commercial mortgage loans	**6,871**	6,904	**-**	-
Commercial construction loans	**4,652**	3,903	**-**	-
Commercial leases	**4,046**	3,974	**-**	-
Residential mortgage loans	**16,272**	15,737	**43**	49
Home equity	**7,143**	7,695	**-**	-
Automobile loans	**9,236**	9,983	**10**	9
Credit card	**2,168**	2,237	**21**	22