MYRIAD GENETICS INC
Form 4
September 18, 2014

FORM 4

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

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
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(Print or Type Responses)

1. Name and Address of Reporting Person *
King Gary A.

(Last) (First) (Middle)

320 WAKARA WAY

(Street)

SALT LAKE CITY, UT 84108

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
MYRIAD GENETICS INC [MYGN]

3. Date of Earliest Transaction (Month/Day/Year)
09/17/2014

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Exec. VP International Ops

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	09/17/2014		A (1)		46,000	A	$ 0	50,698	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
King Gary A. 320 WAKARA WAY SALT LAKE CITY, UT 84108			Exec. VP International Ops	

Signatures

By: Richard M. Marsh For: Gary A. King	09/18/2014
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Consists of restricted stock units granted pursuant to the Company's 2010 Employee, Director and Consultant Equity Incentive Plan. Each restricted stock unit represents a contingent right to receive one share of the Company's common stock and vests 25% per year over a four-year period on each anniversary of the date of grant.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.

Total

$25,075 41,249 12,892 79,216

TABLE 48: Portfolio Loan and Lease Principal Cash Flows Occurring After One Year

	Interest Rate	
($ in millions)	Fixed	Floating or Adjustable
Commercial and industrial loans	$ 3,422	16,800
Commercial mortgage loans	1,502	4,126
Commercial construction loans	198	271
Commercial leases	2,855	
Subtotal - commercial loans and leases	7,977	21,197
Residential mortgage loans	5,547	2,089
Home equity	1,086	7,981
Automobile loans	6,744	58
Credit card	624	729
Other consumer loans and leases	43	66
Subtotal - consumer loans and leases	14,044	10,923
Total	$ 22,021	32,120

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Quantitative and Qualitative Disclosures About Market Risk (continued)

Residential Mortgage Servicing Rights and Interest Rate Risk

The net carrying amount of the residential MSR portfolio was $662 million, $822 million and $599 million as of September 30, 2011, December 31, 2010 and September 30, 2010, respectively. The value of servicing rights can fluctuate sharply depending on changes in interest rates and other factors. Generally, as interest rates decline and loans are prepaid to take advantage of refinancing, the total value of existing servicing rights declines because no further servicing fees are collected on repaid loans. The Bancorp maintains a non-qualifying hedging strategy relative to its mortgage banking activity in order to manage a portion of the risk associated with changes in the value of its MSR portfolio as a result of changing interest rates.

Mortgage rates decreased during the third quarter of both 2011 and 2010. These decreases caused modeled prepayment speeds to increase, which led to $201 million in temporary impairment on servicing rights during the three months ended September 30, 2011, compared to $83 million in temporary impairment during the three months ended September 30, 2010. Servicing rights are deemed temporarily impaired when a borrower s loan rate is distinctly higher than prevailing rates. Temporary impairment on servicing rights is reversed when the prevailing rates return to a level commensurate with the borrower s loan rate. Offsetting the mortgage servicing rights valuation, the Bancorp recognized net gains of $235 million on its non-qualifying hedging strategy for the three months ended September 30, 2011, compared to net gains of $129 million for the three months ended September 30, 2010. Net gains on the sale of securities related to the Bancorp s non-qualifying hedging strategy were $6 million during the third quarter of 2011 and were immaterial during the third quarter of 2010. During the fourth quarter of 2011, the Bancorp assessed the composition of its MSR portfolio, the cost of hedging and the anticipated effectiveness of the hedges given the economic environment. Based on this review, the Bancorp adjusted its MSR hedging strategy to exclude the hedging of MSRs related to certain mortgage loans originated in 2008 and prior, representing approximately 29% of the carrying value of the MSR portfolio as of September 30, 2011. The prepayment behavior of these loans is expected to be less sensitive to changes in interest rates as borrower credit characteristics and home price values have a greater impact based on changes in the market and underwriting environment. Thus, the predictive power of traditional prepayment models on these loans may not be reliable, which reduces the effectiveness of interest rate based hedge strategies. The Bancorp is exposed to prepayment risk on these loans in the event borrowers refinance at higher than expected levels due to government intervention or other factors. The Bancorp continues to monitor the performance of these MSRs and may decide to hedge this portion of the MSR portfolio in future periods. See Note 10 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, 2011, December 31, 2010 and September 30, 2010 was $392 million, $283 million and $332 million, respectively. The Bancorp also enters into foreign exchange contracts for the benefit of commercial customers involved in international trade to hedge their exposure to foreign currency fluctuations. The Bancorp has 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.

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 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 13 of the Notes to Condensed Consolidated Financial Statements.

The Bancorp maintains a contingency funding plan that assesses the liquidity needs under various scenarios of market conditions, asset growth and credit rating downgrades. The plan includes liquidity stress testing which measures various sources and uses of funds under the different scenarios. 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.

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.

Projected contractual maturities from loan and lease repayments are included in Table 47 of the Market Risk Management section of MD&A. Of the $16.2 billion of securities in the Bancorp s available-for-sale portfolio at September 30, 2011, $4.8 billion in principal and interest is expected to be received in the next 12 months and an additional $3.0 billion is expected to be received in the next 13 to 24 months. For further information on the Bancorp s securities portfolio, see the Investment Securities section of MD&A.

Asset-driven liquidity is provided by the Bancorp s ability to sell or securitize loan and lease assets. 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

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Quantitative and Qualitative Disclosures About Market Risk (continued)

FNMA guidelines are sold for cash upon origination. Additional assets such as jumbo fixed-rate residential mortgages, certain commercial loans, home equity loans, automobile loans and other consumer loans are also capable of being securitized or sold. The Bancorp sold loans totaling $3.3 billion and $10.0 billion, respectively, for the three and nine months ended September 30, 2011. During the three and nine months ended September 30, 2010, the Bancorp sold loans totaling $4.7 billion and $12.1 billion, respectively. For further information on the transfer of financial assets, see Note 10 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 shareholders equity funded 80% of its average total assets for the third quarter of 2011 compared to 81% for the fourth quarter of 2010 and 80% for the third quarter of 2010. 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 of deposit carrying a balance of $100,000 or more 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.

The Bancorp has a shelf registration in place with the SEC permitting ready access to the public debt markets and qualifies as a well-known seasoned issuer under SEC rules. As of September 30, 2011, $6.1 billion of debt or other securities were available for issuance from this shelf registration under the current Bancorp s Board of Directors authorizations; however, access to these markets may depend on market conditions. The Bancorp also has $19.0 billion of funding available for issuance through private offerings of debt securities pursuant to its bank note program and currently has approximately $27.5 billion of borrowing capacity available through secured borrowing sources including the FHLB and FRB.

On January 25, 2011, the Bancorp raised $1.7 billion in new common equity through the issuance of 121,428,572 shares of common stock in an underwritten offering at an initial price of $14.00 per share. Additionally, on January 25, 2011, the Bancorp sold $1.0 billion in aggregate principal amount of 3.625% Senior Notes due January 25, 2016. Notes 12 and 18 of the Notes to Condensed Consolidated Financial Statements provide additional information regarding the Senior Notes and common equity offerings, respectively.

Credit Ratings

The cost and availability of financing to the Bancorp are impacted by its credit ratings. A downgrade to the Bancorp s credit ratings could affect its ability to access the credit markets and increase its borrowing costs, thereby adversely impacting the Bancorp 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.

As of November 9, 2011, the Bancorp had senior debt credit ratings of Baa1 with Moody s, BBB with Standard & Poor s, A- with Fitch Ratings and A (low) with DBRS, Ltd. These ratings reflect the ratings agencies view on the Bancorp s capacity to meet financial commitments. * Additional information on senior debt credit ratings is as follows:

Moody s Baa1 rating is considered a medium-grade obligation and is the fourth highest ranking within its overall classification system;

Standard & Poor s BBB rating indicates the obligor s capacity to meet its financial commitment is adequate and is the fourth highest ranking within its overall classification system;

Fitch Ratings A- rating is considered high credit quality and is the third highest ranking within its overall classification system; and

DBRS Ltd. s A (low) rating is considered satisfactory credit quality and is the third highest ranking within its overall classification system.

* 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.

CAPITAL MANAGEMENT

Management regularly reviews the Bancorp s capital position to help ensure it is appropriately positioned under various operating environments. The Bancorp has established a Capital Committee, which is responsible for all capital related decisions. The Capital Committee makes recommendations to management involving capital actions. These recommendations are reviewed and approved by the Enterprise Risk Management Committee.

2011 Capital Actions

On January 25, 2011, the Bancorp raised $1.7 billion in new common equity through the issuance of 121,428,572 shares of common stock in an underwritten offering at an initial price of $14.00 per share. On January 24, 2011, the underwriters exercised their option to purchase an additional 12,142,857 shares at the offering price of $14.00 per share. In connection with this exercise, the Bancorp elected that all such additional shares be sold and the Bancorp entered into a forward sale agreement which resulted in a final net payment of 959,821 shares on February 4, 2011.

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Quantitative and Qualitative Disclosures About Market Risk (continued)

On February 2, 2011, the Bancorp redeemed all 136,320 shares of its Series F Preferred Stock held by the U.S. Treasury totaling $3.4 billion. The Bancorp used the net proceeds from the common stock and senior notes offerings previously discussed and other funds to redeem the Series F Preferred Stock. In connection with the redemption of the Series F Preferred Stock, the Bancorp accelerated the accretion of the remaining issuance discount on the Series F Preferred Stock and recorded a corresponding reduction in retained earnings of $153 million. In addition, dividends of $15 million were paid on February 2, 2011 when the Series F Preferred Stock was redeemed.

On March 16, 2011, the Bancorp repurchased the warrant issued to the U.S. Treasury under the CPP for $280 million, which was recorded as a reduction to capital surplus in the Bancorp s Condensed Consolidated Financial Statements.

On March 18, 2011, the Bancorp announced that the Federal Reserve Board did not object to the Bancorp s capital plan submitted under the Federal Reserve s Comprehensive Capital Analysis and Review. Pursuant to this plan, during June of 2011, the Bancorp redeemed certain trust preferred securities. The trust preferred securities redeemed related to the Fifth Third Capital Trust VII redeemed on June 15, 2011 with a principal balance of $400 million, First National Bankshares Statutory Trust I redeemed on June 30, 2011 with a principal balance of $40 million and R&G Capital Trust II, LLT redeemed on June 26, 2011 with a principal balance of $10 million. The trust preferred securities were a component of Tier I capital: however, these securities are being phased out of Tier I capital by the Dodd-Frank Act as discussed below.

Pursuant to the Bancorp s capital plan discussed above, the Bancorp redeemed certain trust preferred securities on September 19, 2011, totaling $40 million, which related to the R&G Crown Cap Trust IV and First National Bankshares Statutory Trust II.

Capital Ratios

The U.S banking agencies established quantitative measures that assign risk weightings to assets and off-balance sheet items and also define and set minimum regulatory capital requirements. The U.S. banking agencies define well-capitalized ratios for Tier I and total risk-based capital as 6% and 10%, respectively. The Bancorp exceeded these well-capitalized ratios for all periods presented.

The Basel II advanced approach framework was finalized by U.S. banking agencies in 2007. Core banks, defined as those with consolidated total assets in excess of $250 billion or on balance sheet foreign exposures of $10 billion were required to adopt the advanced approach effective April 1, 2008. The Bancorp is not subject to the requirements of Basel II.

The 19 large bank holding companies assessed under SCAP were required to demonstrate that they met the 4% Tier I common equity ratio threshold for the period evaluated in the SCAP. The Bancorp exceeded this threshold for all periods presented. The Bancorp s Tier I common equity ratio was 9.33% as of September 30, 2011, compared to 7.48% and 7.34% as of December 31, 2010 and September 30, 2010, respectively. The Bancorp manages the adequacy of its capital, including Tier I common equity, by conducting ongoing internal stress tests and ensuring the results are properly considered in capital planning. It is the intent of the Bancorp s capital planning process to ensure that the Bancorp s capital positions remain in excess of well-capitalized standards and any other regulatory requirements.

The Dodd-Frank Act requires more stringent prudential standards, including capital and liquidity requirements, for larger institutions. It addresses the quality of capital components by limiting the degree to which certain hybrid instruments can be included. The Dodd-Frank Act will phase out the inclusion of certain trust preferred securities as a component of Tier I capital beginning January 1, 2013. At September 30, 2011, the Bancorp s Tier I capital included $2.3 billion of trust preferred securities representing approximately 221 bp of risk-weighted assets.

In December of 2010 and revised in June of 2011, the Basel Committee issued Basel III, a global regulatory framework, to enhance the international capital standards. It imposes a stricter definition of capital, with greater reliance on common equity and sets higher minimum capital requirements. It creates a new capital measure, Tier I common equity, which proposes changes to the current calculation of the Tier I common equity ratio by the Bancorp and several other financial institutions. The U.S. banking agencies are in the process of developing rules to implement the new capital standards as part of the Collins Amendment within the Dodd-Frank Act. Management believes that the Bancorp s capital levels will continue to exceed U.S. well-capitalized standards, including the adoption of U.S. rules that incorporate changes under Basel III, to the extent applicable.

On November 17, 2010, the FRB issued a revised temporary addendum to Supervision and Regulation letter 09-4, Dividend Increases and Other Capital Distributions for the 19 Supervisory Capital Assessment Program Firms. This letter required 19 financial institutions, including the Bancorp, to undergo a review of their capital planning processes and plans regarding capital redistribution and absorption activity. As part of this review, the Bancorp was required to submit a comprehensive capital plan in January 2011 that demonstrated its ability to withstand losses under adverse economic conditions over the next two years. The Bancorp submitted the required documentation in accordance with the regulatory timeline. The results of this assessment process were not made public. As previously discussed, on March 18, 2011, the Bancorp announced that the FRB did not object to the Bancorp s proposed capital plan, which, in addition to the possible future redemption of certain trust preferred securities, included an increase in the quarterly dividend on its common shares in the first quarter of 2011. As a result, on March 22, 2011, the Bancorp declared a first quarter 2011 cash dividend on its common shares of $.06, an increase of $.05 from its fourth quarter of 2010 dividend rate.

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Quantitative and Qualitative Disclosures About Market Risk (continued)

TABLE 49: Capital Ratios

($ in millions)	**September 30, 2011**	December 31, 2010	September 30, 2010
Average equity as a percent of average assets	**11.33%**	12.52	12.38
Tangible equity as a percent of tangible assets [(a)]	**8.98**	10.42	10.04
Tangible common equity as a percent of tangible assets [(a)]	**8.63**	7.04	6.70
Tier I capital	**$ 12,266**	13,965	13,698
Total risk-based capital	**16,663**	18,178	18,077
Risk-weighted assets [(b)]	**102,562**	100,561	98,904
Regulatory capital ratios:			
Tier I capital	**11.96%**	13.89	13.85
Total risk-based capital	**16.25**	18.08	18.28
Tier I leverage	**11.08**	12.79	12.54
Tier I common equity [(a)]	**9.33**	7.48	7.34

(a) For further information on these ratios, see the Non-GAAP Financial Measures section of the MD&A.
(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 resulting in the Bancorp s total risk-weighted assets.

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 $0.08 and $0.01 during the third quarter of 2011 and 2010, respectively, and $0.20 and $0.03 during the nine months ended September 30, 2011 and 2010.

Under the agreement with the U.S. Treasury, as part of the CPP, the Bancorp had agreed to limitations on dividends and restrictions on repurchases of its common stock. These limitations and restrictions were in effect until the Bancorp redeemed all $3.4 billion of its Series F preferred stock held by the U.S. Treasury on February 2, 2011.

The Bancorp s repurchase of common stock in the third quarter of 2011 is shown in the table below.

TABLE 50: Share Repurchases

Period	Total Number of Shares Purchases[(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, 2011 - July 31, 2011		$		19,201,518
August 1, 2011 - August 31, 2011				19,201,518

September 1, 2011 - September 30, 2011		19,201,518
Total	$	19,201,518

(a) *The Bancorp repurchased 94,503 shares during the third quarter of 2011 in connection with various employee compensation plans. These purchases are not included in the calculation for average price paid per share and do not count against the maximum number of shares that may yet be purchased under the Board of Directors authorization.*

(b) *In May 2007, the Bancorp announced that its Board of Directors had authorized management to purchase 30 million shares of the Bancorp s common stock through the open market or in any private transaction. The authorization does not include specific price targets or an expiration date.*

OFF-BALANCE SHEET ARRANGEMENTS

In the ordinary course of business, the Bancorp enters into financial transactions to extend credit and various forms of commitments and guarantees that may be considered off-balance sheet arrangements. These transactions involve varying elements of market, credit and liquidity risk. Refer to Note 13 of the Notes to Condensed Consolidated Financial Statements for additional information. A discussion of these transactions is as follows:

Residential Mortgage Loan Sales

Conforming residential mortgage loans sold to unrelated third parties are generally sold with representation and warranty recourse provisions. Such provisions include the loan s compliance with applicable loan criteria, including certain documentation standards per agreements with unrelated third parties. Additional reasons for the Bancorp having to repurchase the loans include appraisal standards with the collateral, fraud related to the loan application and the rescission of mortgage insurance. Under these provisions, the Bancorp is required to repurchase any previously sold loan for which the representation or warranty of the Bancorp proves to be inaccurate, incomplete or misleading. As of September 30, 2011, December 31, 2010 and September 30, 2010, the Bancorp maintained reserves related to these loans sold with the representation and warranty recourse provisions totalling $52 million, $85 million and $86 million, respectively. For further information on

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Quantitative and Qualitative Disclosures About Market Risk (continued)

residential mortgage loans sold with representation and warranty recourse provisions, see Note 13 of the Notes to Condensed Consolidated Financial Statements.

For the three months ended September 30, 2011 and 2010, the Bancorp paid $23 million and $20 million, respectively, in the form of make whole payments and repurchased $37 million and $18 million, respectively, of loans to satisfy investor demands. For the nine months ended September 30, 2011 and 2010, the Bancorp paid $52 million and $32 million, respectively, in the form of make whole payments and repurchased $88 million and $50 million, respectively, of loans to satisfy investor demands. Total repurchase demand requests during the three months ended September 30, 2011 and 2010 were $84 million and $132 million, respectively. Total repurchase demand requests during the nine months ended September 30, 2011 and 2010 were $256 million and $282 million, respectively. Total outstanding repurchase demand inventory was $84 million at September 30, 2011, compared to $162 million at December 31, 2010 and $184 million at September 30, 2010.

The Bancorp sold certain residential mortgage loans in the secondary market with credit recourse. In the event of any customer default, pursuant to the credit recourse provided, the Bancorp is required to reimburse the third party. The maximum amount of credit risk in the event of non-performance by the underlying borrowers is equivalent to the total outstanding balance. In the event of non-performance, the Bancorp has rights to the underlying collateral value securing the loan. At September 30, 2011 the outstanding balances on these loans sold with credit recourse were $828 million, compared to $916 million at December 31, 2010 and $971 million at September 30, 2010. The Bancorp maintained an estimated credit loss reserve on these loans sold with credit recourse of $17 million at September 30, 2011and 2010 and $16 million at December 31, 2010; recorded in other liabilities in the Condensed Consolidated Balance Sheets. To determine the credit loss reserve, the Bancorp used an approach that is consistent with its overall approach in estimating credit losses for various categories of residential mortgage loans held in its loan portfolio. For further information on residential mortgage loans sold with credit recourse, see Note 13 of the Notes to Condensed Consolidated Financial Statements.

Private Mortgage Insurance

For certain mortgage loans originated by the Bancorp, borrowers may be required to obtain PMI provided by third-party insurers. In some instances, these insurers cede a portion of the PMI premiums to the Bancorp, and the Bancorp provides reinsurance coverage within a specified range of the total PMI coverage. The Bancorp s reinsurance coverage typically ranges from 5% to 10% of the total PMI coverage.

The Bancorp s maximum exposure in the event of nonperformance by the underlying borrowers is equivalent to the Bancorp s total outstanding reinsurance coverage, which was $92 million at September 30, 2011 and $122 million at December 31, 2010 and September 30, 2010. The Bancorp maintained a reserve related to exposures within the reinsurance portfolio of $28 million as of September 30, 2011, $42 million as of December 31, 2010 and $37 million as of September 30, 2010. During the second quarter of 2010, the Bancorp suspended the practice of providing reinsurance of private mortgage insurance for newly originated mortgage loans. In the second quarter of 2011, the Bancorp allowed one of its third-party insurers to terminate its reinsurance agreement with the Bancorp, resulting in the Bancorp releasing collateral to the insurer in the form of investment securities and other assets with a carrying value of $5 million, and the insurer assuming the Bancorp s obligations under the reinsurance agreement, resulting in a decrease to the Bancorp s reserve liability of $11 million and a decrease to the Bancorp s maximum exposure of $27 million.

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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). 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, at the reasonable assurance level, to ensure that information required to be disclosed in the reports the Bancorp files and submits under the Exchange Act is recorded, processed, summarized and reported as and when required and to provide reasonable assurance that information required to be disclosed by the Bancorp in such reports 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)	September 30, 2011	As of December 31, 2010	September 30, 2010
Assets			
Cash and due from banks [(a)]	**$ 2,348**	2,159	2,215
Available-for-sale and other securities [(b)]	**16,227**	15,414	15,975
Held-to-maturity securities [(c)]	**337**	353	354
Trading securities	**189**	294	320
Other short-term investments [(a)]	**2,028**	1,515	3,271
Loans held for sale [(d)]	**1,840**	2,216	2,733
Portfolio loans and leases:			
Commercial and industrial loans	**29,258**	27,191	26,302
Commercial mortgage loans [(a)]	**10,330**	10,845	10,985
Commercial construction loans	**1,213**	2,048	2,349
Commercial leases	**3,368**	3,378	3,304
Residential mortgage loans[(e)]	**10,249**	8,956	7,975
Home equity [(a)]	**10,920**	11,513	11,774
Automobile loans [(a)]	**11,593**	10,983	10,738
Credit card	**1,878**	1,896	1,832
Other consumer loans and leases	**407**	681	750
Portfolio loans and leases	**79,216**	77,491	76,009
Allowance for loan and lease losses[(a)]	**(2,439)**	(3,004)	(3,194)
Portfolio loans and leases, net	**76,777**	74,487	72,815
Bank premises and equipment	**2,410**	2,389	2,377
Operating lease equipment	**462**	479	470
Goodwill	**2,417**	2,417	2,417
Intangible assets	**45**	62	72
Servicing rights	**662**	822	599
Other assets [(a)]	**9,163**	8,400	8,704
Total Assets	**$ 114,905**	111,007	112,322
Liabilities			
Deposits:			
Demand	**$ 24,547**	21,413	20,109
Interest checking	**18,616**	18,560	17,225
Savings	**21,673**	20,903	20,260
Money market	**5,448**	5,035	5,064
Other time	**5,439**	7,728	9,379
Certificates $100,000 and over	**3,092**	4,287	5,515
Foreign office and other	**3,232**	3,722	3,810

Total deposits	**82,047**	81,648	81,362
Federal funds purchased	**427**	279	368
Other short-term borrowings	**4,894**	1,574	1,775
Accrued taxes, interest and expenses	**1,307**	889	869
Other liabilities [(a)]	**3,372**	2,979	3,082
Long-term debt [(a)]	**9,800**	9,558	10,953
Total Liabilities	**101,847**	96,927	98,409
Equity			
Common stock [(f)]	**2,051**	1,779	1,779
Preferred stock [(g)]	**398**	3,654	3,642
Capital surplus [(h)]	**2,780**	1,715	1,707
Retained earnings	**7,323**	6,719	6,456
Accumulated other comprehensive income	**542**	314	432
Treasury stock	**(65)**	(130)	(132)
Total Bancorp shareholders equity	**13,029**	14,051	13,884
Noncontrolling interest	**29**	29	29
Total Equity	**13,058**	14,080	13,913
Total Liabilities and Equity	**$ 114,905**	111,007	112,322

(a) *Includes **$35**, $52, and $56 of cash, **$7**, $7 and $7 of other short-term investments, **$29,** $29 and $29 of commercial mortgage loans, **$228**, $241 and $248 of home equity loans, **$334**, $648 and $771 of automobile loans, **($10)**, ($14) and ($15) of ALLL, **$3**, $7 and $7 of other assets, **$5**, $12 and $17 of other liabilities and **$270**, $692 and $834 of long-term debt from consolidated VIEs that are included in their respective captions above at **September 30, 2011**, December 31, 2010 and September 30, 2010**,** respectively. See Note 9.*

(b) *Amortized cost of **$15,427**, $14,919 and $15,308 at **September 30, 2011**, December 31, 2010 and September 30, 2010, respectively.*

(c) *Fair value of **$337,** $353 and $354 at **September 30, 2011**, December 31, 2010 and September 30, 2010, respectively.*

(d) *Includes **$1,593**, $1,892 and $1,879 of residential mortgage loans held for sale measured at fair value at **September 30, 2011**, December 31, 2010, and September 30, 2010, respectively.*

(e) *Includes **$62**, $46 and $42 of residential mortgage loans measured at fair value at **September 30, 2011**, December 31, 2010 and September 30, 2010, respectively.*

(f) *Common shares: Stated value $2.22 per share; authorized 2,000,000,000; outstanding at **September 30, 2011 919,778,512 (excludes 4,114,068 treasury shares),** December 31, 2010 796,272,522 (excludes 5,231,666 treasury shares) and September 30, 2010 796,283,198 shares (excludes 5,220,989 treasury shares).*

(g) *317,680 shares of undesignated no par value preferred stock are authorized of which none had been issued; 5.0% cumulative Series F perpetual preferred stock with a $25,000 liquidation preference: 136,320 issued and outstanding at December 31, 2010 and September 30, 2010, which were redeemed on February 2, 2011; 8.5% non-cumulative Series G convertible (into 2,159.8272 common shares) perpetual preferred stock with a $25,000 liquidation preference: 46,000 authorized, **16,450** issued and outstanding at **September 30, 2011**, 16,451 issued and outstanding at December 31, 2010 and September 30, 2010.*

(h) *Includes a ten-year warrant initially valued at $239 to purchase up to 43,617,747 shares of common stock, no par value, related to Series F preferred stock, at an initial exercise price of $11.72 per share at December 31, 2010 and September 30, 2010, which was repurchased for $280 on March 16, 2011.*

See 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)

	For the three months ended September 30,		For the nine months ended September 30,	
($ in millions, except per share data)	**2011**	2010	**2011**	2010
Interest Income				
Interest and fees on loans and leases	**$ 899**	962	**2,701**	2,872
Interest on securities	**155**	161	**455**	506
Interest on other short-term investments	**1**	3	**4**	7
Total interest income	**1,055**	1,126	**3,160**	3,385
Interest Expense				
Interest on deposits	**84**	141	**287**	473
Interest on other short-term borrowings	**1**	1	**3**	3
Interest on long-term debt	**72**	72	**229**	219
Total interest expense	**157**	214	**519**	695
Net Interest Income	**898**	912	**2,641**	2,690
Provision for loan and lease losses	**87**	457	**368**	1,372
Net Interest Income After Provision for Loan and Lease Losses	**811**	455	**2,273**	1,318
Noninterest Income				
Mortgage banking net revenue	**178**	232	**442**	498
Service charges on deposits	**134**	143	**384**	435
Investment advisory revenue	**92**	90	**285**	267
Corporate banking revenue	**87**	86	**268**	260
Card and processing revenue	**78**	77	**248**	235
Other noninterest income	**64**	195	**226**	354
Securities gains, net	**26**	4	**40**	25
Securities gains, net non-qualifying hedges on mortgage servicing rights	**6**		**12**	
Total noninterest income	**665**	827	**1,905**	2,074
Noninterest Expense				
Salaries, wages and incentives	**369**	360	**1,085**	1,046
Employee benefits	**70**	82	**246**	241
Net occupancy expense	**75**	72	**226**	222
Technology and communications	**48**	48	**140**	138
Card and processing expense	**34**	26	**92**	82
Equipment expense	**28**	30	**85**	91
Other noninterest expense	**322**	361	**891**	1,049

Total noninterest expense	**946**	979	**2,765**	2,869
Income Before Income Taxes	**530**	303	**1,413**	523
Applicable income tax expense	**149**	65	**429**	103
Net Income	**381**	238	**984**	420
Less: Net income attributable to noncontrolling interest			**1**	
Net Income Attributable To Bancorp	**381**	238	**983**	420
Dividends on preferred stock	**8**	63	**194**	187
Net Income Available to Common Shareholders	**$ 373**	175	**789**	233
Earnings Per Share	**$ 0.41**	0.22	**0.87**	0.29
Earnings Per Diluted Share	**$ 0.40**	0.22	**0.86**	0.29

See 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	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total Bancorp Shareholders Equity	Non-Controlling Interest	Total Equity
Balance at December 31, 2009	$ 1,779	3,609	1,743	6,326	241	(201)	13,497		13,497
Net income				420			420		420
Other comprehensive income					191		191		191
Comprehensive income							611		611
Cash dividends declared:									
Common stock at $0.03 per share				(24)			(24)		(24)
Preferred stock				(154)			(154)		(154)
Accretion of preferred dividends, Series F		33		(33)					
Stock-based compensation expense			33				33		33
Stock-based awards issued or exercised, including treasury shares issued			(10)			6	(4)		(4)
Restricted stock grants			(61)			61			
Noncontrolling Interest								29	29
Impact of cumulative effect of change in accounting principle				(77)			(77)		(77)
Other			2	(2)		2	2		2
Balance at September 30, 2010	$ 1,779	3,642	1,707	6,456	432	(132)	13,884	29	13,913
Balance at December 31, 2010	$ 1,779	3,654	1,715	6,719	314	(130)	14,051	29	14,080
Net income				**983**			**983**	**1**	**984**
Other comprehensive income					**228**		**228**		**228**
Comprehensive income							**1,211**	**1**	**1,212**
Cash dividends declared:									
Common stock at **$0.20 per share**				**(184)**			**(184)**		**(184)**
Preferred stock				**(41)**			**(41)**		**(41)**
Issuance of common stock	**272**		**1,376**				**1,648**		**1,648**
Redemption of preferred shares, Series F		**(3,408)**					**(3,408)**		**(3,408)**
Redemption of stock warrant			**(280)**				**(280)**		**(280)**
Accretion of preferred dividends, Series F		**153**		**(153)**					
Stock-based compensation expense			**39**				**39**		**39**
Stock-based awards issued or exercised, including treasury shares issued			**(13)**			**6**	**(7)**		**(7)**
Restricted stock grants			**(58)**			**58**			
			1				**1**		**1**

Loans repaid related to the exercise of stock based awards, net									
Other		(1)		(1)		1	(1)	(1)	(2)
Balance at September 30, 2011	**$ 2,051**	**398**	**2,780**	**7,323**	**542**	**(65)**	**13,029**	**29**	**13,058**

See 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, 2011	2010
Operating Activities		
Net income	**$ 984**	420
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan and lease losses	**368**	1,372
Depreciation, amortization and accretion	**326**	327
Stock-based compensation expense	**39**	33
Provision for deferred income taxes	**363**	134
Realized securities gains	**(45)**	(32)
Realized securities gains non-qualifying hedges on mortgage servicing rights	**(21)**	
Realized securities losses	**5**	7
Realized securities losses non-qualifying hedges on mortgage servicing rights	**9**	
Provision for mortgage servicing rights	**228**	189
Net (gains) losses on sales of loans and fair value adjustments on loans held for sale	**(109)**	80
Capitalized mortgage servicing rights	**(155)**	(180)
Proceeds from sales of loans held for sale	**9,991**	12,495
Loans originated for sale, net of repayments	**(9,389)**	(12,485)
Dividends representing return on equity method investments	**10**	19
Excess tax benefit related to stock-based compensation	**(1)**	(4)
Net change in:		
Trading securities	**102**	37
Other assets	**(148)**	(93)
Accrued taxes, interest and expenses	**(11)**	(105)
Other liabilities	**113**	77
Net Cash Provided by Operating Activities	**2,659**	2,291
Investing Activities		
Sales:		
Available-for-sale securities	**1,722**	2,039
Loans	**263**	224
Disposal of bank premises and equipment	**30**	6
Repayments / maturities:		
Available-for-sale securities	**2,581**	3,350
Held-to-maturity securities	**14**	1
Purchases:		
Available-for-sale securities	**(4,819)**	(3,808)
Held-to-maturity securities		(1)
Bank premises and equipment	**(218)**	(151)
Restricted cash from the initial consolidation of variable interest entities		63

Dividends representing return of equity method investments	**17**	9
Net change in:		
Other short-term investments	**(513)**	105
Loans and leases	**(3,192)**	(274)
Operating lease equipment	**(14)**	(2)
Net Cash (Used in) Provided by Investing Activities	**(4,129)**	1,561
Financing Activities		
Net change in:		
Core deposits	**1,501**	(733)
Certificates - $100,000 and over, including other foreign office	**(1,102)**	(2,197)
Federal funds purchased	**148**	186
Other short-term borrowings	**3,320**	239
Dividends paid on common shares	**(118)**	(24)
Dividends paid on preferred shares	**(41)**	(154)
Proceeds from issuance of long-term debt	**1,494**	13
Repayment of long-term debt	**(1,497)**	(1,320)
Issuance of common shares	**1,648**	
Redemption of preferred shares, Series F	**(3,408)**	
Redemption of stock warrant	**(280)**	
Excess tax benefit related to stock-based compensation	**1**	4
Capital contribution from noncontrolling interest		30
Other	**(7)**	1
Net Cash Provided By (Used In) Financing Activities	**1,659**	(3,955)
Increase (Decrease) in Cash and Due from Banks	**189**	(103)
Cash and Due from Banks at Beginning of Period	**2,159**	2,318
Cash and Due from Banks at End of Period	**$ 2,348**	2,215

See Notes to Condensed Consolidated Financial Statements. Note 2 contains cash payments related to interest and income taxes in addition to noncash 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 financial position as of September 30, 2011 and 2010, the results of operations for the three and nine months ended September 30, 2011 and 2010, the cash flows for the nine months ended September 30, 2011 and 2010 and the changes in equity for the nine months ended September 30, 2011 and 2010. 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 latest annual financial statements. The results of operations for the three and nine months ended September 30, 2011 and 2010 and the cash flows and changes in equity for the nine months ended September 30, 2011 and 2010 are not necessarily indicative of the results to be expected for the full year. Financial information as of December 31, 2010 has been derived from the annual audited Consolidated Financial Statements of the Bancorp.

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. Certain reclassifications have been made to prior periods Condensed Consolidated Financial Statements and related notes to conform to the current period presentation.

2. Supplemental Cash Flow Information

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

($ in millions)	**2011**	2010
Cash payments:		
Interest	**$ 525**	726
Income taxes	**45**	76
Transfers:		
Portfolio loans to held for sale loans	**115**	650
Held for sale loans to portfolio loans	**24**	152
Portfolio loans to OREO	**262**	532
Held for sale loans to OREO	**38**	50
Impact of change in accounting principle:		
Decrease in available-for-sale securities, net		941
Increase in portfolio loans		2,217
Decrease in demand deposits		18
Increase in other short-term borrowings		122
Increase in long-term debt		1,344

3. Accounting and Reporting Developments

Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses

In July 2010, the FASB issued guidance that requires the Bancorp to disclose a greater level of disaggregated information about the credit quality of its loans and leases and the ALLL. The new guidance defines two levels of disaggregation portfolio segment and class. A portfolio segment is defined as the level at which the Bancorp develops and documents a systematic method for determining its ALLL. Classes generally represent a further disaggregation of a portfolio segment based on certain risk characteristics. The disclosures relating to information as of the end of a reporting period were effective for interim and annual reporting periods ending on or after December 15, 2010 and the disclosure requirements were adopted by the Bancorp as of December 31, 2010. The disclosures about activity that occurs during a reporting period were effective for interim and annual reporting periods beginning on or after December 15, 2010 and the disclosure requirements were adopted by the Bancorp as of January 1, 2011. These disclosures are included in Note 6.

When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts

In December 2010, the FASB issued amended guidance to address questions about entities with reporting units with zero or negative carrying amounts. For those reporting units, the amended guidance requires the entity to perform Step 2 of the goodwill impairment test if it is more

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Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (continued)

likely than not that a goodwill impairment exists. In determining whether it is more likely than not that a goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that an impairment may exist. The Bancorp does not currently have any reporting units with zero or negative carrying amounts, and therefore the adoption of this guidance on January 1, 2011 did not have a material impact on the Bancorp s Condensed Consolidated Financial Statements.

Disclosure of Supplementary Pro Forma Information for Business Combinations

In December 2010, the FASB issued amended guidance to address the diversity in practice about the interpretation of the pro forma revenue and earnings disclosure requirements for business combinations. The amended guidance clarifies that for business combination(s) that occur during the year, the Bancorp is required to disclose revenue and earnings of the combined entity as though the business combination(s) occurred as of the beginning of the comparable prior annual reporting period. The amended guidance is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010 and will be effective for business combinations consummated by the Bancorp on or after January 1, 2011. The Bancorp has not consummated a business combination since such guidance became effective.

A Creditor s Determination of Whether a Restructuring is a Troubled Debt Restructuring

In April 2011, the FASB issued amended guidance clarifying whether a creditor has granted a concession, and whether a debtor is experiencing financial difficulties, for purposes of determining whether a restructuring constitutes a TDR. The amended guidance also requires the Bancorp to disclose new information about TDR s, including qualitative and quantitative information by portfolio segment and class. The amended guidance is effective for the first interim or annual reporting period beginning on or after June 15, 2011, and for purposes of identifying TDR s under the amended guidance, has been applied retrospectively to January 1, 2011. The amended guidance for identifying TDRs did not have a material impact on the Bancorp s Condensed Consolidated Financial Statements. The new disclosures required under the amended guidance are included in Note 6.

Reconsideration of Effective Control for Repurchase Agreements

In April 2011, the FASB issued amended guidance clarifying when the Bancorp can recognize a sale upon the transfer of financial assets subject to a repurchase agreement. That determination is based, in part, on whether the Bancorp has maintained effective control over the transferred financial assets. Under the amended guidance, the FASB concluded that the assessment of effective control should focus on a transferor s contractual rights and obligations with respect to transferred financial assets, not on whether the transferor has the practical ability to perform in accordance with those rights or obligations. The amended guidance is effective for transactions that occur in interim and annual periods beginning on or after December 15, 2011. The Bancorp accounts for all of its existing repurchase agreements as secured borrowings. Therefore, this amended guidance is not expected to have a material impact on the Bancorp s accounting for repurchase agreements upon adoption on January 1, 2012.

Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS

In May 2011, the FASB issued amended guidance that will result in common fair value measurement and disclosure requirements between U.S. GAAP and IFRS. Under the amended guidance, the Bancorp will be required to expand its disclosure for fair value instruments categorized within Level 3 of the fair value hierarchy to include (1) the valuation processes used by the Bancorp; and (2) a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs for recurring fair value measurements and the interrelationships between those unobservable inputs, if any. The Bancorp will also be required to disclose the categorization by level of the fair value hierarchy for items that are not measured at fair value in the statement of financial position but for which the fair value is required to be disclosed (e.g. portfolio loans). The amended guidance is to be applied prospectively and is effective during interim and annual periods beginning after December 15, 2011.

Presentation of Comprehensive Income

In June 2011, the FASB issued amended guidance on the presentation requirements for comprehensive income. The amended guidance requires the Bancorp to present total comprehensive income, the components of net income and the components of other comprehensive income on the face of the financial statements, either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The amended guidance does not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. This amended guidance will be applied retrospectively and is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011.

Testing Goodwill for Impairment

In September 2011, the FASB issued amended guidance on testing goodwill for impairment. The amended guidance simplifies how the Bancorp is required to test goodwill for impairment and permits the Bancorp to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, the Bancorp determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test would be unnecessary. However, if the Bancorp concludes otherwise, it would then be required to perform step 1 of the goodwill impairment test, and continue to step 2, if necessary. The amended guidance is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011.

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Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (continued)

4. Securities

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

September 30, 2011 ($ in millions)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale and other:				
U.S. Treasury and government agencies	**$ 201**	**1**		**202**
U.S. Government sponsored agencies	**1,808**	**182**		**1,990**
Obligations of states and political subdivisions	**101**	**4**		**105**
Agency mortgage-backed securities	**10,413**	**605**	**(1)**	**11,017**
Other bonds, notes and debentures	**1,567**	**17**	**(11)**	**1,573**
Other securities[(a)]	**1,337**	**3**		**1,340**
Total	**$ 15,427**	**812**	**(12)**	**16,227**
Held-to-maturity:				
Obligations of states and political subdivisions	**$ 335**			**335**
Other debt securities	**2**			**2**
Total	**$ 337**			**337**

December 31, 2010 ($ in millions)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale and other:				
U.S. Treasury and government agencies	$ 225	5		230
U.S. Government sponsored agencies	1,564	81		1,645
Obligations of states and political subdivisions	170	2		172
Agency mortgage-backed securities	10,570	435	(32)	10,973
Other bonds, notes and debentures	1,338	19	(15)	1,342
Other securities[(a)]	1,052			1,052
Total	$ 14,919	542	(47)	15,414
Held-to-maturity:				
Obligations of states and political subdivisions	$ 348			348
Other debt securities	5			5
Total	$ 353			353

September 30, 2010 ($ in millions)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value

Available-for-sale and other:				
U.S. Treasury and government agencies	$ 300	11		311
U.S. Government sponsored agencies	1,691	160		1,851
Obligations of states and political subdivisions	191	4		195
Agency mortgage-backed securities	10,878	473	(4)	11,347
Other bonds, notes and debentures	995	28	(5)	1,018
Other securities[(a)]	1,253			1,253
Total	$ 15,308	676	(9)	15,975
Held-to-maturity:				
Obligations of states and political subdivisions	$ 349			349
Other debt securities	5			5
Total	$ 354			354

(a) *Other securities consist of FHLB and FRB restricted stock holdings of* ***$497*** *and* ***$345****, respectively, at* ***September 30, 2011****, $524 and $344, respectively, at December 31, 2010, and $551 and $343, respectively, at September 30, 2010, that are carried at cost, and certain mutual fund and equity security holdings.*

The following table presents realized gains and losses that were recognized in income from available-for-sale securities:

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in millions)	**2011**	2010	**2011**	2010
Realized gains	**$ 48**	3	**65**	31
Realized losses	**(9)**	(3)	**(9)**	(7)
Net realized gains	**$ 39**		**56**	24

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Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (continued)

Trading securities totaled $189 million as of September 30, 2011, compared to $294 million at December 31, 2010 and $320 million at September 30, 2010. Gross realized gains on trading securities were immaterial for the three months ended September 30, 2011 and September 30, 2010, $1 million for the nine months ended September 30, 2011, and immaterial for the nine months ended September 30, 2010. Gross realized losses were immaterial for the three months ended September 30, 2011 and September 30, 2010, $1 million for the nine months ended September 30, 2011 and immaterial for the nine months ended September 30, 2010. Gross unrealized gains on trading securities were immaterial at September 30, 2011 and September 30, 2010 and were $8 million at December 31, 2010. Gross unrealized losses on trading securities were $8 million at September 30, 2011 and December 31, 2010, and $10 million at September 30, 2010.

At September 30, 2011, December 31, 2010, and September 30, 2010, securities with a fair value of $11.6 billion, $11.3 billion, and $12.0 billion, respectively, were pledged to secure borrowings, public deposits, trust funds, derivative contracts and for other purposes as required or permitted by law.

The amortized cost and fair value of available-for-sale and held-to-maturity securities at September 30, 2011, by contractual maturity, are shown in the following table:

	Available-for-Sale & Other		Held-to-Maturity	
($ in millions)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Debt securities:[(a)]				
Under 1 year	$ 898	918	59	59
1-5 years	11,387	11,999	244	244
5-10 years	1,768	1,935	18	18
Over 10 years	37	35	16	16
Other securities	1,337	1,340		
Total	$ 15,427	16,227	337	337

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

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

	Less than 12 months		12 months or more		Total	
($ in millions)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
September 30, 2011						
U.S. Treasury and government agencies	**$ 100**				**100**	
U.S. Government sponsored agencies						
Obligations of states and political subdivisions			**3**		**3**	
Agency mortgage-backed securities	**27**		**11**	**(1)**	**38**	**(1)**
Other bonds, notes and debentures	**622**	**(6)**	**45**	**(5)**	**667**	**(11)**
Other securities						

Total	**$ 749**	**(6)**	**59**	**(6)**	**808**	**(12)**
December 31, 2010						
U.S. Treasury and government agencies	$		1		1	
U.S. Government sponsored agencies						
Obligations of states and political subdivisions	11		4		15	
Agency mortgage-backed securities	1,555	(32)			1,555	(32)
Other bonds, notes and debentures	563	(10)	47	(5)	610	(15)
Other securities						
Total	$ 2,129	(42)	52	(5)	2,181	(47)
September 30, 2010						
U.S. Treasury and government agencies	$ 75		1		76	
U.S. Government sponsored agencies						
Obligations of states and political subdivisions	1		3		4	
Agency mortgage-backed securities	995	(4)			995	(4)
Other bonds, notes and debentures	1		50	(5)	51	(5)
Other securities						
Total	$ 1,072	(4)	54	(5)	1,126	(9)

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Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (continued)

Other-Than-Temporary Impairments

If the fair value of an available-for-sale or held-to-maturity security is less than its amortized cost basis, the Bancorp must determine whether an OTTI has occurred. Under U.S. GAAP, the recognition and measurement requirements related to OTTI differ for debt and equity securities.

For debt securities, if the Bancorp intends to sell the debt security or will more likely than not be required to sell the debt security before recovery of the entire amortized cost basis, then an OTTI has occurred and the Bancorp must recognize through earnings the entire OTTI, which is calculated as the difference between the fair value of the debt security and its amortized cost basis. However, even if the Bancorp does not intend to sell the debt security and will not likely be required to sell the debt security before recovery of its entire amortized cost basis, the Bancorp must evaluate expected cash flows to be received and determine if a credit loss has occurred. In the event of a credit loss, the credit component of the impairment is recognized within noninterest income and the non-credit component is recognized through accumulated other comprehensive income. The Bancorp recognized $9 million of OTTI on its available-for-sale securities during the three and nine months ended September 30, 2011 and no OTTI was recognized on held-to-maturity debt securities. The Bancorp recognized $3 million of OTTI on its available-for-sale debt securities during the three and nine months ended September 30, 2010 and no OTTI was recognized on held-to-maturity debt securities. Additionally, at September 30, 2011 an immaterial percent of unrealized losses in the available-for-sale securities portfolio were represented by non-rated securities, compared to approximately one percent at December 31, 2010 and three percent at September 30, 2010.

For equity securities, the Bancorp s management evaluates the securities in an unrealized loss position in the available-for-sale portfolio for OTTI on the basis of the duration of the decline in value of the security and severity of that decline as well as the Bancorp s intent and ability to hold these securities for a period of time sufficient to allow for any anticipated recovery in the fair value. If it is determined that the impairment on an equity security is other than temporary, an impairment loss equal to the difference between the carrying value of the security and its fair value is recognized within noninterest income in the Condensed Consolidated Statements of Income. During the three and nine months ended September 30, 2011 and 2010, the Bancorp did not recognize OTTI on any of its available-for-sale equity securities.

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Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (continued)

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 concentrated within those states in which the Bancorp has banking centers and are primarily located in the Midwestern and Southeastern regions of the United States. 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, see Note 6.

The following table provides a summary of the total loans and leases classified by primary purpose as of:

($ in millions)	**September 30, 2011**	December 31, 2010	September 30, 2010
Loans and leases held for sale:			
Commercial and industrial loans	**$ 66**	83	200
Commercial mortgage loans	**105**	147	348
Commercial construction loans	**26**	63	151
Residential mortgage loans	**1,629**	1,901	2,014
Other consumer loans and leases	**14**	22	20
Total loans and leases held for sale	**$ 1,840**	2,216	2,733
Portfolio loans and leases:			
Commercial and industrial loans	**$ 29,258**	27,191	26,302
Commercial mortgage loans	**10,330**	10,845	10,985
Commercial construction loans	**1,213**	2,048	2,349
Commercial leases	**3,368**	3,378	3,304
Total commercial loans and leases	**44,169**	43,462	42,940
Residential mortgage loans	**10,249**	8,956	7,975
Home equity	**10,920**	11,513	11,774
Automobile loans	**11,593**	10,983	10,738
Credit card	**1,878**	1,896	1,832
Other consumer loans and leases	**407**	681	750
Total consumer loans and leases	**35,047**	34,029	33,069
Total portfolio loans and leases	**$ 79,216**	77,491	76,009

Total portfolio loans and leases are recorded net of unearned income, which totaled $944 million as of September 30, 2011, and $1.0 billion as of December 31, 2010 and September 30, 2010. Additionally, portfolio loans and leases are recorded net of unamortized premiums and discounts, deferred loan 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 $35 million as of September 30, 2011 and net discounts of $19 million and $21 million as of December 31, 2010 and September 30, 2010 respectively.

The following table presents a summary of the total loans and leases owned by the Bancorp as of and for the nine months ended September 30:

($ in millions)	Balance		Balance of Loans 90 Days or More Past Due		Net Charge-Offs	
	2011	2010	**2011**	2010	**2011**	2010
Commercial and industrial loans	**$ 29,324**	26,502	**$ 9**	29	**$ 215**	502
Commercial mortgage loans	**10,435**	11,333	**9**	29	**148**	445
Commercial construction loans	**1,239**	2,500	**44**	5	**80**	242
Commercial leases	**3,368**	3,304	**1**	1	**(2)**	5
Residential mortgage loans	**11,878**	9,989	**91**	111	**137**	377
Home equity loans	**10,920**	11,774	**83**	87	**168**	199
Automobile loans	**11,593**	10,738	**9**	13	**40**	69
Other consumer loans and leases	**2,299**	2,602	**28**	42	**147**	133
Total loans and leases	**$ 81,056**	78,742	**$ 274**	317	**$ 933**	1,972
Less: Loans held for sale	**$ 1,840**	2,733				
Total portfolio loans and leases	**$ 79,216**	76,009				

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Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (continued)

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

The Bancorp disaggregates ALLL balances and transactions in the ALLL by portfolio segment. Credit quality related disclosures for loans and leases are further disaggregated by class. The disaggregated disclosure requirements relating to information as of the end of a reporting period do not apply to periods ending before December 31, 2010. The disaggregated disclosure requirements relating to activity that occurs during a reporting period do not apply to periods beginning before December 15, 2010.

Allowance for Loan and Lease Losses

The following table summarizes transactions in the ALLL:

	For the three months ended September 30,		For the nine months ended September 30,	
($ in millions)	**2011**	2010	**2011**	2010
Balance, beginning of period	**$ 2,614**	3,693	**3,004**	3,749
Impact of change in accounting principle				45
Losses charged off	**(294)**	(992)	**(1,034)**	(2,086)
Recoveries of losses previously charged off	**32**	36	**101**	114
Provision for loan and lease losses	**87**	457	**368**	1,372
Balance, end of period	**$ 2,439**	3,194	**2,439**	3,194

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

For the three months ended September 30, 2011

($ in millions)	Commercial	Residential Mortgage	Consumer	Unallocated	Total
Transactions in the ALLL:					
Balance, beginning of period	$ 1,764	268	452	130	2,614
Losses charged off	(146)	(38)	(110)		(294)
Recoveries of losses previously charged off	10	2	20		32
Provision for loan and lease losses	21	1	46	19	87
Balance, end of period	$ 1,649	233	408	149	2,439

For the nine months ended September 30, 2011

($ in millions)	Commercial	Residential Mortgage	Consumer	Unallocated	Total
Transactions in the ALLL:					
Balance, beginning of period	$ 1,989	310	555	150	3,004
Losses charged off	(480)	(142)	(412)		(1,034)
Recoveries of losses previously charged off	39	5	57		101

Provision for loan and lease losses	101	60	208	(1)	368
Balance, end of period	$ 1,649	233	408	149	2,439

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

As of September 30, 2011 ($ in millions)	Commercial	Residential Mortgage	Consumer	Unallocated	Total
ALLL:[(a)]					
Individually evaluated for impairment	**$ 221**	**130**	**65**		**416**
Collectively evaluated for impairment	**1,427**	**102**	**343**		**1,872**
Loans acquired with deteriorated credit quality	**1**	**1**			**2**
Unallocated				**149**	**149**
Total ALLL	**$ 1,649**	**233**	**408**	**149**	**2,439**
Loans and leases:[(b)]					
Individually evaluated for impairment	**$ 1,225**	**1,237**	**581**		**3,043**
Collectively evaluated for impairment	**42,941**	**8,940**	**24,217**		**76,098**
Loans acquired with deteriorated credit quality	**3**	**10**			**13**
Total portfolio loans and leases	**$ 44,169**	**10,187**	**24,798**		**79,154**

(a) Includes $14 related to leveraged leases.

(b) Excludes $62 of residential mortgage loans measured at fair value, and includes $1,018 of leveraged leases, net of unearned income.

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Notes to Condensed Consolidated Financial Statements (continued)

As of December 31, 2010 ($ in millions)	Commercial	Residential Mortgage	Consumer	Unallocated	Total
ALLL:[(a)]					
Individually evaluated for impairment	$ 209	119	107		435
Collectively evaluated for impairment	1,779	189	448		2,416
Loans acquired with deteriorated credit quality	1	2			3
Unallocated				150	150
Total ALLL	$ 1,989	310	555	150	3,004
Loans and leases:[(b)]					
Individually evaluated for impairment	$ 1,076	1,180	651		2,907
Collectively evaluated for impairment	42,382	7,718	24,414		74,514
Loans acquired with deteriorated credit quality	4	12	8		24
Total portfolio loans and leases	$ 43,462	8,910	25,073		77,445

(a) Includes $15 related to leveraged leases.
(b) Excludes $46 of residential mortgage loans measured at fair value, and includes $1,039 of leveraged leases, net of unearned income.

Credit Risk Profile

For purposes of monitoring the credit quality and risk characteristics of its commercial portfolio segment, the Bancorp disaggregates the segment into the following classes: commercial and industrial, commercial mortgage owner-occupied, commercial mortgage nonowner-occupied, commercial construction and commercial leasing.

To facilitate the monitoring of credit quality within the commercial portfolio segment, and for purposes of analyzing historical loss rates used in the determination of the ALLL for the commercial portfolio segment, the Bancorp utilizes the following categories of credit grades: pass, special mention, substandard, doubtful or loss. The five categories, which are derived from standard regulatory rating definitions, are assigned upon initial approval of credit to borrowers and updated periodically thereafter. Pass ratings, which are assigned to those borrowers that do not have identified potential or well defined weaknesses and for which there is a high likelihood of orderly repayment, are updated periodically based on the size and credit characteristics of the borrower. All other categories are updated on a quarterly basis during the month preceding the end of the calendar quarter.

The Bancorp assigns a special mention rating to loans and leases that have potential weaknesses that deserve management s close attention. If left uncorrected, these potential weaknesses may, at some future date, result in the deterioration of the repayment prospects for the loan or lease or the Bancorp s credit position.

The Bancorp assigns a substandard rating to loans and leases that are inadequately protected by the current sound worth and paying capacity of the borrower or of the collateral pledged. Substandard loans and leases have well defined weaknesses or weaknesses that could jeopardize the orderly repayment of the debt. Loans and leases in this grade also are characterized by the distinct possibility that the Bancorp will sustain some loss if the deficiencies noted are not addressed and corrected.

The Bancorp assigns a doubtful rating to loans and leases that have all the attributes of a substandard rating with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. The possibility of loss is extremely high, but because of certain important and reasonable specific pending factors that may work to

the advantage of and strengthen the credit quality of the loan or lease, its classification as an estimated loss is deferred until its more exact status may be determined. Pending factors may include a proposed merger or acquisition, liquidation proceeding, capital injection, perfecting liens on additional collateral or refinancing plans.

Loans and leases classified as loss are considered uncollectible and are charged off in the period in which they are determined to be uncollectible. Because loans and leases in this category are fully charged down, they are not included in the following tables.

The following table summarizes the credit risk profile of the Bancorp s commercial portfolio segment, by class:

As of September 30, 2011 ($ in millions)	Pass	Special Mention	Substandard	Doubtful	Total
Commercial and industrial loans	**$ 25,510**	**1,598**	**2,023**	**127**	**29,258**
Commercial mortgage loans owner-occupied	**4,080**	**562**	**785**	**19**	**5,446**
Commercial mortgage loans nonowner-occupied	**3,293**	**550**	**1,013**	**28**	**4,884**
Commercial construction loans	**418**	**258**	**511**	**26**	**1,213**
Commercial leases	**3,298**	**42**	**27**	**1**	**3,368**
Total	**$ 36,599**	**3,010**	**4,359**	**201**	**44,169**

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Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (continued)

December 31, 2010 ($ in millions)	Pass	Special Mention	Substandard	Doubtful	Total
Commercial and industrial loans	$ 23,147	1,406	2,541	97	27,191
Commercial mortgage loans owner-occupied	4,034	430	854	22	5,340
Commercial mortgage loans nonowner-occupied	3,620	647	1,174	64	5,505
Commercial construction loans	1,034	416	540	58	2,048
Commercial leases	3,269	60	48	1	3,378
Total	$ 35,104	2,959	5,157	242	43,462

For purposes of monitoring the credit quality and risk characteristics of its consumer portfolio segment, the Bancorp disaggregates the segment into the following classes: home equity, automobile loans, credit card, and other consumer loans and leases. The Bancorp s residential mortgage portfolio segment is also a separate class.

The Bancorp considers repayment performance as the best indicator of credit quality for residential mortgage and consumer loans. Residential mortgage loans that have principal and interest payments that have become past due 150 days are classified as nonperforming unless such loans are both well secured and in the process of collection. Home equity loans with principal and interest payments that have become past due 180 days are classified as nonperforming unless such loans are both well secured and in the process of collection. Automobile and other consumer loans and leases that have principal and interest payments that have become past due 120 days are classified as nonperforming unless the loan is both well secured and in the process of collection. Credit card loans that have been modified in a TDR are classified as nonperforming unless such loans have a sustained repayment performance of six months or greater and are reasonably assured of repayment in accordance with the restructured terms. Well secured loans are collateralized by perfected security interests in real and/or personal property for which the Bancorp estimates proceeds from sale would be sufficient to recover the outstanding principal and accrued interest balance of the loan and pay all costs to sell the collateral. The Bancorp considers a loan in the process of collection if collection efforts or legal action is proceeding and the Bancorp expects to collect funds sufficient to bring the loan current or recover the entire outstanding principal and accrued interest balance. The following table summarizes the credit risk profile of the Bancorp s residential mortgage and consumer portfolio segments, by class:

	September 30, 2011		December 31, 2010	
($ in millions)	Performing	Nonperforming	Performing	Nonperforming
Residential mortgage loans[(a)]	**$ 9,911**	**276**	8,642	268
Home equity	**10,862**	**58**	11,457	56
Automobile loans	**11,591**	**2**	10,980	3
Credit card	**1,832**	**46**	1,841	55
Other consumer loans and leases	**406**	**1**	597	84
Total	**$ 34,602**	**383**	33,517	466

(a) *Excludes **$62** and $46 of loans measured at fair value at **September 30, 2011** and December 31, 2010, respectively.*

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Notes to Condensed Consolidated Financial Statements (continued)

Age Analysis of Past Due Loans and Leases

The following tables summarize the Bancorp s recorded investment in portfolio loans and leases by age and class:

As of September 30, 2011 ($ in millions)	Current Loans and Leases	30-89 Days	Past Due 90 Days and Greater[(c)]	Total Past Due	Total Loans and Leases	90 Days Past Due and Still Accruing
Commercial:						
Commercial and industrial loans	**$ 28,949**	**57**	**252**	**309**	**29,258**	**9**
Commercial mortgage owner-occupied loans	**5,291**	**35**	**120**	**155**	**5,446**	**2**
Commercial mortgage nonowner-occupied loans	**4,629**	**73**	**182**	**255**	**4,884**	**7**
Commercial construction loans	**1,024**	**11**	**178**	**189**	**1,213**	**44**
Commercial leases	**3,355**	**3**	**10**	**13**	**3,368**	**1**
Residential mortgage loans[(a) (b)]	**9,721**	**107**	**359**	**466**	**10,187**	**91**
Consumer:						
Home equity	**10,651**	**128**	**141**	**269**	**10,920**	**83**
Automobile loans	**11,514**	**67**	**12**	**79**	**11,593**	**9**
Credit card	**1,777**	**32**	**69**	**101**	**1,878**	**28**
Other consumer loans and leases	**405**	**1**	**1**	**2**	**407**	
Total portfolio loans and leases[(a)]	**$ 77,316**	**514**	**1,324**	**1,838**	**79,154**	**274**

(a) Excludes $62 of loans measured at fair value.

(b) Information for current residential mortgage loans includes advances made pursuant to servicing agreements for GNMA mortgage pools whose repayments are insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs. As of September 30, 2011, $33 of these loans were 30-89 days past due and $291 were 90 days or more past due. The Bancorp recognized an immaterial amount of losses for the three and nine months ended September 30, 2011 due to claim denials and curtailments associated with these advances.

(c) Includes accrual and nonaccrual loans and leases.

As of December 31, 2010 ($ in millions)	Current Loans and Leases	30-89 Days	Past Due 90 Days and Greater[(c)]	Total Past Due	Total Loans and Leases	90 Days Past Due and Still Accruing
Commercial:						
Commercial and industrial loans	$ 26,687	201	303	504	27,191	16
Commercial mortgage owner-occupied loans	5,151	50	139	189	5,340	8
Commercial mortgage nonowner-occupied loans	5,252	38	215	253	5,505	3
Commercial construction loans	1,831	72	145	217	2,048	3
Commercial leases	3,361	10	7	17	3,378	
Residential mortgage loans[(a) (b)]	8,404	138	368	506	8,910	100

Consumer:						
Home equity	11,220	148	145	293	11,513	89
Automobile loans	10,872	96	15	111	10,983	13
Credit card	1,771	35	90	125	1,896	42
Other consumer loans and leases	672	3	6	9	681	
Total portfolio loans and leases[(a)]	$ 75,221	791	1,433	2,224	77,445	274

(a) *Excludes $46 of loans measured at fair value.*

(b) *Information for current residential mortgage loans includes advances made pursuant to servicing agreements for GNMA mortgage pools whose repayments are insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs. As of December 31, 2010, $55 of these loans were 30-89 days past due and $284 were 90 days or more past due.*

(c) *Includes accrual and nonaccrual loans and leases.*

Impaired Loans and Leases

Larger commercial loans included within aggregate borrower relationship balances exceeding $1 million that exhibit probable or observed credit weaknesses are subject to individual review for impairment. The Bancorp also performs an individual review on loans that are restructured in a troubled debt restructuring. The Bancorp considers the current value of collateral, credit quality of any guarantees, the loan structure, and other factors when evaluating whether an individual loan is impaired. Other factors may include the geography and industry of the borrower, size and financial condition of the borrower, cash flow and leverage of the borrower, and the Bancorp s evaluation of the borrower s management. Smaller-balance homogenous loans that are collectively evaluated for impairment are not included in the following tables.

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Notes to Condensed Consolidated Financial Statements (continued)

The following table summarizes the Bancorp s impaired loans and leases (by class) that were subject to individual review:

As of September 30, 2011 ($ in millions)	Unpaid Principal Balance	Recorded Investment	Allowance
With a related allowance recorded:			
Commercial:			
Commercial and industrial loans	$ 490	375	169
Commercial mortgage owner-occupied loans	49	36	5
Commercial mortgage nonowner-occupied loans	192	128	24
Commercial construction loans	155	102	19
Commercial leases	14	14	5
Restructured residential mortgage loans	1,106	1,055	131
Restructured consumer:			
Home equity	399	395	46
Automobile loans	37	37	5
Credit card	101	90	14
Other consumer loans and leases	3	3	
Total impaired loans with a related allowance	$ 2,546	2,235	418
With no related allowance recorded:			
Commercial:			
Commercial and industrial loans	$ 296	233	
Commercial mortgage owner-occupied loans	100	86	
Commercial mortgage nonowner-occupied loans	166	142	
Commercial construction loans	171	106	
Commercial leases	6	6	
Restructured residential mortgage loans	237	192	
Restructured consumer:			
Home equity	54	51	
Automobile loans	5	5	
Total impaired loans with no related allowance	1,035	821	
Total impaired loans	$ 3,581	3,056 [(a)]	418

(a) *Includes **$347**, **$1,103** and **$500**, respectively, of commercial, residential mortgage and consumer TDRs on accrual status; **$189**, **$134** and **$81**, respectively, of commercial, residential mortgage and consumer TDRs on nonaccrual status.*

The following table summarizes the Bancorp s average impaired loans and leases and interest income by class for the three and nine months ended September 30, 2011:

($ in millions)	For the three months ended September 30, 2011 Average Recorded Investment	For the three months ended September 30, 2011 Interest Income Recognized	For the nine months ended September 30, 2011 Average Recorded Investment	For the nine months ended September 30, 2011 Interest Income Recognized
Commercial:				
Commercial and industrial loans	**$ 540**	**15**	**524**	**40**
Commercial mortgage owner-occupied loans	**116**	**5**	**121**	**15**
Commercial mortgage nonowner-occupied loans	**287**	**9**	**294**	**25**
Commercial construction loans	**190**	**8**	**185**	**19**
Commercial leases	**18**		**22**	
Restructured residential mortgage loans	**1,243**	**13**	**1,219**	**34**
Restructured consumer:				
Home equity	**446**	**17**	**445**	**34**
Automobile loans	**42**	**1**	**40**	**2**
Credit card	**95**	**1**	**97**	**3**
Other consumer loans and leases	**28**		**43**	
Total impaired loans	**$ 3,005**	**69**	**2,990**	**172**

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Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (continued)

The following table summarizes the Bancorp s impaired loans and leases (by class) that were subject to individual review:

As of December 31, 2010 ($ in millions)	Unpaid Principal Balance	Recorded Investment	Allowance
With a related allowance recorded:			
Commercial:			
Commercial and industrial loans	$ 404	291	128
Commercial mortgage owner-occupied loans	49	37	4
Commercial mortgage nonowner-occupied loans	386	202	40
Commercial construction loans	240	150	31
Commercial leases	15	15	7
Restructured residential mortgage loans	1,126	1,071	121
Restructured consumer:			
Home equity	400	397	53
Automobile loans	33	32	5
Credit card	100	100	18
Other consumer loans and leases	78	78	31
Total impaired loans with a related allowance	$ 2,831	2,373	438
With no related allowance recorded:			
Commercial:			
Commercial and industrial loans	$ 194	153	
Commercial mortgage owner-occupied loans	113	99	
Commercial mortgage nonowner-occupied loans	126	108	
Commercial construction loans	24	8	
Commercial leases	17	17	
Restructured residential mortgage loans	146	121	
Restructured consumer:			
Home equity	48	46	
Automobile loans	6	6	
Total impaired loans with no related allowance	674	558	
Total impaired loans	$ 3,505	2,931 [(a)]	438

(a) *Includes $228, $1,066 and $492, respectively, of commercial, residential mortgage and consumer TDRs on accrual status; $141, $116 and $90, respectively, of commercial, residential mortgage and consumer TDRs on nonaccrual status.*

During the three and nine months ended September 30, 2010, interest income of $53 million and $164 million, respectively, was recognized on impaired loans that had an average balance of $3.1 billion for both periods.

Nonperforming Assets

The following table summarizes the Bancorp s nonperforming assets as of:

($ in millions)	**September 30, 2011**	December 31, 2010	September 30, 2010
Nonaccrual loans and leases	**$ 1,134**	1,333	1,378
Restructured nonaccrual loans and leases	**404**	347	206
Total nonperforming loans and leases	**1,538**	1,680	1,584
OREO and other repossessed property[(a)]	**406**	494	498
Total nonperforming assets[(b)]	**1,944**	2,174	2,082
Total loans and leases 90 days past due and still accruing	**$ 274**	274	317

*(a) Excludes **$58,** $38 and $35 of OREO related to government insured loans at **September 30, 2011,** December 31, 2010 and September 30, 2010, respectively.*

*(b) Excludes **$197**, $294 and $699 of nonaccrual loans held for sale at **September 30, 2011,** December 31, 2010 and September 30, 2010, respectively.*

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Notes to Condensed Consolidated Financial Statements (continued)

The following table summarizes the Bancorp s nonperforming loans and leases, by class, as of:

($ in millions)	September 30, 2011	December 31, 2010
Commercial:		
Commercial and industrial loans	$ **562**	568
Commercial mortgage owner-occupied loans	**168**	168
Commercial mortgage nonowner-occupied loans	**239**	267
Commercial construction loans	**168**	192
Commercial leases	**18**	19
Total commercial loans and leases	**1,155**	1,214
Residential mortgage loans	**276**	268
Consumer:		
Home equity	**58**	56
Automobile loans	**2**	3
Credit card	**46**	55
Other consumer loans and leases	**1**	84
Total consumer loans and leases	**107**	198
Total nonperforming loans and leases[(a)]	$ **1,538**	1,680

(a) Excludes ***$197*** *and $294 of nonaccrual loans held for sale at* ***September 30, 2011*** *and December 31, 2010, respectively.*

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, or in limited circumstances, reduce their principal balance of the loan. These modifications are classified as TDRs.

Within each of the Bancorp s loan classes, TDRs typically involve either a reduction of the stated interest rate of the loan, an extension of the loan s maturity date(s) at a stated rate lower than the current market rate for a new loan with similar risk, or in limited circumstances, a reduction of the face amount of the loan or the loan s accrued interest. Upon modification, an impairment loss is recognized as an increase to the ALLL and is measured as the difference between the original loan s carrying amount and the present value of expected future cash flows discounted at the original, effective yield of the loan. If a portion of the original loan s face amount is determined to be uncollectible at the time of modification, or if the TDR involves a reduction of the face amount of the loan or the loan s accrued interest, that amount is charged off to the ALLL.

The following table provides a summary of loans modified in a TDR by the Bancorp during the three months ended September 30, 2011:

($ in millions)[a]	Number of loans modified in a TDR during the period[b]	Recorded investment in loans modified in a TDR during the period	Increase (Decrease) to ALLL upon modification	Charge-offs recognized upon modification
Commercial:				
Commercial and industrial loans	**7**	**$ 33**	**(2)**	
Commercial mortgage owner-occupied loans	**7**	**5**	**(4)**	
Commercial mortgage nonowner-occupied loans	**15**	**44**	**(4)**	
Commercial construction loans	**4**	**22**		
Residential mortgage loans	**384**	**79**	**8**	
Consumer:				
Home equity	**347**	**21**	**1**	
Automobile loans	**371**	**7**	**1**	
Credit card	**2,781**	**17**	**2**	
Total portfolio loans and leases	**3,916**	**$ 228**	**2**	

(a) Excludes all loans and leases held for sale and loans acquired with deteriorated credit quality.
(b) Represents number of loans post-modification.

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Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (continued)

The following table provides a summary of loans modified in a TDR by the Bancorp during the nine months ended September 30, 2011:

($ in millions)[a]	Number of loans modified in a TDR during the period[b]	Recorded investment in loans modified in a TDR during the period	Increase (Decrease) to ALLL upon modification	Charge-offs recognized upon modification
Commercial:				
Commercial and industrial loans	**35**	**$ 113**	**2**	**1**
Commercial mortgage owner-occupied loans	**15**	**20**	**(6)**	**7**
Commercial mortgage nonowner-occupied loans	**28**	**77**	**(17)**	**3**
Commercial construction loans	**9**	**43**	**(4)**	
Commercial leases	**2**			
Residential mortgage loans	**1,273**	**255**	**26**	
Consumer:				
Home equity	**999**	**61**	**1**	
Automobile loans	**1,135**	**21**	**2**	
Credit card	**9,188**	**61**	**9**	
Total portfolio loans and leases	**12,684**	**$651**	**13**	**11**

(a) Excludes all loans and leases held for sale and loans acquired with deteriorated credit quality.
(b) Represents number of loans post-modification.

The Bancorp considers TDRs that become 90 days or more past due under the modified terms as subsequently defaulted. The following table provides a summary of subsequent defaults that occurred during the three months ended September 30, 2011 and within 12 months of the restructuring date:

($ in millions)[a]	Number of Contracts	Recorded Investment
Commercial:		
Commercial and industrial loans	**1**	**$ 13**
Commercial mortgage nonowner-occupied loans	**2**	**1**
Commercial construction loans	**1**	**1**
Residential mortgage loans	**75**	**12**
Consumer:		
Home equity	**49**	**3**
Automobile loans	**8**	
Credit card	**14**	
Total portfolio loans and leases	**150**	**$ 30**

(a) Excludes all loans and leases held for sale and loans acquired with deteriorated credit quality.

The following table provides a summary of subsequent defaults that occurred during the nine months ended September 30, 2011 and within 12 months of the restructuring date:

($ in millions)[a]	Number of Contracts	Recorded Investment
Commercial:		
Commercial and industrial loans	**7**	**$ 20**
Commercial mortgage owner-occupied loans	**3**	**1**
Commercial mortgage nonowner-occupied loans	**7**	**5**
Commercial construction loans	**5**	**7**
Commercial leases	**5**	**3**
Residential mortgage loans	**235**	**39**
Consumer:		
Home equity	**172**	**11**
Automobile loans	**20**	**1**
Credit card	**60**	**1**
Total portfolio loans and leases	**514**	**$ 88**

(a) Excludes all loans and leases held for sale and loans acquired with deteriorated credit quality.

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Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (continued)

7. Goodwill

Business combinations entered into by the Bancorp typically include the acquisition of goodwill. Acquisition activity includes acquisitions in the respective period, in addition to purchase accounting adjustments related to previous acquisitions. During the fourth quarter of 2008, the Bancorp determined that the Commercial Banking and Consumer Lending segments goodwill carrying amounts exceeded their associated implied fair values by $750 million and $215 million, respectively. The resulting $965 million goodwill impairment charge was recorded in the fourth quarter of 2008 and represents the total amount of accumulated impairment losses as of September 30, 2011. Changes in the net carrying amount of goodwill, by reporting unit, for the nine months ended September 30, 2011 and 2010 were as follows:

($ in millions)	Commercial Banking	Branch Banking	Consumer Lending	Investment Advisors	Total
Net carrying value as of December 31, 2010:	$ 613	1,656		148	2,417
Acquisition activity					
Net carrying value as of September 30, 2011:	**$ 613**	**1,656**		**148**	**2,417**
Net carrying value as of December 31, 2009:	$ 613	1,656		148	2,417
Acquisition activity					
Net carrying value as of September 30, 2010:	$ 613	1,656		148	2,417

The Bancorp evaluates goodwill at the business segment level for impairment as the Bancorp s segments have been determined to be reporting units under U.S. GAAP. The Bancorp conducts its evaluation of goodwill impairment as of September 30th each year, and more frequently if events or circumstances indicate that there may be impairment. The Bancorp completed its annual goodwill impairment test as of September 30, 2011 and determined that no impairment existed. In Step 1 of the goodwill impairment test, the Bancorp compared the fair value of each reporting unit to its carrying amount, including goodwill. To determine the fair value of a reporting unit, the Bancorp employed an income-based approach utilizing the reporting unit s forecasted cash flows (including a terminal value approach to estimate cash flows beyond the final year of the forecast) and the reporting unit s estimated cost of equity as the discount rate. The Bancorp believes that this DCF method, using management projections for the respective reporting units and an appropriate risk adjusted discount rate, is most reflective of a market participant s view of fair values given current market conditions. Under the DCF method, the forecasted cash flows were developed for each reporting unit by considering several key business drivers such as new business initiatives, client retention standards, market share changes, anticipated loan and deposit growth, forward interest rates, historical performance, and industry and economic trends, among other considerations.

The long-term growth rate used in determining the terminal value of each reporting unit was estimated at three percent based on the Bancorp s assessment of the minimum expected terminal growth rate of each reporting unit, as well as broader economic considerations such as gross domestic product and inflation. Discount rates were estimated based on a Capital Asset Pricing Model, which considers the risk-free interest rate, market risk premium, beta, and in some cases, unsystematic risk and size premium adjustments specific to a particular reporting unit. The discount rates used to develop the estimated fair value of the reporting units were as follows:

	Discount Rate
Commercial Banking	16.9 %
Branch Banking	15.9 %
Investment Advisors	18.7 %

Based on the results of the Step 1 test, the Bancorp determined that the fair value of the Commercial Banking, Branch Banking, and Investment Advisors segments exceeded their respective carrying values, and consequently, no further testing was required.

The Step 1 analysis prepared for the Bancorp s segments resulted in the fair values of the Commercial Banking and Branch Banking segments exceeding their carrying values, including goodwill, by 9% and 4% respectively, while the fair value of the Investment Advisors segment substantially exceeded its carrying value, including goodwill.

The long-term growth rate required to avoid failing Step 1 for the Commercial Banking reporting unit, with all other assumptions held constant, was 0.3%. Other key assumptions used in forecasting cash flows for the Commercial Banking reporting unit include commercial loan portfolio growth as well as long-term credit loss rates, which are based on long-term historical loss rates and management s expectation of long-term credit quality within the portfolio.

The long-term growth rate required to avoid failing Step 1 for the Branch Banking reporting unit, with all other assumptions held constant, was 1.4%. Other key assumptions used in forecasting cash flows for the Branch Banking reporting unit include deposit growth assumptions, forecasted spreads earned on the unit s deposits, and the impact of recent and anticipated regulatory changes affecting retail banking.

The Bancorp forecasts its deposit growth based on expected growth in loan demand as well as availability and expected use of alternative funding sources over that period. The earnings spread assumption on deposits is based on forward LIBOR rates and the sensitivity of the Bancorp s deposit rates to changes in LIBOR. The Bancorp also considered the potential impact of recent and anticipated regulatory changes

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Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (continued)

that will impact overdraft revenue, debit interchange revenue and credit card revenue for the remainder of 2011 and beyond. Changes in these key assumptions and inputs to these key assumptions could negatively impact the fair value of the Commercial Banking and Branch Banking reporting units in future periods. These changes would include unanticipated regulatory changes, movement in interest rates and economic trends affecting the segments profitability.

8. Intangible Assets

Intangible assets consist of servicing rights, core deposit intangibles, customer lists, non-compete agreements and cardholder relationships. Intangible assets, excluding servicing rights, are amortized on either a straight-line or an accelerated basis over their estimated useful lives and have an estimated weighted-average life at September 30, 2011 of 3.8 years. The Bancorp reviews intangible assets for possible impairment whenever events or changes in circumstances indicate that carrying amounts may not be recoverable. For more information on servicing rights, see Note 10. The details of the Bancorp s intangible assets are shown in the following table.

($ in millions)	Gross Carrying Amount	Accumulated Amortization	Valuation Allowance	Net Carrying Amount
As of September 30, 2011:				
Mortgage servicing rights	**$ 2,440**	**(1,234)**	**(544)**	**662**
Core deposit intangibles	**439**	**(404)**		**35**
Other	**44**	**(34)**		**10**
Total intangible assets	**$ 2,923**	**(1,672)**	**(544)**	**707**
As of December 31, 2010:				
Mortgage servicing rights	$ 2,284	(1,146)	(316)	822
Core deposit intangibles	439	(389)		50
Other	44	(32)		12
Total intangible assets	$ 2,767	(1,567)	(316)	884
As of September 30, 2010:				
Mortgage servicing rights	$ 2,167	(1,099)	(469)	599
Core deposit intangibles	487	(428)		59
Other	53	(40)		13
Total intangible assets	$ 2,707	(1,567)	(469)	671

As of September 30, 2011, all of the Bancorp s intangible assets were being amortized. Amortization expense recognized on intangible assets, including servicing rights, for the three months ending September 30, 2011 and 2010 was $39 million and $53 million, respectively. For the nine months ended September 30, 2011 and 2010, amortization expense was $105 million and $124 million, respectively. Estimated amortization expense for the years ending December 31, 2011 through 2015 is as follows:

Mortgage	Other

($ in millions)	Servicing Rights	Intangible Assets	Total
Remainder of 2011	$ 70	4	74
2012	235	13	248
2013	181	8	189
2014	142	4	146
2015	112	2	114

9. Variable Interest Entities

The Bancorp, in the normal course of business, engages in a variety of activities that involve VIEs, which are legal entities that lack sufficient equity to finance their activities, or the equity investors of the entities as a group lack any of the characteristics of a controlling interest. The primary beneficiary of a VIE is the enterprise that has both the power to direct the activities most significant to the economic performance of the VIE and the obligation to absorb losses or receive benefits that could potentially be significant to the VIE. The Bancorp evaluates its interest in certain entities to determine if these entities meet the definition of a VIE and whether the Bancorp is the primary beneficiary and should consolidate the entity based on the variable interests it held both at inception and when there is a change in circumstances that require a reconsideration. If the Bancorp is determined to be the primary beneficiary of a VIE, it must account for the VIE as a consolidated subsidiary. If the Bancorp is determined not to be the primary beneficiary of a VIE but holds a variable interest in the entity, such variable interests are accounted for under the equity method of accounting or other accounting standards as appropriate.

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Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (continued)

Consolidated VIEs

The following table provides a summary of the classifications of consolidated VIE assets, liabilities and noncontrolling interest included in the Bancorp s Condensed Consolidated Balance Sheets as of:

September 30, 2011 ($ in millions)	Home Equity Securitization	Automobile Loan Securitizations	CDC Investment	Total
Assets:				
Cash and due from banks	**$ 5**	**30**		**35**
Other short-term investments		**7**		**7**
Commercial mortgage loans			**29**	**29**
Home equity	**228**			**228**
Automobile loans		**334**		**334**
ALLL	**(5)**	**(4)**	**(1)**	**(10)**
Other assets	**1**	**1**	**1**	**3**
Total assets	**229**	**368**	**29**	**626**
Liabilities:				
Other liabilities	**$**	**5**		**5**
Long-term debt	**26**	**244**		**270**
Total liabilities	**$ 26**	**249**		**275**
Noncontrolling interest			**29**	**29**

December 31, 2010 ($ in millions)	Home Equity Securitization	Automobile Loan Securitizations	CDC Investment	Total
Assets:				
Cash and due from banks	$ 7	45		52
Other short-term investments		7		7
Commercial mortgage loans			29	29
Home equity	241			241
Automobile loans		648		648
ALLL	(5)	(8)	(1)	(14)
Other assets	1	5	1	7
Total assets	244	697	29	970
Liabilities:				
Other liabilities	$	12		12
Long-term debt	133	559		692

Total liabilities	$ 133	571		704
Noncontrolling interest			29	29

September 30, 2010 ($ in millions)	Home Equity Securitization	Automobile Loan Securitizations	CDC Investment	Total
Assets:				
Cash and due from banks	$ 5	51		56
Other short-term investments		7		7
Commercial mortgage loans			29	29
Home equity	248			248
Automobile loans		771		771
ALLL	(5)	(9)	(1)	(15)
Other assets	1	5	1	7
Total assets	249	825	29	1,103
Liabilities:				
Other liabilities	$	17		17
Long-term debt	147	687		834
Total liabilities	$ 147	704		851
Noncontrolling interest			29	29

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Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (continued)

Home Equity and Automobile Loan Securitizations

The Bancorp previously sold $903 million of home equity lines of credit to an isolated trust. Additionally, the Bancorp previously sold $2.7 billion of automobile loans to an isolated trust and conduits in three separate transactions. Each of these transactions isolated the related loans through the use of a VIE that, under accounting guidance effective prior to January 1, 2010, was not consolidated by the Bancorp. The VIEs were funded through loans from large multi-seller asset-backed commercial paper conduits sponsored by third party agents, asset-backed securities issued with varying levels of credit subordination and payment priority, and residual interests. The Bancorp retained residual interests in these entities and, therefore, has an obligation to absorb losses and a right to receive benefits from the VIEs that could potentially be significant to the VIEs. In addition, the Bancorp retained servicing rights for the underlying loans and, therefore, holds the power to direct the activities of the VIEs that most significantly impact the economic performance of the VIEs. As a result, the Bancorp determined it is the primary beneficiary of these VIEs and, effective January 1, 2010, these VIEs have been consolidated in the Bancorp s Condensed Consolidated Financial Statements. The assets of each VIE are restricted to the settlement of the long-term debt and other liabilities of the respective entity. Third-party holders of this debt do not have recourse to the general assets of the Bancorp.

The economic performance of the VIEs is most significantly impacted by the performance of the underlying loans. The principal risks to which the entities are exposed include credit risk and interest rate risk. Credit risk is managed through credit enhancement in the form of reserve accounts, overcollateralization, excess interest on the loans, the subordination of certain classes of asset-backed securities to other classes, and in the case of the home equity transaction, an insurance policy with a third party guaranteeing payment of accrued and unpaid interest and principal on the securities. Interest rate risk is managed by interest rate swaps between the VIEs and third parties.

CDC Investment

CDC, a wholly owned subsidiary of the Bancorp, was created to invest in projects to create affordable housing, revitalize business and residential areas, and preserve historic landmarks. CDC generally co-invests with other unrelated companies and/or individuals and typically makes investments in a separate legal entity that owns the property under development. The entities are usually formed as limited partnerships and LLCs, and CDC typically invests as a limited partner/investor member in the form of equity contributions. The economic performance of the VIEs is driven by the performance of their underlying investment projects as well as the VIEs ability to operate in compliance with the rules and regulations necessary for the qualification of tax credits generated by equity investments. Typically, the general partner or managing member will be the party that has the right to make decisions that will most significantly impact the economic performance of the entity. The Bancorp serves as the managing member of one LLC invested in a business revitalization project. The Bancorp has provided an indemnification guarantee to the investor member of this LLC related to the qualification of tax credits generated by investor member s investment. Accordingly, the Bancorp concluded that it is the primary beneficiary and, therefore, has consolidated this VIE. As a result, the VIE is presented as a noncontrolling interest in the Bancorp s Condensed Consolidated Financial Statements. This presentation includes reporting separately the equity attributable to the noncontrolling interest in the Condensed Consolidated Balance Sheets and Condensed Consolidated Statements of Changes in Equity. Additionally, the net income attributable to the noncontrolling interest is reported separately in the Condensed Consolidated Statements of Income. The Bancorp s maximum exposure related to this indemnification at September 30, 2011 is $8 million, which is based on an amount required to meet the investor member s defined target rate of return.

Non-consolidated VIEs

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

As of September 30, 2011 ($ in millions)

	Total Assets	Total Liabilities	Maximum Exposure
CDC investments	**$ 1,270**	**278**	**1,270**
Private equity investments	**117**		**295**
Money market funds	**61**		**70**
Loans provided to VIEs	**1,220**		**2,001**
Restructured loans	**11**		**13**

As of December 31, 2010 ($ in millions)	Total Assets	Total Liabilities	Maximum Exposure
CDC investments	$ 1,241	286	1,241
Private equity investments	129	3	322
Money market funds	148		158
Loans provided to VIEs	1,175		1,908
Restructured loans	12		13

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Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (continued)

As of September 30, 2010 ($ in millions)	Total Assets	Total Liabilities	Maximum Exposure
CDC investments	$ 1,140	240	1,140
Private equity investments	117		293
Loans provided to VIEs	1,135		1,684
Restructured loans	26		27

CDC Investments

As noted previously, CDC typically invests in VIEs as a limited partner or investor member in the form of equity contributions. The Bancorp has determined that it is not the primary beneficiary of these VIEs because it lacks the power to direct the activities that most significantly impact the economic performance of the underlying project or the VIEs ability to operate in compliance with the rules and regulations necessary for the qualification of tax credits generated by equity investments. This power is held by the general partners/managing members who exercise full and exclusive control of the operations of the VIEs. Accordingly, the Bancorp accounts for these investments under the equity method of accounting.

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

Private Equity Investments

The Bancorp invests as a limited partner in private equity funds which provide the Bancorp an opportunity to obtain higher rates of return on invested capital, while also creating cross-selling opportunities for the Bancorp s commercial products. Each of the limited partnerships has an unrelated third-party general partner responsible for appointing the fund manager. The Bancorp has not been appointed fund manager for any of these private equity funds. The funds finance primarily all of their activities from the partners capital contributions and investment returns. The private equity funds qualify for the deferral of the amended VIE consolidation guidance. However, under the VIE consolidation guidance still applicable to the funds, the Bancorp has determined that it is not the primary beneficiary of the funds because it does not absorb a majority of the funds expected losses or receive a majority of the funds expected residual returns. Therefore, the Bancorp accounts for its investments in these limited partnerships under the equity method of accounting.

The Bancorp is exposed to losses arising from negative performance of the underlying investments in the private equity funds. As a limited partner, the Bancorp s maximum exposure to loss is limited to the carrying amounts of the investments plus unfunded commitments. The carrying amounts of these investments, which are included in other assets in the Condensed Consolidated Balance Sheets, are included in the above tables. Also, as of September 30, 2011, December 31, 2010 and September 30, 2010, the unfunded commitment amounts to the funds were $178 million, $193 million and $176 million, respectively. The Bancorp made capital contributions of $14 million and $3 million, respectively, to private equity funds during the three months ended September 30, 2011 and 2010. The Bancorp made capital contributions of $29 million and $22 million, respectively, to private equity funds during the nine months ended September 30, 2011 and 2010.

Money Market Funds

Under U.S. GAAP, money market funds are generally not considered VIEs because they are generally deemed to have sufficient equity at risk to finance their activities without additional subordinated financial support, and the fund shareholders do not lack the characteristics of a controlling interest. However, when a situation arises where an investment manager provides credit support to a fund, even when not contractually required to do so, the investment manager is deemed under U.S. GAAP to have provided an implicit guarantee of the fund s

performance to the fund s shareholders. Such an implicit guarantee would require the investment manager and other variable interest holders to reconsider the VIE status of the fund, as well as all other similar funds where such an implicit guarantee is now deemed to exist.

In the fourth quarter of 2010, the Bancorp voluntarily provided credit support of less than $1 million to a money market fund managed by FTAM. Accordingly, the Bancorp was required to analyze the money market funds and similar funds managed by FTAM under the VIE consolidation guidance still applicable to these funds to determine the primary beneficiary of each fund. In analyzing these funds, the Bancorp determined that interest rate risk and credit risk are the two main risks to which the funds are exposed. After analyzing the interest rate risk variability and credit risk variability associated with these funds, the Bancorp determined that it is not the primary beneficiary of these funds because it does not absorb a majority of the funds expected losses or receive a majority of the funds expected residual returns. Therefore, the Bancorp s investments in these funds are included as other securities in the Bancorp s Condensed Consolidated Balance Sheets.

Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (continued)

Loans Provided to VIEs

The Bancorp has provided funding to certain unconsolidated VIEs sponsored by third parties. These VIEs are generally established to finance certain consumer and small business loans originated by third parties. The entities are primarily funded through the issuance of a loan from the Bancorp or syndication through which the Bancorp is involved. The sponsor/administrator of the entities is responsible for servicing the underlying assets in the VIEs. Because the sponsor/administrator, not the Bancorp, holds the servicing responsibilities, which include the establishment and employment of default mitigation policies and procedures, the Bancorp does not hold the power to direct the activities most significant to the economic performance of the entity and, therefore, is not the primary beneficiary.

The principal risk to which these entities are exposed is credit risk related to the underlying assets. The Bancorp s maximum exposure to loss is equal to the carrying amounts of the loans and unfunded commitments to the VIEs. The Bancorp s outstanding loans to these VIEs, included in commercial loans in the Condensed Consolidated Balance Sheets, are included in the previous tables for all periods presented. Also, as of September 30, 2011, December 31, 2010 and September 30, 2010, the Bancorp s unfunded commitments to these entities were $781 million, $733 million and $549 million, respectively. The loans and unfunded commitments to these VIEs are included in the Bancorp s overall analysis of the ALLL and reserve for unfunded commitments, respectively. The Bancorp does not provide any implicit or explicit liquidity guarantees or principal value guarantees to these VIEs.

Restructured Loans

As part of loan restructuring efforts, the Bancorp received equity capital from certain borrowers to facilitate the restructuring of the borrower s debt. These borrowers meet the definition of a VIE because the Bancorp was involved in their refinancing and because their equity capital is insufficient to fund ongoing operations. These restructurings were intended to provide the VIEs with serviceable debt levels while providing the Bancorp an opportunity to maximize the recovery of the loans. The VIEs finance their operations from earned income, capital contributions, and through restructured debt agreements. Assets of the VIEs are used to settle their specific obligations, including loan payments due to the Bancorp. The Bancorp continues to maintain its relationship with these VIEs as a lender and minority shareholder, however, it is not involved in management decisions and does not have sufficient voting rights to control the membership of the respective boards. Therefore, the Bancorp accounts for its equity investments in these VIEs under the equity method or cost method based on its percentage of ownership and ability to exercise significant influence.

The Bancorp s maximum exposure to loss as a result of its involvement with these VIEs is limited to the equity investments, the principal and accrued interest on the outstanding loans, and any unfunded commitments. Due to the VIEs short-term cash deficit projections at the restructuring dates, the Bancorp determined that the fair value of its equity investments in these VIEs was zero. As of September 30, 2011, the Bancorp s carrying value of these equity investments was immaterial. Additionally, the Bancorp had outstanding loans to these VIEs, included in commercial loans in the Condensed Consolidated Balance Sheets, which are included in the above tables for all periods presented. The Bancorp s unfunded loan commitments to these VIEs were $2 million as of September 30, 2011 and $1 million at December 31, 2010 and September 30, 2010. The loans and unfunded commitments to these VIEs are included in the Bancorp s overall analysis of the ALLL and reserve for unfunded commitments, respectively. The Bancorp does not provide any implicit or explicit liquidity guarantees or principal value guarantees to these VIEs.

Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (continued)

10. Sales of Receivables and Servicing Rights

Residential Mortgage Loan Sales

The Bancorp sold fixed and adjustable rate residential mortgage loans during the three and nine months ended September 30, 2011 and 2010. In those sales, the Bancorp obtained servicing responsibilities and the investors have no recourse to the Bancorp s other assets for failure of debtors to pay when due. The Bancorp receives annual servicing fees based on a percentage of the outstanding balance. The Bancorp identifies classes of servicing assets based on financial asset type and interest rates.

Information related to residential mortgage loan sales and the Bancorp s mortgage banking activity, which is included in mortgage banking net revenue in the Condensed Consolidated Statements of Income, is as follows:

($ in millions)	For the three months ended September 30, 2011	2010	For the nine months ended September 30, 2011	2010
Residential mortgage loan sales	**$ 3,259**	4,958	**9,962**	11,785
Origination fees and gains on loan sales	**119**	173	**245**	332
Servicing fees	**59**	56	**175**	163

Servicing Assets

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

($ in millions)	2011	2010
Carrying amount as of the beginning of the period	**$ 1,138**	979
Servicing obligations that result from the transfer of residential mortgage loans	**155**	180
Amortization	**(87)**	(91)
Carrying amount before valuation allowance	**1,206**	1,068
Valuation allowance for servicing assets:		
Beginning balance	**(316)**	(280)
Servicing impairment	**(228)**	(189)
Ending balance	**(544)**	(469)
Carrying amount as of the end of the period	**$ 662**	599

Temporary impairment or impairment recovery, affected through a change in the MSR valuation allowance, is captured as a component of mortgage banking net revenue in the Condensed Consolidated Statements of Income. The Bancorp maintains a non-qualifying hedging strategy to manage a portion of the risk associated with changes in the value of the MSR portfolio. This strategy includes the purchase of free-standing derivatives and various available-for-sale securities. The interest income, mark-to-market adjustments and gain or loss from sale activities associated with these portfolios are expected to economically hedge a portion of the change in value of the MSR portfolio caused by fluctuating

discount rates, earnings rates and prepayment speeds.

The fair value of the servicing asset is based on the present value of expected future cash flows. The following table displays the beginning and ending fair value for the nine months ended September 30:

($ in millions)	**2011**	2010
Fixed rate residential mortgage loans:		
Beginning balance	**$ 791**	667
Ending balance	**630**	572
Adjustable rate residential mortgage loans:		
Beginning balance	**31**	32
Ending balance	**32**	27

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Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (continued)

The following table presents activity related to valuations of the MSR portfolio and the impact of the non-qualifying hedging strategy, which is included in the Condensed Consolidated Statements of Income:

($ in millions)	For the three months ended September 30, 2011	2010	For the nine months ended September 30, 2011	2010
Securities gains, net non-qualifying hedges on MSRs	**$ 6**		**12**	
Changes in fair value and settlement of free-standing derivatives purchased to economically hedge the MSR portfolio (Mortgage banking net revenue)	**235**	129	**338**	283
Provision for MSR impairment (Mortgage banking net revenue)	**(201)**	(83)	**(228)**	(189)

As of September 30, 2011 and 2010, the key economic assumptions used in measuring the interests that continued to be held by the Bancorp at the date of sale or securitization resulting from transactions completed during the three months ended:

		September 30, 2011				September 30, 2010			
	Rate	Weighted-Average Life (in years)	Prepayment Speed (annual)	Discount Rate (annual)	Weighted-Average Default rate	Weighted-Average Life (in years)	Prepayment Speed (annual)	Discount Rate (annual)	Weighted-Average Default rate
Residential mortgage loans:									
Servicing assets	Fixed	**6.3**	**11.1 %**	**10.5 %**	**N/A**	6.0	12.7 %	10.7 %	N/A
Servicing assets	Adjustable	**3.7**	**22.3**	**11.4**	**N/A**	3.4	24.4	11.6	N/A

Based on historical credit experience, expected credit losses for residential mortgage loan servicing assets have been deemed immaterial, as the Bancorp sold the majority of the underlying loans without recourse. At September 30, 2011, December 31, 2010 and September 30, 2010, the Bancorp serviced $56.5 billion, $54.2 billion and $52.4 billion, respectively, of residential mortgage loans for other investors. The value of interests that continue to be held by the Bancorp is subject to credit, prepayment and interest rate risks on the sold financial assets. At September 30, 2011, the sensitivity of the current fair value of residual cash flows to immediate 10% and 20% adverse changes in those assumptions are as follows:

				Prepayment Speed Assumption			Residual Servicing Cash Flows			Weighted-Average Default		
					Impact of Adverse Change on Fair Value			Impact of Adverse Change on Fair Value			Impact of Adverse Change on Fair Value	
($ in millions)	Rate	Fair Value	Weighted-Average Life (in years)	Rate	10%	20%	Discount Rate	10%	20%	Rate	10%	20%
Residential mortgage loans:												
Servicing assets	Fixed	$ 630	4.7	16.7 %	(37)	(71)	10.6 %	(21)	(41)	%		
Servicing assets	Adjustable	32	3.0	27.2	(2)	(3)	11.9	(1)	(2)			

These sensitivities are hypothetical and should be used with caution. As the figures indicate, changes in fair value based on a 10% and 20% variation in the assumptions typically cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, in the previous table, the effect of a variation in a particular assumption on the fair value of the interests that continue to be held by the Bancorp is calculated without changing any other assumption; in reality, changes in one factor may result in changes in another (for example, increases in market interest rates may result in lower prepayments and increased credit losses), which might magnify or counteract these sensitivities.

Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (continued)

11. Derivative Financial Instruments

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

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

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

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

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

The Bancorp s derivative assets contain certain contracts in which the Bancorp requires the counterparties to provide collateral in the form of cash and securities to offset changes in the fair value of the derivatives, including changes in the fair value due to credit risk of the counterparty. As of September 30, 2011, December 31, 2010 and September 30, 2010, the balance of collateral held by the Bancorp for derivative assets was $1.2 billion, $903 million and $1.1 billion, respectively. The credit component negatively impacting the fair value of derivative assets associated with customer accommodation contracts as of September 30, 2011, December 31, 2010 and September 30, 2010, was $33 million, $41 million and $51 million, respectively.

In measuring the fair value of derivative liabilities, the Bancorp considers its own credit risk, taking into consideration collateral maintenance requirements of certain derivative counterparties and the duration of instruments with counterparties that do not require collateral maintenance. When necessary, the Bancorp primarily posts collateral in the form of cash and securities to offset changes in fair value of the derivatives, including changes in fair value due to the Bancorp s credit risk. As of September 30, 2011, December 31, 2010 and September 30, 2010, the balance of collateral posted by the Bancorp for derivative liabilities was $758 million, $680 million and $943 million, respectively. Certain of the Bancorp s derivative liabilities contain credit-risk related contingent features that could result in the requirement to post additional collateral upon the occurrence of specified events. As of September 30, 2011, the fair value of the additional collateral that could be required to be posted as a result of the credit-risk related contingent features being triggered was not material to the Bancorp s Condensed Consolidated Financial Statements. The posting of collateral has been determined to remove the need for consideration of credit risk. As a result, the Bancorp

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

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

The fair value of derivative instruments is presented on a gross basis, even when the derivative instruments are subject to master netting arrangements. Derivative instruments with a positive fair value are reported in other assets in the Condensed Consolidated Balance Sheets while derivative instruments with a negative fair value are reported in other liabilities in the Condensed Consolidated Balance Sheets. Cash collateral payables and receivables associated with the derivative instruments are not added to or netted against the fair value amounts.

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Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (continued)

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

		Fair Value	
September 30, 2011 ($ in millions)	**Notional Amount**	**Derivative Assets**	**Derivative Liabilities**
Qualifying hedging instruments			
Fair value hedges:			
Interest rate swaps related to long-term debt	$ 4,080	679	
Interest rate swaps related to time deposits			
Total fair value hedges		679	
Cash flow hedges:			
Interest rate floors related to C&I loans	1,500	112	
Interest rate swaps related to C&I loans	1,500	60	
Interest rate caps related to long-term debt	500		
Interest rate swaps related to long-term debt	250		7
Total cash flow hedges		172	7
Total derivatives designated as qualifying hedging instruments		851	7
Derivatives not designated as qualifying hedging instruments			
Free-standing derivatives risk management and other business purposes			
Interest rate contracts related to MSRs	3,577	193	2
Forward contracts and options related to held for sale mortgage loans	5,062	4	59
Interest rate swaps related to long-term debt	360	1	3
Foreign exchange contracts for trading purposes	1,696	12	12
Put options associated with Processing Business Sale	901		1
Stock warrants associated with Processing Business Sale	205	101	
Swap associated with the sale of Visa, Inc. Class B shares	423		27
Total free-standing derivatives risk management and other business purposes		311	104
Free-standing derivatives customer accommodation:			
Interest rate contracts for customers	29,433	827	851
Interest rate lock commitments	4,772	38	1
Commodity contracts	2,102	112	105
Foreign exchange contracts	19,243	459	435
Derivative instruments related to equity linked CDs	34	2	2
Total free-standing derivatives customer accommodation		1,438	1,394

Total derivatives not designated as qualifying hedging instruments	**1,749**	**1,498**
Total	**$ 2,600**	**1,505**

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Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (continued)

		Fair Value	
December 31, 2010 ($ in millions)	Notional Amount	Derivative Assets	Derivative Liabilities
Qualifying hedging instruments			
Fair value hedges:			
Interest rate swaps related to long-term debt	$ 4,355	442	
Interest rate swaps related to time deposits			
Total fair value hedges		442	
Cash flow hedges:			
Interest rate floors related to C&I loans	1,500	153	
Interest rate swaps related to C&I loans	3,000	8	
Interest rate caps related to long-term debt	1,500	4	
Interest rate swaps related to long-term debt	1,190		31
Total cash flow hedges		165	31
Total derivatives designated as qualifying hedging instruments		607	31
Derivatives not designated as qualifying hedging instruments			
Free-standing derivatives risk management and other business purposes			
Interest rate contracts related to MSRs	12,477	141	81
Forward contracts related to held for sale mortgage loans	6,389	90	14
Interest rate swaps related to long-term debt	173	3	1
Foreign exchange contracts for trading purposes	2,494	4	4
Put options associated with Processing Business Sale	769		8
Stock warrants associated with Processing Business Sale	175	79	
Swap associated with the sale of Visa, Inc. Class B shares	363		18
Total free-standing derivatives risk management and other business purposes		317	126
Free-standing derivatives customer accommodation:			
Interest rate contracts for customers	26,817	701	735
Interest rate lock commitments	1,772	9	9
Commodity contracts	1,878	99	92
Foreign exchange contracts	17,998	339	319
Derivative instruments related to equity linked CDs	70	2	2
Total free-standing derivatives customer accommodation		1,150	1,157
Total derivatives not designated as qualifying hedging instruments		1,467	1,283
Total		$ 2,074	1,314

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Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (continued)

September 30, 2010 ($ in millions)	Notional Amount	Fair Value Derivative Assets	Fair Value Derivative Liabilities
Qualifying hedging instruments			
Fair value hedges:			
Interest rate swaps related to long-term debt	$ 4,355	683	
Interest rate swaps related to time deposits	230		
Total fair value hedges		683	
Cash flow hedges:			
Interest rate floors related to C&I loans	1,500	176	
Interest rate swaps related to C&I loans	3,500	19	16
Interest rate caps related to long-term debt	2,500	2	
Interest rate swaps related to long-term debt	804		22
Total cash flow hedges		197	38
Total derivatives designated as qualifying hedging instruments		880	38
Derivatives not designated as qualifying hedging instruments			
Free-standing derivatives risk management and other business purposes			
Interest rate contracts related to MSRs	6,717	248	11
Forward contracts related to held for sale mortgage loans	7,037	2	32
Interest rate swaps related to long-term debt	247	4	1
Foreign exchange contracts for trading purposes	2,671	14	14
Put options associated with Processing Business Sale	759		8
Stock warrants associated with Processing Business Sale	173	76	
Swap associated with the sale of Visa, Inc. Class B shares	384		48
Total free-standing derivatives risk management and other business purposes		344	114
Free-standing derivatives customer accommodation:			
Interest rate contracts for customers	27,376	918	963
Interest rate lock commitments	4,264	35	
Commodity contracts	1,561	105	97
Foreign exchange contracts	15,643	259	235
Derivative instruments related to equity linked CDs	106	1	1
Total free-standing derivatives customer accommodation		1,318	1,296
Total derivatives not designated as qualifying hedging instruments		1,662	1,410
Total		$ 2,542	1,448

Fair Value Hedges

The Bancorp may enter into interest rate swaps to convert its fixed-rate funding to floating-rate. Decisions to convert fixed-rate funding to floating are made primarily through consideration of the asset/liability mix of the Bancorp, the desired asset/liability sensitivity and interest rate levels. As of September 30, 2011, December 31, 2010 and September 30, 2010, certain interest rate swaps met the criteria required to qualify for the shortcut method of accounting. Based on this shortcut method of accounting treatment, no ineffectiveness is assumed. For interest rate swaps that do not meet the shortcut requirements, an assessment of hedge effectiveness using regression analysis was performed and such swaps were accounted for using the long-haul method. The long-haul method requires a quarterly assessment of hedge effectiveness and measurement of ineffectiveness. For interest rate swaps accounted for as a fair value hedge using the long-haul method, ineffectiveness is the difference between the changes in the fair value of the interest rate swap and changes in fair value of the related hedged item attributable to the risk being hedged. The ineffectiveness on interest rate swaps hedging fixed-rate funding is reported within interest expense in the Condensed Consolidated Statements of Income.

The following table reflects the change in fair value of interest rate contracts, designated as fair value hedges, as well as the change in fair value of the related hedged items attributable to the risk being hedged, included in the Condensed Consolidated Statements of Income:

($ in millions)	Condensed Consolidated Statements of Income Caption	For the three months ended September 30, **2011**	2010	For the nine months ended September 30, **2011**	2010
Interest rate contracts:					
Change in fair value of interest rate swaps hedging long-term debt	Interest on long-term debt	**$ 258**	123	**238**	408
Change in fair value of hedged long-term debt	Interest on long-term debt	**(255)**	(122)	**(242)**	(409)
Change in fair value of interest rate swaps hedging time deposits	Interest on deposits		1		6
Change in fair value of hedged time deposits	Interest on deposits		(1)		(6)

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Notes to Condensed Consolidated Financial Statements (continued)

Cash Flow Hedges

The Bancorp may enter into interest rate swaps to convert floating-rate assets and liabilities to fixed rates or to hedge certain forecasted transactions. The assets or liabilities may be grouped in circumstances where they share the same risk exposure for which the Bancorp desired to hedge. The Bancorp may also enter into interest rate caps and floors to limit cash flow variability of floating rate assets and liabilities. As of September 30, 2011, all hedges designated as cash flow hedges are assessed for effectiveness using regression analysis. Ineffectiveness is generally measured as the amount by which the cumulative change in the fair value of the hedging instrument exceeds the present value of the cumulative change in the hedged item s expected cash flows attributable to the risk being hedged. Ineffectiveness is reported within other noninterest income in the Condensed Consolidated Statements of Income. The effective portion of the cumulative gains or losses on cash flow hedges are reported within accumulated other comprehensive income and are reclassified from accumulated other comprehensive income to current period earnings when the forecasted transaction affects earnings.

Reclassified gains and losses on interest rate contracts related to commercial and industrial loans are recorded within interest income while reclassified gains and losses on interest rate contracts related to debt are recorded within interest expense in the Condensed Consolidated Statements of Income. As of September 30, 2011, December 31, 2010 and September 30, 2010, $92 million, $67 million and $74 million, respectively, of deferred gains, net of tax, on cash flow hedges were recorded in accumulated other comprehensive income in the Condensed Consolidated Balance Sheets. As of September 30, 2011, $61 million in net deferred gains, net of tax, recorded in accumulated other comprehensive income are expected to be reclassified into earnings during the next twelve months. During the third quarter of 2011, $11 million of losses were reclassified from accumulated other comprehensive income into noninterest expense as it was determined that the original forecasted transaction was no longer probable of occurring by the end of the originally specified time period or within the additional period of time as defined by U.S. GAAP. During the three and nine months ended 2010, there were no gains or losses reclassified into earnings associated with the discontinuance of cash flow hedges because it was probable that the original forecasted transaction would not occur.

The following table presents the net gains (losses) recorded in the Condensed Consolidated Statements of Income and accumulated other comprehensive income in the Condensed Consolidated Statements of Changes in Equity relating to derivative instruments designated as cash flow hedges.

	For the three months ended September 30,		For the nine months ended September 30,	
($ in millions)	**2011**	2010	**2011**	2010
Amount of net gain (loss) recognized in OCI	**$ 27**		**59**	(2)
Amount of net gain (loss) reclassified from OCI into net income	**(10)**	17	**21**	46
Amount of ineffectiveness recognized in other noninterest income		2	**2**	2

Free-Standing Derivative Instruments Risk Management and Other Business Purposes

As part of its overall risk management strategy relative to its mortgage banking activity, the Bancorp may enter into various free-standing derivatives (principal-only swaps, interest rate swaptions, interest rate floors, mortgage options, TBAs and interest rate swaps) to economically hedge changes in fair value of its largely fixed-rate MSR portfolio. Principal-only swaps hedge the mortgage-LIBOR spread because these swaps appreciate in value as a result of tightening spreads. Principal-only swaps also provide prepayment protection by increasing in value when prepayment speeds increase, as opposed to MSRs that lose value in a faster prepayment environment. Receive fixed/pay floating interest rate swaps and swaptions increase in value when interest rates do not increase as quickly as expected.

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

Additionally, the Bancorp may enter into free-standing derivative instruments (options, swaptions and interest rate swaps) in order to minimize significant fluctuations in earnings and cash flows caused by interest rate and prepayment volatility. The gains and losses on these derivative contracts are recorded within other noninterest income in the Condensed Consolidated Statements of Income.

In conjunction with the Processing Business Sale in 2009, the Bancorp received warrants and issued put options, which are accounted for as free-standing derivatives. Refer to Note 20 for further discussion of significant inputs and assumptions used in the valuation of these instruments.

In conjunction with the sale of Visa, Inc. Class B shares in 2009, the Bancorp entered into a total return swap in which the Bancorp will make or receive payments based on subsequent changes in the conversion rate of the Class B shares into Class A shares. This total return swap is

Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (continued)

accounted for as a free-standing derivative. See Note 20 for further discussion of significant inputs and assumptions used in the valuation of this instrument.

The Bancorp enters into certain derivatives (forwards, futures and options) related to its foreign exchange business. These derivative contracts are not designated against specific assets or liabilities or to forecasted transactions. Therefore, these instruments do not qualify for hedge accounting. The Bancorp economically hedges the exposures related to these derivative contracts by entering into offsetting contracts with approved, reputable, independent counterparties with substantially similar terms. Revaluation gains and losses on these foreign currency derivative contracts are recorded within other noninterest income in the Condensed Consolidated Statements of Income.

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

	Condensed Consolidated	For the three months ended September 30,		For the nine months ended September 30,	
($ in millions)	Statements of Income Caption	**2011**	2010	**2011**	2010
Interest rate contracts:					
Forward contracts related to residential mortgage loans held for sale	Mortgage banking net revenue	**$ (57)**	18	**(136)**	(63)
Interest rate swaps and swaptions related to MSR portfolio	Mortgage banking net revenue	**235**	129	**337**	283
Interest rate swaps related to long-term debt	Other noninterest income	**2**		**6**	2
Foreign exchange contracts:					
Foreign exchange contracts for trading purposes	Other noninterest income		(1)		1
Equity contracts:					
Warrants associated with Processing Business Sale	Other noninterest income	**(3)**	(6)	**22**	1
Put options associated with Processing Business Sale	Other noninterest income	**6**	1	**8**	1
Swap associated with sale of Visa, Inc. Class B shares	Other noninterest income	**(17)**	(5)	**(30)**	(14)

Free-Standing Derivative Instruments Customer Accommodation

The majority of the free-standing derivative instruments the Bancorp enters into are for the benefit of its commercial customers. These derivative contracts are not designated against specific assets or liabilities on the Bancorp s Condensed Consolidated Balance Sheets or to forecasted transactions and, therefore, do not qualify for hedge accounting. These instruments include foreign exchange derivative contracts entered into for the benefit of commercial customers involved in international trade to hedge their exposure to foreign currency fluctuations and commodity contracts to hedge such items as natural gas and various other derivative contracts. The Bancorp may economically hedge significant exposures related to these derivative contracts entered into for the benefit of customers by entering into offsetting contracts with approved, reputable, independent counterparties with substantially matching terms. The Bancorp hedges its interest rate exposure on commercial customer transactions by executing offsetting swap agreements with primary dealers. Revaluation gains and losses on interest rate, foreign exchange, commodity and other commercial customer derivative contracts are recorded as a component of corporate banking revenue in the Condensed Consolidated Statements of Income.

The Bancorp enters into risk participation agreements, under which the Bancorp assumes credit exposure relating to certain underlying interest rate derivative contracts. The Bancorp only enters into these risk participation agreements in instances in which the Bancorp has participated in the loan that the underlying interest rate derivative contract was designed to hedge. The Bancorp will make payments under these agreements if a customer defaults on its obligation to perform under the terms of the underlying interest rate derivative contract. As of September 30, 2011, December 31, 2010 and September 30, 2010, the total notional amount of the risk participation agreements was $722 million, $851 million and $776 million, respectively, and the fair value was a liability of $2 million at September 30, 2011 and $1 million at December 31, 2010 and September 30, 2010, which is included in interest rate contracts for customers. As of September 30, 2011, the risk participation agreements had an average life of 2.6 years.

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

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Notes to Condensed Consolidated Financial Statements (continued)

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

($ in millions)	September 30, 2011	December 31, 2010	September 30, 2010
Pass	$ 654	744	516
Special mention	9	37	192
Substandard	54	69	11
Doubtful	4	1	7
Loss	1		50
Total	$ 722	851	776

The net gains (losses) recorded in the Condensed Consolidated Statements of Income relating to free-standing derivative instruments used for customer accommodation are summarized in the following table:

($ in millions)	Condensed Consolidated Statements of Income Caption	For the three months ended September 30, 2011	2010	For the nine months ended September 30, 2011	2010
Interest rate contracts:					
Interest rate contracts for customers (contract revenue)	Corporate banking revenue	$ 7	7	22	18
Interest rate contracts for customers (credit losses)	Other noninterest expense		(6)	(12)	(13)
Interest rate contracts for customers (credit portion of fair value adjustment)	Other noninterest expense		(3)	10	(11)
Interest rate lock commitments	Mortgage banking net revenue	100	101	156	210
Commodity contracts:					
Commodity contracts for customers (contract revenue)	Corporate banking revenue	3	2	6	6
Commodity contracts for customers (credit portion of fair value adjustment)	Other noninterest expense	(1)			(1)
Foreign exchange contracts:					
Foreign exchange contracts customers (contract revenue)	Corporate banking revenue	17	14	48	46
Foreign exchange contracts customers (credit portion of fair value adjustment)	Other noninterest expense	(3)	1	(2)	1

12. Long-Term Debt

On January 25, 2011, the Bancorp issued $1.0 billion of senior notes to third party investors, and entered into a Supplemental Indenture dated January 25, 2011 with Wilmington Trust Company, as Trustee, which modified the existing Indenture for Senior Debt Securities dated April 30, 2008 between the Bancorp and the Trustee. The Supplemental Indenture and the Indenture define the rights of the Senior Notes, which Senior Notes are represented by Global Securities dated as of January 25, 2011. The Senior Notes bear a fixed rate of interest of 3.625% per annum.

The notes are unsecured, senior obligations of the Bancorp. Payment of the full principal amounts of the notes is due upon maturity on January 25, 2016. The notes are not subject to redemption at the Bancorp s option at any time prior to maturity.

In the second quarter of 2011, the Bancorp redeemed $452 million of certain trust preferred securities, at par, classified as long-term debt. The trust preferred securities redeemed related to the Fifth Third Capital Trust VII, First National Bankshares Statutory Trust I and R&G Capital Trust II, LLT. As a result of these redemptions the Bancorp recorded a $6 million gain on the extinguishment within other noninterest expense in the Condensed Consolidated Statements of Income.

In the third quarter of 2011, the Bancorp redeemed $40 million of certain trust preferred securities, at par, classified as long-term debt. The trust preferred securities redeemed related to the R&G Crown Cap Trust IV and First National Bankshares Statutory Trust II. As a result of these redemptions the Bancorp recorded a $1 million gain on the extinguishment within other noninterest expense in the Condensed Consolidated Statements of Income. Additionally, during the third quarter of 2011, the Bancorp terminated a $500 million FHLB advance and incurred a termination fee of $2 million within other noninterest expense in the Condensed Consolidated Statements of Income.

13. Commitments, Contingent Liabilities and Guarantees

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

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Notes to Condensed Consolidated Financial Statements (continued)

Commitments

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

($ in millions)	September 30, 2011	December 31, 2010	September 30, 2010
Commitments to extend credit	$ **46,019**	43,677	43,003
Letters of credit	**4,949**	5,516	5,847
Forward contracts to sell mortgage loans	**4,602**	6,389	7,637
Noncancelable lease obligations	**856**	869	874
Capital commitments for private equity investments	**178**	193	176
Purchase obligations	**117**	64	42
Capital expenditures	**42**	48	44
Capital lease obligations	**25**	32	38

Commitments to extend credit

Commitments to extend credit are agreements to lend, typically having fixed expiration dates or other termination clauses that may require payment of a fee. Since many of the commitments to extend credit may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash flow requirements. The Bancorp is exposed to credit risk in the event of nonperformance by the counterparty for the amount of the contract. Fixed-rate commitments are also subject to market risk resulting from fluctuations in interest rates and the Bancorp s exposure is limited to the replacement value of those commitments. As of September 30, 2011, December 31, 2010 and September 30, 2010, the Bancorp had a reserve for unfunded commitments totaling $187 million, $227 million and $231 million, respectively, included in other liabilities in the Condensed Consolidated Balance Sheets. The Bancorp monitors the credit risk associated with commitments to extend credit using the same risk rating system utilized within its loan and lease portfolio. Risk ratings under this risk rating system are summarized in the following table:

($ in millions)	September 30, 2011	December 31, 2010	September 30, 2010
Pass	$ **45,015**	42,326	41,523
Special mention	**545**	556	650
Substandard	**443**	758	774
Doubtful	**16**	37	56
Total	$ **46,019**	43,677	43,003

Letters of credit

Standby and commercial letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party and, as of September 30, 2011, expire as summarized in the following table:

($ in millions)	
Less than 1 year[(a)]	$ 2,009
1 - 5 years[(a)]	2,763
Over 5 years	177
Total	$ 4,949

(a) Includes $112 and $1 issued on behalf of commercial customers to facilitate trade payments in U.S. dollars and foreign currencies which expire less than one year and between one and five years, respectively.

Standby letters of credit accounted for 98% of total letters of credit at September 30, 2011 and September 30, 2010, compared to 99% at December 31, 2010 and are considered guarantees in accordance with U.S. GAAP. Approximately 55% of the total standby letters of credit were fully secured as of September 30, 2011 compared to 54% at December 31, 2010 and 56% at September 30, 2010. In the event of nonperformance by the customers, the Bancorp has rights to the underlying collateral, which can include commercial real estate, physical plant and property, inventory, receivables, cash and marketable securities. At September 30, 2011, December 31, 2010 and September 30, 2010, the reserve related to these standby letters of credit was $2 million, $10 million and $12 million, respectively. The Bancorp monitors the credit risk associated with letters of credit using the same risk rating system utilized within its loan and lease portfolio. Risk ratings under this risk rating system are summarized in the following table:

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Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (continued)

($ in millions)	**September 30, 2011**	December 31, 2010	September 30, 2010
Pass	**$ 4,486**	4,944	5,257
Special mention	**204**	193	269
Substandard	**253**	360	316
Doubtful	**5**	17	5
Loss	**1**	2	
Total	**$ 4,949**	5,516	5,847

At September 30, 2011, December 31, 2010 and September 30, 2010, the Bancorp had outstanding letters of credit that were supporting certain securities issued as VRDNs. The Bancorp facilitates financing for its commercial customers, which consist of companies and municipalities, by marketing the VRDNs to investors. The VRDNs pay interest to holders at a rate of interest that fluctuates based upon market demand. The VRDNs generally have long-term maturity dates, but can be tendered by the holder for purchase at par value upon proper advance notice. When the VRDNs are tendered, a remarketing agent generally finds another investor to purchase the VRDNs to keep the securities outstanding in the market. As of September 30, 2011, December 31, 2010 and September 30, 2010, FTS acted as the remarketing agent to issuers on $3.0 billion, $3.4 billion and $3.7 billion, respectively, of VRDNs. As remarketing agent, FTS is responsible for finding purchasers for VRDNs that are put by investors. The Bancorp issues letters of credit, as a credit enhancement, to the VRDNs remarketed by FTS, in addition to $455 million, $563 million and $676 million in VRDNs remarketed by third parties at September 30, 2011, December 31, 2010 and September 30, 2010, respectively. These letters of credit are included in the total letters of credit balance provided in the previous table. At September 30, 2011, FTS held $2 million of these VRDN s in its portfolio and classified them as trading securities, compared to $1 million at December 31, 2010 and September 30, 2010. In addition, at September 30, 2011, the Bancorp held an immaterial amount of VRDNs which were purchased from the market, through FTS and held in its trading securities portfolio, compared to $105 million and $113 million at December 31, 2010 and September 30, 2010, respectively. For the VRDNs remarketed by third parties, in some cases the remarketing agent has failed to remarket the securities and has instructed the indenture trustee to draw upon $11 million and $14 million of letters of credit issued by the Bancorp at December 31, 2010 and September 30, 2010 respectively. The amount of failed remarketing draws on letters of credit issued by the Bancorp was immaterial at September 30, 2011. The Bancorp recorded these draws as commercial loans in its Condensed Consolidated Balance Sheets.

Forward contracts to sell mortgage loans

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

Noncancelable lease obligations and other commitments

The Bancorp s subsidiaries have entered into a number of noncancelable lease agreements. The minimum rental commitments under noncancelable lease agreements are shown in the summary of significant commitments table. The Bancorp or its subsidiaries have also entered into a limited number of agreements for work related to banking center construction and to purchase goods or services.

Contingent Liabilities

Private mortgage reinsurance

For certain mortgage loans originated by the Bancorp, borrowers may be required to obtain PMI provided by third-party insurers. In some instances, these insurers cede a portion of the PMI premiums to the Bancorp, and the Bancorp provides reinsurance coverage within a specified range of the total PMI coverage. The Bancorp s reinsurance coverage typically ranges from 5% to 10% of the total PMI coverage. The Bancorp s maximum exposure in the event of nonperformance by the underlying borrowers is equivalent to the Bancorp s total outstanding reinsurance

coverage, which was $92 million at September 30, 2011 and $122 million at December 31, 2010 and September 30, 2010. As of September 30, 2011, December 31, 2010 and September 30, 2010, the Bancorp maintained a reserve of $28 million, $42 million and $37 million, respectively, related to exposures within the reinsurance portfolio. During the second quarter of 2009, the Bancorp suspended the practice of providing reinsurance of private mortgage insurance for newly originated mortgage loans. In the second quarter of 2011, the Bancorp allowed one of its third-party insurers to terminate its reinsurance agreement with the Bancorp, resulting in the Bancorp releasing collateral to the insurer in the form of investment securities and other assets with a carrying value of $5 million, and the insurer assuming the Bancorp s obligations under the reinsurance agreement, resulting in a decrease to the Bancorp s reserve liability of $11 million and decrease in the Bancorp s maximum exposure of $27 million.

Legal claims

There are legal claims pending against the Bancorp and its subsidiaries that have arisen in the normal course of business. See Note 14 for additional information regarding these proceedings.

Guarantees

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

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Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (continued)

Residential mortgage loans sold with representation and warranty provisions

Conforming residential mortgage loans sold to unrelated third parties are generally sold with representation and warranty provisions. A contractual liability arises only in the event of a breach of these representations and warranties and, in general, only when a loss results from the breach. The Bancorp may be required to repurchase any previously sold loan or indemnify (make whole) the investor or insurer for which the representation or warranty of the Bancorp proves to be inaccurate, incomplete or misleading.

The Bancorp establishes a residential mortgage repurchase reserve related to various representations and warranties that reflects management s estimate of losses based on a combination of factors. Such factors incorporate historical investor audit and repurchase demand rates, appeals success rates and historical loss severity. At the time of a loan sale, the Bancorp records a representation and warranty reserve at the estimated fair value of the Bancorp s guarantee and continually updates the reserve during the life of the loan as losses in excess of the reserve become probable and reasonably estimable. The provision for the estimated fair value of the representation and warranty guarantee arising from the loan sales is recorded as an adjustment to the gain on sale, which is included in other noninterest income at the time of sale. Updates to the reserve are recorded in other noninterest expense. The majority of repurchase demands occur within the first 36 months following origination.

As of September 30, 2011, December 31, 2010 and September 30, 2010, the Bancorp maintained reserves related to these loans sold with representation and warranty provisions totaling $52 million, $85 million and $86 million, respectively. The following table summarizes activity in the reserve for representation and warranty provisions:

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in millions)	**2011**	2010	**2011**	2010
Balance, beginning of period	**$ 60**	65	**85**	37
Net additions to the reserve	**20**	47	**34**	98
Losses charged against the reserve	**(28)**	(26)	**(67)**	(49)
Balance, end of period	**$ 52**	86	**52**	86

The following table provides a rollforward of unresolved claims by claimant type for the nine months ended September 30, 2011:

	GSE		Private Label	
($ in millions)	Units	Dollars	Units	Dollars
Balance, beginning of period	845	$ 150	71	$ 11
New demands	1,550	259	93	22
Loan paydowns/payoffs	(17)	(3)	(2)	
Resolved claims	(1,977)	(342)	(62)	(12)
Balance, end of period	401	$ 64	100	$ 21

Residential mortgage loans sold with credit recourse

The Bancorp sold certain residential mortgage loans in the secondary market with credit recourse. In the event of any customer default, pursuant to the credit recourse provided, the Bancorp is required to reimburse the third party. The maximum amount of credit risk in the event of nonperformance by the underlying borrowers is equivalent to the total outstanding balance. In the event of nonperformance, the Bancorp has rights to the underlying collateral value securing the loan. The outstanding balances on these loans sold with credit recourse were $828 million, $916 million and $971 million at September 30, 2011, December 31, 2010 and September 30, 2010, respectively, and the delinquency rates were 7.3% at September 30, 2011, 8.7% at December 31, 2010, and 7.2% at September 30, 2010. The Bancorp maintained an estimated credit loss reserve on these loans sold with credit recourse of $17 million at September 30, 2011 and 2010 and $16 million at December 31, 2010 recorded in other liabilities in the Condensed Consolidated Balance Sheets. To determine the credit loss reserve, the Bancorp used an approach that is consistent with its overall approach in estimating credit losses for various categories of residential mortgage loans held in its loan portfolio.

Margin accounts

FTS, a subsidiary of the Bancorp, guarantees the collection of all margin account balances held by its brokerage clearing agent for the benefit of its customers. FTS is responsible for payment to its brokerage clearing agent for any loss, liability, damage, cost or expense incurred as a result of customers failing to comply with margin or margin maintenance calls on all margin accounts. The margin account balance held by the brokerage clearing agent was $12 million at September 30, 2011, $10 million at December 31, 2010, and $7 million at September 30, 2010. In the event of any customer default, FTS has rights to the underlying collateral provided. Given the existence of the underlying collateral provided and negligible historical credit losses, the Bancorp does not maintain a loss reserve related to the margin accounts.

Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (continued)

Long-term borrowing obligations

The Bancorp had fully and unconditionally guaranteed certain long-term borrowing obligations issued by wholly-owned issuing trust entities of $2.3 billion as of September 30, 2011, $2.9 billion as of December 31, 2010, and $2.8 billion at September 30, 2010.

Visa litigation

The Bancorp, as a member bank of Visa prior to Visa s reorganization and IPO (the IPO) of its Class A common shares in 2008, had certain indemnification obligations pursuant to Visa s certificate of incorporation and by-laws and in accordance with their membership agreements. In accordance with Visa s by-laws prior to the IPO, the Bancorp could have been required to indemnify Visa for the Bancorp s proportional share of losses based on the pre-IPO membership interests. As part of its reorganization and IPO, the Bancorp s indemnification obligation was modified to include only certain known litigation (the Covered Litigation) as of the date of the restructuring. This modification triggered a requirement to recognize a $3 million liability for the year ended December 31, 2007 equal to the fair value of the indemnification obligation. Additionally during 2007, the Bancorp recorded $169 million for its share of litigation formally settled by Visa and for probable future litigation settlements. In conjunction with the IPO, the Bancorp received 10.1 million of Visa s Class B shares based on the Bancorp s membership percentage in Visa prior to the IPO. The Class B shares are not transferable (other than to another member bank) until the later of the third anniversary of the IPO closing or the date which the Covered Litigation has been resolved; therefore, the Bancorp s Class B shares were classified in other assets and accounted for at their carryover basis of $0. Visa deposited $3 billion of the proceeds from the IPO into a litigation escrow account, established for the purpose of funding judgments in, or settlements of, the Covered Litigation. If Visa s litigation committee determines that the escrow account is insufficient, then Visa will issue additional Class A shares and deposit the proceeds from the sale of the shares into the litigation escrow account. When Visa funds the litigation escrow account, the Class B shares are subject to dilution through an adjustment in the conversion rate of Class B shares into Class A shares. During 2008, the Bancorp recorded additional reserves of $71 million for probable future settlements related to the Covered Litigation and recorded its proportional share of $169 million of the Visa escrow account net against the Bancorp s litigation reserve.

During 2009, Visa announced it had deposited an additional $700 million into the litigation escrow account. As a result of this funding, the Bancorp recorded its proportional share of $29 million of these additional funds as a reduction to its net Visa litigation reserve liability and a reduction to noninterest expense. Later in 2009, the Bancorp completed the sale of Visa, Inc. Class B shares for proceeds of $300 million. As part of this transaction the Bancorp entered into a total return swap in which the Bancorp will make or receive payments based on subsequent changes in the conversion rate of the Class B shares into Class A shares. The swap terminates on the later of the third anniversary of Visa s IPO or the date on which the Covered Litigation is settled. The Bancorp calculates the fair value of the swap based on its estimate of the probability and timing of certain Covered Litigation settlement scenarios and the resulting payments related to the swap. The counterparty to the swap as a result of its ownership of the Class B shares will be impacted by dilutive adjustments to the conversion rate of the Class B shares into Class A shares caused by any Covered Litigation losses in excess of the litigation escrow account. If actual judgments in, or settlements of, the Covered Litigation significantly exceed current expectations, then additional funding by Visa of the litigation escrow account and the resulting dilution of the Class B shares could result in a scenario where the Bancorp s ultimate exposure associated with the Covered Litigation (the Visa Litigation Exposure) exceeds the value of the Class B shares owned by the swap counterparty (the Class B Value). In the event the Bancorp concludes that it is probable that the Visa Litigation Exposure exceeds the Class B Value, the Bancorp would record a litigation reserve liability and a corresponding amount of other noninterest expense for the amount of the excess. Any such litigation reserve liability would be separate and distinct from the fair value derivative liability associated with the total return swap.

As of the date of the Bancorp s sale of Visa Class B shares and through September 30, 2011, the Bancorp has concluded that it is not probable that the Visa Covered Litigation Exposure will exceed the Class B Value. Based on this determination, upon the sale of Class B shares, the Bancorp reversed its net Visa litigation reserve liability and recognized a free-standing derivative liability associated with the total return swap with an initial fair value of $55 million. The sale of the Class B shares, recognition of the derivative liability and reversal of the net litigation reserve liability resulted in a pre-tax benefit of $288 million ($187 million after-tax) recognized by the Bancorp for the year ended December 31, 2009. In the second quarter of 2010, Visa funded an additional $500 million into the escrow account which resulted in further dilution in the conversion of Class B shares into Class A shares and required the Bancorp to make a $20 million cash payment (which reduced the swap

liability) to the swap counterparty in accordance with the terms of the swap contract. In the fourth quarter of 2010, Visa funded an additional $800 million into the litigation escrow account which resulted in further dilution in the conversion of Class B shares into Class A shares and required the Bancorp to make a $35 million cash payment (which reduced the swap liability) to the swap counterparty in accordance with the terms of the swap contract. In the second quarter of 2011, Visa funded an additional $400 million into the litigation escrow account. Upon Visa s funding of the litigation escrow account in the second quarter of 2011, along with additional terms of the total return swap, the Bancorp made a $19 million cash payment (which reduced the swap liability) to the swap counterparty. The fair value of the swap liability was $27 million as of September 30, 2011, compared to $18 million and $48 million at December 31, 2010 and September 30, 2010, respectively.

Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (continued)

14. Legal and Regulatory Proceedings

During April 2006, the Bancorp was added as a defendant in a consolidated antitrust class action lawsuit originally filed against Visa®, MasterCard® and several other major financial institutions in the United States District Court for the Eastern District of New York. The plaintiffs, merchants operating commercial businesses throughout the U.S. and trade associations, claim that the interchange fees charged by card-issuing banks are unreasonable and seek injunctive relief and unspecified damages. In addition to being a named defendant, the Bancorp is also subject to a possible indemnification obligation of Visa as discussed in Note 13 and has also entered into with Visa, MasterCard and certain other named defendants judgment and loss sharing agreements that attempt to allocate financial responsibility to the parties thereto in the event certain settlements or judgments occur. Accordingly, prior to the sale of Class B shares during 2009, the Bancorp had recorded a litigation reserve of $243 million to account for its potential exposure in this and related litigation. Additionally, the Bancorp had also recorded its proportional share of $199 million of the Visa escrow account funded with proceeds from the Visa IPO along with several subsequent fundings. Upon the Bancorp s sale of Visa, Inc. Class B shares during 2009, and the recognition of the total return swap that transfers conversion risk of the Class B shares back to the Bancorp, the Bancorp reversed the remaining net litigation reserve related to the Bancorp s exposure through Visa. Additionally, the Bancorp has remaining reserves related to this litigation of $31 million, $30 million and $30 million as of September 30, 2011, December 31, 2010 and September 30, 2010, respectively. Refer to Note 13 for further information regarding the Bancorp s net litigation reserve and ownership interest in Visa. This antitrust litigation is still in the pre-trial phase.

In September 2007, Ronald A. Katz Technology Licensing, L.P. (Katz) filed a suit in the United States District Court for the Southern District of Ohio against the Bancorp and its Ohio banking subsidiary. In the suit, Katz alleges that the Bancorp and its Ohio bank are infringing on Katz s patents for interactive call processing technology by offering certain automated telephone banking and other services. This lawsuit is one of many related patent infringement suits brought by Katz in various courts against numerous other defendants. Katz is seeking unspecified monetary damages and penalties as well as injunctive relief in the suit. Management believes there are substantial defenses to these claims and intends to defend them vigorously. The impact of the final disposition of this lawsuit cannot be assessed at this time.

For the year ended December 31, 2008, five putative securities class action complaints were filed against the Bancorp and its Chief Executive Officer, among other parties. The five cases have been consolidated, and are currently pending in the United States District Court for the Southern District of Ohio. The lawsuits allege violations of federal securities laws related to disclosures made by the Bancorp in press releases and filings with the SEC regarding its quality and sufficiency of capital, credit losses and related matters, and seeking unquantified damages on behalf of putative classes of persons who either purchased the Bancorp s securities, or acquired the Bancorp s securities pursuant to the acquisition of First Charter Corporation. These cases remain in the discovery stages of litigation. The impact of the final disposition of these lawsuits cannot be assessed at this time. In addition to the foregoing, two cases were filed in the United States District Court for the Southern District of Ohio against the Bancorp and certain officers alleging violations of ERISA based on allegations similar to those set forth in the securities class action cases filed during the same period of time. The two cases alleging violations of ERISA were dismissed by the trial court, and are being appealed to the United States Sixth Circuit Court of Appeals.

On September 16, 2010, Edward P. Zemprelli (Zemprelli) filed a lawsuit in the Hamilton County, Ohio Court of Common Pleas. The lawsuit was a purported derivative action brought by a shareholder of the Bancorp against certain of the Bancorp s officers and directors, and which named the Bancorp as a nominal defendant. In the lawsuit, Zemprelli brought claims for breach of fiduciary duty, waste of corporate assets, and unjust enrichment against the defendant officers and directors. The alleged basis for these claims was that the defendant officers and directors attempted to disguise from the public the truth about the credit quality of the Bancorp s loan portfolio, its capital position, and its need to raise capital. Zemprelli, on behalf of the Bancorp, brought unspecified money damages allegedly sustained by the Bancorp as a result of the defendants conduct, as well as injunctive relief. On August 15, 2011, the Court granted defendants motion to dismiss and motion for summary judgment. Zemprelli has filed a notice of appeal and the matter is pending in the Ohio First District Court of Appeals.

In September 2011, DataTreasury Corporation filed a suit in the United States District Court for the Eastern District of Texas against the Bancorp and its Ohio banking subsidiary. In the suit, DataTreasury alleges that the Bancorp and its Ohio bank are infringing on DataTreasury s patents for imaged-based check processing. This lawsuit is one of many related patent infringement suits brought by DataTreasury against numerous other defendants. DataTreasury is seeking unspecified monetary damages and penalties. Due to the recent filing of the lawsuit,

management is in the process of reviewing the claims against the Bancorp and its Ohio bank. The impact of the final disposition of this lawsuit cannot be assessed at this time.

The Bancorp and its subsidiaries are not parties to any other material litigation. However, there are other litigation matters that arise in the normal course of business. While it is impossible to ascertain the ultimate resolution or range of financial liability with respect to these contingent matters, management believes any resulting liability from these other actions would not have a material effect upon the Bancorp s consolidated financial position, results of operations or cash flows.

The Bancorp and/or its affiliates are or may become involved from time to time in information-gathering requests, reviews, investigations and proceedings (both formal and informal) by government and self-regulatory agencies, including the SEC, regarding their respective businesses. Such matters may result in material adverse consequences, including without limitation, adverse judgments, settlements, fines, penalties, orders, injunctions or other actions, amendments and/or restatements of Fifth Third s SEC filings and/or financial statements, as applicable, and/or determinations of material weaknesses in our disclosure controls and procedures. The SEC is investigating and has made

Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (continued)

several requests for information, including by subpoena, concerning issues which Fifth Third understands relate to accounting and reporting matters involving certain of its commercial loans. This could lead to an enforcement proceeding by the SEC which, in turn, may result in one or more such material adverse consequences.

On May 16, 2011, the Bancorp caused a notice to be delivered to the trustee of Fifth Third Capital Trust VII (the Trust) to mandatorily redeem the 8.875% trust preferred securities of the Trust (the Trust Preferred Securities) at an aggregate cash redemption price of $25.18 per Trust Preferred Security. The Trust Preferred Securities were listed on the New York Stock Exchange (the NYSE). The NYSE was notified of the redemption on May 17, 2011 and a Current Report on Form 8-K describing the redemption notice was filed by the Company with the SEC on May 18, 2011. Trading in this security was halted by the NYSE shortly after this Form 8-K was filed and did not resume until May 19, 2011. The Trust Preferred Securities traded at prices above the redemption amount during the period between the time the trustee was notified and before the Form 8-K describing the redemption was filed. The Bancorp was neither a party to nor a participant in any trading of the Trust Preferred Securities during such period or thereafter. As announced on May 25, 2011, the Bancorp is voluntarily compensating persons who purchased these Trust Preferred Securities after the redemption notice was delivered on May 16, 2011 and before trading was halted in the security on May 18, 2011. We currently expect that the compensation process will be substantially complete by December 31, 2011 and that Fifth Third will have paid out less than $1 million to affected security holders who submitted claims. The SEC has been investigating and has made requests for information, including by subpoena, concerning the circumstances and related issues surrounding the notification and disclosure process and timing thereof in connection with such redemption of the Trust Preferred Securities. The Bancorp has been cooperating with those requests. On August 1, 2011, the Bancorp received a Wells notice from the staff of the SEC advising the Bancorp that the staff has reached a preliminary conclusion to recommend that the Commission authorize the staff to file an enforcement action against the Bancorp relating to such matter for violation of Section 13(a) of the Securities Exchange Act of 1934 and Regulation FD. The conclusion of the SEC s investigation may lead to an enforcement action, which, in turn, may result in one or more of the adverse consequences discussed above.

The Bancorp is party to numerous claims and lawsuits concerning matters arising from the conduct of its business activities. The outcome of litigation and the timing of ultimate resolution are inherently difficult to predict. The following factors, among others, contribute to this lack of predictability: plaintiff claims often include significant legal uncertainties, damages alleged by plaintiffs are often unspecified or overstated, discovery may not have started or may not be complete and material facts may be disputed or unsubstantiated. As a result of these factors, the Bancorp is not always able to provide an estimate of the range of reasonably possible outcomes for each claim. A reserve for a potential litigation loss is established when information related to the loss contingency indicates both that a loss is probable and that the amount of loss can be reasonably estimated. Any such reserve is adjusted from time to time thereafter as appropriate to reflect changes in circumstances. The Bancorp also determines, when possible (due to the uncertainties described above), estimates of reasonably possible losses or ranges of reasonably possible losses, in excess of amounts reserved. Under ASC 450, an event is reasonably possible if the chance of the future event or events occurring is more than remote but less than likely and an event is remote if the chance of the future event or events occurring is slight. Thus, references to the upper end of the range of reasonably possible loss for cases in which the Bancorp is able to estimate a range of reasonably possible loss mean the upper end of the range of loss for cases for which the Bancorp believes the risk of loss is more than slight. For matters where the Bancorp is able to estimate such possible losses or ranges of possible losses, the Bancorp currently estimates that it is reasonably possible that it could incur losses related to legal proceedings including the matters discussed above in an aggregate amount up to $82 million in excess of amounts reserved, with it also being reasonably possible that no losses will be incurred in these matters. The estimates included in this amount are based on the Bancorp s analysis of currently available information, and as new information is obtained the Bancorp may change its estimates.

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

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Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (continued)

15. Income Taxes

The following table provides a summary of the Bancorp s unrecognized tax benefits as of:

($ in millions)	**September 30, 2011**	December 31, 2010	September 30, 2010
Tax positions that would impact the effective tax rate, if recognized	$ **16**	15	10
Tax positions where the ultimate deductibility is highly certain, but for which there is uncertainty about the timing of the deduction	**1**	1	1
Unrecognized tax benefits	$ **17**	16	11

Any interest and penalties incurred in connection with income taxes are accrued as a component of tax expense. At September 30, 2011, December 31, 2010 and September 30, 2010, the Bancorp had accrued interest liabilities, net of the related tax benefits, of $3 million, $1 million and $2 million, respectively. No significant liabilities were recorded for penalties.

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

Deferred tax assets are included as a component of other assets in the Condensed Consolidated Balance Sheets. Deferred tax liabilities are included as a component of accrued taxes, interest and expenses in the Condensed Consolidated Balance Sheets. Where applicable, deferred tax assets relating to state net operating losses are presented net of specific valuation allowances. The Bancorp determined that a valuation allowance is not needed against the remaining deferred tax assets as of December 31, 2010 and September 30, 2010. The Bancorp considered all of the positive and negative evidence available to determine whether it is more likely than not that the deferred tax assets will ultimately be realized and based upon that evidence, the Bancorp believes it is more likely than not that the deferred tax assets recorded at December 31, 2010 and September 30, 2010 will ultimately be realized. The Bancorp reached this conclusion as the Bancorp has taxable income in the carryback period and it is expected that the Bancorp s remaining deferred tax assets will be realized through the reversal of its existing taxable temporary differences and its projected future taxable income.

As required under U.S. GAAP, the Bancorp established a deferred tax asset for certain stock-based awards granted to its employees. When the actual tax deduction for these stock-based awards is less than the expense previously recognized for financial reporting or when the awards expire unexercised, the Bancorp is required to write-off the deferred tax asset previously established for these stock-based awards. As a result of the expiration of certain stock options and SARs and the lapse of restrictions on certain shares of restricted stock during the quarter ended September 30, 2011, the Bancorp recorded additional income tax expense of approximately $1 million related to the write-off of a portion of the deferred tax asset previously established. As a result of the Bancorp s stock price as of September 30, 2011, it is reasonably possible that the Bancorp will be required to record an additional $24 million of income tax expense over the next twelve months, primarily in the second quarter of 2012. However, the Bancorp cannot predict its stock price or whether its employees will exercise other stock-based awards with lower exercise prices in the future; therefore, it is possible that the total impact to income tax expense will be greater than or less than $24 million over the next twelve months.

The statute of limitations for the Bancorp s federal income tax returns remains open for tax years 2008 through 2010. The IRS is currently conducting an audit of the Bancorp s federal income tax returns for the 2008 and 2009 tax years. On occasion, as various state and local taxing jurisdictions examine the returns of the Bancorp and its subsidiaries, the Bancorp may agree to extend the statute of limitations for a short period of time. Otherwise, with the exception of a few states with insignificant uncertain tax positions, the statutes of limitations for state income tax

returns remain open only for tax years in accordance with each state s statutes.

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Notes to Condensed Consolidated Financial Statements (continued)

16. Retirement and Benefit Plans

Net periodic pension cost is a component of employee benefits expense in the Condensed Consolidated Statements of Income. The plan assumptions are evaluated annually and are updated as necessary. The discount rate assumption reflects the yield on a portfolio of high quality fixed-income instruments that have a similar duration to the plan s liabilities. The expected long-term rate of return assumption reflects the average return expected on the assets invested to provide for the plan s liabilities. In determining the expected long-term rate of return, the Bancorp evaluated actuarial and economic inputs, including long-term inflation rate assumptions and broad equity and bond indices long-term return projections, as well as actual long-term historical plan performance.

The Bancorp did not make any cash contributions to its pension plans during the nine months ended September 30, 2011 and 2010. Based on the current actuarial assumptions, the Bancorp is not required to make any cash contributions to its pension plans during the remainder of 2011. The following table summarizes the components of net periodic pension cost:

	For the three months ended September 30,		For the nine months ended September 30,	
($ in millions)	**2011**	2010	**2011**	2010
Service cost	**$**			
Interest cost	**3**	3	**9**	9
Expected return on assets	**(4)**	(4)	**(12)**	(10)
Amortization of actuarial loss	**3**	3	**8**	9
Amortization of net prior service cost				
Settlement				
Net periodic pension cost	**$ 2**	2	**5**	8

17. Accumulated Other Comprehensive Income

The activity of the components of other comprehensive income and accumulated other comprehensive income for the nine months ended September 30, 2011 and 2010 was as follows:

	Total Other Comprehensive Income			Total Accumulated Other Comprehensive Income		
($ in millions)	Pretax Activity	Tax Effect	Net Activity	Beginning Balance	Net Activity	Ending Balance
2011						
Unrealized holding gains on available-for-sale securities arising during period	**$ 369**	**(126)**	**243**			
Reclassification adjustment for net gains included in net income	**(64)**	**19**	**(45)**			
Net unrealized gains on available-for-sale securities	**305**	**(107)**	**198**	**321**	**198**	**519**
Unrealized holding gains on cash flow hedge derivatives arising during period	**59**	**(20)**	**39**			
	(21)	**7**	**(14)**			

Reclassification adjustment for net gains on cash flow hedge derivatives included in net income						
Net unrealized gains on cash flow hedge derivatives	**38**	**(13)**	**25**	**67**	**25**	**92**
Defined benefit plans:						
Net prior service cost						
Net actuarial loss	**8**	**(3)**	**5**			
Defined benefit plans, net	**8**	**(3)**	**5**	**(74)**	**5**	**(69)**
Total	**$ 351**	**(123)**	**228**	**314**	**228**	**542**

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Notes to Condensed Consolidated Financial Statements (continued)

	Total Other Comprehensive Income			Total Accumulated Other Comprehensive Income		
($ in millions)	Pretax Activity	Tax Effect	Net Activity	Beginning Balance	Net Activity	Ending Balance
2010						
Unrealized holding gains on available-for-sale securities arising during period	$ 357	(126)	231			
Reclassification adjustment for net gains included in net income	(24)	9	(15)			
Net unrealized gains on available-for-sale securities	333	(117)	216	216	216	432
Unrealized holding losses on cash flow hedge derivatives arising during period	(2)	1	(1)			
Reclassification adjustment for net gains on cash flow hedge derivatives included in net income	(46)	16	(30)			
Net unrealized gains on cash flow hedge derivatives	(48)	17	(31)	105	(31)	74
Defined benefit plans:						
Net prior service cost						
Net actuarial loss	9	(3)	6			
Defined benefit plans, net	9	(3)	6	(80)	6	(74)
Total	$ 294	(103)	191	241	191	432

18. Capital Actions

On January 25, 2011, the Bancorp raised $1.7 billion in new common equity through the issuance of 121,428,572 shares of common stock in an underwritten offering with an initial price of $14.00 per share. On January 24, 2011, the underwriters exercised their option to purchase an additional 12,142,857 shares at the offering price of $14.00 per share. In connection with this exercise, the Bancorp entered into a forward sale agreement which resulted in a final net payment of 959,821 shares on February 4, 2011.

On February 2, 2011, the Bancorp redeemed all 136,320 shares of its Series F Preferred Stock held by the U.S. Treasury. In connection with the redemption of the Series F Preferred Stock, the Bancorp accelerated the accretion of the remaining issuance discount on the Series F Preferred Stock and recorded a reduction in retained earnings and a corresponding increase in preferred stock of $153 million in the Bancorp s Condensed Consolidated Balance Sheet.

On March 16, 2011, the Bancorp repurchased the warrant issued to the U.S. Treasury in connection with the CPP preferred stock investment at an agreed upon price of $280 million, which was recorded as a reduction to capital surplus in the Bancorp s Condensed Consolidated Financial Statements. The warrant gave the U.S Treasury the right to purchase 43,617,747 shares of the Bancorp s common stock at $11.72 per share.

On March 18, 2011, the Bancorp announced that the Federal Reserve Board did not object to the Bancorp s capital plan submitted under the Federal Reserve s Comprehensive Capital Analysis and Review. Pursuant to this plan, during June of 2011 the Bancorp redeemed certain trust preferred securities, totaling $452 million, which related to the Fifth Third Capital Trust VII, First National Bankshares Statutory Trust I and R&G Capital Trust II, LLT.

Pursuant to the Bancorp s capital plan discussed above, the Bancorp redeemed certain trust preferred securities in September 2011, totaling $40 million, which related to the R&G Crown Cap Trust IV and First National Bankshares Statutory Trust II.

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Notes to Condensed Consolidated Financial Statements (continued)

19. Earnings Per Share

The calculation of earnings per share and the reconciliation of earnings per share and earnings per diluted share were as follows:

For the three months ended September 30,	**2011**			2010		
(in millions, except per share data)	Income	Average Shares	Per Share Amount	Income	Average Shares	Per Share Amount
Earnings per share:						
Net income attributable to Bancorp	**$ 381**			238		
Dividends on preferred stock	**8**			63		
Net income available to common shareholders	**373**			175		
Less: Income allocated to participating securities	**2**			1		
Net income allocated to common shareholders	**371**	**915**	**0.41**	174	791	0.22
Earnings per diluted share:						
Net income available to common shareholders	**373**			175		
Effect of dilutive securities:						
Stock-based awards		**5**			4	
Series G convertible preferred stock	**9**	**35**	**(0.01)**			
Warrant related to Series F preferred stock					2	
Net income available to common shareholders plus assumed conversions	**382**	**40**	**(0.01)**	175	6	
Less: Income allocated to participating securities	**2**			1		
Net income allocated to common shareholders plus assumed conversions	**$ 380**	**955**	**0.40**	174	797	0.22

For the nine months ended September 30,	**2011**			2010		
(in millions, except per share data)	Income	Average Shares	Per Share Amount	Income	Average Shares	Per Share Amount
Earnings per share:						
Net income attributable to Bancorp	**$ 983**			420		
Dividends on preferred stock	**194**			187		
Net income available to common shareholders	**789**			233		
Less: Income allocated to participating securities	**4**			1		
Net income allocated to common shareholders	**785**	**904**	**0.87**	232	791	0.29

Earnings per diluted share:						
Net income available to common shareholders	**789**			233		
Effect of dilutive securities:						
Stock-based awards		**5**			5	
Series G convertible preferred stock	**26**	**36**	**(0.01)**			
Warrant related to Series F preferred stock		**2**			3	
Net income available to common shareholders plus assumed conversions	**815**	**43**	**(0.01)**	233	8	
Less: Income allocated to participating securities	**4**			1		
Net income allocated to common shareholders plus assumed conversions	**$ 811**	**947**	**0.86**	232	799	0.29

Shares are excluded from the computation of net income per diluted share when their inclusion has an anti-dilutive effect on earnings per share. The diluted earnings per share computation for the three and nine months ended September 30, 2011 excludes 31 million and 28 million, respectively, of stock appreciation rights, 7 million and 9 million, respectively, of stock options and 2 million and 1 million shares, respectively, of unvested restricted stock that had not yet been exercised. The diluted earnings per share computation for the three and nine months ended September 30, 2010 excludes 25 million and 23 million, respectively, of stock appreciation rights, 11 million and 12 million, respectively, of stock options and 2 million and 1 million shares, respectively, of unvested restricted stock that had not yet been exercised and 36 million shares related to the Bancorp s Series G preferred stock.

20. Fair Value Measurements

The Bancorp measures certain financial assets and liabilities at fair value in accordance with U.S. GAAP, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. U.S. GAAP also establishes a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure

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Notes to Condensed Consolidated Financial Statements (continued)

fair value into three broad levels. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). A financial instrument s categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the instrument s fair value measurement. The three levels within the fair value hierarchy are described as follows:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Bancorp has the ability to access at the measurement date.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 Unobservable inputs for the asset or liability for which there is little, if any, market activity at the measurement date. Unobservable inputs reflect the Bancorp s own assumptions about what market participants would use to price the asset or liability. The inputs are developed based on the best information available in the circumstances, which might include the Bancorp s own financial data such as internally developed pricing models, discounted cash flow methodologies, as well as instruments for which the fair value determination requires significant management judgment.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following tables summarize assets and liabilities measured at fair value on a recurring basis, including residential mortgage loans held for sale for which the Bancorp has elected the fair value option as of:

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Notes to Condensed Consolidated Financial Statements (continued)

September 30, 2011 ($ in millions)	Fair Value Measurements Using Level 1	Level 2	Level 3	Total Fair Value
Assets:				
Available-for-sale securities:				
U.S. Treasury and Government agencies	$ 202			202
U.S. Government sponsored agencies		1,990		1,990
Obligations of states and political subdivisions		105		105
Agency mortgage-backed securities		11,017		11,017
Other bonds, notes and debentures		1,573		1,573
Other securities[(a)]	491	7		498
Available-for-sale securities[(a)]	693	14,692		15,385
Trading securities:				
Obligations of states and political subdivisions		11	1	12
Agency mortgage-backed securities		20		20
Other bonds, notes and debentures		15		15
Other securities	142			142
Trading securities	142	46	1	189
Residential mortgage loans held for sale		1,593		1,593
Residential mortgage loans[(b)]			62	62
Derivative assets:				
Interest rate contracts	3	1,872	39	1,914
Foreign exchange contracts		471		471
Equity contracts			103	103
Commodity contracts		112		112
Derivative assets	3	2,455	142	2,600
Total assets	$ 838	18,786	205	19,829
Liabilities:				
Derivative liabilities				
Interest rate contracts	$ 59	862	2	923
Foreign exchange contracts		447		447
Equity contracts			30	30
Commodity contracts		105		105
Derivative liabilities	59	1,414	32	1,505
Short positions	7	1		8
Total liabilities	$ 66	1,415	32	1,513

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Notes to Condensed Consolidated Financial Statements (continued)

	Fair Value Measurements Using			
December 31, 2010 ($ in millions)	Level 1	Level 2	Level 3	Total Fair Value
Assets:				
Available-for-sale securities:				
U.S. Treasury and Government agencies	$ 230			230
U.S. Government sponsored agencies		1,645		1,645
Obligations of states and political subdivisions		172		172
Agency mortgage-backed securities		10,973		10,973
Other bonds, notes and debentures		1,342		1,342
Other securities[(a)]	180	4		184
Available-for-sale securities[(a)]	410	14,136		14,546
Trading securities:				
U.S. Treasury and Government agencies	1			1
Obligations of states and political subdivisions		20	1	21
Agency mortgage-backed securities		8		8
Other bonds, notes and debentures		115	5	120
Other securities	47	97		144
Trading securities	48	240	6	294
Residential mortgage loans held for sale		1,892		1,892
Residential mortgage loans[(b)]			46	46
Derivative assets:				
Interest rate contracts	90	1,448	13	1,551
Foreign exchange contracts		343		343
Equity contracts			81	81
Commodity contracts		99		99
Derivative assets	90	1,890	94	2,074
Total assets	$ 548	18,158	146	18,852
Liabilities:				
Derivative liabilities				
Interest rate contracts	$ 14	846	11	871
Foreign exchange contracts		323		323
Equity contracts			28	28
Commodity contracts		92		92
Derivative liabilities	14	1,261	39	1,314
Short positions	1	1		2
Total liabilities	$ 15	1,262	39	1,316

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Notes to Condensed Consolidated Financial Statements (continued)

	Fair Value Measurements Using			
September 30, 2010 ($ in millions)	Level 1	Level 2	Level 3	Total Fair Value
Assets:				
Available-for-sale securities:				
U.S. Treasury and Government agencies	$ 311			311
U.S. Government sponsored agencies		1,851		1,851
Obligations of states and political subdivisions		195		195
Agency mortgage-backed securities		11,347		11,347
Other bonds, notes and debentures		1,018		1,018
Other securities[(a)]	353	6		359
Available-for-sale securities[(a)]	664	14,417		15,081
Trading securities:				
Obligations of states and political subdivisions		50	1	51
Agency mortgage-backed securities		15		15
Other bonds, notes and debentures		133	4	137
Other securities	43	74		117
Trading securities	43	272	5	320
Residential mortgage loans held for sale		1,879		1,879
Residential mortgage loans[(b)]			42	42
Derivative assets:				
Interest rate contracts	3	2,045	39	2,087
Foreign exchange contracts		273		273
Equity contracts			77	77
Commodity contracts		105		105
Derivative assets	3	2,423	116	2,542
Total assets	$ 710	18,991	163	19,864
Liabilities:				
Derivative liabilities				
Interest rate contracts	$ 32	1,011	2	1,045
Foreign exchange contracts		249		249
Equity contracts			57	57
Commodity contracts		97		97
Derivative liabilities	32	1,357	59	1,448
Short positions	6	1		7
Total liabilities	$ 38	1,358	59	1,455

(a) *Excludes FHLB and FRB restricted stock totaling **$497** and **$345**, respectively, at September 30, 2011, $524 and $344 at December 31, 2010, and $551 and $343, respectively, at September 30, 2010.*

(b) *Includes residential mortgage loans originated as held for sale and subsequently transferred to held for investment.*

The following is a description of the valuation methodologies used for significant instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy. Residential mortgage loans held for sale that are reclassified to held for investment are transferred from Level 2 to Level 3 of the fair value hierarchy as described below. It is the Bancorp s policy to value any transfers between levels of the fair value hierarchy based on end of period fair values.

Available-for-sale and trading securities

Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include government bonds and exchange traded equities. If quoted market prices are not available, then fair values are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. Examples of such instruments, which are classified within Level 2 of the valuation hierarchy, include agency and non-agency mortgage-backed securities, other asset-backed securities, obligations of U.S. Government sponsored agencies, and corporate and municipal bonds. Agency mortgage-backed securities, obligations of U.S. Government sponsored agencies, and corporate and municipal bonds are generally valued using a market approach based on observable prices of securities with similar characteristics.

Non-agency mortgage-backed securities and other asset-backed securities are generally valued using an income approach based on discounted cash flows, incorporating prepayment speeds, performance of underlying collateral and specific tranche-level attributes. In certain cases where there is limited activity or less transparency around inputs to the valuation, securities are classified within Level 3 of the valuation hierarchy. Trading securities classified as Level 3 consist of auction rate securities. Due to the illiquidity in the market for these

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Notes to Condensed Consolidated Financial Statements (continued)

types of securities at September 30, 2011, December 31, 2010 and September 30, 2010, the Bancorp measured fair value using a discount rate based on the assumed holding period.

Residential mortgage loans held for sale and held for investment

For residential mortgage loans held for sale, fair value is estimated based upon mortgage-backed securities prices and spreads to those prices or, for certain ARM loans, DCF models that may incorporate the anticipated portfolio composition, credit spreads of asset-backed securities with similar collateral and market conditions. The anticipated portfolio composition includes the effect of interest rate spreads and discount rates due to loan characteristics such as the state in which the loan was originated, the loan amount and the ARM margin. Residential mortgage loans held for sale that are valued based on mortgage backed securities prices are classified within Level 2 of the valuation hierarchy as the valuation is based on external pricing for similar instruments. ARM loans classified as held for sale are also classified within Level 2 of the valuation hierarchy due to the use of observable inputs in the DCF model. These observable inputs include interest rate spreads from agency mortgage-backed securities market rates and observable discount rates. For residential mortgage loans reclassified from held for sale to held for investment, the fair value estimation is based primarily on the underlying collateral values. Therefore, these loans are classified within Level 3 of the valuation hierarchy.

Derivatives

Exchange-traded derivatives valued using quoted prices and certain over-the-counter derivatives valued using active bids are classified within Level 1 of the valuation hierarchy. Most derivative contracts are valued using discounted cash flow or other models that incorporate current market interest rates, credit spreads assigned to the derivative counterparties and other market parameters and, therefore, are classified within Level 2 of the valuation hierarchy. Such derivatives include basic and structured interest rate swaps and options. Derivatives that are valued based upon models with significant unobservable market parameters are classified within Level 3 of the valuation hierarchy. At September 30, 2011, derivatives classified as Level 3, which are valued using an option-pricing model containing unobservable inputs, consisted primarily of warrants and put rights associated with the sale of Vantiv, LLC to Advent International and a total return swap associated with the Bancorp s sale of Visa, Inc. Class B shares. Level 3 derivatives also include interest rate lock commitments, which utilize internally generated loan closing rate assumptions as a significant unobservable input in the valuation process.

In connection with the sale of Vantiv, LLC, the Bancorp provided Advent International with certain put options that are exercisable in the event of certain circumstances. In addition, the associated warrants allow the Bancorp to purchase an incremental 10% nonvoting interest in Vantiv, LLC under certain defined conditions involving change of control. The fair values of the warrants and put options are calculated applying Black-Scholes option valuation models using probability weighted scenarios. The assumptions utilized in the models are summarized in the following table as of:

	September 30, 2011		**December 31, 2010**		**September 30, 2010**	
	Warrants	**Put Options** *(b)*	**Warrants**	**Put Options**	**Warrants**	**Put Options**
Expected term (years)	**7.8 - 17.8**	**2.3**	8.5 - 18.5	0.5 - 3.0	8.8 - 18.8	0.8 - 3.3
Expected volatility[(a)]	**35.7 - 35.9%**	**33.0%**	36.0 - 37.0%	25.6 - 44.6%	36.5 - 38.0%	31.1 - 45.4%
Risk free rate	**1.65 - 2.97%**	**0.35%**	3.06 - 4.18%	0.23 - 1.05%	2.44 - 3.42%	0.22 - 0.71%
Expected dividend rate	**%**	**%**	%	%	%	%

(a) Based on historical and implied volatilities of comparable companies assuming similar expected terms.
(b)

A total of three scenarios have historically been used to estimate the fair value of the put options. Two of the scenarios terms expired as of June 30, 2011. Therefore, the assumptions for the current quarter only include one scenario.

Under the terms of the total return swap, the Bancorp will make or receive payments based on subsequent changes in the conversion rate of the Visa Class B shares into Class A shares. The fair value of the total return swap was calculated using a discounted cash flow model based on unobservable inputs consisting of management s estimate of the probability of certain litigation scenarios, timing of litigation settlements and payments related to the swap.

The net fair value of the interest rate lock commitments at September 30, 2011 was $37 million. At September 30, 2011, immediate decreases in current interest rates of 25 bp and 50 bp would result in increases in the fair value of the interest rate lock commitments of $22 million and $40 million, respectively. Immediate increases of current interest rates of 25 bp and 50 bp would result in decreases in the fair value of the interest rate lock commitments of $28 million and $59 million, respectively, at September 30, 2011. The decrease in fair value of interest rate lock commitments at September 30, 2011 due to immediate 10% and 20% adverse changes in the assumed loan closing rates would be $4 million and $8 million, respectively, and the increase in fair value due to immediate 10% and 20% favorable changes in the assumed loan closing rates would be $4 million and $8 million, respectively. These sensitivities are hypothetical and should be used with caution, as changes in fair value based on a variation in assumptions typically cannot be extrapolated because the relationship of the change in assumptions to the change in fair value may not be linear.

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Notes to Condensed Consolidated Financial Statements (continued)

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

For the three months ended September 30, 2011	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)				
($ in millions)	Trading Securities	Residential Mortgage Loans	Interest Rate Derivatives, Net[(a)]	Equity Derivatives, Net[(a)]	Total Fair Value
Beginning balance	$ 1	59	5	85	150
Total gains or losses (realized/unrealized):					
Included in earnings		**3**	**100**	**(14)**	**89**
Purchases				**2**	**2**
Settlements		**(2)**	**(68)**		**(70)**
Transfers into Level 3[(b)]		**2**			**2**
Ending balance	**$ 1**	**62**	**37**	**73**	**173**
The amount of total gains or losses for the period included in earnings attributable to the change in unrealized gains or losses relating to assets still held at September 30, 2011[(c)]	**$**	**3**	**37**	**(14)**	**26**

For the three months ended September 30, 2010	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)				
($ in millions)	Trading Securities	Residential Mortgage Loans	Interest Rate Derivatives, Net[(a)]	Equity Derivatives, Net[(a)]	Total Fair Value
Beginning balance	$ 5	41	24	30	100
Total gains or losses (realized/unrealized):					
Included in earnings			102	(10)	92
Purchases, sales, issuances, and settlements, net		(2)	(89)		(91)
Transfers into Level 3[(b)]		3			3
Ending balance	$ 5	42	37	20	104
The amount of total gains or losses for the period included in earnings attributable to the change in unrealized gains or losses relating to assets still held at September 30, 2010[(c)]	$		35	(10)	25

For the nine months ended September 30, 2011	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)				
	Trading Securities	Residential Mortgage	Interest Rate	Equity Derivatives,	Total Fair

($ in millions)		Loans	Derivatives, Net[a]	Net[a]	Value
Beginning balance	$ 6	46	2	53	107
Total gains or losses (realized/unrealized):					
Included in earnings		**4**	**154**		**158**
Purchases				**2**	**2**
Sales	**(5)**				**(5)**
Settlements		**(5)**	**(119)**	**18**	**(106)**
Transfers into Level 3[b]		**17**			**17**
Ending balance	**$ 1**	**62**	**37**	**73**	**173**
The amount of total gains or losses for the period included in earnings attributable to the change in unrealized gains or losses relating to assets still held at September 30, 2011[c]	**$**	**4**	**41**		**45**

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Notes to Condensed Consolidated Financial Statements (continued)

For the nine months ended September 30, 2010 ($ in millions)	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Residual Interests in Securitizations	Trading Securities	Residential Mortgage Loans	Interest Rate Derivatives, Net[(a)]	Equity Derivatives, Net[(a)]	Total Fair Value
Beginning balance	$ 174	13	26	(2)	11	222
Total gains or losses (realized/unrealized):						
Included in earnings		3		210	(11)	202
Purchases, sales, issuances, and settlements, net	(174)[(d)]	(11)	(2)	(171)	20	(338)
Transfers into Level 3[(b)]			18			18
Ending balance	$	5	42	37	20	104
The amount of total gains or losses for the period included in earnings attributable to the change in unrealized gains or losses relating to assets still held at September 30, 2010[(c)]	$			61	(11)	50

(a) *Net interest rate derivatives include derivative assets and liabilities of **$39 and $2** respectively, as of September 30, 2011 and $39 and $2, respectively, as of September 30, 2010. Net equity derivatives include derivative assets and liabilities of **$103** and **$30**, respectively, as of September 30, 2011, and $77 and $57, respectively, as of September 30, 2010.*

(b) *Includes residential mortgage loans held for sale that were transferred to held for investment.*

(c) *Includes interest income and expense.*

(d) *Due to a change in U.S. GAAP adopted by the Bancorp on January 1, 2010, all residual interests in securitizations were eliminated concurrent with the consolidation of the related VIEs.*

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

($ in millions)	For the three months ended September 30, 2011	2010	For the nine months ended September 30, 2011	2010
Mortgage banking net revenue	**$ 104**	101	**159**	210
Corporate banking revenue		1	**1**	1
Other noninterest income	**(15)**	(10)	**(2)**	(12)
Securities gains (losses), net				3
Total	**$ 89**	92	**158**	202

The total gains and losses included in earnings attributable to changes in unrealized gains and losses related to Level 3 assets and liabilities still held at September 30, 2011 and 2010 were recorded in the Condensed Consolidated Statements of Income as follows:

($ in millions)	For the three months ended September 30, 2011	2010	For the nine months ended September 30, 2011	2010
Mortgage banking net revenue	**$ 41**	34	**46**	60
Corporate banking revenue		1	**1**	1
Other noninterest income	**(15)**	(10)	**(2)**	(11)
Total	**$ 26**	25	**45**	50

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Notes to Condensed Consolidated Financial Statements (continued)

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Certain assets and liabilities are measured at fair value on a nonrecurring basis. These assets and liabilities are not measured at fair value on an ongoing basis; however, they are subject to fair value adjustments in certain circumstances, such as when there is evidence of impairment. The following tables represent those assets and liabilities that were subject to fair value adjustments during the quarters ended September 30, 2011 and 2010 and still held as of the end of the period, and the related losses from fair value adjustments on assets sold during the period as well as assets still held as of the end of the period.

	Fair Value Measurements Using				Total Losses	
September 30, 2011 ($ in millions)	**Level 1**	**Level 2**	**Level 3**	**Total**	**Three Months Ended September 30, 2011**	**Nine Months Ended September 30, 2011**
Commercial loans held for sale[(a)]	**$**		**60**	**60**	**(23)**	**(48)**
Commercial and industrial loans			**155**	**155**	**(84)**	**(283)**
Commercial mortgage loans			**145**	**145**	**(46)**	**(99)**
Commercial construction loans			**59**	**59**	**(14)**	**(52)**
MSRs			**662**	**662**	**(201)**	**(228)**
OREO property			**181**	**181**	**(30)**	**(139)**
Total	**$**		**1,262**	**1,262**	**(398)**	**(849)**

	Fair Value Measurements Using				Total Losses	
September 30, 2010 ($ in millions)	Level 1	Level 2	Level 3	Total	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2010
Commercial loans held for sale[(a)]	$ 33		541	574	(398)	(413)
Commercial and industrial loans			122	122	(112)	(373)
Commercial mortgage loans			94	94	(52)	(184)
Commercial construction loans			45	45	(44)	(152)
Residential mortgage loans			3	3	(6)	(6)
Other consumer loans		71	10	81	(12)	(12)
MSRs			599	599	(83)	(189)
OREO property			254	254	(102)	(196)
Total	$ 33	71	1,668	1,772	(809)	(1,525)

(a) Includes commercial nonaccrual loans held for sale.

During the third quarter of 2011, the Bancorp transferred $57 million of commercial loans from the portfolio to loans held for sale that were measured at fair value. These loans had fair value adjustments totaling $17 million and were based on discounted cash flow models incorporating appraisals of the underlying collateral, as well as assumptions about investor return requirements and amounts and timing of expected cash flows, and were therefore, classified within Level 3 of the valuation hierarchy. Additionally, during the third quarter of 2011, existing commercial loans held for sale with a fair value of $3 million were further adjusted using the same methodology as loans transferred to

held for sale. Therefore, these loans were classified within Level 3 of the valuation hierarchy.

During the three and nine months ended September 30, 2011 and 2010, the Bancorp recorded nonrecurring impairment adjustments to certain commercial and industrial, commercial mortgage and commercial construction loans held for investment. Such amounts are generally based on the fair value of the underlying collateral supporting the loan and were classified within Level 3 of the valuation hierarchy. In cases where the carrying value exceeds the fair value, an impairment loss is recognized. The fair values and recognized impairment losses are reflected in the previous table.

During the three and nine months ended September 30, 2011, the Bancorp recognized temporary impairments in certain classes of the MSR portfolio in which the carrying value was adjusted to fair value as of September 30, 2011 and 2010. MSRs do not trade in an active, open market with readily observable prices. While sales of MSRs do occur, the precise terms and conditions typically are not readily available. Accordingly, the Bancorp estimates the fair value of MSRs using discounted cash flow models with certain unobservable inputs, primarily prepayment speed assumptions, resulting in a classification within Level 3 of the valuation hierarchy. Refer to Note 10 for further information on the Bancorp s MSRs.

During the three and nine months ended September 30, 2011 and 2010, the Bancorp recorded nonrecurring adjustments to certain commercial and residential real estate properties classified as OREO and measured at the lower of carrying amount or fair value, less costs to sell. Nonrecurring losses included in the above table are primarily due to declines in real estate values of the OREO properties. These losses include both new OREO properties transferred from loans during the period and those remaining in inventory from the prior period. Such fair value amounts are generally based on appraisals of the property values, resulting in a classification within Level 3 of the valuation hierarchy. In cases where the carrying amount exceeds the fair value, less costs to sell, an impairment loss is recognized. The previous tables reflect the fair value measurements of the properties before deducting the estimated costs to sell.

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Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (continued)

Fair Value Option

The Bancorp elected to measure certain residential mortgage loans held for sale under the fair value option as allowed under U.S. GAAP. Management s intent to sell residential mortgage loans classified as held for sale may change over time due to such factors as changes in the overall liquidity in markets or changes in characteristics specific to certain loans held for sale. Consequently, these loans may be reclassified to loans held for investment and maintained in the Bancorp s loan portfolio. In such cases, the loans will continue to be measured at fair value. Residential loans with fair values of $2 million and $3 million were transferred to the Bancorp s portfolio during the three months ended September 30, 2011 and 2010, respectively. Residential loans with fair values of $17 million and $18 million were transferred to the Bancorp s portfolio during the nine months ended September 30, 2011 and 2010, respectively. The net impact related to fair value adjustments on these loans was $3 million and $4 million, respectively, during the three and nine months ended September 30, 2011 and immaterial during the three and nine months ended September 30, 2010.

Fair value changes included in earnings for instruments for which the fair value option was elected included losses of $24 million and $84 million during the three months ended September 30, 2011 and 2010, respectively. Fair value changes included in earnings for instruments for which the fair value option was elected included losses of $64 million and $112 million during the nine months ended September 30, 2011 and 2010, respectively. These losses are reported in mortgage banking net revenue in the Condensed Consolidated Statements of Income.

Valuation adjustments related to instrument-specific credit risk for residential mortgage loans measured at fair value negatively impacted the fair value of those loans by $3 million at September 30, 2011, $5 million at December 31, 2010 and $4 million at September 30, 2010. Interest on residential mortgage loans measured at fair value is accrued as it is earned using the effective interest method and is reported as interest income in the Condensed Consolidated Statements of Income.

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

($ in millions)	Fair Value	Principal Balance	Difference
September 30, 2011			
Residential mortgage loans measured at fair value	**$ 1,655**	**1,578**	**77**
Past due loans of 90 days or more	**4**	**4**	
Nonaccrual loans			
December 31, 2010			
Residential mortgage loans measured at fair value	$ 1,938	1,913	25
Past due loans of 90 days or more	5	6	(1)
Nonaccrual loans	1	1	
September 30, 2010			
Residential mortgage loans measured at fair value	$ 1,921	1,832	89
Past due loans of 90 days or more	5	6	(1)
Nonaccrual loans	1	1	

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Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (continued)

Fair Value of Certain Financial Instruments

The following tables summarize the carrying amounts and estimated fair values for certain financial instruments, excluding financial instruments measured at fair value on a recurring basis.

As of September 30, 2011 ($ in millions)	Carrying Amount	Fair Value
Financial assets:		
Cash and due from banks	$ 2,348	2,348
Other securities	842	842
Held-to-maturity securities	337	337
Other short-term investments	2,028	2,028
Loans held for sale	247	247
Portfolio loans and leases:		
Commercial and industrial loans	28,245	29,538
Commercial mortgage loans	9,857	9,167
Commercial construction loans	1,134	889
Commercial leases	3,284	3,131
Residential mortgage loans[(a)]	9,954	9,516
Home equity	10,711	9,765
Automobile loans	11,536	11,575
Credit card	1,759	1,831
Other consumer loans and leases	384	430
Unallocated allowance for loan and lease losses	(149)	
Total portfolio loans and leases, net[(a)]	76,715	75,842
Financial liabilities:		
Deposits	82,047	82,196
Federal funds purchased	427	427
Other short-term borrowings	4,894	4,894
Long-term debt	9,800	10,199

*(a) Excludes **$62** of residential mortgage loans measured at fair value on a recurring basis.*

As of December 31, 2010 ($ in millions)	Carrying Amount	Fair Value
Financial assets:		
Cash and due from banks	$ 2,159	2,159
Other securities	868	868
Held-to-maturity securities	353	353
Other short-term investments	1,515	1,515

Loans held for sale	324	324
Portfolio loans and leases:		
Commercial and industrial loans	26,068	27,322
Commercial mortgage loans	10,248	9,513
Commercial construction loans	1,890	1,471
Commercial leases	3,267	2,934
Residential mortgage loans[(a)]	8,600	7,577
Home equity	11,248	9,366
Automobile loans	10,910	10,975
Credit card	1,738	1,786
Other consumer loans and leases	622	682
Unallocated allowance for loan and lease losses	(150)	
Total portfolio loans and leases, net[(a)]	74,441	71,626
Financial liabilities:		
Deposits	81,648	81,860
Federal funds purchased	279	279
Other short-term borrowings	1,574	1,574
Long-term debt	9,558	9,921

(a) Excludes $46 of residential mortgage loans measured at fair value on a recurring basis.

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Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (continued)

As of September 30, 2010 ($ in millions)	Carrying Amount	Fair Value
Financial assets:		
Cash and due from banks	$ 2,215	2,215
Other securities	894	894
Held-to-maturity securities	354	354
Other short-term investments	3,271	3,271
Loans held for sale	854	854
Portfolio loans and leases:		
Commercial and industrial loans	25,080	26,481
Commercial mortgage loans	10,328	9,745
Commercial construction loans	2,131	1,742
Commercial leases	3,198	2,957
Residential mortgage loans[(a)]	7,637	7,009
Home equity	11,513	9,450
Automobile loans	10,654	10,919
Credit card	1,664	1,721
Other consumer loans and leases	729	750
Unallocated allowance for loan and lease losses	(161)	
Total portfolio loans and leases, net[(a)]	72,773	70,774
Financial liabilities:		
Deposits	81,362	81,648
Federal funds purchased	368	368
Other short-term borrowings	1,775	1,775
Long-term debt	10,953	11,374

(a) Excludes $42 of residential mortgage loans measured at fair value on a recurring basis.

Cash and due from banks, other securities, other short-term investments, deposits, federal funds purchased and other short-term borrowings

For financial instruments with a short-term or no stated maturity, prevailing market rates and limited credit risk, carrying amounts approximate fair value. Those financial instruments include cash and due from banks, FHLB and FRB restricted stock, other short-term investments, certain deposits (demand, interest checking, savings, money market and foreign office deposits), and federal funds purchased. Fair values for other time deposits, certificates of deposit $100,000 and over and other short-term borrowings were estimated using a discounted cash flow calculation that applied prevailing LIBOR/swap interest rates for the same maturities.

Held-to-maturity securities

The Bancorp s held-to-maturity securities are primarily composed of instruments that provide income tax credits as the economic return on the investment. The fair value of these instruments is estimated based on current U.S. Treasury tax credit rates.

Loans held for sale

Fair values for commercial loans held for sale were valued based on executable bids when available, or on discounted cash flow models incorporating appraisals of the underlying collateral, as well as assumptions about investor return requirements and amounts and timing of expected cash flows. Fair values for other consumer loans held for sale are based on contractual values upon which the loans may be sold to a third party, and approximate their carrying value.

Portfolio loans and leases, net

Fair values were estimated by discounting future cash flows using the current market rates of loans to borrowers with similar credit characteristics and similar remaining maturities.

Long-term debt

Fair value of long-term debt was based on quoted market prices, when available, or a discounted cash flow calculation using LIBOR/swap interest rates and, in some cases, a spread for new issues for borrowings of similar terms.

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Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (continued)

21. Business Segments

The Bancorp reports on four business segments: Commercial Banking, Branch Banking, Consumer Lending and Investment Advisors. 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 accounting practices are improved and businesses change.

The Bancorp manages interest rate risk centrally at the corporate level by employing a FTP methodology. This methodology insulates the business segments from interest rate volatility, enabling them to focus on serving customers through loan originations and deposit taking. The FTP system assigns charge rates and credit rates to classes of assets and liabilities, respectively, based on expected duration and the LIBOR swap curve. Matching duration allocates interest income and interest expense to each segment so its resulting net interest income is insulated from interest rate risk. In a rising rate environment, the Bancorp benefits from the widening spread between deposit costs and wholesale funding costs. However, the Bancorp s FTP system credits this benefit to deposit-providing businesses, such as Branch Banking and Investment Advisors, on a duration-adjusted basis. The net impact of the FTP methodology is captured in General Corporate and Other.

The business segments are charged provision expense based on the actual net charge-offs experienced by the loans owned by each segment. Provision expense attributable to loan growth and changes in factors in the ALLL are captured in General Corporate and Other. The financial results of the business segments include allocations for shared services and headquarters expenses. Even with these allocations, the financial results are not necessarily indicative of the business segments financial condition and results of operations as if they existed as independent entities. 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.

($ in millions, except per share data)	Commercial Banking	Branch Banking	Consumer Lending	Investment Advisors	General Corporate	Eliminations	Total
Three months ended September 30, 2011							
Net interest income [a]	**$ 345**	**359**	**85**	**29**	**84**		**902**
Provision for loan and lease losses	**104**	**87**	**55**	**16**	**(175)**		**87**
Net interest income after provision for loan and lease losses	**241**	**272**	**30**	**13**	**259**		**815**
Noninterest income:							
Mortgage banking net revenue		**3**	**175**				**178**
Service charges on deposits	**53**	**81**		**1**	**(1)**		**134**
Investment advisory revenue	**3**	**30**		**89**		**(30)[b]**	**92**
Corporate banking revenue	**82**	**4**		**1**			**87**
Card and processing revenue	**10**	**78**		**1**	**(11)**		**78**
Other noninterest income	**11**	**19**	**10**		**24**		**64**
Securities gains, net					**26**		**26**
Securities gains, net non-qualifying hedges on mortgage servicing rights			**6**				**6**
Total noninterest income	**159**	**215**	**191**	**92**	**38**	**(30)**	**665**
Noninterest expense:							
Salaries, wages and incentives	**60**	**115**	**37**	**34**	**123**		**369**
Employee benefits	**9**	**31**	**8**	**6**	**16**		**70**

Net occupancy expense		**5**	**46**	**2**	**3**	**19**		**75**
Technology and communications		**2**	**1**			**45**		**48**
Card and processing expense		**1**	**33**					**34**
Equipment expense		**1**	**13**			**14**		**28**
Other noninterest expense		**184**	**160**	**111**	**62**	**(165)**	**(30)**	**322**
Total noninterest expense		**262**	**399**	**158**	**105**	**52**	**(30)**	**946**
Income before income taxes		**138**	**88**	**63**		**245**		**534**
Applicable income tax expense[(a)]		**10**	**31**	**22**		**90**		**153**
Net income		**128**	**57**	**41**		**155**		**381**
Less: Net income attributable to noncontrolling interest								
Net income attributable to Bancorp		**128**	**57**	**41**		**155**		**381**
Dividends on preferred stock						**8**		**8**
Net income available to common shareholders	**$**	**128**	**57**	**41**		**147**		**373**
Total goodwill	**$**	**613**	**1,656**		**148**			**2,417**
Total assets	**$**	**44,622**	**46,727**	**23,213**	**7,358**	**(7,015)**		**114,905**

(a) Includes FTE adjustments of $4.

(b) Revenue sharing agreements between Investment Advisors and Branch Banking are eliminated in the Condensed Consolidated Statements of Income.

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Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (continued)

($ in millions, except per share data)	Commercial Banking	Branch Banking	Consumer Lending	Investment Advisors	General Corporate	Eliminations	Total
Three months ended September 30, 2010							
Net interest income [(a)]	$ 389	384	102	35	6		916
Provision for loan and lease losses	559	153	232	12	(499)		457
Net interest income (loss) after provision for loan and lease losses	(170)	231	(130)	23	505		459
Noninterest income:							
Mortgage banking net revenue		8	224				232
Service charges on deposits	50	92		1			143
Investment advisory revenue	5	27		85		(27)[(b)]	90
Corporate banking revenue	81	4		2	(1)		86
Card and processing revenue	9	73			(5)		77
Other noninterest income	(6)	18	6		177		195
Securities gains, net					4		4
Total noninterest income	139	222	230	88	175	(27)	827
Noninterest expense:							
Salaries, wages and incentives	52	110	44	33	121		360
Employee benefits	7	27	7	5	36		82
Net occupancy expense	4	43	2	2	21		72
Technology and communications	4	4	1		39		48
Card and processing expense		26					26
Equipment expense	1	12			17		30
Other noninterest expense	178	167	91	60	(108)	(27)	361
Total noninterest expense	246	389	145	100	126	(27)	979
Income (loss) before income taxes	(277)	64	(45)	11	554		307
Applicable income tax (benefit) expense [(a)]	(132)	25	(18)	4	190		69
Net income (loss)	(145)	39	(27)	7	364		238
Less: Net income attributable to noncontrolling interest							
Net income (loss) attributable to Bancorp	(145)	39	(27)	7	364		238
Dividends on preferred stock					63		63
Net income (loss) available to common shareholders	$ (145)	39	(27)	7	301		175
Total goodwill	$ 613	1,656		148			2,417
Total assets	$ 43,403	46,479	22,227	6,296	(6,083)		112,322

(a) *Includes FTE adjustments of $4.*

(b) *Revenue sharing agreements between Investment Advisors and Branch Banking are eliminated in the Condensed Consolidated Statements of Income.*

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Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (continued)

($ in millions, except per share data)	Commercial Banking	Branch Banking	Consumer Lending	Investment Advisors	General Corporate	Eliminations	Total
Nine months ended September 30, 2011							
Net interest income[(a)]	$ 1,015	1,057	256	85	242		2,655
Provision for loan and lease losses	402	300	205	25	(564)		368
Net interest income after provision for loan and lease losses	613	757	51	60	806		2,287
Noninterest income:							
Mortgage banking net revenue		6	435	1			442
Service charges on deposits	154	228		3	(1)		384
Investment advisory revenue	9	89		275		(88)[(b)]	285
Corporate banking revenue	254	11		2	1		268
Card and processing revenue	29	241		3	(25)		248
Other noninterest income	51	57	26		92		226
Securities gains, net					40		40
Securities gains, net non-qualifying hedges on mortgage servicing rights			12				12
Total noninterest income	497	632	473	284	107	(88)	1,905
Noninterest expense:							
Salaries, wages and incentives	170	344	101	104	366		1,085
Employee benefits	35	100	26	21	64		246
Net occupancy expense	15	138	6	8	59		226
Technology and communications	8	4	1	1	126		140
Card and processing expense	4	88					92
Equipment expense	2	38	1	1	43		85
Other noninterest expense	581	480	319	181	(582)	(88)	891
Total noninterest expense	815	1,192	454	316	76	(88)	2,765
Income before income taxes	295	197	70	28	837		1,427
Applicable income tax expense (benefit) [(a)]	(7)	69	24	10	347		443
Net income	302	128	46	18	490		984
Less: Net income attributable to noncontrolling interest					1		1
Net income attributable to Bancorp	302	128	46	18	489		983
Dividends on preferred stock					194		194
Net income available to common shareholders	$ 302	128	46	18	295		789
Total goodwill	$ 613	1,656		148			2,417
Total assets	$ 44,622	46,727	23,213	7,358	(7,015)		114,905

(a) Includes FTE adjustments of $14.

(b) Revenue sharing agreements between Investment Advisors and Branch Banking are eliminated in the Condensed Consolidated Statements of Income.

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Fifth Third Bancorp and Subsidiaries

Notes to Condensed Consolidated Financial Statements (continued)

($ in millions, except per share data)	Commercial Banking	Branch Banking	Consumer Lending	Investment Advisors	General Corporate	Eliminations	Total
Nine months ended September 30, 2010							
Net interest income [a]	$ 1,156	1,155	299	109	(16)		2,703
Provision for loan and lease losses	1,025	436	478	33	(600)		1,372
Net interest income (loss) after provision for loan and lease losses	131	719	(179)	76	584		1,331
Noninterest income:							
Mortgage banking net revenue		18	479	1			498
Service charges on deposits	145	285		5			435
Investment advisory revenue	11	78		256		(78)[b]	267
Corporate banking revenue	248	11		2	(1)		260
Card and processing revenue	25	220		2	(12)		235
Other noninterest income	36	54	26		238		354
Securities gains, net					25		25
Total noninterest income	465	666	505	266	250	(78)	2,074
Noninterest expense:							
Salaries, wages and incentives	156	327	113	95	355		1,046
Employee benefits	29	88	22	19	83		241
Net occupancy expense	12	130	5	7	68		222
Technology and communications	10	12	1	2	113		138
Card and processing expense	1	80			1		82
Equipment expense	2	37	1	1	50		91
Other noninterest expense	515	489	249	173	(299)	(78)	1,049
Total noninterest expense	725	1,163	391	297	371	(78)	2,869
Income (loss) before income taxes	(129)	222	(65)	45	463		536
Applicable income tax expense (benefit) [a]	(152)	83	(28)	16	197		116
Net income (loss)	23	139	(37)	29	266		420
Less: Net income attributable to noncontrolling interest							
Net income (loss) attributable to Bancorp	23	139	(37)	29	266		420
Dividends on preferred stock					187		187
Net income (loss) available to common shareholders	$ 23	139	(37)	29	79		233
Total goodwill	$ 613	1,656		148			2,417
Total assets	$ 43,403	46,479	22,227	6,296	(6,083)		112,322

(a) Includes FTE adjustments of $13.

(b) Revenue sharing agreements between Investment Advisors and Branch Banking are eliminated in the Condensed Consolidated Statements of Income.

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PART II. OTHER INFORMATION

Legal Proceedings (Item 1)

Refer to Note 14 of the Notes to Condensed Consolidated Financial Statements in Part I, Item 1 for information regarding legal proceedings.

Risk Factors (Item 1A)

There have been no material changes made during the third quarter of 2011 to any of the risk factors as previously disclosed in the Registrant s periodic securities filings.

Unregistered Sales of Equity Securities and Use of Proceeds (Item 2)

Refer to the Capital Management section within Management s Discussion and Analysis in Part I, Item 3 and Note 18 of the Notes to Condensed Consolidated Financial Statements for information regarding purchases and sales of equity securities by the Bancorp during the third quarter of 2011.

Defaults Upon Senior Securities (Item 3)

None.

(Removed and Reserved) (Item 4)

Other Information (Item 5)

None.

Exhibits (Item 6)

3.1	Second Amended Articles of Incorporation of Fifth Third Bancorp, as amended. Incorporated by reference to the Registrant s Annual Report on Form 10-K for the year ended December 31, 2008.
3.2	Amended Code of Regulations of Fifth Third Bancorp as of June 15, 2010. Incorporated by reference to the Registrant s Current Report on Form 8-K filed on June 21, 2010.
12.1	Computations of Consolidated Ratios of Earnings to Fixed Charges.
12.2	Computations of Consolidated Ratios of Earnings to Combined Fixed Charges and Preferred Stock Dividend Requirements.
31(i)	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Chief Executive Officer.
31(ii)	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Chief Financial Officer.
32(i)	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Chief Executive Officer.
32(ii)	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Chief Financial Officer.
101	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Income, (iii) the Condensed Consolidated Statements of Changes in Equity, (iv) the Condensed Consolidated Statements of Cash Flows, and (v) the Notes to Condensed Consolidated Financial Statements tagged as blocks of text and in detail*.

* As provided in Rule 406T of Regulation S-T, this information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.

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Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Fifth Third Bancorp
Registrant

Date: November 9, 2011

/s/ Daniel T. Poston
Daniel T. Poston
Executive Vice President and
Chief Financial Officer