

# **Fifth Third Bancorp**

## **Dodd-Frank Act Company-Run Stress Test Disclosures**

### **June 22, 2017**

Fifth Third Bancorp (“Fifth Third”, “the Bancorp”, or “the Company”) hereunder is disclosing results from its 2017 company-run stress test as required by the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”). The Dodd-Frank Act company-run stress testing (“DFAST”) regulation<sup>1</sup> requires that covered companies disclose certain results from company-run stress tests under the supervisory severely adverse scenario prescribed by the Board of Governors of the Federal Reserve System (“Federal Reserve”), including a description of the types of risks included in the stress test; a general description of methodologies used in the stress test; estimates of certain financial results and pro forma capital ratios; and an explanation of the most significant causes of the changes in regulatory capital ratios.

It is important to note that the results provided in this disclosure are DFAST-based results. Therefore, the capital actions used in this disclosure (“prescribed capital actions”) are prescribed by the Board of Governors of the Federal Reserve System (“Federal Reserve”) for covered institutions to use in DFAST (as described further below).

The results in this disclosure represent estimates of Fifth Third’s results for the nine-quarter period beginning January 1, 2017 through March 31, 2019 (the “planning horizon”) under the supervisory severely adverse scenario and utilizing the Federal Reserve’s prescribed capital actions under the regulation for the company-run stress test. The economic assumptions used to arrive at these results were provided by the Federal Reserve and involve an economic outcome that is more adverse than currently expected. The stress test was performed at a point in time using the prescribed assumptions. Results were not adjusted to take into account the differences in the actual macroeconomic environment in the first quarter of 2017 or between projected and actual performance by Fifth Third for this quarter. The estimates do not represent forecasts of expected results. Fifth Third does not expect to update the results of this scenario in the future.

### **Capital Adequacy Process Framework**

#### **Overview**

The Bancorp maintains a robust capital management process to evaluate its capital adequacy. Stress testing is intended to capture potential outcomes across a variety of unfavorable scenarios applied consistently across business areas, risk types, and risk events, and is utilized to evaluate the Bancorp’s capital adequacy under stressed conditions. Scenario-based stress testing is intended to capture all potential, material and plausible risks faced by the Bancorp but will not capture all potential outcomes due to the limitations of evaluating results under a limited number of scenarios.

Given the scope and scale of risks facing the Bancorp, despite its traditional banking model, there are exposures that are either difficult to fully or partially quantify or that are not directly or indirectly impacted by specific macroeconomic scenarios. There are two primary sources of uncertainty associated with these quantifiable and non-quantifiable sets of risks: the potential

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<sup>1</sup> See 12 CFR part 252.

impact of idiosyncratic risks, which are either difficult to quantify or not directly driven by the macroeconomic environment, and model risk associated with a given scenario's quantified risks.

Modeled projections are subject to imprecision and/or uncertainty and are a source of potential volatility in capital adequacy assessment. Fifth Third's capital adequacy assessment contemplates model risk, or the risk that its models may not properly estimate results for the given macroeconomic scenario, in its consideration of capital adequacy, targets and goals relative to scenario results. In CCAR 2017, Fifth Third mitigated these uncertainties through subject matter expert challenge in model development; the application of quantitatively derived or judgmental overlays to modeled results through subject matter expert and executive and Board-level challenge; through a Scenario Analysis program whereby potential events that are difficult to quantify are judgmentally evaluated by expert panels facilitated to reduce bias; and through a model uncertainty framework to assess potential model risk through statistical benchmarking.

Fifth Third uses both quantitative and qualitative methodologies for assessing risks, including economic capital modeling. The Bancorp also incorporates idiosyncratic, firm-specific risks in its stress test results to capture risks that may not be inherently driven by or have demonstrated correlation with macroeconomic developments. These include unique geographic concentrations, new business initiatives, asset class concentrations, legal and regulatory risks, counterparty risks, and other potential exposures. Regional footprint and state-level macroeconomic data are incorporated into certain aspects of models used for projecting scenario results, and differences in expected geographic economic trends are embedded in projections of business unit results. The Bancorp also evaluates firm-specific risks related to its investment in Vantiv, Inc., and incorporates certain of those risks. The Bancorp evaluates the potential impact of such firm-specific risks, and includes the impact of the potential occurrence of such risks in addition to macroeconomic stress, in considering capital adequacy, targets, and goals relative to scenario results.

### **Governance**

Fifth Third's Board of Directors, executives, and management provide robust and integrated oversight of the capital adequacy process ("CAP"), including review of the Company's risk infrastructure; its loss and resource estimation methodologies; the review and approval of its capital goals, targets, and planned actions; the assessment of the appropriateness of stressed scenarios considered; as well as a consideration of any limitations and uncertainties associated with the process.

The Internal Capital Adequacy Process ("ICAP") Council manages the execution of the stress test process under the supervision of Fifth Third's Capital Committee. Fifth Third's Capital Committee is ultimately responsible for all capital-related recommendations to the Board of Directors and is composed of senior executives. Their recommendations are reviewed and approved by the Enterprise Risk Management Committee and the Board of Directors (or a designated committee of the Board).

Fifth Third's Board of Directors is responsible for setting the risk appetite of the Bancorp and ensuring that its capital and risk capacity is sufficient to cover all risk exposures under normal and stressed conditions. The Board is also responsible for reviewing and challenging

management's methodologies that are utilized to measure, monitor, and manage risk exposures and capital needs; for approving all policies that govern the capital management process at the Bancorp; and for approving management's capital action plans and recommendations, including potential dividend payments, issuances, repurchases, and redemptions.

### **Risk Assessment**

Fifth Third's stress testing process is designed to be comprehensive and to address the estimation of results, including revenue, expenses, credit losses, taxes, and estimated changes to its balance sheet, including loans, loan loss reserves, and capital, under various macroeconomic scenarios. The need for capital arises from asset growth, losses, and reduced revenue associated with risks. Risks considered as part of this analysis include credit, market, legal, regulatory compliance, operational, and liquidity, as well as the potential for reputational and strategic risks. These risks are described below:

- Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to honor its financial or contractual obligations to the Bancorp. Credit risk arises in Fifth Third's lending operations, as well as in its hedging, investment and trading activities where counterparties have repayment of principal and interest or other obligations to the Bancorp. Credit risk exists in Fifth Third's Consumer and Commercial loan portfolios, and is also attributable to derivative financial instruments. Credit risk is represented in Fifth Third's provision for loan and lease losses on the income statement and allowance for loan and lease losses on the balance sheet.
- Market risk is the day-to-day potential for the value of a financial instrument to increase or decrease due to movements in market factors. For Fifth Third, market risk includes risks resulting from movements in interest rates, foreign exchange rates, equity prices, and commodity prices in both the banking book and the trading book. Interest rate risk, a component of market risk, primarily impacts the Bancorp's net interest income and interest rate sensitive fee income categories through changes in interest income on earning assets and cost of interest bearing liabilities, and through fee items that are related to interest rate sensitive activities such as mortgage origination and servicing income. Management considers interest rate risk a prominent market risk in terms of its potential impact on earnings. Interest rate risk may occur for any one or more of the following reasons: assets and liabilities mature or re-price at different times; short-term and long-term market interest rates change by different amounts; or the expected maturities of various assets and liabilities shorten or lengthen as interest rates change. In addition to the direct impact of interest rate changes on net interest income, interest rates can indirectly impact earnings through their effect on loan and deposit demand, credit losses, mortgage originations, the value of servicing rights and other sources of the Bancorp's earnings. Changes in foreign exchange rates, commodity prices, credit spreads, and interest rates also impact Fifth Third's customer focused trading activities, albeit to a much smaller extent, as the strategy is to offset customer trading activities with other counterparties to minimize proprietary trading risk exposures. Market risk may result in liquidity needs as changes in the market value of derivative and security positions may impact collateral requirements.
- Legal risk is the potential that actions against the institution that result in unenforceable contracts, lawsuits, legal sanctions, or adverse judgments can disrupt or otherwise negatively affect the operations or condition of the institution. Legal risk is represented in

Fifth Third's other noninterest expense on its income statement. Fifth Third also has certain reserves on its balance sheet related to potential legal expenses.

- Regulatory compliance risk is the risk of legal or regulatory sanctions, financial loss, or damage to reputation as a result of noncompliance with (i) applicable laws, regulations, rules and other regulatory requirements (including but not limited to the risk of consumers experiencing economic loss or other legal harm as a result of noncompliance with consumer protection laws, regulations and requirements); (ii) internal policies and procedures, standards of best practice or codes of conduct; and (iii) principles of integrity and fair dealing applicable to Fifth Third's activities and functions. Failure to effectively manage regulatory compliance risk can elevate the risk level or manifest itself as other types of key risks, including legal, reputational, or operational risk. Regulatory compliance risk is represented in Fifth Third's other noninterest expense on its income statement. Fifth Third also has certain reserves on its balance sheet related to potential regulatory compliance expenses.
- Operational risk is the risk of loss from inadequate or failed internal processes, people or systems, or from external events. Operational risk includes events such as failure or disruption of IT systems, errors and omissions in processes, and external and internal fraud. Operational risk is represented in Fifth Third's operational risk losses on its income statement, including fraud, non-fraud, and residential mortgage representation and warranty losses within other noninterest expense on its income statement.
- Liquidity risk is the risk that the bank is unable to fund increases in assets, and/or liquidate assets at fair market values when required to satisfy debt, deposit or other obligations as they come due. Diversification and deeper access to retail, commercial, and wholesale sources of liquidity are fundamental parts of the Bancorp's liquidity management strategy. Liquidity risk is inherent in Fifth Third's loans, investment securities, deposits, short-term borrowings, and long-term debt.
- The above risks are stressed by the related scenario. The Bancorp evaluates and manages these risks as well as reputation and strategic risks under its Enterprise Risk Management framework. Reputation risk is the risk that negative publicity regarding the Bancorp's and its employees' conduct, business practices or associations, whether true or not, will adversely affect its revenues, operations, customer base or share price, or require costly litigation or other defensive measures. Strategic risk is the risk to the Bancorp of action or inaction related to strategic risk factors. These factors include negative effects from business planning or decisions, environmental changes, competitive dynamics, or the management of its resources and activities, including capital management.

### **Severely Adverse Scenario**

The severely adverse scenario as prescribed by the Federal Reserve features "a severe global recession, accompanied by a period of heightened stress in corporate loan markets and commercial real estate markets."<sup>2</sup> The scenario consists of twenty-eight variables that describe the economic environment within the U.S., including multiple measures of economic activity and prices, asset prices or financial conditions, and interest rates.

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<sup>2</sup> For full scenario description and complete set of economic variables provided by the Federal Reserve, reference the Board of Governors of the Federal Reserve System "2017 Supervisory Scenarios for Annual Stress Tests Required under the Dodd-Frank Act Stress Testing Rules and the Capital Plan Rule" (February 10, 2017).

Upon receipt of the supervisory scenarios, Fifth Third completes its Scenario Quality Control process to interpret the scenario. For variables utilized in Fifth Third's stress testing that are not provided by the Federal Reserve, a third party vendor specializing in macroeconomic analysis generates an expanded macroeconomic variable dataset resulting from statistical relationships driven by Federal Reserve prescribed variables. The expanded scenario is reviewed to ensure that all macroeconomic variable projections are consistent with Severely Adverse Scenario conditions. The overall scenario design incorporates multiple variables including the unemployment rate, various measures of domestic output (e.g. GDP), home price indices, commercial real estate indices, and equity returns. Interest rate projections include overnight federal funds rate, LIBOR, swap rates, mortgage rates, and Treasury rates, among others.

### **Stress Test Methodology**

Fifth Third employs various methodologies in its stress tests for balance sheet, income statement, and capital projections, primarily utilizing statistical, regression-based models in developing its stress test estimates. Other estimation approaches, such as business analytics and other objective quantitative methodologies, are used where predictive statistical relationships cannot be established, as a quality check for statistical projections, or where there is a strong rationale due to the nature (volatility, change in strategy, etc.) of the projected line item. Fifth Third may apply post-model adjustments to modeled stress test estimates where modeled output may be inconsistent with plausible results due to changes in the business environment or changes in the business profile relative to historical results, etc. These post-model adjustments, or overlays, are reviewed and challenged by independent subject matter experts and governing bodies consisting of senior business leaders, executives, and Board members through the Fifth Third governance process. In addition to judgment applied as management overlays to modeled results, there is judgment inherent in the selection and development of models. Fifth Third's methodologies include subject matter expert challenge in model development, as well as back testing, sensitivity analysis, and other methods to ensure estimated results are reasonable and reliable.

The following describes methodologies used to estimate certain captions (with general methodologies and processes used to make adjustments to modeled results described above).

Losses: Wholesale net charge-off estimates are generated primarily using a loan-level methodology that employs a rating transition model for all non-defaulted borrowers, a default without loss model, a default with loss model, loss given charge-off model, and line utilization and exposure at charge-off methodologies that are calibrated to Fifth Third's own historical loss experience. The models are tailored to various portfolio segments and utilize a variety of macroeconomic variables which correlate to the portfolios' historical loss measures in order to project wholesale credit losses that are consistent with the macroeconomic scenario.

Retail net charge-off estimates are derived primarily utilizing expected loss models. Expected loss projections are calculated using probability of default, exposure at default, and loss given default models derived at the loan level. The probability of default is generally modeled to estimate the likelihood that a loan will enter the default state during a given period. Loss given default is typically defined as a percentage of the exposure at default which varies by loan type. The models incorporate statistically predictive loan level information. In order to generate expected loss estimates for each scenario, statistically significant macroeconomic variables, such

as unemployment rates and home price indices, are utilized under the hypothetical assumptions for each macroeconomic scenario.

Operational losses are estimated for eleven separate units of measure primarily using regression-based modeling of frequency and severity of losses against macroeconomic variables with predictive power and intuitive economic relationships, as well as internal and external loss benchmarks and scenarios analysis. Operational losses include potential litigation-related losses and settlement expenses, as well as the risk of unexpected, unfavorable, stressed outcomes to legal and regulatory risks and costs not necessarily correlated with macroeconomic stress or historical results.

Revenues and expenses (including net interest income and balance sheet projections): Fifth Third primarily utilizes statistical regression-based modeling in developing stress projections for noninterest income and expense items, but also uses other objective, quantitative business analytics processes for modeling, such as run rate analysis and trend analysis when necessary. Business analytics are employed for line items where statistically-based models lack adequate predictive power. Projections consider macroeconomic factors with statistically significant and intuitive relationships, as well as management's judgment related to items that may not be fully captured by the models, including recent trends, recent changes in regulation, customer behavior, the competitive environment, and strategic initiatives. Operational losses (described in the "Losses" section above) are included in noninterest expense.

For net interest income, Fifth Third utilizes rate and spread projections including rate forecasts for the LIBOR/swap curve and the Fed Funds target rate. Regression-based and business analytics models are used in developing balance sheet projections, as well as management's judgment related to items that may not be fully captured by the models, including recent trends, recent changes in regulation, customer behavior, the competitive environment, and strategic initiatives. These rate and balance sheet projections are used in combination with industry-standard asset-liability management software to produce interest income/expense projections for each balance sheet category over the planning horizon. In addition to balance and rate information, this software generates income and cash flow projections utilizing various prepayment modeling techniques, deposit behavioral assumptions, and assumptions related to the costs and availability of wholesale funding.

Provision for loan and lease losses: In developing allowance for loan and lease loss projections under the supervisory severely adverse stress scenario, Fifth Third utilizes information generated by its statistically-based net charge-off and nonperforming loan models. By utilizing the loss and non-performing loan projections, Fifth Third ensures that its allowance estimation reflects the severity of the economic scenarios contemplated in stress testing. Fifth Third evaluates several common coverage ratios (e.g. allowance to portfolio loans (held-for-investment), allowance to non-performing loans, and allowance to forward net charge-offs) in assessing the adequacy of the allowance over the scenario horizon. In addition, the adequacy of the reserve at the end of the planning horizon is evaluated in its coverage of projected stressed losses beyond the planning horizon. The net charge-off methodology is described above in the "Losses" section.

Income taxes: Fifth Third follows guidance under U.S. Generally Accepted Accounting Principles to estimate the impact of income taxes on its estimated earnings during the planning

horizon. Fifth Third's estimated effective tax rate differs from the U.S. federal statutory tax rate principally due to projected tax credits generated from affordable housing investments, projected state income tax, and projected income earned on investments that are not subject to taxation. In addition, Fifth Third follows guidance under regulatory capital rules to estimate the impact of income taxes on its estimated regulatory capital during the planning horizon.

Changes in capital position over the planning horizon: Changes to Fifth Third's capital position and capital ratios are calculated by analyzing the impact to capital of projected earnings, changes in asset balances and off-balance sheet exposure, and the prescribed capital actions under the regulation. Risk-weighted asset projections are based on applicable risk weightings pertaining to each type of asset category and projected balance sheet changes as well as off-balance sheet exposure categories and projected exposure changes. As part of its capital adequacy evaluation under stress, Fifth Third determines whether each regulatory capital ratio in the supervisory severely adverse scenario exceeds the supervisory minimums, including a Common Equity Tier 1 capital ratio of 4.5 percent, at all times, as required.

### **Stress Test Results under Internal Severely Adverse Scenario**

*Bancorp:*

The following data are Fifth Third's submitted 2017 company-run stress test projections for the supervisory severely adverse scenario, using the prescribed capital actions under the regulation. These results represent estimates of Fifth Third's performance from the first quarter of 2017 through the first quarter of 2019 under this hypothetical scenario.

Projected Net Revenue, Net income before Taxes, and Loan Losses by Type:

<b>Projected Losses, Revenue, and Net Income Before Taxes under the Supervisory Severely Adverse Scenario - DFAST</b>		
<b>(\$ in billions)</b>	<b>Cumulative results 1Q17 through 1Q19</b>	<b>Percentage of average assets<sup>1</sup></b>
Pre-provision net revenue <sup>2</sup>	\$2.3	1.7%
Other revenue <sup>3</sup>	-	-
Less		
Provisions	\$5.6	4.1%
Realized gains/(losses) on securities	-	-
Trading and counterparty losses <sup>4</sup>	-	-
Other gains/(losses) <sup>5</sup>	-	-
Equals		
Net income/(loss) before taxes	(\$3.3)	(2.4%)

<sup>1</sup> Average assets is the nine-quarter average of total assets.

<sup>2</sup> Pre-provision net revenue includes losses from operational risk events, mortgage repurchase expenses, and OREO costs.

<sup>3</sup> Other revenue includes one-time income and (expense) items not included in pre-provision net revenue.

<sup>4</sup> Trading and counterparty losses include mark-to-market losses and credit valuation adjustments ("CVA") losses and losses arising from the counterparty default scenario component applied to derivatives, securities lending, and repurchase agreement activities.

<sup>5</sup> Other losses/gains includes projected change in fair value of loans held-for-sale and loans held-for-investment measured under the fair-value option, and goodwill impairment losses.

<b>Projected Loan Losses by Type of Loans under the Supervisory Severely Adverse Scenario - DFAST</b>		
	<b>Cumulative results 1Q17 through 1Q19</b>	<b>Portfolio Loss Rates (%)<sup>1</sup></b>
Loan Losses	\$4.2	4.5%
First-Lien Mortgages, Domestic	\$0.4	2.6%
Junior Liens and HELOCs, Domestic	\$0.3	4.8%
Commercial and Industrial <sup>2</sup>	\$1.8	4.7%
Commercial Real Estate	\$0.7	6.2%
Credit Cards	\$0.4	16.4%
Other Consumer <sup>3</sup>	\$0.3	3.3%
Other Loans <sup>4</sup>	\$0.3	3.2%

<sup>1</sup> Average loan balances used to calculate portfolio loss rates exclude loans held-for-sale and loans held-for-investment under the fair-value option, and are calculated over nine quarters.

<sup>2</sup> Commercial and industrial loans include small- and medium- enterprise loans and corporate cards.

<sup>3</sup> Other consumer loans include student loans and automobile loans.

<sup>4</sup> Other loans include loans secured by farmland, loans to foreign governments, agricultural loans, loans for purchasing or carrying securities (secured or unsecured), and loans to depositories and other financial institutions.

#### Pro forma Regulatory Capital Ratios:

The Dodd-Frank Act company-run stress test regulation requires certain assumptions, prescribed by the Federal Reserve, for developing capital actions and capital distributions under the supervisory scenarios. They do not represent the planned capital actions that Fifth Third included for non-objection in its CCAR 2017 submission. The pro forma capital ratios provided herein use the following assumptions regarding its capital actions over the planning horizon:

- For the first quarter of the planning horizon, the BHC must take into account its actual capital actions taken throughout the quarter. These capital actions included the payment of common dividends of \$0.14 per share, or \$106 million, and no common share repurchases in 1Q17.
- For the second through ninth quarters of the planning horizon, the BHC must include: common stock dividends equal to the quarterly average dollar amount of common stock dividends paid in the previous year (that is, the initial quarter of the planning horizon and the preceding three calendar quarters) plus common stock dividends attributable to issuances related to expensed employee compensation or in connection with a planned merger or acquisition is reflected in the BHC's pro forma balance sheet estimates; payments on any other instrument eligible for inclusion in the numerator of the regulatory capital ratio equal to the stated dividend, interest, or principal due on each such instrument during the quarter; an assumption of no redemption or repurchase of any capital instrument eligible for inclusion in the numerator of the regulatory capital ratio; and an assumption of no issuances of common stock or preferred stock, except for issuances related to expensed employee compensation or in connection with a planned

merger or acquisition to the extent that the merger or acquisition is reflected in the BHC's pro forma balance sheet estimates.

The above assumptions were applied to estimates of the company-run severely adverse scenario results (as outlined above), resulting in the following capital ratios:

<b>Bancorp Capital Ratios under the Supervisory Severely Adverse Scenario - DFAST</b>			
	<b>Actual 4Q16</b>	<b>Stressed Capital Ratios<sup>1</sup></b>	
		<b>1Q19</b>	<b>Minimum through 1Q19</b>
Common Equity Tier 1 ratio (%) <sup>2</sup>	10.4%	8.2%	8.2%
Tier 1 Capital ratio (%) <sup>2</sup>	11.5%	9.3%	9.3%
Total Risk-Based Capital ratio (%) <sup>2</sup>	15.0%	12.7%	12.7%
Tier 1 Leverage ratio (%) <sup>2</sup>	9.9%	8.3%	8.3%

<sup>1</sup> The capital ratios are calculated using capital action assumptions provided within the Dodd-Frank Act company-run stress testing regulation. These projections represent hypothetical estimates that involve an economic outcome that is more adverse than expected. These estimates are not forecasts of expected losses, revenues, net income before taxes, or capital ratios. The minimum capital ratio presented is for the period 1Q17 through 1Q19.

<sup>2</sup> Capital ratios calculated under the Regulatory Capital Rules' risk-based standardized approach.

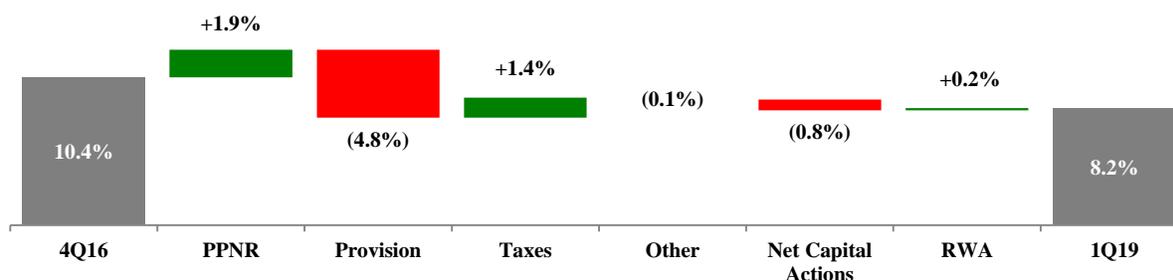
<b>Actual 4Q16 and Projected 1Q19 Risk-Weighted Assets under the Supervisory Severely Adverse Scenario - DFAST</b>		
	<b>Actual 4Q16 (Basel III)</b>	<b>Projected 1Q19 Regulatory Capital Rules Standardized Approach (Basel III)</b>
Risk-weighted assets (\$ in billions) <sup>1</sup>	\$119.6	\$117.9

<sup>1</sup> Risk-weighted assets are calculated under the Basel III risk-based standardized approach.

The decrease in the Bancorp's capital ratios primarily reflects the projected net loss over the forecast period. This impact is partially offset by a decrease in projected risk-weighted assets. The decrease in risk-weighted assets is driven mainly by declines in consumer loans and off-balance sheet commitments. The capital ratios also assume that the Bancorp is subject to the U.S. Basel III regulatory capital rules' standardized approach framework, including any applicable transition arrangements.

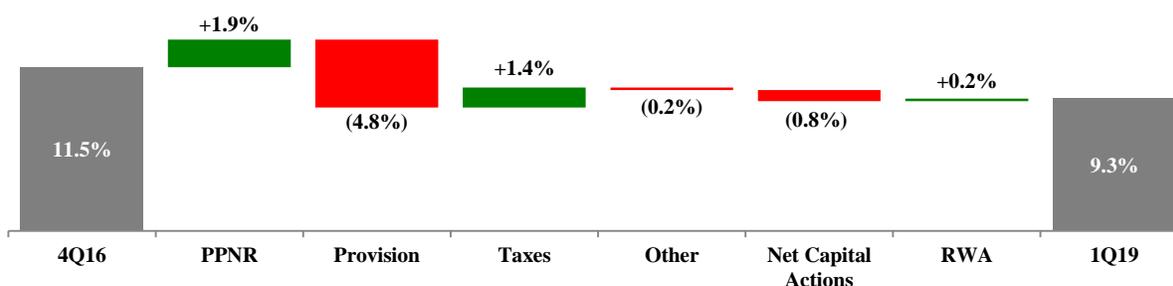
Each of the capital ratios also includes the actual dividend payment and no share repurchases in 1Q17 and the assumed payment of prescribed common and preferred dividends during the period 2Q17-1Q19. The following provides an illustration of changes in each of the Bancorp's regulatory capital ratios over the planning horizon under the supervisory severely adverse scenario:

### Common Equity Tier 1



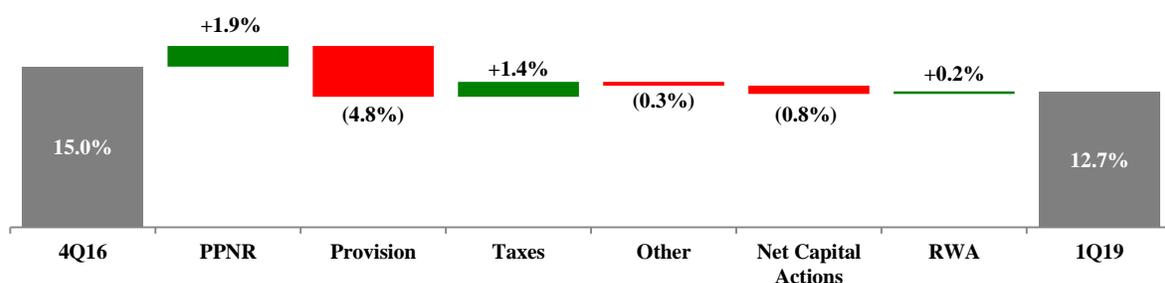
- Other includes deferred tax assets (“DTA”), transition provisions, and intangibles amortization
- Net capital actions include any dividends related to common and preferred stock as well as repurchases or issuances related to common and other common capital instruments

### Tier 1 Capital



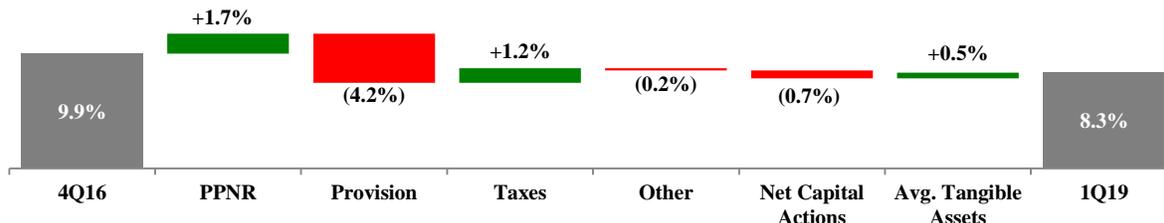
- Other includes DTA, intangibles amortization, transition provisions, and additional tier 1 capital deductions
- Net capital actions include any dividends, repurchases or issuances related to preferred, common and other capital instruments

### Total Risk-Based Capital



- Other includes DTA, intangibles amortization, transition provisions, allowance for loan and lease losses (“ALLL”), subordinated debt net of maturity discount, and additional tier 1 capital deductions
- Net capital actions include any dividends, repurchases or issuances related to preferred, common and other capital instruments

## Tier 1 Leverage



- Other includes DTA, intangibles amortization, transition provisions, and additional tier 1 capital deductions
- Net capital actions include any dividends, repurchases or issuances related to preferred, common and other capital instruments

### Bank:

Fifth Third Bank is an indirect, wholly-owned subsidiary of Fifth Third Bancorp and the only insured depository institution owned by the Bancorp. The Bank and its consolidated subsidiaries hold approximately 98 percent of the Bancorp's total assets and contain all of the Bancorp's core businesses. As a result, the changes in regulatory capital ratios for the Bancorp and the Bank are driven by substantially similar causes. The following table represents the Bank's capital ratios under the supervisory severely adverse scenario:

Bank Capital Ratios under the Supervisory Severely Adverse Scenario			
	Actual 4Q16	Stressed Capital Ratios <sup>1</sup>	
		1Q19	Minimum through 1Q19
Common Equity Tier 1 ratio (%) <sup>2</sup>	11.9%	10.5%	10.5%
Tier 1 Capital ratio (%) <sup>2</sup>	11.9%	10.5%	10.5%
Total Risk-based Capital ratio (%) <sup>2</sup>	13.8%	12.4%	12.4%
Tier 1 Leverage ratio (%) <sup>2</sup>	10.3%	9.5%	9.5%

<sup>1</sup> These projections represent hypothetical estimates that involve an economic outcome that is more adverse than expected. These estimates are not forecasts of expected losses, revenues, net income before taxes, or capital ratios. The minimum capital ratio presented is for the period 1Q17 through 1Q19.

<sup>2</sup> Capital ratios calculated under the Regulatory Capital Rules' risk-based standardized approach.

Bank capital actions in the supervisory severely adverse scenario were estimated by considering changes in Bank earnings, changes in asset balances, and distributions of dividends from the Bank to the Bancorp. The Bank's capital actions under the supervisory severely adverse scenario were assumed to include dividends from the Bank to the Bancorp only in 1Q17.

The following provides a discussion of changes in the Bank's regulatory capital ratios over the planning horizon (underlying projected operating and balance trends were those discussed in the explanation of the causes of changes in Bancorp capital ratios). The projected decrease in the Common Equity Tier 1 and Tier 1 capital ratios were primarily caused by cumulative net losses

on Bank earnings partially offset by a decrease in projected risk-weighted assets. The Total Risk-Based capital ratio is projected to decrease due to cumulative net losses on Bank earnings partially offset a decrease in projected risk-weighted assets. Lower risk-weighted assets were primarily driven by a decrease in consumer loan and credit card balances and off balance sheet commitments. The Tier 1 Leverage ratio is projected to decrease due to cumulative net losses on Bank earnings from the beginning to the end of the planning horizon partially offset by a decrease in projected average assets.

### **Forward-Looking Statements**

*This report contains statements that we believe are “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Rule 175 promulgated thereunder, and Section 21E of the Securities Exchange Act of 1934, as amended, and Rule 3b-6 promulgated thereunder. These statements relate to our financial condition, results of operations, plans, objectives, future performance or business. They usually can be identified by the use of forward-looking language such as “will likely result,” “may,” “are expected to,” “anticipates,” “potential,” “estimate,” “forecast,” “projected,” “intends to,” or may include other similar words or phrases such as “believes,” “plans,” “trend,” “objective,” “continue,” “remain,” or similar expressions, or future or conditional verbs such as “will,” “would,” “should,” “could,” “might,” “can,” or similar verbs. You should not place undue reliance on these statements, as they are subject to risks and uncertainties, including but not limited to the risk factors set forth in our most recent Annual Report on Form 10-K as updated from time to time by our Quarterly Reports on Form 10-Q. When considering these forward-looking statements, you should keep in mind these risks and uncertainties, as well as any cautionary statements we may make. Moreover, you should treat these statements as speaking only as of the date they are made and based only on information then actually known to us. There is a risk that additional information may become known during the company’s quarterly closing process or as a result of subsequent events that could affect the accuracy of the statements and financial information contained herein.*

*There are a number of important factors that could cause future results to differ materially from historical performance and these forward-looking statements. Factors that might cause such a difference include, but are not limited to: (1) general economic or real estate market conditions, either nationally or in the states in which Fifth Third, one or more acquired entities and/or the combined company do business, weaken or are less favorable than expected; (2) deteriorating credit quality; (3) political developments, wars or other hostilities may disrupt or increase volatility in securities markets or other economic conditions; (4) changes in the interest rate environment reduce interest margins; (5) prepayment speeds, loan origination and sale volumes, charge-offs and loan loss provisions; (6) Fifth Third’s ability to maintain required capital levels and adequate sources of funding and liquidity; (7) maintaining capital requirements and adequate sources of funding and liquidity may limit Fifth Third’s operations and potential growth; (8) changes and trends in capital markets; (9) problems encountered by larger or similar financial institutions may adversely affect the banking industry and/or Fifth Third; (10) competitive pressures among depository institutions increase significantly; (11) changes in customer preferences or information technology systems; (12) effects of critical accounting policies and judgments; (13) changes in accounting policies or procedures as may be required by the Financial Accounting Standards Board (FASB) or other regulatory agencies; (14) legislative or regulatory changes or actions, or significant litigation, adversely affect Fifth Third, one or more acquired entities and/or the combined company or the businesses in which Fifth Third, one or more acquired entities and/or the combined company are engaged, including the Dodd-Frank Wall Street Reform and Consumer Protection Act; (15) ability to maintain favorable ratings from rating agencies; (16) failure of models or risk management systems or controls; (17) fluctuation of Fifth Third’s stock price; (18) ability to attract and retain key personnel; (19) ability to receive dividends from its subsidiaries; (20) potentially dilutive effect of future acquisitions on current shareholders’ ownership of Fifth Third; (21) declines in the value of Fifth Third’s goodwill or other intangible assets; (22) effects of accounting or financial results of one or more acquired entities; (23) difficulties from Fifth Third’s investment in, relationship with, and nature of the operations of Vantiv Holding, LLC; (24) loss of income from any sale or potential sale of businesses (25) difficulties in separating the operations of any branches or other assets divested; (26) losses or adverse impacts on the carrying values of branches and long-lived assets in connection with their sales or anticipated sales; (27) inability to achieve expected benefits from branch consolidations and planned sales within desired timeframes, if at all; (28) ability to secure confidential information and deliver products and services through the use of computer systems and telecommunications networks; and (29) the impact of reputational risk created by these developments on such matters as business generation and retention, funding and liquidity.*

*You should refer to our periodic and current reports filed with the Securities and Exchange Commission, or “SEC,” for further information on other factors, which could cause actual results to be significantly different from those expressed or implied by these forward-looking statements.*

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