



## **Liquidity Coverage Ratio Disclosure**

**For the Quarter Ended**

**June 30, 2019**

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## **Introduction**

Fifth Third Bancorp (the “Bancorp” or “Fifth Third”) is a diversified financial services company headquartered in Cincinnati, Ohio and the indirect holding company of Fifth Third Bank (“the Bank”). As of June 30, 2019, Fifth Third had \$169 billion in assets and operates 1,207 full-service Banking Centers, and 2,551 Fifth Third branded ATMs in Ohio, Kentucky, Indiana, Michigan, Illinois, Florida, Tennessee, West Virginia, Georgia and North Carolina. In total, Fifth Third provides its customers with access to approximately 53,000 fee-free ATMs across the United States. Fifth Third operates four main businesses: Commercial Banking, Branch Banking, Consumer Lending, and Wealth & Asset Management. Fifth Third is among the largest money managers in the Midwest and, as of June 30, 2019, had \$399 billion in assets under care, of which it managed \$46 billion for individuals, corporations and not-for-profit organizations through its Trust and Registered Investment Advisory businesses. Investor information and press releases can be viewed at [www.53.com](http://www.53.com). Fifth Third’s common stock is traded on the NASDAQ® Global Select Market under the symbol “FITB.”

## **LCR Disclosures Overview**

The Liquidity Coverage Ratio (LCR) disclosures (“LCR Disclosure Report”) are required by the LCR rule issued by the Board of Governors of the Federal Reserve System. These disclosures provide information about Fifth Third’s liquidity coverage ratio, liquidity risk management, sources of liquidity and contractual obligations and commitments. These disclosures should be read in conjunction with our filing with the U.S. Securities and Exchange Commission – Quarterly Report on Form 10-Q for the three months ended June 30, 2019. The LCR Disclosure Report has not been audited by Fifth Third’s external auditors.

The financial information presented within this LCR Disclosure Report may differ from similar information presented in the Quarterly Report on Form 10-Q. Unless specified otherwise, all amounts and information within are presented in conformity with the definitions and requirements of the LCR rule.

## **Main Drivers of the LCR**

Fifth Third is subject to the Modified LCR requirement, which stipulates that Bank Holding Companies (BHCs) with at least \$50 billion but less than \$250 billion in total consolidated assets that are not internationally active, such as the Bancorp, maintain high quality liquid assets (HQLA) equal to their calculated net cash outflows over a 30 calendar-day stress period multiplied by a factor of 0.7. Under the LCR rule, BHCs subject to the Modified LCR are required to calculate their LCR on a monthly basis on the last business day of the calendar month.

HQLA includes certain types of liquid assets and investment securities that meet the criteria for HQLA set forth in the LCR rule. Our net cash outflows primarily relate to our deposits, wholesale borrowings and off-balance sheet commitments, and to a more limited extent, our derivatives activity. Each component is calculated by applying the prescribed outflow and inflow assumptions, as set forth in the LCR rule, to the various exposure types.

Our average LCR was 113% for the three months ended June 30, 2019. The prior quarter’s average LCR was 117%. The primary driver of the decrease was the full quarter impact of integrating outflows associated with MB Financial, Inc’s (“MB Financial”) funding sources. As this acquisition was closed on March 22, 2019, MB Financial impacted only one of Fifth Third’s monthly LCR calculations during the three months ended March 31, 2019. The impact of greater funding outflows was partially offset by greater Level 1 and Level 2A HQLA balances.

## LCR Quantitative Disclosure

Further, BHCs subject to the Modified LCR are required to calculate their disclosure amounts as simple averages of the components used to calculate their monthly LCR over the past quarter. The following table summarizes Fifth Third's LCR for the three months ended June 30, 2019:

Period: April 1, 2019 to June 30, 2019 <sup>(1)</sup>		Average Unweighted Amount <sup>(2)</sup>	Average Weighted Amount <sup>(3)</sup>
\$ in millions (unaudited)			
<b>HIGH-QUALITY LIQUID ASSETS</b>			
1	Total eligible high-quality liquid assets (HQLA), of which:	26,707	24,755
2	Eligible level 1 liquid assets	13,693	13,693
3	Eligible level 2A liquid assets	13,014	11,062
4	Eligible level 2B liquid assets	-	-
<b>CASH OUTFLOW AMOUNTS</b>			
5	Deposit outflow from retail customers and counterparties, of which:	78,752	5,170
6	Stable retail deposit outflow	52,464	1,574
7	Other retail funding outflow	19,678	1,970
8	Brokered deposit outflow	6,610	1,626
9	Unsecured wholesale funding outflow, of which:	42,814	15,470
10	Operational deposit outflow	20,449	4,909
11	Non-operational funding outflow	22,349	10,545
12	Unsecured debt outflow	16	16
13	Secured wholesale funding and asset exchange outflow	3,858	716
14	Additional outflow requirements, of which:	58,144	7,779
15	Outflow related to derivative exposures and other collateral requirements	520	372
16	Outflow related to credit and liquidity facilities including unconsolidated structured transactions and mortgage commitments	57,623	7,407
17	Other contractual funding obligation outflow	563	563
18	Other contingent funding obligations outflow	-	-
19	<b>TOTAL CASH OUTFLOW</b>	184,131	29,698
<b>CASH INFLOW AMOUNTS</b>			
20	Secured lending and asset exchange cash inflow	4	2
21	Retail cash inflow	765	382
22	Unsecured wholesale cash inflow	767	392
23	Other cash inflows, of which:	32	32
24	Net derivative cash inflow	18	18
25	Securities cash inflow	14	14
26	Broker-dealer segregated account inflow	-	-
27	Other cash inflow	-	-
28	<b>TOTAL CASH INFLOW</b>	1,568	808
			<b>Average Amount<sup>(4)</sup></b>
29	<b>HQLA AMOUNT<sup>(5)</sup></b>		<b>22,865</b>
30	<b>TOTAL NET CASH OUTFLOW AMOUNT EXCLUDING THE MATURITY MISMATCH ADD-ON</b>		<b>20,223</b>
31	<b>MATURITY MISMATCH ADD-ON</b>		<b>-</b>
32	<b>TOTAL NET CASH OUTFLOW AMOUNT</b>		<b>20,223</b>
33	<b>LIQUIDITY COVERAGE RATIO (%)</b>		<b>113%</b>

<sup>1</sup> The values shown represent the average of the month-end value for each month of the reported quarter

<sup>2</sup> Represents the amount before applying the HQLA haircuts and cash outflow and inflow rates as prescribed by the LCR rule

<sup>3</sup> Represents the amount after applying the HQLA haircuts and cash outflow and inflow rates as prescribed by the LCR rule

<sup>4</sup> The amounts reported in this column may not equal the calculation of those amounts reported in rows 1 – 28 due to technical factors such as the application of the Level 2 liquid asset caps, the total inflow cap, and for depository institution holding companies subject to subpart G, the application of the modification to total net cash outflows

<sup>5</sup> HQLA amount excludes eligible HQLA in excess of the Level 2 cap as prescribed by the LCR rule

## High Quality Liquid Assets Composition

HQLA consists of assets that can be readily converted into cash to meet liquidity needs during a 30 calendar-day stress period. The LCR classifies HQLA into three categories of assets: Level 1, Level 2A and Level 2B liquid assets. As set forth in the LCR rule, Level 1 liquid assets can be included in a Covered Company's eligible HQLA without haircuts or limits. Level 2A and 2B liquid assets are assigned haircuts of 0.85 and 0.50, respectively. The amount of Level 2 liquid assets (Level 2A and 2B liquid assets together) may not comprise more than 40% of a Covered Company's eligible HQLA. The amount of Level 2B liquid assets may not comprise more than 15% of a Covered Company's eligible HQLA.

Our HQLA primarily consists of unencumbered cash and high quality liquid investment securities. The average weighted amount of HQLA was \$22.9 billion for the three months ended June 30, 2019. Further, the average amount of Level 2 liquid assets excluded via the 40% limit was \$1.9 billion for the three months ended June 30, 2019.

Our eligible HQLA under the LCR rule does not include Fifth Third's secured borrowing capacity at the Federal Home Loan Bank of Cincinnati (FHLB) or the Federal Reserve Bank of Cleveland. As of June 30, 2019, Fifth Third's unused secured borrowing capacity at these entities totaled \$48.6 billion. In practice, Fifth Third could increase its HQLA, if needed, by borrowing against its secured capacity. However, Fifth Third's capacity at the Federal Reserve Bank of Cleveland is not viewed as a primary source of liquidity for routine business activity, but rather as a potential source of liquidity in a stressed environment.

## Total Net Cash Outflows Composition

Total net cash outflows are defined as the total expected cash outflows minus the total expected cash inflows during the 30 calendar-day stress period. Cash outflows and cash inflows are calculated by multiplying Fifth Third's unweighted funding, assets and obligations by prescribed rates set forth in the LCR rule. Inflows that can be included to offset outflows are limited to 75% of outflows to ensure a Covered Company maintains sufficient on-balance sheet liquidity. As detailed in the figure above, Fifth Third's largest average weighted cash outflows for the three months ended June 30, 2019 related to deposits and off-balance sheet lending commitments.

## Composition of Funding Sources

**Deposits:** Fifth Third has a stable and diversified deposit base made up of core consumer and wholesale customers that represent our primary source of funding. Deposits provide Fifth Third with a sizeable base of relatively stable and low-cost funding while reducing our reliance on wholesale funding sources. The majority of our deposits are retail and wholesale operational and non-operational deposits, both of which are considered to be stable sources of liquidity. For the three months ended June 30, 2019, Fifth Third had total average retail deposits of \$78.8 billion, resulting in average weighted cash outflows of \$5.2 billion. Also for the three months ended June 30, 2019, Fifth Third had total average wholesale operational deposits of \$20.4 billion, resulting in average weighted cash outflows of \$4.9 billion. Additionally, Fifth Third had total average wholesale non-operational deposits of \$22.3 billion, resulting in average weighted cash outflows of \$10.5 billion.

**Wholesale Funding:** Fifth Third utilizes various wholesale funding instruments to obtain liquidity. Short-term funding activity includes federal funds purchased, FHLB advances, repurchase agreements, and other short-term borrowings. Long-term funding consists primarily of unsecured debt issued from the Bancorp and the Bank and FHLB term advances at the Bank.

Utilization of wholesale funding is monitored through Fifth Third's funding and liquidity risk limit structure to ensure appropriate diversification across funding sources and maturity buckets.

## **Commitments**

The LCR requires Covered Companies to apply prescribed outflow rates against off-balance sheet obligations, such as consumer and commercial lending commitments. For the three months ended June 30, 2019, commercial lending commitments comprised the majority of our outflows related to credit and liquidity facilities.

## **Derivative Exposures**

Fifth Third uses derivative instruments primarily to facilitate customer activity to manage their interest rate, currency, commodity, and other market risk exposures. The Bancorp economically hedges the exposures related to these derivative contracts by entering into offsetting third-party contracts with major financial institutions with substantially matching terms.

In addition, Fifth Third uses derivative instruments to mitigate its market risk exposures, including, but not limited to, interest rate risk. Examples of derivative instruments that the Bancorp may use as part its risk management strategy include interest rate swaps, interest rate floors, interest rate caps, forward contracts, forward starting interest rate swaps, options, swaptions and to-be-announced securities.

The Bancorp's derivative contracts include certain contractual features in which the Bancorp requires the counterparties to provide collateral in the form of cash and securities to offset changes in the fair value of the derivatives. Derivative contracts with commercial customers are generally cross-collateralized with the Bancorp's underlying credit or loan and security agreements and attendant guaranty, if applicable.

For LCR purposes, Fifth Third's derivative exposures do not constitute a material portion of net outflows.

## **Liquidity Risk Management**

The goal of liquidity management is to provide adequate funds to meet changes in loan and lease demand, unexpected levels of deposit withdrawals and other contractual obligations. Mitigating liquidity risk is accomplished by maintaining liquid assets in the form of cash and investment securities, maintaining sufficient unused borrowing capacity in the debt markets and delivering consistent growth in core deposits.

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

The Bancorp's Asset Liability Management Committee (ALCO), which includes senior management representatives and is accountable to the Enterprise Risk Management Committee, monitors and manages liquidity and funding risk within the Board-approved risk tolerance and policy limits. In addition to the risk management activities of ALCO, the Bancorp has a Market Risk Management function that provides independent oversight of liquidity risk management, including the Bancorp's LCR.

## Forward-Looking Statements

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