FIFTH THIRD BANCORP
Form 10-K
February 24, 2014
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2013 ANNUAL REPORT

FINANCIAL CONTENTS

FORWARD-LOOKING STATEMENTS

This report contains statements that we believe are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Rule 175 promulgated thereunder, and Section 21E of the Securities Exchange Act of 1934, as amended, and Rule 3b-6 promulgated thereunder. These statements relate to our financial condition, results of operations, plans, objectives, future performance or business. They usually can be identified by the use of forward-looking language such as will likely result, may, are expected to, is anticipated, estimate, f projected, intends to, or may include other similar words or phrases such as believes, plans, trend, objective, remain, or similar expressions, or future or conditional verbs such as will, would, should, could, might, can verbs. When considering these forward-looking statements, you should keep in mind these risks and uncertainties, as well as any cautionary statements we may make. Moreover, you should treat these statements as speaking only as of the date they are made and based only on information then actually known to us. There are a number of important factors that could cause future results to differ materially from historical performance and these forward-looking statements. Factors that might cause such a difference include, but are not limited to: (1) general economic conditions and weakening in the economy, specifically the real estate market, either nationally or in the states in which Fifth Third, one or more acquired entities and/or the combined company do business, 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 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) effects of critical accounting policies and judgments; (12) changes in accounting policies or procedures as may be required by the Financial Accounting Standards Board (FASB) or other regulatory agencies; (13) 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; (14) ability to maintain favorable ratings from rating agencies; (15) fluctuation of Fifth Third s stock price; (16) ability to attract and retain key personnel; (17) ability to receive dividends from its subsidiaries; (18) potentially dilutive effect of future acquisitions on current shareholders ownership of Fifth Third; (19) effects of accounting or financial results of one or more acquired entities; (20) difficulties from Fifth Third s investment in or the results of operations of Vantiv, LLC; (21) loss of income from any sale or potential sale of businesses that could have an adverse effect on Fifth Third s earnings and future growth; (22) ability to secure confidential information and deliver products and services through the use of computer systems and telecommunications networks; and (23) the impact of reputational risk created by these developments on such matters as business generation and retention, funding and liquidity.

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GLOSSARY OF ABBREVIATIONS AND ACRONYMS

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

ALCO: Asset Liability Management Committee

ALLL: Allowance for Loan and Lease Losses

AOCI: Accumulated Other Comprehensive Income

ARM: Adjustable Rate Mortgage

ATM: Automated Teller Machine

BBA: British Bankers Association

BCBS: Basel Committee on Banking Supervision

BHC: Bank Holding Company

BOLI: Bank Owned Life Insurance

bps: Basis points

BPO: Broker Price Opinion

CapPR: Capital Plan Review

CCAR: Comprehensive Capital Analysis and Review

CD: Certificate of Deposit

CDC: Fifth Third Community Development Corporation

CFPB: United States Consumer Financial Protection Bureau

C&I: Commercial and Industrial

CPP: Capital Purchase Program

CRA: Community Reinvestment Act

IPO: Initial Public Offering

IRC: Internal Revenue Code

IRLC: Interest Rate Lock Commitment

IRS: Internal Revenue Service

ISDA: International Swaps and Derivatives Association, Inc.

LCR: Liquidity Coverage Ratio

LIBOR: London InterBank Offered Rate

LLC: Limited Liability Company

LTV: Loan-to-Value

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

MSR: Mortgage Servicing Right

N/A: Not Applicable

NASDAQ: National Association of Securities Dealers Automated Quotations

NII: Net Interest Income

NM: Not Meaningful

NPR: Notice of Proposed Rulemaking

NSFR: Net Stable Funding Ratio

OCC: Office of the Comptroller of the Currency

DCF: Discounted Cash Flow

DIF: Deposit Insurance Fund

ERISA: Employee Retirement Income Security Act

ERM: Enterprise Risk Management

ERMC: Enterprise Risk Management Committee

EVE: Economic Value of Equity

FASB: Financial Accounting Standards Board

FDIC: Federal Deposit Insurance Corporation

FHLB: Federal Home Loan Bank

FHLMC: Federal Home Loan Mortgage Corporation

FICO: Fair Isaac Corporation (credit rating)

FNMA: Federal National Mortgage Association

FRB: Federal Reserve Bank

FSOC: Financial Stability Oversight Council

FTAM: Fifth Third Asset Management, Inc.

FTE: Fully Taxable Equivalent

FTP: Funds Transfer Pricing

FTS: Fifth Third Securities

GNMA: Government National Mortgage Association

GSE: Government Sponsored Enterprise

HAMP: Home Affordable Modification Program

HARP: Home Affordable Refinance Program

HFS: Held for Sale

OCI: Other Comprehensive Income

OIS: Overnight Index Swap Rate

OREO: Other Real Estate Owned

OTTI: Other-Than-Temporary Impairment

PMI: Private Mortgage Insurance

RSAs: Restricted Stock Awards

SARs: Stock Appreciation Rights

SBA: Small Business Administration

SCAP: Supervisory Capital Assessment Program

SEC: United States Securities and Exchange Commission

TARP: Troubled Asset Relief Program

TBA: To Be Announced

TDR: Troubled Debt Restructuring

TruPS: Trust Preferred Securities

TSA: Transition Service Agreement

U.S.: United States of America

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

UST: United States Treasury

VaR: Value-at-Risk

VIE: Variable Interest Entity

VRDN: Variable Rate Demand Note

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

The following is MD&A of certain significant factors that have affected Fifth Third Bancorp s (the Bancorp or Fifth Third) financial condition and results of operations during the periods included in the Consolidated Financial Statements, which are a part of this filing. Reference to the Bancorp incorporates the parent holding company and all consolidated subsidiaries.

TABLE 1: SELECTED FINANCIAL DATA

For the years ended December 31 ($ in millions, except for per share data)		2013	2012	2011	2010	2009
Income Statement Data						
Net interest income(a)	$	**3,581**	3,613	3,575	3,622	3,373
Noninterest income		**3,227**	2,999	2,455	2,729	4,782
Total revenue(a)		**6,808**	6,612	6,030	6,351	8,155
Provision for loan and lease losses		**229**	303	423	1,538	3,543
Noninterest expense		**3,961**	4,081	3,758	3,855	3,826
Net income attributable to Bancorp		**1,836**	1,576	1,297	753	737
Net income available to common shareholders		**1,799**	1,541	1,094	503	511
Common Share Data						
Earnings per share, basic	$	**2.05**	1.69	1.20	0.63	0.73
Earnings per share, diluted		**2.02**	1.66	1.18	0.63	0.67
Cash dividends per common share		**0.47**	0.36	0.28	0.04	0.04
Book value per share		**15.85**	15.10	13.92	13.06	12.44
Market value per share		**21.03**	15.20	12.72	14.68	9.75
Financial Ratios (%)						
Return on average assets		**1.48 %**	1.34	1.15	0.67	0.64
Return on average common equity		**13.1**	11.6	9.0	5.0	5.6
Dividend payout ratio		**22.9**	21.3	23.3	6.3	5.5
Average Bancorp shareholders equity as a percent of average assets		**11.56**	11.65	11.41	12.22	11.36
Tangible common equity(b)		**8.63**	8.83	8.68	7.04	6.45
Net interest margin(a)		**3.32**	3.55	3.66	3.66	3.32
Efficiency(a)		**58.2**	61.7	62.3	60.7	46.9
Credit Quality						
Net losses charged off	$	**501**	704	1,172	2,328	2,581
Net losses charged off as a percent of average loans and leases(d)		**0.58 %**	0.85	1.49	3.02	3.20
ALLL as a percent of portfolio loans and leases		**1.79**	2.16	2.78	3.88	4.88
Allowance for credit losses as a percent of portfolio loans and leases(c)		**1.97**	2.37	3.01	4.17	5.27
Nonperforming assets as a percent of portfolio loans, leases and other assets, including other real estate owned(d)		**1.10**	1.49	2.23	2.79	4.22
Average Balances						
Loans and leases, including held for sale	$	**89,093**	84,822	80,214	79,232	83,391

Total securities and other short-term investments	**18,861**	16,814	17,468	19,699	18,135
Total assets	**123,732**	117,614	112,666	112,434	114,856
Transaction deposits[(e)]	**82,915**	78,116	72,392	65,662	55,235
Core deposits[(f)]	**86,675**	82,422	78,652	76,188	69,338
Wholesale funding[(g)]	**17,797**	16,978	16,939	18,917	28,539
Bancorp shareholders equity	**14,302**	13,701	12,851	13,737	13,053
Regulatory Capital Ratios (%)					
Tier I risk-based capital	**10.36 %**	10.65	11.91	13.89	13.30
Total risk-based capital	**14.08**	14.42	16.09	18.08	17.48
Tier I leverage	**9.64**	10.05	11.10	12.79	12.34
Tier I common equity[(b)]	**9.39**	9.51	9.35	7.48	6.99

*(a) Amounts presented on an FTE basis. The FTE adjustment for years ended **December 31, 2013**, 2012, 2011, 2010, and 2009 were **$20,** $18, $18, $18 and $19, respectively.*

(b) The tangible common equity and Tier I common equity ratios are non-GAAP measures. For further information, see the Non-GAAP Financial Measures section of the MD&A.

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

(d) Excludes nonaccrual loans held for sale.

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

(f) Includes transaction deposits plus other time deposits.

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

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

OVERVIEW

Fifth Third Bancorp is a diversified financial services company headquartered in Cincinnati, Ohio. At December 31, 2013, the Bancorp had $130.4 billion in assets, operated 17 affiliates with 1,320 full-service Banking Centers, including 104 Bank Mart® locations open seven days a week inside select grocery stores, and 2,586 ATMs in 12 states throughout the Midwestern and Southeastern regions of the U.S. The Bancorp reports on four business segments: Commercial Banking, Branch Banking, Consumer Lending and Investment Advisors. The Bancorp also has a 25% interest in Vantiv Holding, LLC. The carrying value of the Bancorp s investment in Vantiv Holding, LLC was $423 million as of December 31, 2013.

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

The Bancorp believes that banking is first and foremost a relationship business where the strength of the competition and challenges for growth can vary in every market. The Bancorp believes its affiliate operating model provides a competitive advantage by emphasizing individual relationships. Through its affiliate operating model, individual managers at all levels within the affiliates are given the opportunity to tailor financial solutions for their customers.

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

The Bancorp s revenues are dependent on both net interest income and noninterest income. For the year ended December 31, 2013, net interest income, on a FTE basis, and noninterest income provided 53% and 47% of total revenue, respectively. The Bancorp derives the majority of its revenues within the U.S. from customers domiciled in the United States. Revenue from foreign countries and external customers domiciled in foreign countries is immaterial to the Bancorp s Consolidated Financial Statements. Changes in interest rates, credit quality, economic trends and the capital markets are primary factors that drive the performance of the Bancorp. As discussed later in the Risk Management section, risk identification, measurement, monitoring, control and reporting are important to the management of risk and to the financial performance and capital strength of the Bancorp.

Net interest income is the difference between interest income earned on assets such as loans, leases and securities, and interest expense incurred on liabilities such as deposits, short-term borrowings and long-term debt. Net interest income is affected by the general level of interest rates, the relative level of short-term and long-term interest rates, changes in interest rates and changes in the amount and composition of interest-earning assets and interest-bearing liabilities. Generally, the rates of interest the Bancorp earns on its assets and pays on its liabilities are established for a period of

time. The change in market interest rates over time exposes the Bancorp to interest rate risk through potential adverse changes to net interest income and financial position. The Bancorp manages this risk by continually analyzing and adjusting the composition of its assets and liabilities based on their payment streams and interest rates, the timing of their maturities and their sensitivity to changes in market interest rates. Additionally, in the ordinary course of business, the Bancorp enters into certain derivative transactions as part of its overall strategy to manage its interest rate and prepayment risks. The Bancorp is also exposed to the risk of losses on its loan and lease portfolio as a result of changing expected cash flows caused by borrower credit events, such as loan defaults and inadequate collateral due to a weakened economy within the Bancorp s footprint.

Noninterest income is derived primarily from mortgage banking net revenue, service charges on deposits, corporate banking revenue, investment advisory revenue, card and processing revenue and other noninterest income. Noninterest expense is primarily driven by personnel costs, net occupancy expenses, and technology and communication costs.

Vantiv, Inc. Share Sales

The Bancorp s ownership position in Vantiv Holding, LLC was reduced in the second quarter of 2013 when the Bancorp sold an approximate five percent interest and recognized a $242 million gain. The Bancorp s ownership position was further reduced in the third quarter of 2013 when the Bancorp sold an approximate three percent interest and recognized an $85 million gain. The Bancorp s remaining approximate 25% ownership in Vantiv Holding, LLC continues to be accounted for as an equity method investment in the Bancorp s Consolidated Financial Statements and had a carrying value of $423 million as of December, 31, 2013.

As of December 31, 2013, the Bancorp continued to hold approximately 48.8 million Class B units of Vantiv Holding, LLC and a warrant to purchase approximately 20.4 million Class C non-voting units of Vantiv Holding, LLC, both of which may be exchanged for Class A Common Stock of Vantiv, Inc. on a one for one basis or at Vantiv, Inc. s option for cash. In addition, the Bancorp holds approximately 48.8 million Class B common shares of Vantiv, Inc. The Class B common shares give the Bancorp voting rights, but no economic interest in Vantiv, Inc. The voting rights attributable to the Class B common shares are limited to 18.5% of the voting power in Vantiv, Inc. at any time other than in connection with a stockholder vote with respect to a change in control in Vantiv, Inc. These securities are subject to certain terms and restrictions.

Redemption of TruPS

The Bancorp redeemed all $750 million of the outstanding TruPS issued by Fifth Third Capital Trust IV on December 30, 2013. For more information on the redemption of these instruments, see the Capital Management section of MD&A.

Accelerated Share Repurchase Transactions

During 2013 and 2012, the Bancorp entered into a number of accelerated share repurchase transactions. As part of these transactions, the Bancorp entered into forward contracts in which the final number of shares to be delivered at settlement was or will be based generally on a discount to the average daily volume-weighted average price of the Bancorp s common stock during the term of the Repurchase Agreement. For more information on the accounting for these instruments, see the Capital Management section of the MD&A. For a summary of all accelerated share repurchase transactions during 2013 and 2012 please refer to Table 2.

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

TABLE 2: SUMMARY OF ACCELERATED SHARE REPURCHASE TRANSACTIONS

Repurchase Date	Amount ($ in millions)	Shares Repurchased	Shares Received from Forward Contract Settlement	Settlement Date
April 26, 2012	$ 75	4,838,710	631,986	June 1, 2012
August 28, 2012	350	21,531,100	1,444,047	October 24, 2012
November 9, 2012	125	7,710,761	657,914	February 12, 2013
December 19, 2012	100	6,267,410	127,760	February 27, 2013
January 31, 2013	125	6,953,028	849,037	April 5, 2013
May 24, 2013	539	25,035,519	4,270,250	October 1, 2013
November 18, 2013	200	8,538,423	*(a)*	*(a)*
December 13, 2013	456	19,084,195	*(b)*	*(b)*
January 31, 2014	99	3,950,705	*(b)*	*(b)*

(a) The Bancorp expects the settlement of this transaction to occur on or before February 28, 2014.
(b) The Bancorp expects the settlement of these transactions to occur on or before March 26, 2014.

Preferred Stock Offerings and Conversion

During 2013, the Bancorp had two preferred stock offerings and converted the outstanding Series G preferred stock into Fifth Third common stock. A description of the preferred stock offerings and conversion is below. For more information, see Note 23 in the Notes to Consolidated Financial Statements.

As contemplated by the 2013 CCAR, on May 16, 2013 the Bancorp issued in a registered public offering 600,000 depositary shares, representing 24,000 shares of 5.10% fixed-to-floating rate non-cumulative Series H perpetual preferred stock, for net proceeds of $593 million. The Series H preferred shares are not convertible into Bancorp common shares or any other securities. On June 11, 2013, the Bancorp s Board of Directors authorized the conversion into common stock, no par value, of all outstanding shares of the Bancorp s 8.50% non-cumulative convertible perpetual preferred stock, Series G. On July 1, 2013, the Bancorp converted the remaining 16,442 outstanding shares of Series G preferred stock, which represented 4,110,500 depositary shares, into shares of Fifth Third s common stock. On December 9, 2013, the Bancorp issued, in a registered public offering, 18,000,000 depositary shares, representing 18,000 shares of 6.625% fixed-to-floating rate non-cumulative Series I perpetual preferred stock, for net proceeds of $441 million. The Series I preferred shares are not convertible into Bancorp common shares or any other securities.

Senior Notes and Subordinated Notes Offering