

FIFTH THIRD BANCORP  
Form 10-Q  
November 06, 2013  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF**  
**THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended September 30, 2013

Commission File Number 001-33653

(Exact name of Registrant as specified in its charter)

Ohio  
(State or other jurisdiction)

31-0854434  
(I.R.S. Employer)

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of incorporation or organization)

Identification Number)

Fifth Third Center

Cincinnati, Ohio 45263

(Address of principal executive offices)

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

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

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

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

There were 882,835,548 shares of the Registrant's common stock, without par value, outstanding as of October 31, 2013.

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**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, forecast, projected, intends to, or may include other similar words or phrases such as believes, plans, trend, objective, or similar expressions, or future or conditional verbs such as will, would, should, could, might, can, or similar verbs. You should not place reliance on these statements, as they are subject to risks and uncertainties, including but not limited to the risk factors set forth in our most recent Annual Report on Form 10-K. When considering these forward-looking statements, you should keep in mind these risks and uncertainties, as well as any cautionary statements we may make. Moreover, you should treat these statements as speaking only as of the date they are made and based only on information then actually known to us. There are a number of important factors that could cause future results to differ materially from historical performance and these forward-looking statements. Factors that might cause such a difference include, but are not limited to: (1) general economic 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;

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(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 the separation of 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 Condensed Consolidated Financial Statements and the Notes to Condensed Consolidated Financial Statements.

<b>ALCO:</b> Asset Liability Management Committee	<b>IPO:</b> Initial Public Offering
<b>ALLL:</b> Allowance for Loan and Lease Losses	<b>IRC:</b> Internal Revenue Code
<b>AOCI:</b> Accumulated Other Comprehensive Income	<b>IRLC:</b> Interest Rate Lock Commitment
<b>ARM:</b> Adjustable Rate Mortgage	<b>ISDA:</b> International Swaps and Derivatives Association, Inc.
<b>ATM:</b> Automated Teller Machine	<b>LCR:</b> Liquidity Coverage Ratio
<b>BCBS:</b> Basel Committee on Banking Supervision	<b>LIBOR:</b> London InterBank Offered Rate
<b>BHC:</b> Bank Holding Company	<b>LLC:</b> Limited Liability Company
<b>BOLI:</b> Bank Owned Life Insurance	<b>LTV:</b> Loan-to-Value
<b>bps:</b> Basis points	<b>MD&amp;A:</b> Management’s Discussion and Analysis of Financial Condition and Results of Operations
<b>BPO:</b> Broker Price Opinion	<b>MSR:</b> Mortgage Servicing Right
<b>CapPR:</b> Capital Plan Review	<b>N/A:</b> Not Applicable
<b>CCAR:</b> Comprehensive Capital Analysis and Review	<b>NII:</b> Net Interest Income
<b>CDC:</b> Fifth Third Community Development Corporation	<b>NM:</b> Not Meaningful
<b>CFPB:</b> United States Consumer Financial Protection Bureau	<b>NPR:</b> Notice of Proposed Rulemaking
<b>C&amp;I:</b> Commercial and Industrial	<b>NSFR:</b> Net Stable Funding Ratio
<b>DCF:</b> Discounted Cash Flow	<b>OCC:</b> Office of the Comptroller of the Currency
<b>ERISA:</b> Employee Retirement Income Security Act	<b>OCI:</b> Other Comprehensive Income
<b>ERM:</b> Enterprise Risk Management	<b>OIS:</b> Overnight Index Swap Rate
<b>ERMC:</b> Enterprise Risk Management Committee	<b>OREO:</b> Other Real Estate Owned

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**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

**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

**OTTI:** Other-Than-Temporary Impairment

**PMI:** Private Mortgage Insurance

**SBA:** Small Business Administration

**SCAP:** Supervisory Capital Assessment Program

**SEC:** United States Securities and Exchange Commission

**TBA:** To Be Announced

**TDR:** Troubled Debt Restructuring

**TruPS:** Trust Preferred Securities

**U.S.:** United States of America

**U.S. GAAP:** Generally Accepted Accounting Principles in the United States of America

**UST:** United States Treasury

**VaR:** Value-at-Risk

**VIE:** Variable Interest Entity

**VRDN:** Variable Rate Demand Note

**Table of Contents****Management's Discussion and Analysis of Financial Condition and Results of Operations (Item 2)**

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 Condensed 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**

(\$ in millions, except for per share data)	For the three months ended September 30,			For the nine months ended September 30,		
	2013	2012	% Change	2013	2012	% Change
<b>Income Statement Data</b>						
Net interest income <sup>(a)</sup>	\$ 898	907	(1)	\$ 2,675	2,709	(1)
Noninterest income	721	671	7	2,524	2,119	19
Total revenue <sup>(a)</sup>	1,619	1,578	3	5,199	4,828	8
Provision for loan and lease losses	51	65	(22)	176	227	(22)
Noninterest expense	959	1,006	(5)	2,972	2,918	2
Net income attributable to Bancorp	421	363	16	1,433	1,178	22
Net income available to common shareholders	421	354	19	1,415	1,152	23
<b>Common Share Data</b>						
Earnings per share, basic	\$ 0.47	0.39	21	\$ 1.62	1.26	29
Earnings per share, diluted	0.47	0.38	24	1.58	1.23	29
Cash dividends per common share	0.12	0.10	20	0.35	0.26	35
Book value per share	15.84	14.84	7	15.84	14.84	7
Market value per share	18.05	15.51	16	18.05	15.51	16
<b>Financial Ratios (%)</b>						
Return on average assets	1.35 %	1.23	10	1.57 %	1.34	17
Return on average common equity	12.1	10.4	15	13.9	11.6	20
Dividend payout ratio	25.5	25.6		21.6	20.6	5
Average Bancorp shareholders' equity as a percent of average assets	11.71	11.82	(1)	11.58	11.65	(1)
Tangible common equity <sup>(b)</sup>	9.27	9.10	2	9.27	9.10	2
Net interest margin <sup>(a)</sup>	3.31	3.56	(7)	3.35	3.58	(6)
Efficiency <sup>(a)</sup>	59.2	63.7	(7)	57.2	60.4	(5)
<b>Credit Quality</b>						
Net losses charged off	\$ 109	156	(31)	\$ 353	557	(37)
Net losses charged off as a percent of average loans and leases	0.49 %	0.75	(34)	0.54 %	0.90	(40)
ALLL as a percent of portfolio loans and leases	1.92	2.32	(17)	1.92	2.32	(17)
Allowance for credit losses as a percent of portfolio loans and leases <sup>(c)</sup>	2.11	2.53	(16)	2.11	2.53	(16)
Nonperforming assets as a percent of portfolio loans, leases and other assets, including other real estate owned <sup>(d)</sup>	1.16	1.73	(33)	1.16	1.73	(33)
<b>Average Balances</b>						
Loans and leases, including held for sale	\$ 89,154	84,829	5	\$ 89,170	84,367	6
Total securities and other short-term investments	18,528	16,588	12	17,452	16,829	4
Total assets	123,346	117,521	5	122,233	117,168	4
Transaction deposits <sup>(e)</sup>	83,245	77,498	7	81,962	77,418	6
Core deposits <sup>(f)</sup>	86,921	81,722	6	85,800	81,795	5

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Wholesale funding <sup>(g)</sup>	<b>16,924</b>	17,431	(3)	<b>17,369</b>	17,188	1
Bancorp shareholders equity	<b>14,440</b>					