



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, DC 20551

February 5, 2019

Mr. Greg D. Carmichael, CEO
Fifth Third Bancorp
38 Fountain Square Plaza
Cincinnati, OH 45263

Dear Mr. Carmichael:

Fifth Third Bancorp (“Fifth Third”) is subject to section 165 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”) and, accordingly, would be required to participate in supervisory and company-run stress tests in 2019.¹ For the reasons stated below, the Board is providing Fifth Third relief from all regulatory requirements, including disclosure requirements, related to supervisory stress testing and company-run stress testing for the 2019 stress test cycle and is providing related relief from certain capital planning and regulatory reporting requirements that would otherwise apply in the 2019 stress test cycle. In addition, as discussed in detail below, Fifth Third will not be required to submit a capital plan to the Board in 2019 or participate in the 2019 Comprehensive Capital Analysis and Review (“CCAR 2019”).²

I. Background

Section 165 of the Dodd-Frank Act, as enacted, directed the Board to establish enhanced prudential standards for bank holding companies with total consolidated assets of \$50 billion or more, including annual supervisory stress tests, and issue regulations requiring these bank

¹ Pub. L. No. 111-203, 124 Stat. 1376 (2010); see 12 CFR part 252, subparts E and F.

² Fifth Third remains subject to the requirement to develop and maintain a capital plan, and the board of directors of Fifth Third (or designated subcommittee thereof) remains subject to the requirement to review and approve the firm’s capital plan.

holding companies to conduct company-run stress tests (collectively, “stress test rules”).³ Pursuant to the Board’s stress test rules, the Board has conducted supervisory stress tests of bank holding companies with total consolidated assets of \$50 billion or more, and these bank holding companies are required to conduct annual and mid-cycle company-run stress tests.⁴ In conducting the supervisory stress tests, the Board projects balance sheets, risk-weighted assets, net income, and resulting post stress capital levels and regulatory capital ratios over a planning horizon under baseline, adverse, and severely adverse scenarios, incorporating capital action assumptions prescribed in the Board’s stress test rules.⁵ For the annual company-run stress tests, a bank holding company uses the same planning horizon, capital action assumptions, and baseline, adverse, and severely adverse scenarios used in the supervisory stress test.⁶

On May 24, 2018, Congress enacted the Economic Growth, Regulatory Relief, and Consumer Protection Act (“EGRRCPA”).⁷ EGRRCPA amended section 165 of the Dodd-Frank Act to increase the threshold for application of enhanced prudential standards to bank holding companies.⁸ Prior to eighteen months after the date of EGRRCPA’s enactment, the Board may exempt by order any bank holding company with total consolidated assets of less than \$250 billion from any prudential standard under section 165 of the Dodd-Frank Act.⁹

II. Relief from Board’s stress test rules for the 2019 stress test cycle

In prescribing more stringent prudential standards under section 165, including stress test requirements, the Board must differentiate among bank holding companies on an individual basis or by category, taking into consideration their capital structure, riskiness, complexity, financial

³ 12 CFR part 252, subparts E and F.

⁴ On July 6, 2018, the Board issued a statement regarding the impact of the Economic Growth, Regulatory Relief, and Consumer Protection Act. The Board announced that it will not take action to require bank holding companies with total consolidated assets greater than or equal to \$50 billion but less than \$100 billion to comply with the Board’s stress test rules. www.federalreserve.gov/newsevents/pressreleases/files/bcreg20180706b1.pdf.

⁵ See 12 CFR 252.44

⁶ See 12 CFR 252.54.

⁷ Pub. L. No. 115-174, 132 Stat. 1296 (2018).

⁸ Eighteen months after the date of EGRRCPA’s enactment, bank holding companies with total consolidated assets of less than \$250 billion will no longer be subject to section 165, provided that the Board may apply any enhanced prudential standard to a bank holding company with between \$100 billion and \$250 billion in total consolidated assets if the Board determines that application of the prudential standard is appropriate to prevent or mitigate risks to the financial stability of the United States, or to promote safety and soundness.

⁹ EGRRCPA § 401(d)(3). Pub. L. No. 115-174, 132 Stat. 1296 (2018).

activities (including the financial activities of their subsidiaries), size, and any other risk-related factors that the Board deems appropriate.¹⁰

In assessing a bank holding company's risk profile, the Board takes into consideration the company's size, scope of operations, activities, and systemic importance. Size provides a measure of the extent to which customers or counterparties may be exposed to a risk of loss or suffer a disruption in the provision of services if a bank holding company were to experience distress and can serve as an indicator of operational and managerial complexity. Nonbank assets may involve a broader range of risks than those associated with purely banking activities, and reflect the degree to which a firm may be engaged in activities through legal entities that are not subject to separate capital requirements or to the direct regulation and supervision applicable to a regulated banking entity. Other measures of risk include cross-jurisdictional activity, off-balance sheet exposure, and weighted short-term wholesale funding, which provide measures of a bank holding company's complexity, interconnectedness, and liquidity risk. As of September 30, 2018, Fifth Third reported total consolidated assets of \$141.1 billion, \$1.7 billion in nonbank assets, \$31.6 billion in off-balance sheet exposure,¹¹ \$9.8 billion in weighted short-term wholesale funding, and \$3.1 billion in cross-jurisdictional activity.

In assessing Fifth Third's risk profile, the Board also considered reports of examination and other supervisory information, including a review of Fifth Third's 2018 capital plan, the capital plan Fifth Third resubmitted on October 4, 2018 ("Resubmitted Capital Plan"),¹² Fifth Third's capital planning process, and the results of the Board's 2018 supervisory stress test and quantitative assessment of the Resubmitted Capital Plan, as well as other publicly reported information. In 2018, Fifth Third received notice that the Federal Reserve did not object to its 2018 capital plan or planned capital actions. Subsequently, on December 27, 2018, Fifth Third received notice that the Federal Reserve did not object to the Resubmitted Capital Plan.

Based on this information, the Board has determined by order, through this letter, to provide Fifth Third relief from the regulatory requirements of the Board's stress test rules for the

¹⁰ EGRRCPA § 401(a)(1)(B)(i) (to be codified at 12 U.S.C. § 5365(a)(2)(A)).

¹¹ Measured as total exposure, as defined on FR Y-15, minus total consolidated assets, as reported on the Consolidated Financial Statements for Holding Companies (FR Y-9C).

¹² By letter dated September 7, 2018, the Director of the Division of Supervision of Regulation, acting under authority delegated by the Board, determined that Fifth Third's planned acquisition of MB Financial, Inc., would likely result in a material change in Fifth Third's risk profile and corporate structure, and required Fifth Third to update and resubmit its capital plan.

2019 stress test cycle.¹³ Specifically, Fifth Third is not required to participate in the Board's supervisory stress test or conduct a company-run stress test for the 2019 stress test cycle.

III. Extension of 2019 capital plan submission requirement

Pursuant to the capital plan rule, Fifth Third is required to submit a capital plan to the Federal Reserve on an annual basis.¹⁴ Consistent with the relief described above, the Board is providing a one-year extension of the requirement to submit a capital plan until April 5, 2020.¹⁵ Fifth Third is not required to participate in CCAR 2019. Fifth Third remains subject to the requirement to develop and maintain a capital plan, and the board of directors of Fifth Third (or designated subcommittee thereof) must review and approve the firm's capital plan.¹⁶ The Federal Reserve will continue to review the capital planning and risk-management practices of Fifth Third through the regular supervisory process.

As noted above, Fifth Third received notice that the Federal Reserve did not object to the capital plan submitted in 2018 or to the Resubmitted Capital Plan, including distributions planned for the period beginning July 1, 2018, through June 30, 2019. As provided below, the amount of capital distributions that the Board is approving for the period beginning July 1, 2019, through June 30, 2020, is conditioned on whether Fifth Third consummates its planned merger with MB Financial, Inc., by June 30, 2019.¹⁷

In the case that Fifth Third does not consummate the merger with MB Financial, Inc., by June 30, 2019, Fifth Third is authorized to distribute, net of any issuance of capital, up to the sum of the following: (1) the additional capital the firm could have distributed in CCAR 2018 and remained above minimum requirements; plus (2) capital accretion, as measured by the change in its capital ratios since CCAR 2018; plus (3) its approved planned capital distributions for the period January 1, 2018, through June 30, 2019, as described in its original capital plan for CCAR

¹³ EGRRCPA § 401(d)(3). The Board's stress test rules also permit the Board to extend any deadline relating to company-run or supervisory stress testing. 12 CFR 252.3(b).

¹⁴ 12 CFR 225.8(e)(1)(ii).

¹⁵ Id.

¹⁶ 12 CFR 225.8(e)(1)(i), (iii).

¹⁷ Nothing in this letter should be construed as a determination by the Board on the pending application by Fifth Third to acquire MB Financial, Inc., Chicago, Illinois, pursuant to section 3 of the Bank Holding Company Act, and the related application by Fifth Third Bank to merge with MB Financial Bank, N.A., Chicago, Illinois, pursuant to section 18(c) of the Federal Deposit Insurance Act.

2018; minus (4) its actual capital distributions in the first quarter of 2019 and its planned capital distributions for the second quarter of 2019.¹⁸

If Fifth Third consummates the planned merger with MB Financial, Inc., by June 30, 2019, Fifth Third is authorized to distribute, net of any issuance of capital, up to the sum of the following: (1) the additional capital the firm could have distributed in the Federal Reserve's assessment of the Resubmitted Capital Plan and remained above minimum requirements; plus (2) capital accretion, as measured by the change in its capital ratios since CCAR 2018; plus (3) its approved planned capital distributions for the period January 1, 2018, through June 30, 2019, as described in the Resubmitted Capital Plan; minus (4) its actual capital distributions in the first quarter of 2019 and its planned capital distributions for the second quarter of 2019. For the purposes of this calculation, issuance of common stock will be net of any goodwill associated with the merger with MB Financial, Inc.

In addition, the Board is extending the deadline for submission of Schedule A – Summary, Schedule B – Scenario, and Schedule F – Business Plan Changes of the FR Y-14A until April 5, 2020.¹⁹ Fifth Third must continue to submit Schedule C – Regulatory Capital Instruments and Schedule E – Operational Risk of the FR Y-14A, as well as all FR Y-14M and FR Y-14Q reports.

Fifth Third must submit its planned capital actions for the period between July 1, 2019, through June 30, 2020, by April 5, 2019.²⁰ If Fifth Third chooses to submit a capital plan to the Board in the 2019 capital plan cycle notwithstanding the Board's approval of the additional capital distributions described above, Fifth Third must submit the capital plan to the Board by April 5, 2019, in accordance with the Board's capital plan rule, and the firm will be subject to a supervisory stress test by the Board, notwithstanding the relief provided in this letter.

The actions of the Board are based on the foregoing and all the facts of record. The actions should not be construed as granting relief from any other conditions or commitments to which Fifth Third may be subject, including regulatory capital requirements²¹ and any

¹⁸ This letter also constitutes approval under 12 CFR 217.20 for any repurchases or redemptions of capital instruments made by Fifth Third that are included in the amount of capital distributions approved as part of this order. Such repurchases or redemptions must be included on the firm's list of planned distributions provided to the Board by April 5, 2019.

¹⁹ 12 CFR 252.57(a)(1). If Fifth Third's capital plan includes any material business plan changes, it may be required to provide supplemental information on any of these changes. The Board may request additional information regarding Fifth Third's capital adequacy and capital planning. 12 CFR 225.8(e)(3).

²⁰ If Fifth Third wishes to make additional capital distributions beyond the amount approved under this letter, Fifth Third may submit a capital plan to the Board or submit a request to the Federal Reserve for approval to make such distributions before March 1, 2019, or after July 1, 2019. 12 CFR 225.8(g)(4).

²¹ See, e.g., 12 CFR 217.11.

requirements under the Board's stress test rules and related reporting requirements in the year 2020. Please contact Celeste Molleur at 202-452-2783 if you have questions.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Ann C. Misback", with a long horizontal flourish extending to the right.

Ann Misback
Secretary of the Board

cc: Jenni Frazer, Group Vice President
Tyler Burkle, Assistant Vice President
Federal Reserve Bank of Cleveland

Appendix: Details on Federal Reserve’s calculation of maximum approved planned capital actions for 2019

The Federal Reserve will use the following worksheet to compute the maximum planned capital distributions that Fifth Third can make from July 1, 2019, through June 30, 2020, without seeking approval from the Federal Reserve.

Worksheet for determining pre-approved 2019-2020 capital distributions, millions of dollars, if Fifth Third does not consummate its planned merger with MB Financial, Inc., by June 30, 2019

Line	Item	A	B	C	D
		CET1 capital ratio	Tier 1 risk-based capital ratio	Tier 1 leverage ratio	Total risk-based capital ratio
1.	CCAR 2018 distributable capital				
a.	Capital ratio as of 12/31/2018				
b.	Decline in capital ratio in CCAR 2018	5.1	4.8	4.2	4.9
c.	Minimum Requirement	4.5	6.0	4.0	8.0
d.	Capital ratio denominator as of 12/31/2018				
	Adjusted CCAR 2018 additional distributable capital				
2.	capital = ((1.a - 1.b - 1.c)*(1.d/100))				
3.	Planned capital actions				
a.	Planned capital actions PQ1-6 of CCAR 2018				
b.	Actual capital actions 2019:Q1				
c.	Approved planned capital actions 2019:Q2				
4.	2019:Q3 - 2020:Q2 capital distribution capacity = (2. + 3.a - 3.b - 3.c)				
5.	Maximum approved capital actions for 2019:Q3-2020:Q2				
a.	Net planned distributions from tier 2 capital = (4.D)				
b.	Net planned distributions from additional tier 1 capital = (Min (4.B, 4.C, 4.D - Net planned distributions from tier 2 capital))				
c.	Net planned distributions from CET1 capital = (Min (4.A, 4.B - net planned distributions from additional tier 1 capital, 4.C - net planned distributions from additional tier 1 capital, 4.D - net planned distributions from additional tier 1 and tier 2 capital))				

Worksheet for determining pre-approved 2019-2020 capital distributions, millions of dollars, if Fifth Third consummates its planned merger with MB Financial, Inc., by June 30, 2019

Line	Item	A	B	C	D
		CET1 capital ratio	Tier 1 risk-based capital ratio	Tier 1 leverage ratio	Total risk-based capital ratio
1.	Distributable capital in Resubmitted Capital Plan				
a.	Capital ratio as of 12/31/2018				
b.	Decline in capital ratio in Federal Reserve's assessment of Resubmitted Capital Plan				
c.	Minimum Requirement	4.5	6.0	4.0	8.0
d.	Capital ratio denominator as of 12/31/2018				
2.	Adjusted CCAR 2018 additional distributable capital = $((1.a - 1.b - 1.c) * (1.d / 100))$				
3.	Planned capital actions				
a.	Planned capital actions PQ1-6 of Resubmitted Capital Plan				
b.	Actual capital actions 2019:Q1				
c.	Approved planned capital actions 2019:Q2				
4.	2019:Q3 - 2020:Q2 capital distribution capacity = $(2. + 3.a - 3.b - 3.c)$				
5.	Maximum approved capital actions for 2019:Q3-2020:Q2				
a.	Net planned distributions from tier 2 capital = $(4.D)$				
b.	Net planned distributions from additional tier 1 capital = $(\text{Min}(4.B, 4.C, 4.D - \text{Net planned distributions from tier 2 capital}))$				
c.	Net planned distributions from CET1 capital = $(\text{Min}(4.A, 4.B - \text{net planned distributions from additional tier 1 capital}, 4.C - \text{net planned distributions from additional tier 1 capital}, 4.D - \text{net planned distributions from additional tier 1 and tier 2 capital}))$				

The Federal Reserve will complete the worksheet computing the maximum planned capital distributions that Fifth Third can make from July 1, 2019, through June 30, 2020, consistent with the following description of each line item:

Line 1. CCAR 2018 distributable capital. / Distributable capital in 2018 resubmitted capital plan.

This section includes the information necessary to determine the additional capital distributions that the firm could have made in CCAR 2018 and remained above minimum capital

requirements in the supervisory quantitative assessment, adjusted for the firm's updated starting capital ratios. The instructions for line 1.b. differ based on whether the firm consummates its planned merger with MB Financial, Inc., by June 30, 2019.

Line 1.a. Capital ratio as of 12/31/2018.

The regulatory capital ratios calculated using the standardized approaches as reported on the FR Y-9C as of December 31, 2018. Specifically, for line 1.a., column A, the common equity tier 1 capital ratio (BHCAP793); for line 1.a., column B, the Tier 1 capital ratio (BHCA7206); for line 1.a., column C, the Tier 1 leverage ratio (BHCA7204), and for line 1.a., column D, the total capital ratio (BHCA7205).

1.b. Decline in capital ratio in CCAR 2018. / Decline in capital ratio in Federal Reserve's assessment of resubmitted capital plan.

If the firm does not consummate its planned merger with MB Financial, Inc., by June 30, 2019: For each capital ratio, the decline in the capital ratio equals the starting capital ratio minus the minimum capital ratios in the CCAR 2018 supervisory quantitative assessment under the severely adverse scenario.

If the firm consummates its planned merger with MB Financial, Inc., by June 30, 2019: For each capital ratio, the decline in the capital ratio equals the starting capital ratio minus the minimum capital ratios in the supervisory quantitative assessment of the firm's resubmitted capital plan under the severely adverse scenario.

1.c. Minimum Requirement.

The applicable minimum requirement for each regulatory capital ratio. Specifically, for the line 1.c., column A, a 4.5 percent common equity tier 1 ratio; line 1.c., column B, a 6 percent tier 1 capital ratio; line 1.a., column C, a 4 percent tier 1 leverage ratio, and column D, an 8 percent total capital ratio.

1.d. Capital ratio denominator as of 12/31/2018.

The applicable denominator for each regulatory capital ratio using the standardized approaches as reported on the FR Y-9C as of December 31, 2018. Specifically, for line 1.d., column A, B, and D, total risk-weighted assets (BHCAA223) and for line 1.d, column C, total assets for the leverage ratio (BHCAA224). To align with the format of the FR Y-14A, this item is divided by 1,000 so as to be expressed in millions of dollars.

2. Adjusted CCAR 2018 additional distributable capital.

For each column equal to $(\text{Line 1.a} - \text{line 1.b} - \text{line 1.c}) * (\text{line 1.d}/100)$.

This is the amount of additional capital the firm could have distributed in CCAR 2018 or in any subsequent quantitative assessment conducted to evaluate a resubmitted capital plan and remained above minimum requirements.

3. Planned capital actions.

The capital ratio declines in line 1.b. include the effect of the firm's 2018 planned capital actions or the planned capital actions in the Resubmitted Capital Plan. The sum of the additional distributable capital calculated in line 2 and the firm's relevant 2018 planned capital actions comprise the maximum planned capital distributions that the firm can make for the 2019 capital plan cycle without seeking approval from the Federal Reserve.

Lines 3.a, 3.b, and 3.c adjust for any changes to the firm's planned capital actions for PQ1-6. The firm's PQ7-9 planned capital actions from its 2018 capital plan or Resubmitted Capital Plan are assumed to be representative of its 2019 PQ7-9 planned capital actions.

The instructions for lines 3.a., 3.b., and 3.c. differ based on whether the firm consummates its planned merger with MB Financial, Inc., by June 30, 2019.

For column A, common equity tier 1 planned capital actions are the sum of cash dividends declared on common stock (CPSK4460), cash dividends declared on preferred stock (CPSK4598), and total share repurchases (CPSDQ288) minus total issuance of common stock (CPSDQ285).²² In the case that the firm consummates its planned merger with MB Financial, Inc., issuance of common stock will be net of any goodwill associated with the merger, so only the amount of common stock issuance net of goodwill would be reflected.

For column B and C, tier 1 capital planned capital actions are the sum of common equity capital actions in column A plus the amount recognized in regulatory capital from redemption or repurchases of non-cumulative perpetual preferred stock (CACIY515) and other additional tier 1 instruments (CACIY527) minus issuance of non-cumulative perpetual preferred stock (CACIY544) and other additional tier 1 instruments (CACIY556).

For column D, total capital planned capital actions are the sum of tier 1 capital actions in columns B and C plus the amount recognized in regulatory capital from redemption or repurchases of subordinated debt (CACIY528), cumulative dated preferred (TRUPS) instruments (CACIY535), and tier 2 capital instruments issued by subsidiaries (CACIY529) minus issuance of subordinated debt (CACIY557), cumulative dated preferred (TRUPS) instruments (CACIY564), and tier 2 capital instruments issued by subsidiaries (CACIY558).

²² Fifth Third did not include the issuance associated with the planned merger in "total issuance of common stock" (CPSDQ285). Consequently, in the case that the firm consummates its planned merger with MB Financial, the Federal Reserve will incorporate the value of "sale of treasury stock" (CPSK4782). In its Resubmitted Capital Plan, Fifth Third projected \$1,079 million of sale of treasury stock in PQ5 of the severely adverse scenario.

3.a. Planned capital actions PQ1-6 of CCAR 2018. / Planned capital actions PQ1-6 of Resubmitted Capital Plan.

If the firm does not consummate its planned merger with MB Financial, Inc., by June 30, 2019: For each category of regulatory capital, this is the firm's planned capital actions for the first through sixth quarters of the CCAR 2018 planning horizon.

If the firm consummates its planned merger with MB Financial, Inc., by June 30, 2019: For each category of regulatory capital, this is the firm's planned capital actions for the first through sixth quarters of the planning horizon in the firm's Resubmitted Capital Plan as projected in the severely adverse scenario. As noted, issuance of common stock will be incorporated net of any goodwill associated with the planned merger.

3.b. Actual capital actions 2019:Q1.

The firm's actual capital actions taken in 2019:Q1 as reported on the FR Y-9C and FR Y-14. As noted, if the firm consummates its planned merger with MB Financial, Inc., by June 30, 2019, issuance of common stock will be incorporated net of any goodwill associated with the planned merger.

3.c. Approved planned capital actions 2019:Q2.

The firm's capital distributions already included in the capital plan from the prior year and not objected to by the Federal Reserve for that quarter, including any approved requests for additional planned capital distributions.

As noted, if the firm consummates its planned merger with MB Financial, Inc., by June 30, 2019, issuance of common stock will be incorporated net of any goodwill associated with the planned merger.

4. 2019:Q3 - 2020:Q2 capital distribution capacity.

For each column equal to Line 2. + line 3.a – line 3.b – line 3.c.

This amount represents the amount of capital above each minimum requirement that the firm could distribute and still remain adequately capitalized in the severely adverse scenario, based on the CCAR 2018 supervisory quantitative assessment.

5. Maximum approved capital actions for 2019:Q3 - 2020:Q2.

This section computes the maximum net planned distributions approved for each category of regulatory capital (i.e. common equity tier 1 capital, additional tier 1 capital, tier 2 capital) that the firm can make for the period 2019:Q3 through 2020:Q2 without seeking approval from the Federal Reserve. Each value is expressed in millions of dollars.

5.a. Net planned distributions from tier 2 capital.

Equal to line 4. Column D.

5.b. Net planned distributions from additional tier 1 capital.

Equal to the minimum of:

- line 4. Column B;
- line 4. Column C; and
- line 4. Column D – net planned distributions from tier 2 capital.

5.c. Net planned distributions from CET1 capital.

Equal to the minimum of:

- line 4. Column A;
- line 4. Column B – net planned distributions from additional tier 1 capital;
- line 4. Column C – net planned distributions from additional tier 1 capital; and
- line 4. Column D – net planned distributions from additional tier 1 capital and tier 2 capital.