

FIFTH THIRD BANCORP  
Form PRE 14A  
February 27, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**SCHEDULE 14A**

**PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES**

**EXCHANGE ACT OF 1934**

(AMENDMENT NO. )

Filed by the Registrant ☒ x

Filed by a Party other than the Registrant ☐ ..

**Check the appropriate box:**

- ☒ x Preliminary Proxy Statement
- ☐ .. CONFIDENTIAL, FOR USE OF THE COMMISSION ONLY (AS PERMITTED BY RULE 14a-6(e)(2))
- ☐ .. Definitive Proxy Statement
- ☐ .. Definitive Additional Materials
- ☐ .. Soliciting Material Pursuant to Section 240.14a-12

**FIFTH THIRD BANCORP**

(NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

(NAME OF PERSON(S) FILING PROXY STATEMENT, IF OTHER THAN THE REGISTRANT)

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☒ x No fee required.

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38 FOUNTAIN SQUARE PLAZA

CINCINNATI, OHIO 45263

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

March 8, 2012

To the Shareholders of Fifth Third Bancorp:

You are cordially invited to attend the Annual Meeting of the Shareholders of Fifth Third Bancorp to be held at the Regency Ballroom, located on the third floor of the Hyatt Regency Cincinnati, at 151 West 5<sup>th</sup> Street, Cincinnati, Ohio on Tuesday, April 17, 2012 at 11:30 a.m. for the purposes of considering and acting upon the following:

- (1) Election of all members of the Board of Directors to serve until the Annual Meeting of Shareholders in 2013.
  - (2) Approval of the appointment of the firm of Deloitte & Touche LLP to serve as the independent registered public accounting firm for the Company for the year 2012.
  - (3) The proposal described in the proxy statement to amend the Articles of Incorporation and Code of Regulations to provide for a majority voting standard for uncontested elections of directors unless cumulative voting is in effect. The proposed amendments are attached as Annex 1 to the Proxy Statement and are incorporated therein by reference.
  - (4) An advisory vote to approve the compensation of the Company's executives.
  - (5) An advisory vote to determine whether the shareholder vote on the compensation of the Company's executives will occur every 1, 2, or 3 years.
  - (6) Transaction of such other business that may properly come before the Annual Meeting or any adjournment thereof.
- Shareholders of record at the close of business on February 29, 2012 will be entitled to vote at the Annual Meeting.

**All shareholders who find it convenient to do so are invited to attend the Annual Meeting in person. In any event, please vote at your earliest convenience by signing and returning the proxy card you receive or by voting over the internet or by telephone.**

If you plan to attend the Annual Meeting:

Please note that space limitations make it necessary to limit attendance only to shareholders of the Company and the holders of shareholder proxies. Admission to the Annual Meeting will be on a first-come, first-served basis and will require presentation of a valid driver's license or other federal or state issued photo identification card. Shareholders of record should bring the admission ticket attached to their notice or proxy card in order to be admitted to the meeting. Street name shareholders will need to bring a copy of a brokerage statement reflecting stock ownership as of the record date in order to be admitted to the meeting. Registration and seating will begin at approximately 11:00 a.m. Communication and recording devices will not be permitted at the Annual Meeting. A copy of the regulations for conduct at the Annual Meeting is attached as Annex 2 to the proxy statement.

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If you have any questions or need assistance voting your shares, please call D.F. King & Co., Inc., which is assisting us, toll-free at 1-800-859-8508.

By Order of the Board of Directors

Paul L. Reynolds

*Secretary*

**FIFTH THIRD BANCORP**

**38 Fountain Square Plaza**

**Cincinnati, Ohio 45263**

**PROXY STATEMENT**

The Board of Directors of Fifth Third Bancorp (the "Company") is soliciting proxies for the Annual Meeting of Shareholders to be held at the Regency Ballroom, located on the third floor of the Hyatt Regency Cincinnati, at 151 West 5<sup>th</sup> Street, Cincinnati, Ohio on Tuesday, April 17, 2012 at 11:30 a.m. (the "Annual Meeting"). Each of the approximately [ ] shares of Common Stock outstanding on February 29, 2012 is entitled to one vote on all matters acted upon at the Annual Meeting. Each of the approximately 16,450 shares of the Company's 8.50% Non-Cumulative Perpetual Convertible Preferred Stock, Series G ("Series G Preferred Stock") outstanding on February 29, 2012 is entitled to one vote on Company Proposal 2 (item 3 on proxy card) only. Only share holders of record on the books of the Company at the close of business on February 29, 2012 will be entitled to vote at the Annual Meeting, either in person or by proxy. The shares represented by all properly executed proxies which are sent to the Company will be voted as designated and each not designated will be voted and counted as described in this proxy statement. Each person giving a proxy may revoke it by giving notice to the Company in writing or in open meeting at any time before it is voted.

The laws of Ohio under which the Company is incorporated provide that if notice in writing is given by any shareholder to the President, a Vice President, or the Secretary of the Company not less than forty-eight (48) hours before the time fixed for holding a meeting of shareholders for the purpose of electing Directors that such shareholder desires that the voting at such election shall be cumulative, and if an announcement of the giving of such notice is made upon the convening of the meeting by the Chairman or Secretary or by or on behalf of the shareholder giving such notice, each shareholder shall have the right to cumulate such voting power as he or she possesses in voting for Directors.

The expense of soliciting proxies will be borne by the Company. Proxies will be solicited principally by mail, but may also be solicited by the Directors, officers, and other regular employees of the Company, who will receive no compensation therefor in addition to their regular compensation. Brokers and others who hold stock on behalf of others will be asked to send proxy material to the beneficial owners of the stock, and the Company will reimburse them for their expenses.

The Company has retained D.F. King & Co., Inc., a proxy solicitation firm, to assist the Company in soliciting proxies. The Company anticipates that the costs of D.F. King's services will be approximately \$12,000.

The Annual Report of the Company for the year 2011, including financial statements, has been delivered or made available to all shareholders. Such report and financial statements are not a part of this proxy statement. This proxy statement and the form of proxy are first being sent or made available to shareholders on or about March 8, 2012.

**CERTAIN BENEFICIAL OWNERS**

Under Section 13(d) of the Securities Exchange Act of 1934, a beneficial owner of a security is any person who directly or indirectly has or shares voting power or investment power over such security. Such beneficial owner under this definition need not enjoy the economic benefit of such securities. There are no shareholders known to the Company to be deemed to be beneficial owners of 5% or more of the Common Stock of the Company as of February 29, 2012. The following are the only shareholders known to the Company to be deemed to be beneficial owners of 5% or more of the Series G Preferred Stock of the Company as of February 29, 2012:

	Name and address of	Percent
Title of Class	Beneficial Owner	Amount and Nature of Beneficial Ownership
Series G Preferred Stock	Wilmington Trust Company 1100 North Market St. Wilmington, Delaware 19801	16,450
		of Class
		100%

(1) Wilmington Trust Company is the registered owner of 16,450 shares of Series G Preferred Stock for the benefit of the holders of 4,112,500 Depositary shares, which Depositary shares represent 1/250th of an interest in a share of Series G Preferred Stock. The Company has been informed through Schedule 13F filings for the quarter ended December 31, 2011, that the following firms hold depositary shares representing an indirect interest in shares of the outstanding Series G preferred stock:

T. Rowe Price Associates, Inc. (739,500 depositary shares representing an indirect interest in

2,958 shares (17.98%) of the outstanding Series G preferred stock)

100 East Pratt Street

Baltimore, MD 21202-1009 US

Thornburg Investment Management, Inc. (717,500 depositary shares representing an indirect interest in 2,870 shares (17.45%) of the outstanding Series G preferred stock)

2300 North Ridgetop Road

Santa Fe, NM 87506-8361 US

Zazove Associates LLC (629,380 depositary shares representing an indirect interest in

2,517.52 shares (15.30%) of the outstanding Series G preferred stock)

1001 Tahoe Boulevard

Incline Village, NV 89451-9309 US

Oaktree Capital Management LP (330,380 depositary shares representing an indirect interest in 1,321.52 shares (8.03%) of the outstanding Series G preferred stock)

333 South Grand Avenue 28th floor

Los Angeles, CA 90071-1504 US

Columbia Management Investment Advisers LLC (288,149 depositary shares representing an

indirect interest in 1,152.60 shares (7.01%) of the outstanding Series G preferred stock)

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225 Franklin Street

Boston, MA 02110-2804 US

Lord Abbett & Co. LLC (224,025 depositary shares representing an indirect interest in

896.10 shares (5.45%) of the outstanding Series G preferred stock)

90 Hudson Street

Jersey City, NJ 07302-3900 US

Camden Asset Management LP (215,794 depositary shares representing an indirect interest in

863.18 shares (5.25%) of the outstanding Series G preferred stock)

2029 Century Park East Suite 2010

Los Angeles, CA 90067-2929 US

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**ELECTION OF DIRECTORS**

(Item 1 on Proxy Card)

In accordance with the Company's Code of Regulations, Directors are elected annually to a one (1) year term expiring at the next Annual Meeting of Shareholders. The terms of the Directors listed below expire at the Annual Meeting on April 17, 2012 and constitute the nominees to be elected to serve until the Annual Meeting of Shareholders in 2013. Any vacancies that occur after the Directors are elected may be filled by the Board of Directors in accordance with law for the remainder of the full term of the vacant directorship.

Director candidates are nominated by the Company's Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee's Charter directs the Committee to investigate and assess the background and skills of potential candidates and to maintain an active file of suitable candidates for directors. The Nominating and Corporate Governance Committee utilizes its pool of existing subsidiary and affiliate directors as well as the significant network of business contacts of its existing directors and executive management as the primary pipeline from which its Director candidates are identified. The Company also retains Heidrick & Struggles International, Inc. to aid it in identifying potential Director candidates. Upon identifying a candidate for serious consideration, one or more members of the Nominating and Corporate Governance Committee initially interviews such candidate. If the candidate merits further consideration, the candidate subsequently interviews with all other Committee members (individually or as a group), meets the Company's Chief Executive Officer and other Executive Officers and ultimately meets many of the other Directors. The Nominating and Corporate Governance Committee elicits feedback from all persons who meet the candidate and then determines whether or not to nominate the candidate.

The Company's Corporate Governance Guidelines set forth the following criteria for Directors: independence (in order to compose a Board of Directors that has a majority of its members who are independent); highest personal and professional ethics and integrity; willingness to devote sufficient time to fulfilling duties as a Director; impact on the diversity of the Board's overall experience in business, government, education, technology and other areas relevant to the Company's business; impact on the diversity of the Board's composition in terms of age, skills, ethnicity and other factors relevant to the Company's business; and number of other public company boards on which the candidate may serve (generally, should not be more than three public company boards in addition to the Company). The Company's Corporate Governance Guidelines provide that shareholders may propose nominees by submitting the names and qualifications of such persons to the Nominating and Corporate Governance Committee no later than December 31 of each year. Submissions are to be addressed to the Nominating and Corporate Governance Committee at the Company's executive offices, which submissions will then be forwarded to the Committee. The Nominating and Corporate Governance Committee would then evaluate the possible nominee using the criteria outlined above and would consider such person in comparison to all other candidates. The Nominating and Corporate Governance Committee is not obligated to nominate any such individual for election. No such shareholder nominations have been received by the Company for this Annual Meeting. Accordingly, no rejections or refusals of such candidates have been made by the Company.

The Nominating and Corporate Governance Committee of the Board of Directors has nominated for election as Directors the following fourteen (14) persons: Darryl F. Allen, B. Evan Bayh, Ulysses L. Bridgeman, Jr., Emerson L. Brumback, James P. Hackett, Gary R. Heminger, Jewell D. Hoover, William M. Isaac, Kevin T. Kabat, Mitchel D. Livingston, Ph.D., Michael B. McCallister, Hendrik G. Meijer, John J. Schiff, Jr., and Marsha C. Williams. Unless instructed otherwise, it is the intention of the persons named in the Proxy to vote for the election of all nominees named. If any nominee(s) shall be unable to serve, which is not now contemplated, the proxies will be voted for such substitute nominee(s) as the Nominating and Corporate Governance Committee of the Board of Directors recommends. Proxies in the form solicited hereby which are returned to the Company will be voted in favor of the fourteen (14) nominees specified above unless otherwise instructed by the shareholder. Shares not voted by brokers and other entities holding shares on behalf of beneficial owners will not be counted and will have no effect on the outcome of the election in accordance with Ohio law and the Company's Articles of Incorporation and Code of Regulations.



Under Ohio law and the Company's Articles of Incorporation and Code of Regulations, those persons receiving the fourteen (14) highest totals of votes cast in the election will be elected as directors. The Company has, however, adopted provisions of its Corporate Governance Guidelines stating that, as long as cumulative voting is not in effect, in an uncontested election of Directors (i.e., an election where the only nominees are those recommended by the Board of Directors), any nominee for Director who receives a greater number of votes withheld from his or her election than votes for his or her election will promptly tender his or her resignation to the Chairman of the Board following certification of the shareholder vote. The Nominating and Corporate Governance Committee will promptly consider the tendered resignation and will recommend to the Board whether to accept or reject the tendered resignation no later than 60 days following the date of the shareholders' meeting at which the election occurred. In considering whether to accept or reject the tendered resignation, the Nominating and Corporate Governance Committee will consider factors deemed relevant by the Committee members including, without limitation, the Director's length of service, the Director's particular qualifications and contributions to Fifth Third, the reasons underlying the majority withheld vote (if known) and whether these reasons can be cured, and compliance with stock exchange listing standards and the Corporate Governance Guidelines. The Board will act on the Nominating and Corporate Governance Committee's recommendation no later than 90 days following the date of the shareholders' meeting at which the election occurred. In considering the Nominating and Corporate Governance Committee's recommendation, the Board will consider the factors considered by the Committee and such additional information and factors the Board believes to be relevant.

The following tables set forth information with respect to each Director nominee for election at the Annual Meeting including their business experience, share holdings and qualifications as a Director of the Company. The Board of Directors has determined that all Directors have met the independence standards of Rule 4200(a)(15) of the National Association of Securities Dealers listing standards with the exception of Mr. Kabat.

Name, Age and Principal Occupation During the Past Five Years <i>Nominees for Election as Directors:</i>	Director Since	Shares of Company Common Stock Beneficially Owned on December 31, 2011 <sup>(1)</sup>	
		Number <sup>(2)</sup>	Percent of Class
<b>DARRYL F. ALLEN</b> , 68, is the retired Chairman, CEO and President of Aeroquip-Vickers, Inc., formerly known as Trinova Corporation, a manufacturer and distributor of engineered components for industry, automotive, aerospace and defense. Manager of Allen Ventures, LLC. Former Director of Milacron Inc.	1997	43,456	.0047%

As a certified public accountant, Mr. Allen brings a wealth of financial expertise to the Board. Mr. Allen also possesses practical business experience as the former CFO and then CEO of a Fortune 500 manufacturing company. He has a great knowledge of banking through five years of board service with another bank and intimate knowledge of the Company through his experience as a director of one of the Company's banking affiliates in Northwestern Ohio.

<b>B. EVAN BAYH III</b> , 56, is a Partner for the law firm McGuireWoods LLP and a senior advisor to the private equity firm Apollo Global Management. Mr. Bayh also served in the United States Senate for twelve years and served as the Governor of Indiana for eight years.	2011	4,215	.0005%
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For two decades, first as Governor of Indiana and then in the United States Senate, Mr. Bayh dealt with a variety of financial, economic and policy issues that impact a wide variety of businesses. He had supervisory authority over thousands of employees and oversaw a budget in excess of \$10 billion. As a member of the Senate Banking Committee and Chairman of the International Trade and Finance Subcommittee, Mr. Bayh gained perspective on issues of particular relevance to Fifth Third Bancorp.

<b>ULYSSES L. BRIDGEMAN, JR.</b> , 58, is the owner and president of B.F. Companies which operates a number of Wendy's Old Fashioned Hamburger restaurants and Chili's restaurants. Mr. Bridgeman is a director of Jackson Hewitt Tax Service Inc.	2007	26,847	.0029%
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Mr. Bridgeman brings entrepreneurial business knowledge and experience to the Board through his ownership and operation of a restaurant franchisee with 300 locations in 11 states. He also has intimate knowledge of the Company through his experience as a director of one of the Company's banking affiliates in Louisville, Kentucky.

Name, Age and Principal Occupation During the Past Five Years	Director Since	Shares of Company Common Stock Beneficially Owned on December 31, 2011 <sup>(1)</sup>	
		Number <sup>(2)</sup>	Percent of Class
<b>EMERSON L. BRUMBACK</b> , 60, Retired President & COO of M&T Bank. Former director of M&T Bank Corporation. Mr. Brumback possesses a vast amount of knowledge regarding banking through his 30+ years of experience in the financial services industry with several banking organizations including the Buffalo branch of the Federal Reserve Bank of New York. He has gained valuable insight through his experience in executive positions overseeing many aspects of the banking field including retail banking, commercial banking, banking operations and systems. He also brings his experience as a board member with another financial services company.	2009	24,638	.0027%
<b>JAMES P. HACKETT</b> , 56, President, CEO and Director of Steelcase Inc., a manufacturer of office systems. Trustee of The Northwestern Mutual Life Insurance Company. Mr. Hackett's knowledge and experience in leading a large global organization are valuable attributes for his service as a Director. He also possesses skills in building a lean manufacturing environment and has directed the innovation of legacy businesses and practices. Mr. Hackett also brings his knowledge and experience of the financial services industry gained from his position as a Director of a large insurance company and a predecessor banking organization.	2001	47,309	.0051%
<b>GARY R. HEMINGER</b> , 58, President and CEO of Marathon Petroleum Corporation. Mr. Heminger possesses valuable business knowledge gained from his responsibilities in overseeing all operations, performance, reporting and financial metrics for Marathon's refining, marketing transportation and Speedway business and has financial experience through his oversight of all financial data, working capital, and merger and acquisition activity.	2006	29,294	.0032%

Name, Age and Principal Occupation During the Past Five Years	Director Since	Shares of Company Common Stock Beneficially Owned on December 31, 2011 <sup>(1)</sup>	
		Number <sup>(2)</sup>	Percent of Class
<b>JEWELL D. HOOVER</b> , 63, Principal and bank consultant with Hoover and Associates, LLC and author of the Ultimate Guide for Bank Directors. Ms. Hoover is a former director of First Charter Corporation.	2009	22,603	.0025%

Ms. Hoover's qualifications for service as a Director of the Company include 28 years of service with the Office of the Comptroller of the Currency- including service as the Deputy Comptroller of the agency's Western District. She also has gained valuable banking experience and knowledge as a bank consultant for corporate governance, director training and problem bank resolution matters. Additionally, she has first-hand knowledge of the Company through her service as a director of its North Carolina affiliate and a predecessor banking organization.

<b>WILLIAM M. ISAAC</b> , 68, Chairman of Fifth Third Bancorp and Senior Managing Director of FTI Consulting as well as Chairman of Isaac Property Companies. Director of BankCap Investment Fund.	2010	37,316	.0040%
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Mr. Isaac's banking experience spans 40+ years of service in roles such as lawyer, consultant, regulator, and director. Mr. Isaac also served for nearly eight years on the board of the Federal Deposit Insurance Corporation, holding the title of Chairman for nearly five of those years.

<b>KEVIN T. KABAT</b> , 55, Chief Executive Officer of the Bancorp since April 2007 and President of the Bancorp since June 2006. Previously, Mr. Kabat was Executive Vice President of the Bancorp since December 2003. Prior to that he was President and CEO of Fifth Third Bank (Michigan) since April 2001. Director of Unum Group.	2007	1,735,121	.1875%
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Mr. Kabat brings valuable insight and knowledge to the Board due to his service as its President and Chief Executive Officer. Mr. Kabat also has gained valuable banking knowledge from his years of service in the financial services industry, including his leadership of a predecessor banking organization and his service on the board of a large insurance company.

Name, Age and Principal Occupation During the Past Five Years	Director Since	Shares of Company Common Stock Beneficially Owned on December 31, 2011 <sup>(1)</sup>	
		Number <sup>(2)</sup>	Percent of Class
<b>DR. MITCHEL D. LIVINGSTON</b> , 67, Vice President for Student Affairs and Chief Diversity Officer, University of Cincinnati since July 2007. Formerly, Dr. Livingston was Vice President for Student Affairs, University of Cincinnati.	1997	49,952	.0054%

Dr. Livingston's qualifications for Board service include 40 years of management experience in large, complex organizations with hundreds of employees under his supervision as well as his management of multi-million dollar budgets. He has extensive educational experiences in financial matters and the banking industry in particular and has served on the boards of other corporations and community affairs organizations.

<b>MICHAEL B. MCCALLISTER</b> , 59, is the Chairman of the Board of Directors and Chief Executive Officer of Humana Inc. He was elected Chief Executive Officer and a board member in February 2000, and was elected Chairman of the Board in August 2010. Mr. McCallister joined Humana in June 1974.	2011	0	0%
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As a 38-year veteran of the company, Mr. McCallister brings an unparalleled depth of experience in the health care sector combined with an intimate knowledge of Humana's operational, financial and strategic development. Beyond Humana, Mr. McCallister plays a leadership role in key business advocacy organizations. He is on the board of the Business Roundtable and is the past chairman of the organization's Health and Retirement Task Force. He is also a member of the board of directors of America's Health Insurance Plans, the health benefits industry's primary trade association.

<b>HENDRIK G. MEIJER</b> , 60, Co-Chairman, Director and CEO of Meijer, Inc., and its affiliates, a food and general merchandise retailer with 197 supercenters located in Michigan, Ohio, Indiana, Illinois and Kentucky.	2001	70,067	.0076%
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Mr. Meijer has extensive business knowledge and experience gained through his position as the CEO of a company with more than 60,000 employees and 200 retail and wholesale locations that competes successfully with the largest retailers in the United States. Mr. Meijer also has valuable banking knowledge through his service as a director of a predecessor banking organization.

Name, Age and Principal Occupation During the Past Five Years	Director Since	Shares of Company Common Stock Beneficially Owned on December 31, 2011 <sup>(1)</sup>	
		Number <sup>(2)</sup>	Percent of Class
<b>JOHN J. SCHIFF, JR.</b> , 68, Chairman of the Executive Committee, Director and former CEO of Cincinnati Financial Corporation. Former Chairman of John J. & Thomas R. Schiff & Co., Inc., an insurance agency. Director of Standard Register Co. and former director of Cinergy Corp.	1983	553,341	.0599%

Mr. Schiff brings extensive knowledge of the financial services industry with a specialty in insurance and investment operations as well as valuable knowledge of the Company through his tenure on its Board of Directors.

<b>MARSHA C. WILLIAMS</b> , 60, retired Senior Vice President and Chief Financial Officer of Orbitz Worldwide, Inc. from July 2007 through December 31, 2010. From 2002 to 2007, Ms. Williams served as Executive Vice President and Chief Financial Officer of Equity Office Properties Trust, the nation's largest owner and operator of office buildings. Supervisory Director of Chicago Bridge & Iron Company N.V. and Director of Modine Manufacturing Company and the Davis Funds.	2008	20,679	.0022%
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Ms. Williams' qualifications for Director include her extensive experience in financial matters including 38 years in finance and her service as the Chief Financial Officer of Orbitz and Equity Office Properties Trust as well as her service on the board of directors of other publicly traded corporations and mutual funds. Ms. Williams also possesses knowledge and experience in the financial services industry through her 15 years of service with other banking organizations.

All Directors and Executive Officers as a Group (26 persons)		6,071,355	.654%
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- (1) As reported to Fifth Third Bancorp by the Directors as of the date stated. Includes shares held in the name of spouses, minor children, certain relatives, trusts, estates and certain affiliated companies as to which beneficial ownership may be disclaimed. None of the Company's current Executive Officers or Directors own any Series G Preferred Stock or any Depositary Shares representing interests therein.
- (2) The amounts shown represent the total shares owned outright by such individuals together with shares which are issuable upon the exercise of currently exercisable (or exercisable within 60 days), but unexercised, stock options and stock appreciation rights. Specifically, the following individuals have the right to acquire the shares indicated after their names, upon the exercise of stock options and stock appreciation rights, respectively: Mr. Allen, 5,000 and 5,000; Mr. Bridgeman, 500 and 1,000; Mr. Hackett, 5,000 and 5,000; Mr. Heminger, 500 and 500; Ms. Hoover, 0 and 250; Mr. Kabat, 110,000 and 1,230,126; Dr. Livingston, 5,000 and 5,000; Mr. Meijer, 5,000 and 5,000; and Mr. Schiff, 5,000 and 5,000. The aggregate number of shares issuable upon the exercise of currently exercisable (or exercisable within 60 days), but unexercised, stock options and stock appreciation rights held by the Executive Officers who are not also Directors or nominees is 2,573,185.



## **BOARD OF DIRECTORS, ITS COMMITTEES, MEETINGS AND FUNCTIONS**

The Board of Directors of the Company met eleven (11) times during 2011. The Company's Board of Directors also regularly holds executive sessions of those members of the Board of Directors who meet the then current standards of independence. The chairman at these executive sessions is the Chairman of the Nominating and Corporate Governance Committee, who serves as the Lead Director of the Board. The position duty statement for the Lead Director may be found in the Corporate Governance Section of the Company's website at [www.53.com](http://www.53.com).

No member of the Board of Directors of the Company attended less than 75% of the aggregate meetings of the Board of Directors and all committees on which such Director served during 2011.

Neither the Board nor the Nominating and Corporate Governance Committee has implemented a formal policy regarding Director attendance at the Annual Meeting. Typically, the Board holds its annual organizational meeting directly following the Annual Meeting, which results in most directors being able to attend the Annual Meeting. In 2011, all of the Directors attended the Annual Meeting.

In 2011, there were six (6) committees of the Board of Directors: Audit, Human Capital & Compensation, Finance, Nominating and Corporate Governance, Risk and Compliance, and Trust.

The Audit Committee of the Company serves in a dual capacity as the Audit Committee of the Company and Fifth Third Bank. Twelve (12) meetings of this Committee were held during 2011. This Committee's functions include the engagement of the independent registered public accounting firm, reviewing with that firm the plans and results of the audit engagement of the Company, approving the annual audit plan and reviewing the results of the procedures for internal auditing, reviewing the independence of the independent registered public accounting firm, reviewing the Company's financial results and periodic Securities and Exchange Commission filings, reviewing the design and effectiveness of the Company's internal controls and similar functions and approving all auditing and non-auditing services performed by its independent registered public accounting firm. Another function of this Committee is to carry out the statutory requirements of a bank audit committee as prescribed under applicable law. The Board of Directors has adopted a written charter for the Audit Committee, which may be found in the Corporate Governance Section of the Company's website at [www.53.com](http://www.53.com). The Audit Committee members for 2011 were Darryl F. Allen, Emerson L. Brumback, Jewell D. Hoover and Marsha C. Williams. All members of the Audit Committee met the independence standards of Rule 4200(a)(15) and the audit committee qualifications of Rule 4350(d)(2) of the National Association of Securities Dealers listing standards. The Board of Directors has determined that Darryl F. Allen and Marsha C. Williams are audit committee financial experts for the Company and are independent as described in the preceding sentence. The formal report of the Audit Committee with respect to the year 2011 begins on page 51 herein.

The Company has a Human Capital & Compensation Committee comprised entirely of independent Directors. Executive compensation and equity plan allocations are determined by this Committee of the Board of Directors. The Board of Directors has adopted a Human Capital & Compensation Committee Charter which may be found in the Corporate Governance Section of the Company's website at [www.53.com](http://www.53.com). This Committee consisted of Emerson Brumback, Gary R. Heminger, Mitchel D. Livingston, Ph.D., and Hendrik G. Meijer and met nine (9) times during 2011. The formal report of the Compensation Committee with respect to 2011 compensation begins on page 49 herein.

The Finance Committee of the Company served in a dual capacity as the Finance Committee of the Company and Fifth Third Bank. The Finance Committee met seven (7) times in 2011 and consisted of Emerson Brumback, James P. Hackett, Gary R. Heminger, William M. Isaac and Kevin Kabat. The Board of Directors have adopted a Finance Committee Charter which may be found in the Corporate Governance Section of the Company's website at [www.53.com](http://www.53.com).



The Company has a Nominating and Corporate Governance Committee comprised entirely of independent Directors. This Committee: 1) develops and recommends to the Board corporate governance policies and guidelines for the Company and for the identification and nomination of Director and committee member candidates and 2) nominates Directors for election to the Board and appointment to committee membership. The Board of Directors has adopted a Nominating and Corporate Governance Committee Charter which may be found in the Corporate Governance Section of the Company's website at [www.53.com](http://www.53.com). This Committee consisted of Darryl F. Allen, Ulysses L. Bridgeman, Jr., James P. Hackett and Marsha C. Williams and met three (3) times during 2011.

The Company's Risk and Compliance Committee serves in a dual capacity as the Risk and Compliance Committee of the Company and the Bank. The Committee oversees management's compliance with all of the Company's regulatory obligations arising under applicable federal and state banking laws, rules and regulations, including any terms and conditions required from time to time by any action, formal or informal, of any federal or state banking regulatory agency or authority and any responses of management to any inquiries from any applicable banking regulator, and oversees management's implementation and enforcement of the Company's risk management policies and procedures. The Board of Directors has adopted a Risk and Compliance Committee Charter which may be found in the Corporate Governance Section of the Company's website at [www.53.com](http://www.53.com). This Committee met eleven (11) times in 2011 and consisted of B. Evan Bayh, Ulysses L. Bridgeman, Jr., Jewell D. Hoover, Hendrik G. Meijer and Marsha C. Williams.

The Company has a Trust Committee which serves in a dual capacity as the Trust Committee of the Company and the Bank. The Committee reviews the fiduciary activities of the Bank and, more generally, oversees the structure for fiduciary activities for each of the Company's subsidiary banks, including the Bank. In this regard, the Committee has responsibility to report risks identified in its review of such fiduciary activities to the Company's Risk and Compliance Committee. The Committee also has overall responsibility for evaluating and approving the fiduciary policies of the Company and its bank subsidiaries. The Board of Directors has adopted a Trust Committee Charter which may be found in the Corporate Governance Section of the Company's website at [www.53.com](http://www.53.com). This Committee consisted of Messrs. Livingston, Kabat and Schiff, and met four (4) times during 2011.

## **CORPORATE GOVERNANCE**

The Board of Directors has adopted the Fifth Third Bancorp Corporate Governance Guidelines which may be found in the Corporate Governance Section of the Company's website at [www.53.com](http://www.53.com). The Board of Directors has also adopted the Fifth Third Bancorp Code of Business Conduct and Ethics which applies to the Company's Chief Executive Officer, Chief Financial Officer, Controller and its other employees and may also be found in the Corporate Governance Section of the Company's website at [www.53.com](http://www.53.com).

### **Board Leadership**

The same person does not serve as the Company's Chief Executive Officer and Chairman. The Company's Chairman is a non-executive director and the Company also uses an independent Lead Director who serves as the Chair of its Nominating and Corporate Governance Committee. The Board believes that the Company's shareholders are best served by a Board that has the flexibility to establish a leadership structure that fits the needs of the Company at any particular point in time. Under the Company's Code of Regulations and Corporate Governance Guidelines, the Board of Directors has the authority to combine or separate the positions of Chairman and Chief Executive Officer as well as determine whether, if the positions are separated, the Chairman is an affiliated Director or an independent Director.

The Board believes this structure is appropriate at the current time in order to allow the Chairman to provide support and guidance to the Chief Executive Officer while also allowing the Board to have a separate Director handle governance matters and coordinate meetings of independent Directors. These decisions were based, in

part, on the qualifications of the individuals serving in these roles including the experience of the Chairman as the former Chairman of the Federal Deposit Insurance Corporation and the experience of the Lead Director as the Chief Executive Officer of a global manufacturing organization.

From time to time, the Board may consider combining the role of Chairman and Chief Executive Officer or discontinuing its use of its Lead Director. These decisions will be dependent on the make-up of the Board at that time, the availability and willingness of candidates for Chairman and/or Lead Director who meet any expertise and experience criteria and qualifications identified by the Board, as well as other factors.

### **Risk Management Oversight**

The role of the Board of Directors is to provide oversight to ensure an effective enterprise risk management program is in place, including an appropriate enterprise risk management framework and related governance structure. The Board sets the overall risk appetite for the Company, including the establishment and monitoring of risk tolerances. The formulation of risk appetite considers the Company's operating capacity, which is represented by its available financial resources less adjustments for planned capital actions, that sets an absolute limit on risk assumption in the Company's annual and strategic plans. The Company's risk appetite is limited by policy to a maximum of 95 percent of operating capacity. Tolerances are the maximum amount of risk applicable to each of the eight specific risk categories included in the enterprise risk management framework. Through their oversight role, Directors ensure that the risk management processes designed and implemented under this framework and governance structure are aligned to the Board's corporate strategy and are functioning as directed. The Board also considers the optimal organizational structure at both the Board and management levels. This may include delegating responsibility through Board committees, management committees, the Chief Executive Officer and the Chief Risk Officer.

Risk management oversight and governance is provided primarily by the Risk and Compliance Committee of the Board of Directors and through the Enterprise Risk Management Committee, a management committee that reports to it. The Enterprise Risk Management Committee is supported by several management committees whose membership includes a broad cross-section of line of business, affiliate and support representatives. The Risk and Compliance Committee of the Board of Directors consists of five outside directors and has responsibility for the oversight of risk management for the Company, as well as ensuring that risks are properly controlled, quantified and within the Company's risk appetite.

The primary purposes of the Risk and Compliance Committee are to oversee management's compliance with all of Fifth Third's regulatory obligations arising under applicable federal and state banking laws, rules and regulations, including any terms and conditions required from time to time by any action, formal or informal, of the Board of Governors of the Federal Reserve, the Federal Reserve Bank of Cleveland, the Consumer Financial Protection Bureau, the Office of the Comptroller of the Currency, or any other federal or state banking regulatory agency or authority, and any responses of management to any inquiries from any applicable Banking Regulator; oversee management's development and implementation of a Risk Appetite Framework, with an enterprise view of risk capacity, risk appetite, risk tolerances, risk targets and limits, and which is further supported by the Enterprise Risk Management Framework; oversee management's implementation of an Enterprise Risk Management Framework, including the implementation of consistent processes for identifying, assessing, managing, monitoring and reporting risks of all types, including the categories of credit risk, market risk, liquidity risk, operational risk, regulatory compliance risk, legal risk, reputation risk and strategic risk; ensure that risk processes are supported by a risk governance structure that includes Board oversight, policies, risk limits, and risk committees, and further by a culture that supports risk management objectives and reflects a model of shared accountability between the Enterprise Risk Management Division, lines of business, affiliates and support functions.

The Risk and Compliance Committee charter outlines more specific responsibilities under all categories of risk. The Chief Risk Officer has a dotted line reporting relationship to the Risk and Compliance Committee and

has regular executive sessions with the Risk and Compliance Committee without other members of management present. In addition, the Director of Credit Risk Review reports directly to the Risk and Compliance Committee.

#### **Communication with the Board**

The Audit Committee has established Fifth Third's EthicsLine, a toll free hotline through which confidential complaints may be made by employees regarding: illegal or fraudulent activity; questionable accounting, internal controls or auditing matters; conflicts of interest, dishonest or unethical conduct; disclosures in the Company's SEC reports, bank regulatory filings and other public disclosures that are not full, fair, accurate, timely and understandable; violations of the Company's Code of Business Conduct and Ethics; and/or any other violations of laws, rules or regulations. Complaints submitted through this process are presented to the Audit Committee on a regular, periodic basis.

Shareholders may communicate directly to the Board of Directors in writing by sending a letter to the Board at: Fifth Third Bancorp Board of Directors, 38 Fountain Square Plaza, MD 10AT76, Cincinnati OH, 45263 or by a secure e-mail via the Company's website at [www.53.com](http://www.53.com). All communications directed to the Board of Directors will be received and processed by the Fifth Third Legal Department and will be transmitted to the Chairman of the Nominating and Corporate Governance Committee (who serves as the Lead Director of the Board of Directors) without any editing or screening by the Legal Department.

#### **COMPENSATION DISCUSSION AND ANALYSIS**

The Company's Compensation Discussion and Analysis addresses the following items:

Executive Summary

The Company's Human Capital and Compensation Committee (the Committee)

Executive Compensation Philosophy and Strategy

2011 Compensation Structure, Plan Design and Awards

##### **Executive Summary**

2011 was a year of major accomplishments for the Company as we repaid our Troubled Asset Relief Program (TARP) obligations and continued to strengthen the Company amid uncertain economic times. We are well-positioned for the future. Key themes of our performance story include:

Strong levels of profitability

Broad-based credit improvements

Exceed fully phased-in Basel III capital standards today

No significant business at Fifth Third impaired by crisis

Continued investments to maintain and enhance revenue creation

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### Disciplined expense control

The success on these themes was demonstrated by our 2011 performance against the key financial measures that determine funding for our annual incentive plan:

Earnings per share (as adjusted for select items) was \$1.25 vs. our financial plan of \$1.29

Return on tangible common equity (as adjusted for select items) was 11.97% vs. our financial plan of 12.34%

Efficiency ratio (as adjusted for select items) was at the 70<sup>th</sup> percentile of the peer group versus our target of median of the peer group

In addition to these key financial performance measures, we performed strongly on other measures considered by the Committee in assessing annual performance:

Available liquidity: \$33.7 billion vs. target range of \$10 billion-\$20 billion

Net charge-offs (NCO): 1.49% vs. target level of 1.64%

Held for investment non-performing assets: 2.23% vs. a target level of 2.5%

Pre-tax, pre-provision earnings (as adjusted for select items): \$2.357 billion vs. target of \$2.398 billion

Capital levels: exceeded required minimum regulatory and internal levels

In 2009, compensation to all Named Executive Officers as defined below was modified as required by TARP Standards including, among other modifications, the elimination of eligibility for the Variable Compensation Plan (the Company's annual cash incentive compensation plan).

Throughout this proxy statement, the individuals who served as the Company's Chief Executive Officer and Chief Financial Officer during fiscal 2011, as well as the other individuals included in the Summary of Compensation Table on page 33, are referred to as the Named Executive Officers.

In 2011, the Company repaid its TARP obligations, by repurchasing on February 2, 2011, the shares of Series F preferred stock that the U.S. Department of the Treasury had purchased as part of the Troubled Asset Relief Program and on March 16, 2011, the Company also repurchased the warrant issued as part of this program. As a result, for the majority of fiscal 2011, the Company was no longer subject to restrictions on incentive compensation for Most Highly Compensated Employees (MHCE) which are applicable to companies operating under TARP. We then reestablished the elements of our pre-TARP compensation program with its greater ability to tie pay to performance. Key compensation actions for 2011 included:

Elimination of the payment of phantom salary stock and establishment of new cash salary levels for Named Executive Officers, as well as other former MHCEs

Reestablishment of the annual incentive compensation plan (Variable Compensation Plan) for Named Executive Officers, as well as other former eligible MHCEs

Reestablishment of the pre-TARP long-term incentive structure for Named Executive Officers, as well as other former eligible MHCEs, with performance-based grants made in the form of 50% Stock Appreciation Rights, 25% Performance Shares and 25% Restricted Stock

Reintroduced the Management Stock Purchase Plan (MSPP) for Named Executive Officers, as well as other former eligible MHCEs, which automatically redirects 25% of an executive's annual incentive into deferred restricted stock with a 50% match on the restricted stock

Removed the gross-up payment to reimburse individuals for the excise tax from our form of change-in-control agreements, which will be applied to any individual who signs a new agreement with the Company

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In January 2012, the Committee determined the annual incentive funding for the Company based on its performance on the key measures described above. Based on our performance, the corporate annual incentive plan funding for our Named Executive Officers was 116% of target.

### **The Company's Human Capital and Compensation Committee**

***The Committee's Role.*** The Committee is composed of independent directors and is responsible for establishing, implementing and monitoring the administration of compensation and benefits programs in

accordance with the Company's compensation philosophy and strategy and approving executive compensation and equity plan awards. The Committee focuses on the attraction and retention of key executives and, when making decisions, considers the Company's compensation philosophy, the achievement of business goals set by the Company, relevant peer data, recommendations made by the Chief Executive Officer, and the advice of Compensation Advisory Partners LLC ("CAP"), an external executive compensation consulting firm with financial services industry expertise.

The Committee seeks to establish Total Rewards for the Company's Executive Officers that are fair, reasonable, and competitive. The Total Rewards Program includes base salary, annual cash incentive compensation, long-term equity-based incentive compensation, benefits and certain perquisites. Generally, and except as impacted for a portion of 2011 by regulations related to TARP, the types of compensation and benefits paid to the Executive Officers are similar to those provided to other officers of the Company.

The Committee has taken the following steps to ensure that it effectively carries out its responsibilities:

Engaged CAP, a respected external compensation consultant with expertise in executive compensation, to provide the Committee with relevant market data and to advise the Committee on alternatives when making compensation decisions for the Named Executive Officers and on the recommendations being made by the Company's Management for Executive Officers other than the Named Executive Officers. In addition to the support provided by CAP, employees who have significant compensation experience in the Company's Human Resources division provide support, data, and analysis to the Committee

Conducted an annual review of the Committee Charter to ensure that it effectively reflects the Committee's responsibilities

Conducted an annual review of the Company's compensation philosophy to ensure that it remains appropriate given the Company's strategic objectives

Conducted an annual review of the Company's Compensation Peer Group

Reviewed all compensation components for the Company's Chief Executive Officer, Chief Financial Officer, and other Named Executive Officers, incorporating a tally sheet and pay-for-performance sensitivity analysis for each executive

Initiated an annual evaluation of the execution of the Company's pay-for-performance philosophy, to ensure that the actual award decisions resulted in alignment of relative pay and relative performance compared to the Compensation Peer Group

Scheduled an executive session prior to the conclusion of each Committee meeting, without members of Management, for the purpose of discussing decisions related to the CEO's performance, goal-setting, compensation levels and other items deemed important by the Committee

Reviewed the Company's CEO succession profile and assessment process

Completed an annual self-evaluation of the Committee's effectiveness

Completed an annual review of the external compensation consultant's performance to ensure the Committee receives the appropriate resources and counsel



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Reviewed the Company's risk assessment of executive and employee incentive plans with the Chief Risk Officer to ensure that the Company's compensation design does not incent unnecessary risk

Reviewed the executive compensation requirements as set forth in the TARP Standards for Executive Compensation and Corporate Governance and approved actions designed to comply with these standards

***Role of Executive Officers in Compensation Decisions.*** The Chief Executive Officer annually reviews the performance of each of the other Named Executive Officers. Based on this review, the Chief Executive Officer

makes compensation recommendations to the Committee, including recommendations for salary adjustments, annual cash incentives, and long-term equity-based incentive awards. In addition, the CEO and other members of Management also annually assess performance for other Executive Officers and make compensation recommendations to the Committee. Although the Committee considers these recommendations along with data provided by its other advisors, it retains full discretion to set all compensation for the Company's Executive Officers.

Additionally, the Chief Risk Officer discusses, evaluates, and reviews with the Committee all Executive Officer and employee incentive compensation plans. The purpose of the review is to ensure that the Company's incentive compensation plans do not incent or pose unnecessary or excessive risks to the Company.

***The Role of the Third Party Compensation Consultant.*** The Committee uses the services of an outside executive compensation consultant, CAP, to provide guidance and advice to the Committee on all matters covered by its charter. This consultant was selected and engaged by the Committee to provide a broad set of services pertaining to the compensation of the Company's executives.

The consultant fulfills the following responsibilities:

Reviews the Company's compensation philosophy and competitive positioning for reasonableness and appropriateness

Annually reviews the Committee's charter and recommends changes as appropriate

Reviews Committee agendas and supporting materials in advance of each meeting

Advises the Committee on management proposals as requested

Reviews the Company's Compensation Peer Group and survey data for competitive comparisons

Annually reviews the Company's executive compensation programs and advises the Committee on the design of incentive plans or practices that might be changed to improve the effectiveness of its compensation program

Annually reviews competitive pay practices of the Compensation Peer Group for its Boards of Directors and recommends to the Committee changes required to pay the Company's Board of Directors in a competitive fashion

Reviews, analyzes and summarizes survey data on executive pay practices and amounts that come before the Committee

Attends all Committee meetings, including executive sessions with only Committee members as requested

Advises the Committee on potential practices for Board governance of executive compensation as well as areas of concern and risk in the Company's programs

Undertakes special projects at the request of the Committee

During 2011, CAP was specifically engaged on the following projects:

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Advised the Committee with respect to the appropriateness of compensation targets and actual amounts paid to the Company's executive officers given the Company's compensation philosophy, size and Compensation Peer Group

Actively participated in the review and design of all executive compensation programs, including the Fifth Third Bancorp 2011 Incentive Compensation Plan approved at the 2011 Annual Meeting

Advised on the appropriateness of executive performance goals and metrics

Reviewed and advised on the compensation program for the Company's Board of Directors

Advised the Committee regarding the Company's compliance with TARP standards for compensation and developing a new compensation structure following repayment of the Company's TARP obligations

Advised on the development of and reviewed the Company's risk assessment of executive and employee incentive plans

Advised the Committee on market and regulatory trends and developments

Reviewed the 2011 Compensation Discussion and Analysis and related sections for our proxy statement and assisted in drafting the 2012 Compensation Discussion and Analysis

Attended all Committee meetings held in 2011

The Company does not engage CAP for any additional services outside of executive compensation consulting.

The Committee believes that the third party services of CAP are objective and unbiased.

***The Committee's Considerations.*** The Committee considers both the aggregate amounts and mix of an Executive Officer's Total Direct Compensation (base salary, annual cash incentive compensation and long-term equity-based incentive compensation) when making decisions. The Committee generally assesses Total Direct Compensation relative to competitive market data in its November meeting, discusses recommendations for executive compensation in its January meeting and approves final recommendations at its February or March meeting. In 2011, final recommendations were made at its April meeting to provide the Committee with adequate time to determine appropriate compensation levels following the repayment of TARP.

Based on its most recent review of the competitive data, the Committee has determined that the compensation structure for Executive Officers is effective and appropriate. The structure reflects the Company's compensation philosophy, in that its targets are tied to the market median, it has appropriate leverage to ensure a strong linkage between compensation and performance, and it drives rewards based on the most relevant performance measures for the Company. Also based on this review, the Committee determined that the Company's aggregate 2011 Total Rewards packages (and potential payouts in the severance and change-in-control scenarios where applicable) for its Named Executive Officers are reasonable and not excessive.

The Committee believes that the relative difference between the compensation of the Chief Executive Officer and the compensation of the Company's other Executive Officers is consistent with such differences found in the Company's Compensation Peer Group and external reference labor market. Further, the Committee has reviewed the internal relationships between the compensation for the Chief Executive Officer and for other Executive Officers and has deemed them to be appropriate.

The remainder of this report outlines the Company's compensation philosophy and executive compensation structure, and provides an analysis of compensation decisions made during 2011. To some extent, 2011 remained a transition year, with TARP restrictions on compensation having some carryover effect on 2011 compensation actions. The discussion of 2011 will focus primarily on the new compensation structure established for our Named Executive Officers, with reference to the impact of TARP compensation rules, as necessary.

### **Executive Compensation Philosophy and Strategy**

#### **Compensation Philosophy**

The Company's executive compensation program is intended to drive shareholder value by attracting and retaining talented executives, motivating executives to achieve corporate objectives, and encouraging share

ownership among the Executive Officers to align their interest with that of the shareholders. It is constructed to allow the Company to provide competitive target compensation for talented executives and to differentiate actual pay based on the level of individual and organizational performance. The executive compensation program consists of three components: base salary, annual cash incentive compensation, and long-term equity-based incentive compensation. The executive compensation program is intended to provide 50th percentile compensation for 50th percentile performance relative to the Company's Compensation Peer Group (identified below) and to pay at the 75th percentile for upper quartile (i.e., 75th percentile or better) performance relative to that Compensation Peer Group. The Committee refers to the Company's Compensation Peer Group in making decisions related to compensation based on performance. In cases where data for the Compensation Peer Group is incomplete, the Committee uses data from a broader reference group that includes a wider variety of financial services organizations, though generally attempts to mirror the peer group participants to the extent possible.

The Company also intends that its Total Rewards Program (including benefits and certain limited perquisites) be tied to the competitive market median or 50th percentile. The Company periodically reviews competitive benefits analyses to ensure that its programs are consistent with those offered by other financial services companies.

Executive Officers' eligibility for compensation and benefits is generally determined in a manner that is consistent with other employees at the Company. The timing and terms of incentive compensation awards for Executive Officers are also consistent with those of other eligible employees at the Company.

### **Benchmarking Methodology**

In making compensation decisions, the Committee compares Company performance and each element of Executive Officers' Total Direct Compensation with compensation information from a peer group of publicly traded banking and financial institutions (collectively the Compensation Peer Group). The Committee refers to this Compensation Peer Group for both compensation and performance-related benchmarking. Financial performance data is prepared either by the Committee's external compensation consultant or by the Company, using publicly available data from public filings. Compensation data is generally prepared by the Committee's external compensation consultants, using proprietary compensation databases and publicly available data from proxy statements. The Company's consultant reviews any financial and/or compensation data that is prepared by the Company and provided to the Committee.

The Compensation Peer Group consists of companies with which the Committee believes the Company competes for talent and for stockholder investment, and which are similar in asset size and business mix. The following 12 companies were identified by the Committee as the 2011 Compensation Peer Group:

BB&T Corporation  
Capital One Financial Corporation  
Comerica Incorporated  
Huntington Bancshares Incorporated  
KeyCorp  
M&T Bank Corporation

The PNC Financial Services Group, Inc.  
Regions Financial Corporation  
SunTrust Banks, Inc.  
U.S. Bancorp  
Wells Fargo & Company  
Zions Bancorporation

The Committee annually reviews its Compensation Peer Group and considers changes to the Compensation Peer Group deemed necessary to ensure that the nature and size of the organizations continue to be appropriate. Based on the Committee's evaluation of the Compensation Peer Group for 2011, it determined that the only change to the Compensation Peer Group would be the removal of Marshall & Ilsley (acquired by the Bank of Montreal in December 2010). The Company's assets were at approximately the 43rd percentile of its 2011 Compensation Peer Group as of December 31, 2011.

## Compensation Strategy

The Company's compensation strategy refers to the structure and programs designed to achieve its compensation philosophy.

### 2011 Compensation Structure, Plan Design and Awards

**Compensation Structure.** The compensation structure (i.e., each element of pay described below and the respective targets and ranges of pay for each element) for Executive Officers is reviewed annually. When determining the compensation structure, the following items are considered:

The most recent and prior years' comparative proxy statement and survey data for similar jobs among the Compensation Peer Group

The 25th percentile, median (i.e., 50th percentile) and 75th percentile peer data for each element of compensation (base salary, target annual cash incentive compensation, and target long-term equity-based incentive compensation as well as the resulting Total Direct Compensation)

The ability to provide market median (i.e., 50th percentile) Total Cash Compensation (i.e., base salary plus annual cash incentive compensation) for 50th percentile performance relative to the Compensation Peer Group

The ability to provide 75th percentile Total Cash Compensation for upper quartile (i.e., 75th percentile or better) performance relative to the Compensation Peer Group

At its April meeting, the Committee decided to readopt a pay-for-performance structure more consistent with its long-term approach and compensation philosophy. In addition, individual compensation opportunities were established under the new structure to align with the stated compensation philosophy. Under the compensation structure, compensation will be delivered through three primary elements:

Base Salary

Annual Incentive (delivered through the Variable Compensation Plan)

Long-term Incentives

This includes the Management Stock Purchase Plan (MSPP), which is a mandatory deferral of 25% of annual incentive payments into Restricted Stock with 50% Company match.

Below is the compensation structure for Named Executive Officers approved by the Committee at its April meeting:

### 2011 Target Total Compensation

Executive	Base Salary	Annual Incentive	Long-Term Incentive	Total Comp
Kevin T. Kabat, Pres. & CEO	\$ 1,000,000	\$ 1,500,000	\$ 4,500,000	\$ 7,000,000
Daniel T. Poston, EVP & CFO	\$ 500,000	\$ 500,000	\$ 1,100,000	\$ 2,100,000
Greg D. Carmichael, EVP & COO	\$ 675,000	\$ 877,500	\$ 1,947,500	\$ 3,500,000
Robert A. Sullivan, EVP	\$ 570,000	\$ 456,000	\$ 1,000,000	\$ 2,026,000
Paul L. Reynolds, EVP & CAO	\$ 550,000	\$ 550,000	\$ 1,000,000	\$ 2,100,000

*Note: The above structure does not reflect the impact of the Management Stock Purchase Plan*



**Impact of TARP on the Implementation of the Compensation Philosophy for NEOs in 2011.** For the first 33 days of 2011, the Company was subject to TARP compensation rules. Due to TARP's impact, certain elements of the TARP compensation structure remained in place for the first few months of the year. For example, Named Executive Officers (collectively, NEOs and each an NEO) continued to receive immediately vested phantom stock units through April 15, 2011 (which were granted each pay period and will be settled solely in cash; 50% of the phantom stock units granted in 2011 will be paid out on June 15, 2012 and the remaining 50% will be paid out on June 15, 2013). In addition, annual incentive payments for fiscal 2011 were reduced by the value of the phantom stock units granted to the executive up to April 15<sup>th</sup>, 2011, as an underlying principle of the compensation program for 2011 was that executives could not be eligible to receive phantom stock units and an annual incentive payment for the same time period.

#### **Pay Mix and Total Compensation for Executive Officers**

**Annual vs. Long-Term Compensation.** The Company intends to attract and retain talented executives with competitive salaries and annual cash incentive compensation opportunities that deliver market-appropriate awards based on annual performance, balanced by long-term equity-based incentive compensation awards that also provide market-competitive opportunities to deliver value commensurate with shareholder gains. The Company employs a pay mix (i.e., proportions of base salary, annual cash incentive and long-term equity-based incentive compensation comprising Total Direct Compensation) that approximates that of its peers to be consistent with its pay philosophy and to maximize the Company's ability to attract, motivate and retain talented executives. Generally, approximately 50% or more of target total compensation is delivered through long-term incentives. The target mix between annual and long-term incentive compensation under the new 2011 target compensation structure was as follows:

The above table does not reflect the mandatory deferral of 25% of the annual incentive payments into Restricted Stock as part of the MSPP, or the 50% Company match. The table below shows the impact to the target pay mix once the MSPP has been applied.



The 2011 target compensation structure results in a mix of cash and equity awards. The Company typically pays base salary and a portion of the annual incentive compensation in cash. All of its long-term equity-based incentive compensation awards are denominated in the form of shares of the Company's common stock. Generally, our Named Executive Officers have approximately 50% or more of their target compensation delivered in the form of equity-based compensation. The table below shows the mix between cash and equity for each NEO, with the application of the MSPP included.

**Tally Sheet.** The Company annually prepares a tally sheet of all compensation and potential payouts for the Committee's use when approving compensation matters. The Committee reviews all components of the Company's Chief Executive Officer, Chief Financial Officer and the other Named Executive Officers' compensation, including:

Base salary, including phantom stock units, as applicable

Annual cash incentive compensation

Long-term equity-based incentive compensation

Accumulated, realized and unrealized equity award gains

The dollar value to the executive and cost to the Company of all perquisites and other personal benefits

The earnings and accumulated payout obligations under the Company's nonqualified deferred compensation program

The projected payout obligations under the Company's supplemental executive retirement plan

Several potential termination scenarios, including change in control where applicable

In February 2011 and February 2012, the Committee reviewed tally sheets containing all the above components and the associated dollar amounts for projected 2011 and 2012 compensation and found that the figures were appropriate and reasonable. Also at that time, the Committee reviewed a sensitivity analysis of the relationship between each Named Executive Officer's 2011 and 2012 target Total Direct Compensation and the Company's performance (both stock price performance and financial results). The Committee was satisfied that the 2011 and 2012 compensation structures provided significant differentiation in the payouts for high versus low levels of both absolute and relative performance.

**Final Determinations.** The Committee considers several factors and objectives relevant to each specific program when determining compensation. The Committee also contemplates each award's impact on the Total Direct Compensation package. Total Direct Compensation is intended to target the median (i.e., 50th percentile) of the relevant market data, and actual compensation (both amount and mix) for executives varies based on their performance, prior experience and other pertinent factors. In addition, for purposes of attracting and retaining key executives, the Committee may determine that an additional award, an above-median sign-on package and/or an incentive guarantee for a new hire, or a Total Direct Compensation package that is above market median is appropriate.

### 2011 Executive Compensation Awards & Decisions

**Base Salary.** The Committee reviews individual base salaries of the Company's Executive Officers annually (and/or at the time of promotion). Salary increases, if any, are based on the Company's overall performance and the executive's attainment of individual objectives during the preceding year in the context of competitive market data. The objectives of the Company's base salary program are to provide salaries at a level that allows the Company to attract and retain qualified executives and to recognize and reward individual performance. The following items are considered when determining base salary levels:

Market data provided by the Company's external compensation consultant

The Executive Officer's experience, scope of responsibilities, performance and potential

Internal equity in relation to other Executive Officers with similar levels of experience, scope of responsibilities, performance and potential

Other relevant information, which may include federal programs, regulatory requirements, etc.

In establishing 2011 compensation levels for Named Executive Officers, the Committee was guided by these principles. As a result, in April 2011, following the repayment of TARP the Committee set the base salaries of the Names Executive Officers at the amounts set forth above.

### Pay for Performance

Under the 2011 target compensation structure, target annual and long-term incentives comprise the majority of Executive Officers' target Total Direct Compensation. The actual amounts realized by Executive Officers under these incentive plans vary based on the performance of the Company and individual performance. Company performance is evaluated from a variety of perspectives, including:

Absolute performance and performance relative to peers

Return measures including total shareholder return

Growth in earnings per share

Efficiency ratio

Stock price growth

Annual cash incentive compensation awards to Executive Officers are approved and funded on the basis of Company performance relative to the specific targets described below and are also allocated to each participant based on individual performance. Long-term equity-based incentive compensation awards are made to each participant based on individual performance. Long-term equity-based incentive compensation awards granted in 2011 are earned, and derive value, based on shareholder return and stock price appreciation. Amounts realizable from prior compensation awards do not impact decisions relative to future awards or benefits because of the Company's belief that prior awards were made on a performance basis.

Each 2011 decision is described in detail below.

### **2011 Annual Cash Incentive Compensation**

**Annual Cash Incentive Compensation.** The annual cash incentive compensation program's objective is to reward executives for superior performance relative to the Compensation Peer Group. Target award levels are established at the beginning of the year for each Executive Officer based primarily on market median target awards and are expressed as a percentage of base salary. The maximum annual cash incentive compensation awards under the program that a Named Executive Officer could earn for 2011 was 225% of target.

**Plan Design.** The Company refers to its annual cash incentive compensation program as the "Variable Compensation Plan" or the "VCP". During meetings held in late 2010 and early 2011, the Committee engaged in numerous discussions about the VCP's objectives and the metrics and design that would best achieve those objectives. Due to the improvement in the Company's performance, the Committee decided to move back towards bottom-line performance measures that more closely align with shareholder interests.

The design of the VCP was comprised of the following three primary funding measures. The measures were weighted as illustrated below to reflect their relative importance to the Company:

1. Earnings per share vs. plan: 50% weight
2. Return on tangible common equity vs. plan: 25% weight
3. Efficiency ratio vs. peers: 25% weight

It is the view of the Committee that these measures provide executives with balanced incentives to increase the absolute level of earnings, while also ensuring that investors' capital is used efficiently to generate competitive returns. Efficiency ratio is useful as a complementary measure for two reasons: 1) it provides a measure of the cost efficiency of the Company's operations and 2) it can be assessed on a relative basis vs. peers to ensure that the Company is operating competitively with others in the industry.

In addition, the Committee agreed upon five additional measures relative to the overall financial stability of the Company that would be considered on a discretionary basis when determining the final funding of the VCP. These measures were available liquidity, net charge-offs (NCOs), held for investment non-performing assets (NPAs), pre-tax, pre-provision core earnings and meeting required regulatory minimum and internal target capital levels. These measures were selected as they provide additional information to the Committee about the quality of earnings, as well as the financial stability of the Company and the strength of its balance sheet against the backdrop of the overall economy and challenges facing financial institutions.



The financial plan approved by the Board of Directors included specific target levels for each of these measures which are shown below. Actual performance against these targets was considered, in addition to the three primary funding metrics listed above, to determine the available funding for all participants of the VCP.

**Performance Goals.** The earnings per share and return on tangible common equity goals under the VCP were scaled to represent three levels of performance: threshold, target, and maximum. The Committee established the baseline earnings per share target for 2011 at \$1.29, and a return on tangible common equity target of 12.34%. Linear interpolation is used to calculate funding levels between stated performance levels and actual performance between threshold and maximum performance levels for both measures. The Committee placed the target goal for relative efficiency ratio at the median of the Compensation Peer Group, reflecting the Company's philosophy to tie target pay to median (i.e., 50th percentile) performance. The threshold, target, and maximum performance levels and the Company's performance level (as calculated per the discussion set forth below in "Determination of Awards") are outlined below.

#### Variable Compensation Plan Primary Performance Metrics

Primary Performance Metric	Threshold Performance	Target Performance	Maximum Performance	Company Performance
Earnings per share*	\$1.09	\$1.29	\$1.49	\$1.25
Return on tangible* common equity	10.49%	12.34%	14.19%	11.97%
Efficiency ratio*	25 <sup>th</sup> percentile	Median (i.e., 50 <sup>th</sup> percentile)	75 <sup>th</sup> percentile	70 <sup>th</sup> percentile

\* as adjusted for select items

As mentioned in the above Plan Design section, ranges for the five additional measures are established based on the financial plan, as approved by the Board of Directors. These measures are outlined below:

#### Variable Compensation Plan Additional Performance Metrics

Performance Metric	Target Performance	Company Performance
Available liquidity	\$10-20 billion	\$33.7 billion
Net charge-offs	1.64%	1.49%
Held for investment non-performing assets	2.5%	2.23%
Pre-tax, pre-provision earnings (adjusted for select items)	\$2.398 billion	\$2.357 billion
Capital levels	Meet required regulatory minimum and internal target levels	Exceeding

**Determination of Awards.** The funding calculation based on the primary performance metrics outlined in the Variable Compensation Plan Primary Performance Metrics table above produced a VCP pool equal to 116% of target for all of the Named Executive Officers, other than Mr. Sullivan. Mr. Sullivan's VCP pool funding was equal to 145% of target based on the primary performance metrics outlined above and specific regional performance metrics particular to his position. This funding level was achieved primarily based on the Company's strong performance in efficiency ratio relative to the approved target level, and slightly below plan performance on earnings per share and return on tangible common equity.

As mentioned earlier, annual incentive payments for fiscal 2011 were reduced by the value of the phantom stock units granted to the executive up to April 15th, 2011, as an underlying principle of the compensation program for 2011 was that executives could not be eligible to receive phantom stock units and an annual incentive payment at the same.

## 2011 Long-term Equity-based Compensation

**Long-term Equity-Based Incentive Compensation.** The objective of the long-term equity-based incentive program is to align executives' interests with shareholders' interests and to link executive wealth accumulation with the long-term performance of the Company. Target award levels are established at the beginning of the year for each Executive Officer based primarily on market median target awards, and actual awards are made based on individual performance relative to established individual performance objectives.

The Company employs various long-term equity-based incentive compensation awards intended to align executives' awards with shareholders' interests. These awards include stock-settled stock appreciation rights (SARs), restricted stock and performance shares. The Company historically awarded incentive and non-qualified stock options. Beginning in 2004, the Company generally discontinued granting incentive and non-qualified stock options. All previously awarded incentive and non-qualified stock options outstanding are fully vested and exercisable.

The Company reviewed the mix of long-term equity-based incentive compensation awards for its Executive Officers in 2011 to ensure that it effectively supported the Company's objectives:

Align management and shareholders' interests

Motivate senior executives to optimize long-term shareholder value

Encourage stock ownership among senior executives

Enhance the Company's ability to retain key executives

Ensure the program design is consistent with our compensation philosophy and reflective of external market trends

The Committee maintained its historical mix of award types to evenly balance growth and full-value awards for 2011. The Committee believes that a substantial portion of the long-term equity-based incentive compensation opportunity should come from a growth-oriented incentive (i.e., SARs) that aligns executives' interests with those of the Company's shareholders. In addition, the Committee believes that full-value share awards (i.e., performance shares and restricted stock) complement each other and are important to drive stronger retention value and enhanced ownership creation opportunities, and should therefore also be granted in a meaningful amount (i.e., 25% each). Moreover, the Committee believes that awarding performance shares fulfills the objective of creating a clear results orientation among participants. The Committee determined that these weightings were appropriate based on the Company's strategic objectives, compensation philosophy and competitive practice.

In 2011, Named Executive Officer awards were granted in April based on the mix of awards described below. Total long-term incentive awards were first denominated in dollars, and generally granted in share-denominated amounts in the following manner:

Award Type	Proportion of long-term incentive value	Calculation of Awards
Stock Appreciation Rights	50%	Total award dollar value multiplied by 50% divided by stated 2011 SAR value of \$5.25 (see page 27 for a description of how the Company determines the compensation value of a SAR)
Performance Shares	25%	Total award dollar value multiplied by 25% divided by 30-day average beginning share price (i.e., for 30 trading days prior to the grant date) of \$14.02 for 2011
Restricted Stock	25%	Total award dollar value multiplied by 25% divided by \$13.36, the Company's closing stock price on April 19, 2011





The Company assigns a compensation value for SARs at the beginning of each calendar year, based on a number of factors including the calculated Black-Scholes value using the full ten-year term. This compensation value is not equal to the Black-Scholes value calculated for accounting purposes, in part due to use of the weighted average life for the accounting calculation.

Long-term equity-based incentive compensation awards for the Named Executive Officers are made to align the focus and rewards with the interests of the Company's shareholders and to facilitate share ownership among Named Executive Officers. Target awards are established based on market median compensation for each position, and the values awarded represent the reward opportunity that may be realized only with commensurate performance. Award levels are not automatically made at target. The actual award levels are based on Company performance and the individual performance of each Named Executive Officer, such as:

The Company's revenue and expense results

Division's revenue and expenses vs. budget

Internal and external customer service levels

Performance relative to the Company's strategic initiatives

Results related to specific individual responsibilities

The Chief Executive Officer recommends the award levels for the other Named Executive Officers and the Committee makes the final award determination for all Named Executive Officers. The award considerations are not based on a formula. Rather the Committee may choose to make the actual award higher or lower than the target award based on the performance factors described above. The Committee believes that by including a performance element as part of the upfront grant process, the Company is able to further reinforce the pay-for-performance objective of the long-term incentives.

These grants provide incentive for the creation of shareholder value since the full benefit of the grant to each Executive Officer can only be realized with an appreciation in the price of the Company's common shares or based on relative total shareholder return, depending on the type of award. The Company does not grant discounted stock options or SARs, re-price previously granted stock options or SARs, or grant reload stock options.

SARs for Executive Officers have been and will continue to be granted at the closing price of the Company's common stock on the date of grant, with a 10-year term and generally a 4-year graded vesting schedule. These award terms are consistent with the annual grant for all eligible employees at the Company. The grant date is the date of the Compensation Committee's approval of the awards, which will typically be at a March or April Compensation Committee meeting or at the annual shareholder meeting in April. The grant dates for 2011 awards are detailed in the 2011 Grants of Plan-Based Awards table. The Company does not adjust the timing of its annual grant based on SEC filings or press releases. Rather, the annual grant date is established and communicated well in advance.

Performance shares are granted with goals set at the date of the award grant in terms of three-year total shareholder return relative to the Company's Compensation Peer Group. Total shareholder return was selected as the measure when the plan was introduced in 2004, and subsequently retained, because of its strong alignment with shareholder interests. The grants established varying payouts for increasing levels of relative total shareholder return, and aligned with the Company's philosophy of tying median pay to median performance with appropriate upside and downside leverage:

Performance Level	Payout
40th percentile (threshold)	50% of award
50th percentile (target)	100% of award
90th percentile (maximum)	200% of award



Beginning in 2010, the Committee determined that performance shares would be settled 100% in shares. The 2008 performance share award measures performance from April 1, 2008 through March 31, 2011. Fifth Third's performance over this period was at the 56th percentile of peers, resulting in a payout of 112% of target. The total shareholder return for subsequent awards made under this program (i.e., 2009, 2010 and 2011) is currently above the threshold level. If the total shareholder return for that grant remains at or above the threshold, the 2009 award will be earned in April of 2012.

Restricted stock awards vest ratably on the first, second and third anniversaries of the grant date. These awards are full-value shares of stock that are eligible for dividend payments and receive voting rights during the restriction period. Restricted stock awards granted to Executive Officers subject to the TARP Standards for Executive Compensation were granted with a more limited vesting schedule, where shares vest 100% on the third anniversary of the grant date.

**Management Stock Purchase Plan.** The objective of the Management Stock Purchase Plan ( MSPP ) is to maintain an appropriate balance between the short-term focus of the VCP and long-term shareholder value creation through a combination of increased equity ownership coupled with a holding period requirement. This plan was adopted by the Committee to increase the overall retention value and create enhanced ownership opportunities for the senior leadership team. This is accomplished by automatically redirecting 25% of the earned annual cash incentive award into restricted shares, and then applying a Company match of 50% to the shares purchased by the executive. The purchased shares are immediately vested, but must be held by the executive for at least three years before they can be sold or transferred. The matching restricted stock vests one-third per year on the first through third anniversaries of the grant date.

**Other Plan Provisions.** The annual cash and long-term equity-based incentive compensation awards are authorized under the Company's Incentive Compensation Plan (the Plan ). This Plan was approved and adopted by the Company's shareholders in 2011.

The Company's Code of Business Conduct and Ethics provides that the Company reserves the right to and, if appropriate, will seek restitution of any bonus, commission or other compensation received as a result of an employee's intentional or knowing fraudulent or illegal conduct or misconduct, including the making of a material misrepresentation contained in the Company's financial statements.

The Committee has delegated to certain Named Executive Officers, as well as to the Director of Total Rewards the authority to grant equity awards for recruiting and retention purposes up to specified limits.

**Non-Binding Advisory Say on Pay Proposal.** In 2011, our shareholders approved a non-binding advisory say-on-pay proposal at our 2011 Annual Meeting with over 94% of the votes cast voting in favor of that proposal. The Committee reviewed the results of the shareholder vote and took the high percentage in favor as an indication that there is strong support among our shareholders for our pay-for-performance approach. We intend to maintain but continue to monitor our current compensation structure and future votes to ensure that there is continued support for our pay programs among our shareholders.

**Compensation Risk.** As a bank that is regulated by the FDIC and the Federal Reserve, the Company has gone through a rigorous process over the past few years to ensure that our compensation programs for our executives do not provide incentives to take excessive risks that could have material adverse impact on the company. Our compensation program for our Named Executive Officers has several features that help to address potential concerns about risk:

Caps on the maximum payment under our annual cash incentive plan (VCP) and our performance share plan

Mandatory deferral of 25% of the cash incentive plan payment into shares in the Management Stock Purchase Plan

Balanced mix of short-term, medium-term and long-term compensation

Stock ownership guidelines

Company clawback rights

#### **Executive Benefits & Perquisites**

##### **Summary of Eligibility for Benefits and Perquisites**

The Company provides a few benefits and perquisites to Executive Officers that are not available to the general employee population. Special benefits include the deferred compensation plan and a supplemental executive retirement plan (frozen for all employees except those who were age 50 with 15 years of services as of December 31, 1998). Special perquisites for executives include the following: financial planning reimbursement, country club memberships (not offered on a going forward basis) and parking. The Company does not provide tax gross-ups for these special perquisites.

##### **Retirement Benefits**

The Company's retirement benefits are designed to assist employees in accumulating wealth to provide income during their retirement years. The retirement benefits are designed to attract and retain employees and to encourage employees to save money for their retirement while maintaining a competitive cost structure. Based on the Company's research using two national benefits surveys, its retirement benefits are positioned near the market median for similar employers. The Company's primary retirement benefit plan is a defined contribution 401(k) plan with a company match and possible additional discretionary contributions, both of which are subject to vesting requirements. The Company also maintains a defined benefit plan that has been frozen except for approximately 15 employees who had previously met its eligibility requirements and are permitted to continue participating.

**401(k) and Profit-Sharing.** The Company maintains a 401(k) plan for all eligible employees. The 401(k) plan provides a match to employee contributions and may also provide an annual discretionary profit-sharing contribution. The Company's match is 100% of the first 4% of eligible compensation an employee contributes to the plan, and is invested in any of the plan's existing investment alternatives that the employee selects. The discretionary profit-sharing contribution is based on the Company's performance, and is invested in the participant's existing 401(k) investment allocations. The discretionary contribution for 2011, paid in 2012, was 3% of eligible compensation based on the Company's financial results. All Named Executive Officers are eligible for this plan up to the IRS wage or contribution limits.

**Pension Plan.** The Company maintains a defined benefit pension plan. On November 15, 1998, the benefit plan was frozen except for employees who were age 50 or older and had at least 15 years of service at December 31, 1998. The plan was frozen because the combination of this plan and the defined contribution plan provided benefits that may have exceeded retirement income needed by employees and resulted in the Company having benefit costs higher than its competitors. Employees who met the age and service requirement were grandfathered and continue to accrue benefits under that plan. No Named Executives continue to accrue benefits under this plan. Mr. Kabat has a frozen benefit for his service while at Old Kent Bank prior to it being acquired by the Company. The Old Kent Bank defined benefit plan was frozen for all participants shortly after the Company acquired Old Kent Bank. Mr. Reynolds has a frozen benefit for his service prior to the Plan being frozen. The Company also has a supplemental executive retirement plan, The Fifth Third Bancorp Supplemental Retirement Income Plan ( SERP ) that mirrors the qualified defined benefit plan except that it provides benefits that are lost under the qualified plan due to IRS qualified plan limits. The SERP was also frozen for all participants except for the grandfathered participants in the qualified defined benefit pension plan. Mr. Reynolds has a frozen SERP benefit for his service prior to the Plan being frozen. The retirement benefit under both the

defined benefit pension plan and the SERP is based on years of service and a percent of an employee's highest five consecutive years of earnings over the last ten years of employment. Compensation for retirement benefit calculations is defined as the base salary plus variable compensation.

#### **Health and Welfare Benefits**

The Company offers medical, dental, life and disability insurance to its employees. The benefits are designed to attract and retain employees and provide security to employees for their health and welfare needs. Based on the Company's research using two national benefits surveys, its health and welfare benefits are positioned near the market median for similar employers. These benefits are offered to employees and Named Executive Officers on a uniform basis and are subject to insurance policy limitations. The Company provides Company-paid life insurance coverage equal to an employee's base salary, up to \$1,000,000. The Company's long-term disability benefit is 60% of an employee's base salary and the benefit is limited to \$20,000 per month. The Company also offers a Company-paid short-term disability benefit with similar benefits to the long-term disability program.

#### **Deferred Compensation**

The Company offers some of its employees (at certain salary band levels, including its Executive Officers) a nonqualified deferred compensation plan. This plan allows for the deferral of base salary, bonus, and/or performance-based restricted stock. The plan also provides for the Company to make a contribution for loss of qualified plan 401(k) match and/or discretionary contribution due to deferral of pay into this plan or due to wage and/or contribution limitations under the qualified 401(k) plan. These contributions had historically been invested 100% in the Company's common stock; however, beginning January 1, 2007 participants were able to diversify their investments into the existing 401(k) plan investment alternatives, with the exception of performance-based restricted stock that is deferred. These contributions were not made in 2009 or 2010 to any Named Executive Officers or other Executive whose compensation was restricted due to the Company's participation in the TARP. Upon the Company's repayment of TARP obligations in 2011, Named Executive Officer, or other Executives, whose compensation was restricted due to the Company's participation in the TARP were able to participate in the deferred compensation program.

#### **Severance and Change-in-Control Benefits**

The Company maintains change-in-control agreements for approximately 45 of its officers (including all of the 2011 Named Executive Officers). The severance benefits conferred in these agreements range from one to 2.99 times the individual's base salary plus target annual cash incentive compensation, and other benefits, and are effective only in the event of both a change in control and termination of employment (including a constructive termination). For this purpose, a change in control would occur in any of the following instances:

Any person is or becomes the beneficial owner of 25% or more of the Company's outstanding common stock

During any consecutive 2-year period, the Directors in office in the beginning of such period (or Directors who were approved by 2/3 of such Directors) cease to constitute a majority of the Board

The sale or disposition of substantially all of the Company's assets or the merger or consolidation of the Company with any other corporation unless the voting securities of the Company outstanding prior to such action continue to represent at least 50% of the voting power of the merged or consolidated entity

The Company's shareholders approve a plan of complete liquidation of the Company  
Beginning in 2011, the Company revised its form of change-in-control agreements by removing the tax gross-up payment to reimburse individuals for the excise tax and associated income taxes on excess parachute

payments as outlined under Sections 280G and 4999 of the Internal Revenue Code. The new form of change-in-control agreement will apply to any individual who signs a new agreement with the Company. Recently Mr. Poston and Mr. Reynolds signed this new form of agreement.

The agreements defer to the 2004, 2008 and 2011 Incentive Compensation Plans for treatment of long-term equity-based incentive compensation in the event of a change in control. If a change in control occurs, all stock-based awards granted prior to April 15, 2008 would vest immediately (i.e. single trigger) without the requirement of a termination of employment. Awards granted on or after April 15, 2008 do not provide for single trigger vesting. Instead, the vesting provisions for those awards provide for accelerated vesting only if there is a change in control and a subsequent qualifying termination of employment (i.e. double trigger). Performance-based awards (including performance shares and performance-based restricted stock) would be paid out at the higher of (1) the extent to which the performance goals had been met through the date of the change in control, or (2) the value at the date of the change in control of the number of target shares awarded at the grant.

### **Tax and Accounting Impact**

**Deductibility of Executive Compensation.** Certain sections of the Internal Revenue Code limit the deductibility of compensation paid to or earned by a public company's Named Executive Officers. In particular, the Company was not permitted to deduct compensation earned by the Named Executive Officers in excess of \$500,000 as a result of the Company's participation in the TARP. The limitation of the deductibility of compensation earned by the Named Executive Officers continued in 2011. For the year ended December 31, 2011, the total tax impact for non-deductible compensation was \$2 million. Subsequent to ending the Company's participation in TARP on February 2, 2011, the Company may not be permitted to deduct certain compensation paid to the Named Executive Officers in excess of \$1,000,000 under the Internal Revenue Code.

**Nonqualified Deferred Compensation.** The American Jobs Creation Act of 2004 was signed into law on October 22, 2004, changing the tax rules applicable to nonqualified deferred compensation arrangements. The final regulations became effective January 1, 2008 and the Company believes it is operating in compliance with the regulations. A more detailed description of the Company's nonqualified deferred compensation arrangements is provided on page 43 under the heading Nonqualified Deferred Compensation.

**Accounting and Financial Reporting.** The Company accounts for long-term equity-based incentive compensation payments including stock options, SARs, performance-based restricted stock, and performance shares in accordance with accounting principles generally accepted in the United States of America.

### **Executive Ownership and Capital Accumulation**

The executive compensation program is designed to provide opportunities for Executive Officers to build ownership in the Company and to align performance with shareholder interests. Accordingly, the Company has established share ownership guidelines for employees in the Company's salary band structure, including the Executive Officers. The amount of shares required to be retained varies based upon the assigned salary band. These employees are expected to use shares net of taxes obtained through awards under the long-term equity-based incentive compensation program to establish a significant level of direct ownership. Stock ownership includes:

Shares owned individually and by immediate family

Restricted stock not yet vested

Shares held in the 401(k) plan

Shares held in the employee stock purchase plan

Shares held in the nonqualified deferred compensation plan.

Executive Officers who have not met the ownership guidelines are required to retain 50% of the net after-tax shares following exercise or receipt of the shares. In addition, Executive Officers are required to retain 100% of the net after-tax shares for one year following exercise or receipt of the shares. Specific ownership guidelines for the Named Executive Officers are:

**2011 Share Ownership Guidelines**

Chief Executive Officer	115,000 shares
Other Named Executive Officers	50,000 shares

The Committee reviews progress toward achieving the ownership goal for the Company's Executive Officers on an annual basis. Based on the 2011 review, all of the Named Executive Officers had reached their ownership guideline.

Although the Company currently does not prohibit its Executive Officers from hedging shares of the Company's common stock, any hedged shares are excluded from the calculation of Executive Officers' ownership levels when analyzing progress toward meeting the stock ownership guidelines. Furthermore, Section 955 of the Dodd-Frank Wall Street Reform and Consumer Protection Act requires the Securities and Exchange Commission to promulgate rules requiring each issuer to disclose whether any employee or director is permitted to purchase financial instruments designed to hedge or offset and decrease in the market value of their equity securities. Upon the adoption of these rules, the Company will adopt measures to comply with these rules and will consider corporate governance best practices that evolve from such rules for other potential policy changes. Additionally, the Company's insider trading policy prohibits trading during designated blackout periods and requires approval by the Legal Department prior to any trade.

## COMPENSATION OF NAMED EXECUTIVE OFFICERS AND DIRECTORS

## Summary Compensation Table

The table below summarizes the compensation awarded, paid to, or earned by the Company's Named Executive Officers during 2009-2011. Compensation for Named Executive Officers was adjusted in 2009 and 2010 in order to comply with the Interim Final Rule on TARP Standards for Compensation and Corporate Governance issued by the U.S. Department of the Treasury on June 15, 2009. As described in the Compensation Discussion and Analysis, the Company repaid its TARP obligations on February 2, 2011 and at its April meeting the Committee readopted a pay-for-performance structure more consistent with its long-term approach and compensation philosophy. The amounts in the Stock Awards and Option Awards columns indicate the grant date fair value associated with all grants awarded in the corresponding year and do not correspond with the amounts that the Named Executive Officers may eventually realize with respect to these awards. The benefit, if any, actually received from these awards will depend upon the future value of our common stock. In addition, a portion of the awards granted in 2009 prior to the Interim Final Rule on TARP Standards for Compensation and Corporate Governance issued by the U.S. Department of the Treasury on June 15, 2009 were forfeited in 2011 in order to comply with the Interim Final Rule.

## 2011 Summary Compensation Table

Name & Principal Position	Year	Salary <sup>(1)</sup> (\$)	Bonus (\$)	Stock Awards <sup>(2)(3)</sup> (\$)	Option Awards <sup>(2)</sup> (\$)	Non-Equity Incentive Plan Compensation <sup>(4)</sup> (\$)	Change in Pension Value & Nonqualified Deferred Compensation Earnings <sup>(5)</sup>	All Other Compensation <sup>(6)</sup> (\$)	Total (\$)
							(\$)		
Kevin T. Kabat	2011	\$ 1,659,947		\$ 2,624,573	\$ 1,837,541	\$ 855,041	\$ 130,600	\$ 130,497	\$ 7,238,198
Chief Executive Officer	2010	\$ 3,144,823		\$ 1,572,411			\$ 63,600	\$ 40,779	\$ 4,821,612
	2009	\$ 2,108,747		\$ 2,209,403	\$ 824,775		\$ 41,600	\$ 31,167	\$ 5,215,692
Daniel T. Poston,	2011	\$ 638,458		\$ 704,152	\$ 449,178	\$ 334,187		\$ 51,598	\$ 2,177,573
Executive Vice President and Chief Financial Officer	2010	\$ 940,379		\$ 470,181				\$ 22,275	\$ 1,432,835
	2009	\$ 564,638		\$ 252,501	\$ 94,260			\$ 26,363	\$ 937,763
Greg D. Carmichael	2011	\$ 966,542		\$ 1,255,432	\$ 795,247	\$ 609,201		\$ 89,349	\$ 3,715,771
Executive Vice President and Chief Operating Officer	2010	\$ 1,617,728		\$ 808,864				\$ 35,364	\$ 2,461,956
	2009	\$ 1,022,349		\$ 789,074	\$ 294,563			\$ 41,718	\$ 2,147,704
Robert A. Sullivan	2011	\$ 713,018		\$ 679,201	\$ 408,342	\$ 381,919		\$ 539,760	\$ 2,724,765
Senior Executive Vice President	2010	\$ 1,034,802		\$ 478,765				\$ 28,589	\$ 1,542,156
	2009	\$ 818,242		\$ 552,353	\$ 206,194			\$ 41,342	\$ 1,618,130
Paul L. Reynolds	2011	\$ 696,612		\$ 676,373	\$ 408,342	\$ 376,265	\$ 8,500	\$ 60,896	\$ 2,224,463
Executive Vice President and Chief Risk Officer	2010	\$ 1,025,134		\$ 512,568			\$ 6,500	\$ 29,469	\$ 1,573,671

- (1) 2011 amounts reflect salary paid in the form of cash and phantom stock units for all Named Executive Officers. The following chart depicts the portions of pre-tax salary delivered in cash and phantom stock units for each Named Executive Officer. For more information about phantom stock units, see also the Grants of Plan Based Awards table, as well as the Outstanding Equity Awards and Option Exercises and Stock Vested tables.



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Executive	2011 Salary Phantom Stock Units			2010 Salary Phantom Stock Units			2009 Salary Phantom Stock Units		
	Cash	Units	Total	Cash	Units	Total	Cash	Units	Total
Kevin T. Kabat	\$ 1,000,002	\$ 659,945	\$ 1,659,947	\$ 1,000,002	\$ 2,144,821	\$ 3,144,823	\$ 953,843	\$ 1,154,904	\$ 2,108,747
Daniel T. Poston	\$ 504,042	\$ 134,417	\$ 638,458	\$ 508,341	\$ 432,038	\$ 940,379	\$ 452,948	\$ 111,691	\$ 564,638
Greg D. Carmichael	\$ 718,810	\$ 247,732	\$ 966,542	\$ 814,988	\$ 802,740	\$ 1,617,728	\$ 660,071	\$ 362,278	\$ 1,022,349
Robert A. Sullivan	\$ 597,523	\$ 115,495	\$ 713,018	\$ 659,443	\$ 375,359	\$ 1,034,802	\$ 616,126	\$ 202,116	\$ 818,242
Paul L. Reynolds	\$ 560,298	\$ 136,314	\$ 696,612	\$ 582,797	\$ 442,337	\$ 1,025,134	n/a	n/a	n/a

- (2) Amounts reflect the aggregate grant date fair value of awards granted during the year valued in accordance with Statement accounting principles generally accepted in the United States of America. Assumptions used in determining fair value are disclosed in the footnote [24] Stock Based Compensation located on pages [121-124] of the Company's Annual Report on Form 10-K for the year ended December 31, 2011.

- (3) The values shown for 2011 in both the Summary Compensation Table and the table below reflect the grant date fair value of \$13.36 per share which is also the grant date closing stock price on April 19, 2011. However, as in prior years, the number of performance shares awarded was calculated using the 30-day average closing stock price prior to the April 1<sup>st</sup> 2011 start of the performance period. That 30-day average price stock was \$14.02 in 2011. No performance shares were awarded to Named Executive Officers in 2010. The values shown for 2009 reflect the grant date fair value of \$3.96 per share which is also the grant date closing stock price on April 21, 2009. However, as in prior years, the number of performance shares awarded was calculated using the 30-day average closing stock price prior to the April 1<sup>st</sup> 2009 start of the performance period. That 30-day average price stock was \$1.86 in 2009. As a result of the stock's volatility, the fair value on April 21, 2009 of \$3.96 per share is materially higher than the value (i.e., \$1.86 per share) used to determine the grant size in terms of shares. Fair value of 2011 and 2009 performance share awards assumes target performance achievement as of the date of grant. Fair values assuming maximum performance as of the date of grant are as follows:

Fair Value at Maximum Performance			
Executive	2011	2010	2009
Kevin T. Kabat	\$ 2,144,093		\$ 3,333,520
Daniel T. Poston	\$ 524,113		\$ 425,803
Greg D. Carmichael	\$ 927,905		\$ 1,330,647
Robert A. Sullivan	\$ 476,471		\$ 931,455
Paul L. Reynolds	\$ 476,471		\$ 851,614

- (4) Amounts reflect a pro-rated award adjusted for the amount of salary phantom stock units received in 2011.
- (5) The Company has nonqualified deferred compensation plans. The amounts earned are disclosed in the Nonqualified Deferred Compensation table.
- (6) All Other Compensation:

Name	Year	Perquisites and Other Personal Benefits	Registrant Contributions to Defined Contribution Plans	Insurance Premiums	Tax Reimbursements <sup>(F)</sup>	Severance	Other <sup>(G)</sup>
Kevin T. Kabat	2011	\$ 16,801 <sup>(A)</sup>	\$ 65,244	\$ 804			\$ 47,648
	2010	\$ 15,337 <sup>(A)</sup>	\$ 14,700	\$ 804			\$ 9,937
	2009	\$ 9,079 <sup>(A)</sup>	\$ 14,400	\$ 842			\$ 6,846
Daniel T. Poston	2011	\$ 2,788 <sup>(B)</sup>	\$ 33,244	\$ 413			\$ 15,153
	2010	\$ 2,100 <sup>(B)</sup>	\$ 14,700	\$ 342			\$ 5,133
	2009	\$ 7,100 <sup>(B)</sup>	\$ 14,400	\$ 291			\$ 4,572
Greg D. Carmichael	2011	\$ 16,689 <sup>(C)</sup>	\$ 47,332	\$ 659			\$ 24,669
	2010	\$ 13,509 <sup>(C)</sup>	\$ 14,700	\$ 608			\$ 6,546
	2009	\$ 21,391 <sup>(C)</sup>	\$ 14,400	\$ 534			\$ 41,718
Robert A. Sullivan	2011	\$ 287,154 <sup>(D)</sup>	\$ 39,606	\$ 545	\$ 198,316		\$ 16,663
	2010	\$ 7,633 <sup>(D)</sup>	\$ 14,700	\$ 531			\$ 5,725

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	2009	\$ 21,205 <sup>(D)</sup>	\$ 14,400	\$ 530	\$ 5,207
Paul L. Reynolds	2011	\$ 4,273 <sup>(E)</sup>	\$ 37,155	\$ 471	\$ 16,472
	2010	\$ 8,720 <sup>(E)</sup>	\$ 14,700	\$ 455	\$ 5,594

- (A) The amount shown for Mr. Kabat for 2011 represents trust and estate planning fees, parking, country club dues, and a personal computer. The amount shown for Mr. Kabat for 2010 represents trust and estate planning fees, parking, and country club dues. The amount shown for Mr. Kabat for 2009 represents parking

and country club dues. The Company eliminated the reimbursement of future country club dues to its Executive Officers in March 2010 but will honor its commitments to pay any existing forgiveness loans entered into to purchase such memberships.

- (B) The amount shown for Mr. Poston for 2011 represents parking and a personal computer. The amount shown for Mr. Poston for 2010 represents parking. The amount shown for 2009 represents trust and estate planning paid by the Company on behalf of Mr. Poston, and parking.
- (C) The amount shown for Mr. Carmichael for 2011 represents trust and estate planning fees, parking, country club dues, and a personal computer. The amounts shown for Mr. Carmichael for 2010 and 2009 represent trust and estate planning fees, parking, and country club dues. The Company eliminated the reimbursement of future country club dues to its Executive Officers in March 2010 but will honor its commitments to pay any existing forgiveness loans entered into to purchase such memberships.
- (D) The amount shown for Mr. Sullivan for 2011 represents relocation expenses of \$280,126, parking, country club dues, and a personal computer. The amount shown for Mr. Sullivan for 2010 represents parking and country club dues. The amount shown for Mr. Sullivan for 2009 represents trust and estate planning fees, country club dues and parking. The Company eliminated the reimbursement of future country club dues to its Executive Officers in March 2010 but will honor its commitments to pay any existing forgiveness loans entered into to purchase such memberships.
- (E) The amount shown for Mr. Reynolds for 2011 represents trust and estate planning fees, parking, and a personal computer. The amount shown for Mr. Reynolds for 2010 represents trust and estate planning fees, parking and country club dues.
- (F) Amount in this column represents tax reimbursements associated with relocation expenses.
- (G) Amounts in this column represent benefit choice dollars and dividends paid on unvested restricted stock.

#### **Grants of Plan-Based Awards**

The following table illustrates the long-term equity-based incentive compensation awards made and the phantom stock units paid as base salary to Named Executive Officers during 2011. The table reflects the full grant date fair value of awards made in 2011.

On April 19, 2011, each of the Named Executive Officers received grants of performance shares that will vest three years from the grant date (contingent on meeting the performance threshold), restricted stock that will vest in three equal annual installments from the date of grant, and SARs that will vest in four equal annual installments from the date of grant.

Dividends are paid on unvested restricted stock, which is reported in the All Other Stock Awards: Number of Shares of Stock or Units column below. None of these awards have been repriced or modified. As described in the Compensation Discussion and Analysis section, under the provisions of the 2011 Incentive Compensation Plans, these awards are subject to accelerated vesting in the event of a change in control followed by a qualifying termination of employment.

## 2011 Grants of Plan-Based Awards

Name	Grant Date <sup>(1)</sup>	Date Grant Approved by Compensation Committee <sup>(2)</sup>	Estimated Future Payouts Under Non-Equity Incentive Plan Awards <sup>(3)</sup>				Estimated Future Payouts Under Equity Incentive Plan Awards <sup>(4)</sup>				All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise Price of Option (\$ / Sh)	Grant Date Fair Value of Stock and Option Awards <sup>(5)</sup> (\$)
			Number of Units	Threshold (\$)	Target (\$)	Maximum (\$)	Number of Units	Threshold (#)	Target (#)	Maximum (#)				
Kevin T. Kabat				\$ 750,000	\$ 1,500,000	\$ 3,375,000								
	1/7/2011	4/16/2010									5,202			\$ 76,361
	1/21/2011	4/16/2010									5,427			\$ 79,235
	2/4/2011	4/16/2010									5,148			\$ 79,235
	2/18/2011	4/16/2010									5,286			\$ 79,235
	3/4/2011	4/16/2010									5,700			\$ 79,235
	3/18/2011	4/16/2010									5,648			\$ 79,235
	4/1/2011	4/16/2010									5,664			\$ 79,235
	4/15/2011	4/16/2010									5,742			\$ 79,235
	4/19/2011	4/19/2011					80,243	40,121	80,243	160,486				\$ 1,072,046
	4/19/2011	4/19/2011										428,571	\$ 13.36	\$ 1,837,541
	4/19/2011	4/19/2011									84,207			\$ 1,125,006
Daniel T. Poston				\$ 250,000	\$ 500,000	\$ 1,125,000								
	1/7/2011	4/16/2010									1,056			\$ 15,500
	1/21/2011	4/16/2010									1,061			\$ 15,500
	2/4/2011	4/16/2010									1,016			\$ 15,629
	2/18/2011	4/16/2010									1,081			\$ 16,206
	3/4/2011	4/16/2010									1,166			\$ 16,206
	3/18/2011	4/16/2010									1,155			\$ 16,206
	4/1/2011	4/16/2010									1,158			\$ 16,206
	4/15/2011	4/16/2010									1,174			\$ 16,206
	4/19/2011	4/19/2011					19,615	9,807	19,615	39,230				\$ 262,056
	4/19/2011	4/19/2011										104,762	\$ 13.36	\$ 449,178
	4/19/2011	4/19/2011									20,584			\$ 275,002
Greg D. Carmichael				\$ 438,750	\$ 877,500	\$ 1,974,375								
	1/7/2011	4/16/2010									1,946			\$ 28,567
	1/21/2011	4/16/2010									2,009			\$ 29,333
	2/4/2011	4/16/2010												