



Fifth Third Bancorp ("Fifth Third") hereby formally requests confidential treatment of the information being provided herein and request that this response not be made available to the public or other third parties. Fifth Third specifically deems information included in the following response that is underlined ("the Confidential Information") as particularly sensitive and confidential.

Fifth Third makes this request pursuant to applicable exemptions from the Freedom of Information Act ("FOIA"), 5 U.S.C. § 552 and the regulations of the United States Department of the Treasury thereunder at 31 C.F.R. Part 1. The Confidential Information constitutes confidential commercial or financial information that is not otherwise publicly available, the disclosure of which would likely cause significant competitive harm to Fifth Third and its subsidiaries and affiliates. Examples of this information include detailed descriptions regarding forward-looking information regarding expected results, information related to management decisions regarding business operations and strategies, and information related to Fifth Third's interaction with regulators and other financial authorities. Fifth Third has numerous competitors, and does not possess similar information concerning these competitors. Furthermore, Fifth Third believes that competitors or the general public could not otherwise obtain the Confidential Information, which is proprietary and compiled for internal use only, and made available to the relevant prudential supervisors only upon direct request.

As such, Fifth Third believes that the Confidential Information is exempt from public disclosure requirements and entitled to confidential treatment under FOIA, 5 U.S.C. § 552(b)(4) and 31 C.F.R. § 1.6.

Mr. Neil M. Barofsky
Office of the Special Inspector General
Special Inspector General -TARP
1500 Pennsylvania Avenue, NW Suite 1064
Washington, D.C. 20220

RE: Fifth Third Bancorp Response to the Office of the Special Inspector General
for Troubled Asset Relief Program

Dear Mr. Barofsky:

This correspondence is being delivered in response to the letter from your office dated February 6, 2009 (the "Request Letter"). In that letter you have requested that Fifth Third Bancorp ("Fifth Third") provide information to your office related to Fifth Third's receipt of funds under the Troubled Asset Relief Program ("TARP") as established under the Emergency Economic Stabilization Act of 2008 ("EESA"). Specifically you have asked that Fifth Third respond to the enumerated questions set forth below. In providing this response, Fifth Third has considered both information and instructions contained in your request letter as well as the Questions and Answers posted to the Office of the Inspector General for Troubled Asset Relief Program (SIGTARP) website at: [http://www.sig tarp.gov/reports/audit/2009/Questions and Answers Regarding Use of Funds Request Letter.pdf](http://www.sig tarp.gov/reports/audit/2009/Questions_and_Answers_Regarding_Use_of_Funds_Request_Letter.pdf) (the "Q and A").

Rather than include source documentation for all statements, Fifth Third has provided footnotes describing the documentation supporting certain statements. Since the text provided sufficiently explains the information relevant to the Response, that documentation is merely backup and support and may not be additive to the Response. Pursuant to the directions received from your office in the Request Letter and the Q and A, all documentation referenced in this Response and relating to Fifth Third's use of TARP funds will be preserved.

CONFIDENTIAL TREATMENT REQUESTED

ITEM (1):

Background: Fifth Third received notice of preliminary approval for participation in the Capital Purchase Program (CPP) in the amount of \$3.46 billion on October 27, 2008, which was announced by Fifth Third on October 28, 2008. (This amount was subsequently revised to \$3.41 billion based on Fifth Third's September 30, 2008 risk-weighted assets.)

In order to permit the receipt of the investment, it was necessary to seek approval by two-thirds of Fifth Third's common and preferred shareholders to provide for the election of directors by the Treasury or its assignees under certain circumstances. Director positions were not provided for preferred shareholders in Fifth Third's Articles of Incorporation or Code of Regulations. This shareholder approval was received at a Special Meeting on December 29, 2008. The Treasury's investment was made December 31, 2008.

As the narrative that follows will outline, Fifth Third's current and expected level of activities and size of its balance sheet are significantly higher than would otherwise be the case without the TARP funds and capital. Inherently, capital and cash are fungible, but the following summary outlines our actions:

- 1) Fifth Third has made investments in securities backed by loans and agency securities in the amount of \$2.9 billion, with those investment decisions and deployment of cash being explicitly tied in the decision-making process to the receipt of the CPP funds
- 2) Fifth Third has originated \$7.9 billion in loans in January and February since receiving the CPP funds on December 31, 2008
- 3) [REDACTED] (b) (4)
- 4) Fifth Third has our actual level of loans and securities, in aggregate, and its planned level of loans and securities, are significantly in excess of the levels that would prevail currently or would have been expected over the course of 2009 had Fifth Third not had the CPP funds available from the standpoint of cash and capital

In summary, Fifth Third's lending and investment activities have been increased by more than the \$3.4 billion CPP funds and, more importantly, in the absence of those funds, Fifth Third would have found it necessary to reduce its lending and investment activities relative to the levels prevailing at the end of 2008 in order to maintain a prudent risk and balance sheet management posture. These activities are discussed in greater detail in the narrative corresponding to each section of the Request Letter below.

I(a): YOUR ANTICIPATED USE OF TARP FUNDS

General Anticipations of Use of TARP Funds

Upon notice of Fifth Third's preliminary approval for participation in the CPP program, Fifth Third stated in its announcement that its general plans were that these funds would become available to us and that the capital would "increase our capacity to provide additional credit to business and consumers in our markets and to further assist struggling borrowers." That it would "add to our flexibility in considering strategic opportunities that become available as the industry undergoes change." And that it would represent "additional capital above our capital targets to provide for potential negative effects of a challenging and uncertain economic outlook." Fifth Third anticipated that the receipt of the CPP capital would bolster Fifth Third's capital base and regulatory capital ratios, by approximately 300 bps for each ratio.^{1/2/3}

These levels of capital were expected to place Fifth Third's capital levels and ratios in excess of its target levels, which the company believed was appropriate given the environment. The excess levels of capital would help

¹ October 28, 2008, press release announcing preliminary approval of CPP participation

² October 28, 2008, press release announcing preliminary approval of CPP participation

³ December 8, 2008, Proxy Statement, p. 17, "Pro Forma Condensed Consolidated Balance Sheet"

CONFIDENTIAL TREATMENT REQUESTED

ensure that actual capital would meet or exceed required capital, during the period of economic weakness, and would provide room for the company to grow during this period and when the economy strengthens and excess levels are no longer needed. Fifth Third reiterated this view in its January 22, 2008 earnings release and conference call.^{4/5}

As outlined in Fifth Third's proxy statement for the Special Meeting, filed December 8, 2008, it indicated that it expected to "initially use the proceeds to pay down short-term borrowings." This was reflected in the pro forma financials included in the proxy statement. Beyond this immediate and initial expectation, Fifth Third indicated in the proxy statement that it expected these funds to "supplement the Company's cash and other sources of liquidity, including deposits, to provide for the general operating needs of the Company. These needs are expected to include making loans to qualified borrowers; purchasing securities backed by loans; repaying liabilities in the ordinary course of business; and financing other ordinary activities of the Company." Regarding the capital represented by the investment, Fifth Third indicated that it was "expected to be prudently leveraged to further enhance earnings opportunities, primarily through lending and other indirect forms of lending such as purchase of securities backed by loans. To the extent that the capital is not immediately deployed to a level of leverage equivalent to that of the Company's current balance sheet, due to timing or other factors, that capital would serve to enhance the Company's existing capital levels."^{6/7}

Fifth Third's activities during the fourth quarter of 2008 and planning for 2009 generally assumed that these funds would become available during the fourth quarter and would be available to support its business in 2009. As a result, it managed its balance sheet during the fourth quarter and made plans for 2009 assuming the likelihood that these funds would be part of its capital and available liquidity. At the same time, receipt of these funds was conditioned upon shareholder approval and final agreement on terms with Treasury, which required Fifth Third to ensure that it had the ability to adjust the size of the balance sheet should these funds, for whatever reason, not become available. The anticipation of receiving these funds at some point during the fourth quarter permitted Fifth Third to maintain a higher level of lending activity, which activity we outlined in the initial TARP Monthly Intermediation Snapshot, and balance sheet growth than would otherwise have been the case without the expectation of receiving these funds and this capital.^{8/9}

Actual Anticipated of Use of TARP Funds

Fifth Third's planning cycle for 2009 generally coincided with its knowledge of the expected availability of these funds. Fifth Third's planning included incorporating changes to its plans that resulted from the slowdown in economic activity experienced in the fourth quarter of 2008, as well as evolving expectations for lower economic activity in 2009. These expectations were accompanied by lower expectations for loan demand by borrowers if economic activity slowed as expected by Fifth Third and market observers.

In its November meeting, Fifth Third's Asset Liability Committee ("ALCO") members discussed the anticipated use of the \$3.4 billion of CPP funds. [REDACTED] (b) (4)

⁴ January 22, 2008, fourth quarter earnings release – p. 1 (capital targets), p. 4 (quote regarding capital)

⁵ January 22, 2009, fourth quarter earnings conference call transcript – pp. 2, 3, 11 (comments regarding capital)

⁶ December 8, 2008, Proxy Statement, pp. 15-17, "Pro Forma Condensed Consolidated Summaries of Income and Balance Sheet"

⁷ December 8, 2008, Proxy Statement Q&A, pp. 2-3, "What does the Company plan to do with the proceeds of the TARP CPP"

⁸ February 6, 2009, TARP Monthly Intermediation Snapshot narrative, Fifth Third

⁹ February 6, 2009, TARP Monthly Intermediation Snapshot table, Fifth Third

(b) (4)

CONFIDENTIAL TREATMENT REQUESTED

In its December meeting, ALCO members continued to evaluate Fifth Third's anticipated use of the CPP funds.

[REDACTED] (b) (4)

In its December 16, 2008 Finance Report to the Board of Directors, it was noted that proceeds of the CPP preferred stock investment would be used to continue in-market lending and for investments in low-risk securities backed by various types of consumer lending.¹²

Financial plan was approved by ALCO

(b) (4)

[REDACTED]

¹¹ December 5, 2008, Executive ALCO Presentation, pp. 8-11

¹² December 16, 2008, Finance Report to the Board of Directors, p. 8

(b) (4)

CONFIDENTIAL TREATMENT REQUESTED

(b) (4)

1(b): WHETHER THE TARP FUNDS WERE SEGREGATED FROM OTHER INSTITUTIONAL FUNDS

The TARP funds were not segregated from other institutional funds. It was deemed to be impractical and to present insurmountable obstacles to implement such a segregation. The general difficulty arises from the fungibility of capital and liquidity within a banking institution. Particular examples of why segregation would have been difficult or impossible from a practicability standpoint are: 1) multiple bank charters in which activities are conducted; 2) normal course of funding of new loans from multiple charters and from multiple general ledger accounts and processes; and 3) lack of benefit of isolating funds designated as those from which we would make new loans, when those funds would be expected to be expended many times over through lending in the ordinary course of business.

(b) (4)

Additionally, the nature of capital is such that it is available to use to make new loans and at the same time is available to absorb losses. For example, Fifth Third has been active in modifying loans, primarily related to consumer residential real estate loans, in order to assist borrowers in remaining in their homes and to assist them with difficulties in making their contractual loan payments. These modifications, during 2008, totaled \$643 million.

(b) (4)

(b) (4)

Fifth Third does not explicitly connect this type of loss, or losses in general, to the CPP capital – we view the losses we have incurred or will incur as events that occur independently of the presence of the CPP funds) – that capital does provide Fifth Third with a greater ability to absorb losses in general.^{21/22}

The CPP funds represent a critical source of incremental new capital which, when combined with Fifth Third's existing capital, provide the ability to conduct higher levels of activity. However, it is necessary for the Company to manage its capital resources and its liquidity in the aggregate to be able to fully deploy its resources to their fullest advantage where they are most needed and best utilized.

1(c): YOUR ACTUAL USE OF TARP FUNDS TO DATE

The \$3.41 billion CPP investment significantly bolstered Fifth Third's levels of capital and holding company liquidity when received.

(b) (4)

(b) (4)

²¹ 2008 Loan Modification Analysis

²² 2009 Loan Modification Analysis

(b) (4)

CONFIDENTIAL TREATMENT REQUESTED

As previously discussed and approved by the ALCO committee, the first deployment of the CPP funds from a consolidated Bancorp perspective was executed in January in the form of (b) (4)

(b) (4)

These ABS, MBS and agency investments allowed Fifth Third to quickly deploy a large majority of the CPP proceeds, which we believe is consistent with sound investment policy on our part as well as financial authorities' public policy purposes of providing liquidity to consumer and mortgage markets.

Overall, we originated \$3.7 billion in loans in January and \$4.3 billion in February. We also purchased securities totaling \$3.1 billion in January and February, including the \$2.9 billion in MBS and auto ABS mentioned above. Due to the fungibility of cash and the fact that the CPP funds cannot practicably be sequestered, the loans and securities purchases were made using the entire available liquidity and capital base of Fifth Third, which includes the CPP funds. The CPP funds have enabled Fifth Third to continue to serve its communities through these higher expected originations as well as to provide incremental liquidity to the loan and securities markets outlined above.²⁸

1(d): YOUR EXPECTED USE OF UNSPENT TARP FUNDS

As noted above, our incremental security investments totaled \$2.9 billion through February 28, 2008. We plan

(b) (4)

As discussed previously, Fifth Third's balance sheet inherently leverages its capital, including the CPP capital. By the end of February, Fifth Third has almost fully deployed the CPP proceeds into incremental assets, representing increased lending or securities that have provided increased liquidity to secondary loan markets.

(b) (4)

²⁵ December 31, 2008, Fed Account Statement

²⁶ February 6, 2008, Executive ALCO Presentation, pp. 9-10

²⁷ February 27, 2008, Securities Portfolio spreadsheet

²⁸ 2009 Monthly Originations Plan/Forecast/January and February Actuals; February 27, 2008, Securities Portfolio spreadsheet

(b) (4)

CONFIDENTIAL TREATMENT REQUESTED

Fifth Third expects to continue to manage its capital base and its balance sheet in the context of the overall economic environment, available liquidity, and expectations for capital in the market and its investors, including the U.S. Treasury, and to continue its lending activities and grow its loan (and securities) balances in a fashion consistent with the economic environment and its sources of capital and liquidity.

ANY ACTIONS THAT FIFTH THIRD HAS TAKEN THAT IT WOULD NOT HAVE BEEN ABLE TO TAKE ABSENT THE INFUSION OF TARP FUNDS.

The above discussion addresses anticipated use of incremental funds and capital made available through the CPP investment, as well as actual uses. The discussion also notes that sources of liquidity and capital in banking are inherently fungible, and thus the CPP funds/capital have increased the entire pool of available liquidity and capital available for Fifth Third to utilize to maintain and grow its balance sheet and support its communities. Absent the infusion of the CPP funds, Fifth Third's capital levels and ratios and available liquidity would have been less by the amount of the CPP funds. (b) (4)

(b) (4)

Fifth Third has a target for its Tier 1 capital ratio of 8-9%. At year-end 2008, Fifth Third's Tier 1 capital ratio was 10.6%. The CPP funds represented approximately 3.0% of risk-weighted assets. (b) (4)

(b) (4)

The following discussion represents a reasonable example of the types of actions we may have considered taking in the absence of the CPP funds. Please note that our plans were developed with the knowledge that we had received preliminary approval for receipt of the CPP funds; therefore, this scenario does not represent a plan that existed. In order to produce a planned Tier 1 capital ratio in line with its target range of 8-9%, with no other capital-generating actions, Fifth Third would have needed to reduce its risk-weighted assets from its planned growth as outlined above of \$5 billion by as much as \$20 billion (in other words, this would represent a net reduction in risk-weighted assets from December 31, 2008 of \$15 billion or more). In such a situation, Fifth Third would likely have considered combining a reduction in risk-weighted assets and accepting a lower Tier 1 ratio than its target for some period. (b) (4)

(b) (4)

This counterfactual scenario provides the clearest evidence possible of the benefit to Fifth Third and its customers of the CPP investment and the role it plays in permitting an increased level of balance sheet support for those customers.

ITEM (2):

The following constitutes Fifth Third's response to Item Two of the Request Letter. The following was requested:

³¹ Regulatory capital ratio and risk-weighted asset/alternatives without CPP capital

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Your specific plans, and the status of implementation of those plans, for addressing executive compensation requirements associated with the funding. Information provided regarding executive compensation should also include any assessments made of loan risks and their relationship to executive compensation; how limitations on executive compensation will be implemented in line with Department of Treasury guidelines; and whether any such limitations may be offset by other changes to other, longer-term or deferred forms of executive compensation.

Pursuant to the Q and A, we have described only our plans and status of implementation with respect to the current Treasury regulations as posted on Treasury Department's website at:

<http://www.treas.gov/press/releases/2008101495019994.htm>

Since Fifth Third has not received what is currently contemplated as "extraordinary assistance", Fifth Third has not described plans or status with respect to the Treasury Department's guides posted on its website at:

<http://www.treas.gov/press/releases/tg15.htm>

Following is a matrix describing each of the requirements, Fifth Third's specific plans with respect to meeting those requirements and status of implementation of those plans.

Executive Compensation Requirements	Fifth Third's Specific Plans	Status of Implementation of Fifth Third's Plans
Ensure that all incentive compensation for CEOs does not encourage unnecessary and excessive risk-taking that threatens the overall value of the firm.	Meet with the Senior Risk Officer (SRO) to discuss incentive programs and practices for CEOs, and consider whether any of these programs and practices encourage unnecessary and excessive risk-taking.	This is complete, and has been reviewed with the Company's Compensation Committee of the Board of Directors. The CRO attended meetings of Fifth Third's Compensation Committee on January 22, 2009 and February 3, 2009 and presented her findings complying with the requirements. ³²
	Meet with SRO annually to conduct a review of all CEO incentive programs and practices, as described above.	This will occur as part of our annual incentive design and approval process.
	Certify annually in the Compensation Committee Report that it has complied with this requirement.	This is incorporated in the Company's 2009 Proxy Statement. The preliminary Proxy was filed on February 27, 2009 and a copy of the relevant section is submitted with this Response. ³³
Prohibited from using any compensation plan that encourages manipulation of reported earnings to enhance potential payout.	Compensation plan design employs a balanced portfolio of metrics to ensure proper focus on outcomes. The Compensation Committee determines amounts earned for CEOs and has the express intent to adjust calculated funding as appropriate to ensure the appropriate rewards based on all results.	This is complete for current plans and it will be integrated into Compensation Committee and Board approval of future plans. This analysis was part of the CRO review of all programs and practices described above. ³⁴

³² Minutes of Compensation Committee meetings of January 22, 2009 and February 3, 2009 and materials presented by the Chief Risk Officer at those meetings.

³³ February 27, 2009 Preliminary Proxy Statement, Page 40 "Compensation Committee Report"

³⁴ Minutes of Compensation Committee Meetings January 22, 2009; February 3, 2009 and February 26, 2009 and documentation presented at these meetings.

CONFIDENTIAL TREATMENT REQUESTED

Executive Compensation Requirements	Fifth Third's Specific Plans	Status of Implementation of Fifth Third's Plans
Claw back any bonus or other incentive compensation earned during the Treasury holding period to a SEO or to the Top 5 and next 20 highest paid individuals based on statements of earnings, gains or other criteria that are later proven to be materially inaccurate, whether these are contained in the Company's financial reporting or other performance metrics that determine compensation awards.	Fifth Third had previously established a claw back mechanism in its plans. Existing claw back provisions were revised to reflect the broader application of the TARP requirements.	This is complete. Each SEO has executed an amendment and acknowledgement to their employment arrangement that acknowledges this change. ³⁵
Prohibited from making any golden parachute payments to a Senior Executive Officer based on the Internal Revenue Code provision.	Fifth Third's existing Change-in-Control agreements were amended to limit payments as required.	This is complete. The amendments to the existing agreements were submitted to the Treasury with the final documentation submitted with respect to Fifth Third's participation in the CPP. ³⁵
Agree not to deduct for tax purposes executive compensation in excess of \$500,000 for each SEO. Eliminate performance-based compensation exceptions and continue "disqualified individual status" thereby removing the option for providing post-retirement lump sums.	Fifth Third plans to comply with these requirements when completing the related documentation for submission to the respective Government Agencies.	Fifth Third will comply with these requirements. Fifth Third's Tax and Benefit groups are aware of these restrictions and they have been incorporated into their provisions.

In addition although not part of, the rules currently in place as adopted or issued by Treasury, Fifth Third has adopted "Say on Pay" providing the opportunity for shareholders to pass nonbinding resolutions reflecting the approval or rejection of Fifth Third's pay plans. This matter was included in Fifth Third's most recent preliminary proxy filing made on February 27, in contemplation of its annual meeting to be held April 21, 2009.³⁶

Fifth Third will continue to monitor changes to these requirements as additional guidance and rules are issued. As noted above, steps are already being taken to comply with expected changes as were announced in connection with recently passed Economic Stimulus legislation.

³⁵ Form 8-K filed by Fifth Third Bancorp December 31, 2008, Exhibit 10.1, 10.2, 10.3, 10.4, 10.5 and 10.6

³⁶ February 27, 2009 Preliminary Proxy Statement, Pages 51 & 52 "Compensation Committee Report"

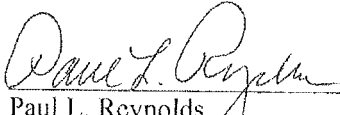
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Thank you for providing Fifth Third with the opportunity to provide this information with respect to its use of TARP funds and compliance with the rules related to its participation in that program. We appreciate the support of this program in these difficult times. Please advise if you have any further questions or need any clarification regarding the information submitted.

FIFTH THIRD BANCORP

I, Paul L. Reynolds, certify that:

I have reviewed this response and supporting documents, and, based on my knowledge, this response and the supporting documents do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading.


Paul L. Reynolds
Executive Vice President, Secretary
and Chief Legal Officer