

FIFTH THIRD BANCORP
Form 8-K
April 23, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT PURSUANT
TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported): April 23, 2008

FIFTH THIRD BANCORP

(Exact Name of Registrant as Specified in Its Charter)

OHIO

(State or Other Jurisdiction of Incorporation)

0-8076
(Commission File Number)

31-0854434
(IRS Employer Identification No.)

Fifth Third Center
38 Fountain Square Plaza, Cincinnati, Ohio
(Address of Principal Executive Offices)

45263
(Zip Code)

(513) 534-5300

(Registrant's Telephone Number, Including Area Code)

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

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- .. Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- .. Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- .. Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- .. Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 8.01 Other Events

Fifth Third Bancorp is filing this Current Report on Form 8-K to incorporate into its securities filings: (a) certain financial information from its April 22, 2008 earnings release for the quarter ended March 31, 2008 and (b) certain information regarding litigation.

(a)
Earnings Highlights

2008 First Quarter Financial Information

	For the Three Months Ended					% Change	
	March 2008	December 2007	September 2007	June 2007	March 2007	Seq	Yr/Yr
Net income (in millions)	\$ 292	\$ 16	\$ 325	\$ 376	\$ 359	NM	(19%)
Common Share Data							
Earnings per share, basic	0.55	0.03	0.61	0.69	0.65	NM	(15%)
Earnings per share, diluted	0.55	0.03	0.61	0.69	0.65	NM	(15%)
Cash dividends per common share	0.44	0.44	0.42	0.42	0.42		5%
Financial Ratios							
Return on average assets	1.06%	0.06%	1.26%	1.49%	1.47%	NM	(28%)
Return on average equity	12.5	0.7	13.8	15.7	14.6	NM	(14%)
Tangible equity	6.22	6.05	6.83	6.92	7.65	3%	(19%)
Net interest margin (a)	3.41	3.29	3.34	3.37	3.44	4%	(1%)
Efficiency (a)	42.1	72.6	59.2	54.1	55.8	(42%)	(25%)
Common shares outstanding (in thousands)	532,106	532,672	532,627	535,697	550,077		(3%)
Average common shares outstanding (in thousands):							
Basic	528,498	529,120	530,123	540,264	551,501		(4%)
Diluted	530,372	530,939	532,471	543,228	554,175		(4%)

(a) Presented on a fully taxable equivalent basis

NM: not meaningful

On April 22, 2008, Fifth Third Bancorp (Nasdaq: FITB) reported first quarter 2008 earnings of \$292 million, or \$0.55 per diluted share, compared with \$16 million, or \$0.03 per diluted share in the fourth quarter of 2007 and \$359 million, or \$0.65 per diluted share, for the same period in 2007.

Reported results include a gain of \$273 million pre-tax, or \$0.33 per share after-tax, related to the redemption of a portion of our ownership interests in Visa, Inc., as well as the reversal of \$152 million pre-tax in expenses, or \$0.19 per share after-tax, representing a portion of the previously recorded litigation reserves, both related to Visa's initial public offering. Reported results also include a non-cash estimated charge of \$144 million pre-tax, or \$0.21 per share after-tax, to further reduce the current cash surrender value of one of our Bank-Owned Life Insurance (BOLI) policies, and expenses related to acquisitions and severance expenses totaling \$16 million pre-tax, or \$0.02 per share after-tax.

As noted above, the BOLI charge is based on quarter-end estimated values and is subject to change. Our financial results, which we expect to file on Form 10-Q in early May, will be based on the most current March 31, 2008 performance information we have received concerning the performance of the underlying investments. Performance information received after the date of this release could result in changes that would affect the reported earnings, earnings per share, and other financial measures reported in the release.

Income Statement Highlights

	March 2008	For the Three Months Ended			March 2007	% Change	
		December 2007	September 2007	June 2007		Seq	Yr/Yr
Condensed Statements of Income (\$ in millions)							
Net interest income (taxable equivalent)	\$ 826	\$ 785	\$ 760	\$ 745	\$ 742	5%	11%
Provision for loan and lease losses	544	284	139	121	84	91%	550%
Total noninterest income	872	509	681	669	608	71%	43%
Total noninterest expense	715	940	853	765	753	(24%)	(5%)
Income before income taxes (taxable equivalent)	439	70	449	528	513	527%	(15%)
Taxable equivalent adjustment	6	6	6	6	6		
Applicable income taxes	141	48	118	146	148	194%	(5%)
Net income available to common shareholders (a)	292	16	325	375	359	NM	(19%)
Earnings per share, diluted	\$ 0.55	\$ 0.03	\$ 0.61	\$ 0.69	\$ 0.65	NM	(15%)

(a) Dividends on preferred stock are \$.185 million for all quarters presented

NM: not meaningful

Net Interest Income

	March 2008	For the Three Months Ended			March 2007	% Change	
		December 2007	September 2007	June 2007		Seq	Yr/Yr
Interest Income (\$ in millions)							
Total interest income (taxable equivalent)	\$ 1,453	\$ 1,556	\$ 1,535	\$ 1,495	\$ 1,466	(7%)	(1%)
Total interest expense	627	771	775	750	724	(19%)	(13%)
Net interest income (taxable equivalent)	\$ 826	\$ 785	\$ 760	\$ 745	\$ 742	5%	11%
Average Yield							
Yield on interest-earning assets	5.99%	6.52%	6.73%	6.75%	6.79%	(8%)	(12%)
Yield on interest-bearing liabilities	2.99%	3.78%	4.04%	4.08%	4.07%	(21%)	(27%)
Net interest rate spread (taxable equivalent)	3.00%	2.74%	2.69%	2.67%	2.72%	9%	10%
Net interest margin (taxable equivalent)	3.41%	3.29%	3.34%	3.37%	3.44%	4%	(1%)
Average Balances (\$ in millions)							
Loans and leases, including held for sale	\$ 84,912	\$ 82,172	\$ 78,243	\$ 77,048	\$ 75,860	3%	12%
Total securities and other short-term investments	12,597	12,506	12,169	11,741	11,710	1%	8%
Total interest-bearing liabilities	84,353	80,977	76,070	73,735	72,148	4%	17%
Shareholders' equity	9,379	9,446	9,324	9,599	9,970	(1%)	(6%)

Net interest income of \$826 million on a taxable equivalent basis grew \$41 million, or 5 percent, from the fourth quarter of 2007. Net interest income benefited from lower funding costs on core deposits and wholesale borrowings as well as strong growth in earning assets, which more

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than offset the effect of lower asset yields, the effect of loan securitizations, tightening spreads between LIBOR and Fed Funds rates and growth in non-earning assets. The net interest margin was 3.41 percent, up 12 bps from the fourth quarter of 2007, primarily driven by 26 bps widening of the net interest rate spread resulting from effective rate management as market rates have declined.

Compared with the first quarter of 2007, net interest income increased \$84 million, or 11 percent, and net interest margin compressed 3 bps from 3.44 percent. The increase in net interest income reflected earning assets growth and 28 bps widening in the net interest rate spread. The growth in assets and lower free funding offset the benefits of wider spreads in the net interest margin.

Average Loans

	For the Three Months Ended				March 2007	% Change	
	March 2008	December 2007	September 2007	June 2007		Seq	Yr/Yr
Average Portfolio Loans and Leases (\$ in millions)							
Commercial:							
Commercial loans	\$ 25,367	\$ 23,650	\$ 22,183	\$ 21,584	\$ 20,908	7%	21%
Commercial mortgage	12,016	11,497	11,041	11,008	10,566	5%	14%
Commercial construction	5,577	5,544	5,499	5,595	6,014	1%	(7%)
Commercial leases	3,723	3,692	3,698	3,673	3,658	1%	2%
Subtotal - commercial loans and leases	46,683	44,383	42,421	41,860	41,146	5%	13%
Consumer:							
Residential mortgage loans	10,395	9,943	8,765	8,490	8,830	5%	18%
Home equity	11,846	11,843	11,752	11,881	12,062		(2%)
Automobile loans	9,278	9,445	10,853	10,552	10,230	(2%)	(9%)
Credit card	1,660	1,461	1,366	1,248	1,021	14%	63%
Other consumer loans and leases	1,083	1,099	1,138	1,174	1,127	(1%)	(4%)
Subtotal - consumer loans and leases	34,262	33,791	33,874	33,345	33,270	1%	3%
Total average loans and leases (excluding held for sale)	\$ 80,945	\$ 78,174	\$ 76,295	\$ 75,205	\$ 74,416	4%	9%
Average loans held for sale	3,967	3,998	1,950	1,843	1,445	(1%)	175%

Average loan and lease balances grew 4 percent sequentially and 9 percent from the first quarter of last year. Average commercial loans and leases grew 5 percent sequentially and 13 percent compared with the first quarter of 2007. Growth was primarily driven by commercial and industrial (C&I) lending, up 7 percent sequentially and 21 percent versus a year ago, reflecting solid production across most of our footprint. Compared with last quarter, commercial mortgage balances increased \$519 million. Consumer loans and leases were up 1 percent sequentially and increased 3 percent compared with the first quarter of 2007. Comparisons with both periods reflect growth in residential mortgages and credit card loans, offset by lower home equity originations and securitization activity.

First quarter loan sales and securitizations totaled approximately \$3.3 billion, including \$2.7 billion of auto loans and \$615 million in residential mortgage-related loans.

Average Deposits

	For the Three Months Ended				March 2007	% Change	
	March 2008	December 2007	September 2007	June 2007		Seq	Yr/Yr
Average Deposits (\$ in millions)							
Demand deposits	\$ 13,208	\$ 13,345	\$ 13,143	\$ 13,370	\$ 13,185	(1%)	
Interest checking	14,836	14,394	14,334	15,061	15,509	3%	(4%)
Savings	16,075	15,616	15,390	14,620	13,689	3%	17%
Money market	6,896	6,363	6,247	6,244	6,377	8%	8%
Foreign office (a)	2,443	2,249	1,808	1,637	1,343	9%	82%
Subtotal - Transaction deposits	53,458	51,967	50,922	50,932	50,103	3%	7%
Other time	10,884	11,011	10,290	10,780	11,037	(1%)	(1%)
Subtotal - Core deposits	64,342	62,978	61,212	61,712	61,140	2%	5%
Certificates - \$100,000 and over	5,835	6,613	6,062	6,511	6,682	(12%)	(13%)

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Other foreign office	3,861	2,464	1,981	732	364	57%	960%
Total deposits	\$ 74,038	\$ 72,055	\$ 69,255	\$ 68,955	\$ 68,186	3%	9%

(a) Includes commercial customer Eurodollar sweep balances for which the Bancorp pays rates comparable to other commercial deposit accounts.

Average core deposits were up 2 percent sequentially and 5 percent year-over-year, with transaction deposits (excluding consumer time deposits) growing 3 percent sequentially and 7 percent from a year ago. Core

deposit growth versus the fourth quarter of 2007 was driven primarily by growth in interest checking, savings and money market balances which offset a seasonal decline in demand deposit account (DDA) and consumer certificate of deposits (CD) balances. On a year-over-year basis, strong growth in savings, foreign office deposits and money market balances more than offset lower interest checking balances.

Retail core deposits increased 2 percent sequentially and 4 percent year-over-year. Growth in savings, money market balances, and demand deposit accounts more than offset a sequential decline in CD balances and a year-over-year decline in interest checking and CDs. Commercial core deposits increased 2 percent sequentially and 7 percent year-over-year. Strong sequential growth in money market accounts, interest checking, and foreign office deposits more than offset declines in seasonally lower DDA and savings balances. On a year-over-year basis, strong growth in foreign office deposits, interest checking, money market accounts, and CDs more than offset lower DDA and savings balances.

Noninterest Income

	For the Three Months Ended					% Change	
	March 2008	December 2007	September 2007	June 2007	March 2007	Seq	Yr/Yr
Noninterest Income (\$ in millions)							
Electronic payment processing revenue	\$ 213	\$ 223	\$ 212	\$ 205	\$ 185	(5%)	15%
Service charges on deposits	147	160	151	142	126	(8%)	17%
Investment advisory revenue	93	94	95	97	96	(1%)	(3%)
Corporate banking revenue	107	106	91	88	83	1%	30%
Mortgage banking net revenue	97	26	26	41	40	272%	144%
Other noninterest income	185	(113)	93	96	78	NM	136%
Securities gains (losses), net	27	7	13			286%	NM
Securities gains, net - non-qualifying hedges on mortgage servicing rights	3	6				(56%)	NM
Total noninterest income	\$ 872	\$ 509	\$ 681	\$ 669	\$ 608	71%	43%

Noninterest income of \$872 million grew \$363 million sequentially and \$264 million from a year ago. Growth was driven by the \$273 million gain resulting from the Visa IPO, partially offset by an estimated \$144 million pre-tax charge to further reduce the cash surrender value of one of our BOLI policies. This charge was due to further deterioration in the values of the underlying investments of the policy, reflecting widening credit and municipal spreads during the quarter. First quarter results also included net securities gains of \$30 million. Fourth quarter 2007 noninterest income included a \$177 million charge related to the same BOLI policy, a \$22 million loss due to the termination of cash flow hedges, and \$13 million in net securities gains. Sequential growth was otherwise driven by strong mortgage banking revenue that more than offset seasonally lower payments processing and deposit service charge revenue. Year-over-year comparisons reflected strong growth in mortgage banking, payments processing, deposit service charges and corporate banking revenue.

Electronic payment processing (EPP) revenue of \$213 million decreased 5 percent sequentially from seasonally strong fourth quarter levels. EPP revenue increased 15 percent from a year ago driven by continued strong merchant processing results, up 23 percent, as well as 17 percent growth in card issuer interchange primarily due to higher debit card usage. Higher debit and credit card usage volumes drove solid financial institutions revenue growth of 6 percent versus the first quarter of 2007.

Service charges on deposits of \$147 million declined 8 percent sequentially and increased 17 percent compared with the same quarter last year. Retail service charges declined 16 percent from the fourth quarter, reflecting lower levels of customer activity compared with seasonally strong fourth quarter levels. Retail service charges grew 17 percent compared with the first quarter a year ago on higher customer activity and growth in the number of accounts. Commercial service charges increased 3 percent sequentially and 17 percent compared with last year. This growth primarily reflects the effect of lower market interest rates, as reduced earnings credit rates paid to customers have resulted in higher use of services fees to pay for treasury management services.

Corporate banking revenue of \$107 million increased \$1 million sequentially and \$24 million or 30 percent year-over-year. Included in revenue for the quarter were \$8 million in losses related to \$102 million of commercial mortgages that were moved from the held-for-sale portfolio to the held-for-investment portfolio during the quarter. Revenue growth for both periods was driven by broad-based strength, with particularly strong growth in foreign exchange and customer interest rate derivative sales resulting from more volatile markets and increased penetration of our middle-market customer base.

Investment advisory revenue of \$93 million was down 1 percent sequentially and 3 percent from the first quarter of 2007. Institutional trust revenue decreased 4 percent sequentially and 1 percent year-over-year largely due to market value declines. Brokerage fee revenue was up 3 percent sequentially and down 4 percent from the first quarter of 2007, reflecting a shift in assets from stock and bond funds to money market funds.

Mortgage banking net revenue totaled \$97 million in the first quarter of 2008, a \$71 million increase from the previous quarter and a \$57 million increase from the first quarter of 2007. First quarter originations of \$4 billion increased 49 percent sequentially and 41 percent from the prior year, driven by customer activity related to lower interest rates during the quarter. Strong originations resulted in gains on the sale of mortgages of \$93 million, compared with \$18 million in the fourth quarter of 2007 and \$26 million in the first quarter of 2007. Effective January 1, 2008, the Bancorp adopted FAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities (FAS 159) for valuation and treatment of origination costs related to mortgages originated for sale. The revenue impact of this adoption in the first quarter of 2008 was an increase of approximately \$25 million. Upon adoption of FAS 159, origination costs of approximately \$20 million this quarter are now being recognized immediately in expense that previous to this adoption were deferred and offset against flow revenue. Additionally, we recognized gains of approximately \$5 million in the first quarter related to embedded gains which previous to this adoption would not have been realized until sale. Revenue for the first quarter included \$11 million related to gains on the sale of portfolio loans compared with \$1 million and \$5 million in the fourth and first quarters of 2007. Net servicing revenue, before mortgage servicing rights (MSR) valuation adjustments, totaled \$8 million in the first quarter, compared with \$14 million last quarter and \$13 million a year ago. MSR valuation adjustments, including mark-to-market related

adjustments on free-standing derivatives, netted to a \$3 million loss in the first quarter of 2008, compared with a \$6 million loss last quarter. The mortgage servicing asset, net of valuation reserve, was \$592 million at quarter end on a servicing portfolio of \$36.5 billion.

Net securities gains of \$3 million offsetting MSR valuation adjustments were recorded in the first quarter on non-qualifying hedges on mortgage servicing rights compared with \$6 million last quarter.

Net gains on investment securities were \$27 million in the first quarter of 2008 compared with net gains of \$7 million last quarter.

Other noninterest income totaled \$185 million in the first quarter compared with a loss of \$113 million last quarter and income of \$78 million in the same quarter last year. Results in the first quarter of 2008 included a \$273 million gain resulting from the Visa IPO and an estimated charge of \$144 million related to the decrease in the cash surrender value of one of our BOLI policies. Results also included \$26 million in losses associated with the sale of auto loans during the quarter and \$15 million in gains on sale from auto securitization transactions. Last quarter's results included the decrease in value of the BOLI policy of \$177 million as well as a \$22 million loss on the termination of hedges associated with auto loans held for sale during the fourth quarter of 2007. Also included the fourth quarter of 2007 results was a \$7 million gain on the sale of \$53 million of certain non-strategic credit card accounts.

Noninterest Expense

	For the Three Months Ended				March 2007	% Change	
	March 2008	December 2007	September 2007	June 2007		Seq	Yr/Yr
Noninterest Expense (\$ in millions)							
Salaries, wages and incentives	\$ 347	\$ 328	\$ 310	\$ 309	\$ 292	6%	19%
Employee benefits	85	56	67	68	87	51%	(3%)
Payment processing expense	66	68	65	59	52	(3%)	27%
Net occupancy expense	72	70	66	68	65	3%	10%
Technology and communications	47	47	41	41	40		19%
Equipment expense	31	32	30	31	29	(6%)	5%
Other noninterest expense	67	339	274	189	188	(80%)	(64%)
Total noninterest expense	\$ 715	\$ 940	\$ 853	\$ 765	\$ 753	(24%)	(5%)

Noninterest expense of \$715 million decreased by \$225 million from the fourth quarter of 2007 and \$38 million from a year ago. First quarter results included the reversal of \$152 million in Visa litigation reserves, \$9 million in severance-related costs and \$7 million in acquisition-related expenses. Fourth quarter results included \$94 million in litigation expenses related to the Visa/American Express settlement and \$8 million in acquisition-related expenses. Employee compensation expenses increased sequentially by \$48 million. This increase was the result of seasonally higher FICA and unemployment expenses, up \$18 million; \$9 million in severance expense; and approximately \$20 million in mortgage origination costs related to the adoption of FAS 159. Payment processing expense declined 3 percent sequentially from seasonally strong fourth quarter levels. Expense growth from a year ago was primarily related to the FAS 159 mortgage origination costs,

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volume-related processing expense, incentive compensation, branch expansion related expenses including RG Crown, and technology investments.

	For the Three Months Ended				
	March 2008	December 2007	September 2007	June 2007	March 2007
Total net losses charged off (\$ in millions)					
Commercial loans	(\$36)	(\$48)	(\$23)	(\$24)	(\$15)
Commercial mortgage loans	(33)	(15)	(8)	(16)	(7)
Commercial construction loans	(72)	(12)	(5)	(7)	(6)
Commercial leases					(1)
Residential mortgage loans	(34)	(18)	(9)	(9)	(7)
Home equity	(41)	(32)	(27)	(20)	(17)
Automobile loans	(35)	(30)	(25)	(15)	(16)
Credit card	(20)	(15)	(13)	(10)	(8)
Other consumer loans and leases	(5)	(4)	(5)	(1)	6
Total net losses charged off	(276)	(174)	(115)	(102)	(71)
Total losses	(293)	(193)	(127)	(124)	(99)
Total recoveries	17	19	12	22	28
Total net losses charged off	(\$276)	(\$174)	(\$115)	(\$102)	(\$71)
Ratios					
Net losses charged off as a percent of average loans and leases (excluding held for sale)	1.37%	0.89%	0.60%	0.55%	0.39%
Commercial	1.21%	0.66%	0.33%	0.44%	0.27%
Consumer	1.58%	1.18%	0.93%	0.68%	0.53%
Credit Quality					

Net charge-offs as a percentage of average loans and leases were 137 bps in the first quarter, compared with 89 bps in the fourth quarter of 2007 and 39 bps in the first quarter of 2007. Loss experience continues to be concentrated in Michigan and Florida and primarily related to consumer residential real estate loans as well as loans to residential real estate builders and developers. Michigan and Florida represented approximately 57 percent of total first quarter net charge-offs. Residential real estate losses were 27 percent of total net charge-offs, and losses on loans to residential real estate builders and developers were 15 percent of total net charge-offs.

Consumer net charge-offs of \$135 million, or 158 bps, grew \$36 million from the fourth quarter of 2007, driven primarily by losses in the residential real estate portfolio. Net charge-offs in Michigan and Florida represented 38 percent of consumer losses in the first quarter, up from 34 percent in the fourth quarter of 2007. Home equity net charge-offs of \$41 million increased \$9 million compared with last quarter, primarily due to increased losses on brokered home equity loans reflecting borrower stress and lower home price valuations. Originations of these loans has been discontinued. Net losses on brokered home equity loans were \$23 million, or 55 percent, of first quarter home equity losses. Brokered home equity loans represented \$2.6 billion, or 22 percent, of total home equity portfolio of \$11.8 billion. Michigan and Florida represented 40 percent of first quarter home equity losses, up from 37 percent in the fourth quarter of 2007. Net charge-offs within the residential mortgage portfolio were \$34 million, an increase of \$16 million, primarily as a result of declining property values on loans at foreclosure, with losses in Michigan and Florida representing 64 percent of losses in the first quarter, up from 58 percent in the previous quarter. Net charge-offs in the auto portfolio

increased \$5 million from the fourth quarter to \$35 million. The auto loan charge-off ratio increased due primarily to the movement during the last several quarters of more recent vintage auto loans from the portfolio to held for sale, which has resulted in a portfolio consisting of more mature loans nearer to their peak loss cycle. Prior quarter auto loan net charge offs also include a \$1 million recovery due to a sale of charged off loans.

Commercial net charge-offs of \$141 million, or 121 bps, increased \$66 million compared with the fourth quarter of 2007. Losses related to residential real estate builders and developers represented \$42 million, or 30 percent, of commercial charge-offs. Commercial construction net charge-offs increased to \$72 million from \$12 million the previous quarter, driven by homebuilder and residential development losses. Michigan and Florida accounted for 89 percent of these losses. Commercial mortgage net charge-offs increased to \$33 million, up \$18 million from the fourth quarter of 2007. Michigan and Florida accounted for 82 percent of these losses. Net charge-offs in the C&I portfolio were \$36 million, down \$12 million from the fourth quarter of 2007.

	For the Three Months Ended				
	March 2008	December 2007	September 2007	June 2007	March 2007
Allowance for Credit Losses (\$ in millions)					
Allowance for loan and lease losses, beginning	\$ 937	\$ 827	\$ 803	\$ 784	\$ 771
Total net losses charged off	(276)	(174)	(115)	(102)	(71)
Provision for loan and lease losses	544	284	139	121	84
Allowance for loan and lease losses, ending	1,205	937	827	803	784
Reserve for unfunded commitments, beginning	95	79	77	79	76
Provision for unfunded commitments	8	13	2	(2)	3
Acquisitions		3			
Reserve for unfunded commitments, ending	103	95	79	77	79
Components of allowance for credit losses:					
Allowance for loan and lease losses	1,205	937	827	803	784
Reserve for unfunded commitments	103	95	79	77	79
Total allowance for credit losses	\$ 1,308	\$ 1,032	\$ 906	\$ 880	\$ 863
Ratio					
Allowance for loan and lease losses as a percent of loans and leases	1.49%	1.17%	1.08%	1.06%	1.05%

Provision for loan and lease losses totaled \$544 million in the first quarter of 2008, exceeding net charge-offs by \$268 million. The increase in the provision for loan and lease losses and allowance for loan and lease losses was driven by higher probable losses resulting from deterioration in residential real estate collateral values and negative trends in nonperforming and other criticized assets.

The allowance for loan and lease losses represented 1.49 percent of total loans and leases outstanding as of quarter end, compared with 1.17 percent last quarter and 1.05 percent in the same quarter last year.

	March 2008	December 2007	As of September 2007	June 2007	March 2007
Nonperforming Assets and Delinquency (\$ in millions)					
Commercial loans	\$ 300	\$ 175	\$ 175	\$ 136	\$ 138
Commercial mortgage	312	243	146	113	107
Commercial construction	408	249	105	65	57
Commercial leases	11	5	5	4	5
Residential mortgage (a)	211	121	74	40	38
Home equity (b)	128	91	61	45	41
Automobile	5	3	3	3	4
Credit card (c)	13	5			
Other consumer loans and leases		1			
Total nonaccrual loans and leases	\$ 1,388	893	569	406	390
Repossessed personal property	22	21	19	17	9
Other real estate owned (d)	182	150	118	105	95
Total nonperforming assets	\$ 1,592	\$ 1,064	\$ 706	\$ 528	\$ 494
Total loans and leases 90 days past due	\$ 539	\$ 491	\$ 360	\$ 302	\$ 243
Nonperforming assets as a percent of total loans, leases and other assets, including other real estate owned	1.96%	1.32%	0.92%	0.70%	0.66%

- a) Nonaccrual loans include debt restructuring balances of \$73 million as of 03/31/08, \$29 million as of 12/31/07, \$6 million as of September 30, 2007 and \$2 million as of June 30, 2007.
- b) Nonaccrual loans include debt restructuring balances of \$86 million as of 03/31/08, \$46 million as of 12/31/07, and \$16 million as of 09/30/07
- c) All nonaccrual credit card balances are the result of debt restructurings.
- d) Excludes government insured advances.

Nonperforming assets (NPAs) at quarter end were \$1.6 billion, or 1.96 percent of total loans and leases and other real estate owned (OREO), up from 1.32 percent last quarter and 0.66 percent in the first quarter a year ago. Sequential growth in NPAs was \$528 million, or 50 percent, driven by increases related to residential real estate builders and developers as well as residential real estate OREO.

Commercial NPAs of \$1.1 billion, or 2.20 percent, grew \$363 million or 52 percent in the first quarter of 2008. Commercial NPA growth was primarily driven by continued deterioration in the commercial construction and commercial mortgage portfolios, particularly in Michigan and Florida. NPAs in the C&I portfolio of \$305 million increased \$126 million from the previous quarter. Commercial construction NPAs were \$418 million, an increase of \$162 million from the fourth quarter of 2007. Commercial mortgage NPAs were \$325 million, a sequential increase of \$70 million. Commercial real estate loans in Michigan and Florida represented 46 percent of our total commercial real estate portfolio. Increases in NPAs in these states represented 69 percent of commercial real estate NPA growth and these regions accounted for 66 percent of total commercial real estate NPAs. Residential real estate builders and developers represented approximately \$309 million in commercial NPAs, an increase of \$133 million from the fourth quarter of 2007.

Consumer NPAs of \$534 million, or 1.62 percent, rose \$165 million, or 45 percent in the first quarter of 2008. Of the growth, \$156 million was experienced in residential real estate portfolios. Residential mortgage NPAs increased \$117 million to \$333 million, of which \$122 million was in OREO. Of residential mortgage NPAs, \$12 million were in residential construction loans (of which \$5 million was OREO). Home equity NPAs increased \$38 million to \$162 million, of which \$34 million was OREO. Residential real estate loans in Michigan and Florida represented 71 percent of the growth in residential real estate NPAs, 58 percent of total residential real estate NPAs, and 26 percent of total residential real estate loans. Included within consumer NPAs, primarily in residential real estate loans, were \$172 million in troubled debt restructurings,

including

\$92 million restructured in the first quarter of 2008. These debt restructurings assist qualifying borrowers in creating workable payment plans to enable them to remain in their homes.

Loans still accruing over 90 days past due were \$539 million, up \$48 million from the fourth quarter of 2007. Consumer 90 days past due balances increased 5 percent from the previous quarter and commercial 90 days past due balances increased 18 percent. Growth in commercial and consumer 90 days past dues was generally concentrated in commercial real estate and residential mortgages in the regions noted earlier.

Capital Position/Other

	For the Three Months Ended				
	March 2008 (a)	December 2007	September 2007	June 2007	March 2007
Capital Position					
Average shareholders' equity to average assets	8.43%	8.77%	9.13%	9.53%	10.05%
Tangible equity	6.22%	6.05%	6.83%	6.92%	7.65%
Regulatory capital ratios:					
Tier I capital	7.71%	7.72%	8.46%	8.13%	8.71%
Total risk-based capital	11.32%	10.16%	10.87%	10.54%	11.19%
Tier I leverage	8.29%	8.50%	9.23%	8.76%	9.36%

(a) Current period regulatory capital data and ratios are estimated

The tangible common equity ratio increased 17 bps to 6.22 percent due to higher retained earnings and the effect of loan securitizations. The Tier 1 capital ratio decreased 1 bps to 7.71 percent. The total capital ratio increased 116 bps due to the aforementioned factors and the issuance of \$1.0 billion on Tier 2 qualifying subordinated debt during the first quarter.

There were no open market share repurchases during the quarter and, as of March 31, 2008, there were 19.2 million shares remaining under our current share repurchase authorization.

On August 16, 2007, Fifth Third Bancorp and First Charter Corporation signed a definitive agreement for Fifth Third to acquire First Charter, which operates 57 branches in North Carolina and two in Atlanta. Fifth Third has received all regulatory approvals and currently expects to close this transaction in the latter part of the second quarter of 2008 after completion of the election process. This transaction, when consummated, is expected to reduce capital ratios by approximately 35 bps. On March 26, 2008, Fifth Third and First Horizon Corporation announced an agreement was reached on terms for the completion of Fifth Third's acquisition of nine branches and their deposits in the Atlanta metro area from First Horizon, originally announced September 25, 2007. Fifth Third has received all necessary regulatory approvals and the transaction is expected to close in the second quarter of 2008.

Corporate Profile

Fifth Third Bancorp is a diversified financial services company headquartered in Cincinnati, Ohio. As of March 31, 2008, the Company has \$111 billion in assets, operates 18 affiliates with 1,232 full-service Banking Centers, including 107 Bank Mart® locations open seven days a week inside select grocery stores and 2,221 ATMs in Ohio, Kentucky, Indiana, Michigan, Illinois, Florida, Tennessee, West Virginia, Pennsylvania, Missouri and Georgia. Fifth Third operates five main businesses: Commercial Banking, Branch Banking, Consumer Lending, Investment Advisors and Fifth Third Processing Solutions. Fifth Third is among the largest money managers in the Midwest and, as of March 31, 2008, has \$212 billion in assets under care, of which it managed \$31 billion for individuals, corporations and not-for-profit organizations. Investor information and press releases can be viewed at www.53.com. Fifth Third's common stock is traded on the NASDAQ® National Global Select Market under the symbol FITB.

FORWARD-LOOKING STATEMENTS

This report may contain forward-looking statements about Fifth Third Bancorp and/or the company as combined acquired entities within the meaning of Sections 27A of the Securities Act of 1933, as amended, and Rule 175 promulgated thereunder, and 21E of the Securities Exchange Act of 1934, as amended, and Rule 3b-6 promulgated thereunder, that involve inherent risks and uncertainties. This report may contain certain forward-looking statements with respect to the financial condition, results of operations, plans, objectives, future performance and business of Fifth Third Bancorp and/or the combined company including statements preceded by, followed by or that include the words or phrases such as believes, expects, anticipates, plans, trend, objective, continue, remain or similar expressions or future or conditional verbs such as will, would, should, could, might, can, may or similar expressions. There are a number of important factors that could cause future results to differ materially from historical performance and these forward-looking statements. Factors that might cause such a difference include, but are not limited to: (1) general economic conditions and weakening in the economy, specifically the real estate market, either national or in the states in which Fifth Third, one or more acquired entities and/or the combined company do business, are less favorable than expected; (2) deteriorating credit quality; (3) political developments, wars or other hostilities may disrupt or increase volatility in securities markets or other economic conditions; (4) changes in the interest rate environment reduce interest margins; (5) prepayment speeds, loan origination and sale volumes, charge-offs and loan loss provisions; (6) Fifth Third's ability to maintain required capital levels and adequate sources of funding and liquidity; (7) changes and trends in capital markets; (8) competitive pressures among depository institutions increase significantly; (9) effects of critical accounting policies and judgments; (10) changes in accounting policies or procedures as may be required by the Financial Accounting Standards Board or other regulatory agencies; (11) legislative or regulatory changes or actions, or significant litigation, adversely affect Fifth Third, one or more acquired entities and/or the combined company or the businesses in which Fifth Third, one or more acquired entities and/or the combined company are engaged; (12) ability to maintain favorable ratings from rating agencies; (13) fluctuation of Fifth Third's stock price; (14) ability to attract and retain key personnel; (15) ability to receive dividends from its subsidiaries; (16) potentially dilutive effect of future acquisitions on current shareholders' ownership of Fifth Third; (17) effects of accounting or financial results of one or more acquired entities; (18) difficulties in combining the operations of acquired entities; (19) ability to secure confidential information through the use of computer systems and telecommunications networks; and (20) the impact of reputational risk created by these developments on such matters as business generation and retention, funding and liquidity. Additional information concerning factors that could cause actual results to differ materially from those expressed or implied in the forward-looking statements is available in the Bancorp's Annual Report on Form 10-K for the year ended December 31, 2007, filed with the United States Securities and Exchange Commission (SEC). Copies of this filing are available at no cost on the SEC's Web site at www.sec.gov or on the Fifth Third's Web site at www.53.com. Fifth Third undertakes no obligation to release revisions to these forward-looking statements or reflect events or circumstances after the date of this report.

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Fifth Third Bancorp and Subsidiaries

Consolidated Statements of Income

\$ in millions

(unaudited)

	For the Three Months Ended			% Change	
	March 2008	December 2007	March 2007	Seq	Yr/Yr
Interest Income					
Interest and fees on loans and leases	\$ 1,290	\$ 1,386	\$ 1,314	(7%)	(2%)
Interest on securities	152	157	143	(3%)	7%
Interest on other short-term investments	5	7	3	(34%)	54%
Total interest income	1,447	1,550	1,460	(7%)	(1%)
Interest Expense					
Interest on deposits	399	493	498	(19%)	(20%)
Interest on short-term borrowings	80	100	59	(20%)	36%
Interest on long-term debt	148	178	167	(17%)	(12%)
Total interest expense	627	771	724	(19%)	(13%)
Net Interest Income	820	779	736	5%	11%
Provision for loan and lease losses	544	284	84	91%	550%
Net interest income after provision for loan and lease losses	276	495	652	(44%)	(58%)
Noninterest Income					
Electronic payment processing revenue	213	223	185	(5%)	15%
Service charges on deposits	147	160	126	(8%)	17%
Investment advisory revenue	93	94	96	(1%)	(3%)
Corporate banking revenue	107	106	83	1%	30%
Mortgage banking net revenue	97	26	40	272%	144%
Other noninterest income	185	(113)	78	NM	136%
Securities gains (losses), net	27	7		286%	NM
Securities gains, net - non-qualifying hedges on mortgage servicing rights	3	6		(56%)	NM
Total noninterest income	872	509	608	71%	43%
Noninterest Expense					
Salaries, wages and incentives	347	328	292	6%	19%
Employee benefits	85	56	87	51%	(3%)
Payment processing expense	66	68	52	(3%)	27%
Net occupancy expense	72	70	65	3%	10%
Technology and communications	47	47	40		19%
Equipment expense	31	32	29	(6%)	5%
Other noninterest expense	67	339	188	(80%)	(64%)
Total noninterest expense	715	940	753	(24%)	(5%)
Income before income taxes	433	64	507	576%	(15%)
Applicable income taxes	141	48	148	194%	(5%)
Net income	\$ 292	\$ 16	\$ 359	1,690%	(19%)
Net income available to common shareholders (a)	\$ 292	\$ 16	\$ 359	1,710%	(19%)

- (a) Dividends on preferred stock are \$.185 million for all quarters presented

Fifth Third Bancorp and Subsidiaries

Consolidated Balance Sheets

\$ in millions, except per share data

(unaudited)

	March 2008	As of		% Change	
		December 2007	March 2007	Seq	Yr/Yr
Assets					
Cash and due from banks	\$ 3,092	\$ 2,660	\$ 2,211	16%	40%
Available-for-sale and other securities (a)	12,421	10,677	10,592	16%	17%
Held-to-maturity securities (b)	353	355	347	(1%)	2%
Trading securities	184	171	160	8%	15%
Other short-term investments	517	620	256	(17%)	102%
Loans held for sale	2,573	4,329	1,382	(41%)	86%
Portfolio loans and leases:					
Commercial loans	26,590	24,813	21,479	7%	24%
Commercial mortgage loans	12,155	11,862	10,906	2%	11%
Commercial construction loans	5,592	5,561	5,688	1%	(2%)
Commercial leases	3,727	3,737	3,687		1%
Residential mortgage loans	9,873	10,540	8,484	(6%)	16%
Home equity	11,803	11,874	11,926	(1%)	(1%)
Automobile loans	8,394	9,201	10,400	(9%)	(19%)
Credit card	1,686	1,591	1,111	6%	52%
Other consumer loans and leases	1,066	1,074	1,140	(1%)	(6%)
Portfolio loans and leases	80,886	80,253	74,821	1%	8%
Allowance for loan and lease losses	(1,205)	(937)	(784)	29%	54%
Portfolio loans and leases, net	79,681	79,316	74,037		8%
Bank premises and equipment	2,265	2,223	2,001	2%	13%
Operating lease equipment	317	353	212	(10%)	50%
Goodwill	2,460	2,470	2,192		12%
Intangible assets	143	147	158	(3%)	(9%)
Servicing rights	596	618	572	(4%)	4%
Other assets	6,802	7,023	5,704	(3%)	19%
Total assets	\$ 111,404	\$ 110,962	\$ 99,824		12%
Liabilities					
Deposits:					
Demand	\$ 14,949	\$ 14,404	\$ 13,510	4%	11%
Interest checking	14,842	15,254	15,755	(3%)	(6%)
Savings	16,572	15,635	14,256	6%	16%
Money market	7,077	6,521	6,336	9%	12%
Foreign office	2,354	2,572	1,495	(8%)	57%
Other time	9,883	11,440	10,869	(14%)	(9%)
Certificates - \$100,000 and over	4,993	6,738	6,776	(26%)	(26%)
Other foreign office	731	2,881	191	(75%)	282%
Total deposits	71,401	75,445	69,188	(5%)	3%
Federal funds purchased	5,612	4,427	1,622	27%	246%
Other short-term borrowings	6,387	4,747	2,383	35%	168%

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Accrued taxes, interest and expenses	2,379	2,427	2,324	(2%)	2%
Other liabilities	2,226	1,898	1,883	17%	18%
Long-term debt	14,041	12,857	12,620	9%	11%
Total liabilities	102,046	101,801	90,020		13%
Total shareholders equity (c)	9,358	9,161	9,804	2%	(5%)
Total liabilities and shareholders equity	\$ 111,404	\$ 110,962	\$ 99,824		12%
(a) Amortized cost	\$ 12,417	\$ 10,821	\$ 10,754	15%	15%
(b) Market values	353	355	347	(1%)	2%
(c) Common shares, stated value \$2.22 per share (in thousands):					
Authorized	1,300,000	1,300,000	1,300,000		
Outstanding, excluding treasury	532,106	532,672	550,077		(3%)
Treasury	51,321	51,516	33,350		54%

Fifth Third Bancorp and Subsidiaries

Consolidated Statements of Changes in Shareholders' Equity

\$ in millions

(unaudited)

	For the Three Months Ended	
	March 2008	March 2007
Total shareholders' equity, beginning	\$ 9,161	\$ 10,022
Net income	292	359
Other comprehensive income, net of tax:		
Change in unrealized gains and (losses):		
Available-for-sale securities	96	14
Qualifying cash flow hedges	39	1
Change in accumulated other comprehensive income related to employee benefit plans	2	1
Comprehensive income	429	375
Cash dividends declared:		
Common stock	(234)	(231)
Preferred stock (a)		
Stock-based awards exercised, including treasury shares issued	2	18
Stock-based compensation expense	12	17
Loans repaid (issued) related to exercise of stock-based awards, net	(2)	2
Change in corporate tax benefit related to stock-based compensation	(10)	(5)
Shares acquired for treasury		(280)
Impact of cumulative effect of change in accounting principle (b)		(98)
Other		(16)
Total shareholders' equity, ending	\$ 9,358	\$ 9,804

(a) Dividends on preferred stock are \$.185 million for all quarters presented

(b) 2007 includes \$96 million impact due to the adoption of FSP FAS 13-2, Accounting for a Change or Projected Change in the Timing of Cash Flows Relating to Income Taxes Generated by a Leverage Lease Transaction on January 1, 2007 and \$2 million impact due to the adoption of FIN No. 48, Accounting for Uncertainty in Income Taxes - An Interpretation of FASB Statement No. 109 on January 1, 2007.

Fifth Third Bancorp and Subsidiaries

Regulatory Capital (a)

\$ in millions

(unaudited)

	March 2008	December 2007	As of September 2007	June 2007	March 2007
Tier I capital:					
Shareholders' equity	\$ 9,358	\$ 9,161	\$ 9,293	\$ 9,191	\$ 9,804
Goodwill and certain other intangibles	(2,632)	(2,590)	(2,299)	(2,318)	(2,328)
Unrealized (gains) losses	(23)	118	196	294	162
Qualifying trust preferred securities	2,302	2,303	1,390	815	815
Other	(6)	(68)	621	634	600
Total tier I capital	\$ 8,999	\$ 8,924	\$ 9,201	\$ 8,616	\$ 9,053
Total risk-based capital:					
Tier I capital	\$ 8,999	\$ 8,924	\$ 9,201	\$ 8,616	\$ 9,053
Qualifying allowance for credit losses	1,327	1,051	926	901	885
Qualifying subordinated notes	2,884	1,758	1,697	1,646	1,696
Total risk-based capital	\$ 13,210	\$ 11,733	\$ 11,824	\$ 11,163	\$ 11,634
Risk-weighted assets	\$ 116,737	\$ 115,529	\$ 108,754	\$ 105,950	\$ 103,937
Ratios:					
Average shareholders' equity to average assets	8.43%	8.77%	9.13%	9.53%	10.05%
Regulatory capital:					
Tier I capital	7.71%	7.72%	8.46%	8.13%	8.71%
Total risk-based capital	11.32%	10.16%	10.87%	10.54%	11.19%
Tier I leverage	8.29%	8.50%	9.23%	8.76%	9.36%

(a) Current period regulatory capital data and ratios are estimated

(b) **Litigation Update**

During May 2005, the Bancorp filed suit in the United States District Court for the Southern District of Ohio related to a dispute with the Internal Revenue Service concerning the timing of deductions associated with certain leveraged lease transactions in its 1997 tax return. The Internal Revenue Service has also proposed adjustments to the tax effects of certain leveraged lease transactions in subsequent tax return years. The proposed adjustments, including penalties, relate to the Bancorp's portfolio of lease-in lease-out transactions, service contract leases and qualified technology equipment leases with both domestic and foreign municipalities. The Bancorp is challenging the Internal Revenue Service's proposed treatment of all of these leasing transactions. The Bancorp's original net investment in these leases totaled approximately \$900 million. Management continues to believe that its treatment of these leveraged leases was appropriate and in compliance with applicable tax law and regulations. While management cannot predict with certainty the result of the suit, given the tax treatment of these transactions has been challenged by the Internal Revenue Service, management believes a resolution may involve a projected change in the timing of the leveraged lease cash flows. Under FSP FAS No. 13-2, which was effective as of January 1, 2007, a change or projected change in the timing of lessor cash flows related to income taxes generated by leveraged lease transactions, excluding interest and penalty assessments, requires a lessor to recalculate the rate of return and allocation of income to positive investment years from inception of the lease. Upon adoption of FSP FAS No. 13-2 on January 1, 2007, the Bancorp recorded a \$96 million after-tax charge to retained earnings related to its portfolio of leveraged leases. The amount of this reduction will be recognized as income over the remaining term of the affected leases. The Bancorp has made deposits of \$407 million with the IRS to mitigate the risk associated with tax years currently under audit. These deposits enable the Bancorp to stop the accrual of interest on any tax deficiency, to the extent of the deposit, if the Bancorp is not ultimately successful. Trial for the three 1997 lease-leaseback transactions concluded on April 17, 2008 and the jury rendered a verdict in the form of a series of answers to special interrogatories. Some of the jury's answers to the interrogatories favored Fifth Third and some favored the IRS. Because the court has not yet entered a judgment in this case, the Bancorp is not able to assess what effects the jury's answers may have. If the case is ultimately determined unfavorably to the Bancorp, the Bancorp will explore what rights of appeal it may have or what options for relief it may seek.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

April 23, 2008

FIFTH THIRD BANCORP
(Registrant)

/s/ Christopher G. Marshall
Christopher G. Marshall
Executive Vice President and
Chief Financial Officer