

FIFTH THIRD BANCORP
Form 10-K/A
May 11, 2007
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

(Amendment No. 1)

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2006

Commission file number 0-8076

FIFTH THIRD BANCORP

(Exact name of Registrant as specified in its charter)

Ohio
(State or other jurisdiction
of incorporation or organization)

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

38 Fountain Square Plaza

Cincinnati, Ohio 45263

(Address of principal executive offices) (Zip Code)

(513) 534-5300

Registrant's telephone number, including area code:

Securities registered pursuant to Section 12(b) of the Act:

Common Stock Without Par Value

Name of exchange on which registered:

The NASDAQ Stock Market LLC

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes: No:

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes: No:

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer:

Accelerated filer:

Non-accelerated filer:

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

There were 556,314,458 shares of the Bancorp's Common Stock, without par value, outstanding as of January 31, 2007. The Aggregate Market Value of the Voting Stock held by non-affiliates of the Bancorp was \$17,609,835,370 as of June 30, 2006.

DOCUMENTS INCORPORATED BY REFERENCE

This report incorporates into a single document the requirements of the Securities and Exchange Commission (SEC) with respect to annual reports on Form 10-K and annual reports to shareholders. The Bancorp's Proxy Statement for the 2007 Annual Meeting of Shareholders is incorporated by reference into Part III of this report. Only those sections of this 2006 Annual Report to Shareholders that are specified in this Cross Reference Index constitute part of the Registrant's Form 10-K for the year ended December 31, 2006. No other information contained in this 2006 Annual Report to Shareholders shall be deemed to constitute any part of this Form 10-K nor shall any such information be incorporated into the Form 10-K and shall not be deemed filed as part of the Registrant's Form 10-K.

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EXPLANATORY NOTE

The Bancorp is filing this Amendment to its Annual Report on Form 10-K for the year ended December 31, 2006, to reflect the restatement of the Bancorp's Consolidated Statements of Cash Flows, as discussed in Note 29 of the Notes to Consolidated Financial Statements contained in Part II, Item 8: Financial Statements and Supplementary Data. Except for Items 8 and 9A of Part II, no other information in the Form 10-K is being amended by this Amendment. This Amendment continues to speak as of the date of the original filing of the Form 10-K and the Bancorp has not updated the disclosure in the Amendment to speak as of any later date.

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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 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, either national or in the states in which Fifth Third, one or more acquired entities and/or the combined

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company do business, are less favorable than expected; (2) political developments, wars or other hostilities may disrupt or increase volatility in securities markets or other economic conditions; (3) changes in the interest rate environment reduce interest margins; (4) prepayment speeds, loan origination and sale volumes, charge-offs and loan loss provisions; (5) changes and trends in capital markets; (6) competitive pressures among depository institutions increase significantly; (7) effects of critical accounting policies and judgments; (8) changes in accounting policies or procedures as may be required by the Financial Accounting Standards Board or other regulatory agencies; (9) 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; (10) ability to maintain favorable ratings from rating agencies; (11) fluctuation of Fifth Third's stock price; (12) ability to attract and retain key personnel; (13) ability to receive dividends from its subsidiaries; (14) potentially dilutive effect of future acquisitions on current shareholders' ownership of Fifth Third; (15) difficulties in combining the operations of acquired entities; (16) ability to secure confidential information through the use of computer systems and telecommunications network; and (17) the impact of reputational risk created by these developments on such matters as business generation and retention, funding and liquidity. 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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MANAGEMENT'S ASSESSMENT AS TO THE EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING

The Management of Fifth Third Bancorp is responsible for establishing and maintaining adequate internal control over financial reporting, designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. Internal control over financial reporting of Fifth Third Bancorp and subsidiaries (the Bancorp) includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions of the Bancorp; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Bancorp are being made only in accordance with authorizations of management and directors of the Bancorp; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Bancorp's assets that could have a material effect on the financial statements.

All internal control systems, no matter how well designed, have inherent limitations, including the possibility of human error and the circumvention of overriding controls. Accordingly, even effective internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal control over financial reporting may vary over time.

The Bancorp's Management assessed the effectiveness of the Bancorp's internal control over financial reporting as of December 31, 2006 as required by Section 404 of the Sarbanes Oxley Act of 2002. Management's assessment is based on the criteria established in the *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and was designed to provide reasonable assurance that the Bancorp maintained effective internal control over financial reporting as of December 31, 2006. Based on this assessment, Management believes that the Bancorp maintained effective internal control over financial reporting as of December 31, 2006.

The Bancorp's independent registered public accounting firm, that audited the Bancorp's consolidated financial statements included in this annual report, has issued an attestation report on our internal control over financial reporting as of December 31, 2006 and Bancorp Management's assessment of the internal control over financial reporting. This report appears on the following page.

George A. Schaefer, Jr.

Christopher G. Marshall

Chairman and Chief Executive Officer

Executive Vice President and Chief Financial Officer

February 15, 2007

February 15, 2007

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REPORTS OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Fifth Third Bancorp:

We have audited management's assessment, included in the accompanying Management's assessment as to the Effectiveness of Internal Control over Financial Reporting, that Fifth Third Bancorp and subsidiaries (the Bancorp) maintained effective internal control over financial reporting as of December 31, 2006, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Bancorp's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Bancorp's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Bancorp maintained effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on the criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, the Bancorp maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on the criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2006 of the Bancorp and our report dated February 15, 2007 (May 11, 2007 as to the effects of the restatement discussed in Note 29 to the consolidated financial statements) expressed an unqualified opinion on those financial statements.

Cincinnati, Ohio

February 15, 2007

To the Shareholders and Board of Directors of Fifth Third Bancorp:

We have audited the accompanying consolidated balance sheets of Fifth Third Bancorp and subsidiaries (the Bancorp) as of December 31, 2006 and 2005, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2006. These financial statements are the responsibility of the Bancorp's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Fifth Third Bancorp and subsidiaries at December 31, 2006 and 2005, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 29, the accompanying consolidated statements of cash flows have been restated.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Bancorp's internal control over financial reporting as of December 31, 2006, based on the criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 15, 2007 expressed an unqualified opinion on management's assessment of the effectiveness of the Bancorp's internal control over financial reporting and an unqualified opinion on the effectiveness of the Bancorp's internal control over financial reporting.

Cincinnati, Ohio

February 15, 2007

(May 11, 2007 as to the effects of the restatement discussed in Note 29)

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For the years ended December 31 (\$ in millions, except per share data)	2006	2005	2004
Interest Income			
Interest and fees on loans and leases	\$ 5,000	3,918	2,847
Interest on securities:			
Taxable	904	1,032	1,217
Exempt from income taxes	30	39	45
Total interest on securities	934	1,071	1,262
Interest on other short-term investments	21	6	5
Total interest income	5,955	4,995	4,114
Interest Expense			
Interest on deposits:			
Interest checking	398	314	174
Savings	363	176	58
Money market	261	140	39
Other time	433	263	162
Certificates - \$100,000 and over	278	129	48
Foreign office	177	126	58
Total interest on deposits	1,910	1,148	539
Interest on federal funds purchased	208	138	77
Interest on short-term bank notes		6	15
Interest on other short-term borrowings	194	138	78
Interest on long-term debt	770	600	393
Total interest expense	3,082	2,030	1,102
Net Interest Income	2,873	2,965	3,012
Provision for loan and lease losses	343	330	268
Net Interest Income After Provision for Loan and Lease Losses	2,530	2,635	2,744
Noninterest Income			
Electronic payment processing revenue	857	748	631
Service charges on deposits	517	522	515
Mortgage banking net revenue	155	174	178
Investment advisory revenue	367	358	363
Corporate banking revenue	318	299	228
Other noninterest income	300	360	587
Securities gains (losses), net	(364)	39	(37)
Securities gains, net - non-qualifying hedges on mortgage servicing rights	3		
Total noninterest income	2,153	2,500	2,465
Noninterest Expense			
Salaries, wages and incentives	1,174	1,133	1,018
Employee benefits	292	283	261
Equipment expense	122	105	84
Net occupancy expense	245	221	185
Other noninterest expense	1,223	1,185	1,424
Total noninterest expense	3,056	2,927	2,972

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Income Before Income Taxes and Cumulative Effect	1,627	2,208	2,237
Applicable income taxes	443	659	712
Income Before Cumulative Effect	1,184	1,549	1,525
Cumulative effect of change in accounting principle, net of tax	4		
Net Income	\$ 1,188	1,549	1,525
Net Income Available to Common Shareholders (a)	\$ 1,188	1,548	1,524
Earnings per share from continuing operations	\$ 2.13	2.79	2.72
Earnings per share from cumulative effect of change in accounting principle, net	0.01		
Earnings Per Share	\$ 2.14	2.79	2.72
Earnings per diluted share from continuing operations	\$ 2.12	2.77	2.68
Earnings per diluted share from cumulative effect of change in accounting principle, net	0.01		
Earnings Per Diluted Share	\$ 2.13	2.77	2.68

(a) Dividends on preferred stock are \$.740 million for all years presented.

See Notes to Consolidated Financial Statements

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As of December 31 (\$ in millions, except share data)	2006	2005
Assets		
Cash and due from banks	\$ 2,737	3,078
Available-for-sale and other securities (amortized cost: 2006-\$ 11,236 and 2005-\$22,533)	11,053	21,924
Held-to-maturity securities (fair value: 2006-\$356 and 2005-\$389)	356	389
Trading securities	187	117
Other short-term investments	809	158
Loans held for sale	1,150	1,304
Portfolio loans and leases:		
Commercial loans	20,725	19,174
Construction loans	6,847	7,037
Commercial mortgage loans	10,405	9,188
Commercial lease financing	4,984	4,852
Residential mortgage loans	8,151	7,152
Consumer loans	23,311	22,084
Consumer lease financing	1,176	1,751
Unearned income	(1,246)	(1,313)
Total portfolio loans and leases	74,353	69,925
Allowance for loan and lease losses	(771)	(744)
Total portfolio loans and leases, net	73,582	69,181
Bank premises and equipment	1,940	1,726
Operating lease equipment	202	143
Goodwill	2,193	2,169
Intangible assets	166	208
Servicing rights	524	441
Other assets	5,770	4,387
Total Assets	\$ 100,669	105,225
Liabilities		
Deposits:		
Demand	\$ 14,331	14,609
Interest checking	15,993	18,282
Savings	13,181	11,276
Money market	6,584	6,129
Other time	10,987	9,313
Certificates - \$100,000 and over	6,628	4,343
Foreign office	1,676	3,482
Total deposits	69,380	67,434
Federal funds purchased		