FIFTH THIRD BANCORP
Form PRER14A
February 27, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1

to

SCHEDULE 14A

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

EXCHANGE ACT OF 1934

(AMENDMENT NO.)

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

x PreliminaryProxy Statement
¨ CONFIDENTIAL, FOR USE OF THE COMMISSION ONLY (AS PERMITTED BY RULE 14a-6(e)(2))
¨ Definitive Proxy Statement
¨ DefinitiveAdditional Materials
¨ SolicitingMaterial Pursuant to Section 240.14a-12

FIFTH THIRD BANCORP

(NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

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

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

[FIFTH THIRD BANCORP LOGO]

38 FOUNTAIN SQUARE PLAZA

CINCINNATI, OHIO 45263

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

March 9, 2007

To the Shareholders of Fifth Third Bancorp:

You are cordially invited to attend the Annual Meeting of the Shareholders of Fifth Third Bancorp to be held at the Junior Ballroom, located on the third floor of the Duke Energy Center at 525 Elm Street, Cincinnati, Ohio on Tuesday, April 17, 2007 at 11:30 a.m. for the purposes of considering and acting upon the following:

(1) Election of all members of the Board of Directors to serve until the Annual Meeting of Shareholders in 2008.

(2) The proposal described in the proxy statement to amend Article VII of the Code of Regulations, as amended, to provide for the issuance of uncertificated shares. The proposed amendment is attached as Annex 1 to the proxy statement and is incorporated by reference therein.

(3) Approval of the appointment of the firm of Deloitte & Touche LLP to serve as the independent registered public accounting firm for the Company for the year 2007.

(4) Transaction of such other business that may properly come before the Annual Meeting or any adjournment thereof.

Shareholders of record at the close of business on February 28, 2007 will be entitled to vote at the Annual Meeting.

All shareholders who find it convenient to do so are invited to attend the Annual Meeting in person. In any event, please sign and return the enclosed proxy card with this notice at your earliest convenience. If you hold shares of Fifth Third Bancorp common stock directly in your name, you may also vote over the internet or by telephone. If internet or telephone voting is available to you, voting instructions are printed on the proxy card sent to you.

If you plan to attend the Annual Meeting:

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

By Order of the Board of Directors

Paul L. Reynolds

Secretary

FIFTH THIRD BANCORP

38 Fountain Square Plaza

Cincinnati, Ohio 45263

PROXY STATEMENT

The Board of Directors of Fifth Third Bancorp (the Company) is soliciting proxies, the form of which is enclosed, for the Annual Meeting of Shareholders to be held at the Junior Ballroom located on the third floor of the Duke Energy Center at 525 Elm Street, Cincinnati, Ohio on Tuesday, April 17, 2007 at 11:30 a.m. (the Annual Meeting). Each of the shares of Common Stock outstanding on February 28, 2007 is entitled to one vote on all matters acted upon at the Annual Meeting, and only shareholders of record on the books of the Company at the close of business on February 28, 2007 will be entitled to vote at the Annual Meeting, either in person or by proxy. The shares represented by all properly executed proxies which are sent to the Company will be voted as designated and each not designated will be voted and counted as described in this proxy statement. Each person giving a proxy may revoke it by giving notice to the Company in writing or in open meeting at any time before it is voted.

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

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

The Company has retained D.F. King & Co., Inc., a proxy solicitation firm, to assist the Company in soliciting proxies. The Company anticipates that the costs of D.F. King s services will be approximately $9,500.

The Annual Report of the Company for the year 2006, including financial statements, has been delivered to all shareholders. Such report and financial statements are not a part of this proxy statement. This proxy statement and the form of proxy are first being sent to shareholders on or about March 9, 2007.

CERTAIN BENEFICIAL OWNERS

Under Section 13(d) of the Securities Exchange Act of 1934, a beneficial owner of a security is any person who directly or indirectly has or shares voting power or investment power over such security. Such beneficial owner under this definition need not enjoy the economic benefit of such securities. The following are the only shareholders known to the Company to be deemed to be beneficial owners of 5% or more of the common stock of the Company as of December 31, 2006:

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Common Stock	Cincinnati Financial Corporation 6200 South Gilmore Fairfield, Ohio 45014	72,870,560[(1)]	13.10%

(1) Cincinnati Financial Corporation owns 27,183,604 shares of the common stock of the Company. Cincinnati Insurance Company, Cincinnati Casualty Company, Cincinnati Life Insurance Company, Cincinnati Financial Corporation Retirement Plan Trust and CINFIN Capital, subsidiaries of Cincinnati Financial Corporation, own 43,136,352 shares, 1,419,979 shares, 1,036,125 shares, 90,000 shares and 4,500 shares, respectively.

ELECTION OF DIRECTORS

In accordance with the Company s current Code of Regulations, Directors are elected annually to a one (1) year term expiring at the next Annual Meeting of Shareholders. The terms of the Directors listed below expire at the Annual Meeting on April 17, 2007 and, together with Kevin T. Kabat, constitute the nominees to be elected to serve until the Annual Meeting of Shareholders in 2008. Kenneth W. Lowe has decided not to stand for reelection at the Annual Meeting. Mr. Lowe has generously given valuable service to the Company. Due to the nomination of Mr. Kabat, no vacancies will result from Mr. Lowe s departure. Any vacancies that occur after the Directors are elected may be filled by the Board of Directors in accordance with law for the remainder of the full term of the vacant directorship.

Director candidates are nominated by the Company s Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee s Charter directs the Committee to investigate and assess the background and skills of potential candidates and to maintain an active file of suitable candidates for directors. The Nominating and Corporate Governance Committee is empowered to engage a third party search firm to assist, but the Committee currently believes that the existing directors and executive management of the Company and its subsidiaries have significant networks of business contacts that likely will form the pipeline from which candidates will be identified. Upon identifying a candidate for serious consideration, one or more members of the Nominating and Corporate Governance Committee would initially interview such candidate. If a candidate merited further consideration, the candidate would subsequently interview with all other Committee members (individually or as a group), meet the Company s Chief Executive Officer and other Executive Officers and ultimately meet many of the other Directors. The Nominating and Corporate Governance Committee would elicit feedback from all persons who met the candidate and then determine whether or not to nominate the candidate.

The Company s Corporate Governance Guidelines set forth the following criteria for Directors: independence; highest personal and professional ethics and integrity; willingness to devote sufficient time to fulfilling duties as a Director; impact on the diversity of the Board s overall experience in business, government, education, technology and other areas relevant to the Company s business; impact on the diversity of the Board s composition in terms of age, skills, ethnicity and other factors relevant to the Company s business; and number of other public company boards on which the candidate may serve (generally, should not be more than three public company boards in addition to the Company). The Company s Corporate Governance Guidelines provide

that shareholders may propose nominees by submitting the names and qualifications of such persons to the Nominating and Corporate Governance Committee no later than December 31 of each year. Submissions are to be addressed to the Nominating and Corporate Governance Committee at the Company s executive offices, which submissions will then be forwarded to the Committee. The Nominating and Corporate Governance Committee would then evaluate the possible nominee using the criteria outlined above and would consider such person in comparison to all other candidates. The Nominating and Corporate Governance Committee is not obligated to nominate any such individual for election. No such shareholder nominations have been received by the Company for this Annual Meeting. Accordingly, no rejections or refusals of such candidates have been made by the Company.

The Nominating and Corporate Governance Committee did not hire any director search firm in 2006 or 2007 and, accordingly, paid no fees to any such company. As indicated above, however, the Nominating and Corporate Governance Committee may do so in the future if necessary.

In connection with his appointment as the Company s Chief Executive Officer effective at the Annual Meeting, a non-management Director recommended to the Board that Kevin T. Kabat be nominated for election as a Director at the Annual Meeting.

The Nominating and Corporate Governance Committee of the Board of Directors has nominated for election as Directors the following fifteen (15) persons: Darryl F. Allen, John F. Barrett, James P. Hackett, Gary R. Heminger, Joan R. Herschede, Allen M. Hill, Kevin T. Kabat, Robert L. Koch, II, Mitchel D. Livingston, Ph.D., Hendrik G. Meijer, James E. Rogers, George A. Schaefer, Jr., John J. Schiff, Jr., Dudley S. Taft and Thomas W. Traylor. Unless instructed otherwise, it is the intention of the persons named in the Proxy to vote for the election of all nominees named. If any nominee(s) shall be unable to serve, which is not now contemplated, the proxies will be voted for such substitute nominee(s) as the Nominating and Corporate Governance Committee of the Board of Directors recommends. Proxies in the form solicited hereby which are returned to the Company will be voted in favor of the fifteen (15) nominees specified above unless otherwise instructed by the shareholder. Shares not voted by brokers and other entities holding shares on behalf of beneficial owners will not be counted and will have no effect on the outcome of the election in accordance with Ohio law and the Company s Code of Resolutions. Nominees receiving the fifteen (15) highest totals of votes cast in the election will be elected as directors.

The following tables set forth information with respect to each Director, including Mr. Lowe, and the nominees for election at the Annual Meeting, including Mr. Kabat. The Board of Directors has determined that all Directors have met the independence standards of Rule 4200(a)(15) of the National Association of Securities Dealers listing standards with the exceptions of Messrs. Kabat, Schaefer and Schiff.

Name, Age and Principal Occupation During the Past Five Years	Director Since	Shares of Company Common Stock Beneficially Owned on December 31, 2006[1] Number[3]	Percent of Class
Nominees for Election as Directors:			
DARRYL F. ALLEN, 63, Retired Chairman, CEO and President of Aeroquip-Vickers, Inc., formerly known as Trinova Corporation, a manufacturer and distributor of engineered components for industry, automotive, aerospace and defense.	1997	19,307	.0035%
JOHN F. BARRETT, 57, President, CEO and Director of The Western and Southern Life Insurance Co. since 1994 and Chairman of the Board since 2002. Chairman, President and CEO of Western & Southern Mutual Holding Company and Western & Southern Financial Group, Inc. Officer/Director of a number of Western & Southern affiliates. Western & Southern is a financial services company that as its primary business distributes life insurance, annuities and mutual funds to the public. Director of Convergys Corporation and The Andersons, Inc.	1988	77,513	.0139%
JAMES P. HACKETT, 51, President, CEO and Director of Steelcase Inc., a manufacturer of office systems.	2001	14,032	.0025%
GARY R. HEMINGER, 53, Executive Vice President of Marathon Oil Company and President of Marathon Petroleum Company LLC since 2005. Previously, Mr. Heminger was President of Marathon Ashland Petroleum Company LLC.	2006	949	.0002%
JOAN R. HERSCHEDE, 67, Retired President and CEO of The Frank Herschede Company, an investment holding company.	1991	56,312	.0101%
ALLEN M. HILL, 61, Retired CEO and President of DPL Inc., a diversified regional energy company, and its subsidiary The Dayton Power and Light Company.	1998	72,381	.0130%
KEVIN T. KABAT, 50, President of the Bancorp since June 2006. Previously, Mr. Kabat was Executive Vice President of the Bancorp since December 2003. Prior to that he was President and CEO of Fifth Third Bank (Michigan) since April 2001 as well as Vice Chairman of Old Kent Financial Corporation and President and CEO of Old Kent Bank prior to its acquisition by Fifth Third Bancorp in 2001.		557,384	.1001%
ROBERT L. KOCH II, 68, President and CEO of Koch Enterprises, Inc., a privately held company with worldwide subsidiaries manufacturing, distribution, metals recycling and industrial systems integration. Director of Vectren Corporation.	1999	64,634	.0116%
DR. MITCHEL D. LIVINGSTON, 62, Vice President for Student Affairs and Services, University of Cincinnati. Formerly, Dr. Livingston was Vice President for Student Services, University of Albany.	1997	19,664	.0035%
HENDRIK G. MEIJER, 55, Co-Chairman and CEO of Meijer, Inc., and its affiliates, a food and general merchandise retailer with 176 supercenters located in Michigan, Ohio, Indiana, Illinois and Kentucky.	2001	26,203	.0047%

Name, Age and Principal Occupation During the Past Five Years	Director Since	Shares of Company Common Stock Beneficially Owned on December 31, 2006[1] Number[3]	Percent of Class
JAMES E. ROGERS, 59, Chairman, President and CEO of Duke Energy Corporation. Before the merger of Duke Energy Corporation and Cinergy Corporation, Mr. Rogers served as Chairman and CEO of Cinergy Corporation, PSI Energy and Director of CIGNA.	1995	34,329	.0062%
GEORGE A. SCHAEFER, JR., 61, Chairman and CEO of Fifth Third Bancorp and Fifth Third Bank. Director of WellPoint, Inc. and Ashland Inc.	1988	3,410,698	.6109%
JOHN J. SCHIFF, JR.[2], 63, Chairman, CEO and Director of Cincinnati Financial Corporation and Chairman, Executive Committee of Cincinnati Insurance Company. Former Chairman of John J. & Thomas R. Schiff & Co., Inc., an insurance agency. Director of Standard Register Co.	1983	407,850	.0733%
DUDLEY S. TAFT, 66, President and Director of Taft Broadcasting Company, investor in entertainment and media properties. Director of Duke Energy Corporation and The Tribune Company.	1981	97,168	.0175%
THOMAS W. TRAYLOR, 67, President, CEO and Chairman of Traylor Bros., Inc., a general/heavy construction contractor.	1999	270,758	.0487%
Non-continuing Director:			
KENNETH W. LOWE, 56, President, CEO and Director of The E.W. Scripps Company, a publicly traded multimedia company.	2004	11,694	.0021%
All Directors and Executive Officers as a Group (27 persons)		6,276,900	1.12%

(1) As reported to Fifth Third Bancorp by the Directors as of the date stated. Includes shares held in the name of spouses, minor children, certain relatives, trusts, estates and certain affiliated companies as to which beneficial ownership may be disclaimed.

(2) Mr. Schiff is a Director of Cincinnati Financial Corporation, whose holdings of Company shares are more fully set forth above under the caption Certain Beneficial Owners in this proxy statement.

(3) The amounts shown represent the total shares owned outright by such individuals together with shares which are issuable upon the exercise of currently exercisable (or exercisable within 60 days), but unexercised, stock options and shares issuable upon termination of employment under the Company s Nonqualified Deferred Compensation Plan. Specifically, the following individuals have the right to acquire the shares indicated after their names, upon the exercise of stock options: Mr. Allen, 11,688; Mr. Barrett, 15,063; Mr. Hackett, 7,000; Mr. Heminger, 500; Ms. Herschede, 5,000; Mr. Hill, 10,000; Mr. Kabat, 488,343; Mr. Koch, 13,160; Dr. Livingston, 10,000; Mr. Lowe, 0; Mr. Meijer, 7,000; Mr. Rogers, 13,798; Mr. Schaefer, 2,015,004; Mr. Schiff, 5,000; Mr. Taft, 15,063; and Mr. Traylor, 13,160. Mr. Schaefer holds 124,058 shares and Mr. Kabat holds 8,963 shares issuable upon termination of employment under the Company s Nonqualified Deferred Compensation Plan. The aggregate number of shares issuable upon the exercise of currently exercisable (or exercisable within 60 days), but unexercised, stock options, held by the Executive Officers who are not also Directors or nominees is 2,820,329 and the aggregate number of shares issuable upon termination of employment under the Company s Nonqualified Deferred Compensation Plan held by these individuals is 25,681.

BOARD OF DIRECTORS, ITS COMMITTEES, MEETINGS AND FUNCTIONS

The Board of Directors of the Company met six (6) times during 2006. The Company s Board of Directors also regularly holds executive sessions of those members of the Board of Directors who meet the then current standards of independence. The chairman at these executive sessions is the Chairman of the Nominating and Corporate Governance Committee, who serves as the Lead Director of the Board. The position duty statement for the Lead Director may be found in the Corporate Governance Section of the Company s website at www.53.com.

No member of the Board of Directors of the Company attended less than 75% of the aggregate meetings of the Board of Directors and all committees on which such Director served during 2006 other than Mr. Lowe who is not standing for re-election at the Annual Meeting.

Neither the Board nor the Nominating and Corporate Governance Committee has implemented a formal policy regarding Director attendance at the Annual Meeting. Typically, the Board holds its annual organizational meeting directly following the Annual Meeting, which results in most directors being able to attend the Annual Meeting. In 2006, 13 out of 15 Directors attended the Annual Meeting.

There are six (6) committees of the Board of Directors: Executive, Audit, Compensation, Nominating and Corporate Governance, Risk and Compliance, and Trust.

The Executive Committee of the Company serves in a dual capacity as the Executive Committee of the Company and Fifth Third Bank, an Ohio banking corporation (the Bank). Under Ohio law, the Executive Committee has the power to act between meetings of the Board on virtually all matters that the Board could act upon. The Board of Directors has adopted an Executive Committee Charter which may be found in the Corporate Governance Section of the Company s website at www.53.com. The Executive Committee met six (6) times in 2006 and consisted of Messrs. Hackett, Hill, Koch, Schaefer, and Taft.

The Audit Committee of the Company serves in a dual capacity as the Audit Committee of the Company and the Bank. Twelve (12) meetings of this Committee were held during 2006. This Committee s functions include the engagement of the independent registered public accounting firm, reviewing with that firm the plans and results of the audit engagement of the Company, approving the annual audit plan and reviewing the results of the procedures for internal auditing, reviewing the independence of the independent registered public accounting firm, reviewing the Company s financial results and periodic Securities and Exchange Commission filings, reviewing the design and effectiveness of the Company s internal controls and similar functions and approving all auditing and non-auditing services performed by its independent registered public accounting firm. Another function of this Committee is to carry out the statutory requirements of a bank audit committee as prescribed under applicable law. The Board of Directors has adopted a written charter for the Audit Committee, which may be found in the Corporate Governance Section of the Company s website at www.53.com. The Audit Committee members for 2006 were Messrs. Allen, Barrett, Hackett and Ms. Herschede. All members of the Audit Committee met the independence standards of Rule 4200(a)(15) and the audit committee qualifications of Rule 4350(d)(2) of the National Association of Securities Dealers listing standards. The Board of Directors has determined that Messrs. Allen, Barrett and Hackett are audit committee financial experts for the Company and are independent as described in the preceding sentence. The formal report of the Audit Committee with respect to the year 2006 begins on page herein.

The Company has a Compensation Committee comprised entirely of independent Directors. Executive compensation and equity plan allocations are determined by this Committee of the Board of Directors. The Board of Directors has adopted a Compensation Committee Charter which may be found in the Corporate Governance Section of the Company s website at www.53.com. This Committee consisted of Messrs. Hill, Lowe, Rogers, and Meijer and met six (6) times during 2006. The formal report of the Compensation Committee with respect to 2006 compensation begins on page herein.

6

The Company has a Nominating and Corporate Governance Committee comprised entirely of independent Directors. This Committee develops and recommends to the Board corporate governance policies and guidelines for the Company and for the identification and nomination of Director and committee member candidates and nominates Directors for election to the Board and appointment to committee membership. The Board of Directors has adopted a Nominating and Corporate Governance Committee Charter which may be found in the Corporate Governance Section of the Company s website at www.53.com. This Committee consisted of Messrs. Allen, Koch, Rogers and Taft and met two (2) times during 2006.

The Company s Risk and Compliance Committee serves in a dual capacity as the Risk and Compliance Committee of the Company and the Bank. The Committee oversees management s compliance with all of the Company s regulatory obligations arising under applicable federal and state banking laws, rules and regulations, including any terms and conditions required from time to time by any action, formal or informal, of any federal or state banking regulatory agency or authority and any responses of management to any inquiries from any applicable banking regulator, and oversees management s implementation and enforcement of the Company s risk management policies and procedures. The Board of Directors has adopted a Risk and Compliance Committee Charter which may be found in the Corporate Governance Section of the Company s website at www.53.com. This Committee met four (4) times in 2006 and consisted of Messrs. Barrett, Meijer and Traylor.

The Company has a Trust Committee which serves in a dual capacity as the Trust Committee of the Company and the Bank. The Committee reviews the fiduciary activities of the Bank and, more generally, oversees the structure for fiduciary activities for each of the Company s subsidiary banks, including the Bank. In this regard, the Committee has responsibility to report risks identified in its review of such fiduciary activities to the Company s Risk and Compliance Committee. The Committee also has overall responsibility for evaluating and approving the fiduciary policies of the Company and its bank subsidiaries. The Board of Directors has adopted a Trust Committee Charter which may be found in the Corporate Governance Section of the Company s website at www.53.com. This Committee consisted of Messrs. Livingston, Lowe, Schaefer and Ms. Herschede, and met four (4) times during 2006.

CORPORATE GOVERNANCE

The Board of Directors has adopted the Fifth Third Bancorp Corporate Governance Guidelines which may be found in the Corporate Governance Section of the Company s website at www.53.com. The Board of Directors has also adopted the Fifth Third Bancorp Code of Business Conduct and Ethics which may also be found in the Corporate Governance Section of the Company s website at www.53.com.

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

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

COMPENSATION DISCUSSION AND ANALYSIS

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

Overview of Compensation (Total Rewards) Program

The Company s Compensation Committee

Compensation philosophy and strategy

The elements of the Company s Total Rewards Program

Insight regarding the Committee s decisions relative to 2006 design and awards

A summary of material design changes for the 2007 Total Rewards Program

Overview of the Total Rewards Program

The Compensation Committee is responsible for establishing, implementing and monitoring the administration of compensation programs in accordance with the Company s compensation philosophy and strategy and approving executive compensation and equity plan awards. The Committee seeks to establish Total Rewards for the Company s Executive Officers that are fair, reasonable, and competitive. The Total Rewards Program includes base salary, annual cash incentive compensation, long-term equity-based incentive compensation, benefits and certain perquisites. Generally, the types of compensation and benefits paid to the Executive Officers are similar to those provided to other officers of the Company.

Throughout this proxy statement, the individuals who served as the Company s Chief Executive Officer and Chief Financial Officer during fiscal 2006, as well as the other individuals included in the Summary of Compensation Table on page , are referred to as the Named Executive Officers.

The Compensation Committee

The Committee s Role. The Compensation Committee is composed of independent directors and is responsible for the approval and administration of compensation programs for Executive Officers and other employees of the Company. The Committee focuses on the attraction and retention of key executives and, when making decisions, considers the Company s compensation philosophy, the achievement of business goals set by the Company, relevant peer data, recommendations made by the Chief Executive Officer, and the advice of Towers Perrin, an outside global human resources consulting firm.

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

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

- Conducted an annual review of and revised the Company s Compensation Peer Group to include more organizations that are similar in terms of industry, business, market capitalization, asset size and geographic footprint.

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

- Added a new independent member to the Compensation Committee in 2006 to broaden the collective experience of the Committee.

Invited all Directors to attend and participate in a Compensation Committee meeting to provide them with an update concerning industry and regulatory trends in executive compensation, and to participate in a regularly scheduled agenda that included a discussion of the Company s Compensation Peer Group and relative compensation based on performance.

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

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

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

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

Role of Executive Officers in Compensation Decisions. The Chief Executive Officer annually reviews the performance of each of the other Named Executive Officers. Based on this review, he makes compensation recommendations to the Committee, including recommendations for salary adjustments, annual cash incentives, and long-term equity-based incentive awards. In addition, other members of Management also annually assess performance for other Executive Officers and make compensation recommendations to the Committee. Although the Committee considers these recommendations along with data provided by its other advisors, it retains full discretion to set all compensation for the Company s Executive Officers.

The Committee s Considerations. The Committee considers both the aggregate amounts and mix of an Executive Officer s Total Direct Compensation (base salary, annual cash incentive compensation and long-term equity-based incentive compensation) when making decisions. The Committee assesses Total Direct Compensation relative to competitive market data in its November meeting, discusses recommendations for executive compensation in its January meeting and approves final recommendations at its February meeting.

Based on its most recent review of the competitive data, the Committee has determined that the 2007 compensation structure for Executive Officers is effective and appropriate. The structure reflects the Company s compensation philosophy, in that its targets are tied to the market median, it has appropriate leverage to ensure a strong linkage between compensation and performance, and it drives rewards based on the most relevant performance measures for the Company. Also based on this review, the Committee determined that the Company s aggregate 2006 Total Rewards package (and potential payouts in the severance and change-in-control scenarios) for its Named Executive Officers is reasonable and not excessive.

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

Compensation Philosophy

The Company s executive compensation program is intended to drive shareholder value by attracting and retaining talented executives, motivating executives to achieve corporate objectives, and encouraging ownership among the Executive Officers to align their interest with that of the shareholders. It is constructed to allow the Company to provide competitive target compensation for talented executives and to differentiate actual pay based on the level of individual and organizational performance. The executive compensation program consists of three components: base salary, annual cash incentive compensation, and long-term equity-based incentive compensation.

The executive compensation program is intended to provide market median compensation for median performance relative to the Company s Compensation Peer Group (identified below) and to pay at the 75th percentile for upper quartile performance relative to that Compensation Peer Group. The Committee refers to the Company s Compensation Peer Group in making decisions related to compensation based on performance. In cases where data for the Compensation Peer Group is incomplete, the Company may use data from a broader reference group that includes a wider variety of financial services organizations from Towers Perrin s proprietary compensation database.

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

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

Benchmarking Methodology

In making compensation decisions, the Committee compares each element of Total Direct Compensation with compensation information from a peer group of publicly traded banking and financial institutions (collectively the Compensation Peer Group). For the Executive Officers, proxy statement as well as survey information related to the Compensation Peer Group are considered. The Compensation Peer Group consists of companies with which the Committee believes the Company competes for talent and for stockholder investment. The following 13 companies were identified prior to the start of 2006 by the Committee as the Compensation Peer Group:

AmSouth Bancorporation
BB&T Corporation
Comerica Incorporated
Huntington Bancshares Incorporated
KeyCorp
M&T Bank Corporation
National City Corporation
The PNC Financial Services Group, Inc.
Regions Financial Corporation
SunTrust Banks, Inc.
U.S. Bancorp
Wachovia Corporation
Wells Fargo & Company

During 2006, in preparation for its competitive compensation assessment, the Committee broadened its Compensation Peer Group by adding the following companies:

The Bank of New York Company, Inc.
Mellon Financial Corporation
Marshall & Ilsley Corporation
North Fork Bancorporation, Inc.
State Street Corporation
Washington Mutual, Inc.
Zions Bancorporation

The Committee had a number of reasons for adding these peers:

Expanding the size of the Compensation Peer Group to reduce its volatility and minimize the impact of any one company

Introducing additional companies with core businesses similar to the Company s businesses

Allowing for anticipated consolidation among existing peers

10

Based on recent merger activity, the following companies will be removed from the Company s Compensation Peer Group for 2007:

AmSouth Bancorporation

Mellon Financial Corporation

North Fork Bancorporation, Inc.

The Company s revenues, assets and market capitalization are near the median of its Compensation Peer Group. The Committee annually reviews its Compensation Peer Group and considers changes to the Compensation Peer Group deemed necessary to ensure that the nature and size of the organizations continue to be appropriate. Based on Capital One Financial Corporation s acquisition of North Fork Bancorporation, Inc., Capital One will be added to the Company s Compensation Peer Group for 2007.

Compensation Strategy

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

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

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

- The median and 75th percentile peer data for each element of compensation (base salary, target annual cash incentive compensation, and target long-term equity-based incentive compensation)

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

- The ability to provide 75th percentile Total Cash Compensation for upper quartile performance relative to the Compensation Peer Group

Base Salary. The Committee reviews individual base salaries of the Company s Executive Officers annually (and/or at the time of promotion). Salary increases are based on the Company s overall performance and the executive s attainment of individual objectives during the preceding year in the context of competitive market data. The objectives of the Company s base salary program are to provide salaries at a level that allows the Company to attract and retain qualified executives and to recognize and reward individual performance. Base salary levels also drive other elements of Total Rewards, including the annual cash incentive compensation target and retirement benefits. The following items are considered when determining base salary levels:

- Market data provided by the Company s outside consultants

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

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

Tax deductibility of base salary

Annual Cash Incentive Compensation. The annual cash incentive compensation program s objective is to reward executives for superior revenue and earnings growth in conjunction with effective management of expenses. Target award levels are established at the beginning of the year for each Executive Officer based on market median target awards and are expressed as a percentage of base salary. The potential amounts of annual cash incentive compensation awards under the program for 2006 performance that the Executive Officers could earn were:

0-225% of target for each Executive Officer other than the Chief Executive Officer

0-167% of target for the Chief Executive Officer

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

Other Plan Provisions. The annual cash and long-term equity-based incentive compensation awards are authorized under the Company s Incentive Compensation Plan (the Plan). This Plan was approved and adopted by the Company s shareholders in 2004.

The Company s Code of Business Conduct and Ethics was amended on January 16, 2007 to clarify that the Company reserves the right to and, if appropriate, will seek restitution of any bonus, commission or other compensation received as a result of an employee s intentional or knowing fraudulent or illegal conduct or misconduct, including the making of a material misrepresentation contained in the Company s financial statements.

The Committee has delegated to certain Executive Officers the authority to grant equity awards for recruiting and retention purposes up to specified limits.

Pay Mix and Total Compensation for Executive Officers

Annual vs. Long-Term Compensation. The Company intends to attract and retain talented executives with competitive salaries and annual cash incentive compensation opportunities that deliver market-appropriate awards based on annual performance, balanced by long-term equity-based incentive compensation awards that also provide market-competitive opportunities to increase value commensurate with shareholder gains. In the past, the Company relied more heavily on long-term compensation to offset below-median Total Cash Compensation. However, the Company has recently shifted to a pay mix (i.e., proportions of base salary, annual cash incentive and long-term equity-based incentive compensation comprising Total Direct Compensation) that more closely approximates that of its peers to be more consistent with its pay philosophy and to enhance the Company s ability to attract, motivate and retain talented executives.

The Company s compensation structure is intended to be competitive on each element of pay for each role and contains the following 2007 pay mix (assuming target levels are achieved). The figures are expressed as a percentage of Total Direct Compensation and vary based on differences in the market pay mix for each role. The percentages below are based on the full value of the long-term equity-based incentive compensation awards on the grant date. Therefore, they differ from the figures included in the Summary Compensation Table columns Stock Awards, Option Awards, and Total, which are reported in accordance with SEC regulations and may include expense associated with prior years awards.

Named Executive Officer	Base Salary	Annual Incentive	Long-term Incentive
George A. Schaefer, Jr.	19%	12%	69%
Christopher G. Marshall	23%	23%	54%
Kevin T. Kabat	15%	27%	58%
Robert A. Sullivan	28%	23%	49%
Greg D. Carmichael	27%	27%	46%

Long-term Equity-Based Incentive Compensation. The Company employs various long-term equity-based incentive compensation awards intended to align executives awards with shareholders interests. These awards include stock-settled stock appreciation rights (SARs), restricted stock and performance shares.

For 2006, long-term equity-based incentive compensation awards for Executive Officers were generally granted in the following proportions:

Award Type	**Proportion of long-term incentive value**
SARs	75%
Performance Shares	25%

Long-term equity-based incentive award targets were first established in dollar terms. Actual share-based awards were calculated in the following manner for 2006:

Number of SARs granted = Total long-term equity-based incentive value multiplied by 75%, and divided by the stated SAR value for 2006 ($10 for 2006 awards)

Number of performance shares granted = Total long-term equity-based incentive value multiplied by 25%, and divided by the 30-day average share price at the beginning of the performance period ($39.14 for 2006 awards)

The Company has employed this mix of long-term equity-based incentive compensation awards for its Executive Officers since 2004 based on the belief that a substantial portion of the long-term equity-based incentive compensation opportunity should come from a growth-oriented incentive (i.e., SARs) that aligns executives interests with those of the Company s shareholders. In addition, the Company believes that a full-value share award with strong performance requirements (i.e., performance shares) is important to drive a clear results orientation with stronger retention value and enhanced ownership creation opportunities.

Cash vs. Non-Cash Compensation. The Company pays base salary and annual incentive compensation in cash. Most of its long-term equity-based incentive compensation awards (i.e., 87.5% of the target value) are paid in the form of shares of the Company s common stock. Half of an executive s earned performance shares, however, would be paid in cash to allow the recipient to pay applicable taxes on the awards. The remaining performance shares and all of the proceeds from option and SAR exercises are delivered in shares of the Company s common stock to align the executive s interests with those of the shareholders, to increase the executive s ownership in the Company, and to meet the Company s executive stock ownership guidelines.

Tally Sheet. For the past three years, the Committee has used a tally sheet of all compensation and potential payouts when approving compensation matters. The Committee reviews all components of the Company s Chief Executive Officer, Chief Financial Officer and the other Named Executive Officers compensation, including:

Base salary

Annual cash incentive compensation

Long-term equity-based incentive compensation

Accumulated, realized and unrealized equity award g