



COMPANY UPDATE/ ESTIMATES CHANGE/ TARGET PRICE CHANGE/ RATING CHANGE

Key Metrics

FITB - NASDAQ (as of 03/01/17)	\$28.75
Price Target	\$27.00
52-Week Range	\$16.02-\$28.97
Shares Outstanding (mm)	750.9
Market Cap. (\$mm)	\$21,587
3-Mo. Average Daily Volume (000)	6,301.3
Institutional Ownership	85.6%
Tangible Equity / Tangible Assets	9.5%
ROE	9.4%
Tangible Book Value Per Share	\$16.59
Price/Tangible Book Value	173.3%
Dividend Yield	1.9%
Price/LTM Earnings	14.9x

Operating EPS CY 12/31

	2016A	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q	\$0.40	\$0.39	\$0.39	\$0.46	\$0.46
2Q	\$0.39	\$0.43	\$0.45	\$0.51	\$0.51
3Q	\$0.43	\$0.46	\$0.46	\$0.55	\$0.55
4Q	\$0.49	\$0.44	\$0.46	\$0.54	\$0.54
Year	\$1.72	\$1.72	\$1.76	\$2.06	\$2.06
P/E	16.8x		16.4x		14.0x

Common Dividends

	2016A	Curr. 2017E	Prior %chg.	Curr. 2018E
1Q	\$0.13	\$0.14	7.7	\$0.15
2Q	\$0.13	\$0.14	7.7	\$0.15
3Q	\$0.13	\$0.15	15.4	\$0.19
4Q	\$0.13	\$0.15	15.4	\$0.19
Year	\$0.52	\$0.58	11.5	\$0.68

Company Description - Fifth Third Bancorp is a commercial banking organization headquartered in Cincinnati, Ohio. The company's branch network encompasses Ohio, Kentucky, Indiana, Michigan, Illinois, Florida, Tennessee, West Virginia, Pennsylvania, Missouri, Georgia and North Carolina. Fifth Third operates four main businesses: commercial banking, branch banking, consumer lending and investment advisory. FITB is among the largest money managers in the Midwest, with more than \$300 billion in assets under management or administration.

Banks

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Fifth Third Bancorp

FITB – NASDAQ – Underperform – 1

Tweaking Estimates; Downgrading to Underperform on Valuation

- We are updating our FITB model given the likelihood that Fed rate hikes in 2017 will be earlier than we perceived. We are now modeling rate hikes in March and September versus our previous assumptions of June and December. As a result of these revisions, we are increasing our 2017 EPS estimate by \$0.04 to \$1.76. Our 2018 estimate remains unchanged at \$2.06.
- We are also increasing our EPS estimates in the outer years of our discounted dividend model as we believe we were somewhat conservative with regard to the potential benefits of the company's NorthStar strategy, a program designed to enhance brand awareness, customer satisfaction and the company's profitability. The company is targeting a return on tangible equity of 12%-14%, a return on assets of 1.1% to 1.3% and a sub-60% efficiency ratio by year-end 2019 as a result of this project.
- We are raising our 12-month price target by \$1.00 to \$27.00. Our price target is derived through our discounted dividend model and the application of a forward multiple of 12.5X to our 2Q18-1Q19 EPS estimates. The forward multiple that we apply is appropriate relative to FITB's long-term growth prospects, in our opinion.
- With the recent advance in FITB's share price, our price target suggests potential depreciation of 6.1%. In accordance with our rating system, we are cutting our rating to Underperform from Neutral
- FITB's share price is up 32.8% since the election. There are valid reasons for the advance such as prospects for higher interest rates, lower corporate taxes and a stronger economy. There are also risks and uncertainties regarding these and other factors that could impact bank valuations. We encourage investors to take profits.

Note Important Disclosures on pages 4 and 5
Note Analyst Certification on page 4

SUITABILITY

Our suitability rating on FITB is 1 on our scale of 1 to 4 (1 = most conservative, 4 = most aggressive). Factors contributing to our suitability rating include the company's market capitalization, liquidity and trading volume, diversity of revenues and the geographic diversification of its footprint.

RISK FACTORS

- **Economy** – If the economy softens, loan demand could wane and credit quality could deteriorate.
- **Geography** – The company's operations are primarily clustered in two regions. Accordingly, its earnings are more vulnerable to any regional shock and/or slowdown.
- **Competition** – The industry is highly competitive and many of the company's competitors have greater resources.
- **Sector Rotation** – The share price of the company's common stock may be vulnerable to any sector rotation that might occur.
- **Regulatory Environment** – Banks operate in a highly regulated environment. Consequently, the company is vulnerable to regulatory uncertainties that could negatively impact shareholders.
- **Other** – Please see the company's financial statements for a further discussion of risks and considerations.

	FIFTH THIRD BANCORP										FITB: UNDERPERFORM				
	1Q16 A	2Q16 A	3Q16 A	4Q16 A	1Q17 E	2Q17 E	3Q17 E	4Q17 E	FY 2015 A	FY 2016 A	FY 2017 E	FY 2018 E	FY 2016 A	FY 2017 E	FY 2018 E
\$Millions, Except for Per Share Data															
Balance Sheet Data:															
Assets	142,430.0	143,625.0	143,279.0	142,177.0	142,603.5	143,459.2	144,033.0	144,609.1	141,082.0	142,177.0	144,609.1	148,671.4	0.8%	1.7%	2.8%
Gross Loans	94,408.0	94,786.0	94,211.0	92,849.0	93,382.9	93,919.8	94,459.9	95,003.0	93,485.0	92,849.0	95,003.0	97,671.8	-0.7%	2.3%	2.8%
Average Earning Assets	125,651.0	126,847.0	126,092.0	126,548.0	127,041.6	127,613.6	128,251.3	128,764.3	123,559.3	126,284.5	127,917.7	130,502.0	2.2%	1.3%	2.0%
Deposits	102,475.0	101,871.0	101,271.0	103,821.0	104,132.5	104,757.3	105,176.3	105,597.0	103,205.0	103,821.0	105,597.0	108,563.3	0.6%	1.7%	2.8%
Equity	14,992.0	15,395.0	15,445.0	14,874.0	14,938.4	15,044.0	15,096.0	15,146.8	14,508.0	14,874.0	15,146.8	15,370.7	2.5%	1.8%	1.5%
Statement of Operations:															
FTE Net Interest Income	909	908	913	909	923	958	973	990	3,554	3,639	3,843	4,000	2.4%	5.6%	4.1%
Net Interest Income	903	902	907	903	916	951	967	983	3,534	3,615	3,818	3,974	2.3%	5.6%	4.1%
Provision for Loan Losses	119	91	80	54	93	95	102	103	385	344	393	470	-12.9%	14.3%	19.4%
Non-Interest Income:															
Service Charges on Deposits	137	138	143	141	139	141	143	141	563	559	565	576	-0.7%	1.0%	2.0%
Corporate Banking Revenue	102	117	111	101	110	126	120	109	384	431	465	503	12.2%	8.0%	8.0%
Wealth Management	102	101	101	100	109	108	108	107	418	404	430	448	-3.3%	6.5%	4.1%
Mortgage Banking Net Revenue	78	75	66	65	50	51	51	44	348	284	197	191	-18.4%	-30.7%	-2.9%
Card and Processing Revenue	136	80	79	79	85	89	85	85	302	319	345	372	5.6%	8.0%	8.0%
Other Noninterest Income	3	6	4	3	0	0	0	0	9	10	0	0	11.1%	-100.0%	NA
Securities Gains	637	599	840	620	585	607	601	582	3,003	2,696	2,375	2,478	-10.2%	-11.9%	4.3%
Total Non-Interest Income	-11	-28	-258	3	0	0	0	0	-381	-294	0	0	-22.8%	-100.0%	NA
Non-Core Adjustment	626	571	582	623	585	607	601	582	2,622	2,402	2,375	2,478	-8.4%	-1.1%	4.3%
Adjusted Non-Interest Income	403	407	400	403	402	406	408	405	1,525	1,613	1,620	1,641	5.8%	0.5%	1.3%
Salaries, Wages and Incentives	100	85	78	76	100	85	80	76	323	339	340	345	5.0%	0.4%	1.3%
Employee Benefits	77	75	73	73	72	72	72	72	322	298	290	292	-7.5%	-2.7%	0.6%
Net Occupancy Expense	56	60	62	56	60	60	61	61	224	234	242	248	4.5%	3.3%	2.7%
Technology and Communications	35	37	30	31	33	33	33	33	154	133	132	137	-13.6%	-0.8%	4.1%
Card and Processing Expense	285	289	301	292	293	295	296	298	1,103	1,167	1,183	1,207	-5.6%	2.5%	4.4%
Equipment Expense	986	983	973	960	990	981	980	977	3,776	3,902	3,928	3,996	3.3%	0.7%	1.7%
Other Noninterest Expense	-15	-9	0	0	0	0	0	0	-21	-24	0	0	NA	NA	NA
Total Non-Interest Expense	971	974	973	960	990	981	980	977	3,755	3,878	3,928	3,996	3.3%	1.3%	1.7%
Adjusted Non-Interest Expense	439	408	436	512	419	483	485	485	2,006	1,795	1,872	1,987	-10.5%	4.3%	6.2%
Operating Pretax Income	112	75	-75	121	106	123	124	124	295	233	477	418	-21.0%	104.9%	-12.4%
Income Taxes	15	23	15	23	15	23	15	23	76	76	76	76	0.0%	0.0%	0.0%
Preferred Dividends	312	310	496	368	297	336	346	338	1,635	1,486	1,318	1,493	-9.1%	-11.3%	13.2%
Oper. Net Income for Diluted EPS	0.40	0.40	0.65	0.49	0.39	0.45	0.46	0.46	2.03	1.94	1.76	2.06	-4.6%	-9.3%	17.4%
Share & Per Share Data:															
Diluted EPS	0.40	0.39	0.43	0.49	0.39	0.45	0.46	0.46	1.72	1.72	1.76	2.06	-0.2%	2.3%	17.4%
Dividends Per Share	0.13	0.13	0.13	0.13	0.14	0.14	0.15	0.15	0.52	0.52	0.58	0.68	0.0%	11.5%	17.2%
Tangible Book Value	16.32	16.92	17.23	16.59	16.78	17.04	17.27	17.49	15.39	16.59	17.49	18.52	7.8%	5.5%	5.8%
Common Shares Outstanding	770,471	766,346	755,582	750,479	745,679	740,879	734,017	727,467	785,080	750,479	727,467	699,684	-4.4%	-3.1%	-3.8%
Average Diluted Shares	778,392	765,080	757,456	757,444	759,416	754,616	748,785	742,079	807,880	764,593	751,224	724,954	-5.4%	-1.7%	-3.5%
Key Financial Statistics:															
Return on Assets	0.92%	0.92%	1.45%	1.11%	0.89%	1.01%	1.00%	0.99%	1.21%	1.10%	0.97%	1.07%	(11)	(13)	10
Return on Common Equity	8.30%	8.13%	12.76%	9.68%	8.09%	9.00%	9.12%	8.88%	9.12%	9.72%	8.77%	9.78%	59	(95)	101
Net Interest Margin	2.91%	2.88%	2.89%	2.86%	2.95%	3.01%	3.01%	3.05%	2.88%	2.88%	3.00%	3.07%	1	12	6
Operating Non-Int. Inc./Operating Rev.	40.94%	38.76%	39.09%	40.83%	38.96%	38.97%	38.34%	37.16%	42.59%	39.90%	38.36%	38.41%	(269)	(154)	5
Efficiency Ratio	64.17%	65.86%	55.10%	62.66%	65.58%	62.64%	62.21%	62.10%	57.52%	61.95%	63.13%	61.64%	442	118	(149)
Tangible Common Ratio	8.97%	9.18%	9.24%	8.91%	8.95%	8.95%	8.95%	8.95%	8.71%	8.91%	8.95%	8.86%	20	4	(9)
Reserves/Loans	1.37%	1.37%	1.35%	1.35%	1.35%	1.35%	1.35%	1.35%	1.36%	1.35%	1.35%	1.35%	(1)	0	0
NCOs/Average Loans	0.41%	0.37%	0.45%	0.31%	0.38%	0.38%	0.40%	0.40%	0.48%	0.38%	0.39%	0.45%	(9)	0	6

Source: Company reports and Hilliard Lyons estimates.

Additional information is available upon request.

Analyst Certification

I, Andrew W. Stapp, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies) and its (their) securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

Important Disclosures

Hilliard Lyons' analysts receive bonus compensation based on Hilliard Lyons' profitability. They do not receive direct payments from investment banking activity.

Fifth Third Bancorp is/was a client of Hilliard Lyons within the past 12 months, received non-investment banking securities-related services, and Hilliard Lyons received compensation for those services.

Definitions of Ratings:

Buy - We believe the stock has significant total return potential in the coming 12 months.

Long-term Buy - We believe the stock is an above average holding in its sector, and expect solid returns to be realized over a longer time frame than our Buy rated issues, typically 2-3 years.

Neutral - We believe the stock is holding in its sector, is currently fully valued, and may be used as a source of funds if better opportunities arise.

Underperform - We believe the stock is vulnerable to a price decline in the next 12 months.

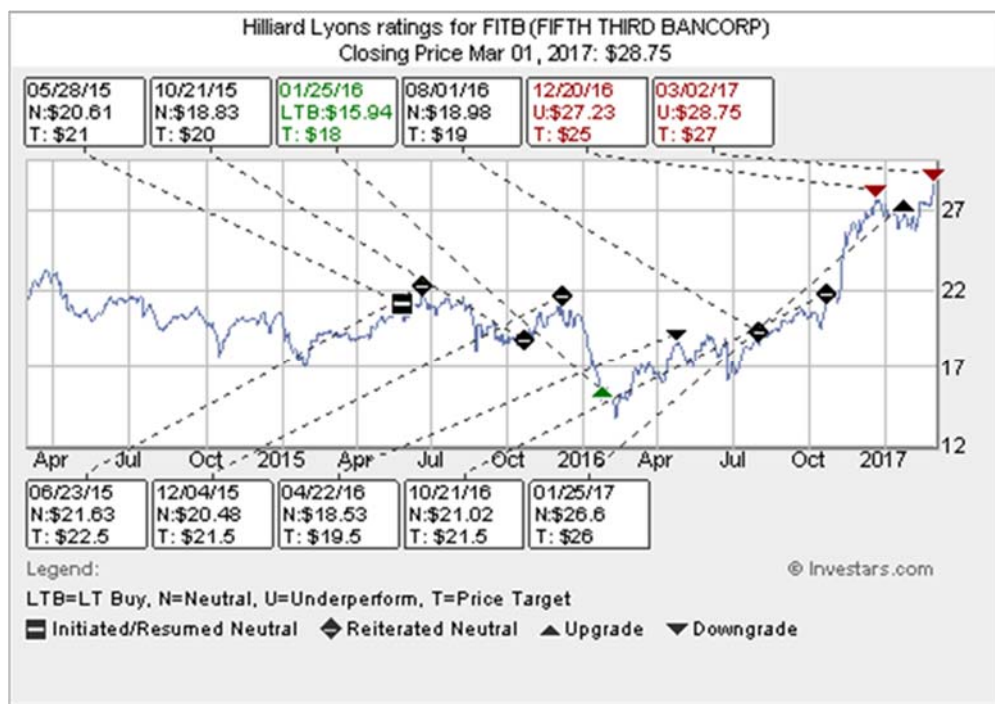
Definitions of Suitabilities:

1. A large cap, core holding with a solid history.

2. A historically secure company which could be cyclical, has a shorter history than a "1" or is subject to event driven setbacks.

3. An above average risk/reward ratio could be due to small size, lack of product diversity, sporadic earnings or high leverage.

4. Speculative, due to small size, inconsistent profitability, erratic revenue, volatility, low trading volume or a narrow customer or product base



Hilliard Lyons Recommended Issues		Investment Banking Provided in Past 12 Mo.		
Rating	# of Stocks Covered	% of Stocks Covered	Banking	No Banking
Buy	36	30%	17%	83%
Hold/Neutral	76	62%	7%	93%
Sell	10	8%	0%	100%

As of 6 February 2017

Other Disclosures

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