



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

### Key Metrics

FITB - NASDAQ (as of 03/17/17)	\$26.35
Price Target	\$27.00
52-Week Range	\$16.02-\$28.97
Shares Outstanding (mm)	750.9
Market Cap. (\$mm)	\$19,785
3-Mo. Average Daily Volume (000)	5,974.9
Institutional Ownership	85.2%
Tangible Equity / Tangible Assets	9.5%
ROE	9.4%
Tangible Book Value Per Share	\$16.59
Price/Tangible Book Value	158.8%
Dividend Yield	2.1%
Price/LTM Earnings	13.7x

### Operating EPS CY 12/31

	2016A	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q	\$0.40	\$0.39	\$0.37	\$0.46	\$0.44
2Q	\$0.39	\$0.45	\$0.44	\$0.51	\$0.51
3Q	\$0.43	\$0.46	\$0.46	\$0.55	\$0.55
4Q	\$0.49	\$0.46	\$0.49	\$0.54	\$0.59
Year	\$1.72	\$1.76	\$1.76	\$2.06	\$2.09
P/E	15.4x		15.0x		12.6x

### 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

Analyst: Andrew W. Stapp  
502-588-4190 / [astapp@hilliard.com](mailto:astapp@hilliard.com)  
Institutional Sales Desk: George Moorin  
502-588-9141 / [gmoorin@hilliard.com](mailto:gmoorin@hilliard.com)  
J.J.B. Hilliard, W.L. Lyons, LLC  
March 20, 2017

## Fifth Third Bancorp

FITB – NASDAQ – Neutral – 1

### Revising Estimates for Additional Fed Rate Hikes; Upgrading to Neutral

- We are adjusting our FITB model given the likelihood there will be three Fed rate hikes in 2017 and 2018 instead of our previous assumption of two. We are also allowing for the probability the yield curve will flatten over the course of our forecast horizon and have made other model adjustments as deemed appropriate. As a result of these modifications, we are increasing our 2018 EPS estimates by \$0.03 to \$2.09, while our 2017 estimate remains unchanged at \$1.76.
- We are retaining our \$27.00 12-month price target, which we derive through our discounted dividend model and the application of a forward multiple of 12.5X to our 2Q18-1Q19 EPS estimates. The multiple that we apply is appropriate relative to FITB's long-term growth prospects, in our opinion.
- With the recent decline in FITB's share price, our price target suggests a potential return of 4.7%, including dividends. Accordingly, we are raising our rating to Neutral from Underperform.

**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: NEUTRAL					
	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	FY 2015	FY 2016	FY 2017	FY 2018
\$Millions, Except for Per Share Data												
<b>Balance Sheet Data:</b>												
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
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
Gross Earning Assets	125,651.0	126,847.0	126,092.0	126,548.0	127,439.3	127,612.6	128,250.2	128,763.2	123,559.3	126,284.5	128,016.3	130,502.0
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
Equity	14,992.0	15,395.0	15,445.0	14,874.0	14,919.6	15,021.8	15,073.3	15,127.6	14,508.0	14,874.0	15,127.6	15,353.9
<b>Statement of Operations:</b>												
FTE Net Interest Income	909	908	913	909	926	957	972	966	3,554	3,639	3,841	4,017
Net Interest Income	903	902	907	903	920	951	966	979	3,534	3,615	3,816	3,990
Provision for Loan Losses	119	91	80	54	84	95	102	103	395	344	384	469
Non-Interest Income:												
Service Charges on Deposits	137	138	143	141	137	141	143	141	563	559	563	574
Corporate Banking Revenue	102	117	111	101	103	126	120	109	384	431	458	495
Wealth Management	102	101	101	100	109	108	108	107	418	404	448	448
Mortgage Banking Net Revenue	78	75	66	65	53	49	48	41	348	284	191	172
Card and Processing Revenue	136	80	336	137	87	88	89	85	302	319	334	361
Other Noninterest Income	3	6	4	3	0	0	0	0	9	10	0	0
Securities Gains	637	599	840	620	564	600	592	614	3,003	2,696	2,371	2,460
Total Non-Interest Income	-11	-28	-258	3	0	0	0	0	-381	-294	0	0
Non-Core Adjustment	626	571	582	623	564	600	592	614	2,622	2,402	2,371	2,460
Adjusted Non-Interest Income												
Non-Interest Expense:												
Salaries, Wages and Incentives	403	407	400	403	415	404	404	402	1,525	1,613	1,625	1,625
Employee Benefits	100	85	78	76	103	84	79	76	323	339	342	341
Net Occupancy Expense	77	75	73	73	73	72	72	72	322	298	290	292
Technology and Communications	56	60	62	56	60	60	61	61	224	234	242	248
Card and Processing Expense	35	37	30	31	33	33	33	33	154	133	132	137
Equipment Expense	30	30	29	29	30	30	31	31	125	118	121	126
Other Noninterest Expense	285	289	301	292	293	294	296	297	1,103	1,167	1,181	1,205
Total Non-Interest Expense	986	983	973	960	1,006	978	976	973	3,776	3,902	3,933	3,974
Non-Core Adjustment	-15	-9	0	0	0	0	0	0	-21	-24	0	0
Adjusted Non-Interest Expense	971	974	973	960	1,006	978	976	973	3,755	3,878	3,933	3,974
Operating Pretax Income	439	408	436	512	393	478	480	518	2,006	1,795	1,869	2,007
Income Taxes	112	75	-75	121	100	122	123	132	295	233	477	423
Preferred Dividends	15	23	15	23	15	23	15	23	76	76	76	76
Oper. Net Income for Diluted EPS	312	310	496	368	278	333	343	363	1,635	1,486	1,317	1,508
<b>Share &amp; Per Share Data:</b>												
Diluted EPS	0.40	0.40	0.65	0.49	0.37	0.44	0.46	0.49	2.03	1.94	1.76	2.09
Operating EPS	0.40	0.39	0.43	0.49	0.37	0.44	0.46	0.49	1.72	1.72	1.76	2.09
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
Tangible Book Value	16.32	16.92	17.23	16.59	16.76	17.01	17.23	17.48	15.39	16.59	17.48	18.52
Common Shares Outstanding	770,471	766,346	755,582	750,479	745,679	740,879	734,134	726,830	785,080	750,479	726,830	698,603
Average Diluted Shares	778,392	765,080	757,456	757,444	758,079	753,279	747,507	740,482	807,880	764,593	749,837	723,314
<b>Key Financial Statistics:</b>												
Return on Assets	0.92%	0.92%	1.45%	1.11%	0.84%	1.00%	0.99%	1.06%	1.21%	1.10%	0.97%	1.08%
Return on Common Equity	8.30%	8.13%	12.76%	9.68%	7.58%	8.92%	9.04%	9.52%	9.12%	9.72%	8.77%	9.89%
Net Interest Margin	2.91%	2.88%	2.88%	2.86%	2.95%	3.01%	3.04%	3.04%	2.88%	2.88%	3.00%	3.08%
Operating Non-Int. Inc./Operating Rev.	40.94%	38.76%	39.09%	40.83%	37.99%	38.71%	38.02%	38.54%	42.59%	39.90%	38.32%	38.12%
Efficiency Ratio	64.17%	65.86%	55.10%	62.66%	67.48%	62.75%	62.30%	60.73%	57.52%	61.95%	63.31%	61.36%
Tangible Common Ratio	8.97%	9.18%	9.24%	8.91%	8.93%	8.93%	8.94%	8.94%	8.71%	8.91%	8.85%	8.85%
Reserves/Loans	1.37%	1.37%	1.35%	1.35%	1.34%	1.34%	1.34%	1.34%	1.36%	1.35%	1.34%	1.34%
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%
<b>YOY Change-BPS</b>												
	(11)	(13)	11	59	(95)	112	8	(269)	442	137	(196)	(9)
	(9)	0	6	0	0	0	0	0	0	0	0	0

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.

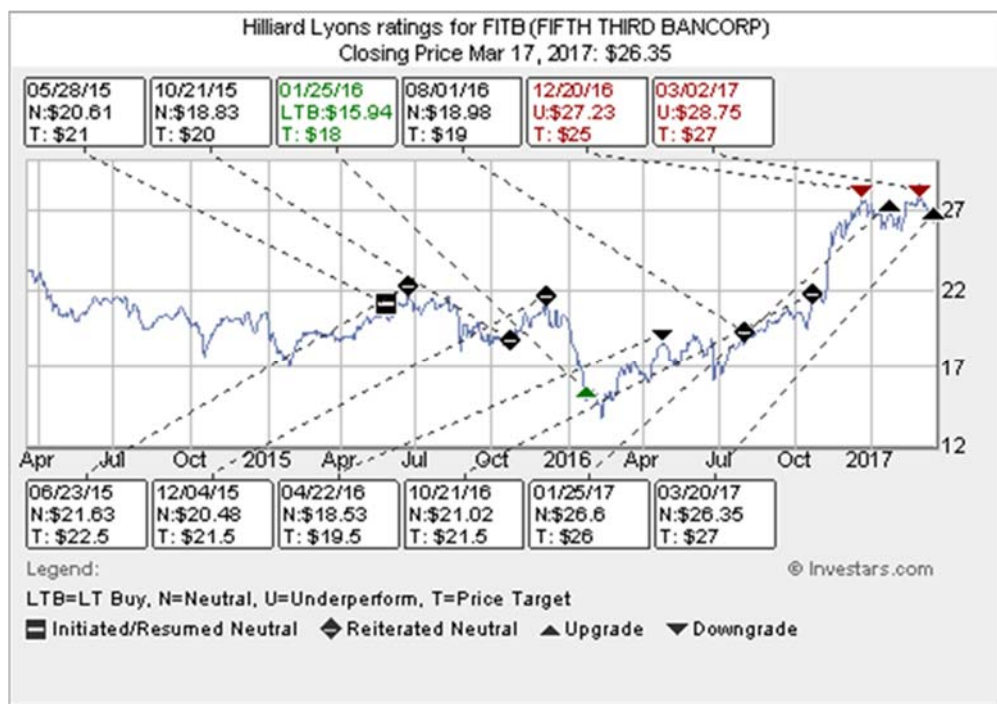
### **Definitions of Suitabilities:**

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	35	29%	14%	86%
Hold/Neutral	71	59%	6%	94%
Sell	15	12%	7%	93%

As of 8 March 2017

**Other Disclosures**

Opinions expressed are subject to change without notice and do not take into account the particular investment objectives, financial situation or needs of individual investors. Employees of J.J.B. Hilliard, W.L. Lyons, LLC or its affiliates may, at times, release written or oral commentary, technical analysis or trading strategies that differ from the opinions expressed here.

J.J.B. Hilliard, W.L. Lyons, LLC is a multi-disciplined financial services firm that regularly seeks investment banking assignments and compensation from issuers for services including, but not limited to, acting as an underwriter in an offering or financial advisor in a merger or acquisition, or serving as placement agent in private transactions.

The information herein has been obtained from sources we believe to be reliable but is not guaranteed and does not purport to be a complete statement of all material factors. This is for informational purposes and is not a solicitation of orders to purchase or sell securities. Reproduction is forbidden unless authorized. All rights reserved.