



Banks

Analyst: Andrew W. Stapp
502-588-4190 / astapp@hilliard.com
Institutional Sales Desk: George Moorin
502-588-9141 / gmoorin@hilliard.com
J.J.B. Hilliard, W.L. Lyons, LLC
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COMPANY UPDATE/ ESTIMATES CHANGE

Key Metrics

FITB - NASDAQ (as of 05/12/17)	\$24.16
Price Target	\$27.00
52-Week Range	\$16.14-\$28.97
Shares Outstanding (mm)	750.3
Market Cap. (\$mm)	\$18,127
3-Mo. Average Daily Volume (000)	5,943.2
Institutional Ownership	83.8%
Tangible Equity / Tangible Assets	9.5%
ROE	9.4%
Tangible Book Value Per Share	\$16.89
Price/Tangible Book Value	143.1%
Dividend Yield	2.3%
Price/LTM Earnings	12.6x

Operating EPS CY 12/31

	2016A	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q	\$0.40	\$0.38	\$0.38A	\$0.46	\$0.45
2Q	\$0.39	\$0.41	\$0.42	\$0.51	\$0.49
3Q	\$0.43	\$0.47	\$0.47	\$0.58	\$0.56
4Q	\$0.49	\$0.51	\$0.50	\$0.62	\$0.60
Year	\$1.72	\$1.77	\$1.77	\$2.16	\$2.11
P/E	14.1x		13.7x		11.5x

Common Dividends

	2016A	Curr. 2017E	Prior % chg.	Curr. 2018E
1Q	\$0.13	\$0.13A	0.0	\$0.15
2Q	\$0.13	\$0.13	0.0	\$0.15
3Q	\$0.13	\$0.15	15.4	\$0.19
4Q	\$0.13	\$0.15	15.4	\$0.19
Year	\$0.52	\$0.56	7.7	\$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.

Fifth Third Bancorp

FITB – NASDAQ – Neutral – 1

Tweaking Estimates & Reaffirming Neutral Rating

- After taking a fresh look at our FITB model, we are modestly revising certain estimates. The chief modifications pertain to 2018, where we believe we were somewhat optimistic regarding noninterest income and expense.
- We are retaining our 2017 operating EPS estimate at \$1.77 and reducing our 2018 estimate by \$0.05 to \$2.11.
- We are maintaining our \$27 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 forward multiple that we apply is appropriate relative to FITB's long-term growth prospects, in our opinion.
- We reaffirm our Neutral rating.

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 A	2Q16 A	3Q16 A	4Q16 A	1Q17 A	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	143,625	143,279	142,177	140,200	141,041	141,605	142,172	141,082	142,177	142,172	147,373	0.8%	0.0%	3.7%
Gross Loans	94,408	94,786	94,211	92,849	92,244	93,051	93,865	94,687	93,485	92,849	94,687	96,151	-0.7%	2.0%	3.7%
Average Earning Assets	125,651	126,847	126,092	126,548	125,968	125,855	126,696	127,558	123,559	126,265	126,519	129,959	2.2%	0.2%	2.7%
Deposits	102,475	101,871	101,271	103,821	104,156	104,781	105,200	105,621	103,205	103,821	105,621	109,485	0.6%	1.7%	3.7%
Equity	14,992	15,395	15,445	14,874	15,031	14,907	14,942	14,979	14,508	14,874	14,979	15,171	2.5%	0.7%	1.3%
Statement of Operations:															
FTE Net Interest Income	909	908	913	909	939	941	962	969	3,554	3,639	3,810	3,955	2.4%	4.7%	3.8%
Net Interest Income	903	902	907	903	933	935	956	962	3,534	3,615	3,786	3,929	2.3%	4.7%	3.8%
Provision for Loan Losses	119	91	80	54	74	86	96	106	395	344	361	449	-12.9%	5.1%	24.4%
Non-Interest Income:															
Service Charges on Deposits	137	138	143	141	138	140	148	145	563	559	571	583	-0.7%	2.2%	2.0%
Corporate Banking Revenue	102	117	111	101	74	109	120	110	384	431	413	454	12.2%	-4.2%	10.0%
Wealth Management	102	101	101	100	108	108	111	115	418	404	442	483	-3.3%	9.4%	9.4%
Mortgage Banking Net Revenue	78	75	66	65	52	61	58	51	348	284	222	217	-18.4%	-21.9%	-2.1%
Card and Processing Revenue	79	82	79	79	74	82	86	86	302	319	328	354	5.6%	2.9%	8.0%
Other Noninterest Income	136	80	336	137	77	85	90	139	979	689	391	444	-29.6%	-43.3%	13.7%
Securities Gains	3	6	4	-3	0	0	0	0	9	10	0	0	11.1%	-100.0%	NA
Total Non-Interest Income	637	599	840	620	523	585	613	646	3,003	2,686	2,367	2,537	-10.2%	-12.2%	7.2%
Non-Core Adjustment	-11	-28	-258	3	0	0	0	0	-381	-284	0	0	-22.8%	-100.0%	NA
Adjusted Non-Interest Income	626	571	582	623	523	585	613	646	2,622	2,402	2,367	2,537	-8.4%	-1.4%	7.2%
Non-Interest Expense:															
Salaries, Wages and Incentives	403	407	400	403	411	414	414	413	1,525	1,613	1,653	1,673	5.8%	2.4%	1.2%
Employee Benefits	100	85	78	76	111	87	81	78	323	339	356	360	5.0%	5.1%	1.2%
Net Occupancy Expense	77	75	73	73	78	75	75	75	322	298	304	303	-7.5%	1.9%	-0.1%
Technology and Communications	56	60	62	56	58	58	59	59	224	234	234	240	4.5%	-0.1%	2.7%
Card and Processing Expense	35	37	30	30	30	30	31	31	154	133	122	127	-13.6%	-8.4%	4.1%
Equipment Expense	30	30	29	29	28	29	30	30	125	118	117	122	-5.6%	-1.3%	5.0%
Other Noninterest Expense	285	289	301	292	270	290	291	293	1,103	1,167	1,144	1,186	5.8%	-1.9%	3.7%
Total Non-Interest Expense	966	983	973	960	986	983	981	979	3,776	3,902	3,929	4,012	3.3%	0.7%	2.1%
Non-Core Adjustment	-15	-9	0	0	0	0	0	0	-21	-24	0	0	NA	NA	NA
Adjusted Non-Interest Expense	971	974	973	960	986	983	981	979	3,755	3,878	3,929	4,012	3.3%	1.3%	2.1%
Operating Pretax Income	439	408	436	512	396	450	493	524	2,006	1,795	1,863	2,004	-10.5%	3.8%	7.6%
Income Taxes	112	75	-75	121	95	113	126	134	295	233	467	421	-21.0%	100.4%	-9.8%
Preferred Dividends	15	23	15	23	15	23	15	23	76	76	76	76	0.0%	0.0%	0.0%
Oper. Net Income for Diluted EPS	312	310	496	368	286	314	352	367	1,635	1,486	1,320	1,507	-9.1%	-11.2%	14.2%
Share & Per Share Data:															
Diluted EPS	0.40	0.40	0.65	0.49	0.38	0.42	0.47	0.50	2.03	1.94	1.77	2.11	-4.6%	-8.8%	19.2%
Operating EPS	0.40	0.39	0.43	0.49	0.38	0.42	0.47	0.50	1.72	1.72	1.77	2.11	-0.2%	3.0%	19.1%
Dividends Per Share	0.13	0.13	0.13	0.13	0.13	0.13	0.15	0.15	0.52	0.52	0.56	0.68	0.0%	7.7%	21.4%
Tangible Book Value	16.32	16.92	17.23	16.59	16.89	16.95	17.18	17.44	15.39	16.59	17.44	18.52	7.8%	5.2%	6.2%
Common Shares Outstanding	770,471	766,346	755,582	750,479	750,145	736,185	727,852	719,054	785,080	750,479	719,054	687,121	-4.4%	-4.2%	-4.4%
Average Diluted Shares	778,392	765,080	757,456	757,444	760,809	756,307	745,161	736,595	807,880	764,593	749,718	716,666	-5.4%	-1.9%	-4.4%
Key Financial Statistics:															
Return on Assets	0.92%	0.92%	1.45%	1.11%	0.87%	0.96%	1.03%	1.09%	1.21%	1.10%	0.99%	1.09%	(11)	(11)	10
Return on Common Equity	8.30%	8.13%	12.76%	9.68%	7.58%	8.43%	9.36%	9.74%	9.12%	9.72%	8.78%	10.00%	59	(94)	122
Net Interest Margin	2.91%	2.88%	2.88%	2.86%	3.02%	3.00%	3.01%	3.01%	2.88%	2.88%	3.01%	3.04%	1	13	3
Operating Non-Int. Inc./Operating Rev.	40.94%	38.76%	39.09%	40.83%	35.92%	38.49%	39.08%	40.18%	42.59%	39.90%	38.42%	39.22%	(269)	(149)	80
Efficiency Ratio	64.17%	65.86%	55.10%	62.66%	67.31%	64.40%	62.19%	60.54%	57.52%	61.95%	63.61%	61.81%	442	166	(180)
Tangible Common Ratio	8.97%	9.18%	9.24%	8.91%	9.15%	9.00%	8.99%	8.98%	8.71%	8.91%	8.98%	8.78%	20	7	(3)
Reserves/Loans	1.37%	1.37%	1.35%	1.34%	1.34%	1.33%	1.32%	1.32%	1.36%	1.35%	1.32%	1.29%	(1)	(1)	(3)
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)	1	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 an average 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.

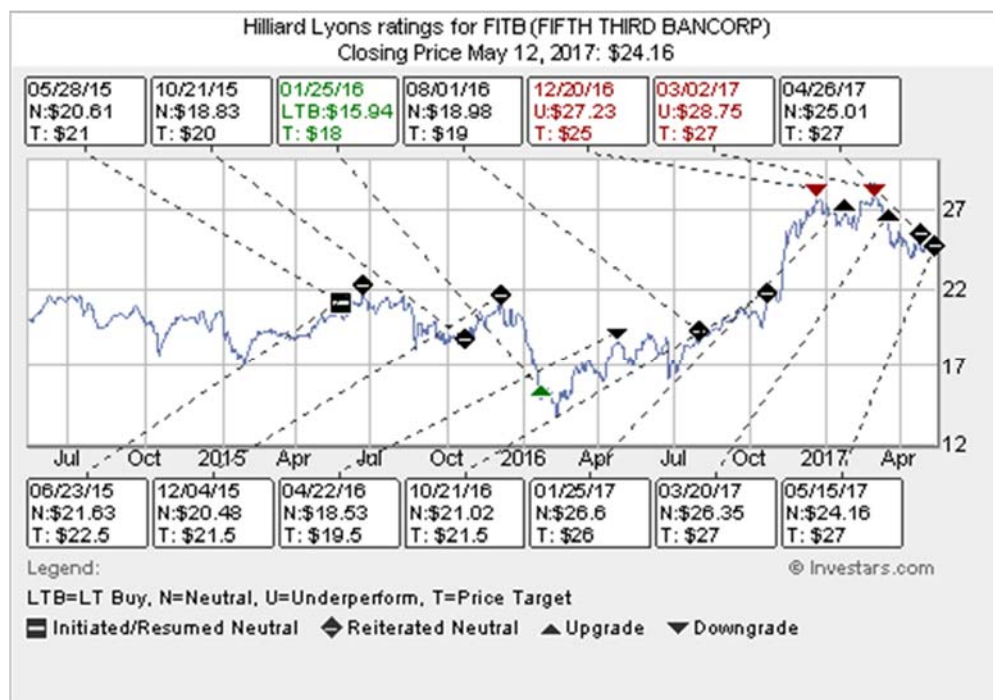
Definitions of Suitabilities:

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	32	26%	13%	88%
Hold/Neutral	79	64%	8%	92%
Sell	12	10%	0%	100%

As of 8 May 2017

Other Disclosures

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