



COMPANY UPDATE/ MODEL OUTPUT FORMAT ERROR CORRECTION

Banks

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J.J.B. Hilliard, W.L. Lyons, LLC
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Key Metrics

FITB - NASDAQ (as of 10/27/17)	\$29.07
Price Target	\$29.00
52-Week Range	\$21.19-\$29.22
Shares Outstanding (mm)	705.5
Market Cap. (\$mm)	\$20,508
3-Mo. Average Daily Volume (000)	4,944.5
Institutional Ownership	104.5%
Tangible Equity / Tangible Assets	9.5%
ROE	9.4%
Tangible Book Value Per Share	\$17.84
Price/Tangible Book Value	162.9%
Dividend Yield	2.2%
Price/LTM Earnings	10.9x

Operating EPS CY 12/31

	2016A	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q	\$0.40	\$0.38A	\$0.38A	\$0.47	\$0.47
2Q	\$0.39	\$0.45A	\$0.44A	\$0.51	\$0.50
3Q	\$0.43	\$0.47	\$0.42A	\$0.55	\$0.55
4Q	\$0.49	\$0.51	\$0.50	\$0.61	\$0.62
Year	\$1.72	\$1.81	\$1.74	\$2.14	\$2.14
P/E	16.9x		16.7x		13.6x

Common Dividends

	2016A	Curr. 2017E	Prior % chg.	Curr. 2018E
1Q	\$0.13	\$0.14A	7.7	\$0.18
2Q	\$0.13	\$0.14A	7.7	\$0.18
3Q	\$0.13	\$0.16A	23.1	\$0.19
4Q	\$0.14	\$0.18	28.6	\$0.19
Year	\$0.53	\$0.62	17.0	\$0.74

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

3Q17 Review; Reaffirming Neutral Rating

- **Republishing Report** – We are republishing our October 25 note on FITB to correct formatting errors regarding income taxes and operating net income in the model summary included in the report. These errors did not impact our operating EPS estimates, rating or price target.
- **Earnings Results:** Excluding a \$1.0 billion gain on a portion of its stake in Vantiv (VNTV-\$68.01), FITB reported Q3 operating EPS of \$0.42, which were \$0.05 below our estimate and the Street consensus.
- **Positive Highlights:** Net interest income rose 3.3% linked-quarter (LQ) to \$970 million on six bps of net interest margin expansion to 3.07%, a 0.2% increase in average earning assets and an extra day in the quarter. We had projected net interest income of \$961 million and a 3.03% margin.
Noninterest expense rose 1.9% LQ to \$975 million primarily on gains in salaries & benefits (1.3%) and “other” noninterest expense (2.8%). Results were below our estimate of \$981 million.
Period end loans increased 1.5% sequentially, while average loans were essentially flat.
The provision for loan losses advanced \$31 million to \$67 million sequentially, but was below our estimate of \$75 million. The net charge-off ratio rose one bp to 0.29% versus our estimate of 0.36%.
- **Negative Highlights:** Adjusted noninterest income was essentially flat at \$571 million on a LQ basis versus our projection of \$581 million.
- **Estimates:** We are reducing our 2017 operating EPS estimate by \$0.07 to \$1.74 and maintaining our 2018 estimate at \$2.14. We are boosting our price target by \$1.00 to \$29.00, while reaffirming our Neutral rating.

Note Important Disclosures on pages 5 and 6
Note Analyst Certification on page 5

OTHER TAKEAWAYS & VALUATION

- In addition to the aforementioned Vantiv gain, FITB realized the following items that we have included in operating EPS, but are considered non-core. Excluding these items and the Vantiv gain, adjusted EPS were \$0.48.
 - \$47 million pre-tax charge related to the valuation of the Visa (V-\$109.71) total return swap
 - A \$0.02 negative EPS impact stemming from a Vantiv related tax item and lower equity method income from the reduced interest in Vantiv.
- FITB continues to reduce certain commercial loan classes and indirect auto loans, which have unattractive risk/reward profiles. The company has approximately \$200 million of targeted commercial loans to exit by year-end 2017, while indirect auto is expected to continue to drift downward.
- Loan growth was further constrained by the lack of clarity regarding tax and healthcare reform.
- Approximately \$990 million of shares were repurchased during 3Q17.
- Management offered the following guidance for 4Q17:
 - Modest sequential commercial loan growth, including the impact of exiting approximately \$200 million of commercial relationships that don't meet the company's desired risk/return profile
 - Low- to mid-single digit consumer & mortgage loan growth, excluding indirect auto
 - Flat net interest income on a LQ basis
 - Approximately 2 bps of sequential NIM compression
 - Adjusted noninterest income growth of 10% sequentially, excluding mortgage income
 - Approximately 1.5% sequential growth in noninterest expense
 - Effective tax rate in the 29%-30% range
 - Loan loss provisioning should be reflective of loan growth
- Our price target is derived through our discounted dividend model and the application of a 12.5X forward multiple to our 4Q18-3Q19 EPS estimates. The earnings multiple that we employ is appropriate relative to the company's risk/reward prospects, in our opinion.
- Major model assumptions include a Fed rate hike in December followed by two additional hikes in 2018 and a 28% corporate tax rate in 2018. Given the considerable uncertainties regarding corporate tax reform, we are employing conservative hurdle rates in establishing our ratings.

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 A	3Q17 A	4Q17 A	FY 2015 A	FY 2016 A	FY 2017 E	FY 2018 E	YOY Change	
\$Millions, Except for Per Share Data														
Balance Sheet Data:														
Assets	142,430	143,625	143,279	142,177	140,200	141,067	142,264	142,321	141,082	142,177	142,321	148,761	0.8%	0.1%
Gross Loans	94,408	94,786	94,211	92,849	92,244	92,212	92,594	93,242	93,485	92,849	93,242	97,461	-0.7%	0.4%
Average Earning Assets	125,651	126,847	126,092	126,548	125,968	126,134	126,443	126,996	123,559	126,285	126,385	130,240	2.2%	0.1%
Deposits	102,475	101,871	101,271	103,821	104,156	101,880	101,452	101,493	103,205	103,821	101,493	106,085	0.6%	-2.2%
Equity	14,992	15,395	15,445	14,874	15,099	15,088	15,029	14,978	14,508	14,874	14,978	14,837	2.5%	0.7%
Statement of Operations:														
FTE Net Interest Income	909	908	913	909	939	945	977	976	3,554	3,639	3,837	4,009	2.4%	5.4%
Net Interest Income	903	902	907	903	933	939	970	969	3,534	3,615	3,811	3,980	2.3%	5.4%
Provision for Loan Losses	119	91	80	54	74	52	67	75	395	344	268	381	-12.9%	-22.1%
Non-Interest Income:														
Service Charges on Deposits	137	138	143	141	138	139	138	140	563	559	555	555	-0.7%	-0.7%
Corporate Banking Revenue	102	117	111	101	101	101	101	114	384	431	390	431	12.2%	-9.6%
Wealth Management	102	101	101	100	108	103	102	104	418	404	417	440	-3.3%	3.1%
Mortgage Banking Net Revenue	78	75	66	65	52	55	63	55	348	284	225	253	-18.4%	-20.7%
Card and Processing Revenue	79	82	79	79	74	79	79	82	302	319	314	339	5.6%	-1.6%
Other Noninterest Income	136	80	336	137	77	85	1,078	121	979	689	1,361	373	-29.6%	97.5%
Securities Gains	3	6	4	3	0	0	0	0	9	10	0	0	11.1%	-100.0%
Total Non-Interest Income	637	599	840	620	523	562	1,561	615	3,003	2,696	3,261	2,391	-10.2%	21.0%
Non-Core Adjustment	-11	-28	-258	3	0	0	-1,037	0	-381	-294	-1,037	0	-22.8%	252.7%
Adjusted Non-Interest Income	626	571	582	623	523	562	524	615	2,622	2,402	2,224	2,391	-8.4%	-7.4%
Non-Interest Expense:														
Salaries, Wages and Incentives	403	407	400	403	411	397	407	410	1,525	1,613	1,625	1,668	5.8%	0.7%
Employee Benefits	100	85	78	76	111	86	77	77	323	339	351	360	5.0%	3.6%
Net Occupancy Expense	77	75	73	73	78	70	74	74	322	298	296	299	-7.5%	-0.6%
Technology and Communications	56	60	62	56	58	57	62	59	224	234	236	240	4.5%	1.7%
Card and Processing Expense	35	37	30	31	30	33	32	32	154	133	127	133	-13.6%	-4.3%
Equipment Expense	30	30	29	29	29	29	30	31	125	118	118	124	-5.6%	-0.4%
Other Noninterest Expense	285	289	301	292	270	285	293	292	1,103	1,167	1,140	1,172	5.8%	-2.4%
Total Non-Interest Expense	986	983	973	960	986	957	975	975	3,776	3,902	3,893	3,995	3.3%	-0.2%
Non-Core Adjustment	-15	-9	0	0	0	0	0	0	-21	-24	0	0	NA	NA
Adjusted Non-Interest Expense	971	974	973	960	986	957	975	975	3,755	3,878	3,893	3,995	3.3%	0.4%
Operating Pretax Income	439	408	436	512	396	492	452	535	2,006	1,795	1,875	1,995	-10.5%	4.4%
Preferred Dividends	15	23	15	23	15	23	15	23	76	76	76	76	0.0%	0.0%
Income Taxes & Other	109	90	93	115	91	127	128	158	541	408	503	448	-24.6%	23.5%
Oper. Net Income for Diluted EPS	315	295	328	374	290	342	309	354	1,389	1,311	1,295	1,471	-5.6%	-1.2%
Share & Per Share Data:														
Operating EPS	0.40	0.39	0.43	0.49	0.38	0.44	0.42	0.50	1.72	1.72	1.74	2.14	-0.2%	1.6%
Diluted EPS	0.40	0.40	0.65	0.49	0.38	0.45	1.35	0.50	2.03	1.94	2.68	2.14	-4.6%	38.2%
Dividends Per Share	0.13	0.13	0.13	0.14	0.14	0.14	0.16	0.18	0.52	0.53	0.62	0.74	1.9%	17.0%
Tangible Book Value	16.32	16.92	17.23	16.59	16.89	17.12	17.84	18.02	15.39	16.59	18.02	18.83	7.8%	8.6%
Common Shares Outstanding	770,471	766,346	755,582	750,479	750,145	738,873	705,474	695,704	785,080	750,479	695,704	688,329	-4.4%	-7.3%
Average Diluted Shares	778,392	765,080	757,456	757,444	760,809	752,328	733,285	712,594	807,880	764,593	739,754	688,749	-5.4%	-3.2%
Key Financial Statistics:														
Return on Assets	0.92%	0.92%	1.45%	1.11%	0.87%	1.05%	2.88%	1.05%	1.21%	1.10%	1.46%	1.06%	(11)	36
Return on Common Equity	8.30%	8.13%	12.76%	9.68%	7.58%	8.90%	25.54%	9.36%	9.12%	9.72%	12.84%	9.89%	59	313
Net Interest Margin	2.91%	2.88%	2.86%	2.86%	3.02%	3.01%	3.07%	3.05%	2.88%	2.88%	3.04%	3.08%	1	15
Operating Non-Int. Inc./Operating Rev.	40.94%	38.76%	39.09%	40.83%	35.92%	37.44%	35.07%	38.33%	42.59%	39.90%	36.82%	37.52%	(269)	(309)
Efficiency Ratio	64.17%	65.86%	55.10%	62.66%	67.31%	63.50%	65.04%	61.19%	57.52%	61.95%	64.26%	62.43%	442	231
Tangible Common Ratio	8.97%	9.18%	9.24%	8.91%	9.20%	9.12%	9.00%	8.96%	8.71%	8.96%	8.96%	8.47%	20	6
Reserves/Loans	1.37%	1.37%	1.35%	1.35%	1.34%	1.33%	1.30%	1.29%	1.36%	1.35%	1.29%	1.26%	(1)	(6)
NCOs/Average Loans	0.41%	0.37%	0.45%	0.31%	0.38%	0.28%	0.29%	0.32%	0.48%	0.38%	0.32%	0.38%	(9)	(7)

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.

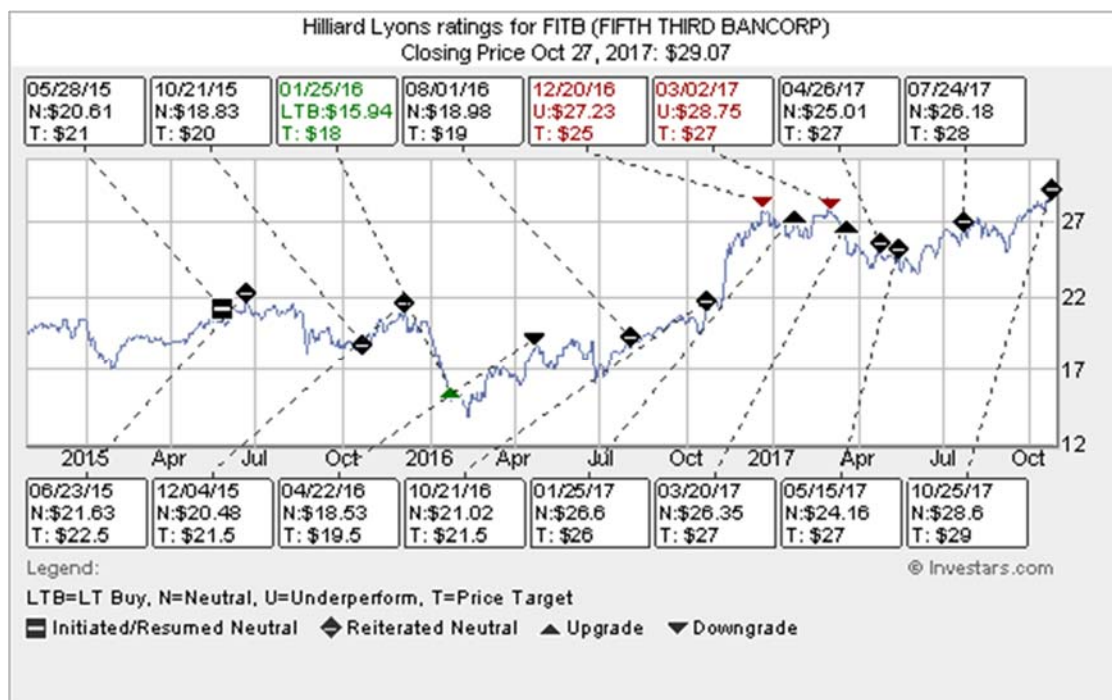
Long-term Buy - We believe the stock is an above average holding in its sector, and expect solid returns to be realized over a longer time frame than our Buy rated issues, typically 2-3 years.

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	39	32%	8%	92%
Hold/Neutral	74	60%	9%	91%
Sell	8	7%	0%	100%
Restriction	2	2%	100%	0%

As of 5 October 2017

Other Disclosures

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