

# Consumer Bank

**Phil McHugh**  
**Executive Vice President**  
**Head of the Consumer Bank**



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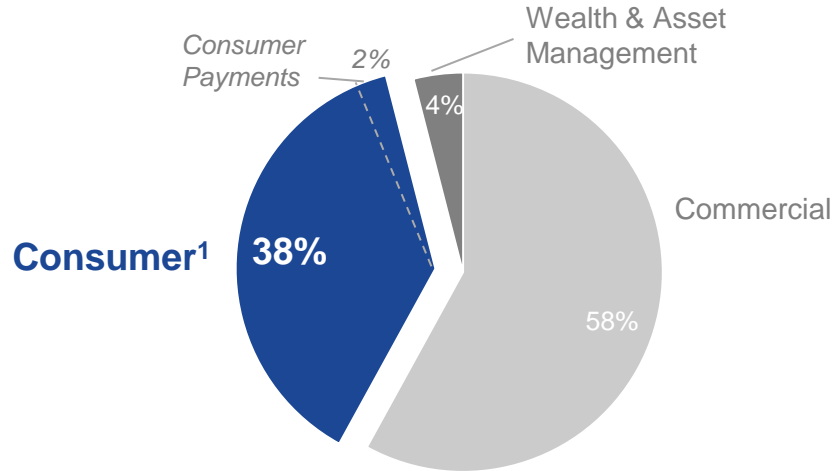
*In this presentation, we may sometimes provide non-GAAP financial information. Please note that although non-GAAP financial measures provide useful insight to analysts, investors and regulators, they should not be considered in isolation or relied upon as a substitute for analysis using GAAP measures. If applicable, we provide GAAP reconciliations for non-GAAP measures in a later slide in this presentation which is also available in the investor relations section of our website, [www.53.com](http://www.53.com).*



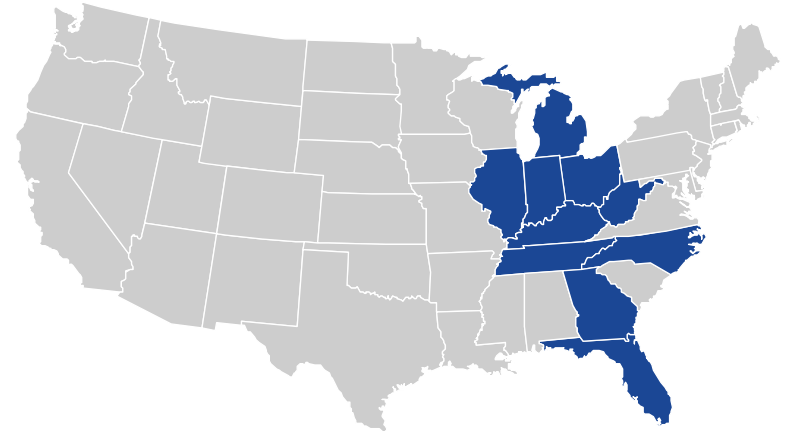
# Substantial scale across the franchise

## Loan and lease contribution

3Q17 average loans from lines of business



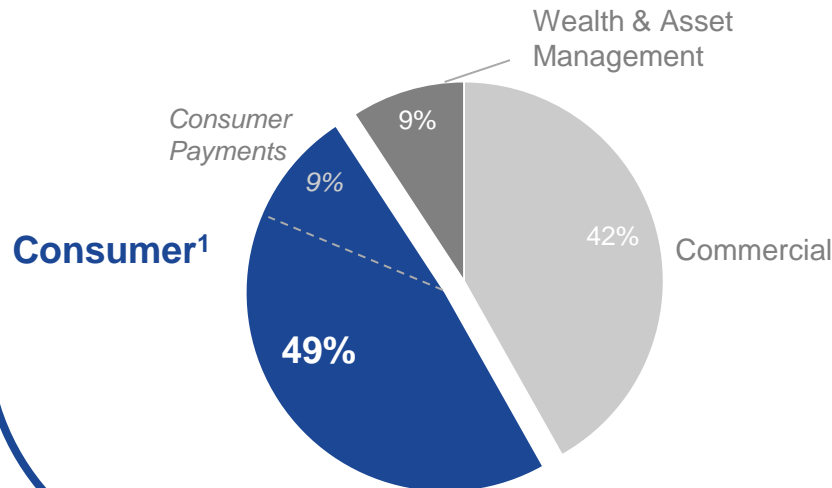
## Consumer bank footprint



- Retail financial center footprint
- Capabilities beyond traditional footprint

## Revenue contribution

3Q17 YTD revenue from lines of business



- Retail branch banking in 10 states
- Mortgage direct sales in 24 states
- Indirect auto sales in 44 states
- Correspondent mortgage in 47 states
- Business banking in 48 states

<sup>1</sup> Consumer Bank consists of Branch Banking and Consumer Lending segments



# Consumer bank is positioned to deliver holistic customer experience

## Retail



- 2.1 MM Households
- \$47.6 BN deposits<sup>1</sup>
- 1,155 financial centers
- \$2.2 BN revenue<sup>2</sup>

## Business banking



- 231 K business relationships
- \$1.9 BN loans<sup>1</sup>
- \$9.0 BN deposits<sup>1</sup>
- \$369 MM revenue<sup>2</sup>

## Mortgage



- \$7.8 BN originations
- \$11.7 BN loans<sup>1</sup>
- 440 mortgage loan officers
- \$347 MM revenue<sup>2</sup>

## Indirect auto



- \$3.7 BN originations
- \$8.8 BN loans<sup>1</sup>
- 53 sales employees
- \$125 MM revenue<sup>2</sup>

## Branch banking

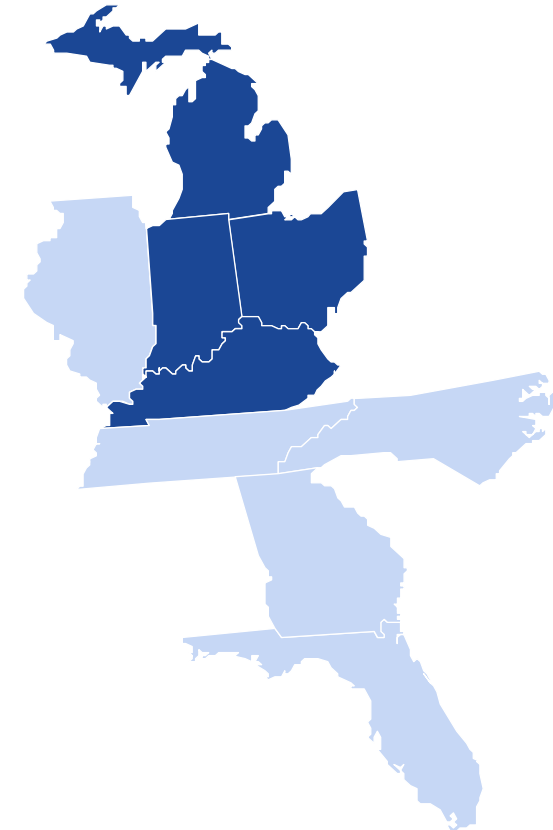
<sup>1</sup> 3Q17 Quarterly weighted average, Business Banking = <\$10 MM

<sup>2</sup> Full year forecast '17, Business Banking = <\$10 MM



# Significant market share of deposits

Market <sup>1</sup>	Deposit market share <sup>2</sup>	Deposits (\$BN) <sup>2</sup>	Financial Centers <sup>3</sup>	Checking households <sup>3</sup>
<b>LEGACY MARKETS</b>				
Ohio	3 <sup>rd</sup>	\$45.7	325	806 K
Indiana	3 <sup>rd</sup>	\$8.8	123	192 K
Kentucky	3 <sup>rd</sup>	\$5.7	91	109 K
Michigan	5 <sup>th</sup>	\$17.0	201	319 K
<b>GROWTH OPPORTUNITIES</b>				
Illinois	11 <sup>th</sup>	\$10.7	135	289 K
Florida	12 <sup>th</sup>	\$10.1	150	189 K
North Carolina	12 <sup>th</sup>	\$3.3	54	85 K
Tennessee	13 <sup>th</sup>	\$1.8	36	48 K
Georgia	20 <sup>th</sup>	\$1.5	33	26 K



<sup>1</sup>West Virginia omitted due to de minimus locations (7)

<sup>2</sup>Rankings from June 2017 FDIC summary of deposits

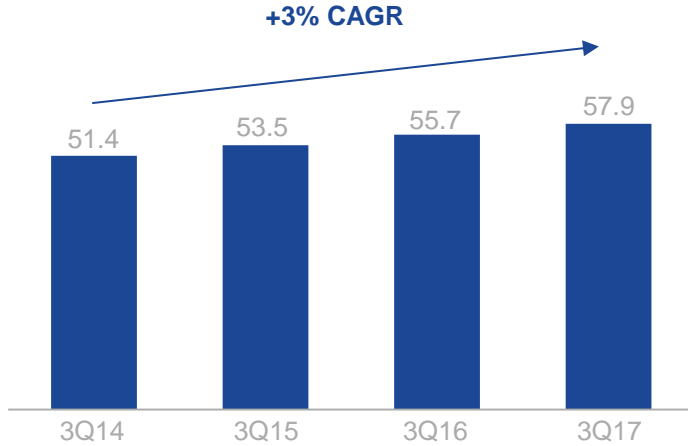
<sup>3</sup>As of Sept '17



# The Consumer Bank is well diversified

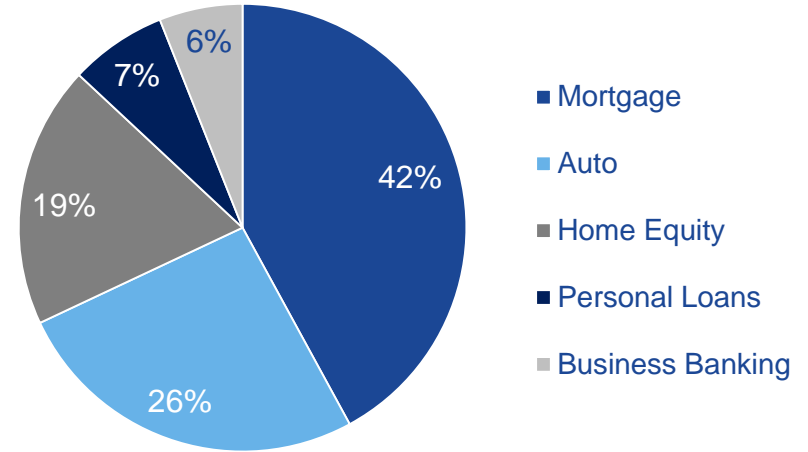
## Consumer deposits

Quarterly average balance (\$ BN)



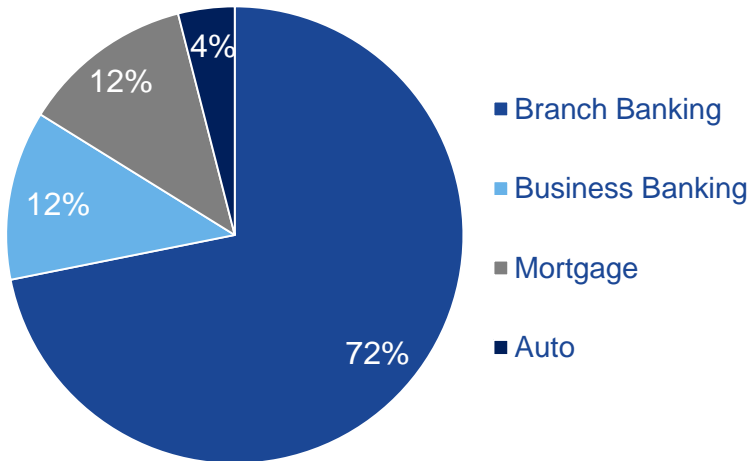
## Loan and lease contribution

3Q17 average



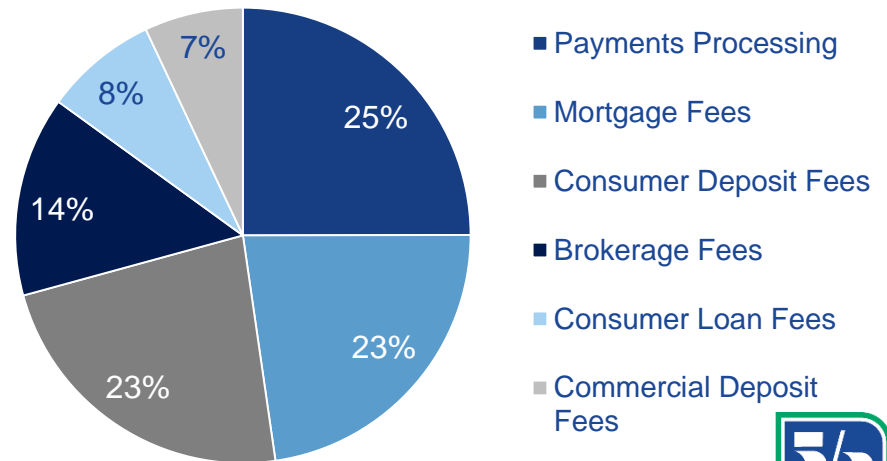
## Revenue by business

3Q17 YTD net revenue



## Diversified fee income

3Q17 YTD fee income



# Strategic priorities



## Relationship driven

Continue to build relationships through consultative approach



## Leverage omnichannel strategy

Accelerate acquisition retention of households



## Focus on data analytics

Identify consumer behavioral changes to help grow revenue per household



## Grow consumer loan portfolio

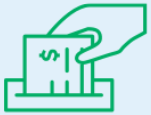
Grow personal lending, credit card, and mortgage portfolio to improve returns and diversify risk



# Philosophy on brick and mortar vs. digital

Customer preferences have changed and continue to evolve...

Want more  
Self-service Options



Expect to Interact  
in Preferred Channel



Branch  
Transactions



vs.



Digital  
Transactions



**60%** of Fifth Third consumer transactions are completed digitally<sup>1</sup>

<sup>1</sup>includes online, mobile and ATM transactions

... therefore we have a  
“bricks and clicks” approach

## Financial Centers

- Human contact for the big moments
- Education seminars
- Continuous optimization to ensure right density

## Digital Channels

- Expand self-service capabilities
- Utilize technology and data analytics to drive household revenue growth

## Channel Integration

- Tech-savvy branch personnel guide customers through digital options
- Digital opportunities to engage in person (e.g. appointment setting)





# Transforming retail business to match evolving customer preferences

## Branch & job re-design

## Branch closures

## Digital transformation

FTE reduction

~1,800 FTE (21%)

~500 FTE (8%)

Included in branch FTE reduction

Execution timeframe

2013 – 2017

2014 – ongoing

2015 – ongoing

Financial impact

**\$67 MM**

Annual run-rate cost savings

**\$72 MM**

Annual run-rate cost savings

**\$10 MM**

Annual run-rate cost savings

Description

- Drove digital adoption through mobile and ATM
- Redefined staffing models & modified roles (Universal Bankers)
- Redesigned branch through process and technology enhancements

- Exited retail operations in two markets (Pittsburgh and St. Louis) and consolidated select branch locations (8% reduction)
- Non-recurring net impairment of (\$105 MM)
- 110 branches consolidated
- 34 branches sold

- Omnichannel infrastructure to accelerate revenue growth and improve customer service
- Branch digitization to substantially reduce back office costs



# Proprietary data analytics to further enhance the strength of our branch network

## Geospatial information sciences built upon big data platform...

- Patent pending proprietary methods
- Thousands of attributes analyzed
- U.S. segmented into 340 MM hex segments or “city blocks”



## ...give insights for smarter service delivery

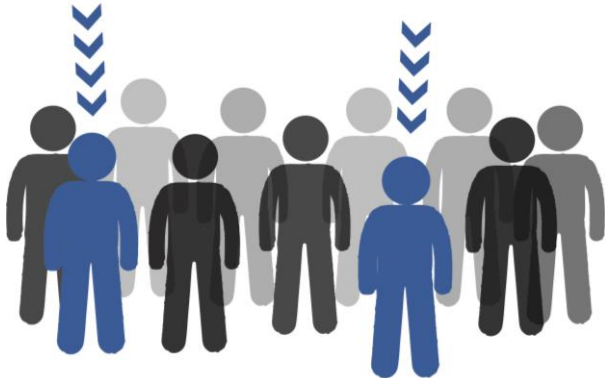
- 1 Network health
- 2 Optimal capacity
- 3 Relocation, consolidation, divestiture
- 4 De novo



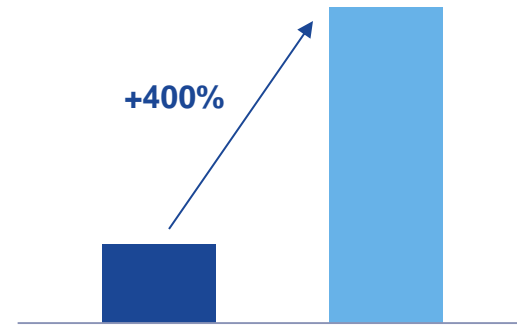
# Analytics helping improve efficiency of marketing programs

## Enhanced marketing analytics to identify best opportunities...

- Leverage a machine learning algorithm
- 700+ variables evaluated
- Predicts openness to buy

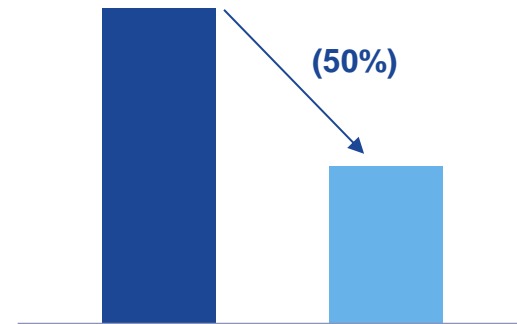


## ...generate households with substantially lower cost-to-acquire



Core Relationships

■ 2015 & 2016 ■ 2017




Cost per Acquisition

■ 2015 & 2016 ■ 2017



# Targeted segmentation driving household growth

	Emerging mass market	Mass market	Upper mass market	Mass affluent
Income producing asset balances <sup>1</sup>	< \$10 K	\$10 K - \$50 K	\$50 K - \$100 K	\$100 K - \$1 MM
 Product	EXPRESS	ESSENTIAL	ENHANCED	PREFERRED
Average Revenue per Household	\$170	\$950	\$1,700	\$4,600
Primary driver	Entry product for new-to-banking consumers and Millennials	Dominant driver of fee income and lending opportunities	Relationship-based deposit balance growth and feeder into Preferred Program	Relationship-based deposit balance growth and wealth management offering

<sup>1</sup>Income producing asset balances are defined as customer investment and deposit balances



# Mass Affluent segment opportunity captured through the Preferred Program

Mass affluents represent a substantial pool of high-value relationships...

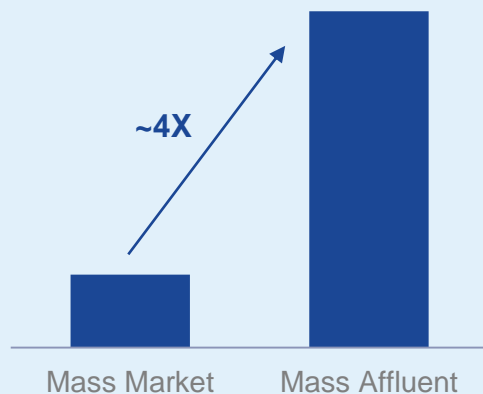
... and our Preferred Program attracts, retains, and builds this segment



**9.5 MM**

Mass Affluent people in our footprint

Annual Revenue per Household<sup>1</sup>



## Preferred Program Delivery

Preferred Program Specialist

- Financial needs assessment
- Deposit products
- Mortgage
- Personal lending

Investment Executive

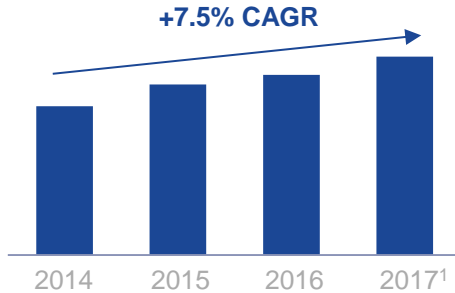
- Wealth planning
- Retirement planning
- Investments

<sup>1</sup>Average Fifth Third customer data for 2017 on Essential checking holders (Mass Market) versus Preferred checking (Mass Affluent)

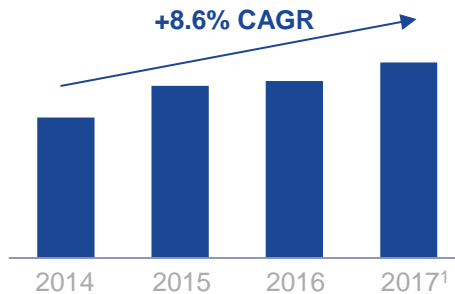


# Preferred Program is a key driver of household and revenue growth

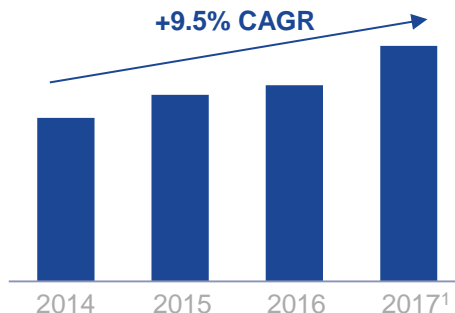
## Preferred checking households



## Customer investment and deposit balances



## Recurring investment revenue



**\$20.7 BN**

Deposits<sup>2</sup>

**\$3.2 BN**

Loans<sup>2</sup>

**\$14.7 BN**

Investments<sup>2</sup>

### Technology Enhancements:

- Account aggregator
- Automated investment platform



# Consultative sales and service model puts the customer at the center by matching solutions to needs

## The Fifth Third Consultative Sales and Service Model

Focus on the customer

- Customer at the center
- Build customer's trust

Fundamental selling skills

- Skills include: connection, questioning, encouraging, confirming, providing

Earn the right to advance

- Be a problem solver
- Mild interest is not enough to move forward

Provide solutions based on needs

## Technology capabilities enable delivery of the model

### Financial Needs Assessment (FNA)

Integrated tool to assist bankers in identifying best-fit products and services based on life stage and financial data

The screenshot displays the Fifth Third Bank Financial Needs Assessment (FNA) tool. The interface is divided into a left sidebar and a main content area. The sidebar includes a 'CURIOUS BANKER' profile with a 65% score, updated on 11/17/2017, and a list of service categories: About, Banking & Services, Borrowing, Saving & Investing (selected), Insurance, Financial Statement, Goals, and Journal. The main content area features a 'Saving & Investing' section with a text input field for user information and a 'Any Savings and Investments?' section with a 'Yes' button selected. Below this is a 'Types of Savings and Investments' section with a grid of checkboxes for various financial products.



# Deployed new indirect auto strategy to expand margins and improve returns

## Importance of indirect auto

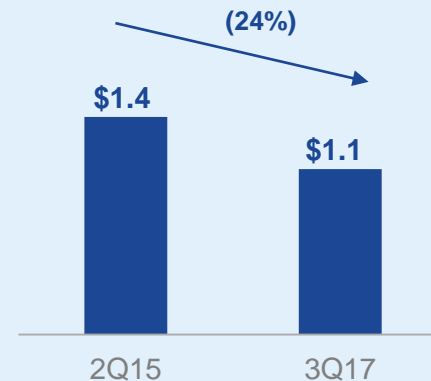
- Delivers excellent credit quality business with short term duration
- Good tool to manage balance sheet
- Reduces geographic concentration risk

## Efficient delivery of service

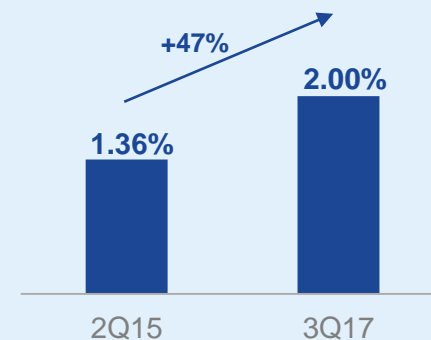
- Market-differentiated fast-funding and Elite Dealer program
- ~70% of credit decisions automated and delivered almost instantly

## Changes to Origination Strategy

### Indirect Auto Volume (\$BN)



### Indirect Auto Spread to FTP





# Analysis of mortgage customer journey informs our strategic roadmap and process design

HOME BORROWING PERSONA

## MEET CHRIS

**ABOUT ME**

- ▶ **AGE:**  
33
- ▶ **MARITAL STATUS:**  
Married
- ▶ **LOCATION:**  
Lives in Atlanta, GA  
Relocated from Columbus, OH
- ▶ **OCCUPATION:**  
Chemical Engineer
- ▶ **SALARY:**  
\$110k
- ▶ **EDUCATION:**  
Dual Degree from Ohio State:  
Chemical Engineering + MBA

## Chris cares about:

- Self-service
- Expert advice
- Being in control
- Getting a great deal

## We also learned:

- Consumers consider realtors their primary advisor
- Primary bank is not top of mind for mortgages

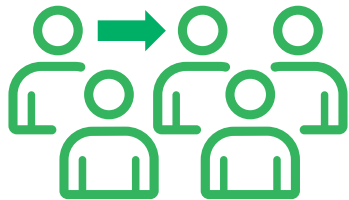
## Home Buying Journey



# Strategic roadmap delivers value to our mortgage customers

## Sales

- Sales force growth
- Process and technology improvements to drive fulfillment quality
- New Loan Origination System to enhance the customer journey
- Digital journey in development to span entire value chain



## Products

- Product differentiation for competitive positioning
- Down Payment Assistance and affordable portfolio products supporting our community commitment
- Physician Loan program complements the Preferred Program growth plan



## Servicing

- Acquiring mortgage servicing rights (MSRs) for sustained fee income growth
- New technologies employed to deliver industry-leading delinquency and defect rates
- Automation and robotics in development for quality and cost improvements



# Consumer is a significant contributor to the NorthStar strategy

	Consumer	Payments	Commercial	Wealth	
1	Differentiating our brand and customer experience	Re-launching our brand with a new creative strategy New advertising campaigns & agency; \$30 BN community commitment			
		Consumer HHs Omnichannel capabilities	Innovative solutions with FinTech partners	End-to-end client experience initiative	Robo investment platform
2	Optimizing the balance sheet	Personal Lending GreenSky partnership	Credit Card Advanced analytics capabilities	Commercial Relationships Middle market, industry verticals, specialty lending expansion	
		Continuous focus on profitable long-term relationships and achieve through the cycle top performance			
3	Driving fee income growth	Mortgage Replacement of loan origination system & channel expansion	Wholesale Payments Industry-focused Commerce Solutions	Capital Markets Financial Risk Mgmt. '2020'; Advisory	Wealth Advisory Expansion & retirement offerings
				Insurance P&C, Employee Benefits	
4	Strategic expense management	Strategic Expense Programs Real Estate: Branch network optimization, corporate facilities IT & Ops: Intelligent automation, workforce management, network infrastructure & sourcing optimization			
5	Positive operating leverage from the core	Continuous focus on core operating leverage and long term financial success			



# Delivering on NorthStar programs

## Program

## Objective

## Approach

## Current Status

### Consumer HHs

Omnichannel capabilities

Accelerate acquisition and retention of consumer households while deepening current relationships, with a focus on Millennial household market share

- Product and technology investments
- Sales force enhancements
- Marketing focus

- Launched; Momentum, book of business, and new teller system
- Hiring additional Preferred specialists
- Leveraging enhanced analytics

### Personal Lending

GreenSky partnership

Profitable growth of consumer loans to meet customer preferences

- Strategic partnerships
- Product and technology investments
- Analytics

- Established GreenSky partnership
- Proprietary product launch in 1Q18
- Consumer Credit Optimization

### Mortgage

LOS replacement & channel expansion

Improve customer experience, increase employee engagement, and productivity to increase market share and fuel earnings growth

- New Loan Origination System (LOS)
- Sales force expansion
- Grow correspondent and direct channels

- LOS is launched for all channels; anticipate mid 2018 full roll out
- Hiring additional MLO's
- Correspondent geographic expansion



# Strategic priorities



## Relationship driven

- Consultative Selling approach
- Preferred program expansion for Mass Affluent segment
- Leverage customer journey maps and personas in our process design



## Leverage omnichannel strategy

- “Bricks and clicks” philosophy
- Fintech partnerships like Zelle to enhance capabilities and offerings



## Focus on data analytics

- Enhanced marketing
- Geographic information sciences for financial center decisions
- Improved indirect auto margins



## Grow consumer loan portfolio

- GreenSky partnership
- Continue MSR acquisitions and jumbo / specialty programs





# Phil McHugh Biography



**Executive Vice President  
Head of Consumer Bank  
Fifth Third Bancorp**

**Date Joined Fifth Third:  
October 1986**

**Positions Held at Fifth Third:**

- 2017 Executive Vice President,  
Head of Consumer Bank**
- 2010 Executive Vice President,  
Fifth Third Wealth and  
Asset Management**
- 2005 President and CEO, Fifth  
Third Bank (Louisville)**
- 2002 Executive Vice President,  
Commercial Banking  
(Louisville)**
- 1994 Executive Vice President,  
Trust and Investment  
Services (Louisville)**

**Phil McHugh** is executive vice president and head of Fifth Third's Consumer Bank, which focuses on making our retail, small business and mortgage franchises even more valuable to our customers and communities. Previously serving as head of Fifth Third's Wealth and Asset Management division since January 2010, Phil moved to the Consumer Bank division in April 2017.

Phil joined Fifth Third Bank (Cincinnati) in 1986 as a bank associate. He has served in numerous leadership positions in the Wealth and Asset Management, Commercial and Consumer divisions.

In January 2005, Phil was promoted to president and CEO of Fifth Third Bank (Louisville).

## **Education**

Phil received his bachelor's degree in business administration from Xavier University (Ohio). He also attended numerous Harvard Business School seminars as a member of the Young Presidents Organization (YPO).

Phil holds Series 6, Series 7 and Series 24 certifications.

## **Professional and Civic**

Phil is a board member of the United Way of Greater Cincinnati and the Cincinnati Inner-City Schools Education Fund (CISE). For 12 years, he served on Xavier University President's Advisory Council. In 2014, he served as chairman of the Annual CISE campaign. Phil also is a member of the Wealth Management Executive Circle of the Corporate Executive Board.

Prior to his relocation to Cincinnati in 2010, Phil served as board chairman for the Catholic Education Foundation, Denny Crum Scholarship Foundation, Leadership Louisville and Louisville Orchestra Inc. He also served on the following boards: Greater Louisville Fund for the Arts (2008 Campaign Chair), Heuser Hearing Institute, Build the Bridges Coalition, Louisville Urban League, Ursuline Campus Schools and New Directions Housing Corporation.

