



FIFTH THIRD BANK

Receivables 2021 and Beyond

Discussion Topics

- COVID-19 Impact - How it is impacting business
- Receivables needs
- B2B Receivables trends
- C2B Receivables trends

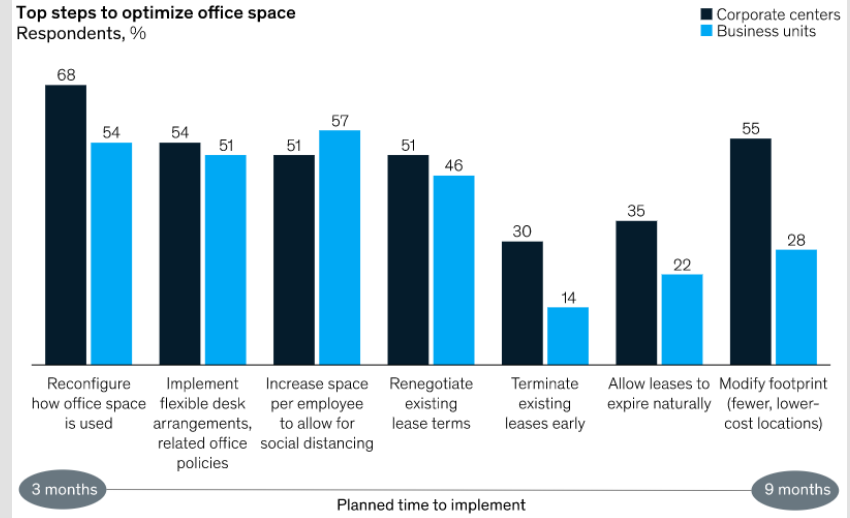
COVID-19 Impact

How it is impacting business

- This continues to be a global crisis
- Economical, political and natural threats linger
 - Impacting people and organizations
- Increased focused on operational resiliency
- Increased cyber threats

Corporate centers are planning a more radical optimization of office space.

Top steps to optimize office space
Respondents, %



COVID-19 Impact

How it is impacting business

How prepared were Organizations

38% of companies did not have a documented business continuity plan

53.4% of companies surveyed stated working remotely would significantly impact their ability to process invoices

Only 46% of US employees feel their company successfully responded to the pandemic

Source:

1) AFP COVID-19 Survey 2020

2) AvidXchange Business Continuity Survey 2020

3) Hinge: Marketing in an age of uncertainty, April 2020

How Organizations are Reacting

Over 60% of companies implemented or plan to implement hiring freezes or delay new hiring

70% of companies delayed or plan to delay capital expenditures

COVID-19 Impact

How it is impacting business

What is happening with payments

65% of companies have or are planning to focus on converting payments to electronic formats

74% of companies have or plan to implement stricter compliance on controls and payment verification

45% of companies have or plan to delay vendor payments

73% of banking US adults will use digital payment options through the crisis

Source:

1) AFP COVID-19 Survey 2020

2) Aite: COVID-19 impact on payments, April 2020

Impact on Fraud

“Fast tracking new suppliers, focus on operational measures rather than compliance, and job cuts are providing fertile ground for fraudsters.”

Deloitte, April 10, 2020

“Pressure from an economic crisis also affects employees and can make the company itself a [fraud] target.”

Bruce Dorris, President and CEO, Association of Certified Fraud Examiners (ACFE), March 31, 2020

Receivables Needs

- Reduce processing costs
 - Improve time to cash
 - Improve cash flow & visibility
- Improve customer experience
 - Personalized experience
 - Request for payment
- Security, security, security



Receivables Needs

Straight through processing continues to be a challenge

Receivables straight through processing (STP) rate continues to lag

% of Organizations	STP Rate
None	21%
1-20%	13%
21-40%	12%
41-60%	17%
61-80%	17%
80+%	13%

Integration with accounting systems the likely cause

	YES A/P ONLY	YES A/R ONLY	BOTH A/P & A/R INTEGRATED	NEITHER A/P NOR A/R INTEGRATED
Checks	35%	3%	46%	16%
ACH	31%	2%	44%	23%
Card payments	25%	9%	26%	40%
Wires	14%	5%	30%	51%

Receivables Needs

Focus on customer experience

- COVID accelerated trends already happening in payments leading to new competitors, new consumer needs and expectations, and a faster pace of digitization than anyone could have predicted.
 - As consumer behavior continues to shift due to the pandemic, the scale of disruption is likely to grow dramatically in the months to come.
 - The appetite of merchants and consumers for radically new alternatives to traditional payment options is growing.
- Emerging payments are not just for disbursement
 - Opportunity to create differentiated experience and reduce exceptions

Receivables Needs

Focus on customer experience

Creating a personalized experience

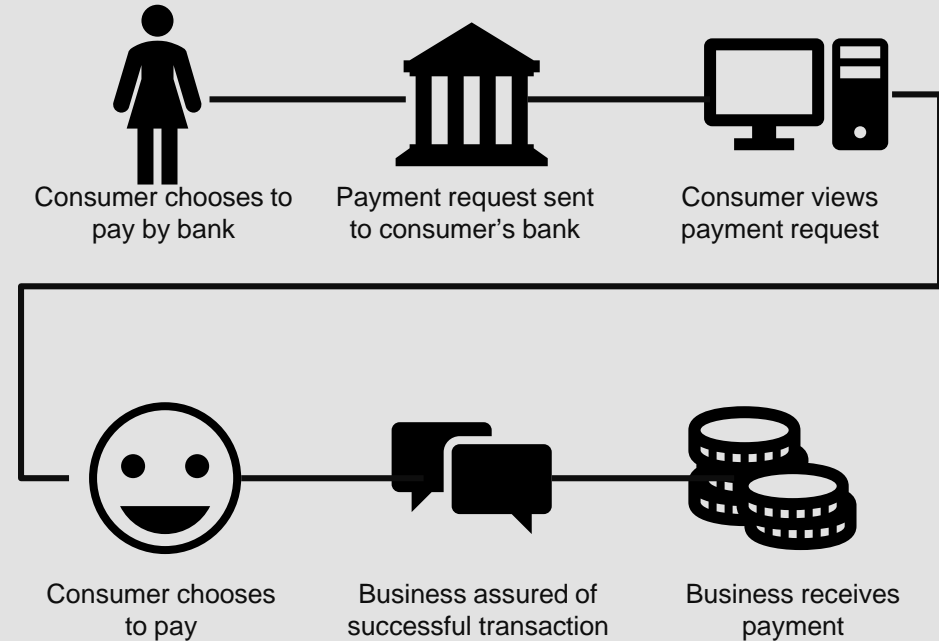
- Understand previously unknown characteristics of your customer base
- Observe changes in customer behavior, as a result of the COVID-19 impact and past marketing campaigns or product releases
- Segment customers into more granular cohorts before engaging them

Receivables Needs

Focus on the customer experience

- Request for Payment

- Real time one-time payments
- They do not require an upfront authorization and are not subject to extended rights of revocation
- May be viewed as an upgrade of Electronic Bill Presentment & Payment (EBPP), enabling the payer to approve and execute the requested payment in real time

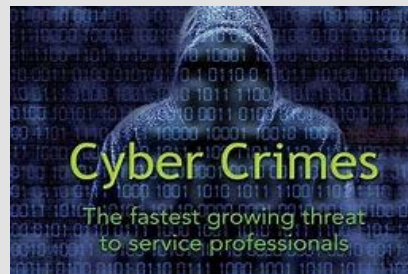


Receivables Needs

Security, security, security

Environment

- Attacks increased 600% in 2020
- On average, companies face 22 attacks per year
- There is an attack every 19 seconds
- \$6T in attacks are expected in 2021
- An event costs an average of \$4MM – “going concern” issue



- ✓ Download and deploy Trusteer
- ✓ Setup dual control for payment originations
- ✓ Bookmark the Fifth Third Direct login page
- ✓ Never give out account details and login over the phone

Analysis & Suggestions

- 99% of attacks are known to risk experts – awareness is key
- 94% of malware is delivered via email
- Phishing represents 80% of incidents
- Social Engineering bypasses effective controls

Receivables Needs

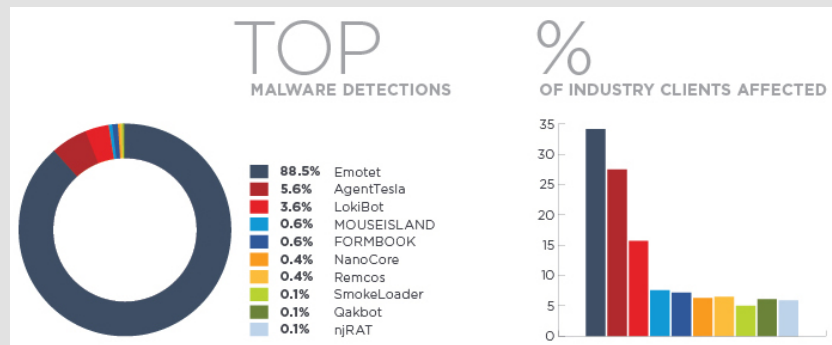
Security, security, security

Malware – software designed to damage or gain unauthorized access to another computer system

- Fraudsters implant malware by sending out malicious links in email, text
- Over 1/3 business are financially impacted by malware attacks
- Global cost of malware approaching \$6 trillion in 2021

The Controls

- Anti-malware solutions
- Employee education
- Don't click unknown links
- Cyber Insurance



B2B Trends

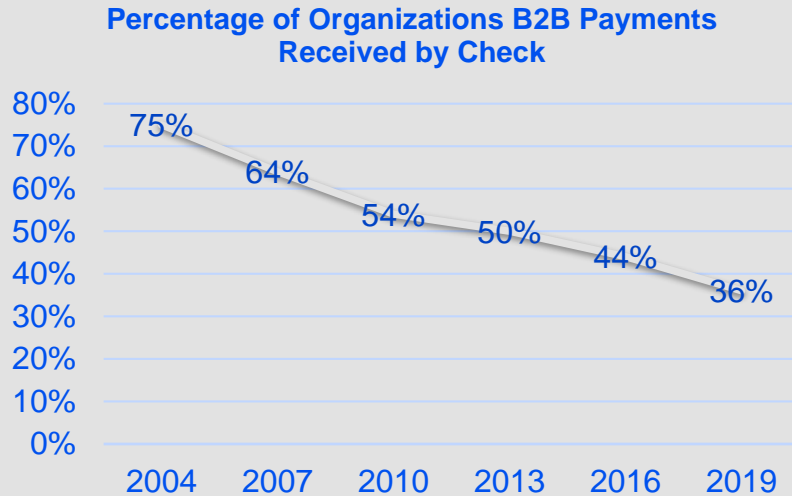
- Digitization of B2B commerce
- Shift from checks to other electronic payment methods
 - Faster payments
 - Commercial card
- Use of analytics/data enrichment
- Leveraging cloud technology to increase efficiency
- Security concerns continues to be top priority



B2B Payment Methods

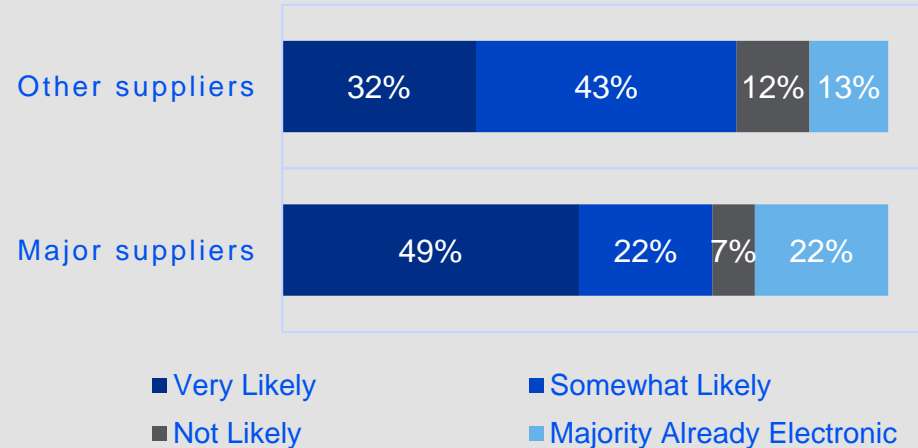
The check is still in the mail (for now)

The industry has made significant progress in removing checks in B2B Receivables



Focus remains on reducing checks; especially for major suppliers

Likelihood of Converting B2B Payments from Check to Electronic Payments



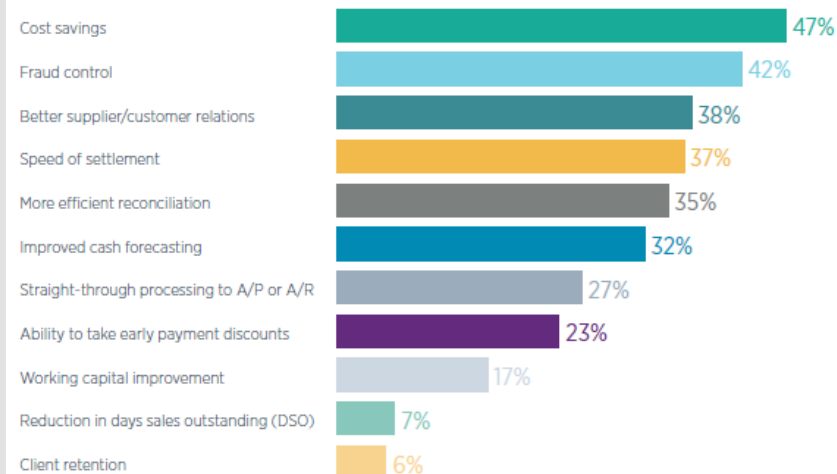
Electronification of B2B Receivables

Barriers to electronic payments

- Difficulty in convincing customers to pay electronically
- Shortage of IT resources
- Cost of making changes to existing internal processes
- Difficulty convincing suppliers to accept electronic payments
- Absence of a standard format for remittance payment

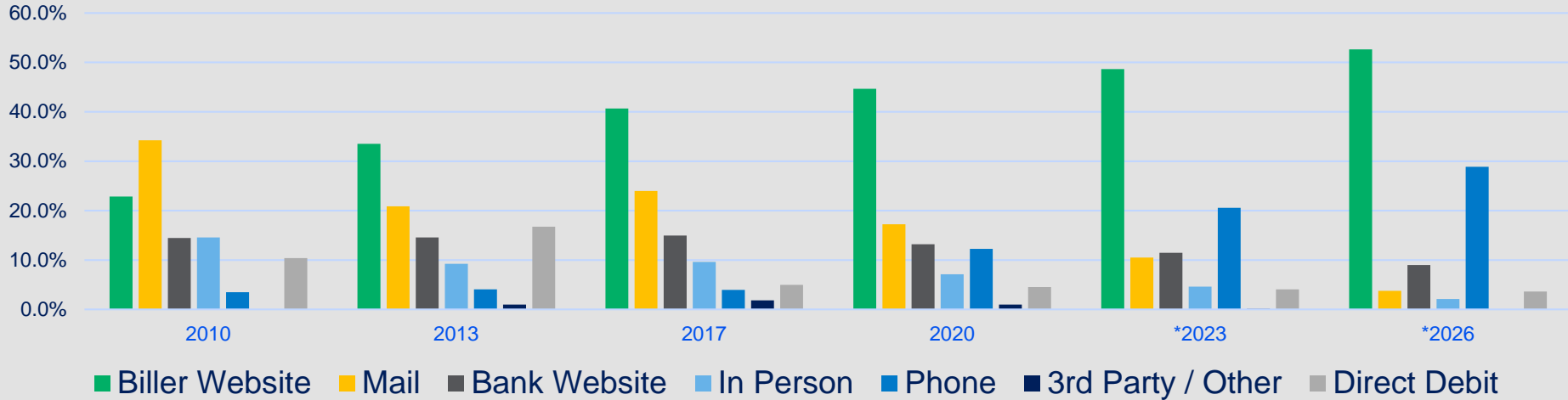
Top Benefits of Sending Electronic Payments

(Percent of Respondents Rating Benefit Among Their Top Three)



C2B Receivables in market today

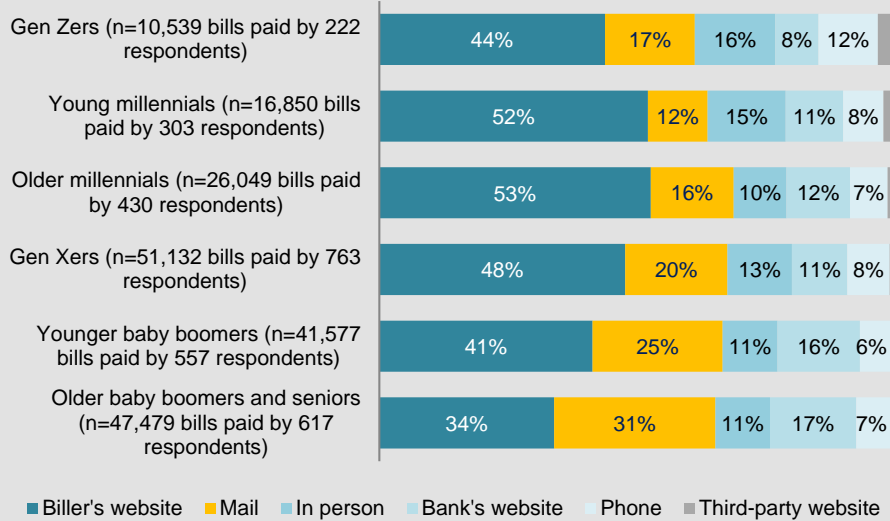
Market trends



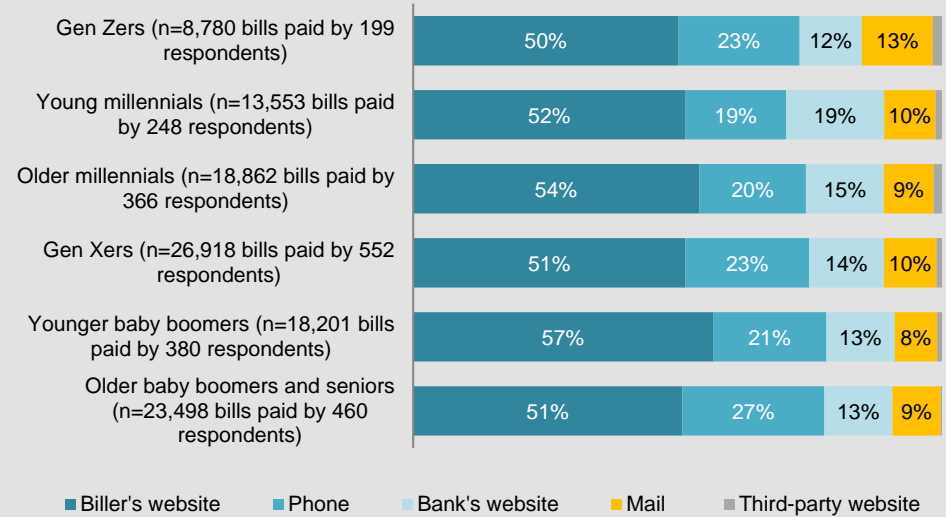
C2B Receivables in market today

Generational changes in the way people pay

Percentage of One-Time Bill Payments by Channel by Generation



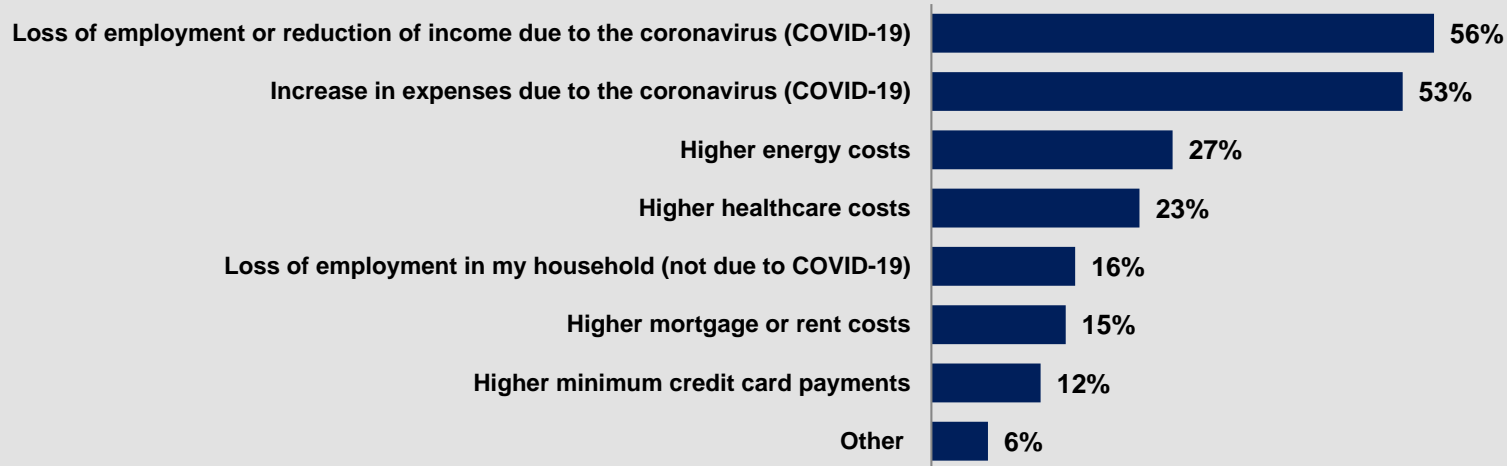
Percentage of Recurring Bills Paid by Channel by Generation



Receivables in market today

Market trends | COVID-19 is playing a role in customers ability to meet payment obligations.

Q. Why is it harder for your household to meet financial obligations now than it was 12 months ago?
(n=1,138 respondents whose financial obligations are harder to meet compared to 12 months ago)



Source: "How Americans Pay Their Bills" Aite 2020

Successful partners will provide solutions to help clients manage pre-collections through payment reminders.

Implications

- Pace of change continuing to increase
- Your team will continue to be challenged to
 - Do more with less
 - Improve customer experience
 - Provide greater visibility
- Need to balance getting the work done with continuous process improvement



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