

Fifth Third Bancorp: When should the next Texas branches open?

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A plan with two clocks

On September 15, Fifth Third Bancorp said it planned to open 150 branches in Texas by 2029 and had identified more than 100 potential locations. Management described the initiative as applying a Southeast growth playbook to Comerica's established Texas franchise. The company characterized the initial marketing response as strong. The plan was public; the company had not disclosed a site-by-site opening calendar, branch economics, or a proposal to cancel it. [F1, slides 11, 18]

At the same time, Fifth Third was still integrating Comerica. The acquisition had closed in February. By September, management reported that Comerica deposit accounts had transitioned to Fifth Third and 293 branches had been converted. The company counted approximately 600,000 acquired commercial, consumer and small-business customer accounts. Those are conversion measures. They do not show how many customers remained active, how much of their deposits stayed, or the economics of their relationships. [F1, slide 8]

The Texas plan and the Southwest integration therefore ran on different clocks. Texas sites needed validation, hiring, opening and time to build relationships. The 205 inherited Southwest branches already served customers, but their post-conversion activity and retention were not yet established publicly. In a hypothetical October 2026 strategy review, assume you advise senior management on the pace and evidence gates for upcoming Texas branch cohorts relative to maturation of Comerica's Southwest accounts and branches. The announced 150-branch plan remains the baseline. This assignment does not presume a cancellation proposal, an actual capital-allocation vote, or an undisclosed budget.

The operating evidence

Fifth Third presented its Southeast expansion as a reference point. From the second quarter of 2018 to the second quarter of 2026, Southeast branches increased from 278 to 422; retail deposits per branch rose from \$35 million to \$51 million; and retail deposits grew from \$10 billion to \$22 billion. Management described its Southeast approach as combining site selection, staffing, marketing and digital onboarding. It also said about 400 de novo branches were still seasoning, and noted that not all had been open for five years. The aggregate trend does not identify mature branch-vintage economics or show that a Texas location will follow the same path. [F1, slides 11-12]

In the same presentation, the average Southwest branch held \$41 million of retail deposits between the February acquisition close and June 2026. Southeast's average was \$51 million and the Midwest's was \$95 million. Southwest therefore had only a few months of post-acquisition observation at the presentation date. Different customer mixes, branch histories and markets make these regional averages an imperfect comparison. They are not evidence of branch profitability or retention. [F1, slide 12]

Management illustrated the deposit opportunity with arithmetic: 150 planned Texas branches at roughly \$50 million each plus 205 existing Southwest branches adding \$10 million each, for approximately \$8 billion plus \$2 billion. The presentation used a different calculation for Southeast. These are management's illustrative assumptions, not realized or forecast net deposits, comparable branch economics, or returns. [F1, slide 12]

The second-quarter earnings release offered another Southwest data point. Fifth Third attributed \$2.5 billion of consumer deposits to a Comerica Southwest campaign. The figure is management's campaign attribution; the public materials do not isolate campaign spending, net new core deposits, transfers from acquired accounts, persistence, or the campaign's cost per retained relationship. In the consolidated company, average core deposits were \$229 billion and the interest-bearing deposit cost was 2.13%. These consolidated measures include legacy and acquired activity and cannot establish the return on the campaign or the economics of a Texas branch cohort. [F2, Q2 2026 highlights and deposit discussion]

Fifth Third also described four “distinct” deposit opportunities of roughly \$10 billion each: Southeast branch maturation, Texas de novo expansion, small business/payments, and innovation banking. It separately estimated more than \$500 million of revenue opportunities over three to five years, split between commercial and consumer opportunities. Management did not provide a common methodology, comparable returns, or an overlap reconciliation for these figures. The revenue estimate is forward-looking, not booked revenue. The deposit labels may overlap and should not be added or ranked as if they were comparable investments. [F1, slides 9, 11]

Small-business/payments and innovation banking could matter to the two core choices. Management said one in three new payments clients were payments-only, with no credit relationship, and described a 4-to-1 deposit-to-loan portfolio. The deck does not define the ratio's denominator or period. Newline, Fifth Third's innovation-banking platform, reported deposits up \$2.1 billion and fee revenue up 35% year over year in Q2. Neither disclosure gives customer-level retention, funding stability, concentration, or acquisition costs. These initiatives are context and possible conditional alternatives; the public data do not make them comparable \$10 billion choices. [F1, slide 11; F2, Newline highlights]

What branch research can-and cannot-tell management

Academic research offers reasons to monitor local relationships and digital access together. Nguyen's study of merger-induced branch closures estimated that one closure reduced annual tract-level small-business originations by 10.41 loans (standard error 3.738) and \$871,400 (standard error \$327,900), against baseline means of 103.4 loans and \$4.706 million. The estimate came from closure exposure in overlapping markets during 1999-2012; it is a local lending effect, not an estimate of a new Fifth Third branch's deposits, costs or return. [A1, Table 7, printed p. 20]

Wang and Wu's study reports a directional finding that mobile banking partly cushioned small-business lending declines associated with branch closures. The accessible excerpt did not provide a verifiable standard error, confidence interval or comparison baseline, so its point estimate is not used here. The result is provisional and does not establish a Fifth Third

digital-substitution rate. [A2, matched-sample Table 4, manuscript p. 22; access limitation]

Mester, Nakamura and Renault studied 100 asset-based small-business borrowers at one Canadian bank in 1988-1992. Their evidence suggests operating-account cash flows can help monitor existing borrowers. It does not show that payment-only customers will become profitable borrowers or that deposits will be stable. [A3, working-paper §§3.4-3.6, Tables 1-6]

Together, these studies suggest questions for a management dashboard: which local small-business needs benefit from physical access, which services work digitally, and whether operating accounts provide useful relationship information. None supplies an expansion coefficient or a Texas branch payback assumption.

The pacing choice

Consider three policies for the next Texas cohorts. These are analytical alternatives for this exercise; Fifth Third has not announced them.

Policy	Operating approach	Potential advantage	Exposure
Maintain the planned cadence	Continue preparing and opening cohorts on the existing schedule, while monitoring Texas and Southwest outcomes.	Preserves momentum, site access and the public growth plan.	Could commit staffing and operating capacity before site-level demand and Southwest maturity are clear.
Stage openings against readiness gates	Preserve all 150 planned branches, but sequence upcoming cohorts as site, staffing, customer-acquisition and Southwest-maturation evidence clears defined gates.	Connects execution pace to observable readiness while keeping the plan intact.	Gates may delay openings, be difficult to compare across markets, or rely on metrics that arrive too slowly.
Accelerate prepared cohorts	Open cohorts sooner where sites and local teams are ready, while retaining review points for later cohorts.	Could capture local demand and build on early marketing response.	“Strong” initial response is not a disclosed cohort-return measure; acceleration may strain integration or staffing capacity.

There is no public site-level return hurdle, branch-opening cost, Texas cohort schedule, or disclosure of acquired-customer retention and deposit behavior. Your task is to recommend how management should set the pace and define a small number of evidence gates for the next cohorts. Address how Southwest maturation should inform sequencing without treating early post-close averages as mature performance. Identify what would trigger continued pace, acceleration, added support, or a review of readiness. Keep the announced 150-branch-by-2029 plan intact.

Exhibit 1. Network and transition snapshot

Measure	Reported figure	Meaning and limit
Texas de novos	150 planned by 2029; more than 100 locations identified	Announced plan and site-identification count; not completed branches or a disclosed opening schedule.
Comerica Southwest branches	205 inherited	Existing branches; not a measure of retained customers or branch contribution.
Converted Comerica branches	293	Management-reported conversion completion by September 2026; not branch profitability.
Transitioned customer accounts	Approximately 600,000	Acquired commercial, consumer and small-business accounts; account count does not establish activity, retention or deposit balances.
Southwest average retail deposits per branch	\$41m, acquisition close to June 2026	A few months of post-close observation.
Southeast average retail deposits per branch	\$51m, same presentation comparison	Regional average; different footprint, customer mix and maturity.
Midwest average retail deposits per branch	\$95m, same presentation comparison	Regional average; not a comparable branch return.

Sources: F1, slides 8, 11-12. Company-reported measures; do not infer customer retention from conversion completion.

Exhibit 2. Southeast history and management opportunity arithmetic

Southeast measure	2Q18	2Q26	Change
Branches	278	422	+52%
Retail deposits per branch	\$35m	\$51m	+48%
Retail deposits	\$10bn	\$22bn	+125%

Illustrative management calculation	Branch assumption	Deposit assumption	Approximate amount
Texas planned openings	150 new branches	~\$50m each	~\$8bn
Southwest maturation	205 existing branches	~\$10m incremental each	~\$2bn
Southeast opportunity illustration	123 new and 426 existing branches	~\$50m per new; ~\$10m per existing	~\$6bn + ~\$4bn

Source: F1, slide 12. The +48% and +125% changes are company-reported percentages computed from unrounded underlying values; displayed dollar amounts are rounded, so recalculating from the displayed values may differ. The opportunity arithmetic uses rounded management assumptions. It is illustrative framing-not realized net deposits, a forecast, branch contribution, or a return estimate. Regional aggregate history is not a matched-vintage study.

Exhibit 3. Other management opportunity labels

Initiative	Public description as of September 15, 2026	Interpretation limit
Southeast branch maturation	One of four “distinct” ~\$10bn deposit opportunities	Management label; method and overlap not disclosed.
Texas de novo buildout	One of four “distinct” ~\$10bn deposit opportunities	Management label; plan remains 150 branches by 2029.
Small business/payments	One of four “distinct” ~\$10bn deposit opportunities; one-third of new payments clients described as payments-only	Not a comparable return; ratio definition and customer economics unavailable.
Innovation banking	One of four “distinct” ~\$10bn deposit opportunities; Newline Q2 deposits +\$2.1bn and fee revenue +35% year over year	Aggregate platform measures, not cohort retention or economics.
Revenue opportunities	\$500m+ over three to five years; management split 50-60% commercial and 40-50% consumer	Forward-looking estimate, not booked revenue and not comparable to the deposit labels.

Sources: F1, slides 9 and 11; F2, Newline highlights. Management estimates and descriptions. The four deposit labels may overlap; do not sum them or treat them as a ranked capital-allocation list.

Exhibit 4. Evidence for a dashboard, not an ROI calculation

Study	Finding reported in the study	Boundary for this case
Nguyen (2019), merger-induced branch closures	IV estimate per closure: annual tract originations –10.41 loans (SE 3.738) and –\$871,400 (SE \$327,900); baseline 103.4 loans and \$4.706m.	Closure effect in overlapping markets, 1999-2012; not the effect or return of a new Texas branch. [A1, Table 7, printed p. 20]
Wang and Wu (2024), mobile banking after closures	Directional, provisional finding that mobile banking partly cushions closure-associated small-business lending declines.	Accessible Table 4 excerpt lacks recoverable uncertainty and baseline; no Fifth Third effect size is asserted. [A2, Table 4, manuscript p. 22]
Mester, Nakamura and Renault (2007), transaction accounts and loan monitoring	Account cash flows and collateral-limit signals helped monitor existing asset-based borrowers in a single-bank sample.	Mechanism evidence from 100 selected Canadian borrowers, 1988-1992; not proof of profitable cross-sell or stable deposits. [A3, §§3.4-3.6, Tables 1-6]

Source key

- **F1.** Fifth Third Bancorp, Barclays Global Financial Services Conference presentation, September 15, 2026, SEC-filed Exhibit 99.1. [SEC HTML](#). Slides 8-13 and 18: account and branch conversion; Texas plan and identified locations; opportunity labels; Southeast and Southwest comparisons and illustrative arithmetic; forward-looking caution.
- **F2.** Fifth Third Bancorp, Q2 2026 earnings release, July 17, 2026. [Issuer release](#). Highlights and deposit discussion: campaign-attributed \$2.5bn consumer deposits; consolidated core deposit and funding measures; Newline deposits and fee revenue.
- **A1.** Hoai-Luu Q. Nguyen, “Are Credit Markets Still Local? Evidence from Bank Branch Closings,” *American Economic Journal: Applied Economics* 11(1), 2019, pp. 1-32. [Journal article and supplements](#); [author PDF](#). IV results, Table 7, printed p. 20.
- **A2.** Ye Wang and Shuang Wu, “Impact of Mobile Banking on Small Business Lending after Bank Branch Closures,” *Journal of Corporate Finance* 87 (2024), 102593. [Journal record](#); [author manuscript](#). Matched-sample Table 4, manuscript p. 22; accessible excerpt only, with standard error/confidence interval and comparison baseline unavailable.
- **A3.** Loretta J. Mester, Leonard I. Nakamura and Micheline Renault, “Transactions Accounts and Loan Monitoring,” *Review of Financial Studies* 20(3), 2007, pp. 529-556. [Philadelphia Fed author page/manuscript](#). Working-paper §§3.4-3.6, Tables 1-6.

This hypothetical case uses information public by October 2, 2026, 4:00 p.m. ET. Figures retain the reporting dates and qualifications stated above. No subsequent outcomes are included.