

The Economic Club of New York

494<sup>th</sup> Meeting  
111<sup>th</sup> Year

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Margaret Keane  
Chief Executive Officer and President  
Synchrony

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Interviewer: Jason Kelly  
New York Bureau Chief, Bloomberg  
Co-Host of “Bloomberg Businessweek”

## Introduction

Chairman Marie-Josée Kravis

I'm very happy to welcome you. This is our 494<sup>th</sup> meeting in our 111<sup>th</sup> year. And, as you know as members of the Club, the Economic Club of New York is probably the nation's foremost nonpartisan platform for discussions of social, economic and geopolitical issues. We've had more than 1,000 guests appear before the Club and we have quite an exciting conversation that will follow in a few minutes. But I wanted to recognize some of the 272 members of the Centennial Society who are seated in the front of the room. And you provide the sustained financial support for the Club and I want to thank you for that steadfast support. We are also joined today by some members of our 2018 Economic Club Fellow Class, and that is a new program that we developed to introduce the Club to next generation thought leaders. And the applications are open for the 2019 Fellows Program. So if you would like to sponsor a fellow for this program next year, I invite you to consult our website and to send in applications.

I'm really happy today to introduce our guest speaker, Margaret Keane, who is the President and Chief Executive Officer of Synchrony, which is one of the nation's premier consumer financial services company. She has had quite an illustrious career. Margaret first spent 16 years at Citigroup and subsequently joined GE and after an 18-year career with GE Capital Management, she led the Retail Card Platform as President and CEO beginning in 2004. She then expanded her responsibilities in 2011 to become President and CEO of their North American Retail Finance

business. And, of course, when she, when the new company, Synchrony, which didn't have that name at the time, was launched, she led the company's successful initial public offering, the IPO, in July 2014 and split off from GE in November 2015.

Margaret has been recognized as one of *American Banker's* "Top 25 Most Powerful Women in Finance" for 11 consecutive years. She's one of *Fortune's* "Most Powerful Women." She's been on that list for the last three years. And *Fortune* also named Margaret their "Businessperson of the Year" on their "Businessperson of the Year" list in 2016.

She serves on the board of Allstate Corporation and the Financial Services Roundtable Board of Directors. But she's also dedicated to community service and she serves on the National Board of Directors of buildOn, on the Board of Directors of St. John's University, and the National Multiple Sclerosis Society Connecticut Chapter, and she's a Member of the Board of Overseers and a Member of the Patient Care Committee at Memorial Sloan Kettering, where I'm happy to serve with Margaret. She's President of the Synchrony Foundation that funds Synchrony's citizenship platform, Families that Work. She earned her bachelor's degree and an MBA from St. John's University.

So, our format today will be a conversation, a conversation that we're fortunate to share with Jason Kelly, who will lead the interview. And Jason is the New York Bureau Chief of Bloomberg and co-host of Bloomberg Business Week. I want to remind everyone that the

conversation is on the record and there is press at the back of the room, and invite Jason and Margaret to join us to discuss Synchrony and financial services in the U.S. and the world...and much more. (Applause)

Discussion with Margaret Keane

JASON KELLY: Thank you so much, Marie-Josee. What a delightful treat to be here with you. This room is gorgeous.

MARGARET KEANE: It is beautiful.

JASON KELLY: It's a nice day in Manhattan. So let's have a chat.

MARGARET KEANE: Yes, sounds good.

JASON KELLY: I want to take you back, if we could, start at the beginning. You grew up not far from here, one of a big family, to the son of a police officer I believe. And the path that was prescribed to you was law enforcement. And you said...hmmm, no. Why?

MARGARET KEANE: I think I was sick of it. I kind of still am sick of it. You know if you watch that show Blue Bloods, that's my family right there. Everything about it, the dinners that

they have, the way people are connected. You know it started with my grandfather, my father, all my brothers, cousins, nephews, we're fourth generation, fourth generation NYPD.

JASON KELLY: Fourth generation.

MARGARET KEANE: Yeah, fourth generation. And I was saying to you that on Saturday night I was at a family event of a nephew who is graduating from St. John's in May and they were all asking which test he took, you know, to become a policeman again. So I was like, really, can we just let him like decide himself. So it is a cultural thing and I think, for me, I just had different aspirations. I wanted to explore the world. I wanted to get outside of my narrow universe of what my family was. I love them all to death and, you know, they are doing great work because we need people to do what they do.

JASON KELLY: Right. And so you go to St. John's, and did you know what you wanted to study when you got there? Or you just wanted the college experience, college education and then see where it led you?

MARGARET KEANE: Well, it was kind of a lot of default things, I would say. You know, when I told my parents I was going to college, they told me good luck because there was no money to help. And my dad got sick very quickly after that so a lot of financial challenges. You know I worked three jobs while I was going to undergraduate, three part-time jobs. And one of

those part-time jobs was actually Citibank. And I worked so many hours as a part-time person I was actually a full-time employee by their surprise. And I ended up just connecting with someone there who actually convinced me to come and join their management training program. And that's how it happened. And, you know, honestly, it came down to making money.

JASON KELLY: Because your job, I mean one of the jobs I know you had was literally like calling delinquent credit card...

MARGARET KEANE: Yes, that was my first job at Citi. And this person who was there was going for his PhD at Columbia at the time and he asked me to help him out on his project, like part-time while I was working the other part-time jobs. So I guess it was four part-time jobs. But anyway, he was a really smart guy. He was one of the guys who developed a lot of the models that we used in the credit card business, you know, in the future. So I was in on the early days with him and he's the one who really kind of mentored me, said you should go into the program. I went into the program and decided to go to graduate school at night.

JASON KELLY: And so, and I have to think, I'm skipping forward a little bit, but I have to think that that initial experience, because you probably didn't imagine that you would essentially be in that same business so many years on necessarily, right?

MARGARET KEANE: No, absolutely not. I never thought of it that way. I never sat one day

and said, oh, I want to be the CEO of a financial services company.

JASON KELLY: You're like, this credit card thing is kind of interesting. I wish people paid their bills.

MARGARET KEANE: Exactly. But I think that one thing that I believe about myself, because of the things I went through, I think I have a real sensitivity to consumers and consumer needs. And, you know, when we were going through the crisis, as an example, before things got really hairy I started asking my collection teams to give me phone calls. And I started listening to phone calls myself. And this was before the crisis, this was in 2007. We started getting a sense things were not what they were. Because the crisis really kicked in, in 2008. But in 2007, I started listening to calls. And as a former collector, I was like, oh, oh, we are in trouble.

JASON KELLY: So, what do you hear?

MARGARET KEANE: Desperation. It was a different kind of desperation. It was, you know, contractors who would say things like I've never been late on my credit card, but I have to pay the mortgage. And as I started listening to those things, I was very attuned to the fact that we better hire a lot of collectors. And we did. We hired collectors way before a lot of institutions did. And it was really just, I think, my intuitive experience of experiencing collections and understanding there's a different tone in people's voice when it's really bad.

JASON KELLY: Right. And so you, so this wasn't just reading transcripts. This was actually listening to people.

MARGARET KEANE: No, I listened to the calls. I tell everyone in my business, if you really want to know what's going on with the customer and the consumer and our partners, listen. Go to the operation, sit there, listen to our employees who are on the front lines, and they will tell you exactly what's happening.

JASON KELLY: Because that business ultimately, I know – and we're going to talk about technology and a lot of other things as we go on – but ultimately that business hasn't radically, I mean the collection business, how much has that changed since you were doing it?

MARGARET KEANE: Oh, it's changed a lot actually.

JASON KELLY: But there are still people essentially calling...

MARGARET KEANE: No, it's still all of that, but thinking back when I started, you could call people pretty much all the time and multiple times and different times of the night. There's a lot of rules now about how you call. There are a lot of rules now. But, yes, essentially it's still having that compassion for understanding what the situation is and trying to help customers come out of that situation, I think, is still something that's very important for institutions to

continue to think about. And, you know, I would say generally speaking most people don't start their day off by saying I'm not going to pay my bills. Right? Something happens. It's, I lost my job. I hate to say it, in our country a lot of it is medical costs. People are stuck with less hours or whatever it is. It's very rarely that it's someone who just, you know, ran out and ran up their credit cards. I mean you have that, but that's the rare case. It's usually something's happened.

JASON KELLY: Well, I mean there is this statistic that I will inevitably botch about how small the cushion is for so many Americans in terms of an unforeseen bill of some sort – a car repair...

MARGARET KEANE: It's \$400 they've said.

JASON KELLY: Right, the \$400...

MARGARET KEANE: \$400, which is nothing.

JASON KELLY: Right, right.

MARGARET KEANE: So you just, you know, I think as a financial institution, you just need to be aware and sensitive to those kinds of things.

JASON KELLY: So, you get into the training program, let's stick with the chronology for a

minute and then we'll go wider, but you go into this training program, and what do you see as the possible career path at that point?

MARGARET KEANE: Well, it was interesting, because it's something that still bothers me actually. You know, I went to St. John's, and most of the people I was in the program with went to Ivy League schools. And I didn't go away to school, I commuted to my school because I had all those jobs, right? And so I always felt a little behind what I was around because I didn't have that, you know, degree that other people had. I didn't have it. People would talk about going to Europe. I hadn't even been to Europe yet. I didn't even have a passport. So, that whole, like trying to fit into that environment and being successful, I think one of the things, one of my traits is I just felt like I had to work even harder than anybody else. Just hard, hard, hard. So I just jumped in full speed ahead.

JASON KELLY: And what was the, in that program what was the gender breakdown?

MARGARET KEANE: Oh, there were very few women. Very few.

JASON KELLY: So would it have been possible for you to get into that program had you not had essentially this...

MARGARET KEANE: Mentor?

JASON KELLY: Right.

MARGARET KEANE: Yeah, I don't think so. I think if they just, you know, were hiring, you know, I don't think they were recruiting heavily from St. John's University.

JASON KELLY: Or from the Collections Department.

MARGARET KEANE: Right, or from the Collections Department, in Queens. (Laughter)

JASON KELLY: So you got your MBA at night, and at that time you're kind of...

MARGARET KEANE: Moving...

JASON KELLY: Moving. And part of the deal, I would imagine, is then you're going back to Citi and then it sort of moves along from there. I mean we're sort of compressing here.

MARGARET KEANE: Yes, I was at Citi for 16 years and had a pretty big job there. And, you know, I was working, I mean this is a good example where I think, you know, being a woman in a senior role, I was taking on, I was very young, I was taking on so much. I was working. I would get to the office at 6:00 in the morning – this is when, you know, they're in Long Island City – 6:00 in the morning and the parking lot would close at 10 at night. And that's when I

would leave the office. And I had young children at the time and I just was working for someone that wasn't the greatest person and I just said I've got to get out of here. And it was a shocking thing that I quit there. People were shocked.

JASON KELLY: What was your job when you quit?

MARGARET KEANE: I was running operations for the retail bank in New York. And I was one of the few women that were pretty senior there. And, you know, I think I was well liked there and thought of. And, you know, I came in one day and said I'm leaving. And there were like, what? And they tried to get me to stay. And then I was going to GE, you know, someone from New York going to Connecticut was like, you know, a foreign country, all the way up in Danbury. They had animals in the parking lot. I was like, if we see things move in New York, we look the other way, make sure it's not a rat. We don't want to look at it. But we had all kinds of things in the parking lot. It was like, there were Red Sox fans up there. (Laughter) It was really sad.

JASON KELLY: Were you a Mets fan growing up?

MARGARET KEANE: I was a Mets fan growing up, yes, absolutely.

JASON KELLY: So how did GE find you or how did you find them?

MARGARET KEANE: Well, it was during the days of Jack Welch when he was doing kind of the whole big Six Sigma push, which I really had no experience in at all, by the way. I got recruited by a headhunter. I went up there and I interviewed with someone who, in my opinion, is the reason I'm sitting here today – a gentleman by the name of Mike Neal, who was the President of GE Capital at that time. And I told him, I know nothing about Six Sigma, but you should hire for all the other things I know. And they hired me. And I went from running this very big operation to a very small business inside of GE Capital in Danbury, Connecticut and kind of made my way through the company. And at that point, you know, Six Sigma was the thing, like you were getting, like one of my, I think I got started in April, I was in front of, presenting to Jack Welch in June. Like that's how big Six Sigma was. They had all the leaders come in. And I think through that initiative I got noticed and, you know, kind of worked my way up through the company.

JASON KELLY: So when you first got there, obviously it sounds like there was a sense of relief for you that you were out of the situation that you didn't really like. You get there. Did you immediately think, okay, this is the place for me?

MARGARET KEANE: No, not at all. I was horrified. I was like, oh my God, I don't know if I like this. It was just so different. The culture at GE, well, I think, I was explaining, it's a very, you know, people come out of the program at 21. They marry each other in the class. They grow

up. They live in the same community. They only hang with each other. It's kind of like the police force in some ways, you know, like they hang out with their precinct.

JASON KELLY: You're like, I've seen this movie before.

MARGARET KEANE: Yes, I know what it's like. And I felt so much like an outsider initially that it took me a while to settle in there. It did. Because I was like, and then I was moving my family.

JASON KELLY: Because you were in, you were coming in at a pretty senior level.

MARGARET KEANE: Yes, senior level. And it's not a company that was known for, like accepting people from the outside.

JASON KELLY: But was Six Sigma sort of the kind of even-ing element?

MARGARET KEANE: Yes, because I came in knowing that. And it was then GE Capital who really had rejected the whole Six Sigma thing. They really didn't want to do it. They thought it was not like their thing. So I was able to work my way through that culture of like, okay, it's going to be okay, we're going to make it painless. Let me show you how we do it. And, you know, I got noticed that way.

JASON KELLY: So then you're inside GE and obviously it's a – shall we say, exciting time over the course of everything that happens during that period and then the decision is made that this business is going to be spun out. But it's not so simple...

MARGARET KEANE: No, it was very complicated.

JASON KELLY: How did you get tapped for that?

MARGARET KEANE: Well, it's a funny story. So the former CFO of GE, I was at a meeting down in Kiwa(?) with \_\_\_\_\_. It was like a board thing too at the same time. And the CFO of GE, we end the meeting and he was on the other side of the room and he goes, hey, Margaret, did anybody tell you, you know we're going to IPO your business. And that's how I found out, like literally.

JASON KELLY: Literally like shouting across the room, like by the way...

MARGARET KEANE: Like we're in a room like this and he was like, hey, did anybody tell you? I'm like, no, they haven't. (Laughter) I went back to my room and I waited until the cocktail reception and my boss at the time said, oh, I heard you're in the know. That's what he says. It's going to be great. That was my finding out I was...I was like, I'm starting to look up

IPOs. How does it work? What does it mean?

JASON KELLY: So you'd never taken anything public at that point?

MARGARET KEANE: No. No.

JASON KELLY: And so what was the, so then do you have to then go tell your team, this is what's...so how did that...

MARGARET KEANE: So I called my CFO right away and I said, hey, this is what's happening. This was in April of 2013. And, you know, obviously at the beginning we had to figure this all out. And a big part of the challenge was, because we were part of GE, part of GE Capital, regulated – the Fed had already joined GE at that time, or GE Capital – we had to get regulatory approval. And it was during a period where, you know, the regulators were still like trying to figure out what this all meant. And so the first thing we had to do was an application, and they didn't even have an application. So we had to like create the application. And we gave them like, kind of a trial run application and then they came back with a bunch of comments and said here's all the things you need to do. And they put very stringent requirements on us. You know, they required that we had no connection to GE at all by the time we split off, which are things like, you know, 40 to 100 vendor contracts where GE or GE Capital were in the name. We had to rewrite them all. And, by the way, when you're GE and negotiating with companies like Oracle

and IBM, a lot easier than when you're Synchrony Financial, I'll tell you that.

JASON KELLY: Like spell that again...

MARGARET KEANE: We had to renegotiate, I think it was 4,200 contracts, plus all our leases in all our buildings, as an example. You know another example is GE still had GE Appliances at the time and we financed their appliances online. We weren't allowed to do that. I had to call the CEO up of Appliances and say, sorry, we can't finance your appliances anymore. We can't have anything to do with you. We had, our sales people had GE fleet cars. We had to get out of those. I mean it was like, and then all the systems, they didn't want any system connections. So we had to create our own data centers, you know, bring in our own teams. We had, at that point, you know, we had to build out our capital team, our tax team, you know, things that we relied on the company for that we didn't have. So building all of that out while getting reviewed by the Fed. They were doing due diligence on us the whole time to see if we were stand-alone ready.

JASON KELLY: Right.

MARGARET KEANE: So the pressure was enormous. And then I had to build my board.

JASON KELLY: Yes, so let's talk about that because, to me, for anyone sitting in this room who has ever been in a position where they've had to report to a board which ultimately I guess

everybody does, certainly at a senior level, not many people get to pick a board from scratch for a company of this magnitude. How does that work?

MARGARET KEANE: Well, you know, it's probably the part of the job that I least probably understood. I mean I had presented to the GE board so I'd been in front of a board for sure. But, you know, this whole, how do you build a culture, and how do you make sure your board is going to fit within that culture. And one of the things that I felt pretty strongly about is I really wanted to make sure my board was diverse from all aspects. And so one of the things we did was really just create a matrix around – there were some requirements you have to have, right? Audit, risk, you know, those types of things, what kind of compensation.

JASON KELLY: Because you're not just building a board, you're building a public company board.

MARGARET KEANE: Right. So we looked at both diversity and then we looked at what are the skill sets we really want to bring in. And so, you know, we went out and so, for instance, and I have a very diverse board across, in terms of both skills and diversity in general, but for instance, we wanted to get someone who really knew about brand and consumers. So we hired Laurel Richie who came out of Ogilvy. Because we said, look, we're going to be a new company, how do we create our brand? How do we create our name? All of that. And she's very involved with us in terms of how we continue to morph. You know, one of the other big areas is just

cybersecurity, so we hired someone who had a tremendous amount of cybersecurity experience. We looked at kind of this, where's the future of technology going? And we hired someone by the name of Will Graylin who had created what eventually became Samsung Pay. And now he's actually out of Samsung and starting some other new company. So we were looking for breadth of, okay, how do we make sure we're moving forward and developing the skills that we needed as a company, but having people on our board we could tap into to really leverage their experience.

JASON KELLY: So let's talk about culture a level down and maybe even all the way down because you are in this position where you get to create a new company but kind of. And there's a period in which you're still very much attached financially, culturally, even though you're kind of easing yourself out as you described. But what do you do to say, okay, we've got to take the good stuff from GE but also create something distinct?

MARGARET KEANE: Different, yes. And this is interesting because we actually, there's this period between July of 2014 and November of 2015 where we had a foot in each place, right? We had three independent directors. We had five GE board directors because GE still owned 85% of us. I've still got my salary from GE. They gave me my raise, my last raise in 2015. But at the same time, we had to think about who we wanted to be. So, one of the things I did in September of 2014 when we had, like laundry lists of things we had to get done, I took my senior leadership team away for a week and we worked with the Purpose Institute to really talk about

who we wanted to be. And I will tell you my team was rejecting this, like totally. They were like, what are we doing? Like we have so much to do. I'm like, look, we've got to figure out who we want to be and how do we create a culture that we all feel good about. And, you know, we spent a couple of days together. We came up with our purpose statement, our values. We then validated that with employees. We went all the way down to the very bottom of our organization to test our values of who we wanted to kind of be. And I think, you know, I think the culture of our company is one of the things I'm most proud of. I think we have a culture that is innovative, people want to win. It's a culture where anyone in my company could be who they want to be. And I think this was something I felt extraordinarily strong about. You know we have all the diversity networks that everyone would have. You know we added a couple, coming out of GE, that I felt were important. And I think it's...

JASON KELLY: Added a couple of diversity...

MARGARET KEANE: So we, one that I'm particularly proud of is People with Disabilities Network. And we have probably close to 300 people who work in our company who have disabilities. And I think, you know, getting, it sounds great to hire people with disabilities but you've got to change the culture. You have to have an environment where people can feel comfortable coming to work. You have to have the, you know, besides the physical stuff that you have to have, it's do I feel comfortable coming in and being different. Right? So, and I think the reason that's important is because our business, we deal with consumers, right, we have 76

million card, active customers, right, and they come from all walks of life. And so the more we can create this open environment of being very open to what people are about, it helps us be a better company.

JASON KELLY: Right. And so what, was there any sort of rejection from people who had come over from GE? Like, this is not the GE way. This is some newfangled way that you've come up with and I...

MARGARET KEANE: You know there wasn't. It's kind of interesting because we've since hired other people out of GE to come in our company and they are all talking about, they all talk about the culture. The thing I would say about the culture is the people we've hired from other banks, because we've hired about – 50% of our exempt population is from the outside – 50% are GE. The 50% that come from the outside, if I sit and talk to them, what they will say is, you know, I went on the interview, I was like, oh, these are really nice people, but you know, it's the interview. This isn't how they're really going to be. And then they come in and they're like, wow, this place is really what it's all about. And I think it is what we pride ourselves on. And I think, you know, for me it's, I love underdog stories. I love people who make it from nowhere. I love the story of, you know, people coming from our call centers and getting into exempt roles. We do a lot, we have a lot of diversity in our call centers. I came out of a call center. I tell everyone my story. Somebody saw something in me and took a chance. How many people in our call centers who are diverse should we be taking chances on? I have a program called STEP

where we put people through a two-year rotational program. Seventy percent of them come out as a non-exempt to an exempt role. They're internal people. And, you know, that's part of the culture. It's like we try to give people opportunities across all spectrums of the company.

JASON KELLY: And so was there any point in that period where you were kind of coming out where you thought this isn't going to work? Or what was the biggest obstacle you felt like you had to overcome?

MARGARET KEANE: Well, you know, I was very hard on myself I think. I kind of would drive to work saying how did this happen? I'm serious. I'd be like how did I get into this role? I wasn't really prepared for it. I've never been a public CEO. And it was interesting. I met with someone from McKinsey who was pretty senior and I was explaining my concerns of like, you know, I've not done this before. And he said to me, Margaret, most people who become CEOs haven't done it before either. And I was just like, oh, yeah, that's true. So I kind of like turned my head around a little bit. But the most sobering thought for me, of being a CEO, was driving to do my first earnings. And I drove myself and I always joke about this, I'm like, what if something happened in the car while I'm driving. But anyway, I drove myself to the office that day. I got in early. And as I'm driving I'm thinking, oh, my goodness, all these people are depending on me. And I thought about my employees. And I thought about their reliance now on me as the CEO in a very different way and it was very sobering actually. And I thought about all the families that are tied to Synchrony and what is our stock price going to do? And, you know, I think about that all the

time. Not just the shareholders, but actually the people who work at the company. And it's a sobering thought when you're feeling that kind of responsibility.

JASON KELLY: And has it gotten easier?

MARGARET KEANE: No. No. It's hard to be a CEO. You're always, nothing's ever perfect. Right? So you have to insulate yourself in some way and just believe that you're doing the right things because you could get very shortsighted if you're just looking at the stock price every day. You really have to play ball for the long term. And you have to have that confidence to make those decisions to play for the long term.

JASON KELLY: So from a management culture perspective, obviously GE is famous for that development, etc. What do you take from that culture that you implement at Synchrony at this point, whether it's succession planning, whether it's training, like any of those?

MARGARET KEANE: Yes, I'd say there are a couple of really great things. Succession planning for sure because we started – from the day I brought my HR leader into the company, we started succession planning that day. Because it's unique in that we have, you know, this is just unique. We have a number of people who were with GE and within the five year or eight year window of retiring. So we, day one, started working on succession planning, not only for my team but actually the board as well. So we have been working on succession planning for the

board because I think, you know, you want to think two or three CEOs out who could do the job, right? So we've been working on, and that's something, I think, GE was really, really good at.

JASON KELLY: I'm imagining your board members flipping through their board packet and be like, oh, board succession, interesting.

MARGARET KEANE: Yes, yes. And then the other is, you know, training and development. I think the discipline of delivering on results is another big one. So, you know, I think we took all those good things. I think what we probably didn't take is, I do think the inclusive culture part is probably a broader experience in our company than maybe it would have been at GE.

JASON KELLY: Alright, so let's go all the way back to where you started in the sense of back then you had a very direct personal window into the consumer. Now, and you gave us the number, how many people, what an amazing view into consumer sentiment. How is the consumer feeling right now in October 2018?

MARGARET KEANE: Yes, I think if you look at the general metrics, the consumer is good, right? Unemployment is low, people are working, jobs are good. I do think there is a bit of a have and have not in the economy. And I think the people who are on the edge are, there's more of them I think. I think there's less ability for them to get themselves out of something, you know, things have been cut off from them in many cases. So if you went back pre-crisis, you just

had a lot more availability of credit for instance. And I think there's less of that. Home equity has been tight. A lot of things like that. So I do think there's this have and have not that I think we all, not only me as a financial CEO, I think all of us need to be concerned about in terms of the have and have nots in the economy.

JASON KELLY: And so how does that play out in your business?

MARGARET KEANE: Oh, it's, you know, someone calling up and asking how much is open to buy on my credit card, right? Because it means they're trying to get to the next, you know, the next paycheck or their next whatever. So I think you just have to be thoughtful. I think, look, we have a responsibility, we lend to the spectrum of America. And we have a responsibility to make sure we're doing that in a thoughtful way and not putting credit in the hands of people who are going to get themselves in trouble. Now we don't have all that insight and sometimes, and you know, and I think one unique thing happening now, there's a lot of credit getting done outside the system that there's not clarity on. There's a lot of fin techs, there's a lot of startups doing different things and it's sometimes hard to see what is really out there in terms of the consumer themselves. So I just think we have to all continue to maintain discipline around how we're lending.

JASON KELLY: And what are the tools that you might be using from a technological perspective that maybe didn't exist last time around – the financial crisis – what are you using

that maybe gives you unique insights?

MARGARET KEANE: I think probably the biggest thing is really the use of, I would say, AI and data in the sense of machine learning. So I think where we're getting better and smarter, probably the biggest area is fraud. Right? So, using machine learning and models to help us identify fraud. That's a big problem. And how we authenticate customers is a big opportunity. You know more and more of the point of sale, remember the uniqueness of my business is you apply and purchase right away. So we've got to really make sure we know it's you, it's your phone, it's your mobile device, your iPad. So I think we are, we've worked with fin techs that we're partnering with as well as some of our own internal stuff to really just get really better at that. And that, I think, just keeps the consumer safe and it makes sure we're lending to who we should be lending to.

JASON KELLY: And is it a mix of buy and build for you?

MARGARET KEANE: Mix of buy and build. We are doing a lot internally. We have a ton of data as you can imagine. Part of the uniqueness of the company was our ability to build out that infrastructure out of the gate to get us ready for that. So we have, you know, a big data link and we can leverage data across our platforms. But then we're working with third parties as well. You know we're working with a company, for instance, Payphone, who, you know, one of the interesting things is everyone keeps their phone up to date and they have a lot of ability to make

sure that that phone actually really does belong to you. And they can let us know that. So those are the kinds of things that make it safer.

JASON KELLY: So does the credit card as we know it exist ten years from now?

MARGARET KEANE: No, I don't think so. I think none of us are going to carry plastic. It'll be...

JASON KELLY: How soon will that happen?

MARGARET KEANE: I think it's going to happen sooner. I'm surprised it hasn't happened even sooner. But I think some of it is the infrastructure of the environment has to shift. But you would hope that, I don't know, five to eight years from now, you won't have plastic on you.

JASON KELLY: It'll just be on your phone.

MARGARET KEANE: I think your phone will become the center of, a phone or another device. It could be another device. But I don't think we'll be carrying plastic and swiping plastic.

JASON KELLY: And how much do you hear back from your customers and maybe from your partners around – given all the data that we're talking about, given the access and everything

about privacy – what are those discussions like? And where’s the pain point and the worry point there?

MARGARET KEANE: Well, look, I think number one we have to all ensure we have the right procedures and processes to perfect consumer data. I think, you know, as a financial institution, as we use different forms of data, you know, we’re required by the regulators – if we turn someone down – to explain why you got turned down. I think the positive of the data is we could probably approve people we might not have approved before because we have different information. But I think the bigger opportunity is around how we service you and how we authenticate you. So I think the safety part on the front end, but then even on the back end, you know, do you prefer to get a text message versus a phone call? Do you prefer talking to someone? We let you talk to someone. So, as we get more personalized and there’s, particularly this next generation of folks coming up the ranks here, you know, none of them are calling 800 numbers. I can tell you that for sure. And we have to be ready for that in terms of how they want to interact with us. And, you know, can we be more personalized? So I like to use this example where our dream is some time in the future we know that you like the cashmere sweaters at Banana Republic...

JASON KELLY: I do. Thank you for knowing that. I appreciate that.

MARGARET KEANE: And then we can tell you...

JASON KELLY: It's a little creepy that you know that, but that's fine.

MARGARET KEANE: We can say we know you like them because you've bought them before. We can say they just got new colors in. By the way, you have \$50 rewards on your Banana card, come on in.

JASON KELLY: This is getting eerie, but go on.

MARGARET KEANE: Yes, this is where I think we're going to go. And I think when you think of digital natives...

JASON KELLY: And people like it...

MARGARET KEANE: People like it. That was my point. And you have to have the ability to opt out of that stuff. If you don't want it, I get it. But I think as you get into the digital natives, they love that. They love that you know who they are and they love that you're sending them things to think about.

JASON KELLY: Alright, so let's talk about the retail experience because I feel like we talk about this almost every day, especially around earnings season – retail apocalypse, death of the

malls, etc. etc. We spent – I feel like – the first part of the year talking about retail apocalypse and then the summer and into the fall saying maybe this retail apocalypse isn't all that it was cracked up to be. You see all of this through your partners especially. Where are we in that mix of online and real...

MARGARET KEANE: Yeah, so I would say the following. I think, first of all, people like to shop, I'm just going to say. And most things we buy, we buy in store. We do. And I think there's been a lot of hype around that online is everything. Now, with that said, we are definitely seeing a big shift in terms of how people shop. So people, and I use the example of, we sell a lot of furniture. People are doing a lot more searching online before they even go to look at the couch. They literally have something in their mind when they get to the physical store. They'll start seeking out...I saw this couch, show me this, blah, blah, blah. They'll probably buy the couch in store but they may come home and buy the lamps online. And so our job is really to make sure we're integrated at all those points of customer research and making sure that they know they have credit available to them. There's a promotion going on. They can get something for a discount, whatever it is. I think that what we're seeing is we were over-retailed in the United States. And I think we're seeing a bit of a cleanse happening. I think the formats of stores will change. They're not going to be these big box retail stores. But, you know, one of the things we're seeing now and the research shows that the digital natives like malls. It's actually coming out that malls are fashionable again. They like going to the mall.

JASON KELLY: Why do you think that is?

MARGARET KEANE: I think it's the social aspect of it. I think it's the social aspect. And then we have to tap into that social aspect of that consumer when they are at the mall and making sure we're tapping. And then I think the other piece is there are some really good retailers out there that are strong. And I think we have to just, as us, for us, we need to be part of this digital transformation and the data transformation. We have to be in the forefront of all of that. We have to be investing in all that technology so we can meet you wherever you want to shop. And I think if you think of our business, it generated back – believe it or not – the business was started in about 1932 – the financing of appliances from GE. So back in the day during the Depression, people would go in and pay weekly to get their refrigerator. And GE came up with the idea why don't we finance the appliances. And in some ways that really hasn't changed because as people do big projects in their house, they like to get, you know, 12-months promo and, you know, do all those things. So I just think how they do it is going to be different and we just need to be in the forefront of that.

JASON KELLY: So what's the thing that you're going to see, just as we wrap up, what's the thing that you're going to see through your data, through your customers, that gets you worried? That sort of, you know, you went back to that moment in 2007 where you were listening to the calls and you were hearing that sort of thing, is that what you hear? Or is it going to be presented by new technology and AI that makes you start to redeploy your resources?

MARGARET KEANE: You know, I think – I'm an old school person – I think it's going to be many of the things we've looked at in the past. I don't know what it's going to be. I don't know if it's going to be the consumer falls over or we have some global event. Something will happen, and I think we just need to be prepared for that. I think what helps us, though, is as we get smarter using technology, I think we could be connecting with those customers maybe sooner in the process. I think the goal should always be can we get to them before they tip over. Do we see signs of something happening?

JASON KELLY: Do we see something before they even see it?

MARGARET KEANE: Yes. That's where I think the data and the information will become, I think, more powerful.

JASON KELLY: And have you seen any shifts in kind of how and where people spend their money in the last, you know, five to ten years? You know we hear so much about, well, millennials sort of bucket it, they love experiences and less stuff. And I just wonder, the rest of us can sort of \_\_\_ along about it, like you actually see where people are spending their money.

MARGARET KEANE: Yeah, I'd say, you know, it's definitely true that younger millennials are into experiences. You know they're the ones taking a picture of their food and doing all that kind of stuff.

JASON KELLY: I saw Marie-Josee, she was Instagramming her lunch.

MARGARET KEANE: But I think what's interesting is the older millennials are acting just like everybody else acted. They're buying houses. They're buying actual furniture and putting it in the house. You know they're having kids. Everything has just shifted to a little later. But I do think there's this period in between before they get to the point where they're married and buying houses that they are much more into experiences and, you know, want to be able to talk about those things.

JASON KELLY: Right, right. What's the thing that makes you the most optimistic about your business? I mean you are now, I guess, theoretically three, almost officially exactly three years in. Biggest surprise, three years in.

MARGARET KEANE: The biggest surprise, I think the biggest surprise is what we accomplished in those three years. I mean if you think about where we came from and what we had to do to set ourselves as a stand-alone company, great a culture, creating a brand, being thought of as innovative, investing in technology, I think the thing that's most exciting for me is the ability to really decide how we're spending our money and where we're investing for our partners. And, you know, I don't think retail is dead. I think it's shifting and changing. And it's really, if you think about it, you could sit and wake up every morning saying, oh, my God, right, the world's ending. I view it as there's so much opportunity for us, so much opportunity for us to

really help our partners continue to be successful. And I think we focus a lot on the big retail guys. We have 180,000 small retailers in America who actually service a lot of customers in local areas, the Main Street kind of person, who employ a lot of people. And, you know, I think it's exciting to bring tools to those kinds of retailers that maybe don't have access because they don't have big teams. So what are the things we can do to keep retail and businesses and small businesses and retailers and jewelry chains that, you know, maybe it's the jeweler down the street, right, and how do we help them – taking our big opportunity and give it to them to really help them be successful? And I think that's an exciting place to be.

JASON KELLY: Good. Thank you so much for spending some time. Thank you. Thank you all.

(Applause)

CHAIRMAN MARIE-JOSEE KRAVIS: Thank you so much, both Jason and Margaret.

Margaret, it's just so inspiring and impressive to hear a CEO who really has the pulse, not only on the customer but also on the employees. And your point about culture that, you know, Peter Drucker told us years ago, culture trumps strategy every time. And boy, you're living it and that's really inspiring. And thank you, Jason, for leading this conversation. I just want to remind everyone that we have a busy month of November ahead. We have Mike Corbat, the CEO of Citigroup, who will be joining us next week. We have the NBA Commissioner the following week. And, of course, Jay Powell, to conclude the month. So I hope as many of you as possible will be joining us for those November events before our closing dinner of the season on

December 5 where we'll have Hank Paulson and Tim Geithner commenting on the 10<sup>th</sup> anniversary of the 2008 financial crisis. So enjoy lunch and hope to see you soon and often.

(Applause)