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500 Montgomery Street, Suite 400
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

PARTICIPANTS:

Moderator:

FRITZ NAUCK
Senior Partner
McKinsey & Company

Panelists:

ANDREW CECERE
Chairman, President and Chief Executive Officer
U.S. Bancorp

MICHAEL L. CORBAT
Chief Executive Officer
Citigroup, Inc.

CURTIS C. FARMER
President and Chief Executive Officer
Comerica Incorporated and Comerica Bank

MARGARET KEANE
President and Chief Executive Officer
Synchrony

JOHN M. TURNER, JR.
President and Chief Executive Officer
Regions Financial Corporation

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P R O C E E D I N G S

MR. NAUCK: Can everyone hear me?

SPEAKER: Yes.

MR. NAUCK: Great, thank you. Welcome all. Welcome to our panel this afternoon after lunch. I'm glad to be here today with CEOs respectively, Mike of Citigroup, Andy from U.S. Bank, Margaret from Synchrony, Curt from Comerica, and John from Regions. Thanks for coming and being here today.

We felt we'd talk today about the business of banking, as they said, and we're going to start out on a topic that we all see the dynamic marketplace around the evolving nature of consumers, customer behavior. And, Mike, maybe we'll start with you just in terms of what you're seeing across consumers, commercial clients, investors, and you also have a unique view to see this both within the U.S. and internationally.

MR. CORBAT: Yes, we were actually just comparing notes a little bit. You know, this is the interesting time of year where we've got to sit down and create those things called budgets and figure out what the heck it is we're going to be planning for. I would say, you know, part of the good news of this story is that the continued strength and resiliency of not just the U.S. but the global consumer continues.

I think on the strength, again, not just in the U.S. but around the world of some fairly strong jobs and jobs numbers, and around housing and asset prices. I think, in general, the consumer feels pretty good around that, and I think as we go into the holiday season, I think we're starting to see some early signs of that.

I think the other side of it, though, is that is as we travel the U.S., as you travel the world, I would say that that same confidence or conviction is not there in the C-suite in our companies, and whether that's, in our case, medium size enterprises, big global multinationals, and from a business perspective not dissimilar from banks that we all appreciate and want as much certainty as we can get.

And I think while we've had very accommodative central bank policies in the U.S. and around the world, we've got a lot of unanswered questions, China, Brexit, NAFTA and the list goes on, and in fact, I was telling the story earlier that in my travels I've begun a little bit of my own survey, and that is as I go call on companies, I ask them the question. I said, I'm going to give you two scenarios; you have to pick one, and I think it's very telling. I said, in one scenario, you don't get a clarity on China and we kicked the can in terms of Brexit. Nothing happens in terms of NAFTA, and on and on, but the great news is -- well, maybe for them, the great news is we're going to cut-rate 75 basis points from here.

The other side, we're not going to give you full resolution, but we're going to get at least partially to a China trade deal. We're going to get resolution, whatever it is, in terms of Brexit. We're going to get a USMCA NAFTA done, but for that, rates are going to go up 75 basis points. And right now, the score I think last I looked, of 29 to 0, business as unanimously picked give me a little bit of certainty and rate doesn't matter.

And so I think that's an interesting and an important statement around monetary policy today and in particular when we start to look at the rest of the world in some of the places that we operate, negative rates don't work, and that monetary policy has run its course, and I think we need to go at some other things other than monetary policy to try and reengage business.

And I'll end here, but I think the risk is, is that either consumers or business are going to be right, and that is that if we get some resolution on some of these issues, I think there is upside to where we are from business momentum, and if I think we don't, some of the business skepticism pessimism or conservatism ultimately manifests itself in the consumer slowdown.

MR. NAUCK: Very good. Curt, let me just get you in on this given your balance toward the commercial spectrum. You've seen the same thing Mike talked about or doing your own surveys?

MR. FARMER: Yes, I'm going to adopt that survey. I like the rate increase that you talked about. (laughter) So Comerica, we're 80 percent commercial banking from a revenue mixed standpoint. A lot of that middle market, small business, in the U.S. and, you know, back before we kind of hit 2019, we were starting to see a little bit of cap-x spin. That really has slowed down. Most of the lending we're doing and most of the businesses we're working with still feel really good about their business overall, but it's a lot of traditional working capital type lending.

Our economist has coined the phrase, and maybe it's not original to him, "high anxiety about high uncertainty," and I think that's really what I hear when I'm out with customers is that they're busy, they feel good about their business overall, but they're a little hesitant on the spending front because of the concerns that were outlined and probably others as well, risk of recession, just the political landscape in an election year, et cetera.

MR. CORBAT: I vote rate's up, 75 (laughter). So, you know, we have a big payments business, and you can see that same phenomena that both Mike and -- talked about in that when there is an uncertainty in the marketplace, both consumers as well as commercial and business lowers their spend levels a little bit, and when the screen read in order to yield (inaudible) flattens that occurs more and then when it comes back, it comes back, so that certainty factor is certainly --

has implication in terms of spanned and overall activity in the economy. I can see that.

But we're not seeing any early indicators in the credit front that would indicate a recession, and we look at it very closely across both the consumer as well as the commercial side of the equation, so no early indicators, but that spend side of the equation is impacted by the confidence factor.

MR. NAUCK: Margaret? Yield --

MS. KEANE: Yes, I would just say, you know, we do mostly consumer and the consumer continues to be strong. I think they've actually performed a little better than we thought, and that's something we continue to watch. I think, you know, we're hopeful for a good holiday season which I think will be a big telling point and reinforce how strong the consumer is, and, you know, we're looking to, I think, that holding, you know, through 2020. I think after that, you know, any guess is good.

MR. NAUCK: John, I think you'd want to add from your Regional, do you?

MR. TURNER: No. I mean, I would say the same is true. Our economies are slowing but still good. Our business customers are optimistic but more cautious. A fixed investment and borrowing for fixed investments definitely slowed. Consumers still strong. We're beginning to see a little normalization of credit and some pressure in sectors like manufacturing that have been impacted by tariffs, I think. Energy impacted by some of the volatility of pricing. But, overall, the economy is still solid and we're optimistic.

MR. NAUCK: So it sounds like generally an optimistic view of the macroeconomy and votes certainly among this group of increases back on the rate side. Let's shift, then, to, and we heard about it a little bit over lunch as well, just the way technology and innovation is shaping the way customers interact with their banks, and Andy, I'll start with you, clearly you see it as in terms of, you know, different channels, multichannel, omnichannel offerings. What are you doing in terms of serving your customers better given the technology innovation?

MR. CECERE: Right. So first, expectations from the customer standpoint aren't just impacted by how they bank, but how they lead their lives in all industries, so they expect things to be very fast. They expect consistency across channels, so you really need to have interactions that are without friction. You need to have systems that talk to each other and you have consistency and speed, so we're working on all those things through digital applications.

I really think that that isn’t going to be the answer to the winners. I think that's going to be just foundational or table stakes, so you immediately need to create unique experiences and value added programs and processes and products to really engage the customers and those are the two areas we're focused on.

MR. NAUCK: Mike?

MR. CORBAT: Sure. You know, like Andy, you know, we have a phrase, I have a phrase in that, you know, it's not about being best in bank, it's about matching, at a minimum, the best in life experiences and that's the expectations of our customers and clients, and not just here but around the world, and how do we do that. I think the second piece is that we've got to recognize that we're on a journey. I think sometimes financial services gets criticized for potentially moving slow or slower, but we've got to really match-off against the journeys that we're on, and, you know, the way I think about our bank today is we're really running two banks in many ways.

We're running and evolving out of the old analog bank; at the same continuing to build the digital bank, but by the way for most people in this room, probably certainly for our bank, the bulk of our profitability exists in the cohort that actually wants both of those experiences today. They want their branch; they want their person to speak to, but they want their life on their mobile device, and how do we make sure we deliver that, and so we're in this evolution, and to Andy's point, I think we've got to challenge ourselves to be matching that best in life experience.

MR. NAUCK: I think that we've seen that certainly come through on servicing customers. I know Margaret, you've talked about this quite a bit.

MS. KEANE: Yes, I think, you know, the digital frontend, I think most of us have all figured out. I think the backend is really what's going to make the difference. One, there's just a lot of potential still to get crossed out, so I think we have that opportunity. But I think the piece is going to be really -- you know, I always like to do this: You know, how many people like to call an 800 number? Usually nobody raises their hand.

You know, you're going to have to really be able to chat with that customer. Then when they do have an issue, and I think this is really important, sometimes gets missed in all this digital talk, people want to talk to somebody when they have a problem, and then what I would say is as we think about transforming our back office, we have to raise the skills of our employees in the back office because the easy things are going to get done.

They're, you know, a chat, or text or whatever, but when I have that problem or I have a fraud or I have a concern, that person on the backend has to be able to really make that a great process.

And they don't want to be passed around. So many of us have the fraud department or the collection with the customer service department. We haven't had to rethink our back office and serve that customer on one call and that takes work, both systemic as well as training and developing of the employees in the back office.

MR. NAUCK: If there are any customer segments, you see this evolution from this analog to the digital bank going faster or slower?

MS. KEANE: Well, I'll tell you, we see through our chat on Sydney that when we introduce it and, you know, it's one of these things that (inaudible) is a very fascinating process to watch, customers really take to it very quickly. They don't really want -- particularly millennials, they really don’t want to talk to anybody and we all know that because we're parents, (laughter) most of us, anyway, and they like us -- you know, you can call them on the phone, they don't answer, but when you text them they answer you back.

It's actually infuriating. (laughter) So we see that process working, but I will tell you when you get to that rub where they need someone, they want to have access to someone quickly.

MR. CORBAT: And I think one of the things that we see that's happening there is our companies or our customers that are digital natives where those relationships are born digitally, they tend to live digitally.

MR. NAUCK: Yeah, right.

MR. CORBAT: And so you can see the expectation as they come in, typically in terms of either what they do or how they enter the bank is typically very telling.

MR. NAUCK: What inning do you see where we're in here and the kind of this analog to digital transformation; are we early innings, mid-stage?

MR. CECERE: You know, for a consumer, 70 percent of activity at a bank now happens on a digital device. For businesses, it's about 50/50, so businesses are a little bit behind, but that's understandable because there's a whole set of processes and, you know, long established activities occurring in the business, they need to change, so when real time payments come, it is here, but when the usage becomes more common, I think that'll be a big gamechanger.

But, you know, the interesting part of that is, while it's going to be better and faster and more secure and provide data and has all kinds of positives, at times zero there's an investment required. Mike talked about the planning process and I'm going to guess reestablishing your payables and receivables is not high on your priority list, right, so you have to think about how you can help them adjust and change until they can use these new systems

MR. FARMER: You know, it's interesting. We always think about our customers on the sort of retail, wealth management business. You know, those digital venues that we have really are helping us acquire new households, and then with commercial clients, usually it's the relationship; it's the advice, that every transaction is fairly customized; you're doing a commercial loan or helping a client with a transaction, et cetera, so you usually don't gain a client through a digital mean, but you can lose a customer if you don’t have the digital capabilities and CFOs and treasurers really want the same experience that they're getting in their consumer relationship and their commercial relationship.

So treasury management, wire transfer, ACH, all those things have to be able to be delivered, you know, via a mobile device in a way that is fairly seamless, and again I think you're not necessarily going to acquire a commercial client via your digital capabilities, but you certainly can lose them if you don't have the right sort of service level and you can't deliver sort of when and how and where they want it.

MR. TURNER: Yes, I would just add over 60-percent of our customers now use multiple channels and much as what's been discussed here, and I think they're expecting the same great experience whether they call the call center or walk into a branch to choose their mobile longline banking or go to an ATM and yet our business I think fundamentally is still a people business.

It's built around bankers enabled with really good technology who are presenting unique ideas and solutions to customers, and I think it is the combination of both the investment we make in digital and the investment we make in talent that is going to continue to make the difference for us at least for some period of time.

MR. NAUCK: Let's switch to the Fintech topic which we've heard a lot about the last day or so. Obviously many of you have partnered with Fintechs. John, maybe start with you on any lessons learned partnering with Fintechs or lessons to be avoided.

MR. TURNER: Yes, I guess we probably made our first investment or arranged a partnership with financial technology companies back in 2012. The idea was we could offer products and capabilities more quickly and at less cost than we could if we tried to do it ourselves. It also was an opportunity we thought to learn and while most of our partnerships and investments have been around consumer lending, our results, I would say, have been mixed.

We've also made some investments and partnerships around small business capabilities. But in every case, we've learned something about customers' desires for speed or for a frictionless experience. We've learned a bit about how those financial technology companies think about their business. It's challenged us significantly to be better, to be more agile, to be faster, to develop more frictionless and seamless experiences, and so I think just the whole sense of urgency about investing in digital and changing our processes to meet customer needs has been a huge benefit from the experience that we've had.

MR. NAUCK: Andy, how about you?

MR. CECERE: So we also are partnering with a number of Fintechs and, you know, typically, you know, a banker has the full relationship. We have a balance sheet, deposits, lending. We have the entire financial services and Fintech has some thin slice that they do better and faster and more capable, and it's typically an unregulated slice toss, right? And the partnership I think is working very well. The one lesson learned for sure is scalability. You need to make sure what works for a hundred works for a million.

MR. NAUCK: Obviously you've been in the news quite a bit recently. What tech partner --

MR. CORBAT: So, you know, the -- it's interesting how the conversations have evolved over the last 5, 6, 7 years. You know, I remember going out a while ago and, again, I'm never dismissive around Fintech and sitting across the table from a young Silicon Valley entrepreneur and paraphrasing, he looked at me and he pretty much said, "Coming to eat your lunch, old man." (laughter)

And I looked back and I said, "Well, again, that's fine. Anytime you care to be highly regulated and trade at 10 times multiple, we'd love to have you join us." And I think, you know, really what we've seen is in some ways a coexistence that, you know, for us, we are developing many of our own things. We're partnering, we're buying. Some of the Fintechs are terrific partners on our platforms in the things that we offer.

Some of the Fintechs are terrific clients of the firm in terms of the services that we provide to them. Again very conscious around not being he dumb utility, being very conscious around not giving away unconsciously the client or customer ownership that's there, but I think there's a reasonable ecosystem right now, and I think in general the industry is kind of challenging each other and it's making us all better at what we do.

MR. NAUCK: Curt or Margaret, anything you'd want --

MS. KEANE: Yes, I would say we've done a lot with Fintech and I'd say two important things: One, I think you have to be careful running after shiny objects. I think the organization sometimes can get lost in, "Wow, that looks really cool," but then no one really wants it, so you got to be careful that you're not wasting the organization's time. I think it's really important to have business people engaged on how this technology is going to help them grow and really help their businesses, and when you have that connection, it's usually a big win.

So, you know, we've invested in companies that have really changed the game for us in some places and I feel it really works when you have, you know, the owner of the P&L who's really driving that change to really be engaged in making sure that that's a successful integration or a buy-in or however we're doing it, because I do think, you know, not everyone we've done has been successful. Most have, but I think we learned.

I think we learned a lot as we've gone through this process of what works and what doesn't work.

MR. FARMER: Yeah, I might just add to what's been said thus far. So we've been a little careful on the Fintech front. We certainly have a number of players that we are in partnership with less from an investment standpoint and more of a capabilities scenario and we have been leveraging. We're in the early stage technology lending business and so we've been leveraging many of those relationships to help us sort of think more outside the box about opportunities.

I'd also say that for us part of the journey has been really focusing less on our legacy platforms and more migration of a lot of our applications to the Cloud, and then really partnering with a couple of key third-party vendors which is allowing us to move quicker to market and probably less proprietary customization of capabilities and more riding along with a couple of key vendor relationships that we have a lot of confidence in is really helping us from a speed to market capability.

MR. NAUCK: Is there any area of the whole banking ecosystem where you say this is where Fintechs can really make a difference? Obviously we've seen them much more in the lending space than around the deposits, the balance sheet, and maybe a little bit in wealth management as well, but where do you see then maybe the nature of what Fintechs do helping the banking system more or less, or do you see them getting more into deposits?

MR. CECERE: I think where we've seen the greatest benefit is in the customer frontend, so not in the deposit taking or the lending or the underwriting of the balance sheet, but at the frontend where they may have a capability that fits into the rest of the bank and they are able to adjust and develop more quickly and more rapidly.

Is your question, how have we used that or how do we see them positioning and where are their entry points?

MR. NAUCK: The second one, where do you see them positioning more for the future because I think to date most of the ones we've seen certainly are frontend lending.

MR. CORBAT: Yes, well, I think that, you know, from what we've seen the playbook fairly standard, right? They come in, they don't choose or opt to do everything. They pick a particular channel or function, they disaggregate, they go at it, and then build from there, and, you know, we've seen I think a number of people come into the payment space, and you say, why payments? Well, consumer payments, in particular, you can come in, you don’t have to be regulated. It's not capital intensive, per se, you actually get paid for doing it, right?

You get swipe fees around it, and you get customer data which you can then use to decide how you're going to expand those boundaries. At some point they get to the boundary that forces them to contemplate the regulation, right, and that's probably typically most around deposit taking, but we've seen from some of the lending platforms that the deposit taking at some point becomes -- while it's maybe not a necessity, it's pretty much a need to have, and then they've got to make that decision around the platform whether that makes sense or not.

MR. CECERE: And I agree. I think payments is the area that has both the thinnest mode and the most capabilities and the most potential value in terms of data and information that they can utilize, so that's the area that's probably the most exposed.

MS. KEANE: I think the other area is data and fraud tools. That's another hot area now, helping folks figure out how to stop fraud.

MR. NAUCK: Well, let's jump then to the payments arena given making that nice transition. Obviously a lot going on in terms of, you know, real-time payments, innovation payments, a little bit of, how do you think about positioning your institution best in that rapidly changing ecosystem and what do you think you need to, you know, develop most quickly own (phonetic) or partner with to provide clients as these changes happen. Andy, and maybe start with you.

MR. CECERE: You know, I think the gamechanger that's occurring right now is the RTP, Real-time payments, which is going to change what's been, you know, frankly decades of checks, ACH wires. It's going to change the way business pays business. It's going to change invoicing and BillPay. It's going to change a lot of things.

And as I said, there's a time zero investment required to get that done, so what we're very focused on is working with our clients to help them solve problems, to help them add value to their process, because they have to invest something in order to get something and we want to work together with them to make that work for them because I think the long-term is going to be very beneficial. It's going to be a little bumpy in the short-term. The more we can work with them to see the value the better.

MR. NAUCK: John?

MR. TURNER: I would agree with Andy. You know, there's certain customer behaviors that have been established based upon the way we process payments today, and I think as we evolve to a real-time world, customer habits will have to change. It's an opportunity for us to provide financial education and have good conversations with customers about, you know, how they've managed their funds from day to day, and it would be I think an opportunity for us.

MR. NAUCK: And, Curt, are you seeing this as much in the commercial arena in terms of clients demanding most close to real-time payments and, you know multi-access?

MR. FARMER: No, I clearly think so and I think, you know, we will all wake up a couple of years from now and it'll be the norm, and so that transformation will have occurred, and, you know, getting on sort of the pathway as institutions whether you're a large institution or a regional bank like ourselves, and, again, I think Andy said it well. It is a change in how we've prosecuted the business for a really, really long time, and I think maybe real-time payments will be even more impactful in commercial segment than in the consumer segment just given the dollar volume and the high frequency of transactions that need to occur intraday and cross-county, et cetera.

MR. NAUCK: You've obviously seen a lot of this cross-border and you've given the international footprint. What do you see kind of coming from international to influence the way this evolves in the U.S.?

MR. CORBAT: Well, you know, as we look around the world, there's, you know, many, many countries that have moved to real-time payment. We are absolutely behind. And I would say, you know, one of the experiences while, you know, if we polled the room, everybody loves the concept of real-time payments, we would probably get a slightly less favorable result around the reality of the real-time debit, (laughter) right?

On the other side of every real-time payment is a real-time debit, and the question is are our operating accounts prepared to do that? When I hit that button, it is gone. I've got no ability or very limited ability to get it back and it's going out of my account, so do I have enough information coming at me real-time in my operating account to give me confidence to operate in that way. I think that's going to in some cases force some positive change as part of that.

I think second, and it's been touched on, is this concept of identity cyber in those pieces, right, around identify. Again today, you know, we've had the ability where there's been certain types of attacks or fraud. We've had the ability in many instances because of the slowness of the system to actually go get those monies back, right? In the future, real-time, when that goes, it's going to go from bank to bank to bank at a pace that's unrecoverable, and so I think it's going to force across all constituencies, probably even a greater focus on making sure people who say who they are and that we're comfortable with where these monies are going and I think that's a strength to the system.

MR. NAUCK: Margaret, you mentioned the fraud piece earlier, what are you seeing on this kind of the evolution of (inaudible) fraud as Mike described it?

MS. KEANE: No, I think what Mike said is true. I think, you know, just think of a credit-card business, and you're getting all these payments and, you know, even purchases and the way that whole process works, you know, you have to have real concern over your stability of identifying that person when they come in and making those payments and understanding how that transaction flows.

But, you know, I think, look, the world of cyber and fraud just continues to be a very challenging area for anyone who's in this business, even processes we've all put in place, they're already getting broken down. So, you know, you're like just as good as you are today, but tomorrow you got to be better, and I think as we evolve to this real-time payment, I think we're just going to have to continue to really invest in a lot of technology and data to really look at what's happening out there.

MR. NAUCK: How do you think about the shift between what you keep in-house in each of your banks versus third parties in this payments ecosystem. Obviously a lot of third parties that are in data or privacy fraud, identity, how do you think about that balance?

MS. KEANE: No, I think it's an important thing. I think a lot of us are highly regulated, so our (laughs) regulators are looking at a lot of our third-party vendors and how we're using things, and, you know, many of the bigger issues you see is usually they've gone in through a third-party vendor, so I think this is something that as you're thinking about do you build versus buy, do you leverage.

And even some of these aggregators that our consumers want to use, they're not always -- consumers don't always know what they're doing in terms of what they're giving that information to be used for, and a lot of them are not very safe, and then you're battling the consumer says I really want to do it this way, and we're like, no, we're not, you know, partnering with them, and so we're still in a world of how do we figure that world out because consumers are asking for something that in our minds might not be the safest thing, so I think there's still a lot that has to be worked out as we think about third parties.

MR. FARMER: I think the mantra for all of us has to be that, you know, whether it's a capability we own or it's a vendor that we're working with, either a Fintech or just a third-party technology firm, that cyber oversight and accountability extends through both channels and so as you're forming those partnerships, you know, you have to measure twice and cut once.

I mean, you've got to be very careful about what does the oversight look like, especially for data and information that's flowing outside of your institution and even the example I gave earlier in terms of Cloud utilization is a perfect example of that where you've got to be really careful and really make sure that you're viewing the totality of information and customer data whether it sits again inside your organization or is residing, you know, outside of your company.

MR. NAUCK: John, given where you are on payments, do you see it differently or aligned terms of that evolution?

MR. TURNER: Yes. And, no, I would agree with the comments made. I don't particularly have anything new to add.

MR. NAUCK: Great. On the cyber point, obviously it seems every week there is even more focus on cyber, even more potential risks. You know, where do you put cyber on your relative list of risks to worry about, and what do you kind of do in given the increasing nature of the risk? Mike, maybe I'll start with you.

MR. CORBAT: No, I think for everybody on a list of one to ten, it's probably one through five.

Right, it's right at the top, but it's the thing that is probably evolving the fastest, and it truly is an arm's race. I do believe that, you know, within our industry and the clearing house, an example, is very focused on it, but how do we create the right utilities, right, where we can share this information?

It's kind of the one area today where there is government willingness to allow us to share information around this, and I think we absolutely have to take advantage of it because it makes no sense for any of us to simply be the best at cyber because when the system is attacked everyone is a loser, and I think we've got to have that mentality as an industry of coming together and sharing best practices and trying to push as hard as we can to create these utilities.

MR. NAUCK: Does anyone see that that risk, assuming you agree with Mike on that premise, slowing down, called the evolution to Cloud? And, you know, Margaret, you were describing different partners, and slowing down kind of the partnerships and Cloud migration to just say we got to get our arms around this first?

MS. KEANE: I don’t know if you slow down. I think you have to have the processes and the talent. I think the other challenge I'm sure we all think about every day is the talent around cyber, ensuring you're building the talent internally. You have development programs for people within cyber because I think you want to get the best of the best who are inside your company helping you, but I think you can't just slow down the future of where it's going knowing that -- I mean, the cyber is there.

You need to make sure you have the right processes and people in place to really afford you the opportunity to move forward as technology moves. Now, with that said, I think you have to -- you can't just be willy-nilly about rolling things out and putting it on a public cloud and things like that, and we've been very cautious in that area of private versus public, and it's something that I think we'll continue to really watch, but, you know, I think -- look, cyber's the new war.

It's a new war, and we all have to be extraordinarily thoughtful as we talk about cyber, invest in cyber, invest in talent, and to Mike's point, there's no doubt that as institutions we all have to share what we're seeing, what we're hearing, and I do think that process is moving forward and we're going to be in a better shape, but, you know, it's not just about us and cyber. There's a lot of other people out there that we depend on. So cyber is a very big topic.

MR. NAUCK: John, let me come to you on kind of this broad topic of technology. Obviously we've touched on it in payment cyber. Mike described kind of the analog and digital bank. How are you attracting technology talent; how are you building that culture and changing kind of the employee-base within that?

MR. TURNER: That's a great question. We're establishing deep relationships with public and private universities in the area in our markets. We're associating with innovation hubs, we're creating innovation hubs, we're allowing talent to work in different markets, so we're headquartered in Birmingham, but if you want to work in Atlanta or Charlotte or Nashville, we're willing to let you work there. If you want to work from home, in some instances, we're certainly allowing talent to work there.

Most importantly, though, I think what we're trying to do is create a compelling story, so we're reorganizing jobs and functions so that the jobs are more meaningful. We're undertaking a whole transformation of our information technology and operations functions, and so how do you tell that story in a way that is compelling, and it reinforces the fact that banks are in fact heavily involved in technology and so technologists want to come to work with the banking industry because it is exciting?

It's new; it's innovative. There are interesting things going on. And we've had some success because we've been able to do that, and I think that's what we'll continue to focus on as we try to recruit talent.

MR. NAUCK: Thank you. Curt, how about you?

MR. FARMER: Somewhat to John, we have been building partnerships with key universities. A lot of our tech organization is headquartered out of our Legacy Detroit operation, and there are a lot of other companies headed toward the area, a lot of the auto manufacturing, and so we've been able to leverage off of talent between those organizations.

I would say that for a long time our bank, and I imagine a lot of banks, would have thought of technology sort of over here on a shelf, and the businesses operated and they kind of occasionally said we need this from technology, and so we really are thinking about technology as really joint ownership, and so every project, every initiative we have has two owners. It has a business line owner and it has a technology owner, and the accountability for the success of that project really lies between both of those individuals, and if there's not going to be a business sponsor, then we really question whether we need to go down the path or not.

I think the idea of, really, incubation and really trying to think outside the box, and so one of the thing the team does for me once a month is we have a technology show and tell, which is they just present new ideas, new concepts, some of them are things we've done, some of them are not fully baked yet, but just really to get us thinking sort of outside the box about what are the -- sort of are the possibility, and the last thing I would say is that most companies think about progression in terms of going from an individual contributor to a leader role, et cetera, and we've worked to develop, really, career tracks for technologists within the organization and really a promotion of their career without having to go into a leadership role.

In some cases the greatest value they bring is the intellectual capital and the knowledge they've got and the creativity that they have, and that seems to allowed us to attract some talent that we might have maybe not otherwise could have attracted.

MR. CECERE: You know, Fritz, I just spoke to 300 data scientists at our bank that weren't here a year ago, and I asked them this question because they were from some large tech firms in Silicon Valley; I said why did you come to U.S. Bank? Why did you come to Minneapolis? And it was because --

MR. CORBAT: Go Twins.

MR. CECERE: Go Twins, right. (laughter) It was because it's -- actually all the disruption that we're talking about is exciting to these people. They're seeing a whole new financial services occurring.

You're seeing some of the big tech firms getting into financial services. So to be part of that creation and change the way financial activity works, is actually kind of cool right now.

MR. NAUCK: Margaret?

MS. KEANE: I think, for us, we've done a couple of things. You know, we have four innovation stations that are really focused on a couple of key areas on development. We've moved to Agile, so we have a lot of Agile teams which are cross-functional. We've actually moved big technology leaders into business operations where they're actually owning a process which has really been a big win because they just think differently, see it differently and accelerate change.

And then we have a business leadership program where we've been very successful in bringing it into Youngtown, and we have three programs we're working with universities, two in UConn, one in Stamford UConn, where we just opened up additional lab. We actually created a cyber program up at UConn Storrs where we actually are creating the curriculum with Storrs on the cyber program that they're developing, so we paid for a chair and two post stocks.

We have a lab up there with students working on our projects, and then we have something out in Illinois where we're working on big data, and we've been able to honestly attract a talent where -- I think, not only attracting. We're attracting and keeping them and for technology people today, it's really about giving them real work and good work and them owning it and they love that, and so the more you can free-up that thinking and get things done, they'll stay because they like working on real things that they really can touch and feel and see getting implemented inside a company.

MR. NAUCK: Thank you. Mike, how about you?

MR. CORBAT: I think as an industry, we've got a great story to tell young people, and that is while banking is a thousand years old, or whatever it is, we are in the very early stages of the next significant chapter of banking and you've got a chance to be in on the ground, and unlike other times in the past where technologists went back into some back room, and, you know, maybe they got some things to work together, they're really helping us reshape what banking is today, and I think that's exciting and around the things they see out there in this movement towards best in life, and by the way, I think a great selling tool that we all have is we're really well-funded as well (laughter), right?

We're committed to this. This is our livelihood and we're going to really see this through, and we really need your help and there's great career paths around it, and I think it's a really exciting time.

MS. KEANE: There's a lot to be said for making payroll, isn't there? (laughter)

MR. CORBAT: Sure. That's great. Well, we've got a number of questions that have already come in; please add others. We're going to go and ask each of the panelists here at GCO (phonetic) kind of what they see as the biggest opportunity at risk for 2020 as we've kind of talked about the macroeconomy, changes in consumers involving technology, and how that integrates into the bank, so, John, we'll maybe start with you and come on down and then we'll come to the questions all of you have sent in.

MR. TURNER: For opportunities, I'm most excited about the convergence of process improvement, AI, and data. We're going to make investments in replacing our core loan deposit systems over the next few years. We believe we can do that within the context of our current technology budgets, and how we think about process improvement which then we use to drive the development of our core systems to both improve the customer experience and importantly transform the operations function to make us more efficient and effective, as we talked about earlier today, I think has tremendous power and is something that we're very excited about.

In terms of challenges, in a slow-growth environment, some will stretch to grow, and I think for us our challenge will be to remain disciplined to focus on the things that we can control and remember it's a long game and so client selectivity, sound underwriting, accurate credit servicing all really important to us as we think about how we get through 2020 and into 2021.

MR. FARMER: I would maybe piggyback on some of what John said around just the economy and the customers that we're working with. I actually feel a lot better about the economy than maybe some of the economists and others would purport and so, you know, we're looking at our business customers, our consumer customers as well. I actually think the economy will perform better in 2020 than maybe some folks are giving it credit for, and so I think there will still be nice opportunities on the lending side.

We are being a little bit more cautious there kind of late in the cycle. I think the consumer is still relatively healthy and so I think that will translate into probably more opportunities than not in 2020 and maybe we can forestall an actual recession. And then secondly we've got a fair number of technology initiatives that are either a customer or a colleague enabling that really are all kind of coming to fruition for us in 2020, and these were a company-wide CRN platform.

We've done a lot of enhancements to our banking center platform, a new onboarding platform for our retail customers, a lot of investment in treasury management capabilities, a new payments platform coupled with some of the things that are more industry-driven like real-time payments that'll be coming down the pike.

MS. KEANE: So I'd say for us it's two things: One, I think there is still an opportunity for us to grow just given the strength of where the consumer is right now, and how do we continue to leverage that opportunity to insure that, you know, for us, one of the things we're working a lot on is personalized marketing. How do we really get right to what that customer is really looking for? How do we support -- because we go through a third party as well as the retailers, how do we support them as they go through their transformation so technology for us is key on the front end.

On the backend it's really a little bit of what everyone said, is how do we get cost out of the backroom, how do we get cost leverage because I think that's going to be a really important point as we go into whenever, you know, the recession does happen, because it will happen someday, we want to all be ready for that and I think getting ahead of that curve, the quicker you can the better you're going to be positioned as you go into a longer term, you know, challenge in the economy. So, you know, we're feeling pretty good about where we're positioned today.

MR. NAUCK: Great.

MR. CECERE: Risk, cyber security economic uncertainty and a disruption, the competitive threat, Opportunity disruption, and what we can do with that digital evolution both for our customers and also on our backroom, we're spending a lot of time on that.

MR. NAUCK: Mike?

MR. CORBAT: I think most have been mentioned. I'll go back to where we started and that's uncertainty, and I think there's upside given where expectations are and if we can get a few things solved or get some more clarity on things I think expectations are low enough that I think you could see a significant improvement in terms of things. And, again, remember in the cycle that, you know, the way I think about it as right now the consumer, too, and the market's nothing, and what I mean by that is when we go back to the end of 2015, oil $28 a barrel, U.S. recession, China hard landing, six, seven months later, new market highs.

Fourth quarter last year, we were sitting here a year ago as pretty dark days. The market was down every day. By the way, we came out of that, markets back to new highs, so if we could actually get some of this uncertainty solved, I think it would go a long way and I'll put the risk the other way. If we have continued or mounting uncertainties, I think it drags us down faster.

MR. NAUCK: Great. Thank you. Well, we have a whole bunch of questions and a few minutes left, so let me start with one some opposed on kind of thoughts around data aggregator practices regarding data and customer consent especially with regard to, you know, Fintech's fraud, et cetera. Margaret, maybe start with you. How do you think about data practices and also let me add to this question, the whole -- how's the regulatory framework evolving here on this data issue?

MS. KEANE: Well, one, I think, you know, all of us have to be prepared for the regulation that's happening and we're well on the path to comply with what California has set as a standard, and I think they continue to evolve what that standard looks like, by the way, (laughter) so we're hard at work t insure that we can fulfill that from a customer perspective.

Look, I'm a believer that we have to be able to -- if a customer doesn't want their data, we shouldn't be sharing it, and, you know, we've all been in businesses where we've had strong privacy rules and regulation and we've all had to comply with that. I'd put this in a similar level.

I do think, though, that we have to get a better handle on what is really happening outside the industry, and where there is things that are occurring that may not be in the best interest of the customer, and, you know, that's where I think, one, we can play a role in that as we continue to talk to our regulators about what we're seeing so that there's transparency in that, but I think that's an area that's going to continue to evolve, and I think at some point, you know, someone's going to say, "Okay, we got to all control where the data is going, and who owns it, and where is it sitting." And, you know, the reality is the consumer should own their data, right, unless it's related to our credit decision where we need to have the access to those types of things? So I think this is going to be a fast evolving discussion, and I think as we comply with California, that'll be the first, you know, level. Hopefully it's that level.

MR. NAUCK: Yes. Any other views on this especially on this regular piece, was curious how that might evolve on the regulatory from be it California or other NAZD or federated piece? Mike?

MR. CORBAT: I think it has the ability to be a nightmare. You know, we got California going, fine, by the way, complete believer, client data, customer data is their data. It's theirs to dictate the usage of and it should be protected, right, and so I think very clear on that. But, you know, as a firm that operates in Europe under GDPR and various privacy regimes around the world, to end up in the United States with 50 individual schemes is a nightmare.

The California attorney general came out with their own study that put the cost of compliance with California's data privacy at $55-billion for the private sector to implement. Take that across the country, and I think what people from my view are failing or what authorities are failing to do today is to take the view from the client experience. All right, what does it mean? And all of a sudden, it's going to be so complicated, and when we think about how many times you go on and you got to click that cookies box and you say, "Do I really need this or not because I'm about to give it all away?"

Are you going to opt-in or opt-out into this? It's going to be so complicated in terms of its application, I think it's going to lose its efficacy and its meaning as part of that, and I think as an industry we need to be pushing very hard at the state level not to get into this continual gold-plating as we go across the country and to push our local politicians and legislators as much as we can for harmonization.

And I think, you know, and if you look at Europe as a little bit of the case study, they've done it in 26 countries. It took a little bit of give and take. They've actually brought some others; they brought Switzerland in; they brought some others in with them and they're all kind of kept to the same overlay, and I think we're going to start in a different place;

hopefully we can work our way there.

MR. NAUCK: Very good. The questions are coming in hot and heavy right now, so, Andy, maybe to you. Every time there's a story about another major hacking incident, it makes me wonder whether we've properly considered the costs of the paradigm shift into digital banking. How do you stay a step ahead of all that?

MR. CECERE: You know, it gets a little bit too old what you're talking about. I think we, as in industry, are so focused on billing thicker walls and higher walls with the data that we have in the house and we sometimes forget about all the doors that we created to send data out of the house, either the customer is asking for the data or we're sending it some place. So I think we need to focus as much on the data that ends in-house as the walls.

I think the value of all this is there. I just think we need to shift our focus a little bit and we're -- you know, that's something we talk a lot about because a lot of the hacks that have occurred haven't necessarily been within the four walls of the institution.

MR. NAUCK: Yeah. Very good. Curt, maybe over to you. A question on, you know, will this evolve toward a handful of central bank digital currencies around the globe in five years, and, you know, can it just go all the way there given the technology and Bitcoin, so on; do you see that happening at all or is that a far out beyond the timeframe we're focused on?

MR. FARMER: I think you have to remember that, you know, a lot of our -- the United States, for example, is served by community and small banks, and so you may end up with sort of a stratosphere of what might work in for larger institutions, commercial customers, et cetera versus what works for, you know, the person that owns the local, you know, grocery store. I personally think the transformation to digital currency is a longer journey than probably the next several years and I still think there's a lot of cyber concerns, a lot of regulatory concerns to work through a lot of potential loss issues to get our hands around before we get there.

MR. NAUCK: Great. Question, and Margaret, I'll start with you, although Andy and Mike may have views as well. With all the interest in point-of-sale lending from non-banks and obviously being involved in cobrand, (phonetic) a private level label cards, how do you see that evolving either from are they complementary or are they, let's say, competitor products or just consumers use all of them?

MS. KEANE: So, you know, look, I think there's been some interesting technology advances that some of the firms have made. I've been around in the consumer credit business for a long time. I'm actually personally as not a big fan of buying, you know, sneakers in four payments, so, you know, I think it'll be interesting to see how these companies evolve as we go through a tougher cycle, but with that said, look, I think the retail market in particular, they're looking for any way to actually sell and keep the customer, so that, in some ways, puts us in a position where we just have to be better, and we have to make sure we're keeping the technology, driving it forward, and insuring that that seamless, frictionless experience for the customer is happening at any point whether it's at the point of sale in the store or sitting on your couch at home.

So, you know, I view these things as, it's always good to have a good set of competitors because it raises your bar on what you have to do. I think the comfort I have is that we have people who answer the phones on the backend, and we have a strong balance sheet and we're going to be there for the long-term, and I think some of this will shake out. I don't think all of it will shake out, but some of it will shake out, in my opinion.

MR. NAUCK: Great. Andy, or Mike, got anything you want to add to that?

MR. CECERE: You know, you think about the way people fund things, historically, home equity loans and credit cards, I think there's going to be an evolution to a different form, and I happen to believe it will occur. So I think we're thinking about how we play in that game as opposed to saying let's (inaudible) it off.

MR. CORBAT: Yes, we've already combined our traditional cards business with our personal lending, just into a lending unit, and I think we're moving much more towards real time, bespoke underwriting, credit scoring, rate applying, terms applying, some as part of normal course of business, some as part of one-off transactions, but I think as an industry that's absolutely where we're headed.

MR. NAUCK: Very good. Question here on kind of the increasing cost of compliance and to what extent to you think that regulatory technology, so technology focused at compliance, audit, et cetera is a way you'll, you know, become more efficient in that realm? John, start with you.

MR. TURNER: Yes, I think we will. I mean, back to my comment earlier about the convergence of process improvement data, artificial intelligence, there are a number of process that are inherently, you'd say, targets for that as an opportunity to improve and I'd say BSAA, no compliance, would be an example of where we ought to be able to use artificial intelligence and data and the combination of those things should improve processes to drive cost down.

MR. NAUCK: Anyone else either using RegTech today or see if --

MS. KEANE: I want to call RegTech, but our audit team is definitely using more decision science to really do their audits which has really helped I think us to go deeper into our operations to really look at areas, and that's been a real advantage, I think as instead of looking at a subset, you can look at the whole data set and that's been a positive.

MR. CECERE: I think AML BSA is a big opportunity. What is done with eyeballs today, if that could be done by machines, it could offer tremendous cost advantages.

MR. NAUCK: Absolutely. There's a specific question I'm interested in here. It's about the consumer experience with respect to a specific feature, BillPay, and say, you know, banks in general and I think part of this is due to our privacy requirements is BillPay may feel maybe a little behind what some other folks in the market could offer. Any views on this or should I move to the next question?

MR. CORBAT: So as part of that, it has been, I think, a more painful experience than we'd ever want it to be for different reasons. But I think the evolution of tokenization and the information inside that we can put inside those tokens is going to phenomenally push that forward.

MR. NAUCK: Very good. In terms of wealth and asset management which we haven't talked about a lot, do you view kind of the move to, you know, zero fees in wealth as well as passive investing kind of a threat to your wealth and asset management divisions respectively to the extent you're in those?

MR. TURNER: In our business, you know, we certainly have a portion of our wealth business that would be aligned more with our traditional banking center branch network, and in that sector you certainly are seeing a movement more towards passive investment, Robo advisors, et cetera, but in the sort of core wealth management business, the folks you think of as more high net worth, so much of that is still driven around advice and really what the customer is paying you for is advisory services, maybe trust services, and other things that we're bringing alongside of it, so it's definitely an evolution, but there might -- I believe there's a way for both to coexist.

MR. CECERE: I think it offers an opportunity, actually, if we think about the digital, the lower cost to democratize products that were typically only available for the affluent to a more broad-based population, so I think it's a good thing.

MR. NAUCK: Mike, a question for you on the deposit program with Google, if you can give some color on that, maybe how you were thinking about it, or do you view it as a cobrand (phonetic) deposit? I’m just reading here.

MR. CORBAT: Sure. So there's more to come and Google and ourselves will be coming out probably fairly early in the new year to talk about it. I think on the surface, really what it is, is it's an interface between the Google search and the Google app and having an embedded bank, having pay. So if you think about today you go on -- and in my analogy, you go on, you search for a garden hose, you ultimately leave, you go to a site and you buy that. Google gets the search; they don't necessarily capture the end transaction as part of that.

What this is, is you will have a bank account, hopefully it's a Citi account in there, and that will be our customer in there. We will have the data, Google will have access to the transactional data, and the search in those things that in many cases they have already today, but they'll be a convenient point where again around single click or, you know, whatever the mechanism is, you've got the ability to consummate that transaction as part of that.

From our perspective, we think it's a very efficient way to bring new clients into the bank. We've got digital services that kind of provide the engine of this today so the technology exists that we're putting into this, and, you know, we're excited about kind of what it potentially means, and, again, it's not just going to be a Citi or others. It'll be an open architecture where other banks will be on it as well.

MR. NAUCK: Thank you. Oh, just one last question, any predictions on Super Bowl winner this season? (laughter)

MS. KEANE: I hate to say it, the Patriots, no? (laughter) And as a New Yorker, I really do hate saying that, but (laughter).

MR. NAUCK: Andy?

MR. CECERE: No, I'm not going to predict a score.

MR. NAUCK: Excellent. All right, well, thank you all, John, Curt, Margaret, Andy, Mike, thank you. (applause) Appreciate it.

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