

## **Bank of America GTS Global FI Checking in Call April 14, 2021**

Coordinator                      Good day everyone and welcome to the Bank Of America GTS Global FI Check In Call hosted by Paul Taylor. My name is Patrick and I'm your event operator. During the presentation your lines will remain on listen-only. [Operator instructions]. I'd like to advise all parties this conference is being recorded for transcription purposes.

And now I'd like to hand over to Paul. Please go ahead.

Paul                                      Thank you, Patrick. Good morning, good afternoon and good evening. My name is Paul Taylor. And welcome to today's Bank of America Checking In Call. Wherever you are, I hope you're staying safe and I hope you're staying well. All of us here at Bank of America really sincerely appreciate you making the time to join these calls and to join us today.

Over the last few weeks we have used this call to bring you, as our key partners, perspectives. Perspectives on the last year, thoughts on the year ahead, from various of our Bank of America franchise leaders from around the globe. We've heard from the CEO of the bank in Europe, the president of the bank in Latin America, the deputy CEO of the bank in Europe, the country head for Mexico. And last week of course we heard from Jiro Seguchi, the Co-President of Bank of America in the Asia Pacific region.

On today's call, I'm going to continue our global odyssey and I'm going to take you to Switzerland, the world's 20<sup>th</sup> largest economy in 2019, 5<sup>th</sup> largest economy in the world in terms of GDP per capita, and one of the super hubs, the most significant markets in the world for financial institutions—whether that's banks, insurance companies of course, asset managers, and increasingly fintech.

Now to talk about what we're seeing in this key market, I am delighted to be joined by Manuel Ebner, our country executive for Switzerland at Bank of America. Before joining Bank of America, Manuel has had an extraordinary career: CEO of BZ Bank, Partner at McKinsey, CEO of Obtree Technologies [ph], CEO of Artificial Life Schweiz, and Partner at Boston Consulting. It's fair to say Manuel has done it all. And so I'm all but happier to have him join us today and to share his perspectives.

Manuel, thank you so much for making time for the call. I'm delighted to have you here. I'm going to pass the baton to you, if I may?

Manuel

Thanks for the kind introduction, Paul. And thanks for inviting me today. You failed to mention that I grew up in Mexico City. So when you mentioned my colleague in Mexico, I correspond with him regularly. And I've been in Switzerland since I finished my MBA from Stanford in 1991. So I've been here for quite a while, but I was outside of Switzerland before that in Mexico and the US.

Now I wanted to touch on a couple of points today. First of all, how has Switzerland responded to the COVID-19 pandemic? Secondly, the effect of the crisis on the Swiss economy and Swiss companies with a bit of a focus on FIs. And then some personal observations about the pandemic and what helps me when I think about the pandemic from different perspectives. And an appeal at the end to all of you to make a positive difference.

So let me start with the Swiss government response, which was very swift, in March 2020. So just over a year ago, we were ordered to stay at home. We had a lockdown, which was compared to other countries fairly moderate because we could still move around the country. Supermarkets were always open. Post office was always open. And banks were always open.

We had a very well-defined plan of action supporting the economy to avoid unnecessary panic, both social and economic panic. And yes, we too had these panic purchases of toilet paper for some reason. But the panic was very short-lived.

The measures included a very well designed furlough scheme which we have traditionally had in German-speaking countries, so employees kept on receiving wages. There were a series of government guarantees put in place, government guaranteed loans for small and medium sized businesses to ensure companies have access to liquidity, especially for companies that did not have access to capital markets.

Fortunately, capital markets were open within days of the start of the pandemic. So we saw convertible bonds. We saw straight bonds. We saw equity capital raises that took place just weeks after the dips [ph] of the pandemic started. So that worked very well. And the guaranteed loans were administered to the local banking system. So this time around, I'm glad to say the banks were part of the solution and not the cause of the problem.

But let me give an example that initially guaranteed loans were calculated as two months of revenue of the companies applying. These companies could go to their local bank and within ten minutes get the money with

minimal formalities. But this calculation obviously didn't work well for start-up companies, especially pre-revenue companies.

So the start-up lobby brought this to the government's attention. Within three weeks we had an amended system that covered also start-up companies. And basic calculation on prior year's costs instead of prior year's revenues. So this is an example of the benefits of living in a small and well-organized and well-funded country.

So if I look back at 2020, Switzerland's GDP decreased by around 2% vis-à-vis 2019. And this compares quite favourably if you compare it to some of our large neighbours who in some cases their GDP went down around 8%.

Switzerland went into the pandemic from a position of strength. We had very low unemployment rate, a strong balance of trade, strong [indiscernible - 6:35] plus, low government debt. And something that I actually had to look up the word because every time people talk about the government debt, and it's hard to find that other word, which is a fiscal surplus. So we came into it with a fiscal surplus and a strong independent central bank.

The impact of the lockdown and travel bans affected companies in a very uneven fashion. Some sectors suffered a lot in immediate damage, like restaurants, fitness centres, airlines, and some of the hotels. And I say some of the hotels because business travel went down dramatically. But because Swiss weren't allowed to travel outside, most of the traditional tourist destinations were able to gain some Swiss clients.

Other sectors flourished such as online shopping, and people diverted money that they had saved by not traveling and bought sports equipment, home refurbishment, etc. So it was quite uneven. Overall though, despite Switzerland being very dependent on tourism and luxury goods, we fared okay.

Two examples that I can give. Kind of two extremes. We supported the financing of Dufry [ph], a global duty-free company, who was very strongly affected obviously and remains strongly affected. We just did another bond for them days ago.

And another extreme was the online pharmacy called Zur Rose [ph]. You can well imagine that online pharmacies really did very well during the pandemic. So we were able to do a convertible bond for them and also finance their growth as opposed to just finance their liquidity.

Overall the stock market, like in many other countries, is trading at record levels now. But you have to consider that practically none of the heavily affected sectors are publically traded. And even the luxury goods stocks that were impacted by the travel bans have now recovered and most of them are trading above pre-crisis levels.

If I look at the shares of Swiss financial companies specifically, they have not done so well on average. So insurance companies continue to suffer due to extremely low interest rates—it's hard for them to invest their money—and relatively high claims, and in some cases claims that are still yet to come.

Bank [ph] stocks have generally recovered from pre-crisis levels with notable exceptions, like Credit Suisse which is suffering from a series of self-inflicted wounds. Some lapses in client selection, risk management, and compliance.

A great exception to this challenge in financial services is Partners Group, the private market specialist whose shares are up about 150% since March last year. They now have the market cap at around Fr.36 billion Swiss francs. And that compares to Fr.24 billion for credit Suisse, just as an example.

Let me turn over to some personal observations from the perspective of a Stanford educated engineer with an economics degree. I also add that it's the perspective of the co-founder of a basal-based [ph] healthcare incubator who's developing a next generation COVID vaccine.

When I speak about the 2020 pandemic, I like to differentiate between four different pandemics. One, the health pandemic—so COVID—the resulting economic pandemic, the information pandemic, and the social pandemic.

Let me start with COVID-19. So COVID-19 hit many countries very hard. Many were ill prepared to cope with the rapid spread of the SARS-CoV-2 virus. We are approaching 138 million confirmed infections world-wide and almost 3 million reported deaths due to COVID-19. A year ago we saw some regions overwhelmed by the first wave with hospitals and ICU's stretched beyond their limits in cities like Bergamo. We all remember the footage from Bergamo a year ago.

We have learned a lot in the last year about the best possible treatment protocols to reduce mortality rates, but we still don't have an effective cure for the disease. What we do have are very effective vaccines. And it is a miracle of modern science that several vaccines have been developed

and approved for use in such a short timeframe, especially the new mRNA vaccines from Pfizer, BioNTech and Moderna.

But the rollout of the vaccines has proven to be a bigger challenge than expected across Europe. In Switzerland we have 7% of the population who have received two jabs already, so fully vaccinated. That compares favourably, but just a little bit better than some of our neighbours in Europe. Well behind the UK and well behind the US.

But beyond the healthcare pandemic, we have observed an economic pandemic. Initially there was a panic of countries shut down to slow the spread of the virus. Fortunately the panic was very short-lived as people adjusted quickly to working from home where possible.

But the real challenge I see is the inequality created by the safety measures. Because while some workers could easily switch to working from home, where some jobs can be done from home—I haven't been in my office since March 16<sup>th</sup> last year—others don't have the possibility to earn any money if they can't leave their house. And the economic recovery will most likely be some form of a K-shaped recovery with some countries and sectors recovering quickly while others will continue to suffer for years to come.

It begs the question how we will come out of this crisis. Will we be able to break our addiction to stimulus packages? And how will we repay the stimulus packages? Will we face higher taxes? Lower government spending? Higher inflation? These questions remain open.

I'd also like to speak about the information pandemic because parallel to the health and the economic shocks, we have seen an unprecedented surge of fake news, conspiracy theories, and misinformation. I'm always surprised how some people who months earlier could not tell the difference between a bacteria and a virus now consider themselves experts on viruses, vaccines, and the government plots to control our lives.

I find it very useful to remember the Dunning-Kruger effect in psychology which states that people who are ignorant around a topic generally overestimate their knowledge and are very vocal, while real experts on a subject tend to be more humbled and modest because they know how much they don't know.

And finally, I'm very concerned about the social pandemic we have faced and are facing. The lockdown and fear of the virus has thrown society into a big social experiment. Some people have been able to cope well, taking

care of their health, taking care of their family, and staying close to friends with any means possible, where other people really struggle.

And you see some examples of this in the US in Black Lives Matter movement or the right-wing storming of the US capital in January 2021. In Switzerland I could give an example: we have had a five-fold increase in diagnosed cases of depression since 2019. And as I mentioned before, I think we have mastered the crisis relatively well.

So let me close by appealing to each one of you to take an active position to help people within your company, your community, your friends, and your family, and also to take care of yourselves. Actively look for signs of physical and mental health problems and try to address these. Support the people close to you. And I also implore everyone to take an active stance against misinformation and against these vicious conspiracy theories that pop up.

Let me end on a quote attributed to the writer Martin Porter [ph]. And he says, "Perpetrator, collaborator, bystander, victim: we can be clear about three of these categories. The bystander, however, is the fulcrum." In other words, only the bystander can make a difference. So don't be a passive bystander when it comes to social injustice or misinformation. Each one of us has to take an active role in making this world a better place.

So with that, Paul, I'll give it back to you. If you have any questions or comments, feel free.

Paul

I love it. Manuel, thank you so much. Enlightening, as always. I do, if you don't mind now, I do have a couple of questions for you. So I referred to your background. I clearly omitted to mention that you were brought up in Mexico City. But I referred to the fact that you've run technology companies, you've run banks, you've been a partner to the world's biggest strategy consultancies, and as you mentioned yourself you're the co-founder of a healthcare start-up.

With all of that in mind, and bearing in mind everything else that you just said, as you think about the next 12, 24, 36 months and you reflect on what's happened to the world over the last 12 months, what was it that gives you the greatest cause of optimism for the next 12 months? What is the thing that you think comes out of this that we should all feel better about as a result of what has happened?

Manuel

I'm super optimistic about vaccines. I mean it's one area where I think it almost borders a miracle that within 12 months of not knowing what this virus was, within weeks we had the virus RNA sequenced. And within

less than a year we had vaccines in people's arms. And especially the mRNA vaccines, as I mentioned, that basically help your body produce the spike protein that then your antibodies can combat. And it borders on a miracle.

I'm really hopeful and optimistic that once a large proportion of the population is vaccinated we will get the situation under control. And hopefully it'll be a lesson for the future. But we have to react very quickly. We have to share information very quickly. We have to take things seriously early on. And not wither [ph] when something like this comes up next time.

Looking back, I think things could have been done very differently and I think all of us would have reacted very differently. Again, knowing how long and how deep this probably would have been, we would have taken different steps like testing very, very early and having maybe a harder lockdown for shorter.

During that lockdown really testing everybody and seeing where the infection has actually taken hold. And addressing that as opposed to locking down 100% of the population where you know that only a small percentage of the population was infected with the virus.

So I hope we learned from this, but I don't know how optimistic I am on that because it would be a concerted learning that requires a concerted effort across different countries and across different philosophies of how to [indiscernible - 19:55].

Paul

Yes. So I guess your optimism is around the advances made in vaccines and with hopeful optimism about lessons learned in the event that we were to ever have a pandemic again. Maybe just sticking to—you referred to health technology—maybe just sticking to technology for a second.

One of the things that certainly has dominated for most of the clients and partners on the line that I've spoken to, and even on these calls over the last few months and weeks, has been technology. And the fact that so much of our lives has revolved towards greater digitization and towards a greater digital transformation.

I just wondered, as somebody that's run technology companies and now runs a significant banking franchise, how do you think about that digital transformation? And where do you, as you do think about that, where do you see that going?

Manuel

Yes. I mean I've been working on digital transformation for more than 20 years now. And I ran an artificial intelligence company back in 1999. And

we had chatbots and we had online advisory tools, robo advisors [ph] you'd call them today. On the one hand I'm surprised how little has changed, and on the other hand I'm surprised how dramatically the change has been.

By that I mean it's been very fundamental that if I think back 18 months ago, if I had told my compliance head here in Switzerland that we would have our equity traders working from home, she would have said that's not possible because we need to do voice recording. We need to know exactly what orders are entered and make sure that the confirmations are sent automatically to clients, etc.

And then suddenly from one day to the other it was possible to do. And it happened. The pace of transformation has been dramatic. People, 18 months ago, I don't think anybody on this call would have known what Zoom was and today we can't think of how we can live without it. Be it Zoom or MS Teams or Webex or Google Hangouts or whatever.

So we have so many different ways of communicating, but having said that the more things change the more they remain the same. The personal contact I think is where when I mentioned the rate of diagnosed depression cases in Switzerland. I think the challenge is that people do miss that human touch. And when you get off a Zoom call you're suddenly alone.

That's really different from the way we used to have our normal management meetings where if you have ten people in the room and you got out faster at the meeting, some people have to scurry away to the next meeting, but two or three hang around and talk about the important things in life.

I did the virtual wine tasting once in the last year. And I don't have to do it again, thank you very much. I did this virtual cooking class together with friends once and I don't have to do it again. It's not the same thing.

So I think technology has changed dramatically how we are able to conduct business, which is a huge benefit. But I don't think it replaces the human touch.

Paul

Well said. Well said. And of course the more that we can do to increase or to replace that human touch, whether it's through calls like this or whether it is through other media. And of course eventually hopefully we'll be doing these types of interactions again in person, then so much the better.

Manuel, I can't thank you enough. I can't remember—we've done 45 or so of these calls over the last 52 weeks—I can't remember any of our speakers covering a broader tableau than I think you have today. So I really, really thank you for making the time. Thank you.

And to all of our partners, to all of our colleagues and clients on the line, thank you. As always, thank you for continuing to have [ph] these calls. I desperately hope that you find them interesting, that you've found them useful, that they bring a different perspective.

Of course if you have feedback, if you have questions, if you would like me to pose a question to Manuel on your behalf, I would be only too glad. Please just hit reply to the planner and let me know what you're thinking, and I will follow up as quickly as I can.

We are back next week. We're back on Wednesday the 21<sup>st</sup> of April. I'm going to be continuing my virtual globetrotting and I'm going to be joined by our CEO of Bank of America in Brazil, Eduardo Alcalay. Eduardo has a similarly very interesting background to Manuel. And I'll be asking Eduardo to share his thoughts on how the crisis has impacted and continues to impact in Brazil, and how that huge, huge market thinks about the way forward out of this crisis.

So I really hope you'll be able to join us. Thank you again for making time for us today. I will speak to you very soon. Thank you.

Coordinator

Thanks to our speakers. That concludes your conference call for today. You may disconnect. Thank you for joining and enjoy the rest of your day.

*[END OF CALL]*