

**Bank of America GTS Global FI Checking in Call
May 12, 2021**

Coordinator Good day, everyone, and welcome to the Bank of America GTS Global FI Checking in Call hosted by Paul Taylor. My name is Annie and I'm your operator today. During the presentation your lines will remain on listen-only. [Operator instructions]. I would also like to advise all parties that this conference is recorded.

And with that, let me hand it over to Paul. Please go ahead.

Paul Thank you, Annie. Good morning, good afternoon, and good evening. As Annie just told you, my name is Paul Taylor. I am Global Head of Financial Institutions within Global Transaction Services here at Bank of America.

As ever, I am delighted, sincerely, to be your host on today's checking in call. Listen, folks, wherever you are, I really, really, really hope that you are staying safe and staying well. And thank you for joining today's call. Obviously, over the last few weeks, we've heard from a number of different country and region execs from across Bank of America, and that's given us the opportunity to hear their perspectives on how the last 12 to 14 months have played out for them, and kind of where they see their respective markets going.

Today, I'm delighted to be joined by Adam Howard. Adam, if you don't know him, is President and Country Head of Bank of America Securities in Canada. With all due respect, all of the other markets that we've heard from over the last few weeks, I don't think it's overstating anything to say that they don't come much bigger than Canada. Second largest country in the world by area, largest land border in the world, 5,500 thousand miles of land border with the US, of course. And whilst it only has the world's 38th largest population, 9th largest in GDP—that's estimated this year to come in at just under \$1.9 trillion—and 18th largest by GDP.

So, Adam runs the bank's entire franchise in Canada, a franchise that includes fixed income, equity sales and trading, corporate, investment banking, transaction banking, and commercial banking.

Adam, thank you so much for joining. I'm really, really pleased to have you on the call.

speaking, Canada is significantly behind the US in vaccination rates. And we are still, for most of the country, in lockdown.

The population is not governed really at a federal level. It's governed at a provincial level, in terms of the freedoms that people have had through the pandemic. So, different provinces are in different stages of lockdown. But the border—and Paul alluded to it in your comments where you said it's a 5,500 mile border, it is the longest undefended border in the world, and that has been closed to tourism for 15 months.

It has been open to the movement of goods, and we are almost at pre-pandemic levels in terms of goods going back and forth; but in terms of travel, and the tourism industry, obviously significantly impact from a Canadian perspective.

So, if you look at our financial markets and our government response, it's very akin to what we've seen in developed countries around the world, where there was a very dramatic sell-off of both the equity markets and our currency, very, very significant stimulus by the government, and it has continued where we just had our first budget in the last 18 months with an incremental \$100 billion of stimulus, in order to get through to the other side of whatever the world looks like post-vaccination.

But I would say, from a general morale perspective of the country, I think that Canada is very frustrated generally about how slow the vaccination rates have rolled out, relative to what we see in the US, where we are seeing major cities, like Chicago, New York, significantly ahead of us in terms of opening up.

And then in terms of our own just Bank of America population, I think like everyone probably on this call, we were surprised as anyone how effective we were working remotely. We've had 90% of our staff working remotely. We still only have 10% of our staff in the office. We have no plan for rolling people back into the office before September, as of now. That may change if the vaccination rates accelerate. I would say we were very pleasantly surprised on how effective we could be in running our business, but I think now that we're 15 months into it, it's becoming much more challenging, in terms of people's level of overall engagement.

We've had a lot of new hires. It's really hard to integrate them into our platform. We've had a lot of junior hires. It's really hard to teach junior bankers, junior transaction services people, or junior sales and traders how to actually learn the business if they're sitting at home with a computer, as opposed to being on a trading desk with colleagues, in close proximity to people.

So, those are the challenges we're facing, and I think it's very different than had we had this call six months ago or nine months ago. I'm sensing a lot more fatigue among our people with the working remotely, which we may get into later on on the call, Paul, but I just thought I'd sort of give you a sense of how the transition of our population has occurred over the last six to nine months.

Paul

Yes. Look, I think a number of colleagues, and friends and partners on the line, will relate to your point about lockdown fatigue.

I'm curious, Adam, just within all of that, and as you describe the Canadian experience as it's oscillated over the last 12 or 14 months, any striking new themes in terms of your conversation with a client? Any striking themes in terms of where clients are focused, or how indeed that focus has changed during the pandemic?

Adam

I would say when I talk to CEOs of companies, and these would be, because our business model is focused on larger companies. We don't have a small business marketing activity here in Canada. So, when I'm talking to CEOs of relatively large companies, if I had to make a gross generalisation—and this is just Adam Howard, straw poll, based on conversations.

There is this stronger desire for a return to office and a get back to what 2019 looked like by and large. What I mean by that is, there's a lot of conversation, has the workplace changed forever, and we're now, a much higher percentage of us are going to work indefinitely remotely? And the CEOs of Canadian companies feel that we're going to probably gravitate more back to where we were than continue this journey on this remote working, from the simple fact that I think a lot of people are challenged that lead companies on how to actually keep the morale of their company together, and how to keep people engaged.

And the job, when you work remotely, it becomes very, very task-oriented, and you lose that essence of feeling part of something. And so, this is, I think, what a lot of the people that I talk to are thinking about in terms of holding their company together from a feeling that people have a common mission, good morale, etc. And then translating it specifically into, what does your business look like? Everyone is rethinking their real estate footprint.

We, at Bank of America in Canada, we have two disaster recovery sites, for example, if we need to run our sales and trading business, and we are going to give up some of that real estate, because we've realised, actually, we can very effectively do our sales and trading business from home, and we don't need these disaster recovery sites.

So, if Bank of America in Canada, which is a long way from the biggest bank in Canada, if we're thinking of that, I have to think that all other leading Canadian financial institutions are also thinking about their real estate footprint and the impact on that.

And so, I do think that there will be changes to the actual footprint and the workplace, from a real estate perspective, but I also, that has to be balanced with, I'm thinking that people will want to come back and be part of a community again, and not just be isolated. And I think because Canada is a geography that is, 90% of the Canadian population lives within 100 miles of the US border. So, just draw a fine line straight across that border. That's where Canada's population resides.

And we have been predominantly shifting more and more over the last 50 years to an urban population, and that urban population wants, I think, to be part of the corporate world, and to be part of the corporate world it doesn't mean sitting in your condominium. It means being part of an environment and working in an office.

Paul Yes. It's interesting, Adam. Correct me if I'm wrong, but I think I'm right in saying that Canada is Bank of America's largest international market, outside of the US; is that right?

Adam That is correct. It's not by design, it's by a result of several mergers over the last 20 years, but that's true.

Paul No, understood. I guess the point I was going to make was that, in the same way that you described Canada looking towards, I think you described it as the elephant in the south, but I may get into trouble for saying that. I think for many of our US-based clients, who think about markets beyond the US, obviously, Canada is self-evidently probably the first thought [ph].

From an economy perspective then, given everything that you've shared so far on the call, from an economic perspective, how would you kind of frame your outlook, the Adam Howard view, on the Canadian economy over the next 12 to 14 months? Assuming, of course, that vaccinations do catch on, and that the infection rate and the ability to be back to some sort of business as usual comes sooner rather than later.

Adam Yes. So, in the short term, I mean, we're being buoyed [ph] a little bit by rising commodity prices, which is helpful to our mining industry, and more specifically to our energy industry in western Canada. So, that's beneficial in the short term. And our own economic forecasts, and so far we've been pretty accurate, we are predicting a very, very sharp rebound this year in

GDP, upwards of 6% to 6.5% year-over-year, is what we're predicting by the end of the year. So, a very sharp return.

I think the big black cloud on the horizon that I worry about is the debt that we've incurred in Canada. On an overall debt level, if you look at it across the G7, we've been very competitive, but we have, both at the federal level and each of the provincial jurisdictions, who have their own borrowing programmes, all of these entities have had very aggressive borrowing programmes. And the fear is that that is because—if we are in an environment with rising interest rates, so much of the budget is going to be allocated to interest expense, and obviously that's going to impinge on growth, and tax rates will go up, etc.

And so, I think the shorter term looks okay, 6 to 12 months. I think when you get 18 months, 24 months, 36 months, I think it becomes much harder to forecast, because we're going to be more beholden to more macro events like commodities, interest rates. I personally worry about our government's ability to contain spending. Politically, it's very easy to throw as much money as you can possibly throw at COVID right now. You don't pay a political price for that. You're going to pay a political price if you don't throw enough, and if you can't get the economy reopened.

But there is a price to be paid for that, and I really worry that our competitiveness will not be what it is today, 18 months to 2 years from now, because of the debt that we're incurring to get us back to some sort of normalcy that we saw in 2019.

Paul

Yes, of course, commodities have been on a tear, especially the last few weeks. I saw one very famous institutional investor saying that the hit stocks of last year were Netflix, Zoom, and Peloton. The hit stocks of this year are lumber and iron ore. And, of course, hopefully, Canada stands to benefit from that, as you say.

And maybe just staying on that for a second. One of the things that you and I have spoken about in the past is ESG. And obviously, we have the UN Climate Conference later this year. And we've seen our bank, and we've seen a number of other institutions make commitments as we head towards that.

Would love to get your perspectives, from Canada, in terms of kind of where you see ESG in that mix, where you see it on the agenda, and the extent to which ESG, given that everything that you just said about the economic outlook, and thoughts about retaining debt, where ESG even sits on the agenda right now.

Adam

Yes. So, ESG gets like it is everywhere, it gets a lot of focus, but I would say, from a Canadian perspective, we are different. We're certainly different than the US, and I'm not sure a lot of people understand the subtleties. First of all, from a diversity perspective, Canada is one of the most diverse countries in the world. We, in our office of 600 people, have 50 nationalities. So, the diversity conversation is very different in Canada than it is in the US.

What gets of the ESG, the biggest focus is the E, and it's because Canada built its economy over the last hundred years on what we refer to locally as the extractive industries. So, metals and mining, forest products, oil and gas. If you pull it out of the sea or the ground, that's what has really driven Canada's economic growth. But it's much harder, for reasons we all know on this phone call, it's much harder to attract capital as large institutional investors develop their own ESG policies, it's much harder to attract capital to those industries in Canada.

And so, what we're really seeing now—and I think from a Canadian historic perspective and inflection point where the Canadian economy is shifting away from the extractive industries, and much more to a sort of intelligent economy, if you will, of technology, healthcare, fintech, start-ups, and that's not just me saying that. That's reflected in, if you look at the market cap, on a percentage basis, of energy and metals and mining today versus what it was of the TSX 20 years ago is probably half. And if you look at the market cap of technology companies, fintech, healthcare, it's probably triple today than what it was 20 years ago.

So, the stock market is reflecting what my comments say. And I really think that's, from a Canadian perspective, the biggest focus is on the E, the environmental.

And then another issue that gets a huge amount of publicity and focus in the media in Canada is, Canada has between 20% and 25% of the world's fresh water, and eventually, fresh water will have a price tag on it, and how do you regulate that and how do you deal with it from a government perspective gets a significant amount of tension [ph].

And so, the ESG debate, I think we're focused very much on the E, and as I said at the outset, Canada has been built on the back of diversity. And just one small fact, on a proportional basis, Canada has ten times the immigration on an annual basis than the United States. And we continue to have very, very significant immigration from countries around the world, and that's, frankly, what has built our country to what it is today.

And the current government has recently issued a policy that the levels of immigration, if anything, are going to increase. So, the whole ESG debate, just to close, I think Canada's population is much more focused on the E part of that.

Paul

That's amazing. Sorry, I can now only think about the price of water. But, no, very, very helpful, and, of course, ties in neatly with your previous remark about the Canadian economy and where it goes in a more E-conscious world.

Maybe just one last point. You referred to our population of the bank. You referred to the fact that we've all become a lot more accustomed to working from home. We've had to, even if that does bring a certain amount of lockdown fatigue, as you said.

One of the conversations I seem to have with more and more of our partners on the line is the future of work, return to office, and so on. How do you think about that as the leader of an international franchise?

Adam

Well, my answer, I have to caveat it at the outset, because if you've known, I have been in the industry for 40 years, I'm of a certain generation. So, i.e. I'm not 21 years old, and I think they think about it differently than I do. But I think our business is a social business, and it's an information-sharing business. And one thing that I have learned through the pandemic is, I actually thought information sharing would have been just as effective away from the office had I been in the office. And I can categorically say information sharing is much more effective in the office. It's much faster, and it's not on a linear basis.

And so, what I mean by that is, when we're all working remotely, you go from one call to another, and your day is set up very much in a line. When you work in an office on multiple issues with multiple people, you can triangulate through all of them all of the time on a much more, I would say, on a fast basis, but on a more effective basis. That's from my chair.

And then our most junior people that are confined to very small living spaces want to come back to the office. and then there is a group of people, depending on their job, if their job is in operations where they are sitting in front of their computer all day, and don't need to interact with that many people during their day, they're, I think, much—and they like their home environment, they're much more content not returning to office.

I think we're going to be in a place where not one size fits all, and we're going to have to be flexible as an organisation to allow for what people want, but I do fall on the side—and this is a personal view, I'm not speaking on behalf of Bank of America, my personal view—is I fall on the

side of we will be a more effective organisation if we are more often than not in physical proximity to each other doing our jobs.

So, that is just a personal belief.

Paul Hear, hear. So, fair to say, Adam Howard, that, in closing, Adam is ready and waiting for all of our clients to come and see him in person in Toronto, right?

Adam No, I'm more than able to go and see them. That's what I'm looking forward to.

Paul Even better, even better. Adam, I cannot thank you enough. Thank you so much for your candour, for your openness, for just sharing some of the perspectives that you have. I really appreciate it. And, of course, to all of our friends and our partners on the line, I hope you appreciate it, too, in that, I hope you find it valuable. I hope you find it to be a great use of your time.

Of course, if you have any questions coming out of today's call, if there's anything that you wanted to follow up on, feel free to hit reply to the planner, drop me a note. I will gladly share with Adam, and we'll get back to you.

But again, Adam, a huge thanks to you, and, of course, to all of our partners on the line, huge thanks as well.

We are back next week. We're back on Wednesday of next week. We're going to tack in a slightly different direction for next week's call. If there has been one major theme that has dominated all of my interactions once I'm with clients over the last 12 months, it's definitely been the transition to digital. And so, really, really excited. Next week we're going to kind of change up the format a little bit, and we're going to bring Julie Harris, who is our Global Banking Executive for Digital, and Tom Durkin, who is our Global Head of Channels within Transaction Services.

And we're going to bring them both to the call for kind of a fireside chat about where they see digital today, where they see it going, where they see the key changes going forward, the thing that they're most excited about, and, of course, the things that keep them awake at night.

I really hope that that is useful to you. I hope, really hope you'll be able to join us. Until then, please, please, please stay safe, stay well, and thank you again for joining us today. Take care.

[END OF CALL]