

## CONVERSATIONS WITH MIKE MILKEN



**Thomas Gottstein**  
CEO, Credit Suisse

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**Mike Milken:** Thomas, thank you for joining us today.

Thomas Gottstein: It's a pleasure to be with you, Mike. Thank you.

**Thomas,** there's this famous quote by Lenin that there are decades where nothing happens and there are weeks where decades happen. You became the CEO on February 14th, 2020. Granted, you've been with Credit Suisse for more than 20 years, but I'm still sure it's probably not the way you envisioned taking leadership of the company. What were your first steps as CEO and how has the company and its employees performed over the past few months?

You're absolutely right. I didn't expect that the world would change within three weeks after my start, but that's exactly what happened. The priorities immediately shifted to (1) the health and safety of our employees, (2) the needs of the clients in this crisis and how we can help them, (3) the liquidity of the company, (4) the capital of the company, and actually profitability became only number (5). That was really guiding my thinking

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during the days and the weeks that followed and was really a very hectic time. It has somewhat stabilized now, but we're still not out of the crisis, of course.

The Milken Institute has had a long, close working relationship with Credit Suisse for decades. And I was with a number of your colleagues in Saudi Arabia and Abu Dhabi at the Milken Institute conference for the Middle East and Africa, Bahrain, and then South Africa for our medical conference. When I got back on February 17<sup>th</sup> or 18<sup>th</sup>, my view of the world had changed and we had directed all the 10 centers of the Milken Institute and our medical foundations to begin to work on this. What were your biggest concerns as it related to your clients?

If I look at the Swiss market first, my immediate reaction when I saw the lockdown in Italy, was it was only a question of time until the lockdown would happen in Switzerland. It was clear that this would immediately result in financial stress for the broader economy here in Switzerland and especially also the small and mid-sized enterprises (SMEs). We developed thoughts on how we could help them, how we can put in place an effective SME financing and bridge loan facility within a few days. I'm really proud about the fact that we managed to do that in close collaboration with the finance ministry; with the government; with the Swiss National Bank; the market regulator here in Switzerland, FINMA; and then also with the other banks. And Credit Suisse went into to lead on that program, and within a few days we had put in place a fr. 20 billion rescue package, which allowed clients – be it dentists, hairdressers, restaurants – to get 10% of the last year's turnover within half an hour. They go to their bank, they need to fill in a one-page document, and they got the money. That was extremely effective and successful, and within a few days the government decided to double the amount from fr. 20 to 40 billion. So that was on the Swiss side.

Obviously outside Switzerland we saw immediately the drawdowns happening and

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wanted to provide the liquidity, wanted to help them also to the go to the capital markets if and when possible. Some of the capital markets were shut, but some of them, especially in investment grade, were and remain open and that's where we could help them. The same is true in Asia with our APAC clients.

So we obviously had different client segments and different needs of our clients in the various regions, but we really wanted to be there for our clients. The coronavirus crisis actually helped to strengthen those historic or traditional functions of banks, which is to provide liquidity and credit lending to corporates and individuals.

**As we think about May and the beginning of opening of Switzerland, and parts of Europe starting to return to work, how is that process going?**

About two weeks ago we started with opening all the other medical establishments, starting with dentists, with elective operations. And then on the 11<sup>th</sup> of May they will open up retail shops, primary schools, restaurants, and hotels. So that is the next step but it will be with restrictions. So you can only sit at tables in restaurants with four people; you need to respect social distancing. But it will go step by step, and hopefully this will be a positive experience and we will not have a spike back. You have other countries around us like Austria and Germany, also Italy is starting to open up. So things are going in the right direction, but you have to be careful and you don't have to rush it.

**One of the things that we've been focused on at the Institute is whether the role of banks will change. How do you envision the role of banks now, and do you see that evolving in the future?**

Since the financial crisis, there were a lot of negative comments about the role of banks. We all made mistakes, there's no question. But in some ways, this crisis has helped us to emphasize the important role banks can play in supporting the broader economy and supporting private individuals, corporates or institutions in times of crisis with capital. Fortunately this crisis has not developed into a financial crisis, but it could still become a financial crisis. We all hope it won't, but it's too early to declare victory, that's for sure.

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It was amazing how well the operations worked with 90%-plus of our employees working from home. It accelerates the whole digitalization in banking. But secondly, it also throws up the question, do we need all this real estate, all these offices, and can more be actually done from home? But I think definitely that's one of the lessons we learned from this crisis – that that's definitely doable and it works. So we'll have to see.

We have also a trend here in Switzerland, like everywhere in Europe at least, that banks will close down branches. And unfortunately I think that will continue and will potentially be accelerated because people will go less physically to branches. Also, the use of cash is going down. During this crisis they prefer to use contactless debit cards or credit cards or their smart watch. So I think that will also be accelerated, the move away from cash. So it will definitely change consumer behavior, and banks will have to adapt to it.

Thomas, it's interesting, you and I are both old enough to remember going into those offices that had a tape that you could watch that told you where the stock market was going. Now you can pull it up on any mobile phone. And the interaction that you've outlined here, the digital interaction, whether it's payment, whether it's working from home, I think you have correctly outlined that this will probably accelerate what would have happened anyway. I think one of the things that's really been amazing for me to see is that your firm and its commitment to liquidity, the interaction seamlessly with your team, with them working from home, has been amazing to see. What have your managers told you? Were you surprised the amount of secondary trading and liquidity the firm was able to provide with traders and salesmen?

Absolutely, I was deeply impressed. They managed much bigger volumes than in any normal period, and we were really very proud and still are very proud how our fixed income and equity traders managed these challenges, because it was certainly not an easy environment.

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Thomas, I'd like to cover another area, and that is that your firm has been responsible in the money management area for well over a trillion dollars. You have been a leader in this area for a very long period of time and have more than a century or so of experience. What did the money management or the advisory groups inside your firm do as it related to the clients' wealth that you were responsible for?

When stock markets move five to 10% on any given day and you have huge volatility spikes, you want to hear from your banker, you want to know the facts, you want to discuss strategies. There is no general advice that you can give that is true for everybody. You always have to look at the specifics and the situation of the client. Clearly in these markets there were times where pretty much every asset cost went downwards, but as long as you stay in close contact with the client, you usually find good solutions.

**How are the economies of Switzerland and Europe faring today, and what are some of the key initiatives being put in place that you are personally monitoring?**

Everybody expects that all the European countries will be showing a recession for the full year 2020. It will take time to improve. And what you see is, in between certain countries, different consumer leverage exposures, credit cards and mortgages.

Switzerland is very conservative, so it's probably better positioned for a crisis than other countries, but even Switzerland will go through a recession, and we'll have to make sure that people will be able to go back to work and that unemployment will not spike too much. All countries have their version of fiscal stimulus to provide financial support to corporates and to individuals. But all of these financial support measures and fiscal stimulus will ultimately result in higher government debt, and it will also lead to longer periods

of zero interest rates if not negative interest rates in Europe. And that makes it difficult for pension funds and investors, obviously. But that's clearly one of the results of this crisis – that interest rates will continue to stay low for a longer time. Sorry to sound a bit negative, but unfortunately that's the truth. But on the other hand I also think that we'll all come out of this crisis with more experience and with more strength.

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**Thomas, I want to thank you for joining us today, and I want to commend you and your firm again for the enormous liquidity and market-making that you've provided that has allowed hundreds if not thousands of companies around the world to liquefy themselves, provide access to capital. And I am sure that this experience will make you and your firm stronger.**

Well thank you very much Mike, for having me on your show. It was an honor to be talking to you, and thank you very much for your kind words. We will certainly try as a team and me personally to do the best we can. I'm sure together we'll come through this stronger.