

PRESENTATION ON MERRILL LYNCH

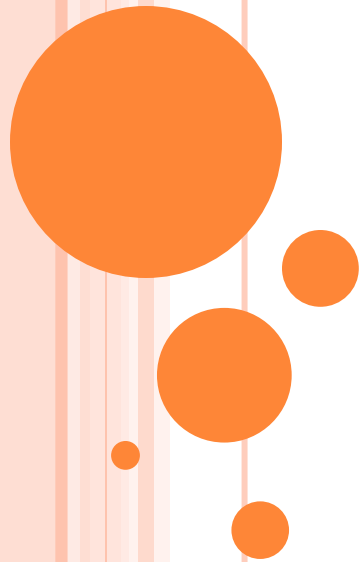
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MERRILL LYNCH

Subprime Mortgage



before



after

WHAT IS AN INVESTMENT BANK?

An investment bank

- Aids a company in acquiring funds
- Offers advice on company transactions, such as mergers and acquisitions
- Generates funds for a company by selling stock to public shareholders or by seeking out venture capital or private equity in exchange for stake in the company



WHAT IS A COMMERCIAL BANK?

A commercial bank

- Lends money to customers
- Accepts deposits to personal and corporate accounts
- Finances loans for individuals and businesses



MERRILL LYNCH

- Founded in 1914 by Charles Merrill and Edmund Lynch
- Made several successful investments early on and quickly focused on investment banking
- Was the first firm on Wall Street to publish an annual fiscal report (1941)
- When Lynch died in 1952, the company officially changed its name to Merrill Lynch and Co.
- The company continued to build its brokerage network and eventually became known as the “thundering herd”
- The company went public in 1971



KEY PEOPLE

- Chairman: Brian T. Moynihan
- CEO and Director: Thomas K. (Tom) Montag
- Vice Chairman Global Markets: Hayley Boesky



FINANCIAL HIGHLIGHTS

- Fiscal Year End: December
- Revenue (2010): 37492.00 M
- Revenue Growth (1 yr): 10.10%



STOCK EXCHANGE

- New York
- Chicago
- Pacific
- London
- Paris
- Tokyo



RISE TO PROMINENCE

- The securities it underwrote directly.
- It went on public in 1971 and become the multinational corporation with
- Over \$1.8 trillion in client asset.
- It operates in around more than 40 countries across the world.



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- In 1977 it introduced its cash management account that enables its customer to sweep their cash into money market mutual fund and also includes check writings capabilities and credit card.
- In 1978 it buttressed its securities business by acquiring
- White weld and Co. Merrill lynch was well known for its global private client and strong sales force



What Ever Happened to Merrill Lynch?(Causes)



SUBPRIME FINANCIAL CRISIS

- **In November 2007**, CEO Stanley O'Neal dismissed after the company posted a \$8.4 Billion loss from subprime mortgages
- **In December, John Thain**, then CEO of the NYSE, became the new CEO of Merrill Lynch
- Later that month, the company sold its commercial finance division to General Electric in an effort to raise capital
- **In July 2008**, Thain announced a \$4.9 Billion loss for the fourth quarter
- In 12 months, the company lost \$19.2 Billion, equivalent to a loss of \$52 Million/day



CONTI.....

- In August, the company became embroiled in a series of lawsuits regarding misrepresentation of risk on auction rate securities
- On September 5th, Goldman Sachs downgraded the company to a “sell” and, Bloomberg revealed that the company had lost \$51.8 Billion as a result of bad mortgage investments.



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- On September 14th, Bank of American purchased Merrill Lynch for \$50 Billion in stocks, at \$29/share-a 61% drop from 12 months prior
- Merrill Lynch had over \$1.02 Trillion in assets and over 60,000 employees worldwide



COLLATERALIZED DEBT OBLIGATION CRISIS.

- Merrill Lynch, like many other banks was heavily involved in
 - mortgage based collateralized debt obligation market in early 2000s.
- It was the NO. 1 global underwriter of the CDOs in 2004
- To provide ready supply of mortgage for the CDOs, Merrill first
 - purchased the Franklin financial Corp, the largest subprime lender in the country in 2006



DEBT OBLIGATION cRISIS

- In between 2006 and 2007 Merrill was lead underwriter on
 - 136 CDOs worth around \$ 93 billion. By the end of 2007 the
 - value of these CDOs was start collapsing, creating a billion dollars loses
 - to the company.
- In mid 2008 Merrill sold the group of CDOs which had once valued \$ 30.6
 - billion to Star lone funds at just \$ 1.7 billion and \$ 5.1 billion loan.



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- In April 2009 a bond insurance company MBIA sued Merrill for fraud and
 - five other violation related to CDOs. These were.
 - a) “ML series” CDOs
 - b) Broderick CDOs 2
 - c) High bridge ABS CDO
 - d) Broderick CDO 3
 - e) Newbury Street CDO.
 - And among the other things Merrill lynch had also defrauded MBIA about the qualities of these CDOs also. When the value lost, MBIA wound up owing to
 - Merrill a large amount of money.



ACQUISITION BY BANK OF AMERICA

- Significant losses were attributed to the
 - drop in the value of large and unhedged
 - mortgage portfolio in the form of the collateralized debt obligation.
- Trading partner's loss of confidence in Merrill Lynch solvency and its ability to
 - refinance short term debt ultimately leads to its sale.
 - On September 14 2008 Bank of America announced to purchase Merrill
 - Lynch for \$ 38.25 billion in stock in order to avoid damages between
 - banks and federal regulators.



BANK OF AMERICA + MERRILL LYNCH = ?

- With acquisition of Merrill Lynch & Co., Bank of America is currently the largest financial services company in the world
- Has global headquarters in New York, London, Singapore, and Hong Kong
- Examples of Services: checking, savings, credit cards, mortgages, home equity, auto loans, personal loans, IRAs (individual retirement account), investment services, mutual funds, insurance
- Kenneth D. Lewis is current CEO
- 207,000 employees
- Market Cap: \$170.9 billion



THE PROS OF THE ACQUISITION

For Merrill Lynch

- Acquisition raised stock price to \$29/share, a 70% premium
- Some security for the first time since the beginning of the credit crisis at the start of the year



FOR BANK OF AMERICA

- Acquired one of the largest companies on Wall Street, making the financial world smaller
- Better expand global footprint and take advantage of retail market
- Will be able to offer Merrill Lynch's retail brokerage services to large customer base
- Merrill Lynch is part of the brokerage behemoth—it has more than 20 000 advisers and more than \$2.5 trillion in client assets



GLOBAL REACH

- Bank of America Merrill Lynch spans the Globe with divisions.
- ✓ United States
- ✓ South America
- ✓ Europe
- ✓ Asia

The **U.S. headquarters** are located in New York, South American Headquarters are at Brazil and Uruguay.



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- . **European** headquarters are based in London, and **Asia** headquarters are based in Hong Kong.



INDUSTRY AWARDS

- Ranked No.1 in Barron's 2010 Top 1000 Advisors
- Ranked No.1 for Pan European coverage in the 2009 All-Europe Research team survey
- Ranked No.3 in 2009 All-America Fixed-Income Research Team Survey
- Ranked No.3 in 2009 All-America Equity Research Team Survey
- Ranked No.5 in the 2009 All-Asia Research team survey
- Wall Street Journal “ Best on the Street Stock Picking” Award – No.3 in the U.S.; 17 ranked



- Ranked No.1 in the U.S., No.2 in Latin America, No.2 in Asia Pacific ex-Japan, No.3 in Developed Europe in the 2009 for earnings forecasts; Ranked No.4 in Asia Pacific ex-Japan, and No.5 in Latin America in the 2009 for Stock Recommendations



THANK
YOU

