



INVESTMENT BANKING AWARDS

THE BANKER AWARDS 2005

IN ASSOCIATION WITH



GLOBAL INVESTMENT BANK OF THE YEAR

MERRILL LYNCH

In recognition of its renewed vigour and its ability to build and regenerate the business while keeping a sharp eye on profitability, The **Banker's** Global Investment Bank 2005 is Merrill Lynch. Its Q2 figures shone out against many competitors' shrinking corporate and investment banking revenues. Its global markets and investment banking division reported a 30.2% increase in investment banking revenue over the previous year, which drove a 7.3% rise in the firm's profits overall. This represented the division's highest net revenues since Q1 2000 and record H1 earnings for the firm.

"Our Q2 performance and our trend lines are a function of what we have been doing in our institutional business in the last few years. We have built our footprint back out across industries, regions and products to consolidate our position in traditional businesses, such as advisory, debt and equity underwriting, and secondary cash equity trading, and to build strength in new capabilities, such as principal investing, private equity, real estate, derivatives and commodities," says Greg Fleming, president of global markets and investment banking.

Merrill's traders also fared well in Q2's difficult markets. Where firms such as Citigroup and JPMorgan had declines in trading revenues, particularly in fixed income, Merrill was the only firm that significantly raised its fixed income and equity revenues above the levels of Q2 2004 – by 30% and 39% respectively.

Merrill may not be the largest investment bank, nor occupy the top slot in every product but, since the management shake-up in mid-2003 and the dark days it suffered at the bottom of the market, it has gone from strength-to-strength: net revenues in equity and debt origination and M&A revenues have all increased, driving an increase in net investment banking revenues of 21% from the year-ago quarter and 15% on Q1.

Merrill's focus on profitability has not prevented it from growing and strengthening targeted areas. A rebuild of the high yield franchise, where it used to be very strong, is pretty much complete, and it has pushed aggressively into the leveraged finance area: a couple of years ago it was ranked about 12th, now it sits about sixth. "Hedge funds and financial sponsors represent such a huge percentage of the fee pool that they have become a major client focus for us," says Mr Fleming. "We still care about market share and about 'client relevance'. You need to be seen as one of the best to secure the business and we will systematically plug any gaps that we see in our business. Our goal is to be among the top few firms. With the Merrill brand and with our focus, there is no reason why we shouldn't be there."

FIG HOUSE OF THE YEAR: EUROPE

MERRILL LYNCH

Strategic thinking about structure and organisation at Merrill Lynch impressed the judges this year. Its ability to deal with all the complexities intrinsic in organisational change and produce an integrated FIG platform show a willingness to adopt radical thinking. This platform encompasses fixed income, M&A and equity activities on a global and regional basis.

Using this platform as its springboard, the bank has won top mandates. It is now the dominant underwriter across all asset classes of fixed income hybrid capital. Likewise, it is a leader in advisory mandates and equity capital product issuance.

Its restructuring of Royal Bank of Scotland, Santander and Abbey celebrates a philosophy that stresses the critical importance of cross-border structures, and of banking cadres who see the market as fluid and multi-dimensional rather than narrowly national.

According to Andrea Orcel, head of global financial institutions group and co-head of global markets and investment banking for EMEA, Merrill's success has been helped by its organisational structure.

"Merrill Lynch has long used a cross-border model for its FIG strategy and now that is paying off. We are closer to clients, we are getting in earlier on the deals and we are able to use our innovative product range to satisfy them. Many clients have sat up and taken notice in the past year as Merrill has increasingly differentiated itself from its competitors in the level of idea generation, product innovation and execution across all aspects of the business. The progress in Merrill Lynch's market share is a reflection of this."

FIG HOUSE OF THE YEAR: AMERICAS

MERRILL LYNCH

Merrill Lynch's global FIG operation impressed the judges over the past year as it won ground-breaking mandates. The global orientation showed the market the way forward during a period when major cross-border deals surfaced.

Merrill has expanded its dedicated FIG platform across capital markets coverage, product development, ratings advisory, syndicate and equity linked/equity derivatives. At the same time, its core coverage team has been consistent since inception in 1996.

The more specialised and segmented structure of Merrill Lynch's FIG in the Americas was also in tune with the times. According to Andrea Orcel, head of global FIG and co-head of global markets and investment banking for EMEA: "The US FIG has been established for a longer period than the one in Europe. The US operation is also much more specialised than that in Europe. You need the depository, the insurance, the financial technology, speciality finance expertise and the asset management franchises to all work together in the US.

"We have traditionally had strong depository and asset management franchises but now we have been able to fire on all cylinders in all sectors."

Merrill's FIG pre-eminence in equity in particular is on display in FIG global league tables, where it ranks number one with 72 deals, 20 ahead of its nearest rival.

EQUITY HOUSE OF THE YEAR: AMERICAS

MERRILL LYNCH

Quality underwriting and much-praised trading capacity ensured Merrill Lynch received this year's award for Equity House in the Americas.

Merrill book-ran 39 IPOs last year, more than any other bank. The firm led all four of the largest offerings in Canada. It also led the eight largest US IPOs. It won the crown for 'lead of leads' and acted as stabilisation agent for 29 of those offerings.

Merrill's trophy deal was St Paul Travelers/Nuveen, when it acted as tri-bookrunner, priced a concurrent \$1.9bn equity and mandatorily exchangeable offering into JNC stock on behalf of St Paul Travelers. St Paul Travelers sold 39.3 million shares.

The Securities Exchange Commission-registered exchangeable portion was offered through a two-tranche structure. Merrill issued \$275m 6.75% worth of securities into JNC shares. Nuveen investments will repurchase \$600m of JNC class B common stock for St Paul Travelers. Merrill acted as stabilisation agent on the common equity part of the transaction.

The transaction is the largest of the eight concurrent equity and equity-linked issues in the year to date as well as the third book-run by Merrill and the largest ever equity offering in the asset management industry.