



## Syndicated Loan Market Overview

**Andrew Riddell**  
**Senior Vice President**  
**Commercial Banking**

November 5, 2009



## Bank of America Merrill Lynch

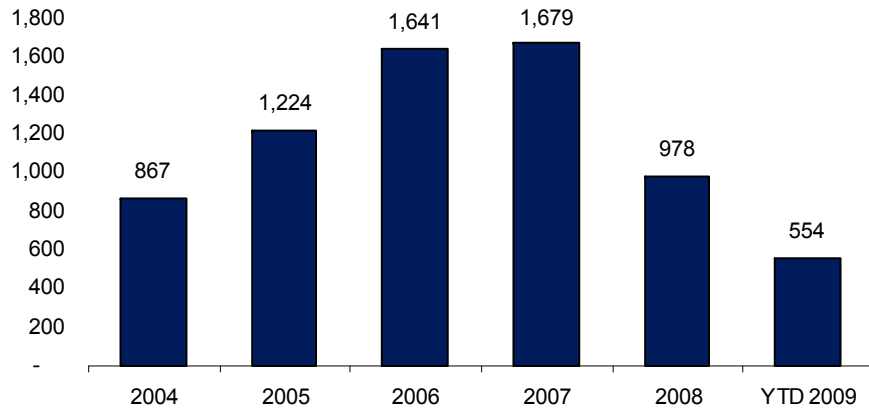
- One of the world's largest financial institutions, with \$2.3TN in assets and a loan portfolio of \$878BN
- Over 243,000 associates worldwide serving clients in more than 175 countries
- The Bank serves 99% of the US Fortune 500 and 80% of the Fortune Global 500
- Recently named #1 global financial services brand in a listing of the top 100 most powerful global brands.
- Fortune named BAML as Most Admired Mega Bank 2009
- Bank of America Commercial Banking is the dominant provider of banking services to middle market companies in the US (30%+ market share in franchise states, 46,000 relationships)
- America's leading arranger of syndicated bank debt
- #1 market share YTD '09 (25.5%) and Full Year 2008 (21.9%) US Leveraged Financing by Lead Bank
- Committed to providing clients with foreign exchange, interest rate derivatives and commodities products
- #1 U.S. treasury and trade services provider with a broad global platform
- Best overall interest rate derivative provider



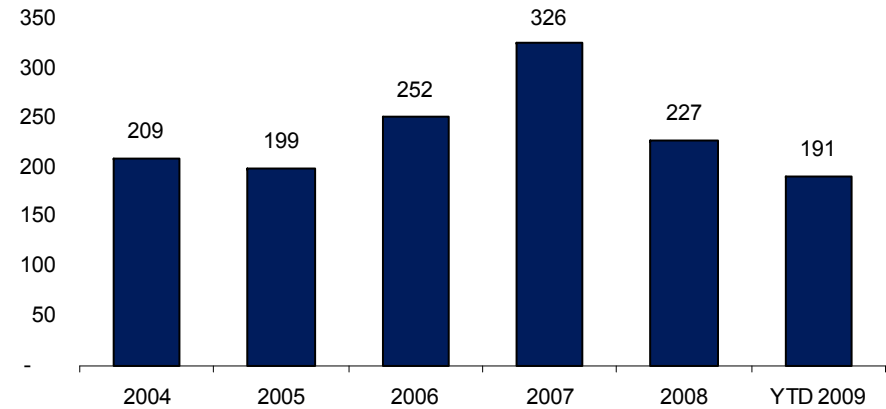
# Americas Market Update

## Trends in Origination Volumes (in \$Bn)

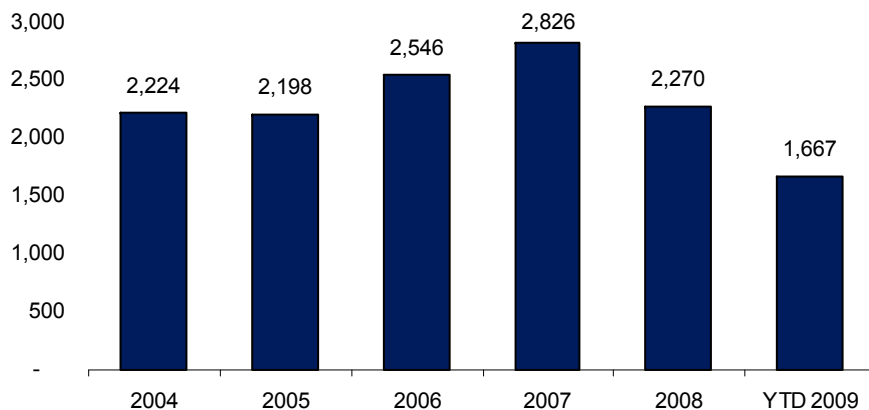
### M&A



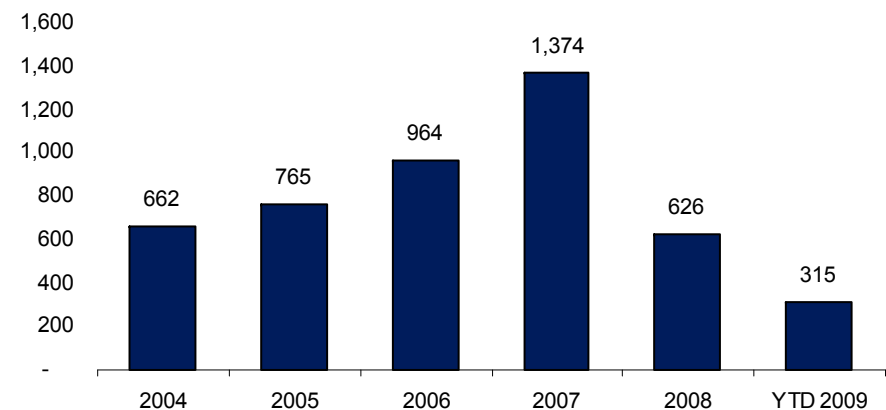
### ECM



### DCM



### Leveraged Finance



Source: Dealogic as of 10/1/09 and 10/2/09. YTD 2009 through 9/30. Excludes self-led transactions.



# Syndicated Loan Market Overview

## Current Loan Market Conditions

### Market Summary

- Market conditions remain ripe for new issue
- Structural integrity remains important
- Financings targeted have seen increased demand
- Default activity has slowed and is nearing its projected peak, and is expected to materially decline in early 2010

### Market Conditions

	3-Nov-09	1 Month Ago		1 Year Ago		3-Nov-07
		Value	Change	Value	Change	
Dow Jones	9,772	9,488	3.00%	9,320	5%	13,930
S&P 500	1,045	1,025	2.00%	966	8%	1,549
VIX	28.81	28.68	0.50%	53.68	-46%	18.53
Oil	79.6	69.95	13.80%	63.91	25%	94.53
3-Month LIBOR <sup>(1)</sup>	0.28%	0.28%	(1) bps	2.86%	(258) bps	4.87%
10-Year UST	3.47%	3.22%	25 bp(s)	3.92%	(45) bps	4.47%
TED Spread	0.22%	0.18%	3bp(s)	2.37%	(215) bps	0.98%

### High Grade Loan Pricing

(Multi-Year Pricing)	3-Nov-09	1 Month	1 Year		3-Nov-07
		Value	Value	Change	
AA+/- (L+)	137.5	--	N/A	N/A	21
A+ (L+)	87.5	87.5	54.7	32.8	18
A (L+)	133.0	137.2	116.7	16	21
A- (L+)	232.5	266.7	60.8	172	30
BBB+ (L+)	260.0	260.0	200.0	60	34
BBB (L+)	254.5	285.9	183.3	71	47
BBB- (L+)	315.9	341.7	234.4	82	68



# Syndicated Loan Market Overview

## Current Loan Market Conditions

### Market Summary

#### Tenor

- Shorter dated facilities have dominated the market

#### Pricing

- Since the beginning of 2008, banks have been tightening their lending
- Most deals expected to price in the L+175 bps to L+300 bps range, regardless of rating
- Pricing has stabilized and for certain higher rated issuers, tightened slightly

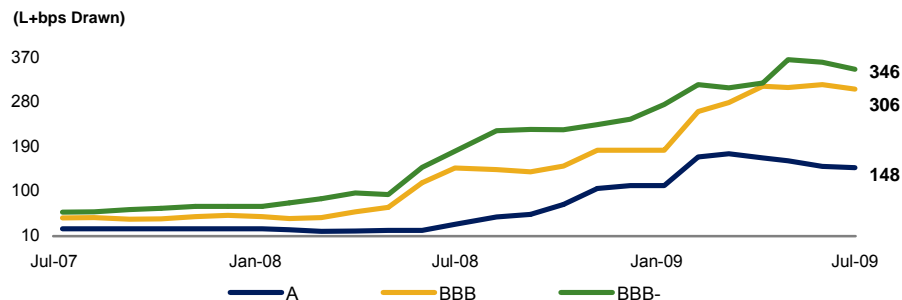
#### U.S. & Canadian Market Differences

- Undrawn pricing higher for Canadian deals, driven by Basel II rules
- Upfront fees higher for U.S. deals
- Drawn pricing consistent
- Canadian banks more willing to accept multi-year tenor

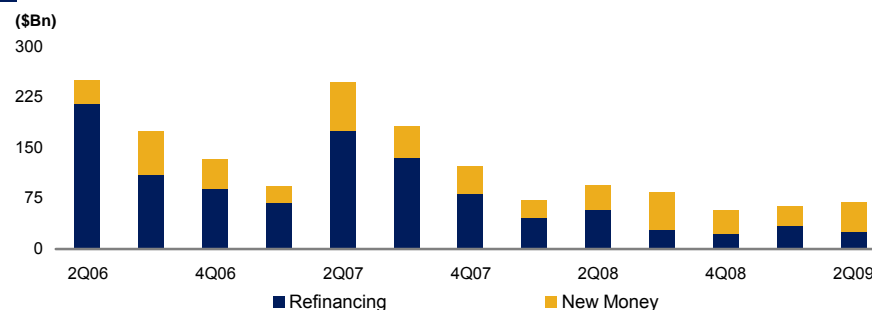
#### Takeaway

- Positive economic indicators
- A recovery in equities
- Resurgence in high grade bond issuance
- Successful capital raising at financial institutions
- Lack of M&A activity
- “Retail” oriented bank selectivity returning

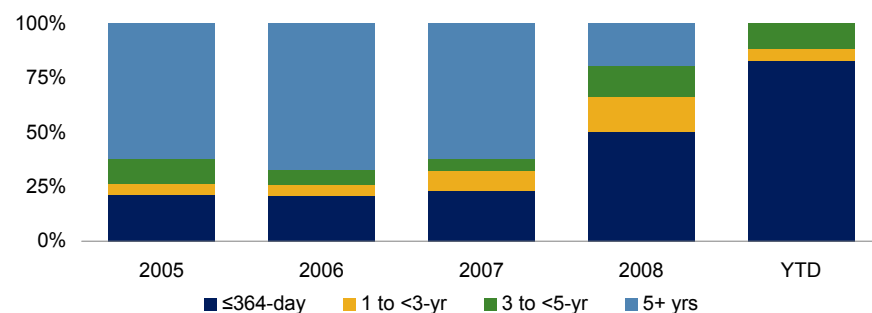
### Investment Grade Pricing<sup>(1)</sup>



### High Grade Volume<sup>(1)</sup>



### Tenor Distribution<sup>(1)</sup>



(1) Source: LPC and Bank of America. Tenor Distribution based on closed volume as tracked by Bank of America.



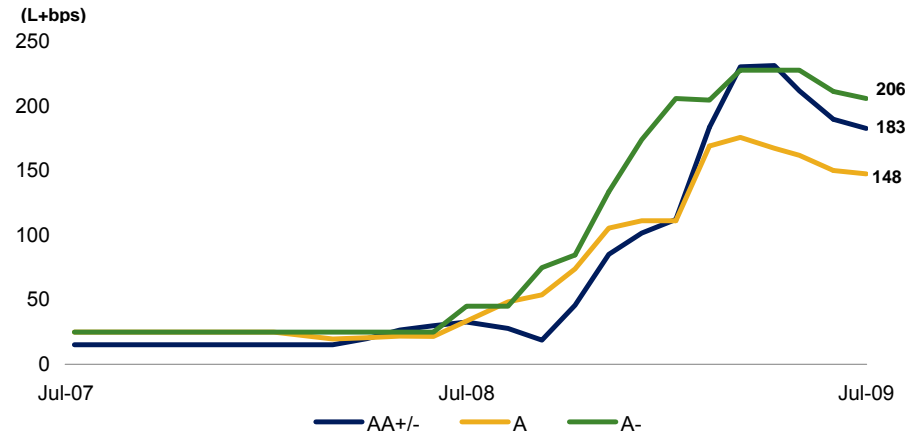
# Syndicated Loan Market Overview

## Spreads Are Stabilizing

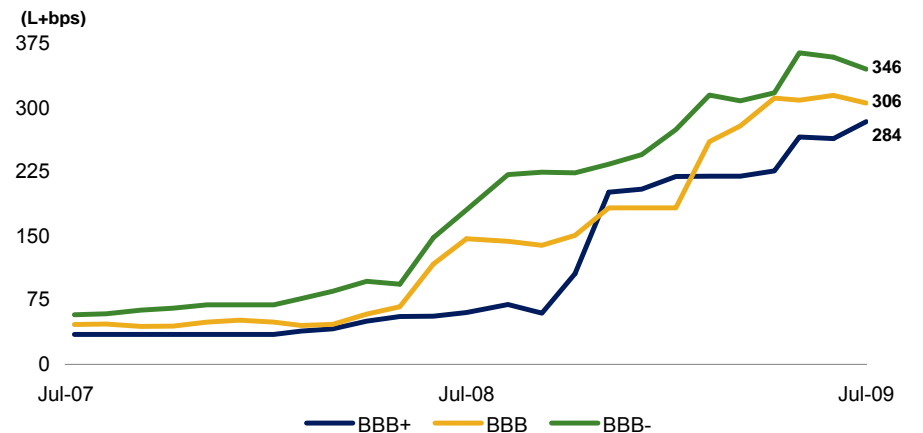
### Spread Volatility Has Diminished

- Grade borrowers were temporarily buffered from more onerous lending terms through strong bank relationships
- Beginning of 2009, banks tightened their lending standards
  - Pricing has moved up across the entire high grade ratings spectrum
  - Monthly average pricing in the BBB- space has increased 69 bps since the beginning of 2009
  - More recently pricing is stabilizing
  - BBB- pricing tightened by 25 bps over past 30 days
- Key factors in determining the market clearing price are the expected usage and ancillary business opportunities

### Upper Investment Grade Rated Facilities (1)



### Lower Investment Grade Rated Facilities (1) (2)



(1) Based on fully drawn 364-day facilities.

(2) Based on fully drawn 364-day facilities; BBB and BBB- based on multi-year facilities.



# Syndicated Loan Market Overview

## Current Pro-Rata Bank Demand

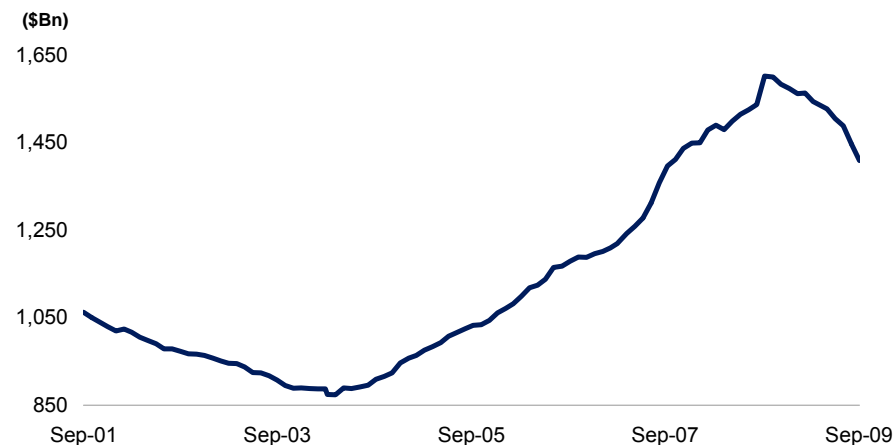
### Commercial Banks Represent Core Loan Demand

- Leveraged loan market is bifurcated between smaller, pro rata execution and high quality, well structured, institutional demand
- Post stress tests and new capital injections, bank demand has cautiously reemerged
- Demand varies among type of institution
  - **U.S. regional banks:** Renewed appetite; capital commitments are credit specific and selective
  - **Universal banks:** Role and return remain key drivers
  - **Canadian banks:** Remain focused on existing relationships
  - **Asian banks:** Begin to reengage on a limited basis

### Bank Writedowns and Capital Raises



### U.S. Commercial Bank Outstandings





## Syndicated Loan Market Overview

### Commercial Banks Demonstrate Renewed Lending Appetite

#### Banks are Getting Back in the Game

- Pressure on financial institutions has been tempered
- Positive economic indicators
- Increased bond market activity to refinance loans
- Recently completed transactions oversubscribed
- Hit ratio of many new lenders increased substantially from 2008 to YTD 2009.

#### Refinancing Risk Mitigation Strategy

Amend and Extend Activity - \$20.4 Bn Completed Year to Date

- The “amend and extend” priorities of both borrowers and lenders
  - Borrowers: push maturities out and mitigate refinancing risk
  - Lenders: enhance yield and/or structure
- Time to maturity is key
- Amendment fees and LIBOR floors, par paydowns, and call protection



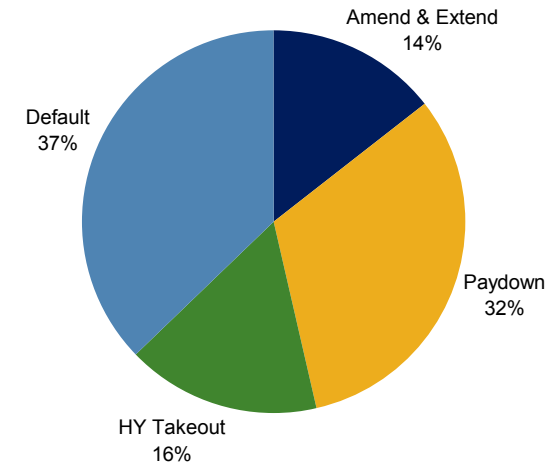
# Syndicated Loan Market Overview

## Market Remains Focused on Maturity Wall

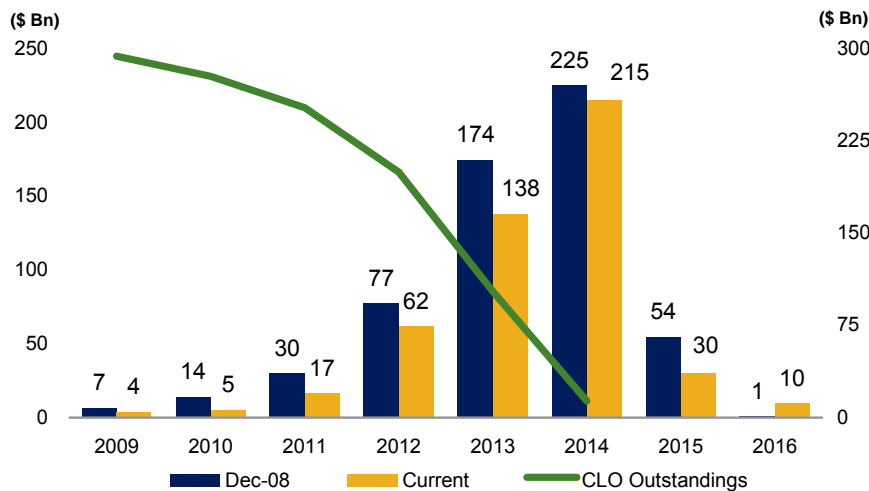
### Loan Outstandings Continue to Decline

- Refinancing wall of concentrated maturities in 2013/14, could potentially exceed the capacity of the investor
  - Amend & Extend
  - Bond for Loan Swap
  - Paydown
- New issue has been characterized by shorter tenors, somewhat exacerbating the maturity concentration

### Sources of Loan Reduction

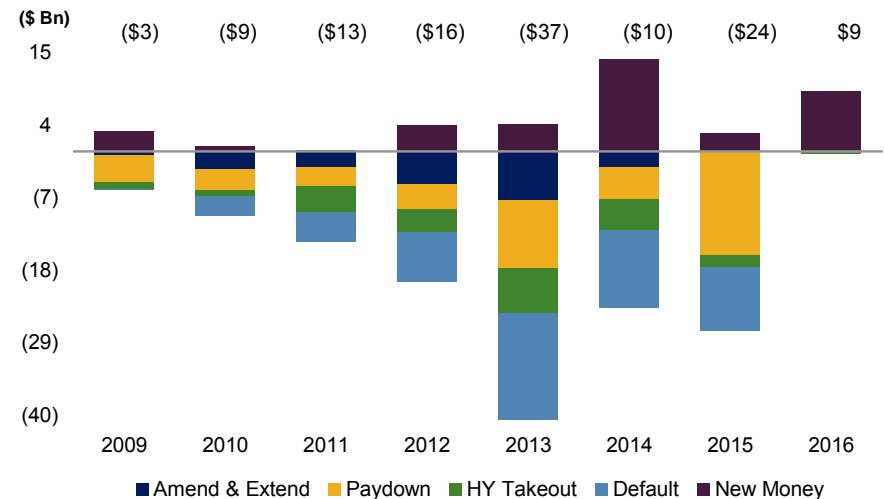


### Maturity Wall Moderates, but Remains Significant



Source: LCD

### Reductions Far Exceed New Issue Additions





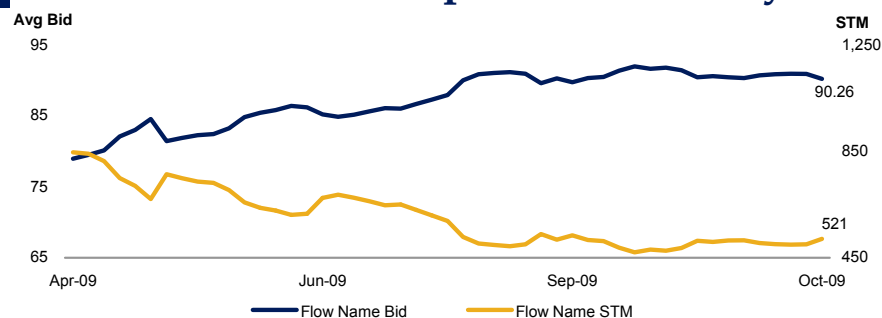
# Syndicated Loan Market Overview

## Current Leveraged Loan Market Conditions

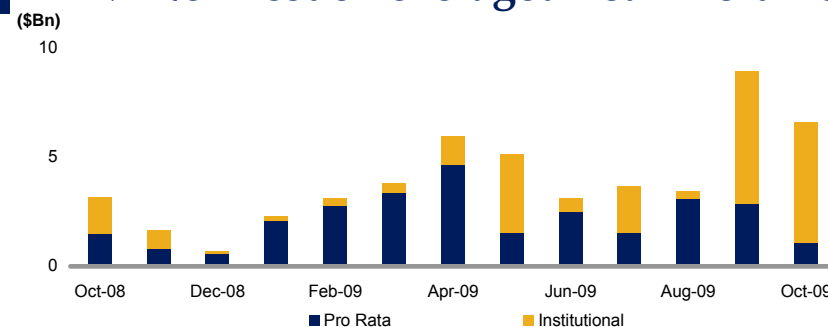
### Leveraged Loan Volume Returns in Size

- With nearly \$8.3 Bn of paper offered in the past thirty days, well above the 2009 monthly average of \$2.2 Bn
- LCD Daily Loan Index has returned 47.3% year to date
- Post Warner Chilcott's successful execution, 25 issuers coming to market in the past thirty days
- **Takeaway:** The leveraged loan market is regaining strength and overall capacity is growing

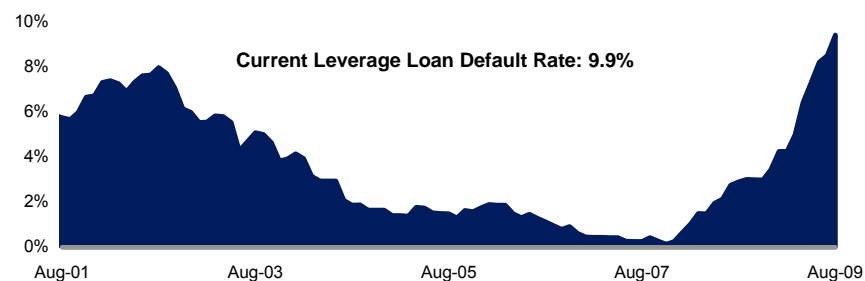
### Flow Name Bid vs. Spread to Maturity



### LTM New Issue Leveraged Loan Volume



### Loan Default Index





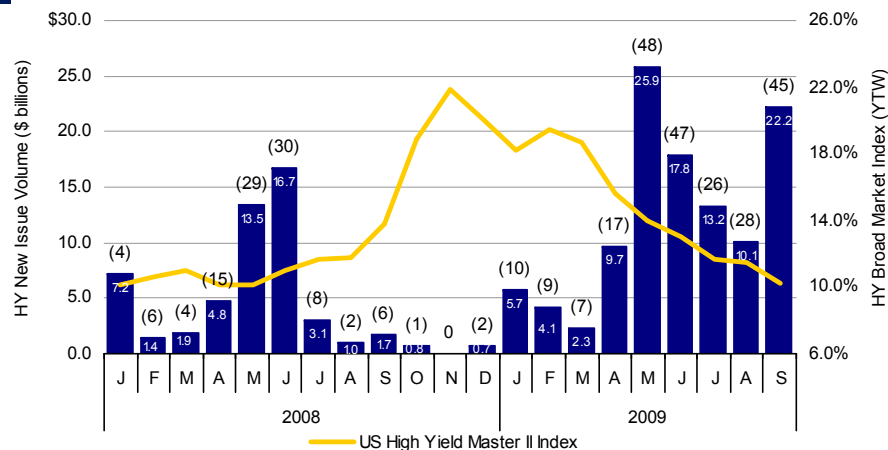
## Syndicated Loan Market Update

Secondary Market Rally Has Opened Market For A Broader Array Of Issuers

### Secondary Market Extends Historic Rally:

- The high yield asset class posted a 14.82% return for the 3rd quarter
- YTD loan total returns to 46.10%
- HY mutual funds reported \$5.9 billion in inflows during the 3rd quarter, bringing year-to-date inflows to \$27.1 billion
- Loan mutual funds experienced 13 consecutive weeks of inflows

### Secondary Rally Boosts New Issue Activity



### HY Primary Market Posts Record Third Quarter as Issuers take Advantage of Strong Market Conditions

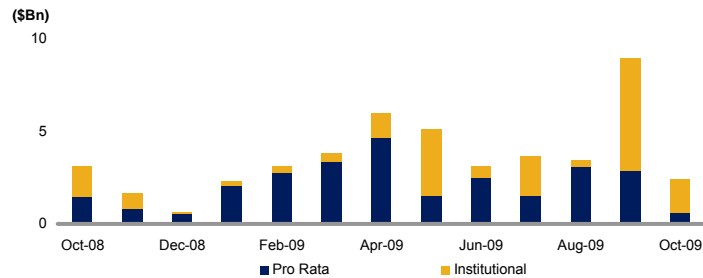
- YTD volume is 2x greater than YTD 2008 activity
- Busiest month of July and September on record with new issue volumes of \$18.5 billion and \$22.4 billion, respectively (Oct. \$21B+)
- Largest high yield retail offering since 2007 (Toys "R" Us)
- Ford Motor Credit Co LLC's offering priced with the lowest yield for a "CCC" rated issuer in over 2 years
- **Key takeaway:** Take advantage of current demand due to both a significant technical imbalance and a strengthening fundamental picture



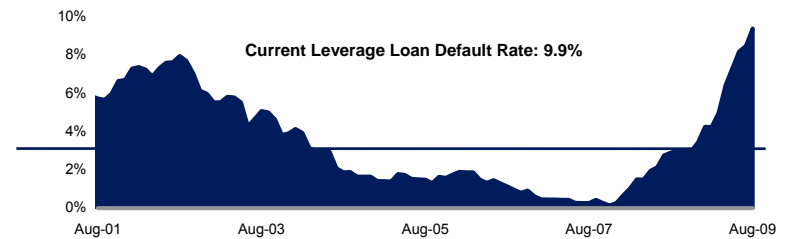
# Syndicated Loan Market Overview

## Broader Leveraged Loan Market Conditions

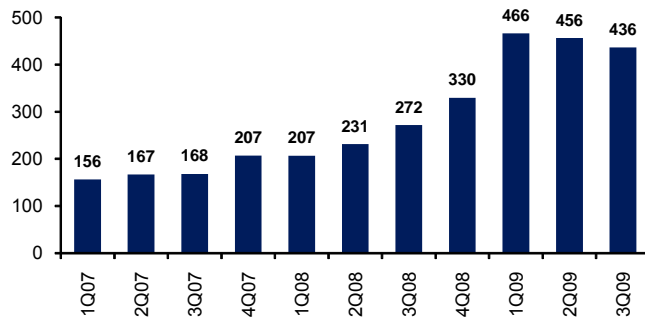
### LTM New Issue Leveraged Loan Volume



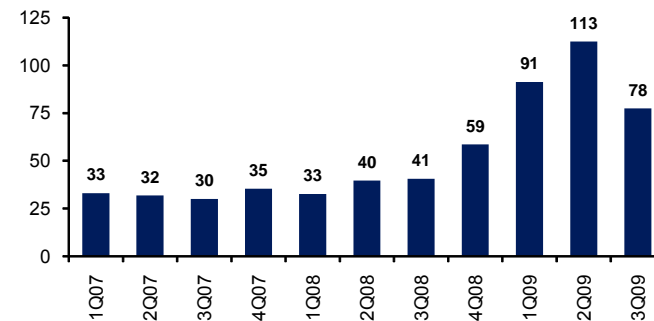
### Loan Default Index



### Drawn Spreads



### Commitment / Unused Fees



Source: S&P Leveraged Commentary & Data. May not capture all ABL market activity



# Syndicated Loan Market Overview

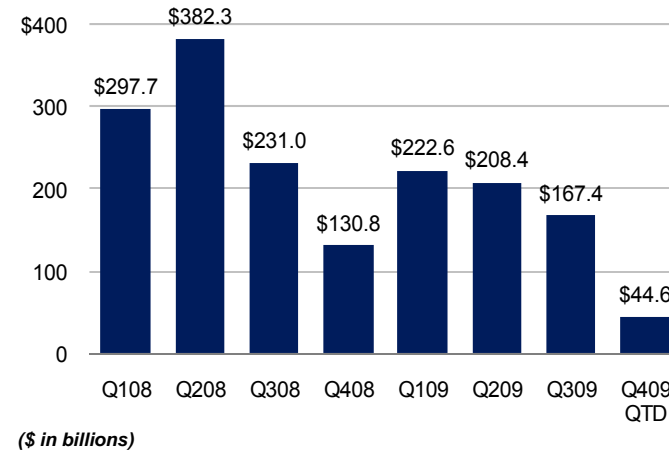
## M&A Financing Trends

### Market Observations

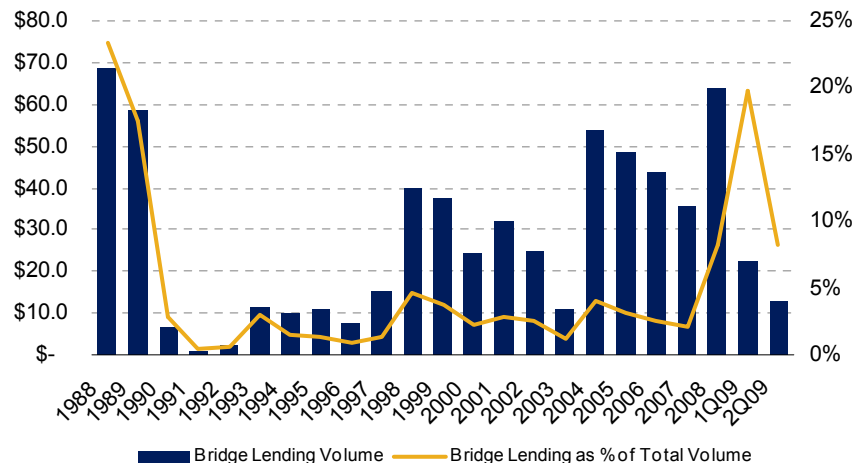
- Bridges have either pre-funded or termed-out
- Demand for event driven financing is rapidly increasing
- Terms and structure focus on exposure reduction and capital markets take-out continues

### M&A Issuance Falls<sup>(1)</sup>

Americas M&A Volume Q1 08 – Q4 09 QTD

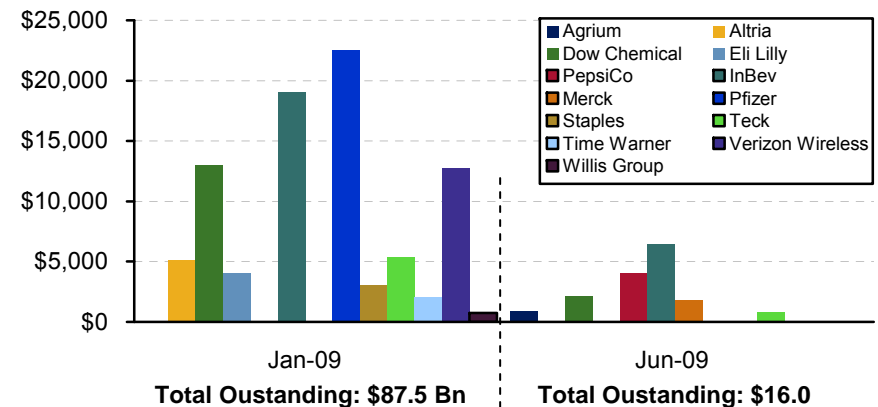


### Historical Bridge Lending Volume<sup>(1)</sup>



(1) Source: Reuters Loan Pricing Corporation  
 (2) Source: Bank of America

### Outstanding Bridge Commitments Decrease<sup>(2)</sup>



Total Outstanding: \$87.5 Bn

Total Outstanding: \$16.0



# Private Placement Market Update

## BAML's Credentials – Top Ranked Placement Agent

- **Dominant Placement Agent:** Market leader since 1997
  - *Top placement agent for 25th consecutive reporting period*
  - *Global market share of*
    - *27% for dollar volume*
    - *Over 33% for number of transactions*
- **Deal Flow: Since 2004**
  - Agented 60% more dollar volume over competitors
  - As many transactions as the #2 and #3 ranked agents combined
  - Historically, sole or lead bookrunner on 75% of deals
  - Co-bookrunner approx 23% of the time
- **Relationships:** Top provider to 14 of 20 largest investors
- **Market Knowledge:** Knowing what investors will do vs. what they want ensures clients receive the best deal

(Dollar Volume, in millions)

### PROFILE OF PRIVATE PLACEMENT AGENTS - MID YEAR 2009

#### Traditional Private Placements

Agent	Dollar Volume			Transaction Volume		
	Amount	Rank	Share	Number	Rank	Share
<b>Bank of America Merrill Lynch</b>	<b>\$2,719.6</b>	<b>1</b>	<b>27%</b>	<b>20</b>	<b>1</b>	<b>34%</b>
JP Morgan	\$2,274.6	2	22%	17	2	29%
RBS	\$1,385.5	3	14%	10	3	17%
Barclays Capital	\$1,293.6	4	13%	5	6	8%
Citi	\$796.8	5	8%	7	4	12%
Wells Fargo & Co	\$475.0	6	5%	5	5	8%
RBC Capital Markets	\$219.0	7	2%	3	9	5%
Scotiabank-Bank of Nova Scotia	\$170.1	8	2%	1	8	2%
Keycorp/Society National Bank	\$165.0	9	2%	1	7	2%
HSBC Holdings PLC	\$150.2	10	1%	1	10	2%
BNP Paribas SA	\$130.0	11	1%	1	14	2%
Deutsche Bank AG	\$78.3	12	1%	1	12	2%
KeyBanc Capital Markets	\$77.4	13	1%	4	11	7%
BMO Capital Markets	\$70.0	14	1%	1	13	2%
Calyon	\$62.5	15	1%	1	15	2%
<b>Market Total</b>	<b>\$10,131.2</b>			<b>59</b>		

Source: Thomson Reuters

(Dollar Volume, in millions)

### PROFILE OF PRIVATE PLACEMENT AGENTS - CUMULATIVE (2004 THROUGH JUNE 2009)

#### Traditional Private Placements

Agent	Dollar Volume			Transaction Volume		
	Amount	Rank	Share	Number	Rank	Share
<b>Bank of America Merrill Lynch</b>	<b>\$55,269.9</b>	<b>1</b>	<b>29%</b>	<b>363</b>	<b>1</b>	<b>32%</b>
JP Morgan	33,064.8	2	18%	241	2	21%
RBS	29,417.3	3	16%	162	3	14%
Barclays Capital	15,344.4	4	8%	84	4	7%
Citi	13,563.7	5	7%	84	5	7%
Deutsche Bank AG	8,103.6	6	4%	58	7	5%
Wells Fargo & Co	6,613.4	7	4%	74	6	7%
HSBC Holdings PLC	5,523.3	8	3%	38	9	3%
Mitsubishi UFJ Financial Group	3,190.5	9	2%	42	8	4%
Societe Generale	2,074.6	10	1%	20	11	2%
SunTrust Banks	1,802.9	11	1%	15	13	1%
KeyBanc Capital Markets Inc	1,539.9	12	1%	41	10	4%
BNP Paribas SA	1,378.3	13	1%	10	14	1%
BMO Capital Markets	1,187.0	14	1%	19	15	2%
Credit Suisse	1,085.7	15	1%	11	12	1%
<b>Market Total</b>	<b>\$187,909.1</b>			<b>1,131</b>		

Source: Thomson Reuters