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WILBUR ROSS, CEO, WL ROSS & CO, IS INTERVIEWED ON BLOOMBERG TV
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SPEAKERS:
BETTY LIU, BLOOMBERG NEWS ANCHOR

WILBUR ROSS, CEO, WL ROSS & CO

BETTY LIU, BLOOMBERG NEWS ANCHOR: I'm pleased to welcome billionaire investor Wilbur Ross. He is the Co-Founder, Chairman and CEO of WL Ross & Co. The firm manages approximately \$10 billion in assets.

Wilbur, great to see you again.

WILBUR ROSS, CEO, WL ROSS & CO.: Great to see you, Betty Liu.

LIU: And I know you're putting this money to work, right?

ROSS: Right.

LIU: Before we get to what is going on in Europe, I want to ask you about specifically the money that you are putting to work. And let's stay with banks and because we were just talking about Vikram Pandit.

One bank that you bought a stake into recently is Amalgamated Bank, right?

ROSS: That's right.

LIU: It's a union- owned financial institution.

ROSS: Correct.

LIU: Why would you get into an asset like that?

ROSS: Well, union movement is a unique movement, has unique financial needs. We've been working with unions throughout our industrial companies for years and years.

LIU: Right.

ROSS: So we joined with Ron Burkle in making this investment in Amalgamated. And the reason for this, it's a nationwide union-controlled bank.

And we believe that that's a huge market to develop.

LIU: Huge? How huge? What are we talking about here?

ROSS: Well, you have something like 11 percent of the workforce is unionized. So there is a big potential base. But it's more than that. It's unions themselves.

Amalgamated already has 900 union banks as customers and in its custody department. We think that lots of other products that those same unions need and could be delivered by the bank.

LIU: And they're doing things like making loans, right, mortgages - all that sort of.

ROSS: Yes, absolutely.

LIU: .you know, basic banking services then.

ROSS: It's a real bank.

LIU: OK. Well, then, the reason why I ask you, though, we had Jeff Blau on recently.

ROSS: Right.

LIU: .from Related Companies. And as you know, they had a \$1 billion fund. They couldn't find a bank to buy. They had a billion dollars to spend. And they couldn't.

And I want to know how is it somebody like him can't find a bank to buy and somebody like you would get into Amalgamated because he says, basically, with the yield curve as it is now, you just can't the amount of money that you could have before.

ROSS: Well, I don't know what his time horizon was or what his criteria were. We started out with Bank United. And as you know, within 24 months, it went public at about three times what we had paid.

LIU: OK.

ROSS: So I don't see that there's anything wrong with that kind of an outcome. Our banks seem to be doing fine. So I can't comment on why Steve couldn't find one that he'd like.

But we've not have all that much difficulty finding ones that we like.

LIU: Are there others on your horizon that you can talk about?

ROSS: Well, as you know, we announced a transaction for Bank of Ireland.

LIU: Right.

ROSS: .and that should be closing in the next couple of weeks. And we're very excited about that because we believe that Ireland will be the first eurozone country really to turn around.

They beat the bullet (ph) earlier. They don't need the overall societal reform that the club med country banks do need. So we think Ireland will come out much faster than the others.

LIU: Wilbur, did you make that assessment, though, before or after you bought into the bank of Ireland, though?

ROSS: Obviously, before. Ireland deserves - I need not tell you why - for many years, they were the miracle of Europe - lowest corporate tax rate, young, well-educated work force, positive trade balance, very good IT and transportation infrastructure.

Those are fundamental advantages, coupled with the fact that the only English-speaking country that used the euro.

So what happened was simply the banks went a little crazy, overextended themselves, failed, had to be bailed by the government.

LIU: Right.

ROSS: Now, that leaves a big hole. But debt incurred for the bailout has to get repaid.

LIU: OK.

ROSS: So what did the government do? Cut all civil service costs 13 percent in one shot, no riots, no big mass protests.

LIU: Right.

ROSS: .no nothing. Second, cut out government CapEx, cut back social services.

LIU: Yes.

ROSS: And despite all of that, they have positive GDP growth in the last quarter.

LIU: OK.

ROSS: So we were very keen on Ireland. And you have to be keen on an economy if you're going to buy into the biggest bank in the country.

LIU: Right, if you're going to buy into credit there. OK, Wilbur, just hang on. We'll bring you out back after the break to talk more about where else you're putting your money to work and

also about his thoughts on Europe outside of Ireland.

08:11

(BREAK)

08:15

LIU: Well, we are back with billionaire investor, Wilbur Ross, the Chairman and CEO of WL Ross.

And Wilbur, you know, I was talking to you earlier about banks and sort of, you know, where you're putting your money to work. And you were mentioning what was going on overseas in Europe.

But I've got to ask you, though. Here on Wall Street, there's a lot of talk about these banks. They have to sell off their distressed assets. So that must wetting (ph) your appetite.

I mean, you bought anything recently, you know, from the major banks?

ROSS: Well, yes. We announced on Monday the purchase of DB Berkshire, a very large originator and servicer of multi-family residential mortgages to huge business and nationwide business.

And it really doesn't fit the banks nowadays with the new capital requirements.

LIU: Right. And how much a discount did you buy that for?

ROSS: Well, it wasn't a portfolio. It's a business. So it's a business of originating, warehousing.

LIU: OK.

ROSS: .selling to Fannie Mae and Freddie Mac, the mortgages, and then servicing them for the GSEs.

LIU: OK, now.

ROSS: So it's not asset-intensive business.

LIU: We know there's a lot of banks that need to raise capital.

ROSS: Right.

LIU: .which is Bank of America, even Citigroup. So have you bought any assets from them?

ROSS: Yes, we've been buying mortgage assets both from Bank of America. We just did about a few hundred million the other day. And the earlier, had bought a mortgage servicing business from Citicorp.

LIU: OK. Wilbur, there was an interesting story yesterday about maybe some of the hedge funds facing redemption, John Paulson (ph) perhaps facing redemptions.

And they may have to start selling off some of their assets. Would you be interested in buying any of them?

ROSS: Sure. But I don't think Paulson (ph) is in all that much difficulty. My impression is that most of his holdings are pretty liquid ones. So I don't think he will need to go to a distressed buyer.

LIU: OK. But is anything on his book, let's say the Lehman desk, would be attractive to you at this point?

ROSS: We have not been participating in the Lehman restructuring.

LIU: OK. Over in Europe, we know that you bought into Bank of Ireland. Are there any assets there - and there are certainly a lot of distressed assets in Europe - that you would be willing to go into or you'd be willing to buy?

ROSS: Well, it's been announced that we're backing virgin money in its efforts to take over Northern Norrick, a large failed (ph) savings bank in the U.K.

And we think that the Irish and the U.K. are probably the easiest two markets to get turned around.

LIU: OK. At what point might you step in to the larger eurozone region? What do you need to see, Wilbur?

ROSS: Well, I'm not convinced that this bailout package is going to be remotely enough for eurozone itself. I think it should start with a 't', not a 'b'.

LIU: Like over a trillion?

ROSS: Yes because the real issue is in Greece. I mean, everybody is focusing on Greece. But think about it. For all practical purposes, Greece already has detracted (ph).

They already got bailed out once.

LIU: Right.

ROSS: And this package that's beaten (ph) was just approved by the German legislature is really the ratification of a deal that was announced July 24. So the EU leaders, in my view, are kind of behind the curve.

They need to get in front of the curve because the real issue isn't Greece. The real issue is Italy and Spain.

LIU: So is it just merely a bailout fund that's a lot larger that you feel would stabilize the region, and that would then get you into the market?

ROSS: Well, a bailout fund combined with reforms of those governments because you can't have people retiring at very early ages. You can't have them getting huge social benefits.

You can't have totally restrictive labor laws. That's the difference between those southern European economies and the northern ones. The northern ones - all that happened is they had a banking crisis or other issues.

LIU: Right.

ROSS: Southern ones need fundamental structural reform. That's a harder process. And just throwing money at it doesn't do it. You need the local political willpower to do it.

LIU: So then, given that, Wilbur, are you over the mindset as others are that Europe is going to slide into a recession?

ROSS: I think it will either be in a recession or at best, lumber along more or less at zero.

LIU: OK. Wilbur, back here in the U.S., though, are we at almost an entry point here where we need to be in the U.S. equity markets or you need to be in the U.S. equity market?

ROSS: Well, I think our markets have fairly well priced in all but the most draconian of scenarios.

And so I think unless something really calamitous happens, say, if Italy were to fail or something like that, I think short of that, we've pretty well priced things in.

We're bearish. And this year is quite pervasive. And that usually means you pretty well have things priced in.

LIU: Wall Street has seemed to put its guns behind Governor Christie as a candidate, even though.

ROSS: Yes.

LIU: .you know, he's continuously denied that he's going to run. Is that someone that you could put your support behind?

ROSS: Well, I don't know him very well. I attended the racket (ph) club presentation that Ken (ph) had organized for him. He was very impressive there.

Some of his speeches have been very impressive. I just hope that if he does run, he really has the fire in his belly and he really wants to do it.

LIU: Is there any candidate, Wilbur, that you think has the key to the economy?

ROSS: I've been gradually talking with various of them and so I don't have a conclusion just yet.

LIU: OK. But what President Obama?

ROSS: I think that the Obama stimulus package, if it ever were enacted, which I think it has no chance of being enacted, I don't think it would be the right package.

For one thing, too expensive. And as far as I can tell, it would cost around \$200,000 for each \$50,000 job that's (ph) created. It doesn't seem to me to be good math.

I don't believe there are a lot of shovel-ready projects in the schools. So I don't see that. The infrastructure bank might be a good idea. I think it's too small.

And it will take too long.

LIU: OK.

ROSS: So I don't think there's very much in the program that will change anything for 2012.

LIU: All right. Wilbur, great to see you as always.

ROSS: Good to be on, Betty Liu.

LIU: Wilbur Ross of WL Ross & Co.

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END OF TRANSCRIPT

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