

Company Commentaries

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COMPANY & MARKET DATA

Rating Status	Maintain Neutral
Price	\$16.13
Price Target, Excl Dividends YE08	\$19.00
52 Week Range	\$14.79 - \$53.10
Market Capitalization (mm)	\$31,889
Assets (mm)	\$808,890
Fully Diluted Shares Outstanding (mm)	1,977
Average Daily Trading Volume (000)	50,760
Book Value per Share	\$36.68
Tangible Book Value per Share	\$13.86
Dividend (FY08E)/Yield	\$1.50 8.4%

ESTIMATES

	FY2007A	FY2008E	FY2009E	FY2010E
Revenue/Share	\$16.43	\$16.97	\$17.90	\$18.50
March EPS	\$1.20	(\$0.20)	\$0.65	\$0.79
June EPS	\$1.22	(\$0.16)	\$0.66	\$0.83
September EPS	\$0.85	\$0.46	\$0.64	\$0.84
December EPS	\$0.03	\$0.60	\$0.66	\$0.88
EPS	\$3.29	\$0.69	\$2.60	\$3.34

Prior EPS	\$3.20	\$1.30	\$2.91	\$3.71
Consensus EPS	\$1.49	\$2.72	\$3.72	

RATIOS

P/R	0.98x	0.95x	0.90x	0.87x
P/E	4.9x	23.4x	6.2x	4.8x

Price/Book	0.44x
Price/Tangible Book	1.16x

Projected Growth Rate	N.M.
P.E./Growth	N.M.
Annualized Current ROE	(1.9%)
Annualized Current ROA	(0.17%)
Common Equity/Assets	8.96%
Tangible Common Equity/Assets	3.39%



Source: Trade Station

Wachovia Bank (NYSE/WB)
A Suggestion: Hire Phil Purcell

Key Points

- Wachovia Bank announced today that it would no longer issue its so-called Pick-A-Pay mortgages. This is the instrument that resulted in the multi-billion dollar losses associated with company's mortgage portfolio.
- The dominant thought in my mind was: "Why would the company make such an announcement?" Most investors had assumed that the bank was no longer originating this product anyway.
- By making this announcement, the company once again focused investors on why they are avoiding this stock. Far more important, the announcement once again demonstrates that this bank, its Board, and its interim management have no idea of how to run this company.
- The company has articulated no new strategy; presented no new business model; selected no new CEO; and/or connected with no new acquisition partner. It is an inbred group with all of the weaknesses implied in this structure. These guys ran this company into the ground and they have no idea as to how to get it out of trouble except to stop making Pick-A-Pay mortgages.
- Therefore, I am making a suggestion. Hire Phil Purcell as CEO.
- Wachovia needs a thorough review of its operating practices and business plan. Mr. Purcell began his business career at McKinsey & Co. performing this function. Wachovia needs to sort out its businesses. At Sears, Mr. Purcell was in charge of acquisitions and divestitures.
- Wachovia has a big problem with its acquired thrift, Golden West, and its mortgage business. Mr. Purcell has operated both of these businesses. Wachovia is attempting to build its credit card business. Mr. Purcell built the Discover Card.
- Wachovia's money management business is lagging. Mr. Purcell built a money business virtually from scratch at Sears. Wachovia operates one of the largest retail sales forces in the country. Mr. Purcell took a retail sales force and made it strong enough to buy Morgan Stanley (MS/\$36.60/Neutral).
- Wachovia's investment banking operation has become so weak, that the company hired Goldman Sachs (GS/\$175.33/Sell) to handle its distressed mortgage portfolio. When Mr. Purcell was forced out of Morgan Stanley, investment banking was its best performing business and ranked at the top of the league tables.
- Most important, when the leaders of the largest banks and brokerage firms in the country lost their direction and their sense of proportion and dived into businesses they did not know or understand like subprime mortgages and risk management, Mr. Purcell kept his sense of balance – and got pushed aside for doing so.
- This is an extraordinarily talented individual with a skill set that matches Wachovia's needs. Make him a deal he cannot refuse and get this company going again.

Disclosures and Analyst Certifications can be found in Appendix A.

COMPANY & MARKET DATA

Rating Status	Maintain Neutral
Price	\$36.05
Price Target, Excl Dividends YE08	\$42.00
52 Week Range	\$32.34 - \$90.47
Market Capitalization (mm)	\$12,545
Assets (mm)	\$178,978
Fully Diluted Shares Outstanding (mm)	348
Average Daily Trading Volume (000)	5,720
Book Value per Share	\$51.52
Tangible Book Value per Share	\$27.52
Dividend (FY08E)/Yield	\$3.08 8.3%

ESTIMATES

	FY2007A	FY2008E	FY2009E	FY2010E
Revenue/Share	\$23.10	\$24.32	\$24.81	\$25.44
March EPS	\$1.44	\$0.81	\$0.86	\$0.96
June EPS	\$1.89	\$0.63	\$0.86	\$0.93
September EPS	\$1.18	\$0.86	\$0.88	\$0.96
December EPS	\$0.01	\$0.89	\$0.91	\$0.99
EPS	\$4.52	\$3.19	\$3.51	\$3.83

Prior EPS	\$4.52	\$3.97	\$5.04	\$6.06
<i>Consensus EPS</i>		\$3.23	\$4.38	\$5.71

RATIOS

P/R	1.56x	1.48x	1.45x	1.42x
P/E	8.0x	11.3x	10.3x	9.4x

Price/Book	0.72x
Price/Tangible Book	1.35x

Projected Growth Rate	6.0%
P.E./Growth	1.88x
Annualized Current ROE	6.5%
Annualized Current ROA	0.65%
Common Equity/Assets	10.02%
Tangible Common Equity/Assets	5.35%



Source: Trade Station

SunTrust (NYSE/STI) Innovative Financing

Highlights

- For years, investment bankers and others have argued that SunTrust should use its holdings of Coca Cola (KO/\$51.00) stock to benefit SunTrust more directly. SunTrust holds 43.6 million shares of the soft drink maker as a result of loans made to Coke beginning in 1904. The value of this holding is currently \$2.2 billion.
- The best idea that has been proposed would be for SunTrust to create a convertible preferred issue, which would meet the requirements to be included in Tier One Capital and would convert into the Coca Cola stock.
- If SunTrust did this it would avoid any dilution as a consequence of issuing equity; it would avoid any likelihood of a dividend cut; and it would meet the needs of the regulators to add to the company's equity.
- Moreover, by issuing a convert, SunTrust avoids paying the taxes on the sale of the Coke stock until the actual conversion takes place. Finally, the dividends on Coke can be used to pay the dividends on the preferred.
- Literally for decades, the management of SunTrust has resisted suggestions of this nature. Coke stock was as sacrosanct as a religious icon is to the faithful.
- However, a few years ago the Atlanta establishment that had run SunTrust since its founding as the Trust Company of Georgia back in 1891, lost control of SunTrust. A Virginian and a Carolinian are now in control.
- The Coke inviolability has been removed. Some Coke stock has actually been sold. Therefore, I now believe that the management of SunTrust will unveil a program to create a Coke convert.
- If this is done, it could remove a number of fears from this company. The 8.3% yield on SunTrust's common would be safe. There would be no dilutive share offering.
- Presumably this would push the price of SunTrust stock higher. It might even squeeze the shorts.

APPENDIX A: IMPORTANT RESEARCH DISCLOSURES

ANALYST CERTIFICATION: I, Richard X. Bove, attest that the views expressed in this research report accurately reflect my personal views about the subject security and issuer. Furthermore, no part of my compensation was, is, or will be directly or indirectly related to the specific recommendation or views expressed in this research report.

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Buy: The stock's return is expected to exceed 15% over the next twelve months.

Neutral: The stock's return is expected to be plus or minus 15% over the next twelve months.

Sell: The stock's return is expected to be negative 15% or more over the next twelve months.

Investment Ratings are determined by the ranges described above at the time of initiation of coverage, a change in risk, or a change in target price. At other times, the expected returns may fall outside of these ranges because of price movement and/or volatility. Such interim deviations from specified ranges will be permitted but will become subject to review.

RATINGS DISPERSION AND BANKING RELATIONSHIPS

Buy 65% (14% are banking clients)

Neutral 33% (3% are banking clients)

Sell 2% (0% are banking clients)

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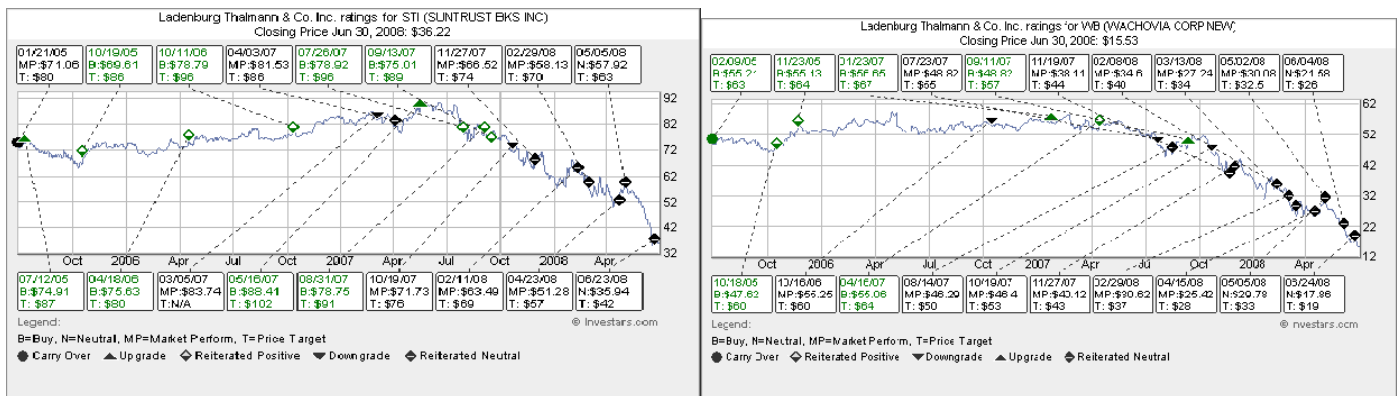
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