

# Reaffirm Sell



## Credit losses should rise materially

On 3/25/08, we downgraded BAC to Sell from Neutral for four main reasons:

- First, the stock had rebounded significantly due to a 75bps Fed funds rate cut and other central banking actions. We thought the 20% price rebound (in the five days prior to our downgrade) was overdone vs. BAC's fundamentals.
- Second, in recent meetings, senior management indicated that BAC's credit quality is deteriorating more rapidly than they previously expected, especially within its \$115bn home equity loan portfolio. They also said BAC's credit card net charge-off ratio could exceed mgmt's prior guidance of 5.0% to 5.5%.
- Third, because we raised our credit loss outlook, we lowered our EPS estimates. We are forecasting that BAC will generate 1Q08 EPS of \$0.53, well below the consensus of \$0.69, and full-year EPS of \$3.30 in '08 and \$4.00 in '09, 13% and 10% below consensus. Rapidly declining home values in CA, FL and certain other markets should lead to much higher credit losses in home equity loans. We also expect about \$4bn in capital markets-related asset write-downs in 1Q. These should be only partially offset by Visa IPO gains. On a more positive note, BAC does appear to be significantly liability sensitive. Thus, it should benefit from falling interest rates.
- Fourth, we think weaker than expected credit quality and EPS, especially in the first half of '08, will drive BAC stock back down to the mid-\$30s.

## Reiterate Sell rating

In aggregate, we expect BAC to incur 1) much higher credit losses in '08 and '09, 2) about \$4bn in capital markets-related asset write-downs in 1Q, 3) materially less revenue from structured debt products (relative to '06 and 1H07), and 4) less equity investment gains in '08 vs. '07. Therefore, we are forecasting that operating EPS will be well below consensus. Our relative PE, DCF and tangible book value models suggest a theoretical fair value in the mid-\$30s.

## Estimates (Dec)

(US\$)	2006A	2007A	2008E	2009E	2010E
EPS	4.71	3.32	3.30	4.00	4.80
GAAP EPS	4.60	3.30	3.08	3.95	4.80
EPS Change (YoY)	14.6%	-29.5%	-0.6%	21.2%	20.0%
Consensus EPS (First Call: 27-mar-2008)			3.62	4.34	5.08
Dividend Rate	2.12	2.40	2.56	2.56	2.60

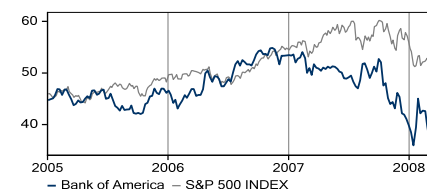
## Valuation (Dec)

	2006A	2007A	2008E	2009E	2010E
P/E	8.1x	11.5x	11.5x	9.5x	7.9x
GAAP P/E	8.3x	11.5x	12.4x	9.6x	7.9x
Dividend Yield	5.6%	6.3%	6.7%	6.7%	6.8%

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## Stock Data

Price	US\$38.04
Investment Opinion	A-3-7
Volatility Risk	LOW
52-Week Range	US\$33.12-52.96
Mrkt Val / Shares Out (mn)	US\$168,817 / 4,437.9
ML Symbol / Exchange	BAC / NYS
Bloomberg / Reuters	BAC US / BAC.N
ROE (2008E)	9.9%
Total Dbt to Cap (Sep-2005A)	50.7%
Est. 5-Yr EPS / DPS Growth	11.0% / 5.1%



## Quarterly Earnings Estimates

	2007	2008
Q1	1.17A	0.53E
Q2	1.28A	0.93E
Q3	0.82A	0.93E
Q4	0.05A	0.91E

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Refer to important disclosures on page 8 to 9. Analyst Certification on page 7.

# iQprofile<sup>SM</sup> Bank of America Corp

## Income Statement Data (Dec)

(US\$ Millions)	2006A	2007A	2008E	2009E	2010E
Net Interest Income	35,815	36,182	42,040	44,826	46,614
% change	13.4%	1.0%	16.2%	6.6%	4.0%
Net Fee Income	38,432	31,706	41,011	50,943	54,818
Securities Gains / (Losses)	(443)	180	0	0	0
Total Operating Income	73,804	68,068	83,051	95,769	101,432
Operating Expenses	(35,403)	(36,899)	(43,784)	(48,717)	(51,395)
% change	23.4%	4.2%	18.7%	11.3%	5.5%
Provisions Expense	(5,010)	(8,385)	(15,028)	(17,667)	(15,287)
% change	24.8%	67.4%	79.2%	17.6%	-13.5%
Operating Pre-Tax Income	33,391	22,784	24,238	29,385	34,750
Operating Net Income to Comm S/Hold.	21,617	14,870	14,955	18,300	21,787
GAAP Net Income	21,617	14,870	14,955	18,300	21,787

## Balance Sheet Data (Dec)

(US\$ Millions)	2006A	2007A	2008E	2009E	2010E
Total Assets	1,459,737	1,715,746	1,919,235	2,015,197	2,115,956
Average Interest Earning Assets	1,268,833	1,389,735	1,581,761	1,691,538	1,759,038
Total Gross Customer Loans	706,490	876,344	1,011,320	1,071,999	1,136,319
% change	23.1%	24.0%	15.4%	6.0%	6.0%
Total Customer Deposits	693,497	805,177	854,586	905,861	960,212
% change	9.3%	16.1%	6.1%	6.0%	6.0%
Tangible Equity	60,188	58,977	72,884	78,886	86,822
Common Shareholders' Equity	135,272	146,803	159,010	163,482	170,041

## Key Metrics (Dec)

(US\$ Millions)	2006A	2007A	2008E	2009E	2010E
Net Interest Margin	2.82%	2.60%	2.66%	2.65%	2.65%
Effective Tax Rate	35.2%	33.9%	35.0%	35.0%	35.0%
Loan / Deposit Ratio	101.9%	108.8%	118.3%	118.3%	118.3%
Tangible Common Equity / Assets	4.1%	3.4%	3.8%	3.9%	4.1%
ROA	1.5%	0.9%	0.8%	1.0%	1.1%
ROE	16.6%	10.9%	9.9%	11.3%	13.1%
RoTE	38.2%	NA	NA	24.1%	26.3%
Dividend Payout Ratio	41.7%	65.0%	69.6%	59.0%	50.9%
Efficiency Ratio (Cost / Income Ratio)	47.7%	54.4%	52.7%	50.9%	50.7%

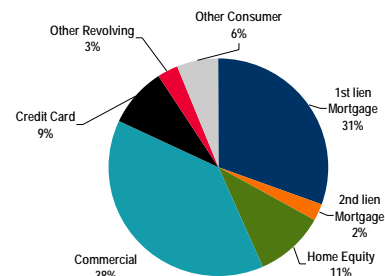
## Quality of Earnings (Dec)

(US\$ Millions)	2006A	2007A	2008E	2009E	2010E
Total Non-Interest Inc / Operating Inc	51.5%	46.8%	49.4%	53.2%	54.0%
NPLs plus Foreclosed Real Estate / Loans	0.3%	0.6%	1.2%	1.3%	1.2%
Loan Loss Reserves / NPLs	526.75%	216.29%	118.76%	112.63%	119.20%
Loan Loss Reserves / Total Loans	1.33%	1.38%	1.47%	1.48%	1.48%

## Company Description

Bank of America (BAC) is the second-largest bank in the US and the largest branch-based consumer bank with a national deposit market share of about 10%. BAC's network of 5,810 branches is also the most-expansive, covering much of the US (with the exception of a large part of the Midwest and the Rocky Mountain states). Although its institutional businesses are largely national in scope, BAC also has a significant presence in Latin America.

## Chart 1: Bank of America: Loan Mix



Source: Federal Reserve Y-9Call Reports and Merrill Lynch.

## Stock Data

Average Daily Volume	46,924,332
Brokers Covered (FirstCall)	23

## Credit quality outlook drives Sell

On 3/25/08, we downgraded BAC to Sell from Neutral for four main reasons (please refer to our 3/25/08 Large-cap regional bank industry report, "A deep, long credit cycle"):

- **First**, the stock had rebounded by about 20% in the five business days prior to our downgrade, which we thought was overdone relative to BAC's deteriorating credit quality.
- **Second**, in our recent visit, senior management indicated that BAC's credit quality is deteriorating more rapidly than they previously expected, especially within its \$115bn home equity loan portfolio. They also said BAC's credit card net charge-off ratio could exceed management's prior guidance of 5.0% to 5.5%. Our forecast is 6.0%.
- **Third**, because we raised our credit loss and loan loss provision outlook, we also lowered our EPS estimates, which are now 13% and 10% below consensus in '08 and '09.
- **Fourth**, we think weaker than expected credit quality and EPS, especially in the first half of '08, will drive BAC stock back down to the mid-\$30s.

### 1Q outlook of \$0.53 vs. consensus of \$0.69

We are forecasting that BAC will generate 1Q'08 EPS of \$0.53, well below the consensus estimate of \$0.69. Our outlook includes about \$4bn in marked-to-market asset write-downs on 1) sub-prime CDOs, 2) commercial mortgage-backed securities and 3) leveraged loans. We also think BAC will generate relatively minimal revenue from the origination and sale of structured debt products and will absorb materially higher credit losses on home equity loans (where about 50% of its \$115bn portfolio is on homes in weak markets such as CA, FL, NV, AZ, and D.C.). Real estate prices in these markets are dropping much faster than the national averages. We also anticipate a considerable jump in credit card loans in 1Q'08 vs. 4Q'07. Overall, our 1Q net charge-off ratio forecast of 1.20% is up from 0.90% in 4Q'07 and 0.81% in 1Q'07. We also expect BAC's nonperforming assets to again increase significantly in 1Q (after rising rapidly in 4Q'07), and there is a considerable chance that the company could incur an especially large loan loss provision in an effort to build loan loss reserves, which could drive reported EPS well below our 1Q forecast. These trends should be only partially offset by 1) strong net interest income growth driven by rapidly falling interest rates and a steeper yield curve in conjunction with BAC's liability sensitive balance sheet; 2) very stringent operating expense control, and 3) approximately \$856mn in gains from the Visa IPO and the recapture of Visa litigation reserves.

### 2008 and 2009 outlook

We forecast EPS of \$3.30 in '08 and \$4.00 in '09. Our estimates are now 13% and 10% below consensus due mainly to:

- Rapidly declining home values in CA, FL and certain other markets should lead to materially higher credit losses in home equity loans. We also expect materially higher losses in credit card loans and residential and commercial construction loans. Thus, we look for higher loan loss provisions to restrain BAC's EPS growth by about \$0.85 in '08 vs. '07 (excluding the impact of the CFC acquisition).

- As outlined above, we forecast that BAC will incur about \$4bn in capital markets-related asset write-downs in 1Q. These should be only partially offset by Visa IPO gains. Thus, unlike certain peer banks, BAC should have limited capacity to build its loan loss reserve without negatively impacting EPS (relative to consensus expectations). However, in 4Q'08 and beyond, BAC could generate material gains from the sale of its "in the money" equity options on China Construction Bank, which we estimate are currently worth about \$7bn (pre-tax).
- On a more positive note, BAC does appear to be significantly liability sensitive. Thus, it should benefit from falling interest rates. Accordingly, we expect the company to generate stronger than average net interest income growth this year (based on strong commercial loan growth and a stable-to-modestly higher net interest margin). We also think BAC will generate robust growth in mortgage origination revenue based on 1) lower interest rates, 2) more balance sheet capacity at FNM and FRE, 3) the success of its "no fee" mortgage product, and 4) its pending acquisition of Countrywide Financial, which is slated to close on 7/1/08. We also expect BAC to stringently control operating costs in '08 and '09.
- Nevertheless, in aggregate, we expect these positive trends to be overwhelmed by 1) much higher credit losses and loan loss provisions, 2) about \$4bn in capital markets-related asset write-downs, 3) materially less revenue from the origination and sale of structured debt products in '08 and '09 (relative to '06 and 1H'07), and 4) less equity investment gains in '08 vs. '07 (even after counting BAC's upcoming Visa Inc. gain). Therefore, we are forecasting that operating EPS will be well below consensus at about \$3.30 in '08.

### Credit quality & capital adequacy outlook

Based on much higher credit losses on home equity loans (\$115bn), credit card loans (\$81bn on balance sheet), commercial loans (\$208bn) and construction loans (\$27bn), we look for BAC's net credit loss ratio to rise to 150bps in '08 and 160bps '09 (which includes the impact of the CFC acquisition) from 0.84bps in '07. Thus, we are forecasting that BAC's loan loss provision will rise from \$8.4bn in '07 to about \$15bn in '08, reducing annual EPS by about \$0.85 (after excluding the impact of extra provisions related to the Countrywide acquisition).

BAC raised over \$13bn in Tier 1 capital in January, which increased its Tier 1 capital ratio to about 7.9%. However, its tangible E-to-A ratio is low (at 3.6%) because the company used \$16bn in tangible capital to purchase LaSalle Bank in 4Q07. Nevertheless, we still think that BAC is adequately capitalized and is likely to get through '08 and '09 without cutting its dividend as management works on de-leveraging the balance sheet by reducing thin-margin trading account assets. Furthermore, BAC may begin monetizing its gain on China Construction Bank in 4Q08 (especially the option portion outlined above), which should help management preserve BAC's dividend.

Chart 2: Bank of America Corp: Quarterly Net Charge-off Actuals (by Loan Category)

Loan Category	Normalized Rate	3Q06		4Q06		1Q07		2Q07		3Q07		4Q07
		% of Loans	NCO Rate (pp)	% of Loans	NCO Rate (pp)	% of Loans	NCO Rate (pp)	% of Loans	NCO Rate (pp)	% of Loans	NCO Rate (pp)	NCO Rate (pp)
<b>Residential R/E</b>	0.17	43.3%	0.02	43.8%	0.04	44.7%	0.03	44.8%	0.05	46.2%	0.07	0.21
1-4 family		10.3%	0.07	10.6%	0.10	10.4%	0.08	10.4%	0.12	10.6%	0.20	0.56
First lien		31.5%	0.01	31.7%	0.02	32.7%	0.01	32.5%	0.02	33.5%	0.02	0.04
Second lien		1.5%	-0.03	1.5%	0.01	1.6%	0.02	1.9%	0.08	2.1%	0.17	0.83
<b>Commercial R/E</b>	0.52	12.5%	0.00	12.1%	0.00	12.7%	0.01	12.5%	0.00	10.0%	0.13	0.06
Construction		3.0%	0.04	3.0%	0.02	2.8%	0.06	2.8%	-0.02	2.9%	0.46	0.21
Multifamily		0.9%	0.00	0.9%	0.00	0.9%	0.00	1.0%	0.00	1.0%	0.00	0.00
Nonfarm, nonres'l		7.5%	0.00	7.6%	0.00	8.0%	0.00	7.8%	0.00	5.3%	0.00	0.00
Farmland		0.2%	0.00	0.2%	0.00	0.2%	0.00	0.2%	0.00	0.2%	0.00	0.00
Foreign property		0.9%	-0.12	0.5%	-0.02	0.8%	-0.03	0.8%	0.00	0.7%	0.00	0.00
<b>C&amp;I</b>	0.70	21.8%	0.40	21.8%	0.45	21.6%	0.54	21.7%	0.66	23.0%	0.68	0.80
US C&I		14.6%	0.43	14.6%	0.47	14.3%	0.68	14.0%	0.82	14.9%	0.82	0.91
Foreign C&I		2.8%	-0.18	2.7%	0.01	2.4%	-0.03	2.9%	0.06	3.1%	-0.03	0.03
US banks		0.0%	0.00	0.0%	0.00	0.0%	0.00	0.0%	0.00	0.0%	0.00	0.00
Foreign banks		0.1%	0.00	0.1%	0.00	0.1%	0.00	0.4%	0.00	0.5%	0.00	0.00
Foreign govt		0.1%	0.00	0.1%	0.12	0.0%	0.00	0.0%	0.00	0.0%	0.00	0.00
Other		4.1%	0.68	4.3%	0.71	4.6%	0.43	4.3%	0.60	4.5%	0.76	0.96
<b>Credit Cards</b>	4.56	10.1%	5.30	10.0%	5.33	8.7%	5.43	8.8%	5.16	8.7%	4.51	4.19
<b>Other Consumer</b>	1.22	9.4%	1.13	9.3%	1.40	9.8%	1.56	9.8%	1.50	9.9%	1.78	2.25
<b>Leases</b>	0.43	2.8%	-0.06	2.8%	0.20	2.4%	-0.05	2.2%	-0.24	2.1%	-0.08	0.33
Foreign leases		0.9%	-0.19	0.9%	0.60	0.0%	-	0.0%	-	0.0%	-	0.00
US leases		1.9%	0.00	1.9%	0.00	2.4%	0.00	2.2%	0.00	2.1%	0.00	0.00

Source: Federal Reserve Y-9 Call Reports and Merrill Lynch.

Bank of America Corp: Net Charge-off Forecast (by Loan Category)

Loan Category	Normalized Rate	4Q07 Avg Loan Balance	Base case 2008E					Base case 2009E				
			2008E Growth	2008E Balance	% of Loans	NCO Rate (bp)	\$ Losses	2009E Growth	2009E Balance	% of Loans	NCO Rate (bp)	\$ Losses
<b>Residential R/E</b>	0.17	\$390,079,827	16%	\$452,843,136	48.0%	76	\$3,459,027.16	\$523,104,908	50.2%	87	\$4,560,846.60	
1-4 family		\$91,108,841	3%	\$93,842,106	9.9%	175	\$1,642,236.85	\$107,918,422	10.4%	200	\$2,158,368.43	
First lien		\$279,379,234	15%	\$322,403,635	34.2%	45	\$1,450,816.36	\$364,316,108	35.0%	45	\$1,639,422.49	
Second lien		\$19,591,753	87%	\$36,597,395	3.9%	100	\$365,973.95	\$50,870,378	4.9%	150	\$763,055.68	
<b>Commercial R/E</b>	0.52	\$95,899,573	-2%	\$94,460,415	10.0%	94	\$883,549.02	\$97,816,236	9.4%	91	\$893,546.47	
Construction		\$28,783,158	-5%	\$27,344,000	2.9%	250	\$683,600.00	\$27,344,000	2.6%	250	\$683,600.00	
Multifamily		\$9,775,049	0%	\$9,775,049	1.0%	30	\$29,325.15	\$10,263,801	1.0%	30	\$30,791.40	
Nonfarm, nonres'l		\$50,098,466	0%	\$50,098,466	5.3%	30	\$150,295.40	\$52,603,389	5.0%	30	\$157,810.17	
Farmland		\$1,400,225	0%	\$1,400,225	0.1%	20	\$2,800.45	\$1,470,236	0.1%	20	\$2,940.47	
Foreign property		\$5,842,677	0%	\$5,842,677	0.6%	30	\$17,528.03	\$6,134,810	0.6%	30	\$18,404.43	
<b>C&amp;I</b>	0.70	\$203,270,069	5%	\$214,365,632	22.7%	128	\$2,748,016.54	\$228,448,940	21.9%	137	\$3,129,393.36	
US C&I		\$136,909,096	8%	\$147,861,823	15.7%	150	\$2,217,927.35	\$158,367,406	15.2%	160	\$2,533,878.49	
Foreign C&I		\$25,253,511	0%	\$25,253,511	2.7%	30	\$75,760.53	\$26,768,721	2.6%	30	\$80,306.16	
US banks		\$215,155	3%	\$221,610	0.0%	0	\$0.00	\$232,690	0.0%	0	\$0.00	
Foreign banks		\$4,280,200	3%	\$4,408,606	0.5%	0	\$0.00	\$4,629,036	0.4%	0	\$0.00	
Foreign govt		\$265,815	3%	\$273,789	0.0%	0	\$0.00	\$287,479	0.0%	0	\$0.00	
Other		\$36,346,293	0%	\$36,346,293	3.9%	125	\$454,328.66	\$38,163,608	3.7%	135	\$515,208.70	
<b>Credit Cards</b>	4.56	\$76,212,763	3%	\$78,499,145	8.3%	600	\$4,709,948.72	\$83,209,094	8.0%	650	\$5,408,591.12	
<b>Other Consumer</b>	1.22	\$82,089,007	0%	\$82,089,007	8.7%	275	\$2,257,447.69	\$87,014,347	8.4%	300	\$2,610,430.42	
<b>Leases</b>	0.43	\$19,055,241		\$19,436,346	2.1%	32	\$62,196.31	\$20,602,527	2.0%	32	\$65,928.09	
Foreign leases		\$0	0%	\$0	0.0%	0	\$0.00	\$0	0.0%	0	\$0.00	
US leases		\$19,055,241	2%	\$19,436,346	2.1%	32	\$62,196.31	\$20,602,527	2.0%	32	\$65,928.09	
<b>Agricultural Loans</b>	1.42	\$1,447,221	0%	\$1,447,221	0.2%	0	\$0.00	\$1,519,582	0.1%	0	\$0.00	
<b>Total</b>		\$868,053,701	8.7%	\$943,140,902		150	\$14,120,185	\$1,041,715,634	100.0%	160	\$16,668,736	

Source: Federal Reserve Y-9 Call Reports and Merrill Lynch.

Chart 3: Bank of America Corporation

Earnings Results And Forecast  
(\$ Millions, Except As Noted)

KEY FORECAST VARIABLES:	07:1	07:2	07:3	07:4	Forecast:				2006	2007	Forecast			% Change						
					08:1E	08:2E	08:3E	08:4E			2008E	2009E	2010E	1QE/4Q	1QE/1Q	06/05	07/06	08E/07	09E/08E	10E/09E
EOP Loans	\$723,633	\$758,635	\$793,537	\$876,344	\$889,489	\$902,831	\$996,374	\$1,011,320	\$706,490	\$876,344	\$1,011,320	\$1,071,999	\$1,136,319	1.5	22.9	23.1	24.0	15.4	6.0	6.0
Average Loans	714,042	740,199	780,516	868,119	882,917	896,160	989,603	1,003,847	652,173	775,719	943,132	1,041,659	1,104,159	1.7	23.7	21.4	18.9	21.6	10.4	6.0
Average Earning Assets	1,321,946	1,358,199	1,375,795	1,502,998	1,517,796	1,531,039	1,629,482	1,648,726	1,268,833	1,389,735	1,581,761	1,691,538	1,759,038	1.0	14.8	14.1	9.5	13.8	6.9	4.0
Net Interest Margin (%)	2.61	2.59	2.61	2.61	2.65	2.65	2.65	2.65	2.82	2.60	2.66	2.65	2.65							
Net Interest Income (FTE)	8,597.0	8,781.0	8,990.0	9,814.0	10,027.8	10,115.3	10,884.0	11,012.6	35,815.0	36,182.0	42,039.8	44,825.8	46,614.5	2.2	16.6	13.4	1.0	16.2	6.6	4.0
Loan Loss Provision	1,235.0	1,810.0	2,030.0	3,310.0	3,011.2	3,293.4	4,156.3	4,567.5	5,010.0	8,385.0	15,028.4	17,666.5	15,287.1	(9.0)	143.8	24.8	67.4	79.2	17.6	(13.5)
Noninterest Revenues	9,825.0	11,175.0	7,307.0	3,399.0	6,717.8	10,098.7	12,000.6	12,193.7	38,432.0	31,706.0	41,010.9	50,942.8	54,817.5	97.6	(31.6)	51.6	(17.5)	29.3	24.2	7.6
Securities Transactions	62.0	2.0	7.0	109.0	0.0	0.0	0.0	0.0	(443.0)	180.0	0.0	0.0	0.0	(100.0)	(100.0)	(140.9)	NM	(100.0)	NM	NM
Total Revenues	18,484.0	19,958.0	16,304.0	13,322.0	16,745.6	20,214.1	22,884.7	23,206.3	73,804.0	68,068.0	83,050.7	95,768.6	101,432.0	25.7	(9.4)	27.2	(7.8)	22.0	15.3	5.9
Staff Expenses	5,025.0	4,737.0	4,169.0	4,822.0	4,870.2	4,870.2	5,820.2	5,936.6	18,211.0	18,753.0	21,497.3	24,187.1	25,638.3	1.0	(3.1)	21.0	3.0	14.6	12.5	6.0
OREO Expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	NM	NM	NM	NM	NM	NM	NM
Other Expenses	3,961.0	4,356.0	4,374.0	5,455.0	4,925.6	5,336.0	6,012.7	6,012.7	17,192.0	18,146.0	22,286.9	24,530.2	25,756.7	(9.7)	24.4	26.2	5.5	22.8	10.1	5.0
Total Expenses	8,986.0	9,093.0	8,543.0	10,277.0	9,795.8	10,206.2	11,832.9	11,949.3	35,403.0	36,899.0	43,784.2	48,717.3	51,395.0	(4.7)	9.0	23.4	4.2	18.7	11.3	5.5
Pre-Tax Income (FTE)	8,263.0	9,055.0	5,731.0	(265.0)	3,938.7	6,714.5	6,895.4	6,689.5	33,391.0	22,784.0	24,238.1	29,384.7	34,749.9	(1,586.3)	(52.3)	31.9	(31.8)	6.4	21.2	18.3
FTE Tax Rate (%)	35.6	36.4	35.5	201.1	35.0	35.0	35.0	35.0	35.2	33.9	35.0	35.0	35.0							
Operating Net Income	5,325.0	5,761.0	3,698.0	268.0	2,560.1	4,364.4	4,482.0	4,348.2	21,640.0	15,052.0	15,754.8	19,100.1	22,587.5	855.3	(51.9)	29.3	(30.4)	4.7	21.2	18.3
Oper NI Available For Common	5,279.0	5,721.0	3,655.0	215.0	2,360.1	4,164.4	4,282.0	4,148.2	21,617.0	14,870.0	14,954.8	18,300.1	21,787.5	997.7	(55.3)	29.9	(29.9)	0.6	20.1	17.6
<b>OPERATING EPS (F.D.)</b>	<b>\$1.17</b>	<b>\$1.28</b>	<b>\$0.82</b>	<b>\$0.05</b>	<b>\$0.53</b>	<b>\$0.93</b>	<b>\$0.93</b>	<b>\$0.91</b>	<b>\$4.71</b>	<b>\$3.32</b>	<b>\$3.30</b>	<b>\$4.00</b>	<b>\$4.80</b>	<b>997.1</b>	<b>(55.1)</b>	<b>14.6</b>	<b>(29.5)</b>	<b>(0.6)</b>	<b>21.3</b>	<b>20.0</b>
<b>GAAP EPS</b>	<b>\$1.17</b>	<b>\$1.28</b>	<b>\$0.82</b>	<b>\$0.04</b>	<b>\$0.53</b>	<b>\$0.93</b>	<b>\$0.83</b>	<b>\$0.80</b>	<b>\$4.60</b>	<b>\$3.30</b>	<b>\$3.08</b>	<b>\$3.95</b>	<b>\$4.80</b>	<b>1,210.4</b>	<b>(54.8)</b>	<b>13.7</b>	<b>(28.2)</b>	<b>(6.8)</b>	<b>28.2</b>	<b>21.6</b>
<b>CASH EPS</b>	<b>\$1.23</b>	<b>\$1.33</b>	<b>\$0.88</b>	<b>\$0.12</b>	<b>\$0.59</b>	<b>\$0.99</b>	<b>\$0.99</b>	<b>\$0.97</b>	<b>\$4.95</b>	<b>\$3.56</b>	<b>\$3.54</b>	<b>\$4.22</b>	<b>\$5.00</b>	<b>408.1</b>	<b>(52.1)</b>	<b>15.0</b>	<b>(28.1)</b>	<b>(0.6)</b>	<b>19.1</b>	<b>18.5</b>
Book Value Per Share	\$30.38	\$30.60	\$31.22	\$33.08	\$32.97	\$33.27	\$34.20	\$35.00	\$30.34	\$33.08	\$35.00	\$36.15	\$38.02	(0.3)	8.5	19.5	9.0	5.8	3.3	5.2
Tangible Book Value Per Share	\$13.50	\$13.79	\$13.85	\$13.29	\$13.28	\$13.67	\$15.15	\$16.04	\$13.50	\$13.29	\$16.04	\$17.44	\$19.41	(0.1)	(1.7)	0.0	0.0	0.0	0.0	0.0
Tang. Common Equity/Assets (%)	4.20	4.19	4.09	3.62	3.62	3.69	3.79	3.98	4.35	3.62	3.98	4.09	4.27							
Dividends Per Share	\$0.56	\$0.56	\$0.64	\$0.64	\$0.64	\$0.64	\$0.64	\$0.64	\$2.12	\$2.40	\$2.56	\$2.56	\$2.60	0.0	14.3	11.6	13.2	6.7	0.0	1.6
Average Fully-Diluted Shares	4,497.0	4,476.8	4,475.9	4,470.1	4,472.9	4,473.9	4,582.7	4,582.7	4,593.7	4,480.0	4,528.0	4,572.7	4,537.7	0.1	(0.5)	12.9	(2.5)	1.1	1.0	(0.8)
<b>PROFITABILITY RATIOS:</b>																				
Return On Assets (%)	1.42	1.48	0.93	0.06	0.60	1.02	0.98	0.90	1.48	0.94	0.88	1.00	1.13							
Return On Common Equity (%)	16.0	17.2	10.8	0.6	6.5	11.4	11.2	10.5	16.6	10.9	9.9	11.3	13.1							
Return On Tangible Common Equity (%)	36.5	39.0	24.7	1.4	16.1	27.9	26.2	23.2	39.7	24.9	23.5	24.1	26.3							
Operating Expenses/Revenues (%)	48.78	45.57	52.42	77.78	58.50	50.49	51.71	51.49	47.68	54.35	52.72	50.87	50.67							
Cash Efficiency (%)	46.67	43.61	49.79	74.25	55.96	48.39	49.85	49.66	45.32	51.88	50.67	49.27	49.31							
<b>BALANCE SHEET ITEMS:</b>																				
EOP Total Assets	\$1,502,157	\$1,534,359	\$1,578,763	\$1,715,746	\$1,715,746	\$1,732,903	\$1,900,232	\$1,919,235	\$1,459,737	\$1,715,746	\$1,919,235	\$2,015,197	\$2,115,956	0.0	14.2	13.0	17.5	11.9	5.0	5.0
Average Total Assets	1,521,418	1,561,649	1,580,565	1,742,467	1,715,746	1,724,325	1,816,568	1,909,734	1,466,379	1,601,525	1,791,593	1,915,933	1,992,387	(1.5)	12.8	15.5	9.2	11.9	6.9	4.0
EOP Common Equity	134,856	135,751	138,510	146,803	146,323	147,647	155,362	159,010	135,272	146,803	159,010	163,482	170,041	(0.3)	8.5	33.2	8.5	8.3	2.8	4.0
Average Common Equity	133,588	133,551	134,487	144,924	146,563	146,985	151,505	157,186	130,459	136,638	150,560	161,246	166,762	1.1	9.7	30.9	4.7	10.2	7.1	3.4
EOP Common Equity/Assets (%)	8.98	8.85	8.77	8.56	8.53	8.52	8.18	8.29	9.27	8.56	8.29	8.11	8.04							
<b>CREDIT QUALITY INDICATORS:</b>																				
Net Charge-Offs	\$1,427	\$1,495	\$1,573	\$1,985	\$2,649	\$3,137	\$3,958	\$4,392	\$4,749	\$6,480	\$14,136	\$16,667	\$14,354	33.4	85.6	4.1	36.4	118.1	17.9	(13.9)
% Average Loans	0.81	0.81	0.80	0.90	1.20	1.40	1.60	1.75	0.73	0.84	1.50	1.60	1.30							
Nonperforming Assets (loans)	\$2,059	\$2,392	\$3,372	\$5,948	\$7,138	\$7,951	\$12,244	\$12,856	\$1,856	\$5,948	\$12,856	\$14,142	\$14,142	20.0	246.7	15.8	220.5	116.1	10.0	0.0
% EOP Loans + OREO	0.28	0.32	0.42	0.68	0.80	0.87	1.23	1.27	0.26	0.68	1.27	1.32	1.24							
Loan Loss Reserve	\$9,106	\$9,436	\$9,927	\$12,106	\$12,468	\$12,625	\$14,666	\$14,842	\$9,413	\$12,106	\$14,842	\$15,842	\$16,775	3.0	36.9	11.5	28.6	22.6	6.7	5.9
% EOP Loans	1.26	1.24	1.25	1.38	1.40	1.40	1.47	1.47	1.33	1.38	1.47	1.48	1.48							
% Nonperforming Loans	462.23	413.13	312.17	216.29	174.69	160.80	119.78	115.45	526.75	216.29	118.76	112.63	119.20							

Source: Company reports and Merrill Lynch.

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### *iQmethod*<sup>SM</sup> Measures Definitions

Business Performance	Numerator	Denominator
Return On Capital Employed	$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) * (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$	Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5-Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
<b>Quality of Earnings</b>		
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt, Less Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
<b>Valuation Toolkit</b>		
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap. = Current Share Price * Current Basic Shares
Enterprise Value / Sales	$\text{EV} = \text{Current Share Price} * \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} + \text{Sales} + \text{Other LT Liabilities}$	
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

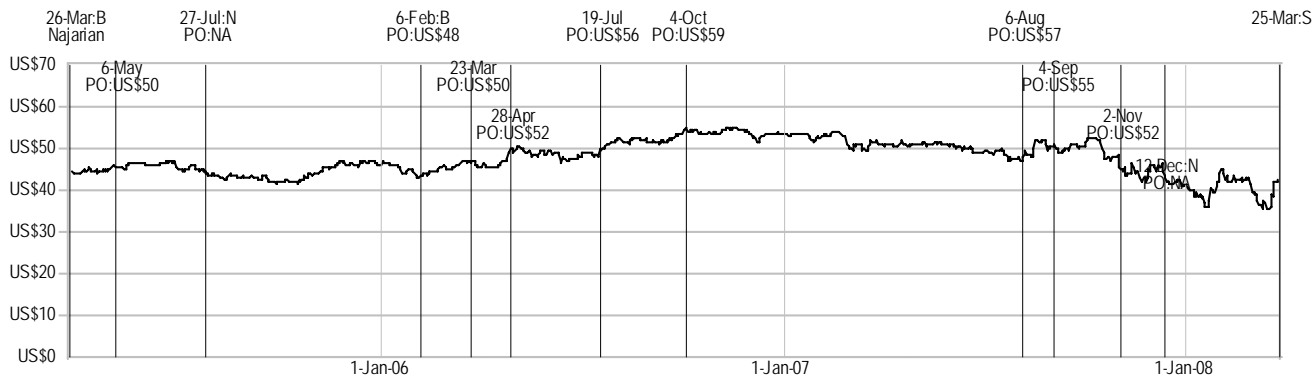
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BAC

B : Buy, N : Neutral, S : Sell, PO : Price objective, NA : No longer valid

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark Grey shading indicates the security is restricted with the opinion suspended. Light Grey shading indicates the security is under review with the opinion withdrawn. Chart current as of February 29, 2008 or such later date as indicated.

### Investment Rating Distribution: Banks Group (as of 01 Jan 2008)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	123	42.27%	Buy	49	49.00%
Neutral	129	44.33%	Neutral	63	57.27%
Sell	39	13.40%	Sell	25	67.57%

### Investment Rating Distribution: Global Group (as of 01 Jan 2008)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1714	46.25%	Buy	445	29.10%
Neutral	1653	44.60%	Neutral	454	30.55%
Sell	339	9.15%	Sell	67	21.82%

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