

# Bank of America



Bank of Opportunity™

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# Macroeconomic Environment

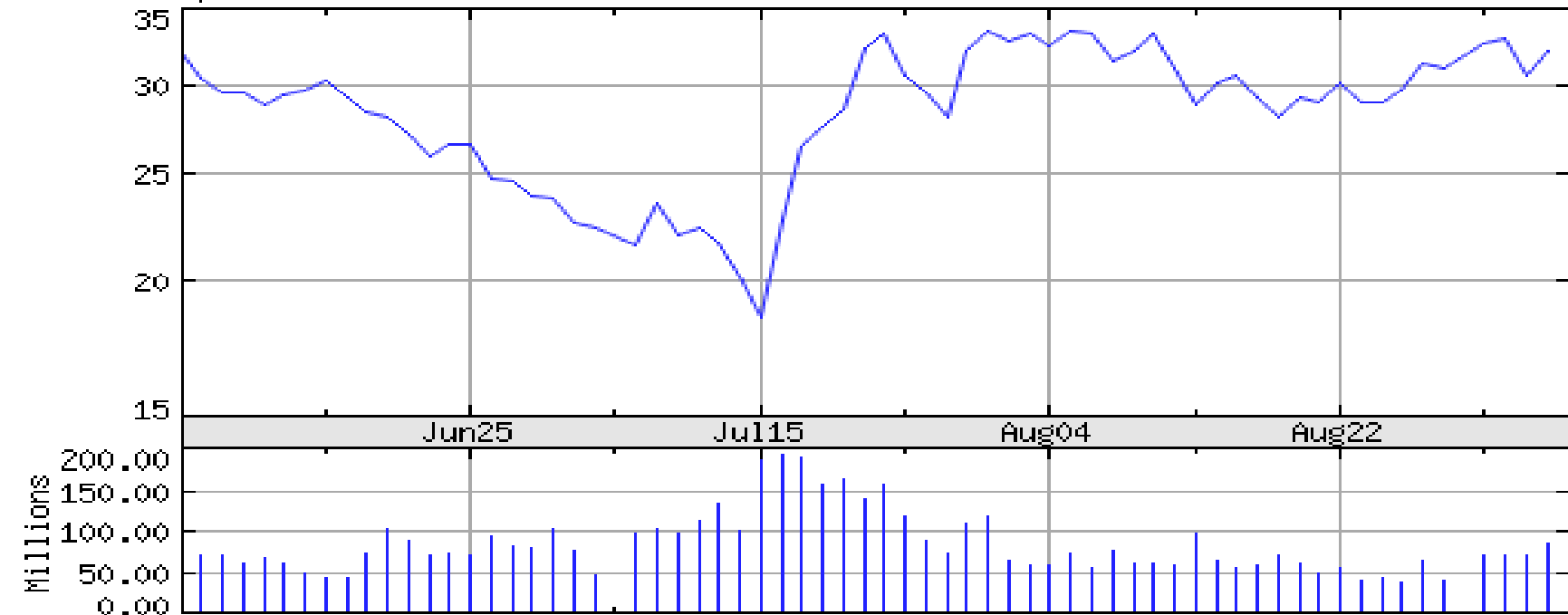
- **US Treasury backing Fannie Mae and Freddie Mac**
- **Possibility of further Interest Rate cuts**
- **Individual financials have already hit bottom**



# Bank of America

BANK OF AMERICA CORP  
as of 5-Sep-2008

Splits: ▼



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# Wells Fargo

WELLS FARGO & CO  
as of 4-Sep-2008

Splits: ▼



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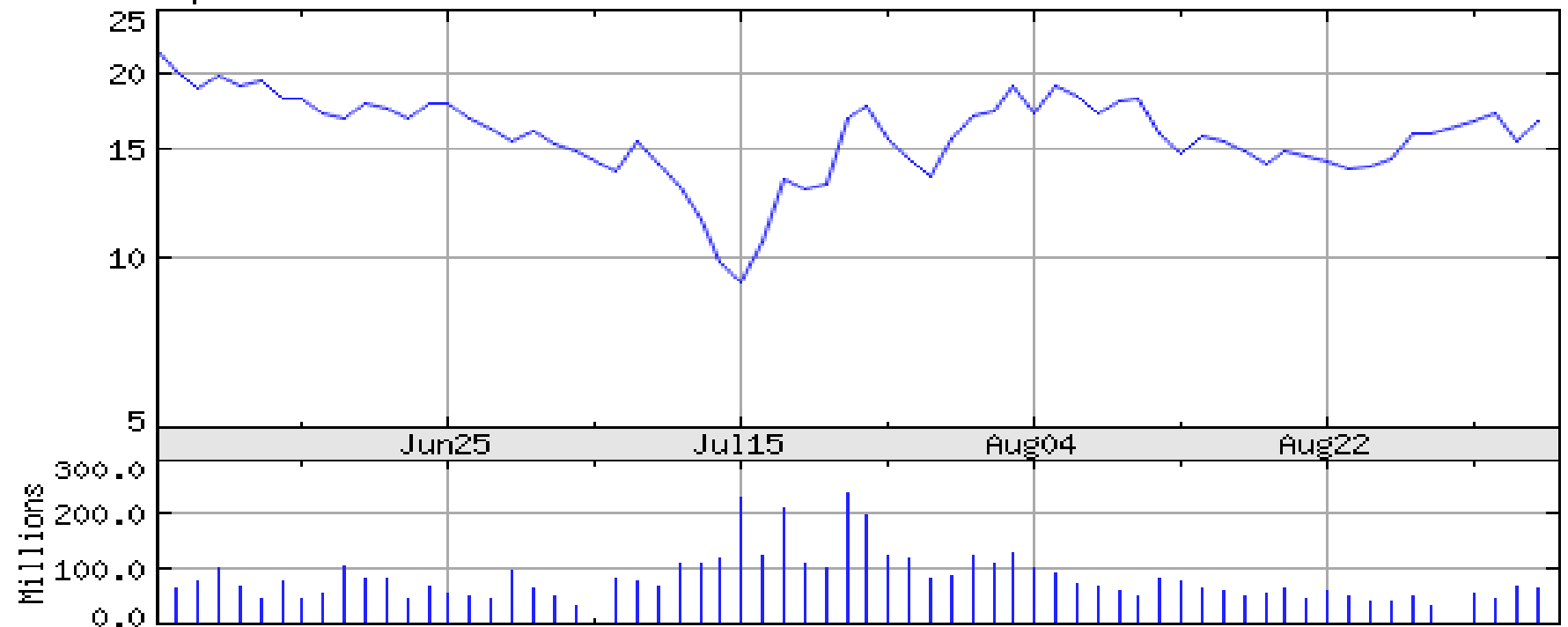
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# Wachovia

WACHOVIA CORP  
as of 5-Sep-2008

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# Case for Bank of America

- The largest retail bank, credit card lender, and mortgage provider in the country
- One of the few banks which acquired a company during the economic downturn:
  - With Countrywide, the largest originator of mortgages in the country
  - The possible acquisition of Lehman Brothers, one of the largest high net worth portfolios in the world
- Bank of America is one of the few banks that has not cut its dividend: 7.9% yield



# Analysis Opinion

- Tom Brown of Second Curve Capital and Bankstocks.com says the most famous stock analyst in the country, Meredith Whitney, has missed the turn in financial stocks. The sector will double or triple in short order, Tom says--including Wachovia (WB)--and some stocks will charge even higher. Tom's key arguments, some of which are expressed in the interview below:
  - The stocks rally *before* fundamentals (in this case bad loans) peak
  - Most companies have plenty of capital (contrary to the bear argument)
  - Core earnings power remains strong
  - Valuations now take into account the rest of the downturn

# Argus and Market Edge

## Argus Recommendations

Twelve Month Rating	SELL	<b>HOLD</b>	BUY
Five Year Rating	SELL	HOLD	<b>BUY</b>
Sector Rating	Under Weight	<b>Market Weight</b>	Over Weight

## Second Opinion® Weekly - BANK OF AMERICA (BAC)

Exchange: NYSE

Close as of week ending

**9/5/2008**

**Opinion: LONG    Date Opinion Formed: 08/18/08**

**Price Opinion Formed: 30.70    Recommendation Stock is a Strong Buy.**



# Headlines

- Bank of America has recently reached a deal with the NY Attorney General to compensate investors for auction-rate securities (By Marcy Gordon, AP Business Writer)
- Big banks' dividend gamble Regions and Wachovia slash their dividends, but other banks, led by Bank of America, insist they have enough capital. (By Colin Barr, senior writer  
<http://money.cnn.com/2008/07/22/news/banks.dividends.fortune/index.htm>)
- CEO Ken Lewis stated that the dividend was safe; management would slow repurchases down before any attempt to cut dividend (By David Ritter, Argus Research Company)



# Ratios

	Q1	Q2	Q3	Q4	Total
EPS (Ave. Est.)	0.23	0.72	E0.73	E0.73	E2.43
(High Est.)	n/a	(+35%)	E0.82	E0.86	E2.63

Currently the P/E Ratio is 18.2 based on an EPS of 1.82

Profit Margin: 17.66%

Operating Margin: 27.88%

Beta: 0.93



# Credit

- 17.6 billion in loan loss reserves
- Reserves covering nonperforming Assets = 1.9
  - Industry = less than 1.0
- Revenue Q2 = 20.3 billion
  - Write downs Q2 = 1.2 billion (Q1 = 1.6billion)



# Buy points

- Under 30 dollars a share
- After earnings on October 20<sup>th</sup>