

U.S. Banks : Industry Overview

A Bank Analyst's View of the Carnage — And The Long Road To Recovery



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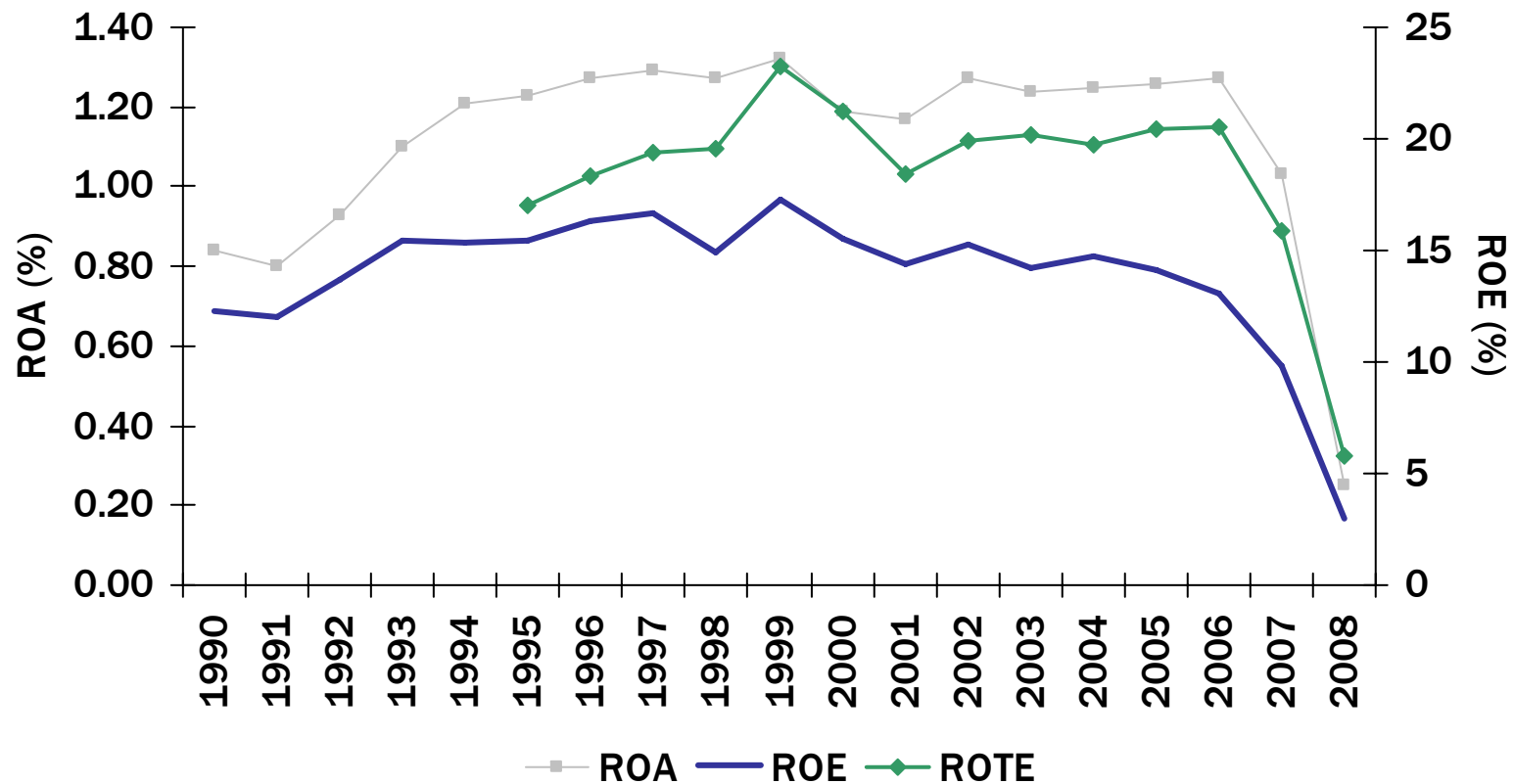
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Today's Talking Points

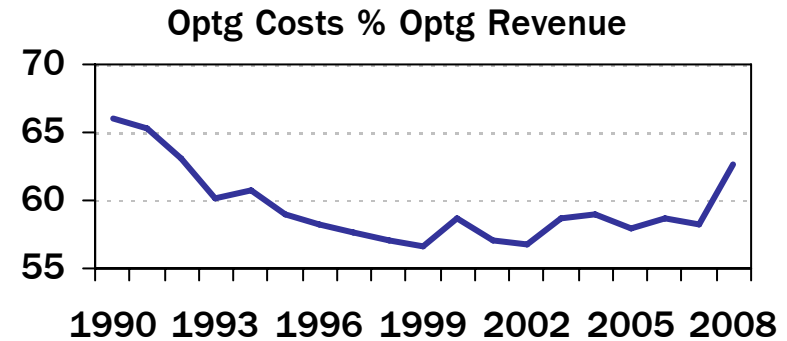
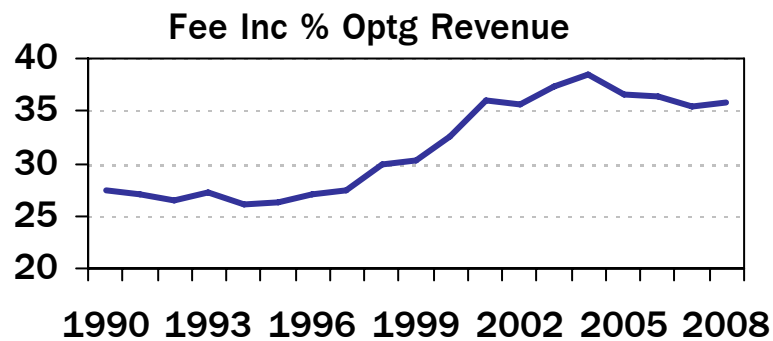
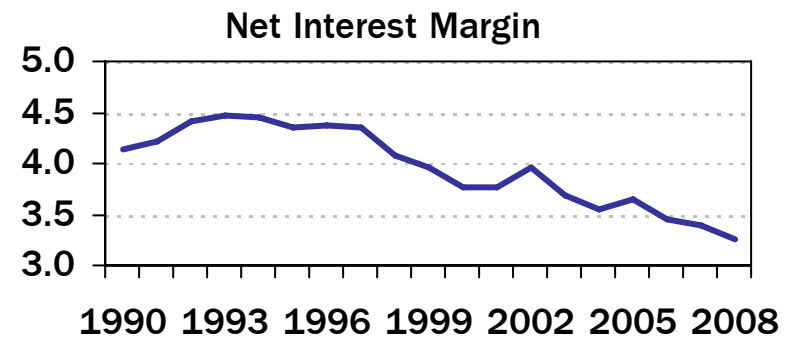
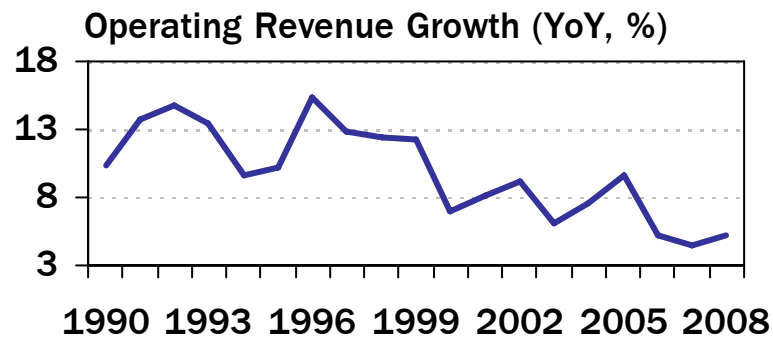
- Few Near-Term Catalysts for Profit Growth
- Regulatory Response Has Been Unprecedented, But Is It Enough?
- Key to Near-Term Market Confidence: Capital
- Questions and Answers

A Nasty Roller-Coaster Ride for Bank Investors Since 2007



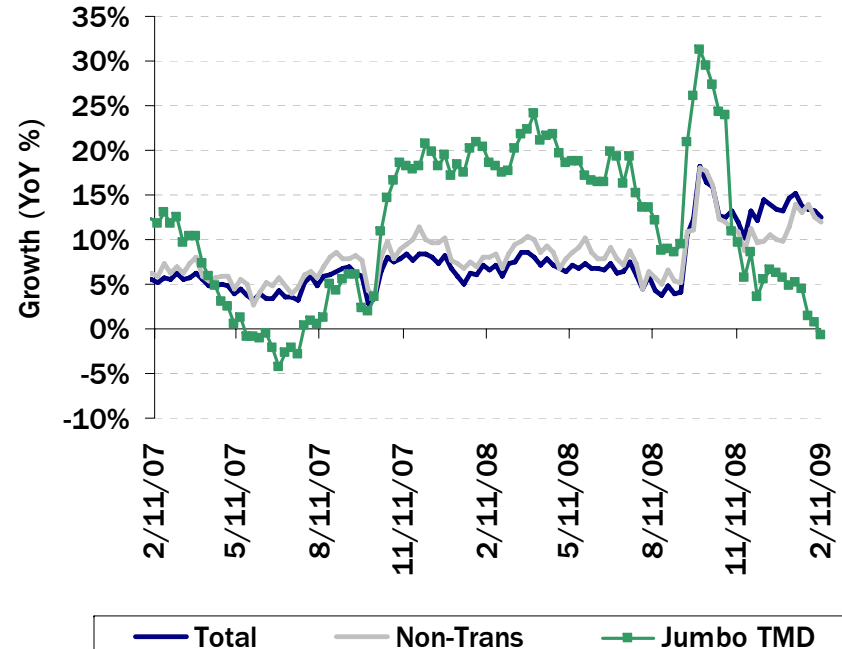
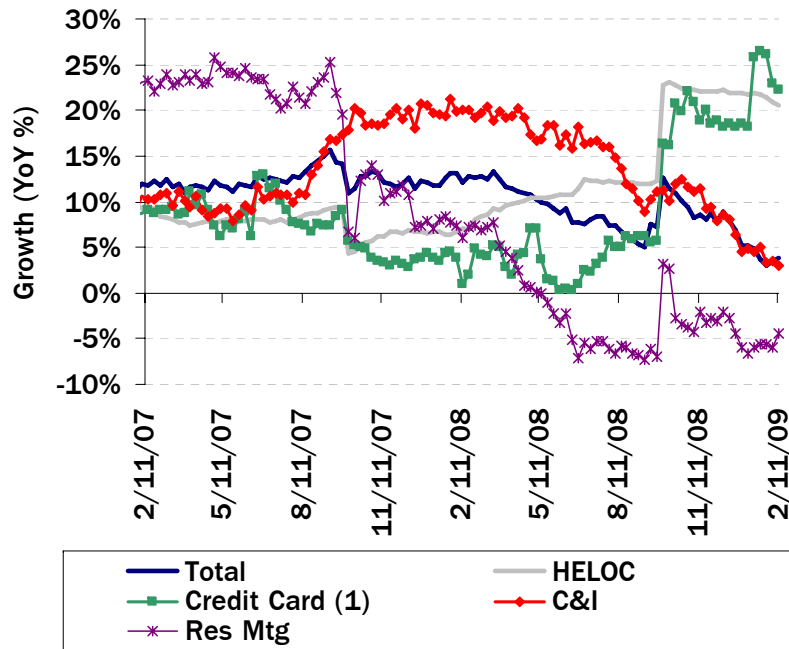
All data represent median for the peer group as of the quarter stated. Peer group comprises the 50 largest U.S. bank & thrift holding companies as of 6/30/2008. Sources: SNL Financial; Wachovia Capital Markets, LLC

A Tougher Operating Environment for The Banks: A 20-Year History



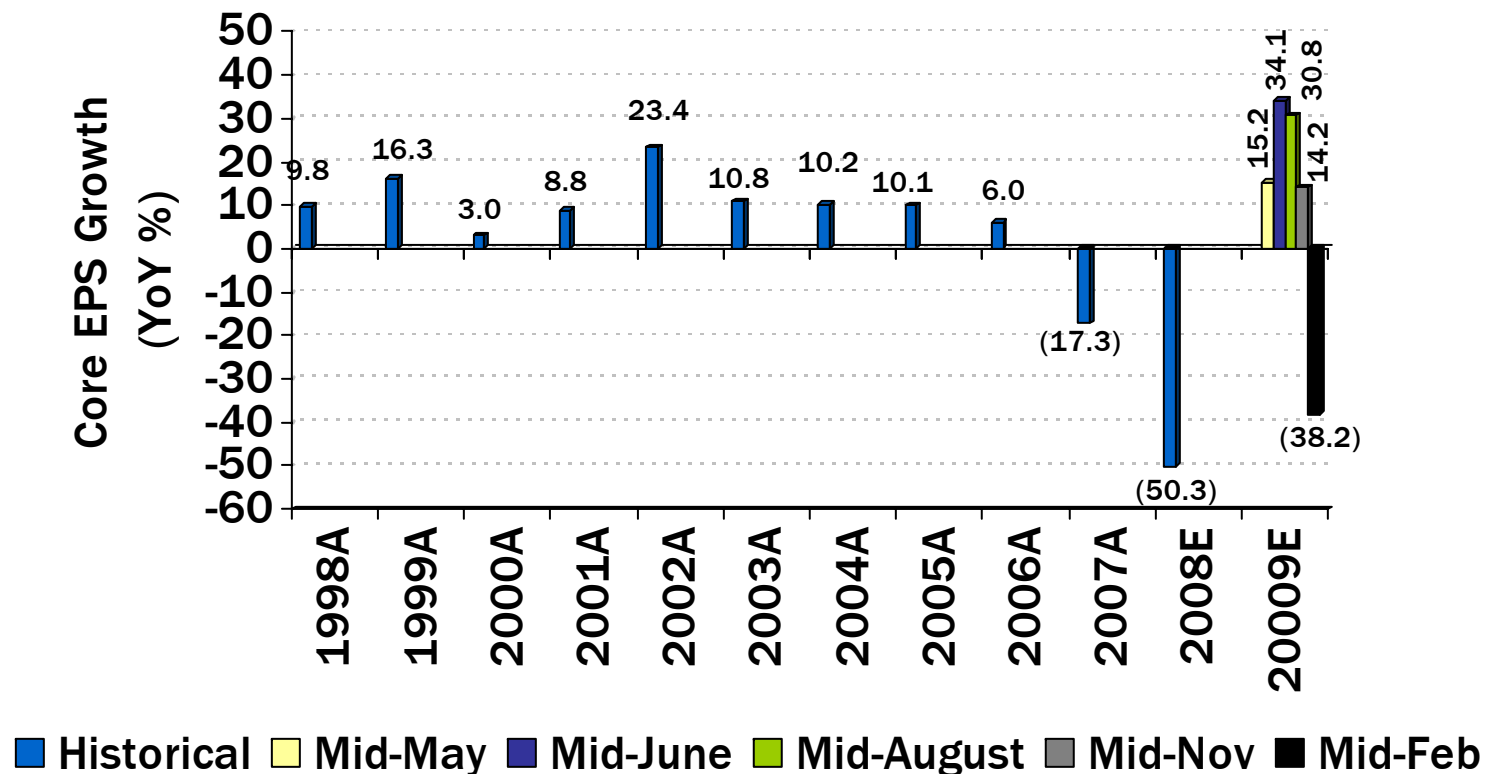
All data represent median for the peer group as of the quarter stated. Peer group comprises the 50 largest U.S. bank & thrift holding companies as of 9/30/2008. Sources: SNL Financial; Wachovia Capital Markets, LLC

Bank Lending Has Slowed (Excluding Non-Mortgage Consumer Debt); Jumbo CD Demand Has Dropped, Too



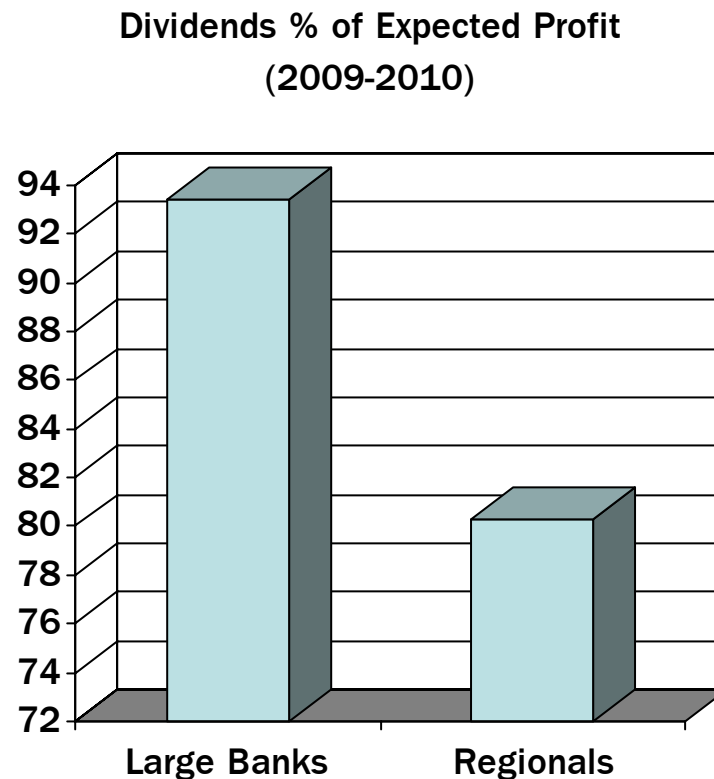
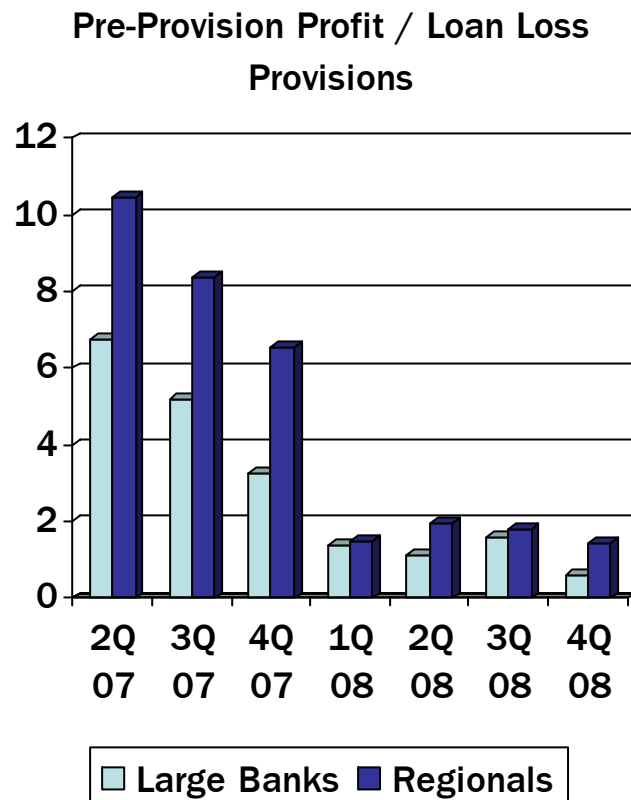
Data reflects year-over-year growth in seasonally adjusted balances for large domestically chartered U.S. banks.
Sources: Federal Reserve, Wachovia Capital Markets, LLC

Further EPS Near-Term Weakness Likely Ahead, Say Prospective Estimates



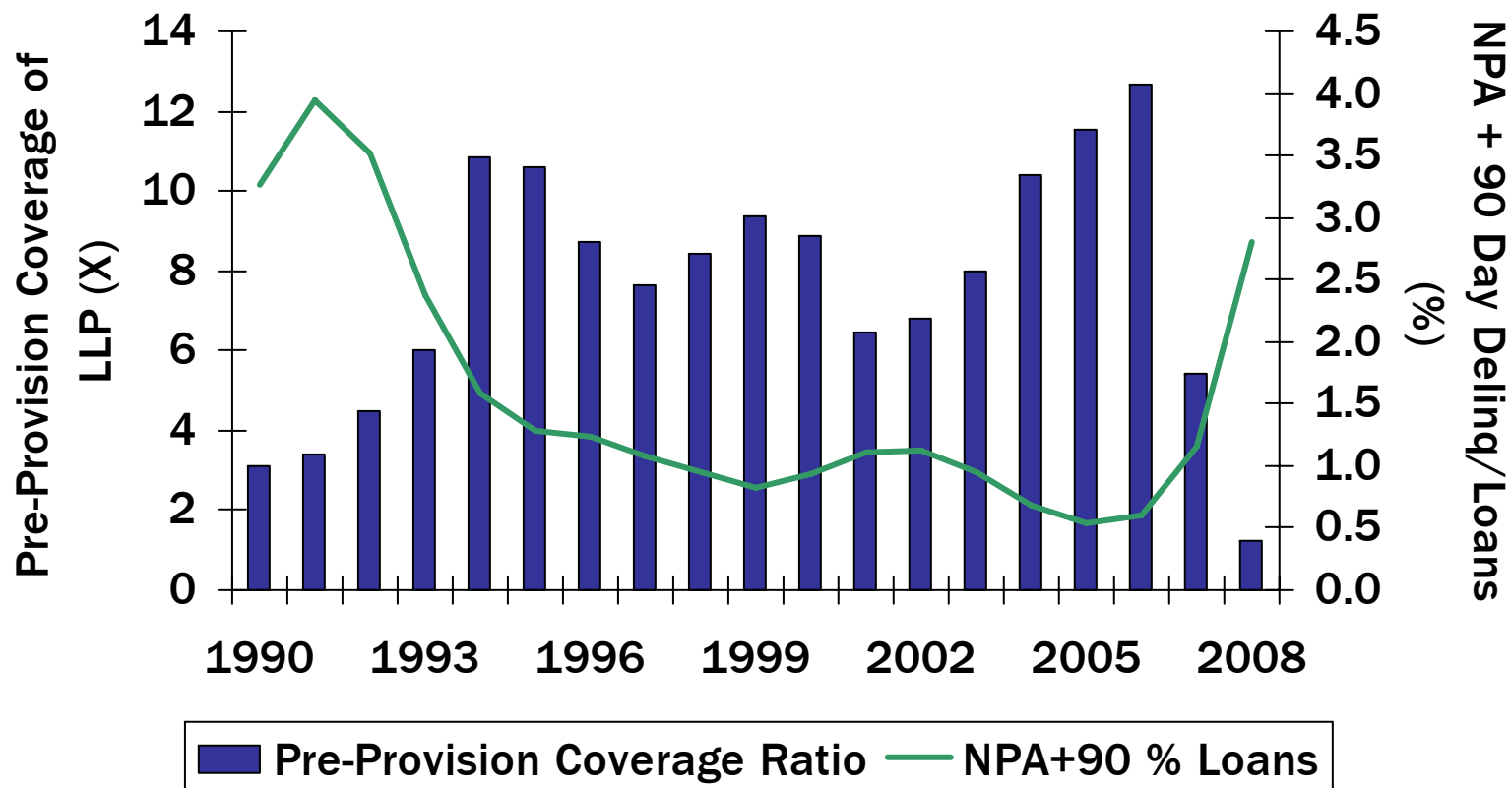
All data represent median for the peer group as of the quarter stated. Peer group comprises the 50 largest U.S. bank & thrift holding companies for all periods presented. 2008/2009 data represents median EPS growth. Sources: SNL Financial; Wachovia Capital Markets, LLC

But Capital Generation Is Constrained by Higher Credit Costs and Higher Dividend Requirements



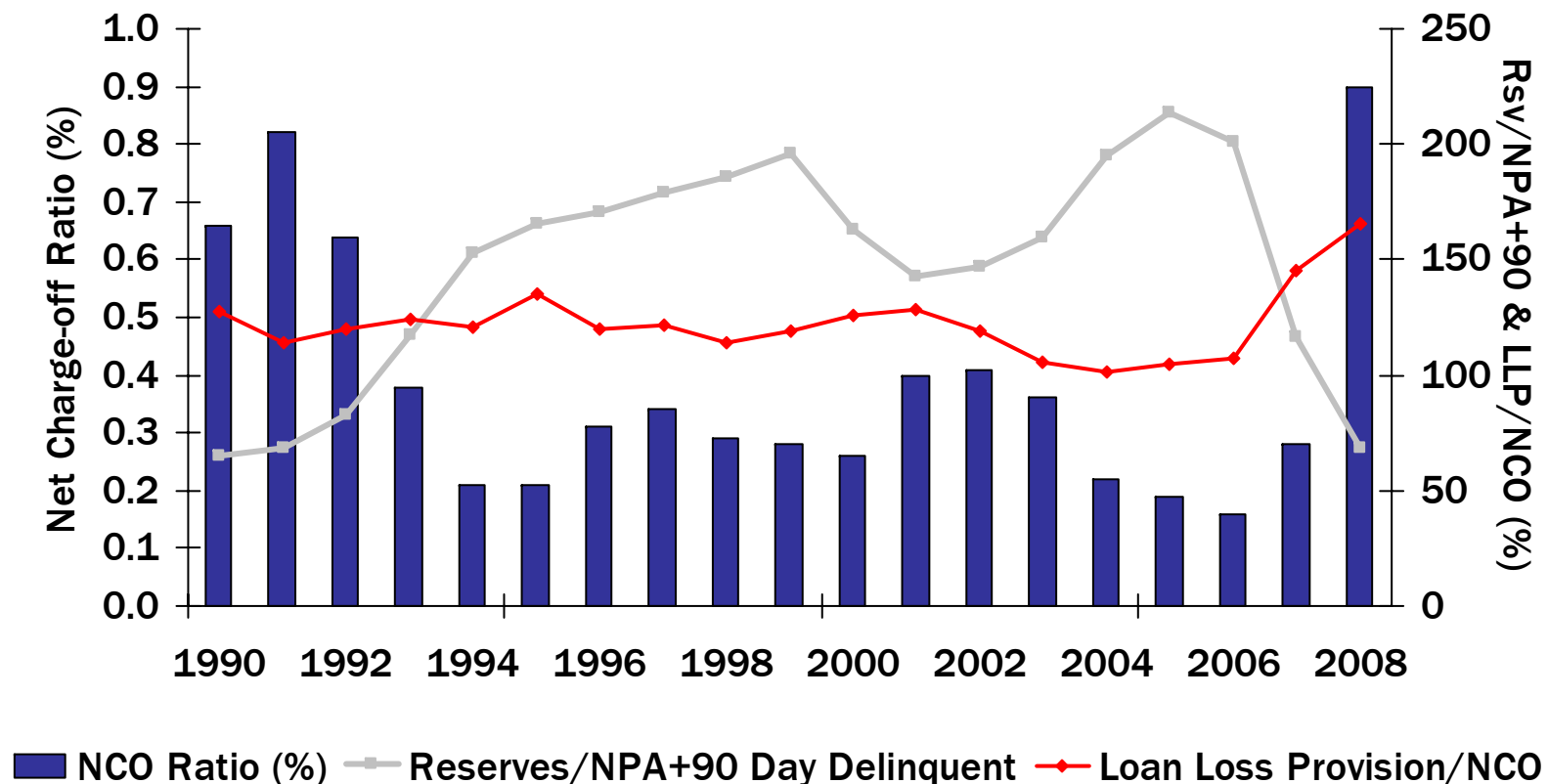
Dividends include common, TARP preferred and non-TARP preferred at current annualized rates as of Feb. 24, 2009 – it excludes the effects of any additional issuance of preferreds under the Capital Assistance Program. Earnings represent consensus estimates as of Feb. 20, 2009, discounted by 20%. Sources: SNL Financial; Company documents, U.S. Treasury Department, FFIEC, Wachovia Capital Markets, LLC

Banks' Ability to Add to Reserves Weakening at the Wrong Time



All data represent median for the peer group as of the quarter stated. Peer group comprises the 50 largest U.S. bank & thrift holding Companies as of 9/30/07. Sources: SNL Financial; Wachovia Capital Markets, LLC

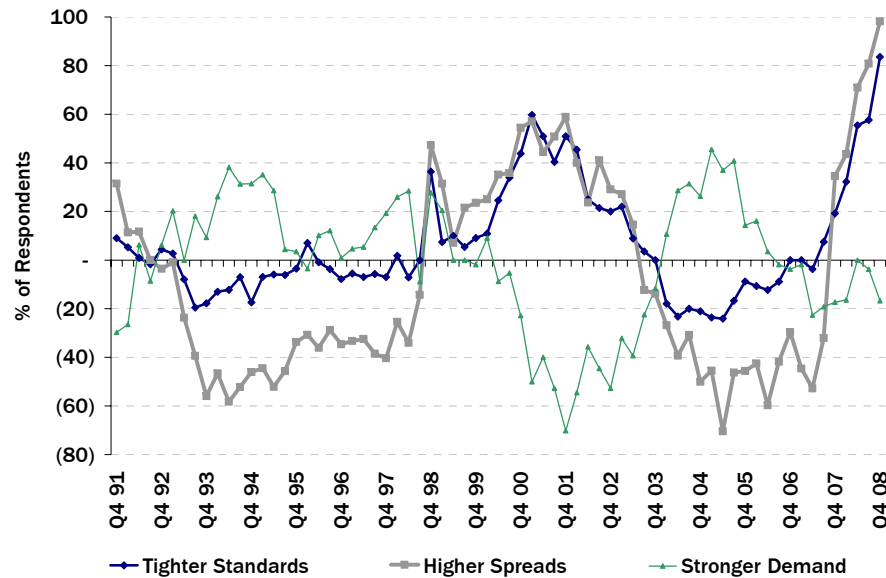
Many Important Asset Quality Metrics Ended 2008 in Worse Shape Than 1990



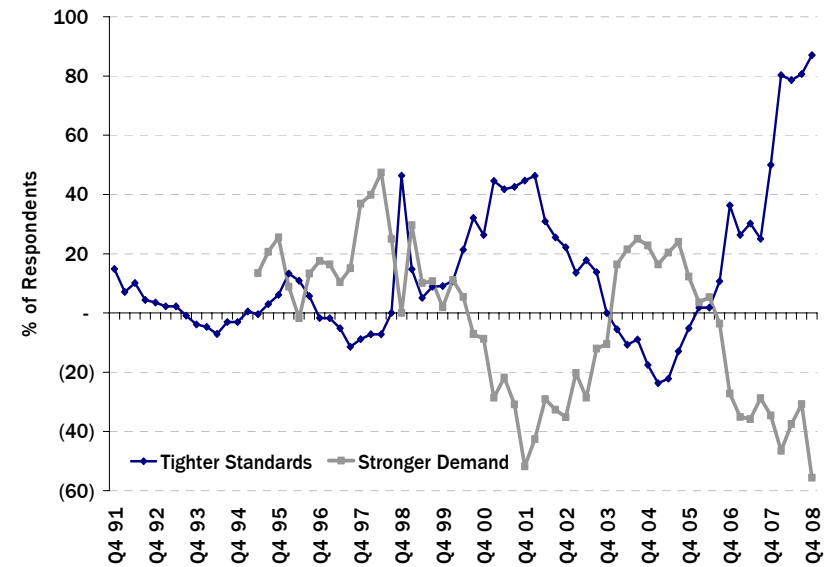
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Economic Slowdown Has Also Caused Banks to Tighten Lending Standards to Commercial Borrowers

C&I Lending Standards

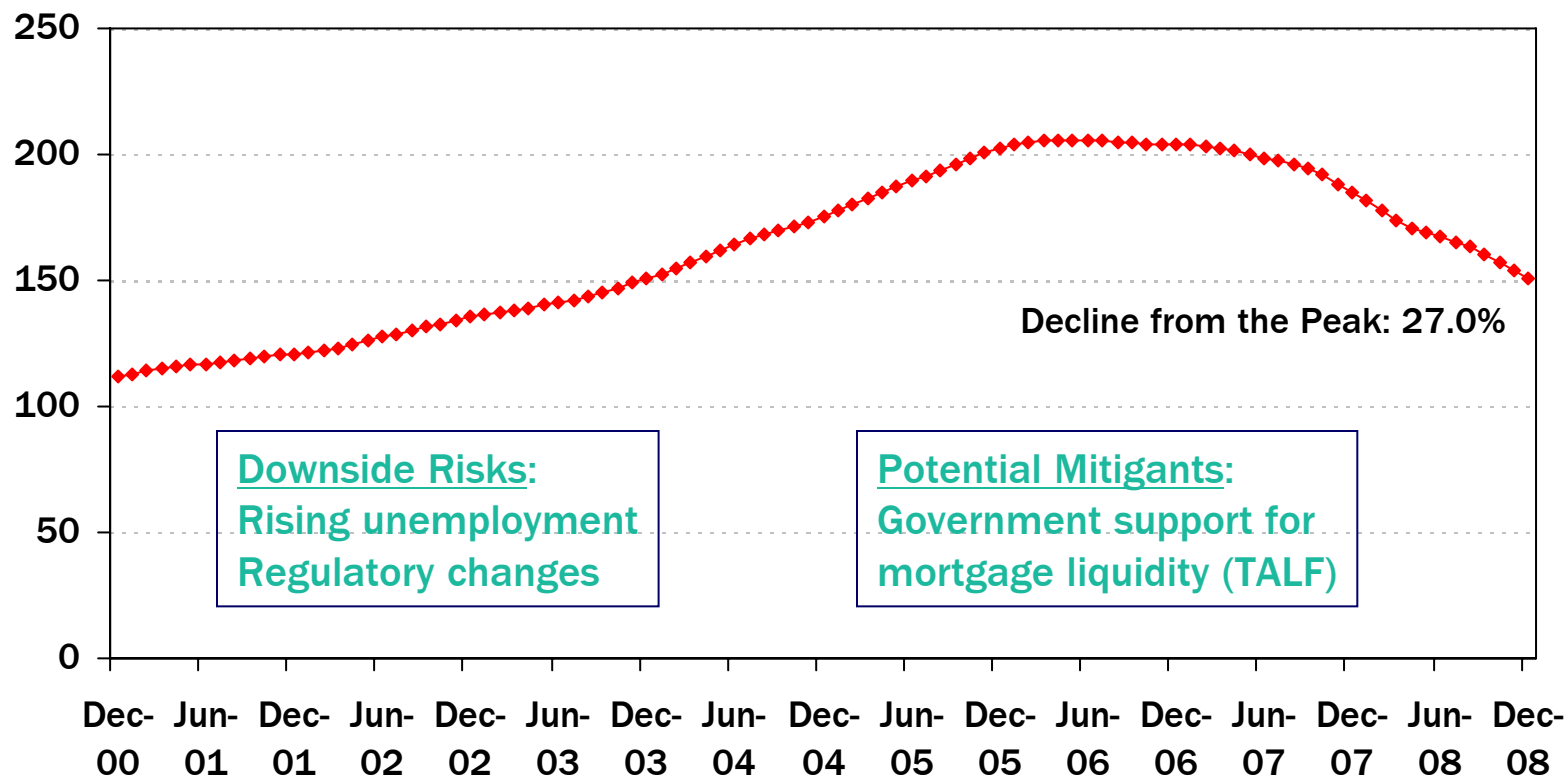


CRE Lending Standards



Sources: Federal Reserve, Wachovia Capital Markets LLC.

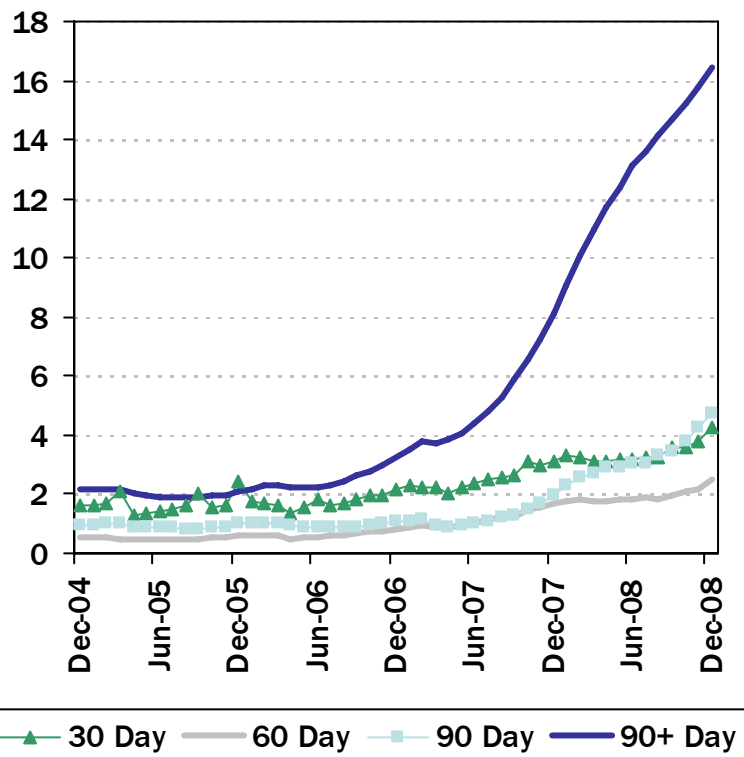
Mortgage Challenges Still in the Middle Innings – HPD for the Case-Schiller Comp-20



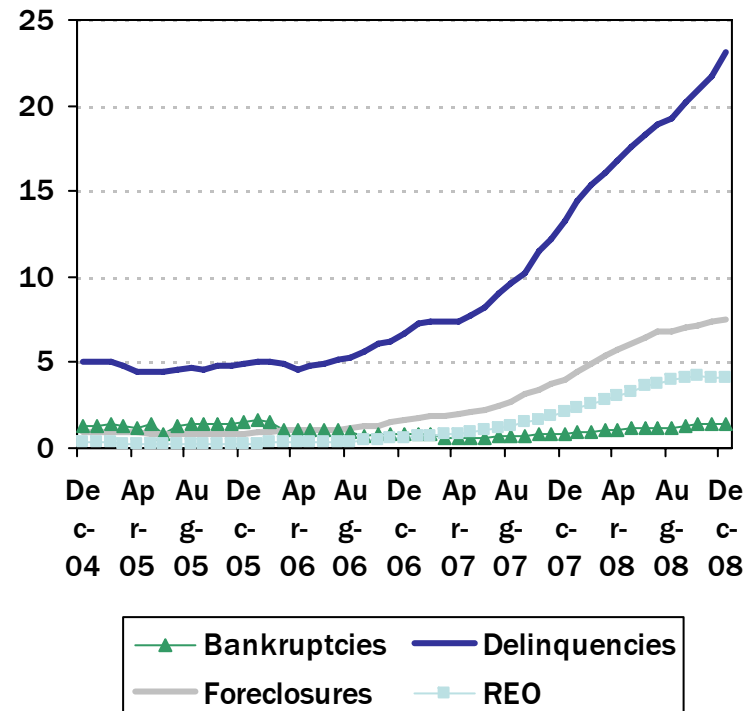
Data stated on a seasonally adjusted basis as of the date specified. Sources: S&P/Case-Shiller Home Price Indices .

Mortgage Delinquency Rates Continued to Rise Through 2008

Non-Agency Mortgage Delinquencies (%)

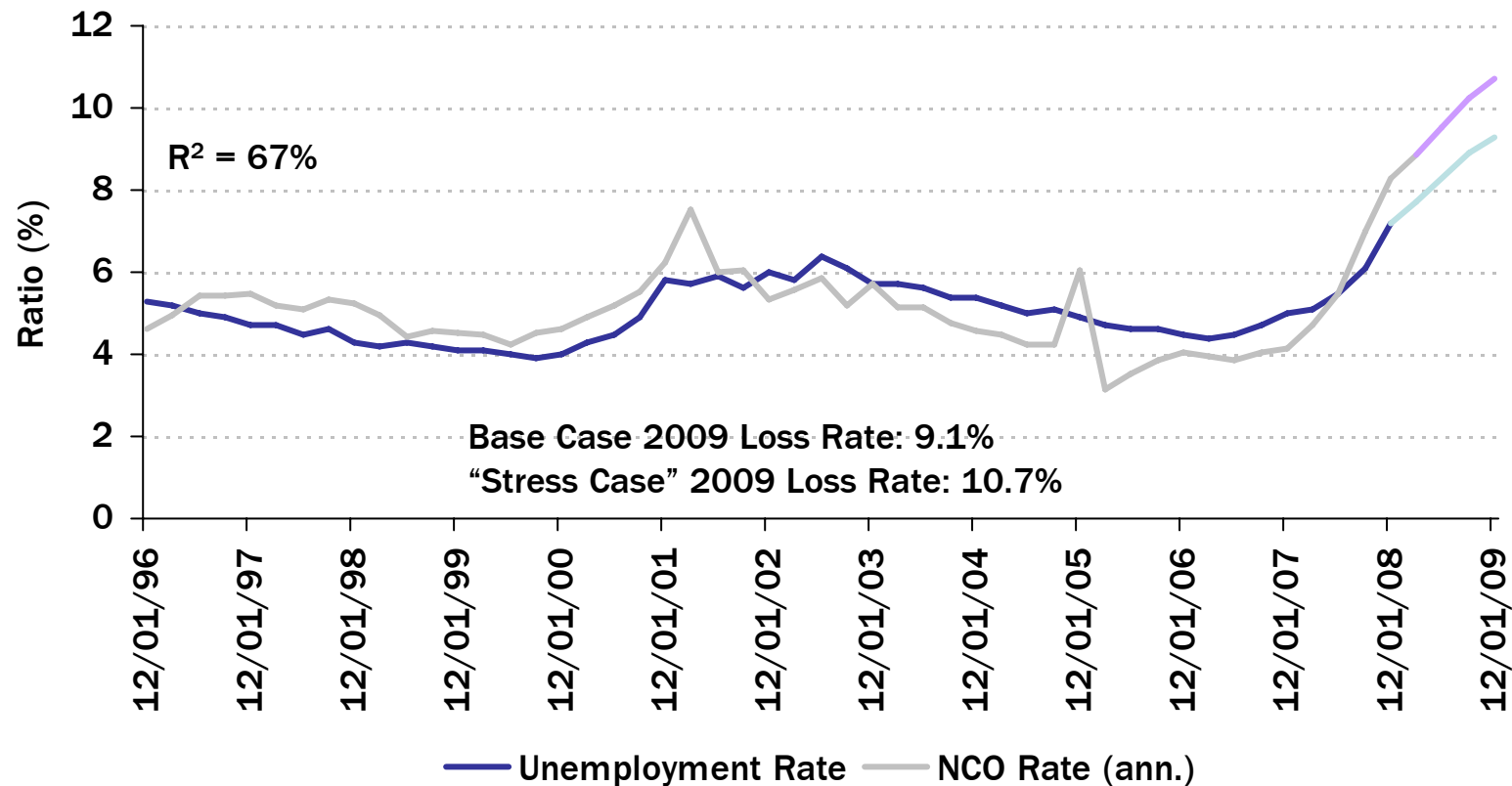


Non-Agency Mortgage Delinquency Bankruptcy, Foreclosure and REO Ratios (%)



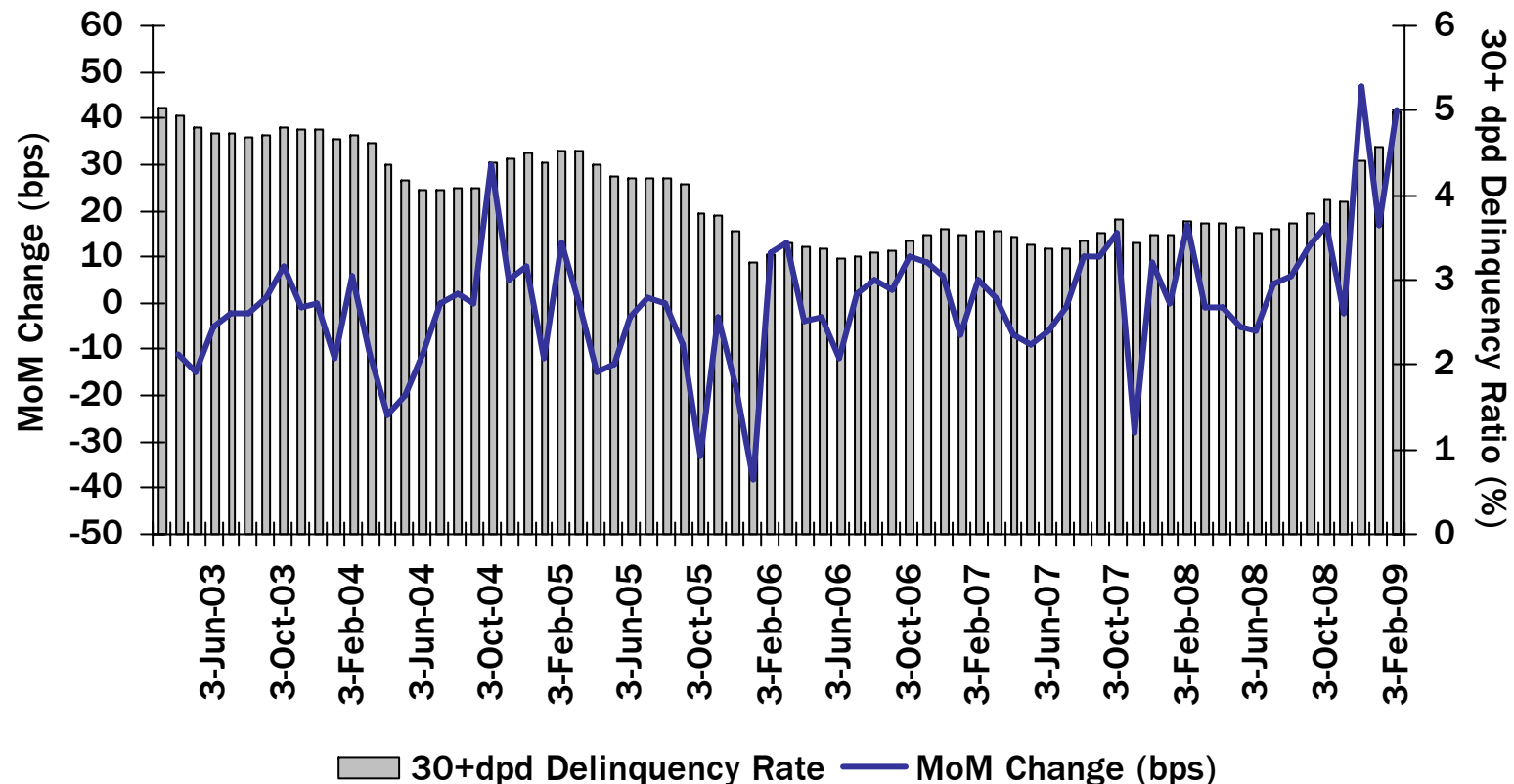
Source: Bloomberg Non-Agency mortgage database (comprised of 24 million active loans), Wachovia Capital Markets LLC

Card Losses Should Track Unemployment Well Into 2010



"Stress case" assumes unemployment rate rises to 9.3% and annualized card losses are 1.15% of unemployment rate in each quarter in 2009.
 Sources: Bureau of Labor Statistics, Bloomberg; Wachovia Capital Markets, LLC

Bankcard Delinquency Rates Have Also Weakened Very Recently, Suggesting Greater Pressure on Consumers



Average delinquency rate represents the equal weighted average of: AXP, BAC, C, COF, DFS and JPM.
Sources: Bloomberg credit card trust data; Wachovia Capital Markets, LLC

Commercial Mortgage Losses Also Rising

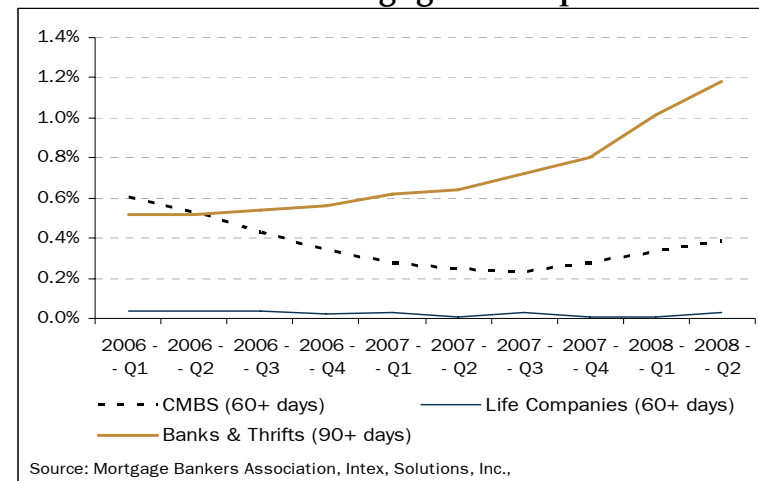
Estimated Commercial Mortgage Maturities

(\$billion)	2009E	2010E	2011E	2012E
Banks	234.0	257.4	283.1	311.5
Insurance Companies	22.5	23.7	26.7	27.3
CMBS Total*	49.1	39.4	59.5	81.2
TOTAL	305.7	320.4	369.4	419.9

Source: ACLI, Federal Reserve Board of Governors and Wachovia Capital Markets, LLC's estimates.

*CMBS total includes both fixed and floating-rate loans to first maturity.

Commercial Mortgage Delinquencies



- According to Fed's Flow of Funds, banks hold approximately 22% of outstanding commercial real estate.
- In the 2009-2012 period, bank maturities of commercial mortgages comprise approximately 77%.
- 10-year cumulative losses estimated by WCM: 7%-8%, but 35-50% could occur in 2009-2010.

Source: Federal Reserve, Wachovia Capital Markets, LLC Structured Products Research

Unprecedented Governmental Action to Relieve The Credit and Economic Crisis

Money Market Fund Insurance (9/19/08)	Established 1-year insurance-like program to guarantee payment to investors of participating money market funds whose NAV falls below \$1.00.
ABCP Lending Program (9/19/08)	Creation of Federal Reserve Lending Program enabling banks and other financial institutions to purchase commercial paper (rated A-1/P-1 or better) out of money market funds.
Liquidity for Agency Market (9/19/08)	Federal Reserve took action to purchase short-term debt issued by FNM, FRE and FHLB to inject liquidity into the GSE market.
FDIC Coverage Limit Raised (10/3/08)	FDIC temporarily increased deposit insurance to \$250,000 from \$100,000 (until 12/31/09).
Troubled Asset Relief Program (10/3/08)	Established a \$700 billion program to support financial system; initial \$250 billion used to purchase senior preferred stock and warrants from qualified financial institutions under Capital Purchase Program (CPP).
Term Auction Facility (10/6/08)	Federal Reserve doubled the size of the facility that accepts eligible capital from depository institutions for term funds to \$300 billion. Signaled possible increase to \$900 billion by year-end 2008.
Interest Bearing Reserves (10/6/08)	Banks will receive interest on deposits held on reserve at the Federal Reserve.
Commercial Paper Funding Facility (10/7/08)	Federal Reserve will purchase A-1/P-1 rated commercial paper and asset backed securities with a term of three months directly from issuers.
Temporary Liquidity Guarantee Program (10/14/08)	FDIC intends to guarantee new debt issued by its regulated depository institutions through 6/30/2012 for debt issued by 6/30/2009. Limit on guarantee is 125% of unsecured debt at 9/30/08 per eligible entity.
Money Market Investor Funding Facility (10/21/08)	Provides senior loans to five private SPV to purchase eligible short-term assets (US\$ CDs, bank notes and CP) issued by ten financial institutions to promote liquidity in the short-term funding markets.

Additional Programs: SSFI, AIFP, TALF

Systemically Significant Failing Institutions Program (SSFI)

- A case-by-case investment program
- Mitigate possible “knock-on” effect on third parties from the failure of an institution
- Potential for indirect contagion of other institutions in the event of failure
- The possibility of disruptions to the financial system “with high probability” given failure.
- Inability to access alternative forms of capital.

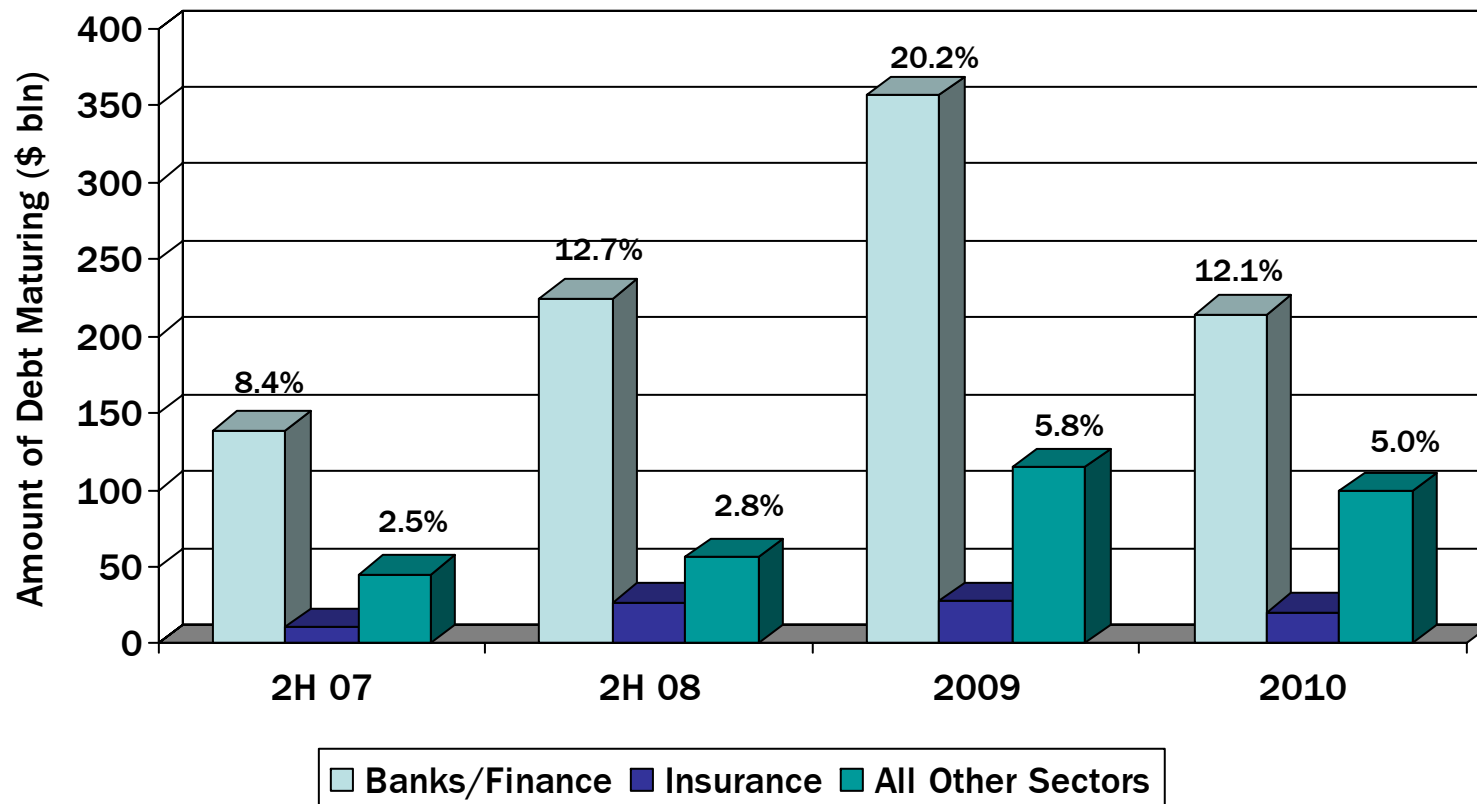
Automotive Industry Financing Program

- Distributed \$19.4 billion from TARP, plus an additional \$4 billion under second half of TARP.
- Also provided \$5 billion preferred investment in GMAC (plus \$1 billion to GM for additional investment).

Term Asset Backed Securities Loan Facility (TALF) – Not Yet Operative

- Up to \$200 billion secured lending facility for consumer ABS; run by the New York Fed
- Eligible securities must be rated AAA by two ratings agencies
- Uncertainty remains on what assets will be supported: auto loans, cards, student loans, SBA, etc.
- Uncertainty remains on possibility of participation by individual financial institutions

Refinancing Requirements for Banks and Finance Companies Will Likely Peak in 2009



Percentages reflect share of all corporate bonds outstanding. 2H 07 included for illustrative/comparative purposes. Source: Fitch Ratings

Capital Purchase Program Benefited Banks' Tier 1 by about 250 bps

Institution	Approved Amount (\$B)	9/30 Stated Est. Tier 1 %	Pro-Forma Est. Tier 1	Estimated Benefit
MAJOR BANKS (8)				
Bank of America Corp. ^{1,2,3}	\$ 25,000	7.55 %	9.03 %	1.48 %
Bank of NY Mellon Corp. ⁴	\$ 3,000	9.33 %	11.79 %	2.46 %
Citigroup ⁵	\$ 25,000	8.20 %	10.24 %	2.04 %
Goldman Sachs Group ²	\$ 10,000	12.70 %	15.34 %	2.64 %
JPMorgan Chase & Co. ³	\$ 25,000	8.90 %	10.89 %	1.99 %
Morgan Stanley ²	\$ 10,000	11.60 %	14.97 %	3.37 %
State Street Corp. ⁴	\$ 2,000	16.14 %	19.08 %	2.94 %
Wells Fargo & Co.	\$ 25,000	8.58 %	— %	— %
To-date Total:	\$ 125,000	Average:	13.05 %	2.42 %
REGIONAL BANKS (28)				
BB&T Corp.	\$ 3,100	9.40 %	12.40 %	3.00 %
Capital One Financial ⁴	\$ 3,550	9.60 %	12.61 %	3.01 %
City National Corp.	\$ 395	9.10 %	12.00 %	2.90 %
Comerica, Inc.	\$ 2,250	7.35 %	10.35 %	3.00 %
Fifth Third Bancorp	\$ 3,450	8.53 %	11.50 %	2.97 %
First Horizon National Corp.	\$ 866	10.90 %	14.10 %	3.20 %
Huntington Bancshares	\$ 1,400	8.90 %	11.90 %	3.00 %
KeyCorp	\$ 2,500	8.48 %	10.76 %	2.28 %
Marshall & Ilsley Corp.	\$ 1,700	7.90 %	10.90 %	3.00 %
Northern Trust Corp.	\$ 1,500	9.20 %	11.76 %	2.56 %
PNC Financial Services Group	\$ 7,700	8.20 %	10.00 %	1.80 %
Regions Financial	\$ 3,500	7.47 %	10.50 %	3.03 %
SunTrust Banks ⁵	\$ 3,500	7.47 %	9.56 %	2.09 %
UCBH Holdings ⁶	\$ 298	12.50 %	15.48 %	2.98 %
U.S. Bancorp	\$ 6,600	8.50 %	11.40 %	2.90 %
Valley National Bancorp ⁶	\$ 330	8.94 %	12.21 %	3.27 %
Zions Bancorporation	\$ 1,400	8.07 %	10.90 %	2.83 %
Total Regionals To-date Total:	\$ 45,146	Average:	13.53 %	2.87 %
"Smaller" Regionals To-date Total:	\$ 2,130	Average:	15.73 %	2.97 %

Finance Companies That Have Also Received TARP (after converting to a Bank or Financial Holding Company):

American Express (\$3.4B)
CIT Group (\$2.3B)

1 PF Tier 1 capital ratios stated using Tier 1 capital and risk weighted assets as of September 30, 2008. 2 PF Tier 1 capital ratios stated using Tier 1 capital and risk weighted assets as of June 30, 2008. 3 PF Tier 1 capital ratios stated using Tier 1 capital and risk weighted assets as of August 31, 2008. 4 PF Tier 1 capital ratio combines regulatory capital data for BAC and MER. 5 PF Tier 1 capital ratio combines regulatory capital data for WFC and WB. 6 Estimated Tier 1 capital ratio at 9/30/08 includes benefit of \$108MM in common equity issued 10/1/08. 7 Estimated Tier 1 capital ratio stated as of 12/31/07; estimated benefit of TARP injection based on capital figures as of 12/31/07. \$ Billions. Source: Company Reports, U.S. Treasury Department, Wachovia Capital Markets, LLC

What the Capital Assistance Program Includes

- Only Selected Institutions Subject to a Supervisory Assessment
 - Institutions with assets greater than \$100 billion must participate.
 - Smaller institutions may opt into the program.
- Dual Track Economic Scenarios
 - Baseline scenario and “a more adverse” scenarios.
- Maximum Cumulative Losses (MCL) by Loan Category
 - Estimating maximum losses in 2009-2010 for all material loan categories.
- Aggregate MCL Compared to Loss Reserves and Earnings Cushion
 - Reserves, pre-tax preprovision profits, and capital ratios
- After Reflecting MCL, Institutions Must Show Adequate Capital
 - Likely to focus on Tier 1 > 6% and/or TCE/RWA >3%
- Assessments to be Completed by the End of April

Regulators' Economic Scenarios: Baseline and More Adverse Alternatives

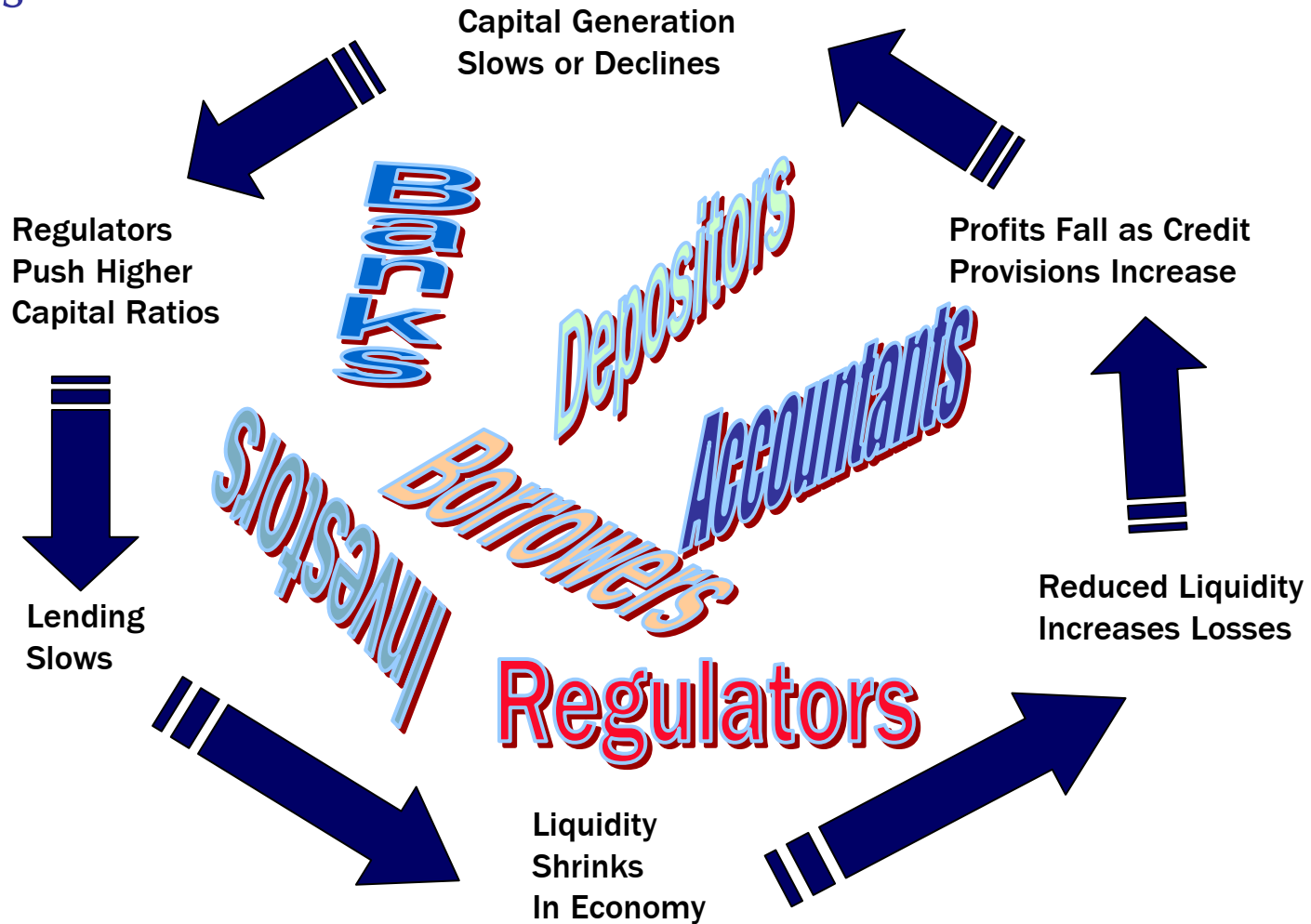
	2009	2010
Annual % Change in GDP		
Average Baseline	(2.0)	2.1
More Adverse Scenario	(3.3)	0.5
Civilian Unemployment Rate (%)		
Average Baseline	8.4	8.8
More Adverse Scenario	8.9	10.3
House Price Change from Q4 2008 (%)		
Baseline Home Price Decline	(14.0)	(4.0)
More Adverse Scenario	(22.0)	(7.0)

All figures represent percentage change in annual average. Unemployment rate is stated on an annual average. Annual house price change based upon Case-Shiller 10-City Composite, for the period beginning in Q4 of the year indicated. Sources: U.S. Treasury Department, FAQ Supervisory Assessment Program

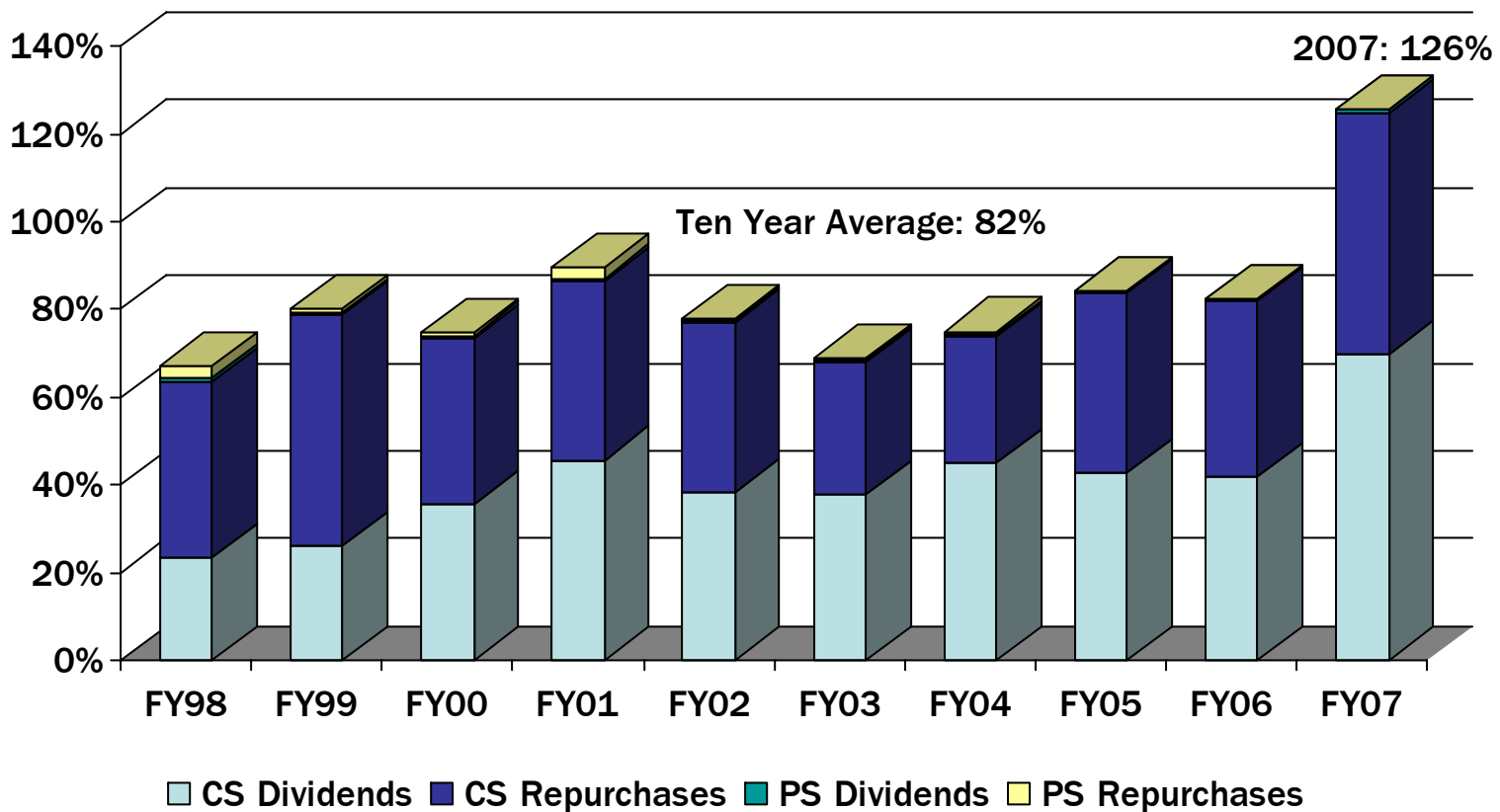
Important Terms of the Treasury's Investment

- **Allowed to Raise Private Capital Before Turning to the Government**
 - Institutions have been given six months to raise additional capital.
 - Can raise common equity or convertible preferred stock.
- **Mandatory Convertible Preferred**
 - Treasury will issue seven-year, mandatory convertible preferred (9% coupon), conversion price equal to 90% of the recipient's closing common share price for the 20-day average ended Feb. 9.
 - Treasury allows banks to issue 1%–2% of RWA in mandatory convertible preferred stock, plus issuance that must be used for repayment of outstanding TARP preferred stock.
 - Conversion may occur with regulatory approval on an “as needed” basis at any time.
 - Treasury may, in situations requiring “exceptional assistance,” allow for additional investments up to an unstated amount.
 - Recipients would be publicly reported, but no public disclosure of applications or rejections.
 - Dividends of any institution receiving mandatory convertible preferred stock would be reduced to \$0.04 annually.
 - Treasury would make “reasonable efforts” to sell at least 20% of any common stock owned by the Treasury annually.
 - Share repurchases allowed by recipients if paid with proceeds of common share issuance or additions to retained earnings.

Circular Logic to Capital Generation Conundrum for All Parties

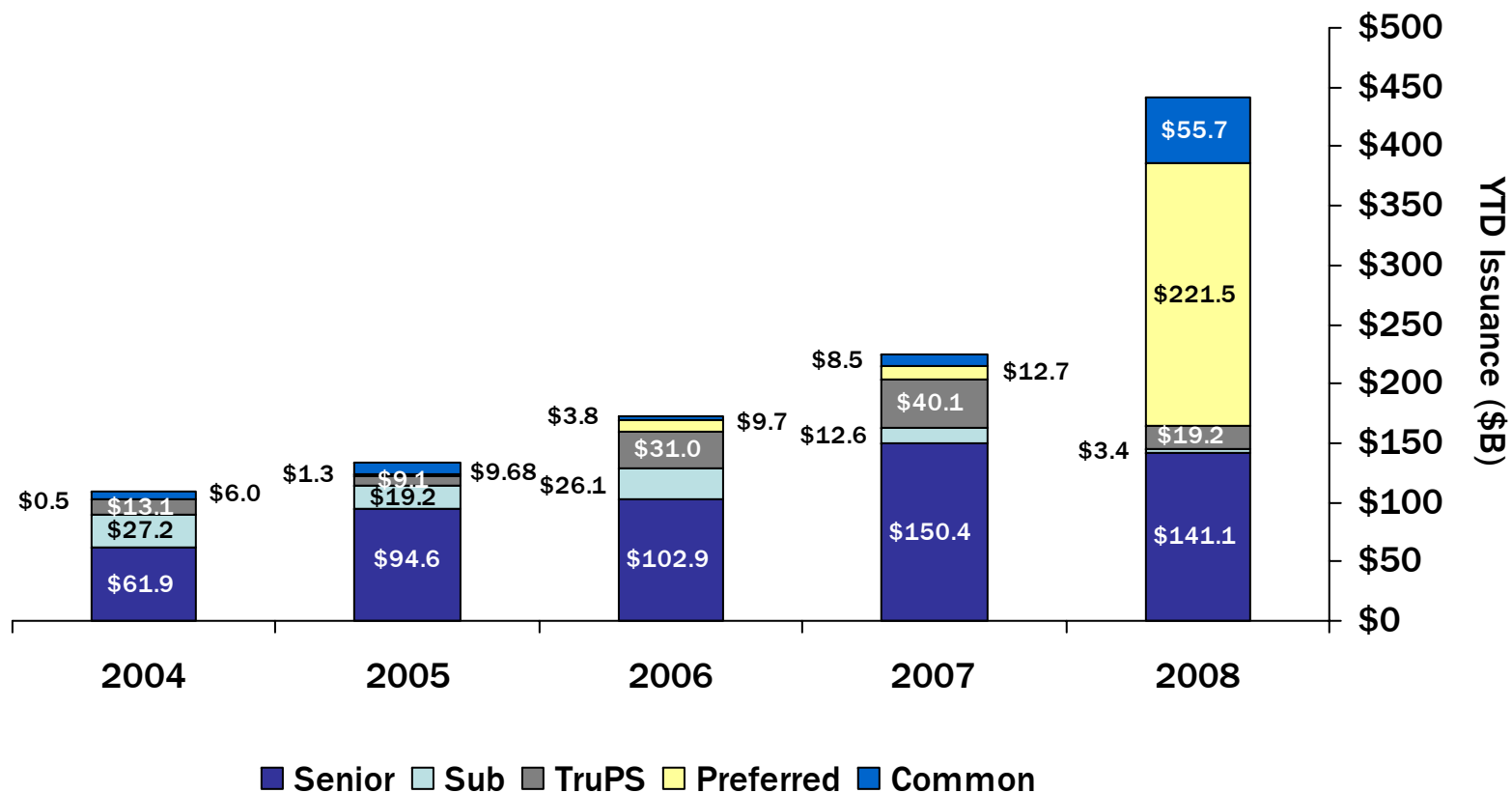


Banks Issued “Hybrid Securities” to Fuel Share Repurchase in 2006-2007



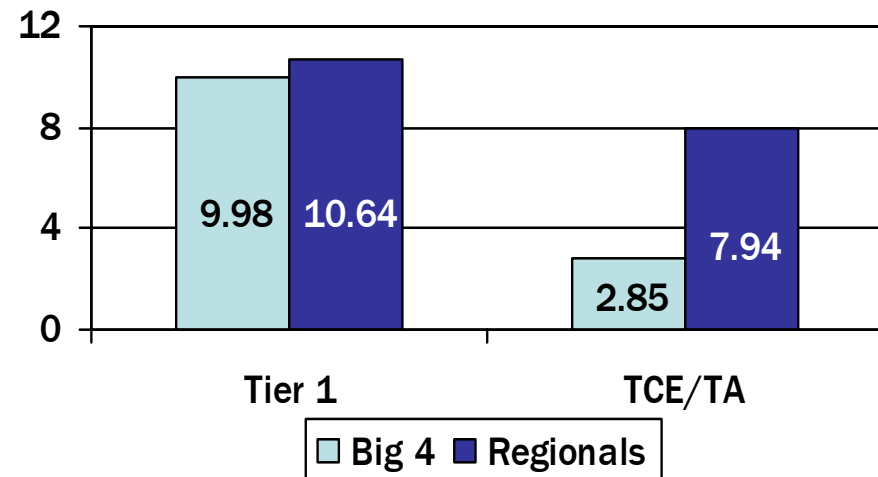
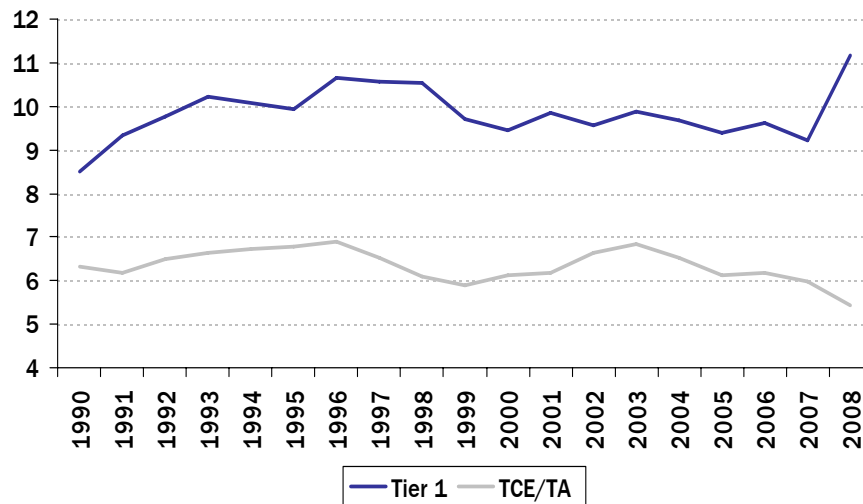
Capital Return Ratio refer to dollar value of common share repurchases and common dividends paid to shareholders as a percentage of after-tax profit over the period. Sources for both slides on this page: SNL Financial, Wachovia Capital Markets, LLC.

The Recapitalization of U.S. Banks Focused on Preferred Stock in 2008



Includes issues priced through Nov. 12 for each year presented. 2008 Preferred issuance includes Senior Preferred Securities issued under TARP Capital Purchase Program. Source: SNL Financial, Wachovia Capital Markets, LLC

Quality of U.S. Banks' Capital Has Deteriorated Since 2002



- Difference between “core” regulatory capital and TCE/TA has widened from 2.9% in 2002 to 5.7% in 2008.
- At Dec. 31, 2008, the largest banks generally have weaker TCE/TA ratios than regional banks.
- Tier 1 capital includes common equity (excluding goodwill), preferred stock and long-dated “hybrid” securities with coupon deferral features.

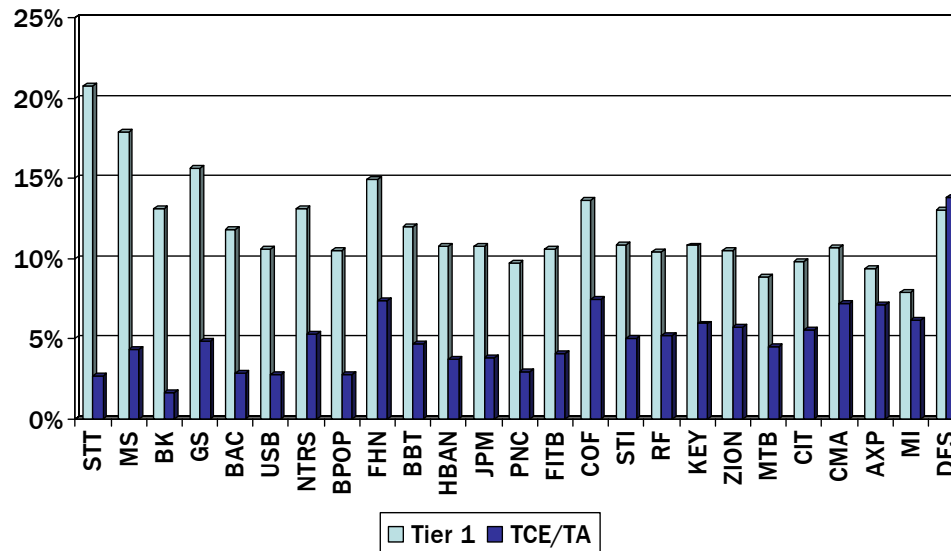
Capital Ratios: Are Investors Moving To A New Standard?

- Regulatory capital ratios take balance sheet risk into consideration, but questions remain about the quality of “core capital.”
- Tangible common equity provides a more stringent assessment of “first-loss” position relative to assets.
- Market moving toward a “combined” ratio that may gain increased analytical and regulatory usage: TCE/Risk-Weighted Assets.

Possible Means of Improving Capital Ratios

- Additional common dividend cuts
 - Top 28 U.S. banks scheduled to pay \$16.7 billion in common stock dividends in 2009 – after 47% of top 50 banks have cut dividends in the past 12 months.
- Balance sheet shrinkage, where feasible
 - Further reduction of “matched books” and other non-loan assets most likely until markets allow for loan sales; unlikely to reduce core loan balances.
- Business line divestitures
 - Sales will focus on higher-return, non-credit businesses, but buyers are likely to be scarce.
- Additional loss sharing agreements or “aggregator bank” also possible

Disparities Between Regulatory and Tangible Capital Ratios Can Be Material



- Differences may be explained by business risk of each institution.
- No single ratio provides full explanation of capital adequacy.

MI Tier 1 ratio stated as of 9/30/08, unavailable for Dec. 31 2008. Source: Company documents, Wachovia Capital Markets, LLC's estimates



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Additional information is available on request.

Company Recommendation Definitions

Buy: The security is trading cheap to its peer group and/or the market and has significant total return potential.

Outperform: On a relative basis, the security is expected to outperform its peer group and/or the market.

Market Perform: The security is expected to perform in line with its peer group and/or the market.

Underperform: On a relative basis, the security is expected to underperform its peer group and/or the market.

Sell: The security is trading rich to its peer group and/or the market and has the potential to significantly underperform based on fundamental reasons.

Sector Recommendation Definitions

Overweight We expect the sector to outperform the relevant broader market benchmark.

Market Weight We expect the sector to perform in line with the relevant broader market benchmark.

Underweight We expect the sector to underperform the relevant broader market benchmark.

This report was prepared by Wachovia Capital Markets, LLC.

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Ratings History Chart

Issuer	Description	Date	Rating	Date	Rating
American Express Company	n/a	7/09/08	Underperform	4/24/07	Market Perform
American General Finance Corporation	n/a	2/26/07	Market Perform	n/a	none
American General Finance Corporation	10-Year Paper	2/26/07	Rating Moved to Company Level	12/08/06	Outperform
American General Finance Corporation	3-Year Paper	2/26/07	Rating Moved to Company Level	12/12/05	Market Perform

American General Finance Corporation	5-Year Paper	2/26/07	Rating Moved to Company Level	12/12/05	Market Perform
Bank of America Corporation	n/a	8/24/05	Market Perform	n/a	none
BB&T Corporation	n/a	8/24/05	Outperform	n/a	none
Capital One Financial Corporation	n/a	1/19/07	Market Perform	1/19/07	Market Perform
CIT Group Inc.	n/a	12/03/08	Outperform	3/24/08	Market Perform
Citigroup Inc.	n/a	11/05/07	Market Perform	8/02/06	Outperform
Comerica Incorporated	n/a	8/24/05	Market Perform	n/a	none
Fifth Third Bancorp	n/a	10/18/05	Underperform	8/24/05	Market Perform
First Horizon National Corporation	n/a	10/20/08	Market Perform	8/24/05	Underperform
HSBC Finance Corporation	n/a	8/17/06	Market Perform	6/02/04	Outperform
Huntington Bancshares Incorporated	n/a	8/24/05	Market Perform	n/a	none
International Lease Finance Corporation	n/a	9/22/08	Market Perform	11/16/07	Outperform
iStar Financial Inc.	n/a	10/22/04	Market Perform	9/03/04	Outperform
JP Morgan Chase & Co.	n/a	10/12/07	Outperform	8/24/05	Market Perform
KeyCorp	n/a	10/22/08	Market Perform	10/17/07	Underperform
M&T Bank Corporation	n/a	10/23/08	Market Perform	n/a	none
Marshall & Ilsley Corporation	n/a	7/16/08	Underperform	10/12/07	Market Perform
Morgan Stanley	n/a	12/20/07	Underperform	n/a	none
National City Corporation	n/a	10/27/08	Outperform	4/04/08	Market Perform
PNC Financial Services Group, Inc.	n/a	10/12/07	Outperform	2/13/07	Market Perform
Popular, Inc.	n/a	8/24/05	Underperform	n/a	none
Regions Financial Corporation	n/a	7/23/08	Underperform	1/04/08	Market Perform
SLM Corporation	n/a	1/22/09	Outperform	4/21/08	Market Perform
Sovereign Bancorp, Inc.	n/a	2/06/09	Dropped	10/14/08	Outperform

SunTrust Banks, Inc.	n/a		10/24/08	Underperform	10/12/07	Market Perform
Textron Corporation	Financial	n/a	7/09/08	Underperform	6/13/08	Market Perform
Textron Corporation	Financial	3-Year Paper	6/13/08	Rating Moved to Company Level	7/05/07	Market Perform
Textron Corporation	Financial	All Notes except the 3-Year Paper	6/13/08	Rating Moved to Company Level	6/23/06	Market Perform
The Goldman Sachs Group, Inc.	n/a		9/24/08	Market Perform	12/19/07	Underperform
U.S. Bancorp	n/a		8/24/05	Outperform	n/a	none
UnionBanCal Corporation	n/a		11/04/08	Dropped	7/22/08	Outperform
Zions Bancorporation	n/a		10/12/07	Market Perform	2/13/07	Outperform

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