

## That Sucking Sound Continues With Consumer Credit Lines

### Summary

Nothing is more important to the revival in consumer spending than the consumer's ability to access credit. Credit has, for better or worse, become a crucial vehicle enabling consumer spend. 90% of American credit card holders revolve credit at least once a year, and we estimate 50% of American credit card holders revolve credit every month. Undeniably, US consumers are using their credit cards as a cash flow management vehicle.

In May 2008, we began writing about the shrinking of available credit to the US consumer with specific estimates of credit card line reductions. At the time, we estimated that \$2 trillion of credit lines would be expunged from the system by 2010. In March 2009, we increased that estimate by 35% to \$2.7 trillion, as our thesis was bearing out faster and to a greater scale than we had originally anticipated. Today, we continue to believe that by 2010, banks will cut over 50% of credit card lines from peak levels. What this means for the US consumer is as follows: less liquidity, lower spending, and higher default rates for banks.

Third quarter data continues to support this theme, as the large issuers of credit cards cut lines by another 4%, or \$100 billion from the second quarter, and ~\$990 billion from peak. For the industry, we estimate that just over \$300 billion in lines have been cut since the second quarter, for a total decline of roughly 30% from peak levels, or \$1.5 trillion.

### Key Points

- During 3Q09, loans outstanding and total commitments for credit cards, home equity and commercial loans continued their trend downwards as consumers borrowed less and banks cut credit lines.
- Bank of America's credit card portfolio and credit card commitments have each declined for 5 consecutive quarters, with outstanding managed credit card loans falling 12% (from \$187B at 2Q08 to \$165B at 3Q09) and commitments falling 37% (from \$914B at 2Q08 to \$572B at 3Q09).
- The result of these declines is an increase in line utilization. For Bank of America, credit card line utilization has increased from 17% at 2Q08 to 22.3% at 3Q09. Citi, JP Morgan, Wells Fargo, and HSBC have experienced similar trends during this same period. HSBC Finance recently disclosed in the company's 3Q09 report that unused credit card lines have been cut by \$24 billion, or 20% since the end of last year.
- Home equity lines, another vital liquidity source to consumers, fell another 6%, or \$12 billion over the last quarter, for BAC, C, and JPM. As of 3Q09, unused home equity lines have fallen 26%, or \$67 billion from peak levels for the three issuers, and currently stand at \$186 billion.

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## Key Points:

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- Bank of America's credit card portfolio and credit card commitments have each declined for 5 consecutive quarters, with outstanding managed credit card loans falling 12% (from \$187B at 2Q08 to \$165B at 3Q09) and commitments falling 37% (from \$914B at 2Q08 to \$572B at 3Q09).
- The result of these declines is an increase in line utilization. For Bank of America, credit card line utilization has increased from 17% at 2Q08 to 22.3% at 3Q09. Citi, JP Morgan, Wells Fargo, and HSBC have experienced similar trends during this same period. HSBC Finance recently disclosed in the company's 3Q09 report that unused credit card lines have been cut by \$24 billion, or 20% since the end of last year.
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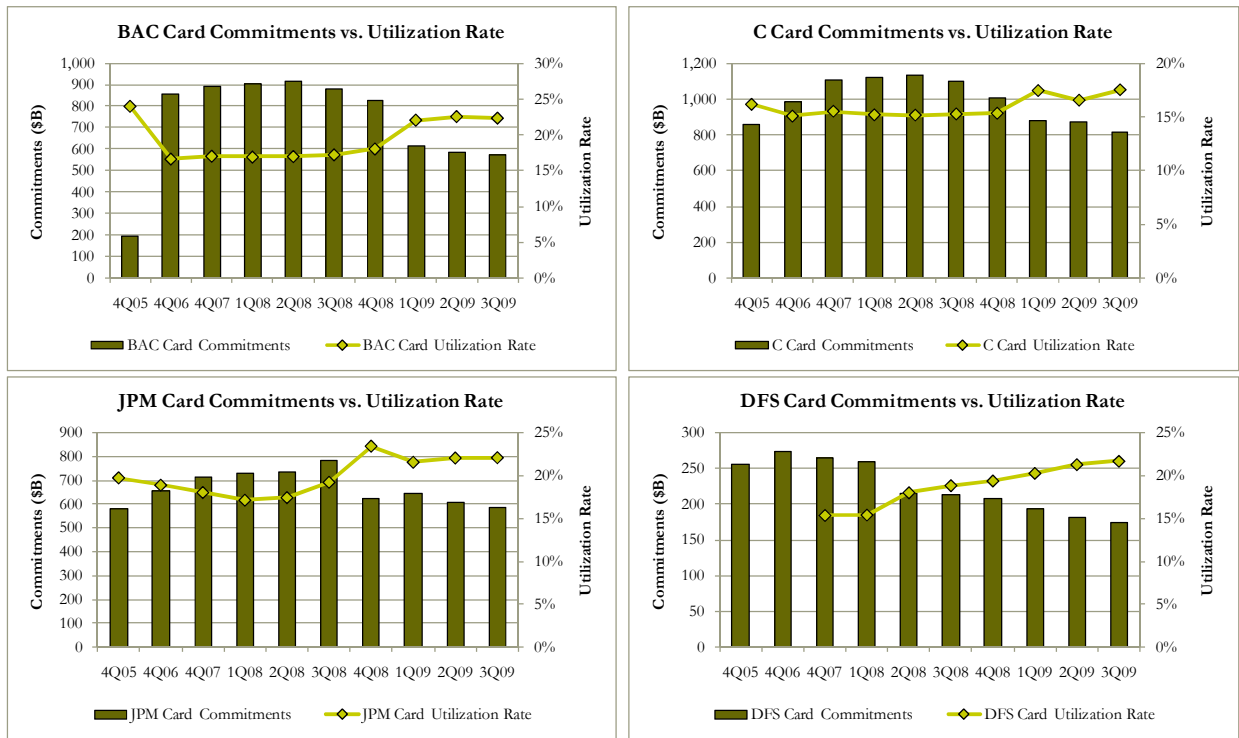
During 3Q09, loans outstanding and total commitments for credit cards, home equity and commercial loans continued their trend downwards as consumers borrowed less and banks cut credit lines. For example, Bank of America's credit card portfolio and credit card commitments have each declined for 5 consecutive quarters, with outstanding credit card loans falling 12% (from \$187B at 2Q08 to \$165B at 3Q09) and commitments falling 37% (from \$914B at 2Q08 to \$572B at 3Q09). The result of these declines is an increase in line utilization. For Bank of America, line utilization (credit cards) has increased from 17% at 2Q08 to 22.3% at 3Q09. Citi, JP Morgan, Wells Fargo, and HSBC have experienced similar trends during this same period. HSBC Finance recently disclosed in the company's 3Q09 report that unused credit card lines have been cut by \$24 billion, or 20% since the end of last year.

Exhibit 1. Bank Loan Commitments and Outstanding At 3Q09

SBI	Outstanding										Commitments										Outstanding / (Outstanding + Commitments)									
	4Q05	4Q06	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q05	4Q06	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q05	4Q06	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09
<b>BAC</b>																														
Cards	60.8	170.5	183.7	183.8	187.2	183.4	182.2	173.4	169.8	164.5	193.0	853.6	894.3	902.0	913.8	880.5	827.4	613.0	583.5	572.4	24.0%	16.6%	17.0%	16.9%	17.0%	17.2%	18.1%	22.0%	22.5%	22.3%
Home Equity	62.5	87.9	114.8	118.5	121.5	151.9	152.5	157.6	155.1	152.0	78.6	98.2	120.1	120.3	114.3	118.5	107.4	107.9	100.3	95.7	44.3%	47.2%	48.9%	49.6%	51.5%	56.2%	58.7%	59.4%	60.7%	61.4%
Commercial	310.8	344.3	452.7	474.2	485.3	484.4	498.7	599.8	547.1	524.8	253.3	275.6	335.1	331.8	331.1	315.9	306.6	325.1	311.2	305.5	55.1%	55.5%	57.5%	58.8%	59.4%	60.5%	61.9%	64.9%	63.7%	63.2%
YoY (or QoQ) Growth																														
Cards	180.5%	7.7%	0.0%	1.9%	-2.0%	-0.6%	-4.9%	-2.0%	-3.1%	342.4%	4.8%	0.9%	1.3%	-3.6%	-6.0%	-25.9%	-4.8%	-1.9%	-30.5%	2.4%	-0.7%	0.4%	1.4%	4.7%	22.1%	2.3%	-1.0%			
Home Equity	40.5%	30.6%	3.2%	2.5%	25.0%	0.4%	3.4%	-1.6%	-1.9%	24.9%	22.3%	0.1%	-5.0%	3.6%	-9.3%	0.4%	-7.1%	-4.5%	6.6%	3.5%	1.5%	3.8%	9.0%	4.4%	1.2%	2.3%	1.0%			
Commercial	10.8%	31.5%	4.7%	2.3%	-0.2%	3.0%	20.3%	-8.8%	-4.1%	8.8%	21.6%	-1.0%	-0.2%	-4.6%	-3.0%	6.0%	-4.3%	-1.8%	0.8%	3.5%	2.4%	1.0%	1.8%	2.3%	4.7%	-1.7%	-0.8%			
<b>C</b>																														
Cards	165.7	175.0	202.6	200.3	201.8	197.3	181.4	185.6	173.2	173.3	859.5	987.4	1,103.5	1,119.7	1,130.0	1,095.9	1,002.4	877.3	873.0	815.2	16.2%	15.1%	15.5%	15.2%	15.2%	15.3%	15.3%	17.5%	16.6%	17.5%
Home Equity	NA	NA	63.0	62.5	61.5	60.7	59.6	57.8	59.4	56.9	25.1	32.4	35.2	33.6	30.7	28.1	25.2	27.2	26.4	25.1	NA	NA	64.2%	65.0%	66.7%	68.3%	70.3%	68.0%	69.3%	69.4%
Commercial and similar LOC	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	5.8	7.9	9.2	9.7	10.4	9.7	8.2	7.3	7.8	7.3	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
CRI, construction and land dev.	NA	NA	23.5	21.2	20.7	19.8	26.9	25.8	NA	NA	2.3	4.0	4.8	4.1	3.6	3.2	2.7	2.3	1.9	1.7	NA	NA	79.4%	80.6%	82.5%	83.9%	90.0%	91.0%	NA	NA
Commercial & Other Consumer	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	346.4	439.9	473.6	456.5	429.7	400.7	310.0	286.4	267.2	262.2	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
YoY (or QoQ) Growth																														
Cards	5.6%	15.8%	-1.1%	0.7%	-2.2%	-8.1%	2.3%	-6.7%	0.1%	14.9%	11.8%	1.5%	0.9%	-3.0%	-8.5%	-12.5%	-0.5%	-6.6%	-6.9%	3.0%	-2.2%	-0.1%	0.7%	0.4%	14.0%	-5.2%	5.9%			
Home Equity	N/A	N/A	-0.8%	-1.6%	-1.3%	-1.8%	-3.0%	2.8%	-4.2%	28.3%	8.4%	-4.5%	-8.8%	-8.3%	-10.3%	7.8%	-3.0%	-4.8%	N/A	N/A	1.3%	2.6%	2.4%	2.8%	-3.2%	1.8%	0.2%			
Commercial and similar LOC	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	35.8%	16.7%	6.3%	6.8%	-6.9%	-15.2%	-10.9%	6.7%	-6.3%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A			
CRI, construction and land dev.	N/A	N/A	-9.8%	-2.4%	-4.3%	35.9%	-4.1%	N/A	N/A	75.3%	20.6%	-15.1%	-11.7%	-11.8%	-15.3%	-14.0%	-18.5%	-12.3%	N/A	N/A	1.5%	2.3%	1.6%	7.3%	1.1%	N/A	N/A			
Commercial & Other Consumer	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	27.0%	7.7%	-3.6%	-5.9%	-6.7%	-22.6%	-7.6%	-6.7%	-1.9%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A			
<b>JPM</b>																														
Cards	142.3	152.8	157.1	151.0	155.4	186.5	190.3	176.1	171.5	165.2	579.3	657.1	714.8	730.5	736.4	784.9	623.7	642.5	607.9	584.2	19.7%	18.9%	18.0%	17.1%	17.4%	19.2%	23.4%	21.5%	22.0%	22.0%
Home Equity	73.9	85.7	94.8	95.0	95.1	143.3	142.9	140.1	136.0	131.9	58.3	69.6	74.2	73.0	66.7	97.1	95.7	79.4	70.6	64.8	55.9%	55.2%	56.1%	56.5%	58.8%	59.6%	59.9%	63.8%	65.8%	67.1%
Wholesale	150.1	183.7	213.3	231.3	229.4	288.4	262.0	242.3	231.6	219.0	521.1	391.4	446.7	438.4	430.0	407.8	379.9	363.0	344.0	343.1	31.9%	31.9%	32.3%	34.5%	34.8%	41.4%	40.8%	40.0%	40.2%	39.0%
YoY (or QoQ) Growth																														
Cards	7.4%	2.8%	-3.9%	2.9%	20.0%	2.0%	-7.5%	-2.6%	-3.7%	13.4%	8.8%	2.2%	0.8%	6.6%	-20.5%	3.0%	-5.4%	-3.9%	-4.3%	-4.5%	-0.9%	1.7%	10.2%	21.8%	-8.0%	2.3%	0.2%			
Home Equity	16.0%	10.6%	0.2%	0.1%	50.7%	-0.3%	-1.9%	-3.0%	-3.0%	19.4%	6.6%	-1.6%	-8.6%	-8.6%	-1.4%	-17.0%	-11.0%	-8.3%	-1.3%	1.7%	4.8%	3.9%	1.4%	0.5%	6.6%	3.1%	1.9%			
Wholesale	22.4%	16.1%	8.4%	-0.8%	25.8%	-9.2%	-7.5%	-4.4%	-5.5%	21.9%	14.1%	-1.8%	-1.9%	-5.2%	-6.8%	-4.4%	-5.2%	-0.2%	0.3%	1.2%	6.9%	0.7%	19.1%	-1.5%	-1.9%	0.5%	-3.2%			
<b>WFC</b>																														
Cards	12.0	14.7	18.8	18.7	19.4	20.4	23.6	22.8	23.1	23.6	45.3	55.0	62.7	NA	NA	NA	75.8	NA	NA	NA	21.0%	21.1%	23.0%	NA	NA	NA	23.7%	NA	NA	NA
Home Equity	NA	79.0	84.2	83.6	83.8	83.9	129.5	128.9	126.8	124.2	37.9	44.2	47.8	NA	NA	NA	78.4	NA	NA	NA	NA	64.1%	63.8%	NA	NA	NA	62.3%	NA	NA	NA
Commercial	61.6	70.4	90.5	92.6	99.2	104.3	202.5	197.0	182.0	169.6	71.5	79.9	89.5	NA	NA	NA	195.5	NA	NA	NA	46.2%	46.8%	50.3%	NA	NA	NA	50.9%	NA	NA	NA
Commercial Other Real Estate Mortg.	28.5	30.1	36.7	38.4	41.8	44.7	103.1	104.9	103.7	103.4	2.4	2.6	2.9	NA	NA	NA	6.5	NA	NA	NA	92.3%	92.0%	92.7%	NA	NA	NA	94.0%	NA	NA	NA
Real Estate Construction	13.4	15.9	18.9	18.9	19.5	19.7	34.7	33.9	33.2	31.7	9.4	9.6	10.0	NA	NA	NA	19.1	NA	NA	NA	58.9%	62.4%	65.4%	NA	NA	NA	64.5%	NA	NA	NA
YoY (or QoQ) Growth																														
Cards	22.4%	27.7%	-0.3%	4.0%	4.8%	15.7%	-3.1%	1.1%	2.3%	21.3%	13.9%	N/A	N/A	N/A	20.9%	N/A	N/A	N/A	0.6%	9.3%	N/A	N/A	N/A	2.9%	N/A	N/A	N/A			
Home Equity	N/A	6.6%	-0.8%	0.3%	0.1%	54.2%	-0.4%	-1.6%	-2.1%	16.3%	8.1%	N/A	N/A	N/A	64.2%	N/A	N/A	N/A	N/A	-0.3%	N/A	N/A	N/A	-2.4%	N/A	N/A	N/A			
Commercial	14.4%	28.5%	2.3%	7.1%	5.1%	94.2%	-2.7%	-7.6%	-6.8%	11.6%	12.0%	N/A	N/A	N/A	118.5%	N/A	N/A	N/A	1.3%	7.3%	N/A	N/A	N/A	1.2%	N/A	N/A	N/A			
Commercial Other Real Estate Mortg.	5.5%	22.0%	4.5%	8.7%	7.2%	130.5%	1.8%	-1.2%	-0.2%	8.9%	11.4%	N/A	N/A	N/A	124.5%	N/A	N/A	N/A	-0.3%	0.7%	N/A	N/A	N/A	1.5%	N/A	N/A	N/A			
Real Estate Construction	18.9%	18.3%	0.2%	3.4%	0.8%	76.2%	-2.2%	-2.0%	-4.6%	2.5%	4.0%	N/A	N/A	N/A	90.9%	N/A	N/A	N/A	6.0%	4.8%	N/A	N/A	N/A	-1.3%	N/A	N/A	N/A			
<b>WB</b>																														
Commercial	156.9	171.3	208.4	221.4	226.2	230.3	135.8	139.4	144.8	NA	NA	NA	53.6%	55.1%	59.0%	NA	NA	NA												
YoY (or QoQ) Growth																														
Commercial	9.2%	21.6%	6.3%	2.2%	1.8%	3.8%	N/A	N/A	N/A	2.8%	7.0%	N/A	NA	NA																
<b>AXP</b>																														
Cards	54.3	63.4	77.1	75.1	76.5	74.7	72.0	65.0	62.9	59.9	213.0	220.0	258.0	NA	NA	NA	253.0	NA	NA	NA	20.3%	22.4%	23.0%	NA	NA	NA	22.2%	NA	NA	NA
YoY (or QoQ) Growth																														
Cards	16.8%	21.6%	-2.6%	1.9%	-2.4%	-3.6%	-9.7%	-3.2%	-4.8%	3.3%	17.3%	N/A	N/A	N/A	-1.9%	N/A	N/A	N/A	10.1%	2.8%	N/A	N/A	N/A	-3.7%	N/A	N/A	N/A			
<b>COF</b>																														
Cards	59.5	64.6	63.3	60.3	60.6	67.8	62.2	58.7	58.2	62.5	156.8	179.0	198.0	NA	NA	NA	171.1	NA	NA	NA	27.5%	26.5%	24.2%	NA	NA	NA	26.6%	NA	NA	NA
YoY (or QoQ) Growth																														
Cards	8.6%	-2.0%	-4.8%	0.3%	12.0%	-8.4%	-5.6%	-0.8%	7.3%	14.2%	10.6%	N/A	N/A	N/A	-13.6%	N/A	N/A	N/A	-3.6%	-8.7%	N/A	N/A	N/A	10.0%	N/A	N/A	N/A			
<b>DFS</b>																														
Cards	46.9	50.4	47.9	47.0	47.1	49.3	49.7	49.0	48.9	48.1	255.0	274.0	265.0	259.0	215.0	213.0	207.0	193.0	181.0	174.0	NA	NA	15.3%	15.4%	18.0%	18.8%	19.4%	20.3%	21.3%	21.7%
YoY (or QoQ) Growth																														
Cards	7.3%	4.8%	-1.9%	0.2%	4.7%	0.7%	-1.4%	0.2%	-1.6%	N/A	N/A	-2.3%	-17.0%	-0.9%	-2.8%	-6.8%	-6.2%	-3.9%	N/A	N/A	0.3%	17.0%	4.6%	2.9%	4.6%	5.0%	1.9%			

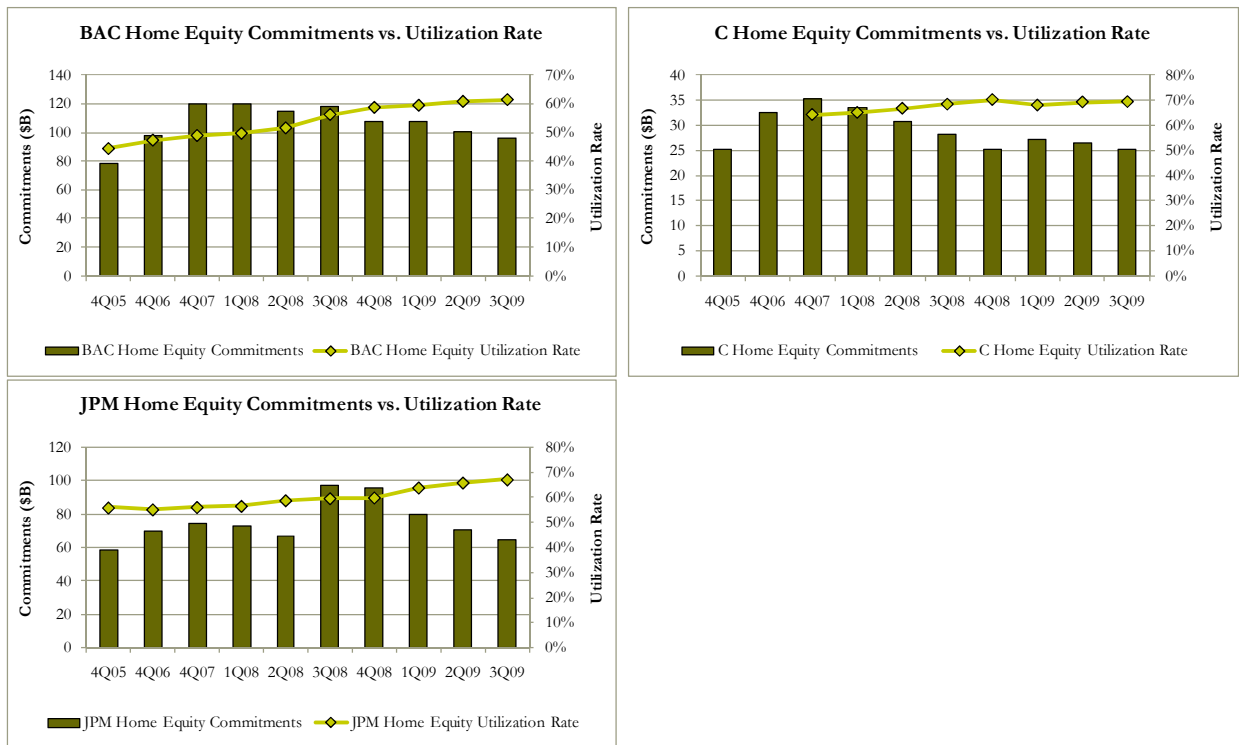
Note: COF 3Q08 card outstandings was restated. Restatements were not available for 4Q08, 1Q09, and 2Q09. C home equity outstandings represent N.A. Second Mortgages. Sources: Company reports and Meredith Whitney Advisory Group.

**Exhibit 2. As Credit Card Commitments Decline At Major Issuers, Utilization Rates Are Climbing**



Note: Utilization rate represents managed loans/(managed loans + commitments). Sources: Company reports and Meredith Whitney Advisory Group.

**Exhibit 3. Home Equity Line Utilization Rate Are Also Climbing Higher As Issuers Cut Back on Commitments**



Note: C utilization rate calculated using N.A. Second Mortgages. Sources: Company reports and Meredith Whitney Advisory Group.

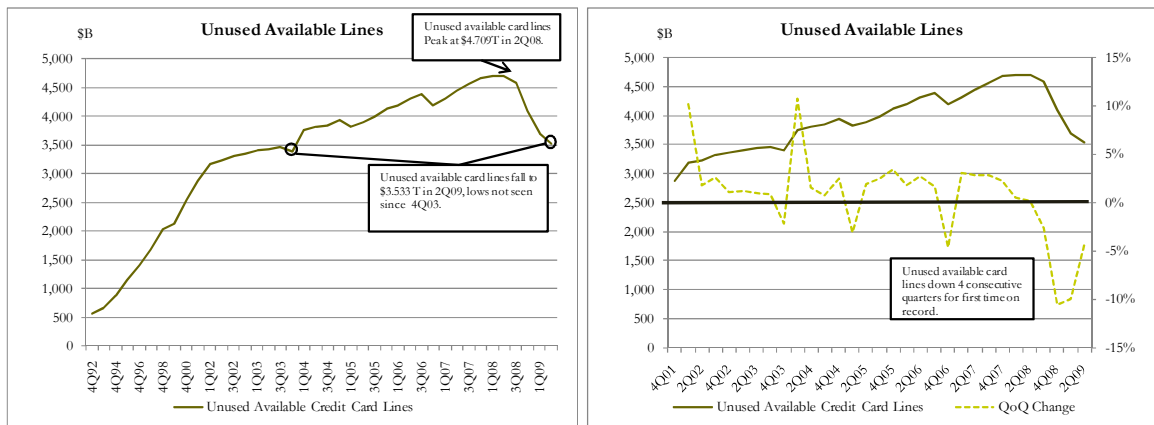
## Consumer Liquidity Continues To Contract

One predominant reason we remain so cautious on the US Consumer and prospective consumer spending trends over the next 12-18 months is the overwhelming trend we witness in available consumer liquidity. In 1Q09, we updated our forecast to estimate a \$2.7T reduction in unused credit card lines by the end of 2010, and industry data for the first and second quarters of 2009 confirmed our thesis. We remain cautious on the US Consumer and prospective spending trends over the next 12-18 months due to the overwhelming trend we witness in available consumer liquidity.

As of 2Q09, there were ~\$4.3 trillion of credit lines open to US consumers. Of this, ~\$3.5 trillion was unused, down from a peak of \$4.7 trillion during 2008. During 1H09, \$617 billion was expunged from the system largely due to risk mitigation. By 2010, we believe \$2.7 trillion in total credit lines will be removed from the system, and we believe \$2 trillion will occur inside of this year.

As shown below, unused available credit card lines were \$3,533 billion at 2Q09, down \$164 billion or 4.4% from \$3,696 billion at 1Q09. This decrease followed a \$407 billion decrease in unused available lines in 1Q09, a \$484 billion decrease in unused available lines in 4Q08, and a \$123 billion decrease in unused available lines in 3Q08. Until the past four quarters, consecutive QoQ decreases in unused lines had not occurred on record. As of 2Q09, unused credit card lines are 25%, or \$1.2 trillion below peak levels.

**Exhibit 4. Unused Available Card Lines Shrink For 4 Consecutive Quarters – 1st Time on Record**



Reporting Date (\$B)	Credit Card Loans	Securitized Credit Card Loans	Total Existing Loans (Loans + Securitized)	QoQ Change	Untapped Credit	QoQ Change	Utilization Rate	Untapped
4Q01	250	340	590		2,885		17.0%	83.0%
4Q02	292	378	669	3.9%	3,361	1.2%	16.6%	83.4%
4Q03	339	412	751	12.4%	3,394	-2.1%	18.1%	81.9%
4Q04	399	417	816	6.4%	3,943	2.5%	17.1%	82.9%
4Q05	396	403	799	3.7%	4,128	3.4%	16.2%	83.8%
4Q06	385	362	747	-7.3%	4,189	-4.7%	15.1%	84.9%
4Q07	422	390	812	6.2%	4,676	2.3%	14.8%	85.2%
1Q08	387	402	789	-2.8%	4,703	0.6%	14.4%	85.6%
2Q08	396	410	806	2.1%	4,709	0.1%	14.6%	85.4%
3Q08	412	418	829	2.9%	4,587	-2.6%	15.3%	84.7%
4Q08	445	398	843	1.6%	4,103	-10.5%	17.0%	83.0%
1Q09	403	399	802	-4.8%	3,696	-9.9%	17.8%	82.2%
2Q09	398	398	796	-0.8%	3,533	-4.4%	18.4%	81.6%

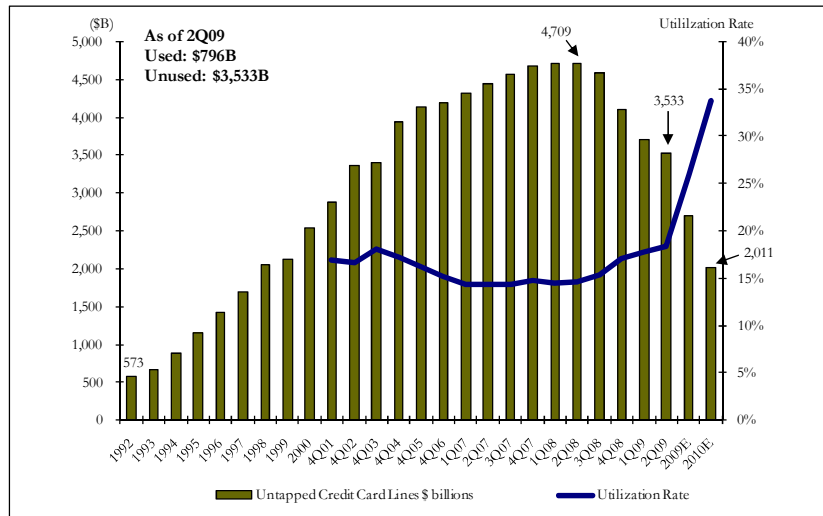
Sources: FDIC and Meredith Whitney Advisory Group.

## We Anticipate \$2.7 Trillion in Unused Line Reductions by 4Q10

Considering that \$1.2 trillion has been cut since 2Q08, we believe that by the end of 2010, \$2.7 trillion of lines will be expunged from the system.

We believe unused lines will be reduced by \$2 trillion, to an estimated \$2,700B by 4Q09, and nearly \$2.7 trillion to an estimated \$2,011B by 4Q10. Concurrently, we believe the utilization rate will increase from 17% at 4Q08 to 23% by 4Q09 and 30% by 4Q10.

### Exhibit 5. FDIC-Insured Institution Credit Card Lines: Estimates vs. Actuals

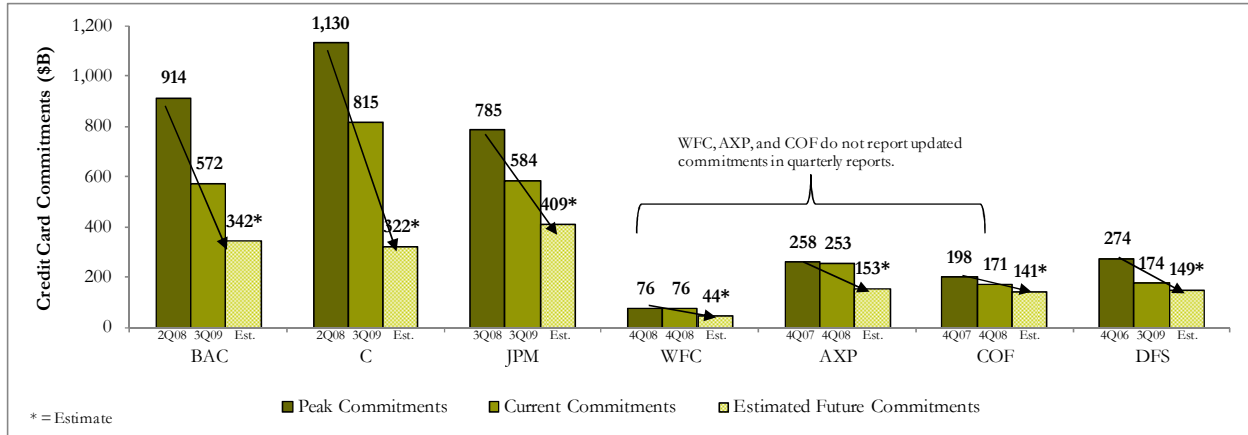


Credit Card Lines (\$B)	2007	2008	2009E	2010E
Used Lines	812	843	820	860
Unused Lines	4,676	4,103	2,700	2,011
Utilization Rate	15%	17%	23%	30%
<b>% Change from 2007</b>				
Used Lines		4%	1%	6%
Unused Lines		-12%	-34%	-57%
<b>Total Liquidity Removed From System (\$B)</b>		574	1,976	2,666

Sources: FDIC and Meredith Whitney Advisory Group.

Risk mitigation, unconvincing economics due to deteriorating economic conditions, and preparation for the implementation of regulatory changes will cause lenders to continue to reduce their credit card line commitments during 2009 and 2010. Below we present estimated line reductions for BAC, C, JPM, WFC, AXP, COF, and DFS. Collectively, we estimate line reductions of \$2,064B, with a concurrent rise in the group's utilization rate from 20.9% to 30.9%. We estimate that the remainder of line reductions, approximately \$600B, will come from private label and other issuers. We note that the portfolios of HSBC, Advanta, Provident, GE private label, and Citigroup private label are all in run-off, while Target has also announced it is reducing its portfolio.

**Exhibit 6. Estimated Credit Card Line Reductions**



	Current Lines Drawn (\$B)	Peak Commitments (\$B)	Current Commitments (\$B)	Cuts to Date (\$B)	Current Utilization Rate
BAC	164.5	913.8	572.4	341.4	22.3%
C	173.3	1,130.0	815.2	314.9	17.5%
JPM	165.2	784.9	584.2	200.7	22.0%
WFC	23.6	75.8	75.8**	0.0	23.7%
AXP	59.9	258.0	253.0**	5.0	19.1%
COF	62.5	198.0	171.1**	26.9	26.7%
DFS	48.1	274.0	174.0	100.0	21.7%
<b>Total</b>	<b>697.2</b>	<b>3,634.5</b>	<b>2,645.7</b>	<b>988.9</b>	<b>20.9%</b>

	Current Lines Drawn (\$B)	Estimated Future Cuts (\$B)	Estimated Future Commitments (\$B)	Total Estimated Cuts From Peak (\$B)	Estimated Future Utilization Rate
BAC	164.5	230.0	342.4	571.4	32.5%
C	173.3	493.3	321.8	808.2	35.0%
JPM	165.2	175.0	409.2	375.7	28.8%
WFC	23.6	32.0	43.8	32.0	35.0%
AXP	59.9	100.0	153.0	105.0	28.1%
COF	62.5	30.0	141.1	56.9	30.7%
DFS	48.1	25.0	149.0	125.0	24.4%
<b>Total</b>	<b>697.2</b>	<b>1,085.3</b>	<b>1,560.4</b>	<b>2,074.1</b>	<b>30.9%</b>

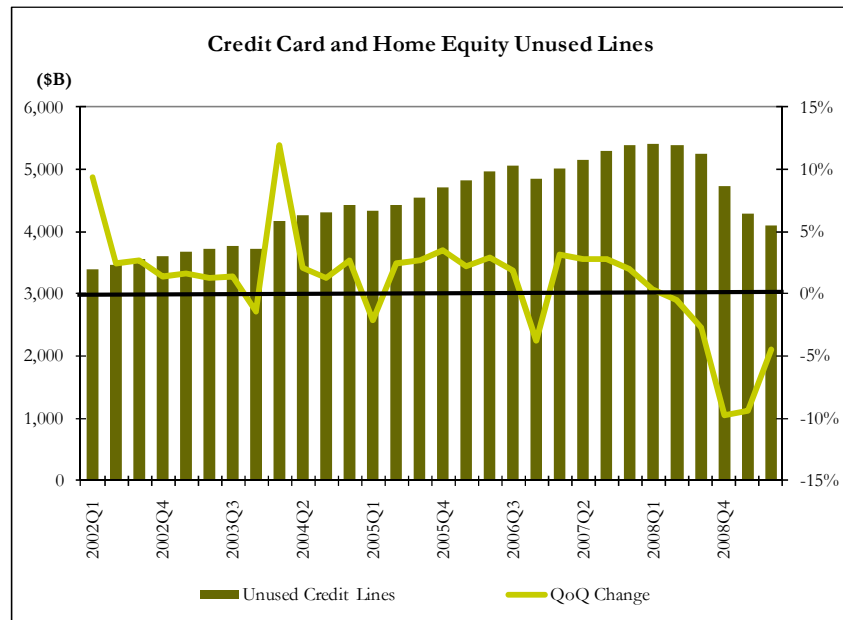
Note: \*\*As of 4Q08. Sources: Company reports and Meredith Whitney Advisory Group.

### Consumer Liquidity Base Down in 2009, Driven by Line Reductions

Just as consumer credit growth is slowing, consumer options for liquidity are shrinking. We look at unused credit card lines and unused home equity lines to measure liquidity options for the U.S. consumer. 1H09 data indicated that unused lines (from FDIC-insured institutions) decreased sharply in the first half of the year. We expect further line reductions and \$2.7 trillion in unused credit card lines pulled from the system by 2010.

Unused credit card and home equity lines declined by 9.4% in 1Q09 and 4.5% in 2Q09. Currently, unused lines stand at \$4,092B, down 24.4% from a peak of \$5,412B at 1Q08. While 2Q09 marks the fifth consecutive quarter of sequential declines in unused lines, we note that from 1Q02 to 1Q08 (the earliest date for which quarterly data is available), decreases in unused lines never occurred for consecutive quarters.

**Exhibit 7. Unused Lines Decreased For the Fifth Consecutive Quarter in 2Q09**



Sources: FDIC and Meredith Whitney Advisory Group.

**Exhibit 8. Comp Sheet**

Company Info							Capital Ratios							Stock Price Performance					
Name	Ticker	Meredith Whitney Advisory Group Rating (Price Target)	Market Value (\$M)	Stock Price	Total Deposits (\$M)	Market Value to Deposit Ratio	Tangible Book Value / Share	Book Value / Share	Price / Book	Price / Tangible Book	Tangible Equity Leverage Ratio	Tier 1 Ratio	Equity to Assets Ratio	Dividend Yield %	1-Day % Change	1-Week % Change	1-Month % Change	% Change Since 4/1/2009	YTD % Change
<b>Big Banks</b>																			
JPMorgan Chase & Co.	JPM	Neutral	\$174,650	\$44.32	\$867,977	20%	\$26.26	\$39.12	1.1x	1.7x	17.8x	10.2%	7.9%	0.5%	0.3%	5.0%	-3.3%	57%*	40.6%
Bank of America Corporation	BAC	Neutral	\$142,132	\$16.43	\$974,899	15%	\$12.02	\$26.03	0.6x	1.4x	13.9x	12.3%	11.4%	0.2%	2.3%	11.8%	-6.1%	127%*	16.7%
Wells Fargo & Company	WFC	Sell	\$134,930	\$28.80	\$796,748	17%	\$13.50	\$19.46	1.5x	2.1x	14.2x	10.6%	10.5%	0.7%	2.5%	7.4%	-1.4%	94%*	-2.3%
Citigroup Inc.	C	Sell	\$95,114	\$4.16	\$832,603	11%	\$4.47	\$6.15	0.7x	0.9x	15.5x	12.8%	7.6%	0.0%	-0.5%	4.8%	-10.2%	56%*	-38.0%
<b>Brokers</b>																			
Goldman Sachs Group, Inc.	GS	Neutral	\$92,458	\$179.85	\$42,431	218%	\$101.39	\$110.75	1.6x	1.8x	15.2x	14.5%	7.1%	0.8%	1.9%	6.1%	-5.0%	60%*	113.1%
Morgan Stanley	MS	Neutral	\$45,881	\$33.75	\$62,382	74%	\$21.23	\$27.05	1.2x	1.6x	17.1x	15.3%	6.1%	0.6%	0.2%	7.2%	5.2%	42%*	110.4%
<b>Specialty Finance</b>																			
American Express Company	AXP	Neutral	\$47,626	\$40.05	\$23,863	200%	\$9.17	\$11.72	3.4x	4.4x	11.3x	9.7%	86.3%	1.8%	0.9%	11.4%	14.6%	175%*	115.9%
Capital One Financial Corporation	COF	Sell	\$17,835	\$39.64	\$114,503	16%	\$27.02	\$58.32	0.7x	1.5x	17.6x	11.9%	15.6%	0.5%	-0.1%	6.6%	5.4%	206%*	24.3%
Discover Financial Services	DFS	Neutral	\$8,359	\$15.40	\$29,567	28%	\$12.49	\$13.32	1.2x	1.2x	8.5x	NM	19.6%	0.5%	0.0%	10.4%	-4.9%	138%	61.6%
<b>Indexes</b>																			
Dow Jones Industrial Average			\$10,291.26												0.4%	5.0%	4.3%		17.3%
S&P 500			\$1,098.51												0.5%	5.0%	2.5%		21.6%
BKX			\$44.22												1.1%	6.0%	-6.8%		-0.2%
Coverage Group:																			
		High						3.4x	4.4x	17.8x	15.3%	86.3%	1.8%	2.5%	11.8%	14.6%	206.0%		115.9%
		Low						0.6x	0.9x	8.5x	9.7%	6.1%	0.0%	-0.5%	4.8%	-10.2%	42.0%		-38.0%
		Average						1.3x	1.8x	14.6x	12.2%	19.1%	0.6%	0.9%	7.8%	-0.6%	106.1%		49.1%
Sources: Company Reports, SNL Financial, Meredith Whitney Advisory Group. Market Data as of: <b>11/11/2009</b> * We initiated coverage of 8 companies on 4/1/2009: AXP, BAC, C, COF, GS, JPM, MS & WFC																			
<b>Earnings &amp; Valuation</b>																			
Name	Ticker	Meredith Whitney Advisory Group						First Call Consensus						First Call Consensus: Low & High Estimates					
		2009E EPS	2010E EPS	2011E EPS	2009E PE	2010E PE	2011E PE	2009E EPS	2010E EPS	2011E EPS	2009E PE	2010E PE	2011E PE	2009E Low	2009E High	2010E Low	2010E High	2011E Low	2011E High
<b>Big Banks</b>																			
JPMorgan Chase & Co.	JPM	\$2.05	\$2.05	\$2.50	21.6x	21.6x	17.7x	\$2.16	\$3.24	\$4.82	20.5x	13.7x	9.2x	\$2.02	\$2.39	\$2.05	\$3.65	\$2.50	\$5.81
Bank of America Corporation	BAC	\$0.39	\$0.15	\$0.90	42.4x	106.6x	18.3x	\$0.37	\$0.78	\$2.20	44.4x	21.1x	7.5x	\$0.15	\$0.61	(\$0.30)	\$1.64	\$0.90	\$2.92
Wells Fargo & Company	WFC	\$2.11	\$1.20	\$1.50	13.7x	24.1x	19.1x	\$2.06	\$1.80	\$2.91	14.0x	16.0x	9.9x	\$1.88	\$2.25	\$0.70	\$2.65	\$1.50	\$4.47
Citigroup Inc.	C	(\$0.20)	(\$0.27)	(\$0.10)	NM	NM	NM	(\$0.25)	\$0.06	\$0.40	NM	69.3x	10.4x	(\$1.15)	\$0.05	(\$0.35)	\$0.30	(\$0.10)	\$0.63
<b>Brokers</b>																			
Goldman Sachs Group, Inc.	GS	\$19.95	\$21.73	\$24.04	9.0x	8.3x	7.5x	\$19.30	\$18.84	\$20.98	9.3x	9.5x	8.6x	\$17.75	\$21.31	\$15.70	\$21.73	\$16.60	\$24.04
Morgan Stanley	MS	(\$0.77)	\$2.63	\$3.28	NM	12.8x	10.3x	(\$0.51)	\$3.33	\$3.71	NM	10.1x	9.1x	(\$0.88)	(\$0.14)	\$2.63	\$3.95	\$3.25	\$4.20
<b>Specialty Finance</b>																			
American Express Company	AXP	\$1.40	\$1.90	\$2.70	28.5x	21.1x	14.8x	\$1.48	\$2.27	\$3.11	27.1x	17.6x	12.9x	\$1.11	\$1.82	\$1.75	\$3.45	\$2.19	\$4.25
Capital One Financial Corporation	COF	\$0.46	\$0.75	\$1.00	86.6x	52.5x	39.6x	\$0.26	\$1.86	\$3.82	152.5x	21.3x	10.4x	(\$0.13)	\$0.47	\$0.75	\$3.50	\$1.00	\$6.15
Discover Financial Services	DFS	\$0.01	\$0.35	\$1.00	1028.2x	44.3x	15.4x	\$0.12	\$0.75	\$1.39	128.3x	20.5x	11.1x	(\$0.12)	\$0.38	\$0.35	\$1.51	\$0.85	\$1.85
Coverage Group:																			
		High									152.5x	69.3x	12.9x						
		Low									NM	9.5x	7.5x						
		Average									23.1x	22.1x	9.9x						
Sources: Company Reports, SNL Financial, Meredith Whitney Advisory Group. Market Data as of: <b>11/11/2009</b>																			

Sources: SNL Financial and Meredith Whitney Advisory Group.

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