

Company Flash

27 July 2008 | 9 pages

Union Bank Of India (UNBK.BO)

Buy: 1Q09 Results – No Surprises; Core Remains in Good Shape

- 1Q09 profits in-line** — Union Bank's 1Q09 profits were up 1% yoy, in-line with our estimates. Union continues to improve its deposit mix and asset quality, grow fee incomes and maintain margins. Core operating profits (pre-provision ex-trading gains) were healthy (+24% yoy); headline profit growth was modest due to higher MTM bond charges. Key highlights of the quarter were:
- Stable margins, healthy fee growth** — Union maintained NIMs at 263bps due to slightly higher loan yields (+10bps qoq) and lower funding costs (redeemed high cost deposits); despite offsets from higher CRR balances. Union's fee growth also remained healthy (+17% yoy) – a key positive.
- Balance sheet: growth with improving mix** — Both loans and deposits grew at a reasonable pace; more important, it has continued to improve the loan mix towards higher yielding loans (SME, retail) and deposit mix toward more CASA. While there is scope for further improvement, Union has shown consistent progress over the last 3-4 quarters.
- Asset quality: Stable but remain cautious** — Union's asset quality was stable (ex-loan waiver impact), delinquencies contained and coverage remained high. We, however, remain cautious as it increases its SME, retail and agri loan portfolios – segments that are currently under most pressure.
- Maintain Buy (1L): profitable core business, consistent improvements** — Union has among the best profitability, cost ratios, fee growth and asset quality relative to peers. We maintain our Rs165 target price and Buy (1L).

Buy/Low Risk	1L
Price (25 Jul 08)	Rs128.60
Target price	Rs165.00
Expected share price return	28.3%
Expected dividend yield	3.1%
Expected total return	31.4%
Market Cap	Rs64,958M
	US\$1,541M

Price Performance (RIC: UNBK.BO, BB: UNBK IN)



Statistical Abstract

Year to	Net Profit	Diluted EPS	EPS growth	P/E	P/B	ROE	Yield
31 Mar	(RsM)	(Rs)	(%)	(x)	(x)	(%)	(%)
2007A	8,454	16.74	19.7	7.7	1.3	17.3	2.6
2008A	13,874	27.47	64.1	4.7	1.1	24.9	3.1
2009E	13,996	27.71	0.9	4.6	0.9	21.4	3.1
2010E	13,905	27.53	-0.6	4.7	0.8	18.1	3.5
2011E	16,053	31.78	15.4	4.0	0.7	18.0	3.9

Source: Powered by dataCentral

Aditya Narain, CFA¹

 +91-22-6631-9879
 aditya.narain@citi.com

Manish Chowdhary, CFA¹

 +91-22-6631-9853
 manish.chowdhary@citi.com

Naveenan Ramachandran¹

naveenan.ramachandran@citi.com

See Appendix A-1 for Analyst Certification and important disclosures.

Citi Investment Research is a division of Citigroup Global Markets Inc. (the "Firm"), which does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the Firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. Non-US research analysts who have prepared this report are not registered/qualified as research analysts with the NYSE and/or NASD. Such research analysts may not be associated persons of the member organization and therefore may not be subject to the NYSE Rule 472 and NASD Rule 2711 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

¹Citigroup Global Markets India Private Limited

Fiscal year end 31-Mar	2007	2008	2009E	2010E	2011E
Valuation Ratios					
P/E adjusted (x)	7.7	4.7	4.6	4.7	4.0
P/E reported (x)	7.7	4.7	4.6	4.7	4.0
P/BV (x)	1.3	1.1	0.9	0.8	0.7
P/Adjusted BV diluted (x)	1.4	1.2	1.0	0.8	0.7
Dividend yield (%)	2.6	3.1	3.1	3.5	3.9
Per Share Data (Rs)					
EPS adjusted	16.74	27.47	27.71	27.53	31.78
EPS reported	16.74	27.47	27.71	27.53	31.78
BVPS	102.75	117.82	140.95	163.41	189.61
Tangible BVPS	102.75	117.82	140.95	163.41	189.61
Adjusted BVPS diluted	93.53	108.60	131.73	154.19	180.39
DPS	3.41	4.00	4.00	4.50	5.00
Profit & Loss (RsM)					
Net interest income	27,902	30,864	35,712	41,417	47,988
Fees and commissions	2,737	3,010	3,371	3,776	4,229
Other operating Income	5,681	9,320	9,144	9,914	10,565
Total operating income	36,320	43,194	48,228	55,107	62,782
Total operating expenses	-14,759	-15,930	-17,847	-20,004	-22,434
Oper. profit bef. provisions	21,561	27,264	30,381	35,102	40,348
Bad debt provisions	-4,660	-6,650	-8,902	-13,802	-16,023
Non-operating/exceptionals	-3,097	-1,970	-1,485	-1,436	-1,392
Pre-tax profit	13,804	18,644	19,994	19,865	22,933
Tax	-5,350	-4,770	-5,998	-5,959	-6,880
Extraord./Min. Int./Pref. Div.	0	0	0	0	0
Attributable profit	8,454	13,874	13,996	13,905	16,053
Adjusted earnings	8,454	13,874	13,996	13,905	16,053
Growth Rates (%)					
EPS adjusted	19.7	64.1	0.9	-0.6	15.4
Oper. profit bef. prov.	35.0	26.4	11.4	15.5	14.9
Balance Sheet (RsM)					
Total assets	1,026,779	1,228,749	1,417,362	1,626,450	1,867,677
Avg interest earning assets	937,960	1,104,912	1,302,372	1,507,824	1,743,211
Customer loans	639,920	778,539	923,657	1,080,190	1,262,291
Gross NPLs	18,727	16,566	26,597	37,055	48,579
Liab. & shar. funds	1,026,779	1,228,749	1,417,362	1,626,450	1,867,677
Total customer deposits	851,802	1,038,590	1,206,796	1,394,580	1,611,774
Reserve for loan losses	16,055	20,371	29,018	42,409	58,465
Shareholders' equity	51,899	59,512	71,197	82,539	95,777
Profitability/Solvency Ratios (%)					
ROE adjusted	17.3	24.9	21.4	18.1	18.0
Net interest margin	2.97	2.79	2.74	2.75	2.75
Cost/income ratio	40.6	36.9	37.0	36.3	35.7
Cash cost/average assets	1.5	1.4	1.3	1.3	1.3
NPLs/customer loans	2.9	2.1	2.9	3.4	3.8
Reserve for loan losses/NPLs	85.7	123.0	109.1	114.4	120.3
Bad debt prov./avg. cust. loans	0.8	0.9	1.0	1.4	1.4
Loans/deposit ratio	75.1	75.0	76.5	77.5	78.3
Tier 1 capital ratio	7.8	7.0	7.2	7.3	7.4
Total capital ratio	12.8	10.8	10.8	10.7	10.6

For further data queries on Citi's full coverage universe please contact CIR Data Services Asia Pacific at CIRDataServicesAsiaPacific@citi.com or +852-2501-2791



Figure 1. Union Bank of India: 1Q FY09 Results – Highlights (Rupees Million, Percent)

	1Q09	1Q08	YoY %	4Q08	QoQ %	Citi Investment Research Comments
Interest Income	25,332	20,742	22.1	26,024	-2.7	Some yield expansion QoQ (+10bps) though has been impacted by increase in CRR balances and a 50bps reduction in lending rate in Feb08
Interest Expense	-17,232	(13,399)	28.6	(17,685)	-2.6	Sharp reduction in cost of funding to 5.6% (5.76% in Mar08) due to redemption of Rs14bn in high cost borrowings during 1Q09
Net Interest Income	8,100	7,343	10.3	8,339	-2.9	Slightly lower than estimates - no loan growth in the quarter and some pressure on yields
Fee-Based Income	2,137	1,820	17.4	2,707	-21.1	Continued strong growth in fees - a key strength of the bank's performance over the last 18 months
Other Non-Interest Income	80	333	-76.0	400	-80.0	
Non Interest Income	2,217	2,153	2.9	3,107	-28.6	
Operating Income	10,317	9,496	8.6	11,446	-9.9	
Operating Expenses	(4,157)	(4,242)	-2.0	(2,539)	63.7	Reduction in costs YoY largely due to reduction in AS-15 related provisions; +5% excluding this impact (QoQ comparison distorted due to provision write-backs)
Pre-Provision Profit	6,160	5,254	17.2	8,907	-30.8	
Pre-Provision Profit (ex-trading gains and one-offs)	6,080	4,921	23.6	8,507	-28.5	Core operating profitability shows a strong trend with 23% YoY increase led by fees and a healthy asset growth. (QoQ comparisons distorted)
Charges for Bad Debts	553	(1,280)	NM	(2,350)	NM	Reduction in provisioning due to reversal of provisions on waiver of agri loan NPLs (Rs400-420m write-back)
Other Operating Items	(3,510)	(274)	1182.0	(1,302)	169.6	MTM charges of Rs3.39bn due to increase in interest rates. This is inclusive of Rs350m on the equity portfolio (portfolio size Rs2bn). Union is relatively more exposed to increases in interest rates
Pre-Tax Profit	3,203	3,701	-13.4	5,255	-39.1	
Tax	(920)	(1,450)	-36.6	(44)	2005.3	
Net Profit	2,283	2,250.6	1.4	5,211.3	-56.2	Overall a healthy operating quarter; profits in-line with estimates - good operating profitability but offset by high MTM charges
EPS	4.52	4.46	1.4	10.32	-56.2	
Customer Loans	758,100	637,080	19.0	758,780	-0.1	Reasonable growth though lower than industry - management maintains target of 22% growth for FY09 (thrust on retail, SME and small business loans)
Customer Deposits	1,072,480	869,840	23.3	1,038,590	3.3	Strong accretion in CASA ratio (+150bps YoY), CASA deposits increased to 34.76% of total deposits
AIEA	1,227,083	991,872	23.7	1,262,229	-2.8	
AIBL	1,034,424	833,214	24.1	994,232	4.0	
Total Assets	1,281,016	1,041,476	23.0	1,226,026	4.5	
Avg Assets	1,253,521	1,024,300	22.4	1,180,618	6.2	
Non-Performing Loans (NPL)	15,755	17,690	-10.9	16,566	-4.9	QoQ reduction in NPLs largely on account of implementation of Agri loan waiver scheme (Rs800m decline). However, delinquencies have improved significantly to 0.85% of loans (1.3% in 1Q08)
Loan Loss Reserves (LLR)	(14,660)	(12,830)	14.3	(15,303)	-4.2	Strong coverage levels - amongst the best in the industry
Shareholders' Funds	58,516	49,531	18.1	56,233	4.1	
Book Value Per Share	116	98	18.1	111	4.0	
Key Ratios (%)	1Q09	1Q08	Bps Δ YoY	4Q08	Bps Δ QoQ	
ROAA (annualized)	0.73	0.88	-15	1.77	-104	
ROAE (annualized)	15.61	18.18	-257	37.07	-2146	
Net Interest Margin (bps)	264	296	-32	264	0	Has maintained margins and loan yields in a challenging environment (management attributes this to change in loan mix to more retail and SME); combined with a reduction in cost of funds
Fee Inc/Operating Income	20.7	19.2	154	23.7	-294	Healthy growth in fees - a key positive in the quarter
Other Non-Interest Inc/Op Inc	21.5	22.7	-119	27.1	-566	
Op. Cost/ Operating Income	40.3	44.7	-438	22.2	1811	Has consistently maintained a lower than peers' cost ratio - amongst the best relative to PSU banks
Loan-to-Deposit Ratio (LDR)	70.7	73.2	-255	73.1	-237	
NPL/Loan Ratio	2.1	2.8	-70	2.2	-11	Consistent improvement in NPL ratios - however, would be cautious here as it is continuing to show strong growth in Retail, SME and agri loans (the key pressure points currently)
LLR/NPL Ratio	93	73	2,053	92	68	Amongst the highest coverage levels relative to peers - provides some cushion in a deteriorating asset quality environment

Source: Citi Investment Research

Union Bank Of India

Company description

Union Bank is the seventh largest bank in India and sixth largest government bank, with a large balance sheet size and diversified distribution network. It currently has 2361 branches and 1146 ATMs spread across the country. Its business is distributed across the country with a slight concentration in Western India. Union Bank listed in 2002. A follow-on offer was transacted in February 2006, with the government holding a 55% stake in the bank.

Investment strategy

We rate Union Bank Buy/Low Risk (1L). Union has four key strengths, in our view: large balance sheet and distribution; low operating costs (as a proportion of assets), below industry averages; good technology, ahead of its peer group in implementation; and a clean balance sheet with low gross and net NPLs, improving above industry levels.

However, the risks to Union lie in its low balance sheet liquidity, and the need to grow term deposits rapidly to fund loan growth. We believe, given Union's sharper focus on profitability, creation of a track record in sticking to fundamentals and a favorable industry outlook, Union could trade at valuations higher than peers and offers reasonable upside potential to our target price.

Valuation

Our target price of Rs165 is based on our EVA model, which we believe captures the long-term value of the business and is a standard valuation measure for our India banking coverage. We are factoring in a risk-free rate of 8.5% while maintaining an industry average margin (220bps) and reducing our cost income ratio to 35%. We are also benchmarking our target price on a 1.2x June 09E PBV. This translates to a fair value of Rs165.

We believe that Union could trade at higher than peers' multiples due to its sharp focus on growth and shareholder value, lead on utilizing technology for consistent fee income growth, its above-sector average RoE, lower bond risk relative to peers and large and scaled balance sheet. We think Union is likely pulling ahead of peers and could be valued higher than peers despite its relatively higher risk to margins and earnings or to loan growth from the lack of surplus liquidity and the need to grow deposits rapidly.

We use EVA as a primary methodology as we believe it better adjusts for the relatively dynamic cost of capital, and as it is usually the more conservative target price in a difficult interest rate environment.

Risks

We rate Union Bank Low Risk, based on our quantitative risk rating system, which tracks 260-day historical share price volatility. Key downside risks that could impede the stock from reaching our target price are: low surplus balance sheet liquidity; modest deposit mix; reversal in loans growth and asset quality;

large bond portfolio could erode economic value; and some geographic concentration in Western India..

Appendix A-1

Analyst Certification

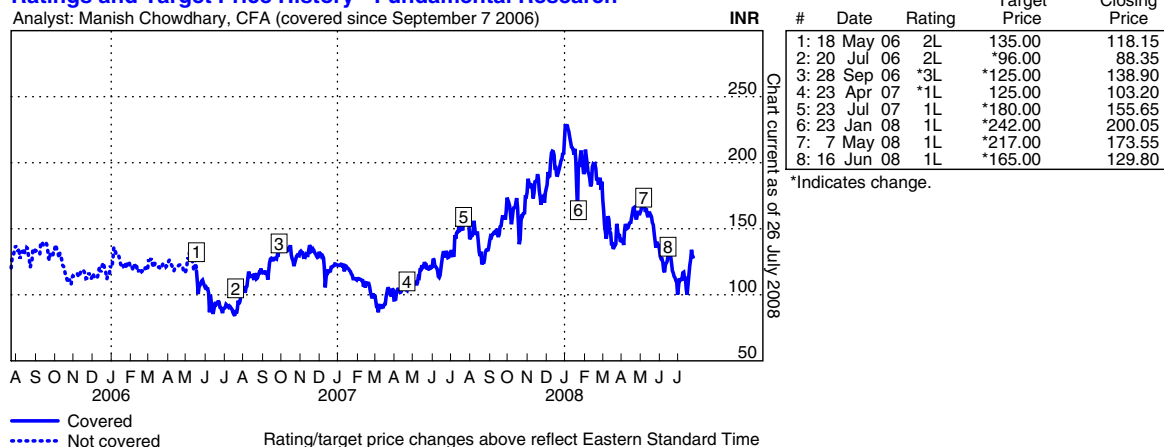
Each research analyst(s) principally responsible for the preparation and content of all or any identified portion of this research report hereby certifies that, with respect to each issuer or security or any identified portion of the report with respect to an issuer or security that the research analyst covers in this research report, all of the views expressed in this research report accurately reflect their personal views about those issuer(s) or securities. Each research analyst(s) also certify that no part of their compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that research analyst in this research report.

IMPORTANT DISCLOSURES

Union Bank Of India (UNBK.BO)

Ratings and Target Price History - Fundamental Research

Analyst: Manish Chowdhary, CFA (covered since September 7 2006)



Within the past 12 months, Citigroup Global Markets Inc. or its affiliates has acted as manager or co-manager of an offering of securities of Union Bank Of India.

Citigroup Global Markets Inc. or its affiliates has received compensation for investment banking services provided within the past 12 months from Union Bank Of India.

Citigroup Global Markets Inc. or its affiliates expects to receive or intends to seek, within the next three months, compensation for investment banking services from Union Bank Of India.

Citigroup Global Markets Inc. or an affiliate received compensation for products and services other than investment banking services from Union Bank Of India in the past 12 months.

Citigroup Global Markets Inc. currently has, or had within the past 12 months, the following company(ies) as investment banking client(s): Union Bank Of India.

Citigroup Global Markets Inc. currently has, or had within the past 12 months, the following company(ies) as clients, and the services provided were non-investment-banking, securities-related: Union Bank Of India.

Citigroup Global Markets Inc. currently has, or had within the past 12 months, the following company(ies) as clients, and the services provided were non-investment-banking, non-securities-related: Union Bank Of India.

Analysts' compensation is determined based upon activities and services intended to benefit the investor clients of Citigroup Global Markets Inc. and its affiliates ("the Firm"). Like all Firm employees, analysts receive compensation that is impacted by overall firm profitability, which includes revenues from, among other business units, the Private Client Division, Institutional Sales and Trading, and Investment Banking.

For important disclosures (including copies of historical disclosures) regarding the companies that are the subject of this Citi Investment Research product ("the Product"), please contact Citi Investment Research, 388 Greenwich Street, 29th Floor, New York, NY, 10013, Attention: Legal/Compliance. In addition, the same important disclosures, with the exception of the Valuation and Risk assessments and historical disclosures, are contained on the Firm's disclosure website at www.citigroupgeo.com. Private Client Division clients should refer to www.smithbarney.com/research. Valuation and Risk assessments can be found in the text of the most recent research note/report regarding the subject company. Historical disclosures (for up to the past three years) will be provided upon request.

Citi Investment Research Ratings Distribution

Data current as of 30 June 2008

	Buy	Hold	Sell
Citi Investment Research Global Fundamental Coverage (3096)	50%	36%	14%
% of companies in each rating category that are investment banking clients	53%	52%	42%

Guide to Fundamental Research Investment Ratings:

Citi Investment Research's stock recommendations include a risk rating and an investment rating.

Risk ratings, which take into account both price volatility and fundamental criteria, are: Low (L), Medium (M), High (H), and Speculative (S).

Investment ratings are a function of Citi Investment Research's expectation of total return (forecast price appreciation and dividend yield within the next 12 months) and risk rating.

For securities in emerging markets (Asia Pacific, Emerging Europe/Middle East/Africa, and Latin America), investment ratings are: Buy (1) (expected total return of 15% or

more for Low-Risk stocks, 20% or more for Medium-Risk stocks, 30% or more for High-Risk stocks, and 40% or more for Speculative stocks); Hold (2) (5%-15% for Low-Risk stocks, 10%-20% for Medium-Risk stocks, 15%-30% for High-Risk stocks, and 20%-40% for Speculative stocks); and Sell (3) (5% or less for Low-Risk stocks, 10% or less for Medium-Risk stocks, 15% or less for High-Risk stocks, and 20% or less for Speculative stocks).

Investment ratings are determined by the ranges described above at the time of initiation of coverage, a change in investment and/or risk rating, or a change in target price (subject to limited management discretion). At other times, the expected total returns may fall outside of these ranges because of market price movements and/or other short-term volatility or trading patterns. Such interim deviations from specified ranges will be permitted but will become subject to review by Research Management. Your decision to buy or sell a security should be based upon your personal investment objectives and should be made only after evaluating the stock's expected performance and risk.

Guide to Corporate Bond Research Credit Opinions and Investment Ratings: Citi Investment Research's corporate bond research issuer publications include a fundamental credit opinion of Improving, Stable or Deteriorating and a complementary risk rating of Low (L), Medium (M), High (H) or Speculative (S) regarding the credit risk of the company featured in the report. The fundamental credit opinion reflects the CIR analyst's opinion of the direction of credit fundamentals of the issuer without respect to securities market vagaries. The fundamental credit opinion is not geared to, but should be viewed in the context of, debt ratings issued by major public debt ratings companies such as Moody's Investors Service, Standard and Poor's, and Fitch Ratings. CBR risk ratings are approximately equivalent to the following matrix: Low Risk -- Triple A to Low Double A; Low to Medium Risk -- High Single A through High Triple B; Medium to High Risk -- Mid Triple B through High Double B; High to Speculative Risk -- Mid Double B and Below. The risk rating element illustrates the analyst's opinion of the relative likelihood of loss of principal when a fixed income security issued by a company is held to maturity, based upon both fundamental and market risk factors. Certain reports published by Citi Investment Research will also include investment ratings on specific issues of companies under coverage which have been assigned fundamental credit opinions and risk ratings. Investment ratings are a function of Citi Investment Research's expectations for total return, relative return (relative to the performance of relevant Citi bond indices), and risk rating. These investment ratings are: Buy/Overweight -- the bond is expected to outperform the relevant Citigroup bond market sector index (Broad Investment Grade, High Yield Market or Emerging Market); Hold/Neutral Weight -- the bond is expected to perform in line with the relevant Citigroup bond market sector index; or Sell/Underweight -- the bond is expected to underperform the relevant Citigroup bond market sector index. Performance data for Citi bond indices are updated monthly, are available upon request and can also be viewed at <http://sd.ny.ssm.com/> using the "Indexes" tab.

OTHER DISCLOSURES

The subject company's share price set out on the front page of this Product is quoted as at 25 July 2008 04:00 PM on the issuer's primary market.

Citigroup Global Markets Inc. and/or its affiliates has a significant financial interest in relation to Union Bank Of India. (For an explanation of the determination of significant financial interest, please refer to the policy for managing conflicts of interest which can be found at www.citigroupgeo.com.)

For securities recommended in the Product in which the Firm is not a market maker, the Firm is a liquidity provider in the issuers' financial instruments and may act as principal in connection with such transactions. The Firm is a regular issuer of traded financial instruments linked to securities that may have been recommended in the Product. The Firm regularly trades in the securities of the subject company(ies) discussed in the Product. The Firm may engage in securities transactions in a manner inconsistent with the Product and, with respect to securities covered by the Product, will buy or sell from customers on a principal basis.

Securities recommended, offered, or sold by the Firm: (i) are not insured by the Federal Deposit Insurance Corporation; (ii) are not deposits or other obligations of any insured depository institution (including Citibank); and (iii) are subject to investment risks, including the possible loss of the principal amount invested. Although information has been obtained from and is based upon sources that the Firm believes to be reliable, we do not guarantee its accuracy and it may be incomplete and condensed. Note, however, that the Firm has taken all reasonable steps to determine the accuracy and completeness of the disclosures made in the Important Disclosures section of the Product. The Firm's research department has received assistance from the subject company(ies) referred to in this Product including, but not limited to, discussions with management of the subject company(ies). Firm policy prohibits research analysts from sending draft research to subject companies. However, it should be presumed that the author of the Product has had discussions with the subject company to ensure factual accuracy prior to publication. All opinions, projections and estimates constitute the judgment of the author as of the date of the Product and these, plus any other information contained in the Product, are subject to change without notice. Prices and availability of financial instruments also are subject to change without notice. Notwithstanding other departments within the Firm advising the companies discussed in this Product, information obtained in such role is not used in the preparation of the Product. Although Citi Investment Research does not set a predetermined frequency for publication, if the Product is a fundamental research report, it is the intention of Citi Investment Research to provide research coverage of the/those issuer(s) mentioned therein, including in response to news affecting this issuer, subject to applicable quiet periods and capacity constraints. The Product is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of a security. Any decision to purchase securities mentioned in the Product must take into account existing public information on such security or any registered prospectus.

Investing in non-U.S. securities, including ADRs, may entail certain risks. The securities of non-U.S. issuers may not be registered with, nor be subject to the reporting requirements of the U.S. Securities and Exchange Commission. There may be limited information available on foreign securities. Foreign companies are generally not subject to uniform audit and reporting standards, practices and requirements comparable to those in the U.S. Securities of some foreign companies may be less liquid and their prices more volatile than securities of comparable U.S. companies. In addition, exchange rate movements may have an adverse effect on the value of an investment in a foreign stock and its corresponding dividend payment for U.S. investors. Net dividends to ADR investors are estimated, using withholding tax rates conventions, deemed accurate, but investors are urged to consult their tax advisor for exact dividend computations. Investors who have received the Product from the Firm may be prohibited in certain states or other jurisdictions from purchasing securities mentioned in the Product from the Firm. Smith Barney clients can ask their Financial Advisor for additional details. Citigroup Global Markets Inc. takes responsibility for the Product in the United States. Any orders by US investors resulting from the information contained in the Product may be placed only through Citigroup Global Markets Inc.

The Citigroup legal entity that takes responsibility for the production of the Product is the legal entity which the first named author is employed by. The Product is made available in Australia to wholesale clients through Citigroup Global Markets Australia Pty Ltd. (ABN 64 003 114 832 and AFSL No. 240992) and to retail clients through Citi Smith Barney Pty Ltd. (ABN 19 009 145 555 and AFSL No. 240813), Participants of the ASX Group and regulated by the Australian Securities & Investments Commission. Citigroup Centre, 2 Park Street, Sydney, NSW 2000. The Product is made available in Australia to Private Banking wholesale clients through Citigroup Pty Limited (ABN 88 004 325 080 and AFSL 238098). Citigroup Pty Limited provides all financial product advice to Australian Private Banking wholesale clients through bankers and relationship managers. If there is any doubt about the suitability of investments held in Citigroup Private Bank accounts, investors should contact the Citigroup Private Bank in Australia. Citigroup companies may compensate affiliates and their representatives for providing products and services to clients. The Product is made available in Brazil by Citigroup Global Markets Brasil - CCTVM SA, which is regulated by CVM - Comissão de Valores Mobiliários, BACEN - Brazilian Central Bank, APIMEC - Associação Associação dos Analistas e Profissionais de Investimento do Mercado de Capitais and ANBID - Associação Nacional dos Bancos de Investimento. Av.

Paulista, 1111 - 11º andar - CEP. 01311920 - São Paulo - SP. If the Product is being made available in certain provinces of Canada by Citigroup Global Markets (Canada) Inc. ("CGM Canada"), CGM Canada has approved the Product. Citigroup Place, 123 Front Street West, Suite 1100, Toronto, Ontario M5J 2M3. The Product is made available in France by Citigroup Global Markets Limited, which is authorised and regulated by Financial Services Authority. 1-5 Rue Paul Cézanne, 8ème, Paris, France. The Product may not be distributed to private clients in Germany. The Product is distributed in Germany by Citigroup Global Markets Deutschland AG & Co. KGaA, which is regulated by Bundesanstalt fuer Finanzdienstleistungsaufsicht (BaFin). Frankfurt am Main, Reuterweg 16, 60323 Frankfurt am Main. If the Product is made available in Hong Kong by, or on behalf of, Citigroup Global Markets Asia Ltd., it is attributable to Citigroup Global Markets Asia Ltd., Citibank Tower, Citibank Plaza, 3 Garden Road, Hong Kong. Citigroup Global Markets Asia Ltd. is regulated by Hong Kong Securities and Futures Commission. If the Product is made available in Hong Kong by The Citigroup Private Bank to its clients, it is attributable to Citibank N.A., Citibank Tower, Citibank Plaza, 3 Garden Road, Hong Kong. The Citigroup Private Bank and Citibank N.A. is regulated by the Hong Kong Monetary Authority. The Product is made available in India by Citigroup Global Markets India Private Limited, which is regulated by Securities and Exchange Board of India. Bakhtawar, Nariman Point, Mumbai 400-021. The Product is made available in Indonesia through PT Citigroup Securities Indonesia. 5/F, Citibank Tower, Bapindo Plaza, Jl. Jend. Sudirman Kav. 54-55, Jakarta 12190. Neither this Product nor any copy hereof may be distributed in Indonesia or to any Indonesian citizens wherever they are domiciled or to Indonesian residents except in compliance with applicable capital market laws and regulations. This Product is not an offer of securities in Indonesia. The securities referred to in this Product have not been registered with the Capital Market and Financial Institutions Supervisory Agency (BAPEPAM-LK) pursuant to relevant capital market laws and regulations, and may not be offered or sold within the territory of the Republic of Indonesia or to Indonesian citizens through a public offering or in circumstances which constitute an offer within the meaning of the Indonesian capital market laws and regulations. The Product is made available in Italy by Citigroup Global Markets Limited, which is authorised and regulated by Financial Services Authority. Foro Buonaparte 16, Milan, 20121, Italy. If the Product was prepared by Citi Investment Research and distributed in Japan by Nikko Citigroup Limited ("NCL"), it is being so distributed under license. If the Product was prepared by NCL and distributed by Nikko Cordial Securities Inc. or Citigroup Global Markets Inc. it is being so distributed under license. NCL is regulated by Financial Services Agency, Securities and Exchange Surveillance Commission, Japan Securities Dealers Association, Tokyo Stock Exchange and Osaka Securities Exchange. Shin-Marunouchi Building, 1-5-1 Marunouchi, Chiyoda-ku, Tokyo 100-6520 Japan. In the event that an error is found in an NCL research report, a revised version will be posted on Citi Investment Research's Global Equities Online (GEO) website. If you have questions regarding GEO, please call (81 3) 6270-3019 for help. The Product is made available in Korea by Citigroup Global Markets Korea Securities Ltd., which is regulated by Financial Supervisory Commission and the Financial Supervisory Service. Hungkuk Life Insurance Building, 226 Shinmunno 1-GA, Jongno-Gu, Seoul, 110-061. The Product is made available in Malaysia by Citigroup Global Markets Malaysia Sdn Bhd, which is regulated by Malaysia Securities Commission. Menara Citibank, 165 Jalan Ampang, Kuala Lumpur, 50450. The Product is made available in Mexico by Acciones y Valores Banamex, S.A. De C. V., Casa de Bolsa, which is regulated by Comision Nacional Bancaria y de Valores. Reforma 398, Col. Juarez, 06600 Mexico, D.F. In New Zealand the Product is made available through Citigroup Global Markets New Zealand Ltd. (Company Number 604457), a Participant of the New Zealand Exchange Limited and regulated by the New Zealand Securities Commission. Level 19, Mobile on the Park, 157 Lambton Quay, Wellington. The Product is made available in Pakistan by Citibank N.A. Pakistan branch, which is regulated by the State Bank of Pakistan and Securities Exchange Commission, Pakistan. AWT Plaza, 1.1. Chundrigar Road, P.O. Box 4889, Karachi-74200. The Product is made available in Poland by Dom Maklerski Banku Handlowego SA an indirect subsidiary of Citigroup Inc., which is regulated by Komisja Papierów Wartościowych i Giełd. Bank Handlowy w Warszawie S.A. ul. Senatorska 16, 00-923 Warszawa. The Product is made available in the Russian Federation through ZAO Citibank, which is licensed to carry out banking activities in the Russian Federation in accordance with the general banking license issued by the Central Bank of the Russian Federation and brokerage activities in accordance with the license issued by the Federal Service for Financial Markets. Neither the Product nor any information contained in the Product shall be considered as advertising the securities mentioned in this report within the territory of the Russian Federation or outside the Russian Federation. The Product does not constitute an appraisal within the meaning of the Federal Law of the Russian Federation of 29 July 1998 No. 135-FZ (as amended) On Appraisal Activities in the Russian Federation. 8-10 Gasheka Street, 125047 Moscow. The Product is made available in Singapore through Citigroup Global Markets Singapore Pte. Ltd., a Capital Markets Services Licence holder, and regulated by Monetary Authority of Singapore. 1 Temasek Avenue, #39-02 Millenia Tower, Singapore 039192. The Product is made available by The Citigroup Private Bank in Singapore through Citibank, N.A., Singapore branch, a licensed bank in Singapore that is regulated by Monetary Authority of Singapore. Citigroup Global Markets (Pty) Ltd. is incorporated in the Republic of South Africa (company registration number 2000/025866/07) and its registered office is at 145 West Street, Sandton, 2196, Saxonwold. Citigroup Global Markets (Pty) Ltd. is regulated by JSE Securities Exchange South Africa, South African Reserve Bank and the Financial Services Board. The investments and services contained herein are not available to private customers in South Africa. The Product is made available in Spain by Citigroup Global Markets Limited, which is authorised and regulated by Financial Services Authority. 29 Jose Ortega Y Gasset, 4th Floor, Madrid, 28006, Spain. The Product is made available in Taiwan through Citigroup Global Markets Inc. (Taipei Branch), which is regulated by Securities & Futures Bureau. No portion of the report may be reproduced or quoted in Taiwan by the press or any other person. No. 8 Manhattan Building, Hsin Yi Road, Section 5, Taipei 100, Taiwan. The Product is made available in Thailand through Citicorp Securities (Thailand) Ltd., which is regulated by the Securities and Exchange Commission of Thailand. 18/F, 22/F and 29/F, 82 North Sathorn Road, Silom, Bangkok, Bangkok 10500, Thailand. The Product is made available in Turkey through Citibank AS which is regulated by Capital Markets Board. Tekfen Tower, Eski Buyukdere Caddesi # 209 Kat 2B, 23294 Levent, Istanbul, Turkey. The Product is made available in U.A.E. by Citigroup Global Markets Limited, which is authorised and regulated by Financial Services Authority. DIFC, Bldg 2, Level 7, PO Box 506560, Dubai, UAE. The Product is made available in United Kingdom by Citigroup Global Markets Limited, which is authorised and regulated by Financial Services Authority. This material may relate to investments or services of a person outside of the UK or to other matters which are not regulated by the FSA and further details as to where this may be the case are available upon request in respect of this material. Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB. The Product is made available in United States by Citigroup Global Markets Inc, which is regulated by NASD, NYSE and the US Securities and Exchange Commission. 388 Greenwich Street, New York, NY 10013. Unless specified to the contrary, within EU Member States, the Product is made available by Citigroup Global Markets Limited, which is regulated by Financial Services Authority. Many European regulators require that a firm must establish, implement and make available a policy for managing conflicts of interest arising as a result of publication or distribution of investment research. The policy applicable to Citi Investment Research's Products can be found at www.citigroupgeo.com. Compensation of equity research analysts is determined by equity research management and Citigroup's senior management and is not linked to specific transactions or recommendations. The Product may have been distributed simultaneously, in multiple formats, to the Firm's worldwide institutional and retail customers. The Product is not to be construed as providing investment services in any jurisdiction where the provision of such services would not be permitted. Subject to the nature and contents of the Product, the investments described therein are subject to fluctuations in price and/or value and investors may get back less than originally invested. Certain high-volatility investments can be subject to sudden and large falls in value that could equal or exceed the amount invested. Certain investments contained in the Product may have tax implications for private customers whereby levels and basis of taxation may be subject to change. If in doubt, investors should seek advice from a tax adviser. The Product does not purport to identify the nature of the specific market or other risks associated with a particular transaction. Advice in the Product is general and should not be construed as personal advice given it has been prepared without taking account of the objectives, financial situation or needs of any particular investor. Accordingly, investors should, before acting on the advice, consider the appropriateness of the advice, having regard to their objectives, financial situation and needs. Prior to acquiring any financial product, it is the client's responsibility to obtain the relevant offer document for the product and consider it before making a decision as to whether to purchase the product.

its affiliates and are used and registered throughout the world. Nikko is a registered trademark of Nikko Cordial Corporation. All rights reserved. Any unauthorized use, duplication, redistribution or disclosure is prohibited by law and will result in prosecution. Where included in this report, MSCI sourced information is the exclusive property of Morgan Stanley Capital International Inc. (MSCI). Without prior written permission of MSCI, this information and any other MSCI intellectual property may not be reproduced, disseminated or used to create any financial products, including any indices. This information is provided on an "as is" basis. The user assumes the entire risk of any use made of this information. MSCI, its affiliates and any third party involved in, or related to, computing or compiling the information hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of this information. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind. MSCI, Morgan Stanley Capital International and the MSCI indexes are services marks of MSCI and its affiliates. The information contained in the Product is intended solely for the recipient and may not be further distributed by the recipient. The Firm accepts no liability whatsoever for the actions of third parties. The Product may provide the addresses of, or contain hyperlinks to, websites. Except to the extent to which the Product refers to website material of the Firm, the Firm has not reviewed the linked site. Equally, except to the extent to which the Product refers to website material of the Firm, the Firm takes no responsibility for, and makes no representations or warranties whatsoever as to, the data and information contained therein. Such address or hyperlink (including addresses or hyperlinks to website material of the Firm) is provided solely for your convenience and information and the content of the linked site does not in anyway form part of this document. Accessing such website or following such link through the Product or the website of the Firm shall be at your own risk and the Firm shall have no liability arising out of, or in connection with, any such referenced website.

ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST
