

Banking on Global

Dividend Cliff to Capital Returns

- Dividend Cliff** — Bank stocks were a key component of global equity dividend income before the recent financial crisis. During 2003 till 2008, banks accounted for 25-26% of global dividends. Following the financial crisis, the sector only accounted for c13% of total global dividends at the 2009 trough. Since 2011-12, this has increased to c15%. Consensus estimates forecast an increase to 16.4% in 2013.
- EU/US Dividends Halved** — In USD terms, our global bank sector coverage dividend pool reached a trough in 2009 at \$113 billion down 23% vs the 2007 peak. European and US banks' dividends reached a trough in 2009 at \$40 billion of dividends accrued, down c50% vs the 2007 peak. Relative to the global bank dividend pool, EU/US banks reached a trough in 2011 at a mere 29%.
- Capital Returns** — EU/US dividends picked up from 2012 and could accelerate in 2014. UK bank dividends are expected to increase c40% yoy in 2014 (due to LLOY, RBS); Europe ex UK should also bounce back, led by the Swiss (2014E UBS and CS dividends +85% yoy). Europe/UK banks shift from a B3 capital deficit position in 2011-12 to a surplus by 2014-15E supports the capital return story. The key risk to the capital return story: the sovereign crisis in Europe turns worse, again.
- High Yielders, Relative Low Risk** — Australian banks screen very attractively on a mix of high dividend yields and solid capital (Basel 3 and equity/asset ratios). Attractive dividend yields, solid B3 core capital ratios and low bank specific CDS spreads can be found among Australians, Nordics, BNP Paribas and HSBC. Many leading banks yield 2x 10 year government bonds.
- Focus Five** — Policy action has reduced the risk of a Euro Area break up, banks globally have made considerable process in increasing capital ratios and most DM banks are focused on improving efficiency and returns. DM listed banks in our global Top 5 banks picks include Barclays, BNP Paribas and MUFG. Amongst EM banks, we continue to like dominant franchises in under-penetrated markets and our Global Top 5 includes Sberbank and Credicorp.

Industry Overview

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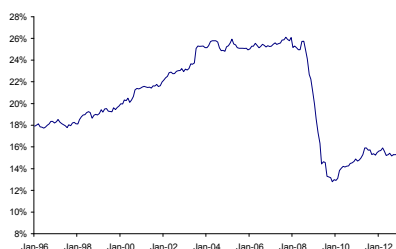
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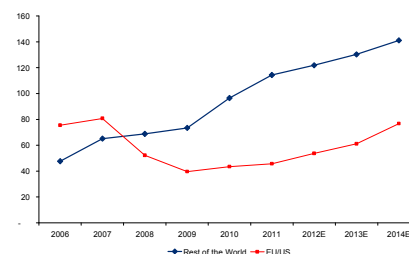
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Banks Dividends % of Global Dividends



Source: Citi Research; Note: Based on relevant MSCI Index data for banks and diversified financials

EU/US vs RoW Bank Dividends (USD Bn)



Source: Citi Research, Based on Citi Coverage Universe

See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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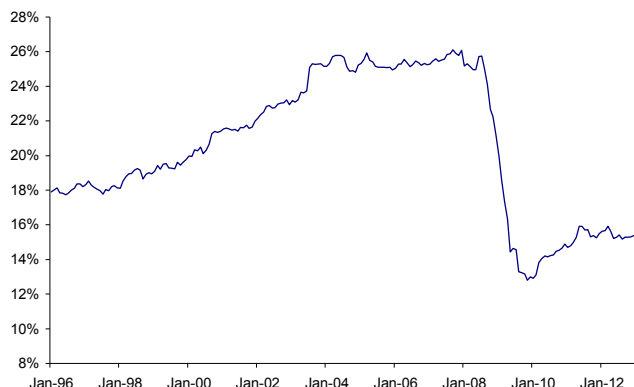
Dividend Cliff to Capital Returns

Global banks accounted for c25% of total market dividends 2003-08, before falling to a trough of 13% in 2009

Bank stocks were a key component of global equity dividend income before the recent financial crisis. For about five years from 2003 till 2008, global banks (including diversified financials) accounted for 25-26% of global equity dividend income. This was a step up from the 18-20% proportion that they accounted for in the late 1990s. During the 2000-07 period, the global bank sector consistently yielded about 1% more than the global equity market.

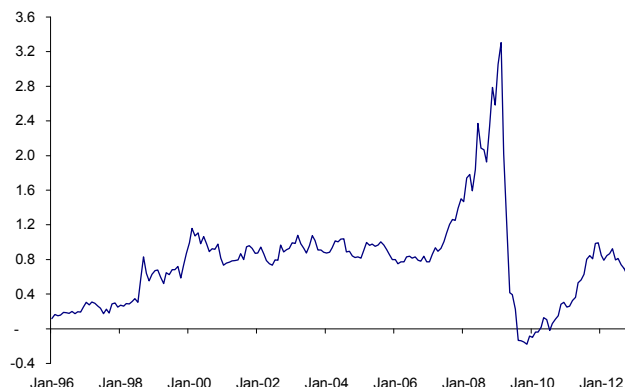
With the onset of the recent financial crisis, from 2008 to 2010 global banks and diversified financial dividend income dropped almost 60% in nominal terms peak-to-trough. Following a rebound since 2010, the global banks and diversified financials sector nominal dividend paid out now stands down about 30% in 2012 versus 2008 peak levels. Following the 2008-2010 banks' dividend cliff, the sector only accounted for c13% of total global equity dividend income at the trough. Since 2011-12, this has increased to about c15%.

Figure 1. Global banks + Diversified financials dividends as a % of Total Global Equity market dividends (%)



Source: Citi Research; Note: Based on relevant MSCI Index data for banks and diversified financials (includes capital market banks) and does not include all listed bank stocks or all banks in our coverage universe. Dividend data based on actual 12 month trailing dividends.

Figure 2. Global banks + Diversified financials dividend yield minus Global Equity Market dividend yield (percentage points)



Source: Citi Research; Note: Based on relevant MSCI Index data for banks and diversified financials (includes capital market banks) and does not include all listed bank stocks or all banks in our coverage universe. Dividend data based on actual 12 month trailing dividends and hence the spike in 2007-08 yield differential of banks vs the market due to the correction in financial share prices before dividends were cut.

Asia Pacific (including Australia) is the highest yielding bank region for 2013E at 4.7%, followed by Europe/UK at 4.4%

For 2013, we calculate that the global bank and diversified financial sector (MSCI basis, based on consensus estimates) will account for 16.4% of total global dividend income, a step up from the c15% share accounted for during 2011-12. Based on consensus estimates, we calculate a 3% global equity market dividend yield versus 3.5% for all financials and 4% for banks (again based on MSCI classifications).

The highest 2013E consensus bank sector dividend yield is Asia Pacific ex Japan 4.7% (versus regional equity market yield of 3.2%). Pan-Europe follows in second place with a 2013E bank sector dividend yield of 4.4% versus 4.0% for the broader market. Co-incidentally, Japan and the US yield the same: 2.9% for banks and 2.4% for the broader market. Banks are not particularly high yielders in CEEMEA (3.4% or -0.5ppt vs market) and Latin America (3.2% or +0.3ppt vs market).

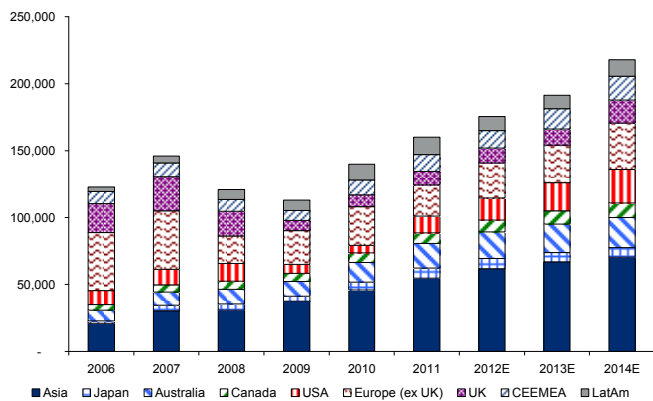
Bank sector dividends reached a trough in 2009 with the global sector -27% from the 2007 peak

Using the MSCI data, the global bank and diversified financial sector dividends paid out reached a trough in late 2009 / early 2010. Based on our bottom up data from our global bank sector coverage universe, 2009 was the trough year for dividends accrued – at \$113 billion, 2009 dividends accrued had dropped 23% from the peak year of 2007 (\$146 billion). Global bank sector dividends accrued increased by approximately \$20-25 billion in each of 2010 and 2011. During 2011, we exceeded the previous 2007 peak for global bank sector dividends accrued (in USD terms).

The double digit year-on-year global dividend growth rate for 2010 & 2011 is expected to slow to 9-10% growth rate in 2012 & 2013 before rebounding to c14% in 2014E. The large expected increase in 2014 global bank dividends is in percentage terms driven by the UK (+42% yoy) as LLOY and RBS restart paying dividends. Europe ex UK is the second largest driver of dividend increases in 2014 and this is driven primarily by Swiss banks stepping up their dividends (UBS + CS combined are expected to accrue \$4.3 billion in 2014 +85% yoy).

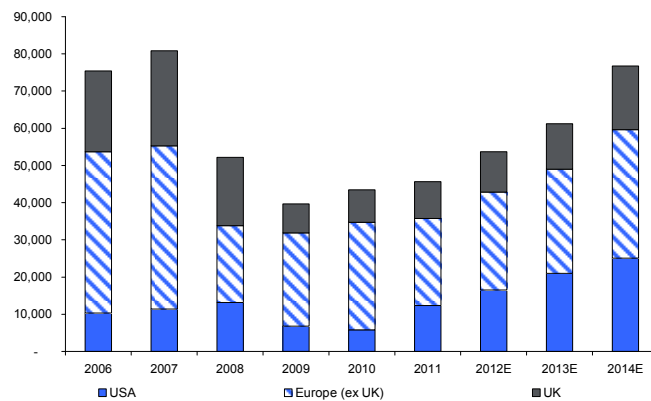
UBS and, following its 2012 capital actions, Credit Suisse are two of the best capitalised banks in their wholesale peer group. Deleveraging/restructuring plans and the capital generative power of their asset gathering operations support improving capital positions going forwards. We expect this capital generation to support progressive dividend policies and buybacks over the next three years. Specifically, we forecast UBS returning SFr7.5bn to shareholders over 2014E-2015E and CS returning SFr1.5bn in 2015E in share buybacks.

Figure 3. Total Global Bank Dividends Pool Split (USD mm)



Source: Citi Research; Note: Based on Citi coverage universe

Figure 4. Europe & US Bank Dividends Pool Split (USD mm)



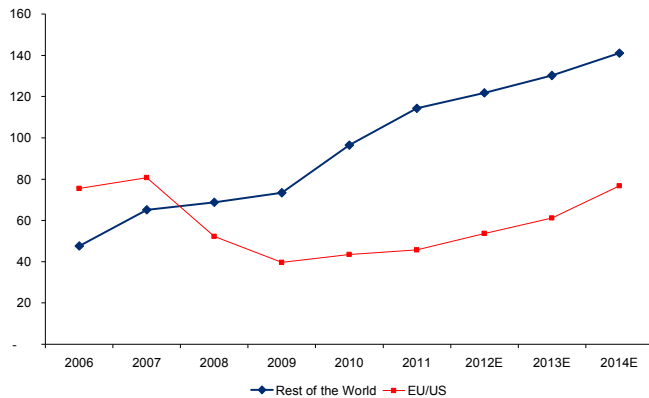
Source: Citi Research; Note: Based on Citi coverage universe

EU/US banks 2009 dividends halved from the 2007 peak, picking up in 2012, expected to accelerate in 2014

In USD terms, our global bank sector dividend pool reached a trough in 2009 at \$113 billion down 23% vs the 2007 peak. However, if we look at European and US banks' dividends only, this group reached a trough in 2009 at \$40 billion of dividends accrued, down a much larger 51% vs the 2007 peak. EU/US bank dividends in aggregate largely flat-lined during 2009-2011, picked up from 2012 and are then forecast to accelerate into 2014.

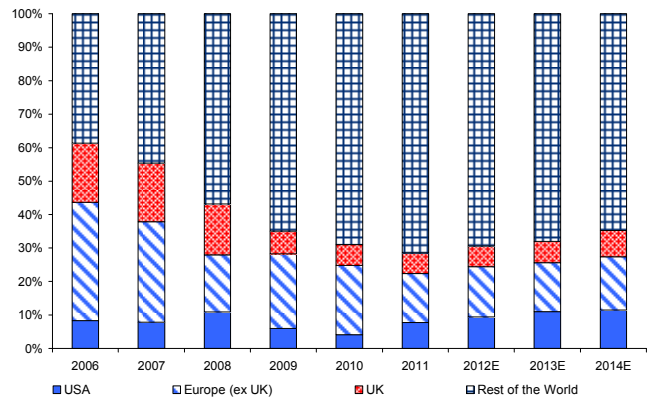
As a percentage of global banks dividends, EU/US banks reached a trough a couple of years after their absolute trough (29% of global bank dividend. Despite the bounce back in dividends from 2011 for EU/US banks (2011-14, +68% versus Rest of the World +24%), EU/US banks are still expected to account for only 35% of the global bank dividend pool in 2014E.

Figure 5. EU/US vs RoW Total Dividends (USD Bn)



Source: Citi Research; Note: Based on Citi coverage universe

Figure 6. Europe & US Bank Dividends Pool Split vs RoW (%)



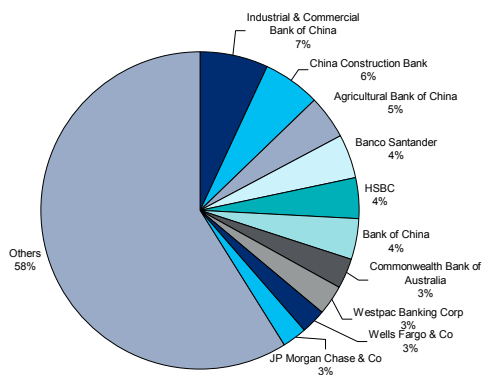
Source: Citi Research; Note: Based on Citi coverage universe

Chinese banks account for 4 of the top 10 global bank dividend payers, along with 2 from AUS, EU and US

The dominance of non EU/US banks in the global bank dividend pool is clearly demonstrated by looking at the 10 largest dividend payers set out in Figure 7 below: 3 of the 5 largest dividend banks in the world in 2012E are Chinese, led by ICBC. 2 Australian and US banks are in the top 10 and one UK-listed global bank (HSBC), and a European bank largely paying in shares (Santander) rounds out the rest. Collectively the top 10 banks account for 42% of 2012E global bank dividends.

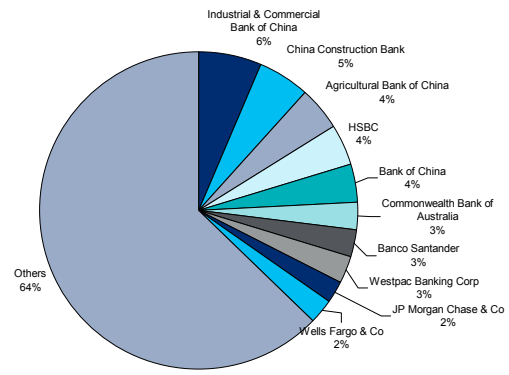
Looking ahead to 2014E, the nationalities of the top 10 dividend payers are the same albeit the rankings shift slightly: three mainland Chinese banks still occupy the top 3 slots followed by HSBC in fourth place (up from 5th in 2012E) and Bank of China in fifth place (up from 6th) with Santander dropping down to 7th from 4th. There are still 2 Australian and US banks in the top 10. With the improving health of the global bank sector, especially in Europe and the US, the top 10 banks' share of the global dividend pool is expected to drop to 36% in 2014E.

Figure 7. 2012E Global Banks Dividend Split



Source: Citi Research, Bloomberg; Note: Based on Citi coverage universe, Consensus data used for CIBC, BMO and NA

Figure 8. 2014E Global Banks Dividend Split



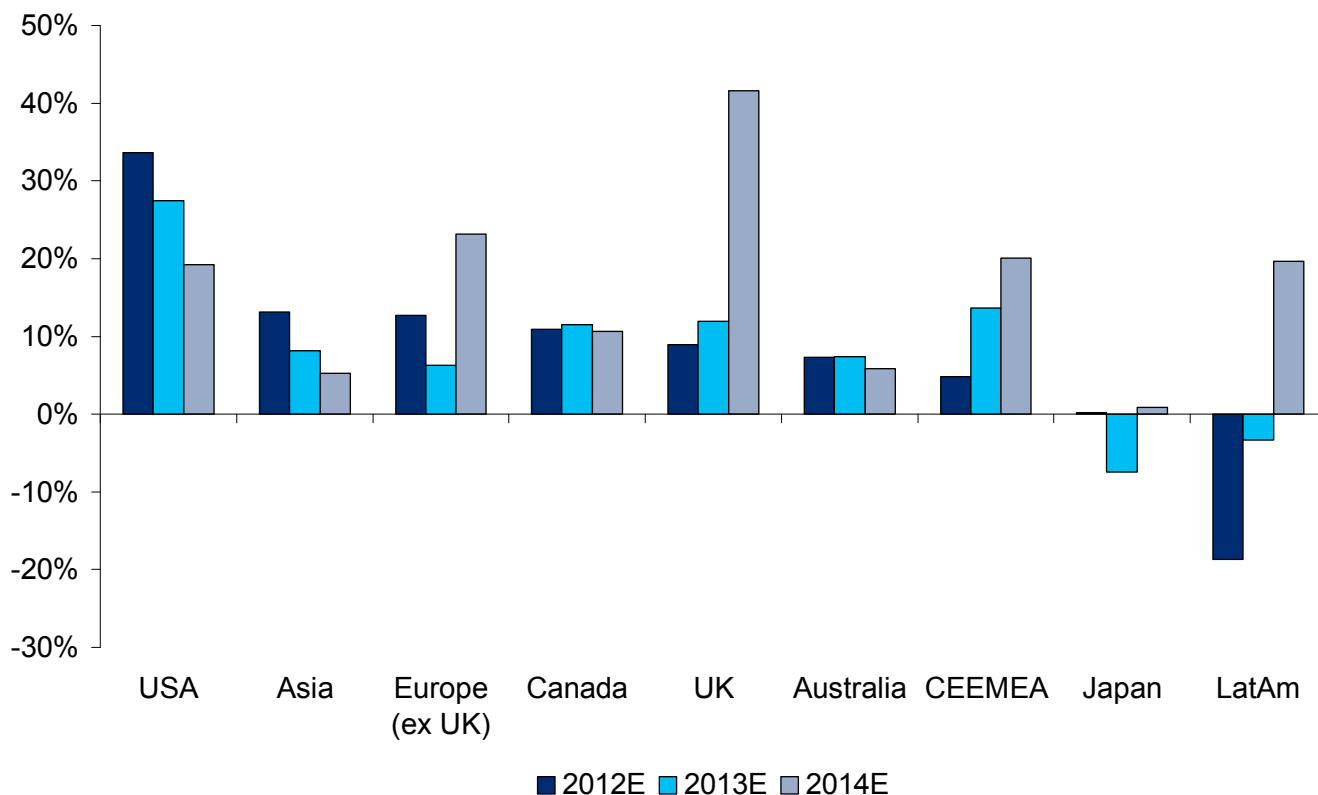
Source: Citi Research, Bloomberg; Note: Based on Citi coverage universe, Consensus data used for CIBC, BMO and NA

Bounce back next year: 2014E dividend growth of c40% for UK banks, followed by Europe (ex UK)

As set out in Figure 9 below, the yoy dividend growth rate steps up materially in 2014 in Europe – we forecast about 40% yoy dividend growth in the UK and France for 2014 but the Swiss lead the pack at twice the run-rate. Emerging markets such as CEEMEA and Latin America are expected to feature a strong 2014 driven dividend rebound, albeit not as robust as Europe/UK. Asia by contrast is expected to have slowing dividend growth in the coming years, driven by Chinese banks.

We forecast US banks to have robust dividend growth, in fact the strongest cumulative growth of any major region over 2011-14; however, the fastest percentage growth rate we expect in US dividends was in 2012, boosted by WFC, albeit 2013-14 should also remain strong double digit growth years, driven by BAC returning to more material capital returns and continued steady dividend growth at core stocks such as WFC and JPM.

Figure 9. Global Banks - Dividend Growth vs Previous Year (%)



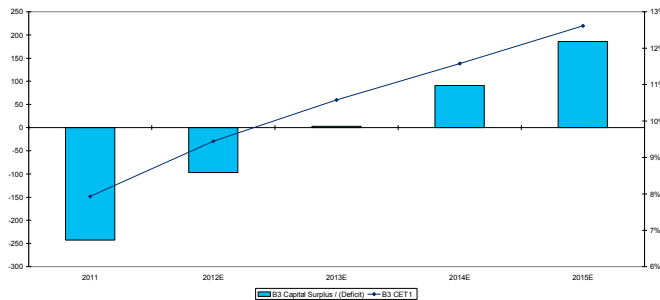
Source: Citi Research, Note: Based on Citi coverage universe

The expected increase in dividends at European/UK banks in 2014 reflects the improvement in balance sheet and capital positions at these banks, driven by a combination of return to profitability, improved “model management”, capital actions such as de-leveraging and new issuance, increasing clarity on capital adequacy rules and the new regulatory framework (albeit a lot of the details are still to be decided).

Europe/UK banks shift from a B3 capital deficit position in 2011-12 to a surplus by 2014-15

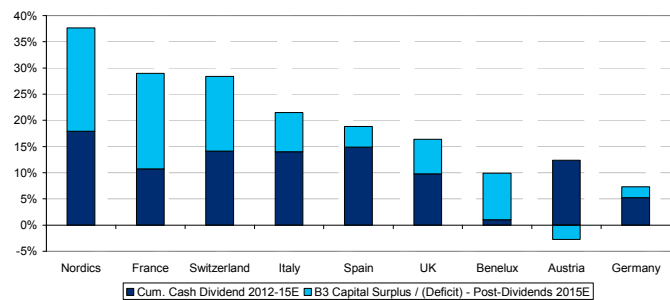
For Europe/UK banks, we expect a significant shift in the capital position as measured by the new Basel 3 rules. From a “deficit” position of almost €250 billion at end 2011 versus required B3 core capital we expect the sector to reach a neutral position in 2013E and shift into a surplus position in 2014E-15E, which not surprisingly coincides with the step up in dividends we are forecasting in 2014 for many European/UK banks. Relative to current market capitalisation, European countries with the largest capital surplus are the Nordics, France and Switzerland.

Figure 10. European Banks - Sector Capital Deficit Turning to Surplus, 2011-15E (Euros in Billions)



Source: Citi Research; Note: Excludes dividends and buybacks, 2012E-14E

Figure 11. European Banks - Capital Surplus Position: By Country, 2015E, % of Market Cap



Source: Citi Research

Figure 12 below sets out the Basel 2.5 and 3 equity Tier 1 ratios last reported (or estimated by us) for the leading European banks. What is notable is that half our sample is now above 9% including several of the larger EU-listed banks such as BNP Paribas, HSBC and UBS. On average, we would expect the larger European banks to be at close to 9% fully loaded B3 core equity Tier 1 ratio at end 2012, with the leading US banks at a similar level. The laggards on this metric are Japan. Most of Asia ex Japan is forecast to be at c10% (China) or above (eg Indonesia).

Swedish banks lead the EU B3 capital tables, with large banks such as BNP, HSBC and UBS at a very credible c9.5%

Figure 12. European Banks Capital Ratios (Latest)

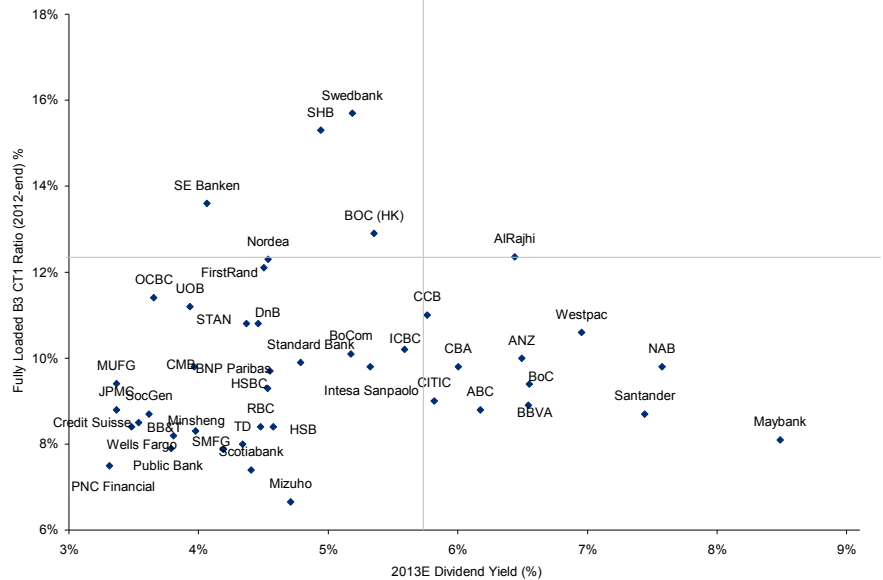
Bank	Country	Core Tier 1 Ratio	
		Basel 2.5	Basel 3 (Fully Loaded)
Handelsbanken	Nordic	17.9%	15.8%
Swedbank	Nordic	17.3%	15.4%
ING Bank	Netherlands	12.1%	10.9%
DNB	Nordic	11.4%	10.8%
Standard Chartered	UK	11.6%	10.6%
BNP Paribas	France	11.4%	9.5%
HSBC	UK	11.7%	9.4%
UBS	Switzerland	18.3%	9.3%
Intesa	Italy	10.7%	9.3%
Unicredit	Italy	10.4%	9.1%
Societe Generale	France	10.3%	8.4%
Santander	Spain	10.4%	8.1%
Barclays	UK	11.2%	7.8%
Lloyds	UK	11.5%	7.7%
Credit Suisse	Switzerland	18.5%	7.5%
RBS	UK	11.1%	7.5%
BBVA	Spain	10.8%	7.5%
Commerzbank	Germany	11.1%	7.5%
Deutsche Bank	Germany	10.7%	7.5%
Credit Agricole	France	9.3%	6.8%

Source: Company Reports and Citi Research Estimates

Australian banks screen attractively on dividend yields (6% plus) and solid core B3 capital ratios; Swedes also

Figure 13 below screens our global bank coverage universe for stocks with attractive dividend yields and strong Basel 3 core equity Tier 1 ratios. The Australian banks screen as having high dividend yields (6% plus) and also strong B3 CET1 ratios (c10%). At slightly lower yields albeit still attractive (c5%) but with considerably stronger B3 CET1 ratios (c15%) are the Swedish banks, led by Swedbank.

Figure 13. Global Banks – 2013E Dividend Yield (%) vs 2012-end Fully Loaded CET1 Ratio (%)

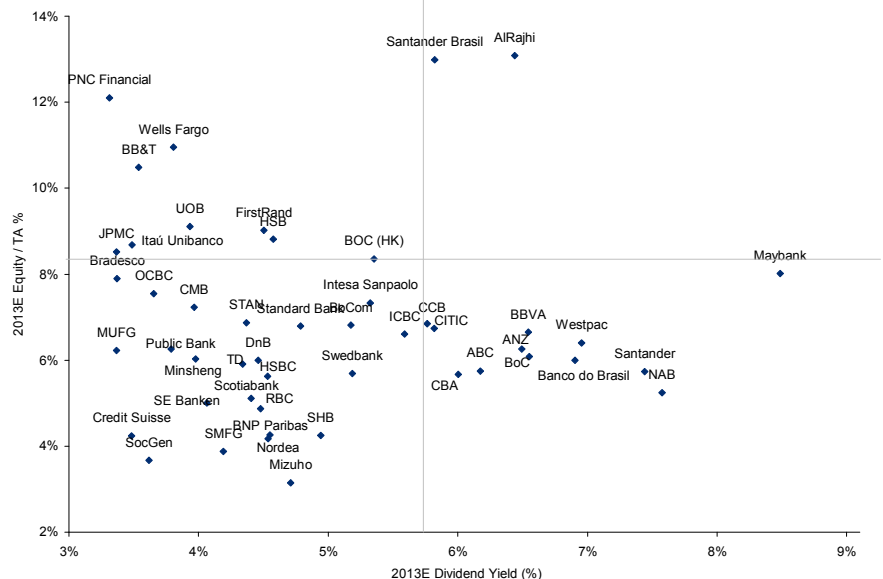


Source: Citi Research; Note: We screen banks with MCap >15Bn USD and Dividend Yield >3%

Australian banks also screen well on dividend yields relative to non risk-adjusted capital ratios; Swedes average

For investors that prefer non risk-adjusted leverage ratios, Figure 14 below sets out a screen of dividend yield versus equity/asset ratios: Australian banks still screen well. Brazilian and Spanish banks also screen well on this metric.

Figure 14. Global Banks – 2013E Dividend Yield (%) vs 2013E Equity/Assets (%)

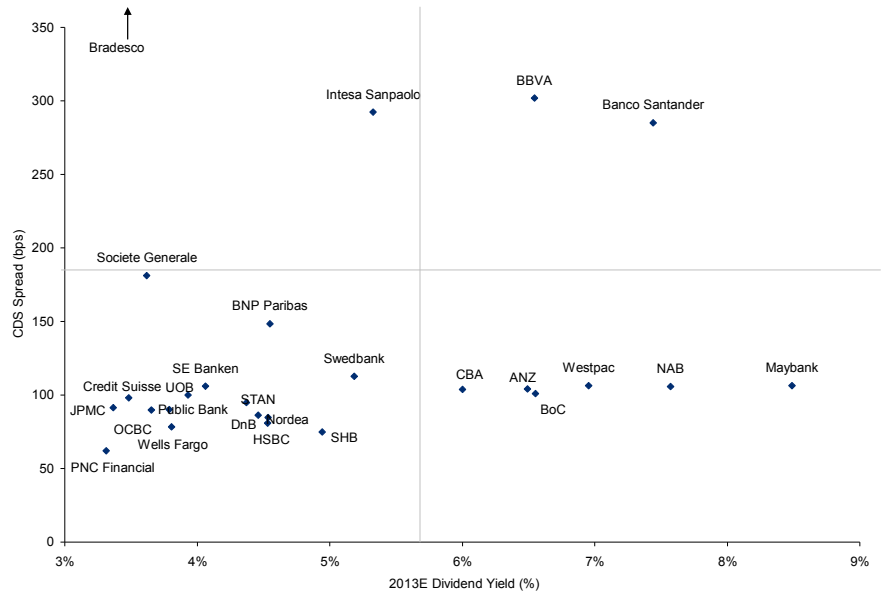


Source: Citi Research; Note: We screen banks with MCap >15Bn USD and Dividend Yield >3%

Attractive dividend yields and low CDS spreads at Australians, Nordics, BNP and HSBC; Spanish & Italians weaker

Australian banks also screen well when comparing dividend yields with their bank specific CDS spreads. Not surprisingly, Spanish and Italian banks screen poorly. BNP, Nordic and UK international banks have a balanced mix of attractive dividend yields and low CDS spreads.

Figure 15. Global Banks – 2013E Dividend Yield (%) vs 5Yr CDS Spreads (bps)

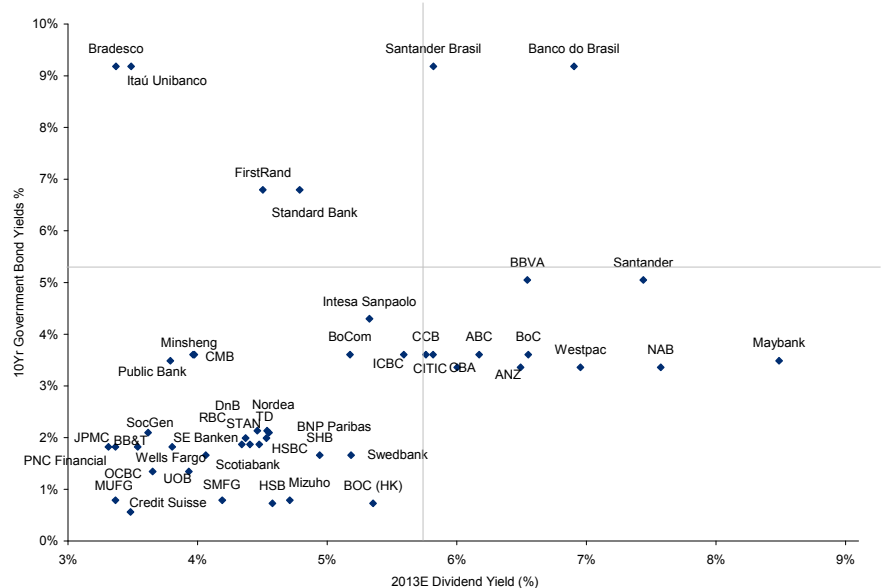


Source: Citi Research; Note: We screen banks with MCap >15Bn USD and Dividend Yield >3%

Many global banks yielding 2x local 10 year government bond yields: Aussies, Nordics, BNP, HSBC, Canadians

Similarly, compared to local risk free rates, Australian banks' yields screen as attractive. Nordics, BNP, HSBC and Canadians also yield above 2x their 10 year government bond yields. Relative to bank specific CDS spreads or country risk free rates, numerous large cap banks globally screen as very attractive income payers.

Figure 16. Global Banks – 2013E Dividend Yield (%) vs 10Yr Govt Bond Yields (%)



Source: Citi Research; Note: We screen banks with MCap >15Bn USD and Dividend Yield >3%

Global Banks: Investment Summary

Figure 17. Global Banks - Regional Summaries

Region	Analyst Views
Global	We believe policy action has reduced the risk of a Euro Area break up, banks globally have made considerable process in increasing capital ratios and most DM banks are focused on improving efficiency and returns. Some are re-thinking their business model. DM listed banks in our global Top 5 banks picks include Barclays, BNP Paribas and MUFG. Amongst EM banks, we continue to like dominant franchises in under-penetrated markets and our Global Top 5 includes Sberbank and Credicorp (Peru). On the negative side, as highlighted at our recent Global Financial Conference in Hong Kong, regulatory uncertainty limits capital return by banks - Aussie banks stand out as high dividend payers with low CDS spreads.
Asia (ex-Japan)	After underperforming ASEAN for three years in a row, we would not write off North Asian banks in 2013, not just because of the valuation gap (which has grown wider in 2012) but also because of the macro shift we anticipate from domestic to cyclical economies driven by a US cyclical upturn in 2H13. Themes we see: (1) Macro story will shift from domestic to cyclical (N. Asia); (2) Earnings steady, robust but moderating; (3) Basel 3 liquidity a bigger challenge than capital; (4) Asia's increasing regionalization. Overweight: India and Indonesia for domestic growth, and Korea for valuations and leverage to the US upturn. Neutral: Singapore, Taiwan, Thailand and Malaysia. Underweight: China (despite the mild macro recovery, growth is unexciting), HK and the Philippines (expensive valuations). Our top picks are Axis, ICICI, BMR, BBN, Hana and Shinhan.
Australia / New Zealand	We maintain our overweight stance, held since the middle of the year, with high dividend yields remaining the most supportive factor for the positive investment thesis. Despite their rally this year, bank prospective yields of 6-7% (fully franked) remain convincingly higher than other domestic investment alternatives such as 10 year Government bonds or term deposits and amongst the highest yielding bank shares in the world. Commonwealth Bank of Australia (CBA) is our top pick, with a strong domestic franchise and demonstrable capital generation.
CEEMEA	We are neutral weight Turkey following recent strong share price performance and the risk of currency depreciation and interest rate risk given its high external financing requirement. Russia is also exposed due to its commodities and global growth gearing but we are overweight Russia, largely on valuation grounds (trading on a 2013 P/E of 4.94x, P/BV 0.7x, average ROE of 14.6%), relatively low exposure to Europe, and good long-term growth potential. Our top pick: Sberbank which we think is trading inexpensively on a price-to-book basis relative to its sustainable ROE (20%).
Canada	We are overweight the Canadian banking sector. Although household leverage is above that in the US, our analysis shows that affordability is better. In a global context Canadian households are less levered than counterparts in commodity-rich countries. Expected ROEs of 15-18% are some of the highest among DM banks. Dividend yields are also attractive, in our view – we expect c. 4% for the three banks we cover. In our view, opportunities for the sector include: (1) Canadian corporate lending (especially for TD); (2) US lending (TD is targeting a #3 ranking by market share in the broader New York City area) and (3) Wholesale market share gains (upside to RY's current Top 10-15 ranks worldwide by DCM and ECM business volumes). Top pick: TD.
Europe (ex-UK)	European banking stocks have re-rated significantly since the decisive central bank intervention to support sovereign bonds. We see several 'pockets' of value where we believe the risk premia remain too elevated. We see value in geographies with relatively sound and profitable banking systems (France) or where the capital return story remains underappreciated (Switzerland) but believe it is still too early to invest in Southern Europe. Whilst Nordic banks appear overall fair valued, Swedes look attractive on capital. Our key long-term picks in the Euro Area: BNP and SocGen , with Intesa on our Least Preferred list reflecting our caution on asset quality & margin pressure.
Japan	We increased our 2013 Japanese bank profit estimates by c8% over the past year, primarily due to lower loan loss provisions due to the Japanese corporate recovery post the 2011 earthquake. Our improved credit cost outlook has been partly offset by lower revenue expectations due to declining long-term yields. Deleveraging by European banks may provide opportunities for Japanese banks to grow after many years of global share loss. Japanese banks increased overseas loans 15-25% yoy in FY2011. Japanese mega banks may take advantage of their comfortable level of liquidity and core capital under the Basel 3 regime. Our top Japanese bank picks: MUFG, SMFG.
Latin America	Latin American banks splits into two broad categories: (1) those banking sectors that, due to a combination of tougher economic conditions, relatively higher maturity/penetration and government interference with pricing, are no longer high double-digit top-line growth stories; and (2) those banking sectors that, owing to an attractive macroeconomic backdrop, low loan-to-GDP penetration and less intrusive government/regulation, continue to offer compelling 15%-20% bottom line growth driven mainly by loan and net interest income growth. Brazil and Chile fit into the first category. Mexico, Peru and Colombia belong to the second. Within the second category, we have Buy ratings on a handful of Peruvian and Mexican banks. Our top-pick is Credicorp , the leader in Peru.
UK	We believe the UK remains a relative safe haven versus the Euro Area. Ongoing system-wide deleveraging combined with net interest margin pressure and weak capital markets has led to notable revenue downgrades for the domestic UK banks, but we believe these are now largely complete. Furthermore active central bank policy, such as the FLS, should encourage an improvement in margins in 2013 (as deposit competition recedes and wholesale funding costs decline). Meanwhile the two international UK banks, HSBC and Standard Chartered, have strong capital ratios, are less reliant upon wholesale funding and have exposure to double-digit loan growth via a range of Asian economies. Valuation multiples for the international UK banks also appear undemanding, relative to the global peer group and historical averages. Barclays is on our European banks Most Preferred list with RBS as a Least Preferred in order to hedge political and litigation risk.
US	We are cautious on US banks as low rates, cyclical weakness, and regulatory overhangs are likely to persist. We remain cautious on large cap and regional banks given NIM compression ahead and expect cuts to consensus EPS estimates. While earnings growth remains challenged given repaired capital levels dividends and buybacks should improve in 2013. Trust banks have lagged traditional bank in the recent rally and currently trade at significantly lower-than-historical premiums pointing to mean-reversion opportunity. Returns for capital markets players remain depressed given low risk tolerances and European debt crisis uncertainties. In the last 12 months, we have cut our US money centre bank 2013 profit estimates by c3% while our regional bank estimates are up c8%. Top pick: JPM amongst capital market banks and BBT amongst regional players.

Source: Citi Research

Global Focus Five – Investment Cases

Credicorp – The Peruvian banking sector is characterized by high (and sustainable) loan growth, top-line growth, earnings growth and ROEs, anchored on high real GDP growth and low inflation, one of the lowest loan-to-GDP ratios in Latin America (mid 20s), and one of the highest levels of banking system concentration in the emerging markets (four banks account for about 85% of the sector). In light of its dominant position (30%-plus loan market share), distribution strength, and low funding cost advantage, Credicorp is a great vehicle to participate in the exciting dynamics that the Peruvian financial system offers in our view. Valuation is not cheap, but we find current P/B and P/E multiples (2.8x 2012E book, 13x 2013E earnings) reasonable for a 20%-21% ROE and 20% loan growth/EPS growth story.

BNP Paribas – BNP Paribas continues to benefit from solid tangible book growth, supported by robust franchises (French & Belgian retail cash cows, leading positions in equity derivatives and €-DCM). Trading at 0.7x 2013E TBV, we believe concerns are overdone on capital, regulation (we expect forbearance on LCR rules in early-2013) and French macro (liquidity buffers have been significantly increased since 1H11, pre-funding for 2013 has already been started). With a fully loaded B3 CET1 ratio of 9.5%, we believe that BNP Paribas is in a position to deliver a progressive cash dividend policy; we expect a 2012 DPS of €2.1, implying a payout ratio of 35%.

MUFG – With the highest quality of capital and liquidity among Japanese banks, we believe MUFG is in the most advantageous position to lever overseas operations. MUFG plays well with our theme of the re-emergence of Japanese banks in international wholesale banking, taking advantage of Euro bank de-leveraging (see [Bank sector - An investment strategy based on circumstances in Europe](#), 25 June 2012).

Sberbank – Appears inexpensively valued at c5.3x 2013E earnings and 1.0x book given that we expect the bank to generate a 21% ROE. We expect the bank to continue to grow strongly in retail lending given low penetration and the bank's strong retail franchise. Sberbank remains reasonably well capitalised with a core tier 1 ratio of 10.2% as of end 3Q12. With the immediate privatisation overhang out of the way and with management guiding that it will not execute further M&A, two key investor concerns have been assuaged.

Barclays – We believe Barclays can be a winner in the consolidating world of capital markets. Meanwhile, in UK Retail Banking and in Cards, Barclays is already demonstrating respectable growth in these high RoE businesses. In the near-term the 12 February investor day, alongside a seasonal pick-up in capital market revenues, should act as positive catalysts for the stock. We forecast an underlying Group RoTE of 9.3% in 2012, which is ahead of our forecast average sector return. Despite this, Barclays trades at a discount to the wider sector, on 0.7x 2012E P/TB vs sector 1.0x.

Figure 18. Global Focus Five – Valuation Metrics

As at 3 rd January 2013 Banks	Rating	Price L Ccy	Target Price	ETR %	Ccy	Mcap (US\$Bn)	EPS Growth %		PE (x)		PB (x)		ROE (%)	
							12E	13E	12E	13E	12E	13E	12E	13E
Credicorp	Buy	146.50	178.00	23.3	USD	11.6	12.6	18.0	15.1	12.8	2.8	2.4	20.8	20.4
BNP Paribas	Buy	44.46	50.00	17.1	EUR	72.8	34.8	-9.0	7.5	8.3	0.7	0.6	9.7	8.0
MUFG	Buy	461.00	600.00	32.8	JPY	74.7	68.2	-28.2	6.6	9.3	0.7	0.6	5.4	5.3
Sberbank	Buy	92.94	129.00	41.2	RUB	66.5	9.7	8.8	5.8	5.3	1.3	1.0	24.3	21.5
Barclays	Buy	2.76	3.70	36.6	GBP	54.8	33.7	6.9	8.2	7.6	0.6	0.6	0.6	8.5

Source: Citi Research, datacentral

Global Banks Valuations

Figure 19. Global Valuation Table – Europe, 3 Jan 2013

Bank	Rec	M Cap (\$bn)	Share Price				Adj P/E			P/B '12E	P/B '13E	ROE '12E	ROE '13E	Div Yield 2012E
			Now	Target	+/-%	2012E	2013E	2014E						
EUROPE														
Benelux		51				+13%	4.5x	1.7x	1.4x	0.9x	0.9x	7%	9%	0.0%
KBC	Buy	14	E	26.7	32.0	+20%	16.3x	6.3x	4.9x	0.9x	0.9x	6%	14%	0.0%
ING Groep NV	Buy	37	E	7.3	8.0	+10%						7%	7%	0.0%
CEE/Austria		82				-8%	13.7x	13.5x	10.9x	1.3x	1.2x	10%	9%	3.6%
Bank Millennium	Sell	2	ZL	4.7	3.7	-20%	12.3x	15.7x	12.7x	1.2x	1.1x	9%	7%	0.0%
Bank Pekao	Sell	14	ZL	170	148	-13%	16.7x	19.8x	16.7x	1.9x	1.9x	13%	10%	4.7%
Bank Zachodni	Buy	6	ZL	241	266	+10%	13.8x	15.3x	12.8x	2.1x	2.1x	17%	14%	6.0%
BRE	Sell	4	ZL	329	279	-15%	12.7x	17.7x	12.9x	1.5x	1.4x	13%	8%	0.0%
Erste Bank	Buy	13	E	25.0	20.0	-20%	26.8x	11.9x	8.7x	0.9x	0.9x	3%	7%	2.6%
ING Bank Slaski	Neutral	4	ZL	90	92	+2%	15.8x	21.6x	14.3x	1.5x	1.5x	12%	8%	3.6%
Komercni Banka	Neutral	8	Kc	4130	4075	-1%	11.7x	13.3x	13.0x	1.7x	1.6x	16%	12%	5.6%
Kredyt Bank	Buy	1	ZL	16.5	18.5	+12%	16.7x	32.9x	17.4x	1.3x	1.2x	10%	4%	0.0%
OTP Bank	Sell	5	Ft	4260	3950	-7%	8.8x	7.4x	6.3x	0.7x	0.7x	9%	9%	2.9%
PKO BP	Neutral	15	ZL	37.4	38.1	+2%	12.5x	15.0x	12.0x	1.9x	1.8x	16%	12%	4.0%
Raiffeisen Bank Intl	Sell	8	E	32.8	27.5	-16%	8.5x	8.9x	7.3x	0.8x	0.8x	10%	9%	3.2%
France		135				+8%	13.7x	7.4x	6.5x	0.6x	0.5x	4%	7%	3.3%
BNP Paribas	Buy	73	E	44.5	50	+12%	7.5x	8.3x	7.7x	0.7x	0.6x	10%	8%	4.6%
Credit Agricole	Neutral	21	E	6.4	6.1	-4%	<0	5.2x	4.6x	0.4x	0.4x	-5%	7%	0.8%
Natixis	Neutral	11	E	2.6	2.6	-1%	8.1x	7.0x	5.8x	0.5x	0.5x	5%	6%	3.6%
Societe Generale	Buy	31	E	29.9	32	+7%	15.4x	7.3x	5.8x	0.5x	0.5x	4%	7%	1.7%
Germany		53				-5%	10.2x	10.7x	8.1x	0.5x	0.5x	5%	4%	0.6%
Commerzbank	Neutral / H	11	E	1.5	1.4	-9%	12.3x	11.5x	6.7x	0.4x	0.3x	3%	2%	0.0%
Deutsche Bank	Neutral	42	E	34	33	-3%	9.9x	10.7x	8.8x	0.6x	0.5x	5%	5%	0.7%
Greece/Cyprus		4					<0	<0	<0	0.2x	0.2x	-11%	-5%	5.0%
Bank of Cyprus	Neutral	1	E	.26	na		1.1x	1.5x	1.2x	0.2x	0.2x	17%	13%	4.5%
Eurobank EFG	Neutral	0	E	.68	na		<0	<0	<0	0.1x	0.2x	-32%	-45%	0.0%
National Bank	Neutral	2	E	1.4	na		<0	<0	<0	0.3x	0.4x	-27%	-15%	0.0%
Iberia		181				-16%	34.3x	11.6x	9.0x	0.8x	0.8x	1%	7%	7.5%
Banco BPI	Neutral / H	2	E	1.0	1.1	+9%	12.4x	13.3x	8.9x	1.0x	1.1x	12%	8%	0.0%
Banco Espirito	Buy / H	5	E	.95	1.23	+30%	34.9x	12.2x	7.6x	0.5x	0.5x	2%	4%	0.0%
Banco Popular	Sell / H	7	E	.6	.4	-36%	<0	22.3x	7.8x	0.5x	0.6x	-24%	3%	10.5%
Banco Santander	Neutral / H	86	E	6.3	5.5	-13%	14.2x	12.1x	10.3x	0.9x	0.9x	3%	7%	9.5%
Banesto	Neutral / H	3	E	3.6	3.2	-12%	15.3x	16.8x	10.4x	0.5x	0.5x	-11%	3%	0.0%
Bankinter	Sell / H	3	E	3.4	2.4	-30%	13.6x	10.5x	10.2x	0.6x	0.6x	5%	6%	3.7%
BBVA	Neutral / H	52	E	7.3	6.3	-14%	23.8x	9.2x	8.8x	1.0x	0.9x	4%	10%	5.8%
Bco de Sabadell	Sell / H	8	E	2.0	1.1	-45%	nm	22.2x	15.6x	0.7x	0.7x	1%	3%	3.5%
CaixaBank	Sell / H	15	E	2.7	1.8	-35%	nm	28.9x	10.2x	0.6x	0.6x	0%	2%	8.3%
Israel		13				-13%	9.9x	10.2x	9.1x	0.8x	0.7x	8%	7%	0.0%
Bank Hapoalim	Neutral	6	NIS	16.5	16.2	-2%	9.1x	9.8x	9.0x	0.9x	0.8x	10%	8%	0.0%
Bank Leumi	Sell	5	NIS	13.2	10.1	-24%	12.0x	11.6x	10.7x	0.8x	0.7x	7%	6%	0.0%
Israel Discount	Neutral	2	NIS	6.4	5.4	-16%	8.2x	8.8x	7.1x	0.6x	0.5x	7%	6%	0.0%

Source: DataCentral, Citi Research

Figure 20. Global Valuation Table – Europe (cont.), 3 Jan 2013

Bank	Rec	M Cap (\$bn)	Share Price			Adj P/E			P/B '12E P/B '13E		ROE '12E	ROE '13E	Div Yield	
			Now	Target	+/-%	2012E	2013E	2014E			'12E	'13E	2012E	
Italy		72			-13%	13.9x	13.2x	9.9x	0.4x	0.4x	0%	2%	2.4%	
Banco Popolare	Neutral	3	E	1.3	na	22.8x	18.9x	13.4x	0.3x	0.3x	0%	2%	0.6%	
BP Milano	Neutral	2	E	.47	na	33.0x	24.2x	16.9x	0.4x	0.4x	-8%	2%	0.0%	
Intesa Sanpaolo	Sell / H	29	E	1.4	1.1	-20%	13.1x	12.7x	9.9x	0.5x	0.5x	4%	3%	4.0%
Monte dei Paschi	Sell / H	4	E	.2	.2	-27%	15.3x	26.6x	14.4x	0.2x	0.3x	-17%	3%	0.0%
UBI Banca	Neutral / H	4	E	3.7	2.9	-23%	20.5x	21.0x	16.1x	0.4x	0.4x	1%	2%	1.5%
UniCredit	Neutral / H	29	E	3.9	3.7	-4%	13.9x	12.3x	9.1x	0.4x	0.4x	2%	2%	1.7%
Nordics		143			+2%	11.2x	9.8x	8.7x	1.1x	1.0x	10%	10%	3.4%	
Danske Bank	Neutral	17	Dkr	98	105	+7%	20.4x	9.9x	7.2x	0.7x	0.7x	4%	7%	0.0%
DnB	Buy	21	NKkr	72	83	+15%	9.0x	7.9x	7.2x	0.9x	0.8x	11%	11%	3.1%
Nordea	Neutral	40	E	7.5	7.6	+2%	10.1x	9.6x	8.6x	1.1x	1.0x	11%	11%	3.9%
SE Banken AB	Sell	19	SKkr	56.8	50.0	-12%	10.8x	10.7x	10.0x	1.1x	1.0x	10%	10%	3.5%
SHB	Neutral	23	SKkr	237	235	-1%	11.3x	10.7x	9.9x	1.4x	1.3x	13%	13%	4.4%
Swedbank	Neutral	23	SKkr	130	127	-2%	10.7x	10.3x	9.5x	1.4x	1.3x	13%	13%	4.6%
Russia		91			+34%	6.5x	5.5x	5.1x	1.1x	1.0x	20%	19%	2.0%	
Bank St Petersburg	Buy	0	Rbl	50	75	+51%	15.0x	4.4x	2.8x	0.4x	0.4x	3%	10%	0.3%
Bank Vozrozhdenie	Buy	0	Rbl	537	820	+53%	5.1x	4.3x	3.3x	0.6x	0.5x	13%	13%	0.1%
Bank VTB	Buy	19	ϕ	360	430	+19%	8.2x	5.7x	5.0x	0.9x	0.8x	11%	14%	1.2%
Sberbank	Buy	69	Rbl	93	129	+39%	5.8x	5.3x	5.1x	1.3x	1.0x	24%	21%	2.4%
Switzerland		103			+14%	21.8x	12.7x	8.4x	1.0x	1.0x	1%	7%	1.9%	
Credit Suisse	Buy	32	SFr	22.3	27.0	+21%	19.2x	7.6x	6.3x	0.8x	0.8x	5%	12%	3.4%
EFG Internatnl	Buy / H	1	SFr	8.9	9.7	+9%	11.3x	10.4x	8.5x	1.8x	1.6x	16%	15%	1.1%
Julius Baer	Neutral	8	SFr	32.3	32.0	-1%	15.4x	13.3x	11.1x	1.5x	1.5x	6%	5%	1.9%
UBS	Buy	60	SFr	14.3	16.0	+12%	26.2x	29.4x	12.8x	1.0x	1.1x	-2%	3%	1.1%
Vontobel	Buy	2	SFr	28.2	31.1	+10%	14.0x	12.2x	10.3x	1.2x	1.1x	8%	9%	3.9%
Turkey		72			-15%	11.1x	10.3x	9.0x	1.6x	1.4x	16%	15%	1.2%	
Bank Asya	Buy	1	TL	2.3	2.2	-3%	9.7x	7.4x	6.0x	0.9x	0.8x	9%	11%	0.0%
Garanti	Neutral	23	TL	9.6	8.7	-10%	12.5x	11.8x	10.3x	2.0x	1.7x	17%	16%	1.5%
Halkbank	Buy	13	TL	18.0	18.5	+3%	8.9x	8.4x	7.7x	1.9x	1.6x	25%	21%	1.4%
Isbank	Sell	16	TL	6.3	4.7	-26%	11.4x	10.8x	9.4x	1.4x	1.3x	13%	12%	1.9%
Vakifbank	Sell	7	TL	4.7	3.5	-27%	10.2x	9.0x	7.9x	1.1x	1.0x	12%	12%	0.3%
Yapi Kredi	Neutral	13	TL	5.3	4.1	-23%	12.2x	10.7x	9.2x	1.7x	1.4x	15%	15%	0.0%
UK/Ireland		441			+5%	15.8x	10.6x	8.7x	0.9x	0.9x	2%	7%	2.5%	
Bank of Ireland	Sell / H	5	E	.1	.1	-33%	<0	<0	nm	0.4x	0.6x	-19%	-10%	0.0%
Barclays	Buy	55	p	276	370	+34%	9.3x	7.6x	6.4x	0.7x	0.6x	1%	8%	2.4%
HSBC	Buy	200	p	666	680	+2%	13.2x	10.3x	9.4x	1.2x	1.2x	9%	11%	3.8%
Lloyds Banking Group	Buy	57	p	50	50	+1%	<0	15.9x	9.2x	0.8x	0.7x	-2%	4%	0.0%
RBS	Neutral / H	62	p	334	285	-15%	<0	12.7x	8.2x	0.6x	0.5x	-6%	3%	0.0%
Standard Chartered	Buy	63	p	1610	1850	+15%	13.5x	10.9x	9.8x	1.4x	1.3x	11%	13%	3.2%
EUROPE		1442			+2%	14.3x	10.0x	8.2x	0.8x	0.8x	4%	8%	3.1%	

Source: DataCentral, Citi Research

Figure 21. Global Valuation Table – North America, 3 Jan 2013

Bank	Rec	M Cap (\$bn)	Share Price			Adj P/E			P/B '12E P/B '13E		ROE	ROE	Div Yield
			Now	Target	+/-%	2012E	2013E	2014E	'12E	'13E	2012E		
USA		861			+4%	<0	10.4x	9.4x	1.0x	0.9x	9%	10%	1.9%
Bank of America Corp	Neutral	130	\$ 12.0	10	-17%	30.1x	14.2x	10.5x	0.6x	0.6x	2%	4%	0.3%
BB&T	Buy	21	\$ 30	35	+16%	11.1x	10.0x	9.7x	1.1x	1.0x	10%	11%	2.7%
Bank of New York Mellon Corp	Buy	31	\$ 27	27	+0%	12.8x	10.8x	9.3x	0.9x	0.8x	7%	8%	1.9%
Capital One Financial Corp.	Buy	36	\$ 61	66	+8%	9.3x	9.1x	8.3x	0.9x	0.8x	9%	9%	0.3%
Comerica Inc	Neutral	6	\$ 31	28	-11%	11.8x	13.0x	13.1x	0.8x	0.8x	7%	6%	1.8%
Fifth Third Bancorp	Neutral	14	\$ 16	16	+1%	9.5x	9.6x	9.9x	1.0x	1.0x	11%	11%	2.3%
First Horizon National Corp	Neutral	2	\$ 10	9	-16%	<0	11.9x	10.6x	1.1x	1.0x	-1%	9%	0.4%
First Niagara Financial Group	Neutral	3	\$ 8.2	8	-2%	11.1x	10.6x	10.3x	0.6x	0.6x	3%	6%	3.9%
Goldman Sachs Group, Inc.	Buy	62	\$ 132	140	+6%	10.5x	10.3x	9.1x	1.0x	0.9x	9%	9%	1.3%
Huntington Bancshares Inc	Buy	0	\$ 7	7	+10%	10.1x	10.1x	9.4x	1.0x	1.0x	11%	10%	2.4%
JP Morgan Chase & Co	Buy	170	\$ 45	50	+12%	8.7x	8.2x	8.0x	0.9x	0.8x	11%	10%	2.7%
Keycorp	Neutral	8	\$ 9	9	+3%	10.3x	11.0x	9.8x	0.8x	0.8x	8%	7%	2.1%
M&T Bank Corp	Neutral	13	\$ 101	100	-1%	13.4x	12.2x	11.6x	1.4x	1.3x	10%	10%	2.8%
Morgan Stanley	Neutral	39	\$ 20	20	+2%	<0	10.1x	8.0x	0.6x	0.6x	0%	6%	1.0%
Northern Trust Corp	Neutral	0	\$ 52	50	-3%	17.9x	15.7x	14.0x	1.6x	1.6x	10%	10%	2.3%
PNC Financial Services Group	Neutral	31	\$ 60	68	+14%	10.5x	9.0x	8.6x	0.9x	0.8x	7%	8%	2.6%
Regions Financial Corp	Neutral	10	\$ 7	7	-4%	10.4x	10.4x	9.7x	0.7x	0.6x	7%	6%	0.5%
State Street Corp	Buy	22	\$ 48	54	+12%	12.4x	10.5x	8.9x	1.1x	1.0x	11%	11%	2.0%
SunTrust Banks	Neutral	16	\$ 29	29	-1%	8.0x	11.5x	10.6x	0.8x	0.7x	10%	6%	0.7%
US Bancorp	Neutral	62	\$ 33	36	+9%	11.5x	10.8x	10.5x	1.8x	1.7x	16%	16%	2.4%
Wells Fargo & Co	Neutral	185	\$ 35	37	+6%	10.5x	9.9x	9.7x	1.3x	1.2x	13%	12%	2.5%
Zions Bancorp	Neutral	0	\$ 22	21	-7%	19.5x	13.3x	11.6x	0.8x	0.8x	5%	6%	0.2%
Canada		236			+8%	11.8x	11.1x	10.2x	2.0x	1.8x	18%	17%	3.7%
Royal Bank of Canada	Buy	89	\$ 61	67	+11%	12.4x	11.4x	10.5x	2.3x	2.1x	19%	19%	3.8%
Toronto Dominion	Buy	78	\$ 83	92	+11%	11.3x	10.3x	9.6x	1.7x	1.6x	14%	15%	3.5%
Scotiabank	Neutral	69	\$ 58	58	+1%	11.7x	11.4x	10.3x	2.0x	1.8x	19%	17%	3.8%
North America		1097			+5%	<0	10.5x	9.5x	1.2x	1.1x	11%	11%	2.3%

Source: DataCentral, Citi Research

Figure 22. Global Valuation Table – Japan, 3 Jan 2013

Bank	Rec	M Cap (\$bn)	Share Price			Adj P/E			P/B '12E	P/B '13E	ROE '12E	ROE '13E	Div Yield 2012E	
			Now	Target	+/-%	2012E	2013E	2014E						
JAPAN														
Aozora Bank	Neutral	4	¥	264	na		11.5x	17.4x	19.9x	1.2x	1.2x	7%	5%	3.4%
Bank of Yokohama	Buy	6	¥	400	550	+38%	10.9x	10.3x	10.1x	0.7x	0.7x	7%	7%	2.5%
Chiba Bank	Buy	5	¥	504	700	+39%	12.0x	10.8x	10.3x	0.7x	0.6x	6%	6%	2.2%
Sumitomo Mitsui Trust Holdings	Buy	14	¥	301	470	+56%	12.4x	10.7x	7.8x	0.7x	0.7x	3%	7%	2.8%
Daiwa Securities Group	Neutral	9	¥	475	330	-31%	<0	46.7x	46.7x	1.1x	1.1x	-5%	2%	1.3%
Fukuoka Financial Group	Buy	3	¥	344	450	+31%	6.5x	7.6x	7.3x	0.5x	0.5x	7%	6%	2.3%
Hiroshima Bank	Buy	3	¥	361	450	+25%	16.4x	13.2x	12.2x	0.8x	0.7x	5%	6%	1.4%
Joyo Bank	Buy	4	¥	409	400	-2%	17.8x	16.8x	16.3x	0.7x	0.7x	4%	4%	2.0%
Mitsubishi UFJ Financial Group	Buy	75	¥	461	600	+30%	12.0x	11.5x	11.0x	0.7x	0.6x	5%	5%	2.6%
Mizuho Financial Group	Buy	43	¥	157	220	+40%	8.6x	8.8x	8.1x	0.9x	0.8x	9%	9%	3.8%
Nomura Holdings	Buy	21	¥	503	370	-26%	nm	43.1x	20.4x	0.9x	0.9x	1%	2%	1.2%
Resona Holdings	Buy	11	¥	392	480	+22%	6.1x	6.5x	10.1x	1.3x	1.2x	14%	12%	3.1%
Shiga Bank	Neutral	2	¥	534	na		18.0x	16.7x	15.3x	0.7x	0.7x	4%	4%	1.1%
Shinsei Bank	Buy	5	¥	171	180	+5%	28.7x	21.1x	23.3x	0.8x	0.7x	2%	4%	0.6%
Shizuoka Bank	Neutral	6	¥	841	900	+7%	15.9x	14.6x	14.8x	0.8x	0.7x	5%	5%	1.6%
Sumitomo Mitsui Financial	Buy	48	¥	3115	4600	+48%	8.7x	9.8x	9.3x	0.8x	0.8x	9%	8%	3.2%
JAPAN		211				+23%	24.9x	15.8x	13.2x	0.8x	0.8x	5%	6%	2.6%

Source: DataCentral, Citi Research

Figure 23. Global Valuation Table – Asia, 3 Jan 2013

Bank	Rec	M Cap (\$bn)	Share Price			Adj P/E			P/B '12E	P/B '13E	ROE '12E	ROE '13E	Div Yield 2012E	
			Now	Target	+/-%	2012E	2013E	2014E						
ASIA														
China		936			-4%	6.8x	6.5x	6.1x	1.3x	1.1x	21%	19%	4.9%	
ABC	Buy	165	Rmb	3.2	3.1	-4%	7.0x	6.4x	6.0x	1.4x	1.2x	21%	20%	5.0%
Bank of China	Buy	129	Rmb	2.9	3.1	+6%	6.3x	6.0x	5.6x	1.0x	0.9x	17%	16%	5.7%
Bank of Communications	Neutral	58	Rmb	4.9	4.6	-5%	6.0x	6.3x	6.1x	1.0x	0.9x	17%	15%	4.6%
China CITIC Bank	Neutral	29	Rmb	3.8	3.4	-12%	5.3x	4.9x	4.6x	0.9x	0.8x	19%	18%	4.7%
China Construction Bank	Buy	207	Rmb	5.2	5.5	+6%	6.9x	6.5x	6.1x	1.4x	1.2x	21%	20%	5.0%
China Merchants Bank	Sell	49	Rmb	14.2	10.4	-27%	7.2x	8.6x	8.0x	1.5x	1.4x	23%	19%	4.2%
China Minsheng Banking	Sell	36	Rmb	7.9	5.0	-37%	7.0x	6.8x	6.0x	1.3x	1.1x	24%	20%	3.2%
ICBC	Neutral	257	Rmb	4.6	4.2	-9%	7.0x	6.7x	6.2x	1.4x	1.3x	22%	20%	4.9%
CRCB	Buy	5	Rmb	3.6	3.7	+4%	6.5x	6.0x	5.5x	1.0x	0.9x	17%	17%	4.6%
Hong Kong		78			+4%	13.5x	13.6x	12.5x	2.0x	1.8x	17%	15%	4.5%	
Bank of East Asia	Neutral	9	\$	30.3	30.0	-1%	15.7x	18.1x	16.4x	1.2x	1.2x	10%	8%	3.8%
Bank of China (HK)	Buy	33	\$	24.6	28.0	+14%	13.7x	13.5x	12.2x	1.8x	1.7x	15%	14%	5.2%
Dah Sing Banking	Buy	1	\$	8.6	9.2	+7%	9.1x	9.5x	8.3x	0.7x	0.6x	8%	7%	3.4%
Dah Sing Financial	Buy	1	\$	35.3	34.0	-4%	10.8x	9.5x	9.9x	0.6x	0.6x	7%	7%	3.0%
Hang Seng Bank	Neutral	29	\$	120	112	-6%	13.0x	12.8x	12.0x	2.6x	2.4x	22%	20%	4.4%
Wing Hang Bank	Buy	3	\$	81	83	+2%	14.2x	14.1x	13.2x	1.3x	1.2x	11%	9%	2.0%
India		159			+1%	20.9x	17.8x	14.6x	3.5x	2.9x	17%	17%	1.3%	
AXIS Bank	Buy	11	Rs	1386	1433	+3%	14.0x	12.6x	10.2x	2.5x	2.1x	20%	19%	1.3%
Bank of Baroda	Buy	7	Rs	889	900	+1%	7.1x	6.9x	6.2x	1.3x	1.1x	21%	18%	2.0%
Canara Bank	Neutral	4	Rs	522	485	-7%	7.0x	6.2x	5.2x	1.0x	0.9x	15%	15%	2.1%
Federal Bank	Buy	2	Rs	543	550	+1%	11.9x	10.4x	9.0x	1.6x	1.4x	14%	15%	1.7%
HDFC Bank	Neutral	30	Rs	687	645	-6%	31.3x	24.5x	19.3x	5.4x	4.6x	19%	20%	0.6%
HDFC	Buy	24	Rs	846	860	+2%	30.7x	27.0x	22.9x	6.7x	5.2x	23%	22%	1.3%
ICICI Bank	Buy	25	Rs	1173	1200	+2%	20.9x	16.7x	13.3x	2.2x	2.0x	11%	13%	1.4%
Kotak Mahindra Bank	Neutral	9	Rs	657	646	-2%	26.5x	23.6x	18.7x	3.8x	3.3x	15%	15%	0.2%
State Bank of India	Buy	30	Rs	2448	2625	+7%	13.7x	13.2x	11.8x	2.0x	1.8x	16%	14%	1.4%
Union Bank Of India	Neutral	3	Rs	278	210	-25%	10.3x	8.7x	6.8x	1.3x	1.1x	13%	14%	2.4%
Yes Bank	Buy	3	Rs	488	503	+3%	17.6x	13.7x	10.8x	3.7x	3.0x	23%	24%	0.8%
IDFC	Buy	5	Rs	179	196	+10%	17.4x	14.6x	12.3x	2.2x	2.0x	13%	14%	1.3%
Punjab National Bank	Buy	6	Rs	905	850	-6%	6.1x	6.7x	4.9x	1.1x	1.0x	20%	15%	2.4%
Indonesia		71			+6%	14.1x	12.5x	10.9x	3.0x	2.5x	24%	22%	1.6%	
Bank Central Asia	Sell	23	Rp	9100	7850	-14%	19.5x	16.5x	14.3x	4.3x	3.5x	24%	23%	1.0%
Bank Mandiri (Persero)	Buy	20	Rp	8250	9600	+16%	13.1x	11.5x	10.1x	2.6x	2.2x	22%	21%	1.5%
Bank Negara Indonesia	Buy	7	Rp	3725	4700	+26%	11.0x	9.9x	8.6x	1.6x	1.4x	16%	16%	1.8%
Bank Rakyat Indonesia	Neutral	18	Rp	7050	7800	+11%	10.3x	10.0x	9.0x	2.8x	2.3x	30%	24%	1.9%
PT Bank Bukopin	Buy	0	Rp	610	800	+31%	5.8x	5.1x	4.4x	1.0x	0.8x	18%	18%	2.6%
PT Bank Pembangunan	Buy	1	Rp	1110	1275	+15%	9.2x	8.0x	6.9x	1.8x	1.6x	21%	21%	5.4%
Bank Tabungan Negara	Sell	2	Rp	1480	1425	-4%	9.9x	9.6x	8.3x	1.2x	1.3x	16%	15%	2.0%

Source: DataCentral, Citi Research

Figure 24. Global Valuation Table – Asia (Cont.), 3 Jan 2013

Bank	Rec	M Cap (\$bn)	Share Price			Adj P/E			P/B '12E	P/B '13E	ROE '12E	ROE '13E	Div Yield 2012E	
			Now	Target	+/-%	2012E	2013E	2014E						
Korea		63			+28%	6.6x	5.9x	4.5x	0.6x	0.6x	10%	10%	2.3%	
Hana Financial Group	Buy	8	W	36300	53000	+46%	4.4x	5.5x	5.2x	0.6x	0.5x	14%	10%	1.6%
Industrial Bank of Korea	Neutral / H	6	W	11950	15500	+30%	5.4x	4.6x		0.6x	0.5x	11%	12%	3.7%
KB Financial Group	Buy	14	W	38800	50000	+29%	7.7x	5.9x	6.6x	0.6x	0.6x	8%	10%	1.9%
Korea Exchange Bank	Neutral	5	W	7720	7800	+1%	7.2x	6.0x	6.8x	0.6x	0.5x	8%	9%	2.2%
Shinhan Financial Group	Buy	18	W	40050	51000	+27%	7.7x	7.1x	6.4x	0.7x	0.7x	11%	10%	2.0%
Woori Finance Holdings	Buy / H	9	W	11900	14500	+22%	5.4x	4.9x		0.5x	0.5x	10%	10%	2.9%
BS Financial Group	Buy	2	W	13450	17000	+26%	6.9x	6.1x		0.8x	0.7x	13%	13%	2.9%
Malaysia		68			+3%	13.6x	12.4x	11.5x	2.2x	2.1x	18%	17%	4.8%	
AMMB	Sell	7	RM	6.7	5.9	-11%	13.2x	12.1x	11.2x	1.8x	1.7x	14%	14%	3.0%
Maybank	Buy	25	RM	9.0	10.2	+13%	13.5x	12.3x	11.5x	1.8x	1.8x	15%	15%	7.8%
Public Bank	Neutral	19	RM	16.2	15.6	-4%	14.7x	13.2x	12.1x	3.3x	2.9x	24%	24%	3.2%
Alliance Financial Group	Sell	2	RM	4.3	3.8	-12%	13.7x	12.7x	11.6x	1.8x	1.7x	13%	13%	3.2%
Hong Leong Bank	Buy	9	RM	14.7	15.4	+5%	14.8x	13.2x	12.1x	2.2x	2.0x	17%	15%	2.6%
RHB Capital	Neutral	6	RM	7.7	7.8	+1%	9.7x	9.7x	8.8x	1.2x	1.1x	13%	12%	3.7%
Philippines		20			-11%	20.1x	18.5x	15.9x	2.5x	2.3x	13%	13%	1.3%	
Banco de Oro	Buy	6	P	73	74	+1%	19.0x	16.5x	13.8x	1.9x	1.8x	11%	11%	0.0%
Bank of Philippine Islands	Sell	8	P	95	71	-25%	22.7x	21.9x	19.6x	3.5x	3.2x	16%	15%	2.4%
Metrobank	Neutral	5	P	102	100	-2%	17.5x	15.6x	12.7x	1.8x	1.6x	11%	11%	1.2%
Philippine National Bank	Neutral	1	P	92	73	-21%	13.7x	12.8x	10.8x	1.4x	1.3x	11%	11%	0.0%
Singapore		54			+0%	12.2x	12.6x	11.9x	1.5x	1.4x	12%	11%	3.3%	
OCBC	Neutral	28	\$	9.8	9.8	-1%	12.5x	13.2x	12.5x	1.6x	1.5x	12%	11%	3.3%
UOB	Buy	26	\$	19.9	20.3	+2%	11.7x	12.0x	11.3x	1.4x	1.3x	12%	11%	3.4%
Taiwan		48			+5%	14.1x	13.5x	12.8x	1.2x	1.1x	9%	9%	2.5%	
Chang Hwa Commercial Bank	Sell	4	\$	16.1	13.8	-15%	17.0x	18.1x	20.1x	1.1x	1.1x	7%	6%	0.9%
Chinatrust FHC	Buy	7	\$	17.3	20.0	+16%	11.3x	11.2x	10.4x	1.3x	1.3x	12%	12%	2.2%
First Financial	Buy	5	\$	18.0	22.5	+25%	14.5x	14.4x	13.6x	1.2x	1.1x	8%	8%	1.7%
Fubon FHC	Sell	12	\$	35.1	30.0	-15%	13.3x	12.9x	11.1x	1.3x	1.2x	10%	10%	2.3%
Mega FHC	Buy	9	\$	22.9	25.0	+9%	13.1x	12.3x	12.2x	1.2x	1.2x	10%	10%	5.3%
Sinopac FHC	Sell	3	\$	12.5	10.3	-18%	13.4x	14.6x	14.3x	1.0x	0.9x	8%	7%	1.5%
Taishin FHC	Buy	3	\$	11.6	14.8	+27%	10.7x	10.1x	9.6x	1.0x	0.9x	10%	9%	1.9%
Yuanta FHC	Buy	5	\$	15.0	19.0	+27%	21.2x	16.5x	15.3x	1.0x	0.9x	4%	6%	1.9%
Thailand		69			+6%	13.6x	11.6x	10.0x	2.2x	2.0x	17%	18%	2.6%	
Bangkok Bank	Neutral	13	Bt	208	220	+6%	12.1x	10.6x	9.6x	1.5x	1.4x	13%	14%	3.3%
Bank of Ayudhya	Buy	7	Bt	33.0	38.0	+15%	13.7x	11.1x	9.7x	1.8x	1.6x	14%	15%	2.9%
Kasikornbank	Buy	15	Bt	197	215	+9%	13.7x	11.5x	10.0x	2.6x	2.2x	20%	21%	1.8%
Krung Thai Bank	Buy	9	Bt	19.8	23.0	+16%	10.1x	9.2x	7.9x	1.5x	1.4x	16%	16%	3.7%
Siam Commercial Bank	Buy	21	Bt	185	190	+3%	15.9x	13.3x	11.2x	3.0x	2.6x	20%	21%	2.2%
TISCO Financial Group	Sell	1	Bt	51.8	40.5	-22%	10.5x	10.2x	8.3x	2.1x	1.9x	21%	20%	4.7%
TMB Bank	Sell	3	Bt	1.9	1.5	-21%	16.9x	14.7x	12.6x	1.5x	1.4x	9%	10%	2.0%
ASIA		1564			-1%	10.1x	9.3x	8.4x	1.7x	1.5x	19%	18%	4.0%	

Source: DataCentral, Citi Research

Figure 25. Global Valuation Table – Australia and Latin America, 3 Jan 2013

Bank	Rec	M Cap (\$bn)	Share Price			Adj P/E			P/B '12E	P/B '13E	ROE '12E	ROE '13E	Div Yield 2012E	
			Now	Target	+/-%	2012E	2013E	2014E						
AUSTRALIA														
ANZ	Buy	72	\$	25	27	+6%	12.2x	11.7x	11.3x	1.8x	1.7x	15%	14%	5.8%
Bendigo and Adelaide	Neutral	4	\$	8.6	8.4	-2%	10.7x	11.2x	11.1x	0.8x	0.8x	5%	8%	7.0%
Bank Of Queensland Ltd	Neutral	2	\$	7.4	7.2	-4%	nm	10.0x	9.4x	0.8x	0.8x	-1%	8%	7.0%
CBA	Buy	106	\$	63	64	+1%	14.5x	14.4x	13.9x	2.4x	2.3x	19%	17%	5.3%
National Australia Bank	Neutral	62	\$	25	25	-0%	13.4x	11.4x	10.9x	1.6x	1.4x	10%	12%	7.2%
Westpac Banking Corp	Buy	85	\$	26	29	+9%	12.3x	12.6x	12.2x	1.9x	1.9x	14%	14%	6.4%
AUSTRALIA / NZ		331				+4%	13.8x	12.7x	12.3x	2.0x	1.9x	15%	15%	6.1%
LATIN AMERICA														
Argentina		4				-45%	5.3x	4.5x	3.9x	1.2x	1.0x	27%	25%	0.1%
BBVA Francés	Sell / H	1	Ar\$	11.9	6.0	-50%	5.4x	4.6x	3.9x	1.3x	1.0x	27%	24%	0.0%
Galicia	Sell / H	1	Ar\$	4.7	2.5	-47%	5.1x	4.4x	3.7x	1.2x	0.9x	30%	26%	0.3%
Macro	Sell / H	2	Ar\$	12.8	7.8	-39%	5.4x	4.6x	3.9x	1.2x	1.0x	26%	23%	0.0%
Brazil		222				+16%	9.6x	9.1x	8.1x	1.7x	1.5x	18%	17%	3.7%
Banco do Brasil	Buy	36	R\$	25.8	25.0	-3%	6.7x	6.7x	6.6x	1.1x	1.0x	19%	16%	6.3%
Bradesco	Buy	67	R\$	36.0	42.5	+18%	11.9x	10.3x	9.0x	2.0x	1.8x	19%	18%	2.8%
Itaú Unibanco	Buy	77	R\$	34.5	43.8	+27%	9.4x	9.5x	8.3x	1.9x	1.7x	19%	19%	2.8%
BTG Pactual	Buy	14	R\$	32.0	43.0	+34%	8.7x	8.8x	7.7x	2.1x	1.8x	27%	22%	2.7%
Santander Brasil	Neutral	27	R\$	14.7	13.9	-6%	8.9x	8.1x	7.4x	0.9x	0.9x	4%	5%	5.3%
Chile		25				-8%	15.0x	12.8x	11.0x	2.6x	2.3x	18%	19%	4.0%
Santander Chile	Sell	14	ChP	34.1	30.0	-12%	15.9x	13.6x	11.6x	2.9x	2.6x	19%	20%	4.1%
BCI	Neutral	7	ChP	33600	33000	-2%	14.3x	12.2x	10.7x	2.5x	2.2x	19%	19%	2.4%
Corpbanca	Neutral	4	ChP	6.4	6.3	-3%	13.1x	11.0x	9.6x	1.9x	1.6x	15%	16%	6.5%
Mexico		16				+3%	16.9x	14.2x	12.0x	2.8x	2.3x	18%	18%	1.7%
Banorte	Buy	16	P\$	86	92	+6%	18.2x	14.5x	12.2x	2.5x	2.1x	14%	16%	0.6%
Santander México	Buy	22	P\$	41.7	43.0	+3%	16.1x	14.0x	12.2x	2.9x	2.4x	20%	19%	2.6%
Banregio	Buy	2	P\$	60.5	63.5	+5%	16.4x	13.1x	10.5x	2.7x	2.3x	18%	19%	0.9%
Compartamos	Buy	2	P\$	19.2	16.0	-16%	16.1x	14.4x	11.0x	3.7x	3.0x	25%	23%	1.6%
Peru		15				+21%	14.6x	12.4x	10.3x	2.9x	2.5x	22%	21%	2.4%
Credicorp	Buy	12	\$	149	178	+19%	15.1x	12.8x	10.7x	2.8x	2.4x	21%	20%	1.8%
Intercorp	Buy	3	NS	93	116	+25%	13.0x	10.8x	9.0x	3.0x	2.6x	28%	25%	4.5%
LATIN AMERICA		282				+12%	10.7x	9.8x	8.6x	1.9x	1.7x	18%	17%	3.5%

Source: DataCentral, Citi Research

Figure 26. Global Valuation Table – Middle East & Africa, 3 Jan 2013

Bank	Rec	M Cap (\$bn)	Share Price			Adj P/E			P/B '12E	P/B '13E	ROE '12E	ROE '13E	Div Yield 2012E	
			Now	Target	+/-%	2012E	2013E	2014E						
MIDDLE EAST & AFRICA														
Egypt		6			-13%	10.1x	8.8x	7.2x	2.0x	1.8x	21%	22%	1.4%	
Commercial International Bank	Buy	3	£	35.8	36.0	+1%	9.8x	7.7x	6.4x	2.2x	1.8x	24%	26%	0.0%
National Societe Generale Bk	Sell	2	£	35.5	24.0	-32%	10.4x	10.3x	8.2x	1.9x	1.7x	18%	17%	3.2%
Kenya		2			-35%	7.8x	9.7x	8.5x	1.9x	1.7x	27%	19%	5.4%	
Equity Bank	Sell	1	KES	23.8	15.0	-37%	8.3x	9.8x	8.5x	2.2x	1.9x	28%	20%	4.6%
Kenya Commercial Bank	Sell	1	KES	30.3	20.0	-34%	7.3x	9.5x	8.4x	1.7x	1.6x	26%	18%	6.2%
Morocco		7			+21%	12.8x	11.1x	9.7x	2.1x	1.8x	17%	17%	2.7%	
Attijariwafa Bank	Neutral	7	Dh	310	376	+21%	12.8x	11.1x	9.7x	2.1x	1.8x	17%	17%	2.7%
Nigeria		13			+21%	7.1x	6.1x	5.2x	1.7x	1.5x	25%	24%	7.4%	
First Bank of Nigeria Plc	Buy	4	N	17.1	24.0	+40%	5.9x	4.9x	4.1x	1.2x	1.1x	22%	24%	7.6%
Guaranty Trust Bank	Buy	5	N	24.6	25.0	+2%	8.4x	7.6x	6.5x	2.6x	2.2x	34%	32%	5.4%
Skye Bank	Buy	0	N	4.7	10.0	+111%	3.8x	3.0x	2.5x	0.5x	0.5x	15%	17%	10.7%
United Bank for Africa	Buy	1	N	4.6	7.0	+54%	3.4x	3.3x	3.3x	0.7x	0.6x	23%	20%	14.4%
Zenith Bank Plc	Buy	4	N	19.4	21.0	+8%	7.9x	6.6x	5.4x	1.3x	1.2x	18%	19%	7.6%
Oman		3			+37%	7.9x	7.6x	6.6x	1.2x	1.1x	16%	15%	3.7%	
Bank Muscat	Buy	3	ر.ع	.6	.8	+37%	7.9x	7.6x	6.6x	1.2x	1.1x	16%	15%	3.7%
Qatar		5			+37%	8.9x	8.0x	7.5x	1.3x	1.3x	15%	16%	8.4%	
Commercial Bank of Qatar	Buy	5	QR	72	98	+37%	8.9x	8.0x	7.5x	1.3x	1.3x	15%	16%	8.4%
Saudi Arabia		59			+16%	11.7x	10.4x	9.0x	1.9x	1.8x	18%	18%	4.5%	
AlRajhi Bank	Neutral	27	SRI	66.8	80	+20%	11.5x	10.5x	9.4x	2.8x	2.6x	25%	26%	5.5%
Alinma Bank	Sell	5	SRI	13.1	10.0	-23%	25.8x	18.3x	13.5x	1.2x	1.1x	5%	6%	0.0%
Banque Saudi Fransi	Neutral	7	SRI	29.8	35.0	+17%	8.9x	8.1x	7.4x	1.2x	1.1x	15%	15%	3.1%
Riyad Bank	Neutral	9	SRI	23.0	23.0	+0%	9.7x	9.8x	9.0x	1.1x	1.0x	11%	11%	5.9%
Samba Financial Group	Buy	11	SRI	45.0	62.0	+38%	9.1x	8.2x	7.1x	1.3x	1.2x	15%	15%	4.0%
South Africa		75			+2%	12.9x	10.7x	9.1x	1.9x	1.8x	15%	17%	3.8%	
ABSA Group Limited	Buy	14	R	165	163	-2%	12.8x	9.7x	8.3x	1.8x	1.6x	14%	18%	4.3%
FirstRand Limited	Buy	21	R	31.3	33.0	+6%	13.7x	11.7x	10.0x	2.7x	2.4x	21%	22%	3.3%
Nedbank Ltd	Neutral	11	R	190	198	+4%	11.8x	9.8x	8.4x	1.6x	1.5x	15%	16%	4.0%
Standard Bank Group	Neutral	23	R	119	115	-4%	12.4x	10.7x	9.1x	1.7x	1.6x	14%	15%	3.8%
Investec PLC	Buy	6	p	429	480	+12%	14.5x	11.4x	9.4x	1.1x	1.1x	6%	10%	4.0%
UAE		25			-6%	9.1x	8.3x	7.3x	1.5x	1.3x	17%	17%	3.7%	
Abu Dhabi Commercial Bk	Sell	5	Dh	3.1	2.3	-25%	7.0x	7.2x	6.4x	0.9x	0.8x	13%	12%	5.8%
First Gulf Bank PJSC	Buy	10	Dh	12.0	12.7	+7%	9.4x	7.9x	7.0x	1.7x	1.5x	19%	20%	3.3%
National Bank of Abu Dhabi	Neutral	11	Dh	10.3	9.3	-10%	9.9x	9.0x	8.0x	1.6x	1.4x	16%	17%	3.2%
MIDDLE EAST & AFRICA		196			+8%	11.3x	9.8x	8.5x	1.8x	1.7x	17%	18%	4.3%	

Source: DataCentral, Citi Research

Figure 27. Citi Global Banks Team (For informational purposes only)

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Notes

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Appendix A-1

Analyst Certification

The research analyst(s) primarily responsible for the preparation and content of this research report are named in bold text in the author block at the front of the product except for those sections where an analyst's name appears in bold alongside content which is attributable to that analyst. Each of these analyst(s) certify, with respect to the section(s) of the report for which they are responsible, that the views expressed therein accurately reflect their personal views about each issuer and security referenced and were prepared in an independent manner, including with respect to Citigroup Global Markets Inc and its affiliates. No part of the research analyst's 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 report.

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Vizcaya Argentaria SA (BBVA.MC, €7.29), Banco Santander (SAN.MC, €6.33), HSBC Holdings PLC (HSBA.L, US\$6.66), Standard Chartered PLC (STAN.L, US\$16.1), ING Groep NV (ING.AS, €7.28), UBS (UBSN.VX, SFr14.27), Barclays PLC (BARC.L, £2.76), Credit Agricole SA (CAGR.PA, €6.35), Credit Suisse (CSGN.VX, SFr22.26), Natixis (CNAT.PA, €2.64), Julius Baer Gruppe AG (BAER.VX, SFr32.33), Commerzbank (CBKG.DE, €1.49), Erste Bank (ERST.VI, €25.04), Societe Generale (SOGN.PA, €29.85), Royal Bank of Scotland Group PLC (RBS.L, £3.34), EFG International (EFGN.S, SFr8.9), Deutsche Bank (DBKGn.DE, €34.16), BNP Paribas SA (BNPP.PA, €44.46), KBC (KBC.BR, €26.72), Vontobel (VONN.S, SFr28.2), Unione Banche Italiane (UBI.MI, €3.69), Swedbank AB (SWEDA.ST, SKr129.8), Banco de Sabadell SA (SABE.MC, €2.02), Intesa Sanpaolo (ISP.MI, €1.38), Banca Popolare di Milano (PMII.MI, €0.47), DNB ASA (DNB.OL, Nkr72.0), Banco Popular Espanol (POP.MC, €0.62), Banca Monte dei Paschi di Siena SpA (BMPS.MI, €0.23), Svenska Handelsbanken AB (SHBa.ST, SKr237.3), Skandinaviska Enskilda Banken AB (SEBa.ST, SKr56.75), Banesto (BTO.MC, €3.65), Banco Popolare (BAPO.MI, €1.31), Nordea (NDA1V.HE, €7.45), Bankinter SA (BKT.MC, €3.41), Danske Bank A/S (DANSKE.CO, Dkr97.7), UniCredit Group (CRDI.MI, €3.85), Raiffeisen Bank Intl (RBIV.VI, €32.76), Standard Chartered Plc (2888.HK, US\$203.0), HSBC Holdings Plc (0005.HK, US\$83.3), Eurobank (EFGn.AT, €0.68), JSE Limited (JSEJ.J, R78.25), CaixaBank SA (CABK.MC, €2.72), Brait SE (BATJ.J, R37.02), Lloyds Banking Group PLC (LLOY.L, £0.5), Bank of Ireland (BKIR.I, €0.12), Hyprop Investments Limited (HYPJ.J, R72.51), Resilient Property Income Fund Limited (RESJ.J, R50.51), Rebois Property Fund Limited (REBJ.J, R11.2), Peregrine Holdings Limited (PGRJ.J, R11.1), Bank of Cyprus (BOCR.AT, €0.28), African Bank Investments Limited (ABLJ.J, R32.14), Scotiabank (BNS.TO, C\$57.5), Royal Bank of Canada (RY.TO, C\$60.5) and Toronto Dominion (TD.TO, C\$83.19). All prices as of 3 Jan 2013.

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Craig Williams, Analyst, holds a long position in the securities of Australia and New Zealand Banking Group Ltd.

Henrik Christiansson, Analyst, holds a long position in the securities of Deutsche Bank.

A member of the household of Keith Horowitz, CFA, Analyst, holds a long position in the securities of Bank of New York Mellon Corp, JP Morgan Chase & Co.

A member of the household of Andrzej Powierza, Analyst, holds a long position in the securities of PKO BP.

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Data current as of 31 Dec 2012	12 Month Rating			Relative Rating		
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