

# Credit Ratings And The Rise Of The Rest

## Global Banks – Summer 2012

- Best Ideas
- Industry Overview

- **The Rise of the Rest** — Western banks are losing global market share, especially Euro banks (see [Euro Eclipse and Rise of the Rest](#), 1 June 2012). Material changes in credit ratings reflect and reinforce this trend. Ratings are an important factor in funding costs and wholesale banking client wins (see [Why Credit Ratings Matter](#), 30 April).
- **The Ratings Reversal** — Western banks were the gold standard, including for credit ratings. But since the Global Financial Crisis (GFC) European and US banks have had two to three notch rating downgrades. By contrast, the average rating for most Asian and EM banks has been increased by one notch or more. For Western banks, single A is the new AA; in developed Asia, it is the reverse.
- **Rising Stars** — Banks with high credit ratings and gearing to corporate and investment banking (c50-60% of group revenues) are potential winners: Singaporean, such as OCBC, and UK International feature prominently. Cash management and custody are key ratings sensitive products. Runners up: Japanese banks (average credit ratings but upgrades and high CIB gearing).
- **Global Top Picks** — Our favourite global banks Buys have ratings strength, are CIB market share winners and look attractively valued: JPM, MUFG and Stan Chart (which we add to the Citi Focus List Europe, replacing HSBC following 1H12 outperformance vs peers). Our favourite EM banks: Sberbank and Credicorp (Peru). Our global bank sector earnings revisions have been largely negative, but Japan and Asean are notable exceptions year-to-date.

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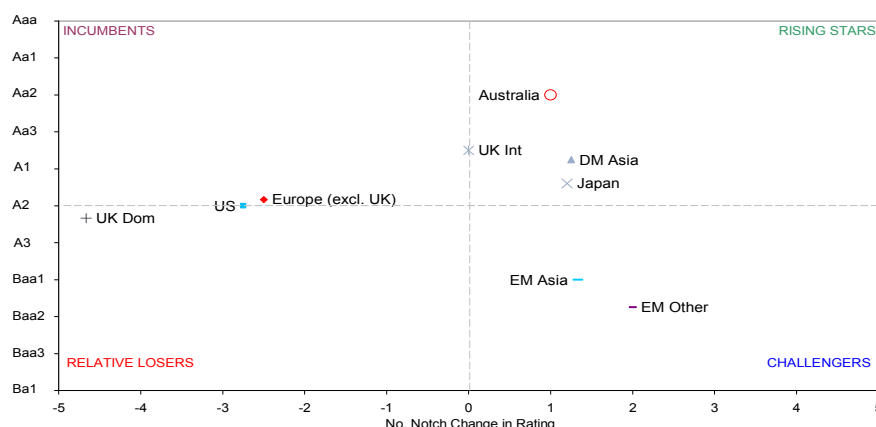
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**Figure 1. Banks Credit Ratings– Average for Leading Banks by Region, Current Rating and Change in Rating Since 1 Jan 2007**



Note: All based on Moody's ratings except Stan, MUFG, SMFG, Mizuho, Itau, Bradesco and Banco do Brasil, which are based on S&P ratings. Where Moody's LT debt ratings unavailable in 2007, LT Foreign Bank Deposits rating applied. Note that for banks where both LT debt and foreign bank deposit ratings are available they are very similar. Source: Moody's, S&P

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

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## Global Banks: Investment Summary

Figure 2. Global Banks - Regional Summaries

Region	Analyst Views
Global	Political and sovereign risks remain high. We remain cautious on Euro banks which despite trading at low multiples are in a multi-year deleveraging process. US and Japanese banks are stepping into the breach left by the recently shrinking Euro banks. US and Japanese banks increased their cross-border banking assets c10% in 2011. Traditional advantages of Western banks, such as balance sheet and credit ratings, are being ceded to the rest. In international wholesale banking, the most geared to strong and rising ratings and wholesale banking exposure are the Singaporean and UK Asian banks. <b>Our favourite global banks that we believe can take advantage of Euro-deleveraging and are attractively valued: JPM, MUFG and StanChart (replacing HSBC following reduced upside to target price after 1H12 outperformance). Our favourite EM banks: Sberbank and Credicorp (Peru). Our global bank sector earnings revisions have been largely negative – notable exceptions include Japanese and ASEAN banks.</b>
Asia (ex-Japan)	Though Asian banks' direct exposures to Europe are generally small, we feel the impact of the European crisis on Asian banks will likely play out through second order effects, i.e. slowdown in local economies and availability of USD liquidity. The biggest impact could be on valuations: low valuation multiples in developed markets may cap the upside for Asian banks. On the other hand deleveraging by European banks may provide opportunities for Asian banks to exploit. Among the individual markets, we are overweight Thailand, Indonesia and Korea, underweight China, HK and Philippines. <b>Overall, our Asia ex-Japan estimates are slightly down YTD driven by downgrades in China – due to concerns over peaking earnings and policy headwinds – and upgrades in Korea. Our Asian team's top picks: KBANK, BMRI, Hana, Shinhan, OCBC.</b>
Australia / New Zealand	<b>We have recently been lifting weightings in the Australian bank sector.</b> Our rigorous stress-testing of bank capital gives us increased confidence of the capacity to continue to meet current dividend levels. With 6.5-8% dividend yields, we believe that Australian banks are becoming an increasingly attractive option for equity investment portfolios in a low global economic and profit growth environment. <b>Our Australian team's top pick is ANZ (the bank most likely to benefit from Euro deleveraging).</b>
CEEMEA	Amongst GEM financials CEEMEA banks are particularly vulnerable to a potential disorderly Greek exit and increased contagion from the European sovereign debt crisis. This leads us to be underweight banks in Central Europe. We are also underweight Turkey as it is exposed to 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 2012E P/E of 5.9x, P/BV 1.2x, avg ROE of 22%), relatively low exposure to Europe, and good long-term growth potential. <b>Our top pick: Sberbank which we think is trading inexpensively on a price-to-book basis relative to its sustainable ROE (20%).</b>
Europe (ex-UK)	European banking stocks continue to be impacted by peripheral sovereign concerns and we expect this to remain a key factor in the near future. Policy action is underway be it recapitalising the Spanish banks or working on improving Euro Area institutions, such as the proposed European Banking Union. In the longer term we see value in the sector, although given the current regulatory and sovereign uncertainties, we remain cautious for now. <b>We have reduced our Euro ex-UK bank 2013 profit estimates by c12% ytd and c30% over the past year and the economic and political outlook still remains highly uncertain.</b> Our key long-term pick in the Euro Area: <b>SocGen</b> . SG is on our European banks Most Preferred list, with Banco Popular on our Least Preferred list reflecting our caution on Spanish banking.
Japan	<b>We have increased our 2013 Japanese bank profit estimates ytd by c5% due primarily to lower loan loss provisions due to the Japanese corporate recovery post the 2011 earthquake.</b> 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: <b>MUFG, SMFG.</b>
Latin America	Latin America seems a very compelling, multi-year volume growth story now at more reasonable valuations (such as in Peru and Mexico), or we see valuations that are too low to ignore because stock prices have corrected much more than is justified by the deterioration in fundamentals (such as in Brazil). The exception is Argentina, where valuations are still not low enough to fully cover for increased political and macro risks in our view. However, despite our positive long-term stance on the region, recent earnings revisions have been negative: ytd we have reduced our 2013 Lat Am profits by just over 10%. <b>Our top LatAm bank pick offers structural upside, a 20% ROE, double digit estimated earnings growth: Credicorp.</b>
UK	We believe the UK remains a relative safe haven versus the Euro Area. Our economists forecast a return to positive GDP growth in 2013 (+0.6%), versus the Euro Area still in recession (-0.8%). The UK sovereign remains AAA-rated. Ongoing system-wide deleveraging combined with net interest margin pressure and weak capital markets has led to notable revenue downgrades, but we believe these are largely complete. 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. <b>Barclays is on our European banks Most Preferred list, with RBS a Least Preferred in order to hedge political and litigation risk.</b>
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. Tier 1 common ratios could be pressured as Basel 3 rules look slightly tougher than expected. Returns for capital markets players remain depressed given low risk tolerances and European debt crisis uncertainties. We have cut our US bank 2013 profit estimates ytd primarily due to reduced capital market forecasts and slightly higher provisions, with our <b>money center bank estimates down c10% and our regional bank estimates unchanged. Top pick: JPM.</b>

Source: Citi Research

## Global Top Five – Investment Cases

**Credicorp** – Peru's leading financial group, with its dominant 30%-plus loan market share, is in our view an ideal vehicle to participate in the enticing dynamics of the Peruvian banking sector, characterised by high (and sustainable) loan growth and ROEs, anchored on Peru's high real GDP growth and low inflation, one of the lowest loan-to-GDP penetrations in Latin America, and one of the highest levels of banking system concentration in the emerging markets.

**JP Morgan** – We believe the best place for new money in the US banks is JPM (our target price implies 24% total return over next 12 months). With JPM, we believe investors are getting a very strong balance sheet with surplus capital and strong momentum in its underlying businesses, plus EPS estimates seem reasonable.

**MUFG** – With the highest quality of capital and liquidity among Japanese banks, 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 c5.8x this year's earnings and 1.3x book given that we expect the bank to generate a 24% ROE. We see upside risk to our ROE forecast from lower credit losses. We see an opportunity for the bank to grow strongly in retail lending given low penetration and the bank's strong retail franchise. Sberbank remains well capitalised with a tier 1 ratio of 11.6% as of end-2011 and while further international expansion may put pressure on capital ratios, we see little dilution risk.

**Standard Chartered (replacing HSBC)** – HSBC and Standard Chartered are both geared to a similar theme of banking growth in Asia/EM and market share gains, especially in corporate and investment banking from balance sheet strength (including strong credit ratings) and breadth of EM network reach. The ongoing de-leveraging of European banks, and related reduction in global banking exposure, should support the gain in market share by non-Western banks (our "Rise of the Rest" thesis). Standard Chartered is a pure play on this theme. We remove HSBC as a top pick as the shares have performed well: +16% YTD versus a flat European sector and replace it with Standard Chartered, one of its nearest peers, which is up only 3% YTD (reflecting fears over China and India slowing).

Figure 3. Global Top 5 – Valuation Metrics

As at 11 July 2012	Rating	Price	Target	ETR	Ccy	Mcap	EPS Growth %		PE (x)		PB (x)		ROE (%)	
Banks		L Ccy	Price	%		(US\$Bn)	12E	13E	12E	13E	12E	13E	12E	13E
Credicorp	Buy	123.60	166.00	36.5	USD	9.9	14.1	20.0	12.4	10.3	2.4	2.1	21.4	21.5
JP Morgan	Buy	34.59	43.00	27.8	USD	131.7	-7.4	21.7	8.3	6.8	0.7	0.7	8.8	10.0
MUFG	Buy	386.00	600.00	58.6	JPY	67.4	68.2	-28.2	5.5	7.6	0.6	0.5	5.4	5.3
Sberbank	Buy	90.01	113.00	28.7	RUB	59.4	6.1	-4.5	5.8	6.1	1.3	1.1	23.8	19.0
Standard Chartered	Buy	14.57	18.25	29.0	USD	54.0	8.7	11.8	10.5	9.4	1.2	1.1	12.2	12.5

Source: dataCentral, Citi Research

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# Ratings and the Rise of the Rest

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## Credit Ratings – Rise of the Rest

**Traditional advantages of Western banks, such as balance sheet and credit ratings, are being ceded to the "The Rest"**

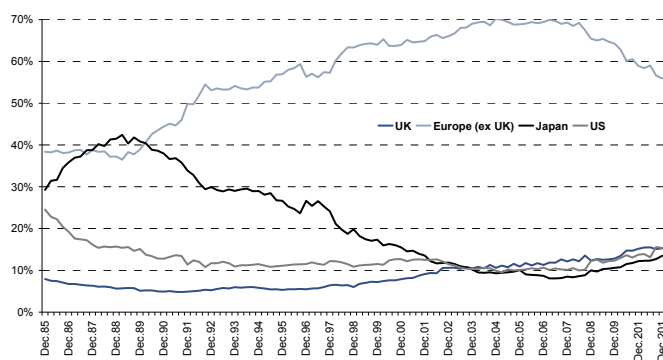
The global financial crisis of 2008-09 has helped accelerate the global banking landscape shake-up that was already under way. Banks in Asia and emerging markets have found traditional disadvantages and diseconomies, such as balance sheet or talent weaknesses, reversed by the GFC and related events. The "Rise of the Rest", the growth of banks from outside the US or Western Europe, is evident in recent market share trends (see [Euro Eclipse and Rise of the Rest](#), 1 June 2012). Changes in credit ratings reflect and reinforce this trend (see [Why Credit Ratings Matter](#), 30 April 2012).

European banks boomed for much of the 2000s boosted by the creation of the euro, the rise in leverage and globalisation. This continued the growth experienced by Euro banks since the late 1980s, especially in global banking. In the second half of the 1980s, it was the Japanese banks that were growing fastest – and taking market share primarily from the US banks. The share of global cross-border assets of EU ex-UK banks was relatively stable at c40% for the second half of the 1980s. In the next decade, as the Japanese banks began their long withdrawal from global banking, the Euro banks stepped into the gaps the Japanese left behind.

**Europe ex-UK share of international bank assets declined from c70% in mid-2000s towards the mid-50s now**

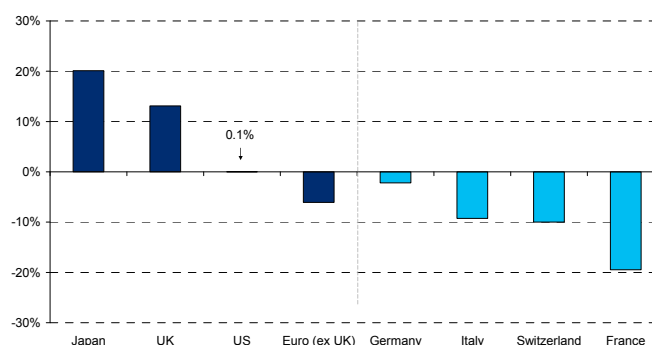
Most banking systems slowed as the first leg of the global financial crisis unfolded in 2008. Damage to book value, an economic recession and the need to recapitalise led to European, UK and US international bank assets declining in 2008. Most developed banking systems expanded again internationally from 2009 onwards. Europe ex-UK is the exception to the post 2009 international bounce-back theme. Naturally more exposed to the second leg of the global financial crisis – the euro sovereign and banking crisis – European ex-UK banks have reduced their overseas exposure in the past year, three and five years.

Figure 4. Market Share of Global Cross Border Assets, 1985 – 2011 (%)



Source: BIS, Citi Research. Note: BIS data on unconsolidated basis.

Figure 5. Global Cross Border Assets in Asia, 1Y Chg (%)



Source: BIS. Note BIS data on unconsolidated basis.

**French banks posted the biggest drop in Asian international bank assets: -20% over the past year**

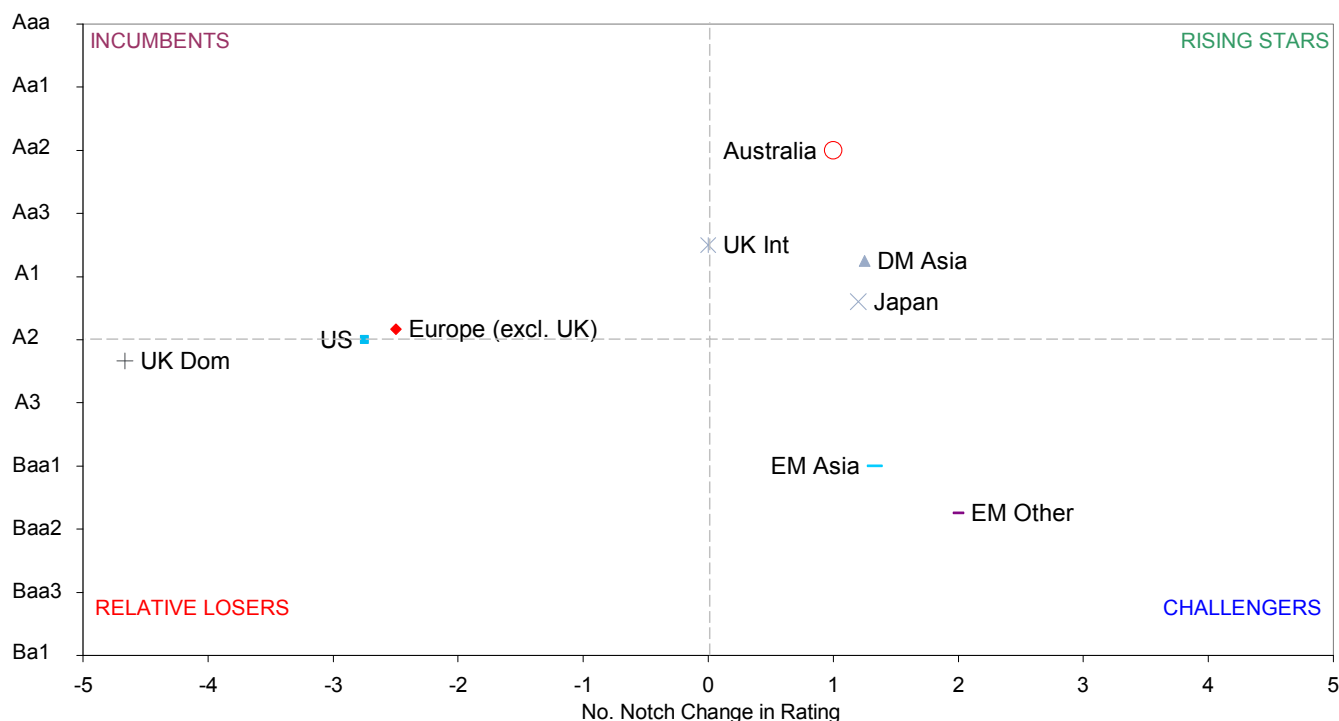
In 2011, France posted the biggest decline in international assets among the major European countries (-11%). In nominal terms, the French decline in 2011 was largest in Europe itself. In percentage terms, the biggest reduction was in Asia and LatAm. French exposure in Asia, the largest EM banking market, dropped almost 20% yoy in 2011, larger than for other Euro banks. By neat symmetry, Japanese banks increased their international banking assets in Asia by 20% in 2011. UK listed banks (primarily HSBC, Standard Chartered) also grew double-digits in Asia.

## How Credit Ratings Have Changed

**Look East for the best bank ratings:**  
since 2007, ratings upgrades for the Rest  
and downgrades for the West

Over the past five years, there has been a considerable shift in credit ratings for the leading global wholesale banks and regional banks in Asia and other emerging markets. The average rating for most Asian and EM banks has been increased by one notch or more in the past few years. For global banks from Europe ex-UK and US there has been a two to three notch rating downgrade over this period. For domestic UK banks the rating cut has been even greater.

Figure 6. Banks Credit Ratings– Average for Leading Banks by Region, Current Rating and Change in Rating Since 1 Jan 2007



Note: All based on Moody's ratings except Stan, MUFG, SMFG, Mizuho, Itau, Bradesco and Banco do Brasil, which are based on S&P ratings. Where Moody's LT debt ratings unavailable in 2007, LT Foreign Bank Deposits rating applied. Note that for banks where both LT debt and foreign bank deposit ratings are available they are very similar. Source: Moody's, S&P

Europe and the US were used to Aa2 rated banks pre-GFC, the UK Aa1; in the language of S&P this is equivalent to AA and AA+ banks. Following the recent downgrades, Europe and the US have banks that are rated A2 or single A. Reflecting the greater negative impact of the GFC on Europe and the US, their banks have been the relative losers of recent credit ratings action. For Western banks, single A has become the new AA.

**In the developed East, AA is the new single A for bank ratings; in the West, single A is the new AA**

In the developed East, inverting the trend in the West, AA is the new single A. Banks in Australia, Japan and developed Asia have seen ratings upgrades over the past few years. Australian and developed Asia (e.g. Singapore, HK, UK international) on average have banks that are AA-rated. Japan is a shade behind. Emerging Asian and other EM banks have also seen upgrades, albeit from relatively low levels – and their ratings remain well below developed Asia or even the downgraded West.

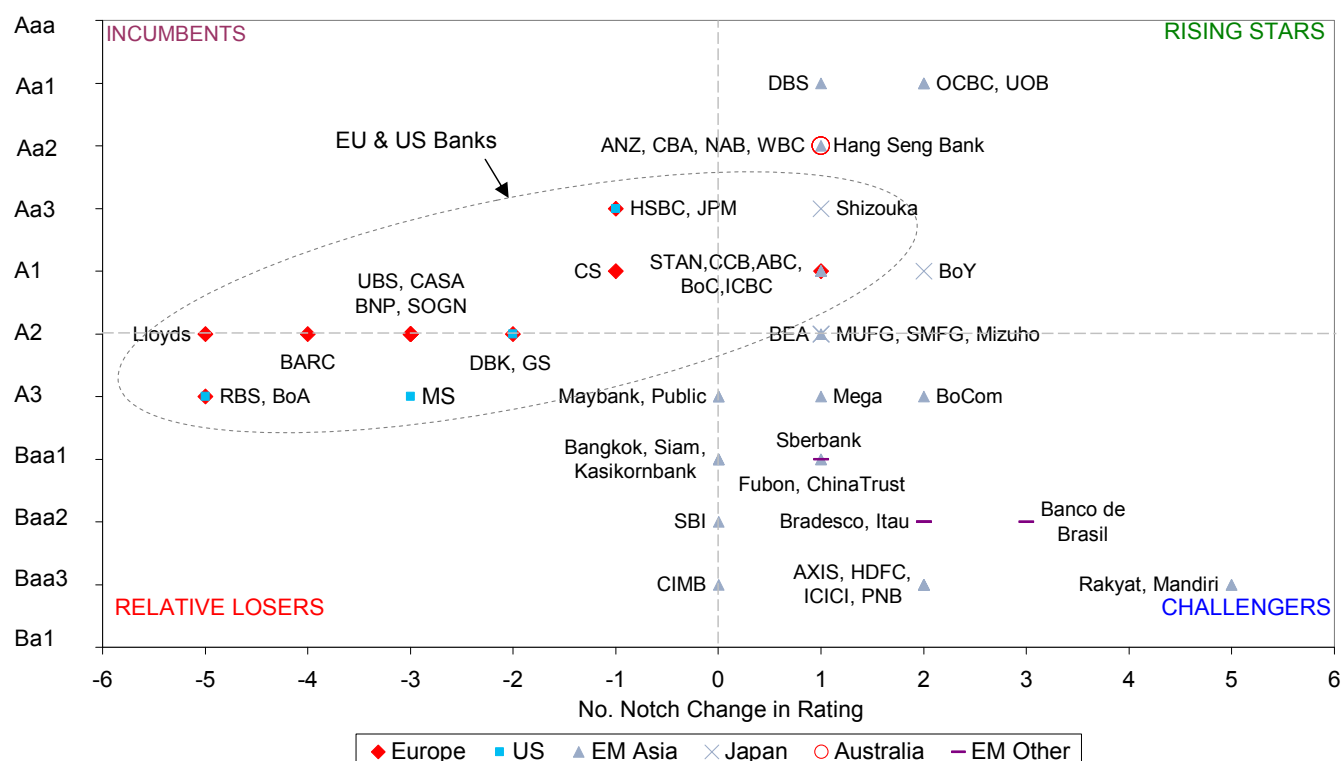
## Rising Stars: Singaporean and Aussie Banks

**Banks with high credit ratings and upgrades: Singapore stands out, followed by Australia**

At a country level, the “rising stars” are the Singaporean banks that have a combination of high absolute credit ratings (Aa1) and also credit rating increases (1 or 2 notches since start 2007). They are followed by the Australian banks that all have Aa2 ratings and have benefitted from a single notch upgrade. The Japanese banks have benefitted from ratings upgrades, but their absolute ratings remain in line with the recently-downgraded Western banks.

The globally-oriented European and American banks are now typically single A-rated with the exception of HSBC and JP Morgan. Most of the leading European banks have experienced two to three notch downgrades since 2007, the domestic UK banks four to five notch downgrades and the leading American banks anywhere between two (GS) to five notches (Bank of America). None of the larger EM or Asian banks in our sample experienced net credit rating downgrades over this period.

Figure 7. Credit Ratings by Bank – Current Rating vs Change in Rating Since 1 Jan 2007



Note: All based on Moody's ratings except Stan, MUFG, SMFG and Mizuho, which are based on S&P ratings. Where Moody's LT debt ratings unavailable in 2007, LT Foreign Bank Deposits rating applied. Source: Moody's, S&P

The domestically-focused EM champions such as the Russian or Brazilian banks still have relatively low ratings, in the triple B range, and the Indian and Indonesian banks are in the triple B/double B range. These national champion banks often are locally considered AAA – a point we will explore later in this section – and thus for local business with local clients their relatively low ratings are not an issue.

**Japanese and UK Asian banks also fit the thesis; Chinese banks have high ratings but not internationally focused**

But these local AAA banks do not fit with our “Rise of the Rest” thesis which is about regional and international banking opportunities: this is an opportunity primarily for developed Asian banks, especially Singaporean, Australian, Japanese and UK-listed Asian institutions. Mainland Chinese banks are also on the cusp of this group based on rating strength and upgrade momentum, but have to date focused on primarily China-related business.

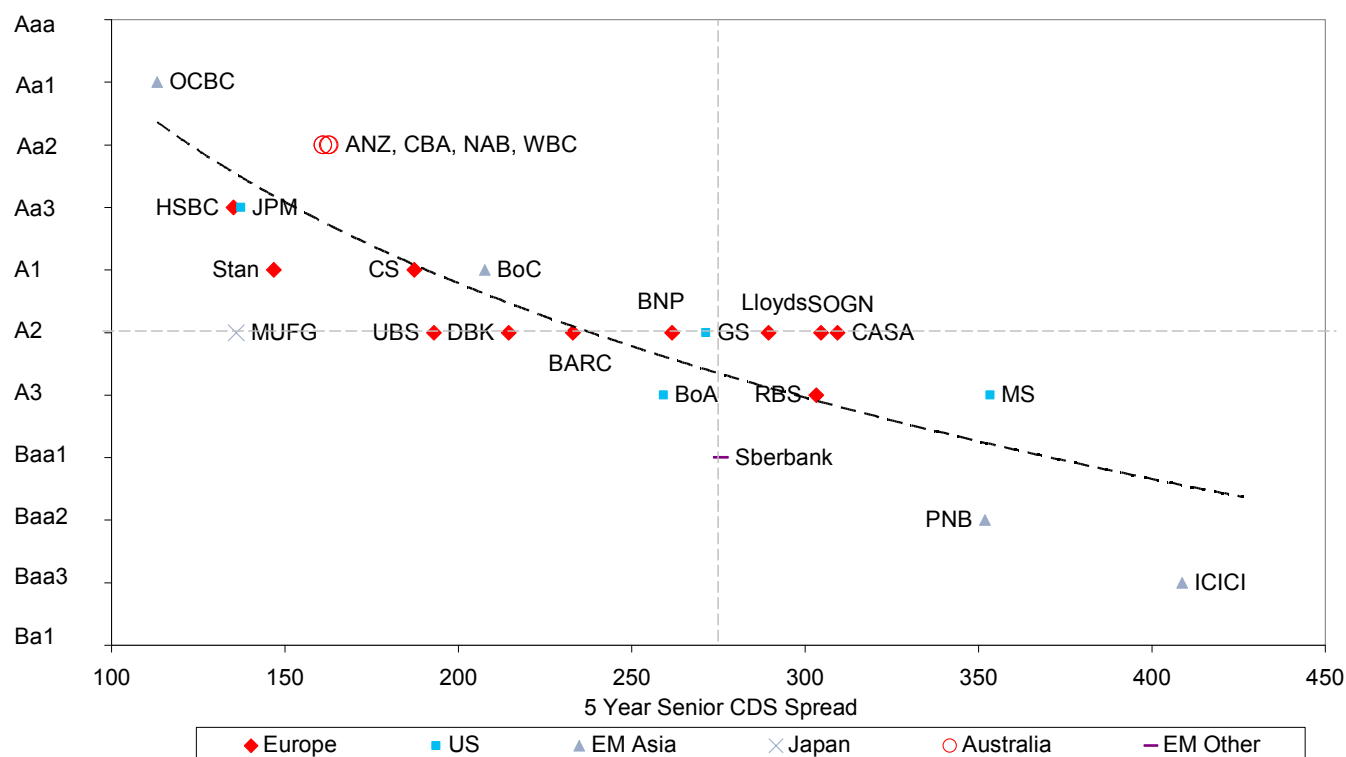


## Why Ratings Matter (1) – Funding Costs and Risk Premium

**Credit ratings are imperfect but they do appear to correlate with CDS spreads, a proxy for funding cost and market risk**

Credit rating agencies can be backward looking and lagging indicators and recent history should make many observers cautious about according special status on the published views of these institutions. Yet at the same time the ratings can not be completely dismissed. Market prices, such as CDS spreads, which are useful proxies for funding costs and market risk premia, do show some correlation with credit ratings (see Figure 8 below). Credit ratings have an influence on investor and counterparty views, which inevitably have a franchise impact on the bank itself. First we take a look at the funding front – and in the next section we will take look at the client aspects related to ratings.

Figure 8. Funding Costs – Long-term Credit Rating vs Current 5Y Senior CDS



Note: All based on Moody's ratings except Stan and MUFG, which are based on S&P ratings.  
Source: Moody's, S&P

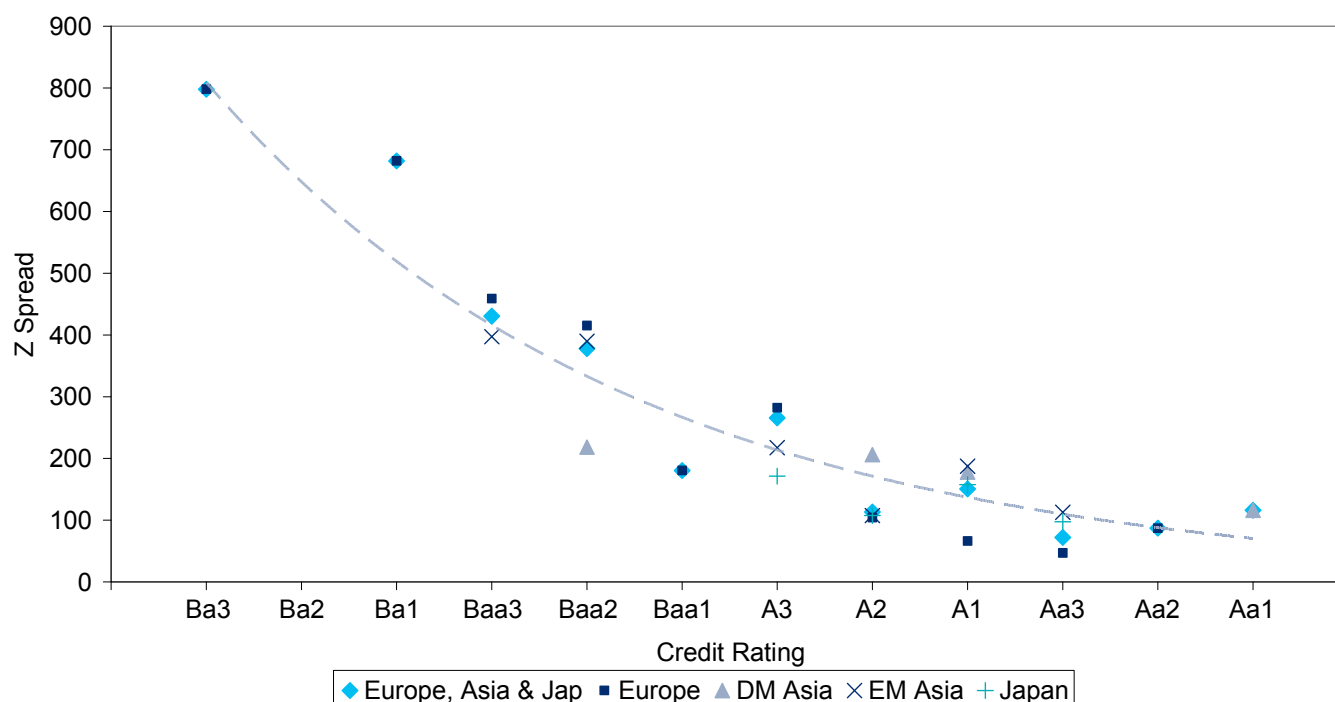
**Developed Asian banks typically have among the lowest CDS spreads, emerging market plays the highest**

Highly-rated banks, such as Singapore's OCBC, the Australian banks or the global behemoths such as HSBC or JP Morgan all usually have low CDS spreads, and lower-rated banks such as Morgan Stanley, Sberbank or ICICI typically have higher CDS spreads. For some banks, the market has a more nuanced view compared to published ratings: CDS spreads for Standard Chartered or MUFG would suggest a one to two notch higher credit rating, whereas the CDS price for several French banks and US broker-dealers suggests a relatively more cautious market view on current sovereign and financial risks.

**Ratings influence bond yields: single notch equals c145bps at BB credit rating but only c20bps at AA level**

Similarly, cash bond yields and credit ratings illustrate a positive relationship. The relationship is not perfect but as credit ratings improve so do funding costs (see Figure 9 below). Funding costs are more sensitive at lower ratings levels. Thus, on average, a one-notch rating downgrade is equivalent to c145bps extra cash bond yield at lower rating levels (e.g. double B level), whereas at the single A level a one-notch rating change is only equivalent to c40bps change in bond yields and at the AA level c20bps. In addition, at the single A level, within the same rating band, banks may be able to fund at levels as much a 100bps different depending on other factors such as parent support or sovereign and country risk concerns.

Figure 9. Funding Costs – Long-term Credit Rating vs Current Cash Bond Yields (Z-Spreads )



Note: €-denominated bonds for Europe, US\$ for all other. Z-spreads = Zero-volatility spread – the spread that when added to the Zero benchmark curve discounts a bond's cashflows to its current market price.

Source: Moody's, Bloomberg and Citi Research

As Figure 9 above illustrates, there are examples of lower-rated banks with better funding costs in the bond market – but it also illustrates that the general trend is for better-rated banks to have lower funding costs. In our earlier [Why Credit Ratings Matter](#) note (30 April 2012), we estimated that for global banks facing Moody's rating downgrades in June, the 2014E earnings impact was c2-11% based on the additional cost of refinancing of outstanding public senior unsecured debt and the banks' outstanding unsecured medium and long-term funding programmes.

**Reduced ratings can impact collateral requirements for secured funding and access to money market funds**

We would also note two other ratings-related areas of funding concern:

1. Lower credit ratings can trigger additional collateral requirements on secured funding, for instance on derivatives collateral posting requirements.
2. Money market funds cannot generally purchase commercial paper from entities rated (short term) P-2 or lower. While global banks have reduced their CP or MM fund dependence, this is nevertheless an extra headwind.

## Why Ratings Matter (2) – Wholesale Banking Competitive Edge

**Credit ratings are a competitive edge in wholesale banking, less so in SME or retail banking**

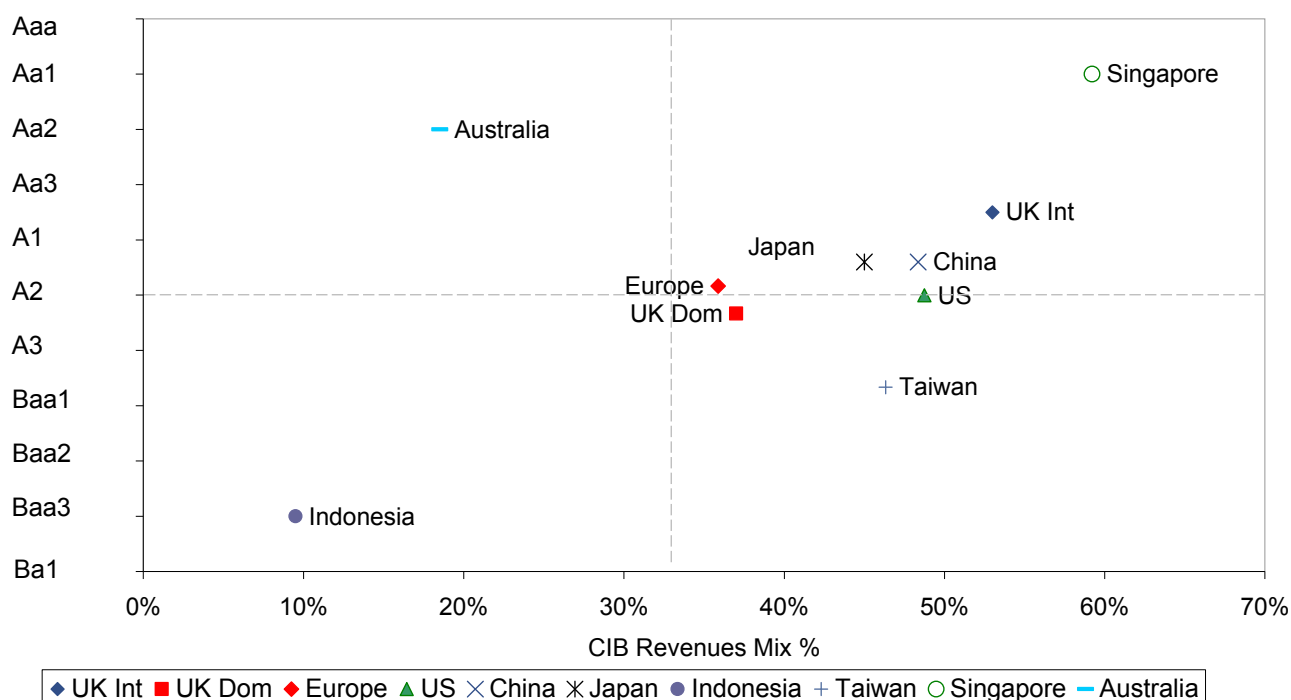
On the client front, credit ratings matter more in wholesale banking than in retail banking. And in wholesale banking it is more evidently a factor – among other competitive factors such as pricing, network reach, human talent – where the counterparty is a large corporate or institution. For smaller or domestically-focused corporate clients, usually operating only in local currency, most of the banks in our coverage universe will be de facto AAA banks even if their international ratings may be materially lower. The same principle applies for SME and retail banking clients.

Large corporate or institution clients, however, are often operating across several currencies and countries and also from a governance perspective are increasingly sophisticated about counterparty risk matters. For such clients – whether they are of Western or Eastern origin – credit ratings and counterparty strength matter and can be a competitive distinction. From a product perspective, credit ratings and counterparty strength are two of the most important criteria when awarding mandates for cash management or custody. And often the cash product can be the entry level product and the glue to the broader client relationship.

**Banks with high ratings and high CIB exposure: Singaporeans and UK international**

Banks with high absolute credit ratings and also a large exposure to corporate and investment banking (CIB) will be potential market share winners. Who screens best? As set out in Figure 10 below, Singaporean and UK International banks are among the potential winners. Australian banks have high absolute credit ratings but relatively low exposure to CIB business. We would note that many banks do not provide high quality segmental disclosure – in itself a revealing indicator about the sophistication of the institution's client offering.

Figure 10. Global Banks – Current Long Term Ratings vs CIB Revenues as % of Total (2011)



Note: All based on Moody's ratings except Stan, MUFG, SMFG and Mizuho, which are based on S&P ratings. Where Moody's LT debt ratings unavailable in 2007, LT Foreign Bank Deposits rating applied. Note that for banks where both LT debt and foreign bank deposit ratings are available they are very similar.  
Source: Moody's, S&P, Company Reports

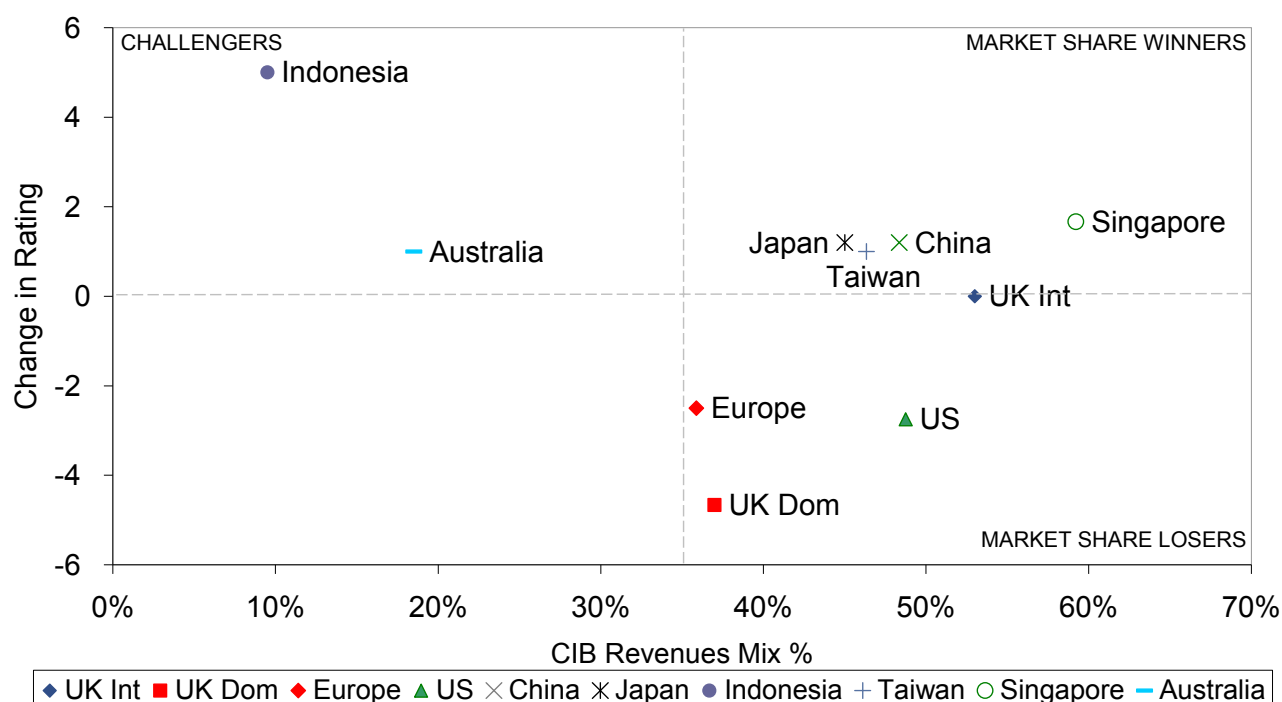
**European and US banks have had large downgrades and they are exposed to ratings sensitive CIB**

An analysis of relative changes in credit rating is also interesting, especially when we juxtapose the relative dispersion of rating trends over the past few years, which we looked at earlier, with exposure to ratings-sensitive wholesale banking. Thus, not only have the European and US banks experienced relatively large ratings cuts in recent years, they also are relatively highly exposed to ratings-sensitive wholesale banking revenues. By contrast, the banks that have seen ratings upgrades and high gearing to wholesale banking should be market share winners: and here Singaporean banks stand out. UK international banks in aggregate have not had upgrades – but this reflects a net upgrade for Standard Chartered and a downgrade for HSBC.

Credit ratings are a key criteria for many clients of wholesale banks, particularly larger clients such as multinational corporations, institutional investors and sovereigns.

Most obviously, credit risk is important for cash management services such as global custody and global transaction services, as well as prime brokerage. However, credit ratings are also important for market-making activities – the relevance of ratings for derivatives trading was demonstrated when Morgan Stanley sought to move its derivatives portfolio from its holding company to a better-rated subsidiary prior to the review of its credit ratings by Moody's<sup>1</sup>. Specifically, a lower-rated bank may be required to post more collateral against trades with clients that cannot be centrally cleared, giving it a competitive disadvantage. Credit ratings are also relevant for the competitiveness of a bank in syndicated loans and financing – where the risk of a lender failing to attain funding, and so jeopardising the whole transaction, can lead to them being excluded from a deal.

Figure 11. Global Banks – 2007-2012 Change in Long Term Ratings vs CIB Revenues as % of Total (2011)



Note: All based on Moody's ratings except Stan, MUFG, SMFG and Mizuho, which are based on S&P ratings. Where Moody's LT debt ratings unavailable in 2007, LT Foreign Bank Deposits rating applied. Note that for banks where both LT debt and foreign bank deposit ratings are available they are very similar.

Source: Moody's, S&P, Company Reports

<sup>1</sup> <http://www.ft.com/cms/s/0/8b320cac-a998-11e1-9972-00144feabdc0.html#axzz20Q9ckUqr>

Interestingly the data for CIB revenues for most EM banks, such as in Brasil, India or Russia, is either not disclosed or done poorly and not on a comparable basis with Western or developed Asian banks. And it is the topic of national champions we will look at next. Having highlighted how ratings can matter we will now turn our attention briefly to some banks where it is much less of an issue, be it on the funding front or on the client side.

## Where Ratings Don't Matter - Local Champions

**In local business, international ratings may be less relevant – unless FX funding is required**

Local or national champions typically fund domestically in local currency and in these markets they are usually the local equivalent of AAA banks. Indian banks are a good illustration of the differences in ratings between the international level (for foreign currency debt) and at the domestic level: typically BBB- rated by S&P they are usually AA+ or AAA rated by the local rating agencies. Korean banks are a good example too: unrated by global agencies they are all AAA-rated by a leading domestic ratings agency.

However, if these local champions need access to dollar funding or other FX funding, even for local clients, their weak international credit ratings can become a competitive issue. For instance, in India, international banks with a higher rating or natural access to dollar funding will have a competitive edge over their local competitors for large corporate business – or even mid-market if the client is doing FX-denominated business.

**Figure 12. Indian Banks – Global vs. Local Ratings**

	S&P	ICRA	CRISIL
Axis Bank	BBB-	AAA	NR
HDFC Bank	BBB-	NR	AAA
ICICI Bank	BBB-	AAA	AAA
SBI	BBB-	AA+	AAA
PNB	NR	AAA	AAA
Kotak	NR	AA+	AAA
BoB	NR	AAA	AAA

Source: S&P, ICRA, CRISIL. Note: we show LT Foreign Ccy debt rating for S&P and the long term rating by ICRA and CRISIL

**Japanese firms benefit from better local rates, especially Nomura which benefits from a three-notch upgrade**

In Japan the differences are not as great as in India between global and local rating agencies, but there is still a clear difference for many leading financial institutions. This is most marked for Nomura which is rated BBB+ by S&P and Baa3 (or BBB-) by Moody's, but is rated three and five notches higher respectively by the local agency Rating and Investment. Nomura's higher domestic rating and strong yen funding base allows it to lower the financial costs of its global operations – the gap between its domestic and international rating is equivalent to 150-300bps additional yield on dollar bonds issued by Japanese or Asian institutions.

**Figure 13. Japanese Banks – Global vs. Local Ratings**

	S&P	Rating and Investment
Nomura	BBB+	A+
MUFG	A	A
SMFG	A	NR
BoY	A	AA-
Shizuoka Bank	A+	AA
Mizuho	A	A

Source: S&P, Rating and Investment; Note: we show LT Foreign Ccy debt rating for S&P and the issuer rating by Rating and Investment

## A Guide To Credit Ratings

If you have read so far, you will have waded through an alphabet soup of credit rating references. For our readers who are non-credit specialists, Figure 14 below provides an overview of the different designations used by the leading international rating agencies and a brief description of what the various letters are supposed to reflect in terms of credit quality.

Figure 14. Comparative Ratings Ladder

Moody's		S&P		Fitch		Description
Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	
Aaa	P-1	AAA	A-1+	AAA	F1+	Prime
Aa1		AA+		AA+		High grade
Aa2		AA		AA		
Aa3		AA-	AA-			
A1		P-2	A+	A-1	A+	F1
A2	A		A			
A3	A-		A-2	A-	F2	Lower medium grade
Baa1	BBB+			BBB+		
Baa2	P-3		BBB	A-3	BBB	
Baa3		BBB-	BBB-			
Ba1	Not prime	BB+	B	BB+	B	Non-investment grade speculative
Ba2		BB		BB		
Ba3		BB-		BB-		
B1		B+		B+		
B2		B		B		
B3		B-	B-			
Caa1		C	CCC+	CCC	C	Substantial risks
Caa2			CCC			Extremely speculative
Caa3			CCC-			In default with little prospect for recovery
Ca			CC			
C			C			
/		D	/	DDD	/	In default
/				DD		
/			D			

Source: Moody's, S&P, Fitch

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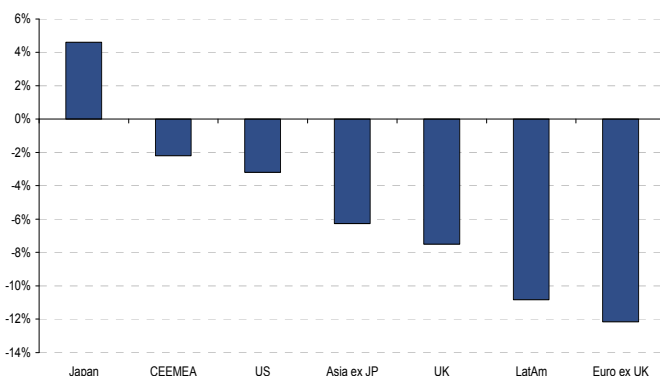
## Estimates Revisions

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## Global Bank Estimate Revisions

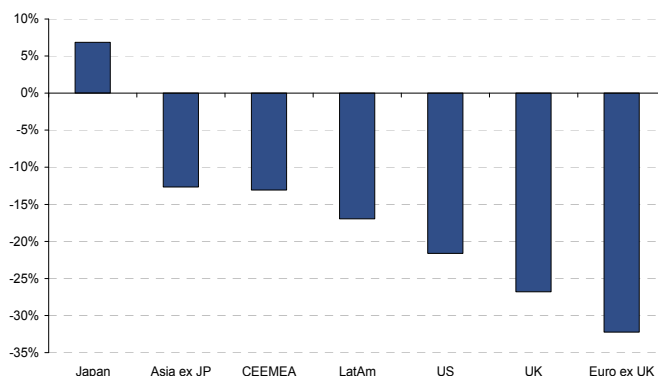
Global 2013 earnings estimate revisions YTD have been largely negative. Japanese earnings have been upgraded driven by lower provisions as the corporate sector recovers post the 2011 earthquake. UK and Euro ex-UK earnings have been downgraded driven by a combination of lower revenues and higher provisions as low rates have negatively impacted margins and the European economic recovery appears to be stalling. In recent months, we have also made large downgrades to our Brasil and China estimates.

Figure 15. Global Regions – 2013E Citi Research Earnings Estimate Chg (YTD)



Source: Citi Research

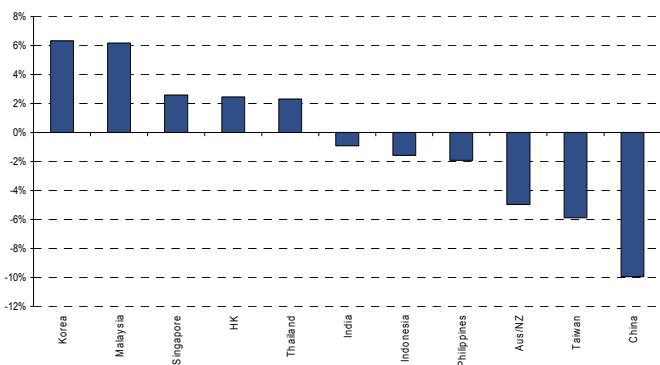
Figure 16. Global Regions – 2013E Citi Research Earnings Estimate Chg (LTM)



Source: Citi Research

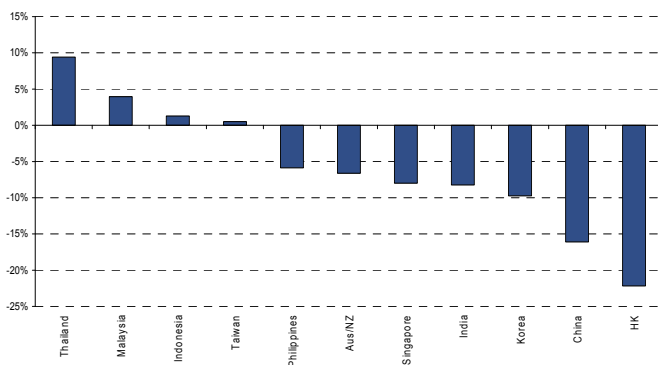
When disaggregated into individual countries, YTD revisions in Asia ex-JP is mixed. We have seen large upgrades in Korea and Malaysia driven by better revenues in Korea and lower impairments in Malaysia while earnings have been downgraded most in China and Taiwan. The majority of countries have had earnings downgraded over the last 12 months, driven mainly by revenues from a slowing global economy and in India's case worsening asset quality.

Figure 17. Asia ex Japan – 2013E Citi Research Earnings Estimate Chg (YTD)



Source: Citi Research

Figure 18. Asia ex Japan – 2013E Citi Research Earnings Estimate Chg (LTM)



Source: Citi Research

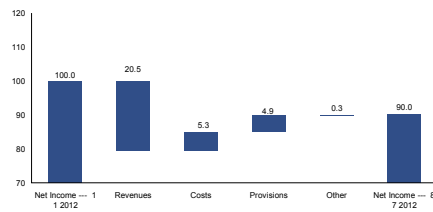
## Asia ex-JP/AU:

We have lowered our China estimates with the absolute earnings peaking, ongoing balance sheet concerns (NPLs, off-balance sheet activities) and unfavourable policy headwinds (deposit rate liberalisation, disintermediation).

Hong Kong earnings estimates are up YTD on the back of rising NIM, this was in turn driven by lower funding costs and rising asset yield. We expect asset quality to be solid in 2012. On the flip side, fee income affected by weak wealth management appetite and costs pressure remains to affect banks with high cost-to-income ratio.

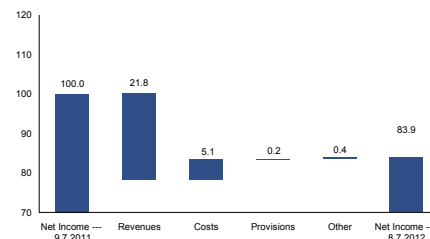
Recent Indonesian management guidance remains optimistic, supported by strong loan growth (26% end May vs 22% forecast for 2012), lending rate pressure easing and selective deposit rate cuts. Asset quality remains strong, except for selected accounts. BMRI and BBKA are delivering above-industry growth, while BBNi and BBRI are still in the process of strengthening capacity

Figure 19. China – YTD '13 Estimates Change



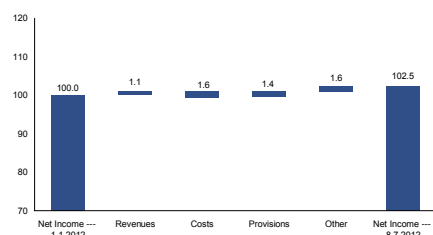
Source: Citi Research

Figure 20. China – LTM '13 Estimates Change



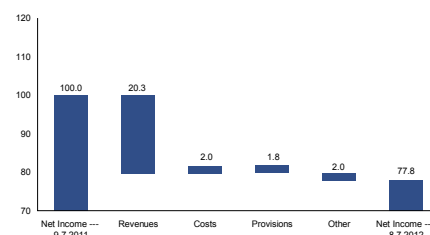
Source: Citi Research

Figure 21. HK – YTD '13 Estimates Change



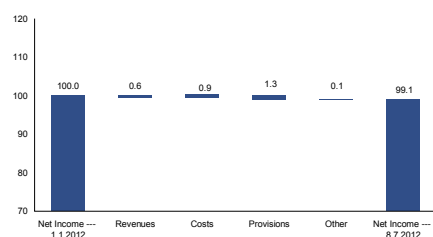
Source: Citi Research

Figure 22. HK – LTM '13 Estimates Change



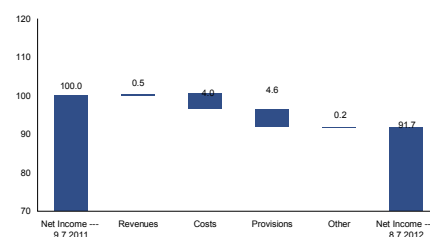
Source: Citi Research

Figure 23. India – YTD '13 Estimates Change



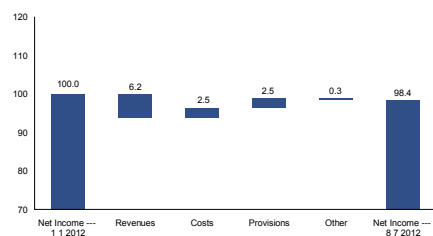
Source: Citi Research

Figure 24. India – LTM '13 Estimates Change



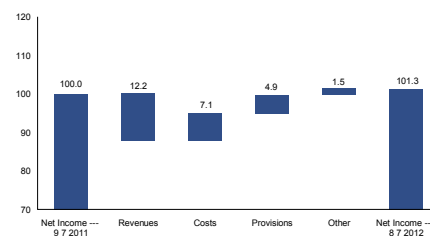
Source: Citi Research

Figure 25. Indonesia – YTD '13 Estimates Chg



Source: Citi Research

Figure 26. Indonesia – LTM '13 Estimates Chg



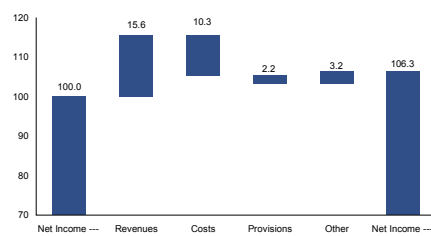
Source: Citi Research

For Korea, we have improved our revenue expectations YTD driven largely by improved non-interest income, partially offset by higher costs

Malaysian impairments were reduced in 2012 YTD following management guidance and less impact from the global slowdown than previously expected.

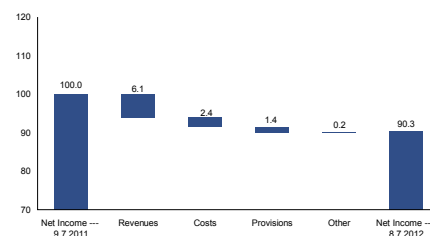
Post a healthy 1Q12 result, Singaporean banks have become more cautious on the business outlook in light of slowing economic conditions, the most significant change being that mgmt are more circumspect in their ability to drive further material NIM improvement. Banks are guiding low to mid-teens loan growth for 2012, and we view it unlikely that the strong trading profits in 1Q12 can repeat.

Figure 27. Korea – YTD '13 Estimates Change



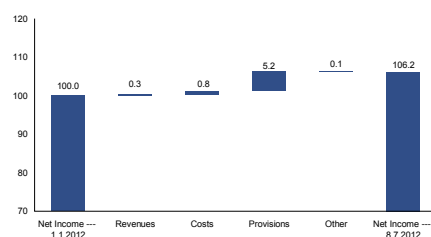
Source: Citi Research

Figure 28. Korea – LTM '13 Estimates Change



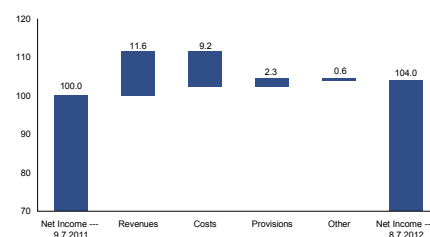
Source: Citi Research

Figure 29. Malaysia – YTD '13 Estimates Chg



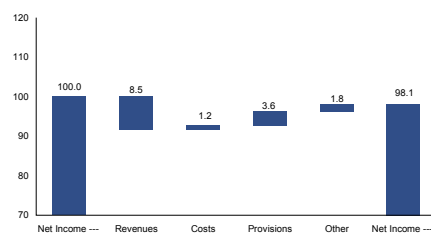
Source: Citi Research

Figure 30. Malaysia – LTM '13 Estimates Chg



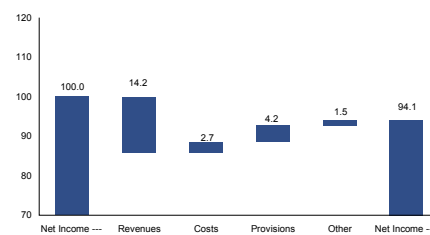
Source: Citi Research

Figure 31. Philip. – YTD '13 Estimates Chg



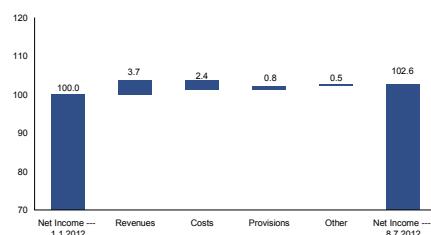
Source: Citi Research

Figure 32. Philip. – LTM '13 Estimates Chg



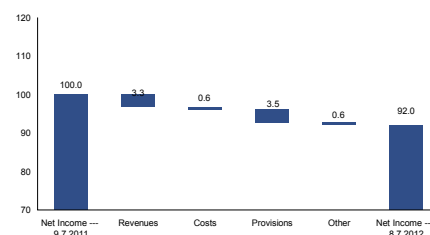
Source: Citi Research

Figure 33. Singapore – YTD '13 Estimates Chg



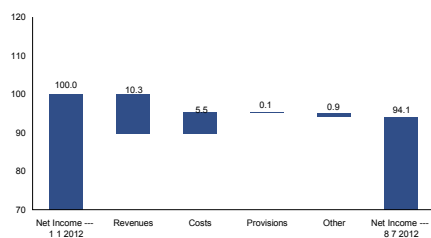
Source: Citi Research

Figure 34. Singapore – LTM '13 Estimates Chg



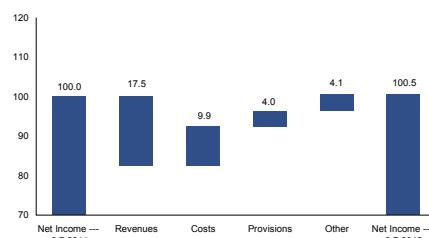
Source: Citi Research

Figure 35. Taiwan – YTD '13 Estimates Change



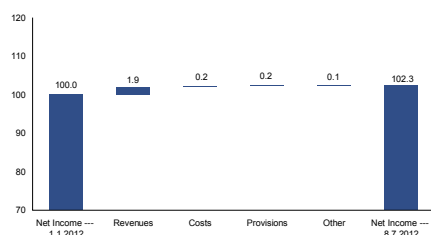
Source: Citi Research

Figure 36. Taiwan – LTM '13 Estimates Change



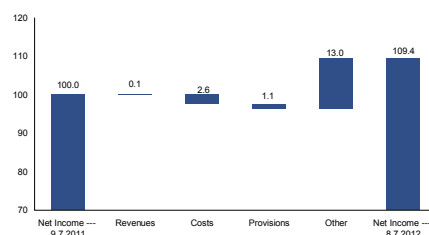
Source: Citi Research

Figure 37. Thai. – YTD '13 Estimates Change



Source: Citi Research

Figure 38. Thai. – LTM '13 Estimates Change



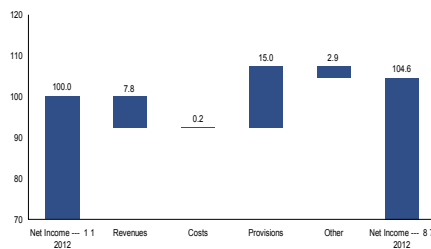
Source: Citi Research

## Japan:

1) Lowering LLP came from the Japanese corporate recovery in financial position post earthquake and the default rate came down accordingly

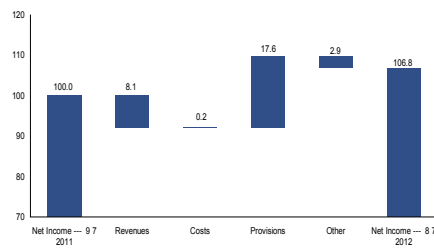
2) Lowering revenues came from declining long-term yield.

Figure 39. Japan – YTD '13 Estimates Change



Source: Citi Research

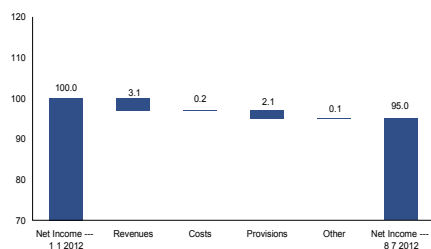
Figure 40. Japan – LTM '13 Estimates Change



Source: Citi Research

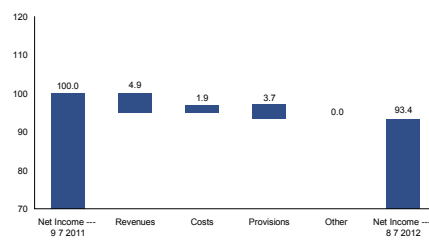
## Australia / New Zealand:

Figure 41. AU/NZ – YTD '13 Estimates Change



Source: Citi Research

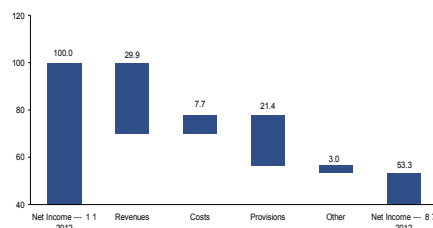
Figure 42. AU/NZ – LTM '13 Estimates Change



Source: Citi Research

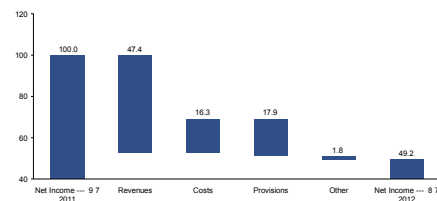
## Europe:

Figure 43. Benelux – YTD '13 Estimates Chg



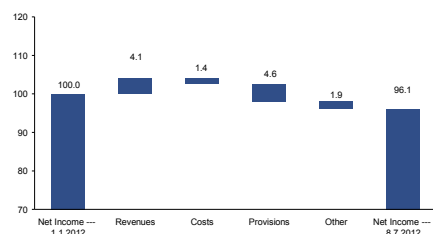
Source: Citi Research

Figure 44. Benelux – LTM '13 Estimates Chg



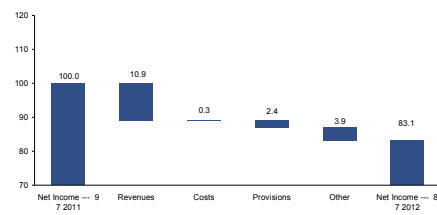
Source: Citi Research

Figure 45. Austria/CEE – YTD '13 Estimates Chg



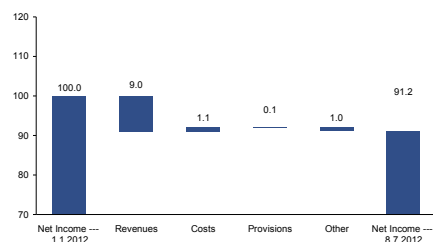
Source: Citi Research

Figure 46. Austria/CEE – LTM '13 Estimates Chg



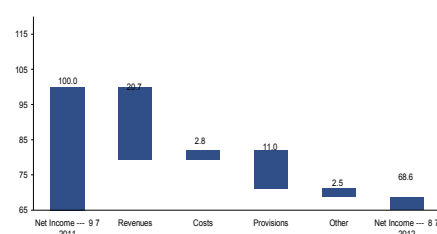
Source: Citi Research

Figure 47. Poland – YTD '13 Estimates Change



Source: Citi Research

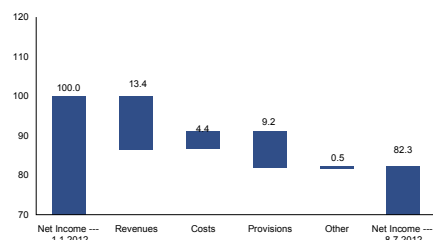
Figure 48. Poland – LTM '13 Estimates Change



Source: Citi Research

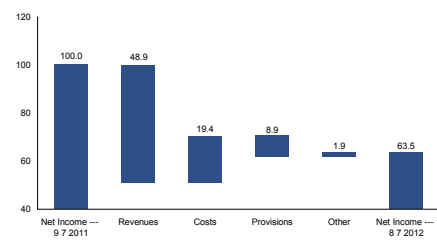
2013E French earnings estimates suffered sharp revision over the last 12 months, driven by revenue weakness and provision adjustments. We first sharply reduced our revenue forecasts, mainly driven by lower revenue expectations in a deteriorating corporate and investment banking environment. Then, as our economists sharply reduced economic forecasts, we increased expected provision charges.

Figure 49. France – YTD '13 Estimates Change



Source: Citi Research

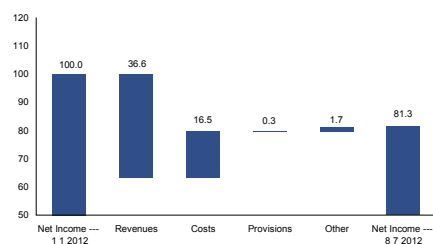
Figure 50. France – LTM '13 Estimates Change



Source: Citi Research

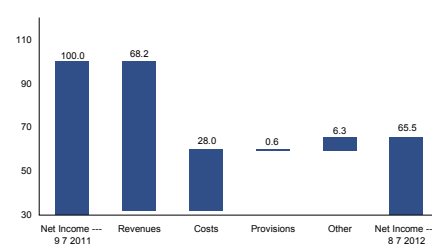
Our reduced estimates for revenues for German banks was driven by lower NII in a low interest rate environment, and lower fees & commissions from subdued client risk appetite, as well as lower capital markets revenues.

Figure 51. Germany – YTD '13 Estimates Chg



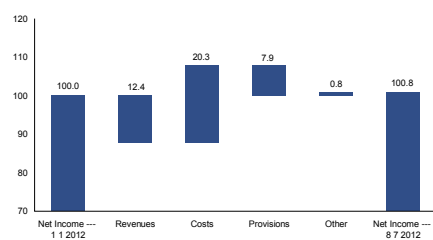
Source: Citi Research

Figure 52. Germany – LTM '13 Estimates Chg



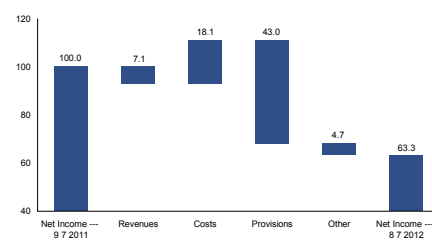
Source: Citi Research

Figure 53. Gr/Cyp – YTD '13 Estimates Chg



Source: Citi Research

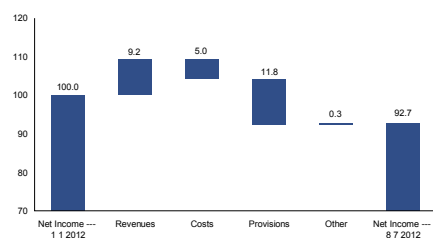
Figure 54. Gr/Cyp – LTM '13 Estimates Chg



Source: Citi Research

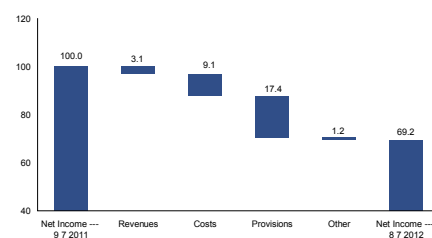
We have reduced our estimates in Spain as a result of the increasing provisions despite the 36M LTRO benefits and cost-cutting efforts. The provisioning has increased dramatically as a result of the regulatory changes implemented by the new government.

Figure 55. Iberia – YTD '13 Estimates Change



Source: Citi Research

Figure 56. Iberia – LTM '13 Estimates Change



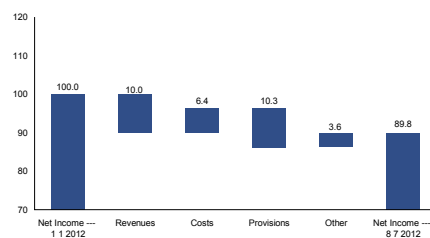
Source: Citi Research

We have reduced our Italian earnings mostly due to lower revenues and higher provisions (mainly corporate/SME related), partly offset by better costs. Within revenues, the largest decrease is lower net interest income as the result of continuing pressure on spreads (higher funding costs) as well as lower lending volumes.

Lower Nordic revenues from reduced growth expectations in combination with an expectation of a lower interest rate path and higher funding costs. Partly offset by cost efficiency programmes. Provision expectations have increased (from low levels) driven by the continuing global slowdown.

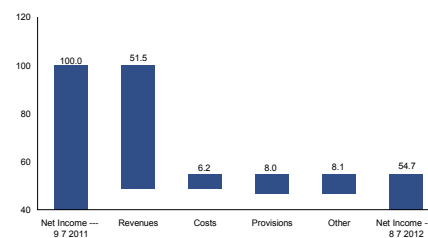
The decrease in our Swiss bank revenue forecasts was driven by a more challenging outlook for IB sales & trading operations, and our expectation for a shallower recovery in revenue margins in wealth management

Figure 57. Italy – YTD '13 Estimates Change



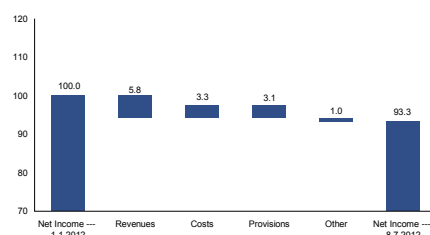
Source: Citi Research

Figure 58. Italy – '13 LTM Estimates Change



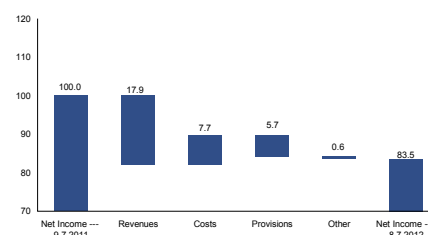
Source: Citi Research

Figure 59. Nordics – YTD '13 Estimates Chg



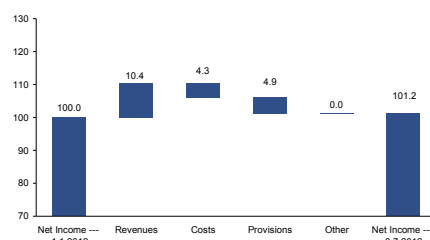
Source: Citi Research

Figure 60. Nordics – LTM '13 Estimates Chg



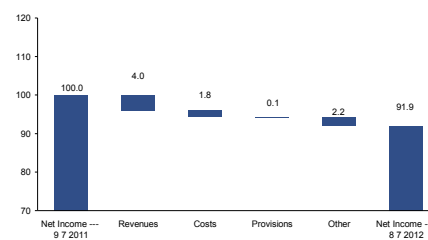
Source: Citi Research

Figure 61. Russia – YTD '13 Estimates Chg



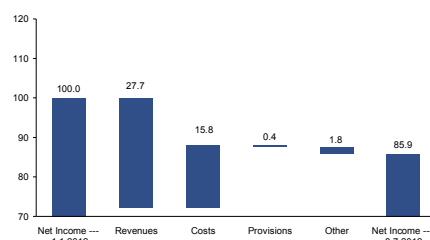
Source: Citi Research

Figure 62. Russia – LTM '13 Estimates Chg



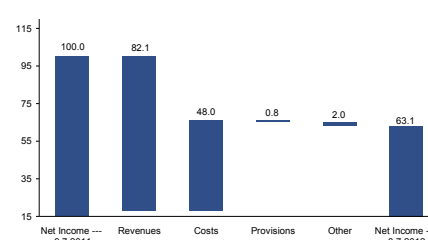
Source: Citi Research

Figure 63. Switz. – YTD '13 Estimates Chg



Source: Citi Research

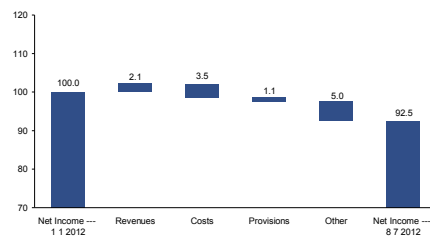
Figure 64. Switz. – LTM '13 Estimates Chg



Source: Citi Research

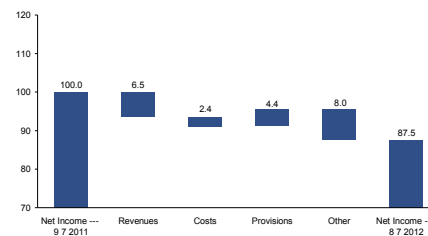


Figure 65. Turkey – YTD '13 Estimates Change



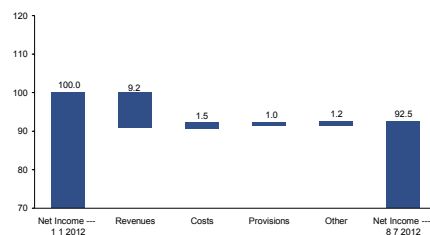
Source: Citi Research

Figure 66. Turkey – LTM '13 Estimates Change



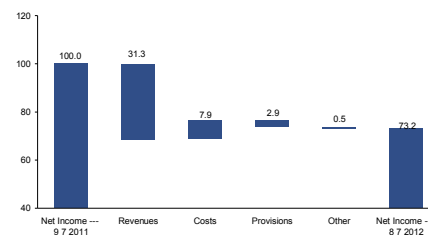
Source: Citi Research

Figure 67. UK – YTD '13 Estimates Change



Source: Citi Research

Figure 68. UK – LTM '13 Estimates Change



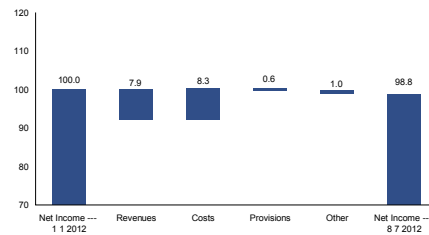
Source: Citi Research

We have lowered UK earnings mainly through revenues, as lower rates and a difficult economic environment have reduced margins. In addition UK banks have been more successful than expected in their deleveraging plans, lowering interest-earning assets

## MENA/Africa:

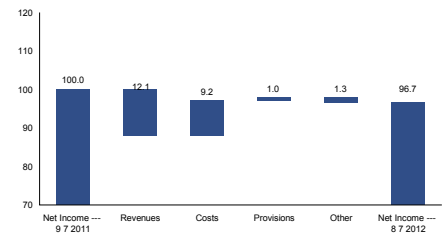
Our Nigeria estimates have been raised 7% ytd mainly due to lower operating and credit costs. Both Oman and UAE have seen revenue-driven upgrades

Figure 69. S. Africa – YTD '13 Estimates Chg



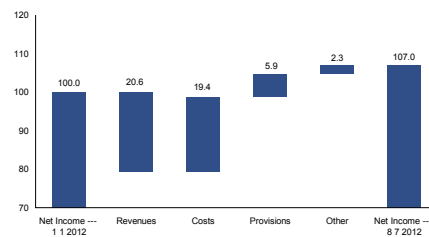
Source: Citi Research

Figure 70. S. Africa – '13 LTM Estimates Chg



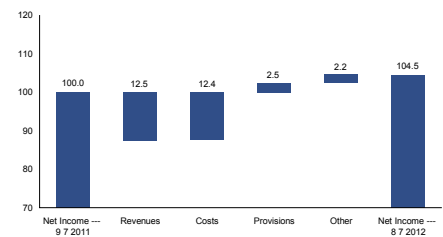
Source: Citi Research

Figure 71. Nigeria – YTD '13 Estimates Chg



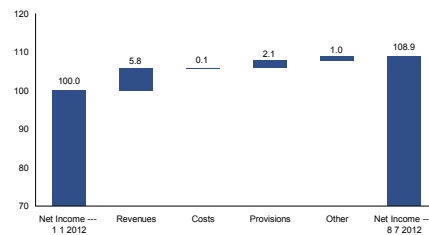
Source: Citi Research

Figure 72. Nigeria – LTM '13 Estimates Chg



Source: Citi Research

Figure 73. Oman – YTD '13 Estimates Change

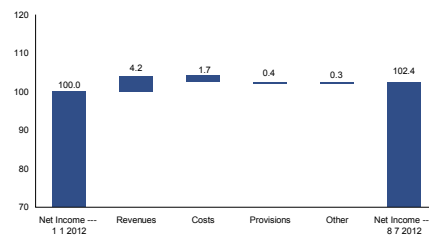


Source: Citi Research

Figure 74. Oman – LTM '13 Estimates Change

N/A

Figure 75. UAE – YTD '13 Estimates Change



Source: Citi Research

Figure 76. UAE – LTM '13 Estimates Change

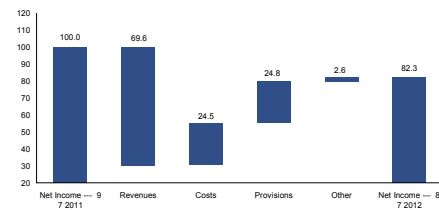
N/A

## LatAm:

Figure 77. Argentina – YTD '13 Estimates Chg

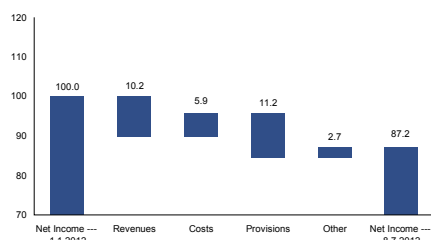
N/A

Figure 78. Argentina – LTM '13 Estimates Chg



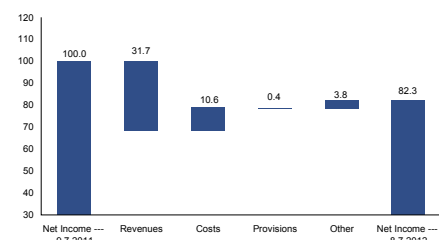
Source: Citi Research

Figure 79. Brasil – YTD '13 Estimates Change



Source: Citi Research

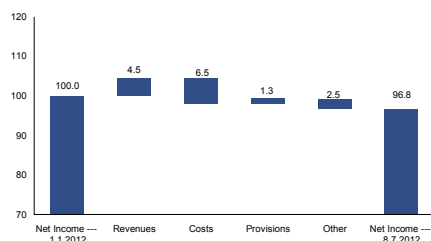
Figure 80. Brasil – LTM '13 Estimates Change



Source: Citi Research

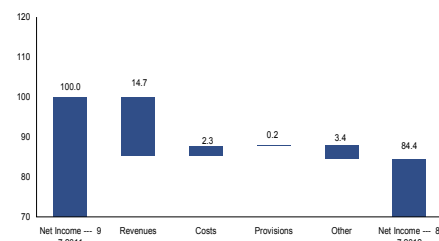
Brazilian bank revenues have been cut in the last 12 months due to lower revenues – and ytd also due to weaker loan loss expectations – partially offset by lower operating costs

Figure 81. Chile – YTD '13 Estimates Change



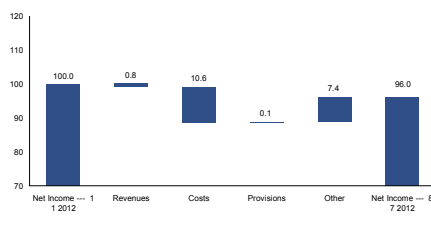
Source: Citi Research

Figure 82. Chile – LTM '13 Estimates Change



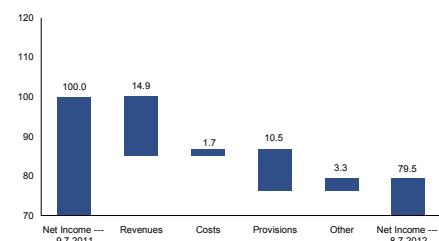
Source: Citi Research

Figure 83. Mexico – YTD '13 Estimates Chg



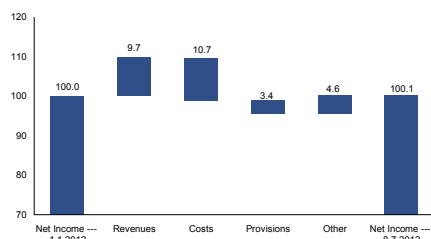
Source: Citi Research

Figure 84. Mexico – LTM '13 Estimates Chg



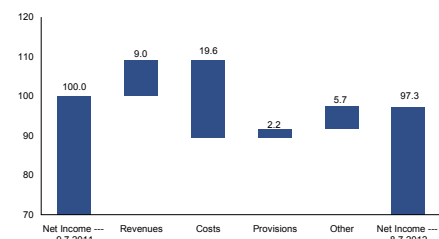
Source: Citi Research

Figure 85. Peru – YTD '13 Estimates Change



Source: Citi Research

Figure 86. Peru – LTM '13 Estimates Change

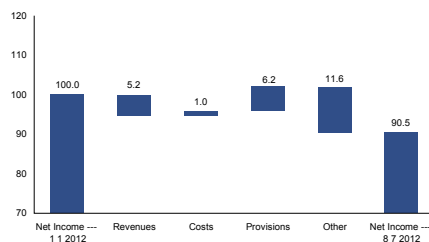


Source: Citi Research

## United States:

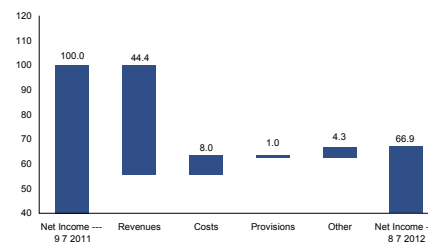
We have cut our US bank 2013 profit estimates ytd primarily due to reduced capital market forecasts (given low risk tolerances and European debt crisis uncertainties) and slightly higher provisions. Our 2013 estimates have been cut for money centre banks but are largely stable for regional banks.

**Figure 87. US (Money Centres) – YTD '13 Estimates Change**



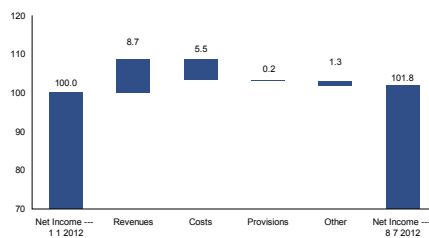
Source: Citi Research; Money Centres includes BAC, JPM, GS and MS

**Figure 88. US (Money Centres) – LTM '13 Estimates Change**



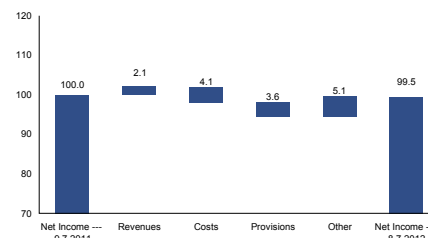
Source: Citi Research; Money Centres includes BAC, JPM, GS and MS

**Figure 89. US (Regionals) – YTD '13 Estimates Change**



Source: Citi Research

**Figure 90. US (Regionals) – LTM '13 Estimates Change**



Source: Citi Research

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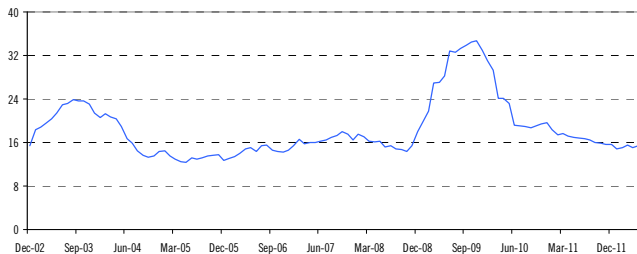
## Banking Volumes

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# Banking Volumes: Loans & Deposits

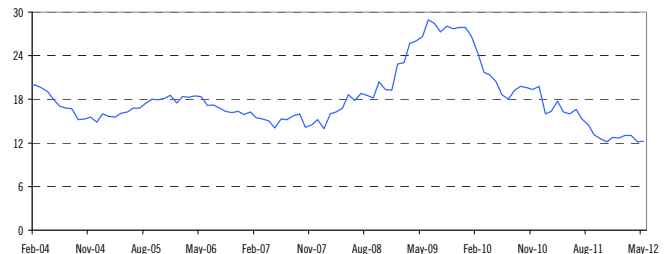
## Asia-Pac ex-JP/AU:

Figure 91. China – Loan Growth %



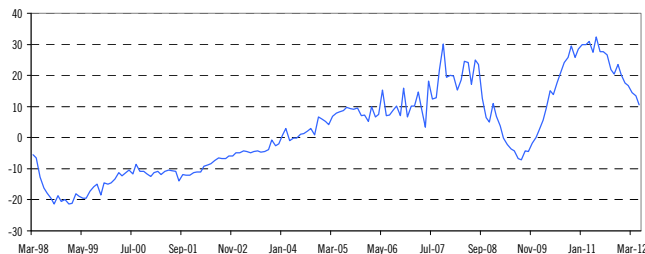
Source: CEIC, Citi Research

Figure 92. China – Deposit Growth %



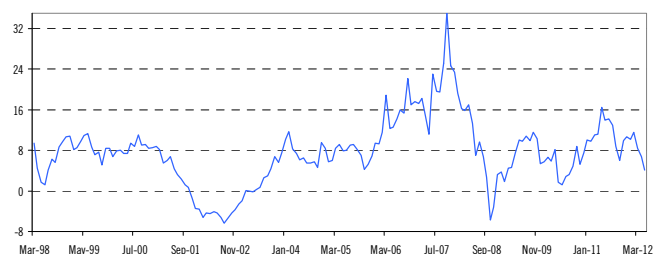
Source: CEIC, Citi Research

Figure 93. HK – Loan Growth %



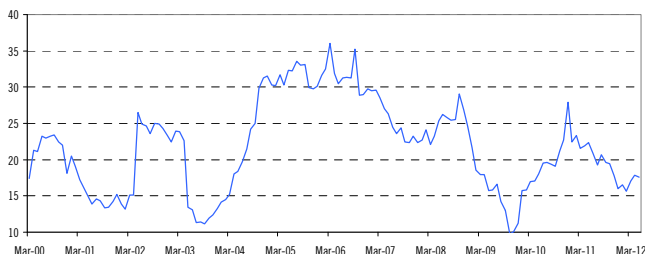
Source: CEIC, Citi Research

Figure 94. HK – Deposit Growth %



Source: CEIC, Citi Research

Figure 95. India – Loan Growth %



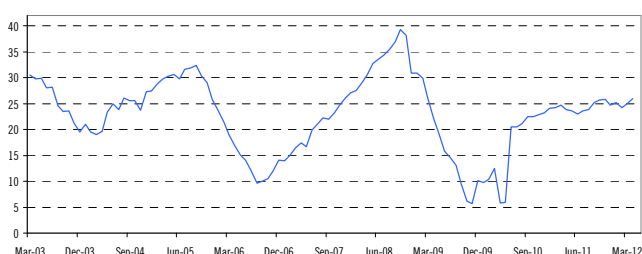
Source: CEIC, Citi Research

Figure 96. India – Deposit Growth %



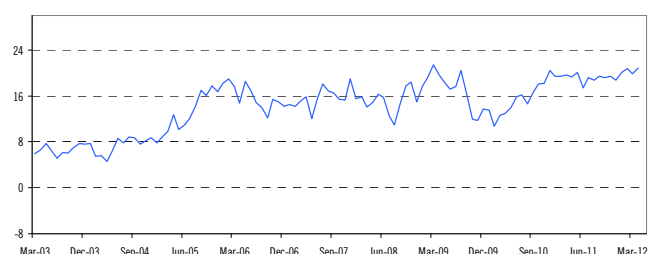
Source: CEIC, Citi Research

Figure 97. Indonesia – Loan Growth %



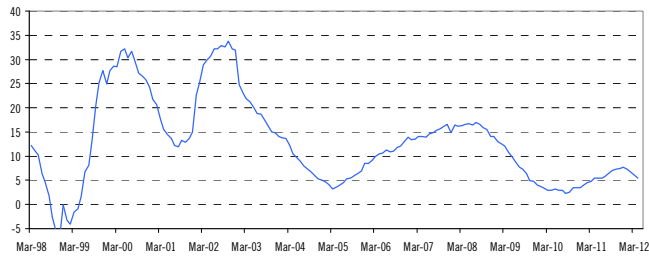
Source: CEIC, Citi Research

Figure 98. Indonesia – Deposit Growth %



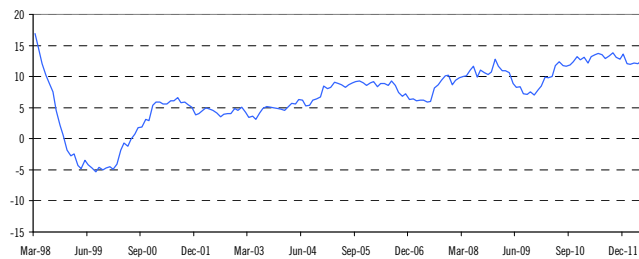
Source: CEIC, Citi Research

Figure 99. Korea – Loan Growth %



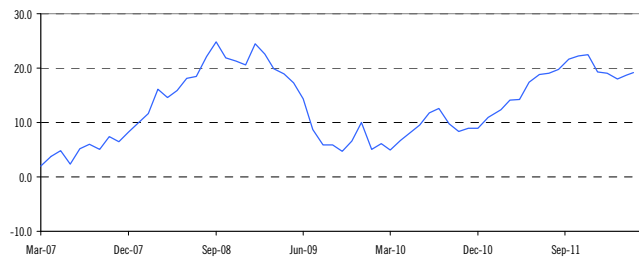
Source: CEIC, Citi Research

Figure 101. Malaysia – Loan Growth %



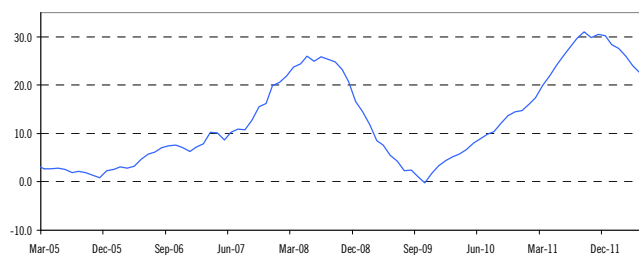
Source: CEIC, Citi Research

Figure 103. Philippines – Loan Growth %



Source: CEIC, Citi Research

Figure 105. Singapore – Loan Growth %



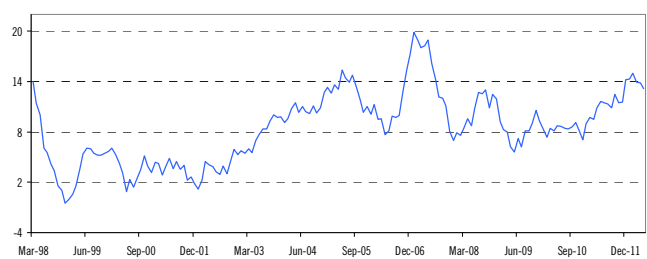
Source: CEIC, Citi Research

Figure 100. Korea – Deposit Growth %



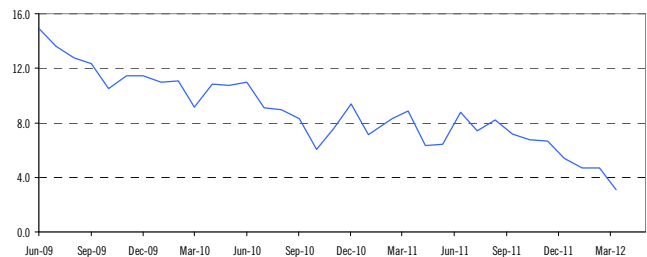
Source: CEIC, Citi Research

Figure 102. Malaysia – Deposit Growth %



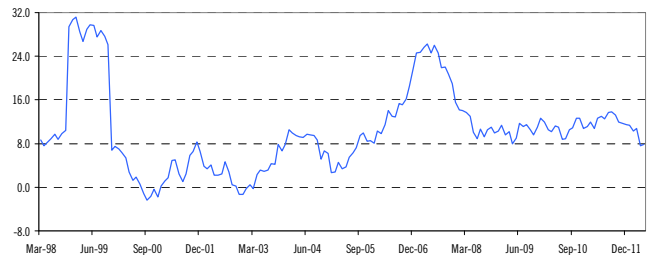
Source: CEIC, Citi Research

Figure 104. Philippines – Deposit Growth %



Source: CEIC, Citi Research

Figure 106. Singapore – Deposit Growth %



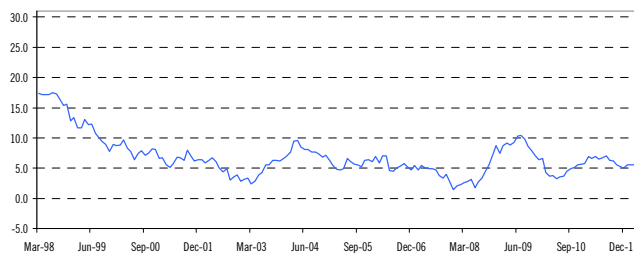
Source: CEIC, Citi Research

Figure 107. Taiwan – Loan Growth %



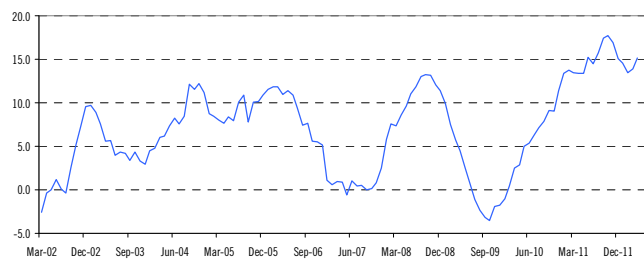
Source: CEIC, Citi Research

Figure 108. Taiwan – Deposit Growth %



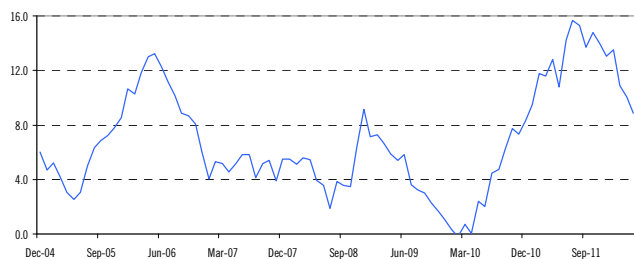
Source: CEIC, Citi Research

Figure 109. Thailand – Loan Growth %



Source: CEIC, Citi Research

Figure 110. Thailand – Deposit Growth %



Source: CEIC, Citi Research

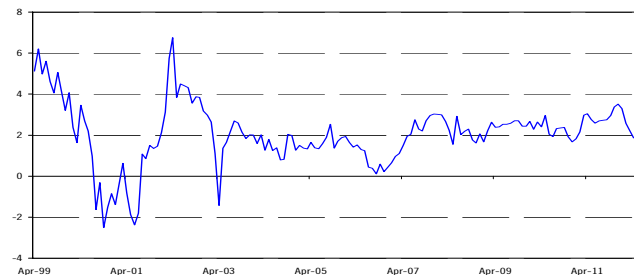
## Japan:

Figure 111. Japan – Loan Growth %



Source: BoJ, Citi Research, BOJ

Figure 112. Japan – Deposit Growth %

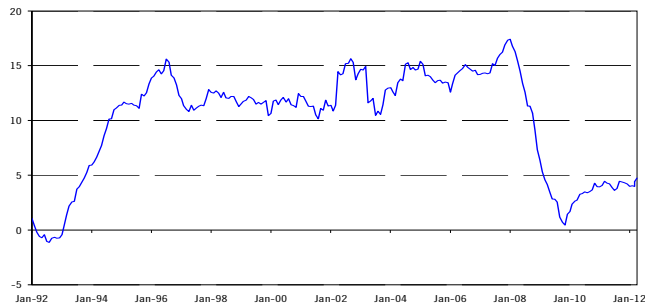


Source: BoJ, Citi Research



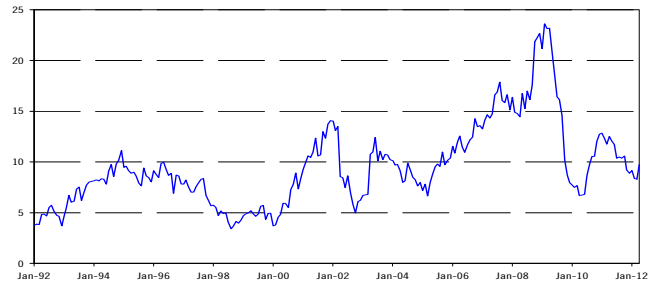
## Australia:

Figure 113. Australia – Loan Growth %



Source: RBA, Citi Research

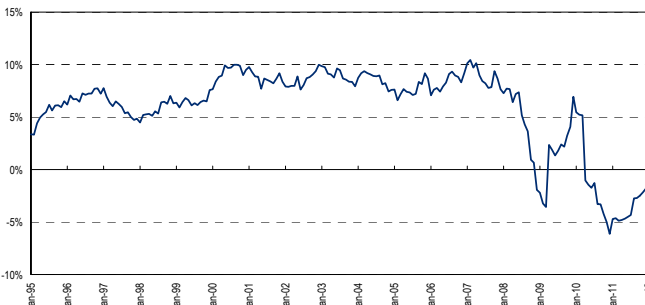
Figure 114. Australia – Deposit Growth %



Source: RBA, Citi Research

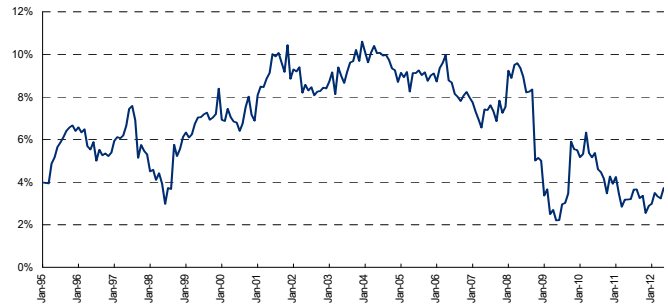
## EMEA:

Figure 115. UK – Loan Growth %



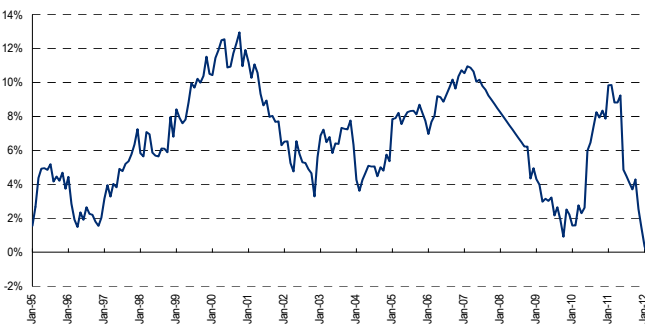
Source: Bank of England

Figure 116. UK – Deposit Growth %



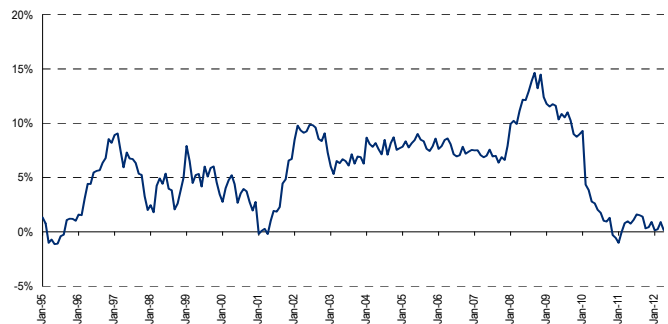
Source: Bank of England

Figure 117. Italy – Loan Growth %



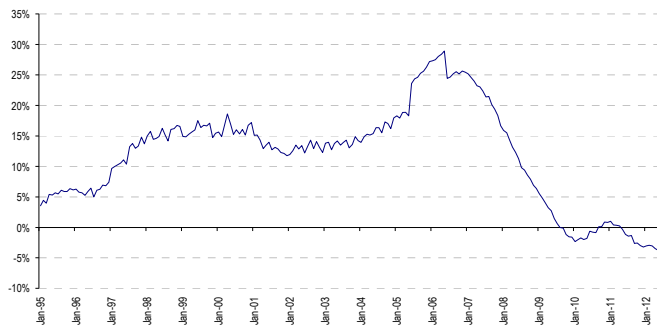
Source: Banca d'Italia

Figure 118. Italy – Deposit Growth %



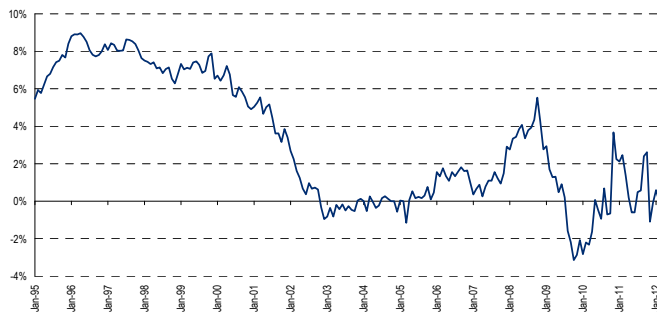
Source: Banca d'Italia

Figure 119. Spain – Loan Growth %



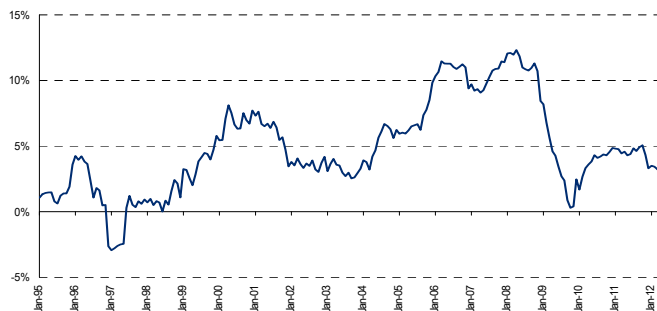
Source: Banco de España

Figure 121. Germany – Loan Growth %



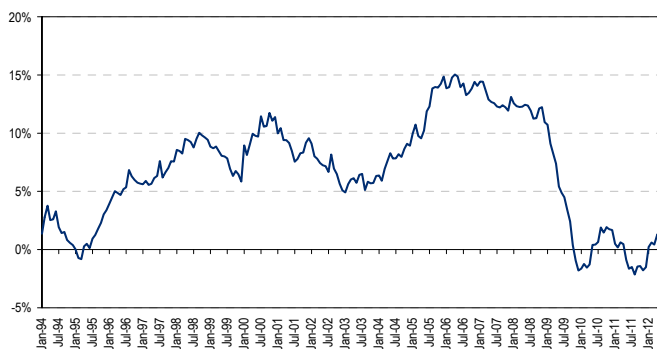
Source: Deutsche Bundesbank

Figure 123. France – Loan Growth %



Source: Banque de France

Figure 125. Denmark – Loan Growth %



Source: Danmarks Nationalbank

Figure 120. Spain – Deposit Growth %



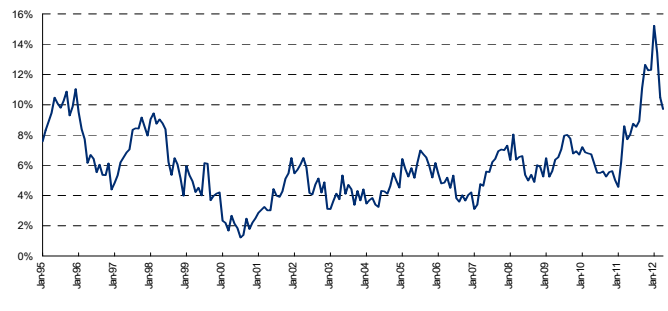
Source: Banco de España

Figure 122. Germany – Deposit Growth %



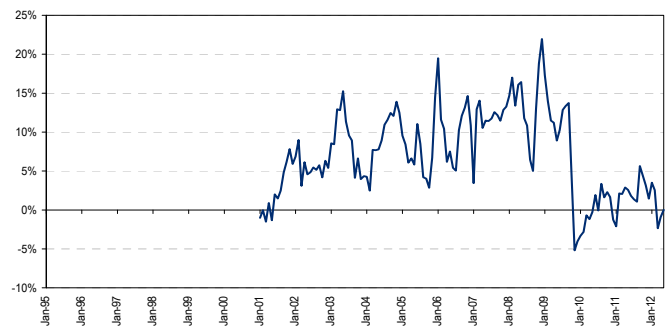
Source: Deutsche Bundesbank

Figure 124. France – Deposit Growth %



Source: Banque de France

Figure 126. Denmark – Deposit Growth %



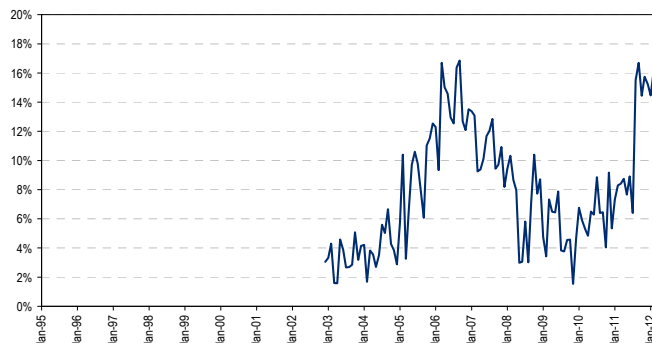
Source: Danmarks Nationalbank

Figure 127. Sweden – Loan Growth %



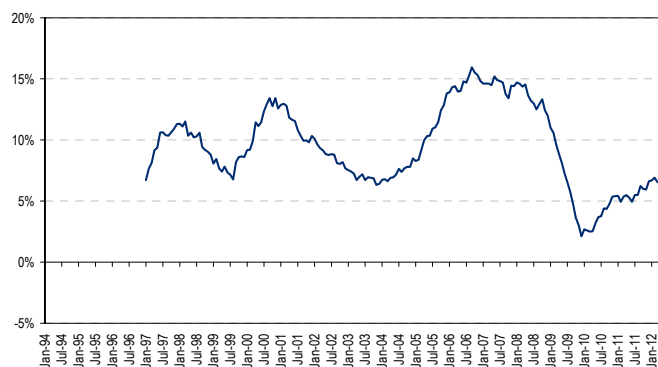
Source: Sveriges Riksbank

Figure 128. Sweden – Deposit Growth %



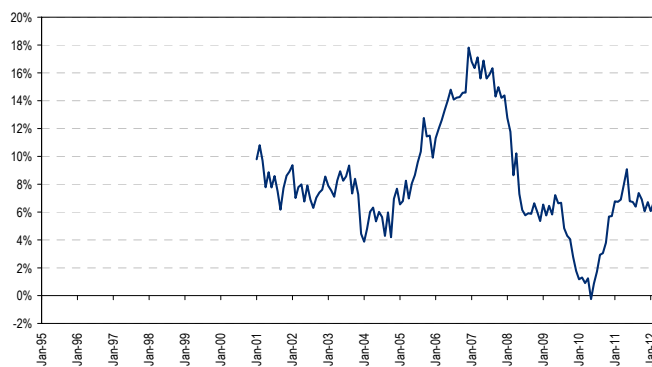
Source: Sveriges Riksbank

Figure 129. Norway – Loan Growth %



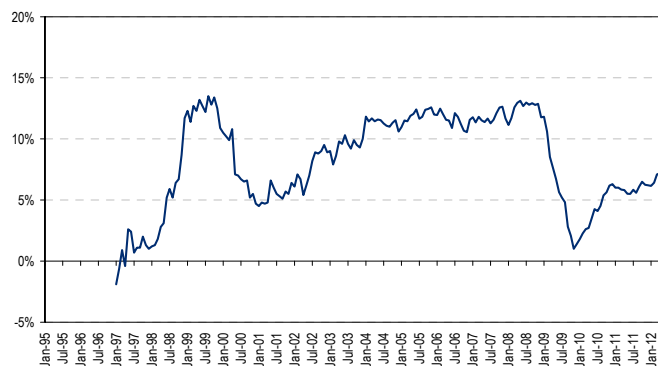
Source: Norges Bank

Figure 130. Norway – Deposit Growth %



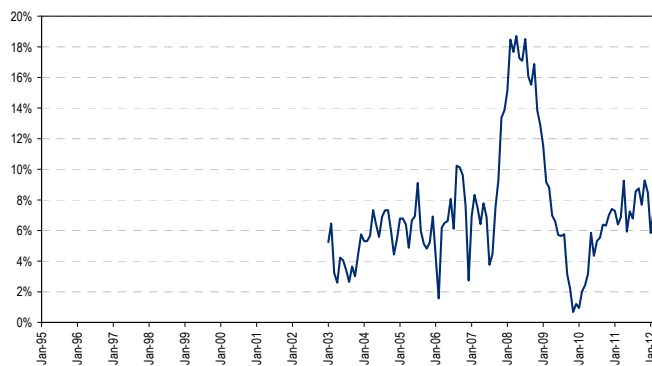
Source: Norges Bank

Figure 131. Finland – Loan Growth %



Source: Central Bank of Finland, Citi Research

Figure 132. Finland – Deposit Growth %



Source: Central Bank of Finland, Citi Research

Figure 133. Poland – Loan Growth %

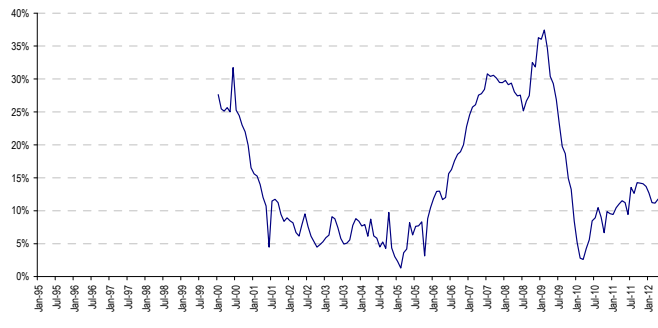


Figure 134. Poland – Deposit Growth %

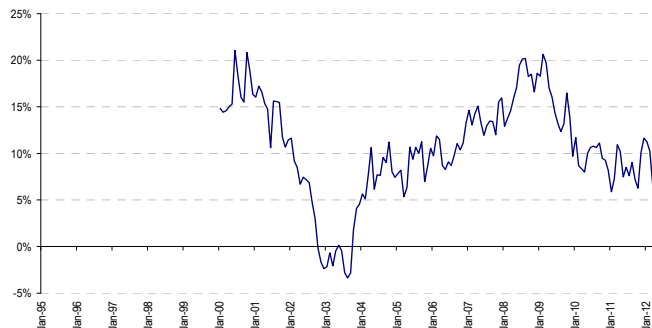


Figure 135. Russia – Loan Growth %



Figure 136. Russia – Deposit Growth %



Figure 137. Turkey – Loan Growth %

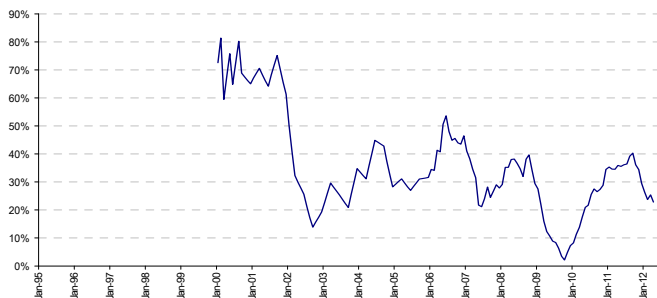


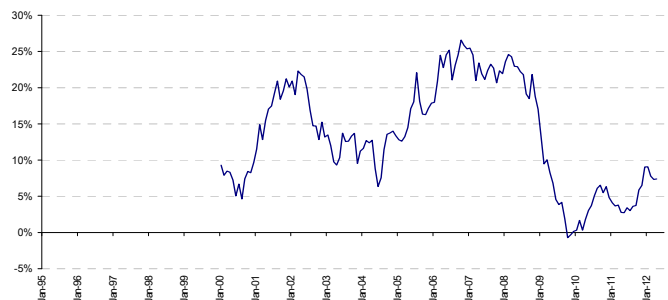
Figure 138. Turkey – Deposit Growth %



Figure 139. South Africa – Loan Growth %



Figure 140. South Africa – Deposit Growth %



Source for Figures 131-140: Central Bank data

Figure 141. Belgium – Loan Growth %

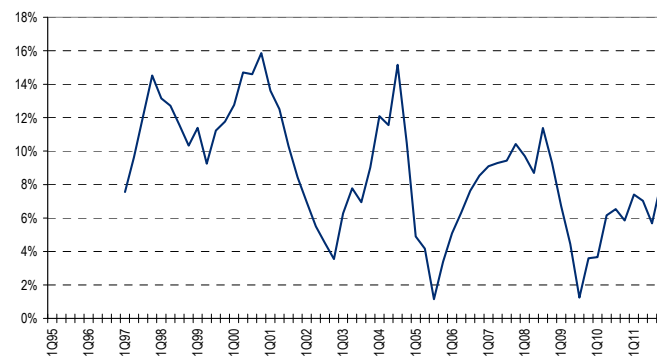
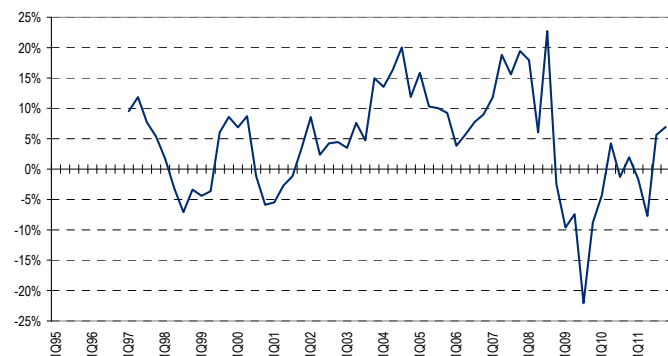


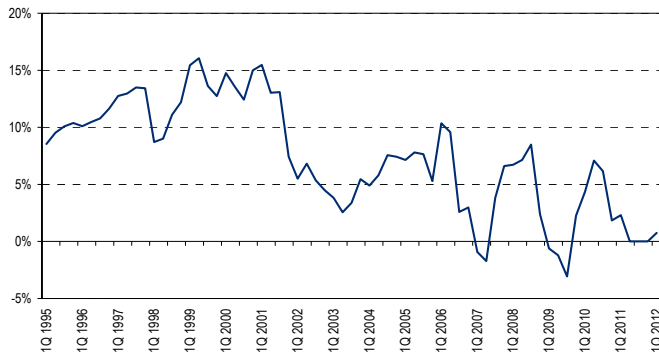
Figure 142. Belgium – Deposit Growth %



Source: National Bank of Belgium, Citi Research

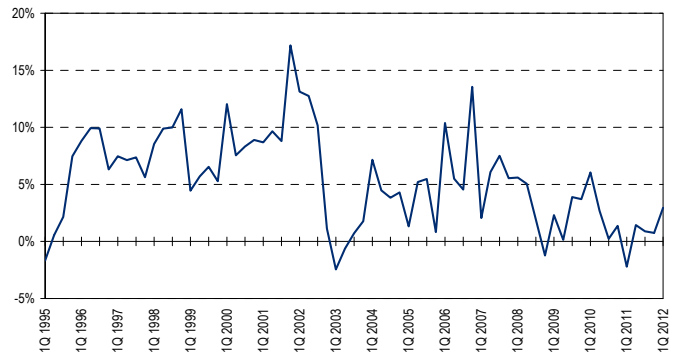
Source: National Bank of Belgium, Citi Research

Figure 143. Netherlands – Loan Growth %



Source: De Nederlandsche Bank, Citi Research

Figure 144. Netherlands – Deposit Growth %



Source: De Nederlandsche Bank, Citi Research

## LatAm:

Figure 145. Brazil – Loan Growth %



Figure 146. Brazil – Deposit Growth %



Figure 147. Mexico – Loan Growth %



Figure 148. Mexico – Deposit Growth %

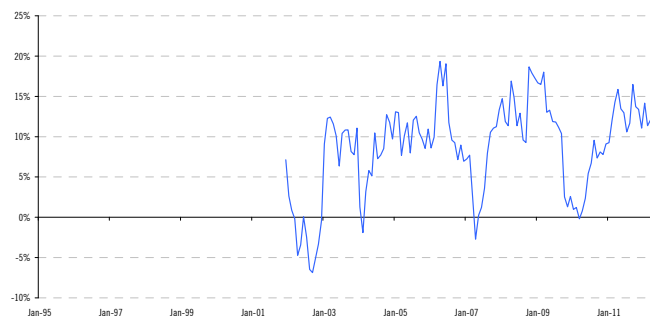


Figure 149. Argentina – Loan Growth %



Figure 150. Argentina – Deposit Growth %



Figure 151. Chile – Loan Growth %



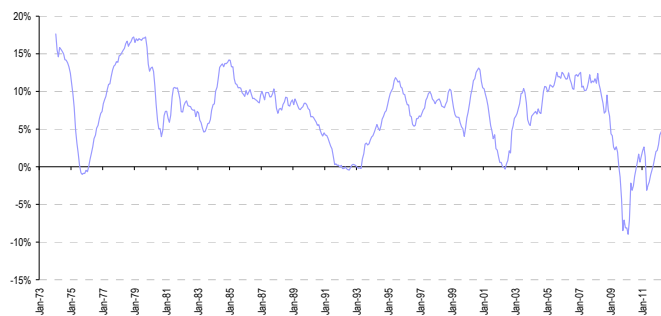
Figure 152. Chile – Deposit Growth %



Source for all charts: Central Bank data

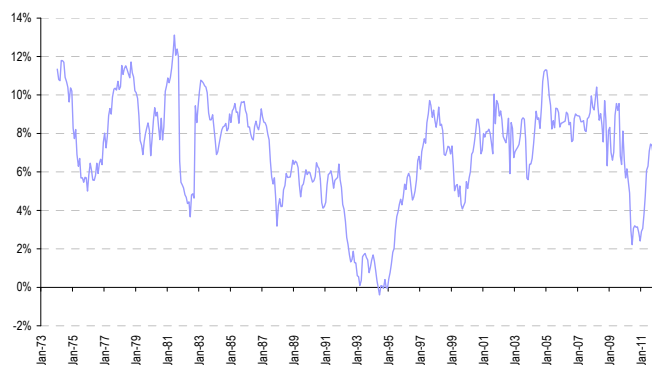
## North America:

Figure 153. United States – Loan Growth %



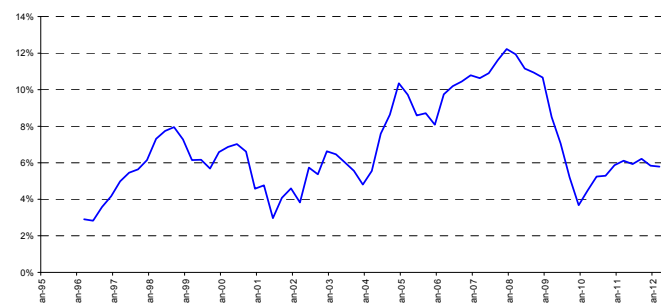
Source: Federal Reserve

Figure 154. United States – Deposit Growth %



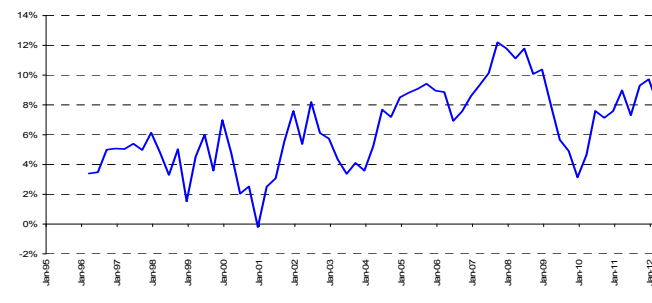
Source: Federal Reserve

Figure 155. Canada – Loan Growth %



Source: Statistics Canada, Citi Research

Figure 156. Canada – Deposit Growth %



Source: Statistics Canada, Citi Research

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## Economic Forecasts

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Figure 157. Selected Countries — Economic Forecast Overview (Percent), 2011-2016F

	GDP Growth						CPI Inflation						Short-Term Interest Rates					
	2011	2012F	2013F	2014F	2015F	2016F	2011	2012F	2013F	2014F	2015F	2016F	2011	2012F	2013F	2014F	2015F	2016F
<b>Global</b>	<b>3.0</b>	<b>2.6</b>	<b>2.7</b>	<b>3.6</b>	<b>3.7</b>	<b>3.8</b>	<b>3.7</b>	<b>2.8</b>	<b>2.7</b>	<b>2.8</b>	<b>2.8</b>	<b>2.8</b>	<b>2.53</b>	<b>2.35</b>	<b>2.34</b>	<b>2.60</b>	<b>2.89</b>	<b>3.26</b>
<i>Based on PPP weights</i>	3.6	3.0	3.2	3.9	4.0	4.1	4.2	3.2	3.1	3.1	3.1	3.0						
<b>Industrial Countries</b>	<b>1.3</b>	<b>1.2</b>	<b>1.0</b>	<b>2.1</b>	<b>2.3</b>	<b>2.5</b>	<b>2.3</b>	<b>1.7</b>	<b>1.3</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>	<b>0.76</b>	<b>0.58</b>	<b>0.53</b>	<b>0.67</b>	<b>0.99</b>	<b>1.54</b>
<b>United States</b>	<b>1.7</b>	<b>2.1</b>	<b>2.0</b>	<b>3.5</b>	<b>3.5</b>	<b>4.0</b>	<b>2.5</b>	<b>1.7</b>	<b>1.5</b>	<b>2.1</b>	<b>2.2</b>	<b>2.2</b>	<b>0.25</b>	<b>0.25</b>	<b>0.25</b>	<b>0.40</b>	<b>1.15</b>	<b>2.10</b>
<b>Japan</b>	<b>-0.7</b>	<b>2.7</b>	<b>1.4</b>	<b>1.5</b>	<b>1.5</b>	<b>1.2</b>	<b>-0.3</b>	<b>0.2</b>	<b>-0.1</b>	<b>0.3</b>	<b>0.4</b>	<b>0.5</b>	<b>0.10</b>	<b>0.10</b>	<b>0.10</b>	<b>0.10</b>	<b>0.13</b>	<b>0.48</b>
<b>Euro Area</b>	<b>1.5</b>	<b>-0.7</b>	<b>-0.8</b>	<b>0.8</b>	<b>1.1</b>	<b>1.2</b>	<b>2.7</b>	<b>2.3</b>	<b>1.6</b>	<b>1.1</b>	<b>1.0</b>	<b>1.0</b>	<b>1.19</b>	<b>0.75</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.75</b>
Canada	2.4	2.0	2.2	2.7	3.2	3.5	2.9	1.6	1.6	2.0	2.0	2.0	1.00	1.00	1.63	2.19	2.50	3.00
Australia	2.0	3.7	3.4	3.8	3.8	3.6	3.4	1.8	3.2	2.9	2.7	2.5	4.75	3.56	3.44	4.50	5.00	5.25
New Zealand	1.3	2.3	2.8	3.0	3.2	3.4	4.0	1.6	2.4	2.6	2.9	2.8	2.50	2.50	3.25	4.25	5.00	5.50
Germany	3.1	1.2	0.9	1.0	1.3	1.1	2.3	1.9	2.1	2.2	2.2	2.2						
France	1.7	-0.1	-0.2	0.9	1.2	1.8	2.3	2.1	0.8	1.4	1.9	1.6						
Italy	0.5	-2.6	-2.0	0.1	0.9	0.7	2.9	3.1	1.0	-0.4	-0.7	0.2						
Spain	0.7	-2.1	-3.1	0.4	1.9	1.4	3.1	1.5	0.3	0.2	0.7	1.1						
Greece	-6.9	-7.5	-10.1	-1.1	4.5	4.3	3.1	0.9	15.0	19.0	6.3	6.0						
Ireland	0.7	-1.0	0.4	2.0	2.1	2.1	-0.4	0.1	0.2	0.5	0.6	0.6						
Portugal	-1.6	-4.6	-5.5	-0.6	1.5	1.5	3.6	2.6	1.5	0.4	0.1	0.2						
Netherlands	1.3	-1.5	-0.6	1.0	1.2	1.4	2.3	2.8	2.5	1.6	1.9	1.8						
Belgium	2.0	0.0	-0.3	0.8	1.5	1.9	3.5	2.9	1.7	1.9	2.3	2.3						
Denmark	1.0	0.7	1.3	1.6	1.7	1.8	2.8	2.5	1.7	1.5	1.6	1.8	1.30	0.16	-0.20	0.55	0.60	1.00
Norway	2.5	3.0	2.9	2.7	2.7	2.9	1.3	1.3	1.8	2.0	2.4	2.5	2.10	1.50	1.90	2.30	2.90	3.30
Sweden	4.0	0.4	1.9	2.4	2.5	2.7	3.0	1.2	1.6	2.2	2.1	2.0	1.80	1.20	1.10	1.60	2.10	2.50
Switzerland	2.1	1.4	0.8	1.1	1.1	1.1	0.2	-0.9	-1.4	-0.9	0.4	0.7	0.22	0.00	0.00	0.00	0.00	0.00
United Kingdom	0.6	-0.4	0.6	1.1	1.7	2.5	4.5	2.6	1.8	1.8	1.6	1.5	0.50	0.50	0.50	0.50	0.50	1.04
<b>Emerging Markets</b>	<b>6.0</b>	<b>4.9</b>	<b>5.5</b>	<b>5.7</b>	<b>5.7</b>	<b>5.7</b>	<b>6.1</b>	<b>4.7</b>	<b>4.8</b>	<b>4.7</b>	<b>4.6</b>	<b>4.5</b>	<b>5.70</b>	<b>5.30</b>	<b>5.20</b>	<b>5.50</b>	<b>5.60</b>	<b>5.60</b>
<b>China</b>	<b>9.2</b>	<b>7.8</b>	<b>7.9</b>	<b>7.6</b>	<b>7.3</b>	<b>7.0</b>	<b>5.4</b>	<b>2.9</b>	<b>3.1</b>	<b>3.8</b>	<b>4.0</b>	<b>4.0</b>	<b>3.20</b>	<b>3.20</b>	<b>3.00</b>	<b>3.60</b>	<b>4.00</b>	<b>4.00</b>
Taiwan	4.0	2.8	4.2	4.5	4.5	4.5	1.4	1.9	2.1	1.8	1.8	1.8	0.80	0.90	0.90	1.10	1.30	1.40
India	6.5	6.4	6.9	7.1	7.3	7.4	8.8	7.4	6.5	6.0	6.0	6.0	8.20	7.80	7.50	7.50	7.50	7.50
Indonesia	6.5	6.1	6.3	6.7	6.5	6.7	5.4	4.4	4.7	5.3	5.8	5.4	5.40	3.80	4.20	4.50	4.60	5.10
Korea	3.6	2.8	3.6	3.8	4.0	4.2	4.0	2.8	3.0	3.1	3.0	3.2	3.20	3.10	2.90	3.50	4.30	4.50
Czech Republic	1.7	-1.0	1.0	2.6	3.3	3.5	1.9	3.2	2.4	1.8	2.3	1.6	0.80	0.60	0.30	1.00	1.60	2.30
Hungary	1.7	-0.9	0.8	2.0	2.0	1.8	3.9	5.2	3.5	3.5	3.1	3.3	6.00	6.80	6.00	6.00	5.90	5.50
Poland	4.3	2.7	2.4	3.1	3.4	3.4	4.3	3.9	2.6	2.5	2.5	2.5	4.20	4.70	4.30	4.40	4.80	4.80
Romania	2.5	1.3	3.0	4.2	4.3	4.3	5.8	2.8	2.7	2.5	2.5	2.5	6.20	5.30	5.00	5.00	5.00	5.00
Russia	4.3	3.5	4.0	4.1	4.0	4.2	8.4	5.1	6.9	5.8	5.5	5.0	8.10	8.00	7.10	6.00	6.00	5.40
Turkey	8.5	2.5	4.3	4.6	4.6	4.6	6.5	9.4	7.0	6.0	5.9	5.4	6.00	5.80	6.30	8.00	7.60	7.50
Nigeria	7.8	7.4	6.8	7.2	6.9	7.2	10.8	12.4	9.8	10.3	9.5	9.0	8.90	15.00	12.50	10.50	10.00	9.50
South Africa	3.1	2.7	3.6	4.4	4.4	4.5	5.0	6.1	5.4	5.2	5.4	5.5	5.50	5.50	6.10	6.50	6.50	6.50
Argentina	8.9	3.0	3.0	2.0	2.0	3.5	9.8	9.6	11.4	14.4	15.0	16.5	18.40	13.50	17.70	16.00	14.00	13.00
Brazil	2.7	2.3	4.5	4.5	4.5	4.5	6.6	5.1	5.3	4.5	4.0	4.0	11.70	8.50	7.90	9.40	9.00	8.30
Mexico	3.9	3.9	3.8	3.5	3.6	3.7	3.4	4.0	3.9	3.9	3.8	3.7	4.50	4.50	4.50	4.60	5.50	6.40
Venezuela	4.2	5.0	3.5	4.0	3.0	2.5	27.1	23.6	27.5	31.6	29.6	29.6	13.30	14.40	14.40	13.00	12.90	12.70

Note: For inflation, we use the PCE deflator in the US, wholesale price index in India, GDP deflator in Ireland. For Indonesia we refer to the FasB1 rate to reflect actual money market rates.

Source: Citi Research

Figure 158. Selected Countries — Economic Forecast Overview (Percent), 2011-2016F

	Current Balance (Pct of GDP)						Fiscal Balance (Pct of GDP)						Government Debt (Pct of GDP)					
	2011	2012F	2013F	2014F	2015F	2016F	2011	2012F	2013F	2014F	2015F	2016F	2011	2012F	2013F	2014F	2015F	2016F
<b>Global</b>	<b>0.5</b>	<b>0.3</b>	<b>0.3</b>	<b>0.1</b>	<b>0.2</b>	<b>0.2</b>	<b>-4.9</b>	<b>-4.3</b>	<b>-3.4</b>	<b>-2.9</b>	<b>-2.6</b>	<b>-2.4</b>	<b>80</b>	<b>82</b>	<b>82</b>	<b>82</b>	<b>81</b>	<b>79</b>
<i>Based on PPP weights</i>	<i>0.7</i>	<i>0.5</i>	<i>0.3</i>	<i>0.1</i>	<i>0.1</i>	<i>0.1</i>	<i>-4.3</i>	<i>-3.9</i>	<i>-3.2</i>	<i>-2.8</i>	<i>-2.6</i>	<i>-2.4</i>						
<b>Industrial Countries</b>	<b>-0.5</b>	<b>-0.6</b>	<b>-0.4</b>	<b>-0.3</b>	<b>-0.2</b>	<b>-0.1</b>	<b>-6.8</b>	<b>-5.7</b>	<b>-4.5</b>	<b>-3.8</b>	<b>-3.2</b>	<b>-3.0</b>	<b>105</b>	<b>111</b>	<b>113</b>	<b>115</b>	<b>115</b>	<b>115</b>
<b>United States</b>	<b>-3.1</b>	<b>-3.2</b>	<b>-3.0</b>	<b>-3.1</b>	<b>-3.2</b>	<b>-3.2</b>	<b>-9.4</b>	<b>-7.8</b>	<b>-5.9</b>	<b>-4.6</b>	<b>-4.0</b>	<b>-4.0</b>	<b>98</b>	<b>104</b>	<b>106</b>	<b>108</b>	<b>108</b>	<b>108</b>
<b>Japan</b>	<b>2.0</b>	<b>1.5</b>	<b>1.7</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>	<b>-10.7</b>	<b>-10.5</b>	<b>-8.1</b>	<b>-7.9</b>	<b>-7.5</b>	<b>-7.1</b>	<b>228</b>	<b>235</b>	<b>242</b>	<b>246</b>	<b>251</b>	<b>255</b>
<b>Euro Area</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>	<b>0.2</b>	<b>0.4</b>	<b>0.5</b>	<b>-4.1</b>	<b>-3.3</b>	<b>-2.7</b>	<b>-2.5</b>	<b>-1.8</b>	<b>-1.4</b>	<b>87</b>	<b>95</b>	<b>97</b>	<b>97</b>	<b>96</b>	<b>95</b>
Canada	-2.8	-2.6	-2.4	-2.0	-1.5	-0.9	-1.4	-1.2	-0.5	-0.1	0.2	0.4	85	85	84	83	81	79
Australia	-2.3	-4.1	-5.3	-4.9	-3.5	-3.2	-3.4	-3.0	0.1	0.1	0.3	0.4	6	10	9	9	8	7
New Zealand	-4.2	-5.0	-7.0	-6.4	-5.8	-5.5	-9.2	-4.1	-3.6	-0.9	0.1	0.9	22	27	31	34	35	36
Germany	5.8	5.2	3.8	3.5	3.4	3.2	-1.0	-0.6	-0.4	-0.4	-0.1	0.2	81	83	83	81	79	77
France	-2.2	-1.9	-1.1	-0.3	0.3	0.4	-5.2	-4.5	-4.0	-3.5	-2.6	-1.8	86	93	99	101	101	99
Italy	-3.2	-2.3	-1.8	-1.5	-1.3	-1.2	-3.9	-2.9	-2.9	-3.0	-2.1	-2.2	120	130	135	138	137	139
Spain	-3.5	-2.5	-1.7	-0.3	0.7	1.7	-8.9	-6.2	-6.0	-5.1	-4.0	-2.9	69	84	101	106	106	106
Greece	-9.6	-7.6	-3.5	0.7	2.5	3.1	-9.1	-10.8	-5.8	-4.9	-3.2	-6.3	165	157	437	382	103	92
Ireland	0.1	3.8	4.0	6.4	8.0	9.4	-13.0	-9.4	-9.8	-7.6	-6.3	-5.4	108	122	130	133	134	137
Portugal	-8.1	-4.5	-2.5	-1.5	-1.4	-1.0	-4.2	-5.5	-4.2	-4.3	-2.6	-2.4	108	120	133	100	103	103
Netherlands	8.4	9.6	9.5	8.5	7.5	7.1	-4.7	-4.5	-3.5	-2.3	-1.5	-1.0	65	70	73	74	73	72
Belgium	-0.8	-0.2	0.3	1.0	2.0	2.4	-3.7	-2.8	-2.6	-2.3	-1.5	-1.1	98	112	119	118	115	112
Denmark	6.6	5.5	5.4	4.0	3.5	3.7	-1.9	-3.5	-2.0	-1.9	-1.7	0.5	47	49	49	50	50	48
Norway	14.0	14.3	14.9	15.2	15.8	16.5	13.8	13.6	14.0	15.0	17.0	18.5	NA	NA	NA	NA	NA	NA
Sweden	7.0	7.0	7.2	7.3	7.2	7.3	0.1	-0.1	-0.2	0.6	1.2	1.5	37	37	36	33	31	28
Switzerland	14.8	12.4	11.1	10.4	10.4	10.5	0.7	0.5	0.1	0.2	-0.1	-0.4	52	51	50	50	50	50
United Kingdom	-1.9	-1.7	-0.7	0.2	1.0	1.4	-8.3	-6.7	-7.9	-7.4	-6.8	-5.8	83	89	96	102	106	109
<b>Emerging Markets</b>	<b>2.2</b>	<b>1.9</b>	<b>1.4</b>	<b>0.8</b>	<b>0.7</b>	<b>0.7</b>	<b>-1.5</b>	<b>-1.8</b>	<b>-1.7</b>	<b>-1.6</b>	<b>-1.7</b>	<b>-1.7</b>	<b>34</b>	<b>34</b>	<b>33</b>	<b>32</b>	<b>31</b>	<b>30</b>
<b>China</b>	<b>2.8</b>	<b>2.0</b>	<b>1.5</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>	<b>-1.3</b>	<b>-2.4</b>	<b>-1.5</b>	<b>-1.0</b>	<b>-1.0</b>	<b>-1.0</b>	<b>15</b>	<b>16</b>	<b>16</b>	<b>15</b>	<b>15</b>	<b>14</b>
Taiwan	8.8	8.7	8.4	8.0	8.0	8.0	-1.9	-1.6	-1.6	-1.3	-1.0	-0.7	39	39	40	42	43	44
India	-4.0	-3.5	-2.6	-2.2	-1.7	-1.1	-8.4	-8.0	-7.7	-7.0	-6.5	-5.0	69	69	68	66	64	63
Indonesia	0.2	-1.9	-1.2	-0.9	-1.0	-0.9	-1.2	-1.8	-0.7	-1.0	-0.5	-0.5	26	25	24	23	23	22
Korea	2.4	1.8	1.9	1.2	0.2	-0.7	1.5	1.2	1.5	1.6	1.5	2.2	33	3	32	31	29	27
Czech Republic	-3.0	-2.2	-2.2	-3.7	-2.3	-2.0	-3.1	-3.2	-2.9	-2.3	-1.5	-0.5	4	45	46	45	44	41
Hungary	1.7	1.2	1.9	1.5	1.0	1.0	4.3	-2.8	-2.5	-3.0	-3.0	-3.0	8	7	78	77	77	77
Poland	-4.3	-3.8	-4.5	-5.2	-5.3	-4.9	-5.1	-3.1	-2.5	-1.8	-1.5	-1.5	54	52	50	48	47	45
Romania	-4.4	-4.5	-4.7	-5.0	-5.0	-5.0	-4.1	-2.4	-2.2	-2.5	-2.3	-2.0	39	39	39	39	38	37
Russia	5.3	5.8	2.4	-1.0	-1.0	-1.0	2.0	0.3	0.1	-0.1	-1.1	-1.1	8	9	9	8	8	8
Turkey	-10.0	-7.5	-6.9	-6.4	-5.9	-5.5	-1.3	-2.2	-2.5	-2.5	-2.7	-3.0	41	41.0	39.4	39	38	36
Nigeria	6.1	5.7	6.4	5.0	4.0	3.5	-3.1	-2.2	-2.1	-2.6	-3.0	-2.6	NA	NA	NA	NA	NA	NA
South Africa	-3.4	-4.7	-5.6	-6.6	-6.3	-5.8	-5.0	-4.8	-4.2	-3.6	-3.5	-3.5	38	41	42	43	43	43
Argentina	0.0	0.1	-0.3	-0.5	-0.6	-0.7	-1.6	-3.0	-2.0	-1.3	-0.6	0.1	41	43	47	52	53	53
Brazil	-2.1	-2.1	-2.5	-2.7	-3.0	-3.3	-2.6	-1.9	-2.7	-2.5	-2.3	-2.6	63	63	63	64	64	65
Mexico	-0.8	-1.4	-2.0	-2.5	-2.4	-2.6	-2.5	-2.2	-2.0	-1.9	-1.9	-1.8	40	40	38	38	38	37
Venezuela	9.1	4.9	3.7	5.6	5.8	5.0	-5.0	-5.0	-4.0	-5.2	-5.0	-4.8	43	35	35	35	36	37

Note: Fiscal deficit and debt figures for all countries are general government debt and deficits. We assume sovereign debt restructuring in Portugal in 2014 and Greece in 2015.

Source: Citi Research

Figure 159. Selected Countries — Changes in Economic Forecast from the Previous Month (Percentage Points), 2011-2013F

	GDP Growth			CPI Inflation			Current Balance (Pct of GDP)			Fiscal Balance (Pct of GDP)		
	2011	2012F	2013F	2011	2012F	2013F	2011	2012F	2013F	2011	2012F	2013F
<b>Global</b>		-0.1	-0.2		-0.2	-0.2	0.2	0.1	0.1		-0.2	-0.1
<i>Based on PPP weights</i>		-0.2	-0.2		-0.2	-0.2	0.1	0.1			-0.1	-0.1
<b>Industrial Countries</b>			-0.1		-0.2	-0.2	0.2	0.2	0.2		-0.1	
<b>United States</b>			-0.1		-0.2	-0.2		0.1	0.1			
<b>Japan</b>		0.1	-0.1		-0.2	-0.1			-0.3			
<b>Euro Area</b>		-0.1	-0.1		-0.2	-0.2		0.1			-0.2	0.2
Canada	-0.1		-0.1		-0.2	-0.1		-1.0	-0.8			
Australia		0.9	-0.1		-0.1	-0.2		-0.1	0.5			
New Zealand		0.5	0.5				-0.2	0.2	0.6	-1.2	1.8	-0.5
Germany		-0.2	-0.1		-0.2	-0.2		-0.2	-0.7		-0.1	-0.1
France			-0.1		-0.2	-0.2					-0.1	0.1
Italy		-0.1			-0.5	-1.0						-0.2
Spain		0.1	-0.5		-0.7	-2.0		-0.4	-0.7		0.2	0.3
Greece		-0.1			-0.3	-0.3		0.8	0.9		-0.1	
Ireland		-0.2						0.6	0.4		-0.1	-0.1
Portugal			-0.3		-0.5	-0.7		0.1				-0.1
Netherlands						-0.1	-0.6	-0.2				
Belgium			-0.4								0.4	0.3
Denmark		0.1	0.1	0.1	0.3		0.1	-0.3	-0.1		0.5	0.4
Norway												
Sweden			-0.1				-0.2		-0.1	-0.1	0.3	
Switzerland	0.2	0.7	-0.1		0.2	0.1	-0.2	-1.4	-2.9	0.1	0.3	0.3
United Kingdom		-0.2	0.1		-0.3			-0.4	-0.2		-0.4	-0.2
<b>Emerging Markets</b>		-0.3	-0.3		-0.2	-0.2		-0.1	-0.2		-0.2	-0.2
<b>China</b>		-0.3	-0.6		-0.6	-0.4						
Taiwan		-0.5										
India	-0.4	-0.6	-0.6	-0.2	0.4			0.6	0.8			
Indonesia		-0.1	-0.2					-0.9	-0.3			
Korea		-0.6	-0.6		-0.2	-0.2		0.7	1.2		-0.2	0.3
Czech Republic		-0.4	-0.3		-0.1	-0.3	-0.1	0.4	0.4		-0.1	-0.1
Hungary		-0.4	-0.1		-0.4	-0.4		0.2	0.9			
Poland					0.1			0.1	-0.5			
Romania							-0.2					
Russia							0.1	0.5	0.3			
Turkey					-0.3			0.9	1.1			
Nigeria			-0.2					0.2				
South Africa		-0.2	-0.2									
Argentina						-0.8	-0.4	-0.2	-0.5			1.0
Brazil		-1.0			-0.3	-0.3			-0.1			-0.1
Mexico					0.1							
Venezuela				2.6	-3.4	0.1		-2.0	-4.6			

Source: Citi Research

Figure 160. Selected Countries — Economic Forecast Overview and Exchange Rate Forecasts (Percent), 2011-2016F

	10-Year Yields						Exchange Rates Versus U.S. Dollar*						Exchange Rate Versus Euro					
	2011	2012F	2013F	2014F	2015F	2016F	2011	2012F	2013F	2014F	2015F	2016F	2011	2012F	2013F	2014F	2015F	2016F
<b>Industrial Countries</b>																		
United States	2.80	1.80	2.25	3.00	3.40	3.75	NA	NA	NA	NA	NA	NA	1.39	1.26	1.19	1.30	1.33	1.35
Japan	1.12	0.98	1.22	1.50	1.75	1.75	79	81	82	84	84	84	110	102	98	109	112	114
Euro Area	2.71	1.52	1.53	2.30	2.50	3.00	1.39	1.26	1.19	1.30	1.33	1.35	NA	NA	NA	NA	NA	NA
Canada	2.78	1.87	2.64	3.40	3.50	3.75	1.01	1.02	1.00	0.97	0.96	0.96	1.39	1.28	1.18	1.26	1.28	1.30
Australia	4.63	3.35	3.85	4.90	5.25	5.50	1.01	1.01	0.95	0.90	0.90	0.90	1.37	1.25	1.25	1.43	1.48	1.51
New Zealand	4.74	3.75	4.50	5.00	5.40	6.00	0.77	0.79	0.72	0.64	0.64	0.64	1.79	1.59	1.66	2.04	2.09	2.11
Germany	2.71	1.52	1.53	2.30	2.50	3.00												
France	3.31	2.71	2.66	3.30	3.30	3.60												
Italy	5.19	6.45	8.03	7.30	6.50	6.00												
Spain	5.43	6.44	8.03	7.10	6.30	5.80												
Netherlands	3.04	2.13	2.10	2.70	2.85	3.30												
Belgium	4.21	3.36	3.28	3.50	3.50	3.80												
Denmark	2.80	1.22	1.25	2.35	2.65	3.25	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Norway	3.07	2.08	2.11	2.90	3.20	3.75	5.66	5.98	6.26	5.67	5.52	5.41	7.84	7.52	7.43	7.35	7.34	7.32
Sweden	2.66	1.53	1.57	2.35	2.60	3.25	6.60	7.06	7.29	6.56	6.40	6.28	9.14	8.88	8.65	8.51	8.50	8.49
Switzerland	1.53	0.64	0.60	1.15	1.50	2.10	0.90	0.96	1.01	0.93	0.93	0.94	1.25	1.20	1.20	1.21	1.24	1.27
United Kingdom	3.00	1.87	2.00	2.50	3.00	3.50	1.59	1.56	1.50	1.64	1.68	1.71	0.87	0.81	0.79	0.79	0.79	0.79
<b>Emerging Markets</b>																		
China	3.52	2.70	2.56	3.25	3.62	3.62	6.46	6.33	6.31	6.16	6.12	6.09	9.00	7.96	7.49	7.98	8.12	8.23
Taiwan	1.38	1.35	1.50	1.60	1.70	1.80	29.40	29.88	28.86	28.50	28.39	28.29	40.93	37.58	34.25	36.94	37.70	38.27
India	8.40	8.25	8.25	8.25	8.25	8.25	46.63	53.99	54.74	52.34	51.43	50.66	64.92	67.90	64.98	67.83	68.31	68.55
Indonesia	7.20	6.84	7.00	7.25	7.00	7.00	8763	9387	9630	9640	9593	9543	12201	11804	11431	12494	12742	12912
Korea	3.90	3.45	3.50	4.13	4.88	5.13	1108	1146	1146	1079	1047	1018	1542	1441	1360	1399	1391	1377
Czech Republic	3.68	3.39	3.39	3.46	3.82	4.00	17.7	20.4	21.8	19.0	17.9	16.9	24.6	25.6	25.9	24.6	23.7	22.8
Hungary	7.63	8.35	8.00	7.91	7.69	7.40	201	226	243	223	215	209	279	284	289	289	286	283
Poland	5.99	5.63	5.38	5.55	5.57	5.40	2.96	3.37	3.70	3.04	2.94	2.88	4.12	4.24	4.39	3.94	3.90	3.90
Romania	NA	NA	NA	NA	NA	NA	3.04	3.52	3.64	3.23	3.07	2.93	4.23	4.42	4.31	4.19	4.07	3.97
Russia	NA	NA	NA	NA	NA	NA	29.4	32.5	34.9	33.0	31.9	31.0	41.0	40.9	41.4	42.8	42.4	41.9
Turkey	NA	NA	NA	NA	NA	NA	1.68	1.80	1.87	1.86	1.88	1.91	2.34	2.26	2.22	2.41	2.50	2.59
Nigeria	NA	NA	NA	NA	NA	NA	156	161	165	163	165	164	217	202	196	211	219	222
South Africa	8.24	8.21	8.90	9.15	9.20	9.20	7.26	8.27	8.81	8.92	9.27	9.64	10.11	10.40	10.46	11.57	12.31	13.04
Argentina	NA	NA	NA	NA	NA	NA	4.13	4.55	5.45	6.75	8.34	9.99	5.74	5.73	6.47	8.75	11.08	13.52
Brazil	11.45	10.07	9.48	9.24	8.75	8.25	1.67	1.97	1.93	1.85	1.83	1.81	2.33	2.48	2.30	2.40	2.43	2.45
Mexico	6.83	6.26	6.74	7.10	7.38	7.72	12.4	13.4	13.4	12.3	12.5	12.8	17.3	16.9	15.9	16.0	16.6	17.3
Venezuela	13.65	12.44	12.64	13.90	13.80	13.70	4.29	4.30	6.50	6.50	9.75	9.75	5.98	5.41	7.72	8.42	12.95	13.19

\*Per USD except Euro Area, Australia, New Zealand, United Kingdom.

Source: Citi Research

Figure 161. Short Rates (End of Period), as of 27 Jun 2012 (Percent)

	Current	3Q 12	4Q 12	1Q 13	2Q 13	3Q 13	4Q 13
<b>United States</b>	<b>0.25</b>	<b>0.25</b>	<b>0.25</b>	<b>0.25</b>	<b>0.25</b>	<b>0.25</b>	<b>0.25</b>
<b>Japan</b>	<b>0.10</b>	<b>0.10</b>	<b>0.10</b>	<b>0.10</b>	<b>0.10</b>	<b>0.10</b>	<b>0.10</b>
<b>Euro Area</b>	<b>1.00</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>
Canada	1.00	1.00	1.00	1.25	1.50	1.75	2.00
Australia	3.50	3.25	3.25	3.25	3.25	3.50	3.75
New Zealand	2.50	2.50	2.50	2.75	3.00	3.50	3.75
Denmark	0.45	-0.20	-0.50	-0.50	-0.30	0.00	0.00
Norway	1.50	1.50	1.50	1.75	1.75	2.00	2.00
Sweden	1.50	1.25	1.00	1.00	1.00	1.00	1.00
Switzerland	0.00	0.00	0.00	0.00	0.00	0.00	0.00
United Kingdom	0.50	0.50	0.50	0.50	0.50	0.50	0.50
<b>China</b>	<b>3.25</b>	<b>2.75</b>	<b>2.75</b>	<b>2.75</b>	<b>2.75</b>	<b>3.00</b>	<b>3.25</b>

Note: The rates shown are overnight rates, except for Denmark, where it is the central bank's lending rate; Switzerland, where it is the SNB's three-month LIBOR target; and China, where it is the one-year deposit rate.

Source: Citi Research

Figure 162. 10-Year Yield Forecasts (Period Average), as of 27 Jun 2012 (Percent)

	Current	3Q 12	4Q 12	1Q 13	2Q 13	3Q 13	4Q 13
<b>United States</b>	<b>1.63</b>	<b>1.60</b>	<b>1.80</b>	<b>2.00</b>	<b>2.10</b>	<b>2.35</b>	<b>2.60</b>
<b>Japan</b>	<b>0.82</b>	<b>0.95</b>	<b>1.10</b>	<b>1.20</b>	<b>1.10</b>	<b>1.30</b>	<b>1.30</b>
<b>Euro area (Germany)</b>	<b>1.53</b>	<b>1.40</b>	<b>1.25</b>	<b>1.25</b>	<b>1.35</b>	<b>1.50</b>	<b>2.00</b>
Canada	1.75	1.65	1.85	2.30	2.50	2.75	3.00
Australia	2.97	3.15	3.25	3.40	3.70	4.00	4.30
New Zealand	3.40	3.60	3.80	4.00	4.40	4.75	4.90
Denmark	1.38	1.10	0.65	0.65	1.05	1.40	1.90
Norway	2.14	2.00	1.85	1.85	1.95	2.05	2.55
Sweden	1.24	1.40	1.25	1.25	1.40	1.55	2.05
Switzerland	0.62	0.60	0.52	0.52	0.57	0.65	0.90
United Kingdom	1.69	1.60	1.65	1.70	1.80	2.00	2.50

Note: Bond yields measured on local market basis (semi-annual for the United States, United Kingdom, Canada, Australia, and New Zealand; annual for the rest). The 10-year yield for the euro area is the Bund yield.

Source: Citi Research

Figure 163. 10-Year Yield Spreads (Period Average), as of 27 Jun 2012

	Spread vs. US\$						Spread vs. Germany					
	Current	3Q 12	4Q 12	1Q 13	2Q 13	3Q 13	Current	3Q 12	4Q 12	1Q 13	2Q 13	3Q 13
<b>United States</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>11</b>	<b>21</b>	<b>56</b>	<b>76</b>	<b>76</b>	<b>86</b>
<b>Japan</b>	<b>-82</b>	<b>-66</b>	<b>-71</b>	<b>-81</b>	<b>-101</b>	<b>-106</b>	<b>-71</b>	<b>-45</b>	<b>-15</b>	<b>-5</b>	<b>-25</b>	<b>-20</b>
<b>Euro Area</b>	<b>-11</b>	<b>-21</b>	<b>-56</b>	<b>-76</b>	<b>-76</b>	<b>-86</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
Canada	12	5	5	30	40	41	23	26	61	106	117	127
Australia	136	157	147	142	162	168	146	177	203	218	238	254
New Zealand	179	203	203	203	234	244	190	223	259	279	310	331
France	100	94	64	44	39	24	110	115	120	120	115	110
Italy	448	504	594	624	574	564	458	525	650	700	650	650
Spain	517	504	594	624	574	564	527	525	650	700	650	650
Netherlands	44	49	24	-6	-16	-36	54	70	80	70	60	50
Belgium	158	149	134	124	104	74	168	170	190	200	180	160
Denmark	-25	-51	-116	-136	-106	-96	-15	-30	-60	-60	-30	-10
Norway	51	39	4	-16	-16	-31	61	60	60	60	60	55
Sweden	-39	-21	-56	-76	-71	-81	-29	0	0	0	5	5
Switzerland	-101	-101	-129	-149	-154	-171	-91	-80	-73	-73	-78	-85
United Kingdom	6	-1	-16	-31	-31	-36	16	20	40	45	45	50

NA Not applicable. Note: Spreads calculated on annual basis (except those of the United Kingdom, Canada, Australia and New Zealand over the United States).

Source: Citi Research

Figure 164. Emerging Market Countries — Short Rates Actual and Forecast of Additional Rate Moves (End of Period), as of 27 Jun 2012

Country	Current Rate (%)	Sep 12	Dec 12	Mar 13	Jun 13	Sep 13	Total Cumulative Rate Moves Expected
South Africa	5.50	0	0	0	50	50	100
Turkey	5.75	0	0	0	0	75	75
Indonesia	3.75	0	0	25	25	0	50
Thailand	3.00	0	0	25	25	0	50
Philippines	4.00	0	0	0	0	25	25
Mexico	4.50	0	0	0	0	0	0
Israel	2.25	0	0	0	0	0	0
Brazil	8.50	-100	-25	0	0	100	-25
Korea	3.25	-25	0	-25	0	25	-25
Colombia	5.25	0	-50	0	0	25	-25
Chile	5.00	0	-50	0	0	0	-50
Czech	0.75	-25	-25	0	0	0	-50
China	3.25	-50	0	0	0	0	-50
Poland	4.75	0	0	-25	-25	0	-50
India	8.00	-25	-50	0	0	0	-75
Hungary	7.00	-25	-75	0	0	0	-100
Russia	8.00	0	0	-50	-50	-50	-150

Source: Citi Research

Figure 165. Foreign Exchange Forecasts (End of Period), as of 27 Jun 2012

	vs. USD						vs. EUR					
	Current	Sep 12	Dec 12	Mar 13	Jun 13	Sep 13	Current	Sep 12	Dec 12	Mar 13	Jun 13	Sep 13
United States	NA	NA	NA	NA	NA	NA	1.25	1.24	1.21	1.18	1.15	1.19
Japan	80	80	81	81	82	83	100	99	98	96	95	98
Euro Area	1.25	1.24	1.21	1.18	1.15	1.19	NA	NA	NA	NA	NA	NA
Canada	1.03	1.03	1.02	1.01	1.00	0.99	1.28	1.27	1.23	1.19	1.15	1.18
Australia	1.00	1.00	0.99	0.97	0.96	0.94	1.25	1.24	1.23	1.21	1.20	1.26
New Zealand	0.79	0.79	0.77	0.75	0.73	0.70	1.59	1.56	1.56	1.57	1.58	1.69
Norway	5.99	6.06	6.19	6.34	6.47	6.24	7.49	7.50	7.48	7.47	7.45	7.42
Sweden	7.05	7.26	7.35	7.43	7.51	7.24	8.81	8.99	8.88	8.76	8.65	8.61
Switzerland	0.96	0.97	0.99	1.02	1.04	1.01	1.20	1.20	1.20	1.20	1.20	1.20
United Kingdom	1.56	1.55	1.52	1.49	1.46	1.51	0.80	0.80	0.80	0.79	0.79	0.79
China	6.36	6.33	6.34	6.34	6.35	6.30	8.0	7.8	7.7	7.5	7.3	7.5
India	56.7	54.0	54.5	55.0	55.5	54.6	70.8	66.9	65.9	64.8	63.9	65.0
Korea	1162	1140	1149	1157	1164	1142	1452	1412	1388	1363	1341	1359
Poland	3.41	3.40	3.59	3.77	3.94	3.68	4.26	4.22	4.33	4.44	4.54	4.38
Russia	33.2	33.4	34.2	34.9	35.6	34.9	41.5	41.4	41.3	41.1	41.0	41.5
South Africa	8.45	8.41	8.56	8.71	8.85	8.85	10.56	10.41	10.34	10.26	10.20	10.53
Turkey	1.82	1.78	1.82	1.85	1.88	1.87	2.28	2.21	2.19	2.18	2.17	2.23
Brazil	2.07	2.01	1.99	1.97	1.95	1.92	2.58	2.49	2.40	2.32	2.24	2.29
Mexico	13.9	13.4	13.5	13.6	13.7	13.3	17.3	16.6	16.3	16.0	15.8	15.8

Source: Citi Research

Figure 166. Foreign Exchange Forecasts (End of Period), as of 27 Jun 2012

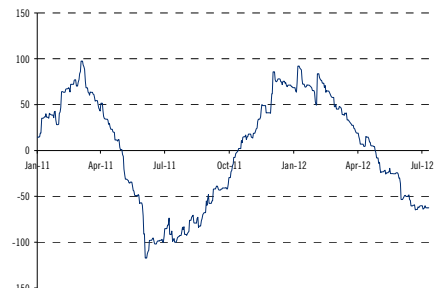
	vs. JPY					
	Current	Sep 12	Dec 12	Mar 13	Jun 13	Sep 13
United States	80	80	81	81	82	83
Japan	NA	NA	NA	NA	NA	NA
Euro Area	100	99	98	96	95	98
Canada	78	78	79	81	82	83
Australia	80	80	80	79	79	78
New Zealand	63.0	63.5	62.3	61.1	59.8	58.1
Norway	13.4	13.2	13.0	12.8	12.7	13.2
Sweden	11.4	11.0	11.0	10.9	10.9	11.4
Switzerland	83	83	81	80	79	82
United Kingdom	125	124	122	121	120	124
China	13	13	13	13	13	13
India	1.41	1.48	1.48	1.48	1.48	1.51
Korea	14.50	14.25	14.23	14.22	14.19	13.84
Poland	23.5	23.5	22.5	21.6	20.8	22.4
Russia	2.4	2.4	2.4	2.3	2.3	2.4
South Africa	9.5	9.5	9.4	9.3	9.3	9.3
Turkey	44.0	44.9	44.5	44.0	43.6	44.1
Brazil	38.8	39.8	40.6	41.3	42.1	42.9
Mexico	5.8	6.0	6.0	6.0	6.0	6.2

Source: Citi Research

## Citi Economic Surprise Indices (CESI)\*

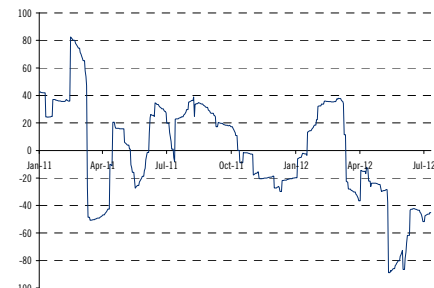
The US CESI continues to remain in the negative territory and has trended sharply lower in the past few months. The Chinese CESI has shown some signs of stabilising.

Figure 167. Citi Economic Surprise Index - US



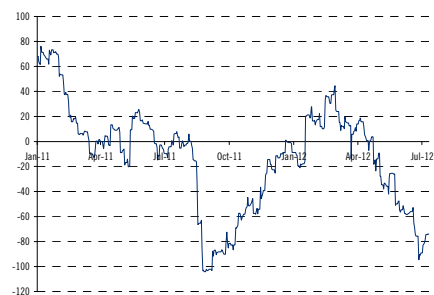
Source: Bloomberg, Citi Research

Figure 168. Citi Economic Surprise Index - China



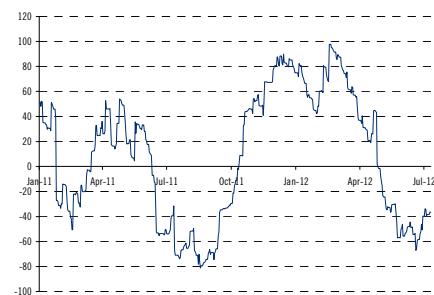
Source: Bloomberg, Citi Research

Figure 169. Citi Economic Surprise Index - Europe



Source: Bloomberg, Citi Research

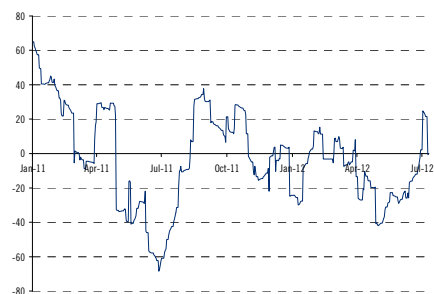
Figure 170. Citi Economic Surprise Index - UK



Source: Bloomberg, Citi Research

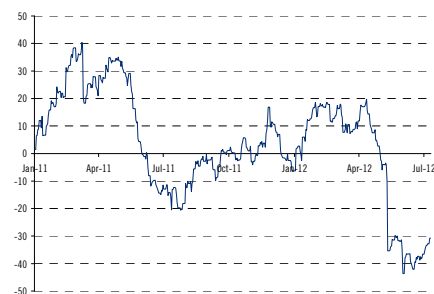
The Europe and UK CESI continues to remain in the negative territory but has improved marginally in the recent past.

Figure 171. Citi Economic Surprise Index - Japan



Source: Bloomberg, Citi Research

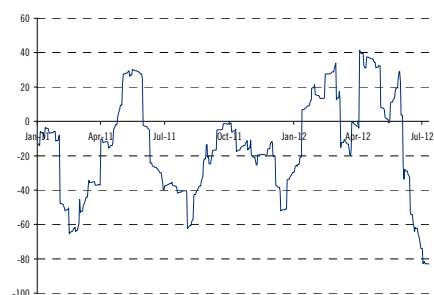
Figure 172. Citi Economic Surprise Index - EM



Source: Bloomberg, Citi Research

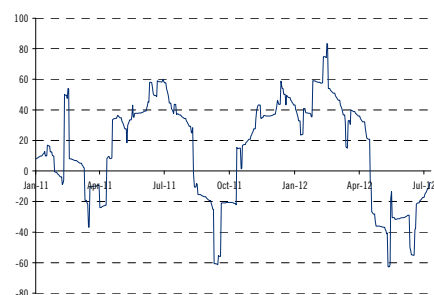
CESI for EM is showing some signs of stabilising while the Japanese CESI Index has moved down after staying positive.

Figure 173. Citi Economic Surprise Index - Brazil



Source: Bloomberg, Citi Research

Figure 174. Citi Economic Surprise Index - Russia



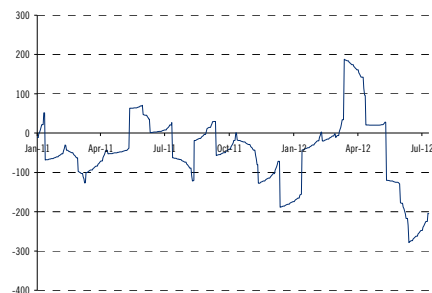
Source: Bloomberg, Citi Research

CESI for Brazil has trended sharply lower in the past few months while that for Russia has shown some signs of stabilising.



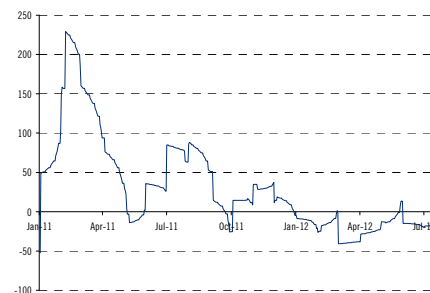
CESI for India remains in the negative territory but has stabilised slightly in the past few weeks.

Figure 175. Citi Economic Surprise Index - India



Source: Bloomberg, Citi Research

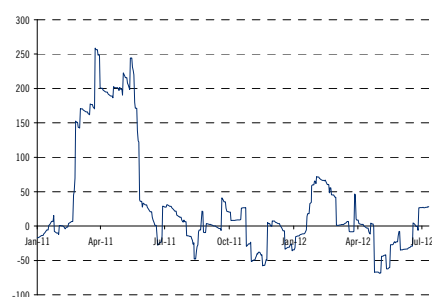
Figure 176. Citi Economic Surprise Index - Indonesia



Source: Bloomberg, Citi Research

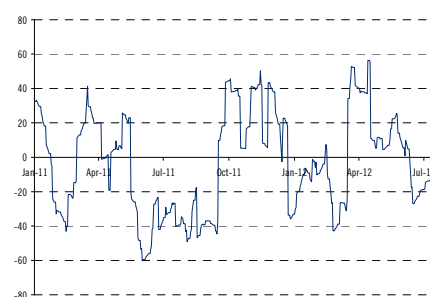
CESI for HK has recently turned positive while that for Singapore has also stabilised in the past few weeks.

Figure 177. Citi Economic Surprise Index - HK



Source: Bloomberg, Citi Research

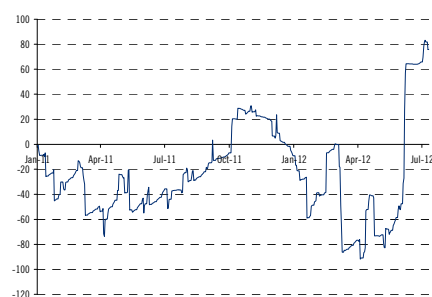
Figure 178. Citi Economic Surprise Index - Singapore



Source: Bloomberg, Citi Research

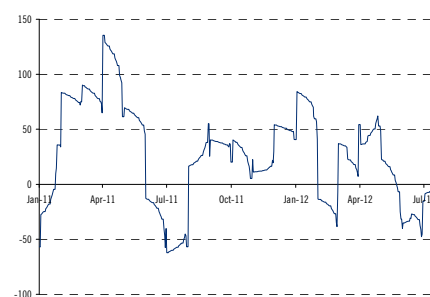
CESI for Australia has improved recently and is now positive.

Figure 179. Citi Economic Surprise Index - Australia



Source: Bloomberg, Citi Research

Figure 180. Citi Economic Surprise Index - Korea



Source: Bloomberg, Citi Research

**Note:** The Citigroup Economic Surprise Indices are objective and quantitative measures of economic news. They are defined as weighted historical standard deviations of data surprises (actual releases vs Bloomberg survey median). A positive reading of the Economic Surprise Index suggests that economic releases have on balance beating consensus. The indices are calculated daily in a rolling three-month window. The weights of economic indicators are derived from relative high-frequency spot FX impacts of 1 standard deviation data surprises. The indices also employ a time decay function to replicate the limited memory of markets.

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# Global Bank Valuations

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Figure 181. Global Valuation Table – Europe, 12 July 2012

		Share Price				Adj P/E <sup>a</sup>							Div Yield
Bank	Rec		Now	Target	+/-%	2011E	2012E	2013E	P/B '11Eb	P/B '12E	ROE '11Eb	ROE '12E	2012E
EUROPE													
Benelux					+30%	1.6x	1.1x	0.8x	0.6x	0.6x	10%	10%	0.1%
KBC	Buy / H	E	16.9	22.0	+30%	7.1x	4.6x	3.4x	0.6x	0.6x	10%	13%	0.1%
ING Groep NV	Buy / H	E	5.2	7.5	+44%						10%	10%	0.0%
CEE/Austria					+19%	11.2x	9.4x	7.2x	1.0x	1.0x	10%	11%	4.3%
Bank Millennium	Neutral	ZL	3.4	3.8	+13%	10.2x	13.5x	7.0x	0.9x	0.8x	8%	6%	4.7%
Bank Pekao	Buy	ZL	140	157	+12%	13.4x	13.8x	11.0x	1.6x	1.6x	13%	12%	6.4%
Bank Zachodni	Buy	ZL	228	264	+16%	14.0x	14.7x	12.2x	2.0x	2.0x	15%	14%	5.7%
BRE	Neutral	ZL	292	266	-9%	11.8x	13.7x	10.4x	1.3x	1.3x	12%	10%	4.3%
Erste Bank	Buy	E	14.9	22.0	+48%	17.6x	6.6x	4.5x	0.5x	0.5x	3%	8%	0.0%
ING Bank Slaski	Buy	ZL	77	89	+15%	14.5x	16.9x	10.4x	1.4x	1.4x	12%	9%	4.7%
Komercni Banka	Neutral	Kc	3410	3900	+14%	10.0x	9.8x	9.6x	1.5x	1.4x	16%	15%	5.9%
Kredyt Bank	Buy / H	ZL	12.9	18.4	+42%	27.4x	nm	15.2x	1.1x	1.1x	4%	1%	0.0%
Nova Kreditna Bk	Buy	E	1.6	6.3	+289%	5.0x	2.5x		0.1x	0.1x	4%	6%	6.2%
OTP Bank	Neutral / H	Ft	3450	4015	+16%	7.1x	5.4x	4.3x	0.6x	0.6x	9%	11%	4.3%
PKO BP	Buy	ZL	32.4	39.7	+23%	10.3x	11.2x	8.9x	1.6x	1.5x	16%	14%	3.9%
Raiffeisen Bank Intl	Buy	E	26.3	30.0	+14%	7.5x	5.2x	4.0x	0.6x	0.6x	9%	12%	4.0%
France					+41%	6.1x	4.7x	4.0x	0.4x	0.3x	6%	8%	4.4%
BNP Paribas	Buy	E	29.9	43	+44%	4.9x	5.3x	5.0x	0.5x	0.5x	10%	9%	5.1%
Credit Agricole	Neutral	E	3.5	3.7	+5%	13.6x	3.2x	2.4x	0.2x	0.2x	1%	6%	2.4%
Natixis	Neutral	E	2.0	2.2	+9%	6.8x	5.1x	4.5x	0.4x	0.4x	5%	6%	6.4%
Societe Generale	Buy	E	17.6	30	+71%	6.7x	4.1x	3.5x	0.3x	0.3x	5%	8%	2.8%
Germany					+26%	7.1x	5.3x	4.3x	0.4x	0.4x	6%	8%	1.8%
Commerzbank	Neutral / H	E	1.3	1.7	+35%	6.5x	4.0x	3.6x	0.3x	0.3x	5%	7%	0.0%
Deutsche Bank	Neutral	E	27	33	+24%	6.7x	5.2x	4.6x	0.4x	0.4x	7%	8%	2.8%
Postbank	Neutral	E	27.7	na		11.7x	11.5x		0.9x	0.8x	8%	7%	0.0%
Greece/Cyprus						<0	nm	5.0x	0.1x	0.1x	-6%	0%	5.4%
Bank of Cyprus	Neutral	E	.3	na		1.1x	1.4x	1.2x	0.2x	0.2x	17%	13%	4.6%
Bank Of Piraeus	Neutral	E	.2	na		<0	<0		0.2x	0.6x	-58%	-104%	0.0%
Eurobank EFG	Neutral										0%	0%	
National Bank of Greece	Neutral	E	1.2	na		<0	<0	<0	0.2x	0.2x	-19%	-10%	0.0%
Iberia					-7%	16.6x	6.4x	5.3x	0.6x	0.6x	3%	8%	9.6%
Banco BPI	Neutral / H	E	.5	.5	-3%	4.7x	3.8x	3.0x	0.9x	0.8x	21%	22%	0.0%
Banco Espirito	Buy / H	E	.54	.82	+52%	14.8x	6.0x	4.8x	0.3x	0.3x	2%	5%	0.0%
Banco Popular	Sell / H	E	1.6	1.0	-38%	<0	15.4x	5.5x	0.4x	0.4x	-7%	2%	5.6%
Banco Santander	Neutral / H	E	4.9	4.8	-3%	10.4x	7.1x	6.4x	0.6x	0.7x	6%	9%	12.3%
Banesto	Neutral	E	2.4	na		3.5x	4.7x	3.5x	0.3x	0.3x	-5%	6%	0.0%
Bankinter	Sell / H	E	2.5	2.2	-13%	14.0x	9.5x	6.4x	0.4x	0.4x	3%	5%	3.6%
BBVA	Neutral / H	E	5.2	5.5	+6%	15.3x	6.1x	5.8x	0.6x	0.6x	4%	10%	8.1%
Bco de Sabadell	Sell / H	E	1.5	1.0	-31%	43.2x	8.4x	6.4x	0.5x	0.4x	1%	6%	4.8%
CaixaBank	Sell / H	E	2.5	1.0	-59%	<0	9.8x	6.6x	0.5x	0.5x	-3%	5%	9.4%
Israel					+67%	4.8x	4.9x		0.6x	0.5x	12%	11%	8.0%
Bank Hapoalim	Buy	NIS	12.5	19.0	+52%	5.1x	5.3x		0.7x	0.6x	13%	12%	7.9%
Bank Leumi	Buy	NIS	9.9	18.1	+83%	4.7x	4.9x		0.6x	0.5x	12%	11%	8.6%
Israel Discount	Buy	NIS	4.1	7.0	+72%	4.7x	4.3x		0.3x	0.3x	7%	7%	6.3%

Source: Citi Research and dataCentral

Figure 182. Global Valuation Table – Europe (cont.), 12th July 2012

Bank	Rec		Share Price			Adj P/E <sup>a</sup>			P/B '12Eb	P/B '13E	ROE '12Eb	ROE '13E	Div Yield 2012E
			Now	Target	+/-%	2012E	2013E	2014E					
<b>Italy</b>					<b>+27%</b>	<b>7.5x</b>	<b>6.1x</b>	<b>5.0x</b>	<b>0.3x</b>	<b>0.3x</b>	<b>3%</b>	<b>4%</b>	<b>4.5%</b>
Banco Popolare	Neutral	E	1.0	na		12.4x	8.9x	6.5x	0.2x	0.2x	0%	3%	0.0%
BP Milano	Neutral	E	.36	na		15.1x	10.5x	7.3x	0.3x	0.3x	2%	3%	3.9%
Intesa Sanpaolo	Neutral / H	E	1.0	1.2	+10%	7.4x	6.6x	5.7x	0.3x	0.3x	4%	5%	5.8%
Monte dei Paschi	Neutral / H	E	.2	.2	+33%	6.3x	4.8x	4.0x	0.2x	0.2x	1%	3%	0.0%
UBI Banca	Neutral	E	2.4	na		10.3x	9.1x	7.6x	0.3x	0.3x	2%	2%	3.3%
UniCredit	Buy / H	E	2.8	4.0	+43%	7.2x	5.5x	4.3x	0.3x	0.3x	3%	4%	4.7%
<b>Nordics</b>					<b>+7%</b>	<b>10.0x</b>	<b>8.7x</b>	<b>7.7x</b>	<b>1.0x</b>	<b>0.9x</b>	<b>10%</b>	<b>11%</b>	<b>4.0%</b>
Danske Bank	Buy	Dkr	86	100	+17%	15.7x	7.8x	5.7x	0.6x	0.6x	4%	8%	1.7%
DnB	Buy	NKr	61	75	+24%	8.1x	7.0x	6.1x	0.8x	0.7x	10%	11%	3.3%
Nordea	Neutral	E	7.0	7.4	+5%	9.5x	8.9x	8.1x	1.0x	0.9x	11%	11%	4.1%
SE Banken AB	Neutral	SKr	45.1	46.0	+2%	9.1x	8.8x	8.1x	0.9x	0.8x	10%	9%	4.4%
SHB	Neutral	SKr	230	225	-2%	10.9x	10.3x	9.5x	1.4x	1.3x	13%	13%	4.6%
Swedbank	Neutral	SKr	113	115	+2%	9.6x	9.3x	8.6x	1.2x	1.1x	13%	12%	5.1%
<b>Russia</b>					<b>+29%</b>	<b>5.9x</b>	<b>5.8x</b>	<b>5.1x</b>	<b>1.1x</b>	<b>1.0x</b>	<b>20%</b>	<b>18%</b>	<b>2.8%</b>
Bank St Petersburg	Buy	Rbl	58	80	+37%	12.8x	4.8x	3.1x	0.5x	0.5x	4%	10%	0.2%
Bank Vozrozhdenie	Buy	Rbl	537	756	+41%	5.5x	4.3x	3.3x	0.6x	0.5x	12%	13%	0.1%
Bank VTB	Buy	¢	336	470	+40%	6.5x	4.7x	4.2x	0.9x	0.7x	14%	17%	1.5%
NOMOS BANK	Buy	¢	1101	1420	+29%	5.4x	5.3x	4.3x	0.9x	0.8x	18%	15%	0.0%
Sberbank	Buy	Rbl	90	113	+26%	5.8x	6.1x	5.4x	1.3x	1.1x	24%	19%	3.1%
<b>Switzerland</b>					<b>+45%</b>	<b>10.1x</b>	<b>6.5x</b>	<b>5.5x</b>	<b>0.7x</b>	<b>0.7x</b>	<b>7%</b>	<b>10%</b>	<b>1.0%</b>
Credit Suisse	Buy	SFr	17.3	25.0	+44%	12.9x	5.6x	4.7x	0.6x	0.6x	5%	11%	0.6%
EFG Internatnl	Buy / H	SFr	5.2	10.6	+104%	7.0x	5.9x	4.4x	0.8x	0.7x	25%	13%	1.9%
Julius Baer	Buy	SFr	34.1	42.5	+25%	15.1x	12.7x	10.6x	1.5x	1.5x	8%	10%	1.8%
UBS	Buy	SFr	10.6	15.5	+47%	9.1x	7.1x	6.1x	0.7x	0.6x	8%	9%	0.9%
Vontobel	Neutral	SFr	19.1	na		7.1x	6.1x	6.1x	0.8x	0.7x	10%	11%	8.4%
<b>Turkey</b>					<b>+7%</b>	<b>8.8x</b>	<b>7.9x</b>	<b>6.9x</b>	<b>1.3x</b>	<b>1.1x</b>	<b>15%</b>	<b>15%</b>	<b>1.5%</b>
Bank Asya	Buy	TL	1.9	2.2	+19%	7.9x	6.1x	4.9x	0.7x	0.6x	9%	11%	0.0%
Garanti	Buy	TL	7.1	8.3	+17%	9.2x	8.3x	7.0x	1.5x	1.3x	17%	17%	2.0%
Halkbank	Neutral	TL	14.4	16.3	+13%	8.6x	7.7x	6.9x	1.7x	1.4x	22%	20%	1.7%
Isbank	Sell	TL	4.9	4.7	-6%	8.9x	8.5x	7.4x	1.1x	1.0x	13%	12%	2.4%
Vakifbank	Sell	TL	3.8	3.5	-8%	8.1x	7.1x	6.2x	0.9x	0.8x	12%	12%	0.4%
Yapi Kredi	Neutral	TL	3.8	4.1	+7%	8.7x	7.7x	6.6x	1.2x	1.0x	15%	15%	0.0%
<b>UK/Ireland</b>					<b>+27%</b>	<b>9.4x</b>	<b>8.0x</b>	<b>6.7x</b>	<b>0.7x</b>	<b>0.6x</b>	<b>5%</b>	<b>7%</b>	<b>3.3%</b>
Bank of Ireland	Sell / H	E	.1	.1	-12%	<0	<0	4.8x	0.3x	0.4x	-11%	-5%	0.0%
Barclays	Buy	p	165	325	+97%	5.4x	4.9x	4.1x	0.4x	0.4x	3%	8%	3.9%
HSBC*	Buy	p	569	650	+14%	9.2x	8.6x	7.9x	1.0x	0.9x	10%	11%	4.7%
Lloyds Banking Group	Buy	p	30	42	+38%	11.9x	7.9x	5.5x	0.5x	0.4x	3%	5%	0.0%
RBS	Neutral / H	p	208	250	+20%	<0	9.0x	5.1x	0.3x	0.3x	-2%	3%	0.0%
Standard Chartered*	Buy	p	1457	1825	+25%	10.5x	9.4x	8.4x	1.2x	1.1x	12%	13%	3.8%
<b>EUROPE</b>					<b>+23%</b>	<b>9.1x</b>	<b>6.9x</b>	<b>5.8x</b>	<b>0.6x</b>	<b>0.6x</b>	<b>6%</b>	<b>8%</b>	<b>4.0%</b>

Source: Citi Research and dataCentral \*Additional listings: HSBC Holdings Plc (0005.HK; HK\$68.10; 1); Standard Chartered Plc (2888.HK; HK\$174.60; 1)

Figure 183. Global Valuation Table – USA, Australia/New Zealand and Japan, 12th July 2012

		Share Price			Adj P/E <sup>a</sup>							Div Yield
Bank	Rec	Now	Target	+/-%	2012E	2013E	2014E	P/B '12Eb	P/B '13E	ROE '12Eb	ROE '13E	2012E
USA												
Bank of America Corp	Neutral	\$ 7.6	8	+5%	19.1x	9.5x	7.6x	0.4x	0.4x	2%	4%	0.5%
BB&T	Neutral	\$ 31	32	+3%	11.7x	10.7x	9.5x	1.1x	1.1x	10%	10%	2.6%
Capital One Financial	Buy	\$ 54	66	+22%	9.8x	7.7x	7.0x	0.8x	0.7x	8%	10%	0.4%
Comerica Inc	Sell	\$ 30	28	-8%	12.4x	11.9x	10.8x	0.8x	0.8x	7%	7%	1.8%
Fifth Third Bancorp	Neutral	\$ 13	15	+12%	8.9x	8.9x	8.9x	0.9x	0.8x	10%	10%	2.5%
First Horizon National	Neutral	\$ 9	9	-1%	nm	9.5x	9.5x	0.9x	0.9x	2%	10%	1.4%
First Niagara Financial Group	Neutral	\$ 7.5	8	+6%	10.1x	9.4x	9.0x	0.6x	0.6x	4%	6%	4.2%
Goldman Sachs Group	Buy	\$ 95	110	+16%	9.9x	8.7x	7.4x	0.7x	0.7x	7%	8%	1.8%
Huntington Bancshares	Neutral	\$ 6	7	+1%	10.3x	9.9x	8.3x	1.0x	1.0x	11%	11%	2.5%
JP Morgan Chase & Co	Buy	\$ 35	43	+24%	8.3x	6.8x	6.3x	0.7x	0.7x	9%	10%	3.5%
Keycorp	Buy	\$ 8	9	+11%	10.9x	9.6x	9.0x	0.7x	0.7x	7%	7%	2.4%
M&T Bank Corp	Neutral	\$ 84	85	+2%	12.6x	11.8x	11.2x	1.2x	1.1x	9%	9%	3.3%
Morgan Stanley	Neutral	\$ 14	16	+16%	18.4x	7.7x	5.9x	0.4x	0.4x	2%	5%	1.4%
New York Community Bancorp	Sell	\$ 13	11	-12%	12.4x	13.9x	13.9x	1.0x	1.0x	8%	7%	7.0%
PNC Financial Services	Neutral	\$ 61	64	+4%	10.8x	9.4x	9.0x	0.9x	0.9x	8%	9%	2.5%
Regionals Financial Corp	Neutral	\$ 7	7	+7%	10.9x	8.2x	6.6x	0.6x	0.6x	5%	7%	0.6%
SunTrust Banks	Neutral	\$ 24	24	-1%	11.8x	9.3x	8.2x	0.6x	0.6x	5%	7%	0.8%
US Bancorp	Neutral	\$ 32	34	+5%	11.5x	10.9x	10.2x	1.8x	1.6x	17%	16%	2.4%
Wells Fargo & Co	Neutral	\$ 33	34	+2%	10.1x	9.6x	9.1x	1.2x	1.1x	13%	12%	2.6%
Zions Bancorp	Neutral	\$ 19	21	+8%	14.6x	10.8x	8.4x	0.7x	0.7x	5%	6%	0.2%
USA				+10%	11.6x	9.0x	8.2x	0.9x	0.9x	9%	10%	2.3%
AUSTRALIA / NEW ZEALAND												
Aus. and NZ Banking Gr.	Buy	\$ 22	25	+9%	10.3x	10.0x	9.4x	1.7x	1.6x	16%	15%	6.6%
Bendigo and Adelaide	Neutral	\$ 7.8	7.3	-6%	10.0x	9.8x	9.5x	0.7x	0.7x	5%	8%	7.5%
Bank Of Queensland Ltd	Neutral	\$ 6.6	7.2	+9%	nm	8.4x	7.6x	0.7x	0.7x	0%	8%	7.9%
Com. Bank of Australia	Buy	\$ 54	59	+9%	12.0x	11.6x	11.0x	2.2x	2.0x	19%	19%	6.2%
National Australia Bank	Buy	\$ 24	25	+4%	11.0x	9.2x	8.8x	1.4x	1.3x	12%	14%	7.7%
Westpac Banking Corp	Neutral	\$ 22	22	-1%	11.1x	10.5x	10.0x	1.6x	1.6x	14%	15%	7.6%
AUSTRALIA / NZ				+5%	11.7x	10.4x	9.9x	1.7x	1.7x	16%	16%	6.9%
JAPAN												
Aozora Bank	Neutral	¥ 184	na		8.0x	12.2x	13.9x	0.8x	0.8x	7%	5%	4.9%
Bank of Yokohama	Buy	¥ 371	550	+48%	10.1x	9.6x	9.3x	0.7x	0.6x	7%	7%	2.7%
Chiba Bank	Buy	¥ 474	700	+48%	11.3x	10.2x	9.7x	0.6x	0.6x	6%	6%	2.3%
Sumitomo Mitsui Trust H.	Buy	¥ 241	470	+95%	9.9x	8.6x	6.2x	0.6x	0.6x	3%	7%	3.5%
Daiwa Securities Group	Buy	¥ 277	330	+19%	<0	nm	35.0x	0.6x	0.6x	-5%	1%	2.2%
Fukuoka Financial Group	Buy	¥ 295	450	+53%	5.6x	6.6x	6.2x	0.4x	0.4x	7%	6%	2.7%
Hiroshima Bank	Buy	¥ 274	450	+64%	12.5x	10.0x	9.3x	0.6x	0.5x	5%	6%	1.8%
Joyo Bank	Buy	¥ 358	400	+12%	15.5x	14.7x	14.3x	0.6x	0.6x	4%	4%	2.2%
Mitsubishi UFJ Financial	Buy	¥ 386	600	+55%	10.0x	9.6x	9.2x	0.6x	0.5x	5%	5%	3.1%
Mizuho Financial Group	Buy	¥ 130	220	+69%	7.1x	7.3x	6.7x	0.7x	0.7x	9%	9%	4.6%
Nomura Holdings	Buy	¥ 276	495	+79%	nm	10.5x	10.0x	0.5x	0.5x	1%	4%	2.2%
Resona Holdings	Buy	¥ 323	480	+49%	5.0x	8.5x	8.3x	1.1x	1.0x	14%	8%	3.7%
Shiga Bank	Neutral	¥ 430	na		14.5x	13.5x	12.3x	0.6x	0.6x	4%	4%	1.4%
Shinsei Bank	Buy	¥ 97	180	+86%	16.3x	11.9x	13.2x	0.5x	0.4x	2%	4%	1.0%
Shizuoka Bank	Neutral	¥ 844	900	+7%	16.0x	14.7x	14.8x	0.8x	0.7x	5%	5%	1.6%
JAPAN				+57%	14.1x	11.2x	9.8x	0.6x	0.6x	6%	6%	3.2%

Source: Citi Research and dataCentral

Figure 184. Global Valuation Table – Asia, 12th July 2012

Bank		Share Price				Adj P/E <sup>a</sup>			ROE				Div Yield
Rec		Now	Target	+/-%	2012E	2013E	2014E	P/B '12Eb	P/B '13E	'12Eb	'13E	2012E	
ASIA													
China				+24%	5.5x	5.2x	4.7x	1.0x	0.9x	20%	19%	6.2%	
ABC	Buy	Rmb	2.5	3.6	+46%	5.2x	4.7x	4.3x	1.1x	0.9x	22%	21%	6.7%
Bank of China	Buy	Rmb	2.3	3.0	+27%	5.3x	5.0x	4.6x	0.8x	0.7x	17%	16%	6.9%
Bank of Communications	Neutral	Rmb	4.1	4.4	+9%	5.2x	5.4x	5.0x	0.8x	0.7x	17%	15%	5.3%
China CITIC Bank	Neutral	Rmb	3.0	3.4	+13%	4.2x	4.0x	3.6x	0.7x	0.6x	18%	17%	5.9%
China Construction Bank	Buy	Rmb	4.0	5.3	+30%	5.6x	5.3x	4.8x	1.1x	1.0x	21%	19%	6.3%
China Merchants Bank	Sell	Rmb	11.3	10.7	-5%	7.5x	7.2x	6.7x	1.3x	1.1x	20%	17%	4.0%
China Minsheng Banking	Sell	Rmb	5.6	5.1	-9%	6.0x	5.5x	4.8x	1.0x	0.9x	21%	19%	3.7%
ICBC	Neutral	Rmb	3.4	3.9	+17%	5.4x	5.0x	4.5x	1.1x	0.9x	22%	20%	6.4%
Chongqing Rural Com.	Buy	Rmb	2.5	3.8	+49%	4.8x	4.2x	3.8x	0.7x	0.7x	17%	17%	6.5%
Hong Kong				+12%	12.7x	11.9x	11.0x	1.9x	1.7x	16%	16%	4.8%	
Bank of East Asia	Sell	\$	26.6	23.0	-14%	15.5x	15.3x	14.3x	1.1x	1.1x	8%	8%	3.1%
Bank of China (HK)	Buy	\$	23.2	28.0	+21%	12.5x	11.9x	10.8x	1.8x	1.7x	15%	15%	5.3%
Dah Sing Banking	Buy	\$	7.0	9.2	+31%	8.6x	7.5x	6.3x	0.5x	0.5x	7%	7%	3.7%
Dah Sing Financial	Buy	\$	24.9	34.0	+37%	7.6x	6.7x	7.0x	0.5x	0.4x	7%	7%	4.3%
Hang Seng Bank	Neutral	\$	107	112	+5%	12.4x	11.4x	10.6x	2.4x	2.2x	20%	20%	4.9%
Wing Hang Bank	Buy	\$	73	90	+23%	13.0x	12.2x	10.8x	1.2x	1.1x	10%	10%	2.0%
India				+8%	16.2x	13.2x	10.8x	2.4x	2.1x	16%	17%	1.4%	
AXIS Bank	Buy	Rs	1067	1320	+24%	11.3x	9.8x	8.2x	2.0x	1.7x	20%	19%	1.5%
Bank of Baroda	Buy	Rs	735	910	+24%	5.9x	5.0x	4.2x	1.2x	1.0x	21%	21%	2.4%
Canara Bank	Neutral	Rs	430	475	+11%	5.7x	4.1x	3.4x	0.8x	0.7x	16%	19%	2.6%
Federal Bank	Buy	Rs	443	485	+10%	10.0x	9.1x	7.8x	1.3x	1.2x	14%	14%	1.4%
HDFC Bank	Neutral	Rs	587	550	-6%	26.4x	20.8x	16.7x	4.5x	3.7x	19%	20%	0.6%
ICICI Bank	Buy	Rs	937	1035	+10%	17.1x	14.1x	11.7x	1.8x	1.7x	11%	12%	1.7%
Kotak Mahindra Bank	Neutral	Rs	607	550	-9%	24.7x	20.0x	15.3x	3.5x	3.0x	15%	16%	0.2%
State Bank of India	Buy	Rs	2216	2500	+13%	12.3x	10.2x	8.8x	1.8x	1.6x	16%	16%	1.6%
Union Bank Of India	Neutral	Rs	213	225	+6%	6.4x	5.1x	3.9x	0.8x	0.7x	13%	15%	3.8%
Yes Bank	Buy	Rs	353	370	+5%	12.6x	10.2x	8.0x	2.6x	2.1x	23%	23%	0.8%
Infrastructure Development Finance	Buy	Rs	140	164	+17%	13.0x	11.7x	10.1x	1.7x	1.5x	14%	14%	1.4%
Punjab National Bank	Buy	Rs	863	1120	+30%	5.6x	4.5x	3.7x	1.1x	0.9x	21%	22%	2.7%
Indonesia				+8%	12.7x	11.0x	9.6x	2.7x	2.3x	23%	22%	2.3%	
Bank Central Asia	Sell	Rp	7350	7200	-2%	15.9x	13.8x	11.8x	3.6x	3.0x	25%	24%	2.0%
Bank Mandiri (Persero)	Buy	Rp	7050	7650	+9%	12.5x	10.9x	9.7x	2.3x	2.0x	20%	20%	2.8%
Bank Negara Indonesia	Buy	Rp	3825	4550	+19%	11.2x	9.5x	8.4x	1.7x	1.5x	16%	17%	2.7%
Bank Rakyat Ind. (P.)	Buy	Rp	6700	7650	+14%	10.4x	8.9x	7.7x	2.7x	2.2x	28%	27%	1.9%
Bank Tabungan Negara	Buy	Rp	1330	1430	+8%	9.9x	8.4x	7.1x	1.4x	1.3x	15%	16%	3.0%

Source: Citi Research and dataCentral

Figure 185. Global Valuation Table – Asia (Cont.), 12th July 2012

Bank	Rec	Share Price				Adj P/E <sup>a</sup>							Div Yield 2012E
		Now	Target	+/-%	2012E	2013E	2014E	P/B '12Eb	P/B '13E	ROE '12Eb	ROE '13E		
Korea				+37%	5.7x	5.2x	3.8x	0.6x	0.5x	12%	11%	3.0%	
Hana Financial Group	Buy	W	35600	57000	+60%	3.6x	4.6x	4.5x	0.6x	0.5x	16%	11%	4.8%
Industrial Bank of Korea	Neutral / H	W	12350	15500	+26%	5.6x	4.8x		0.6x	0.5x	11%	12%	3.6%
KB Financial Group	Buy	W	36650	55000	+50%	6.3x	4.9x	5.3x	0.6x	0.5x	9%	11%	2.5%
Korea Exchange Bank	Neutral	W	8060	9000	+12%	5.4x	5.2x	5.7x	0.6x	0.5x	11%	10%	3.1%
Shinhan Financial Group	Buy	W	38250	51000	+33%	6.7x	6.1x	5.6x	0.7x	0.6x	12%	11%	2.4%
Woori Finance Holdings	Buy / H	W	11600	14500	+25%	5.2x	4.8x		0.5x	0.5x	10%	10%	2.9%
BS Financial Group	Buy	W	12300	17000	+38%	6.3x	5.6x		0.8x	0.7x	13%	13%	3.2%
Malaysia				+4%	12.9x	11.7x	10.8x	2.1x	1.9x	17%	17%	5.1%	
AMMB	Sell	RM	6.5	5.9	-9%	12.9x	12.2x	11.2x	1.7x	1.7x	14%	14%	3.1%
Maybank	Buy	RM	8.8	9.7	+11%	13.1x	11.8x	11.1x	1.9x	1.9x	15%	16%	8.1%
Public Bank	Neutral	RM	14.1	14.4	+3%	12.9x	11.7x	10.7x	2.8x	2.5x	23%	23%	3.7%
Alliance Financial Group	Sell	RM	4.4	3.6	-19%	14.0x	13.2x	12.1x	1.9x	1.7x	14%	13%	3.1%
Hong Leong Bank	Buy	RM	13.1	13.7	+5%	14.2x	12.1x	11.1x	2.0x	1.8x	17%	16%	2.1%
RHB Capital	Neutral	RM	7.5	8.2	+9%	10.0x	9.0x	8.2x	1.3x	1.2x	14%	14%	4.0%
Philippines				+2%	17.6x	14.8x	6.5x	2.1x	1.9x	13%	14%	1.3%	
Banco de Oro	Buy	P	62.5	65.0	+4%	15.1x	12.1x	10.1x	1.8x	1.6x	12%	14%	0.0%
Bank of Philippine Islands	Neutral	P	74	71	-5%	20.3x	17.6x		2.8x	2.6x	14%	15%	2.4%
Metrobank	Buy	P	94	103	+9%	16.7x	14.2x	11.3x	1.7x	1.5x	10%	11%	1.3%
Singapore				+1%	12.1x	11.8x	11.1x	1.4x	1.3x	12%	11%	3.6%	
OCBC	Buy	\$	9.0	10.0	+11%	11.7x	11.6x	11.0x	1.4x	1.3x	12%	11%	3.8%
UOB	Sell	\$	19.5	17.7	-9%	12.5x	11.9x	11.2x	1.4x	1.3x	11%	11%	3.3%
Taiwan				+16%	13.5x	12.5x	12.0x	1.1x	1.0x	9%	9%	3.3%	
Chang Hwa Com. Bank	Sell	\$	15.8	14.8	-7%	15.6x	16.6x	18.5x	1.0x	1.0x	7%	6%	1.0%
Chinatrust FHC	Buy	\$	17.7	25.0	+41%	10.4x	9.9x	9.1x	1.3x	1.2x	13%	12%	3.9%
First Financial	Buy	\$	17.8	24.0	+35%	16.8x	16.2x	16.5x	1.1x	1.1x	7%	7%	3.0%
Fubon FHC	Sell	\$	30.9	30.0	-3%	11.3x	10.3x	8.8x	1.1x	1.0x	10%	10%	3.5%
Mega FHC	Buy	\$	23.1	25.5	+10%	13.0x	12.2x	12.1x	1.2x	1.2x	10%	10%	5.4%
Sinopac FHC	Sell	\$	11.7	9.5	-19%	14.5x	13.9x	13.4x	0.9x	0.9x	7%	6%	1.4%
Taishin FHC	Buy	\$	11.4	16.0	+40%	9.6x	9.2x	8.8x	0.9x	0.8x	10%	9%	2.1%
Yuanta FHC	Buy	\$	13.9	19.0	+37%	19.5x	15.2x	14.1x	0.9x	0.9x	4%	6%	2.0%
Thailand				+4%	12.2x	10.3x	9.0x	1.9x	1.7x	17%	18%	3.1%	
Bangkok Bank	Neutral	Bt	208	200	-4%	12.6x	10.8x	9.8x	1.5x	1.4x	12%	13%	3.2%
Bank of Ayudhya	Buy	Bt	32.8	30.0	-8%	14.7x	11.5x	9.9x	1.8x	1.6x	13%	15%	2.7%
Kasikornbank	Buy	Bt	166	180	+9%	11.9x	10.0x	8.6x	2.2x	1.9x	20%	21%	2.5%
Krung Thai Bank	Buy	Bt	16.1	19.5	+21%	7.7x	6.6x	5.8x	1.3x	1.1x	17%	18%	5.2%
Siam Commercial Bank	Buy	Bt	152	164	+8%	13.0x	10.8x	9.4x	2.4x	2.1x	20%	21%	2.7%
TISCO Financial Group	Sell	Bt	37.8	36.0	-5%	8.5x	7.3x	6.4x	1.6x	1.4x	19%	20%	6.2%
TMB Bank	Sell	Bt	1.5	1.4	-9%	13.9x	14.1x	11.6x	1.2x	1.1x	9%	8%	2.4%
Thanachart Capital	Neutral	Bt	29.5	30.0	+2%	7.6x	6.8x	5.8x	0.9x	0.8x	12%	13%	4.1%
ASIA				+18%	8.6x	7.8x	6.8x	1.4x	1.2x	18%	17%	4.9%	

Source: Citi Research and dataCentral



Figure 186. Global Valuation Table – Latin America, 12th July 2012

		Share Price			Adj P/E <sup>a</sup>							Div Yield
Bank	Rec	Now	Target	+/-%	2012E	2013E	2014E	P/B '12Eb	P/B '13E	ROE '12Eb	ROE '13E	2012E
LATIN AMERICA												
Argentina				-17%	4.1x	3.5x	0.0x	0.9x	0.7x	25%	23%	4.2%
BBVA Francés	Sell / H	Ar\$ 7.4	5.0	-32%	5.1x	4.4x		1.0x	0.8x	20%	21%	5.0%
Galicía	Sell / H	Ar\$ 3.0	2.5	-16%	3.6x	3.1x		0.8x	0.7x	29%	26%	2.7%
Macro	Sell / H	Ar\$ 8.2	7.8	-5%	3.6x	3.1x		0.8x	0.7x	25%	24%	4.7%
Brazil				+30%	8.4x	7.2x	6.2x	1.5x	1.3x	18%	18%	4.5%
Banco do Brasil	Buy	R\$ 18.6	27.0	+45%	4.8x	4.5x	3.9x	0.8x	0.7x	18%	17%	8.2%
Bradesco	Buy	R\$ 30.1	36.0	+20%	9.7x	8.3x	7.2x	1.8x	1.6x	20%	20%	3.4%
Itaú Unibanco	Buy	R\$ 28.1	39.0	+39%	8.7x	7.3x	6.3x	1.6x	1.4x	20%	20%	3.6%
BTG Pactual	Buy	R\$ 30.1	39.0	+30%	10.4x	8.6x	7.2x	2.1x	1.7x	23%	22%	2.4%
Santander Brasil	Neutral	R\$ 14.1	16.0	+14%	7.3x	6.3x	5.5x	0.8x	0.8x	6%	7%	6.2%
Chile				+10%	13.2x	11.8x	10.5x	2.5x	2.3x	21%	20%	3.9%
Santander Chile	Neutral	ChP 37.3	37.7	+1%	14.7x	13.1x	11.7x	2.9x	2.6x	22%	21%	3.7%
BCI	Buy	ChP 30500	40500	+33%	11.1x	9.9x	8.8x	2.1x	1.8x	21%	20%	2.7%
Corpbanca	Neutral	ChP 6.2	6.5	+4%	11.2x	10.0x	8.8x	1.7x	1.6x	17%	17%	6.7%
Mexico				+0%	14.6x	11.9x	9.3x	2.0x	1.7x	14%	15%	0.9%
Banorte	Neutral	P\$ 67.9	65.0	-4%	14.6x	11.9x	9.7x	2.0x	1.7x	14%	15%	0.9%
Banregio	Buy	P\$ 40.5	46.0	+14%	10.9x	8.8x	7.0x	1.9x	1.6x	18%	19%	1.4%
Compartamos	Buy	P\$ 15.4	19.0	+23%	12.4x	9.6x	7.9x	2.9x	2.3x	26%	27%	2.0%
Peru				+34%	11.9x	10.0x	8.3x	2.5x	2.1x	23%	23%	2.8%
Credicorp	Buy	\$ 124	166	+34%	12.4x	10.3x	8.6x	2.4x	2.1x	21%	21%	2.2%
Intergroup	Buy	NS 82	110	+35%	10.5x	8.8x	7.5x	2.7x	2.3x	27%	27%	5.1%
LATIN AMERICA				+26%	9.3x	8.0x	6.8x	1.6x	1.4x	18%	18%	4.1%

Source: Citi Research and dataCentral

Figure 187. Global Valuation Table – Middle East & Africa, 12th July 2012

		Share Price				Adj P/E <sup>a</sup>							Div Yield
Bank	Rec	Now	Target	+/-%	2012E	2013E	2014E	P/B '12Eb	P/B '13E	ROE '12Eb	ROE '13E	2012E	
MIDDLE EAST & AFRICA													
Egypt				+3%	8.7x	7.4x	6.2x	1.6x	1.4x	20%	21%	1.5%	
Commercial International Bank Egypt	Buy	£	28.5	32.0	+12%	8.3x	6.9x	6.0x	1.7x	1.5x	22%	23%	0.0%
National Societe Generale Bank	Sell	£	28.8	26.0	-10%	9.3x	8.0x	6.4x	1.4x	1.3x	16%	17%	3.7%
Kenya				-12%	6.7x	6.4x	5.7x	1.7x	1.4x	27%	24%	6.3%	
Equity Bank	Sell	KES	21.5	17.0	-21%	7.3x	6.6x	6.0x	1.9x	1.6x	29%	27%	5.2%
Kenya Commercial Bank	Neutral	KES	23.3	23.0	-1%	5.9x	6.1x	5.4x	1.4x	1.2x	24%	21%	7.6%
Morocco				+17%	13.1x	11.5x	10.1x	2.2x	2.0x	18%	18%	2.7%	
Attijariwafa Bank	Neutral	Dh	335	392	+17%	13.1x	11.5x	10.1x	2.2x	2.0x	18%	18%	2.7%
Nigeria				+72%	5.4x	4.5x	3.7x	1.2x	1.1x	23%	24%	9.9%	
First Bank of Nigeria Plc	Buy	₦	11.2	24.0	+114%	4.1x	3.4x	2.7x	0.9x	0.8x	23%	24%	10.9%
Guaranty Trust Bank	Buy	₦	16.0	25.0	+56%	6.3x	5.3x	4.3x	1.8x	1.5x	30%	30%	7.8%
Skye Bank	Buy	₦	3.0	10.0	+237%	2.3x	2.0x	1.6x	0.3x	0.3x	15%	16%	17.6%
United Bank for Africa Plc	Buy	₦	4.3	7.0	+63%	3.5x	3.3x	3.4x	0.8x	0.7x	23%	21%	14.1%
Zenith Bank Plc	Buy	₦	14.7	21.0	+43%	6.3x	5.3x	4.3x	1.1x	1.0x	18%	20%	9.4%
Oman				+66%	7.0x	6.4x	5.6x	1.0x	0.9x	15%	15%	4.4%	
Bank Muscat	Buy	OMR	0.5	0.8	+66%	7.0x	6.4x	5.6x	1.0x	0.9x	15%	15%	4.4%
Qatar				+42%	8.4x	7.7x	7.5x	1.3x	1.3x	16%	17%	10.0%	
Commercial Bank of Qatar	Buy	QR	69.9	99	+42%	8.4x	7.7x	7.5x	1.3x	1.3x	16%	17%	10.0%
South Africa				+11%	11.3x	9.3x	7.8x	1.7x	1.6x	16%	18%	4.4%	
ABSA Group Limited	Buy	R	137	151	+10%	9.6x	7.9x	6.8x	1.5x	1.3x	16%	18%	5.3%
FirstRand Limited	Buy	R	27.1	29.6	+9%	12.3x	10.2x	8.7x	2.4x	2.1x	20%	22%	4.1%
Nedbank Ltd	Neutral	R	177	187	+6%	10.6x	8.7x	7.6x	1.5x	1.4x	15%	17%	4.4%
Standard Bank Group	Neutral	R	112	125	+11%	11.2x	9.5x	7.7x	1.6x	1.4x	15%	16%	4.3%
Investec PLC	Buy	p	390	480	+23%	13.2x	9.6x	7.9x	1.0x	1.0x	6%	11%	4.4%
UAE				+25%	7.8x	6.8x	6.1x	1.2x	1.0x	16%	17%	3.9%	
Abu Dhabi Commercial Bank	Sell	Dh	3.4	2.7	-19%	10.1x	8.9x	8.3x	1.0x	0.9x	10%	10%	2.9%
First Gulf Bank PJSC	Buy	Dh	8.5	12.7	+49%	6.3x	5.5x	4.9x	1.2x	1.0x	20%	20%	4.7%
National Bank of Abu Dhabi	Buy	Dh	8.3	10.9	+32%	7.5x	6.6x	5.8x	1.3x	1.1x	17%	18%	3.8%
MIDDLE EAST & AFRICA				+20%	10.0x	8.4x	7.2x	1.6x	1.4x	17%	18%	4.8%	

Source: Citi Research and dataCentral

Figure 188. Citi Global Banks Team (For informational purposes only)

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## Citi Focus List Europe

**Summary** — We believe that the share price of STAN.L will move Up in absolute terms in the next 1 Year based on the last closing price of £14.57.

Furthermore, we close our absolute call on HSBA.L last made on 30 May 2012 for the share price to move Up in the next 1 Year.

**Rationale** — We remove HSBC as a top pick as the shares have performed well: +16% YTD versus a flat European sector. Standard Chartered, one of its nearest peers, is up only 3% (reflecting fears over China and India slowing).

### Standard Chartered PLC

(STAN.L; £14.36; 1)

**Catalyst and Thesis** — STAN is geared to the theme of banking growth in Asia/EM and market share gains, especially in corporate and investment banking from balance sheet strength and breadth of EM network reach. The ongoing de-leveraging of European banks, and related reduction in global banking exposure, will support the gain in market share by non Western banks (our "Rise of the Rest" thesis). STAN, one of its nearest peers, is up only 3% YTD, reflecting fears over China and India slowing.

## Notes

## Notes

## Notes

## 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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Citigroup Global Markets has been mandated as a joint bookrunner by Bank of Communications regarding a potential private placement.

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DMBH rating distribution versus Investment Banking service provision in the past 12 months as at 30th June 2012 is as follows: Buy (1) representing 51% of the DMBH coverage 0% of which are IB clients, Hold (2) representing 41% of the DMBH coverage 0% of which are IB clients, Sell (3) representing 8% of the DMBH coverage 0% of which are IB clients.

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DMBH rating distribution versus Investment Banking service provision in the past 12 months as at 30th June 2012 is as follows: Buy (1) representing 51% of the DMBH coverage 0% of which are IB clients, Hold (2) representing 41% of the DMBH coverage 0% of which are IB clients, Sell (3) representing 8% of the DMBH coverage 0% of which are IB clients.

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Henry Hall, Analyst, holds a long position in the securities of Barclays PLC.

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 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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