

# SECTOR RESEARCH

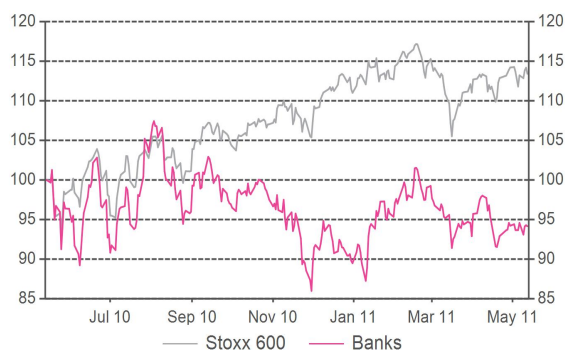
## BANKS

Correct as of Friday, 13 May 2011

### SECTOR OVERVIEW

| MARKET BASICS      | SECTOR | AV UNIVERSE |
|--------------------|--------|-------------|
| COMPANIES          | 39     | 450         |
| MKT CAP (EUR BN)   | 899    | 6907        |
| UPSIDE             | 13.77% | 11.56%      |
| PERF YTD           | 1.8%   | 2.45%       |
| PE 2010            | 9.47 x | 13 x        |
| DIV. YIELD 10      | 4.10%  | 3.74%       |
| EARN. GROWTH 10/09 | 31.14% | 16.03%      |

### SECTOR PERFORMANCE



### RESEARCH TEAM

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AlphaValue World's N.1 European Financials Stock Picker  
over the 2 last year (Nb of Best Calls)  
Bloomberg Magazine, November 2010

### OPINION CHANGE

| UPGRADES                      | Reco | Old Reco | Target     | Price      | Upside  | Perf YTD |
|-------------------------------|------|----------|------------|------------|---------|----------|
| 10 May DANSKE BANK            | ADD  | REDUCE   | 128.21 DKK | 111.50 DKK | 14.99%  | -15.4%   |
| 07 May BARCLAYS               | ADD  | REDUCE   | 315.44 p   | 278.10 p   | 13.43%  | 6.3%     |
| 03 May DEXIA                  | BUY  | ADD      | 3.51 €     | 2.67 €     | 31.60%  | 2.7%     |
| 21 Apr SOCIÉTÉ GÉNÉRALE       | BUY  | ADD      | 59.12 €    | 42.15 €    | 40.25%  | 4.8%     |
| 21 Apr SNS REAAL              | ADD  | REDUCE   | 4.82 €     | 4.00 €     | 20.45%  | 25.4%    |
| DOWNGRADES                    | Reco | Old Reco | Target     | Price      | Upside  | Perf YTD |
| 06 May BANCO POPULAR ESPANOL  | ADD  | BUY      | 4.58 €     | 4.03 €     | 13.64%  | 5.6%     |
| 28 Apr BANCA MONTE DEI PASCHI | ADD  | BUY      | 1.11 €     | 0.92 €     | 20.31%  | 8.0%     |
| 20 Apr COMMERZBANK            | SELL | REDUCE   | 2.26 €     | 4.14 €     | -45.49% | -26.3%   |
| 15 Apr KBC GROEP              | ADD  | BUY      | 34.02 €    | 28.55 €    | 19.15%  | 12.0%    |
| 08 Apr MEDIOBANCA             | ADD  | BUY      | 10.11 €    | 7.70 €     | 31.21%  | 15.7%    |

### EPS CHANGE

| UPWARDS                       | New      | Old      | Var. | Reco   | Momentum | Perf YTD |
|-------------------------------|----------|----------|------|--------|----------|----------|
| 13 May DEUTSCHE BANK          | 6.74 €   | 6.50 €   | 4%   | BUY    | GOOD     | 9.0%     |
| 29 Apr HSBC                   | 0.85 USD | 0.83 USD | 2%   | REDUCE | UNFAV.   | -0.5%    |
| 28 Apr BANCA MONTE DEI PASCHI | 0.13 €   | 0.10 €   | -33% | ADD    | NEGATIVE | 8.0%     |
| 26 Apr DEUTSCHE POSTBANK      | 1.97 €   | 1.96 €   | 0%   | SELL   | GOOD     | 5.3%     |
| 15 Apr KBC GROEP              | 5.87 €   | 5.42 €   | 8%   | ADD    | UNFAV.   | 12.0%    |
| DOWNSIDE                      | New      | Old      | Var. | Reco   | Momentum | Perf YTD |
| 10 May CREDIT SUISSE          | 4.62 CHF | 5.04 CHF | -8%  | ADD    | NEGATIVE | -0.4%    |
| 06 May LLOYDS BANKING GROUP   | 2.28 GBP | 4.53 GBP | -50% | REDUCE | NEGATIVE | -16.3%   |
| 06 May BANCO POPULAR ESPANOL  | 0.26 €   | 0.33 €   | -21% | ADD    | NEGATIVE | 5.6%     |
| 02 May UNICREDIT              | 0.16 €   | 0.19 €   | -13% | ADD    | NEGATIVE | 5.9%     |
| 02 May RAIFFEISEN BANK INTERN | 5.16 €   | 6.17 €   | -16% | ADD    | NEGATIVE | -8.5%    |

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### RECENT PUBLICATIONS & UPDATES

#### DEUTSCHE BANK

May 12 - New profit level target

#### DEUTSCHE POSTBANK

May 11 - Deutsche Bank is in charge

#### CREDIT SUISSE

May 10 - Tighter Swiss regulation is limiting profitability

#### UBS

May 09 - Back on the road to business normality

#### LLOYDS BANKING GROUP

May 06 - The horse is alive, too much for some

#### BBVA

May 06 - Under the sun of Mexico

#### BANCO POPULAR ESPANOL

May 06 - Imposed funding mix transformation comes at a cost

#### SNS REAAL

May 04 - Sneaky real dilution risk for 2012 is fading

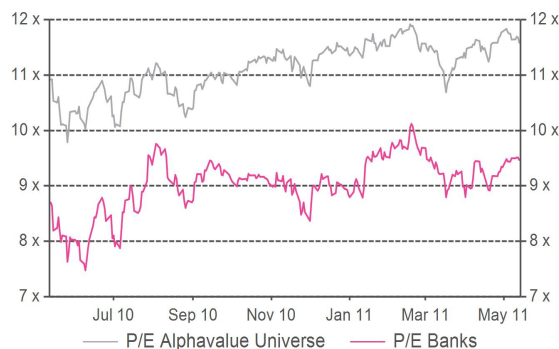
#### DEXIA

May 04 - Unpalatable recipe of kebab-wrapped froglegs marinated in Belgian beer

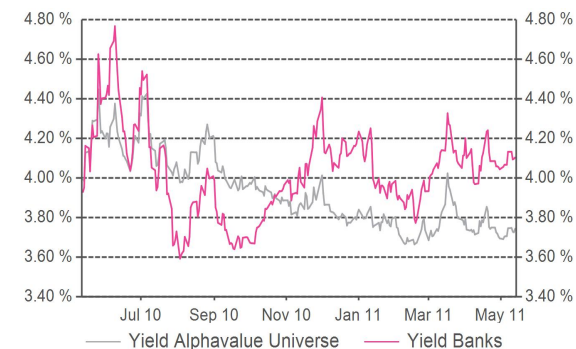
#### BANCA MONTE DEI PASCHI SIENA

May 04 - Reshuffled capital ratios make the profitability issue more obvious

### SECTOR P/E (1 year)



### SECTOR YIELD (1 year)



### VALUATION KEYS

|                  | PE    |       | P/Book |        | Earning Growth<br>2011/2010 | Yield  |        | Adjusted ROE |       |
|------------------|-------|-------|--------|--------|-----------------------------|--------|--------|--------------|-------|
|                  | 2010  | 2011  | 2010   | 2011   |                             | 2010   | 2011   | 2010         | 2011  |
| Median           | 9.9 x | 7.6 x | 0.74 x | 0.69 x | 20.49 %                     | 4.00 % | 4.62 % | 8.32%        | 10.1% |
| Weighted Average | 9.5 x | 7.7 x | 0.84 x | 0.78 x | 23.81 %                     | 4.10 % | 4.99 % | 7.40%        | 9.26% |

### ADJUSTED ATTRIBUTABLE PROFIT (€ m)

|                | 2009   | 2010   | 2011    | 2010/2009 | 2011/2010 |
|----------------|--------|--------|---------|-----------|-----------|
| Earnings (€ m) | 73.805 | 98.967 | 124.083 | 25.162    | 25.116    |

### BALANCE SHEET (€ m)

|                  | Equity   |          | Goodwill |         | Goodwill/Equity |         | RWA/Equity |        | Financial Leverage |       |
|------------------|----------|----------|----------|---------|-----------------|---------|------------|--------|--------------------|-------|
|                  | 2010     | 2011     | 2010     | 2011    | 2010            | 2011    | 2010       | 2011   | 2010               | 2011  |
| Total or Median  | 1134.872 | 1218.454 | 203.448  | 203.519 | 15.14 %         | 13.99 % | 8.05 x     | 7.55 x | 21.2x              | 20.4x |
| Weighted Average |          |          |          |         | 17.93 %         | 16.70 % | 7.67 x     | 7.39 x | 23.9x              | 22.8x |

# SECTOR RESEARCH

## BANKS

Correct as of Friday, 13 May 2011

### COMPANIES (Sorted by Ranking)

Investment Banks Regional Banks Special Purpose Banks Universal Banks

| COMPANY              | FUNDAMENTAL OPINION | PRICE MOMENTUM | UPSIDE | TARGET PRICE | RANKING Max 450 | MRKT CAP (EUR Bn) |
|----------------------|---------------------|----------------|--------|--------------|-----------------|-------------------|
| SANTANDER            | BUY                 | NEGATIVE       | 40.1%  | € 11.4       | 3               | 68.066            |
| BNP PARIBAS          | ADD                 | GOOD           | 16.5%  | € 63.1       | 11              | 64.068            |
| BBVA                 | BUY                 | NEGATIVE       | 41.3%  | € 11.6       | 14              | 36.825            |
| SOCIÉTÉ GÉNÉRALE     | BUY                 | NEGATIVE       | 40.2%  | € 59.1       | 17              | 31.462            |
| CREDIT SUISSE        | ADD                 | NEGATIVE       | 19.9%  | CHF 45.0     | 23              | 35.323            |
| DNB NOR              | ADD                 | GOOD           | 24.6%  | NOK 100.6    | 32              | 16.766            |
| DEUTSCHE BANK        | BUY                 | GOOD           | 31.6%  | € 56.5       | 35              | 39.922            |
| MEDIOBANCA           | ADD                 | STRONG         | 31.2%  | € 10.1       | 43              | 6.510             |
| CRÉDIT AGRICOLE      | BUY                 | UNFAV.         | 34.5%  | € 14.9       | 50              | 26.610            |
| INTESA SANPAOLO      | ADD                 | NEGATIVE       | 16.6%  | € 2.5        | 57              | 24.931            |
| RAIFFEISEN BANK INTE | ADD                 | NEGATIVE       | 27.3%  | € 47.8       | 60              | 7.337             |
| BARCLAYS             | ADD                 | NEGATIVE       | 13.4%  | p 315.4      | 62              | 38.728            |
| NATIXIS              | ADD                 | NEGATIVE       | 30.4%  | € 5.1        | 70              | 11.374            |
| DANSKE BANK          | ADD                 | NEGATIVE       | 15.0%  | DKK 128.2    | 84              | 13.934            |
| DEXIA                | BUY                 | UNFAV.         | 31.6%  | € 3.5        | 86              | 4.930             |
| HSBC                 | REDUCE              | UNFAV.         | 1.6%   | p 658.7      | 104             | 131.033           |
| BANCO ESPIRITO SANTO | BUY                 | UNFAV.         | 43.4%  | € 4.3        | 112             | 3.465             |
| SVENSKA HANDELSBANKE | REDUCE              | NEGATIVE       | 4.0%   | SEK 218.2    | 130             | 14.575            |
| UNICREDIT            | ADD                 | NEGATIVE       | 28.0%  | € 2.1        | 143             | 31.608            |
| KBC GROEP            | ADD                 | UNFAV.         | 19.1%  | € 34.0       | 148             | 10.221            |
| BANCO POPULAR ESPANO | ADD                 | NEGATIVE       | 13.6%  | € 4.6        | 149             | 5.931             |
| UBS                  | REDUCE              | NEGATIVE       | 1.3%   | CHF 17.0     | 155             | 50.914            |
| NORDEA               | ADD                 | UNFAV.         | 9.0%   | SEK 76.9     | 189             | 31.805            |
| STANDARD CHARTERED   | SELL                | NEGATIVE       | -11.9% | p 1396.3     | 211             | 42.556            |
| BANCA MONTE DEI PASC | ADD                 | NEGATIVE       | 20.3%  | € 1.1        | 223             | 5.158             |
| JULIUS BAER          | REDUCE              | NEGATIVE       | 0.2%   | CHF 38.7     | 226             | 6.337             |
| SWEDBANK             | REDUCE              | STRONG         | -8.9%  | SEK 105.2    | 240             | 13.420            |
| EFG INTERNATIONAL    | REDUCE              | UNFAV.         | 13.6%  | CHF 13.9     | 256             | 1.421             |
| ERSTE GROUP          | REDUCE              | GOOD           | -2.7%  | € 33.5       | 272             | 13.032            |
| BANCO DE SABADELL    | REDUCE              | NEGATIVE       | 3.6%   | € 3.1        | 300             | 4.137             |

| COMPANY              | SALES GROWTH 2010 | SALES GROWTH 2011 | EPS GROWTH 2010 | EPS GROWTH 2011 | EARNINGS 2010 (EURM) | YIELD 2010 | P/E 2010 |
|----------------------|-------------------|-------------------|-----------------|-----------------|----------------------|------------|----------|
| SANTANDER            | 6.9%              | 8.6%              | 1.4%            | 17.6%           | 8303.0               | 6.27%      | 9.5 x    |
| BNP PARIBAS          | 3.2%              | 3.5%              | 8.4%            | 8.5%            | 7921.0               | 4.02%      | 7.8 x    |
| BBVA                 | -0.3%             | 3.0%              | 5.5%            | 14.9%           | 4759.0               | 4.26%      | 8.5 x    |
| SOCIÉTÉ GÉNÉRALE     | 3.0%              | 3.7%              | 22.1%           | 22.8%           | 3916.0               | 4.20%      | 7.7 x    |
| CREDIT SUISSE        | 3.2%              | 7.0%              | 11.2%           | 18.7%           | 4394.2               | 4.00%      | 8.1 x    |
| DNB NOR              | -1.0%             | 4.2%              | -3.1%           | 9.9%            | 1843.8               | 5.45%      | 9.1 x    |
| DEUTSCHE BANK        | 22.8%             | -0.9%             | 127.9%          | 11.2%           | 6469.5               | 3.49%      | 6.4 x    |
| MEDIOBANCA           | 6.2%              | 7.6%              | 23.3%           | 28.2%           | 837.3                | 5.19%      | 8.1 x    |
| CRÉDIT AGRICOLE      | 3.7%              | 6.5%              | 130.1%          | 27.1%           | 1681.0               | 4.10%      | 15.6 x   |
| INTESA SANPAOLO      | 4.5%              | 6.4%              | 13.6%           | 15.9%           | 3541.7               | 4.28%      | 8.0 x    |
| RAIFFEISEN BANK INTE | 4.5%              | 6.0%              | -11.6%          | 27.4%           | 1006.0               | 2.93%      | 7.3 x    |
| BARCLAYS             | 0.9%              | 4.8%              | -8.7%           | 7.9%            | 5185.5               | 3.96%      | 7.6 x    |
| NATIXIS              | 4.4%              | -1.8%             | N/S             | N/S             | 1732.0               | 5.88%      | 6.5 x    |
| DANSKE BANK          | 6.2%              | 4.6%              | 96.4%           | 27.6%           | 1147.3               | 2.69%      | 10.5 x   |
| DEXIA                | 0.8%              | 1.8%              | 3.5%            | 8.2%            | 723.0                | 4.05%      | 9.2 x    |
| HSBC                 | 3.4%              | 5.8%              | 2.5%            | 21.3%           | 10500.2              | 6.11%      | 12.5 x   |
| BANCO ESPIRITO SANTO | 0.5%              | 6.1%              | 11.2%           | 23.1%           | 440.2                | 4.38%      | 7.9 x    |
| SVENSKA HANDELSBANKE | 1.7%              | 4.7%              | 7.1%            | 8.6%            | 1288.7               | 4.53%      | 11.5 x   |
| UNICREDIT            | 3.8%              | 6.3%              | 87.8%           | 49.3%           | 3179.3               | 4.27%      | 9.9 x    |
| KBC GROEP            | -7.0%             | -3.9%             | N/S             | N/S             | 1845.9               | 2.63%      | 4.9 x    |
| BANCO POPULAR ESPANO | -11.5%            | 2.5%              | -52.5%          | 41.9%           | 381.1                | 6.21%      | 15.6 x   |
| UBS                  | 2.4%              | 8.2%              | N/S             | N/S             | 5079.8               | 2.99%      | 10.0 x   |
| NORDEA               | 4.8%              | 5.4%              | 13.7%           | 13.3%           | 2657.0               | 3.98%      | 11.1 x   |
| STANDARD CHARTERED   | 9.0%              | 9.5%              | 8.6%            | 7.6%            | 3375.1               | 4.43%      | 12.6 x   |
| BANCA MONTE DEI PASC | 5.8%              | 5.5%              | -0.6%           | 6.1%            | 716.2                | N/S        | 8.1 x    |
| JULIUS BAER          | 5.8%              | 4.3%              | 33.1%           | 8.2%            | 504.2                | 1.81%      | 12.3 x   |
| SWEDBANK             | 5.9%              | 6.8%              | N/S             | N/S             | 789.6                | 2.67%      | 12.9 x   |
| EFG INTERNATIONAL    | 183.7%            | 8.4%              | N/S             | N/S             | 130.0                | 2.05%      | 10.1 x   |
| ERSTE GROUP          | 5.0%              | 3.4%              | 45.2%           | 19.0%           | 1379.0               | 2.18%      | 9.4 x    |
| BANCO DE SABADELL    | 2.8%              | 4.4%              | -10.8%          | 85.2%           | 241.1                | 5.04%      | 18.8 x   |

# SECTOR RESEARCH

## BANKS



Correct as of Friday, 13 May 2011

| COMPANY              | FUNDAMENTAL<br>OPINION | PRICE<br>MOMENTUM | UPSIDE | TARGET<br>PRICE | RANKING<br>Max 450 | MRKT CAP<br>(EUR Bn) |
|----------------------|------------------------|-------------------|--------|-----------------|--------------------|----------------------|
| SNS REAAL            | ADD                    | STRONG            | 20.4%  | € 4.8           | 317                | 1.150                |
| SKANDINAVISKA ENSKIL | REDUCE                 | GOOD              | -7.5%  | SEK 52.8        | 331                | 13.960               |
| BANCO COMERCIAL PORT | ADD                    | UNFAV.            | 25.5%  | € 0.7           | 343                | 2.629                |
| ROYAL BANK OF SCOTLA | REDUCE                 | UNFAV.            | -2.6%  | p 41.8          | 355                | 28.680               |
| LLOYDS BANKING GROUP | REDUCE                 | NEGATIVE          | -6.3%  | p 51.5          | 395                | 42.808               |
| COMMERZBANK          | SELL                   | NEGATIVE          | -45.5% | € 2.3           | 429                | 11.098               |
| DEUTSCHE POSTBANK    | SELL                   | GOOD              | -16.3% | € 18.3          | 449                | 4.793                |
| ALLIED IRISH BANKS   | SELL                   | NEGATIVE          | -33.6% | € 0.1           | 461                | 0.360                |
| BANK OF IRELAND      | REDUCE                 | NEGATIVE          | -2.3%  | € 0.2           | 463                | 1.329                |

| COMPANY              | SALES GROWTH |       | EPS GROWTH |        | EARNINGS    | YIELD | P/E    |
|----------------------|--------------|-------|------------|--------|-------------|-------|--------|
|                      | 2010         | 2011  | 2010       | 2011   | 2010 (EURM) | 2010  | 2010   |
| SNS REAAL            | -1.9%        | 0.1%  | N/S        | N/S    | 167.6       | N/S   | 6.9 x  |
| SKANDINAVISKA ENSKIL | 5.3%         | 5.7%  | 22.3%      | 12.6%  | 751.6       | 3.15% | 12.2 x |
| BANCO COMERCIAL PORT | -4.4%        | 9.4%  | 10.2%      | 117.5% | 173.5       | 2.68% | 15.1 x |
| ROYAL BANK OF SCOTLA | 1.1%         | 2.2%  | N/S        | N/S    | 4732.2      | N/S   | 11.3 x |
| LLOYDS BANKING GROUP | -7.3%        | -0.1% | N/S        | N/S    | 1773.1      | N/S   | 24.1 x |
| COMMERZBANK          | -0.2%        | 1.3%  | N/S        | N/S    | 678.0       | N/S   | 19.1 x |
| DEUTSCHE POSTBANK    | 5.7%         | 3.3%  | 103.1%     | 37.2%  | 430.5       | N/S   | 11.1 x |
| ALLIED IRISH BANKS   | -1.1%        | 0.3%  | N/S        | N/S    | -3604.1     | N/S   | -1.9 x |
| BANK OF IRELAND      | -6.9%        | 0.5%  | N/S        | N/S    | -2206.2     | N/S   | -2.7 x |

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### METHODOLOGY

#### FUNDAMENTAL OPINION

Recommendations are geared to a "value" approach.

Valuations are computed from the point of view of a secondary market minority holder looking at a medium term (say 6 months) performance. Valuation tools are built around the concepts of transparency, all underlying figures are accessible, and consistency, same methodology whichever the stock, allowing for differences in nature between financial and non financial stocks. A stock with a target price below its current price should not and will not be regarded as an Add or a Buy. Recommendations are based on target prices with no allowance for dividend returns. The thresholds for the four recommendation levels may change from time to time depending on market conditions. Thresholds are defined as follows, ASSUMING long risk free rates remain in the 2-5% region.

- Buy recommendation corresponding to an Upside above 30%
- Add recommendation corresponding to an Upside from 10% to 30%
- Reduce recommendation corresponding to an Upside from -10% to 10%
- Sell recommendation corresponding to an Upside below -10%

#### PRICE MOMENTUM

Momentum analysis consists in evaluating the stock market trend of a given financial instrument, based on the analysis of its trading flows. The main indicators used in our momentum tool are simple moving averages over three time frames: short term (20 trading days), medium term (50 days) and long term (150 days). The positioning of these moving averages relative to each other gives us the direction of the flows over these time frames. For example, if the short and medium-term moving averages are above the long-term moving average, this suggests an uptrend which will need to be confirmed. Attention is also paid to the latest stock price relative to the three moving averages (advance indicator) as well as to the trend in these three moving averages - downtrend, neutral, uptrend - which is more of a lagging indicator. The trend indications derived from the flows through moving averages and stock prices must be confirmed against trading volumes in order to confirm the signal. This is provided by a calculation based on the average increase in volumes over ten weeks together with a buy/sell volume ratio.

- Strong momentum corresponding to a continuous and overall positive moving average trend confirmed by volumes.
- Relatively good momentum corresponding to a positively-oriented moving average, but offset by an overbought pattern or lack of confirmation from volumes.
- Relatively unfavorable momentum with a neutral or negative moving average trend, but offset by an oversold pattern or lack of confirmation from volumes.
- Strongly negative momentum corresponding to a continuous and overall negative moving average trend confirmed by volumes.

#### IMPORTANT WARNING

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