Deutsche Bank
Markets Research

F.I.T.T.

Industry
Asian Financials

Date
5 March 2013

Asia
Pan-Asia
Banking / Finance

Tracy Yu
Research Analyst
(+852) 2203 6191
tracy.yu@db.com

Esther Chwei
Research Analyst
(+852) 2203 6200
esther.chwei@db.com

Sophia Lee, CFA
Research Analyst
(+852) 2203 6226
sophia.lee@db.com

Sukrit Khatri
Research Associate
(+852) 2203 5927
sukrit.khatri@db.com

F.I.T.T. for investors

Embracing the new norm of steepening global yield curves

Running into the next phase of global economic growth

We believe steepening local yield curves should become the new norm owing to a stronger global economy and the reluctance of central banks to raise rates. While this should benefit Asian financials, we identify India and Indonesia as exceptions. Our analysis shows that Taiwanese insurers, Singaporean and Korean banks will see the strongest earnings boost from this trend. History also suggests that share prices of Japanese banks and Chinese financials tend to perform best when global and domestic yield curves steepen. However, we maintain a neutral stance on China on sustainability concerns over its credit growth and continue to prefer Thailand, Australia and Japan.

Deutsche Bank
Markets Research

Asia
Pan-Asia
Banking / Finance

Industry
Asian Financials

Date
5 March 2013

FITT Research

Tracy Yu
Research Analyst
(+852) 2203 6191
tracy.yu@db.com

Esther Chwei
Research Analyst
(+852) 2203 6200
esther.chwei@db.com

Sophia Lee, CFA
Research Analyst
(+852) 2203 6226
sophia.lee@db.com

Sukrit Khatri
Research Associate
(+852) 2203 5927
sukrit.khatri@db.com

Embracing the new norm of steepening global yield curves

Running into the next phase of global economic growth
We believe steepening local yield curves should become the new norm owing to a stronger global economy and the reluctance of central banks to raise rates. While this should benefit Asian financials, we identify India and Indonesia as exceptions. Our analysis shows that Taiwanese insurers, Singaporean and Korean banks will see the strongest earnings boost from this trend. History also suggests that share prices of Japanese banks and Chinese financials tend to perform best when global and domestic yield curves steepen. However, we maintain a neutral stance on China on sustainability concerns over its credit growth and continue to prefer Thailand, Australia and Japan.

Expecting positive earnings impact from steepening local yield curves
In this report we bring together the views of 13 analysts who cover Asian financials on the likelihood and potential impact of steepening local yield curves. Our sensitivity analysis shows that, aside from Indian and Indonesian banks, most Asian banks and insurers should benefit from this emerging trend. On our estimates, the PBT impact on Asian financials would be 0.5-19% for a 50bp expansion in yield spreads, with the range for Taiwanese financials at 3-19%, banks in Indonesia at 7.7-10.4%, Singapore at 5-6.6% and Korea at 3.7-6.8%.

Chinese insurers have history on their side
In the past decade, China has experienced three periods of notable domestic yield curve steepening; its yield spreads widened by 136bps in 2006/7, 172bps in 2008/9 and 68bps from July to November 2011, reflecting a stronger economy. The SHCOMP Index appreciated 114%, 54% and 25% over the respective periods, benefiting the Chinese insurers the most. With yield spreads widening by 58bps since June 2012, the SHCOMP Index is largely flat, leaving significant room for a catch-up if the historical relation holds true.

Diverse impact of rising US long bond yields on Asian financials; Japan to gain
Our analysis shows that since 2007, the highest correlation between the US 10-year long bond yields and share prices of financial companies has been in Japan (84%) and Australia (71%), followed by China (66%), making these markets potential beneficiaries of global asset allocation from sovereign bonds to equities. Our analysis shows that HSBC and Standard Chartered would benefit from rising US long bond yields, but that the earnings impact should be modest unless short-term rates rebound. AIA might see a mixed impact from the trend, on potential bond revaluation losses.

Maintaining neutral stance; top picks and risks
Our regional top picks are MUFG, ANZ, HSBC, AIA, Ping An, and Cathay FHC, as we remove KTB, Bank Mandiri and NAB from the list after their strong performance. While steepening yield curves should be a theme for the next 12 months, there may be temporary setbacks (such as a return of risk aversion due to events in Europe). In addition, we view a potentially stronger US dollar as a key risk to Asian financials. We maintain a neutral view on the sector as Asian banks are trading at a normalized valuation of 1.6x 2012E P/B (ROE: 18%). We value banks using the Gordon Growth Model (GGM), and adopt a sum-of-the-parts methodology to value banks/financials with diverse business operations. For risks, please refer to page 8.

Top picks	
ANZ (ANZ.AX),AUD28.36	Buy
HSBC Holdings Plc (0005.HK),HKD84.25	Buy
MUFG (8306.T),¥531	Buy
AIA (1299.HK),HKD33.45	Buy
Ping An (2318.HK),HKD62.85	Buy

Companies Featured	
Commonwealth Bank (CBA.AX),AUD67.12	Hold
Chinatrust FHC (2891.TW),TWD17.40	Hold
PICC Group (1339.HK),HKD4.56	Hold
IBK (024110.KS),KRW13,050.00	Hold

Regional Weighting	
Overweight	Thailand, Australia, Japan
Neutral	Korea(+), Taiwan(+), China, India, Indonesia, Hong Kong, Philippines
Underweight	Singapore, Malaysia

Table Of Contents

Executive summary

Embracing the new norm of steepening yield curves

Deutsche Bank's house view suggests that as the global economy strengthens, with regional central banks reluctant to raise rates, steepening yield curves will generally become the new norm, with potential benefits to Asian financials, but with India and Indonesia as exceptions. This emerging trend is consistent with our house view that core sovereign bond yields should rise and underperform equities, leading to an environment that will be positive for risk assets generally, especially for equities. In this report, we bring together the views and outlooks of 13 Deutsche Bank analysts who cover Asian financials, with Figure 1 summarizing the key points for each of those markets.

Figure 1: Summary table showing Deutsche Bank view on the impact of a steepening yield curve

Country	Regional Weighting	Yield curve outlook (Steepen: S, Flatten: F)	Equity index price correlation to local 10 year bond yield	Equity index price correlation with US 10 year bond yield	Likely share price impact due to steepening curve (+, 0, -)	EPS Sensitivity (if long bond yields rise by 50bps)	Correlation of finance index with US Dollar Index
Australia	Overweight	S	65%	71%	+		-15%
China Banks	Neutral	S	67%	66%	+	2.89%-6.29%	-56%
China Insurance	Neutral	S	67%	66%	+	(-0.6%)-9.4%	-56%
Hong Kong	Neutral	S	35%	29%	+	1.9%-3.4%	-56%
India	Neutral	F	51%	-23%	-	(-27.4%) - (-5.5%)	-31%
Indonesia	Neutral	S	-90%	-68%	-	7.7%-10.4%	-18%
Japan	Overweight	S	80%	84%	+	0.5%-1.9%	1%
Malaysia	Underweight	F	-39%	-44%	0	3.9%-8.1%	-23%
Philippines	Neutral	F	-89%	-59%	0	3.4%-5.4%	-6%
Singapore	Underweight	S	12%	25%	+	5.0%-6.6%	-32%
South Korea	Neutral	S	-46%	-26%	+	3.7%-6.9%	-40%
Taiwan	Neutral	S	25%	30%	0	3.0%-19.0%	-61%
Thailand	Overweight	S	-23%	-58%	+	0.6%-4.1%	-23%

Source: Deutsche Bank estimates, Bloomberg Finance LP
Note: All correlations are from January 2007 onwards

Thailand, Australia and Japan remain our most preferred markets for FY13

We see limited upside across the Asian financial sector on a 12-month view, as Asian banks are already trading at a normalized valuation of 1.6x 2012E P/B (ROE: 18%). Thailand, Australia and Japan remain our most preferred markets for FY13. We maintain a neutral view on China financials as hopes of an economic recovery should support stocks, but sustainability concerns over its credit growth might limit the potential upside for banks. However, we expect Chinese life insurers to gain from an eventual A-share market rally. We expect Korean banks and Taiwanese financials to be key beneficiaries of the steepening of domestic yield curves, and upgrade them from Underweight to Neutral.

Figure 2: Regional weightings (+ upgrade, - downgrade)

Overweight	Thailand, Australia, Japan
Neutral	Taiwan (+), Korea (+), China, India, Indonesia, Hong Kong, Philippines
Underweight	Malaysia, Singapore

Source: Deutsche Bank

We expect Japanese banks to benefit from the depreciating yen and further policy easing by the BOJ in an attempt to reverse the 15-year deflation cycle. In Australia, financials tend to perform better in a declining rate environment, given that their dividend yields become more attractive. We believe Australia is one of the few Asian markets that have room to cut short-term rates. System deposits in Thailand rose by 28% yoy in 2012, making it one of the two markets in Asia to display accelerating deposit growth. This partly explains our positive view on Thailand from a regional perspective, expecting a continued re-rating on stronger domestic growth. Figure 1 shows our regional weightings.

Our top picks are MUFG, ANZ, HSBC, AIA, Ping An and Cathay FHC

Figures 3 and 4 show our preferred picks and least preferred stocks in the Asian financials space. We remove Krung Thai Bank (KTB), Bank Mandiri, and NAB, which have performed strongly year-to-date, from our list of top picks. Instead, we add AIA to the list, as its share price has not factored in the strong earnings quality. Our regional top picks are MUFG, ANZ, HSBC, AIA, Ping An and Cathay FHC.

Figure 3: Asian financials – most preferred picks summary data

Name	Ticker	DB Rec.	Currency	Price	Target Price	Upside (%)	Mkt. Cap (US$m)	PB FY12E	PB FY13E	PE FY12E	PE FY13E
ANZ	ANZ.AX	Buy	A$	28.4	31.2	10.0	80,000	1.8	1.6	12.2	11.4
HSBC Holdings	0005.HK	Buy	HK$	84.3	89.0	5.6	205,735	1.1	1.0	9.9	9.5
MUFG	8306.T	Buy	JPY	531.0	655.0	23.4	80,374	0.7	0.7	9.7	9.5
AIA	1299.HK	Buy	HK$	33.5	38.2	14.2	51,944	1.9	1.8	17.0	16.5
Ping An	2318.HK	Buy	HK$	62.9	86.0	36.8	25,362	2.7	2.4	19.6	15.2
Cathay FHC	2882.TW	Buy	NT$	37.8	41.9	10.8	13,569	1.7	1.6	15.0	14.6
Most preferred picks						**12.4**	**456,984**	**1.4**	**1.3**	**11.8**	**11.1**

Source: Deutsche Bank estimates, Company data
Priced as of 4 March 2013

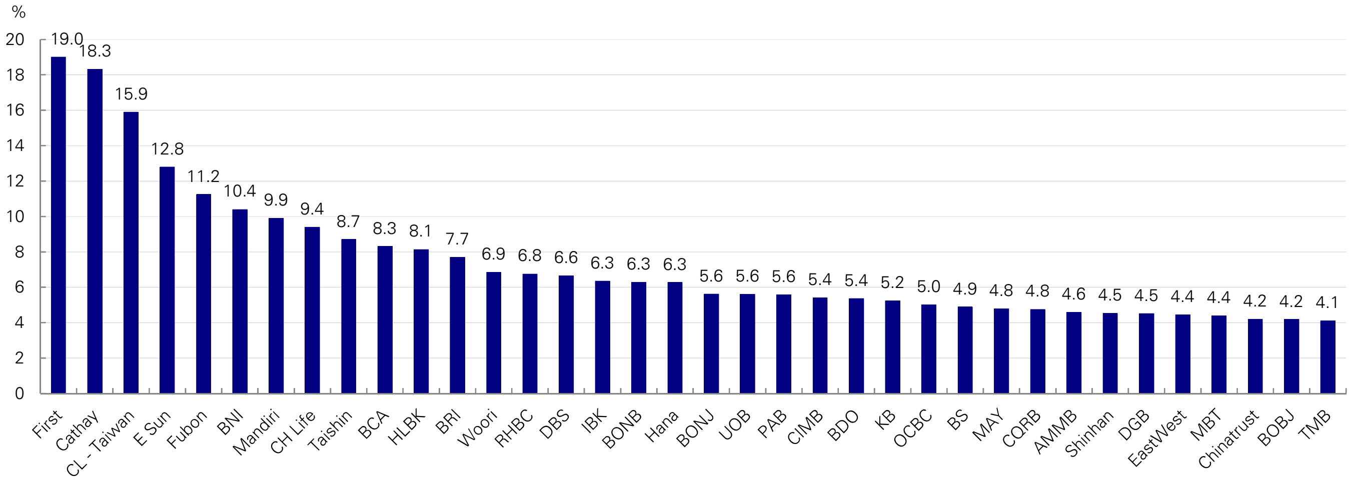
Figure 4: Asian financials – least preferred picks summary data

Name	Ticker	DB Rec.	Currency	Price	Target Price	Upside (%)	Mkt. Cap (US$m)	PB FY12E	PB FY13E	PE FY12E	PE FY13E
Commonwealth Bank	CBA.AX	Hold	A$	67.12	66.00	-1.67	110,099	2.5	2.3	11.3	15.0
Chinatrust FHC	2891.TW	Hold	NT$	17.40	18.20	4.60	7,272	1.2	1.1	12.2	11.7
PICC Group	1339.HK	Hold	HK$	4.56	4.60	0.88	5,130	2.1	1.8	20.0	14.4
IBK	024110.KS	Hold	Won	13,050.0	13,000.0	-0.4	7,152	0.6	0.5	6.8	5.9
Least preferred picks						**(1.1)**	**129,653**	**2.3**	**2.2**	**11.5**	**14.3**

Source: Deutsche Bank estimates, Company data
Priced as of 4 March 2013

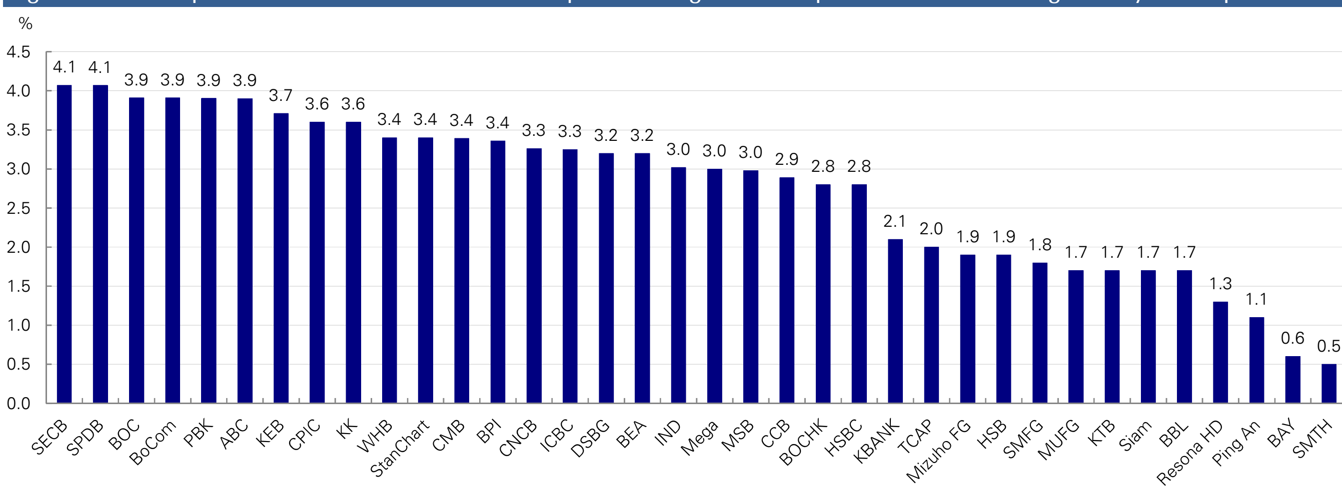
Our earnings sensitivity analysis shows that most Asian banks' and insurers' balance sheets are asset-sensitive and should benefit from steepening yield curves. To simplify, we only consider the primary impact from the change in investment securities portfolio, without considering the secondary impact on EPS from loan growth that may arise in future periods. On our estimates, the PBT impact on Asian financials would range from 0.5% to 19% for a 50bp widening of yield spreads, with the range for Taiwanese financials at 3-19%, Indonesia banks at 7.7-10.4%, Singaporean banks at 5-6.6%, Korean banks at 3.7-6.8% and Chinese banks 2.89-6.25%, as key beneficiaries. Figures 5 and 6 show the EPS impact of a 50bps widening of the long bond yields on Asian financials.

Figure 5: EPS impact on Asian financials from 50bps widening of the respective domestic long bond yields – part 1



Source: Deutsche Bank estimates

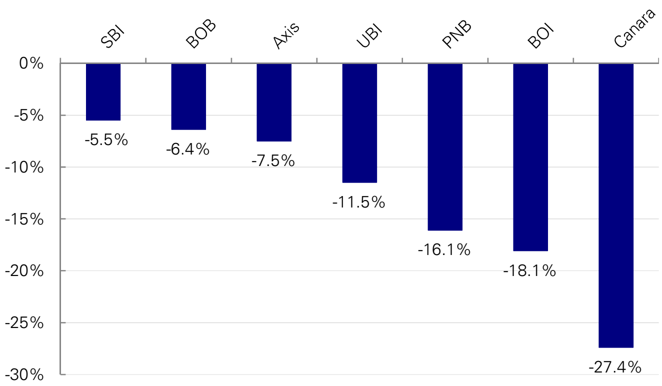
Figure 6: EPS impact on Asian financials from 50bps widening of the respective domestic long bond yields – part 2



Source: Deutsche Bank estimates

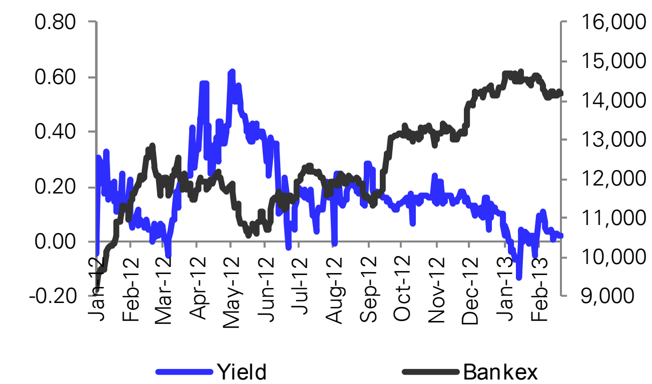
The exceptions to this trend can be seen in India and Indonesia. In India, banks tend to gain from falling treasury yields, as the Reserve Bank of India (RBI) requires banks to hold 23% of their liabilities as a statutory liquidity ratio (SLR). We estimate the yield curve to continue to flatten, with a potential negative EPS impact on banks of 7.5-27.4% from a 50bps rise in the government securities yield.

Figure 7: India: EPS impact from 50bp rise in government securities



Source: Deutsche Bank estimates

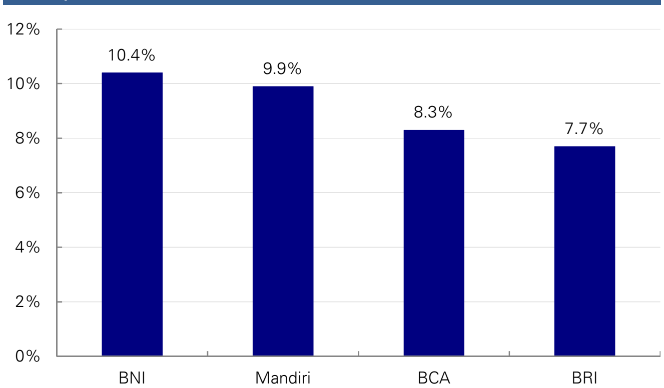
Figure 8: India: Bankex vs. yield difference over last 12 months



Source: Deutsche Bank, Bloomberg Finance LP

Indonesia is a unique case, wherein long bond yields have been historically very high (21% in Oct 2008) and have normalized only recently (5.35% in Feb 2013), which makes the experience for the country very different from the rest of Asia. Given the de-rating and re-rating over the past decade, we believe the change in loan yields captures the impact on Indonesian banks a lot better than the long bond yield, with a 50bp rise in loan yields contributing to 7.7-10.4% in EPS gains, with little impact on share price performance.

Figure 9: Indonesia: EPS impact from the 50bp rise in loan yields



Source: Deutsche Bank estimates

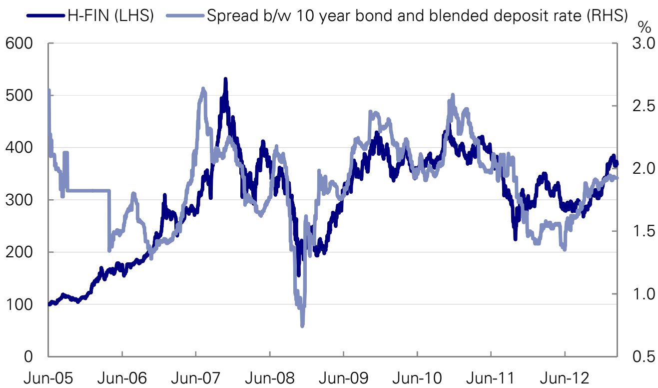
Figure 10: Indonesia: JCI Index vs. domestic 10-year bond yield

Source: Deutsche Bank, Bloomberg Finance LP

Nonetheless, history shows that the strongest positive correlation has existed between domestic yield spreads and China's equity market index (SHCOMP), benefiting the share prices of Chinese insurers. This suggests that a stronger economy, translating into higher long bond yields, is the most important share price driver for Chinese financials. The correlation is much stronger than for Japanese banks, which have been perceived by the market as the key beneficiaries of rising JGB yields. We believe that, recently, currency movements, especially the depreciating yen, have taken over the shape of the yield curves, and is the most dominant factor driving the outperformance of the Japanese banks.

Figures 11 and 12 show the historical correlation between the domestic yields spreads and the performance of financials in China and Japan respectively.

Figure 11: China H-FIN index vs. domestic yield spread



Source: Deutsche Bank, Bloomberg Finance LP

Figure 12: Japan TPNBNK index vs. domestic bond

Source: Deutsche Bank, Bloomberg Finance LP

In the past decade, China has experienced three periods of notable domestic yield curve steepening, with the yield gap widening by 136bps in 2006/7, 172bps in 2008/9 and 68bps from July to November 2011, reflecting a stronger economy, with inflation largely under control. The SHCOMP Index appreciated by 114%, 54% and 25% over the respective periods, benefiting the Chinese insurers the most. We believe this historical relationship should hold true if the economy continues to recover, leaving significant room for a catch-up for the SHCOMP index, which has fallen by 1.5% since June 2012, while the yield spreads have widened by 58bps.

This explains our strategy of recommending investors to position for a continued performance of the A-share market through laggard life insurers, such as Ping An and NCI, and Taiwan non-bank financials. For details, please refer to our report, *China Financials – Sensitivity: How to position for a continued A-share market rally,* dated 6 February 2012.

Our expectation of steepening domestic yield curves is consistent with our house view that the US bond yield is likely to rise as a reflection of a stronger global economy. We believe such a move to have ramifications for the Asian economies, with our correlation analysis showing that since 2007, the highest correlation existed between the US 10-year long bond yields and the share prices of financials in Japan (84%), Australia (71%) and followed by China (66%), making these markets potential beneficiaries of global asset reallocation from sovereign bonds to equities. Markets that are negatively correlated to US long bond yields include India, Korea, Malaysia, Thailand, the Philippines and Indonesia.

Our analysis shows that HSBC and Standard Chartered would benefit from rising US long bond yields, but that the earnings impact should be modest unless short-term rates rebound and boost their returns on free funds. We see limited scope for AIA to raise its bond yield assumptions, but rising US bond yields might lead to potential bond revaluation losses. Nonetheless, we add AIA to our regional top picks given its superior earnings quality.

Figure 13 shows the correlation between the Asian market indices with respect to the US 10-year bond yield.

Figure 13: Correlation with respect to US 10-year bond yield

	Japan	Australia	China	Taiwan	HK	Singapore	India	Korea	Malaysia	Thailand	Philippines	Indonesia	MSCI
	TPX Index	AS51 Index	SHCOMP Index	TWSE Index	HSI Index	FSSTI Index	SENSEX Index	KOSPI Index	FBMKLCI Index	SET Index	PCOMP Index	JCI Index	MXAPJ Index
From 2000	75%	-17%	-18%	-9%	-36%	-37%	-64%	-63%	-67%	-72%	-71%	-78%	-49%
From 2007	84%	71%	66%	30%	29%	25%	-23%	-26%	-44%	-58%	-59%	-68%	15%

Source: Deutsche Bank, Bloomberg Finance LP

Key risks to our regional weighting

While we believe the steepening yield curves will be a theme that plays out over the next 12 months, there may be temporary setbacks (for example, return of risk aversion in response to events in Europe). Additionally, we view a potentially stronger US dollar as a key risk to the Asian financials, which would (at least partially) mitigate the impact of a steepening yield curve. We note a negative correlation of 51% between the MSCI Asia ex Japan Index with the US Dollar Index since 2007. We believe the negative share price impact should be felt most strongly by banks operating in markets with a currency pegged to the US dollar, as their valuation would become more expensive relative to their regional peers. This is confirmed, as we see the highest negative correlation for financials in Taiwan (-61%), followed by Hong Kong and China (correlation: both -56%), Korea (-40%), Singapore (-32%) and India (-31%). The exception might be Japan, as the yen tends to depreciate with a stronger US dollar, helping mitigate the selling pressure on their equities. The risk will worsen with the exit of QE in the US.

Figure 14 shows the performance of financial equity indices in periods corresponding to the US dollar index.

Figure 14: Correlation coefficient of finance index with respect to US dollar Index (DXY Index)

	Taiwan	China	HK	Korea	Singapore	India	Thailand	Malaysia	Indonesia	Australia	Philippines	Japan	MSCI
	TWSEBKI Index	H-FIN Index	HSF Index	KOSPFIN Index	FSTFN Index	BANKEX Index	SETBANK Index	KLFIN Index	JAKFIN Index	AS51BANX Index	PFINC Index	TPNBNK Index	MXAPJFN Index
From 2000	-49%	-80%	-79%	-71%	-71%	-75%	-64%	-73%	-72%	-64%	-49%	28%	-81%
From 2007	-61%	-56%	-56%	-40%	-32%	-31%	-23%	-23%	-18%	-15%	-6%	1%	-51%

Source: Deutsche Bank, Bloomberg Finance LP

Nevertheless, we see limited risks to the fundamentals of the sector from a rising US dollar, as most banks run minimal currency mismatch risks. This is evidenced by the fact that we see a stronger negative correlation between the US dollar index and the equity index (Figure 15), rather than the financial index, for a majority of the markets.

Figure 15: Correlation coefficient of equity index with respect to US dollar index (DXY Index)

	HK	China	Taiwan	Korea	India	Singapore	Malaysia	Australia	Indonesia	Thailand	Philippines	Japan	MSCI
	HSI Index	HSCEI Index	TWSE Index	KOSPI Index	SENSEX Index	FSSTI Index	FBMKLCI Index	AS51 Index	JCI Index	SET Index	PCOMP Index	TPX Index	MXAPJ Index
From 2000	-70%	-85%	-53%	-82%	-82%	-72%	-76%	-68%	-75%	-78%	-68%	17%	-82%
From 2007	-63%	-60%	-53%	-50%	-48%	-42%	-30%	-29%	-29%	-28%	-13%	-7%	-59%

Source: Deutsche Bank, Bloomberg Finance LP

Other downside risks include a more severe-than-expected global or local economic slowdown – especially a hard-landing scenario in China – resulting in deteriorating asset quality, higher-than-expected inflation – leading to higher funding costs and risks of regulatory-induced asymmetric rate changes, more restrictive-than-expected regulation on capital, leverage, liquidity, provisioning and business growth, and unexpected company-specific risks.

We believe upside risks to our neutral weighting on Asian financials include a stronger-than-expected global economic recovery, an unexpected rally in global equities – due to coordinated policy easing, a relaxation of local or global regulatory standards on capital, provisioning and other operating ratios, M&A, and unexpected company-specific risks.

Figure 16 summarizes the valuations for banks in each country. For detailed valuations by company, please refer to Figures 123-127 on pages 55-59.

Figure 16: Asian banks: Valuation comparables by country

Country	Weighting	Upside (%)	Mkt. Cap (US$m)	PB (x) FY12E	PB (x) FY13E	PE (x) FY12E	PE (x) FY13E	Div. Yield FY12E	Div. Yield FY13E	ROE FY12E	ROE FY13E
Australia	Overweight	0.7	379,039	1.9	1.8	9.1	8.6	5.5	5.8	15.4	15.3
China	Neutral	18.0	857,039	1.1	1.0	6.4	6.6	4.3	4.3	18.2	15.8
Hong Kong	Neutral	13.7	81,828	1.9	1.8	11.4	12.4	4.6	5.0	17.5	14.5
India	Neutral	23.7	146,301	2.6	2.3	15.3	12.7	1.6	1.9	17.6	18.3
Indonesia	Neutral	12.2	91,306	3.1	2.6	14.5	12.5	1.6	1.8	24.3	23.5
Japan	Overweight	14.6	251,987	0.9	0.8	9.7	10.7	2.4	2.5	9.8	7.9
Malaysia	Underweight	10.2	80,413	2.0	1.8	12.0	10.9	4.1	4.5	17.1	17.1
Philippines	Neutral	(23.8)	27,356	2.6	2.3	20.5	17.4	0.9	0.9	13.0	13.6
Singapore	Underweight	4.4	80,704	1.3	1.2	11.3	9.6	3.9	4.6	11.4	12.5
South Korea	Neutral	4.1	67,192	0.6	0.6	7.5	6.7	2.1	2.5	7.9	9.9
Taiwan	Neutral	4.2	58,756	1.3	1.2	14.4	13.9	2.7	2.8	9.3	9.1
Thailand	Overweight	6.2	77,377	2.0	1.8	12.1	10.6	2.7	3.0	17.8	17.6
HSBC	Buy	5.6	205,735	1.1	1.0	9.9	9.5	4.6	5.0	11.6	11.3
StanChart	Hold	0.3	65,350	1.5	1.4	11.6	10.5	3.1	3.4	12.8	13.1
Asia	**Neutral**	**11.3**	**2,470,383**	**1.5**	**1.3**	**9.5**	**9.1**	**3.8**	**4.0**	**15.6**	**14.5**

Source: Deutsche Bank estimates, Company data
Priced as of 4 March 2013

The contact details of our Asia Pacific financials team are shared in Figure 17:

Figure 17: Contact details of Deutsche Bank's Asia Pacific financials team

Banks	Analyst	Email	Phone
China and Regional Banks	Yu, Tracy	tracy.yu@db.com	+852-2203 6191
Australia Banks	Freeman, James	james.freeman@db.com	+61-2-8258 2492
Australia Banks	Triggs, Andrew	andrew.triggs@db.com	+61-2-8258 2378
China (A-Share) Banks and Brokers	Zhang, Judy	judy.zhang@db.com	+852-2203 6193
Hong Kong Banks	Lee, Sophia	sophia.lee@db.com	+852-2203 6226
India Banks	Karwa, Manish	manish.karwa@db.com	+91-22-7158 4212
India Banks and Insurance	Shukla, Manish	manish.shukla@db.com	+91-22-7158 4211
Indonesia Banks	Kosasih, Raymond	raymond.kosasih@db.com	+62-21-318 9525
Japan Banks	Yamada, Yoshinobu	yoshinobu.yamada@db.com	+81-3-5156 6754
Korea Banks, Brokers and Insurance	Park, Jeehoon	jeehoon.park@db.com	+82-2-316 8908
Malaysia and Singapore Banks	Hill, Andrew	andrew-d.hill@db.com	+61-2-8258 1474
Philippine Banks	Garchitorena, Rafael	rafael.garchitorena@db.com	+63-2-894 6644
Taiwan Financials	Lee, Pandora	pandora.lee@db.com	+852-2203 5928
Thailand Banks	Patharavanakul, Vilailuck	peach.patharavanakul@db.com	+66-2-633 6463
Insurance			
China and Regional Insurance	Chwei, Esther	esther.chwei@db.com	+852-2203 6191
Australia Insurance	Chidgey, Kieren	kieren.chidgey@db.com	+61-2-8258 2844
Japan Insurance	Muraki, Masao	masao.muraki@db.com	+81-3-5156 6701

Source: Deutsche Bank

COUNTRY SECTIONS

AIA, HSBC and Standard Chartered

Tracy Yu
tracy.yu@db.com
+852 2203 6191

Esther Chwei
esther.chwei@db.com
+852 2203 6200

Sophia Lee
sophia.lee@db.com
+852 2203 6226

AIA: marginally negative impact from rising bond yields; US$ strength a key risk

Rising US bond yields could put pressure on AIA shares

While positive impacts from improving yields should come through gradually, we believe this has been factored in by AIA's EV and VNB. As shown in the following table, which summarizes AIA's bond yields assumptions vs. current prevailing government yields, there is an average 77bp gap between the two. Rising bond yields would narrow the gap but unless we see a sharp uptick, we believe the company has limited room to lift EV assumptions.

Figure 18: AIA – current bond yields vs. EV assumptions

	Current	1H12 assumptions	Diff. (bps)
HK (US government yields used)	2.0%	2.9%	-88
Thailand	3.6%	3.9%	-27
Singapore	1.6%	2.4%	-84
Malaysia	3.5%	4.5%	-97
China	3.6%	3.7%	-14
Korea	3.0%	4.6%	-153
Average	**2.9%**	**3.7%**	**-77**

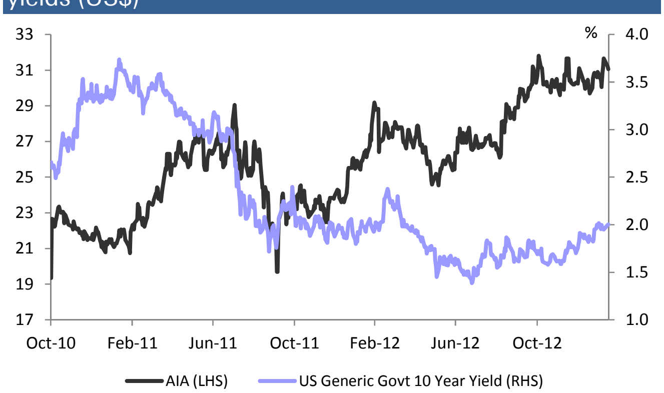
Source: Company data, Bloomberg Finance LP, Deutsche Bank

On the other hand, AIA could suffer bond revaluation losses as a result of rising bond yields. According to AIA disclosures in 1H12, for every 50bp shift in yield curves, its pre-tax profits could decrease by US$80m and its net assets by US$2,320m.

AIA share price performance vs. US bond yields

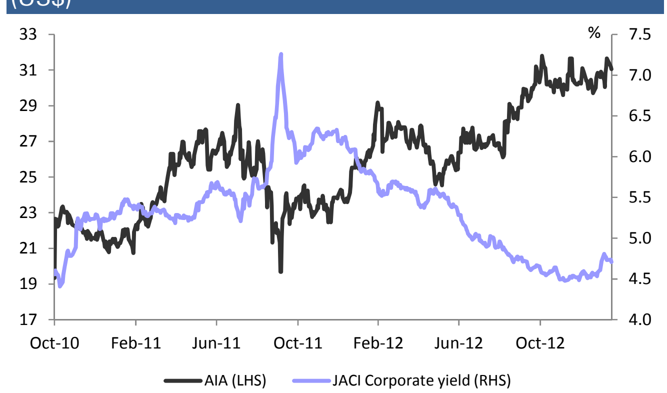
Looking at the historical performance of AIA shares vs. US bond yields (both government and US$ Asian corporate bonds), there seem to be an inverse correlation, especially vs. Asian corporate bond yields, as shown in Figure 20.

Figure 19: AIA share price vs. 10Y US government bond yields (US$)



Source: Company data, Deutsche Bank

Figure 20: AIA share price vs. Asian corporate bond yields (US$)

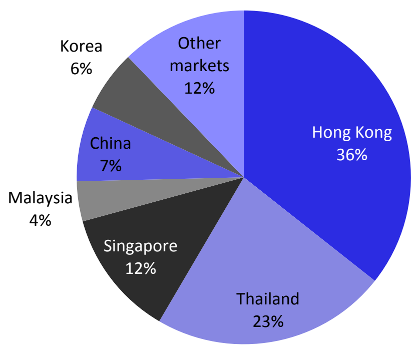


Source: Company data, Deutsche Bank

US$ strength could present headwinds for EV and VNB

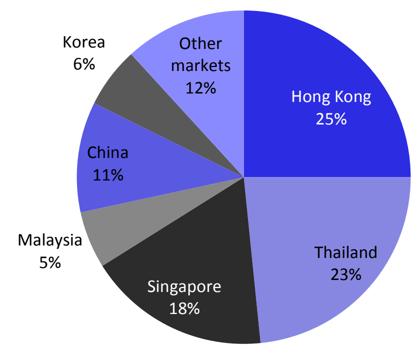
As AIA reports in US$, a significant and sustainable appreciation of the US$ against Asian currencies could weigh on AIA's EV and VNB due to translation effects. As shown in the following charts, 64% of AIA's 1H12 EV and 75% of its VNB came from regions outside of Hong Kong A significant appreciation in the US$ against these currencies could put pressure on AIA's EV and VNB.

Figure 21: AIA – EV breakdown by country (1H12)



Source: Company data

Figure 22: AIA – VNB breakdown by country (1H12)

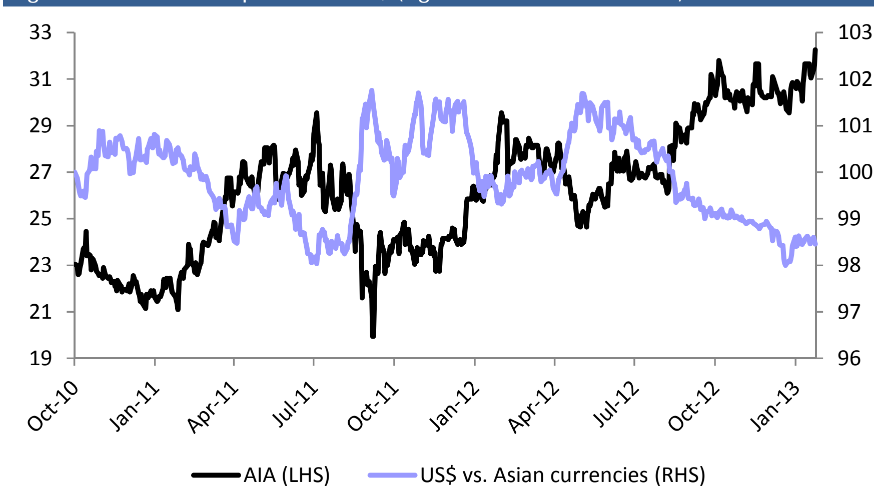


Source: Company data

AIA share price performance vs. US$ strength

We have constructed a weighted US$ index against AIA's key markets, i.e. Hong Kong, Thailand, Singapore, Malaysia, China and Korea (weighted by proportion of EV from each country). We have found a reasonably strong inverse correlation between AIA shares and the US$ index, at -0.6, as shown in the following chart. As such, we believe AIA shares could be susceptible to a sustainable appreciation of the US$ against Asian currencies, which could put pressure on AIA's EV and VNB.

Figure 23: AIA share price vs. US$ (against Asian currencies)



Source: Deutsche Bank, Bloomberg Finance LP

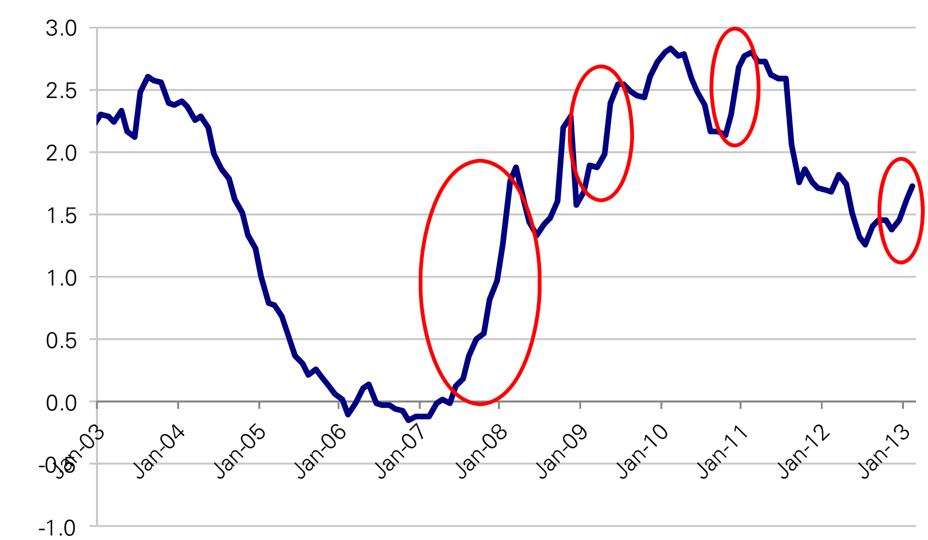
HSBC Holdings and Standard Chartered (SCB)

On our analysis, we believe yield curve steepening would generally be more positive for SCB than HSBC.

We have analyzed the yield curve trends for the past decade by taking the yield difference of 10-year and 2-year US Treasury Bills. There are four periods when significant yield curve steepening occurred (Figure 24). The first was from June-07 to Mar-08, during which the 10-year and 2-year yield spread increased by 175bps to 1.88%. The second period was from Dec-08 to July-09, when the yield spread increased by 97bps to 2.54%. The third was from Sept-10 to Feb-11, during which the yield spread widened by 64bps to 2.81%. For the basis of our analysis, we believe the second and the third periods are more relevant to the current yield curve steepening.

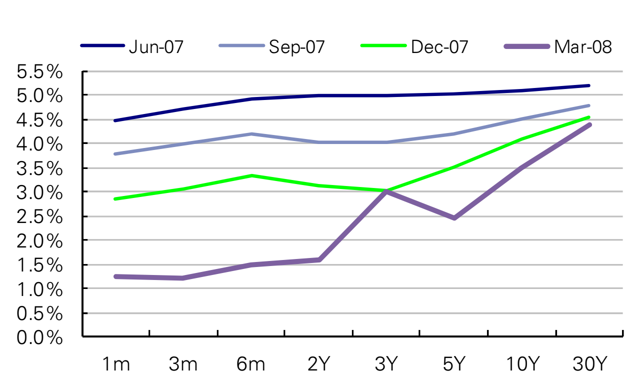
This is because, in the first instance, the yield curve steeping was driven by a decline in the short-term yield. At the time, the one-month yield dropped from 4.5% to 1.2%. However, the more recent yield curve steepening was caused by an increase in long-term yields, from 2.6% to 3.18%. This is more similar to the second and third curve steepening.

Figure 24: Yield difference of 10-year and 2-year US T bills (%)



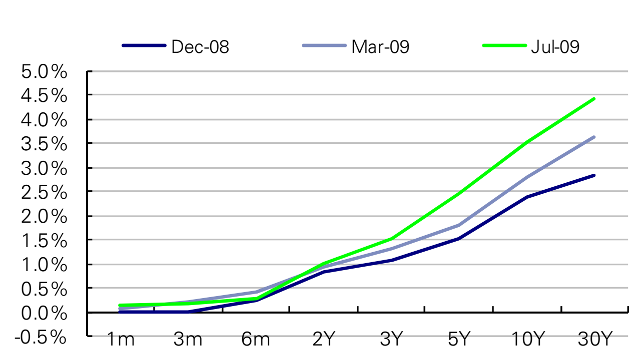
Source: Deutsche Bank, Bloomberg Finance LP

Figure 25: Jun-07 to Mar-08 yield curve steepening



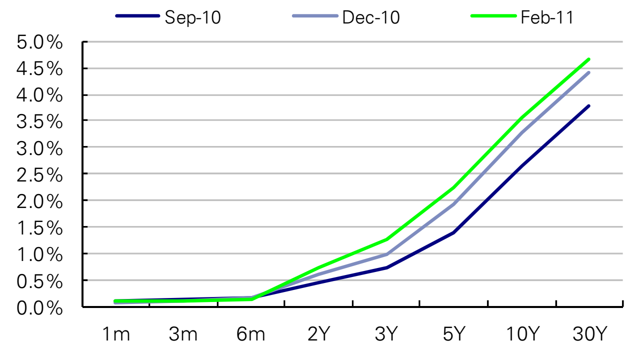
Source: Deutsche Bank, Bloomberg Finance LP

Figure 26: Dec-08 to July-09 yield curve steepening



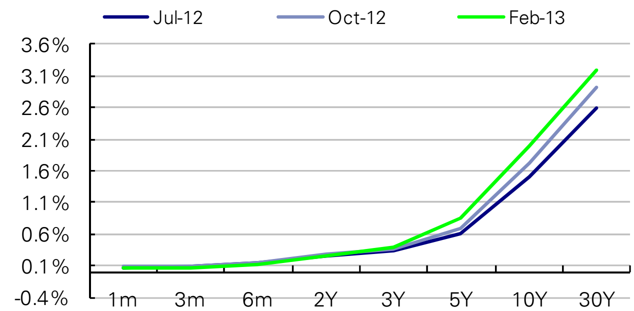
Source: Deutsche Bank, Bloomberg Finance LP

Figure 27: Sept-10 to Feb-11 yield curve steepening



Source: Deutsche Bank, Bloomberg Finance LP

Figure 28: Recent yield curve steepening, Dec-12 to Feb-13

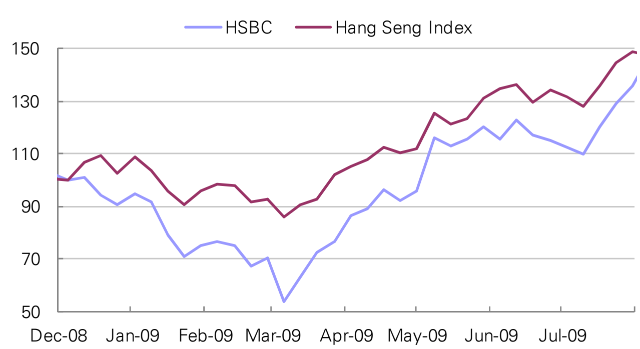


Source: Deutsche Bank, Bloomberg Finance LP

A historical analysis of the share price performance of HSBC and SCB compared with the HSI Index shows that there is no clear conclusion on the impact of the yield curve steepening as, at the time, share prices were driven by company-specific factors, such as HSBC tackling its US mortgage business, while SCB enjoyed an outperformance driven by its exposure to EM markets.

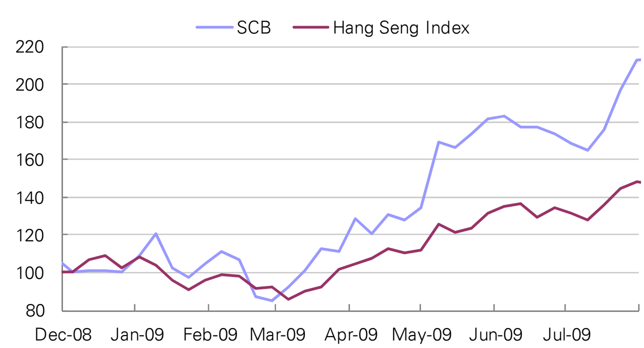
For the period from Dec-08 to Jul-09, HSBC underperformed the HSI Index. At the time, HSBC's share price increased by 35.6%, significantly underperforming the HSI index, which was up by 48.6%. Meanwhile, SCB performed in line with the index until Mar-09, after which SCB's share price outperformed the Index significantly. During the period, SCB's share price increased by 112.8%, while the HSI Index increased by 48.6%.

Figure 29: HSBC and HSI Index from Dec-08 to Jul-09



Source: Deutsche Bank, Bloomberg Finance LP

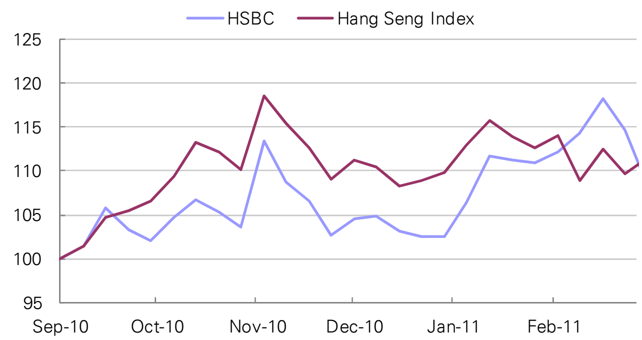
Figure 30: SCB and HSI Index from Dec-08 to Jul-09



Source: Deutsche Bank, Bloomberg Finance LP

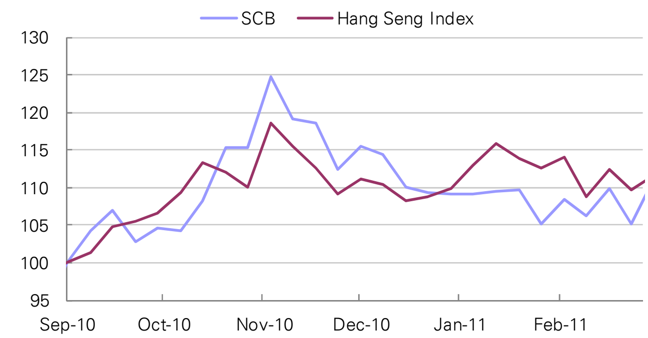
Similarly, for the period from Sept-10 to Feb-11, HSBC underperformed the index, while SCB outperformed. We think this was driven by company-specific factors, rather than yield curve steepening.

Figure 31: HSBC and HSI Index from Sep-10 to Feb-11



Source: Deutsche Bank, Bloomberg Finance LP

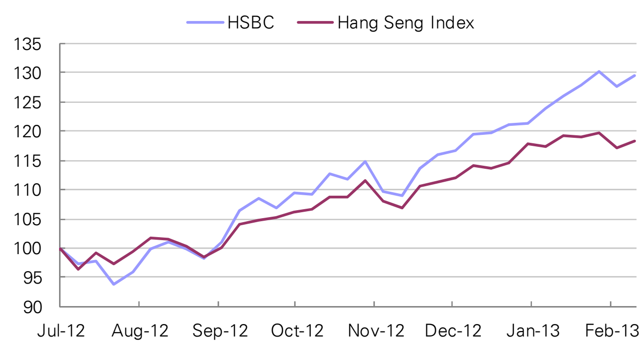
Figure 32: SCB and HSI Index from Sep-10 to Feb-11



Source: Deutsche Bank, Bloomberg Finance LP

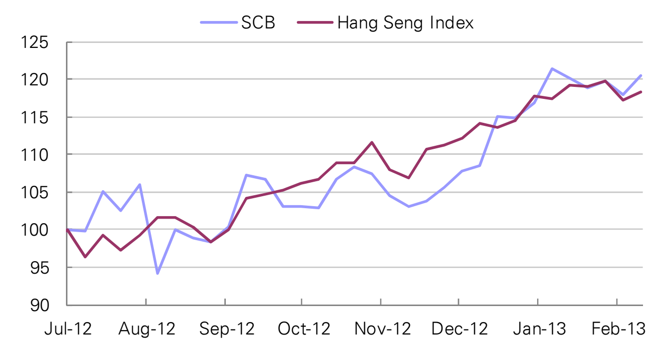
During the period between Jul-12 and Feb-13, HSBC performed in line with the market until Nov-12, and thereafter it has outperformed the overall market. On the other hand, SCB has moved almost in line with market during the period.

Figure 33: HSBC and HSI Index from Jul-12 to Feb-13



Source: Deutsche Bank, Bloomberg Finance LP

Figure 34: SCB and HSI Index from Jul-12 to Feb-13



Source: Deutsche Bank, Bloomberg Finance LP

EPS impact analysis from 50 basis point rise in yield curve

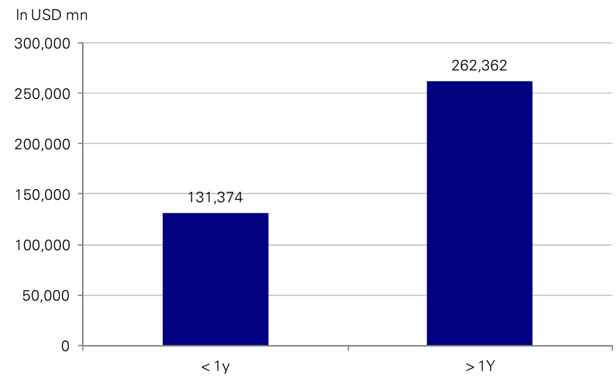
We have analyzed the impact of a 50 basis point increase in the yield curve on HSBC's and SCB's earnings per share. We estimate that SCB is set to gain more from the yield curve steeping (+3.4%) compared with HSBC (+2.8%). While the total impact on EPS depends on a few factors, we identify the average duration of the investment securities book and investment securities as a ratio of total assets as the key factors. This is because we believe a rate hike would firstly affect the reinvestment of investment securities coming due, whereas rates on loans and interbank lending are more a function of the supply and demand of credit. Therefore, for our EPS impact analysis, we limit this to banks' investment securities with duration of less than one year. Additionally, our calculations do not consider the secondary impact to EPS from loan growth that will be registered in future periods.

Figure 35: EPS impact from 50 basis point change in yield curve

USD m	HSBC	SCB
Investment with maturity less 1 year	131,374	52,890
Yield curve change	0.50%	0.50%
Net income estimates for (2013E)	19,360	5,707
Effective tax rate	17%	26%
Increase in net income	548	194
EPS impact	2.8%	3.4%

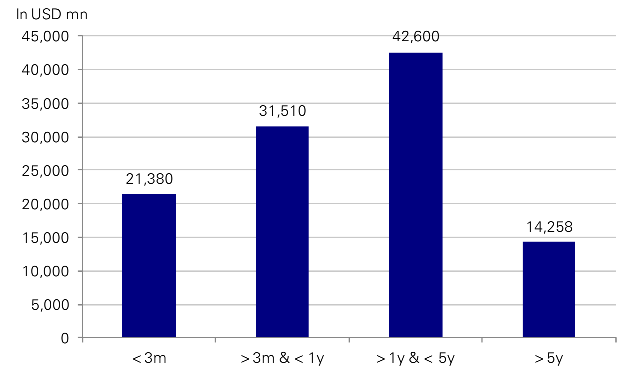
Source: Deutsche Bank estimates

Figure 36: HSBC Inv. Securities maturity as of 1H12



Source: Deutsche Bank, Company data

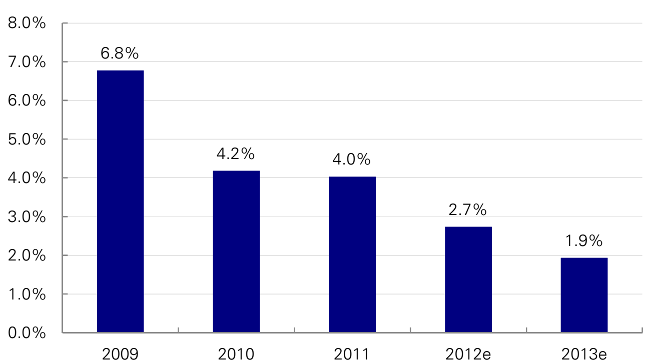
Figure 37: SCB Inv. Securities maturity as of 1H12



Source: Deutsche Bank, Company data

Indirectly, higher long-term rates in the US, which indicate a better economic outlook, should have a positive impact on HSBC's credit costs, as its North American business has been a drag on earnings. Although the credit cost of the North American business has declined continuously from 6.8% in 2009, 4.2% in 2010 and 4.0% in 2011, it is still at a very high level. In 1H12, the annualized credit cost improved significantly but, at 2.6%, it is still high compared with 0.1% for its Hong Kong operation, leaving much room for improvement. For FY13, we estimate a credit cost of 1.9% for the North American business. If HSBC were able to lower this by 50bps, provision charges for the North American business would drop by 26%, resulting in a 41% increase in the pre-tax profit of the North American business. This translates into a 2.5% increase in pre-tax profit for the whole group.

Figure 38: HSBC North American credit cost



Source: Deutsche Bank estimates, Company data

Figure 39: HSBC Group PBT sensitivity to NA credit cost

FY13e Base case:	
Credit cost for North America business	1.9%
North America PBT (US$m)	1,562
Group PBT (US$m)	25,860
If North America credit cost lower by 50bps:	
Deline in provision	634
Increase in North America PBT (US$m)	41%
Increase in Group PBT (US$m)	2.5%

Source: Deutsche Bank estimates, Company data

Australian banks

James Freeman
james.freeman@db.com
+61 2 8258 2492

Andrew Triggs
andrew.triggs@db.com
+61 2 8258 2378

Australian banks less exposed to yield curve shape compared with international peers

From an earnings perspective, the Australian banks are less exposed to the shape of the yield curve compared with their international peers. Interest rates on both the asset and liability sides are mostly benchmarked to the floating 90-day bank bill rate, with the banks operating complex hedging overlays to convert any fixed rates into the floating 90-day bank bill. The majority of the Australian banks' assets are benchmarked to either the cash rate or the 90-day bank swap rates.

The banks' liquidity book consists of government, semi-government and corporate bonds, as well as internalized RMBS. While the mark to market of these market securities affects banks' earnings, interest rate exposures are usually hedged, and the MTM impact is as a result of movements in credit spreads.

As such, from an earnings perspective, banks do not tend to be directly affected by interest rate movements at either the long or short end of the yield curve. That said, a movement in the 90-day bank bill rate does affect banks' margins through two avenues:

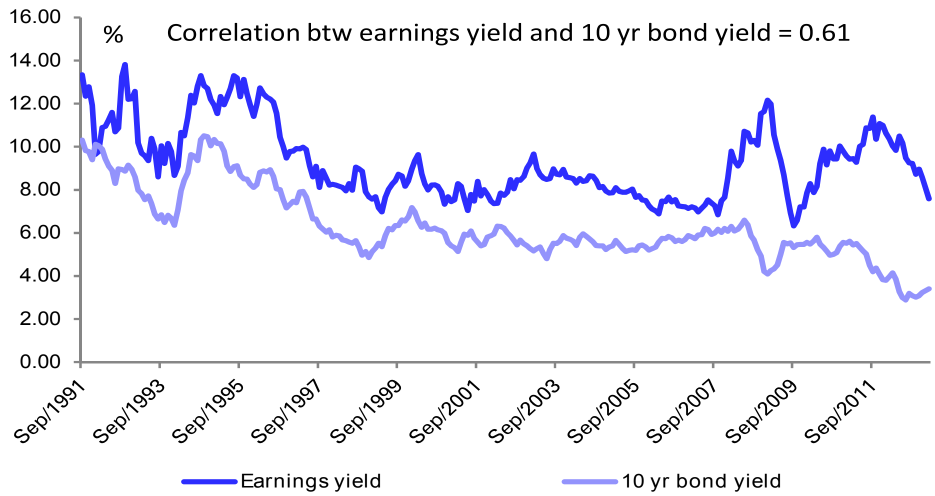
- A lower 90-day bank bill rate reduces the interest earned on free funds, and therefore has a negative impact on bank margins. However, banks have replicating portfolios, which spread the impact of a lower free fund benefit over a 3-5-year period.
- Banks take, on average, two to three months to pass official cash rate cuts through to lower deposit rates. The lag creates a temporary drag on bank margins, given that assets usually price relatively more quickly post the official cash rate reductions.

In the past, these negative margin impacts have usually been offset or partially negated by higher lending growth. However, post the GFC, the lending response to a cash rate cut has been more muted, which most likely reflects the high household leverage and caution from both consumers and business customers.

Relationship with bank share prices

From a bank share price performance perspective, banks do tend to perform better in a declining rate environment, as their dividend yields become more attractive. Our analysis suggests that banks' PEs generally expand when interest rates decline, as shown in Figure 40.

Figure 40: Banks' PER expands when interest rates decline



Source: Deutsche Bank, IRESS, Company data

Chinese banks

Tracy Yu
tracy.yu@db.com
+852 2203 6191

Judy Zhang
judy.zhang@db.com
+852 2203 6193

Yield curve steepening has been positive for the sector

Based on our analysis, we conclude that the steepening yield curve, driven by an increase in long-term yields, is positive for the share price performance of Chinese banks. If the yield curve steepens by 50bps, we forecast Chinese banks' EPS could rise by 3.5%.

In the past decade, China has experienced three periods of notable yield curve steepening; first from October 2006 to July 2007, then from November 2008 to October 2009 and then again from July 2010 to November 2010. We analyzed the yield difference of 10-year China Government Bond Yields and the blended deposit rate between the benchmark demand deposit rate and the 1-year term deposit rate. We found that, in 2006/7, the yield gap widened by 136bps, from 1.28% to 2.64%, whereas in 2008/9, the yield difference widened by 1.72%, from 0.74% to 2.46%. During these two periods, China enjoyed a notable recovery in GDP growth, with inflation largely under control. In the case of 2010, the respective yield gap had expanded by 68bps, from 1.91% to 2.59%.

In these three cases, the key driver behind the yield curve steepening differed. In 2006/7 and 2010, the steepening was driven by an increase in long-term yields, reflecting a stronger economy, whereas in 2008/9, the steepening was driven by a significant drop in short-term rates as a result of interest rate cuts, as a policy response to the global financial crisis and a subsequent recovery in long-term yields.

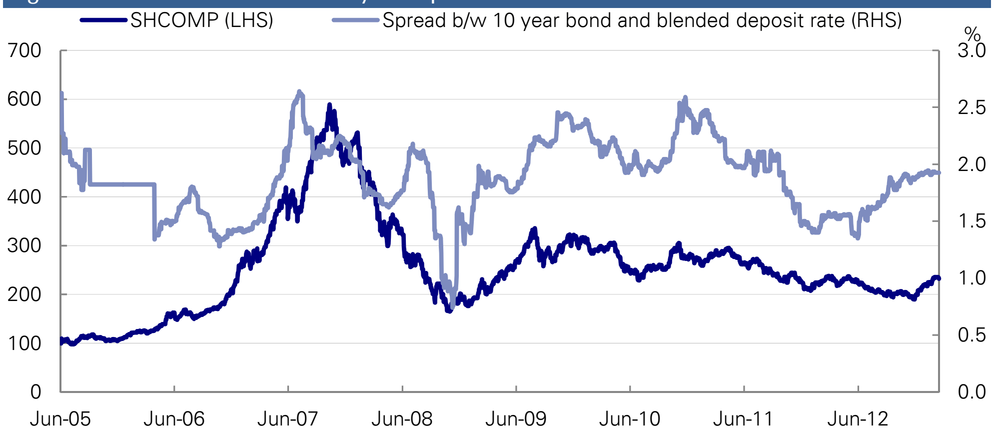
The share prices of the H-share listed Chinese financial companies (both banks and insurance companies) had appreciated sharply during the respective periods of yield curve steepening, reflecting higher net interest income for banks as a result of higher reinvestment yields and stronger loan pricing power, as well as better investment income for insurers. Figure 41 shows the high positive correlation between the yield spreads and the performance of the H-share Finance Index since 2005.

Figure 41: Correlation between yield spreads and H-FIN Index

Source: Deutsche Bank, Bloomberg Finance LP

For the equity market as a whole, steepening yield curves have corresponded to positive share price performance for China equities in the past 10 years. We found that the SHCOMP Index rose by 114%, 54% and 25% during the respective three periods, when the yield spreads widened notably. Figure 42 shows the correlation between the yield spreads and the SHCOMP Index since 2005.

Figure 42: Correlation between yield spreads and SHCOMP Index



Source: Deutsche Bank, Bloomberg Finance LP

Among the Chinese financials, we have found Chinese insurers to be the most consistent outperformers during these cycles, with Ping An and PICC delivering the highest returns relative to their peers. In the banking space, BOC has been the most stable performer relative to other banks. Except in the first cycle, corresponding to A-share market exuberance, the share prices of Chinese banks have performed in line with the SHCOMP Index, but lagged other financials. Figure 43 highlights the expansion of yield spreads and the performance of the SHCOMP Index, H-share Finance Index and listed financial companies during 2006/7, 2008/9 and 2010.

Figure 43: Performance of equity indices and financials in periods corresponding to expanding yield spreads

	10/27/2006	7/11/2007	Change (%)	11/13/2008	10/16/2009	Change (%)	7/20/2010	11/11/2010	Change (%)	6/4/2012	3/4/2013	Change (%)
Spread	1.279	2.64	1.36	0.74	2.455	1.72	1.905	2.54	0.64	1.35	1.925	0.58
HSI Index	18,298	22,607	24	13,221	21,930	66	20,265	24,700	22	18,186	22,538	24
HSCEI Index	7,406	13,003	76	6,796	12,751	88	11,507	14,088	22.4	9,375	11,105	18.4
SHCOMP	1,807	3,866	114	1,928	2,977	54	2,529	3,148	24.5	2,309	2,273	-1.5
H-Fin	8,788	15,171	73	9,150	17,452	91	16,475	19,837	20.4	12,483	15,385	23.2
Insurance												
China Life	16.02	30.15	88	20.65	35.75	73	33.65	36.10	7	17.06	22.70	33
Ping An	27.05	58.85	118	32.90	67.00	104	64.35	93.45	45	53.40	62.85	18
PICC P&C	2.67	6.25	134	2.40	5.23	118	7.53	11.67	55	7.90	11.06	40
Banks												
ICBC	3.45	4.78	38	3.61	6.03	67	5.63	6.69	19	4.65	5.40	16
BOC	3.20	4.13	29	2.00	4.24	112	3.88	4.67	20	2.94	3.50	19
CCB	3.42	5.68	66	3.93	6.54	66	6.20	7.72	25	5.32	6.19	16
BoCom	5.01	7.78	55	3.79	8.89	135	7.65	7.96	4	4.97	5.84	18
CMB	8.55	20.44	139	9.55	17.53	84	19.52	22.35	14	14.38	16.20	13
Brokers												
CITICS-A	4.25	16.06	278	11.90	16.34	37	11.18	14.50	30	12.88	13.94	8
HTS-A	2.71	20.53	658	12.64	13.13	4	9.23	11.60	26	10.01	11.98	20

Source: Deutsche Bank, Bloomberg Finance LP

Recent yield curve steepening positive for Chinese banks

Since 4 June 2012, China's yields spreads have widened by 58bps, due to both policy cuts in short-term rates and rising 10-year bond yields, by 23bps to 3.58%, reflecting the falling risks of China's economic hard landing. Although the SHCOMP Index has rebounded 15% from its bottom, it has fallen by about 1.5% during the recent period of yield curve steepening.

The index appreciated by 24% in the last cycle, when the yield gap expanded by a similar magnitude. We estimate that a 50bp rise in the yield curve gap should increase banks' net profit by 3.5%, with CQRB, ABC, BOC and BoCom benefiting the most, while MSB should benefit the least. Figure 44 shows the NPAT impact, on the assumption that the yield curve should widen by 50bps.

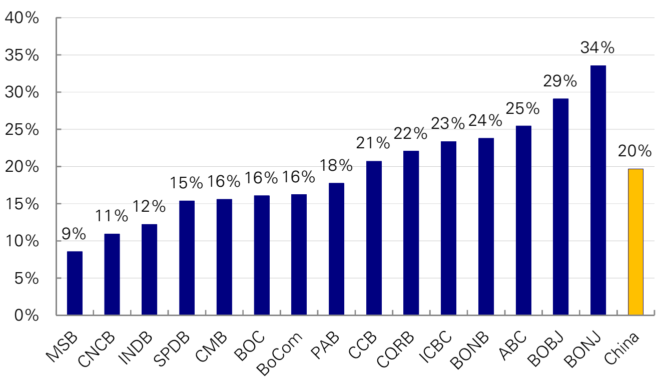
Figure 44: FY13 NPAT impact if yield increases by 50bps

Rmb bn (June 2012)	Higher investment yields	Higher loan yields	Total	NIM (bps)	% of PBT
ICBC	4.2	5.3	9.5	6.0	3.25%
CCB	2.2	4.6	6.9	5.4	2.89%
BOC	2.6	4.0	6.7	5.5	3.91%
ABC	3.6	4.0	7.5	6.2	3.90%
BoCom	0.8	2.0	2.8	6.1	3.91%
CMB	0.6	1.3	1.9	6.4	3.39%
CNCB	0.6	0.9	1.5	5.4	3.26%
MSB	0.4	1.1	1.4	5.8	2.98%
CQRB	0.2	0.2	0.3	8.5	4.75%
INDB	0.4	0.8	1.2	4.5	3.02%
SPDB	0.6	1.1	1.7	5.9	4.07%
PAB	0.4	0.5	0.9	6.4	5.58%
BOBJ	0.2	0.4	0.6	5.5	4.18%
BONJ	0.2	0.1	0.3	8.7	5.62%
BONB	0.2	0.1	0.3	11.4	6.29%
Total	**17.0**	**26.4**	**43.4**	**5.8**	**3.50%**

Source: Deutsche Bank estimates

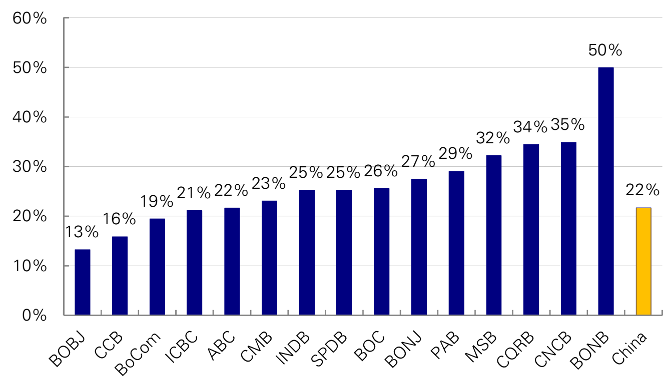
The impact depends on a few factors, including the average duration of the investment book, investment securities as a percentage of total assets and new loan growth. This is because we believe an increase in the yield will firstly offset the reinvestment of investment securities coming due. Therefore, for our profit sensitivity analysis, we limit the study to banks' investment securities with duration of less than one year. Additionally, our calculations do not consider the secondary impact to EPS from loan growth that will be registered in future periods. Figures 45 and 46 show the size of investment securities relative to total assets and the ratio of investment securities maturing within one year as of June 2013.

Figure 45: Investment securities as a ratio of total assets for listed Chinese banks



Source: Deutsche Bank, Company data

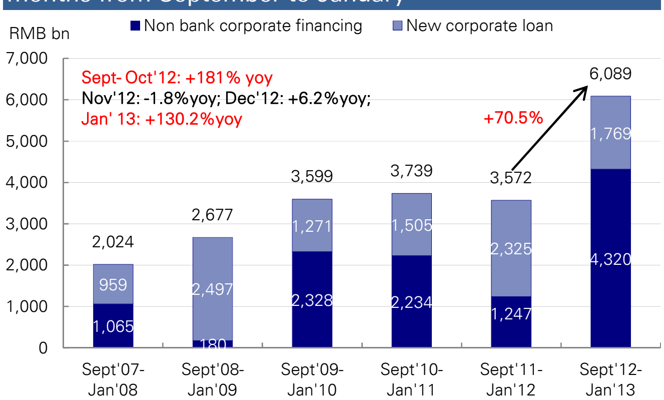
Figure 46: Ratio of short-dated investment securities (maturity <1year) to total investment securities



Source: Deutsche Bank, Company data

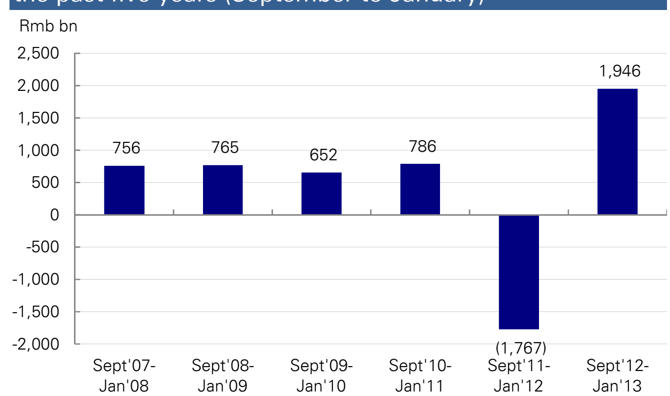
Looking ahead, we expect China's long bond yield to rise further, from the current level of 3.58%, to reflect China's continued economic recovery on the back of the much-improved lending environment. As such, the SHCOMP Index should react positively to the development. Following the two policy rate cuts in June/July 2012, we find that the period between September 2012 and January 2013 has seen a huge surge in new lending to the corporate sector, to reach Rmb6.1tr (or up strongly by 70.5% yoy), leading to Rmb1.95tr-worth of new corporate deposits. This scale of monetary easing might be smaller than that of 2009, but the intensity seems to be stronger, given the government's intention to avoid a further economic slowdown.

Figure 47: Breakdown of total corporate financing for the months from September to January



Source: Deutsche Bank, CEIC

Figure 48: Absolute value of new corporate deposits over the past five years (September to January)



Source: Deutsche Bank, CEIC

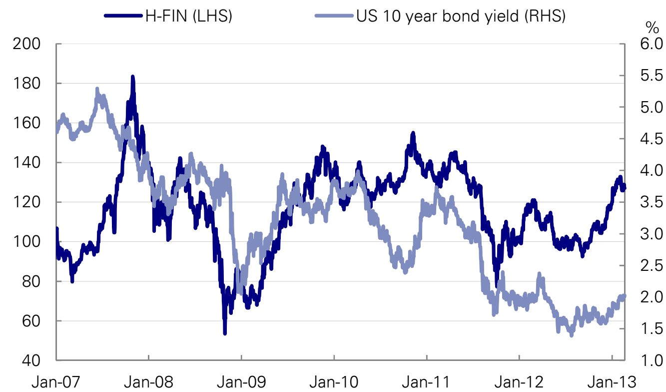
Key beneficiary of rising US long bond yields

As the global economy has become increasingly well connected through international trade, with a more coordinated monetary policy, the performance of the SHCOMP Index has shown an extremely high positive correlation with the US long bond yields. This suggests that China is a beneficiary of a stronger US economy and that Chinese equities should gain from the global asset rotation from bonds, especially US Treasuries to equities.

Figure 49: SHCOMP Index vs. US 10-year bond yield

Source: Deutsche Bank, Bloomberg Finance LP

Figure 50: H-FIN Index vs. US 10-year bond yield



Source: Deutsche Bank , Bloomberg Finance LP

Our correlation coefficient analysis shows that, since 2007, the highest correlation between the US long bond yields and Asian equities was in Japan (84%) and Australia (71%), followed by China (66%). On a longer-dated horizon (since 2000), only Japan (71%) seems to showcase a significant positive correlation with the US long bond yields, but over the past five years, we find a strengthening in the correlation (towards the positive side) in each of the 12 markets we cover. Unsurprisingly, this has been the period when global monetary policies have become more coordinated, and the world has become increasingly connected with international trade.

As a result, we see positive correlation trends in Australia, China, Taiwan, Hong Kong and Singapore, while markets in India, Korea, Malaysia, Thailand, the Philippines and Indonesia continue to be negatively correlated to US long bond yields.

Figure 51: Correlation with respect to US 10-year bond yield

	Japan	Australia	China	Taiwan	HK	Singapore	India	Korea	Malaysia	Thailand	Philippines	Indonesia	MSCI
	TPX Index	AS51 Index	SHCOMP Index	TWSE Index	HSI Index	FSSTI Index	SENSEX Index	KOSPI Index	FBMKLCI Index	SET Index	PCOMP Index	JCI Index	MXAPJ Index
From 2000	75%	-17%	-18%	-9%	-36%	-37%	-64%	-63%	-67%	-72%	-71%	-78%	-49%
From 2007	84%	71%	66%	30%	29%	25%	-23%	-26%	-44%	-58%	-59%	-68%	15%

Source: Deutsche Bank, Bloomberg Finance LP

Chinese insurers

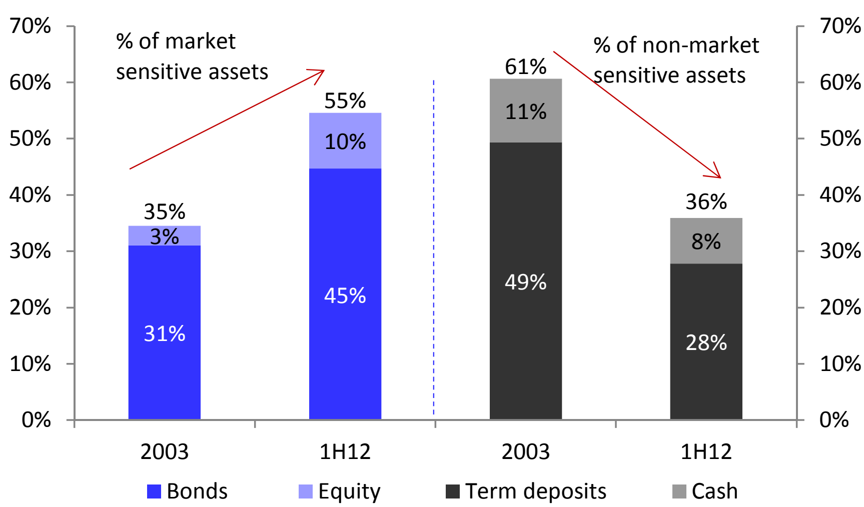
Esther Chwei
esther.chwei@db.com
+852 2203 6200

Mixed impacts from rising bond yields; A-share markets a bigger catalyst

Investment mix has changed over time

Chinese insurers were direct beneficiaries of rising bond yields/interest rates in 2003, when the bulk of investment assets were invested in non-market-sensitive assets such as cash and term deposits, which accounted for 61% of investment assets, and market-sensitive assets (bonds and equities), which accounted for only 35%. As the value of cash and term deposits were not subject to mark-to-market, Chinese insurers were able to reap the benefits of higher investment yields (on higher reinvestment and return on new money), while the revaluation losses were relatively limited. However, we note that the investment mix of the sector has changed significantly over time, with market-sensitive assets (bonds and equities) now accounting for 55% of investment assets, at the expense of cash and term deposits, which have declined to 36%. As a result, the impacts from rising bond yields have become more mixed, in our view.

Figure 52: China Life & Ping An – change in asset mix



Source: Deutsche Bank, Company data

Rising bond yields/interest rates alone are marginally negative for valuations

In our view, rising bond yields alone could be net negative for Chinese insurers. While sector investment yields should improve over time, insurers will likely suffer bond valuation losses on the back of higher yields and lower bond prices.

- **Bond revaluation losses**. Rising bond yields tend to result in bond revaluation losses, which could affect insurers' book value and EV. Figure 53 summarizes our analysis on the impact of a 50bp increase in interest rates. We note that the improved earnings would be more than offset by bond revaluation losses expected to hit the book value.

Figure 53: Sensitivities to interest rates

Interest rate +50bps (Rmb m)	China Life	Ping An	CPIC	NCI	Taiping
Impact on pre-tax profit	1,712	314	359	-20	na
-As a % pre-tax	**9.4%**	**1.1%**	**3.6%**	**-0.6%**	**na**
Impact on book value	-12,746	-2,700	-329	-382	-322
-As a % book value	**-6.7%**	**-2.1%**	**-0.4%**	**-1.2%**	**-2.8%**

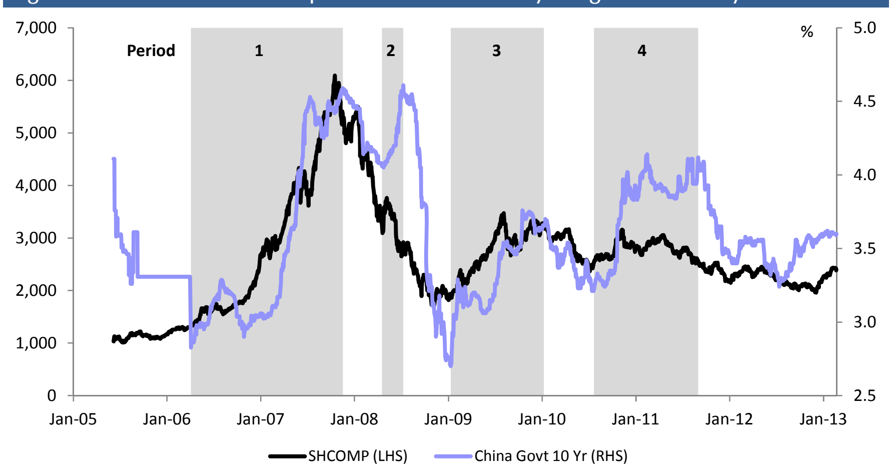
Source: Deutsche Bank estimates

- **Medium-term positives have been factored in by EV**. Higher bond yields/interest rates should improve recurring investment yields given the asset-liability mismatch (liability duration > asset duration) of insurance companies in Asia. As assets mature faster than liabilities, insurers should be able to achieve higher yields on reinvestment. This, coupled with a higher return on new money, should help improve overall investment yields for insurers, all other factors being constant. Having said that, we note that Chinese insurers' EV and VNB have generally priced in improving investment yields, and rising bond yields are unlikely to result in gains. Therefore, we believe the sector's EV should be under pressure on rising bond yields, driven by bond revaluation losses.

Historical bond yields vs. A-share performance

When studying the effect of rising bond yields on the Chinese insurance sector's share prices, it is important to note the strong correlation between China's bond yields and A-shares performance. As shown in the following chart, the two have largely moved in tandem. We have highlighted periods of rising interest rates and summarized the performance of the SHCOMP and Chinese insurers' stocks during these periods in Figure 54.

Figure 54: China's A-share performance vs. 10-year government yields



Source: Deutsche Bank, Bloomberg Finance LP

The following table summarizes the performance of Chinese insurance shares during four different periods of rising bond yields, as highlighted in the chart above. We note that Chinese insurance shares performed well only in Periods 1 and 3, during which rising bond yields were accompanied by strong A-share markets. Without strong equity markets (such as Periods 2 and 4), Chinese insurance shares actually performed poorly. This is in line with our view that rising bond yields alone are not positive for the Chinese insurance sector, and the key share price driver is equity markets, not bond yields.

Figure 55: Performance of Chinese insurance shares during periods of rising bond yields

	Period 1			Period 2			Period 3			Period 4		
	08-Sep-05	16-Nov-07	Chg (%)	17-Apr-08	09-Jul-08	Chg (%)	09-Jan-09	16-Oct-09	Chg (%)	20-Jul-10	14-Feb-11	Chg (%)
10Y gov yield	2.83	4.59	176	4.06	4.61	55	2.70	3.76	106	3.21	4.12	91
SHCOMP	1,319	5,316	303%	3,223	2,921	-9%	1,905	2,977	56%	2,529	2,567	2%
CL	10.00	43.45	335%	29.05	27.50	-5%	23.60	35.75	51%	33.65	19.56	-42%
PA	19.94	90.10	352%	61.45	50.80	-17%	38.10	67.00	76%	64.35	62.35	-3%
CPIC	na	na	na	na	na	na	na	na	na	29.85	30.45	2%
CTIH	4.00	22.00	450%	18.14	17.36	-4%	10.04	24.30	142%	25.90	17.46	-33%
PICC P&C	2.73	12.14	344%	6.28	4.54	-28%	3.70	5.14	39%	7.39	13.04	76%
Average			**370%**			**-14%**			**77%**			**0%**

Source: Bloomberg Finance LP, Deutsche Bank

Hong Kong banks

Sophia Lee
sophia.lee@db.com
+852 2203 6226

Recent yield curve steepening positive for the sector

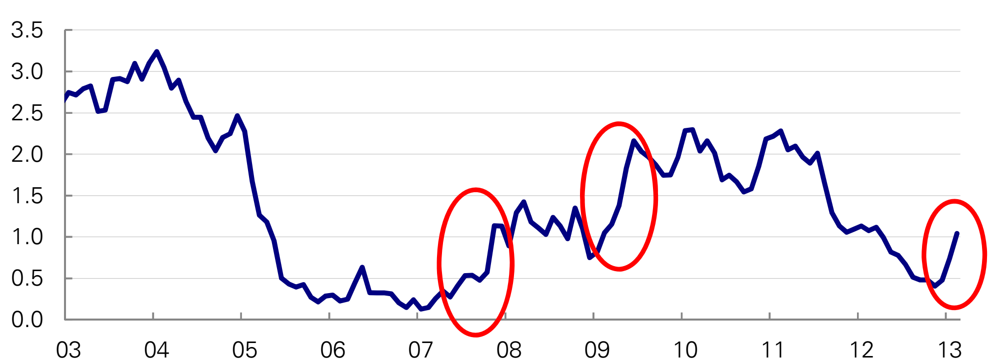
Historically, long-term yield increases have corresponded with positive share price performance; potential EPS rise of 3%

Based on our analysis, we conclude that a steepening yield curve, driven by an increase in long-term yields, will be positive for the share price performance of Hong Kong banks. If the yield curve steepens by 50bps, we believe banks' EPS could rise by 2-3%.

In the last decade, Hong Kong experienced two periods of significant yield curve steepening; first from January to December 2007, and second from December 2008 to June 2009. We analyzed the yield difference of a 2-year and 10-year Exchange Fund Bill and found that, in 2007, the yield difference widened by 100bps, from 0.13% to 1.13% (Figure 56). In the case of 2009, the yield widened by 140bps, from 0.75% to 2.16%.

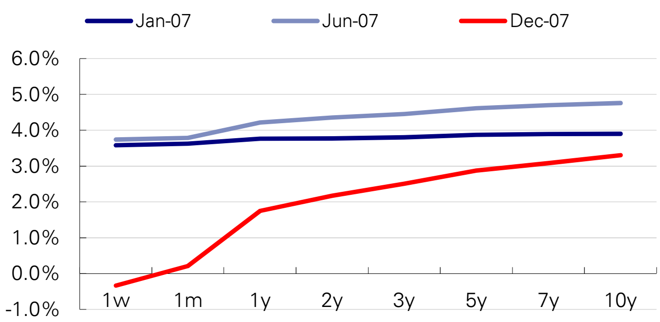
In these two cases, the key driver behind the yield curve steepening differed. In 2007, the steepening was caused by a significant drop in short-term yields, whereas in 2009, it was driven by an increase in long-term yields. As the recent yield curve steepening seen in Hong Kong since December 2012 has been driven by an increase in long-term yields (Figure 59), we will focus on what happened in 2009 as a proxy for what could happen in 2013.

Figure 56: Yield difference of 10-year and 2-year Exchange Fund Bills (%)



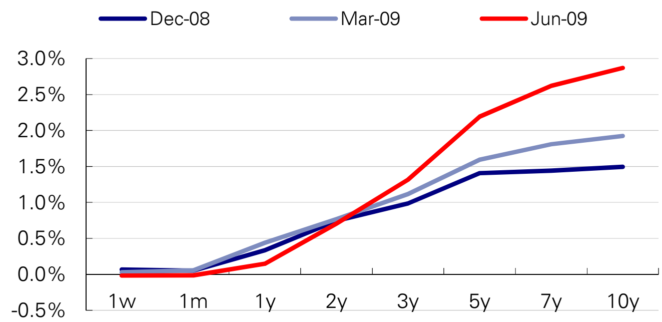
Source: Deutsche Bank, Bloomberg Finance LP

Figure 57: Jan-07 to Dec-08 yield curve steepening



Source: Deutsche Bank, Bloomberg Finance LP

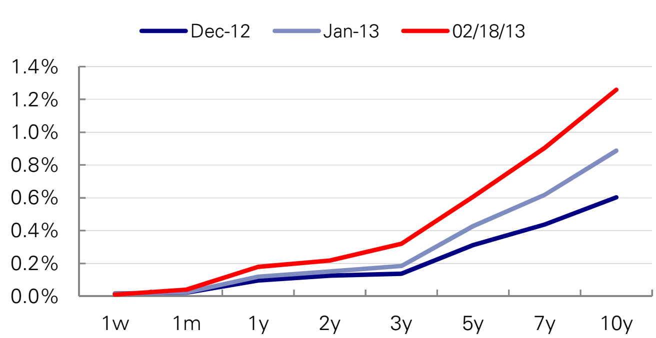
Figure 58: Dec-08 to Jun-09 yield curve steepening



Source: Deutsche Bank, Bloomberg Finance LP

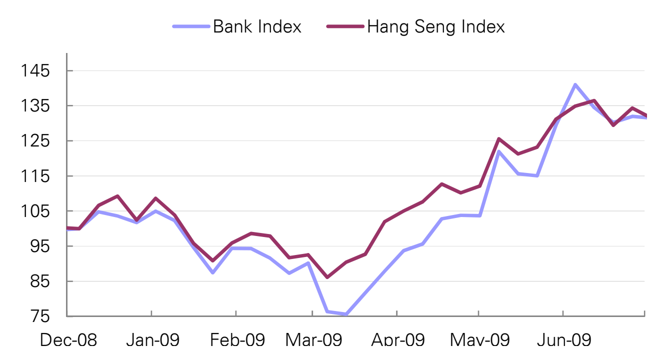
In Figure 60, we created a weighted Bank index using the market caps of BOC(HK), HSB, BEA, ICBC (Asia), DSFH and Wing Hang Bank to compare the banks' performance against the HSI Index. We conclude that, during the period of yield curve steepening (Dec-08 to Jun-09), banks performed in line with the broad market, despite underperformance in March, which was subsequently reversed in May 2009. During the period, banks' share prices increased by 32%, while the HSI Index rose by 34%. Given that a rise in long-term rates is indicative of a better economic growth outlook, this should be positive for share price performance including banks, although banks are likely to perform in line with the market.

Figure 59: Yield curve steepening: Dec-12 to Feb-13



Source: Deutsche Bank, Bloomberg Finance LP

Figure 60: Bank and HSI Index from Dec-08 to Jun-09



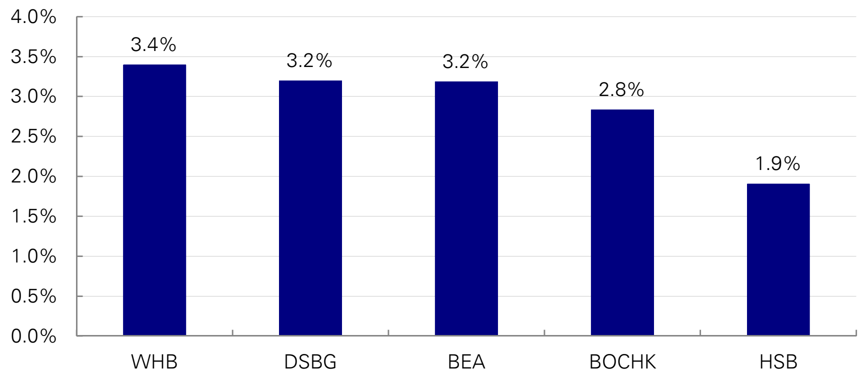
Source: Deutsche Bank, DataStream

Yield curve steepening by 50bps should result in EPS increase of 2-3%

Our analysis shows that yield curve steepening should be positive for banks' bottom lines, with EPS expected to rise by 2-3% for a 50bp rise in the curve. While the impact will depend on a few factors, the key ones are the average duration of investment securities book and investment securities as a percentage of total assets. Also, for our analysis, we do not consider the secondary impact on EPS from loan growth in future periods.

Understanding that an increase in the yield would firstly affect the reinvestment of investment securities coming due, banks which have a majority of their investment securities in the form of short duration securities (less than one year) should see a higher impact to their EPS (ceterus paribus). Our full analysis suggests Wing Hang Bank looks set to benefit the most, while HSB should benefit the least (Figure 61).

Figure 61: FY13E EPS impact if yield increase by 50bps

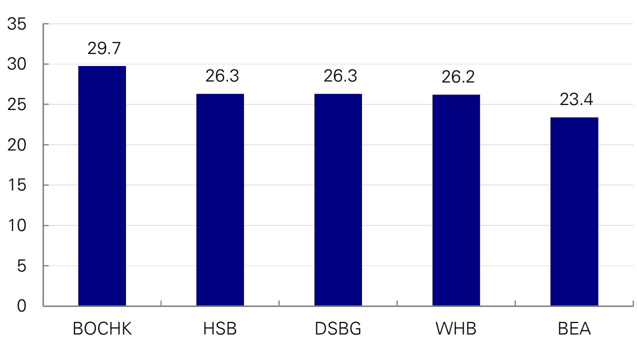


Source: Deutsche Bank estimates

Average duration-wise, BEA's investment securities have the shortest duration, at 23 months, which will allow it to reinvest in higher yields faster (Figure 62). Conversely, BOCHK has the highest average duration, at 30 months. While higher interest income from reinvestment should be somewhat offset by mark to market losses on bonds, we believe the effect of the former would be greater, as banks should be able to reclassify some of their bond holdings as held-to-maturity to minimize fair value losses. In terms of investment securities as a percentage of total assets, DSBG has the largest exposure, at 27%, while BEA has the lowest exposure, at 14%.

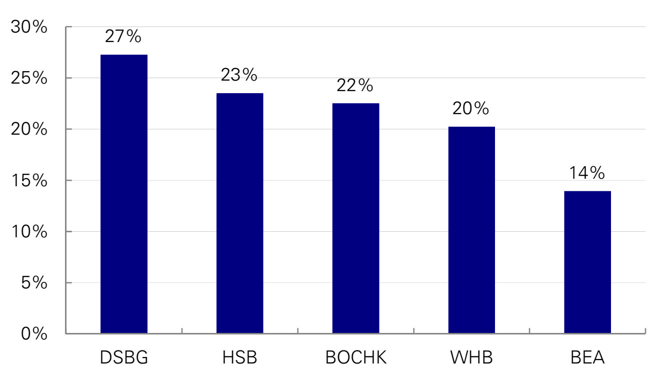
Combining these two factors in our analysis, results in our conclusion that small banks should benefit more when the yield curve rises. Given the Hong Kong dollar's peg to the US dollar, the effect of a US dollar yield curve steepening should have the same impact on Hong Kong banks.

Figure 62: Average duration of 1H12 investment securities (no. of months)



Source: Deutsche Bank, Company data

Figure 63: Investment securities as % of total assets (1H12)



Source: Deutsche Bank, Company data

Indian banks

Manish Karwa
manish.karwa@db.com
+91 22 7158 4212

Manish Shukla
manish.shukla@db.com
+91 22 7158 4211

Vulnerable to MTM losses when rates rise, but to benefit when rates fall

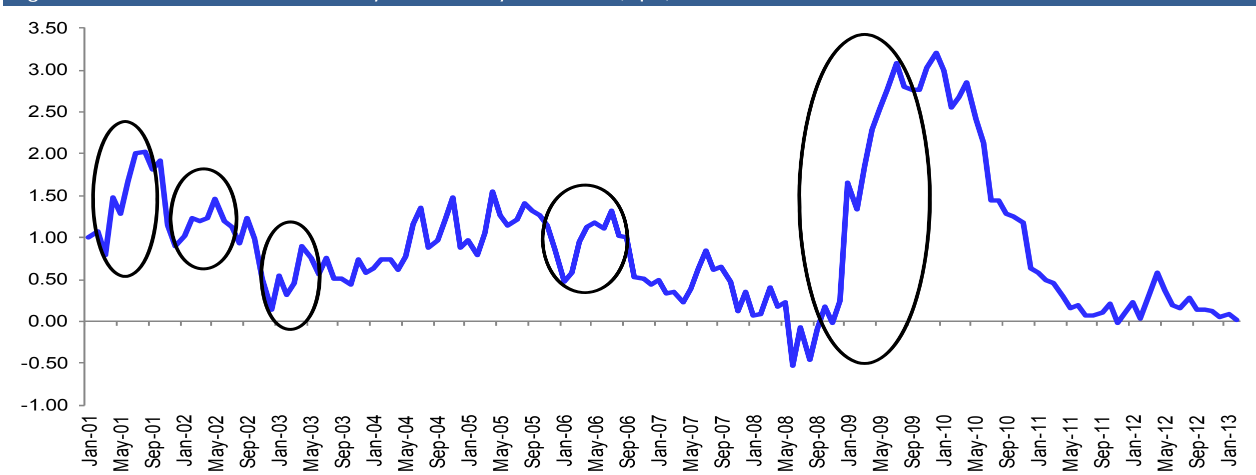
The Reserve Bank of India (RBI) requires Indian banks to hold 23% of their liabilities as a statutory liquidity ratio (SLR) – which is largely investments in government securities. This is in addition to a cash reserve ratio (CRR) of 4%. The average SLR holding for Indian banks tends to be much higher, at ~28-30%, with private-sector banks being generally close to the regulatory requirement of 23% and public-sector (PSU) banks being much higher. The available for sale (AFS) portion of investments needs to be marked to market through the profit and loss account under Indian accounting standards. All MTM losses (realized or unrealized) need to be provided for, whereas only realized MTM gains can be booked. Therefore, in a rising interest rate scenario, PSU banks tend to have large MTM losses and, in a falling interest rate environment, they can have large trading gains.

RBI is in monetary easing phase; government security yields are likely to come off

The RBI has been in a monetary easing phase over the past 12 months – it has cut the CRR by 200bps and the policy rate (repo rate) by 75bps. Deutsche Bank's India economists expect the RBI to cut policy rates by another 75bps during CY13. 10-year G-Sec yields have declined by ~80bps from their peak to 7.8% now. With further cuts in policy rates and improved liquidity expected in 2Q CY13 and 3Q CY13, G Sec yields are likely to come down further. This would provide banks with an opportunity to book treasury gains.

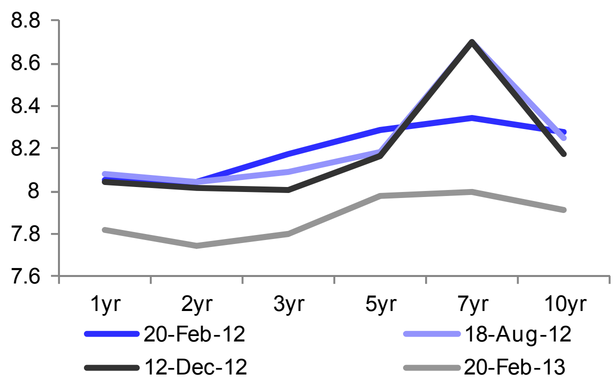
Figures 64 and 65 show that the yield curve has flattened significantly over the past year.

Figure 64: Yield difference of 10-year and 1-year GSec (bps)



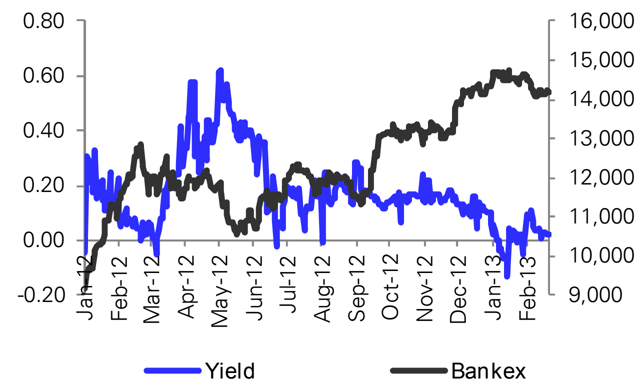
Source: Deutsche Bank, Bloomberg Finance LP

Figure 65: Latest yield curve



Source: Deutsche Bank, Bloomberg Finance LP

Figure 66: Bankex vs. yield difference over last 12 months



Source: Deutsche Bank, Bloomberg Finance LP

Treasury gains can be substantial if interest rates come off

The potential EPS impact of treasury gains from a 50bps decline in the GSec yield can be from 5.5% to 27.4% (Figure 67). Among the banks, Canara Bank, BOI and PNB have the largest proportion of AFS investment and duration, and could gain the most.

Figure 67: Impact on EPS if rates decline by 50bps

INR m (Dec '12)	Total investments	SLR investments as % of Total investments	AFS as % of Total investment	HTM as % of Total investment	AFS duration (yrs)	Gain on AFS book, if rates fall 50 bps	% change (FY14EPS)
Axis Bank	1,009,124	63	42	57	2.1	4,475	7.5%
Bank of Baroda	1,018,480	85	18	67	3.3	3,049	6.4%
Bank of India	860,827	83	28	68	4.3	5,124	18.1%
Canara Bank	1,182,580	87	36	63	3.9	8,198	27.4%
PNB	1,307,120	81	28	71	4.4	7,988	16.1%
SBI	3,599,595	82	34	67	1.7	10,370	5.5%
Union Bank	753,220	81	25	74	2.5	2,324	11.5%

Source: Deutsche Bank estimates, Company data

Figure 68: Treasury gain trends

	FY06	FY07	FY08	FY09	FY10	FY11	FY12
(Treasury income – inv. dep. prov.) as % of investment book							
Bank of Baroda	-0.85%	-0.57%	1.24%	0.75%	1.80%	0.66%	0.48%
Bank of India	0.08%	0.57%	0.73%	0.58%	0.59%	0.24%	-0.03%
Canara Bank	-0.52%	-1.07%	0.44%	0.28%	1.66%	0.25%	0.16%
Punjab National Bank	-1.48%	-0.66%	0.68%	1.50%	0.83%	0.18%	0.10%
SBI (consolidated)	-1.78%	-0.22%	0.72%	-0.07%	2.37%	0.53%	-0.64%
Union Bank of India	-1.04%	-0.24%	0.88%	0.24%	0.67%	0.58%	-0.89%
Axis Bank	0.71%	-0.03%	0.71%	0.45%	1.44%	0.42%	0.02%
HDFC Bank	-1.25%	-0.23%	0.60%	0.71%	0.59%	-0.08%	-0.34%
ICICI Bank	1.23%	1.32%	1.73%	1.20%	0.65%	-0.35%	-0.33%
Indusind Bank	-0.51%	-0.38%	0.31%	1.65%	1.20%	0.34%	0.41%
Kotak Mahindra Bank (consol)	5.58%	2.25%	2.73%	-4.25%	6.02%	1.62%	-0.40%
Yes Bank	-0.69%	0.06%	1.12%	2.76%	0.96%	-0.27%	0.09%
10-yr Gsec yield (end of period)	7.55%	7.98%	7.96%	7.01%	7.83%	7.99%	8.54%
YoY change in 10-yr Gsec yield	0.86%	0.43%	-0.02%	-0.95%	0.82%	0.16%	0.55%

Source: Deutsche Bank, Company data

Indonesian banks

Raymond Kosasih
raymond.kosasih@db.com
+62 21 318 9525

Negative relationship with share price performance

Historically negative correlation with long bond yield and spread

Out of all countries under our coverage, Indonesia displays the strongest negative correlation between its equity market index (JCI Index) and the long bond yield. In Figure 69, we plot the Indonesian 10-year government bond yield with the JCI Index over the past decade, which confirms the negative relationship. A similar relationship holds true with the JAKFIN Index as well. We attribute this relationship to the re-rating and de-rating of Indonesia in this period, which has led to a fall in 10-year bond yields, from 21% in Oct 2008 to 5.35% in Feb 2013. Additionally, as Figure 70 shows, the spread between the 10-year bond and the 3-month note has actually slipped into negative territory over the past year, while share prices have been consistently gaining post the financial crisis.

Figure 69: JCI Index vs. Indonesia government 10-year bond yield

Source: Deutsche Bank, Bloomberg Finance LP

Figure 70: JCI Index vs. spread between 10-year bond and 3-month bond

Source: Deutsche Bank, Bloomberg Finance LP

This move from periods of very high long bond yields to a relative normalization in yields, as seen over the past couple of years, makes Indonesia's experience unique among the countries we cover. Hence, we take a different approach to understand the Indonesian banks and the impact on the EPS from rising yields. Believing the loan spread to be a better indicator of the yield difference in the region, we run our sensitivity for the EPS of banks with the loan yield, as highlighted below.

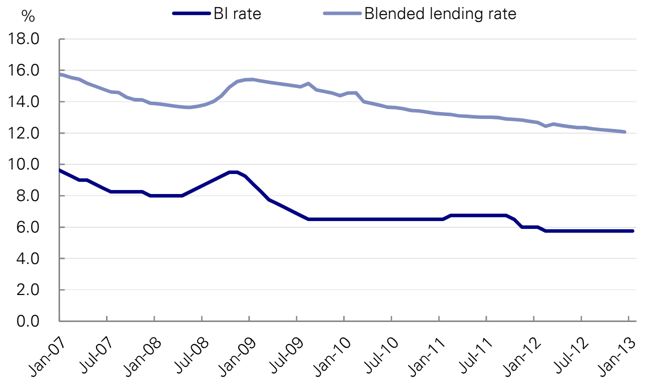
EPS to rise by 7-11% if loan yield increases by 50bps

Background on loan yield movement

The banking industry's lending rate has been on a gradual decline for the past decade. Across the three lending segments (working capital, investment and consumer), the rates have declined by about 600+ bps over the past 10 years. The decline primarily reflects competition in the banking industry. We believe that, in this type of environment, banks that have a corporate-centric nature in a portfolio and a superior deposit franchise (and hence lower cost of funds) are likely to stay ahead of competition, and deliver better results. Our long-term picks are Mandiri and BCA.

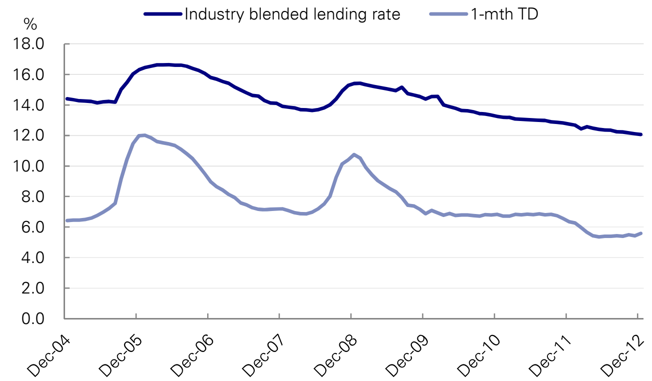
Figures 71 and 72 show that both the industry lending rate and the benchmark BI rate have been on a downtrend since early 2009, while the cost of fund (referring to industry's 1-month TD rate) has historically moved in tandem with industry's lending rate.

Figure 71: Yield movement in the past five years (lending rate and benchmark rate)



Source: Deutsche Bank, BI

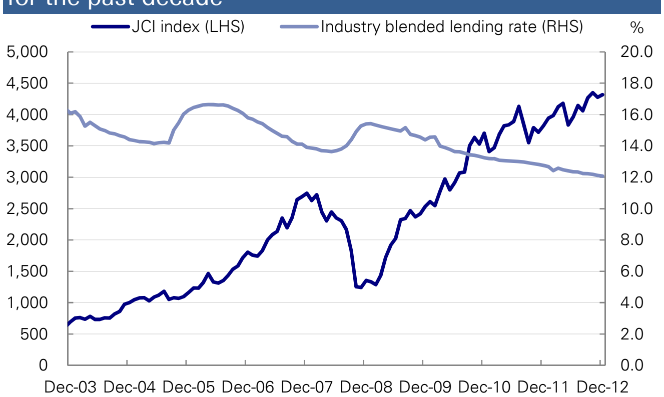
Figure 72: Movement of lending yield and COF



Source: Deutsche Bank

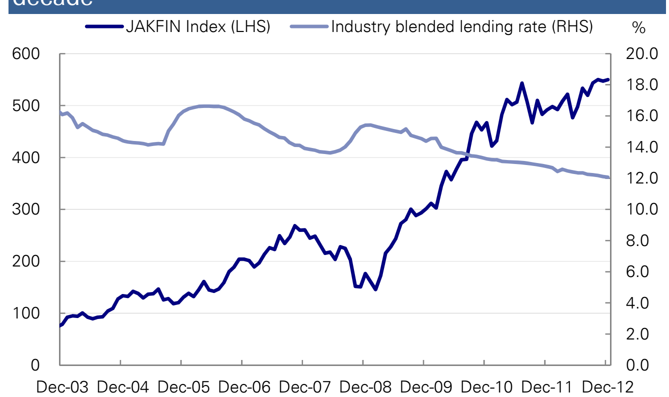
Hence, while the loan yield has been falling since 2007, with the share prices of banks rising, we do not expect to see any positive correlation between the two. Our expectations are confirmed in the Figures below, where we see that historically the industry lending rate has not had any positive correlation with the movement of the market or the financial index. Instead, we believe Indonesian banking stocks to have been more receptive to industry or stock-specific news/events.

Figure 73: The market trend vs. lending rate movement for the past decade



Source: Deutsche Bank, Bloomberg Finance LP

Figure 74: JAKFIN vs. lending rate movement for the past decade

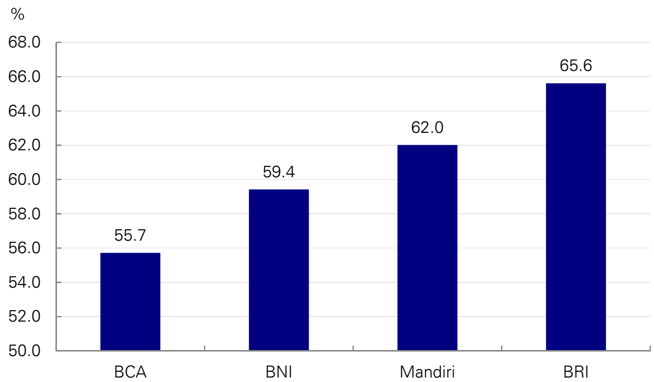


Source: Deutsche Bank

Loan yield increase by 50bps could result in EPS increase of 7.7-10.4%

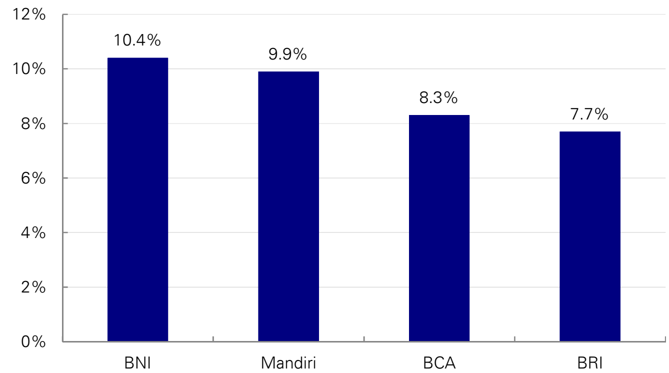
Even though the loan yields do not seem to have a positive correlation with the share prices of banks, we believe the EPS of Indonesian banks' to greatly benefit from a 50bp rise in the lending rate (*ceteris paribus*), as it improves the banks' bottom lines. As loans generally make up 60-70% of total banking assets, we only take into account the impact from an increase in each bank's blended lending rate, without considering the additional impact from the yield increase on any other interest-earning assets. According to the results of our sensitivity analysis, we estimate that every 50bp rise in the loan yield could increase EPS of Indonesian banks in the range of 7.7-10.4%, with BNI, Mandiri and BCA benefiting the most (see Figure 76).

Figure 75: Bank loans as % of total assets (9M'12)



Source: Deutsche Bank, Company data

Figure 76: FY13E EPS impact if yield increase by 50bps



Source: Deutsche Bank estimates

Japanese banks

Yoshinobu Yamada
yoshinobu.yamada@db.com
+81 3 5156 6754

Historically most significant impact from steepening yield curves

Strong linkage between Japan equity market and US/Japan long-term bond yields

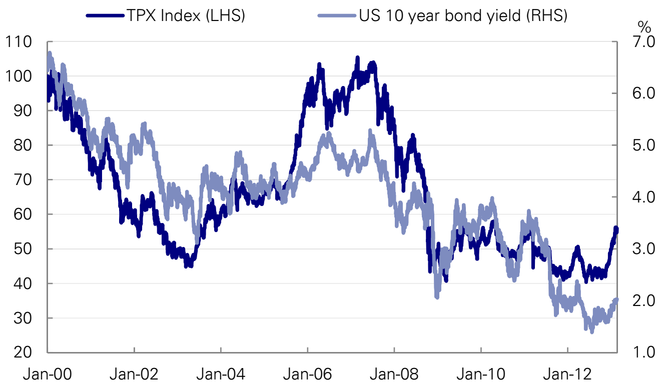
Historical experience shows that the Japanese equity market is highly positively correlated with the US and Japanese bond markets. However, despite the obvious share price impact on the stocks of the listed banks (Figure 77), a steepening yield curve, brought about by rising long-term yields, will have a minimal impact on banks' profits. Our sensitivity analysis highlights the impact to be less than 3% for the major banks in the most extreme scenario.

Figure 77: Topix banks index vs. Japan 10-year bond yield

Source: Deutsche Bank, Bloomberg Finance LP

As was highlighted earlier, the Japanese stock market displays the strongest positive correlation with the long-dated US bond yield. In Figures 78 and 79, we plot the Topix index and the Topix banks index vs. the US 10-year bond yield. The graphs convey the closeness of this relationship, with the Topix displaying a linear correlation of 75% from 2000 onwards, and 84% since 2007. The corresponding coefficient for the banks index is 78% since 2000 and 81% since 2007.

Figure 78: Topix index vs. US 10-year bond yield



Source: Deutsche Bank, Bloomberg Finance LP

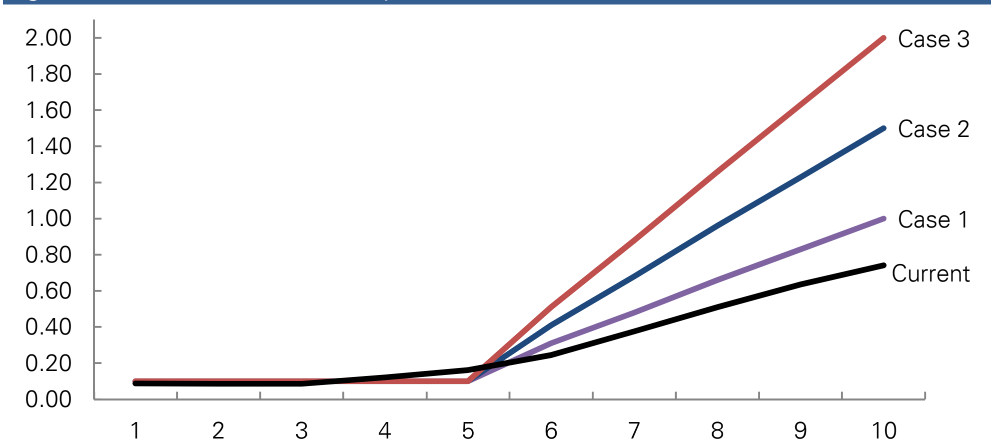
Figure 79: Topix banks index vs. US 10-year bond yield

Source: Deutsche Bank, Bloomberg Finance LP

Sensitivity analysis: impact of steepening yield curve on major banks

To quantify the impact from a further steepening of the domestic yield curve, we conducted a sensitivity analysis on the major Japanese banks. We believe that the BOJ is likely to expand its JGB purchase program to cover bonds between three and five years. Based on this assumption, the yield curve is expected to steepen from the sixth year onwards. We assume three scenarios with differing end-period yields in the 10th year. We start from a 0.1% yield for JGBs up to five years, and then assume a steepening yield for 6-10-year JGBs. Case one assumes a 1% 10-year JGB yield, case two 1.5%, and case three 2.0%, with 6-9-year yields rising evenly between the 5- and 10-year yields (Figure 80).

Figure 80: Yield curve – case study



Source: Deutsche Bank, Ministry of Finance (Japan)
Current: as at 23 January 2013

If we assume that banks hold an equal amount of 6-10-year JGBs, the average yield increases by 0.14% under case one, 0.39% under case two and 0.64% under case 3. Because holdings of 6-10-year JGBs are small, the impact on net operating profit and the CET 1 ratio is minimal (Figures 81 and 82). Of all the banks, the least impact is on SMTH, which we expect to see a change in NOP of 0.2%-0.8%. We expect Mizuho to see the largest impact when the rate rises. The results do not take into consideration any rise in 4- or 5-year JGB yields, and the impact could be greater if this were to happen.

Figure 81: The major banks: impact from changes in long-term rates (6–10 years)

	2Q FY3/13	FY3/14 DB E(Cons)		Case 1: Avg rate rises: 0.14%			Case 2: 0.39%			Case 3: 0.64%		
	6-10yr Yen bonds (tr)	NOP (bn)	NP (bn)	Chg in NOP (bn)	(%)	Chg in NOP (%)	Chg in NOP (bn)	(%)	Chg in NOP (%)	Chg in NOP (bn)	(%)	Chg in NOP (%)
MUFG	5.02	1,373	720	7	0.5%	0.6%	19	1.4%	1.7%	32	2.3%	2.9%
SMFG	3.52	1,050	485	5	0.5%	0.6%	14	1.3%	1.8%	23	2.1%	3.0%
Mizuho FG	3.25	755	420	4	0.6%	0.7%	13	1.7%	1.9%	21	2.8%	3.2%
Resona HD	0.75	229	150	1	0.4%	0.4%	3	1.3%	1.3%	5	2.1%	2.1%
SMTH	0.24	262	130	0	0.1%	0.2%	1	0.4%	0.5%	2	0.6%	0.8%

Source: Deutsche Bank estimates

Figure 82: The major banks: impact from changes in long-term rates (CET 1 ratio)

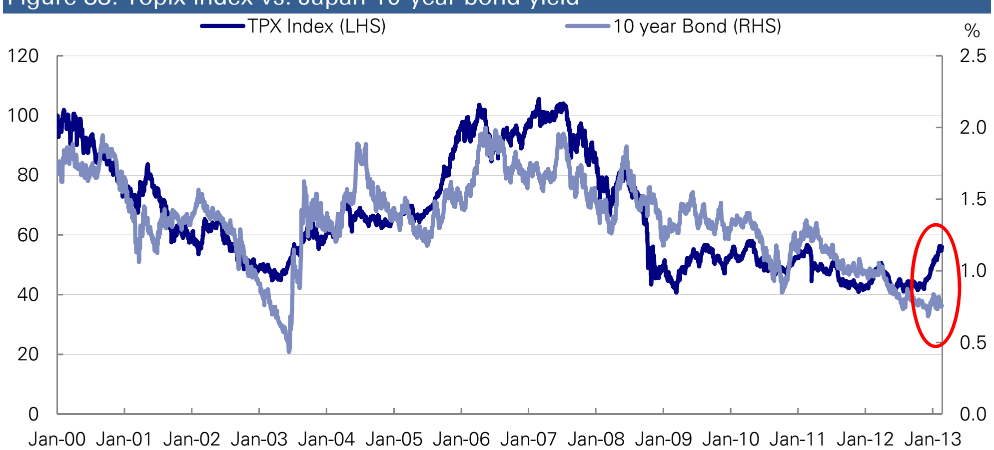
	2Q FY3/13	Case 1: Av. Rate rises: 0.14%				Case 2: 0.39%				Case 3: 0.64%		
	DBE CET 1 ratio (%)	Chg in latent P/L (bn)	Increase in NP (bn)	Chg in SH's eqty (bn)	Estimated CET 1 (%)	Chg in latent P/L (bn)	Increase in NP (bn)	Chg in SH's eqty (bn)	Estimated CET 1 (%)	Chg in latent P/L (bn)	Increase in NP (bn)	Estimate d CET 1 (%
MUFG	10.09%	-70	4	-41	10.04%	-196	13	-115	9.95%	-321	21	9.86%
SMFG	7.73%	-49	3	-29	7.68%	-137	9	-80	7.59%	-225	15	7.50%
Mizuho FG	6.99%	-46	3	-27	6.94%	-127	8	-74	6.86%	-208	14	6.78%
Resona HD	7.67%	-11	1	-6	7.63%	-29	2	-17	7.57%	-48	3	7.51%
SMTH	6.69%	-3	0	-2	6.67%	-9	1	-5	6.66%	-15	1	6.64%

Source: Deutsche Bank estimates

Cannot ignore the Yen effect

While historically relevant, there has been a clear decoupling between the banks' performance and the 10-year JGB yield recently, as the share prices have been more sensitive to movements in the FOREX market. As a result, we see a divergence in the performance of the TPX Index (and the TPNBNK Index) vs. the 10-year bond in the past month.

Figure 83: Topix index vs. Japan 10-year bond yield



Source: Deutsche Bank, Bloomberg Finance LP

Malaysian banks

Andrew Hill
andrew-d.hill@db.com
+61 2 8258 1474

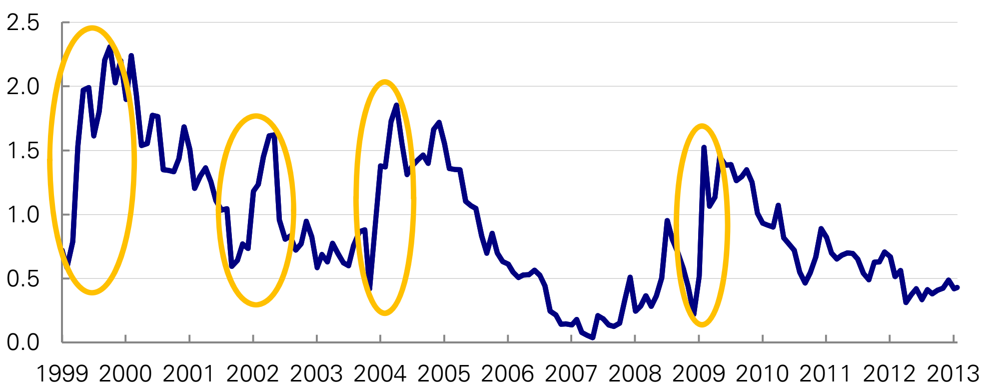
No yield curve steepening on the horizon

While we do not expect any yield curve steepening on the horizon for Malaysia, our sensitivity suggests that Malaysian banks' EPS could increase by 4-8.1% in 2013, if the longer-term bond yield rises by 50bps.

Historical experience shows that share prices are positive in times of steepening

We identify four periods of yield curve steepening in Malaysia since 2000: February 1999 to October 1999, September 2001 to April 2002, November 2003 to April 2004 and December 2008 to February 2009. Historical experience shows that, during these four periods, the stock market and finance index also rallied (Figure 84).

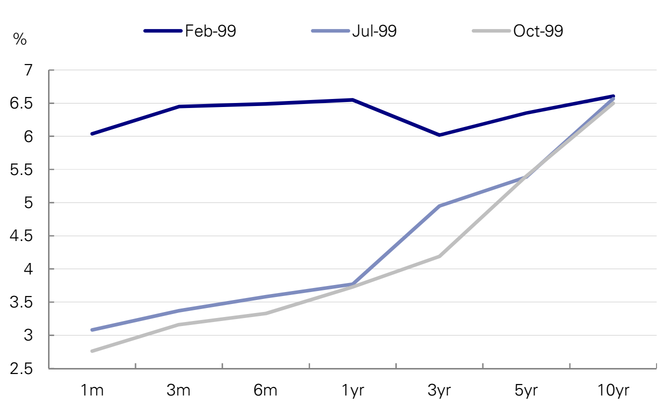
Figure 84: Yield difference of 10-year and 3-year government bonds



Source: Deutsche Bank, Bloomberg Finance LP

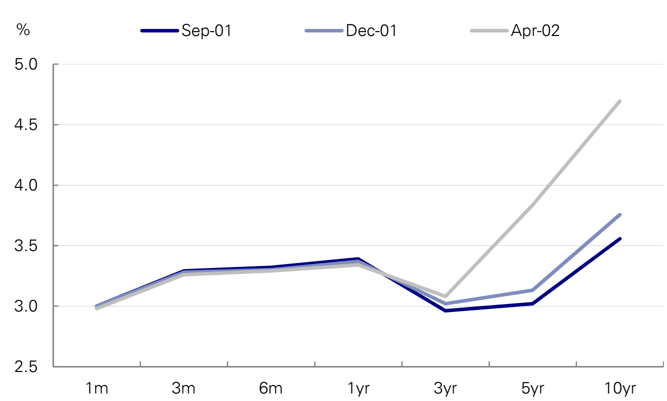
Figures 85 to 88 display the periods of yield curve steepening from 1999 onwards.

Figure 85: Feb-99 to Oct-99 yield curve steepening



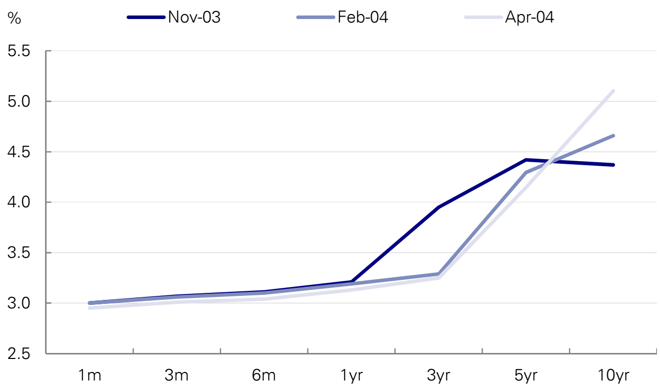
Source: Deutsche Bank, Bloomberg Finance LP

Figure 86: Sep-01 to Apr-02 yield curve steepening



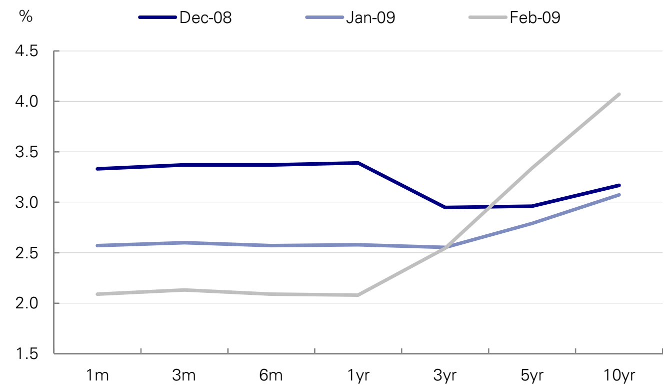
Source: Deutsche Bank, Bloomberg Finance LP

Figure 87: Nov-03 to Apr-04 yield curve steepening



Source: Deutsche Bank, Bloomberg Finance LP

Figure 88: Dec-08 to Feb-09 yield curve steepening



Source: Deutsche Bank, Bloomberg Finance LP

Corresponding to the four periods of yield curve steepening, we find that the Malaysian stock market and finance index gained upwards of 7% in each period, except in the three-month period in the middle of the financial crisis (Dec-08 to Feb-09). If history is any guide, then Malaysian banks should gain from a steepening in the yield curve. However, we do not expect this scenario in the near term.

Figure 89: Change in 10-yr and 3-yr spread in periods of yield curve steepening and corresponding performance of FBMKLCI and KLFIN Index

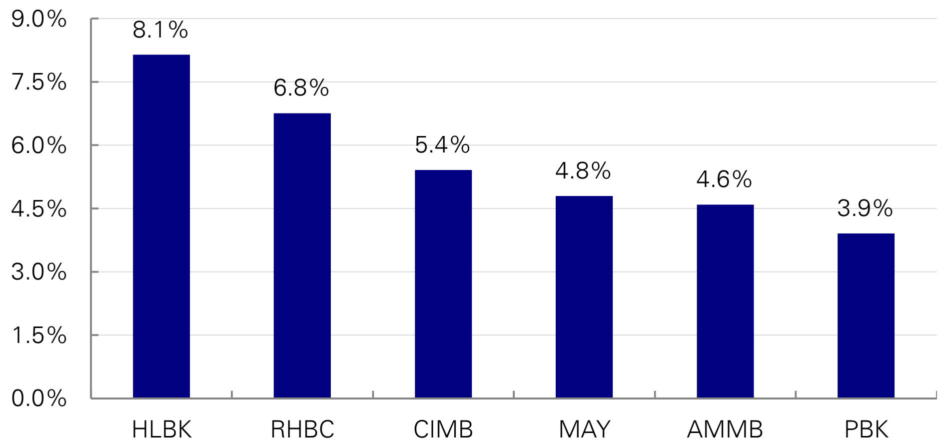
Period	Change in 10-3yr spread (pct. points)	Performance of FBMKLCI Index	Performance of KLFIN Index
Feb-99 to Oct-99	1.724	37.0%	67.3%
Sep-01 to Apr-02	1.02	29.0%	42.6%
Nov-03 to Apr-04	1.433	7.6%	10.4%
Dec-08 to Feb-09	1.306	1.6%	3.2%

Source: Deutsche Bank

Yield curve steepening of 50bps should result in EPS increase by 4-8.1%

Under the hypothetical scenario of a yield curve steepening brought about by a rise in long-term yields (by 50bps), we have conducted a sensitivity analysis on the EPS of the Malaysian banks under our coverage. Our analysis suggests that Hong Leong Bank and RHB Capital are the best-placed, with 2013E EPS boosts of 8.1% and 6.8%, respectively, while we expect Public Bank to gain the least.

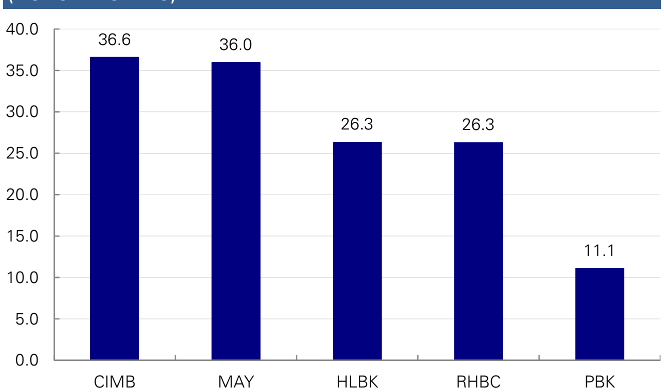
Figure 90: FY13E EPS impact if yield increase by 50bps



Source: Deutsche Bank estimates

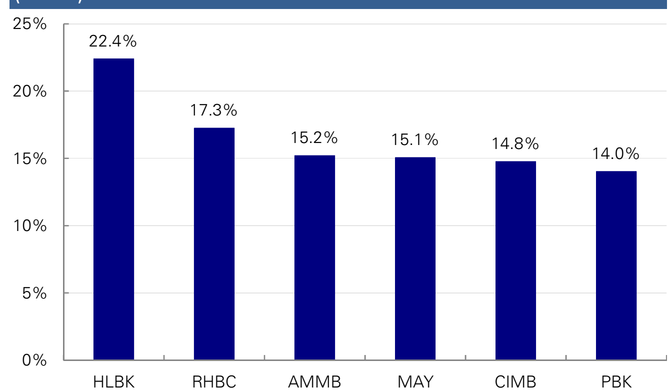
The results are not surprising, as Hong Leong Bank has the maximum amount of its asset book devoted to investment securities (22%). Another interesting observation is the longer-dated nature of investment securities held by CIMB and Maybank, with the average duration of their investment securities at three years (36 months), which hampers their ability to reinvest and take advantage of the higher yields, thereby resulting in a lesser positive EPS impact.

Figure 91: Average duration of 2011 investment securities (no. of months)



Source: Deutsche Bank, Company data
Note: AMMB breakup not available. HLBK is Jun 12 ending.

Figure 92: Investment securities as % of total assets (FY11)



Source: Deutsche Bank, Company data

Philippine banks

Rafael Garchitorena
rafael.garchitorena@db.com
+63 2 894 6644

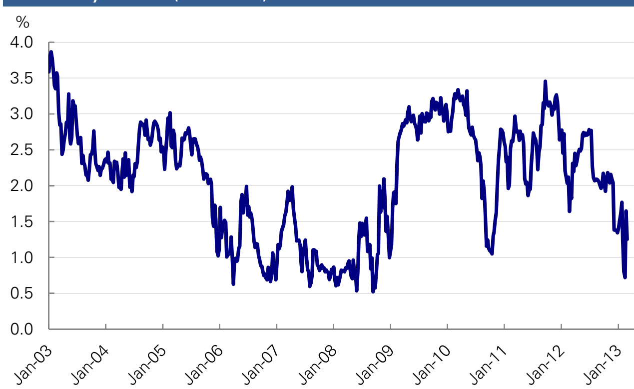
Philippine yield curve continues to flatten

A brief history of Philippine's bond market

The yield curve in the Philippines continues to flatten, with some very slight steepening seen in the last few weeks. However, this can be attributed to a fall in the short end of the curve rather than to a rise in the long-term rates. In fact, over the last decade, nearly every major steepening in the curve in Philippines can be attributed to the short end falling faster than the long end.

Even in periods of crisis, such as in the wake of and the Global Financial Crisis in 2008, the steepening was due to the rapid fall in the short end and led to a shift of the entire curve upwards. In fact, short-term yields fell below pre-GFC levels by February 2009. Unlike many economies, the Philippine financial system survived largely unscathed and there was no liquidity crunch in the Peso market. Figures 93 and 94 show the yield spread (between 10-year and 2-year treasury curves) and the absolute yields.

Figure 93: Difference between 10-year and 2-year Treasury rates (PDST-F)



Source: Deutsche Bank, Bloomberg Finance LP

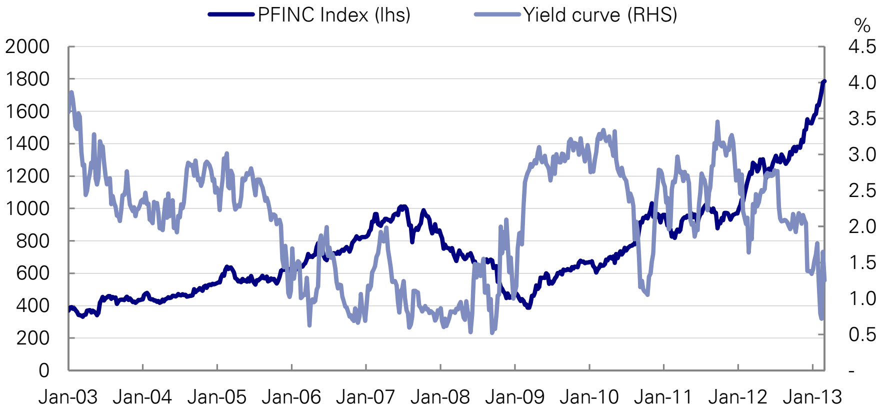
Figure 94: Treasury rates (PDST-F), 2-year and 10-year

Source: Deutsche Bank, Bloomberg Finance LP

No historical correlation between share price and rising yield curve

Our analysis of movements in share prices of banks and the domestic yield curve shows no significant historical correlation between the two, as is confirmed by Figure 95. In fact, given the recent yield curve flattening and the rally in the finance index, there appears to be a negative trend over the past one year.

Figure 95: No correlation between yield curve and bank share prices



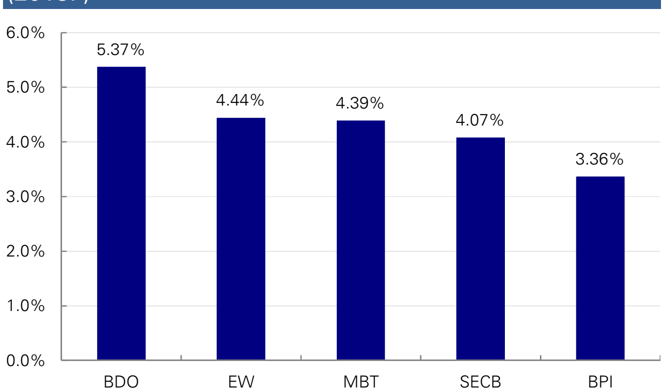
Source: Deutsche Bank, Bloomberg Finance LP

Earnings more sensitive to changes in absolute interest rates – higher yields better for NIMs, but bad for trading gains

Unlike the share prices, the Philippine banks' profitability is more sensitive to changes in absolute interest rate levels than to the steepness of the yield curve. Our sensitivity analysis suggests that a 50bps increase in long-term interest rates will result in 10-15bps increase in bank NIMs, and lead to a 3.4-5.4% increase in NPAT. Among the banks we cover, BDO would have the highest sensitivity, due to higher LDRs. Its high cost-income ratio also means much higher operating leverage.

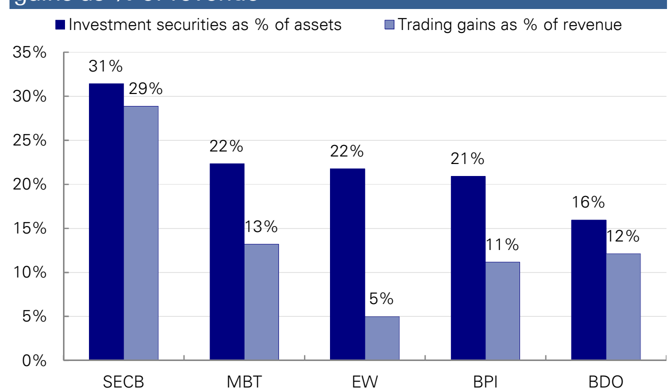
However, our numbers do not take into account the potential negative impact of rising interest rates on banks' securities trading business. Over the last few years, banks have earned a significant share of profits from trading gains on their investment security portfolio as interest rates have fallen. Investments accounted for 15-30% of total assets, by our estimates as of 2012. Security Bank has by far the highest share of its revenues in 2012 derived from trading gains, at nearly 30% (Figure 97). Our current forecasts already account for a sharp drop in trading gains in 2013 as we expect interest rates to be more stable. However, rising interest rates could cut this even further, and could even result in trading losses.

Figure 96: NPAT impact of 50pbs increase in yields (2013F)



Source: Deutsche Bank, Bloomberg Finance LP

Figure 97: Investment securities as % of assets vs trading gains as % of revenue



Source: Deutsche Bank, Bloomberg Finance LP

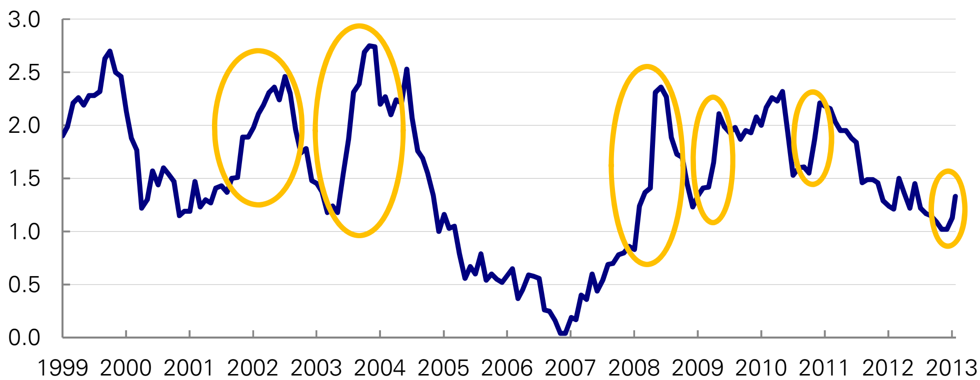
Singaporean banks

Andrew Hill
andrew-d.hill@db.com
+61 2 8258 1474

Recent yield curve steepening is positive for the sector

Based on our analysis, we conclude a steepening yield curve to be moderately positive for Singapore banks, with 2013E EPS likely to rise by 5-6.6% if the longer-dated bond yield increases by 50bps. In addition, historical experience shows a positive boost to the share price of banks in times of a steepening yield curve, as shown in the figures below.

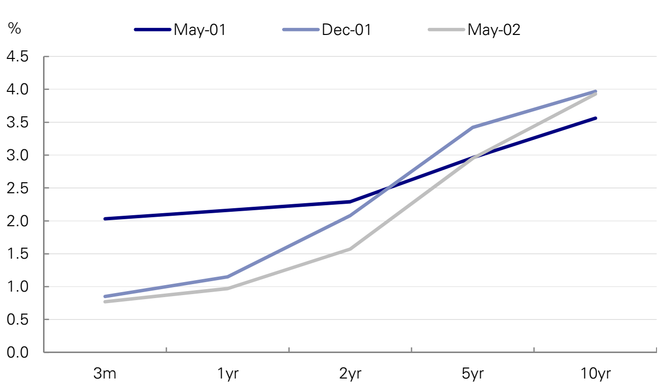
Figure 98: Yield spread between 10-year and 2-year government bonds (%)



Source: Deutsche Bank, Bloomberg Finance LP

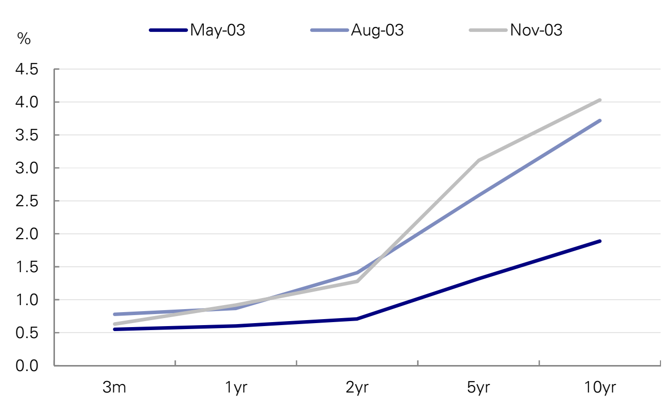
Figures 99 to 104 display periods of yield curve steepening in Singapore from 2000 onwards.

Figure 99: May-01 to May 02 yield curve steepening



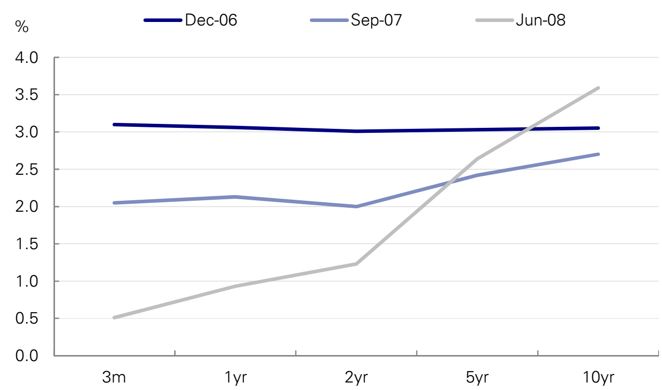
Source: Deutsche Bank, Bloomberg Finance LP

Figure 100: May-03 to Nov-03 yield curve steepening



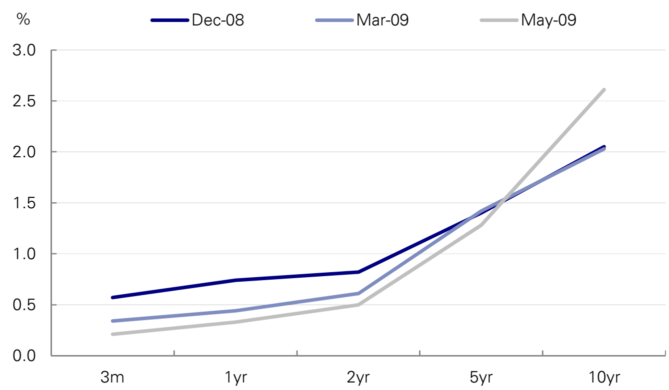
Source: Deutsche Bank, Bloomberg Finance LP

Figure 101: Dec-06 to Jun-08 yield curve steepening



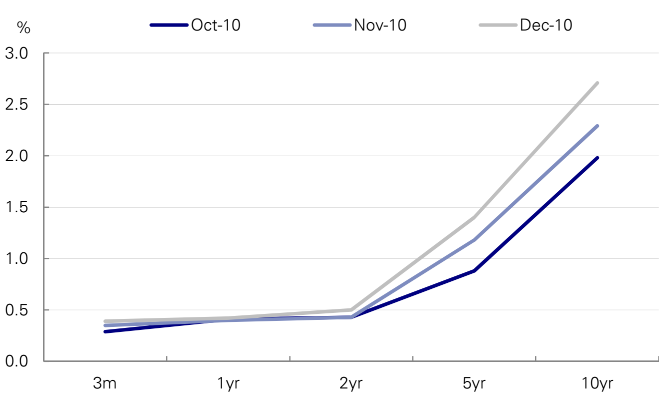
Source: Deutsche Bank, Bloomberg Finance LP

Figure 102: Dec-08 to May-09 yield curve steepening



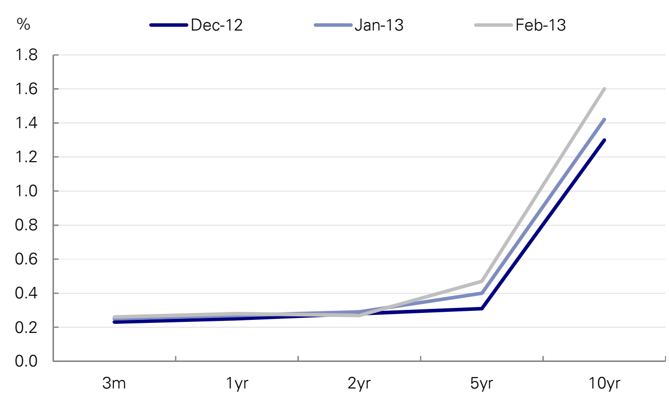
Source: Deutsche Bank, Bloomberg Finance LP

Figure 103: Oct-10 to Dec-10 yield curve steepening



Source: Deutsche Bank, Bloomberg Finance LP

Figure 104: Dec-12 to Feb-13 yield curve steepening



Source: Deutsche Bank, Bloomberg Finance LP

Figure 105 highlights the performance of the Singapore stock market and the banking index in the six periods of yield curve steepening seen in Singapore. Apart from the period between Dec-06 and Jun-08, the FSSTI and FSTFN have gained in times of yield curve steepening. The trend seems to be continuing in the sixth and present round of yield curve steepening, with a 3.8% rise in the FSSTI and a 3.5% gain for the FSTFN index from Dec-12 onwards.

Figure 105: Change in 10-yr and 2-yr spread in periods of yield curve steepening and corresponding performance of FSSTI and FSTFN Index

Period	Change in 10-2yr spread (pct. points)	Performance of FSSTI Index	Performance of FSTFN Index
May-01 to May-02	1.09	2.6%	8.7%
May-03 to Nov 03	1.57	27.0%	27.9%
Dec-06 to Jun-08	2.32	1.0%	-8.2%
Dec-08 to May-09	0.88	32.2%	36.0%
Oct-10 to Dec-10	0.66	1.5%	1.3%
Dec-12 to Feb-13	0.31	3.8%	3.5%

Source: Deutsche Bank, Bloomberg Finance LP

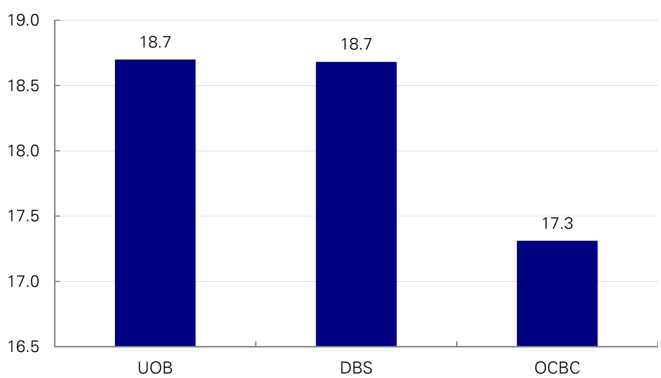
We believe the impact will be extended beyond the share price, to affect the EPS of banks, and the following section deals with our sensitivity analysis on the same.

Yield curve steepening by 50bps should result in EPS increase of 5-6.6%

To analyze the impact of yield curve steepening brought about by a rise in long-term yields (by 50bps), we have conducted a sensitivity analysis on the EPS of banks under our coverage. For this purpose, we use the average duration of investment securities held by banks, and the proportion of the asset book made up of investment securities.

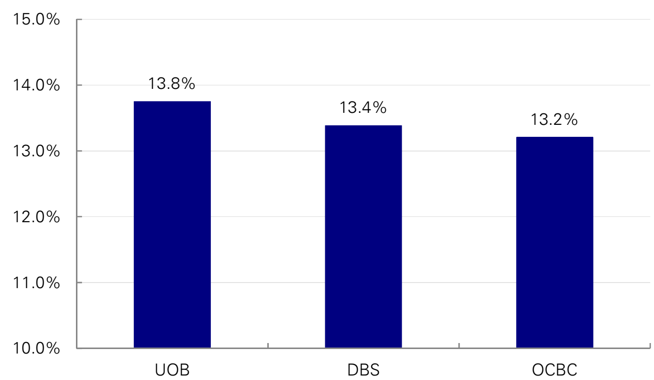
As of December 2011, we find OCBC to have the lowest average duration (in terms of months) for investment securities, making it the first bank to take advantage of higher yields. However, this effect is countered by the fact that a lesser proportion of OCBC's assets are made up of investment securities (13.2%) vs. 13.8% for UOB and 13.4% for DBS (as of FY11).

Figure 106: Average duration of 2011 investment securities (no. of months)



Source: Deutsche Bank, Company data

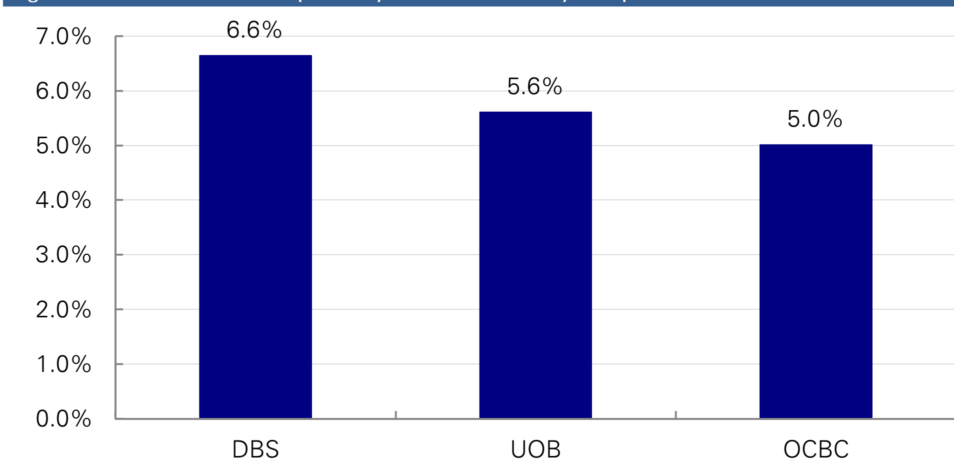
Figure 107: Investment securities as % of total assets (2011)



Source: Deutsche Bank, Company data

Hence, our analysis shows OCBC seeing the least positive impact to its EPS (5%) under the hypothetical scenario of a yield curve steepening caused by a 50bp rise in the long-term yield. Figure 108 shows the results of our exercise, with DBS (+6.6%) and UOB (+5.6%) faring better in FY13E.

Figure 108: FY13E EPS impact if yield increases by 50bps



Source: Deutsche Bank estimates

South Korean banks

Jeehoon Park
jeehoon.park@db.com
+82 2 316 8908

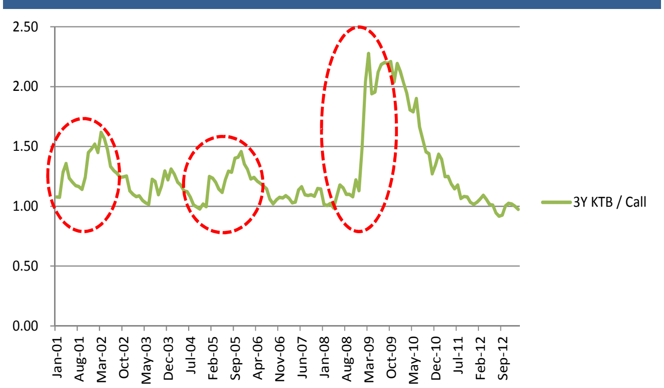
Clear beneficiaries of a steepening yield curve

Korean banks have outperformed the Kospi only three times in the past 10 years, and the three years happened to be when the yield curve steepened. Hence, we believe that a steepening yield curve will be positive for Korean bank share prices. In addition, our rough sensitivity analysis suggests that a steepening yield curve is also positive for bank earnings, with average EPS increasing by 5.3%.

Steepening yield curve = strong Korean bank performance

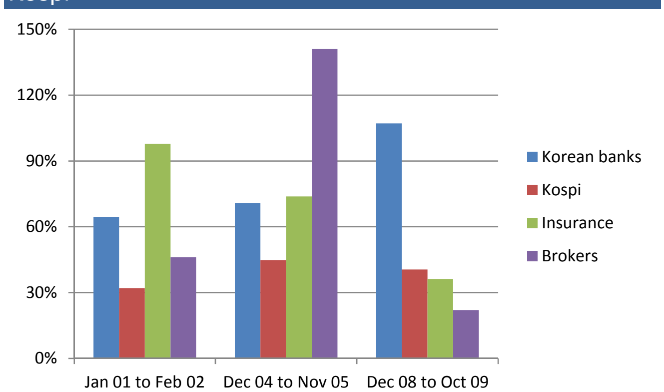
On an annual basis, Korean banks have outperformed the Kospi only three times over the past decade: in 2001, 2005 and 2009. Interestingly, these were all times when the yield curve (we have divided the 3Y KTB yields by the overnight call rate to measure the steepening of the curve) had steepened, with the 3Y KTB yields rising to at least around 1.5x vs. the overnight call rate. The Korean banks outperformed the Kospi by an average of 42% in each of these periods. While the insurers and brokers at times outperformed the banks during the three periods, only the banks, out of the three financials, consistently beat the Kospi. The yield curve looks very flat at the moment but if we start to see a steepening of the yield curve going forward, we believe this will be positive for Korean banks' share price performance.

Figure 109: 3Y KTB/overnight call rate



Source: Deutsche Bank, BOK

Figure 110: Share price returns for Korean financials vs. Kospi

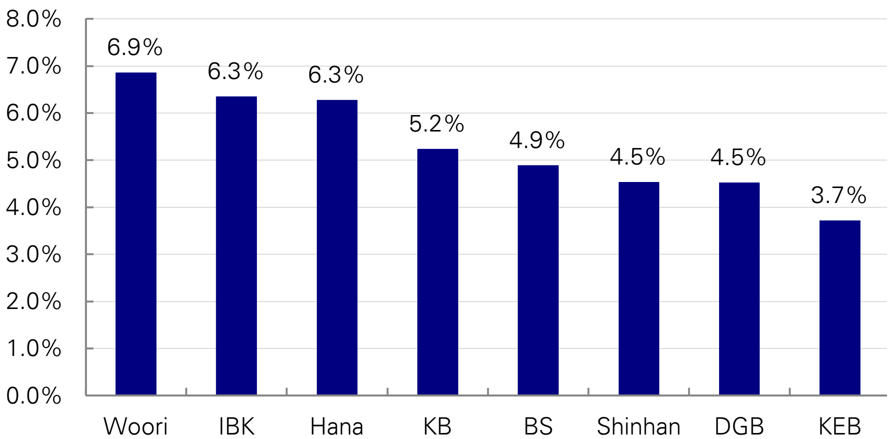


Source: Deutsche Bank, KRX

EPS sensitivity to a steepening yield curve

Our rough analysis suggests that Korean banks' EPS could rise by an average of 5.3% if the yield curve rises by 50bps. On the asset side, we assume that the longer maturity bonds will be re-priced to higher-yielding bonds, and we also assume that the longer-term loans, such as mortgage and capex, which are rolled over or newly made, will be priced off higher rates as a result of the steepening yield curve. Since most floating rate loans are priced off 91-day CD rates, we assume that the floating rate loans will not be re-priced off the higher rates. On the liability side, we assume that time deposit and wholesale funding costs will rise throughout the year. We assume that assets will re-price earlier than liabilities by about one quarter, given our survey indicating that most banks still have negative re-pricing duration gaps. Our analysis suggests that Woori will see the highest increase in EPS, by 6.9%, on our FY2013 estimates, but that all banks will generally benefit, with EPS rising by about 4-7% for the group.

Figure 111: Impact on 2013E EPS due to a steeper yield curve



Source: Deutsche Bank estimates, Company data, FSS

Taiwanese financials

Pandora Lee
pandora.lee@db.com
+852 2203 5928

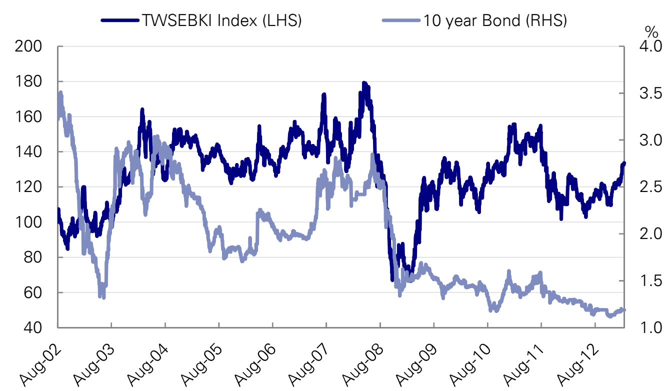
Taiwan banks

Historically, a rising long-term bond yield has had limited implications for bank shares' performance (Figures 112 and 113). Thus, our analysis focuses on the impact of rising short rates, although Deutsche Bank's Taiwan economist does not expect a hike soon.

Figure 112: Taiwan stock index vs. 10-year bond yield

Source: Deutsche Bank, Bloomberg Finance LP

Figure 113: Taiwan banks index vs. 10-year bond yield



Source: Deutsche Bank, Bloomberg Finance LP

Results of sensitivity analysis suggest First FHC best placed if yields rise by 50bps

We think higher rates should enable the banks to generate higher returns from free funds and enjoy the benefit of asset-liability re-pricing. Assuming a 50bp hike, our analysis suggests banks would report margin expansion in the range of 7.9bps (Cathay United Bank) to 21.3bps (First Bank), translating into a 2013E pre-tax earnings enhancement of between 0.3% (Cathay FHC) and 19.0% (First FHC).

Figure 114: Pre-tax earnings sensitivity assuming a 50bp rate hike

	Fubon	Cathay	E Sun	Mega	Taishin	Chinatrust	First
Margin expansion (bps)							
re-pricing gap	14.2	1.8	11.2	4.2	10.6	8.0	15.7
free fund contribution	5.1	6.1	4.6	6.7	5.2	6.4	5.6
Total	**19.4**	**7.9**	**15.8**	**10.9**	**15.9**	**14.4**	**21.3**
% of pretax earnings [FHC]							
re-pricing gap	5.7%	0.3%	12.8%	3.0%	8.7%	4.2%	19.0%
free fund contribution	2.1%	1.1%	5.3%	4.8%	4.3%	3.3%	6.7%
Total	**5.7%**	**0.3%**	**12.8%**	**3.0%**	**8.7%**	**4.2%**	**19.0%**

Source: Deutsche Bank estimates

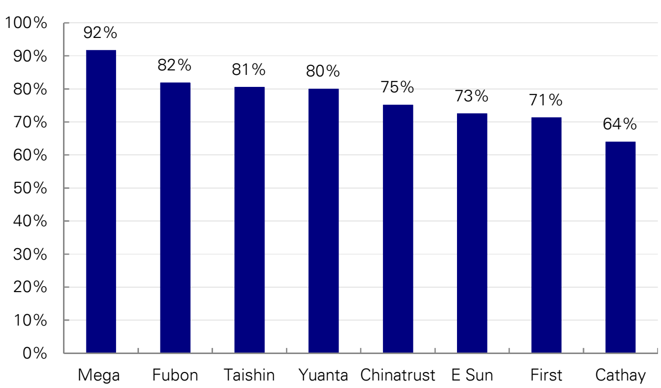
The benefits would be apparent for banks with 1) a large, positive loan-deposit mismatch gap in their balance sheets, 2) a strong commercial franchise allowing them to pay their depositors less on rising rates without losing deposit market share, 3) a lower proportion of fixed-rate assets, 4) a higher proportion of low-cost deposits, 5) a higher proportion of long-tenor time deposits, so that it takes even longer for funding costs to rise, and/or 6) a high LTD ratio, so that more loans can be re-priced with a higher yield. While our analysis focuses on banking subsidiaries, life- and securities-centric FHCs might have a diluted impact on FHC's earnings. Among the bank-centric

FHCs, rising rates benefit those with poor margins and low ROEs, mainly First and E. Sun, owing to their low comparison base, while earnings upside potential for quality names, such as Chinatrust and Mega, is limited.

Banks operate asset-sensitive balance sheet structures

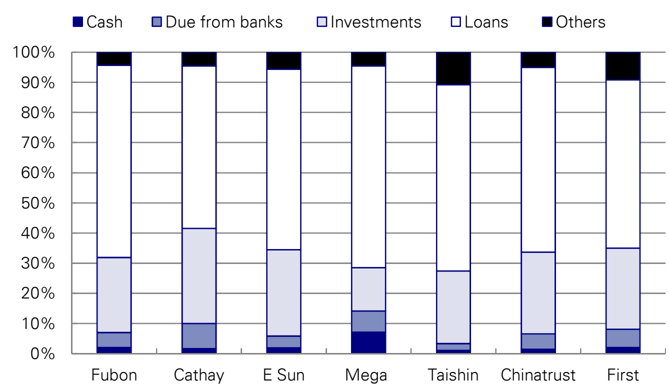
Banks under our coverage operate at a relatively low loan to deposit (LTD) ratio of 77% (compared with the industry average of a mere 66%) in a regional context; in aggregate, they are net lenders in the interbank market. While deposits and shareholders' equity are major funding sources and loans to customers comprise about 60% of total assets, excess liquidity, representing more than 30% of total assets, is generating low yields.

Figure 115: LDR (3Q12)



Source: Deutsche Bank, Company data

Figure 116: Asset split (3Q12)



Source: Deutsche Bank, Company data

Assessing impact of re-pricing gap

While the bulk of funding is made through deposits, demand deposits as a percentage of total deposits range from c.30% to c.50% for the banks under our coverage, whereas loans of less than 10% are fixed-rate. This indicates that more than 90% of bank loans are booked at floating rates, which would be re-priced faster than deposits. Given the time lag in adjusting existing loan rates and existing deposit rates on deposits to back the loans, we expect interest spreads to expand in a rising rate scenario.

According to our understanding, banks report the contractual maturity of their financial assets and liabilities by ranges. Taking the mid points for the ranges and bearing in mind the preference for liquidity, we estimate that the average duration for deposits is 5.0 months. While loans have an average contractual maturity of 2.4 years, realistically, we assume loans are re-priced every three months and that the average duration is half of that, i.e. 1.5 months. That said, the average deposit rate will not rise until at least three months after average lending rates rise. Separately, we assume the demand deposit rate will rise only by half of the full amount of the interest rate hike; this is based on our conversations with management from various banks, which indicate that demand deposit rates rise when interest levels rise, but the magnitude is usually smaller than that of time deposits.

Assessing the impact of rising returns from free funds

Free funds are items of a bank's funding base that do not pay interest, specifically, shareholders' equity plus any non-interest-bearing liabilities. Banks with the highest amount of free funds should report the highest earnings uplift from rising free fund contributions. To estimate the return on free funds, we assume that shareholders' equity, since it is permanent capital, is invested in a portfolio of bonds and that the banks receive the average return on bonds with an average duration of two years. We assume that checking accounts, which are part of demand deposits, are non-interest-bearing liabilities. We assume they are invested in the interbank market for liquidity purposes, receiving a three-month interbank rate. We believe there are very few costs associated with this income, so that the impact is mostly on the bottom line.

Taiwan insurers

Rate hike positive for earnings and overseas returns, but negative for bond values

Our analysis suggests that 31%/30%/18% of Cathay/Fubon/China Life's investment funds are floating rate assets that would be re-priced when rates start to rise. Based on our estimates, the earnings enhancement for a 50bp rate hike would be NT$5.4bn/3.3bn/0.7bn for Cathay/Fubon/China Life, accounting for 18.3%/11.2%/15.9% of 2013E pre-tax profit, translating into 16bp/15bp/9bp increases in overall investment returns.

Rising bond yields tend to result in bond revaluation losses, negatively affecting book value and EV (instead of affecting the P&L). Nevertheless, a narrowing credit spread, usually accompanying a rising rate, would offset part of the revaluation losses. Given the lack of disclosure, we find it hard to quantify the impact for each insurer, but we note that 1) the bulk (c.60%) of Cathay and Fubon's financial assets are booked as AFS subject to mark to market, while 70% China Life's are booked as HTM, and 2) China Life has a much longer asset duration (11 years for domestic bonds and 15 years for overseas bonds, vs. 5-6 years/10-11 years for Cathay/Fubon). We tend to think that revaluation losses would be larger for those with higher asset duration.

Valuation and risks

From a top-down view, we believe insurers are more leveraged to rising rates than banks. Among the insurers, we prefer those with negative spreads and low asset duration; we think Cathay will be the major beneficiary in this regard. We adopt company-specific valuation methodologies to reflect the different characteristics of the various companies. For Cathay, our sum-of-the-parts (SOTP) approach uses EV for the life subsidiary and the (ROE-g/COE-g) model for the banking subsidiary. For Fubon, our SOTP uses EV for the life subsidiary, the (ROEg/COE-g) model for the banking & P&C subsidiaries and comparable P/BV for the securities business. For China Life, we use EV. Key downside risks: 1) earnings risks, particularly those related to market conditions; 2) tightening of RBC requirement could prompt pressure to recapitalize (for Cathay); 3) regulatory restrictions could lower investment capacity and returns; 4) further M&A activity could dilute shareholder value. Key upside risks: 1) a stronger-than-expected turnaround of First Sino Bank could trigger a higher valuation premium in our SOTP analysis for Fubon; 2) a faster-than-expected development of CCB Life, which could accelerate the earnings contribution to China Life; 3) in the event of an unfavorable turn in the equity market, investors might prefer Fubon over Cathay, given the former's stronger capital position.

Figure 117: Earnings sensitivity to 50bp rate hike

NT$ bn	Cathay	Fubon	China Life-Taiwan
Cash and others	329.4	145.5	33.8
Equities - domestic	279.9	191.4	47.4
Equities - overseas	133.8	31.3	-
Bonds - domestic	531.5	607.6	277.5
Bonds - overseas	1,280.7	744.5	270.7
Mortgage loans	319.9	35.2	6.8
Policy loans	182.2	46.7	20.3
Real estate	173.7	84.4	20.3
Total investment fund	**3,231.1**	**1,886.6**	**676.7**
As % of total investment fund			
Cash and others	10.2	7.7	5.0
Equities - domestic	8.7	10.1	7.0
Equities - overseas	4.1	1.7	-
Bonds - domestic	16.4	32.2	41.0
Bonds - overseas	39.6	39.5	40.0
Mortgage loans	9.9	1.9	1.0
Policy loans	5.6	2.5	3.0
Real estate	5.4	4.5	3.0
Total investment fund	**100.0**	**100.0**	**100.0**
New money	194.1	306.4	50.7
Floating rate old book	649.3	180.7	40.6
Maturing fixed rate old book	234.4	168.9	43.3
Investment subject to higher rate	1,077.8	656.0	134.5
As % of total investment	31%	30%	18%
Earnings enhancement with 25bp rate hike	5.4	3.3	0.7
As % of 2013E pre-tax earnings	**18.3%**	**11.2%**	**15.9%**
Investment yield enhancement	0.16%	0.15%	0.09%
Average duration (years)			
Bonds - domestic	5.0	6.0	11.0
Bonds - overseas	10.0	11.0	15.0

Source: Deutsche Bank estimates

Thailand banks

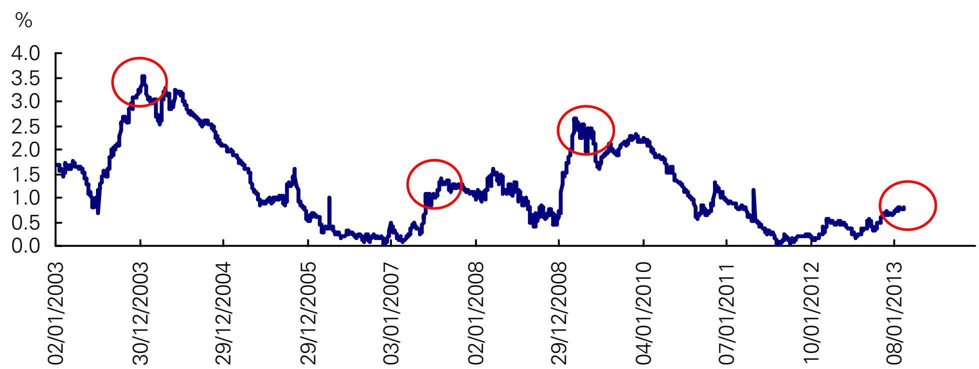
Peach Patharavanakul
peach.patharavanakul@db.com
+66 2 633 6463

Recent yield curve steepening should be positive for the sector

Historically, a long-term yield increase has had a low correlation with share price performance

Over the last decade, Thailand has experienced three periods of a significant steepening of the yield curve. The first was from July 2003 to January 2004, the second from May to September 2007 and the third from January to March 2009. We analyzed the yield difference of 2-year and 10-year government bonds and discovered that the yield difference widened by 350bps in 2003, 130-150bps in 2007 and 260bps in 2009 (Figure 118). In 2003 and 2007, the key driver behind the yield curve steepening was the increase in long-term yields, whereas in 2009, it was driven by a significant drop in short-term yields.

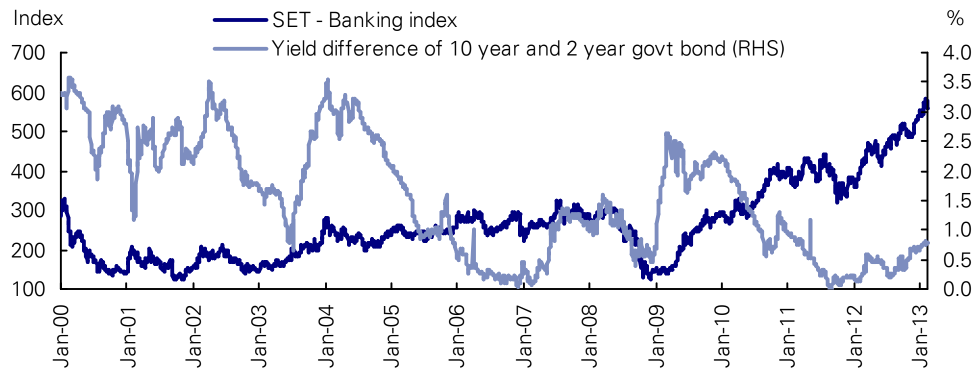
Figure 118: Yield difference of 10-year and 2-year government bonds (%)



Source: Deutsche Bank, Bloomberg Finance LP

In Figure 119, we compare the Thai banking index performance against the yield difference. Despite the yield curve steepening in 2003 and 2007, caused by a rise in long-term rates (indicative of an improvement in the economic growth outlook), banks underperformed the SET index by 35%. This was mainly because, after the 1997 financial crisis, the Thai economy recovered during 2002-08 at the expense of the banking industry. Most Thai banks raised capital significantly during 2003-04, and the Bank of Thailand introduced tougher provisions and other regulations for commercial banks during 2006-08. In addition, Thailand missed out on a new domestic investment cycle during 2005-08 because of political instability. As a result, the industry recorded single-digit loan growth, high provision expenses and lean bottom-line profit growth during most of the past decade, despite a rise in interest rates and bond yields supporting the expansion of banks' NIM.

Figure 119: Yield difference of 10-year and 2-year government bonds (%)



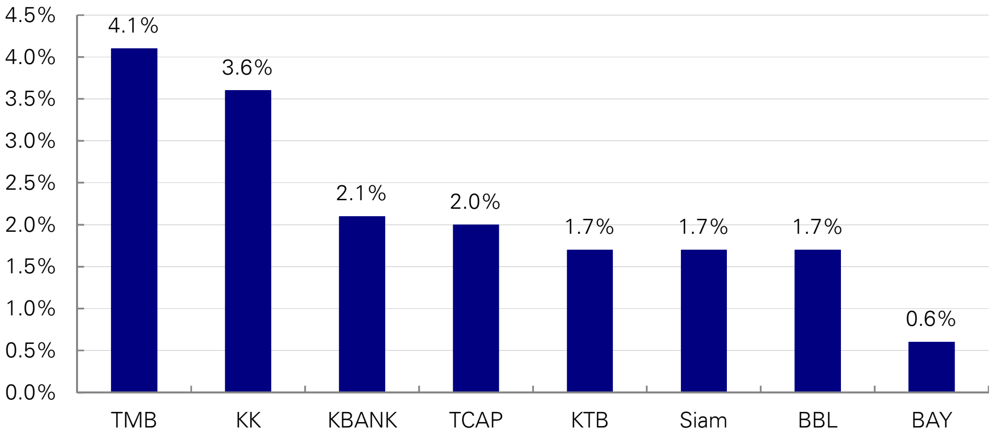
Source: Deutsche Bank, Bloomberg Finance LP

The Thai banking index has outperformed the SET index by 75% since 2010, despite the yield curve flattening. We believe the strong rally in Thai bank stocks since 2010 was due to a pick-up in domestic economic growth, coupled with an improvement in the balance sheet quality of the banks. This in turn resulted in robust top- and bottom-line growth for most Thai banks. However, excess liquidity in the Thai financial system accumulated during the previous decade, allowing the Thai government to borrow directly from local financial institutions, while successive governments did not have significant borrowing budgets during 2010-12. Capital inflows hence went into the stock market to generate higher returns. As excess liquidity has been drawn down after the robust loan growth of the past few years and the Yingluck government is to kick-start a Bt2.3tr infrastructure investment plan in 2H13, we expect the recent steepening in the yield curve to continue. Given the robust performance of the Thai economy and a return to political normalcy, we anticipate a greater correlation between the steepening yield curve and the earnings/price performances of banks going forward.

Yield curve steepening of 50bps should result in EPS increase of 1-4%

Based on our analysis, we conclude that a steepening yield curve, driven by the increase in long-term yields, will be positive for the share price performances of Thai banks. We estimate that a 50bps rise in the yield curve would increase EPS by 1-4%, with TMB and KK benefiting the most, while BAY should benefit the least (Figure 120). The impact depends mainly on the average duration of investment securities booked and investment securities as a percentage of total assets. This is because we believe the increase in yields will first affect the reinvestment of investment securities approaching maturity. Therefore, for our EPS impact analysis, we limit the analysis to banks' investment securities with duration of less than one year.

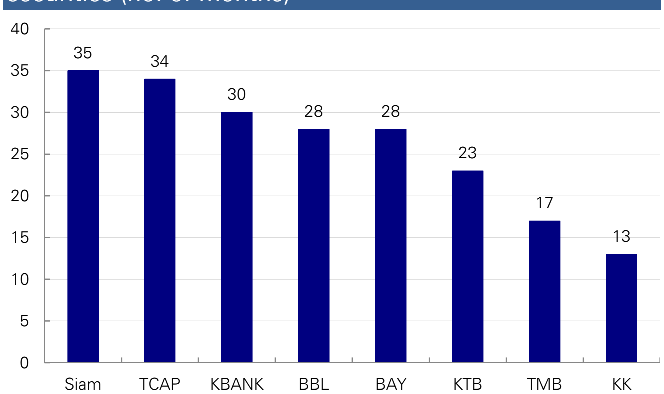
Figure 120: FY13E EPS impact if yield increases by 50bps



Source: Deutsche Bank estimates

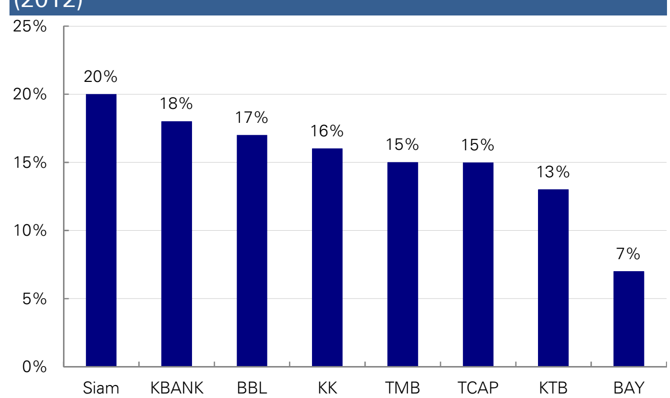
In terms of average duration, KK's investment securities have the shortest duration period, at 13 months, which will allow the bank to reinvest in higher yields faster (Figure 121). Conversely, Siam and TCAP have the highest average duration, at 35 and 34 months, respectively. While higher interest income from reinvestment should be offset somewhat by mark to market losses on bonds, we believe the effect of the former should be greater, as banks should be able to reclassify some of their bond holdings as held-to-maturity to minimize fair value losses. In terms of investment securities as a percentage of total assets, Siam, KBANK and BBL have the largest exposure, at 20%, 18% and 17%, respectively, while BAY has the lowest exposure, at 7% (Figure 122). We conclude that banks with shorter investment durations should benefit more when the yield curve rises.

Figure 121: Average duration of 1H12 investment securities (no. of months)



Source: Deutsche Bank TISCO, Company data

Figure 122: Investment securities as % of total assets (2012)



Source: Deutsche Bank TISCO, Company data

Regional valuation comparables

Figure 123: Valuations and recommendations (priced as of 4 March 2013)

Overview	RIC code	Rec	Curr	Price 04-Mar-13	Target Price	Upside (%)	Mkt Cap (US$ mn)	PBV 2011A	PBV 2012E	PBV 2013E	PER 2011A	PER 2012E	PER 2013E	Mkt Cap / PPOP 2011A	Mkt Cap / PPOP 2012E	Mkt Cap / PPOP 2013E
ICBC	1398.HK	Buy	HK$	5.40	6.80	25.9	194,995	1.36	1.18	1.05	6.76	6.41	6.45	4.57	4.33	4.18
China Construction Bank	0939.HK	Buy	HK$	6.19	7.45	20.4	160,084	1.32	1.15	1.03	6.77	6.53	6.68	4.50	4.37	4.22
ABC	1288.HK	Buy	HK$	3.87	4.49	16.0	130,022	1.32	1.16	1.05	6.81	6.48	7.26	4.24	4.18	4.27
Bank of China	3988.HK	Buy	HK$	3.50	4.28	22.3	101,065	0.96	0.87	0.78	6.15	6.01	5.66	4.01	3.86	3.57
Bank of Communications	3328.HK	Hold	HK$	5.84	6.90	18.2	44,863	0.94	0.85	0.77	5.72	5.87	5.68	3.97	3.78	3.52
China Merchants Bank-H	3968.HK	Hold	HK$	16.20	18.97	17.1	44,113	1.47	1.28	1.13	7.34	7.82	7.69	5.24	5.00	4.91
China CITIC Bank	0998.HK	Buy	HK$	4.71	6.08	29.1	22,795	0.88	0.77	0.69	5.26	4.71	4.64	3.16	2.98	2.85
China Minsheng	1988.HK	Hold	HK$	10.30	9.82	(4.7)	30,223	1.41	1.20	1.03	6.38	6.48	5.80	4.06	3.94	3.53
Shanghai Pudong Bank	600000.SS	Buy	RMB	10.39	12.00	15.5	31,132	1.10	0.95	0.84	6.02	5.71	5.77	3.73	3.64	3.59
Industrial	601166.SS	Buy	RMB	18.34	19.80	8.0	31,775	1.39	1.21	1.07	6.63	6.94	7.91	4.31	4.02	4.03
Ping An Bank	000001.SZ	Hold	RMB	21.75	19.20	(11.7)	17,900	1.33	1.19	1.08	9.04	8.99	10.18	5.56	5.06	5.03
Bank of Beijing	601169.SS	Hold	RMB	8.94	9.70	8.5	12,637	1.10	0.97	0.86	6.24	6.86	6.52	4.70	4.54	4.22
Bank of Nanjing	601009.SS	Hold	RMB	9.46	9.60	1.5	4,512	1.13	1.00	0.90	7.11	6.78	6.42	4.92	4.65	4.29
Bank of Ningbo	002142.SZ	Sell	RMB	10.84	9.00	(17.0)	5,021	1.42	1.24	1.10	8.09	7.84	8.42	5.45	5.12	5.19
China Everbright Bank	601818.SS	Hold	RMB	3.22	3.30	2.5	20,914	1.15	1.00	0.91	5.87	5.59	6.22	3.74	3.57	3.59
Chongqing Rural Bank	3618.HK	Buy	HK$	4.16	5.00	20.2	4,986	0.98	0.88	0.80	6.06	5.95	6.48	4.18	3.93	3.99
China						**18.02**	**857,039**	**1.25**	**1.10**	**0.98**	**6.61**	**6.44**	**6.59**	**4.36**	**4.18**	**4.06**
Hang Seng Bank	0011.HK	Hold	HK$	125.60	130.00	3.5	30,957	2.60	2.27	2.14	12.36	10.09	14.62	15.02	12.89	12.22
BOC Hong Kong Holdings	2388.HK	Buy	HK$	26.00	31.50	21.2	35,439	1.92	1.82	1.72	13.33	12.12	10.84	11.15	9.51	8.34
Bank of East Asia Ltd	0023.HK	Buy	HK$	31.50	38.00	20.6	9,045	1.23	1.17	1.12	11.58	13.61	12.90	10.99	10.34	9.54
Dah Sing Banking	2356.HK	Buy	HK$	9.60	11.50	19.8	1,514	0.73	0.69	0.66	9.76	8.57	7.56	11.05	8.81	7.18
Dah Sing Financial	0440.HK	Buy	HK$	41.60	47.00	13.0	1,570	0.76	0.72	0.68	9.77	8.68	7.94	8.89	7.46	6.51
Wing Hang Bank	0302.HK	Hold	HK$	85.75	92.30	7.6	3,303	1.37	1.27	1.18	13.53	12.81	11.20	11.72	10.27	8.62
HSBC Holdings Plc	0005.HK	Buy	HK$	84.25	89.00	5.6	205,735	1.16	1.11	1.03	13.98	9.89	9.50	6.18	6.23	5.89
Standard Chartered	2888.HK	Hold	HK$	207.40	208.00	0.3	65,350	1.54	1.45	1.37	13.59	11.59	10.54	8.02	6.79	6.14
Hong Kong (ex HSBC & StanChart)						**13.69**	**81,828**	**2.03**	**1.85**	**1.75**	**12.64**	**11.41**	**12.40**	**12.57**	**10.86**	**9.90**
Bank of Baroda	BOB.BO	Buy	Rs	708	1,050	48.39	5,301	1.19	0.93	0.81	6.48	6.11	5.32	4.21	3.21	2.66
Canara Bank	CNBK.BO	Buy	Rs	417	560	34.29	3,356	1.02	0.80	0.70	6.53	6.18	4.94	3.98	3.12	2.57
Union Bank of India	UNBK.BO	Hold	Rs	214	310	44.56	2,145	0.89	0.73	0.65	7.69	5.86	4.43	3.33	2.57	2.03
HDFC	HDFC.BO	Buy	Rs	773	900	16.49	21,499	5.23	4.83	4.36	23.90	24.24	20.83	17.21	17.32	14.64
HDFC Bank	HDBK.BO	Buy	Rs	627	740	17.95	26,991	4.08	4.22	3.54	21.52	21.93	17.05	13.68	13.24	10.05
ICICI Bank	ICBK.BO	Buy	Rs	1,058	1,385	30.88	22,207	1.70	1.86	1.69	16.45	14.63	12.44	10.88	9.44	7.85
PNB	PNBK.BO	Buy	Rs	781	1,100	40.86	4,812	1.13	0.84	0.73	6.73	5.35	4.47	3.57	2.54	2.09
State Bank of India	SBI.BO	Hold	Rs	2,098	2,620	24.87	25,582	1.37	1.21	1.05	9.09	7.68	6.58	3.60	3.33	2.87
Axis Bank	AXBK.BO	Buy	Rs	1,368	1,670	22.12	11,602	2.08	1.97	1.72	11.11	12.00	10.77	6.53	7.27	5.75
YES Bank	YESB.BO	Buy	Rs	475	590	24.34	3,043	2.77	2.90	2.36	10.76	12.94	10.83	7.27	8.25	6.42
Kotak Mahindra	KTKM.BO	Hold	Rs	653	620	(5.05)	8,787	3.15	3.26	2.77	19.10	22.01	17.41	12.91	14.51	11.47
IndusInd Bank	INBK.BO	Buy	Rs	401	495	23.50	3,785	3.17	2.73	2.37	15.68	18.92	15.53	9.44	11.72	8.77
India						**23.7**	**146,301**	**2.7**	**2.6**	**2.3**	**15.4**	**15.3**	**12.7**	**9.7**	**9.5**	**7.7**
BCA	BBCA.JK	Buy	Rp	10,700	12,000	12.1	26,849	5.11	4.23	3.48	22.13	19.13	16.16	17.45	14.30	11.99
Bank Mandiri	BMRI.JK	Buy	Rp	9,700	11,200	15.5	23,309	2.53	2.60	2.21	11.20	12.83	11.33	7.28	7.99	6.79
BNI	BBNI.JK	Buy	Rp	4,725	5,850	23.8	9,075	2.06	1.81	1.57	12.90	10.71	8.85	7.56	6.04	5.00
BRI	BBRI.JK	Buy	Rp	8,750	9,500	8.6	22,230	2.65	2.69	2.20	9.06	10.91	9.57	6.38	7.41	6.32
Bank Tabungan Negara	BBTN.JK	Buy	Rp	1,670	2,000	19.8	1,781	1.81	1.70	1.54	12.82	10.62	7.91	7.77	6.41	4.84
Bank BJB	BJBR.JK	Buy	Rp	1,240	1,750	41.1	1,238	2.15	2.06	1.94	10.32	9.06	7.79	6.09	5.31	4.49
Bank BTPN	BTPN.JK	Sell	Rp	4,650	4,000	-14.0	2,797	3.96	2.71	2.13	12.34	11.80	10.03	8.30	7.80	6.59
Indonesia						**12.2**	**91,306**	**3.4**	**3.1**	**2.6**	**14.9**	**14.5**	**12.5**	**10.4**	**9.7**	**8.2**
AMMB Holdings	AMMB.KL	Buy	RM	6.30	7.40	17.46	6,110	1.70	1.56	1.43	12.20	11.14	10.06	7.36	7.18	6.42
CIMB Group	CIMB.KL	Buy	RM	7.20	8.80	22.22	17,531	2.00	1.66	1.46	12.90	10.91	9.58	9.53	7.93	6.65
Hong Leong Bank	HLBB.KL	Sell	RM	14.58	13.00	(10.84)	7,412	2.40	2.15	1.93	16.08	14.28	13.02	11.70	9.59	8.61
Public Bank	PUBMe.KL	Hold	RM	16.14	16.00	(0.87)	18,186	3.38	3.01	2.69	14.33	13.08	11.95	10.24	9.12	8.01
Malayan Banking	MBBM.KL	Buy	RM	9.05	10.20	12.71	25,626	1.84	1.69	1.57	12.13	12.15	11.13	8.81	8.21	7.17
RHB Capital	RHBC.KL	Buy	RM	7.82	9.20	17.65	5,548	1.34	1.22	1.11	10.88	9.76	8.74	6.53	5.76	5.13
Malaysia						**10.2**	**80,413**	**2.2**	**2.0**	**1.8**	**13.1**	**12.0**	**10.9**	**9.3**	**8.2**	**7.2**
OCBC	OCBC.SI	Buy	S$	10.1	10.3	2.08	27,887	1.46	1.42	1.33	7.97	12.49	11.10	7.82	8.67	7.64
United Overseas Bank	UOBH.SI	Buy	S$	19.3	21.0	8.92	24,587	1.36	1.24	1.15	10.77	11.07	9.85	7.86	7.87	6.84
Singapore						**4.4**	**80,704**	**1.3**	**1.3**	**1.2**	**10.2**	**11.3**	**9.6**	**7.6**	**7.6**	**6.6**
Hana FG	086790.KS	Buy	Won	40,000	48,000	20.00	8,801	0.61	0.56	0.52	4.82	6.56	5.80	2.51	3.04	2.81
IBK	024110.KS	Hold	Won	13,050	13,000	(0.38)	7,152	0.61	0.57	0.53	6.28	6.82	5.88	2.74	2.87	2.59
KB FG	105560.KS	Hold	Won	39,200	41,000	4.59	13,854	0.62	0.58	0.54	8.05	7.40	6.52	3.66	3.63	3.25
KEB	004940.KS	Hold	Won	7,500	8,500	13.33	4,424	0.54	0.51	0.47	6.34	6.13	5.85	2.93	3.24	3.14
Shinhan FG	055550.KS	Hold	Won	42,650	41,000	(3.87)	18,500	0.81	0.75	0.69	8.54	8.91	7.83	4.35	4.57	4.16
DGB Financial Group	139130.KS	Buy	Won	16,850	17,000	0.89	2,066	0.91	0.83	0.75	8.17	7.82	6.89	4.33	4.38	3.85
Woori FH	053000.KS	Buy	Won	12,950	13,500	4.25	9,548	0.56	0.52	0.49	6.66	6.52	6.09	2.25	2.48	2.34
BS Financial Group Inc	138930.KS	Buy	Won	16,100	16,500	2.48	2,846	0.96	0.87	0.79	7.90	7.62	7.08	4.33	4.15	3.84
South Korea						**4.1**	**67,192**	**0.7**	**0.6**	**0.6**	**7.3**	**7.5**	**6.7**	**3.4**	**3.6**	**3.3**
Fubon Financial Holding	2881.TW	Hold	NT$	39.7	39.2	(1.13)	12,712	1.51	1.42	1.34	13.18	15.19	14.65	10.88	11.52	11.74
Cathay Financial Holding	2882.TW	Buy	NT$	37.8	41.9	10.85	13,569	1.80	1.68	1.57	23.42	14.98	14.56	19.71	19.71	18.13
E Sun Financial Holding	2884.TW	Hold	NT$	17.5	16.7	(4.18)	2,826	1.12	1.06	1.00	12.32	13.39	12.82	8.10	8.05	7.27
Mega Financial Holding	2886.TW	Buy	NT$	24.7	26.6	7.91	9,500	1.33	1.27	1.21	14.40	13.73	13.04	10.66	10.10	9.18
Taishin Financial Holding	2887.TW	Sell	NT$	12.0	10.4	(12.97)	2,773	0.96	0.89	0.83	9.38	9.89	10.04	4.48	4.36	4.26
Chinatrust FHC	2891.TW	Hold	NT$	17.4	18.2	4.60	7,272	1.30	1.21	1.14	11.92	12.25	11.73	8.69	8.44	7.87
First Financial Holding	2892.TW	Hold	NT$	18.5	16.6	(10.03)	5,046	1.12	1.06	1.01	13.67	14.54	14.29	9.10	8.91	8.66
Yuanta Financial Holding	2885.TW	Buy	NT$	15.2	18.4	20.79	5,059	0.99	0.97	0.96	21.40	18.26	17.59	16.43	13.76	13.06
Taiwan						**4.2**	**58,756**	**1.4**	**1.3**	**1.2**	**16.1**	**14.4**	**13.9**	**12.5**	**12.3**	**11.6**
Krung Thai Bank	KTB.BK	Buy	Bt	27.0	25.0	(7.41)	12,655	1.52	1.87	1.68	9.10	12.37	10.79	5.32	7.27	6.46
Siam Commercial Bank	SCB.BK	Buy	Bt	178.5	210.0	17.65	20,340	2.84	2.40	2.06	12.53	12.36	10.76	8.32	8.52	7.41
Bank of Ayudhya	BAY.BK	Buy	Bt	34.5	40.0	15.94	7,025	1.74	1.65	1.47	11.88	11.36	9.87	5.75	5.99	5.25
TMB Bank	TMB.BK	Sell	Bt	2.5	1.9	(23.39)	3,621	1.51	1.85	1.68	45.04	16.99	13.63	7.05	8.27	6.86
Bangkok Bank	BBL.BK	Buy	Bt	223.0	240.0	7.62	14,270	1.36	1.44	1.33	10.56	11.41	10.03	1.31	1.32	1.21
Kasikornbank	KBAN.BK	Buy	Bt	219.0	230.0	5.02	17,570	2.50	2.39	2.03	10.99	12.32	10.72	42.16	50.59	46.60
Thanachart Capital	TCAP.BK	Hold	Bt	44.3	42.0	(5.08)	1,896	1.13	1.08	0.99	7.59	5.11	8.57	103.85	122.35	114.92
Thailand						**6.2**	**77,377**	**2.1**	**2.0**	**1.8**	**12.6**	**12.1**	**10.6**	**16.3**	**19.1**	**17.4**
ANZ	ANZ.AX	Buy	A$	28.4	31.2	10.01	80,000	1.63	1.76	1.65	10.95	12.21	11.38	6.53	7.58	6.98
Bank of Queensland	BOQ.AX	Hold	A$	9.0	7.6	(15.46)	2,920	0.80	0.95	0.94	88.32	11.99	11.02	5.76	6.20	5.82
Bendigo & Adelaide Bank	BEN.AX	Hold	A$	9.6	9.7	0.42	4,035	0.71	0.90	0.88	9.52	12.04	11.48	8.19	6.60	6.59
Commonwealth Bank	CBA.AX	Hold	A$	67.1	66.0	(1.67)	110,099	2.06	2.46	2.34	11.82	NA	NA	7.14	9.19	8.64
Macquarie Group Limited	MQG.AX	Hold	A$	36.9	35.0	(5.15)	12,054	0.90	1.05	0.90	13.03	13.81	9.22	7.72	8.69	6.17
National Australia Bank	NAB.AX	Buy	A$	30.1	31.5	4.65	73,440	1.35	1.51	1.44	10.51	12.02	11.67	5.34	6.54	6.18
Westpac	WBC.AX	Hold	A$	30.4	28.5	(6.13)	96,491	1.72	2.02	1.94	11.51	13.79	13.56	6.61	8.47	8.14
Australia						**0.7**	**379,039**	**1.7**	**1.9**	**1.8**	**11.9**	**9.1**	**8.6**	**6.5**	**8.1**	**7.6**
Regional Average (Ex Japan)						**12.4**	**1,947,311**	**1.7**	**1.6**	**1.4**	**10.1**	**9.3**	**8.8**	**7.0**	**7.1**	**6.5**

Source: Deutsche Bank, company data

Figure 124: Valuations and recommendations (priced as of 4 March 2013)

Overview	RIC code	EPS Gth (%)			PPOP Growth			Div yld (%)			ROE (%)		
		2011A	2012E	2013E	2011A	2012E	2013E	2011A	2012E	2013E	2011A	2012E	2013E
ICBC	1398.HK	7.4	5.5	(0.6)	9.9	5.7	3.4	4.4	4.7	4.7	21.6	19.7	17.2
China Construction Bank	0939.HK	8.4	3.7	(2.3)	8.3	3.0	3.6	4.4	4.6	4.5	20.9	18.9	16.3
ABC	1288.HK	21.5	5.0	(10.7)	7.0	1.3	(2.1)	4.4	4.6	4.1	21.0	19.0	15.1
Bank of China	3988.HK	2.6	2.3	6.3	4.2	4.0	8.1	4.7	4.8	5.1	16.6	15.2	14.5
Bank of Communications	3328.HK	(4.7)	(2.6)	3.5	12.6	5.0	7.3	4.0	5.1	5.3	17.4	15.2	14.2
China Merchants Bank-H	3968.HK	5.7	(6.1)	1.7	17.8	4.9	1.8	2.7	2.8	2.9	21.3	17.5	15.6
China CITIC Bank	0998.HK	(0.0)	11.8	1.5	14.8	6.2	4.3	4.7	5.3	5.4	17.9	17.5	15.7
China Minsheng	1988.HK	23.9	(1.4)	11.6	26.7	3.1	11.7	3.0	3.1	3.4	24.1	20.0	19.1
Shanghai Pudong Bank	600000.SS	4.3	5.5	(1.0)	20.0	2.6	1.3	3.3	3.5	3.5	19.8	17.9	15.5
Industrial	601166.SS	(9.0)	(4.5)	(12.2)	26.0	7.1	(0.2)	2.4	2.1	2.0	23.1	18.6	14.4
Ping An Bank	000001.SZ	(24.2)	0.5	(11.7)	7.4	9.9	0.6	1.7	1.5	1.5	15.7	13.9	11.1
Bank of Beijing	601169.SS	(0.2)	(9.1)	5.3	21.6	3.5	7.6	2.2	2.4	2.5	17.7	15.0	14.0
Bank of Nanjing	601009.SS	23.1	4.8	5.6	22.7	5.9	8.3	3.9	4.1	4.3	16.9	15.7	14.8
Bank of Ningbo	002142.SZ	18.8	3.1	(6.9)	27.9	6.6	(1.4)	2.2	2.3	2.1	19.0	16.9	13.8
China Everbright Bank	601818.SS	22.7	5.1	(10.1)	25.1	4.7	(0.5)	5.1	5.4	4.8	21.2	19.2	15.3
Chongqing Rural Bank	3618.HK	18.6	1.9	(8.1)	17.0	6.3	(1.4)	4.9	5.0	4.6	17.2	15.6	13.0
China		**7.9**	**2.9**	**(1.7)**	**11.4**	**4.2**	**3.3**	**4.1**	**4.3**	**4.3**	**20.3**	**18.2**	**15.8**
Hang Seng Bank	0011.HK	15.0	22.4	(31.0)	8.8	16.5	5.5	4.2	4.2	4.2	22.6	24.0	15.0
BOC Hong Kong Holdings	2388.HK	1.0	10.0	11.8	7.2	17.2	14.1	4.6	5.4	6.2	15.1	15.4	16.3
Bank of East Asia Ltd	0023.HK	39.0	(14.9)	5.5	35.2	6.2	8.4	3.4	3.5	3.7	10.9	8.8	8.9
Dah Sing Banking	2356.HK	11.6	13.8	13.5	8.6	25.4	22.7	3.1	4.0	4.8	7.8	8.3	8.9
Dah Sing Financial	0440.HK	23.4	12.6	9.4	23.5	19.2	14.6	2.7	3.8	4.5	7.9	8.5	8.8
Wing Hang Bank	0302.HK	(11.3)	5.7	14.3	6.6	14.1	19.1	1.9	2.3	2.8	10.5	10.3	10.9
HSBC Holdings Plc	0005.HK	(18.2)	46.5	4.1	(17.8)	25.3	5.7	5.1	4.6	5.0	8.5	11.6	11.3
Standard Chartered	2888.HK	(2.0)	17.2	10.0	2.2	18.2	10.6	2.9	3.1	3.4	11.7	12.8	13.1
Hong Kong (ex HSBC & StanChart)		**10.6**	**11.9**	**(5.0)**	**11.2**	**15.8**	**10.6**	**4.1**	**4.6**	**5.0**	**17.0**	**17.5**	**14.5**
Bank of Baroda	BOB.BO	11.2	(6.8)	14.9	17.8	15.2	20.6	2.4	2.5	2.9	20.6	16.2	16.3
Canara Bank	CNBK.BO	(21.5)	(9.0)	25.1	(10.8)	10.0	21.6	2.3	2.1	2.6	15.4	12.5	14.0
Union Bank of India	UNBK.BO	(17.8)	10.0	32.2	2.0	8.9	26.4	3.1	2.9	3.9	13.2	13.2	15.5
HDFC	HDFC.BO	16.2	13.8	16.4	16.4	18.9	18.3	1.6	1.5	1.7	22.7	22.0	22.0
HDFC Bank	HDBK.BO	30.0	29.3	28.7	24.1	37.5	31.8	0.9	0.9	1.1	18.7	20.7	22.6
ICICI Bank	ICBK.BO	23.3	29.0	17.6	12.1	32.3	20.2	1.8	2.0	2.4	11.2	13.2	14.2
PNB	PNBK.BO	6.2	(2.1)	19.9	11.2	9.6	21.3	2.2	3.5	3.5	19.8	16.6	17.4
State Bank of India	SBI.BO	39.6	16.2	16.8	25.1	6.4	15.8	1.7	2.3	2.6	16.8	16.7	17.1
Axis Bank	AXBK.BO	24.0	10.7	11.4	18.5	21.4	26.4	1.4	1.4	1.7	20.3	18.2	17.0
YES Bank	YESB.BO	31.7	31.0	19.5	29.6	38.7	28.6	1.3	1.0	1.2	23.1	24.8	24.0
Kotak Mahindra	KTKM.BO	13.4	19.6	26.4	14.9	22.9	26.5	0.1	0.1	0.2	15.5	15.9	17.2
IndusInd Bank	INBK.BO	30.5	23.2	21.8	28.3	33.1	33.6	0.8	0.6	0.7	18.3	16.9	16.4
India		**22.9**	**18.0**	**20.2**	**18.8**	**22.6**	**23.0**	**1.5**	**1.6**	**1.9**	**17.5**	**17.6**	**18.3**
BCA	BBCA.JK	8.9	15.7	18.4	13.7	22.1	19.2	0.9	0.9	1.0	25.3	24.2	23.6
Bank Mandiri	BMRI.JK	26.6	13.8	13.2	23.4	18.8	17.7	1.8	1.6	1.8	22.7	21.8	21.1
BNI	BBNI.JK	17.2	20.4	21.1	18.0	25.0	20.8	1.9	2.2	2.7	17.0	17.9	18.9
BRI	BBRI.JK	23.8	6.0	14.0	9.8	9.9	17.1	2.1	1.7	1.8	32.6	27.3	25.3
Bank Tabungan Negara	BBTN.JK	2.9	20.7	34.3	36.1	21.2	32.6	2.4	2.9	3.5	16.0	16.5	20.5
Bank BJB	BJBR.JK	21.5	14.0	16.3	22.5	14.7	18.2	5.5	6.6	7.5	21.3	23.3	25.7
Bank BTPN	BTPN.JK	37.1	16.3	17.6	31.6	18.3	18.4	0.0	0.0	0.0	29.6	25.9	23.8
Indonesia		**21.1**	**14.1**	**16.8**	**18.5**	**18.8**	**19.6**	**1.7**	**1.6**	**1.8**	**26.2**	**24.3**	**23.5**
AMMB Holdings	AMMB.KL	13.0	12.0	10.7	7.3	4.8	11.8	2.4	3.6	4.0	14.1	14.6	14.8
CIMB Group	CIMB.KL	7.8	12.9	13.8	6.0	16.8	19.1	2.3	2.8	3.1	16.0	16.2	16.2
Hong Leong Bank	HLBB.KL	26.3	12.6	9.6	47.3	22.0	11.4	2.0	2.2	2.4	17.5	15.9	15.6
Public Bank	PUBMe.KL	13.2	9.5	9.5	6.1	12.3	13.9	3.4	3.8	4.1	25.0	24.3	23.8
Malayan Banking	MBBM.KL	11.4	2.5	9.2	14.8	14.9	14.4	5.5	5.9	6.5	15.2	14.4	14.6
RHB Capital	RHBC.KL	4.3	11.5	11.6	9.8	13.5	12.2	3.1	3.5	3.9	13.0	13.1	13.3
Malaysia		**12.0**	**8.6**	**10.6**	**13.0**	**14.5**	**14.7**	**3.6**	**4.1**	**4.5**	**17.5**	**17.1**	**17.1**
OCBC	OCBC.SI	72.3	(28.5)	12.5	23.7	1.6	13.4	3.7	3.7	4.1	17.8	11.7	12.4
United Overseas Bank	UOBH.SI	20.1	1.1	12.4	15.4	3.9	15.1	3.8	3.7	4.1	12.4	11.5	12.1
Singapore		**30.9**	**(4.2)**	**18.1**	**18.1**	**6.0**	**15.9**	**3.7**	**3.9**	**4.6**	**13.5**	**11.4**	**12.5**
Hana FG	086790.KS	60.2	(26.4)	13.1	68.7	(17.5)	8.5	2.5	1.8	3.5	11.2	6.8	13.8
IBK	024110.KS	(5.2)	(8.0)	16.1	(9.1)	(4.5)	10.7	3.8	3.8	4.6	9.3	8.1	17.1
KB FG	105560.KS	(21.5)	8.8	13.4	(16.4)	0.8	11.6	2.0	2.0	2.0	7.9	8.0	8.5
KEB	004940.KS	(51.3)	3.4	4.8	(35.2)	(9.7)	3.4	2.7	2.7	2.7	8.6	8.3	8.1
Shinhan FG	055550.KS	(15.7)	(4.1)	13.8	(2.6)	(4.9)	9.8	1.6	1.6	1.9	8.5	7.6	8.1
DGB Financial Group	139130.KS	(9.6)	4.5	13.5	(4.0)	(1.3)	13.9	2.1	2.1	2.4	11.6	11.1	11.4
Woori FH	053000.KS	(21.3)	2.2	7.0	(12.8)	(9.4)	5.9	1.9	1.9	1.9	7.0	6.7	6.7
BS Financial Group Inc	138930.KS	(1.6)	3.6	7.7	7.2	4.2	8.2	2.2	2.2	2.5	12.7	12.0	11.7
South Korea		**(8.2)**	**(2.8)**	**12.0**	**(0.0)**	**(5.8)**	**9.2**	**2.2**	**2.1**	**2.5**	**8.9**	**7.9**	**9.9**
Fubon Financial Holding	2881.TW	(7.0)	(13.2)	3.7	(5.4)	(5.6)	(1.9)	3.0	2.6	2.7	11.8	9.6	9.4
Cathay Financial Holding	2882.TW	56.8	56.4	2.9	91.5	0.0	8.7	1.7	2.6	2.7	7.8	11.4	11.0
E Sun Financial Holding	2884.TW	80.5	(8.0)	4.5	20.7	0.6	10.8	1.9	1.8	1.9	9.2	7.7	7.6
Mega Financial Holding	2886.TW	10.8	4.9	5.3	6.7	5.5	10.0	3.4	3.6	3.8	9.3	9.3	9.4
Taishin Financial Holding	2887.TW	8.5	(5.2)	(1.4)	49.1	2.7	2.4	1.4	1.4	1.3	8.4	7.4	6.8
Chinatrust FHC	2891.TW	(0.6)	(2.7)	4.4	12.4	2.9	7.2	2.0	3.2	3.3	11.5	10.4	9.7
First Financial Holding	2892.TW	33.1	(6.0)	1.7	34.8	2.1	2.9	2.2	2.1	2.1	8.4	7.5	7.2
Yuanta Financial Holding	2885.TW	(52.3)	17.2	3.8	(38.5)	19.4	5.3	1.9	2.2	2.3	4.7	5.4	5.5
Taiwan		**15.9**	**11.0**	**3.5**	**25.6**	**2.1**	**5.5**	**2.4**	**2.7**	**2.8**	**9.2**	**9.3**	**9.1**
Krung Thai Bank	KTB.BK	23.0	16.6	14.6	24.2	15.9	12.5	4.0	3.2	3.7	15.2	16.0	16.4
Siam Commercial Bank	SCB.BK	10.9	22.0	14.9	12.7	17.6	15.0	2.6	2.5	2.8	19.9	20.8	20.6
Bank of Ayudhya	BAY.BK	57.9	26.1	15.2	8.7	15.7	14.2	0.0	2.8	3.2	13.6	15.4	15.8
TMB Bank	TMB.BK	(59.3)	289.8	24.6	45.2	25.4	20.6	2.2	1.8	2.2	3.1	11.4	12.9
Bangkok Bank	BBL.BK	20.8	13.0	13.8	14.5	21.8	8.9	3.8	3.6	4.0	12.8	13.1	13.8
Kasikornbank	KBAN.BK	45.5	20.6	14.9	3.2	12.7	8.6	2.2	1.8	2.1	20.8	21.1	20.5
Thanachart Capital	TCAP.BK	11.9	106.4	(40.4)	(8.5)	17.8	6.5	4.1	2.9	3.6	13.5	23.3	12.1
Thailand		**23.6**	**34.1**	**13.8**	**13.4**	**17.2**	**12.0**	**2.7**	**2.7**	**3.0**	**16.5**	**17.8**	**17.6**
ANZ	ANZ.AX	3.7	2.7	7.1	3.2	12.7	8.6	6.6	5.3	5.6	15.6	15.2	15.3
Bank of Queensland	BOQ.AX	(88.1)	779.0	8.9	(8.5)	17.8	6.5	7.1	6.0	6.4	0.8	8.0	8.6
Bendigo & Adelaide Bank	BEN.AX	(8.6)	1.2	4.1	(21.3)	49.0	0.3	7.3	6.3	6.6	7.4	7.6	7.7
Commonwealth Bank	CBA.AX	(0.2)	4.5	3.3	1.7	7.3	6.3	6.8	5.1	5.3	18.8	18.0	17.7
Macquarie Group Limited	MQG.AX	(20.6)	15.3	50.4	(12.2)	10.9	40.8	5.1	4.4	5.7	6.7	7.8	10.0
National Australia Bank	NAB.AX	(3.6)	5.1	3.1	8.1	5.6	5.8	7.5	6.2	6.4	14.5	14.4	14.0
Westpac	WBC.AX	3.2	2.3	1.7	6.2	10.8	4.1	7.6	5.7	6.0	15.5	15.0	14.6
Australia		**(0.6)**	**10.0**	**5.2**	**3.6**	**9.6**	**7.2**	**7.0**	**5.5**	**5.8**	**15.8**	**15.4**	**15.3**
Regional Average (Ex Japan)		**9.7**	**7.5**	**4.9**	**11.4**	**8.4**	**8.4**	**4.1**	**4.0**	**4.1**	**18.0**	**16.8**	**15.7**

Source: Deutsche Bank, company data

Figure 125: Profitability (priced as of 4 March 2013)

Overview	RIC code	NPAT			EPS			ROA (%)			NIM (%)			PPOP/Assets (%)		
		2011A	2012E	2013E	2011A	2012E	2013E	2011A	2012E	2013E	2011A	2012E	2013E	2011A	2012E	2013E
ICBC	1398.HK	223,668	236,032	234,594	0.64	0.68	0.67	1.36	1.29	1.15	2.58	2.50	2.41	2.02	1.91	1.78
China Construction Bank	0939.HK	183,481	190,289	186,002	0.73	0.76	0.74	1.42	1.34	1.19	2.70	2.56	2.48	2.14	2.00	1.88
ABC	1288.HK	148,201	155,613	138,921	0.46	0.48	0.43	1.21	1.16	0.94	2.80	2.67	2.50	1.95	1.80	1.60
Bank of China	3988.HK	127,452	130,354	138,601	0.46	0.47	0.50	1.03	0.96	0.92	2.09	2.00	2.03	1.57	1.49	1.47
Bank of Communications	3328.HK	55,738	59,244	61,303	0.82	0.80	0.83	1.14	1.08	1.01	2.61	2.46	2.38	1.79	1.68	1.63
China Merchants Bank-H	3968.HK	42,395	43,763	44,493	1.77	1.66	1.69	1.42	1.30	1.18	3.02	2.86	2.69	2.19	2.03	1.85
China CITIC Bank	0998.HK	33,588	37,550	38,111	0.72	0.80	0.81	1.14	1.13	1.03	2.53	2.40	2.31	1.89	1.78	1.67
China Minsheng	1988.HK	35,648	36,199	40,407	1.29	1.28	1.42	1.47	1.29	1.29	3.09	2.88	2.79	2.38	2.12	2.12
Shanghai Pudong Bank	600000.SS	32,177	33,944	33,611	1.77	1.66	1.69	1.10	1.00	0.87	2.47	2.19	1.96	1.78	1.57	1.39
Industrial	601166.SS	29,834	31,034	29,465	0.72	0.80	0.81	1.14	1.02	0.86	2.39	2.14	1.84	1.75	1.62	1.44
Ping An Bank	000001.SZ	12,326	13,836	13,502	1.29	1.28	1.42	0.94	0.94	0.81	2.44	2.26	2.09	1.53	1.50	1.33
Bank of Beijing	601169.SS	10,772	11,470	12,072	1.43	1.30	1.37	1.05	0.98	0.91	2.20	1.97	1.85	1.63	1.47	1.41
Bank of Nanjing	601009.SS	3,953	4,144	4,377	1.33	1.40	1.47	1.26	1.09	0.98	2.56	2.24	2.07	1.82	1.58	1.46
Bank of Ningbo	002142.SZ	3,865	3,986	3,711	1.34	1.38	1.29	1.34	1.14	0.91	2.88	2.64	2.30	1.98	1.74	1.47
China Everbright Bank	601818.SS	22,166	23,298	20,933	0.55	0.58	0.52	1.18	1.09	0.87	2.59	2.28	2.03	1.86	1.70	1.51
Chongqing Rural Bank	3618.HK	5,121	5,216	4,792	0.55	0.56	0.52	1.37	1.20	0.97	3.42	3.23	3.02	1.99	1.82	1.57
China								**1.26**	**1.18**	**1.05**						
Hang Seng Bank	0011.HK	19,426	23,787	16,422	10.16	12.44	8.59	1.89	2.13	1.39	1.77	1.79	1.81	1.56	1.67	1.66
BOC Hong Kong Holdings	2388.HK	20,627	22,688	25,357	1.95	2.15	2.40	1.18	1.24	1.26	1.59	1.74	1.84	1.41	1.57	1.64
Bank of East Asia Ltd	0023.HK	5,725	5,155	5,438	2.72	2.31	2.44	0.88	0.73	0.74	1.60	1.66	1.71	0.98	0.96	1.00
Dah Sing Banking	2356.HK	1,203	1,369	1,554	0.98	1.12	1.27	0.80	0.86	0.92	1.45	1.52	1.56	0.70	0.83	0.96
Dah Sing Financial	0440.HK	1,246	1,403	1,535	4.26	4.79	5.24	0.76	0.81	0.84	1.50	1.53	1.56	0.84	0.94	1.02
Wing Hang Bank	0302.HK	1,893	2,001	2,288	6.34	6.70	7.66	0.99	0.99	1.07	1.64	1.69	1.79	1.14	1.23	1.38
HSBC Holdings Plc	0005.HK	13,593	20,552	21,920	0.75	1.10	1.14	0.52	0.74	0.73	2.51	2.29	2.26	1.01	1.18	1.16
Standard Chartered	2888.HK	4,751	5,707	6,432	1.97	2.31	2.54	0.77	0.87	0.90	2.30	2.30	2.22	1.33	1.46	1.49
Hong Kong (ex HSBC & StanChart)								**1.39**	**1.50**	**1.23**						
Bank of Baroda	BOB.BO	50,070	47,778	54,898	124.4	115.9	133.1	1.24	0.99	0.97	2.64	2.45	2.45	1.96	1.88	1.94
Canara Bank	CNBK.BO	32,827	29,872	37,363	74.1	67.4	84.3	0.92	0.77	0.85	2.24	2.05	2.18	1.51	1.51	1.64
Union Bank of India	UNBK.BO	17,871	20,141	26,626	33.3	36.6	48.4	0.72	0.70	0.79	2.85	2.69	2.66	1.70	1.61	1.73
HDFC	HDFC.BO	41,226	47,946	56,816	28.0	31.9	37.1	2.69	2.62	2.59	3.51	3.52	3.55	3.75	3.73	3.69
HDFC Bank	HDBK.BO	51,671	67,430	87,156	22.1	28.6	36.8	1.68	1.83	1.98	4.34	4.39	4.58	2.65	3.04	3.36
ICICI Bank	ICBK.BO	64,653	83,543	98,287	56.0	72.3	85.1	1.47	1.61	1.62	2.60	2.81	2.89	2.23	2.50	2.56
PNB	PNBK.BO	48,842	49,469	59,301	148.9	145.9	174.8	1.17	1.02	1.08	3.32	3.21	3.26	2.28	2.15	2.30
State Bank of India	SBI.BO	153,431	183,273	214,105	235.0	273.1	319.1	0.88	0.94	0.95	3.50	3.32	3.31	2.29	2.17	2.19
Axis Bank	AXBK.BO	42,422	50,159	59,306	103.0	114.0	127.0	1.61	1.56	1.52	3.16	3.17	3.37	2.74	2.73	2.84
YES Bank	YESB.BO	9,770	12,941	15,467	28.0	36.7	43.8	1.47	1.54	1.48	2.57	2.72	2.80	2.21	2.42	2.50
Kotak Mahindra	KTKM.BO	18,322	21,971	27,774	24.8	29.7	37.5	2.21	2.12	2.17	4.97	4.87	4.87	3.27	3.22	3.30
IndusInd Bank	INBK.BO	8,026	10,462	13,417	17.2	21.2	25.8	1.55	1.62	1.66	3.46	3.49	3.60	2.59	2.75	2.94
India								**1.59**	**1.61**	**1.64**						
BCA	BBCA.JK	11,781	13,630	16,134	483.5	559.4	662.2	2.89	2.94	3.06	5.83	5.85	5.91	3.66	3.93	4.13
Bank Mandiri	BMRI.JK	15,504	17,647	19,982	664.5	756.3	856.4	2.61	2.61	2.62	5.78	5.77	5.96	4.02	4.19	4.37
BNI	BBNI.JK	6,829	8,224	9,956	366.2	441.0	533.9	2.14	2.28	2.45	5.46	5.53	5.61	3.66	4.04	4.33
BRI	BBRI.JK	18,681	19,794	22,560	757.3	802.4	914.5	3.66	3.35	3.34	8.28	7.64	7.52	5.19	4.93	5.06
Bank Tabungan Negara	BBTN.JK	1,349	1,628	2,186	130.2	157.2	211.1	1.38	1.40	1.59	4.95	4.89	5.05	2.27	2.33	2.60
Bank BJB	BJBR.JK	1,165	1,328	1,544	120.1	136.9	159.2	2.03	2.05	2.07	8.65	8.80	8.65	3.45	3.50	3.59
Bank BTPN	BTPN.JK	1,979	2,302	2,707	0.0	0.0	0.0	3.74	3.53	3.47	13.40	13.27	12.73	5.57	5.33	5.28
Indonesia								**3.06**	**3.01**	**3.06**						
AMMB Holdings	AMMB.KL	1,511	1,705	1,887	0.51	0.57	0.63	1.37	1.46	1.50	2.10	2.00	1.96	2.29	2.27	2.35
CIMB Group	CIMB.KL	4,345	4,950	5,739	0.58	0.66	0.75	1.36	1.37	1.40	2.56	2.53	2.47	1.85	1.91	2.00
Hong Leong Bank	HLBB.KL	1,648	1,920	2,105	0.91	1.02	1.12	1.09	1.17	1.18	1.82	1.72	1.69	1.30	1.46	1.51
Public Bank	PUBMe.KL	3,945	4,320	4,732	1.13	1.23	1.35	1.52	1.52	1.51	2.11	2.06	2.04	2.12	2.18	2.25
Malayan Banking	MBBM.KL	5,745	6,420	7,307	0.73	0.74	0.81	1.21	1.24	1.28	1.98	1.92	1.87	1.79	1.87	1.94
RHB Capital	RHBC.KL	1,649	1,918	2,157	0.00	0.00	0.00	1.00	1.02	1.00	1.97	1.94	1.89	1.61	1.59	1.55
Malaysia								**1.30**	**1.33**	**1.35**						
OCBC	OCBC.SI	3,885	2,778	3,139	1.13	0.81	0.91	1.65	1.08	1.11	1.77	1.65	1.65	1.67	1.56	1.60
United Overseas Bank	UOBH.SI	2,711	2,741	3,081	1.72	1.74	1.96	1.11	1.03	1.04	1.87	1.71	1.72	1.53	1.46	1.52
Singapore								**1.20**	**0.99**	**1.05**						
Hana FG	086790.KS	1,994	1,468	1,659	8,291	6,101	6,899	0.84	0.49	1.04	2.14	1.75	1.80	1.61	1.05	1.10
IBK	024110.KS	1,245	1,146	1,330	2,079	1,913	2,220	0.65	0.55	1.17	2.45	2.29	2.36	1.50	1.32	1.37
KB FG	105560.KS	1,881	2,048	2,322	4,870	5,300	6,011	0.66	0.68	0.73	2.62	2.47	2.56	1.45	1.39	1.47
KEB	004940.KS	762	789	827	1,182	1,223	1,282	0.73	0.69	0.69	2.77	2.50	2.50	1.59	1.31	1.29
Shinhan FG	055550.KS	2,368	2,270	2,584	4,993	4,788	5,449	0.79	0.71	0.77	2.55	2.45	2.51	1.55	1.39	1.45
DGB Financial Group	139130.KS	276	289	328	2,062	2,155	2,445	0.85	0.82	0.87	2.87	2.76	2.81	1.60	1.46	1.55
Woori FH	053000.KS	1,568	1,602	1,713	1,945	1,987	2,125	0.49	0.48	0.48	2.32	2.25	2.26	1.45	1.26	1.26
BS Financial Group Inc	138930.KS	394	408	439	2,039	2,112	2,274	0.95	0.90	0.90	2.81	2.71	2.71	1.74	1.66	1.66
South Korea								**0.72**	**0.64**	**0.80**						
Fubon Financial Holding	2881.TW	28,577	24,801	25,718	3.01	2.61	2.71	0.76	0.62	0.60	2.23	2.12	2.14	0.93	0.82	0.76
Cathay Financial Holding	2882.TW	17,212	26,913	27,688	1.61	2.52	2.60	0.33	0.49	0.47	2.82	2.87	2.88	0.40	0.37	0.38
E Sun Financial Holding	2884.TW	6,481	5,960	6,230	1.42	1.30	1.36	0.55	0.48	0.47	1.25	1.28	1.33	0.88	0.84	0.87
Mega Financial Holding	2886.TW	19,304	20,250	21,328	1.71	1.80	1.89	0.73	0.74	0.73	1.36	1.40	1.44	1.00	1.02	1.05
Taishin Financial Holding	2887.TW	8,059	7,640	7,531	1.27	1.21	1.19	0.30	0.28	0.26	1.48	1.48	1.47	0.69	0.69	0.68
Chinatrust FHC	2891.TW	17,715	18,916	19,744	1.46	1.42	1.48	0.86	0.87	0.85	1.61	1.61	1.64	1.20	1.17	1.19
First Financial Holding	2892.TW	10,967	10,308	10,488	1.35	1.27	1.29	0.52	0.47	0.45	1.23	1.24	1.23	0.78	0.77	0.75
Yuanta Financial Holding	2885.TW	7,111	8,335	8,654	0.71	0.83	0.86	0.87	0.93	0.92	1.70	1.67	1.67	1.11	1.22	1.22
Taiwan								**0.63**	**0.63**	**0.62**						
Krung Thai Bank	KTB.BK	23,566	30,525	34,987	1.87	2.18	2.50	1.12	1.29	1.35	2.83	2.84	2.85	2.12	2.20	2.26
Siam Commercial Bank	SCB.BK	40,220	49,071	56,395	11.83	14.44	16.59	1.94	2.02	2.05	3.17	3.13	3.16	2.92	2.94	2.97
Bank of Ayudhya	BAY.BK	14,625	18,444	21,239	2.41	3.04	3.50	1.45	1.63	1.70	4.27	4.30	4.28	2.99	3.10	3.20
TMB Bank	TMB.BK	1,631	6,358	7,922	0.04	0.15	0.18	0.23	0.86	0.98	2.55	2.82	2.93	1.46	1.76	1.94
Bangkok Bank	BBL.BK	33,021	37,300	42,444	17.30	19.54	22.24	1.46	1.47	1.53	2.48	2.43	2.44	2.10	2.10	2.13
Kasikornbank	KBAN.BK	35,260	42,541	48,870	14.73	17.78	20.42	1.86	1.96	2.07	3.59	3.51	3.59	3.02	3.09	3.24
Thanachart Capital	TCAP.BK	5,482	11,073	6,596	4.20	8.67	5.16	0.57	1.02	0.55	2.64	2.77	2.65	1.55	2.99	1.71
Thailand								**1.54**	**1.67**	**1.72**						
ANZ	ANZ.AX	6,019	6,366	6,962	2.18	2.24	2.39	0.97	0.96	0.97	2.31	2.24	2.20	1.49	1.56	1.57
Bank of Queensland	BOQ.AX	21	235	265	0.09	0.75	0.82	0.05	0.55	0.59	1.66	1.63	1.58	0.96	1.08	1.09
Bendigo & Adelaide Bank	BEN.AX	323	352	375	0.80	0.81	0.84	0.58	0.60	0.61	1.76	1.84	1.83	0.72	1.02	0.98
Commonwealth Bank	CBA.AX	7,071	7,483	7,772	4.33	4.52	4.67	1.02	1.03	1.03	2.09	2.11	2.10	1.58	1.62	1.65
Macquarie Group Limited	MQG.AX	730	829	1,108	2.05	2.36	3.55	0.47	0.53	0.67	2.79	2.71	2.78	0.79	0.87	1.16
National Australia Bank	NAB.AX	5,433	5,894	6,220	2.39	2.51	2.59	0.72	0.75	0.75	2.11	2.05	2.02	1.38	1.41	1.41
Westpac	WBC.AX	6,598	6,822	7,049	2.09	2.14	2.17	0.98	0.99	0.98	2.16	2.15	2.11	1.50	1.63	1.62
Australia								**0.91**	**0.93**	**0.93**						
Regional Average (Ex Japan)								**1.31**	**1.27**	**1.22**						

Source: Deutsche Bank, company data

Figure 126: Balance sheet (priced as of 4 March 2013)

Overview	RIC code	Loan growth (%)			Asset Growth (%)			RWA gth (%)			Loan/Assets (%)		
		2011A	2012E	2013E	2011A	2012E	2013E	2011A	2012E	2013E	2011A	2012E	2013E
ICBC	1398.HK	12.59	12.60	12.10	12.06	11.57	10.25	8.82	11.57	10.25	50.56	51.03	51.89
China Construction Bank	0939.HK	13.23	13.13	12.28	10.08	10.64	9.47	15.99	14.45	9.47	54.41	55.64	57.07
ABC	1288.HK	13.26	13.01	13.17	9.57	9.90	9.99	20.18	13.56	9.99	49.82	51.23	52.72
Bank of China	3988.HK	11.99	11.97	12.03	9.81	9.91	10.00	21.01	18.78	10.00	54.68	55.70	56.73
Bank of Communications	3328.HK	14.21	14.12	13.20	12.19	12.31	9.57	13.22	17.74	9.57	56.56	57.47	59.37
China Merchants Bank-H	3968.HK	14.29	14.25	11.24	13.12	13.15	10.24	22.09	14.82	10.24	59.32	59.89	60.43
China CITIC Bank	0998.HK	12.25	11.84	10.92	13.58	12.09	10.82	32.89	8.98	169.14	51.24	51.12	51.17
China Minsheng	1988.HK	16.29	16.18	12.16	17.59	14.33	8.77	21.06	15.88	8.77	53.47	54.33	56.03
Shanghai Pudong Bank	600000.SS	15.88	15.67	13.20	17.16	15.82	13.11	17.16	15.82	13.11	49.05	48.99	49.02
Industrial	601166.SS	14.43	14.41	13.37	17.82	13.97	11.37	18.24	13.97	11.37	39.64	39.80	40.51
Ping An Bank	000001.SZ	15.34	15.11	12.17	8.77	15.31	10.52	5.90	15.31	10.52	52.31	52.22	53.00
Bank of Beijing	601169.SS	16.33	16.10	12.17	14.82	14.13	10.97	25.64	16.16	10.97	42.96	43.71	44.18
Bank of Nanjing	601009.SS	20.32	20.21	13.40	21.87	22.28	12.74	21.87	22.28	12.74	36.02	35.41	35.62
Bank of Ningbo	002142.SZ	20.40	20.36	14.46	21.82	21.14	12.99	24.83	21.14	12.99	46.57	46.27	46.87
China Everbright Bank	601818.SS	13.09	12.86	12.32	15.85	13.72	11.12	18.65	15.42	11.12	50.11	49.73	50.27
Chongqing Rural Bank	3618.HK	19.81	19.76	13.90	16.71	15.78	12.41	26.10	15.78	12.41	42.97	44.45	45.04
China		**13.32**	**13.24**	**12.38**	**11.78**	**11.61**	**10.20**	**17.14**	**14.68**	**17.10**	**51.93**	**52.69**	**53.73**
Hang Seng Bank	0011.HK	11.47	6.09	4.04	10.40	6.92	5.05	10.43	6.70	5.05	49.91	49.52	49.04
BOC Hong Kong Holdings	2388.HK	9.98	8.16	8.16	0.89	9.34	9.33	2.13	3.73	9.33	43.85	43.38	42.91
Bank of East Asia Ltd	0023.HK	11.24	8.16	6.09	13.20	3.31	5.23	3.64	3.31	5.23	50.67	53.05	53.49
Dah Sing Banking	2356.HK	4.31	6.09	6.09	5.13	6.39	6.17	11.06	6.39	6.17	54.49	54.34	54.30
Dah Sing Financial	0440.HK	4.31	6.09	6.09	5.73	6.18	5.64	(15.04)	0.00	0.00	50.11	50.07	50.28
Wing Hang Bank	0302.HK	2.04	6.09	6.09	4.50	6.82	5.30	6.57	6.82	5.30	57.66	57.27	57.70
HSBC Holdings Plc	0005.HK	3.04	6.57	6.77	5.36	7.46	7.55	NA	NA	NA	37.20	36.89	36.62
Standard Chartered	2888.HK	7.62	8.84	8.92	5.25	8.84	8.92	NM	NM	NM	46.00	46.00	46.00
Hong Kong (ex HSBC & StanChart)		**9.60**	**7.29**	**6.36**	**5.83**	**7.30**	**7.05**	**3.86**	**4.42**	**6.68**	**47.97**	**47.97**	**47.65**
Bank of Baroda	BOB.BO	25.65	17.18	16.92	24.81	16.49	16.72	23.33	16.78	16.18	64.90	65.28	65.39
Canara Bank	CNBK.BO	9.93	4.17	14.58	11.38	8.71	15.02	19.72	35.00	35.00	62.29	59.69	59.46
Union Bank of India	UNBK.BO	17.99	15.58	17.95	11.11	18.16	16.80	20.05	27.37	27.09	68.74	67.24	67.90
HDFC	HDFC.BO	20.16	20.38	20.18	20.31	18.88	20.10	9.34	16.21	16.43	84.82	85.89	85.95
HDFC Bank	HDBK.BO	22.03	24.77	21.00	21.83	18.29	20.12	24.71	25.59	23.93	58.29	61.48	61.93
ICICI Bank	ICBK.BO	16.88	17.85	17.83	16.59	18.76	16.15	16.72	9.66	18.19	55.27	54.85	55.64
PNB	PNBK.BO	21.91	12.34	15.27	21.11	11.66	15.06	17.39	30.00	30.00	65.03	65.43	65.55
State Bank of India	SBI.BO	16.59	16.31	18.23	11.05	13.44	16.25	(1.24)	20.00	20.00	65.19	66.84	67.98
Axis Bank	AXBK.BO	19.14	21.23	21.18	17.68	24.98	19.08	17.88	27.45	25.85	59.90	58.10	59.12
YES Bank	YESB.BO	10.51	22.34	22.67	24.84	27.88	21.87	20.75	22.25	22.37	51.66	49.43	49.75
Kotak Mahindra	KTKM.BO	28.39	22.15	23.41	25.34	24.35	22.88	30.00	30.00	30.00	57.88	56.86	57.11
IndusInd Bank	INBK.BO	33.93	27.50	27.23	26.21	24.16	26.24	26.34	33.66	32.24	61.32	62.97	63.46
India		**18.35**	**16.43**	**18.20**	**15.32**	**15.60**	**17.12**	**12.31**	**21.37**	**22.77**	**63.95**	**64.42**	**65.01**
BCA	BBCA.JK	24.00	25.00	23.00	13.76	13.49	13.63	14.60	19.84	18.72	57.73	63.58	68.82
Bank Mandiri	BMRI.JK	23.62	20.00	20.00	15.17	12.80	12.93	17.89	18.69	15.99	60.51	64.37	68.40
BNI	BBNI.JK	20.07	20.00	20.00	13.38	12.70	12.82	8.48	20.14	17.34	57.91	61.66	65.58
BRI	BBRI.JK	22.90	20.00	18.29	17.33	14.36	14.02	1.34	30.23	16.99	63.62	66.75	69.25
Bank Tabungan Negara	BBTN.JK	23.50	25.00	25.00	20.00	16.81	20.01	21.93	19.37	20.56	73.40	78.54	81.81
Bank BJB	BJBR.JK	22.00	22.00	21.50	10.50	15.09	15.39	2.68	9.54	17.94	58.33	61.83	65.10
Bank BTPN	BTPN.JK	28.16	25.00	20.00	26.66	20.90	18.56	30.61	53.17	18.53	65.74	67.97	68.79
Indonesia		**21.86**	**21.08**	**20.27**	**15.46**	**14.06**	**13.72**	**12.66**	**21.69**	**17.01**	**62.10**	**65.93**	**69.73**
AMMB Holdings	AMMB.KL	5.87	8.00	9.00	3.34	8.53	7.53	6.96	8.53	7.53	68.04	67.70	68.63
CIMB Group	CIMB.KL	8.82	14.75	13.96	12.28	13.98	13.22	11.69	13.98	13.22	61.92	62.34	62.74
Hong Leong Bank	HLBB.KL	7.60	8.00	10.00	8.50	8.26	8.25	7.88	8.26	8.25	57.40	57.27	58.19
Public Bank	PUBMe.KL	11.00	12.00	12.00	8.51	10.42	10.40	8.51	10.42	10.40	72.88	73.93	74.99
Malayan Banking	MBBM.KL	12.93	13.00	13.00	9.66	9.76	10.17	8.92	9.76	10.17	64.22	66.11	67.82
RHB Capital	RHBC.KL	13.00	14.00	15.00	15.53	14.63	14.66	15.53	14.63	14.66	62.45	62.11	62.29
Malaysia		**10.63**	**12.44**	**12.68**	**10.04**	**11.11**	**11.04**	**9.72**	**11.00**	**10.90**	**64.61**	**65.39**	**66.36**
OCBC	OCBC.SI	6.58	11.00	11.00	6.56	10.59	10.61	0.89	10.49	10.50	59.11	59.33	59.53
United Overseas Bank	UOBH.SI	8.28	11.00	11.00	6.73	10.91	10.60	(0.36)	10.91	10.60	61.63	61.68	61.91
Singapore		**8.51**	**11.42**	**11.42**	**7.81**	**10.76**	**10.94**	**4.36**	**10.73**	**10.94**	**59.52**	**59.87**	**60.14**
Hana FG	086790.KS	56.44	4.06	4.06	66.22	3.64	3.74	59.55	3.64	3.74	68.22	68.49	68.71
IBK	024110.KS	7.69	7.70	7.70	11.33	6.46	6.55	8.15	6.46	6.55	74.61	75.48	76.30
KB FG	105560.KS	3.48	5.61	7.18	5.84	4.81	6.08	4.53	4.81	6.08	74.70	75.28	76.06
KEB	004940.KS	13.01	5.61	5.61	15.85	4.62	4.76	14.14	4.62	4.76	65.56	66.18	66.72
Shinhan FG	055550.KS	5.22	5.61	7.18	8.11	4.60	5.73	4.59	4.60	5.73	65.05	65.68	66.58
DGB Financial Group	139130.KS	9.83	8.77	8.77	9.01	7.08	7.20	8.38	7.08	7.20	74.95	76.13	77.24
Woori FH	053000.KS	5.83	5.61	7.18	4.35	4.98	6.22	1.78	4.98	6.22	76.25	76.71	77.40
BS Financial Group Inc	138930.KS	15.61	10.38	10.38	10.04	8.39	8.56	10.04	8.39	8.56	76.71	78.11	79.42
South Korea		**12.68**	**5.82**	**6.75**	**15.22**	**4.93**	**5.68**	**12.80**	**4.91**	**5.66**	**71.38**	**71.99**	**72.72**
Fubon Financial Holding	2881.TW	14.21	8.16	6.95	6.84	6.59	6.61	1.09	5.00	5.00	34.38	34.89	35.00
Cathay Financial Holding	2882.TW	6.54	6.29	6.32	6.74	6.99	7.01	13.85	5.00	5.00	30.00	29.80	29.61
E Sun Financial Holding	2884.TW	12.48	9.97	11.44	2.82	8.98	5.99	5.90	9.00	6.00	62.87	63.45	66.71
Mega Financial Holding	2886.TW	8.03	9.35	10.11	1.56	5.91	7.74	4.36	6.00	8.00	60.22	62.18	63.55
Taishin Financial Holding	2887.TW	6.75	4.52	4.59	2.16	4.33	4.40	12.54	5.00	5.00	69.80	69.93	70.06
Chinatrust FHC	2891.TW	5.27	6.12	6.53	4.88	6.38	5.25	6.20	5.00	5.00	53.85	53.72	54.38
First Financial Holding	2892.TW	6.78	3.91	4.29	2.89	5.00	5.99	6.37	5.00	6.00	68.71	68.00	66.91
Yuanta Financial Holding	2885.TW	7.71	5.45	5.95	14.00	5.00	5.00	13.93	5.00	5.00	43.56	43.74	44.14
Taiwan		**8.12**	**6.57**	**6.82**	**4.93**	**6.20**	**6.27**	**7.06**	**5.56**	**5.89**	**48.60**	**48.77**	**49.02**
Krung Thai Bank	KTB.BK	7.17	11.21	12.29	14.70	9.35	9.84	16.94	1.27	11.18	67.68	68.83	70.37
Siam Commercial Bank	SCB.BK	19.71	16.58	15.64	20.88	13.69	13.36	18.12	16.26	16.72	68.17	69.90	71.31
Bank of Ayudhya	BAY.BK	15.36	12.27	12.40	13.10	10.56	10.41	9.51	30.52	11.38	77.43	78.62	80.04
TMB Bank	TMB.BK	13.86	12.90	14.52	(0.90)	8.31	10.59	8.05	11.17	12.94	63.57	66.26	68.62
Bangkok Bank	BBL.BK	9.11	10.03	11.08	14.80	9.46	10.23	14.14	7.17	10.85	66.33	66.68	67.19
Kasikornbank	KBAN.BK	9.57	10.08	10.59	20.58	8.52	9.51	7.60	14.50	10.23	63.86	64.78	65.42
Thanachart Capital	TCAP.BK	18.56	15.00	13.00	14.45	11.16	10.61	15.46	7.28	12.14	73.76	76.30	77.95
Thailand		**12.45**	**12.38**	**12.65**	**15.58**	**10.26**	**10.72**	**13.54**	**11.26**	**12.21**	**67.99**	**69.30**	**70.50**
ANZ	ANZ.AX	7.63	7.12	8.68	8.01	7.12	8.68	7.20	7.12	8.68	66.43	66.43	66.43
Bank of Queensland	BOQ.AX	0.75	5.06	6.09	4.65	5.06	6.09	2.79	5.06	6.09	62.34	62.34	62.34
Bendigo & Adelaide Bank	BEN.AX	5.03	3.76	5.58	4.21	4.69	5.58	8.70	5.22	3.45	85.03	84.28	84.28
Commonwealth Bank	CBA.AX	5.12	3.74	5.58	7.54	2.44	5.58	7.48	0.84	5.58	73.19	74.12	74.12
Macquarie Group Limited	MQG.AX	(1.73)	7.28	7.10	(2.50)	4.21	6.87	(6.37)	4.21	6.87	29.43	30.30	30.37
National Australia Bank	NAB.AX	3.23	4.81	7.12	1.24	4.81	7.12	(2.85)	7.40	6.95	51.73	51.73	51.73
Westpac	WBC.AX	3.59	4.04	5.58	0.71	3.71	5.49	6.41	3.71	5.49	76.22	76.46	76.52
Australia		**4.64**	**4.86**	**6.61**	**3.82**	**4.47**	**6.69**	**3.79**	**4.82**	**6.63**	**64.94**	**65.18**	**65.14**

Source: Deutsche Bank, company data

Figure 127: Capital (priced as of 4 March 2013)

Overview	RIC code	Tier 1 (%)			CAR (%)			NPL (%)			NPL Coverage (%)			Bad debt exp/ Avg loans (bps)		
		2011A	2012E	2013E	2011A	2012E	2013E	2011A	2012E	2013E	2011A	2012E	2013E	2011A	2012E	2013E
ICBC	1398.HK	11.1	11.6	12.0	13.9	14.1	14.3	1.17	1.36	1.46	221.0	196.0	189.0	49	47	55
China Construction Bank	0939.HK	11.5	11.5	11.9	13.5	13.4	13.7	1.18	1.39	1.68	240.0	212.0	190.0	55	48	61
ABC	1288.HK	9.9	10.0	10.1	12.0	11.8	11.7	1.67	1.82	1.91	257.0	237.0	233.0	76	58	72
Bank of China	3988.HK	10.4	9.7	9.8	13.0	12.0	11.9	1.17	1.19	1.23	187.7	182.5	178.5	38	39	42
Bank of Communications	3328.HK	11.2	10.6	10.7	14.0	13.2	13.3	1.30	1.60	1.60	183.4	155.3	165.9	59	51	57
China Merchants Bank-H	3968.HK	9.9	10.0	10.3	13.0	13.4	13.7	0.76	0.80	0.83	327.6	337.3	TNI	58	58	53
China CITIC Bank	0998.HK	8.7	9.1	3.8	11.3	11.6	4.7	0.74	0.79	0.84	250.0	216.0	195.0	73	55	59
China Minsheng	1988.HK	8.4	8.5	9.2	11.9	11.6	12.0	0.77	0.88	0.92	320.0	300.0	300.0	79	75	74
Shanghai Pudong Bank	600000.SS	9.3	9.3	9.3	12.4	12.2	12.0	0.63	0.81	0.97	395.4	327.5	290.0	66	52	51
Industrial	601166.SS	8.5	10.3	10.4	10.9	12.3	12.3	0.50	0.68	0.78	365.0	320.0	320.0	63	69	75
Ping An Bank	000001.SZ	9.2	11.3	11.3	12.1	13.8	13.5	0.70	0.79	0.87	283.4	264.6	256.1	60	53	56
Bank of Beijing	601169.SS	11.4	11.2	11.4	13.8	13.2	13.2	0.70	0.87	1.00	375.0	311.0	285.0	67	52	55
Bank of Nanjing	601009.SS	11.0	10.2	10.2	14.5	13.4	13.4	0.90	1.00	1.10	310.0	296.0	300.0	75	70	73
Bank of Ningbo	002142.SZ	11.5	11.0	10.9	15.7	14.4	13.9	0.85	1.00	1.20	230.0	225.0	220.0	67	69	73
China Everbright Bank	601818.SS	7.9	7.9	7.9	10.2	9.9	9.7	0.80	0.90	1.18	305.0	258.0	220.0	56	50	69
Chongqing Rural Bank	3618.HK	12.5	12.1	11.8	13.4	12.9	12.5	1.30	1.58	1.70	270.0	210.0	190.0	50	60	71
China		**10.3**	**10.4**	**10.0**	**12.9**	**12.7**	**12.0**	**1.1**	**1.3**	**1.4**	**238.3**	**216.5**	**208.6**	**56.9**	**50.6**	**58.3**
Hang Seng Bank	0011.HK	12.2	12.4	12.3	14.0	15.1	15.8	0.25	0.25	0.24	105.1	99.4	100.0	8	13	18
BOC Hong Kong Holdings	2388.HK	13.3	13.9	13.8	17.7	18.2	17.7	0.13	0.18	0.21	308.8	211.0	199.3	6	13	21
Bank of East Asia Ltd	0023.HK	10.7	11.1	11.2	14.3	14.2	14.2	0.32	0.31	0.33	80.8	87.1	88.6	6	12	18
Dah Sing Banking	2356.HK	10.3	10.6	10.8	16.1	16.0	15.9	0.46	0.41	0.37	97.6	97.1	109.2	11	15	23
Dah Sing Financial	0440.HK	13.5	14.7	16.0	21.0	22.2	23.5	0.49	0.51	0.53	90.5	77.8	76.5	11	15	23
Wing Hang Bank	0302.HK	10.2	10.6	11.3	15.7	15.9	16.3	0.26	0.32	0.32	76.3	55.4	57.1	8	12	22
HSBC Holdings Plc	0005.HK	13.4	14.6	15.5	NA	NA	NA	3.86	4.06	3.56	41.7	39.6	45.2	84	68	58
Standard Chartered	2888.HK	12.9	13.1	13.4	NA	NA	NA	2.00	1.80	1.70	49.5	54.2	56.7	44	48	48
Hong Kong (ex HSBC & StanChart)		**12.1**	**12.6**	**12.7**	**16.1**	**16.6**	**16.6**	**0.2**	**0.3**	**0.3**	**139.0**	**123.5**	**124.5**	**7.1**	**13.0**	**19.9**
Bank of Baroda	BOB.BO	10.8	9.9	9.7	14.7	13.6	13.6	1.54	2.38	2.56	65.4	55.3	57.9	72	99	99
Canara Bank	CNBK.BO	10.4	8.1	6.9	13.8	11.6	9.4	1.73	2.76	2.42	14.2	22.0	28.3	58	90	94
Union Bank of India	UNBK.BO	8.4	7.8	7.1	11.9	12.3	10.8	3.02	3.21	2.96	43.2	56.2	59.5	91	89	88
HDFC	HDFC.BO	11.6	15.5	15.2	14.6	19.1	19.2	0.75	0.85	0.89	156.3	88.1	83.1	6	11	10
HDFC Bank	HDBK.BO	11.6	11.6	11.2	16.5	11.8	11.3	1.06	1.05	1.07	73.3	69.2	67.8	36	66	79
ICICI Bank	ICBK.BO	12.7	11.9	10.4	18.5	17.3	14.9	3.62	3.57	3.68	85.2	80.1	73.6	41	58	68
PNB	PNBK.BO	9.3	8.3	7.4	12.6	11.3	9.9	2.93	4.59	4.35	48.0	37.2	44.4	89	103	113
State Bank of India	SBI.BO	10.0	9.5	9.0	16.2	14.2	13.5	4.22	5.22	5.44	58.2	52.0	53.4	138	105	109
Axis Bank	AXBK.BO	9.5	11.0	10.0	13.7	14.1	12.5	1.06	1.57	1.85	73.3	55.9	61.1	60	74	104
YES Bank	YESB.BO	9.9	9.9	9.7	17.9	21.7	19.9	0.22	0.29	0.52	79.2	85.0	94.2	3	30	65
Kotak Mahindra	KTKM.BO	16.5	14.6	13.2	17.9	15.9	14.3	1.56	0.69	0.31	50.8	60.0	60.0	12	28	30
IndusInd Bank	INBK.BO	11.4	15.9	13.9	13.9	18.9	16.5	0.98	1.13	1.34	72.7	71.1	66.7	46	60	79
India		**10.6**	**10.2**	**9.4**	**18.0**	**14.0**	**12.8**	**2.8**	**3.5**	**3.5**	**57.1**	**51.1**	**53.6**	**87.8**	**88.5**	**94.3**
BCA	BBCA.JK	14.0	14.3	14.6	14.0	14.3	14.6	0.49	0.49	0.49	307.8	305.8	314.9	20	50	50
Bank Mandiri	BMRI.JK	12.9	12.2	12.5	15.3	15.7	16.1	1.88	2.00	2.00	196.5	206.8	234.0	98	115	135
BNI	BBNI.JK	15.0	14.3	13.7	16.9	16.1	15.5	3.62	3.62	3.62	143.3	170.1	192.4	175	200	200
BRI	BBRI.JK	15.5	16.2	17.6	16.8	16.7	18.0	1.54	1.53	1.53	271.8	305.3	344.0	85	115	130
Bank Tabungan Negara	BBTN.JK	16.9	15.0	13.8	19.1	16.2	14.3	2.74	2.74	2.74	62.0	67.4	71.8	55	54	55
Bank BJB	BJBR.JK	22.0	21.0	18.9	21.9	21.0	18.9	1.22	1.22	1.22	214.6	261.0	303.0	118	114	118
Bank BTPN	BTPN.JK	20.5	20.5	22.0	21.5	20.5	22.0	0.58	0.68	0.58	171.3	296.4	504.3	132	135	135
Indonesia		**15.9**	**15.8**	**16.2**	**16.1**	**15.9**	**16.2**	**1.9**	**1.9**	**1.9**	**181.5**	**203.2**	**231.6**	**102.2**	**120.6**	**131.8**
AMMB Holdings	AMMB.KL	11.3	11.5	11.8	15.7	16.0	16.5	2.50	2.50	2.50	112.6	112.6	112.6	60	42	46
CIMB Group	CIMB.KL	11.0	12.2	13.4	16.0	17.8	19.5	3.80	3.50	3.30	82.8	85.1	88.9	18	25	34
Hong Leong Bank	HLBB.KL	11.7	11.6	11.5	15.9	15.9	15.9	1.69	1.60	1.60	158.2	157.3	147.9	9	20	24
Public Bank	PUBMe.KL	10.9	10.9	10.9	16.3	16.3	16.3	0.65	0.65	0.65	151.9	138.1	145.8	16	23	34
Malayan Banking	MBBM.KL	13.7	14.0	14.4	17.5	18.1	18.6	1.78	1.80	1.70	105.6	100.5	104.3	23	32	34
RHB Capital	RHBC.KL	14.1	13.7	13.4	18.3	18.0	17.6	3.30	3.20	3.10	79.5	82.1	83.8	43	37	36
Malaysia		**12.2**	**12.5**	**12.9**	**16.7**	**17.2**	**17.8**	**2.2**	**2.1**	**2.0**	**100.1**	**99.0**	**101.6**	**24.4**	**29.1**	**34.1**
OCBC	OCBC.SI	16.7	16.3	15.9	18.6	18.2	17.8	0.81	0.88	0.87	141.1	130.7	131.8	19	25	30
United Overseas Bank	UOBH.SI	14.7	14.4	14.1	19.1	18.4	17.8	1.76	1.61	1.60	106.7	115.1	116.7	32	31	38
Singapore		**14.3**	**14.0**	**13.8**	**17.2**	**16.7**	**16.2**	**1.4**	**1.4**	**1.3**	**111.7**	**113.2**	**118.4**	**39.8**	**39.8**	**39.0**
Hana FG	086790.KS	8.3	8.4	8.6	11.4	11.7	12.2	1.05	0.96	0.88	158.0	175.7	197.8	80	48	91
IBK	024110.KS	8.8	8.9	8.9	11.7	11.6	11.5	1.56	1.46	1.36	151.1	148.0	148.1	79	75	140
KB FG	105560.KS	10.3	10.5	10.7	13.5	13.6	13.7	1.67	1.57	1.47	99.5	86.5	76.2	76	64	65
KEB	004940.KS	11.4	11.7	12.0	13.9	14.2	14.5	1.27	1.16	1.05	141.1	146.0	152.3	86	59	55
Shinhan FG	055550.KS	9.5	9.7	9.8	12.2	12.6	12.8	1.38	1.28	1.18	164.4	183.2	200.9	67	57	54
DGB Financial Group	139130.KS	10.8	11.1	11.4	14.4	14.6	15.0	1.19	1.09	1.00	130.3	129.7	136.2	65	49	52
Woori FH	053000.KS	9.4	9.4	9.3	12.7	12.9	12.9	1.73	1.64	1.55	122.0	120.2	120.2	97	70	70
BS Financial Group Inc	138930.KS	11.5	11.8	12.0	16.3	16.9	17.3	1.15	1.06	0.97	121.6	151.9	186.7	62	59	58
South Korea		**9.5**	**9.7**	**9.8**	**12.6**	**12.8**	**13.0**	**1.5**	**1.4**	**1.3**	**133.9**	**136.2**	**140.3**	**79.9**	**62.1**	**71.3**
Fubon Financial Holding	2881.TW	9.7	9.7	9.8	13.9	13.9	14.0	0.26	0.27	0.27	368.6	369.2	369.1	(2)	17	20
Cathay Financial Holding	2882.TW	8.6	8.7	8.7	11.2	11.3	11.3	0.19	0.19	0.20	390.0	390.0	390.0	8	6	11
E Sun Financial Holding	2884.TW	9.0	9.1	9.1	12.3	12.4	12.4	0.17	0.17	0.17	600.0	600.0	600.0	38	42	48
Mega Financial Holding	2886.TW	9.4	9.4	9.3	11.7	11.8	11.7	0.32	0.30	0.30	411.4	411.4	411.0	22	22	29
Taishin Financial Holding	2887.TW	8.1	8.2	8.2	12.1	11.9	11.8	0.24	0.24	0.25	478.8	480.8	479.5	(8)	7	15
Chinatrust FHC	2891.TW	11.1	11.1	11.2	13.6	13.7	13.7	0.27	0.27	0.27	500.0	500.0	500.0	20	24	29
First Financial Holding	2892.TW	8.3	8.4	8.4	11.0	11.0	11.1	0.43	0.43	0.43	250.0	250.0	250.0	23	30	30
Yuanta Financial Holding	2885.TW	7.2	7.5	7.9	11.0	11.4	11.7	0.27	0.27	0.27	500.0	500.0	500.0	21	29	32
Taiwan		**9.1**	**NA**	**NA**	**12.1**	**NA**	**NA**	**0.3**	**NA**	**NA**	**399.4**	**NA**	**NA**	**12.2**	**19.2**	**24.2**
Krung Thai Bank	KTB.BK	10.2	11.1	11.1	16.3	14.8	14.6	3.90	3.29	2.90	92.7	106.1	116.5	103	100	95
Siam Commercial Bank	SCB.BK	10.6	11.9	12.0	15.7	15.2	14.9	2.32	1.95	1.70	144.8	159.8	175.2	66	65	64
Bank of Ayudhya	BAY.BK	10.9	10.3	10.6	16.9	15.2	15.3	2.57	2.17	1.89	145.6	153.9	165.2	147	138	138
TMB Bank	TMB.BK	11.1	10.6	10.3	18.2	17.0	15.9	4.88	3.00	2.71	112.8	163.0	163.3	206	106	107
Bangkok Bank	BBL.BK	11.9	12.3	12.2	16.2	16.4	16.0	2.64	2.35	2.07	206.9	211.7	217.9	47	46	44
Kasikornbank	KBAN.BK	10.4	10.4	11.3	16.0	14.0	14.6	2.50	2.31	2.19	131.8	141.6	146.7	66	68	66
Thanachart Capital	TCAP.BK	8.5	9.9	9.4	14.0	13.2	12.6	4.54	3.46	3.10	72.6	83.4	87.1	42	64	69
Thailand		**10.6**	**11.1**	**11.3**	**15.8**	**15.1**	**14.9**	**3.1**	**2.6**	**2.3**	**128.4**	**143.3**	**151.2**	**83.2**	**78.0**	**76.9**
ANZ	ANZ.AX	10.8	11.2	11.4	12.2	12.7	12.9	1.59	1.57	1.47	65.7	61.1	61.6	29	32	33
Bank of Queensland	BOQ.AX	9.5	9.5	9.6	12.6	12.6	12.5	3.11	2.67	2.27	50.2	48.1	50.7	155	42	35
Bendigo & Adelaide Bank	BEN.AX	8.4	9.5	9.8	10.4	11.2	11.5	2.39	2.07	2.14	11.6	12.5	11.9	7	10	9
Commonwealth Bank	CBA.AX	10.0	11.0	11.1	11.0	11.7	11.7	1.42	1.44	1.43	64.1	56.5	55.4	21	24	29
Macquarie Group Limited	MQG.AX	13.8	13.2	13.4	15.9	14.7	14.8	1.93	1.83	2.17	70.8	65.6	59.3	39	33	64
National Australia Bank	NAB.AX	10.3	10.6	10.9	11.7	12.0	12.1	2.22	2.25	2.20	47.4	47.1	48.3	67	60	60
Westpac	WBC.AX	10.3	10.7	10.9	11.7	12.0	12.2	1.33	1.30	1.16	61.7	60.7	68.4	24	27	28
Australia		**10.4**	**10.9**	**11.1**	**11.8**	**12.2**	**12.3**	**1.7**	**1.7**	**1.6**	**55.5**	**52.8**	**53.8**	**34.7**	**33.8**	**36.3**

Source: Deutsche Bank, company data

Appendix 1

Important Disclosures

Additional information available upon request

For disclosures pertaining to recommendations or estimates made on securities other than the primary subject of this research, please see the most recently published company report or visit our global disclosure look-up page on our website at http://gm.db.com/ger/disclosure/DisclosureDirectory.eqsr

Analyst Certification

The views expressed in this report accurately reflect the personal views of the undersigned lead analyst about the subject issuers and the securities of those issuers. In addition, the undersigned lead analyst has not and will not receive any compensation for providing a specific recommendation or view in this report. Tracy Yu/Esther Chwei/Sophia Lee/Sukrit Khatri

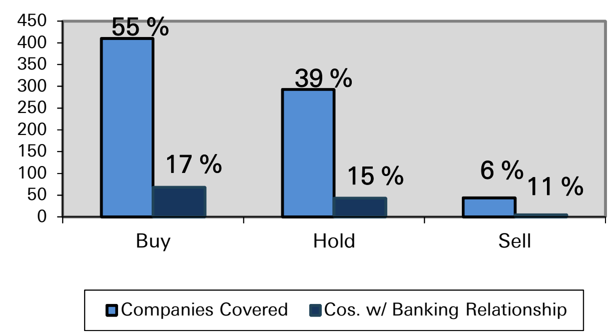
Equity rating key

Buy: Based on a current 12- month view of total share-holder return (TSR = percentage change in share price from current price to projected target price plus pro-jected dividend yield) , we recommend that investors buy the stock.
Sell: Based on a current 12-month view of total share-holder return, we recommend that investors sell the stock
Hold: We take a neutral view on the stock 12-months out and, based on this time horizon, do not recommend either a Buy or Sell.
Notes:

1. Newly issued research recommendations and target prices always supersede previously published research.
2. Ratings definitions prior to 27 January, 2007 were:

    Buy: Expected total return (including dividends) of 10% or more over a 12-month period
    Hold: Expected total return (including dividends) between -10% and 10% over a 12-month period
    Sell: Expected total return (including dividends) of -10% or worse over a 12-month period

Equity rating dispersion and banking relationships



Asia-Pacific Universe

Regulatory Disclosures

1. Important Additional Conflict Disclosures

Aside from within this report, important conflict disclosures can also be found at https://gm.db.com/equities under the "Disclosures Lookup" and "Legal" tabs. Investors are strongly encouraged to review this information before investing.

2. Short-Term Trade Ideas

Deutsche Bank equity research analysts sometimes have shorter-term trade ideas (known as SOLAR ideas) that are consistent or inconsistent with Deutsche Bank's existing longer term ratings. These trade ideas can be found at the SOLAR link at http://gm.db.com.

3. Country-Specific Disclosures

Australia and New Zealand: This research, and any access to it, is intended only for "wholesale clients" within the meaning of the Australian Corporations Act and New Zealand Financial Advisors Act respectively.

Brazil: The views expressed above accurately reflect personal views of the authors about the subject company(ies) and its(their) securities, including in relation to Deutsche Bank. The compensation of the equity research analyst(s) is indirectly affected by revenues deriving from the business and financial transactions of Deutsche Bank. In cases where at least one Brazil based analyst (identified by a phone number starting with +55 country code) has taken part in the preparation of this research report, the Brazil based analyst whose name appears first assumes primary responsibility for its content from a Brazilian regulatory perspective and for its compliance with CVM Instruction # 483.

EU countries: Disclosures relating to our obligations under MiFiD can be found at http://www.globalmarkets.db.com/riskdisclosures.

Japan: Disclosures under the Financial Instruments and Exchange Law: Company name - Deutsche Securities Inc. Registration number - Registered as a financial instruments dealer by the Head of the Kanto Local Finance Bureau (Kinsho) No. 117. Member of associations: JSDA, Type II Financial Instruments Firms Association, The Financial Futures Association of Japan, Japan Investment Advisers Association. Commissions and risks involved in stock transactions - for stock transactions, we charge stock commissions and consumption tax by multiplying the transaction amount by the commission rate agreed with each customer. Stock transactions can lead to losses as a result of share price fluctuations and other factors. Transactions in foreign stocks can lead to additional losses stemming from foreign exchange fluctuations. "Moody's", "Standard & Poor's", and "Fitch" mentioned in this report are not registered credit rating agencies in Japan unless "Japan" or "Nippon" is specifically designated in the name of the entity.

Russia: This information, interpretation and opinions submitted herein are not in the context of, and do not constitute, any appraisal or evaluation activity requiring a license in the Russian Federation.

Deutsche Bank AG/Hong Kong

Asia-Pacific locations

Deutsche Bank AG
Deutsche Bank Place
Level 16
Corner of Hunter & Phillip Streets
Sydney, NSW 2000
Australia
Tel: (61) 2 8258 1234

Deutsche Bank AG
Filiale Hongkong
International Commerce Centre,
1 Austin Road West,Kowloon,
Hong Kong
tel: (852) 2203 8888

Deutsche Equities India Pte Ltd
3rd Floor, Kodak House
222, Dr D.N. Road
Fort, Mumbai 400 001
SEBI Nos: INB231196834
INB011196830, INF231196834
Tel: (91) 22 6658 4600

Deutsche Securities Inc.
2-11-1 Nagatacho
Sanno Park Tower
Chiyoda-ku, Tokyo 100-6171
Japan
Tel: (81) 3 5156 6770

Deutsche Bank (Malaysia) Berhad
Level 18-20
Menara IMC
8 Jalan Sultan Ismail
Kuala Lumpur 50250
Malaysia
Tel: (60) 3 2053 6760

In association with
Deutsche Regis Partners, Inc.
Level 23, Tower One
Ayala Triangle, Ayala Avenue
Makati City, Philippines
Tel: (63) 2 894 6600

Deutsche Securities Korea Co.
17th Floor, YoungPoong Bldg.,
33 SeoRin-Dong,
Chongro-Ku, Seoul (110-752)
Republic of Korea
Tel: (82) 2 316 8888

Deutsche Bank AG
Singapore
One Raffles Quay
South Tower
Singapore 048583
Tel: (65) 6423 8001

Deutsche Securities Asia Ltd
Singapore
One Raffles Quay
South Tower
Singapore 048583
Tel: (65) 6423 8001

Deutsche Securities Asia Ltd
Taiwan Branch
Level 6
296 Jen-Ai Road, Sec 4
Taipei 106
Taiwan
Tel: (886) 2 2192 2888

In association with
TISCO Securities Co., Ltd
TISCO Tower
48/8 North Sathorn Road
Bangkok 10500
Thailand
Tel: (66) 2 633 6470

In association with
PT Deutsche Verdhana Indonesia
Deutsche Bank Building,
6th Floor, Jl. Imam Bonjol No.80,
Central Jakarta,
Indonesia
Tel: (62 21) 318 9541

International locations

Deutsche Bank Securities Inc.
60 Wall Street
New York, NY 10005
United States of America
Tel: (1) 212 250 2500

Deutsche Bank AG London
1 Great Winchester Street
London EC2N 2EQ
United Kingdom
Tel: (44) 20 7545 8000

Deutsche Bank AG
Große Gallusstraße 10-14
60272 Frankfurt am Main
Germany
Tel: (49) 69 910 00

Deutsche Bank AG
Deutsche Bank Place
Level 16
Corner of Hunter & Phillip Streets
Sydney, NSW 2000
Australia
Tel: (61) 2 8258 1234

Deutsche Bank AG
Filiale Hongkong
International Commerce Centre,
1 Austin Road West,Kowloon,
Hong Kong
Tel: (852) 2203 8888

Deutsche Securities Inc.
2-11-1 Nagatacho
Sanno Park Tower
Chiyoda-ku, Tokyo 100-6171
Japan
Tel: (81) 3 5156 6770

Global Disclaimer

The information and opinions in this report were prepared by Deutsche Bank AG or one of its affiliates (collectively “Deutsche Bank”). The information herein is believed to be reliable and has been obtained from public sources believed to be reliable. Deutsche Bank makes no representation as to the accuracy or completeness of such information.

Deutsche Bank may engage in securities transactions, on a proprietary basis or otherwise, in a manner inconsistent with the view taken in this research report. In addition, others within Deutsche Bank, including strategists and sales staff, may take a view that is inconsistent with that taken in this research report.

Opinions, estimates and projections in this report constitute the current judgement of the author as of the date of this report. They do not necessarily reflect the opinions of Deutsche Bank and are subject to change without notice. Deutsche Bank has no obligation to update, modify or amend this report or to otherwise notify a recipient thereof in the event that any opinion, forecast or estimate set forth herein, changes or subsequently becomes inaccurate. Prices and availability of financial instruments are subject to change without notice. This report is provided for informational purposes only. It is not an offer or a solicitation of an offer to buy or sell any financial instruments or to participate in any particular trading strategy. Target prices are inherently imprecise and a product of the analyst judgement.

As a result of Deutsche Bank’s March 2010 acquisition of BHF-Bank AG, a security may be covered by more than one analyst within the Deutsche Bank group. Each of these analysts may use differing methodologies to value the security; as a result, the recommendations may differ and the price targets and estimates of each may vary widely.

In August 2009, Deutsche Bank instituted a new policy whereby analysts may choose not to set or maintain a target price of certain issuers under coverage with a Hold rating. In particular, this will typically occur for “Hold” rated stocks having a market cap smaller than most other companies in its sector or region. We believe that such policy will allow us to make best use of our resources. Please visit our website at http://gm.db.com to determine the target price of any stock.

The financial instruments discussed in this report may not be suitable for all investors and investors must make their own informed investment decisions. Stock transactions can lead to losses as a result of price fluctuations and other factors. If a financial instrument is denominated in a currency other than an investor’s currency, a change in exchange rates may adversely affect the investment. Past performance is not necessarily indicative of future results. Deutsche Bank may with respect to securities covered by this report, sell to or buy from customers on a principal basis, and consider this report in deciding to trade on a proprietary basis.

Unless governing law provides otherwise, all transactions should be executed through the Deutsche Bank entity in the investor’s home jurisdiction. In the U.S. this report is approved and/or distributed by Deutsche Bank Securities Inc., a member of the NYSE, the NASD, NFA and SIPC. In Germany this report is approved and/or communicated by Deutsche Bank AG Frankfurt authorized by the BaFin. In the United Kingdom this report is approved and/or communicated by Deutsche Bank AG London, a member of the London Stock Exchange and regulated by the Financial Services Authority for the conduct of investment business in the UK and authorized by the BaFin. This report is distributed in Hong Kong by Deutsche Bank AG, Hong Kong Branch, in Korea by Deutsche Securities Korea Co. This report is distributed in Singapore by Deutsche Bank AG, Singapore Branch or Deutsche Securities Asia Limited, Singapore Branch, and recipients in Singapore of this report are to contact Deutsche Bank AG, Singapore Branch or Deutsche Securities Asia Limited, Singapore Branch in respect of any matters arising from, or in connection with, this report. Where this report is issued or promulgated in Singapore to a person who is not an accredited investor, expert investor or institutional investor (as defined in the applicable Singapore laws and regulations), Deutsche Bank AG, Singapore Branch or Deutsche Securities Asia Limited, Singapore Branch accepts legal responsibility to such person for the contents of this report. In Japan this report is approved and/or distributed by Deutsche Securities Inc. The information contained in this report does not constitute the provision of investment advice. In Australia, retail clients should obtain a copy of a Product Disclosure Statement (PDS) relating to any financial product referred to in this report and consider the PDS before making any decision about whether to acquire the product. Deutsche Bank AG Johannesburg is incorporated in the Federal Republic of Germany (Branch Register Number in South Africa: 1998/003298/10). Additional information relative to securities, other financial products or issuers discussed in this report is available upon request. This report may not be reproduced, distributed or published by any person for any purpose without Deutsche Bank’s prior written consent. Please cite source when quoting.