

Financial Institutions

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- Banco Espírito Santo
- Barclays
- Santander
- Deutsche Bank
- AXA S.A.

This month's detailed company review:

Banco Espírito Santo



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1. Market Review

- The attention remains focused on Greece, when euro-zone finance ministers try to agree on a solution to debt sustainability for Greece, which is necessary to release the country's next tranche of bailout.
- Troika approved Portugal's performance in carrying out its €78 billion financial rescue programme.
- The Spain's second biggest lender, BBVA, estimates that Spanish banking sector needs recapitalizing up to €60 billion.
- Moody's downgraded the French sovereign rating to AA1 from AAA, following the S&P move in the beginning of the year.
- Obama's victory was highly priced into the markets. Volatility has fallen across financial markets. Currency investors have found dollar confusing to trade due to uncertainty.
- Japan's GDP in the 3rd quarter of 2012 declined by 3.5%. Japanese Central Bank is analyzing the reasons for devaluation of the Yen and discussing changes in monetary policy.

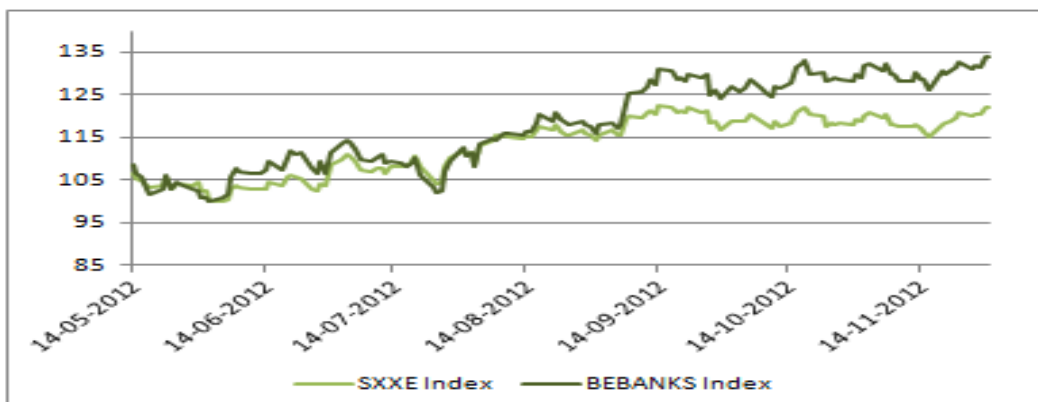
2. Sector Overview

- While the EURO STOXX increased by approximately 23% in the past 6-months, the Europe 500 Banks and Financial Services Index almost increased by 35%.
- In order to fulfil the capital requirements of Basel III, the financial institutions have to raise the minimum amount of equity to 4.5%, whereas the total equity requirement is 7%.
- Marco Draghi, president of the European Central Bank, chose to leave its main refinancing interest rates on hold at 0.75%.

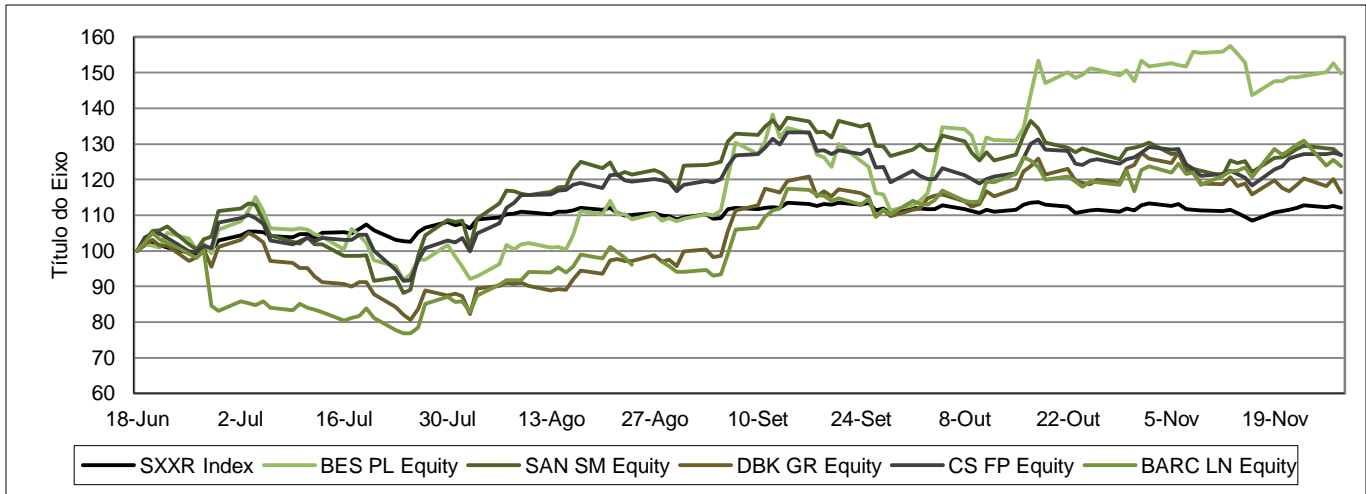
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Europe 500 Banks and Financial Services Index vs. EURO STOXX



3. Followed Companies



BARCLAYS (Ticker: BARC LN)

- Barclays reported (3Q) an improve on Investment Bank income by 7% to GBP9,129m driven by increases in FICC and Equities.
- Barclays Plc withdrew from the London Metal Exchange, which is the biggest world's metal bourse, as the result of the latest retrenchment in commodities

Price (USD):	↑254.20
Target price (USD):	260.40
Market Capital:	31.11bn
Return on assets:	0.10
P/E Ratio:	7.02x
P/B Ratio:	0.57x
EPS	0,22

SANTANDER (Ticker: SAN SM)

- Santander plans to launch an IPO of its American car-financing division. Santander will seek a valuation for the business of USD6 billion in the listing.
- Santander assigned an agreement with Abbey Life Insurance, generating a gross extraordinary gain of EUR467 million.

Price (USD):	↑5.81
Target price (USD):	5.84
Market Capital:	59.99bn
Return on assets:	0.15
P/E Ratio:	9.74x
P/B Ratio:	0.77x
EPS	0,86

DEUTSCHE BANK (Ticker: DBK GR)

- Deutsche Bank will advise Bharti Infratel on the India's biggest IPO since October 2010.
- In the 3Q report Deutsche Bank announced income before income taxes of EUR1.1 billion and an increase in Core Tier 1 capital ratio of 50 point basis points to 10.7%, compared to the 2Q 2012.

Price (USD):	↑33.87
Target price (USD):	35.78
Market Capital:	31.48bn
Return on assets:	0.13
P/E Ratio:	6.61x
P/B Ratio:	0.55x
EPS	5,48

AXAS.A. (Ticker: CS FP)

- AXA announced Q3 earnings with an increase of 1% in Total Revenues to EUR 68.4 billion.
- AXA has completed the acquisition of HSBC P&C business in Hong Kong and Singapore.

Price (USD):	↑12.35
Target price (USD):	15.18
Market Capital:	29.11bn
Return on assets:	0.40
P/E Ratio:	7.63x
P/B Ratio:	0.68x
EPS	1,13

4. Stock Analysis

Banco Espírito Santo

- Currently, analysts estimate a 12-months target price of EUR0.96 for Banco Espírito Santo implying a premium of 26.32% over the current stock price.
- Banco Espírito Santo has issued 750 million of bonds in the international markets with the maturity of 3 years and an interest rate of 6%. Because of the difficult market conditions in Portugal, 6 months ago there was no appetite for this type of securities with much more higher interest rates.
- In the 9M 2012 BES reported Net income of EUR 90.4 million decreasing by 81,4 million comparing with 9M 2011. The adjustment made in May due to acquisition of control of BES Vida had a negative impact of EUR54.1 million. Without this impact net income of the 9M 2012 would be EUR144.5 million.
- The international banking income reaching EUR 543.0 million, close to the 9M 2011 (EUR 564.5 million). The opening of BES's two new units (branches in Luxembourg and Venezuela), which at this stage still give a negative contribution to results.

Stock Performance



Banco Espírito Santo	
Current Price (25/11/2012)	€0.76
Median Target Price	€0.96
Market Capitalisation	€3,081.75
Return on Common Equity	-2.44%
Net Income Margin	7.3%
Beta	1.71
Total Debt/Equity	466.00%
Relative Stock Price Performance	
RDSA NA EQUITY YTD % Change	-5.82%
PSI20 Index YTD	-4.3%

Source: Bloomberg

Comparables Analysis

BANCO ESPIRITO-R Comparables									
Company Name	Currency	Equity Value	P/B		P/E			Return on	
			2012E	2013E	2012E	2013E	2014E	2012E	2013E
BANCO ESPIRITO-R	EUR	3.082	0,46x	0,45x	-	24,0x	14,5x	1,47	2,49
CREDIT AGRICOLE	EUR	14.561	0,34x	0,32x	5,6x	79,8x	5,6x	-2,95	5,95
BANCO BPI SA-REG	EUR	1.123	0,87x	0,81x	-	7,8x	10,5x	12,68	5,02
BANKINTER	EUR	1.725	0,55x	0,54x	7,8x	15,5x	10,0x	3,36	5,05
BNP PARIBAS	EUR	53.843	0,70x	0,66x	7,2x	7,9x	7,9x	9,38	8,43
ROYAL BK SCOTLAN	INR	32.975	0,51x	0,50x	15,2x	20,9x	10,7x	-0,83	3,74
DEUTSCHE BANK-RG	EUR	31.496	0,56x	0,53x	6,9x	8,9x	7,6x	6,63	7,34
Mean			0,6x	0,5x	8,5x	23,5x	9,5x	4,25	5,43
Median			0,5x	0,5x	7,2x	15,5x	10,0x	3,36	5,05

HOLD

Because of the current situation in Portugal, the expectations around new BES bond, the loyalty of its customers in the regions where it is leader, the recognition of the products it sells, we recommend to hold BES.

Source: Bloomberg, Thomson Reuters