

INDIA

## ICICI Bank

9 September 2008

### ICICIBC IN Underperform

Stock price as of 08 Sep 08	Rs	720.75
IBN US (ADR) 05 Sep 08	US\$	31.71
12-month target	Rs	435.00
Upside/downside	%	-39.7
Valuation	Rs	435.00
- Sum of Parts		

GICS sector		banks
Market cap	Rs m	802,324
30-day avg turnover	US\$m	27.8
Market cap	US\$m	17,963
Number shares on issue	m	1,113

### Investment fundamentals

Year end 31 Mar		2008A	2009E	2010E	2011E
Net interest inc	bn	73.0	83.6	96.2	117.5
Non interest inc	bn	88.1	96.0	105.2	117.9
Underlying profit	bn	79.6	89.7	99.4	117.3
PBT	bn	50.6	43.9	55.5	66.9
PBT Growth	%	38.6	-13.1	26.4	20.4
Adjusted profit	bn	41.6	37.6	43.5	50.3
EPS adj	Rs	37.37	33.76	39.13	45.19
EPS adj growth	%	8.0	-9.6	15.9	15.5
PE adj	x	19.3	21.3	18.4	15.9
Total DPS	Rs	11.00	11.50	14.50	19.00
Total div yield	%	1.5	1.6	2.0	2.6
ROA	%	1.1	0.9	0.9	0.9
ROE	%	11.7	7.9	8.7	9.5
Equity to assets	%	11.6	10.6	9.7	8.5
Price/book	x	1.7	1.6	1.6	1.5

### ICICIBC IN rel SENSEX performance, & rec history



Source: Datastream, Macquarie Research, September 2008 (all figures in INR unless noted)

### Analyst

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## The pain is not over yet

### Event

- We revisit our contrarian Underperform call on ICICI Bank. We think that the focus has prematurely shifted to an FY3/10E turnaround on which unrealistic bullishness seems to be built in. At the same time, we think that there is still downside to FY3/09E earnings.

### Impact

- Macro has improved, but not enough.** Since our downgrade of the banking sector in July 2008 (*The secular story takes a break*, 15 July 2008), there has been some improvement in macro fundamentals, mainly with crude prices having fallen by 21%. However, inflation still remains high and well above all policymakers' tolerance levels. We are now expecting rate cuts in March 2009, but the outlook for FY3/10 GDP growth has worsened.
- FY3/09 – the worst is not over.** We think operating earnings will come under more pressure in 2–4Q FY3/09, with NIMs, fee growth and provisions all expected to come under pressure. This will counteract the absence of large treasury losses of 1Q. The imponderable remains the one-offs from a sell-down in the proprietary book (like Firstsource and 3i), but those also may have to wait for better conditions in the equity market.
- FY3/10 – no quick turnaround.** We expect the economy to stay sluggish in FY3/10 as a result of the high interest regime in place now. Even if rate cuts begin at the start of FY3/10, the flow through into loan growth and asset quality will take 2–3 quarters. We believe our assumptions look realistic even in the face of early rate cuts: Flat NIMs, 15% loan growth and a 6bp fall in credit costs.
- Insurance valuation remains a risk.** The US\$14bn valuation that ICICI and Prudential (PRU LN, 548p, Not rated) paid for the life business was in February – it has no validity now. Growth estimates are constantly being revisited – we cut our forecasts in July and current run rates are already tracking below those forecasts. NBAP margins could come under pressure if long-term growth estimates for the business are revised down. Our Rs6.8bn valuation for the business is at best a realistic one.

### Earnings revision

- No change.

### Price catalyst

- 12-month price target: Rs435.00 based on a Sum of Parts methodology.
- Catalyst: Further tightening by the RBI in 2H FY3/08.

### Action and recommendation

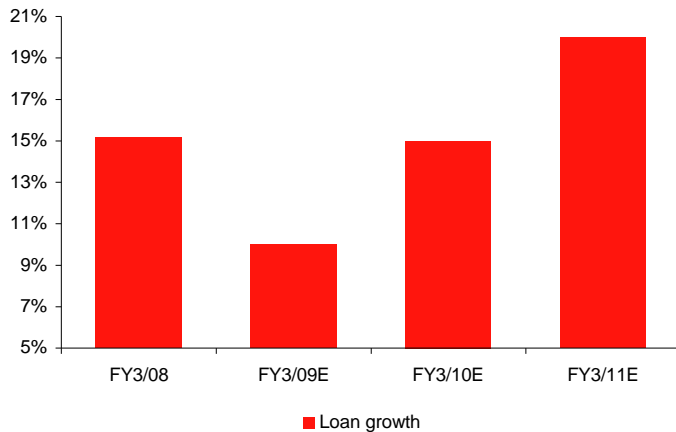
- ICICI is probably a great 2–3 year story, if the growth cycle has picked up by then. However, on a 12-month basis, we see fundamentals weakening further and visibility not having improved enough. We retain our Underperform rating on the stock.

Please refer to the important disclosures and analyst certification on inside back cover of this document, or on our website [www.macquarie.com.au/research/disclosures](http://www.macquarie.com.au/research/disclosures).

## FY3/09 – the worst is not over

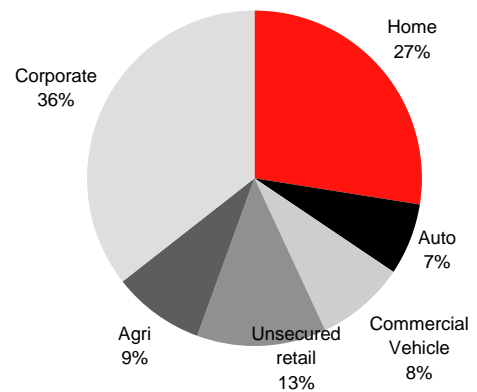
- We think loan growth will remain sluggish and we see little reason to revisit our forecasts (see chart below). The sub-sector expectations also remain intact, with the international and corporate book taking up the space left behind by slowing retail growth. Some key factors:

**Fig 1 Loan growth to remain muted**



Source: Macquarie Research, September 2008

**Fig 2 Growth in high-yield loans under pressure**



Source: Company data, Macquarie Research, September 2008

- ⇒ Higher interest rates will have a negative impact on overall loan demand, especially in the retail sector. This impact will be especially acute in non-mortgage retail, where interest rates are now so high that they have started to impact the overall affordability of the underlying products.
- ⇒ The mortgage books will be affected by pre-payments. Borrowers deal with rising instalments by pre-paying existing loans and this will impact overall loan growth.
- ⇒ Rising inflation and slowing growth will also impact retail loan demand. Both these factors will adversely impact loan demand as affordability declines and borrowers turn risk (and debt) averse. The problems will be exacerbated by ICICI tightening credit screens to combat the extended risks.
- ⇒ Some of the growth will come from its home-finance subsidiary, which we disregard in our standalone forecast. Even if we value that business at 4x P/BV, it makes a difference of 4–5% on the current market cap of ICICI Bank – we do not think that makes a big difference.
- We do not see any substantial improvement in NIMs in the next three quarters because of the following:
  - ⇒ The negative impact of wholesale deposits has started to kick in. Wholesale deposit rates reached 11% during August (up from 9.5% in March) and have stayed up despite the recent easing in overall liquidity. ICICI is still heavily dependent on wholesale deposits (45% of overall deposits) and we believe the sharp uptick will eat away any positive impact that the bank may have enjoyed in reducing the share of wholesale deposits and improving the CASA ratio.

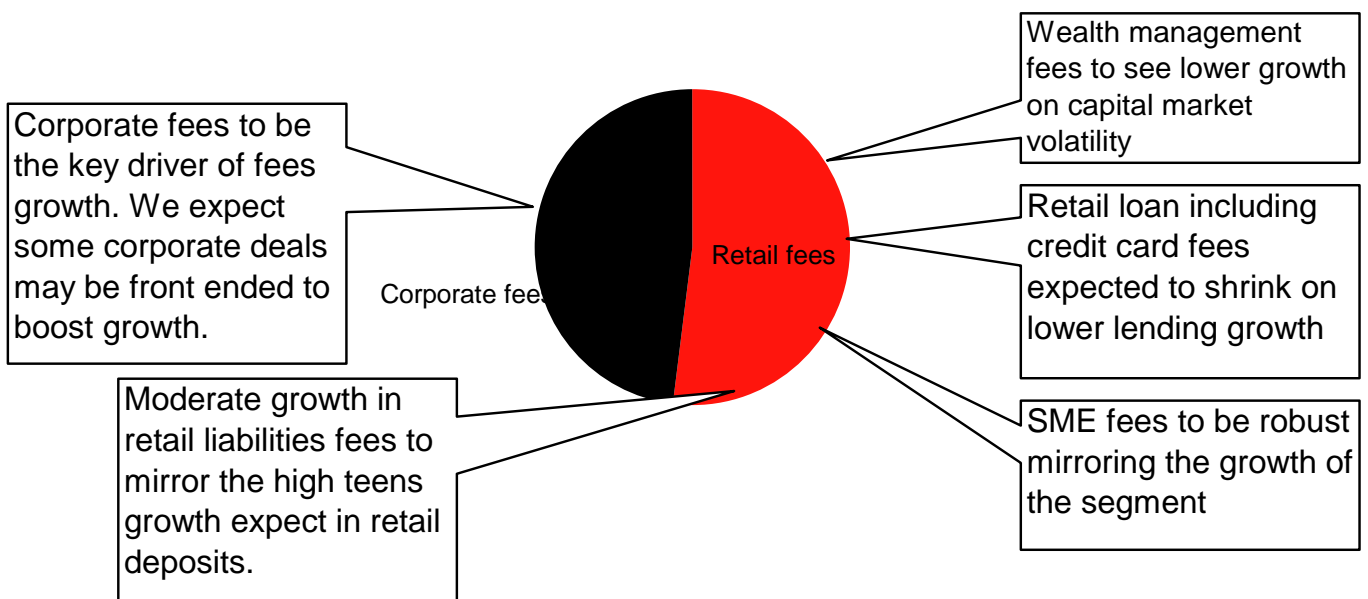
**Fig 3 Deposit breakdown – wholesale deposits constitute the bulk**



Source: Company data, Macquarie Research, September 2008

- ⇒ The other pressure point will be a realignment of the bank’s asset portfolio. This is because the share of high-yield loans is set to shrink within the bank’s overall portfolio. Retail, especially retail unsecured, is set to shrink as a percentage of the overall portfolio.
- Fee growth is expected to decelerate significantly, from 37% in 1Q to 23% for the full year. The chart below discusses the fee growth across segments for the bank – it is clear that some of this will come under pressure, going forward. Also, the seasonal analysis of fee income in FY3/08 shows the base effect pressure that is imminent. Also, we think that there may have been some bunching of corporate fees in 1Q FY3/09 to combat the lumpiness of bond losses.

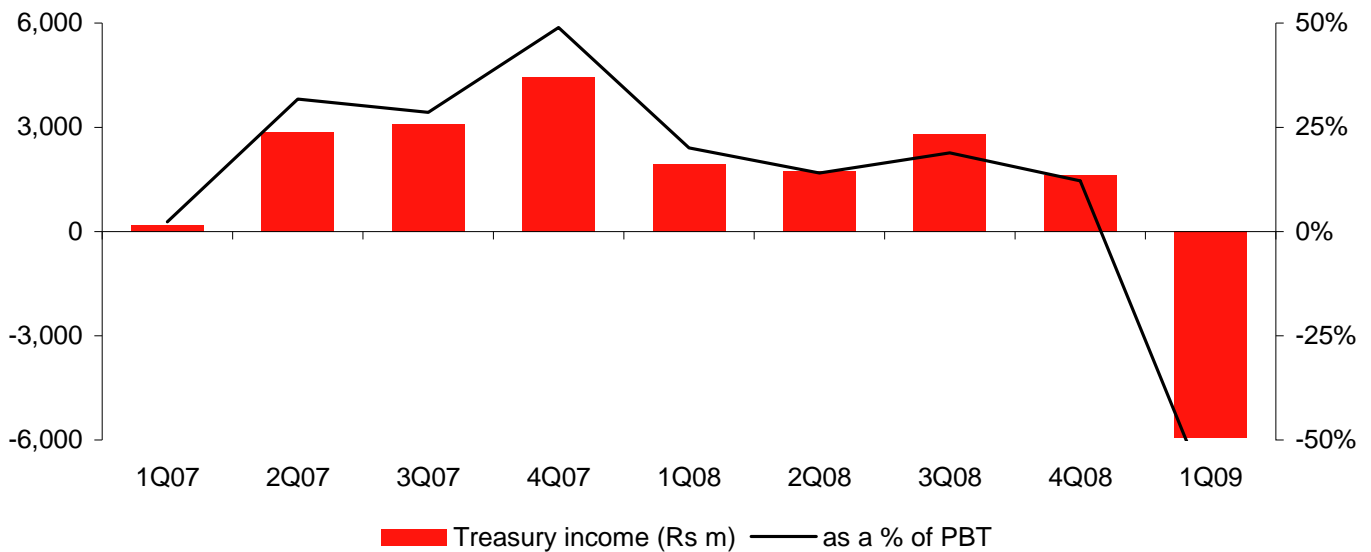
**Fig 4 ICICI Bank – fee income to be driven by corporate fees**



Source: Macquarie Research, September 2008

- The credit-loss ratio is also set to accelerate slightly for the rest of the year, with slippage from the agriculture and SME portfolios compounding the pressures from the retail portfolio. We also expect a slight tick-up in mortgage delinquencies as rising rates dampen affordability.
- The major imponderable remains treasury profits, but we think that our estimates are still reasonably optimistic.
  - ⇒ To be sure, overall treasury profits will be helped by the absence of the lumpy losses that were seen 1Q FY3/09. However, there is a strong base effect (2–3Q FY3/08 were very strong) and the sluggish markets will impact absolute profits as we go forward. The table below illustrates our point.

**Fig 5 Treasury profits – walking into a strong base**



Source: Company data, Macquarie Research, September 2008

- ⇒ Some upside could come from selling the bank’s strategic stakes in non-banking businesses. Some of these that are in current focus are 3i Infotech (III IN, Rs112, Not rated) and Firstsource (FSOL IN, Rs45, Not rated ). These stakes are very likely to be sold in the next 18 months, given there are regulatory commitments from ICICI that these need to be sold down. However, the exact timing is not certain given the sluggish equity markets. These stake sales could spill over into FY3/10.

**Fig 6 Stake sales – some upside, not a lot**



\* as of closing share price of respective companies on 8 Septemeber, 2008

Source: Company data, Macquarie Research, September 2008

## FY3/10 – the worst is not over

- We expect a deceleration in the economy in FY3/10. Our economist, Rajeev Malik, recently\* downgraded FY3/10 growth forecasts from 8.0% to 7.2% on the back of the trail impact of the current monetary tightening. The key sub-segments that affect ICICI – private consumption and gross domestic capital formation – are expected to slow further, extending the period of macro headwinds for ICICI well into FY3/10. (\* *Macro Mantra: India – paying the price of excesses*, 5 September 2008.)

**Fig 7 India GDP – growth to slow down further in FY3/10E**

Growth indicators (% YoY)	FY3/07	FY3/08	FY3/09E	FY3/10E
Real GDP	9.6	9	7.5	7.2
Non-agriculture GDP	11	10	8.4	8.2
Private consumption	7.1	8.3	8	7.6
Gross fixed capital formation	15.1	13.8	11	9.5

Source: Macquarie Research, September 2008

- Even if rate cuts begin at the start of FY3/10, the flow through into loan growth and asset quality will take 2–3 quarters to come through. Our view is that the momentum will start to come through in the economy only in FY3/11 on the back of the rate cuts in FY3/10. Deliverance for ICICI from macro headwinds is quite some time away.
- We believe our assumptions look realistic even in the face of early rate cuts:
  - ⇒ **Flat NIMs.** We are forecasting NIMs to remain flat in FY3/10, due to rising leverage. The spread (which is equivalent to the NIM, but ignores the effect of equity) is forecast to rise by 10bp in FY3/10 as the bank gets some relief in cost of funds. However, some of that cushion will be eaten away by the running down of the unsecured-loan portfolio, which will also decelerate loan yields.
  - ⇒ **15% loan growth.** We are forecasting only a mild acceleration in loan growth in FY3/10. That is underpinned by our forecast for slower loan growth – ICICI's key domains like retail loans and project lending will not thrive in a slowing environment. The bank will also have to maintain its tight credit screens in that environment, which will impede a significant acceleration in loan growth. Also, worth noting, the base effect by then will be large, we expect the total quantum of loans that it will have to originate for every percentage point of loan growth will be significant.

**Fig 8 India banks – incremental loan growth**

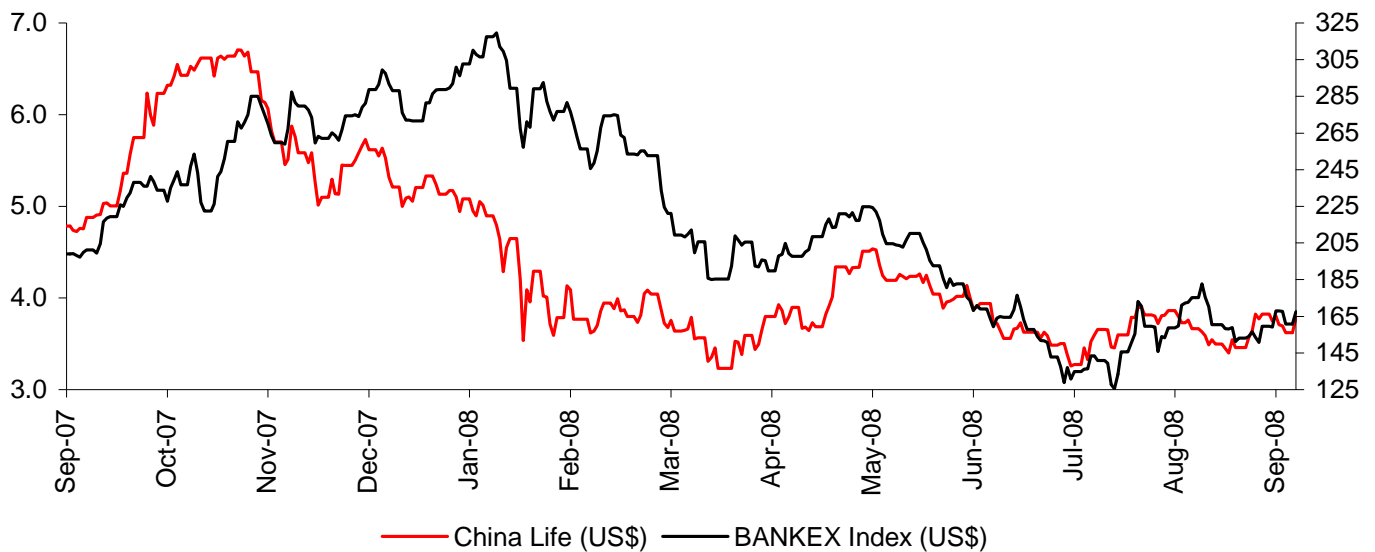
	Incremental loans FY3/10E (Rs bn)	Growth (% YoY)
SBI	277	18%
ICICI Bank	227	15%
Axis Bank	227	35%
PNB	205	16%
HDFC Bank	205	30%

Source: Macquarie Research, September 2008

- ⇒ **6bp fall in credit costs.** We are forecasting a 6bp fall in credit costs in FY3/10. This does factor in some relief in loan losses from the unsecured segment, which will see its worst in FY3/09. However, there is expected to be a tick-up in losses from the other segments as a result of the slowing economy and high interest rates.

## Insurance valuation remains a risk

- There is now no valid benchmark for valuing ICICI Prudential Life Insurance. The last transaction was in February, when ICICI and Pru capitalised the business at the equivalent of a US\$14bn valuation for the firm. They also bought out employee options at that price. However, life has significantly changed since then and both the Indian market and global life insurers have significantly de-rated.

**Fig 9 Benchmark valuations for ICICI Pru have been beaten down**

Source: Bloomberg, Macquarie Research, September 2008

- Top-line growth rates are currently tracking below our forecasts. We forecast growth in weighted received premiums of 38% YoY for FY3/09. Growth for July 2008 was at 25% and sales growth for the remaining eight months of the financial year has to accelerate to 38% to meet our forecasts. We think that growth will pick up once the market stabilises, but there is very little scope for upgrades from here.
- A quirk of this business is that NBAP margins are a function of the growth outlook – especially for ICICI Prudential, which factors in high sales growth to cover current costs of expansion. As sales growth falters, the company may be forced to revise its margin assumptions downward, which could again impact valuations. We already assume a fade-out in margins, but that is from adverse pricing pressure and not inferior cost coverage.

**Fig 10 ICICI Prudential valuation**

PV of NBAP (Rs m)	237,104
Embedded value (Rs m)	42,219
Appraisal value (Rs m)	270,769
Share capital (Rs m)	17,850
Value of business – excess (Rs m)	252,919
ICICI Bank's share (Rs m)	187,160
Holding company discount	15%
Per share contribution to TP	144
Implied NBAP multiple (x FY3/09E)	16

Source: Macquarie Research, September 2008

- Our valuation of US\$6.8bn for the life insurance business is low, but we think it is realistic under the circumstances. We think the business could come under pressure from multiple areas and that will impact growth.

## ICICI Bank (ICICIB IN, Underperform, Target price: Rs435.00)

Growth rates					Profit & Loss						
	2008A	2009E	2010E	2011E		2008A	2009E	2010E	2011E		
Income Growth	%	28.3	11.5	12.2	16.9	<b>Net Interest Income</b>	m	<b>73,041</b>	<b>83,598</b>	<b>96,250</b>	<b>117,540</b>
Cost Growth	%	21.9	10.3	13.5	15.8	+ Loan Fees	m	67,573	83,423	97,861	111,800
Pre-Prov Profit Growth	%	35.5	12.7	10.8	18.1	+ Trading Income	m	19,879	11,810	6,419	5,023
PBT Growth	%	38.6	-13.1	26.4	20.4	+ Insurance Income	m	0	0	0	0
Loan Growth	%	15.2	10.0	15.0	20.0	+ Other Income	m	656	769	905	1,108
Ave Int Earning Assets	%	15.5	14.6	15.4	19.8	<b>Non Interest Income</b>	m	<b>88,108</b>	<b>96,003</b>	<b>105,185</b>	<b>117,930</b>
					<b>Total Operating Inc</b>	m	<b>161,149</b>	<b>179,601</b>	<b>201,435</b>	<b>235,471</b>	
					+ Staff expenses	m	20,789	23,325	28,550	34,945	
					+ Other expenses	m	60,753	66,588	73,526	83,228	
					<b>Total Operating Exp</b>	m	<b>81,542</b>	<b>89,913</b>	<b>102,076</b>	<b>118,173</b>	
					<b>Pre-Provision Profit</b>	m	<b>79,607</b>	<b>89,688</b>	<b>99,359</b>	<b>117,298</b>	
					<b>Loan Provisions</b>	m	<b>29,046</b>	<b>45,762</b>	<b>43,835</b>	<b>50,436</b>	
					<b>Post Provision Profit</b>	m	<b>50,561</b>	<b>43,926</b>	<b>55,524</b>	<b>66,862</b>	
					Other Profit	m	0	0	0	0	
					- Amortisation	m	0	0	0	0	
					- Non Recurring Items	m	0	0	0	0	
					- Associates	m	0	0	0	0	
					<b>Pre-Tax Profit</b>	m	<b>50,561</b>	<b>43,926</b>	<b>55,524</b>	<b>66,862</b>	
					- Taxation	m	8,984	6,360	11,989	16,578	
					<b>Net Profit After Tax</b>	m	<b>41,577</b>	<b>37,566</b>	<b>43,535</b>	<b>50,283</b>	
					- Minority Interests	m	0	0	0	0	
					<b>Reported Profit</b>	m	<b>41,577</b>	<b>37,566</b>	<b>43,535</b>	<b>50,283</b>	
					<b>Adjusted Profit</b>	m	<b>41,577</b>	<b>37,566</b>	<b>43,535</b>	<b>50,283</b>	
					<b>Attributable Profit</b>	m	<b>41,577</b>	<b>37,566</b>	<b>43,535</b>	<b>50,283</b>	
					EPS (rep)		37.37	33.76	39.13	45.19	
					EPS growth yoy (rep)	%	8.0	-9.6	15.9	15.5	
					EPS (adj)		37.37	33.76	39.13	45.19	
					EPS growth yoy (adj)	%	8.0	-9.6	15.9	15.5	
					DPS		11.00	11.50	14.50	19.00	
					Payout ratio	%	29.4	34.1	37.1	42.0	
					Book Value p.s (wgted)		417.6	438.7	461.9	486.1	
					Tangible Book Value p.s (wgted)		417.6	438.7	461.9	486.1	
					Weighted average shares	m	1,113	1,113	1,113	1,113	
					<b>Key Ratios</b>		<b>2008A</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>	
					Interest Spread	%	1.18	1.22	1.31	1.45	
					Net Interest Margin	%	1.96	1.96	1.95	1.99	
					Non Int Inc / Total Inc	%	54.7	53.5	52.2	50.1	
					Cost to Income	%	50.6	50.1	50.7	50.2	
					Cost to Assets	%	2.04	1.96	1.92	1.86	
					Provisions / Loans	%	1.26	1.79	1.49	1.43	
					Tax Rate	%	17.8	14.5	21.6	24.8	
					Loan Deposit Ratio (LDR)	%	92.3	89.7	90.5	90.2	
					NPLs	%	5.42	5.45	5.40	4.51	
					Reserve Cover	%	40.7	57.4	57.6	64.5	
					Tier 1 Capital Ratio	%	12.7	12.4	11.9	10.6	
					Total Capital Ratio	%	19.2	19.1	18.2	16.3	
					Equity to Assets	%	11.6	10.6	9.7	8.5	
					ROA (ave)	%	1.12	0.87	0.88	0.86	
					ROE (ave)	%	11.7	7.9	8.7	9.5	
					ROTE (ave)	%	11.7	7.9	8.7	9.5	

All figures in INR unless noted.

Source: Company data, Macquarie Research, September 2008

## Asia banks valuations

	Bberg code	Price (Icy)	Mkt cap (US\$m)	EPS (Icy cents)		EPS growth (%)		PER (x)		BVPS (Icy)		P/BV (x)		ROE (%)		DPS (Icy)		Div yield (%)		Rating	Target price (Icy)	Price to TP (%)
				FY07A	FY08E	FY07A	FY08E	FY07A	FY08E	FY07A	FY08E	FY07A	FY08E	FY07A	FY08E	FY07A	FY08E	FY07A	FY08E			
<b>China</b>																						
Bank of China	3988 HK	3.33	32,431	21.9	32.8	23.6	52.2	13.3	8.9	1.7	1.9	1.8	1.5	13.8	18.5	0.1	0.1	3.4	3.4	O	5.40	62.2
Bank of Communications	3328 HK	8.90	26,298	42.2	60.1	58.0	43.5	18.5	12.9	2.8	2.9	2.8	2.7	18.2	21.3	0.2	0.1	1.9	1.4	O	11.75	32.0
China Citic Bank	998 HK	4.23	6,721	19.8	38.5	52.8	99.6	18.7	9.6	2.3	2.5	1.6	1.5	12.7	16.6	0.0	0.1	0.0	1.6	O	6.58	55.6
China Construction Bank	939 HK	6.25	179,908	30.5	45.6	50.3	51.3	17.9	12.0	1.9	2.2	2.9	2.5	18.4	22.8	0.2	0.2	3.8	3.7	O	8.70	39.2
China Everbright	165 HK	14.04	2,860	317.1	102.8	464.7	-67.6	4.4	13.7	10.4	11.0	1.3	1.3	45.8	9.7	0.1	0.1	0.7	0.7	O	18.00	28.2
China Merchants Bank	3968 HK	25.35	8,645	103.7	164.0	97.6	58.7	21.4	13.5	4.6	6.6	4.8	3.4	24.8	29.2	0.2	0.4	0.7	2.0	O	31.47	24.1
ICBC	1398 HK	5.35	56,927	24.4	38.1	39.8	58.4	19.2	12.3	1.6	1.9	2.9	2.5	16.2	21.9	0.0	0.2	0.3	3.8	O	7.15	33.6
<b>Weighted Average</b>				<b>33.9</b>	<b>47.8</b>	<b>51.4</b>	<b>52.2</b>	<b>17.7</b>	<b>11.8</b>	<b>2.0</b>	<b>2.4</b>	<b>2.8</b>	<b>2.4</b>	<b>17.8</b>	<b>22.0</b>	<b>0.1</b>	<b>0.2</b>	<b>2.8</b>	<b>3.4</b>			
<b>Hong Kong</b>																						
Bank of China-HK	2388 HK	17.56	23,785	146.1	143.7	10.4	-1.7	12.0	12.2	8.8	9.4	2.0	1.9	17.4	15.8	0.9	0.9	5.2	5.4	O	20.70	17.9
Bank of East Asia	23 HK	30.95	6,625	257.2	273.2	17.3	6.3	12.0	11.3	19.3	21.4	1.6	1.4	14.0	13.9	1.7	1.7	5.4	5.6	O	46.00	48.6
Dah Sing Financial	440 HK	47.85	1,595	419.9	428.6	-24.9	2.1	11.4	11.2	41.9	45.9	1.1	1.0	10.2	9.8	1.5	1.5	3.1	3.2	N	61.00	27.5
Hang Seng	11 HK	152.90	37,450	954.2	968.1	51.5	1.5	16.0	15.8	29.5	33.6	5.2	4.5	35.3	30.7	6.3	6.4	4.1	4.2	N	163.00	6.6
Wing Hang	302 HK	84.05	3,177	689.0	640.8	22.1	-7.0	12.2	13.1	35.6	41.0	2.4	2.0	20.5	16.7	3.4	3.5	4.1	4.1	N	95.00	13.0
Wing Lung	96 HK	143.90	4,280	590.7	677.5	-14.0	14.7	24.4	21.2	53.7	58.9	2.7	2.4	11.5	12.0	2.4	2.8	1.7	1.9	N	84.40	-41.3
Hong Kong Exchange	388 HK	100.60	13,848	576.7	489.9	143.9	-15.0	17.4	20.5	7.8	8.3	12.9	12.2	90.5	61.0	5.2	4.4	5.2	4.4	N	100.00	-0.6
HSBC	5 HK	122.90	189,270	165.3	155.1	19.3	-6.3	9.5	10.2	11.1	11.3	1.4	1.4	16.1	14.2	0.9	1.0	5.7	6.4	O	150.00	22.1
Standard Chartered	2888 HK	209.00	38,084	203.9	236.8	19.8	16.2	13.1	11.3	14.9	16.3	1.8	1.6	15.1	15.3	0.8	0.9	3.0	3.3	O	280.00	34.0
<b>Weighted Average</b>				<b>602.0</b>	<b>612.4</b>	<b>29.4</b>	<b>1.3</b>	<b>14.7</b>	<b>14.4</b>	<b>24.1</b>	<b>27.0</b>	<b>3.5</b>	<b>3.2</b>	<b>25.5</b>	<b>22.6</b>	<b>3.8</b>	<b>3.9</b>	<b>4.4</b>	<b>4.5</b>			
<b>India</b>																						
Bank of Baroda	BOB IN	299.70	2,471	2,808	3,927	22.2	39.9	10.7	7.6	236.6	264.4	1.3	1.1	12.4	15.7	5.0	0.0	1.7	0.0	U	181	-39.6
Bank of India	BOI IN	285.20	3,391	2,301	3,821	60.2	66.1	12.4	7.5	117.7	167.8	2.4	1.7	21.2	27.6	2.0	4.0	0.7	1.4	O	336	17.8
HDFC	HDFC IN	2,445.15	15,732	6,207	8,577	35.7	38.2	39.4	28.5	219.4	420.6	11.1	5.8	31.3	27.8	22.0	25.0	0.9	1.0	O	2,297	-6.1
HDFC Bank	HDFCB IN	1,341.45	12,903	3,573	4,487	30.3	25.6	37.5	29.9	201.4	324.4	6.7	4.1	19.5	17.7	5.0	7.0	0.4	0.5	O	1,439	7.3
ICICI Bank	ICICIB IN	713.30	17,974	3,458	3,737	21.2	8.1	20.6	19.1	270.3	417.6	2.6	1.7	13.4	11.7	0.0	11.0	0.0	1.5	U	435	-39.0
IDBI	IDBI IN	87.00	1,427	843	1,006	8.8	19.4	10.3	8.6	86.1	93.8	1.0	0.9	9.7	11.2	1.5	2.0	1.7	2.3	U	39	-55.2
IDFC	IDFC IN	95.85	2,810	372	519	4.1	39.5	25.7	18.5	22.8	39.3	4.2	2.4	17.5	17.3	1.0	1.0	1.0	1.0	U	78	-18.6
Kotak Mahindra Bank	KMB IN	649.95	5,080	1,618	3,129	78.8	93.4	40.2	20.8	107.1	167.4	6.1	3.9	17.8	23.4	0.7	2.0	0.1	0.3	U	408	-37.2
Punjab National Bank	PNB IN	514.80	3,674	4,885	6,498	6.9	33.0	10.5	7.9	321.6	342.0	1.6	1.5	16.0	19.6	10.0	13.0	1.9	2.5	U	324	-37.1
Reliance Capital	RCFT IN	1,418.90	7,890	2,620	4,128	8.9	57.6	54.2	34.4	209.7	244.3	6.8	5.8	13.9	18.2	4.1	6.0	0.3	0.4	O	1,474	3.9
State Bank of India	SBIN IN	1,521.35	21,865	8,142	10,206	3.0	25.3	18.7	14.9	561.1	743.1	2.7	2.0	15.4	16.8	13.2	20.6	0.9	1.4	U	920	-39.5
Syndicate Bank	SNDB IN	63.85	754	1,372	1,625	34.4	18.4	4.7	3.9	61.0	74.0	1.0	0.9	24.6	24.1	2.0	2.5	3.1	3.9	U	38	-40.5
Union Bank of India	UNBK IN	154.00	1,761	1,674	2,746	25.3	64.1	9.2	5.6	93.7	111.3	1.6	1.4	19.2	26.8	3.5	4.0	2.3	2.6	U	85	-44.8
Axis Bank	AXSB IN	759.65	6,170	1,842	2,994	7.0	62.5	41.2	25.4	95.1	245.2	8.0	3.1	21.0	17.6	5.3	6.0	0.7	0.8	O	750	-1.3
Power Finance Corp	POWF IN	140.10	3,640	859	1,054	-8.8	22.7	16.3	13.3	74.9	82.5	1.9	1.7	12.7	13.4	2.3	2.5	1.6	1.8	O	197	40.6
Vijaya Bank	VJYBK IN	38.25	375	764	879	161.7	15.1	5.0	4.4	42.7	48.7	0.9	0.8	19.1	19.2	2.5	2.5	6.5	6.5	U	27	-29.4
<b>Weighted Average</b>				<b>4,323</b>	<b>5,650</b>	<b>21.5</b>	<b>34.7</b>	<b>28.2</b>	<b>20.7</b>	<b>267.0</b>	<b>390.5</b>	<b>5.0</b>	<b>3.1</b>	<b>18.4</b>	<b>18.6</b>	<b>7.8</b>	<b>12.2</b>	<b>0.7</b>	<b>1.2</b>			
<b>Indonesia</b>																						
Bank Central Asia	BBCA IJ	3,375	8,993	182.8	220.4	5.8	20.7	18.5	15.3	832.2	969.9	4.1	3.5	23.3	24.5	91.0	110.2	2.7	3.3	O	3,600	6.7
Bank Danamon	BDMN IJ	5,500	2,999	429.7	418.1	59.3	-2.7	12.8	13.2	2,199.1	2,264.5	2.5	2.4	21.7	18.8	209.8	209.9	3.8	3.8	O	6,000	9.1
Bank Int'l Indonesia	BNII IJ	0	2,433	8.5	10.1	-39.1	21.3	nmf	nmf	111.8	111.2	nmf	nmf	7.7	9.0	4.1	5.0	nmf	nmf	O	470	#DIV/0!
Bank Mandiri	BMRI IJ	2,925	6,608	207.0	255.0	77.4	23.3	14.1	11.5	1,392.6	1,466.4	2.1	2.0	15.6	17.7	186.0	127.7	6.4	4.4	O	3,700	26.5
Bank Niaga	BNGA IJ	890	1,239	62.5	79.5	19.3	27.6	14.2	11.2	422.3	484.6	2.1	1.8	15.4	17.5	31.1	23.9	3.5	2.7	N	1,050	18.0
Bank Panin	PNBN IJ	960	2,100	42.2	40.6	31.7	-3.7	22.8	23.6	371.1	393.8	2.6	2.4	12.1	10.6	0.0	12.2	0.0	1.3	U	700	-27.1
Bank Rakyat Indonesia	BBRI IJ	6,250	8,328	396.1	489.7	13.7	23.7	15.8	12.9	1,591.6	1,829.4	3.9	3.4	26.6	28.7	195.8	245.2	3.1	3.9	O	7,000	12.0
<b>Weighted Average</b>				<b>238.1</b>	<b>281.6</b>	<b>26.0</b>	<b>18.6</b>	<b>15.1</b>	<b>12.9</b>	<b>1,165.4</b>	<b>1,288.6</b>	<b>3.0</b>	<b>2.7</b>	<b>20.3</b>	<b>21.3</b>	<b>133.2</b>	<b>139.9</b>	<b>3.3</b>	<b>3.3</b>			
<b>Korea</b>																						
Daegu Bank	005270 KS	12,500	1,480	1,974	1,819	8.4	-7.9	6.3	6.9	10,770	11,989	1.2	1.0	19.4	16.0	600.0	600.0	4.8	4.8	O	13,800	10.4
Hana Financial Group	086790 KS	37,000	7,024	6,032	5,488	26.0	-9.0	6.1	6.7	43,925	49,472	0.8	0.7	15.0	11.8	1,300.0	1,380.0	3.5	3.7	O	55,000	48.6
Industrial Bank of Korea	024110 KS	15,300	5,555	2,548	2,323	10.9	-8.9	6.0	6.6	14,571	16,393	1.1	0.9	18.6	15.0	575.0	550.0	3.8	3.6	O	20,500	34.0
Kookmin Bank	060000 KS	55,900	16,849	9,223	7,668	25.5	-16.9	6.1	7.3	47,678	57,410	1.2	1.0	20.0	14.6	2,450.0	2,200.0	4.4	3.9	O	70,000	25.2
Pusan Bank	005280 KS	11,300	1,485	1,846	1,866	47.3	1.1	6.1	6.1	10,040	11,347	1.1	1.0	19.7	17.5	570.0	570.0	5.0	5.0	N	12,500	10.6
Woori Finance	053000 KS	12,600	9,100	2,515	2,658	0.5	5.7	5.0	4.7	16,317	18,331	0.8	0.7	16.2	15.3	250.0	775.0	2.0	6.2	O	24,000	90.5
Shinhan Financial	055550 KS	47,550	16,881	5,210	5,550	12.2	6.5	9.1	8.6	34,558	38,167	1.4	1.2	16.8	15.3	1,100.0	1,350.0	2.3	2.8	O	66,000	38.8
<b>Weighted Average</b>				<b>5,626</b>	<b>5,207</b>	<b>16.6</b>	<b>-4.2</b>															



## Asia banks valuations (con't)

	Bberg code	Price (1cy)	Mkt cap (US\$m)	EPS (1cy cents) FY07A	EPS (1cy cents) FY08E	EPS growth (%) FY07A	EPS growth (%) FY08E	PER (x) FY07A	PER (x) FY08E	BVPS (1cy) FY07A	BVPS (1cy) FY08E	P/BV (x) FY07A	P/BV (x) FY08E	ROE (%) FY07A	ROE (%) FY08E	DPS (1cy) FY07A	DPS (1cy) FY08E	Div yield (%) FY07A	Div yield (%) FY08E	Rating	Target price (1cy)	Price to TP (%)
<b>Philippines</b>																						
Banco de Oro	BDO PM	41.50	2,066	283	345	-13.1	22.1	14.7	12.0	25.9	28.5	1.6	1.5	15.5	12.7	0.8	0.8	1.9	1.9	O	60.00	44.6
Bank Philippine Islands	BPI PM	47.00	3,298	370	419	12.1	13.3	12.7	11.2	25.7	27.3	1.8	1.7	14.9	15.8	2.8	2.8	6.0	6.0	O	60.00	27.7
China Banking Corp	CHIB PM	550.00	917	5,351	5,075	-6.8	-5.2	10.3	10.8	383.5	372.0	1.4	1.5	14.3	14.2	20.0	23.9	3.6	4.3	N	620.00	12.7
Metrobank	MBT PM	38.00	1,485	389	441	27.5	13.2	9.8	8.6	39.0	43.0	1.0	0.9	10.1	10.8	0.8	0.8	2.1	2.1	O	43.00	13.2
Philippine Nat'l Bank	PNB PM	32.00	458	240	311	69.0	30.1	13.4	10.3	48.8	48.6	0.7	0.7	5.4	6.6	0.0	0.0	0.0	0.0	O	34.00	6.3
Security Bank	SECB PM	59.50	424	815	1,042	41.3	27.8	7.3	5.7	38.3	38.3	1.6	1.6	21.0	27.2	2.0	2.6	3.4	4.4	N	65.00	9.2
UnionBank	UBP PM	31.50	437	478	473	5.0	-1.1	6.6	6.7	44.9	45.5	0.7	0.7	12.3	10.8	1.6	1.7	5.1	5.3	U	30.00	-4.8
<b>Weighted Average</b>				<b>875</b>	<b>902</b>	<b>10.9</b>	<b>14.3</b>	<b>11.9</b>	<b>10.4</b>	<b>66.7</b>	<b>67.4</b>	<b>1.5</b>	<b>1.4</b>	<b>13.9</b>	<b>13.9</b>	<b>3.5</b>	<b>3.9</b>	<b>3.7</b>	<b>3.8</b>			
<b>Singapore</b>																						
DBS Group	DBS SP	18.10	19,326	142.5	141.6	-0.5	-0.7	12.7	12.8	14.6	13.7	1.2	1.3	10.8	10.0	0.8	0.8	4.4	4.4	O	23.75	31.2
Hong Leong Finance	HLF SP	3.20	989	30.3	25.9	39.8	-15.2	10.6	12.4	3.2	3.2	1.0	1.0	9.6	8.1	0.3	0.2	8.4	6.9	O	4.47	39.7
OCBC	OCBC SP	8.15	17,893	64.7	63.7	2.5	-1.5	12.6	12.8	5.0	5.4	1.6	1.5	14.0	12.3	0.3	0.3	3.4	3.5	O	10.48	28.6
UOB	UOB SP	19.10	20,439	135.9	140.3	-18.7	3.2	14.1	13.6	11.4	11.6	1.7	1.7	12.2	12.2	0.7	0.6	3.9	3.4	O	24.03	25.8
Singapore Exchange	SGX SP	6.40	4,798	40.0	45.3	124.7	5.3	16.0	15.2	0.8	0.8	8.2	7.6	59.5	51.5	0.4	0.4	5.6	6.3	O	7.61	18.9
<b>Weighted Average</b>				<b>114.6</b>	<b>115.4</b>	<b>-5.3</b>	<b>0.2</b>	<b>13.1</b>	<b>13.1</b>	<b>10.4</b>	<b>10.2</b>	<b>1.5</b>	<b>1.5</b>	<b>12.2</b>	<b>11.4</b>	<b>0.6</b>	<b>0.6</b>	<b>4.0</b>	<b>3.8</b>			
<b>Taiwan</b>																						
Bank of Kaohsiung	2836 TT	12.50	208	27.1	47.9	-71.9	79.8	46.1	26.1	19.9	20.7	0.6	0.6	1.3	2.4	0.1	0.2	0.8	1.9	U	14.15	13.2
Chang Hwa Bank	2801 TT	17.95	2,731	136.6	135.7	-26.6	-0.7	13.1	13.2	13.2	13.6	1.4	1.3	10.3	10.2	0.9	0.8	5.0	4.5	O	25.75	43.5
China Development	2883 TT	9.69	3,442	65.6	86.7	-50.4	32.7	14.8	11.2	12.7	13.4	0.8	0.7	4.9	6.5	0.2	0.3	2.0	3.0	O	14.75	52.2
Chinatrust	2891 TT	18.75	5,396	127.0	146.9	nmf	15.8	14.8	12.8	11.6	13.4	1.6	1.4	11.9	11.6	0.2	0.8	1.0	4.4	U	20.07	7.0
E. Sun Financial	2884 TT	11.95	1,305	95.9	134.2	695.2	40.4	12.5	8.9	13.9	15.3	0.9	0.8	7.1	9.0	0.4	0.9	3.2	7.5	N	16.72	39.9
First Financial	2892 TT	23.05	4,495	203.4	180.1	10.9	-11.5	11.3	12.8	17.2	17.2	1.3	1.3	12.1	10.5	1.7	1.4	7.3	6.2	O	26.00	12.8
Fubon Financial	2881 TT	26.05	6,360	187.0	191.7	72.5	2.6	13.9	13.6	22.0	22.6	1.2	1.2	8.5	8.6	1.5	1.3	5.8	5.2	U	26.80	2.9
Yuanta Financial	2885 TT	17.70	4,677	87.9	97.7	nmf	11.3	20.1	18.1	15.5	14.2	1.1	1.2	8.3	7.1	0.6	0.6	3.7	3.7	O	22.20	25.4
Hua Nan Financial	2880 TT	22.65	4,363	151.1	192.0	15.8	27.3	15.0	11.8	15.1	16.3	1.5	1.4	10.1	12.1	1.0	1.2	4.3	5.5	O	34.25	51.2
Mega Financial	2886 TT	19.00	6,647	552.6	130.3	275.2	-76.6	3.4	14.6	22.6	17.9	0.8	1.1	8.6	7.3	1.3	1.0	6.6	5.5	U	19.00	0.0
Sinopac Financial	2890 TT	10.45	2,348	35.2	22.6	-6.3	-36.8	29.7	46.2	12.2	12.3	0.9	0.8	2.9	1.9	0.1	0.1	1.2	0.8	O	14.05	34.4
Ta Chong Bank	2847 TT	8.10	699	-271.0	104.7	-14.4	nmf	nmf	7.7	9.7	9.4	0.8	0.9	-43.7	12.1	0.0	0.0	0.0	0.0	O	10.75	32.7
Taichung Bank	2812 TT	11.45	472	136.2	100.0	nmf	-26.8	8.4	11.4	12.2	12.5	0.9	0.9	14.7	8.2	0.4	0.3	3.5	2.5	O	14.40	25.8
Taihsin Financial	2887 TT	9.45	1,707	30.5	27.3	nmf	-10.6	31.0	34.6	13.3	13.5	0.7	0.7	2.3	2.0	0.2	0.1	1.9	0.9	U	9.00	-4.8
Taiwan Business Bank	2834 TT	9.93	1,217	27.1	107.1	-2.5	307.1	36.7	9.3	10.3	11.4	1.0	0.9	2.6	9.9	0.0	0.3	0.0	2.7	U	9.20	-7.4
Cathay Financial	2882 TT	58.30	17,957	332.4	387.8	19.6	16.7	17.5	15.0	22.5	24.8	2.6	2.4	13.8	15.0	1.6	1.3	2.7	2.2	O	98.00	68.1
Shinkong Financial	2888 TT	16.40	2,937	71.0	-78.1	-24.1	nmf	23.8	nmf	17.2	16.7	1.0	1.0	4.2	-4.5	0.0	0.0	0.0	0.0	O	22.50	37.2
<b>Weighted Average</b>				<b>180.3</b>	<b>134.3</b>	<b>65.7</b>	<b>3.2</b>	<b>14.9</b>	<b>15.8</b>	<b>16.2</b>	<b>16.0</b>	<b>1.1</b>	<b>1.1</b>	<b>7.8</b>	<b>8.5</b>	<b>0.8</b>	<b>0.9</b>	<b>4.1</b>	<b>4.4</b>			
Capital Securities	6005 TT	14.75	759	174.5	108.2	68.8	-38.2	8.5	13.6	16.2	16.0	0.9	0.9	11.3	6.9	0.2	0.3	1.4	1.7	O	19.45	31.9
KGI Securities	6008 TT	14.20	1,140	205.4	144.4	97.5	-29.9	6.9	9.8	14.4	14.9	1.0	1.0	15.1	9.9	1.0	0.3	7.0	2.3	U	13.90	-2.1
Masterlink Securities	2856 TT	10.15	449	35.0	15.8	-35.1	-56.5	29.0	64.2	13.1	13.1	0.8	0.8	2.7	1.2	0.2	0.1	2.2	0.8	U	9.40	-7.4
Polaris Securities	2854 TT	14.05	950	143.4	100.2	97.4	-30.3	9.8	14.0	13.9	14.8	1.0	1.0	11.0	6.9	0.4	0.3	3.0	2.2	O	19.10	35.9
President Securities	2855 TT	17.30	665	197.9	113.6	11.7	-42.8	8.7	15.2	16.1	16.4	1.1	1.1	12.7	7.0	1.0	0.5	5.6	2.9	O	20.55	18.8
<b>Weighted Average</b>				<b>164.1</b>	<b>107.1</b>	<b>62.6</b>	<b>-36.8</b>	<b>10.7</b>	<b>18.6</b>	<b>14.8</b>	<b>15.1</b>	<b>1.0</b>	<b>0.9</b>	<b>11.6</b>	<b>7.1</b>	<b>0.6</b>	<b>0.3</b>	<b>4.2</b>	<b>2.1</b>			
<b>Thailand</b>																						
Bangkok Bank	BBL TB	113.00	6,288	10.1	11.0	8.5	10.6	11.2	10.2	87.0	91.9	1.3	1.2	12.2	12.3	3.0	3.5	2.7	3.1	O	135.00	19.5
Bank of Ayudhya	BAY TB	19.40	3,289	-0.7	1.3	-183.0	nmf	nmf	15.5	12.8	14.7	1.5	1.3	-6.4	9.1	0.0	0.5	0.0	2.6	O	25.00	28.9
Kasikorn Bank	KBANK TB	68.00	4,744	6.3	6.3	11.6	-0.5	10.8	10.9	41.9	46.1	1.6	1.5	15.9	14.2	2.0	2.0	2.9	2.9	O	95.00	39.7
Krung Thai Bank	KTB TB	7.20	2,346	0.6	1.1	nmf	nmf	11.6	6.5	8.6	9.4	0.8	0.8	7.3	12.4	0.3	0.5	4.2	6.3	O	10.00	38.9
Siam City Bank	SCIB TB	13.90	856	-1.0	1.8	nmf	nmf	nmf	7.6	17.2	18.2	0.8	0.8	-5.6	10.3	0.0	0.6	0.0	4.3	O	16.00	15.1
Siam Commercial Bank	SCB TB	74.50	4,135	5.1	6.7	41.2	38.7	14.6	11.1	32.6	37.3	2.3	2.0	16.5	19.2	2.0	2.5	2.7	3.4	O	100.00	34.2
<b>Weighted Average</b>				<b>5.2</b>	<b>6.2</b>	<b>-14.9</b>	<b>10.3</b>	<b>9.7</b>	<b>10.8</b>	<b>44.2</b>	<b>47.9</b>	<b>1.5</b>	<b>1.4</b>	<b>9.8</b>	<b>13.5</b>	<b>1.7</b>	<b>2.1</b>	<b>2.4</b>	<b>3.4</b>			
ACL Bank	ACL TB	3.88	123	0.2	0.2	-50.0	-0.4	18.0	18.3	7.6	7.9	0.5	0.5	2.9	2.7	0.0	0.0	0.0	0.0	O	7.00	80.4
Kiatnakin Bank	KK TB	19.00	290	3.4	2.9	8.3	-21.2	5.6	6.6	33.3	34.3	0.6	0.6	12.0	9.7	2.3	2.0	12.1	10.5	O	28.00	47.4
Thanachart Capital	TCAP TB	11.30	439	2.1	2.5	1,005.0	30.9	5.3	4.6	19.7	21.2	0.6	0.5	11.4	12.0	0.9	0.9	8.0	8.0	O	14.00	23.9
TISCO Bank	TISCO TB	18.00	286	2.3	2.4	12.6	10.6	7.9	7.5	17.0	17.4	1.1	1.0	13.4	14.0	1.8	1.8	10.0	10.0	O	25.00	38.9
<b>Weighted Average</b>				<b>2.3</b>	<b>2.3</b>	<b>387.8</b>	<b>9.2</b>	<b>7.4</b>	<b>7.3</b>	<b>21.2</b>	<b>22.1</b>	<b>0.7</b>	<b>0.7</b>	<b>11.1</b>	<b>10.9</b>	<b>1.4</b>	<b>1.3</b>	<b>8.7</b>	<b>8.3</b>			
<b>Asia Banks Weighted Average</b>						<b>50.1</b>	<b>25.5</b>	<b>17.7</b>	<b>14.8</b>			<b>2.9</b>	<b>2.4</b>	<b>18.4</b>	<b>19.5</b>	<b>106.6</b>	<b>114.3</b>	<b>3.6</b>	<b>3.8</b>			

\*\*\* Weighted average excludes SGX, \*\*\*\* Weighted average excludes Cathay Financial and Shinkong Financial

Data as of 3 September 2008

Source: Bloomberg, Macquarie Research, September 2008

## Asia banks price and recommendation tracker

	Bloomberg code	Price (Icy)	Absolute performance (%)				Relative to local index (%)				Daily TO (Icy m) (3MMA)	Rating
			1m	3m	6m	YTD	1m	3m	6m	YTD		
<b>China</b>												
Bank of China	3988 HK	3.33	-7.8	-14.6	2.5	-11.9	0.2	-1.1	14.8	16.4	905.6	Outperform
Bank of Communications	3328 HK	8.90	-11.4	-12.7	-2.9	-18.2	-3.7	1.1	8.8	8.1	627.6	Outperform
China Citic Bank	998 HK	4.23	-15.4	-20.8	0.5	-13.5	-8.1	-8.2	12.6	14.3	215.3	Outperform
China Construction Bank	939 HK	6.25	-10.5	-8.6	7.4	-5.4	-2.7	5.8	20.4	25.0	1,864.5	Outperform
China Everbright	165 HK	14.04	-4.0	-22.2	-21.1	-43.3	4.3	-9.8	-11.6	-25.0	116.8	Outperform
China Merchants Bank	3968 HK	25.35	-10.1	-10.3	-5.6	-20.4	-2.3	3.9	5.8	5.2	895.4	Outperform
ICBC	1398 HK	5.35	-9.3	-7.4	0.6	-4.5	-1.5	7.2	12.7	26.3	1,825.2	Outperform
<b>Hong Kong</b>												
Bank of China-HK	2388 HK	17.56	-11.9	-12.4	-7.1	-19.6	-4.3	1.5	4.1	6.2	355.6	Outperform
Bank of East Asia	23 HK	30.95	-16.6	-34.1	-26.1	-42.0	-9.4	-23.7	-17.2	-23.3	233.1	Outperform
Dah Sing Financial	440 HK	47.85	-20.6	-27.8	-17.0	-37.9	-13.8	-16.3	-7.0	-18.0	14.7	Neutral
Hang Seng	11 HK	152.90	-3.6	-5.7	3.9	-5.0	4.7	9.2	16.5	25.6	464.9	Neutral
Wing Hang	302 HK	84.05	-19.3	-26.2	-27.0	-28.0	-12.4	-14.5	-18.2	-4.8	38.1	Neutral
Wing Lung Bank	96 HK	143.90	-6.1	-5.8	49.2	50.7	2.1	9.2	67.2	99.2	104.4	Neutral
Hong Kong Exchange	388 HK	100.60	-12.9	-25.2	-31.0	-54.5	-5.4	-13.4	-22.6	-39.9	1,105.6	Neutral
HSBC	5 HK	122.90	-5.0	-5.8	3.0	-6.7	3.2	9.2	15.5	23.3	2,499.2	Outperform
Standard Chartered	2888 HK	209.00	-11.1	-25.1	-18.9	-27.9	-3.4	-13.2	-9.1	-4.7	59.5	Outperform
<b>India</b>												
Bank of Baroda	BOB IN	299.70	8.6	20.6	-11.8	-34.8	5.8	28.7	3.0	-12.1	211.4	Underperform
Bank of India	BOI IN	285.20	-1.0	-2.8	-13.6	-22.0	-3.6	3.7	0.9	5.2	946.0	Outperform
HDFC	HDFC IN	2,445.15	1.9	-0.4	-4.8	-14.9	-0.8	6.3	11.2	14.6	2,915.1	Outperform
HDFC Bank	HDFCB IN	1,341.45	20.9	5.8	-3.6	-22.5	17.7	12.9	12.6	4.4	1,889.5	Outperform
ICICI Bank	ICICIBC IN	713.30	11.2	-6.1	-30.3	-42.4	8.2	0.2	-18.6	-22.3	5,476.8	Underperform
IDBI	IDBI IN	87.00	10.4	5.1	-20.5	-47.2	7.5	12.1	-7.2	-28.8	268.0	Underperform
IDFC	IDFC IN	95.85	-1.6	-30.9	-46.5	-58.0	-4.2	-26.3	-37.5	-43.4	1,294.5	Underperform
Kotak Mahindra Bank	KMB IN	649.95	15.1	-2.8	-10.7	-49.8	12.1	3.8	4.4	-32.3	1,284.2	Underperform
Punjab National Bank	PNB IN	514.80	6.7	9.3	-5.4	-22.4	3.9	16.7	10.5	4.7	402.9	Underperform
Reliance Capital	RCFT IN	1,418.90	6.1	27.2	-13.0	-45.1	3.3	35.8	1.6	-26.0	8,184.2	Outperform
State Bank of India	SBIN IN	1,521.35	1.2	9.7	-20.8	-31.9	-1.4	17.1	-7.5	-8.2	2,960.1	Underperform
Syndicate Bank	SNDB IN	63.85	15.2	-4.7	-30.5	-44.4	12.2	1.7	-18.8	-25.1	43.7	Underperform
Union Bank of India	UNBK IN	154.00	12.1	19.3	-10.2	-25.2	9.2	27.4	4.9	0.8	144.1	Underperform
Axis Bank	AXSB IN	759.65	11.8	0.3	-19.1	-21.7	8.8	7.1	-5.5	5.5	2,464.4	Outperform
Power Finance Corp	POWF IN	140.10	3.6	4.3	-19.8	-46.9	0.9	11.3	-6.3	-28.4	174.5	Outperform
Vijaya Bank	VJYBK IN	38.25	3.8	-17.7	-38.3	-55.2	1.1	-12.1	-27.9	-39.7	47.6	Underperform
<b>Indonesia</b>												
Bank Central Asia	BBCA IJ	3,375	15.4	23.9	-4.3	-7.5	20.2	37.9	17.6	17.6	51,543.5	Outperform
Bank Danamon	BDMN IJ	5,500	3.8	2.8	-25.2	-31.3	8.1	14.5	-8.1	-12.6	25,246.9	Outperform
Bank Int'l Indonesia	BNII IJ	0	0.0	-1.1	37.3	61.4	4.2	10.1	68.7	105.3	37,649.2	Outperform
Bank Mandiri	BMRI IJ	2,925	-1.7	3.5	-8.6	-16.4	2.4	15.3	12.3	6.3	76,194.7	Outperform
Bank Niaga	BNGA IJ	890	-6.3	-7.3	21.9	-1.1	-2.4	3.2	49.8	25.8	25,553.8	Neutral
Bank Panin	PNBN IJ	960	11.6	35.2	52.4	41.2	16.3	50.5	87.2	79.5	35,130.8	Underperform
Bank Rakyat Indonesia	BBRI IJ	6,250	5.9	5.0	-11.3	-15.5	10.3	17.0	8.9	7.4	114,286.4	Outperform
<b>Korea</b>												
Daegu Bank	005270 KS	12,500	-0.4	-16.7	-2.7	-19.6	11.4	7.7	15.6	8.4	6,104.6	Outperform
Hana Financial Group	086790 KS	37,000	-2.4	-11.6	-11.9	-26.6	9.2	14.3	4.7	-1.0	41,068.1	Outperform
Industrial Bank of Korea	024110 KS	15,300	-2.9	-14.0	0.7	-13.1	8.6	11.1	19.6	17.2	23,379.9	Outperform
Kookmin Bank	060000 KS	55,900	-3.1	-11.8	-2.8	-19.0	8.4	14.0	15.5	9.2	146,546.5	Outperform
Pusan Bank	005280 KS	11,300	-8.1	-23.4	-11.0	-28.0	2.7	-0.9	5.7	-3.0	8,401.1	Neutral
Woori Finance	053000 KS	12,600	-11.9	-33.9	-25.4	-33.2	-1.5	-14.5	-11.4	-9.9	48,633.8	Outperform
Shinhan Financial	055550 KS	47,550	1.6	-5.3	-6.2	-11.1	13.6	22.5	11.4	19.8	81,066.1	Outperform
<b>Malaysia</b>												
AMMB Holdings	AMM MK	2.97	-8.3	-23.1	-18.9	-21.8	-2.3	-11.0	-0.7	3.9	15.2	Outperform
Bumiputra-Commerce	BCHB MK	8.25	-5.7	-12.7	-20.7	-25.0	0.5	1.0	-2.9	-0.3	51.8	Neutral
EON Capital	EON MK	4.42	-5.2	-11.6	-10.9	-33.0	1.1	2.3	9.1	-11.0	2.1	Neutral
Hong Leong Bank	HLBK MK	5.70	0.0	-5.8	1.8	-10.2	6.6	9.0	24.6	19.3	4.1	Neutral
Maybank	MAY MK	7.70	-3.1	4.1	-14.0	-16.3	3.3	20.4	5.3	11.3	24.8	Neutral
Public Bank	PBKF MK	10.30	0.0	-11.2	1.0	-6.4	6.6	2.7	23.6	24.5	23.7	Outperform
RHB Capital	RHBC MK	4.12	0.5	-18.4	-15.9	-29.6	7.2	-5.6	2.9	-6.4	2.4	Neutral
Bursa Malaysia	BURSA MK	6.75	-4.9	-20.1	-38.1	-52.8	1.4	-7.6	-24.2	-37.2	6.4	Neutral

## Asia banks price and recommendation tracker (con't)

	Bloomberg code	Price (Icy)	Absolute performance (%)				Relative to local index (%)				Daily TO (Icy m) (3MMA)	Rating
			1m	3m	6m	YTD	1m	3m	6m	YTD		
<b>Philippines</b>												
Banco de Oro	BDO PM	41.50	3.8	-11.7	-20.2	-31.4	-1.0	-9.3	-9.2	-8.3	43.6	Outperform
Bank of Philippine Islands	BPI PM	47.00	11.9	7.4	2.5	-8.3	6.8	10.4	16.6	22.6	75.7	Outperform
China Banking Corp	CHIB PM	550.00	-0.9	-5.2	-12.0	-16.7	-5.4	-2.6	0.1	11.4	1.5	Neutral
Metrobank	MBT PM	38.00	0.0	-2.6	-8.4	-30.3	-4.6	0.1	4.1	-6.8	80.0	Outperform
Philippine National Bank	PNB PM	32.00	10.3	-8.6	1.6	-36.0	5.3	-6.1	15.5	-14.4	8.5	Outperform
Security Bank	SECB PM	59.50	2.6	-2.5	-8.5	-24.2	-2.1	0.2	4.1	1.4	16.3	Neutral
UnionBank	UBP PM	31.50	-1.6	-10.0	-13.7	-26.7	-6.1	-7.5	-1.9	-2.0	2.2	Underperform
<b>Singapore</b>												
DBS Group	DBS SP	18.10	-5.4	-6.8	6.3	-12.6	-0.4	6.5	12.8	9.8	97.6	Outperform
Hong Leong Finance	HLF SP	3.20	-10.6	-13.7	-15.3	-15.6	-5.8	-1.4	-10.2	6.1	0.6	Outperform
OCBC	OCBC SP	8.15	-2.5	-5.1	8.7	-1.7	2.7	8.5	15.3	23.5	48.8	Outperform
UOB	UOB SP	19.10	-1.3	-4.0	7.5	-4.0	3.9	9.7	14.1	20.6	75.7	Outperform
Singapore Exchange	SGX SP	6.40	-6.3	-19.6	-20.5	-52.3	-1.3	-8.1	-15.7	-40.1	61.1	Outperform
<b>Taiwan</b>												
Bank of Kaohsiung	2836 TT	12.50	1.6	-22.8	-14.8	-16.9	6.2	-1.2	5.1	5.5	19.3	Underperform
Cathay Financial	2882 TT	58.30	-4.3	-22.1	-21.4	-9.4	0.1	-0.3	-3.1	15.0	1,866.5	Outperform
Chang Hwa Bank	2801 TT	17.95	-3.5	-24.7	-7.9	1.1	0.9	-3.6	13.5	28.4	419.6	Outperform
China Development	2883 TT	9.69	-1.7	-23.6	-22.4	-22.4	2.8	-2.2	-4.3	-1.5	214.2	Outperform
Chinatrust	2891 TT	18.75	-9.4	-33.1	-28.3	-12.1	-5.3	-14.4	-11.6	11.6	963.2	Underperform
E. Sun Financial	2884 TT	11.95	-6.6	-28.2	-29.2	-26.2	-2.3	-8.0	-12.7	-6.4	122.1	Neutral
First Financial	2892 TT	23.05	-8.9	-38.3	-16.2	-2.6	-4.8	-21.0	3.3	23.7	1,213.8	Outperform
Fubon Financial	2881 TT	26.05	-5.3	-23.4	-23.3	-9.5	-1.0	-1.9	-5.4	14.8	683.5	Underperform
Yuanta Financial	2885 TT	17.70	-1.7	-33.8	-34.4	-16.3	2.8	-15.3	-19.2	6.3	1,259.0	Outperform
Hua Nan Financial	2880 TT	22.65	-5.7	-24.3	-6.7	8.5	-1.4	-3.0	15.1	37.7	251.6	Outperform
Mega Financial	2886 TT	19.00	-8.9	-21.5	-13.2	-4.8	-4.8	0.5	7.0	20.9	401.7	Underperform
Shinkong Financial	2888 TT	16.40	1.3	-34.8	-21.4	-22.1	5.9	-16.5	-3.0	-1.1	578.5	Outperform
Sinopac Financial	2890 TT	10.45	-10.7	-25.9	-24.0	-14.0	-6.6	-5.1	-6.3	9.2	180.1	Outperform
Ta Chong Bank	2847 TT	8.10	-2.4	-18.0	-15.9	-18.6	2.0	5.0	3.7	3.4	22.2	Outperform
Taichung Bank	2812 TT	11.45	-5.4	-21.0	-17.0	-12.3	-1.1	1.1	2.3	11.4	32.9	Outperform
Taishin Financial	2887 TT	9.45	-13.7	-37.4	-35.3	-29.7	-9.8	-19.9	-20.2	-10.8	191.4	Underperform
Taiwan Business Bank	2834 TT	9.93	-5.9	-28.8	-0.6	-0.5	-1.6	-8.8	22.6	26.3	293.9	Underperform
Capital Securities	6005 TT	14.75	-7.8	-19.3	-21.8	0.5	-3.6	3.4	-3.6	27.6	68.1	Outperform
KGI Securities	6008 TT	14.20	-20.2	-38.4	-24.5	-15.2	-16.6	-21.1	-6.8	7.6	332.2	Underperform
Masterlink Securities	2856 TT	10.15	-9.4	-30.7	-26.7	-18.1	-5.3	-11.3	-9.6	3.9	50.5	Underperform
Polaris Securities	2854 TT	14.05	-3.6	-21.7	-18.4	-3.6	0.8	0.3	0.7	22.5	260.9	Outperform
President Securities	2855 TT	17.30	-6.9	-20.9	-18.4	-1.8	-2.7	1.3	0.6	24.7	59.7	Outperform
<b>Thailand</b>												
Bangkok Bank	BBL TB	113.00	0.0	-8.9	-13.7	-4.2	2.9	11.5	10.2	24.6	539.3	Outperform
Bank of Ayudhya	BAY TB	19.40	-1.5	-19.8	-21.1	-26.1	1.3	-1.9	0.8	-3.8	242.8	Outperform
Kasikorn Bank	KBANK TB	68.00	0.0	-13.9	-22.3	-21.8	2.9	5.3	-0.7	1.7	684.2	Outperform
Krung Thai Bank	KTB TB	7.20	-1.4	-19.6	-32.1	-28.7	1.5	-1.6	-13.2	-7.2	169.1	Outperform
Siam City Bank	SCIB TB	13.90	3.7	-14.2	-18.2	-6.1	6.7	5.0	4.5	22.2	35.9	Outperform
Siam Commercial	SCB TB	74.50	-2.6	-13.9	-14.4	-13.9	0.2	5.4	9.4	12.1	710.0	Outperform
ACL Bank	ACL TB	3.88	-3.0	-8.9	-22.4	-18.8	-0.2	11.4	-0.8	5.6	3.6	Outperform
Kiatnakin Bank	KK TB	19.00	-14.8	-33.3	-35.6	-32.7	-12.3	-18.4	-17.7	-12.5	13.4	Outperform
Thanachart Capital	TCAP TB	11.30	-1.7	-23.6	-25.2	-22.6	1.1	-6.6	-4.4	0.7	48.8	Outperform
TISCO Bank	TISCO TB	18.00	2.3	-18.6	-40.0	-40.0	5.2	-0.4	-23.3	-21.9	87.5	Outperform

Data as of 3 September 2008

Source: Bloomberg, Macquarie Research, September 2008

**Banks sector performance (%)**

	Absolute performance			Relative to local index			Relative to MSCI Asia Pacific		
	1m	3m	6m	1m	3m	6m	1m	3m	6m
S&P Financials	-0.1	-12.7	-15.8	-1.5	-4.3	-12.3	9.5	11.7	8.2
FTSE Bank	5.9	-1.9	-11.7	0.6	4.5	-7.3	16.2	25.5	13.4
Australia	8.5	-3.9	0.1	3.8	4.5	5.5	18.9	23.0	28.5
HK (ex HSBC, SCB)	-7.8	-9.6	0.8	0.2	4.7	13.0	1.1	15.7	29.5
HSBC	-5.0	-5.8	3.0	3.2	9.2	15.5	4.1	20.6	32.3
Std Chartered HK	-11.1	-25.1	-18.9	-3.4	-13.2	-9.1	-2.5	-4.2	4.1
China	-13.9	-29.3	-43.3	7.1	11.8	18.9	-5.6	-9.5	-27.2
India	19.3	-21.5	-30.6	16.2	-16.2	-18.9	30.8	0.4	-10.9
Indonesia	4.4	7.7	-4.0	8.8	19.9	18.0	14.5	37.8	23.4
Malaysia	-2.7	-10.5	-13.8	3.8	3.5	5.5	6.7	14.5	10.7
Philippines	3.2	-3.8	-8.7	-1.6	-1.1	3.8	13.1	23.1	17.3
Singapore	-3.0	-6.7	3.7	2.2	6.6	10.0	6.4	19.3	33.2
South Korea	-2.4	-14.4	-5.9	9.1	10.7	11.8	7.0	9.5	20.9
Taiwan	-5.6	-26.4	-20.6	-1.3	-5.8	-2.1	3.5	-5.9	2.0
Thailand	-1.1	-14.3	-19.7	1.8	4.9	2.7	8.4	9.7	3.2

Note: Data as of 3 September 2008

Source: Bloomberg, Macquarie Research, September 2008

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Recommendation definitions	Volatility index definition*	Financial definitions				
<p><b>Macquarie - Australia/New Zealand</b>            Outperform – return &gt;5% in excess of benchmark return (&gt;2.5% in excess for listed property trusts)            Neutral – return within 5% of benchmark return (within 2.5% for listed property trusts)            Underperform – return &gt;5% below benchmark return (&gt;2.5% below for listed property trusts)</p> <p><b>Macquarie – Asia/Europe</b>            Outperform – expected return &gt;+10%            Neutral – expected return from -10% to +10%            Underperform – expected return &lt;-10%</p> <p><b>Macquarie First South - South Africa</b>            Outperform – expected return &gt;+10%            Neutral – expected return from -10% to +10%            Underperform – expected return &lt;-10%</p> <p><b>Macquarie - Canada</b>            Outperform – return &gt;5% in excess of benchmark return            Neutral within 5% of benchmark return            Underperform – return &gt;5% below benchmark return</p> <p><b>Macquarie - USA</b>            Outperform (Buy) – return &gt;5% in excess of benchmark return            Neutral (Hold) – return within 5% of benchmark return            Underperform (Sell) – return &gt;5% below benchmark return</p> <p><b>Recommendations – 12 months</b></p> <p><b>Note:</b> Quant recommendations may differ from Fundamental Analyst recommendations</p>	<p><b>Volatility index definition*</b>            This is calculated from the volatility of historic price movements.</p> <p><b>Very high–highest risk</b> – Stock should be expected to move up or down 60–100% in a year – investors should be aware this stock is highly speculative.</p> <p><b>High</b> – stock should be expected to move up or down at least 40–60% in a year – investors should be aware this stock could be speculative.</p> <p><b>Medium</b> – stock should be expected to move up or down at least 30–40% in a year.</p> <p><b>Low–medium</b> – stock should be expected to move up or down at least 25–30% in a year.</p> <p><b>Low</b> – stock should be expected to move up or down at least 15–25% in a year.            * Applicable to Australian/NZ stocks only</p>	<p><b>Financial definitions</b>            All "Adjusted" data items have had the following adjustments made:            Added back: goodwill amortisation, provision for catastrophe reserves, IFRS derivatives &amp; hedging, IFRS impairments &amp; IFRS interest expense            Excluded: non recurring items, asset revals, property revals, appraisal value uplift, preference dividends &amp; minority interests</p> <p><b>EPS</b> = adjusted net profit / epowa*  <b>ROA</b> = adjusted ebit / average total assets  <b>ROA Banks/Insurance</b> = adjusted net profit / average total assets  <b>ROE</b> = adjusted net profit / average shareholders funds  <b>Gross cashflow</b> = adjusted net profit + depreciation            *equivalent fully paid ordinary weighted average number of shares</p> <p>All Reported numbers for Australian/NZ listed stocks are modelled under IFRS (International Financial Reporting Standards).</p>				
<b>Recommendation proportions – For quarter ending 30 June 2008</b>						
	<b>AU/NZ</b>	<b>Asia</b>	<b>RSA</b>	<b>USA</b>	<b>CA</b>	<b>EUR</b>
Outperform	41.88%	66.96%	66.13%	50.82%	71.01%	43.00%
Neutral	42.96%	16.30%	22.58%	44.26%	24.64%	48.00%
Underperform	15.16%	16.74%	11.29%	4.92%	4.35%	9.00%

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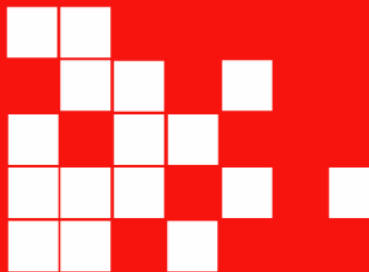
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