

INDIA

## ICICI Bank

6 August 2007

**ICICIB IN** **Outperform**

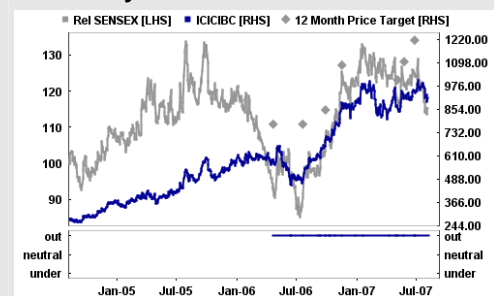
Stock price as of 06 Aug 07	Rs	887.60
IBN US (ADR) 03 Aug 07	US\$	43.14
12-month target	Rs	1,216.00
Upside/downside	%	+37.0
Valuation	Rs	1,216.00
- Sum of Parts		

GICS sector		banks
Market cap	Rs m	960,973
30-day avg turnover	Rs m	594.7
Market cap	US\$m	23,875
Number shares on issue	m	1,083

### Investment fundamentals

Year end 31 Mar		2007A	2008E	2009E	2010E
Net interest inc	bn	66.4	98.3	135.7	176.4
Non interest inc	bn	59.3	79.8	103.1	133.3
Reported profit	bn	31.1	52.9	69.9	90.6
EPS adj	Rs	34.60	47.86	63.26	81.93
EPS adj growth	%	21.2	38.3	32.2	29.5
PE adj	x	25.7	18.5	14.0	10.8
Total DPS	Rs	8.50	11.50	15.50	21.50
Total div yield	%	1.0	1.3	1.7	2.4
ROA	%	1.0	1.3	1.4	1.4
ROE	%	13.4	14.6	13.8	16.0
Price/book	x	3.3	2.0	1.8	1.6

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



Source: Datastream, Macquarie Research, August 2007  
(all figures in INR unless noted)

### Analysts

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## Bottoming out

### Event

- We met with various industry sources to get a greater understanding of ICICI Bank's strategic direction.

### Impact

- Focus on domestic liabilities.** There is a clear sign that ICICI's strategy of fast growth with a high degree of dependence on wholesale liabilities is seen to be too risky. FY3/08 is clearly seen to be a year when the liabilities franchise will be strengthened and the dependence on wholesale liabilities is reduced to at least 40%. The benefits should accrue significantly in FY3/09, not before then. To achieve this, the bank will hold retail asset growth at 20-25%. This will allow it to derive significant cost benefits on distributor payouts.
- ROA to improve, over time.** The improvement in the liabilities profile is seen to be the key driver of improving profitability. NPLs will continue to rise as the focus stays on unsecured loans: the bank is very comfortable with credit behaviour in these categories. However, as the bank improves its deposit mix, rising net interest margins are likely to more than offset these credit costs and ROAs should 'normalise'. This process will take time given the long tenor deposits raised in March-April 2007.
- International business – on track.** The international business is clearly on track, with growth exceeding 50% and ROAs and ROEs exceeding the overall bank average, despite the low net interest margins. The strategy remains largely unchanged – wholesale India-related dollar assets, retail deposits in the subs and wholesale deposits in the parent bank, thin NIMs and a fee-heavy revenue structure. The momentum in both retail fees (via remittances) and wholesale fees (corporate) remains strong.

### Earnings revision

- No change.

### Price catalyst

- 12-month price target: Rs1,216.00 based on a Sum of Parts methodology.
- Catalyst: Significant NIM improvement from 2H FY3/08E.

### Action and recommendation

- We retain our view that 1Q FY3/08 was the worst quarter for ICICI Bank for quite some time. The business fundamentals are set to turn around and the stock is now very cheap. Adjusting for the subsidiaries (our conservative numbers, not the optimistic deal valuations), the bank is available at 1.4x P/BV, which we think is cheap given the growth the bank delivers. We retain our Outperform rating with a target price of Rs 1,216.

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

## Analysis

### Domestic retail business

- Cross-selling opportunities have increased significantly compared with three years ago. The share of internal loan origination (online as well as through branches) is currently 40%, from about 10% three years ago. This is driving distribution costs down – with lower reliance on third-party distributors, the bank has cut commission rates to dealers and distributors. The result is direct marketing costs fell 0.2% QoQ in 1Q FY3/08.
- The credit card business is growing strongly. ICICI Bank dominates the segment with 28–30% of the total credit card user base in India. ICICI Bank also claims to be improving per-card spend and now has a 30% share in spend.
- The rebranding of all Sangli Bank branches is complete. Integration of technology is currently underway and is expected to be completed in the next 6–12 months. The branches will come onstream in 2H FY3/08 with regard to traction in retail deposits.
- ICICI Bank is sanguine about its credit quality. It reiterates that despite the rising headline loan losses, most of its loan products are delivering credit quality well within 'budgeted' levels.

### International business

- **Retail liabilities.** The focus has been two pronged: 1) Non-resident Indian (NRI) deposits in the parent bank; and 2) deposits from the local population in the subsidiaries. NRI deposits form a major share in the retail liabilities of the book.
- **Remittances.** The bank now has a 28% market share in all international dollar remittances into India. The rapid market share increases should soon peak; however, the overall pie is still growing strongly. In the past quarter, the translation effect has dampened revenue growth.
- The bank does not see its market position under serious threat. In India, the foreign banks are hampered by lack of distribution and the state banks by service issues. In the origin countries, the key advantages are a robust technology platform and strong strategic alliances.
- Credit quality of its international loan book remains robust – NPLs are near-zero.
- The bank has not entered the retail asset space internationally but is studying some areas such as Sri Lanka and Russia, where its Indian experience could count. There are no ambitious plans yet for a rapid rollout of retail assets abroad.

**Fig 1 ICICI Bank: Selected ratios**

%	2005A	2006A	2007A	2008E	2009E	2010E
<b>GROWTH PROJECTIONS</b>						
Growth in Net Interest Income	42.9	65.9	40.9	48.1	38.1	30.0
Growth in Pre Provision Profit	1.4	62.1	50.1	49.9	39.5	33.4
Growth in Net Profit	22.5	26.7	22.4	70.1	32.2	29.5
<b>OPERATING EFFICIENCY</b>						
Cost to income	63.8	60.9	57.7	53.0	49.2	47.3
Cost to assets	2.5	2.6	2.4	2.4	2.4	2.4
Overhead ratio	34.1	31.8	26.0	18.7	11.9	8.1
<b>ASSET ANALYSIS</b>						
Loans to earning assets	59.0	62.3	60.4	61.0	60.9	61.0
Earning assets to Total assets	92.3	93.4	94.1	94.6	94.8	94.9
Loans to Total assets	54.5	58.1	56.8	57.7	57.7	57.9
<b>LOAN ANALYSIS</b>						
Net loan growth	39.3	57.0	33.8	31.0	27.9	26.1
Agriculture loans (to total portfolio)	6.5	7.3	9.9	11.5	13.3	15.0
Retail loans (to total portfolio)	51.7	60.9	62.9	60.5	58.1	55.8
International loans (to total portfolio)	1.6	6.7	8.5	11.0	13.0	15.0
Corporate/SME (to total portfolio)	40.2	25.2	18.7	17.0	15.6	14.2
<b>DEPOSIT ANALYSIS</b>						
Deposit growth	46.6	65.4	39.6	21.7	30.0	27.4
Demand & savings to ttl deposit	24.3	22.7	22.1	22.9	27.9	26.3
Time deposit to total deposit	75.7	77.3	77.9	77.1	72.1	73.7
<b>LIQUIDITY</b>						
LDR	96.5	91.4	85.9	94.3	92.7	91.5
Gilts to Deposits	25.9	25.2	23.2	25.0	25.0	25.0
Earning Assets to deposits	155.1	142.2	140.7	150.1	148.2	146.5
<b>PROVISIONING</b>						
Loan loss reserve to assets	0.8	0.5	0.8	1.2	1.5	1.8
Reserve cover	52.6	58.4	59.0	60.5	62.0	62.0
Provisions to loans	-0.1	0.2	0.8	0.8	0.9	0.9
<b>ASSET QUALITY</b>						
Gross NPLs	2.9	1.5	2.4	3.2	3.8	4.4
Net NPLs	1.6	0.7	1.0	1.3	1.6	1.7
<b>CAPITAL ADEQUACY</b>						
Tier 1 CAR	7.6	9.2	7.4	12.4	10.2	9.0
Total CAR	11.8	13.4	11.7	16.9	13.4	11.8
Equity to assets	7.5	8.8	7.1	10.8	9.3	8.3
<b>CAPITAL MANAGEMENT</b>						
Dividend payout	27.6	29.8	24.6	24.0	24.5	26.2
Dividend yield	0.8	0.9	0.9	1.2	1.6	2.2
EPS	27.2	28.5	34.6	47.9	63.3	81.9
BVPS	170.3	249.6	270.4	436.1	482.3	540.6
<b>PROFITABILITY</b>						
ROA	1.49	1.30	1.11	1.42	1.45	1.48
ROE	19.51	14.62	13.37	14.59	13.78	16.0
Pre provision profit ROE	19.2	17.6	24.2	18.3	23.0	27.4
Non-int. inc. to ttl. inc.	23.4	22.7	20.5	19.3	18.7	18.6
<b>SPREAD ANALYSIS</b>						
Int. rate received on int. E.A.	7.00	7.35	8.23	8.95	9.32	9.53
Int. rate paid on int. bearing liab.	4.83	4.99	5.95	6.57	6.84	6.91
Spread	2.17	2.35	2.27	2.39	2.48	2.63
Net Interest Margin	2.11	2.14	2.11	2.55	2.74	2.81

Source: Company data, Macquarie Research, August 2007

Fig 2 ICICI Bank: Balance sheet

Yr end 31 Mar (Rs m)	2005A	2006A	2007A	2008E	2009E	2010E
<b>LIABILITIES</b>						
Equity capital	7,368	8,898	8,990	11,052	11,052	11,052
Share Premium	39,892	118,175	118,175	316,113	316,113	316,113
Reserves	78,240	94,987	115,965	154,850	205,887	270,253
<b>Net worth</b>	<b>125,500</b>	<b>222,060</b>	<b>243,130</b>	<b>482,015</b>	<b>533,052</b>	<b>597,418</b>
Sub bonds/pref cap	85,589	104,944	104,944	140,744	190,744	225,744
Savings deposits	113,918	209,370	288,390	360,422	665,288	791,281
Current deposits	128,369	165,730	220,000	280,500	350,625	429,516
Term deposits	755,901	1,275,726	1,796,710	2,163,540	2,630,027	3,425,210
<b>Total deposits</b>	<b>998,188</b>	<b>1,650,826</b>	<b>2,305,100</b>	<b>2,804,462</b>	<b>3,645,940</b>	<b>4,646,006</b>
Borrowings	335,445	385,219	598,230	780,763	1,018,949	1,304,004
Other liabilities	131,873	150,835	195,166	241,004	313,581	399,969
<b>Total</b>	<b>1,676,594</b>	<b>2,513,884</b>	<b>3,446,570</b>	<b>4,448,989</b>	<b>5,702,265</b>	<b>7,173,141</b>
<b>ASSETS</b>						
Loans	914,052	1,461,630	1,958,659	2,568,280	3,288,509	4,149,709
Corp investments	28,540	18,040	21,190	24,368	28,024	32,227
Gilts	345,196	512,087	673,680	896,306	1,166,222	1,487,503
Other investments						
- Equity	19,148	20,579	24,172	24,172	24,172	24,172
- Subs	20,667	28,607	40,607	51,482	62,357	67,357
- Others	91,323	136,161	152,928	198,811	253,484	304,180
Cash/equiv	129,300	170,402	371,208	446,884	581,245	741,066
Fixed assets	40,380	39,807	48,838	46,926	48,746	48,684
Other assets	87,989	126,572	155,288	191,760	249,507	318,243
<b>Total</b>	<b>1,676,594</b>	<b>2,513,884</b>	<b>3,446,570</b>	<b>4,448,989</b>	<b>5,702,265</b>	<b>7,173,141</b>

Source: Company data, Macquarie Research, August 2007

Fig 3 ICICI Bank: Income statement

Yr end 31 Mar (Rs m)	2005A	2006A	2007A	2008E	2009E	2010E
Interest Income	94,099	143,075	229,943	333,678	448,182	581,976
Interest expenses	65,709	95,974	163,585	235,405	312,490	405,531
<b>Net Interest Income</b>	<b>28,390</b>	<b>47,100</b>	<b>66,358</b>	<b>98,273</b>	<b>135,692</b>	<b>176,446</b>
Fees	23,306	35,030	49,655	71,656	99,871	131,661
<b>Net revenues</b>	<b>51,696</b>	<b>82,131</b>	<b>116,013</b>	<b>169,929</b>	<b>235,563</b>	<b>308,107</b>
Operating Expense	32,992	50,025	66,906	89,987	115,999	145,879
- Employee exp	7,374	10,823	16,168	26,030	38,914	55,939
- Other opex	25,617	39,202	50,738	63,957	77,085	89,940
Operating profit	18,704	32,106	49,108	79,942	119,564	162,228
Investment profits	5,440	7,034	9,636	8,108	3,243	1,622
<b>Preprovision profit</b>	<b>24,144</b>	<b>39,139</b>	<b>58,744</b>	<b>88,050</b>	<b>122,807</b>	<b>163,850</b>
Provisions	-1,128	8,174	22,264	24,624	33,035	42,022
- Loan loss provisions	-1,214	7,947	22,260	24,624	33,035	42,022
- Other provisions	86	227	4	0	0	0
<b>PBT</b>	<b>25,272</b>	<b>30,966</b>	<b>36,480</b>	<b>63,426</b>	<b>89,772</b>	<b>121,828</b>
Taxes	5,220	5,566	5,378	10,535	19,858	31,276
<b>Reported PAT</b>	<b>20,052</b>	<b>25,400</b>	<b>31,102</b>	<b>52,891</b>	<b>69,915</b>	<b>90,552</b>
Dividends	6,330	7,593	8,990	12,710	17,130	23,761

Source: Company data, Macquarie Research, August 2007



## Asia banks valuations (con't)

	Bberg code	Price (lcy)	Mkt cap (US\$m)	EPS (lcy cents)		EPS growth (%)		PER (x)		BVPS (lcy)		P/BV (x)		ROE (%)		DPS (lcy)		Div yield (%)		Rating	Target price (lcy)	Price to TP (%)
				FY07E	FY08E	FY07E	FY08E	FY07E	FY08E	FY07E	FY08E	FY07E	FY08E	FY07E	FY08E	FY07E	FY08E	FY07E	FY08E			
<b>Philippines</b>																						
Banco de Oro	BDO PM	61.00	3,054	280	446	-14.0	59.7	21.8	13.7	26.6	30.3	2.3	2.0	15.0	15.7	0.8	0.8	1.3	1.3	O	78.00	27.9
Bank Philippine Islands	BPI PM	63.00	3,757	390	461	18.1	18.3	16.2	13.7	24.9	26.6	2.5	2.4	16.1	17.9	2.5	3.0	4.0	4.7	O	80.00	27.0
China Banking Corp	CHIB PM	780.00	1,061	6,455	7,704	12.5	19.3	12.1	10.1	441.0	485.8	1.8	1.6	15.3	16.6	28.7	32.3	3.7	4.1	O	1,060.00	35.9
Metrobank	MBT PM	59.50	2,371	404	470	20.7	16.4	14.7	12.6	40.4	44.3	1.5	1.3	10.4	11.1	0.8	0.8	1.3	1.3	O	70.00	17.6
Philippine Nat'l Bank	PNB PM	57.00	832	166	150	-2.5	-9.7	34.3	38.0	43.2	44.7	1.3	1.3	3.9	3.4	0.0	0.0	0.0	0.0	U	24.00	-57.9
Security Bank	SECB PM	82.00	596	778	974	34.7	25.3	10.5	8.4	44.8	51.4	1.8	1.6	18.5	20.3	2.3	3.1	2.8	3.8	O	101.00	23.2
UnionBank	UBP PM	56.00	792	521	606	14.4	16.3	10.7	9.2	44.0	46.2	1.3	1.2	13.6	13.8	1.2	1.5	2.2	2.6	O	70.00	25.0
<b>Weighted Average</b>				<b>894</b>	<b>1,088</b>	<b>9.4</b>	<b>26.5</b>	<b>17.5</b>	<b>14.3</b>	<b>67.1</b>	<b>73.6</b>	<b>2.0</b>	<b>1.8</b>	<b>13.8</b>	<b>14.8</b>	<b>3.7</b>	<b>4.2</b>	<b>2.4</b>	<b>2.7</b>			
<b>Singapore</b>																						
DBS Group	DBS SP	21.90	21,886	154.7	180.3	8.0	16.7	14.2	12.1	12.6	13.5	1.7	1.6	12.7	13.8	0.8	1.0	3.9	4.6	O	25.75	17.6
Hong Leong Finance	HLF SP	3.94	1,138	23.8	25.0	8.7	5.1	16.6	15.8	3.2	3.2	1.2	1.2	7.5	7.7	0.3	0.2	6.9	5.1	O	4.75	20.6
OCBC	OCBC SP	8.70	17,922	51.5	51.7	-18.9	0.5	16.9	16.8	4.5	4.7	1.9	1.8	11.6	11.2	0.3	0.3	3.5	3.9	N	8.80	1.1
UOB	UOB SP	21.00	21,083	134.9	150.0	-19.1	11.2	15.6	14.0	11.2	11.9	1.9	1.8	12.3	13.0	0.7	0.8	3.6	3.8	O	23.80	13.3
Singapore Exchange	SGX SP	9.55	6,684	35.9	38.0	102.1	5.7	26.6	25.1	0.5	0.6	17.9	16.6	66.3	69.2	0.3	0.3	3.4	3.6	O	10.90	14.1
<b>Weighted Average***</b>				<b>115.8</b>	<b>130.0</b>	<b>-8.9</b>	<b>9.9</b>	<b>15.5</b>	<b>14.2</b>	<b>9.6</b>	<b>10.2</b>	<b>1.8</b>	<b>1.7</b>	<b>12.1</b>	<b>12.7</b>	<b>0.6</b>	<b>0.7</b>	<b>3.7</b>	<b>4.1</b>			
<b>Taiwan</b>																						
Bank of Kaohsiung	2836 TT	20.15	309	94.5	105.7	-3.0	11.9	21.3	19.1	21.4	21.9	0.9	0.9	4.5	4.9	0.6	0.6	2.8	3.1	U	19.75	-2.0
Chang Hwa Bank	2801 TT	20.40	2,985	177.2	149.0	-4.7	-16.0	11.5	13.7	14.1	14.7	1.4	1.4	13.0	10.4	1.1	0.7	5.6	3.7	O	26.10	27.9
China Development	2883 TT	13.35	4,322	148.0	151.6	5.0	2.5	9.0	8.8	16.1	17.1	0.8	0.8	9.5	9.1	0.5	0.5	3.9	4.0	U	12.85	-3.7
Chinatrust	2891 TT	25.10	6,421	173.2	192.8	nmf	11.3	14.5	13.0	11.7	13.0	2.2	1.9	16.1	15.6	0.8	0.8	3.0	3.4	U	24.20	-3.6
E. Sun Financial	2884 TT	17.85	1,794	108.0	140.4	759.2	30.3	16.5	12.7	14.9	15.6	1.2	1.1	7.5	9.2	0.7	0.9	4.0	5.2	N	18.68	4.6
First Financial	2892 TT	23.70	4,306	197.4	204.9	4.2	3.8	12.0	11.6	17.7	18.6	1.3	1.3	11.4	11.3	1.2	1.2	5.0	5.2	N	24.12	1.8
Fubon Financial	2881 TT	29.20	6,856	203.1	240.0	87.4	18.3	14.4	12.2	22.3	23.1	1.3	1.3	9.2	10.6	1.4	1.7	4.9	5.8	U	29.05	-0.5
Fuhwa Financial	2885 TT	20.70	5,235	93.5	119.1	nmf	27.6	22.1	17.4	13.9	14.3	1.5	1.4	6.8	8.4	0.6	0.8	3.0	3.8	O	18.06	-12.8
Hua Nan Financial	2880 TT	21.65	3,932	156.4	173.7	17.6	11.1	13.8	12.5	16.0	17.1	1.4	1.3	10.0	10.5	0.9	1.0	4.3	4.8	U	22.15	2.3
Mega Financial	2886 TT	20.20	6,796	165.8	198.4	12.1	19.8	12.2	10.2	18.2	18.7	1.1	1.1	9.2	10.8	1.5	1.5	7.4	7.4	O	26.15	29.5
Sinopac Financial	2890 TT	16.25	3,503	82.2	125.2	122.1	53.0	19.8	13.0	12.7	13.2	1.3	1.2	6.7	9.7	0.4	0.6	2.5	3.9	N	15.80	-2.8
Ta Chong Bank	2847 TT	11.00	703	39.5	84.2	nmf	116.2	27.9	13.1	10.2	9.5	1.1	1.2	5.2	9.3	0.0	0.0	0.0	0.0	U	9.50	-13.6
Taishin Financial	2887 TT	17.40	3,022	96.3	114.9	nmf	19.5	18.1	15.1	13.7	14.8	1.3	1.2	7.2	7.8	0.3	0.4	1.9	2.3	U	17.10	-1.7
Cathay Financial	2882 TT	80.70	22,773	332.4	387.8	18.2	16.7	24.3	20.8	23.6	24.8	3.4	3.3	13.8	15.0	1.7	1.8	2.2	2.3	O	100.00	23.9
Shinkong Financial	2888 TT	35.70	5,303	238.6	240.9	147.4	1.0	15.0	14.8	12.8	14.5	2.8	2.5	19.9	17.6	0.8	0.8	2.1	2.2	O	50.00	40.1
<b>Weighted Average****</b>				<b>151.1</b>	<b>172.4</b>	<b>51.1</b>	<b>17.6</b>	<b>14.9</b>	<b>12.6</b>	<b>16.0</b>	<b>16.7</b>	<b>1.4</b>	<b>1.3</b>	<b>9.9</b>	<b>10.6</b>	<b>0.9</b>	<b>1.0</b>	<b>4.3</b>	<b>4.6</b>			
Capital Securities	6005 TT	22.85	974	126.3	129.9	21.9	2.9	18.1	17.6	15.8	16.0	1.4	1.4	8.3	8.3	0.7	0.8	3.2	3.4	O	18.08	-20.9
KGI Securities	6008 TT	18.80	1,451	102.6	107.2	-1.9	4.6	18.3	17.5	13.2	13.5	1.4	1.4	7.9	8.0	0.7	0.7	3.6	3.8	O	16.22	-13.7
Masterlink Securities	2856 TT	17.70	742	103.7	118.9	92.8	14.9	17.1	14.9	13.7	14.2	1.3	1.3	7.8	8.6	0.6	0.7	3.5	4.0	O	16.56	-6.4
Polaris Securities	2854 TT	19.50	1,119	81.9	85.7	0.5	4.8	23.8	22.7	14.7	14.8	1.3	1.3	5.8	5.9	0.2	0.3	1.2	1.3	O	17.30	-11.3
President Securities	2855 TT	24.05	861	198.2	193.2	8.3	-2.6	12.1	12.4	16.8	17.0	1.4	1.4	12.2	11.6	1.2	1.1	4.9	4.8	O	22.48	-6.5
<b>Weighted Average</b>				<b>118.7</b>	<b>122.9</b>	<b>18.5</b>	<b>4.6</b>	<b>18.3</b>	<b>17.4</b>	<b>14.7</b>	<b>14.9</b>	<b>1.4</b>	<b>1.4</b>	<b>8.2</b>	<b>8.3</b>	<b>0.7</b>	<b>0.7</b>	<b>3.2</b>	<b>3.4</b>			
<b>Thailand</b>																						
Bangkok Bank	BBL TB	124.00	7,970	9.9	10.5	7.0	5.9	12.5	11.8	84.5	91.4	1.5	1.4	12.3	11.9	3.0	3.8	2.4	3.0	O	135.00	8.9
Bank of Ayudhya	BAY TB	26.25	4,916	0.6	1.4	29.0	nmf	46.3	18.4	12.9	13.8	2.0	1.9	5.3	10.7	0.3	0.7	1.1	2.7	N	23.00	-12.4
Kasikornbank	KBANK TB	81.00	6,513	5.6	6.3	-2.7	14.9	14.4	12.9	40.8	44.8	2.0	1.8	14.4	14.7	2.0	2.8	2.5	3.4	O	85.00	4.9
Krung Thai Bank	KTBB TB	11.30	4,254	0.6	1.4	nmf	nmf	20.1	8.4	8.3	9.4	1.4	1.2	6.8	15.2	0.3	0.6	2.2	4.9	O	14.00	23.9
Siam City Bank	SCIB TB	19.50	1,387	1.7	1.8	-28.4	12.2	11.3	10.7	18.5	19.5	1.1	1.0	9.6	9.6	0.7	0.7	3.6	3.6	N	20.00	2.6
Siam Commercial Bank	SCB TB	80.50	5,144	5.2	5.8	44.7	13.7	15.5	13.9	32.4	35.7	2.5	2.3	16.9	17.0	2.5	2.7	3.1	3.4	O	80.00	-0.6
<b>Weighted Average</b>				<b>5.0</b>	<b>5.6</b>	<b>12.3</b>	<b>7.7</b>	<b>19.9</b>	<b>12.9</b>	<b>40.8</b>	<b>44.4</b>	<b>1.8</b>	<b>1.7</b>	<b>11.5</b>	<b>13.5</b>	<b>1.8</b>	<b>2.3</b>	<b>2.4</b>	<b>3.4</b>			
ACL Bank	ACL TB	5.60	200	0.3	0.3	-35.3	0.0	19.2	19.1	7.7	8.0	0.7	0.7	3.9	3.7	0.0	0.0	0.0	0.0	N	6.00	7.1
Kiatnakin Bank	KK TB	32.50	571	3.4	3.6	7.7	10.4	9.7	9.0	33.0	34.8	1.0	0.9	12.0	12.1	2.3	2.3	7.1	7.1	O	36.00	10.8
Thanachart Capital	TCAP TB	15.90	714	1.6	1.8	474.8	34.5	10.1	8.9	18.1	19.1	0.9	0.8	8.9	9.6	0.8	0.8	5.0	5.0	O	16.00	0.6
TISCO Bank	TISCO TB	30.00	548	2.3	2.5	14.2	15.5	13.1	12.1	16.9	17.2	1.8	1.7	13.5	14.6	2.0	2.0	6.7	6.7	N	29.00	-3.3
<b>Weighted Average</b>				<b>2.1</b>	<b>2.3</b>	<b>169.2</b>	<b>19.2</b>	<b>11.7</b>	<b>10.8</b>	<b>21.0</b>	<b>21.9</b>	<b>1.1</b>	<b>1.1</b>	<b>10.5</b>	<b>11.1</b>	<b>1.5</b>	<b>1.5</b>	<b>5.6</b>	<b>5.6</b>			
<b>Asia Banks Weighted Average</b>						<b>31.0</b>	<b>22.0</b>	<b>19.6</b>	<b>16.3</b>			<b>3.0</b>	<b>2.6</b>	<b>18.0</b>	<b>18.9</b>			<b>3.2</b>	<b>3.6</b>			

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

Data as of 6 August 2007

Source: Bloomberg, Macquarie Research, August 2007

## Asia banks price and recommendation tracker

	Bloomberg code	Price (Icy)	Absolute performance (%)				Relative to local index (%)				Daily TO (Icy (3MMA))	Rating
			1m	3m	6m	YTD	1m	3m	6m	YTD		
<b>China</b>												
Bank of China	3988 HK	3.92	-2.0	0.0	1.6	-8.2	-2.0	-7.5	-6.9	-18.7	1,500.5	Neutral
Bank of Communications	3328 HK	8.46	0.5	1.7	0.7	-10.4	0.4	-6.0	-7.7	-20.6	765.5	Outperform
China Citic Bank	998 HK	5.82	-3.6	-10.9	na	na	-3.7	-17.6	na	na	548.6	Neutral
China Construction Bank	939 HK	5.74	-1.9	17.4	24.0	16.0	-1.9	8.5	13.6	2.7	1,664.8	Outperform
ICBC	1398 HK	4.74	2.8	10.5	3.9	-1.9	2.8	2.2	-4.7	-13.1	1,841.0	Outperform
<b>Hong Kong</b>												
Bank of China-HK	2388 HK	20.05	5.6	2.5	-3.8	-5.0	5.6	-5.2	-11.9	-15.8	397.5	Outperform
Bank of East Asia	23 HK	44.80	0.1	-5.4	-0.9	1.7	0.1	-12.5	-9.2	-9.9	356.8	Outperform
Dah Sing Financial	440 HK	68.30	4.1	-1.7	-9.5	-3.1	4.1	-9.1	-17.1	-14.1	23.1	Outperform
Hang Seng	11 HK	119.60	11.3	5.9	8.5	12.5	11.2	-2.0	-0.5	-0.3	334.2	Outperform
Wing Hang	302 HK	95.60	12.5	4.7	-8.4	4.5	12.5	-3.2	-16.1	-7.5	37.5	Outperform
Wing Lung	96 HK	81.45	3.8	-5.1	-9.5	-0.1	3.8	-12.2	-17.1	-11.5	21.3	Neutral
Hong Kong Exchange	388 HK	125.30	-1.2	62.8	43.5	46.6	-1.2	50.6	31.5	29.8	975.0	Outperform
HSBC	5 HK	144.10	-0.3	-1.9	0.3	1.1	-0.3	-9.3	-8.1	-10.5	2,798.0	Outperform
Standard Chartered	2888 HK	259.00	0.9	7.6	10.9	12.7	0.8	-0.5	1.6	-0.2	52.6	Outperform
<b>India</b>												
Bank of Baroda	BOB IN	296.05	9.5	21.3	19.5	23.4	8.2	11.7	14.3	12.4	56.2	Underperform
Bank of India	BOI IN	244.85	10.1	25.9	27.7	17.8	8.9	15.9	22.2	7.3	93.5	Outperform
HDFC	HDFC IN	1,988.70	3.8	21.7	10.5	22.4	2.6	12.0	5.7	11.5	207.8	Outperform
HDFC Bank	HDFCB IN	1,152.30	-0.1	14.3	5.9	7.7	-1.2	5.2	1.3	-1.9	133.5	Outperform
ICICI Bank	ICICIBC IN	915.30	-6.8	7.0	-4.4	2.8	-7.8	-1.5	-8.6	-6.4	426.7	Outperform
IDBI	IDBI IN	108.55	-6.7	19.9	0.9	42.3	-7.7	10.3	-3.5	29.6	373.2	Underperform
Kotak Mahindra Bank	KMB IN	763.70	16.8	39.9	50.3	91.2	15.4	28.7	43.7	74.1	135.1	Outperform
Punjab National Bank	PNB IN	498.70	-4.9	-2.1	-4.3	-1.6	-6.0	-9.9	-8.5	-10.4	95.0	Outperform
State Bank of India	SBIN IN	1,636.00	5.5	44.9	36.8	31.3	4.3	33.4	30.8	19.6	900.7	Neutral
Syndicate Bank	SNDB IN	79.95	4.6	6.0	2.3	6.7	3.4	-2.4	-2.2	-2.8	25.9	Outperform
Union Bank of India	UNBK IN	144.85	11.6	32.0	29.6	18.1	10.3	21.5	23.9	7.6	50.2	Outperform
Axis Bank	AXSB IN	620.70	-1.3	29.2	13.3	32.3	-2.4	18.9	8.3	20.5	183.2	Outperform
Vijaya Bank	VJYBK IN	52.65	4.8	6.7	8.2	11.8	3.6	-1.8	3.5	1.8	14.7	Outperform
<b>Indonesia</b>												
Bank Central Asia	BBCA IJ	6,150	7.9	13.9	19.4	18.3	5.9	2.0	-7.3	-5.9	66,095.7	Outperform
Bank Danamon	BDMN IJ	8,000	6.0	18.5	37.9	18.5	4.0	6.2	7.0	-5.7	26,246.3	Outperform
Bank Int'l Indonesia	BNII IJ	182	1.1	-13.3	-20.9	-24.2	-0.8	-22.4	-38.6	-39.7	32,998.5	Neutral
Bank Mandiri	BMRI IJ	3,300	2.3	7.3	26.9	13.8	0.4	-3.9	-1.5	-9.5	233,043.8	Outperform
Bank Niaga	BNGA IJ	870	3.6	3.6	0.0	-5.4	1.6	-7.2	-22.4	-24.8	40,968.5	Outperform
Bank Panin	PNBN IJ	700	1.4	12.9	11.1	20.7	-0.5	1.1	-13.8	-4.0	12,892.5	Outperform
Bank Rakyat Indonesia	BBRI IJ	6,150	0.8	15.0	21.8	19.4	-1.1	3.0	-5.5	-5.0	80,658.5	Outperform
<b>Korea</b>												
Daegu Bank	005270 KS	17,750	0.0	13.6	-2.0	7.9	1.3	-3.1	-23.8	-15.8	16,848.6	Outperform
Hana Financial Group	086790 KS	47,800	-5.9	-3.4	-7.3	-5.9	-4.7	-17.6	-27.9	-26.6	64,625.1	Outperform
Industrial Bank of Korea	024110 KS	21,050	3.5	12.8	9.5	20.7	4.8	-3.8	-14.9	-5.8	39,715.0	Outperform
Kookmin Bank	060000 KS	75,700	-13.5	-12.2	-11.5	-2.3	-12.4	-25.1	-31.2	-23.7	138,002.3	Outperform
Pusan Bank	005280 KS	16,850	11.0	20.0	27.1	39.7	12.4	2.4	-1.2	9.0	14,426.5	Outperform
Woori Finance	053000 KS	22,800	-7.9	-2.6	-7.9	0.0	-6.8	-17.0	-28.4	-22.0	102,527.2	Outperform
Shinhan Financial	055550 KS	60,700	2.6	13.8	9.2	25.3	3.9	-3.0	-15.1	-2.2	108,227.3	Outperform
<b>Malaysia</b>												
AMMB Holdings	AMM MK	4.28	-9.3	5.9	22.3	34.6	-6.7	8.2	13.2	10.5	26.6	Outperform
Bumiputra-Commerce	BCHB MK	11.10	-8.3	-2.6	11.6	43.2	-5.6	-0.6	3.3	17.6	78.2	Neutral
EON Capital	EON MK	7.40	8.0	5.0	0.0	12.1	11.1	7.2	-7.4	-8.0	11.7	Outperform
Hong Leong Bank	HLBK MK	5.90	-7.1	-8.5	-7.1	6.3	-4.4	-6.6	-14.0	-12.7	5.0	Neutral
Maybank	MAY MK	12.00	-1.6	-2.4	-10.4	1.7	1.2	-0.4	-17.1	-16.5	47.8	Neutral
Public Bank	PBKF MK	10.00	-4.8	-4.8	4.7	27.4	-2.0	-2.8	-3.0	4.6	20.3	Outperform
RHB Capital	RHBC MK	5.85	17.9	22.9	36.7	71.1	21.3	25.5	26.6	40.4	14.3	Outperform
Bursa Malaysia	BURSA MK	11.00	-10.6	-9.1	-3.5	36.6	-8.0	-7.2	-10.6	12.2	26.1	Outperform

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

	Bloomberg code	Price (Icy)	Absolute performance (%)				Relative to local index (%)				Daily TO (Icy) (3MMA)	Rating
			1m	3m	6m	YTD	1m	3m	6m	YTD		
<b>Philippines</b>												
Banco de Oro	BDO PM	61.00	-15.3	5.2	11.9	32.6	-5.2	2.9	9.2	18.0	84.0	Outperform
Bank of Phil Islands	BPI PM	63.00	-12.5	-1.6	-11.9	-0.8	-2.1	-3.7	-14.0	-11.7	168.7	Outperform
China Banking Corp	CHIB PM	780.00	-14.8	-15.7	4.0	14.7	-4.6	-17.5	1.5	2.1	3.9	Outperform
Metrobank	MBT PM	59.50	-17.4	-0.8	-2.5	15.5	-7.5	-3.0	-4.8	2.8	296.6	Outperform
Philippine National Bank	PNB PM	57.00	-9.5	23.9	22.6	29.5	1.2	21.2	19.6	15.3	41.0	Underperform
Security Bank	SECB PM	82.00	-6.8	-5.2	4.5	25.2	4.3	-7.3	2.0	11.4	17.1	Outperform
UnionBank	UBP PM	56.00	-9.7	-12.5	-10.4	14.3	1.1	-14.4	-12.5	1.7	50.1	Outperform
<b>Singapore</b>												
DBS Group	DBS SP	21.90	-4.4	-3.9	-4.4	-3.1	-0.9	-2.6	-10.3	-15.8	157.5	Outperform
Hong Leong Finance	HLF SP	3.94	-3.4	-3.4	-5.3	3.1	0.1	-2.0	-11.2	-10.4	1.5	Outperform
OCBC	OCBC SP	8.70	-5.9	-7.9	3.0	13.0	-2.5	-6.6	-3.4	-1.8	58.3	Neutral
UOB	UOB SP	21.00	-7.5	-9.1	5.5	8.2	-4.1	-7.8	-1.0	-5.9	106.8	Outperform
Singapore Exchange	SGX SP	9.55	-5.4	30.8	38.4	67.5	-2.0	32.7	29.8	45.6	47.7	Outperform
<b>Taiwan</b>												
Bank of Kaohsiung	2836 TT	20.15	8.3	17.2	3.6	6.3	9.9	4.3	-9.9	-8.2	114.4	Underperform
Cathay Financial	2882 TT	80.70	2.2	10.5	9.8	9.1	3.6	-1.6	-4.5	-5.8	2,107.5	Outperform
Chang Hwa Bank	2801 TT	20.40	-7.9	5.2	-12.1	-10.3	-6.6	-6.4	-23.5	-22.5	469.2	Outperform
China Development	2883 TT	13.35	-8.9	-6.0	-13.9	-11.0	-7.6	-16.3	-25.1	-23.1	467.8	Underperform
Chinatrust	2891 TT	25.10	-4.2	-6.7	-9.9	-7.9	-2.8	-16.9	-21.6	-20.4	988.9	Underperform
E. Sun Financial	2884 TT	17.85	-7.0	-7.0	-18.5	-21.0	-5.7	-17.2	-29.1	-31.8	131.3	Neutral
First Financial	2892 TT	23.70	-2.9	3.5	-3.1	-4.2	-1.5	-7.8	-15.7	-17.3	403.4	Neutral
Fubon Financial	2881 TT	29.20	-7.3	-1.5	-6.7	-4.3	-6.0	-12.3	-18.9	-17.3	673.1	Underperform
Fuhwa Financial	2885 TT	20.70	1.0	38.9	31.8	27.0	2.4	23.7	14.6	9.7	852.8	Outperform
Hua Nan Financial	2880 TT	21.65	-8.5	-7.9	-13.9	-10.4	-7.1	-18.0	-25.2	-22.6	177.7	Underperform
Mega Financial	2886 TT	20.20	-9.6	-4.7	-12.2	-15.7	-8.3	-15.1	-23.6	-27.1	490.5	Outperform
Shinkong Financial	2888 TT	35.70	-8.7	8.2	8.2	1.7	-7.4	-3.7	-5.9	-12.1	1,243.5	Outperform
Sinopac Financial	2890 TT	16.25	-0.3	8.7	-4.4	-6.9	1.1	-3.2	-16.9	-19.6	393.0	Neutral
Ta Chong Bank	2847 TT	11.00	-2.7	10.0	5.8	0.5	-1.3	-2.0	-8.0	-13.2	164.1	Underperform
Taishin Financial	2887 TT	17.40	-5.2	5.5	-10.1	-8.9	-3.8	-6.1	-21.8	-21.3	339.0	Underperform
Capital Securities	6005 TT	22.85	22.5	50.8	46.9	62.6	24.3	34.3	27.8	40.5	193.3	Outperform
KGI Securities	6008 TT	18.80	22.9	70.9	65.6	59.3	24.6	52.2	44.0	37.6	396.4	Outperform
Masterlink Securities	2856 TT	17.70	15.3	34.6	27.3	32.6	17.0	19.9	10.7	14.5	153.4	Outperform
Polaris Securities	2854 TT	19.50	1.6	32.7	23.8	13.7	3.0	18.1	7.7	-1.8	412.1	Outperform
President Securities	2855 TT	24.05	11.4	40.6	35.3	41.8	13.0	25.2	17.6	22.5	120.4	Outperform
<b>Thailand</b>												
Bangkok Bank	BBL TB	124.00	-3.1	10.7	13.8	12.7	-3.7	-5.3	-8.5	-8.5	707.7	Outperform
Bank of Ayudhya	BAY TB	26.25	-7.1	22.7	32.6	42.7	-7.7	4.9	6.6	15.8	302.3	Neutral
Kasikornbank	KBANK TB	81.00	-4.1	19.1	28.6	31.7	-4.8	1.9	3.4	6.9	580.2	Outperform
Krung Thai Bank	KTB TB	11.30	-14.4	2.7	-8.9	-5.0	-14.9	-12.1	-26.7	-22.9	572.5	Outperform
Siam City Bank	SCIB TB	19.50	-12.9	10.8	9.6	15.4	-13.5	-5.2	-11.9	-6.4	109.5	Neutral
Siam Commercial	SCB TB	80.50	0.6	20.1	28.8	38.8	0.0	2.8	3.6	12.6	503.7	Outperform
ACL Bank	ACL TB	5.60	-3.4	37.3	32.7	27.3	-4.1	17.4	6.7	3.3	85.3	Neutral
Kiatnakin Bank	KK TB	32.50	-7.1	9.2	14.0	19.3	-7.7	-6.6	-8.3	-3.2	71.3	Outperform
Thanachart Capital	TCAP TB	15.90	-1.2	9.7	30.3	13.6	-1.9	-6.2	4.8	-7.8	173.7	Outperform
TISCO Bank	TISCO TB	30.00	-1.6	32.2	40.2	36.4	-2.3	13.0	12.7	10.7	109.6	Neutral

Data as of 6 August 2007

Source: Bloomberg, Macquarie Research, August 2007



**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	-12.2	-14.5	-14.3	-6.2	-10.1	-13.4	-10.0	-20.3	-26.1
FTSE Bank	-4.7	-7.4	-9.4	2.2	-1.4	-7.5	-2.3	-13.8	-21.8
Australia	-4.1	-7.5	-1.9	2.8	-1.6	-2.8	-1.7	-13.8	-15.3
HK (ex HSBC, SCB)	2.0	9.3	11.4	1.9	1.1	2.1	4.5	1.8	-3.8
HSBC	-0.3	-1.9	0.3	-0.3	-9.3	-8.1	2.2	-8.6	-13.5
Std Chartered HK	0.9	7.6	10.9	0.8	-0.5	1.6	3.3	0.3	-4.3
China	29.1	35.9	63.0	4.1	5.1	-17.9	32.2	26.5	40.7
India	1.2	26.8	20.1	0.0	16.8	14.9	3.6	18.1	3.6
Indonesia	3.1	10.5	19.7	1.2	-1.0	-7.1	5.7	2.9	3.3
Malaysia	-3.2	-0.1	6.3	-0.4	2.0	-1.5	-0.8	-7.0	-8.3
Philippines	-11.5	-2.6	-2.1	-0.9	-4.7	-4.4	-9.3	-9.3	-15.5
Singapore	-5.3	-3.6	3.5	-1.9	-2.2	-2.9	-3.0	-10.2	-10.7
South Korea	-1.1	-0.1	0.6	0.1	-14.8	-21.8	1.3	-6.9	-13.2
Taiwan	-2.8	6.0	-0.5	-1.4	-5.6	-13.5	-0.4	-1.3	-14.1
Thailand	-6.1	13.7	17.1	-6.7	-2.8	-5.8	-3.7	5.9	1.0

Note: Data as of 6 August 2007

Source: Bloomberg, Macquarie Research, August 2007

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## Important disclosures:

## Recommendation definitions

## Macquarie Australia/New Zealand

Outperform – return >5% in excess of benchmark return (>2.5% in excess for listed property trusts)  
 Neutral – return within 5% of benchmark return (within 2.5% for listed property trusts)  
 Underperform – return >5% below benchmark return (>2.5% below for listed property trusts)

## Macquarie Asia

Outperform – expected return >+10%  
 Neutral – expected return from -10% to +10%  
 Underperform – expected return <-10%

## Macquarie First South Securities (South Africa)

Outperform – expected return >+5%  
 Neutral – expected return from -5% to +5%  
 Underperform – expected return <-5%

Recommendations – 12 months

Note: Quant recommendations may differ from Fundamental Analyst recommendations

## Recommendation proportions

	AU/NZ	Asia	RSA
Outperform	46.81%	61.36%	45.30%
Neutral	39.01%	18.67%	35.80%
Underperform	14.18%	19.97%	18.90%

For quarter ending 30 June 2007

## Volatility index definition\*

This is calculated from the volatility of historic price movements.

**Very high–highest risk** – Stock should be expected to move up or down 60–100% in a year – investors should be aware this stock is highly speculative.

**High** – 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.

**Medium** – stock should be expected to move up or down at least 30–40% in a year.

**Low–medium** – stock should be expected to move up or down at least 25–30% in a year.

**Low** – stock should be expected to move up or down at least 15–25% in a year.

\* Applicable to Australian/NZ stocks only

## Financial definitions

All "Adjusted" data items have had the following adjustments made:  
 Added back: goodwill amortisation, provision for catastrophe reserves, IFRS derivatives & hedging, IFRS impairments & IFRS interest expense  
 Excluded: non recurring items, asset revals, property revals, appraisal value uplift, preference dividends & minority interests

EPS = adjusted net profit / efpowa\*

ROA = adjusted ebit / average total assets

ROA Banks/Insurance = adjusted net profit / average total assets

ROE = adjusted net profit / average shareholders funds

Gross cashflow = adjusted net profit + depreciation

\*equivalent fully paid ordinary weighted average number of shares

All Reported numbers for Australian/NZ listed stocks are modelled under IFRS (International Financial Reporting Standards).

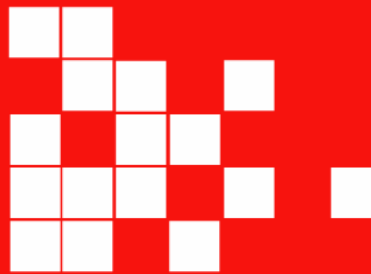
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