

INDIA

ICICI Bank

4 May 2007

ICICIBC IN Outperform

Stock price as of 3 May 07	Rs	872.10
IBN US (ADR) 02 May 07	US\$	41.19
12-month target	Rs	1,007.00
Upside/downside	%	+15.5
Valuation	Rs	1,007.00
- Gordon Growth / Sum of Parts		

GICS sector		banks
Market cap	Rs m	783,961
30-day avg turnover	Rs m	255.4
Market cap	US\$m	19,098
Number shares on issue	m	898.9

Investment fundamentals

Year end 31 Mar		2007A	2008E	2009E	2010E
Net interest inc	bn	66.4	96.8	132.9	173.4
Non interest inc	bn	69.3	88.8	111.3	140.6
Reported profit	bn	41.1	60.9	76.0	-30.4
EPS adj	Rs	45.71	52.97	66.19	-26.47
EPS adj growth	%	22.6	15.9	25.0	nmf
PE adj	x	19.1	16.5	13.2	nmf
Total DPS	Rs	8.50	11.50	15.50	21.50
Total div yield	%	1.0	1.3	1.8	2.5
ROA	%	1.4	1.5	1.5	-0.5
ROE	%	17.7	17.4	15.8	-5.7
Price/book	x	3.2	2.2	2.0	1.8

ICICIBC IN rel SENSEX performance, & rec history



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

Analyst

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Seizing the moment

Event

- Factoring ICICI Bank's US\$5bn issuance into our earnings forecasts shows that the situation is not as bad as the stock price correction seems to suggest.

Impact

- End of the liquidity chase.** We view this issuance as the end of the liquidity chase for ICICI Bank. For the first time since FY3/04, its share of systemic incremental deposits is set to fall, and its competitiveness should be further enhanced by a rapid expansion in the branch network. The local balance sheet should reflect a rapid increase in spreads, with NIMs being further boosted by the increased capitalisation.
- Core bank ROEs should be sustained.** Our previous forecast of a dramatic improvement in ROEs is off the table through FY3/09 with a doubling of net worth. However, we expect average ROEs to be sustained at FY3/07 levels, based on our assumption of aggressive profit growth. The sustainable ROE of the bank has fallen, given the tightening of capital adequacy norms.
- No dilution in subsidiaries.** We think that any serious dilution in the insurance subsidiaries is now ruled out; management's guidance is for a US\$500m investment in subsidiaries over the next 18–24 months, indicating that the bank itself will meet all the capital requirements of these subsidiaries. We believe that this is ultimately value-accretive to the parent bank.
- A more-benign regulatory environment.** Our numbers indicate that the next dilution is unlikely before FY3/11, assuming the bank can sustain 30% credit growth after FY3/10 and that the insurance businesses do not start to pump capital back through divestments and/or dividends. This assumes stable risk weightings in the two crucial years for Basel II adoption.

Earnings revision

- Although we have raised our PAT estimates for FY3/08E and FY3/09E by 11% and 6% respectively, we have cut our ROE forecasts by 330bps to 14.8% for FY3/08E and by 770bps to 14.1% for FY3/09E. We foresee a 31% EPS CAGR through to FY3/10E.

Price catalyst

- 12-month price target: Rs1,007.00 based on a Gordon Growth/Sum of parts methodology.
- Catalyst: Equity issuance in June/July 2007.

Action and recommendation

- Most of the positives listed above will take time to bear fruit. In the near term, we see significant headwinds from tight systemic liquidity and the process of the issuance itself. We maintain our long-term Outperform rating on the stock, despite a 7% reduction in our target price to Rs1,007.

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

Fig 1 ICICI Bank – selected ratios

%	2004	2005	2006	2007E	2008E	2009E
Growth projections						
Growth in Net Interest Income	42.9	65.9	40.9	45.9	37.3	30.5
Growth in Pre Provision Profit	1.4	62.1	50.1	47.6	38.6	33.9
Growth in Net Profit	22.5	26.7	22.4	66.8	31.0	30.2
Operating efficiency						
Cost to income	63.8	60.9	57.7	53.4	49.8	47.8
Cost to assets	2.5	2.6	2.4	2.4	2.4	2.4
Overhead ratio	34.1	31.8	26.0	18.9	12.1	8.2
Asset analysis						
Loans to earning assets	59.0	62.3	60.4	60.8	60.7	60.8
Earning assets to Total assets	92.3	93.4	94.1	94.6	94.7	94.9
Loans to Total assets	54.5	58.1	56.8	57.5	57.5	57.7
Loan analysis						
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
Deposit analysis						
Deposit growth	46.6	65.4	39.6	23.2	29.8	27.3
Demand & savings to ttl deposit	24.3	22.7	22.1	22.6	27.6	26.0
Time deposit to total deposit	75.7	77.3	77.9	77.4	72.4	74.0
Liquidity						
LDR	96.5	91.4	85.9	93.1	91.7	90.6
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	148.8	147.1	145.5
Provisioning						
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
Asset quality						
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
Capital adequacy						
Tier 1 CAR	7.6	9.2	7.4	11.7	9.7	8.5
Total CAR	11.8	13.4	11.7	16.2	12.9	11.3
Equity to assets	7.5	8.8	7.1	10.3	8.8	7.9
Capital management						
Dividend payout	27.6	29.8	24.6	25.5	26.2	27.9
Dividend yield	0.9	1.0	1.0	1.3	1.8	2.5
EPS	27.2	28.5	34.6	45.1	59.1	77.0
BVPS	170.3	249.6	270.4	398.6	440.6	493.9
Profitability						
ROA	1.49	1.30	1.11	1.39	1.41	1.44
ROE	19.51	14.62	13.37	14.80	14.10	16.5
Pre provision profit ROE	19.2	17.6	24.2	18.9	23.7	28.4
Non-int. inc. to ttl. inc.	23.4	22.7	20.5	19.3	18.7	18.6
Spread analysis						
Int. rate received on int. E.A.	7.00	7.35	8.23	8.95	9.31	9.52
Int. rate paid on int. bearing liab.	4.83	4.99	5.95	6.58	6.86	6.92
Spread	2.17	2.35	2.27	2.37	2.46	2.60
Net Interest Margin	2.11	2.14	2.11	2.50	2.67	2.75
Valuation						
PER (x)	32.0	30.6	25.2	19.3	14.7	11.3
PB (x)	5.1	3.5	3.2	2.2	2.0	1.8
PUP (x)	26.6	19.8	13.3	11.6	8.3	6.2

Source: Bloomberg, company data, Macquarie Research, May 2007

End of the liquidity chase

We see this issuance as the end of the liquidity chase for ICICI Bank. For the first time since FY3/04, its share of systemic incremental deposits is set to fall, and its competitiveness should be further enhanced by a rapid expansion in the branch network. We expect the local balance sheet to show a rapid increase in spreads, with NIMs being further boosted by the increased capitalisation.

Market share of deposits to fall

For the first time since FY3/04, the bank's market share in domestic deposits may actually fall, despite a rising market share in loans. This is for two reasons: it is at the end of the process of paying down the old ICICI borrowings; and the equity issuance itself should take care of 4% of FY3/08 funding needs. In fact, ICICI Bank's incremental deposits should fall in absolute terms in FY3/08. We think that this is an inflexion point and that ICICI may not be the liquidity starved bank that it has been after the next two quarters.

Fig 2 Incremental share of deposits to fall

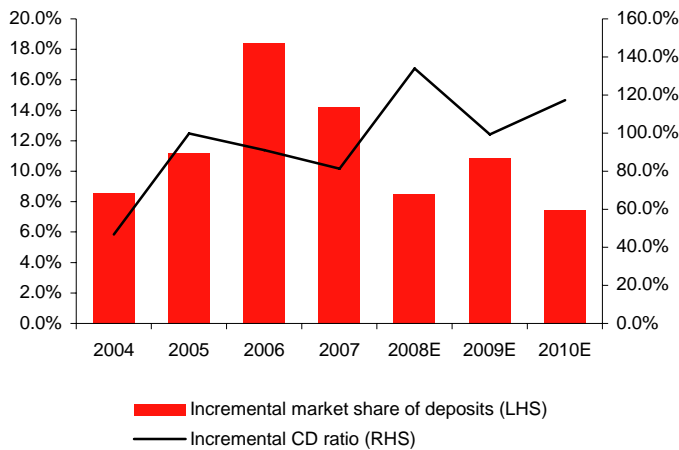
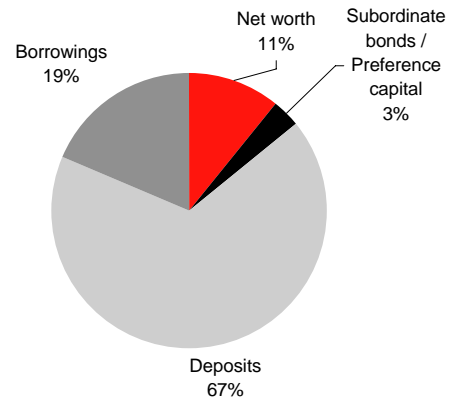


Fig 3 Estimated funding for 2008



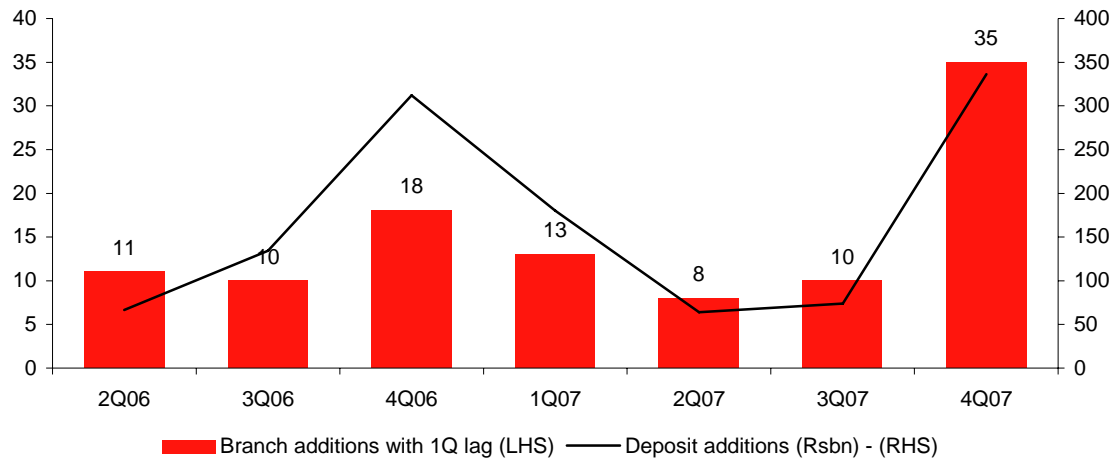
Source: RBI, Company data, Macquarie Research, May 2007

Source: Company data, Macquarie Research, May 2007

Pressure on branch network set to ease

ICICI's liquidity starved situation was further exacerbated by the delay in branch licences in FY3/07. This should be compensated for in FY3/08 by a large number of new branches – the major benefit from the Sangli Bank branches and from the 141 new additions in 4Q FY3/07, which ought to contribute strongly. Thus, although the need for deposits will be lower, there will be more branches to help boost the deposits; as a result, the bank's competitiveness in the deposits market should improve significantly.

Fig 4 Branch additions lagged deposit growth in FY3/07



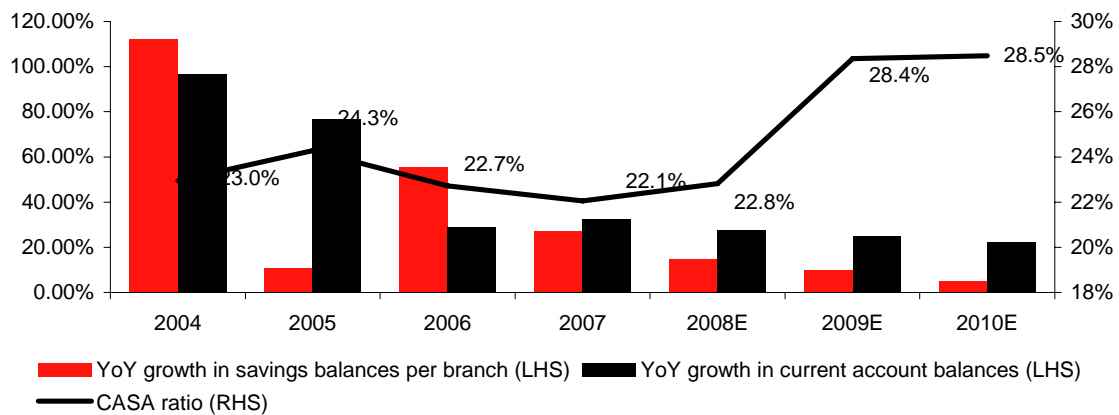
Source: Company data, Macquarie Research, May 2007

Savings deposit ratio, spreads, NIMs to improve

The outcome of this is that we expect the savings deposit ratio, spreads and NIMs to increase beginning in FY3/08.

Assuming trend growth in current account balances and a constant inflation-adjusted savings balance per branch, we expect the bank’s current and savings account (CASA) ratio to rise sharply in FY3/08. This will be the first time in the past two-three years that this ratio will be improving – in a rising interest-rate environment, CASA deposits significantly add to profitability since they are fixed rate through the cycle.

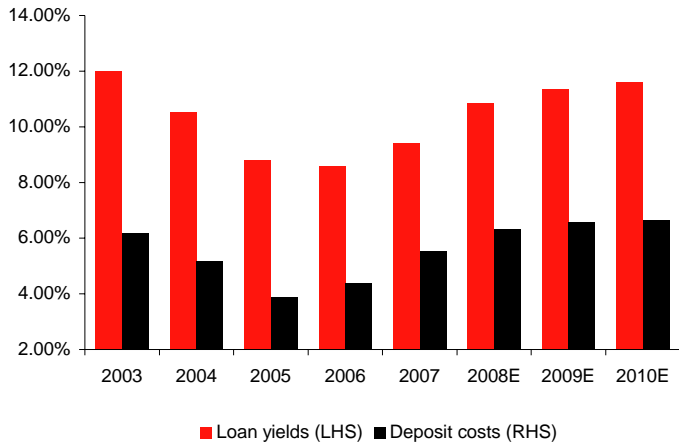
Fig 5 CASA ratio to improve sharply



Source: Company data, Macquarie Research, May 2007

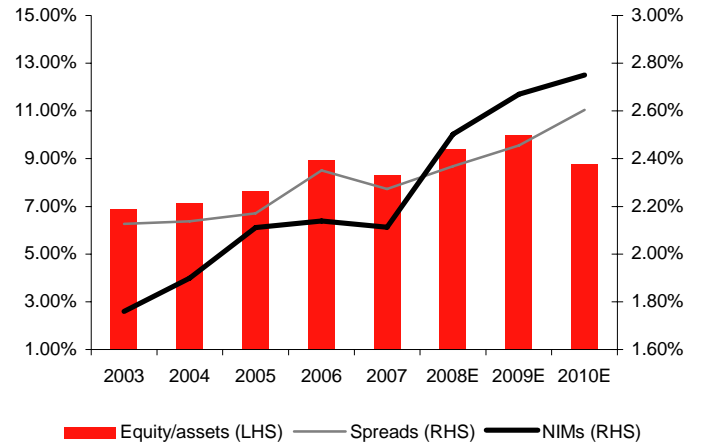
As a result, we think that the bank’s spreads and NIMs have bottomed. The spreads will be affected by the superior deposit franchise outlined above, which should enable the bank to benefit from rising loan yields without losing all in deposit costs. The higher level of equity in the balance sheet should further improve NIM.

Fig 6 Higher loan yields to compensate rising costs



Source: Company data, Macquarie Research, May 2007

Fig 7 Spreads to be maintained



Source: Company data, Macquarie Research, May 2007

Improvement only in 2H, though

Most of this improvement is expected in 2H FY3/08, though. The equity issue funds are expected to reach the bank in July 2007, while the high-cost long-term deposits raised in February and March are unlikely to run off before 3Q FY3/08. We thus expect earnings stresses to last for at least another one or two quarters.

Core bank ROEs should be sustained

Our earlier call of a dramatic improvement in ROEs is off the table until FY3/09 with a doubling of net worth. However, we expect average ROEs to be sustained at FY3/07 levels, based on our assumption of aggressive profit growth. The sustainable ROE of the bank has obviously fallen, given the tightening of capital adequacy norms.

ROAs have bottomed

We believe that the bank's ROA has bottomed. Although we previously expected a significant improvement in NIMs, lower loan and asset growth in the future should permit fees and assets to improve significantly. Moreover, despite rising loan loss provisions, a sharp fall in general provisions may lead to a decline in overall provisions/assets.

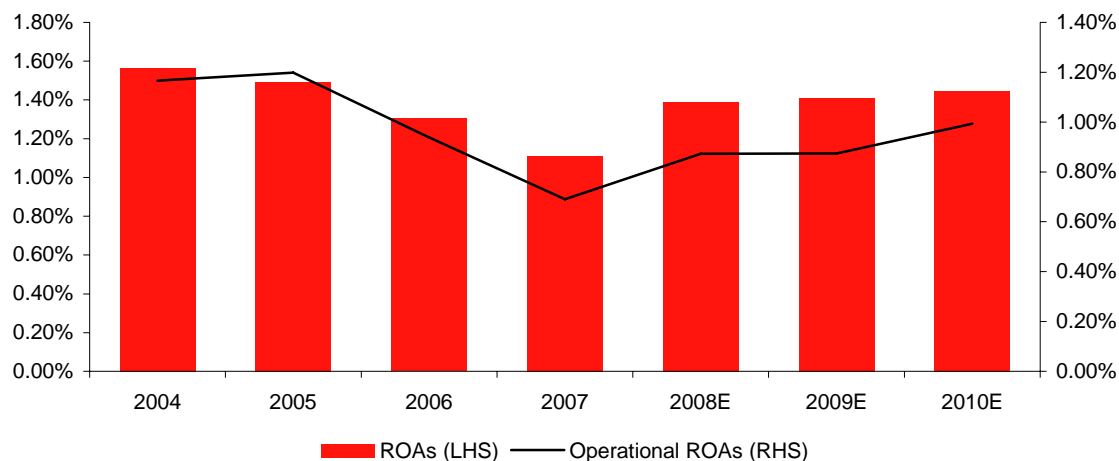
Fig 8 Operating return analysis

(%)	2004A	2005A	2006A	2007A	2008E	2009E	2010E
NIM	1.90	2.11	2.14	2.11	2.53	2.73	2.82
Net int inc to tot inc	40.1	49.7	52.8	52.8	54.9	56.2	55.8
Cost to income	51.9	57.7	56.1	53.2	50.9	49.0	48.2
Provision to assets	0.46	-0.08	0.14	0.54	0.57	0.60	0.62
OROA	1.82	1.88	1.64	1.34	1.69	1.87	2.01
Equity to assets	7.14	7.64	8.92	8.32	9.43	10.17	9.20
OROE	25.5	24.6	18.3	16.0	17.9	18.4	21.8

Source: Company data, Macquarie Research, May 2007

Although some of the ROA improvement is undoubtedly due to higher leverage, we also expect operational ROAs (ROAs adjusted for leverage) to start to improve.

Fig 9 Operational ROAs look set to improve



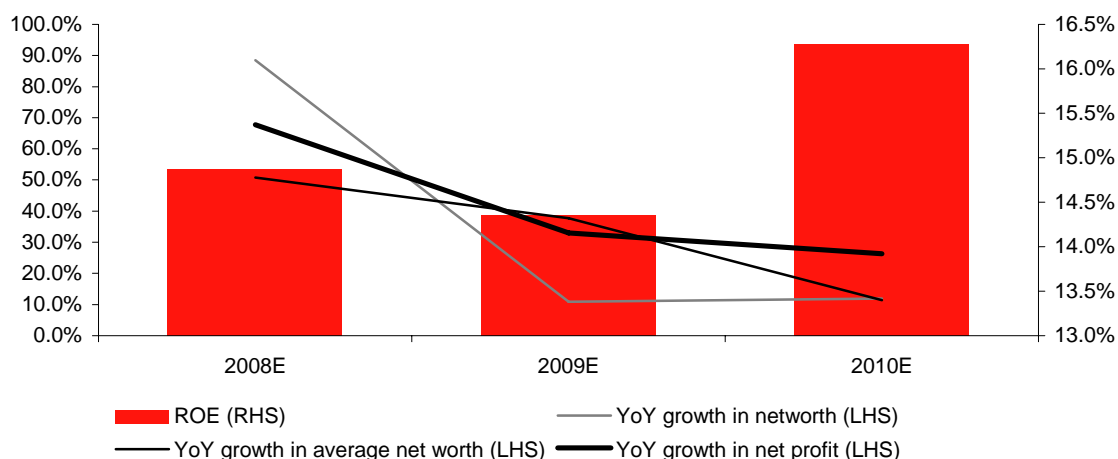
Operational ROAs after attributing post tax notional interest cost to equity

Source: Company data, Macquarie Research, May 2007

Profit growth keeps pace with capital

This is undoubtedly a huge accretion to capital – much greater in terms of existing net worth than each of the two previous issuances. However, we believe that the ROA improvement described previously will enable profit growth to keep pace with expansion in equity. Thus, although the ROEs may remain below average compared with those of other private sector banks, we do not see it falling.

Fig 10 ROE will be resilient to new capital



Source: Company data, Macquarie Research, May 2007

Sustainable ROE has fallen

The sustainable ROE of the business has undoubtedly fallen, given the tightening of the capital adequacy norms. As Figure 11 shows, the equity/assets ratio needed to sustain threshold Tier 1 capital adequacy has risen from 7.15% to 7.92%, despite the significant leeway that the bank has on capital – perpetual bonds and only half the subsidiary investments required to be deducted from net worth for calculating eligible Tier 1 capital.

Fig 11 Notional effect of new Basel II norms on ROE

FY 3/08 capital adequacy highlights	RWA (Rs bn)	T1 Cap reqd** (Rs bn)	Equity required (Rs bn)	Equity/assets (%)	ROA (%)*	ROE (%)
Under original Basel II guidelines	4,832,516	289,951	246,458	7.15	1.11	15.56
Under new regime	4,960,641	297,638	273,296	7.92	1.11	14.03

* at actuals, all other notional

** at 6% Tier 1 CAR

Source: Macquarie Research, May 2007

No dilution in subsidiaries

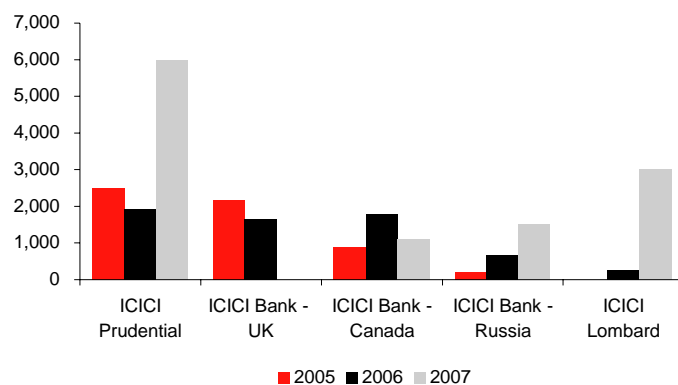
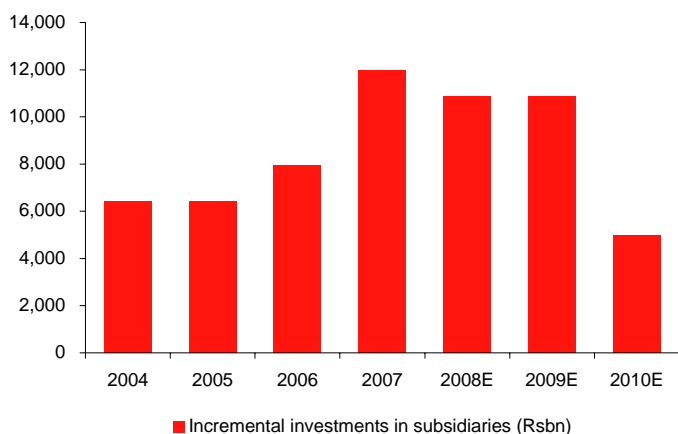
We think that any serious dilution in the insurance subsidiaries is now ruled out; management is guiding for a US\$500m investment in subsidiaries over the next 18–24 months, indicating that the bank will meet all the capital requirements of these subsidiaries. We believe that this will ultimately be value-accretive to the parent bank.

Management guiding for US\$500m in investments

Management is guiding for Rs20bn in investments in the subsidiaries over the next two financial years. Working backwards from these numbers, we cannot see a scenario in which the insurance subs (via the proposed holding company route) will raise capital and absorb this volume of capital. This is especially so because the requirements of the international subsidiaries seem to have peaked – ICICI Bank UK did not require any investments in FY3/07.

Fig 12 Incremental investments in subsidiaries

Fig 13 Subsidiary incremental investment



Source: Company data, Macquarie Research, May 2007

Source: Company data, Macquarie Research, May 2007

The size of the issue does not make sense, otherwise

We do not think that the bank will need US\$5bn in capital unless it is needed to fund the subsidiaries. Even after accounting for the onerous requirements of the new capital adequacy guidelines, we do not think that there will be enough credit growth for the bank to require this volume of capital. Even building enough cushions for rainy days, the only way such a large offering would be required would be to partially fund the subsidiaries.

Logical from value creation perspective

We value the insurance subsidiary at Rs200bn, which is around 10x invested capital. To put it simply, the bank is creating value of Rs10 for every rupee it invests in the insurance subsidiary. When it is forced to raise capital in the parent bank (due to a change in capital adequacy requirements) and can raise that capital at historical valuations of 24x EPS and 3.2x BV, it is logical to raise the capital requirements for the insurance sub in the parent.

A more benign regulatory environment

Our numbers indicate that the next dilution is likely to be in FY3/11, assuming that the bank can sustain 30% credit growth after FY3/10 and that the insurance businesses do not start to pump capital back through divestments and/or dividends. This assumes stable risk weightings in the two crucial years for Basel II adoption.

No further capital until FY3/11

Although these may sound like famous last words, the size of this offering indicates that no further capital will be needed before FY3/11. We are forecasting a Tier 1 ratio of 7.4% for FY3/10E, without any further additions to perpetual debt. This is primarily because we expect growth in risk-weighted assets to peak in FY3/08 and to fall to a fairly stable 27% pa in FY3/08-10.

Capital adequacy regime should be stable

Underpinning our forecasts is the assumption that the capital adequacy regime will remain stable. This has not been the case during the past three years, when the definitions of capital and risk weights have been significantly changed. Although the RBI may continue to tighten, given the continued capital inflows into the economy, we think that the state-owned banks are now at the absolute edge of capital requirements. Any further tightening would seriously hamper their ability to compete, especially when a number of them cannot dilute government ownership any further. This is because they are close to the legal floor of 51% for government ownership in state-owned banks.

Fig 14 RWAs to grow in line with loan growth

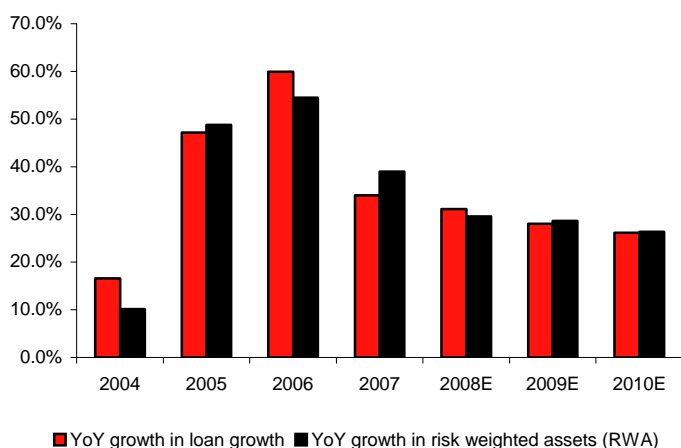
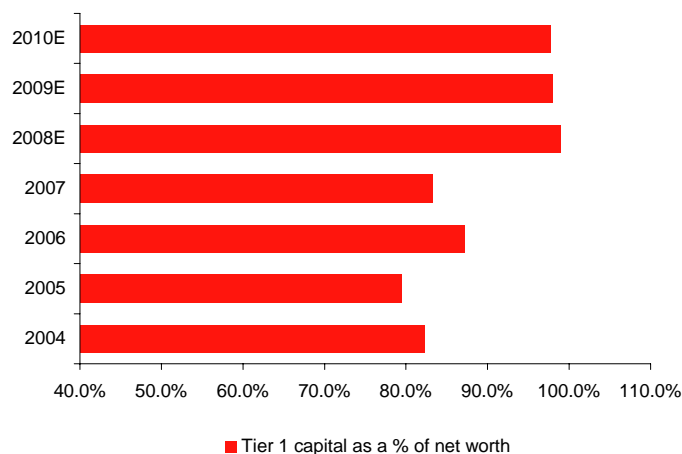


Fig 15 Tier 1 capital as a % of net worth



Source: Company data, Macquarie Research, May 2007

Source: Company data, Macquarie Research, May 2007

The extent to which regulatory changes have affected capital planning for the bank is illustrated in the timeline of changes in Figure 19. We have also illustrated ICICI Bank's key problem in Figure 14 – ie, that risk-weighted assets have outstripped loan growth significantly during the past four-five years. This process is about to end in FY3/08, after which loan growth and RWA growth should track each other.

Some of this has been offset by the fact that growth in Tier 1 capital has started to outstrip equity growth since the RBI allowed perpetual bonds as Tier 1 capital. However, this has not been enough for ICICI Bank – its investments in subsidiary ventures have kept its capital requirements high (Figure 13).

Valuations

We have revised our Gordon growth model (GGM) assumptions to reflect the new ROE and book value. We recognise that it is too optimistic to value the bank at a FY3/10 ROE of 16.1% because it is too far into the future and it the bank has never had an ROE that high during the past 6-7 years. We thus value the bank on a projected FY3/09 ROE of 14.1%. We have also been conservative in assuming that the new issue will be priced at Rs800, 9% below current levels.

Fig 16 ICICI Bank – valuation table

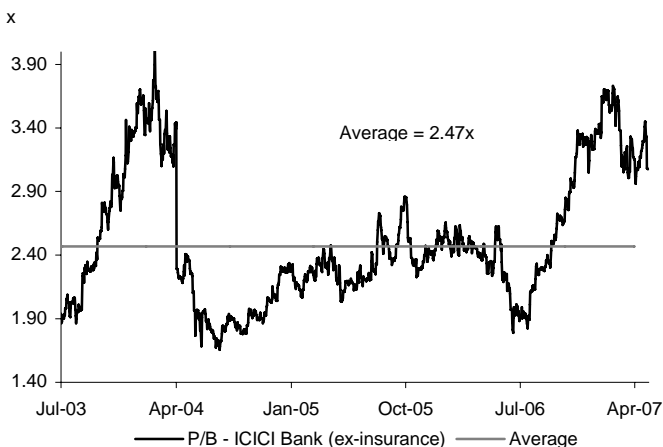
	Stage II	Stage III
Cost of equity (%)	15.67	15.67
Payout ratio (%)	44.4	67.0
Dividend growth (%)	43.7	5.0
Target PB	2.85	
BV FY09	441	
ROE FY10 (%)	14.1	
Value of firm in FY09	1,255	
PV to 30 April 2007	854	- Parent co value
Value of subsidiaries	153	
Target price	1,007	

Source: Macquarie Research, May 2007

We continue to use our three-stage GGM for valuing the bank; the third stage has now been shortened from five to four years because we have rolled over a year. Our fair P/BV valuation is now at 2.7x, down from 3.4x. As we mentioned previously in this note, the increased book value almost fully compensates for that, and we have downgraded the parent bank valuation by 7% to Rs854. Although the absolute valuations of the subsidiaries are unchanged, the per-share effect on ICICI Bank is diluted to the extent that the issued shares expand by 28%.

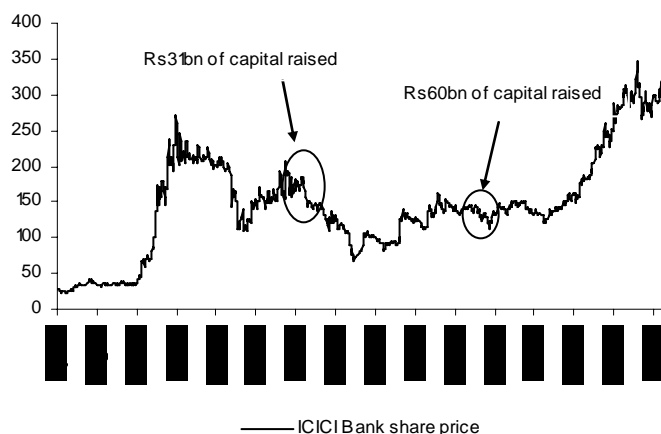
We have reduced our target price by 7% to Rs1,007.

Fig 17 ICICI Bank – P/BV



Source: Macquarie Research, May 2007

Fig 18 Correction on dilution news temporary



Source: Macquarie Research, May 2007

Two more factors reinforce our bull argument on the stock:

- a) The ex-insurance P/BV is approaching historic lows.
- b) The last two times the bank announced a dilution, the stock initially reacted negatively and then bounced back, usually after the issuance was complete.

Annexure 1: The sceptic's FAQ

In this section, we seek to answer the key questions that are asked about ICICI Bank, especially by sceptics. We do share some of the concerns, though we think these are adequately reflected in valuations. We try and clarify the others.

Why does the bank need to dilute more often than the competition?

- a) ICICI Bank has been the worst hit by changing cap ad regulations – it has the largest exposure in retail loans where risk weights have been raised over the last 2-3 years.
- b) Around 15% of ICICI Bank's equity goes into funding subsidiaries in formative stages of growth – this is a large drain on capital adequacy. We estimate that 11% of the equity raised in the last round (December 2005) went into funding subsidiaries.

Why is the dilution so unpredictable?

- a) There has been significant turbulence in the capital adequacy regime over the last 2-3 years, with the last round of changes coming through in February 2007 (see Figure 19).

Fig 19 Risk weights on certain categories of loans increasing in the last two years

Risk weights	Apr-04 (%)	Apr-06 (%)	Apr-07 (%)
Mortgages <Rs2m	50	75	50
Other mortgages	50	75	75
Commercial real estate loans	100	125	150
Consumer credit including personal loans and credit card receivables	100	125	125

Source: Macquarie Research, May 2007

- b) The insurance business has been breaking historical trajectories in capital requirements, and this has often been a negative surprise (see Figure 13).

Risk weight changes affect every bank - how is ICICI Bank worse off?

We think all banks have been affected by the latest round of regulatory changes, and ICICI Bank is the first of many that will line up for capital over the next 12 months. As discussed earlier, ICICI Bank seems to have been hit harder than the rest in terms of its higher exposure to those sectors where risk weights have been raised.

Where is the need for so much capital?

- a) We think that management has decided that most of the future capital needs of the subsidiaries will be met through the bank itself.
- b) Management is probably building a cushion for further regulatory tightening or faster-than-anticipated growth in any of the company's businesses. It has seen upside to its own growth estimates in many of the businesses – retail loans and life insurance are two such examples.

What is the ROE to be used for valuations, given the track record?

We think in a stable regulatory regime, the bank is capable of delivering upper-teens ROEs, as our estimates for FY10 show. FY3/07 ROAs are clearly the worst they can get – at a time when the bank faced the twin squeeze of a suddenly tightening environment and the withholding of branch licences from the central bank. We don't see that situation being repeated, and are hence predicting an improvement in return numbers.

We have, however, assumed only a 14.1% ROE for FY3/09E for the bank.

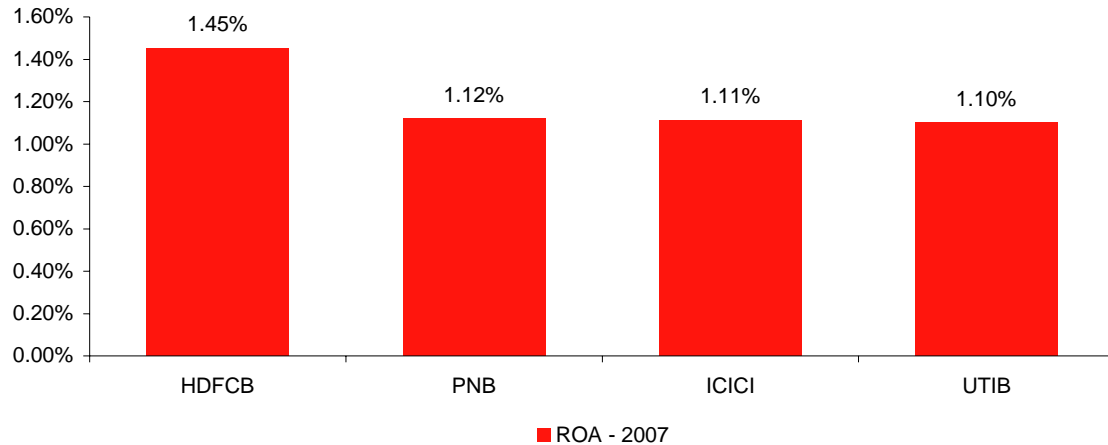
Given the dependence on treasury profits, aren't returns overstated?

This is a problem. We do not generally adjust reported earnings for our valuations, and we follow that principle for ICICI Bank as well. However, the dependence on treasury profits is easing steadily – we expect treasury profits to fall to 2% of PAT by FY3/09E from 31% in FY3/07. Since we are using the FY3/09E ROE for our valuations, we do not see this as a major issue.

Don't the weak NIMs reflect a fundamentally weak business?

We think that concentrating purely on NIMs misses the bigger picture. While ICICI does have below-average NIMs, its ROAs are inferior only to the best-in-class HDFC Bank. As Figure 20 shows, ICICI Bank offsets its inferior NIM with a better fee franchise and greater cost efficiencies. Also, as we have highlighted earlier, FY3/07E was the worst year for ICICI Bank's NIMs – and we expect its relative NIM disadvantage to fade soon.

Fig 20 ICICI ROAs – not sub-par by industry standards

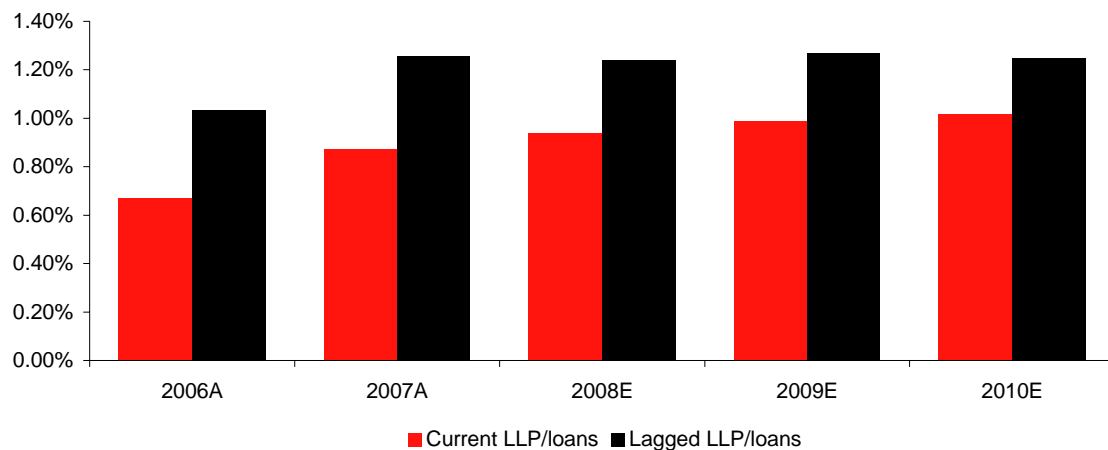


Source: Company data, Macquarie Research, May 2007

Given the rapid growth in the past, won't loan losses balloon?

Yes, and it's in our numbers. We are forecasting 46% annual growth in loan loss provisions (LLP) between FY3/07 and FY3/10. Some of this will be offset by the peaking of general provisions in FY3/07, as well as improving NIMs going forward. We have assumed steady 1.12-1.2% LLP/loan ratios going forward, even on a lagged basis.

Fig 21 LLP/loan ratio to be steady



Source: Company data, Macquarie Research, May 2007

Fig 22 ICICI Bank – Balance sheet

Year end 31 Mar	2005A	2006A	2007A	2008E	2009E	2010E
(Rs m)						
LIABILITIES						
Equity capital	7,368	8,898	8,990	11,490	11,490	11,490
Share Premium	39,892	118,175	118,175	293,175	293,175	293,175
Reserves	78,240	94,987	115,965	153,270	201,600	262,837
Net worth	125,500	222,060	243,130	457,935	506,265	567,502
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	2,199,020	2,669,495	3,469,289
Total deposits	998,188	1,650,826	2,305,100	2,839,942	3,685,408	4,690,086
Borrowings	335,445	385,219	598,230	783,567	1,022,068	1,307,488
Other liabilities	131,873	150,835	195,166	243,578	316,444	403,166
Total	1,676,594	2,513,884	3,446,570	4,465,767	5,720,929	7,193,986
ASSETS						
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	905,877	1,176,869	1,499,393
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	452,043	586,984	747,476
Fixed assets	40,380	39,807	48,838	46,926	48,746	48,684
Other assets	87,989	126,572	155,288	193,808	251,785	320,787
Total	1,676,594	2,513,884	3,446,570	4,465,767	5,720,929	7,193,986

Source: Company data, Macquarie Research, May 2007

Fig 23 ICICI Bank – Income statement

Yr end 31 Mar	2005A	2006A	2007A	2008E	2009E	2010E
(Rs m)						
Interest Income	94,099	143,075	229,943	334,053	449,085	583,020
Interest expenses	65,709	95,974	163,585	237,209	316,151	409,604
Net Interest Income	28,390	47,100	66,358	96,844	132,934	173,416
Fees	23,306	35,030	49,655	71,714	99,936	131,734
Net revenues	51,696	82,131	116,013	168,558	232,870	305,150
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	78,571	116,871	159,271
Investment profits	5,440	7,034	9,636	8,108	3,243	1,622
Preprovision profit	24,144	39,139	58,744	86,679	120,114	160,893
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
- Investment depreciation	5,416	7,767	9,990	8,991	8,092	7,283
- Other provisions	86	227	4	0	0	0
PBT	25,272	30,966	36,480	62,055	87,080	118,871
Taxes	5,220	5,566	5,378	10,189	19,124	30,411
Reported PAT	20,052	25,400	31,102	51,867	67,956	88,460
Dividends	6,330	7,593	8,990	13,214	17,810	24,704

Source: Company data, Macquarie Research, May 2007

Asia banks valuations

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 (%)
				FY07E	FY08E	FY07E	FY08E	FY07E	FY08E	FY07E	FY08E	FY07E	FY08E	FY07E	FY08E	FY07E	FY08E	FY07E	FY08E			
China																						
Bank of China	3988 HK	3.92	127,224	21.5	30.4	18.6	41.5	18.0	12.7	1.8	1.9	2.2	2.0	12.7	16.5	0.09	0.12	2.2	3.2	N	4.30	9.7
Bank of Communications	3328 HK	8.26	48,121	34.3	41.5	27.7	20.8	23.7	19.6	2.6	2.9	3.0	2.8	14.8	15.1	0.14	0.16	1.7	1.9	O	9.40	13.8
China Construction Bank	939 HK	4.85	139,331	26.6	32.9	29.0	23.6	18.0	14.5	1.6	1.8	3.0	2.7	17.2	19.4	0.09	0.11	1.9	2.2	O	6.00	23.7
ICBC	1398 HK	4.27	182,357	19.6	26.4	6.7	34.5	21.4	15.9	1.6	1.7	2.7	2.5	13.2	16.2	0.10	0.15	2.3	3.5	O	5.50	28.8
Weighted Average						18.0	31.9	12.1	8.7			2.7	2.5	14.1	16.8			2.1	2.9			
Hong Kong																						
Bank of China-HK	2388 HK	19.44	26,279	131.4	138.4	-0.8	5.3	14.8	14.0	8.4	8.8	2.3	2.2	16.1	16.1	0.88	0.93	4.5	4.8	N	21.30	9.6
Bank of East Asia	23 HK	47.45	9,422	265.6	314.5	18.9	18.4	17.9	15.1	18.5	19.4	2.6	2.4	14.7	16.6	1.76	2.09	3.7	4.4	O	52.00	9.6
Dah Sing Financial	440 HK	69.20	2,213	538.0	628.9	-3.9	16.9	12.9	11.0	42.7	45.7	1.6	1.5	13.0	14.2	2.80	3.27	4.0	4.7	O	81.00	17.1
Hang Seng	11 HK	113.10	27,646	653.7	733.5	3.8	12.2	17.3	15.4	25.6	26.9	4.4	4.2	26.1	27.9	5.80	6.50	5.1	5.7	O	125.00	10.5
Wing Hang	302 HK	91.95	3,459	604.0	661.1	7.0	9.4	15.2	13.9	34.6	37.9	2.7	2.4	18.2	18.2	3.03	3.30	3.3	3.6	N	98.00	6.6
Wing Lung	96 HK	85.75	2,546	542.9	579.7	-21.5	6.8	15.8	14.8	51.1	53.3	1.7	1.6	10.8	11.1	3.01	3.19	3.5	3.7	U	78.00	-9.0
Hong Kong Exchange	388 HK	76.05	10,373	2.9	2.9	17.0	0.7	27.3	27.1	5.2	5.4	14.7	14.1	55.4	53.3	2.51	2.53	3.3	3.3	N	76.00	-0.1
HSBC	5 HK	147.10	217,923	151.3	166.3	8.4	9.9	12.4	11.3	10.0	10.6	1.9	1.8	15.8	16.3	0.90	1.00	4.8	5.3	O	170.00	15.6
Standard Chartered	2888 HK	240.60	42,597	190.9	217.5	12.0	13.9	16.1	14.1	13.3	14.6	2.3	2.1	14.9	15.6	0.79	0.88	2.6	2.9	O	255.00	6.0
Weighted Average*						3.1	10.3	16.0	14.6			3.1	3.0	17.3	18.2			4.5	5.0			
India																						
Bank of Baroda	BOB IN	245.30	2,188	2,707	3,522	19.6	30.1	9.1	7.0	235.1	263.8	1.0	0.9	12.0	14.1	6.00	8.00	2.4	3.3	U	215.00	-12.4
Bank of India	BOI IN	199.15	2,377	1,694	2,481	17.9	46.5	11.8	8.0	113.1	136.0	1.8	1.5	16.0	19.9	2.50	3.70	1.3	1.9	O	235.00	18.0
HDFC	HDFC IN	1,679.20	10,404	6,199	7,509	23.0	21.1	27.1	22.4	215.9	260.8	7.8	6.4	31.4	31.5	25.00	30.00	1.5	1.8	O	2,000.00	19.1
HDFC Bank	HDFCB IN	1,006.05	7,869	3,143	4,436	14.6	41.2	32.0	22.7	195.5	276.8	5.1	3.6	17.2	19.2	5.00	7.00	0.5	0.7	O	1,200.00	19.3
ICICI Bank	ICICIBC IN	872.10	19,198	3,415	5,224	19.7	53.0	25.5	16.7	271.0	306.2	3.2	2.8	13.1	18.1	11.50	15.50	1.3	1.8	O	1,085.00	24.4
IDBI	IDBI IN	90.50	1,604	810	959	4.5	18.4	11.2	9.4	94.0	101.5	1.0	0.9	8.9	9.8	1.00	1.90	1.1	2.1	U	65.00	-28.2
Kotak Mahindra Bank	KMB IN	553.05	4,417	1,857	2,543	74.2	36.9	29.8	21.8	95.1	131.2	5.8	4.2	21.5	22.5	1.50	3.25	0.3	0.6	O	615.00	11.2
Punjab National Bank	PNB IN	516.50	3,988	5,419	7,923	18.6	46.2	9.5	6.5	342.8	396.1	1.5	1.3	17.2	21.4	19.00	22.00	3.7	4.3	O	600.00	16.2
State Bank of India	SBIN IN	1,122.25	14,464	6,810	9,815	-18.7	44.1	16.5	11.4	619.2	700.1	1.8	1.6	12.2	14.9	12.00	20.00	1.1	1.8	U	1,000.00	-10.9
Syndicate Bank	SNDB IN	75.20	961	1,576	1,872	54.4	18.8	4.8	4.0	62.8	77.1	1.2	1.0	27.8	26.8	3.20	3.70	4.3	4.9	O	95.00	26.3
Union Bank of India	UNBK IN	110.15	1,363	1,805	2,621	35.1	45.2	6.1	4.2	93.9	113.4	1.2	1.0	20.6	25.3	4.70	6.90	4.3	6.3	O	165.00	49.8
UTI Bank	UTIB IN	474.25	3,271	2,228	2,976	28.0	33.6	21.3	15.9	120.9	180.1	3.9	2.6	19.9	20.7	4.50	6.50	0.9	1.4	O	621.00	30.9
Vijaya Bank	VJYBK IN	49.75	528	858	1,046	193.3	21.9	5.8	4.8	42.3	51.6	1.2	1.0	21.2	22.3	3.30	3.00	6.6	6.0	O	60.00	20.6
Weighted Average						17.2	40.7	19.4	12.4			2.6	2.1	14.7	18.7			1.4	1.9			
Indonesia																						
Bank Central Asia	BBCA IJ	5,300	7,169	402.6	472.2	18.4	17.3	13.2	11.2	1,734	2,005	3.1	2.6	24.9	25.3	201.3	236.1	3.8	4.5	O	5,900	11.3
Bank Danamon	BDMN IJ	6,700	3,657	451.9	549.1	67.3	21.5	14.8	12.2	2,089	2,638	3.2	2.5	23.4	23.2	225.1	273.5	3.4	4.1	O	7,300	9.0
Bank Int'l Indonesia	BNII IJ	206	1,091	16.7	20.2	25.8	21.2	12.3	10.2	114	125	1.8	1.6	15.1	16.9	8.3	10.1	4.0	4.9	N	190	-7.8
Bank Mandiri	BMRI IJ	3,175	7,186	262.0	361.4	121.1	38.0	12.1	8.8	1,459	1,689	2.2	1.9	19.3	23.0	131.0	180.7	4.1	5.7	O	3,900	22.8
Bank Panin	PNBN IJ	620	1,362	53.3	66.9	45.9	25.5	11.6	9.3	365	411	1.7	1.5	15.5	17.3	21.3	26.8	3.4	4.3	O	750	21.0
Bank Rakyat Indonesia	BBRI IJ	5,250	7,079	422.8	507.1	20.0	19.9	12.4	10.4	1,635	2,143	3.2	2.5	28.0	26.8	211.4	253.5	4.0	4.8	O	6,000	14.3
Weighted Average						53.8	24.5	12.6	10.1			2.6	2.2	22.2	23.6			3.9	4.8			
Korea																						
Daegu Bank	005270 KS	15,150	2,159	2,000	2,091	9.8	4.6	7.6	7.2	10,984	12,435	1.4	1.2	19.5	17.9	640	680	4.2	4.5	O	20,800	37.3
Hana Financial Group	086790 KS	48,200	11,015	5,541	4,981	15.8	-10.1	8.7	9.7	41,332	45,250	1.2	1.1	14.2	11.5	1,130	1,270	2.3	2.6	N	49,600	2.9
Industrial Bank of Korea	024110 KS	18,650	8,151	2,683	2,384	16.8	-11.2	7.0	7.8	14,332	16,115	1.3	1.2	19.7	15.7	600	650	3.2	3.5	O	22,200	19.0
Kookmin Bank	060000 KS	84,200	30,554	9,572	9,071	30.2	-5.2	8.8	9.3	48,896	54,717	1.7	1.5	20.4	17.5	3,250	3,350	3.9	4.0	O	112,500	33.6
Pusan Bank	005280 KS	13,900	2,199	1,667	1,749	33.0	4.9	8.3	7.9	9,970	11,169	1.4	1.2	17.8	16.5	550	580	4.0	4.2	O	16,500	18.7
Woori Finance	053000 KS	23,550	20,476	2,367	2,535	-8.6	7.1	9.9	9.3	15,770	17,630	1.5	1.3	15.8	15.2	675	775	2.9	3.3	O	23,600	0.2
Shinhan Financial	055550 KS	53,300	21,939	5,821	5,530	25.2	-5.0	9.2	9.6	33,059	37,141	1.6	1.4	18.9	15.8	1,100	1,350	2.1	2.5	O	71,200	33.6
Weighted Average						17.7	-3.2	8.8	9.1			1.5	1.4	17.2	14.9			3.0	3.3			
Malaysia																						
AMMB Holdings	AMM MK	4.08	2,541	2.2	28.5	-86.9	1,189.6	184.6	14.3	2.3	2.9	2.0	1.6	1.1	12.4	0.05	0.05	1.2	1.2	O	4.30	5.4
Bumiputra-Commerce	BCHB MK	11.00	11,478	74.6	71.0	57.9	-4.9	14.7	15.5	4.3	4.7	2.5	2.3	19.1	15.6	0.40	0.45	3.6	4.1	N	10.20	-7.3
EON Capital	EON MK	6.75	1,368	42.9	53.6	14.9	25.0	15.8	12.6	4.6	4.9	1.5	1.4	9.7	11.4	0.25	0.30	3.7	4.4	O	7.85	16.3
Hong Leong Bank	HLBK MK	6.45	2,979	42.4	48.7	17.0	15.0	15.2	13.2	3.1	3.4	2.1	1.9	14.1	14.9	0.24	0.24	3.7	3.7	N	5.90	-8.5
Maybank	MAY MK	12.20	13,856	70.7	80.1	-4.8	13.3	17.3	15.2	4.7	5.0	2.6	2.4	15.5	16.4	0.60	0.65	4.9	5.3	N	12.70	4.1
Public Bank	PBKF MK	10.40	10,013	56.3	64.5	8.5	14.6	18.5	16.1	2.8	2.9	3.7	3.5	20.4	22.5	0.65	0.70	6.3	6.7	O	10.75	3.4
RHB Capital	RHBC MK	4.76	2,538	21.8	24.4	57.6	11.8	21.8	19.5	2.8	3.0	2.1	1.9	9.9	10.3	0.10	0.10	2.1	2.1	O	4.55	-4.4

Asia banks valuations (con't)

	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 (%)
				FY07E	FY08E	FY07E	FY08E	FY07E	FY08E	FY07E	FY08E	FY07E	FY08E	FY07E	FY08E	FY07E	FY08E	FY07E	FY08E			
Philippines																						
Banco de Oro	BDO PM	58.50	1,184	279.7	446.2	-12.6	59.5	20.9	13.1	25.9	29.5	2.3	2.0	15.6	16.1	0.80	0.80	1.4	1.4	O	78.00	33.3
Bank Philippine Islands	BPI PM	64.00	3,642	390.0	460.9	18.4	18.2	16.4	13.9	23.4	25.1	2.7	2.6	17.2	19.0	2.50	2.95	3.9	4.6	O	80.00	25.0
China Banking Corp	CHIB PM	885.00	1,148	6,455.3	7,703.6	12.5	19.3	13.7	11.5	441.0	485.8	2.0	1.8	15.3	16.6	28.70	32.28	3.2	3.6	O	1,060.00	19.8
Equitable PCI Bank	EPCI PM	103.00	1,575	492.6	523.1	7.4	6.2	20.9	19.7	59.7	65.0	1.7	1.6	8.6	8.4	0.00	0.00	0.0	0.0	N	81.00	-21.4
Metrobank	MBT PM	59.50	2,262	404.3	470.5	20.6	16.4	14.7	12.6	40.4	44.3	1.5	1.3	10.4	11.1	0.80	0.80	1.3	1.3	O	70.00	17.6
Philippine Nat'l Bank	PNB PM	46.00	366	166.2	150.1	-2.5	-9.7	27.7	30.6	43.2	44.7	1.1	1.0	3.9	3.4	0.00	0.00	0.0	0.0	U	24.00	-47.8
Weighted Average						12.2	19.9	15.1	12.2			2.1	1.9	12.3	13.0			2.2	2.5			
Singapore																						
DBS Group	DBS SP	22.20	22,076	150.6	157.0	5.1	4.2	14.7	14.1	12.6	13.3	1.8	1.7	12.3	12.1	0.89	0.92	4.0	4.2	O	25.75	16.0
Hong Leong Finance	HLF SP	3.96	1,140	19.3	18.4	-0.7	-4.8	20.5	21.5	3.1	3.0	1.3	1.3	6.3	6.1	0.30	0.25	7.6	6.3	O	4.10	3.5
OCBC	OCBC SP	9.35	18,905	51.5	51.7	-18.6	0.5	18.2	18.1	4.6	4.8	2.1	2.0	11.6	11.2	0.31	0.34	3.3	3.6	N	8.80	-5.9
UOB	UOB SP	22.40	22,405	134.9	150.0	-19.0	11.1	16.6	14.9	11.4	12.1	2.0	1.9	12.3	13.0	0.75	0.80	3.3	3.6	O	23.80	6.3
Singapore Exchange	SGX SP	7.40	5,155	0.4	0.3	85.6	-16.7	21.7	26.3	0.5	0.5	14.0	13.6	63.3	53.2	0.31	0.26	4.2	3.5	O	8.00	8.1
Weighted Average***						-10.3	5.4	16.2	15.3			1.9	1.8	11.1	11.1			3.6	3.8			
Taiwan																						
Bank of Kaohsiung	2836 TT	16.95	256	78.7	84.1	-14.7	6.8	21.5	20.2	21.0	21.3	0.8	0.8	3.7	3.9	0.47	0.50	2.8	3.0	U	17.02	0.4
Chang Hwa Bank	2801 TT	19.05	2,753	202.2	164.5	8.0	-18.7	9.4	11.6	18.0	14.8	1.4	1.3	15.0	11.4	1.01	0.82	5.3	4.3	O	26.10	37.0
China Development	2883 TT	13.80	4,412	145.2	146.2	2.4	0.7	9.5	9.4	16.1	17.3	0.9	0.8	9.4	8.8	0.22	0.22	1.6	1.6	U	12.85	-6.9
Chinatrust	2891 TT	26.60	6,430	90.9	109.0	-243.6	20.0	29.3	24.4	11.9	13.2	4.3	3.9	15.6	16.8	0.70	0.85	2.6	3.2	U	23.80	-10.5
E. Sun Financial	2884 TT	19.10	2,104	104.5	134.3	683.1	28.6	18.3	14.2	15.8	16.6	1.2	1.2	7.4	8.3	0.63	0.54	3.3	2.8	U	19.02	-0.4
First Financial	2892 TT	22.60	4,055	179.3	182.7	-4.9	1.9	12.6	12.4	17.1	17.9	1.3	1.3	10.7	10.4	1.00	1.02	4.4	4.5	N	22.25	-1.5
Fubon Financial	2881 TT	29.25	6,783	170.3	225.4	56.5	32.3	17.2	13.0	20.9	21.6	1.4	1.4	8.3	10.6	1.19	1.47	4.1	5.0	U	27.11	-7.3
Fuhwa Financial	2885 TT	14.65	3,658	93.5	119.1	-716.2	27.3	15.7	12.3	13.9	14.3	1.1	1.0	6.8	8.4	0.62	0.79	4.2	5.4	O	18.06	23.3
Hua Nan Financial	2880 TT	23.10	4,143	147.7	174.3	12.8	18.0	15.6	13.3	16.8	17.8	1.4	1.3	9.1	10.1	0.89	1.05	3.8	4.5	U	20.90	-9.5
Mega Financial	2886 TT	21.10	7,080	162.0	179.1	9.3	10.5	13.0	11.8	17.7	18.2	1.2	1.2	9.3	10.0	1.22	1.34	5.8	6.4	O	24.84	17.7
Sinopac Financial	2890 TT	14.65	3,169	97.3	122.0	160.6	25.4	15.1	12.0	12.5	13.2	1.2	1.1	7.9	9.5	0.48	0.61	3.3	4.1	N	15.03	2.6
Ta Chong Bank	2847 TT	10.00	568	62.8	112.7	-120.6	79.3	15.9	8.9	8.6	9.7	1.0	1.0	7.8	12.3	0.00	0.00	0.0	0.0	U	8.55	-14.5
Taishin Financial	2887 TT	16.25	2,788	84.5	95.7	-150.7	13.2	19.2	17.0	16.0	12.9	1.3	1.2	7.1	7.4	0.32	0.36	2.0	2.2	U	14.69	-9.6
Cathay Financial	2882 TT	69.50	19,265	332.4	387.8	18.1	16.7	20.9	17.9	22.8	24.1	2.9	2.8	13.8	15.0	1.35	1.61	1.9	2.3	O	86.00	23.7
Shinkong Financial	2888 TT	32.10	4,561	1.8	2.2	72.0	22.8	18.4	14.9	12.2	13.6	2.6	2.4	15.0	16.6	0.75	0.80	2.3	2.5	O	40.00	24.6
Weighted Average****						-30.8	10.8	13.4	11.9			1.1	1.0	8.7	9.4			2.5	2.8			
Capital Securities	6005 TT	14.95	629	129.4	136.4	22.5	5.4	11.6	11.0	14.9	15.5	1.0	1.0	8.8	9.0	0.78	0.82	5.2	5.5	O	18.08	20.9
KGI Securities	6008 TT	10.80	824	105.2	113.9	-13.8	8.3	10.3	9.5	12.9	13.7	0.8	0.8	8.4	8.6	0.32	0.34	2.9	3.2	O	15.48	43.3
Masterlink Securities	2856 TT	13.00	538	104.5	120.7	96.3	15.5	12.4	10.8	13.8	14.5	0.9	0.9	7.8	8.5	0.37	0.48	2.8	3.7	O	16.56	27.4
Polaris Securities	2854 TT	14.20	809	83.9	91.7	2.1	9.3	16.9	15.5	14.4	15.1	1.0	0.9	5.9	6.2	0.25	0.28	1.8	1.9	O	17.30	21.8
President Securities	2855 TT	17.25	591	197.9	192.6	4.3	-2.7	8.7	9.0	16.1	16.4	1.1	1.0	12.5	11.9	1.17	1.14	6.8	6.6	O	22.48	30.3
Weighted Average						17.4	7.2	11.5	10.8			1.0	0.9	8.4	8.6			3.7	4.0			
Thailand																						
Bangkok Bank	BBL TB	112.00	6,518	10.1	10.8	8.4	6.5	11.0	10.4	84.7	91.9	1.3	1.2	12.5	12.2	3.00	3.75	2.7	3.3	O	125.00	11.6
Bank of Ayudhya	BAY TB	21.40	3,234	0.7	1.6	46.5	136.9	32.5	13.7	14.8	15.8	1.5	1.4	5.6	10.7	0.30	0.70	1.4	3.3	N	21.00	-1.9
Kasikorn Bank	KBANK TB	68.00	4,950	5.8	6.5	0.4	12.1	11.8	10.5	41.0	45.1	1.7	1.5	14.8	15.0	2.00	2.75	2.9	4.0	O	75.00	10.3
Krung Thai Bank	KTB TB	10.90	3,715	1.3	1.4	-0.5	13.9	8.7	7.6	9.0	9.9	1.2	1.1	14.5	15.1	0.52	0.55	4.8	5.0	O	14.00	28.4
Siam City Bank	SCIB TB	17.80	1,147	2.0	2.0	0.6	0.1	8.8	8.8	18.8	20.0	0.9	0.9	11.2	10.5	0.80	0.80	4.5	4.5	N	20.00	12.4
Siam Commercial Bank	SCB TB	66.50	6,892	5.4	5.9	39.3	7.7	12.2	11.3	32.7	36.0	2.0	1.8	17.6	17.1	2.50	2.70	3.8	4.1	O	70.00	5.3
TMB Bank	TMB TB	1.82	1,028	-0.3	0.1	-66.1	-151.9	nmf	13.8	2.3	2.4	0.8	0.7	-10.5	5.6	0.00	0.00	0.0	0.0	N	2.20	20.9
Weighted Average						14.9	18.0	13.1	10.4			1.5	1.4	11.9	13.2			3.1	3.8			
ACL Bank	ACL TB	4.10	199	0.3	0.3	-32.4	-11.7	12.9	14.6	7.8	8.0	0.5	0.5	4.2	3.6	0.00	0.00	0.0	0.0	O	5.00	22.0
Kiatnakin Bank	KK TB	29.50	464	3.4	3.6	5.3	7.3	8.8	8.2	36.0	38.1	0.9	0.8	12.0	12.1	2.30	2.30	7.8	7.8	O	36.00	22.0
Thanachart Capital	TCAP TB	14.30	581	1.4	1.9	29.8	33.9	10.0	7.5	18.0	19.1	0.8	0.7	8.1	10.3	0.80	0.80	5.6	5.6	O	16.00	11.9
TISCO Bank	TISCO TB	22.50	498	2.4	2.6	12.8	8.7	9.4	8.6	17.0	17.9	1.3	1.3	14.2	14.9	1.50	1.50	6.7	6.7	O	26.00	15.6
Weighted Average						11.3	14.4	9.6	8.4			0.9	0.9	9.7	10.2			5.8	5.8			
Asia Banks Weighted Average						12.2	25.5	13.3	10.5			2.4	2.2	13.7	14.0			2.7	3.2			

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

Data as of 3 May 2007

Source: Bloomberg, Macquarie Research, May 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		
China												
Bank of China	3988 HK	3.92	0.0	2.1	16.3	-8.2	-2.3	1.5	5.5	-11.4	990.9	Neutral
Bank of Communications	3328 HK	8.26	0.6	-1.9	34.7	-12.5	-1.7	-2.5	22.2	-15.5	540.3	Outperform
China Construction Bank	939 HK	4.85	6.6	5.4	35.1	-2.0	4.2	4.8	22.5	-5.4	1,437.9	Outperform
ICBC	1398 HK	4.27	-0.9	-5.5	18.9	-11.6	-3.2	-6.1	7.8	-14.7	1,442.0	Outperform
Hong Kong												
Bank of China-HK	2388 HK	19.44	0.9	-5.9	9.6	-7.9	-1.4	-6.4	-0.7	-11.1	334.0	Neutral
Bank of East Asia	23 HK	47.45	-0.7	3.9	29.1	7.7	-3.0	3.4	17.1	4.0	257.2	Outperform
Dah Sing Financial	440 HK	69.20	-2.9	-9.8	2.6	-1.8	-5.2	-10.4	-7.0	-5.2	19.6	Outperform
Hang Seng	11 HK	113.10	0.2	3.2	13.4	6.4	-2.1	2.6	2.8	2.7	336.0	Outperform
Wing Hang	302 HK	91.95	-2.7	-5.4	23.8	0.5	-4.9	-5.9	12.2	-3.0	34.7	Neutral
Wing Lung Bank	96 HK	85.75	-1.3	-3.4	16.5	5.2	-3.6	-3.9	5.6	1.6	13.9	Underperform
Hong Kong Exchange	388 HK	76.05	-3.4	-12.5	23.1	-11.1	-5.6	-13.0	11.6	-14.1	586.7	Neutral
HSBC	5 HK	147.10	7.3	2.4	-1.9	3.2	4.8	1.8	-11.0	-0.4	2,775.7	Outperform
Standard Chartered	2888 HK	240.60	6.5	4.8	8.7	4.7	4.0	4.2	-1.5	1.1	28.3	Outperform
India												
Bank of Baroda	BOB IN	245.30	20.1	-1.1	-9.3	2.3	9.1	1.2	-15.4	0.1	41.6	Underperform
Bank of India	BOI IN	199.15	26.3	2.6	12.5	-4.2	14.7	4.9	4.9	-6.2	90.2	Outperform
HDFC	HDFC IN	1,679.20	12.2	-3.7	13.5	3.4	1.9	-1.5	5.9	1.2	136.1	Outperform
HDFC Bank	HDFCB IN	1,006.05	8.7	-9.0	0.5	-6.0	-1.3	-6.9	-6.2	-7.9	220.9	Outperform
ICICI Bank	ICICIBC IN	872.10	6.3	-7.7	12.8	-2.1	-3.5	-5.5	5.2	-4.1	290.7	Outperform
IDBI	IDBI IN	90.50	24.6	-10.1	10.8	18.6	13.1	-8.1	3.4	16.2	197.8	Underperform
Kotak Mahindra Bank	KMB IN	553.05	17.9	13.2	51.7	38.5	7.0	15.8	41.5	35.6	132.9	Outperform
Punjab National Bank	PNB IN	516.50	21.6	-0.2	-0.6	1.9	10.5	2.1	-7.3	-0.2	53.5	Outperform
State Bank of India	SBIN IN	1,122.25	20.0	-5.0	-0.4	-9.9	8.9	-2.8	-7.1	-11.8	541.5	Underperform
Syndicate Bank	SNDB IN	75.20	28.4	1.1	-5.2	0.4	16.7	3.4	-11.6	-1.7	21.8	Outperform
Union Bank of India	UNBK IN	110.15	14.1	-1.4	-16.7	-10.2	3.6	0.8	-22.3	-12.0	18.2	Outperform
UTI Bank	UTIB IN	474.25	3.4	-19.3	7.6	1.1	-6.1	-17.4	0.4	-1.0	108.7	Outperform
Vijaya Bank	VJYBK IN	49.75	26.1	1.6	-11.6	5.6	14.5	4.0	-17.6	3.4	8.9	Outperform
Indonesia												
Bank Central Asia	BBCA IJ	5,300	-1.0	6.2	23.4	-1.0	-7.7	-14.5	-10.7	-9.2	45,452.6	Outperform
Bank Danamon	BDMN IJ	6,700	-2.2	13.6	4.7	-0.7	-7.2	-0.2	-16.6	-11.5	30,828.8	Outperform
Bank Int'l Indonesia	BNII IJ	206	1.0	-10.4	0.5	-14.2	-4.2	-21.3	-20.0	-23.5	21,673.9	Neutral
Bank Mandiri	BMRI IJ	3,175	16.5	22.1	13.4	9.5	10.6	7.3	-9.7	-2.4	202,002.2	Outperform
Bank Panin	PNBN IJ	620	5.1	1.6	17.0	6.9	-0.3	-10.7	-6.9	-4.7	13,394.4	Outperform
Bank Rakyat Indonesia	BBRI IJ	5,250	-5.4	1.9	4.0	1.9	-10.2	-10.4	-17.2	-9.1	70,873.6	Outperform
Korea												
Daegu Bank	005270 KS	15,150	15.3	13.4	3.9	8.8	-13.7	-20.2	-12.2	-12.4	9,165.2	Outperform
Hana Financial Group	086790 KS	48,200	-0.3	-3.0	8.4	-1.4	-5.2	-12.1	-3.8	-9.4	34,300.2	Neutral
Industrial Bank of Korea	024110 KS	18,650	0.3	0.8	12.3	8.7	-4.6	-8.7	-0.3	0.0	23,096.5	Outperform
Kookmin Bank	060000 KS	84,200	-3.1	2.1	14.7	12.4	-7.9	-7.5	1.8	3.4	89,264.7	Outperform
Pusan Bank	005280 KS	13,900	1.5	5.3	14.4	19.8	-3.5	-4.6	1.5	10.2	8,347.6	Outperform
Woori Finance	053000 KS	23,550	1.1	-2.7	12.4	6.6	-3.9	-11.8	-0.3	-2.0	47,357.0	Outperform
Shinhan Financial	055550 KS	53,300	-5.0	-1.1	21.3	12.2	-9.6	-10.4	7.6	3.2	87,369.8	Outperform
Malaysia												
AMMB Holdings	AMM MK	4.08	10.1	29.6	41.1	10.1	0.1	13.4	13.2	4.7	25.9	Outperform
Bumiputra-Commerce	BCHB MK	11.00	2.8	17.0	58.3	41.9	-2.7	5.4	17.6	15.9	88.8	Neutral
EON Capital	EON MK	6.75	0.0	-5.6	17.4	2.3	-5.3	-15.0	-12.7	-16.5	9.1	Outperform
Hong Leong Bank	HLBK MK	6.45	6.6	4.9	22.9	16.2	0.9	-5.5	-8.7	-5.1	10.7	Neutral
Maybank	MAY MK	12.20	-3.2	-7.6	8.0	3.4	-8.3	-16.8	-19.8	-15.6	76.9	Neutral
Public Bank	PBKF MK	10.40	12.4	7.8	48.6	32.5	6.4	-2.9	10.4	8.2	20.7	Outperform
RHB Capital	RHBC MK	4.76	-0.4	29.3	63.6	39.2	-5.7	16.5	21.6	13.6	21.6	Outperform
Bursa Malaysia	BURSA MK	12.00	7.1	2.6	100.0	49.1	1.4	-7.6	48.6	21.7	29.7	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		
Philippines												
Banco de Oro	BDO PM	58.50	21.1	19.8	73.0	18.5	-2.6	6.3	11.2	15.9	67.5	Outperform
Bank of Phil Islands	BPI PM	64.00	-5.2	-11.7	2.4	0.8	-4.5	-11.8	-13.4	-8.1	115.0	Outperform
China Banking Corp	CHIB PM	885.00	2.3	18.0	31.1	30.1	3.0	17.9	10.9	18.7	4.9	Outperform
Equitable PCI Bank	EPCI PM	103.00	-2.8	8.4	42.1	24.1	-2.2	8.3	20.2	13.1	15.1	Neutral
Metrobank	MBT PM	59.50	-6.3	-4.8	24.0	15.5	-5.6	-4.9	4.8	5.3	203.9	Outperform
Philippine National Bank	PNB PM	46.00	0.0	-1.1	31.4	4.5	0.7	-1.1	11.2	-4.7	2.7	Underperform
Singapore												
DBS Group	DBS SP	22.20	0.0	13.4	22.5	1.3	-4.7	-9.6	-14.1	-15.0	101.2	Outperform
Hong Leong Finance	HLF SP	3.96	-2.5	-5.3	16.5	3.7	-5.8	-11.7	-8.1	-10.3	2.1	Outperform
OCBC	OCBC SP	9.35	1.6	13.3	34.5	21.4	-1.8	5.7	6.1	5.1	76.5	Neutral
UOB	UOB SP	22.40	3.2	12.6	26.6	15.5	-0.3	5.0	-0.2	-0.1	95.9	Outperform
Singapore Exchange	SGX SP	7.40	7.2	5.7	55.5	29.8	3.6	-1.4	22.6	12.3	45.6	Outperform
Taiwan												
Bank of Kaohsiung	2836 TT	16.95	-0.8	29.7	43.5	2.6	-4.6	-12.9	1.1	-11.7	90.3	Underperform
Cathay Financial	2882 TT	69.50	0.4	-6.1	6.9	-6.1	1.4	-7.9	-3.4	-7.3	1,098.2	Outperform
Chang Hwa Bank	2801 TT	19.05	-6.4	-16.8	-8.2	-16.3	-5.5	-18.4	-17.1	-17.4	304.5	Outperform
China Development	2883 TT	13.80	-8.0	-11.3	3.4	-8.0	-7.1	-12.9	-6.6	-9.2	277.1	Underperform
Chinatrust	2891 TT	26.60	-0.4	-6.2	8.1	-2.4	0.6	-7.9	-2.3	-3.7	717.9	Underperform
E. Sun Financial	2884 TT	19.10	-5.9	-12.4	-9.7	-15.5	-5.0	-14.0	-18.4	-16.6	90.3	Underperform
First Financial	2892 TT	22.60	-3.8	-6.6	-2.4	-8.7	-2.9	-8.4	-11.8	-9.9	176.4	Neutral
Fubon Financial	2881 TT	29.25	-6.6	-4.3	7.7	-4.1	-5.6	-6.1	-2.7	-5.3	295.1	Underperform
Fuhwa Financial	2885 TT	14.65	-8.4	-5.5	0.3	-10.1	-7.5	-7.3	-9.3	-11.3	151.5	Outperform
Hua Nan Financial	2880 TT	23.10	-7.2	-7.6	5.5	-4.3	-6.3	-9.3	-4.7	-5.6	165.4	Underperform
Mega Financial	2886 TT	21.10	-4.3	-6.4	-11.2	-11.9	-3.4	-8.2	-19.7	-13.0	431.0	Outperform
Shinkong Financial	2888 TT	32.10	4.7	-2.4	9.7	-8.5	5.8	-4.3	-0.8	-9.7	620.2	Outperform
Sinopac Financial	2890 TT	14.65	-4.9	-13.1	-13.8	-16.0	-3.9	-14.7	-22.1	-17.1	263.9	Neutral
Ta Chong Bank	2847 TT	10.00	-5.7	-4.8	4.2	-8.7	-4.7	-6.6	-5.9	-9.9	54.3	Underperform
Taishin Financial	2887 TT	16.25	-5.2	-12.9	-1.5	-14.9	-4.3	-14.5	-11.0	-16.0	277.0	Underperform
Capital Securities	6005 TT	14.95	1.6	2.0	21.3	11.4	-0.8	0.9	7.8	10.0	59.7	Outperform
KGI Securities	6008 TT	10.80	-3.1	-3.6	3.3	-8.5	-2.2	-5.4	-6.6	-9.7	38.3	Outperform
Masterlink Securities	2856 TT	13.00	-2.6	-7.1	2.4	-2.6	-1.7	-8.9	-7.5	-3.9	46.4	Outperform
Polaris Securities	2854 TT	14.20	-7.2	-9.0	-4.1	-17.2	-6.3	-10.7	-13.3	-18.3	99.0	Outperform
President Securities	2855 TT	17.25	-2.0	-5.2	12.4	-1.7	-1.0	-7.0	1.5	-3.0	30.7	Outperform
Thailand												
Bangkok Bank	BBL TB	112.00	3.7	18.3	3.7	2.7	-3.2	-2.9	-3.7	-2.5	645.2	Outperform
Bank of Ayudhya	BAY TB	21.40	-4.0	12.0	5.9	16.3	-6.2	5.8	9.3	11.4	232.9	Neutral
Kasikorn Bank	KBANK TB	68.00	-2.2	8.8	-3.5	10.6	-4.4	2.8	-0.5	5.9	348.9	Outperform
Krung Thai Bank	KTB TB	10.90	-11.4	-12.1	-18.0	-8.4	-13.4	-17.0	-15.5	-12.3	263.0	Outperform
Siam City Bank	SCIB TB	17.80	0.0	1.7	-19.1	5.3	-2.3	-3.9	-16.5	0.9	67.0	Neutral
Siam Commercial	SCB TB	66.50	-7.0	4.7	-1.5	14.7	-9.1	-1.1	1.6	9.8	430.2	Outperform
TMB Bank	TMB TB	1.82	3.4	-8.5	-43.8	-30.0	1.0	-13.6	-42.1	-33.0	51.7	Neutral
ACL Bank	ACL TB	4.10	2.5	-1.9	-10.9	-6.8	0.1	-7.3	-8.1	-10.8	2.6	Outperform
Kiatnakin Bank	KK TB	29.50	0.0	0.0	-7.8	8.3	-2.3	-5.5	-4.9	3.7	23.0	Outperform
Thanachart Capital	TCAP TB	14.30	-2.1	20.2	-5.3	2.1	-4.3	13.5	-2.3	-2.2	56.2	Outperform
TISCO Bank	TISCO TB	22.50	7.7	5.6	-13.5	2.3	5.2	-0.2	-10.7	-2.1	62.1	Outperform

Data as of 3 May 2007

Source: Bloomberg, Macquarie Research, May 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	4.7	0.3	7.2	0.2	-3.3	-2.7	-0.3	-7.0	-9.8
FTSE Bank	3.2	-1.2	0.1	0.7	-5.0	-7.2	-1.8	-8.4	-15.7
Australia	5.0	7.0	9.9	2.0	-0.6	-4.9	0.0	-0.8	-7.5
HK (ex HSBC, SCB)	4.5	2.0	13.7	2.1	1.5	3.1	-0.5	-5.4	-4.3
HSBC	7.3	2.4	-1.9	4.8	1.8	-11.0	2.2	-5.1	-17.4
Std Chartered HK	6.5	4.8	8.7	4.0	4.2	-1.5	1.4	-2.9	-8.6
China	na	na	na	na	na	na	na	na	na
India	9.4	-3.7	2.8	-0.6	-1.5	-4.1	4.2	-10.8	-13.5
Indonesia	2.9	6.1	11.2	-2.4	-6.7	-11.5	-2.1	-1.6	-6.4
Malaysia	4.3	11.3	35.6	-1.2	0.3	0.8	-0.7	3.2	14.1
Philippines	-2.5	-0.8	14.1	-1.8	-0.9	-3.5	-7.2	-8.1	-4.0
Singapore	1.5	6.2	22.6	-1.9	-1.0	-3.3	-3.3	-1.6	3.1
South Korea	-0.2	0.6	15.3	-5.1	-8.8	2.3	-5.0	-6.7	-3.0
Taiwan	-3.4	-7.8	0.8	-2.5	-9.5	-8.9	-8.1	-14.5	-15.2
Thailand	-3.8	3.1	-8.1	-6.0	-2.6	-5.2	-8.4	-4.4	-22.7

Note: Data as of 3 May 2007

Source: Bloomberg, Macquarie Research, May 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	44.37%	58.37%	42.60%
Neutral	44.01%	21.30%	46.80%
Underperform	11.62%	20.33%	10.60%

For quarter ending 31 March 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).

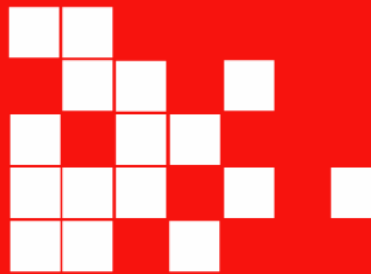
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