

INDIA

ICICI Bank

19 December 2006

ICICIBC IN Outperform

Stock price as of 15 Dec 06	Rs	870.05
12-month target	Rs	1,085.00
Upside/downside	%	+24.7
Valuation	Rs	1,085.00
- Gordon Growth / Sum of Parts		

GICS sector		banks
Market cap	Rs m	777,681
30-day avg turnover	Rs m	221.8
Market cap	US\$m	17,478
Number shares on issue	m	893.8

Investment fundamentals

Year end 31 Mar		2006A	2007E	2008E	2009E
Net interest inc	bn	47.1	67.3	87.3	113.1
Non interest inc	bn	49.8	65.6	84.8	110.8
Underlying profit	bn	46.9	67.3	89.3	121.1
PBT	bn	31.0	41.7	60.9	86.4
PBT Growth	%	22.5	34.6	46.0	41.9
Recurring profit	bn	31.0	41.7	60.9	86.4
Reported profit	bn	25.4	33.3	46.3	63.0
Adjusted profit	bn	25.4	33.3	46.3	63.0
EPS rep	Rs	28.54	37.47	51.98	70.84
EPS rep growth	%	4.9	31.3	38.7	36.3
PE rep	x	30.5	23.2	16.7	12.3
Total DPS	Rs	8.50	11.50	15.50	21.50
Total div yield	%	1.0	1.3	1.8	2.5
ROA	%	1.2	1.2	1.3	1.4
ROE	%	14.6	14.3	17.8	21.3
Equity to assets	%	8.8	7.5	6.7	6.1
Price/book	x	3.5	3.2	2.8	2.4

ICICIBC IN rel SENSEX performance, & rec history



Source: Datastream, Macquarie Research, December 2006 (all figures in INR unless noted)

Analyst

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Life insurance – relentless growth

Event

- We met the management of ICICI Prudential Life Insurance (unlisted 74% sub of ICICI Bank). The growth story here seems relentless, despite significant regulatory changes earlier this year.

Impact

- **Sales growth overrides tighter product regulations.** Sales have been relentless even in September 2006 (83% YoY growth), confounding expectations of a sharp slowdown of sales growth after the tighter product guidelines (longer lock-ins and minimum quotient of protection for linked products) were implemented on 1 July. Management is now reviewing its growth expectations over the longer term.
- **Explosion in distribution network.** ICICI Prudential has seen an explosion in its distribution network over March–September 2006. Its branch network is up 125% to 400, agency force has doubled to 145k and employee base is up 131% to 15,000. While this will undoubtedly impact statutory losses negatively, we expect the trajectory of growth rates to be sustained at high levels going forward.
- **LIC remains the primary competitor.** The key event in the competitive landscape has been the state-owned Life Insurance Corporation of India's resurgence after three years of flat sales until FY3/05. LIC rebounded with an 18% YoY growth in sales in FY3/06 and has set a scorching pace with 138% growth in 1H FY3/07. LIC still scores well on brand image and remains the key competitor.

Earnings revision

- No change.

Price catalyst

- 12-month price target: Rs1,085.00 based on a Gordon Growth / sum of parts methodology.
- Catalyst: Above-consensus earnings expected in 3Q FY3/07.

Action and recommendation

- We value the life insurance sub at Rs197b, which contributes Rs154/share to the value of ICICI Bank. We remain confident of the growth we have forecast for the life insurance sub and came away from the meeting more sanguine about our valuations. We retain our Outperform rating on ICICI Bank, with a target price of Rs1,085.

Fig 1 Selected ratios

%	2004	2005	2006	2007E	2008E	2009E
GROWTH PROJECTIONS						
Growth in Net Interest Income	18.3	42.9	65.9	42.9	29.6	29.5
Growth in Pre Provision Profit	-3.5	19.2	58.7	43.5	32.7	35.5
Growth in Net Profit	35.4	22.5	26.7	31.3	38.7	36.3
OPERATING EFFICIENCY						
Cost to income	67.1	57.8	55.6	51.7	48.9	46.4
Cost to assets	2.5	2.5	2.6	2.4	2.4	2.3
Overhead ratio	36.7	15.0	15.3	8.9	1.1	-5.0
ASSET ANALYSIS						
Loans to earning assets	54.4	59.0	62.3	63.0	63.6	64.3
Earning assets to Total assets	91.1	92.3	93.4	93.7	94.0	94.2
Loans to Total assets	49.6	54.5	58.1	59.1	59.8	60.6
LOAN ANALYSIS						
Net loan growth	14.7	39.3	57.0	30.9	27.3	28.1
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	58.3	54.9	50.7
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	19.2	18.8	19.3
DEPOSIT ANALYSIS						
Deposit growth	41.4	46.6	65.4	30.6	26.1	28.0
Demand & savings to ttl deposit	23.0	24.3	22.7	24.7	25.2	25.6
Time deposit to total deposit	77.0	75.7	77.3	75.3	74.8	74.4
LIQUIDITY						
LDR	101.4	96.5	89.6	91.6	92.4	92.3
Gilts to Deposits	30.4	25.9	25.2	24.0	23.5	23.0
Earning Assets to deposits	167.6	155.1	142.2	141.5	141.9	140.9
PROVISIONING						
Loan loss reserve to assets	0.8	0.8	0.5	0.8	1.0	1.2
Reserve cover	45.7	52.6	65.0	70.0	75.0	75.0
Provisions to loans	0.7	-0.1	0.5	0.8	0.7	0.7
ASSET QUALITY						
Gross NPLs	4.8	3.0	1.5	1.8	2.1	2.3
Net NPLs	3.2	1.6	0.7	0.6	0.6	0.6
CAPITAL ADEQUACY						
Tier 1 CAR	6.1	7.6	9.2	8.2	7.7	7.8
Total CAR	10.4	11.8	13.4	13.9	11.8	11.3
Equity to assets	6.4	7.5	8.8	7.5	6.7	6.1
CAPITAL MANAGEMENT						
Dividend payout	28.2	31.2	29.8	30.7	29.8	30.3
Dividend yield	0.9	1.0	1.0	1.3	1.8	2.5
EPS	26.6	27.2	28.5	37.5	52.0	70.8
BVPS	130.0	170.3	249.6	274.3	309.3	356.4
PROFITABILITY						
ROA	1.56	1.49	1.30	1.24	1.34	1.44
ROE	21.91	19.51	14.62	14.30	17.81	21.3
Pre provision profit ROE	31.0	23.6	21.1	27.6	32.5	38.2
Non-int. inc. to ttl. inc.	25.4	26.6	25.8	23.4	22.6	22.5
SPREAD ANALYSIS						
Int. rate received on int. E.A.	8.60	7.00	7.35	7.96	8.39	8.71
Int. rate paid on int. bearing liab.	6.46	4.83	4.99	5.57	5.93	6.16
Spread	2.14	2.17	2.35	2.40	2.47	2.55
Net Interest Margin	1.80	1.71	2.02	2.09	2.18	2.28
VALUATION						
PER (x)	32.8	32.0	30.5	23.3	16.8	12.3
PB (x)	6.7	5.1	3.5	3.2	2.8	2.4
PUP (x)	21.7	21.7	16.5	11.5	8.7	6.4

Source: Macquarie Research, December 2006

Fig 2 ICICI Bank – Balance sheet

Yr end 31 Mar	2004A	2005A	2006A	2007E	2008E	2009E
(Rs m)						
LIABILITIES						
Equity capital	6,164	7,368	8,898	8,898	8,898	8,898
Share Premium	8,523	39,892	118,175	118,175	118,175	118,175
Reserves	65,418	78,240	94,987	117,051	148,108	190,062
Net worth	80,106	125,500	222,060	244,124	275,182	317,135
Sub bonds/pref cap	94,559	85,589	104,944	140,744	190,744	225,744
Savings deposits	83,720	113,918	209,370	294,998	377,307	488,007
Current deposits	72,591	128,369	165,730	238,004	306,820	401,292
Term deposits	524,775	755,901	1,275,726	1,622,986	2,033,688	2,588,338
Total deposits	681,086	998,188	1,650,826	2,155,988	2,717,815	3,477,637
Borrowings	307,402	335,445	385,219	515,793	669,328	859,656
Other liabilities	89,136	131,873	150,835	197,932	250,928	321,317
Total	1,252,289	1,676,594	2,513,884	3,254,581	4,103,997	5,201,489
ASSETS						
Loans	620,955	914,052	1,461,630	1,923,201	2,455,161	3,151,209
Corp investments	55,491	28,540	18,040	13,530	10,148	7,611
Gilts	300,511	345,196	512,087	641,228	795,979	997,578
Other investments						
- Equity	16,843	19,148	20,579	20,579	20,579	20,579
- Subs	14,237	20,667	28,607	38,107	46,107	51,107
- Others	48,474	91,323	136,161	183,817	238,963	298,703
Cash/equiv	84,706	129,300	170,402	230,030	290,848	372,308
Fixed assets	40,564	40,380	39,807	37,997	35,649	32,765
Other assets	70,508	87,989	126,572	166,093	210,564	269,631
Total	1,252,289	1,676,594	2,513,884	3,254,581	4,103,997	5,201,489

Source: Macquarie Research, December 2006

Fig 3 ICICI Bank – Income statement

Yr end 31 Mar	2004A	2005A	2006A	2007E	2008E	2009E
(Rs m)						
Interest Income	90,024	94,099	143,075	214,920	289,966	381,409
Interest expenses	70,153	65,709	95,974	147,602	202,696	268,353
Net Interest Income	19,871	28,390	47,100	67,318	87,270	113,056
Fees	18,422	28,722	42,797	59,596	81,831	108,359
Net revenues	38,293	57,112	89,898	126,914	169,102	221,415
Operating Expense	25,712	32,992	50,025	65,587	82,759	102,753
- Employee exp	5,461	7,374	10,823	15,477	22,132	30,431
- Other opex	20,252	25,617	39,202	50,110	60,627	72,321
Operating profit	12,581	24,120	39,873	61,328	86,342	118,662
Investment profits	12,227	5,440	7,034	6,000	3,000	2,400
Pre-provision profit	24,808	29,560	46,906	67,328	89,342	121,062
Provisions	5,786	4,288	15,941	25,652	28,478	34,711
- Loan loss provisions	4,591	-1,214	7,947	14,652	16,378	21,401
- Investment depreciation	987	5,416	7,767	11,000	12,100	13,310
- Other provisions	208	86	227	0	0	0
PBT	19,022	25,272	30,966	41,676	60,864	86,351
Taxes	2,651	5,220	5,566	8,335	14,607	23,315
PAT	16,371	20,052	25,400	33,341	46,257	63,036
Reported PAT	16,371	20,052	25,400	33,341	46,257	63,036
Dividends	4,598	5,441	6,330	10,233	13,792	19,131

Source: Macquarie Research, December 2006

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 (%)	
				FY06E	FY07E	FY06E	FY07E	FY06E	FY07E	FY06E	FY07E	FY06E	FY07E	TP (%)	FY07E	FY06E	FY07E	FY06E	FY07E				
Philippines																							
Banco de Oro	BDO PM	44.00	858	315.8	391.6	12.7	24.0	13.9	11.2	24.2	27.1	1.8	1.6	13.8	15.3	0.79	0.98	1.8	2.2	O	54.00	22.7	
Bank Philippine Islands	BPI PM	64.00	3,508	337.9	380.4	-8.1	12.6	18.9	16.8	22.1	23.5	2.9	2.7	15.5	16.7	2.65	2.43	4.1	3.8	O	69.00	7.8	
China Banking Corp	CHIB PM	700.00	875	5,558.1	6,198.5	-36.2	11.5	12.6	11.3	385.4	419.6	1.8	1.7	15.0	15.4	25.82	27.79	3.7	4.0	O	840.00	20.0	
Equitable PCI Bank	EPCI PM	79.00	1,164	458.7	492.6	23.6	7.4	17.2	16.0	54.8	59.7	1.4	1.3	8.7	8.6	0.00	0.00	0.0	0.0	N	81.00	2.5	
Metrobank	MBT PM	51.00	1,868	335.2	392.1	44.8	17.0	15.2	13.0	37.1	40.3	1.4	1.3	9.9	10.1	0.80	0.80	1.6	1.6	O	55.00	7.8	
Philippine Nat'l Bank	PNB PM	42.00	322	170.4	166.2	57.3	-2.5	24.6	25.3	41.5	43.2	1.0	1.0	nmf	nmf	0.00	0.00	0.0	0.0	U	24.00	-42.9	
Weighted Average						9.3	13.3	16.9	14.3			2.1	1.9	11.4	12.0			2.6	2.5				
Singapore																							
DBS Group	DBS SP	22.20	21,735	140.1	137.5	164.2	-1.8	16.0	16.3	11.5	12.3	1.9	1.8	12.5	11.5	0.68	0.76	3.1	3.4	O	22.50	1.4	
Hong Leong Finance	HLF SP	3.80	1,076	19.5	19.3	7.4	-0.7	19.5	19.6	3.1	3.0	1.2	1.3	6.3	6.3	0.30	0.30	7.9	7.9	O	4.10	7.9	
OCBC	OCBC SP	7.55	15,307	56.4	45.2	36.8	-19.9	13.7	17.2	4.2	4.4	1.8	1.7	13.6	10.2	0.25	0.26	3.3	3.5	N	7.40	-2.0	
UOB	UOB SP	18.70	18,472	164.6	134.8	51.0	-18.1	11.5	14.2	9.5	10.1	2.0	1.9	16.7	13.5	1.00	0.65	5.3	3.4	O	20.00	7.0	
Singapore Exchange	SGX SP	5.30	3,627	17.8	16.8	76.8	-5.3	29.8	31.5	0.6	0.5	9.4	11.3	35.4	33.0	0.16	0.15	3.1	2.9	N	4.75	-10.4	
Weighted Average**						89.8	-12.0	13.1	14.3			1.9	1.8	13.6	11.4			4.0	3.5				
Taiwan																							
Bank of Kaohsiung	2836 TT	16.80	260	92.3	78.7	19.0	-14.7	18.2	21.3	21.0	21.3	0.8	0.8	4.4	3.7	0.55	0.47	3.3	2.8	O	17.02	1.3	
Chang Hwa Bank	2801 TT	22.45	3,313	170.3	158.9	-126.4	-6.7	13.2	14.1	13.1	14.1	1.7	1.6	13.6	11.7	0.79	0.74	3.5	3.3	O	26.10	16.3	
China Development	2883 TT	14.80	4,833	118.7	112.5	27.4	-5.2	12.5	13.2	14.7	15.8	1.0	0.9	8.7	7.3	0.23	0.28	1.5	1.9	O	14.21	-4.0	
Chinatrust	2891 TT	28.00	6,847	67.6	203.3	-62.8	200.6	37.5	13.8	15.8	17.9	1.8	1.6	4.3	11.7	0.40	1.14	1.4	4.1	O	27.90	-0.4	
E. Sun Financial	2884 TT	21.80	2,210	4.5	109.2	-97.0	2,343.8	429.7	20.0	14.5	15.7	1.5	1.4	0.3	7.2	0.03	0.66	0.1	3.0	O	23.55	8.0	
First Financial	2892 TT	24.40	4,471	170.8	162.8	16.1	-4.6	14.3	15.0	16.1	16.9	1.5	1.4	10.9	9.9	0.80	0.81	3.3	3.3	U	21.13	-13.4	
Fubon Financial	2881 TT	29.80	7,058	172.7	229.8	31.7	33.0	17.3	13.0	20.8	21.3	1.4	1.4	8.3	11.0	1.37	1.61	4.6	5.4	N	27.65	-7.2	
Mega Financial	2886 TT	23.85	8,174	198.2	218.2	0.0	10.1	12.0	10.9	17.4	18.0	1.4	1.3	11.6	12.3	1.49	1.64	6.2	6.9	N	25.22	5.7	
Sinopac Financial	2890 TT	17.15	3,761	79.2	102.0	-2.1	28.9	21.6	16.8	12.7	13.0	1.4	1.3	6.4	8.0	0.35	0.46	2.0	2.7	O	18.23	6.3	
Ta Chong Bank	2847 TT	10.40	601	-95.2	91.2	-274.8	-195.8	nmf	11.4	10.6	10.4	1.0	1.0	-9.3	9.0	0.00	0.23	0.0	2.2	O	9.40	-9.6	
Taishin Financial	2887 TT	18.15	3,032	50.2	135.5	-199.7	169.7	35.2	13.4	13.3	14.2	1.4	1.3	4.1	9.8	0.19	0.52	1.1	2.8	O	20.40	12.4	
Cathay Financial	2882 TT	71.40	19,949	231.4	299.3	-7.4	29.3	25.4	21.5	22.1	23.5	3.2	3.0	12.9	13.8	1.14	1.45	1.6	2.0	O	84.00	17.6	
Shinkong Financial	2888 TT	33.15	4,770	169.4	158.0	11.0	-6.7	20.4	21.0	12.9	13.8	2.6	2.4	14.1	11.8	0.01	0.01	0.0	0.0	N	36.00	8.6	
Weighted Average***						-21.7	117.0	16.3	11.8			0.9	0.9	7.8	10.0			2.0	2.6				
Capital Securities	6005 TT	13.90	598	65.0	106.5	57.2	63.9	21.3	13.1	14.5	15.1	1.0	0.9	4.5	7.2	0.46	0.64	3.3	4.6	O	15.07	8.4	
KGI Securities	6008 TT	11.55	900	35.3	58.0	-401.3	64.2	32.7	19.9	11.5	11.9	1.0	1.0	3.1	4.9	0.11	0.17	0.9	1.5	O	11.91	3.1	
Masterlink Securities	2856 TT	13.25	560	58.1	99.0	20.7	70.2	22.7	13.4	13.2	13.8	1.0	1.0	4.5	7.3	0.20	0.35	1.5	2.6	O	13.79	4.1	
Polaris Securities	2854 TT	16.55	963	49.8	90.3	88.5	81.2	33.3	18.3	13.4	14.8	1.2	1.1	3.8	6.3	0.13	0.23	0.8	1.4	O	14.78	-10.7	
President Securities	2855 TT	17.75	619	141.5	169.3	57.3	19.6	12.5	10.5	15.3	15.7	1.2	1.1	9.4	10.9	0.99	1.19	5.6	6.7	N	15.73	-11.4	
Yuanta Securities	6004 TT	27.00	2,642	108.9	143.0	182.0	31.3	24.8	18.9	19.0	19.5	1.4	1.4	5.8	7.4	0.72	0.94	2.7	3.5	O	29.20	8.1	
Weighted Average						45.6	49.1	24.4	17.0			1.2	1.2	5.2	7.2			2.4	3.2				
Thailand																							
Bangkok Bank	BBL TB	124.00	5,238	9.5	10.1	-10.7	6.4	13.0	12.3	80.1	87.4	1.5	1.4	12.4	12.1	2.25	3.00	1.8	2.4	O	137.00	10.5	
Bank of Ayudhya	BAY TB	20.50	1,352	0.2	0.9	-86.0	327.2	64.6	23.3	11.5	12.3	1.8	1.7	1.9	8.6	0.80	0.80	3.9	3.9	N	21.00	2.4	
Kasikorn Bank	KBANK TB	70.50	3,954	5.5	5.8	-7.1	6.2	12.9	12.2	37.0	40.8	1.9	1.7	15.6	14.9	3.00	2.00	4.3	2.8	O	80.00	13.5	
Krung Thai Bank	KTB TB	14.20	3,137	1.3	1.3	8.2	1.0	11.3	11.1	8.1	8.9	1.7	1.6	16.2	15.0	1.00	0.50	7.0	3.5	O	15.00	5.6	
Siam City Bank	SCIB TB	20.70	1,321	2.2	2.3	-27.4	8.4	9.6	8.9	17.8	18.8	1.2	1.1	12.4	12.7	1.20	1.20	5.8	5.8	O	25.00	20.8	
Siam Commercial Bank	SCB TB	68.00	3,100	4.7	5.1	-16.0	8.3	14.6	13.5	31.4	34.1	2.2	2.0	15.5	15.4	4.50	2.50	6.6	3.7	N	68.00	0.0	
TMB Bank	TMB TB	2.96	3,101	0.2	0.2	-60.6	17.2	14.7	12.6	3.8	3.7	0.8	0.8	5.9	6.6	0.00	0.00	0.0	0.0	N	3.50	18.2	
Weighted Average						-21.1	28.0	13.2	10.7			1.6	1.5	12.3	12.7			3.9	2.8				
ACL Bank	ACL TB	4.34	131	0.5	0.3	-30.2	-37.6	8.5	13.6	7.5	7.8	0.6	0.6	7.1	4.2	0.00	0.00	0.0	0.0	O	5.50	26.7	
Kiatnakin Bank	KK TB	29.50	431	3.4	3.5	-13.3	3.7	9.0	8.8	26.8	28.4	1.1	1.0	12.5	12.2	2.30	2.30	7.8	7.8	O	40.00	35.6	
Thanachart Capital	TCAP TB	15.90	602	1.5	1.7	-34.9	9.9	10.5	9.5	17.7	18.6	0.9	0.9	8.7	9.2	1.00	0.80	6.3	5.0	O	18.00	13.2	
TISCO Bank	TISCO TB	23.70	364	2.1	2.4	-13.0	12.0	11.1	9.9	17.2	17.9	1.4	1.3	12.3	13.6	1.50	1.50	6.3	6.3	O	29.00	22.4	
Weighted Average						-23.2	4.6	8.9	7.9			1.0	1.0	10.0	10.0			6.2	5.7				
Asia Banks Weighted Average						20.4	28.4	13.7	12.1			2.1	1.9	14.5	14.4			3.1	3.2				

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

Data as of 15 December 2006

Source: Bloomberg, Macquarie Research, December 2006

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	2.0	7.6	15.3	0.2	-0.4	1.1	-1.8	-4.6	-5.2
FTSE Bank	-0.3	4.9	9.8	-1.8	-2.3	-3.1	-4.1	-7.0	-9.8
Australia	-0.7	4.7	12.3	-3.6	-4.9	-0.1	-4.4	-7.1	-7.7
HK (ex HSBC, SCB)	0.8	12.4	17.7	1.2	2.2	-2.4	-3.0	-0.4	-3.3
HSBC	-3.9	0.6	4.3	-3.6	-8.4	-13.6	-7.6	-10.8	-14.3
Std Chartered HK	3.7	17.3	21.9	4.1	6.7	1.1	-0.2	4.0	0.2
China	18.1	51.5	80.5	-1.2	11.6	27.4	13.7	34.3	48.3
India	1.9	18.2	60.5	0.6	4.8	16.5	-1.9	4.8	31.9
Indonesia	2.8	23.1	42.2	-4.1	1.3	3.9	-1.1	9.2	16.9
Malaysia	16.7	16.8	21.5	11.5	3.6	-0.3	12.3	3.6	-0.1
Philippines	-0.5	10.1	19.5	-1.0	-3.6	-11.2	-4.2	-2.4	-1.8
Singapore	3.0	15.0	24.4	-1.1	0.2	0.7	-0.9	2.0	2.2
South Korea	1.4	6.2	12.1	0.7	2.6	-0.5	-2.4	-5.9	-7.9
Taiwan	5.4	10.7	6.3	1.5	1.1	-7.3	1.5	-1.9	-12.7
Thailand	0.9	8.1	19.0	0.6	3.6	7.6	-2.9	-4.2	-2.2

Note: Data as of 15 December 2006

Source: Bloomberg, Macquarie Research, December 2006

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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 – return > 5% in excess of benchmark return
 Neutral – return within 5% of benchmark return
 Underperform – return >5% below benchmark return

Recommendations – 12 months

Note: Quant recommendations may differ from Fundamental Analyst recommendations

Recommendation proportions

	AU/NZ	Asia	RSA
Outperform	42.81%	57.12%	42.20%
Neutral	44.60%	26.36%	46.80%
Underperform	12.59%	16.52%	11.00%

For quarter ending 30 September 2006

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).

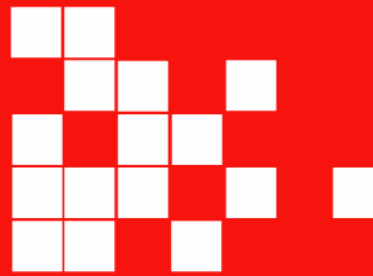
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