

INDIA

Kotak Mahindra Bank

18 April 2007

KMB IN **Outperform**

Stock price as of 18 Apr 07	Rs	496.70
12-month target	Rs	615.00
Upside/downside	%	+23.8
Valuation	Rs	615.00
- Gordon growth model		

GICS sector	diversified financials		
Market cap	Rs m	162,002	
30-day avg turnover	Rs m	183.9	
Market cap	US\$m	3,884	
Number shares on issue	m	326.2	

Investment fundamentals

Year end 31 Mar		2006A	2007E	2008E	2009E
Net interest inc	m	6,186	9,706	13,632	17,635
Non interest inc	m	17,570	25,740	36,978	51,913
Recurring profit	m	6,013	8,646	11,794	15,415
EPS adj	Rs	9.05	18.57	25.43	33.34
EPS adj growth	%	86.5	105.1	36.9	31.1
PE adj	x	54.9	26.7	19.5	14.9
Total DPS	Rs	0.53	1.50	3.25	6.50
Total div yield	%	0.1	0.3	0.7	1.3
ROA	%	2.2	2.4	2.3	2.4
ROE	%	16.6	21.5	22.5	23.0
Price/book	x	6.4	5.2	3.8	3.1

KMB IN rel SENSEX performance, & rec history



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

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Riders on the storm

Event

- We initiate coverage on Kotak Mahindra Bank (KMB IN) with an Outperform rating and a target price of Rs615, upside of 24%. Kotak is one of the best ways to ride the boom in retail capital market services, in our view.

Impact

- Best investment bank play.** Kotak's high exposure to capital markets is positive, and we see a structural bull story in that space. India's demographic changes and strong growth should produce a surge in the addressable market for retail and wholesale capital market services, in our view. Kotak, with its market leadership in broking and capital markets, appears to be one of the best listed plays on this theme. Even so, we concede that dependence on this business makes the income streams and stock price more volatile.
- Lending business: small is beautiful.** Kotak's small lending business gives it some strong advantages: it can grow at a rapid pace despite slowing growth in the system. In addition, it can stay focused on high-margin businesses, which help to sustain its above-average net interest margins. We expect the contribution of the retail lending business to increase significantly over time.
- Strong earnings growth.** We forecast Kotak's earnings growth at 30%+ for FY3/07-09. This is mainly on the basis of continued growth in the fee businesses, led by the robust capital markets franchise. Asset growth is forecast at 30%, which is slower than before because of the higher base and a slowdown in retail asset demand. Return ratios continue to be robust.
- Further upside from capital management.** Kotak's low ROEs are a function of its high capital adequacy – this is because its subsidiaries have excess capital that is expensive to consolidate in the parent because of dividend taxes. For the longer term, we believe that this represents a war chest that will lead, at the very least, to higher dividend payout ratios in the future.

Earnings revision

- No change

Price catalyst

- 12-month price target: Rs615.00 based on a Gordon growth model methodology.
- Catalyst: Strong 4QFY3/07 results expected

Action and recommendation

- We view Kotak as a high-risk play on the structural growth of India's capital markets and its economy. We value Kotak on a consolidated Gordon growth model and validate it with a sum-of-parts valuation. Our target price is Rs615, which represents potential upside of 24%. That said, dependence on capital markets income makes Kotak a high-risk stock, which is why we recommend that investors take a longer-term view of the stock; near-term income trends are very difficult to predict. Nonetheless, we initiate with an Outperform.

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 Kotak Mahindra Bank (consolidated ex insurance) - Selected ratios

Yr end 31 Mar (%)	2005	2006	2007E	2008E	2009E
GROWTH PROJECTIONS					
Growth in Net Interest Income	15.3	43.9	56.9	40.4	29.4
Growth in Pre Provision Profit	-5.7	86.2	51.4	32.2	26.5
Growth in Net Profit	-4.8	79.8	39.7	35.5	29.8
OPERATING EFFICIENCY					
Cost to income	62.6	59.6	59.6	62.8	65.6
Cost to assets	5.5	7.4	7.1	7.4	8.2
Overhead ratio	25.8	-4.2	-2.3	3.8	5.9
ASSET ANALYSIS					
Loans to earning assets	70.1	66.8	63.4	64.0	63.9
Earning assets to Total assets	92.6	91.8	91.0	91.0	91.0
Loans to Total assets	64.9	61.3	57.6	58.2	58.2
LOAN ANALYSIS					
Net loan growth	54.4	48.5	52.8	34.1	27.0
DEPOSIT ANALYSIS					
Deposit growth	-9.2	46.5	85.0	65.0	50.0
Demand & savings to ttl deposit	13.3	21.5	22.8	25.3	27.8
Time deposit to total deposit	86.7	78.5	77.2	74.7	72.2
LIQUIDITY					
LDR	198.4	203.9	165.6	133.5	112.4
Gilts to Deposits	20.7	21.4	25.7	25.7	25.6
Earning Assets to deposits	265.8	277.8	245.3	198.7	169.1
PROVISIONING					
Reserve cover	80.4	46.6	60.2	75.0	80.0
Provisions to loans	0.3	0.5	0.9	0.8	0.6
ASSET QUALITY (excluding stressed asset portfolio)					
Gross NPLs	0.4	0.4	0.4	0.4	0.4
Net NPLs	0.0	0.1	0.1	0.1	0.1
CAPITAL ADEQUACY					
Tier 1 CAR	10.1	8.1	7.0	5.6	4.6
Total CAR	12.8	11.1	9.9	8.4	7.2
Equity to assets	17.6	15.7	11.7	11.7	10.9
CAPITAL MANAGEMENT					
Dividend payout	19.2	5.5	7.9	12.6	19.4
Dividend yield	0.3	0.1	0.3	0.7	1.3
EPS	6.5	11.4	19.0	25.8	33.5
BVPS	50.9	77.6	95.1	131.2	158.2
PROFITABILITY					
ROA	2.43	3.27	2.87	2.68	2.67
ROE	13.99	17.75	22.06	22.80	23.1
Pre provision profit ROE	18.8	25.4	31.3	30.9	32.8
Non-int. inc. to ttl. inc.	38.2	47.0	44.6	44.5	46.1
SPREAD ANALYSIS					
Int. rate received on int. E.A.	7.86	8.83	9.17	9.22	9.38
Int. rate paid on int. bearing liab.	3.83	4.44	4.67	4.79	4.96
Spread	4.03	4.38	4.49	4.44	4.42
Net Interest Margin	4.46	4.80	4.72	4.58	4.55
VALUATION					
PER (x)	76.5	43.6	26.1	19.3	14.8
PB (x)	9.8	6.4	5.2	3.8	3.1
PUP (x)	16.9	22.7	15.0	11.3	9.0

Source: Bloomberg, Macquarie Research, April 2007

Best investment bank play

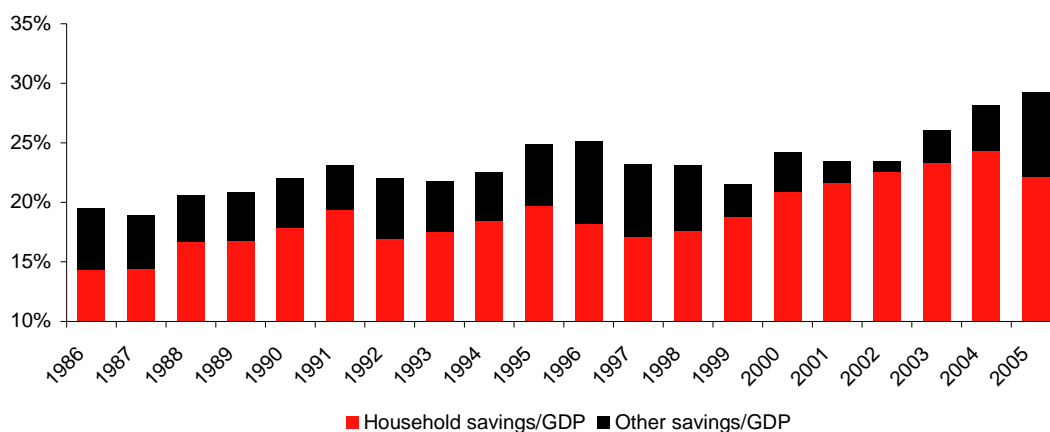
Kotak’s high exposure to capital markets is positive, and we see a structural bull story in that space. We believe that India’s demographic changes and strong growth should produce a surge in the addressable market for retail and wholesale capital market services and that this segment will experience strong growth. Kotak, with its market leadership in broking and capital markets, is one of the best listed plays on this theme, in our view. Even so, we concede that the company’s dependence on this business makes its income streams and stock price more volatile.

Structural bull story in retail investment services

We believe that there is a structural bull story in India’s capital markets and that it will drive strong demand for retail capital market services, underpinned by some strong macro subplots.

Rising savings rates. India’s savings rate has been rising consistently since 1999, and it is now at 29% vs 22% ten years ago. Rising household savings has been a key driver, expanding from 14% of GDP to 22% between 1986 and 2006. As a result, the total stock of household savings rose at a 12% CAGR over 1996–2006.

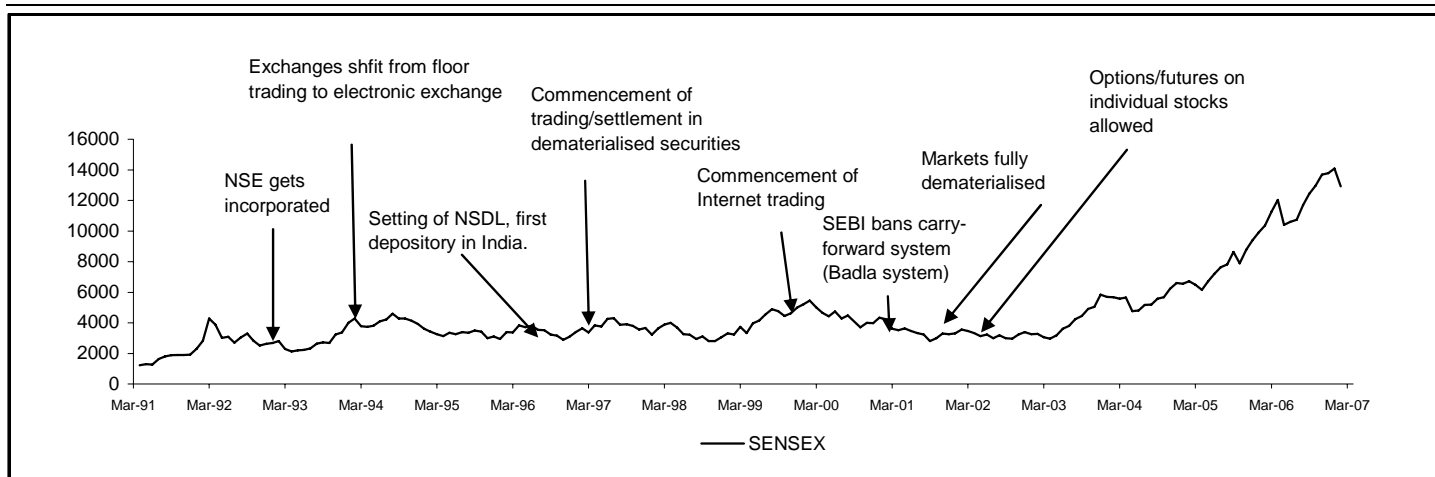
Fig 2 Total savings/GDP moving upwards



Source: Reserve Bank of India, Macquarie Research, April 2007

Easier access to the markets. Beginning with the inception of the National Stock Exchange in 1993, the Indian markets have transitioned to being among the most modern markets in Asia. Trading is totally online, as are share transfers – both can now be done seamlessly on the Internet. Settlement is T+2, contracts are time-stamped and broker defaults are minimal. The opaque “badla” system of carrying forward trades has been replaced by a transparent derivatives segment.

Fig 3 Markets modernise through the nineties

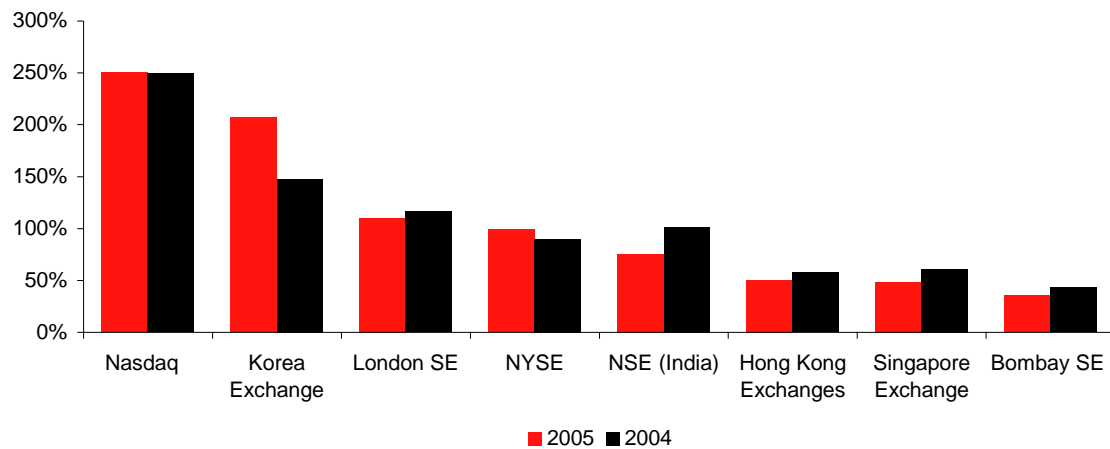


NSE – National Stock Exchange, NSDL – National Securities Depository Limited, SEBI – Securities & Exchange Board of India

Source: Stock exchanges, Macquarie Research, March 2007

Velocity ratio for countries for 2004/2005

Fig 4 India - rising velocity ratios



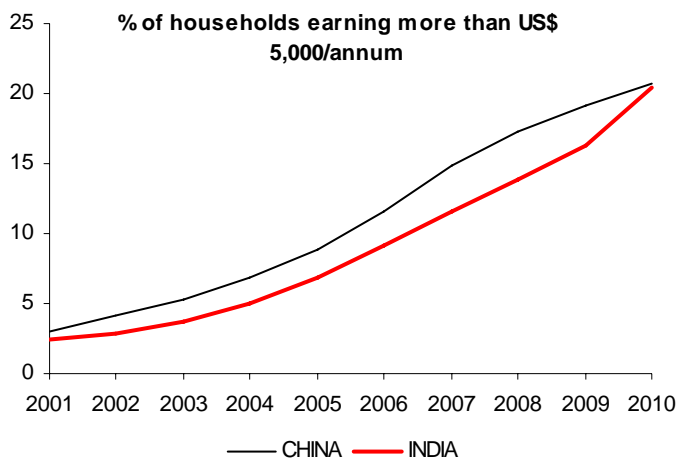
Velocity ratio is the ratio between the turnover of domestic shares and their market capitalisation

Source: www.world-exchanges.org, Macquarie Research, April 2007

The result is that retail participants are now dealing with professional organisations rather than mom-and-pop shops for their access to the capital markets. This increased credibility is a significant driver for enabling the mass affluent category to access the markets.

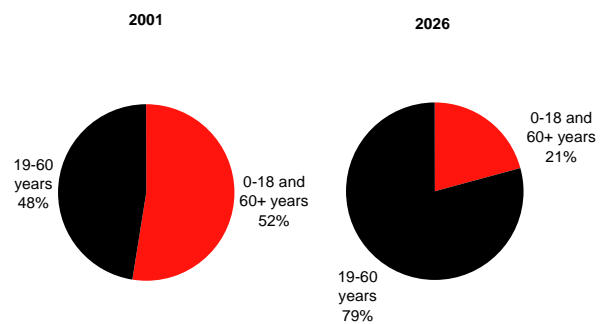
Changing demographics. At the core of most retail/consumption stories in India is the demographic dividend, whereby India should benefit from a falling dependency ratio during the coming decades. We expect this to combine with rising incomes and a fast growing middle class (see charts).

Fig 5 Rising incomes...



Source: Economic Intelligence Unit, Macquarie Research, April 2007

Fig 6 ...and falling dependency



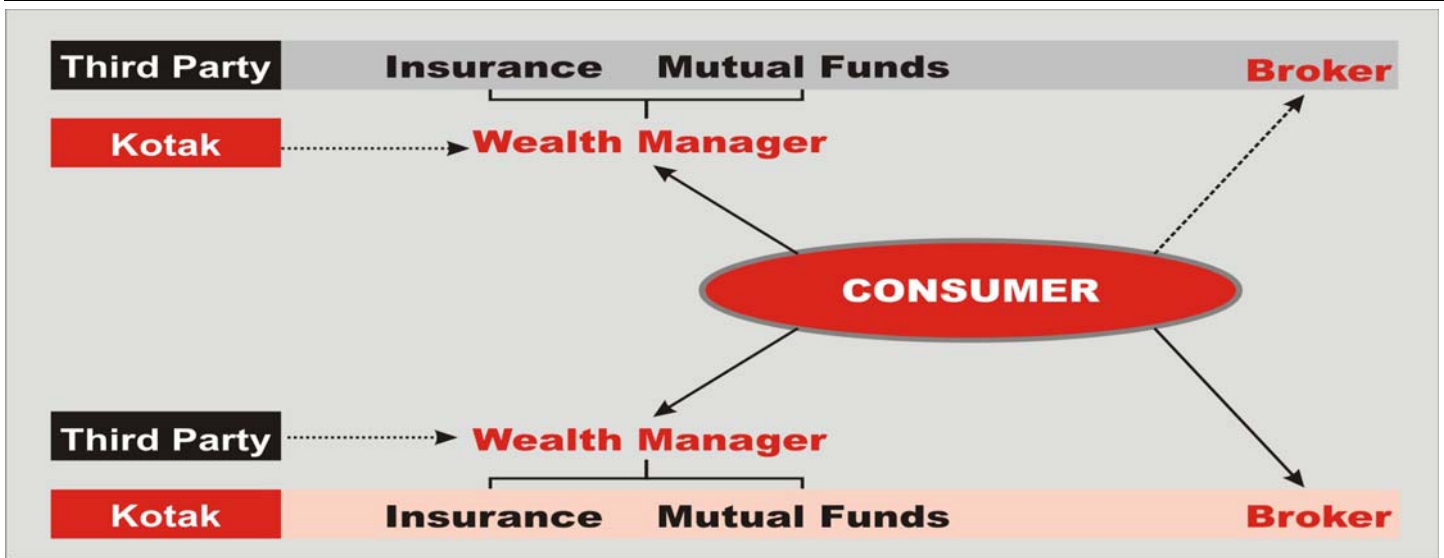
Source: Census of India 2001, Macquarie Research, April 2007

We think that the capital markets and investment services are natural beneficiaries of this trend. The Indian middle-class has traditionally favoured government-guaranteed fixed-income investments. As disposable incomes rise, particularly for younger people, those investments have started to lose their attractiveness vis-à-vis riskier equity-related investments.

Full suite of services

We thus foresee strong growth in the addressable market of investors. Kotak is well geared to exploit that with a full suite of investment services: retail broking, mutual funds, life insurance, portfolio management and wealth management. (We discuss each of these businesses in detail in a separate section: pages 15–20).

Fig 7 Kotak – multiple approaches to the consumer



Source: Macquarie Research, April 2007

This gives Kotak a very strong advantage. We believe that each product appeals to different segments of the market – a full suite helps Kotak retain customers. Moreover, the product-neutral wealth-management service provides the added advantage of being able to sell third-party mutual fund products, which ensures that the product providers and the marketing machine operate independently and can capture a larger part of customer flows.

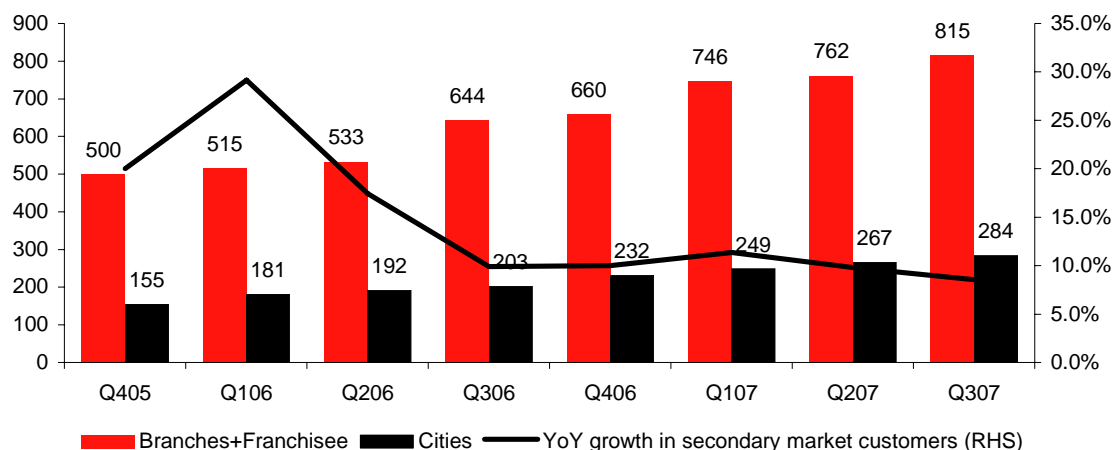
Kotak should withstand competition

The domain is exciting, and Kotak’s strengths are obvious. We believe that these strengths will serve Kotak well as the competitive landscape heats up with the entry of a number of new players: Reliance and a small group of foreign banks. We view the following as Kotak’s key advantages.

Branding. Although some of the new entrants are formidable brands, Kotak enjoys unique branding as a specialist investment house. This should continue to give it a headstart in the market, especially in the western region where the perception of “who the advice is coming from” matters.

Incumbent advantage – reach and franchisees. Kotak is already present in 60 cities, having rolled out its network. With real estate costs having risen sharply during the past few years, new players will have to fight to match Kotak’s reach. In addition, Kotak’s franchisee network has already been locked-in – new players may find that the best “target” franchisees are already gone. Even if they manage to lure some franchisees away from Kotak, that will take time and may succeed only to a limited extent.

Fig 8 Kotak goes to the hinterland

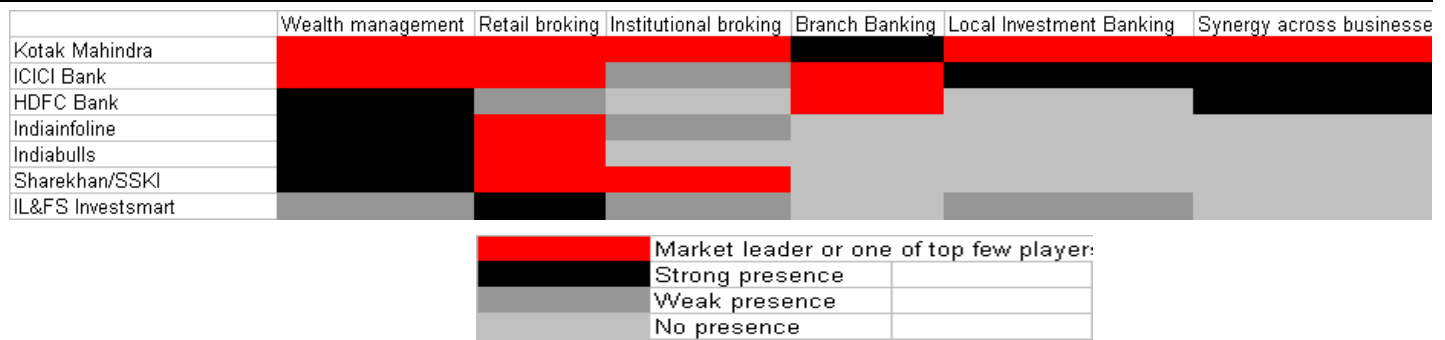


Source: Company data, Macquarie Research, April 2007

Commercial banking licence. Kotak’s commercial banking licence is a very strong differentiator. It allows the bank to seamlessly sell both assets and liabilities – linked financial products – and provides it with a natural reach and customer acquisition platform. Kotak is one of the few banks to have a strong suite of investment products. As Figure 9 shows, most brokers do not have bank licences (at least not domestic bank licences – foreign banks operate under severe branch-licence restrictions), and most banks do not have strong broking businesses.

Synergy across businesses. The other strong advantage for Kotak is its holding structure, which gives it a strong synergy across businesses. With almost all the businesses held as 100% subsidiaries, Kotak responds to a central command and control structure much better than in other similar conglomerates (see Figure 9).

Fig 9 Kotak is a full service house

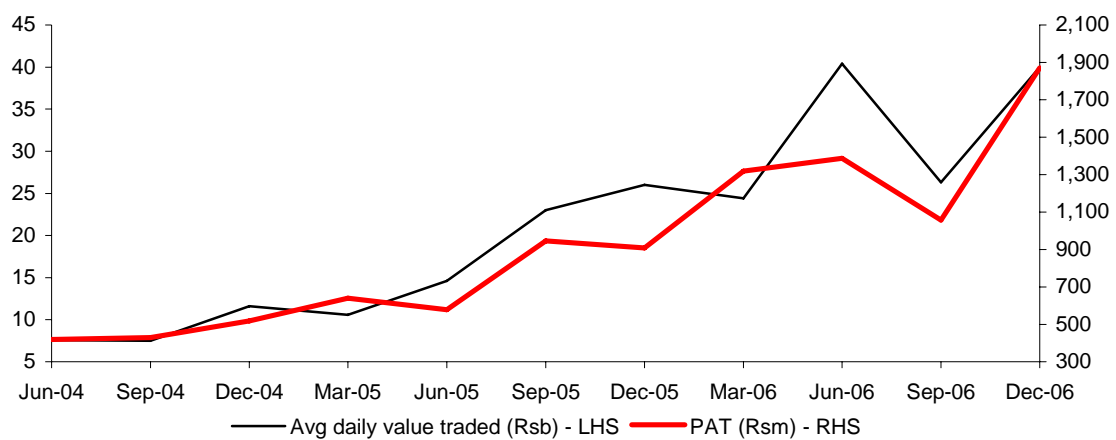


Source: Macquarie Research, April 2007

Volatile income streams

All that having been said, we are still aware of the higher risk that Kotak’s business model entails. Although the structural story in the capital markets is strong, there is likely to be extreme volatility over short periods of time, as a history of Kotak’s income shows. Although we are confident that this business will continue to grow on an annual basis, we are equally confident that there will be poor quarters along the way – as has been the case in the recent past (see Figure 10). Because we have no method for forecasting this volatility, we think that the best way to deal with it is to hold this stock for longer periods – ie, because short-term earnings trends may be unpredictable, there could be excessive volatility in the stock over shorter holding periods.

Fig 10 Interquarter earnings can be volatile



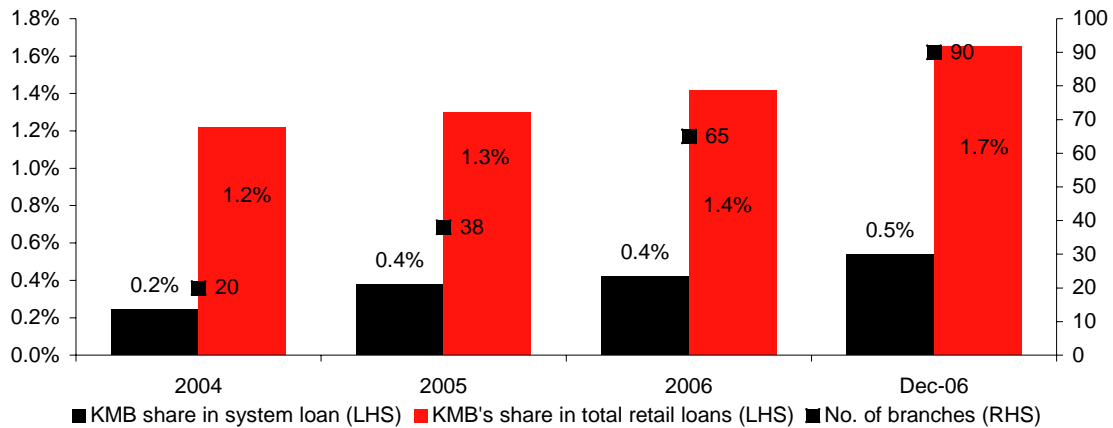
Source: Company data, Macquarie Research, April 2007

Lending business: small is beautiful

Kotak's small lending business gives it some strong advantages: it can grow at a rapid pace despite slowing growth in the system. In addition, it can stay focused on high-margin businesses, which help to sustain its above-average net interest margins. We expect the contribution of the retail business to increase significantly over time.

Not linked to system growth. Kotak's minuscule market share in assets means that its growth is driven more by supply-side factors. The primary reason for its low market share is that its distribution is still not as deep as that of some of the other major banks (see chart).

Fig 11 Additional branches increasing share of deposits

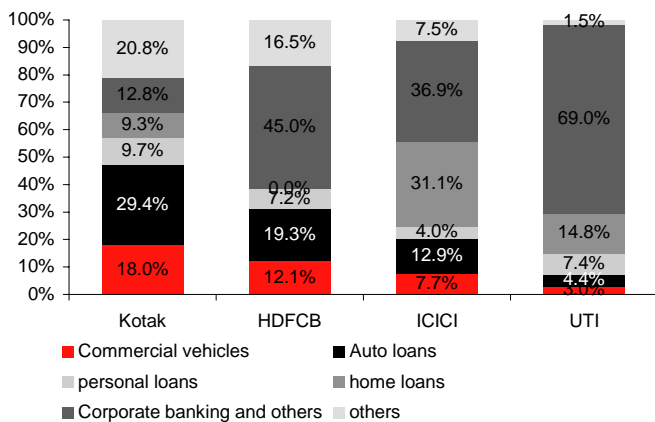


Source: RBI, Company data, Macquarie Research, April 2007

As a result, the slowdown in systemic credit growth that we are forecasting should not affect Kotak significantly. We expect Kotak to continue to increase market share, based on its deepening distribution into the hinterland. We therefore see limited risk to our asset growth forecasts.

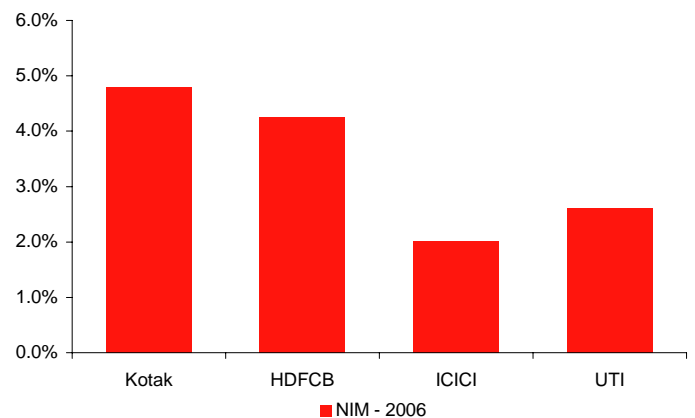
Focus on high-margin businesses. The other advantage of its relatively small size is Kotak's ability to concentrate on high-margin businesses (even adjusted for NPL changes and operating costs), which enables it to report high net interest margins.

Fig 12 Kotak concentrating on high-yield loans



Source: Company data, Macquarie Research, April 2007

Fig 13 ...and getting better NIMs



Source: Company data, Macquarie Research, April 2007

As the chart above shows, Kotak's share in auto and unsecured loans is larger than that of most of its competitors; conversely, its share of home loans is lower. Although mortgages should be a larger part of the pie going forward, it is still likely to remain a lower share of the overall book. That should keep Kotak's spreads high (we focus on spreads because Kotak's high equity share in the book tends to inflate its NIMs).

Liability mix will improve. A large part of Kotak's asset business is now in non-bank subsidiaries, which gives its consolidated liabilities profile a risky look (more borrowings and fixed deposits than current and savings). We expect that to change going forward as the asset mix moves further towards loans that are initiated out of the bank.

Fig 14 Subsidiary – wise distribution of advances as of 31 December 2006

Advances	Rs bn	Resident	% of total advances
Commercial vehicle	23.9	Kotak Bank	17.4%
Auto loans	32.9	Kotak Mahindra Prime	24.0%
Personal loans	16.8	Kotak Bank	12.3%
Home loans	15.8	Kotak Bank	11.5%
Corporate banking	20.8	Kotak Bank	15.1%
Others	27.0	Kotak Bank, Kotak Prime	19.7%
	137.1		100.0%

Source: Company data, Macquarie Research, April 2007

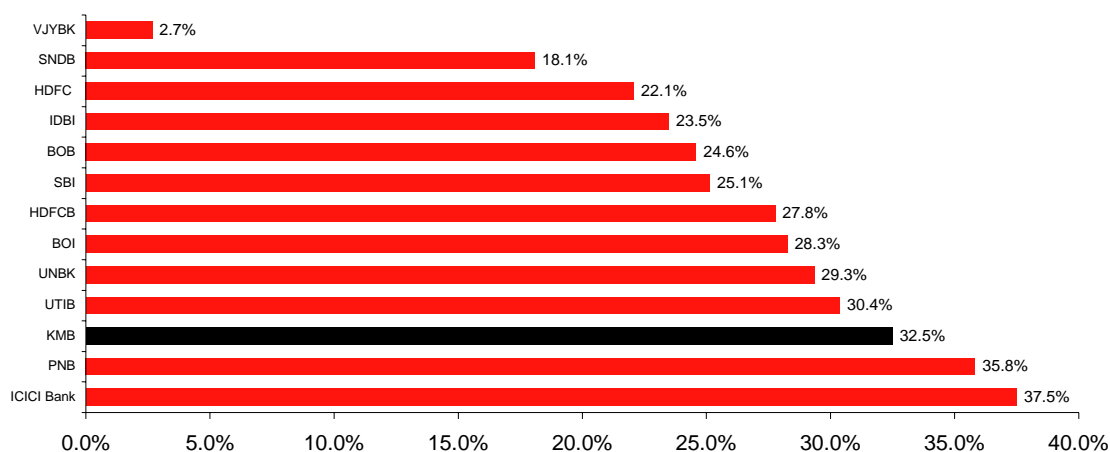
We view this as a positive because it will improve the perception that Kotak Bank is not doing as well as its subsidiaries, and it should give its balance sheet more stability. We also think that, in a significantly tighter monetary environment, banks are a more-robust business model than NBFCs. Hence, the lower dependence on NBFCs is positive.

Strong earnings growth

We forecast Kotak's earnings growth at 30%+ for FY3/07–09. This is mainly on the basis of continued growth in the fee businesses, led by the robust capital markets franchise. We forecast asset growth at 30%, which is slower than in the past because of the higher base and a slowdown in retail asset demand. Return ratios continue to be robust.

Strong growth in earnings to continue. Kotak is at the end of an exciting growth phase in its earnings. Adjusted for extraordinary, EPS grew at a 72% CAGR for the two-year period FY3/05–07, aided by strong growth in its brokerage and investment banking businesses. Although we expect these heady numbers to slow, we still expect EPS growth to be a robust 32% for FY3/07–09. This will continue to make Kotak's earnings among the fastest growing for the banks under our coverage.

Fig 15 FY3/07–09 EPS CAGR makes Kotak one of the fastest growing private banks



Source: Company data, Macquarie Research, April 2007

For 4Q FY3/07, we expect Kotak to post a 41% gain in earnings, ex-insurance. We think that all revenue streams were robust, with NII rising by 78% YoY (partly due to a low-base effect) and fees up by 40% (slower than in 3Q because of a bloated base in 4Q FY3/06). Provisions may remain a little higher than the trend rate because of the new accounting policies in the stressed asset business (see discussion on page 20).

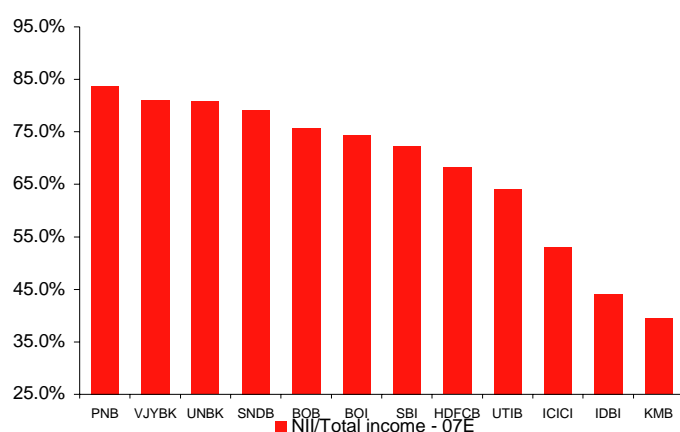
Fig 16 Kotak - Operating return analysis

	2004	2005	2006	2007	2008	2009
NIM	4.1%	4.5%	4.8%	4.7%	4.5%	4.5%
Net interest inc to total inc	49.7%	47.9%	38.0%	38.9%	37.9%	36.0%
Cost to income	48.6%	59.5%	58.5%	58.9%	62.3%	65.0%
Provision to assets	0.1%	0.1%	0.3%	0.7%	0.5%	0.4%
OROA	2.7%	2.4%	3.3%	2.9%	2.6%	2.7%
Tax rate (%)	34.6%	33.0%	33.4%	33.0%	33.0%	33.0%
ROA (%)	2.7%	2.4%	3.3%	2.9%	2.6%	2.7%
Equity to assets	14.3%	14.9%	15.4%	13.0%	11.7%	11.5%
OROE	19.0%	16.3%	21.2%	22.0%	22.5%	23.1%

Source: Macquarie Research, April 2007

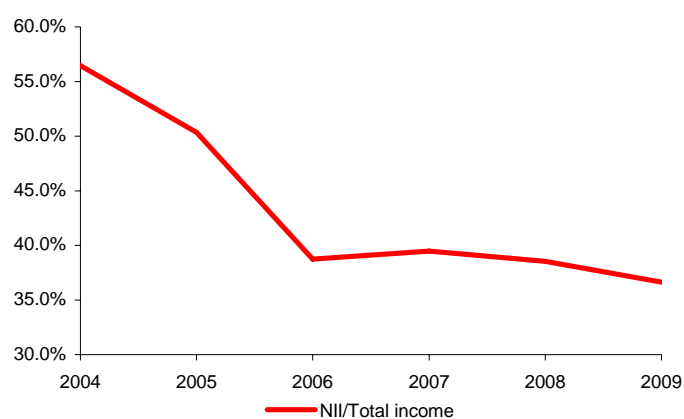
Fee growth remains key driver. The primary driver to earnings remains fee growth. Kotak's dependence on investment banking makes its income unsurprisingly fee-heavy, as its low interest income/total income ratio shows below. We expect that to increase because we think that fees will continue to drive earnings for the next few years to FY3/09. As we mentioned earlier, we believe that the investment banking business is in a structural sweet spot and will continue to grow strongly in the medium term.

Fig 17 A very fee rich business



Source: Company data, Macquarie Research, April 2007

Fig 18 Dependence on fees to rise



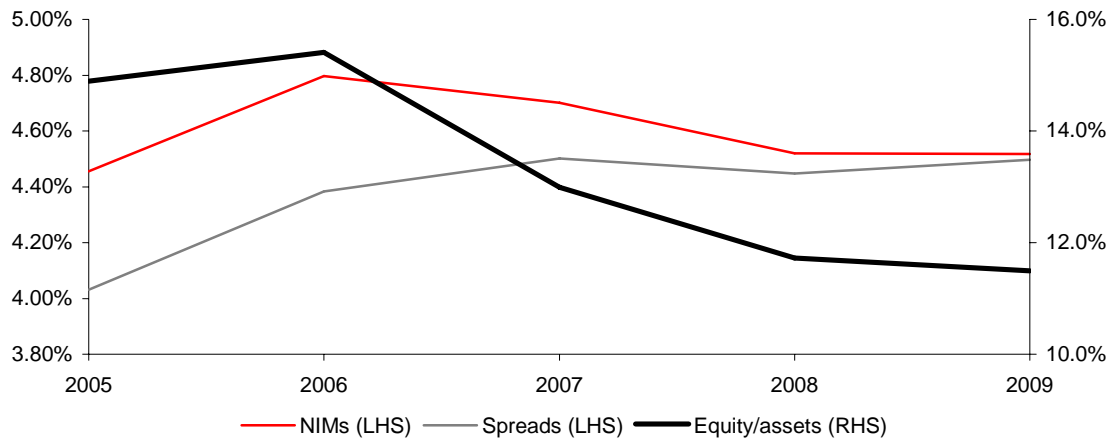
NII - Net interest income

Source: Company data, Macquarie Research, April 2007

Asset growth is slowing, but is still faster than the market. The other strong item for Kotak, assets, should continue to grow strongly. Although the scorching pace of the past two years (FY3/05–07) is unlikely to be sustained as the base gets bigger and as retail assets run into a headwind of rising rates, we still expect Kotak's growth to remain above the industry average at a healthy 31%, as discussed in the previous section.

On net interest margins, we expect some weakening, but that should purely be the result of increasing leverage. As the comparison between NIMs and spreads shows below, the latter remain steady in the 4.45–4.50% range, while NIMs decline in line with rising leverage. This is part of management's philosophy: it is willing to give up market share aspirations to protect margins.

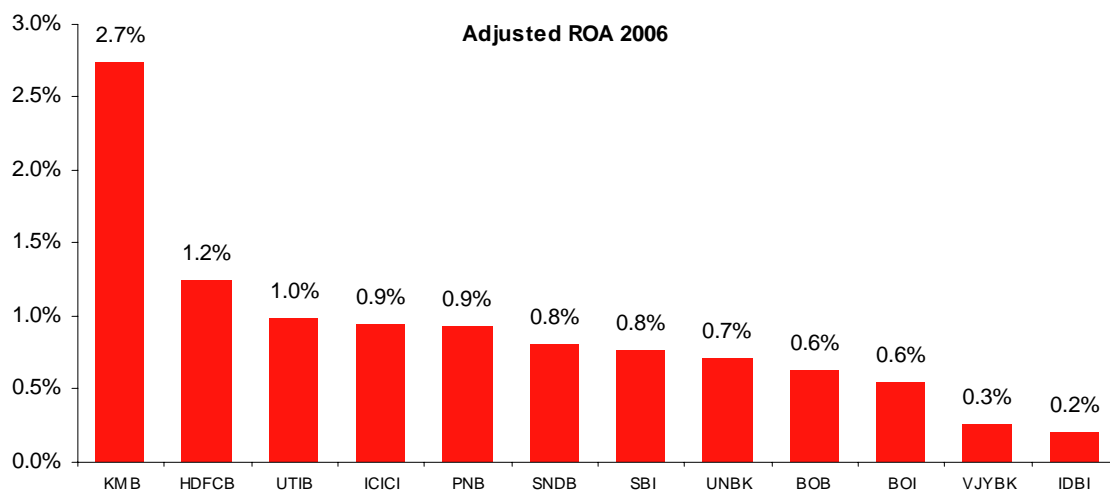
Fig 19 NIMs and spreads to remain stable



Source: Company data, Macquarie Research, April 2007

Return ratios strong and stable. Kotak has very strong return ratios at the consolidated level. Its ROA is well-above 2%, even when adjusted for the high leverage. We compare below the ROAs of all the banks under our coverage, adjusted for their leverage. The adjustment reflects the fact that the equity portion of the balance sheet has better ROAs because it has no interest costs attached to it. A less-leveraged bank may thus report better ROAs without having a stronger business – and better ROAs do not necessarily reflect better shareholder returns because they do not lead to better ROEs.

Fig 20 A highly profitable business



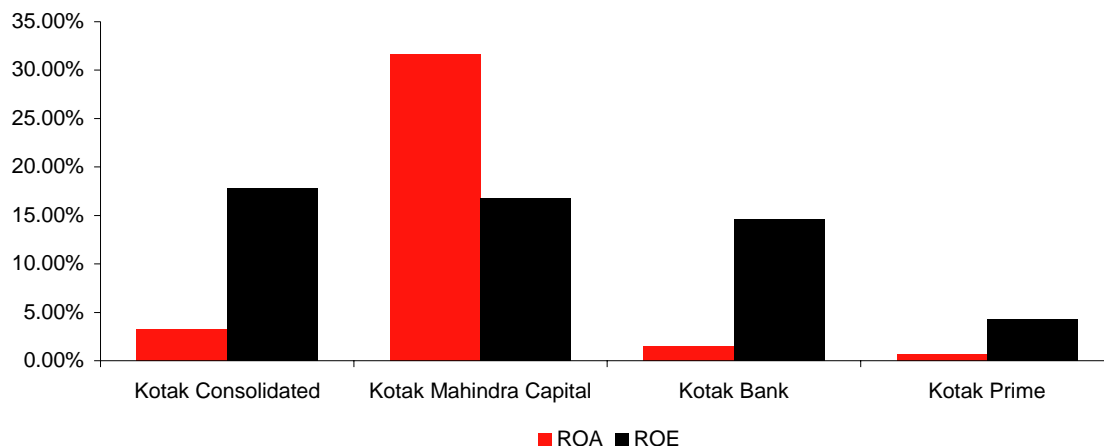
Source: Macquarie Research, April 2007

Further upside from capital management

Overcapitalisation in the non-bank subs. Kotak’s low ROEs are a function of its high capital adequacy. This is because its subsidiaries have excess capital that is expensive to consolidate in the parent because of dividend taxes – ie, there could be a leakage of 12.24% if the bank tries to move the excess capital up from the subs to the parent bank in the form of dividend taxes. The bank avoids doing that until it needs capital in the parent bank. This depresses the overall consolidated ROE, because it prevents the bank from stepping up its dividend payout ratio. For the longer term, however, we believe that this represents a war chest that will lead, at the very least, to higher dividends.

Low ROEs stem from non-bank subs. One of Kotak’s problems is that its ROEs are relatively smaller than its business profitability and ROAs suggest. Part of the reason for this is that a significant share of its consolidated balance sheet comes from its non-bank subs, which usually tend to have poor ROEs because of their limited ability to leverage.

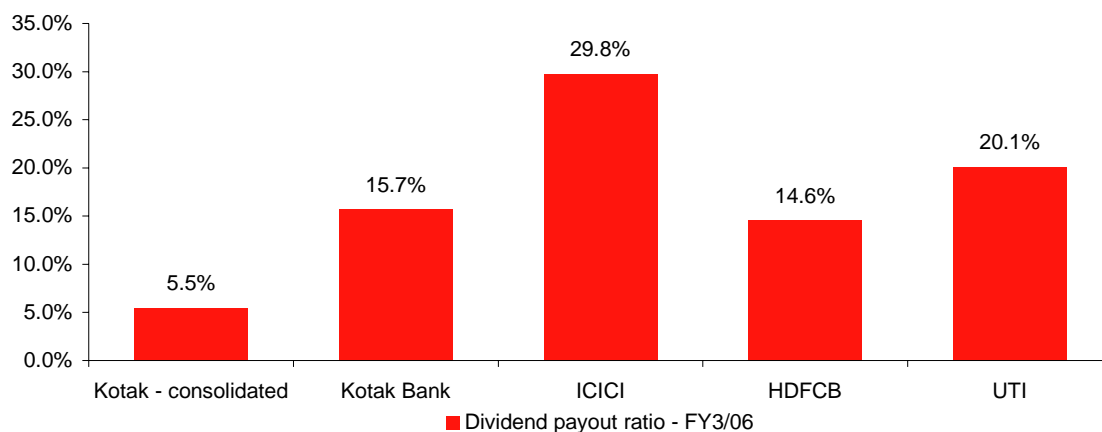
Fig 21 Overcapitalised subs seeing lower ROEs



Source: Company data, Macquarie Research, April 2007

As can be seen from the chart above, the bank clearly suffers from having overcapitalised subsidiaries, which dampen its ROEs. Although ROAs are fairly strong, ROEs suffer significantly from the lack of leverage. The worst “offenders” are Kotak Mahindra Capital and Kotak Mahindra Prime. We expect this problem to be resolved in the future as the bank reduces its dependence on subsidiaries with faster growth at the parent bank.

Fig 22 Kotak’s dividend payout ratio not very good



Source: Macquarie Research, April 2007

War chest for the future? Although high capitalisation in the subsidiaries depresses ROEs at the consolidated level, we see this as a possible upside for the future. We do not believe that the higher ROEs are factored into current valuations, and as the bank unlocks capital from its subs, there should be a rerating over time.

We thus believe that the excess capital represents a war chest for the bank. If growth steps up to a point where further capitalisation is needed, the bank can draw down from its subsidiaries. Although the cost of moving up capital from the subsidiaries is unlikely to dwindle over time, there are other structures (such as buying out businesses or assets) that can be used to achieve this objective.

Valuation

We have set a 12-month target price of Rs615, which offers 24% upside from current levels. This is derived using a three-stage Gordon growth model for the consolidated bank, ex-insurance. We prefer using consolidated financials for our base case valuations because we think that the entity operates as a consolidated unit and that, sometimes, the same business reports revenues across many subsidiaries. For example, when Kotak bids for an IPO, it considers the income that the bank makes from the resultant float (it is always a banker to the issue as well) and not just investment banking fees.

We have used point estimates until FY3/09 and a fadeout second stage thereafter. The key assumptions are as follows.

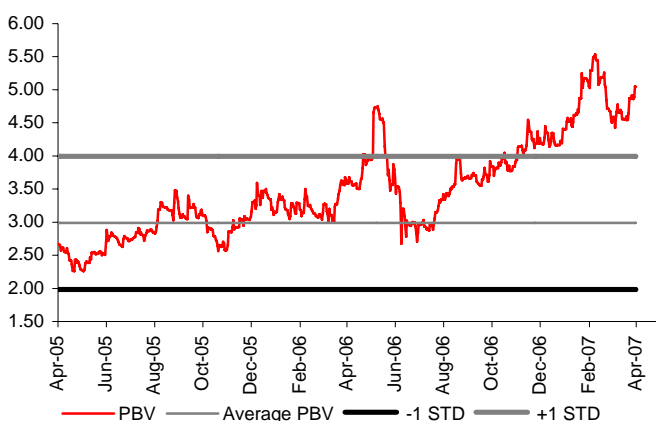
Fig 23 Key valuation assumptions

	Stage II	Stage III
Cost of equity	15.30%	15.30%
Payout ratio	44.4%	67.0%
Dividend growth	49.7%	5.0%
Target P/BV	5.31	
BV/share FY3/08 (Rs)	131	
ROE FY3/09	23.14%	
Target price FY3/09 (Rs)	697	
Target price: PV to 18 April 2007	528	

Source: Macquarie Research, April 2007

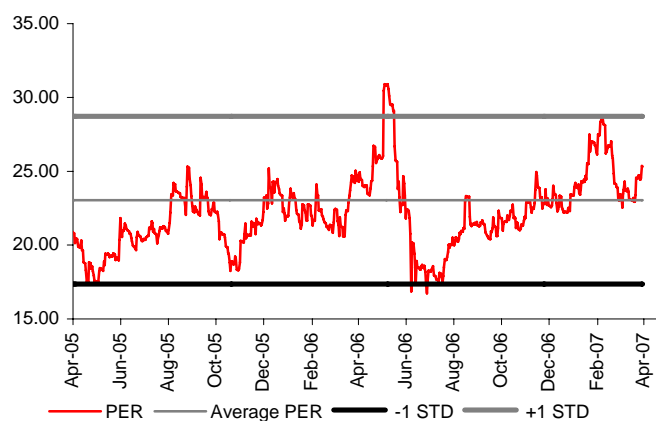
The above valuation applies to the consolidated bank, ex insurance. This is because we believe that accounting profits (losses, actually) misrepresent the economic value of life insurance companies. We have thus used the appraisal value method for valuing the insurance subsidiary, for which the value of future policies has been estimated as a current value of new business achieved profits. For the insurance valuation table, refer to Figure 39.

Fig 24 Kotak P/BV - always looks expensive



Source: Macquarie Research, April 2007

Fig 25 Kotak PER



Source: Macquarie Research, April 2007

Based on our valuations, Kotak is trading well-below its historical valuation peak of 28–30x current earnings; we value the bank at 22x forward earnings, at approximately its average PE for the past two years. Although the valuation seems to be a little more rich at the PBV level, that is a reflection of dramatically improving ROEs. Moreover, the fee rich nature of the business makes it more amenable to a PE valuation than a PBV one.

We validated our base-case consolidated valuation with a sum-of-parts for all the businesses, ex-insurance. The numbers seem to add up: our sum-of-parts valuation is 2% less than our base-case numbers. Some key observations follow.

- The capital markets businesses contribute 36% of total valuations, validating our assertions that it is the key business for the bank.

The lending businesses, although significant, are still a smaller portion. The bank is valued very richly at more than 5x PBV; this is primarily because of the fast growth that we foresee.

Fig 26 Sum of parts valuation table

	Fair value (Rs per share)	Basis of valuation	Implied market cap (\$m)	Implied market cap (Rsm)
Kotak Bank	148	3-stage Gordon growth model	1,069	46,752
Kotak Securities	222	Peer Multiple: 22x EPS	1,570	68,697
Kotak Mahindra Capital	65	Peer Multiple: 22x EPS	462	20,224
Kotak Om Life	88	Appraisal value method	619	27,090
Kotak AMC	32	7% of AUM	223	9,747
Kotak Prime	32	2x PBV	229	10,007
PE and Real estate funds	15	% of AUM	107	4,665
Total	602		4,279	187,183

Source: Macquarie Research, April 2007

Fig 27 State and private banks price tracker and valuations

Ticker	Price (Rs)*	Mkt cap US\$m	Mkt cap Rs m	ROE (%)		PER (x)		P/BV (x)		Share price performance (%)				
				2007E	2008E	2007E	2008E	2007E	2008E	1M	3M	6M	12M	
Private banks														
HDFC Corporation	HDFC IN	1594.7	8,992	403,369	31.4	31.5	26.4	22.0	7.4	6.2	5.9	-0.1	7.7	24.1
HDFC Bank	HDFCB IN	980.0	6,977	313,002	19.5	19.0	27.2	22.1	4.9	3.5	8.4	-7.9	0.0	17.8
ICICI Bank	ICICIB IN	896.9	17,972	806,205	14.3	17.8	23.9	17.3	3.3	2.9	10.6	-7.7	20.5	52.7
UTI Bank	PNB IN	470.5	2,953	132,493	21.4	20.6	19.4	15.8	3.8	2.6	4.9	-13.9	12.7	33.8
Stated owned banks (SOE)														
Bank of Baroda	BOB IN	233.5	1,896	85,057	13.0	14.1	7.9	6.6	1.0	0.9	21.0	-1.4	-14.9	-1.8
Bank of India	BOI IN	187.8	2,040	91,510	18.3	19.7	9.6	7.6	1.6	1.4	37.0	-8.6	17.4	48.5
IDBI	IDBI IN	83.2	1,343	60,256	9.6	10.3	9.5	8.2	0.9	0.8	13.4	-14.9	3.5	-2.3
PNB	PNB IN	475.0	3,338	149,753	16.7	21.5	9.0	6.0	1.4	1.2	13.7	-9.7	-9.1	6.9
SBI	SBIN IN	1035.5	12,148	544,956	13.2	14.8	8.4	6.6	1.2	1.1	13.2	-15.9	-0.9	9.9
Syndicate Bank	SNDB IN	73.1	851	38,156	27.2	26.8	4.8	3.9	1.2	0.9	16.2	-1.7	-15.5	-20.7
Union Bank	UNBK IN	106.9	1,204	53,997	21.9	25.2	5.5	4.1	1.1	0.9	15.2	-10.5	-17.8	-11.6
Vijaya Bank	VJYBK IN	42.5	410	18,403	20.1	21.8	5.1	4.1	1.0	0.8	7.6	-14.5	-24.8	-20.1

* Prices are in local currency as of 18 April 2007

IDBI - Industrial Development Bank of India, PNB - Punjab National Bank, SBI - State Bank of India

Source: Bloomberg, Company data, Macquarie Research, April 2007

Fig 28 KMB- Analyst matrix

	Low / down	High / Up
Recommendation conviction <i>Valuations will always look expensive</i>		
Target price conviction <i>Share price should follow improving fundamentals</i>		
Forecast conviction <i>Strong economy coupled should continue to support earnings</i>		
Earnings quality <i>Volatile earnings due to high dependence on capital markets</i>		
Management Execution <i>Robust management, one of the best in the industry</i>		
Overall analyst confidence <i>High, given strong macro environment and Kotak's diversity of businesses</i>		

Source: Macquarie Research, April 2007

Risks to recommendation

Economic growth. Our forecasts are built on the assumption that high growth will be maintained in India's economy. Our earnings forecasts would be severely affected if the economy were to start to slow to below 7%. The effect would be felt on lending spreads and asset quality.

Funding costs rising steeply. Higher inflation and the expected rise in interest rates, together with slower growth in its CASA and industry liquidity chase could push up funding costs faster than asset yields, to the detriment of margins.

Regulatory restrictions. Recently, the RBI increased risk weights on certain categories of retail loans (personal loans, credit card receivables, real estate loans) from 125% to 150%. Further regulations regarding increases in provisions/risk weights to retail loans could adversely affect our retail loan growth assumptions.

Asset quality and NPA recoveries: Given the favourable economic environment, we have assumed strong traction in NPA recoveries. Although our NPA recovery forecast is largely based on management guidance, any significant deterioration in asset quality or a slowdown in recoveries could affect our NPA forecasts.

Fig 29 SWOT analysis

STRENGTHS	WEAKNESS
<p>Capital markets franchise: Early focus and investment in its retail broking franchise has enabled KMB to maintain a top three position for five years. Its institutional broking business has been resilient to the loss of Goldman Sachs as a JV partner.</p> <p>Professional management: Apart from possessing a strong talent pool across all businesses, Kotak has shown remarkable stability in its top management over many years.</p> <p>Strong technology: The relatively younger branch network gives it the advantage of using more modern technology.</p> <p>Well capitalised: KMB is well capitalised, both at the parent bank level and in the subsidiaries. This provides an excellent platform for growth.</p>	<p>Wholesale funding costs: Kotak's dependence on subsidiaries as well as its relatively young branch network mean that it is dependent on wholesale funding, which tends to be unstable when rates are volatile.</p> <p>Latecomer: Because of its late entry in 2003, its rollout of a branch network has come later than other private sector banks. As a result, it is at the wrong end of real estate and wage inflation.</p>
OPPORTUNITIES	THREATS
<p>Low loan and retail penetration: Retail credit in India provides significant potential for growth given its under-penetration. The country's consumer loan-to GDP ratio is at 8% and its mortgage/GDP ratio is at 4%.</p> <p>Stressed asset business: As a consequence of significant legal changes a few years ago, the stressed asset market is growing in size as recoveries are now possible. Kotak has a strong presence in this business, as discussed in detail in a separate section on page 20.</p>	<p>Capital market slow-down: A significant slowdown in capital markets growth could start to affect earnings due to significant capital markets dependent revenue streams.</p> <p>Competition: Private sector banks will continue to pose the largest threat to KMB's market share. The possible entry of foreign banks post FY3/09 could further add to its competitive pressures.</p> <p>Rising rates: Rising interest rates could affect loan growth and might lead to higher NPLs.</p>

Source: Macquarie Research, April 2007

Company profile

Kotak Mahindra Bank is one of the leading players in India's financial services space, with a presence in commercial banking, securities broking, investment banking, life insurance, asset management and wealth management. Composition of PAT is broken down among various subsidiaries, as shown in Figure 30 and Figure 31. A detailed write-up on individual businesses is listed below.

Fig 30 Consolidated PAT (ex-insurance) – FY3/06

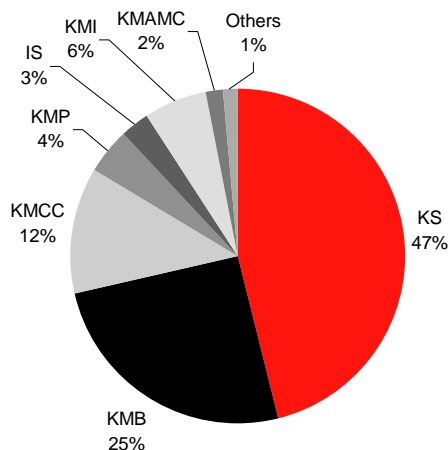
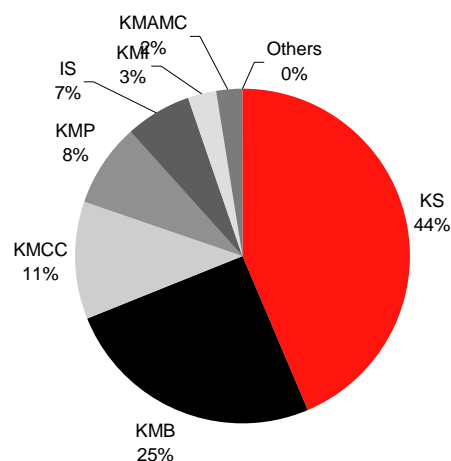


Fig 31 Consolidated PAT (ex-insurance) – 9mFY3/07



KMB – Kotak Mahindra Bank, KMP - Kotak Mahindra Prime, KMCC – Kotak Mahindra Capital Company, KS – Kotak Securities, IS – International subsidiaries, KMAMC – Kotak Mahindra AMC & Trustee Co. Old Mutual – Kotak Mahindra Old Mutual Life Insurance, KMI, Kotak Mahindra Investments

Source: Company data, Macquarie Research, April 2007

Source: Company data, Macquarie Research, April 2007

Kotak Securities

Kotak Securities is one of the largest broking houses in India, with a wide reach extending to more than 280 cities. The company has three main areas of business.

Institutional equities: Secondary-market broking for both foreign and local clients. This is the business most affected by the termination of the Goldman Sachs JV.

Retail services: Equities broking and distribution of mutual funds, IPOs and life insurance.

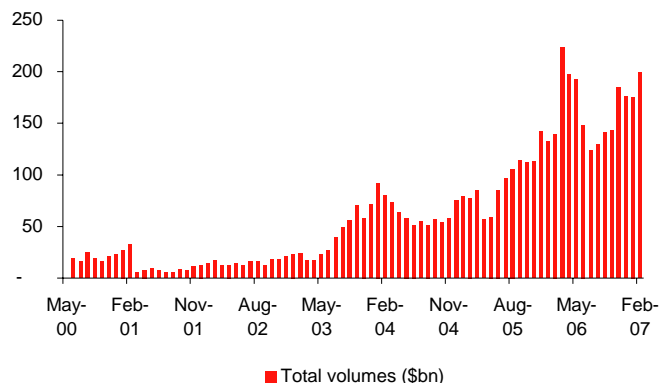
Portfolio management services: Discretionary portfolio management services to high net-worth individuals and corporates, usually on a fixed fee+profit sharing basis.

In March 2006, the Kotak Group bought out Goldman Sach's 25% stake in KS, along with a similar stake in Kotak Mahindra Capital (KMC) for a total consideration of Rs 3.33bn – the valuation was 1x PBV and ~5x PER.

During the past few years, KS's performance has been stellar, with average daily volume traded having risen from Rs2.0bn in FY3/03 to Rs25 in 3QFY3/06. This enabled its earnings to increase from Rs244m in FY3/03 to an estimated Rs2.6bn in FY3/07, a CAGR of 81%. The key drivers follow.

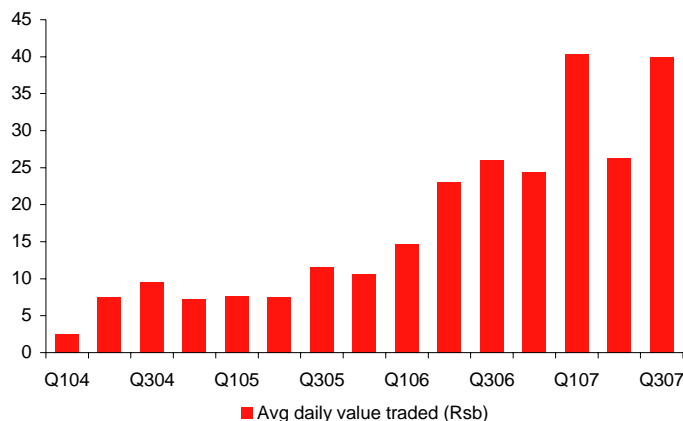
- **Strong growth in industry volumes:** Industry volumes (cash and derivatives combined) increased from \$19bn in FY3/00 to \$199bn in FY3/07 (Figure 32).
- **Rise in market share:** Kotak's share of total market turnover increased from about 5% in FY3/04 to almost 9.5% in 3Q FY3/07 (Figure 33). The primary reason for this was a deepening of its distribution network.

Fig 32 Derivatives forming a major component (\$bn)



Total volumes = BSE + NSE + NSE (derivatives)
 Source: BSE, NSE, Macquarie Research, April 2007

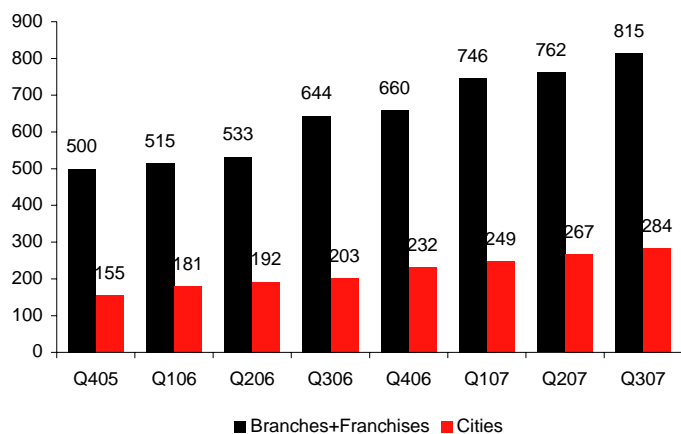
Fig 33 Kotak – Consolidating its position



Source: Company data, Macquarie Research, April 2007

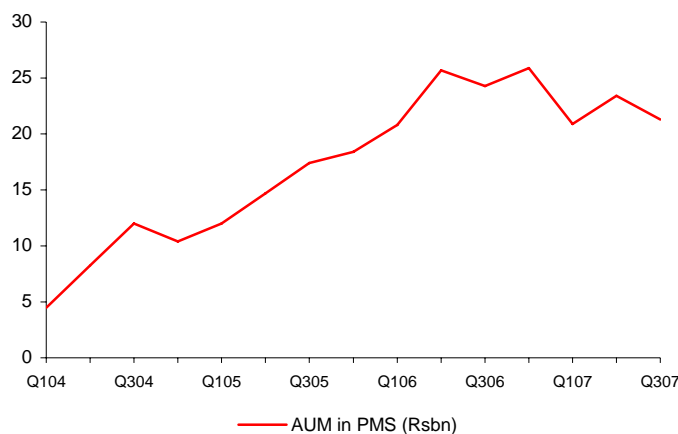
KS increased its number of outlets (branches and franchises) from 450 in March 2004 to 815 in December 2006. Its online brokerage service supported this growth: although not the market leader (ICICI Direct occupies that slot), it has gained market share. The other success has been the portfolio management services' AUM, which rose from Rs10.4bn in March 2004 to Rs21.3bn in December 2006. During the past six quarters, the PMS volumes have stagnated, with broking volumes emerging as the key revenue driver.

Fig 34 Distribution network expanding gradually



Source: Company data, Macquarie Research, April 2007

Fig 35 AUM growth stagnating in the recent past



AUM - Assets under management, PMS - Portfolio management services
 Source: Company data, Macquarie Research, April 2007

Branding/positioning of retail business. As previously discussed, Kotak has a strong position in the retail market, where it is perceived to be a specialist. This gives it an additional competitive edge. Although there are other players in this business segment, very few of them have commercial banks.

Institutional business after GS. KS's business has surprised many because of its resilience after the loss of Goldman Sachs as a JV partner stake in March 2006. We think that it has been in a sweet spot for the past year, during which the Goldman participatory note (p-notes) business did not disappear because GS began its own trading operations only recently (January 2007). In the meantime, Kotak has been building its own product base (especially on the p-notes), which will provide some cushion, but certainly not the entire blow. Another mitigating factor is that KMB will now (beginning in FY3/07) consolidate all of KS's earnings, rather than 75% as was previously the case.

We estimate that earnings for the securities business will grow at a 19% CAGR over FY3/07–09. We have used a multiple of 22x (peer group multiple) to value the securities business and ascribe a value of Rs222 per share, implying 36% of our target price.

Fig 36 Kotak Securities: Basis of valuation

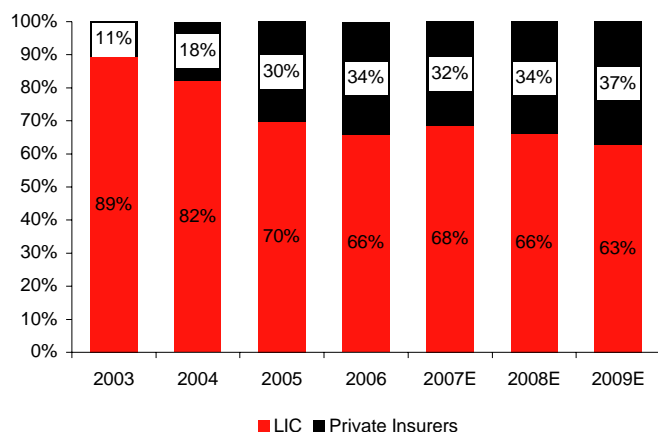
Revenue	2005	2006	2007E	2008E	2009E
Profit after tax (Rsm)	1,056	2,155	2,601	3,123	3,660
YoY growth		104.1%	20.7%	20.1%	17.2%
EPS (Rs)	8.56	6.97	8.41	10.10	11.83
			Peer valuation multiple	22	
			Fair value per share of Kotak (Rs)	222	

Source: Company data, Macquarie Research, April 2007

Kotak Mahindra Old Mutual Life Insurance

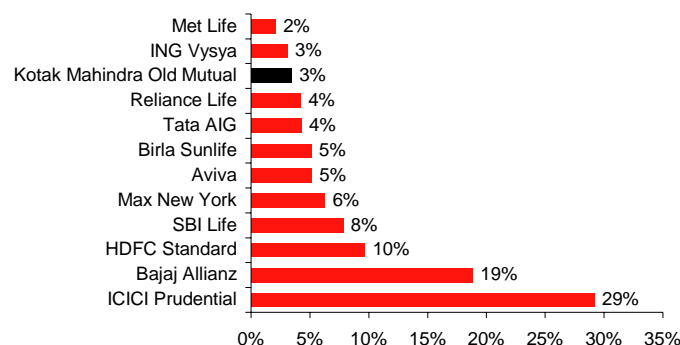
Kotak entered the life insurance business in a 74:26 joint venture with Old Mutual of South Africa in 2001. It currently has a 3% market share among private players, and that places it tenth in the private insurers space. Although Kotak has been operating since 2001 in this business, it has not been able to significantly increase its market share because of its relatively smaller distribution force – it lags the likes of ICICI Prudential, HDFC Standard Life and Bajaj Allianz. This is partly the result of Kotak's focusing on the mass affluent segment in all its businesses rather than on mass retail; the stated focus is on profitable markets rather than mass markets.

Fig 37 Private insurers slowly consolidating



Source: LIC, Macquarie Research, April 2007

Fig 38 YTD-07 - ICICI Prudential leads the pack



Market share = Share in first year premium (adjusted for first year premiums at $(1/10^{\text{th}})$)

Source: Macquarie Research, April 2007

Until January 2007, Kotak registered strong growth of 112% in premium income, compared with total industry growth of 120%. We expect the company's growth in premium income to remain strong at a CAGR of about 52% for 2007–10, and we expect it to have a market share of 5% among the private insurers space. Our appraisal methodology for valuing OM Kotak ascribes a value of Rs88 per share, representing 14% of our target price.

Fig 39 Om Kotak Life Insurance – Basis of valuation

	2004	2005	2006	2007E	2008E	2009E
First year premiums (Rsm)	951	1,930	3,528	5,088	8,448	12,524
YoY growth (%)		102.9%	82.8%	44.2%	66.1%	48.2%
Basis of valuation						
NBAP Multiple	26					
Present value of NBAP (Rsm)-(a)	32,442					
Current net worth (Rsm)-(b)	2,440					
Value of in-force policies (Rsm)-(c)	1,692					
Appraisal value (Rsm)-(a+b+c)	36,573					
Kotak's share (74%)	27,064					
Value per Kotak Mahindra Bank share	88					

Source: Macquarie Research, April 2007

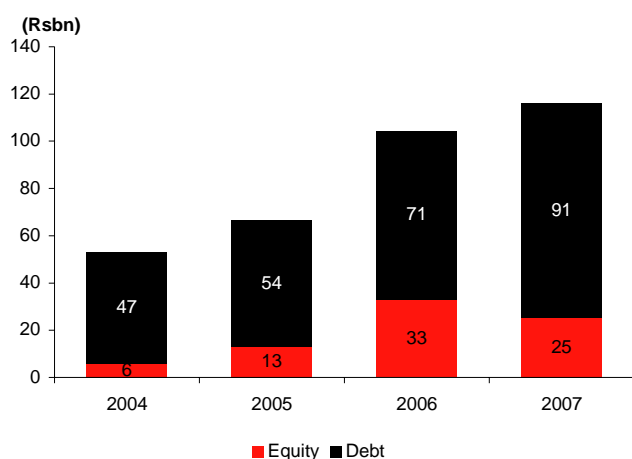
Kotak Mahindra Asset Management Company Limited

Kotak Mahindra Asset Management Company Limited (KMAMC) is a 100% subsidiary of Kotak Bank and launched its first scheme in December 1998. AUMs have doubled in the past three years and, until 31 March 2007, KMAMC managed Rs116bn in funds (YoY growth of 71%). Approximately 75–80% of funds under management are in debt related funds and the balance is in equity. KMC currently operates through 53 branches and satellite offices servicing more than 460,000 investors.

Kotak has been less aggressive in garnering additional funds than ICICI Prudential and Reliance, and that is reflected in its comparatively slow AUM CAGR rate of 63% over 2004-07 (see Figure 41 for comparisons). As of 31 March 2007, Kotak has the No.10 position in the AUM league tables. Two factors have slowed Kotak's growth in the business: its focus on the mass affluent category and the cannibalisation of this product by its PMS business. Because the latter is more profitable, the consolidated entity naturally focuses more on PMS.

We still consider our valuations for KM AMC to be conservative (recent deals have valued AMC at 7% of AUM). There could be a positive surprise if the recent tie-up with T Rowe Price takes off and leads to a significant jump in offshore AUMs.

Fig 40 AUM doubling in 3 years



Source: Company data, Macquarie Research, April 2007

Fig 41 Kotak AMC at No.10

AMC	AUM (Rsbn)	AUM (\$bn)
Reliance Capital	463.1	10.6
ICICI Prudential	378.7	8.7
UTI Asset Management	354.9	8.2
HDFC Asset Management	283.6	6.5
Franklin Templeton	220.2	5.1
Birla Sun Life	190.5	4.4
SBI Funds Management	168.1	3.9
Tata Asset Management	126.3	2.9
DSP Merrill Lynch	120.6	2.8
Kotak Mahindra Asset Management	116.0	2.7
Standard Chartered	115.5	2.7
HSBC Asset Management	110.4	2.5
LIC Mutual Fund	96.4	2.2
Principal PNB	92.9	2.1
Sundaram BNP Paribas	74.4	1.7

AMC – Asset management company, AUM – Assets under management

Source: AMFI, Macquarie Research, April 2007

We value the asset management business (AMC) at 7% (the value at which recent M&As in AMC businesses have been done in India) of the expected assets under management (AUMs) for FY3/08. We estimate the growth in AUM at 20% for FY3/08, and, on this basis, we arrive at a value of Rs31.5 per share for the AMC business, accounting for 5% of our target price.

Fig 42 KMAMC – Basis of valuation

	FY3/05	FY3/06	Q1-2006	Q2-2006	Q3-2006	FY3/07E	FY3/08E
AUM (Rsbn)	67	104	110	117	127	116	139
YoY/QoQ growth in AUM		56.5%	5.8%	6.3%	8.5%	-8.6%	20.0%
Multiple							7.0
AUM for purposes of valuation (Rsbn)							9.7
Value per Kotak Mahindra Bank share (Rs)							31.5

Source: Macquarie Research, April 2007

Kotak Mahindra Capital (KMC)

Until January 2007, KMC primarily consisted of two businesses: investment banking and primary dealership (PD). A PD acts as a merchant banker for debt issuances by the government. However, since January 2007, the PD business has been swapped into the bank, and KMC is now primarily an investment bank.

The investment banking business provides services in the three following broad categories.

Equity capital markets: Domestic and international IPOs. Kotak is a very strong player in the domestic IPO space, with its unique mix of retail and institutional distribution making it a preferred choice for many corporates. This is one business where Kotak's bank licence serves as a competitive tool: it can compete on fees because of the revenues it generates from being a banker to the issue.

In the international (ADR/GDR/FCCB) markets, Kotak is not very strong. Its lack of a strong US footprint limits its capabilities there. Even during the tenure of the Goldman Sachs JV, the synergies never really materialised, and Kotak never saw this open up as a revenue stream. The loss of Goldman, therefore, is not such a big blow to this business.

Mergers and acquisitions. Kotak operates in both the inbound and outbound M&A markets. It topped the Bloomberg India M&A Financial Advisory league tables (for India-announced deals) for 2005, with a 14.4% share of the total deal value.

Financial sponsors group. Established in 2005, this group is involved in raising and marketing third-party private equity funds.

Growth outlook. The investment banking business of KMCC has shown strong growth, and we expect the growth trajectories to remain strong. We view this business as a play on overall economic growth – specifically, the investment side of the economy. We continue to be bullish on this space and see continued growth for Kotak.

We estimate that earnings for KMCC will increase at a 30% CAGR for FY3/07–09. We have used a multiple of 22x (peer group multiple) to arrive at a value of Rs65 per share, implying 11% of our target price.

Fig 43 KMC – Basis of valuationa

	2004	2005	2006	2007E	2008E	2009E
PAT (Rsm)	579.6	158.2	565.7	707	919	1,195
EPS		1.28	5.25	2.29	2.97	3.86
Target multiple				Peer valuation multiple	22.00	
				Fair value per Kotak Mahindra Bank share (Rs)	65	

Source: Company data, Macquarie Research, April 2007

Venture and real estate funds

Kotak recently launched some real estate and venture capital funds (details in Fig.44).

Fig 44 Funds raised

	When raised	Amount (Rsbn)	Structure
Onshore private equity	Jul-05	7.0	Fee+profit
Onshore real estate fund	1Q 2006	4.5	Fee+profit
Offshore real estate fund	Mar-07	5.4	Fee+profit

Source: Macquarie Research, April 2007

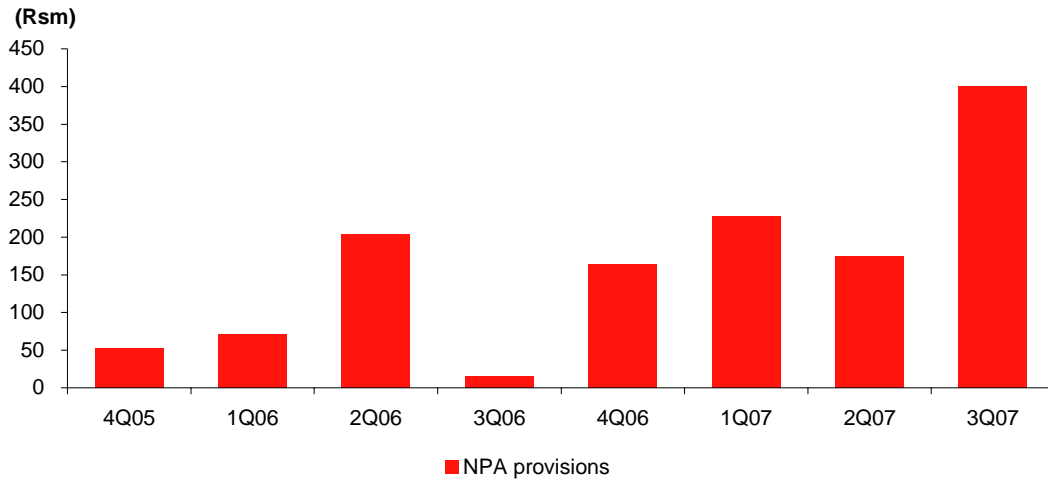
We are valuing these businesses at 5–7% of AUM to reflect both future upside potential from profit sharing and the possibility of expanding these businesses and adding more funds at a later stage. We have used the benchmarks for valuing mutual funds given the negligible size of the valuations vis-à-vis the overall pie.

Stressed asset management

Kotak has a fast-growing stressed asset business, in which it buys out NPAs from banks and unlocks value by aggregation and resolution of these loans. The bank developed skills for this business when resolving its own NPA problems in its non-bank lending business in the late-1990s. Watershed regulatory changes during 2002–04 helped to make this business viable for third-party players, and Kotak was one of the early players to enter the space.

This business has undergone major changes in accounting norms in recent times. As per new norms, income and provisions will have to be reported individually at the gross level rather than being netted out. As a result, some of these stressed assets become NPAs for a while, which has led to a slight worsening of the bank's asset quality ratios (see Figure 45). These have been offset by matching spikes in income, but the spikes get lost in the overall fee/NII lines – we are not concerned about this rise in reported NPAs. As of 31 December 2006, the total balance sheet of the stressed asset business was Rs4.5bn.

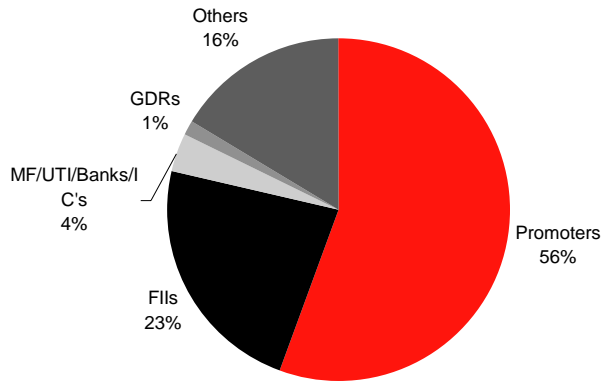
Fig 45 NPA provisions



Source: Company data, Macquarie Research, April 2007

Ownership pattern

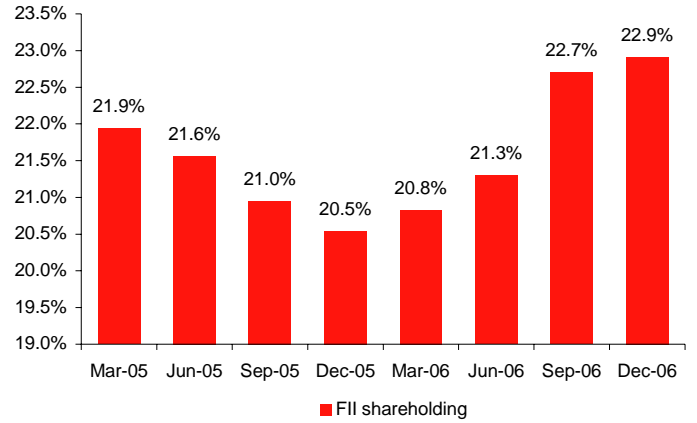
Fig 46 KMB - Shareholding



MFs- Mutual Funds, FI - Financial institutions, IC - Insurance companies, FII – Foreign institutional investors

Source: Company data, Macquarie Research, April 2007

Fig 47 FII shareholding



Source: Macquarie Research, April 2007

Fig 48 KMB vs Nifty price performance

1. Kotak Mahindra Finance Ltd becomes India's first new commercial bank in more than 7 years to get a banking license.

2. Kotak Mahindra Bank commences banking operations

3. Indian stocks slump to their biggest one day decline in 12 years over worries that the Congress party (with support of Communist parties) will come into power

4. KMB raises \$16.9m by selling 2.75% stake to Warburg Pincus LLP.

5. KMB features in the list of 113 Asian companies to be added to Morgan Stanley Capital Index .

6. KMB stock gains 10% over a week after KMB Board declares a bonus of 3 shares for every two shares held

6. RBI asks banks to increase the risk weightings on mortgages and investments to 125% from 100% previously.

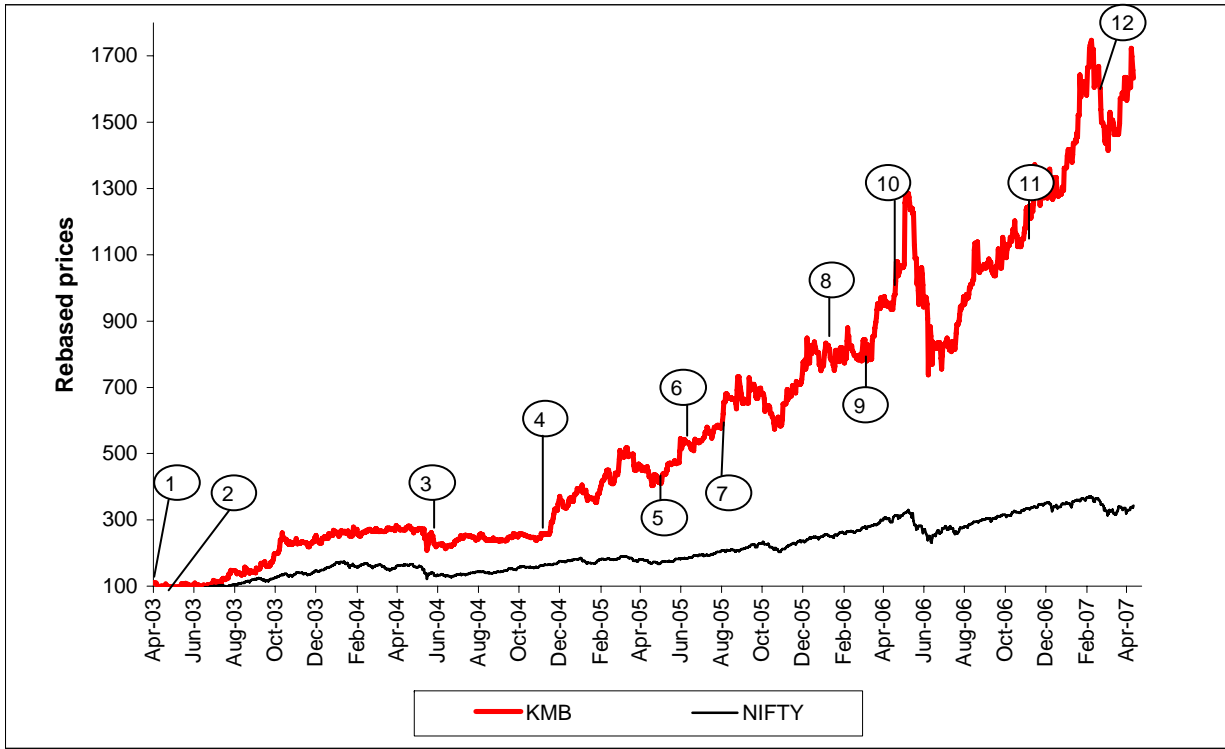
8. KM Prime bought out the car mortgages owned by Ford Credit Kotak Mahindra Pvt Ltd giving it the opportunity to fund all future purchase of Ford and other cars in India.

12. KM Asset Management agrees to partner with T Rowe Price to start a fund that will invest in funds managed by T Rowe Price

11. KMB board approves a scheme of arrangement to absorb its proprietary trading and Government trading business from Kotak Mahindra Capital Co.

10. Goldman Sachs ended a decade long alliance with KMB to start a separate broking and Investment banking activity independently

9. KMB group sells its entire 8.33% stake in Hutchison Essar for \$230 to companies owned by Anajit Singh and Telecom Investments Ltd



Source: NSE, Bloomberg, Macquarie Research April 2007

Fig 49 Kotak Mahindra Bank (Consolidated ex-insurance) - Balance sheet

Yr end 31 Mar (Rs m)	2004	2005	2006	2007E	2008E	2009E
LIABILITIES						
Equity capital	595	1,233	3,093	3,093	3,093	3,093
Share Premium	4,813	4,954	4,153	4,153	4,153	4,153
Reserves	7,571	9,569	16,744	22,171	33,343	41,860
Net worth	16,202	19,341	26,666	32,692	43,864	52,381
Minority	3,223	3,585	2,676	3,276	3,276	3,276
Savings deposits	426	1,469	4,893	10,391	21,431	38,576
Current deposits	25,709	3,620	7,191	13,303	21,950	32,925
Term deposits	16,072	33,238	44,083	80,215	128,068	185,673
Total deposits	42,207	38,327	56,167	103,909	171,449	257,174
Borrowings	31,036	38,073	57,979	96,791	96,802	89,035
Other liabilities	7,655	14,275	29,058	46,773	62,209	79,242
Total	97,100	110,016	169,869	280,165	374,325	477,832
ASSETS						
Loans	46,504	71,445	104,192	161,497	218,021	277,977
Corp investments	983	1,888	4,689	4,923	5,169	5,428
Gilts	27,792	15,780	24,435	51,666	68,970	88,562
Other investments						
- Equity	780	1,761	3,998	4,398	4,837	5,321
- Subs	2,041	2,698	5,629	5,629	5,629	5,629
- Others	4,204	1,513	2,968	3,117	3,272	3,600
Cash/equiv	8,748	6,805	10,105	23,678	34,756	48,351
Fixed assets	1,144	1,331	1,571	1,470	1,601	1,711
Other assets	4,904	6,795	12,283	23,788	32,070	41,254
Total	97,100	110,016	169,869	280,165	374,325	477,832

Source: Company data, Macquarie Research, April 2007

Fig 50 Kotak Mahindra Bank (Consolidated ex-insurance) - Income statement

Yr end 31 Mar (Rs m)	2,004	2,005	2,006	2007E	2008E	2009E
Interest Income	6,255	7,584	11,382	18,834	27,465	36,367
Interest expenses	2,528	3,286	5,196	9,128	13,833	18,482
Net Interest Income	3,727	4,298	6,186	9,706	13,632	17,886
Fees	2,874	4,240	9,782	14,848	21,612	30,590
Net revenues	6,601	8,538	15,968	24,554	35,244	48,475
Operating Expense	3,646	5,347	9,521	14,624	22,125	31,638
- Employee exp	1,434	2,335	4,037	6,261	9,370	13,463
- Other opex	2,212	3,012	5,484	8,364	12,755	18,175
Operating profit	2,955	3,191	6,447	9,930	13,119	16,837
Investment profits	899	443	320	316	426	543
Preprovision profit	3,854	3,634	6,767	10,245	13,545	17,380
Provisions	89	132	439	1,453	1,635	1,668
- Loan loss provisions	89	185	512	1,453	1,635	1,668
- Investment depreciation	0	-53	-73	0	0	0
PBT	3,765	3,502	6,328	8,792	11,910	15,712
Taxes	1,303	1,157	2,111	2,901	3,930	5,185
PAT	2,462	2,345	4,217	5,891	7,979	10,527
Extraordinaries	-262	-335	-689	0	0	0
Reported PAT	2,200	2,009	3,527	5,891	7,979	10,527
Dividends	143	154	195	464	1,005	2,010

Source: Company data, Macquarie Research, April 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	4.04	131,280	20.5	26.7	13.1	30.0	19.5	15.0	1.6	1.8	2.5	2.2	13.1	15.6	0.08	0.11	2.1	2.7	N	4.30	6.4
Bank of Communications	3328 HK	8.72	50,864	34.3	41.5	27.7	20.8	25.2	20.8	2.6	2.9	3.1	3.0	14.8	15.1	0.14	0.16	1.6	1.8	O	9.40	7.8
China Construction Bank	939 HK	4.84	139,215	26.6	32.9	29.0	23.6	18.0	14.6	1.6	1.8	3.0	2.7	17.2	19.4	0.09	0.11	1.9	2.2	O	6.00	24.0
ICBC	1398 HK	4.33	185,148	18.0	24.1	-2.2	34.0	23.8	17.8	1.6	1.7	2.7	2.6	12.2	14.9	0.09	0.13	2.1	3.1	O	5.30	22.4
Weighted Average						13.4	28.8	10.5	7.4			2.8	2.6	15.0	16.3			2.0	2.6			
Hong Kong																						
Bank of China-HK	2388 HK	19.46	26,339	131.4	138.4	-0.8	5.3	14.8	14.1	8.4	8.8	2.3	2.2	16.1	16.1	0.88	0.93	4.5	4.8	N	21.30	9.5
Bank of East Asia	23 HK	47.75	9,485	265.6	314.5	18.9	18.4	18.0	15.2	18.5	19.4	2.6	2.5	14.7	16.6	1.76	2.09	3.7	4.4	O	52.00	8.9
Dah Sing Financial	440 HK	71.00	2,273	538.0	628.9	-3.9	16.9	13.2	11.3	42.7	45.7	1.7	1.6	13.0	14.2	2.80	3.27	3.9	4.6	O	81.00	14.1
Hang Seng	11 HK	113.10	27,681	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	93.85	3,535	604.0	661.1	7.0	9.4	15.5	14.2	34.6	37.9	2.7	2.5	18.2	18.2	3.03	3.30	3.2	3.5	N	98.00	4.4
Wing Lung	96 HK	89.30	2,654	542.9	579.7	-21.5	6.8	16.4	15.4	51.1	53.3	1.7	1.7	10.8	11.1	3.01	3.19	3.4	3.6	U	78.00	-12.7
Hong Kong Exchange	388 HK	81.60	11,144	2.9	2.9	17.0	0.7	29.3	29.1	5.2	5.4	15.8	15.1	55.4	53.3	2.51	2.53	3.1	3.1	N	76.00	-6.9
HSBC	5 HK	143.40	212,688	151.3	166.3	8.4	9.9	12.1	11.0	10.0	10.6	1.9	1.7	15.8	16.3	0.90	1.00	4.9	5.4	O	170.00	18.5
Standard Chartered	2888 HK	234.00	41,480	190.9	217.5	12.0	13.9	15.7	13.8	13.3	14.6	2.2	2.1	14.9	15.6	0.79	0.88	2.6	2.9	O	255.00	9.0
Weighted Average*						3.1	10.3	16.1	14.6			3.1	3.0	17.3	18.2			4.5	5.0			
India																						
Bank of Baroda	BOB IN	235.00	2,053	2,707	3,522	19.6	30.1	8.7	6.7	235.1	263.8	1.0	0.9	12.0	14.1	6.00	8.00	2.6	3.4	U	215.00	-8.5
Bank of India	BOI IN	183.00	2,139	1,694	2,481	17.9	46.5	10.8	7.4	113.1	136.0	1.6	1.3	16.0	19.9	2.50	3.70	1.4	2.0	O	235.00	28.4
HDFC	HDFC IN	1,580.55	9,589	6,199	7,509	23.0	21.1	25.5	21.0	215.9	260.8	7.3	6.1	31.4	31.5	25.00	30.00	1.6	1.9	O	2,000.00	26.5
HDFC Bank	HDFCB IN	973.75	7,457	3,143	4,436	14.6	41.2	31.0	21.9	195.5	276.8	5.0	3.5	17.2	19.2	5.00	7.00	0.5	0.7	O	1,200.00	23.2
ICICI Bank	ICICIBC IN	889.60	19,175	3,415	5,224	19.7	53.0	26.0	17.0	271.0	306.2	3.3	2.9	13.1	18.1	11.50	15.50	1.3	1.7	O	1,085.00	22.0
IDBI	IDBI IN	82.60	1,434	810	959	4.5	18.4	10.2	8.6	94.0	101.5	0.9	0.8	8.9	9.8	1.00	1.90	1.2	2.3	U	65.00	-21.3
Punjab National Bank	PNB IN	467.85	3,537	5,419	7,923	18.6	46.2	8.6	5.9	342.8	396.1	1.4	1.2	17.2	21.4	19.00	22.00	4.1	4.7	O	600.00	28.2
State Bank of India	SBIN IN	1,008.70	12,729	6,810	9,815	-18.7	44.1	14.8	10.3	619.2	700.1	1.6	1.4	12.2	14.9	12.00	20.00	1.2	2.0	U	1,000.00	-0.9
Syndicate Bank	SNDB IN	70.35	880	1,576	1,872	54.4	18.8	4.5	3.8	62.8	77.1	1.1	0.9	27.8	26.8	3.20	3.70	4.5	5.3	O	95.00	35.0
Union Bank of India	UNBK IN	107.80	1,306	1,805	2,621	35.1	45.2	6.0	4.1	93.9	113.4	1.1	1.0	20.6	25.3	4.70	6.90	4.4	6.4	O	165.00	53.1
UTI Bank	UTIB IN	465.80	3,146	2,228	2,976	28.0	33.6	20.9	15.7	120.9	180.1	3.9	2.6	19.9	20.7	4.50	6.50	1.0	1.4	O	621.00	33.3
Vijaya Bank	VJYBK IN	42.40	441	858	1,046	193.3	21.9	4.9	4.1	42.3	51.6	1.0	0.8	21.2	22.3	3.30	3.00	7.8	7.1	O	60.00	41.5
Weighted Average						13.9	41.1	17.7	11.6			2.4	1.9	14.6	18.5			1.6	2.1			
Indonesia																						
Bank Central Asia	BBCA IJ	5,350	7,186	402.6	472.2	18.4	17.3	13.3	11.3	1,734	2,005	3.1	2.7	24.9	25.3	201.3	236.1	3.8	4.4	O	5,900	10.3
Bank Danamon	BDMN IJ	6,700	3,631	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	210	1,105	16.7	20.2	25.8	21.2	12.6	10.4	114	125	1.8	1.7	15.1	16.9	8.3	10.1	4.0	4.8	N	190	-9.5
Bank Mandiri	BMRI IJ	2,975	6,684	266.6	341.9	123.2	28.3	11.2	8.7	1,485	1,670	2.0	1.8	19.3	21.9	130.9	171.0	4.4	5.7	O	3,900	31.1
PNB Panin	PNBN IJ	610	1,331	53.3	66.9	45.9	25.5	11.4	9.1	365	411	1.7	1.5	15.5	17.3	21.3	26.8	3.5	4.4	O	750	23.0
Bank Rakyat Indonesia	BBRI IJ	5,450	7,297	422.8	507.1	20.0	19.9	12.9	10.7	1,635	2,143	3.3	2.5	28.0	26.8	211.4	253.5	3.9	4.7	O	6,000	10.1
Weighted Average						52.7	21.8	12.5	10.2			2.6	2.2	22.1	23.3			3.9	4.8			
Korea																						
Daegu Bank	005270 KS	16,200	2,305	2,000	2,091	9.8	4.6	8.1	7.7	10,984	12,435	1.5	1.3	19.5	17.9	640	680	4.0	4.2	O	20,800	28.4
Hana Financial Group	086790 KS	49,300	11,245	5,179	5,459	-2.6	5.4	9.5	9.0	41,008	44,908	1.2	1.1	13.2	12.7	1,560	1,640	3.2	3.3	N	46,800	-5.1
Industrial Bank of Korea	024110 KS	19,100	8,332	2,683	2,384	16.8	-11.2	7.1	8.0	14,332	16,115	1.3	1.2	19.7	15.7	600	650	3.1	3.4	O	22,200	16.2
Kookmin Bank	060000 KS	87,200	31,581	9,572	9,071	30.2	-5.2	9.1	9.6	48,896	54,717	1.8	1.6	20.4	17.5	3,250	3,350	3.7	3.8	O	112,500	29.0
Pusan Bank	005280 KS	13,700	2,164	1,667	1,749	33.0	4.9	8.2	7.8	9,970	11,169	1.4	1.2	17.8	16.5	550	580	4.0	4.2	O	16,500	20.4
Woori Finance	053000 KS	23,950	20,784	2,367	2,535	-8.6	7.1	10.1	9.4	15,770	17,630	1.5	1.4	15.8	15.2	675	775	2.8	3.2	O	23,600	-1.5
Shinhan Financial	055550 KS	54,100	22,225	5,821	5,530	25.2	-5.0	9.3	9.8	33,059	37,141	1.6	1.5	18.9	15.8	1,100	1,350	2.0	2.5	O	71,200	31.6
Weighted Average						15.6	-1.4	9.1	9.2			1.6	1.4	17.1	15.0			3.1	3.3			
Malaysia																						
AMMB Holdings	AMM MK	3.86	2,394	2.2	28.5	-86.9	1,189.6	174.7	13.5	2.3	2.9	1.9	1.5	1.1	12.4	0.05	0.05	1.3	1.3	O	4.30	11.4
Bumiputra-Commerce	BCHB MK	10.50	10,896	74.6	71.0	57.9	-4.9	14.1	14.8	4.3	4.7	2.4	2.2	19.1	15.6	0.40	0.45	3.8	4.3	N	10.20	-2.9
EON Capital	EON MK	6.60	1,332	42.9	53.6	14.9	25.0	15.4	12.3	4.6	4.9	1.4	1.4	9.7	11.4	0.25	0.30	3.8	4.5	O	7.85	18.9
Hong Leong Bank	HLBK MK	6.35	2,921	42.4	48.7	17.0	15.0	15.0	13.0	3.1	3.4	2.0	1.8	14.1	14.9	0.24	0.24	3.8	3.8	N	5.90	-7.1
Maybank	MAY MK	12.60	14,243	70.7	80.1	-4.8	13.3	17.8	15.7	4.7	5.0	2.7	2.5	15.5	16.4	0.60	0.65	4.8	5.2	N	12.70	0.8
Public Bank	PBKF MK	9.90	9,491	56.3	64.5	8.5	14.6	17.6	15.4	2.8	2.9	3.5	3.4	20.4	22.5	0.65	0.70	6.6	7.1	O	10.75	8.6
RHB Capital	RHBC MK	4.76	2,527	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
Weighted Average						14.8	73.7	17.3	14.7			2.6	2.5	11.1	11.7			4.5	4.9			

* Weighted average excludes HKEx, HSBC

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	4.04	7.2	0.2	19.2	-5.4	-2.3	-2.2	3.5	-9.1	1,031.3	Neutral
Bank of Communications	3328 HK	8.72	13.8	-0.2	47.0	-7.6	3.8	-2.7	27.7	-11.3	532.2	Outperform
China Construction Bank	939 HK	4.84	11.3	1.0	33.0	-2.2	1.4	-1.4	15.4	-6.1	1,396.6	Outperform
ICBC	1398 HK	4.33	2.1	-6.1	na	-10.4	-6.9	-8.4	na	-13.9	1,456.4	Outperform
Hong Kong												
Bank of China-HK	2388 HK	19.46	4.6	-9.1	8.8	-7.8	-4.6	-11.3	-5.5	-11.4	328.9	Neutral
Bank of East Asia	23 HK	47.75	11.0	4.9	25.5	8.4	1.2	2.4	8.9	4.1	266.5	Outperform
Dah Sing Financial	440 HK	71.00	8.9	-8.2	3.2	0.8	-0.7	-10.4	-10.4	-3.2	18.3	Outperform
Hang Seng	11 HK	113.10	5.5	0.6	14.1	6.4	-3.8	-1.9	-1.0	2.2	381.3	Outperform
Wing Hang	302 HK	93.85	8.3	-4.5	30.8	2.6	-1.3	-6.9	13.6	-1.5	37.6	Neutral
Wing Lung Bank	96 HK	89.30	7.5	-0.8	18.3	9.6	-2.0	-3.3	2.7	5.2	14.4	Underperform
Hong Kong Exchange	388 HK	81.60	10.6	-9.1	38.7	-4.6	0.9	-11.3	20.4	-8.3	601.3	Neutral
HSBC	5 HK	143.40	7.3	1.3	-2.3	0.6	-2.2	-1.1	-15.2	-3.4	2,652.3	Outperform
Standard Chartered	2888 HK	234.00	10.9	2.9	12.0	1.8	1.1	0.4	-2.8	-2.2	29.6	Outperform
India												
Bank of Baroda	BOB IN	235.00	21.8	-0.8	-14.3	-2.0	11.2	3.7	-19.0	-0.7	45.9	Underperform
Bank of India	BOI IN	183.00	33.5	-10.9	14.4	-12.0	22.0	-7.0	8.2	-10.8	80.5	Outperform
HDFC	HDFC IN	1,580.55	5.0	-1.0	6.7	-2.7	-4.1	3.4	0.9	-1.4	172.4	Outperform
HDFC Bank	HDFCB IN	973.75	7.7	-8.5	-0.7	-9.0	-1.6	-4.4	-6.1	-7.8	201.7	Outperform
ICICI Bank	ICICIBC IN	889.60	9.7	-8.5	19.5	-0.1	0.2	-4.3	12.9	1.2	272.9	Outperform
IDBI	IDBI IN	82.60	12.5	-15.5	2.8	8.3	2.8	-11.7	-2.9	9.7	211.3	Underperform
Punjab National Bank	PNB IN	467.85	12.0	-11.1	-10.5	-7.7	2.3	-7.1	-15.4	-6.5	49.5	Outperform
State Bank of India	SBIN IN	1,008.70	10.3	-18.1	-3.4	-19.0	0.8	-14.4	-8.8	-18.0	528.5	Underperform
Syndicate Bank	SNDB IN	70.35	11.8	-5.4	-18.7	-6.1	2.2	-1.1	-23.2	-4.8	21.4	Outperform
Union Bank of India	UNBK IN	107.80	16.2	-9.8	-17.1	-12.1	6.1	-5.7	-21.6	-10.9	17.3	Outperform
UTI Bank	UTIB IN	465.80	3.8	-14.7	11.6	-0.7	-5.1	-10.9	5.4	0.6	88.9	Outperform
Vijaya Bank	VJYBK IN	42.40	7.5	-14.6	-24.9	-10.0	-1.8	-10.8	-29.0	-8.8	7.5	Outperform
Indonesia												
Bank Central Asia	BBCA IJ	5,350	7.0	2.9	10.9	2.9	-3.2	-6.9	-11.7	-5.5	37,201.1	Outperform
Bank Danamon	BDMN IJ	6,700	11.7	4.7	17.5	-0.7	1.0	-5.3	-6.4	-8.8	29,712.2	Outperform
Bank Int'l Indonesia	BNII IJ	210	9.9	-12.5	0.0	-12.5	-0.5	-20.9	-20.4	-19.6	17,963.1	Neutral
Bank Mandiri	BMRI IJ	2,975	21.4	10.2	11.2	2.6	9.8	-0.3	-11.5	-5.8	161,824.8	Outperform
Bank Panin	PNBN IJ	610	13.0	0.0	19.6	5.2	2.2	-9.6	-4.8	-3.4	12,878.1	Outperform
Bank Rakyat Indonesia	BBRI IJ	5,450	10.1	9.0	10.7	5.8	-0.4	-1.4	-11.9	-2.8	74,584.3	Outperform
Korea												
Daegu Bank	005270 KS	16,200	0.3	5.5	2.2	2.8	-6.5	-4.8	-9.7	-3.7	9,928.3	Outperform
Hana Financial Group	086790 KS	49,300	3.0	4.8	11.5	2.9	-4.1	-5.4	-1.4	-3.7	34,168.8	Neutral
Industrial Bank of Korea	024110 KS	19,100	2.4	12.2	18.5	12.2	-4.6	1.3	4.7	5.1	22,271.0	Outperform
Kookmin Bank	060000 KS	87,200	5.2	15.6	9.5	15.9	-2.0	4.3	-3.3	8.5	88,950.8	Outperform
Pusan Bank	005280 KS	13,700	-0.4	18.5	16.0	18.5	-7.2	7.0	2.5	11.0	7,353.0	Outperform
Woori Finance	053000 KS	23,950	6.9	9.3	19.9	9.1	-0.4	-1.4	6.0	2.1	46,115.1	Outperform
Shinhan Financial	055550 KS	54,100	3.0	10.6	30.4	15.6	-4.0	-0.2	15.2	8.2	84,216.5	Outperform
Malaysia												
AMMB Holdings	AMM MK	3.86	17.7	17.0	50.2	21.4	4.9	1.2	10.5	0.4	26.3	Outperform
Bumiputra-Commerce	BCHB MK	10.50	11.1	15.4	55.6	35.5	-0.9	-0.1	14.5	12.0	96.4	Neutral
EON Capital	EON MK	6.60	4.7	-5.0	16.5	1.5	-6.7	-17.7	-14.2	-16.1	10.8	Outperform
Hong Leong Bank	HLBK MK	6.35	11.4	11.4	17.6	14.4	-0.7	-3.6	-13.5	-5.4	12.3	Neutral
Maybank	MAY MK	12.60	1.6	5.8	13.4	7.6	-9.4	-8.4	-16.5	-11.0	85.6	Neutral
Public Bank	PBKF MK	9.90	10.1	21.0	46.3	24.8	-1.8	4.7	7.7	3.2	24.8	Outperform
RHB Capital	RHBC MK	4.76	2.6	26.7	59.6	38.6	-8.5	9.7	17.5	14.6	22.3	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	60.50	6.1	31.5	51.3	31.5	-1.8	22.5	16.4	18.5	103.3	Outperform
Bank of Phil Islands	BPI PM	68.00	5.4	-0.7	23.6	7.1	-2.4	-7.5	-4.8	-3.5	121.1	Outperform
China Banking Corp	CHIB PM	860.00	-2.3	25.5	26.5	26.5	-9.6	16.9	-2.7	14.0	7.8	Outperform
Equitable PCI Bank	EPCI PM	109.00	9.0	32.1	69.0	31.3	0.9	23.1	30.1	18.4	14.4	Neutral
Metrobank	MBT PM	64.00	10.3	11.3	56.1	24.3	2.1	3.7	20.1	12.0	247.3	Outperform
Philippine National Bank	PNB PM	46.50	0.0	-2.1	36.8	5.7	-7.5	-8.8	5.3	-4.7	3.3	Underperform
Singapore												
DBS Group	DBS SP	22.30	8.7	2.7	10.2	0.0	-2.5	-8.0	-14.8	-12.7	140.9	Outperform
Hong Leong Finance	HLF SP	4.06	4.1	2.5	18.6	6.8	-6.6	-8.2	-8.3	-6.7	2.4	Outperform
OCBC	OCBC SP	9.60	12.9	27.0	40.9	25.3	1.3	13.7	8.9	9.4	73.7	Neutral
UOB	UOB SP	21.70	7.9	14.7	29.0	12.4	-3.1	2.7	-0.3	-1.9	90.7	Outperform
Singapore Exchange	SGX SP	7.10	18.2	12.6	58.9	25.4	6.1	0.8	22.8	9.5	46.0	Outperform
Taiwan												
Bank of Kaohsiung	2836 TT	17.40	6.1	-10.1	10.8	-7.9	2.9	-10.7	-2.3	-9.4	39.2	Underperform
Cathay Financial	2882 TT	69.20	3.1	-5.6	6.0	-6.2	-0.2	-6.6	-6.8	-8.0	1,074.6	Outperform
Chang Hwa Bank	2801 TT	20.00	-1.0	-10.7	2.0	-11.6	-4.2	-11.6	-10.3	-13.4	317.7	Outperform
China Development	2883 TT	14.15	-3.1	-6.0	4.1	-6.0	-6.2	-7.0	-8.5	-7.8	289.4	Underperform
Chinatrust	2891 TT	26.25	2.9	-5.4	4.6	-3.5	-0.4	-6.4	-8.0	-5.4	728.8	Underperform
E. Sun Financial	2884 TT	19.55	-0.3	-9.7	-6.0	-13.7	-3.5	-10.7	-17.3	-15.4	85.5	Underperform
First Financial	2892 TT	23.30	2.2	-3.9	1.7	-5.5	-1.1	-4.9	-10.5	-7.3	188.7	Neutral
Fubon Financial	2881 TT	30.85	6.0	2.2	13.4	1.1	2.6	1.1	-0.2	-0.8	299.8	Underperform
Fuhwa Financial	2885 TT	14.70	2.8	-10.4	2.1	-9.8	-0.5	-11.3	-10.2	-11.6	90.1	Outperform
Mega Financial	2886 TT	22.00	6.5	-2.7	-6.2	-8.1	3.1	-3.7	-17.5	-9.9	402.4	Outperform
Shinkong Financial	2888 TT	31.35	6.6	-5.2	7.3	-9.8	3.1	-6.2	-5.6	-11.6	566.0	Outperform
Sinopac Financial	2890 TT	15.00	-2.9	-10.9	-7.7	-13.8	-6.0	-11.9	-18.8	-15.4	248.7	Neutral
Ta Chong Bank	2847 TT	10.30	-3.7	-4.6	-0.5	-5.9	-6.9	-5.6	-12.5	-7.8	62.0	Underperform
Taishin Financial	2887 TT	16.80	-2.6	-9.9	0.9	-11.8	-5.8	-10.8	-11.3	-13.5	260.3	Underperform
Capital Securities	6005 TT	15.85	2.3	4.7	22.2	11.7	-1.0	3.6	7.5	9.6	61.9	Outperform
KGI Securities	6008 TT	10.85	3.3	-4.0	2.4	-8.1	0.0	-5.0	-10.0	-9.8	46.3	Outperform
Masterlink Securities	2856 TT	13.35	0.4	-7.4	5.6	-1.1	-2.9	-8.3	-7.1	-3.0	58.6	Outperform
Polaris Securities	2854 TT	14.90	4.9	-8.3	-2.6	-13.1	1.5	-9.3	-14.3	-14.8	110.5	Outperform
President Securities	2855 TT	17.65	0.6	-2.2	17.6	0.9	-2.7	-3.2	3.4	-1.1	37.1	Outperform
Thailand												
Bangkok Bank	BBL TB	114.00	6.5	6.5	0.0	3.6	2.9	0.4	3.4	1.4	556.5	Outperform
Bank of Ayudhya	BAY TB	22.20	8.8	22.7	19.4	20.7	5.1	15.6	23.4	18.0	207.5	Neutral
Kasikorn Bank	KBANK TB	68.00	7.1	13.3	-2.2	10.6	3.4	6.8	1.2	8.2	392.4	Outperform
Krung Thai Bank	KTB TB	12.30	0.0	7.9	1.7	3.4	-3.5	1.7	5.1	1.1	242.2	Outperform
Siam City Bank	SCIB TB	17.90	0.6	6.5	-13.9	5.9	-2.9	0.4	-11.0	3.6	58.0	Neutral
Siam Commercial	SCB TB	68.00	-1.4	13.3	4.6	17.2	-4.8	6.8	8.2	14.7	462.4	Outperform
TMB Bank	TMB TB	1.76	14.3	-20.7	-44.3	-32.3	10.3	-25.3	-42.4	-33.8	54.4	Neutral
ACL Bank	ACL TB	4.10	-1.4	0.0	-13.9	-6.8	-4.8	-5.8	-10.9	-8.9	2.4	Outperform
Kiatnakin Bank	KK TB	29.00	-2.5	4.5	-10.1	6.4	-5.9	-1.5	-7.0	4.1	21.8	Outperform
Thanachart Capital	TCAP TB	14.70	18.5	19.5	-5.2	5.0	14.5	12.6	-1.9	2.7	63.4	Outperform
TISCO Bank	TISCO TB	21.70	-8.4	-0.9	-13.2	-1.4	-11.6	-6.6	-10.2	-3.5	61.9	Outperform

Data as of 17 April 2007

Source: Bloomberg, Macquarie Research, April 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	4.8	-0.9	3.4	-1.3	-3.9	-4.0	-4.6	-8.8	-15.8
FTSE Bank	5.9	0.1	-0.7	0.0	-4.6	-7.4	-3.5	-7.9	-19.1
Australia	7.2	9.3	13.8	0.1	-0.8	-3.3	-2.4	0.5	-7.3
HK (ex HSBC, SCB)	9.2	0.2	14.7	-0.4	-2.3	-0.5	-0.6	-7.9	-6.6
HSBC	7.3	1.3	-2.3	-2.2	-1.1	-15.2	-2.3	-6.8	-20.4
Std Chartered HK	10.9	2.9	12.0	1.1	0.4	-2.8	1.0	-5.3	-8.8
China	21.7	21.3	109.0	-3.5	-14.4	-8.5	10.8	11.6	70.2
India	12.6	-9.9	0.5	2.8	-5.9	-5.1	2.5	-17.1	-18.2
Indonesia	10.5	4.9	12.6	0.0	-5.1	-10.3	0.6	-3.5	-8.2
Malaysia	8.1	14.5	35.1	-3.6	-0.9	-0.5	-1.6	5.4	10.1
Philippines	5.3	9.6	28.3	-2.6	2.0	-1.3	-4.2	0.8	4.5
Singapore	8.9	12.8	24.9	-2.2	1.0	-3.5	-0.8	3.8	1.7
South Korea	4.1	12.3	17.5	-3.0	1.4	3.8	-5.2	3.3	-4.3
Taiwan	2.3	-5.3	3.3	-1.0	-6.3	-9.2	-6.9	-12.9	-15.9
Thailand	5.2	10.2	-0.9	1.5	3.9	2.4	-4.2	1.4	-19.3

Note: Data as of 17 April 2007

Source: Bloomberg, Macquarie Research, April 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%	42.20%
Neutral	44.01%	21.30%	46.80%
Underperform	11.62%	20.33%	11.00%

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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