

Axis Bank AXSB IN

INDIA / BANKS

TARGET PRIOR TP CLOSE UP/DOWNSIDE INR1,250.00 INR1,250.00 INR1,214.80 +2.9%

 HOLD **UNCHANGED**

NEW INFORMATION

Wo mot	with	management
we met	WILI	management

- Well poised for relatively higher growth of 25-30% in FY11.
- NIM will pare down to 3.6-3.8%.

ADR TICKER: AXB LI

- Restructured assets have peaked, cost/income at 40%.
- Axis Bank trades at 2.7x FY11E ABV for FY11 Adj ROE of 20%.

25% loan growth for FY11

Axis Bank is well positioned for relatively higher growth in FY11 and will aim for a loan growth of 25% if the sector average loan growth is in the range of 21-22%. Though the sanction pipeline is strong, loan draw down is still fairly tardy. A more optimistic target for loan growth could be 30%. We are currently factoring in loan growth of 24% for FY11, backed by 20% growth in retail loans and 26% growth in corporate loans.



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NIM in the range of 3.75-3.80% NIM for FY11 will pare down to 3.6-3.8%

from the reported NIM of 4.09% for Q4FY10. This is on account of higher funding cost on savings accounts and the increase in cash reserve requirements. Axis Bank expects to maintain NIMs in this range assuming a loan growth of 25% for FY11. If loan growth exceeds 25% and inches up to 30%, then NIM may inch down further to the 3.5-3.75% range. We are currently factoring in a deposit growth of 28% for FY11, with CASA growth of 25% y-y. Our NIM estimate for FY11 is 3.65%. Management guides towards a sustainable CASA level of 40%, in line with our estimates for FY11.

Other ROA drivers

Axis Bank is aiming for a long-term ROA target of 1.5%. Some of the key drivers for this include having a cost/income ratio will in 40-41% range. The bank is aiming to keep cost efficiency at this level or lower by reducing the marginal cost or increasing the marginal profitability of branch network expansion. The break-even period for a new branch, which used to be 30 months five years ago, is now at 15 months. The management indicated the break-even period is likely to be even lower for branches in under-banked areas. Axis expects to add 250-300 branches in FY11 and about 4,000 employees. Restructured loans have peaked and things are improving marginally. Some 20% of the restructured loan book of INR25b comes from the SME sector. We are currently baking in 81bp in LLPs for FY11 versus 106bp seen in FY10.

Valuation

The cues from our meeting are positive and our estimates are currently under revision. At our current TP of INR1,250.00, Axis Bank is valued at 2.8x FY11E ABV for an FY11E adjusted ROE of 20.3%.

HOW WE DIFFER	R FROM	THE STE	REET		
	BNP	Consens	us %	Diff	
Target Price (INR)	1,250.00	1,320.	00	(5.3)	
EPS 2010 (INR)	63.38	60.	65	4.5	
EPS 2011 (INR)	82.39	74.	95	9.9	
	Positive	Neuti	al Nega	ative	
Market Recs.	39		8	8	
KEY STOCK DA	TA				
YE Mar (INR m)	2010	DE 201	1E 20	12E	
Operating Profit	38,5	14 52,2	11 62,	166	
Rec. net profit	25,1	45 33,9	37 40,	408	
Recurring EPS (INR)	63.3	38 82	.39 98	3.10	
Prior rec. EPS (INR)	64.3	31 78	.27 97	7.99	
Chg. In EPS est. (%)	(1.	4)	5.3	0.1	
EPS growth (%)	25	5.1 3	0.0 1	19.1	
Recurring P/E (x)	19).2 1	4.7 1	12.4	
Dividend yield (%)	1	.2	1.7	2.5	
Price/book (x)	2	2.9	2.5	2.2	
ROE (%)	19).2 1	9.6 2	20.1	
ROA (%)	1.5	53 1.	.67 1	1.62	
(INR)	—Axis Ba	nk	(%)	
1,400	Rel to MSCI India				
1,200 -		A . 1000		34	

(INR)		Axis Bank		(%)
1,400	—	Rel to MS	CI India	- 54
1,200 -			- August	24
1,000	A M		Many	- 34
800 -	MACH			- 14
600				(6)
Jun-09	Sep-09	Dec-09	Mar-10	Jun-10
Share price parf	ormanco	1 Month	2 Month	12 Month

Snare price performance	1 MONTH	3 MONTH	12 MONTH		
Absolute (%)	0.3	12.9	69.5		
Relative to country (%)	0.6	11.1	51.9		
Next results/event			July 2010		
Mkt cap (USD m)			10,058		
3m avg daily turnover (US	SD m)		52.0		
Free float (%)			58		
Major shareholder		SI	JUTI (24%)		
12m high/low (INR)		1,311	.55/698.20		
3m historic vol. (%)			30.2		
ADR ticker		AXB LI			
ADR closing price (USD; 4 Jun 10) 25.50					
Sources: Bloomberg consensus: BNP Paribas estimates					

RECENT COMPANY & SECTOR RESEARCH

Will the axis tilt?2	0 Apr 2010
It's a victory lap	4 Apr 2010
Time to book profit	4 Apr 2010
Banks at BNP India conference1	1 Mar 2010

FINANCIAL STATEMENTS

Axis Bank

Profit and Loss (INR m)						
Year Ending Mar	2008A	2009A	2010E	2011E	2012E	
nterest income	70,053	108,355	116,380	151,179	186,920	
nterest expense	(44,200)	(71,493)	(66,335)	(85,523)	(111,735)	
Net interest income	25,854	36,862	50,045	65,656	75,185	
Net fees & commission	13,207	24,570	29,270	37,310	44,032	
Foreign exchange trading income	0	0	0	0	0	
Securities trading income	4,277	3,646	8,290	6,033	7,691	
Dividend income	470	753	1,898	1,340	1,600	
Other income	0	0	0	0	0	
Non interest income	17,955	28,969	39,458	44,683	53,322	
Total income	43,808	65,831	89,503	110,339	128,507	23% growth in total
Staff costs	(6,702)	(9,977)	(12,558)	(14,612)	(18,217)	income for the bank in
Other operating costs	(14,847)	(18,606)	(24,539)	(29,379)	(33,634)	FY11E
Operating costs	(21,549)	(28,582)	(37,097)	(43,992)	(51,851)	11112
Pre provision operating profit	22,259	37,249	52,406	66,348	76,655	
Provisions for bad and doubtful debts	(3,417)	(7,684)	(12,365)	(11,500)	(11,557)	
Other provisions	(2,377)	(1,567)	(1,527)	(2,637)	(2,933)	
Operating profit	16,465	27,998	38,514	52,211	62,166	
Recurring non operating income	0	0	0	0	0	
Associates	0	0	0	0	0	
Goodwill amortization	0	0	0	0	0	
Non recurring items	0	0	0	0	0	
Profit before tax	16,465	27,998	38,514	52,211	62,166	
Гах	(5,755)	(9,698)	(13,368)	(18,274)	(21,758)	
Profit after tax	10,710	18,300	25,145	33,937	40,408	
Minority interests	0	0	0	0	0	
Preferred dividends	0	0	0	0	0	
Other items	0	0	0	0	0	
Reported net profit	10,710	18,300	25,145	33,937	40,408	
Non recurring items & goodwill (net)	0	0	0	0	0	
Recurring net profit	10,710	18,300	25,145	33,937	40,408	
Per share (INR)						EPS growth of 30% for
Recurring EPS *	30.96	50.67	63.38	82.39	98.10	FY11
Reported EPS	31.80	51.02	64.83	87.50	104	
DPS	6.23	11.72	14.67	20.47	30.47	
	0.23	11.72	14.07	20.47	30.47	
Growth						
Net interest income (%)	76.1	42.6	35.8	31.2	14.5	
Non interest income (%)	77.7	61.3	36.2	13.2	19.3	
Pre provision operating profit (%)	76.1	67.3	40.7	26.6	15.5	
Operating profit (%)	65.2	70.0	37.6	35.6	19.1	
Reported net profit (%)	62.5	70.9	37.4	35.0	19.1	
Recurring EPS (%)	35.8	63.7	25.1	30.0	19.1	
Reported EPS (%)	35.3	60.4	27.1	35.0	19.1	
ncome breakdown						
Net interest income (%)	59.0	56.0	55.9	59.5	58.5	
Net fees &commission (%)	30.1	37.3	32.7			
TOUR GOOD IN THE PROPERTY OF T					ર⊿ ર	
				33.8	34.3	
Foreign exchange trading income (%)	0.0	0.0	0.0	0.0	0.0	
Foreign exchange trading income (%) Securities trading income (%)	0.0 9.8	0.0 5.5	0.0 9.3	0.0 5.5	0.0 6.0	
Foreign exchange trading income (%) Securities trading income (%) Dividend income (%)	0.0 9.8 1.1	0.0 5.5 1.1	0.0 9.3 2.1	0.0 5.5 1.2	0.0 6.0 1.2	
Foreign exchange trading income (%) Securities trading income (%) Dividend income (%) Other income (%)	0.0 9.8	0.0 5.5	0.0 9.3	0.0 5.5	0.0 6.0	
Foreign exchange trading income (%) Securities trading income (%) Dividend income (%) Other income (%)	0.0 9.8 1.1 0.0	0.0 5.5 1.1	0.0 9.3 2.1 0.0	0.0 5.5 1.2	0.0 6.0 1.2 0.0	
Foreign exchange trading income (%) Securities trading income (%) Dividend income (%) Other income (%) Operating performance	0.0 9.8 1.1 0.0	0.0 5.5 1.1 0.0	0.0 9.3 2.1 0.0	0.0 5.5 1.2 0.0	0.0 6.0 1.2 0.0	
Foreign exchange trading income (%) Securities trading income (%) Dividend income (%) Other income (%) Operating performance Gross interest yield (%)	0.0 9.8 1.1 0.0 8.90 5.38	0.0 5.5 1.1 0.0 9.70 6.23	0.0 9.3 2.1 0.0 8.06 4.55	0.0 5.5 1.2 0.0 8.41 4.79	0.0 6.0 1.2 0.0 8.45 5.07	
Foreign exchange trading income (%) Securities trading income (%) Dividend income (%) Other income (%) Operating performance Gross interest yield (%) Cost of funds (%)	0.0 9.8 1.1 0.0 8.90 5.38 3.52	0.0 5.5 1.1 0.0	0.0 9.3 2.1 0.0	0.0 5.5 1.2 0.0	0.0 6.0 1.2 0.0 8.45 5.07 3.37	
Foreign exchange trading income (%) Securities trading income (%) Dividend income (%) Other income (%) Operating performance Gross interest yield (%) Ost of funds (%) Net interest spread (%)	0.0 9.8 1.1 0.0 8.90 5.38 3.52 3.29	0.0 5.5 1.1 0.0 9.70 6.23 3.47 3.30	0.0 9.3 2.1 0.0 8.06 4.55 3.51 3.46	0.0 5.5 1.2 0.0 8.41 4.79 3.62 3.65	0.0 6.0 1.2 0.0 8.45 5.07 3.37 3.40	
Foreign exchange trading income (%) Securities trading income (%) Dividend income (%) Other income (%) Operating performance Gross interest yield (%) Cost of funds (%) Net interest spread (%) Net interest margin (%) Cost/income (%)	0.0 9.8 1.1 0.0 8.90 5.38 3.52 3.29 49.2	0.0 5.5 1.1 0.0 9.70 6.23 3.47 3.30 43.4	0.0 9.3 2.1 0.0 8.06 4.55 3.51 3.46 41.4	0.0 5.5 1.2 0.0 8.41 4.79 3.62 3.65 39.9	0.0 6.0 1.2 0.0 8.45 5.07 3.37 3.40 40.3	
Foreign exchange trading income (%) Securities trading income (%) Dividend income (%) Other income (%) Operating performance Gross interest yield (%) Cost of funds (%) Net interest spread (%) Net interest margin (%) Cost/income (%)	0.0 9.8 1.1 0.0 8.90 5.38 3.52 3.29 49.2 2.36	0.0 5.5 1.1 0.0 9.70 6.23 3.47 3.30	0.0 9.3 2.1 0.0 8.06 4.55 3.51 3.46	0.0 5.5 1.2 0.0 8.41 4.79 3.62 3.65 39.9 2.17	0.0 6.0 1.2 0.0 8.45 5.07 3.37 3.40 40.3 2.08	
Foreign exchange trading income (%) Securities trading income (%) Dividend income (%) Other income (%) Operating performance Gross interest yield (%) Cost of funds (%) Net interest spread (%) Net interest margin (%) Cost/income (%) Cost/assets (%)	0.0 9.8 1.1 0.0 8.90 5.38 3.52 3.29 49.2	0.0 5.5 1.1 0.0 9.70 6.23 3.47 3.30 43.4	0.0 9.3 2.1 0.0 8.06 4.55 3.51 3.46 41.4	0.0 5.5 1.2 0.0 8.41 4.79 3.62 3.65 39.9	0.0 6.0 1.2 0.0 8.45 5.07 3.37 3.40 40.3	
Foreign exchange trading income (%) Securities trading income (%) Dividend income (%) Other income (%) Operating performance Gross interest yield (%) Cost of funds (%) Net interest spread (%) Net interest margin (%) Cost/income (%) Cost/assets (%) Effective tax rate (%)	0.0 9.8 1.1 0.0 8.90 5.38 3.52 3.29 49.2 2.36	0.0 5.5 1.1 0.0 9.70 6.23 3.47 3.30 43.4 2.22	0.0 9.3 2.1 0.0 8.06 4.55 3.51 3.46 41.4 2.26	0.0 5.5 1.2 0.0 8.41 4.79 3.62 3.65 39.9 2.17	0.0 6.0 1.2 0.0 8.45 5.07 3.37 3.40 40.3 2.08	
Foreign exchange trading income (%) Securities trading income (%) Dividend income (%) Other income (%) Operating performance Gross interest yield (%) Cost of funds (%) Net interest spread (%) Net interest margin (%) Cost/income (%) Cost/assets (%) Effective tax rate (%) Dividend payout on recurring profit (%) ROE (%)	0.0 9.8 1.1 0.0 8.90 5.38 3.52 3.29 49.2 2.36 35.0	0.0 5.5 1.1 0.0 9.70 6.23 3.47 3.30 43.4 2.22 34.6	0.0 9.3 2.1 0.0 8.06 4.55 3.51 3.46 41.4 2.26 34.7	0.0 5.5 1.2 0.0 8.41 4.79 3.62 3.65 39.9 2.17 35.0	0.0 6.0 1.2 0.0 8.45 5.07 3.37 3.40 40.3 2.08 35.0	
Foreign exchange trading income (%) Securities trading income (%) Dividend income (%) Other income (%) Operating performance Gross interest yield (%) Cost of funds (%) Net interest spread (%) Net interest margin (%) Cost/income (%) Cost/income (%) Effective tax rate (%) Dividend payout on recurring profit (%) ROE (%)	0.0 9.8 1.1 0.0 8.90 5.38 3.52 3.29 49.2 2.36 35.0 20.1	0.0 5.5 1.1 0.0 9.70 6.23 3.47 3.30 43.4 2.22 34.6 23.1	0.0 9.3 2.1 0.0 8.06 4.55 3.51 3.46 41.4 2.26 34.7 23.1 19.2	0.0 5.5 1.2 0.0 8.41 4.79 3.62 3.65 39.9 2.17 35.0 24.8	0.0 6.0 1.2 0.0 8.45 5.07 3.37 3.40 40.3 2.08 35.0 31.1	
Foreign exchange trading income (%) Securities trading income (%) Dividend income (%) Other income (%) Operating performance Gross interest yield (%) Cost of funds (%) Net interest spread (%) Net interest margin (%) Cost/income (%) Cost/assets (%) Effective tax rate (%) Dividend payout on recurring profit (%)	0.0 9.8 1.1 0.0 8.90 5.38 3.52 3.29 49.2 2.36 35.0 20.1 17.6	0.0 5.5 1.1 0.0 9.70 6.23 3.47 3.30 43.4 2.22 34.6 23.1 19.3 2.0	0.0 9.3 2.1 0.0 8.06 4.55 3.51 3.46 41.4 2.26 34.7 23.1 19.2 1.9	0.0 5.5 1.2 0.0 8.41 4.79 3.62 3.65 39.9 2.17 35.0 24.8 19.6	0.0 6.0 1.2 0.0 8.45 5.07 3.37 3.40 40.3 2.08 35.0 31.1 20.1 2.8	
Foreign exchange trading income (%) Securities trading income (%) Dividend income (%) Dividend income (%) Dividend income (%) Dividend performance Gross interest yield (%) Cost of funds (%) Net interest spread (%) Net interest margin (%) Cost/income (%) Cost/assets (%) Effective tax rate (%) Dividend payout on recurring profit (%) ROE (%) ROE – COE (%)	0.0 9.8 1.1 0.0 8.90 5.38 3.52 3.29 49.2 2.36 35.0 20.1 17.6 0.3	0.0 5.5 1.1 0.0 9.70 6.23 3.47 3.30 43.4 2.22 34.6 23.1 19.3	0.0 9.3 2.1 0.0 8.06 4.55 3.51 3.46 41.4 2.26 34.7 23.1 19.2	0.0 5.5 1.2 0.0 8.41 4.79 3.62 3.65 39.9 2.17 35.0 24.8 19.6 2.3	0.0 6.0 1.2 0.0 8.45 5.07 3.37 3.40 40.3 2.08 35.0 31.1 20.1	

Sources: Axis Bank; BNP Paribas estimates

Axis Bank

Year Ending Mar 2008A 2009A 2016E 2011E 2012E Gross customer loans 559,075 821,274 1,052,421 1,305,404 1,895,879 10,9471 0	Balance Sheet (INR m)						
Total provisions interest in suspense	Year Ending Mar	2008A	2009A	2010E	2011E	2012E	
Interest in suspense		599,075	821,274	1,052,421	1,305,640	1,585,879	0.407 :
Net customer loans							
Bank loans S	•	-		-			book for FY11E
Government securities							
Trading securities							
Investiment securities							
Cash & equivalents Oash & equivalents Ober interest searing assets O 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	•					-	
Other interest earning asserts 9,29 10,729 12,224 19,20 10,00 0 1,00 0 0 0 0 0 0 0 0 0 0 0 0 0	Cash & equivalents						
Associates	Other interest earning assets						
Goodwill 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	Tangible fixed assets	9,229	10,729	12,224	15,824	19,024	
Other intangible assets							
Other assets 1,095,778 1,477,221 1,300,479 1,200,500 1,000,479 2,245,406 Bank deposits 876,622 1,173,741 1,410,002 1,807,077 2,245,406 Bank deposits 50 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0						_	
Total assets (CWA) (Consumer deposits and Experimentary Items (Consumer loans (PK)) (Con		_	_	_	-	-	
Customer deposits				-			
Bank deposits 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0							
Other interest bearing liabilities 75,69 99,477 112.08 120,825 120,825 120,825 120,825 101,825	•						
Non interest bearing liabilities 1,08,072 1,35,680 99,477 112,205 132,236 148,479 Total liabilities 1,08,072 1,379,772 1,464,032 2,060,137 2,514,710 Share capital 8,108 99,546 156,333 182,388 210,977 Total equity 87,707 102,148 160,446 186,442 215,030 0 Total liabilities 8 equity 1,095,778 1,477,221 1,806,479 2,246,579 2,729,740 Supplementary items 818k weighted assets (RWA) 849,907 1,097,875 1,410,000 1,753,509 2,135,380 Average interest bearing liabilities 8 2,811 1,147,88 1,459,555 1,786,209 2,222,410 Total capital 18,383 150,276 221,798 248,030 276,689 Chook value per share 8245 285 414 481 554 Growth 13,889,189 13,180 21,818 27,426 Chook value per share 8245 285 414 481 554 Growth 10 Chook value per share 8						_	
Total labilities 1,008,072 1,375,072 1,946,032 2,060,137 2,514,710 5,58 2,053 4,053	Non interest bearing liabilities						
Share capital Reserves 84.108 99.546 156.39 182.388 210.977 Total equity 87.777 102.148 160.446 186.442 215.030 0 0 Total liabilities & equity 1,095.778 1,477,221 1,806.479 2,246.579 2,729.740 Supplementary tiems Risk weighted assets (RWA) 849.907 1,097.875 1,410.000 1,753.509 2,136.380 Average interest earning assets 786.990 1,116.705 1,444.337 1,798.033 2,213.042 Average interest bearing liabilities 820,811 1,147.888 1,459.055 1,786.208 2,202.410 Tier 1 capital 82.30 101.630 157.749 182.324 209.526 Total capital 118.383 150.276 221.798 128.204 209.526 Book value per share 245 285 414 481 554 Tangible book value per share 245 285 414 481 554 Tangible book value per share 245 285 414 481 554 Tangible assets (%) 57.6 41.9 29.3 24.5 22.1 Total assets (%) 57.6 41.9 29.3 24.5 22.1 Total assets (%) 57.6 41.9 29.3 24.5 22.1 Total assets (%) 49.6 34.8 22.3 24.4 21.5 Risk weighted assets (%) 58.0 29.2 28.4 24.4 21.5 Risk weighted assets (%) 59.0 29.2 28.4 24.4 21.5 Risk weighted assets (%) 68.1 69.5 73.8 71.4 69.8 Equity/assets (%) 68.1 69.5 73.8 71.4 69.8 Equity/assets (%) 77.6 77.3 78.1 78.1 78.2 79.8 Tangible equity/assets (%) 77.6 77.3 78.1 78.1 78.2 79.8 Tangible equity/assets (%) 77.6 77.3 78.1 78.1 78.2 79.8 Tangible equity/assets (%) 77.6 77.3 78.1 78.1 78.2 79.8 Total are represented for the provisions/gross loans (%) 0.8 1.1 1.3 1.7 1.7 1.7 Total provisions/gross loans (%) 0.8 1.1 1.3 1.7 1.7 1.7 Total provisions/gross loans (%) 0.8 1.1 1.3 1.7 1.7 Total provisions/gross loans (%) 0.8 8.1 1.1 1.3 1.7 1.7 Total provisions/gross loans (%) 0.8 8.1 1.1 1.3 1.7 1.7 Total provisions/gross loans (%) 0.8 8.2 24.0 19.2 14.7 12.4 Recurring PE (%) 8.9 8.8 63.6 68.2 73.6 77.10 Valuation 2008A 2009A 2010E 2011E 2012E Recurring PE (%) 8.9 8.9 8.3 7.9 9 Rrecurring PE (%) 8.9 8.9 8.3 8.3 6.5 8.2 2.2 9 Rrecurri	Total liabilities						
Total equity Minority interests 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	Share capital	3,599					
Minority interests	Reserves	84,108	98,546		182,388	210,977	
Total liabilities & equity Supplementary items Risk weighted assets (RWA) Average interest earning assets 786,990 1,116,705 1,441,337 1,798,033 2,213,042 Average interest bearing liabilities 820,811 1,147,888 1,459,055 1,786,208 2,202,410 Their 1 capital 88,230 101,630 1,757,499 182,324 209,626 Total capital 18,383 150,276 221,798 248,003 276,689 Gross non performing loans (NPL) 4,946 8,978 13,180 21,818 274,426 For share (INR) Book value per share 245 285 414 481 554 Growth Gross customer loans (%) 61.8 37.1 28.1 24.1 21.5 Average interest earning assets (%) 49.6 34.8 22.3 24.4 21.5 Risk weighted assets (%) 49.6 34.8 22.3 24.4 21.5 Risk weighted assets (%) 49.1 33.9 20.4 27.9 24.3 Leverage & capital measures Lustomer loans/deposits (%) 8.0 6.9 8.9 8.3 7.9 RIWAssets (%) 10.4 9.3 11.2 10.4 9.8 Riguity assets (%) 77.6 74.3 78.1 78.1 78.2 Tier (CAR (%) 13.9 13.7 15.7 14.1 13.0 Asset quality Valuation 2008A 2009A 2010E 2011E 2012E Recurring PiE (x)* 39.2 24.0 19.2 11.7 2.5 Price/book (x) 5.0 4.3 2.9 2.5 2.2 Price/anglible book (& target price (x) 5.1 4.4 3.0 2.6 2.3		•	102,148	•			
Supplementary items Silks weighted assets (RWA) S49,907 1,097,875 1,410,000 1,753,509 2,135,380 Average interest earning assets RWA) S49,907 1,116,705 1,444,337 1,798,033 2,213,042 Average interest earning assets S20,811 1,147,868 1,459,055 1,786,208 2,202,410 Tier 1 capital S82,201 101,630 157,498 182,324 209,626 Total capital S82,201 101,630 182,324 Total capital S82,201 101,630 182,324 Total capital S82,301 101,630 182,324 Total assets (%)		-		_	-	-	
Average interest earning assets	• •	1,033,770	1,777,221	1,000,473	2,240,373	2,123,140	
Average interest earning assets	Risk weighted assets (RWA)	849 907	1 007 875	1 410 000	1 753 500	2 135 380	
Average interest bearing liabilities 820 811	` ,						
Tier 1 capital 88.230 101,630 157,498 122,324 209,626 Cross non performing loans (NPL) 4,946 8,978 13,180 21,818 27,428 For Share (INR) 4,946 8,978 13,180 21,818 27,428 For Share (INR) 4,946 8,978 13,180 21,818 527,428 For Share (INR) 4,946 8,978 13,180 21,818 554 7,428 For Share (INR) 554 7,64		,					
Gross non performing loans (NPL) 4,946 8,978 13,180 21,818 27,428 for FY11 Per share (INR) Book value per share 245 285 414 481 554 Tangible book value per share 245 285 414 481 554 Growth Growth Gross customer loans (%) Average interest earning assets (%) 57.6 41.9 29.3 24.5 23.1 Total assets (%) 50.0 29.2 28.4 24.4 21.5 Risk weighted assets (%) 50.0 29.2 28.4 24.4 21.8 Customer deposits (%) 49.1 33.9 20.4 27.9 24.3 Leverage & capital measures Customer loans/deposits (%) 8.0 6.9 8.9 8.3 7.9 Tangible equity/assets (%) 8.0 6.9 8.9 8.3 7.9 Tangible equity/assets (%) 77.6 74.3 78.1 78.1 78.1 Tetal CAR (%) 10.4 9.3 11.2 10.4 9.8 Total CAR (%) 10.4 9.8 Total CAR (%) 10.4 9.3 11.2 10.4 9.8 Total CAR (%) 10.4 9.7 10.9 11.7 10.7 10.1 10.1 10.7 10.1 10.7 10.1 10.7 10.7 10.1 10.7 10.	Tier 1 capital						We assume Oalbreade LLD
Per share (INR)	Total capital	118,383	150,276	221,798	248,003	276,689	
Book value per share	Gross non performing loans (NPL)	4,946	8,978	13,180	21,818	27 ,426	for FY11
Tangible book value per share Growth Growth Gross customer loans (%) Average interest earning assets (%) 49.6 37.1 28.1 24.1 21.5 Average interest earning assets (%) 49.6 34.8 22.3 24.4 21.5 Risk weighted assets (%) 49.1 33.9 20.4 27.9 24.3 Leverage & capital measures Customer loans/deposits (%) 8.0 6.9 8.0 6.9 8.9 8.3 7.9 Tangible equity/assets (%) 77.6 74.3 78.1 78.1 78.2 Tier 1 CAR (%) 10.4 9.3 11.2 10.4 9.8 Total CAR (%) 13.9 13.7 15.7 14.1 13.0 Asset quality Change in NPL (%) NPL (%) NPL (%) 18.1 81.5 46.8 65.5 25.7 NPL/gross loans (%) 0.8 1.1 1.3 1.7 1.7 Total provisions/gross loans (%) 0.8 1.1 1.3 1.7 1.7 Total provisions/gross loans (%) 0.8 49.8 63.6 68.2 73.6 71.0 Valuation 2008A 2009A 2010E Recurring P/E (x)* 39.2 24.0 19.2 14.7 12.4 Recurring P/E (x)* 39.2 24.0 19.2 14.7 12.4 Recurring P/E (x) 39.2 24.0 19.2 14.7 12.4 Recurring P/E (x) 39.2 24.0 19.2 14.7 15.2 17.7 Pirice/hook (x) 5.0 4.3 2.9 2.5 2.2 Price/langible book (x) 5.0 4.3 2.9 2.5 2.2 Price/langible book (x) 5.0 4.4 3.0 2.6 2.3	Per share (INR)						
Growth Gross customer loans (%) 61.8 37.1 28.1 24.1 21.5 Average interest earning assets (%) 57.6 41.9 29.3 24.5 23.1 Total assets (%) 49.6 34.8 22.3 24.4 21.5 Risk weighted assets (%) 50.0 29.2 28.4 24.4 21.8 Customer deposits (%) 49.1 33.9 20.4 27.9 24.3 Leverage & capital measures Customer loans/deposits (%) 68.1 69.5 73.8 71.4 69.8 Equity/assets (%) 8.0 6.9 8.9 8.3 7.9 Tangible equity/assets (%) 77.6 74.3 78.1 78.2 Tier 1 CAR (%) 77.6 74.3 78.1 78.2 Tier 1 CAR (%) 10.4 9.3 11.2 10.4 9.8 Total CAR (%) 13.9 13.7 15.7 14.1 13.0 Asset quality Change in NPL (%) 18.1 81.5 46.8 65.5 25.7 NPL/gross loans (%) 0.8 1.1 1.3 1.7 1.7 Total provisions/gross loans (%) 0.4 0.7 0.9 1.2 1.2 Total provisions/lyross loans (%) 0.4 0.7 0.9 1.2 1.2 Total provisions/NPL (%) 49.8 63.6 68.2 73.6 71.0 Valuation 2008A 2009A 2010E 2011E 2012E Recurring P/E (x)* 39.2 24.0 19.2 14.7 12.4 Recurring P/E (x)* 39.2 24.0 19.2 14.7 12.4 Recurring P/E (x)* 39.2 24.0 19.2 14.7 12.5 Price/tangible book (x) 5.0 4.3 2.9 2.5 2.2 Price/book (x) 5.0 4.3 2.9 2.5 2.2 Price/tangible book @ target price (x) 5.1 4.4 3.0 2.6 2.3	Book value per share	245	285	414	481	554	
Gross customer loans (%) Average interest earning assets (%) 57.6 41.9 29.3 24.5 23.1 Total assets (%) 49.6 34.8 22.3 24.4 21.5 Risk weighted assets (%) 50.0 29.2 28.4 24.4 21.8 Customer deposits (%) 49.1 33.9 20.4 27.9 24.3 Leverage & Capital measures Customer loans/deposits (%) 8.0 6.9 8.9 8.3 7.9 Tangible equity/assets (%) 77.6 74.3 78.1 78.1 78.2 Tier 1 CAR (%) 10.4 9.3 11.2 10.4 9.8 Total CAR (%) 13.9 13.7 15.7 14.1 13.0 Asset quality Change in NPL (%) 18.1 81.5 46.8 65.5 25.7 NPL/gross loans (%) 0.8 1.1 1.3 1.7 1.7 Total provisions/gross loans (%) 49.8 63.6 68.2 73.6 71.0 Valuation 2008A 2009A 2010E 2011E 2012E Recurring P/E (x) Recurring P/E (x) Risk weighted assets (%) 50.0 4.3 2.9 2.5 2.2 Price/baopile book (x) 5.0 4.3 2.9 2.5 2.2 Price/baopile book (x) 5.0 4.3 2.9 2.5 2.2 Price/bangile book @ target price (x) 5.1 4.4 3.0 2.6 2.3	Tangible book value per share	245	285	414	481	554	
Average interest earning assets (%) 57.6 41.9 29.3 24.5 23.1 Total assets (%) 49.6 34.8 22.3 24.4 21.5 Risk weighted assets (%) 50.0 29.2 28.4 24.4 21.8 Customer deposits (%) 49.1 33.9 20.4 27.9 24.3 **Leverage & capital measures** Customer loans/deposits (%) 8.0 6.9 8.9 8.3 7.9 Tangible equity/assets (%) 8.0 6.9 8.9 8.3 7.9 Tangible equity/assets (%) 77.6 74.3 78.1 78.1 78.2 Tiler 1 CAR (%) 10.4 9.3 11.2 10.4 9.8 Total CAR (%) 13.9 13.7 15.7 14.1 13.0 *Asset quality** Change in NPL (%) 18.1 81.5 46.8 65.5 25.7 NPL/gross loans (%) 0.8 1.1 1.3 1.7 1.7 Total provisions/gross loans (%) 0.4 0.7 0.9 1.2 1.2 Total provisions/NPL (%) 49.8 63.6 68.2 73.6 71.0 *Valuation** **Page 1.5 1.5 1.0 1.2 1.7 1.7 Total provisions/NPL (%) 49.8 63.6 68.2 73.6 71.0 **Valuation** **Page 2.5 2.8 1.5 2.5 1.0 1.2 1.7 2.5 Price/hook (x) 5.0 4.3 2.9 2.5 2.2 Price/hook (x) 5.0 4.3 2.9 2.5 2.2 Price/hook (x) 5.0 4.3 2.9 2.5 2.2 Price/hook (x) 5.1 4.4 3.0 2.6 2.3	Growth						
Average interest earning assets (%) 57.6 41.9 29.3 24.5 23.1 Total assets (%) 49.6 34.8 22.3 24.4 21.5 Risk weighted assets (%) 50.0 29.2 28.4 24.4 21.8 Customer deposits (%) 49.1 33.9 20.4 27.9 24.3 **Leverage & capital measures** Customer loans/deposits (%) 68.1 69.5 73.8 71.4 69.8 Equity/assets (%) 8.0 6.9 8.9 8.3 7.9 Tangible equity/assets (%) 77.6 74.3 78.1 78.1 78.2 Tier 1 CAR (%) 10.4 9.3 11.2 10.4 9.8 Total CAR (%) 13.9 13.7 15.7 14.1 13.0 **Asset quality** Change in NPL (%) 18.1 81.5 46.8 65.5 25.7 NPL/gross loans (%) 0.8 1.1 1.3 1.7 1.7 Total provisions/gross loans (%) 0.4 0.7 0.9 1.2 1.2 Total provisions/NPL (%) 49.8 63.6 68.2 73.6 71.0 **Valuation** Valuation** Valuation** Asset quality 2008A 2009A 2010E 2011E 2012E 2012E 2012E 2012E 2012E 2016 2016 2016 2016 2016 2016 2016 2016	Gross customer loans (%)	61.8	37.1	28.1	24.1	21.5	
Risk weighted assets (%) 50.0 29.2 28.4 24.4 21.8 Customer deposits (%) 49.1 33.9 20.4 27.9 24.3 **Leverage & capital measures** Customer loans/deposits (%) 8.0 6.9 8.9 8.3 7.9 Tangible equity/assets (%) 77.6 74.3 78.1 78.1 78.2 Tier 1 CAR (%) 10.4 9.3 11.2 10.4 9.8 Total CAR (%) 13.9 13.7 15.7 14.1 13.0 **Asset quality** Change in NPL (%) 18.1 81.5 46.8 65.5 25.7 NPL/gross loans (%) 0.8 1.1 1.3 1.7 1.7 Total provisions/gross loans (%) 49.8 63.6 68.2 73.6 71.0 Valuation 2008A 2009A 2010E 2011E 2012E Recurring P/E (x)* 39.2 24.0 19.2 14.7 12.4 Recurring P/E @ target price (x) 40.4 24.7 19.7 15.2 12.7 Reported P/E (x) 38.2 23.8 18.7 13.9 11.7 Dividend yield (%) 0.5 1.0 1.2 1.7 2.5 Price/book (x) 5.0 4.3 2.9 2.5 2.2 Price/tangible book @ target price (x) 5.1 4.4 3.0 2.6 2.3	Average interest earning assets (%)	57.6	41.9		24.5	23.1	
Customer deposits (%)	` ,	49.6	34.8	22.3	24.4	21.5	
Leverage & capital measures Customer loans/deposits (%) 68.1 69.5 73.8 71.4 69.8 Equity/assets (%) 8.0 6.9 8.9 8.3 7.9 Tangible equity/assets (%) 8.0 6.9 8.9 8.3 7.9 RWA/assets (%) 77.6 74.3 78.1 78.1 78.2 Tier 1 CAR (%) 10.4 9.3 11.2 10.4 9.8 Total CAR (%) 13.9 13.7 15.7 14.1 13.0 Asset quality Change in NPL (%) 18.1 81.5 46.8 65.5 25.7 NPL/gross loans (%) 0.8 1.1 1.3 1.7 1.7 Total provisions/gross loans (%) 0.4 0.7 0.9 1.2 1.2 Total provisions/NPL (%) 49.8 63.6 68.2 73.6 71.0 Valuation 2008A 2009A 2010E 2011E 2012E Recurring P/E (x) * 39.2				28.4			
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Equity/assets (%) Route 1	Leverage & capital measures						
Tangible equity/assets (%) RWA/assets (%) T7.6 T7.6 T7.6 T7.6 T7.3 T8.1 T8.1 T8.2 Tier 1 CAR (%) T0.4 T0.4 T0.4 T0.4 T0.4 T0.4 T0.4 T0.4	Customer loans/deposits (%)	68.1	69.5	73.8	71.4	69.8	
RWĀ/assets (%) 77.6 74.3 78.1 78.1 78.2 Tier 1 CAR (%) 10.4 9.3 11.2 10.4 9.8 Total CAR (%) 13.9 13.7 15.7 14.1 13.0 **Asset quality** Change in NPL (%) 18.1 81.5 46.8 65.5 25.7 NPL/gross loans (%) 0.8 1.1 1.3 1.7 1.7 Total provisions/gross loans (%) 0.4 0.7 0.9 1.2 1.2 Total provisions/NPL (%) 49.8 63.6 68.2 73.6 71.0 **Valuation** Recurring P/E (x)* 39.2 24.0 19.2 14.7 12.4 Recurring P/E (x) target price (x) * 40.4 24.7 19.7 15.2 12.7 Reported P/E (x) 38.2 23.8 18.7 13.9 11.7 Dividend yield (%) 0.5 1.0 1.2 1.7 2.5 Price/book (x) 5.0 4.3 2.9 2.5 2.2 Price/tangible book (x) 5.0 4.3 2.9 2.5 2.2 Price/tangible book (x) target price (x) 5.1 4.4 3.0 2.6 2.3	Equity/assets (%)						
Tier 1 CAR (%) 10.4 9.3 11.2 10.4 9.8 Total CAR (%) 13.9 13.7 15.7 14.1 13.0 **Asset quality** Change in NPL (%) 18.1 81.5 46.8 65.5 25.7 NPL/gross loans (%) 0.8 1.1 1.3 1.7 1.7 Total provisions/gross loans (%) 0.4 0.7 0.9 1.2 1.2 Total provisions/NPL (%) 49.8 63.6 68.2 73.6 71.0 **Valuation** Recurring P/E (x) * 39.2 24.0 19.2 14.7 12.4 Recurring P/E (x) * 40.4 24.7 19.7 15.2 12.7 Reported P/E (x) 38.2 23.8 18.7 13.9 11.7 Dividend yield (%) 0.5 1.0 1.2 1.7 2.5 Price/book (x) 5.0 4.3 2.9 2.5 2.2 Price/tangible book (x) 5.0 4.3 2.9 2.5 2.2 Price/tangible book (x) table to a series of the series							
Total CAR (%) 13.9 13.7 15.7 14.1 13.0 **Asset quality** Change in NPL (%) 18.1 81.5 46.8 65.5 25.7 NPL/gross loans (%) 0.8 1.1 1.3 1.7 1.7 1.7 Total provisions/gross loans (%) 0.4 0.7 0.9 1.2 1.2 Total provisions/NPL (%) 49.8 63.6 68.2 73.6 71.0 **Valuation** **Recurring P/E (x) * 39.2 24.0 19.2 14.7 12.4 Recurring P/E @ target price (x) * 40.4 24.7 19.7 15.2 12.7 Reported P/E (x) 38.2 23.8 18.7 13.9 11.7 Dividend yield (%) 0.5 1.0 1.2 1.7 2.5 Price/book (x) 5.0 4.3 2.9 2.5 2.2 Price/tangible book @ target price (x) 5.1 4.4 3.0 2.6 2.3							
Asset quality Change in NPL (%) 18.1 81.5 46.8 65.5 25.7 NPL/gross loans (%) 0.8 1.1 1.3 1.7 1.7 Total provisions/gross loans (%) 0.4 0.7 0.9 1.2 1.2 Total provisions/NPL (%) 49.8 63.6 68.2 73.6 71.0 Total provisions/NPL (%) 49.8 63.6 68.2 73.6 73.6 73.6 73.0 Total provisions/NPL (%) 49.8 63.6 68.2 73.6 73.6 73.6 Total provisions/NPL (%) 49.8 63.6 63.6 68.2 73.6 Total provisions/NPL (%) 49.8 63.6 63.6 63.2 Total provisions/NPL (%) 49.8 63.6							
Change in NPL (%) 18.1 81.5 46.8 65.5 25.7 NPL/gross loans (%) 0.8 1.1 1.3 1.7 1.7 Total provisions/gross loans (%) 0.4 0.7 0.9 1.2 1.2 Total provisions/NPL (%) 49.8 63.6 68.2 73.6 71.0 Valuation 2008A 2009A 2010E 2011E 2012E Recurring P/E (x)* Recurring P/E @ target price (x)* 40.4 24.7 19.7 15.2 12.7 Reported P/E (x) 38.2 23.8 18.7 13.9 11.7 Dividend yield (%) 0.5 1.0 1.2 1.7 2.5 Price/book (x) 5.0 4.3 2.9 2.5 2.2 Price/tangible book @ target price (x) 5.1 4.4 3.0 2.6 2.3		13.9	13.7	15.7	14.1	13.0	
NPL/gross loans (%) 0.8 1.1 1.3 1.7 1.7 Total provisions/gross loans (%) 0.4 0.7 0.9 1.2 1.2 Total provisions/NPL (%) 49.8 63.6 68.2 73.6 71.0 Valuation Valuation 2008A 2009A 2010E 2011E 2012E Recurring P/E (x) * Recurring P/E @ target price (x) * 40.4 24.7 19.7 15.2 12.7 Reported P/E (x) 38.2 23.8 18.7 13.9 11.7 Dividend yield (%) 0.5 1.0 1.2 1.7 2.5 Price/book (x) 5.0 4.3 2.9 2.5 2.2 Price/tangible book @ target price (x) 5.1 4.4 3.0 2.6 2.3		10.1	01.5	46.0	65.5	25.7	
Total provisions/gross loans (%) 10.4 10.7 10.9 1.2 1.2 1.2 1.2 1.0 1.0 1.0 1.0 1.0 1.0 1.0 1.0 1.0 1.0							
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Recurring P/E @ target price (x) * 40.4 24.7 19.7 15.2 12.7 Reported P/E (x) 38.2 23.8 18.7 13.9 11.7 Dividend yield (%) 0.5 1.0 1.2 1.7 2.5 Price/book (x) 5.0 4.3 2.9 2.5 2.2 Price/tangible book (x) 5.0 4.3 2.9 2.5 2.2 Price/tangible book @ target price (x) 5.1 4.4 3.0 2.6 2.3	Valuation	2008A	2009A	2010E		2012E	
Reported P/E (x) 38.2 23.8 18.7 13.9 11.7 Dividend yield (%) 0.5 1.0 1.2 1.7 2.5 Price/book (x) 5.0 4.3 2.9 2.5 2.2 Price/tangible book (x) 5.0 4.3 2.9 2.5 2.2 Price/tangible book @ target price (x) 5.1 4.4 3.0 2.6 2.3	Recurring P/E (x) *						
Dividend yield (%) 0.5 1.0 1.2 1.7 2.5 Price/book (x) 5.0 4.3 2.9 2.5 2.2 Price/tangible book (x) 5.0 4.3 2.9 2.5 2.2 Price/tangible book @ target price (x) 5.1 4.4 3.0 2.6 2.3							
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Price/tangible book (x) 5.0 4.3 2.9 2.5 2.2 Price/tangible book @ target price (x) 5.1 4.4 3.0 2.6 2.3							
Price/tangible book @ target price (x) 5.1 4.4 3.0 2.6 2.3							
			7.7	5.0	2.0	2.0	

Sources: Axis Bank; BNP Paribas estimates

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Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

*In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

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