

TAIWAN

## Chang Hwa Bank

28 October 2008

**2801 TT** **Neutral**

Stock price as of 27 Oct 08	NT\$	11.10
12-month target	NT\$	10.00
Upside/downside	%	-9.9
Valuation	NT\$	6.52-10.13
- ROE-g / COE-g		

GICS sector		banks
Market cap	NT\$m	68,925
30-day avg turnover	NT\$m	212.6
Market cap	US\$m	2,063
Foreign ownership	%	20.4
Number shares on issue	m	6,209

### Investment fundamentals

Year end 31 Dec		2007A	2008E	2009E	2010E
Net interest inc	m	18,635	18,023	17,646	18,585
Non interest inc	m	5,984	4,739	4,959	5,261
Underlying profit	m	12,659	10,204	10,269	11,726
Reported profit	m	8,483	5,081	3,941	6,368
Adjusted profit	m	8,483	5,081	3,941	6,368
EPS rep	NT\$	1.37	0.82	0.63	1.03
EPS rep growth	%	-26.4	-40.1	-22.4	61.6
PE rep	x	8.1	13.6	17.5	10.8
Total DPS	NT\$	0.90	0.49	0.38	0.62
Total div yield	%	8.1	4.4	3.4	5.5
ROA	%	0.6	0.4	0.3	0.4
ROE	%	10.3	6.2	4.8	7.6
Equity to assets	%	6.2	6.0	5.9	5.9
Price/book	x	0.7	0.9	0.8	0.8

### 2801 TT rel Taiex performance, & rec history



Source: Datastream, Macquarie Research, October 2008  
(all figures in NT\$ unless noted)

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## Plain vanilla is good enough

### Event

- We downgrade Chang Hwa Bank (CHB) to Neutral from our previous Outperform after slashing our earnings forecasts, which were based on unrealistic expectations for Taiwan's economy post the KMT election victories. That clearly is not panning out, but we believe the stock will find support at current levels given its plain vanilla asset base.

### Impact

- Macquarie vs consensus.** Our revised forecasts are below the consensus mean by 29% for 2008E, 43% for 2009E and 34% for 2010E. We have been officially Underweight the Taiwan financials since July but believe the downside for CHB should be limited relative to peers given simplicity of the bank's asset base and lack of large M&A-related stakes in other banks.
- Simplicity is good.** According to its disclosures, the bank has no CDOs, CBOs, SIVs or other structured credit assets. While the bank has some straight credit exposure to Lehman and other troubled global financial institutions, it is not a material portion of book value. CHB has not been hobbled by management M&A ambitions, unlike many of its peers, which are now holding large unrealised losses on stakes in other institutions.
- But no reason to get carried away with excitement.** Headwinds facing SMEs, where CHB ranks as a large lender, have been joined by concerns over large manufacturers in areas such as DRAM, PCB and textiles. Administrative "encouragement" of banks to ensure funding for troubled corporates and extend mortgage teaser rate payment periods is likely to reduce transparency, asset quality and investor confidence.

### Earnings revision

- We slash our earnings forecasts by 29% for 2008, 43% for 2009 and 34% for 2010 on weaker loan growth and interest income and higher credit costs.

### Price catalyst

- 12-month price target: NT\$10.00 based on a Price to Book methodology.
- Catalyst: Better prepared than many for the oncoming storm in 4Q08--2009E.

### Action and recommendation

- Neutral**, which in the current environment should be seen as a relatively positive view for a Taiwan bank. We remain Underweight the Taiwan financials. But with no structured credit exposure and no major stake in another financial institution dragging down shareholders' equity, CHB's asset base appears to be rather plain vanilla and thus relatively sound.
- That said, the bank is not likely to be immune to our expected increase in credit costs in 4Q08--2009E. Additionally, it may be susceptible to possible pressure to play national hero, ie, to go easy on some debtors faced with funding difficulties, resulting in reduced value for shareholders.

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

## Plain vanilla is good enough

We downgrade Chang Hwa Bank (CHB) to Neutral from our previous Outperform. This comes after slashing our previous forecasts, which were published back in May and based on unrealistic expectations for Taiwan's economy in the wake of the KMT election victories of January and March.

Unfortunately, we failed to downgrade CHB following our switch in July to an Underweight call on the Taiwan financials. Our earnings revision in this note reflects more than a catch-up game however, as we slash our expectations for net interest income and loans growth in 2009–10E to reflect an expected recession in Taiwan, with GDP to decline 2% in 2009 according to Macquarie regional economist, Bill Belchere. We are now significantly below the consensus mean estimates for 2008–10E.

**Fig 1 Chang Hwa Bank – consensus Comparison**

Net income (NT\$m)	2008E	2009E	2010E
Consensus mean	7,124	6,921	9,655
Macquarie forecast	5,081	3,941	6,368
Percentage difference	-28.7	-43.1	-34.0
Consensus high	8,898	9,883	11,697
Consensus low	4,375	3,168	7,904
EPS (NT\$)			
Consensus mean	1.14	1.14	1.28
Macquarie forecast	0.82	0.63	1.03
Percentage difference	-28.2	-44.2	-20.1
Consensus high	1.7	1.9	1.88
Consensus low	0.7	0.51	0.27

Source: Bloomberg, Macquarie Research, October 2008

However, the stock seems that it will be well-supported at around the NT\$10 “par” level and it is here that we set our target price. We believe such a valuation to be reasonable given its plain vanilla asset base (ie, loans not CDOs) and lack of significant stake in other banks to drag down its capital base as stock prices tank in 2H08.

**Fig 2 Chang Hwa Bank – earnings revisions**

	2008E			2009E			2010E		
	Previous	New	%chg	Previous	New	%chg	Previous	New	%chg
Net income (NT\$m)	8,428	5,081	(39.7)	9,883	3,941	(60.1)	11,697	6,368	(45.6)
Fully diluted EPS (NT\$)	1.36	0.82	(39.8)	1.59	0.63	(60.1)	1.88	1.03	(45.5)
ROAA (%)	0.6	0.4		0.7	0.3		0.7	0.4	
ROAE (%)	10.2	6.2		11.4	4.8		12.7	7.6	

Target price (NT\$) 25.75 10.00 (61.2)

Source: Macquarie Research, October 2008

CHB lacked the “innovative” spirit to follow the Taiwan financials herd in their deep grazing of CDOs, CBOs, SIVs, etc. This has left the bank with relatively limited downside risk from non-loan assets. Stripping out the exposure to Lehman, AIG and Merrill Lynch barely dents the company's book value, as can be seen in the table below.

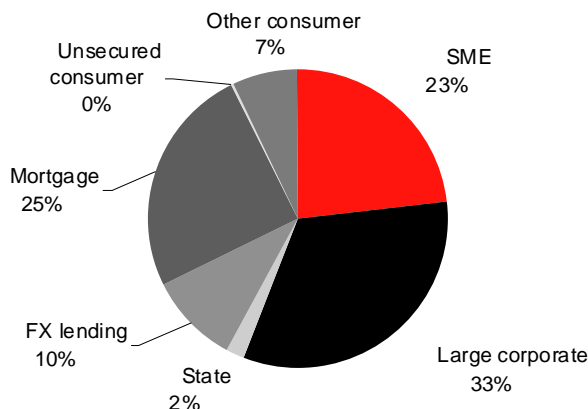
**Fig 3 Assumed losses on global credit assets**

	Equity (NT\$m)	BVPS (NT\$)	Current P/BV (x)	Notes
2Q08 adjusted equity	77,589	12.50	0.89	Strips out preference share capital and minority equity
Lehman's direct holdings	-576	-0.36		Consisting of fixed income assets, assuming 100% loss
Adjusted equity	77,013	12.40	0.89	
AIG & Merrill	638	-0.10		Assumes 75% loss on straight debt to AIG and Merrill Lynch.
Adjusted equity	76,374	12.30	0.90	

Source: Company disclosures, Macquarie Research, October 2008

In terms of loan asset quality, CHB appears strong with loan loss coverage 83% at end-September. However, we believe that macro conditions are now set to worsen, especially for Taiwanese export manufacturers, while the Taiwan property market appears to be entering a cyclical downtrend. We expect asset quality to deteriorate, with credit costs increasing across the sector as Taiwan's economy enters recession in 2009. CHB appears better positioned than most to weather this but it believe it will not be unscathed if our bearish macroeconomic case for Taiwan is correct.

**Fig 4 Loan book – SMEs are an issue, but watch out for corporate and mortgages too**



Source: Company data, Macquarie Research, October 2008

In the table below, we present various scenarios for credit costs (defined as provisioning divided by average loans) for ROEs, dividend yield and valuations, ceteris paribus. This is rather simplified, as any major potential increase in NPLs would be accompanied by decreased net interest income from our base case. However, in the next several quarters, we do not believe the stocks will trade on earnings but rather confidence in book value.

**Fig 5 Credit cost case scenarios – higher costs = lower value**

	Best			Base						Worse				
	-50bps 2008	-50bps 2009	-25bps 2008	-25bps 2009	2008	2009	+25bps 2008	+25bps 2009	+50bps 2008	+50bps 2009	+75bps 2008	+75bps 2009	+100bps 2008	+100bps 2009
Provisioning / Total Loans	0.42%	0.53%	0.67%	0.78%	0.92%	1.03%	1.17%	1.28%	1.42%	1.53%	1.67%	1.78%	1.92%	2.03%
Provisioning (NT\$m)	3,945	4,972	6,285	7,328	8,625	9,683	10,964	12,039	13,304	14,395	15,643	16,750	17,983	19,106
Net Income (NT\$m)	8,638	7,710	6,860	5,825	5,081	3,941	3,303	2,056	1,525	172	-253	-1,713	-2,031	-3,597
ROE (%)	10.4%	9.3%	8.3%	7.1%	6.2%	4.8%	4.1%	2.5%	1.9%	0.2%	-0.3%	-2.1%	-2.5%	-4.5%
Dividend yield (%)	7.5%	6.7%	6.0%	5.1%	4.4%	3.4%	2.9%	1.8%	1.3%	0.1%	nfm	nfm	nfm	nfm
<b>2009E BVPS (NT\$)</b>	<b>13.64</b>		<b>13.41</b>		<b>13.17</b>		<b>12.93</b>		<b>12.70</b>		<b>12.46</b>		<b>12.23</b>	
Target Price (NT\$m)	10.35		10.17		10.00		9.82		9.64		9.46		9.28	

Source: Macquarie Research, October 2008

**Fig 6 Valuation summary**

TARGET PRICE	10.00	-10.0%	Neutral	
TARGET PRICES	Price	Premium	Implied	Key Assumptions
	NTD	/(discount)	Rating	
CURRENT PRICE	11.10			
TARGET PRICE: P/BV	10.00	-10.0%	Neutral	based on: 0.76 09 PBV
Target Price: PER	7.62	-31.4%	Underperf	based on: 12.00 09 PER
Target Price: DDM	10.62	-4.3%	Neutral	Perp. Growth %
FAIR VALUE: LT assumed	10.13	-8.8%	Neutral	ROE 8.58 2010-12E
ROE-g / COE-g				
FAIR VALUE: ROE-g / COE-g	6.52	-41.3%	Underperf	ROE 6.23 2008 - 10E
FV discount to target price		-34.8%		
Market price implied ROE		8.5%		

Source: Macquarie Research, October 2008

Fig 7 Chang Hwa Bank: – financial statements

INCOME STATEMENT	FY06A	FY07A	FY08E	FY09E	FY10E
Interest Income	38,784	42,025	41,106	41,379	43,319
Interest Expense	20,565	23,390	23,083	23,733	24,734
Net Interest Income	18,219	18,635	18,023	17,646	18,585
Fees & Commissions	3,063	3,815	3,481	3,657	3,914
Investment Related Income	731	917	945	973	1,003
Other non-interest Income	633	1,252	313	329	345
Total Non-Interest Income	4,428	5,984	4,739	4,959	5,261
TOTAL REVENUE	22,647	24,619	22,762	22,605	23,846
Personnel Costs	10,845	11,562	12,140	11,897	11,659
Occupancy Costs	0	0	0	0	0
Other Expenses	296	399	419	439	461
Total Operating Expenses	11,141	11,960	12,558	12,336	12,120
Pre-Provision OP	11,505	12,659	10,204	10,269	11,726
Loan Loss Provision Expense	4,626	7,150	8,625	9,683	7,456
OP after Provisioning	6,879	5,509	1,580	585	4,271
Associate Profit / (Loss)	0	0	0	0	0
Other non-op Inc. / (Loss)	7,445	6,719	5,106	4,341	3,689
Exceptional Gain & Loss	293	0	0	0	0
PROFIT BEFORE TAX	14,617	12,228	6,686	4,926	7,960
Taxation	3,240	3,745	1,605	985	1,592
Minority Interests	0	0	0	0	0
Preference Share Dividends	0	0	0	0	0
NET PROFIT	11,377	8,483	5,081	3,941	6,368
Net Profit (Incl Ext)	11,377	8,483	5,081	3,941	6,368
PER SHARE DATA	FY06A	FY07A	FY08E	FY09E	FY10E
EPS (NTD)	1.8	1.4	0.8	0.6	1.0
EPS Growth (%)	131.9	-25.4	-40.1	-22.4	61.6
PER (X)	6.1	8.1	13.6	17.5	10.8
BVPS (NTD)	13.2	13.2	13.0	13.2	13.8
Price to Adj Book (X)	0.8	0.8	0.9	0.8	0.8
Dividend Yield (%)	9.0	8.1	4.4	3.4	5.5
Payout Ratio (%)	54.6	65.9	60.0	60.0	60.0
GROWTH DATA (%)	FY06A	FY07A	FY08E	FY09E	FY10E
Net Interest Income	6.8	2.3	-3.3	-2.1	5.3
Non-interest Income	-18.5	35.1	-20.8	4.6	6.1
Total Revenue	0.7	8.7	-7.5	-0.7	5.5
Operating Expense	-9.9	7.3	5.0	-1.8	-1.8
Pre-provision Operating Profit	13.6	10.0	-19.4	0.6	14.2
Pre-tax Profit	130.5	-16.3	-45.3	-26.3	61.6
Net Profit	131.2	-25.4	-40.1	-22.4	61.6
Total Loans to Customers	3.5	5.2	3.0	-2.1	6.5
Total Deposits	1.2	-4.0	3.1	3.7	6.3
Avg. Earning Assets	1.3	-1.5	-0.1	2.3	3.7
Total Interest Bearing Liabilities	-0.6	-3.7	3.2	2.4	6.0
Risk-weighted Assets	-1.6	13.8	18.6	5.4	-5.7

Source: Company data, Macquarie Research, October 2008

Fig 8 Chang Hwa Bank – financial Statements, cont.

BALANCE SHEET	FY06A	FY07A	FY08E	FY09E	FY10E
Total Loans to Customers	863,458	908,125	935,571	916,175	975,832
Cash & Equivalent	31,363	25,904	27,199	31,279	33,625
Due from CBC, other fin. Inst	129,130	111,996	117,596	146,994	154,344
Marketable Securities	19,706	16,055	16,858	17,701	18,586
Receivables	17,668	15,495	16,270	15,944	16,741
Total Current Assets	197,868	169,450	177,922	211,918	223,296
Total Earning Assets	1,061,326	1,077,575	1,113,494	1,128,094	1,199,128
Long Term Investment	244,378	187,169	190,912	194,730	202,520
Total Fixed Assets	25,071	25,026	26,277	27,591	28,970
24,830	21,863	22,957	26,400	27,720	
TOTAL ASSETS	1,355,605	1,311,632	1,353,639	1,376,815	1,458,338
Total Customer Deposits	1,061,395	1,018,919	1,050,560	1,089,406	1,158,156
Total Current Liabilities	180,662	176,627	183,692	174,508	181,488
Long Term Liabilities	20,385	23,000	26,891	20,675	22,151
Other Liabilities	10,979	11,274	11,613	10,451	10,765
TOTAL LIABILITIES	1,273,421	1,229,820	1,272,757	1,295,040	1,372,560
Common Stock	48,095	48,095	62,095	62,095	62,095
Preferred Stock	14,000	14,000	0	0	0
Reserves	0	3,413	3,921	4,315	4,952
Treasury Stock	0	0	0	0	0
Retained Earnings	20,090	16,304	14,867	15,364	18,731
TOTAL SHAREHOLDERS EQUITY	82,184.5	81,812.2	80,882.7	81,774.6	85,778.1
CORE RATIOS	FY06A	FY07A	FY08E	FY09E	FY10E
ROAA (%)	0.8	0.6	0.4	0.3	0.4
ROAE (%)	14.3	10.3	6.2	4.8	7.6
NPL / Total Loans (Gross) (%)	1.6	1.8	1.7	2.0	1.8
LLR / NPLs (%)	85.6	78.5	93.0	95.0	100.0
LLR / Total Loans (%)	1.4	1.4	1.6	1.9	1.8
Net Int. Inc. / Rev (%)	80.4	75.7	79.2	78.1	77.9
Fee Base Income / Rev (%)	13.5	15.5	15.3	16.2	16.4
Forex Income / Rev (%)	3.2	3.7	4.2	4.3	4.2
Cost / Income (%)	49.2	48.6	55.2	54.6	50.8
Expenses / Avg Assets (%)	0.8	0.9	0.9	0.9	0.9
Rev. per Employee (NT\$m)	3.7	3.9	3.5	3.5	3.7
Net Profit per Branch (NT\$m)	66.5	49.3	29.2	22.6	36.6
Net Interest Spread (%)	1.3	1.4	1.3	1.3	1.3
Net Interest Margin (%)	1.4	1.4	1.4	1.3	1.4
Avg Loans / Avg Earn Assets (%)	66.1	69.9	72.9	71.7	70.8
Avg Loans / Avg Dep. (LDR, %)	81.7	86.4	90.4	88.1	85.8
Avg Earn Assets / Avg Assets (%)	96.2	96.4	96.4	96.2	96.1
BIS Ratio (%)	11.3	10.9	10.9	10.6	10.9
VALUATION (%)					
CURRENT PRICE	11.10				
	Price (NTD)	+ / -		Key Assumptions	
TARGET PRICE: Price to Book	10.00	-10%	based on:	0.8	09 PBV
Target Price: PER	7.62	-31%	based on:	12.0	09 PER
Target Price: DDM	10.62	-4%	Perp. Growth	2.0	%
FAIR VALUE: ROE-g / COE-g	6.52	-41%	ROE	6.2	2008 - 10E

Source: Company data, Macquarie Research, October 2008

## 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 (%)
				FY08E	FY09E	FY08E	FY09E	FY08E	FY09E	FY08E	FY09E	FY08E	FY09E	FY08E	FY09E	FY08E	FY09E	FY08E	FY09E			
<b>China</b>																						
Bank of China	3988 HK	2.01	65,806	29.9	28.4	26.7	-5.0	5.9	6.2	1.8	1.9	1.0	0.9	17.2	15.2	0.1	0.2	6.7	9.0	O	3.45	71.6
Bank of Communications	3328 HK	4.02	25,403	58.8	55.3	39.2	-6.0	6.0	6.4	2.9	3.3	1.2	1.1	20.9	17.9	0.2	0.2	5.6	6.5	N	6.50	61.7
China Citic Bank	998 HK	2.14	10,571	39.8	41.1	101.3	3.2	4.7	4.6	2.5	2.8	0.8	0.7	17.1	15.6	0.1	0.1	6.3	6.5	O	5.19	142.5
China Construction Bank	939 HK	2.91	88,131	45.2	46.1	48.3	1.9	5.7	5.6	2.2	2.4	1.2	1.1	22.7	20.2	0.2	0.2	7.8	7.8	O	5.30	82.1
China Everbright	165 HK	6.60	1,353	102.8	109.9	-67.6	6.9	6.4	6.0	11.0	12.4	0.6	0.5	9.7	9.6	0.1	0.1	1.5	1.5	O	18.00	172.7
China Merchants Bank	3968 HK	11.34	3,893	157.9	159.7	52.4	1.1	6.3	6.3	5.9	7.1	1.7	1.4	29.9	24.4	0.5	0.5	4.7	4.8	N	18.47	62.9
ICBC	1398 HK	3.15	135,705	37.2	37.2	52.6	-0.1	7.5	7.5	1.8	2.0	1.5	1.4	21.5	19.1	0.2	0.2	6.5	6.5	N	4.20	33.3
<b>Weighted Average</b>				<b>41.3</b>	<b>41.1</b>	<b>46.3</b>	<b>-0.9</b>	<b>6.5</b>	<b>6.5</b>	<b>2.1</b>	<b>2.3</b>	<b>1.3</b>	<b>1.2</b>	<b>20.8</b>	<b>18.4</b>	<b>0.2</b>	<b>0.2</b>	<b>6.8</b>	<b>7.3</b>			
<b>Hong Kong</b>																						
Bank of China-HK	2388 HK	9.43	12,859	143.6	181.1	5.8	26.0	6.6	5.2	9.4	10.3	1.0	0.9	15.8	18.4	0.9	1.2	10.0	12.6	O	20.70	119.5
Bank of East Asia	23 HK	15.92	3,436	273.2	322.7	6.2	18.1	5.8	4.9	21.4	22.4	0.7	0.7	13.8	14.8	1.7	2.0	10.9	12.9	O	46.00	188.9
Dah Sing Financial	440 HK	16.68	560	511.0	524.9	-29.8	2.7	3.3	3.2	45.9	49.7	0.4	0.3	11.7	11.0	1.5	2.0	9.1	11.7	N	61.00	265.7
Hang Seng	11 HK	89.50	22,069	916.3	992.1	11.7	8.3	9.8	9.0	33.6	38.0	2.7	2.4	29.0	27.7	6.4	6.9	7.1	7.7	N	163.00	82.1
Wing Hang	302 HK	39.50	1,503	640.8	663.8	-7.0	3.6	6.2	6.0	41.0	44.2	1.0	0.9	16.7	15.6	3.5	3.6	8.7	9.1	N	95.00	140.5
Hong Kong Exchange	388 HK	72.00	9,982	489.9	470.3	-15.0	-4.0	14.7	15.3	8.3	8.7	8.7	8.3	61.0	55.6	4.4	4.2	6.1	5.9	N	100.00	38.9
HSBC	5 HK	88.00	136,791	160.9	161.1	-6.1	0.1	7.1	7.0	11.3	11.7	1.0	1.0	14.7	14.1	1.0	1.1	8.8	9.8	O	150.00	70.5
Standard Chartered	2888 HK	105.40	19,168	226.5	251.4	11.1	11.0	6.0	5.4	16.2	17.6	0.8	0.8	14.6	14.9	0.9	1.0	6.5	7.4	O	280.00	165.7
<b>Weighted Average</b>				<b>600.0</b>	<b>658.5</b>	<b>8.1</b>	<b>14.5</b>	<b>8.2</b>	<b>7.3</b>	<b>25.3</b>	<b>28.3</b>	<b>1.9</b>	<b>1.7</b>	<b>22.8</b>	<b>23.0</b>	<b>4.1</b>	<b>4.5</b>	<b>8.5</b>	<b>9.8</b>			
<b>India</b>																						
Bank of Baroda	BOB IN	245.35	1,796	3,927	3,557	39.9	-9.4	6.2	6.9	264.4	290.1	0.9	0.8	15.7	12.8	0.0	9.0	0.0	3.7	U	181	-26.2
Bank of India	BOI IN	227.85	2,404	3,821	5,094	66.1	33.3	6.0	4.5	167.8	214.0	1.4	1.1	27.6	26.7	4.0	4.3	1.8	1.9	O	336	47.5
HDFC	HDFC IN	1,573.35	8,992	6,561	8,905	7.7	35.7	24.0	17.7	420.6	480.8	3.7	3.3	21.3	19.8	25.0	30.0	1.6	1.9	O	2,297	46.0
HDFC Bank	HDFCB IN	972.65	8,308	4,487	5,191	25.6	15.7	21.7	18.7	324.4	338.5	3.0	2.9	17.7	17.0	7.0	9.0	0.7	0.9	O	1,287	32.3
ICICI Bank	ICICIB IN	310.00	6,934	3,737	2,936	8.0	-21.4	8.3	10.6	417.6	434.3	0.7	0.7	11.7	6.9	11.0	11.5	3.5	3.7	U	353	13.9
IDBI	IDBI IN	60.20	877	1,006	1,113	19.4	10.6	6.0	5.4	93.8	102.7	0.6	0.6	11.2	11.3	2.0	2.0	3.3	3.3	U	39	-35.2
IDFC	IDFC IN	47.75	1,243	500	539	34.2	7.8	9.6	8.9	37.8	49.3	1.3	1.0	17.3	12.4	1.0	1.0	2.1	2.1	U	50	4.7
Kotak Mahindra Bank	KMB IN	297.60	2,065	3,129	1,949	93.4	-37.7	9.5	15.3	167.4	196.2	1.8	1.5	23.5	10.7	2.0	3.3	0.7	1.1	U	352	18.3
Punjab National Bank	PNB IN	419.60	2,658	6,498	6,084	33.0	-6.4	6.5	6.9	342.0	387.4	1.2	1.1	19.6	16.7	13.0	14.0	3.1	3.3	U	324	-22.8
Reliance Capital	RCFT IN	615.40	3,037	4,166	4,443	59.0	6.7	14.8	13.8	244.8	278.2	2.5	2.2	18.3	17.0	6.4	10.0	1.0	1.6	U	582	-5.4
State Bank of India	SBIN IN	1,156.35	14,751	10,206	10,616	25.3	4.0	11.3	10.9	776.5	861.7	1.5	1.3	16.8	13.0	20.6	19.0	1.8	1.6	U	920	-20.4
Syndicate Bank	SNDB IN	54.05	567	1,625	878	18.4	-46.0	3.3	6.2	74.0	80.8	0.7	0.7	24.1	11.3	2.5	1.8	4.6	3.3	U	38	-29.7
Union Bank of India	UNBK IN	123.25	1,251	2,746	1,660	64.1	-39.5	4.5	7.4	111.3	123.5	1.1	1.0	26.8	14.1	4.0	4.0	3.2	3.2	U	85	-31.0
Axis Bank	AXSB IN	534.30	3,853	2,994	3,765	62.5	25.7	17.8	14.2	245.2	273.5	2.2	2.0	17.6	14.5	6.0	8.5	1.1	1.6	O	750	40.4
Power Finance Corp	POWF IN	97.40	2,246	1,054	1,218	22.7	15.5	9.2	8.0	82.5	91.6	1.2	1.1	13.4	14.0	2.5	2.8	2.6	2.9	O	152	56.1
Vijaya Bank	VJYBK IN	28.95	252	833	604	9.0	-27.6	3.5	4.8	48.6	52.4	0.6	0.6	18.3	12.0	2.0	2.0	6.9	6.9	U	27	-6.7
<b>Weighted Average</b>				<b>5,639</b>	<b>6,109</b>	<b>30.2</b>	<b>6.9</b>	<b>13.8</b>	<b>12.5</b>	<b>410.8</b>	<b>454.0</b>	<b>2.0</b>	<b>1.8</b>	<b>18.0</b>	<b>14.8</b>	<b>12.6</b>	<b>13.9</b>	<b>1.8</b>	<b>2.1</b>			
<b>Indonesia</b>																						
Bank Central Asia	BBCA IJ	2,425	5,915	208.4	232.5	128.1	11.5	11.6	10.4	958.0	1,074.3	2.5	2.3	23.3	22.9	104.2	116.2	4.3	4.8	O	3,500	44.3
Bank Danamon	BDMN IJ	2,250	1,123	481.1	569.0	12.0	18.3	4.7	4.0	2,431.0	2,759.4	0.9	0.8	20.8	21.9	241.5	289.9	10.7	12.9	O	6,000	166.7
Bank Int'l Indonesia	BNII IJ	450	2,226	10.4	12.6	22.9	21.3	43.3	35.7	118.1	130.7	3.8	3.4	9.0	10.1	5.2	6.3	1.2	1.4	O	510	13.3
Bank Mandiri	BMRI IJ	1,480	3,061	257.6	332.0	24.4	28.9	5.7	4.5	1,499.0	1,624.2	1.0	0.9	17.7	21.3	138.0	166.5	9.3	11.2	O	3,700	150.0
Bank Niaga	BNGA IJ	435	555	70.9	90.0	13.4	26.9	6.1	4.8	471.9	534.9	0.9	0.8	15.9	17.9	21.3	27.0	4.9	6.2	N	1,050	141.4
Bank Panin	PNBN IJ	520	1,043	50.0	57.1	18.7	14.2	10.4	9.1	421.5	478.6	1.2	1.1	12.6	12.7	15.1	17.2	2.9	3.3	U	700	34.6
Bank Rakyat Indonesia	BBRI IJ	3,275	3,994	475.0	575.2	19.9	21.1	6.9	5.7	1,857.9	2,195.9	1.8	1.5	27.6	28.4	237.8	288.4	7.3	8.8	O	7,000	113.7
<b>Weighted Average</b>				<b>255.3</b>	<b>305.0</b>	<b>56.0</b>	<b>18.9</b>	<b>12.8</b>	<b>10.8</b>	<b>1,192.8</b>	<b>1,355.3</b>	<b>2.0</b>	<b>1.8</b>	<b>20.5</b>	<b>21.4</b>	<b>128.3</b>	<b>151.9</b>	<b>5.8</b>	<b>6.8</b>			
<b>Korea</b>																						
Daegu Bank	005270 KS	7,300	674	1,823	1,774	-7.7	-2.7	4.0	4.1	11,993	13,167	0.6	0.6	16.0	14.1	600.0	640.0	8.2	8.8	O	12,600	72.6
Hana Financial Group	086790 KS	19,550	2,896	5,488	5,751	-9.1	4.8	3.6	3.4	49,472	53,925	0.4	0.4	11.8	11.1	1,380.0	1,750.0	7.1	9.0	O	55,000	181.3
Industrial Bank of Korea	024110 KS	6,200	1,757	2,286	2,336	-10.3	2.2	2.7	2.7	16,297	18,083	0.4	0.3	14.8	13.6	550.0	550.0	8.9	8.9	O	20,500	230.6
Pusan Bank	005280 KS	7,500	769	1,980	1,751	7.3	-11.6	3.8	4.3	11,480	12,731	0.7	0.6	18.4	14.5	500.0	500.0	6.7	6.7	N	8,600	14.7
Woori Finance	053000 KS	6,810	3,838	2,658	2,781	5.2	4.6	2.6	2.4	18,331	20,545	0.4	0.3	15.3	14.4	775.0	775.0	11.4	11.4	O	24,000	252.4
Shinhan Financial	055550 KS	34,150	9,462	5,780	5,877	10.9	1.7	5.9	5.8	38,134	42,363	0.9	0.8	15.9	14.6	1,350.0	1,600.0	4.0	4.7	O	66,000	93.3
<b>Weighted Average</b>				<b>4,514</b>	<b>4,619</b>	<b>4.1</b>	<b>2.1</b>	<b>4.5</b>	<b>4.4</b>	<b>31,964</b>	<b>35,382</b>	<b>0.7</b>	<b>0.6</b>	<b>15.2</b>	<b>13.9</b>	<b>1,108.5</b>	<b>1,287.0</b>	<b>6.6</b>	<b>7.2</b>			
<b>Malaysia</b>																						
AMMB Holdings	AMM MK	1.98	1,760	27.6	8.9	nfm	-67.9	7.2	22.3	2.6	2.7	0.8	0.7	10.2	3.6	0.1	0.1	3.0	3.0	O	2.55	28.8
Bumiputra-Commerce	BCHB MK	6.40	6,025	64.1	51.6	-23.8	-19.5															

## Asia banks valuations (con't)

	Bberg code	Price (1cy)	Mkt cap (US\$m)	EPS (1cy cents)		EPS growth (%)		PER (x)		BVPS (1cy)		P/BV (x)		ROE (%)		DPS (1cy)		Div yield (%)		Rating	Target price (1cy)	Price to TP (%)	
				FY08E	FY09E	FY08E	FY09E	FY08E	FY09E	FY08E	FY09E	FY08E	FY09E	FY08E	FY09E	FY08E	FY09E	FY08E	FY09E				
<b>Philippines</b>																							
	BDO PM	29.50	1,393	116	222	-58.9	91.5	25.4	13.3	26.3	27.8	1.1	1.1	4.4	8.2	0.8	0.8	2.7	2.7	O	46.00	55.9	
	Bank Philippine Islands	40.00	2,663	262	302	-15.0	15.4	15.3	13.2	21.4	21.6	1.9	1.9	12.2	14.1	2.6	2.8	6.5	7.0	N	45.00	12.5	
	China Banking Corp	397.50	723	4,757	6,336	14.5	33.2	8.4	6.3	372.0	410.0	1.1	1.0	14.2	16.2	23.9	25.4	6.0	6.4	N	620.00	56.0	
	Metrobank	23.50	871	346	433	13.0	25.0	6.8	5.4	41.5	44.8	0.6	0.5	8.6	10.0	1.0	1.0	4.3	4.3	O	42.00	78.7	
	Philippine Nat'l Bank	22.25	302	311	457	29.9	46.7	7.1	4.9	48.6	53.2	0.5	0.4	6.6	9.0	0.0	0.0	0.0	0.0	O	34.00	52.8	
	Security Bank	45.00	304	1,042	1,087	27.8	4.4	4.3	4.1	38.3	48.7	1.2	0.9	27.2	25.0	2.6	2.7	5.8	6.0	N	65.00	44.4	
	UnionBank	22.50	296	473	544	-1.1	14.8	4.8	4.1	45.5	49.0	0.5	0.5	10.8	11.5	1.7	1.9	7.4	8.5	U	30.00	33.3	
	<b>Weighted Average</b>			<b>786</b>	<b>1,023</b>	<b>-12.7</b>	<b>35.7</b>	<b>14.2</b>	<b>10.2</b>	<b>66.9</b>	<b>72.8</b>	<b>1.3</b>	<b>1.2</b>	<b>10.7</b>	<b>12.7</b>	<b>4.2</b>	<b>4.5</b>	<b>5.0</b>	<b>5.4</b>				
<b>Singapore</b>																							
	DBS Group	10.04	10,132	138.9	106.8	-2.6	-23.1	7.2	9.4	13.7	14.0	0.7	0.7	9.9	7.8	0.8	0.8	8.0	8.0	O	18.13	80.6	
	Hong Leong Finance	2.10	613	25.9	25.1	-14.7	-3.0	8.1	8.4	3.2	3.2	0.7	0.6	8.1	7.8	0.2	0.2	10.5	10.5	O	4.47	112.9	
	OCBC	4.88	9,966	64.0	47.4	4.8	-25.9	7.6	10.3	5.4	5.6	0.9	0.9	12.4	8.6	0.3	0.3	5.7	5.7	O	7.56	54.9	
	UOB	12.08	12,208	141.0	115.1	3.2	-18.4	8.6	10.5	11.7	12.2	1.0	1.0	12.0	9.4	0.6	0.6	5.0	5.0	O	18.95	56.9	
	Singapore Exchange	4.68	3,317	45.3	27.6	5.3	-34.4	11.1	17.0	0.8	0.5	5.6	8.6	51.5	39.5	0.4	0.2	8.6	5.3	O	7.61	62.6	
	<b>Weighted Average</b>			<b>114.9</b>	<b>90.4</b>	<b>1.6</b>	<b>-21.8</b>	<b>7.9</b>	<b>10.1</b>	<b>10.2</b>	<b>10.6</b>	<b>0.9</b>	<b>0.9</b>	<b>11.4</b>	<b>8.6</b>	<b>0.6</b>	<b>0.6</b>	<b>6.2</b>	<b>6.2</b>				
<b>Taiwan</b>																							
	Bank of Kaohsiung	2836 TT	6.57	99	47.9	122.9	76.9	156.4	13.7	5.3	20.2	21.2	0.3	0.3	2.4	5.9	0.2	0.6	3.7	9.4	U	14.15	115.4
	Chang Hwa Bank	2801 TT	11.10	2,063	135.7	159.2	-0.7	17.3	8.2	7.0	13.6	14.3	0.8	0.8	10.2	11.4	0.8	1.0	7.3	8.6	O	25.75	132.0
	China Development	2883 TT	5.86	1,923	86.7	133.0	32.2	53.4	6.8	4.4	13.5	14.4	0.4	0.4	6.5	9.5	0.3	0.5	5.0	7.8	O	14.75	151.7
	Chinatrust	2891 TT	10.25	2,791	91.6	109.1	-27.9	19.1	11.2	9.4	13.3	13.9	0.8	0.7	8.0	8.7	0.5	0.6	5.0	5.8	U	11.16	8.9
	E. Sun Financial	2884 TT	7.18	740	85.6	95.4	-10.7	11.4	8.4	7.5	14.4	14.8	0.5	0.5	6.0	6.6	0.6	0.6	7.8	8.8	N	11.00	53.2
	First Financial	2892 TT	14.20	2,620	180.1	192.6	-11.4	6.9	7.9	7.4	17.1	17.1	0.8	0.8	10.5	11.3	1.4	1.5	10.1	10.9	O	26.00	83.1
	Fubon Financial	2881 TT	18.35	4,240	52.8	125.3	-71.8	137.5	34.8	14.6	22.6	22.9	0.8	0.8	7.6	5.5	1.2	0.9	6.5	4.8	U	18.35	0.0
	Yuanta Financial	2885 TT	12.95	3,185	97.7	116.6	11.2	19.3	13.2	11.1	14.3	14.8	0.9	0.9	7.1	8.0	0.6	0.8	5.0	5.9	O	22.20	71.4
	Hua Nan Financial	2880 TT	15.20	2,770	157.6	178.8	4.3	13.5	9.6	8.5	15.8	16.5	1.0	0.9	10.2	11.1	1.0	1.2	6.7	7.6	O	24.10	58.6
	Mega Financial	2886 TT	8.95	2,963	-16.1	24.1	nmf	nmf	nmf	37.1	15.4	15.4	0.6	0.6	-1.0	1.6	0.0	0.2	0.0	2.2	U	10.00	11.7
	Sinopac Financial	2890 TT	6.05	1,286	22.7	92.9	-35.7	310.2	26.7	6.5	12.3	12.8	0.5	0.5	1.9	7.4	0.1	0.5	1.3	7.7	O	14.05	132.2
	Ta Chong Bank	2847 TT	5.00	452	104.7	119.7	nmf	14.3	4.8	4.2	8.7	10.3	0.6	0.5	12.1	12.6	0.0	0.0	0.0	0.0	O	10.75	115.0
	Taichung Bank	2812 TT	6.34	260	97.7	130.4	-24.6	33.5	6.5	4.9	12.1	13.1	0.5	0.5	8.2	10.3	0.3	0.7	4.6	10.3	O	14.40	127.1
	Taihsin Financial	2887 TT	4.20	718	21.6	33.3	-29.0	54.1	19.4	12.6	16.5	16.8	0.3	0.3	1.6	2.5	0.1	0.1	1.6	2.4	U	4.68	11.4
	Taiwan Business Bank	2834 TT	5.94	689	97.5	96.5	260.3	-1.1	6.1	6.2	11.3	12.1	0.5	0.5	9.0	8.2	0.2	0.3	3.3	4.9	U	6.00	1.0
	Cathay Financial	2882 TT	32.45	9,010	261.2	370.4	-10.4	41.8	12.4	8.8	26.3	28.1	1.2	1.2	10.0	13.4	1.3	1.8	3.9	5.6	O	98.00	202.0
	Shinkong Financial	2888 TT	7.09	1,201	-78.1	71.0	nmf	nmf	nmf	10.0	16.7	17.4	0.4	0.4	-4.5	4.2	0.0	0.0	0.0	0.0	O	22.50	217.3
	<b>Weighted Average</b>			<b>87.7</b>	<b>121.0</b>	<b>-7.4</b>	<b>51.0</b>	<b>13.5</b>	<b>12.3</b>	<b>15.7</b>	<b>16.2</b>	<b>0.7</b>	<b>0.7</b>	<b>6.9</b>	<b>7.9</b>	<b>0.7</b>	<b>0.7</b>	<b>5.2</b>	<b>6.3</b>				
	Capital Securities	6005 TT	5.92	288	135.3	87.8	-12.6	-35.1	4.4	6.7	11.2	12.1	0.5	0.5	10.5	7.6	0.0	0.2	0.0	3.7	O	9.70	63.9
	KGI Securities	6008 TT	7.19	546	144.4	87.7	-29.7	-39.3	5.0	8.2	14.9	15.4	0.5	0.5	9.9	5.8	0.3	0.5	4.6	7.3	U	13.90	93.3
	Masterlink Securities	2856 TT	5.38	225	15.8	42.5	-54.9	169.0	34.0	12.7	13.1	13.4	0.4	0.4	1.2	3.2	0.1	0.2	1.5	4.0	U	9.40	74.7
	Polaris Securities	2854 TT	7.65	466	100.2	128.8	-30.1	28.5	7.6	5.9	14.9	15.9	0.5	0.5	6.9	8.3	0.3	0.4	4.0	5.1	O	19.10	149.7
	President Securities	2855 TT	8.38	305	113.6	137.3	-42.6	20.8	7.4	6.1	16.3	17.1	0.5	0.5	7.0	8.2	0.5	0.7	6.0	8.2	O	20.55	145.2
	<b>Weighted Average</b>			<b>110.8</b>	<b>100.9</b>	<b>-32.4</b>	<b>14.3</b>	<b>9.5</b>	<b>7.6</b>	<b>14.3</b>	<b>15.0</b>	<b>0.5</b>	<b>0.5</b>	<b>7.7</b>	<b>6.8</b>	<b>0.3</b>	<b>0.4</b>	<b>3.6</b>	<b>5.9</b>				
<b>Thailand</b>																							
	Bangkok Bank	BBL TB	70.00	3,856	10.4	9.6	2.9	-7.6	6.8	7.3	90.4	96.5	0.8	0.7	11.7	10.2	3.0	3.0	4.3	4.3	O	105.00	50.0
	Bank of Ayudhya	BAY TB	9.95	1,744	1.3	1.5	nmf	20.8	7.9	6.6	14.7	15.5	0.7	0.6	9.1	10.0	0.5	0.8	5.0	7.5	O	25.00	151.3
	Kasikorn Bank	KBANK TB	51.50	3,557	6.5	5.0	3.1	-22.7	7.9	10.3	46.3	49.2	1.1	1.0	14.7	10.5	2.0	2.0	3.9	3.9	O	75.00	45.6
	Krung Thai Bank	KTB TB	4.02	1,297	1.0	0.8	60.0	-20.4	4.1	5.1	9.1	9.5	0.4	0.4	11.2	8.5	0.4	0.4	10.0	10.0	O	7.50	86.6
	Siam City Bank	SCIB TB	6.05	369	1.8	1.9	nmf	1.3	3.3	3.3	18.2	19.4	0.3	0.3	10.3	9.8	0.6	0.7	9.9	11.6	O	16.00	164.5
	Siam Commercial Bank	SCB TB	51.50	5,051	6.5	5.9	28.2	-9.9	7.9	8.7	36.9	40.5	1.4	1.3	18.8	15.3	2.3	2.3	4.4	4.4	O	77.00	49.5
	<b>Weighted Average</b>			<b>6.3</b>	<b>5.6</b>	<b>15.3</b>	<b>-9.4</b>	<b>7.2</b>	<b>8.1</b>	<b>46.9</b>	<b>50.3</b>	<b>1.0</b>	<b>0.9</b>	<b>14.3</b>	<b>11.7</b>	<b>2.0</b>	<b>2.0</b>	<b>4.9</b>	<b>5.2</b>				
	ACL Bank	ACL TB	1.44	66	0.2	0.2	-49.3	-21.0	6.8	8.6	7.9	8.0	0.2	0.2	2.7	2.1	0.0	0.0	0.0	0.0	O	7.00	386.1
	Kiatnakin Bank	KK TB	14.70	222	3.0	3.0	-13.6	0.0	5.0	5.0	36.8	38.3	0.4	0.4	9.7	9.3	2.0	2.0	13.6	13.6	O	28.00	90.5
	Thanachart Capital	TCAP TB	5.95	229	2.5	1.3	16.3	-48.9	2.4	4.7	21.2	21.6	0.3	0.3	12.1	5.9	0.9	0.9	15.1	15.1	O	14.00	135.3
	TISCO Bank	TISCO TB	9.80	206	2.1	2.0	-9.3	-2.1	4.8	4.9	15.7	16.1	0.6	0.6	12.6	12.7	1.6	1.6	16.3	16.3	O	20.00	104.1
	<b>Weighted Average</b>			<b>2.3</b>	<b>1.9</b>	<b>-6.1</b>	<b>-18.0</b>	<b>4.3</b>	<b>5.2</b>	<b>23.2</b>	<b>23.9</b>	<b>0.4</b>	<b>0.4</b>	<b>10.7</b>	<b>8.5</b>	<b>1.4</b>	<b>1.4</b>	<b>13.6</b>	<b>13.6</b>				
	<b>Asia Banks Weighted Average</b>					<b>32.1</b>	<b>1.9</b>	<b>8.2</b>	<b>8.2</b>			<b>1.3</b>	<b>1.2</b>	<b>18.8</b>	<b>16.7</b>	<b>43.0</b>	<b>49.9</b>	<b>6.2</b>	<b>6.7&lt;/</b>				

## Asia banks price and recommendation tracker

	Bloomberg code	Price (Icy)	Absolute performance (%)				Relative to local index (%)				Daily TO (Icy m) (3MMA)	Rating
			1m	3m	6m	YTD	1m	3m	6m	YTD		
<b>China</b>												
Bank of China	3988 HK	2.01	-34.1	-42.8	-47.5	-46.3	-3.3	2.2	5.1	17.3	1,139.4	Outperform
Bank of Communications	3328 HK	4.02	-43.9	-58.6	-63.2	-62.3	-17.7	-26.0	-26.2	-17.7	684.8	Neutral
China Citic Bank	998 HK	2.14	-40.5	-56.4	-58.1	-56.4	-12.7	-22.0	-15.9	-4.8	206.6	Outperform
China Construction Bank	939 HK	2.91	-42.6	-56.2	-55.6	-54.6	-15.8	-21.8	-11.0	-0.8	2,172.2	Outperform
China Everbright	165 HK	6.60	-47.1	-58.1	-65.7	-73.7	-22.3	-25.1	-31.3	-42.6	98.6	Outperform
China Merchants Bank	3968 HK	11.34	-42.3	-59.0	-63.7	-63.8	-15.0	-26.5	-27.0	-20.6	1,032.6	Neutral
ICBC	1398 HK	3.15	-33.3	-45.3	-48.6	-43.6	-1.5	-1.7	3.7	24.1	2,489.5	Neutral
<b>Hong Kong</b>												
Bank of China-HK	2388 HK	9.43	-33.0	-51.0	-51.1	-56.2	-1.7	-12.4	-2.0	-4.2	373.0	Outperform
Bank of East Asia	23 HK	15.92	-35.1	-55.7	-61.0	-68.5	-4.7	-20.8	-21.9	-31.3	297.4	Outperform
Dah Sing Financial	440 HK	16.68	-57.9	-71.3	-70.5	-78.4	-38.3	-48.7	-40.8	-52.7	11.3	Neutral
Hang Seng	11 HK	89.50	-38.6	-40.4	-40.5	-43.4	-9.9	6.5	19.2	23.6	616.4	Neutral
Wing Hang	302 HK	39.50	-36.5	-61.2	-61.7	-66.2	-6.9	-30.7	-23.3	-26.0	42.3	Neutral
Hong Kong Exchange	388 HK	72.00	-27.5	-42.0	-56.8	-68.4	6.4	3.6	-13.5	-31.0	1,192.9	Neutral
HSBC	5 HK	88.00	-30.0	-32.0	-33.9	-33.7	2.9	21.6	32.6	44.8	3,271.3	Outperform
Standard Chartered	2888 HK	105.40	-50.3	-56.9	-63.0	-64.5	-27.1	-22.9	-25.7	-22.4	71.5	Outperform
<b>India</b>												
Bank of Baroda	BOB IN	245.35	-16.5	-3.3	-20.9	-46.7	25.8	58.7	55.6	24.2	434.1	Underperform
Bank of India	BOI IN	227.85	-17.7	-20.3	-32.9	-37.8	24.0	30.7	32.1	45.0	1,095.5	Outperform
HDFC	HDFC IN	1,573.35	-24.7	-28.9	-41.6	-45.3	13.4	16.7	15.0	27.6	3,590.8	Outperform
HDFC Bank	HDFCB IN	972.65	-21.8	-13.6	-35.2	-43.7	17.7	41.7	27.6	31.2	2,565.9	Outperform
ICICI Bank	ICICIB IN	310.00	-45.0	-53.0	-66.3	-75.1	-17.1	-22.9	-33.7	-41.9	8,299.1	Underperform
IDBI	IDBI IN	60.20	-19.7	-21.5	-41.9	-63.4	20.9	28.8	14.4	-14.7	298.9	Underperform
IDFC	IDFC IN	47.75	-35.2	-50.9	-72.6	-79.2	-2.5	-19.4	-46.0	-51.4	1,087.6	Underperform
Kotak Mahindra Bank	KMB IN	297.60	-48.0	-46.9	-60.9	-77.1	-21.7	-12.9	-23.1	-46.6	1,557.8	Underperform
Punjab National Bank	PNB IN	419.60	-11.1	-14.1	-24.6	-36.8	33.8	40.9	48.5	47.3	543.2	Underperform
Reliance Capital	RCFT IN	615.40	-47.5	-52.9	-57.9	-76.2	-21.0	-22.7	-17.2	-44.5	8,009.0	Underperform
State Bank of India	SBIN IN	1,156.35	-18.8	-19.3	-33.4	-47.9	22.2	32.3	31.1	21.4	4,840.2	Underperform
Syndicate Bank	SNDB IN	54.05	-19.1	-7.3	-30.4	-53.2	21.8	52.1	37.0	9.1	54.8	Underperform
Union Bank of India	UNBK IN	123.25	-14.3	-3.9	-22.0	-40.1	29.1	57.7	53.6	39.8	221.5	Underperform
Axis Bank	AXSB IN	534.30	-23.6	-24.4	-40.6	-44.5	15.1	24.0	16.8	29.5	3,421.7	Outperform
Power Finance Corp	POWF IN	97.40	-19.4	-24.8	-37.5	-62.7	21.3	23.3	23.1	-13.1	132.5	Outperform
Vijaya Bank	VJYBK IN	28.95	-22.8	-28.3	-47.9	-66.9	16.2	17.6	2.6	-22.9	42.0	Underperform
<b>Indonesia</b>												
Bank Central Asia	BBCA IJ	2,425	-23.6	-17.8	-17.8	-33.6	13.3	48.3	48.0	46.5	52,574.1	Outperform
Bank Danamon	BDMN IJ	2,250	-56.3	-59.1	-58.7	-71.9	-35.2	-26.2	-25.7	-38.0	16,773.1	Outperform
Bank Int'l Indonesia	BNII IJ	450	45.2	-5.3	-1.1	57.9	115.3	70.9	78.0	248.3	36,516.4	Outperform
Bank Mandiri	BMRI IJ	1,480	-43.6	-49.0	-43.6	-57.7	-16.4	-7.9	1.5	-6.7	80,290.7	Outperform
Bank Niaga	BNGA IJ	435	-39.6	-55.2	-35.1	-51.7	-10.4	-19.1	16.9	6.6	386.4	Neutral
Bank Panin	PNBN IJ	520	-31.6	-44.7	-10.3	-23.5	1.5	-0.2	61.4	68.7	24,253.9	Underperform
Bank Rakyat Indonesia	BBRI IJ	3,275	-39.4	-45.4	-44.0	-55.7	-10.1	-1.5	0.8	-2.4	93,494.8	Outperform
<b>Korea</b>												
Daegu Bank	005270 KS	7,300	-34.5	-40.7	-51.7	-53.1	2.9	1.0	-6.1	-5.2	9,785.2	Outperform
Hana Financial Group	086790 KS	19,550	-29.1	-46.3	-53.8	-58.3	11.5	-8.6	-10.3	-15.8	64,204.1	Outperform
Industrial Bank of Korea	024110 KS	6,200	-56.3	-57.1	-63.4	-62.1	-31.0	-26.8	-28.6	-23.2	31,115.8	Outperform
Pusan Bank	005280 KS	7,500	-29.9	-40.9	-51.5	-52.4	10.3	0.5	-5.7	-3.9	11,351.9	Neutral
Woori Finance	053000 KS	6,810	-40.5	-52.7	-61.2	-60.8	-6.4	-19.5	-24.5	-20.9	70,783.5	Outperform
Shinhan Financial	055550 KS	34,150	-18.8	-25.5	-38.3	-34.6	27.7	26.7	20.0	32.2	102,457.1	Outperform
<b>Malaysia</b>												
AMMB Holdings	AMM MK	1.98	-32.9	-35.7	-47.1	-47.9	-20.3	-14.6	-20.6	-12.4	16.9	Outperform
Bumiputra-Commerce	BCHB MK	6.40	-17.4	-25.6	-35.4	-41.8	-1.9	-1.1	-3.1	-2.1	41.2	Neutral
EON Capital	EON MK	3.62	-10.8	-22.3	-31.0	-45.2	5.9	3.2	3.4	-7.7	1.1	Underperform
Hong Leong Bank	HLBK MK	5.25	-6.3	-7.1	-13.2	-17.3	11.4	23.5	30.1	39.1	6.5	Neutral
Maybank	MAY MK	5.05	-26.8	-33.1	-37.7	-45.1	-13.1	-11.1	-6.5	-7.7	28.9	Neutral
Public Bank	PBKF MK	8.35	-16.5	-19.7	-28.0	-24.1	-0.8	6.7	7.9	27.7	32.5	Outperform
RHB Capital	RHBC MK	2.71	-32.6	-31.2	-45.4	-53.7	-19.9	-8.6	-18.1	-22.1	2.1	Underperform
Bursa Malaysia	BURSA MK	5.15	-18.9	-25.4	-41.5	-64.0	-3.7	-0.8	-12.3	-39.4	5.4	Underperform

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

	Bloomberg code	Price (Icy)	Absolute performance (%)				Relative to local index (%)				Daily TO (Icy m) (3MMA)	Rating
			1m	3m	6m	YTD	1m	3m	6m	YTD		
<b>Philippines</b>												
Banco de Oro	BDO PM	29.50	-28.9	-30.8	-43.8	-55.4	-0.3	-6.0	-15.6	-12.7	68.3	Outperform
Bank of Philippine Islands	BPI PM	40.00	-15.6	-6.2	-9.7	-25.9	18.5	27.3	35.5	45.0	92.0	Neutral
China Banking Corp	CHIB PM	397.50	-14.7	-17.9	-26.6	-31.6	19.7	11.4	10.1	33.8	4.3	Neutral
Metrobank	MBT PM	23.50	-31.1	-34.1	-36.8	-58.3	-3.3	-10.5	-5.2	-18.3	95.2	Outperform
Philippine National Bank	PNB PM	22.25	-20.5	-16.0	-20.5	-55.5	11.5	14.0	19.2	-13.0	11.2	Outperform
Security Bank	SECB PM	45.00	-18.2	-20.4	-27.4	-42.7	14.8	8.1	8.9	12.1	12.0	Neutral
UnionBank	UBP PM	22.50	-15.1	-29.7	-32.8	-47.7	19.1	-4.6	0.8	2.4	1.6	Underperform
<b>Singapore</b>												
DBS Group	DBS SP	10.04	-40.7	-48.2	-49.5	-51.5	-10.6	-5.4	0.5	5.0	117.5	Outperform
Hong Leong Finance	HLF SP	2.10	-31.1	-38.8	-47.0	-44.6	3.8	11.8	5.7	20.0	0.6	Outperform
OCBC	OCBC SP	4.88	-31.8	-41.6	-43.9	-41.1	2.7	6.7	11.8	27.5	62.3	Outperform
UOB	UOB SP	12.08	-28.1	-36.7	-41.4	-39.3	8.4	15.6	16.9	31.5	89.7	Outperform
Singapore Exchange	SGX SP	4.68	-26.5	-33.9	-48.0	-65.1	10.7	20.7	3.6	-24.5	70.3	Outperform
<b>Taiwan</b>												
Bank of Kaohsiung	2836 TT	6.57	-34.8	-52.5	-65.4	-59.3	-11.1	-21.0	-28.8	-20.5	15.5	Underperform
Cathay Financial	2882 TT	32.45	-34.7	-50.8	-62.0	-53.0	-11.0	-18.2	-21.7	-8.1	1,621.2	Outperform
Chang Hwa Bank	2801 TT	11.10	-34.1	-45.3	-57.9	-41.1	-10.1	-9.0	-13.3	15.1	244.9	Outperform
China Development	2883 TT	5.86	-42.6	-46.3	-61.9	-56.4	-21.8	-10.7	-21.6	-14.6	192.2	Outperform
Chinatrust	2891 TT	10.25	-43.9	-56.3	-66.8	-55.3	-23.5	-27.4	-31.6	-12.5	715.7	Underperform
E. Sun Financial	2884 TT	7.18	-26.6	-50.7	-62.4	-58.7	0.0	-17.9	-22.6	-19.2	106.4	Neutral
First Financial	2892 TT	14.20	-34.1	-52.6	-62.5	-44.0	-10.1	-21.2	-22.9	9.5	921.1	Outperform
Fubon Financial	2881 TT	18.35	-29.3	-38.4	-51.0	-40.6	-3.7	2.5	0.8	16.1	521.1	Underperform
Yuanta Financial	2885 TT	12.95	-33.1	-39.6	-58.7	-43.0	-8.7	0.5	-15.1	11.4	1,013.1	Outperform
Hua Nan Financial	2880 TT	15.20	-31.8	-41.8	-52.9	-32.2	-7.0	-3.2	-3.1	32.5	203.4	Outperform
Mega Financial	2886 TT	8.95	-42.0	-60.2	-68.1	-58.2	-20.9	-33.9	-34.5	-18.3	375.3	Underperform
Shinkong Financial	2888 TT	7.09	-40.7	-60.7	-74.0	-67.2	-19.1	-34.6	-46.5	-35.8	462.6	Outperform
Sinopac Financial	2890 TT	6.05	-38.4	-55.1	-62.0	-52.5	-16.0	-25.3	-21.9	-7.1	140.5	Outperform
Ta Chong Bank	2847 TT	5.00	-35.5	-41.2	-50.6	-50.4	-12.1	-2.2	1.6	-2.9	16.0	Outperform
Taichung Bank	2812 TT	6.34	-33.4	-49.3	-59.6	-52.0	-9.2	-15.7	-16.9	-6.2	23.3	Outperform
Taishin Financial	2887 TT	4.20	-39.5	-65.0	-74.5	-70.1	-17.6	-41.9	-47.5	-41.5	231.6	Underperform
Taiwan Business Bank	2834 TT	5.94	-32.8	-49.5	-57.6	-44.6	-8.4	-16.0	-12.8	8.4	189.5	Underperform
Capital Securities	6005 TT	5.92	-54.1	-64.8	-75.4	-62.5	-37.4	-41.4	-49.3	-26.6	58.6	Outperform
KGI Securities	6008 TT	7.19	-47.9	-63.7	-75.6	-60.1	-29.0	-39.7	-49.8	-21.9	223.5	Underperform
Masterlink Securities	2856 TT	5.38	-40.7	-55.0	-70.1	-59.2	-19.1	-25.2	-38.4	-20.2	33.6	Underperform
Polaris Securities	2854 TT	7.65	-45.2	-53.1	-68.2	-51.1	-25.3	-22.1	-34.5	-4.4	189.2	Outperform
President Securities	2855 TT	8.38	-40.5	-59.0	-70.2	-55.7	-18.8	-31.8	-38.7	-13.4	55.4	Outperform
<b>Thailand</b>												
Bangkok Bank	BBL TB	70.00	-34.0	-36.4	-47.8	-40.7	-5.6	0.8	0.4	17.6	618.0	Outperform
Bank of Ayudhya	BAY TB	9.95	-42.8	-49.5	-59.1	-62.1	-18.2	-20.0	-21.3	-24.9	336.2	Outperform
Kasikorn Bank	KBANK TB	51.50	-20.2	-22.6	-40.8	-40.8	14.2	22.6	13.8	17.3	705.7	Outperform
Krung Thai Bank	KTB TB	4.02	-37.2	-46.0	-61.3	-60.2	-10.2	-14.6	-25.7	-21.1	184.2	Outperform
Siam City Bank	SCIB TB	6.05	-44.0	-57.1	-66.6	-59.1	-19.9	-32.1	-35.7	-19.0	24.5	Outperform
Siam Commercial	SCB TB	51.50	-27.0	-31.8	-41.8	-40.5	4.5	8.0	11.9	18.0	593.5	Outperform
ACL Bank	ACL TB	1.44	-56.4	-64.0	-70.9	-69.9	-37.6	-43.0	-44.0	-40.3	2.6	Outperform
Kiatnakin Bank	KK TB	14.70	-15.5	-34.4	-50.6	-48.0	20.8	3.9	-5.0	3.2	8.8	Outperform
Thanachart Capital	TCAP TB	5.95	-45.4	-50.8	-64.8	-59.2	-21.9	-22.1	-32.3	-19.2	38.3	Outperform
TISCO Bank	TISCO TB	9.80	-38.4	-45.9	-67.9	-67.3	-11.9	-14.3	-38.2	-35.2	37.9	Outperform

Data as of 24 October 2008

Source: Bloomberg, Macquarie Research, October 2008

**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	-34.4	-33.3	-48.4	-9.3	-4.3	-17.8	4.6	30.2	17.2
FTSE Bank	-37.8	-40.0	-49.9	-17.6	-16.3	-20.5	-0.8	17.0	13.8
Australia	-8.8	-5.0	-12.5	17.3	23.7	28.2	45.5	85.3	98.9
HK (ex HSBC, SCB)	-35.3	-44.9	-47.4	-5.0	-1.6	5.5	3.3	7.5	19.5
HSBC	-30.0	-32.0	-33.9	2.8	21.5	32.5	11.7	32.6	50.1
Std Chartered HK	-50.3	-56.9	-63.0	-27.1	-22.9	-25.7	-20.8	-15.8	-15.8
China	-23.7	-44.3	-59.2	-0.7	-4.9	-9.8	21.6	8.7	-7.2
India	19.3	-21.5	-30.6	79.6	28.8	36.6	90.3	53.1	57.7
Indonesia	-29.4	-36.4	-31.5	4.6	14.8	23.2	12.6	24.1	55.6
Malaysia	-20.1	-25.2	-33.5	-5.1	-0.5	-0.3	27.5	46.0	51.1
Philippines	-23.4	-23.3	-29.5	7.4	4.2	5.7	22.1	49.7	60.2
Singapore	-34.0	-42.4	-45.3	-0.5	5.3	8.9	5.3	12.4	24.2
South Korea	-27.4	-34.8	-44.2	14.3	11.1	8.6	15.8	27.2	26.9
Taiwan	-35.4	-50.0	-61.8	-12.0	-16.9	-21.3	3.0	-2.5	-13.1
Thailand	-32.4	-37.5	-50.2	-3.4	-1.1	-4.2	7.8	21.9	13.2

Note: Data as of 24 October 2008

Source: Bloomberg, Macquarie Research, October 2008

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## Important disclosures:

Recommendation definitions	Volatility index definition*	Financial definitions
<p><b>Macquarie - Australia/New Zealand</b>            Outperform – return &gt;5% in excess of benchmark return (&gt;2.5% in excess for listed property trusts)            Neutral – return within 5% of benchmark return (within 2.5% for listed property trusts)            Underperform – return &gt;5% below benchmark return (&gt;2.5% below for listed property trusts)</p> <p><b>Macquarie – Asia/Europe</b>            Outperform – expected return &gt;+10%            Neutral – expected return from -10% to +10%            Underperform – expected return &lt;-10%</p> <p><b>Macquarie First South - South Africa</b>            Outperform – expected return &gt;+10%            Neutral – expected return from -10% to +10%            Underperform – expected return &lt;-10%</p> <p><b>Macquarie - Canada</b>            Outperform – return &gt;5% in excess of benchmark return            Neutral – return within 5% of benchmark return            Underperform – return &gt;5% below benchmark return</p> <p><b>Macquarie - USA</b>            Outperform (Buy) – return &gt;5% in excess of benchmark return            Neutral (Hold) – return within 5% of benchmark return            Underperform (Sell) – return &gt;5% below benchmark return</p> <p><b>Recommendations – 12 months</b></p> <p><b>Note:</b> Quant recommendations may differ from Fundamental Analyst recommendations</p>	<p>This is calculated from the volatility of historical price movements.</p> <p><b>Very high–highest risk</b> – Stock should be expected to move up or down 60–100% in a year – investors should be aware this stock is highly speculative.</p> <p><b>High</b> – 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.</p> <p><b>Medium</b> – stock should be expected to move up or down at least 30–40% in a year.</p> <p><b>Low–medium</b> – stock should be expected to move up or down at least 25–30% in a year.</p> <p><b>Low</b> – stock should be expected to move up or down at least 15–25% in a year.</p> <p>* Applicable to Australian/NZ/Canada stocks only</p>	<p>All "Adjusted" data items have had the following adjustments made:            Added back: goodwill amortisation, provision for catastrophe reserves, IFRS derivatives &amp; hedging, IFRS impairments &amp; IFRS interest expense            Excluded: non recurring items, asset revals, property revals, appraisal value uplift, preference dividends &amp; minority interests</p> <p><b>EPS</b> = adjusted net profit / epowa*  <b>ROA</b> = adjusted ebit / average total assets  <b>ROA Banks/Insurance</b> = adjusted net profit / average total assets  <b>ROE</b> = adjusted net profit / average shareholders funds  <b>Gross cashflow</b> = adjusted net profit + depreciation            *equivalent fully paid ordinary weighted average number of shares</p> <p>All Reported numbers for Australian/NZ listed stocks are modelled under IFRS (International Financial Reporting Standards).</p>

## Recommendation proportions – For quarter ending 30 September 2008

	AU/NZ	Asia	RSA	USA	CA	EUR
Outperform	43.17%	61.57%	63.08%	53.60%	71.54%	43.00%
Neutral	41.37%	16.43%	30.77%	37.60%	24.61%	48.00%
Underperform	15.47%	22.00%	6.15%	8.80%	3.85%	9.00%

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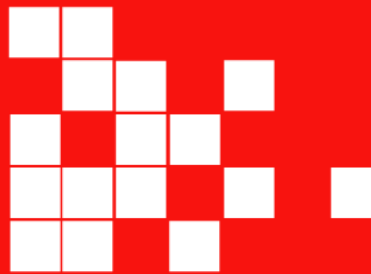
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