Company

Global Markets Research

Deutsche Bank

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TSMC

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Fundamentals bottoming out

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Structural positives remain despite macro headwinds

We believe TSMC should be the major beneficiary of inventory restocking in 2Q09 thanks to its solid execution and dominant market share in 65nm and 40nm nodes. We are also seeing more customers shifting to TSMC from its rivals, which should benefit TSMC in 2H09 and beyond despite low demand visibility. Its structural market share gain should drive more re-rating and lead the stock to outperform the SOX index over the next 12 months. We retain our Buy rating.

We expect in-line 4Q08, weaker 1Q09 to mark the trough

We estimate gross and operating margin to be in the range of 30-32% and 17-19% in 4Q08, respectively. EPS may reach NT$0.44 in 4Q08, in line with revised consensus of NT$0.45 recently. We now expect sales to fall 30-35% QoQ in 1Q09 (DBe 16% decline previously). Gross and operating margin may be guided to drop to 14-16% and +/-1% in 1Q09, respectively. We cut EPS forecast from NT$2.47 to NT$1.30 for 2009 and NT$3.84 to NT$2.77 for 2010 on weaker demand outlook.

Light at the end of the tunnel for 2Q09

We anticipate sales to grow 10-15% QoQ in 2Q09 as customers need to introduce new solutions to improve price performance based on advanced nodes due to rising cost-down pressure in the macro downturn. Our surveys show orders of handset chips, WLAN 11n chips, chips for game console, LCD TV controller, and graphics chips may start to pick up in 2Q09 due to migration to 65nm and 40nm. In addition, customers are increasingly adopting TSMC's 65nm and 40nm nodes in the wake of tier-two foundries' slow progress in 28nm.

LT buy opportunities on bottoming net profit YoY momentum and loading

The stock has historically traded three months ahead of loading and net profit YoY, which we expect to improve from end-1Q09. This implies entry points in 1Q09. Our TP is based on 2.7x 2009E PB, which is close to 2001-08 average. Downside risks include slow ramp-up in 40nm, weaker demand, and sharper ASP pressure.

Forecasts and ratios

Year End Dec 31	2006A	2007A	**2008E**	2009E	2010E
Sales (TWDm)	317,407.0	322,631.0	**333,159.0**	212,764.5	277,482.9
EBITDA (TWDm)	200,980.0	191,727.0	**185,596.6**	114,817.2	158,953.6
Reported NPAT (TWDm)	127,010.2	109,177.0	**98,554.9**	33,401.8	70,956.6
Reported EPS FD(TWD)	4.96	4.26	**3.85**	1.30	2.77
DB EPS FD(TWD)	3.74	2.80	**3.85**	1.30	2.77
OLD DB EPS FD(TWD)	3.74	2.80	**3.84**	2.47	3.84
% Change	0.0%	0.0%	**0.1%**	-47.2%	-27.8%
DB EPS growth (%)	26.9	-25.1	**37.5**	-66.1	112.4
PER (x)	16.4	23.4	**10.8**	31.8	15.0
EV/EBITDA (x)	7.1	8.4	**5.0**	8.1	5.4
DPS (net) (TWD)	3.00	3.00	**3.00**	1.15	2.40
Yield (net) (%)	4.9	4.6	**7.2**	2.8	5.8

Source: Deutsche Bank estimates, company data

[1] DB EPS is fully diluted and excludes non-recurring items
[2] Multiples and yields calculations use average historical prices for past years and spot prices for current and future years, except P/B which uses the year end close

Forecast change

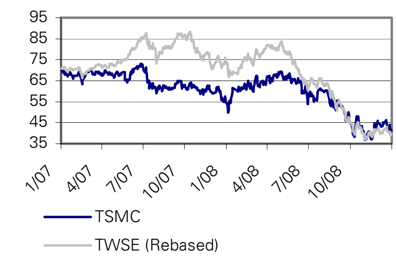
Buy

Price at 17 Jan 2009 (TWD)	**41.45**
Price target - 12mth (TWD)	**48.00**
52-week range (TWD)	**69.40 - 36.80**
TWSE	**4,354**

Key changes

Sales (FYE)	333,077 to 333,159 ↑	**0.0%**

Price/price relative



Performance (%)	1m	3m	12m
Absolute	*-9.9*	*-7.8*	*-24.2*
TWSE	*-6.3*	*-12.2*	*-46.3*

Stock data

Market cap (TWDm)	**1,062,169**
Market cap (USDm)	**31,845**
Shares outstanding (m)	**26,381.4**
Major shareholders	**Philips (5.04%)**
Free float (%)	**80**
Avg daily value traded (USDm)	**73.8**

Key indicators (FY1)

ROE (%)	**20.3**
Net debt/equity (%)	**-26.6**
Book value/share (TWD)	**18.87**
Price/book (x)	**2.2**
Net interest cover (x)	**–**
Operating profit margin (%)	**31.3**

Deutsche Bank AG/Hong Kong

Model updated:18 January 2009

Running the numbers

Asia

Taiwan

Semiconductor & Semiconductor

TSMC

Reuters: 2330.TW Bloomberg: 2330 TT

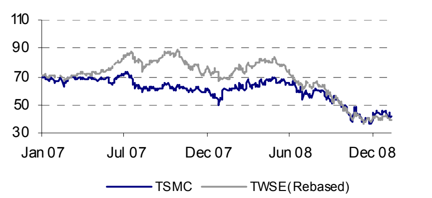
Buy

Price (17 Jan 09)	TWD 41.45
Target price	TWD 48.00
52-week Range	TWD 36.80 - 69.40
Market Cap (m)	TWDm 1,062,169 USDm 31,845

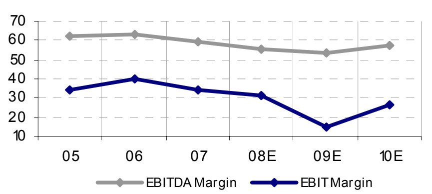
Company Profile

Taiwan Semiconductor Manufacturing Company Ltd. (TSMC) is the global No. 1 foundry with 64% market share among global top 4 foundries in 2008. TSMC manufactures and markets integrated circuits (IC). The company provides the following services: wafer manufacturing, wafer probing, assembly and testing, mask production, and design services. TSMC's ICs are used in computer, communication, consumer electronics, automotive, and industrial equipment industries.

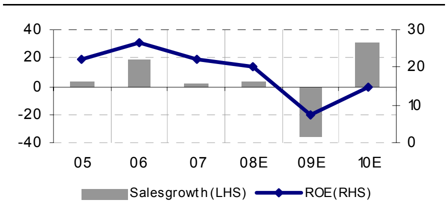
Price Performance



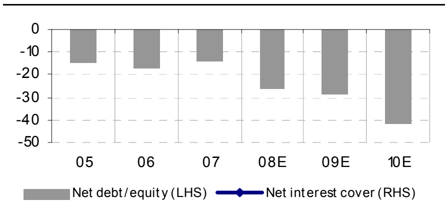
Margin Trends



Growth & Profitability



Solvency



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Fiscal year end 31-Dec	2005	2006	2007	2008E	2009E	2010E
Financial Summary						
DB EPS (TWD)	2.94	3.74	2.80	3.85	1.30	2.77
Reported EPS (TWD)	3.65	4.96	4.26	3.85	1.30	2.77
DPS (TWD)	2.50	3.00	3.00	3.00	1.15	2.40
BVPS (TWD)	17.4	19.8	19.0	18.9	17.6	19.6
Weighted average shares (m)	22,507	24,586	25,521	26,381	25,686	25,625
Average market cap (TWDm)	1,191,869	1,508,497	1,672,683	1,062,169	1,062,169	1,062,169
Enterprise value (TWDm)	1,126,999	1,421,156	1,605,935	932,429	930,813	850,573
Valuation Metrics						
P/E (DB) (x)	18.0	16.4	23.4	10.8	31.8	15.0
P/E (Reported) (x)	14.5	12.4	15.4	10.8	31.8	15.0
P/BV (x)	3.59	3.41	3.26	2.20	2.35	2.12
FCF Yield (%)	6.5	8.4	6.0	13.7	7.4	10.3
Dividend Yield (%)	4.7	4.9	4.6	7.2	2.8	5.8
EV/Sales (x)	4.2	4.5	5.0	2.8	4.4	3.1
EV/EBITDA (x)	6.8	7.1	8.4	5.0	8.1	5.4
EV/EBIT (x)	12.4	11.2	14.4	8.9	30.0	11.5
Income Statement (TWDm)						
Sales revenue	**266,565**	**317,407**	**322,631**	**333,159**	**212,764**	**277,483**
Gross profit	**193,973**	**229,525**	**222,356**	**223,325**	**140,956**	**189,384**
EBITDA	**166,738**	**200,980**	**191,727**	**185,597**	**114,817**	**158,954**
Depreciation	75,770	73,715	80,005	81,351	83,762	85,245
Amortisation	0	0	0	0	0	0
EBIT	**90,968**	**127,265**	**111,722**	**104,246**	**31,055**	**73,709**
Net interest income(expense)	407	3,651	4,810	4,774	5,830	5,830
Associates/affiliates	0	0	0	0	0	0
Exceptionals/extraordinaries	0	1,607	0	0	0	0
Other pre-tax income/(expense)	2,889	2,447	5,110	1,849	645	1,410
Profit before tax	**94,264**	**133,363**	**121,642**	**110,869**	**37,530**	**80,949**
Income tax expense	631	7,774	11,710	11,920	4,128	9,992
Minorities	58	186	755	291	0	0
Other post-tax income/(expense)	0	0	0	-103	0	0
Net profit	**93,575**	**127,010**	**109,177**	**98,555**	**33,402**	**70,957**
DB adjustments (including dilution)	-18,157	-31,299	-37,520	0	0	0
DB Net profit	**75,419**	**95,711**	**71,658**	**98,555**	**33,402**	**70,957**
Cash Flow (TWDm)						
Cash flow from operations	**157,013**	**204,997**	**183,767**	**205,767**	**112,280**	**149,597**
Net Capex	-79,397	-78,736	-84,000	-56,029	-33,900	-40,000
Free cash flow	**77,616**	**126,261**	**99,767**	**149,738**	**78,380**	**109,597**
Equity raised/(bought back)	0	0	0	0	0	0
Dividends paid	-46,419	-61,742	-77,386	-76,779	-76,876	-29,469
Net inc/(dec) in borrowings	-11,531	-1,116	-2,256	-75	5,406	4,596
Other investing/financing cash flows	2,515	-42,049	-42,975	-11,926	-308	-308
Net cash flow	**22,181**	**21,354**	**-22,850**	**60,958**	**6,602**	**84,416**
Change in working capital	*-31,450*	*8,453*	*-4,236*	*19,472*	*-4,599*	*-6,009*
Balance Sheet (TWDm)						
Cash and other liquid assets	96,484	117,837	94,986	155,944	162,547	246,963
Tangible fixed assets	244,823	254,094	260,252	244,523	194,580	149,177
Goodwill/intangible assets	0	0	0	0	0	0
Associates/investments	89,827	131,137	116,309	88,076	94,413	99,976
Other assets	88,375	84,417	99,318	72,005	83,273	94,437
Total assets	**519,510**	**587,485**	**570,865**	**560,549**	**534,812**	**590,554**
Interest bearing debt	31,613	30,496	28,238	26,205	31,191	35,367
Other liabilities	41,658	47,851	51,941	47,170	48,361	49,936
Total liabilities	**73,271**	**78,347**	**80,180**	**73,375**	**79,552**	**85,303**
Shareholders' equity	445,630	507,981	487,091	483,427	451,513	501,503
Minorities	608	1,157	3,594	3,747	3,747	3,747
Total shareholders' equity	**446,239**	**509,138**	**490,686**	**487,174**	**455,260**	**505,250**
Net debt	*-64,870*	*-87,341*	*-66,748*	*-129,739*	*-131,356*	*-211,596*
Key Company Metrics						
Sales growth (%)	3.6	19.1	1.6	3.3	-36.1	30.4
DB EPS growth (%)	-1.1	26.9	-25.1	37.5	-66.1	112.4
EBITDA Margin (%)	62.6	63.3	59.4	55.7	54.0	57.3
EBIT Margin (%)	34.1	40.1	34.6	31.3	14.6	26.6
Payout ratio (%)	60.1	58.1	70.1	80.3	88.4	86.7
ROE (%)	22.2	26.6	21.9	20.3	7.1	14.9
Capex/sales (%)	30.0	24.8	26.0	16.9	15.9	14.4
Capex/depreciation (x)	1.1	1.1	1.0	0.7	0.4	0.5
Net debt/equity (%)	-14.5	-17.2	-13.6	-26.6	-28.9	-41.9
Net interest cover (x)	nm	nm	nm	nm	nm	nm

Source: Company data, Deutsche Bank estimates

More positive signs

Although demand visibility beyond 2Q09 remains low, we do see structural positives for TSMC, which should favor TSMC in 2H09 and onwards.

- Customers are trying to introduce new cost-down solutions from 2Q09 due to stiff pricing competition amid the macro slowdown.
- More foundry customers are shifting to TSMC from the other foundries due to TSMC's strength in 65/40/28nm.

We believe the structural market share gain story should continue to lead the stock to outperform the SOX index over the next 12 months. We maintain Buy.

4Q08 should be on track

- **Sales** – Down 31% QoQ in 4Q08, in line with our estimate of 31% QoQ decrease and revised guidance of 30-32% QoQ decline.
- **Gross margin** – We expect gross margin to fall 14.7ppt to 31.6% in 4Q08, which meets revised guidance of 30-32%.
- **Operating margin** – We estimate operating margin to decline 17.1ppt to 18.3% in 4Q08, in line with revised guidance of 17-19%.
- **EPS** – We estimate EPS to come in at NT$0.44 in 4Q08, in line with recently revised consensus of NT$0.45.
- **Loading** – We expect utilization rate to fall 35ppt to 65% in 4Q08 from 100% in 3Q08.

1Q09 to be the trough

- **Sales** – We now expect sales to decrease by 30-35% QoQ in 1Q09, which is worse than our previous estimate of a 16% QoQ decline but in line with recently revised consensus. This assumes a 35% QoQ shipment decline, 1% QoQ ASP erosion, and 1% QoQ NT$ depreciation. (NT$33.1 against 1 US dollar)
- **Gross margin** – We estimate gross margin to fall 17-19ppt to 14-16% in 1Q09 due to higher margin/loading elasticity when the loading is close to the breakeven point.
- **Operating margin** – We anticipate operating margin to decline 17-19ppt to +/-1% in 1Q09 due to a lower utilization.
- **EPS** – We project EPS to reach NT$0.02 in 1Q09, in line with recently revised consensus.
- **Loading** – We estimate utilization rate to decline 21-23ppt to 42-44% in 1Q09 from 65% in 4Q08 assuming a 2% QoQ maintenance capacity reduction in 1Q09.

Inventory rebuild from 2Q09

We expect sales to increase 10-15% QoQ in 2Q09 led by customers' inventory restocking for new cost-down solutions. In an early stage of a recovery, some inventory replenishment may emerge even thought the magnitude is moderate and order visibility remains low. Our latest channel checks show that handset chips, WLAN 11n chips, chips for game console, LCD TV controller, and graphics chips may start to pick up in 2Q09 due to migration to 65nm and 40nm. (Figure 1)

Leading semiconductor chip companies need to maintain their market share and margins by adopting advanced nodes for new solutions with more functionalities integrated and favorable pricing. As such, this migration to advanced nodes should favor TSMC and enable further market share gain from 2Q09 onwards.

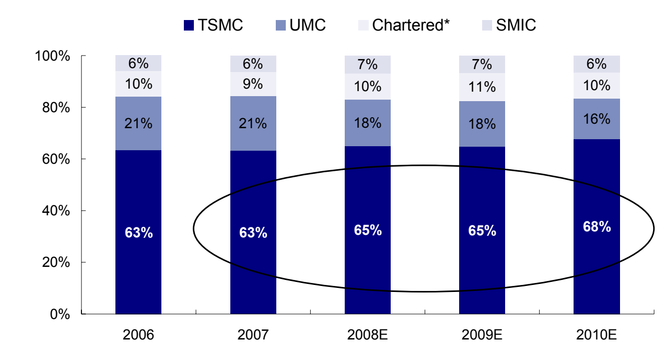
- **PC** – Graphics chips may see material inventory correction in 1Q09 due to weakening end demand. However, we expect Nvidia and AMD to introduce new 40nm cost-down solutions from 2Q09 led by intensified pricing competition, which should benefit TSMC.
- **Communication** –
  1. **Wireless** - We expect orders of 40nm handset chips to grow from 2Q09 as leading handset chip vendors will launch more cost-competitive solutions while inventory could be relatively low by end-1Q09 after a three-quarter correction. For example, Qualcomm has started to ship its new 3.5G handset chips based on TSMC's 40nm node in 1Q09. This should pose more ASP/margin pressure for the other handset chip vendors. Indeed, we are seeing more handset chip vendors shifting to advanced nodes, which is favorable to TSMC because of its strong execution in 65nm and 40nm nodes.
  2. **Wireline** – Broadcom and Atheros are moving from 90nm to 65nm for WLAN 11n controller in 1H09 to enhance price performance in light of rising competition from Asian peers (Ralink and Realtek). If US chip vendors continue to ship legacy products in 2Q09 and 3Q09, they may face more margin pressure. As a result, process migration should speed up from 2Q09 after sharp inventory adjustment in 4Q08 and 1Q09. TSMC should benefit from this uptrend and see better product mix.
- **Consumer** – LCD TV makers will introduce more new models with lower prices and therefore will adopt new cost-down solutions from chip vendors in 1H09. We anticipate an order increase of the new 65nm LCD TV controller with better price performance to pick up from 2Q09. Graphics chips for game console will shift from 65nm to 40nm node from 2Q09 in the wake of severe pricing competition.

Figure 1: Technology migration by products

Product	Prior node	Latest node
Hadnset chips	90/65nm	65/40nm
WLAN 11n controller	90nm	65nm
Graphics chips for game console	65nm	40nm
LCD TV controller	130/90nm	65nm
Graphics chips	65nm	40nm

Source: Deutsche Bank estimates

Figure 2: TSMC's market share among top-4 foundries



Source: Deutsche Bank estimates
*Note: * Includes Chartered's share of its minority-owned joint-venture company SMP (Fab 5)*

TSMC's structural long-term market share gain

TSMC's market share to rise to 68-70% in 2010 from 65% in 2008

We expect TSMC to expand its market share to 68-70% in 2010 from 65% in 2008 driven by increased dominance in advanced nodes (65nm node and below). Our surveys show that more foundry customers are shifting to TSMC from the other tier-two foundries. This stems from rising concerns over tier-two foundries' weakness in 28nm node. It usually takes 1.5-2 years to ramp a new product based on the most advanced node. If foundry customers do not use TSMC's 65nm and 40nm nodes in 1H09, it will be challenging for these companies to introduce 28nm products based on TSMC's solutions from late-2010. This may result in market share loss for those companies which introduce the 28nm product in 2010-11.

More customers are accelerating shift to TSMC for 65nm and 40nm

For instance, Xilinx has been using UMC as the major foundry source but worries about UMC's capability in 40nm and 28nm nodes. Xilinx has approached TSMC for 40nm from late-2008. As Xilinx requests lower pricing than its competitor – Altera (TSMC's current major customer in FPGA) from TSMC for 40nm node, TSMC is unwilling to accept the pricing. This has forced Xilinx to adopt Samsung's 40nm node. However, the yield rate of Samsung's 40nm node appears to be volatile and lacks economics of scale, which we have seen for Samsung's 65nm node due to weak execution. If Xilinx doesn't work with TSMC for 40nm and 28nm nodes in the following 3-4 quarters, we believe Xilinx may experience more margin pressure and lose market share to Altera from 2010. Similarly, MediaTek has been accelerating a shift from UMC to TSMC for 65nm node from end-2008 due to the low yield rate of UMC's 65nm for MediaTek's new mid/low-end single-chip and WCDMA 3G handset solutions. In addition, MediaTek is also concerned about UMC's 40/28nm capability in 2010.

Earnings forecast revision

We cut sales forecasts by 22% and 19% for 2009 and 2010, respectively, to reflect the deteriorating macro picture. We lower gross margin assumptions by 11.3ppt and 5.0ppt in 2009 and 2010, respectively, to factor in a lower utilization rate. Our EPS forecasts fall by 47% to NT$1.30 for 2009 and 28% to NT$2.77 for 2010.

Figure 3: Earnings forecast revision for TSMC

	New		Previous		Diff. (%; New/Previous)	
NT$m	2009E	2010E	2009E	2010E	2009E	2010E
Net sales	212,764	277,483	272,941	343,761	-22%	-19%
Gross Profit	57,194	104,139	95,222	138,778	-40%	-25%
Operating Expense	(26,139)	(30,431)	(32,294)	(36,789)	-19%	-17%
Operating Profit	31,055	73,709	62,928	101,989	-51%	-28%
PBT	37,530	80,949	71,077	112,089	-47%	-28%
Tax	(4,128)	(9,992)	(7,819)	(13,790)	-47%	-28%
PAT	33,402	70,957	63,259	98,298	-47%	-28%
EPS (NT$)	1.30	2.77	2.47	3.84	-47%	-28%
					Diff. (% pt)	
Gross Margin	26.9%	37.5%	38.2%	42.5%	-11.3%	-5.0%
Operating Margin	14.6%	26.6%	26.6%	31.8%	-12.0%	-5.3%
Net Margin	15.7%	25.6%	26.1%	30.3%	-10.4%	-4.7%

Source: Deutsche Bank estimates

Retain Buy

Entry point in 1Q09, long-term re-rating story

The stock has historically traded three months ahead of net profit YoY and loading, which we expect to improve from end-1Q09. This implies buy opportunities in 1Q09. No doubt, no semi companies can be immune to this macro slowdown and demand visibility for 2H09 remains low. However, we see TSMC's structural market share expansion to accelerate during this downturn, which we believe should provide earnings upside and drive valuation multiple expansion in the long term.

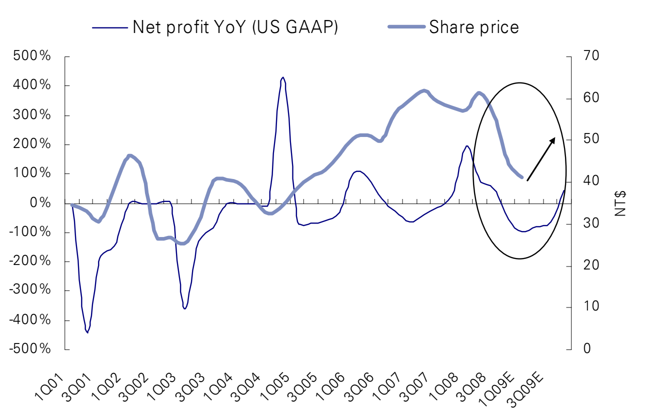
TP basis and investment risks

Our TP is based on 2.7x 2009E PB, which is close to the 2001-08 average. This can be justified by its 2009-10E ROE of 11%, which is close to 13% average ROE during 2001-08. Downside risks include slow ramp-up in 40nm, weaker demand, and sharper ASP pressure. If CPU production and 40/45nm nodes production are delayed to 2H09, this would negatively impact our current model assumptions for loading, shipment, and margin. If ASP decline is higher than our expectation, this would trigger more margin downside risks.

TP analysis for TSMC

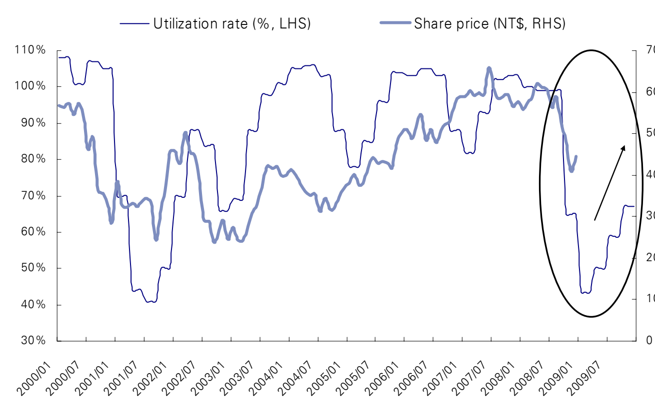
Our TP of NT$48 assumes a 55% utilization rate and 26.9% gross margin in 2009. If TSMC can deliver 75% utilization rate and 28.9% gross margin in 2009, our valuation would rise to NT$86. A 35% utilization rate and 24.9% gross margin in 2009 would generate a NT$16 TP.

Figure 4: Net profit YoY vs. share price for TSMC



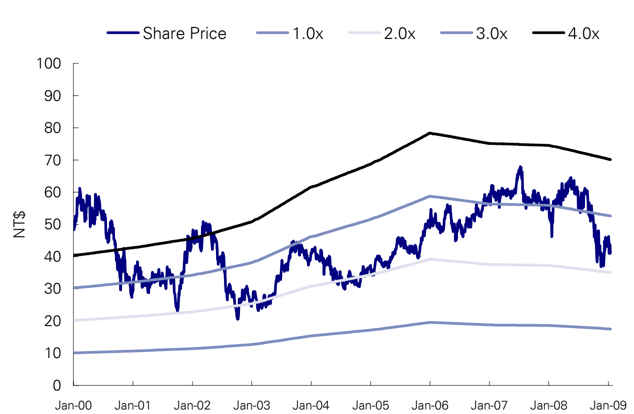
Source: Deutsche Bank estimates, company data

Figure 5: Loading vs. share price for TSMC



Source: Deutsche Bank estimates, company data

Figure 6: Forward PB band for TSMC – US GAAP



Source: Deutsche Bank estimates, company data

Figure 7: TP sensitivity analysis for TSMC

		2009 utilization rate (%)				
		35%	45%	55%	65%	75%
2009 gross margin (%)	24.9%	16	26	38	49	64
	25.9%	22	33	44	55	71
	26.9%	25	38	**48**	59	73
	27.9%	29	41	52	63	78
	28.9%	34	47	58	70	86

Source: Deutsche Bank estimates

Figure 8: Earnings model for TSMC – US GAAP

NT$m	1Q08	2Q08	3Q08	4Q08E	2008E	1Q09E	2Q09E	3Q09E	4Q09E	2009E
Net Sales	87,480	88,137	92,979	64,563	333,159	42,211	48,656	57,247	64,650	212764
Gross Profit	38,239	40,221	43,094	20,420	141,974	5,866	11,154	17,204	22,971	57194
Depreciation & Amortization	(19831)	(20034)	(20686)	(20800)	(81,351)	(20813)	(20914)	(20955)	(21080)	(83762)
Operating Profit	29,123	30,373	32,917	11,833	104,246	(445)	4,697	10,523	16,280	31055
PBT	31,572	32,377	34,430	12,593	110,972	460	6,837	12,193	18,040	37530
Tax	(3,336)	(3,503)	(3,658)	(1,423)	(11,920)	(51)	(752)	(1,341)	(1,984)	(4128)
PAT	28,143	28,771	30,574	11,170	98,658	410	6,085	10,852	16,056	33402
Fully Diluted EPS (NT)	1.10	1.12	1.19	0.44	3.85	0.02	0.24	0.42	0.63	1.30
Fully Diluted EPS (US; ADR)	0.17	0.18	0.19	0.07	0.61	0.00	0.04	0.06	0.09	0.20
Margin (%)										
Gross Margin	43.7%	45.6%	46.3%	31.6%	42.6%	13.9%	22.9%	30.1%	35.5%	26.9%
Depreciation	22.7%	22.7%	22.2%	32.2%	24.4%	49.3%	43.0%	36.6%	32.6%	39.4%
Operating Margin	33.3%	34.5%	35.4%	18.3%	31.3%	-1.1%	9.7%	18.4%	25.2%	14.6%
Net Margin	32.2%	32.6%	32.9%	17.3%	29.6%	1.0%	12.5%	19.0%	24.8%	15.7%
Growth (%)										
Sales YoY	35%	18%	5%	-31%	3%	-52%	-45%	-38%	0%	-36%
PAT YoY	198%	79%	46%	-56%	38%	-99%	-79%	-65%	44%	-66%
Sales QoQ	-7%	1%	5%	-31%		-35%	15%	18%	13%	
PAT QoQ	12%	2%	6%	-63%		-96%	1386%	78%	48%	

Source: Deutsche Bank estimates, company data

Appendix 1

Important Disclosures

Additional information available upon request

Disclosure checklist			
Company	**Ticker**	**Recent price***	**Disclosure**
TSMC	2330.TW	41.45 (TWD) 17 Jan 09	2,6,8

*Prices are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is sourced from Deutsche Bank and subject companies.

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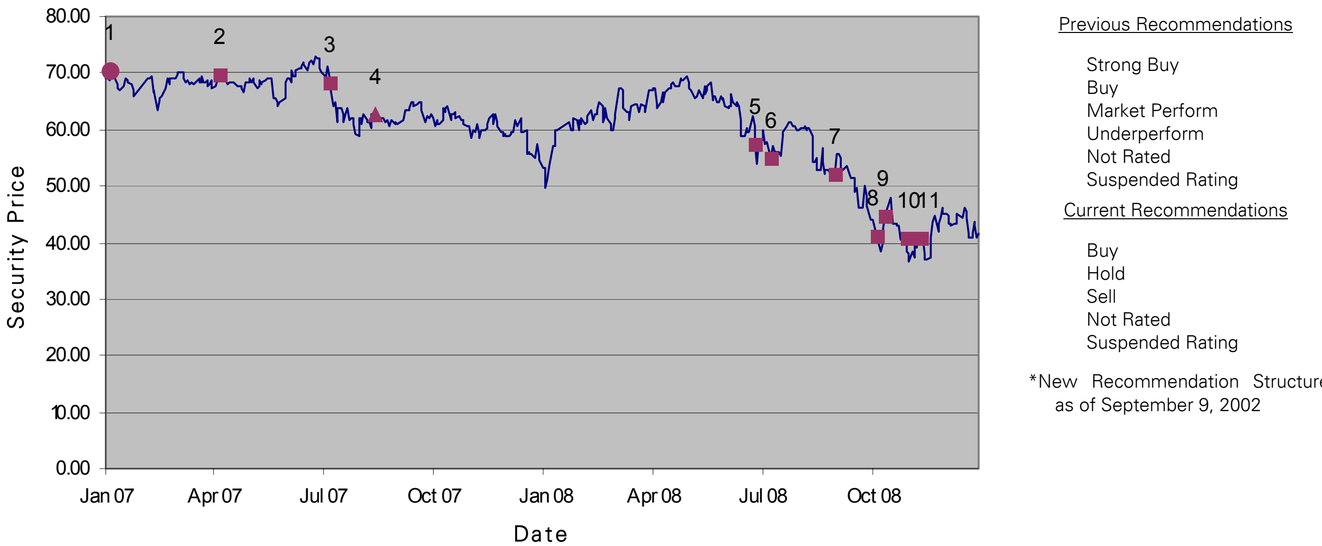
Historical recommendations and target price: TSMC (2330.TW)

(as of 17/01/2009)



1.	25/1/2007:	Downgrade to Hold, Target Price Change TWD71.00
2.	27/4/2007:	Hold, Target Price Change TWD75.00
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6.	29/7/2008:	Buy, Target Price Change TWD74.00
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8.	24/10/2008:	Buy, Target Price Change TWD56.00
9.	31/10/2008:	Buy, Target Price Change TWD55.00
10.	18/11/2008:	Buy, Target Price Change TWD51.00
11.	1/12/2008:	Buy, Target Price Change TWD48.00

Equity rating key

Buy: Based on a current 12- month view of total share-holder return (TSR = percentage change in share price from current price to projected target price plus projected dividend yield) , we recommend that investors buy the stock.
Sell: Based on a current 12-month view of total share-holder return, we recommend that investors sell the stock
Hold: We take a neutral view on the stock 12-months out and, based on this time horizon, do not recommend either a Buy or Sell.
Notes:
1. Newly issued research recommendations and target prices always supersede previously published research.
2. Ratings definitions prior to 27 January, 2007 were:
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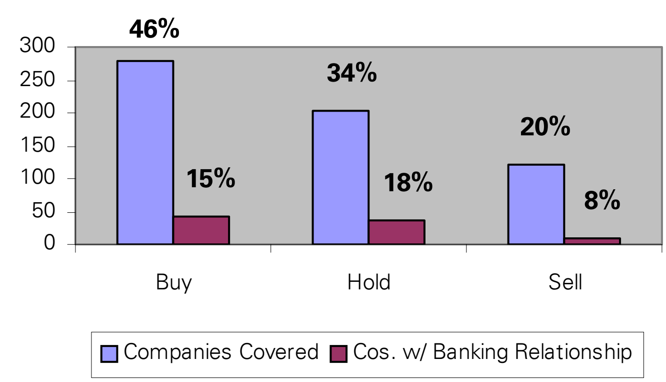
   Sell: Expected total return (including dividends) of -10% or worse over a 12-month period

Equity rating dispersion and banking relationships



Asia-Pacific Universe

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