

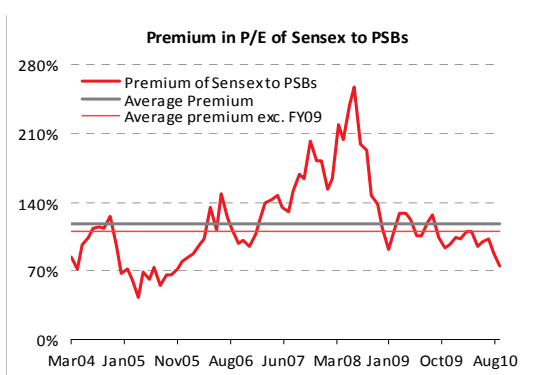
Banks

Rally could extend in select public sector banks

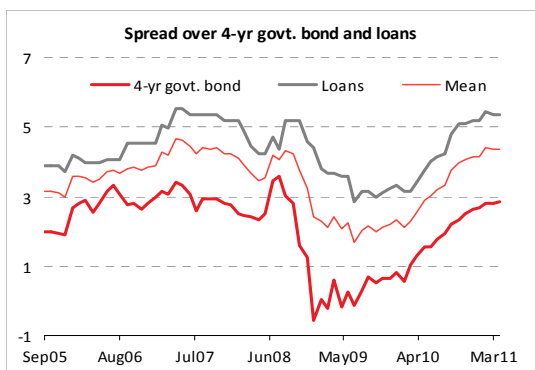
Sector Update

September 3, 2010		1-m	3-m	1-yr
Sensex	18,221	0.6	7.0	18.3
Nifty	5,479	0.7	7.2	19.3
Bankex	12,471	16.7	22.3	51.3

Performance of Bankex, Sensex, PSBs and rise in Repo rate				
(%)	Rise in Repo rate	Performance of Bankex	Performance of Sensex	Performance of PSBs
Sep05-Sep08	3.00	26.4	48.9	37.9
Sep05-Sep06	1.00	17.8	44.2	10.3
Sep06-Sep07	0.75	56.8	38.8	48.7
Sep07-Sep08	1.25	-31.6	-25.6	-15.9
Sep05-Mar06	0.50	2.7	30.6	-0.5
Feb10-Aug10	1.00	24.0	9.4	33.9



Quarterly performances of key indices and groups of PSBs					
	Group I	Group II	Group III	Bankex	Sensex
Mar09	-20.1	-22.6	-18.1	-17.7	0.6
Jun09	74.1	79.9	65.5	82.8	49.3
Sep09	12.7	22.1	27.8	20.0	18.2
Dec09	8.5	-1.9	4.1	1.8	2.0
Mar10	13.1	-2.0	-7.4	6.2	0.4
Jun10	10.0	9.1	11.4	1.1	1.0
Aug10	14.1	18.4	24.3	13.2	1.5



The recent run-up in bank stocks comes on the heels of the strongest rally in seven years. The premium of the Sensex P/E over the Bankex is now close to its low, implying little room for the rally to extend. However, public sector banks could continue to outperform. Risks to the rally are posed by the rise in NPL ratios and rates. Historically, bank stocks underperform the Sensex during a phase of rising policy rates. A lead indicator of the end to the rally is visible in the outperformance of banks whose net NPL is high relative to their network. Precedents point to a fall in the Bankex after such a phase. A protective factor could be the likely expansion in the interest spread for up to five more months. We have applied the quality filter to identify stocks whose outperformance and re-rating is justified by their fundamentals such as net NPL/networkth.

Rally could extend in public sector banks

The recent run-up in bank stocks follows the strongest rally seen in the sector in seven years, in duration as well as in the extent of outperformance to the Sensex. The premium of the Sensex P/E to the Bankex has now fallen close to its seven-year low, implying there is little room for further contraction in the premium. So, the rally in the Bankex may not extend for much longer. However, the premium of the Sensex P/E to that of public sector banks stays relatively well above its low. Hence, the outperformance of public sector banking stocks has the potential to continue.

Headwinds building up; a lead indicator of an end to the rally is visible

The risks to the rally are posed by the upturn in NPL ratios and interest rates. The 100-bp rise in the repo rate during the past six months has been seemingly ignored during this rally. History reveals that bank stocks underperform during the rising phase in policy rates. A lead indicator of a possible end to this rally is the outperformance of banks with poor asset quality. Our analysis reveals that quarters with outperformance by banks whose net NPL is high relative to their network has been followed by underperformance of the Bankex. We have applied the quality filter to identify stocks whose outperformance and re-rating is justified by their fundamentals such as net NPL/networkth.

Likely expansion of interest spread could limit potential downside

Prime lending rates of banks have, until now, not kept pace with the rise in the repo rate. The previous upward phase in rates had seen PLRs rise more than the repo rate. Deposit rates have risen more than PLRs in the past two quarters. Yet, the interest spread of Indian banks has now been expanding for six months. We estimate the expansion could persist for another five months, if there is no change in lending and deposit rates. The more likely scenario of a 75-bp rise in the repo rate by end Mar11, and the consequent rise in lending and deposit rates, would expand rates for another seven months. This could help protect the profitability of banks against threats that could be posed by elements such as contraction in fees and a rise in provisions.

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Rally could extend in public sector banks

The recent run-up in bank stocks follows the strongest rally seen in the sector in seven years, in duration as well as in the extent of outperformance to the Sensex. The premium of the Sensex P/E to the Bankex has now fallen close to its seven-year low, implying there is little room for further contraction in the premium. So, the rally in the Bankex may not extend for much longer. However, the premium of the Sensex P/E to that of public sector banks stays relatively well above its low. Hence, the outperformance of public sector banking stocks has the potential to continue.

Exhibit 1: Performance of the Bankex and key fundamental indicators

(%)	No. of months during which Bankex outperformed	Outperformance / (underperformance)	Increase/ (decrease in repo rate)	Increase/ (decrease in CRR)	Gross NPL ratio	Net NPL ratio
FY04	8	26.0	1.00	-2.50	7.2	2.9
FY05	6	5.9	0.00	0.50	5.2	2.0
FY06	2	-33.0	0.50	0.00	3.3	1.2
FY07	8	16.2	1.75	1.00	2.5	1.0
FY08	6	-0.6	0.00	1.00	2.3	1.0
FY09	6	-5.2	-2.75	-2.75	2.3	1.1
FY10	9	33.7	0.00	0.75	2.3	1.2
FY11 (till Aug10)	3	6.9	0.75	0.25	2.6	1.2

Source: RBI, Bloomberg, Avendus Research

Recent run-up comes on the heels of strongest rally in seven years

FY10 had strongest rally in Bankex despite rising net NPL ratios.

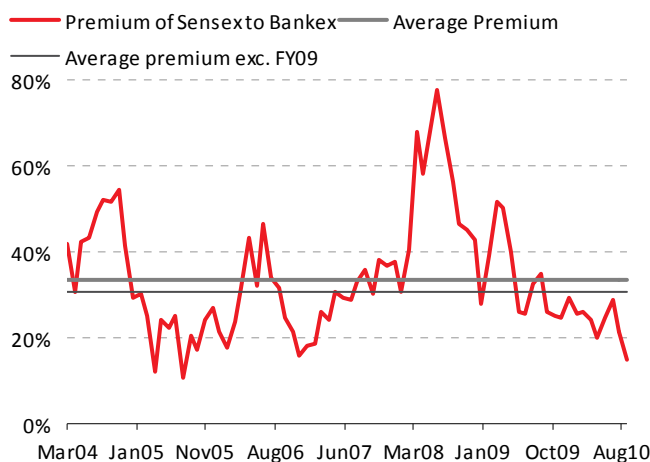
The recent run-up in bank stocks during Jul10-Aug10 followed the strongest rally in banks during the past seven years. Also, the duration of the rally was longest in FY10, with the Bankex outperforming the Sensex for nine months by 33.7%. This period had stable interest rates, but rising net NPL ratios. In the current fiscal, the Bankex has outperformed the Sensex by 6.9% till date. This period saw rising interest rates and increasing NPL ratios.

Premium of Sensex to Bankex in Aug10 remains close to the seven-year low

The rally in Bankex has led to the sharp decline in premium of Sensex P/E over Bankex.

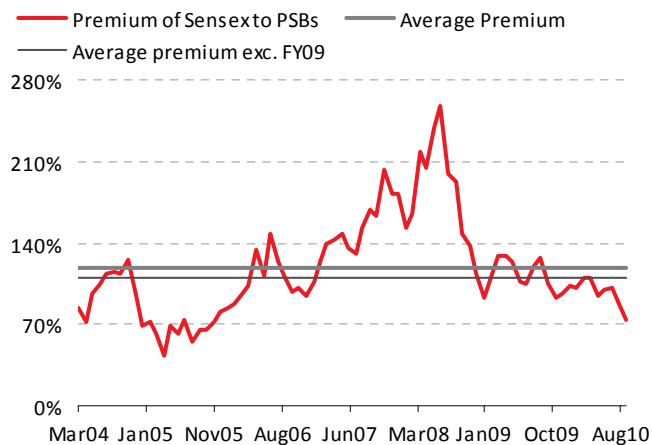
The premium in the one-year forward P/E of the Sensex to the Bankex has stayed below the seven-year average of 33.7% since May09. Also, the premium declined sharply in recent months and was at 14.7% at end Aug10. It was close to the seven-year low of 10.7%. Therefore, the rally in the Bankex may not extend for much longer.

Exhibit 2: Premium in P/E of the Sensex to that of the Bankex (%)



Source: Bloomberg, Avendus Research

Exhibit 3: Premium in P/E of the Sensex to that of PSBs (%)



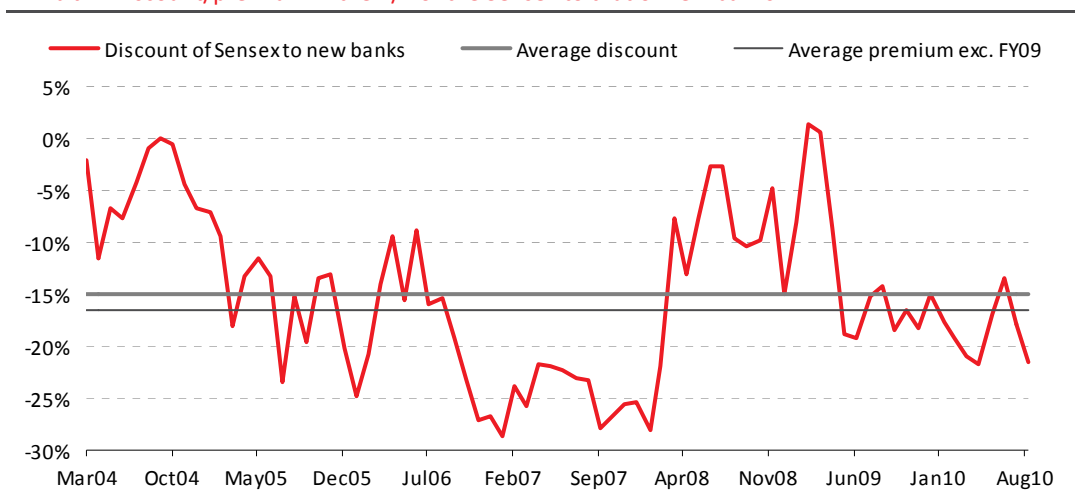
Source: Bloomberg, Avendus Research

Rally in PSBs may last longer than that in private peers

The premium in P/E of Sensex to the Bankex is much above the trough in the past 7 years ...

Since Dec08, the premium in the one-year forward P/E of the Sensex to that of public sector banks (PSBs) has stayed either close to or below the seven-year average of 118.2%. This reflects that the rally in PSBs may extend for a longer duration than that in private banks. However, despite the decline (refer Exhibit 3), the premium in the P/E of the Sensex to that of PSBs was at 74.6% at end Aug10, higher than the seven-year low of 43.6%. In the recent rally, PSBs have outperformed the Sensex and the Bankex for the past consecutive five months, while new private banks have outperformed the Sensex only during the past two months. Also, new private banks have underperformed the Bankex. The rally in PSBs may extend further than that for their private counterparts since the premium in the P/E of the Sensex to the Bankex is still above the trough in the past seven years.

Exhibit 4: Discount/premium in the P/E of the Sensex to that of new banks



Source: Company, Avendus Research

Exhibit 5: Monthly performance of the Bankex, the Sensex and bank groups (%)

	Bankex	Sensex	PSBs	New private banks	Old private banks
Apr09	26.6	17.5	20.6	30.1	33.2
May09	45.3	28.3	43.7	46.4	40.9
Jun09	-0.6	-0.9	-2.5	0.5	1.2
Jul09	3.1	8.1	1.8	4.0	-3.6
Aug09	-1.4	0.0	-2.7	-0.1	-8.8
Sep09	18.1	9.3	23.1	17.2	13.9
Oct09	-5.3	-7.2	-0.6	-8.0	-5.1
Nov09	7.6	6.5	5.0	9.5	-2.2
Dec09	-0.1	3.2	-0.3	-0.1	0.6
Jan10	-3.8	-6.3	-4.7	-1.8	6.3
Feb10	1.8	0.4	-2.8	4.8	-0.7
Mar10	8.4	6.7	6.9	9.4	4.3
Apr10	4.7	0.2	9.3	2.7	10.9
May10	-4.5	-3.5	-2.7	-5.9	19.7
Jun10	1.0	4.5	2.3	0.5	-4.8
Jul10	7.2	0.9	8.3	7.1	4.8
Aug10	5.4	0.3	9.1	4.8	-0.7

Source: Company, Avendus Research

... which may extend the rally in PSBs more than private banks.

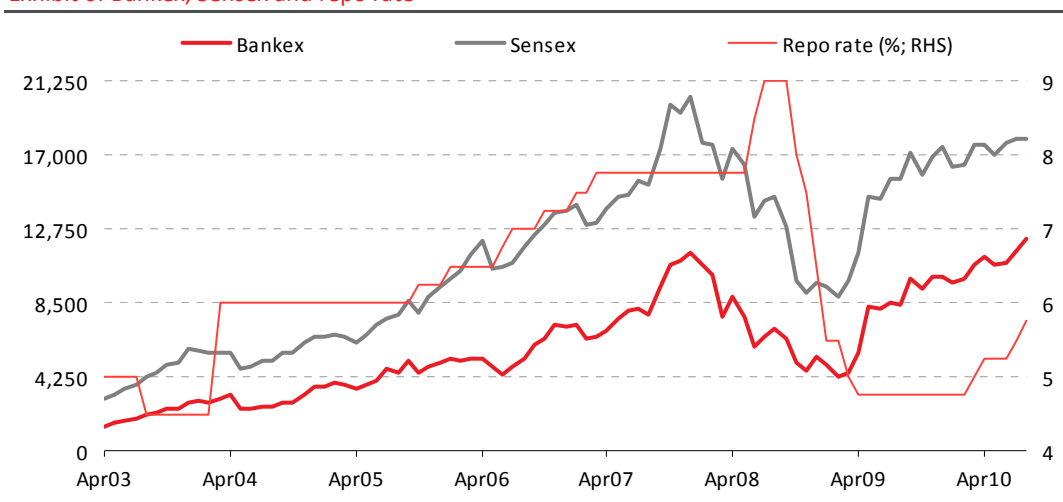
Headwinds building up; a lead indicator of end to the rally is visible

The risks to the rally are posed by the upturn in NPL ratios and interest rates. The 100-bp rise in the repo rate during the past six months has been seemingly ignored during this rally. History reveals that bank stocks underperform during the rising phase in policy rates. A lead indicator of a possible end to this rally is the outperformance of banks with poor asset quality. Our analysis reveals that quarters with outperformance by banks whose net NPL is high relative to their network has been followed by underperformance of the Bankex. We have applied the quality filter to identify stocks whose outperformance and re-rating is justified by their fundamentals such as net NPL/networkth.

Risks to the rally posed by interest rates and NPLs

The repo rate has been raised by 100-bp since Feb10. We may still be in a very early phase of the rising interest rate cycle. As we advance further into the cycle, data suggests that the extent of the outperformance during recent months may decrease.

Exhibit 6: Bankex, Sensex and repo rate



Source: Company, Avendus Research

Bankex historically underperforms in the initial phase of rising interest rates

The previous phase of a rise in the repo rate has seen the Bankex significantly underperform for 36 months. The initial 12 months (ended Sep06) saw the largest underperformance. There was a 300-bp rise in the repo rate between Sep05 and Sep08. The performance varied during the various stages of the rally. The Bankex underperformed during the initial 12 months when the repo rate was raised by 100-bp, but outperformed during Sep06-Sep07 when the repo rate was raised by 75-bp. During Sep07-Sep08, there was the largest rise of 125-bp in the repo rate, which was accompanied by underperformance of the Bankex.

Exhibit 7: Rise in repo rate and performance of the Bankex and Sensex

	Rise in Repo rate	Performance of Bankex Index	Performance of Sensex Index	Performance of PSBs	Performance of new banks
Sep05-Sep08	3.00	26.4%	48.9%	37.90%	82.40%
Sep05-Sep06	1.00	17.8%	44.2%	10.30%	35.07%
Sep06-Sep07	0.75	56.8%	38.8%	48.70%	92.90%
Sep07-Sep08	1.25	-31.6%	-25.6%	-15.90%	-32.30%
Sep05-Mar06	0.50	2.7%	30.6%	-0.49%	18%
Feb10-Aug10	1.00	24.0%	9.4%	33.90%	25.60%

Source: Company, Avendus Research

The outperformance of the Bankex during past 6 months is at odds with the trend seen during the previous rising rate cycle.

The past six months have seen the start of another upturn in the interest rate cycle. The strong outperformance of the Bankex during this phase is at odds with the trend seen between Sep05 and

Mar06. As the rise in the repo rate increases, the extent of outperformance by the Bankex is likely to decrease.

Rising NPL ratios may be another risk to the banking rally

Previous rallies in the Bankex were accompanied by declining NPL ratios. However, the trend has reversed since FY09, when NPL ratios for most banks started rising (refer Exhibit 1). Rising NPL ratios may be an additional factor, apart from interest rates, which may lead to the end of the rally or lower the extent of outperformance of the Bankex.

Rally in weak banks followed by underperformance of the Bankex

Historically, a rally in banks with high net NPL/networth has been followed by their underperformance. Also, the period of outperformance of weak banks is followed by the underperformance of the Bankex (refer Exhibit 8). The rally in weak banks during the quarters ended Sep05, Mar06, Dec06, Jun07, Sep07, Dec07 and Sep09 indicate such a trend.

We classify 19 PSBs into three groups, with Group-I consisting of the six strongest banks with the lowest net NPL/networth. Group-II consists of another six banks with net NPL/networth higher than that of Group I. Group-III consists of the seven weakest banks with the highest net NPL/networth. The composition of each group varies in each fiscal, depending on the trend in the net NPL/networth.

The period of outperformance of weak banks has been followed by the underperformance of the Bankex.

The outperformance of the weakest PSBs has now extended for the second consecutive quarter.

There has been only one instance since the Jun05 quarter when the outperformance extended beyond two quarters.

	Group-I	Group-II	Group-III	Bankex	Sensex
Jun05	-7.1%	4.5%	-3.3%	4.3%	10.8%
Sep05	14.5%	29.1%	28.1%	27.7%	20.0%
Dec05	-3.0%	-4.4%	-5.5%	-0.8%	8.8%
Mar06	-1.9%	5.2%	6.4%	3.6%	20.0%
Jun06	-25.3%	-28.2%	-25.4%	-17.4%	-5.9%
Sep06	53.5%	49.1%	43.7%	38.9%	17.4%
Dec06	-8.6%	-8.3%	18.2%	17.3%	10.7%
Mar07	-11.0%	-2.4%	-18.7%	-7.7%	-5.2%
Jun07	19.5%	30.9%	47.8%	22.4%	12.1%
Sep07	12.7%	20.3%	33.6%	18.2%	18.0%
Dec07	24.5%	12.9%	22.0%	20.6%	17.3%
Mar08	-28.5%	-37.2%	-22.2%	-32.4%	-22.9%
Jun08	-23.9%	-28.3%	-29.6%	-23.3%	-14.0%
Sep08	30.9%	17.1%	27.3%	9.5%	-4.5%
Dec08	-0.9%	0.1%	-12.5%	-15.8%	-25.0%
Mar09	-20.1%	-22.6%	-18.1%	-17.7%	0.6%
Jun09	74.1%	79.9%	65.5%	82.8%	49.3%
Sep09	12.7%	22.1%	27.8%	20.0%	18.2%
Dec09	8.5%	-1.9%	4.1%	1.8%	2.0%
Mar10	13.1%	-2.0%	-7.4%	6.2%	0.4%
Jun10	10.0%	9.1%	11.4%	1.1%	1.0%
Aug10	14.1%	18.4%	24.3%	13.2%	1.5%

Source: Company, Avendus Research. Note: Group-I has lowest net NPL/networth; Group-III has highest net NPL/networth

Outperformance of weak banks indicates the rally may end soon

The outperformance of the weakest banks (Group-III) during the past five months and Group-II during the past two months indicates that the rally in banks may be in its final stage.

Only one instance of outperformance extending beyond two quarters

The outperformance of the weakest PSBs has now extended for the second consecutive quarter. There has been only one instance since the Jun05 quarter when the outperformance extended beyond two quarters (during Jun07-Dec07).

Rally could extend for another quarter, followed by a significant pullback

Data suggests the rally may extend for another quarter, followed underperformance of weak banks and the Bankex.

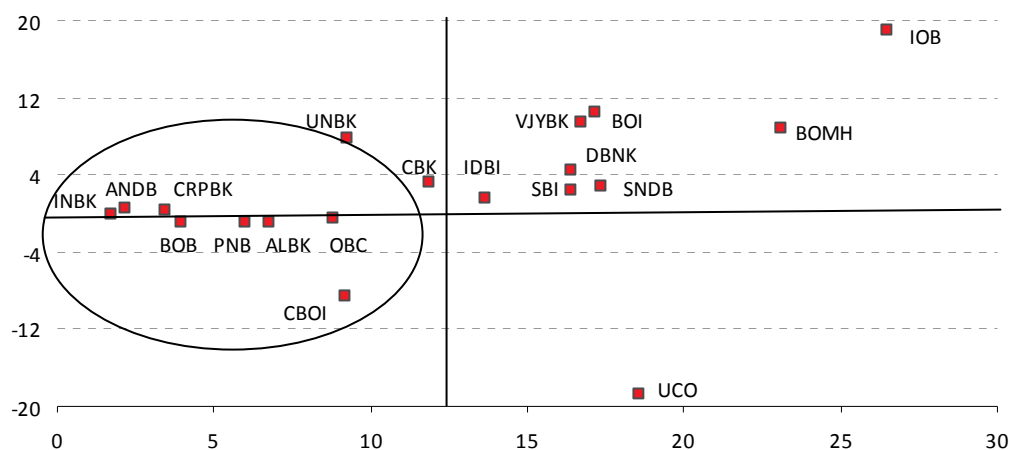
Select banks deserved their re-rating

A few banks deserved their re-rating during the past five months due to a significant improvement in their asset quality over the past two years.

A few banks deserved their re-rating during the past five months due to a significant improvement in their asset quality over the past two years. The net NPL/networth is lowest for Indian Bank (INBK IN, NR), Andhra Bank (ANDB IN, NR), Corporation Bank (CRPBK IN, Buy), Bank of Baroda (BOB IN, Buy), Punjab National Bank (PNB IN, Hold), Allahabad Bank (ALBK IN, NR), Oriental Bank of Commerce (OBC IN, NR) and Central Bank of India (CBOI IN, NR). Also, their net NPL/networth has either declined during the past two years or has stabilized (refer Exhibit 9).

Of the eight banks, the prices of ALBK, ANDB, INBK and OBC have appreciated in line or in excess of the average appreciation for the 19 PSBs since Mar10. Though the price change for PNB and BOB has been lower than the average, they trade at a P/B that is above the mean for PSBs. This reflects their strength in asset quality.

Exhibit 8: Net NPL/networth vs. change in Net NPL/net worth between Mar08 and Mar10 for PSBs

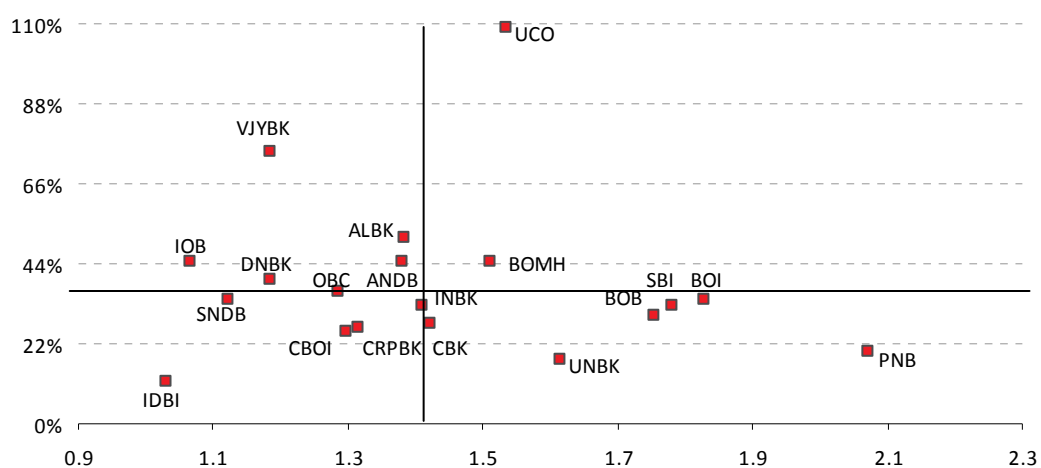


Source: Company, Avendus Research

Rally in few stocks may be unjustified

The higher-than-average price appreciation in Vijaya Bank (VJYBK IN, NR), Bank of Maharashtra (BOMH IN, NR) and Indian Overseas Bank (IOB IN, NR) since Mar10, despite the sharp rise in the net NPL/networth, was unjustified. However, the relative lower P/B of IOB and VJYBK reflects the poor asset quality. Though UCO Bank (UCO IN, NR) had high net NPL/networth compared to peers, it had the largest decline in net NPL/networth during the past two years. This correlates with UCO's largest price appreciation since Mar10.

Exhibit 9: P/B vs. change in price between 31 Mar10 and 2 Sep10



Source: Company, Avendus Research

Defensives among mid-size and large PSBs

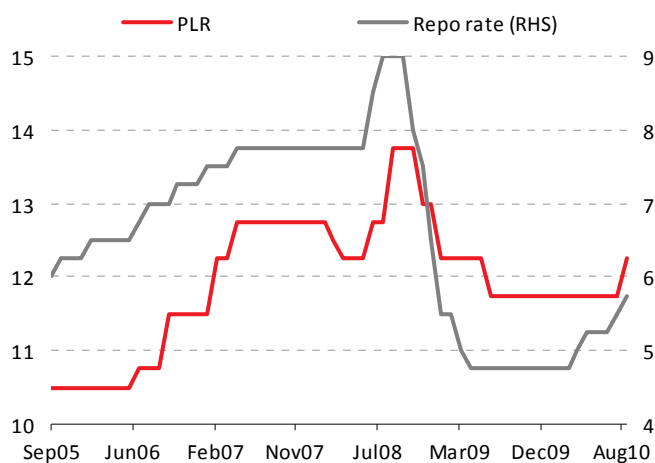
INBK, ANDB, CRPBK, ALBK, OBC and CBOI may be defensive plays among mid-sized PSBs due to their low net NPL/networth and low valuation. Among large PSBs, BOB may be a defensive player, with low net NPL/networth and a relatively low percentage of restructured loans (4.5% at end Jun10) compared to PNB (6.5% of restructured loans at end Jun10).

Among large PSBs, BOB may be a defensive player, with low net NPL/networth.

Expansion of interest spread could limit downside, if rally halts

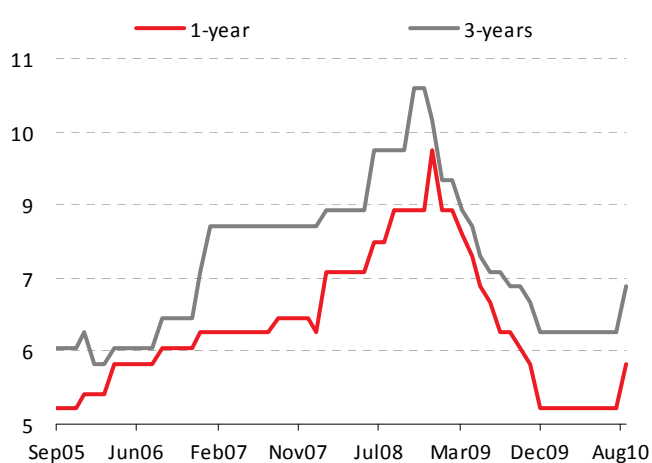
Prime lending rates of banks have, until now, not kept pace with the rise in the repo rate. The previous upward phase in rates had seen PLRs rise more than the repo rate. Deposit rates have risen more than PLRs in the past two quarters. Yet, the interest spread of Indian banks has now been expanding for six months. We estimate the expansion could persist for another five months, if there is no change in lending and deposit rates. The more likely scenario of a 75-bp rise in the repo rate by end Mar11, and the consequent rise in lending and deposit rates, would expand rates for another seven months. This could help protect the profitability of banks against threats that could be posed by elements such as contraction in fees and a rise in provisions.

Exhibit 10: PLR and repo rate



Source: Company, Avendus Research

Exhibit 11: One-year and three-year deposit rates



Source: Company, Avendus Research

The more likely scenario of a 75-bp rise in the repo rate by end Mar11, and the consequent rise in lending and deposit rates, would expand rates for another seven months.

Assuming 75-bp rise in repo rate, spread may expand till 4QFY11f

We assume the repo rate to rise by 25-bp in Oct10 and by 50-bp in Jan11. The PLR and deposit rates are assumed to rise by 50-bp and 75-bp, respectively. We also assume the one-year and three-year deposits to get re-priced with a lag of 6 months and 15 months, respectively. Assuming 65% of the deposits are term deposits and 22% are savings deposits, the cost of deposits is likely to continue declining till Jan11. The Mar11 quarter is likely to be an inflection point for a rise in the cost of deposits and a decline in the spread between the deposit cost and loan yield. Also, the spread between the cost of deposits and the four-year government bonds is likely to rise till the Mar11 quarter, assuming a 50-bp rise in the four-year bond yields.

Though repo was raised by 100-bp since Feb10, PLR only hiked by 50-bp

Besides PNB, all other banks hiked their PLR by just 50-bp, lower than the 100-bp rise in the repo rate since Feb10. However, in the previous cycle of rising interest rates (between Sep05 and Sep08), the PLR was raised by 325-bp, exceeding the total increase in the repo rate (300-bp). During Sep05-Sep06, the PLR hike was equal to the rise in the repo rate (100-bp). However, between Sep06 and Sep07, the PLR was hiked by 125-bp, while the repo rate was only raised by 75-bp.

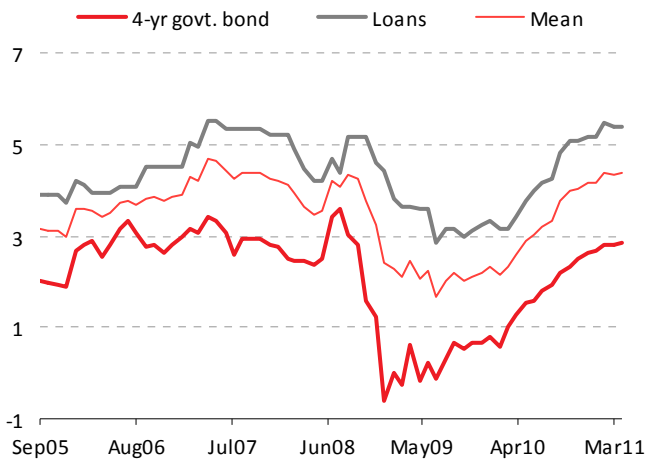
Pace of rise in PLR may increase with a further rise in rates

We are still in the early cycle of rising interest rates; the repo rate has only been hiked by 100-bp since Feb10. As the rise in the repo rate increases, there may be a similar rise in the PLR.

75-bp rise in the one-year and three-year deposit rate since Feb10

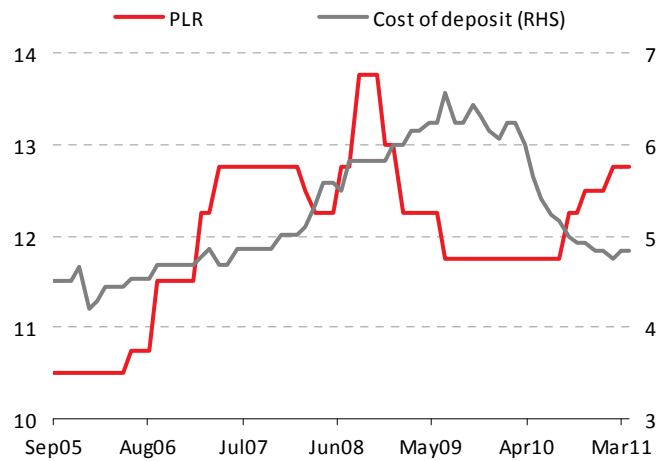
Deposit rates are rising faster as the loan/deposit ratio is near its peak of 72.6% as of 16 Aug10. Banks have raised deposits rates across various maturities by 50-bp to 150-bp. Large PSBs have raised their one-year and three-year deposit rates by 75-bp.

Exhibit 12: Spread over loans, 4-yr govt. bond



Source: Company, Avendus Research

Exhibit 13: PLR and cost of deposit



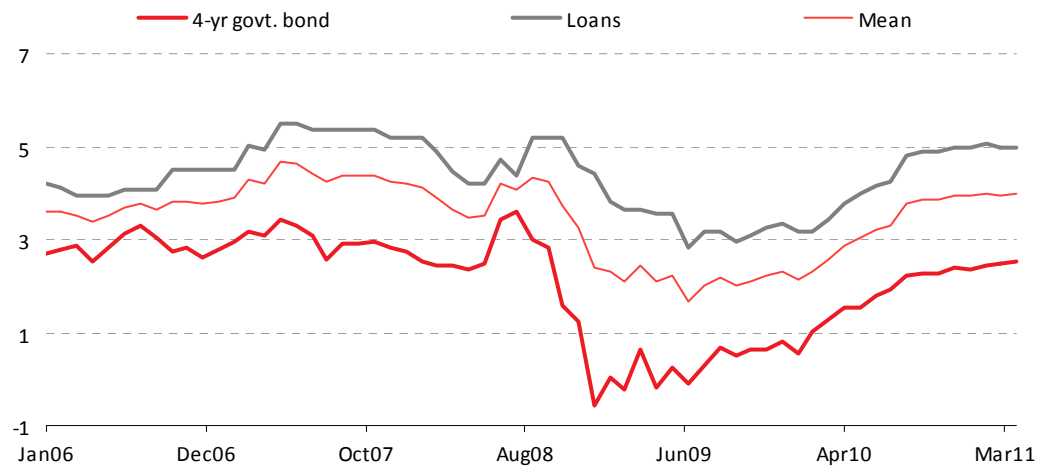
Source: Company, Avendus Research

If rates remain unchanged, spread may stabilize at lower level

If the rally halts, the downside may be limited due to the positives emerging from the rise in spread.

If interest rates remain unchanged, the spread may stabilize at a lower level of c5% from Sep10 onwards. Thus, a further rise in rates is likely to result in a further rise in spread. As mentioned in the previous chapter, if the rally halts, the downside may be limited due to the positives emerging from the rise in spread.

Exhibit 14: Spread over loans and four-year government bonds, assuming rates remain unchanged



Source: Company, Avendus Research

Risk factors

- ▶ Significant decline in profitability of PSBs in the Sep quarter results due to sharp rise in loan-loss provisions and treasury losses may lead to their underperformance.
- ▶ If the extent and pace of rise in PLR and deposit rate varies from our assumption, then the period of rise in spread may vary.

Annexure I

Exhibit 15: NNPL/ networth (%) and one-year forward P/B (x)

	----- Net NPL/ Networth (%) -----						----- P/ B (x) -----						
	Mar05	Mar06	Mar07	Mar08	Mar09	Mar10	Mar05	Mar06	Mar07	Mar08	Mar09	Mar10	Sep10
Public sector banks													
Indian Bank	4.3	7.1	2.6	1.9	1.3	1.7	0.0	0.0	0.8	1.0	0.4	1.0	1.4
Andhra Bank	2.9	11.9	8.5	1.6	4.1	2.2	1.8	1.2	1.1	1.0	0.5	1.0	1.4
Corporation Bank	6.8	4.6	3.8	3.0	2.8	3.4	1.6	1.5	1.0	0.8	0.5	1.0	1.3
Bank of Baroda	11.5	6.8	6.0	5.0	3.5	4.0	1.0	1.0	0.9	0.8	0.6	1.4	1.8
Punjab National Bank	1.5	2.3	7.2	7.0	2.0	6.0	1.4	1.5	1.4	1.2	0.8	1.7	2.1
Allahabad Bank	11.8	6.7	9.9	7.6	7.2	6.8	1.1	0.8	0.6	0.6	0.2	0.9	1.4
Oriental Bank of Commerce	9.9	3.2	3.9	9.4	6.0	8.8	1.5	1.0	0.8	0.6	0.3	0.9	1.3
Central Bank of India	25.1	28.2	23.2	17.8	16.5	9.2				0.6	0.2	1.0	1.3
Union Bank of India	28.9	18.3	11.5	1.5	3.8	9.3	1.3	1.2	0.7	0.8	0.7	1.4	1.7
Canara Bank	18.4	12.3	8.9	8.6	12.3	11.9	1.1	1.0	0.7	0.7	0.5	1.1	1.4
IDBI Bank	13.0	8.4	8.4	12.1	10.1	13.7	1.0	0.7	0.6	0.7	0.3	0.9	1.1
State Bank of India ©	18.5	16.3	15.0	14.1	15.4	16.4	0.9	1.1	1.0	1.4	0.8	1.3	1.9
Dena Bank	53.3	32.3	24.3	12.0	14.5	16.4	0.7	0.7	0.6	0.7	0.4	0.8	1.2
Vijaya Bank	5.4	8.5	7.5	7.3	9.2	16.7	1.7	1.2	0.8	0.8	0.3	0.7	1.2
Bank of India	36.1	20.1	14.1	6.7	5.4	17.2	1.2	1.2	1.1	1.2	1.0	1.4	1.9
Syndicate Bank	19.4	11.1	10.8	14.5	12.5	17.4	0.0	1.3	0.8	0.8	0.4	0.8	1.2
UCO Bank	38.8	31.9	37.8	37.3	20.5	18.5	1.0	0.8	0.6	0.6	0.3	0.7	1.5
Bank of Maharashtra	18.6	21.3	15.9	14.3	10.8	23.1	0.9	0.8	0.9	0.9	0.3	1.0	1.5
Indian Overseas Bank	12.7	7.1	6.5	7.4	16.8	26.5	1.3	1.3	1.2	1.0	0.3	0.7	1.1
New private banks													
Yes Bank	-	-	0.0	0.6	2.5	0.4	0.0	3.1	0.0	3.1	0.5	2.5	3.3
HDFC Bank	1.3	2.9	3.2	2.6	4.2	1.8	3.2	3.9	3.0	3.8	2.1	3.6	4.2
Axis Bank	9.0	7.5	7.8	2.8	3.2	2.6	2.4	3.1	2.0	2.8	1.1	2.6	3.0
IndusInd Bank	29.3	22.5	25.9	21.5	10.8	4.2	1.7	1.4	1.0	2.5	0.7	2.4	3.1
Kotak Mahindra Bank	2.1	1.8	11.7	7.7	10.2	4.5	1.9	2.8	2.8	3.3	1.2	2.7	3.1
ICICI Bank	12.0	4.7	8.2	7.5	9.2	7.4	1.3	1.8	1.7	1.4	0.6	1.5	1.5
Development Credit Bank	67.9	51.2	13.0	4.2	21.2	16.8	0.0	0.0	1.9	2.5	0.6	1.0	1.6
Old private banks													
Karur Vysya Bank	10.3	5.1	1.3	1.6	2.3	1.9	0.8	0.9	1.2	1.3	0.7	1.3	1.9
Jammu & Kashmir Bank	9.7	7.2	9.4	9.1	11.2	2.1	1.0	1.1	1.4	1.3	0.5	1.0	1.3
Federal Bank	26.8	9.4	4.0	1.0	1.6	2.7	1.1	1.2	0.7	0.9	0.5	0.9	1.2
South Indian Bank	44.7	18.9	10.9	2.7	10.0	4.1	0.7	0.6	0.8	1.0	0.4	1.2	1.4
City Union Bank	18.2	17.4	9.9	7.8	9.2	4.8	0.1	0.1	0.8	1.4	0.5	1.3	2.1
Dhanalakshmi Bank	48.2	33.3	22.5	11.0	6.8	9.5	0.0	0.7	0.8	0.9	0.7	1.4	1.9
Karnataka Bank	14.8	8.4	9.3	7.9	7.5	10.3	0.8	1.0	1.5	1.6	0.5	0.9	1.3
Lakshmi Vilas Bank	50.4	19.3	14.6	14.8	14.3	34.9	0.8	0.8	0.7	0.8	0.6	1.0	1.6

Source: Company, Avendus Research

Annexure II

Exhibit 16: Monthly performance of the banks (%)

	Aug09	Sep09	Oct09	Nov09	Dec09	Jan10	Feb10	Mar10	Apr10	Apr09	Jun10	Jul10	Aug10
Public sector banks													
Indian Bank	-4.8	19.7	-4.7	5.7	5.9	2.9	-8.7	6.9	28.5	22.6	-1.6	-0.5	10.3
Andhra Bank	-3.1	18.6	6.4	1.6	-9.0	1.8	-6.7	9.2	22.3	22.9	-4.8	10.2	4.3
Corporation Bank	12.7	8.3	0.2	5.2	-5.5	0.9	3.6	9.1	13.2	19.8	-3.0	8.9	-0.1
Bank of Baroda	-0.5	11.3	5.7	2.7	-1.7	12.0	1.4	9.5	8.3	39.5	-1.2	7.2	7.4
Punjab National Bank	-1.1	16.9	7.0	5.9	0.3	-0.8	0.3	12.4	2.6	16.2	4.6	2.0	9.7
Allahabad Bank	0.3	34.6	0.0	11.7	-6.1	12.9	-6.2	7.8	15.2	34.8	-1.8	18.3	6.1
Oriental Bank of Commerce	7.5	29.1	1.0	13.9	-8.8	6.2	3.2	17.0	10.2	19.1	-2.8	23.5	4.3
Central Bank of India	0.8	57.2	-16.9	12.6	8.7	-8.1	-0.8	-1.5	10.1	25.3	-2.9	18.3	6.2
Union Bank of India	-8.6	12.1	9.4	5.6	-4.6	-3.5	0.3	14.3	6.4	11.5	6.1	2.1	6.4
Canara Bank	-6.9	21.1	5.9	16.0	-1.8	0.4	0.7	4.4	4.7	19.5	9.7	6.8	5.5
IDBI Bank	-1.6	22.5	-10.6	7.0	4.5	-4.9	-1.8	-3.4	9.6	40.1	4.7	-0.1	2.4
State Bank of India	-3.8	25.9	-0.2	2.2	1.3	-9.4	-4.0	5.3	10.7	19.8	1.5	8.7	10.2
Dena Bank	-6.1	31.3	-12.4	31.3	6.7	-7.0	3.9	-2.8	13.3	13.9	3.9	6.3	3.0
Vijaya Bank	-2.3	20.6	-14.7	17.4	0.6	-3.2	-5.2	-0.4	13.1	12.0	9.5	12.3	8.4
Bank of India	3.0	22.7	-19.7	15.4	0.0	-5.2	-8.6	2.1	11.9	7.2	6.0	17.5	8.1
Syndicate Bank	-5.0	17.6	-7.2	4.8	5.3	-10.3	-2.3	2.8	8.2	19.3	-0.2	14.2	1.7
UCO Bank	1.8	29.7	-10.5	10.6	-0.8	8.7	-5.8	-0.4	22.5	18.1	-1.8	19.9	18.8
Bank of Maharashtra	-4.0	16.2	-8.4	11.9	4.1	5.8	-6.8	0.5	11.8	11.6	6.0	9.1	3.5
Indian Overseas Bank	-3.8	50.8	-20.4	15.0	-5.1	-16.7	-4.1	4.3	4.4	41.1	14.3	10.0	8.2
New private banks													
Yes Bank	4.9	22.5	16.2	6.0	5.4	-6.3	-5.1	8.3	11.5	54.4	-6.5	9.8	5.0
HDFC Bank	-1.9	12.2	-1.8	9.0	-3.6	-4.2	4.5	13.4	3.5	13.0	1.6	10.8	-0.2
Axis Bank	-1.3	8.8	-7.9	10.1	-1.0	3.7	9.6	3.9	8.7	34.3	0.8	8.1	-2.3
IndusInd Bank	17.9	12.9	1.3	3.9	17.9	3.1	0.7	14.2	14.0	26.6	4.7	-0.5	9.1
Kotak Mahindra Bank	9.3	8.8	-8.5	10.4	2.5	-3.5	-4.4	0.5	-1.3	36.5	1.6	0.0	8.1
ICICI Bank	-1.0	20.8	-12.9	9.7	1.1	-5.3	5.0	9.2	-0.1	44.0	-0.8	5.0	6.5
Development Credit Bank	17.5	3.8	-20.9	5.8	-1.4	3.2	-4.3	-6.5	39.7	25.2	3.3	7.1	0.3
Old private banks													
Karur Vysya Bank	0.3	9.1	10.7	-3.5	5.5	1.0	-2.1	17.6	5.6	19.9	3.8	15.3	16.4
Jammu & Kashmir Bank	31.3	-2.8	-2.6	9.3	-6.3	1.6	5.5	9.6	10.9	1.3	10.7	-7.3	-0.4
Federal Bank	-8.8	15.0	-4.7	-2.1	0.2	8.3	1.3	3.3	9.5	35.8	-8.1	9.1	-1.0
South Indian Bank	-3.2	7.4	5.7	5.9	7.5	-7.7	4.9	23.1	-1.9	23.4	-2.4	15.5	3.2
City Union bank	19.4	12.2	-12.8	12.0	1.8	16.0	-2.3	-1.5	17.5	36.5	6.5	9.1	9.2
Dhanalakshmi Bank	4.4	32.4	-20.1	3.7	2.7	-6.9	2.8	-5.0	14.9	31.2	24.7	-5.9	0.8
Karnataka Bank	-8.7	11.2	-6.2	-2.6	1.4	1.4	-14.7	7.3	14.9	25.3	3.8	-5.0	-1.3
Lakshmi Vilas Bank	10.0	31.6	-9.6	-8.0	15.3	5.3	-13.0	0.6	6.6	5.7	10.2	13.7	13.2

Source: Company, Avendus Research

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Andhra Bank	No	No	No	No
Corporation Bank	No	No	No	No
Bank of Baroda	No	No	No	No
Indian Bank	No	No	No	No
Andhra Bank	No	No	No	No
Corporation Bank	No	No	No	No
Bank of Baroda	No	No	No	No
Punjab National Bank	No	No	No	No
Allahabad Bank	No	No	No	No
Oriental Bank of Commerce	No	No	No	No
Central Bank of India	No	No	No	No
Union Bank of India	No	No	No	No
Canara Bank	No	No	No	No
IDBI Bank	No	No	No	No
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Dena Bank	No	No	No	No
Vijaya Bank	No	No	No	No
Bank of India	No	No	No	No
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