

# Downward revision to PO



## Merrill Lynch

**Ecem Nalbantgil**  
Merrill Lynch (Turkey)  
Research Analyst  
ecem\_nalbantgil@ml.com

+90 212 319 9573

### Slower bottom line growth

On the back of heightened global concerns, we are cutting back our margin expansion forecast for Akbank in Q4 07 and also 2008. The overall effect is a 4% deduction from our previous 2007 net income forecast and 11% from 2008.

### Funding concerns are limited but not nil

Akbank has the highest syndication rollovers in 2008 among the six large banks. While the overall size of its syndication rollovers at 4.7% of balance sheet is small, we believe Akbank will try to secure growth in loans through competitively pricing its deposits. It offered the highest interest on TRY savings deposit in Q3 07 and cutting back on it will now be more challenging for the bank. We are decreasing our NIM expectation in 2008 to 5.8% from 6.1% earlier. Still, we should point out that this is the highest reading among our universe. We should also highlight that compared to our 30bps y/y NIM expansion in 2008, the management expects 40-50bps increase.

### New PO at TRY11.1 - a 10% cut

The adjustments to our forecasts lead to a 10% cut from our former PO of TRY12.4/share. The stock is trading at 1.6x 2009E book and 8.3x earnings. We maintain our Buy rating.

### Estimates (Dec)

(TRY)	2005A	2006A	2007E	2008E	2009E
	Other GAAP	Other GAAP	Other GAAP	Other GAAP	Other GAAP
Net Profit	1,471	1,600	1,995	2,666	2,678
EPS (Reported)	0.67	0.65	0.69	0.89	0.89
EPS - fully diluted	0.67	0.65	0.69	0.89	0.89
Dividend / Share	0.25	0.24	0.27	0.36	0.36
Adjusted NAV PS	2.87	2.53	3.51	4.15	4.71
BVPS	2.89	2.56	3.53	4.17	4.73

### Valuation (Dec)

	2005A	2006A	2007E	2008E	2009E
Price / Earnings	11.4x	11.8x	10.9x	8.6x	8.5x
EPS Change (YoY)	57.5%	-3.30%	7.35%	28.1%	0.44%
Price / BV	2.63x	2.97x	2.15x	1.82x	1.61x
Price / NAV	2.65x	3.00x	2.17x	1.83x	1.61x
Net Yield	3.23%	3.16%	3.61%	4.68%	4.70%
DPS Change (YoY)	44.0%	-2.22%	14.3%	29.6%	0.44%
Price / GOP	6.93x	8.21x	7.09x	5.60x	5.19x

### Stock Data

Price	TRY7.60
Price Objective	TRY12.4 to TRY11.10
Date Established	21-Jan-2008
Investment Opinion	C-1-7
Volatility Risk	HIGH
52-Week Range	TRY6.92-TRY11.20
Mrkt Val / Shares Out (mn)	TRY22,800 / 3,000.0
Average Daily Volume	8,046,621
ML Symbol / Exchange	AKBNF / IST
Bloomberg / Reuters	AKBNK TI / AKBNK.IS
ROE (2007E)	22.6%
Total Dbt to Cap (Dec-2006A)	0%
Est. 5-Yr EPS / DPS Growth	11.6% / 10.9%
Free Float	36.0%



Merrill Lynch does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Refer to important disclosures on page 6 to 7. Analyst Certification on page 5. Price Objective Basis/Risk on page 5.

21 January 2008

## iQprofile<sup>SM</sup> Akbank

Key Income Statement Data (Dec)	2005A	2006A	2007E	2008E	2009E
(TRY Millions)	Other GAAP	Other GAAP	Other GAAP	Other GAAP	Other GAAP
<b>Net Interest Income</b>	<b>2,597</b>	<b>2,540</b>	<b>3,286</b>	<b>4,117</b>	<b>4,659</b>
Net Fee Income	636	807	976	1,188	1,443
Securities Gains / (Losses)	263	56.6	0	0	0
Other Income	243	465	538	652	264
<b>Total Non-Interest Income</b>	<b>1,142</b>	<b>1,329</b>	<b>1,514</b>	<b>1,839</b>	<b>1,707</b>
<b>Total Operating Income</b>	<b>3,739</b>	<b>3,869</b>	<b>4,800</b>	<b>5,956</b>	<b>6,366</b>
Operating Expenses	(1,326)	(1,577)	(1,718)	(1,884)	(1,976)
<b>Pre-Provision Profit</b>	<b>2,413</b>	<b>2,291</b>	<b>3,082</b>	<b>4,072</b>	<b>4,389</b>
Provisions Expense	(348)	(431)	(679)	(878)	(1,081)
<b>Operating Profit</b>	<b>2,065</b>	<b>1,860</b>	<b>2,403</b>	<b>3,195</b>	<b>3,308</b>
Non-Operating Items	50.3	76.1	32.1	35.9	39.2
<b>Pre-Tax Income</b>	<b>2,116</b>	<b>1,937</b>	<b>2,435</b>	<b>3,231</b>	<b>3,348</b>
Net Income to sh/holders	1,471	1,600	1,995	2,666	2,678
<b>Adjusted Cash Earnings</b>	<b>1,471</b>	<b>1,600</b>	<b>1,995</b>	<b>2,666</b>	<b>2,678</b>

### Key Balance Sheet Data

Total Assets	52,450	57,248	66,491	78,081	90,648
Average Interest Earning Assets	41,656	53,319	60,111	70,558	82,568
<b>Weighted Risk Assets</b>	<b>26,430</b>	<b>33,891</b>	<b>38,590</b>	<b>48,608</b>	<b>59,918</b>
Total Gross Customer Loans	22,723	28,931	36,403	47,355	59,948
Total Customer Deposits	31,735	34,202	40,262	48,314	56,769
<b>Tier 1 Capital</b>	<b>6,459</b>	<b>7,244</b>	<b>9,813</b>	<b>11,740</b>	<b>13,425</b>
Tangible Equity	6,357	7,041	10,583	12,512	14,197
<b>Common Shareholders' Equity</b>	<b>6,357</b>	<b>7,041</b>	<b>10,583</b>	<b>12,512</b>	<b>14,197</b>

### Key Metrics

Net Interest Margin	6.23%	4.76%	5.47%	5.83%	5.64%
<b>Tier 1 Ratio</b>	<b>24.4%</b>	<b>21.4%</b>	<b>25.4%</b>	<b>24.2%</b>	<b>22.4%</b>
Effective Tax Rate	30.5%	17.4%	18.1%	17.5%	20.0%
Loan / Assets Ratio	42.6%	49.5%	53.4%	59.2%	64.5%
<b>Loan / Deposit Ratio</b>	<b>70.5%</b>	<b>82.9%</b>	<b>88.1%</b>	<b>95.6%</b>	<b>103%</b>
Oper Leverage (Inc Growth - Cost Growth)	-7.05%	-15.5%	15.2%	14.4%	1.97%
Gearing (Assets / Equity)	8.25x	8.13x	6.28x	6.24x	6.39x
Tangible Equity / Assets	12.1%	12.3%	15.9%	16.0%	15.7%
Tangible Equity / WRAs	24.1%	20.8%	27.4%	25.7%	23.7%

### Business Performance

Revenue Growth	8.39%	3.46%	24.1%	24.1%	6.87%
Operating Expense Growth	15.4%	19.0%	8.92%	9.66%	4.90%
Provisions Expense Growth	80.7%	23.8%	57.5%	29.3%	23.1%
Operating Revenue / Average Assets	4.73%	3.39%	3.88%	4.42%	3.92%
Operating Expenses / Average Assets	-3.04%	-2.88%	-2.78%	-2.61%	-2.34%
<b>Pre-Provision ROA</b>	<b>5.52%</b>	<b>4.18%</b>	<b>4.98%</b>	<b>5.63%</b>	<b>5.20%</b>
ROA	3.37%	2.92%	3.23%	3.69%	3.17%
<b>Pre-Provision ROE</b>	<b>38.4%</b>	<b>34.2%</b>	<b>35.0%</b>	<b>35.3%</b>	<b>32.9%</b>
ROE	23.4%	23.9%	22.6%	23.1%	20.1%
RoTE	23.5%	24.1%	22.8%	23.2%	20.1%
RoWRAs	7.06%	5.31%	5.51%	6.12%	4.94%
Dividend Payout Ratio	36.7%	37.1%	39.5%	40.0%	40.0%
<b>Efficiency Ratio (Cost / Income Ratio)</b>	<b>35.5%</b>	<b>40.8%</b>	<b>35.8%</b>	<b>31.6%</b>	<b>31.0%</b>

### Quality of Earnings

<b>Total Non-Interest Inc / Operating Inc</b>	<b>30.5%</b>	<b>34.3%</b>	<b>31.5%</b>	<b>30.9%</b>	<b>26.8%</b>
Market-Related Revenue / Total Revenues	0%	0%	0%	0%	0%
Provisioning Burden as % of PPP	14.4%	18.8%	22.0%	21.6%	24.6%
NPLs plus Foreclosed Real Estate / Loans	1.60%	2.09%	2.58%	2.50%	2.60%
<b>Loan Loss Reserves / NPLs</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Loan Loss Reserves / Total Loans	1.60%	2.09%	2.58%	2.50%	2.60%
<b>Provisions Expense / Average Loans</b>	<b>1.97%</b>	<b>1.70%</b>	<b>2.13%</b>	<b>2.15%</b>	<b>2.07%</b>

### Company Description

Akbank is one of the largest private banks in Turkey by asset size and is owned by Sabanci. The bank recently engaged in a strategic link with Citigroup, with the US bank taking a 20% stake

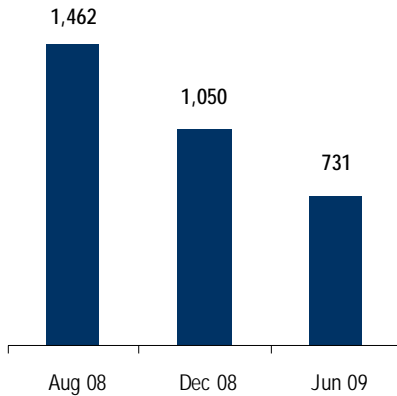
### Stock Data

Price to Book Value 2.2x

## Akbank

We are cutting back our PO for Akbank to TRY11.1/share – a 10% decline. We maintain our Buy recommendation for the stock. It is trading at 2009E P/E of 8.5x and P/B of 1.6x.

Chart 1: Syndication maturities (US\$m)



Source: Akbank

Akbank has the highest syndication rollovers in 2008 among the six large banks. While the overall size of its syndication rollovers at 4.7% of balance sheet is small, we believe Akbank will try to secure growth in loans through competitively pricing its deposits. It offered the highest interest on TRY savings deposit in Q3 07 and cutting back on it will now be more challenging for the bank. We are decreasing our NIM expectation in 2008 to 5.8% from 6.1% earlier. Still, we should point out that this is the highest reading among our universe. We should also highlight that compared to our 30bps y/y NIM expansion in 2008, the management expects 40-50bps increase.

We are also more pessimistic than the bank in our fee growth expectation; while management's guidance is 26% in 2008, we project 22% rise. In our opinion the slower growth in credit card loans will curtail fee growth, as this business segment accounts for more than half of the fees generated.

We are also increasing our operating expense forecast in 2008 by 2% due to the bank's ambitious branch openings.

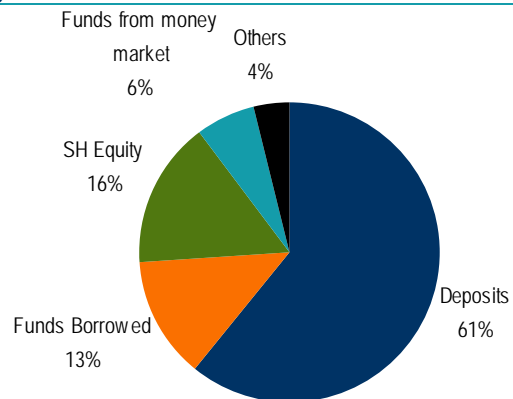
For the moment we continue to include TRY410mn tax rebates for the bank in 2008. These make up 15% of our net income expectation for this year and if the bank fails to collect the rebates, this poses a risk to our forecasts and our PO.

In our new projections, we have tried to reflect a more pessimistic scenario for the bank in 2008. However, even after factoring these in, we still expect the bank to record 30% growth in loans and 20% in deposits. Our net interest income and net income growth forecasts point to 31% and 34%, respectively.

The bank has secured a second position after Garanti with a market share of 14% in loans. The management's target is to increase this to 20% in five years with a sustainable ROE of 20-22%.

Akbank has stated it is interested in the privatisations in Turkey. With its excess capital, we would not be surprised to see it as one of the ambitious contenders.

Chart 2: Liability breakdown at 9M 07



Source: Akbank

Table 1: Forecasts

	TRYmn				y/y growth			
	2006	2007	2008	2009	06/05	07/06	08/07	09/08
Total Assets	57,248	66,491	78,081	90,648	9%	16%	17%	16%
Securities	20,367	23,946	24,425	25,402	-8%	18%	2%	4%
Loans	28,337	35,486	46,200	58,428	27%	25%	30%	26%
Deposits	34,202	40,262	48,314	56,769	8%	18%	20%	18%
Borrowing	9,209	8,993	9,893	11,377	26%	-2%	10%	15%
SH Equity	7,041	10,583	12,512	14,197	11%	50%	18%	13%
Net Int. Income	2,540	3,104	4,054	4,622	-2%	22%	31%	14%
Net Fee Income	807	976	1,188	1,443	27%	21%	22%	21%
OPEX	1,577	1,718	1,884	1,976	19%	9%	10%	5%
Net Income	1,600	1,995	2,666	2,678	9%	25%	34%	0%
Net income -adj	1,600	1,725	2,256	2,678	9%	8%	31%	19%
NIM	4.8%	5.5%	5.8%	5.6%				
C/I	45%	40%	35%	32%				
Fees/OPEX	51%	57%	63%	73%				
ROE	23.9%	22.6%	23.1%	20.1%				
ROA	2.9%	3.2%	3.7%	3.2%				
Adj ROE		19.6%	19.5%					
Adj ROA		2.8%	3.1%					

Source: Merrill Lynch estimations; Akbank

## Price objective basis & risk

### Akbank (AKBNF)

We value Akbank using a long-term dividend discount mode. We used an initial cost of capital of 15.75% based on a risk free rate of 9.75%, risk free rate of 5% and a beta of 1.2. Then assuming rates converging downwards, we gradually decrease our cost of capital to 10.75%. We use a terminal growth rate of 6%. This approach results in our price objective of TL11.10.

The risks to our price objective and assumptions are: (1) Turkey is not immune to global shocks; being an attractive carry trade market, a downturn in risk appetite would not be supportive of Turkish assets. (2) our assumptions are based on CBT cutting rates parallel to the disinflation environment; a reversal in sentiment would alter our forecasts. On the company specific risk, Akbank's loan/deposit risk is approaching 100%, Should this lead the bank, yet again, to become more aggressive on deposit rates would constitute a major concern.

## Analyst Certification

I, Ecem Nalbantgil, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

### *iQmethod*<sup>SM</sup> Measures Definitions

Business Performance	Numerator	Denominator
Return On Capital Employed	NOPAT = (EBIT + Interest Income) * (1 - Tax Rate) + Goodwill Amortization	Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5-Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
<b>Quality of Earnings</b>		
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt, Less Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
<b>Valuation Toolkit</b>		
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap. = Current Share Price * Current Basic Shares
Enterprise Value / Sales	EV = Current Share Price * Current Shares + Minority Equity + Net Debt + Sales	
EV / EBITDA	Other LT Liabilities Enterprise Value	Basic EBIT + Depreciation + Amortization

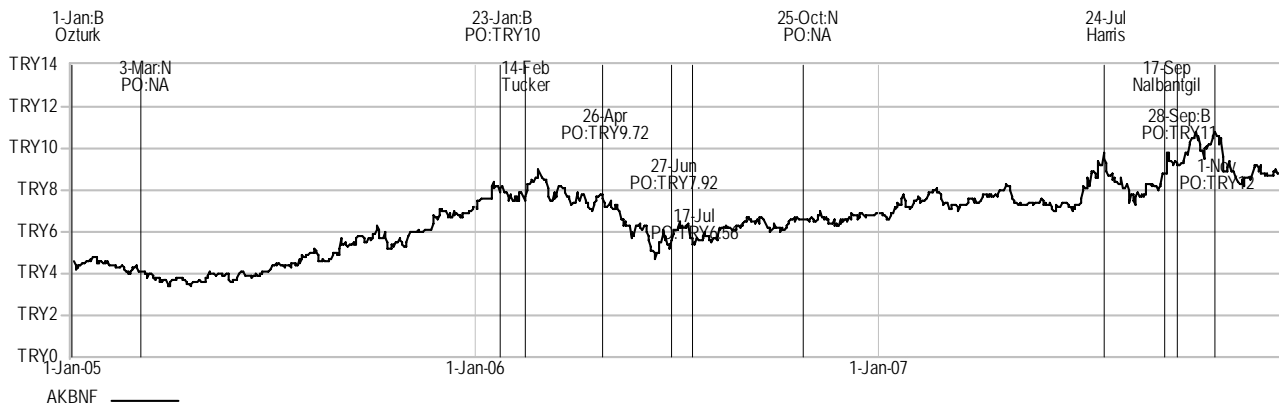
*iQmethod*<sup>SM</sup> is the set of Merrill Lynch standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and valuations. The key features of *iQmethod* are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

*iQdatabase*<sup>®</sup> is our real-time global research database that is sourced directly from our equity analysts' earnings models and includes forecasted as well as historical data for income statements, balance sheets, and cash flow statements for companies covered by Merrill Lynch.

*iQprofile*<sup>SM</sup>, *iQmethod*<sup>SM</sup> are service marks of Merrill Lynch & Co., Inc. *iQdatabase*<sup>®</sup> is a registered service mark of Merrill Lynch & Co., Inc.

## Important Disclosures

### AKBNF Price Chart



B : Buy, N : Neutral, S : Sell, PO : Price objective, NA : No longer valid

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark Grey shading indicates the security is restricted with the opinion suspended. Light Grey shading indicates the security is under review with the opinion withdrawn. Chart current as of December 31, 2007 or such later date as indicated.

### Investment Rating Distribution: Banks Group (as of 01 Jan 2008)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	123	42.27%	Buy	49	49.00%
Neutral	129	44.33%	Neutral	63	57.27%
Sell	39	13.40%	Sell	25	67.57%

### Investment Rating Distribution: Global Group (as of 01 Jan 2008)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1714	46.25%	Buy	445	29.10%
Neutral	1653	44.60%	Neutral	454	30.55%
Sell	339	9.15%	Sell	67	21.82%

\* Companies in respect of which MLPF&S or an affiliate has received compensation for investment banking services within the past 12 months.

**FUNDAMENTAL EQUITY OPINION KEY:** Opinions include a Volatility Risk Rating, an Investment Rating and an Income Rating. **VOLATILITY RISK RATINGS**, indicators of potential price fluctuation, are: A - Low, B - Medium, and C - High. **INVESTMENT RATINGS**, indicators of expected total return (price appreciation plus yield) within the 12-month period from the date of the initial rating, are: 1 - Buy (10% or more for Low and Medium Volatility Risk Securities - 20% or more for High Volatility Risk securities); 2 - Neutral (0-10% for Low and Medium Volatility Risk securities - 0-20% for High Volatility Risk securities); 3 - Sell (negative return); and 6 - No Rating. **INCOME RATINGS**, indicators of potential cash dividends, are: 7 - same/higher (dividend considered to be secure); 8 - same/lower (dividend not considered to be secure); and 9 - pays no cash dividend.

MLPF&S or an affiliate has received compensation from the company for non-investment banking services or products within the past 12 months: Akbank. The company is or was, within the last 12 months, a non-securities business client of MLPF&S and/or one or more of its affiliates: Akbank. In the US, retail sales and/or distribution of this report may be made only in states where these securities are exempt from registration or have been qualified for sale: Akbank.

MLPF&S together with its affiliates beneficially owns one percent or more of the common stock of this company. If this report was issued on or after the 10th day of the month, it reflects the ownership position on the last day of the previous month. Reports issued before the 10th day of a month reflect the ownership position at the end of the second month preceding the date of the report: Akbank.

The company is or was, within the last 12 months, a securities business client (non-investment banking) of MLPF&S and/or one or more of its affiliates: Akbank.

The analyst(s) responsible for covering the securities in this report receive compensation based upon, among other factors, the overall profitability of Merrill Lynch, including profits derived from investment banking revenues.

## Other Important Disclosures

UK readers: MLPF&S or an affiliate is a liquidity provider for the securities discussed in this report.

---

### Information relating to Non-U.S. affiliates of Merrill Lynch, Pierce, Fenner & Smith Incorporated (MLPF&S):

MLPF&S distributes research reports of the following non-US affiliates in the US (short name: legal name): Merrill Lynch (France): Merrill Lynch Capital Markets (France) SAS; Merrill Lynch (Frankfurt): Merrill Lynch International Bank Ltd, Frankfurt Branch; Merrill Lynch (South Africa): Merrill Lynch South Africa (Pty) Ltd; Merrill Lynch (Milan): Merrill Lynch International Bank Limited; MLPF&S (UK): Merrill Lynch, Pierce, Fenner & Smith Limited; Merrill Lynch (Australia): Merrill Lynch Equities (Australia) Limited; Merrill Lynch (Hong Kong): Merrill Lynch (Asia Pacific) Limited; Merrill Lynch (Singapore): Merrill Lynch (Singapore) Pte Ltd; Merrill Lynch (Canada): Merrill Lynch Canada Inc; Merrill Lynch (Mexico): Merrill Lynch Mexico, SA de CV, Casa de Bolsa; Merrill Lynch (Argentina): Merrill Lynch Argentina SA; Merrill Lynch (Japan): Merrill Lynch Japan Securities Co, Ltd; Merrill Lynch (Seoul): Merrill Lynch International Incorporated (Seoul Branch); Merrill Lynch (Taiwan): Merrill Lynch Global (Taiwan) Limited; DSP Merrill Lynch (India): DSP Merrill Lynch Limited; PT Merrill Lynch (Indonesia): PT Merrill Lynch Indonesia; Merrill Lynch (KL) Sdn. Bhd.: Merrill Lynch (Malaysia); Merrill Lynch (Israel): Merrill Lynch Israel Limited; Merrill Lynch (Russia): Merrill Lynch CIS Limited, Moscow; Merrill Lynch (Turkey): Merrill Lynch Yatirim Bankasi A.S.; Merrill Lynch (Dubai): Merrill Lynch International Bank Ltd, Dubai Branch; MLPF&S (Zürich rep. office): MLPF&S Incorporated Zürich representative office.

This research report has been prepared and issued by MLPF&S and/or one or more of its non-U.S. affiliates. MLPF&S is the distributor of this research report in the U.S. and accepts full responsibility for research reports of its non-U.S. affiliates distributed in the U.S. Any U.S. person receiving this research report and wishing to effect any transaction in any security discussed in the report should do so through MLPF&S and not such foreign affiliates.

This research report has been approved for publication in the United Kingdom by Merrill Lynch, Pierce, Fenner & Smith Limited, which is authorized and regulated by the Financial Services Authority; has been considered and distributed in Japan by Merrill Lynch Japan Securities Co, Ltd, a registered securities dealer under the Securities and Exchange Law in Japan; is distributed in Hong Kong by Merrill Lynch (Asia Pacific) Limited, which is regulated by the Hong Kong SFC; is issued and distributed in Taiwan by Merrill Lynch Global (Taiwan) Ltd or Merrill Lynch, Pierce, Fenner & Smith Limited (Taiwan Branch); is issued and distributed in Malaysia by Merrill Lynch (KL) Sdn. Bhd., a licensed investment adviser regulated by the Malaysian Securities Commission; is issued and distributed in India by DSP Merrill Lynch Limited; and is issued and distributed in Singapore by Merrill Lynch International Bank Limited (Merchant Bank) and Merrill Lynch (Singapore) Pte Ltd (Company Registration No.'s F 06872E and 198602883D respectively). Merrill Lynch International Bank Limited (Merchant Bank) and Merrill Lynch (Singapore) Pte Ltd. are regulated by the Monetary Authority of Singapore. Merrill Lynch Equities (Australia) Limited, (ABN 65 006 276 795), AFS License 235132, provides this report in Australia. No approval is required for publication or distribution of this report in Brazil.

Merrill Lynch (Frankfurt) distributes this report in Germany. Merrill Lynch (Frankfurt) is regulated by BaFin.

### Copyright, User Agreement and other general information related to this report:

Copyright 2008 Merrill Lynch, Pierce, Fenner & Smith Incorporated. All rights reserved. This research report is prepared for the use of Merrill Lynch clients and may not be redistributed, retransmitted or disclosed, in whole or in part, or in any form or manner, without the express written consent of Merrill Lynch. Merrill Lynch research reports are distributed simultaneously to internal and client websites eligible to receive such research prior to any public dissemination by Merrill Lynch of the research report or information or opinion contained therein. Any unauthorized use or disclosure is prohibited. Receipt and review of this research report constitutes your agreement not to redistribute, retransmit, or disclose to others the contents, opinions, conclusion, or information contained in this report (including any investment recommendations, estimates or price targets) prior to Merrill Lynch's public disclosure of such information. The information herein (other than disclosure information relating to Merrill Lynch and its affiliates) was obtained from various sources and we do not guarantee its accuracy. Merrill Lynch makes no representations or warranties whatsoever as to the data and information provided in any third party referenced website and shall have no liability or responsibility arising out of or in connection with any such referenced website.

This research report provides general information only. Neither the information nor any opinion expressed constitutes an offer or an invitation to make an offer, to buy or sell any securities or other investment or any options, futures or derivatives related to such securities or investments. It is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities, other investment or investment strategies discussed or recommended in this report and should understand that statements regarding future prospects may not be realized. Investors should note that income from such securities or other investments, if any, may fluctuate and that price or value of such securities and investments may rise or fall. Accordingly, investors may receive back less than originally invested. Past performance is not necessarily a guide to future performance. Any information relating to the tax status of financial instruments discussed herein is not intended to provide tax advice or to be used by anyone to provide tax advice. Investors are urged to seek tax advice based on their particular circumstances from an independent tax professional.

Foreign currency rates of exchange may adversely affect the value, price or income of any security or related investment mentioned in this report. In addition, investors in securities such as ADRs, whose values are influenced by the currency of the underlying security, effectively assume currency risk.

Officers of MLPF&S or one or more of its affiliates (other than research analysts) may have a financial interest in securities of the issuer(s) or in related investments.

**Merrill Lynch Research policies relating to conflicts of interest are described at <http://www.ml.com/media/43347.pdf>.**

Fundamental equity reports are produced on a regular basis as necessary to keep the investment recommendation current.

iQmethod, iQmethod 2.0, iQprofile, iQtoolkit, iQworks are service marks of Merrill Lynch & Co., Inc. iQanalytics®, iQcustom®, iQdatabase® are registered service marks of Merrill Lynch & Co., Inc.