

# Most exposed to equity market fluctuations



**Ecem Nalbantgil**  
Research Analyst  
ecem\_nalbantgil@ml.com

+90 212 319 9573

## Sizeable equity portfolio lowers valuation

Is Bank's 6% balance sheet but almost 40% of book is linked to its participation portfolio. The recent market sell-off has now deducted TRY0.15/share value from our PO for the bank. With continuing volatility, the bank is most exposed to such fluctuations among the Turkish banking universe.

## Is it the spoilsport?

The Q4 ended with a spike in deposit costs as banks went for year-end balance sheet make up. Is Bank, being much more comfortable than peers, can pool such strings, but this time we are a bit more concerned as deposits will remain as the major source of funding throughout the year with limited visibility in international borrowings. We are now adjusting our NIM forecast down for Is Bank from 5.1% to 4.9% in 2008. We admit, however that Is will be one of the least affected as it is much more comfortable with its sizeable deposit base and very limited borrowings.

## Lowering PO from TRY10.4 to TRY10.1

Our adjustments to our forecasts lead us to a minor change in our PO. The stock is now trading at only 1.4x 2009E adjusted P/B and 6.2x adjusted P/E. The upside potential to our PO is 62%.

## Estimates (Dec)

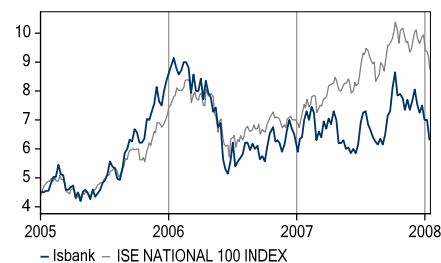
(TRY)	2005A	2006A	2007E	2008E	2009E
	Other GAAP	Other GAAP	Other GAAP	Other GAAP	Other GAAP
Net Profit	1,162	1,109	1,786	1,983	2,167
EPS (Reported)	0.42	0.40	0.65	0.72	0.79
Dividend / Share	0.11	0.13	0.23	0.25	0.28
Adjusted NAV PS	3.23	3.28	4.00	4.53	5.08

## Valuation (Dec)

	2005A	2006A	2007E	2008E	2009E
EPS Change (YoY)	82.9%	-4.50%	61.0%	11.0%	9.28%
Price / BV	1.85x	1.83x	1.50x	1.34x	1.19x
Price / NAV	1.93x	1.91x	1.56x	1.38x	1.23x
Net Yield	1.78%	2.12%	3.63%	4.03%	4.40%
DPS Change (YoY)	4.02%	19.3%	70.8%	11.0%	9.28%
Price / GOP	6.98x	7.11x	5.79x	4.97x	4.34x

## Stock Data

Price	TRY6.25
Price Objective	TRY10.40 to TRY10.10
Date Established	21-Jan-2008
Investment Opinion	C-1-7
Volatility Risk	HIGH
52-Week Range	TRY5.55-TRY8.70
Mrkt Val / Shares Out (mn)	TRY17,228 / 2,756.4
Average Daily Volume	27,164,122
ML Symbol / Exchange	TYIBF / IST
Bloomberg / Reuters	ISCTR TI / ISCTR.IS
ROE (2007E)	17.1%
Total Dbt to Cap (Dec-2006A)	0%
Est. 5-Yr EPS / DPS Growth	19.2% / 21.7%
Free Float	33.0%



## iQprofile<sup>SM</sup> Turkiye IS Bankasi

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>2,582</b>	<b>2,521</b>	<b>3,230</b>	<b>3,741</b>	<b>4,111</b>
Net Fee Income	894	1,045	1,169	1,377	1,702
Securities Gains / (Losses)	249	63.9	0	0	0
Other Income	845	651	661	595	565
<b>Total Non-Interest Income</b>	<b>1,988</b>	<b>1,760</b>	<b>1,830</b>	<b>1,972</b>	<b>2,267</b>
<b>Total Operating Income</b>	<b>4,570</b>	<b>4,281</b>	<b>5,060</b>	<b>5,713</b>	<b>6,378</b>
Operating Expenses	(2,100)	(1,858)	(2,082)	(2,248)	(2,413)
<b>Pre-Provision Profit</b>	<b>2,470</b>	<b>2,423</b>	<b>2,978</b>	<b>3,465</b>	<b>3,965</b>
Provisions Expense	(806)	(909)	(899)	(1,131)	(1,407)
<b>Operating Profit</b>	<b>1,664</b>	<b>1,514</b>	<b>2,079</b>	<b>2,334</b>	<b>2,558</b>
Non-Operating Items	191	117	137	144	150
<b>Pre-Tax Income</b>	<b>1,855</b>	<b>1,631</b>	<b>2,216</b>	<b>2,478</b>	<b>2,708</b>
Net Income to sh/holders	1,162	1,109	1,786	1,983	2,167
<b>Adjusted Cash Earnings</b>	<b>1,162</b>	<b>1,109</b>	<b>1,786</b>	<b>1,983</b>	<b>2,167</b>

### Key Balance Sheet Data

Total Assets	63,754	75,204	78,569	88,541	100,451
Average Interest Earning Assets	43,209	62,285	69,502	75,675	86,442
<b>Weighted Risk Assets</b>	<b>26,955</b>	<b>35,971</b>	<b>38,219</b>	<b>47,152</b>	<b>57,842</b>
Total Gross Customer Loans	22,912	30,982	35,445	45,233	57,371
Total Customer Deposits	37,221	46,399	45,153	51,925	59,714
<b>Tier 1 Capital</b>	<b>6,787</b>	<b>7,962</b>	<b>9,599</b>	<b>10,993</b>	<b>12,472</b>
Tangible Equity	9,288	9,410	11,459	12,902	14,418
<b>Common Shareholders' Equity</b>	<b>9,288</b>	<b>9,410</b>	<b>11,459</b>	<b>12,902</b>	<b>14,418</b>

### Key Metrics

Net Interest Margin	5.97%	4.05%	4.65%	4.94%	4.76%
<b>Tier 1 Ratio</b>	<b>25.2%</b>	<b>22.1%</b>	<b>25.1%</b>	<b>23.3%</b>	<b>21.6%</b>
Effective Tax Rate	37.4%	32.0%	19.4%	20.0%	20.0%
Loan / Assets Ratio	34.3%	39.6%	43.4%	49.1%	54.9%
<b>Loan / Deposit Ratio</b>	<b>58.7%</b>	<b>64.3%</b>	<b>75.5%</b>	<b>83.8%</b>	<b>92.4%</b>
Oper Leverage (Inc Growth - Cost Growth)	-15.2%	5.21%	6.15%	4.92%	4.32%
Gearing (Assets / Equity)	6.86x	7.99x	6.86x	6.86x	6.97x
Tangible Equity / Assets	14.6%	12.5%	14.6%	14.6%	14.4%
Tangible Equity / WRAs	34.5%	26.2%	30.0%	27.4%	24.9%

### Business Performance

Revenue Growth	23.2%	-6.33%	18.2%	12.9%	11.6%
Operating Expense Growth	38.4%	-11.5%	12.1%	8.00%	7.31%
Provisions Expense Growth	-24.6%	12.9%	-1.15%	25.8%	24.4%
Operating Revenue / Average Assets	3.25%	2.18%	2.70%	2.79%	2.71%
Operating Expenses / Average Assets	-4.11%	-2.67%	-2.71%	-2.69%	-2.55%
<b>Pre-Provision ROA</b>	<b>4.83%</b>	<b>3.49%</b>	<b>3.87%</b>	<b>4.15%</b>	<b>4.20%</b>
ROA	2.27%	1.60%	2.32%	2.37%	2.29%
<b>Pre-Provision ROE</b>	<b>29.2%</b>	<b>25.9%</b>	<b>28.5%</b>	<b>28.4%</b>	<b>29.0%</b>
ROE	13.7%	11.9%	17.1%	16.3%	15.9%
RoTE	14.4%	12.4%	17.8%	16.9%	16.4%
RoWRAs	5.08%	3.53%	4.82%	4.64%	4.13%
Dividend Payout Ratio	26.4%	33.0%	35.0%	35.0%	35.0%
<b>Efficiency Ratio (Cost / Income Ratio)</b>	<b>46.0%</b>	<b>43.4%</b>	<b>41.1%</b>	<b>39.4%</b>	<b>37.8%</b>

### Quality of Earnings

<b>Total Non-Interest Inc / Operating Inc</b>	<b>43.5%</b>	<b>41.1%</b>	<b>36.2%</b>	<b>34.5%</b>	<b>35.5%</b>
Market-Related Revenue / Total Revenues	0%	0%	0%	0%	0%
Provisioning Burden as % of PPP	32.6%	37.5%	30.2%	32.6%	35.5%
NPLs plus Foreclosed Real Estate / Loans	4.82%	3.90%	3.96%	4.00%	4.00%
<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	4.82%	3.90%	3.96%	4.00%	4.00%
<b>Provisions Expense / Average Loans</b>	<b>4.70%</b>	<b>3.52%</b>	<b>2.81%</b>	<b>2.91%</b>	<b>2.85%</b>

### Company Description

Isbank is the leading private bank in Turkey, in terms of its branch network. The bank has a solid image and tends to benefit from flight to safety during times of macro turbulence. Isbank has a large non-bank portfolio, mainly in the glass and GSM sectors.

### Stock Data

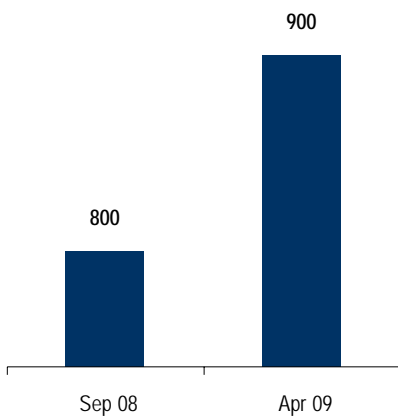
Price to Book Value 1.5x

## Most exposed to equity market fluctuations

Is Bank is one of our top picks in the sector. The bank is trading at only 6.1x adjusted 2009E earnings and 1.4x book. Our PO is TRY10.4/share, which points to 62% upside potential.

The bank is entering into a comfortable year with limited syndication rollovers and a much comfortable loan to deposit ratio than peers. The maturity of the US\$800mn syndication is in September. We project the bank to record 28% growth in loans in 2008 along a deposit growth of 15% and even with these increases loan to deposit ratio would reach 82%.

Chart 1: Syndication maturities (US\$m)



Source: Is Bank

The funds that the bank borrowed in total made up 14% of Is Bank's balance sheet as of 9M 07. However, the short term liabilities are very limited. Its syndication rollover accounts for only 1.3% of its liabilities. The bank management has not disclosed the breakdown of all of its funds borrowed. We estimate that including the syndication rollover in August, the bank's total short term borrowings account for 3.2% of its balance sheet, which is an insignificant amount that would alter the bank's growth aspirations. The majority of the international funding is securitizations (US\$3bn in total) with maturities ranging from 2011-2015.

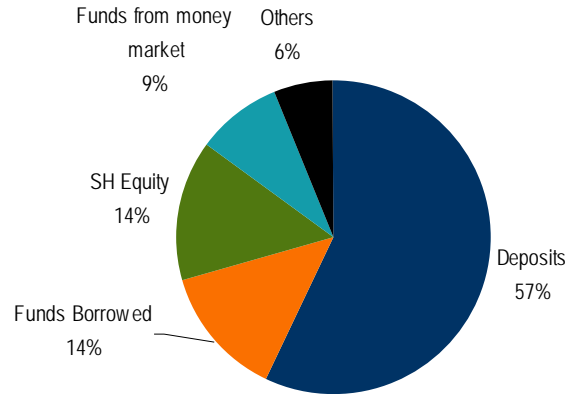
On the deposit front, Is bank managed to grasp the majority of OYAK group's deposit; OYAK received US\$2.7bn from ING after selling the group's bank to it in late 2007. We are now increasing our deposit expectation by 2% to TRY45bn at 2007 for Is Bank. We should, however, highlight that competitors have once again pointed their fingers at Is Bank when we were questioning the year end spike in deposit rates. We perceive much of this as year-end balance sheet make up, yet also acknowledge the damages, as it will be a more difficult task for all banks to lower the costs now.

We also believe Is Bank will be at an advantage compared to competitors throughout 2008, just concentrating on its core business while others will have to devote time to the privatisations.

The management has also disclosed expectations for US\$2bn non-core asset sales in the short to mid run; while they are planning IPO/SPOs for participations, non-core real estate portfolio will also be divested. At this point we have not factored any of these into our numbers and see these as hidden values.

We should highlight that Is Bank is the most exposed bank to equity market volatility due to its sizeable participation portfolio.

Chart 2: Liability breakdown at 9M 07



Source: IS Bank

Table 1: Forecasts

	TLm				y/y growth			
	2006	2007	2008	2009	06/05	07/06	08/07	09/08
Total Assets	75,204	78,569	88,541	100,451	18%	4%	13%	13%
Securities	26,358	24,762	26,387	27,133	18%	-6%	7%	3%
Loans	29,818	34,095	43,493	55,164	36%	14%	28%	27%
Deposits	46,399	45,153	51,925	59,714	25%	-3%	15%	15%
Borrowing	10,530	10,480	11,004	12,379	27%	0%	5%	13%
SH Equity	9,410	11,459	12,902	14,418	1%	22%	13%	12%
Bank only equity	4,715	6,176	7,618	9,134	4%	31%	23%	20%
Net Int. Income	2,521	2,857	3,419	3,839	-2%	13%	20%	12%
Net Fee Income	1,045	1,169	1,377	1,702	17%	12%	18%	24%
OPEX	1,858	2,082	2,248	2,413	-11%	12%	8%	7%
Net Income	1,109	1,786	1,983	2,167	-5%	61%	11%	9%
Net income ex part.	992	1,650	1,838	2,017	2%	66%	11%	10%
NIM	4.0%	4.6%	4.9%	4.8%				
C/I	50%	46%	43%	40%				
Fees/OPEX	56%	56%	61%	71%				
ROE	11.9%	17.1%	16.3%	15.9%				
ROA	1.6%	2.3%	2.4%	2.3%				
Adj ROE	21.5%	30.3%	26.7%	24.1%				
Adj ROA	1.5%	2.3%	2.3%	2.3%				

Source: Merrill Lynch estimations; IS Bank

## Price objective basis & risk

### Isbank (TYIBF)

We value Isbank through a sum of the parts methodology. For the banking segment, we use dividend discount model. 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%. We adjust annual net income and dividends by stripping the income from participations. We factor in participations at current market caps while financial participations are valued at 2x BV. For industrial and service sector participations we attach a target 1x BV. This methodology gives us a price objective of TL10.10.

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. Our forecasts on Is Bank rely on a declining interest rate environment and any reversal in the macro picture would lead to lower earnings for the bank.

## 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**

<b>Business Performance</b>	<b>Numerator</b>	<b>Denominator</b>
Return On Capital Employed	$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) * (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$	Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill
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	$\text{EV} = \text{Current Share Price} * \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} + \text{Sales} + \text{Other LT Liabilities}$	
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

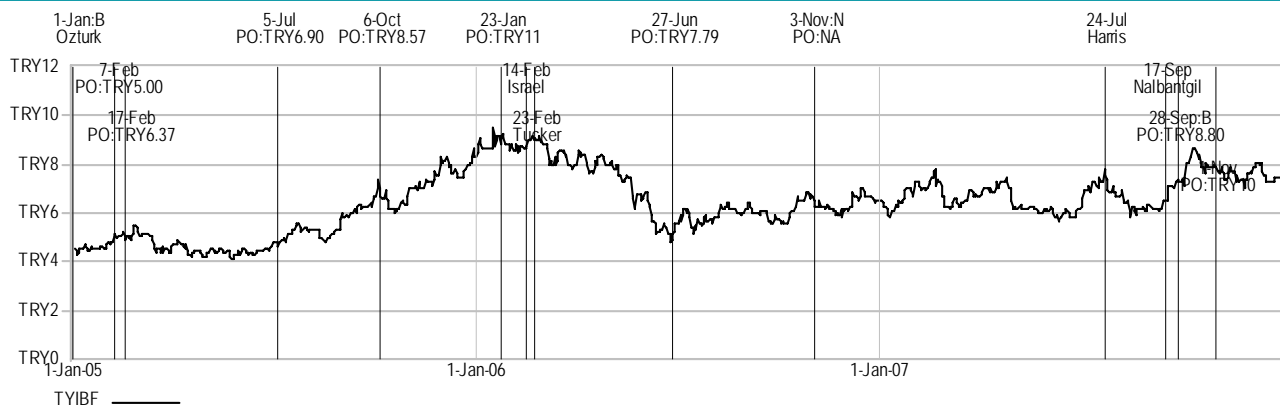
*iQmethod<sup>SM</sup>* is the set of Merrill Lynch standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and valuations. The key features of *iQmethod* are: A consistently structured, detailed, and transparent methodology.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

### TYIBF 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: Isbank.  
 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: Isbank.  
 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: Isbank.

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: Isbank.

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: Isbank.

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.