

Positive risk-return; Buy

Raise PO to Rs260 on receding NPL risks and +ve risk-return

We are raising our PO to Rs260 (from Rs220), post 4QFY10 results. Our new PO factors in a) re-rating to +1.2-1.3x FY12E adj. BV (1.6 FY11) on receding NPL risks, earnings growth of +21-22% over FY11-12, rising RoEs to +22% and strong capitalization and; b) earnings increase by 5-7% for FY11-12 to factor in higher earnings in FY10. We believe stock may further re-rate to 1.3-1.4x FY12E book (implying further 18-20% upside) if concerns on rest. loan book were to recede further, esp. for textile segment (~33% of rest. loans o/s). Our PO is still pegged at 20% discount to theoretical P/B multiple owing to low stock liquidity.

4QFY10: Earnings growth muted (4% yoy) on higher prov.

Indian Bk reported earnings of Rs4.1bn, up 4% yoy (7% below est.), as the bank utilized higher op. earnings to clean-up the b/s. Core earnings were higher by 14% driven by topline growth of 40% yoy (3% ahead of est.) led by loan growth of +20% yoy and margins up +50bps yoy (8bps qoq), per our est. Non-int. income was in-line driven by recoveries. Comfortable on capital, with Tier 1 at +11%.

Restructuring under check; asset quality manageable

Indian Bank's restructured book declined by 35% qoq to Rs34bn (5.5% of loans), in-line with expectations, largely due to Upgradations. Indian Bk has so far lowest relapse to NPLs in rest. book at 1%. Textile remains the biggest chunky portion (33% of total o/s rest. book). While headline gross NPLs were flat qoq (at Rs5.1bn or 0.8% of loans), net NPLs have risen to Rs1.4bn (+60% jump qoq), but remain manageable at 0.2%, with provision cover at 72% and incl. technical w/o at +92%.

Estimates (Mar)

(Rs)	2008A	2009A	2010E	2011E	2012E
Net Income (Adjusted - mn)	9,737	12,079	15,150	18,593	22,606
EPS	22.66	28.10	35.25	43.26	52.60
EPS Change (YoY)	33.8%	24.0%	25.4%	22.7%	21.6%
Dividend / Share	3.50	5.00	6.50	8.00	9.50
Pre-exceptional EPS	22.66	28.10	35.25	43.26	52.60
Pre-exceptional EPS Change (YoY)	33.8%	24.0%	25.4%	22.7%	21.6%
Book Value / Share	101.92	127.52	154.67	180.82	212.72

Valuation (Mar)

	2008A	2009A	2010E	2011E	2012E
P/E	8.5x	6.9x	5.5x	4.5x	3.7x
Dividend Yield	NA	NA	NA	NA	NA
Pre-exceptional PE	8.51x	6.86x	5.47x	4.46x	3.67x
Price / Book	1.72x	1.23x	1.07x	0.943x	0.824x
RoE / PB	13.70x	17.00x	19.59x	23.80x	29.11x
Price / Pre-Provision Profit	4.99x	4.03x	3.02x	2.53x	2.13x

Bank of America Merrill Lynch

Rajeev Varma >> +91 22 6632 8666
Research Analyst
DSP Merrill Lynch (India)
rajeev.varma@baml.com

Veekesh Gandhi >> +91 22 6632 8677
Research Analyst
DSP Merrill Lynch (India)
veekesh.gandhi@baml.com

Stock Data

Price	Rs192.85
Price Objective	Rs260.00
Date Established	26-Apr-2010
Investment Opinion	C-1-7
Volatility Risk	HIGH
52-Week Range	Rs92.50-Rs212.00
Mkt Val / Shares Out (mn)	US\$1,865 / 429.8
Average Daily Volume	491,791
BofAML Ticker / Exchange	INBIF / BSE
Bloomberg / Reuters	INBK IN / INBA.BO
ROE (2010E)	20.9%
Total Dbt to Cap (Mar-2009A)	NA
Est. 5-Yr EPS / DPS Growth	25.0% / 20.0%
Free Float	20.0%

Key Changes

(Rs)	Previous	Current
Price Obj.	220.00	260.00
2010E EPS	35.63	35.25
2011E EPS	42.14	43.26
2012E EPS	50.28	52.60

>> Employed by a non-US affiliate of MLPF&S and is not registered/qualified as a research analyst under the FINRA rules.

Refer to "Other Important Disclosures" for information on certain Merrill Lynch entities that take responsibility for this report in particular jurisdictions.

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 8. Analyst Certification on Page 4. Price Objective Basis/Risk on page 4. Link to Definitions on page 4. 109931501

iQprofileSM Indian Bank

Key Income Statement Data (Mar)	2008A	2009A	2010E	2011E	2012E
(Rs Millions)					
Net Interest Income	20,539	26,085	33,039	39,648	47,235
Net Fee Income	1,793	2,322	2,926	3,658	4,536
Securities Gains / (Losses)	1,790	1,948	2,176	1,375	994.33
Other Income	6,474	6,084	6,635	NA	7,652
Total Non-Interest Income	10,057	10,354	11,737	12,427	13,182
Total Operating Income	30,596	36,440	44,776	52,075	60,416
Operating Expenses	(14,003)	(15,881)	(17,302)	(19,269)	(21,506)
Pre-Provision Profit	16,593	20,558	27,473	32,806	38,910
Provisions Expense	(4,243)	(2,698)	(3,957)	(4,459)	(4,573)
Operating Profit	12,350	17,861	23,516	28,347	34,338
Non-Operating Income	NA	NA	NA	NA	NA
Pre-Tax Income	12,350	17,861	23,516	28,347	34,338
Net Income to Comm S/Hold.	9,737	12,079	15,150	18,593	22,606
Adjusted Net Income (Operating)	9,737	12,079	15,150	18,593	22,606

Key Balance Sheet Data

Total Assets	705,077	841,218	1,021,032	1,190,626	1,409,375
Average Interest Earning Assets	616,401	747,381	898,221	1,070,380	1,261,626
Weighted Risk Assets	418,001	519,901	628,924	808,327	998,002
Total Gross Customer Loans	398,387	514,653	625,131	765,392	932,693
Total Customer Deposits	610,459	725,818	882,280	1,033,404	1,229,854
Tier 1 Capital	47,772	58,649	70,027	81,711	95,421
Tangible Equity	42,827	48,603	58,131	69,501	90,958
Common Shareholders' Equity	48,108	67,359	77,771	87,881	100,574

Key Metrics

Net Interest Margin	3.33%	3.49%	3.68%	3.70%	3.74%
Tier 1 Ratio	11.4%	11.3%	11.1%	10.1%	9.6%
Effective Tax Rate	18.3%	30.3%	33.9%	33.0%	33.0%
Loan / Assets Ratio	56.5%	61.2%	61.2%	64.3%	66.2%
Loan / Deposit Ratio	65.3%	70.9%	70.9%	74.1%	75.8%
Oper Leverage (Inc Growth - Cost Growth)	5.1%	5.7%	13.9%	4.9%	4.4%
Gearing (Assets / Equity)	14.7x	12.5x	13.1x	13.5x	14.0x
Tangible Common Equity / Assets	6.1%	5.8%	5.7%	5.8%	6.5%
Tangible Common Equity / WRAs	10.2%	9.3%	9.2%	8.6%	9.1%
Revenue Growth	17.4%	19.1%	22.9%	16.3%	16.0%
Operating Expense Growth	12.3%	13.4%	8.9%	11.4%	11.6%
Provisions Expense Growth	-10.6%	-36.4%	46.7%	12.7%	2.5%
Operating Revenue / Average Assets	4.8%	4.7%	4.8%	4.7%	4.6%
Operating Expenses / Average Assets	2.2%	2.1%	1.9%	1.7%	1.7%
Pre-Provision ROA	2.6%	2.7%	3.0%	3.0%	3.0%
ROA	1.5%	1.6%	1.6%	1.7%	1.7%
Pre-Provision ROE	55.9%	49.8%	47.6%	45.2%	47.0%
ROE	23.6%	20.9%	20.9%	22.4%	24.0%
RoTE	22.7%	24.9%	26.1%	26.8%	24.9%
RoWRAs	2.3%	2.3%	2.4%	2.3%	2.3%
Dividend Payout Ratio	18.4%	20.7%	20.7%	0%	0%
Efficiency Ratio (Cost / Income Ratio)	48.6%	46.0%	40.6%	38.0%	36.2%
Total Non-Interest Inc / Operating Inc	33%	28%	26%	24%	22%
Market-Related Revenue / Total Revenues	9.1%	8.2%	7.6%	5.4%	4.4%
Provisioning Burden as % of PPP	25.6%	13.1%	14.4%	13.6%	11.8%
NPLs plus Foreclosed Real Estate / Loans	1.2%	0.9%	0.8%	0.7%	0.6%
Loan Loss Reserves / NPLs	87.1%	58.7%	77.6%	85.4%	79.0%
Loan Loss Reserves / Total Loans	1.1%	0.5%	0.6%	0.6%	0.5%
Provisions Expense / Average Loans	1.2%	0.6%	0.7%	0.6%	0.5%

Other Metrics

Income / Employee	1.50	1.82	2.29	2.71	3.21
(Operating Expenses) / Employee	0.687	0.794	0.883	1.00	1.14
Pre-Provision Profit / Employee	0.814	1.03	1.40	1.71	2.07
Net Profit / Employee	0.477	0.604	0.773	0.968	1.20

Company Description

The bank started on 15 Aug 1907. Indian Bank experienced some financial setbacks in the 1990s. Post recapitalization and restructuring of the bank by GOI, Indian Bank has become a +US\$20bn bank with +1750 branches across India and deposit market share of +2.0% and loan market share of 1.7% in the system. The bank offers one of the highest RoAs and RoEs in the Indian Banking space.

Investment Thesis

We expect Indian Bank's recent restructuring programme to drive healthy earnings growth over the next few years. The bank is focusing on the non-urban market, which has a strong potential and low competition but higher risks as well. The bank has tied up with Corporation Bank and OBC to provide great value to customers and benefit from cost synergies in functions like procurement, IT hardware and ATMs, etc.

Stock Data

Price to Book Value	1.1x
---------------------	------

4QFY10 Result Snapshot

Table 1: Result Summary (Rs mn)

Indian Bank	Q4FY09	Q4FY10	grth- %	Comments
Interest earned	18,564	20,249	9.1%	
- on Advances	13,782	15,026	9.0%	Loan growth at 21% yoy
- Income on invests	4,619	5,116	10.8%	
- on bal with RBI	162	107	-34.1%	
Interest Expended	11,888	10,908	-8.2%	Deposit growth 22% yoy; CASA at ~32%; retail deposits at 93% vs. 87% in 4QFY09
Net Interest Income	6,675	9,341	39.9%	Margins est. at 3.9% for 4Q. FY10 margins at 3.7% vs. 3.5% in FY09
Other income	2,921	2,929	0.3%	
- Treasury Income	578	75	-87.1%	
- Other Income	2,343	2,854	21.8%	Core fee income growth muted at <4%. Other income driven by recoveries
Operating income	9,597	12,270	27.9%	
Total Operating exp.	4,069	3,546	-12.9%	Led by minimal wage revisions in 4Q
Employee exp	2,888	2,150	-25.5%	
Other op exp	1,181	1,396	18.2%	
Operating profit	5,527	8,723	57.8%	
Provisions	(587)	2,136	na	Gross and Net NPA at 0.8% and 0.2% resp. in 4QFY10. - In absolute terms Gross NPAs flat qoq but Net NPA up 62% qoq. Provision coverage ratio remains up qoq at 72 vs. 83% in 3Q.
PBT	6,114	6,588	7.8%	
Provision for Tax	2,173	2,488	14.5%	
PAT	3,941	4,100	4.0%	Earnings lower than est. by 7% on higher provisioning
PPP (ex-TP)	4,949	8,649	74.8%	

Source: BofA Merrill Lynch Global Research Estimates

Price objective basis & risk

Indian Bank (INDIF)

Our PO for Indian Bank is set at Rs260. Our PO factors in re-rating to +1.2-1.3x FY12 adj. BV (1.6 FY11) on receding NPL risks, earnings growth of +21-22% over FY11-12, rising RoEs to +22% and strong capitalization. We believe stock can further re-rate to 1.3-1.4x FY12 book (implying further 18-20% upside) if concerns on rest. loan book were to recede further, esp. for textile segment. Our PO is still pegged at 20% discount to theoretical P/B multiple owing to low stock liquidity. Indian Bank remains preferred pick in the small-cap space. Risks stem from further rise in NPLs and slower asset growth leading to weak earnings outlook.

Link to Definitions

Financials

Click [here](#) for definitions of commonly used terms.

Analyst Certification

I, Rajeev Varma, 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.

Special Disclosures

In accordance with the SEBI (Foreign Institutional Investors) Regulations and with guidelines issued by the Securities and Exchange Board of India (SEBI), foreign investors (individuals as well as institutional) that wish to transact the common stock of Indian companies must have applied to, and have been approved by SEBI and the Reserve Bank of India (RBI). Each investor who transacts common stock of Indian companies will be required to certify approval as a foreign institutional investor or as a sub-account of a foreign institutional investor by SEBI and RBI. Certain other entities are also entitled to transact common stock of Indian companies under the Indian laws relating to investment by foreigners. Merrill Lynch reserves the right to refuse copy of research on common stock of Indian companies to a person not resident in India.

American Depositary Receipts (ADR) representing such common stock are not subject to these Indian law restrictions and may be transacted by investors in accordance with the applicable laws of the relevant jurisdiction.

Global Depositary Receipts (GDR) and the Global Depositary Shares of Indian companies, Indian limited liability corporations, have not been registered under the U.S. Securities Act of 1933, as amended, and may only be transacted by persons in the United States who are Qualified Institutional Buyers (QIBs) within the meaning of Rule 144A under the Securities Act. Accordingly, no copy of any research report on Indian companies' GDRs will be made available to persons who are not QIBs.

India - Financials Coverage Cluster

Investment rating	Company	BofAML ticker	Bloomberg symbol	Analyst
BUY				
	Bank of India	XDIIF	BOI IN	Rajeev Varma
	Corporation Bank	XCRRF	CRPBK IN	Veekesh Gandhi
	HDFC	HGDFF	HDFC IN	Rajeev Varma
	HDFC Bank	HDB	HDB US	Rajeev Varma
	HDFC Bank	XHDFB	HDFCB IN	Rajeev Varma
	ICICI Bank	ICIJF	ICICIB IN	Rajeev Varma
	ICICI Bank - A	IBN	IBN US	Rajeev Varma
	IndiaBulls Financial Services	IBLFF	IBULL IN	Veekesh Gandhi
	Indian Bank	INDIF	INBK IN	Rajeev Varma
	Max India	MXMIF	MAX IN	Rajeev Varma
	ORBC	ORBCF	OBC IN	Rajeev Varma
	Punjab	PUJBF	PNB IN	Rajeev Varma
	Reliance Capital	RLCCF	RCFT IN	Rajeev Varma
	SBI	SBINF	SBIN IN	Rajeev Varma
	SBI -G	SBKFF	SBID LI	Rajeev Varma
	Union Bank India	UBOIF	UNBK IN	Rajeev Varma
NEUTRAL				
	Axis Bank	XAXSF	AXSB IN	Rajeev Varma
	Axis Bank - GDR	XBKSF	AXB LI	Rajeev Varma
	Bank of Baroda	BKBAF	BOB IN	Rajeev Varma
	Federal Bank	XFDRF	FB IN	Veekesh Gandhi
	Yes Bank Ltd	YESBF	YES IN	Veekesh Gandhi
UNDERPERFORM				
	Canara Bank	CNRKF	CBK IN	Rajeev Varma
	IDBI	XDBIF	IDBI IN	Veekesh Gandhi
	Infrastruct Dev	IFDFF	IDFC IN	Rajeev Varma
	LIC Housing Finance, Ltd.	LHFLF	LICHF IN	Veekesh Gandhi
	Vijaya Bank	VJYAF	VJYBK IN	Rajeev Varma
RSTR				
	Shriram Transport Finance	SHTFF	SHTF IN	Veekesh Gandhi

iQmethodSM Measures Definitions

Business Performance	Numerator	Denominator
Return On Capital Employed	$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) * (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$	$\text{Total Assets} - \text{Current Liabilities} + \text{ST Debt} + \text{Accumulated Goodwill Amortization}$
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
Quality of Earnings		
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
Valuation Toolkit		
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

iQmethodSM is the set of BofA 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[®] 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 BofA Merrill Lynch.

iQprofileSM, iQmethodSM are service marks of Merrill Lynch & Co., Inc. iQdatabase[®] is a registered service mark of Merrill Lynch & Co., Inc.

Important Disclosures

INDIF Price Chart



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

*Prior to May 31, 2008, the investment opinion system included Buy, Neutral and Sell. As of May 31, 2008, the investment opinion system includes Buy, Neutral and Underperform. Dark Grey shading indicates that a security is restricted with the opinion suspended. Light grey shading indicates that a security is under review with the opinion withdrawn. The current investment opinion key is contained at the end of the report. Chart is current as of March 31, 2010 or such later date as indicated.

BofAML price charts do not reflect analysts' coverage of the stock at prior firms. Historical price charts relating to companies covered as of December 31, 2008 by former Banc of America Securities LLC (BAS) analysts are available to BAS clients on the BAS website."

Investment Rating Distribution: Banks Group (as of 01 Apr 2010)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	136	52.92%	Buy	75	66.37%
Neutral	62	24.12%	Neutral	37	67.27%
Sell	59	22.96%	Sell	34	61.82%

Investment Rating Distribution: Global Group (as of 01 Apr 2010)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1818	52.41%	Buy	952	58.01%
Neutral	873	25.17%	Neutral	490	61.95%
Sell	778	22.43%	Sell	355	49.72%

* Companies in respect of which MLPF&S or an affiliate has received compensation for investment banking services within the past 12 months. For purposes of this distribution, a stock rated Underperform is included as a Sell.

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** reflect the analyst's assessment of a stock's: (i) absolute total return potential and (ii) attractiveness for investment relative to other stocks within its *Coverage Cluster* (defined below). There are three investment ratings: 1 - Buy stocks are expected to have a total return of at least 10% and are the most attractive stocks in the coverage cluster; 2 - Neutral stocks are expected to remain flat or increase in value and are less attractive than Buy rated stocks and 3 - Underperform stocks are the least attractive stocks in a coverage cluster. Analysts assign investment ratings considering, among other things, the 0-12 month total return expectation for a stock and the firm's guidelines for ratings dispersions (shown in the table below). The current price objective for a stock should be referenced to better understand the total return expectation at any given time. The price objective reflects the analyst's view of the potential price appreciation (depreciation).

Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

* Ratings dispersions may vary from time to time where BofAML Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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. *Coverage Cluster* is comprised of stocks covered by a single analyst or two or more analysts sharing a common industry, sector, region or other classification(s). A stock's coverage cluster is included in the most recent BofAML Comment referencing the stock.

MLPF&S or an affiliate has received compensation from the company for non-investment banking services or products within the past 12 months: Indian Bank. 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: Indian Bank.

MLPF&S or an affiliate expects to receive or intends to seek compensation for investment banking services from this company or an affiliate of the company within the next three months: Indian Bank.

The country in which this company is organized has certain laws or regulations that limit or restrict ownership of the company's shares by nationals of other countries: Indian Bank.

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: Indian Bank.

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

Other Important Disclosures

BofA Merrill Lynch (BofAML) Research refers to the combined Global Research operations of Merrill Lynch and BAS.

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>.

"Merrill Lynch" includes Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S") and its affiliates, including BofA (defined below). "BofA" refers to Banc of America Securities LLC ("BAS"), Banc of America Securities Limited ("BASL") and their affiliates. Investors should contact their Merrill Lynch or BofA representative if they have questions concerning this report.

Information relating to Non-US affiliates of Merrill Lynch and Distribution of Affiliate Research Reports:

MLPF&S, BAS, and BASL distribute, or may in the future distribute, 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 Securities (Taiwan) Ltd.; DSP Merrill Lynch (India): DSP Merrill Lynch Limited; PT Merrill Lynch (Indonesia): PT Merrill Lynch Indonesia; 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, Dubai Branch; MLPF&S (Zürich rep. office): MLPF&S Incorporated Zürich representative office; Merrill Lynch (Spain): Merrill Lynch Capital Markets Espana, S.A.S.V.; Merrill Lynch (Brazil): Banco Merrill Lynch de Investimentos S.A.

This note has been approved for publication in the United Kingdom by Merrill Lynch, Pierce, Fenner & Smith Limited and BASL, which are authorized and regulated by the Financial Services Authority; has been considered and distributed in Japan by Merrill Lynch Japan Securities Co, Ltd and Banc of America Securities – Japan, Inc., registered securities dealers under the Financial Instruments and Exchange Law in Japan; is distributed in Hong Kong by Merrill Lynch (Asia Pacific) Limited and Banc of America Securities Asia Limited, which are regulated by the Hong Kong SFC and the Hong Kong Monetary Authority; is issued and distributed in Taiwan by Merrill Lynch Securities (Taiwan) Ltd.; 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), Merrill Lynch (Singapore) Pte Ltd (Company Registration No.'s F 06872E and 198602883D respectively) and Bank of America Singapore Limited (Merchant Bank). Merrill Lynch International Bank Limited (Merchant Bank), Merrill Lynch (Singapore) Pte Ltd and Bank of America Singapore Limited (Merchant Bank) are regulated by the Monetary Authority of Singapore. Merrill Lynch Equities (Australia) Limited (ABN 65 006 276 795), AFS License 235132 provides this note in Australia in accordance with section 911B of the Corporations Act 2001 and neither it nor any of its affiliates involved in preparing this note is an Authorised Deposit-Taking Institution under the Banking Act 1959 nor regulated by the Australian Prudential Regulation Authority. No approval is required for publication or distribution of this note in Brazil.

This research report has been prepared and issued by MLPF&S and/or one or more of its non-US affiliates. MLPF&S is the distributor of this research report in the US and accepts full responsibility for research reports of its non-US affiliates distributed to MLPF&S clients in the US. Any US person (other than BAS, BAI and their respective clients) 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.

BAS distributes this research report to its clients and accepts responsibility for the distribution of this report in the US to BAS clients. Transactions by US persons that are BAS clients in any security discussed herein must be carried out through BAS.

General Investment Related Disclosures:

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 financial instrument or any derivative related to such securities or instruments (e.g., options, futures, warrants, and contracts for differences). This report 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. Investors should seek financial advice regarding the appropriateness of investing in financial instruments and implementing investment strategies discussed or recommended in this report and should understand that statements regarding future prospects may not be realized. Any decision to purchase or subscribe for securities in any offering must be based solely on existing public information on such security or the information in the prospectus or other offering document issued in connection with such offering, and not on this report.

Securities and other financial instruments discussed in this report, or recommended, offered or sold by Merrill Lynch, are not insured by the Federal Deposit Insurance Corporation and are not deposits or other obligations of any insured depository institution (including, Bank of America, N.A.). Investments in general and, derivatives, in particular, involve numerous risks, including, among others, market risk, counterparty default risk and liquidity risk. No security, financial instrument or derivative is suitable for all investors. In some cases, securities and other financial instruments may be difficult to value or sell and reliable information about the value or risks related to the security or financial instrument may be difficult to obtain. Investors should note that income from such securities and other financial instruments, if any, may fluctuate and that price or value of such securities and instruments may rise or fall and, in some cases, investors may lose their entire principal investment. Past performance is not necessarily a guide to future performance. Levels and basis for taxation may change.

This report may contain a short-term trading idea or recommendation, which highlights a specific near-term catalyst or event impacting the company or the market that is anticipated to have a short-term price impact on the equity securities of the company. Short-term trading ideas and recommendations are different from and do not affect a stock's fundamental equity rating, which reflects both a longer term total return expectation and attractiveness for investment relative to other stocks within its Coverage Cluster. Short-term trading ideas and recommendations may be more or less positive than a stock's fundamental equity rating.

Foreign currency rates of exchange may adversely affect the value, price or income of any security or financial instrument mentioned in this report. Investors in such securities and instruments, including ADRs, effectively assume currency risk.

UK Readers: The protections provided by the U.K. regulatory regime, including the Financial Services Scheme, do not apply in general to business coordinated by Merrill Lynch entities located outside of the United Kingdom. These disclosures should be read in conjunction with the BASL general policy statement on the handling of research conflicts, which is available upon request.

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 is a regular issuer of traded financial instruments linked to securities that may have been recommended in this report. Merrill Lynch may, at any time, hold a trading position (long or short) in the securities and financial instruments discussed in this report.

Merrill Lynch, through business units other than BofAML Research, may have issued and may in the future issue trading ideas or recommendations that are inconsistent with, and reach different conclusions from, the information presented in this report. Such ideas or recommendations reflect the different time frames, assumptions, views and analytical methods of the persons who prepared them, and Merrill Lynch is under no obligation to ensure that such other trading ideas or recommendations are brought to the attention of any recipient of this report.

In the event that the recipient received this report pursuant to a contract between the recipient and MLPF&S for the provision of research services for a separate fee, and in connection therewith MLPF&S may be deemed to be acting as an investment adviser, such status relates, if at all, solely to the person with whom MLPF&S has contracted directly and does not extend beyond the delivery of this report (unless otherwise agreed specifically in writing by MLPF&S). MLPF&S is and continues to act solely as a broker-dealer in connection with the execution of any transactions, including transactions in any securities mentioned in this report.

Copyright and General Information regarding Research Reports:

Copyright 2010 Merrill Lynch, Pierce, Fenner & Smith Incorporated. All rights reserved. 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. 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 and other portals by Merrill Lynch and are not publicly-available materials. 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) without first obtaining expressed permission from an authorized officer of Merrill Lynch.

Materials prepared by Merrill Lynch research personnel are based on public information. Facts and views presented in this material have not been reviewed by, and may not reflect information known to, professionals in other business areas of Merrill Lynch, including investment banking personnel. Merrill Lynch has established information barriers between BofAML Research and certain business groups. As a result, Merrill Lynch does not disclose certain client relationships with, or compensation received from, such companies in research reports.

To the extent this report discusses any legal proceeding or issues, it has not been prepared as nor is it intended to express any legal conclusion, opinion or advice. Investors should consult their own legal advisers as to issues of law relating to the subject matter of this report. Merrill Lynch research personnel's knowledge of legal proceedings in which any Merrill Lynch entity and/or its directors, officers and employees may be plaintiffs, defendants, co-defendants or co-plaintiffs with or involving companies mentioned in this report is based on public information. Facts and views presented in this material that relate to any such proceedings have not been reviewed by, discussed with, and may not reflect information known to, professionals in other business areas of Merrill Lynch in connection with the legal proceedings or matters relevant to such proceedings.

This report has been prepared independently of any issuer of securities mentioned herein and not in connection with any proposed offering of securities or as agent of any issuer of any securities. None of MLPF&S, any of its affiliates or their research analysts has any authority whatsoever to make any representation or warranty on behalf of the issuer(s). Merrill Lynch policy prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer prior to the publication of a research report containing such rating, recommendation or investment thesis.

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.

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. This report may contain links to third-party websites. Merrill Lynch is not responsible for the content of any third-party website or any linked content contained in a third-party website. Content contained on such third-party websites is not part of this report and is not incorporated by reference into this report. The inclusion of a link in this report does not imply any endorsement by or any affiliation with Merrill Lynch. Access to any third-party website is at your own risk, and you should always review the terms and privacy policies at third-party websites before submitting any personal information to them. Merrill Lynch is not responsible for such terms and privacy policies and expressly disclaims any liability for them.

Subject to the quiet period applicable under laws of the various jurisdictions in which we distribute research reports and other legal and Merrill Lynch policy-related restrictions on the publication of research reports, fundamental equity reports are produced on a regular basis as necessary to keep the investment recommendation current.

Certain outstanding reports may contain discussions and/or investment opinions relating to securities, financial instruments and/or issuers that are no longer current. Always refer to the most recent research report relating to a company or issuer prior to making an investment decision.

In some cases, a company or issuer may be classified as Restricted or may be Under Review or Extended Review. In each case, investors should consider any investment opinion relating to such company or issuer (or its security and/or financial instruments) to be suspended or withdrawn and should not rely on the analyses and investment opinion(s) pertaining to such issuer (or its securities and/or financial instruments) nor should the analyses or opinion(s) be considered a solicitation of any kind. Sales persons and financial advisors affiliated with BAS, MLPF&S or any of their affiliates may not solicit purchases of securities or financial instruments that are Restricted or Under Review and may only solicit securities under Extended Review in accordance with firm policies.

Neither Merrill Lynch nor any officer or employee of Merrill Lynch accepts any liability whatsoever for any direct, indirect or consequential damages or losses arising from any use of this report or its contents.