

Raising PO on back of resilient earnings

Raising PO to Rs250; Reiterate Buy rating

We are raising our PO on BOI to Rs250 (from Rs210) as we believe a) strong earnings growth trajectory (25% CAGR over FY06-09E), b) low interest rate risk (85% G-Sec in HTM) and c) rising ROE (to 20% in FY09E from 15% in FY06) could see the stock, one year from now, trade up to 1.5-1.6x FY09E adj book underpinning our PO. Sharp rise in NPL is key risk to PO.

Net income up 78%yoy; Core operating profit up 33%yoy

BOI's 3QFY07 net income grew 78%yoy to Rs2.5bn (marginally lower than MLE of Rs2.78bn due to higher NPL provisions) led by a strong top line (up 27%yoy), rising fee income (up 23%yoy) and higher treasury gain (utilized to increase NPL provisioning). Top line growth was supported by pick up in loan growth (27% in 3Q v/s 22% in 2Q) and margin expansion of 16bps yoy (12bps qoq) to 3.18% in 3QFY07. Margin expansion was led by rise in lending rates and changing loan profile in favor of high yielding domestic loans. BOI maintained its healthy asset quality with gross NPLs declining to 2.7% (from 4.5% in 3QFY06) and net NPLs to <1% (v/s 2%).

Raising earnings 4%; estimated to grow at 25% CAGR

We have raised our FY07E earnings by 4% and FY08-09E by 3% (factoring in higher treasury and NPL provisions) and now expect earnings to grow 34% in FY07, 26% in FY08 and 20% in FY09 led by a) top line growth of 22% mainly on volumes as margins remain flat at 3QFY07 levels, b) fee income growth of 15-20% p.a. and c) improving operating efficiency due to absence of one time expenses. However, with tier I capital at 6.2%, and proposed foray in life insurance (requiring Rs750mn), BOI may raise capital in 12 months.

Estimates (Mar)

(Rs)	2005A	2006A	2007E	2008E	2009E
Net Income (Adjusted - mn)	3,401	7,014	9,371	11,845	14,209
EPS	6.97	14.37	19.20	24.26	29.11
EPS Change (YoY)	-66.3%	106.2%	33.6%	26.4%	20.0%
Dividend / Share	2.00	3.00	4.00	5.00	5.00
Pre-exceptional EPS	6.97	14.37	19.20	24.26	29.11
Pre-exceptional EPS Change (YoY)	-66.3%	106.2%	33.6%	26.4%	20.0%
Book Value / Share	59.63	82.23	108.33	133.47	161.34

Valuation (Mar)

	2005A	2006A	2007E	2008E	2009E
P/E	29.3x	14.2x	10.6x	8.4x	7.0x
Dividend Yield	0.978%	1.47%	1.96%	2.45%	2.45%
Pre-exceptional PE	29.34x	14.23x	10.65x	8.42x	7.02x
Price / Book	2.23x	2.00x	1.76x	1.52x	1.30x
RoE / PB	3.59x	7.42x	10.00x	12.75x	15.36x
Price / Pre-Provision Profit	NA	NA	NA	NA	NA

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

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 7 to 8. Analyst Certification on page 5. Price Objective Basis/Risk on page 5.



Rajeev Varma >> +91 22 6632 8666

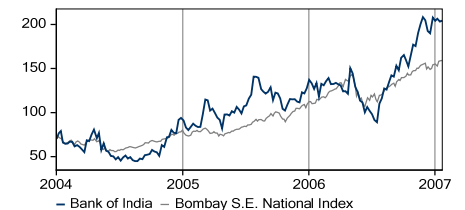
Research Analyst
DSP Merrill Lynch (India)
rajeev_varma@ml.com

Aashish Agarwal >> +91 22 6632 8652

Research Analyst
DSP Merrill Lynch (India)
aashish_agarwal@ml.com

Stock Data

Price	Rs204.40
Price Objective	Rs250.00
Date Established	23-Jan-2007
Investment Opinion	C-1-7
Volatility Risk	HIGH
52-Week Range	Rs79.70-Rs214.40
Mrkt Val / Shares Out (mn)	US\$2,258 / 488.1
Average Daily Volume	529,537
ML Symbol / Exchange	XDIIF / BSE
Bloomberg / Reuters	BOI IN / BOI.BO
ROE (2007E)	17.6%
Total Dbt to Cap (NAA)	NA
Est. 5-Yr EPS / DPS Growth	45.0% / 25.0%
Free Float	18.0%



iQprofileSM Bank of India

Key Income Statement Data (Mar)	2005A	2006A	2007E	2008E	2009E
(Rs Millions)					
Net Interest Income	23,819	28,756	36,290	43,392	51,563
Net Fee Income	4,500	5,190	5,916	6,863	8,098
Securities Gains / (Losses)	1,802	1,141	1,600	1,000	500.00
Other Income	5,256	5,513	5,543	5,613	5,427
Total Non-Interest Income	11,558	11,844	13,059	13,476	14,025
Total Operating Income	35,377	40,600	49,349	56,868	65,588
Operating Expenses	(19,323)	(21,151)	(25,423)	(28,245)	(31,842)
Pre-Provision Profit	16,054	19,448	23,926	28,623	33,746
Provisions Expense	(3,512)	(5,356)	(6,300)	(7,200)	(8,300)
Operating Profit	20,472	19,028	21,864	25,681	29,997
Non-Operating Income	(7,931)	(4,936)	(4,239)	(4,257)	(4,551)
Pre-Tax Income	4,611	9,156	13,387	17,166	20,895
Net Income to Comm S/Hold.	3,401	7,014	9,371	11,845	14,209
Adjusted Net Income (Operating)	3,401	7,014	9,371	11,845	14,209

Key Balance Sheet Data

Total Assets	949,782	1,122,743	1,329,912	1,573,090	1,839,247
Average Interest Earning Assets	866,591	1,000,715	1,186,050	1,408,002	1,659,189
Weighted Risk Assets	522,297	674,007	863,629	1,047,846	1,256,634
Total Gross Customer Loans	560,126	651,737	791,861	958,152	1,140,201
Total Customer Deposits	788,214	939,320	1,127,184	1,341,349	1,569,379
Tier 1 Capital	36,843	45,520	55,318	64,538	75,880
Tangible Equity	36,843	45,520	55,318	64,538	75,880
Common Shareholders' Equity	44,649	49,839	56,734	65,813	77,027

Key Metrics

Net Interest Margin	2.75%	2.87%	3.06%	3.08%	3.11%
Tier 1 Ratio	7.1%	6.8%	6.4%	6.2%	6.0%
Effective Tax Rate	26.2%	23.4%	30.0%	31.0%	32.0%
Loan / Assets Ratio	59.0%	58.0%	59.5%	60.9%	62.0%
Loan / Deposit Ratio	71.1%	69.4%	70.3%	71.4%	72.7%
Oper Leverage (Inc Growth - Cost Growth)	-21.7%	5.3%	1.4%	4.1%	2.6%
Gearing (Assets / Equity)	21.3x	22.5x	23.4x	23.9x	23.9x
Tangible Common Equity / Assets	3.9%	4.1%	4.2%	4.1%	4.1%
Tangible Common Equity / WRAs	7.1%	6.8%	6.4%	6.2%	6.0%
Revenue Growth	-11.4%	14.8%	21.6%	15.2%	15.3%
Operating Expense Growth	10.3%	9.5%	20.2%	11.1%	12.7%
Provisions Expense Growth	-44.6%	52.5%	17.6%	14.3%	15.3%
Operating Revenue / Average Assets	3.7%	3.6%	3.7%	3.6%	3.6%
Operating Expenses / Average Assets	2.0%	1.9%	1.9%	1.8%	1.7%
Pre-Provision ROA	1.7%	1.7%	1.8%	1.8%	1.8%
ROA	0.4%	0.6%	0.7%	0.8%	0.8%
Pre-Provision ROE	36.0%	39.0%	42.2%	43.5%	43.8%
ROE	8.0%	14.8%	17.6%	19.3%	19.9%
RoTE	9.2%	15.4%	16.9%	18.4%	18.7%
RoWRAs	0.7%	1.0%	1.1%	1.1%	1.1%
Dividend Payout Ratio	32.3%	23.5%	23.4%	23.2%	NA
Efficiency Ratio (Cost / Income Ratio)	57.6%	53.6%	53.2%	50.6%	48.9%
Total Non-Interest Inc / Operating Inc	33%	29%	26%	24%	21%
Market-Related Revenue / Total Revenues	11.4%	7.3%	7.3%	5.7%	4.7%
Provisioning Burden as % of PPP	21.9%	27.5%	26.3%	25.2%	24.6%
NPLs plus Foreclosed Real Estate / Loans	5.6%	3.8%	3.2%	3.1%	3.1%
Loan Loss Reserves / NPLs	50.8%	60.9%	84.7%	97.7%	104.9%
Loan Loss Reserves / Total Loans	2.9%	2.4%	2.8%	3.1%	3.3%
Provisions Expense / Average Loans	0.7%	0.9%	0.9%	0.8%	0.8%

Other Metrics

Income / Employee	0.823	0.945	1.15	1.32	NA
(Operating Expenses) / Employee	0.450	0.492	0.592	0.657	NA
Pre-Provision Profit / Employee	0.374	0.453	0.557	0.666	NA
Net Profit / Employee	0.079	0.163	0.218	0.276	NA

Company Description

Bank of India, established in 1906, is a large state-owned bank, with a balance sheet size of Rs950bn and a network of 2,600 branches, mainly in western and eastern India. Since FY05, BOI seems to have been taking the maximum initiative to improve its asset quality and drive business growth, which was reflected by a sharp decline in NPL and significant improvement in business operations in FY05.

Stock Data

Price to Book Value 1.8x

Table 1: 3QFY07 Income Statement

Income statement	Q3FY06	3QFY07	yoy growth	Mle	Remarks
Interest earned	18,006	23,187	29%	24,430	Loan growth picked up to 27%yoy v/s 22% in 2QFY07 led by retail (up 55%yoy) BOI includes amortization exp in the interest expenses; we have however adjusted the same and shown it separate in the Provision line
Interest Expended	10,758	13,983	30%	15,100	Margins expanded 16bps yoy to 3.18% led by improvement in domestic, intl. spread; impact of rising lending rates fed through top line owing to low re-pricing risk
Net Interest Income	7,248	9,204	27%	9,330	
Other income	2,625	3,223	23%	2,736	
- Profit on Sale of Investments	227	555	144%	240	Treasury gains were higher than estimates, supported by buoyant equity markets
- Other income	2,400	2,668	11%	2,496	Fee income grew 23%yoy; however recovery from written off accounts declined 50%yoy being a drag on overall non interest income (excluding treasury gains)
Operating income	9,873	12,427	26%	12,066	
Operating expenses	5,444	6,279	15%	6,191	Operating expenses growth continued to be higher owing to the bank's policy of charging technology related expenses to P&L
- Employee expenses	3,563	3,842	8%	3,706	
- Other Operating expenses	1,880	2,437	30%	2,485	
Operating profit	4,429	6,148	39%	5,876	Operating profit growth was higher than estimates owing to the higher treasury
Provisions and contingencies	2,486	2,902	17%	2,015	Provisions were higher than estimates due to high NPL provisions as the bank maintained its healthy asset quality with gross NPL declining 1.5%qoq but Net NPL declining much faster (5%qoq) due to the higher provisioning
- NPL provisions	1,227	1,909	56%	1,615	
- Investment provisions	682	616	-10%	-	
- Other provisions	577	377	-35%	400	
PBT	1,943	3,246	67%	3,860	Tax rates were lower than estimates due to a) write offs and b) higher proportion of treasury gains which are taxed at a lower rate
Provision for Tax	512	697	36%	1,081	
PAT	1,431	2,549	78%	2,779	Net Income growth was lower than estimates due to higher NPL provisions

Source: Company Reports, ML Research Estimates

Financials

Table 2: Income Statement

Year to March (Rsmn)	FY05A	FY06	FY07E	FY08E	FY09E
Interest income	60,315	70,287	89,749	109,659	130,601
Interest expense	36,496	41,531	53,459	66,261	79,044
Net interest income	23,819	28,756	36,290	43,398	51,557
Other income	11,558	11,844	12,959	13,017	13,539
- Treasury Gains	1,802	1,141	1,500	600	400
Total income	35,377	40,600	49,249	56,415	65,096
Operating expenses	19,323	21,151	25,423	28,245	31,842
Pre-provision Profit	16,054	19,448	23,826	28,170	33,254
Total Provision	11,443	10,292	10,239	11,403	12,911
- Provision for NPL	3,512	5,356	6,000	7,000	8,200
- Provision for Investments	6,196	3,206	2,739	2,903	3,211
- Others	1,735	1,730	1,500	1,500	1,500
PBT	4,611	9,156	13,587	16,768	20,343
Provision for Tax	1,210	2,142	4,076	5,198	6,510
PAT	3,401	7,014	9,511	11,570	13,833

Source: Company Reports, ML Research Estimates

Table 3: Balance Sheet

As at March (Rs mn)	FY05A	FY06	FY07E	FY08E	FY09E
Cash balances	75,263	114,460	105,171	113,103	125,956
Advances	560,126	651,737	791,861	958,152	1,140,201
Investments	282,026	317,818	391,194	456,527	523,794
Fixed assets	8,142	8,100	8,748	9,447	10,203
Current assets	24,225	30,628	33,079	35,725	38,583
Total Assets	949,782	1,122,743	1,330,052	1,572,955	1,838,737
Equity Capital	4,881	4,881	4,881	4,881	4,881
Reserves & Surplus	39,767	44,957	51,993	60,797	71,635
Shareholders' funds	44,649	49,839	56,874	65,678	76,516
Deposits	788,214	939,320	1,127,184	1,341,349	1,569,379
- Demand deposits	272,301	328,927	394,713	469,708	549,559
- Term deposits	515,914	610,393	732,472	871,641	1,019,820
Borrowings	79,605	88,424	96,318	111,285	132,735
- Subordinated debt	19,985	29,485	31,485	33,485	35,485
Current liabilities	37,314	45,159	49,675	54,643	60,107
Total Liabilities	949,782	1,122,743	1,330,052	1,572,955	1,838,737

Source: Company Reports, ML Research Estimates

Table 4: Key Ratios

Year to March	FY05A	FY06	FY07E	FY08E	FY09E
EPS	7.0	14.4	19.5	23.7	28.3
Earnings growth	-66.3%	106.2%	35.6%	21.6%	19.6%
CEPS	9.0	16.4	21.7	26.1	31.0
PPP / Share	32.9	39.8	48.8	57.7	68.1
BV/share	91	102	117	135	157
Adjusted BV / Share	60	82	108	132	159
ROAA	0.4%	0.7%	0.8%	0.8%	0.8%
ROAE	8.0%	14.8%	17.8%	18.9%	19.5%
NIM	2.7%	2.9%	3.1%	3.1%	3.1%
Gross NPLs	5.5%	3.7%	3.1%	3.0%	3.0%
Net NPLs	2.8%	1.5%	0.5%	0.1%	-0.1%
Coverage	51%	61%	84%	96%	103%
Capital Adequacy Ratio	11.5%	10.8%	10.1%	9.3%	8.8%
- Tier I CAR	7.1%	6.8%	6.4%	6.1%	6.0%
C/D ratio	71%	69%	70%	71%	73%
Cost-Income ratio (Excl Treasury)	58%	54%	53%	51%	49%
Other Inc (Excl treasury) / Total Inc (Excl Treasury)	13.9%	13.2%	11.3%	10.2%	9.1%
Cost Asset Ratio	2.0%	1.9%	1.9%	1.8%	1.7%
Loan Growth	22.1%	16.4%	21.5%	21.0%	19.0%
Equity / Assets	4.7%	4.4%	4.3%	4.2%	4.2%
Equity / Loans	8.0%	7.6%	7.2%	6.9%	6.7%
Provision/ Loans	0.6%	0.8%	0.8%	0.7%	0.7%
CASA	35%	35%	35%	35%	35%
Tax Rates	26%	23%	30%	31%	32%
Yield on Advances	7.1%	7.5%	8.1%	8.3%	8.4%
Yield on Investments	7.7%	7.2%	7.5%	7.7%	7.7%
Cost of funds	4.4%	4.4%	4.7%	5.0%	5.0%
Divid per share	2.0	3.0	4.0	5.0	5.0
Divid. Payout	32%	23%	23%	24%	20%
Dividend Yield	1.0%	1.5%	2.0%	2.4%	2.4%
P/E	29.4	14.3	10.5	8.6	7.2
P/PPP	6.2	5.1	4.2	3.6	3.0
P/ABV	3.4	2.5	1.9	1.6	1.3

Source: Company Reports, ML Research Estimates

Price Objective Basis & Risk

We are raising our PO on BOI to Rs250 (from Rs210) as we believe a) strong earnings growth trajectory (25% CAGR over FY06-09E), b) low interest rate risk (85% G-Sec in HTM) and c) rising ROE (to 20% in FY09E from 15% in FY06) could see the stock, one year from now, trade up to 1.5-1.6x FY09E adj book underpinning our PO. Reiterate Buy. Sharp rise in NPL is key risk to PO

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.

***iQmethod*SM Measures Definitions**

Business Performance	Numerator	Denominator
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
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

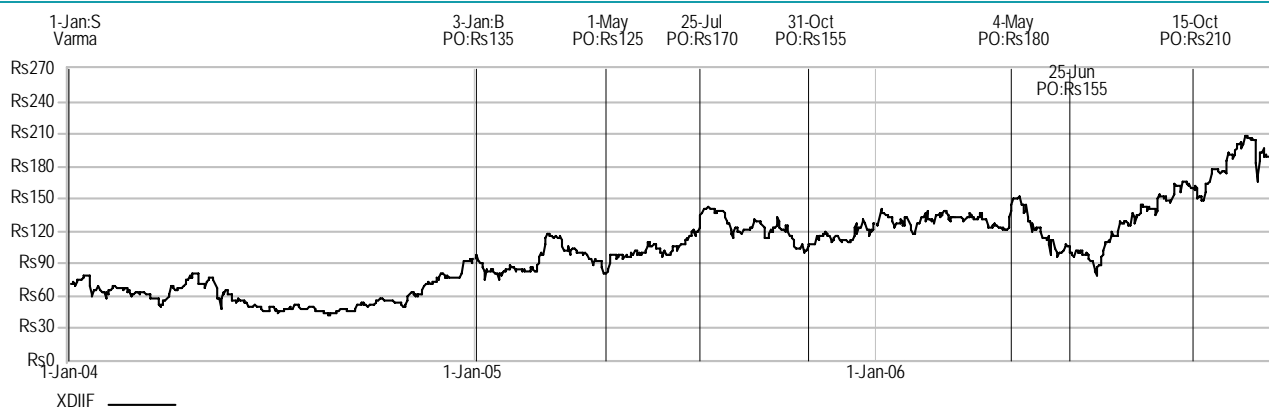
*iQmethod*SM is the set of Merrill Lynch standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and valuations. The key features of *iQmethod* are: A consistently structured, detailed, and transparent methodology. Guidelines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

iQdatabase[®] 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*SM, *iQmethod*SM are service marks of Merrill Lynch & Co., Inc. *iQdatabase*[®] is a registered service mark of Merrill Lynch & Co., Inc.

Important Disclosures

XDIIF 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, 2006 or such later date as indicated.

Investment Rating Distribution: Banks Group (as of 31 Dec 2006)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	92	40.35%	Buy	50	54.35%
Neutral	113	49.56%	Neutral	66	58.41%
Sell	23	10.09%	Sell	11	47.83%

Investment Rating Distribution: Global Group (as of 31 Dec 2006)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1306	42.74%	Buy	406	31.09%
Neutral	1509	49.38%	Neutral	446	29.56%
Sell	241	7.89%	Sell	53	21.99%

* 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 was a manager of a public offering of securities of this company within the last 12 months: Bank of India.

The company is or was, within the last 12 months, an investment banking client of MLPF&S and/or one or more of its affiliates: Bank of India.

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: Bank of India.

MLPF&S or an affiliate has received compensation for investment banking services from this company within the past 12 months: Bank of India.

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

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: Bank of India.

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.

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; 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) is regulated by BaFin.

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

Copyright 2007 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>.

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.

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