

Q1 2009 initial comment

Q1 2009: well above expectations

Bank Leumi reported better than expected Q1 2009 results, with NI totaling ILS 429mn, more than double BAS-MLe NI of ILS 184mn and well ahead of consensus estimates of ILS 218mn. The higher NI was primarily the result of substantially lower loan loss provisions (LLP), which averaged only 0.68% of loans in Q1 (vs. BAS-MLe of 0.96%) and lower costs thanks to higher than anticipated severance payment fund gains. Likewise, better results at LUMI's equity holdings (ILCO and PZOL) further boosted the bank's bottom line. ROE in Q1 2009 averaged 8.7%, well above BAS-MLe ROE of 3.8%.

Potential pick-up in LUMI's privatization process?

After two decades of false starts, privatization at LUMI might finally be off to a more promising start, as we believe that the 4.8% acquired by Mr. Azrieli from Cerberus/Gabriel earlier this month could potentially lead to a full bid for control, once he receives approval from the BOI. The main obstacle to a successful ending to this two-decade long saga of LUMI's privatization remains Israel's strict regulatory environment and the BOI tough standards for bank ownership permits. That said, even in a best-case scenario, privatization is not likely to be completed before H2 2010.

Maintain Buy rating

Bank Leumi remains our top pick among Israeli banks, as we expect LUMI will continue to deliver above-local average returns and have superior capital ratios. We believe LUMI's well balanced loan book, relatively higher coverage ratio, conservative management and diversified income sources, position it well to weather the current slowdown. With core tier 1 close to 8% and LTD at c.85% LUMI is likely to remain relatively sheltered from the recession. We reiterate our Buy rating.

Estimates (Dec)

(ILS)	2007A	2008A	2009E	2010E	2011E
Net Profit	3,357	92.0	1,657	2,410	3,139
EPS (Reported Diluted)	2.11	-0.11	1.12	1.62	2.10
Dividend / Share	1.00	0	0	0.32	0.42
Adjusted NAV PS	13.8	12.9	13.4	14.7	16.4

Valuation (Dec)

	2007A	2008A	2009E	2010E	2011E
EPS Change (YoY)	105%	-105%	NM	44.4%	30.2%
Price / BV	0.80x	0.85x	0.82x	0.75x	0.67x
Price / NAV	0.80x	0.85x	0.82x	0.75x	0.67x
Net Yield	9.10%	0%	0%	2.94%	3.83%
DPS Change (YoY)	-43.4%	-100%	NA	NA	30.2%
Price / GOP	3.15x	7.23x	3.45x	2.91x	2.77x

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Refer to important disclosures on page 9 to 11. Analyst Certification on Page 7. Price Objective Basis/Risk on page 7.

Equity | Israel | Banks-Retail
01 June 2009



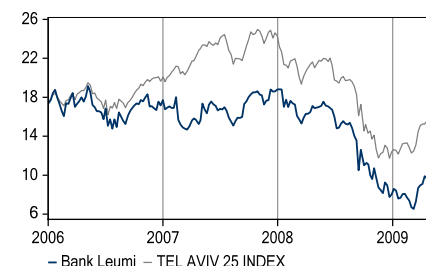
RESEARCH

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Stock Data

Price	ILS10.99
Price Objective	ILS12.90
Date Established	20-May-2009
Investment Opinion	B-1-9
Volatility Risk	MEDIUM
52-Week Range	ILS6.37-ILS17.69
Mkt Val / Shares Out (mn)	ILS16,397 / 1,492.0
Average Daily Volume	8,474,960
ML Symbol / Exchange	BLMIF / TLV
Bloomberg / Reuters	LUMI IT / LUMI.TA
ROE (2009E)	8.6%
Total Dbt to Cap (Dec-2008A)	0%
Est. 5-Yr EPS / DPS Growth	3.4% / NA
Free Float	68.1%



01 June 2009

iQprofileSM Bank Leumi

Key Income Statement Data (Dec)	2007A	2008A	2009E	2010E	2011E
(ILS Millions)					
Net Interest Income	7,648	6,380	7,618	8,826	9,041
Net Fee Income	3,350	3,362	3,346	3,446	3,619
Securities Gains / (Losses)	461	(912)	269	80.0	114
Other Income	411	350	368	404	465
Total Non-Interest Income	4,222	2,800	3,983	3,931	4,198
Total Operating Income	11,870	9,180	11,600	12,756	13,238
Operating Expenses	(6,937)	(7,003)	(6,922)	(7,114)	(7,312)
Pre-Provision Profit	4,933	2,177	4,679	5,642	5,926
Provisions Expense	(407)	(2,145)	(2,597)	(2,397)	(1,631)
Operating Profit	4,526	32.0	2,082	3,245	4,295
Non-Operating Items	184	249	260	310	363
Pre-Tax Income	4,710	281	2,342	3,555	4,658
Net Income to sh/holders	2,984	(158)	1,645	2,410	3,139
Adjusted Cash Earnings	3,357	92.0	1,657	2,410	3,139

Key Balance Sheet Data

Total Assets	302,151	310,792	326,045	335,143	348,147
Average Interest Earning Assets	284,078	290,664	299,318	311,077	321,858
Weighted Risk Assets	249,551	256,982	269,831	286,021	303,182
Total Gross Customer Loans	207,370	223,084	230,752	240,679	249,624
Total Customer Deposits	NA	NA	NA	NA	NA
Tier 1 Capital	18,842	19,307	21,311	23,777	26,294
Tangible Equity	19,549	18,672	20,029	21,957	24,468
Common Shareholders' Equity	19,549	18,672	20,029	21,957	24,468

Key Metrics

Net Interest Margin	2.64%	2.19%	2.48%	2.80%	2.75%
Tier 1 Ratio	7.55%	7.51%	7.90%	8.31%	8.67%
Effective Tax Rate	36.6%	150%	29.9%	32.5%	32.8%
Loan / Assets Ratio	65.7%	68.6%	67.4%	68.1%	68.2%
Loan / Deposit Ratio	NA	NA	NA	NA	NA
Oper Leverage (Inc Growth - Cost Growth)	14.4%	-23.6%	27.5%	7.18%	0.99%
Gearing (Assets / Equity)	15.5x	16.6x	16.3x	15.3x	14.2x
Tangible Equity / Assets	6.47%	6.01%	6.14%	6.55%	7.03%
Tangible Equity / WRAs	7.83%	7.27%	7.42%	7.68%	8.07%

Business Performance

Revenue Growth	9.98%	-22.7%	26.4%	9.97%	3.78%
Operating Expense Growth	-4.41%	0.95%	-1.16%	2.78%	2.78%
Provisions Expense Growth	-56.4%	427%	21.1%	-7.71%	-32.0%
Operating Revenue / Average Assets	1.53%	0.01%	0.65%	0.98%	1.26%
Operating Expenses / Average Assets	-2.35%	-2.29%	-2.17%	-2.15%	-2.14%
Pre-Provision ROA	1.67%	0.71%	1.47%	1.71%	1.73%
ROA	1.14%	0.03%	0.52%	0.73%	0.92%
Pre-Provision ROE	26.6%	11.4%	24.2%	26.9%	25.5%
ROE	18.1%	0.48%	8.56%	11.5%	13.5%
RoTE	18.1%	0.48%	8.56%	11.5%	13.5%
RoWRAs	1.42%	0.04%	0.63%	0.87%	1.07%
Dividend Payout Ratio	42.1%	0%	0%	20.0%	20.0%
Efficiency Ratio (Cost / Income Ratio)	58.4%	76.3%	59.7%	55.8%	55.2%

Quality of Earnings

Total Non-Interest Inc / Operating Inc	35.6%	30.5%	34.3%	30.8%	31.7%
Market-Related Revenue / Total Revenues	0%	0%	0%	0%	0%
Provisioning Burden as % of PPP	8.25%	98.5%	55.5%	42.5%	27.5%
NPLs plus Foreclosed Real Estate / Loans	0.81%	0.94%	1.37%	1.45%	1.29%
Loan Loss Reserves / NPLs	549%	491%	369%	370%	396%
Loan Loss Reserves / Total Loans	4.44%	4.63%	5.07%	5.38%	5.09%
Provisions Expense / Average Loans	0.21%	1.04%	1.20%	1.07%	0.70%

Company Description

Bank Leumi is Israel's oldest bank, founded in 1902 as the Anglo-Palestine Bank. Today it is Israel's second-largest bank with a 30 percent market share. Subsidiaries include a mortgage bank, leasing, fund management, underwriting and insurance companies. Leumi has also invested in an extensive international network which is partially a legacy of its close historical ties to international Zionism. There are no ADRs under coverage.

Investment Thesis

LUMI should continue to enjoy above-average returns combined with superior capital ratios. Likewise, its large non-financial holdings, diversified income sources and government ownership are a positive in these days of growing risks and lack of bank earnings visibility, in our view. With tier 1 above 7.5% and LTD at c. 90%, we believe LUMI could potentially remain relatively sheltered from the current global liquidity crunch.

Stock Data

Price to Book Value 0.8x

01 June 2009

LUMI Q1 2009: Much better than expected

Bank Leumi (LUMI) reported better than expected Q1 2009 results, with net income totaling ILS 429mn, more than double BAS-MLe NI of ILS 184mn and well ahead of consensus estimates of ILS 218mn. The better than expected bottom line was primarily the result of significantly lower loan loss provisions, which averaged only 0.68% of loans (vs. BAS-MLe of 0.96%) and lower costs (ILS 1.564bn vs. BAS-MLe ILS 1.632bn) as the bank recorded substantially higher severance payment fund gains (ILS 174mn). Although LLPs declined notably QoQ (-67%), NPLs and total problematic loans (PLs) continued to grow by 6.8% and 3.2% respectively, indicating LLPs in future quarters are likely to be higher.

PBT totaled ILS 447mn, 23% above BAS-MLe ILS 363mn, as FX gains were recorded at the bank's tax line instead of boosting NII. Significantly better results at LUMI's equity holdings further boosted the bank's bottom line by ILS 34mn vs. our projected loss of ILS 100mn due to much better results at ILCO (~18% held). Q1 2009 ROE at LUMI averaged 8.7% well above BAS-MLe ROE of 3.8%.

Credit stagnated as expected (-0.2% QoQ vs. BAS-MLe +0.2% QoQ), while deposits increased by an impressive 4%, leaving LTD at 83.6%, the lowest in the sector. RWA increased slightly (0.2% QoQ), primarily due to higher market risk and higher off-balance sheet risk. CAR, nonetheless improved to 11.9% (vs. 11.6% at YE08).

Table 1: Bank Leumi: Q109 income statement summary

	1Q09A	1Q08A	4Q08A	YoY (%)	QoQ (%)	Q408E	% Vs MLe
Net Interest Income	1,362	1,960	976	-30.5%	39.5%	1,554	-12.4%
Non Interest Income	1,003	851	545	17.9%	84.0%	940	6.7%
-Fees and Commissions	831	902	838	-7.9%	-0.8%	837	-0.7%
-Other Operating Revenue	95	-71	-434			12	
-Management and Distribution Fees	77	20	141	285.0%	-45.4%	92	-16.2%
Total Banking Revenues	2,365	2,811	1,521	-15.9%	55.5%	2,495	-5.2%
Operating Expenses	1,564	1,794	1,801	-12.8%	-13.2%	1,632	-4.2%
Salary and Other Personnel Costs	883	1,131	969	-21.9%	-8.9%	915	-3.5%
Non-Salary Operating Costs	364	323	377	12.7%	-3.4%	377	-3.4%
Depreciation and Maintenance Costs	317	340	455	-6.8%	-15.9%	340	-6.8%
Pre-Provision Profit	801	1,017	-280	-21.2%	-386.1%	863	-7.2%
Loan Provision Charge	354	244	1,090	45.1%	-67.5%	499	-29.1%
Profit Before Tax	447	773	-1,370	-42.2%	-132.6%	364	22.9%
Tax Provision	42	383	-423	-89.0%	-109.9%	81	-47.9%
Net Income	405	390	-947	3.8%	-142.8%	283	43.1%
Income (Expenses) from investee earnings	34	87	-222	-60.9%	-115.3%	-100	-134.0%
Minority Interest	-11	-5	-15			1	-1566.7%
Attributable Group Net Income	428	472	-1,184	-9.3%	-136.1%	184	132.8%
Extraordinary Income	1	-2	1			0	
Reported Group Net Income	429	470	-1,183	-8.7%	-136.3%	184	133.4%

Source: Company data and Banc of America Securities - Merrill Lynch

Although underlying profitability is less impressive

Although results were much better than expected, LUMI benefited significantly from one-time gains in the form of:

- Gains on the bank's severance payment totaling ILS 231mn primarily reduced staff costs (ILS 174mn), but also boosted non-interest revenues (NIR; +ILS 57mn).

- Trading gains totaled ILS 397mn, increasing both the bank's NII (by ILS 302mn), and boosting the bank's NIR by some ILS 95mn.
- While taxes were also exceptionally low this quarter (9.4%), this was entirely offset by a loss of revenues of equal size (ILS 144mn), which was recorded at NII level as LUMI hedged its traditionally long FX position.
- In contrast, the bank recorded some ILS 328mn in MTM losses due to the difference in accounting practices between balance sheet and off-balance sheet items.

Underlying profitability, excluding one-time gains, would have averaged approx. 6.8%, well below the reported ROE of 8.7%.

CAR could surpass 12% by Q2 2009

Capital ratios remain another positive point at LUMI, as CAR totaled 11.9% at the end of Q1 2009 vs. 11.58% at YE08, while CT1 ended Q1 at 7.73%, well above POLI's Q1 numbers (CAR=11.27% and CT1 of 6.87%). Furthermore, LUMI raised some ILS 2.5bn in Q2, potentially increasing the bank's capital ratios by another 0.4% in Q2, which would leave LUMI's CAR at the end of H1 2009 at approximately 12.3%. However, under Basel II LUMI expects to lose a full 1% in CAR (primarily due to the inclusion of operational risk), leaving YE08 CAR at 10.6% instead of the report 11.6% under Basel I. And while LUMI is relatively well prepared for the upcoming change in capital regulation, we worry the change to Basel II could require some of the less-capitalized banks in the local sector to raise even more capital.

Table 2: Bank Leumi: Q109 asset quality indicators

	1Q09A	Q408A	YE08A	YTD (%)	QoQ (%)
Net NPL - Reported	2,148	2,012	2,012	6.8%	6.8%
Restructured	1,207	963	963	25.3%	25.3%
Arrears	574	562	562	2.1%	2.1%
Net NPLs - Adjusted	3,929	3,537	3,537	11.1%	11.1%
Watchlist	14,732	14,545	14,545	1.3%	1.3%
Total Problematic Loans	18,661	18,082	18,082	3.2%	3.2%
Net NPLs/Net Loans	0.9%	0.9%	0.9%		
Total Capital Ratio	11.90%	11.49%	11.49%		
- Core Tier 1	7.73%	7.51%	7.51%		
- Tier 1	7.73%	7.51%	7.51%		
- Tier 2	4.17%	3.97%	3.97%		

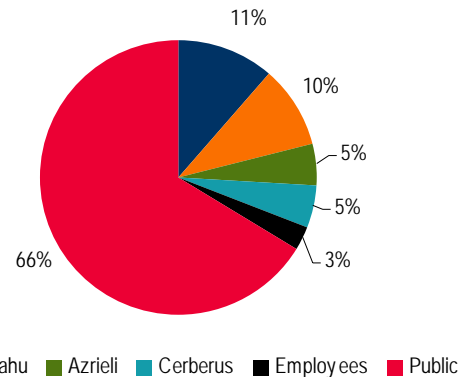
Source: Company data and Banc of America Securities - Merrill Lynch

Renewed chances for privatization of LUMI?

After almost two decades of false starts, we believe privatization chances for LUMI have improved considerably in recent weeks. Earlier this month (May 6) Mr. David Azrieli, a Canadian-Israeli developer acquired 4.83% in Bank Leumi from the Cerberus/Gabriel funds. And although Mr. Azrieli declined to acquire the option for an additional 4.8% in LUMI, we believe he has a strategic interest in LUMI, but only once he has received an initial approval by the Bank of Israel (under Israeli law, an investor seeking to hold more than 4.99% in an Israeli bank will need the explicit and a-priori approval of the BOI; a process that can take more than 12 months). In any case, a potential bid by Mr. Azrieli is likely to take considerable time, and is not likely to be concluded before late-2010, primarily due to the strict regulatory environment in Israel. Privatization fruits, in form of higher returns, higher dividends should not be expected before 2011, at the earliest.

Mr. Azrieli is primarily known for his shopping malls, including the Azrieli Towers, and is also widely considered to be one of the more 'liquid' local businessmen, with limited exposures to local banking groups, and with very limited potential conflict of interests among his businesses.

Chart 1: Bank Leumi: shareholder schedule



Source: TASE and Banc of America Securities - Merrill Lynch estimates

Reiterate our Buy rating

We continue to favour Bank Leumi and it remains our only Buy among the Israeli banks. We expect LUMI will continue to deliver above-average returns and superior capital ratios. We believe its well-balanced loan book, traditionally higher asset quality, conservative management and diversified income sources position it well to weather the slowdown. Likewise, government ownership and the potential pick-up in the bank's privatization process following Mr. Azrieli's initial acquisition of 4.8% of LUMI are an additional positive in these days of growing liquidity risk. With core tier 1 close to 8% and LTD at below 85%, we think LUMI will remain fairly sheltered from the current slowdown. We reiterate our Buy rating and ILS 12.9/s PO for Bank Leumi.

Table 3: Bank Leumi: Q109 balance sheet summary

	1Q09A	1Q08A	4Q08A	YoY (%)	QoQ (%)
Cash, CB Reserves & Interbank Balances	38,712	36,580	33,130	5.8%	16.8%
Marketable Securities	47,906	45,505	45,111	5.3%	6.2%
Net Loans	212,878	200,174	213,215	6.3%	-0.2%
Government Loans	500	576	520	-13.2%	-3.8%
Interest Earning Assets	299,996	282,835	291,976	-99.3%	2.7%
Investment in Subsidiaries	2,048	1,899	1,842	7.8%	11.2%
Fixed Assets	3,513	33,314	3,445	-89.5%	2.0%
Other Assets	12,495	10,158	13,529	23.0%	-7.6%
Total Assets	318,052	328,206	310,792	-3.1%	2.3%
Customer Deposits	254,565	228,187	244,783	11.6%	4.0%
Interbank Deposits	3,374	6,960	4,291	-51.5%	-21.4%
Deposits from the Government	852	1,128	831	-24.5%	2.5%
Bonds and Notes	20,567	21,985	20,636	-6.4%	-0.3%
Other Liabilities	19,603	20,121	21,334	-2.6%	-8.1%
Minority Interest	255	109	245	133.9%	4.1%
Total Group Equity	18,836	19,733	18,672	-4.5%	0.9%

Source: Company data and Banc of America Securities - Merrill Lynch

Table 4: Bank Leumi: Q109 main financial ratios

	Q109A	Q408A	Q308A	Q208A	Q108A
Net Interest Margins (on AIEA)	1.87%	1.34%	2.10%	2.78%	2.79%
Loan Provision Charge as % of Ave Loans	0.69%	2.12%	0.98%	0.64%	0.50%
Operating Revenues as % of Total Revenues	42.4%	35.8%	26.6%	30.7%	30.3%
Cost/Income Ratio	66.1%	118.4%	86.0%	59.0%	63.8%
Tax Rate	9.4%	30.9%	-29.0%	47.7%	49.5%
ROAE - Reported	8.9%	-24.8%	-1.7%	17.7%	9.8%
ROAA - Reported	0.5%	-1.5%	-0.1%	1.2%	0.6%
One-time gains as % of Ave Equity	0.0%	0.0%	0.0%	5.0%	0.0%
ROAE - Adjusted	8.9%	-24.8%	-1.7%	12.8%	9.9%
Equity Gearing	16.9	16.0	14.9	14.7	15.4
ROAA - Reported	0.5%	-1.5%	-0.1%	1.2%	0.6%
One-time gains as % of Ave Assets	0.0%	0.0%	0.0%	0.3%	0.0%
ROAA - Adjusted	0.5%	-1.5%	-0.1%	0.9%	0.6%

Source: Company data and Banc of America Securities - Merrill Lynch

Price objective basis & risk Bank Leumi (BLMIF)

Our price objective for the company (ILS 12.9/s) is based on the lower outcome of two valuation models (1) a simple Gordon growth model (ILS 12.9/s) and a dividend discount model (which generates a fair value of ILS 13.8/s). We prefer to be conservative and use the lowest outcome. We use a simple target price-book model (a single-stage Gordon Growth Model) with a mid-term sustainable ROE target of 11.2% a 11.3% cost of equity and a 3.5% nominal terminal growth rate. Our COE uses 36 month rolling average 10 year nominal government bond yield of 5.8% and a 1.1 beta (a 36 month rolling adjusted Beta vs. the TA-100). Our perpetual growth rate of 3.5% is nominal and assumes a real long term growth rate of 1.5% and a 2% long term inflation rate target.

We group the risks into two categories macroeconomic and microeconomic. On the macro level the economy could slide into a longer than anticipated recession due to prolonged slowdown in the US economy and/or due to deterioration in Israel's security situation. This could put the banking sector under pressure for both growth and asset quality. A default of one of the larger European banks could also potentially significantly impair the bank as it carries notable deposits in overseas banks primarily European banks. The bank's ability to contain costs, sustain its net interest margin and maintain prudent risk management is the microeconomic risk, in our view.

Analyst Certification

I, Haim Israel, 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.

Emerging EMEA - Israel Coverage Cluster

Investment rating	Company	ML ticker	Bloomberg symbol	Analyst
BUY				
	Bank Leumi	BLMIF	LUMI IT	Haim Israel
	Delek	XDLKF	DLEA IT	Haim Israel
	Israel Chemical	ISCHF	ICL IT	Haim Israel
NEUTRAL				
	Bank Hapoalim	BKHPF	POLI IT	Haim Israel
	Makhteshim-Agan	MAIXF	MAIN IT	Haim Israel
	Mizrahi Tefahot	UMZRF	MZTF IT	Haim Israel
UNDERPERFORM				
	Discount Bank	ISDCF	DSCT IT	Haim Israel
	Ormat Industries	OMTDF	ORMT IT	Haim Israel

01 June 2009

***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 Banc of America Securities-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.

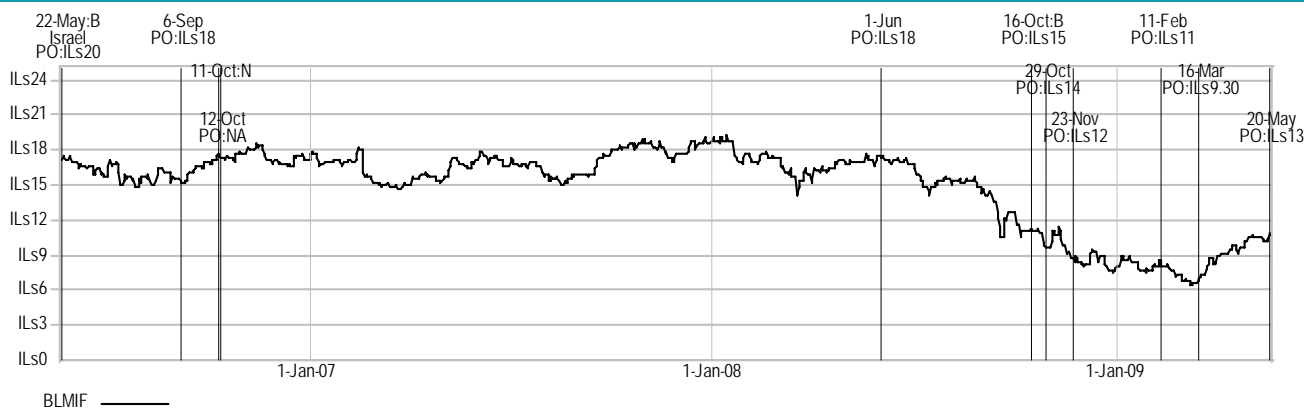
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01 June 2009

Important Disclosures

BLMIF 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 April 30, 2009 or such later date as indicated. BAS-ML price charts do not reflect analysts' coverage of the stock at prior firms. Historical price charts relating to companies covered as of April 30, 2009 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 2009)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	66	26.83%	Buy	27	49.09%
Neutral	61	24.80%	Neutral	31	57.41%
Sell	119	48.37%	Sell	63	60.58%

Investment Rating Distribution: Global Group (as of 01 Apr 2009)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1243	38.21%	Buy	520	46.39%
Neutral	841	25.85%	Neutral	349	47.04%
Sell	1169	35.94%	Sell	388	36.30%

* 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 BAS-ML Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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