

Mixed trends in 1Q: fees and efficiency offset soft top line

Strong fee growth and better efficiency offset soft top line

We estimate Banrisul's net income at R\$199mn in 1Q (+4% QoQ and -7% YoY), for an ROE of 16.1% (+30bp QoQ). We expect Banrisul to continue delivering sound non-interest income evolution, +6% QoQ and 40% YoY driven by strong growth in Banricompras and insurance brokerage. However, credit growth should be modest, at +2% QoQ, and NII to contract 1% due to NIM contraction of 40bp on lower credit spreads. NPL should increase 10bp QoQ, still driven by the SME segment, but provisions to increase only 2% QoQ as the bank should consume existing reserves in anticipation of asset quality improvements in 2013.

Additionally, we expect efficiency to improve (-210bp QoQ) with operating expenses dropping 4% QoQ as seasonality also plays favorably.

2013 should bring better operating trends for Banrisul

We expect a better operating outlook for Banrisul in 2013 on the back of an economic recovery of the state of Rio Grande do Sul. Even with the sluggish activity in Brazil, we forecast the RS economy, which is highly dependent on agribusiness, to grow 4%-plus this year. This should lead to improvements in asset quality (NPL ratio down 30bp YoY) and better prospects for credit growth (+17% YoY) relative to peers. Consequently, we expect 12% EPS growth for Banrisul in 2013, vs. 9% for the average of large-cap peers.

Valuation attractive, short-term negatives are manageable

Banrisul trades at 2013E P/E and P/BV of 7.4x and 1.2x, respectively, 17% and 14% discounts to large peers, vs. historical discounts of 13%. In our view, short term overhangs, namely 1) pension fund liability negative impact of R\$270mn (NPV against shareholder's equity) in light of unrecognized accounting losses related to Banrisul's unfunded defined benefit plan, and 2) R\$10-15mn in additional provision expenses on increased delinquency in Cruzeiro do Sul's acquired loans are manageable and offer a particularly good entry point for a sound story.

Estimates (Dec)

(BRL)	2011A	2012A	2013E	2014E	2015E
EPS	2.21	2.00	2.24	2.49	2.73
GAAP EPS	2.21	2.00	2.24	2.49	2.73
EPS Change (YoY)	22.0%	-9.5%	11.8%	11.3%	9.4%
Consensus EPS (Bloomberg)			2.20	2.42	2.70
DPS	0.88	0.80	0.90	1.00	1.09

Valuation (Dec)

	2011A	2012A	2013E	2014E	2015E
P/E	7.6x	8.4x	7.5x	6.8x	6.2x
GAAP P/E	7.6x	8.4x	7.5x	6.8x	6.2x
Dividend Yield	5.2%	4.7%	5.3%	5.9%	6.5%

>> 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 BofA Merrill Lynch entities that take responsibility for this report in particular jurisdictions.

BofA 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. 11271948

Equity | Brazil | Banks-Retail
30 April 2013

Bank of America Merrill Lynch

Jorg Friedemann >> +55 11 2188 4565
Research Analyst
Merrill Lynch (Brazil)
jorg.friedemann@baml.com

Marcus Fadul >> +55 11 2188 4025
Research Analyst
Merrill Lynch (Brazil)
marcus.fadul@baml.com

Jose Barria +1 646 743 0181
Research Analyst
MLPF&S
jose.barria@baml.com

Stock Data

Price	BRL16.89
Price Objective	BRL21.00
Date Established	13-Mar-2013
Investment Opinion	C-1-7
Volatility Risk	HIGH
52-Week Range	BRL12.61-19.40
Mrkt Val / Shares Out (mn)	BRL6,908 / 409.0
BofAML Ticker / Exchange	XGRBF / SAO
Bloomberg / Reuters	BRSR6 BZ / BRSR6.SA
ROE (2013E)	17.7%
Total Dbt to Cap (Jan-2012A)	NA
Est. 5-Yr EPS / DPS Growth	9.0% / NA

iQprofileSM Banrisul

Income Statement Data (Dec)

(BRL Millions)	2011A	2012A	2013E	2014E	2015E
Net Interest Income	3,368	3,731	4,071	4,530	5,063
% change	15.6%	10.8%	9.1%	11.3%	11.8%
Net Fee Income	702	799	977	1,123	1,269
Securities Gains / (Losses)	NA	NA	NA	NA	NA
Total Operating Income	4,076	4,409	4,967	5,585	6,257
Operating Expenses	(2,075)	(2,353)	(2,646)	(2,926)	(3,191)
% change	8.4%	13.4%	12.4%	10.6%	9.0%
Provisions Expense	(630)	(852)	(898)	(1,054)	(1,252)
% change	21.5%	35.4%	5.3%	17.4%	18.8%
Operating Pre-Tax Income	1,372	1,204	1,424	1,605	1,814
Operating Net Income to Comm S/Hold.	904	819	915	1,019	1,115
GAAP Net Income	904	819	915	1,019	1,115

Balance Sheet Data (Dec)

(BRL Millions)	2011A	2012A	2013E	2014E	2015E
Total Assets	37,586	46,571	52,948	60,253	68,278
Average Interest Earning Assets	NA	NA	NA	NA	NA
Total Gross Customer Loans	20,393	24,327	28,738	33,657	39,213
% change	19.7%	19.3%	18.1%	17.1%	16.5%
Total Customer Deposits	22,361	26,746	30,486	34,782	39,503
% change	17.4%	19.6%	14.0%	14.1%	13.6%
Tangible Equity	4,400	4,894	5,443	6,055	6,724
Common Shareholders' Equity	4,400	4,894	5,443	6,055	6,724

Key Metrics (Dec)

(BRL Millions)	2011A	2012A	2013E	2014E	2015E
Net Interest Margin	NA	NA	NA	NA	NA
Effective Tax Rate	34.1%	32.0%	35.7%	36.5%	38.5%
Loan / Deposit Ratio	91.2%	91.0%	94.3%	96.8%	99.3%
Tangible Common Equity / Assets	11.7%	10.5%	10.3%	10.0%	9.8%
ROA	2.6%	1.9%	1.8%	1.8%	1.7%
ROE	21.9%	17.6%	17.7%	17.7%	17.5%
RoTE	21.9%	17.6%	17.7%	17.7%	17.5%
Dividend Payout Ratio	39.6%	39.9%	40.0%	40.0%	40.0%
Efficiency Ratio (Cost / Income Ratio)	50.9%	53.4%	53.3%	52.4%	51.0%

Quality of Earnings (Dec)

(BRL Millions)	2011A	2012A	2013E	2014E	2015E
Total Non-Interest Inc / Operating Inc	17.4%	15.4%	18.0%	18.9%	19.1%
NPLs plus Foreclosed Real Estate / Loans	1.5%	2.3%	0%	0%	0%
Loan Loss Reserves / NPLs	-425.91%	-288.09%	NA	NA	NA
Loan Loss Reserves / Total Loans	-6.46%	-6.54%	-6.21%	-6.03%	-5.97%

Company Description

Banrisul (BRSR6) is a leading financial institution in the southern region of Brazil. Controlled by the state of Rio Grande do Sul, the bank provides mainly payroll-deductible loans and working capital credit to SMEs. As of 4Q12, Banrisul ranked 12nd in Brazil in total assets, serving more than 2.6 million clients.

Investment Thesis

Our Buy rating on Banrisul is based on our expectation of a more favorable outlook for the bank in 2013 given favorable local economic backdrop. Additionally, we expect Banrisul to sustain high ROEs as the bank deploys excess capital and fee income grows with Banricompras.

Stock Data

Average Daily Volume 792,930

Quarterly Earnings Estimates

	2012	2013
Q1	0.52A	0.55E
Q2	0.50A	0.54E
Q3	0.51A	0.55E
Q4	0.47A	0.60E

Table 1: Banrisul – 1Q13 preview (R\$ million)

	1Q13E	4Q12	1Q12	% Ch Q/Q	% Ch Y/Y
Income Statement					
Net Interest Income	909	922	896	-1.4%	1.5%
Loan-Loss Provisions	(197)	(193)	(167)	1.7%	17.6%
Non-Interest Income	198	188	141	5.6%	40.3%
Non-Interest Expense	(616)	(640)	(542)	-3.8%	13.6%
Net Income	199	191	214	4.1%	-7.0%
EPADR (US\$)	0.49	0.47	0.52	4.1%	-7.0%
Balance Sheet					
Total Assets	47,239	46,571	39,781	1.4%	18.7%
Total Loans	24,839	24,327	21,303	2.1%	16.6%
90-day Non-Performing Loans	743	713	541	4.2%	37.2%
Loan-Loss Reserves	(1,611)	(1,591)	(1,380)	1.3%	16.7%
Total Deposits	27,099	26,746	22,753	1.3%	19.1%
Equity	5,014	4,894	4,550	2.4%	10.2%
Ratios					
ROE	16.1%	15.8%	19.2%		
ROA	1.7%	1.7%	2.2%		
Net Interest Margin	8.7%	9.1%	10.5%		
Net Interest Margin Post-Provision	6.8%	7.2%	8.5%		
Net Interest Income / Avg Assets	7.8%	8.1%	9.3%		
Fee Income / Avg Assets	1.8%	1.9%	1.9%		
Fee Income / Non-Interest Expense	35.2%	34.7%	33.8%		
Non-Interest Expense / Avg Assets	5.3%	5.6%	5.6%		
Efficiency Ratio	55.6%	57.7%	52.3%		
90-days NPLs / Total Loans	3.0%	2.9%	2.5%		
Reserves / 90-days NPLs	217.0%	223.2%	255.1%		
Loan-Loss Provisions / Avg Loans	3.2%	3.2%	3.2%		

Source: Company reports and BofA Merrill Lynch Global Research estimates

Price objective basis & risk

Banrisul (XGRBF)

Our R\$21.00 price objective (PO) on Banrisul (BRSR6) is based on a two-stage residual income valuation methodology, assuming a cost of equity of 14.5% and a perpetual growth rate of 6.0% (both in nominal BRL). Our PO implies a target P/E multiple at year-end 2013 of 8.8x. Upside risks to our PO are 1) higher-than-expected economic growth in the state of Rio Grande do Sul and Brazil, 2) lower-than-expected margin compression, Downside risks to our PO are 1) weaker-than-expected asset-quality trends, which would lead to higher loan-loss provision expenses, 2) political intervention in the bank's operations given state ownership, and 3) slower-than-expected loan growth as the bank expands away from its home state.

Link to Definitions

Financials

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

Analyst Certification

We, Jorg Friedemann and Marcus Fadul, hereby certify that the views each of us has expressed in this research report accurately reflect each of our respective personal views about the subject securities and issuers. We also certify that no part of our respective compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

Special Disclosures

The locally listed shares of Brazilian companies may only be purchased by investors outside of Brazil who are "eligible investors" within the meaning of applicable laws and regulations.

Latin America - Financials Coverage Cluster

Investment rating	Company	BofA Merrill Lynch ticker	Bloomberg symbol	Analyst
BUY				
	Banco ABC Brasil S.A.	XBABF	ABCB4 BZ	Jorg Friedemann
	Banco Itau-A	ITUB	ITUB US	Jorg Friedemann
	Banco Pine S.A.	XBAPF	PINE4 BZ	Jorg Friedemann
	Banrisul	XGRBF	BRSR6 BZ	Jorg Friedemann
	Bradesco	BRDPF	BBDC4 BZ	Jorg Friedemann
	Bradesco -A	BBD	BBD US	Jorg Friedemann
	Cetip S.A.	XTPBF	CTIP3 BZ	Jorg Friedemann
	Credicorp Ltd	BAP	BAP US	Jose Barria
	Inversiones la Construccion	XWXCF	ILC CI	Jose Barria
	Itaú Unibanco	ITUBF	ITUB4 BZ	Jorg Friedemann
NEUTRAL				
	Bancolombia	CIB	CIB US	Jose Barria
	Banorte	GBOOF	GFNORTEO MM	Jose Barria
	BM&F Bovespa S.A.	XNVOF	BVMF3 BZ	Jorg Friedemann
	Cielo SA	XIECF	CIEL3 BZ	Jorg Friedemann
	Santander Mexico	GFRSF	SANMEXB MM	Jose Barria
	Santander Mexico	BSMX	BSMX US	Jose Barria
	SulAmerica	XLLUF	SULA11 BZ	Jorg Friedemann

Latin America - Financials Coverage Cluster

Investment rating	Company	BofA Merrill Lynch ticker	Bloomberg symbol	Analyst
UNDERPERFORM				
	Banco Chile-ADR	BCH	BCH US	Jose Barria
	Banco Daycoval S.A.	XBDAF	DAYC4 BZ	Jorg Friedemann
	Banco De Chile	XHNDF	CHILE CI	Jose Barria
	Banco do Brasil	XBBAF	BBAS3 BZ	Jorg Friedemann
	Banco Industrial e Comercial SA-BicBanco	XBICF	BICB4 BZ	Jorg Friedemann
	Banco Indusval S.A.	XBIBF	IDVL4 BZ	Jorg Friedemann
	Banco Santander Brasil	BSBR	BSBR US	Jorg Friedemann
	Banco Santander Brasil SA	XCBDP	SANB11 BZ	Jorg Friedemann
	Banco Santander Chile	BSAC	BSAC US	Jose Barria
	Banco Santander Chile	BSCLF	BSAN CI	Jose Barria
	Banco Sofisa S.A.	XBSSF	SFSA4 BZ	Jorg Friedemann
	Compartamos	CMPRF	COMPARC* MM	Jose Barria
	Parana Banco S.A.	XPBAF	PRBC4 BZ	Jorg Friedemann
	Porto Seguro	PSGUF	PSSA3 BZ	Jorg Friedemann
RVW				
	Banco Cruzeiro do Sul S.A.	XBZRF	CZRS4 BZ	Jorg Friedemann

iQmethodSM Measures Definitions

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

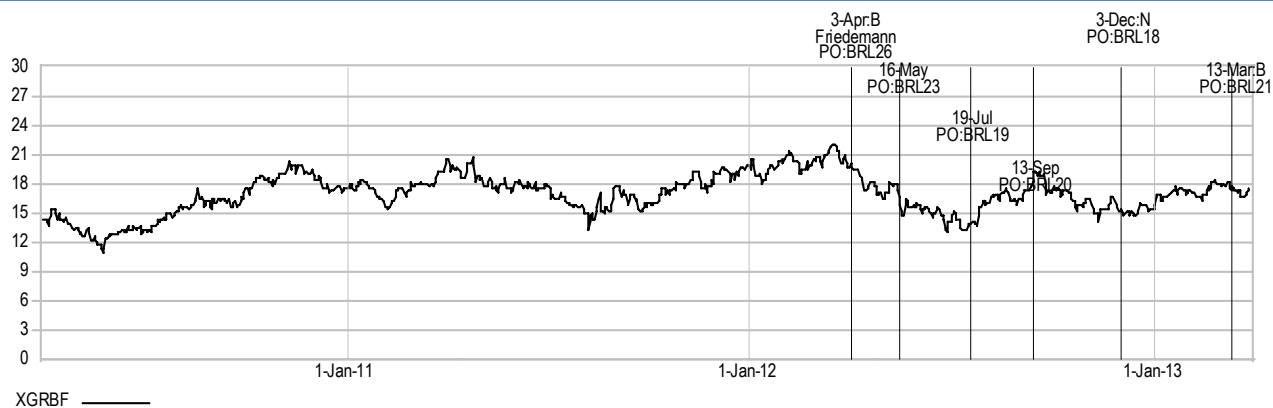
iQmethodSM is the set of BofA Merrill Lynch standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and valuations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines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

XGRBF Price Chart



B : Buy, N : Neutral, U : Underperform, PO : Price objective, NA : No longer valid, NR : No Rating

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. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of March 31, 2013 or such later date as indicated.

Investment Rating Distribution: Banks Group (as of 31 Mar 2013)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	83	41.71%	Buy	75	90.36%
Neutral	54	27.14%	Neutral	46	85.19%
Sell	62	31.16%	Sell	55	88.71%

Investment Rating Distribution: Global Group (as of 31 Mar 2013)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1677	49.32%	Buy	1226	73.11%
Neutral	826	24.29%	Neutral	600	72.64%
Sell	897	26.38%	Sell	570	63.55%

* Companies that were investment banking clients of BofA Merrill Lynch or one of its affiliates 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 BofA Merrill Lynch 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 BofA Merrill Lynch Comment referencing the stock.

Price charts for the securities referenced in this research report are available at <http://pricecharts.ml.com>, or call 1-800-MERRILL to have them mailed.

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: Banrisul.

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

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: Banrisul.

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: Banrisul.

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

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: Banrisul.

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: Banrisul.

BofA Merrill Lynch Research personnel (including the analyst(s) responsible for 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

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.

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

"BofA Merrill Lynch" includes Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S") and its affiliates. Investors should contact their BofA Merrill Lynch representative or Merrill Lynch Global Wealth Management financial advisor if they have questions concerning this report.

"BofA Merrill Lynch" and "Merrill Lynch" are each global brands for BofA Merrill Lynch Global Research.

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

MLPF&S distributes, 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; MLI (UK): Merrill Lynch International; 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): OOO Merrill Lynch Securities, Moscow; Merrill Lynch (Turkey I.B.): Merrill Lynch Yatirim Bank A.S.; Merrill Lynch (Turkey Broker): Merrill Lynch Menkul Değerler A.Ş.; Merrill Lynch (Dubai): Merrill Lynch International, Dubai Branch; MLPF&S (Zurich rep. office): MLPF&S Incorporated Zurich representative office; Merrill Lynch (Spain): Merrill Lynch Capital Markets Espana, S.A.S.V.; Merrill Lynch (Brazil): Bank of America Merrill Lynch Banco Multiple S.A.; Merrill Lynch KSA Company, Merrill Lynch Kingdom of Saudi Arabia Company.

This research report has been approved for publication and is distributed in the United Kingdom to professional clients and eligible counterparties (as each is defined in the rules of the Financial Services Authority) by Merrill Lynch International and Banc of America Securities Limited (BASL), which are authorized and regulated by the Financial Services Authority and has been approved for publication and is distributed in the United Kingdom to retail clients (as defined in the rules of the Financial Services Authority) by Merrill Lynch International Bank Limited, London Branch, which is authorized by the Central Bank of Ireland and is subject to limited regulation by the Financial Services Authority – details about the extent of its regulation by the Financial Services Authority are available from it on request; has been considered and distributed in Japan by Merrill Lynch Japan Securities Co., Ltd., a registered securities dealer under the Financial Instruments and Exchange Act in Japan; is distributed in Hong Kong by Merrill Lynch (Asia Pacific) Limited, which is 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) and 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) and Merrill Lynch (Singapore) Pte Ltd. are regulated by the Monetary Authority of Singapore. Bank of America N.A., Australian Branch (ARBN 064 874 531), AFS License 412901 (BANA Australia) and Merrill Lynch Equities (Australia) Limited (ABN 65 006 276 795), AFS License 235132 (MLEA) distributes this report in Australia only to 'Wholesale' clients as defined by s.761G of the Corporations Act 2001. With the exception of BANA Australia, neither MLEA nor any of its affiliates involved in preparing this research report 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 report in Brazil and its local distribution is made by Bank of America Merrill Lynch Banco Multiple S.A. in accordance with applicable regulations. Merrill Lynch (Dubai) is authorized and regulated by the Dubai Financial Services Authority (DFSA). Research reports prepared and issued by Merrill Lynch (Dubai) are prepared and issued in accordance with the requirements of the DFSA conduct of business rules.

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

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 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.

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.

BofA Merrill Lynch is aware that the implementation of the ideas expressed in this report may depend upon an investor's ability to "short" securities or other financial instruments and that such action may be limited by regulations prohibiting or restricting "shortselling" in many jurisdictions. Investors are urged to seek advice regarding the applicability of such regulations prior to executing any short idea contained in this report.

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 BofA Merrill Lynch entities located outside of the United Kingdom. BofA Merrill Lynch Global Research policies relating to conflicts of interest are described at <http://www.ml.com/media/43347.pdf>.

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.

30 April 2013

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

BofA Merrill Lynch, through business units other than BofA Merrill Lynch Global 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 BofA 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 2013 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 BofA 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 BofA Merrill Lynch. BofA Merrill Lynch Global Research reports are distributed simultaneously to internal and client websites and other portals by BofA 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 BofA Merrill Lynch.

Materials prepared by BofA Merrill Lynch Global 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 BofA Merrill Lynch, including investment banking personnel. BofA Merrill Lynch has established information barriers between BofA Merrill Lynch Global Research and certain business groups. As a result, BofA 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. BofA Merrill Lynch Global Research personnel's knowledge of legal proceedings in which any BofA 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 BofA 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). BofA Merrill Lynch Global Research 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 BofA 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. BofA 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 BofA 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. BofA 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 BofA 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 MLPF&S or any of its 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 BofA Merrill Lynch nor any officer or employee of BofA 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.