Citi Depositary Receipts Mid-Year Report

July 10, 2009

2009 Mid-Year Highlights

- DR trading volumes up 9% in first half of 2009 to 56.5 billion shares
- Capital raisings drop to all-time low of $551 million; only four IPOs in first five months of 2009
- Drop in share prices results in decrease in U.S. investment in non-U.S. equities; as of Q1 2009, balances are at $2.4 trillion, down 49% from Q1 2008 level of $4.7 trillion
- Global Emerging Market (GEM) equity funds see positive inflows as market sentiments appear to improve
- Citi Liquid DR Index outperformed S&P 500 in first half of 2009; Citi Liquid World ex-U.S. Index appreciated by 13%
- Over 700 new unsponsored ADR programs created since SEC rule change, expanding the universe of international equities available to U.S. investors
- Citi continues its emphasis on innovation through its DR product platforms in Japan and Hong Kong

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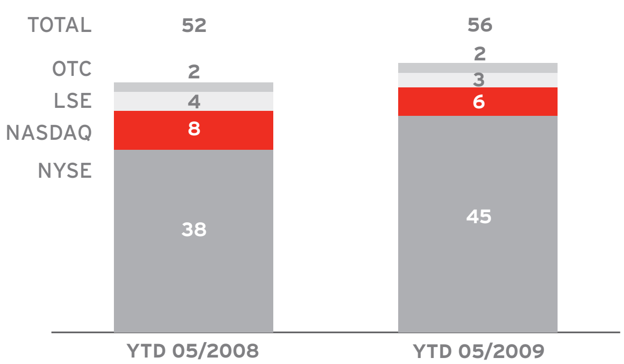
Liquidity Trends

Overall trading volumes jumped to 56.5 billion shares during the first five months of 2009 versus 51.8 billion during the same period in 2008, an increase of 9%. Growth was driven by ADR trading volumes (NYSE, NASDAQ, and OTC), which grew by 11% (5.4 billion), partially offset by a 15% drop (575 million) in GDR volumes (LSE and LUX).

In terms of exchanges, while DR-trading on NYSE and OTC segments grew by 19% (7.3 billion) and 6% (114 million), respectively, NASDAQ and LSE were down significantly by 27% (2 billion) and 15% (575 million), respectively.

DR Trading Volumes (Billions)



Source: Citi and other depositaries; Bloomberg Financial Markets

The increase in NYSE trading volumes (7.3 billion) was mainly driven by higher volumes for Vale (1.5 billion), Petrobras (855 million), Cemex (594 million) and Taiwan Semiconductor (584 million). Alternatively, decreased trading volumes for stocks from Asia (Baidu Inc. – 516 million, Solarfun Power Holdings – 508 million and JA Solar – 238 million) resulted in lower NASDAQ trading volumes. LSE volumes were lower due to less activity in Russian GDR programs, such as Gazprom (112 million), Surgutneftegaz (152 million) and JSC VTB Bank (106 million).[1]

The following are the top five most liquid DRs as of YTD May 2009, as measured by trading volumes:

Issuer	Region	Volume (Millions)
Vale S.A.	Latam	4,898
Petrobras	Latam	3,518
Taiwan Semiconductor	Asia	2,283
Nokia Corporation	EMEA	2,187
Gazprom	EMEA	1,254

Source: Bloomberg Financial Markets

In terms of regions, EMEA[2] had a 45% (25 billion) share of DR trading volume for the first half of 2009, followed by Latam at 30% (17 billion) and Asia at 26% (15 billion). Since December 2006, overall DR trading volumes have grown at a CAGR of 28%, clearly demonstrating strong interest in international stocks.

Region	Volume (Billions)		CAGR
	YTD 05/2009 Annualized*	12/2006	
EMEA	60.4	28.7	28.2%
Asia	35.2	16.3	29.2%
Latam	40.1	20.2	25.7%
Total	**135.7**	**65.2**	**27.7%**

Source: Bloomberg Financial Markets

* YTD 05/2009 numbers annualized for sake of comparison with full-year 2006 numbers

Lower share prices resulted in decreased DR trading value during the first five months of 2009 by 45% ($1.0 trillion) versus the same period in 2008 ($1.9 trillion).

[1] The figures indicated in the parentheses above represent the change in volume from YTD 05/2008 to YTD 05/2009

[2] Europe, the Middle East and Africa

DR Capital Raisings

DR capital raisings as of YTD May 2009 dropped to an all-time low of $551 million. Four companies, all from Asia, collectively raised $227 million through IPOs. In follow-on offerings, three companies, two from Asia and one from Latam, raised $324 million.

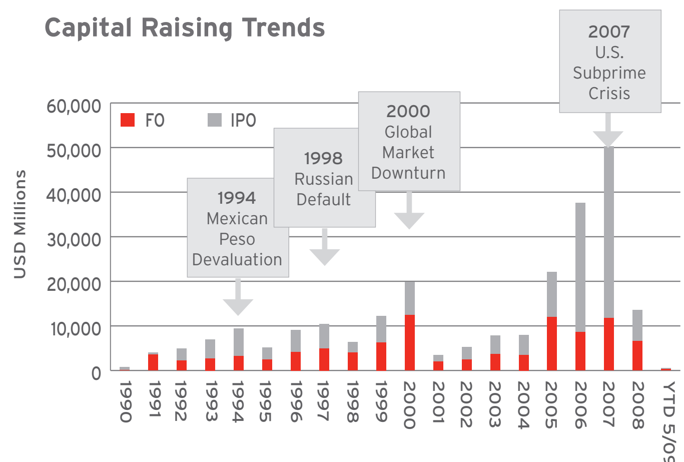
Type	Issuer	Country	USD Millions
IPO	Changyou.com	China	138.0
	Gintech Energy	Taiwan	49.7
	Vishal Information Technologies Ltd.	India	33.3
	Asahi Infrastructure & Projects	India	5.9
	Subtotal		**226.9**
Follow-on	Suntech Power Holdings Co., Ltd.	China	287.5
	Redecard S.A.	Brazil	25.7
	IKF Technologies	India	11.0
	Subtotal		**324.2**
	Total Capital Raisings		**551.1**

Source: Citi and other depositaries as of 05/2009

Changyou.com was the only IPO in ADR form, listing on NASDAQ. All other IPOs were implemented in GDR form.

Empirical analysis shows that capital raisings are impacted by global macroeconomic events. The following chart shows how DR capital raising was impacted by some of the key events over the last two decades. It is interesting to note that capital raisings rebounded in the period immediately following each crisis. On average, growth in the year following each crisis has been approximately 70%.

Capital Raising Trends



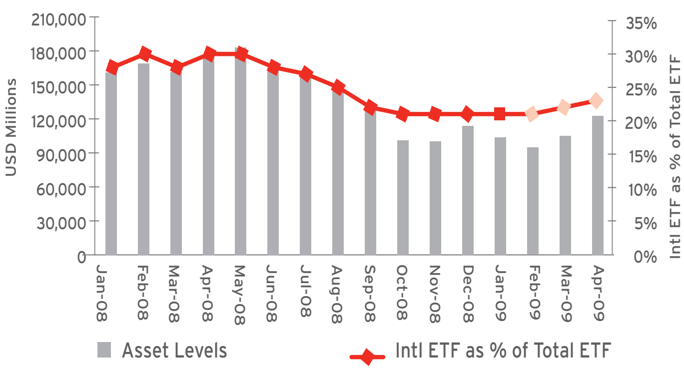
Source: Citi Analysis

We anticipate an improving pipeline of capital raisings materializing as the market sentiments improve across the board.

International Investing Trends

As per the Investment Company Institute (ICI), April 2009 ETF balances were at $123 billion, down 31% as compared to April 2008. However, in line with improving market sentiments, international ETF asset levels have bounced back after touching an all-time low of $95 billion in February 2009. As of April 2009 International ETFs represent approximately 23% of total ETF balances.

International Equity ETFs



Source: ICI

According to U.S. Federal Reserve data, U.S. investment in non-U.S. equities as of Q1 2009 was $2.4 trillion, down 49% from the Q1 2008 level of $4.7 trillion. Falling asset values accounted for $2.3 trillion of the total decrease, while a net capital outflow accounted for $34 billion of the decrease. On a sequential basis, U.S. investment in non-U.S. equities in Q1 2009 was down 10%, versus the Q4 2008 level of $2.7 trillion. Falling asset values accounted for most of the total decrease, or $275 billion.

Based on data published by Citi Investment Research, the following are key regional trends in equity fund flows as of 6/03/2009:

- **Global Emerging Market Equity Funds:** On a YTD basis, total net inflow of $12.7B vs. net outflow of $9.5B in FY 2008
- **Asia ex-Japan Equity Funds:** YTD net inflow of $9.0B vs. net outflow of $19.5B in FY 2008
- **EMEA Equity Funds:** YTD net outflow of $0.7B vs. net outflow of $5.2B in FY 2008
- **Latam Equity Funds:** YTD net inflow of $4.9B vs. net outflow of $5.9B in FY 2008

(USD Millions)	GEMS	Latam	EMEA	Asia ex Japan
2005	2,037	4,022	5,821	8,390
2006	4,209	3,319	(1,877)	16,790
2007	15,223	10,153	(953)	16,405
2008	(9,548)	(5,873)	(5,216)	(19,513)
2009 YTD	12,741	4,945	(670)	9,047

Source: Citi Investment Research

The following were the top institutional holders of DRs as of 06/16/2009:

Firm Name	USD Millions
Barclays Global Investors, N.A.	452,634
Fidelity Management & Research	392,547
Vanguard Group, Inc.	344,930
State Street Global Advisors, (US)	328,671
Capital Research Global Investors	304,248

Source: Thomson ONE

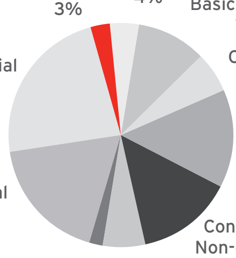
Unsponsored ADRs

Unlike traditional or "sponsored" ADR programs, "unsponsored" ADR programs are established by a depositary bank with no direct involvement of the respective non-U.S. company, provided the company either has its securities registered with the SEC or qualifies for an exemption from such registration. An October 2008 SEC rule change simplified the manner in which this exemption is obtained, making it automatically available to many non-U.S. companies, provided they meet certain requirements.

Following the rule change, over 729 new unsponsored programs have been established. Combined with an existing 185 programs, the total universe of unsponsored programs available to investors is now 914 programs.

Unsponsored Programs – Geography (# of Programs)

Unsponsored Programs – Industry



Source: Citi and other depositaries as of 05/2009

The top five countries by number of unsponsored programs are as follows:

Country	# of Programs	% of Total
Japan	163	18%
UK	85	9%
Hong Kong	78	9%
Australia	58	6%
France	48	5%

Source: Citi and other depositaries as of 05/2009

During the first five months of 2009, trading volume of unsponsored ADR programs increased by 106% (412 million) to 802 million, versus 390 million during the same period in 2008. New unsponsored programs accounted for 35% of the increase (144 million). Such a significant ramp-up in liquidity in a relatively short period of time demonstrates strong interest in international equities. Some of the most liquid new unsponsored programs as measured by trading volumes are as follows:

Issuer Name	Country	Volume (Millions)
Reckitt Benckiser Group Plc	UK	20.3
Munich Re Group	Germany	7.1
LVMH Moet Hennessy Louis Vuitton SA	France	6.8
Deutsche Boerse	Germany	6.2
Julius Baer	Switzerland	6.2
Hong Kong Exchanges & Clearing	Hong Kong	5.9
Michelin	France	5.8
Celesio	Germany	5.6
Cie Financiere Richemont SA	Switzerland	5.3

Source: Bloomberg Financial Markets

IR Update

At the beginning of 2009, Investor Relations Officers (IROs) were trying to manage investor demand for more transparency while at the same time dealing with a global crisis that made it quite difficult to provide earnings guidance. While some well-known companies have discontinued the practice of supplying quarterly earnings guidance, it should be noted that according to a study by the National Investor Relations Institute (NIRI), most of the companies that stopped this practice are large-cap names. Still, 60% of all survey respondents indicated that they continue to provide earnings guidance on a quarterly basis, with 82% providing other financial guidance and 55% providing non-financial guidance.

Another topic that is receiving more focus is "social media," which can be defined as the public exchange of electronic/online editorial content published by consumers. While this concept is not new, it has recently become a hot topic in the IR world. Social media, perpetuated by expanded use of the Internet and mobile technology, has altered the way information is communicated.

By leveraging this modern means of communication, corporations can reap long-term benefits — if managed correctly. Social media presents a valuable opportunity to create more visibility and can also serve as a catalyst in bridging the gap between communication and perception. Conversely, there is also the danger of rumors being created on blog-type vehicles that, at worst, can result in damage to the company's reputation and have a negative impact on the share price. Citi's IR team has advised its DR clients to monitor blogs to see what is being said about the company. Additionally, Citi has suggested implementing measures to restrict employees from participating in these vehicles.

Another issue that is being widely discussed is changes in securities trading. Many IROs have viewed recent increases in trading volumes as a sign that investors are transitioning back into equities. However, what has been confusing is that at the same time volumes grew in 2008, portfolio values generally declined, with mutual fund outflows and hedge fund redemptions also pointing to less trading activity from investors.

That said, in the current era of electronic trading, much of the volume is powered by algorithmic/quantitative trading. By leveraging sophisticated technology and executing orders on a direct-market-access basis, these traders are able to generate a miniscule profit on a substantial number of small trades (typically in units of 200 to 250 shares) concerning a large pool of companies.

This circumstance can mislead traditional investors as to the true direction of the market. Separating institutional volumes from statistical arbitrage is not easy, and this new market reality has created additional challenges for the IRO community. The lack of a single source where each trade is recorded makes it difficult to determine the order's origin. In response to this issue, more clients are consulting with shareholder ID companies to get a better idea of who truly trades their shares and DRs.

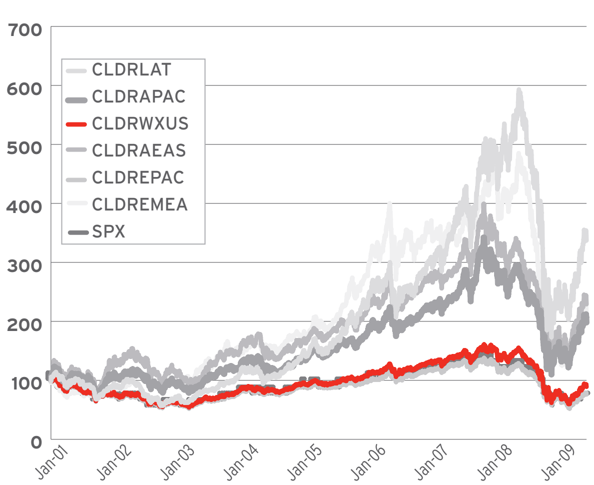
Citi Liquid DR Indices

Citi's Depositary Receipt Services has developed Liquid DR Indices (CLDR) which are useful to gauge international investor sentiment toward non-U.S. markets. The Citi Liquid DR Indices are free-float market cap-weighted and include only those companies that have U.S. exchange-listed ADRs or London-traded GDRs that are actively traded. Citi Liquid DR Indices are distinctive in that they:

- Provide a timely gauge of international investor sentiment toward non-U.S. markets at the end of day, considering that all of their constituent stocks trade in the U.S. and/or London time zones.
- Include one of the few publicly available DR indices for Asia Pacific ex-Japan and Asia Pacific Growth Economies.
- More completely capture U.S. and international investor sentiment toward the Indian, Korean and Taiwanese markets by including London traded GDRs, unlike other DR indices.

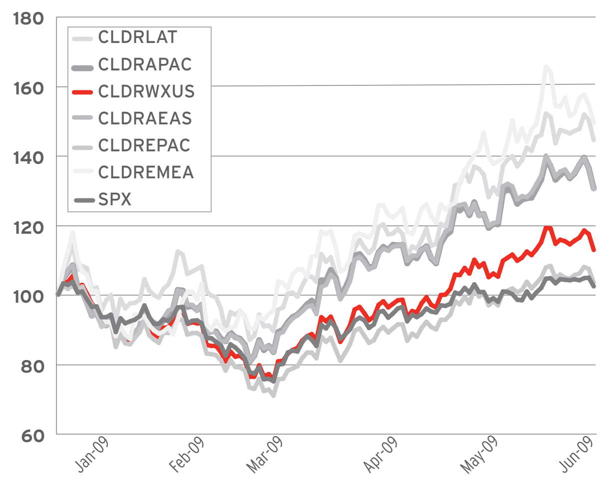
All of the regional CLDR Indices outperformed the S&P 500 by a significant margin on a YTD June 2009 basis. The CLDR World ex-U.S. Index appreciated by 13%, outperforming the S&P 500, which appreciated by only 2%. Since 2001, most Citi Liquid DR Indices outperformed the S&P 500 by a significant margin. Most of the growth during this period came from Latam and emerging economies in Asia.

CLDR 2001 – 2009 Performance[1]



Source: Bloomberg Financial Markets

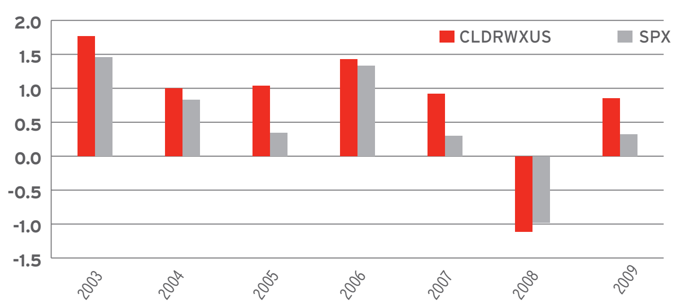
CLDR 1H 2009 Performance[1]



Source: Bloomberg Financial Markets

Citi Depositary Receipt Services conducted a study to analyze the reward-to-risk ratio of DRs[2] and the S&P 500. The results of our study clearly demonstrate that DRs had a favorable reward-to-risk ratio as compared to the S&P 500 for six out of seven years since 2003.

Reward to Risk Ratio



Source: Citi Analysis

[1] CLDRLAT: Latam Liquid DR Index; CLDRAPAC: AsiaPac ex-Japan Liquid DR Index; CLDRWXUS: World ex-U.S. Liquid DR Index; CLDREAS: AsiaPac Growth Economies Liquid DR Index; CLDREPAC: EuroPac Liquid DR Index; CLDEMEA: EMEA Liquid DR Index; SPX: S&P 500

[2] We used the Citi Liquid DR Indices as proxy for the DRs as they are free-float market cap weighted and include only those companies that have U.S. exchange listed ADRs or London-traded GDRs that are actively traded

New Product Offerings

One underlying theme in the Depositary Receipts space in recent years has been innovation. With the relative deepening of capital and liquidity pools in markets outside the U.S. and the enhanced operational capacity of global market infrastructures, new platforms for DR transacting have recently emerged. More specifically, service models for Hong Kong Depositary Receipts (HDRs) and Japanese Depositary Receipts (JDRs) have been launched, both pioneered by Citi.

Japanese Depositary Receipts (JDRs)

Earlier in the year, Citi became the first depositary bank to launch a platform for Japanese Depositary Receipt (JDR) Services. As local securities regulations uniquely require the traditional depositary function to be carried out by a trust bank in Japan, Citi and Mitsubishi Trust and Banking Corporation (MUTB) forged an agreement to jointly develop, market and support JDR programs. JDRs, an instrument that evidences ownership of shares in a corporation organized outside Japan to be listed on the Tokyo Stock Exchange (TSE), provide both retail and institutional investors in Japan with a more efficient and cost-effective solution for investing globally.

The JDR product itself has significant potential, as it provides global issuers access to the world's second-largest, and Asia's largest, economy by nominal Gross Domestic Product (GDP). Furthermore, TSE is one of the world's largest and most liquid securities exchanges, ranking second in the world and first in Asia in total market capitalization, and fourth in the world and first in Asia in total value of share trading.

Hong Kong Depositary Receipts (HDRs)

The launch of JDRs follows last year's launch of Hong Kong Depositary Receipts (HDRs). HDRs, which will be listed on the Hong Kong Stock Exchange (HKEx), provide issuers with access to retail and institutional investors in Hong Kong, and qualified domestic institutional investors (QDII) in Mainland China. Hong Kong represents an ideal market to support additional cross-border investment flows, as it is a leading center of international finance and trade, with the greatest concentration of corporate headquarters in the Asia Pacific region.

HDRs can be used to facilitate a capital raising exercise or a direct listing on the HKEx, providing issuers with multiple options on one of the world's fastest-growing securities exchanges. A testament to HKEx's ability to attract capital – it ranked first in Asia in 2008 in capital raised through IPOs and secondary offerings.

About Citi
Citi, the leading global financial services company, has approximately 200 million customer accounts and does business in more than 140 countries. Through its two operating units, Citicorp and Citi Holdings, Citi provides consumers, corporations, governments and institutions with a broad range of financial products and services, including consumer banking and credit, corporate and investment banking, securities brokerage, and wealth management. Additional information may be found at citi.com.

About Citi's Depositary Receipt Services
Depositary Receipt Services is a leader in bringing quality issuers to the U.S. and other markets and promoting Depositary Receipts (DRs) as an effective capital markets tool. Citibank began offering ADRs in 1928 and today is widely recognized for providing non-U.S. companies with a gateway to the resources of Citi and the means to diversify shareholder bases and increase liquidity. For further information, visit www.citi.com/dr.

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