

## DEPOSITARY RECEIPTS (DR) CAPITAL RAISED REACHES \$49.5 BILLION IN 2007 – ALL-TIME RECORDS SET BY KEY MEASURES

- **IPO capital raised in DR form is \$31.9 billion – driven by Russia, China, India, Taiwan and Kazakhstan.**
- **DR US\$ trading value increases to \$2.61 trillion; ADR trading volume rises 34% to record 55.9 billion shares.**

Full year 2007 capital raised in DR form, consisting of 107 primary and secondary offerings, was a record \$49.5 billion, a 25% increase over 2006. The grand total was comprised of \$31.9 billion (64%) in 76 primary offerings (primary offerings are Initial Public Offerings (IPOs) of companies coming to the U.S., London or Luxembourg markets for the first time) and \$17.6 billion in 31 secondary offerings (companies with existing programs offering additional tranches of DRs in the market). The \$31.9 billion was the highest total ever for primary offerings, a 15% increase over last year's record of \$27.8 billion.<sup>1</sup>

Issuers from Russia, China, India, Taiwan and Kazakhstan accounted for 83% of the value of primary offerings in 2007, raising \$26.6 billion. By contrast, in 2006, issuers from these five countries raised \$16.0 billion in IPOs in DR form, accounting for 57% of the \$27.8 billion total.

The five largest IPOs in 2007 accounted for \$11.5 billion (36%) of the \$31.9 billion IPO value: JSC VTB Bank (Russia), whose \$5.2 billion IPO in DR form on the London Stock Exchange (LSE) in May was the second largest DR capital raising in history; Sterlite Industries (India), whose \$2.0 billion ADR IPO on the NYSE in June was the largest Indian capital raising in history; AFI Development (Russia, LSE, \$1.5 billion); PIK Group (Russia, LSE, \$1.4 billion); and Innolux Display Corp. (Taiwan, NYSE, \$1.35 billion).

### **DR Trading Value (US\$2.6 Trillion) and ADR Trading Volume (55.9 Billion Shares) Set New Records**

Full-year 2007 US\$ value of trading of DRs (based on actual November YTD data) is projected to be an all-time record \$2.61 trillion, up 69% over 2006's total of \$1.55 trillion. U.S.-listed ADRs represent \$2.19 trillion of the projected 2007 total, up 71% from 2006. London-traded GDRs represent \$423 billion of the total, up 55% over 2006.<sup>2</sup>

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<sup>1</sup> Source: Citi and other depositories.

<sup>2</sup> Source: NYSE, NASDAQ, AMEX, LSE.

The projected 71% year-over-year growth in U.S.-listed ADR trading value exceeds the 30% year-over-year growth in the value of equities traded on U.S. exchanges (excluding ADRs) that is projected to be \$42.9 trillion for 2007 vs. \$32.9 trillion in 2006. The projected 55% year-over-year growth in GDR trading value exceeds the 42% year-over-year growth in equities traded on the London Stock Exchange (excluding GDRs) that is projected to be \$10.8 trillion for 2007 vs. \$7.3 trillion in 2006.<sup>3</sup>

Full-year 2007 ADR trading volume on U.S. exchanges (based on November YTD actual) is projected to be a record 55.9 billion ADRs traded, up 34% over 2006's total of 41.7 billion.

### DR Listing Trends in 2007

Overall, \$22.6 billion (71%) of the \$31.9 billion value of IPOs placed in DR form by non-U.S. companies in 2007 were on non-U.S. exchanges rather than on a U.S. exchange, compared to \$21.4 billion (77%) of the \$27.8 billion in IPOs in 2006. However, issuer IPO listing preferences varied across regions.

The entire value of IPOs placed in DR form by issuers from the Central & Eastern Europe, Middle East & Africa (CEEMEA) region in 2006 and 2007 was placed on non-U.S. exchanges, primarily London and Luxembourg. By contrast, 76% of the value of IPOs placed in DR form by issuers from Asia Pacific (primarily China and India) was placed on U.S. exchanges, up from 31% in 2006. 52% of the IPO value in DR form from Latin American issuers was placed on non-U.S. exchanges, up from 9% in 2006. In Western Europe, 100% of IPO value was placed on non-U.S. exchanges, up from 57% in 2006.

### DR IPO Listing Preferences by Region (US\$ Billions)

	2006					2007				
	IPO Value	IPO Value by Exchange		% U.S.	% Non-U.S.	IPO Value	IPO Value by Exchange		% U.S.	% Non-U.S.
U.S.		Non-U.S.	U.S.				Non-U.S.			
<b>Region</b>										
<b>CEEMEA</b>	12.9	0.0	12.9	0%	100%	18.4	0.0	18.4	0%	100%
<b>Asia Pacific</b>	9.6	3.0	6.6	31%	69%	10.9	8.3	2.6	76%	24%
<b>Latin America</b>	2.4	2.2	0.2	91%	9%	2.1	1.0	1.1	48%	52%
<b>Western Europe</b>	2.9	1.3	1.6	43%	57%	0.5	0.0	0.5	0%	100%
<b>Total</b>	27.8	6.4	21.4	23%	77%	31.9	9.3	22.6	29%	71%

Source: Citi Analysis

<sup>3</sup> Source: World Federation of Exchanges.

## **SEC Rules Impact ADR Delistings and De-registrations in 2007 -- Further U.S. Regulatory Reform May Impact 2008**

The U.S. Securities and Exchange Commission (SEC) adopted new rules which became effective in June, 2007 to make it easier for foreign private issuers<sup>4</sup> to deregister their debt and equity securities, including ADRs. As a result, in 2007, excluding merger and acquisition activity, 72 non-U.S. companies have delisted their ADRs from U.S. exchanges and subsequently de-registered their ADRs from the SEC reporting system. Significantly, 61, or 85%, of these companies decided to maintain their U.S. market presence by retaining their ADR programs in the U.S. OTC market.

As the SEC continues to be more responsive to the unique needs of foreign private issuers, there is potential for further changes in the U.S. regulatory environment in 2008. In November 2007, the SEC adopted a rule that will permit financial statements filed by foreign private issuers to be accepted by the SEC without reconciliation to U.S. GAAP, provided they are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the International Accounting Standards Board (IASB). This rule, which is effective for financial statements for financial years ending after November 15, 2007, may eliminate a cost impediment for certain non-U.S. companies deciding to maintain an existing or establish a new U.S. exchange listing.

## **U.S. Investment in Non-U.S. Equities Reaches \$4.9 Trillion – A New Record**

According to the U.S. Federal Reserve, total U.S. investment in non-U.S. equities in the third quarter of 2007 (both DRs and non-U.S. shares) increased by \$1.1 trillion (29%) over third quarter 2006, reaching \$4.9 trillion, an all-time record.<sup>5</sup> Rising asset values accounted for \$962 billion of the total increase, while net capital inflows counted for \$132 billion. Citi expects continued robust growth in the level of U.S. investment in non-U.S. equities in 2008.

## **International Equity Fund Growth Exceeds U.S. Investment in Non-US Equities**

Total net asset values of international equity mutual funds reached a record \$1.4 trillion as of third quarter 2007, an increase of \$435 billion (44%) over third quarter 2006.<sup>6</sup> Rising asset values accounted for \$310 billion of the total increase, while net inflows counted for \$125 billion. The 44% YOY growth rate in international mutual fund assets was nearly double that of U.S. investment in non-U.S. equities excluding international mutual funds (23%).

The higher growth rate in investment in international mutual funds reflects increasing individual investor appetite for non-U.S. equities, especially DRs.

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<sup>4</sup> A company incorporated outside the U.S. is a "foreign private issuer" for SEC purposes unless (i) more than 50% of its voting securities are held by U.S. persons and (ii) a majority of its executive officers are in the U.S. or are U.S. citizens, or more than 50% of its assets are in the U.S., or its business is administered principally in the U.S.

<sup>5</sup> Source: Board of Governors of the Federal Reserve System, "Flow of Funds Accounts of the U.S., Flows and Outstandings, Third Quarter 2007," December 6, 2007.

<sup>6</sup> Source: Investment Company Institute.

## Citi Liquid DR Indices Have Outperformed the U.S. Market

The price appreciation returns of all six Citi Liquid DR Indices have outperformed those of the U.S. market, providing further evidence of sustained positive international investor sentiment towards non-U.S. stocks.

### Citi Liquid DR Indices vs. the S&P 500 Index as of December 31, 2007

Index Name	Index Value	Price Appreciation Returns		
		1 Year	2 Year	5 Year
S&P 500 (U.S.)	1468.36	3.53%	17.63%	66.89%
Citi World ex-U.S.	154.15	16.79%	43.68%	147.84%
Citi EuroPac	130.52	10.32%	33.98%	117.89%
Citi AsiaPac ex-Japan	303.47	33.19%	67.90%	234.30%
Citi AsiaPac Growth Economies	358.26	28.25%	62.49%	233.38%
Citi LatAm	494.23	60.16%	118.94%	618.19%
Citi CEEMEA	447.33	22.63%	61.33%	324.33%

Source: Bloomberg Financial Markets

DR market performance reached record levels in 2007. The following tables provide details on the top DR issuers.

Globally, the 25 largest DR capital raisings in 2007 were:

### Capital Raising Events – 2007

	Issuer	Country	Exchange	Event Date	Value (US\$ millions)	IPO or Secondary Offering?
1	JSC VTB Bank	Russia	LSE	3/15/2007	5,192	IPO
2	TSMC	Taiwan	NYSE	5/23/2007	2,563	Sec
3	ICICI Bank Limited	India	NYSE	6/25/2007	2,460	Sec
4	Sterlite Industries (India) Ltd.	India	NYSE	6/22/2007	2,016	IPO
5	Royal Bank of Scotland plc	U.K.	NYSE	9/27/2007	1,600	Sec
6	AFI Development plc	Russia	LSE	5/11/2007	1,540	IPO
7	PIK Group	Russia	LSE	6/5/2007	1,440	IPO
8	Barclays Bank plc	U.K.	NYSE	9/13/2007	1,375	Sec
9	InnoLux Display Corp., Inc.	Taiwan	LSE	11/6/2007	1,353	IPO
10	Barclays Bank plc	U.K.	NYSE	12/7/2007	1,150	Sec
11	Giant Interactive Group Inc.	China	NYSE	11/6/2007	1,020	IPO
12	OGK-2 OAO	Russia	LSE	10/4/2007	996	IPO
13	Magnitogorsk Iron & Steel Works	Russia	LSE	4/27/2007	972	IPO
14	Royal Bank of Scotland plc	U.K.	NYSE	6/28/2007	950	Sec
15	JSC Uralkali	Russia	LSE	10/18/2007	927	IPO
16	Focus Media Holding Limited	China	NASDAQ	11/13/2007	888	Sec
17	JSC Alliance Bank	Kazakhstan	LSE	7/20/2007	810	IPO
18	LSR Group O.J.S.C.	Russia	LSE	11/15/2007	772	IPO
19	HBOS plc.	U.K.	PORTAL	5/21/2007	750	Sec
20	Guaranty Trust Bank Plc	Nigeria	LSE	7/20/2007	750	IPO
21	Embraer	Brazil	NYSE	2/12/2007	730	Sec
22	Eurasia Drilling Co. Ltd.	Russia	LSE	11/7/2007	719	IPO
23	Novorossiysk Commercial Sea Port (NCSP)	Russia	LSE	11/8/2007	700	IPO
24	Integra Group Holdings	Russia	LSE	2/22/2007	668	IPO
25	United Bank Limited	Pakistan	LSE	6/29/2007	650	IPO
	Total Capital Raised by Top 25				32,991	
	Total Capital Raised (107 offerings)				49,454	
	% of Total				67%	

Source: Citigroup and other depositaries

Globally, the 25 most actively traded U.S.-listed ADRs in the period by value were:

### Top 25 ADR Issuers by Value – as of November 2007 YTD

	Issuer	Country	Exchange	Ticker	Value (US\$ millions)
1	Baidu.com, Inc.	China	NASDAQ	BIDU	228,460
2	Companhia Vale do Rio Doce (CVRD) (com & pfd)	Brazil	NYSE	RIO/RIOPR	106,369
3	Petrobras (com & pfd)	Brazil	NYSE	PBR/PBRA	97,425
4	Nokia Corporation	Finland	NYSE	NOK	50,000
5	America Movil S.A.B. de C.V.	Mexico	NYSE	AMX	49,582
6	Teva Pharmaceutical Industries Ltd.	Israel	NASDAQ	TEVA	48,891
7	BP plc	U.K.	NYSE	BP	43,769
8	BHP Billiton Limited (Ltd. & plc)	Australia	NYSE	BHP/BBL	37,088
9	Focus Media Holding Limited	China	NASDAQ	FMCN	30,908
10	Infosys Technologies Ltd.	India	NASDAQ	INFY	26,499
11	Royal Dutch Shell plc (A&B)	U.K.	NYSE	RDS/A, RSD/B	25,413
12	Unibanco - Uniao de Bancos Brasileiros S.A.	Brazil	NYSE	UBB	24,982
13	Rio Tinto plc	U.K.	NYSE	RTP	24,484
14	Arcelor Mittal	Netherlands	NYSE	MT	24,241
15	Ericsson (Telefonaktiebolaget LM Ericsson)	Sweden	NASDAQ	ERIC	23,957
16	Total S.A.	France	NYSE	TOT	23,561
17	PetroChina Co., Ltd.	China	NYSE	PTR	22,751
18	China Mobile Ltd.	China	NYSE	CHL	22,056
19	CEMEX, S.A.B. de C.V.	Mexico	NYSE	CX	20,934
20	TSMC	Taiwan	NYSE	TSM	20,600
21	UBS AG	Switzerland	NYSE	UBS	19,624
22	ASML Holding, NV	Netherlands	NASDAQ	ASML	19,214
23	Banco Bradesco S.A.	Brazil	NYSE	BBD	17,752
24	Alcatel - Lucent	France	NYSE	ALU	17,744
25	Tenaris S.A.	Luxembourg	NYSE	TS	17,536

Source: NYSE, NASDAQ, and AMEX, Bloomberg Financial Markets

Globally, the 25 most actively traded London-traded GDRs in the period by value were:

### Top 25 GDR Issuers by Value – as of November 2007 YTD

	Issuer	Country	Exchange	Ticker	Value (US\$ millions)
1	OAO Gazprom	Russia	LSE	OGZD LI	103,087
2	Lukoil	Russia	LSE	LKOD LI	63,915
3	MMC Norilsk Nickel	Russia	LSE	MNOD LI	36,519
4	Unified Energy System of Russia	Russia	LSE	UESD LI	24,285
5	Surgutneftegaz	Russia	LSE	SGGD LI	16,198
6	JSC VTB Bank	Russia	LSE	VTBR LI	16,017
7	Rosneft (OJSC)	Russia	LSE	ROSN LI	13,015
8	Orascom Telecom	Egypt	LSE	OTLD LI	12,066
9	Samsung Electronics Co., Ltd. (com & pfd)	Korea	LSE	SMSN LI/ SMSD LI	8,034
10	Novatek JSC	Russia	LSE	NVTK LI	7,886
11	Euras Group S.A.	Russia	LSE	EVR LI	6,164
12	Sistema JSFC	Russia	LSE	SSA LI	4,391
13	Kazkommertsbank	Kazakhstan	LSE	JSCD LI	4,264
14	Severstal	Russia	LSE	SVST LI	3,939
15	KazMunaiGas EP	Kazakhstan	LSE	KMG LI	3,879
16	Reliance Industries Ltd	India	LSE	RIGD LI	3,650
17	Novolipetsk Iron & Steel Corp.	Russia	LSE	NLMK LI	3,013
18	Comstar United Telesystems	Russia	LSE	CMST LI	2,825
19	Orascom Construction Industries	Egypt	LSE	ORSD LI	2,707
20	OAO TMK	Russia	LSE	TMKS LI	2,545
21	Halyk Savings Bank of Kazakhstan	Kazakhstan	LSE	HSBK LI	2,532
22	Tatneft	Russia	LSE	ATAD LI	2,483
23	X5 Retail Group	Russia	LSE	FIVE LI	2,469
24	Polyus Gold	Russia	LSE	PLZL LI	2,455
25	Integra Group Holdings	Russia	LSE	INTE LI	2,413

Source: London Stock Exchange - International Order Book

Globally, the 25 most actively traded U.S.-listed ADRs in the period by volume were:

### Top 25 ADR Issuers by Volume – as of November 2007 YTD

	Issuer	Country	Exchange	Ticker	Volume (millions)
1	Companhia Vale do Rio Doce (CVRD) (com & pfd)	Brazil	NYSE	RIO/RIOPR	2,897
2	TSMC	Taiwan	NYSE	TSM	1,948
3	Nokia Corporation	Finland	NYSE	NOK	1,781
4	Alcatel – Lucent	France	NYSE	ALU	1,483
5	Teva Pharmaceutical Industries Ltd.	Israel	NASDAQ	TEVA	1,231
6	Petrobras (com & pfd)	Brazil	NYSE	PBR/PBRA	1,192
7	United Microelectronics Corporation (UMC)	Taiwan	NYSE	UMC	1,022
8	Baidu.com, Inc,	China	NASDAQ	BIDU	953
9	America Movil S.A.B. de C.V.	Mexico	NYSE	AMX	898
10	ASML Holding, NV	Netherlands	NASDAQ	ASML	698
11	Ericsson (Telefonaktiebolaget LM Ericsson)	Sweden	NASDAQ	ERIC	682
12	BP plc	U.K.	NYSE	BP	645
13	CEMEX, S.A.B. de C.V.	Mexico	NYSE	CX	636
14	Banco Bradesco S.A.	Brazil	NYSE	BBD	635
15	Gold Fields Ltd.	South Africa	NYSE	GFI	630
16	BHP Billiton Limited (Ltd. & plc)	Australia	NYSE	BHP/BBL	630
17	Melco PBL Entertainment	China	NASDAQ	MPEL	584
18	Focus Media Holding Limited	China	NASDAQ	FMCN	583
19	Vivo Participacoes S.A.	Brazil	NYSE	VIV	545
20	Infosys Technologies Ltd.	India	NASDAQ	INFY	526
21	DRDGold Ltd.	South Africa	NASDAQ	DROOD	488
22	Elan Corp plc	Ireland	NYSE	ELN	485
23	Siliconware Precision Industries Co., Ltd.	Taiwan	NASDAQ	SPIL	424
24	Infineon Technologies AG	Germany	NYSE	IFX	405
25	ABB Ltd.	Switzerland	NYSE	ABB	404

Source: NYSE, NASDAQ, and AMEX, Bloomberg Financial Markets

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