

## Company Focus

SMALL &  
MID CAP

27 April 2009 | 9 pages

# Corporation Bank (CRBK.BO)

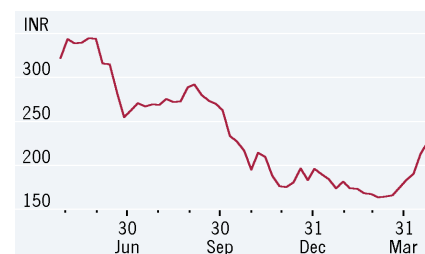
Estimate change ☒

## Sell: 4Q09 Results – Quantity, Not Quality

- Profits up 26%, above estimates; but qualitatively not so sound** — Prima facie Corp Bank's results were good – up 26%yoy, 37% ahead of estimates – driven by bond gains, core fee momentum and moderation in costs. However, beneath the surface there are clear signs of pressure - declining margins, sharp rise in restructured loans and lower loan loss charges, despite the large trading gains.
- Asset quality: Restructuring stress** — Reported NPLs still look good (1.15% NPLs, 75% coverage); however, it masks underlying stress - 2% of loans restructured, another 3% pending. This is ahead of peers and management has missed an opportunity to provide more (utilizing the large bond gains). We expect higher lapses to NPLs given its mid-scale and mid-market franchise.
- Growth: Accelerating but appears unsustainable** — 4Q09 has seen growth accelerating (8% QoQ loan growth; 20% deposits), but comes at a cost (NIMs down 40bps QoQ). Sharp improvement in CASA ratio (31% vs. 25% in 3Q09) results from 100% QoQ rise in current account balances, suggesting it could be temporary; and possible unwind will pressure growth.
- P&L: Trading boost and fee momentum; but margins disappoint** — Bond gains, (5x rise, likely profit taking on HTM book), cost moderation (-20% QoQ) and healthy rise in core fees (+28% YoY) were key profit drivers. Core operating profits were up a more modest 7% YoY. NIMs were the key disappointment (down 40bps QoQ) and are now among the lowest in the industry.
- Risks remain high, maintain sell** — We adjust earnings (+3-4% for FY10-11E) to factor in above estimates FY09 earnings; retain Sell (3H) due to Corp Bank's rising profile with our EVA-based Rs175 target price.

<b>Sell/High Risk</b>	<b>3H</b>
Price (24 Apr 09)	Rs226.70
Target price	Rs175.00
Expected share price return	-22.8%
Expected dividend yield	3.5%
<b>Expected total return</b>	<b>-19.3%</b>
Market Cap	Rs32,518M
	US\$652M

### Price Performance (RIC: CRBK.BO, BB: CRPBK IN)



### Statistical Abstract

Year to	Net Profit	Diluted EPS	EPS growth	P/E	P/B	ROE	Yield
31 Mar	(RsM)	(Rs)	(%)	(x)	(x)	(%)	(%)
2008A	7,350	51.24	37.1	4.4	0.8	18.4	4.6
2009A	8,928	62.24	21.5	3.6	0.7	19.6	3.5
2010E	8,809	61.42	-1.3	3.7	0.6	16.7	3.5
2011E	9,018	62.87	2.4	3.6	0.5	14.9	3.7
2012E	10,710	74.67	18.8	3.0	0.4	15.5	4.0

Source: Powered by dataCentral

### Manish Chowdhary, CFA<sup>1</sup>

+91-22-6631-9853  
manish.chowdhary@citi.com

### Aditya Narain, CFA<sup>1</sup>

+91-22-6631-9879  
aditya.narain@citi.com

### Naveenan Ramachandran<sup>1</sup>

naveenan.ramachandran@citi.com

See Appendix A-1 for Analyst Certification and important disclosures.

Citi Investment Research & Analysis is a division of Citigroup Global Markets Inc. (the "Firm"), which 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. Non-US research analysts who have prepared this report are not registered/qualified as research analysts with the NYSE and/or NASD. Such research analysts may not be associated persons of the member organization and therefore may not be subject to the NYSE Rule 472 and NASD Rule 2711 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

<sup>1</sup>Citigroup Global Markets India Private Limited

Fiscal year end 31-Mar	2008	2009	2010E	2011E	2012E
<b>Valuation Ratios</b>					
P/E adjusted (x)	4.4	3.6	3.7	3.6	3.0
P/E reported (x)	4.4	3.6	3.7	3.6	3.0
P/BV (x)	0.8	0.7	0.6	0.5	0.4
P/Adjusted BV diluted (x)	0.8	0.7	0.6	0.5	0.4
Dividend yield (%)	4.6	3.5	3.5	3.7	4.0
<b>Per Share Data (Rs)</b>					
EPS adjusted	51.24	62.24	61.42	62.87	74.67
EPS reported	51.24	62.24	61.42	62.87	74.67
BVPS	294.80	341.37	394.78	449.15	514.82
Tangible BVPS	294.80	341.37	394.78	449.15	514.82
Adjusted BVPS diluted	294.80	341.37	394.78	449.15	514.82
DPS	10.50	8.00	8.00	8.50	9.00
<b>Profit &amp; Loss (RsM)</b>					
Net interest income	14,433	16,910	20,596	23,570	26,806
Fees and commissions	2,160	2,333	2,589	2,874	3,190
Other operating Income	5,588	8,740	6,963	7,665	8,437
<b>Total operating income</b>	<b>22,181</b>	<b>27,982</b>	<b>30,149</b>	<b>34,108</b>	<b>38,432</b>
Total operating expenses	-8,920	-10,016	-11,466	-12,774	-14,055
<b>Oper. profit bef. provisions</b>	<b>13,261</b>	<b>17,966</b>	<b>18,683</b>	<b>21,335</b>	<b>24,377</b>
Bad debt provisions	-1,857	-1,790	-4,785	-7,125	-7,642
Non-operating/exceptionals	-750	-2,314	-750	-750	-750
<b>Pre-tax profit</b>	<b>10,654</b>	<b>13,863</b>	<b>13,148</b>	<b>13,460</b>	<b>15,986</b>
Tax	-3,304	-4,935	-4,339	-4,442	-5,275
Extraord./Min. Int./Pref. Div.	0	0	0	0	0
<b>Attributable profit</b>	<b>7,350</b>	<b>8,928</b>	<b>8,809</b>	<b>9,018</b>	<b>10,710</b>
Adjusted earnings	7,350	8,928	8,809	9,018	10,710
<b>Growth Rates (%)</b>					
EPS adjusted	37.1	21.5	-1.3	2.4	18.8
Oper. profit bef. prov.	9.2	35.5	4.0	14.2	14.3
<b>Balance Sheet (RsM)</b>					
<b>Total assets</b>	<b>665,977</b>	<b>869,058</b>	<b>988,016</b>	<b>1,125,649</b>	<b>1,277,135</b>
Avg interest earning assets	585,249	751,477	910,936	1,043,531	1,193,720
Customer loans	398,803	495,094	582,349	680,288	786,691
Gross NPLs	5,844	9,702	17,028	26,336	34,073
<b>Liab. &amp; shar. funds</b>	<b>665,977</b>	<b>869,058</b>	<b>988,016</b>	<b>1,125,649</b>	<b>1,277,135</b>
Total customer deposits	554,244	739,839	847,171	972,758	1,110,267
Reserve for loan losses	6,948	9,972	14,757	21,881	29,523
Shareholders' equity	<b>42,285</b>	<b>48,965</b>	<b>56,627</b>	<b>64,426</b>	<b>73,845</b>
<b>Profitability/Solvency Ratios (%)</b>					
ROE adjusted	18.4	19.6	16.7	14.9	15.5
Net interest margin	2.47	2.25	2.26	2.26	2.25
Cost/income ratio	40.2	35.8	38.0	37.5	36.6
Cash cost/average assets	1.5	1.3	1.2	1.2	1.2
NPLs/customer loans	1.5	2.0	2.9	3.9	4.3
Reserve for loan losses/NPLs	118.9	102.8	86.7	83.1	86.6
Bad debt prov./avg. cust. loans	0.5	0.4	0.9	1.1	1.0
Loans/deposit ratio	72.0	66.9	68.7	69.9	70.9
Tier 1 capital ratio	9.4	8.8	8.6	8.5	8.5
Total capital ratio	10.4	9.8	9.7	9.5	9.4

For further data queries on Citi's full coverage universe  
please contact CIR Data Services Asia Pacific at  
CIRDataServicesAsiaPacific@citi.com or +852-2501-  
2791



Figure 1. Corporation Bank: 4Q09 Financial Highlights (Rupees Million, Percent)

	4Q09	4Q08	YoY %	3Q09	QoQ%	CIRA Comments
Interest Income	17,064	12,248	39.3	16,235	5.1	Strong loan growth during the quarter accompanied by slight decline in loan yields
Interest Expense	(12,781)	(8,510)	50.2	(11,455)	11.6	
Net Interest Income	4,283	3,739	14.6	4,780	-10.4	High growth during the quarter seems to have effected NIMs - ability to grow profitably will be the key
Fee-Based Income	2,024	1,936	4.5	1,586	27.6	Core fee (ex-recovery of written off assets) growth still healthy at around 28% YoY. Overall dragged down by recoveries (-55% YoY)
Other Non-Interest Income	2,909	463	528.0	1,234	135.7	Sharp jump in bond gains - appears to have booked a significant chunk from the HTM portfolio
Non Interest Income	4,933	2,399	105.6	2,820	74.9	
<b>Operating Income</b>	<b>9,216</b>	<b>6,138</b>	<b>50.1</b>	<b>7,600</b>	<b>21.3</b>	
Operating Expenses	(2,468)	(2,103)	17.4	(3,106)	-20.5	Better than expected quarter - expense growth remains moderate at 17% YoY
Pre-Provision Profit	6,747	4,035	67.2	4,494	50.1	Boosted by large trading gains during 4Q09
Pre-Provision Profit (ex-trading gains)	3,838	3,572	7.5	3,260	17.7	Core profitability growth remains moderate - though some signs of acceleration over the previous quarter
Charges for Bad Debts	(400)	(750)	-46.7	(540)	-25.9	Key disappointment - has reduced provisioning despite having large treasury gains and a relative high restructuring portfolio
Other Operating Items	(1,538)	(146)	955.7	355	NM	MTM losses on the bond portfolio - a sharp reversal of the gains booked in 3Q
Pre-Tax Profit	4,809	3,139	53.2	4,309	11.6	
Tax	(2,204)	(1,083)	103.5	(1,744)	26.4	
<b>Net Profit</b>	<b>2,605</b>	<b>2,056</b>	<b>26.7</b>	<b>2,565</b>	<b>1.6</b>	<b>37% higher than estimates - but low on quality seen by a decline in margins, high portfolio restructuring and lower loan loss charges despite high bond gains</b>
EPS	18.16	14.33	26.7	17.88	1.6	
Customer Loans	485,122	391,856	23.8	449,370	8.0	Accelerating pace of growth during the quarter
Customer Deposits	739,839	554,244	33.5	618,945	19.5	Sharp growth but appears unsustainable - driven by a doubling of current account balances QoQ; CASA up 50%+ QoQ with CASA ratio improving to 31% (25% in 3Q09)
AIEA	708,261	583,732	21.3	680,974	4.0	
AIBL	704,675	542,875	29.8	636,683	10.7	
Total Assets	895,584	665,977	34.5	752,592	19.0	
Avg Assets	824,088	625,200	31.8	735,025	12.1	
Non-Performing Loans (NPL)	5,592	5,844	-4.3	5,600	-0.1	Reduction in absolute NPLs - however, loan restructuring are significantly higher than estimates - about 5% loans (2% done, 3% pending approval)
Loan Loss Reserves (LLR)	(4,209)	(4,575)	-8.0	(4,102)	2.6	
Shareholders' Funds	48,970	42,290	15.8	48,613	0.7	
Book Value Per Share	341	295	15.8	339	0.7	
<b>Key Ratios (%)</b>	<b>4Q09</b>	<b>4Q08</b>	<b>Bps Δ YoY</b>	<b>3Q09</b>	<b>Bps Δ QoQ</b>	
ROAA (annualized)	1.3	1.3	-5	1.4	-13	
ROAE (annualized)	21.3	19.4	183	21.1	17	
Net Interest Margin (bps)	242	256	-14	281	-39	A casualty of trying to grow too fast - has a relatively larger reliance on bulk deposits
Fee Inc/Operating Income	22.0	31.5	-958	20.9	108	Core fee growth continues to be healthy and is probably the only silver lining here
Other Non-Interest Inc/Op Inc	53.5	39.1	1443	37.1	1641	
Op. Cost/ Operating Income	26.8	34.3	-748	40.9	-1409	Cost ratios under control with moderate expense growth
Loan-to-Deposit Ratio (LDR)	65.6	70.7	-513	72.6	-703	
NPL/Loan Ratio	1.2	1.5	-34	1.2	-9	Reported NPL ratio continues to improve - though masks the sharp jump in restructured assets
LLR/NPL Ratio	75	78	-301	73	203	Amongst the relatively better coverage levels relative to peers - but appears to have missed an opportunity to increase this further

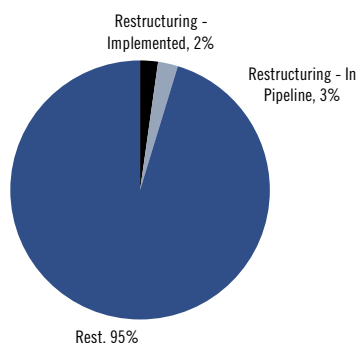
Source: Company Reports, Citi Investment Research and Analysis

Figure 2. Earnings Revision Summary

	Net Profit			EPS			DPS	
	Old	New	% change	Old	New	% change	Old	New
2010E	8,551	8,809	3.0%	59.6	61.4	3.0%	12.5	8.0
2011E	8,646	9,018	4.3%	60.3	62.9	4.3%	13.5	8.5
2012E	NA	10,710	NA	NA	74.7	NA	NA	9.0

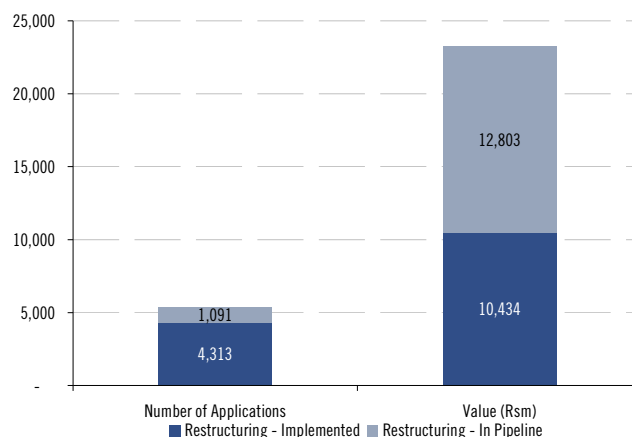
Source: Citi Investment Research and Analysis

Figure 3. Restructuring Applications – 5% of Loan Book



Source: Citi Investment Research and Analysis

Figure 4. Restructuring Assets – Value (Rsm) and Number



Source: Citi Investment Research and Analysis

## Corporation Bank

### Company description

Corporation Bank is a small government bank based in the southern city of Mangalore, where most of its branches are located. The bank has 981 branches and extension counters, 957 ATMs and around 11,900 employees. The government has a 57.17% stake in the bank. Around 60% of the bank's business is in metropolitan locations. Corporation Bank has a strategic alliance with LIC, India's largest life-insurance company. LIC has a 26% stake in the bank. The obvious synergies of this alliance are in insurance distribution and treasury. The bank has high credit standards. Gross NPAs have been about 1.5% as at March 2008, below the average for government banks. Loan loss reserve ratios have been high, at 65-85% over the past 10 years.

### Investment strategy

We rate Corporation Bank shares Sell/High Risk (3H). Corporation Bank has historically traded at a premium to peers, on account of higher profitability in the past. However, its earlier better than industry profile – higher net interest margins, better than industry asset quality and coverage, and higher profitability and capital support have continued to decline steadily. Corporation Bank's NIMs are now lower than industry and are under pressure in the current environment. The bank, however, has a relatively modest scale, and regional concentration that moderates its funding franchise. We believe this will be a competitive challenge, as banks compete more aggressively for liabilities. Additionally, its asset quality will be under stress due to more mid-market and relatively concentrated asset book; and should structurally support valuations that are in-line/ at a discount to peers, tending more towards discounts in a challenging economic environment.

## Valuation

Our target price of Rs175 is based on our EVA model, which captures the long-term value of the business, and is a standard valuation measure for our India banking coverage. Our EVA-based target price is premised on a risk-free rate of 6.0% (in-line with peers), lower than industry average margins of 180bps as we expect margins to remain under pressure on account of higher than industry loan growth; and higher than industry long-term capital ratio of 6.5% vs. 6% average. We are also benchmarking our target price on a 0.5x 1-year-forward P/BV, which is at a significant discount to larger public sector banks due to its modest scale, regional funding franchise and relatively concentrated asset exposures. This translates into a fair value of Rs195. We use EVA to derive our target price as this is our preferred valuation measure for our India banks sector, and reflects our more optimistic outlook on the government banking sector.

## Risks

We rate Corporation Bank shares High Risk based on our quantitative risk-rating system, which tracks the 260-day share price volatility of the stock. The key upside risks which could drive the shares above our target price include: a) reversal in the tight interest rate and liquidity environment; b) an easing in the asset quality outlook; and c) increase in corporation bank's net interest margins and profitability.

# Appendix A-1

## Analyst Certification

Each research analyst(s) principally responsible for the preparation and content of all or any identified portion of this research report hereby certifies that, with respect to each issuer or security or any identified portion of the report with respect to an issuer or security that the research analyst covers in this research report, all of the views expressed in this research report accurately reflect their personal views about those issuer(s) or securities. Each research analyst(s) also certify that no part of their compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that research analyst in this research report.

## IMPORTANT DISCLOSURES

### Corporation Bank (CRBK.BO)

#### Ratings and Target Price History

#### Fundamental Research

Analyst: Manish Chowdhary, CFA

Covered since September 7 2006

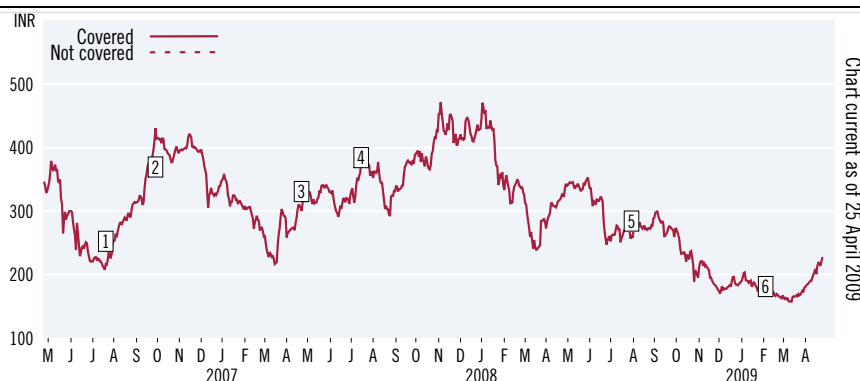


Chart current as of 25 April 2009

Date	Rating	Target Price	Closing Price
1 20-Jul-06	*1M	*300.00	216.80
2 28-Sep-06	*3M	*375.00	430.55

Date	Rating	Target Price	Closing Price
3 23-Apr-07	*1M	*410.00	300.50
4 16-Jul-07	1M	*455.00	379.70

Date	Rating	Target Price	Closing Price
5 30-Jul-08	*2M	*295.00	262.35
6 4-Feb-09	*3H	*175.00	178.35

\* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Within the past 12 months, Citigroup Global Markets Inc. or its affiliates has acted as manager or co-manager of an offering of securities of Corporation Bank.

Citigroup Global Markets Inc. or its affiliates has received compensation for investment banking services provided within the past 12 months from Corporation Bank.

Citigroup Global Markets Inc. or an affiliate received compensation for products and services other than investment banking services from Corporation Bank in the past 12 months.

Citigroup Global Markets Inc. currently has, or had within the past 12 months, the following as investment banking client(s): Corporation Bank.

Citigroup Global Markets Inc. currently has, or had within the past 12 months, the following as clients, and the services provided were non-investment-banking, securities-related: Corporation Bank.

Citigroup Global Markets Inc. currently has, or had within the past 12 months, the following as clients, and the services provided were non-investment-banking, non-securities-related: Corporation Bank.

Analysts' compensation is determined based upon activities and services intended to benefit the investor clients of Citigroup Global Markets Inc. and its affiliates ("the Firm"). Like all Firm employees, analysts receive compensation that is impacted by overall firm profitability, which includes revenues from, among other business units, the Private Client Division, Institutional Sales and Trading, and Investment Banking.

For important disclosures (including copies of historical disclosures) regarding the companies that are the subject of this Citi Investment Research & Analysis product ("the Product"), please contact Citi Investment Research & Analysis, 388 Greenwich Street, 29th Floor, New York, NY, 10013, Attention: Legal/Compliance. In addition, the same important disclosures, with the exception of the Valuation and Risk assessments and historical disclosures, are contained on the Firm's disclosure website at [www.citigroupgeo.com](http://www.citigroupgeo.com). Private Client Division clients should refer to [www.smithbarney.com/research](http://www.smithbarney.com/research). Valuation and Risk assessments can be found in the text of the most recent research note/report regarding the subject company. Historical disclosures (for up to the past three years) will be provided upon request.

#### Citi Investment Research Ratings Distribution

Data current as of 31 Mar 2009

	Buy	Hold	Sell
Citi Investment Research Global Fundamental Coverage	43%	37%	20%
% of companies in each rating category that are investment banking clients	47%	43%	36%

#### Guide to Fundamental Research Investment Ratings:

Citi Investment Research's stock recommendations include a risk rating and an investment rating.

**Risk ratings**, which take into account both price volatility and fundamental criteria, are: Low (L), Medium (M), High (H), and Speculative (S).

**Investment ratings** are a function of Citi Investment Research's expectation of total return (forecast price appreciation and dividend yield within the next 12 months) and risk rating.

For securities in emerging markets (Asia Pacific, Emerging Europe/Middle East/Africa, and Latin America), investment ratings are: Buy (1) (expected total return of 15% or more for Low-Risk stocks, 20% or more for Medium-Risk stocks, 30% or more for High-Risk stocks, and 40% or more for Speculative stocks); Hold (2) (5%-15% for Low-

Risk stocks, 10%-20% for Medium-Risk stocks, 15%-30% for High-Risk stocks, and 20%-40% for Speculative stocks); and Sell (3) (5% or less for Low-Risk stocks, 10% or less for Medium-Risk stocks, 15% or less for High-Risk stocks, and 20% or less for Speculative stocks).

Investment ratings are determined by the ranges described above at the time of initiation of coverage, a change in investment and/or risk rating, or a change in target price (subject to limited management discretion). At other times, the expected total returns may fall outside of these ranges because of market price movements and/or other short-term volatility or trading patterns. Such interim deviations from specified ranges will be permitted but will become subject to review by Research Management. Your decision to buy or sell a security should be based upon your personal investment objectives and should be made only after evaluating the stock's expected performance and risk.

Guide to Corporate Bond Research Credit Opinions and Investment Ratings: Citi Investment Research's corporate bond research issuer publications include a fundamental credit opinion of Improving, Stable or Deteriorating and a complementary risk rating of Low (L), Medium (M), High (H) or Speculative (S) regarding the credit risk of the company featured in the report. The fundamental credit opinion reflects the CIR analyst's opinion of the direction of credit fundamentals of the issuer without respect to securities market vagaries. The fundamental credit opinion is not geared to, but should be viewed in the context of debt ratings issued by major public debt ratings companies such as Moody's Investors Service, Standard and Poor's, and Fitch Ratings. CBR risk ratings are approximately equivalent to the following matrix: Low Risk Triple A to Low Double A; Low to Medium Risk High Single A through High Triple B; Medium to High Risk Mid Triple B through High Double B; High to Speculative Risk Mid Double B and Below. The risk rating element illustrates the analyst's opinion of the relative likelihood of loss of principal when a fixed income security issued by a company is held to maturity, based upon both fundamental and market risk factors. Certain reports published by Citi Investment Research will also include investment ratings on specific issues of companies under coverage which have been assigned fundamental credit opinions and risk ratings. Investment ratings are a function of Citi Investment Research's expectations for total return, relative return (to publicly available Citigroup bond indices performance), and risk rating. These investment ratings are: Buy/Overweight the bond is expected to outperform the relevant Citigroup bond market sector index (Broad Investment Grade, High Yield Market or Emerging Market), performances of which are updated monthly and can be viewed at <http://sd.ny.smb.com/> using the "Indexes" tab; Hold/Neutral Weight the bond is expected to perform in line with the relevant Citigroup bond market sector index; or Sell/Underweight the bond is expected to underperform the relevant sector of the Citigroup indexes.

## OTHER DISCLOSURES

The subject company's share price set out on the front page of this Product is quoted as at 24 April 2009 04:00 PM on the issuer's primary market.

For securities recommended in the Product in which the Firm is not a market maker, the Firm is a liquidity provider in the issuers' financial instruments and may act as principal in connection with such transactions. The Firm is a regular issuer of traded financial instruments linked to securities that may have been recommended in the Product. The Firm regularly trades in the securities of the issuer(s) discussed in the Product. The Firm may engage in securities transactions in a manner inconsistent with the Product and, with respect to securities covered by the Product, will buy or sell from customers on a principal basis.

Securities recommended, offered, or sold by the Firm: (i) are not insured by the Federal Deposit Insurance Corporation; (ii) are not deposits or other obligations of any insured depository institution (including Citibank); and (iii) are subject to investment risks, including the possible loss of the principal amount invested. Although information has been obtained from and is based upon sources that the Firm believes to be reliable, we do not guarantee its accuracy and it may be incomplete and condensed. Note, however, that the Firm has taken all reasonable steps to determine the accuracy and completeness of the disclosures made in the Important Disclosures section of the Product. The Firm's research department has received assistance from the subject company(ies) referred to in this Product including, but not limited to, discussions with management of the subject company(ies). Firm policy prohibits research analysts from sending draft research to subject companies. However, it should be presumed that the author of the Product has had discussions with the subject company to ensure factual accuracy prior to publication. All opinions, projections and estimates constitute the judgment of the author as of the date of the Product and these, plus any other information contained in the Product, are subject to change without notice. Prices and availability of financial instruments also are subject to change without notice. Notwithstanding other departments within the Firm advising the companies discussed in this Product, information obtained in such role is not used in the preparation of the Product. Although Citi Investment Research does not set a predetermined frequency for publication, if the Product is a fundamental research report, it is the intention of Citi Investment Research to provide research coverage of the/those issuer(s) mentioned therein, including in response to news affecting this issuer, subject to applicable quiet periods and capacity constraints. The Product is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of a security. Any decision to purchase securities mentioned in the Product must take into account existing public information on such security or any registered prospectus.

Investing in non-U.S. securities, including ADRs, may entail certain risks. The securities of non-U.S. issuers may not be registered with, nor be subject to the reporting requirements of the U.S. Securities and Exchange Commission. There may be limited information available on foreign securities. Foreign companies are generally not subject to uniform audit and reporting standards, practices and requirements comparable to those in the U.S. Securities of some foreign companies may be less liquid and their prices more volatile than securities of comparable U.S. companies. In addition, exchange rate movements may have an adverse effect on the value of an investment in a foreign stock and its corresponding dividend payment for U.S. investors. Net dividends to ADR investors are estimated, using withholding tax rates conventions, deemed accurate, but investors are urged to consult their tax advisor for exact dividend computations. Investors who have received the Product from the Firm may be prohibited in certain states or other jurisdictions from purchasing securities mentioned in the Product from the Firm. Please ask your Financial Consultant for additional details. Citigroup Global Markets Inc. takes responsibility for the Product in the United States. Any orders by US investors resulting from the information contained in the Product may be placed only through Citigroup Global Markets Inc.

The Citigroup legal entity that takes responsibility for the production of the Product is the legal entity which the first named author is employed by. The Product is made available in Australia to wholesale clients through Citigroup Global Markets Australia Pty Ltd. (ABN 64 003 114 832 and AFSL No. 240992) and to retail clients through Citi Smith Barney Pty Ltd. (ABN 19 009 145 555 and AFSL No. 240813), Participants of the ASX Group and regulated by the Australian Securities & Investments Commission. Citigroup Centre, 2 Park Street, Sydney, NSW 2000. The Product is made available in Australia to Private Banking wholesale clients through Citigroup Pty Limited (ABN 88 004 325 080 and AFSL 238098). Citigroup Pty Limited provides all financial product advice to Australian Private Banking wholesale clients through bankers and relationship managers. If there is any doubt about the suitability of investments held in Citigroup Private Bank accounts, investors should contact the Citigroup Private Bank in Australia. Citigroup companies may compensate affiliates and their representatives for providing products and services to clients. The Product is made available in Brazil by Citigroup Global Markets Brasil - CCTVM SA, which is regulated by CVM - Comissão de Valores Mobiliários, BACEN - Brazilian Central Bank, APIMEC - Associação Associação dos Analistas e Profissionais de Investimento do Mercado de Capitais and ANBID - Associação Nacional dos Bancos de Investimento. Av. Paulista, 1111 - 11º andar - CEP. 01311920 - São Paulo - SP. If the Product is being made available in certain provinces of Canada by Citigroup Global Markets (Canada) Inc. ("CGM Canada"), CGM Canada has approved the Product. Citigroup Place, 123 Front Street West, Suite 1100, Toronto, Ontario M5J 2M3. The Product is made available in France by Citigroup Global Markets Limited, which is authorised and regulated by Financial Services Authority. 1-5 Rue Paul Cézanne, 8ème, Paris, France. The Product may not be distributed to private clients in Germany. The Product is distributed in Germany by Citigroup Global Markets Deutschland AG & Co. KGaA, which is regulated by Bundesanstalt fuer Finanzdienstleistungsaufsicht (BaFin). Frankfurt am Main, Reuterweg 16, 60323 Frankfurt am Main. If the Product is made available in Hong Kong by,



or on behalf of, Citigroup Global Markets Asia Ltd., it is attributable to Citigroup Global Markets Asia Ltd., Citibank Tower, Citibank Plaza, 3 Garden Road, Hong Kong. Citigroup Global Markets Asia Ltd. is regulated by Hong Kong Securities and Futures Commission. If the Product is made available in Hong Kong by The Citigroup Private Bank to its clients, it is attributable to Citibank N.A., Citibank Tower, Citibank Plaza, 3 Garden Road, Hong Kong. The Citigroup Private Bank and Citibank N.A. is regulated by the Hong Kong Monetary Authority. The Product is made available in India by Citigroup Global Markets India Private Limited, which is regulated by Securities and Exchange Board of India. Bakhtawar, Nariman Point, Mumbai 400-021. The Product is made available in Indonesia through PT Citigroup Securities Indonesia. 5/F, Citibank Tower, Bapindo Plaza, Jl. Jend. Sudirman Kav. 54-55, Jakarta 12190. Neither this Product nor any copy hereof may be distributed in Indonesia or to any Indonesian citizens wherever they are domiciled or to Indonesian residents except in compliance with applicable capital market laws and regulations. This Product is not an offer of securities in Indonesia. The securities referred to in this Product have not been registered with the Capital Market and Financial Institutions Supervisory Agency (BAPEPAM-LK) pursuant to relevant capital market laws and regulations, and may not be offered or sold within the territory of the Republic of Indonesia or to Indonesian citizens through a public offering or in circumstances which constitute an offer within the meaning of the Indonesian capital market laws and regulations. The Product is made available in Italy by Citigroup Global Markets Limited, which is authorised and regulated by Financial Services Authority. Foro Buonaparte 16, Milan, 20121, Italy. If the Product was prepared by Citi Investment Research and distributed in Japan by Nikko Citigroup Limited ("NCL"), it is being so distributed under license. If the Product was prepared by NCL and distributed by Nikko Cordial Securities Inc. or Citigroup Global Markets Inc. it is being so distributed under license. NCL is regulated by Financial Services Agency, Securities and Exchange Surveillance Commission, Japan Securities Dealers Association, Tokyo Stock Exchange and Osaka Securities Exchange. Shin-Marunouchi Building, 1-5-1 Marunouchi, Chiyoda-ku, Tokyo 100-6520 Japan. In the event that an error is found in an NCL research report, a revised version will be posted on Citi Investment Research's Global Equities Online (GEO) website. If you have questions regarding GEO, please call (81 3) 6270-3019 for help. The Product is made available in Korea by Citigroup Global Markets Korea Securities Ltd., which is regulated by Financial Supervisory Commission and the Financial Supervisory Service. Hungkuk Life Insurance Building, 226 Shinmunno 1-GA, Jongno-Gu, Seoul, 110-061. The Product is made available in Malaysia by Citigroup Global Markets Malaysia Sdn Bhd, which is regulated by Malaysia Securities Commission. Menara Citibank, 165 Jalan Ampang, Kuala Lumpur, 50450. The Product is made available in Mexico by Acciones y Valores Banamex, S.A. De C. V., Casa de Bolsa, Integrante del Grupo Financiero Banamex ("Accival") which is a wholly owned subsidiary of Citigroup Inc. and is regulated by Comision Nacional Bancaria y de Valores. Reforma 398, Col. Juarez, 06600 Mexico, D.F. In New Zealand the Product is made available through Citigroup Global Markets New Zealand Ltd. (Company Number 604457), a Participant of the New Zealand Exchange Limited and regulated by the New Zealand Securities Commission. Level 19, Mobile on the Park, 157 Lambton Quay, Wellington. The Product is made available in Pakistan by Citibank N.A. Pakistan branch, which is regulated by the State Bank of Pakistan and Securities Exchange Commission, Pakistan. AWT Plaza, 1.1. Chundrigar Road, P.O. Box 4889, Karachi-74200. The Product is made available in Poland by Dom Maklerski Banku Handlowego SA an indirect subsidiary of Citigroup Inc., which is regulated by Komisja Nadzoru Finansowego. Bank Handlowy Warszawie S.A. ul. Senatorska 16, 00-923 Warszawa. The Product is made available in the Russian Federation through ZAO Citibank, which is licensed to carry out banking activities in the Russian Federation in accordance with the general banking license issued by the Central Bank of the Russian Federation and brokerage activities in accordance with the license issued by the Federal Service for Financial Markets. Neither the Product nor any information contained in the Product shall be considered as advertising the securities mentioned in this report within the territory of the Russian Federation or outside the Russian Federation. The Product does not constitute an appraisal within the meaning of the Federal Law of the Russian Federation of 29 July 1998 No. 135-FZ (as amended) On Appraisal Activities in the Russian Federation. 8-10 Gasheka Street, 125047 Moscow. The Product is made available in Singapore through Citigroup Global Markets Singapore Pte. Ltd., a Capital Markets Services Licence holder, and regulated by Monetary Authority of Singapore. 1 Temasek Avenue, #39-02 Millenia Tower, Singapore 039192. The Product is made available by The Citigroup Private Bank in Singapore through Citibank, N.A., Singapore branch, a licensed bank in Singapore that is regulated by Monetary Authority of Singapore. Citigroup Global Markets (Pty) Ltd. is incorporated in the Republic of South Africa (company registration number 2000/025866/07) and its registered office is at 145 West Street, Sandton, 2196, Saxonwold. Citigroup Global Markets (Pty) Ltd. is regulated by JSE Securities Exchange South Africa, South African Reserve Bank and the Financial Services Board. The investments and services contained herein are not available to private customers in South Africa. The Product is made available in Spain by Citigroup Global Markets Limited, which is authorised and regulated by Financial Services Authority. 29 Jose Ortega Y Gasset, 4th Floor, Madrid, 28006, Spain. The Product is made available in Taiwan through Citigroup Global Markets Taiwan Securities Company Ltd., which is regulated by Securities & Futures Bureau. No portion of the report may be reproduced or quoted in Taiwan by the press or any other person. No. 8 Manhattan Building, Hsin Yi Road, Section 5, Taipei 100, Taiwan. The Product is made available in Thailand through Citicorp Securities (Thailand) Ltd., which is regulated by the Securities and Exchange Commission of Thailand. 18/F, 22/F and 29/F, 82 North Sathorn Road, Silom, Bangrak, Bangkok 10500, Thailand. The Product is made available in Turkey through Citibank AS which is regulated by Capital Markets Board. Tekfen Tower, Eski Buyukdere Caddesi # 209 Kat 2B, 23294 Levent, Istanbul, Turkey. The Product is made available in U.A.E. by Citigroup Global Markets Limited, which is authorised and regulated by the Dubai Financial Services Authority. DIFC, Bldg 2, Level 7, PO Box 506560, Dubai, UAE. The Product is made available in United Kingdom by Citigroup Global Markets Limited, which is authorised and regulated by Financial Services Authority. This material may relate to investments or services of a person outside of the UK or to other matters which are not regulated by the FSA and further details as to where this may be the case are available upon request in respect of this material. Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB. The Product is made available in United States by Citigroup Global Markets Inc, which is regulated by NASD, NYSE and the US Securities and Exchange Commission. 388 Greenwich Street, New York, NY 10013. Unless specified to the contrary, within EU Member States, the Product is made available by Citigroup Global Markets Limited, which is regulated by Financial Services Authority. Many European regulators require that a firm must establish, implement and make available a policy for managing conflicts of interest arising as a result of publication or distribution of investment research. The policy applicable to Citi Investment Research's Products can be found at [www.citigroupgeo.com](http://www.citigroupgeo.com). Compensation of equity research analysts is determined by equity research management and Citigroup's senior management and is not linked to specific transactions or recommendations. The Product may have been distributed simultaneously, in multiple formats, to the Firm's worldwide institutional and retail customers. The Product is not to be construed as providing investment services in any jurisdiction where the provision of such services would not be permitted. Subject to the nature and contents of the Product, the investments described therein are subject to fluctuations in price and/or value and investors may get back less than originally invested. Certain high-volatility investments can be subject to sudden and large falls in value that could equal or exceed the amount invested. Certain investments contained in the Product may have tax implications for private customers whereby levels and basis of taxation may be subject to change. If in doubt, investors should seek advice from a tax adviser. The Product does not purport to identify the nature of the specific market or other risks associated with a particular transaction. Advice in the Product is general and should not be construed as personal advice given it has been prepared without taking account of the objectives, financial situation or needs of any particular investor. Accordingly, investors should, before acting on the advice, consider the appropriateness of the advice, having regard to their objectives, financial situation and needs. Prior to acquiring any financial product, it is the client's responsibility to obtain the relevant offer document for the product and consider it before making a decision as to whether to purchase the product.

© 2009 Citigroup Global Markets Inc. (© Nikko Citigroup Limited, if this Product was prepared by it). Citi Investment Research is a division and service mark of Citigroup Global Markets Inc. and its affiliates and is used and registered throughout the world. Citi and Citi with Arc Design are trademarks and service marks of Citigroup Inc and its affiliates and are used and registered throughout the world. Nikko is a registered trademark of Nikko Cordial Corporation. All rights reserved. Any unauthorized use, duplication, redistribution or disclosure is prohibited by law and will result in prosecution. Where included in this report, MSCI sourced information is the exclusive property of Morgan Stanley Capital International Inc. (MSCI). Without prior written permission of MSCI, this information and any other MSCI intellectual property may not be reproduced, redisseminated or used to create any financial products, including any indices. This information is provided on an "as is" basis. The user assumes the entire risk of any use made of this information. MSCI, its affiliates and any third party involved in, or related to, computing or compiling the information hereby expressly disclaim



all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of this information. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind. MSCI, Morgan Stanley Capital International and the MSCI indexes are services marks of MSCI and its affiliates. The information contained in the Product is intended solely for the recipient and may not be further distributed by the recipient. The Firm accepts no liability whatsoever for the actions of third parties. The Product may provide the addresses of, or contain hyperlinks to, websites. Except to the extent to which the Product refers to website material of the Firm, the Firm has not reviewed the linked site. Equally, except to the extent to which the Product refers to website material of the Firm, the Firm takes no responsibility for, and makes no representations or warranties whatsoever as to, the data and information contained therein. Such address or hyperlink (including addresses or hyperlinks to website material of the Firm) is provided solely for your convenience and information and the content of the linked site does not in anyway form part of this document. Accessing such website or following such link through the Product or the website of the Firm shall be at your own risk and the Firm shall have no liability arising out of, or in connection with, any such referenced website.

---

ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST

---