2013 HIGHLIGHTS

The global capital markets this year...

- APAC and Europe’s equity markets rose 11% and 20% respectively, while the LATAM equity market fell 16%. In the U.S., the S&P 500 reached a record high after rising 30% in 2013.

- Most of the world’s equity markets performed strongly in 2013, while DR trading increased slightly over 2012 levels.

- Investments held in DR form totaled $1.06 trillion globally.

- Continued improvements in the economies of key countries like the U.S. and China have solid underpinnings for growth in the global DR market next year.

- Capital raising by a number of emerging market companies in the latter half of the year, as well as an accelerating deal pipeline, indicate there could be significant growth in IPOs in 2014.

Source: MSCI & Bloomberg, December 2013
The global DR market expanded slightly in 2013, with total DR trading up approximately 1.5% from last year’s levels. These levels, while not in-line with the overall market, remain well above historical averages, particularly when setting aside the extraordinary trading levels reached in 2008, when the global financial crisis reached its zenith.

Looking ahead, there are a number of signs that make us cautiously optimistic that there will be more capital raising via DRs in 2014. The U.S. economy, a principal growth engine for global GDP, grew again in the third quarter of 2013, and the U.S. equity market has risen to record levels, up 30%. Meanwhile, Europe’s economy is experiencing a nascent recovery and the former grave concerns about the fiscal conditions of countries like Italy and Greece have subsided. It is noteworthy that the MSCI Europe index is up 20% year-to-date. So-called Abenomics is credited with a good portion of the 53% increase in Japan’s Topix index.

Taken together, these developments are promising for the economies and equity markets of developing countries. After a selloff last summer that followed the U.S. Federal Reserve Bank’s announcement that it would taper its asset purchase program, emerging market stocks have nearly recovered on a delay in tapering. Recent activity data indicates that the momentum in China’s economy remains solid. Additionally, China’s government announced in the fourth quarter an ambitious reform plan that could help the country achieve more balanced and sustainable growth in the long-term. India’s government is likely to continue its own policy reforms. Brazil has a large infrastructure investment program and its labor market remains sturdy.

The U.S. Federal Reserve Bank announced plans to taper asset purchases. Tapering would result in higher interest rates, and to what degree is hard to tell, but higher rates would invariably make capital raising via equity sales more attractive relative to bond deals, a shift that would also bode well for the global DR market.

Although this was a somewhat tepid year for the depositary receipts market, I am pleased to note that once again, J.P. Morgan DR programs, on average, traded at levels far higher than those of other depositary banks, signifying stronger liquidity and program performance.

With the market revival in flight, and the equity window opening for new issuers, J.P. Morgan remained very active with a number of notable transactions. Tinkoff Group Holdings raised $1.08B via GDRs, and was at the upper-end of the offering’s price range. The offering indicates that Russia’s IPO market could be emerging from a long period of hibernation, as global investors seem to have developed a renewed appetite for risk, generally, and are searching for higher returns on capital. J.P. Morgan was pleased to assist Doosan Infracore of Korea with the largest APAC DR IPO deal of 2013, which raised $400MM via GDRs on the Singapore Stock Exchange. As a depositary bank, we now have successfully launched 6 GDRs on the Singapore Stock Exchange since we introduced the product in 2007, representing 46% of the market share. We were also the depositary bank for China’s Sungy Mobile IPO in December, which raised $90.32MM via ADRs. The success of this IPO could mean investors’ believe that accounting issues in China are a thing of the past and that their trust in the management of Chinese companies is being restored.

As we enter 2014, we look forward to continuing to provide issuers with unique insights and individualized advice via our integrated firmwide approach. If you would like to learn more about the DR market, particularly as it relates to your company’s DR program, please contact your regional client manager or me.

Kind Regards,

Dennis Bon
DR trading value and volume in 2013 were slightly above last year’s levels. There are encouraging signs that the DR market could meaningfully improve in 2014, among them Europe’s evolving economic recovery, the post-summer rally in emerging market stocks, and several notable IPOs in China and Russia in the fourth quarter.

**J.P. Morgan clients continue to enjoy the highest trading value and volume per program in the industry**

**EMEA accounted for the majority of DR trading activity, while APAC fared better from a YoY trading volume and value perspective**

**DR trading was up slightly versus 2012, and remains well above historical averages**

**Source:** Bloomberg, December 2013
While IPOs have been on the rise in the U.S., there were far fewer in China, Brazil and other emerging markets. Consequently, little capital was raised via DRs in 2013. The overall strengthening of emerging markets offer improved conditions for IPOs. Although these markets fell markedly last summer, they remain well above last June’s lows.

Average capital raised continued to trend lower in 2013, due to pricing pressures and uncertainty that still lingered from 2012’s sovereign debt crisis and the slowdown in China’s economy.

DR IPO activity was driven primarily by EMEA.

J.P. Morgan was mandated on the largest DR IPO of the year, Tinkoff Group Holdings.

Source: J.P. Morgan, other depositary banks, Bloomberg, stock exchanges, December 2013
Achieving portfolio diversification by investing in non-U.S. equities remains a core objective of U.S. investors. In 2013, foreign equity holdings continued to constitute a substantial portion of U.S. investors’ portfolios, at approximately $5.9 trillion.

**Top 10 Issuers**

<table>
<thead>
<tr>
<th>Issuer</th>
<th>DR Value ($ billions)</th>
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<tr>
<td>Lukoil</td>
<td>45.3</td>
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<td>BP</td>
<td>41.9</td>
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<tr>
<td>Vodafone</td>
<td>37.1</td>
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<tr>
<td>Teva Pharmaceutical</td>
<td>29.0</td>
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<tr>
<td>Royal Dutch Shell</td>
<td>28.6</td>
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<tr>
<td>Novartis</td>
<td>25.1</td>
</tr>
<tr>
<td>OAO Gazprom</td>
<td>24.2</td>
</tr>
<tr>
<td>GlaxoSmithKline</td>
<td>21.5</td>
</tr>
<tr>
<td>Taiwan Semiconductor</td>
<td>18.9</td>
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<tr>
<td>Nestle</td>
<td>18.6</td>
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**Top 10 Sectors**

<table>
<thead>
<tr>
<th>Sector</th>
<th>DR Value ($ billions)</th>
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<tbody>
<tr>
<td>Oil &amp; Gas</td>
<td>230.7</td>
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<tr>
<td>Pharmaceuticals</td>
<td>132.0</td>
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<tr>
<td>Telecommunications</td>
<td>115.4</td>
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<tr>
<td>Banks</td>
<td>101.9</td>
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<tr>
<td>Beverages</td>
<td>61.6</td>
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<tr>
<td>Mining</td>
<td>55.7</td>
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<tr>
<td>Food</td>
<td>54.7</td>
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<td>Semiconductors</td>
<td>41.1</td>
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<tr>
<td>Internet</td>
<td>34.1</td>
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<tr>
<td>Auto Manufacturers</td>
<td>15.9</td>
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</table>

**Top 10 Institutional Holders of DRs***

<table>
<thead>
<tr>
<th>Firm Name</th>
<th>Current ($ billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fidelity Management &amp; Research Co.</td>
<td>19.3</td>
</tr>
<tr>
<td>Aberdeen Asset Managers</td>
<td>17.3</td>
</tr>
<tr>
<td>Dodge &amp; Cox</td>
<td>15.8</td>
</tr>
<tr>
<td>Wellington Management Company</td>
<td>14.2</td>
</tr>
<tr>
<td>Capital World Investors</td>
<td>13.6</td>
</tr>
<tr>
<td>Capital Research Global Investors</td>
<td>10.8</td>
</tr>
<tr>
<td>Lazard Asset Management</td>
<td>10.6</td>
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<tr>
<td>Dimensional Fund Advisors</td>
<td>10.5</td>
</tr>
<tr>
<td>OppenheimerFunds</td>
<td>10.3</td>
</tr>
<tr>
<td>T. Rowe Price Associates</td>
<td>9.0</td>
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</table>

*Institutions with low turnover and active investment strategies

Source: Thomson Reuters publicly disclosed ownership data, December 2013

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**Value ($ trillions)**

Source: Federal Reserve, December 2013

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**% Equity portfolio**

Source: Stock exchanges, Bloomberg, J.P. Morgan balances or J.P. Morgan estimates, December 2013. DR program values calculated by multiplying current DR prices with publicly available or J.P. Morgan estimated outstanding balances.
Major Developments and Trends

The MSCI Asia Index experienced an 11% increase in 2013. The DR market is recovering across the APAC region, albeit at different rates. Under Japan’s new economic regime, the Nikkei Index performed very well in 2013, up approximately 53% YTD.

With past accounting irregularities gradually fading into the background, China’s IPO market is slowly coming back to life. A few IPOs came to market in the fourth quarter and have performed well since then. The market’s momentum is expected to carry into 2014. With China’s equity markets recovering from the 2013 lows set in June, privatization of state-owned companies could resume.

Elsewhere in APAC, new deals have been coming to market as well, notably in India, Korea and Taiwan. We believe IPOs can be expected in other frontier markets, such as Vietnam and Mongolia, over the next 12 to 18 months.

Japanese issuers continue to show interest in listing their shares in Hong Kong in the form of HDRs. In addition to their interest in attracting China-based investors, they see a Hong Kong listing as a platform to expand their businesses in the Greater China market. J.P. Morgan pioneered the HDR and remains the only depositary bank that sponsors HDRs, to date.

J.P. Morgan remains at the forefront of discussions in India with relevant influencers to update the depositary receipts guidelines, which will include amongst other things, rules for unlisted companies in India to list directly outside the country. If unlisted companies incorporated in India were to list directly overseas through a DR mechanism, investor demand for Indian companies will likely improve.

As APAC equity markets recover, J.P. Morgan is well positioned across the region to successfully convert its pipeline of mandates in China, Japan, India, Korea and Taiwan, and build upon its already strong base of world-class issuer clients.
J.P. Morgan's DR programs experienced strong organic balance growth in 2013, up 9% (+300 million ADRs). The region’s IPO market is also showing early signs of a recovery. J.P. Morgan was selected as the depositary bank for Tinkoff Group Holdings, a Russian online bank and credit card issuer, raising $1.08 billion, the largest DR IPO this year.

Major Developments and Trends

The MSCI Europe Index rose 20% in 2013, and the similar performance of European ADR programs reflected increasing interest from U.S. investors. J.P. Morgan client DR balances were up 9%, with value up almost $20 billion at just under $175 billion. Financial institutions were a focus for many investors, especially in the European periphery markets, with defensive stocks also seeing strong investor interest.

Trading volumes in Western European DRs were flat year-on-year, at 46 billion, indicating that the impact of Financial Transaction Taxes on DRs, which was implemented by France and Italy in 2012, has been minimal.

In Western Europe, balance growth in DRs was consistent with overall growth in its equity markets in 2013. With 415 sponsored DR programs and 630 unsponsored programs, the market appears mature. The concentration of investment dollars in the largest DR programs is very apparent, with over 90% of investment residing in the top 100 programs.

While the National Securities Depository was established as Russia’s Central Securities Depository last year, DR banks and investors began to see the effects of this market development in 2013. By November, DR depositary banks were required to transfer shares underlying DRs into special “depo accounts” with their Russian custodians. As a result, beneficial owner disclosure is now a requirement for DR holder votes to be considered at shareholder meetings of Russian companies. Meanwhile, recently passed legislation is expected to result in the application of reduced dividend withholding in accordance with the applicable tax treaty between Russia and a disclosing DR holder’s country of residence. Conversely, non-disclosed DR positions will receive dividends from Russian issuers net of an increased 30% withholding rate.

The DR Group secured mandates with some of the region’s largest DR issuers - Alcatel-Lucent, Orange, SABMiller and Teva Pharmaceutical Industries. In total, approximately 1.5 billion in DRs were transferred from other depositary banks to J.P. Morgan. This represented a 50% growth in balances in addition to the organic growth previously described. Issuers are increasingly deciding to select J.P. Morgan as their depositary bank, recognizing our firm’s distinct strength as a global Equities leader that helps clients successfully navigate the equity markets and attract high-quality investors.
The MSCI LATAM Index declined 16% in 2013. Low overall market valuations dissuaded companies from coming to market.

For the majority of 2013, the Brazilian government maintained its 1.5% IOF tax (Imposto sobre Operações Financeiras) on foreign exchange transactions. This tax, which indirectly applies to the issuance of ADRs, combined with a lack of equity capital raising in 2013, led to lower levels of cross-border activity between the U.S. and Brazilian equity markets. However, we anticipate this activity to pick up in 2014 as Brazil’s Ministry of Finance announced on December 24, 2013 that the IOF tax on shares backing the issuance of the ADRs has been officially reduced from 1.5% to 0.0%, effective immediately.

Following Cementos Pacasmayo’s public offering last year, Peru saw its second ADR offering, this time by Graña y Montero. J.P. Morgan was the depositary bank for both deals, and they are notable because most DR IPOs have historically been undertaken by Brazilian companies. In the years ahead, we expect Peru and Colombia to represent a much greater portion of DR-based offerings.

In 2013, several notable issuers selected J.P. Morgan as their successor depositary, including Braskem, CTEEP, Gerdau of Brazil and OMA of Mexico. This exemplifies how many of our clients have deep, firmwide relationships throughout J.P. Morgan’s Corporate and Investment Bank, doing business together across multiple solution areas and geographies.
WHY J.P. MORGAN
J.P. Morgan is a premier provider of customized Depositary Receipts solutions to the world’s leading issuers. We leverage our distinct strength as a global Equities leader to help our clients navigate the capital markets and attract high-quality investors. Guided by J.P. Morgan’s core principle of “first class business in a first class way,” DR issuers have relied on us for over 85 years for the trusted advice and long-term partnership that only we can offer.

A differentiated approach to Depositary Receipt solutions

**Focused client base ensures an exceptional client experience**

At J.P. Morgan, we focus our attention on the quality – not quantity – of clients and programs we serve. This allows us to deliver a client experience centered on individualized attention and service.

**Integrated, firmwide approach to your IR and capital markets needs**

As one of the world’s leading investment and depositary banks, J.P. Morgan is uniquely positioned to provide clients with a truly integrated equity solution – connecting you with our extensive network of buy- and sell-side market participants, along with giving you access to IR and capital markets professionals who guide you step-by-step in growing your DR program.

**Excellence and innovation**

With a record of “firsts” in the industry – from creating the first ADR in 1927, to launching the first ADRs in Latin America and Asia, to more recently structuring the first Hong Kong DR in 2010 – J.P. Morgan exemplifies a heritage of innovation, leadership, and commitment to the DR business.

**A partner and close ally**

Everything we do is with our clients’ best interests in mind. Since most of our clients, and their investors, have broader relationships with J.P. Morgan, we will always act in their long-term best interest and uphold the highest standards of integrity in all of our actions.
Our clients benefit from the unmatched expertise, advice and support of our highly-experienced IR Advisory team, whose members are based in New York and Singapore. With the lowest client-to-advisor ratio\(^1\) among DR banks, our team is able to provide individualized attention and endeavors to be an extension of your IR department.

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**Consultative approach**

Each client is unique. Accordingly, we take a tailored, consultative approach with our clients, leveraging our deep expertise in investor marketing and communications. This begins with an IR strategy session, which entails a situation analysis and then defines clear goals and objectives and a comprehensive and calibrated action plan to achieve them.

**Integrated, firmwide offering**

Our IR Advisory team provides an independent and objective view on where opportunities lie in the global equity markets. Also, in addition to its own investor marketing capabilities, the team leverages J.P. Morgan’s extensive regional and local networks of investor relationships to connect you with institutions that can drive long-term demand for your DRs and shares.

**Deep market insight**

As one of the world’s leading Global Equities franchises, clients benefit from J.P. Morgan’s renowned insights regarding market trends, regulations, and the world’s economies. We also help our clients stay abreast of leading practices and key developments in the capital markets via our publications: DR Advisor Alert, DR Advisor Insights, DR Advisor Quarterly, and our country and regional investor surveys.

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\(^1\) Based upon competitive industry data
J.P. Morgan's DR group strives to keep you abreast of the latest trends in the industry and regulatory developments. We offer insightful commentary and share our best practices through several channels, all designed to give the reader a better understanding of how strategic operating decisions can help you achieve the goals of your DR program and investor relations efforts.

**DR Advisory Quarterly**

Our *DR Advisor Quarterly* publication offers unique perspectives on how to utilize Investor Relations to maximize the benefits of your DR program. Each edition features an IR Best Practices article, written by a seasoned IR Advisory professional, as well as a client profile, typically detailing the experience and advice of the IRO at a client firm. This publication is designed to provide the tools an IR professional needs to most effectively tackle his or her job and create shareholder value for issuer firms.

**IR Best Practices Guide**

A compilation of the “IR Best Practices” articles from our most recent *DR Advisor Quarterly* publications, this guide is our “how to” manual for our IR Advisory clients. Divided into broader topical sections, each article describes an Investor Relations best practice that J.P. Morgan’s DR group believes is a good foundation on which to build a successful IR program.

**DR Proxy Process Guide**

The DR proxy process is representative of an issuer’s corporate governance standards and investor relations practices, in addition to serving as an important corporate communication event. This best practices guide explores the intricacies of the DR proxy process and key steps for a successful DR proxy, as well as regulatory developments and recent trends in corporate governance.

**Investor Surveys: China and Russia**

We always strive to better understand the market climate in the regions in which our clients operate. Each year we commission surveys to collect feedback on North American and European Investors’ perceptions of investing in emerging economies. From corporate governance to regulatory scrutiny, we endeavor to cover all the bases to ensure an accurate depiction of the challenges and benefits of investing in these growth markets.
J.P. Morgan Event Highlights in 2013

J.P. Morgan is proud to offer the opportunity for clients to engage with us, each other, and other industry specialists in thought-provoking discussions on the evolving market environment, investor relations, and various other pertinent topics. In addition to client-specific events, we hosted over 30 educational events and workshops in 2013, across all regions in which our clients operate.

Greater China DR Summit

March 2013: Cambodia
This two-day annual flagship conference brought together industry and J.P. Morgan experts for insightful discussions on trends in the DR industry and overall economic landscape. Over 30 CEOs and CFOs of leading listed and soon-to-list corporations in Greater China gathered to learn the latest developments on capital raising, accounting transparency, and corporate governance. Guests also enjoyed a tour of the historical sites of Angkor Wat.

Latin America Roadshows

March 2013: Bogota and Lima
These breakfast events, in partnership with the NYSE and Davis Polk, brought together prospective clients for a discussion on the benefits of ADR issuance and the unique jurisdictional requirements that a company needs to understand in order to list on the NYSE.

Expert IRO Roundtable

June 2013: Moscow
This event offered a unique opportunity to hear first-hand from experienced IROs on how they manage the key costs for an IR program, structure the IR department, and report internally. IROs from some of Russia’s leading companies joined hosts from J.P. Morgan’s DR IR Advisory Group and Tom Blackwell, CEO of EM Communications, to share their practical experience in delivering effective IR.

European Investor Relations Forum

December 2013: Paris
J.P. Morgan hosted its first European IR Forum, where industry and market experts discussed global macro trends, investor views on international equities, and how IR can make an impact in challenging markets. This forum combined panel debates and networking sessions with the opportunity to discuss best practices and network with fellow IR professionals.
**Contact Information:**
If you would like to discuss our DR solutions with one of our experts, or for more information on our upcoming 2014 events, please contact:

**Corporate Issuers**

<table>
<thead>
<tr>
<th>Asia-Pacific</th>
<th>Emerging Markets</th>
<th>Europe-Africa</th>
<th>Latin America</th>
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<tr>
<td>Kenneth Tse</td>
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<td>Candice Teruszkin</td>
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**Investors and Broker- Dealers**

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<th>New York</th>
<th>São Paulo</th>
<th>Europe-Africa</th>
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<tr>
<td>James W. Reeves II</td>
<td>Andrea Krongold</td>
<td>Alex Hickson</td>
</tr>
<tr>
<td>Tel: +1-212-552-8928</td>
<td>Tel: +55-114-950-3650</td>
<td>Tel: +44-207-134-5565</td>
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For market information on Depositary Receipts (DRs) and international equities, go to J.P. Morgan’s website [adr.com](http://adr.com)

For more information on J.P. Morgan’s Depositary Receipt services, go to [jpmorgan.com/visit/adr](http://jpmorgan.com/visit/adr)

Disclosures

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