



Citigroup in Cameroon:

Capturing Growth Opportunities in a Regional Economic Powerhouse

A Capstone Project

Prepared with the assistance of Professor Richard Linowes

from

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by

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Spring 2012

in fulfillment of the requirements for American University's University honors designation

Abstract:

This examination of socio-economic trends and realities in Cameroon sheds light on the tremendous growth potential that the economic powerhouse of the Central African region presents to Citibank in a variety of sectors ranging from mobile banking, remittance transfer services, to project finance. In the wake of the financial crisis which almost brought to its knees the 200 year-old financial institution, Citibank has engaged in profound soul-searching, seeking to define a strategy in line with its core competitive advantage. This competitive advantage lies primarily in the unmatched global reach of its branch network and wide array of proprietary applications. To leverage these assets requires a somewhat bolder approach towards banking opportunities in Africa in general, and Cameroon in particular. This paper prescribes a number of actionable recommendations to position Citibank as major player in the relatively uncharted banking landscape of Cameroon.

Memorandum

To: Professor Richard Linowes

From: Brice Ngameni

Date: 5/21/2012

Re: Citigroup in Cameroon: Capturing Growth Opportunities in a Regional Banking Hub

About Cameroon:

- Cameroon is a **West African** country located on the gulf of Guinea. It is bordered to the South by the republics of Gabon, Equatorial Guinea and Congo; to the North by Nigeria and to the East by Chad and the Central African Republic (CAR). Cameroon's territory covers an area of 475,000 square kilometers¹, which is **slightly larger than California** and **over four times the size of Virginia**².
- The population is estimated to be 20 million, which makes this "hinge of Africa" the sixteenth most populated African country.
- In 2011, the size of Cameroon's economy was about \$25 billion, with a **growth rate of 3.8%**³. However real GDP on a per capita basis remained alarmingly low, hovering around \$2,300 (**182nd world rank**).

¹ CIA World Factbook. February 15, 2012. Retrieved March 03, 2012. <https://www.cia.gov/library/publications/the-world-factbook/geos/cm.html>

² US States (plus Washington D.C.) area and ranking
<http://www.enchantedlearning.com/usa/states/area.shtml>

³ CIA World Factbook. February 15, 2012. Retrieved March 03, 2012. <https://www.cia.gov/library/publications/the-world-factbook/geos/cm.html>

- This bleak economic picture hides in reality an almost unmatched potential in a multitude of sectors, including mining, oil and natural gas, agriculture, fishery, tourism and manufacturing. This immense potential remains largely untapped due to a bureaucratic business environment, endemic corruption, inadequate energetic capabilities, and an appalling transportation network.
- Cameroon is also known as one of the most politically stable countries in Sub-saharan Africa, having experienced no wide scale civil strife since the tumultuous days of independence in the 1960s.
- Cameroon's monetary policy is set by the Banque des Etats d' Afrique Centrale (BEAC), a central bank of which Cameroon is a member along with all of its neighboring countries (with the notable exception of Nigeria). The area's currency is the Franc CFA (XAF). For historical reasons and because of the importance of trade ties with the Eurozone, the Franc CFA is firmly pegged to the euro⁴. The peg is currently 1 euro for 656 Francs CFA⁵.
- Another key regional institution is the Commission Bancaire d' Afrique Centrale (COBAC), an organization founded in 1990 with the responsibility to regulate and monitor the banking sector in all the CEMAC countries. Although a supra-national entity, the COBAC ensures compliance with both national banking rules and CEMAC-level regulations⁶.

⁴ *Economist Intelligence Unit*. Cameroon Country report. August 2011. Page 7

⁵ XE Currency Charts (EUR/XAF). Retrieved March 03, 2012.
<http://www.xe.com/currencycharts/?from=EUR&to=XAF&view=2Y>

⁶ BEAC "Rapport annuel 2008 de la COBAC." Page 3. Retrieved March 03, 2012.
<http://beac.int/download/COBAC%20RAPPORT%20ANNUEL%202008.pdf>



Map of Cameroon⁷:

About Citi:

Citigroup was formed in 1998 through the \$70 bn merger of the bicentenary Citicorp and Travelers insurance. The deal was allowed by the Federal Reserve board even though it was in violation of the 1933 Glass-Steagall Act. That Great depression-era piece of regulation provided for the partition of investment banking and commercial banking entities. It was eventually repealed in 1999 through the Financial Services Modernization Act.⁸ Today, Citigroup is a global financial conglomerate with operations in over 140 countries and on-site presence in more than 100 national jurisdictions. Its client base spans across retail, commercial, and private

⁷ CIA World factbook. March 03, 2012.

<https://www.cia.gov/library/publications/the-world-factbook/geos/cm.html>

⁸ PBS "The long demise of Glass-Steagall." Retrieved on February, 10, 2012. <http://www.pbs.org/wgbh/pages/frontline/shows/wallstreet/weill/demise.html>

banking, as well as the public sector and institutional segments.⁹ Since January 2009, the bank has been broken down into two major units. Citicorp consists of businesses deemed essential to the company's long-term strategic positioning, and Citi Holdings amounts to a sort of purgatory for assets that the company has decided to unwind. The retail, investment, transaction, and corporate banking units are all part of Citicorp, whereas Citi Holdings includes mostly mortgage, car and student loans that are to be resold in an orderly and loss-minimizing fashion. As of September 30, 2011, Citicorp had approximately \$1.4 trillion assets and \$776 billion of deposits, which respectively accounted for 70% of Citigroup's total assets, and 91% of its total deposits.¹⁰

Few firms have been as severely battered by the recent financial crisis as Citigroup has. The stock price of the bank has gone from a peak of \$550¹¹ in 2007, to an average of \$32 in recent months. Under the leadership of CEO Vikram Pandit, the firm's management team has been implementing major strategic shifts in order to improve the financial performance and reputation of a company that has become emblematic of an era of excess, and poor risk management on Wall Street. The "Pandit Method" sanctions a shift away from the "financial supermarket" concept in favor of a more focused business model strongly aligned with Citi's core competencies and competitive advantages. These core competencies include a massive investment in IT - Citigroup had an IT staff of 50,000 full time employees as of November 2010¹² - as well as a strong global footprint. Considering its remarkable growth records over the past few years, the rise in commodity prices and burgeoning middle-class consumer base, Africa

⁹ Citigroup 2011 3rd Quarter 10 Q. <http://www.citigroup.com/citi/fin/sec.htm>

¹⁰ Ibid.

¹¹ Google Finance: Stock market quotes, news, currency conversions & more. (n.d.). Google. Retrieved February 12, 2012, from <http://www.google.com/finance>

¹² Malakian, Anthony. "Citi Builder: CIO Steve Randich Transforms Citigroup's Technology." November 05, 2010. Retrieved March 03, 2012. <http://www.waterstechnology.com/waters/feature/1869699/citi-builder-cio-steve-randich-transforms-citigroups-technology>

is bound to become a vital market for Citigroup as it seeks to continue its global expansion and looks for ways to capitalize on the African economic renaissance.

Landscape of the Banking industry in Cameroon:

As one would predict given its status as economic powerhouse of the Central African region, Cameroon boasts the largest banking network as measured by the number of banks operating in the country as well as the number of branches owned by these banks. This is what the following charts illustrate.

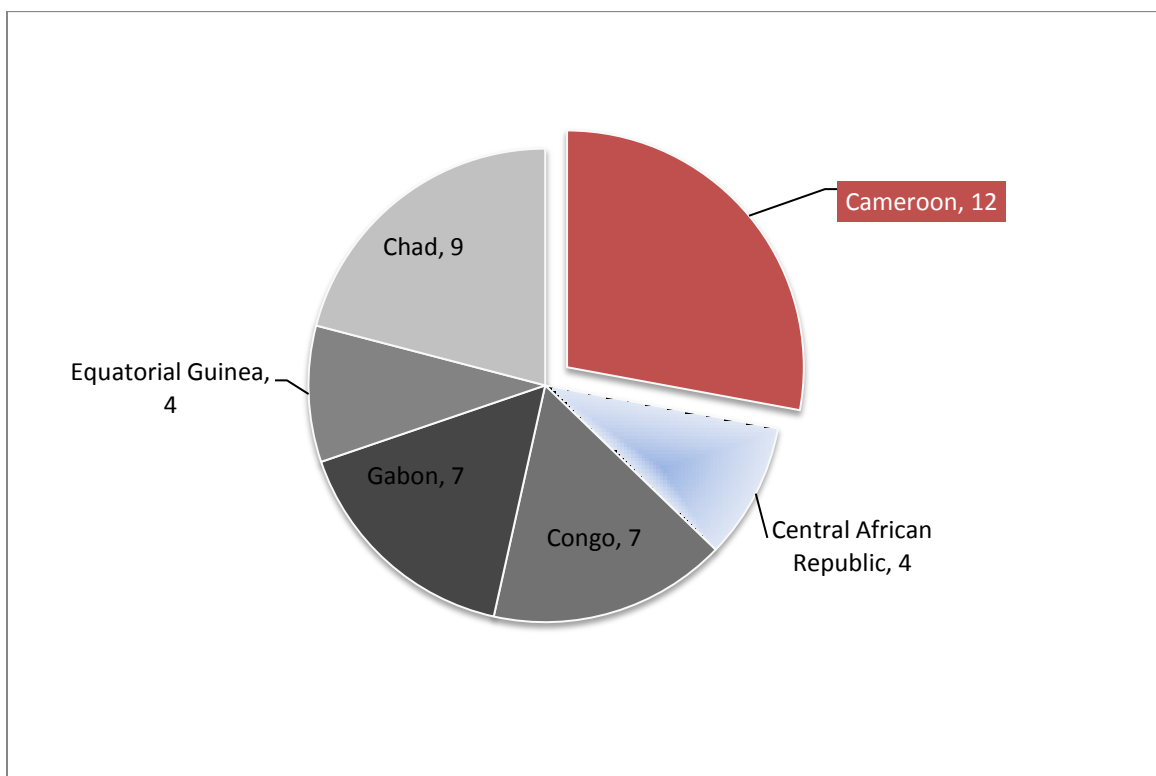


Exhibit: Number of commercial banks operating in the six CEMAC countries (as of December 2008)

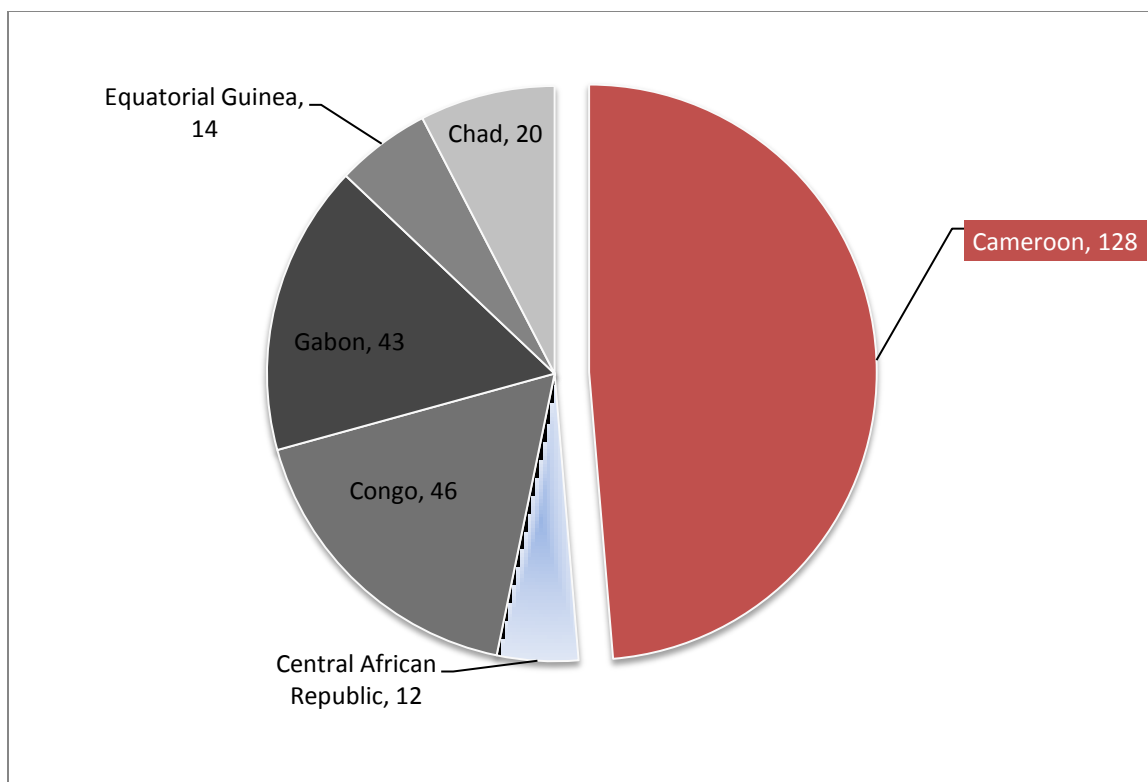


Exhibit: Number of bank branches in the six CEMAC countries (as of December 2008)

According to the COBAC 2008 report, Cameroon accounted for 41% of all banking assets in the CEMAC region¹³ and 42% of all client deposits¹⁴.

When did Citibank enter the Cameroonian Market?

Citigroup's presence in Africa dates back to 1955, when the U.S. bank opened its first branch in Egypt¹⁵. Since then the bank has expanded its presence to 15 other countries, notably Cameroon, which it entered in 1998. The first Cameroonian branch was opened in Douala, the economic capital of the country in order to serve corporate clients. Then in 2002, Citi launched operations in Yaoundé to meet the needs of public sector entities and international organizations

¹³ BEAC "Rapport annuel 2008 de la COBAC." Page 28. Retrieved March 03, 2012. <http://beac.int/download/COBAC%20RAPPORT%20ANNUEL%202008.pdf>

¹⁴ *Ibid.* Page 30.

¹⁵ *Citibank Egypt*. Retrieved March 03, 2012. <http://www.citibankegypt.com/egypt/homepage/history.htm>

based in the political capital. Citibank Cameroon currently employs 47 people to provide cash management, e-banking, trade finance and treasury solutions to its institutional client base.

Given its relatively recent entry into the banking landscape of Cameroon, Citibank has a relatively small branch network, compared the French legacy banks such as SGBC (Societe Generale) and also purely Cameroonian banks like Afriland First Bank and Ecobank. Data from the COBAC shows that Citibank only had 2 branches in Cameroon as of December 2008, signaling the bank's emphasis away from the more physical intensive retail banking segment and more towards its institutional clientele. Another to observe that is through a ratio comparison of Citibank and Afriland Bank. As the two following charts report, Afriland Bank, which is a Cameroonian bank outnumbers Citibank in terms of branch network by a factor of 7.5 to 1 (15/2). However with regards to capital, Afriland is only more endowed than Citibank by a factor of 1.58. The explanation is simple, servicing corporate and government clients requires much less physical assets than managing relations on a daily basis with thousands of customers. Citibank seems to have elected to focus on the former while Afriland has an edge with the former segment.

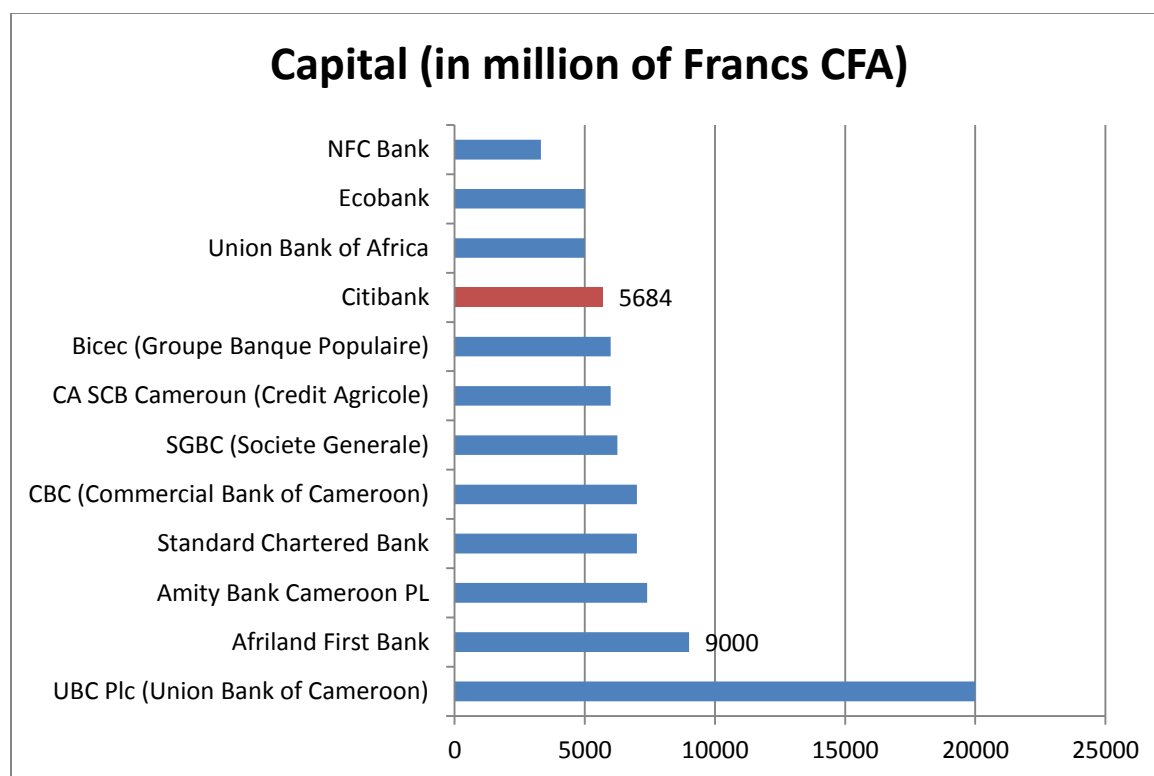


Exhibit: Amount of capital of each of Cameroon's legally operating banks (as of December 2008)¹⁶

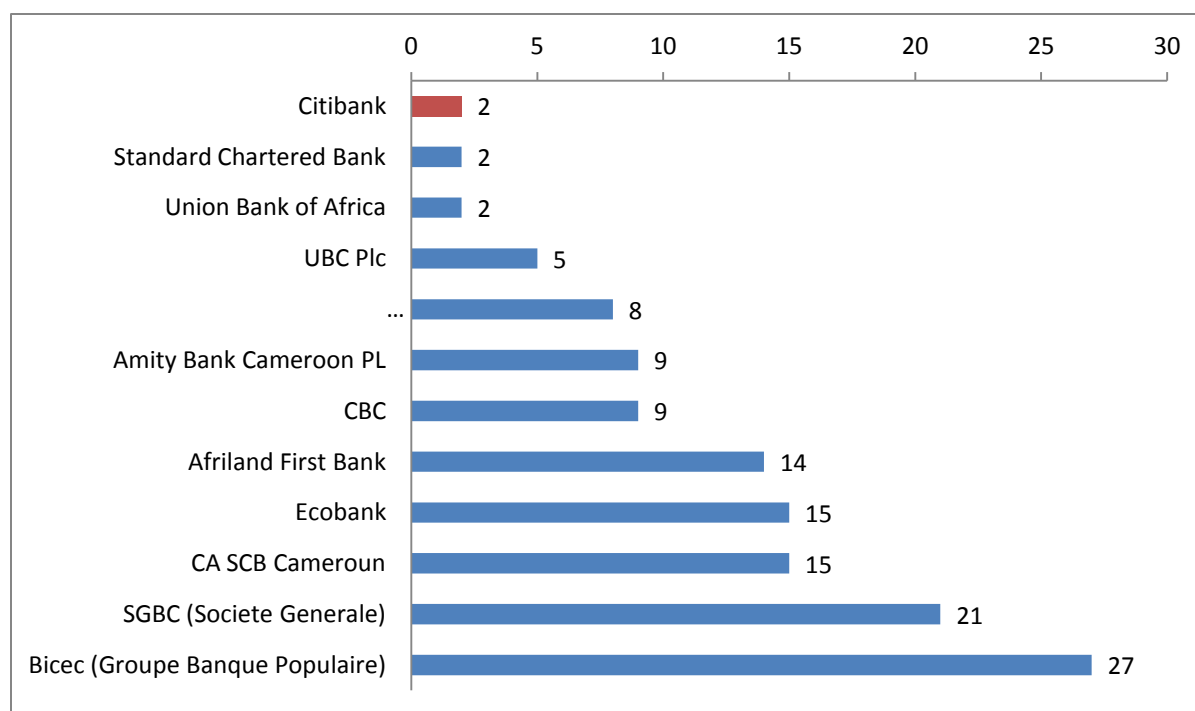


Exhibit: Number of branches for each of Cameroon's legally operating banks (as of December 2008)¹⁷

¹⁶ "Rapport annuel 2008 de la COBAC."

A key characteristic of Citibank's strategy in Cameroon so far has been its emphasis on institutional clients. Capitalizing on its exceptional global network, the bank serves for instance a number of embassies and international organizations conducting operations in Cameroon. The bank has also been involved with a number of structuring deals to provide financing for a number of government projects. Citi was involved in the highly controversial \$4.2 billion Chad-Cameroon pipeline project¹⁸. It worked alongside the Cameroonian and Chadian governments as well as a numerous giant oil companies to help raise the necessary funding for what was at the time the single largest US investment in Africa. More recently Citibank has also provided assistance and counseling to the Cameroonian government in its effort to gather funds for its Lom Pangar project. Citibank was hired alongside a few other banks such as Societe Generale and Afriland First Bank to assist in the preparation of the unprecedented and highly successful treasury auction.¹⁹

As far as the private sector is concerned, Citigroup has partnered with a variety of firms, mostly multinational companies maintaining or seeking to develop operations in Cameroon. For example in September 2008, the mining company Geovic Mining Corp announced that Citigroup would serve as its lead financial advisor in the construction of its Nkamouna cobalt-nickel project in Cameroon. Commenting on the announcement, Gary Morris, Senior Vice President of Geovic and Chairman and General Manager of Geovic Cameroon subsidiary declared "we are confident that Citi's global capabilities as a premier financial institution will enable our company

¹⁷ "Rapport annuel 2008 de la COBAC." Pages 79-80

¹⁸ "Chad-Cameroon Oil Pipeline Project." Bank Information Center
<http://www.bicusa.org/en/Project.26.aspx>

¹⁹ "Cameroon says planning bond issue for power projects." Reuters Africa. October 19 2010.
<http://af.reuters.com/article/investingNews/idAFJOE69I0DJ20101019>

to develop a financial structure to support construction so that production can commence at this world class cobalt-nickel project." ²⁰

This paper is dedicated to describing the various opportunities that exist in the banking sector of Cameroon, whether they are in the areas of mining, government financing and retail banking.

I-) Capturing opportunities in the public sector:

A-) Financing of government projects:

i-) Cameroon Vision 2035

In April 2009, the Cameroonian government released a memo entitled “Cameroon vision 2035.” The document contains a number of bold quantifiable objectives that the government is to pursue in order to position Cameroon as middle-income emerging economy by the year 2035. The document identifies a number of areas as requiring major ameliorations in order to fulfill this vision. Most notably the government of CAMEROON recognizes the extent to which infrastructural challenges constitute a hindrance to economic development. In an effort to address this, the government has pledged to bolster investments on physical capital, including energy, roads, and many other areas in which Cameroon’s infrastructures are lacking.

Cameroon currently stands at a crossroads in its stride towards the betterment of its citizens' living standards. It has the potential to capitalize on its attainment of the 2006 completion point under the enhanced Initiative for Heavily Indebted Poor Countries (HIPC Initiative). Under this debt relief program, the completion point can be defined as the stage at which nations with per-capita GDP below a certain standard would qualify for “100 percent relief on eligible debt from three multilateral institutions.”²¹ The achievement of the completion point

²⁰ <http://www.investorpoint.com/news/INDUSTMM/6170023/>

²¹ "The multi-lateral debt-relief initiative." *IMF*. April 16, 2012. <http://www.imf.org/external/np/exr/facts/mdri.htm>

in 2006 is reflected in the sharp decrease in Cameroon's Debt-to-GDP ratio from the year 2005 to 2006 in the following exhibit. Yet to fund the construction of a number of infrastructural projects Cameroon is bound to rely increasingly on debt financing. It has done so to some extent over the past few years.

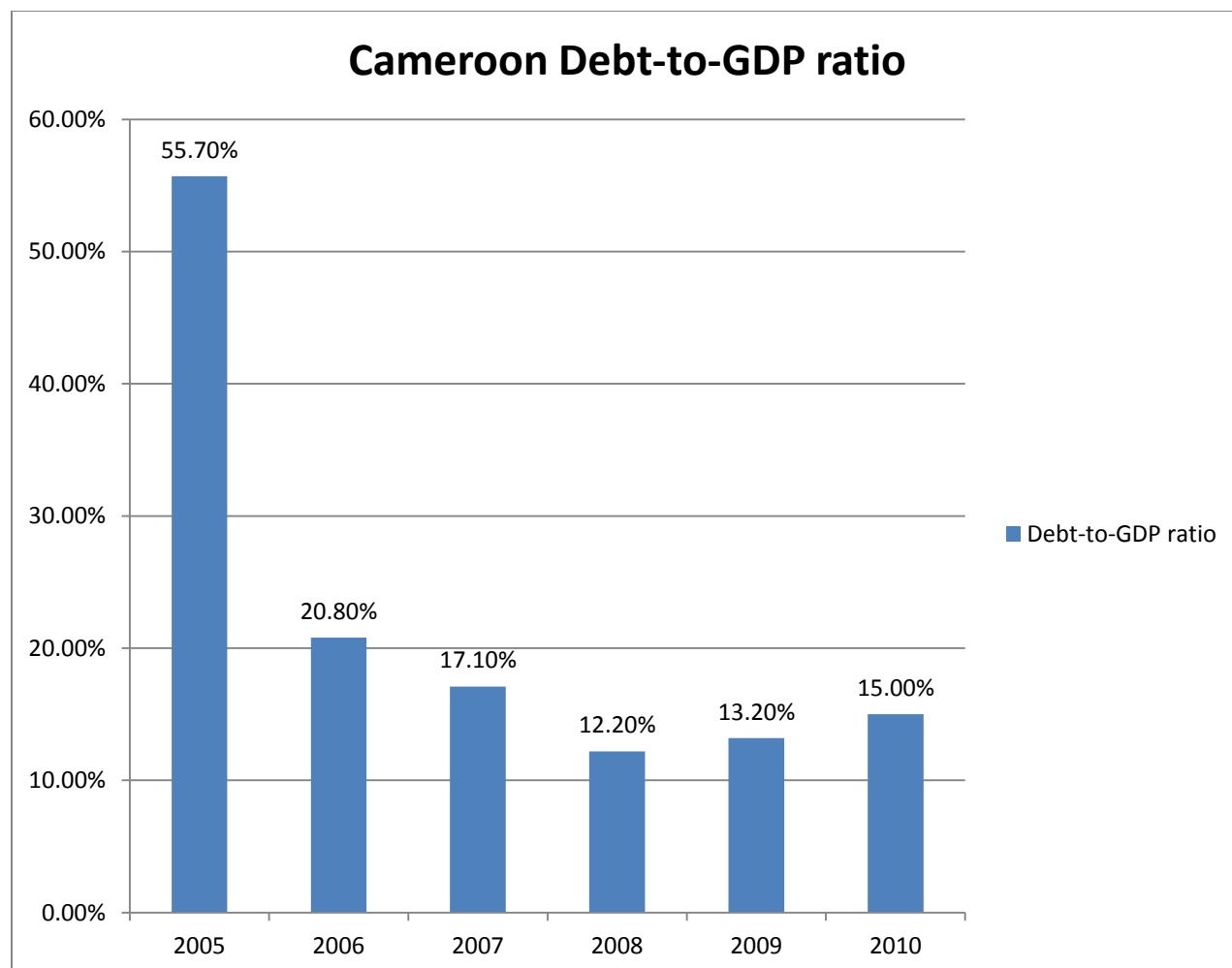


Exhibit: Cameroon Debt-to-GDP ratio (2005-2010)²²

In its 2010 Poverty reduction Strategy program produced in collaboration with the IMF, Cameroon lists a great many infrastructure projects to be pursued in the medium to long-term horizon. Among these figure the Lom Pangar dam, the Yassa thermal station, and the Kribi gas

²² Economist Intelligence Unit and Caisse autonome d' amortissement

station to meet Cameroon's insufficient power supply. In the area of transportation the rehabilitation and massive expansion of Cameroon's 2000 km of tarred road network by 2020²³ are also listed as key priorities. So too is the construction of a deep sea port in the touristic city of Kribi. Once completed, the Kribi port will have a draught of 5 to 16 meters and will be able to accommodate vessels with a capacity up to 100,000 tons. This represents a major improvement from the Douala Seaport which claims a draught in the range of six to seven meters and can at best receive vessels with a capacity of 15,000 tons²⁴. These improvements promise major increases in trade flows between Cameroon as well as the entire CEMAC region by ricochet and the rest of the world. They also explain the unusual swiftness with which the Cameroonian government has acted to facilitate the rapid realization of the project.

This ambitious development agenda presents a unique opportunity for Citibank to leverage its status of leading U.S. investment bank and its years of expertise in dealing institutional clients in Sub-Saharan Africa to assist the Cameroonian government in its effort to gather the funding necessary for all its energy and transportation projects. Between the end of 2010 and February 2012 Cameroon raised 250 billion CFA (\$501 million) on the bond market as a part of this initiative²⁵. The country plans to issue a total treasury bonds with a value of 285 billion CFA francs (\$557 million) in 2012. It is noteworthy that Citibank was one of the banks which arranged the successful 200 billion FCFA treasury bond issue of November 18, 2010²⁶.

Citibank can continue to play a major role in these structuring deals by leveraging its strong presence in the continent of Africa and its well-recognized expertise in the field of project

²³ "Cameroon: Poverty Reduction Strategy Paper." August 2010. Page 18.

<http://www.imf.org/external/pubs/ft/scr/2010/cr10257.pdf>

²⁴ "Cameroon: Kribi Deep Seaport - Significant Milestone." *All Africa*. January 02, 2012.

<http://allafrica.com/stories/201201040734.html>

²⁵ "Cameroon says infrastructure bond oversubscribed." *All Africa*. February 20, 2012.

²⁶ "The Union of Banks to finance structuring projects in Cameroon." *All Africa*. February 27, 2011.

<http://www.businessincameroon.com/categories/53-News/291-the-union-of-banks-to-finance-structuring-projects-in-cameroon>

Finance. This expertise is exemplified by Citi's numerous awards in that sector. Here are some of its most noteworthy recognitions in project and structured finance.

- Best Bank in Project Finance- Global Finance
- Top Bank in Project Finance- Corporate Finance
- Best Structured Trade Finance Bank- Trade Finance
- Best Export Finance Arranger- Trade Finance
- #1 Global Arranger of Project Loans and Project Bonds- Project Finance
- #1 Global Lead Arranger of Project Loans- Project Finance International
- #1 Global Lead Arranger of Project Loans- Infrastructure Journal
- #1 Global Financial Advisor to Projects- Global Finance
- Best in Latin American Project Finance- Global Finance
- #1 America Lead Arranger of Project Loans- Project Finance International
- #1 Financial Advisor for European Projects- Project Finance
- Best Project Finance House in Asia- Finance Asia
- Asia Pacific Project Finance House of the Year- Financial Intelligence Asia
- Best Asian Project Finance House- The Asset²⁷

2-) Diplomatic missions of foreign countries and international organizations:

Another category of public sector clients Citibank should target aggressively are diplomatic missions of foreign countries in Cameroon as well as international organizations based in the same country. These include embassies, consulates and national or sub-regional bureaus. According to the website *embassypages.com* there are currently no less than 32 embassies and 17 consulates in Yaounde²⁸, the political capital of Cameroon, more any other CEMAC country, with the exception of oil-rich Gabon which has 36 embassies in addition to 14 consulates. These embassies and consulates have significant banking needs. Assuming that the

²⁷"Project and Structured Finance Awards"

http://www.citibank.com/eastafrica/homepage/Citibank_Zambia/project_structured_finance.html

²⁸ "Cameroon - Embassies and Consulates" Accessed April 19, 2012.

<http://www.embassypages.com/cameroon#consulatesin>

visa fees they collect are insufficient they must be able to effect cross-border payroll payments for their citizens working at the embassy. What's more, the non-CEMAC countries which do not use the FCFA as legal tender will likely need currency conversion services to meet consular needs, as well as those of their individual staff members in that regard.

Citibank has the ability to provide a wide array of services that will meet embassy needs.

- **Introducing World Wallet® to the Cameroonian market:** Citibank developed a software-based solution called World wallet which enables its customers to get next business day delivery of foreign currencies upon request at the location of their convenience (including home, office, or nearest branch). Although originally available in the U.S. the service is currently offered in 40 countries overall, including the Europeans union. In the case of Cameroon, where postal systems make convenient home-deliveries infeasible, Citibank should modify the service offering slightly. Instead it should target embassy staff and facilitate the transactions through ATMs machines, its branches and possibly through correspondent banks.
- **Leveraging Citi® Prepaid Services:** Citibank Global Transaction Services has a service offering which enables institutional clients in the private and public sector to make efficient, paperless, and cost-effective to their employees abroad. The solution this unit has developed relies on partnerships with leading credit card companies such as Visa and Mastercard to provide direct payments to employees' cards no matter where they are stationed around the world. This application helps explain why Citi GTS has been used by the UN to support no less than 35 of its peacekeeping operations around the world. A The range of services covered by that solution include the following:
 - Payroll
 - Benefits

- Sales Incentives
- Consumer Promotions
- Employee Rewards
- Claims²⁹

A key advantage presented by this segment is its non-cyclical nature. It is highly implausible that Cameroon's foreign partners will discontinue their diplomatic missions based on the country's economic performance. The unique global coverage of Citibank can also be used as key differentiating factor. Citibank possesses the technological platforms and international network to provide a consolidated banking experience, something any country's foreign relations department might consider important in arranging the financial architecture that will support its diplomatic network. Few banks can offer governments the degree of consistency and uniformity across their various diplomatic missions that Citibank can.

II-) Seizing opportunities in the private sector

As previously mentioned government-sponsored entities have traditionally constituted an important source of the bank's business stream. However besides these public sector clients, a multitude of opportunities exist in Cameroon's private banking sector. In areas such as micro-finance, and mining, Citibank can bolster its position in the local banking landscape.

A-) Remittances:

Remittances can be defined as cross-border money flows by involving private individuals living outside of their home country and their families. According to the UN no less than 33 million Africans lived outside of their home country³⁰. Remittances are often an important source of revenue for Africa families. In 2006 remittances in Africa totaled \$20 billion. Worldwide, the

²⁹ "Citi Prepaid Services" http://www.citigroup.com/transactionsservices/home/card_solutions/prepaid_solution.jsp

³⁰ Dambisa Moyo, *Dead Aid*, (New York: Farrar, Straus, Giroux, 2009), 133

trend in remittances is in the upsurge after the late 2000s great recession. The World Bank estimates global remittance flows at \$483 billion in 2011³¹. Flows to developing countries represented \$351 billion. These figures are expected to grow over the upcoming years due to increasing migratory pressures from globalization, demographic forces and climate change. In the specific case of Cameroon, the World Bank puts inward flows of remittances at \$148 million for the year 2011. Outward flows were \$98 million³². These remittance flows arise because of Cameroon's sizeable stock of emigrants, which was estimated at 279,000 in 2010.

These remittance patterns represent a rich potential market that Citibank should seek to capture. Bear in mind that the main destinations for Cameroon's emigrants, are France, the US, Nigeria, Gabon. In all of these countries Citibank has had a longstanding, substantial presence. The approach chosen by Citi up to this point seems to be to "lease" in a sense its money transfer capabilities to local banks rather than developing a direct relationship with emigrants looking to repatriate funds to their own country. An illustration of that is the fact that Citigroup was granted in September 2008 a mandate by Banque Atlantique Group, a West African banking group headquartered in Togo and with operations in 8 African countries. As a part of the agreement signed by the two banks, Citigroup agreed to allow the Banque Atlantique Group usage of its QuikRemit software³³. Following the February 2008 acquisition of remittance services provider Payquick, Citigroup has worked developed a software application praised in the industry as one of the very best for its compliance capabilities and its flexibility with regards to payment methods. In the case of Citi Remit India for instance, customers are able to fund their account

³¹ "Migration and remittances" *World Bank*. March 2012.

<http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:20648762~menuPK:34480~pagePK:64257043~piPK:437376~theSitePK:4607,00.html>

³² "Cameroon: Migration and remittances factbook." *Worldbank* (accessed April 19, 2012).

<http://siteresources.worldbank.org/INTPROSPECTS/Resources/334934-1199807908806/Cameroon.pdf>

³³ "Groupe Banque Atlantique appoints Citi as a Global Partner to Facilitate its Consumer Remittances into Africa."

September 16, 2008. http://www.citigroup.com/transactionsservices/home/about_us/press_room/archives/2008/2008_0916.jsp

through personal check, wire transfers, ACH transfers, NEFT (National electronic funds transfer), and through Citibank global transfers³⁴.

What we would like to suggest is that Citibank shifts away from this leasing model to one in which it actually provides the service to its own account holders. There is a variety of reasons why this would be a good move:

- This strategy would allow Citibank to enhance its standing as the only true global bank. Moving remittance customers to Citibank own retail branches will enable the firm to gain greater visibility in the retail banking sector in Africa, a segment it has unfortunately mostly shied away from.
- The move would also allow Citibank to increase its margin by actually providing the entire banking experience the customer seeks as opposed to providing only one small portion of it.
- Citibank would also be able to maintain greater secrecy around the software applications that give it a technological advantage in the provision of remittance services. Mandates such as this give an opportunity to banks like Groupe Atlantique to familiarize themselves with our software applications and therefore create a potential for the dilution of technological competitive advantage.

B-) Mobile Banking

1-) Low banking penetration in Cameroon:

Cameroon has a very low level of financial development even by regional standards. This is evidenced by commercial banks' relatively minor importance in the provision of credit to the

³⁴ "Money Transfer" (Accessed April 20, 2012).

<http://www.online.citibank.co.in/citi-nri/products-services/transfer money.htm?eOfferCode=CONDTMNY>

country's economy. Neighboring Gabon has a much greater ratio of borrowers from commercial banks per 1000 than Cameroon. As of the end of 2009, the ratio was 45.2 for Gabon and 17.1 for Cameroon. The ratio of commercial bank branches per 100,000 adults also suggests that Cameroon's banking sector is not as developed as that of Gabon. There are many potential explanations for this fact. One of them is the popularity of so-called tontines, which are informal community savings entities whose members are often bonded by family or tribal ties. In these small para-banking institutions peer-pressure, a strong sense of belonging to a community, tribe or family all act as important motivators against loan delinquency. Moreover due to Cameroon's very high interest rates, young entrepreneurs and well-established business people alike have an incentive to shop around for more attractive sources of funding outside the traditional high-yielding banking system. For these cultural and financial reasons, tontines have historically been a very important part of Cameroon's banking sector. The small level of banking penetration in Cameroon which we highlighted earlier is to some extent a reflection of this peculiar part of Cameroon's informal sector³⁵.

³⁵ Read "Informal Capitalism Grows in Cameroon." *New York Times*. November 30, 1987.
<http://www.nytimes.com/1987/11/30/business/informal-capitalism-grows-in-cameroon.html?pagewanted=all&src=pm>

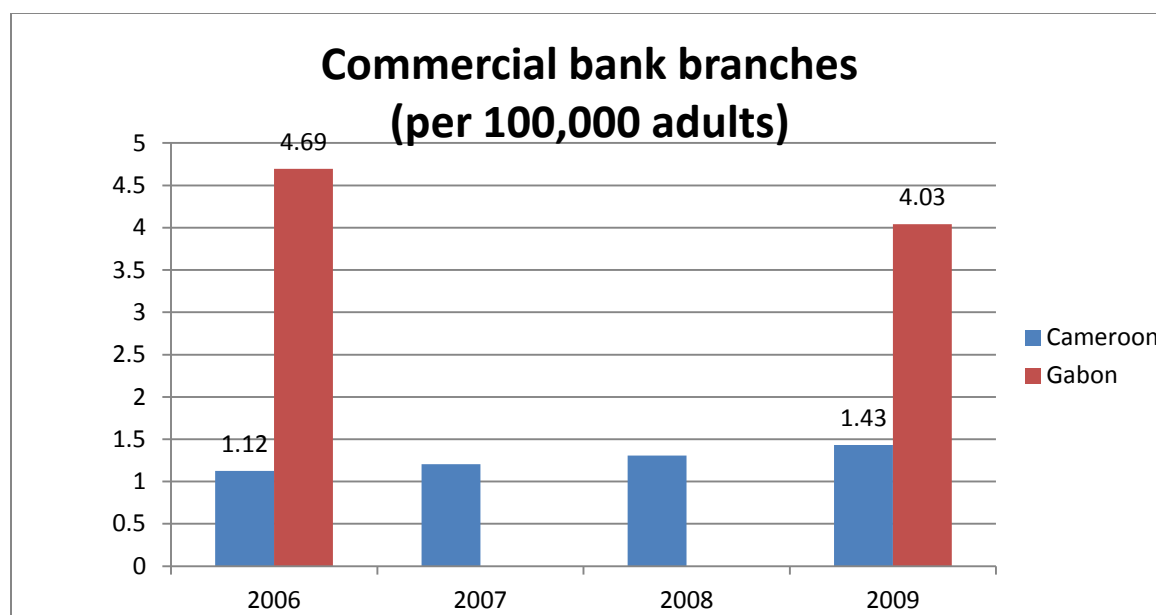


Exhibit: Commercial bank branches (per 100,000 adults)

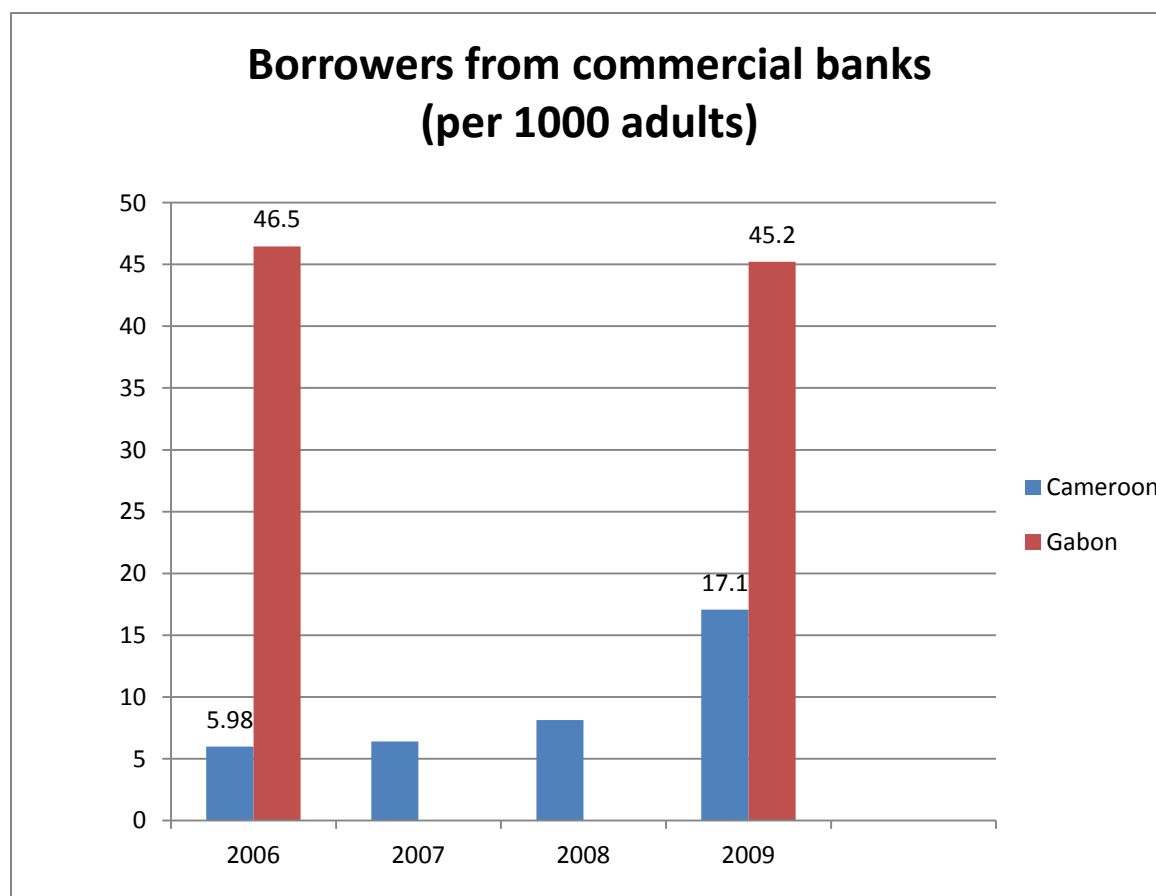


Exhibit: Number of borrowers from commercial banks per 1000 adults

2-) Banking on mobile banking

A survey conducted by the World Bank in conjunction with the Gates foundation provides insights into the causes for low financial inclusion worldwide that are particularly relevant to Cameroon. One of the most common reasons advanced by people operating outside the formal banking sector is the lack of money (irregular and negligible revenue streams). The African Development bank estimates that "in some countries the minimum deposit can be as high as 50% of capita GDP."³⁶ The high transaction costs and the amount of paperwork associated with banking in many developing countries, as well as the remoteness of physical bank locations are also significant hindrances to the financial development of Cameroon. Mobile banking can provide an answer to these last three problems. Consider the example of Mdubila Pascaline³⁷. She works as a journalist in the Northwestern city of Bamenda, Cameroon. Pascaline's mother lives in a remote village named Mbiame. As most Cameroonian adults financially able to do so, Pascaline provides support to her mother in the form of transfer payments. Pascaline has two options before her. Providing there was a local bank branch in the village of Mbiame, which is highly improbable, she could use the traditional banking system, which would cost her a total of 500 Francs (\$1) for a 10,000 Francs (\$20) transaction. Alternatively Pascaline could use a new service launched by mobile service provider MTN Cameroon. This would entail a transaction cost of 100 Francs (20 cents). All she would have to do with this latter option is to transfer airtime for the amount she wishes to send and then transfer it to her mother. Her mother in turn would simply have to monetize the airtime at the closest MTN Cameroon Service Center. This electronic wallet service that enables users to transfer

³⁶ Ondiege Peter. "Mobile banking in Africa: Taking the bank to the people." *African Development Bank*. http://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/John%20brief%201_John%20brief%201.pdf

³⁷ "Mobile banking in Cameroon increases access to financial services." *Global Press Institute*. March 12 2012. <http://www.globalpressinstitute.org/global-news/africa/cameroon/mobile-banking-cameroon-increases-access-financial-services>

funds via their cell phones is named MTN Mobile Money. Other mobile banking service offers exist. Orange, MTN's main competitor in the mobile industry of Cameroon has launched a mobile money service called mobile money, which enables users customers to pay their bills via through their cell phones. This service is particularly valuable in a country where the payment of water and electricity bill has traditionally been very inefficient, often involving endless hours of queuing.

These few real-life illustrations demonstrate the way in which partnerships between banks and mobile service providers are re-shaping the banking landscape in Cameroon and throughout all of Africa, allowing users to transfer funds and pay their bills in a cost-efficient manner. The popularization of this service offering makes sense given the success of the mobile telephone industry in Cameroon. Indeed mobile telephones have been in usage in Cameroon since French mobile company Orange entered the Cameroonian market in January 2000 under the appellation Mobilis³⁸. Since then the number of mobile users has climbed exponentially as the following exhibit illustrates. According to the World Bank, 17.5% of all Cameroonians had a mobile cellular subscription in 2006. By 2010 the proportion had more than doubled, rising to 44%. Furthermore this trend is supported by The Cameroonian government which has pledged in its 2010 poverty reduction paper to raise the coverage percentage of mobile lines to 65%³⁹.

3-) Opportunities for Citibank on mobile banking

Citibank's technological know-how and capabilities place it in an ideal position to take advantage of the spread of mobile banking. First of all mobile banking is almost by definition a branchless form of banking which therefore requires little investment in actual physical

³⁸ "Les activites d' Orange au Cameroun"

http://www.orange.com/fr_FR/groupe/presence/pays/amea/cameroun/att00016738/print.jsp

³⁹ "Cameroon: Poverty Reduction Strategy Paper." August 2010. Page 18.

locations. This is in line with the current strategic approach of Citibank in Cameroon which had only 2 bank branches as of the end of 2008. What this also means is that the bulk of the investment would have to be spent on designing and implementing an IT platform that is both user-friendly and reliable. They must be user-friendly because many of the people who would need to rely on mobile banking are people not particularly sophisticated when it comes to technologies of any sort. They must also be reliable because of the low level of personal interactions involved in mobile banking transactions. Technical bugs are often cited as important limitations of both online and mobile-banking.

The fact of the matter is Citibank does already possess highly rated capabilities and service ratings in the area of mobile banking. The *Global Finance* magazine awarded to Citi the title of best global bank in 2011. This significant recognition is a testimony to the fact that Citibank has the technological assets that can help it compete effectively in the Cameroonian mobile banking sector. In this regard as well, the globality of Citibank also gives it an edge over its banking rivals. Consider for instance remittances. Citibank's presence in the U.S. where a significant portion of Cameroon's Diaspora lives enables the bank to provide emigrants with one-stop shopping banking services. There are also reverse remittances whereby those living in third world countries (in this case Cameroon) are donors rather than recipients of the money flow. Citibank proprietary applications in the area of remittances and many others can be successfully tailored for mobile banking by implementing the following recommendations:

- Simplifying Citibank's main mobile banking interfaces in the U.S. to make them more compatible with the quality of the mobile network in Cameroon and simply more user-friendly.

- Leveraging Citi's wide range of experiences and capabilities in mobile banking regardless of the location in the world. This would entail working alongside Citibank Nigeria as that division seeks to roll out mobile banking operations in the near future would also be of the utmost importance to spread the initial investment⁴⁰ and ensure a certain degree of consistency across the two national units.
- Partnering with the two main mobile phone providers Orange Cameroon and MTN to provide affordable access to mobile banking applications. Such a partnership should mirror the 2011 alliance announced between America Movil and Citibank whereby the Latin-american telecommunication giant and Citibank agreed to invest into the development of a comprehensive mobile banking offering in financially undeveloped Latin-America⁴¹.
- Increasing visibility of Citibank through targeted advertising. Citibank could partner for example with the American Language Center in Yaounde. This privately managed institution located in the capital of Cameroon prepares Cameroonian nationals seeking to pass the English competency exam known as TOEFL, as a first step towards admission at a U.S. university. Citibank could negotiate for a small annual fee the right to advertise and promote its remittance capabilities to those students. Depending on whether relevant secrecy laws allow it, the Citibank proposition value could also include a layer of transparency and visibility into the finances of students in the U.S. Citibank could indeed design an interface functionality that would enable parents in Cameroon to monitor on their mobile phones financial transactions involving their children's accounts. The mobile

⁴⁰ "Citi says working on Eurobonds with Nigerian banks"

<http://www.reuters.com/article/2012/04/19/africainvest-summit-citi-idUSL6E8FJFFC20120419>

⁴¹ "Citi and America Movil in mobile banking venture"

<http://www.ft.com/intl/cms/s/0/b5cfe096-f12f-11e0-b56f-00144feab49a.html#axzz1tIZhyHrD>

banking service offering should also provide Cameroonian parents with an efficient, safe and relatively cheap way to make direct payments to the university their child attends.

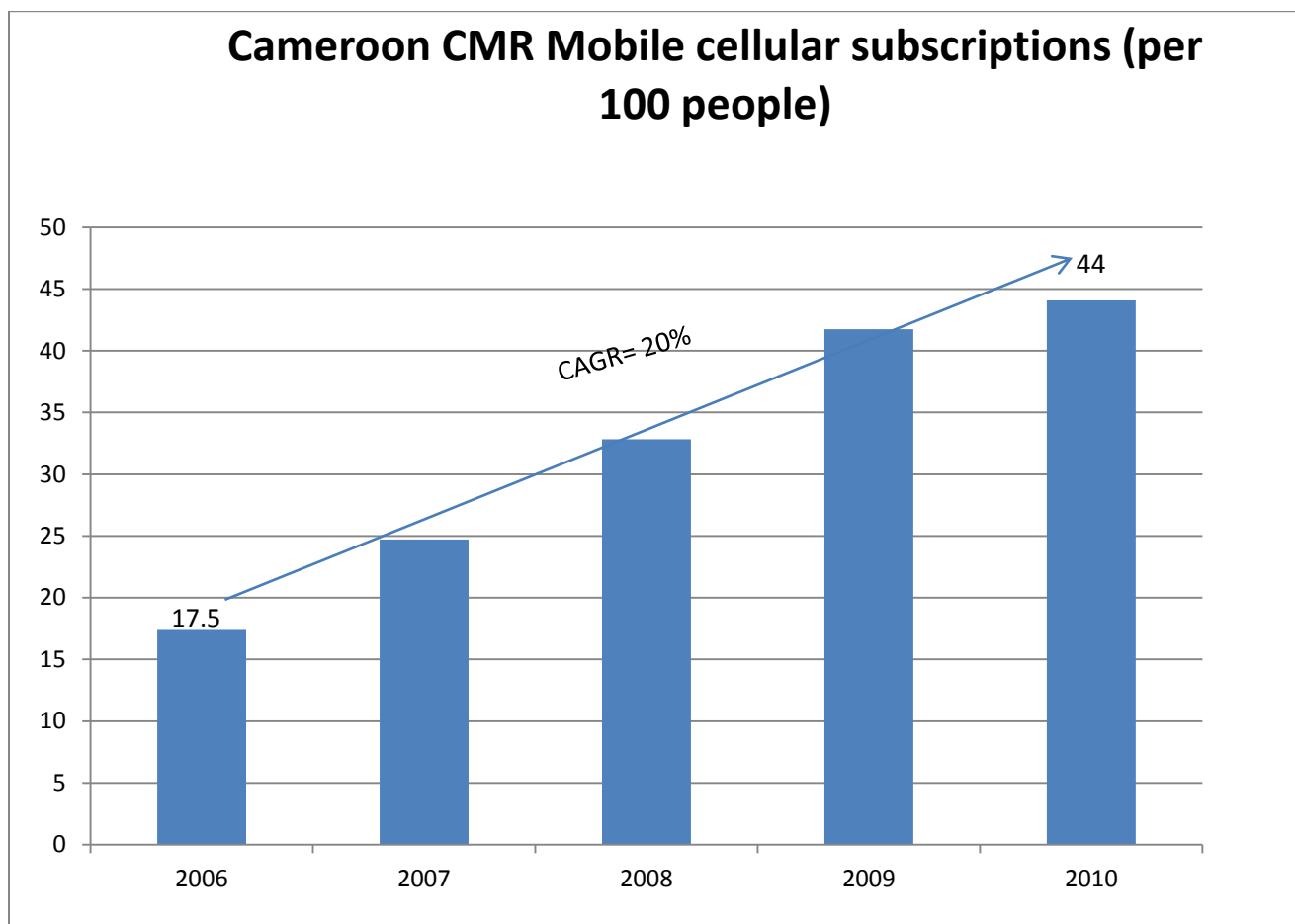


Exhibit: Percentage of mobile cellular users in Cameroon

Conclusion:

Although a relatively young business unit, Citibank Cameroon holds great potential for growth. Indeed Cameroon boasts a stable political system, as well as a prominent socio-economic role in the Central African sub-region. All of these characteristics present Citibank with specific opportunities that we have tried to underscore throughout this paper. To capture these opportunities Citibank must expand its branch coverage and staff in Cameroon. A much more expansive approach to the Cameroonian market would also further the company's strategic orientation in the wake of the financial crisis that almost brought it to its knees. It would enable Citibank to consolidate and cement its position as the strongest American bank operating in Sub-Saharan Africa, while capitalizing on its technological edge in a variety of sectors, including mobile banking and remittances.

