

# Case Study

## **Citigroup in Hong Kong and the Greater Pearl River Delta**

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## Citi Hong Kong

- **Citi has had a presence in Hong Kong since 1902**
- **One of the largest foreign employers with over 4,000 staff**
- **Citi's Consumer Banking business in Hong Kong**
  - **Over 20 branches**
  - **Citigold**
- **Citi HK's Corporate Bank is also a major local bank**
- **Asia Pacific HQ for Citi's Corporate Banking business**
  - **Region included Korea to Australia/NZ to India (18 countries)**
  - **Regional staff of 200 based in Hong Kong**

## Why Hong Kong?

- **Geographic proximity to Asia Pacific**
  - **Location vs. most of our key markets**
  - **Ease of travel**
- **Free flow of Trade, Capital and Information**
- **Importance of Mainland China as a growth market**
- **Our Customers**
  - **Use Hong Kong as Regional or China HQ**
- **Large local market/business**
- **International Financial Center**
- **Ease of attracting local and expatriate talent**
- **Rule of Law**

## Citi in China

- **Started in China in 1902 (Shanghai)**
- **Re-established in mid-1980's**
- **Importance to our Customers**
- **WTO provided new growth opportunities for Banks**
- **Regulatory environment slowed growth**
- **Established JV with Shanghai Pudong Development Bank to develop credit cards**
- **Citi continued to look for a major investment that met its business objectives.**
- **Opportunity in the Greater Pearl River Delta**

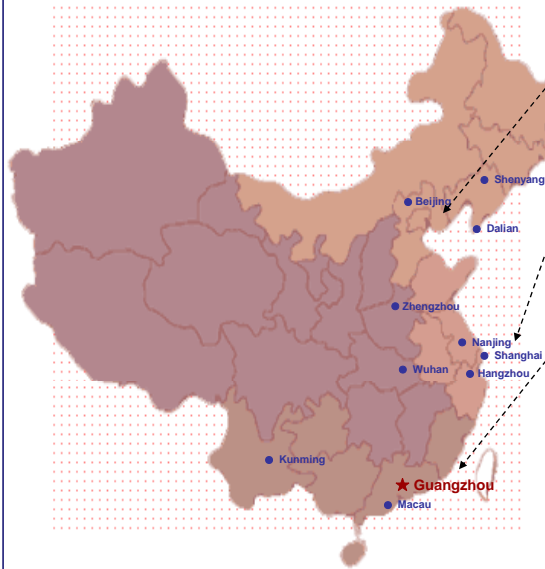


## Citi's Roles & Responsibilities

- Citi-led consortium purchased 85% stake in GDB for RMB 24.267 Bn (\$3.1 Bn) on December 18, 2006
- Consortium members: Citi 20% (6 of 17 board seats), China Life 20% (4), CITIC 20% (3), State Grid 20% (3), and IBM Credit 4.7% (0); Bank Chairman has one seat
- First foreign bank investment to gain substantial ownership and management influence of a Chinese bank, Citi has right to nominate seniors for key management positions, e.g., President, Chief Financial Officer, Chief Risk Officer
- On November 16, 2006, Citigroup and GDB signed a Technical Cooperation and Assistance Agreement (TCAA) under which Citigroup would provide TCA in nine areas:
  - Risk Management
  - Internal Audit and Control
  - Bank Governance Policies and Procedures
  - Financial Accounting, Reporting and Control
  - Balance Sheet Management
  - Human Resources Management
  - Operational Management
  - Information Technology
  - Financial Innovation

## GDB – A National Franchise

- **Bank Network**
  - 13,386 Employees
  - 27 Branch Clusters
  - 507 Branch Outlets
  - Presence in 43 cities, 11 provinces
- **Consumer Banking**
  - 7 million customers, 12 million accounts
  - Cards Business listed No. 4 in China with 7.7 million cards issued by end of 2008, 5 million cards active
- **Corporate Banking**
  - 150,000 corporate customers, 9,400 credit customers
  - 98% SME
  - 40% of loan portfolio from large corporates



1. Beijing
2. Dalian
3. Shenyang
4. Zhengzhou

1. Hangzhou
2. Shanghai
3. Nanjing
4. Wuhan

1. Guangzhou
2. Dongguan
3. Foshan
4. Heyuan
5. Huizhou
6. Jiangmen
7. Kunming
8. Macau
9. Maoming
10. Meizhou
11. Qingyuan
12. Shantou
13. Shaoguan
14. Shenzhen
15. Yangjiang
16. Zhanjiang
17. Zhaoqing
18. Zhongshan
19. Zhuhai

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## Why the Greater Pearl River Delta?

- **Investment opportunity**
- **Growing affluence of consumer bank clients**
- **Proximity to customers**
- **Significant increase in branch network and access to clients**
- **Management Control**
- **National Presence**

## Summary

- **Hong Kong remains the key location for foreign banks with a regional presence in Asia**
- **Hong Kong, as a key business center in China, provides quick access to Mainland markets, abundant capital and a stable economic environment.**
- **China continues as a major investment location for MNC's and smaller foreign companies.**
- **The Greater Pearl River Delta presents an excellent investment opportunity with a strong economy, affluent consumer and presence of many foreign companies**