Chinese Financial Institutions in the U.S &
How Quantitative Talents Fit in the Banking Business

Mr. Chen Xu
President, U.S.A. & Chief Executive Officer
October 12, 2016
Sino-U.S Trade Activities

Bilateral Trade Growth

• By the end of June 2016, China is the second largest trading partner, the third largest exporting market and the largest importing source of the U.S.

Data Source: MOFCOM
From January to July 2016, China’s ODI growth rate from China to the U.S. was 210% higher compared to the same period of last year.

From January 2016 to July 2016, the U.S. ODI in China was 2.85 billion USD, increased by 129.8%, ranked by 5th.
Chinese Investment Banks in the U.S

Major Chinese banks have or are considering setting up Investment Brokerage companies in the U.S.

1. BOCI (USA) has a long history in U.S., and its major businesses including A&H shares sales, M&A consulting services. Meanwhile, BOCUSA has the advantage of direct treasury clearing capability, and we successfully built an independent treasure clearing and custody platform;
2. ICBC set up its business in 2010 after ICBC merged PDS FI & CL departments;
3. CCBI (USA)’s major businesses includes direct investment, IPO, stock-broking services and wealth management;
4. China Merchants Bank is considering to set up a registered investment advisor group to serve its retail banking clients.

Different development models of Chinese Investment Brokerages:

1. “Self-built” model: CITIC Securities International and CICC
2. “Agent” model: Shenwan Hongyuan Securities
3. “Self-operated” model: China Investment Securities
4. “M&A” model: CITIC Securities
Chinese Fund in U.S.

et al.
Chinese Commercial Bank in U.S.

Take BOCNY for Example

BOC NY’s Asset Ranking among Foreign Branches in the U.S. (By March 2016, Total of 123 Branches)

BOC NY’s Asset Ranking in U.S Banking Industry (By March 2016, Total of 5289 Banks)

Note: Used 2011-2015 year-end balance, and March 2016 quarter-end balance for ranking
Bank of China – Stable Performance

- The 5th largest bank in the world by market capitalization
- Rated A, A1 and A by Standard & Poor’s, Moody’s and Fitch, respectively
- Total assets – ¥16.8 trillion CNY or $2.6 trillion USD
- Capital adequacy ratio and common Tier 1 capital ratio at 14.1% and 11.1%, respectively
- Dual-listed in Hong Kong and Shanghai
- Over 100 years of history

1 As of 12/31/2015
Bank of China – Global Network

- Approximately **10,700** domestic branches covering more than **300** cities in China
- Footprint in **46** countries and regions, with **644** branches and offices overseas
- Over **300,000** employees
Bank of China – An International Bank

BOC is the premier international Chinese bank reflected by the size and strength of our business outside of Mainland China

**Overseas Business (1)**

- **BOC**
- **ICBC** – Industrial and Commercial Bank of China
- **ABC** – Agricultural Bank of China
- **CCB** – China Construction Bank

**Graph Details:***
- **Assets** indicated by blue bars.
- **Pre-tax profit** indicated by red bars.

Data Source: Companies’ filings; BOC estimates. Data as of 12/31/2015
Most diversified bank in China with one-stop financial services, including commercial banking, investment banking, insurance, asset management, aircraft leasing and other financial services.
### Comparison with Chinese Peers

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Assets</strong></td>
<td>Exceeded the total of other Chinese peers’ assets</td>
</tr>
<tr>
<td><strong>Total Loan</strong></td>
<td>Exceeded the total of other Chinese peers’ loans</td>
</tr>
<tr>
<td><strong>Deposit Balance</strong></td>
<td>Exceeded twice of the total of other Chinese peers’ deposit balance</td>
</tr>
<tr>
<td><strong>Clearing</strong></td>
<td>About 3 times of the total of other Chinese peers’ clearing volume</td>
</tr>
<tr>
<td><strong>Profit</strong></td>
<td>About twice of the total of other Chinese peers’ profit</td>
</tr>
</tbody>
</table>
BOCUSA’s Business in the U.S

International Settlement

• By the end of June 2016, the total volume of International Settlement business was 80.5 billion USD, equals to 30.54% of total Sino-U.S trading volume.
• By the end of 2015, BOCUSA’s Export Factoring business ranked NO.1 in the U.S, NO.2 globally. BOCUSA’s Import Factoring business ranked NO.4 in the U.S.

Clearing

• By the end of August 2016, BOC ranked NO. 10 in CHIPS.
• In June, 2016, BOC’s U.S Clearing business volume was 69.11% of total Clearing volume of all Chinese banks, 2.02% of all CHIPS members’ volume.
• During first half of 2016, clearing volume was 19.26 trillion USD, with 3.01 million transactions.

Corporate Loans

• By the end of June 2016, BOC has 14.4 billion USD in Corporate deposit balance.
• Ranked 23rd in the Investment Grade U.S Syndicated Loan market.
• American Syndicate Group Center made progress in Latin America Strategy.
Customer Profile

• Highly localized customer base
Customer Profile

- Serve most Fortune 500 companies with headquarters in the U.S.

- Stable relationship with major commodity business clients.

- Provide settlement, custody and standby letters of credit for major Exchange clients.

CME Group
Customer Profile

- Strategic partners with International Organizations, such as IFC.

- Major dollar account, clearing bank and U.S. bond custodian bank for important institutions, such as sovereign wealth fund and policy banks.

- Close relationship with peer banks. Amount of USD clearing accounts exceeds the total of other Chinese peers.
BOCUSA Hiring Trends

- **Headcount Growth:**
  - Total BOCUSA Headcount kept increasing
  - Specialized Areas: Compliance, Internal Audit, Corporate Banking (ASC), Trade Services (CBC)

- **Candidate Pool:**
  - Large International Financial Institutions
    - Global Banks (JP Morgan, Bank of America, Deutsche Bank, Societe Generale, Barclays, Citigroup, Wells Fargo, HSBC)
    - Public Accounting Firms (Big 4: KPMG, PWC, Deloitte, Ernest & Young)
    - Regulators (FDIC, Fed, OCC)
  - Education Background
    - Ivy League
    - Top schools in the West Coast (UCLA, UC Berkeley, USC...)
BOC USA Hiring Projections

- **Projected Headcount Growth:**
  - Headcount projection:
  - Areas of expansion:
    - LA Branch front office
    - Chicago Branch front office
    - Risk Management
    - Compliance
    - Internal Audit

- **Candidate Pool:**
  - Large Financial Institutions, strong international background
  - All levels: Entry Level, Mid-Management, MD level +
  - Specialized training and development
How Quantitative Talents Fit in BOCUSA

• Corporate Banking Department
  Industries and projects analysis in the field of Syndicated Loans, Commercial Real Estate, Structured Finance, Energy industry, and IT Service industry.

• Treasury Department
  Trading G8 foreign exchange, U.S Treasuries, Corporate Bonds, and Money Market; managing our portfolio, satisfying bank’s liquidity requirements, and seeking returns on portfolios.
How Quantitative Talents Fit in the Business

• **Strategy and Research Department**

- Mathematical and statistical modeling is widely used to better understand the macro economics, including the labor market, inflation, and GDP components.
- Forecast interest rates, like the Fed Fund rates, the treasury yield curves, dollar LIBOR rates, interest swaps and derivative pricing. All these data will be used by the ALCO to manage our balance sheet.
- Financial Statement Forecasting is implemented to give us a big picture of bank’s future performance with our current strategy
Risk Management

- Credit Risk, Market Risk, Operational Risk, Liquidity Risk, Reputational Risk, Strategic Risk, Compliance Risk, and Interest Rate Risk
- Credit Portfolio Management
- Stress tests and Scenario tests.
Compliance

• Compliance is always BOC’s first priority. To better manage our KYC and AML activities, talents are in need to data mining and to implement machine learning.
Modeling

• From the model risk perspective, we need people in model developing, model validation in our First Line of Defense.

• Our Second Line of Defense also needs people with modeling skills to assess risks and to help our First Line of Defense in perfecting their models.

• The third Line of Defense, particularly Internal Audit Department, also need modeling specialists to conduct independent model examinations.
Thank You!
Q & A