

The Power of Relationships

An Interview with Raymond L. Qiao, Chief Lending Officer and Executive Vice President, Bank of China, U.S.A.

EDITORS' NOTE Raymond Qiao joined Bank of China's New York Branch in 1998 and currently serves as Chief Lending Officer and Executive Vice President. In this role, he oversees all of the bank's corporate banking and lending practices, including project finance, commercial real estate, trade services, commodities business, and financial institutions. In addition, Qiao supervises the operation of Bank of China's Los Angeles Branch and Chicago Branch. In 2016, he was ranked number one among the 50 Most Important Figures in Commercial Real Estate Finance by Commercial Observer. He was also awarded the Outstanding 50 Asian Americans in Business in 2015, recognizing his contribution to local Asian community development. Qiao holds a master's degree in economics and an MBA degree in finance.



Raymond L. Qiao

COMPANY BRIEF As China's most international and diversified bank, Bank of China (www.boc.cn/en) has a well-established global service network with institutions set up across the Chinese mainland, as well as in more than 60 countries and regions. It has established an integrated services platform based on the pillars of its corporate banking, personal banking, financial markets and other commercial banking businesses, which covers investment banking, direct investment, securities, insurance, funds, aircraft leasing and other areas, thus providing its customers with a comprehensive range of financial services. Bank of China U.S.A. (BOC U.S.A.) (www.bocusa.com) has branches in New York City, Queens, Chicago, and Los Angeles.

Will you highlight BOC U.S.A.'s commercial real estate debt operation and how the business focuses on the long-term?

BOC U.S.A.'s lending profile took its current shape following the Great Recession of 2008. Liquidity for commercial real estate (CRE) debt had dried up and developers needed refinancing or debt capital for new projects. BOC U.S.A. employed our thoughtful and thorough due diligence processes and was very selective in considering opportunities with sponsors

that had established track records and who we felt could create value over the long term. We had a vision for what our CRE debt operations could be, and we expanded our lending capabilities to build up the portfolio over time.

Today, we provide financing solutions to CRE projects throughout New York City and other gateway cities – including iconic properties like One Vanderbilt, JFK Terminal One, 220 Central Park South, 50 Hudson Yards, and USC Center in Los Angeles. BOC U.S.A.'s culture has been guided by our long-standing relationships with partners that remain committed to their projects in up and down markets. Our best relationships have been maintained because of our shared goal to grow our respective businesses and create value in our communities.

BOC U.S.A. works with some of the leading real estate firms in New York. What has been the key to BOC U.S.A.'s ability to build client loyalty and long-standing client relationships?

Relationships are everything to our business, so we treat them with care and make high-quality customer service a top priority. We pride

ourselves on our culture of listening, collaborating and ultimately enabling projects. BOC U.S.A.'s experienced CRE professionals have been in this business for decades and, as a result, know the markets well, are cycle-tested, and are able to meet the nuanced needs of our clients. We are transparent and work closely with sponsors to develop financing solutions for their projects. We also work well with all counterparties in the lending ecosystem, including other regulated balance sheet, mezzanine, and full debt stack lenders. Our history of success and long-standing client relationships often leads to referrals that generate additional business and supports our clients' continued growth.

How critical are transparency, industry expertise and execution as BOC U.S.A. continues to expand its existing relationships?

Transparency, industry expertise, and flawless execution are benchmarks of BOC U.S.A.'s brand. We continue to invest in talent in our offices across the country – and our rich environment allows us to stay true to our commitment in creating better understanding and stronger ties between the U.S. and Chinese business communities. As the first Chinese bank in the U.S. market, we've been able to establish our brand locally and serve a wide range of U.S. businesses, from small businesses to Fortune 500 companies. We leverage our industry expertise and operational excellence to deepen our relationships with clients by providing the high-quality service they have come to expect from BOC U.S.A. In addition, our strong compliance protocols allow us to maintain an exceptional operational environment throughout our organization to best protect our clients, investors, and employees – and in turn, to build our reputation and grow our business.

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The headquarters building for Bank of China U.S.A. in Manhattan

Will you discuss how BOC U.S.A. evaluates and manages risk when looking at lending opportunities?

As a regulated balance sheet lender that retains loans rather than selling them, BOC U.S.A. has exposure from the time we originate the loan until it gets paid off. As a result, we must be very thoughtful in our underwriting and asset management and have a robust risk management framework to evaluate lending risk. As part of that, we continually assess our valuable capital and make decisions that account for a margin of safety under various scenarios that may stress our loan-specific underwriting assumptions. We pick our sponsors carefully and have expertise in building, managing, and adding value to their holdings. BOC U.S.A.'s wide range of product offerings, such as fund finance, project finance, and M&A loans also enables us to serve our sponsors financing needs. This, in turn, helps us to better understand their underlying assets and ensure we are working with sponsors that have significant market expertise and prudent financial management strategies. We continue to align our goals and risk management to guarantee project success.

Will you discuss BOC U.S.A.'s focus on major metro areas and its belief in the viability of cities?

Cities are vital to our business in the U.S., and we feel a close connection to the communities in which we operate. In 1981, BOC U.S.A. reopened a branch at 410 Madison Avenue to offer retail and commercial services to the citizens of New York City, the most populous city in America, to great success. Since then, we have expanded to Queens and other major metro areas in the U.S. – Chicago and Los Angeles.

Our headquarters in New York City has grown to over 700 full-time employees.

We continue to find that our customers and the greatest business opportunities exist in the major metro areas where we are located. In addition, that's where we have found the best talent to support BOC U.S.A.'s growth. In recognition of all of the opportunities and collaboration that U.S. cities we operate in have provided us, we have made it a priority to give back. Investing in our communities has and will continue to be part of BOC U.S.A.'s mission. As such, we've ingrained our corporate social responsibility (CSR) efforts into everything our institution does – from how we interact with our clients and employees, to how we operate within and support our local communities. We've partnered with community leaders and organizations such as TruFund, Cents Ability, and the Jump\$tart Coalition to provide financial education in innovative ways. We've also supported local organizations and events dedicated to enriching cultural ties between the U.S. and China, including the CGCC Foundation, The Juilliard School, Asian Americans for Equality, Chinatown Healthcare Clinic Foundation, and the Sino-U.S. Business Leaders Roundtable. Our staff invests our time to serve underserved and underprivileged youth as mentors in the Bank's Big Brothers Big Sister Workplace Mentorship Program which continued with remote sessions throughout the COVID-19 crisis. In response to the pandemic, we donated more than 130,000 pieces of personal protective equipment for healthcare workers, frontline responders, and other essential personnel to assist their efforts to combat the virus. All of BOC U.S.A.'s branches are dedicated to supporting local communities and organizations through various initiatives. By embracing both top-down and bottom-up

engagement, the causes and events we support showcase our extensive employee volunteerism, community lending and investments, as well as charitable giving programs.

What are your views on the current state of the commercial real estate market?

The commercial real estate market is not immune from the macroeconomic challenges facing our economy. High interest rates, energy prices, and inflation have scared investors and slowed progress. In addition, supply chain issues caused by the COVID-19 pandemic have hindered developers' ability to complete projects. As a result of these factors, we expect commercial real estate prices to come under certain pressures in 2023 depending on the specific submarket. Despite the difficult macro environment, BOC U.S.A.'s experienced real estate professionals are well-equipped to leverage our existing relationships and make tactical decisions to best support our clients.

How important is it for companies to bring employees back to work to build culture and collaboration, and what are your views on the future of work?

While there are obvious benefits to a hybrid model of living and working, we've seen real benefits and successes resulting from in-person engagement and collaboration. Interpersonal relationships have, for centuries, served as the backbone of successful business partnerships. At BOC U.S.A., our colleagues have returned to the office in a manner that continues to benefit our employees and our customers' needs, and we've done so because we understand how important it is to our employees, our customers, and our local communities to forge personal connections. We now meet more regularly – in-person – with our clients, vendors, and business partners to ensure we are fostering the relationships that allow us to create long-term benefits for the environment, society, and the many Americans we serve. We will continue to honor and respect the flexibility our employees deserve, but we believe in a balanced approach, and think this trend will continue into the future.

What are your priorities for BOC U.S.A.'s lending operation as you look to the future?

The confluence of high interest rates, a potential looming recession, and geopolitical uncertainty are fodder for a measured approach to allocating debt capital. We have always been selective in our execution of opportunities in terms of sponsor quality, location, and best-in-class collateral. As we look into the future, we will continue – as we always have – to focus on establishing a diversified and balanced portfolio. In past years, we have seen significant growth in lending to Fortune 500 companies, fund finance, project finance, green finance, and cross border finance, which has helped us generate good economic and social returns which supports jobs and local communities across the United States. Therefore, we will continue to look closely at those and other similar opportunities. We are well positioned to benefit from our prudent practices and to serve the communities in which we operate better. ●