

Japanese banks rank at the top for volume of underwritten syndicated loans in the first quarter of 2009

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Speedread

As Japanese banks top the tables for underwritten syndicated loans volumes for the first time, this article looks at potential reasons behind this growing market trend.

A Japanese bank, Mizuho Financial Group, ranked first for volume of underwritten syndicated loans in the first quarter of 2009 according to figures (www.practicallaw.com/8-386-1605) from Thomson Reuters, with an aggregate loan amount of US\$31,162,500,000. Sumitomo Mitsui Financial Group came second (US\$29,177,700,000) and Mitsubishi UFJ Financial Group ranked fifth (US\$27,201,100,000).

Previously, Citi Group, JP Morgan and other US or European banks surpassed Japanese banks for volume of underwritten syndicated loans. This is the first time that a Japanese bank has taken the top spot for volume of underwritten syndicated loans and Thomson Reuters commented that Japanese banks ranking higher for this has been a conspicuous trend since 2008.

Two reasons may be advanced for this trend:

The sub-prime crisis caused many US and European banks to suffer large and immediate losses and the aggregate volume of underwritten syndicated loans for such banks plummeted. Japanese banks have incurred relatively small damage as a result of the sub-prime crisis compared to their US and European counterparts.

Compared to proceeds raised in the first quarter of 2008, lending in the first quarter of 2009 declined in:

North and South America, by 58.2%;

Europe, Middle East and Africa, by 54.8%;

Japan, by only 18.5%.

In recent years, many Japanese banks have actively pursued outbound lending opportunities. For example:

Sumitomo Mitsui Financial Group and Mitsubishi UFJ Financial Group jointly arranged a JPY 41,870,000,000 syndicated loan to Gas Opportunity MV20 B.V. in 2009;

Mitsubishi UFJ Financial Group invested US\$9 billion in Morgan Stanley and deems cross-border business as one of the centrepieces of its business development plan.

As the availability of credit has shrunk since the sub-prime crisis, Japanese banks are expected to take a significant role in the global syndicated loan market.

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