

Japanese megabanks each have the capacity to generate an additional USD 1.5-2.5bn p.a. in fee-based income from strategic repositioning

Quinlan & Associates sees potential for Japanese megabanks to establish themselves as a global force in corporate and investment banking

Hong Kong, 5 December 2016 – Quinlan & Associates, an independent strategy consulting firm specialising in the financial services industry, has released a detailed thought leadership report on the rise of the Japanese megabanks.

The report, titled *Sumo-Sized Lending: Japanese Megabanks Go Global*, examines the offshore lending-led strategy of the megabanks in the aftermath of the global financial crisis (GFC) and the opportunities that lie ahead in light of ongoing industry developments.

‘Faced with anaemic domestic loan growth and a rapid deterioration in domestic interest margins, the megabanks looked to build their offshore lending capabilities,’ said Benjamin Quinlan, CEO & Managing Partner of Quinlan & Associates and lead author of the report. ‘Armed with huge liquidity reserves, they were able to capitalise on the pullback of many international players from non-core markets.’

‘After years of concerted growth efforts, the megabanks have now positioned themselves as major players in the global syndicated lending space, making sizeable market share gains in every key region outside of Japan in which they operate,’ said Yvette Kwan, Partner at Quinlan & Associates and co-author of the report. ‘In particular, they have established themselves as dominant players in developing markets – particularly LatAm and the Middle East – and are global leaders in cross-border lending.’

Despite impressive headline numbers, the aggressive drive to expand offshore lending has not resulted in meaningfully higher relative returns for the megabanks. ‘For some of the megabanks, offshore market share gains have come at the expense of underlying returns,’ continued Mr. Quinlan. ‘Moreover, the megabanks now face a number of headwinds, including an uncertain economic backdrop and heightened competition from Chinese rivals.’

‘The time is right for the megabanks to review their international strategy. As integrated commercial, corporate and investment banks, we feel the megabanks’ revenue mix has the potential to be more comparable to global universal players. Through ramping up fee-based income streams to be more in line with their global universal peers, we estimate each of the megabanks has the potential to earn an additional USD 1.5-2.5 billion in annual revenue within five years, positioning themselves as a global force in corporate and investment banking,’ said Mr. Quinlan.

About Quinlan & Associates

Quinlan & Associates is an independent strategy consulting firm specialising in the financial services industry. The Company is the first firm to offer end-to-end strategy consulting services. From strategy formulation to execution, to ongoing reporting and communications, Quinlan & Associates translates cutting-edge advice into commercially executable solutions. With a team of top-tier financial services and strategy consulting professionals, and a global network of alliance partners, Quinlan & Associates provides its clients with the most up-to-date industry insights from around the world, positioning the Company as a leader in this field.

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