THE WALL STREET JOURNAL.
ASIA EDITION

HD **MoneyBeat: Hard Times for Bankers**

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WC 795 words

PD 3 April 2014

SN The Wall Street Journal Asia

SC AWSJ

PG 20

LA English

LP

HONG KONG -- Investment banks in Asia are pedaling uphill as revenue for advising companies on everything from share sales to asset purchases remains at its lowest level since the global financial crisis.

After a promising start to the year, investment banks in Asia ended up suffering their worst first quarter by revenue since 2009, following a steady decline over the past three years. For the Asian-Pacific region, including Japan, investment-banking revenue fell to $3.1 **billion** from $3.2 **billion** for the same period last year, according to data provider Dealogic. In the first quarter of 2009, at the depths of the global financial crisis, fees totaled $1.6 **billion**.

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In 2013, revenue for the region was $12.4 **billion**, also the lowest since 2009.

The first-quarter decline came even as bankers in Asia expected a big year for deals, thanks to recovering global growth and signs that **China**'s economy, the world's second-biggest behind the U.S., would avoid a hard landing.

Global investment banks bulked up **operations** in Asia in the wake of the global financial crisis, hiring staff and offering a wider suite of services in an attempt to cash in on fast growth in the region. But returns have proved disappointing as market activity has fluctuated and costs have risen. Many banks have cut back.

This year, revenue from underwriting share sales rose strongly in the first quarter, but **Hong Kong**, one of the region's biggest financial centers, is nursing its wounds after losing major initial public offerings. These include an offering by Alibaba Group Holding Ltd. that is expected to raise more than $15 **billion** but is now headed to the U.S. And **Hong Kong** tycoon Li Ka-shing's Hutchison Whampoa Ltd. has scrapped plans to list its Watson's unit locally after selling a $5.7 **billion stake** to Singapore's Temasek Holdings Pte.

Selling shares is typically the single biggest money earner for investment banks. In the first quarter, it made up almost half of revenue as earnings from bond sales and mergers and acquisitions declined.

Revenue for underwriting syndicated loans -- corporate loans sold by a group of banks -- slumped 20% from a year earlier to $430 **million**, debt capital markets fell 30% and **M**&A was down 20%.

Earnings declines in those areas were largely offset by gains from arranging and underwriting share sales, which was the biggest earner for banks and made up almost half of total revenue in the quarter. **Equity** capital markets revenue rose 68% compared with a year earlier to $1.4 **billion**.

Equity capital markets "is clearly on an upward trend this year, while **M**&A is due for a rebound in the region," said Nick Gardiner, a **Hong Kong**-based partner at Boston Consulting Group. Debt capital markets "is the area where I wouldn't have expectations for much of a boost."

China alone accounted for 37% of investment-banking revenue in Asia and was among a handful of countries that recorded growth from a year earlier, helped by a string of deals in the technology sector. The country's Internet companies, including Alibaba and Tencent Holdings Ltd., spent more than $2 **billion** on acquisitions and investments in March alone.

And **Chinese** personal-computer maker Lenovo Group Ltd. has said it is still looking to make acquisitions. Earlier this year, it announced a pair of deals valued at $5 **billion**.

Australia, New Zealand and Sri Lanka were the only other countries where investment banks' revenue increased relative to the first quarter of 2013, although there was also a gain in **Hong Kong**.

Another problem is that bumper deals are increasingly being handled by more banks, giving each one a smaller slice of the pie.

An expected $6 **billion Hong Kong** initial public offering by WH Group Ltd. will have 28 underwriters, surpassing the record held by **Chinese** brokerage **China** Galaxy Securities Co., which hired 21 banks to arrange a $1.1 **billion** offering in May 2013.

Still, even as fees remain subdued, some banks are planning modest growth. France's Societe Generale SA wants to expand its credit and debt capital markets business across the Asian-Pacific region and will also expand its **energy** and natural-resources finance operation in Southeast Asia.

U.S. investment bank Jefferies Group LLC is also considering expanding in Southeast Asia.

And some believe the buoyancy in **equity** capital markets, especially in **Hong Kong** and **China**, means the flow of deals will gather pace. "If markets hold up, there is an enormous amount of volume to come," said Russell Julius, head of banking for the Asian-Pacific region at HSBC.

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