

Interview: MUFG's Colin Chen

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The world's leading project finance bank has also dominated the Asia Pacific project finance league tables for several years. Colin Chen, who runs MUFG's structured finance in Asia Oceania excluding Japan, explains the Japanese bank's strategy going forward.

So far in 2017, MUFG continues to perch atop *IJGlobal's* mandated lead arranger (MLA) league tables for the region, excluding Japan, China and Taiwan, with seven transactions worth \$843 million, ahead of runner up ICBC's \$720 million loan on one transaction. Last year in 2016, MUFG regained its place at the top of the MLA league tables in the region for first time since 2012, with total lending of \$2.2 billion on some 23 transactions.

Chen, however, insists that the MUFG's place on the league tables is not a driving factor. "Being the market leader or at the top of the league tables is not what drives MUFG's project finance lending in the region, but profitability and supporting our clients," he said.

"We follow our clients, and most of the lending is in US dollars to the power, gas and oil sectors," he added.

Of the major deals that reached financial close in the region in 2016, MUFG was a leading lender on the \$4 billion Central Java coal-fired plant and the \$2 billion commercial bank debt portion of the Tangguh LNG expansion, both in Indonesia.

One key challenge in the near future will be the trend towards local currency loans in the region. "ASEAN markets are becoming more fragmented and local currency lending is a challenge going forward," he conceded.

Still there is plenty of growth in infrastructure lending across Southeast Asia as well as Australia, according to Chen. "We have a reasonably good pipeline. And we see plenty of opportunities going forward in roads, rail, airports, waste to energy and ports, as well as renewables in the region," he said.

MUFG's willingness to continue to expand project finance lending has been a source of anxiety and awe for European rivals, and lately even for its two Japanese peers, Mizuho and SMBC.

Mizuho has decided to retreat from lending aggressively to comply with the looming Basel 3 regulations, sources have told *IJGlobal*. Even SMBC is understood to focusing more on advisory rather than lending and exploring ways to move existing project finance loans off the balance sheet.

MUFG has so far been seen as immune to any concerns about complying with Basel 3 but Chen dismissed the perception. "We do recognise that we will have to comply with Basel 3 rules and have been adjusting our strategy as appropriate," he said.

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