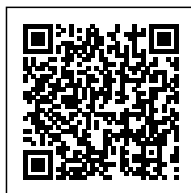


BANK TAKEOVERS CAUSING CONCERN AMONG LISBON LAWYERS

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With a number of Portuguese banks set to follow Banif by passing into foreign ownership, elements of the country's legal community fear a potential decline in workflow

With Spain's Santander having acquired Portugal's Banco Internacional do Funchal (Banif) in December, and lawyers predicting a revival of Caixabank's interest in Lisbon-headquartered Banco BPI, there are concerns that such deals could spell trouble for the country's banking sector. Though banking work is currently booming, with an increasingly smaller proportion of Portugal's lenders in local hands, there are fears that not only could it become more difficult for Portuguese companies to access finance if lending decisions are made in other countries, but also that the foreign owners of banks in Portugal may be less likely to use Portuguese law firms (see our Banking and Finance report on page 26).

These fears will be exacerbated by reports that Novo Banco is planning to meet investors in the US

and UK to discuss a potential share sale. Meanwhile, while Caixabank's bid to acquire Banco BPI recently stalled, lawyers say it is only a matter of time before a new offer emerges. Clients may be happy to see foreign investors shore up their banks and guarantee their savings, and Portugal's economy minister Manuel Caldeira Cabral may have said he would welcome further injections of foreign capital into the country's banks, but there remains considerable concern about such a scenario.

No more Portuguese banks?

"There is a possibility that soon there will be no more Portuguese banks, as they are all targets of foreign investors," António Soares, a partner and head of corporate finance at Linklaters in Lisbon says. He added that he expects Caixabank to become the sole controlling shareholder of BPI, of which it currently owns 44.1%. Soares says the European Commission has proposed merging some of the country's smaller banks with larger, international banks to ensure their viability. But he adds that, while it is necessary for global players to capitalise Portugal's banks and ensure they can pass stress tests, there is also a feeling among some sectors that Portuguese control and decision-making must be maintained, and that nationalisation of banks such as Novo Banco would be a better route to take.

Soares says Spanish banks are interested in Portugal because it is a natural way for them to expand their operations and, as more Spanish companies invest in Portugal, Spanish banks are interested in supporting them. Meanwhile, Chinese investors are also eyeing the banking sector, as they are able to procure a licence to operate in the EU via an acquisition in Portugal. "It is likely that Banco Comercial Português (BPC) will try to attract an investor to recapitalise and maintain Bank Millennium, its bank in Poland, which is an important part of its business," Soares says.

But is buying a Portuguese bank a good investment? Soares says that while there are no legal constraints to foreign investment in the country's banks, their attractiveness is limited given the small size of the country's economy, which places a ceiling on the banks' revenue growth.

Luis Branco, partner at MLGTS in Lisbon, agrees that more investment in Portugal's banks is imminent. He envisions a deal whereby Angolan investor and Africa's wealthiest woman Isabel dos Santos will relinquish her participation in BPI, which will allow Caixabank to make an offer to acquire 100 per cent of its capital. He adds that Santander's Banif acquisition was logical as it was a good opportunity, at a bargain-basement price as it implied minimum liability – the Spanish bank was not acquiring a bad credit portfolio as Banif had previously received a government bailout. "And with Caixabank poised to increase its Portuguese market share, Santander was keen to expand its presence here," he adds.

Some Portuguese banking lawyers privately express fears that foreign owners of Portugal's banks would be less likely to use Portuguese law firms. However, PLMJ partner André Figueiredo argues that Portuguese law firms will always have an important role to play. He adds: "There are always local specificities and there will always be room for local advice."