

PORTUGAL'S BANKS BEING SOLD OFF - VDA

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Portugal's Banco BPI, Spain's Santander and Banco Popular, China's Fosun and US private equity firm Apollo Global are reportedly among 15 bidders vying to purchase Novo Banco, the institution created using a €4.9 billion state bailout following the collapse of Banco Espírito Santo.

Caixabank is also mulling an increase in its 44 per cent stake in BPI, which would put the Barcelona-based bank alongside Portugal's state-owned Caixa Geral de Depositos, the country's largest bank, and Millennium BCP, as market leaders.

"The Portuguese banking sector is today quite different from what it was one year ago, and it is likely to be quite different in a year's time as we go through times of significant change," Pedro Cassiano Santos, banking and finance partner at Vieira de Almeida in Lisbon, says.

The Novo Banco sale will usher in a change in the country's banking profile, leaving just Caixa Geral and BCP as the sole Portuguese players, and signalling both positive and negative effects for corporate and retail customers, Cassiano Santos explains. As a result of the changing environment, he says there will be an onus on law firms to provide advice on retail banking relationships and take on compliance cases relating to how banks relate to their customers and grant credit.

Looking on the bright side, Cassiano Santos says institutional investors will be keen to participate in capital markets and take advantage of the perceived good opportunities, and, with a push toward securitisation, Portugal will be able to offer better guarantees to investors in asset-backed securities. But there is also a downside. There will be a drop in the volume of investment banking activity and it will be more difficult for smaller companies to procure credit, Cassiano Santos says. However, that may be offset by changes in corporate law that facilitate access to debt and hybrid capital markets, particularly for smaller players.