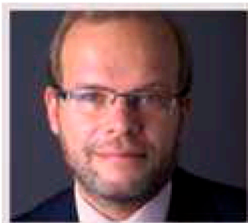


Banking shake-up could damage Portuguese economy – pbbr



As a result of the recapitalisation of Portugal's banks, the imminent sale of Novo Banco and possible bids for the country's two other major players, BPI and BCP, the country's banking sector is undergoing a seismic shift that will bring challenges for banks and for the national economy.

"The shake-up is good for the banking sector in the long-term, but not so good for the Portuguese economy, in the short-term" says Alexandre Jardim, banking partner at pbbr in Lisbon. "The banking crisis has also brought new challenges for law firms, and a banking lawyer will now be much more of a regulatory lawyer than a transactional lawyer."

Jardim explains that, following the recapitalisation of the banks, a new landscape emerging, as foreign banks become the dominant players in Portugal. In addition, the disposal of Novo Banco – whose suitors include Spain's Caixa and Santander as well as Chinese and US private equity funds – together with Caixabank's move to increase its stake in BPI, will radically change the sector, with a possible adverse effect on the national economy.

"It would be natural for the banks to fall into foreign hands, as those players have the capital to make such investments," says Jardim. "But Portuguese banks have had a very tight relationship with companies, which helped business, and I am a little concerned because now it will be much more difficult for Portuguese companies and individuals to access credit."

Regarding Novo Banco's disposal process, while a buyout by a major bank already established in the local market would be preferable, Jardim says the downside could be a possible overlap of qualified personnel resulting in massive banking sector layoffs, making the shake-up a social as well as an economic one.