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Chinese groups lead race for Portugal's Novo Banco

Martin Arnold in London and Peter Wise in Lisbon

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Portugal's Novo Banco is set to fall into Chinese hands in a €4bn-plus deal that would be the biggest European financial services acquisition by a China-based group.

The auction of the “good bank” created from the wreckage of Banco Espírito Santo has turned into a shootout between Anbang Insurance and Fosun International, two acquisitive Chinese rivals, according to several people familiar with the situation.

A Fosun or Anbang takeover of Portugal's third-largest bank by assets at the price of more than €4bn being mooted by bankers would highlight the intensifying pace of Chinese investments across Europe's struggling financial services industry.

A deal would also illustrate nascent optimism about Portugal's economy, which grew 0.9 per cent in 2014 after three years of consecutive declines. The Portuguese central bank forecasts

growth of 1.7 per cent this year, rising to 2 per cent in 2017.

Final bids for Novo Banco are due to be submitted by the end of June. While five bidders remain in the process, the people said it now appeared to be a question of which Chinese group would pay more.

A senior Lisbon banker said Novo Banco was expected to go to one of the Chinese groups because they have “the financial capacity to make strong bids” and were “the most interested in developing the bank”.

The biggest financial services investment by a Chinese group in Europe to date was the \$3bn spent by China Development Bank to buy a 2.6 per cent stake in Barclays in 2007, according to Dealogic.

There is widespread relief among Portuguese bankers that the sale of Novo Banco looks likely to come close to covering the €4.9bn cost of its bailout last year, something many thought impossible only a few months ago.

The Portuguese state lent money to a bank resolution fund that was used to bail out Novo Banco. But that loan must be repaid with the proceeds of the Novo Banco sale and any shortfall must be covered by the country's other banks.

From 15 initial contenders, five groups were selected by the Bank of Portugal to go through to the final phase of the auction. Apart from Anbang and Fosun, the other bidders are Spain's Santander and the US private equity groups Apollo Global Management and Cerberus.

Novo Banco, with total assets of €65bn, was created last August as the “good bank” rescued from the collapse of BES, including its branch network and workforce. BES's troubled loans and liabilities were left in a “bad” bank, which is being wound up.

Both Anbang and Fosun have been buying assets in Europe. Anbang this year purchased Dutch insurer Vivat in a deal worth as much as €1.7bn. Fosun paid €1.7bn last year for 80 per cent of Fidelidade, a big Portuguese insurer.

Fosun is best known outside of China for buying Club Med, while Anbang attracted attention when it acquired New York's Waldorf Astoria Hotel.

Novo Banco agreed in December to sell its investment banking arm to Haitong, China's second-largest brokerage, in a €379m deal.

BNP Paribas is advising the Bank of Portugal on the sale of Novo Banco. All parties declined to comment.

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