



LOOKING FOR A SOLUTION FOR PORTUGAL'S CORPORATE NPL PROBLEM

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NPL Europe 2017 Summit | London, 28 September 2017



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Main Topics

Europe's Third Highest NPL Rate. Where we are and how did we get here?

The Official Positions. Will the EU's and the Portuguese government's proposals contribute to solve Portugal's NPL problem?

The Way Forward. What can be done to reduce Portugal's corporate NPL backlog?

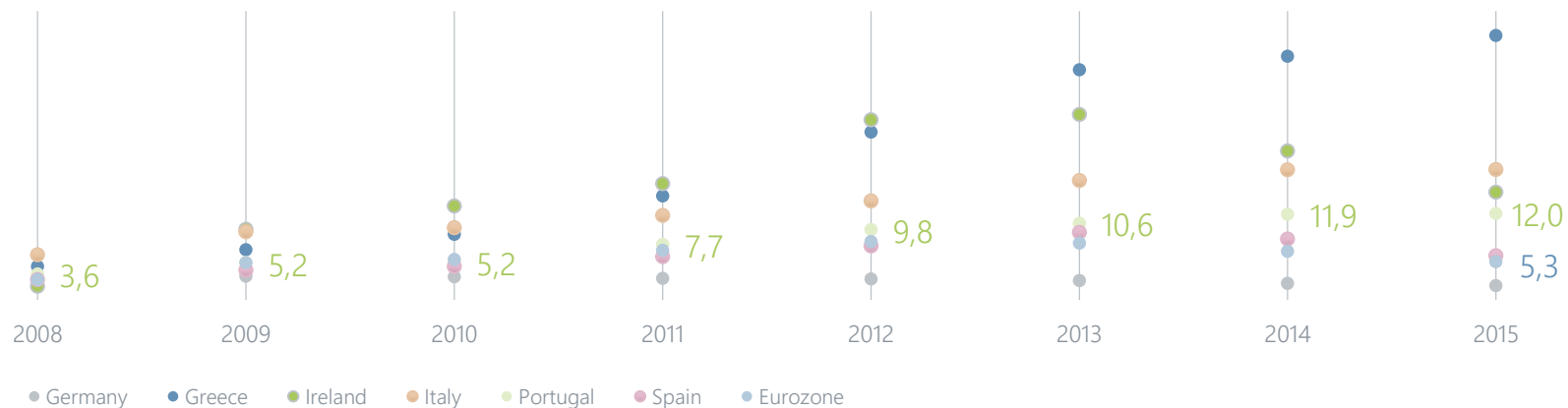


EUROPE'S THIRD HIGHEST NPL RATE

Where we are and
how did we get here?

Portuguese NPLs

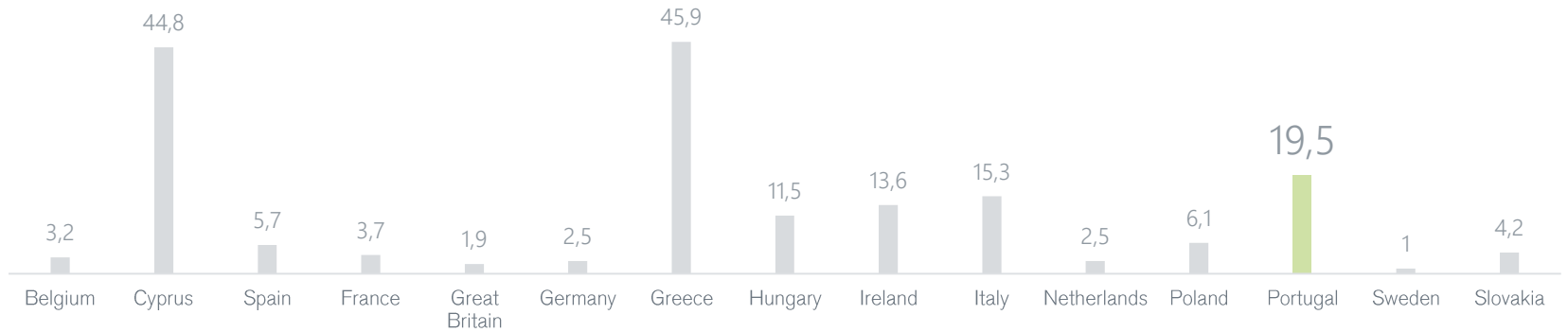
increased from 3.6% to 12% between 2008 and 2015



Source: World Bank

19.5%

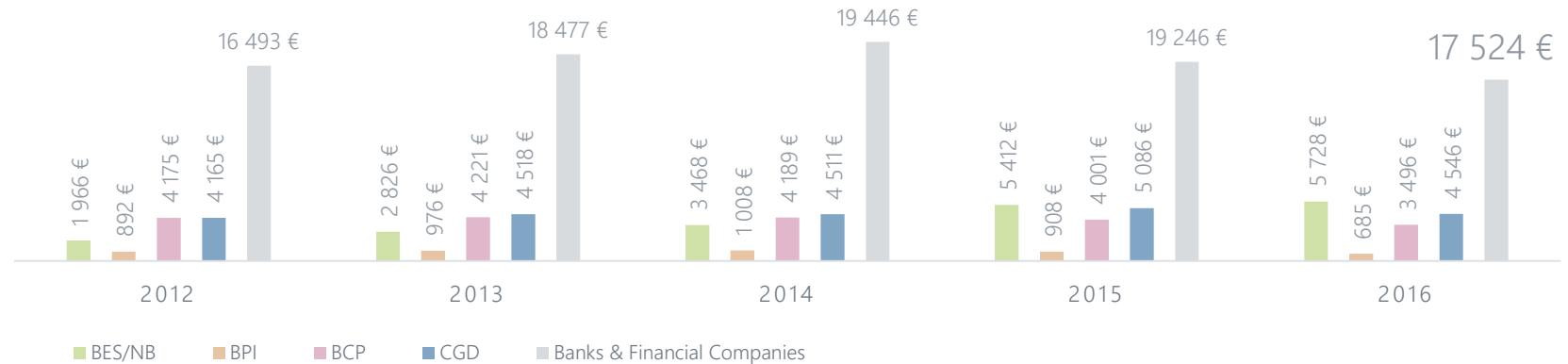
Percentage of Non-Performing Loans in Portugal in 2016



Source: EBA

€17,524 million

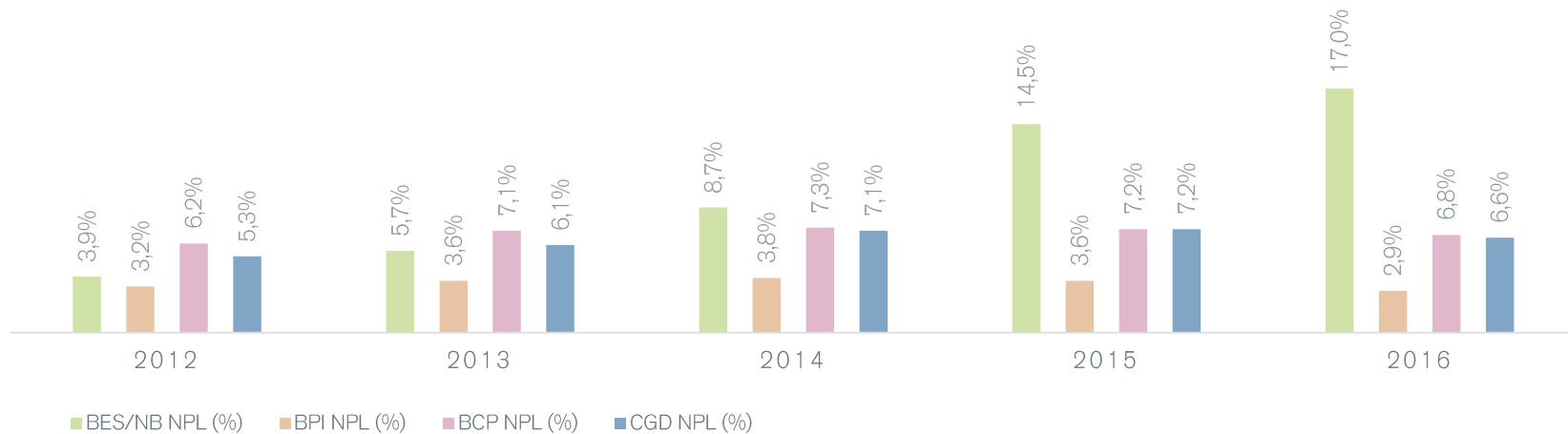
Total Non-Performing Loans in 2016



Source: Bank of Portugal

17%

Percentage of Novo Banco's Non-Performing Loans



Source: Bank of Portugal



THE OFFICIAL POSITIONS

Will the EU's and the Portuguese government's proposals contribute to solve Portugal's NPL problem?

The Portuguese government, the IMF, the OECD, the European Commission, the EBA and the ECB recognize **Portugal's NPL problem** but do not agree on the solution.

The ECB proposes a decentralised solution and a **holistic approach** for governance and risk management.

The Portuguese government
advocated urgent and
resolute actions and the
creation of a **bad bank**...



... but now believes that the system should be able to heal itself.

Improved tax treatment
of impairments and more regulatory
pressure are steps in the right
direction.



Improvements in the insolvency and out-of-court restructuring proceedings are also desired.... **but how much can changes in law make** for the market to work?

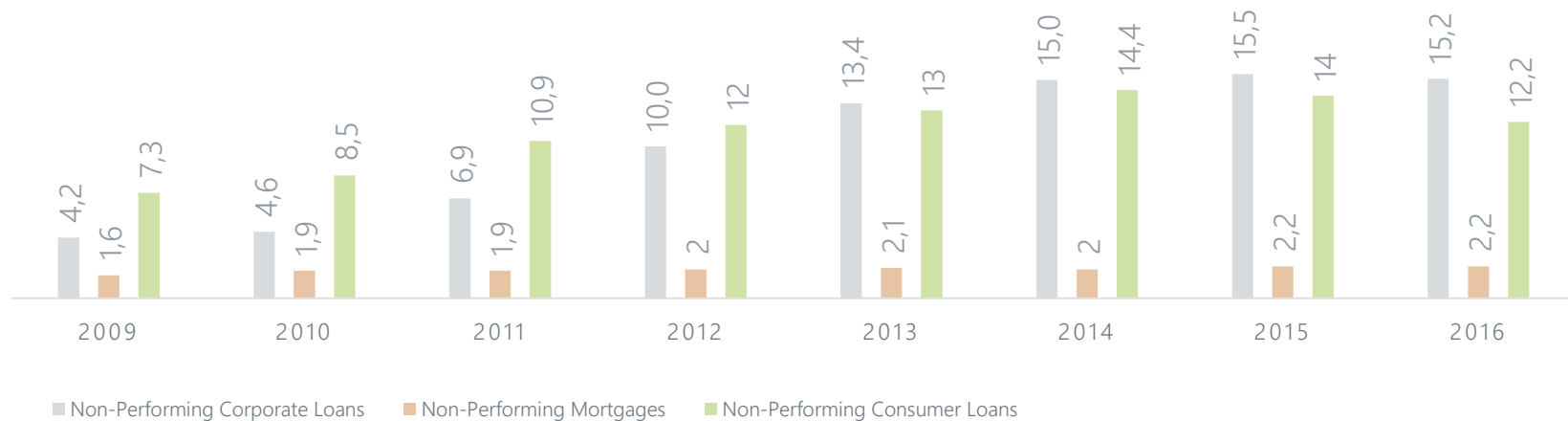


THE WAY FORWARD

What can be done to reduce
Portugal's corporate NPL
backlog?

15.2%

Percentage of Portuguese Corporate NPLs



Source: Bank of Portugal

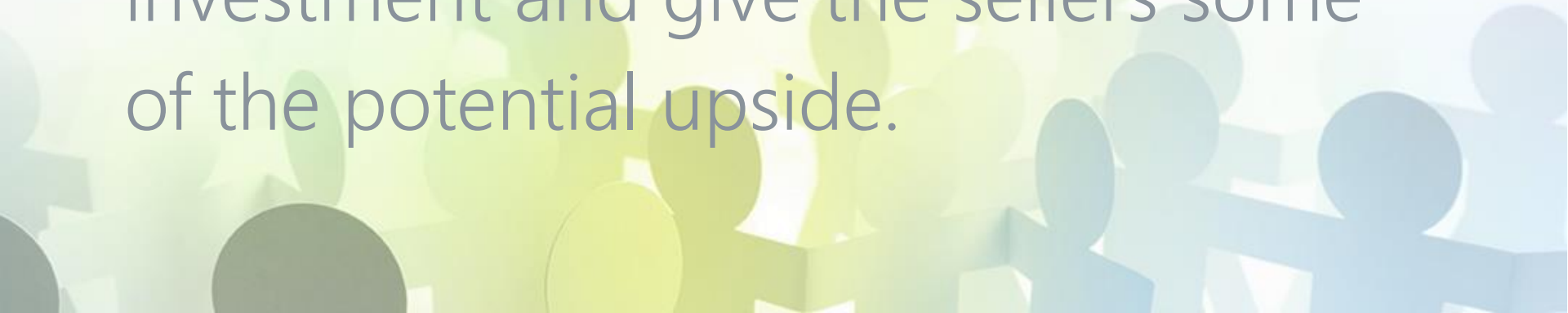
The approach must be made on a **case-by-case** basis.

Each deal must be supported by an in-depth legal, financial and operational due diligence and by a **credible recovery strategy**.

Banks and investors have not found the right balance between banks' **price expectations** and buyers' low valuation of the assets and **return requirements.**

Differences can be bridged

through partnerships that generate an interesting return to the buyers' investment and give the sellers some of the potential upside.





Thank you!

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