

## PORTUGUESE OPPORTUNITIES

# NOVO BANCO READY FOR IPO... OR PRIVATE SALE

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According to Portuguese media, the shareholders of Novo Banco S.A. ("Novo Banco") have initiated the sale of a 25-30% stake in Novo Banco through an IPO and have appointed Bank of America, Deutsche Bank, and JPMorgan Chase as financial advisors and the Portuguese office of the international law firm Linklaters as legal advisor.

Novo Banco is Portugal's fourth largest bank, providing a variety of financial services, including deposits, loans, insurance products, credit cards, and online banking with a retail network of 290 branches and representative offices in Spain and Switzerland.

Novo Banco was established on August 3, 2014, following the Bank of Portugal's resolution of Banco Espírito Santo, S.A. ("BES"). The BES resolution involved transferring certain "good" assets, liabilities, off-balance sheet items, and assets under management from BES to Novo Banco, leaving former BES as the bad bank.

The Portuguese Resolution Fund made an initial investment of €4,900 million to ensure Novo Banco's solvency and operational continuity.

In December 2015, the Bank of Portugal made a controversial decision to retransfer €2,000 worth of senior bonds back to BES, citing the need to strengthen Novo Banco's balance sheet and meet regulatory capital requirements. The retransfer affected many small investors as well as several large international institutional investors and led to litigation in the Portuguese courts. Litigation is still ongoing but it cannot affect Novo Banco which is ringfenced under the Portuguese banking resolution laws.

On October 18, 2017, Nani Holdings, SGPS, S.A., a company owned by the American private equity fund Lone Star, acquired a 75% stake in Novo Banco. This acquisition was carried out through share capital increases of €750 million in October 2017, and €250 million in December 2017. The remaining 25% shares are controlled by the Portuguese State and the Portuguese Bank Resolution Fund.

As part of the sale to Lone Star the parties entered into a Contingent Capitalisation Agreement ("CCA"), a financial support mechanism financed by the Portuguese Resolution Fund, which was designed to ensure that Novo Banco maintained the agreed capital levels to support its operations during the restructuring phase. Under the CCA, the Portuguese Resolution Fund was obliged to inject capital into Novo Banco if certain losses materialised on contingent assets.

The State aid granted to Novo Banco was subject to conditions imposed by the European Commission to safeguard competition in the Portuguese financial and banking markets. These conditions included: restrictions on the management of assets under the CCA, oversight by a statutory advisory monitoring committee, and a prohibition on distributing dividends to shareholders.

The CCA was originally set to end in December 2025. However, Lone Star and the Resolution Fund agreed to terminate CCA earlier, allowing Novo Banco to resume dividend distributions.

With the termination of the CCA:

- all disputes between Novo Banco and the Resolution Fund concerning unpaid amounts under the CCA (estimated at approximately €400 million) are ended;
- no further capital injections or other payments can be claimed;
- the monitoring committee is dissolved; and
- the asset management restrictions and the limitations on the distribution of dividends are lifted.

Lone Star, Novo Banco's main shareholder, will receive €900 million in dividends and the Portuguese State, which directly and indirectly holds the remaining 25 percent, will receive €300 million.

In 2024, Novo Banco reported total assets of €45,044 million and total liabilities of €40,490 million, with an EBITDA of €200 million. The bank's strong results are due, among other things, to the sale of non-performing loans ("NPLs"), lowering its gross NPL ratio to around 3.5% and significantly improving the bank's asset quality ratios.

Reports suggest that Novo Banco's IPO valuation should range between €4,800 million and €6,200 million. Although an IPO seems the most likely way for the shareholders to start the sale of Novo Banco, a private sale cannot be excluded yet.

According to the press, Caixa Geral de Depósitos ("CGD"), the state-owned bank, and Millennium BCP, the two largest Portuguese banks, may be interested in acquiring control of Novo Banco. Spain's Caixabank, which owns BPI, one of Portugal's largest banks, and Santander, another Spanish bank with a strong presence in Portugal, might also consider acquiring Novo Banco. However, a sale to any of these entities could raise competition concerns due to the size of Novo Banco and the potential scale of the combined entity resulting from the acquisition. Smaller Spanish banks, international banks, and private equity firms could also explore this opportunity, given the overall growth prospects of the banking sector.

## KEY INFORMATION

### Main Shareholders

- Lone Star Funds, through Nani Holdings S.à.r.l. (75%)
- Resolution Fund (13.5%)
- Direção-Geral do Tesouro e das Finanças (12.5%)

### Main Subsidiaries

- BEST – Banco Eletrónico de Serviço Total, S.A. (online banking)

- GNB Gestão de Ativos – Sociedade Gestora de Organismos de Investimento Coletivo, S.A. (portfolio management)

### **Financial Information**

- Total assets: €45,044 million
- Total Liabilities: €40,490 million
- EBITDA of €200 million
- Net Profit: €610.4 million
- Net Interest Income: €886.3 million
- Loans to Costumers: €27,600 million
- Commercial Banking Income: €370.6 million

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### **ABOUT MACEDO VITORINO**

MACEDO VITORINO is a leading Portuguese law firm. We advise domestic and foreign clients in various business sectors, including banking, distribution, industry, energy, TMT and projects.

Since the foundation of the firm in 1996 we have been involved in several high-profile transactions in all of the firm's fields of practice, such as banking and finance, capital markets, M&A, privatisations and public-private partnerships. We have also acted on many complex disputes and restructurings.

We are known for our professional and client-oriented approach to complex and difficult matters.

MACEDO VITORINO has strong relationships with many of the leading international firms in Europe, Asia and the Americas, which enable us to handle cross-border transactions effectively.