

Banking and legal partnerships are thriving

Portugal's China-based financial and legal firms can help businesses expand to new territory

Portugal's banking and finance sector gained importance in the 1990s, as the economy shifted to focus on services.

Following the gradual but thorough privatization of state banks that had begun in the late 1980s, Caixa Geral de Depósitos remained the only State-controlled financial services firm in 2000, and the government continues to rule out its privatization for the time being.

In recent years, the Portuguese government has had to implement successive measures to shore up the banks and big business from the crisis.

In late 2008, it approved state guarantees worth 20 billion euro (\$21.3 billion) to avert a banking crisis, and shortly after, announced a package of over 4 billion would be available to banks to help resolve problems arising from a lack of liquidity in the system.

As a consequence of the global financial crisis, Portugal's leading banks are now focusing on improving relations with both corporate clients and individuals, as well as consolidating overseas expansion as a means to boost ailing profit margins.

The major players are Banif, Banco Espírito Santo, CGD, Millennium BCP, BPI and The Crédito Agrícola Group.

Rodolfo Lavrador, a board member of Caixa Geral de Depósitos (CGD) and chairman of the Banco Nacional Ultramarino (BNU) outlined his view on Portugal's current financial challenges.

"First, it is important to know that Portugal's financial system was not exposed to the same instruments that caused the global financial crisis of 2008," he said.

"It is not, for example, feeling the burst of the real estate bubble that was felt in some important markets. Non-performing loans also do not suggest any abnormal indicator.

"The current crisis should be



Board Member of Caixa Geral de Depósitos, and Chairman of Banco Nacional Ultramarino, Rodolfo Lavrador

understood in terms of an adjustment to the Euro Zone. The Euro is much more than a monetary process; it is also a political process that should promote cooperation and social progress between countries with common borders but different cultures."

As the esteemed chairman notes: "There is a change in the international geostrategic system with the transfer of economic and political power to the emerging countries. It is clear that the financial system follows this trend.

"Despite this, CGD was voted safest bank in the world in 2009 by Global Finance, and ended 2010 with a Tier 1 close to 9 percent."

Portugal's caretaker Prime Minister José Sócrates announcement in May that up to 15 percent of Portugal's 78-billion-euro rescue package would be used to stabilize the country's banks, with up to 12 billion euro injected into lenders that fail to achieve new higher capital ratios over the next 18 months under their own steam, brought some relief.

Under the terms of the European Union-International Monetary Fund

bail out deal, banks that fail to hit a 9 percent core tier one capital ratio, a measure of financial strength, by the end of the year, and 10 percent by the end of 2012, will be recapitalized with government money.

Innovation is key

For CGD, it is business as usual. Investment in research and development has always been a vital part of the bank's strategy, Lavrador asserts, and he intends to keep products and services at high quality levels.

"The 2010 EU Industrial R&D Investment Scoreboard, released in October last year, presents information on the top 1,000 EU companies and 1,000 non-EU companies investing in R&D in 2009. CGD is in 262nd position," he said proudly.

"We have always tried to promote this attitude through our clients, promoting a forward-looking attitude and the importance of investment in innovative products and services. The results have been extremely positive."

And, he says, ties with China are bound to prosper.

"China is witnessing a high growth rate. Consumer spending is up, and there is a growing middle class. As such, many Portuguese businesses are going to China to set up joint ventures with Chinese companies. These companies will need a bank to do business with in China.

"There is also new tourism and new technologies which make it interesting for SMEs to do business in China. China then benefits because there is increased trade, flow and investment, which obviously adds to the growth of their economy."

Wholly owned by CGD, the Banco Nacional Ultramarino is a perfect example of smooth-running Sino-Portuguese relations.

In operation in Macao for more than 100 years, the bank enjoyed a jump in profits of 25 percent last year, on the back of Macao's booming economy.

"It is a good moment for BNU," Lavrador says. "It is recording strong growth. Macao SAR government is promoting economic activity in the region, which has heightened business and trade there, which means more activity for the bank."

"BNU is an excellent example of the relationship of both countries. BNU can be a guide to Portuguese companies that want to invest in China and its Macao special administrative region."

"It can also be a reference to identify investment opportunities in the Portuguese-speaking world in countries like Brazil, Angola, Mozambique, Cape Verde, and East Timor — just a few where Portugal has excellent commercial relations and trade. In fact, trade between Brazil, Angola and China has been rising significantly."

"In terms of goals, we want to extend our presence in the region, not only in Macao, but in Asia as a whole. It is a dynamic economy and it is vital that we are there. We have to stay involved, because there are many things to do."

Artur Santos, CEO of BNU, takes up the story:

"Macao has handled the new investment in tourism very well," he said. "Several hotels and resorts have been built there in recent years, and I think Cotai will be the area where growth will be the most rapid in the future. Macao could become a

new hotels and integrated resorts, as well as projects related to transport infrastructure and utilities.

BNU is also supporting the investment plans of local businesses in Macao and in their relationship with Chinese mainland and Portuguese-speaking countries.

"We will continue to improve our offering of retail banking products and the high standard of service we provide to our customers," Santos says. "We will also continue to improve our distribution channels, namely the online distribution channel, making more products and services available through the Internet."

A window to investment

Diversification is at the core of BNU's personal financial management and a critical factor in influencing the growth of its investors' wealth.

Among its wide choice of investments are: Share trading in the Hong Kong stock market (available through BOOM.com or at BNU branches); A wide range of mutual funds; Investing online through BOOM.com, the website of a securities company incorporated in Hong Kong; and AHL Diversified, an alternative form of investment.

By investing in mutual funds offered through BNU, investors gain access to markets and financial instruments that allow them to



CEO of BNU Artur Santos

gal and Spain, and also New York, London, Brussels, Paris, Luanda, Maputo, São Paulo, Casablanca and now Shanghai.

Last year, Cuatrecasas was named Best Iberian Firm of 2009, by the UK's Financial Times. "We concentrate on assisting companies on all matters related to company law, such as criminal, environmental, or tax matters among other issues and our typical firms are the strong Iberian firms that want to succeed worldwide.

"Our offices in Shanghai were opened because we felt our clients

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RODOLFO LAVRADOR

CHAIRMAN OF THE BANCO NACIONAL ULTRAMARINO (BNU)

tourism and entertainment center not just for China, but also for other countries in Asia."

BNU has played a key role in Macao's development. In September last year, a new agreement was signed between BNU and the local government extending the contract for the issuing of bank notes for another 10 years, until October 2020.

On the commercial side, it has been involved in the financing of

diversify their investment portfolio. They also benefit from management expertise and low investment fees.

Legal enterprises

Meanwhile, Portuguese born and bred, Manuel Castelo Branco is the managing partner of one of the biggest law firms worldwide. Cuatrecasas Gonçalves Pereira (Cuatrecasas) now has 960 lawyers and 27 offices worldwide, in Portu-

wanted to go and make business there by either installing their companies or having commercial relations with China. We felt we needed to follow them and be there in the market," Castelo said.

"Now, our office in Shanghai is a strong window through which the local Chinese can look to our firm and say we are their partners for investment in any country that we have a base in."

Energy knows no borders. Neither does REN.

REN is one of the few companies in the world that integrates and jointly manages electricity and natural gas networks.

Portugal is one of the world leaders in renewable energy production, having 50 percent of its electricity production coming from renewable sources. In a country where wind, solar, hydro and wave energy are abundant, REN has developed specialized skills in the integration of renewable sources in energy systems.

Experience and commitment with quality have made us one of the most efficient operators in the world. For those who see the energy sector as a promising business in the coming decades, REN represents an opportunity for investors and a gateway to the European market.

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