



GARRIGUES

**NPLs portfolios and REOs  
deals: an update at  
November 2020**

LatAm & Iberia – NPLs Task Force  
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## NPLs portfolios and REOs deals: an update at November 2020

**In the wave of the COVID-19 pandemic, there has been a significant increase in debt held by both consumers and companies. Over the coming years, we expect to see a large number of debt and distressed asset deals. In this viewpoint, Garrigues provides an analysis of the debt market situation and trends in Latin America, Spain and Portugal, where there is a clear move toward greater sophistication in these deals.**

### COVID-19 pandemic

The COVID-19 health crisis has brought the debt and distressed asset market to a standstill, in particular for deals involving non-performing loans (NPLs) and real-estate owned (REO) portfolios.

### Situation up to 1Q 2020

Up until the first quarter of 2020, portfolio deals were at center stage in the global financial and legal arena, with dozens of sellers (financial institutions) looking to shed these assets to clean up their balance sheets and bolster their capital ratios, and just as many buyers looking to invest their (sizable) cash while increasing their exposure to certain strategic assets (chiefly hotels, shopping centers, logistics centers and land) or to a specific type of consumer. In early 2020, new players made a noticeable entrance on the scene as well, gaining a firm foothold in a market that had previously been the exclusive domain of global investment funds.

### COVID-19 outbreak

Following the outbreak of COVID-19, specialized publications reported on the many deals that had taken off before March 2020 but that were tabled around that time. Some of these deals were finalized with very different terms to those initially planned, while others were simply dropped. Indeed, as economic activity ground to a halt around the world, the main debt market players took a step back to adjust their forecasts, rethink their investment criteria and prepare for the financial boomerang to swing back around after COVID-19.

### Boomerang effect

The pandemic is already having a boomerang effect, in that the additional emergency cash injected into the economies of a large number of countries has spurred a sizable increase in borrowing by consumers and companies. Loan forbearance and other relief measures rolled out to temporarily ease the financial burden on a large number of borrowers have either ended or are close to wrapping up. Against this backdrop, all market operators agree that debt and distressed asset deals are set to soar over the coming years. This is because, for one thing, financial institutions will have to shore up their capital ratios, and those that do not need to do so will try to ward off a surge in loan defaults. In both cases, entities will need to empty or clean their balance sheets by selling or securitizing debt or assets. In addition, traditional buy-side players will surely feel the temptation to refocus their investments, shedding those portfolios that are no longer strategic under their new plans, either due to the type of debt or the attached security.

## A look ahead

What, then, are the main trends we can already make out in the main LatAm markets and in Spain and Portugal? Which investments will continue to be made in these countries and under what conditions? Clearly, there is evidence of a move toward sophistication and the creation of innovative products, and away from outdated mechanisms, because sellers want to obtain greater returns than just the selling price, whereas investors are seeking longer-term and safer exposure to the assets that appeal to them.

Garrigues is pleased to share our view of the main trends in these debt markets, drawing from our on-the-ground network of offices in Brazil, Chile, Colombia, Spain, Mexico, Peru and Portugal.

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## Brazil



# NPLs portfolios and REOs deals: an update at November 2020 in Brazil\*

*\*información elaborada por el despacho brasileño NBF/A*

## 1. Market update

Brazil's non-performing loans market has been going strong since the country's 2014 political and economic crisis, when large Brazilian banks began shedding their NPL portfolios in order to clean up their balance sheets. In late 2019, the top five Brazilian banks were estimated to hold approximately US\$ 16 billion in NPLs aged between 90 and 180 days and were expected to sell off a large portion of this figure starting in 2020. As part of this process, banks have been buying up debt collection companies, not only to shore up their structured collection practices but also to find a market for their own loan portfolios. At the same time, both local and foreign independent investors have taken a greater interest in distressed assets, heightening the level of sophistication in this market.

The economic crisis caused by the COVID-19 pandemic will undoubtedly lead to (and, in fact, has already had) a sizable increase in loan defaults by individuals and companies and, therefore, in the opportunities to buy and sell NPLs (especially when government relief runs out).

However, the most immediate reaction in the Brazilian market has been that of a standstill. There has been news that the leading banks have put certain large portfolio sales on hold in order to revisit their underlying assumptions. Whenever the economy is hard hit, portfolio buyers start demanding larger discounts, and sellers naturally prefer to wait until the worst of the crisis has passed to determine the real impact on asset prices.

As the situation levels out and the different market players gain a clearer view of how economic recovery will take shape, the NPL market is expected to pick up again strongly after the end of 2020.

## 2. Key trends

- (i) **More active NPL market:** Once the worst of the COVID-19 crisis has passed, the adverse economic effects it caused will tend to strengthen the distressed deals market in general and the NPL market in particular.
- (ii) **Record low interest rates:** Interest rates are at all-time lows in Brazil, which makes the market for alternative investments, such as NPLs, more attractive.
- (iii) **Exchange rates:** The strong devaluation of the Brazilian real over the course of 2020 has attracted foreign investors to this market.
- (iv) **Legislative initiatives:** In a bid to modernize regulations and bring greater legal certainty to the market, a number of legislative proposals are underway in Brazil, including a reworking of the Insolvency Law and changes to the rules applicable to securitization companies. If approved, these initiatives could have a positive impact on the Brazilian NPL market.

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## Chile



# NPLs portfolios and REOs deals: an update at November 2020 in Chile

## 1. Market update

Although banks are highly regulated in Chile, this has not kept them from selling off portions of their NPL portfolios. In the local market, some banks regularly open competitive bidding processes to sell their loan portfolios, chiefly to clean up their balance sheets and to transfer the risks and costs associated with judicial and out-of-court debt collection.

However, up until now, the volume of NPL portfolio sales by banks has not reached its potential ceiling, as these deals have generally been limited to unsecured loans held by individuals and sold to mostly local buyers. Entities such as consumer lending credit card issuers, mortgage mutual societies and the “cajas de compensación de asignación familiar”, which manage social security benefits for individuals and their families in Chile, have so far remained outside of these deals.

In its Circular 3,549, Chile’s financial market regulator, CMF (Comisión para el Mercado Financiero), authorized banks to assign loans from their loan portfolios to entities not subject to CMF supervision and established that such assignments do not require the borrower’s prior consent when the loans sold are past-due or written off. However, the assignee must inform the borrower of the name of the new creditor and the place or office where loan payments must be made. This regulation is supplemented by Chapter 2-1 of the CMF’s banking regulations (Recopilación Actualizada de Normas, RAN), which establishes that loan sales must entail the transfer of full ownership and release the selling bank from any liability (except for the existence of the loan).

These provisions are also supplemented in general law by article 1901 and subsequent articles of the Chilean Civil Code, which define the assignment of loans as a way of carrying out the transfer or delivery of the rights sold, with the only formalities being: (i) delivery, which in the case of loan portfolio sales usually takes place symbolically through the delivery of the digital support on which the loan information is stored; and (ii) signature of a loan assignment agreement, which is usually done in a public deed to ensure enforceability of the obligations stipulated in the agreements.

## 2. Key trends

- (i) **Borrowing levels:** A September 2020 Equifax report noted that in Chile, 4.5 million people have a history of loan default (out of a total population of approximately 19 million), which suggests great potential for investing in distressed assets. Bearing in mind the slowdown in economic activity following the protests in late 2019 and the COVID-19 pandemic, which have pushed unemployment to above 10%, it is expected that banks and other entities interested in selling off their NPLs will step up their NPL portfolio sales efforts.
- (ii) **Reclassification of borrowers:** In our experience, NPL loan portfolio sales are also a way for certain borrowers to get back into the financial system, as borrowers and new loan owners can reach workout agreements with new repayment plans, allowing borrowers to clear the negative credit history that would have kept them from securing new bank loans.



- (iii) **Mature and sophisticated market:** Distressed asset and NPL portfolio deals are not new in the Chilean market. Some banks have highly sophisticated legal and operational departments that have taken part in these types of deals in the past. Furthermore, in recent years, Chilean regulators, including its consumer protection body, Servicio Nacional del Consumidor (SERNAC), have gained know-how and experience in these transactions, allowing them to set up a suitable regulatory framework.
- (iv) **Simplification:** Under current Chilean laws governing the sale of loans, these transactions do not involve complex administrative requirements and are rather straightforward from a documentation standpoint. In addition, the absence of a legal obligation to notify the borrower when the loans sold are non-performing or written off makes these deals particularly attractive. Consumer protection requirements are not so strict that they would discourage or considerably limit these deals.

## Contacts in Chile



**Pedro García Morales**

Partner

[pedro.garcia.morales.com](http://pedro.garcia.morales.com)

[View complete profile](#)

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## Colombia



## NPLs portfolios and REOs deals: an update at November 2020 in Colombia

### 1. Market update

Traditionally, Colombia's NPL market has been the terrain of primarily local specialized niche buyers acquiring commercial loan portfolios. The local market also features certain traditional players, such as Central de Inversiones S.A. (CISA), the Colombian government's investment manager that, among other activities, buys, sells and manages public entities' portfolios. Private firms have also participated in this commercial loan portfolio segment, at times with the backing of multilateral entities, while the International Finance Corporation (IFC) has taken part in NPL portfolio deals through partners such as Covinoc. In some cases, the purchase of NPL portfolios by specialized buyers has paved the way for new loan recovery schemes to be developed, whereby portfolio buyers offer workout agreements helping borrowers to resume servicing their loans and clear their bad credit history. After a relatively short time, these NPL portfolio buyers return the borrower to the traditional financing industry with a favorable recent credit history. These borrowers can then have access to fresh funding with better lending terms.

Since NPL portfolio deals have traditionally taken place between local buyers and sellers, documentation standards for these transactions have been closely linked with local practices. A broad range of investors, including small-scale local investors, participate in the "libranza" portfolio segment (libranzas are payroll- or pension-deductible loans that are repaid directly by the borrower's employer to the lender). However, Colombia's corporate loan portfolio segment sees more international investors, and foreign investors are increasingly gaining interest in NPL portfolio deals in this segment, which is enhancing the sophistication of the documentation used in these transactions.

During the first part of 2020, Colombian financial and market regulator SFC (Superintendencia Financiera de Colombia) issued circulars requiring lending institutions to establish policies and procedures to protect borrowers who were hard-hit by the COVID-19 crisis. The SFC's measures were consistent with those taken by the national government to weather the economic and health crisis declared due to the pandemic. Among other aspects, borrowers who were not more than 30 days behind in payments at certain cut-off dates could benefit from grace periods without this counting against them as a risk factor or affecting their credit rating at credit bureaus. In general, this warded off a substantial increase in NPL portfolios (loans overdue more than 30 days) in the following two quarters. In the third quarter of the year, the NPL portfolio (loans overdue more than 30 days) accounted for nearly 4% of the total portfolio. A detailed analysis of trends in certain portfolio segments shows a nearly 27% growth in the NPL mortgage loan portfolio compared to the same cut-off for 2019, which could potentially trigger the need for banks to sell off portfolio portions in certain individual segments.

## 2. Key trends

- (i) **Traditional loan originators looking for more movement in portfolios:** In view of local market trends in recent years and the unique situations caused by the crisis, banking portfolio originators are growing increasingly interested in seeing more movement in their NPL portfolios. Some financial players have been shoring up their divisions and focusing them on exploring new market alternatives for shedding NPL portfolios.
- (ii) **Greater use of technology in documentation and document management:** Over recent years, there has been a move from keeping paper-based records to using technology when arranging and documenting lending transactions. Colombia has seen fast growth in the development of fintech, which means that physical contracts and promissory notes can often be replaced with electronic contracts and notes when arranging loans. This enhances document management and control and simplifies processes in portfolio acquisition deals. With respect to loan security, the obligation to record collateral in certain public registers and, in some cases, the need to execute public deeds and other attendant formalities in Colombia means that paper documentation still has to be used for traditional collateral (such as mortgage and vehicle collateral).
- (iii) **Sophistication in transactions:** As more and more international players take part in portfolio deals in Colombia, the standards followed in these deals have steadily improved. In some cases, international investors' standard-form contracts are used and adapted to meet specific requirements under Colombian law. This trend is not widely extended across all portfolio deal segments, however, and is seen mostly in corporate loan portfolio segments.
- (iv) **Development of related services required by investors:** The upsurge in deals involving both performing and non-performing loan portfolios has prompted the appearance of new specialized service providers. This is seen in terms of both depository services and the increasingly more sophisticated servicers who employ the standards and processes required by international investors.

Contacts in Colombia



**Roberto Borrás**

Socio

[roberto.borras@garrigues.com](mailto:roberto.borras@garrigues.com)

[View complete profile](#)



**Camilo Gantiva**

Counsel

[camilo.gantiva@garrigues.com](mailto:camilo.gantiva@garrigues.com)

[View complete profile](#)

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## Spain



# NPLs portfolios and REOs deals: an update at November 2020 in Spain

## 1. Market update

Spanish banks have been selling various types of NPL portfolios through specialized in-house teams. Banks' financial and legal advisors have honed their distressed asset practices, and buyers, most of which are from outside Spain, are familiar with the features of the legal framework applicable to NPL portfolios. In recent years, large-scale deals, generally with a real estate component and involving the top Spanish banks and some of the most important international funds, have been carried out alongside smaller deals, mainly involving unsecured loans and/or carried out in the secondary market.

The COVID-19 pandemic has halted market activity to some degree, causing some of the major deals to be put on hold and some banks and financial advisors to delay new deals they had in the pipeline. According to some specialized publications ([CapitalStructure](#)), activity in the Spanish NPL market fell 30% over the first seven months of 2020, but picked up considerably in July and August. July's movement was 10% below average, while by August, figures were back in line with 2019.

Looking at previous crises, the situation generated by the pandemic should soon trigger an increase in the volume of portfolios sold by banks, although the impact that loan forbearance and other measures adopted in the context of COVID-19 will have on the make-up of portfolios and investor interest remains to be seen. Furthermore, other factors such as the mergers between Bankia and CaixaBank (Hermitage and Louvre portfolios) and between Liberbank and Unicaja will undoubtedly vitalize this market.

On a more technical note, investors in real estate-backed NPL portfolios are waiting to see what view the Bank of Spain will take on the obligation to register special purchase vehicles (SPVs) that purchase loan portfolios. The Bank of Spain is expected to order [SPVs to be entered](#) on the special register of real estate lenders when the assigned NPLs have been novated or subrogated, although it could instead allow some of the registration obligations (primarily knowledge of the real estate market) to be met in other ways (for example, the servicer selected by the investor to manage a real estate-backed NPL portfolio could be the one to certify having training in the sector, provided that servicer is established in Spain).

## 2. Key trends

- (i) **Action Plan on the Reduction of Non-Performing Loans in Europe:** Since July 2017, the European Commission has been steadily proposing [packages of measures to address the high levels of NPLs](#) in Member States. To date, more than 10 measures have been implemented, including a draft directive on credit servicers and credit purchasers.
- (ii) **EU directive on credit servicers and credit purchasers:** The most recent draft of the directive, which seeks to restructure the role of credit servicers and purchasers, is close to completion, after lawmakers have worked out the details of its content and scope, which is somewhat narrower than initially planned since accelerated collateral enforcement has been completely removed from the text. The most recent draft of the directive is currently [awaiting committee decision](#) in the European Parliament. The last significant move forward was in October 2019.

- (iii) **Disputed credit:** Two recent Supreme Court judgments (March 5, 2020 and October 5, 2020) confirmed the court's position that borrowers whose loans are sold to an investor as part of a NPL portfolio cannot repurchase the loan from the investor by paying the price delivered for the loan plus interest and expenses, since the new owner had acquired the loan as part of an en bloc sale for a lump sum.
- (iv) **Creation of new NPL servicing and asset management platforms:** Banco Santander recently announced that it will launch a global platform to manage its portfolios as well as those of third parties, in anticipation of the rise in loan default numbers forecast for late 2020 and throughout 2021. The creation of Union-wide NPL transaction platforms was one of the initiatives under the action plan to tackle non-performing loans in Europe.
- (v) **New layer in NPL deal contracts:** In view of emerging regulatory trends (relating to registration and authorization), parties should revise their standard-form contracts to introduce new onboarding clauses governing steps taken by credit sellers, purchasers and servicers. All compliance-related aspects (borrower protection, complaint channels, personal data, recording of communications and notices to the supervisor) will become increasingly important in servicing agreements.
- (vi) **Spanish securitization funds as investors' preferred platform:** Unlike in the 2009 financial crisis, many investors are fast-tracking their plans to build purchasing structures directly in Spain through securitization funds. Securitization is an alternative to portfolio sales, allowing banks to rid their balance sheets of distressed assets (NPLs or REOs) by bundling them in vehicles (securitization funds) and selling them to investors in different tranches and with different risk levels.



## Contacts in Spain



### **Victor Chiquero**

Partner

[Victor.Chiquero.Mielgo@garrigues.com](mailto:Victor.Chiquero.Mielgo@garrigues.com)

Member no. 82197

I. Colegio de Abogados de Madrid

[View complete profile](#)



### **Juan Verdugo**

Partner

[juan.verdugo.garcia@garrigues.com](mailto:juan.verdugo.garcia@garrigues.com)

Member no. 132483

I. Colegio de Abogados de Madrid

[View complete profile](#)



### **Gonzalo García-Fuertes**

Partner

[gonzalo.garcia.fuertes@garrigues.com](mailto:gonzalo.garcia.fuertes@garrigues.com)

Member no. 81930

I. Colegio de Abogados de Madrid

[View complete profile](#)



### **Gaspar Atienza**

Partner

[gaspar.atienza@garrigues.com](mailto:gaspar.atienza@garrigues.com)

Member no. 81299

I. Colegio de Abogados de Madrid

[View complete profile](#)



### **Juan José Berdullas**

Partner

[juan.jose.berdullas.pomares@garrigues.com](mailto:juan.jose.berdullas.pomares@garrigues.com)

Member no. 27854

I. Colegio de Abogados de Barcelona

[View complete profile](#)

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## Mexico



## NPLs portfolios and REOs deals: an update at November 2020 in Mexico

### 1. Market update

The COVID-19 pandemic has taken a toll on the Mexican economy, spurring an increase in NPL ratios in both banking and non-banking portfolios. When the pandemic hit, Mexican financial authorities issued new rules allowing banks to reach agreements with their customers (individuals and BMEs), over a six month period, extending due dates for personal loans (consumer loans, credit cards and mortgage loans, among others) and SME loans and reducing loan principal or interest. However, these measures were not enough to curb the jump in default rates.

In addition, some Mexican financial institutions have come under closer scrutiny by financial authorities to ensure they meet their required capital adequacy levels. In one case, the Mexican authorities took control of one of the country's banks and ordered its liquidation.

This spurred some Mexican financial institutions to start selling off their NPL portfolios and even their performing loan portfolios, in order to bolster their balance sheets. The bulk of these financial institutions are selling their NPL portfolios through competitive bidding processes with set terms and, in most cases, using standard-form documentation.

Along with the country's banks, both national and international private equity funds have been key players in these sales. Some financial groups in Mexico have companies focused on NPL portfolio deals and NPL recovery.

In addition, we expect to see new international players, such as DEVA Capital, and a growing supply of NPL portfolios, performing loan portfolios and REO portfolios on the market.

### 2. Key trends

- (i) **Sophisticated market:** Loan portfolio sales processes in the Mexican market have become highly sophisticated. Since these deals have been taking place for several years now, most are carried out through open competitive bidding processes, in which the terms and conditions of the transaction documents are known from the start. The contracts and documents normally used for these types of deals contain standard market-accepted terms that are known to the parties.
- (ii) **Myriad market players:** A wide variety of both buyers and sellers currently take part in the Mexican loan portfolio market. Sellers include governmental companies (Sociedad Hipotecaria Federal and Instituto del Fondo Nacional de la Vivienda para los Trabajadores) as well as banks, private funds and companies. Buyers include specialized companies within Mexican financial groups that focus on the sale and recovery of loan portfolios, as well as national and international private equity funds, both privately owned and listed. We believe that the number of both buyers and sellers will continue to rise.

- (iii) **Wide range of debt recovery companies:** There is a wide range of experienced loan servicers in the Mexican market. Some of these companies both acquire and recover portfolios, while some focus solely on loan recovery. Mexican legislation establishes a regulatory framework for debt recovery companies, including rules on how they can conduct their collection efforts. Servicers that fail to comply with these rules could be fined. As a result, the services rendered by Mexico's servicers have become more professional in nature.
- (iv) **Experienced courts and appropriate regulatory framework:** Mexican courts have experience in dealing with the assignment of rights relating to loan portfolios, including disputed credits and related collateral. Consequently, evidencing and securing recognition of transfers of the rights attaching to the loans and the assumption of those rights by purchasers is usually an efficient process at Mexican courts. The Mexican regulatory framework has been developed and adapted to allow for the assignment of rights stemming from loan portfolios and the related collateral.

## Contacts in Mexico



### Mario Juárez

Partner

[mario.juarez@garrigues.com](mailto:mario.juarez@garrigues.com)

[View complete profile](#)



### David Jiménez Romero

Partner

[david.jimenez.romero@garrigues.com](mailto:david.jimenez.romero@garrigues.com)

[View complete profile](#)

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## Peru



## NPLs portfolios and REOs deals: an update at November 2020 in Peru

### 1. Market update

As in all emerging countries and especially those in the region, the COVID-19 pandemic has impacted the chain of payments in the Peruvian economy. Alongside the economic measures adopted by the national government, it is important to note that local financial institutions were empowered to adopt exceptional measures aimed at rescheduling borrowers' loans. Each financial institution will determine the particular measures to be applied after assessing the impact of the crisis on its loan portfolio.

Similarly, by amending rules related to market conduct in the financial system, Peruvian banking regulator SBS (Superintendencia de Banca, Seguros y AFP) granted a seven-day period to financial institutions in which to reply to loan rescheduling applications filed by their customers, and also asked for these institutions to propose more than one refinancing alternative.

Despite this, loan defaults have risen considerably in Peru: non-performing loans amounted to 2.6% in January 2020 and 2.9% for the financial system as a whole. In July 2020, [S&P Global Ratings](#) reported that it expects non-performing loans in Peru to increase to around 3.9% in 2020 and forecasts that loan losses will climb sharply in 2020 before recovering in 2021. [Moody's](#) noted that Peruvian banks have rescheduled 36% of their aggregate loans, from which it may be concluded that Peru is one of the countries with the highest level of [rescheduling](#), generated also by the high number of informal arrangements in the market.

In this context, and to reduce the impact of loan defaults in Peru, in October 2020 the Peruvian government published Law No. 31050 setting out extraordinary provisions on loan rescheduling and forbearance as financial relief for individuals and SMEs as a result of COVID-19. This law laid down extraordinary measures for rescheduling the loan payments of certain borrowers hit financially by the national state of emergency, with the government providing guarantee facilities. These guarantee facilities will only apply if financial institutions reduce the cost of lending by at least the specific percentages determined in the law, either decreasing interest rates or forgiving one or more installments in the repayment schedule, or a combination of both. The financial market as a whole has welcomed this measure because it is believed to protect savers.

Against this backdrop, it may reasonably be inferred that the NPL market will grow gradually, at the same pace as borrowers' credit ratings decline, which will most likely happen around the time governmental relief programs end.

## 2. Key trends

- (i) **New players in the NPL market:** NPL portfolio deals have traditionally been the domain of local financial institutions or vehicles formed by funds or local government entities. However, for a few years now, a greater appetite for the larger NPL portfolios offered has been seen among US funds and specialized departments of global commercial banks. We believe that this active participation by new buyers will give rise to more complex restructurings and higher-value transactions.
- (ii) **New servicers using innovative methods:** Another element observed in the Peruvian market, associated with the trend described above, is the appearance of new international servicers and the training of collecting agents to handle recovery for recently acquired NPL portfolios. These new players bring to the market innovative collection methods that secure higher returns from the portfolios. Undoubtedly, this specialization and the current circumstances prompting defaults make this an interesting opportunity for these new participants.
- (iii) **Promising regulatory framework:** Despite the measures ordered by the Peruvian banking regulator and the government in general, the appetite for risk transactions has not gone away, and each financial institution will continue to determine its own appetite. In other words, financial institutions can decide whether or not to accept an application for loan rescheduling or forbearance. If there is an uptick in the trend towards rescheduling, the NPL market will stay active and probably remain so for a while. An additional factor is that as a result of the guarantee facilities granted by the Peruvian government, in August 2020, loans to SMEs were 28.4% higher than in the same month in 2019.
- (iv) **Greater sophistication in transaction documentation:** The new players in the NPLs market, as described above, will surely bring with them a higher level of sophistication in NPL deals. This will prompt buyers and sellers to hire more experienced financial and legal advisors and to apply international standards in their transaction documents and servicing agreements.

## Contacts in Peru



### **Oscar Arrús**

Partner

[oscar.arrus@garrigues.com](mailto:oscar.arrus@garrigues.com)

[View complete profile](#)



### **Diego Harman**

Partner

[diego.harman@garrigues.com](mailto:diego.harman@garrigues.com)

[View complete profile](#)



### **Miluska Gutierrez**

Senior Associate

[miluska.gutierrez@garrigues.com](mailto:miluska.gutierrez@garrigues.com)

[View complete profile](#)



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# Portugal



# NPLs portfolios and REOs deals: an update at November 2020 in Portugal

## 1. Market update

The COVID-19 pandemic had a strong impact on the deleveraging process that Portuguese banks had been successfully implementing from 2016 onwards, with NPL volume sold by Portuguese banks reaching its peak in 2018, when over a record circa €8 billion in NPLs and REOs came off Portuguese banks' books.

Several sale processes that were in early stages when the pandemic hit were subsequently suspended or canceled. Since late August and September 2020, we have been witnessing the resurfacing of several organized sale processes (both NPLs and REOs), and even more transactions are expected to come to market in the final quarter of the year. Although the deals underway have garnered high investor interest, there is some uncertainty as to whether the current environment will impact pricing conditions and whether there will be a wide price gap between sellers and bidders (which may, in the end, affect the number of transactions actually completed).

In addition, the special rules on loan forbearance approved by the Portuguese government in March 2020 to soften the economic effects of the COVID-19 pandemic and initially in place until September 2020 have now been extended until September 2021 (although the forbearance will no longer apply to interest payments as of April 2021). This measure will surely stave off the effects of the pandemic on banks' NPL ratios. At this stage, however, it is uncertain how these ratios will fare in the final quarter of 2021, when the forbearance rules expire.

## 2. Key trends

- (i) **NPL portfolio consolidation:** One of the key deleveraging strategies of banks has been consolidation of their NPL portfolios, preparing organized sale processes with a higher aggregate unpaid principal balance (UPB) per transaction in order to attract a wider pool of investors.
- (ii) **Corporate/SMEs:** Most of the larger NPL portfolios that are coming to the Portuguese market comprise corporate borrowers, often SMEs from economic sectors that require a more complex workout strategy (namely construction, hospitality, commercial real estate and industry).
- (iii) **Single-names/special situations:** As an alternative to NPL portfolio sales, Portuguese banks are also selling single-name positions to both international and national investors, in particular when such positions relate to highly complex situations that are more fitting for specific investors well versed in opportunistic ventures and special situations.
- (iv) **Leveraging:** During the boom in the Portuguese NPL market, acquisitions were often leveraged with investors by using foreign or Portuguese securitization vehicles when structuring acquisitions. In the wake of the COVID-19 pandemic and its effects on international lending markets, it will be interesting to see how reduced access to credit will affect pricing and transactions as a whole.

- (v) **Secondary market:** We also expect to see secondary market sales gaining some momentum in 2021, as some investors that previously acquired NPL portfolios may decide to offload parts of portfolios (i) that may be non-core for them (for example, the unsecured loans portion of a previously acquired portfolio or specific single names that are less interesting in the context of their workout strategies), or (ii) in order to have increased liquidity to be able to service the debt for the acquisition of the portfolio, considering, in particular, that workout cash flows and recovery timings have been affected by the exceptional measures to mitigate the impact of the COVID-19 pandemic (such as the suspension of enforcement proceedings during several months).

## Contacts in Portugal



### Diogo Leónidas Rocha

Partner

[diogo.leonidas.rocha@garrigues.com](mailto:diogo.leonidas.rocha@garrigues.com)

[View complete profile](#)



### Vasco Rodrigues

Principal Associate

[vasco.rodrigues@garrigues.com](mailto:vasco.rodrigues@garrigues.com)

[View complete profile](#)

## Garrigues International Offices

### America



#### Bogota

T +57 1 326 69 99  
[bogota@garrigues.com](mailto:bogota@garrigues.com)



#### Lima

T +51 1 399 2600  
[lima@garrigues.com](mailto:lima@garrigues.com)



#### Mexico City

T +52 55 1102 3570  
[mexico@garrigues.com](mailto:mexico@garrigues.com)



#### New York

T +1 212 751 92 33  
[newyork@garrigues.com](mailto:newyork@garrigues.com)



#### Santiago de Chile

T +56 2 29419000  
[santiagodechile@garrigues.com](mailto:santiagodechile@garrigues.com)



#### São Paulo

T +55 11 4314 2700  
[saopaulo@garrigues.com](mailto:saopaulo@garrigues.com)

### Europe



#### Madrid

T +34 91 514 52 00  
[madrid@garrigues.com](mailto:madrid@garrigues.com)



#### Lisbon

T +351 21 382 12 00  
[lisboa@garrigues.com](mailto:lisboa@garrigues.com)



#### Oporto

T +351 22 615 88 60  
[porto@garrigues.com](mailto:porto@garrigues.com)

# GARRIGUES

Hermosilla, 3, 28001 Madrid  
T +34 91 514 52 00

[info@garrigues.com](mailto:info@garrigues.com)

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