

Acquisitive Santander homes in on Latin America

BANKS

News analysis

The Spanish group is attracted by the region's potential for expansion, says Mark Mulligan

Spain's Santander, the eurozone's largest bank by assets, is on the lookout for acquisitions across Latin America as the region's banking system becomes "the best in the world", according to the head of its Latin American operations.

Francisco Luzón, managing director of the Americas division, said Peru and Colombia were a weak spot in the group's regional footprint, which also covers Argentina, Brazil, Mexico, Chile and Uruguay. With market shares of between 10 per cent and 20 per cent, the focus in those countries is to consolidate and bring new customers into the banking system, a process known in Spanish as *bancaización*.

"In those five countries we already have significant presence," he told the Financial Times. "However, we have less of a presence in Colombia and Peru.

"If everything goes to plan, they will be the two

countries which we will target for acquisitions over the next four or five years."

Speaking on the sidelines of the bank's annual two-day Latin America seminar in Santander, in northern Spain, Mr Luzón described the region's banking system as "the best in the world". He said Latin America had learnt valuable lessons from at least three decades of "financial crises, weak regulation and poor economic policies".

By the time the global financial crisis was demolishing the developed world's banking system, Latin America stood out as an island of "strong regulation and prudence", he said.

Santander, like other large Spanish companies such as Telefónica, has come to rely increasingly on Latin America to offset weakness at home and in other troubled markets across Europe and in the US. The region accounted for 38 per cent of the bank's group profits in the first quarter, and looks set to top 40 per cent in 2010, said Mr Luzón. "By next year I wouldn't be surprised if it comes out at 45 per cent," he added.

Santander raised €7bn (\$8.8bn) last year with the stock market flotation of its Brazilian business in what was the world's largest ini-



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Reuters

tial public offering in 2009.

Mr Luzón said Santander as a group favoured such operations, because they imposed market discipline

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while raising both cash and corporate profile. He said the bank did not discount an IPO of its UK business, for example.

Latin America, meanwhile, was on the threshold of a 10-year growth cycle which would move it closer to developed world status and consolidate its importance as a global economic power, said Mr Luzón.

With a young population, growing middle class and unprecedented political and

economic stability, the next 10 years would compensate for the so-called "lost decade" of the 1980s, when dictatorships and economic chaos were the natural order.

"Regional blocs are becoming increasingly important in the global economy," he said.

The closer integration that had eluded Latin America because of politics driven by historical conflict and ideology would now be

led by private sector companies, he said.

"Multinational companies from the region will help drive the commercial integration of the continent," he said.

"Brazil has development plans in infrastructure and energy, for example, which will help fuel growth in neighbouring economies."

Latin American banks, while gaining critical mass, still had plenty of room for manoeuvre in their domes-

tic markets, he said. The number of cross-border mergers and acquisitions in the financial sector was still small, though this would change.

"The expansion of banks outside their home markets will be more gradual than what we saw in Spain, for example," he said.

"However, I have no doubt that will see Brazilian banks heading out of Brazil in the coming decade."