

Top managers disagree on Spanish banks

By [Philip Haddon](#)

Despite the troubles faced by Spain's economy, a number of top managers including Gartmore's Roger Guy and Eric Bendahan of Banque Syz are confident about its banking sector giants BBVA and Santander. But one of Spain's top managers thinks they may be moving too early.

Guy and Guillaume Rambourg, co-managers of Gartmore SICAV Continental European Fund, have Banco Bilbao Vizcaya Argentaria (BBVA) as one of their core holdings.

They think that this may seem 'counter intuitive' considering the severe threats to Spanish growth which have followed years of rapid expansion. However the duo likes BBVA because it has not been overly exposed to the troubled Spanish real estate sector and has increased its presence in the high growth area of Latin America, particularly Mexico.

Lardies, one of Spain's top equity managers and Citywire's European Fund Manager of the year in 2007, agrees with them.

'I am not confident on Spanish banks in general,' the AA-rated manager of the Bpere Fondo Iberico Acciones fund says. 'But there is a big difference between BBVA and Banco Santander and the small banks which are just focused just on Spain. For the next 2 or 3 years the future for them is not good. You can forget about them.'

'But I have around 5-6% of my portfolio in BBVA and Santander, especially for their exposure to Latin America. As you can see in their price, the impact of the last crisis has not been the same as some banks in France and the UK. The main reason is their exposure to Latin America.'

In the UK, Credit Suisse manager Graham Ashby also singled out Santander, though for the reason that he sees strength in its UK subsidiary Abbey National. He thinks it is doing exceptionally well even in the current climate as it is well capitalised and its local regulatory body has ensured a bigger capital buffer than in other regions.

'You can see how well Santander is doing by looking at Abbey National,' he says. 'Abbey is taking lots of market share in mortgages and has big deposits to tap into resulting in a much healthier balance sheet.'

Other top managers backing the large Spanish banks include Banque Syz' Eric Bendahan, the highly rated manager of the OYSTER European Opportunities fund. He has BBVA in his top ten holdings at 2.5% of the portfolio. Meanwhile one of Germany's top fund managers, A-rated Frank Lingohr, holds Banco Santander in the top ten holdings of his €1.9 billion Lingohr-Systematic-LBB-Invest fund.

There is one dissenting voice, however, and it comes from Madrid's most highly regarded fund management boutique, Bestinver.

Star Bestinver manager [Alvaro Guzmán de Lazaro](#), recently said 'I cannot see how Spanish banks will not suffer,' and his co-manager [Fernando Bernad](#) has backed this up. He thinks BBVA and Santander are not going to be immune from a Spanish downturn.

'Santander and BBVA are two well-managed banks and strong brands,' Bernad, co-manager of the [Bestinver Bolsa](#) fund, says. 'But due to the disproportionate weight that the residential construction sector ended up having in the Spanish economy and employment, we are going to see a lot of people going unemployed.'

'This will significantly reduce consumer demand and corporate spending/investment, deteriorate public finances, and the whole economy will have to readjust,' he says. 'This readjustment will likely lead to credit contraction, pent-up delinquency rates, and will write off a significant part of the banks balance sheets. So we expect solvency problems for all Spanish banks despite capital today above minimum legal requirements.'

'After going through this painful readjustment, the banking industry in Spain will probably start off at a much lower level and take many years to reach 2007 size again,' he says. 'Despite Santander's and BBVA's geographic diversification and sound risk management, we believe it might be too early to step in yet.'