

# ***Banking in Portugal before and after the subprime effect***

## **ABSTRACT**

The crisis in the Subprime segment of the US mortgage market has affected several economic and financial sectors, with a particularly significant impact on credit institutions.

The central objective of this dissertation is to evaluate the impact of the subprime crisis on the development of the portuguese banking system. It begins with a brief characterization of this sector during the twentieth century and in the period immediately before the subprime crisis, emphasizing the origin of the internationalization process of the portuguese banking sector, its expansion policy and the role of the deregulation process, after 1984, on the arrival of some spanish institutions.

In a second part, the portuguese banking system is analyzed within an adverse macroeconomic context, examining the measures adopted by the portuguese government and by the Bank of Portugal to contain the financial crisis, as well as the major recommendations from Basel III.

In global terms, it is concluded that the more representative financial institutions in the portuguese banking system comply with the required capital ratios and liquidity levels, as shown by the available stress tests and other indicators that allow monitoring the evolution in credit risk and the potential need to raise more capital.

**Keywords:** *Subprime* crisis, Liquidity, Portuguese banking system, Solvability and *Stress* tests.