



State aid: Commission approves additional aid up to €3 billion for the resolution of Portuguese bank Banif and asset sale to Banco Santander Totta

Brussels, 21 December 2015

The European Commission has approved Portuguese plans to provide about €2.25 billion of state aid to cover the funding gap in the resolution of Portuguese bank Banco Internacional do Funchal S.A. (Banif) as in line with EU state aid rules.

Another aid measure amounting to €422 million covers the transfer of impaired assets to an asset management vehicle. Finally, the Commission approved an additional buffer in the form of a state guarantee to cater for potential recent changes of values in the part sold to Banco Santander Totta, bringing the total potential aid measures up to €3 billion.

This follows the Bank of Portugal's decision to put Banif into resolution on 19 December 2015. It adds to about € 1.1 billion of aid [temporarily approved by the Commission in January 2013](#), and finally approved today. In particular, the Commission found that the additional state aid would facilitate the sale of a large part of Banif's activities, including its deposits, to a strong purchaser, which will allow the transferred activities to return to long-term viability within the new entity. The aid will also support the orderly wind-down of the remainder of Banif's impaired assets. All depositors continue to remain fully protected.

Margrethe Vestager, Commissioner in charge of competition policy, said: *"Banks cannot be artificially kept in the market using taxpayer money. Banif had already received significant state aid but could not become viable again on its own. The measures approved today now enable Banif's orderly exit from the market, and for a robust bank to take over a large part of its activities to the benefit of its customers."*

The recently elected Portuguese government had to react swiftly in a difficult situation and I appreciate that a solution was found in cooperation with the Portuguese authorities."

The Portuguese authorities and the Commission concurred that despite the previous state rescue recapitalisation of €1.1 billion in 2013, which the Commission had temporarily approved in January 2013, Banif's viability could not be restored on a stand-alone basis. The Portuguese authorities also informed the Commission that previous attempts to sell Banif without further state aid were not successful. Hence, the Bank of Portugal as the Portuguese resolution authority decided that Banif had to be resolved, in particular by selling part of its assets and liabilities to another entity and by transferring its impaired assets to a newly-created asset management vehicle. Following the sale process, the resolution authority selected Banco Santander Totta, which is part of a large international banking group, to acquire about €11.1 billion of assets and liabilities, including deposits, from Banif. In addition, impaired assets of about €2.2 billion net book value have been transferred to an asset management vehicle, fully-owned by the Portuguese Resolution Fund, which the Resolution Fund intends to sell at a later stage. Banif will cease to exist as an independent bank.

The Portuguese authorities notified to the Commission plans to grant €2.255 billion in aid measures to support the sale of Banif's assets and liabilities to the purchaser, as well as aid amounting to €422 million contained in the asset transfer to the asset management vehicle. An additional buffer in the form of a state guarantee is also approved to cater for potential recent changes of values in the part bought by Banco Santander Totta, bringing the total potential aid measures up to €3 billion.

The Commission has assessed and approved these measures under EU state aid rules (the "[2013 Banking Communication](#)"). In particular, Banif's shareholders and subordinated debt holders fully contributed to the cost of resolution reducing the need for state aid, in line with burden-sharing principles. Furthermore, the exit of Banif from the market sufficiently addresses the distortions to competition arising from the significant amount of aid.

The Commission also found that no aid has been granted in the sale process to the buyer Banco Santander Totta. Banco Santander Totta's solid balance sheet and its strong presence in Portugal will allow the sold Banif operations, including branches, to be immediately integrated into the activity of Banco Santander Totta, and will allow the integrated activities to return to long-term viability within Banco Santander Totta.

Furthermore, with this decision the Commission also finally approved the aid of €1.1 billion that Portugal had granted to Banif in January 2013, and which was approved at that time only temporarily by the Commission as rescue aid. This means the Commission can withdraw the formal investigation procedure, which the Commission opened in July 2015 on these measures.

Background

Banif is the eighth-largest commercial bank in Portugal when measured by book asset value, with its main presence in the Azores and Madeira, while also operating subsidiaries and representations outside Portugal, such as in Malta, Cape Verde and Brazil, as well as in offshore locations. In the 3rd quarter of 2015, Banif's consolidated balance sheet amounted to €11.9 billion.

In January 2013, Portugal granted an amount of €1.1 billion as rescue aid to Banif, to enable the bank to comply with minimum capital requirements. At the time, Portugal subscribed to shares worth € 700 million issued by Banif and hybrid securities amounting to €400 million. This was temporarily approved by the Commission as rescue aid.

Under EU state aid rules applicable at that time, a final decision on the compatibility of the support measures would have required the Portuguese authorities to propose and the Commission to approve adequate restructuring measures for Banif. Portugal submitted a restructuring plan for Banif, which was amended several times. However, the Commission had concerns whether the proposed measures met the requirements under EU state aid rules, which aim to restore the long-term viability of the bank, require that the bank and its owners contribute sufficiently to the cost of the restructuring and that distortions of competition brought about by the subsidies are limited. The Commission therefore [opened a formal investigation in July 2015](#).

On 20 December 2015, Portugal re-notified the aid granted in 2013 as liquidation aid as well as the additional aid measures. The Commission's decision to approve resolution aid also means that the Commission can withdraw the ongoing formal investigation, since Banif will exit the market.

The non-confidential version of the decision will be made available under the case number SA.43977 in the [State Aid Register](#) on the [competition](#) website once any confidentiality issues have been resolved. New publications of state aid decisions on the internet and in the Official Journal are listed in the [State Aid Weekly e-News](#).

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