

Portugal agrees €2.2bn Banif bailout, 2nd in 18 months

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Portugal has agreed a €2.2bn state rescue for Banco Internacional do Funchal (Banif), splitting the Madeira-based lender into “good” and “bad” banks and selling its healthy assets to Spain’s Santander for €150m in the country’s second bank bailout in less than 18 months.

António Costa, [Portugal’s new socialist prime minister](#), said the bailout would involve “a high cost for taxpayers” but had the advantage of being “a definitive solution”. Branches would open normally on Monday, he said.

The rescue, which “bails in” shareholders and subordinated creditors, follows [the €4.9bn bailout in August last year](#) of Banco Espírito Santo, once Portugal’s largest listed bank, whose healthy assets, [split off into Novo Banco, remain unsold](#), **writes Peter Wise in Lisbon.**

In a statement late on Sunday night, the Bank of Portugal said the rescue of Banif would involve “total public support” estimated at €2.25bn to cover “future contingencies”, of which €1.76bn would come directly from the state and €489m from a bank resolution fund, to which all banks contribute.

The bailout protects depositors and senior creditors and ensures that Banif’s operations, transferred to Santander Totta, the Spanish group’s Portuguese subsidiary, will continue to “function normally”, the central bank said.

Shareholders and subordinated creditors would be left in Banif, retaining “a very restricted group of assets” that are to be liquidated, the Bank of Portugal said. “Problematic assets” would be transferred to a special asset management vehicle.

The rescue partly mirrors the 2014 bailout of BES, which was split into “good” and “bad” banks after its profits were hit by exposure to the heavily indebted Espírito Santo family business empire.

Banif is Portugal's seventh largest lender with total assets valued at €12.8bn in June, equivalent to about 7 per cent of Portugal's gross domestic product, and deposits totalling €6.3bn. The bank is the dominant lender in the Portuguese islands of Madeira and the Azores, where it accounts for more than 30 per cent of total deposits.

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