

# Shareholder digs hole for Portuguese bank

LISBON, PORTUGAL: A key shareholder in stricken Portuguese bank Banco Espirito Santo (BES) has failed to repay a huge debt, putting the banking group at risk of legal action, the unpaid creditor Portugal Telecom (PT) claims.



Dismissed BES Chief Executive Ricardo Salgado is blamed for the investment in the holding company that led to €847m not being repaid. Image: [DN](#)

"Holding company Rioforte, a main shareholder in BES, failed to repay €847m by the deadline on Tuesday (15 July)," PT said.

PT warned that it would use every possible means against Rioforte and all related bodies to obtain repayment of the money owed, but a source close to the matter said Rioforte was set to seek protection from insolvency.

PT also revealed that Rioforte's inability to repay had cost it a large slice of its intended stake in a deal with Brazilian telecommunications group Oi.

The crisis around its holding company, which has gathered pace in recent weeks, has weakened other leading Portuguese banks and also the image of Portugal which emerged from a debt bailout in May.

However, analysts have said that the risks of contagion from the BES crisis to other parts of the Portuguese financial system so far appear limited.

## Court protection sought

Rioforte is preparing to seek court protection from its creditors "within the next few days", a source close to the matter told AFP.

Portugal Telecom bought Rioforte debt worth a total of €897m and €847m of this was due for redemption.

PT said that a new agreement changing the terms of the deal with Oi had been signed and resulted in PT's stake in the new combined entity being reduced from 38.0% to 25.6%.

The crisis at BES has its origins in the discovery of a hole in the accounts of the overall holding company in the bank, called Espirito Santo International (ESI).

This led to the removal of the long-standing Chief Executive at the bank, Ricardo Salgado, who was replaced by an economist Vitor Bento.

Rioforte, which is based in Luxembourg, is expected to put forward a plan to restructure its balance sheet to the commercial court in Luxembourg with the aim of selling assets and raising funds, while being sheltered from creditors.

Rioforte owns 49% of Espirito Santo Financial Group (ESFG) which in turn is the main shareholder in BES with 20.1% alongside French bank Credit Agricole which has 14.6%.

Source: AFP via I-Net Bridge

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