

Bank of Moscow Resists VTB Gambit

By [The Moscow Times](#)

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Bank of Moscow's board prefers Borodin, shown here, to VTB's Kuzovlev. **Maxim Stulov**

Bank of Moscow mounted a takeover defense against VTB by seeking to reverse a decision to propose a VTB executive as the bank's new chief executive.

Bank of Moscow said its board had proposed chief executive Andrei Borodin, who is also a major shareholder, for re-election at its annual shareholders meeting on May 3.

The bank also said in a statement on Friday that its board had decided to cancel an extraordinary shareholders meeting on March 4, which had been due to elect VTB first deputy chief executive Mikhail Kuzovlev to replace Borodin.

VTB, Russia's second-largest bank, has been circling Bank of Moscow since President Dmitry Medvedev sacked Mayor Yury Luzhkov last fall, raising the prospect of a redistribution of City Hall-controlled assets.

The new mayor, Sergei Sobyenin, is weighing various options for selling the city's 46.5

percent stake in the bank, with VTB seeking to assume control in the first half of this year.

VTB, a focus of investor attention after the sale of a 10 percent stake raised \$3.3 billion for state coffers this week, declined to comment. City Hall could not be reached for comment.

Borodin has headed the bank since 1995, building his career during Luzhkov's 18-year tenure. Together with top manager Lev Alaluyev, he controls 20.3 percent in Bank of Moscow, Russia's No. 5 bank by assets.

Separately, a shareholder in Bank of Moscow petitioned a court this week to block decisions that would enable a takeover of the bank by VTB, filings showed.

GCM, which with GCM Investments controls 6.4 percent in Bank of Moscow, petitioned the Moscow Arbitration Court on Wednesday to revise decisions taken at shareholder meetings and by its management bodies.

Reuters could not reach GCM's Moscow office on Friday. The beneficial owners of the stake held by the GCM entities, controlled by a Cayman Islands-based fund, are not known, but analysts suspect they may be linked to existing management.

"We believe that the bank's management is trying to maximize the value of their stake in anticipation of the bank's acquisition by VTB and is not ready to give up without a fight," UniCredit Securities said in a research note.

Kommersant speculated that the lawsuit was related to Bank of Moscow's board meeting in January, at which VTB's representatives were proposed as candidates for the new board of directors, up for election next Monday.

Sources at Bank of Moscow said minority shareholders, including management, who control a combined stake of about 40 percent, would on Monday propose selling their holding together with the city's stake to a strategic buyer.

City Hall had valued the bank, its main investment vehicle, at 178 billion rubles (\$6.1 billion), sources have said, representing a discount to the bank's market capitalization of \$7.5 billion.

"VTB seems to be very keen to take over the bank and unwilling to overpay. If the standoff continues, we might see a full-scale corporate war, which is likely to be won by state-controlled VTB," UniCredit said.

On Thursday, police raided Bank of Moscow, the homes of its directors and a property company owned by Luzhkov's wife, Yelena Baturina, in an investigation of suspected embezzlement and misuse of city funds linked to a \$440 million land deal.

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