

\$3.5Bln Covers Bank of Moscow Losses

By [The Moscow Times](#)

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Former Bank of Moscow head Andrei Borodin has been accused of related-party lending in real estate deals. **Igor Tabakov**

VTB will inject up to 100 billion rubles (\$3.5 billion) into Bank of Moscow to cover loan losses, Interfax quoted a source close to VTB as saying Monday.

The bailout would come as part of a 250 billion ruble rescue package for Bank of Moscow, Russia's No. 5 bank, where a gaping balance sheet hole was uncovered after VTB launched a hostile takeover bid and ousted management.

"Various options for helping Bank of Moscow are being discussed, but we have reached overall agreement with the Central Bank, Finance Ministry and the Deposit Insurance Agency on restoring the bank to health," the source told Interfax.

The source said that VTB would inject up to 100 billion rubles in tranches to Bank of Moscow.

VTB would not comment on the report. Bank of Moscow was holding its annual shareholders

meeting Monday.

Bonds issued by Bank of Moscow and VTB suffered heavy losses Friday on rumors that VTB will, in turn, require a fresh round of state funding to cover the cost of the rescue.

Bank of Moscow's eurobond prices fell 2 to 8 percentage points across the curve Friday, with yields rising 100 to 150 basis points, according to Renaissance Capital.

VTB's 2020 eurobond fell 1.8 points Friday, with its yield rising 26 basis points to 6.78 percent.

"There were some rumors that the merger would not go through completely or that VTB may need extra state cash, and that scared investors," said Ilya Zhila, fixed income analyst at Renaissance Capital. "We think that the bonds of both Bank of Moscow and VTB are oversold, do not deserve this sort of rating, and the weakness could be short-lived."

The cash injection would effectively double the cost of VTB's as-yet unsuccessful bid for majority control of Bank of Moscow. It has, however, secured operational control after ousting management loyal to former Mayor Yury Luzhkov, who was fired last year by President Dmitry Medvedev.

VTB chief executive Andrei Kostin has accused former management headed by Andrei Borodin of significant related-party lending to finance real estate projects that may prove hard to recover.

Russian investigators put Borodin and his former deputy Dmitry Akulinin on an international arrest warrant after the pair fled Russia for Britain.

VTB paid 105 billion rubles earlier this year for the city of Moscow's stake and now directly owns 46.5 percent of Bank of Moscow. It also has a blocking minority stake in an insurance company that owns 17 percent of the bank.

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