

Borodin Sees Motive in Bailout

By [The Moscow Times](#)

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Borodin

The "political" takeover of Bank of Moscow by VTB Group led to the biggest bank bailout in the country's history and the transfer of government money to Bank of Moscow's new shareholders, former chief executive officer Andrei Borodin and his representatives said.

"The criminal prosecution and takeover of Bank of Moscow are part of the same chain of the political decision to change shareholders at Bank of Moscow and to place it under government control," Borodin said in an e-mailed statement.

Borodin is under an international arrest warrant by Russian authorities over his connection to a \$443 million loan alleged to have ended up in the accounts of former Mayor Yury Luzhkov's wife, Yelena Baturina. President Dmitry Medvedev fired Luzhkov in September, amid corruption allegations after 18 years at the helm of Europe's largest city.

VTB bought the city government's 46.5 percent stake in Bank of Moscow for \$3.6 billion in February. Borodin, 44, denies any wrongdoing.

VTB denied the allegations, saying it was "a purely strategic deal and not a political one," according to an e-mailed statement. The press services of the Kremlin and City Hall declined to comment on Borodin's remarks, which he made Wednesday.

Medvedev has made fighting corruption the main goal of his presidency since 2008 as he seeks to attract foreign investment to wean Russia's economy away from dependence on oil and gas. Russia is the world's most corrupt major economy, according to Berlin-based Transparency International's 2010 Corruption Perceptions Index released in October. The country was ranked 154th among 178 countries, alongside Tajikistan.

Bank of Moscow's poor asset quality was uncovered after VTB's purchase, leading regulators to provide a record bailout of 395 billion rubles (\$13.7 billion) last month to keep the country's fifth-biggest lender from toppling.

The "closeness" of City Hall to Bank of Moscow meant that its operations were not properly checked, VTB chief executive Andrei Kostin said in an interview with Business-FM radio published on the bank's web site June 17. The Central Bank said the case showed that it needs greater oversight powers.

Bank of Moscow loaned 368 billion rubles to related parties and will create 220 billion rubles of new loan provisions, equivalent to the most problematic portion of those loans, following the bailout, according to Fitch Ratings. "Bad loans" totaling 366 billion rubles were confirmed by Russian regulators including the Central Bank, VTB's press office said by e-mail Wednesday.

Borodin's spokeswoman Claire Davidson declined to comment on whether he still owns businesses affiliated with Bank of Moscow. Borodin and his adviser sold a combined 20.3 percent of the lender, Interfax reported April 8, citing the former chief executive. Borodin declined to name the buyer, price or when the transaction took place, according to the report.

"VTB had an opportunity to exit this deal and get its money back" in March, Borodin said. "Overall, I am not ashamed of the lending policy, investment policy that we had."

Borodin is wanted on suspicion of abusing his authority in connection with a 12.8 billion ruble corporate loan granted in 2009, according to the Interior Ministry's investigative committee.

Funds from the loan ended up in Baturina's personal account, the ministry said Feb. 17 after police raided her property development company, Inteco. Russia on May 4 issued an international warrant for Borodin's arrest.

Investigators have not provided any proof of wrongdoing, and the loan is being repaid on schedule, Borodin's Moscow-based attorney Mikhail Dolomanov said last month. Gennady Terebkov, a spokesman for Inteco, said April 6 that Baturina has not done anything wrong.

National media in the run-up to the former mayor's sacking directed a series of critical reports against Luzhkov and Baturina. They accused the mayor of corruption and favoritism toward his wife, the country's richest woman, whose fortune is estimated by Forbes at \$1.2 billion.

Baturina, 48, who built a construction empire in Moscow during her 74-year-old husband's

almost two-decade-long tenure of City Hall, and Luzkhov denied any impropriety.

Bank of Moscow's lending strategy was "always based on the interest of the bank, its shareholders and its clients," Borodin's spokeswoman Davidson said in an e-mailed response to questions.

✘VTB, the nation's second-biggest bank, will raise its stake in the troubled lender to 75 percent and "shoulder the main burden" of collecting its souring loans, Finance Minister Alexei Kudrin said after the bailout was announced July 1. VTB says it eventually plans to increase its holding to 100 percent as it seeks to boost its retail operations in the Russian capital.

"The bailout of Bank of Moscow is a veiled form of shifting money to the bank's shareholders," Davidson said.

VTB stressed that the bailout was necessary because of "the fraudulent lending activities of the previous management."

When asked about the allegations that more than 50 percent of loans extended by Bank of Moscow while Borodin was chief were made to parties affiliated to him or other top managers, Davidson said she was unable to comment because no list of loans or any other details demonstrating this were provided.

Borodin's fortune was estimated at \$1 billion in April this year by Forbes, which ranked him the 95th-wealthiest Russian.

Bank of Moscow declined to comment on Borodin's statements because they focus on the lender's shareholders, spokesman Oleg Fedorchenko said by e-mail.

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