

VTB Secures Foothold at Bank of Moscow

By [The Moscow Times](#)

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VTB moved a step closer to gaining outright control over Bank of Moscow on Tuesday after agreeing to pay \$3.5 billion to buy out stakes held by the Moscow city government.

State-controlled VTB, Russia's No. 2 bank, bought the City of Moscow's 46.5 percent stake in Bank of Moscow as well as a 25 percent stake in insurer Stolichnaya Strakhovaya Grupa (SSG), which itself owns 17.3 percent.

The deal was concluded in time for VTB to vote its stake at a forthcoming shareholders meeting.

But it was not clear that VTB would exercise effective control over the bank, as managers who control around 40 percent of Bank of Moscow are holding out against a complete takeover.

"We can only talk about formal figures — 46.5 percent in Bank of Moscow and 25 percent plus

one share in Stolichnaya Strakhovaya Gruppa (SSG)," said Andrei Sharonov, Moscow's deputy mayor.

Sharonov said VTB offered 103 billion rubles (\$3.52 billion) for both stakes, more than its private rival Alfa Bank, which had called for the bank's disposal via an open tender rather than a closed sale to VTB.

"It is the biggest bid ... More than Alfa Bank has offered," he said, adding that Alfa Bank offered slightly less than 100 billion rubles. "We have heard about one other offer but it also was less than 100 billion rubles."

The deal comes a day after VTB, which has been circling Bank of Moscow since President Dmitry Medvedev fired then-Mayor Yury Luzhkov last year, took a third of seats on the lender's board of directors.

State-controlled VTB is seeking to buy the whole of Bank of Moscow, having already won cartel office approval for the deal.

But Andrei Borodin, chief executive of Bank of Moscow and also a major shareholder, said Monday he was not in talks with VTB over the sale of his stake, Russia's news agencies reported.

Analysts expect top Bank of Moscow managers to try to maximize the price of their stakes and get more than VTB offered to City Hall.

"I think the price is low and gives guidance to Borodin, as VTB could not offer a lower price. Probably, we will see management attempt to increase the price," said Leonid Slipchenko, an analyst with Uralsib.

Borodin, who along with another top manager, Lev Alaluyev, controls 20.3 percent of the lender, on Monday valued the bank at \$8.2 billion to \$9.6 billion, for a ratio of between 2 and 2.4 times its capital.

On Tuesday, Bank of Moscow said its board suggested rescheduling its annual shareholders meeting — during which shareholders will vote for CEO — to April 11.

Tuesday was the last day to become a shareholder in Bank of Moscow with rights to vote at the shareholders meeting.

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