

Bank of Moscow Loan Details Emerge

By [The Moscow Times](#)

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The  Moscow Times

Bank of Moscow lent a businessman \$1.1 billion to buy out its former CEO's 19.9 percent stake in the lender in an effort to stave off a hostile bid by larger rival VTB, Kommersant reported.

Citing the results of a Central Bank audit that preceded a record \$14 billion state bailout of Bank of Moscow, the newspaper said Tuesday that the loan was made in March to a company controlled by Vitaly Yusufov.

The loan was part of a series of transactions involving former Bank of Moscow chief executive Andrei Borodin. These left the country's fifth-largest bank holding bad or doubtful loans that accounted for half its assets.

The bank's collapse has exposed glaring failures of oversight by regulators who were apparently intimidated by close management ties to former Mayor Yuri Luzhkov, who was fired by President Dmitry Medvedev last fall.

The Kommersant report confirmed comments to Reuters by officials who said the loan

to Yusufov was unsecured and would be hard to recover. Yusufov, the son of a former government minister, has previously declined to comment to Reuters on the loan and could not be reached on Tuesday.

Borodin sold his stake in Bank of Moscow to Yusufov in a last-ditch bid to stave off a takeover by state-controlled VTB, which secured operational control in April.

VTB, Russia's No. 2 bank, paid \$3.7 billion in February for a direct stake of 46.5 percent in Bank of Moscow and a blocking minority stake in an insurer that owns a further 17 percent.

Under the terms of the bailout, VTB must raise its stake in Bank of Moscow to 75 percent to unlock a low-interest bailout loan of \$10.5 billion.

Analysts speculate that VTB will seek to acquire Yusufov's stake by canceling the loan, effectively paying nothing to come closer to the threshold required to unlock the bailout loan.

The three-month audit exposed suspected related-party lending and loan schemes to cover interest payments that regulators failed to pick up on in the biggest breakdown of banking oversight in modern Russian history.

Auditors found 218 billion rubles (\$7.8 billion) in loans to firms that investigators believe were controlled by Bank of Moscow's bosses, Valery Miroshnikov, deputy head of the Deposit Insurance Agency, has told Reuters.

Further loans to an array of offshore structures were made to finance interest payments on the original credits. These, and loans to finance deals in Bank of Moscow shares, totaled 150 billion rubles and will have to be fully written off, he said.

The schemes collapsed after the ousting of Borodin, who has fled Russia and is wanted on an international arrest warrant. He has denied wrongdoing. Borodin's spokeswoman did not respond to several telephone and e-mail requests for comment.

The Deposit Insurance Agency, responsible for Bank of Moscow restructuring, will pursue further investigations and will consider pressing charges at a later date.

Investigators launched a fraud and embezzlement probe in February surrounding a \$440 million loan by Bank of Moscow that was eventually received by property developer Yelena Baturina, the wife of Luzhkov.

Details of the Central Bank audit made available to Reuters allege that Borodin personally approved the loan to a company called Premier Estate, whose proceeds were not used to refinance debt as stipulated in the loan agreement.

Instead, the loan was used to finance a chain of financial transactions, with the money landing on the account of Inteko, a property developer owned by Baturina, the audit found.

Baturina, speaking at the time the probe was opened, denied wrongdoing and called it an attempt to "put pressure on us." Inteko had no immediate comment.

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