

Bank of Moscow Capital Adequacy Found Low

By [The Moscow Times](#)

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Bank of Moscow's capital adequacy ratio fell close to the minimum allowed level in June after the lender increased provisions for doubtful loans, Central Bank data showed on Tuesday.

Bank of Moscow, once Russia's fifth biggest by assets, now its seventh, will get a record \$14 billion state bailout from its new shareholder VTB and the Central Bank to plug a hole in its loan book uncovered after a change of management in April.

The Central Bank said Bank of Moscow's capital adequacy ratio under Russian accounting standards fell to 10.4 percent as of July 1 from 16.4 percent a month earlier, close to the 10 percent level essential to keep its license.

VTB's hostile bid for Bank of Moscow and the ousting of its management revealed that almost half of Bank of Moscow's loan book was doubtful, triggering the bailout, which equates to almost 1 percent of Russia's gross domestic product.

Under the terms of the bailout, VTB must raise its stake to 75 percent before the Central Bank disburses a low-interest loan of 295 billion rubles (\$10.64 billion).

That will allow Bank of Moscow to book an accounting gain to cover the worst of its bad loan problem. VTB will then have until the end of 2012 to pump a further 100 billion rubles in capital into Bank of Moscow.

Bank of Moscow charged about 69 billion rubles in provisions to cover potential loan losses as of July 1, including almost 49 billion rubles for the second quarter, according to the lender's documents published on the Central Bank's web site.

Bank of Moscow is expected to publish full-year 2010 results under International Financial Reporting Standards this week after a long delay due to the Central Bank checks.

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