

Wermuth Sees Sberbank as Good Buy

By [The Moscow Times](#)

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Sberbank is attractive even at more than twice the valuation of the largest U.S. lenders, as the Soviet-era savings bank boosts earnings and transforms into a customer-focused lender, according to Wermuth Asset Management.

"It's incredible what has happened over the last five years, something people would have never expected," Wermuth chief executive Maarten van den Belt said in an interview last week. Wiesbaden, Germany-based Wermuth, which manages more than \$200 million, may add to its holdings in Sberbank at a secondary share sale, he said.

Russia plans to sell 7.6 percent of the nation's biggest lender this year, part of efforts to cede control of major companies, such as oil producer Rosneft, to raise cash and reduce state influence over the economy. "This is a cheap way of buying into Sberbank," Van den Belt said.

Sberbank trades at about 1.6 times book value, compared with 0.8 for JPMorgan Chase and 0.3 for Bank of America, according to data compiled by Bloomberg. VTB Group, Russia's second-biggest lender, is valued at a multiple of 1.3.

The Moscow-based bank's profit may climb as much as 48 percent this year to 270 billion rubles (\$9.3 billion), chief executive German Gref told reporters in June. Sberbank's assets jumped 21 percent in 2010, compared with 1.6 percent at Bank of America and 4.2 percent at JPMorgan, Bloomberg data show.

Gref, Prime Minister Vladimir Putin's former economic development minister who joined the bank in 2007, has started upgrading its network of 20,000 branches, paid \$1 billion for Troika Dialog, Russia's oldest investment bank, and expanded abroad through the purchase of Volksbanken International.

Shares of Sberbank, which started a depositary receipt program in London last month, have declined 24 percent this year, compared with a 15 percent drop in Russia's 30-stock, benchmark MICEX Index, as banking stocks tumbled worldwide on concern that Europe's debt will worsen. VTB has lost 32 percent in 2011.

The sell-off in Russia's electricity industry, particularly distribution companies such as MRSK Holding, also makes these stocks attractive, Van den Belt said. MRSK, which Wermuth also holds, fell 23 percent in less than a week after Standard & Poor's Aug. 5 downgrade of the U.S. credit rating triggered declines in global equity prices. The shares are down 50 percent this year.

"The electricity sector has been oversold," Van den Belt said. "We're clearly looking at opportunities there."

Wermuth expects its assets under management to exceed \$350 million when it finishes raising cash for a clean-technology fund whose investors include the Tatarstan regional government this month.

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