

## Siguler Guff buys stake in MDM Bank

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Siguler Guff, the US group specialising in emerging markets and distressed debt investments, has made a rare private equity investment in a Russian bank by acquiring a stake in MDM Bank, one of the country's biggest lenders.

The deal comes as **Russian banks** are reeling from big losses due to the economic and financial crisis. It also follows a sharp drop in private equity deals in Russia to \$148m this year, less than a 10th of the \$1.5bn of last year's deals, according to Dealogic.

Russia Partners, the Moscow-based private equity arm of Siguler Guff, will announce on Thursday the purchase of 3.3 per cent of MDM from SM Group, one of its Siberian founders. The investment will be made by Russia Partners' new \$600m fund.

Drew Guff, co-founder of Siguler Guff, said the deal was a vote of confidence in Russia's economic recovery. "Russia is very highly leveraged to the upside of a global recovery and to an increase in commodity prices," he said.

"This is one of the best-run privately owned banks in Russia, with a great track record of corporate governance," he said.

Existing shareholders in MDM include Olivant, the investment arm of Luqman Arnold, former UBS boss, the World Bank's International Finance Corporation, and the European Bank for Reconstruction and Development.

MDM, which recently merged with Ursa Bank, its Siberian-based rival, to form one of Russia's biggest banks with Rbs414bn (\$14.2bn) of assets, is valued by analysts at about \$3bn-\$4bn, or 1.5 to 2 times book value. The value of Russia Partners' investment was not disclosed.

SM Group, which helped to create Ursa Bank in the 1990s, was advised on the deal with Siguler Guff by Brunel Capital.

MDM this week raised \$250m from a syndicated loan, the first Russian lender to tap international debt markets this year.

Cristina Marzea, analyst at Bank of America Merrill Lynch, said: "It is the first Russian private bank to raise capital on debt markets this year, showing it has the respect of international investors."

In a separate deal this week, Siguler Guff said it had sold a 20 per cent stake to BNY Mellon Asset Management for an undisclosed amount.

Siguler Guff this year raised a new \$2.4bn distressed debt fund-of-funds to capitalise on the fall-out from the credit crisis, taking its total assets under management to \$8bn.

The group avoided the mega buy-outs that dominated the private equity industry during the credit bubble but which have since run into trouble.

Siguler Guff was part of Sir Richard's Branson's Virgin-led consortium that bid for troubled UK bank Northern Rock in 2007.

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