

# Sberbank Acquires Turkey's DenizBank for \$3.5Bln

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June 08, 2012



Sberbank chief German Gref has pushed to diversify the bank's operations by buying banking assets outside Russia. **Dmitry Abramov**

State-owned Sberbank continued its expansion on the back of Europe's banking woes Friday with the signing of a \$3.5 billion deal to purchase Turkey's DenizBank.

But the president of Russia's biggest lender, German Gref, repeated his assertion that Sberbank now intends to take a break from its aggressive acquisition strategy to allow time for consolidation.

The seller of the Turkish bank was Franco-Belgian Dexia, one of the first financial groups to fail in 2008. Dexia was forced to receive multiple bailouts last year because of its large exposure to the government bonds of faltering peripheral eurozone countries.

The acquisition, which will be closed toward the end of the year, subject to regulatory

approval, is the biggest in Sberbank's history and comes shortly after the closing of a \$660 million deal to swallow the international arm of Austria's Volksbank in February.

Gref has previously said that the agreement with Dexia, which appeared to have stalled after initial negotiations last year, would never have gone through without the current turbulence in the eurozone banking sector.

Dexia could lose as much as \$872 million on the sale of DenizBank depending on the euro exchange rate, chief executive Pierre Mariani said Friday during a news conference in Istanbul, Bloomberg reported.

Sberbank would also be pushing for a discount between now and the deal's closing, Reuters reported, citing an unnamed source. Europe's third-biggest lender succeeded in negotiating a late discount on its purchase of VBI on the back of a deterioration in market conditions.

Gref has targeted Central and Eastern Europe to diversify Sberbank's operations and carve out a presence for the Russian financial giant on the world stage. He does not rule out eventually expanding in Western Europe, as well as India and China.

The inclusion of DenizBank will mean the proportion of Russia's biggest lender's profits earned abroad will rise to between 7 percent and 8 percent, Interfax reported.

With \$23.4 billion in assets, DenizBank is the eighth-largest bank in Turkey, and it has 592 branches in the country. Sberbank is buying 99.85 percent of the Turkish bank's stock.

But analysts expressed concern that a focus on foreign expansion and integrating new purchases could distract management from pursuing Sberbank's growth domestically.

Gref admitted that the purchase of DenizBank would lower Sberbank's capital adequacy by about 0.6 percent.

"We are not keen on this potential transaction," Citibank analyst Simon Nellis said. "But we remain buyers of Sberbank."

But Gref, who said Sberbank would not need to raise any additional capital for the acquisition, has financial legroom. Sberbank's 2011 earnings of \$10.75 billion were about equivalent to the total profitability of the entire Turkish banking sector.

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