

Sberbank's Entrance into Turkish Banking Sector and Reasons of This Decision

Kemal Yaman

Health Care Management Department,
School of Health, Mersin University, Turkey.
Email: kyaman@mersin.edu.tr

ABSTRACT: In this paper, recent market access of the biggest bank in Eastern Europe, Sberbank of Russia, to the Turkish banking sector is investigated. The motives of Sberbank's act are considered. Despite a long history of confrontation, Turkey and Russia have come closer in recent years, especially through stronger cooperation in energy sector, trade and tourism. In the first part of this article, economic and political relations between both countries are examined. In the second part, reasons for purchasing Denizbank are investigated where both banks' positions in their own countries are questioned. Also, the consequences of Sberbank's entrance to the Turkish banking sector for both countries' relations are studied. Finally, it is observed that the access of Sberbank will reinforce the economic and social relationship between two countries and it will be a leader for Russian companies to enter Turkey's prospective and lucrative sectors.

Keywords: Banking sector, bank acquisition, business potentials, Sberbank of Russia and Denizbank

JEL Classification: F21; G21; G24; G34

1. Introduction

In recent years Turkey and Russia have come closer. Important component for this development between both countries is undoubtedly high level of economic relations. Russia is the main import partner for Turkey. It is the most important supplier of natural gas to Turkey. Trade volume between both countries is growing continuously and it has reached almost 35 billion Dollars in 2012. In addition, Russia will build the first nuclear-power plant in Mersin located in South of Turkey. Second pipeline has been started by Russia via the Black Sea to Europe after the agreement made between Turkey. Investment of Turkish companies increase day by day in Russia. Moreover, Turkey has been more and more preferred by Russian people as holiday destination. It is also seen that since 1990 the number of Turkish-Russian families has extremely grown. All these factors together necessitate the existence of a Russian bank in Turkey from the Russian perspective for easy money transfer between both countries of private people and corporations. The first Russian bank has entered the Turkish financial sector in 2012 by acquiring Denizbank.

In this paper; the entrance motives of the Sberbank into Turkish banking sector are examined. Business opportunities of Denizbank after acquisition by Sberbank as the biggest bank in Eastern Europe are analyzed. This paper shows how important business activities are for bringing countries closer such as Turkey and Russia despite a long history of confrontation.

2. Turkish-Russian Relations

At the time of the Ottoman Empire, Turks and Russians made fierce wars and consequently a deep mistrust between both nations formed. As a NATO member, Turkey was the southern flank of the Western Alliance against Soviet Union during the Cold War. Despite a long history of confrontation, Turkey and Russia have come closer in the recent years, especially through stronger cooperation in energy sector and trade. Russia is the largest trading partner of Turkey (Adomanis, 2012).

Turkey gets almost two-thirds of its gas requirements and one-third of its oil from Russia. Turkish exports have reached almost five billion US-Dollars, while the imports from Russia are around 30 billion US-Dollars. Both countries have common interests that are more stronger than their

disagreements concerning the conflict in Syria. In important regional affairs Turkey has pursued similar political way like Russia and because of this changing situation Western Allies of Turkey began to worry. Turkey's partnership with Russia has focused on energy and trade, but a close military cooperation is still unlikely although there are some common defense projects between both countries. Moreover, the famous magazine Economist writes 'On the political front decades of cold-war hostility have given way to a cool pragmatism. Turkey remained pointedly neutral during Russia's 2008 war against Georgia and has worked hard with the Russians to resolve conflicts in the Balkans' (Economist, 2012). The famous German Chancellor Otto von Bismarck (1815-1898) underlined the secret of politics in completing always good contracts with Russia (Şimsek, 2012).

Also, the role of tourism should not be underestimated for the relations between both countries. In 2011, almost 3.5 million people from Russia visited Turkey. This trend made it possible for citizens of both countries to reduce their prejudices. As a result, the number of marriages between Turkish men and Russian women has risen incredibly (ISPA, 2012; Aktürk, 2012). ENKA is a leading construction company in Turkey which also operates in Russia. In the construction sites of ENKA in Russia, 93 thousand Turks have worked and 10 thousand of them married to Russian girls. The number of Russian tourists has increased to 3.468 million in 2011 (TUIK, 2012) and 100 thousand Russian girls married to Turkish men whom they met during their holiday in Turkey. So, another 100 thousand Turkish-Russian families formed (Yılmaz, 2010). As a result, people from both countries have come closer and the need for a Russian bank in Turkey has occurred for transferring money between family members.

Turkey's first natural gas deal with Russia was signed in 1987 and one year later ENKA entered Russia for construction projects. In the last 22 years, this company has completed 113 projects in Russia and 27 construction sites are still active. The total sums of contracted projects have reached 6.5 billion US-Dollars and the annual rental income from real estate achieved 400 million US-Dollars in Russia. Since its foundation up to now, in the last 50 years, 35 percent of the completed projects of ENKA have been realized in Russia and 30 percent in Turkey (Yılmaz, 2010).

In 2012, the amount of exports from Turkey to Russia consisted of 6.682 billion US-Dollars and the imports from Russia to Turkey amounted to 26.625 billion US-Dollars (TUIK, 2012). The Prime Minister of Turkey, Recep Tayyip Erdoğan, emphasized that the goal of Turkey is to reach a volume of 100 billion US-Dollars in trade with Russia. In the areas of trade, energy, security, culture, and education both countries have signed a total of eleven agreements (Economist, 2012). The Prime Minister of Russia, Vladimir Putin, has announced that they will finance construction of the first nuclear power plant in Turkey. The estimated costs for this intension are estimated to be 22 billion US-Dollars. So, the Turkish-Russia relations have entered the most glorious period since the last 500 years (Şimsek, 2012).

It is obvious from the two agreements realized by the Sberbank of Russia on 3th December 2012 that it will be strongly active in the Turkish market in future. These two agreements were concluded during a visit of Vladimir Putin, the President of the Russian Federation, to İstanbul. The first agreement was done between the Sberbank of Russia and TurkEximbank and the second one between Sberbank of Russia and the Investment Support and Promotion Agency of Turkey (ISPAT).

The aim of the first agreement was to increase exports and optimize the trade relations between both countries. A trade agreement of more than 1 billion US-Dollars was signed between TurkEximbank and Sberbank. This amount should be invested in the period from 2015 to 2017 for Turkish exports to Russia and other countries of destination. If there is demand for investing more capital than the limit of 1 billion US-Dollars, TurkEximbank will consider investing more in this project. In the second Memorandum of Understanding both partners agreed to work intensively, where the execution of investment projects in Russia and Turkey are simplified and the investment climate in both countries are promoted. Russia and Turkey are strategic partners with the aim to finance more projects between Russian and Turkish companies (Ladewig, 2012). It is obvious that interdependence in the economic fields between both countries is also the guarantee for political cooperation.

After purchasing a Turkish bank in Turkey, Russian investments in Turkey would increase rapidly. There are a total of investments which amount to almost 7 billion US-Dollars done by Russian companies in 2010. Construction of the nuclear power plant in Mersin, worth of 20 billion US-Dollars, will be accomplished by Russia (Türkiye Cumhuriyeti Dışişleri Bakanlığı, 2014; Kaya and Kılıç, 2012). Some examples of investments in Turkey and in Russia are as follows: Russian iron and steel

company MMK has established a common iron and steel company with the Turkish company Atakaş in 2007. Goal of the MMK-Atakaş was to build 2.3 million tons of flat steel production capacity in Turkey. But; Russian partner took over the common company by purchasing whole stocks of the Turkish partner for 485 million Dollars in 2011 (Dünya, 2012). Russian LUKoil purchased the Turkish company Akpet for 555 million US-Dollars in November 2008. LUKoil has acquired 689 filling stations and 8 petroleum product terminals and 5 storage facilities for liquefied hydrocarbon gas (LUKoil, 2008). Other investment projects between both countries are Samsun-Ceyhan oil pipeline, South Stream gas pipeline which is seen as a rival to the projected Nabucco pipeline, Blue Stream pipeline which is intended to transport natural gas from Russia to Turkey through the Black Sea, real estate purchases, and investments in tourism areas. Gazprom aims to diversify its natural gas export routes to Europe by realizing the South Stream gas pipeline (Gazprom, 2014 and Oil&Gas Technology, 2013). Even the entrance of the Russian search engine Yandex to the Turkish market is also an important indicator of improving cooperation between business communities of both countries (Yandex, 2011).

Other examples of important investments of Turkish companies are as follows: Şişecam Group, a glass producing company in Turkey has made investments amounting to 750 million US-Dollars in Russia. After its partnership with SAB Miller the Turkish Efes Group of Anadolu Holding increased its market share up to 18 percent with 8 beer processing facilities in Russia (Anadolu Efes, 2013). Zorlu Energy's 1 billion US-Dollars investment in electric power plant is the first Turkish private investment in this field. Vestel and Beko increased their market share up to 10 percent by establishing giant facilities in household appliances. Five of the biggest companies of the tourism sector in Russia are Turkish. Other Turkish companies which originate from textile sector, such as Colin's and Aydınli Group have also invested in Russia. Kastamonu Entegre was established in İstanbul in 1969 operating under the umbrella of Hayat Holding founded in 1937. This company has been operating in the wood based panels sector (Kastamonu Entegre, 2013). Hayat Holding invested a total of 400 million US-Dollars in Tartary, Russia with its subsidiary Kastamonu Entegre. Another Turkish company investing in Vladimir purchased a firm in Russia to produce furniture on behalf of the brand name Bellona owned by Boydak Holding which is founded in 1957 and operates in more than 8 sectors such as furniture, textile, chemistry, marketing, iron-steel, logistics, and energy to informatics. The firm operates with 27 companies and 7 different brands comprised of the companies such as Istikbal, Bellona, Mondi, Iktikbal Regina Mutfak & Banyo, Hes Kablo, Boyteks which are the most known brands in Turkey. Boydak Holding purchased Fabryki Mebli Forte SA from Poland. Boydak wants to defeat regional difficulties in exports and it also aims to cover possible growth in demand in Russia (Boydak, 2014 and Invest in Russia, 2011).

It is interesting how Russia more than doubled revenues from income taxes after implementing low tax despite flat taxes in Russia. Regardless of the problems with Ukraine, Russia seems to have strong economy as well as military. 24% of gas and 30% of the oil used in European Union are delivered by Russia. Moreover, Russia's public finances are much stable than some of the European countries'. While, the budget deficit in European Union reached in average 3.3% of GDP in 2013, it was just 1.3% in Russia. Furthermore, the government debt in Russia made up only 13% of GDP, whereas it reached 87% in EU. In March 2014, Russia has reached foreign-exchange reserves of 486 US-Dollars which are four times as high as its external-financing requirement. On the other hand, reserves in Turkey meet only half of its requirements. Russian state budget is mostly based on the export of oil, natural gas, and other raw materials (Economist, 2014). It can be assumed that there will be political and economic stability in the long-term and a continuing economic growth in Russia. In addition, the total number of banks in Russia as 1,250 exceeds the number of whole banks in Eastern and Western Europe. Significant part of the Russian banking sector is controlled by 4 state banks such as Sberbank, VTB Group, Gazprombank, and Russian Agricultural Bank accounted for 51.6% of all assets in 2012 (VTB, 2012 and Kommersant, 2006).

A correspondent of Rusya Analiz, Nuh Gönültaş expresses his opinion that the purchase was a result of intensified economic relations between Turkey and Russia. This improved situation between Turkey and Russia is caused by factors like:

1. Russians will build the first nuclear power plant in Turkey.
2. Turkey imports most of its energy demand from Russia as petroleum and natural gas.
3. In the sector of tourism Russia is one of the most important partners.

4. Russians are interested in Turkish sectors like coal, chromium, and fuels.

Above listed four factors must be supported with a bank having a strong network. So, the acquisition of Denizbank was a logical conclusion of already built relations. That's why, Russians found a profitable opportunity of investment in Turkey by purchasing Denizbank (Gönültaş, 2013).

After the purchase of Denizbank by a Russian bank, four or five other Russian companies have been encouraged by this event and they began to prepare to invest in Turkey. Among them there are companies from sectors like energy, food, and construction. The agreement for construction of the nuclear power plant in Mersin Akkuyu was signed with Russian state company Rosatom in 2013. For this intension Rosatom plans to invest 10 billion US-Dollars (Rosatom, 2013 and The Moscow Times, 2013).

Moreover, Turkey and Russia are going to be two big partners. The Turkish-Russian cooperation is even more important than the entrance of Turkey to European Union. Assumptions of the founder of ENKA are turning increasingly to be right. Fitch Ratings is a global rating agency dedicated to providing value beyond the rating through objective and balanced credit opinions, research, and data. After the judgement of Fitch Ratings Turkey with status of "investable country" after 18 years, this caused Turkey to exceed the critical threshold. So, countries gaining the status of investable country the portfolio and direct foreign investments would increase up to 4% of Gross Domestic Product (GDP) of the concerned country in a two years period (Çakıroğlu, 2012).

3. Sberbank's Purchase of Denizbank

Sberbank is the first Russian bank which entered Turkish banking sector by purchasing the Turkish Denizbank. The purchase price for 99.85% stake settled at about 3.87 billion US-Dollars. The deal to buy Denizbank, previously owned by the French-Belgian Dexia Group, was concluded in June 2012. Furthermore, in the sale statement of Dexia branches of Denizbank in Austria and Russia were also included. Sberbank came one step closer with the biggest acquisition in Europe and integration of Denizbank in Sberbank-Group. The partners for Sberbank concerning the deal on Denizbank were Deutsche Bank AG, Rothschild, and Troika Dialog, where the counsel of Dexia was Bank of America Corp (Akbay and Ersoy, 2012). Sberbank had many reasons to buy Denizbank. One of the important motives was the structural problem in home country. It would be hard to raise its market share because of the oligopolistic situation controlled by regulators. But, Denizbank offers more prosperous perspectives in business opportunities. Its presence in 20 countries with 1,300 branches, Sberbank aims to increase its market share. To reach this goal, the bank renovates its branches by centralizing and improving the technological platform (J.P.Morgan, 2013). Furthermore, Turkish banking sector is highly attractive. Turkey has the 18th largest economy in the world with an annual average growth of 5.4% during the last decade. Moreover, in the medium term further dynamic growth is expected to occur. Turkey's population is large and it is the fastest growing in the region where 51% of residents are under 30 years old. The banking sector of the country has a credit growth of 25% over the last five years and a credit penetration rate of only 52.7% of GDP, but only a quarter of the credit penetration rate in European Union countries. Because of its demographic profile and convergence-factors, Turkey still has great growth potential.

The global purpose of Sberbank is to raise the share of net profit in international markets from the current value of 1.5% up to 5% in the next two years. In contrast to the previous acquisition of Austrian Volksbank International, Denizbank achieved net profit of 144 million Euro in the first quarter of 2012. According to the CEO of Sberbank, the purchase of Denizbank should be the last deal of Sberbank in international banking for the next 2-3 years (RT, 2012). It is written in the authoritative weekly newspaper Economist that Denizbank has a strong financial position, excellent asset quality, and a sound capital base. Furthermore, Denizbank increased its net profit in 2011 by 21% compared to the previous year (2010) and achieved a net profit of 0.7 billion Turkish Liras and a return on average equity (ROAE) of 17.4% (Denizbank, 2012 and Economist, 2014). To understand the dimension of net profit it can be converted to US-Dollars using the currency value of 30 December 2011 (1 USD = 1.8889 Turkish Lira) which gives a value of 370.6 million US-Dollars as its equal (Türkiye Cumhuriyeti Merkez Bankası, 2013).

In addition, cooperation between Russia and Turkey is progressing well. Conclusion of agreement with ISPAT, which has substantial experience in investment projects, would strengthen the position of Sberbank Group in Turkey (Ladewig, 2012). On the other hand, the acquisition of Austrian

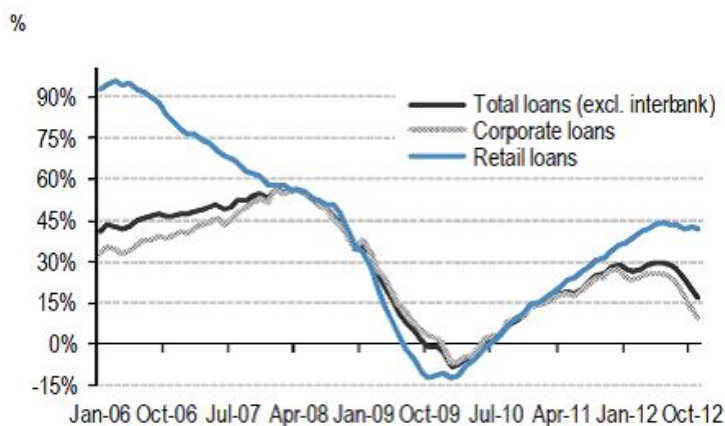
Volkbank International (VBI) was a big problem, because its purchase caused losses for the Sberbank. However, it was a strategically right decision to buy VBI, although it triggered problems to Sberbank. According to the report of J.P. Morgan, Turkey is the most attractive country and it may help to offset the effect of low oil price on performance of Russia (J.P.Morgan, 2013).

Sberbank is the largest bank in Russia. It holds almost one-third of the assets of the Russian banking sector. Sberbank's acquisition of Troika Dialog's equity capital in 2011 enabled the integration of a new investment bank unit to its main bank. Troika Dialog is one of the leaders in the investment banking sector in Russia and Ukraine. It has also offices in Almaty, London, and New York. It was awarded as the leading brokerage firm and best trading division according to the rating of Thomson Extel for 2008-2010. Moreover, the volume of assets under the company's management was approximately 2.8 billion US-Dollars. Troika Dialog is one of the largest players of the Russian derivatives market and had a key role in the creation of the RTS futures and options markets (Troika Dialog, 2013).

Sberbank strengthened its position in the Russian financial market by adding such a strong partner in investment banking business to its company. Sberbank's founder and owner of 51% share of the bank is the Central Bank of Russian Federation. The remaining shares are held by more than 245,000 private and institutional Russian and international investors. Sberbank has the largest network in Russia with more than 19,000 branches. Moreover, it has subsidiaries in 20 countries of the Community of Independent States (CIS) and also in Central and Eastern Europe. In September 2012, Sberbank realized the purchase of Denizbank which is listed in the consolidated balance-sheet total ranking as the sixth of all private banks and ninth of all banks in Turkey. In addition, Sberbank Europe AG (formerly Volksbank International AG) controls a banking network of nine universal banks located in eight countries in Central and Eastern Europe like Czech Republic, Slovakia, Hungary, Slovenia, Croatia, Bosnia-Herzegovina, Serbia, and Ukraine. In total, banks of Sberbank Europe AG operate as 296 branches and employ 4,195 employees as of 30th June 2012 (Ladewig, 2012). Furthermore, according to a news of Financial Times Sberbank was not hit from the Eurozone crisis and it could even raise its net earnings 74% in 2011 and 6% year-on-year in the first quarter of 2011. Additionally, a core measure of a bank's strength from a regulator's point of view is given by tier 1 capital adequacy ratio. This ratio was 11.8% at the end of March 2012 for Sberbank (Weaver, Dombey, and Sakoui, 2012).

Figure 1 shows aggregate loans growth in Russian banking sector. It is clear that the sector is expecting slower loan intake in 2013, especially in corporate loans. As can be seen from Figure 1, the Russian loan demand was also hit by global financial crisis occurred in 2008 and the demand of loans reached its lowest point in October 2009 where it appears as the turning point concerning the loan demand. So, the business potential of Sberbank is limited in domestic market in 2013. The entrance to Turkish market may help Sberbank to boost its loan business because of growing loan business in Turkey and still an unpenetrated market in this field.

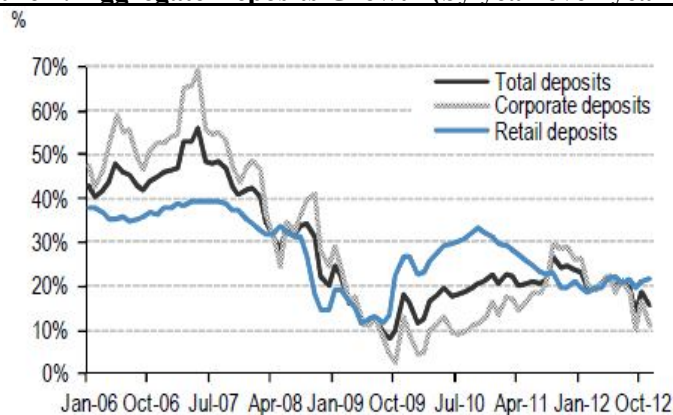
Figure 1. Aggregate Loans Growth (by year-over-year comparison)



Source: J.P.Morgan, 2013

Concerning the aggregate deposit situation in Russia, it is obvious from Figure 2 that the total deposits decreased at the end of 2012. As a consequence, it is expected that this situation may continue in 2013. It can be understood from this figure that very low levels of domestic saving is available in Russia which makes it hard for banks to reach deposits and as a result low financial resources are available for other business fields such as corporate or private loans.

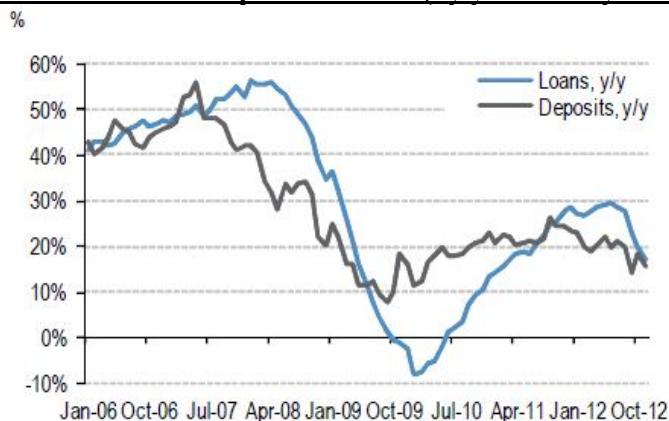
Figure 2. Aggregate Deposits Growth (by year-over-year comparison)



Source: J.P.Morgan, 2013

Other important comparisons in this aspect are loans and deposits. Figure 3 shows that deposits move in the same trend and loans are greater than deposits at the end of 2012. This makes it clear that people in Russia consume more than they save. On the other hand, from the perspective of companies a better situation is valid.

Figure 3. Loans vs. Deposits Growth (by year-over-year comparison)



Source: J.P.Morgan, 2013

Sberbank of Russia is a semi-public largest financial institution in Russia. Almost half of all private accounts of the country are held by this bank. Measured as market value, Sberbank is the fourth largest financial institution in Europe being far ahead of the Deutsche Bank. Sberbank also considers offering an online service for the German market. To reach this goal, recently acquired Turkish Denizbank can be expanded, because Denizbank has an existing platform for online banking in Austria and Germany for the Turkish citizens living in these countries. Denizbank has also a branch in Frankfurt. These opportunities may help to reach more customers in Germany. Moreover, German market is also an option for Sberbank. International business department of Sberbank emphasizes that other than doing business in Russia; they give importance to business opportunities abroad also. Furthermore, the Eastern Europe market is seen as very important, but not Western Europe except Germany (Kaiser, 2013).

There are about 6 million Russian language speaking people in Germany half of which originate from the former Soviet Union (Grinin, 2010). In addition, 3.5 million people with Turkish background are living in Germany, i.e. 'German Turks' have either a Turkish passport or German passport (Dowideit, 2010). Sberbank did not decide in 2012 under which name the branch of Denizbank in Germany would continue its business: Denizbank or Sberbank. Until April 2013, the decision for a new strategy for both brands in Turkey and Europe should have been made. Sberbank rely probably on the fact that there are many people in Germany and Austria. Denizbank can reach with its Turkish background to Turkish people and Russian speaking people with its new owner Russian Sberbank. Sberbank bought a bank which enables to serve at least a market of 9.5 million potential new customers in Germany consisting of Turkish and Russian speaking people (Kaiser, 2013). The presence of the bank in Germany makes it also possible to gain access to German customers. Now, it is obvious why they selected the brand name as Denizbank to operate in Germany, Austria, and Turkey (Denizbank Deutschland, 2013).

Moreover, 1,500 Russian companies are operating in Turkey. But, there are also other firms which consist of Russian speaking people such as Kazakh and Ukrainian firms. So, in total more than 2,000 Russian speaking companies are operating in Turkey (Akkuyu NGS AŞ, 2011). As can be seen, huge numbers of companies as customers are existing in Turkey for Sberbank, but this fact has remained untreated until now. That's why; a big potential exists in Turkey for Russian Sberbank to take huge advantage from Russian speaking companies in Turkey. As a result, the entrance of Sberbank in Turkey brings the idea of Customer-Follow-Hypothesis. That means Sberbank is also following its customers in Russia by entering Turkey.

Denizbank is a leading Turkish universal bank and it is the 8th best bank in the Turkish banking sector measured by assets, deposits, and loans to the date of 31 March 2012. Denizbank is one of the biggest success stories of the Turkish financial sector. Denizbank was founded as a start-up and regarding to the consolidated balance sheet it is measured as the 5th biggest Turkish private bank. It has a long lasting high growth rate and attractive profitability. Denizbank is market leader in retail and commercial banking with a different focus and unique competitive advantages in appealing niche segments such as lending to private customers, small and medium sized enterprises (SME's), and agricultural sector where it convinces its customers with strong brand awareness, innovative products, and advanced technologies. On 31 March 2012, Denizbank ranked No. 7 in the car credit business with a market share of 5.2%, No. 9 in the consumer credit business with a 4.2% market share, and also No. 9 in credit card demand with a 2.8% market share as well as in the business field for small and medium sized enterprises (SME's) with 4% market share. Lastly, Denizbank was assigned as the 13th best bank in agricultural loans business with a 20% market share (Denizbank, 2012).

Sberbank will create synergy with Denizbank, the 8th biggest bank with 600 branches in Turkey. For example, Sberbank plans to take advantage of Russian tourists visiting Antalya by increasing its ATM machines on the beach to reach them. There are more than 70 million customers having Sberbank's card in Russia and there are almost 3 million people having this bank's card out of 3.5 million Russian tourists in Turkey. They can easily use and profit from this facilitation of Denizbank. Sberbank has prepared advertising campaigns in Russian Language to be used in Antalya. So, the bank is supporting its customers on vacation. Another important point is to provide Sberbank's customers proper services which enable them to do shopping by credit card in Antalya. Sberbank is also considering projects related to building money transfer systems between both countries. Such a system is substantial and beneficial when the large number of Turkish workers in Russia and the small and medium-sized Turkish businessmen in Russia are considered (Akkan, Seferov and Niyabayev, 2013).

Furthermore, other activities have been carried out to provide the usage of similar services offered by Sberbank's branches in Russia also to Denizbank customers in Turkey. Sberbank has projects in consideration consisting of 20 items about this issue. It also aims to build a systematic bridge between both countries not only to Denizbank but also to create synergy to make it possible to benefit from services offered by Sberbank to all Turkish companies. These activities of Sberbank are considered as a vital contribution to the relationship between two countries. In addition, the most important challenge is financial support in economic development relations. Here, Sberbank plays the role of a 'machine pumping fresh blood' in investments realized between both countries. So, Sberbank

would build this bridge between corporations and private people in both countries (Akkan, Seferov and Niyabayev, 2013).

It is obvious that both banking sectors are performing well. Sberbank's efficiency is better than the average values achieved in Russia. In Table 1 P/E stands for price/earnings, P/BV stands for price/book value where this ratio is commonly used to compare banks, because most assets and liabilities of banks are constantly valued at market values. ROE means return on equity which is given by formula as net income/shareholder's equity. Lastly, T1 in Table 1 stands for tier 1 capital which is the core measure of a bank's financial strength from a regulator's point of view.

It is important to recognize that the Turkish economy grew 8.5 percent in 2011. Turkish banking sector has also been attractive to other foreign banks such as Banco Bilbao Vizcaya Argentaria SA (BBVA) bought 24.9 percent of Türkiye Garanti Bankasi AŞ for 5.8 billion US-Dollars in March 2011. Moreover; the stable, profitable, and developing Turkish banking sector has been supported by the growing and strengthening economy in Turkey since 2002. Furthermore, Herman Gref the CEO of Sberbank believes that the Turkish banking sector will be the most attractive market in Europe for the next 15 years. In addition, he thinks that the relatively low penetration level and the great potential for growth of the Turkish banking sector makes this country to be the best deal for Sberbank. In 2011, the lending growth in Turkey was more than 30 percent and the ratio of loans to gross domestic product (GDP) was about 50 percent where this ratio was 39 percent for the same year in Russia. The senior analyst, Leonid Slipchenko, at UralSib Financial Corp. in Moscow believes that the Turkish banking sector is still an underserved market and it has great opportunities for growth (Akbay and Ersoy, 2012).

Table 1. Performance comparison of Turkish and Russian banks

Bank	P/E	P/E	P/BV	P/BV	ROE	ROE	T1	T1
	2012	2013	2012	2013	2012	2013	2012	2013
Russia	6.7	4.4	0.9	0.8	17.6	18.8	11.7	12.1
Sberbank	5.5	5.9	1.3	1.2	25.5	21.9	12.1	12.5
VTB Bank	6.1	4.7	1.1	0.9	17.8	20.3	12.1	12.5
Nomos Bank	6.5	5.3	1.1	0.9	17.9	18.4	10.1	11.2
Bank Vozrozhdenie	4.6	3.3	0.6	0.5	14.8	17.5	12.5	12.8
Bank St. Petersburg	13.2	3.9	0.5	0.5	4.0	12.7	12.0	12.2
Turkey	9.7	8.2	1.4	1.2	15.4	16.4	13.0	13.0
Ak Bank	13.4	10.1	1.7	1.5	13.0	15.5	15.6	15.3
Garanti Bank	10.4	9.3	1.8	1.6	18.0	17.7	14.1	14.1
İş Bank	9.1	8.3	1.3	1.2	15.1	14.8	12.3	11.9
Vakıf Bank	8.3	7.2	1.0	0.9	12.9	13.0	12.1	12.1
Halkbank	8.7	7.8	1.8	1.6	23.5	21.8	13.3	13.4

Source: J.P.Morgan, 2013

4. Conclusions

The intensified and improved relations between Turkey and Russia starting from 1990's have led to improved economic cooperations. As a result, companies from both countries invested in the other country. Sberbank is the first Russian bank which invested in Turkish banking sector by acquiring Denizbank, an already profitably working bank. The reasons of Sberbank's entrance to the Turkish banking sector can be listed as the improved relations between two countries, business opportunities in Turkey because of growing economy, consume-oriented young population, growing number of credit card users, already existing Russian companies in Turkey, and joint projects between both countries. Sberbank has gained additional advantage by purchasing Denizbank because of its existence in Germany and Austria to reach the Turkish and Russian immigrants and their companies.

Also, Denizbank has branches in Moscow and it is already serving Turkish business people in Russia. By gaining Denizbank, these customers have automatically been transferred to Sberbank's customer base. Another important point is that Sberbank has also encouraged other Russian companies to invest in Turkey. This motivation creates new customers in Turkey. Furthermore, the strategy of Sberbank to reach its customer base during their vacation in Antalya and to enable them to get credit

from ATM machines is another substantial business opportunity. Moreover, the increasing number of Turkish-Russian families should not be underestimated and they should be considered as potential customers. After all these discussions it can be concluded that Sberbank bought a Turkish bank, Denizbank, which offers wide business opportunities.

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