MOODY'S
INVESTORS SERVICE

Announcement: Moody's confirms Denizbank's Baa3/P-3 ratings; outlook stable

Global Credit Research - 16 Oct 2012

Actions conclude review initiated on 16 March 2012

Frankfurt am Main, October 16, 2012 -- Moody's Investors Service has today confirmed the Baa3 long-term and Prime-3 short-term local-currency deposit ratings of Denizbank A.S. At the same time, Moody's confirmed the bank's D+ bank financial strength rating (BFSR) equivalent to a ba1 standalone credit assessment. All ratings carry a stable outlook.

Today's rating announcements conclude Moody's ratings review initiated on 16 March 2012 and follow the change of ownership of Denizbank, effective 28 September 2012, which is now majority owned by Russian Sberbank (Baa1 deposits stable; BFSR D+/BCA ba1 stable).

RATINGS RATIONALE

The Baa3/Prime-3 local-currency deposit ratings are supported by Denizbank's ba1 standalone credit strength and a high likelihood of systemic support from Turkey. Moody's also incorporates a high likelihood of parental support from Denizbank's new majority shareholder Sberbank, which acquired approximately 99.85% of Denizbank's shares from Dexia Participation Belgique SA and Dexia SA on 28 September 2012.

The D+/ba1 standalone credit strength reflects Denizbank's strong financial fundamentals and its growing franchise. However, the assessment is constrained by (1) the bank's low cross-border diversification; (2) the relatively unseasoned nature of the loan book following years of strong growth; (3) its evolving risk culture and risk-management practices, particularly in retail loans, which forms part of the bank's focused growth and expansion strategy; and (4) relatively high levels of exposure to Turkish government securities.

Moody's believes that the benefits of a successful collaboration between Denizbank and Sberbank -- including synergies that could reflect positively on Denizbank's franchise in Turkey -- would only materialise over the medium term.

Moody's assessment of a high probability of parental support is based on Denizbank's importance to Sberbank, underpinned, amongst other things, by (1) Sberbank's 99.85% ownership of Denizbank; (2) Sberbank's dedicated focus to increase its cross-border expansion, whereby Denizbank provides some diversification benefits (with total assets representing about 7% of Sberbank's consolidated assets as per unaudited June 2012 financials); (3) both banks having commercial consumer-oriented banking franchises; and (4) Sberbank's supportive track record towards its subsidiaries.

When assessing the likelihood of parental support for foreign subsidiaries, Moody's typically uses the parent's unsupported rating as the anchor rating of the support provider. Moody's parental support assumptions do not result in any rating uplift for Denizbank's ratings because Sberbank's unsupported rating of ba1 is at the same level as Denizbank's unsupported credit assessment.

Moody's assessment of a high probability of systemic support is based on Denizbank's importance to the domestic financial system, given its domestic loan and deposit market shares of approximately 3%-4%. Moody's assessment is also based on the government's strong track record of support, and the fact that the rating agency considers Turkey to be a high support country. Based on these assumptions, Denizbank's Baa3 long-term local-currency deposit rating receives one notch of systemic support uplift.

WHAT COULD MOVE THE RATINGS UP/DOWN

There is no upwards pressure on the BFSR and local-currency deposit ratings in the short term, captured by the current stable outlook. The ba1 standalone credit assessment is currently positioned and capped at Turkey's sovereign rating. If the sovereign rating is upgraded, respective upwards pressure could develop on the bank's standalone credit strength. This would be contingent on evidence of an improvement in Denizbank's overall profitability, contributing positively to the internal capital generation capacity and capitalisation, without compromising risk appetite and underwriting standards. An upgrade of Sberbank's standalone credit strength rating could positively influence Denizbank's adjusted standalone credit assessment; however, it would be unlikely to lead to an upgrade of Denizbank's local-currency deposit ratings given the already available rating uplift from systemic support.

Downwards pressure on the BFSR might develop (1) if significant changes in Denizbank's strategy or management cause adverse developments in its performance; and/or (2) if Turkey's credit profile weakens; and/or (3) if Sberbank's credit profile weakens, as Moody's believes that subsidiaries are always likely to be partially affected by changes in parents' creditworthiness.

For the second point immediately above, Moody's believes that the creditworthiness of financial institutions with low cross-border operational diversification and/or high balance-sheet exposure to the debt of their domestic sovereign is closely linked to the domestic sovereign's credit strength.

PRINCIPAL METHODOLGIES

The principal methodology used in this rating was Moody's Consolidated Global Bank Rating Methodology published in June 2012. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides relevant regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides relevant regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides relevant regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

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Information sources used to prepare the rating are the following: parties involved in the ratings, public information, and confidential and proprietary Moody's Investors Service information.

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