

EMIRATES NBD MAY 2018 ANALYSTS & INVESTOR CONFERENCE CALL 22 May 2018

CORPORATE PARTICIPANTS

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PRESENTATION

Operator

Good day ladies and gentlemen and welcome to the Emirates NBD update call for analysts and investors. For your information, today's call is being recorded. At this time, I would like to turn the conference over to Mr. Shayne Nelson, Group CEO of Emirates NBD. Please go ahead sir.

Shayne Nelson

Thank you operator and Ramadan Kareem to all of you joining this call. Following the announcement earlier this morning, I have arranged this call to walk you through the key aspects of this transaction. I will then open up the call and give you the opportunity to ask questions. Joining me on today's call, as per usual, are Surya, the Group's CFO, Paddy our Head of Investor Relations, and our guest, Neeraj Makin head of Strategy.

Earlier today it was announced to the market that Emirates NBD and Sberbank have entered into a definitive agreement whereby Sberbank will sell its entire 99.85% stake in Denizbank to Emirates NBD. The closing of the transaction is subject to regulatory approval in Turkey, Russia, the UAE and other jurisdictions where Denizbank operates. The transaction is expected to close in 2018.

In terms of the economics of the transaction, Emirates NBD agrees to a consideration of 14.609 billion Turkish Lira in exchange for Sberbank's 99.85% stake in Denizbank. The final payment is based on a lock-box mechanism with a lock-box date of 31st October 2017. Emirates NBD will pay interest on the consideration for the period between 31st October 2017 and the transaction closing date. All profits accruing from the lock-box date until the closing date will be for Emirates NBD's account.

The price to book value multiple is 1.17 times as at 31st October 2017. Given that profits from October 31st, 2017 until closing are for Emirates NBD's account, the effective multiple for the transaction

is expected to close in 1.05 to 1.06 times Book Value at closing. As part of the transaction, and on closing, Emirates NBD will assume ownership of approximately 1.2 billion US dollars of Denizbank's subordinated debt previously provided by Sberbank. This subordinated debt will be assumed at par plus accrued interest.

We expect the transaction to be accretive on day one and for the balance sheet to remain strong. Emirates NBD is adequately capitalised to consolidate Denizbank into its financials. In addition to retained earnings prior to payment for the acquisition, Emirates NBD also has, independent to this transaction, approval from shareholders to raise up to an additional \$2 billion in Common Equity Tier 1 capital to maintain healthy capital buffers.

Through this transaction, Emirates NBD will establish itself as a leading bank in the MENAT region. We will achieve improved asset diversification and a meaningful addition of revenue streams across an expanded range of countries and business segments. We will grow our geographic footprint from 8 countries to 13. Denizbank is a very attractive business within the Turkish banking market. We have been impressed with Denizbank's management and their proven strategy to achieve controlled and profitable growth in the markets in which they operate.

We believe that Denizbank's strong and experienced local management, coupled with its market leading digital capabilities will complement the Emirates NBD culture, service and product offering and provide an unrivalled banking proposition within the MENAT region. We have commenced our engagement with regulators and whilst timing of such matters is not within our control, we are hopeful that this transaction can close in 2018.

With that I would like to open the call to your questions you may have. Operator please go ahead.

QUESTIONS AND ANSWERS

Operator

We will take an opening question from (Yafmire) of Arqaam Capital. Please go ahead.

Yafmire - Arqaam Capital

Yes hi. Thanks for hosting the call. Regarding the interest rates, let's say the interest you're paying between the October 31st and the transaction closing day, is this based on local interest rates or is that Dollar linked? Obviously that makes a difference for the rate you're paying. In terms of capital hike, do you still plan to do \$2 billion or do you think it's going to get - actually going to be a little less given that the ticket size a little less than the \$4 billion that was alluded to before. Also the timing of FOL increase, what's the latest with that respect? It is already passed on through the central bank or ECA or is it still not being submitted? And also the rights issue you plan to do this prior to the deal or you're comfortable even doing after closing of the deal? Thanks.

Surya Subramanian

I'll take the question on the interest rates and pass on the rest to Shayne. The interest rate is a Dollar linked interest rate. Although the Book Value has been fixed in Turkish Lira, the settlement will be in U.S. Dollars and hence interest rate also in U.S. Dollars. Moving on to capital and FOL, as Shayne did mention in his call earlier these were independent decisions taken by the AGM but Shayne will have a further comment.

Shayne Nelson

On the FOL, there is no date has been set and any change are subject to the regulatory approval. There's a number of internal external prices to include and before we apply to the SCA for approval including seeking central bank approvals to change the articles of association. So we've got a bit of work to do before we get there. Some of the other companies and banks changes took, you know, three to four months to actually get it completed.

Yafmire - Arqaam Capital

So increase will happen before the rights issue right?

Shayne Nelson

We'll make that decision as we get further down the line. On the capital amount, our intention would still be at this stage to raise when it's been approved by the AGM but again that'll be subject to the board confirmation. And as you rightly pointed out, the ticket size has reduced quite considerably since we originally talked about the transaction.

Yafmire - Arqaam Capital

Right. One thing is not clear to me. So you settled in Dollars. That's fine but the amount you are willing to pay is the 14.6 billion Turkish Lira right? So are you exposed to adverse currency movements now?

Surya Subramanian

Yes. There is a mechanism to determine that exchange rate. Obviously it's something we can comment on at closing.

Yafmire - Arqaam Capital

Yes but I mean you agreed 14.6 and you set them in Dollars. And then I guess is the exchange rate at the day of the closing right? Am I right?

Surya Subramanian

Well you're getting into nitty gritty of the SCA which I'm not at liberty to share. All I can say is there is a mechanism and suffice to say both parties, buyer and seller, are aware of the risks and volatilities that currently exist in the Turkish Lira market.

Yafmire - Arqaam Capital

Right. So but is there a risk that you pay substantially more than the 1.05, 1.06 that you were alluding to before?

Surya Subramanian

I can eliminate the word substantial. There is always a risk when you deal with FX rates. But there is no substantial risk to Dollar determination.

Yafmire - Arqaam Capital

Okay. And a final few things. Any cost synergies or perhaps on the funding side do you see any obvious synergies from the acquisition by replacing some of the household debt for example?

Surya Subramanian

You're talking about at Emirates NBD?

Yafmire - Arqaam Capital

No at well no at Denizbank I would assume, right. So let's say you acquire it, obviously you could optimize the balance sheet perhaps because obviously your credit rating is pretty good as a group. So obviously there could be funding synergies rising and particularly if you were to retire some of the household debt or optimize the balance sheet as a whole. Obviously I think cost synergies is another story right?

Surya Subramanian

Well there is always the possibility as you're aware post the Global Financial Crisis. One of the strengths of Emirates NBD has been its balance sheet structure and the very liquid profile we maintain and the good structure we have been assets and liabilities and the mix of those assets and liabilities including our market presence both in public and private debt issuances. We will certainly bring to Deniz all our capabilities. There is an existing I would say knowledge in the market that Deniz today is constrained in its ability to borrow given its current parent. That would change post-closing and we do hope there would be some benefits there.

Shayne Nelson

Yeah, even though Deniz itself is not subject to sanctions, there's certainly - it does affect appetite when the parent has been.

Neeraj Makin

And actually they were partially affected by at least they couldn't raise money in the European markets because they had a waiver from OPAC so they could raise money in U.S. Dollars but using U.S. Dollars or Euros in the European EMP markets was impossible for them. So once that changes, they will have the ability to kind of launch a DMPN program which they have to shut down before sanctions were put in place in 2014. That should give them certainly advantage and should actually give them a boost on their funding site.

Yafmire - Arqaam Capital

Yes. And by the way is and I'm not sure you answered this before actually. The - let's say the rights issue, you plan to do that before the closure of the deal or it's not actually a necessary condition?

Surya Subramanian

Independent transactions, yeah

Yafmire - Arqaam Capital

Okay. Cool. Yes I think you have enough cash to pay for it.

Shayne Nelson

If you look at the capital where we are at the moment, there's no climate for us to actually do the rights issue before close.

Operator

We will take our next question from Chiradeep Ghosh of SICO. Please go ahead.

Chiradeep Ghosh - SICO

Hi. Thanks for hosting the call. Very two quick questions. First one is do you like to comment on the valuation considering that the Turkish banks are trading at a much lower valuation these days? If you can throw some light with it, it would be very. You believe that the valuation is fine or in the current condition maybe you could have got a better deal, something on that end. And one - second one is more to do on the synergy. If you can throw some light on your synergy with your Egyptian operation just to get a sense for us to extrapolate and see whether you can replicate similar things in Turkey. Just if you can throw some light on this too. Thank you.

Shayne Nelson

I think on the do we think we could have got a better deal, we only signed yesterday. So in fact we - if we thought we could have got a better deal, we would have got a better deal. I think one of the main considerations when we looked at to buy Denizbank in Turkey is one is it's got excellent management. I'm sure quite a few of you probably do cover Deniz in your travels and you met Hakan the CEO there and the management there, they are a very strong bank in their own right.

Just as a matter of course, they won - the year before last they won the most innovative bank in the world award which we won last year. So they're very strong on their digital capabilities, they have a strong technology company. But I think one of the important things they do even if you want to compare, for example, this acquisition cost versus Finansbank through QNB, the Return on Equity of this entity versus Finansbank is not comparable. So this is a very high performing bank that will be accretive from day one when we actually close the transaction out.

So for us this is a - what we think is a very fair price for a quality asset that has meaningful market share in Turkey. And one of the criteria as when we were looking at Turkey is we didn't want to buy something small that had 1% or 2% market share. We wanted to buy something meaningful in the market because these days as you all know banking's becoming an economies of scale game and we do need scale. And with their around 700 branches in Turkey itself plus their operations in Austria and Germany, it's a very good asset for us. And they do get some offset for the currency risk by the way because of that European operation.

Surya Subramanian

Here I would add that trading comps are not necessarily the best comparison for this because although Deniz is listed and 99.85% of the shares are held by one owner which was per bank whereas

some of the other comps you're looking at in the market or for more broadly and diversified held operations within the Turkish banking market.

Neeraj Makin

So just to add on a point out there, you know, if you forget the trading comps. If you look at the historical transactions which have taken place in Turkey, one of the more, you know, kind of recent ones was the QNB Finansbank as Shayne mentioned. So QNB Finans you know the situation was completely different. There was a distressed seller who had to sell at a certain point of time and as Shayne mentioned they returned for five. So just to, you know, give you some facts and figures. At that point in that year Finansbank's return on equity was around 6% to 7%. Denizbank last year made about 18% return on equity.

So for all of you who do these master numbers can very quickly see that it's from a return on invested capital perspective or return on equity or in terms of what is the cost of capital or a marginal cost of capital they are doing much better. So from that perspective we believe we had a very, very fair bargain on this deal.

Surya Subramanian

Yes. The other point I can give you Chiradeep is since Deniz listed and their financials are publicly available, you can take a look at their first quarter 2018 financials. Last year also the full year results they made a little over \$500 million. This year they are on track in the first quarter to meet and beat that number. Compare that against the acquisition prices well you will get some metrics that are very different to the other banks in the market that we are talking about.

Shayne Nelson

I think on U.S. question on synergies, well certainly I think from a business synergy there's quite a lot and that's one of the reasons Turkey for us is an attractive market. One is the trade between the UAE and Turkey itself. It's been the past is growing over the last 12 months the trade there and it's now what, number three.

Surya Subramanian

I believe it's three.

Shayne Nelson

Three after India and - China, India, then Turkey. So it's a growing market for trade. Well so you think about what we've been doing with our network, opening in India. So we're - now we'll have India to Turkey. We'll have Saudi to Turkey. We'll have Asia to Turkey besides the UAE. So we're building those trading capital flow bridges and we've not got much competition in a lot of these markets that cover those combinations. So I think, you know, we have got quite a lot of ability there.

On technology, they have excellent technology. We would not look to integrate that bank into ours. So we're not going to have a massive integration class with the technology. Our role is we'll link in things like risk reporting, accounting, etcetera, but the systems themselves they've built we will not be touching those because it's just not necessary. They're very much standalone when it comes to their systems. In fact, their technology company sells their technology I think now to about 36 banks including HSBC in Turkey by the way.

So they're very advanced when it comes to technology and we think that as we've announced previously with our digital transformation and rebuilding our architecture, we're putting away a billion Dirhams over the next two, three years to complete that. We will be able to get some leverage out of the technology company that they own and we will own.

Chiradeep Ghosh - SICO

And now very quickly, do you have any guidance on - in your mind or in your model which you have figured out what is the currency devaluation you're factoring for Turkish Lira?

Surya Subramanian

You know, we always factor in devaluation. We did that even when we bought Egypt. We did that even as we did the due diligence and bid for Deniz. The numbers themselves are not relevant but suffice to say it is in line with medium to long term trends because we are not here to buy and sell shares in a bank overnight. We are here to develop and operate the business and grow the business.

Operator

We will take our next question from Hutan Nasabe of Bank of America. Please go ahead

Hutan Nasabe - Bank of America

Hi there gentlemen. With regards to Denizbank's capital ratio, they seem to be quite a lot lower than yourselves. How much do you think recapitalizing this bank or giving them access to greater capital ratios will enable them to grow? Do you think this has been a growth constraint bank and that they can take market share and move into being a top five bank eventually in Turkey? Is that something you envision or are you happy with the levels of capital they have right now and you don't think about recapitalizing it? Thank you.

Surya Subramanian

In terms of numbers, I'll respond first and then pass onto Shayne for the strategy. Denizbank if you look at their financial statement for year-end 2017, the Capital Adequacy Ratio was 15.3% and the Core Equity was 10.6%. As we did mention, they have been a little constrained because the - their current owner Sberbank are not able to pump in capital because of the sanction that prevails. Deniz has therefore had to survive on internal capital generation, which it has been doing a pretty decent job.

There are some inherent structural advantages they have because about 30% of their business is in Austria and they have a separate subsidiary in Austria. So the capital that you see is spread across Austria and in Turkey. In terms of our ability to support them, our own CEP1 as of last year was 15.3% and our total CAR was 21.2. We have since migrated to Basel 3 from quarter one of this year. The numbers are still north of 20% in total Capital Adequacy Ratio. So we will make those choices as we go along for the right businesses and have the ability to support them.

Shayne Nelson

And I think strategically if you think about where we are in market share in the UAE in both deposits and loans, the reality is yes we can live down market share a bit within this market and we're continuing to do a good job there. But this market here has actually been slow in credit growth. And we are generating a substantial amount of capital via our probability versus our dividend power ratio. So we have the capacity to see not just Turkey but also Saudi and also Egypt. And that to us is really where we think we can actually add a lot of value to our shareholders is by using the capital generation capacity we have here and distributing it where we can get decent returns within those other markets.

For Turkey itself, would we want to grow our market share there and be a bigger bank? Absolutely. And we think we have the management team and the capabilities there to do that now. We won't need to do also management changes there. In fact we believe it's management accretive in that acquisition. And

especially around their technology, we think there's a lot of capabilities there that we can leverage on over here.

Surya Subramanian

And Shayne I might add just on the numbers, Deniz is the fifth largest private bank in Turkey. And the eighth largest including all the state banks.

Operator

We will take our next question from Shabbir Malik of EFG Hermes. Please go ahead.

Shabbir Malik - EFG Hermes

Thanks. I think most of my questions have been answered. Just one question on the minority shareholders, the people who own like 15 basis points. Do you think that you can push this deal through and you can - won't see an opposition from the minority shareholders on this deal?

Neeraj Makin

Well so these .5, .15% shareholders I think have been shareholders for a long time. When Sberbank took over in 2012, I think at that point of time these shareholders existed and they didn't have any problem. In Turkey, we have the capital market law which allows us to have something. So with everything we would want, we could do that. We will ask per the laws to do an open offer for the remaining 0.15% of the shares and if those shareholders are willing to kind of transact at the same terms and conditions what immediately has been we will be very happy to mark those shares up. Otherwise the bank can continue I don't think so .15% shareholders can object or stop the deal.

Surya Subramanian

Shabbir in most markets .15 would not meet the threshold to clearly block a deal.

Shabbir Malik - EFG Hermes

Understood. And if I may one more thing. So we are obviously equity investors. We have a much shorter time horizon in our minds. But given the economic challenges that we're seeing in Turkey right

now, what were the key considerations, you know, that were made or, you know, on which those decisions to invest in Turkey was made?

Shayne Nelson

Well I think if you - we have a track record of buying banks when - on the dip. And I think if you think about if we look at this bank a few years ago could we have afforded - apologies. We just dropped the line. I think the question was why Turkey, why now. And I was just saying I think the - we do have a history. When we bought Egypt, Morsi was in power and there was literally fire in the streets. And we got that for a good price. I think with Turkey if we'd had to buy this at awhile back, it would have cost us a lot more money than we're currently paying Sberbank for this asset.

So I think the timing for us is pretty good. We understand the risks, the political risks, the economic risks that are translating in accounts. So we absolutely understand that. But for us when we joined the two banks together of Emirates International and National Bank of Dubai, the whole aim of having this was to make us a regional bank. And that is what our aim has been for a long time. We've talked about diversification that we've needed for a long time.

And for us this is an opportunity to buy a good asset at a good price in a market that we probably couldn't have afforded to do with this size historically. And therefore we see it as a buying opportunity. And we think it's a great bank. And also if you look at once of the criteria we always think about is, you know, what are the demographics like. Very strong demographics in Turkey. It's a large economy. But more importantly are our clients going there? Are our corporate clients going to somewhere like Turkey? And they are. If you look at Emaar is investing there, Dubai Ports, etc. We have a lot of clients investing in Turkey and vice versa.

So I think we could play that trade and capital flow facilitator not just for the UAE but also from the India side, from the Egypt side, and from the Saudi side. So we think it's a market that's attractive to us. It's attractive demographically as I said. And I think, you know, we can actually do very well there.

Surya Subramanian

And just to add on to Shayne's point, I think from the diversification, you know, Turkey acts as a natural hedge. Like in UAE, in Saudi we are both placed in oil dependent economies. Turkey is a net oil importer. So we actually kind of have a very nice natural hedge with kind of getting into Turkey now that if oil prices are up or domestic economies are doing well, we'll probably do well here. If oil prices are down, we might be kind of a little bit flattish out here. But Turkey would probably do well because it's a

net oil importer and you would take benefit out of there. So certain respects what we've tried to gain kind of give stability to the organization and a true diversification which we've all been looking for.

Shayne Nelson

And it will give us over 30% of our assets outside of the UAE which is a diversification that we've been seeking both from a revenue stream but also from a risk restraint.

Operator

We will take our next question from Ahmad Hassan of CR Capital. Please go ahead

Ahmad Hassan - CR Capital

Thank you gentlemen for hosting the call. I have a question about the cost optimization post the acquisition of Denizbank. Do you have a plan regarding the cost optimization of the Turkey subsidiary, like in terms of branches or headcount?

Surya Subramanian

As Shayne mentioned earlier, there is no integration synergy as such on the cost side. They run a self-contained operation in Turkey and they have their own system which we are not proposing to integrate with ours. Part of the reason is also the language. A lot of business in Turkey is conducted in Turkey and one of the reasons they have so many branches, not all the branches are the typical large sized branch that you are familiar with in the UAE. These are micro branches that go out into the rural areas to be close to the agricultural communities that they support. SME and agricultural business are some large components of Denizbank's portfolio.

So the business model there is slightly different. So at this moment, we're going to run with their business model and bring our two positive capabilities together to develop synergies which are most likely going to be more on the income side than on the cost side. As we mentioned earlier, access to better funding is one. And Shayne mentioned that we can bring the network business to not just to Turkey but to the rest of the network as well from Turkey. So over time, those are the benefits that we see quite apart from the fact that Turkey is a very deep market with a large banking revenue pool.

Neeraj Makin

And just to add on a point on the fact, 2017 this number for, end results if you look at it, the cost-income ratio was around 41% against a market average of around 45%. As of first quarter 2018, this closed results. The cost-income ratio has come down to 28% against a market average which has also come down to around 43%. So they're doing constantly better than the market out there. So again any kind of cost optimization approaches or something would be very - or the end would very developed pretty good efficient shop out there.

Shayne Nelson

And certainly we did not build our financial model for the acquisition based on the substantial cost reductions. That was not within our model.

Operator

We will take our next question from Loai Abdul Jabard of Emirates NBD. Please go ahead

Loai Abdul Jabard - Emirates NBD

Our question is regarding now since I mean we have this acquisition was successfully done, first of all the logo of the bank will be changed or it will continue to be the same as it will? I mean if the logo is changed it will embrace our presence across the world and to - it will add a lot to us and our footprints. The second part of the question it's regarding our international strategy. Would we look at our international strategy and how we can drop more business between all the countries, Turkey, Saudi and I mean there will be a credit advertised in that regard to your credit matrix or something like that or how would I do it? Thank you.

Surya Subramanian

Okay as far as the logo is concerned, Denizbank is an established name in the Turkish market. Deniz means the sea and the bank has been around for a little over 20 years now and been in successful operation all these years. If you go to Turkey, you will see the bank's name is Deniz and currently Sberbank the owners name shows up alongside Deniz in some of the letterhead, the buildings,

the branches. It is likely that we would obviously replace the ownership name but Deniz as a strong bank and brand will be retained.

In terms of international strategy, it has always been our international strategy to have close to 20%, 25% of our income and balance sheet in international. We were very tiny before the Egyptian acquisition. Post the Egyptian acquisition we reached about a total of 7%, 7% to 8%. And now if this transaction closes by the end of this year, we expect that number will jump to about 30%. And both in terms of balance sheet, in terms of PNL while earlier the numbers are more or less similar, 7%, 7%, now in terms of PNL it'll probably be about 20%.

Neeraj Makin

That will happen depending upon the currency movement.

Surya Subramanian

Yes

Operator

We will take our next question from Veejay Vakavan of Ashmore Group. Please go ahead.

Veejay Vakavan - Ashmore Group

Hey, Ramadan Kareem and congrats on the news of acquisition. A few questions. You did talk about the timelines from the conclusion of the deal. Any broad timeline with we can - I know it's subject to various approvals of regulatory authorities in different countries? That is one. And two I was just tracking the price of Denizbank today. I don't know how far this is relevant. The share is off about 14% for the day after the news announcement. Does it have any significance at all to this transaction? And my last question...

Shayne Nelson

You didn't add the - our share price went up. Sorry I'm just being. Okay so I'll answer that question...

Veejay Vakavan - Ashmore Group

I know Deniz the existing Sberbank acquired this from Dexia about five, six years ago. Denizbank was probably a much smaller bank then but in terms of multiples how does that compare to the value that was there exiting now the Russian bank.

Neeraj Makin

Okay I'll answer both your questions. Okay I'll first take your multiple question. So when Sberbank bought Deniz from Dexia they paid a multiple of about 1.14 times. And in Dollar terms actually it was \$3.8 billion plus. Our number actually the exchange rate as in headline what you have seen from the news wires you can do your calculation. Around \$3.2 billion rough and net interest component which Shayne talked about. So it's better off. Regarding your question on...

Shayne Nelson

And actually Dexia would have first off paid four point seven times book price.

Neeraj Makin

But that are the general. Coming down we have a question on why Deniz share price is down. So if you would recall, you know, when we announced the talks we were having with Sberbank early in January, February, after that the Denizbank share price went up considerably on that announcement and I think that the share price traded up about 20% or 30% over the course of a few months.

Even as of yesterday, the Denizbank share price was going up and went about 10% or 12%. Hoping that the transaction is going to be at a much higher valuation because the market was expecting a value of the bank to be somewhere upwards of \$4 billion. I think it is just a reflection of price which has been kind of announced that whatever those .15% people are trading, this is kind of managing their expectation.

Veejay Vakavan - Ashmore Group

So there's this kind of question come back to Emirates NBD value went up today but it's a Denizbank separate as well. I mean that's a reflection of the consideration paid for it I guess.

Neeraj Makin

Yes

Surya Subramanian

I wouldn't say that necessary for Denizbank because .15% is neither here nor there. Our shares did go up by 8.4% at closing. That is of course a fact.

Veejay Vakavan - Ashmore Group

No, no, no Denizbank has fallen by 13% today, one three

Surya Subramanian

One trade can move the price up and down by a different amount right.

Surya Subramanian

Veejay you know that at least in Emirates NBD we have never managed the bank with a view to achieving share price targets. We manage the bank with a view to achieving consistent, conservative long-term shareholder value.

Veejay Vakavan - Ashmore Group

Absolutely. That's exactly what I heard two weeks ago. Thank you. Just this lock - one question. This locked box, I mean I'm quite familiar with Turkey and that's why I'm more intrigued to ask this question. If you lock the value as of 31st October, 2017 the currency is locked around 18% from that date. That's a significant fall in exchange rate. It's not a 1%, 2% kind of a movement. So I mean I would at least be reassured that our value cannot be going up if it all it can only come down which is to our benefit in Dollar terms.

Neeraj Makin

Yes to some extent. Say let's - let me explain you. The lockbox concept is only about that the book value or the balance sheet is fixed, that the sitting shareholders cannot take any profits out of the bank. So effectively we fix the EMR3. So usually in M&A what happens most of the time you see a completion accounts mechanism that are closing the accounts, let's say are kind of relooked at and the

selling shareholders I believe cash or excess profits in the business for the buyer or they kind of take it out or the prices are adjusted accordingly.

In this case, there will be no adjustment on the price. The profits from 31st October onwards until the time we do closing which in this age could be period of about 10, 11, 12 months, whatever the time period is going to be are going to accrue to Emirates NBD, thereby increasing the book value for Emirates NBD. Right? On the other hand, our price is fixed at that point of time and so as a result our price to book value or the value which we are paying for every Dollar of asset or net book values if combined will come down. So in effect it's beneficial for Emirates NBD.

And regarding your second point, that's a different mechanism which is exchange rate mechanism at which the transaction is going to get here. That has no effect on the lock box. They're completely different mechanisms.

Veejay Vakavan - Ashmore Group

Sure. But when you say the price is fixed, the price is fixed in Turkish Lira terms or in U.S. Dollar terms?

Neeraj Makin

In Turkish Lira terms.

Veejay Vakavan - Ashmore Group

That's great or in one case it should be unless there is some other whatever mechanism to it.

Shayne Nelson

We hope so.

Surya Subramanian

Just wait until closing and you will see the acquisition accounting as well.

Operator:

We will take our next question from Ahmad Al Fasi of Ghobash Trading and Investments. Please go ahead.

Ahmad Al Fasi - Ghobash

Thanks. So my first question is on your outlook for the Denizbank for the rest of this year given first quarter of 2018 has just been a slightly slower off the ground as opposed to last year. And also over medium term how your growth outlook pairs with perhaps your medium term aspirations for dividend monetization from this asset or supplementing the bank's capital base as the need may be.

Surya Subramanian

In terms of outlook for Deniz, it is not right for us to comment until closing. The true owners are still Sberbank and Deniz itself is a listed organization. So we do not and should not be commenting on that. What we do know is they have a track record for the last 20 years of consistently delivering profits even in some of the difficult years that he has had within those 20 years.

In terms of medium term, as I mentioned earlier we are adequately capitalized as Emirates NBD with enough firepower to support all our businesses whether it be organic growth or inorganic growth. That is obviously in the markets that we already exist. You know that we are adding branches in Saudi, for example, as an example of organic growth. And we have just announced this transaction in Turkey which is an example of inorganic growth.

And if you looked at last year, our profit was \$2.3 billion U.S. Dollars and even after paying dividend there's sufficient - the dividend pay-out ratio was under 13%. The sufficient capital internally generated capital to support both the organic and inorganic growth.

Operator:

We will take our next question from Suleman Soorani of Tricap Investments. Please go ahead.

Suleman Soorani of Tricap

Hi. Thank you very much and congratulations on completing the acquisition. I just want to touch base upon the foreign ownership limit. I know it was, you know, touched on in the first question but I sort of didn't get the whole thing. So it was approved in March and at that point Emirates was indicated the

whole process would take about two to three months, we are touching three months now. So I didn't know has the process been started by the bank, the approval process with the various regulatory agencies. Have you already started it or you haven't even started the process?

And I know the last few months would have been busy. You were busy in completing the acquisition but now that it has been done, so what speed is that in? And again now and, you know, I know you are about to show rights issue. So will the rights issue happen before the ownership limit is lifted or not because it makes a difference who gets the rights issue right?

Shayne Nelson

Okay yes we understand it does makes a difference. There's no doubt about that. But no date has been set and any change to the oil limit is subject SCA approval. I don't want to comment any more than that on the foreign issue limit. It's a board decision. It's a regulatory decision and the timing will be decided by all those bodies.

Suleman Soorani of Tricap

Can you just comment, has the process been started or not yet?

Shayne Nelson

I'm not going comment on that.

Operator:

We will take our next question from Elena Ponceca of Al Ramz Capital. Please go ahead.

Elena Ponceca - Ramz Capital

Good afternoon gentlemen. I believe both of my questions have already been addressed but just apply clarify on details that I heard earlier. Regarding the timeline for the transaction, did I hear correctly that it is to be finished by the end of the year? Just first and then a gentleman was saying about the international contribution from X percent to that percent. Can you repeat that please? Thank you so much.

Surya Subramanian

Sure. Our international contribution after acquisition of Egypt was about 7% to 8% both for balance sheet and PNL. With the closing of this transaction, we would achieve about 30% for balance sheet and about 20% for PNL in international businesses.

In terms of the timeline to closure, it's clearly something that is not in our control because we have to deal with regulators and multiple jurisdictions. But past experience if you look at the QNB Finansbank transaction, they took about five to six months to close after announcement. And we would obviously currently we say we will finish by the end of the year. We are also looking at a six month time of a timeframe.

Operator:

We will take our next question from Naresh Bilandani of JP Morgan. Please go ahead.

Naresh Bilandani - JP Morgan

Great. Thank you. A very quick question please. You did - in the press release you state that you will be taking on the sub debt that was issued by Sberbank to Deniz. I just wanted to confirm the size of the sub debt is approximately 4.7 billion Turkish Lira. And, I'm sorry, it's not very clear from the financials but could you please reconfirm if this debt was issued in Turkish Lira and is there any scope for changing the pricing on this debt? Because I assume this debt is slightly dated and since then the interest rate environment in Turkey has definitely tightened. So if could please just share some comments on that. That will be very helpful.

Surya Subramanian

Naresh the debt is in both Dollars and Euro, predominantly in Dollars. What you see in the balance sheet depending on which reference base you are looking at may not all be Sberbank. Dexia too had a small sliver but I'm not sure which reference date you're looking at. Our intention is obviously to ensure that capital adequacy in Deniz is maintained.

We are taking over at par as we said, but there will be separate discussions with the regulators to ensure that we can get the full life for these instruments as if it's a new instrument because currently many of these instrumentals start amortizing with 80,60,40,20 rule. And when we get in, we want to have a discussion with the regulators to get it to 100% almost like a press issuance.

Naresh Bilandani - JP Morgan

Okay. Thank you Surya. So just to - sorry to press on this point but the size would be 4.7 billion Turkish Lira? Give or take is fine, just approximately that number if that's okay.

Surya Subramanian

That's right. The number I had in mind was more \$1.2 billion U.S. Dollars, but yes.

Shayne Nelson

Well, thank you very much. If there's no further questions, then I'd like to thank you all for your participation in today's call. We're very excited about the potential of Denizbank and hopefully you are too. And we'll hand you back to the operator to provide details if you're aids have any other follow-up questions and now we'd like to conclude the call. Again many thanks for joining us. Cheers.

Operator

Thank you. This will conclude today's conference call. If you have any further queries, please submit them via the investor relations department. Thank you all for your participation. You may now disconnect.

END