

**Emirates NBD Securities LLC**

Condensed interim financial statements

For the nine months period ended 30 September 2016

## **Emirates NBD Securities LLC**

### **Condensed interim financial statements**

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## **REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF EMIRATES NBD SECURITIES LLC**

### ***Introduction***

We have reviewed the accompanying condensed interim financial statements of Emirates NBD Securities LLC (the “Company”), which comprise the interim statement of financial position as at 30 September 2016 and the related interim statements of income and comprehensive income for the three months and nine months periods then ended and interim statement of cash flows and changes in equity for the nine months period then ended and explanatory notes. Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Financial Reporting Standard IAS 34, Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

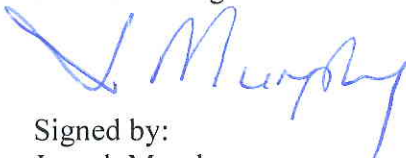
### ***Scope of Review***

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### ***Conclusion***

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young



Signed by:  
Joseph Murphy  
Partner  
Registration No. 492

30 October 2016  
Dubai, United Arab Emirates

**Emirates NBD Securities LLC**  
**Condensed interim statement of financial position**  
**As at 30 September 2016 (Unaudited)**

	Notes	Unaudited 30 September 2016 AED '000	Audited 31 December 2015 AED '000
<b>Assets</b>			
Property and equipment		529	942
Financial assets at available-for-sale	6	6,729	6,334
<b>Total non-current assets</b>		<b>7,258</b>	<b>7,276</b>
Cash and bank balances	7	96,881	90,311
Due from Holding Company	11	334,221	328,355
Trade and other debtors	8	17,033	18,079
Other receivables		4,017	3,458
<b>Total current assets</b>		<b>452,152</b>	<b>440,203</b>
Other payables	9	5,178	7,301
Client Deposit		9,391	4,182
<b>Total current liabilities</b>		<b>14,569</b>	<b>11,483</b>
<b>Net current assets</b>		<b>437,583</b>	<b>428,720</b>
<b>Net assets</b>		<b>444,841</b>	<b>435,996</b>
<b>Represented by</b>			
Share capital		36,000	36,000
Statutory reserve		18,804	18,804
Fair value reserve		1,383	988
Capital contribution reserve		50,000	50,000
Retained earnings		338,654	330,204
<b>Total equity holders' funds</b>		<b>444,841</b>	<b>435,996</b>

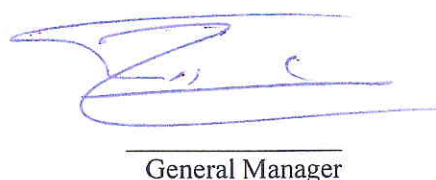
The notes on pages 7 to 12 form an integral part of these financial statements.

The independent auditors' report is set out on page 1.

These financial statements were approved by the Board of Directors of Emirates NBD Securities LLC on

30 OCT 2016

  
Chairman

  
General Manager

**Emirates NBD Securities LLC**  
**Condensed interim statement of income**  
**For the nine months period ended 30 September 2016 (Unaudited)**

	<i>Notes</i>	<b>Unaudited three months period ended 30 Sep 2016 AED '000</b>	<b>Unaudited three months period ended 30 Sep 2015 AED '000</b>	<b>Unaudited nine months period ended 30 Sep 2016 AED '000</b>	<b>Unaudited nine months period ended 30 Sep 2015 AED '000</b>
Commission income		<b>2,910</b>	5,858	<b>15,784</b>	23,440
Administrative and general expenses		<b>(4,175)</b>	(5,424)	<b>(13,843)</b>	(19,100)
<b>Operating profit</b>		<b>(1,265)</b>	434	<b>1,941</b>	4,340
Other income	10	<b>397</b>	17	<b>1,594</b>	406
Interest received from Holding Company	11	<b>367</b>	141	<b>939</b>	501
Recovery of/(allowance for) impairment on trade and other debtors		<b>117</b>	505	<b>3,976</b>	505
<b>Profit/(loss) for the period</b>		<b>(384)</b>	1,097	<b>8,450</b>	5,752

The notes on pages 7 to 12 form an integral part of these financial statements.

The independent auditors' report is set out on page 1.

**Emirates NBD Securities LLC**  
**Condensed interim statement of comprehensive income**  
**For the nine months period ended 30 September 2016 (Unaudited)**

		<b>Unaudited three months period ended 30 Sep 2016 AED '000</b>	<b>Unaudited three months period ended 30 Sep 2015 AED '000</b>	<b>Unaudited nine months period ended 30 Sep 2016 AED '000</b>	<b>Unaudited nine months period ended 30 Sep 2015 AED '000</b>
	<i>Note</i>				
<b>Profit/(loss) for the period</b>		<b>(384)</b>	<b>1,097</b>	<b>8,450</b>	<b>5,752</b>
<b>Other comprehensive Income:</b>					
Net change in fair value of financial assets available- -for-sale	6	<b>247</b>	<b>(1,481)</b>	<b>395</b>	<b>(1,629)</b>
<b>Total comprehensive income/(loss) for the period</b>		<b>(137)</b>	<b>(384)</b>	<b>8,845</b>	<b>4,123</b>

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**Emirates NBD Securities LLC**  
**Condensed interim statement of changes in equity**  
**For the nine months period ended 30 September 2016 (Unaudited)**

	<b>Share Capital</b>	<b>Statutory reserve</b>	<b>Fair value reserve</b>	<b>Capital contribution reserve</b>	<b>Retained earnings</b>	<b>Total</b>
	<b>AED'000</b>	<b>AED '000</b>	<b>AED '000</b>	<b>AED '000</b>	<b>AED '000</b>	<b>AED'000</b>
Balance at 1 January 2016	<b>36,000</b>	<b>18,804</b>	<b>988</b>	<b>50,000</b>	<b>330,204</b>	<b>435,996</b>
Total comprehensive income for the period	-	-	<b>395</b>	-	<b>8,450</b>	<b>8,845</b>
Balance at 30 September 2016	<b>36,000</b>	<b>18,804</b>	<b>1,383</b>	<b>50,000</b>	<b>338,654</b>	<b>444,841</b>
Balance at 1 January 2015	36,000	18,804	4,838	50,000	325,627	435,269
Total comprehensive income for the period	-	-	(1,629)	-	5,752	4,123
Balance at 30 September 2015	36,000	18,804	3,209	50,000	331,379	439,392

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**Emirates NBD Securities LLC**  
**Condensed interim statement of cash flows**  
**For the nine months period ended 30 September 2016 (Unaudited)**

	<b>Unaudited 30 Sep 2016 AED'000</b>	<b>Unaudited 30 Sep 2015 AED'000</b>
	-----	-----
<b><u>OPERATING ACTIVITIES</u></b>		
Profit for the period	<b>8,450</b>	5,752
<i>Adjustments for non-cash items:</i>		
Depreciation	<b>518</b>	446
(Recovery of)/allowance for impairment losses	<b>(3,976)</b>	-
	-----	-----
	<b>4,992</b>	6,198
Change in trade and other debtors	<b>5,022</b>	256
Change in other receivables	<b>(559)</b>	(373)
Change in due from Holding Company	<b>(5,866)</b>	(5,453)
Change in other payables	<b>(2,123)</b>	201
	-----	-----
Net cash flows from operating activities	<b>1,466</b>	829
	-----	-----
<b><u>INVESTING ACTIVITIES</u></b>		
Acquisition of property and equipment	<b>(105)</b>	(40)
(Decrease)/increase in term deposits maturing after three months	<b>(22,148)</b>	(22,292)
	-----	-----
Net cash flows (used in)/from investing activities	<b>(22,253)</b>	(22,332)
	-----	-----
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(20,787)</b>	(21,503)
 <b>Cash and cash equivalents at the beginning of the period</b>	 <b>41,688</b>	 41, 231
	-----	-----
<b>Cash and cash equivalents at the end of the period</b>	<b>20,901</b>	19,728
	=====	=====

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**Emirates NBD Securities LLC**  
**Notes to the condensed interim financial statements**  
**For the nine months period ended 30 Sep 2016 (Unaudited)**

**1 Legal status and principal activities**

Emirates International Securities LLC (“the Company”) is a limited liability company incorporated in the Emirate of Dubai on 10 November 2001 under the Federal Law No 8 of 1984 (as amended) applicable to commercial companies. On 8 November 2009, the Company received regulatory approval to merge with NBD Securities LLC (“acquired entity”) and changed its name from Emirates International Securities LLC to Emirates NBD Securities LLC.

The Federal Law No. 2 of 2015, concerning Commercial Companies has come into effect from 1 July 2015, replacing the existing Federal Law No. 8 of 1984. The Company is currently assessing the impact of the new law and expects to be fully compliant on or before the end of grace period on 30 June 2017.

On 21 November 2009 (the effective date), NBD Securities LLC transferred all its assets and liabilities to the Company to complete the merger of the two entities.

The share holding pattern in the Company is as follows:

<b>Name of equity holders</b>	<b>Shareholding (%)</b>
Emirates NBD Bank PJSC (“Holding Company”)	99%
Emirates Financial Services PSC	1%

Following the merger of Emirates Bank International PJSC and the National Bank of Dubai PJSC during 2007, the Company’s Ultimate Holding Company is Emirates NBD Bank PJSC, a Company in which the Investment Corporation of Dubai is the majority shareholder.

The principal activity of the Company is to act as an intermediary in dealings in shares, stocks, debentures and securities.

The registered address of the Company is P.O. Box 2923, Dubai, United Arab Emirates.

**2 Statement of compliance**

These financial statements have been prepared in accordance with IAS 34 ‘Interim Financial Reporting’. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the financial position and performance of the Company since the last annual financial statements as at and for the year ended 31 December 2015. These condensed interim financial statements do not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the financial statements as at and for the year ended 31 December 2015.

In addition, results for the nine months ended 30 September 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

**3 Significant accounting policies**

The accounting policies applied by the Company in the preparation of the condensed interim financial statements are consistent with those applied by the Company in the annual financial statements for the year ended 31 December 2015. The adoption of the new and amended IFRS and IFRIC interpretations with effect from 1 January 2016 has had no effect on the interim condensed financial statements of the Company.

**Emirates NBD Securities LLC**  
**Notes to the condensed interim financial statements**  
**For the nine months period ended 30 September 2016 (Unaudited)**

**4 Estimates**

The preparation of these condensed interim financial statements in conformity with IFRS requires the management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The critical areas involving a higher degree of judgment or complexity, or areas where assumption and estimates are significant to these condensed interim financial statements are included in the relevant accounting policies.

**5 Financial risk management**

The Company's financial risk management objectives and policies are consistent with those disclosed in the annual financial statements as at and for the year ended 31 December 2015.

**6 Investment securities**

These comprise of the following:

	<b>Unaudited</b> <b>30 September 2016</b> <b>AED '000</b>	<b>Audited</b> <b>31 December 2015</b> <b>AED '000</b>
	-----	-----
Equity securities:		
Non-current:		
Available-for-sale (refer note below)	<b>6,729</b>	<b>6,334</b>
	=====	=====

Included in available-for-sale are:

- a) AED 6,467 K (31 December 2015: AED 6,072 K) representing 4,936,337 shares in Dubai Financial Market ("DFM"). The Company in 2006 acquired the shares relating to DFM's IPO as per the allocation set by DFM for brokerage companies.
- b) AED 198 K (31 December 2015: AED 198 K) representing 1% equity interest in Egyptian Company for Electronic System Development ("Network International Egypt (NI-Egypt) (S.A.E)"). The remaining 99% equity interest in NI-Egypt is collectively owned by Network International LLC and Emirates Financial Services PSC, who are a joint venture / subsidiary, respectively, of the Holding Company.

**Emirates NBD Securities LLC**  
**Notes to the condensed interim financial statements**  
**For the nine months period ended 30 Sep 2016 (Unaudited)**

**7 Cash and bank balances**

	<b>Unaudited</b> <b>30 September 2016</b> <b>AED '000</b>	<b>Audited</b> <b>31 December 2015</b> <b>AED '000</b>
	-----	-----
Cash in hand	5	5
Current account	20,896	19,818
Bank deposit (Maturity within three months)	-	21,865
	-----	-----
<b>Cash and cash equivalents</b>	<b>20,901</b>	<b>41,688</b>
Bank Deposit (Maturity after three months)	66,589	44,441
Client money (7.1)	9,391	4,182
	-----	-----
	<b>96,881</b>	<b>90,311</b>
	=====	=====

- 7.1** In accordance with the regulations issued by the Emirates Securities and Commodities Authority ("ESCA") the Company maintains separate bank accounts for advances received from its customers ("clients' money"). The clients' money is not available to the Company other than to settle transactions executed on behalf of the customers maintaining deposits with the Company.

**8 Trade and other debtors**

Trade debtors include receivables from Margin Trading (MT), which the Company previously engaged in. During 2011, SCA issued a circular that brokerage companies cannot carry out MT. The company has formulated a strategy for transferring margin trading accounts to its Holding Company. For the period ended 30 September 2016, no accounts were transferred to Holding Company (full year 2015 no accounts were transferred). Receivable from MT as of 30 September 2016 was AED 38 million (2015: AED 46 million).

	<b>Unaudited</b> <b>30 September 2016</b> <b>AED '000</b>	<b>Audited</b> <b>31 December 2015</b> <b>AED '000</b>
	-----	-----
Customer receivables	38,048	45,703
Less: allowance for impairment loss	(21,015)	(27,624)
	-----	-----
	<b>17,033</b>	<b>18,079</b>
	=====	=====



**Emirates NBD Securities LLC**  
**Notes to the condensed interim financial statements**  
**For the nine months period ended 30 September 2016 (Unaudited)**

**8 Trade and other debtors (continued)**

	<b>Unaudited</b> <b>30 September 2016</b> <b>AED '000</b>	<b>Audited</b> <b>31 December 2015</b> <b>AED '000</b>
	<u>                    </u>	<u>                    </u>
<b>Movement in allowance for impairment loss</b>		
Balance as on 1st January	27,624	28,154
Allowance made during the year	-	-
Recoveries / Write back	(3,976)	(505)
Write off	(2,633)	(25)
	<u>21,015</u>	<u>27,624</u>

**9 Other Payables**

The company has implemented a loyalty program for customers in 2013. The program was designed to pay incentive "Points" to eligible customers based on customers trading volume per month. The total points are accrued each month and will be valid for redemption within 24 months. Points are credited to customer's trading account upon request. Each point has an equivalent value of AED 1. The total loyalty points accrued, net of redemption as at 30 September 2016 is AED 1,891 K. (2015: 4,326 K).

**10 Other income**

	<b>Unaudited</b> <b>30 September 2016</b> <b>AED '000</b>	<b>Unaudited</b> <b>30 September 2015</b> <b>AED '000</b>
	<u>                    </u>	<u>                    </u>
FX income	140	-
Dividend Income	247	346
Others	1,207	60
	<u>1,594</u>	<u>406</u>

**11 Related party transactions**

The Company, in the normal course of business, carries out transactions with entities that fall within the definition of a related party contained in International Accounting Standard "IAS 24" (2009). The transactions and balances with the related parties, other than those as disclosed elsewhere in the financial statements, are as follows:

	<b>Unaudited</b> <b>30 September 2016</b> <b>AED '000</b>	<b>Audited</b> <b>31 December 2015</b> <b>AED '000</b>
	<u>                    </u>	<u>                    </u>
Due from Holding Company	334,221	328,355
	<u>                    </u>	<u>                    </u>
Bank balances held with Holding Company	96,833	90,263
	<u>                    </u>	<u>                    </u>

**Emirates NBD Securities LLC**  
**Notes to the condensed interim financial statements**  
**For the nine months period ended 30 September 2016 (Unaudited)**

**11 Related party transactions (continued)**

**Transactions with group entities**

	<b>Unaudited 30 September 2016 AED '000</b>	Unaudited 30 September 2015 AED '000
	-----	-----
Commission income from related parties	1,024	1,071
Interest income from Holding Company on fixed deposit and call account	939	501
Insurance premium paid to associate of Holding Company	134	70
	=====	=====

**12 Contingent liabilities**

	<b>Unaudited 30 September 2016 AED '000</b>	Audited 31 December 2015 AED '000
	-----	-----
Letters of guarantee (Issued by the Holding Company in favor of DFM and ADX)	100,000	267,000
	=====	=====
Letters of guarantee (Issued by the Mashreq Bank in favor of Nasdaq Dubai)	5,509	5,509
	=====	=====
Letters of guarantee (Issued by the Holding Company in favor of DGCX)	3,673	3,673
	=====	=====

**Emirates NBD Securities LLC**  
**Notes to the condensed interim financial statements**  
**For the nine months period ended 30 September 2016 (Unaudited)**

**13 Fair value measurement principles**

*Fair values*

Fair values versus carrying amounts

The fair values of the financial instruments are not materially different from their carrying amounts.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

<b>In AED 000</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	-----	-----	-----	-----
<b>30 September 2016</b>				
Available-for-sale financial assets	6,467	-	262	6,729
	=====	=====	=====	=====

<b>In AED 000</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	-----	-----	-----	-----
<b>31 December 2015</b>				
Available-for-sale financial assets	6,072	-	262	6,334
	=====	=====	=====	=====

The fair value of financial instruments classified as level 3 are, in certain circumstances, measured using valuation techniques that incorporate assumptions that are not evidenced by the prices from observable current market transactions in the same instrument and are not based on observable market data. The Company employs valuation techniques, depending on the instrument type and available market data. For example, in the absence of active market, an investment's fair value is estimated on the basis of an analysis of the investee's financial position and results, risk profile and other factors. Favourable and unfavourable changes in the value of financial instruments are determined on the basis of changes in the value of the instruments as a result of varying the levels of the unobservable parameters, quantification of which is judgemental.

For fair value measurement in level 3, change in 10% in the fair value of the investment would have an equal but opposite potential effect of AED 26 K (2015: 26 K) of the statement of comprehensive income.