
EMIRATES NBD SECURITIES LLC

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2017

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 2017 and the related interim statements of income and comprehensive income for the three month and nine month 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.

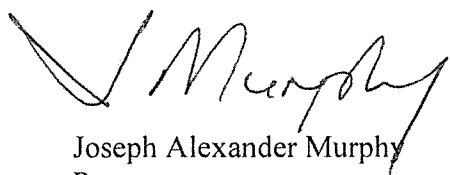
Scope of Review

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.

For Ernst & Young



Joseph Alexander Murphy
Partner
Registration number: 492

31 October 2017

Dubai, United Arab Emirates

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2017 (UNAUDITED)

		Unaudited 30 September 2017 AED 000	Audited 31 December 2016 AED 000
Assets	Notes		
Property and equipment		345	419
Financial assets available-for-sale	6	5,741	6,432
Total non-current assets		6,086	6,851
Cash and bank balances	7	96,247	431,546
Due from Holding Company	12	26,512	1,929
Trade and other debtors	8	2,182	17,032
Other receivables		4,152	5,130
Total current assets		129,093	455,637
Other payables	9	3,081	5,329
Client deposit		12,398	9,538
Total current liabilities		15,479	14,867
Net current assets		113,614	440,770
Net assets		119,700	447,621
Represented by			
Share capital		36,000	36,000
Statutory reserve		18,804	18,804
Fair value reserve		395	1,086
Capital contribution reserve		50,000	50,000
Retained earnings		14,501	341,731
Total equity holders' funds		119,700	447,621

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 31 OCT 2017

Chairman

General Manager

CONDENSED INTERIM STATEMENT OF INCOME
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2017 (UNAUDITED)

	Notes	Unaudited three months period ended 30 September 2017 AED 000	Unaudited three months period ended 30 September 2016 AED 000	Unaudited nine months period ended 30 September 2017 AED 000	Unaudited nine months period ended 30 September 2016 AED 000
Commission income		3,436	2,910	14,225	15,784
Administrative and general expenses		(3,859)	(4,175)	(11,299)	(13,843)
Operating profit/(loss)		(423)	(1,265)	2,926	1,941
Other income/(expense)	10	(144)	397	(173)	1,594
Interest received from Holding Company	12	334	367	1,595	939
Recoveries of impairment on trade and other debtors	8	-	117	10,153	3,976
Profit/(loss) for the period		(233)	(384)	14,501	8,450

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CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2017 (UNAUDITED)

	Notes	Unaudited three months period ended 30 September 2017 AED 000	Unaudited three months period ended 30 September 2016 AED 000	Unaudited nine months period ended 30 September 2017 AED 000	Unaudited nine months period ended 30 September 2016 AED 000
Profit/(loss) for the period		(233)	(384)	14,501	8,450
Other comprehensive income					
Net change in fair value of financial assets available-for-sale	6	-	247	(691)	395
Total comprehensive income/(loss) for the period		(233)	(137)	13,810	8,845

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CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2017 (UNAUDITED)

	Unaudited nine months period ended 30 September 2017 AED 000	Unaudited nine months period ended 30 September 2016 AED 000
<u>OPERATING ACTIVITIES</u>		
Profit for the period	14,501	8,450
<u>Adjustment for non cash items</u>		
Depreciation	230	518
Recovery of impairment losses	(10,153)	(3,976)
	4,578	4,992
Change in trade and other debtors	25,003	5,022
Change in other receivables	978	(559)
Change in due from Holding Company	(24,583)	(5,866)
Change in other payables	(2,248)	(2,123)
Net cash flows from operating activities	3,728	1,466
Acquisition of property and equipment	(156)	(105)
(Increase)/decrease in term deposits maturing after three months	276,532	(22,148)
Net cash flows from / (used in) investing activities	276,376	(22,253)
Dividends paid	(341,731)	-
Net cash flows used in financing activities	(341,731)	-
Net decrease in cash and cash equivalents	(61,627)	(20,787)
Cash and cash equivalents at the beginning of the period	87,805	41,688
Cash and cash equivalents at the end of the period	26,178	20,901

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CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2017 (UNAUDITED)

	Share Capital	Statutory reserve	Fair value reserve	Capital contribution reserve	Retained earnings	Total
	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000
Balance as at 1 January 2017	36,000	18,804	1,086	50,000	341,731	447,621
Total comprehensive income for the period	-	-	(691)	-	14,501	13,810
Dividends paid	-	-	-	-	(341,731)	(341,731)
Balance as at 30 September 2017	36,000	18,804	395	50,000	14,501	119,700
Balance as at 1 January 2016	36,000	18,804	988	50,000	330,204	435,996
Total comprehensive income for the period	-	-	395	-	8,450	8,845
Dividends paid	-	-	-	-	-	-
Balance as at 30 September 2016	36,000	18,804	1,383	50,000	338,654	444,841

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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.

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:

Name of equity holders	Shareholding (%)
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 2016. 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 2016.

In addition, results for the nine months ended 30 September 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

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 2016. The adoption of the new and amended IFRS and IFRIC interpretations with effect from 1 January 2017 has had no effect on the interim condensed financial statements of the Company.

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 2016.

6 INVESTMENT SECURITIES

These comprise of the following:

	Unaudited 30 September 2017 AED '000	Audited 31 December 2016 AED '000
Equity securities:		
Non-current:		
Available-for-sale (refer note below)	5,741 =====	6,432 =====

Included in available-for-sale are:

- AED 5,479 K (31 December 2016: AED 6,170 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.
- AED 198 K (31 December 2016: 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.

7 CASH AND BANK BALANCES

	Unaudited 30 September 2017 AED 000	Audited 31 December 2016 AED 000
Cash in hand	5	5
Current account	26,173	21,212
Bank deposit (Maturity within three months)	-	66,588
Cash and cash equivalents	26,178	87,805
Bank Deposit (Maturity after three months)	57,671	334,203
Client money (7.1)	12,398	9,538
	96,247	431,546

- 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 2017, no accounts were transferred to Holding Company (full year 2016 no accounts were transferred). Receivable from MT as of 30 September 2017 was AED 8.3 million (2016: AED 38 million).

	Unaudited 30 September 2017 AED 000	Audited 31 December 2016 AED 000
Customer receivables	8,306	38,046
Less: allowance for impairment loss	(6,124)	(21,014)
	2,182	17,032

8 TRADE AND OTHER DEBTORS (CONTINUED)

	Unaudited nine months period ended 30 September 2017 AED 000	Unaudited nine months period ended 30 September 2016 AED 000
<u>Movement in allowances for impairment loss</u>		
Balance as at 1 January	21,014	27,624
Recoveries / Write back	(10,153)	(3,976)
Write off	(4,737)	(2,633)
	6,124	21,015

9 OTHER PAYABLES

Other payables include customer loyalty program implemented 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 2017 is AED 723 K. (2016: 1,449 K).

10 OTHER INCOME/(EXPENSE)

	Unaudited nine months period ended 30 September 2017 AED 000	Unaudited nine months period ended 30 September 2016 AED 000
Foreign Exchange income	350	140
Dividend Income	-	247
Other operating income/(expense)	(523)	1,207
	(173)	1,594

11 EQUITY HOLDER FUNDS

At the Annual General Meeting held on 23 February 2017, the company approved payment of a cash dividend of AED 9,493 per share for the year amounting to AED 341.7 million which has been recognised in the interim financial statements as of 30 September 2017.

12 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:

	Unaudited 30 September 2017 AED 000	Audited 31 December 2016 AED 000
Due from Holding Company	26,512	1,929
Bank balances held with Holding Company	96,202	431,499

Transactions with group entities

	Unaudited nine months period ended 30 September 2017 AED 000	Unaudited nine months period ended 30 September 2016 AED 000
Commission income from related parties	561	1,024
Interest income from Holding Company on fixed deposit and call account	1,595	939
Insurance premium paid to associate of Holding Company	69	134

13 CONTINGENT LIABILITIES

	Unaudited 30 September 2017 AED 000	Audited 31 December 2016 AED 000
Letters of guarantee (Issued by the Holding Company in favor of DFM and ADX)	100,000	100,000
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

14 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).

Unaudited 30 September 2017

	Level 1	Level 2	Level 3	Total
	AED 000	AED 000	AED 000	AED 000
Available-for-sale financial assets	5,479	-	262	5,741

Audited 31 December 2016

	Level 1	Level 2	Level 3	Total
	AED 000	AED 000	AED 000	AED 000
Available-for-sale financial assets	6,170	-	262	6,432

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.