

**EMIRATES NBD SECURITIES LLC**

**CONDENSED INTERIM FINANCIAL STATEMENTS**

**FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**

## **EMIRATES NBD SECURITIES LLC**

### **CONDENSED INTERIM FINANCIAL STATEMENTS**

<b><i>Contents</i></b>	<b><i>Page</i></b>
Independent auditors' report on review of condensed interim financial information	1
Condensed interim statement of financial position	2
Condensed interim statement of comprehensive income	3
Condensed interim statement of cash flows	4
Condensed interim statement of changes in equity	5
Notes to the condensed interim financial statements	6 - 12

## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

**The Board of Directors  
Emirates NBD Securities LLC  
Dubai  
United Arab Emirates**

### *Introduction*

We have reviewed the accompanying condensed statement of financial position of **Emirates NBD Securities LLC, Dubai, United Arab Emirates** (the “Company”) as at 30 September 2020 and the related condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the nine months period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 - *Interim Financial Reporting* (“IAS 34”). Our responsibility is to express a conclusion on this interim financial information 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 interim financial information is not prepared, in all material respects in accordance with IAS 34.

**Deloitte & Touche (M.E.)**



Akbar Ahmad  
Registration No.: 1141  
26 October 2020  
Dubai  
United Arab Emirates

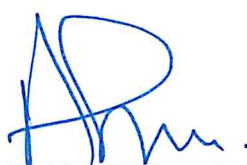
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2020 (UNAUDITED)

		Unaudited 30 September 2020 AED 000	Audited 31 December 2019 AED 000
<b><u>Assets</u></b>	<b><u>Notes</u></b>		
Property and equipment		2,585	2,965
Investment securities	5	327	263
<b>Total non-current assets</b>		<b>2,912</b>	<b>3,228</b>
Cash and bank balances	6	119,335	120,840
Trade and other debtors	7	147	147
Other receivables		3,248	3,953
<b>Total current assets</b>		<b>122,730</b>	<b>124,940</b>
Other payables	8	4,144	10,800
Due to Holding Company	10	16,460	16,995
Client deposit	6	742	4,782
<b>Total current liabilities</b>		<b>21,346</b>	<b>32,577</b>
<b>Net current assets</b>		<b>101,384</b>	<b>92,363</b>
<b>Net assets</b>		<b>104,296</b>	<b>95,591</b>
<b>Represented by</b>			
Share capital		36,000	36,000
Statutory reserve		18,804	18,804
Capital contribution reserve		50,000	50,000
Accumulated Losses		(508)	(9,213)
<b>Total equity holders' funds</b>		<b>104,296</b>	<b>95,591</b>

The notes on pages 6 to 12 form an integral part of these condensed interim 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 26<sup>th</sup> October 2020.



General Manager

CONDENSED INTERIM STATEMENT OF CASH FLOWS  
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020 (UNAUDITED)

	Notes	Unaudited three months period ended 30 September 2020 AED 000	Unaudited three months period ended 30 September 2019 AED 000	Unaudited nine months period ended 30 September 2020 AED 000	Unaudited nine months period ended 30 September 2019 AED 000
Commission income		2,568	2,218	8,214	6,178
Administrative and general expenses		(3,002)	(3,495)	(10,329)	(10,503)
<b>Operating Loss</b>		<b>(434)</b>	<b>(1,277)</b>	<b>(2,115)</b>	<b>(4,325)</b>
Other income / (expense) - net	9	2,916	(302)	9,189	(406)
Interest received from Holding Company	10	491	656	1,597	1,919
<b>Profit/ (Loss) for the period</b>		<b>2,973</b>	<b>(923)</b>	<b>8,671</b>	<b>(2,812)</b>
Other comprehensive income / (loss)		(58)	-	34	-
<b>Total comprehensive income/(loss) for the period</b>		<b>2,915</b>	<b>(923)</b>	<b>8,705</b>	<b>(2,812)</b>

The notes on pages 6 to 12 form an integral part of these condensed interim financial statements.

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

CONDENSED INTERIM STATEMENT OF CASH FLOWS  
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020 (UNAUDITED)

	Unaudited nine months period ended 30 September 2020 AED 000	Unaudited nine months period ended 30 September 2019 AED 000
<b><u>OPERATING ACTIVITIES</u></b>		
Profit/ (Loss) for the period	8,671	(2,812)
<b><u>Adjustment for non-cash items</u></b>		
Depreciation	448	380
Unrealized gain on investment securities	(30)	-
<b>Operating Profit/(loss) before changes in operating assets and liabilities</b>	<b>9,089</b>	<b>(2,432)</b>
Change in trade and other debtors	-	6
Change in other receivables	705	289
Change in due to Holding Company	(535)	7,053
Change in other payables	(6,656)	(655)
<b>Net cash flows from operating activities</b>	<b>2,603</b>	<b>4,261</b>
<b><u>INVESTING ACTIVITIES</u></b>		
Acquisition of property and equipment	(68)	(1,528)
Increase in term deposits maturing after three months	(62,920)	(86,146)
<b>Net cash used in investing activities</b>	<b>(62,988)</b>	<b>(87,674)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(60,385)</b>	<b>(83,413)</b>
Cash and cash equivalents at the beginning of the period	90,363	113,198
<b>Cash and cash equivalents at the end of the period (Note 6)</b>	<b>29,978</b>	<b>29,785</b>

The notes on pages 6 to 12 form an integral part of these condensed interim financial statements.

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



CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020 (UNAUDITED)

	Share Capital	Statutory reserve	Capital contribution reserve	Accumulated Losses	Total
	AED 000	AED 000	AED 000	AED 000	AED 000
Balance as at 1 January 2020	36,000	18,804	50,000	(9,213)	95,591
Total comprehensive income for the period	-	-	-	8,705	8,705
<b>Balance as at 30 September 2020</b>	<b>36,000</b>	<b>18,804</b>	<b>50,000</b>	<b>(508)</b>	<b>104,296</b>
Balance as at 1 January 2019	36,000	18,804	50,000	(4,723)	100,081
Total comprehensive loss for the period	-	-	-	(2,812)	(2,812)
<b>Balance as at 30 September 2019</b>	<b>36,000</b>	<b>18,804</b>	<b>50,000</b>	<b>(7,535)</b>	<b>97,269</b>

he notes on pages 6 to 12 form an integral part of these condensed interim financial statements.

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

## 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. The Federal Law No. 2 of 2015, concerning Commercial Companies has come into effect from 1 July 2015, replacing the Federal Law No. 8 of 1984. 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.

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 ("Parent Bank")	99%
Emirates NBD Capital (P.S.C)	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 Bank 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 condensed interim financial statements have been prepared in accordance with International Accounting Standard ("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 2019. 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 2019 except for the changes in accounting policies as explained in note 3.

In addition, results for the nine months ended 30 September 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.



### **3 CHANGES IN ACCOUNTING POLICIES**

In preparing these condensed interim financial statements, significant judgements made by the management in applying the Company's accounting policies and the key sources of estimation were the same as those that were applied in the annual financial statements as at and for the year ended 31 December 2019.

### **4 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 2019.

## 5 INVESTMENT SECURITIES

These comprise of the following:

	Unaudited 30 September 2020 AED 000	Audited 31 December 2019 AED 000
Equity securities:		
FVTPL	228	198
FVOCI	99	65
	<b>327</b>	<b>263</b>

Included in FVTPL - equity securities is:

AED 228,000 (31 December 2019: AED 198,000) 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 Holdings Plc and Emirates NBD Capital (P.S.C) and the latter being a subsidiary of the Parent Bank.

## 6 CASH AND BANK BALANCES

	Unaudited 30 September 2020 AED 000	Audited 31 December 2019 AED 000
Current account	29,978	29,912
Bank deposit (maturity within three months)	-	60,451
Cash and cash equivalents	29,978	90,363
Client deposit (note 6.1)	742	4,782
Fixed deposit (maturity after three months)	88,615	25,695
	<b>119,335</b>	<b>120,840</b>

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

## 7 TRADE AND OTHER DEBTORS

Trade Debtors include receivables from Margin Trading (MT), which the Company was previously engaged in. During 2011, SCA issued a circular that brokerage companies cannot carry out MT therefore, the company has not engaged in any further transactions.

## 7 TRADE AND OTHER DEBTORS (CONTINUED)

For the period ended 30 September 2020, no accounts were transferred to Parent Bank (full year 2019 no accounts were transferred). Receivable from MT as of 30 September 2020 was AED 3,005,440 (2019: AED 7,507,000).

	Unaudited 30 September 2020 AED 000	Audited 31 December 2019 AED 000
Customer receivables	3,005	7,507
Less: expected credit loss	(2,858)	(7,360)
	147	147

All the debtors are classified as stage 3 under IFRS 9.

## 8 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 2020 is AED 186,457. (2019: 195,000).

## 9 OTHER INCOME / (EXPENSE)

	Unaudited nine months period ended 30 September 2020 AED 000	Unaudited nine months period ended 30 September 2019 AED 000
Foreign Exchange income	34	307
Clearing Fee expense	(973)	(713)
Other operating income*	10,128	-
	9,189	(406)

\*This includes reversal of operational loss provision booked in prior years pertaining to a legal case.

**10 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". The transactions and balances with the related parties, other than those as disclosed elsewhere in the condensed interim financial statements, are as follows:

	Unaudited 30 September 2020 AED 000	Audited 31 December 2019 AED 000
Due to Parent Bank	16,460	16,995
Bank balances held with Parent Bank (Note 6)	119,335	120,840

ECL on these balances are insignificant.

A number of functions are centralized and the costs of these are borne by the holding company and not recharged to the company.

The transactions and balances with holding company and related parties, other than as disclosed elsewhere in the financial statements, are as follows:

	Unaudited nine months period ended 30 September 2020 AED 000	Unaudited nine months period ended 30 September 2019 AED 000
Commission income from related parties (note 10.1)	142	149
Interest income from Parent Bank on fixed deposit and call account	1,597	1,919
Insurance premium paid to associate of Parent Bank	-	49

**10.1** Commission income from related parties in 2020 comprised:

	Trade value AED 000	Comm. income AED 000
Subsidiary of the Parent Bank	124,448	48
Parent Bank	606,111	82
Directors of the company	18,328	12
	<b>748,887</b>	<b>142</b>

**11 CONTINGENT LIABILITIES**

	Unaudited 30 September 2020 AED 000	Audited 31 December 2019 AED 000
Letters of guarantee -Issued by the Holding Company in favor of Dubai Gold & Commodities Exchange (DGCX)	3,673	3,673
Letters of guarantee -Issued by the Holding Company in favor of Securities & Commodities Authority (SCA)	1,000	1,000

**12 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).

In AED 000

Unaudited 30 September 2020Equity Securities:

FVTPL

FVOCI

Level 3

228

99

327

Audited 31 December 2019Equity Securities:

FVTPL

FVOCI

198

65

263



**12 FAIR VALUE MEASUREMENT PRINCIPLES (CONTINUED)**

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 judgmental.

**13 IMPACT OF COVID-19**

The existence of novel coronavirus (COVID-19) was confirmed in early 2020 and has spread globally, causing disruptions to businesses and economic activity. As the situation is fluid and evolving, a quantitative estimate of the potential impact of this outbreak on the Company has been performed and the impact on expected credit losses was immaterial as at and for the nine months period ended 30 September 2020. Management continues to closely monitor the performance of the Company and to reassess its position and the related impact on a regular basis.