

EMIRATES NBD SECURITIES LLC

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2021

EMIRATES NBD SECURITIES LLC

CONDENSED INTERIM FINANCIAL STATEMENTS

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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 2021 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
8 November 2021
Dubai
United Arab Emirates

		Unaudited 30 September 2021 AED 000	Audited 31 December 2020 AED 000
Assets	Notes		
Property and equipment		2,543	2,455
Investment securities	5	327	327
Total non-current assets		2,870	2,782
Cash and cash equivalents	6	122,739	119,915
Trade and other debtors	7	147	147
Other receivables		2,327	4,610
Total current assets		125,213	124,672
Other payables	8	3,878	4,894
Due to Parent Bank	10	19,311	17,676
Client deposit	6	1,392	878
Total current liabilities		24,581	23,448
Net current assets		100,632	101,224
Net assets		103,502	104,006
Represented by			
Share capital		36,000	36,000
Statutory reserve		18,804	18,804
Fair value reserve		70	34
Capital contribution reserve		50,000	50,000
Accumulated Losses		(1,372)	(832)
Total equity holders' funds		103,502	104,006

The notes on pages 6 to 11 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 8th Nov 2021.


General Manager

EMIRATES NBD SECURITIES LLC

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2021 (UNAUDITED)

	Notes	Unaudited three months period ended 30 September 2021 AED 000	Unaudited three months period ended 30 September 2020 AED 000	Unaudited nine months period ended 30 September 2021 AED 000	Unaudited nine months period ended 30 September 2020 AED 000
Commission income		4,024	2,568	11,262	8,214
Administrative and general expenses		(3,947)	(3,002)	(10,671)	(10,329)
Operating (Loss)/ Income		77	(434)	591	(2,115)
Other (expense)/ income net	9	(464)	2916	(1,720)	9,189
Interest income	10	130	491	589	1,597
(Loss)/ Profit for the period		(257)	2,973	(540)	8,671
Other comprehensive income		-	(58)	36	34
Total comprehensive (loss)/ income for the period		(257)	2,915	(504)	8,705

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EMIRATES NBD SECURITIES LLC

CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2021 (UNAUDITED)

	Unaudited nine months period ended 30 September 2021 AED 000	Unaudited nine months period ended 30 September 2020 AED 000
<u>OPERATING ACTIVITIES</u>		
(Loss)/ Profit for the period	(540)	8,671
<u>Adjustment for non-cash items</u>		
Depreciation	333	448
Unrealized gain/ (loss) on investment securities	36	(30)
Operating Profit/(loss) before changes in operating assets and liabilities	(171)	9,089
Change in other receivables	2,283	705
Change in due to Parent Bank	1,635	(535)
Change in other payables	(1,016)	(6,656)
Net cash flows from operating activities	2,731	2,603
<u>INVESTING ACTIVITIES</u>		
Changes in property and equipment	(421)	(68)
Increase in term deposits maturing after three months	(64,021)	(62,920)
Net cash used in investing activities	(64,442)	(62,988)
Net decrease in cash and cash equivalents	(61,711)	(60,385)
Cash and cash equivalents at the beginning of the period	92,625	90,363
Cash and cash equivalents at the end of the period	30,914	29,978

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CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2021 (UNAUDITED)

	Share Capital	Statutory reserve	Fair Value reserve	Capital contribution reserve	Accumulated Losses	Total
	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000
Balance as at 1 January 2021	36,000	18,804	34	50,000	(832)	104,006
Total comprehensive income for the period			36		(540)	(504)
Balance as at 30 September 2021	36,000	18,804	70	50,000	(1,372)	103,502
Balance as at 1 January 2020	36,000	18,804	-	50,000	(9,213)	95,591
Total comprehensive loss for the period	-	-	-	-	8,705	8,705
Balance as at 30 September 2020	36,000	18,804	-	50,000	(508)	104,296

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

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Emirates International Securities LLC ("the Company") was incorporated in the emirate of Dubai on 10 November 2001, under the Commercial Companies Law (Federal Law Number 8 of 1984 as amended) as a Limited Liability Company. The Federal Law No. 2 of 2015, concerning Commercial Companies, as amended, 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 Parent Bank 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 2020. 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 2020 except for the changes in accounting policies as explained in note 3.

In addition, results for the nine months ended 30 September 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

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 2020.

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 2020.

5 INVESTMENT SECURITIES

These comprise of the following:

	Unaudited 30 September 2021 AED 000	Audited 31 December 2020 AED 000
Equity securities:		
FVTPL	192	228
FVOCI	135	99
	327	327

Included in FVTPL - equity securities are:

AED 192,000 (31 December 2020: AED 228,000) 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.

Included in FVOCI - equity securities are:

AED 76,000 shares of Emirates NBD Egypt S.A.E., AED 59,000 of Emirates NBD Capital PSC and remaining of Dubai Bank PJSC.

6 CASH AND CASH EQUIVALENTS

	Unaudited 30 September 2021 AED 000	Audited 31 December 2020 AED 000
Current account	30,914	30,422
Bank deposit (maturity within three months)	-	62,203
Cash and cash equivalents	30,914	92,625
Client deposit (note 6.1)	1,392	878
Fixed deposit (maturity after three months)	90,433	26,412
	122,739	119,915

- 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.

For the period ended 30 September 2021, no accounts were transferred to Parent Bank (For the year ended 2020 no accounts were transferred). Receivable from MT as of 30 September 2021 amounting to AED 3,005,000 (2020: AED 3,005,000) were considered individually impaired.

	Unaudited 30 September 2021 AED 000	Audited 31 December 2020 AED 000
Customer receivables	3,005	3,005
Less: expected credit loss	(2,858)	(2,858)
	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 2021 is AED 236,000. (2020: 143,000).

Other payables also includes bonus provision of AED 3.26 million (2020: 3.03 million)

9 OTHER (EXPENSE)/ INCOME

	Unaudited nine months period ended 30 September 2021 AED 000	Unaudited nine months period ended 30 September 2020 AED 000
Foreign Exchange income	10	34
Clearing Fee expense	(1,416)	(973)
Other operating (expense) / income*	(314)	10,128
	(1,720)	9,189

*This includes the reversal of prior year Operational Loss Provision of AED 6.5 million and write back of receivable of AED 4.5 million made in 2020.

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:

The total amount of compensation paid to directors and key management personnel during the year is as follows:

	Unaudited 30 September 2021 AED 000	Audited 31 December 2020 AED 000
Short term employee benefits	998	1,191
Post-employment benefits	56	75

Key management personnel are those persons, including non-executive directors, having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly.

	Unaudited 30 September 2021 AED 000	Audited 31 December 2020 AED 000
Due to Parent Bank	19,311	17,676
Interest receivable from Parent Bank	296	1,524
Bank balances held with Parent Bank (Note 6)	122,739	119,915

ECL on these balances are insignificant.

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

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

	Unaudited nine months period ended 30 September 2021 AED 000	Unaudited nine months period ended 30 September 2020 AED 000
Commission income from related parties (note 10.1)	665	142
Interest income from Parent Bank on fixed deposit and call account	589	1,597
Insurance premium paid to associate of Parent Bank	101	70

10.1 Commission income from related parties in 2021 comprised:

	Trade value AED 000	Comm. income AED 000
Subsidiary of the Parent Bank	127,646	42
Parent Bank	932,057	576
Directors of the company	46,643	47
	1,106,346	665

11 CONTINGENT LIABILITIES

	Unaudited 30 September 2021 AED 000	Audited 31 December 2020 AED 000
Letters of guarantee (Issued by the Parent Bank in favor of DGCX)	3,673	3,673
Letters of guarantee (Issued by the Parent Bank in favor of 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 2021**Equity Securities:**

FVTPL

FVOCI

Level 3

192

135

327

Audited 31 December 2020**Equity Securities:**

FVTPL

FVOCI

228

99

327

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. The Company is closely monitoring the situation to manage the impact on its operations and financial performance. The Company has considered the impact of the COVID-19 pandemic in the calculation of the recoverable amount of the non-financial assets and the estimated credit losses of the financial assets and the Company assessed it to be not significant.

The unprecedented nature of the pandemic, the high degree of uncertainty related to its evolution, duration and impact on the economy in general and the Company's business in particular, requires that the Company to continue to monitor the situation and keep adjusting its critical judgements and estimates, as necessary.