

EMIRATES NBD SECURITIES LLC

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2022

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** (the “Company”), **Dubai, United Arab Emirates** as at 30 September 2022 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
9 November 2022
Dubai
United Arab Emirates

		Unaudited 30 September 2022 AED 000	Audited 31 December 2021 AED 000
	Notes		
Assets			
Property and equipment		3,967	2,901
Investment securities	5	326	327
Total non-current assets		4,293	3,228
Cash and bank balances	6	125,158	124,061
Trade and other debtors	7	-	147
Other receivables		7,998	2,505
Total current assets		133,156	126,713
Other payables	8	6,682	5,619
Due to Parent Bank	10	7,576	13,051
Client deposits	6	1,053	1,222
Total current liabilities		15,311	19,892
Net current assets		117,845	106,821
Net assets		122,138	110,049
Represented by			
Share capital		36,000	36,000
Statutory reserve		18,804	18,804
Fair value reserve		70	70
Capital contribution reserve		50,000	50,000
Retained earnings		17,264	5,175
Total equity holders' funds		122,138	110,049

The attached notes 1 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 09-11-2022


General Manager

EMIRATES NBD SECURITIES LLC
 CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
 FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2022 (UNAUDITED)

		Unaudited three months period ended 30 September 2022 AED 000	Unaudited three months period ended 30 September 2021 AED 000	Unaudited nine months period ended 30 September 2022 AED 000	Unaudited nine months period ended 30 September 2021 AED 000
	Notes				
Commission income		8,823	4,024	27,013	11,262
Administrative and general expenses		(3,467)	(3,947)	(12,133)	(10,671)
Operating income		5,356	77	14,880	591
Other expenses, net	9	(1,120)	(464)	(3,550)	(1,720)
Interest income from Parent Bank	10	369	130	906	589
Impairment on trade and other debtors		(147)	-	(147)	-
Profit/ (loss) for the period		4,458	(257)	12,089	(540)
Other comprehensive income		-	-	-	36
Total comprehensive income/ (loss) for the period		4,458	(257)	12,089	(504)

The attached notes 1 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 2022 (UNAUDITED)

	Unaudited nine months period ended 30 September 2022 AED 000	Unaudited nine months period ended 30 September 2021 AED 000
<u>OPERATING ACTIVITIES</u>		
Profit / (loss) for the period	12,089	(540)
<u>Adjustment for non-cash items</u>		
Depreciation on property and equipment	339	333
Unrealized loss on investment securities	1	36
Operating profit / (loss) before changes in operating assets and liabilities	12,429	(171)
Change in trade and other debtors	147	-
Change in other receivables	(5,493)	2,283
Change in due to Parent Bank	(5,475)	1,635
Change in other payables	1,063	(1,016)
Net cash flows generated from operating activities	2,671	2,731
<u>INVESTING ACTIVITIES</u>		
Change in property and equipment	(1,405)	(421)
Change in term deposits maturing after three months	(514)	(64,021)
Net cash flows generated used in investing activities	(1,919)	(64,442)
Net increase / (decrease) in cash and cash equivalents	752	(61,711)
Cash and cash equivalents at the beginning of the period	32,406	92,625
Cash and cash equivalents at the end of the period	33,158	30,914

The attached notes 1 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 2022 (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 2022	36,000	18,804	70	50,000	5,175	110,049
Total comprehensive income for the period	-	-	-	-	12,089	12,089
Balance as at 30 September 2022	36,000	18,804	70	50,000	17,264	122,138
Balance as at 1 January 2021	36,000	18,804	34	50,000	(832)	104,006
Total comprehensive income / (loss) for the period	-	-	36	-	(540)	(504)
Balance as at 30 September 2021	36,000	18,804	70	50,000	(1,372)	103,502

The attached notes 1 to 12 form an integral part of these condensed interim financial statements.

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. Federal Law No. 32 of 2021 on Commercial Companies (the "New Companies Law") was issued on 20 September 2021 and has come into effect on 2 January 2022, to entirely replace Federal Law No. 2 of 2015 on Commercial Companies, as amended (the "2015 Law"). The Company is in the process of reviewing the new provisions and will apply the requirements thereof no later than one year from the date on which the amendments came into effect. 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 2021. 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 2021 except for the changes in accounting policies as explained in note 3.

In addition, results for the nine months ended 30 September 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

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 2021.

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 2021.

5 INVESTMENT SECURITIES

These comprise of the following:

	Unaudited 30 September 2022 AED 000	Audited 31 December 2021 AED 000
Equity securities:		
FVTPL	192	192
FVOCI	134	135
	326	327

Included in FVTPL - equity securities are:

AED 192 thousand 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 thousand representing shares of Emirates NBD Egypt S.A.E. and AED 58 thousand representing shares of Emirates NBD Capital PSC.

6 CASH AND BANK BALANCES

	Unaudited 30 September 2022 AED 000	Audited 31 December 2021 AED 000
Current account	33,158	32,406
Bank deposit (maturity within three months)	-	-
Cash and cash equivalents	33,158	32,406
Client deposits (note 6.1)	1,053	1,222
Fixed deposit (maturity after three months)	90,947	90,433
	125,158	124,061

- 6.1** In accordance with the regulations issued by the SCA the Company maintains separate bank accounts for advances received from its customers ("clients' money"). The client money 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 2022, no accounts were transferred to Parent Bank (For the year ended 2021 no accounts were transferred). Receivable from MT as of 30 September 2022 amounting to 'AED in 000' 3,005 (2021: 'AED in 000' 3,005) were considered individually impaired.

	Unaudited 30 September 2022 AED 000	Audited 31 December 2021 AED 000
Customer receivables	3,005	3,005
Less: Expected credit loss	(3,005)	(2,858)
	-	147

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

8 OTHER PAYABLES

	Unaudited 30 September 2022 AED 000	Audited 31 December 2021 AED 000
Accrued loyalty points*	1,064	392
Accrued bonus	3,819	3,422
Others	1,799	1,805
	6,682	5,619

* Customer loyalty program was 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.

9 OTHER EXPENSES - NET

	Unaudited nine months period ended 30 September 2022 AED 000	Unaudited nine months period ended 30 September 2021 AED 000
Foreign exchange income	(8)	(10)
Clearing fee expense	2,573	1,416
Other operating expense	985	314
	3,550	1,720

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 period is as follows:

	Unaudited nine months period ended 30 September 2022 AED 000	Unaudited nine months period ended 30 September 2021 AED 000
Short term employee benefits	1,382	998
Post-employment benefits	56	56

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 2022 AED 000	Audited 31 December 2021 AED 000
Due to Parent Bank	7,576	13,051
Interest receivable from Parent Bank	817	425
Bank balances held with Parent Bank (Note 6)	125,158	124,061

Expected credit losses on these balances are not significant.

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 2022 AED 000	Unaudited nine months period ended 30 September 2021 AED 000
Commission income from related parties (note 10.1)	921	665
Interest income from Parent Bank on fixed deposit and call account	906	589
Insurance premium paid to associate of parent Bank	-	101

10.1 Commission income from related parties in 2022 comprised:

	Trade value AED 000	Commission income AED 000
Subsidiary of the Parent Bank	105,592	16
Parent Bank	1,264,636	904
Directors of the company	976	1
	1,371,204	921

11 CONTINGENT LIABILITIES

	Unaudited 30 September 2022 AED 000	Audited 31 December 2021 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 2022**Equity Securities:**

FVTPL

FVOCI

Level 3

192

134

326

Audited 31 December 2021**Equity Securities:**

FVTPL

FVOCI

192

135

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.