

**EMIRATES NBD SECURITIES LLC**

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 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 June 2017 and the related interim statements of income and comprehensive income for the three month and six month periods then ended and interim statement of cash flows and changes in equity for the six 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.

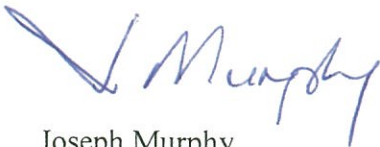
### ***Scope of Review***

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 Murphy  
Partner  
Registration No.: 492

30 July 2017

Dubai, United Arab Emirates

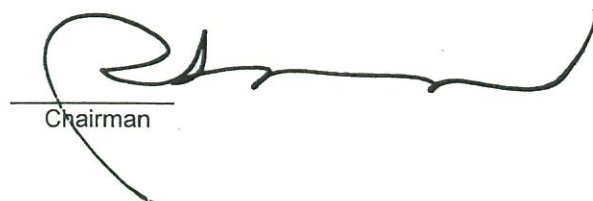
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2017 (UNAUDITED)

		Unaudited 30 June 2017 AED 000	Audited 31 December 2016 AED 000
<b><u>Assets</u></b>	<b>Notes</b>		
Property and equipment		331	419
Financial assets available-for-sale	6	5,741	6,432
<b>Total non-current assets</b>		<b>6,072</b>	<b>6,851</b>
Cash and bank balances	7	96,576	431,546
Due from Holding Company	12	27,507	1,929
Trade and other debtors	8	2,181	17,032
Other receivables		3,971	5,130
<b>Total current assets</b>		<b>130,235</b>	<b>455,637</b>
Other payables	9	3,301	5,329
Client deposit		13,073	9,538
<b>Total current liabilities</b>		<b>16,374</b>	<b>14,867</b>
<b>Net current assets</b>		<b>113,861</b>	<b>440,770</b>
<b>Net assets</b>		<b>119,933</b>	<b>447,621</b>
<b>Represented by</b>			
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		14,734	341,731
<b>Total equity holders' funds</b>		<b>119,933</b>	<b>447,621</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 July 2017.



Chairman



General Manager

CONDENSED INTERIM STATEMENT OF INCOME  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017 (UNAUDITED)

	Notes	Unaudited three months period ended 30 June 2017 AED 000	Unaudited three months period ended 30 June 2016 AED 000	Unaudited six months period ended 30 June 2017 AED 000	Unaudited six months period ended 30 June 2016 AED 000
Commission income		3,507	4,925	10,789	12,875
Administrative and general expenses		(3,900)	(4,300)	(7,440)	(9,669)
<b>Operating profit</b>		<b>(393)</b>	<b>625</b>	<b>3,349</b>	<b>3,206</b>
Other income	10	-	863	(29)	1,197
Interest received from Holding Company	12	331	368	1,261	572
Recoveries of impairment on trade and other debtors	8	10,153	-	10,153	3,859
<b>Profit for the period</b>		<b>10,091</b>	<b>1,856</b>	<b>14,734</b>	<b>8,834</b>

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

	Notes	Unaudited three months period ended 30 June 2017 AED 000	Unaudited three months period ended 30 June 2016 AED 000	Unaudited six months period ended 30 June 2017 AED 000	Unaudited six months period ended 30 June 2016 AED 000
Profit for the period		10,091	1,856	14,734	8,834
<b>Other comprehensive income</b>					
Net change in fair value of financial assets available-for-sale	6	(691)	(494)	(691)	148
<b>Total comprehensive income for the period</b>		<b>9,400</b>	<b>1,362</b>	<b>14,043</b>	<b>8,982</b>

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## EMIRATES NBD SECURITIES LLC

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

	Unaudited six months period ended 30 June 2017 AED 000	Unaudited six months period ended 30 June 2016 AED 000
<b><u>OPERATING ACTIVITIES</u></b>		
Profit for the period	14,734	8,834
<b><u>Adjustment for non cash items</u></b>		
Depreciation	120	367
Recovery of impairment losses	(10,153)	(3,859)
	<b>4,701</b>	<b>5,342</b>
Change in trade and other debtors	25,004	5,019
Change in other receivables	1,159	(538)
Change in due from Holding Company	(25,578)	(7,561)
Change in other payables	(2,028)	(1,208)
<b>Net cash flows from operating activities</b>	<b>3,258</b>	<b>1,054</b>
Acquisition of property and equipment	(32)	(104)
Decrease/(increase) in term deposits maturing after three months	276,532	(12,059)
<b>Net cash flows from / (used in) investing activities</b>	<b>276,500</b>	<b>(12,163)</b>
Dividends paid	(341,731)	-
<b>Net cash flows used in financing activities</b>	<b>(341,731)</b>	<b>-</b>
Net decrease in cash and cash equivalents	(61,973)	(11,109)
Cash and cash equivalents at the beginning of the period	87,805	41,688
<b>Cash and cash equivalents at the end of the period</b>	<b>25,832</b>	<b>30,579</b>

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## EMIRATES NBD SECURITIES LLC

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 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)	-	14,734	14,043
Dividends paid	-	-	-	-	(341,731)	(341,731)
<b>Balance as at 30 June 2017</b>	<b>36,000</b>	<b>18,804</b>	<b>395</b>	<b>50,000</b>	<b>14,734</b>	<b>119,933</b>
Balance as at 1 January 2016	36,000	18,804	988	50,000	330,204	435,996
Total comprehensive income for the period	-	-	148	-	8,834	8,982
Dividends paid	-	-	-	-	-	-
Balance as at 30 June 2016	36,000	18,804	1,136	50,000	339,038	444,978

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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 six months ended 30 June 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 June 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 June 2017 AED 000	Audited 31 December 2016 AED 000
Cash in hand	5	5
Current account	25,827	21,212
Bank deposit (Maturity within three months)	-	66,588
Cash and cash equivalents	25,832	87,805
Bank Deposit (Maturity after three months)	57,671	334,203
Client money (7.1)	13,073	9,538
	96,576	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 June 2017, no accounts were transferred to Holding Company (full year 2016 no accounts were transferred). Receivable from MT as of 30 June 2017 was AED 8.3 million (2016: AED 38 million).

	Unaudited 30 June 2017 AED 000	Audited 31 December 2016 AED 000
Customer receivables	8,305	38,046
Less: allowance for impairment loss	(6,124)	(21,014)
	2,181	17,032

**8 TRADE AND OTHER DEBTORS (continued)**

	Unaudited six months period ended 30 June 2017 AED 000	Unaudited six months period ended 30 June 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)	(3,859)
Write off	(4,737)	-
	<u>6,124</u>	<u>23,765</u>

**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 June 2017 is AED 830 K. (2016: 1,449 K).

**10 OTHER INCOME**

	Unaudited six months period ended 30 June 2017 AED 000	Unaudited six months period ended 30 June 2016 AED 000
Foreign exchange income	341	92
Dividend Income	-	247
Other operating income	(370)	858
	<u>(29)</u>	<u>1,197</u>

**11 EQUITY HOLDER FUNDS**

At the Annual General Meeting held on 23rd 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 June 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 June 2017 AED 000	Audited 31 December 2016 AED 000
Due from Holding Company	27,507	1,929
Bank balances held with Holding Company	96,530	431,499

**Transactions with group entities**

	Unaudited six months period ended 30 June 2017 AED 000	Unaudited six months period ended 30 June 2016 AED 000
Commission income from related parties	419	890
Interest income from Holding Company on fixed deposit and call account	1,261	572
Insurance premium paid to associate of Holding Company	40	62

**13 CONTINGENT LIABILITIES**

	Unaudited 30 June 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 June 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.