

Emirates NBD Securities LLC

Condensed interim financial statements

for the three months period ended 31 March 2014

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 31 March 2014 and the related interim statements of income and comprehensive income, cash flows and changes in equity for the three month 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.

Ernst & Young

28 April 2014
Dubai, United Arab Emirates

Emirates NBD Securities LLC
Condensed interim statement of financial position
As at 31 March 2014 (Unaudited)

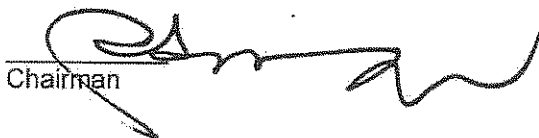
| | Notes | Unaudited 31 March 2014 AED '000 | Audited 31 December 2013 AED '000 |
|-------------------------------------|-------|--|---|
| Assets | | | |
| Property and equipment | | 1,943 | 2,055 |
| Financial assets available-for-sale | 6 | 17,144 | 12,455 |
| Total non-current assets | | 19,087 | 14,510 |
| Trade and other debtors | 7 | 44,936 | 31,913 |
| Other receivables | | 19,993 | 2,379 |
| Due from Holding Company | 8 | 260,286 | 257,260 |
| Cash and bank balance | 11 | 77,377 | 93,446 |
| Total current assets | | 402,592 | 384,998 |
| Other payables | | 6,094 | 6,037 |
| Client Deposit | | 8,767 | 8,186 |
| Total current liabilities | | 14,861 | 14,223 |
| Net current assets | | 387,731 | 370,775 |
| Net assets | | 406,818 | 385,285 |
| Represented by | | | |
| Share capital | | 36,000 | 36,000 |
| Statutory reserve | | 18,804 | 18,804 |
| Fair value reserve | | 11,798 | 7,109 |
| Capital contribution reserve | | 50,000 | 50,000 |
| Retained earnings | | 290,216 | 273,372 |
| Total equity holders' funds | | 406,818 | 385,285 |

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 28/4/2014

Chairman



General Manager



Emirates NBD Securities LLC
Condensed interim statement of income
For the three months period ended 31 March 2014 (Unaudited)

| | <i>Notes</i> | Unaudited three months period ended 31 Mar 2014 AED '000 | Unaudited three months period ended 31 Mar 2013 AED '000 |
|--------------------------------------|--------------|--|--|
| | | ----- | ----- |
| Commission income | | 20,744 | 4,850 |
| Administrative and general expenses | | (4,135) | (3,132) |
| | | ----- | ----- |
| Operating profit | | 16,609 | 1,718 |
| Other income | 9 | 8 | 386 |
| Interest income from Holding Company | 8 | 227 | 290 |
| | | ----- | ----- |
| Profit for the period | | 16,844 | 2,394 |
| | | ===== | ===== |

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.

Emirates NBD Securities LLC
Condensed interim statement of comprehensive income
For the three months period ended 31 March 2014 (Unaudited)

| | <i>Note</i> | Unaudited three months period ended 31 Mar 2014 AED '000 | Unaudited three months period ended 31 Mar 2013 AED '000 |
|--|-------------|---|---|
| | | ----- | ----- |
| Profit for the period | | 16,844 | 2,394 |
| Other comprehensive income: | | | |
| Net change in fair value of financial assets available-for-sale | 6 | 4,689 | 197 |
| | | ----- | ----- |
| Total comprehensive income for the period | | 21,533 | 2,591 |
| | | ===== | ===== |

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.

Emirates NBD Securities LLC
Condensed interim statement of changes in equity
For the three months period ended 31 March 2014 (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 at 1 January 2014 | 36,000 | 18,804 | 7,109 | 50,000 | 273,372 | 385,285 |
| Total comprehensive income for the period | - | - | 4,689 | - | 16,844 | 21,533 |
| Balance at 31 Mar 2014 | 36,000 | 18,804 | 11,798 | 50,000 | 290,216 | 406,818 |
| Balance at 1 January 2013 | 36,000 | 18,804 | (49) | 50,000 | 248,915 | 353,670 |
| Total comprehensive income for the period | - | - | 197 | - | 2,394 | 2,591 |
| Balance at 31 Mar 2013 | 36,000 | 18,804 | 148 | 50,000 | 251,309 | 356,261 |

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.

Emirates NBD Securities LLC
Condensed interim statement of cash flows
For the three months period ended 31 March 2014 (Unaudited)

| | Unaudited 31 Mar 2014 AED'000 | Unaudited 31 Mar 2013 AED'000 |
|---|-------------------------------------|-------------------------------------|
| | ----- | ----- |
| <u>OPERATING ACTIVITIES</u> | | |
| Profit for the period | 16,844 | 2,394 |
| <i>Adjustments for non-cash items:</i> | | |
| Change in fair value of investments | - | (362) |
| Depreciation | 165 | 186 |
| | ----- | ----- |
| | 17,009 | 2,218 |
| Change in trade and other debtors | (13,023) | 3,746 |
| Change in other receivables | (17,614) | (525) |
| Change in due from Holding Company | (3,026) | (10,581) |
| Change in other payables | 57 | (1,090) |
| | ----- | ----- |
| Net cash flows used in operating activities | (16,597) | (6,232) |
| | ----- | ----- |
| <u>INVESTING ACTIVITIES</u> | | |
| Acquisition of property and equipment | (53) | (84) |
| Purchase of investment | - | (6) |
| Increase in term deposits maturing after three months | (21,596) | - |
| | ----- | ----- |
| Cash flows used in investing activities | (21,649) | (90) |
| | ----- | ----- |
| Net decrease in cash and cash equivalents | (38,246) | (6,322) |
| Cash and cash equivalents at the beginning of the period | 41,802 | 42,192 |
| | ----- | ----- |
| Cash and cash equivalents at the end of the period | 3,556 | 35,870 |
| | ===== | ===== |

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.

Emirates NBD Securities LLC
Notes to the condensed interim financial statements
for the three months period ended 31 March 2014 (Unaudited)

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.

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 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 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 2013. 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 2013.

In addition, results for the three months ended 31 March 2014 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014.

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 2013. The adoption of new and amended IFRS and IFRIC interpretations with effect from 1 January 2014 has had no effect on the interim condensed financial statements of the Company.

Emirates NBD Securities LLC
Notes to the condensed interim financial statements
for the three months period ended 31 March 2014 (Unaudited)

4 Estimates

The preparation of these condensed interim financial statements in conformity with IFRS requires 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.

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 2013.

6 Investment securities

These comprise the following:

| | Unaudited 31 March 2014 AED '000 | Audited 31 December 2013 AED '000 |
|---------------------------------------|--|---|
| | ----- | ----- |
| Equity securities: | | |
| Non-current | | |
| Available-for-sale (refer note below) | 17,144 | 12,455 |
| | ===== | ===== |

Included in available-for-sale are:

- a) AED 16,882 K (31 December 2013: AED 12,193 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
- b) AED 198 K (31 December 2013: AED 198 K) representing 1% equity interest in Egyptian Company for Electronic System Development ("NPC"). The remaining 99% equity interest in NPC is collectively owned by Network International LLC and Emirates Financial Services PSC, who are a joint venture / subsidiary, respectively, of the Holding Company.

Emirates NBD Securities LLC
Notes to the condensed interim financial statements
for the three months period ended 31 March 2014 (Unaudited)

7 Trade and other debtors

Trade debtors include the following:

- The net balance of trades which have been executed with the market but have yet to be settled. Settlement periods for the Dubai Financial Market (DFM) and Abu Dhabi Securities Exchange (ADX) are T+2. Customer trades are settled through their respective investment accounts that exist with the Holding Company.
- 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 31 March 2014, no accounts were transferred to Holding Company (full year 2013 no accounts were transferred). Receivables from MT as of 31 March 2014 were AED 50,242 K(2013: 50,281 K).

| | Unaudited 31 March 2014 AED '000 | Audited 31 December 2013 AED '000 |
|-------------------------------------|--|---|
| Customer receivables | 75,173 | 62,150 |
| Less: allowance for impairment loss | (30,237) | (30,237) |
| | 44,936 | 31,913 |
| | ===== | ===== |

8 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 31 March 2014 AED '000 | Audited 31 December 2013 AED '000 |
|--------------------------------|--|---|
| Due from Holding Company | 260,286 | 257,260 |
| | ===== | ===== |
| Cash held with Holding Company | 77,327 | 93,398 |
| | ===== | ===== |

Emirates NBD Securities LLC
Notes to the condensed interim financial statements
for the three months period ended 31 March 2014 (Unaudited)

8 Related party transactions (continued)

Transactions with group entities

| | Unaudited 31 March 2014 AED '000 | Unaudited 31 March 2013 AED '000 |
|--|--|--|
| | ----- | ----- |
| Commission income from related parties | 1,804 | 257 |
| Interest income from Holding Company on fixed deposit and call account | 227 | 290 |
| Insurance premium paid to associate of Holding Company | 91 | 96 |
| | ===== | ===== |

9 Other income

| | Unaudited 31 March 2014 AED '000 | Unaudited 31 March 2013 AED '000 |
|---|--|--|
| | ----- | ----- |
| Gain on securities designated as fair value through profit and loss | - | 363 |
| Others | 8 | 23 |
| | ===== | ===== |
| | 8 | 386 |
| | ===== | ===== |

Emirates NBD Securities LLC
Notes to the condensed interim financial statements
for the three months period ended 31 March 2014 (Unaudited)

10 Contingent liabilities

| | Unaudited 31 March 2014 AED '000 | Audited 31 December 2013 AED '000 |
|--|--|---|
| Letters of guarantee (Issued by the Holding Company in favor of DFM and ADX) | 220,000 ===== | 220,000 ===== |
| 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 ===== |

11 Cash and bank balance

| | Unaudited 31 March 2014 AED '000 | Unaudited 31 March 2013 AED '000 |
|--|--|--|
| Cash in hand | 5 | 4 |
| Current account | 3,551 | 14,548 |
| Bank deposit (Maturity within three months) | - ===== | 21,318 ===== |
| Cash and bank balance | 3,556 | 35,870 |
| Bank Deposit (Maturity after three months) | 65,054 | 42,728 |
| Client money (11.1) | 8,767 ----- | 4,537 ----- |
| | 77,377 ===== | 83,135 ===== |

- 11.1** 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.

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.

Emirates NBD Securities LLC
Notes to the condensed interim financial statements
for the three months period ended 31 March 2014 (Unaudited)

12 Fair value measurement principles (continued)

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 | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------------|---------------|---------|------------|---------------|
| | ===== | ===== | ===== | ===== |
| 31 March 2014 | | | | |
| Available-for-sale financial assets | 16,882 | - | 262 | 17,144 |
| | ===== | ===== | ===== | ===== |
| | 16,882 | | 262 | 17,144 |
| | ===== | ===== | ===== | ===== |
| 31 December 2013 | | | | |
| Available-for-sale financial assets | 12,193 | - | 262 | 12,455 |
| | ===== | ===== | ===== | ===== |
| | 12,193 | - | 262 | 12,455 |
| | ===== | ===== | ===== | ===== |

Although the company believes that its estimate of fair value of level 3 is appropriate, the use of different methodologies or assumptions could lead to different measurement of fair value. For fair value measurement in level 3, a change of 10% in the fair value of the investment would have an equal but opposite potential effect of AED 26 K (2013: 26 K) of the statement of comprehensive income.