

ADCB SECURITIES L.L.C.

**Review report and condensed interim financial information
for the nine month period ended September 30, 2017**

ADCB Securities L.L.C.

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for the nine month period ended September 30, 2017**

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REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

The Board of Directors
ADCB Securities L.L.C.
Abu Dhabi
United Arab Emirates

Introduction

We have reviewed the accompanying condensed interim statement of financial position of ADCB Securities L.L.C. (the "Company") as at 30 September 2017 and the related condensed interim statements of comprehensive income, changes in equity and cash flows for the nine-month period then ended (together, the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting ("IAS 34)". Our responsibility is to express a conclusion on this condensed 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 condensed interim financial information of ADCB Securities L.L.C. is not prepared, in all material respects, in accordance with IAS 34.

Deloitte & Touche (M.E.)



Mohammad Khamees Al Tah
Registration No. 717
Abu Dhabi
8 November 2017
Abu Dhabi
United Arab Emirates

ADCB Securities L.L.C.

Condensed interim statement of financial position
As at September 30, 2017

		September 30 2017 (unaudited) AED'000	December 31 2016 (audited) AED'000
	Notes		
ASSETS			
Non-current assets			
Property and equipment		1,302	1,105
Available-for-sale financial assets	3	463	521
Total non-current assets		1,765	1,626
Current assets			
Trade and other receivables	4	27,942	93,615
Margin trade receivables	5	471,845	311,482
Bank balances	6	114,884	142,307
Total current assets		614,671	547,404
Total assets		616,436	549,030
EQUITY AND LIABILITIES			
Equity			
Share capital	7	71,000	71,000
Statutory reserve		9,090	9,090
Investment revaluation reserve		34	92
Retained earnings		60,808	50,301
Total equity		140,932	130,483
Liabilities			
Non-current liabilities			
Long term borrowing	8	100,000	100,000
Provision for employees' end of service benefit		3,054	2,392
Total non-current liabilities		103,054	102,392
Current liabilities			
Trade and other payables	9	28,616	91,648
Bank overdraft	6	337,112	188,091
Due to Parent Company	11	6,722	36,416
Total current liabilities		372,450	316,155
Total liabilities		475,504	418,547
Total equity and liabilities		616,436	549,030

Ala'a Eraiqat
Chairman

Hassan Salem Al Hossani
General Manager

Vijay Kasturi
Head - Financial Control & planning

The accompanying notes form an integral part of this condensed interim financial information.

**Condensed interim statement of comprehensive income (unaudited)
for the nine month period ended September 30, 2017**

	Notes	3 months ended September 30		9 months ended September 30	
		2017 AED'000	2016 AED'000	2017 AED'000	2016 AED'000
Income					
Brokerage commission		1,890	1,818	12,229	8,141
Interest income	10	5,617	2,922	18,411	6,764
Interest expense		(2,099)	(1,260)	(7,158)	(3,283)
Net interest income		3,518	1,662	11,253	3,481
Other income		-	-	-	21
		<u>5,408</u>	<u>3,480</u>	<u>23,482</u>	<u>11,643</u>
Expenses					
Staff expenses		(3,613)	(2,991)	(9,782)	(9,011)
Depreciation		(223)	(264)	(666)	(789)
Other operating expenses		(867)	(690)	(2,527)	(2,942)
		<u>(4,703)</u>	<u>(3,945)</u>	<u>(12,975)</u>	<u>(12,742)</u>
Net profit/(loss) for the period		<u>705</u>	<u>(465)</u>	<u>10,507</u>	<u>(1,099)</u>
Other comprehensive income					
<i>Items that may be re-classified subsequently to profit or loss</i>					
Fair value changes on available-for-sale financial assets	3	-	21	(58)	33
Total comprehensive income/(loss) for the period		<u>705</u>	<u>(444)</u>	<u>10,449</u>	<u>(1,066)</u>

The accompanying notes form an integral part of this condensed interim financial information.

ADCB Securities L.L.C.

**Condensed interim statement of changes in equity
for the nine month period ended September 30, 2017**

	Share capital AED'000	Statutory reserve AED'000	Investment revaluation reserve AED'000	Retained earnings AED'000	Total AED'000
Balance at January 1, 2016 (audited)	71,000	8,845	84	48,105	128,034
Net loss for the period	-	-	-	(1,099)	(1,099)
Fair value changes on available-for-sale financial assets	-	-	33	-	33
Total comprehensive income/(loss) for the period	-	-	33	(1,099)	(1,066)
Balance at September 30, 2016 (unaudited)	71,000	8,845	117	47,006	126,968
Balance at January 1, 2017 (audited)	71,000	9,090	92	50,301	130,483
Net profit for the period	-	-	-	10,507	10,507
Fair value changes on available-for-sale financial assets	-	-	(58)	-	(58)
Total comprehensive (loss)/income for the period	-	-	(58)	10,507	10,449
Balance at September 30, 2017 (unaudited)	71,000	9,090	34	60,808	140,932

The accompanying notes form an integral part of this condensed interim financial information.

ADCB Securities L.L.C.

**Condensed interim statement of cash flows (unaudited)
for the nine month period ended September 30, 2017**

	9 months ended September 30	
	2017	2016
	AED'000	AED'000
Operating activities		
Net profit/(loss) for the period	10,507	(1,099)
Adjustments for:		
Depreciation on property and equipment	666	789
Employees' end of service benefit charge	347	223
	<u>11,520</u>	<u>(87)</u>
Movements in working capital		
Decrease in trade and other receivables	65,673	5,021
Increase in margin trade receivables	(160,363)	(197,522)
Net movement in due to/from Parent Company *	(29,379)	6,358
Decrease in trade and other payables	(63,032)	(4,643)
Settlement of employees' end of service benefit	-	(358)
	<u>(175,581)</u>	<u>(191,231)</u>
Investing activities		
Purchase of property and equipment	(863)	(452)
Net movement in term deposits	100,000	(50,000)
	<u>99,137</u>	<u>(50,452)</u>
Net cash generated from / (used in) investing activities		
	<u>(76,444)</u>	<u>(241,683)</u>
Net decrease in cash and cash equivalents		
Cash and cash equivalents at the beginning of the period	(145,784)	102,924
	<u>(222,228)</u>	<u>(138,759)</u>
Cash and cash equivalents at the end of the period (Note 6)		

* includes AED 315 thousand transfer of employees' end of service benefit

The accompanying notes form an integral part of this condensed interim financial information.

**Notes to the condensed interim financial information
for the nine month period ended September 30, 2017**

1 General

ADCB Securities L.L.C. (the "Company") is a limited liability company incorporated in the Emirate of Abu Dhabi, United Arab Emirates (U.A.E.). The Company was established on February 7, 2005 and commenced its operations on May 14, 2005 and is a wholly owned subsidiary of Abu Dhabi Commercial Bank P.J.S.C. (the "Parent Company" or "ADCB"), a public joint stock company incorporated and registered in the U.A.E. The registered head office of the Company is at Abu Dhabi Commercial Bank Head Office Building, Sheikh Zayed Bin Sultan Street, P. O. Box 939, Abu Dhabi, U.A.E.

The Company is registered as a brokerage company in accordance with U.A.E. Federal Law No. 4 of 2000. The Company has amended its Articles of Association to ensure its compliance with the provisions of the UAE Federal Law No. 2 of 2015, which came into effect on July 1, 2015.

The principal activities of the Company are to provide brokerage services pertaining to financial instruments and commodities, margin trading activity, financial consultation and financial analysis.

The Company conducts significant portion of its business through its Parent Company and customers which are holding current accounts with ADCB.

2 Summary of significant accounting policies

Basis of preparation

These condensed interim financial information have been prepared on a going concern basis and in accordance with IAS 34 "Interim Financial Reporting". It does not include all of the information required for full annual financial statements, and should be read in conjunction with the audited financial statements for the year ended December 31, 2016, which were prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretation Committee (IFRIC) Interpretations.

The same accounting policies, presentation and methods of computation have been followed in these condensed interim financial information as were applied in the preparation and presentation of the Companies audited financial statements for the year ended December 31, 2016, except for the adoption of following new standards and interpretations effective from an accounting period that begins on or after January 1, 2017. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for the Company's future transactions or arrangements.

- Amendments to IAS 12 *Income Taxes* relating to the recognition of deferred tax assets for unrealised losses.
- Amendments to IAS 7 *Statement of Cash Flows* to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.
- Annual Improvements to IFRS Standards 2014–2016 Cycle – Amendments to IFRS 12.

Other than the above, there are no other significant IFRSs and amendments that were effective for the first time for the financial year beginning on or after January 1, 2017.

The results for the nine month period ended September 30, 2017 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2017.

**Notes to the condensed interim financial information
for the nine month period ended September 30, 2017**

2 Summary of significant accounting policies (continued)

Basis of preparation (continued)

These condensed interim financial information are prepared and presented in United Arab Emirates Dirhams (AED) which is the Company's functional and presentation currency and are rounded off to the nearest thousand ("000") unless otherwise indicated.

The preparation of the condensed interim financial information in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The main areas of judgments, estimates and assumptions applied in this condensed interim financial information, including the key sources of estimation uncertainty were the same as those applied in the Company's financial statements for the year ended December 31, 2016.

3 Available-for-sale financial assets

	September 30 2017 (unaudited) AED'000	December 31 2016 (audited) AED'000
Quoted		
Balance at beginning of period/year	521	513
Change in fair value	(58)	8
Balance at end of period/year	463	521

The above represents investment of 416,341 shares in Dubai Financial Market P.J.S.C.

4 Trade and other receivables

	September 30 2017 (unaudited) AED'000	December 31 2016 (audited) AED'000
Trade receivables from customers	22,362	88,431
Receivables from exchanges	4,992	1,721
Other receivables	588	3,463
	27,942	93,615

Trade receivables

The credit period for trade receivables is two days (trade date plus two working days). The Company has an obligation to settle these amounts to the eventual recipient (markets), even if the equivalent amounts are not collected.

The fair value of trade and other receivables does not materially differ from their carrying value.

**Notes to the condensed interim financial information
for the nine month period ended September 30, 2017**

5 Margin trade receivables

The Company has obtained the license from Securities and Commodities Authority (SCA) under registration no. 604028 dated November 24, 2013 for margin trading, whereby the Company may provide finance to its clients as a percentage of the market value of securities. The underlying securities are considered as collateral. Additional cash or securities have to be contributed by the borrower, if the price of a stock financed on margin drops below the specified limit or otherwise the Company is allowed to liquidate the collateral. The financing arrangements are short term and interest bearing.

	September 30 2017 (unaudited) AED'000	December 31 2016 (audited) AED'000
Margin trade receivables	472,917	312,554
Less : Collective impairment allowance	(1,072)	(1,072)
	<hr/>	<hr/>
Margin trade receivables, net	471,845	311,482
	<hr/>	<hr/>

The fair value of securities held as collateral against margin trade receivables amounts to AED 943,140 thousand as at 30 September 2017 (31 December 2016: AED 789,494 thousand).

The fair value of margin trade receivables does not materially differ from their carrying value.

6 Bank balances

	September 30 2017 (unaudited) AED'000	December 31 2016 (audited) AED'000
Current accounts	114,884	42,307
Term deposits	-	100,000
	<hr/>	<hr/>
Bank balance	114,884	142,307
	<hr/>	<hr/>
Cash and cash equivalent		
Bank balance	114,884	142,307
Term deposits with original maturity of more than 3 months	-	(100,000)
	<hr/>	<hr/>
	114,884	42,307
	<hr/>	<hr/>
Bank overdraft	(337,112)	(188,091)
	<hr/>	<hr/>
Cash and cash equivalents	(222,228)	(145,784)
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ADCB Securities L.L.C.

**Notes to the condensed interim financial information
for the nine month period ended September 30, 2017**

7 Share capital

	Authorised		Issued and fully paid	
	September 30 2017	December 31 2016	September 30 2017	December 31 2016
	(unaudited) AED'000	(audited) AED'000	(unaudited) AED'000	(audited) AED'000
Ordinary shares of AED 1,000 each	141,000	71,000	71,000	71,000

During the period, the Company has increased its authorised share capital from AED 71,000 thousand to AED 141,000 thousand.

8 Long term borrowing

The Company has borrowed subordinated long term debt from its Parent Company for a period of 5 years. Interest on this loan is payable quarterly in arrears at a fixed rate of 4% p.a. The Company has the option to repay prior to maturity date subject to SCA approval.

This debt is qualified as tier 2 Capital as per SCA Board decision No. 12/R of 2010 dated 24 February 2010 concerning criteria for capital adequacy of a brokerage firm.

9 Trade and other payables

	September 30 2017 (unaudited) AED'000	December 31 2016 (audited) AED'000
Trade payables to customers	23,925	59,059
Payable to exchanges	3,373	30,898
Other payables	1,318	1,691
	28,616	91,648

Trade payables to customers consist only of those customers holding a current account with the Parent Company. The settlement date of these balances is after two working days from the transaction date and is settled to the customer's current account that it holds with the Parent Company.

10 Interest income (unaudited)

	3 months ended September 30		9 months ended September 30	
	2017 AED'000	2016 AED'000	2017 AED'000	2016 AED'000
Interest income - margin trading	5,615	2,362	17,585	5,834
Interest income - term and call deposits	2	560	826	930
	5,617	2,922	18,411	6,764

**Notes to the condensed interim financial information
for the nine month period ended September 30, 2017**

11 Transactions and balances with related parties

The Company enters into transactions with the Parent Company and its related entities, directors and senior management of the Parent Company, related entities of the directors and senior management of the Parent Company and directors of the Company in the ordinary course of business at an arm's length basis.

Abu Dhabi Investment Council is the Parent Company of ADCB. Abu Dhabi Investment Council was established by the Government of Abu Dhabi pursuant to law No. 16 of 2006 and so the Ultimate Controlling Party is the Government of Abu Dhabi.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company.

Related party balances and transactions included in the condensed interim statement of financial position and condensed interim statement of comprehensive income are as follows:

	Parent Company and its related entities AED '000	Directors and key management personnel of the Company AED '000
Balances :		
September 30, 2017 (unaudited)		
Margin trade receivables	2,040	4,767
Bank balances with Parent Company :		
Current account	76,997	-
Bank overdraft	(337,112)	-
Due to Parent Company	(6,722)	-
Long term borrowing	(100,000)	-
Bank guarantees	355,000	-
December 31, 2016 (audited)		
Margin trade receivables	-	1,705
Bank Balances with Parent Company :		
Term deposits	100,000	-
Current account	4,359	-
Bank overdraft	(188,091)	-
Due to Parent Company	(36,416)	-
Long term borrowing	(100,000)	-
Bank guarantees	355,000	-
Transactions :		
9 months period ended (unaudited)		
September 30, 2017		
Brokerage commission	76	202
Interest income	873	109
Interest expense	(7,158)	-
Commission expense on bank guarantee	(146)	-
Rent expenses	(175)	-
Transfer of employees' end of service benefit	315	-

**Notes to the condensed interim financial information
for the nine month period ended September 30, 2017**

11 Transactions and balances with related parties (continued)

	Parent Company and its related entities AED '000	Directors and key management personnel of the Company AED '000
September 30, 2016		
Brokerage commission	87	96
Interest income	930	128
Interest expenses	(3,283)	-
Commission expense on bank guarantee	(926)	-
Rent expenses	(175)	-

The Parent Company provides operational and functional support to the Company with respect to human resources, information technology, vendor payments and accounting services.

12 Commitments and contingent liabilities

	As at September 30 2017 (unaudited) AED'000	As at December 31 2016 (audited) AED'000
Bank guarantees	355,000	355,000

The above bank guarantees have been issued by the Parent Company in the normal course of business.

13 Approval of condensed interim financial information

This condensed interim financial information were approved by the Board of Directors and authorised for issue on November 08, 2017.