

ADCB SECURITIES L.L.C.

**Review report and condensed interim financial information
for the nine month period ended September 30, 2019**

ADCB Securities L.L.C.

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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 2019 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. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

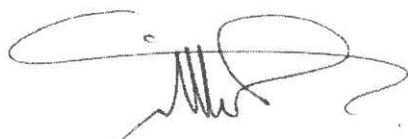
Scope of Review

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 International Accounting Standard 34 Interim Financial Reporting.


Deloitte & Touche (M.E.)



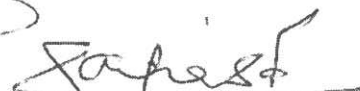
Mohammad Khamees Al Tah
Registration No. 717
11 November 2019
Abu Dhabi
United Arab Emirates

Condensed interim statement of financial position
As at September 30, 2019

		As at September 30 2019 (unaudited) AED'000	As at December 31 2018 (audited) AED'000
	Notes		
ASSETS			
Non-current assets			
Property and equipment, net		967	1,357
Investment securities	3	358	333
Total non-current assets		1,325	1,690
Current assets			
Trade and other receivables	4	11,217	8,223
Margin trade receivables	5	479,485	568,503
Bank balances	6	11,476	8,675
Total current assets		502,178	585,401
Total assets		503,503	587,091
EQUITY AND LIABILITIES			
Equity			
Share capital	7	71,000	71,000
Legal reserve		10,448	10,448
Revaluation reserve of investment designated at FVTOCI		(71)	(96)
Retained earnings		65,798	63,584
Total equity		147,175	144,936
Liabilities			
Non-current liabilities			
Long term borrowing	8	100,000	100,000
Provision for employees' end of service benefit		3,667	3,485
Total non-current liabilities		103,667	103,485
Current liabilities			
Trade and other payables	9	12,246	10,163
Bank overdraft	6	233,488	324,009
Due to Parent Company	11	6,927	4,498
Total current liabilities		252,661	338,670
Total liabilities		356,328	442,155
Total equity and liabilities		503,503	587,091


Arup Mukhopadhyay
 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.

ADCB Securities L.L.C.

**Condensed interim statement of comprehensive income (unaudited)
for the nine month period ended September 30, 2019**

	Notes	3 months ended September 30		9 months ended September 30	
		2019 AED'000	2018 AED'000	2019 AED'000	2018 AED'000
Income					
Brokerage commission	11	1,418	1,292	3,878	5,552
Interest income	10 & 11	6,410	7,007	20,095	19,713
Interest expense	11	(2,751)	(3,655)	(8,992)	(9,587)
Net interest income		3,659	3,352	11,103	10,126
Other income		-	-	-	42
		5,077	4,644	14,981	15,720
Expenses					
Staff expenses		(3,385)	(3,554)	(9,619)	(11,388)
Depreciation		(128)	(140)	(390)	(379)
Other operating expenses	11	(902)	(1,166)	(2,758)	(2,788)
		(4,415)	(4,860)	(12,767)	(14,555)
Profit/(loss) for the period		662	(216)	2,214	1,165
Other comprehensive income					
<i>Items that may not be re-classified subsequently to profit or loss</i>					
Fair value changes of equity instrument designated at FVTOCI	3	62	(20)	25	(83)
Total comprehensive income/(loss) for the period		724	(236)	2,239	1,082

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 (unaudited)
for the nine month period ended September 30, 2019**

	Share capital AED'000	Legal reserve AED'000	Revaluation reserve of investment designated at FVTOCI AED'000	Retained earnings AED'000	Total equity AED'000
Balance as at January 1, 2019	71,000	10,448	(96)	63,584	144,936
Profit for the period	-	-	-	2,214	2,214
Fair value changes of equity instrument designated at FVTOCI	-	-	25	-	25
Total comprehensive income for the period	-	-	25	2,214	2,239
Balance as at September 30, 2019	71,000	10,448	(71)	65,798	147,175
Balance as at January 1, 2018 (as previously reported)	71,000	10,370	38	61,816	143,224
Effect of change in accounting policy for IFRS 9	-	-	-	1,072	1,072
Balance as at January 1, 2018 (restated)	71,000	10,370	38	62,888	144,296
Profit for the period	-	-	-	1,165	1,165
Fair value changes of equity instrument designated at FVTOCI	-	-	(83)	-	(83)
Total comprehensive (loss)/income for the period	-	-	(83)	1,165	1,082
Balance as at September 30, 2018	71,000	10,370	(45)	64,053	145,378

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, 2019**

	9 months ended September 30	
	2019	2018
	AED'000	AED'000
Operating activities		
Profit for the period	2,214	1,165
Adjustments for:		
Depreciation on property and equipment	390	379
Employees' end of service benefit charge	267	465
	<u>2,871</u>	<u>2,009</u>
Movements in working capital		
(Increase)/decrease in trade and other receivables	(2,994)	103,601
Decrease/(increase) in margin trade receivables	89,018	(130,696)
Net movement in due to Parent Company *	2,429	(2,956)
Increase/(decrease) in trade and other payables	2,083	(103,575)
Payment of end of benefit services	(85)	-
	<u>93,322</u>	<u>(131,617)</u>
Net cash from/(used in) operating activities		
Investing activities		
Purchase of property and equipment	-	(592)
	<u>-</u>	<u>(592)</u>
Net cash used in investing activities		
	<u>-</u>	<u>(592)</u>
Financing activities		
Repayment of borrowing	(100,000)	-
Proceeds from borrowing	100,000	-
	<u>-</u>	<u>-</u>
Net cash from financing activities		
	<u>-</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	93,322	(132,209)
Cash and cash equivalents at the beginning of the period	(315,334)	(239,036)
	<u>(315,334)</u>	<u>(239,036)</u>
Cash and cash equivalents at the end of the period (Note 6)	(222,012)	(371,245)
	<u>(222,012)</u>	<u>(371,245)</u>
Non-cash transactions		
*Transfer of employees' end of service benefit (Note 11)	-	(57)

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

ADCB Securities L.L.C.

Notes to the condensed interim financial information for the nine month period ended September 30, 2019

1 Activities and area of operations

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 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

Application of new and revised International Financial Reporting Standards (IFRSs)

The Company has applied the following IFRS and amendments to IFRSs issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after January 1, 2019. The application of these amendments to 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.

- Annual Improvements to IFRSs 2015–2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23
- IFRS 16 Leases
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments in IFRS 9 Financial Instruments relating to prepayment features with negative compensation
- Amendment to IAS 19 Employee Benefits
- Amendments in IAS 28 Investments in Associates and Joint Ventures relating to long-term interests in associates and joint ventures

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, 2019.

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, 2018, which were prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretation Committee (IFRIC) Interpretations.

ADCB Securities L.L.C.

Notes to the condensed interim financial information for the nine month period ended September 30, 2019

2 Summary of significant accounting policies (continued)

The results for the nine month period ended September 30, 2019 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2019.

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, 2018.

3 Investment securities

	As at September 30 2019 (unaudited) AED'000	As at December 31 2018 (audited) AED'000
Investment in equity instrument designated at FVTOCI		
Quoted:		
Opening balance	333	467
Change in fair value	25	(134)
Closing balance	358	333

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

4 Trade and other receivables

	As at September 30 2019 (unaudited) AED'000	As at December 31 2018 (audited) AED'000
Trade receivables from customers	7,085	7,878
Receivables from exchanges	3,428	12
Other receivables	704	333
	11,217	8,223

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 approximates their carrying value.

ADCB Securities L.L.C.

Notes to the condensed interim financial information for the nine month period ended September 30, 2019

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.

	As at September 30 2019 (unaudited) AED'000	As at December 31 2018 (audited) AED'000
Margin trade receivables	479,485	568,503

The fair value of securities held as collateral against margin trade receivables amounts to AED 904,408 thousand as at September 30, 2019 (December 31, 2018: AED 1,011,642 thousand).

The fair value of margin trade receivables approximates their carrying value.

6 Bank balances

	As at September 30 2019 (unaudited) AED'000	As at December 31 2018 (audited) AED'000
Call and current accounts	11,476	8,675
Bank overdraft	(233,488)	(324,009)
Cash and cash equivalents	(222,012)	(315,334)

7 Share capital

	Authorised		Issued and fully paid	
	As at September 30 2019 (unaudited) AED'000	As at December 31 2018 (audited) AED'000	As at September 30 2019 (unaudited) AED'000	As at December 31 2018 (audited) AED'000
Ordinary shares of AED 1,000 each	141,000	141,000	71,000	71,000

ADCB Securities L.L.C.

Notes to the condensed interim financial information for the nine month period ended September 30, 2019

8 Long term borrowing

During the period, subordinated long-term debt taken from its Parent Company matured and was renewed for a period of 5 years with same terms and condition except interest on new debt is increased to fixed rate of 4.85% p.a. from 4% p.a.. The Company has the option to repay prior to maturity date subject to SCA approval.

This new debt also qualifies as tier 2 Capital as per SCA Board decision No. 12/R of 2010 dated February 24, 2010 concerning criteria for capital adequacy of brokerage firms.

9 Trade and other payables

	As at September 30 2019 (unaudited) AED'000	As at December 31 2018 (audited) AED'000
Trade payables to customers	10,471	5,959
Payable to exchanges	20	1,913
Other payables	1,755	2,291
	<u>12,246</u>	<u>10,163</u>

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 are 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	
	2019 AED'000	2018 AED'000	2019 AED'000	2018 AED'000
Interest income - margin trading	6,408	7,005	20,090	19,708
Interest income - call deposits	2	2	5	5
	<u>6,410</u>	<u>7,007</u>	<u>20,095</u>	<u>19,713</u>

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, the Government of Abu Dhabi ("Ultimate Controlling Party") and its related entities and directors of the Company in the ordinary course of business at commercial interest and commission rates.

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.

ADCB Securities L.L.C.

**Notes to the condensed interim financial information
for the nine month period ended September 30, 2019**

11 Transactions and balances with related parties (continued)

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company being the Parent Company's directors, chief executive and its direct reports and the company's directors and general manager.

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

	Parent Company and its related entities AED '000	Directors and key management personnel of the Company AED '000
Balances :		
As at September 30, 2019 (unaudited)		
Margin trade receivables	2,841	1,174
Bank balances with Parent Company :		
Current accounts ¹	11,476	-
Bank overdraft	(233,488)	-
Due to Parent Company	(6,927)	-
Long term borrowing	(100,000)	-
Other payables	(13)	-
As at December 31, 2018 (audited)		
Margin trade receivables	-	625
Bank balances with Parent Company :		
Current accounts ¹	8,004	-
Bank overdraft	(324,009)	-
Due to Parent Company ²	(4,498)	-
Long term borrowing	(100,000)	-
Other payables	(11)	-
Transactions :		
For the nine month period ended (unaudited)		
September 30, 2019		
Brokerage commission	58	20
Interest income	95	42
Interest expense	(8,992)	-
Commission expense on bank guarantees ³	(162)	-
Rent expense	(365)	-
September 30, 2018		
Brokerage commission	53	102
Interest income	100	77
Interest expense	(9,587)	-
Commission expense on bank guarantees ³	(161)	-
Rent expense	(284)	-

¹ Includes AED 4,463 thousand (December 31, 2018: AED 1,085 thousand) of current account balances maintained with related entity of ultimate controlling party.

² Net of AED 57 thousand transfer of employees end of service benefit.

³ For bank guarantees issued by the Parent Company refer note 12.

ADCB Securities L.L.C.

**Notes to the condensed interim financial information
for the nine month period ended September 30, 2019**

11 Transactions and balances with related parties (continued)

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 2019 (unaudited) AED'000	As at December 31 2018 (audited) AED'000
Bank guarantees	355,000	355,000

As per SCA regulations, a broker is required to have an enforceable bank guarantee payable to respective stock markets. The above bank guarantees have been issued by the Parent Company.

13 Approval of condensed interim financial information

This condensed interim financial information was approved by the Board of Directors and authorised for issue on November 11, 2019.