

ADCB Securities L.L.C.

**Review report and condensed interim
financial information for the nine month
period ended September 30, 2020**



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For the nine month period ended September 30, 2020**

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**REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION TO THE
SHAREHOLDERS OF ADCB SECURITIES L.L.C.**

Introduction

We have reviewed the accompanying interim condensed financial statements of ADCB Securities L.L.C. ("the Company") as at 30 September 2020, which comprise the interim statement of financial position as at 30 September 2020 and the related interim statement of comprehensive income for the three-month and nine-month periods then ended and the interim statement of changes in equity and interim statement of cash flows for the nine-month period then ended and explanatory notes. 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 the 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.

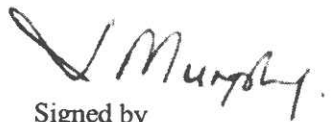
Other matter

The financial statements of the Company for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those statements on 29 March 2020.

The condensed interim financial information of the Company for the nine-month period ended 30 September 2019 were reviewed by another auditor who expressed an unmodified conclusion on 11 November 2019.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with IAS 34.



Signed by
Joseph Alexander Murphy
Partner
Ernst & Young
Registration No. 492

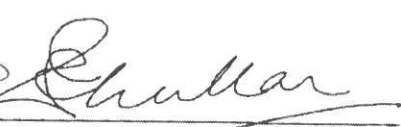
ADCB Securities L.L.C.

**Condensed interim statement of financial position
As at September 30, 2020**

		As at September 30 2020 (unaudited) AED'000	As at December 31 2019 (audited) AED'000
	Notes		
ASSETS			
Non-current assets			
Property and equipment, net		483	840
Investment security	3	770	404
Total non-current assets		1,253	1,244
Current assets			
Trade and other receivables	4	48,386	20,168
Margin trade receivables	5	329,177	464,785
Cash and bank balances	6	7,925	6,565
Total current assets		385,488	491,518
Total assets		386,741	492,762
EQUITY AND LIABILITIES			
Equity			
Share capital	7	71,000	71,000
Legal reserve		10,695	10,695
Revaluation reserve of investment designated at FVTOCI		(94)	(25)
Retained earnings		66,961	65,804
Total equity		148,562	147,474
Liabilities			
Non-current liabilities			
Long term borrowing	8	100,000	100,000
Provision for employees' end of service benefit		3,903	3,863
Total non-current liabilities		103,903	103,863
Current liabilities			
Trade and other payables	9	50,352	21,372
Bank overdraft	6	82,109	217,314
Due to Parent Company	11	1,815	2,739
Total current liabilities		134,276	241,425
Total liabilities		238,179	345,288
Total equity and liabilities		386,741	492,762


Arup Mukhopadhyay
Chairman


Hassan Salem Al Hossani
General Manager


Deepak Khullar
Group Chief Financial Officer

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, 2020

	Notes	3 months ended September 30		9 months ended September 30	
		2020 AED'000	2019 AED'000	2020 AED'000	2019 AED'000
Income					
Brokerage commission	11	1,800	1,418	5,560	3,878
Interest income	10	4,261	6,410	14,485	20,095
Interest expense	11	(1,421)	(2,751)	(5,384)	(8,992)
Net interest income		2,840	3,659	9,101	11,103
Other income		-	-	23	-
		4,640	5,077	14,684	14,981
Expenses					
Staff expenses		(3,461)	(3,385)	(10,186)	(9,619)
Depreciation		(110)	(128)	(357)	(390)
Other operating expenses	11	(955)	(902)	(2,984)	(2,758)
		(4,526)	(4,415)	(13,527)	(12,767)
Profit for the period		114	662	1,157	2,214
Other comprehensive income/(loss)					
<i>Items that may not be re-classified subsequently to profit or loss</i>					
Fair value changes of equity instrument designated at FVTOCI	3	9	62	(69)	25
Total comprehensive income for the period		123	724	1,088	2,239

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, 2020

	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, 2020	71,000	10,695	(25)	65,804	147,474
Profit for the period	-	-	-	1,157	1,157
Fair value changes of equity instrument designated at FVTOCI	-	-	(69)	-	(69)
Total comprehensive (loss)/income for the period	-	-	(69)	1,157	1,088
Balance as at September 30, 2020	71,000	10,695	(94)	66,961	148,562
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

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, 2020

	9 months ended September 30	
	2020	2019
	AED'000	AED'000
Operating activities		
Profit for the period	1,157	2,214
Adjustments for:		
Depreciation on property and equipment	357	390
Employees' end of service benefit charge	282	267
	1,796	2,871
Movements in working capital		
Increase in trade and other receivables	(28,218)	(2,994)
Decrease in margin trade receivables	135,608	89,018
Net movement in due to Parent Company *	(1,601)	2,429
Increase in trade and other payables	28,980	2,083
Payment of end of benefit services	-	(85)
Net cash from operating activities	136,565	93,322
Financing activities		
Repayment of borrowing	-	(100,000)
Proceeds from borrowing	-	100,000
Net cash from financing activities	-	-
Net increase in cash and cash equivalents	136,565	93,322
Cash and cash equivalents at the beginning of the period	(210,749)	(315,334)
Cash and cash equivalents at the end of the period (Note 6)	(74,184)	(222,012)
*Non-cash transactions : (Note 11)		
Transfer of employees' end of service benefit	(242)	-
Transfer of investment securities	(435)	-

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, 2020

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, who hold current accounts with ADCB.

2 Summary of significant accounting policies

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

In the current period, the Company has applied the following 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, 2020. 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.

- Amendments to references to the Conceptual Framework for Financial Reporting.
- Amendment to IFRS 3 regarding the definition of business.
- Amendment to IFRS 7, IFRS 9 regarding the interest rate benchmark reforms.
- Amendments to IAS 1 and IAS 8 regarding the definition of materiality.
- Amendments to IFRS 16 regarding Covid-19 related rent concession.

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, 2020.

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, 2019, which were prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretation Committee (IFRIC) Interpretations.

The results for the nine month period ended September 30, 2020 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2020.

ADCB Securities L.L.C.**Notes to the condensed interim financial information
For the nine month period ended September 30, 2020****2 Summary of significant accounting policies (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, 2019.

3 Investment security

	As at September 30 2020 (unaudited) AED'000	As at December 31 2019 (audited) AED'000
Investment in equity instrument designated at FVTOCI		
Quoted:		
Opening balance	404	333
Transfer during the period (Note 11)	435	-
Change in fair value	(69)	71
Closing balance	770	404

The above represents investment of 916,341 shares (December 31, 2019: 416,341 shares) in Dubai Financial Market P.J.S.C. of which 500,000 shares are transferred from a fellow subsidiary company (Union Brokerage LLC) during the current period.

4 Trade and other receivables

	As at September 30 2020 (unaudited) AED'000	As at December 31 2019 (audited) AED'000
Trade receivables from customers	46,334	14,974
Receivables from exchanges	1,580	4,699
Other receivables	472	495
Trade receivables	48,386	20,168

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.

ADCB Securities L.L.C.

Notes to the condensed interim financial information For the nine month period ended September 30, 2020

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 would provide finance to its clients as a percentage of the market value of securities. These 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 2020 (unaudited) AED'000	As at December 31 2019 (audited) AED'000
Margin trade receivables (Note 11)	329,177	464,785

The fair value of securities held as collateral against margin trade receivables amounts to AED 632,400 thousand as at September 30, 2020 (December 31, 2019: AED 828,878 thousand).

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

6 Cash and bank balances

	As at September 30 2020 (unaudited) AED'000	As at December 31 2019 (audited) AED'000
Cash	5	-
Call and current accounts (Note 11)	7,920	6,565
Bank overdraft (Note 11)	(82,109)	(217,314)
Cash and cash equivalents	(74,184)	(210,749)

7 Share capital

	Authorised		Issued and fully paid	
	As at September 30 2020 (unaudited) AED'000	As at December 31 2019 (audited) AED'000	As at September 30 2020 (unaudited) AED'000	As at December 31 2019 (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, 2020****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 4.85% p.a. The Company has the option to repay the loan prior to maturity date subject to SCA approval.

This debt 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 2020 (unaudited) AED'000	As at December 31 2019 (audited) AED'000
Trade payables to customers	47,794	19,644
Payable to exchanges	15	-
Other payables	2,543	1,728
	<u>50,352</u>	<u>21,372</u>

Trade payables to customers consist only of those customers maintaining a current account with ADCB, the Parent Company. The settlement date of these balances is two working days following the transaction date.

10 Interest income (unaudited)

	3 months ended September 30		9 months ended September 30	
	2020 AED'000	2019 AED'000	2020 AED'000	2019 AED'000
Interest income - margin trading (Note 11)	4,261	6,408	14,482	20,090
Interest income - call deposits (Note 11)	-	2	3	5
	<u>4,261</u>	<u>6,410</u>	<u>14,485</u>	<u>20,095</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.

Notes to the condensed interim financial information
For the nine month period ended September 30, 2020

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 officer 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, 2020 (unaudited)		
Margin trade receivables	3,014	770
Bank balances with Parent Company :		
Current accounts ¹	7,884	-
Bank overdraft	(82,109)	-
Due to Parent Company ²	(1,815)	-
Long term borrowing	(100,000)	-
Other payables	(13)	-
As at December 31, 2019 (audited)		
Margin trade receivables	2,885	561
Bank balances with Parent Company :		
Current accounts ¹	6,528	-
Bank overdraft	(217,314)	-
Due to Parent Company ²	(2,739)	-
Long term borrowing	(100,000)	-
Other payables	(13)	-
Transactions :		
For the nine month period ended (unaudited)		
September 30, 2020		
Brokerage commission	23	43
Interest income	131	25
Interest expense	(5,384)	-
Commission expense on bank guarantees ³	(162)	-
Rent expense	(389)	-
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)	-

¹ Includes AED 5 thousand (December 31, 2019: AED 7 thousand) of current account balances maintained with related entity of ultimate controlling party.

² Net of AED 242 thousand (December 31, 2019: AED 302 thousand) transfer of employees' end of service benefit and AED 435 thousand transfer of investment securities (December 31, 2019: AED nil)

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, 2020

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 2020 (unaudited) AED'000	As at December 31 2019 (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 Fair value of financial instruments

Management considers that the carrying amounts of financial assets and liabilities in the financial statements approximate their fair values.

Financial assets classified as Investment securities are carried at fair value using the quoted prices (unadjusted) in active market. These are classified as Level 1 of fair value hierarchy.

Level 1 Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

14 Coronavirus (Covid-19) outbreak and its impact

The Covid-19 pandemic has caused an unprecedented human and health crisis. The measures necessary to contain the virus have triggered an economic downturn. The extent and duration of future impact remain uncertain and dependent on future developments that cannot be accurately predicted at this time, such as transmission rate of the coronavirus and the extent and effectiveness of containment action taken. Given the ongoing economic uncertainty, a reliable estimate of the impact cannot be made at the date of authorisation of these financial statements. These developments could impact our future financial results, cash flows and financial condition. However, as at September 30, 2020 there is no adverse impact of Covid-19 on the Company.

15 Approval of condensed interim financial information

This condensed interim financial information was approved by the Board of Directors and authorised for issue on November 3, 2020.