

ADCB Securities L.L.C.

**Review report and condensed interim
financial information for the three month
period ended March 31, 2021**



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For the three month period ended March 31, 2021**

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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 condensed interim statement of financial position of ADCB Securities L.L.C. ("the Company") as at 31 March 2021 and the related condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows for the three-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.

Conclusion

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




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

10 May 2021
Abu Dhabi

Condensed interim statement of financial position
As at March 31, 2021

		As at March 31 2021 (unaudited) AED'000	As at December 31 2020 (audited) AED'000
	Notes		
ASSETS			
Non-current assets			
Property and equipment, net		271	375
Investment securities	3	944	852
Total non-current assets		1,215	1,227
Current assets			
Trade and other receivables	4	41,975	23,622
Margin trade receivables	5	252,302	259,111
Cash and bank balances	6	7,939	9,630
Total current assets		302,216	292,363
Total assets		303,431	293,590
EQUITY AND LIABILITIES			
Equity			
Share capital	7	71,000	71,000
Legal reserve		10,860	10,860
Revaluation reserve of investment designated at FVTOCI		80	(12)
Retained earnings		68,124	67,283
Total equity		150,064	149,131
Liabilities			
Non-current liabilities			
Long term borrowing	8	100,000	100,000
Provision for employees' end of service benefit		3,496	3,497
Total non-current liabilities		103,496	103,497
Current liabilities			
Trade and other payables	9	43,341	26,392
Bank overdraft	6	3,586	10,723
Due to Parent Company	11	2,944	3,847
Total current liabilities		49,871	40,962
Total liabilities		153,367	144,459
Total equity and liabilities		303,431	293,590

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Arup Mukhopadhyay
Chairman

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Hassan Salem Al Hossani
General Manager

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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 three month period ended March 31, 2021

	Notes	3 months ended March 31	
		2021	2020
		AED'000	AED'000
Income			
Brokerage commission		2,629	1,825
Interest income	10	2,878	5,667
Interest expense		(429)	(2,284)
Net interest income		2,449	3,383
		5,078	5,208
Expenses			
Staff expenses		(3,261)	(3,581)
Depreciation		(104)	(127)
Other operating expenses		(872)	(980)
		(4,237)	(4,688)
Profit for the period		841	520
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	92	(326)
Total comprehensive income for the period		933	194

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 three month period ended March 31, 2021

	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, 2021	71,000	10,860	(12)	67,283	149,131
Profit for the period	-	-	-	841	841
Fair value changes of equity instrument designated at FVTOCI	-	-	92	-	92
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	-	-	92	841	933
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance as at March 31, 2021	71,000	10,860	80	68,124	150,064
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Balance as at January 1, 2020	71,000	10,695	(25)	65,804	147,474
Profit for the period	-	-	-	520	520
Fair value changes of equity instrument designated at FVTOCI	-	-	(326)	-	(326)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive (loss)/income for the period	-	-	(326)	520	194
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance as at March 31, 2020	71,000	10,695	(351)	66,324	147,668
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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 three month period ended March 31, 2021**

	<u>3 months ended March 31</u>	
	2021	2020
	AED'000	AED'000
Operating activities		
Profit for the period	841	520
Adjustments for:		
Depreciation on property and equipment	104	127
Employees' end of service benefit charge	78	100
	1,023	747
Movements in working capital		
Increase in trade and other receivables	(18,353)	(3,852)
Decrease in margin trade receivables	6,809	82,267
Net movement in due to Parent Company *	(982)	11,520
Increase in trade and other payables	16,949	3,327
Net cash from operating activities	5,446	94,009
Net increase in cash and cash equivalents	5,446	94,009
Cash and cash equivalents at the beginning of the period	(1,093)	(210,749)
Cash and cash equivalents at the end of the period (Note 6)	4,353	(116,740)
*Non-cash transactions :		
Transfer of employees' end of service benefit	(79)	(308)
Transfer of investment securities	-	(435)

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

**Notes to the condensed interim financial information
For the three month period ended March 31, 2021**

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 margin trading activity.

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)

In the current period, the Company has applied the amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 along with amendments with respect to Interest Rate Benchmark Reforms – Phase 2 issued by the International Accounting Standards Board (“IASB”) that are mandatorily effective for an accounting period that begins on or after January 1, 2021. 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.

Other than the above, there are no other significant IFRSs, amendments or interpretations that were effective for the first time for the financial year beginning on or after January 1, 2021

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, 2020, which were prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretation Committee (IFRIC) Interpretations.

The results for the three month period ended March 31, 2021 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2021.

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.

Notes to the condensed interim financial information
For the three month period ended March 31, 2021
2 Summary of significant accounting policies (continued)

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, 2020.

3 Investment securities

	As at March 31 2021 (unaudited) AED'000	As at December 31 2020 (audited) AED'000
Investment in equity instrument designated at FVTOCI		
Quoted:		
Opening balance	852	404
Transfer during the period (Note 11)	-	435
Change in fair value	92	13
	<hr/>	<hr/>
Closing balance	944	852
	<hr/>	<hr/>

The above represents investment of 916,341 shares (December 31, 2020: 916,341 shares) in Dubai Financial Market P.J.S.C. of which 500,000 shares are transferred from a group subsidiary company (Union Brokerage LLC) during the previous period.

4 Trade and other receivables

	As at March 31 2021 (unaudited) AED'000	As at December 31 2020 (audited) AED'000
Trade receivables from customers	38,126	16,590
Receivables from exchanges	3,146	6,869
Other receivables	703	163
	<hr/>	<hr/>
	41,975	23,622
	<hr/>	<hr/>

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.

Notes to the condensed interim financial information
For the three month period ended March 31, 2021
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 March 31 2021 (unaudited) AED'000	As at December 31 2020 (audited) AED'000
Margin trade receivables	252,302	259,111

The fair value of securities held as collateral against margin trade receivables amounts to AED 616,728 thousand as at March 31, 2021 (December 31, 2020: AED 571,676 thousand).

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

6 Cash and Bank balances

	As at March 31 2021 (unaudited) AED'000	As at December 31 2020 (audited) AED'000
Cash	13	7
Call and current accounts	7,926	9,623
Bank overdraft	(3,586)	(10,723)
Cash and cash equivalents	4,353	(1,093)

7 Share capital

	Authorised		Issued and fully paid	
	As at March 31 2021 (unaudited) AED'000	As at December 31 2020 (audited) AED'000	As at March 31 2021 (unaudited) AED'000	As at December 31 2020 (audited) AED'000
Ordinary shares of AED 1,000 each	141,000	141,000	71,000	71,000

Notes to the condensed interim financial information
For the three month period ended March 31, 2021
8 Long term borrowing

The Company borrowed subordinated long term debt on May 20, 2019 from its Parent Company for a period of 5 years. Interest on this loan was payable quarterly in arrears at fixed rate of 4.85% till 31 October 2020. Effective 1 November 2020, the interest rate was revised to six month Eibor plus 100 basis points p.a.. The Company has the option to repay 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 March 31 2021 (unaudited) AED'000	As at December 31 2020 (audited) AED'000
Trade payables to customers	36,535	18,026
Payable to exchanges	4,263	5,398
Other payables	2,543	2,968
	<hr/> 43,341 <hr/>	<hr/> 26,392 <hr/>

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, and are settled to the customer through their ADCB's current account.

10 Interest income (unaudited)

	3 months ended March 31	
	2021	2020
	AED'000	AED'000
Interest income - margin trading	2,878	5,665
Interest income - call deposits	-	2
	<hr/> 2,878 <hr/>	<hr/> 5,667 <hr/>

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 three month period ended March 31, 2021
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 his 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 March 31, 2021 (unaudited)		
Margin trade receivables	6,179	1,183
Bank balances with Parent Company :		
Current accounts ¹	7,890	-
Bank overdraft	(3,586)	-
Due to Parent Company ²	(2,944)	-
Long term borrowing	(100,000)	-
Other payables	(4)	-
As at December 31, 2020 (audited)		
Margin trade receivables	3,057	843
Bank balances with Parent Company :		
Current accounts ¹	9,587	-
Bank overdraft	(10,723)	-
Due to Parent Company ²	(3,847)	-
Long term borrowing	(100,000)	-
Other payables	(5)	-
Transactions :		
For the three month period ended (unaudited)		
March 31, 2021		
Brokerage commission	429	3
Interest income	44	16
Interest expense	(429)	-
Commission expense on bank guarantees ³	(54)	-
March 31, 2020		
Brokerage commission	5	25
Interest income	57	10
Interest expense	(2,284)	-
Commission expense on bank guarantees ³	(54)	-
Rent expense	(159)	-

¹ Includes AED 5 thousand (December 31, 2020: AED 7 thousand) of current account balances maintained with related entity of ultimate controlling party.

² Net of AED 79 thousand transfer of employees' end of service benefit (December 31, 2020: AED 714 thousand transfer out of employees end of service benefit and AED 435 thousand for transfer of investment securities)

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

Notes to the condensed interim financial information
For the three month period ended March 31, 2021
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 March 31 2021 (unaudited) AED'000	As at December 31 2020 (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 outbreak of Novel Corona virus (Covid-19) continues to progress and evolve. Central banks across the world have stepped in with measures to protect the stability of the global economy with a wide range of measures from easing of interest rates, to asset purchase programs besides infusing significant liquidity into the economy. By effectively stepping in as “buyers of last resort” and helping contain upward pressures on the cost of credit, central banks are ensuring that households and firms continue to have access to credit at an affordable price. To date, central banks have announced plans to expand their provision of liquidity - including through loans and asset purchases.

In response to this crisis, the Central Bank of UAE (CBUAE) has instituted measures in the UAE to support businesses and households. These include extending temporary relief to customers in the form of Targeted Economic Support Scheme (TESS). Further, the Central bank has rolled out liquidity and stimulus package encompassing an array of measures such as temporary reduction in reserve requirements, Liquidity coverage ratio, Net stable funding ratio, Eligible liquid asset ratio, and extension of AED 50 billion capital buffer for the entire banking industry till December 31, 2021.

As a result of these measures, the confidence in the markets have picked up which is reflected in increase in trading volumes. As at March 31, 2021 the quarterly market trading volume was AED 139bn compared to AED 56bn in March 31, 2020 as such the adverse impact of Covid-19 on the Company was minimal.

**Notes to the condensed interim financial information
For the three month period ended March 31, 2021**

14 Coronavirus (Covid-19) outbreak and its impact (continued)

However, with the continuation of Covid-19 crisis, the extent and duration of future impact remain uncertain and dependent on future developments and government stimulus package that cannot be accurately predicted at this time. While some countries have eased the lockdown, the relaxation has been gradual and, in some cases, they have had to re-impose stricter measures to deal with renewed outbreaks. Given the ongoing economic uncertainties, a reliable estimate of the future 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.

15 Approval of condensed interim financial information

This condensed interim financial information was approved by the Board of Directors and authorised for issue on May 04, 2021.