

REEF REAL ESTATE FINANCING CO. B.S.C. (c)

Half Yearly Quantitative Public Disclosures

For the six months ended 30 June 2014

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These disclosures should be read in conjunction with the detailed disclosures made by the Company in the Annual Report for the year ended 31st December 2013 and the condensed consolidated interim financial information for the six months ended 30th June 2014.

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1. Board Meeting Attendance

As per the Board Charter, Board members are required to attend at least four meetings per calendar year. Details of member attendance during the six months ended 30 June 2014 as follows:

Director Name	No of Meetings attended	Dates of Meetings	Attendance %
Ali Al Baghli	2	19 th Feb 2014 24 th April 2014	100%
Saud Kanoo	2		50%
Faisal Al Matrook	2		100%
Nasser Al Gharibah	2		100%
Samer Abbouchi	2		100%
Mohammed A. Khaliq	2		100%
Mohammed Al Dosari	0		0%

2. Remuneration

The Company adopts a transparent procedure in remunerating Board of Directors members, Management. Board of Directors' remuneration takes into consideration the performance of the Company as well as an assessment of compliance of individual members with their performance agreement and individual responsibilities. Sharia'a Advisor is paid for the services provided and is not linked to the Company performance. The form and amount of Director Compensation is determined by the Board based upon the recommendation of the Nomination and Remuneration Committee ("NRC").

During the six months ended 30th June 2014, the aggregate remuneration paid to the Board of Directors was BHD 35,000 (for year ending 2013) following the exceptional approval of H.E the Minister of Industry and commerce. In addition, the Company has paid BHD 39,650 as remuneration to senior management (staff annual bonus for year ending 2013).

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3. Board Committees

The BOD has established three subordinate committees and has delegated specific powers and responsibilities to each committee as follows:

1. Nomination & Remuneration Committee

The Committee must meet at least two times a year. No meeting was conducted in 2014 for the Nomination & Remuneration Committee.

2. Executive Committee

The Committee must meet at least four times a year. The Committee held one meeting during the six months ended 30th June 2014.

Director's Name	Position	Dates of Meetings	Number of Meetings Attended
Faisal Al Matrook	Chairman	12 th Feb 2014	1
Saud Kanoo	Member		1
Nasser Al Gharibah	Member		1

3. Audit Committee

The Committee must meet at least four times a year. The Committee held two meeting during the six months ended 30th June 2014.

Director's Name	Position	Dates of Meetings	Number of Meetings attended
Samer Abbouchi	Chairman	5 th Feb 2014 8 th June 2014	2
Mohammed Al Dosari	Member		1
Mohammed A. Khaliq	Member		2

The AGM approved reappointing M/S BDO to conduct the review and audit of the Company's consolidated financial statements for the year ended 31st December 2014. Total fees agreed with the external auditors were BHD 8,500.

4. Induction and Training of Directors

The Company makes sure that all its members have the knowledge, ability and experience to perform the functions required of a director. Hence, an awareness program is conducted for the new and existing board members.

5. Penalties

During the six months ended 30 June 2014, the Company was subject to financial penalties by the CBB totaling BD150 due to delay in the submission of annual audited financial reports to the CBB.

6. Approval Process

Board of directors approves financing activities for limit above BD 200,000.

7. Managerial Structure

The Group has established two managerial committees and has delegated specific powers to each committee as follows:

1. **Management Committee:** Management committee consists of all departments Heads and is responsible for the timely follow up of the companies strategies, business targets and regular problem solving. This committee also performs the work of credit and risk function as and when necessary.
2. **Remedial Committee:** Remedial committee consists of a minimum of three members from the Department Heads. The committee members reporting all the matters to CEO. Committee shall be responsible for meeting the company's remedial targets and reports, make recommendations on changes in existing remedial strategies or policies and review, discuss and provide guidance on monthly remedial reports.

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8. Financial Highlights

	30 June 2014	2013	2012	2011	2010
Return on equity (%)	2.5%	4.8%	1.6%	1.5%	2.7%
Return on capital (%)	2.9%	5.4%	1.8%	1.8%	3.2%
Return on assets (%)	2.5%	4.7%	1.5%	1.4%	2.1%

The above ratios have been calculated based on the balances as at the reporting date and at the respective year ends.

9. Share Capital

	<u>30 June 2014</u>
Share capital	24,042,900
Statutory reserve	1,039,512
Investment property fair value reserve	1,078,825
Charity reserve	2,777
Retained earnings	<u>1,996,380</u>
	<u>28,160,394</u>

Distribution of ownership of shares by directors and senior managers, on an individual basis as on 30 June 2014:

No change as compared to 31 December 2013. The distribution of ownership of shares by directors and senior managers disclosed in the Annual report for the year ended 31 December 2014. There are no shares held by any member of the senior management.

Reserves

(i) Statutory reserve

Under the provisions of the Bahrain Commercial Companies Law, Decree no.21 of 2001 an amount equivalent to 10% of the Group's net profit before appropriations is required to be transferred to a non-distributable reserve account until such time as a minimum of 50% of the issued share capital is set aside. During the period, no amount has been transferred to the statutory reserve.

(ii) Investment property fair value

The revaluation reserve represents the net surplus arising on revaluation of investment in real estate. This reserve is not available for distribution.

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10. Credit Risk Disclosures

10.1 GROSS CREDIT EXPOSURES

	Gross credit exposure	Average credit exposure
Credit risk exposure relating to balance sheets assets are as follows:		
Cash and bank balances	347,953	858,393
Investment securities	4,057,592	3,084,550
Mudaraba investments	6,846,989	6,348,929
Murabaha financing	6,162,736	5,487,872
Ijarah Muntahia Bittamleek	4,562,340	6,220,387
Property under development	1,457,084	1,410,241
Investment in real estate	3,436,440	3,334,825
Receivables and prepayments	1,737,872	1,533,248
Property and equipment	<u>69,717</u>	<u>44,783</u>
Total balance sheet credit exposure	<u>28,678,723</u>	<u>28,323,228</u>

Average gross credit has been calculated based on the average of balances outstanding during the six months ended 30 June 2014.

10.2 GEOGRAPHICAL DISTRIBUTION OF CREDIT EXPOSURES

	30 June 2014			
	<u>Bahrain</u>	<u>Other GCC countries</u>	<u>Europe</u>	<u>Total</u>
Balance sheet items				
Cash and bank balances	347,953	-	-	347,953
Investment securities	2,697,435	1,005,857	354,300	4,057,592
Mudaraba investments	6,846,989	-	-	6,846,989
Murabaha financing	-	1,028,075	5,134,661	6,162,736
Ijarah Muntahia Bittamleek	4,562,340	-	-	4,562,340
Property under development	1,457,084	-	-	1,457,084
Investment in real estate	3,436,440	-	-	3,436,440
Receivables and prepayments	424,425	147,198	1,166,249	1,737,872
Property and equipment	<u>69,717</u>	<u>-</u>	<u>-</u>	<u>69,717</u>
Total balance sheet items	<u>19,842,383</u>	<u>2,181,130</u>	<u>6,655,210</u>	<u>28,678,723</u>

The Group uses the geographical location of the credit exposures as the basis to allocate to the respective geographical region as shown above.

10.3 INDUSTRIAL DISTRIBUTION OF CREDIT EXPOSURES

	30 June 2014			
	Banks and financial institutions	Real estate	Others	Total
Balance sheet items				
Cash and bank balances	347,953	-	-	347,953
Investment securities	2,697,436	1,360,156	-	4,057,592
Mudaraba investments	6,846,989	-	-	6,846,989
Murabaha financing	-	6,162,736	-	6,162,736
Ijarah Muntahia Bittamleek	-	4,562,340	-	4,562,340
Property under development	-	1,457,084	-	1,457,084
Investment in real estate	-	3,436,440	-	3,436,440
Receivables and prepayments	37,417	1,313,447	387,008	1,737,872
Property and equipment	-	-	<u>69,717</u>	<u>69,717</u>
Total balance sheet items	<u>9,929,795</u>	<u>18,292,203</u>	<u>456,725</u>	<u>28,678,723</u>

10.4 MATURITY BREAKDOWN OF CREDIT EXPOSURES

	With in 1 year	1-5 years	5 -10 years	10-20 years	Total
Balance sheet items					
Cash and bank balances	347,953	-	-	-	347,953
Investment securities	-	4,057,592	-	-	4,057,592
Mudaraba investments	6,846,989	-	-	-	6,846,989
Murabaha financing	-	6,162,736	-	-	6,162,736
Ijarah Muntahia Bittamleek	25,895	982,601	1,278,028	2,275,816	4,562,340
Property under development	279,710	1,177,374	-	-	1,457,084
Investment in real estate	595,610	2,840,830	-	-	3,436,440
Receivables and prepayments	1,265,293	472,579	-	-	1,737,872
Property and equipment	-	<u>69,717</u>	-	-	<u>69,717</u>
Total balance sheet items	<u>9,361,450</u>	<u>15,763,429</u>	<u>1,278,028</u>	<u>2,275,816</u>	<u>28,678,723</u>

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10.5 RELATED PARTY BALANCES UNDER CREDIT EXPOSURE

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties consist of the shareholders and directors and their close family members, and businesses under their control. The Group's transactions with related parties are authorised by the management.

A summary of balances with the related parties is as follows:

<u>Related party Relationship</u>	<u>Transaction Type</u>	<u>Due as of 30th June 2014</u>
Shareholders & their immediate family members	Ijarah Muntahia Bittamleek	<u>68,373</u>

Concentration of risk to individual counterparties where the credit exposure in excess of the 15% individual obligor limit:

<u>Counterparty</u>	<u>Exposure type</u>	<u>Total exposure</u>	<u>Exposure as a % of eligible capital</u>	<u>Capital deduction Amount</u>
Real estate entity	Financing	5,134,661	18%	844,812

10.6 PAST DUE AND IMPAIRED FINANCINGS AND RELATED PROVISIONS FOR IMPAIRMENT

<u>Analysis by industry Specific provision</u>	<u>Gross exposure</u>	<u>Impairment provisions</u>	<u>Net exposure</u>
Personal	1,429,243	969,915	459,328

<u>Ageing analysis Specific provision</u>	<u>Gross exposure</u>	<u>Impairment provisions</u>	<u>Net exposure</u>
Over 3 months up to 1 year	160,351	133,891	26,460
Over 1 year up to 3 years	280,909	226,951	53,958
Over 3 years	987,983	609,073	378,910

<u>Analysis by industry General provision</u>	<u>Impairment provisions</u>
Real estate	438,272

10.6 PAST DUE AND IMPAIRED FINANCINGS AND RELATED PROVISIONS FOR IMPAIRMENT (CONTINUED)

Movement in impairment provisions

At 1 January	1,082,690
Charge for the year	56,161
Exchange differences	<u>(168,936)</u>
At 30 June 2014	<u>969,915</u>

No change in general provision as compared to 31 December 2013.

10.7 PAST DUE AND IMPAIRED FINANCINGS BY GEOGRAPHICAL AREAS

	<u>Gross exposure</u>	<u>Impairment provisions</u>	<u>Net exposure</u>
Analysis by geography			
Specific provision			
Bahrain	1,429,243	969,915	459,328
Analysis by geography			<u>Impairment provision</u>
General provision			
Bahrain			438,272

Details of credit facilities outstanding that they have been restructured during the period

No restructured financing during the six months ended 30th June 2014.