

REEF REAL ESTATE FINANCE Co. B.S.C. (c)

Half Yearly Quantitative Public Disclosures

For the six months ended 30 June 2015

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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 2014 and the condensed consolidated interim financial information for the six months ended 30th June 2015.

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1. Board Meeting Attendance

As per the Board Charter, the Board must meet at least four times a year and Board members are required to attend at least 75% of the meetings per calendar year. Details of member attendance during the six months ended 30 June 2015 as follows:

Director Name	No of Meetings attended	Dates of Meetings	Attendance %*
Ali Al Baghli - Chairman	3	29 th Jan 2015 26 th March 2015 7 th May 2015	100 %
Saud Kanoo - Vice Chairman	1		33.33 %
Faisal Al Matrook	3		100 %
Nasser Al Gharibah	3		100 %
Samer Abbouchi	3		100 %
Mohammed A. Khaliq - Resigned	1 - last meeting was on 29 Jan 15		100 %
Mohamed Isa - New Board Member	1- and the 1 st meeting was on 7 May 15 (Joined on 26 th March 2015)		50 %
Waleed Al Khaja - New Board Member	2- and the 1 st meeting was on 26 March 15	100 %	

* The percentage has been calculated based on the number of meetings attended by the Board Members divided by the number of meetings held during the period of membership. Mr. Mohammed A. Khaliq resigned from the Board membership and two new members were appointed during the period ended June 30, 2015.

2. Remuneration

The Company adopts a transparent procedure in remunerating Board of Directors and 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"). The Company's

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remuneration policy for Senior Management is to provide competitive remuneration structure to attract and retain highly skilled personnel.

During the six months ended 30th June 2015, the aggregate remuneration paid to the Board of Directors was BHD 35,000 (for year ending 2014).

3. Board of Directors

The Board of Directors 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 during six months ended 30th June 2015 for the Nomination & Remuneration Committee.

2. Executive Committee

The Committee must meet at least four times a year. The Committee held two meetings during the six months ended 30th June 2015.

Director's Name	Position	Dates of Meetings	Number of Meetings Attended
Faisal Al Matrook	Chairman	29 th Jan 2015 7 th July 2015	2
Saud Kanoo	Member- until 26 March 2015		0
Nasser Al Gharibah	Member		1- Physically participated 1- Participated by phone
Samer Abbouchi	Member- Joined on 26 March 2015		1- Participated by phone

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3. Audit & Corporate Governance Committee

The Committee must meet at least four times a year. The Committee held two meetings during the six months ended 30th June 2015.

Director's Name	Position	Dates of Meetings	Number of Meetings attended
Samer Abbouchi	Chairman - until election on 26 March 2015	29 th Jan 2015 23 rd Feb 2015	2
Saud Kanoo	Chairman after election		1
Mohammed A. Khaliq - Resigned	Member - until 26 March 2015		2
Mohamed Isa - New Member	Member - Joined 26 March 2015		-
Waleed Al Khaja - New Member	Member-Joined on 26 March 2015		-

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 2015. Total fees agreed with the external auditors were BHD 10,000.

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 2015, the Company was not subject to any financial penalties by the CBB.

6. Approval Process

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

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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.

8. Financial Highlights

	30 June 2015*	2014	2013	2012	2011
Return on equity (%)	2.6%	3.9%	4.8%	1.6%	1.5%
Return on capital (%)	3.0%	4.6%	5.4%	1.8%	1.8%
Return on assets (%)	2.6%	3.9%	4.7%	1.5%	1.4%

* Annualized

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

9. Share Capital

30 June 2015

Share capital	24,042,900
Statutory reserve	1,150,154

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Investment property fair value reserve	1,035,131
Charity reserve	7,586
Retained earnings	2,496,531
Treasury shares	<u>(1,202,145)</u>
	<u>27,530,157</u>

Distribution of ownership of shares by directors and senior managers, on an individual basis as on 30 June 2015:

No change as compared to 31 December 2014. 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.

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	1,336,231	1,514,661
Investment securities	7,511,304	6,756,372
Mudaraba investments	5,065,980	4,817,396
Murabaha financing	6,025,166	6,001,052
Ijarah Muntahia Bittamleek	2,600,561	3,122,817
Property under development	405,545	967,732

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Investment in real estate	2,720,886	2,967,887
Receivables and prepayments	2,427,137	2,397,081
Property and equipment	<u>50,466</u>	<u>58,634</u>
Total balance sheet credit exposure	<u>28,143,276</u>	<u>28,603,632</u>

Average gross credit has been calculated based on the average of balances outstanding during the six months ended 30 June 2015.

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10.2 GEOGRAPHICAL DISTRIBUTION OF CREDIT EXPOSURES

	30 June 2015			
	<u>Bahrain</u>	<u>Other GCC countries</u>	<u>Europe</u>	<u>Total</u>
Balance sheet items				
Cash and bank balances	1,336,231	-	-	1,336,231
Investment securities	4,638,861	2,516,766	355,677	7,511,304
Mudaraba investments	5,065,980	-	-	5,065,980
Murabaha financing	-	1,028,075	4,997,091	6,025,166
Ijarah Muntahia Bittamleek	2,600,561	-	-	2,600,561
Property under development	405,545	-	-	405,545
Investment in real estate	2,720,886	-	-	2,720,886
Receivables and prepayments	624,253	301,409	1,501,475	2,427,137
Property and equipment	<u>50,466</u>	<u>-</u>	<u>-</u>	<u>50,466</u>
Total balance sheet items	<u>17,442,783</u>	<u>3,846,250</u>	<u>6,854,243</u>	<u>28,143,276</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 2015			
	Banks and financial institutions	Real estate	Others	Total
Balance sheet items				
Cash and bank balances	1,336,231	-	-	1,336,231
Investment securities	4,638,861	2,872,443	-	7,511,304
Mudaraba investments	5,065,980	-	-	5,065,980
Murabaha financing	-	6,025,166	-	6,025,166
Ijarah Muntahia Bittamleek	-	2,600,561	-	2,600,561
Property under development	-	405,545	-	405,545
Investment in real estate	-	2,720,886	-	2,720,886

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Receivables and prepayments	62,555	1,875,900	488,682	2,427,137
Property and equipment	<u>-</u>	<u>-</u>	<u>50,466</u>	<u>50,466</u>
Total balance sheet items	<u>11,103,627</u>	<u>16,500,501</u>	<u>539,148</u>	<u>28,143,276</u>

10.4 MATURITY BREAKDOWN OF CREDIT EXPOSURES

	With in <u>1</u> year	1-5 years	5 -10 years	10-20 years	<u>Total</u>
Balance sheet items					
Cash and bank balances	1,336,231	-	-	-	1,336,231
Investment securities	-	5,943,804	1,567,500	-	7,511,304
Mudaraba investments	5,065,980	-	-	-	5,065,980
Murabaha financing	6,025,166	-	-	-	6,025,166
Ijarah Muntahia Bittamleek	140,599	998,140	1,321,266	140,556	2,600,561
Property under development	-	405,545	-	-	405,545
Investment in real estate	-	-	2,720,886	-	2,720,886
Receivables and prepayments	1,879,310	547,827	-	-	2,427,137
Property and equipment	<u>6,077</u>	<u>44,389</u>	<u>-</u>	<u>-</u>	<u>50,466</u>
Total balance sheet items	<u>14,453,363</u>	<u>7,939,705</u>	<u>5,609,652</u>	<u>140,556</u>	<u>28,143,276</u>

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:

Related party relationship	Transaction type	ended 30 June <u>2015</u>	For the quarter Transaction amount 30 June <u>2014</u>	Amounts due from related parties 30 June <u>2015</u>	31 December <u>2014</u>

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Shareholder's and immediate family members	Ijarah Muntahia Bittamleek	<u>182,540</u>	<u>301,826</u>	<u>23,080</u>	<u>35,669</u>
Directors	Directors Remuneration	<u>35,000</u>	<u>35,000</u>	<u>-</u>	<u>-</u>
Subsidiary Directors	Expenditures Board member fees and allowances	<u>55,365</u>	<u>94,932</u>	<u>-</u>	<u>-</u>
Directors and senior management	Salaries and other short-term benefits	<u>10,400</u>	<u>10,695</u>	<u>-</u>	<u>-</u>
		<u>153,740</u>	<u>147,380</u>	<u>-</u>	<u>-</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	4,997,091	18%	825,905

10.6 PAST DUE AND IMPAIRED FINANCINGS AND RELATED PROVISIONS FOR IMPAIRMENT

	<u>Gross exposure</u>	<u>Impairment provisions</u>	<u>Net exposure</u>
Analysis by industry			
<u>Specific provision</u>			
Personal	843,624	662,394	181,230
	<u>Gross exposure</u>	<u>Impairment provisions</u>	<u>Net exposure</u>
Ageing analysis			
<u>Specific provision</u>			
Over 3 months up to 1 year	162,306	150,277	12,029
Over 1 year up to 3 years	-	-	-
Over 3 years	681,318	512,117	169,201

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	<u>Impairment provisions</u>
Analysis by industry	
<u>General provision</u>	
Real estate	408,272
Movement in impairment provisions	
At 1 January	676,566
Charge for the period	6,704
Provision Recovered	<u>(20,876)</u>
At 30 June 2015	<u>662,394</u>
Movement in general provisions	
At 1 January	438,272
Write back	<u>(30,000)</u>
At 30 June 2015	<u>408,272</u>

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			
<u>Specific provision</u>			
Bahrain	843,624	662,394	181,230
Analysis by geography			
<u>General provision</u>			
Bahrain			408,272

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

One restructured financing of BD37,439 during the six months ended 30th June 2015.

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11. Material legal contingencies

There were no material pending legal contingencies.