

REEF REAL ESTATE FINANCE Co. B.S.C. (c)
Half Yearly Quantitative Public Disclosures

For the six months ended 30 June 2016

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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 2015 and the condensed consolidated interim financial information for the six months ended 30th June 2016.

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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 2016 as follows:

Director Name	No of Meetings attended	Dates of Meetings	Attendance %*
Ali Al Baghli	2	21 st February 2016	100 %
Saud Kanoo	2		100 %
Faisal Al Matrook	1	20 th April 2016	50 %
Nasser Al Gharibah	2		100 %
Samer Abbouchi	2		100 %
Yaser Al Jar	2		100 %
Waleed Al Khaja	2		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.

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 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 2016, no remuneration was paid to the Board of Directors.

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:

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1. Nomination & Remuneration Committee

The Committee must meet at least two times a year. One meeting was conducted during six months ended 30th June 2016 for the Nomination & Remuneration Committee.

Director's Name	Position	Dates of Meetings	Number of Meetings Attended
Ali Al Baghli	Chairman	21 st February 2016	1
Saud Kanoo	Member		1
Faisal Al Matrook	Member		1

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 2016.

Director's Name	Position	Dates of Meetings	Number of Meetings Attended
Faisal Al Matrook	Chairman	21 st February 2016 20 th April 2016	1
Nasser Al Gharibah	Member		2
Samer Abbouchi	Member		2

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 2016.

Director's Name	Position	Dates of Meetings	Number of Meetings attended
Saud Kanoo	Chairman	27 th Jan 2016 17 th April 2016	2
Waleed Al Khaja	Member		2
Yaser Al Jar	Member		2

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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 2016. Total fees agreed with the external auditors were BHD 10,500.

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 2016, 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.

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 is 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 2016*	2015	2014	2013	2012
Return on equity (%)	3.6%	2.3%	3.9%	4.8%	1.6%
Return on capital (%)	3.9%	2.6%	4.6%	5.4%	1.8%
Return on assets (%)	3.5%	2.2%	3.9%	4.7%	1.5%

* Annualized

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

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9. Share Capital

	<u>30 June 2016</u>
Share capital	24,042,900
Statutory reserve	1,211,983
Investment property fair value reserve	989,463
Treasury Shares	(1,202,145)
Retained earnings	2,134,420
Foreign currency translation reserve	<u>(616,304)</u>
	<u>26,560,317</u>

Distribution of ownership of shares by directors and senior managers, on an individual basis as on 30 June 2016:

No change as compared to 31 December 2015. The distribution of ownership of shares by directors and senior managers disclosed in the Annual report for the year ended 31 December 2015. 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	4,552,512	4,912,618
Investment securities	16,210,968	14,219,780
Murabaha financing	919,423	2,679,410
Ijarah Muntahia Bittamleek	1,931,512	2,103,431
Properties- under-development	412,681	412,431
Investment in real estate	2,594,548	2,596,060
Receivables and prepayments	447,040	567,084
Property and equipment	<u>26,009</u>	<u>31,183</u>
Total balance sheet credit exposure	<u>27,094,693</u>	<u>27,521,997</u>

Average gross credit has been calculated based on the average of balances outstanding during the six months ended 30 June 2016.

10.2 GEOGRAPHICAL DISTRIBUTION OF CREDIT EXPOSURES

	30 June 2016			
	<u>Bahrain</u>	<u>Other GCC countries</u>	<u>Europe</u>	<u>Total</u>
Balance sheet items				
Cash and bank balances	4,552,512	-	-	4,552,512
Investment securities	6,515,606	2,717,502	6,977,860	16,210,968
Murabaha financing	-	919,423	-	919,423
Ijarah Muntahia Bittamleek	1,931,512	-	-	1,931,512
Properties- under-development	412,681	-	-	412,681
Investment in real estate	2,594,548	-	-	2,594,548
Receivables and prepayments	306,367	67,281	73,392	447,040
Property and equipment	<u>26,009</u>	<u>-</u>	<u>-</u>	<u>26,009</u>
Total balance sheet items	<u>16,339,235</u>	<u>3,704,206</u>	<u>7,051,252</u>	<u>27,094,693</u>

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

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10.3 INDUSTRIAL DISTRIBUTION OF CREDIT EXPOSURES

	30 June 2016			
	Banks and financial institutions	Real estate	Others	Total
Balance sheet items				
Cash and bank balances	4,552,512	-	-	4,552,512
Investment securities	4,511,900	11,498,332	200,736	16,210,968
Murabaha financing	-	919,423	-	919,423
Ijarah Muntahia Bittamleek	-	1,931,512	-	1,931,512
Properties-under- development	-	412,681	-	412,681
Investment in real estate	-	2,594,548	-	2,594,548
Receivables and prepayments	78,644	163,849	204,547	447,040
Property and equipment	-	-	<u>26,009</u>	<u>26,009</u>
Total balance sheet items	<u>9,143,056</u>	<u>17,520,345</u>	<u>431,292</u>	<u>27,094,693</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	3,660,490	-	-	892,022	4,552,512
Investment securities	-	16,210,968	-	-	16,210,968
Murabaha financing	919,423	-	-	-	919,423
Ijarah Muntahia Bittamleek	87,384	1,844,128	-	-	1,931,512
Property under development	-	-	-	412,681	412,681
Investment in real estate	-	-	-	2,594,548	2,594,548
Receivables and prepayments	325,323	120,717	-	1,000	447,040
Property and equipment	<u>8,739</u>	<u>17,270</u>	-	-	<u>26,009</u>
Total balance sheet items	<u>5,001,359</u>	<u>18,193,083</u>	<u>-</u>	<u>3,900,251</u>	<u>27,094,693</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 at arm's length and are authorised by the management.

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

Related party relationship	Transaction type	For the quarter ended transaction amount		Amounts due from related parties	
		30 June 2016 (Unaudited)	30 June 2015 (Unaudited)	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Shareholder's and immediate family members	Ijarah Muntahia Bittamleek	<u>-</u>	<u>182,540</u>	<u>-</u>	<u>29,374</u>
Directors	Directors Remuneration	<u>-</u>	<u>35,000</u>	<u>-</u>	<u>-</u>
Subsidiary	Expenditures	<u>1,500</u>	<u>55,365</u>	<u>-</u>	<u>-</u>
Directors	Board member fees and allowances	<u>11,700</u>	<u>10,400</u>	<u>-</u>	<u>-</u>
Key management personnel *	Salaries and other short-term benefits	<u>82,094</u>	<u>110,730</u>	<u>-</u>	<u>-</u>
Directors	Premises leased	<u>15,769</u>	<u>15,769</u>	<u>-</u>	<u>-</u>

* Key management personnel are those who have authority and responsibility for planning, directing and controlling the activities of the Group.

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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	440,278	273,210	167,068
	<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	173,415	153,946	19,466
Over 1 year up to 3 years	266,863	119,264	147,599
Over 3 years	-	-	-
			<u>Impairment provisions</u>
Analysis by industry			
<u>General provision</u>			
Real estate			228,272
Movement in impairment provisions			
At 1 January			371,769
Charge for the period			1,869
Provision Recovered			<u>(100,428)</u>
At 30 June 2016			<u>273,210</u>
Movement in general provisions			
At 1 January			353,272
Write back			<u>(125,000)</u>
At 30 June 2015			<u>228,272</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	440,278	273,210	167,068
Analysis by geography			
<u>General provision</u>			
Bahrain			228,272

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

No restructured financing occurred during the six months ended 30th June 2016.

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11. Material legal contingencies

There were no material pending legal contingencies.