

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

For the six months ended 30 June 2017

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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 2016 and the condensed consolidated interim financial information for the six months ended 30th June 2017.

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1. Board of Directors Meeting Attendance

As per the Board Charter, the Board of Directors 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 members attendance during the six months ended 30th June 2017 as follows:

Director's Name	No of Meetings attended	Dates of Meetings	Attendance %*
Mr. Ali Al Baghli	2	2 nd March 2017 17 th May 2017	100 %
Mr. Saud Kanoo	1		50%
Mr. Faisal Al Matrook	2		100 %
Mr. Naser Al Gharibah	2		100 %
Mr. Samer Abbouchi	2 **		100 %
Mr. Yaser Al Jar	1		50 %
Mr. 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.

** Resigned from the Board on May 2017.

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.

The annual remuneration fees of the Directors were approved by the shareholders at the Annual General Shareholders Meeting on 18th May 2017. A total sum of BD35,000/- was approved and disbursed to the Board members as remuneration fees for the year ended 2016.

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 2017 for the Nomination & Remuneration Committee.

Director's Name	Position	Dates of Meetings	Number of Meetings Attended
Mr. Ali Al Baghli	Chairman	2 nd March 2017	1
Mr. Saud Kanoo	Member		1
Mr. 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 2017.

Director's Name	Position	Dates of Meetings	Number of Meetings Attended
Mr. Faisal Al Matrook	Chairman	1 st March 2017 17 th May 2017	2
Mr. Naser Al Gharibah	Member		2
Mr. Samer Abbouchi	Member *		2

* Resigned from the Executive Committee on May 2017.

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 2017.

Director's Name	Position	Dates of Meetings	Number of Meetings attended
Mr. Saud Kanoo	Chairman	8 th February 2017	2
Mr. Waleed Al Khaja	Member		2
Mr. Yaser Al Jar	Member	8 th May 2017	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 ending 31st December 2017. Total fees agreed with the external auditors were BD11,500/-.

The Company engaged M/S Grant Thornton-Abdulaal to conduct the internal audit functions. Total fees agreed with the internal auditors for the year 2017 was BD6,000/-.

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 30th June 2017, the Company was not subject to any financial penalties by the CBB.

6. Approval Process

Board of Directors approves financing activities for limit above BD200,000/-.

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.

Member's Name	Designations
Mr. Hasan Dhaif	Chief Executive Officer
Mr. Ali Salem *	Head of Operations
Mr. Ali Hasan	Business Manager
Mr. Eyad Al Khunaizi	Compliance Manager & MLRO
Mr. Hesham Ahmed	Finance Manager

* Retired on May 2016 and was on acting basis till May 2017.

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.

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8. Financial Highlights

	30 June 2017*	2016	2015	2014	2013
Return on equity (%)	1.2%	4.6%	2.3%	3.9%	4.8%
Return on capital (%)	1.3%	5.0%	2.6%	4.6%	5.4%
Return on assets (%)	1.2%	4.5%	2.2%	3.8%	4.7%

* 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

	<u>30 June 2017</u>
Share capital	24,042,900
Treasury Shares	(1,202,145)
Statutory reserve	1,332,524
Properties fair value reserve	813,840
Foreign currency translation reserve	(733,605)
Retained earnings	<u>1,447,562</u>
	<u>25,701,076</u>

Distribution of ownership of shares by directors and senior managers, on an individual basis as on 30th June 2017:

No change as compared to 31st December 2016. The distribution of ownership of shares by directors and senior managers disclosed in the Annual report for the year ended 31st December 2016. 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) Properties fair value reserve

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

	<u>Gross credit exposure</u>	<u>Average credit exposure</u>
Credit risk exposure relating to balance sheets assets are as follows:		
Cash and cash equivalents	5,735,667	6,583,052
Investment securities	16,224,023	15,429,993
Ijarah Muntahia Bittamleek	1,310,618	1,378,963
Properties- under-development	420,356	417,418
Investment in real estate	2,132,924	2,363,196
Receivables and prepayments	277,251	262,853
Property and equipment	<u>11,388</u>	<u>13,316</u>
Total balance sheet credit exposure	<u>26,112,227</u>	<u>26,448,791</u>

Average gross credit has been calculated based on the average of balances outstanding during the six months ended 30th June 2017.

10.2 Geographical distribution of credit exposures

	<u>Bahrain</u>	<u>Middle East</u>	<u>Europe</u>	<u>Total</u>
Balance sheet items				
Cash and cash equivalents	5,735,667	-	-	5,735,667
Investment securities	5,453,066	2,516,767	8,254,190	16,224,023
Ijarah Muntahia Bittamleek	1,310,618	-	-	1,310,618
Properties- under development	420,356	-	-	420,356
Investment in real estate	2,132,924	-	-	2,132,924
Receivables and prepayments	242,633	-	34,618	277,251
Property and equipment	<u>11,388</u>	<u>-</u>	<u>-</u>	<u>11,388</u>
Total balance sheet credit exposures	<u>15,306,652</u>	<u>2,516,767</u>	<u>8,288,808</u>	<u>26,112,227</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

	Banks and financial institutions	Real estate	Others	Total
Balance sheet items				
Cash and cash equivalents	5,735,667	-	-	5,735,667
Investment securities	4,449,360	11,774,663	-	16,224,023
Ijarah Muntahia Bittamleek	-	1,310,618	-	1,310,618
Properties-under- development	-	420,356	-	420,356
Investment in real estate	-	2,132,924	-	2,132,924
Receivables and prepayments	71,049	117,115	89,087	277,251
Property and equipment	-	-	<u>11,388</u>	<u>11,388</u>
Total balance sheet credit exposure	<u>10,256,076</u>	<u>15,755,676</u>	<u>100,475</u>	<u>26,112,227</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 cash equivalents	5,735,667	-	-	-	5,735,667
Investment securities	-	16,224,023	-	-	16,224,023
Ijarah Muntahia Bittamleek	104,254	280,754	651,351	274,259	1,310,618
Property under development	-	420,356	-	-	420,356
Investment in real estate	-	-	-	2,132,924	2,132,924
Receivables and prepayments	277,251	-	-	-	277,251
Property and equipment	<u>496</u>	<u>10,892</u>	<u>-</u>	<u>-</u>	<u>11,388</u>
Total balance sheet credit exposure	<u>6,117,668</u>	<u>16,936,025</u>	<u>651,351</u>	<u>2,407,183</u>	<u>26,112,227</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.

The related party balances included under credit exposure at 30th June 2017 and 31st December 2016 are as follows:

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

Related party relationship	Transaction type	For the period ended transaction amount		Amounts due from related parties	
		30 June 2017 (Unaudited)	30 June 2016 (Unaudited)	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Shareholder's and immediate family members	Ijarah Muntahia Bittamleek	-	-	-	-
Directors	Directors Remuneration	35,000	-	-	-
Subsidiary	Expenditures	6,381	1,500	-	-
Directors	Board member fees and allowances	12,050	11,700	-	-
Key management personnel *	Salaries and other short-term benefits	26,330	82,094	-	-
Directors	Premises leased	15,769	15,769	-	-

* 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	427,219	427,219	-

	<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	9,055	9,055	-
Over 1 year up to 3 years	418,164	418,164	-
Over 3 years	-	-	-

	<u>Impairment provisions</u>
Analysis by industry	
<u>General provision</u>	
Real estate	72,149

Movement in impairment provisions	
At 1 January	271,096
Transfers	<u>156,123</u>
At 30 June 2017	<u>427,219</u>

Movement in general provisions	
At 1 January	228,272
Transfers	<u>(156,123)</u>
At 30 June 2017	<u>72,149</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	427,219	427,219	-

	<u>Impairment provision</u>
Analysis by geography	
<u>General provision</u>	
Bahrain	72,149

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

A restructured financing of BD34,933/- occurred during the six months ended 30th June 2017.

11. Material legal contingencies

There was no material pending legal contingencies.