

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

For the six months ended 30 June 2018

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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 2017 and the condensed consolidated interim financial information for the six months ended 30th June 2018.

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1. Election and Re-election of Directors

In compliance with the terms stipulated in the Article of Association, Shareholders approved the re-election of the current members of the Board of Directors for a period of three years ending 3rd May 2021. A new election process has been held for the Board members through the Annual General Meeting which was held on 3rd May 2018. The candidates for the Board are selected by the Nominations and Remuneration Committee and recommended to the Board of Directors and the Central Bank of Bahrain in order to obtain their approval in accordance with the qualifications specified by the Board, the present composition of the Board and the diversity of its members will be distinguished in terms of the expertise that will be presented or added by the new members of the Board.

2. Board Composition

Reef Board of Directors comprises of a combination of experience including real estate investment and development and provides valuable directives in meeting Company objectives. The Board consists of seven (2017: Seven) non-executive Directors comprising two (2017:Two) independent Director(s).

Board membership and Committees as of 30th June 2018 is as follows:

Director Name	Nationality	Type of Membership	Position	Committee Membership		
				Nomination & Remuneration	Executive	Audit & Corporate Governance
Mr. Ali Al Baghli	Kuwaiti	Non-independent	Chairman	Chairman		
Mr. Saud Kanoo	Bahraini	Independent	Vice Chairman	Member		Chairman
Mr. Faisal Al Matrook	Bahraini	Non-independent	Member	Member	Chairman	
Mr. Naser Al Gharibah	Kuwaiti	Non-independent	Member		Member	
Mr. Abdul Hamid Mihrez	Lebanese	Non-independent	Member		Member	
Mr. Yaser Al Jar	Bahraini	Non-independent	Member			Member
Mr. Waleed Al Khaja	Bahraini	Independent	Member			Member

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3. 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 2018 as follows:

Director's Name	No of Meetings attended	Dates of Meetings	Attendance % *
Mr. Ali Al Baghli	3	15 th February 2018 2 nd May 2018 3 rd May 2018	100 %
Mr. Saud Kanoo	3		100%
Mr. Faisal Al Matrook	1		33 %
Mr. Naser Al Gharibah	2		66 %
Mr. Abdul Hamid Mihrez	3		100 %
Mr. Yaser Al Jar	3		100 %
Mr. Waleed Al Khaja	3		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.

4. 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 3rd May 2018. A total sum of BD70,000/- was approved and disbursed to the Board members as remuneration fees for the year ended 2017.

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5. 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. One meeting was conducted during the six months ended 30th June 2018 for the Nomination & Remuneration Committee.

Director's Name	Position	Dates of Meetings	Number of Meetings Attended
Mr. Ali Al Baghli	Chairman	15 th February 2018	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 one meeting during the six months ended 30th June 2018.

Director's Name	Position	Dates of Meetings	Number of Meetings Attended
Mr. Faisal Al Matrook	Chairman	2 nd May 2018	-
Mr. Naser Al Gharibah	Member		1
Mr. Abdul Hamid Mihrez	Member		1

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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 2018.

Director's Name	Position	Dates of Meetings	Number of Meetings attended
Mr. Saud Kanoo	Chairman	14 th February 2018	2
Mr. Yaser Al Jar	Member		2
Mr. Waleed Al Khaja	Member	26 th April 2018	2

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 2018. 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 2018 was BD5,500/-.

6. 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.

7. Penalties

During the six months ended 30th June 2018, the Company was not subject to any financial penalties by the CBB.

8. Approval Process

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

9. 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, Acting Risk, Compliance & MLRO
Mr. Hesham Ahmed	Finance Manager
Mr. Ali Hasan	Business Manager

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. The 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.

10. De-licensing from the Central Bank of Bahrain

The Company has completed the sale of Ijara portfolio to Al Baraka Islamic Bank during May 2018. The Central Bank of Bahrain appointed an expert to confirm that the Company was not carrying out any operations which were regulated. The Company is awaiting the final approval from the CBB for the de-licensing.

11. Financial Highlights

	30 June 2018*	2017	2016	2015	2014
Return on equity (%)	1.3%	5.0%	4.6%	2.3%	3.9%
Return on capital (%)	1.5%	5.9%	5.3%	2.6%	4.6%
Return on assets (%)	1.3%	4.8%	4.5%	2.2%	3.8%

* 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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12. Share Capital

	<u>30 June 2018</u>
Share capital	24,042,900
Treasury Shares	(1,202,145)
Statutory reserve	1,466,427
Properties fair value reserve	741,392
Investment fair value reserve	(98,001)
Foreign currency translation reserve	(612,812)
Retained earnings	<u>1,542,402</u>
	<u>25,880,163</u>

Distribution of ownership of shares by Directors and Senior Managers, on an individual basis as on 30th June 2018:

No change as compared to 31st December 2017. The distribution of ownership of shares by Directors and Senior Managers disclosed in the Annual report for the year ended 31st December 2017. There are no shares held by any member of the Senior Management.

13. Credit Risk Disclosures

13.1 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 bank balances	8,540,306	8,164,419
Investment securities	15,358,068	15,732,730
Investment in real estate	2,551,095	2,341,879
Receivables and prepayments	179,071	195,928
Property and equipment	<u>5,587</u>	<u>6,914</u>
Total balance sheet credit exposure	<u>26,634,127</u>	<u>26,441,870</u>

Average gross credit has been calculated based on the average of balances outstanding during the six months ended 30th June 2018.

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13.2 Geographical distribution of credit exposures

	<u>Bahrain</u>	<u>Middle East</u>	<u>Europe</u>	<u>Total</u>
Balance sheet items				
Cash and bank balances	8,540,306	-	-	8,540,306
Investment securities	4,341,008	2,216,766	8,800,294	15,358,068
Investment in real estate	2,551,095	-	-	2,551,095
Receivables and prepayments	109,293	-	69,778	179,071
Property and equipment	<u>5,587</u>	<u>-</u>	<u>-</u>	<u>5,587</u>
Total balance sheet credit exposures	<u>15,547,289</u>	<u>2,216,766</u>	<u>8,870,072</u>	<u>26,634,127</u>

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

13.3 Industrial distribution of credit exposures

	<u>Banks and financial institutions</u>	<u>Real estate</u>	<u>Others</u>	<u>Total</u>
Balance sheet items				
Cash and bank balances	8,540,306	-	-	8,540,306
Investment securities	4,341,008	11,017,060	-	15,358,068
Investment in real estate	-	2,551,095	-	2,551,095
Receivables and prepayments	85,255	69,778	24,038	179,071
Property and equipment	<u>-</u>	<u>-</u>	<u>5,587</u>	<u>5,587</u>
Total balance sheet credit exposure	<u>12,966,569</u>	<u>13,637,933</u>	<u>29,625</u>	<u>26,634,127</u>

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13.4 Maturity breakdown of credit exposures

	<u>With in</u> <u>1 year</u>	<u>1-5</u> <u>years</u>	<u>5 -10</u> <u>years</u>	<u>10-20</u> <u>years</u>	<u>Total</u>
Balance sheet items					
Cash and bank balances	8,540,306	-	-	-	8,540,306
Investment securities	2,773,507	11,017,060	1,567,501	-	15,358,068
Investment in real estate	-	2,551,095	-	-	2,551,095
Receivables and prepayments	179,071	-	-	-	179,071
Property and equipment	<u>44</u>	<u>5,543</u>	<u>-</u>	<u>-</u>	<u>5,587</u>
Total balance sheet credit exposure	<u>11,492,928</u>	<u>13,573,698</u>	<u>1,567,501</u>	<u>-</u>	<u>26,634,127</u>

13.5 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.

Balances at the reporting date in regard to related parties and transactions as follows:

<u>Related party relationship</u>	<u>Transaction type</u>	<u>30 June 2018</u>
Directors	Directors Remuneration	<u>70,000</u>
Directors	Board member fees and allowances	<u>9,900</u>
Key Management Personnel *	Salaries and other short-term	<u>50,594</u>
Directors	Premises leased	<u>15,769</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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13.6 Movement in impairment provisions

			2018
	<u>Specific</u>	<u>General</u>	<u>Total</u>
Movement in impairment provisions			
Balance at 1 January	9,055	72,149	81,204
Recoveries	-	(72,149)	(72,149)
Written off during the period	<u>(9,055)</u>	-	<u>(9,055)</u>
Balance at 30 June	<u>-</u>	<u>-</u>	<u>-</u>