The Plan to handle Accumulated Losses of Amlak Finance PJSC

First: Description of Company Status:

1. **Information on the company's main activities and related sectors.**

Amlak Finance PJSC established in 2000 as the first specialized home and real estate finance provider in the UAE. As an Islamic Finance company, all Amlak Finance business operates under the principles of Sharia Law.

2. **Summary of the company's financial information for the last three years.**

Particulars	AED "M"		
	2018	**2017**	**2016**
Net (loss) / profit for the year - attributable to parent's equity holders	(266)	43	107
Total Assets	5,884	6,579	6,493
Accumulated losses	(1,300)	(1,011)	(1,016)
Equity - Attributable to parent's equity holders	1,159	1,443	1,493

3. **Risks affecting the Company and related sectors.**

- Oversupply and weak demand in the Real Estate market resulting in decline in Amlak's Islamic financing portfolio, decline in rental income and significant value loss on company owned assets.
- Crippling legacy debts undermining company abilities to overcome current market challenges.
- Unregulated developers payment plan competition which is adversely impacting Finance Companies core business.
- Restrictions on finance to non UAE residents / entities by CBUAE - Finance Companies regulations 2018, have an adverse impact on the portfolio.
- Bottlenecks with few small financiers on renegotiation of the restructuring terms agreed in 2014.
- Unavailability of new funding at acceptable cost (being restructured company), resulting in high product pricing, adversely impacting the competitiveness in the retail finance business.
- Forced exit of profitable investments in Egypt and KSA subsidiaries in a time bound framework to comply with CBUAE -Finance Companies regulations 2018, impacts company's overall profitability and also restricts its ability to diversify the risk across different markets.

4. **Changes in the Board of Directors, Senior Executives and Senior Shareholders in the last year.**

Changes in the Board of Directors: There is no changes in the Board of Directors of Amlak in the last year. The current Board of Directors was elected in the Annual General Meeting dated 10th April 2018 for 3 years term. Amlak Board of Directors consists of:

- Ali Ibrahim Mohamed Ismail
- Essamuddin Hussain Galadari
- Farooq Mahmood Arjomand
- Khalid Salim Alhalyan
- Hesham Abdulla Al Qassim
- Ahmad Hamdan Bin Dalmook
- Arif Abdulla Alharmi Albastaki

Changes in Senior Executives:

Designation	Name	From	To
Head of Strategy & Organization Development	Syed Kashif Hussain	7-Jan-19	Till Date
Head of Compliance & Control	Muna Kashem Mohammed Abdulla Al Shams	16-Jun-19	Till Date
Senior Manager of Legal	Rawad Ezzeddin Khoja	1-Feb-19	Till Date
Company Secretary	Lama Takeiddin	1-Feb-19	Till Date
Head of Enterprise Risk Management	Rama Naidu	09-Dec-18	Till Date

Changes in Senior Shareholders: There is no changes in Senior Shareholders. Emaar Properties PJSC is the major shareholder of Amlak holding 45% of its share capital.

5. Summary of the Company's compliance with governance controls over the last three years.

Amlak acknowledges the importance of good governance and follows corporate governance best practices in compliance with the Federal Law no 2 of 2015 regarding the Commercial Companies, the resolutions issued by the Securities and Commodities Authority ("SCA"), and Central Bank ("CB") regulation for Finance Companies. Adopting and implementing the corporate governance is a primary objective of both the Board of Directors ("BOD") and the executive management; which helps to ensure compliance with the applicable rules and regulations, transparency, disclosures, increase shareholder value, and protect the interest of stakeholders.

Amlak has adopted and implemented the relevant corporate governance rules as set out by resolution no 7/R.M 2016 concerning the standards of institutional discipline and governance of Public Shareholding Companies issued by SCA.

Amlak is fully committed to apply corporate governance standards and other related best practices which have been compiled and documented via 'Corporate Governance Manual', duly approved by BOD. Amlak's Corporate Governance manual covers the following:

- Board structure and matters related to Board of directors
- Board committees
- External Auditors
- Internal control system
- Risk Management
- Conflict of interest & transactions with related parties
- The Financial Reporting

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- Amlak's reporting and disclosure requirements
- Relationship with Shareholders
- Amlak's Share Trading Policy
- Amlak's Whistle Blowing Policy
- Sustainability and Corporate Social Responsibility
- Performance Monitoring, Evaluation and Succession Planning
- Innovation and creativity

Amlak adopts the required procedures which bolsters corporate governance mechanism within the Company, such as:

- Amendment of Articles of Association ("AoA"), where applicable
- Implementation of Corporate Governance Manual
- Establishing Board Committees as per the corporate governance requirements (Nomination and Remuneration Committee, Audit Committee and Risk Committee)
- The Board and its Committees have adhered with the required number of meetings (including the duties and responsibilities) as required by the 7 R.M of 2016.
- Procedures pertaining to the trading of Amlak's shares have also been developed and followed in-line with the SCA guidelines
- Code of conduct for the employees have been developed and implemented.
- Whistle Blowing Policy exists whereby staffs can directly communicate potential misconducts/ malpractices.
- Annually, each board member declares his Independency and board positions held in other companies.
- Company website exists with dedicated 'investor relations sections', where all financial statements disclosures, press releases, etc. are readily available for the stakeholders.

Second: Detailed information about the reasons behind the company's accumulated losses:

1. A detailed explanation of the reasons for the accumulated losses, including the reasons stated Operational, financial, and others:

The accumulated losses are mainly due to fair value loss on investment properties recorded in 2014. During the period from 2009 to 2013 Amlak held several investment properties amounting to AED 2,942 million which have been carried at cost since acquisition. These investment properties were fair valued as at 31 December 2014 and a fair value loss on these properties of AED 1,761 million was recorded during 2014.

2. An explanation of the actions taken by the company to address the accumulated losses:

Amlak held an extraordinary general meeting in September 2014 where financial restructuring plan was approved by the shareholders of the Company.

Since 2014, the company has been implementing the restructuring which allowed for the resumption of normal business activity that enabled successful repayment of 48% of Amlak's total debt over a period of 4 years under the 12 years restructuring plan.

In January 2019 the Company announced entering into renegotiations with its financiers on the restructuring terms agreed in 2014 as subsequently revised in 2016. Once concluded, this will allow Amlak more flexibility in adapting to current market conditions and will provide the Company with the opportunity to grow its balance sheet and shareholder value.

The Company made significant progress with the financiers renegotiating the funding terms and expects to conclude these renegotiations and sign a new agreement before the end of this year.
On 1st October 2019, the Company announced that it has been awarded AED 780 million in an arbitration administered by the Dubai International Arbitration Centre. Amlak will proceed with the legal proceedings to execute the ruling and recover the amounts due according to the judgment. The execution would have a positive impact on the Company's financial position.

Third: a detailed explanation of the plan:

1. The plan to handle accumulated losses is mainly based on restructuring plan. The plan was formed under the supervision of the committee to study the conditions of some public joint stock companies ("Steering Committee") formed by Cabinet Resolution No. (4) for the year 2009 and Ministerial Resolution No. (38) for the year 2009, endorsed by the UAE Central Bank, and supervised by the Central Bank and the Coordination Committee between depositors.

2. A detailed explanation of the changes in each of the following:

A) Company strategies and trends:

In November 2014, the Company entered into a restructuring plan with its creditors. This plan was subsequently amended in December 2016 (referred to as the New Business Plan or NBP).

The NBP however assumed a steady growth in real estate values through the projection period that would bolster the balance sheet and facilitate new funding. NBP objectives were primarily reliant on injection of new funding by maintaining a resilient payment trail. However, stringent CTA clauses and softening of real estate market did not help in funds injection. This resulted in maturity mismatches and insufficient liquidity to pay-off liabilities on agreed schedule.

The key challenges faced by Amlak to deliver on the agreed business plan were:

- General softening in the Real Estate market
- Unavailability of new funding (at acceptable cost)
- Decline in Amlak's Islamic Financing Portfolio resulted in lost revenues
- Diminishing projected profitability
- In the first 4 years of restructuring, the Company has paid AED 4.3 billion, representing 48% of its total outstanding debt and redeemed AED 275 million representing 21% of the Mudaraba Instrument (CCI).

As a result of market conditions and Amlak's credit standing with the financiers (over 50% of the banking universe in the UAE) such high levels of financing were not realistic for 2018. This resulted in insufficient liquidity to pay-off liabilities on agreed schedule. However, Amlak ensured that any excess cash available has been used to repay 45% of the outstanding to the financiers (~ AED 4.6 billion paid over the past 4 years).

By end of 2018, Amlak entered into negotiations, which remain ongoing, to implement a new business plan as the assumptions of the NBP did not hold true in current market conditions and a new business plan (hereinafter referred to as the Revised Business Plan or the RBP) was presented to the creditors. The key focus of the RBP was to:

- maintain real estate finance portfolio at a level which can support regular installment payments to creditors;
- manage Real Estate Assets to ensure that the Company is able to extract maximum value for the benefit of the financiers; and
- the Company's balance sheet is in a robust condition at the end of the restructuring period for it to be able to refinance a balloon payment

The key features of the business plan going forward are as follows:

- Tranche A payable to the Ministry of Finance of the UAE and the Central Bank of the UAE to be paid off in line with the existing maturities as these were liquidity facility providers representing a small portion of the total indebtedness (9.1% as of 31 December 2018).
- Reduction in the burden of cash outflows on the Company by reducing the monthly installments payable to Tranche B financiers.
- Accelerate internally generated cash flows through exit of non-core businesses e.g. real estate investments and financial investments.
- Focus on the core business i.e. real estate finance and redeployment of the internally generated cash flows to the core business.
- Reduce the impact of non-core businesses on the performance of the Company and return to consistent profitability from the finance business within the next 5 years.
- Repay another 55% of the existing Tranche B facilities taking the total debt repayment up to 79% of the total financings outstanding in November 2014.

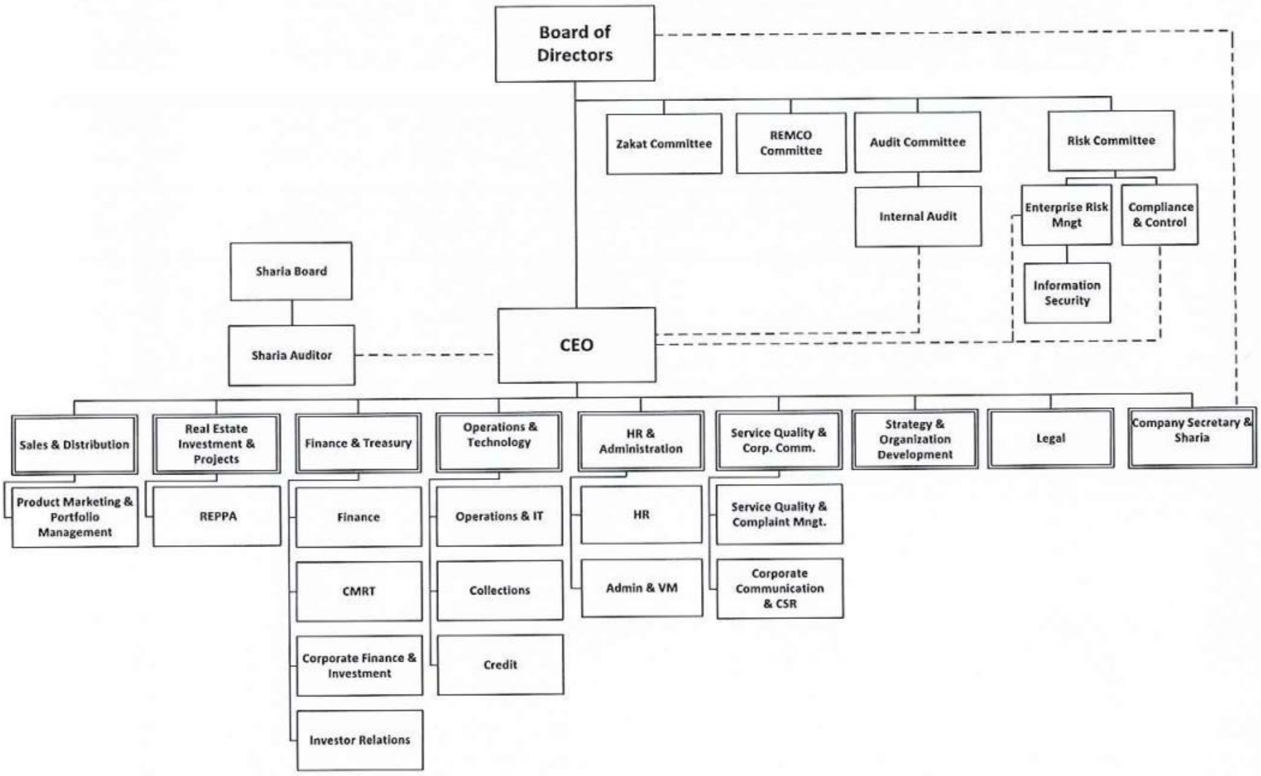
B) Operational policies and procedures of the company:

In line with the Corporate Governance framework and best practices, the Company has robust policies and procedures in place to cover all aspects of the operations of the Company. The "Organizations and Methods Policy" is an overarching policy that determines the framework for such policies and procedures. The Company has authority matrices, policies and procedures in place covering the following key areas:

a. Human Resources, Internal Audit, Legal, Company Secretary and Sharia Policies and Procedures that set the governance guidelines for the entire Company.
b. Enterprise Risk Management Policies that comprise frameworks and policies governing Operational Risk, Fraud Risk, Business Continuity Management and Key Risk Indicators across the various departments.
c. Sanctions Policy, Conflict of Interest Policy and Compliance Screening, Review and Monitoring procedures to ensure compliance to regulations.
d. Product Program Guides, Credit Policies and procedures, Operations SOPs, Islamic Home finance Application Procedure define the eligibility criteria, approval guidelines for extending finance to the defined target markets and related procedures.
e. Service Quality, Complaints Management and Customer Services Policy and Procedures comprise guidelines pertaining to complaints management to ensure delivery of customer service and evaluation and monitoring of customer experience.
f. Other policies and procedures are in place in relation to finance and treasury and corporate finance investment and management of real estate portfolios.

All policies and procedures are reviewed and renewed on an annual basis. All Authority Matrices, Risk and Governance policies are approved by the Board Committees or the Board. The Company has a robust tracking mechanism for monitoring renewal and approval of all such documents which are reported on a monthly basis and monitored by MANCO.

C) The company's organizational structure:



D) The Company's Projected Financial Highlights for the next three years

	AED "M"		
	2020	2021	2022
Total Assets	5,451	5,334	4,904
Islamic Financing and investments assets	2,589	2,754	2,868
Investment properties	2,468	2,087	1,555
Investments in Associates and Subsidiaries	35	-	-
Investment Deposits and Other Islamic Financing	3,900	3,792	3,399
Total Equity	1,253	1,234	1,216
Financing and Investments assets	147	168	183
Rental Income	82	78	57
Operating Expenses	(138)	(136)	(134)
Distributions to financiers / investors	(86)	(81)	(77)
Finance Principal Repayments	(239)	(180)	(454)
Net Profit	9	(19)	(17)

G) Proposed solutions to avoid market, operational and other risks that may affect the plan.

Risk Area	Mitigation
Credit Risk	Amlak has a robust Credit framework to analyze all financing transactions. Detailed policies are in place for retail and commercial financing. Since risk differs in the two segments, different risk parameters assessments are applied in order to mitigate this risk. Terms of the financing also differ to commensurate the risks relating to customer segment, asset class etc.
Competition Risk	Due to recent change in Central Bank regulations on early settlement fees, a higher level of early settlements is expected during 2020 due to our inability to compete on pricing with the mainstream banks. Therefore, the strategy is: - to exit low performing high risk relationships and retain good performing relationships; and - originate more in the commercial mid-size space with value added products and personalized customer experience
Single Segment Financing	Amlak will continue to focus on its current value added products enhancing value to the customers. The focus will be to improve customer experience. New products are being assessed to target untapped niches in the real estate markets.
Market Risk (Real Estate Assets)	Amlak has a strategy in place to reduce exposure of real estate assets. Market absorption, valuation and event risks do prevail and cannot be fully mitigated. All plans are in place to ensure real estate assets are disposed swiftly but orderly and at market value with continuous review of the strategy at the most senior levels.
Liquidity Risk	Amlak's liquidity constraints are the result of market deterioration and stringent conditions of the current restructuring arrangement in place. A new proposal has been submitted to all financiers for approval to reduce the repayment burden on the Company and ensure liquidity is available to maintain the core financing business.
High Cost of Operations	Amlak has a rigorous process in place to ensure costs are controlled and/or reduced without affecting operational capabilities and regulatory requirements. Active strategies are in place to increase automation levels, leveraging on technology and moving to a variable cost model to reduce operational costs.

3. Timeline for the completion of the plan

The plan will last till October 2026 with the primary target to fully pay back creditors.

Fourth: Declarations

We, the Board of Directors and the Executive Management acknowledge that this plan contains information presented in accordance with the procedures and instructions of the listed companies with accumulated losses amounted to 20% or more of its capital, issued by the Securities and Commodities Authority.

We collectively and individually take full responsibility for the accuracy of the contents of this plan and the information received in which. Neither the Securities and Commodities Authority nor the Dubai Financial Market assumes any responsibility for the contents of this plan, nor gives any assurances relates to its accuracy or completeness.

Ali Ibrahim Mohamed
Chairman

Arif Abdulla Alharmi Albastaki
MD&CEO