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**Report to the Shareholders of National Finance Company SAOG (“the Company”) of
Factual Findings in connection with the Corporate Governance Report of the Company
and application of the Corporate Governance practices in accordance with Capital Market
Authority Code of Corporate Governance**

We have performed the procedures prescribed in the Capital Market Authority (“CMA”) Circular No. 16/2003 dated 29 December 2003 (“the Procedures”) with respect to the Corporate Governance Report of the Company (“the Report”) and its application of the Corporate Governance practices in accordance with the CMA Code of Corporate Governance issued under Circular No. 11/2002 dated 3 June 2002 and the revised CMA Code of Corporate Governance issued under CMA Circular 4/2015 dated 22 July 2015 (together the “Governance Code”). The Report is set out on pages 1 to 10.

Our engagement was undertaken in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements. The Procedures were performed solely to assist the Shareholders in evaluating the Company’s compliance with the Governance Code. The Procedures we performed were as follows:

1. Corroborated, as required, the matters disclosed in the Report by reference to: Audit Committee and Board minutes of meetings held during the year ended 31 December 2016; and relevant supporting Company records.
2. Confirmed that the Report discloses matters discussed in the Board of Director’s report on review of the effectiveness of the Company’s system of internal controls and that these matters were reported by Company’s internal auditor to the Audit Committee during the year ended 31 December 2016.
3. Checked that the Report includes disclosures set out in Annexure 3 of the Code.
4. Checked whether matters, if any, reported in the Auditors’ report on the financial statements for the year ended 31 December 2016 relating to: Adequacy and efficacy of the internal control systems in place; going concern considerations; and the adequacy of policies and procedures set up by the Company were also included in the Auditor’s presentation to the Audit Committee.



5. Read the Minutes of Board and Audit Committee meetings during the year ended 31 December 2016 to confirm that any matters of non-compliance with the Governance Code mentioned therein are also included in the Report.

As a result of performing the Procedures, we have no exceptions to report.

Because the Procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the Company's Corporate Governance Report. Had we performed additional procedures or had we performed an audit or review of the Report in accordance with International Standards on Auditing or International Standards on Review Engagement, other matters might have come to our attention that would have been reported to you. This report is solely for the purpose set forth in the second paragraph of this report, and for inclusion, with the Report, in the Company's annual report, and is not to be used for any other purpose. This report relates only to the Company's Corporate Governance Report included in the Company's annual report for the year ended 31 December 2016 and does not extend to any financial statements or any other reports of the Company, taken as a whole.

25 January 2017



Paul Callaghan

Corporate Governance Report

CORPORATE PHILOSOPHY

The Corporate Governance philosophy of the Company aims at Corporate fairness, transparency and accountability at all levels through well laid down systems and procedures. The Board of National Finance Co. SAOG firmly believes that the adopted Corporate Governance policies are aligned with the principles enshrined in the Code of Corporate Governance and the provisions of the Executive Regulation of the Capital Market Law dealing with disclosures to be made by issuers of securities and insider trading.

THE BOARD

Role and Function

The Board of Directors play a central role within the business organization in developing the Company's strategic and organizational objectives as well as in ensuring the effectiveness of the internal controls.

Composition of the Board

The Articles of Association of the Company stipulate that the Board should consist of seven directors. The qualification requirement for each director is 200,000 shares in the Company. The members were last elected to the Board at the Annual General Meeting held on March 23, 2014 with three years tenor.

All the members have the requisite knowledge, varied background and rich experience in the field of financial services. All directors, including the Chairman, are non-executive and independent as per the regulation which was in force when they got elected. The Board of Directors comprises of seven members. Out of the seven directors, five are nominee directors representing institutional investors and two are elected in their individual capacities. None of the directors is a member of the Board of more than four public joint stock companies whose principal place of business is in the Sultanate of Oman, nor is a Chairman of more than two such companies.

The roles of the Chairman are distinct and separate from that of the Chief Executive Officer. The Secretary to the Board is Mr. R. Panneerselvam.

Executive Management

The Chief Executive Officer (CEO) is responsible for the management of the Company. He is assisted by the General Manager (GM), the two forming the Management Committee of the Company. The GM reports to the CEO and is responsible for the Sales, Credit, Credit Administration, Human Resources & Administration, Finance and Information Technology departments.

Board Meetings

During the year 2016, eight board meetings were held as listed below:

Meeting No.	Board Meeting Dates
1/2016	January 26, 2016
2/2016	April 25, 2016
3/2016	May 8, 2016
4/2016	July 20, 2016
5/2016	October 23, 2016
6/2016	October 26, 2016
7/2016	November 7, 2016
8/2016	December 21, 2016

The maximum interval between any two meetings was 95 days which is within the stipulated maximum of 120 days as per the Code of Corporate Governance. The quorum for the meeting of the Board of Directors is a minimum of half of its members present or represented. Details of the members, the institutions they represent and the membership in the board of other SAOG companies are disclosed in Table 1.

Brief profile of directors

Mr. Taya Jandal Ali, a diploma graduate of the Faculty of Extra Mural Studies, Cambridge University, has been the Chairman of the Board since 1992 and Chairman of the Nomination, Remuneration and Executive Committee since 2000. He is also a Director in Oman International Development and Investment Company SAOG (OMINVEST).

Prior to this, Mr. Taya Jandal served the Government as the Under Secretary to the Advisor of His Majesty the Sultan for Economic Planning Affairs.

Mr. Hani Muhammad Al Zubair has been the Deputy Chairman since 1997. A graduate of Richmond University, UK with Bachelors Degrees in Mathematical Science and Computer Science, he is a Director of The Zubair Corporation LLC, one of the leading private sector groups in the Sultanate of Oman with diverse business interests. He has extensive knowledge and experience in financial, investment and business management areas. He also holds the position of Chairman in the Fund for Development of Youth Projects SAOC and the position of a Director on the Board of Oman Arab Bank SAOC.

Mr. Pramod G. Karajgikar has been a Director since 2002 and Member of the Audit and Risk Management Committee since 2003. Since 2013, he is also the Chairman of the Audit and Risk Management Committee. He is a Chartered Accountant (from the Institute of Chartered Accountants of India), Cost Accountant (from the Institute of Cost and Works Accountants of India) and Company Secretary (from the Institute of Company Secretaries of India).

He has experience of more than 30 years in the field of Finance and Management. He has been in Oman since February 1985 in the field of Finance with Waleed Associates LLC (an Omar Zawawi Est. Group Company)

Mr. Francis Pinto has been appointed as Director and member of the Audit and Risk Management Committee in April 2011. He represents Al Thurya For Investments LLC on the Board of National Finance. He is also a Director in Omani Packaging Co. SAOG.

Mr. Pinto is a Chartered Certified Accountant and Fellow Member of the ACCA, UK and Chartered Management Accountant and an Associate Member of CIMA, UK.

He has experience of more than 20 years in the field of Accounts, Finance and Audit. He is currently working as Finance Controller in the family office of Galfar Group Chairman since 2005.

Mr. K. Balaji has been a Director with effect from 5th January 2013 and Member of the Nomination, Remuneration and Executive Committee. He represents Al Hilal Investments Co. LLC on the Board of National Finance. He had earlier represented Al Hilal Investments on the Board of National Finance from November 2002 to May 2009.

He is a Chartered Accountant and a Fellow Member of The Institute of Chartered Accountants of India.

He has experience of 28 years in the field of Finance and Management. He is currently working as General Manager - Group Finance in Zubair Automotive Group and has been associated with this organization for about 20 years.

Mr. AbdulAziz Mohammed Al Balushi has been the Group CEO of Oman International Development and Investment Company SAOG (OMINVEST) since January 2014.

With experience of more than 30 years, AbdulAziz has extensive in-depth knowledge of global financial services industry. At OMINVEST, AbdulAziz was the key driver behind the merger of Ominvest and ONIC Holding, which has created the largest publicly listed investment company in Oman.

Before joining OMINVEST, AbdulAziz was the CEO of Ahlibank SAOG from 2007 to 2013 and was primarily responsible in converting a single product mortgage bank into a full-fledged commercial bank. During his tenure, Ahlibank won many prestigious awards including; the best bank of Oman for three consecutive years by OER, the best bank in Oman 2012 by World Finance and the Bankers award 2013. AbdulAziz has held positions of increasing responsibility in all major areas of Banking. Abdulaziz started his career with Oman International Bank and prior to joining Ahlibank, he was Deputy CEO of National Bank of Oman.

AbdulAziz holds Master of Science Degree in Finance from the University of Strathclyde (UK) and a Fellow Chartered Institute of Bankers (UK). He has attended a host of Specialized Executive Management Development Programs at International Institutes of worldwide repute including, London Business School, INSEAD Business School and Strathclyde University Business School. In November 2012, he was ranked as the "Second Best CEO in the Arab Banking World" by Forbes Magazine.

AbdulAziz is the Chairman of Board of Directors at Oman Electricity Transmission Company SAOC (a wholly government-owned entity), Oman Real Estate Investment and Services SAOC and Oman National Investment Corporation SAOC. He is also a Board member at Oman Arab Bank SAOC, National Finance Company SAOG and National Life and General Insurance Company SAOC. Additionally, he is a member of Oman American Business Center, an organization formed to foster the development of commercial activity between the United States of America and the Sultanate of Oman.

Mr. K. Palanivelu is a Graduate and a Member of the Institute of Chartered Accountants of India.

Mr. Palanivelu has an overall experience of 29 years in the field of finance and banking. Prior to joining the Zubair Group he was employed with a large conglomerate of petrochemicals, pharmaceuticals and shipping in India for about 15 years. He has held various positions with that group in India and Jordan. Mr. Palanivelu joined the Zubair Group in 2004 as Manager – Group Treasury and was promoted to Head of the Group Treasury before being elevated to the position of Chief Financial Officer of The Zubair Corporation Group. He has handled large financing and acquisition transactions for the Group.

Brief profile of senior management

Mr. Robert Pancras, Chief Executive Officer joined the Company in May 2005. He has over 26 years of experience in banking and financial services, including more than 15 years experience in the area of Asset Finance in India, Australia and Oman. He was employed by CitiBank and ANZ Banking Group (Grindlays Bank) in the five years prior to his move to Muscat to head National Finance. Mr. Pancras holds a Masters in Business Administration (PGDM) from Indian Institute of Management, Bangalore and a Bachelor of Engineering degree from College of Engineering, Madras.

Mr. Ali Abdullah Saleh Al Tamimi, General Manager started his career as a banker with British Bank of Middle East. He is a former Chairman of Oman Refinery Company and has been on the Board of Oman Arab Bank, PDO, Oman Oil, Oman LNG, Oman Mining and Occidental during his tenure in the Government. He was deeply involved in policy making in the Ministry of Petroleum and Minerals and occupied special grade allocated for Under Secretary. Mr. Tamimi joined the Company in 1999 and possesses rich experience in general administration, policy formulation and finance.

BOARD SUB-COMMITTEES

Nomination, Remuneration and Executive Committee

The Nomination, Remuneration and Executive Committee comprises of 3 Directors and is headed by the Company's Chairman, Mr. Taya Jandal Ali. The other members of the Nomination, Remuneration and Executive Committee are Mr. K. Balaji and Mr. AbdulAziz Al Balushi.

The Nomination, Remuneration and Executive Committee is responsible for recommending new Directors for approval by the Shareholders, identification and remuneration of the key management, approval of banking facilities and credit facilities within the authority levels delegated by the Board of Directors. The Nomination, Remuneration and Executive Committee also reviews and recommends to the Board of Directors the annual budget of the Company and strategic plans and monitors the ongoing performance of the Company. During the year 2016, the Nomination, Remuneration and Executive Committee met three times and considered matters requiring urgent decision by circulation. The quorum for the committee is at least two members.

Audit and Risk Management Committee

The Audit and Risk Management Committee comprises of 3 Directors, all being non-executive directors nominated by the Board. The current Committee is headed by Mr. Pramod G. Karajgikar. The other members of the Audit and Risk Management Committee are Mr. Francis Pinto and Mr. K. Palanivelu. The Audit and Risk Management Committee assists the Board in fulfilling its oversight responsibilities. The Audit and Risk Management Committee reviews the financial reporting process, the system of internal control, management of overall risks, company's process for monitoring compliance with laws and regulations, adhering to its own Manual of Authority and Procedures and co-ordinates the audit process.

During the year 2016, the Audit and Risk Management Committee met six times, viz. on 11th January, 24th January, 21st April, 18th July, 7th September and 20th October. Attendance of the Members during these meetings is shown in Table 1. The discussions held in the meetings of the Audit and Risk Management Committee are minuted and reviewed by the Board of Directors. The quorum for the committee is at least two members.

INTERNAL CONTROL

The internal control system encompassing the entire gamut of the financial, operational and risk management functions of the Company are periodically reviewed by the Audit and Risk Management Committee and the Nomination, Remuneration and Executive Committee set up by the Board of Directors.

The Company has set up an in-house internal audit department as per the regulatory requirements of the CMA. The functions of the internal audit department are overseen by the Audit and Risk Management Committee. The internal audit reports are reviewed by the Audit and Risk Management Committee and the findings are placed before the Board of Directors. The Company has adequate and effective internal

controls in place, which are regularly reviewed and modified as and when the business processes undergo a change.

During the year 2016, all the significant activities of the company were reviewed by internal audit. The management has initiated appropriate action on the recommendations of the internal audit department.

Related Party Disclosure

Details of all commercial and financial transactions where Directors have potential interest are provided to the Board at quarterly intervals. All related party transactions have been effected on arms length basis without any preferential advantage accruing to any related party concerned.

REMUNERATION

Members of the Board

The Chairman and other members of the Board were entitled for sitting fees of Rials 500 each per meeting. During the year 2016, the Directors were paid sitting fees for the Board meetings, Nomination, Remuneration and Executive Committee meetings and Audit and Risk Management Committee meetings, details of which are provided in Table 1.

The company has provided an amount of Rials 164,000 (Rials 175,000 paid in 2016 for 2015 remuneration) during the year on account of Directors' remuneration which will be paid in 2017 if approved by the shareholders at the annual general meeting.

Top Five Officials of the Company

The top five managerial executives of the Company are employed through service contracts and the contracts are open ended, which can be terminated by the Company or the executive by giving a notice of three months. The gross remuneration paid to the top 5 Officials of the Company amounted to Rials 660K which includes all allowances, travel and transport expenses, perquisites and bonus.

SHAREHOLDERS

Channels of Contact with Shareholders and investors

The quarterly financials of the Company are available in digital form at the website of Muscat Securities Market (MSM) viz., www.msm.gov.om. The quarterly, half yearly and annual results of the Company are published in two national dailies, one in English and one in Arabic. The financials of the Company are also available at the website of the Company which is: www.nationalfinance.co.om

The audited financial statements and other reports of the Company for the year ended 31 December 2016 will be discussed in the Shareholders' meeting scheduled to be held in March 2017.

After completion of the statutory audit, the annual report and financial statements (including the Board of Directors Report, Corporate Governance Report and the

Management Discussion and Analysis Report) are sent by Registered Post to all the shareholders along with the invitation to the Annual General Meeting.

Distribution of share holding

The following institutions hold more than 5% of the Company's shares:

Name	Number of shares	% of holding
Al Hilal Investment Company LLC	106,787,801	39.387
Oman International Development Investment Co. SAOG	69,310,130	25.564

The remaining shareholding pattern as at 31 December 2016 was as follows:

Category	No. of shareholders	Number of shares	% of holding
0-30,000	46	318,658	0.118
30,001 - 60,000	2	82,886	0.030
60,001 - 90,000	4	325,149	0.120
90,001 - 120,000	3	300,776	0.111
120,001 - 150,000	1	149,999	0.055
Over 150,001	29	93,849,996	34.615
Total	85	95,027,434	35.049

Statement on Market Price

The Company's shares are listed in the Muscat Securities Market. The closing share price as at 31 December 2016 was Rials 0.131 per share. The market price quotes for the traded shares during 2016 were as follows.

Month	High	Low	Close	Traded Volume	Value Rials
January	0.135	0.133	0.134	-	-
February	0.135	0.133	0.134	-	-
March	0.140	0.140	0.140	60,000	8,400
April	0.139	0.139	0.135	252,315	35,029
May	0.133	0.133	0.133	113,892	15,695
June	0.130	0.130	0.130	6,000	795
July	0.138	0.138	0.138	10,000	1,380

August	0.138	0.138	0.138	-	-
September	0.131	0.131	0.131	167,350	22,027
October	0.131	0.131	0.131	2,274,490	363,458
November	0.131	0.131	0.131	5,354,269	701,409
December	0.131	0.131	0.131	-	-

Performance of the company in comparison with MSM index for Banking & Investment companies.



STATUTORY AUDITORS

“The shareholders of the Company appointed KPMG as the Company’s auditors for the year 2016. KPMG is a leading Audit, Tax and Advisory firm in Oman and is a part of KPMG Lower Gulf that was established in 1973. KPMG in Oman employs more than 180 people, amongst whom are 4 Partners, 5 Directors and 24 Managers, including Omani nationals. KPMG is a global network of professional firms providing Audit, Tax and Advisory services. KPMG operates in 152 countries and has around 189,000 people working in member firms around the world. The independent member firms of the KPMG network are affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG in Oman is accredited by the Capital Market Authority (CMA) to audit joint stock companies (SAOGs). During the year 2016, KPMG billed an amount of RO

12,500 towards professional services rendered to the Company (RO 10,000 for audit and RO 2,500 for other services)”

DETAILS OF NON-COMPLIANCE

There were two instances of non-compliance of the guidelines issued by the Central Bank of Oman over the last two years for which the Company was levied a penalty of Rials 4,000 in 2015 and RO 5,400 in 2016. The Company has already taken corrective steps for compliance and is committed to full compliance of laws, rules and regulations at all times.

There was no other instance of non-compliance on any matter relating to the Commercial Companies Law of Oman, Capital Market Authority’s (CMA’s) Code of Conduct on Corporate Governance for MSM listed companies, CMA Regulations or the MSM listing agreements during the year 2016.

ACKNOWLEDGMENT

The Board of Directors confirms its liability in respect of preparation of the financial statement in accordance with the applicable rules and standards. The Board also confirms that it has reviewed the efficiency and adequacy of internal control systems of the Company and confirms that they comply with internal rules and regulations. Further, the Board confirms that there are no material items that affect the continuation of the Company and its ability to continue its operations during the next financial year.

Taya Jandal Ali
Chairman

Table 1

Name of the Director	Institution represented	Whether attended last AGM held on March 27, 2016	No. of meetings attended			Director-ship in other SAOG Companies	Sitting Fees paid to each Director during 2016 Rials	Directors Remuneration paid to each Director during 2016 Rials
			Board	Nomination, Remuneration and Executive Committee	Audit and Risk Management Committee			
Taya Jandal Ali	Himself	Yes	7	3	-	1	5,000	43,750
Hani Al Zubair	Himself	Yes	8	-	-	-	4,000	21,875
Pramod G. Karajgikar	Muscat Contract Cleaning & Maintenance LLC	Yes	8	-	6	-	7,000	21,875
Francis Pinto	Al Thurya For Investments LLC	Yes	7	-	6	1	6,500	21,875
K. Balaji	Al Hilal Investment Co. LLC	Yes	7	3	-	-	5,000	21,875
AbdulAziz Al Balushi	Oman International Development and Investment Co. SAOG	No	8	2	-	-	5,000	21,875
K. Palanivelu*	Muscat Trading Co. LLC	No	4	-	3	-	3,500	21,875
Total							36,000	175,000

Note: * In June 2016, Muscat Trading Co. LLC has replaced Mr. Rami Bazzi with Mr. K. Palanivelu.