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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 2017; 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 2017.
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 2017 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 2017 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 2017 and does not extend to any financial statements or any other reports of the Company, taken as a whole.

21 January 2018

A handwritten signature in blue ink, appearing to read 'P. Callaghan'.

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 Board currently consists of 7 directors, including the Chairman and Deputy Chairman. 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 29, 2017 with three years tenor.

Upon completion of the merger, the Board of Directors will be increased from 7 to 9 members, for which the shareholders' approval has been obtained. The process for appointment of Directors will be as per the CBO and CMA regulations.

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. Out of the seven Directors, five are independent and two are non-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 2017, ten board meetings were held as listed below:

Meeting No.	Board Meeting Dates
1/2017	January 25, 2017
2/2017	February 27, 2017
3/2017	March 29, 2017
4/2017	April 26, 2017
5/2017	May 11, 2017
6/2017	May 22, 2017
7/2017	July 27, 2017
8/2017	October 9, 2017
9/2017	October 24, 2017
10/2017	December 13, 2017

The maximum interval between any two meetings was 74 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 35 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 with Salim International Investment Holding LLC 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 25 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 33 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 Investments and Services SAOC and Oman National Investment Corporation SAOC. He is also a Board member at Oman Arab Bank SAOC, Ubhar Capital SAOC, National Finance Company SAOG and National Life and General Insurance Company SAOG. 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 30 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 finance transactions for the Group and is well connected in the banking circles of Middle East and India.

Brief profile of senior management

Mr. Robert Pancras, Chief Executive Officer joined the Company in May 2005. He has over 27 years of experience in banking and financial services, including more than 16 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 2017, 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 2017, the Audit and Risk Management Committee met five times, viz. on 24th January, 23rd April, 24th July, 22nd October and 12th November. 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 2017, 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 2017, 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 156,500 (Rials 164,000 paid in 2017 for 2016 remuneration) during the year on account of Directors' remuneration which will be paid in 2018 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 717K which includes all allowances, travel and transport expenses, perquisites and bonus.

Evaluation of Board of Directors

As per the new code of Corporate Governance for Public Listed Companies issued by the Capital Market Authority in July 2015, the performance of the Board of Directors needs to be reviewed impartially and independently on an annual basis by a third party appointed by the annual general meeting in accordance with a benchmark and standards set by the board or the general meeting. The Shareholders' in the Annual General Meeting held on March 29, 2017 have appointed Protiviti, an independent entity, to evaluate the performance of the Board of Directors for the financial year

ending December 31, 2017. Protiviti have carried out the evaluation of the Board of Directors and have submitted their report.

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 2017 will be discussed in the Shareholders' meeting scheduled to be held in March 2018.

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	109,991,434	39.387
Oman International Development Investment Co. SAOG	71,389,433	25.564

The remaining shareholding pattern as at 31 December 2017 was as follows:

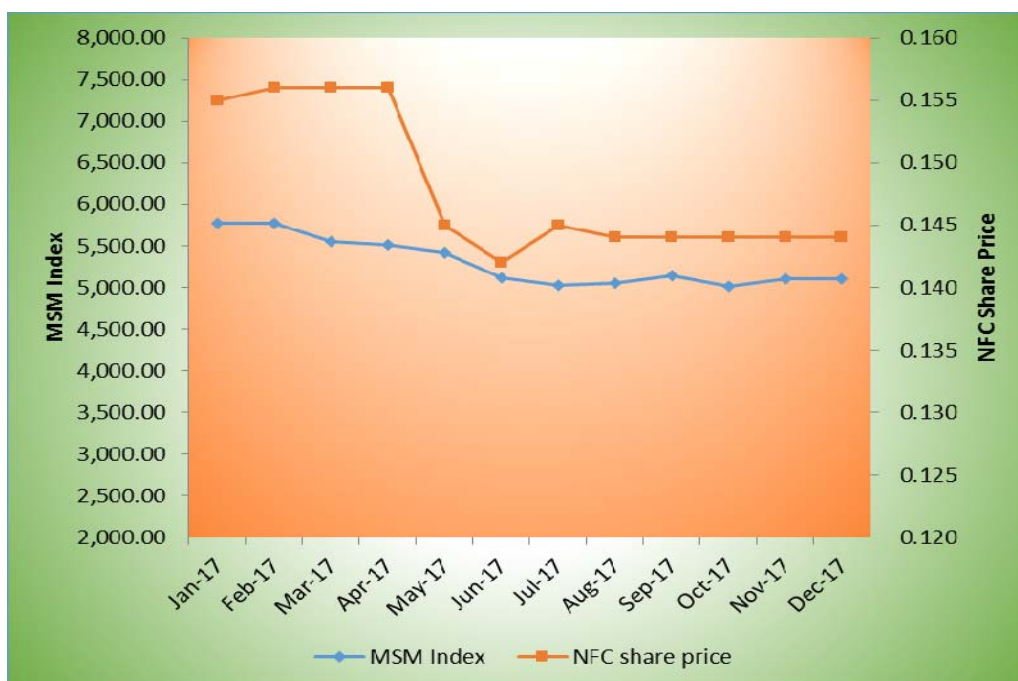
Category	No. of shareholders	Number of shares	% of holding
0-30,000	43	352,639	0.126
30,001 - 60,000	1	42,665	0.015
60,001 - 90,000	3	244,491	0.088
90,001 - 120,000	2	188,775	0.068
120,001 - 150,000	1	105,007	0.038
Over 150,001	29	96,944,681	34.715
Total	79	97,878,258	35.05

Statement on Market Price

The Company's shares are listed in the Muscat Securities Market. The closing share price as at 31 December 2017 was Rials 0.144 per share. The market price quotes for the traded shares during 2017 were as follows.

Month	High	Low	Close	Traded Volume	Value Rials
January	0.155	0.131	0.155	210,221	31,337
February	0.156	0.156	0.156	1,676,428	261,523
March	0.156	0.156	0.156	361,784	56,438
April	0.156	0.156	0.156	-	-
May	0.145	0.135	0.145	146,218	21,163
June	0.145	0.142	0.142	60,892	8,679
July	0.145	0.133	0.145	1,909,862	276,925
August	0.144	0.144	0.144	100,000	14,400
September	0.144	0.144	0.144	-	-
October	0.144	0.144	0.144	-	-
November	0.140	0.140	0.144	933	131
December	0.144	0.144	0.144	-	-

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



STATUTORY AUDITORS

The shareholders of the company appointed KPMG as its auditors for 2017. KPMG is a leading audit, tax and advisory firm in Oman and is part of KPMG Lower Gulf, established in 1973. KPMG in Oman employs more than 180 people, amongst whom are 4 partners, 5 directors and 30 managers, including Omani nationals. KPMG is a global network of professional firms providing audit, tax and advisory services. KPMG operates in 154 countries and has around 197,000 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 billed an amount of RO 26,500 towards professional services rendered to the Company for the year 2017 (RO 23,500 for audit and audit related service and RO 3,000 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 three 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 2017.

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 29, 2017	No. of meetings attended			Directorship in other SAOG Companies	Sitting Fees paid to each Director during 2017 Rials	Directors Remuneration paid to each Director during 2017 Rials
			Board	Nomination, Remuneration and Executive Committee	Audit and Risk Management Committee			
Taya Jandal Ali	Himself	Yes	10	3	-	1	6,500	41,000
Hani Al Zubair	Himself	Yes	9	-	-	-	4,500	20,500
Pramod G. Karajgikar	Muscat Contract Cleaning & Maintenance LLC	Yes	10	-	5	-	7,500	20,500
Francis Pinto	Al Thurya For Investments LLC	Yes	10	-	5	1	7,500	20,500
K. Balaji	Al Hilal Investment Co. LLC	Yes	10	3	-	-	6,500	20,500
AbdulAziz Al Balushi	Oman International Development and Investment Co. SAOG	No	8	3	-	1	5,500	20,500
K. Palanivelu	Muscat Trading Co. LLC	No	7	-	4	-	5,500	20,500
Total							43,500	164,000