

# Gulf Finance Corporation

Annual Report - 2016



الخليج للتمويل  
GULF FINANCE

## Contents

	Page
Introduction .....	3
A. Chairman Letter .....	4
B. Financial Highlights .....	5
C. Strategy .....	6
D. Business Review .....	6
E. Geographical Presence .....	7
F. Risk Management .....	8 - 9
G. Internal Control System .....	10
H. Corporate Governance .....	10
I. Human Resource .....	19-21
J. Board Members and Senior Management Compensation .....	21
K. Declaration from Board and Management .....	21
L. Interest of Board Members and Executive Management .....	21
M. Laws and Regulations Applicable .....	22
N. Zakat, Tax and Other Government Payments .....	22
O. External Financial Auditor .....	22
P. Financial Reporting Standards .....	22
Q. Audited Financials 2016 .....	23-27

**Gulf Finance Corporation is a Closed Joint Stock Company, incorporated in Jeddah, Kingdom of Saudi Arabia.**

**Here follows its annual report and audited financial statements of the company for the year ended December 31, 2016.**

### **Introduction**

#### **Our Vision:**

Gulf Finance aims to be the leading Shariah based asset finance partner in Saudi Arabia.

#### **Our Mission:**

We combine local market knowledge with international expertise, enabling our customers to grow their businesses through informed credit decisions and on time asset delivery in accordance with Shariah.

#### **Our Values:**

To help fulfill our brand promise, we abide by a set of core values. These not only define our priorities, but also guide us how our brand thinks and acts.

### **People First**

**We build relationships and a community in the workplace and with our customers by being open, receptive and responding to what people want and need.**

### **Continuously Deliver**

**We are constantly moving, getting things done and aspire to greatness.**

### **Work Smart**

**We perform at the highest emotional and intellectual level, and ensure we operate as efficiency as possible to come up with the right answer the first time.**

In 2016, Gulf Finance stepped closer to achieving its objective of becoming one of the best performing Shariah compliant Finance companies in the Kingdom of Saudi Arabia by strengthening its position as a trusted asset finance provider underpinned by its core values. Gulf Finance is regulated by the Saudi Arabian Monetary Agency with license number 29/12/2014 dated 16/02/1436H (Corresponding Monday 08/12/2014G).

The table below illustrates the company's shareholders and number of shares, and ownership percentage:

<b>Shareholders</b>	<b>No. of Shares</b>	<b>Value of Shares (SR)</b>	<b>(%)</b>
SHUAA Capital PJSC incorporated in the UAE	9,200,000	92,000,000	92%
Gulf Finance Co PJSE incorporated in the UAE	500,000	5,000,000	5%
SHUAA 1 Commercial Broker LLC	100,000	1,000,000	1%
SHUAA 2 Commercial Broker LLC	100,000	1,000,000	1%
SHUAA 3 Commercial Broker LLC	100,000	1,000,000	1%
<b>Total</b>	<b>10,000,000</b>	<b>100,000,000</b>	<b>100%</b>

**A. Chairman Letter**



I am pleased to present the Board Report for Gulf Finance for the year ended 31<sup>st</sup> December 2016 reflecting another year of stability during challenging times.

Despite the volatility in the market, we continued to reaffirm our commitment to invest in the right business, and aligning the company with supporting the Small and Medium Enterprises (SME's) across the Kingdom.

Now, with the inclusion of Abu Dhabi Financial Group as the key Shareholder in SHUAA Capital, we are looking forward to pursuing a consistent strategy enabling long-term growth for Gulf Finance Co. KSA.

I would like to extend my heartfelt thanks to the board of directors and the management of the company for their efforts during 2016.

Thamer A. Jan

**B. Financial Highlights**

The company posted net income of SAR 0.19 Million for the year 2016, posting 96% decrease in profitability as compared to the previous year net income SAR 4.6 Million.

Total revenues (lease finance income) for the year ended 31 December 2016 reached SAR 31.4 Million, an increase of 33% compared to the total revenues (lease finance income) of 2015 SAR 23.6 Million.

Total Expense increased to SAR 33.3 Million as compared to SAR 20.4 Million in 2015 as we invested in new premises, additional business development staff and upgraded our IT Systems.

During 2016, the company incurred finance charges of SAR 9.4 Million, an increase of 185% compared to SAR 3.30 Million in 2015 due to funding growth through bank financing. At 31 December 2016, total bank loans reached to SAR 75.3 Million from SAR 62.6 Million from previous year end.

The company made provisions for lease losses of SAR 2.3 Million during the year taking the accumulated provision to SAR 4.84 Million at the year-end; equal to 2.6% of the net investment in lease finance.

The Gross investment in finance leases, before provision and unearned income, reached to SAR 225 Million as compared to SAR 233 Million at the end of the previous year, a decrease of 3.5%.

The company's comparative financial highlights are as follows:

SAR' Million	2014	2015	2016	% Increase / Decrease
<b>Net Investment in finance leases</b>	119.5	195.4	187.1	-4%
<b>Total Assets</b>	138.1	244.9	211.6	-14%
<b>Total Short and long term loans and debt</b>	22.4	62.6	75.3	20%
<b>Shareholder's Equity</b>	101.7	106.3	106.5	0.2%
<b>Total Revenues</b>	17.4	25.0	33.6	34%
<b>Financial Charges</b>	1.2	3.3	9.4	185%
<b>Other Operating Cost</b>	1.4	2.6	4.3	66%
<b>General and Administrative Expenses</b>	10.1	14	17.3	24%
<b>Impairment of investment in finance lease</b>	1.8	0.5	2.3	329%
<b>Net Income</b>	3.0	4.6	0.2	-96%

<b>Earnings per share – SAR</b>	0.30	0.46	0.02
<b>Average Return on Equity (%)</b>	3.00%	4.42%	0.18%
<b>Average Return on Assets (%)</b>	2.34%	2.40%	0.09%

### C. Strategy

Gulf Finance Corporation goal is to be the leading provider of SME finance in Saudi Arabia. To achieve this, our strategy is clearly focused on providing high-quality and flexible, tailor made financial solutions that enable our clients to develop their businesses. We combine local market knowledge with international expertise, enabling our customers to expand their businesses through informed credit decisions and on time asset delivery in accordance with Sharia.

#### Why Gulf Finance?

- **Strong Local market knowledge backed by international financing expertise**
- **Informed and Fast Credit decisions**
- **Shariah based**
- **Excellence in Customer Service and Administration**
- **Experienced and professional management Team**

### D. Business Review

SAMA has approved the renewal of the following three Gulf Finance products:

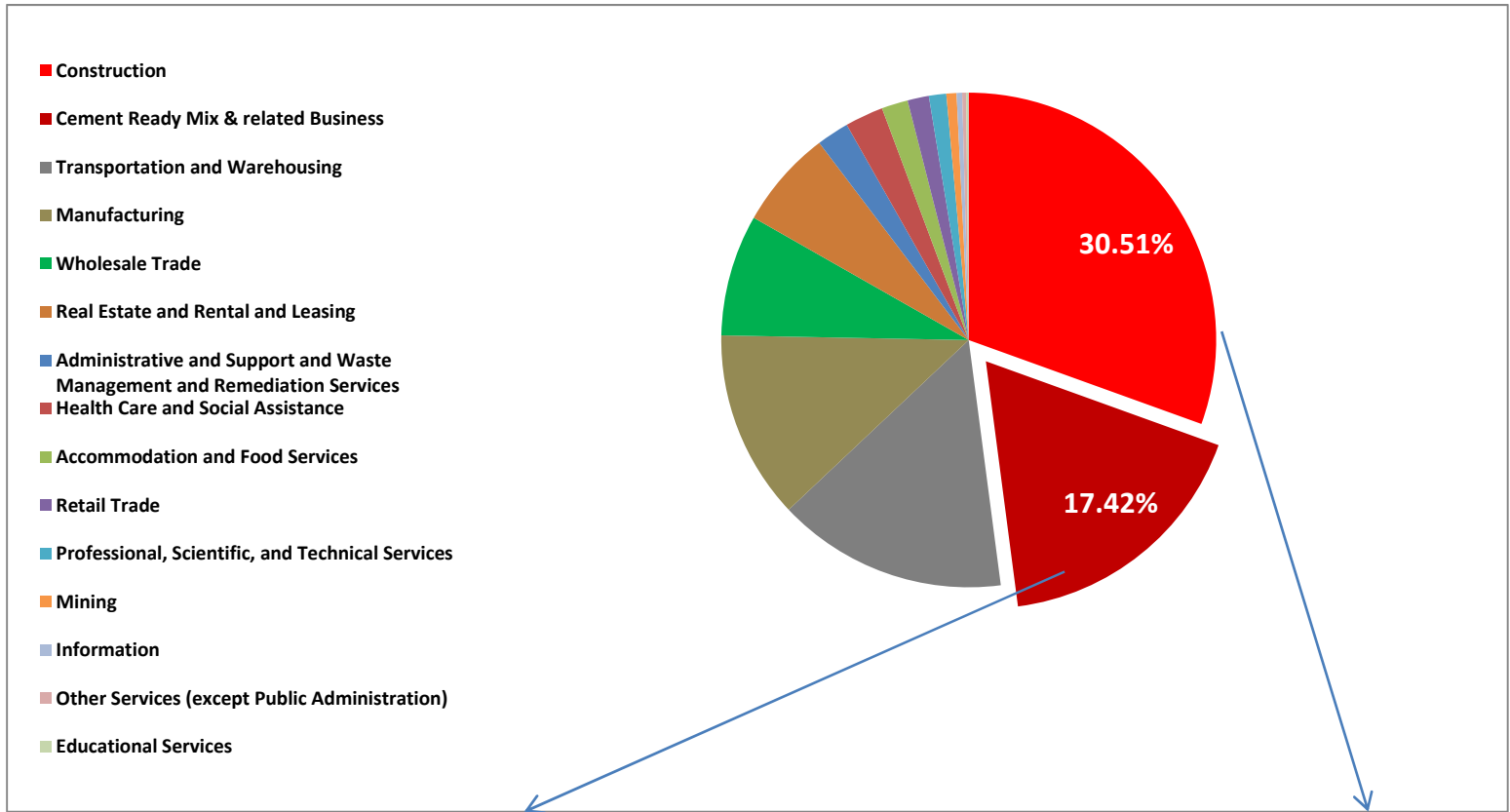
1. Ijarah Financial Lease
2. Ijarah Production Assets Leasing
3. Ijarah SME Business Financing

The Company disbursed business of SAR 89.7 Million for the year 2016 as compared to SAR 152.9 Million for 2015. Total new customers for the year ended December 31, 2016 reached 91 as compared to 142 new customers in 2015. New business yield was at 14.84% in 2016 compared to 15.43% in 2015. Some of the key business highlights of 2016 are as follows:

#### Key Highlights:

Highlights	2016	2015	Comments
New Business Disbursed	SR 89.7 M	SR 152.9 M	SR 63.2 M below as compared to 2015.
New to GFC Customers	91	142	51 below as compared to 2015.
Number of Deals	136	202	66 below as compared to 2015.
Weighted Average Profit Rate	14.84%	15.43%	0.59% below as compared to 2015.
Average Deal Size	SR 659 K	SR 757 K	SR 98 K below as compared to 2015.
Ratio of Business originated from New Customers versus Existing Customers	1.69 Times	3 Times	2016 – New: SR 56.4M; Existing: SR 33.3M 2015 – New: SR 115.5M; Existing: SR 37.4M

**Sector Analysis**



Cement Ready Mix & related Business	
11.31%	Ready-mix concrete manufacturing
2.43%	Cut stone and stone product manufacturing
1.53%	Concrete block and brick manufacturing
1.19%	Asphalt paving mixture and block manufacturing
0.97%	Other concrete product manufacturing
<b>17.42%</b>	<b>Total</b>
15.00%	CAP

Construction Sub sector	
9.04%	Highway, street, and bridge construction
8.96%	Commercial and institutional building construction
4.77%	Water and sewer line and related structures construction
1.90%	Other building finishing contractors
1.26%	Other heavy and civil engineering construction
0.97%	All other specialty trade contractors
0.89%	Power and communication line and related structures construction
0.84%	Industrial building construction
0.77%	New single-family housing construction (except operative builders)
0.60%	Electrical contractors and other wiring installation contractors
0.31%	Oil and gas pipeline and related structures construction
0.13%	Site preparation contractors
0.04%	New multifamily housing construction (except operative builders)
0.02%	Plumbing, heating, and air-conditioning contractors
0.00%	Construction, mining, and forestry machinery and equipment rental
0.00%	General Contracting related rock cutting, excavating and debris removal
0.00%	Other building equipment contractors

**E. Geographical Presence**

Gulf Finance Corporation currently has head office based in Jeddah along with branch office operating in Riyadh and plan to expand its operations in Eastern Region.

## **F. Risk Management**

The Company's activities are exposed to a variety of operational and financial risks which mainly include business risk, market risk, credit risk and liquidity risk. The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies. The Board established Credit and Risk Committee to oversee the Company's risk management activities.

### **Operational Risk:**

Operational risk is the risk of reduction in earnings and/or value through financial and reputational loss, from inadequate or failed internal processes or system, or from people related or external events. The main areas covered by operational risk are legal, business process, people, change, governance, & customer treatment. The major risk mitigation includes adherence to well-defined operating policies and procedures, hiring qualified personnel, training and development programs, and providing efficient and timely customer services.

### **Financial Risk:**

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements.

### **Market Risk:**

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market profit rates or the market prices of securities due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. Market risk comprises of three types of risk: currency risk, interest rate risk and price risk.

### **Currency Risk:**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As the Company's transactions are principally in Saudi Riyals, the Company is not exposed to currency risk.

### **Interest Rate Risk:**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates is limited as all the Company's financial assets have fixed interest rates..



**Price Risk:**

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or it's issuer, or factors affecting all similar Gulf Finance Corporation goal is to be the leading provider of SME finance in Saudi Arabia. To achieve this, our strategy is clearly focused on providing high-quality and flexible, tailor made financial solutions that enable our clients to develop their businesses. We combine local market knowledge with international expertise, enabling our customers to expand their businesses through informed credit decisions and on time asset delivery in accordance with Sharia. Financial instruments traded in the market. As at December 31, 2016, the Company has no investments in the listed securities

**Credit Risk:**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The risk is generally limited to principal amounts and accrued profit thereon, if any. The Company has established procedures to manage credit exposure including credit approvals, credit limits, and collateral and guarantee requirements. The Company also manages risk through a credit department which evaluates customers' credit worthiness and obtains adequate securities where applicable. All investing transactions are settled / paid for upon delivery. The Company's policy is to enter into financial instrument contract by following internal guidelines such as approving counterparties and approving credits. Concentration of credit risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular industry or geographic location. The Company monitors the credit quality of receivables through diversification of activities to avoid undue concentration of risks with individuals or groups. For such purpose, the Company has established exposure limits for single lessees and industrial sectors. The Company has an effective rental monitoring system which allows it to evaluate customers' credit worthiness and identify potential problem accounts. An allowance for potential lease, installment and other loan losses is maintained at a level which, in the judgment of management, is adequate to provide for potential losses on lease, installment and other loan portfolio that can be reasonably anticipated. The credit quality of receivables can be assessed with reference to their historical performance with no or some defaults in recent history.

**Liquidity Risk:**

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company will be required to pay its liabilities earlier than expected or will face difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

## **G. Internal Control System**

Gulf Finance Corporation risk management has been properly prepared and efficiently executed. The Company Internal control system is subject to constant evaluations and improvements to allow for the identification of any gaps and meet the required level of effectiveness, key control include:

- Existence of a series of policies and procedures, which are subject to regular updates and reviews by the board members to verify their sufficiency and adequacy.
- Major important decisions are supervised through committees created for this purpose and to protect the safety and quality of the company assets.
- Existence of the departments specialized in the fields of audit, compliance control and risk management.
- Existence of the Audit and Compliance committee in order to contribute to reinforcing the independence of internal and external auditors. The committee receives regular reports about the activities of the departments' subject auditing and compliance. The audit and compliance committee reports its findings to the Board.
- Regular supervision of the efficiency and sufficiency of the internal control system based on the approval annual audit plan. Aspects of internal control are regularly supervised and tested.
- Great attention is paid to the internal control system results and every identified issue is taken into consideration in order to improve the control.

## **H. Corporate Governance**

### **Corporate Governance Framework**

Gulf Finance has a strong corporate governance structure and assures to maintain this high standard throughout the years. In 2016 the following meetings were held:

- 4 Board meetings
- 6 Executive Committee meetings
- 5 Credit and Risk Committee meetings
- 4 Audit and Compliance Committee meetings
- 2 Nomination and Remuneration Committee

In 2016, The Board has schedules 4 board, 6 Executive Committee, 5 Credit and Risk Committee, 4 Audit and Compliance, 2 Nomination and Remuneration Committee Meetings. (The following shows the Proposed Dates and Time for Board and Committee Meetings 2016)

**BOARD OF DIRECTORS 2016**



**Thamer Abdel Khader Jan, Chairman**

Mr. Thamer A. Jan is currently a board member of ENBD Capital KSA in addition to his private financial consultancy business.

He has worked for the Saudi British Bank as the General Manager of Commercial Banking until 2013. Prior to that he spent 4 years at The Saudi Hollandi Bank (SHB) where he held many positions including Regional General Manager – Western Province.

Prior to joining SHB in 2007, he spent 12 years at the Saudi British Bank where he held many positions including Senior Manager Credit and Risk - Central Province.

He is a graduate from King Saud University in Riyadh – KSA, and holds a Bachelor Degree in Economics, and completed his Masters Degree in Applied Economics from Southern Methodist University Dallas Texas – USA.



**David Hunt, Managing Director (Resigned)**

David Hunt previously held the position of Chief Executive Officer for Gulf Finance Corporation since September 2013. He joined the company in 2011 as Head of New Markets and assumed the role of Chief Executive Officer of Gulf Instalments in 2012, having successfully established the Company in Saudi Arabia during the same year.

Mr. Hunt has 29 years financial services experience and extensive knowledge of regional and emerging markets. He has held various senior management and director level positions with leading financial services firms across the GCC and was prior to joining Gulf Finance Head of Regional Insurance at HSBC Bank Middle East. Before that he was Managing Director and Chairman of the Executive Committee of SABB Takaful, an Islamic financial institution which is publicly listed on the Saudi Stock Exchange.

Mr. Hunt holds a degree in Banking and Finance from Loughborough University and is an Associate of the Chartered Institute of Bankers. He is also a special advisor to Actis, a UK private equity firm.



**Housseem Ben Haj Amor, Board Member**

Housseem Ben Haj Amor holds the position of General Manager of SHUAA Capital. Mr Ben Haj Amor joined SHUAA Capital in July 2007, prior to which he worked for Société Générale where he headed the accounting department of its Tunisian subsidiary and was responsible for implementing a full new banking system.

Prior to Société Générale, Mr Ben Haj Amor worked for Moore Stephens and Arthur Andersen as Senior Manager specialized in the financial services industry. He managed audit and consultancy missions covering Europe and North Africa. Mr Ben Haj Amor has an extensive knowledge of International Financial Reporting Standards and GCC regional regulatory requirements. He is also a Certified Public Accountant.



**Abdullah F. Shaker, Board Member- Joined Gulf Finance 28<sup>th</sup> of April 2016**

Abdullah Shaker is currently the Executive Director of Financial Advisory services at Deloitte Middle East. Prior to joining Deloitte in 2015, he spent 8 years as Head of Legal, regulatory and financial crime compliance at HSBC Saudi Arabia Limited. Previously, he spent 3 years as Senior Inspector at the Capital Market Authority of Saudi Arabia and 7 years as Chief Financial Officer for General Dynamic Arabia.

In addition to his experience and skills, Mr. Shaker holds a double Master Degrees in accounting and Capital Markets from University of Illinois in the USA



**Tawfig S. Mufti, Board Member- Joined Gulf Finance 28<sup>th</sup> of April 2016**

Mr. Tawfig Shaker Mufti is currently a Group Treasurer in one of Saudi Arabia's prominent conglomerates, and has extensive experience with leading local & international Financial Institutions. Previously, he held the Compliance Country Head position of the Corporate & Investment Banking Group. Prior to that, he engaged in the exploration of the Corporate Finance arena with one of the evolving big 5 Auditing Firms. His profession began in Corporate Banking, which led to a transition into Private Banking with a local Saudi European joint venture bank.

Mr. Mufti holds a Bachelors degree in Internaonal Business (with the concentration in the General Agreements of Tariffs and Trades) from the University of Bridgeport CT. - USA.



**John Blanthorne, Board Member (Resigned)**

Mr. Blanthorne is a vastly experienced international financial services expert, having spent 35 years with HSBC Bank International Manager throughout Europe, the Middle East, Asia and the Pacific. Before retiring in 2009, Mr. Blanthorne held the position of Executive Director for HSBC Middle Eat and prior to this ran HSBC's commercial banking franchise for the region. He was also CEO of HSBC business in South Korea and NewZealand.

Mr. Blathorne is currently a Director of two banks in East Africa and is a Managing Partner of an investment advisory business.

**Attendance in 2016**

Directors of 2016	February	May	August	November
Thamer A. Jan	✓	✓	✓	✓
David R. Hunt (Resigned)	✓	✓	✓	
John Blanthorne (Resigned)	✓			
Housseem Ben Haj Amor	✓	✓	✓	✓
Abdullah F. Shaker		✓	✓	✓
Tawfig S. Mufti		✓	✓	✓

Management Team



**David Hunt, Chief Executive Officer (Resigned)**

David has over 26 years financial services experience in emerging markets and extensive regional knowledge. Before Gulf Finance, David held various senior and Director Level positions at the HSBC Group. He was Managing Director and Chairman of the Executive Committee of SABB Takaful, a Saudi publicly quoted insurance company, and most recently Head of Regional Insurance at HSBC Bank Middle East.



**Mazen Al Zayer, Acting Chief Operating Officer**

Mazen has more than eight years' experience in internal audit and finance having worked at various organizations in the Eastern and Western Provinces of Saudi Arabia. He started his career with Samba Financial Group in the Corporate Department. He has extensive experience in setting up and running internal audit departments, preparing risk based audit plans, charters, manuals and reports. Prior to joining Gulf Finance, Mazen was a Senior Internal Audit Officer at Petromin Corporation where he was responsible for handling operation audit tasks and executing annual audit plans, both within the Kingdom as well as internationally.



**Syed ObeidUllah, Finance & Treasury Manager**

Obeidullah has been leading Finance department of Gulf Installments Company since January 2013. He is an experienced Finance Manager with over 20 years of regional experience. Prior to joining GIC, Obeidullah was the Head of Finance at Riyadh Bank auto leasing unit, where he worked for over 3 years. Previously he worked at Abdullatif Alissa Group's corporate office as Senior Financial Analyst and also as Finance Manager of their car rental and leasing subsidiary "Best Trading Company".



**Hassan Al Sultan, Head of Human Resource (Resigned)**

Hassan has 8 years experience in all aspects of the Human Resources Functions, he was working with the National Commercial Bank (NCB) as HR Business Partner where he played an advisory role by helping the Divisions Head deal with HR related issues in all HR fields such as: Benefit & Compensation, Salary Increases, Staff Relations, Training & Development, Performance Management and so forth.

Prior to joining GIC Hassan was the HR Manager of a Spanish multinational company in Saudi Arabia "Mondragon" where he built the HR Department from the scratch.

He holds a BA in Human Resources Management, from Hillford University, USA.



**Dania Sami Ashgar, Head of Compliance and Legal**

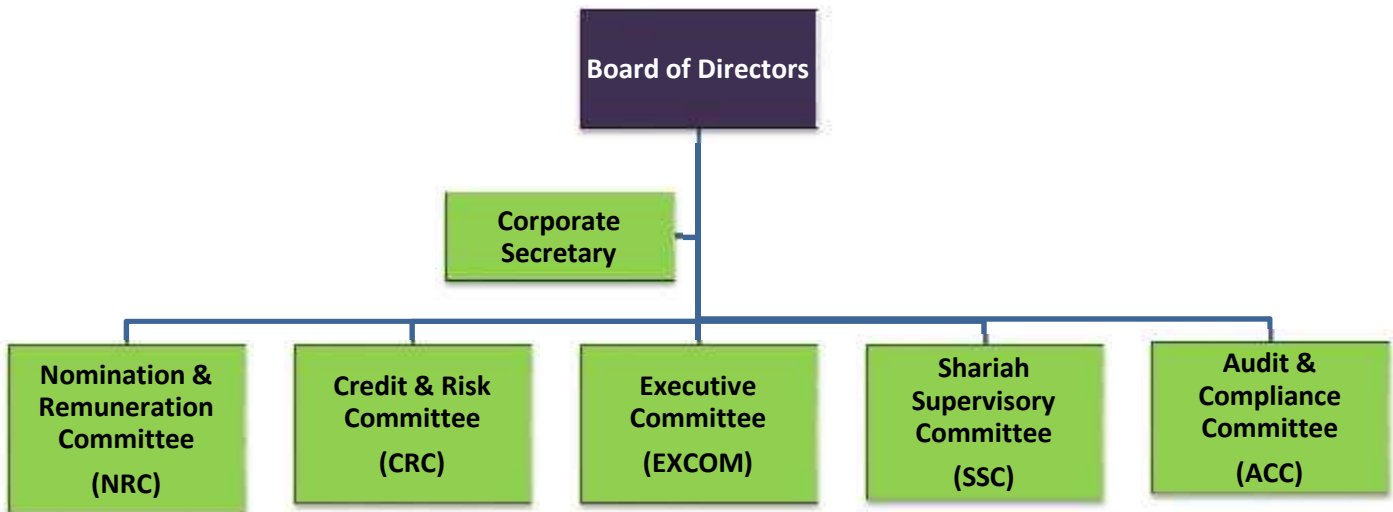
Dania Ashgar is currently leading the Compliance and Legal Division. Her compliance experience along with her skills and educational background qualify her to perform her role within the company. Prior to joining GIC, she was the head of compliance of Sidra Capital, investment bank regulated by Capital Market Authority, for 5 years.



**Adeel Mazhar, Credit & Risk Manager**

Adeel Mazhar is currently handling Credit & Risk Department as a Manager at Gulf Finance. He is well versed with Credit & Risk policies and their implementation in the organization as holds a vast experience of 11 years in the industry. Prior to joining GFC, Adeel has been associated as Assistant Manager – Credit & Marketing at Saudi Orix and as a Relationship Manager at Citibank. Adeel holds a Master Degree of Business Administration in Finance. Apart from this, is also a Certified Public Accountant (CPA).

**Board and Sub-Committee Structure**



### Audit and Compliance Committee “ACC”

The principal roles of the Audit and Compliance Committee of the Board (“ACC”) are:

1. Monitor the Company’s financial statements and recommend them to the Board
2. Appoint the External auditor and Zakat advisor and recommend them to the Board
3. Approve compliance and internal audit plan
4. Review and approve quarterly and annual internal audit reports
5. Review and approve quarterly and annual compliance reports
6. Assure compliance with all laws and regulations within the company.

### ACC Members and Attendance in 2016

Name of the Member	Position	Committee meeting attendance in 2016
John Blanthorne (Resigned)	Chairman of the Committee - Board Member	1 out of 4
Abdullah Shaker	Chairman of the Committee – Board Member	3 out of 4
Wadih El Manneh (Resigned)	Member of the Committee	2 out of 4
Waleed Kayyal	Member of the Committee	4 out of 4

### Credit & Risk Committee “CRC”

The main roles of the Credit and Risk Committee of the Board (“CRC”) are:

1. Review the key risks (credit, business operations and financial risks).
2. Review collections and overdue analysis.
3. Review sector cap analysis.

### CRC Members and Attendance in 2016

Name of the Member	Position	Committee meeting - Attendance in 2016
Thamer Jan	Chairman of the Committee – Chairman of the Board	5 out of 5
David Hunt (Resigned)	Member of the Committee – Managing Director	3 out of 5
Bede Pohlen (Resigned)	Member – Chief Risk Officer, Gulf Finance UAE	1 out of 5
Nair Bayan Al Sulami (Resigned)	Member – General Manager and COO	1 out of 5
Manuel Talisayon Cells (Resigned)	Member of the Committee – Credit and Risk Manager	1 out of 5
Syed Obeid Ullah	Member of the Committee – Finance Manager	4 out of 5
Salah Al Naji	Member of the Committee	4 out of 5

### Executives Committee “EXCOM”

The primary objectives of the EXCOM are:

1. Oversee the performance of the company including sales performance and provide update to the Board.
2. Review and Recommend new funding to the Board.
3. Monitor the Performance of the Company.

### EXCOM Members and attendance in 2016

Name of the Member	Position	Committee meeting attendance in 2016
David Hunt (Resigned)	Chairman of the Committee and Managing Director	4 out of 6
Thamer A. Jan	Member of the Committee – Chairman of the Board	6 out of 6
John Blanthorne (Resigned)	Member of the Committee – Board Member	1 out of 6
Tawfig Mufti	Member of the Committee – Board Member	5 out of 6

### Nomination and Remuneration Committee “NRC”

The principal roles of the Nomination and Remuneration Committee (“NRC”) are:

1. Review the company’s organization structure and Saudization rate
2. Assure compliance with applicable labor laws
3. Review the performance of executives and employees
4. Developing and annually reviewing the human resources and training policies of the Company,
5. Overseeing the procedures for nomination to the Board,
6. Review annually the ongoing suitability of the Company’s policy for remuneration and benefits for senior management, Board of Directors and employees and to ensure that the remuneration and benefits awarded are reasonable and aligned with the performance of the Company and the executive management
7. Recommend to the Board the annual bonus and sales increments of the year.

### NRC Members and Attendance in 2016

Name of the Member	Position	Committee meeting attendance in 2016
Thamer Jan	Chairman of the Committee – Chairman of the Board	1 out of 2
Housseem Ben Haj Amor	Member of the Committee – Board Member	2 out of 2
Ryan Lynch	Member of the Committee	2 out of 2

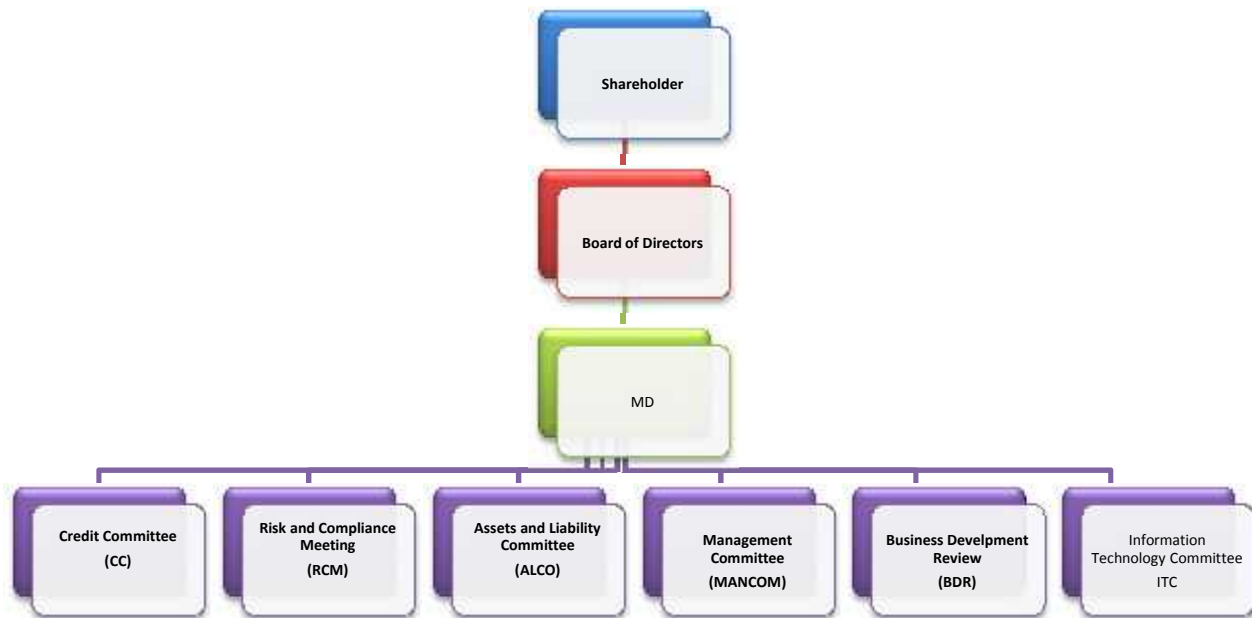


## Sharia'a Supervisory Committee "SSC"

The main objectives of having an SSC are:

1. Assure that the company's activities, facilities, products and services are in compliance with Shariah standards, rules and principles.
2. Provide Shariah guidance and advice to the board.
3. Approve rescheduled cases.

## MD SUB\_COMMITTEE STRUCTURE



## Management Committee "MANCOM"

Management Committee ("MANCOM") is the primary forum for review and tracking of all Group strategic and operational key performance indicators, business updates, financial performance, Compliance, Internal Audit and HR and succession planning.

The MANCOM consist of the following members:

1. Managing Director
2. Chief Operating Officer
3. Finance Manager
4. Credit and Risk Manager
5. Collection Manager
6. Regional Managers
7. Head of Compliance
8. Human Resource Manager
9. Head of Internal Audit

The MANCOM aims to meet on daily basis.

### Assets and Liabilities Committee “ALCO”

The Assets & Liabilities Committee (“ALCO”) is charged with optimizing return on corporate capital and controlling the balance sheet under the guidelines of the EXCO and the Board. The members of the ALCO are:

CEO/ Chairman of Committee	Finance Manager	Credit & Risk Manager	COO
----------------------------	-----------------	-----------------------	-----

The committee members meet every quarter and otherwise as required.

### Credit Committee “CC”

The credit committee (“CC”) reviews, deliberates and renders decision whether to “approve” or “reject” credit proposals. The committee is expected to render unanimous decision on all cases, but in the event of disagreement between the members, the decision of the MD prevails.

Members of the CC for proposals requesting for exposure of SR 1.5 million and below are:

1. MD
2. Credit and risk manager
3. Regional managers (depends on the case)

### Risk and Compliance Meeting “RCM”

The main objective of the RCM is to identify measure and mitigate the operational risks that threaten the accomplishment of the company’s objectives. The RRM meets Bi-monthly.

The members of the RRM are:

1. MANCOM members

### Business Development Review “BDR”

The main objectives of the Business Development Review “BDR” are:

2. Review the progress of sales pipeline on weekly basis.
3. Review the weekly visit report for business development officers.
4. Projecting for the monthly target.
5. Discussing the progress of the deals with Credit department and enhance communication between both departments.
6. Discuss progress made with strategic partner (Suppliers) and initiatives.
7. Obtaining BDOS feedback on the market status and trends.

Members of the BDR:

Managing Director	Chief Operating Officer	Regional Managers
Business Development Officers	Business Development Support	Credit Representatives

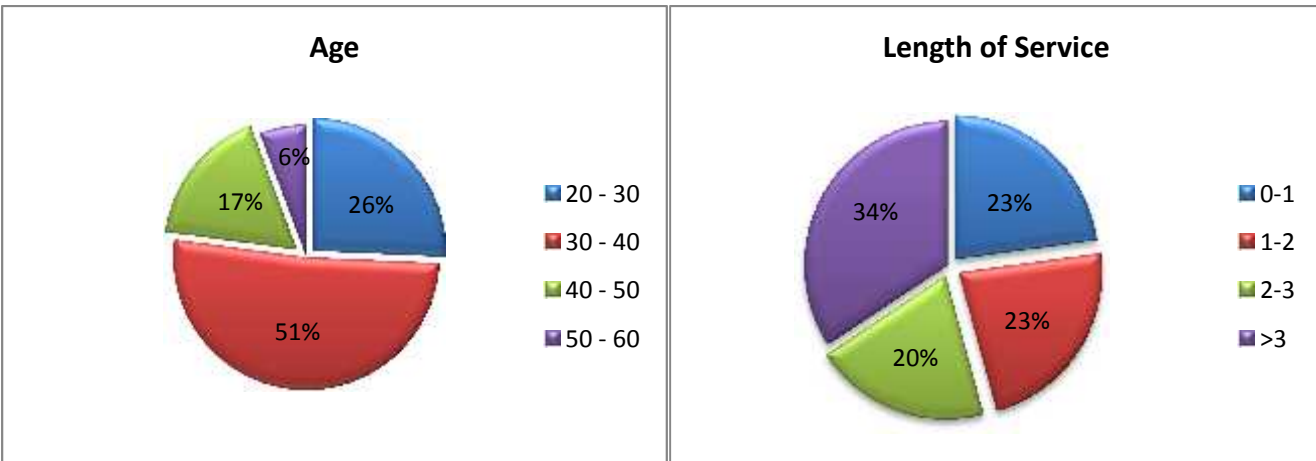
**I. Human Resources**

## Highlights:

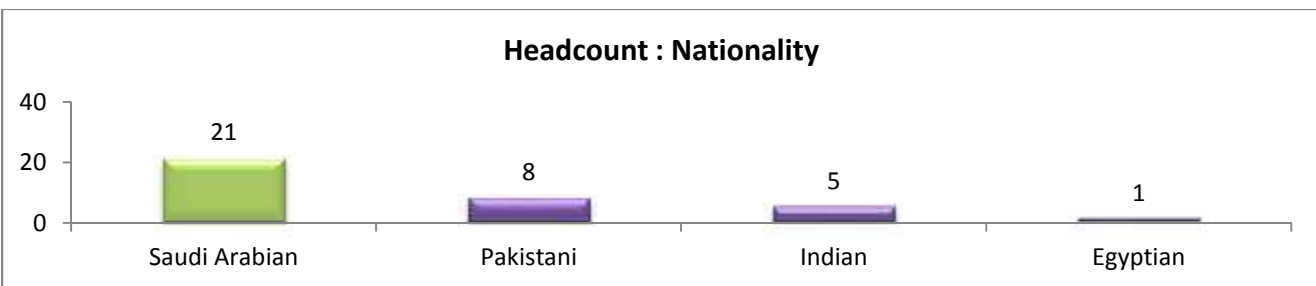
- Headcount decreased by 0.03% to reach 36 employees by the end of year.
- Saudization increased to which achieved 61% comparing with 57% in 2015.
- Departure of five members of company management including CEO.
- Signing an agreement with Leejam Company “Fitness Time” to provide the staff with an entertainment which cancelled at the end of year to reduce costs.
- Continuing with Bupa for the second year to providing medical coverage to the company’s staff.
- Life insurance contract renewed with SABB Takaful for the second time.

Training		Number of Staff	Number of Days
System Training	Oracle EBS – Dubai	0	0
	Flex Cube – Dubai	1	2
	Team Mate – Dubai and Saudi	0	0
	Oracle EBS - Saudi	1	5
Technical Skills Training	Sales Training	12	12
	Red Hat Certified System Engineer & Administrator	0	0
	ITIL “IT Service Management”	0	0
Governance Training	Compliance, Code of Conduct, AML	0	0
	Corporate Credit and Risk Analysis – Bahrain	0	0
	Shariah Auditing - Bahrain	0	0

**HR Demographics**



**Saudization – 60%**



## Code of Conduct and Ethics

The code of conduct and ethics outlines the standard of behavior expected from employees of Gulf Finance Corporation. It has been designed to assist employees to understand their responsibilities and obligations and to provide guidance on expected behavior in the workplace especially when faced with an ethical dilemma or conflict of interest at work. The code also aims to assist the company meet its obligations under the regulations of local laws and regulations, safeguard public trust and confidence in the integrity and to outline the professionalism required by all employees with respect to maintaining appropriate standard of conduct, exhibiting fairness, impartiality, honesty and equity in decision making and fostering and protecting the reputation of the company. The code does not seek to encompass all possible scenarios arising from employment with the company. However, it provides a set of principles to guide employees on acceptable and unacceptable behavior. The code should be read in conjunction with the employee handbook.

### J. Board Members and Senior Management Compensation

The following details belong to remuneration and compensation paid to Board Members and MANCOM  
(Below highlighted value is in SAR 000's):

Details	Executive Board Members	Non-Executive Members	MANCOM Compensation
Salaries and Compensation	Nil	Nil	3,121
Allowance	Nil	Nil	135
Annual & periodical remuneration	Nil	Nil	Nil
Incentives	Nil	Nil	Nil
Board Benefits & Compensation	Nil	625	Nil

### K. Declaration from the Board

The Board Members confirms that;

- The company prepares its financial statements in accordance with International Financial Reporting Standard "IFRS" as required by the finance lease laws and regulations.
- Proper books of finance department have been maintained.
- The company has no existing relationship contracts in which a Board Member, MANCOM Member has a material interest.
- Internal Audit Control was efficiently implemented.
- There is no doubt about ability of the company to continue the business as a going concern.

### L. Interest of Board Members and Executive Management

All Board Members of the Company or MANCOM Members, including any person related to them, apart from the remuneration, do not have any interest in the company.

**M. Laws and Regulations Applicable**

Gulf Finance adhered to the Saudi Companies' Law, Rules & Regulations of Saudi Monetary Agency (SAMA). During 2016, no penalty was incurred on the company by any regulatory authority.

**N. Zakat, Tax and Other Government Payments**

The below table displays payment done to government bodies during this year (SAR 000's):

Type of Payment	2015	2016
Zakat	98	139
GOSI	430	457
Visas and Passport – Related	44	57
Tax – If Any	-	-

**O. External Financial Auditor**

M/S PwC appointed as external auditors for the year ended 31 December 2016 for remuneration of SR 300,000 for the annual audit, three quarterly reviews, Qawaem 2016 report upload to MOCI website, group reporting and SAMA annual 2016 prudential certification.

**P. Financial Reporting Standards**

The annual audited financial statements for the year ended 31 December 2016 of Gulf Finance Corporation have been prepared in accordance with International Financial Reporting Standards "IFRS" as issued by the International Accounting Standards Board "IASB". The Board takes this opportunity to thank the Government of Kingdom of Saudi Arabia and in particular the Saudi Arabian Monetary Agency and the Ministry of Commerce for their support.

The Board also places on record appreciation for shareholders for their confidence and support and to the Company team for their effort and professionalism.