

Board of Directors’ Report for the period ended 30th September 2025

Dear Shareholders,

On behalf of the Board of Directors of Muscat Finance SAOG, I am pleased to present the Directors’ report for the quarter ended September 2025.

Macroeconomic and Business Environment

The start of the third quarter of 2025 was marked by global economic uncertainty but demonstrated economic resilience during the quarter and a supportive financial environment domestically in the Sultanate of Oman. The Company’s strategic focus on prudent growth and risk management remains aligned with the national economic direction.

International Monetary Fund (IMF) lowered global economic growth forecast for 2025 to 3.0% from 3.3% in 2024, reflecting ongoing challenges such as potential tariff increases and geopolitical tensions. International trade is expected to slow to 2.6% in 2025. Global inflation, however, is expected to moderate to approximately 4.2% in 2025, down from 5.6% in 2024.

Domestically, the Nominal Gross Domestic Product (GDP), as per preliminary data, showed an increase of 2.4% at the end of the first half of 2025 (H1 2025) over the same period in the previous year despite 12.6% decline in Omani oil prices in August 2025 vis-à-vis August 2024. The non-hydrocarbon sector was the primary growth driver, registering a robust 4.1% growth in both Nominal and Real terms during H1 2025. This highlights the sustained success of the economic diversification efforts under Oman Vision 2040.

Domestic inflation remained contained, registering a modest 0.38% for January–June 2025, up slightly from 0.24% in the prior year. This uptick is well within safe levels, preserving household purchasing power which augurs well for our debt serviceability for Your Company’s retail loan portfolio.

The overall liquidity in the financial system remained supportive of lending and investment activity. The combined balance sheet of conventional banks showed a robust year-on-year (Y-o-Y) growth of 7.3% in total outstanding credit as of end-August 2025 (up slightly from 7.2% Y-o-Y as of May 2025). Interest rates remained favorable, with the weighted average lending rate for conventional banks decreasing from 5.603% at end-August 2024 to 5.492% at end-August 2025. The weighted average interest rate on OMR deposits also decreased to 2.535% over the same period. This augurs well for Your Company’s net interest margin as well as the debt investment portfolio.

Business Results

In the third quarter of 2025, your Company enjoys comfortable amount of liquidity and due to limitation in growth in the business segment, has exhausted the full allowed limit in corporate bond allocation. The liquidity buffers available, positions the Company for its next growth phase. Our focus remains on securing high-quality business at optimal pricing.

In the first 9 months of 2025, Your Company has continued with its strategy to focus on retail segment. Resultantly, loans to individuals as a percentage of total portfolio increased to 34.59% on September 30, 2025 compared with 32.84% and 33.68% respectively on September 30, 2024 and December 31, 2024 respectively. As a result, Gross Investment in Finance Debtors reached RO 161 Million as of September 30, 2025, an increase from RO 158 Million and RO 147 million respectively as on December 31, 2024 and September 30, 2024 respectively. Correspondingly, Net Investment in Finance Debtors expanded to RO 99 Million as of September 30, 2025, from RO 101 Million and RO 96 Million as on as on December 31, 2024 and September 30, 2025 respectively.

For the nine months ended on September 30, 2025; Your Company recorded a net profit of RO 138K and an operating profit of RO 2,642K. Notably, operating profit before working capital changes for the first nine months of 2025 increased to RO 5,865K, compared to RO 4,458K in the same period last year. In order to retaining liquidity flexibility, Your Company has invested these in high quality liquid debt instruments.

The financial results are summarized below:

Amount in RO’ 000			
PARTICULARS	YTD 30 th September 2025	YTD 30 th September 2024	% change
Net investment in finance debtors	98,929	96,728	2
Gross income	8,452	7,259	16
Total expenses including interest cost	(5,810)	(5,546)	5
Operating profit	2,642	1,713	54
Net profit after tax	138	368	(63)

Human Capital

Your Company recognizes that a skilled, motivated, and performance-oriented workforce is pivotal to the sustained success of Your Company and the Nation. In line with this, during the third quarter, Your Company onboarded and sponsored three promising Omani youths for comprehensive ACCA training and examinations with a structured program including tuition at esteemed institutions. Successful completers will qualify for accelerated career advancement. We intend to scale this program by onboarding additional talented Omanis to further upskill our national talent pool. Complementing this, your Company continues to invest in broad-based employee development, including online learning modules that augment in-house and external training programs.

Our commitment to Omanisation advanced, with the ratio improving to 91.13% as of 30 September 2025, from 90.91% in the prior quarter—reinforcing contributions to national sustainable development goals.

Prioritizing the empowerment of Omani nationals, Your Company’s Omanisation ratio improved to 91.13% on 30 September 2025 compared to 90.91% in the preceding quarter contributing to sustainable development.

Sustainable Lending and Social Impact

Aligned with Oman's national priorities, your Company is dedicated to fostering sustainable growth. In Q3 2025, we served as a strategic partner in the Ministry of Commerce, Industry, and Investment Promotion's exhibition to promote Omani honey and dates, initiatives designed to invigorate the SME ecosystem and generate employment opportunities.

Retail lending remains a cornerstone of our sustainable development strategy. Resultantly, 91.6% of business booked of loans was booked in retail segment in 9M 2025 compared with 81.8% and 85.4% in 9M 2024 and full year 2024 respectively. The quick mortality rate (accounts becoming non-performing within one year of origination) eased to 0.59% in Q3 2025, from 0.66% in the previous quarter—against historical benchmarks: 1.1% (2021), 0.6% (2022), 0.3% (2023), 0.2% (2024), and 0.4% (Q1 2025). This moderation in the current quarter, amid broader credit cycle influences, was supported by refined pricing in retail. As of September 30, 2025, the weighted average interest rate of loans booked during the first nine months of the year was higher by 4.5% and 10.8% compared to the comparable portfolios as of September 30, 2024, and September 30, 2023, respectively. This improvement underscores the Company’s continued focus on yield optimization, repricing initiatives, and disciplined portfolio origination.

Prudently, NPA coverage was enhanced to 78.29% as of 30 September 2025, up from 73.2% (30 June 2025) and 72.5% (31 March 2025), well exceeding the industry average.

Funding Strategy

Your Company steadfastly pursues a diversified funding strategy to maintain cost efficiency and resilience. We proactively balance sources such as bank facilities and corporate deposits. In Q3, liquidity buffers were markedly reinforced, yielding a 17% quarter-on-quarter and 967% half-year improvement in unutilized banking limits—a critical liquidity gauge. This progress stemmed from fortified banker and depositor partnerships. Corporate deposits, essential for diversification, surged 40% quarter-on-quarter and 69% year-on-year to RO 36.1 million as of 30 September 2025. This focus cultivates symbiotic ties: depositors enjoy compelling yields, while your Company secures cost-effective, diversified funding and cross-selling avenues.

In order to optimize profitability while retaining flexible liquidity and leveraging our specialized expertise, your Company continues explore high yielding liquid investment options, including bonds.

Pioneering Digital Excellence for Unparalleled Customer Satisfaction

Technology remains the foundation upon which our Company’s vision for excellence and customer distinction is built. The year 2025 stands as a defining chapter in our digital transformation journey—one marked by bold strides and meaningful innovation. Early in the year, we unveiled a next-generation, paperless loan origination platform that has redefined efficiency and strengthened governance across our operations. Building upon this progress, the seamless integration of electronic KYC and digital application signatures reflects our unwavering commitment to both innovation and sustainability, advancing our ESG agenda in tangible ways. By the third quarter, we further fortified our digital ecosystem with the introduction of secure digital authentication for facility agreements—an initiative aimed at safeguarding trust, curbing disputes, and mitigating fraud.

Your Company is on track to pioneer instant, fully digital loan disbursements in the FLC space—with limited human input and uncompromised quality—via a cutting-edge mobile app slated for launch shortly.

As 2025 progresses, we foresee technology's transformative role in financial services intensifying. Our resolve remains firm: to leverage these innovations for secure, streamlined, and client-focused offerings, all while championing operational superiority.

Business outlook for the year 2025

Oman’s economic fundamentals remain strong, supported by fiscal prudence and growing investor confidence.

In July 2025, Moody’s upgraded Oman’s sovereign rating to investment grade (“Baa3”, stable outlook), following upgrades by S&P (“BBB-”) and Fitch (“BB+”, positive outlook) earlier. These reflect sustained fiscal reforms and declining public debt ratios, paving the way for lower borrowing costs and greater private-sector participation.

The IMF projects Oman’s real GDP growth at around 3% annually through 2029, driven primarily by the expansion of non-oil sectors and continued structural reforms.

Your Company remains well positioned to capitalize on these favorable trends by continuing to strengthen its risk management framework, accelerate digital adoption, and deepen stakeholder relationships.

Acknowledgement

On behalf of the Board and the Company, I would like to express our sincere gratitude and best wishes to His Majesty Sultan Haitham Bin Tariq to lead the Sultanate of Oman with his wisdom and vision, towards a path of prosperity.

I would like to thank His Majesty’s Government, the Central Bank of Oman, the Financial Services Authority and other regulatory Authorities for their continued support and guidance. We are grateful to customers for their continued patronage and support, to our bankers and depositors for their unwavering trust and support, and to all the shareholders for the confidence reposed in its Board. On behalf of the Board, I would like to express our appreciation to all stakeholders, the dedicated management and staff of the Company for their hard work, commitment, and support.

On Behalf of the Board of Directors

Mr. Faisal Mohamed Al Yousef

Chairman

Muscat Finance SAOG