

DIRECTORS' REPORT

For the quarter ended 31 March 2026

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present your Company's Directors' Report for the quarter ended 31 March 2026. Despite a regional conflict, your Company delivered a 42.6% expansion in operating profit, sustained record retail business volumes, and continued the strategic rebalancing of the portfolio toward retail and collateralised lending — the strategic direction that the Board has consistently pursued 2021.

QUARTER AT A GLANCE

NET INTEREST INCOME (Q1)	OPERATING PROFIT (Q1)	NET PROFIT (Q1)
OMR 1.940 m	OMR 1.305 m ▲ 42.6%	OMR 0.303 m
GROSS LOAN BOOK (Q1)	RETAIL SHARE (Q1)	STAGE 3 COVERAGE (Q1)
OMR 142.5 m	80.3% (25: 74.8%)	>75% (25: 72.5%)

MACRO ENVIRONMENT & POLICY BACKDROP

The first quarter of 2026 was defined by the outbreak of conflict in the Middle East on 28 February. The IMF's April 2026 World Economic Outlook revised global growth down to 3.1% for 2026, with Middle East and Central Asia growth lowered by approximately two percentage points to 1.9%. Brent crude surged from USD 72/bbl pre-conflict to a peak of nearly USD 120/bbl, and the Oman Crude Oil (OQD) marker reached an all-time high of USD 147.79 per barrel on 16 March 2026 before easing toward the USD 100 level for May delivery by quarter-end.

For Oman, the disruption translated into a near-term fiscal tailwind on top of a strong performance in the year 2025. Real GDP grew 2.4% in 2025 to OMR 39.30 billion, with non-oil sectors contributing over 73% of real output. Inflation remained contained at 1.7%. Sovereign creditworthiness reached a multi-year high, with all three major rating agencies now assigning investment grade — Fitch having upgraded Oman to BBB– (stable) in December 2025, alongside S&P's BBB– and Moody's Baa3. Government debt-to-GDP fell to an estimated 33.6% in 2025, down from a 2020 peak of 64.3%, restoring fiscal headroom.

The Central Bank of Oman held its repo rate at 4.25% throughout the quarter, having cut from a cycle peak of 6.00% reached in 2023. The US Federal Reserve held its target range at 3.50%–3.75%, with the median FOMC participant signaling one rate cut in 2026 (March 2026 SEP). Importantly for your Company, the combination of higher hydrocarbon revenues, sustained 7.2% growth in private-sector Omani employment (NCSI, November 2025), and an expected continuation of fiscal-driven employment gains aligns directly with the Board's strategic focus on the retail segment.

FINANCIAL PERFORMANCE

Net interest income for Q1 2026 stood at OMR 1.940 million, compared with OMR 1.627 million in Q1 2025, supported by improved asset yields and a richer retail mix. Operating profit rose 42.6% year-on-year to OMR 1.305 million, reflecting strong core earnings momentum and improving operating leverage. Net profit after tax was OMR 0.303 million (Q1 2025: OMR 0.418 million) after considering net interest income earned on investment in corporate bonds of RO 73K, after allowing for impairment provisioning of OMR 1.0 million (Q1 2025: OMR 0.49 million) which predominantly relate to legacy non-performing exposures.

Operating-profit recovery trajectory. The Board continues to target a return to pre-pandemic operating profit of approximately OMR ~OMR 6.6 m and gross interest income of approximately OMR ~OMR 13 m which was achieved in 2018. Q1 2026 operating profit of OMR 1.305 million represents continued progress toward this benchmark, supported by retail-led volume growth, easing funding costs, and disciplined cost management.

BOARD STRATEGY

The Board's has maintained a consistent strategy since its 2021 strategy meeting:

- Focus on quality business growth in the retail segment
- Very selective property collateralized corporate lending
- Invest up to maximum allowed limit in highly rated corporate bonds with optimal pricing
- Diversified sources of funding with maximized low-cost deposits and raising bond tranches at right time
- Achieve Unparalleled Customer Delight enabled by Digital Excellence

This direction has consistently underpinned the Company's recovery trajectory through successive quarters.

PORTFOLIO STRATEGY: RETAIL FOCUS, SELECTIVE CORPORATE

The retail portfolio grew 11.1% year-on-year to OMR 83.4 million, with retail net interest income up 17.8% to OMR 1.760 million. The retail share of the net assets has expanded from 74.8% (end-Q1 2025) to 80.3% (end-Q12026). Targeted campaigns for selected Government-sector employees, combined with Ramadan-period dealership partnerships, delivered the highest-ever Q1 retail business volumes in the Company's history. The weighted average yield on Q1 2026 new business was approximately 13.4%, broadly in line with the 14% achieved on the 2025 mix. Quick-mortality rates (accounts turning non-performing within twelve months of disbursement) remained controlled within 0.4%–0.6%.

The corporate portfolio moderated in line with the rebalancing strategy, with new corporate exposures undertaken on a property collateral-secured basis. Given the slower-than-targeted progress in restoring loan-book levels, the Board has further increased the Company's investment in corporate bonds to the maximum permitted by CBO regulations, providing yield support, liquidity flexibility, and portfolio diversification while loan growth continues.

Corporate Deposits and Bond Program

Your Company has continued to sustain its maximum corporate deposit mobilisation, reflecting investor confidence in the Company and the Board's strategy. The objective is to use all available funding channels to return to the pre-pandemic cost-of-funds level — a sustainable structural rate that materially improves the bottom line. On this basis, the Board will assess the optimal timing of any bond issuance to ensure the Company achieves the lowest sustainable blended cost of funding.

Digital Excellence for Unparalleled Customer Delight

Technology is the foundational pillar of Your Company's mission to deliver exceptional operational efficiency and a seamless customer journey. Your Company continues to make steadfast progress on its ambition is to become the first FLC to achieve instant loan disbursements through fully digital process, with minimal human intervention and without compromising asset quality. In this directions, Your Company has achieved its digitization of the customer journey including electronic KYC and Digital Application Signatures.

Direct Debit. Your Company has been an early mover in adopting direct-debit mandates as a repayment instrument, becoming amongst the earliest players to fully automate it with the loan origination system for faster turnaround with greater control. The legal enforceability of direct-debit instructions is at par with standard post dated instruments with lower operational risks; and we expect this channel to materially improve underwriting confidence going forward.

Drive-through, Self-Service Kiosks and Digital Channels. The Company's unique and only drive-through offering and kiosk channels continues to see momentum with 23% and 9% Year on Year increase in number and volumes of payments in Q1 2026. Over almost a million rial of payments recorded during the quarter, demonstrates

customer adoption of alternative service channels and easing branch footfall during peak periods and benefiting from shortage of parking space and time taken in walking to and from their car, therefore improving customer experience and convenience.

The Company’s round the clock through digital payment options and tie ups too witnessed strong adoption with 97% and 81% Year on Year growth in number and amount of payments in Q1 2026; handling over 0.85 million rial worth of transactions in the quarter by offering customer convenience to transact at time and place of their choosing.

ASSET QUALITY, RECOVERY & PROVISIONING

IFRS-9 Stage-3 loan coverage ratio (defined as Stage 3 ECL plus interest in suspense as a ratio of cumulative Stage 3 assets) improved to above 75% (Q1 2025: 72.5%), remaining higher than the industry average. The Board considers adequate Stage-3 coverage a strategic priority and continues to direct provisioning toward acceleration of legacy resolution.

Provision Coverage Ratio (including impairment reserve). Inclusive of the regulatory impairment reserve, the consolidated provision coverage ratio stood at 79.8% (Q1 2025: 81.7%), reflecting steady year-on-year position. The Board reviews this ratio in the context of capital adequacy and dividend planning, and is satisfied with the trajectory.

The Board is optimistic that, under the direct supervision of the Board’s Executive, Nomination & Remuneration Committee (ENRC), recovery momentum on legacy non-performing exposures will accelerate following the gradual improvements achieved over the past two years. The ENRC is also evaluating the appointment of a Product Manager to explore expansion of the product offering — improving spread, target-market diversification and tenure mix — without compromising delinquency discipline.

CAPITAL, DIVIDENDS & INVESTOR RELATIONS

Shareholders' equity stood at OMR 39.195 million as at 31 March 2026, with capital adequacy comfortably above regulatory minima. Gearing was 1.76x and balance-sheet leverage 2.03x, both within Board-approved limits. Capital allocation priorities remain: (i) strengthening Stage-3 coverage; (ii) supporting retail-led organic growth; and (iii) restoring a sustainable distribution policy as the recovery progresses.

BOARD COMPOSITION

The Company successfully convened its Annual General Meeting at the Head Office during the quarter, with shareholders enabled to participate via electronic platform. Shareholders elected the Company's first female director in over a decade, demonstrating tangible commitment to gender diversity at the highest level. As part of its investor outreach, the Company formally appointed Official Spokespersons and an Investor Relations Officer to enhance disclosure quality and shareholder engagement.

Acknowledgement of Outgoing Directors

The Board records its sincere thanks and appreciation to the four directors who concluded their terms during the quarter — Mr. Pramod Kumar Hiran, Mr. Babu Plakkal Thomas, Mr. Mohammed Redha Al-Lawati and Mr. Tariq Hilal Al Barwani. In particular, the Board wishes to recognise the long and distinguished service of Mr. Babu Thomas, who served on the Board for over 14 years. The Board sincerely places on record its deep appreciation for his valuable insights which contributed to the formulated strategy adopted by the Board since 2021. Mr Babu was also a valuable Board member through several pivotal phases of the Company's journey. Each of the outgoing directors has contributed materially to the Company's recovery direction, and the Board extends its best wishes for their future endeavours.

Welcome to Incoming Directors

The Board warmly welcomes the new directors elected at the Annual General Meeting — Ms. Noora Mohamed Moosa Al Yousef, Mr. Jamal Habib Al Quraishi, Mr. Mohamed Gamaledin Ali Nasser and Mr. Abdulredha Sultan — and looks forward to their valuable contribution during the term ahead. The refreshed Board composition combines continuity with new perspectives well suited to the next phase of the Company's growth agenda.

HUMAN CAPITAL

The Board recognizes that human capital is a critical driver of long-term value creation. As its commitment for skill enhancement, the Board has approved multiple graduates programs and on job training programs. Your Company introduced graduate-development program which supports succession planning, in addition to the on-going program of sponsoring Omani graduates for comprehensive structured ACCA training program, with successful participants eligible for accelerated career progression. Given its continuous commitment to skilled manpower development through the ACCA Program, Your Company continues to retain its ACCA gold employer status. In parallel, employee development through internal & external training and e-learning programs have been reinforced.

The Company maintained its Omanisation commitments and continued targeted investments in technology and customer-experience training.

OUTLOOK

The outlook for 2026 is one of cautious optimism. Oman is well placed: real GDP growth of 3.5% is projected by the IMF for 2026 — the highest in the GCC — supported by continued non-oil expansion across logistics, tourism, manufacturing and renewable energy, and by the Sultanate's investment-grade ratings. Higher hydrocarbon revenues, fiscal headroom from a lower debt burden, and continued growth in private-sector Omani employment all reinforce the structural case for retail-led financing.

Your Company enters the next quarter with strengthened coverage, momentum in retail origination, increased corporate-bond holdings supporting yield, and a refreshed Board. The strategic direction set in 2021 continues to deliver, and the Board remains confident that the recovery trajectory will be sustained.

ACKNOWLEDGEMENT

On behalf of the Board and the Company, I would like to express our sincere gratitude to His Majesty Sultan Haitham Bin Tariq and extend our best wishes as he continues to lead the Sultanate of Oman with wisdom and vision towards 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 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 the dedicated management and staff of the Company for their hard work, commitment, and support. I would like to particularly record and recognize the efforts put by the legal department as well as the finance staff who are contributing significantly to the results that are achieved today. I also would like to recognize the efforts put by the retail staff in growing the loan book to the level aspired by the Board and wish them all the best to reach the targeted level of the Board.

For and on behalf of the Board of Directors

Faisal Mohamed Al Yousef

Chairman

Muscat Finance SAOG