

THE BOARD OF DIRECTORS’ REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025

Dear Shareholders,

On behalf of the Board of Directors of Bank Dhofar S.A.O.G., I am pleased to present Bank’s financial statements for year ended 31 December 2025.

Oman’s economic recovery remains strong, with inflation continuing to be well-contained—CPI inflation stood at approximately 0.9% during early 2025. The average oil price in 2025 was US 70/barrel, significantly above the budgeted US 60/barrel. As a result, Oman’s 2025 State Budget achieved a deficit of R 480 million, a decrease from budgeted deficit of R 620 million, driven by elevated hydrocarbon revenues and fiscal discipline.

Credit rating agencies further validated Oman’s fiscal progress. In July 2025, Moody’s upgraded Oman’s rating from Ba1 to Baa3 (stable outlook), citing improved debt metrics, low inflation, a fiscal surplus, and reduced public debt (~35.5% of GDP). Later in December 2025, Fitch upgraded the rating from BB+ to BBB– (stable outlook), highlighting strengthened public and external finances, sustained reforms, and a reduction in debt to approximately 36% of GDP.

2025 Financial Overview

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The key highlights of Bank’s financials are summarized below:

	31 December 2025	31 December 2024	Variance
	R million	R million	%
Net interest income and income from Islamic financing	117.94	114.17	3.30%
Net fee and other operating income	51.85	38.67	34.08%
Operating income	169.78	152.84	11.08%
Operating expenses	81.16	78.85	2.93%
Expected credit losses (net of recovery of bad debts)	30.20	23.80	26.89%
Net profit for the year	51.05	43.61	17.06%
Total assets	5,390.75	5,085.05	6.01%
Net loans and Islamic financing	4,176.55	3,933.62	6.18%
Customer deposits	4,116.83	3,762.86	9.41%
Total equity	769.64	740.43	3.95%

The Bank reported net profit of R 51.05 million for the year ended 31 December 2025 compared to R 43.61 million for the comparative year which represents an increase of 17.06%.

Bank’s interest income on loans and Islamic financing receivables reached R 289.82 million compared to R 279.89 million resulting in a year on year (YoY) growth of 3.55%. However, the interest expense YoY was higher by 3.72%. Net interest and financing income reached to R 117.94 million for the year ended 31 December 2025 as compared to R 114.17 million reported for the year 2024 reporting an YoY increase of 3.30%.

Net fee and other operating income grew significantly by 34.08% reaching R 51.85 million as compared to R 38.67 million for the year 2024. The Growth in fee and other operating income was supported by broad-based momentum across Wholesale, Retail, Investment, and Islamic Banking.

With increase in net fee and other operating income adjacent to higher net interest and financing income, the total operating income correspondingly improved to R 169.78 million for the year ended 31 December 2025 as compared to R 152.84 million for 2024, showing a growth of 11.08%.

Operating expenses increased by 2.93% to R 81.16 million in 2025 as compared to R 78.85 million in 2024. The stronger income growth resulted in Bank’s cost to income ratio decreasing to 47.80% during 2025 as compared to 51.59% for the last year.

Net loans and advances including Islamic financing, recorded YoY growth of 6.18% and reached R 4.18 billion as at 31 December 2025 from R 3.93 billion as at 31 December 2024. Customer Deposits including deposits from Islamic banking customers, also witnessed a significant growth of 9.41% increasing to R 4.12 billion as at 31 December 2025 as compared to R 3.76 billion as at end of previous year.

Net Expected Credit Loss (ECL) for the year ended 2025 stood at R 30.20 million after recoveries of R 17 million as compared to R 23.80 million after recovery of 19.52 million for the year 2024, a increase of R 6.40 million. The Bank’s gross non-performing loan (NPL) ratio increased to 4.80% as at 31 December 2025, compared to 4.67% at the end of 2024. However, the NPL ratio net of expected credit losses (ECL) and interest reserve improved to 2.04% as at 31 December 2025 from 2.12% in the previous year, reflecting strengthened provisioning and risk management practices

The earnings per share (EPS) for year ended 31 December 2025 were at R 0.0133 as compared to R 0.0109 for the previous year. The Return on Shareholder Equity (RoSE) increased to 8.66% as at 31 December 2025 from 7.66% reported as at 31 December 2024.

Key Strategic Initiatives in the year 2025

The year 2025 marked a defining chapter in the Bank’s growth journey—one shaped by disciplined execution, customer-centricity, and a clear commitment to building a future-ready institution while remaining deeply rooted in the communities we serve.

Our strategy to stay closer to customers continued to translate into tangible outcomes. During the year, we expanded our footprint at an unprecedented pace, becoming the second-largest branch network in the country with 146 branches. This expansion reflects our belief that physical presence, when combined with service excellence, remains a powerful differentiator. A key highlight of our branch transformation was the Bank’s commitment to serve customers within 10 minutes, a promise that was fulfilled for over 95% of customers, reinforcing trust and reliability across our network.

This proximity was further strengthened through the launch of our Mobile Banking Van, designed to take essential banking services—such as account opening and loan origination—directly to customers’ doorsteps, particularly in underserved and remote areas. Together with our growing direct sales force, outbound telemarketing, and digital channels, the Bank today offers a robust, multi-channel distribution model that ensures customers can bank with us in the manner that best suits their preferences and lifestyles.

To complement our distribution strength with world-class offerings, the Bank continued to pursue strategic partnerships where local expertise meets global excellence. Our collaboration with Mastercard enabled us to deliver advanced card and payment solutions tailored to evolving customer lifestyles and aspirations. Similarly, our partnership with BlackRock provided customers access to first-of-its-kind model portfolios, reinforcing our commitment to delivering globally benchmarked investment solutions.

Digital transformation remained firmly at the top of our agenda. During the year, we enhanced our digital onboarding application, making it significantly easier for customers to open their first account with the Bank. Our Corporate Internet Banking platform was upgraded with enhanced capabilities, while new platforms—including a Trade Finance Portal and a Merchant Portal—were successfully launched, enabling greater self-service, transparency, and operational efficiency for our business customers.

2025 also marked the successful completion of the integration of Bank of Baroda (BOB) operations, ensuring a seamless transition for both customers and employees. This has resulted in diversification of Banks customer base, increased offerings to the NRI customers and increased market presence in NRI segment in Oman. The Bank has inked strategic relationship with BOB where in the Bank will Leverage on BOB’s extensive international network to enhance its correspondent banking services and cross selling opportunities to the customers of both Banks. This milestone reflects the Bank’s ability to execute complex integrations while preserving service continuity, operational stability, and cultural alignment.

Supporting small and medium enterprises remained a core priority as we continued to play an active role in enabling business growth. The year saw the launch of new propositions such as SME Pro Accounts and POS Receivable Financing, designed to address the specific needs of growing businesses. To further underline our commitment, we established a dedicated SME segment brand, “Numo,” ensuring focused attention, tailored solutions, and a sharper execution agenda for this vital sector of the economy.

Underlying all these initiatives is our continued focus on technology modernization and resilience. We made significant progress on our cloud migration and transition to a microservices-based architecture, with several applications already operating on the cloud and many more planned over the coming years. In parallel, the Bank strengthened its control environment through targeted initiatives to address rising cybersecurity risks, ensuring the safety, stability, and integrity of our systems.

The Bank’s sustained efforts across customer experience, innovation, and growth were recognized by multiple external agencies, reinforcing the effectiveness of our strategic choices and execution discipline. During the year, the Bank received several prestigious accolades, including Best Customer Experience Award 2025, Middle East Technology Excellence Award 2025, Best Banking Product for Women, and Fastest Growing Branch Network Award. These recognitions reflect not only strong performance outcomes but also the collective commitment of our teams to deliver excellence consistently across all touchpoints.

As we look ahead, the Bank remains confident in its strategic direction—grounded in strong fundamentals, guided by disciplined execution, and driven by a clear purpose to serve customers, support businesses, and contribute meaningfully to the nation’s economic progress.

Dhofar Islamic - Financial Performance Highlights

Dhofar Islamic reported a positive growth in earning assets, financing, deposits and operating profit throughout the year of 2025. Gross financing portfolio has grown to R 864.81 million at 31 December 2025 from R 735.19 million at 31 December 2024, thus posting a growth of 17.63% over last year. The total customer deposits of Dhofar Islamic reached to R 867.26 million at 31 December 2025, registering a growth of 24.61% compared to R 695.98 million at 31 December 2024.

The gross Sukuk investment portfolio has recorded a slight increase of 3.48% reaching R 129.30 million at 31 December 2025 from R 124.95 million at 31 December 2024. Total assets grew by 13.60% to R 1,022.12 million at 31 December 2025, from R 899.76 million at 31 December 2024.

Dhofar Islamic income from Financing, Placement and Investment for the year ended 31 December 2025 increased by 10.70% to R 52.95 million at 31 December 2025 from R 47.83 million reported during the same period last year. The net Profit income (after cost of funds) increased by 24.31% year-on-year reaching R 22.55 million during the year ended 31 December 2025, against R 18.14 million during the year ended 31 December 2024.

Dhofar Islamic total income for the year ended 31 December 2025 reached R 29.19 million representing a 25.33% increase compared to R 23.29 million during 31 December 2024. The administrative cost has increased by 16.72% reaching R 13.75 million compared to R 11.78 million last year. Dhofar Islamic posted annual Operating Profit (before ECL) of R 15.44 million which is 34.14% above the last year’s operating profit of R 11.51 million. Cost to income ratio continued its improving trend, declining to 47.11% during 31 December 2025 from 50.58% during last year.

Dhofar Islamic registered a profit before tax of R 3.67 million for the year ended 31 December 2025, compared to R 9 million during 31 December 2024, reflecting a decline of 59.22% over last year. This decline is primarily driven by a significantly higher expected credit loss (ECL) charge of R 11.77 million during 2025, compared to R 2.51 million last year.

Corporate Social Responsibility and Sustainability

Bank Dhofar continued to embed sustainability across operations and business strategy through a structured ESG roadmap led by the Sustainability Office and supported by data-driven monitoring and transparent reporting. Building on the recycling partnership launched in Q3 2025 with EFP Oman to strengthen internal waste segregation and responsible paper/cardboard recycling, the Bank also advanced circularity by enabling safe e-waste disposal through a specialized recycling partner.

To reduce operational emissions, the Bank expanded its transition to hybrid vehicles, reaching a total of 38 hybrid cars, and further enhanced its hybrid fleet during the year—supporting lower fuel consumption and emissions. In parallel, energy-efficiency measures progressed through the LED Lighting Conversion Programme with Phase I implemented across 34 new and 30 existing branches, with further rollout planned, complemented by motion-sensor initiatives and wider process digitalization to reduce resource use. The Bank also supported community and CSR initiatives during the year, reinforcing its commitment to sustainable value creation for stakeholders.

In 2025, Bank Dhofar continued its commitment to social responsibility by supporting a range of impactful initiatives across education, community welfare, and environmental sustainability. Key contributions included funding student programs such as the SQU Summer School and strategic activities with Sultan Qaboos University, participation in cultural events like the Dar Al Atta Exhibition and the 4th Sohar Festival, and assistance to charitable organizations including the Oman Charitable Organization and Al Noor Association for the Blind. The Bank also supported environmental efforts through the Environment Authority and the Green Office Program, while promoting sustainable mobility by providing hybrid car rentals for Dhofar Municipality. In total, Bank Dhofar invested R 90,950 in CSR activities during the year, reflecting its dedication to creating long-term value for society.

Capital Adequacy

The Bank continues to hold robust capital position of Core Equity Tier 1 Ratio (CET-1) of 12.52% as at 31 December 2025 (2024: 12.43%), Tier 1 capital ratio of 16.06% (2024: 16.07%) and total capital adequacy ratio of 18.64% (2024: 16.51%), compared to regulatory minimum of 9.5%, 11.5% and 13.5% respectively.

Distributed & Proposed Dividends

The Board of Directors proposed a 7.5% cash dividend as distribution for the year ended 31 December 2025, subject to Shareholders approval.

The percentage of dividends distributed to the Shareholders in the last five years is as follows:

Year	2021	2022	2023	2024	2025
Cash Dividend	2%	5%	7.75%	6.55%	7.5%
Stock Dividend	Nil	Nil	Nil	1.45%	Nil

Awards & Accolades

In line with our commitment to customer-centricity and innovation, Bank Dhofar continues to deliver exceptional retail, corporate, and investment banking solutions that enhance customer experience and drive value. This dedication was recognized through several prestigious awards in 2025, including:

- Best Customer Experience – Global Business and Finance Magazine 2025
- The Middle East Technology Excellence Award 2025 – Financial Technology
- Best Banking Product for Women – Bank Dhofar Ladies Account – Oman 2025 from Women’s Tabloid Awards 2025
- Bank Dhofar Won Fastest Growing Branch Network Award
- Bank Dhofar Won The 2025 Gazet International Awards Best Bank – MENA 2025
- Best Customer Centric Banking Brand Oman 2025 by Global Brands Magazine (UK)

Year Ahead (2026)

The year 2026 is expected to build on the Sultanate’s progress toward financial stability and economic diversification. The national budget projects total revenues of R 11.447 billion, reflecting a 2.4% increase over the 2025 budget, driven primarily by higher gas revenues and steady non-hydrocarbon income growth. With an assumed oil price of USD 60 per barrel, fiscal planning remains cautiously optimistic while maintaining resilience against global market fluctuations.

On the expenditure side, the Government has allocated R 11.977 billion for 2026, including a dedicated R 400 million for economic transformation projects aimed at strengthening industrial capacity and supporting long-term growth sectors. The projected fiscal deficit of R 530 million will be financed through a balanced mix of new borrowing and reserve utilization, ensuring controlled and responsible fiscal management.

Looking ahead, Oman’s improving credit profile—supported by upgrades from major rating agencies, including Moody’s upgrade to Baa3 and similar improvements from Fitch and S&P—positions the national economy on a strong footing. The launch of the 11th Five-Year Development Plan, aiming to raise non-hydrocarbon revenues to 37.4% of total revenues, creates a supportive environment for growth and offers significant opportunities for the financial sector to deepen its contribution to national development.

Acknowledgment

On behalf of the Board, I would like to thank our valuable customers for their patronage and confidence they have reposed in the Board of Directors and the Executive Management. I convey my gratitude to the shareholders, Sharia Supervisory Board of Dhofar Islamic, Management and Staff for their relentless efforts and contributions during the year 2025.

The Board of Directors also wishes to thank the Central Bank of Oman and Financial Services Authority for their guidance and support to the financial sector in Oman.

Finally, on behalf of the Board of Directors, employees and the management I would like to express our most sincere gratitude to His Majesty Sultan Haitham Bin Tariq Al Said for his distinguished leadership and pivotal support to the private sector.

Eng. Abdul Hafidh Salim Rajab Al-Ojaili

Chairman