

CORPORATE GOVERNANCE SUMMARY

ESKAN BANK

January 2026

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CORPORATE GOVERNANCE SUMMARY ESKAN BANK (SUMMARY)

This is a summary of Eskan Bank's ("the Bank") Corporate Governance Policy. It is intended to provide stakeholders with a clear, website-friendly overview of how the Bank is directed and controlled, how oversight is exercised, and how transparency, accountability, and sound risk management are embedded across the organisation.

The Bank has adopted key governance pillars and principles to support best practices consistent with applicable requirements, including the Bahrain Commercial Companies Law (BCCL), the Central Bank of Bahrain (CBB) Rulebook corporate governance expectations (including the High-Level Controls requirements applicable to bank licensees), the Ministry of Industry and Commerce (MOIC) Corporate Governance Code (issued under Ministerial Decree No. 19 of 2018, as amended), and the Basel Committee's corporate governance principles for banks. These include ensuring that the Bank's strategic objectives and corporate values are approved by the Board of Directors; establishing clear lines of responsibility and accountability throughout the organisation under Board oversight; maintaining effective oversight by the Senior Executive Functions; ensuring that the Board and Senior Management make appropriate and effective use of internal and external audit functions; overseeing compensation policies and practices to ensure they are consistent with the Bank's corporate culture, long-term objectives and strategy, and its control environment; conducting the Bank's governance in a transparent manner; and maintaining a clear governance structure that defines the roles and responsibilities of the Board of Directors and its various committees.

1. GOVERNANCE FRAMEWORK AND PURPOSE

The Bank has adopted a corporate governance framework that sets standards for responsible governance across the Bank. The framework is designed to promote consistent and transparent practices, support effective oversight, and ensure that responsibilities and decision-making authorities are clearly defined throughout the organisation. It is implemented in accordance with applicable regulatory guidelines and supports transparent and efficient dealings with stakeholders.

The governance framework guides the Bank in setting corporate objectives, considering stakeholder interests, and aligning activities with the expectation that the Bank will operate in a safe and sound manner and in compliance with applicable laws and regulations. A core objective is to protect the interests of stakeholders and the Bank's essential role in supporting the housing project of the Kingdom of Bahrain. The framework supports clear accountability and appropriate interaction between the Board of Directors, senior management, and assurance providers such as internal and external auditors. Ethical conduct is reinforced through the Bank's Code of Ethics. The Bank also incorporates Environmental, Social, and Governance (ESG) principles into its governance practices.

The Bank's governance policy guides the process of setting corporate objectives, taking into account the interests of stakeholders and the Bank's essential role in supporting the housing project of the Kingdom of Bahrain. It ensures that the Bank's activities are aligned with the requirements of safe and sound operations and compliance with applicable laws and regulations. Protecting the interests of stakeholders is a core objective of this policy. The governance policy also supports clear accountability and appropriate interaction between the Board of Directors, executive management, and oversight bodies such as internal and external auditors. The Bank promotes professional conduct through adherence to approved ethical standards. In addition, the Bank incorporates Environmental, Social, and Governance (ESG) principles into its governance practices.

2. POLICY GOVERNANCE

The Corporate Governance Policy is reviewed at least every two years and may be updated earlier to reflect applicable legal or regulatory requirements. Any amendments follow a structured approval process, including review by the Remuneration, Nomination and Corporate Governance Committee and approval by the Board of Directors. The policy is owned and maintained by the Legal Affairs and Corporate Secretary Department, while the Enterprise Governance & AML Function monitors implementation and alignment with Central Bank of Bahrain (CBB) requirements.

3. BOARD OF DIRECTORS: STRUCTURE AND RESPONSIBILITIES

The Board of Directors is the central pillar of the Bank's governance. The Board is constituted in accordance with Article 11 of Legislative Decree No. 4 of 1979, which provides that the Chairperson is the Minister of Housing, and that other members are appointed by virtue of an Order issued by the Council of Ministers.

The Board is responsible, individually and collectively, for ensuring sound governance and that the Bank's activities do not contravene applicable legal and regulatory requirements. Key responsibilities include approving and reviewing the Bank's strategy and corporate values; overseeing the implementation of strategy; approving the governance and management structure; and ensuring an effective systems and controls framework is in place. The Board also oversees the integrity of financial reporting and ensures that financial statements accurately disclose the Bank's financial position. In addition, it monitors management performance, sets appropriate levels of risk tolerance, and oversees material decisions and transactions with a financial impact on the Bank, including expenditures and commitments above the applicable delegated authority limits/financial thresholds, in accordance with the Bank's internal approvals framework.

Directors and relevant senior roles are expected to meet the Fit & Proper requirements of the CBB on an ongoing basis. Where matters arise that may affect Fit & Proper status, or where certain changes occur affecting Board members or senior executives, the Bank follows the required regulatory notification process within the prescribed timelines.

4. THE FORMAL BOARD CHARTER

The Bank's Formal Board Charter clarifies the Board's role and accountabilities under the Commercial Companies Law, the Corporate Governance Policy and other applicable requirements. It distinguishes the Board's oversight responsibilities from management's day to day execution and reinforces directors' fiduciary duties of care and loyalty to the Bank. The Charter also sets out the matters reserved for the Board through a clear statement of responsibilities—covering the adoption and annual review of strategy, approval of the management structure, ensuring an effective systems and controls framework, and monitoring management's implementation of strategy. The Chairperson leads the Board and supports its efficient functioning.

5. BOARD OPERATIONS AND DEVELOPMENT

The Board meets at least four times a year. Each director is expected to attend at least 75% of Board meetings in a given year. In the event that any member fails to satisfy the attendance requirement; the Bank will notify the CBB within one month from the financial year-end.

The Board conducts an annual performance evaluation of the Board itself, each committee, and each individual director, recorded in a written report. This supports continuous improvement and helps ensure that governance practices remain effective and aligned with regulatory expectations. New directors receive an induction that supports their understanding of the Bank, their responsibilities, and the relevant legal and regulatory framework, and directors are expected to maintain appropriate ongoing knowledge of matters relevant to the Bank's operations and risk environment.

The Bank supports ongoing Board development through an annual training programme covering regulatory developments, market trends, and emerging areas relevant to the Bank's business. Training priorities are determined and approved by the Board.

6. BOARD-LEVEL COMMITTEES

To support specialised oversight, the Board maintains the following committees:

- Executive Committee
- Audit, Risk and Compliance Committee
- Remuneration, Nomination and Corporate Governance Committee

7. INTERNAL MANAGEMENT-LEVEL COMMITTEES

To support implementation of Board-approved strategy and provide structured oversight of key operational areas, the Bank maintains management-level committees, including:

- Risk Management Committee
- Assets and Liability Management Committee
- IT Steering Committee
- Credit Committee
- Investment & Projects Committee
- Internal Tender Committee
- Environmental, Social, and Governance Committee

8. INTERNAL CONTROLS, INDEPENDENCE AND ASSURANCE

Strong internal controls are a central element of the Bank's governance framework. The Board supports an environment where key control functions, such as Risk Management, Compliance, and Internal Audit, are appropriately resourced and operate with sufficient independence from business lines to provide objective oversight. The Bank leverages internal and external audit work to strengthen governance and accountability and to support timely remediation of identified issues. To reinforce independent oversight, the Board also meets with the heads of these control functions in private sessions.

Senior management is expected to provide the Board and relevant committees with timely, accurate, and clear information on material matters, including significant risks, control issues, audit findings, compliance matters, and events or incidents that may affect the Bank's safety, reputation, or legal and regulatory standing.

9. RISK GOVERNANCE, KYC/AML AND ESG

The Board oversees the Bank's overall risk framework and ensures that risks are monitored and managed in line with the Bank's objectives and control environment. This includes oversight of robust Know Your Customer (KYC) standards and ongoing monitoring of accounts and transactions, including measures relevant to anti-money laundering requirements, in line with applicable laws and regulatory expectations. The control framework supports appropriate confidentiality and the safeguarding of stakeholders' rights and interests.

ESG-Governance

ESG considerations are integrated into the Bank's governance framework and cover environmental, social, and governance matters. The Board of Directors oversees the Bank's ESG strategy and is kept informed of the Bank's ESG approach, targets, key initiatives, and related KPIs. A management-level ESG Committee supports this oversight by coordinating implementation and monitoring progress. Execution and reporting are led by the ESG Officer, while each department designates an ESG Champion to support implementation and coordinate ESG activities at the departmental level.

10. ETHICS, CONFIDENTIALITY AND CONFLICTS OF INTEREST

Ethical conduct is supported through the Bank's Code of Ethics and governance standards. Board materials and discussions are treated as confidential, including after directors leave the Board.

The Bank maintains a conflict of interest framework to protect the Bank's interests. Actual or potential conflicts must be disclosed promptly and managed appropriately, and a conflicted member does not participate in discussion or decision-making on the relevant matter.

Directors should consult the Chairperson in advance where a material interest may create (or appear to create) a conflict. Any material conflicted transaction must be formally and unanimously approved by the full Board, with the conflicted member absenting themselves from deliberation and decision making.

11. WHISTLEBLOWING (CONFIDENTIAL REPORTING)

The Bank provides confidential channels for reporting suspected wrongdoing, including fraud, misconduct, breaches of law or policy, and misuse of authority or assets. Reports can be submitted through the "Signals" whistleblowing portal (with an anonymous option) or via the designated whistleblowing email for external stakeholders.

Reports are reviewed and investigated by the designated investigating authority (typically the Compliance Manager as Whistleblowing Officer), with escalation to the General Manager or the Board Audit, Risk and Compliance Committee Chairperson where appropriate, and external investigators may be appointed for sensitive cases. Whistleblowers who report in good faith are protected from retaliation, confidentiality is maintained subject to legal requirements, and case records are securely retained for at least five years.

12. TRANSPARENCY, DISCLOSURE AND REGULATORY APPROVALS

Disclosure practices are reviewed to support compliance with applicable disclosure requirements under the CBB Rulebook.

The Bank obtains the CBB's prior written approval for major proposed changes to strategy and/or corporate plans before implementation and obtains required approvals before establishing subsidiaries. The Bank also meets ongoing regulatory reporting obligations, including required reporting related to Board meetings.

13. SPECIAL PURPOSE VEHICLES (SPVS)

Eskan Bank was established in 1979 to play a unique social role by providing subsidized housing finance to Bahraini citizens with low and middle incomes, in addition to participating in the development of community real estate projects and facilities management. The Bank acts as a strategic partner and financial advisor to the Ministry of Housing and Urban Planning, aiming to support sustainable social housing programs and facilitate citizens' access to adequate housing, thereby enhancing quality of life and supporting community and economic development in the Kingdom.

14. SOCIAL HOUSING MANDATE AND DEVELOPMENT ROLE

Eskan Bank was established in 1979 with a social mandate to support Bahrain's housing sector through housing financing and related activities aligned with national development priorities. In addition, Eskan Bank has been mandated by the Ministry of Housing and Urban Planning to manage specific Social Housing Services and support the delivery of housing initiatives under the established cooperation framework, while also contributing to social housing unit development in line with the Government of Bahrain's social housing strategy and related cooperation arrangements.

15. SHARIA SUPERVISORY BOARD

Islamic products offered by the Bank are provided through an Islamic window and are designed to comply with Sharia principles and applicable CBB regulations. An independent Sharia Supervisory Board oversees Islamic banking activities and supports Sharia compliance through review, guidance, and monitoring.

CONCLUSION

The Bank's corporate governance framework is designed to promote strong oversight, clear accountability, and transparency, supported by effective risk management and internal controls. Through an active Board of Directors, committee oversight, independent control functions, and structured disclosure and regulatory approval processes, the Bank aims to uphold high standards of governance while supporting its mandate, including its role in social housing initiatives and Islamic banking services.



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