45 RISK MANAGEMENT The primary risks to the Group arise from extending credit to corporate and institutional banking and retail banking customers. The Group is also exposed to a range of other risk types such as market, operational, liquidity, compliance, reputational, country, conduct, legal and environmental and social risks that drive the direction of its risk management, product range and risk diversification strategies. Risk Management Framework: The risk management framework enables the Group to manage group-wide risks with the objective of maximising returns while adhering to our risk appetite. The Group uses three lines of defence model to support its approach to risk management by clarifying responsibility, encouraging collaboration, and enabling efficient coordination of risk and control activities. The three lines of defence are summarised below: • Business units: required to ensure the effective management of risks within the scope of their direct organisational responsibilities. All employees within the business units are sufficiently trained and have access to appropriate tools to ensure risk-taking is controlled. Each business unit primarily owns the risk that it underwrites and is equally responsible for designing and implementing necessary controls to mitigate risks emanating from its activities. • Risk control units: responsible for implementing policies and procedures, monitoring risks taken to ensure all risks are within the Group’s risk appetite. Appropriate controls are designed and implemented with adequate reporting in place to anticipate future risks and improve the level of preparedness across the Management chain. • Group Internal Audit: provides independent assurance and reports its findings to all relevant Management and governance bodies, accountable line managers, relevant oversight function and committee(s) of the Board.

A. Risk governance The Group’s risk governance structure ensures central oversight and control with clear accountability for and ownership of risk. The Board of Directors (the Board) has the ultimate responsibility for setting the Group’s risk appetite and for the establishment and oversight of the Group’s risk management framework. This is managed through a number of committees; namely Board Risk Committee (BRC), Board Credit & Investment Committee (BCIC) and Board Audit Committee (BAC). The Management level committees also actively manage risk. Key ones include Group Risk Committee (GRC), Model Oversight Committee (MOC), Management Credit Committee (MCC), Management Investment Committee (MIC) and Group Asset Liability Management Committee (Group ALCO). BRC supports the Board with its risk oversight responsibilities with regards to risk governance, risk appetite and the risk management framework. The BRC approves risk policies and reviews reports and updates on risk management including risk profile, portfolio trends, stress testing, liquidity and capital adequacy and is authorised to investigate or seek any information relating to any activity within its terms of reference.  BCIC supports the Board to manage the credit and investment portfolio and is responsible for approval of credit and investment decisions above the MCC and MIC’s authority, which do not meet the Board’s materiality threshold. It oversees the execution of Group’s credit risk management approach and reviews the credit profile of material portfolios to ensure alignment with business strategy and risk appetite. The primary role of BAC is to have oversight and review of financial, audit and internal control issues as well as oversee the independence and performance of the Group’s external and internal auditors. MCC is a management level committee with delegated authority to carry out credit lending decisions including but not limited to approval and renewal of credit facilities, review, and monitoring of portfolio performance in line with the credit risk strategy, decisions on debt settlement, provisioning write off and amendments to pricing, grades, and waivers. The role of the MIC is to support the Board in the management of the Group’s investment portfolios as well as the monitoring and reporting of their performance to ensure they conform to the Group’s strategic vision. The Group ALCO is responsible for balance sheet management, the funding plan, the management of capital and the establishment of, and compliance with, policies relating to balance sheet management, including management of liquidity, capital adequacy, structural foreign exchange and interest rate risk. The committee also reviews the contingency funding plan as well as the funds transfer pricing framework, and other key matters. The GRC is a senior management committee responsible for the management of all risks through out the Group other than those delegated to MCC, MIC and Group ALCO and ensures the effective management of risk in support of the Group’s business strategy and Group’s risk appetite. The committee supports Board Risk Committees in the review of policies to ensure effective management of risks the Group faces, including credit, market, operational, reputational, compliance, legal, conduct and environmental and social risks. The MOC a sub-committee of GRC, is responsible for the oversight of model risk management within the Group. The MOC oversees all stages of the model life cycle for effective identification, measurement, monitoring, controlling, mitigation and reporting of model risk in a consistent manner and in compliance with applicable internal and regulatory standards. B. The Risk Function The Risk Function is independent of the business (origination, trading and sales functions) to ensure that the necessary balance in risk/return decisions is not compromised by pressures for better results in terms of revenues and to ensure transparency of decisions in accordance with Group standards and policies. The Risk Function assists in controlling and actively managing the Group’s overall risk profile. The role of the function is: • To ensure the risk management framework is effectively communicated and implemented across the Group and is appropriate to the Group’s activities. • To exercise direct ownership for various risk types including but not limited to credit, market, country, operational, reputational risks. • To ensure that the Group’s business strategies, risk policies, procedures and methodologies are consistent with the Group’s risk appetite. • To ensure the integrity of the Group’s risk/return decisions guaranteeing their transparency. • To ensure that appropriate risk management architecture and systems are developed and implemented.

C. Risk appetite The risk appetite statement is an articulation of the risk that the Group is willing to accept, underwrite and/or be exposed to in the normal course of its business conduct. The risk appetite statement is a critical component and extension of the risk management framework. It is used by the Group to proactively establish and subsequently monitor the Group’s risk profile using a set of pre-defined key risk metrics and respective thresholds. D. Credit risk Credit risk is the risk of financial loss, should any of the Group’s customers, clients or market counterparties fail to fulfil their contractual obligation to the Group. Credit risk arises mainly from interbank, corporate, and institutional banking, business banking, private banking and retail banking loans and advances, and loan commitments arising from such lending activities, but can also arise from credit enhancements provided, such as credit derivatives (credit default swaps), financial guarantees, letter of credit, endorsement, and acceptances. The Group is also exposed to other credit risks arising from investments in debt securities and other exposures arising from its trading activities (‘trading exposures’) including non-equity trading portfolio assets and derivatives as well as settlement of balances with market counterparties and reverse repurchase agreements. Credit risk management Group’s approach to credit risk management is based on the foundation of independence and integrity of risk management as well as applicable regulatory standards. This is ensured through a well-defined and robust organisation structure duly supported by various risk committees, forums, systems, policies, procedures and processes providing a strong risk infrastructure and management framework. The Group’s credit policy focuses on the core credit principles, lending guidelines and parameters, control and monitoring requirements, problem loan identification, management of high-risk counterparties provisioning and write-offs. Standard procedures specific to businesses are in place to manage various types of risks across different business segments, products and portfolios. Portfolio performance is regularly measured against the risk appetite parameters and breaches, if any, are actioned by the Group’s senior Management. Corporate and Institutional Banking, Business Banking and Private Banking credit risk management: Credit facilities are granted based on the detailed credit risk assessment of the counterparty. The assessment is undertaken in accordance with Bank’s policies and procedures and considers the risk profile & characteristics of the obligor along with drivers of their credit performance. Further, the assessment considers amongst other things, the purpose of the facility, sources of repayment, prevailing and potential macro-economic factors, industry trends, customers’ credit worthiness and standing within the industry. The credit facility administration process is undertaken by an independent function to ensure proper execution of all credit approvals, maintenance of documentation and proactive controls over maturities, expiry of limits and collaterals. Operations are managed by independent units responsible for processing transactions in line with credit approvals and standard operating guidelines. Management of Early Alert (EA), Watch List (WL) and Impaired Non-Performing Loans (NPL) The Group has a well-defined process for identification of EA, WL and NPL accounts and dealing with them effectively. There are policies which govern credit grading of these accounts and their impairment, in line with IFRS and regulatory guidelines. Once an account has be classified as NPL, it is assessed for recoverability by an independent Group Financial Restructuring and Remedial (FRR) unit reporting directly to Group Chief Risk Officer (‘GCRO’) to ascertain commensurate levels of provisions

Retail banking credit risk management: The Group has a structured management framework for retail banking risk management. The framework enables the Group in identification and evaluation of the significance of all credit risks that the Group faces, which may have an adverse material impact on its financial position. In the retail banking portfolio, losses stem from outright default due to inability or unwillingness of a customer to meet commitments in relation to lending transactions. The Group’s provisioning policy, which is in line with the IFRS and the regulatory guidelines, allows the Group to prudently recognise impairment on its retail portfolios. Credit approving authorities The BOD has delegated credit approving authorities to the BCIC, MCC, MIC and members of senior Management to facilitate and effectively manage the business. However, in line with regulatory standards, BOD has retained the ultimate authority to approve credits beyond BCIC authority. Credit risk measurement The estimation of credit risk for risk management purpose is complex and requires use of models, as the risk exposure varies with changes in market condition, expected cash flows and the passage of time. The assessment of credit risk entails further estimations as to the likelihood of defaults occurring and of the associated loss ratios. The Group quantifies credit risk using Probability of Default, Exposures at Default and Loss Given Default. The same parameters are used to calculate ECL under IFRS 9. Credit risk grading The Group uses internal credit risk grading that reflects its assessment of the probability of default of individual counterparties. The Group uses internal rating models tailored to various categories of counterparty to capture borrower and loan specific information collected at the time of facility application (such as disposable income, level of collateral for retail exposure, turnover and industry type considerations. The credit grades are calibrated to historical default data, such that the risk of default increases exponentially at each higher risk grade. For example, the difference in the PD between a 1A and 2A rating grade is lower than the difference in the PD between a 3A and 4A rating grade. The following are additional considerations for each type of portfolio held by the Group: Retail: After the date of initial recognition, for retail business, the payment behaviour of the borrower is monitored on a periodic basis to develop a behavioural score. Any other known information about the borrower which impacts their credit worthiness such as: unemployment and previous delinquency history is also incorporated into the behaviour score. This score is mapped to a PD. Corporate and Institutional Banking, Business Banking and Private Banking: Ratings are determined at the borrower level for these segments. A relationship/portfolio manager incorporates any updated or new information/credit assessment into the credit system on an ongoing basis. In addition, the relationship manager also updates information about the creditworthiness of the borrower every year from sources such as, but not limited to, published financial statements. This will determine the updated internal credit rating and PD. Treasury: For debt securities in the Treasury portfolio, external rating agency credit grades are used. These published grades are continuously monitored and updated. The PDs associated with each grade are determined based on realised default rates over the prior 12 months, as published by the rating agency. The Group’s rating method comprises of 25 rating levels for instruments not in default (1 to 25) and 3 default classes (26 to 28). The Group’s internal rating scale is mapped with external ratings. The master scale assigns each rating category a specified range of probabilities of default, which is stable over time. The rating models are reviewed for recalibration so that they reflect the latest projections in the light of all actually observed defaults.

D. Credit risk continued Credit risk measurement continued ECL measurement IFRS 9 outlines a ‘three-stage’ model for impairment based on changes in credit-quality since initial recognition as summarised below: • A financial instrument that is not credit-impaired on initial recognition is classified as Stage 1 and has its credit risk continuously monitored by the Group. • If a significant increase in credit risk (‘SICR’) since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit impaired. • If the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3. • Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on a lifetime basis. • ECL is measured after factoring forward-looking information. • ECL on Purchase or originated credit-impaired financial assets is measured on a lifetime basis. Significant increase in credit risk The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met: Quantitative criteria Corporate and Institutional Banking, Business Banking and Private Banking: Significant increase in credit risk is measured by comparing the risk of default estimated at origination with the risk of default at reporting date in addition to assessing qualitative and quantitative factors. Retail: Thresholds have been set for each portfolio based on historical default rates. Facilities exceeding the threshold are considered for significant increase in credit risk. Qualitative criteria: The Group also considers in its assessment of significant increase in credit risk, various qualitative factors like significant adverse changes in business, deterioration in financial performance, other available public information from external parties such as rating agencies/ credit bureau, extension of term granted, actual and expected forbearance or restructuring, early sign of cash flows and liquidity problems. Backstop: A backstop is applied, and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments. The IFRS9 Governance Forum is the committee responsible for the oversight of provisions. The committee has reviewed the calculation process, methodology, and the results of provisions as presented by the GCRO. Further, the Board approved the provisioning process and associated provisions as presented by the GCRO, as per Article 9.16 (Standards) of the Credit Risk Management Regulation and accompanying Standards, Circular No. 3/2024 dated 25/7/2024. Definition of default and credit-impaired assets The Group defines a financial instrument as in default, which is fully aligned with definition of credit-impaired, when it meets one or more of the following criteria: Quantitative: The borrower is more than 90 days past due on its contractual payments. Qualitative: The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. Indicators of unlikeliness to pay may include, but are not limited to, sector crisis, repeated restructurings, significant deterioration in operating assets, and high likelihood of bankruptcy.

Curing The Group continues to monitor such financial instruments for a probationary period of up to 24 months, depending on the repayment frequency, to confirm if the risk of default has decreased sufficiently before upgrading such exposure from Lifetime ECL (Stage 2) to 12 months ECL (Stage 1). The Group is observing a probationary period of a minimum of 3 instalments (for repayments which are on a quarterly basis or shorter) and 12 months (in cases where instalments are on a longer frequency than quarterly) after the restructuring, before upgrading such exposure from Stage 3 to 2. Forward-looking information incorporated in the ECL model The forward-looking information is incorporated through macro adjusted PD and LGD parameters which thereby affect the stage and ECL. The Group has performed historical analysis and identified key economic variables impacting credit risk and ECL for each portfolio. These economic variables and their associated impact on PD, EAD and LGD vary by financial instrument. Expert judgement has also been applied in this process. Forecast of these economic variables (the ‘base, upside and downside economic scenario along with scenario weighting’) are obtained externally on a quarterly basis. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD. As with any economic forecasts, the projections and likelihoods of the occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. Credit risk monitoring Corporate and Institutional Banking, Business Banking and Private Banking: The Group’s exposures are continuously monitored through a system of triggers and early warning signals. These are supplemented by monitoring of account conduct, assessment of collateral and market intelligence and early alerts. Early Alert accounts are identified based on oversight, vigilance and risk triggers. Account strategy and action plans on these accounts are regularly monitored and discussed in the Early Alert Committee meetings. Additionally, for IFRS 9 ECL computation, credit exposures are monitored and reported as per IFRS 9 and regulatory requirements. Stage migrations, any exceptions to SICR criteria, and other credit and impairment related matters are reviewed and approved by IFRS 9 Governance Forum. Retail banking: risks of the Group’s loan portfolio are continuously assessed and monitored on the basis of exceptions, management information reports and returns generated by the business and credit units. Credit risk is also monitored on an ongoing basis with formal monthly and quarterly reporting to ensure that senior Management is aware of shifts in the credit quality of the portfolio along with changing external factors. Group credit risk mitigation strategy The Group operates within prudential exposure ceilings set by the Board in line with UAE Central Bank guidelines. There are well laid out processes for exception management and escalation. The Group has adopted measures to diversify the exposures to various sectors. Diversification is achieved by limiting concentration through setting customer, industry and geographical limits. The risk transfer in the form of syndicated loans, risk participation agreements with other banks, credit default swaps and sale of loans are globally accepted practices followed by the Group, where appropriate, to limit its exposure.

Collateral management Collaterals and guarantees are effectively used as mitigating tools by the Group. The quality of collateral is monitored and assessed periodically, and the Group seeks to ensure enforceability of the collateral. Major categories of collaterals include cash/ fixed deposits, inventories, shares, guarantees (corporate, bank and personal guarantees), immovable properties, receivables, gold and vehicles. Collaterals are revalued regularly as per the Group’s credit policy and applicable regulations. In addition, ad hoc valuations are also carried out depending on the nature of collateral and general economic condition. This enables the Group to assess the fair market value of the collateral and ensure that risks are appropriately managed. Security structures and legal covenants are also subject to regular review. When eligible collaterals are used in calculating provisions for stage 3 accounts, the Group employs haircuts which are conservative vis-à-vis regulatory requirements. Please refer to Pillar III disclosures for additional information on collaterals. Write offs Loans and debt securities in corporate and institutional banking are written off (either partially or in full) when there is no reasonable prospect of recovery, typically more than 5 years days past due, broadly aligned with regulatory requirements. Financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amounts due. Non-performing consumer loans and credit cards, except for mortgage facilities and overdrafts, are written off at 181 days past due. All receivables remain active on the loan management system for recovery and any legal strategy the Group may deem fit to use.