Risk Management – IFRS 9

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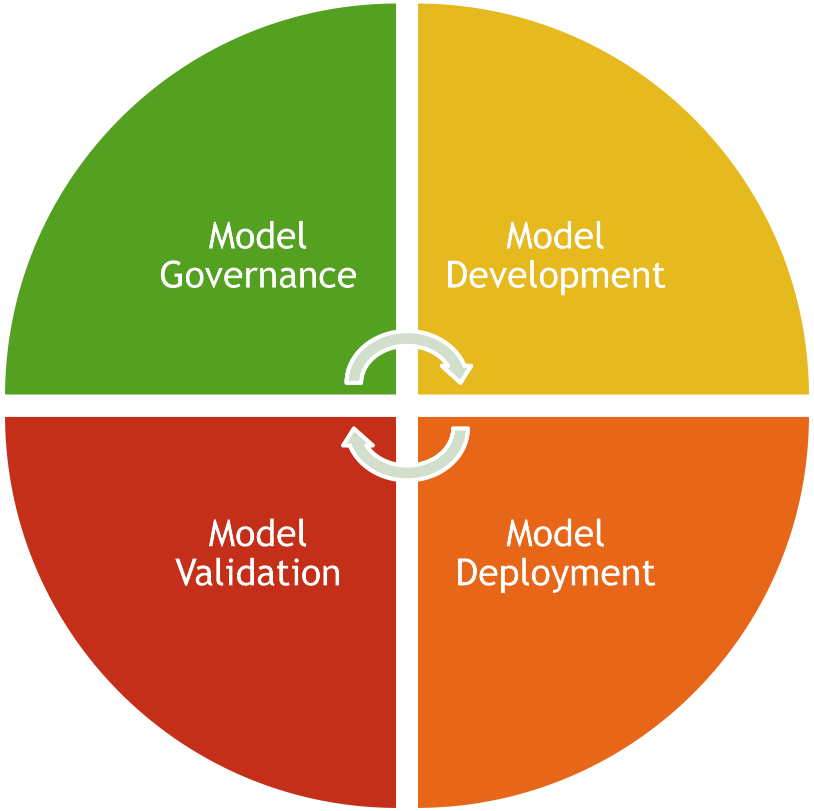
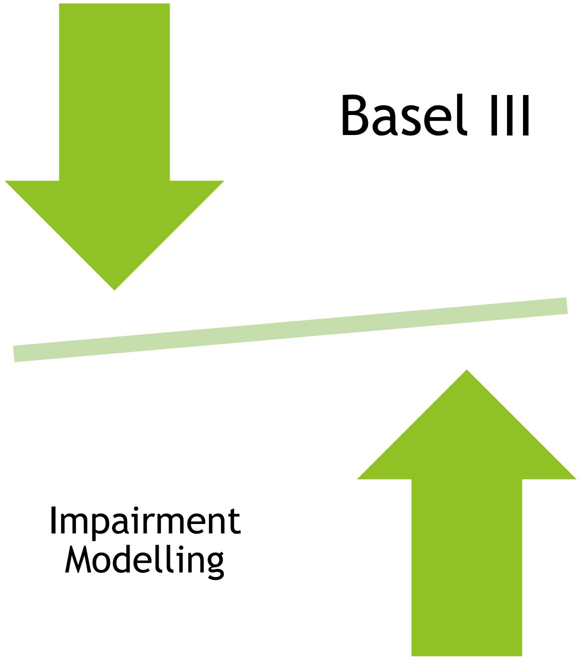
Risk Management – IFRS 9

- Banks are gearing for IFRS 9 and with this mathematical quantification of Expected Credit Losses (ECL)is really taken care of.
- IFRS 9 new Accounting Standard for recognition and measurement of Financial Instruments that will replace IAS 39.
- Basel III is pushing Through the Cycle (TTC), Probabilities of Default (PD), Loss Given Default (LGD), Exposures at Default (EAD) using IFRS 9.
- Impairment Modelling is one of the biggest steps taken by IFRS 9 having all sorts of mathematical quantifications.
- IFRS Modelling is very essential for all the Banks specially at that time when Derivatives Instruments are facing almost no Liquidity as valuation is very tight.

IFRS 9 – Model Management





Risk Management using IFRS 9

Corporates Hedged using Financial Instruments

Foreign Exchange Hedging Program

- Receivables Hedging
- Payables Hedging
- Interest Rate Hedging
- Overnight Interest Swaps (OIS)
- Options Structures
- Payoffs

Expected Credit Losses

Probability of Default

Loss Given Default

Exposure at Default

Impairment Modelling

Loans and other Debt instruments that firms intend to Hold to Maturity (HTM) and collect interest are carried at Amortized Cost. Should pass SPPI Test.

Equity and Debt Instruments held as Portfolio Investments are carried at Fair Value to P&L using L1, L2, L3.

Other Assets as well as conventional Debt and Equity Instruments under certain unconventional circumstances are placed in third category. Fair value thorough OCI.

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