

International Financial Reporting Standard 9 Financial Instruments (IFRS 9)

IFRS 9 Impairment Solution Pro (ISP)

Empowering financial institutions with precision and compliance



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IFRS 9 Impairment Solution Pro (ISP) is an innovative solution designed to facilitate financial institutions in accurate computation of expected credit losses in accordance with the requirements of IFRS 9 and statutory guidelines. ISP empowers financial institutions in assessing future losses based on forward-looking macro-economic factors. It is primarily tailored for use by financial institutions, such as commercial banks, microfinance banks, fintechs, leasing companies and non-banking finance companies.

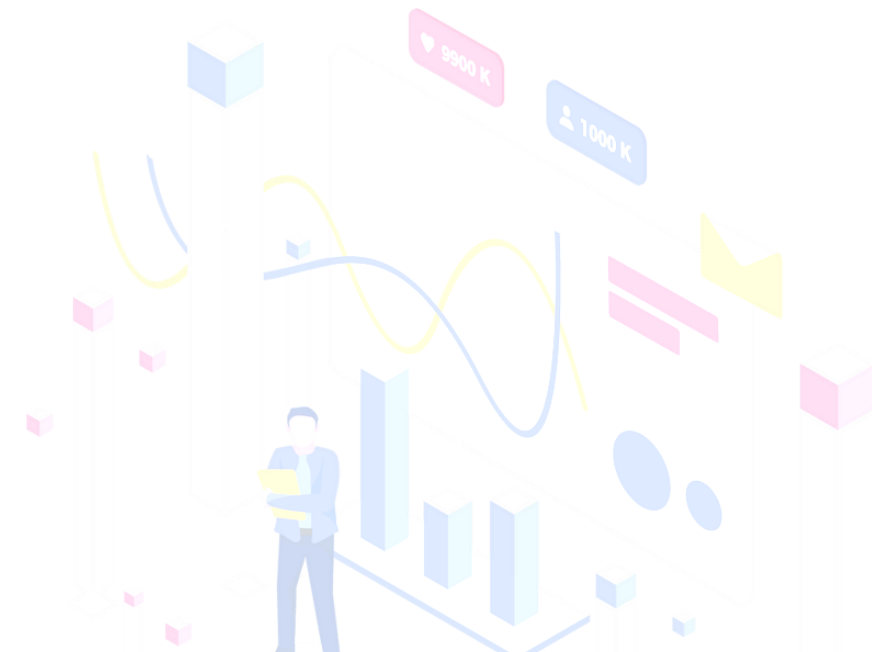


Key features of the solution

- Compliant with IFRS 9 requirements and State bank of Pakistan IFRS 9 application Instructions
- Cloud based and on-premises solution
- High availability and low downtime
- Microservice and flexible architecture
- Concurrent users access
- Transparent and rules-driven approach
- Built by chartered accountants, statisticians and credit risk and IT experts
- Provide a complete audit trail (no black box approach)

Modules (Engines)

- Expected credit loss calculator (ECL)
- Probability of default (PD)
- Loss give default (LGD)
- Credit conversion factors (CCF)
- Life estimation (LES)
- Staging
- Segmentation



ECL Engine



- Generate forward exposure projections considering repayment frequencies (monthly, quarterly, yearly, bullets, etc.)
- Develop a term structure for PDs
- Convert 12-month PDs to lifetime PDs
- Apply discounting to expected future cash flows using effective interest rates
- Calculate ECL across multiple macro-economic scenarios
- Generate segment-wise and product-wise reports
- Generate customized reports for IFRS 9 disclosures in financial statements
- Option to incorporate irregular cash flows

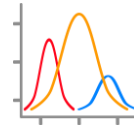


LGD Engine



- Utilize historical data of defaults, recoveries and cost of recoveries
- Apply effective interest rates to discount recoveries and cost of recoveries
- Options to consider collateral realization, non-banking assets
- Recovery window
- Compute year-wise LGDs
- Options to create LGD term structure
- Compute segment-wise and product-wise LGDs

PD Engine



- Compute probability of default (PDs) using extensive historical data
- Utilize matrix-based calculations
- Ability to calculate DPD-based and internal rating-based PDs
- Incorporate statistical techniques for scaling and smoothing
- Flexibility in defining default criteria as per regulatory requirements
- Convert through-the-cycle PDs to point-in-time PDs

LES Engine



- Estimate life of revolving products based on historical data

Staging Engine



- Identify stage of a facility
- Offer multiple input indicators for staging decision

Segmentation Engine

- Perform homogeneity test of products to form a segment
- cover multiple indicators

MEV Engine

(Excel based)



- Employ statistical techniques for selection of macroeconomic variables (MEV)
- Run multiple scenarios for analysis

CCF Engine



- Compute CCF of undrawn portion of commitments using historical data
- Compute CCF of unfunded exposures



IFRS 9 implementation team

Financial team

Umar Daraz, FCA
Relationship Partner

Abdul Basit, ACA
*Engagement partner and
subject matter expert*

Murtaza Hussain
(MS actuarial sciences)
Subject matter expert

Muhammad Usman (CA finalist)
Assistant Manager
Abdullah Khan (CA finalist)
Associates

IT team

Software developers and data specialist are available with our IT partner (MFSys Technologies)



Abdul Basit, ACA

Partner and chief operating officer

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Profile

Abdul Basit has 17 years of professional experience in financial consultancy, financial statement audits, special audits, IFRS 9 complex credit risk modeling and fixed assets verification and reconciliation projects, spanning across regions such as Pakistan, Afghanistan, Saudi Arabia and Luxemburg. He has profound understanding of local regulatory accounting frameworks, corporate and tax laws Mapa. As a seasoned practitioner of International Financial Reporting Standards (IFRSs), Abdul Basit excels in navigating the intricacies of IFRS 9 financial Instruments.

With 15 years of service at EY, progressing from an associate to a Senior Manager, and 2 years as a Manager and Senior Manager at Deloitte, Abdul Basit has showcased his adept leadership across various financial domains. During working with these big firms abdul served clients on financial, telecom, oil and gas, development sector.

Abdul joined ProConsult in February 2024 as partner and Chief Operating Officer.

Major Clients

IFRS 9 ECL projects in Pakistan

- Mobilink Microfinance Bank Limited
- Bank of Khyber
- Bank of Punjab
- Pak China Investment Company Limited
- Pakistan Telecommunication Limited (PTCL)

As quality reviewer

- Allied Bank Limited
- Habib Metropolitan Bank
- Meezan Bank limited
- National Bank of Pakistan

Education

- Chartered Accountant (Pakistan)
- Sustainability and Climate Risk (SCR ®) by GARP

Past Experience

★ Senior Manager
EY

★ Manager and Senior
Manager at Deloitte

IFRS 9 Projects in Afghanistan

- First Microfiance Bank
- Oxus Microfiance
- Aiziz Bank
- MISFA
- Mutahid Microfiance
- Afghanistan Development Fund

Financial Sector external audit

- Mobilink Microfinance Bank Limited
- Bank of AJK
- Khushhali Microfinance Bank Limited
- BRAC Microfinance Afghanistan
- The First Microfinance Bank Limited (FMFBL)
- Channel VAS (Private) Limited

Financial sector in EY Luxemburg office on secondment

- Spinecap Master Fund SCSp
- Hamilton Lane Global Private Assets Fund
- Colony Capital group (funds and companies)

Specialization

- External Audit
- Internal Audit
- IFRS Implementation
- ERP Implementation
- Business Consulting
- Financial Accounting and Reporting



Umar Daraz, FCA

Partner and Chief Executive

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Profile

Umar Daraz has over 23 years of professional experience including 18 years of experience with all Big 4s (Partner in Deloitte, ED in EY, Manager in KPMG, and 6 Years of Early Career with PWC). His professional experience primarily focuses on practice management, business development, auditing, consultancy, tax, outsourcing, internal audits, training, and capacity building. He was the focal point (engagement lead) for large development sector organizations like USAID, UN agencies, ADB, WB, Global Fund, EC, ECHO, DFID, and International NGOs. In commercial sector, his experience is widespread across all major industries including Central Banks (FRB NY and Da Afghanistan Bank), Aviation (Emirates, Fly Dubai, Ariana Airline), Energy and Power including IPPs, Oil and Gas, Agriculture, Tobacco (British American Tobacco), Banks and Financial Institutions (Commercial Banks and Mutual Funds), Insurance, Microfinance, Health Care, Hospitality, Manufacturing, FMCGs, Telecommunication, Media, Public Sector (Ministries and State Owned Entities) and Companies in the service industry.

Mr. Umar is known for innovative solutions to complex problems, handling complex large-scale engagements diligently, team building, startups, efficient closures, and efficient dealing with multiple stakeholders in a challenging environment.

Major Clients

Banks and Finance Institutions:

- Federal Reserve Bank New York
- World Bank
- Da Afghanistan Bank
- Bank Milli Afghanistan
- Agricultural Development Fund
- First Micro Finance Bank
- The French Medical Institute for Mothers and Children
- FINCA
- Mutahid
- MISFA
- Agricultural Development Bank
- Askari Bank
- Oxus Network
- Afghanistan Int. Bank

Specialization

- External Audit
- Internal Audit
- IFRS Implementation
- Business Consulting
- Financial reporting and advisory

Education

- Fellow Chartered Accountant (Pakistan)
- Training and Courses from AICPA USA and LUMS Pakistan

Past Experience

- ★ Partner Deloitte Yousaf Adil & Co Chartered Accountants
- ★ Executive Director EY Ford Rhodes
- ★ Senior Manager KPMG
- ★ Manager PwC

- New Kabul Bank

International Development Agencies:

- UNICEF
- UNESCO
- UNDP
- UNWOMEN
- UNHCR
- USAID
- Church of Jesus
- Global Fund
- Norwegian Church Aid

Aviation Companies:

- PIA
- Emirates
- Fly Dubai
- Ariana Airlines

Multinational Companies:

- Nestle
- British American Tobacco
- Government Entities
- IPPS
- ECHO
- DFID
- Insurance Companies
- Microsoft

Telecommunication Companies:

- Etisalat
- Transsion Holdings
- Afghan Wireless Communication Network

Thank You

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