

Point of View

Building Resilience:

Recalibrating IFRS 9 ECL in an Evolving Geopolitical Landscape

March 2026

EXECUTIVE SUMMARY

Recent geopolitical developments in West Asia have transformed what was widely assumed to be a relatively stable operating and “low-volatility” environment into a live stress test for IFRS 9 ECL frameworks. With the key shipping routes in the Strait of Hormuz (hereafter referred to as “key shipping routes” or “maritime trade corridors”) effectively closed, with targeted attacks on critical infrastructure, and severe airspace and shipping disruptions, has invalidated core assumptions behind pre-conflict ECL models. The impact is being felt across multiple economies, with global companies exposed to West Asia having particularly heightened risk.

For global banks, multinational corporates and sovereign wealth funds, this is no longer a theoretical scenario-planning exercise. It is a near-term **P&L, capital and disclosure challenge**:

- **Macroeconomic conditions** have shifted sharply in weeks, not years – especially around **oil prices, fiscal buffers, trade routes and real estate valuations**.
- **Credit risk** is rising through multiple channels at once: sector stress (aviation, logistics, tourism, CRE, oilfield services), sovereign spread widening, and operational disruption to borrowers’ cash flows.
- **IFRS 9 models calibrated to pre-disruption conditions now risk understating ECL**, mis-staging exposures and increasing exposure to audit scrutiny and regulatory challenge if not promptly reassessed.

This paper sets out:

- ① **How the conflict transmits into IFRS 9 ECL** – through five key disruption channels and their ECL transmission paths.
- ② **What it does to your numbers** – SICR, scenarios, overlays, and early-warning indicators under active geopolitical stress.
- ③ **Where ECL will spike first** – sector-specific implications for banks, CRE and construction, oil & gas, sovereign wealth funds and long-horizon investment portfolio.
- ④ **What regulators, auditors, and markets will expect** – and the enhanced IFRS 7 disclosure response.
- ⑤ **A practical 90-day ECL response playbook** for CFOs and CROs – to stabilize, recalibrate, and embed a governed, conflict-aware ECL framework.

In 60 seconds: What CFOs and CROs Need to Know

The shock: The closure of key shipping routes and regional escalation have driven a rapid repricing of **oil, sovereign spreads, trade routes and real estate**, with direct credit consequences across West Asia.

The ECL implication: Pre-conflict PD, LGD and scenario sets are now structurally misaligned with the new risk regime. Maintaining old bases is not “conservative” – it is a **governance and audit risk**.

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The regulatory lens: Supervisors in West Asia will expect visibly **forward-looking, conflict-aligned ECL** – not just mechanical roll-forwards plus a generic “uncertainty” overlay.

The response: Institutions have roughly **90 days** to: (1) stabilize and diagnose portfolio risk; (2) recalibrate models and quantify capital/earnings impact; and (3) lock in governance, overlays and upgraded IFRS 7 disclosures.

The opportunity: Banks that move early can shape the narrative with regulators, auditors and investors – demonstrating control, transparency and resilience in the face of geopolitical stress.

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Key Thesis

The developments in West Asia has created a **multi-channel ECL** shock that requires global banks and companies having presence in West Asia to fundamentally recalibrate their **forward-looking scenarios, SICR thresholds and management overlays** – not as a matter of “extra conservatism”, but as a matter of **compliance with the spirit and letter of IFRS 9**.

Under IFRS 9, ECL must reflect “**reasonable and supportable**” forward-looking **information**. In an environment where:

- Macroeconomic visibility is limited,
- The distribution of outcomes is **skewed towards adverse scenarios**, and
- Historical resilience is a **poor guide** to near-term risk,

the only prudent approach is to ensure that **ECL estimates reflect not just recent history, but the risks that may unfold over the coming quarters**.



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THE DISRUPTION LANDSCAPE: WHAT HAS CHANGED

The current disruptions differ in nature from earlier regional episodes due to the breadth and simultaneity of its disruptions. It combines:

- Widespread disturbances to critical infrastructure and commercial activity, affecting transport nodes, logistics networks, and urban economic centers.
- Disruptions to key maritime shipping routes and trade corridors, interrupting the movement of energy, commodities, and goods that underpin regional and global supply chains.
- Severe constraints on air travel and cross-border mobility, leading to abrupt declines in passenger movement, tourism activity, and associated service-sector cash flows.

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For banks, this overturns the long-standing assumption that the region is a relatively “**low-volatility**” **place to do business** and forces a fresh look at credit, concentration and sector exposures.

With roughly **one-fifth of global petroleum liquids and close to one-third of LNG trade** transiting the critical maritime corridors, any sustained closure is not just another geopolitical flashpoint; it is a **core cash-flow shock for sovereigns and obligors** whose revenues are still predominantly hydrocarbon-driven.

As this shock propagates through **fiscal balances, corporate earnings and collateral values**, financial institutions are compelled to revisit their **macroeconomic scenarios, sectoral risk assessments and ECL models**, testing whether existing calibrations and overlays remain fit-for-purpose under this new stress regime.

The Five Disruption Channels

The disruptions transmits into ECL through five primary channels:

Oil Price & Fiscal Space



Disruption Mechanism

Brent crude spiked from USD 70/bbl to above USD 100/bbl within days of the shipping route closure, with plausible paths above USD 150/bbl under prolonged disruption.

While higher prices initially boost hydrocarbon revenues, the **combination of price volatility, demand risk and higher risk premia** strains fiscal planning and sovereign balance sheets.

ECL transmission

Higher PDs for corporates linked to government spending cycles and hydrocarbon demand.

Greater SICR and staging risk for obligors whose credit quality depends on stable fiscal support.

Potential deterioration in sovereign ratings and spreads, with knock-on effects via sovereign ceilings.

Trade & Shipping



Disruption Mechanism

A dual chokepoint has emerged:
The key shipping route closed and renewed threats to Red Sea traffic.
Rerouting via the **Cape of Good Hope adds 10–15 days** to Asia–Europe transit, with freight costs up by 3040% and war-risk insurance premiums surging.

ECL transmission

Elevated EAD as working-capital and trade finance lines are drawn to bridge longer cash-conversion cycles.

Higher LGD as collateral tied to goods in transit becomes harder to recover and value.

Increased staging and overlay requirements for trade finance and logistics-linked portfolios.

Real Estate & Infrastructure



Disruption Mechanism

Global companies undertaking mega projects in the region face **supply-chain disruption, workforce dislocation and investor confidence erosion**.

Recent disruptions on critical logistics and commercial hubs signal that physical infrastructure is not immune.

ECL transmission

Downward pressure on **CRE valuations**, rental yields and transaction volumes, driving higher **LGD** and collateral haircuts.

Off-plan and construction risk as delays stretch buyer cash flows and contractors' working capital.

Recalibration of EAD profiles on project finance as drawdown schedules slip.

Sovereign Risk



Disruption Mechanism

Sovereign bond yields and CDS spreads have widened in response to the disruptions across the region and LNG export suspensions, particularly where fiscal positions are more exposed.

Tourism, aviation and services revenues have seen an immediate contraction.

ECL transmission

Higher sovereign PDs feed through to domestic corporate ratings via sovereign ceilings.

Corporates dependent on public sector contracts or guarantees see forward-looking credit quality deteriorate even before financial metrics weaken.

Earlier SICR and staging triggers for sovereign-linked sectors.

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Operational Continuity



Disruption Mechanism

Airspace closures, port shutdowns and workforce-safety concerns have disrupted normal business operations across the region.

Financial markets have experienced periods of heightened volatility and trading stress.

ECL transmission

Temporary but material **cash-flow strain** and delayed payments, raising delinquencies and utilisation of overdrafts.

Past-due exposures increase even where long-term creditworthiness remains intact, challenging the rebuttal of the 30-day backstop.

Potential disruption to loan **servicing, data quality and audit access**, complicating verification of ECL estimates

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Case Study: Trade Finance Exposure Under Maritime Route Disruption

Consider a global trading company importing industrial equipment from East Asia under a letter of credit issued by a regional bank. The shipment is scheduled to transit through key shipping lanes in West Asia before reaching its destination port. Following an escalation in regional geopolitical tension, disruptions to these shipping lanes lead to delays as vessels are rerouted and insurers reassess coverage and pricing.

As delivery timelines extend beyond the original contractual period, the importer faces significant working capital pressure. Inventory required for downstream manufacturing operations is delayed, sales commitments cannot be fulfilled, and cash flows become strained. To manage liquidity, the borrower draws down additional working capital facilities from its relationship bank while requesting extensions to existing payment obligations.

For the lending bank, this translates into a set of reinforcing credit risk pressures. Exposure at default (EAD) increases as revolving facilities are drawn, while uncertainty around the status and insurability of goods in transit weakens collateral certainty and increases expected loss given default (LGD). In more severe cases, prolonged delays may lead to disputes across the supply chain, between buyers, suppliers and logistics providers; further impairing recovery prospects and justifying heightened staging and/or conflict-specific overlays on the affected trade finance portfolio.

From an IFRS 9 perspective, such disruptions can trigger a reassessment of both staging and loss parameters. Increased utilisation of trade finance lines pushes up EAD, while uncertainty around cargo recovery can justify LGD assumptions or specific overlays. This example illustrates how geopolitical shocks to maritime trade can quickly migrate into higher expected credit losses within banks' trade finance and working capital portfolios.

Key takeaway: Shipping disruptions do not just delay cargo; they simultaneously erode borrower liquidity, facility utilization, and undermine collateral recoverability, creating multiple transmission channels for ECL deterioration.



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WHAT THESE GEOPOLITICAL DEVELOPMENTS DOES TO YOUR IFRS 9 NUMBERS?

The geopolitical developments does not merely add uncertainty “at the margins”. It **stress-tests every element of IFRS 9’s forward-looking design at the same time.**

SICR Assessment: The Stage 1 → 2 Question

Under IFRS 9, institutions must assess whether the **credit risk of a financial asset has increased significantly** since initial recognition. This SICR assessment is pivotal, because it drives whether an exposure remains in **Stage 1 (12-month ECL)** or moves to **Stage 2 (lifetime ECL)**.

In the current environment, several SICR signals are hard to ignore:

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Qualitative triggers



IFRS 9 explicitly cites “significant adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower’s ability to meet its debt obligations” as a SICR indicator.

In the current context, the combined effect of regional disruptions and operational disturbances clearly meets this description for borrowers with material exposure to the West Asia through revenues, supply chains, project delivery timelines, or access to funding.

Quantitative triggers



PD models calibrated to prior stress-period conditions will almost certainly **understate risk** if left unchanged.

Institutions should test whether PIT PD adjustments genuinely capture the current shock and whether the **relative increase in PD since origination** is sufficient to warrant Stage 1 → Stage 2 migration, even in the absence of delinquency.

The 30-day backstop



As operational disruption translates into cash-flow strain, an uptick in **>30-day past-due exposures** is likely. While IFRS 9 allows rebuttal of the 30-day presumption, doing so requires **strong, documented evidence** - a demanding standard in periods of elevated uncertainty and reduced visibility over borrower cash flows and collateral performance.

Practical Implication

Banks should move beyond a narrow, arrears-based view and run portfolio-wide SICR sensitivity analyses, flagging exposures where these disruptions materially changes the borrower’s forward-looking economic outlook. Relying solely on observed past-due behavior is inconsistent with the intent of IFRS 9.

Scenario Design and Forward-Looking Information

IFRS 9 requires that ECL measurement incorporate **probability-weighted, forward-looking scenarios** that are “reasonable and supportable”. Pre-conflict scenario sets – often anchored on **IMF/World Bank growth and stable oil paths** – are no longer an appropriate base case in West Asia.

A conflict-aware architecture might include:

Scenario	Oil Price Path (Illustrative)	GCC GDP Impact (Illustrative)	Weight (Illustrative)
Base Case	Current stress environment contained within ~60 days; shipping route reopens; Brent settles around USD 75–85/bbl by Q3 2026	GDP growth moderates to ~1.5–2.0% (vs. 3%+ prior-stress event)	45–50%
Downside	Prolonged stress environment (3–6 months); partial shipping route disruption; Brent sustained above USD 100–110/bbl	GDP growth ~1.0–1.5%; non-oil GDP contraction in some affected regional economies	25–30%
Severe Downside	Full regional escalation; sustained shipping route closure; Brent spikes above USD 120/bbl then corrects on demand destruction	Broad GDP contraction; real estate correction >10–15%; default rates roughly double	10–15%
Upside	Rapid ceasefire: shipping route reopens within 30–45 days; pent-up demand recovery	GDP rebounds to ~2.7–3.0% as prior-stress event momentum resumes	10–15%

Pre-stress event consensus of **3.0–4.5% GDP growth and stable oil price ranges** is no longer a “neutral” starting point. Institutions that maintain those assumptions unchanged **risk under-provisioning and governance and audit challenge**.

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Management Overlays: From Optional to Essential

In normal times, management overlays can feel like a “fine-tuning” tool. Under rapid-onset geopolitical stress, they become **central to a credible ECL framework**.

Key governance expectations include:

- **Clear documentation** – The nature, rationale, data sources, quantification method, and expected duration of each overlay should be explicitly documented. Vague references to “geopolitical uncertainty” are not sufficient.
- **Robust approval** – Material overlays should be approved at Board Risk or Audit Committee level, with defined materiality and escalation thresholds.
- **Defined unwinding protocol** – Institutions should articulate which observable indicators (e.g., Hormuz reopening, oil price stabilization, freight indices normalizing, sovereign spreads tightening) will drive overlay reduction or removal.
- **Back-testing** – Overlay performance should be back-tested against actual outcomes at subsequent reporting dates, and the framework recalibrated accordingly.

Overlays that persist long after their rationale have faded and **erode credibility** with both supervisors and auditors.

Early-Warning Indicators for ECL Monitoring

Market indicators often react faster to geopolitical shocks than borrower-level financial data. A structured **early-warning dashboard** can help institutions update scenarios, SICR assessments and overlays in a timely way.

Illustrative indicators:

Indicator	Relevance for ECL
Brent crude volatility	Fiscal space, sovereign PD, hydrocarbon-linked sectors
Sovereign CDS spreads	Sovereign ceiling effects on domestic corporates
Freight rates / Baltic Dry	Stress in trade finance, shipping, logistics-linked portfolios
War-risk insurance premiums	Elevated LGD on cargo and trade-related collateral
Real estate price indices	CRE collateral values and LGD assumptions
Tourism and passenger flows	Credit quality of aviation, hospitality, retail

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WHERE ECL WILL SPIKE FIRST: SECTOR-LEVEL IMPACTS



Banking & Financial Services

Several banks in the region entered 2026 with strong capital, low Stage 3 ratios and healthy profitability. These geopolitical developments does not instantly change that – but it does concentrate ECL pressure in several areas:

- **Corporate lending portfolios** – Concentrations in aviation, logistics, tourism and oil services heighten SICR and Stage 1 → 2 migration risk.
- **Trade finance** – Letters of credit and guarantees are exposed to **stranded cargo, extended shipment times, and counterparty stress**, requiring higher EAD and LGD assumptions.
- **Retail portfolios** – Income disruption and expatriate repatriation risk pressure **mortgage and personal loan** portfolios, especially for borrowers in the most affected sectors.
- **Interbank and sovereign exposures** – Cross-border placements into conflict-adjacent markets require **staging and sovereign-ceiling reassessment** as spreads widen.



Real Estate & Construction

Real estate and construction sit at the intersection of **macro, confidence, and project-execution risk**:

- **LGD**: Collateral values and haircuts must be revisited where uncertainty affects price stability, transaction volumes or demand. Collateral-dependent assets may need explicit reappraisal.
- **EAD**: Phased drawdowns on large project finance facilities should be recalibrated where milestones, contractor schedules or permits are delayed.
- **Off-plan risk**: Projects with buyer payments linked to construction progress face increased withdrawal, delay and renegotiation risk.
- **Concentration risk**: Banks should map exposures to **flagship projects, specific cities, and sub-segments** (e.g., hospitality and logistics parks) that are most sensitive to sentiment and geopolitical headlines.



Oil & Gas

For oil exporters in the disrupted regions, recent geopolitical developments creates a **paradox**:

- Higher oil prices support near-term cash flows and **reserve-based lending** capacity.
- At the same time, prolonged disruption to export routes and physical infrastructure challenges the **long-term diversification strategies** underpinning credit quality.

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Key ECL implications:

- **Reserve-based lending:** Stronger immediate cash flows may support borrowing bases, but **LGD must reflect disruption risk** to production and export infrastructure.
- **Oilfield services:** Project-based revenues, high operating leverage, and contract delays make this segment particularly exposed to stress.
- **Scenario design:** Conflict scenarios should model both the **spike and potential post-conflict correction** in oil prices to avoid overstating sustainable cash flows and understating ECL.



Sovereign Wealth Funds (SWFs)

Sovereign wealth funds across the GCC face pressure through a mix of IFRS 9, IFRS 13, and sovereign-linkage dynamics:

- **IFRS 9 classification and SICR:** Widening GCC-linked spreads and portfolio rebalancing can trigger **re-assessment of debt asset classification and staging**.
- **IFRS 13 fair value measurement:** Illiquid positions may migrate from **Level 2 to Level 3**, raising the bar on valuation judgement and governance.
- **Sovereign income linkage:** Curtailment of **LNG exports and energy revenues** directly affects SWF inflows, testing assumptions around sovereign support and long-term ratings.

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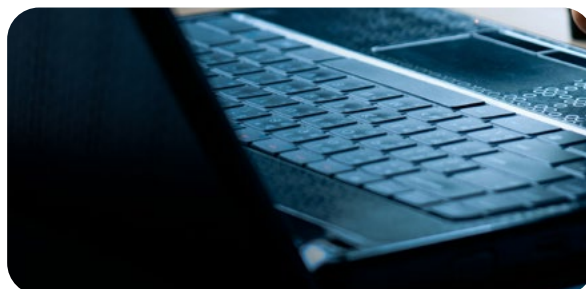
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Case Study: Sovereign Risk Transmission into Corporate Credit Exposure

Consider a large Gulf infrastructure contractor with multiple government backed projects financed by syndicated loans from regional banks. Pre conflict, it showed strong financials and repayment discipline, with credit quality underpinned both by its own balance sheet and by sovereign linked contracts and capex programs.

As tensions escalate, however, GCC sovereign bond yields and CDS spreads widen, signaling higher perceived sovereign risk. Even if the contractor's near term operations remain stable, this shift in sovereign risk premium can weaken the perceived credit quality of



corporates in the same jurisdiction.

Several banks incorporate a sovereign ceiling within their credit risk frameworks, capping domestic corporate ratings at the sovereign's credit profile. Consequently, any deterioration in sovereign risk may trigger a reassessment of PDs for corporates with significant dependence on government contracts, fiscal spending, or sovereign-backed revenue streams.

Key takeaway: Shifts in sovereign risk perception can deteriorate corporate credit quality even when borrower fundamentals appear stable, requiring proactive recalibration of PD assumptions across sovereign linked sectors.

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CENTRAL BANK AND REGULATORY EXPECTATIONS

Drawing on their COVID-19 and prior-crisis experience, GCC regulators (CBUAE, SAMA, CBO, QCB, CBK) are likely to expect **visible, proactive, and forward-looking ECL management**.

Expected supervisory focus areas:

Heightened dialogue and data requests

Updated ECL scenario analysis, overlay justifications, SICR thresholds and capital impact assessments within weeks of recent geopolitical developments.



Treatment of forbearance and relief measures

Clarification that **payment deferrals, restructurings or moratoria** do not automatically remove the need for SICR assessment or Stage 2 classification.



Basel-IFRS 9 interaction

Close attention to how higher IFRS 9 ECL provisions feed through to **CET1, capital buffers, ICAAP and stress testing**.



Audit interaction

External auditors will intensify challenge on **forward-looking assumptions, overlay governance and documentation quality**, increasing the risk of modified opinions where evidence is weak.



Transparency and comparability

Pressure for richer disclosure on **scenario weightings, overlay rationales and sectoral concentrations**, giving supervisors and markets a clear line-of-sight into judgement calls.



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IFRS 7 DISCLOSURE OBLIGATIONS

The current developments and regional disruptions activate extensive **IFRS 7 credit risk and uncertainty disclosure requirements**, particularly around:

- **Nature and extent of credit risk exposures**, including concentrations,
- **Changes in credit risk** and resulting ECL movements, and
- **Sensitivity of ECL to forward-looking assumptions.**

For Q1/Q2 2026 reporting, users must be able to **understand the effect of credit risk on the amount, timing, and uncertainty of future cash flows.**

Key enhancements to consider:

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Geographic and sector concentrations

Granular breakdown of credit exposure by GCC jurisdiction and by sector within each, particularly where exposures are linked to **trade routes, energy infrastructure or tourism.**



Scenario sensitivity

Quantitative disclosure of **ECL by individual scenario** (base, downside, severe downside, upside) and associated probability weightings.



Overlays

Clear disclosure of nature, **rationale, size, and expected duration** of conflict-related overlays, including **conditions and frequency of review and unwinding.**



Stage migration analysis

Explanation of **Stage 1/2/3 movements** during the period, highlighting drivers such as sectoral deterioration, qualitative SICR triggers, and changes in macro assumptions.



Collateral and recovery

Updated collateral values and valuation methodologies under disrupted markets, including any changes to **recovery rate assumptions or haircuts** for real estate, infrastructure and other pledged assets.

90-DAY ECL RESPONSE PLAYBOOK FOR GCC BANKS

A practical roadmap for CFOs and CROs to align IFRS 9 ECL with the 2026 conflict before Q2 closes.

Days 1–30: Get a Reliable View of Portfolio Risk

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Activate a cross-functional ECL task force

Bring together Risk, Finance, Treasury, Business, IT and Compliance under clear executive sponsorship, with a defined mandate, weekly cadence, and direct reporting to the CFO/CRO and Board Risk/Audit Committee.

Run a rapid SICR and staging heatmap

Produce a portfolio-wide view of Stage 1/2/3 exposures, highlighting concentrations in sectors sensitive to recent developments (aviation, logistics, shipping, tourism, CRE, oilfield services) and geographies, and flagging assets at risk of Stage 1→2 migration even without delinquency.

Recalibrate macroeconomic and sector scenarios at a high level

Replace pre-stress event “base” assumptions on Brent, GDP, real estate, trade volumes and sovereign spreads with stress event-aligned base / downside / severe scenarios and agree provisional probability weights for internal planning.

Identify immediate gaps in data, models, and governance

Map where current PD/LGD/EAD models, SICR triggers and data feeds fail to capture stress event-driven risk drivers (e.g., shipping disruption, project delays, sovereign ceiling effects) and priorities fixes for high-materiality portfolios.

Design and size initial management overlays

Define first-cut overlays for high-risk sectors and portfolios, with clear rationale, directional sizing, and linkage to observable indicators (oil prices, CDS spreads, freight rates, real estate indices), pending detailed model recalibration.

Days 30–60: Re-tool the Models and Quantify the Impact

Re-estimate PD term structures with conflict-adjusted inputs

Update PIT PDs and TTC→PIT conversion factors to reflect revised macro scenarios and sector stress, and test sensitivity of Stage 1→2 migration and ECL charges to alternative scenario weights.

Refresh LGD and EAD assumptions for vulnerable portfolios

Revisit LGD for CRE, project finance and trade finance (including collateral values, haircuts and recovery timelines), and recalibrate EAD for revolving and off-balance-sheet exposures, incorporating higher drawdown under stress.

Industrialize sector-specific ECL deep dives

Perform focused reviews for banking/trade finance, real estate & construction, oil & gas, and sovereign/quasi-sovereign books, translating qualitative conflict impacts into quantified ECL and capital effects.

Quantify capital and earnings impact under revised ECL

Run Q1/Q2 impact analyses showing the effect of updated scenarios, SICR and overlays on ECL, profit, CET1 and buffers across base, downside and severe downside cases, to inform capital planning and risk appetite.

Engage auditors and regulators on methodology early

Share draft approaches to scenarios, SICR thresholds and overlays with external auditors and regulator (CBUAE, SAMA, CBO, QCB, CBK), reducing the risk of last-minute challenges at reporting or inspection.

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Days 60–90: Lock in Governance, Disclosure, and Ongoing Monitoring

Formalize overlay and SICR governance

Document overlay rationales, data inputs, methodologies and materiality thresholds; obtain Board Risk/Audit Committee approval; and set clear escalation triggers for changes in overlay size or scope.

Define overlay unwinding criteria and monitoring

Agree specific, observable conflict-resolution and macro indicators (e.g., Hormuz reopening, stabilization of oil prices and CDS spreads, freight normalization, real estate indices) that will drive overlay reduction or removal and embed them in BAU monitoring.

Back-test early conflict-period outcomes

Compare pre-stress period ECL estimates with observed defaults, restructurings and delinquencies in the first 60–90 days of disruption-driven stress environment, using results to refine scenarios, SICR thresholds and overlays

Upgrade IFRS 7/9 disclosure packs

Prepare enhanced disclosures covering scenario design and weightings, sector and geographic concentrations, Stage 1/2/3 migration drivers, overlays (nature, size, duration) and key sensitivities, ready for Q1/Q2 2026 reporting.

Brief Board, ExCo, and key stakeholders

Develop event-specific ECL dashboards and talking points for Board and ExCo sessions, linking revised ECL outcomes to capital planning, dividend policy, risk appetite and strategic decisions, and aligning messaging across investor relations and regulatory dialogue.

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KEY TAKEAWAYS

Recent geopolitical developments have **fundamentally shifted the risk regime** for global institutions – pre- stress-period ECL calibrations are no longer fit-for-purpose.

Forward-looking scenarios, SICR thresholds and overlays must be re-anchored to updated macro and sector realities, with clear governance and documentation.

Sector-specific stress will likely appear first in **trade finance, CRE, oilfield services and sovereign-linked corporates**, but second-round impacts will be broader.

Regulators, auditors and investors will focus on **consistency, transparency and discipline** in how institutions connect macro developments to ECL, capital and disclosures.

Institutions that act decisively over the next 90 days can **demonstrate control, protect credibility and reduce the risk of last-minute capital or provisioning shocks**.



Executive Summary

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Glossary

- **BAU** – Business as Usual
- **BBL** – Barrels (of Oil)
- **CBB** – Central Bank of Bahrain
- **CBK** – Central Bank of Kuwait
- **CBO** – Central Bank of Oman
- **CBUAE** – Central Bank of the United Arab Emirates
- **CDS** – Credit Default Swap
- **CET1** – Common Equity Tier 1
- **CFO** – Chief Financial Officer
- **CRE** – Commercial Real Estate
- **CRO** – Chief Risk Officer
- **EAD** – Exposure at Default
- **ECL** – Expected Credit Loss
- **GCC** – Gulf Cooperation Council
- **GDP** – Gross Domestic Product
- **ICAAP** – Internal Capital Adequacy Assessment Process
- **IFRS** – International Financial Reporting Standards
- **IFRS 7** – Financial Instruments: Disclosures
- **IFRS 9** – Financial Instruments
- **LGD** – Loss Given Default
- **LNG** – Liquefied Natural Gas
- **PD** – Probability of Default
- **PIT** – Point-in-Time
- **QCB** – Qatar Central Bank
- **SAMA** – Saudi Central Bank (formerly Saudi Arabian Monetary Authority)
- **SICR** – Significant Increase in Credit Risk
- **SWF** – Sovereign Wealth Fund
- **TTC** – Through-the-Cycle
- **USD** – United States Dollar

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About Uniquus Consultech:

Uniquus Consultech is a global tech-enabled consulting company that specializes in Accounting & Reporting, Governance, Risk & Compliance, Sustainability & Climate, Tech Consulting, and Valuations. The Company is co-founded by consulting veterans Jamil Khatri and Sandip Khetan and backed by marquee investors such as Nexus Venture Partners, Sorin Investments, and UST.

Uniquus has a global team of 700+ professionals led by 85+ Partners & Directors across eleven offices in the USA, the Middle East, and India. The company serves more than 300 clients, including marquee names in each of the markets it operates in.

Uniquus is committed to leveraging technology and an integrated global delivery model to provide best-in-class consulting services to its clients.

About Our Accounting & Reporting Consulting Services:

In today's dynamic business environment, organizations are continuously required to adapt to the dynamic shifts in accounting & reporting standards and regulations. Enhanced management reporting requirements and accelerated reporting timelines necessitate increased automation within the finance function. Special events, such as preparing for an IPO/capital market transaction or fulfilling the reporting requirements arising from an M&A transaction, introduce additional complexities and challenges for the finance function.

As a result, organizations need to transform their finance functions from time to time with a focus on people, processes, and technology. Our Accounting & Reporting Consulting (ARC) practice is designed to partner with the finance function through these challenges. Our teams function as an extension of your finance teams to execute your plans seamlessly.

We bring the necessary technical expertise, skills, technology, and bandwidth, enabling you to navigate your plans in real time without adding additional manpower costs within the organization.

A Team That You Can Trust To Deliver



Jamil Khatri
Co-Founder & CEO



Sandip Khetan
Co-Founder, Global Head
of Accounting & Reporting
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Dinesh Jangid
Regional Managing Partner,
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Nirav Patel
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