ESGweise

ESGWEISE
IFRS Compliance and Capital Services

IFRS 9, ECL, ICAAP & Stress Testing. Enabling Action. Sustaining Outcomes.

contact@esgweise.com

About ESG WEISE

ESG Weise Global enables financial institutions to develop and strengthen integrated ECL, ICAAP, and Stress Testing frameworks aligned with Basel III / IV and CBUAE supervisory expectations.

IFRS 9 ECL Frameworks

Robust model design and provisioning accuracy

ICAAP Governance

Comprehensive capital adequacy planning

Stress Testing

Forward-looking risk and capital resilience

Validation & Documentation

Audit-ready and regulator-compliant systems

Why IFRS Compliance & Capital Services ?

Regulations Alignment

Pillar II
SREP Expectations
ICAAP
Model Validation requirements under Basel III / IV.

Risk Integration

ECL models
Portfolio Concentration
IRRBB
Capital adequacy assessment.

Resilience Building

Quantifying impact of macroeconomic shocks, sector stress, and tail-risk events on capital and profitability.

Reputation & Governance

Strengthened governance, independent model review, and alignment with internal risk appetite frameworks.

Rational Capital Planning

Integrating ECL forecasts, ICAAP projections, and stress results into capital allocation and business strategy.

Readiness For Audits

SREP inspection readiness, model validation traceability, and transparent risk disclosure across ICAAP cycles.

Solution Architecture

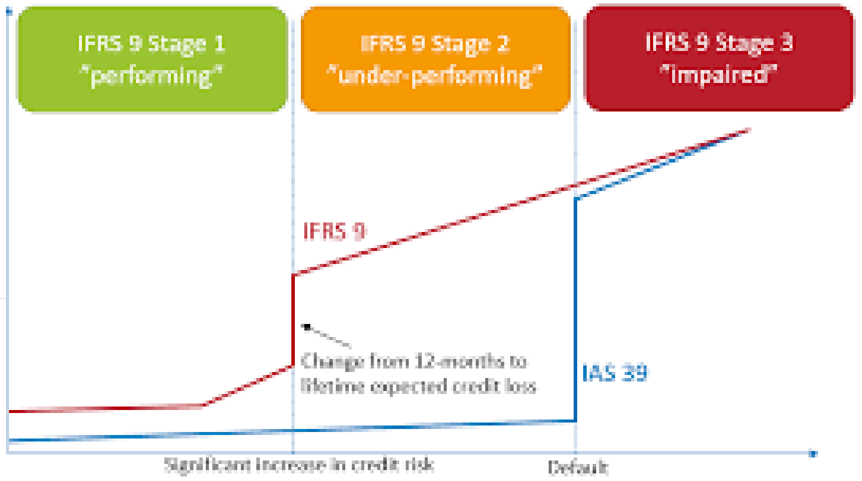
Integrated Capital Risk Framework

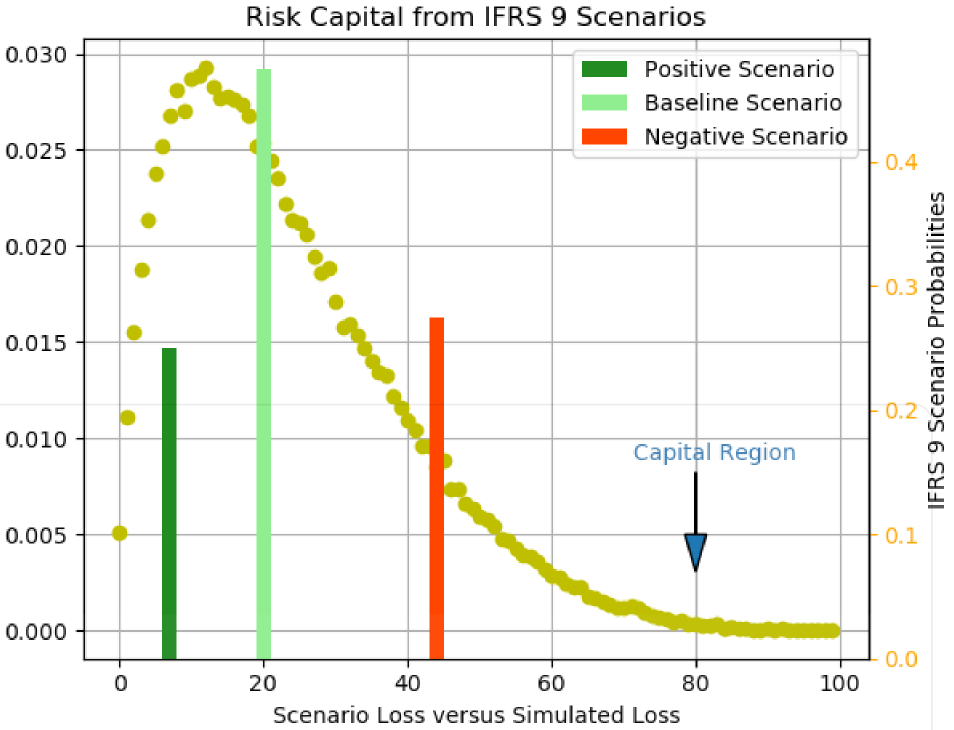
ECL → ICAAP → Stress Testing → Governance → Validation

Each pillar feeds into the next:

- ECL models generate risk inputs (PD, LGD, EAD).
- ICAAP consolidates risk-weighted capital adequacy.
- Stress Testing validates resilience under macroeconomic shocks.
- Governance ensures Board oversight and regulatory traceability.

ECL Framework Development

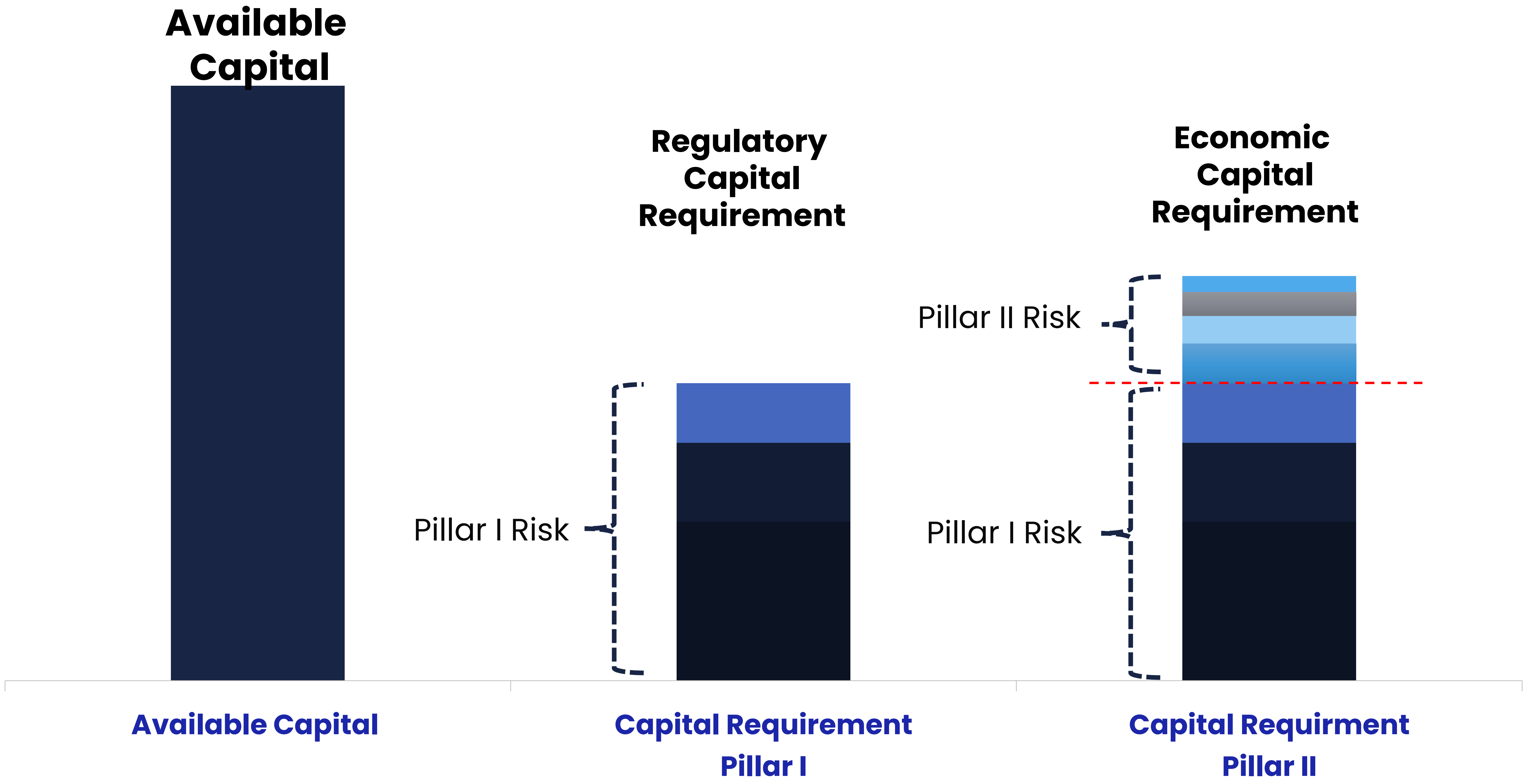




IFRS 9 Expected Credit Loss Solutions

Component	Scope of Work
PD, LGD & EAD Modelling	Statistical / expert-based models calibrated to Portfolio and rating migration.
ECL Policy & Methodology	Definition of provisioning logic, staging, and write-off thresholds.
Macroeconomic Overlay	Integration of forward-looking variables and scenario weightings.
Segmentation & Staging Logic	Differentiation by asset class, credit quality, and behavioral patterns.
Governance & Validation	Model governance, approval process, backtesting, and periodic validation.

ICAAP: Internal View of Capital Adequacy



ICAAP Framework Development

Internal Capital Adequacy Assessment Process

Component	Scope of Work
Risk Identification & Materiality Mapping	Quantification of Pillar II risks - liquidity, IRRBB, concentration, reputation, strategy.
Capital Adequacy Methodology	Economic capital computation, buffer design, and stress integration.
Governance & Documentation	Policy design, internal oversight, and Board approval alignment.
Capital Planning Integration	Linkage with strategic planning, profitability, and risk appetite.
SREP & Supervisory Readiness	Template preparation, narrative documentation, and regulator engagement.

Objective and Deliverables for ICAAP Project

Project Objective

1. Establish a robust ICAAP framework aligned with Basel and regulatory expectations.
2. Ensure capital adequacy against all material risks.

Approach

1. Diagnostic assessment of current practices and regulatory gaps.
2. Framework design aligned with Basel and local regulatory guidelines.
3. Model calibration for Pillar II risks (IRRBB, Concentration, Operational).
4. Integration with Stress Testing framework.
5. Training and handover to internal teams.

Key Deliverables

1. ICAAP/ Pillar II Policy (Governance, roles, responsibilities, and Board oversight)
2. ICAAP Methodology Guidelines (Risk identification, quantification, and capital aggregation approach)
3. ICAAP Tool/ Model (Automated templates for capital planning and scenario impact)
4. Capital Planning Framework (Multi-year capital projection under baseline and stress conditions)
5. Risk Appetite Linkage (Integration with strategic objectives)
6. ICAAP Report and Board Pack (Standardized templates for submissions)

Expected Outcome

Enhanced capital management discipline, regulatory compliance, and strategic alignment

Stress Testing Framework

Scenario Design & Resilience Testing

Scenario Development

Design of baseline, adverse, and extreme scenarios across key macroeconomic indicators.

Sensitivity Analysis

One-variable shock tests for market, credit, and liquidity risk drivers.

Reverse Stress Testing

Identification of conditions that lead to capital breach events.

Portfolio Impact Simulation

Assessing changes in capital ratios, profitability, and liquidity buffers.

Governance & Reporting

Reporting framework with Board-approved escalation protocols.

Objective and Deliverables for Stress Testing Project

Project Objective

1. Institutionalize an enterprise-wide stress testing framework for capital and liquidity resilience.
2. Strengthen forward-looking risk management capabilities

Approach

1. Framework and governance setup.
2. Scenario design (regulatory and internal).
3. Model integration across credit, market, and liquidity risks.
4. Tool development and testing.
5. User training and documentation

Key Deliverables

1. Stress Testing Policy (Governance, frequency, approval, and escalation process)
2. Stress Testing Methodology Guidelines (Scenario design, model linkage, and parameter calibration)
3. Stress Testing Tool (Automated model for scenario simulation and capital impact assessment)
4. Scenario Library (Macroeconomic, sectoral, and idiosyncratic events)
5. Integration with ICAAP and Recovery Planning (Consistent risk management framework)
6. MIS & Dashboard (Visualization of stress outcomes: Excel dashboard)

Expected Outcome

Strengthened capital planning and proactive risk oversight

Validation & Governance Framework

Area

Model Validation

Documentation & Traceability

Governance & Control

Key Deliverables

Model Validation: Independent quantitative review, backtesting, benchmarking, and challenger model creation.

Documentation & Traceability: End-to-end methodological paper, data lineage, and assumptions log.

Governance & Control: Model Risk Policy, periodic review mechanism, and Board oversight templates.

Commitment to Excellence: Our Framework for Project Success and Implementation

Key Pillars of Commitment

Clear Project Objectives

We define clear and measurable project objectives, including specific goals, deliverables, timelines, and success criteria at the start of the project, in agreement with the senior management

Partnership and Alliances

If required, we onboard experts who bring the resources, or capabilities as are necessary for the project's success.

Hybrid teams

A collaborative team structure that includes both onsite and offsite teams is established to ensure effective communication and coordination between these teams to maximize productivity and responsiveness

Going above and beyond

We provide additional support beyond project to enhance the team’s performance and success given the dynamic nature of the environment

Governance and Quality Assurance

Implement quality assurance processes to ensure that project deliverables meet the defined quality standards. Conduct regular quality reviews and audits

-> With a responsive and flexible problem-solving structure, we swiftly deliver effective solutions, adeptly navigating the dynamic business landscape

- Adaptive Methodologies
- Rapid Decision-Making
- Strategic Agility
- Client-Centric Agility

We cultivate collaboration through diverse mechanisms on a regular basis

- Pre-alignment Discussions
- Targeted Trainings and Workshops
- Regular Check-ins
- Communications via Shared Platform
- Proactive Progress Updates and Risk Mitigation
- Dedicated Feedback Mechanisms

"Years of experience have sharpened our responsiveness and agility in assisting clients at every stage, from startups to established firms, across advisory, strategy to implementation"

Our forward-thinking approach ensures that your business stays ahead, embracing cutting-edge solutions for sustainable success <-

Our forward-thinking approach is evident in our 100% project success rate, highlighting the sustainability of our solutions.

Client Testimonials

"A consistently fantastic experience with ESGWEISE – always a pleasure to work with!"

"Commendable effort! The team at ESGWEISE is not only reliable but also highly available."

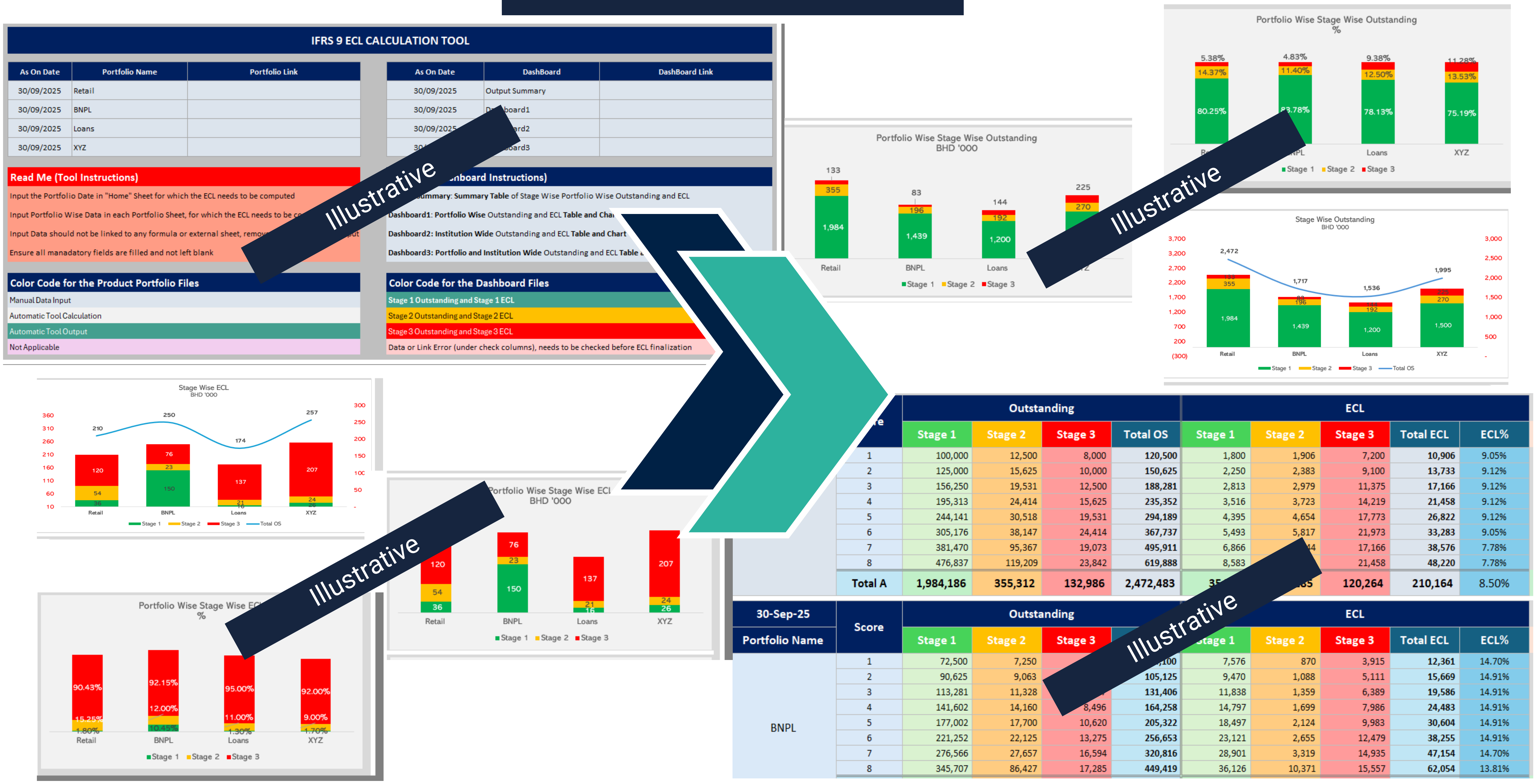
"Impressive grasp of an unknown industry, coupled with analytical and logical strategic thinking."

"From proposal to perfected business plan, ESGWEISE exemplifies professional ethics and dedication to refining and raising funds."

- Regulatory Expertise
- Forward-Thinking Strategies
- Proactive Adaptation
- Futuristic Problem-Solving

CASE STUDIES

Our ECL Tool

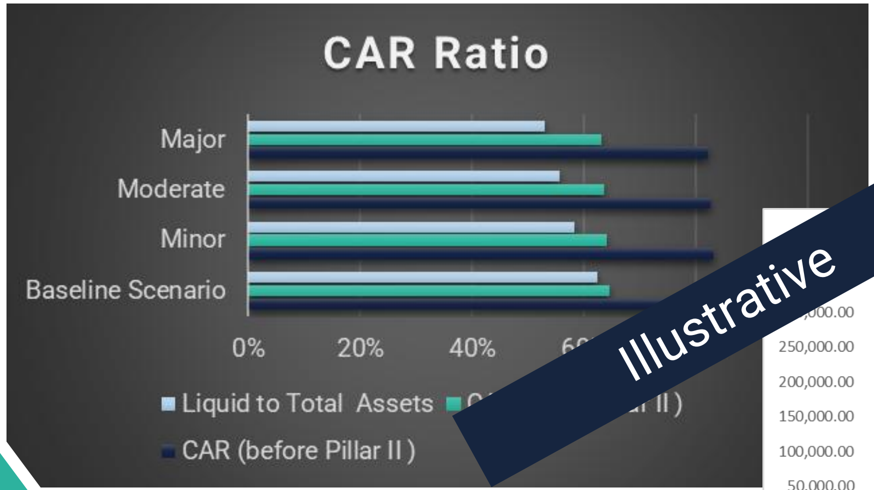


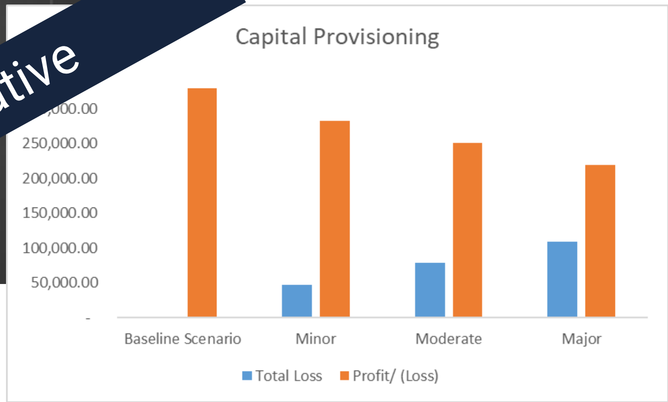
IFRS 9 ECL CALCULATION TOOL
As On Date
Portfolio Name
Portfolio Link
DashBoard
DashBoard Link
30/09/2025
Retail
BNPL
Loans
XYZ
Output Summary
Read Me (Tool Instructions)
Input the Portfolio Date in "Home" Sheet for which the ECL needs to be computed
Ensure all manadatory fields are filled and not left blank
Color Code for the Product Portfolio Files
Manual Data Input
Automatic Tool Calculation
Automatic Tool Output
Not Applicable
Color Code for the Dashboard Files
Stage 1 Outstanding and Stage 1 ECL
Stage 2 Outstanding and Stage 2 ECL
Stage 3 Outstanding and Stage 3 ECL
Data or Link Error (under check columns), needs to be checked before ECL finalization
Portfolio Wise Stage Wise Outstanding
BHD '000
Portfolio Wise Stage Wise Outstanding %
Stage Wise Outstanding
Stage Wise ECL
Portfolio Wise Stage Wise ECL
Stage 1
Stage 2
Stage 3
Total OS
Outstanding
ECL
Total ECL
ECL%
Total A
30-Sep-25
Score
Portfolio Name
Illustrative

ICAAP & Stress Testing

Credit Risk: Counterparty Concentration Risk (Counterparty Group Failure)				AED '000
Particulars	Baseline Scenario	Minor	Moderate	Major
	30/09/2025	Top 1 Group Failure	Top 2 Groups Failure	Top 3 Groups Failure
Top Counterparty Group Exposure	na	[illegible]	1,302,659	1,569,900
Expected loss (60%) (Note 1)	na	[illegible]	781,595	941,940
Loss of Interest Income (3MEIBOR + 50bps)	[illegible]	24,908	34,215	41,234
Total Loss	[illegible]	**593,905**	**815,810**	**983,174**
Profit/ (Loss)	[illegible]	**(264,818)**	**(486,724)**	**(654,088)**
Capital estimated (before Pillar II charge)	6,581,914	5,988,010	[illegible]	[illegible]
Capital estimated (after Pillar II charge)	5,081,914	4,488,010	[illegible]	[illegible]
Risk Weighted Assets	7,869,815	7,869,815	[illegible]	[illegible]
Capital Adequacy Ratio (before Pillar II charge)	**83.63%**	**76.09%**	**73.27%**	[illegible]
Change in CAR (before Pillar II charge)	na	-7.55%	-10.37%	[illegible]
Capital Adequacy Ratio (after Pillar II charge)	**64.57%**	**57.03%**	**54.21%**	[illegible]
Change in CAR (after Pillar II charge)	na	-7.55%	-10.37%	[illegible]

Top 3 Counterparty Group Exposures (Funded)	AED mn	Single Group	Top 2 Groups	Top 3 Groups
ABC LLC	948,327	948,327	na	[illegible]
XYC LLC	354,332	na	1,302,659	[illegible]
WERF LLC	267,241	na	na	[illegible]





ALM Market Risk: Price shock on Equity Portfolio			
Particulars	Baseline Scenario	Minor	Moderate
	[illegible]	10%	15%
Market Value of Investments	360,915	324,823	306,777
Fall in the Market Value due to Shock	na	**36,091**	**54,137**
Capital estimated (before Pillar II charge)	6,581,914	6,545,823	6,527,777
Capital estimated (after Pillar II charge)	5,081,914	5,045,823	5,027,777
Risk Weighted Assets	7,869,815	7,869,815	7,869,815
Capital Adequacy Ratio (before Pillar II charge)	**83.63%**	**83.18%**	**82.95%**
Change in CAR (before Pillar II charge)	na	-0.46%	-0.69%
Capital Adequacy Ratio (after Pillar II charge)	**64.57%**	**64.12%**	**63.89%**
Change in CAR (after Pillar II charge)	na	-0.46%	-0.69%

Profit & Loss Impact and Capital Adequacy under different Level of Stress												30/09/2025
			Stress Scenario and Shocks	P&L Impact (AED '000)			Capital Adequacy Ratio (%)			Change in CAR (%)		
				Minor	Moderate	Major	Minor	Moderate	Major			
[illegible]	[illegible]	1a	**Counterparty Concentration Risk** (Failure of Top 1, Top 2 & Top 3 Counterparty Groups)	593,905	815,810	983,174	76.1%	73.3%	71.1%	-7.5%	-10.4%	-12.5%
		1b	**Increase in Stage 2 and Stage 3 (NPL) Exposure** (Increase by 15%, 25% & 50% under both, Stage 2 & 3)	170,630	205,237	298,028	81.5%	81.0%	79.8%	-2.2%	-2.6%	-3.8%
		1c	**Change in Wgt.of Macro Economic Scenario (In IFRS9 ECL model)** (Good:Base:Bad - 20%:30%:50%, 15%:15%:70%, 0%:0%:100%)	2,707	4,990	9,05[illegible]	[illegible]	83.6%	83.5%	-0.03%	-0.06%	-0.11%
2	AML - IRRBB	2a	**Interest Rate Risk on Banking Book (1 Year Horizon)** (Adverse shock in Interest Rate by 1%, 2%, 4%)	35,881	[illegible]	[illegible]	83.2%	82.7%	81.8%	-0.5%	-0.9%	-1.8%
3	AML - Market Risk	3a	**Interest Rate Shock on Fixed Income Portfolio** (Adverse shock in Interest Rate by 1%, 2%, 4%)	[illegible]	[illegible]	175,281	83.3%	82.6%	81.4%	-0.4%	-1.0%	-2.2%
		3b	**Foreign Exchange Shock** (Adverse shock in FX Rate by 5%, 10%, 15%)	[illegible]	441,523	662,285	80.8%	78.0%	75.2%	-2.8%	-5.6%	-8.4%
		3c	**Price shock on Equity Portfolio** (Adverse shock in price by 10%, 15%, 25%)	36,091	54,137	90,229	83.2%	82.9%	82.5%	-0.5%	-0.7%	-1.1%
4	ALM - Liquidity Risk	4a	**Withdrawal of Total Deposits** (Deposit withdrawal by 15%, 25%, 35%)	46,952	78,253	109,554	83.0%	82.6%	82.2%	-0.6%	-1.0%	-1.4%
		4b	**Withdrawal of Top Depositors** (Withdrawal - Top 1: by 50%, Top 2: by 50% and Top 3: by 50%)	55,741	67,742	74,281	82.9%	82.8%	82.7%	-0.7%	-0.9%	-0.9%

Illustrative

Reference Projects ECL

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Bahrain Based Fintech	IFRS 9 ECL Model Development, Policy governance documentation, Audit support and CB query resolution
Small Sized Bank in Bahrain	Develop PD, LGD, EAD and ECL models for Retail, Corporate and Investment portfolio, and Automate the entire ECL calculations process.
IFRS 9 Model Review	Review of IFRS 9 models developed for personal loans and SME portfolios considering the requirements under IFRS 9
IFRS 9 Model Validation	Validate the existing IFRS 9 models involving quantitative and qualitative validation
IFRS 9 Model Revamp	Enhance the Bank's IFRS 9 model suite by improving accuracy, robustness, and regulatory alignment across all components.
IFRS 9 Model Validation	Validate its existing IFRS 9 models involving quantitative and qualitative validation for an NBFC.

Reference Projects ICAAP & ST

ICAAP Review and Enhancement	Review and enhancement of existing ICAAP framework to align with revised Basel III and local regulatory requirements
ICAAP Framework Implementation	Development of ICAAP framework including identification of material risks, risk appetite linkage, capital adequacy assessment and governance structure.
Pillar II Risk Identification and Quantification	Developed quantification methodology for Pillar II risks including concentration, IRRBB, and strategic risk.
Scenario Design and Model Integration	Developed macroeconomic and idiosyncratic scenarios for bank-wide stress testing, integrating results into ICAAP and Recovery Plan.
Enterprise-wide Stress Testing Framework	Design and implementation of stress testing framework covering credit, market, liquidity, and operational risks.
Credit Portfolio Stress Testing Implementation	Developed credit stress testing model to assess impact on PD/LGD, staging, and capital requirements under various downturn scenarios

Reference Projects – Others

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IFRS 16 Treatment	Inclusion of the PPE and Lease end of life expenses in the calculations and provisioning.
Assurance of Sustainability Linked Loan	Providing Assurance on the sustainability linked loan.
Training Financial Institution	Internal Training and Capacity Building on ICAAP , Capital Risk, Provisioning.

Major Team Credentials

ESGweise

At ESGWEISE, Managing Your Financial Risk

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