

National Bank of Malawi

Experian's top-performing Regulatory Analytics team enabled National Bank of Malawi to achieve full IFRS 9 compliance within three months and ensure its continued competitiveness, on-going growth and ability to best-serve customers.

The challenge

International Financial Reporting Standard (IFRS) 9 was issued by International Accounting Standards Board (IASB) as a replacement of IAS 39 and was set to be effective for annual periods in 2018. It represents the IFRS for the classification and measurement of financial instruments, impairment of financial assets and hedge accounting. It enables broad analysis of internal financial accounting performance, provisioning for bad losses and critical accounting benchmarks. In common with other global institutions, National Bank was tasked by its local regulator with achieving full IFRS 9 compliance. National Bank contracted Experian to achieve this within a clear timeframe.

The solution

Experian's top-preforming Regulatory Analytics team already had a proven track-record in developing and supporting other banks across Africa. National Bank was presented with a detailed proposal outlining Experian's approach and methodology, in accurately deriving a forward-looking account-level Expected Credit Loss (ECL) calculation that is based on stage allocation and predictive Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) models for the bank's Malawian operations.

Results

National Bank was delighted with the results, given that the Experian team delivered an accurate, bespoke and fully functional, IFRS 9 solution within the three-month time frame. As a result, National Bank was among the first banks in the country to achieve full compliance against the standard. In addition to the IFRS 9 development, the Experian team set-up an environment to



National Bank is one of the Malawi's leading commercial banks providing retail and corporate offerings, longterm development loans as well as stock broking, insurance, pension

administration through eight subsidiaries and a network of 32 service centres.

"As a result of Experian's consulting assistance, the National Bank has managed to avoid business disruptions typically seen by our competitors in the deployment of the IFRS 9 standard. The Bank has been able to focus on the core aspects of its business and strategic objectives."

— **Charles Ulaya**, National Bank's Chief Risk Officer

host the ECL solution and run the results as part of a monthly reporting deliverable.

Additional successes achieved during the engagement includes:

- Developing historical data that enables advanced analytical insights that drive competitive advantage.
- Enabling National Bank to continue to offer to its customers competitively priced, appropriate and affordable loans.

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- Assisting the Bank to pro-actively reduce ongoing risk to its customer.
- Improved back-office efficiency and faster processing.

The value of the engagement has led to clear next steps in the partnership between Experian and National Bank. The Experian team has been contracted to:

- Develop behavioural credit risk scorecards to better understand and differentiate the Bank's customer portfolio.
- Adopt IFRS 9 methodologies and behavioral risk gradings to develop Basel 3-compliant regulatory capital estimates which align to the IRB (internal ratings-based) 2021 requirements;
- Assist the bank to develop a stress-testing framework that enhances the Pillar II supervisory review of their capital adequacy requirements and enables balance sheet optimisation.

