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Article

Challenges of Implementing International Financial Reporting Standard 9 (IFRS 9) in Iraqi Banks: A Review Study

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Abstract: International Financial Reporting Standard No. 9 stands among the most consequential accounting standards to emerge in the wake of the 2008 global financial crisis, and the Central Bank of Iraq mandated its adoption by Iraqi banks beginning January 1, 2019. This study sets out to provide a systematic review of the relevant local, Arab, and international literature, with a view to identifying the principal challenges confronting Iraqi banks in applying the standard. The study adopts a systematic literature review methodology, drawing on a body of peer-reviewed research published in a range of local, Arab, and foreign academic journals. The findings indicate that the most significant challenges lie in the weakness of data infrastructure and the scarcity of the historical data series required to calculate Expected Credit Losses (ECL), compounded by the limitations of the regulatory and supervisory framework issued by the Central Bank of Iraq. Further difficulties emerge in the adverse impact of implementation on bank profitability and capital adequacy, the complexity of disclosure requirements, and the particular challenges of applying the standard within Islamic banks. The study recommends that the Central Bank of Iraq issue detailed, in-depth implementation guidelines, strengthen specialized training programs, and establish reliable national credit databases — measures the study regards as fundamental prerequisites for the sound and effective application of the standard.

Keywords: IFRS 9; Expected Credit Losses (ECL)

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1. Introduction

In the aftermath of the 2008 global financial crisis, the world witnessed a sweeping wave of reforms in international accounting and financial regulation. The crisis had exposed fundamental weaknesses in International Accounting Standard No. 39, governing financial instruments , a standard subjected to sharp criticism for its excessive complexity, its poor alignment with how institutions actually managed their business and their risks, and, most critically, its delayed recognition of credit losses on loans and receivables until a very late stage in the credit cycle, a consequence of its reliance on the Incurred Loss Model. This delay compounded the crisis's impact on the global banking sector. In response, the International Accounting Standards Board (IASB) issued International Financial Reporting Standard No. 9 in July 2014 to progressively replace its predecessor, introducing a new model grounded in Expected Credit Loss (ECL) in place of the incurred-loss approach [1].

Under IFRS 9, banks are required to forecast future credit losses on the basis of

historical data read against the prevailing economic environment. This represents a fundamental shift in operational practice, one that may demand substantial investment in advanced data-management systems and sophisticated risk-modeling techniques. Small banks, in this context, face disproportionate pressure given the limits of their resources — a strain that manifests as elevated loan-loss provisions and, in turn, diminished profitability [2].

IFRS 9 rests on three principal pillars: classification and measurement, impairment, and hedge accounting. The standard imposes considerably more demanding requirements than its predecessor, as noted above, built around three key parameters , probability of default, loss given default, and exposure at default , and it further requires that financial instruments be classified into three stages, each entailing a different treatment of expected losses according to the evolving credit risk of the instrument in question. The Central Bank of Iraq mandated the standard's application by all banks operating in Iraq beginning January 1, 2019, a step intended to align the Iraqi banking system with international standards and to strengthen the transparency and quality of financial reporting [3].

Mohammed's study found that the implementation of IFRS 9 in Iraqi banks contributes to improved financial reporting quality and greater transparency for the benefit of investors and stakeholders, by compelling banks to build forward-looking provisions against anticipated risk, though this improvement comes bundled with additional borrowing costs and implementation complexities. Awuye and Taylor (2024: 82) similarly identified the complexity of financial reporting, the shortage of specialized personnel, and the high cost of training as among the most significant challenges facing the standard's adoption across different countries, developing economies in particular [4].

In light of the foregoing, the significance of this study lies in its attempt to offer a comprehensive systematic review of the literature and prior studies concerning the challenges of implementing IFRS 9 in Iraqi banks, to analyze the divergent findings across these studies, and to draw out the most salient challenges shared across banks , a contribution intended to enrich the accounting literature and to offer decision-makers at the Central Bank of Iraq and within the banks themselves an integrated view of the issue [5].

1.1 The Emergence of IFRS 9 and Its Core Pillars

International Financial Reporting Standard No. 9 was issued by the International Accounting Standards Board (IASB), with its first version published in 2009. The standard underwent several amendments at the end of 2010 and again in 2013, before reaching its final form on July 24, 2014, and entering into international effect on January 1, 2018, replacing International Accounting Standard No. 39 on Financial Instruments, a standard that had drawn widespread criticism in the wake of the 2008 global financial crisis. The issuance of IFRS 9 came as a direct response to the fallout of that crisis and in line with a recommendation from the G20, aimed at averting the recurrence of financial crises and achieving earlier, more precise risk measurement [6].

IFRS 9 rests on three principal pillars:

1. **Classification and Measurement**, which establishes the foundations and rules governing the recognition of financial assets and liabilities and the methods of their measurement. The standard classifies financial assets into three categories based on an entity's business model and the characteristics of contractual cash flows: assets measured at amortized cost, assets measured at fair value through other comprehensive income, and assets measured at fair value through profit or loss.
2. **Impairment**, widely regarded as the most consequential of the three pillars, in that the standard replaced the incurred-loss model with the Expected Credit Loss (ECL)

model, a model demanding the forward-looking recognition of potential losses on the basis of past events, present conditions, and future forecasts.

3. **Hedge Accounting**, where the standard introduced a more flexible model, incorporating substantial revisions that align accounting treatment more closely with an entity's actual risk-management practices.

The International Monetary Fund has affirmed that when countries adopt international accounting standards to govern the regulation and preparation of financial reports, the result is a more robust financial system, one capable of diversifying and expanding the scope of its operations. Such adoption strengthens confidence in financial information, raises the overall level of transparency, and helps establish a unified language of finance and business, thereby reinforcing confidence in the global economy [7].

1.2 The Expected Credit Loss (ECL) Model and Its Stages

The Expected Credit Loss model stands at the very core of the transformation IFRS 9 represents, compelling banks to recognize credit losses from the moment of a financial instrument's initial recognition, taking into account past events, current conditions, and reasonable, supportable forecasts of future economic scenarios. Expected credit losses are, by definition, probability-weighted estimates of credit loss. Credit loss itself is defined as the difference between the contractual cash flows owed to the entity and the cash flows the entity expects to receive, discounted at the original effective interest rate [8]. The time value of money must be taken into account when calculating expected credit losses, and banks are required to discount expected cash flows at the effective interest rate determined at initial recognition.

2. Materials and Methods

The approach adopted by most banks in estimating expected credit losses draws together four components:

1. **Probability of Default (PD)** - an expression of the likelihood that a default event will occur.
2. **Loss Given Default (LGD)** - an expression of the magnitude of loss likely to result from default.
3. **Exposure at Default (EAD)** - a measure of the outstanding balance at the time default occurs.
4. **Discounting** - a measure of the time value of money.

These components are measured against default risk over one of two distinct time horizons, depending on whether the borrower's credit risk has increased significantly since the date the loan was granted; this assessment rests on a combination of quantitative and qualitative elements alongside forward-looking indicators. Expected credit losses are typically measured on an individual basis, though collective measurement becomes appropriate when the information available about a given borrower is less specific.

Under IFRS 9, the probability-weighted estimates of credit loss are determined using a range of possible outcomes, drawing on reasonable and supportable information available without undue cost or effort. This requires calculating expected credit losses for each economic scenario considered, weighted by the probability of that scenario occurring. Although the term "undue cost or effort" is not precisely defined within IFRS 9 itself, it encompasses information about past events, current conditions, and forecasts of future economic conditions, together with information available for financial reporting purposes. While a bank is not expected to undertake an exhaustive search for such information, what counts as available without undue cost or effort remains a matter of

judgment for the management of the reporting entity, weighed against the relevant costs and benefits.

2.1 The Significance of Implementing the International Standard (IFRS 9)

IFRS 9 stands among the most significant accounting standards to emerge in response to the lessons of the 2008 global financial crisis, a crisis that exposed the shortcomings of the incurred-loss approach in recognizing credit losses early enough , a failure that contributed to deepening the crisis's impact and prolonging its duration. The standard introduced new requirements governing the classification and measurement of financial instruments, hedge accounting, and the recognition of expected credit losses, thereby strengthening its capacity to improve the quality of financial reporting and raise the efficiency of risk management within banking institutions. The significance of implementing IFRS 9 can be illustrated through the following dimensions:

1. The standard rests on an expected-credit-loss approach, requiring banks to build provisions based on the probability of default or non-payment by borrowers, ensuring the early recognition of credit losses and limiting the adverse effects that follow from them.
2. Implementation strengthens confidence in the banking sector by improving the management of deposits and loans and by offering depositors a higher level of protection and assurance than earlier practices provided.
3. The standard enhances the efficiency of credit-granting processes by placing greater emphasis on the precise assessment of customer creditworthiness, thereby limiting the risk of default on financial obligations and strengthening banks' capacity to manage credit risk.
4. Implementation entails the revaluation of numerous financial instruments at fair value and a more precise calculation of credit provisions, with direct consequences for banks' financial statements and financial position.
5. The standard supports the adoption of a more comprehensive framework for managing credit risk, one that requires effective internal control systems and sound governance practices to ensure the standard's requirements are properly applied and its objectives achieved.

Despite the considerable importance of IFRS 9, many banks around the world continue to face challenges in its implementation, given the demands it places on technical infrastructure, the availability of integrated databases, and the adoption of advanced risk-measurement models. The standard centers principally on three core pillars: the classification and measurement of financial instruments, the calculation of expected credit losses, and hedge accounting alongside risk management.

3. Result and Discussion

3.1 The Regulatory Framework for Implementing the Standard in Iraq

The Central Bank of Iraq issued a series of instructions and guidelines to regulate the implementation of IFRS 9 across Iraqi banks, mandating that all commercial and Islamic banks apply the standard beginning January 1, 2019. These instructions addressed disclosure requirements, models for calculating expected credit losses, transitional treatments, and capital adequacy requirements in accordance with Basel standards [9]. The Central Bank oversaw the implementation process through its Banking Supervision and Control Department, which is responsible for monitoring banks' compliance with the standard's requirements and assessing the quality of implementation.

Some of the accounting literature holds that, despite its importance, the Iraqi regulatory framework suffers from certain gaps. Hashim and Hussein's study found a

need for more detailed instructions addressing Islamic financial instruments within Iraqi Islamic banks. Rashid's study likewise found that the instructions issued by the Central Bank of Iraq for implementing IFRS 9 fall short of serving as an adequate implementation guide, given that the standard requires clear, actionable guidance capable of being followed in practice by those applying it [10].

3.2 Review of the Literature and Identification of the Principal Challenges Facing IFRS 9 Implementation in Iraqi Banks

Despite the significance of IFRS 9 in strengthening the quality of banks' financial reporting, the Iraqi banking environment faces numerous challenges and constraints in its implementation. These challenges stem both from the particularities of Iraq's economic and institutional environment and from the inherent complexity of the standard and its advanced technical requirements. This section presents and analyzes a body of literature addressing the standard's application across the Iraqi, Arab, and international banking sectors, drawing out the most salient shared challenges through the following review [11].

Ismail and Amaarouf set out to assess the capacities available within the Iraqi and Libyan banking sectors for implementing IFRS 9, alongside identifying the principal challenges likely to impede that process. The study relied on a purpose-built questionnaire comprising four dimensions for measuring implementation capacity and five dimensions for diagnosing associated challenges, drawing on a sample of eight Iraqi banks and seven Libyan banks during 2020. The findings showed broad agreement among the sampled banks on the importance of adequate material, human, and technical resources, as well as the necessity of government and regulatory support in facilitating compliance with IFRS 9's requirements. The results also revealed a cluster of challenges limiting implementation effectiveness, with cost constraints emerging as among the most prominent obstacles banks face in this domain [12]. The study further found differences between Iraqi and Libyan banks in the level of capacity available for implementation, while no substantial differences emerged between the two groups regarding the challenges and obstacles confronting the implementation process itself.

Hassan and Hussein sought to determine the extent to which commercial banks operating in the Kurdistan Region of Iraq had adopted the requirements of IFRS 9, shedding light on the dimensions of its implementation in light of contemporary accounting principles and concepts. The study proceeded from the premise that implementing the standard poses a challenge for Iraqi commercial banks generally, and for banks in the Kurdistan Region in particular, given the advanced technical, accounting, and procedural requirements it demands. The findings revealed a high level of support among commercial banks in the region for adopting international accounting and financial reporting standards, reflecting a growing awareness of these standards' importance in advancing banking practice and improving the quality of financial reporting. By contrast, the results showed that roughly one-third of the sample reported that IFRS 9 was not being effectively applied within their banks, with compliance in some cases limited to standards or procedures that did not fully align with local and international regulatory requirements, a finding that points to the persistence of challenges obstructing the standard's comprehensive and effective application [13].

Tuman addressed the technical requirements necessary for implementing IFRS 9, alongside setting out the key procedures and steps required to prepare the Iraqi banking environment for the standard's adoption. The study focused on the fundamental changes the standard introduced, particularly with respect to the measurement of credit losses, given its replacement of the previously adopted incurred-loss approach with an expected-credit-loss approach grounded in the principle of early loss recognition. The study clarified that IFRS 9 requires the recognition of expected credit losses following an instrument's initial recognition and at each subsequent reporting date, through one of

two methods: calculating twelve-month expected credit losses for instruments that have not experienced a significant increase in credit risk, or calculating lifetime expected credit losses where a notable increase in that risk has occurred [14].

Hassan aimed to analyze the difficulties facing the implementation of IFRS 9 in Iraqi commercial banks and to determine their effect on banks' financial performance, drawing on data collected from a sample of ten Iraqi commercial banks. The study found several difficulties in implementing IFRS 9, including problems with the probabilistic model itself and the unavailability of data sufficient for assessing financial risk [15]. It further found that these difficulties carry a negative effect on banks' financial performance, underscoring the importance of adopting strategies to overcome them.

Hamad examined the relationship between IFRS 9 and liquidity risk, credit risk, and capital adequacy in Iraqi banks, using a panel-data regression model with 187 observations spanning 2014 to 2024. The study found that liquidity risk exerts a substantial effect on bank profitability, that implementing IFRS 9 compounded the complexity of managing that risk, and it emphasized the importance of strengthening liquidity management to ensure the stability of the Iraqi banking sector.

Al-Kefari and Abed reviewed the requirements of IFRS 9 alongside the extent of private Iraqi banks' compliance with its content requirements. The study reached several conclusions, chief among them the necessity of applying IFRS 9 to financial instruments across the sampled banks, as well as the existence of considerable challenges facing banks in particular, and economic units more broadly, regarding the substantial increase in credit risk recognized at the point of initial application of expected credit losses under the standard [16]. The study further found that implementation contributes to an increase in loan-loss provisions, yielding more informative provisioning, particularly as credit conditions deteriorate.

In a comparative context, Morshed found, in a study of Jordanian banks, that implementing IFRS 9 led to an increase in loan-loss provisions that negatively affected profitability measures such as return on assets and return on equity, the latter registering an average decline of 4.22 percentage points following implementation. The study's findings nonetheless also pointed to improvements in financial transparency and stability, attributable to more accurate credit-risk assessment.

From a broader regional perspective, Abuaddous found, in a study of Gulf banks, that implementing IFRS 9 encountered several fundamental challenges, most notably a shortage of historical data, difficulty in constructing statistical models, and a limited pool of specialized human expertise [17].

At the international level, a World Bank report, in a comprehensive study spanning ninety-one countries, identified the three most significant challenges facing banks in emerging and developing economies in implementing IFRS 9: modeling risk, low data quality and availability, and limited staff capacity. The report emphasized that small banks in particular face genuine difficulties in using forward-looking information to model the probability of default and significant increases in credit risk.

In the same vein, Awuye and Taylor, adopting a systematic literature review methodology, found that the most prominent problems identified across the literature center on data-related issues, forecasting uncertainty, and the interaction between IFRS 9 and other regulatory standards. The study further observed variation across countries in the quality of financial reporting following implementation.

Anssari and Al-Tamimi addressed IFRS 9 with the aim of facilitating bankers' understanding of its value and application [18]. The study drew on prospective historical analysis as one of its principal tools, seeking a deeper understanding of the standard and its optimal implementation. It found that bankers and firms alike face challenges in

understanding and applying IFRS 9, a gap in comprehension that raises concerns in its own right.

Giovannini and Schifino examined IFRS 9 and the substantial challenges it poses for financial institutions, drawing on a survey the Bank of Italy conducted across a sample of banks and non-bank financial institutions to track the approaches in use. The evidence points to considerable variation in practice, some of which may impede the standard's sound application, whether through the underestimation of expected credit losses or the delayed transfer of assets between stages [19]. Such effects, in turn, exert a negative influence on institutions' own funds and on the indicators used for supervisory purposes.

Madah Marzuki et al. examined the effects and challenges of the standard's revised requirements in Malaysia, from the perspective of regulators, auditors, accountants, and academics within Malaysian Islamic financial institutions. The study found that IFRS 9 enhances IAS 39 in terms of relevance and reliability, the recognition of financial instruments, and the determination of business models. Islamic financial institutions, however, face particular challenges concerning the faithful representation of fair value, the preference for substance over form, the classification of financial instruments ahead of recognition criteria, and the extent to which risk management can curb manipulation in determining business models [20].

Turning to studies focused specifically on the Iraqi context, Aliyah et al. addressed the obstacles to implementing IFRS 9 within the Iraqi banking sector, proceeding from the premise that the sector faces genuine difficulty in applying international standards. The study adopted a descriptive methodology combined with a case study of the Middle East Bank for Investment and Development, finding that the bank gave close attention to recognizing differences in financial assets measured at fair value through profit or loss, given their substantial effect on the financial statements and shareholders' equity, yet the bank encountered real difficulties in meeting the requirements for measuring expected credit losses. In the same context, Hashim and Hussein confirmed that the most prominent challenges facing Iraqi banks in implementing the standard lie in the weakness of available technical and human capacity, alongside the limited detail of the guidance issued by the Central Bank of Iraq.

Rashid, by contrast, found a growing interest among private Iraqi banks in adopting international accounting and financial reporting standards, IFRS 9 in particular, given its importance in strengthening banks' capacity to confront future risk through the expected-credit-loss methodology and the provisions it requires. The study found that the classification and measurement requirements under IFRS 9 rest principally on the business model a bank follows and the contractual characteristics of a financial instrument's cash flows, representing a fundamental shift from IAS 39, which had relied on more complex and ambiguous classifications tied largely to management's intent in handling financial assets [21]. The study further found that IFRS 9's issuance marked an important turning point in accounting thought and practice, in adopting fair value as the principal measurement basis for financial instruments while retaining the possibility of using amortized cost in specific cases. The ECL model, moreover, contributed to unifying the methodology for calculating losses across all financial instruments, in place of the multiple, complex models IAS 39 had entailed — thereby strengthening comparability among financial instruments under similar conditions. Despite this, the study concluded that the instructions issued by the Central Bank of Iraq regarding IFRS 9 remain insufficient to serve as a fully integrated implementation guide for banks, calling for clearer and more detailed directives to support sound implementation and facilitate stakeholders' understanding of its requirements.

Shaker and Hashem , for their part, examined the mechanism for calculating credit losses under IFRS 9 and the extent of its application within Al-Ahli Bank of Iraq,

proceeding from the premise that modern accounting standards require banks to account for the financial risks associated with loans and other financial instruments they hold [22]. The study found that implementation requires recognizing expected credit losses and disclosing them within periodic financial reports, with continuous updating of estimates, thereby providing investors and regulators with more accurate information on the level of credit-risk exposure and the efficiency of the bank's risk management. The study further found that adopting the ECL model at Al-Ahli Bank of Iraq improved the bank's capacity to assess and understand credit risk, with positive implications for the quality of credit-granting decisions and risk management. It concluded that sound implementation of IFRS 9's requirements strengthens the transparency of financial reporting and enhances its predictive capacity regarding potential losses, alongside improving credit-risk management more broadly [23]. The study nonetheless emphasized the need to develop the bank's technical infrastructure to ensure more accurate and efficient collection and analysis of financial data and credit ratings, alongside continuous training programs for staff to deepen their understanding of the standard's requirements and implementation mechanisms, and the adoption of forecasting models better suited to measuring expected credit losses more reliably.

3.3 The Principal Challenges Identified Through the Literature Review

The review of the relevant literature reveals a cluster of interlocking challenges that impede the implementation of IFRS 9 within the Iraqi context, which can be classified under two principal headings: institutional-environmental challenges, and technical-modeling challenges.

- **Institutional and Environmental Challenges.** The studies converge on the finding that the Iraqi banking environment lacks the institutional foundations necessary for the standard's sound implementation [24]. Hashim and Hussein and Ismail and Amaarouf both confirm that weak technical and human capacity constitutes a fundamental obstacle, compounded by the limited detail of the guidance issued by the Central Bank of Iraq, a finding corroborated by Rashid, who concludes that the available regulatory instructions are insufficient to steer banks toward correct implementation. Hassan and Hussein add to this picture their finding that a third of banks operating in the Kurdistan Region fail to comply with the standard within the approved regulatory framework, reflecting a clear gap between official policy and actual practice. Ismail and Amaarouf further identify cost constraints as among the most prominent challenges shared by both Iraqi and Libyan banks alike [25].
- **Technical and Modeling Challenges.** These center on the difficulty of implementing the Expected Credit Loss model. Aliyah et al. find that Iraqi banks face genuine difficulties in measuring these losses in accordance with the standard's requirements, a finding reinforced by Hassan, who points to problems inherent in the current model itself and to the scarcity of data adequate for assessing financial risk. At the international level, the World Bank, in its comprehensive study of ninety-one countries, confirms that modeling risk, poor data quality, and limited human capacity constitute the three most significant challenges facing banks in emerging economies, challenges that apply with particular force to the Iraqi banking reality. In the same regional vein, Abuaddous identifies comparable challenges in Gulf banks, including a shortage of historical data and difficulty in constructing statistical models, while Awuye and Taylor draw attention to the challenges arising from the interaction between IFRS 9 and other regulatory frameworks, and the additional complexity this interaction introduces into the implementation process [26].
- **Financial Consequences.** Al-Kefari and Abed demonstrate that implementing the Expected Credit Loss model leads to a marked increase in loan-loss provisions, a finding likewise evident in Morshed's study of Jordanian banks, which recorded a

decline in profitability indicators following implementation. Hamad further highlights that implementing the standard compounded the complexity of managing liquidity risk within Iraqi banks. On the question of comprehension and professional understanding, Anssari and Al-Tamimi caution that bankers' and accountants' limited familiarity with the standard's requirements constitutes, in itself, an obstacle to effective implementation, a concern echoed by Madah Marzuki in the Malaysian context, with respect to the difficulty of faithfully representing fair value and determining appropriate business models [27].

Taken together, this body of literature reveals that the challenges of implementing IFRS 9 in the Iraqi context are not the product of any single factor, but rather the cumulative result of several interlocking structural conditions: an inadequate regulatory and advisory framework, weak technical and informational infrastructure, a shortage of qualified human capacity, and the difficulty of applying probabilistic models in the absence of reliable historical data. These challenges call for a comprehensive and coordinated approach, uniting regulatory bodies and banks alike.

4. Conclusions

Through its review of the local, Arab, and international literature concerning the implementation of IFRS 9 in Iraqi banks, this study arrives at a set of conclusions, which may be summarized as follows: The weakness of data infrastructure and the incompleteness of the historical data series required to calculate Expected Credit Losses (ECL) stand as the most significant challenge facing Iraqi banks, given that the standard's models depend fundamentally on long-term historical data and forward-looking economic forecasts, resources the Iraqi environment largely lacks. Iraqi banks suffer from a scarcity of human capacity specialized in international accounting and risk modeling, compounded by weak ongoing training programs addressing the standard's implementation requirements, producing a wide gap between the standard's technical demands and actual executional capacity. The studies reviewed reveal a clear inadequacy in the regulatory and supervisory framework issued by the Central Bank of Iraq: the guidance currently available remains below the level required to steer banks toward sound and unified implementation, in the continued absence of detailed instructions addressing the particularities of Islamic financial instruments and the Iraqi economic environment.

The requirements of the Expected Credit Loss model lead to a marked increase in loan-loss provisions, with adverse consequences for profitability indicators such as return on assets and return on equity, while further compounding the complexity of liquidity-risk management, a pattern observed consistently across both local and regional studies. Iraqi Islamic banks face compounded challenges in implementing the standard, as general implementation difficulties intersect with problems specific to the nature of Islamic financial instruments, including the difficulty of faithfully representing fair value and determining appropriate business models. Comparative studies at the regional and international levels indicate that the challenges facing Iraqi banks are not unique to Iraq, but constitute a shared feature of banks across emerging and developing economies. The particularities of the Iraqi environment, however, namely its weak informational infrastructure and institutional fragility, render these challenges more acute and more deeply entrenched than in comparable settings. Despite these challenges, the literature converges on the view that the standard's correct implementation strengthens financial transparency and reporting quality, affording investors and regulators a more accurate picture of banks' actual credit-risk exposure, which makes overcoming these challenges a strategic necessity rather than an optional undertaking.

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