Alexandria University
Faculty of Commerce
Accounting Department

The Impact of loan loss Provisions under IFRS 9 on the Financial Reporting Quality and Financial Performance: An Empirical Study on Banks listed in Egyptian Stock Exchange

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Prepared by:

Noha Said Mohamed Gabr

Under the supervision of:

. Mohamed Abdel-hameed Tahoun
ofessor of Accounting and Auditing
Faculty of commerce
Alexandria University

Dr. Ayman Ahmed Shetewy
Professor of Accounting and Auditing
Faculty of commerce
Alexandria University

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Abstract

This research aims to examine whether the expected credit loss model under IFRS 9 better mirrors the credit quality of financial assets by concentrating on the loan loss provisions and comparing its determinants based on the incurred loss impairment model (old model) and after the adoption of IFRS 9 (new model).

The level of attention that researchers and practitioners have paid to the adoption of IFRS over the past decade is not surprising. However, to date, empirical studies on the impact of the adoption of IFRSs have produced mixed results. The studies have differed in the measurement and modelling of the financial reporting effects being examined, used different data sets, and the results were different.

The results from using aggregate measures, in a comprehensive approach, shows that IFRS 9 application don't have a significant effect on financial reporting quality indicators represented in predictive ability, earning management, and value relevance, with only significant value on capital management. Also, IFRS 9 don't enhance the financial performance of banks listed in Egyptian Stock Exchange.

Keywords: Loan loss provisions- Financial Instruments – Expected Loss Model- Incurred Loss Model - Non performing Loans- financial reporting quality- Financial performance.