



# Financial Services in Uncertain Time

## Early Warning Systems

### Context

- In recent years, financial institutions have built their loan portfolios in conditions of long-term economic growth. This has abruptly changed and the banks are exposed to a sharp increase of non-performing loans.
- A key prerequisite for maintaining a healthy loan portfolio is Early Warning - early problem identification, facilitated by a system solution – Early Warning System (EWS).
- An EWS proactively and systematically seeks potential problem indicators on the portfolio level as well as on the level of individual borrowers, to ensure that required steps are taken promptly and losses from problem loans are prevented or minimised.
- The current practice of annual reviews does not identify the problems early enough. Many banks have already recognised the value of Early Warning and have started to implement them as a response to the economic crisis.

### Risks and Challenges

- How to identify problems early using internal and external data based on financial and non-financial indicators.
- How to identify the root cause of the problem.
- How to identify problems before they impact our borrowers.
- How to evaluate and analyse large amount of potential problems in a short time.
- How to improve collateral value monitoring.
- How to identify early problems in the real estate projects portfolio.

### How Deloitte can help

Implementation of models for the evaluation of Early Warning and credit risk triggers and its prioritisation.

Collect and organise customer data from external and internal sources relevant for evaluation by an EWS.

Implement a technology solution for Early Warning process monitoring.

Educate existing staff on EW and Early warning indicators' impact on existing processes and their roles.

Assign EW responsibilities to existing and/or new staff.

Contact us for more information: [deloitte.sk@deloittece.com](mailto:deloitte.sk@deloittece.com)