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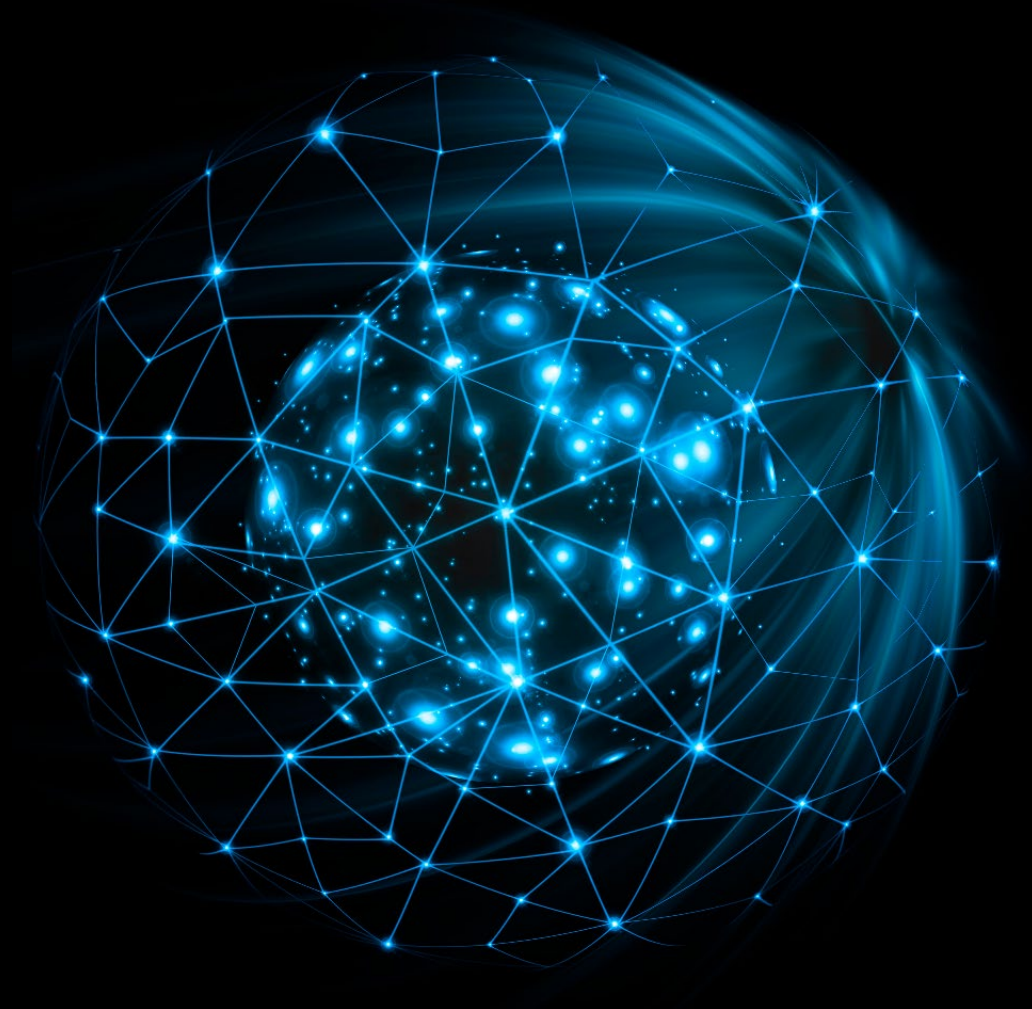


Transforming credit risk processes

Innovating for a resilient financial future

2025

MAKING AN IMPACT THAT MATTERS since 1845

Credit risk process transformation: Getting ahead of the curve

Credit risk processes are at the core of what commercial banks and credit risk institutions do. Effective and efficient credit risk management holds the key to operating a resilient and future-proof lending institution. Today's banking leaders must navigate a complex landscape of evolving regulations, geopolitical uncertainties and growing competition, with process optimisation required to manage both complexity and rising costs. Disruptions from emerging technologies and innovation across financial services compels banks to reinvent how they operate. Focusing on the high-impact steps in credit risk processes – becoming more agile, data-driven, and efficient – is critical to enable a resilient financial future.

In Europe, interest rates have come down after inflation cooling off. However, slower economic growth will affect banks' prospects. Many European banks will find a low-rate environment challenging and must adjust to ensure profitability and investor returns remain resilient. To stay competitive, banks will seek to optimise their credit risk processes to create the agility required to adapt to new strategies – fast!

The new wave of Artificial Intelligence (AI) led advances in the last few years has unleashed new possibilities to drive greater business efficiency and effectiveness. This new reality is challenging some fundamental assumptions about how innovative analytics and technologies can be embedded in the processes and systems across different bank departments.

Credit risk departments are not immune to these dynamics. Banks already seek to seamlessly integrate the latest machine learning (ML) (incl. neural networks), natural language processing (NLP), and generative AI (GenAI) tools within credit risk processes to increase efficiency and amplify employee productivity.

Geopolitical changes (e.g., inflation, tariffs and wars) increase the importance of effective credit risk assessments for new and existing loans. For example, the EBA Consumer Trends Report shows that rising interest rates and inflation have significantly increased borrowers' indebtedness levels, with forbearance measures needed to manage repayment pressure.

To achieve sustainable change, banks first must know where the credit risk process is performing – and where improvement will help most. At Deloitte we believe that fortune favours the bold and bold decisions require innovative technology. In this white paper, we discuss how banks can transform their credit risk processes, cut costs, mitigate risks while staying compliant and in turn improve employee experience by eliminating repetitive tasks through process transformation and optimisation.

This paper is divided into three sections:

- Key drivers for enhancing credit risk processes
- Tools for transforming credit risk processes in high impact areas
- Structured approach to prioritising opportunities

Credit risk process transformation: Key take-aways

Senior Management in banks face significant structural challenges which requires modernization, targeted change and agility to be successful. Our recommended transformation approach has been proven to optimize business processes and drive operational excellence.

What are the key drivers for transformation?

Banks are navigating a complex and dynamic business environment affected by;

- evolving regulations,
- rising costs,
- increasing complexity,
- growing competition and
- geopolitical uncertainties.

Which levers have the largest impact?

Maximising the benefits from transformation requires banks to identify and select approaches to enhance credit risk processes by utilizing;

- data standardization,
- process optimization and
- Increased automation through advanced technologies such as AI.

Which benefits will transformation bring?

Transforming the credit risk process to create more efficient, resilient and future-proof operations will;

- modernise resource allocation plus reduce costs,
- enhance new and emerging risk management,
- improve the quality and speed of client services and
- ensure regulatory compliance.

How do we approach transformation at peers?

Our structured approach enables European banks to deliver effective transformation by focusing on:

- Identification of quick wins and strategic initiatives across the credit risk lifecycle
- Prioritization based on value, feasibility and delivery risk
- Design, development and deployment of bespoke, credit risk process focused solutions

Deloitte brings expertise from transformations across European banks leveraging a multidisciplinary approach

Key drivers for enhancing credit risk processes

From application to collections: Navigating credit risk processes end-to-end

The scope of a credit risk process is extensive, covering a multitude of activities essential for managing and mitigating the risk of defaults. This process begins with comprehensive credit assessments and extends to collection and recoveries. An example of this process is illustrated below.

Credit risk processes are vital for banking institutions to ensure the soundness and stability of their lending activities. An effective credit risk process helps lending, credit risk underwriting and control teams to evaluate the creditworthiness of borrowers and mitigate the risk of defaults and losses within risk appetite. It is designed to protect the bank's portfolio by ensuring thorough risk assessment and adopting proactive measures to manage arising risks.

Different stages in the credit risk process must be interconnected to create a streamlined approach to managing risk. Any gaps or inefficiencies in one stage can adversely affect the overall risk management strategy. For example, inadequate credit assessments can lead to increased monitoring, while poor stress testing can result in flawed scenario analysis and inadequate resourcing in difficult times. Recognising the interconnected nature of these processes allows banks to implement more effective, cohesive risk management processes where all elements function optimally together.

Credit risk processes are not uniform. There are significant variances between portfolios and banks, influenced by factors such as size, complexity and maturity. According to the Basel Committee on Banking Supervision (2025), the core principles for managing credit risk should remain consistent, but each bank should adapt these principles to fit their unique needs and environments. For example, the roles and responsibilities of the first and second line of defence (1LoD, 2LoD) can vary. The 1LoD typically includes business units responsible for originating loans, conducting initial assessments, and managing credit files, whereas the 2LoD involves senior management and independent risk functions, providing oversight, developing policies, performing reviews and ensuring robust risk management practices. Ensuring independence and having smooth processes between 1LoD and 2LoD is key for efficient processes.

In this white paper, our focus is on retail and SME (small and medium-sized enterprises) portfolios. Retail portfolios typically have higher volumes of small loans whereas SME portfolios present more diversified risks, requiring specific risk measurement and management approaches.

Pre-qualification → Credit application → Application processing → Underwriting process → Credit decisioning → Loan structuring → Customer onboarding → Loan disbursement → Monitoring & servicing → Collections & Recoveries

Banks are driven by four needs to transform the core business

Nordic banks can significantly benefit from transforming their credit risk processes. Benefits come from cost reduction, better risk management, higher standard of service and stronger compliance.

Cost reduction

Leveraging advanced technologies (such as AI), automation and standardisation can lead to substantial cost savings.

Banks can reduce administrative costs and improve resource allocation by streamlining operations and minimising manual intervention.

Automation helps reduce errors and associated expenses. Investment in technology also promotes long-term savings by enhancing the operational efficiency and reducing the need for labour-intensive processes.

Manage emerging risks

The financial landscape is continuously evolving, presenting banks with new risks such as economic fluctuations, geopolitical tensions and climate change.

Transforming credit risk processes enables banks to better identify, assess and enhance overall credit risk management to ensure that banks remain resilient in the face of emerging challenges.

AI-driven models provide predictive analytics that can forecast potential threats and market changes, allowing banks to proactively adapt strategies and become more agile.

Higher standard of service

Transforming credit risk processes through technology significantly enhances the level of service banks can provide to their customers.

Automation rapidly handles routine tasks, thereby accelerating processing times for loan applications, whilst AI can deliver more accurate and timely decision-making, optimising workflows, and increasing productivity.

Standardisation of procedures ensures a consistent and streamlined approach, simplifying complex processes and reducing variability.

Ensuring compliance

Compliance with stringent evolving regulatory requirements is essential to avoid penalties, retain licence to do business and maintain reputational integrity.

Banks can integrate technologies to ensure their credit risk processes align with regulatory standards, with automated compliance checks and standardised reporting frameworks ensuring adherence to regulations.

AI and ML models can detect non-compliance issues early, enabling timely corrective actions as part of a proactive approach to compliance, reducing the risk of breaches and fostering a culture of accountability.

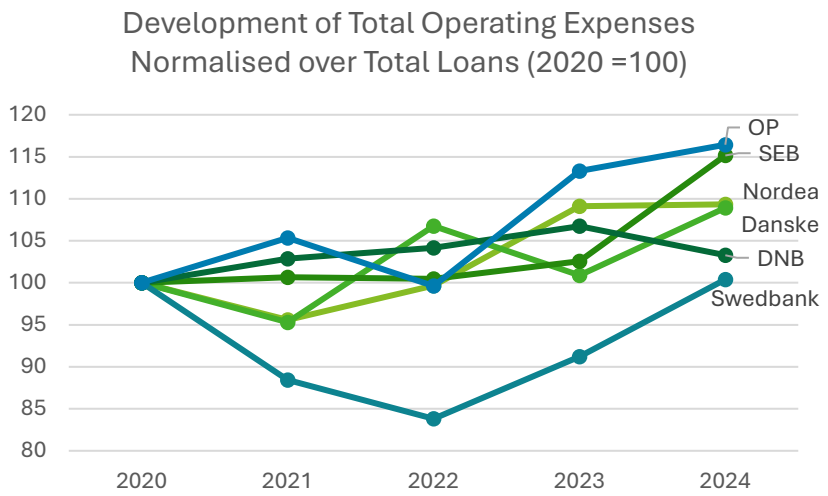
Cost reduction as a motivator for credit risk process transformation

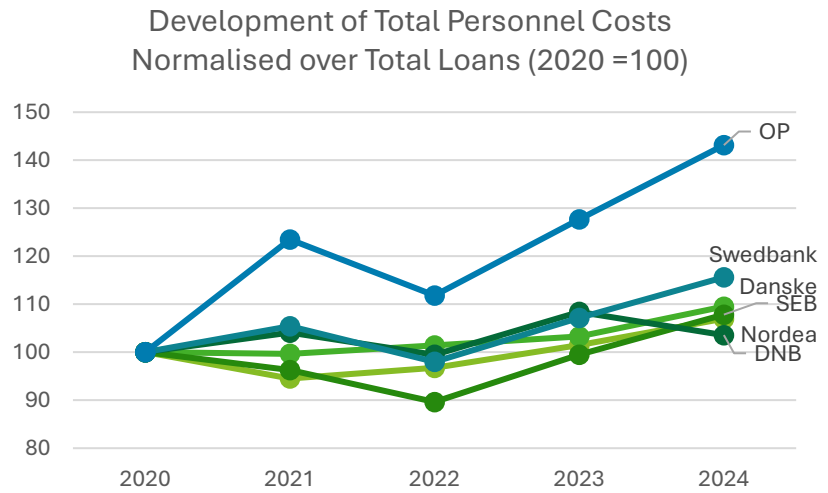
Cost reduction is a significant driver form firms assessing whether and how to transform credit risk processes. The focus comes from years of rising costs in areas requiring manual labour and administrative expenses, in traditional credit risk management processes still prevalent in Nordic banks. Credit risk process transformation is needed to drive the efficiency gains required to enable banks to serve their customers better and more promptly.

Rising costs across the Nordic banks is increasing personnel costs and operational expenses relative to credit risk and lending practices and processes. This combines with a broader underinvestment in credit risk management, creating a reliance on manual workflow, rising legacy systems maintenance costs and a patchwork of incomplete or disjointed digital solutions. Firms need to shift towards integrated lending systems and customer focused credit risk processes, which can underpin streamlined and automated solutions, to mitigate the risk of unsustainable costs.

Streamlining and automating routine credit risk management processes can lead to reduced time and resources spent on repetitive tasks. Automated systems facilitate faster processing of loan applications and risk assessments, improving both accuracy and turnaround to eliminate redundancies, enabling reallocation of resources.

Automation empowers teams to scale operations and maintain service quality. Streamlined processes support higher volumes whilst retaining or enhancing compliance, risk management standards and efficiency. Enhanced decision-making, quicker loan approvals and improved customer satisfaction are key outcomes, strengthening banks' competitive position in an increasingly cost-sensitive environment.





Tools for credit risk transformation and high impact areas

Tools for automation of credit risk processes – including AI

For each specific task in the credit risk process, different tools customised to standardise, optimise and automate can be applied. Under automation there are several AI tools to use.

Data standardisation
Standardise data to ensure that subsequent automation and optimisation efforts are built on reliable information

Process optimisation
Eliminate, simplify and standardise end-to-end processes to optimise credit risk operations before automation

Automation through technology
Exploring different automation solutions and designing a solution architecture

Robotic Process Automation

Automate repetitive tasks, reduce errors and optimise efficiency using software bots.

Use cases: *Transaction processing, account management, loan processing and compliance checks.*

Traditional AI

Advanced data analysis through deep learning, natural language processing and predictive modelling.

Use cases: *Risk assessments, credit scoring, fraud detection and investment management.*

Generative AI

Natural Language Generation, summarisation and content generation.

Use cases: *Automated customer support, compliance reporting, personalised marketing content and financial advice.*

Agentic AI

Autonomous decision-making, self-learning and adaptive behaviour, designed to interact seamlessly with humans and environments.

Use cases: *Cloud AI platforms for customer experience, automated early warning system and risk analysis.*

Enhancing credit risk process through transformation

Deloitte suggests a transformation approach focusing on three elements. These elements have been part of a foundational strategy for business optimisation for many years.

Data standardisation

Data standardisation ensures greater consistency and is the foundation for any process transformation. Credit risk teams can more accurately compare and evaluate credit risk metrics across different portfolios. Without better quality of data, automation efforts to address inefficiencies are undermined, reducing or slowing the path to benefits from transformation.

By standardising transaction data flows, banks can more effectively utilise information and then reuse it for a range of processes. For example, overlapping data collection and analysis processes for anti-money laundering (AML), loan origination, ongoing transaction monitoring and credit risk reporting can be brought together.

Standardised data structures and processes ensure subsequent automation and optimisation efforts can be trusted as they are based on reliable information, resulting in more efficient and effective operations. Applying a robust data framework, ideally that is consistent with the principles of BCBS 239, is fundamental to support and enhance every aspect of the credit risk process transformation.

Process optimisation

One common pitfall we observe with organisations embarking on their transformation journeys is the assumption that automation alone will magically fix fundamentally flawed processes. Banks should prioritise simplifying and redesigning processes to ensure they are running at peak efficiency before introducing automation. Smart use of data process mining can help quickly optimise processes from the outset while automating an imperfect, incomplete or irrelevant process only magnifies overall inefficiencies.

Transforming credit risk processes is not about removing all human involvement entirely but being judicious in integrating technology to boost efficiency without losing the human touch where it matters the most. Consider how the preferences of a bank customer (or internal customers such as lending teams) can vary with context: they may favour speed and convenience for routine transactional services yet still prefer direct human interaction when it comes to more nuanced and complex needs. Starting with an end-to-end view of the credit risk process can help pinpoint areas that will most benefit from optimisation.

Automation through technology

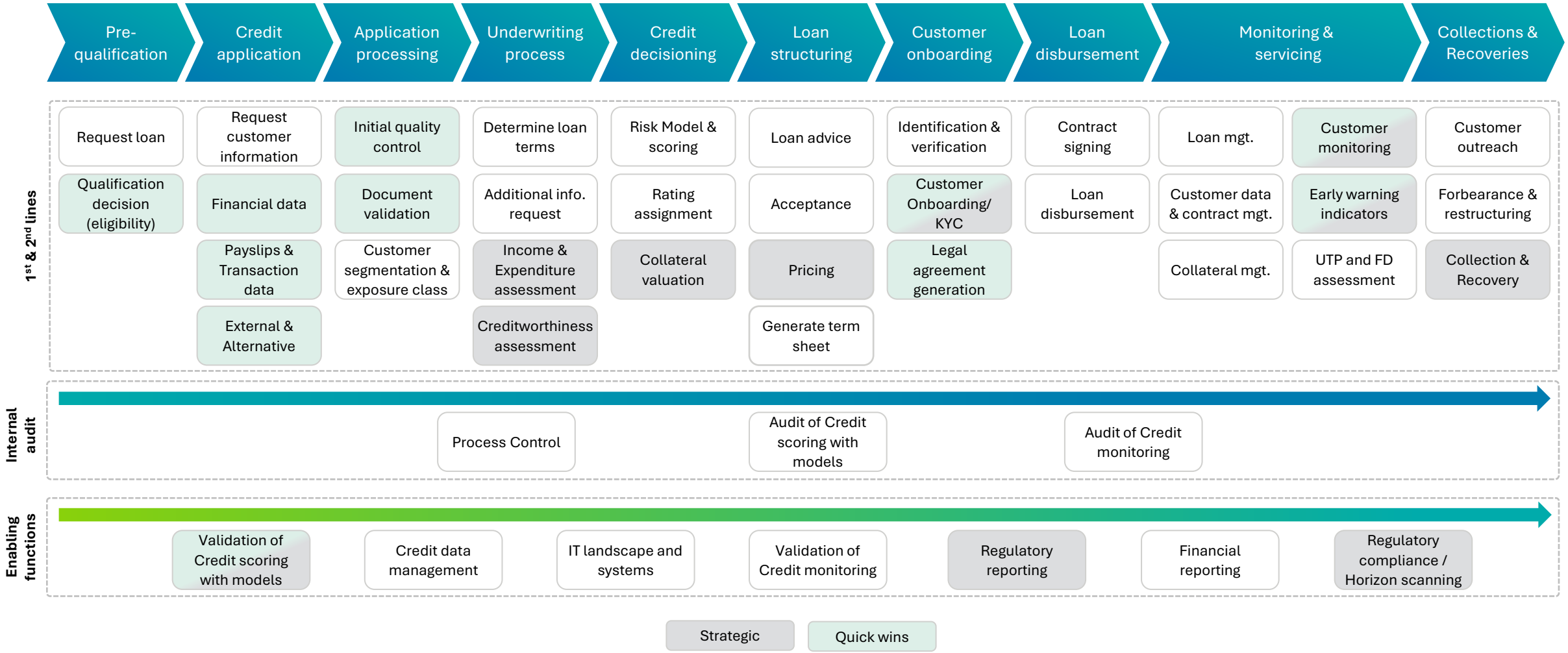
Automation frees up human resources for complex or creative tasks. This translates to faster processing times for loan applications, enhanced customer service and streamlined operations. Automated systems boost productivity by accelerating data-heavy tasks, enabling quicker decision-making processes.

Enhancing credit risk processes with AI enables businesses to make smarter data-driven decisions, detect trends and predict market changes. This helps banks capture the impact of market shifts, ensuring they can adapt strategies and offerings accordingly.

Given the risks associated with AI and the evolving regulatory landscape (e.g., the requirements set out in the EU AI Act), a hybrid approach that combines use of AI with human supervision is often preferred for critical operations. Challenger banks are already leveraging fully automated processes, while traditional banks seek to integrate automation with human oversight at critical moments.

High impact areas in the credit risk process with a focus on strategic and quick wins

There are several strategic and quick win stages within the credit process that can be considered high impact areas to focus transformation activities. Each bank must consider its own credit process and decide what opportunities it may have.



Structured approach to prioritising opportunities

Developing and implementing credit risk process transformation strategy

Best practices to design, develop and implement credit risk processes requires an effective transformation strategy with a structured approach, from high-level design to requirement setting and agile delivery. Setting a clear "North Star" helps to ensure changes in the credit risk process align with strategic goals, regulatory requirements and technology landscape – driving sustainable growth and operational excellence.

When considering different transformation strategies, banks can choose from two different approaches. The greenfield approach – building processes from scratch – is usually applied when a new institution enters the market, or when the legacy processes are incompatible in a merger scenario. Another option, the use-case approach, is generally less complex and more commonly used. It focuses on identifying specific areas within the existing credit risk processes that offer the greatest potential for improvement. By addressing these high impact areas, banks can achieve incremental yet effective transformation without the need for a complete overhaul.

Identification: A comprehensive assessment of the current credit risk process is essential to identify inefficiencies and areas requiring transformation. By evaluating current practices, banks can pinpoint opportunities for enhancement and set clear objectives. It is important to align these identified use cases to the organisations business strategy. Furthermore, these can be connected to broader initiatives that are already ongoing, helping to support the business case and acquire funding.

Prioritisation: After identification, banks should prioritise use cases based on their potential impact on cost reduction, risk mitigation, and feasibility.

Solution design & development: Once use cases have been prioritised, the next step is solution design and development. This phase develops a comprehensive plan for data standardisation, process optimisation and automation strategies. Creating a solution architecture aligned with best practices helps clear roadblocks related to data access and quality. The design should focus on simplifying, standardising and integrating processes to enhance efficiency. This may involve enhancing existing systems or selecting new tools that integrate seamlessly with current operations. For example, banks must decide appropriate IT strategy to integrate the latest technology into legacy processes and systems.

The development phase involves iterative development, starting small and scaling fast. Evaluating models on selected metrics that proxy business value and adhering to company policies on risks are key activities. Detailed requirements should be defined collaboratively with both business and IT through an interactive approach – 2LoD should approve solutions. Starting with general-purpose models and fine-tuning them, adopting evaluation-driven development and developing guardrails to mitigate risks are essential practices.

Deployment: Finally, in the deployment phase banks must conduct regular user tests, manage change, leverage continuous integration and continuous deployment (CI/CD) for model deployment, monitor solution usage, feedback and business impact. Defining how users interact with the model, building a defensive user experience, optimising operational costs and continuously monitoring solutions with irregular efficacy are critical for successful implementation.

1. Identification of opportunities across the credit risk lifecycle

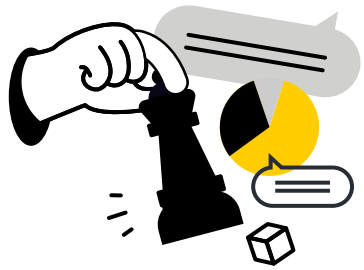
In the competitive financial landscape, banks must continuously seek opportunities to transform their credit risk processes. The strategic identification of use cases can significantly improve transformation capabilities once implemented.

The identification process begins with a comprehensive review of current credit risk processes, highlighting inefficiencies, manual errors and the lack of integration. Engaging key stakeholders from risk management, compliance, IT and business units uncovers real-world challenges and areas for improvement through collaborative workshops. Banks can leverage data analysis to understand trends and pinpoint process bottlenecks, which enables targeted interventions.

Banks can benchmark against best practices to understand how leading institutions handle credit risk. Furthermore, it can provide valuable insights into potential transformation areas. Evaluation of technologies like AI and machine learning reveals effective tools for enhancing credit risk process.

Evaluating regulatory requirements ensures compliance and reduces the risk of penalties. Effective risk management involves integrating advanced tools like predictive analytics and real-time monitoring to better assess and manage credit risks, reducing non-performing loans and defaults. Operational efficiency can be achieved by automating redundant tasks, freeing up employees for strategic activities and accelerating processing times.

Customer experience can be improved through faster processing, personalised loan products and seamless digital interactions, fostering loyalty and attracting new customers. Leverage of data analytics will provide insights into customer behaviour, market trends and risk factors for better informed decision-making and proactive risk management. The development of a strategic roadmap with SMART goals ensures alignment with the bank's overall vision and facilitates successful implementation.



Deloitte case study

Transforming the lending process

In digital lending, customers seek fast approval decisions enabled by streamlined application process and mobile access. Traditional banking assets fall short in providing the speed and ease of use borrowers are looking for. These advantages are offered by new market entrants through flexible technology and mobile access for fast approval decisions.

Our client asked for our support in positioning itself at the centre of a broad ecosystem of SME services to satisfy customer demands. We interviewed over 3,500 customers and employees to determine the customer expectations and established a “three lens” standard for technology selection: viable, feasible and positioned a modular, AWS-based, flexible & scalable programming environment. Instead of starting at the core of the organisation, we started at the edge to provide the bank with fintech-style type of speed and ease. We supported the bank to shift to agile development, resulting in the Digital Lending System, the first commercial use of the MVP after only 13 weeks from project inception.

The business case value capture was reduced to 1 year from the usual 3–5 years. The bank reimagined processes with wide employee participation, leading to a data-driven credit risk model that improved scoring accuracy. Retail account management costs were potentially cut by 75%–90%. Committed offers were delivered in 15 minutes, improving customer satisfaction from 6.8 to 9 out of 10.

2. Prioritisation based on value, feasibility and delivery risk

Prioritising credit risk transformation opportunities is critical for banks to focus efforts plus remain compliant and efficient through a change process. The most relevant starting point for prioritisation is the end-to-end credit process. All potential use cases must be prioritised considering the expected value, technical feasibility and risk management implications.

Value

Use case evaluation starts with the value component and assessing the impact of a use case on key metrics such as income uplift, efficiency gain, risk mitigation, customer satisfaction and employee satisfaction. Each use case is evaluated for its potential to drive these metrics and the required investment. For example, new products can boost income, while efficiency gains come from reduced manual processing and better credit decision accuracy. Risk mitigation involves reducing credit losses through better predictive models for borrower default, enhancing loan monitoring processes and more accurate credit scoring. Customer satisfaction is enhanced by quicker response times and higher retention rates, while employee satisfaction is measured by lower turnover and improved Net Promoter Score (NPS). Evaluating these factors helps banks understand the benefits and ROI of each use case.

Feasibility

Next, to determine if a use case is feasible, banks must look whether the organisation can deliver the use case. Technical feasibility includes determining whether the required data and its quality are available, if the solution can be integrated into the existing technology and data landscape, and whether the necessary technical expertise is present within the organisation. Feasibility ensures that the proposed solutions are practical and implementable within the bank's current infrastructure. For example, a use case that requires high-quality data must be supported by robust data management systems. Additionally, the solution must be compatible with the bank's existing technology stack, and the organisation must have the technical skills to implement and maintain the solution. Assessing feasibility helps banks identify use cases that are not only valuable but also achievable.

Risk

Risk assessment ensures that the use case and proposed change aligns with regulatory requirements and does not introduce new vulnerabilities or ethical dilemmas. Banks must evaluate whether the use case is expected to be allowed by regulators, if it will negatively affect the bank's risk management practices and whether it creates or raises any ethical or governance concerns. For instance, a use case that involves sensitive customer data must comply with data protection regulations. Additionally, the use case should not compromise the bank's risk management strategies or raise ethical issues related to governance. Evaluating different risks at this stage helps banks ensure that the use case is safe and compliant.

Example prioritisation framework

Use case	Value	Feasibility	Risk	Priority
#1	Proven value	Not achievable	High	**Not prioritised**
#2	Proven value	Achievable	Medium	**Prioritised**
#3	Limited value	Partly achievable	Medium	**Not prioritised**

3. Solution design and development

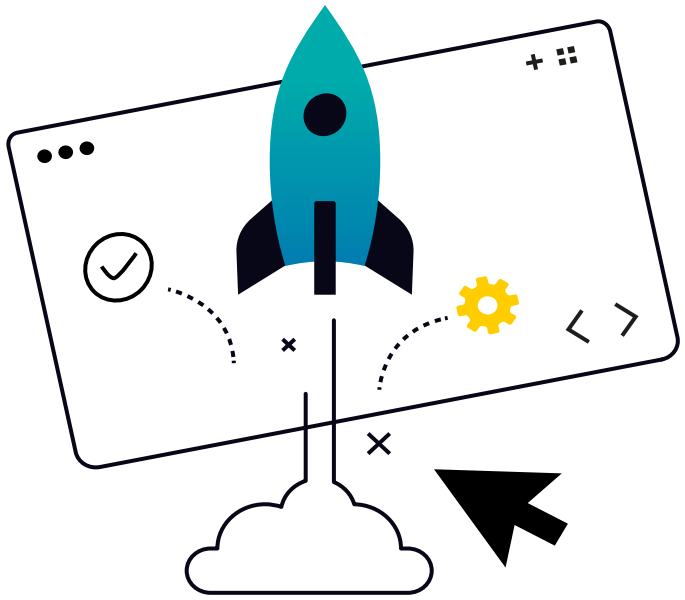
By focusing on data standardisation, process optimisation and automation strategies, banks can transform prioritised use cases into actionable solutions.

Solution design includes developing a comprehensive plan for data standardisation, process optimisation and automation strategies. To ensure that the design process is grounded in a clear understanding of the business needs and objectives, banks should gather high-level requirements for each use case.

Creating a solution architecture aligned with best practices helps remove obstacles related to data access and quality. The design focuses on simplifying and integrating processes to boost efficiency, which may involve enhancing existing systems or selecting new tools that integrate seamlessly with current operations. By resolving compliance issues, strengthening security measures, protecting privacy and adhering to ethical standards, banks can lay a strong foundation for subsequent development activities.

The development phase employs an iterative approach, beginning with small-scale models and scaling quickly. Key activities include evaluating models using metrics that proxy business value and adhering to company risk policies. Requirements are defined collaboratively by business and IT teams through an interactive process, ensuring alignment with strategic goals.

Starting with off-the-shelf general-purpose models and fine-tuning them to create customised solutions reduces development time and costs while enhancing relevance and effectiveness. Adopting Evaluation-Driven Development (EDD) involves custom evaluation methods to continually refine and improve models. This systematic approach ensures solutions evolve to meet changing business needs.



Deloitte case study

AI-driven Early Warning System

A leading Global Bank required an automated early-warning solution for its wholesale portfolio. The bank's existing processes were manual, lagging and inefficient, causing delays in regular monitoring reviews. First- and second-line officers spent considerable manual efforts filtering relevant information, resulting in staff shortages. Additionally, the monitoring reviews were neither comprehensive nor consistent.

To address these issues, Deloitte implemented a solution that involved full automation, ingesting 400k online data sources in real time and integrating workflows with existing systems for portfolio management. The solution included a feedback loop, industry and jurisdiction horizon scanning, role-based access and efficient notifications. We introduced a Gen AI chatbot for easy access to information for multiple user personas and developed custom dashboards to aggregate all data into a 360-degree customer view. Our proprietary taxonomy included over 350 risk indicators, covering 15+ languages and provided a 6m+ forward risk prediction.

The impact of this implementation was significant. The bank achieved savings on prevented exposure defaults and regulatory compliance, improved decision-making through informed and proactive credit risk decisions using timely and insightful data, and timely identification of risks. Potential threats were identified, and potential credit quality deterioration was predicted up to 18 months early for existing customers. Regulatory compliance was enhanced by delivering an automated early-warning system as required by the regulator.

4. Deployment of bespoke solutions

The deployment phase involves putting designed solutions into practice, ensuring the smooth integration of new systems and processes. This phase facilitates seamless operations and delivers measurable benefits to the bank and its customers.

Before fully deploying solutions, it is imperative to conduct regular user tests to validate the effectiveness and reliability of the transformed process and systems. This involves simulating real-world scenarios and gathering feedback from end-users to identify any issues or areas for improvement (e.g., via dry runs). User tests help ensure that the solutions are user-friendly and meet the intended objectives.

Change management is equally essential during the deployment phase. Banks must proactively manage the transition, addressing potential challenges and resistance from staff and impacted teams. Providing adequate training and ongoing support helps ease the transition, ensuring employees are equipped to use new systems efficiently and reap the benefits in their day-to-day roles. Effective change management fosters acceptance and smooth integration of the new processes.

Continuous Integration and Continuous Deployment (CI/CD) practices enable banks to automate the integration of code changes and streamline the deployment process. By leveraging CI/CD, banks can ensure that updates and improvements to the models are deployed rapidly and reliably, minimising disruptions and enhancing the overall efficiency of the deployment process. Automation through CI/CD allows for frequent and incremental updates, ensuring that the models remain up-to-date and capable of handling evolving business requirements. This approach reduces the risk of errors and accelerates the deployment timeline.

Once solutions are deployed, continuous monitoring is essential to evaluate their performance and impact on the business. Banks should track solution usage to ensure they are being utilised effectively and delivering the expected benefits. Monitoring metrics, such as processing times, accuracy and user satisfaction, provide valuable insights into the effectiveness of the new systems. Collecting feedback – both explicit and implicit – from users helps identify opportunities for enhancement. This feedback loop is vital for making necessary adjustments and refinements to the solutions, ensuring they continue to meet the needs of the bank and its customers.

It is essential to clearly define how users interact with the deployed new systems / AI models and set response boundaries. Providing a defensive user experience (UX) guides users on how to use possible AI solutions effectively. By defining boundaries, banks can prevent misuse or misinterpretation of AI outputs, ensuring that users understand the limitations and capabilities of the models. Creating a responsive UX helps users feel confident in using the new systems, fostering trust and acceptance. This is particularly important for AI solutions that may be perceived as omniscient black boxes, with effective controls required to ensure the AI can be considered trustworthy by design. Providing transparency and guidance to users is critical to help demystify AI and encourage users to engage with the technology effectively.

While deploying solutions, it is crucial to structure solutions which optimise costs to avoid unnecessary expenses. For example, a negligible cost per API call can accumulate into a substantial bill if deployment is not managed efficiently. Banks should implement cost-effective strategies and continuously monitor expenditure to ensure a deployment remains within budget.

Maintaining continuous monitoring for irregular efficacy is crucial for long-term success. Actively collecting and analysing user feedback can reveal subtle issues that may not be immediately apparent. Monitoring for irregular efficacy ensures that the solutions remain effective and deliver the intended results consistently.

Closing Remarks

This white paper has explored the key aspects for identifying and implementing use cases for credit risk process transformation in banks. We discussed the importance of credit risk management, highlighting how robust credit risk processes can ensure losses are within credit risk appetite and ensure compliance. Efficiency and accuracy are key, with advanced analytics, automation and AI together with human involvement creating new opportunities for significant improvements. By prioritising and developing use cases, banks can make targeted and strategic investments whilst continuing to deliver for their customers.

Looking ahead, banks face new challenges to balance operational efficiency, ability to address an evolving risk picture and meet challenging regulatory requirements. Emerging technologies will continue to play a pivotal role in transforming credit risk processes, with AI and machine learning leading the way. However, integrating these technologies seamlessly across the credit risk management lifecycle remains a challenge that requires careful planning and significant investment.

Integrating solutions within the overall risk management environment is a must. Technology risks such as cybersecurity will become increasingly critical as banks digitise their operations further. Ensuring robust defence mechanisms against breaches will be vital to maintaining trust and stability. Moreover, managing data effectively will demand advanced systems capable of handling large volumes and ensuring real-time accessibility, not just for credit risk purposes but also broader needs such as anti-money laundering.

However, cost reduction will remain a priority, necessitating banks to streamline processes and use and allocate resources more efficiently. Banks must continually refine their strategies, using technology to drive operational efficiencies and enhance customer service without compromising the integrity of risk assessments.

We encourage banks to embrace credit risk process transformation strategies, investing in technology and processes that enhance efficiency, accuracy, security and compliance. By doing so, banks will not only navigate the challenges of today but also build a resilient, adaptable framework for the future. In our opinion, proactive transformation of credit risk processes is a “must-do“ priority. If done right, it will position banks to manage risks effectively, optimise costs and deliver exceptional services to their customers.

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