MOODY'S ANALYTICS

LENDING UNDER PRESSURE

Lending in turbulent times

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A challenging market is leading lenders to re-invent their processes. Most will focus on the ability to systematically collect, analyze and report data.

Eric Grandeo is a Senior Director in lending software and solutions. His portfolio includes commercial credit origination systems the CreditLens™ solution and LendingCloud, the QUIQspread™ tool for automated spreading, the MARQ™ portal and the Accelerate Farm Profits™ solution. He has worked at Moody's Analytics for 12 years.

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The challenge

Throughout Europe, small and large lenders are facing challenges brought about by a rapidly changing market. Regulatory, economic, and technological developments have combined to make the lending landscape harder to navigate. Many institutions are seeking to understand the impact of rapid change on their organization and how they can adapt.

The Covid-19 pandemic has had wide-reaching effects, and increased insolvencies present heightened credit risk. As the post-pandemic recovery gathers pace, demand for loans is growing, but lenders' optimism is tempered by concerns about inflation and interest rates.

All these trends are putting lenders under pressure. They are already dealing with high underwriting costs and strong margin pressures, as well as capital and liquidity constraints. Further challenges come from mounting regulation, some of it potentially burdensome.

Lenders need to overcome the challenges and take advantage of the opportunities presented. Many are adopting new strategies and technology as they find their place in the changing environment. Data and analytics have been hailed as potential solutions to several problems, but these bring their own challenges. Institutions are struggling to make the best use of large amounts of data and turn it into profitable insights.

The opportunity

The shifting landscape unearths risks and challenges, but also provides plenty of opportunities to be gained if lenders think creatively.

One huge opportunity comes from the vast amount of data available to lenders, and institutions are developing data-driven lending models. The principal benefits will be lower costs and increased efficiency, but the potential of a data-led culture goes far beyond these – so long as lenders manage and analyze data well.

PDF Read our full Bank Lending Industry - Europe trends report

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"There's a great amount of data in the market, but identifying real actionable steps is the next frontier," says Eric Grandeo, Senior Director at Moody's Analytics. "Simply adding data can be unhelpful and overwhelming. Banks need to work out how to make the most sense of their data and connect the dots from various departments to aid strategic decision-making."

Grandeo highlights the importance of alternative data. Ambitious lenders are combining internal data with external sources such as data on climate or ESG, reducing their reliance on the information that customers provide. But the potential of doing so has not yet been fully explored.

> Identifying real actionable steps from data is the next frontier

Technology and analytics can turn data into profitable insights to aid decision-making throughout the lending value chain. "It's not just about managing risk, but proactively identifying deteriorating credit conditions," says Grandeo. "Portfolio tools such as early warning systems can add value, and deep analysis and AI can provide prescriptive steps to mitigate risks."

The solution

As your focus shifts from the pandemic to an inflationary environment, optimizing pricing and profitability will continue to be a challenge. You will need to extract insights from your data so that you can make credit decisions with speed and confidence. Data-driven insights are essential at customer onboarding and throughout the relationship life cycle.

Proactive portfolio management that allows real-time monitoring, combined with early warning systems, can identify problems and improve decision-making. Adding business and credit management analytics makes your toolkit even more useful.

Get in touch to learn more about how our intelligent lending portfolio tool can help you.

www.moodysanalytics.com/microsites/the-creditlens-solution

CreditLens is a transformative credit lifecycle management solution that digitizes and automates every step of the credit process.

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