

## MODELING RISK FOR FINANCIAL INSTITUTIONS POST-COVID-19

### A NEW LENS FOR DYNAMIC MODELING AND DATA ANALYTICS IN FINANCIAL INSTITUTIONS

If the pandemic has taught us anything, it's that all organizations, especially financial institutions, need to prioritize risk management. Risk identification models create a new risk...Model Risk. Traditional risk management programs are reactive, slow and biased, resulting in unmonitored and unmitigated risk until it's too late. By harnessing the power of Artificial Intelligence (AI) and Machine Learning (ML), ADRS creates dynamic risk models that bring future risks into sight.

**79% of community banks increased lending to small businesses and farms during COVID-19.**

### Focusing on New Risk Factors

- The COVID-19 pandemic has increased daily operational risks for financial institutions.
- Risk management has been de-prioritized



**The default risk for US mortgages increased by as much as 40% during the first quarter of the year.**

as a result of administering PPP loans and heavy draws on client credit lines. This has forced many banks to cease certain types of lending and quickly assess portfolio risks.

- Modeling risk has become more difficult since traditional risk models cannot compute the new variables.

### The Future is Now: Innovating Risk Management Today

- COVID-19 has put a new lens on risk management forever
- Risk models must be dynamic to effectively manage risk recalibrations quickly.

New opportunities will likely be limited to institutions that have the strongest risk management regimes, meaning that all financial services organizations will need to look to AI, ML and advanced data analytics to optimize their risk management models.

## ADRS: Your Risk Optometrist

- What's the best way to focus in on the new risk environment? Get your eyes checked!
- ADRS will help you modernize your risk models and stay ahead of risks in today's dynamic business environment.

### ADRS Will...

- Create dynamic predictive models to better understand customers and the associated risks
- Advise management on the best places to invest in data availability and analytical capabilities
- Identify risks that may not be evident in the forefront of your business operations
- Help your company build risk and operational flexibility

### Case Study in Success

We were engaged by a community bank to build out a data analytics framework to identify key risk indicators in their lending platform. ADRS utilized the AI modeling tool to produce reports associated with Portfolio, Accounting and IT Risk KRI's, helped create a process for identifying risks and identified 5 initial key risk indicators relevant toward observing increases in exposure to specific risks.

## Contact ADRS



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