

Tomorrow's CRO...

Transforming the Risk function in a rapidly transforming financial industry

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Tomorrow's CRO...

Fragile markets, ever increasing regulatory pressure and the digital transformation of the financial industry drive CROs' agendas



The transformation ahead of us will be even more material and accelerated



The risk landscape

Global inflation spike Response to regulatory change LIBOR transition Fed interest rate shock Model strategy Liquidity roadmap Swiss hard landing / EU tensions Investment suitability US fiscal crisis Global stagnation Russian foreign policy Middle East instability shocks Financial crime China hard landing Conduct risk **Furozone** crisis Disorderly Brexit Global trade protectionism **US-China tensions** Asia regional tension Data maintenance & management Credit risk Basel III final rules G7 financial bubbles Cyber security & data Cross border Change, Legal & litigation risk protection management, regulatory overload Imposed inefficiencies & conflicting Uncertain tax positions requirements between Group and LEs **Business** continuity Talents & readiness management & resilience for future work Unauthorized trading Execution discipline Disruption of the value chain (incl. offshoring / nearshoring Embedding of Location & booking Firm strategy & earnings operational risk KPCs model strategy quality

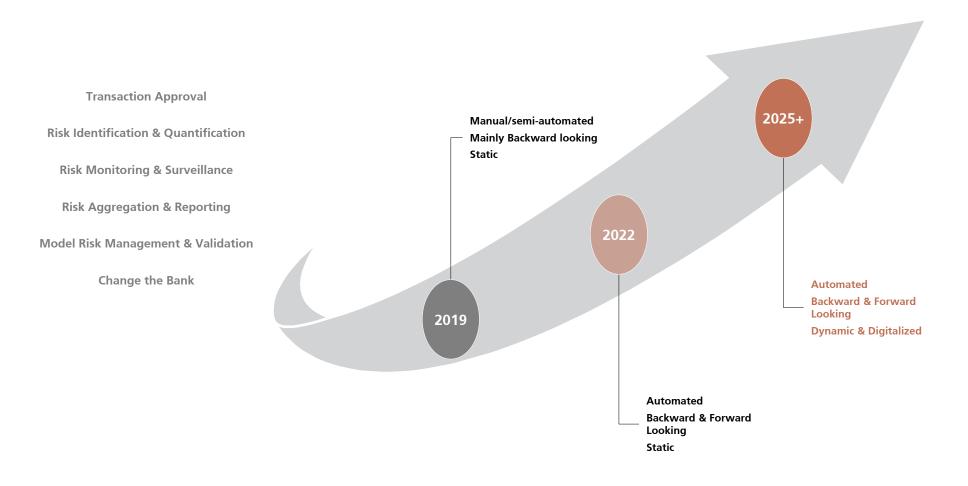


Technology transformation Succession planning & digitization risk

2

Risk control today & in the future

Although key risk control activities remain the same, the way we deliver them will transform fundamentally

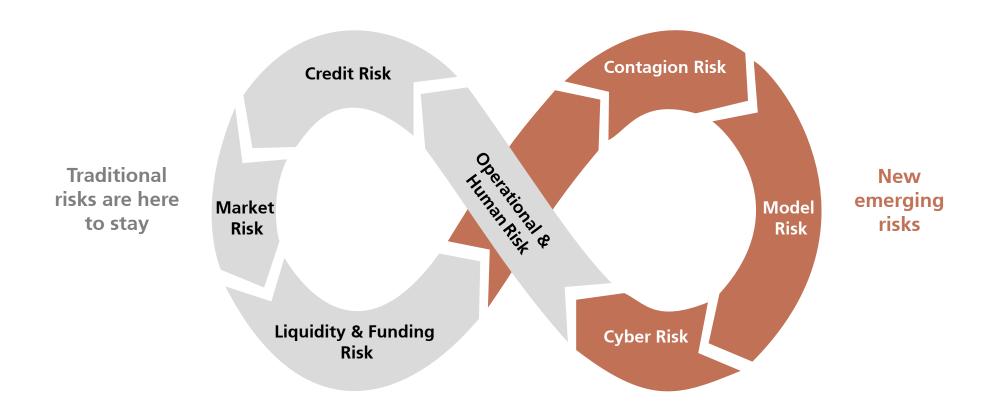


...leading to new and alternative risks emerging



Transformation has a price

Traditional risks remain, however, increasing automation and technology intervention is leading to new risks which require a different risk control approaches...



...driving the need for new and additional skills and a different Risk Control workforce composition



What does it mean for the risk function of the future?

It's all about...

Data

Information technology

Scalable automation and standardization

Smart Analytics









Data and IT form the **foundation layer** for the future

Complete, timely, high quality data

IT architecture adaptable to seismic technology shifts

Dematerialization, digitalization and robotics allow for larger scale automation Greatest impact to current reporting, monitoring and transaction approval capabilities

...enabling exponential changes in how risk control is executed



UBS Group Risk Control strategy

Our mandate is to protect the capital and reputation of UBS

Besides the daily activities of Group Risk Control, such as risk management, regulatory management, model management, and Environmental & Social Risk activities etc, we also further enhance our capabilities by targeted strategic initiatives embedded in a strategic roadmap aligned with the Group Executive Board and Board of Directors



We are highly respected by stakeholders and regulators



Our culture attracts and retains the best people



We are highly effective, efficient and productive

Model Strategy

execution

Issue remediation

strong focus

Root cause analysis

leveraging advanced analytics

GRC Policy Governance Enhancement

program

Focused engagement of all GRC around strategy execution

Continued initiatives focusing on strategic targets:

Inspiring Leadership Training

Diversity – focus on attracting more female talent

Future skills and training needs in partnership with UBS University

Focus on UBS Get Digital curriculum to ensure our people have the right skills for the future

Process transformation and digitization

leveraging workflow, Al and Machine Learning

Robotics and advanced analytics

In GWM – Lombard Framework phase 2

Robotics in mortgage valuations for P&C

Smart Dashboards Live

Self- service dashboards, supported by Natural Language Generation (NLG) commentary

Data Excellence

Leveraging BCBS 239 requirements and applying the same standards and controls across a wider set of Risk Metrics (through 2019 and 2020)



Using technology to help us ...

Examples of how we are using automation and machine learning to drive our strategy and ensure we are fit for the future:

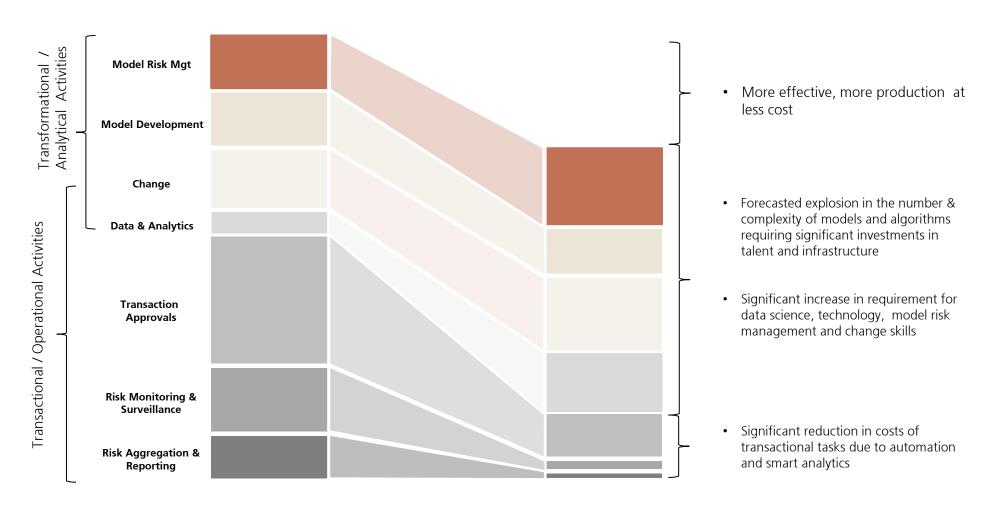


- Intraday monitoring and alerts automation in Market & Treasury Risk
- > ARI interactive dashboard (google style) for commercial lending
- > IB CRO Commercial lending program and Credit Risk monitoring partnership with CRISIL
- Workflow technology rolled out for Model Risk Management and Step-in-Risk
- > Algorithmic trading models automatic validation using Python and other tools



Transforming the risk workforce is a must

Requiring a transformation in mindset, as well as skillset



New technology, new risks, new mindset, new skills, lower costs – the future looks different...



Tomorrow's CRO



