



Building a Resilient Risk Culture

For Credit Risk in Times of Uncertainty

7th Annual Credit Risk Management Forum 2026 – Vienna

Edgars Sedovs

AS Rietumu Banka



Today's Journey

01

Moving Beyond Tone at the Top

Shared norms, behaviours, and decisions – not slogans

02

Ownership & Collaboration

A culture that enables challenge, escalation and learning

03

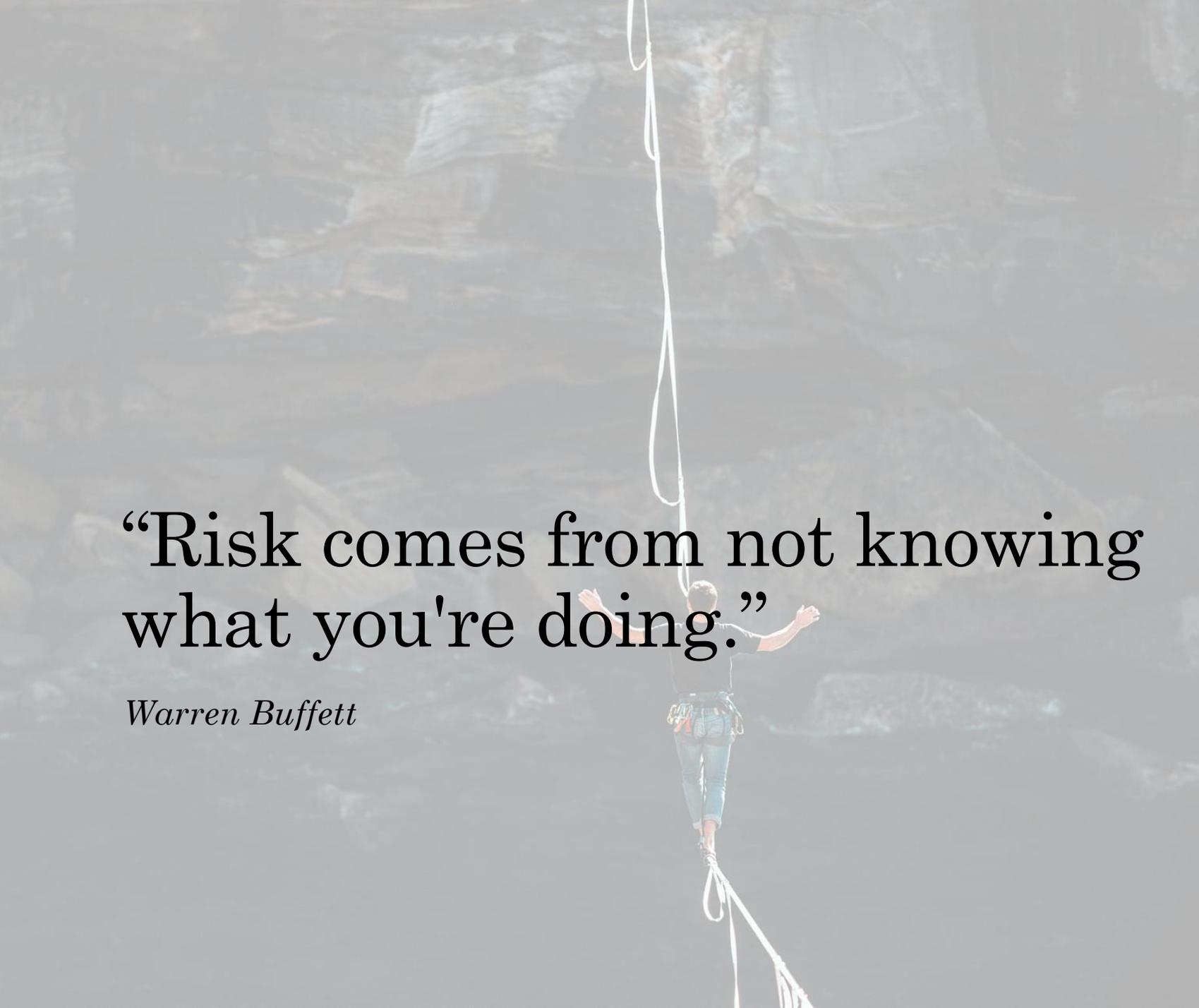
Risk Treatment Strategies

Developing clear accountabilities and risk treatment strategies within a modern 3 Lines of Defence model

04

Adapting to Uncertainty

Adapting risk culture to evolving regulations and geopolitics

A background image showing a person rappelling down a rope against a dark, textured rock face. The person is wearing a dark shirt, blue jeans, and a climbing harness. The rope is white and hangs vertically from the top of the frame. The overall scene is dimly lit, emphasizing the texture of the rock and the silhouette of the person.

“Risk comes from not knowing what you're doing.”

Warren Buffett

What is the risk culture?

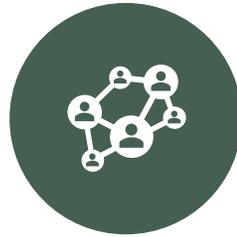


Source: Own elaboration based on various available definitions of the risk culture

Four Pillars of Sound Risk Culture



Tone from the Top: Leadership clearly defines and exemplifies prudent values and risk appetite, setting expectations that decisions be grounded in data and risk awareness. Management must ensure they receive timely, high-quality data to support effective decision-making in both business-as-usual and crises.



Open Communication & Challenge: An environment where staff at all levels feel safe to raise concerns, use data to challenge assumptions, and engage in honest debate about risks. A "speak up" culture supported by data transparency helps uncover issues early and prevents blind spots.



Accountability for Risk Decisions: Clear ownership of risks and alignment of incentives with the bank's risk appetite and culture. Personnel are held responsible for risk outcomes, discouraging excessive risk-taking and encouraging the use of factual analysis in justifying decisions.



Continuous Learning: Treating near-misses and data insights as learning opportunities. A data-first risk culture continuously monitors and discusses risk indicators, adapting behaviour based on what the data shows through lessons learned communicated to staff.

Regulatory Expectations Rising

The ECB's 2024 draft Guide on Risk Culture defines the risk culture as “*the collective mindset and shared set of norms, attitudes and behaviours that permeates and shapes decisions at each level of the organisation*”.



Following past disruptions and crises, supervisors have concluded that progress on risk culture has "not generally been sufficient" and are intensifying scrutiny.



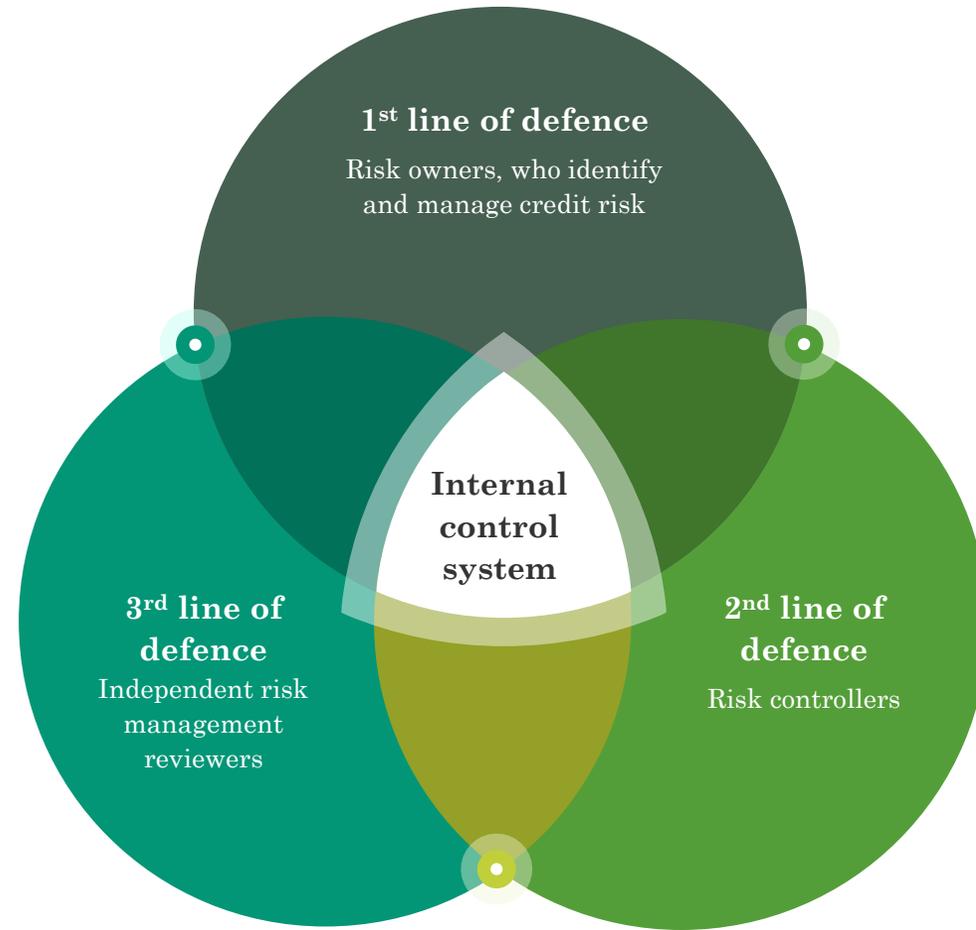
In terms of data & innovation, an organisation's risk culture should encourage evidence-based decision-making and openness to innovation for new risk tools to have an impact.



When the risk culture elements are in place, organisations make more objective, data-driven risk decisions.

3 Lines of Defence Model

Ensure that all risks are identified and managed on an ongoing basis

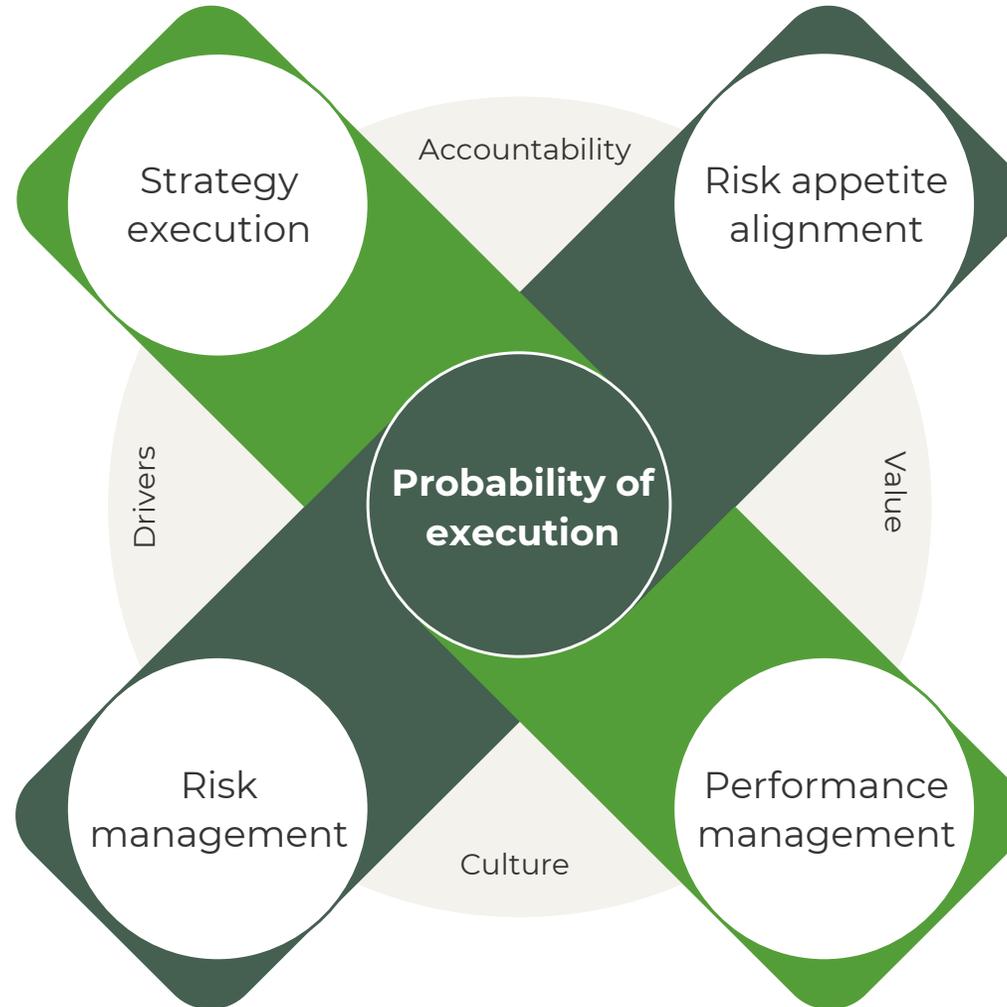


Independently assess the effectiveness of the 1st and 2nd lines of defence

Monitor and control risk management in the 1st line of defence

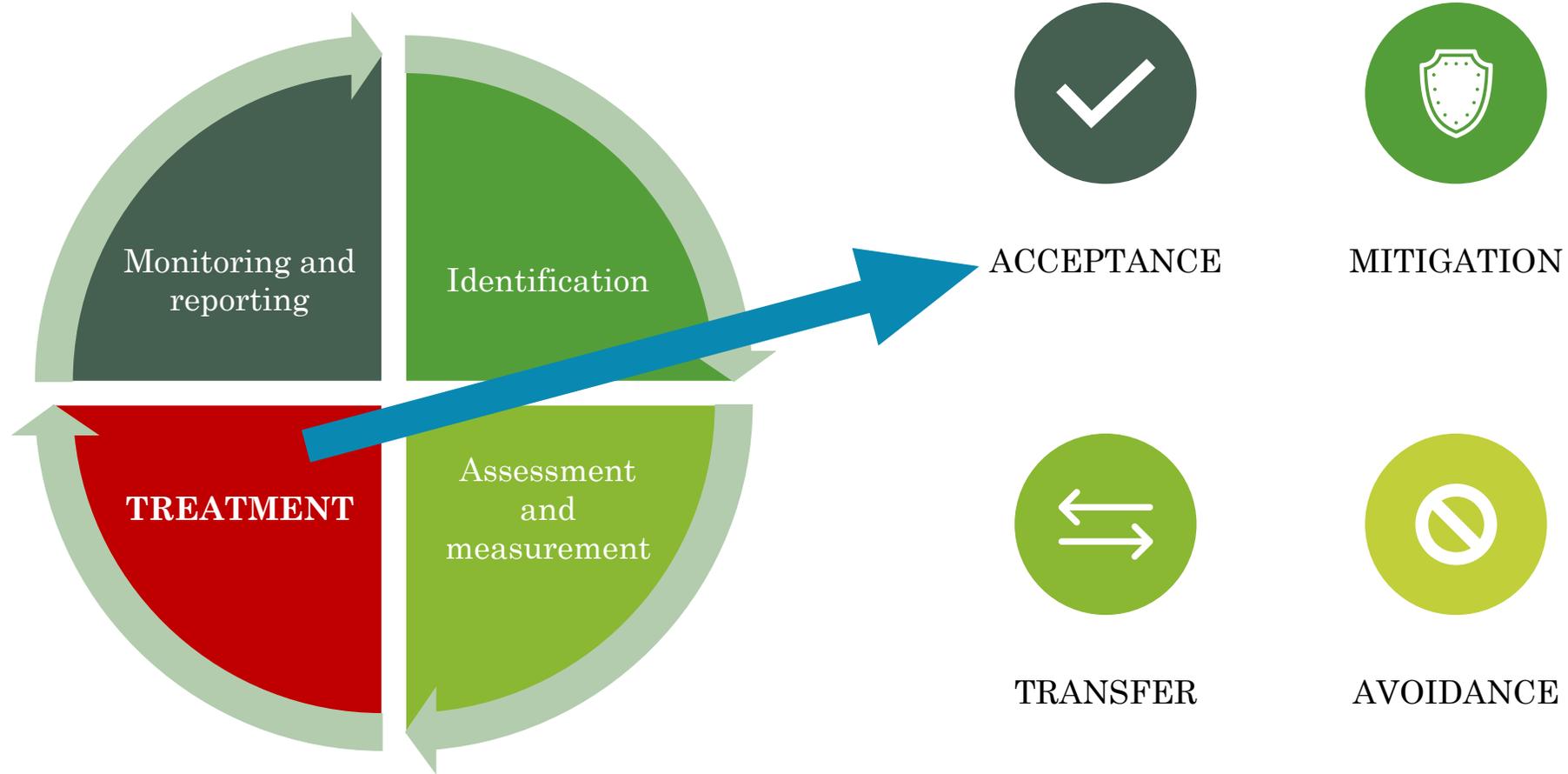
Source: Own elaboration

Risk-Based Performance Management

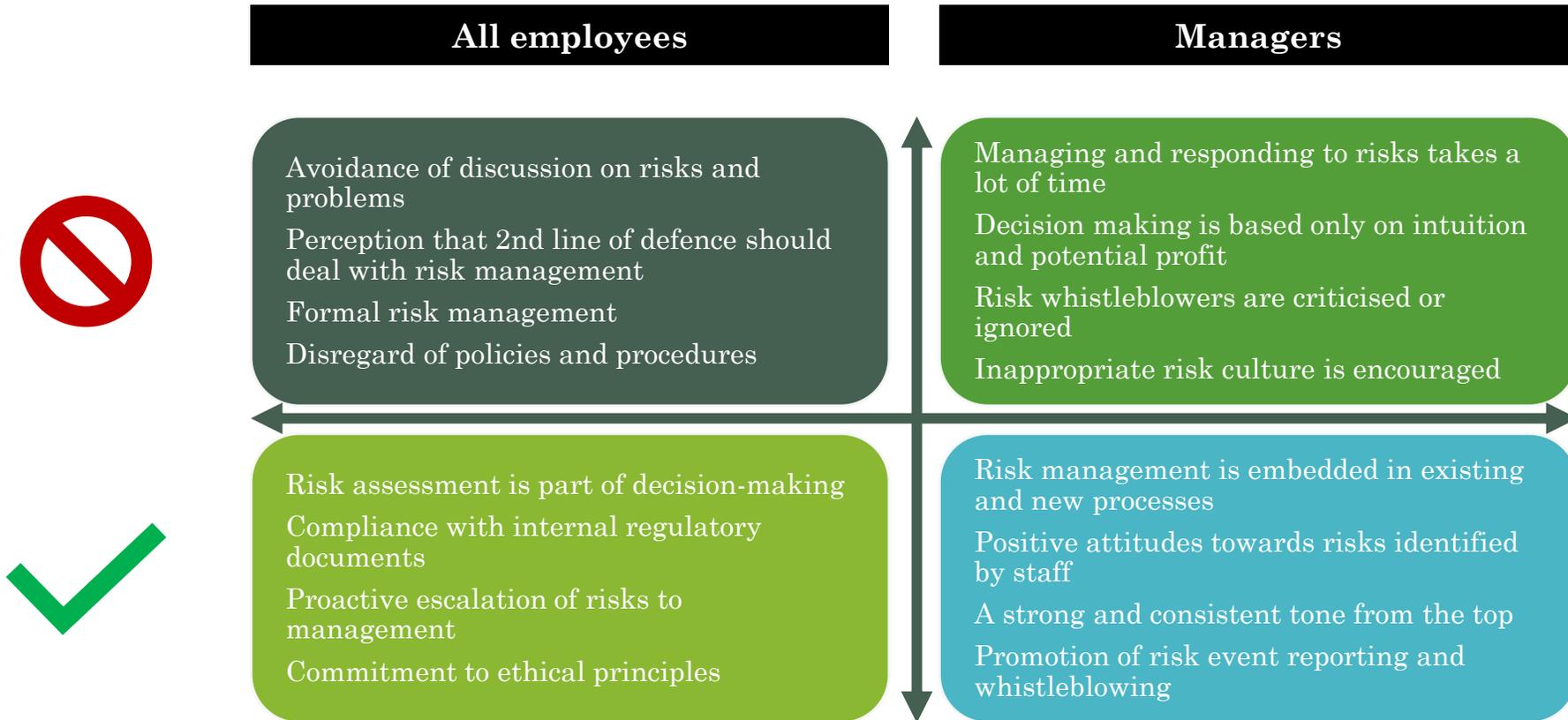


Source: Own elaboration

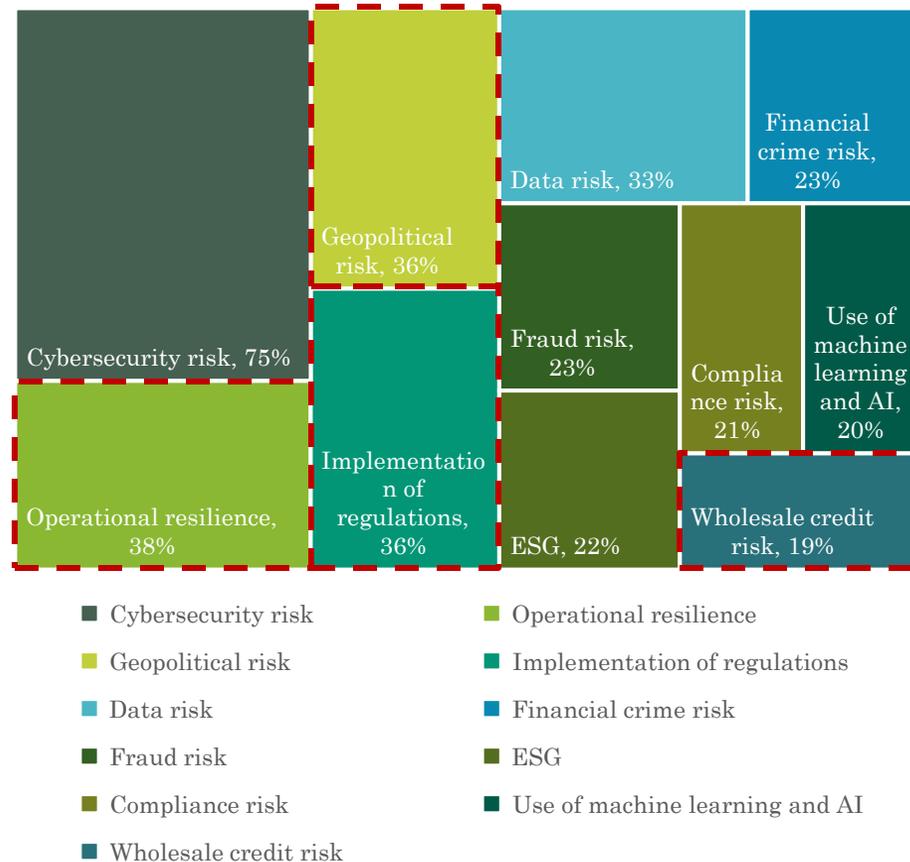
Risk Management and Treatment



Examples of Risk Behaviour



Uncertainty is Rising



- Geopolitical risk surged from 12th to 3rd place in near-term risk rankings. WEF GRPS 2024–25: state-based armed conflict is the top immediate global risk for 2025 (23% of respondents).
- Nearly two-thirds anticipate a turbulent or stormy global landscape by 2035 (WEF GRPS 2024–25).
- Wholesale credit risk overtook liquidity over the next 12 months.
- Ukraine recovery and reconstruction needs estimated at US\$524bn over 10 years ($\approx 2.8 \times$ 2024 nominal GDP).
- Resilient risk culture reduces “decision drift” under stress: consistent standards, faster escalation, better judgement.

Source: 14th annual EY/IIF global bank risk management survey; World Economic Forum (Global Risks Report 2025 / GRPS); UNCTAD Review of Maritime Transport 2024; World Bank/UN/EC/UNDP RDNA4.



Navigating the Regulatory Waves

The regulatory landscape for banks is continuously evolving. The recent and upcoming years have brought and will bring major initiatives, including Basel III "Endgame" / CRR III, CRD VI, open banking/PSD3/PSR updates, IRRBB/CSRBB, operational resilience mandates (DORA for ICT risk), AI Act, stricter ESG and climate risk disclosures, etc.

A core challenge is achieving compliance without stifling growth and innovation.

As one industry commentary noted, "Some would argue that excessive regulatory requirements could stifle innovation, making it harder for smaller banks to compete with larger institutions that have the resources to invest in compliance technology."

However, the choice between compliance and growth is a false dichotomy – banks should and must do both. The goal should be smart compliance: meeting regulatory obligations in efficient, innovative ways that also create business value.

A close-up, slightly blurred photograph of a car's front grille, showing the chrome Chevrolet bowtie emblem and the 'FORD' lettering on the grille. The image is in grayscale and serves as a background for the text.

“Coming together is a beginning. Keeping together is progress. Working together is success.”

Henry Ford



GLC

Thank you!

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