

2019 Risk Radar: Banking Sector

September 2019

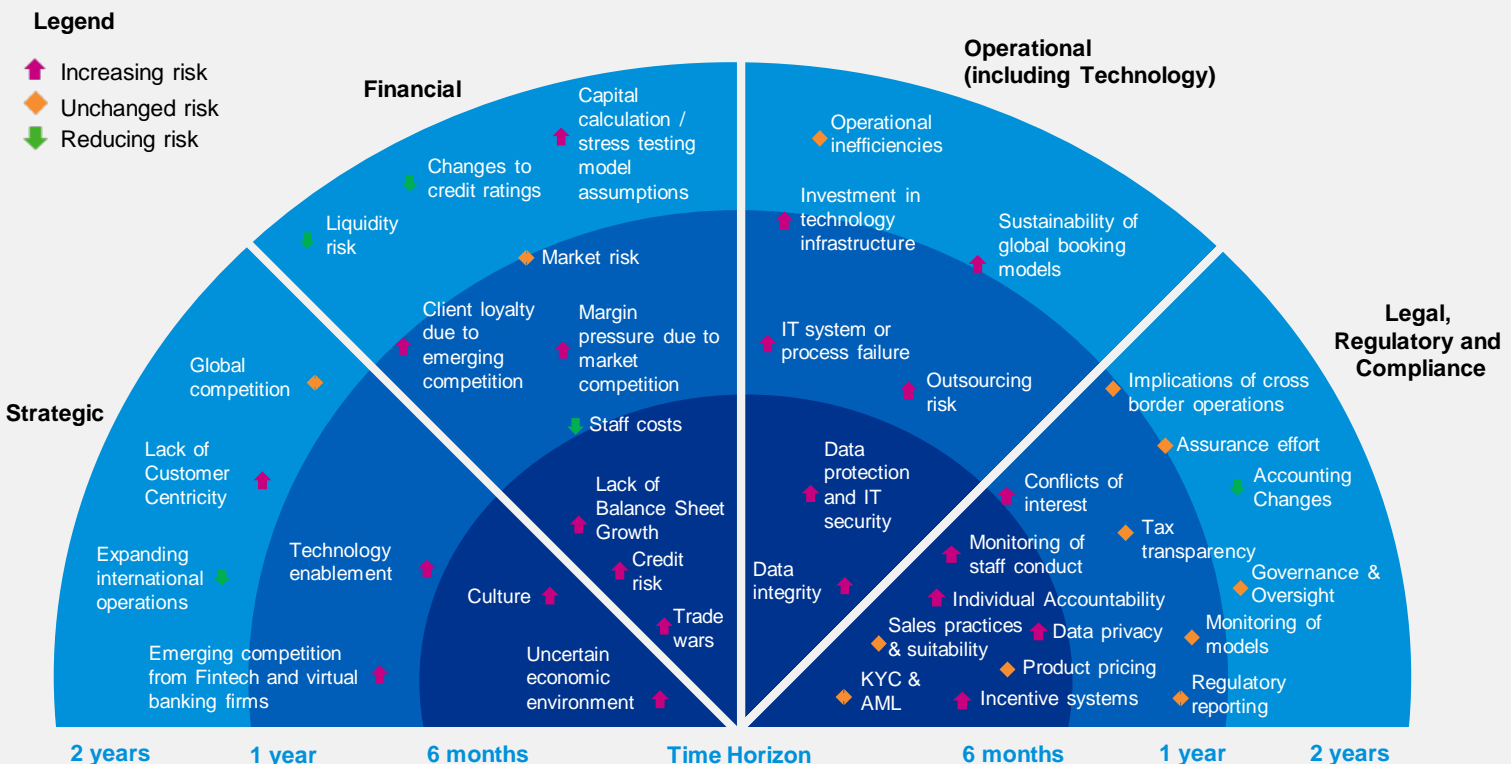
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Political uncertainty and threats of trade wars on a global level has altered market sentiment with muted balance sheet growth and lower market activities. Concerns over economic growth in the United States (“US”) led to interest rate cuts in the US\$ and subsequently HK\$ which will reduce margins for banks. The chance of further rate cuts before the end of the year is high. This means that banks need to rethink their business and operating models to ensure continued success, particularly with increasing competition from virtual banks.

Key trends observed in the market impacting the industry in the Greater China region:

- Conduct risk, culture and customer experience remain regulatory priorities, but otherwise regulatory changes are starting to ease;
- Lack of Balance Sheet growth fuelled by uncertainty being the main driver;
- Disruption and competition from virtual banks is expected to materialise in the next 6 to 12 months;
- Fintech and increased digitalisation drives tech startups to enter the industry and increase competition; and
- China’s Greater Bay Area Initiative provides new opportunities in financing, retail, wealth and asset management services for financial institutions in the region, but specific details are lacking.



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