

2021 1H Risk Radar:

Banking Sector

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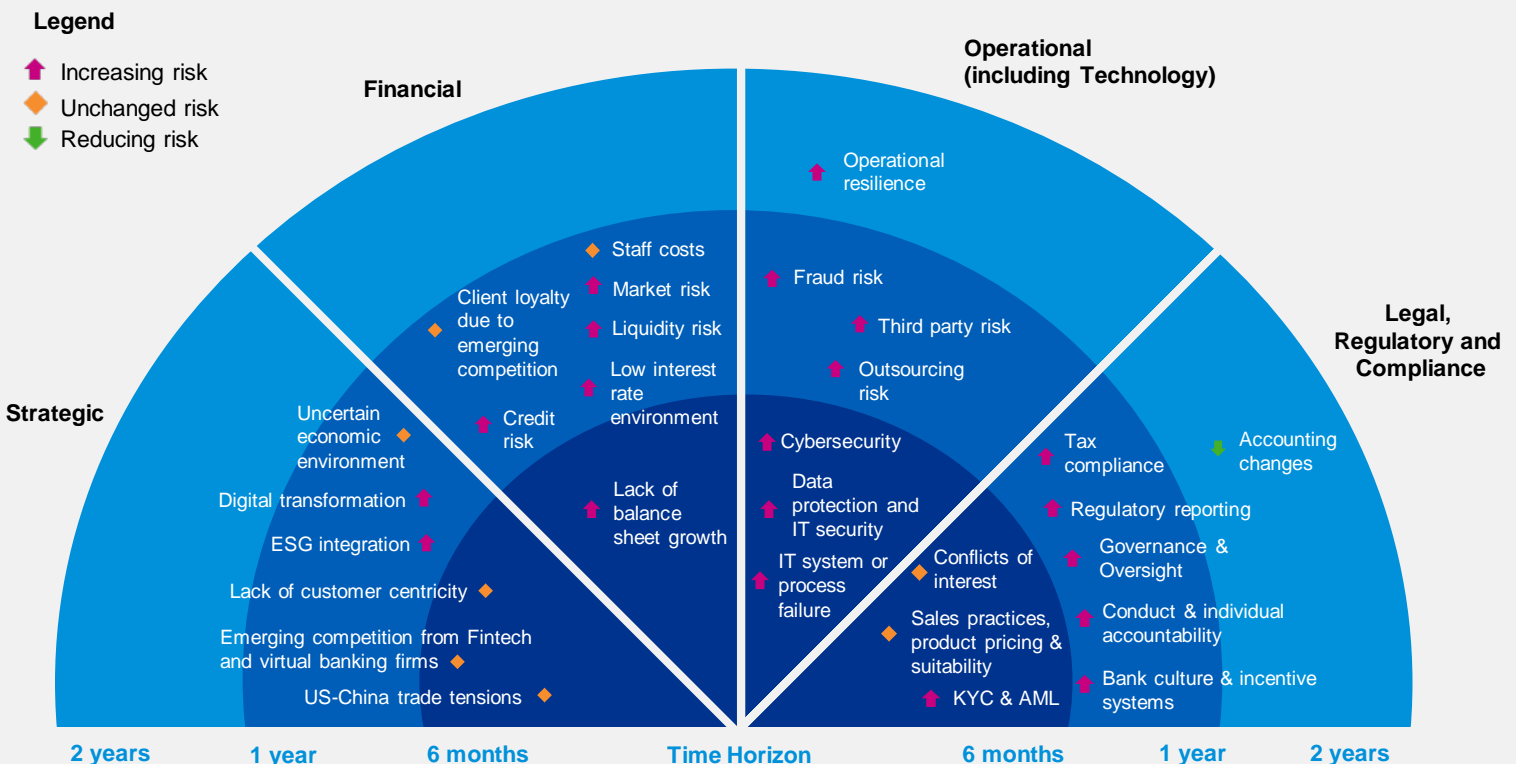


The COVID-19 pandemic's impact on the real economy resulted in elevated levels of non-performing loans (NPLs) in 2020. To address the new reality, the banking industry has accelerated digitalisation business models and the use of Regtech to address evolving risks. The Greater Bay Area Initiative will remain a key focus for the banking industry as mainland China leads economic recovery through promotion and support by the Chinese government and regulators.



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

- NPLs are expected to increase due to prolonged economic uncertainty. Regulators will focus on how banks' processes and controls manage credit risk effectively
- Low-interest rate environment will shift banks' business model from interest income to fee-earning activities
- Banks need to place greater focus on managing heightened fraud and cybercrime risks arising from rapid digitalisation of banking
- Increasing regulatory focus on operational resilience, governance and third-party risk management
- Regtech adoption will no longer be a 'nice-to-have' for banks – it will be a necessity
- Higher expectations from customers on banks for achieving lifestyle and community goals instead of merely financial goals
- Increasing number of partnerships between traditional banks and fintech players for innovation and technology improvement



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