



Hong Kong Banking Outlook 2026



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Sector outlook

Overview

Welcome to our 11th annual Hong Kong Banking Outlook where we forecast the key developments and trends that will impact and shape the industry over the year ahead. As we step into 2026, we're seeing a genuine sense of optimism across the sector in our conversations with clients. The focus is firmly on what's next – how to capture new growth, tap into emerging markets, and keep innovation at the heart of Banking in Hong Kong.

Much of this confidence stems from the strong performance we saw in the equity markets last year, which has helped strengthen sentiment. At the same time, we're seeing positive policy initiatives from both government and regulators. The HKMA and SFC's ongoing efforts to deepen Hong Kong's fixed-income market, together with initiatives to support Chinese enterprises expanding internationally through Hong Kong, are all helping to build a stronger platform for the city's future as a leading international financial centre.

Looking ahead, change will remain a constant in 2026, but three key trends stand out:

- 1 First is digital assets, particularly tokenisation. The potential for real-world assets to be tokenised is substantial, and Hong Kong continues to make strong progress as a global leader in digital assets. In our view, tokenisation is set to become a core component of how financial services are delivered in the years ahead.
- 2 The second theme is artificial intelligence (AI). While AI is often cited as a transformative force, our prediction for this year is less about innovation for its own sake and more about practical steps. We forecast that banks will increasingly focus on productivity gains, on measuring ROI, and on embedding AI front-to-back across operations in a way that delivers tangible benefit.
- 3 The final theme is wealth management. We expect to see more asset managers growing their footprint in the region this year and working more strategically with private banks. This will open the door to new products and approaches, cementing Hong Kong as the global leader in offshore private wealth management.



Jia Ning Song

Head of Banking
and Capital Markets



Paul McSheaffrey

Senior Banking Partner

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Hong Kong is firmly back on the growth radar for global banks in 2026, with increased investment and hiring likely to follow.

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Financial performance



Benjamin Man

Partner, Financial Services

Hong Kong banks enter 2026 from a position of financial strength, with the key challenge being how to deploy capital amid geopolitical uncertainty

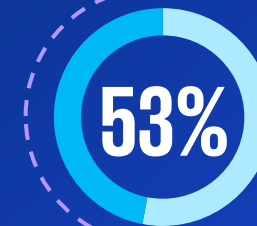
Hong Kong's Banking Sector once again demonstrated resilience last year. Profitability improved through tight cost control, even though net interest margins remained flat. The sector enters 2026 from a position of financial strength – well-capitalised, highly liquid, and supported by structural inflows and solid wealth management growth.

However, the outlook for the year ahead remains uncertain. US – China tensions, tariffs and diverging monetary policies are all influencing Hong Kong's operating environment. Against this backdrop, banks need to make some clear choices about how they use their strong capital and liquidity – how much to direct to managing credit risks, and how much to direct towards new market opportunities.

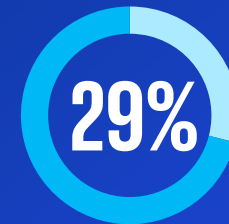
Even amid global uncertainty, I believe Hong Kong banks are well placed to withstand global shocks while still pursuing growth in targeted areas. In 2026, they should put capital to work in areas where demand is strongest – especially Hong Kong's IPO and Wealth-Management pipelines – and deploy it where risk-adjusted returns are most attractive.



Banks' anticipated cost savings are significant over the next 4 years



Expect to **cut costs** by **10%** by 2030



Want to **cut costs** by more than **20%** by 2030

Source: Banking transformation: The new agenda, KPMG International, 2025

Private credit



Michael Monteforte

Co-Head of Financial Risk Management

Private credit will expand rapidly in 2026, intensifying competition for corporate lending

Non-bank lending to private companies continues to grow, and I believe 2026 will see more private credit funds — both global and regional — establishing or expanding their presence in Hong Kong.

As banks, insurance companies, and asset managers explore private credit, they will need to balance attractive high-yield opportunities against risks such as default, illiquidity, opacity, and regulatory requirements.

With traditional banks facing tighter regulatory requirements and increased competition from alternative finance, private credit offers a flexible tool to support businesses that may not fit conventional lending criteria.

The flexibility of private credit, both in structuring deals and delivering strong risk-adjusted returns will continue to attract attention this year. However, as always, there are risks that financial institutions need to consider. Credit quality, liquidity considerations, manager selection and valuation processes are all key concerns. With more players entering the market, I expect underwriting standards to be tested in the year ahead, making proactive risk management increasingly important.

“

As more private credit funds enter Hong Kong, banks need a clearer view of where private-credit deals make sense for them – better insight into the risks, and the processes to handle them properly as the market grows.

”

Digital assets



Simon Shum

Head of Digital Assets

Tokenisation moves beyond proof of concept

It is hard to ignore the momentum around digital assets in Hong Kong. Banks are already conducting real-world transactions using tokenised deposits and digital assets through the HKMA's Project Ensemble^{TX}. We are also seeing a wave of stablecoin licence applications, and tokenised gold is being issued.

Looking to the year ahead, we expect traditional banks and the digital-asset ecosystem to move closer together. Banks will likely begin offering services such as digital-asset custody and a broader range of tokenised products, particularly as the regulatory framework becomes clearer.

Banks need to focus on building blockchain expertise, ensuring governance and controls are robust, and stay close to regulatory developments, particularly around AML, cybersecurity and risk management. The pace of change will only accelerate. Banks that invest early will be best placed to benefit as the market evolves.

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Traditional banks and Web3 will come much closer together in 2026. Banks need to focus on building blockchain expertise, ensuring governance and controls are robust, and staying close to regulatory developments.

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Transformation agenda

Artificial Intelligence



Stanley Sum

Head of Technology
Consulting



Angel Mok

Partner
Financial Services
Technology Consulting

As banks continue to ask hard questions about ROI, 2026 will be the year AI transitions from a support tool to a central driver of competitiveness

The big story heading into 2026 is the pace of AI adoption – it has moved faster than many of us expected. AI is now embedded across the value chain, not only in back-office and compliance functions but increasingly in frontline and client-facing roles.

For retail customers, the next step is likely to be a single AI financial agent – one interface that sits between customers and their various banks and investments. Instead of managing multiple apps and statements, customers will be able to state their goals while the agent optimises and executes across the market. Banks should be thinking carefully about how to position themselves in a market where AI agents could eventually become the primary interface for retail customers.

On the corporate banking side, 2026 may be the year when paper, wet signatures and batch processing finally start to disappear. AI will analyse documents, reconcile data and free up bankers to spend more time on strategic conversations and relationship management.

Achieving AI benefits at scale will depend on strong governance and robust data practices. Hong Kong's regulators are encouraging innovation while setting clear expectations around risk, controls, and accountability. Banks that get the fundamentals right – data quality, model governance, and change management – will be best positioned to achieve measurable ROI.



How banks are realising AI benefits

66%

have achieved **cost savings** through AI adoption

26%

have experienced **revenue growth** via AI

20%

have experienced a **high revenue contribution** from AI

Source: Intelligent banking: A blueprint for creating value through AI-Driven transformation, KPMG International, 2025

Cyber security



Lanis Lam

Partner, Technology Risk

Rising threat volumes will push banks toward automation-led, always-on cyber defence models in 2026

With banks moving rapidly into a digital-first future, the cyber threat environment will remain a key pressure point in 2026. Here are three key trends we're seeing:

- 1 Al-powered attacks – hackers are using AI to create fake emails that look real and identify vulnerabilities faster than ever
- 2 Quantum computing – this emerging technology has the potential to break our current security controls such as encryption methods
- 3 Supply chain risks – your service providers could become entry points for attackers

The key question banks need to ask is simple: are you ready when threat actors strike? Here are some focus areas:

- 1 Zero-trust security – verify every user and device before granting access, especially for high-risk transactions
- 2 Al-powered threat detection – use smart systems to spot and stop attacks before they cause damage
- 3 And finally, automated security – let technology handle routine security tasks to reduce human error



The growing threat landscape

75%

Of bank executives reported an increase in the number of **cyber attacks** during 2025

57%

Of bank CEOs have **increased investment** in cybersecurity to mitigate risks over the next three years

Source: 2025 Banking Survey: Technology, KPMG International;
2025 Global CEO Outlook, KPMG International



Automation should now be seen as a core enabler of cyber resilience – not just a way to drive efficiency, but the only realistic way to keep pace with the speed and volume of emerging threats.

Anti-Money Laundering (AML)

**Chad**

Head of Forensic
Services

**Lilian**

Partner, AML and Sanctions
Services

Regulators will strengthen their expectations for banks to use artificial intelligence to combat money laundering in the year ahead

We expect all authorised institutions in Hong Kong to accelerate their adoption of AI for financial crime monitoring in 2026, with the momentum seen in 2025 only set to increase.

For banks, the implications are clear:

- 1 Regulators now expect AI adoption to be driven from the very top as a board-level priority, not just a technology project.
- 2 Implementation doesn't have to be all or nothing. Many banks will benefit from a building block approach, rolling out AI in targeted areas and scaling up over time.
- 3 Collaboration is key. Banks are expected to move beyond working in silos, sharing insights and best practices to address common pain points across the industry.

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Rising regulatory expectations around AI present banks with an opportunity to modernise AML – embedding intelligence at the core of the risk framework and delivering both stronger outcomes and greater efficiency.

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Transition finance



Daisy Shen

Head of Environment, Social and Governance (ESG)

Better data and rising regulatory expectations will continue to push banks towards more advanced transition-finance strategies this year

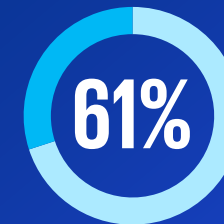
One of the biggest challenges in transition finance today is the lack of consistent, comparable data. Closing this gap is essential to mobilising capital for climate action. The HKMA's sustainable finance agenda is raising expectations, with banks expected to align operational emissions with net-zero goals by 2030 and financed emissions by 2050.

Meeting these expectations calls for robust risk management and a clearer view of emerging business opportunities. With AI and improved data, banks will be better equipped to identify transition leaders, spot promising green technologies, and deepen client relationships.

Those that invest in AI and data-driven ESG insights will be well placed to lead the transition finance agenda in the year ahead, helping Hong Kong build on its reputation as a global hub for sustainable investment.



Net-zero momentum is building



Of CEOs said they were on track to hit their 2030 net-zero targets last year, up from 51 %

Source: KPMG 2025 Global CEO Outlook, KPMG International



About KPMG

How KPMG can help

With extensive experience in the banking industry, KPMG in China provides a full range of professional services covering audit, tax and advisory to high-value banking clients across APAC.

Our close connection with regulators, combined with our in-depth understanding of evolving regulations and market trends, enable us to anticipate challenges and provide practical, compliant solutions. We leverage our global network to help clients navigate complex regulatory environments, manage risk, and seize new opportunities. We can help you:



Respond to regulatory requirements by reviewing legal and regulatory obligations, assessing policies and internal controls, and supporting remediation programmes



Strengthen operational resilience by designing and implementing resilience frameworks, enhancing operational risk management capabilities, and supporting scenario testing and programme delivery aligned with regulatory expectations.



Manage technology and data risks through cybersecurity maturity assessments, DDoS simulations, cloud and outsourcing risk reviews, and governance assessments



Assess risks and controls related to digital assets, including stablecoins, wallets and blockchain platforms, and support CBDC initiatives



Advance ESG and sustainable finance capabilities through ESG reporting and assurance, climate and ESG risk integration, and advisory support for sustainable finance and green banking initiatives.

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