

CRACKS IN THE CORE

THE TOP 3 TALENT RISKS THREATENING MALAYSIAN BANKS IN 2026



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ALEXANDER HUGHES CONSULTANTS SDN BHD

Authored by: Atif Iqbal Kidwai

Cracks in the Core: The Top 3 Talent Risks Threatening Malaysian Banks in 2026

Talent Time Bomb: The Three Critical Gaps Malaysian Banks Must Fix Now

Malaysian banks are undergoing rapid digital transformation. Digital services are already widespread (about 74% of Malaysians use internet or mobile banking), and Bank Negara awarded five digital banking licenses by late 2023. This expansion creates many new technology-driven roles. At the same time, regulatory pressures (Basel III/IV, IFRS9 credit provisioning, climate and ESG rules) require deeper risk expertise.

Approximately 168,000 people now work in Malaysia's financial sector, and Bank Negara notes that roughly 95% of new vacancies target highly skilled candidates. Global surveys underscore the challenge: 69% of employers worldwide report difficulties hiring skilled workers, with IT and data roles in especially high demand. Alexander Hughes predicts a further "noticeable shift towards high-skill jobs" in AI, data analytics and digital services in Malaysia by 2025. Under these conditions, banks face acute talent risks if they cannot secure the right people in Risk, Analytics and Technology roles.

"Digital Ambitions, Analog Talent Pools: The Unseen Risk on Malaysian Bank Balance Sheets"

Risk Management Talent Shortage. Banks’ risk management functions are under strain. New regulations around credit risk (IFRS9), market risk, operational risk and climate risk have raised the bar for expertise. Yet local supply of experienced risk professionals is limited. Industry observers note that *“risk managers continue to be a rarity among talent pools”* in Malaysian banking. As a result, many banks rely on a small number of specialists or expatriates to interpret complex regulations. Without sufficient risk talent, banks may have gaps in stress testing, credit evaluation or fraud monitoring – exposing them to regulatory penalties or financial losses. In short, a shortage in the risk team is itself a risk to a bank’s resilience.

Data Analytics and AI Skills Gap. Data-driven banking is the new norm, but data science talent is scarce. Banks need experts to build credit and market models, detect fraud with machine learning, and personalize products. These roles include data scientists, quantitative analysts, model validators and digital strategists. Yet few Malaysians have the necessary technical training or experience. Local industry reports note that *“technical data modelling skills have...proven particularly difficult to find in qualified candidates”*. Globally, consulting firms warn that financial institutions face **critical talent shortages** in exactly these domains. Short of skilled data scientists or business intelligence specialists, banks may underutilize their data or depend on expensive overseas consultants.

Technology and Cybersecurity Talent Risk. The third area of concern is core technology and cybersecurity. Banks increasingly rely on cloud architects, software developers, network engineers and cyber-security experts to run digital channels and fend off threats. For example, scaling up mobile banking apps or cloud platforms requires specialists who understand both finance and IT. However, domestic supply of such talent is limited. Local analysis notes that even back-office IT roles requiring programming skills are *“short on candidates”*. Likewise, the World Bank reports that “recruiting and retaining digitally skilled staff remains a major challenge” for Malaysian organizations. The shortage of tech personnel – from data center engineers to cyber-analysts – leaves banks vulnerable to system outages, security breaches and delays in launching new digital services.

Dependence on Foreign Talent and Recruitment Limitations

To bridge persistent capability gaps in niche areas, many Malaysian banks continue to rely heavily on expatriates and foreign specialists, particularly across fintech, risk, data, cybersecurity, and core technology functions. Post-pandemic data reported by The Edge Malaysia indicates that Malaysia had approximately 86,000 expatriates on record, a significant proportion of whom are employed in high-skill professional and technology-intensive roles. This trend is especially visible in banking and financial services, where specialized expertise in areas such as advanced analytics, digital architecture, model risk, and cyber resilience remains in short local supply.

At the same time, banks face structural limitations in how they source talent. Traditional recruitment channels primarily reach **active job seekers**, who represent only a fraction of the overall professional workforce. LinkedIn estimates that nearly **75%** of professionals globally are **passive candidates**—high performers who are not actively seeking new roles. Compounding this challenge, The Edge Malaysia reported that Malaysia’s pool of active job seekers, largely comprising tertiary-educated professionals, declined by 57.5% to approximately 64,000 by mid-2022.

In practical terms, this means that ***job boards and conventional recruitment methods engage only a narrow and increasingly depleted segment of the talent market***, while much of the most in-demand specialist talent remains inaccessible. As a result, banks are often compelled to recruit internationally at higher cost, longer lead times, and greater attrition risk, or to depend heavily on personal networks and targeted headhunting to secure mission-critical capabilities.

Key takeaway: Malaysian banks face a threefold talent risk – gaps in risk management, analytics, and core technology roles – compounded by a largely passive workforce. Industry data confirm Malaysia’s demand for digital and data skills far outstrips supply. Without proactive measures, banks will struggle to hire the expertise needed for digital transformation and regulatory compliance.

Mitigation Strategies: Malaysian banks should adopt multiple approaches to address these talent shortages:

- **Proactive workforce planning:** Use tools like Bank Negara’s Future Skills Framework to forecast emerging skill needs and redefine roles accordingly.
- **Upskilling and education:** Invest in training and certification (e.g. in risk analytics, data science and cybersecurity) for existing staff. Partner with universities, polytechnics and industry institutes to grow local talent pipelines.
- **Targeted recruitment:** Move beyond job boards. Use global executive-search networks to reach passive candidates (roughly 75% of professionals), including Malaysians abroad and foreign experts.
- **Diverse hiring channels:** Engage tech, analytics and finance communities (hackathons, meetups, professional forums) to surface niche talent that traditional postings miss.
- **Enhance employer value proposition:** Offer competitive compensation, clear career paths and flexible work arrangements to attract and retain top talent in finance and technology.

In summary, addressing talent gaps is a strategic imperative. Banks must plan ahead, upskill their workforces, and use proactive search to find specialized leaders. Bank Negara itself urges continuous talent planning via its Future Skills Framework. These shortages also drive up hiring costs – skilled specialists command premium salaries – so prolonged vacancies become very expensive. Alexander Hughes can help. As a global executive search and leadership advisory firm with deep local presence, our Banking & Financial Services practice is staffed by consultants with direct experience in major banks, and our Kuala Lumpur team has led numerous cross-border search mandates. This global reach and expertise lets us tap passive and active talent worldwide. By leveraging such tailored search capability, banks can secure the specialized leaders needed in Risk, Analytics and Technology – turning a critical talent gap into a competitive advantage.

About Alexander Hughes

Founded in London in 1957, Alexander Hughes is among the world's oldest and most respected pure-play Executive Search firms. With fully owned and seamlessly integrated offices across more than 50 countries, and our global headquarters in Paris, we bring deep local market knowledge powered by truly global connectivity.

Banking & Financial Services stands as one of Alexander Hughes' largest and most strategically critical practice groups worldwide. Our global BFSI platform is led by more than 20 senior industry practitioners—former CXO's, and business heads who have personally operated at the highest levels within leading international banks and financial institutions. This unique practitioner-led model allows us to advise not just on hiring, but on leadership, succession, transformation, and future-ready capability building.

About the Author

***Atif Iqbal Kidwai** is the **Lead for Banking & Financial Services, Southeast Asia at Alexander Hughes**, based in **Kuala Lumpur**. A recognized name across the **BFSI and CXO ecosystem in Southeast Asia**, he advises CXO and HR leadership on building future-ready executive talent.*

*With over **15 years in executive search**, Atif has delivered **100+ senior leadership mandates**, including **CEOs and CXOs across banking, digital finance, fintech, insurance, and asset management**, with particular depth in **Risk, Analytics, Technology, Compliance, and Transformation roles**. He is widely trusted for **cross-border leadership searches and high-impact functional mandates** that shape institutional resilience.*

*He began his career in **Private Banking with Standard Chartered Bank** before transitioning into executive search with a leading Indo-British affiliated firm—bringing a rare blend of operator insight and advisory expertise to the leadership table.*