

## Commercial Banking and Finance - UK - March 2018

Report Price: £995.00 | \$1343.55 | €1119.77

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.



“Banks must confront the challenges of digital structural change and redesign their operating models. By strategically connecting their businesses with the vast amount of data available to them, such as through the cloud, they can build intelligence on customers’ evolving needs, which can drive value.”  
– Lewis Cone, B2B Analyst

This report looks at the following areas:

- What are the key determinants driving commercial banking and finance?
- Has the market been affected by the result of the referendum? How could it be affected by the UK’s exit over the short term?
- Has regulation restricted industry development? How will Open Banking change operations?
- Can challenger banks make a significant impact? Or is the market still dominated by the ‘big four’?
- What does the future hold for commercial banking and finance?

Businesses are increasingly demanding more customised products at a lower price point while also receiving greater levels of service. The challenges posed by the uncertain business climate have reduced the flow of capital in the market, requiring banks to have a more in-depth and vigilant approach to risk. The current industry structure may need to adjust to meet changing demands that will allow banks to deliver profitable results.

**BUY THIS  
REPORT NOW**

**VISIT:**  
[store.mintel.com](http://store.mintel.com)

**CALL:**  
EMEA  
+44 (0) 20 7606 4533

Brazil  
0800 095 9094

Americas  
+1 (312) 943 5250

China  
+86 (21) 6032 7300

APAC  
+61 (0) 2 8284 8100

**EMAIL:**  
[reports@mintel.com](mailto:reports@mintel.com)

### DID YOU KNOW?

This report is part of a series of reports, produced to provide you with a more holistic view of this market

# Commercial Banking and Finance - UK - March 2018

Report Price: £995.00 | \$1343.55 | €1119.77

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

## Table of Contents

### Executive Summary

#### Market Size

Figure 1: UK MFIs Sterling Deposits from UK Resident Businesses, by Quarter End, 2016-17, (£ Million Outstanding of Deposit Liabilities, Excluding Under Repo, Not Seasonally Adjusted)  
Figure 2: MFI Sterling Deposits of UK Resident Non-Financial Businesses, by Industry Type, Top Eight, December 2017, (% Share of Total)  
Figure 3: UK MFIs' Net Loans to Non-Financial Businesses, Q4 2015 - Q4 2017, by Size of Business, (£ Million, Not Seasonally Adjusted)

#### Market Trends

'Fintech' collaboration driving operational model change

Business confidence influences borrowing demand and continues to cast shadow on prospects

Commercial lending rates rise in 2017 after 2016 dip

Figure 4: Average Interest Rate for UK MFI New Advances to PNFCs, at December 2013-17, (% Not Seasonally Adjusted)

Demand and availability of credit remained low in 2017

Figure 5: Demand for Corporate Credit to PNFCs in the Last Three Months, Q1 2012 - Q4 2017, by Business Size, (Net Percentage Balance)

#### Market Factors

Brexit could lead to greater capital requirements and costs whilst the BoE attempts to promote stability

Business investment levels continue to rise while profitability remains stable in the private sector

Highest number of inward and domestic M&A deals since 2012 with the low value of the pound attracting investors

#### Companies

Figure 6: Profiled Companies' Combined Income, 2012-2016, (£ Million)

#### Forecast

Stable growth expected in deposit levels despite ongoing uncertainty

Figure 7: Forecast UK MFIs Sterling Deposits from UK Resident Non-Financial Corporations, 2018-2022, (£ Billion at 2017 prices)

Growth expected in SME account balances despite gaps in service provision

What We Think

### Key Insights

How can banks meet the threat posed by the new wave of technology-led providers?

Can open banking provide opportunities to the larger banks or will it pose a threat to their dominance?

### Introduction

Definitions

Methodology

Abbreviations

### Market Positioning

The supplier

The customer

### UK Economy

Key Points

Overview

**BUY THIS  
REPORT NOW**

**VISIT:** [store.mintel.com](http://store.mintel.com)

**CALL:** EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094

Americas +1 (312) 943 5250 | China +86 (21) 6032 7300

APAC +61 (0) 2 8284 8100 |

**EMAIL:** [reports@mintel.com](mailto:reports@mintel.com)

# Commercial Banking and Finance - UK - March 2018

Report Price: £995.00 | \$1343.55 | €1119.77

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

Figure 8: Forecast GDP development 2017-21, (% Annual Growth)

Figure 9: UK GDP Quarterly Development, 2007-17, (% Quarterly Growth and GDP in £ Billion)

Inflation

Interest rates

House prices

Figure 10: UK House Price changes, 2006-2017, (12 month % change)

Consumer spending

Manufacturing

Figure 11: UK Manufacturing, 2014-17, (Index, 2013 = 100)

Business investment

Figure 12: UK GFCF, 2007-17, (£ Million, Chained Volume Measures, Seasonally Adjusted)

Imports

Exports

## Market Factors

Key Points

Brexit could lead to greater capital requirements and costs whilst the BoE attempts to promote stability

Annual GDP growth likely to have slowed in 2017, with further challenges ahead

Figure 13: GDP Growth Rate, 2013 - Q3 2017, (% Change on Previous Quarter)

Figure 14: GDP Growth Rate, 2013 - Q3 2017, (% Change on Previous Quarter)

Large corporates account for majority of private sector turnover

Figure 15: Business Population in the UK, Private Sector, by Company Size, 2013-17, (Number, £ Billion and Millions Employed)

Business investment levels continue to rise while profitability remains stable in the private sector

Figure 16: UK PNFCs Net Rate of Return, Q3 2012 - Q3 2017, (% Return)

Figure 17: UK PNFCs Net Rate of Return, Q3 2012 - Q3 2017, (% Return)

Figure 18: UK Total Business Investment, 2012 -16, (Chained Volume Measures and Not Seasonally-Adjusted, £ Billion and % Annual Change)

Figure 19: UK Total Business Investment, 2012-16, (Chained Volume Measures and Not Seasonally-Adjusted, £ Billion)

Rise in company insolvencies reduces opportunities for banking services

Figure 20: Company Insolvencies in England and Wales, 2013-17, (Number and % Annual Change)

Figure 21: Company Insolvencies in England and Wales, 2013-17, (Number)

Highest number of inward and domestic M&A deals since 2012, with the low value of the pound attracting investors

Figure 22: Mergers and Acquisitions of UK Companies, 2012 -2016, (Units)

Figure 23: Mergers and Acquisitions of UK Companies, 2012-2016, (Units)

Regulation has altered the way banks operate and added barriers to recording strong profitability

## Commercial Banking Market

Key Points

Latest annual bank stress test reveals industry robustness

Commercial deposits rise over 2017

Figure 24: UK MFIs Sterling Deposits from UK Resident Businesses, December 2015-17, (£ Million Outstanding of Deposit Liabilities, Excluding Under Repo, Not Seasonally Adjusted)

Figure 25: UK MFIs Sterling Deposits from UK Resident Businesses, by Quarter End, 2016-17, (£ Million Outstanding of Deposit Liabilities, Excluding Under Repo, Not Seasonally Adjusted)

**BUY THIS  
REPORT NOW**

**VISIT:** [store.mintel.com](http://store.mintel.com)

**CALL:** EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094

Americas +1 (312) 943 5250 | China +86 (21) 6032 7300

APAC +61 (0) 2 8284 8100 |

**EMAIL:** [reports@mintel.com](mailto:reports@mintel.com)

# Commercial Banking and Finance - UK - March 2018

Report Price: £995.00 | \$1343.55 | €1119.77

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

## Professional, scientific and technical activities account for largest share of total NFB deposits

Figure 26: MFI Sterling Deposits of UK Resident Non-Financial Businesses, by Industry Type, December 2017, (% Share of Total)

Figure 27: MFI Sterling Deposits of UK Resident Non-Financial Businesses, by Industry Type, Top Eight, December 2017, (% Share of Total)

## Small businesses continue to perform strongly

Figure 28: MBBG Deposits of Small and Medium-Sized Businesses, September, 2013-17, (£ Billion)

Figure 29: MBBG Deposits of Small and Medium-Sized Businesses, September, 2013-17, (£ Billion)

## Commercial Borrowing

### Key Points

#### Net lending remained positive in 2017

Figure 30: UK MFIs' Net Loans to Non-Financial Businesses, Q4 2015 - Q4 2017, by Size of Business, (£ Million, Not Seasonally Adjusted)

Figure 31: UK MFIs' Net Loans to Non-Financial Businesses, Q4 2015 - Q4 2017, by Size of Business, (£ Million, Not Seasonally Adjusted)

#### Commercial lending rates rise in 2017 after 2016 dip

Figure 32: Average Interest Rate for UK MFI New Advances to PNFCs, at December in 2013-2017, (% Not Seasonally Adjusted)

Figure 33: Average Interest Rate for UK MFI New Advances to PNFCs, at December 2013-17, (% Not Seasonally Adjusted)

#### Demand for and availability of credit remained low in 2017

Figure 34: Availability of Corporate Credit to PNFCs in the Last Three Months, Q1 2012 - Q4 2017, by Business Size, (Net Percentage Balance)

Figure 35: Availability of Corporate Credit to PNFCs in the Last Three Months, Q1 2012 - Q4 2017, by Business Size, (Net Percentage Balance)

Figure 36: Demand for Corporate Credit by PNFCs in the Last Three Months, Q1 2012 - Q4 2017, by Business Size, (Net Percentage Balance)

Figure 37: Demand for Corporate Credit to PNFCs in the Last Three Months, Q1 2012 - Q4 2017, by Business Size, (Net Percentage Balance)

## Market Trends

### Key Points

#### 'Fintech' collaboration driving operational model change

#### Online business banking remains most used banking service feature...

Figure 38: Use of Business Banking Features in the Last Three Months, June 2017

#### ... as market seeks to improve the payments process

#### Business confidence influences borrowing demand and latest index figures continue to cast a shadow on prospects

Figure 39: Business Confidence Index, per Half-Year, 2007-2017, (Index Figure)

Figure 40: Business Confidence Index, per Half-Year, 2007-2017, (Index Figure)

#### Write offs on loans to non-financial companies fell to a seven-year low in 2016 with 2017 set to decline further

Figure 41: Write Offs of Loans to PNFCs from Banks and Building Societies, 2012-17\*, (£ Million, Not Seasonally Adjusted)

Figure 42: Write Offs of Loans to PNFCs from Banks and Building Societies, 2012-17\*, (£ Million, Not Seasonally Adjusted)

## Brand Communication and Promotion

### Key Points

#### Ad spend declines again in 2017

Figure 43: Advertising Expenditure on Business Banking Services, 2013-17, (£ 000)

Figure 44: Advertising Expenditure on Business Banking Services, 2013 and 2017, (% of Total Ad Spend)

#### Santander claims position as largest campaign spender

Figure 45: Advertising Expenditure on Business Banking Services, by Advertiser, 2013-2017, (£ 000)

**BUY THIS  
REPORT NOW**

**VISIT:** [store.mintel.com](http://store.mintel.com)

**CALL:** EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094

Americas +1 (312) 943 5250 | China +86 (21) 6032 7300

APAC +61 (0) 2 8284 8100 |

**EMAIL:** [reports@mintel.com](mailto:reports@mintel.com)

# Commercial Banking and Finance - UK - March 2018

Report Price: £995.00 | \$1343.55 | €1119.77

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

Figure 46: Advertising Expenditure on Business Banking Services, by Advertiser, 2013 and 2017, (% of Total Ad Spend)

Outdoor advertising overtakes digital as main recipient of advertising expenditure

Figure 47: Advertising Expenditure on Business Banking Services, by Media Type, 2013-2017, (£ 000)

Figure 48: Advertising Expenditure on Business Banking Services, by Media Type, 2013 and 2017, (% Share)

## Industry Structure

Key Points

Industry Development

Presence of challenger banks yet to offer meaningful threat to the dominant banking groups...

... but RBS funding plan could boost challenger ambitions

Open banking will also lead to commercial banking changes

The number of banks and building societies rose in 2017

Figure 49: Number of Banks and Building Societies Operating in the UK, 2013-2017, (Number)

Figure 50: Number of Banks and Building Societies Operating in the UK, 2013-17, (Number)

Government continues to scale back involvement in the banking sector

In total, £137 billion has been disbursed by the Treasury since the crisis. By the end

Figure 51: Cost to UK Government of Financial Interventions in Banking Sector, at 31 October 2017, (£ Billion)

RBS

Lloyds

## Company Profiles

### Aldermore Bank

Figure 52: Financial Analysis of Aldermore Bank plc, 2012-16, (£ Million)

Company Strategy

### Barclays PLC

Figure 53: Financial Analysis of Barclays plc, 2012-16, (£ Million)

Company Strategy

### Clydesdale Bank PLC

Figure 54: Financial Analysis of Clydesdale Bank plc, 2013-17, (£ Million)

Company Strategy

### Co-operative Bank

Figure 55: Financial Analysis of Co-operative Bank plc, 2012-16, (£ Million)

Company Strategy

### HSBC

Figure 56: Financial Analysis of HSBC Bank, 2012-16, (£ Million)

Company Strategy

### Lloyds Banking Group

Figure 57: Financial Analysis of Lloyds Banking Group, 2012-16, (£ Million)

Company Strategy

**BUY THIS  
REPORT NOW**

**VISIT:** [store.mintel.com](http://store.mintel.com)

**CALL:** EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094

Americas +1 (312) 943 5250 | China +86 (21) 6032 7300

APAC +61 (0) 2 8284 8100 |

**EMAIL:** [reports@mintel.com](mailto:reports@mintel.com)

## Commercial Banking and Finance - UK - March 2018

Report Price: £995.00 | \$1343.55 | €1119.77

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

### Royal Bank of Scotland Group

Figure 58: Financial Analysis of RBS Group, 2012-16, (£ Million)

Company Strategy

### Santander UK PLC

Figure 59: Financial Analysis of Santander UK plc, 2013-17, (£ Million)

Company Strategy

Figure 60: Profiled Companies' Combined Income, 2012-2016\*, (£ Million)

### Commercial Banking Forecast

Key Points

Uncertainties around the nature of the post-Brexit business environment will impact market development

Stable growth expected in deposit levels despite ongoing uncertainty

Figure 61: Forecast UK MFIs Sterling Deposits from UK Resident Non-Financial Corporations, 2018-2022, (£ Billion at 2017 prices, % Annual Change)

Figure 62: Forecast UK MFIs Sterling Deposits from UK Resident Non-Financial Corporations, 2018-2022, (£ Billion at 2017 prices)

New restrictions in the scope of the bank levy removes a disincentive for banks to remain headquartered in the UK

Growth expected in SME account balances despite gaps in service provision

### Further Sources and Contacts

Trade Associations

Trade Magazines

Trade Exhibitions

**BUY THIS  
REPORT NOW**

**VISIT:** [store.mintel.com](http://store.mintel.com)

**CALL:** EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094

Americas +1 (312) 943 5250 | China +86 (21) 6032 7300

APAC +61 (0) 2 8284 8100 |

**EMAIL:** [reports@mintel.com](mailto:reports@mintel.com)