



LLOYDS BANK

PRESS RELEASE

UK FINANCIAL INSTITUTIONS SHOW RESILIENCE DESPITE COVID-19 AND BREXIT UNCERTAINTY

- *Covid-19 is expected to change the landscape for financial institutions, with eight in ten (81%) planning to embrace technology that supports more flexible working long term*
- *The majority of financial institutions are less optimistic about the prospects for their own sector and the UK economy than they were 12 months ago.*
- *Despite these concerns, six in ten (62%) expect to maintain or grow revenue in the next 12 months and nine in ten (90%) say their Brexit preparations are on track.*
- *Firms remain committed to environmental sustainability and sustainable finance over the next three years, with 63% saying Covid-19 will have no impact on their strategies.*

A new report highlights how Covid-19 is expected to change the financial services workplace, according to Lloyds Bank. Almost all (89%) financial institutions plan to maintain flexible working patterns for employees and eight in ten (81%) expect to use digital platforms like Microsoft Teams and Zoom to liaise with clients. Two-thirds (68%) will use new technology to automate more work.

Six in ten (62%) senior leaders within financial institutions say they expect to maintain or grow their revenues over the next 12 months.

Although this is down from 80% in 2019, the figures indicate many firms expect their business to show resilience despite disruption caused by Covid-19. Nine in ten (90%) say their firm's Brexit preparations are on track and two-thirds (64%) plan to maintain current staffing levels or create jobs (2019: 90%).

The findings are included in Lloyds Bank's fifth annual Financial Institutions Sentiment Survey, which gathers views from major banks, asset and wealth management firms, insurers and intermediaries. The financial services sector accounts for 10% of the UK's economic output and contributes more tax revenue than any other industry*.

However, the relative confidence relating to revenue and Brexit preparations comes as institutions' growth expectations for the financial services sector and the UK economy continues to deteriorate year-on-year.

Two thirds (68%) of respondents expect UK economic growth to slow in the year ahead, compared to 58% in 2019 and 29% in 2018. A similar proportion (62%) expect growth in the UK financial services sector to slow over the same period (55% in 2019 and 27% in 2018).



Adrian Walkling, head of financial services at Lloyds Bank Commercial Banking, said: “A drop in confidence in the sector’s growth prospects compared to last year reflects how financial institutions are feeling in the midst of unprecedented disruption caused by Covid-19.

“Firms have spent the past decade de-risking and modifying their business models with the aim of increasing their resilience. The next 12 months will be critical as we see how effective those defences are for financial services and the wider UK economy.”

The impact of Covid-19

The coronavirus pandemic is seen as the top risk to financial institutions, as cited by 62% of business leaders – ahead of economic uncertainty, new regulation and Brexit, which was listed as 2019’s top risk.

Despite concerns over the economy and their prospects, firms remain committed to a focus on environmental sustainability and sustainable finance over the next three years, with 63% saying Covid-19 will have no impact on their strategies. Only 16% admit they will focus less on sustainability.

Adrian Walkling added: “Our findings show that Covid-19 is accelerating the use of technology to help firms adapt to new working patterns. Financial institutions are working hard to find ways to give their employees the flexibility and freedom to choose how they interact with each other and their clients and adapt to these new ways of working.

“For all the challenges we have faced through the pandemic, one of the most positive steps taken by financial institutions has been the rapid roll out of technology for staff across the sector and the commitment to experiment with new ways of working.”

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The Financial Institutions Sentiment Survey interviewed 107 senior leaders between July 7th and July 31st.

* <https://www.thecityuk.com/about-us/>

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