



Embargoed until 00.01 hrs, Tuesday 29th March 2016

## SENTIMENT DETERIORATES FOR THE FIRST TIME IN OVER THREE YEARS

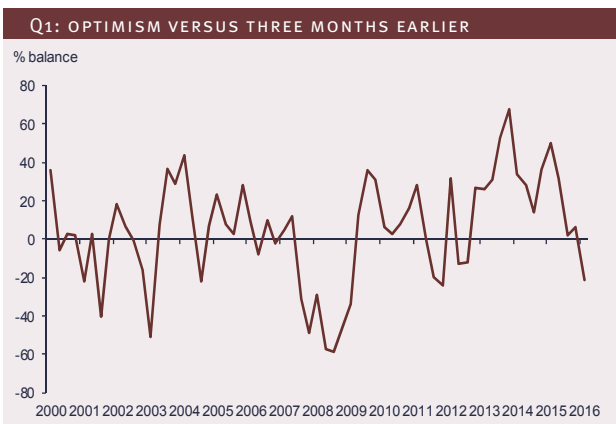
Financial services firms were less optimistic about the general business situation in the quarter to March—the first deterioration in sentiment since 2012. However, business volumes continued to expand at a solid pace, driven by demand from private individuals and the corporate sector. Profitability also continued to rise, albeit at its slowest rate in almost two years. Similar growth in both volumes and profitability is expected next quarter. But firms see financial market instability, competition and macroeconomic uncertainty as key challenges in the year ahead. Against this background, employment is expected to be flat over the next quarter, with falling headcount in banking offsetting jobs growth in other sectors. And while firms continue to plan for higher investment IT, investment in other areas is set to be cut back.

- |  |                |  |
|--|----------------|--|
| <b>Banking</b>                                   | <i>page 6</i>  | Profitability continued to rise over the past quarter, but this mostly reflected falling costs: business volumes were stagnant, and income values fell. Indeed, the rate of profits growth has now eased for the third quarter running.  |
| <b>Building societies &amp; finance houses</b>   | <i>page 10</i> | Building societies reported that business volumes overshot their expectations for the first quarter of 2016. While finance houses similarly experienced a solid improvement in business volumes, their profitability fell at the quickest pace since September 2008.   |
| <b>Life insurance</b>                            | <i>page 16</i> | Business volumes grew at a similar pace in the three months to March to the previous quarter, Business volumes are expected to grow at a slightly slower pace in the three months to June.   |
| <b>General insurance &amp; insurance brokers</b> | <i>page 20</i> | Business volumes in general insurance grew at a steady pace over the quarter, however volumes are set to rise at slightly faster rate in the three months to June. Meanwhile, growth in business volumes for insurance brokers held broadly steady over the quarter, but is set to slow over the coming quarter.   |
| <b>Investment management</b>                     | <i>page 26</i> | Optimism fell sharply while business volumes and profitability were relatively flat over the past quarter. Business volumes are not expected to improve however profitability is expected to rebound in the three months to June.  |
| <b>Supplementary questions</b>                   | <i>page 30</i> | Confidence in financial market conditions deteriorated last quarter. Banks, life insurers and investment managers see volatile markets as a key challenge over the year ahead. Firms have undertaken a variety of actions to increase diversity in senior roles, but some strategies are more common than others. The vast majority of firms are alert to the threat of cyber-crime, with nine in ten expecting to invest in cyber training and awareness over the year ahead. |

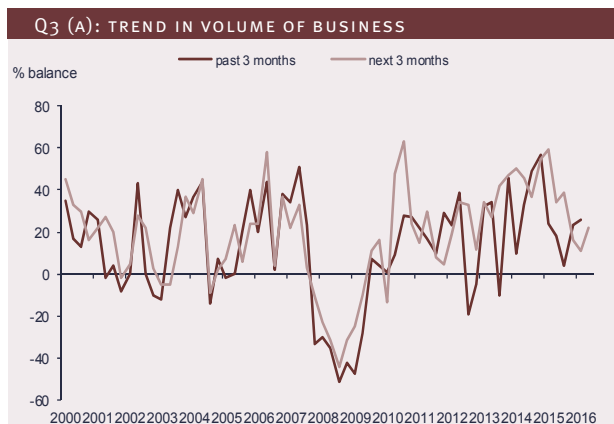


# Overall financial services

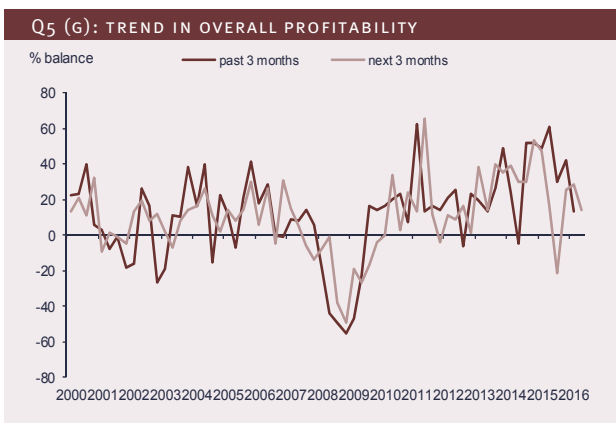
- **Optimism** Having been broadly unchanged in the second half of 2015, sentiment deteriorated in the three months to March, for the first time since September 2012.
- **Business volumes** Overall, business volumes rose at a healthy rate, outpacing expectations, and the outlook is for a similar expansion next quarter. Growth was driven by rising business with private individuals and industrial and commercial companies, while business with financial institutions and overseas customers was flat. This pattern is expected to persist next quarter (though overseas demand is expected to weaken). One notable exception was banking, where business volumes were stable for the fifth quarter in a row in the three months to March, with no change expected over the next quarter.
- **Income** Higher business volumes were reflected in rising income from fees, commissions & premiums, which grew for the first time in a year (though not in banking or building societies). A more modest increase is expected next quarter. However, there was a broad-based decline in the value of net interest, investment & trading income, with a further decline expected.
- **Pricing power** There was a mixed picture for pricing power. Average commissions, fees & premiums edged up, for the first time in a year, and expectations of growth over the coming quarter hit a three-year high. However, spreads were reported to have fallen, with little change expected in the three months to May.
- **Costs** Total costs were reported as falling for the first time in over a year, with sharp falls in banking (reflecting falling staff costs) offsetting increases in some other sectors. Average costs dipped overall, having been flat or falling slightly for the last year-and-a-half, suggesting steady improvements in productivity. Both total and average costs are expected to decline a little further next quarter.
- **Profitability** Profitability continued to grow in the quarter to March, but at the slowest pace for almost two years. Notably, profits growth slowed in banking and life insurance, while profitability declined in four of the eight sectors. Overall profitability is expected to expand at a similar pace next quarter.
- **Employment** Financial services firms reported a modest rise in employment last quarter, with robust rises across many sectors outweighing a decline in banks. Overall employment is predicted to remain stable in the three months to May.
- **Investment** Investment intentions have weakened. Expected growth in marketing and IT budgets has slowed, while firms expect to cut back on other forms of capital spending. The desire to promote efficiency was the most important motivation for investment, while statutory legislation and regulation also remains a key driver. Inadequate net returns and demand uncertainty were the most important brakes on investment.
- **The year ahead** The most significant potential constraint on business growth over the coming year is competition, with citations for this factor rising above its long-term average. Against this backdrop, firms report retaining and cross-selling to existing customers as a more important source of growth over the year ahead, aided by investment in IT and CRM/marketing capabilities.



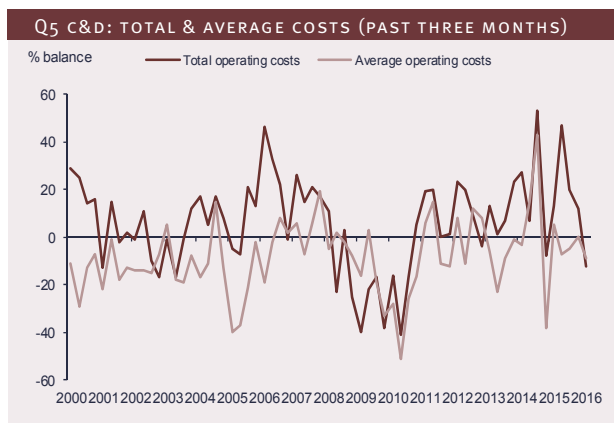
	Q1	Sentiment deteriorated at the sharpest pace since December 2011.
Latest	-21	
Previous	+6	
Mean	+6	



	Q3a: Past	Q3a: Next	Growth in business volumes held up well, with steady growth expected.
Latest	+26	+22	
Previous	+23	+11	
Mean	+13	+20	



	Q5g: Past	Q5g: Next	Profitability continued to improve, but at the slowest pace in almost two years.
Latest	+13	+14	
Previous	+42	+28	
Mean	+13	+13	



	Q5c: Past	Q5d: Past	Total and average costs fell in the quarter to March.
Latest	-12	-9	
Previous	+12	0	
Mean	+7	-10	

## CBI/PwC Financial Services Survey

Survey number 106, March 2016

### Overall

Conducted between 16th February and 3rd March 2016

\*All figures are percentage balances of respondents except questions 9-13 where figures are percentages of firms responding.

VALUE AND VOLUME OF BUSINESS					
	2015 Mar	Jun	Sep	Dec	2016 Mar
<b>1 Are you more or less optimistic about THE OVERALL BUSINESS SITUATION IN YOUR SECTOR?</b>	+50	+32	+2	+6	-21
<b>2 Excluding seasonal variations, do you consider that in volume terms:</b>					
a) Your present level of business (above/below normal) is:	-5	+44	+4	+11	-9
b) Your present level of business with overseas customers (above/below normal) is:	+1	+6	+4	-14	-9
<b>3 Excluding seasonal variations, what are the trends in:</b>					
a) Volume of business					
- past 3 months	+24	+18	+4	+23	+26
- next 3 months	+34	+39	+16	+11	+22
b) Value** of fee, commission or premium income					
- past 3 months	+46	-20	-20	0	+22
- next 3 months	+60	+28	+13	+4	+8
c) Value** of net interest, investment or trading income					
- past 3 months	+36	+34	+13	-2	-19
- next 3 months	+36	+6	+4	+2	-7

\*\* in sterling

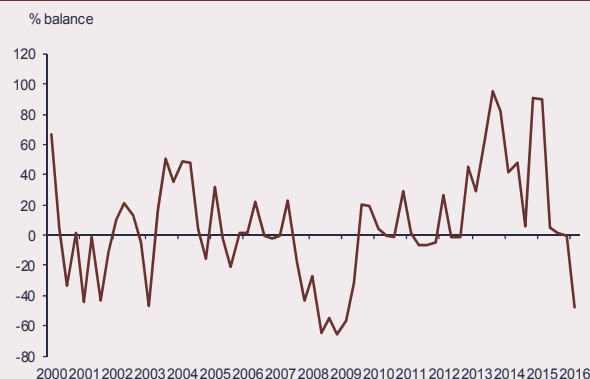
		2015 Mar	Jun	Sep	Dec	2016 Mar	
<b>4 What is the trend in your 'volume of business' with regard to the following categories of customer:</b>							
a)	Industrial & commercial companies	- past 3 months	+10	+46	+7	+17	+10
		- next 3 months	+9	+50	+11	+1	+10
b)	Financial institutions	- past 3 months	+5	+10	+7	+16	+2
		- next 3 months	+6	+13	+5	+6	+1
c)	Private individuals	- past 3 months	+18	+64	+15	+25	+24
		- next 3 months	+66	+57	+17	+28	+22
d)	Overseas customers (UK-based operations)	- past 3 months	+7	+13	+6	+13	-1
		- next 3 months	+9	-21	+3	+22	-11
<b>CHARGES, COSTS AND PROFITABILITY</b>							
<b>5 Excluding seasonal variations, what are the trends for:</b>							
a)	Average spreads	- past 3 months	+33	-46	+13	+2	-15
		- next 3 months	-7	-42	-2	0	-3
b)	Average commissions/fees/ premiums paid	- past 3 months	+39	-24	-11	-15	+10
		- next 3 months	+9	+13	0	-5	+17
c)	Total operating costs (excluding cost of funds)	- past 3 months	+13	+47	+20	+12	-12
		- next 3 months	+18	+52	+15	+11	-4
d)	Average operating costs per transaction	- past 3 months	+5	-7	-5	0	-9
		- next 3 months	-2	-2	+5	-9	-12
e)	Value of non-performing loans	- past 3 months	-41	-42	-37	-15	-26
		- next 3 months	-41	-4	-17	-5	-18
	of which:						
	Retail	- past 3 months	-42	-44	-36	-14	-26
		- next 3 months	-40	-4	-17	-4	-28
	Corporate	- past 3 months	-40	-39	-36	-14	-15
		- next 3 months	-40	-3	-17	-3	-14
g)	Overall profitability of business	- past 3 months	+49	+61	+30	+42	+13
		- next 3 months	+16	-21	+25	+28	+14
<b>EMPLOYMENT AND TRAINING</b>							
<b>6 Excluding seasonal variations, what are the trends in:</b>							
a)	Numbers employed	- past 3 months	-24	+13	+6	-17	+15
		- next 3 months	-13	+12	0	-6	0
b)	Training expenditure	- past 3 months	-19	+12	+2	+37	+18
		- next 3 months	-20	+47	+24	+36	+20
c)	Staff costs as a proportion of total costs	- past 3 months	+8	+6	-3	+13	-3
		- next 3 months	+14	+4	-2	+4	-9
<b>6.1</b>	<b>What has been the trend with regard to your staff turnover:</b>						
		- past 3 months	+52	-39	+5	+24	+1
		- next 3 months	+40	+37	+4	+17	0
<b>MARKETING EXPENDITURE</b>							
<b>7</b>	<b>Do you expect to authorise more or less expenditure on marketing in the NEXT 12 MONTHS than you did in the PAST 12 MONTHS</b>		-10	+58	-6	+10	+7
<b>CAPITAL EXPENDITURE</b>							
<b>8</b>	<b>Do you expect to authorise more or less capital expenditure in the NEXT 12 MONTHS than you authorised in the PAST 12 MONTHS on:</b>						
a)	Land and buildings		-35	-42	-45	-30	-20
b)	Vehicles, plant & machinery		-38	-3	-15	-11	-19
c)	Information technology		+72	+38	+48	+54	+42
<b>9</b>	<b>What are the main reasons for any expected CAPITAL EXPENDITURE AUTHORISATION over the NEXT 12 MONTHS*</b>						
	To provide new services		68	64	54	52	46
	To increase efficiency/speed		89	85	84	61	78
	To reach new customers		39	68	51	63	47
	For replacement		35	65	72	52	41
	To expand capacity		33	59	50	54	24
	Statutory legislation and regulation		35	72	78	52	51
	Other		1	0	1	4	1
<b>10</b>	<b>What factors are likely to limit (wholly or partly) your capital authorisations over the NEXT 12 MONTHS*</b>						
	Inadequate net return on proposed investment		71	62	59	59	53
	Shortage of finance		12	14	39	28	11
	Cost of finance		8	6	4	15	19
	Uncertainty about demand/business prospects		38	56	59	43	54
	Shortage of labour including managerial & supervisor staff		26	20	38	25	38
	Other		2	8	3	21	3

BUSINESS PROSPECTS							
		2015				2016	
		Mar	Jun	Sep	Dec	Mar	
<b>11</b>	<b>What factors are likely to limit your ability to increase your level of business over the NEXT 12 MONTHS*</b>						
	Level of demand	- Total	80	37	77	65	54
		- Overseas	44	8	11	19	30
	Staff turnover	- Total	7	2	7	7	4
		- Overseas	0	1	1	2	2
	Availability of professional staff	- Total	19	14	31	24	18
		- Overseas	1	2	6	2	4
	Availability of clerical staff	- Total	9	4	5	4	7
		- Overseas	0	1	1	0	6
	Adequacy of systems capacity	- Total	29	13	36	14	29
		- Overseas	5	1	4	1	2
	Ability to raise funds	- Total	3	5	7	5	4
		- Overseas	0	2	4	1	1
	of which:						
	Ability to raise capital	- Total	7	8	7	5	3
		- Overseas	0	1	4	0	0
	Availability of wholesale funds	- Total	6	2	4	5	3
		- Overseas	0	1	1	0	0
	Competition	- Total	46	75	72	55	67
		- Overseas	12	13	9	12	22
	Statutory legislation and regulation	- Total	40	67	54	46	52
		- Overseas	7	6	8	9	16
	Other	- Total	1	4	1	3	1
		- Overseas	0	4	1	3	0
<b>11.1</b>	<b>What do you expect to spend on regulatory compliance in the NEXT 12 MONTHS?</b>		+67	+72	+57	+43	+45
<b>12</b>	<b>Where do you see your competition coming from in the next 12 months?</b>						
	Your sector of financial services		95	95	95	87	98
	Other sectors of financial services		24	63	61	44	53
	Companies currently positioned outside of financial services		47	43	34	31	26
	New entrants		35	60	64	62	35
	Other		1	1	1	0	2
GROWTH							
<b>13</b>	<b>Where do you think your growth will come from over the next 3 months?</b>						
	Cross sales to new customers		22	15	48	32	35
	Cross sales to existing customers		71	67	59	68	54
	Acquisition of domestic customers		81	79	77	60	61
	Acquisition of international customers		14	13	13	11	35
	New products		28	15	19	30	21
	No growth expected		2	8	7	10	25
<b>14</b>	<b>Relative to the past 12 months, how important do you think the following elements will be to your organisation's growth strategy over the next 12 months?</b>						
	<b>Organic growth activities:</b>						
	Acquiring new customers		+40	+76	+64	+63	+44
	Cross-selling to existing customers		+51	+33	+30	+42	+48
	Retaining existing customers		+57	+62	+58	+47	+53
	Launching new products/services		+25	-16	+3	+46	-7
	<b>Inorganic growth activities:</b>						
	Engaging in M&A transactions		+6	+18	-1	+5	-3
	Forming strategic partnerships/alliances		+15	+18	+12	+14	+21
	<b>Market focus for growth:</b>						
	Increasing market share in domestic markets		+66	+65	+40	+38	+41
	Increasing market share in international markets		+11	+19	+10	+19	-10
	<b>Investment in enablers to growth:</b>						
	Brand and advertising		+21	+54	+19	+22	+23
	Sales force and distribution channels		+22	+49	+22	+40	+31
	CRM/marketing capabilities (e.g. pricing, segmentation, profitability analysis)		+32	+28	+54	+38	+46
	Performance measurement processes/tools		+14	+22	+26	+25	+25
	IT systems and applications		+69	+37	+62	+54	+54

# Banking

- **Optimism** Sentiment in the banking sector fell sharply at the start of the year, at the fastest pace since the depths of the global downturn in 2008/09.
- **Business volumes** Business volumes remained flat, having now failed to grow for five consecutive quarters. Furthermore, the level of business fell below “normal”, to the greatest extent since December 2012. Looking at the customer breakdown, business with private individuals rose solidly, but was offset by declines in transactions with financial institutions and overseas companies. These trends are expected to persist over the next three months, with total volumes set to remain stagnant.
- **Income** Income from fees/commissions was unchanged, stabilising after heavy falls over much of 2015. However, net interest/trading income fell for the second quarter running. Incomes from both sources are set to be flat over the next three months.
- **Pricing power** Contrary to expectations, average spreads narrowed over the past three months, but commissions, fees & premiums rose for the first time in a year. Growth in the latter is expected to accelerate, while spreads are set to be unchanged.
- **Costs** Total costs fell heavily, but stagnant business volumes led to a more moderate fall in average costs. Total costs are set to fall strongly again, with average costs set to stay unchanged.
- **Profitability** Despite no growth in business and falling income, falling costs drove profitability higher over the last three months. But while growth in profits remains just above its long-run average, the rate of increase has eased for the third quarter running. Similar growth in profits is expected over the coming quarter.
- **Employment** Headcount fell for the second consecutive quarter, in line with expectations, with a faster decline expected in the next three months.
- **Investment** While investment intentions for IT remained positive, they eased considerably—to the second-lowest in the run of positive intentions since 2013—and are now broadly in line with their long-run average. Meanwhile, plans for spending on land & buildings and vehicles, plant & machinery deteriorated even further. However, there hasn’t been much change in the factors expected to limit investment ahead—concerns around inadequate net returns remain elevated and uncertainty over demand in line with its long-run average, but not materially more so than in the previous survey. However, many of the prominent drivers of capital spending evident in December 2015—expanding capacity, replacement and providing new services—have tailed-off in this survey.
- **The year ahead** More banks are now citing competition as the main factor likely to limit business expansion in the year ahead, overtaking the level of demand as a concern. However, fewer firms see this competition coming from new entrants or companies positioned outside of the financial services sector. In line with increased concerns over competition, retaining and cross-selling to existing customers are expected to be important elements of banks’ growth strategies over the year ahead.

## Q1: OPTIMISM VERSUS THREE MONTHS EARLIER



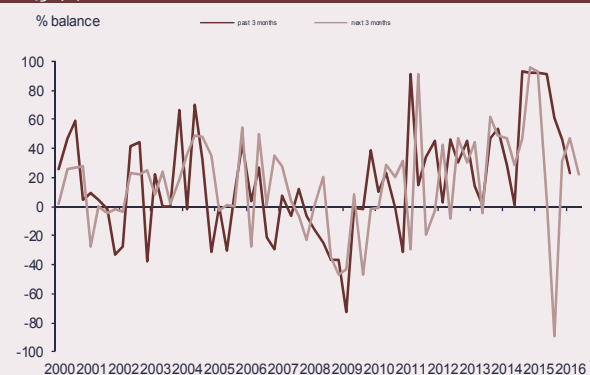
	Q1	
Latest	-48	Sentiment fell at the sharpest pace since 2008/09.
Previous	0	
Mean	+6	

## Q3 (A): TREND IN VOLUME OF BUSINESS



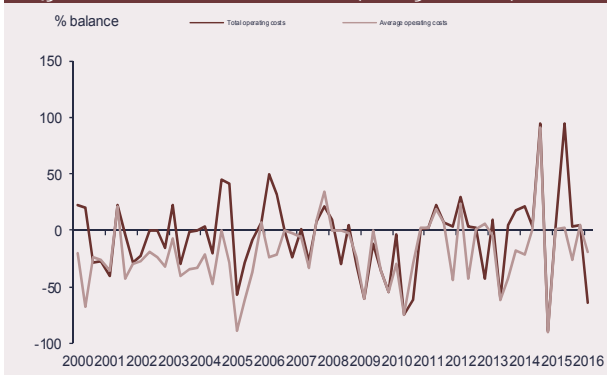
	Q3a: Past	Q3a: Next	
Latest	+1	+1	Business volumes were flat for the fifth quarter running.
Previous	-2	+1	
Mean	+15	+22	

## Q5 (G): TREND IN OVERALL PROFITABILITY



	Q5g: Past	Q5g: Next	
Latest	+23	+22	Growth in profitability eased.
Previous	+46	+47	
Mean	+19	+18	

## Q5 C&amp;D: TOTAL &amp; AVERAGE COSTS (PAST 3 MONTHS)



	Q5c: Past	Q5d: Past	
Latest	-64	-19	Total costs fell sharply, with average costs falling at a more moderate pace.
Previous	+5	+5	
Mean	-3	-19	

## CBI/PwC Financial Services Survey

Survey number 106, March 2016

## Banking

Conducted between 16th February and 3rd March 2016

\*All figures are percentage balances of respondents except questions 9-13 where figures are percentages of firms responding.

## VALUE AND VOLUME OF BUSINESS

	2015				2016
	Mar	Jun	Sep	Dec	Mar
<b>1 Are you more or less optimistic about THE OVERALL BUSINESS SITUATION IN YOUR SECTOR?</b>	+90	+5	+1	0	-48
<b>2 Excluding seasonal variations, do you consider that in volume terms:</b>					
a) Your present level of business (above/below normal) is:	+2	+90	0	-1	-24
b) Your present level of business with overseas customers (above/below normal) is:	0	0	-1	-46	-26
<b>3 Excluding seasonal variations, what are the trends in:</b>					
a) Volume of business					
- past 3 months	+3	+1	+1	-2	+1
- next 3 months	+3	+3	+3	+1	+1
b) Value** of fee, commission or premium income					
- past 3 months	+91	-88	-30	-45	0
- next 3 months	+94	+3	+2	-24	+1
c) Value** of net interest, investment or trading income					
- past 3 months	+90	+91	+31	-22	-19
- next 3 months	+94	0	+2	+2	+1

\*\* in sterling

		2015				2016
		Mar	Jun	Sep	Dec	Mar
<b>4 What is the trend in your 'volume of business' with regard to the following categories of customer:</b>						
a)	Industrial & commercial companies					
	- past 3 months	-1	+91	-2	-2	+1
	- next 3 months	+1	+92	+3	-21	-1
b)	Financial institutions					
	- past 3 months	0	-1	-1	-1	-22
	- next 3 months	+1	-2	-1	0	-25
c)	Private individuals					
	- past 3 months	+8	+91	+1	+44	+22
	- next 3 months	+98	+92	+1	+48	+25
d)	Overseas customers (UK-based operations)					
	- past 3 months	+5	-2	-1	-1	-23
	- next 3 months	+5	-88	+1	+24	-45
<b>CHARGES, COSTS AND PROFITABILITY</b>						
<b>5 Excluding seasonal variations, what are the trends for:</b>						
a)	Average spreads					
	- past 3 months	+90	-92	+29	0	-26
	- next 3 months	+1	-90	-2	-2	-1
b)	Average commissions/fees/ premiums paid					
	- past 3 months	+92	-92	-32	-22	+21
	- next 3 months	+3	-1	-1	-1	+45
c)	Total operating costs (excluding cost of funds)					
	- past 3 months	+3	+94	+4	+5	-64
	- next 3 months	+2	+93	+3	+5	-41
d)	Average operating costs per transaction					
	- past 3 months	+1	+2	-26	+5	-19
	- next 3 months	+1	+1	+3	-20	+1
e)	Value of non-performing loans					
	- past 3 months	-95	-91	-91	-23	-46
	- next 3 months	-92	-1	-31	0	-23
	of which:					
	Retail					
	- past 3 months	-94	-91	-91	-22	-45
	- next 3 months	-91	-1	-31	-1	-45
	Corporate					
	- past 3 months	-91	-91	-91	-23	-22
	- next 3 months	-90	-1	-31	+1	-22
g)	Overall profitability of business					
	- past 3 months	+92	+91	+61	+46	+23
	- next 3 months	+5	-89	+31	+47	+22
<b>EMPLOYMENT AND TRAINING</b>						
<b>6 Excluding seasonal variations, what are the trends in:</b>						
a)	Numbers employed					
	- past 3 months	-88	+5	+4	-41	-20
	- next 3 months	-83	+3	-25	-20	-44
b)	Training expenditure					
	- past 3 months	-87	+3	+4	+49	+26
	- next 3 months	-85	+93	+33	+69	+25
c)	Staff costs as a proportion of total costs					
	- past 3 months	+1	+4	-28	+26	-19
	- next 3 months	+3	+1	-26	-1	-20
<b>6.1 What has been the trend with regard to your staff turnover:</b>						
	- past 3 months	+90	-89	+3	+25	-19
	- next 3 months	+93	+91	+1	+3	+1
<b>MARKETING EXPENDITURE</b>						
<b>7 Do you expect to authorise more or less expenditure on marketing in the NEXT 12 MONTHS than you did in the PAST 12 MONTHS</b>						
		-83	+92	-29	+1	+2
<b>CAPITAL EXPENDITURE</b>						
<b>8 Do you expect to authorise more or less capital expenditure in the NEXT 12 MONTHS than you authorised in the PAST 12 MONTHS on:</b>						
a)	Land and buildings	-90	-92	-90	-47	-70
b)	Vehicles, plant & machinery	-91	-2	-31	-24	-47
c)	Information technology	+95	+2	+63	+71	+26
<b>9 What are the main reasons for any expected CAPITAL EXPENDITURE AUTHORISATION over the NEXT 12 MONTHS*</b>						
	To provide new services	95	93	63	70	24
	To increase efficiency/speed	94	94	94	71	95
	To reach new customers	3	91	63	69	46
	For replacement	3	94	94	73	27
	To expand capacity	3	93	63	69	1
	Statutory legislation and regulation	5	95	98	52	51
	Other	2	0	1	1	0
<b>10 What factors are likely to limit (wholly or partly) your capital authorisations over the NEXT 12 MONTHS*</b>						
	Inadequate net return on proposed investment	95	94	64	71	71
	Shortage of finance	0	1	63	46	1
	Cost of finance	2	0	1	24	23
	Uncertainty about demand/business prospects	3	94	65	47	49
	Shortage of labour including managerial & supervisor staff	1	1	34	26	26
	Other	1	2	2	25	1



BUSINESS PROSPECTS		2015				2016	
		Mar	Jun	Sep	Dec	Mar	
<b>11</b>	<b>What factors are likely to limit your ability to increase your level of business over the NEXT 12 MONTHS*</b>						
	Level of demand	- Total	95	6	96	51	50
		- Overseas	92	3	5	3	25
	Staff turnover	- Total	2	0	0	1	0
		- Overseas	0	0	0	0	0
	Availability of professional staff	- Total	3	3	33	23	1
		- Overseas	1	1	3	1	0
	Availability of clerical staff	- Total	1	0	0	0	0
		- Overseas	1	1	0	0	0
	Adequacy of systems capacity	- Total	1	0	31	1	23
		- Overseas	1	0	1	1	0
	Ability to raise funds	- Total	3	2	1	3	4
		- Overseas	1	1	1	1	1
	of which:						
	Ability to raise capital	- Total	3	2	1	0	3
		- Overseas	1	0	0	0	0
	Availability of wholesale funds	- Total	1	0	1	3	0
		- Overseas	1	1	1	1	0
	Competition	- Total	2	93	63	47	72
		- Overseas	1	0	3	1	1
	Statutory legislation and regulation	- Total	5	97	65	53	51
		- Overseas	4	2	4	4	3
	Other	- Total	1	1	1	0	0
		- Overseas	1	1	1	1	0
<b>11.1</b>	<b>What do you expect to spend on regulatory compliance in the NEXT 12 MONTHS?</b>		+99	+98	+66	+76	+74
<b>12</b>	<b>Where do you see your competition coming from in the next 12 months?</b>						
	Your sector of financial services		97	98	98	76	99
	Other sectors of financial services		3	95	92	48	71
	Companies currently positioned outside of financial services		91	92	61	46	24
	New entrants		5	95	94	94	26
	Other		0	1	0	0	0
<b>GROWTH</b>							
<b>13</b>	<b>Where do you think your growth will come from over the next 3 months?</b>						
	Cross sales to new customers		2	3	62	26	26
	Cross sales to existing customers		93	93	63	92	71
	Acquisition of domestic customers		95	95	95	73	51
	Acquisition of international customers		1	1	4	2	25
	New products		3	1	2	23	1
	No growth expected		1	2	2	1	24
<b>14</b>	<b>Relative to the past 12 months, how important do you think the following elements will be to your organisation's growth strategy over the next 12 months?</b>						
	<b>Organic growth activities</b>						
	Acquiring new customers		+5	+96	+68	+75	+52
	Cross-selling to existing customers		+97	+3	+31	+69	+70
	Retaining existing customers		+94	+94	+62	+70	+72
	Launching new products/services		+1	-91	-27	+43	-45
	<b>Inorganic growth activities</b>						
	Engaging in M&A transactions		-1	0	-2	-1	+1
	Forming strategic partnerships/alliances		+1	0	-1	+2	+25
	<b>Market focus for growth</b>						
	Increasing market share in domestic markets		+91	+91	+33	+45	+48
	Increasing market share in international markets		+3	0	+2	+24	-44
	<b>Investment in enablers to growth</b>						
	Brand and advertising		+2	+92	+2	+23	+21
	Sales force and distribution channels		+2	+91	+1	+46	+21
	CRM/marketing capabilities (e.g. pricing, segmentation, profitability analysis)		+1	+2	+62	+43	+68
	Performance measurement processes/tools		+2	+1	+33	+23	+45
	IT systems and applications		+89	0	+62	+70	+68

# Building societies and finance houses

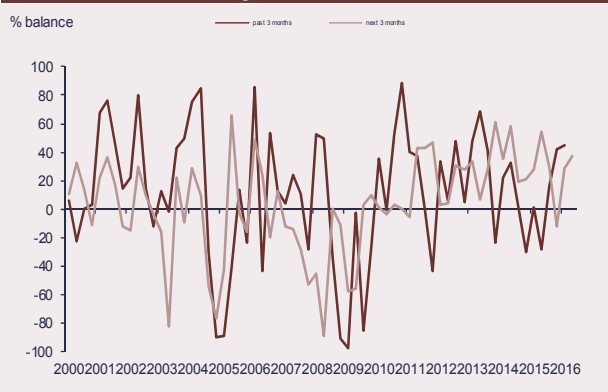
## Building societies

- **Optimism** Optimism among building societies was broadly stable in the three months to March, mirroring the picture during the second half of 2015.
- **Business volumes** Business volumes rose at the fastest pace in two-and-a-half years, comfortably beating expectations. Building societies anticipate that volumes will continue to rise over the three months to June, albeit at a slightly more moderate pace.
- **Profitability** Profitability was flat, following three years of uninterrupted growth. Against a backdrop of stable average costs and commissions, profits are expected to remain stable over the coming quarter.
- **Employment** Headcount continued to increase robustly in the quarter to March, but the pace of hiring is expected to slow during the three months to June.
- **Investment** Spending on IT is set to climb rapidly over the year ahead, while the outlook for investment in land and buildings is also positive. Increasing efficiency/speed and adhering to statutory legislation/regulation are key investment drivers.

## Finance houses

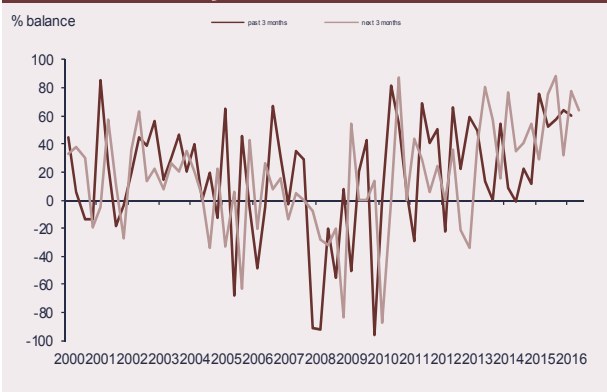
- **Optimism** Finance houses were more optimistic about the overall business situation in the quarter to March.
- **Business volumes** Business volumes rose strongly in the three months to March, with a similar expansion expected next quarter.
- **Profitability** Profitability was reported to have fallen at the quickest pace since September 2008, possibly reflecting a slight increase in non-performing loans to the corporate sector. Profits are expected to fall further next quarter.
- **Employment** Staffing levels at finance houses rose strongly in the three months to March and are expected to grow at a similar pace next quarter.
- **Investment** Expenditure on IT is set to increase robustly over the next year, with replacing outdated capital the most frequently cited reason for investment.

BUILDING SOCIETIES Q3 (A): TREND IN VOLUME OF BUSINESS



	Q3a: Past	Q3a: Next	
Latest	+45	+37	Business volumes rose for a third successive quarter.
Previous	+42	+29	
Mean	+9	+8	

FINANCE HOUSES Q3 (A): TREND IN VOLUME OF BUSINESS



	Q3a: Past	Q3a: Next	
Latest	+60	+64	Business volumes continued to expand at a brisk pace in the three months to March.
Previous	+64	+78	
Mean	+15	+14	

# CBI/PwC Financial Services Survey

Survey number 106, March 2016

## Building societies

Conducted between 16th February and 3rd March 2016

\*All figures are percentage balances of respondents except questions 9-13 where figures are percentages of firms responding.

VALUE AND VOLUME OF BUSINESS					
	2015 Mar	Jun	Sep	Dec	2016 Mar
<b>1 Are you more or less optimistic about THE OVERALL BUSINESS SITUATION IN YOUR SECTOR?</b>	+18	+15	+5	+3	-2
<b>2 Excluding seasonal variations, do you consider that in volume terms:</b>					
a) Your present level of business (above/below normal) is:	+14	-30	+15	-2	+13
b) Your present level of business with overseas customers (above/below normal) is:	0	0	0	-2	0
<b>3 Excluding seasonal variations, what are the trends in:</b>					
a) Volume of business					
- past 3 months	+1	-28	+15	+42	+45
- next 3 months	+54	+30	-12	+29	+37
b) Value** of fee, commission or premium income					
- past 3 months	-18	-45	-60	+22	-3
- next 3 months	+36	+15	+4	+29	+5
c) Value** of net interest, investment or trading income					
- past 3 months	-14	-43	-18	-45	-45
- next 3 months	-16	-15	-47	+3	+14
** in sterling					
<b>4 What is the trend in your 'volume of business' with regard to the following categories of customer:</b>					
a) Industrial & commercial companies					
- past 3 months	0	0	+14	+21	-1
- next 3 months	0	0	+14	+23	-1
b) Financial institutions					
- past 3 months	0	0	+14	+21	+15
- next 3 months	0	+15	+14	+23	0
c) Private individuals					
- past 3 months	+19	0	+17	+44	+15
- next 3 months	+54	+15	+4	+50	+37
d) Overseas customers (UK-based operations)					
- past 3 months	0	0	0	0	0
- next 3 months	0	0	0	0	0
CHARGES, COSTS AND PROFITABILITY					
<b>5 Excluding seasonal variations, what are the trends for:</b>					
a) Average spreads					
- past 3 months	-39	-33	-77	-51	-77
- next 3 months	-58	-35	-63	-25	-66
b) Average commissions/fees/ premiums paid					
- past 3 months	-1	-3	-1	-26	+15
- next 3 months	-3	-3	0	+2	0
c) Total operating costs (excluding cost of funds)					
- past 3 months	+40	+50	+81	+52	+79
- next 3 months	+37	+65	+81	+76	+18
d) Average operating costs per transaction					
- past 3 months	+4	+35	+51	-18	+2
- next 3 months	-22	+20	+35	+27	+2
e) Value of non-performing loans					
- past 3 months	-59	-80	-79	-76	-96
- next 3 months	-77	-62	-34	-52	-62
of which:					
Retail					
- past 3 months	-77	-95	-63	-53	-95
- next 3 months	-77	-62	-33	-29	-62
Corporate					
- past 3 months	-58	-32	-61	-26	-45
- next 3 months	-58	-45	-31	-26	-30
g) Overall profitability of business					
- past 3 months	+40	+23	+31	+45	-1
- next 3 months	+19	-5	+16	+21	-3
EMPLOYMENT AND TRAINING					
<b>6 Excluding seasonal variations, what are the trends in:</b>					
a) Numbers employed					
- past 3 months	+62	+82	+51	+73	+64
- next 3 months	+42	+35	+49	+72	+17
b) Training expenditure					
- past 3 months	+21	+2	+20	+26	+34
- next 3 months	+20	+2	+20	+28	+38
c) Staff costs as a proportion of total costs					
- past 3 months	+43	+50	+51	+53	+34
- next 3 months	+41	+35	+49	+50	+33
<b>6.1 What has been the trend with regard to your staff turnover:</b>					
- past 3 months	+20	+18	+2	+26	+16
- next 3 months	+20	+31	+29	+67	+16

MARKETING EXPENDITURE						
	2015 Mar	Jun	Sep	Dec	2016 Mar	
<b>7 Do you expect to authorise more or less expenditure on marketing in the NEXT 12 MONTHS than you did in the PAST 12 MONTHS</b>	+96	+37	+52	+52	+62	
CAPITAL EXPENDITURE						
<b>8 Do you expect to authorise more or less capital expenditure in the NEXT 12 MONTHS than you authorised in the PAST 12 MONTHS on:</b>						
a) Land and buildings	+18	+32	-4	-3	+14	
b) Vehicles, plant & machinery	-1	+15	-1	-5	-16	
c) Information technology	+59	+55	+67	+74	+81	
<b>9 What are the main reasons for any expected CAPITAL EXPENDITURE AUTHORISATION over the NEXT 12 MONTHS*</b>						
To provide new services	59	37	68	53	23	
To increase efficiency/speed	95	97	99	99	99	
To reach new customers	78	47	38	53	49	
For replacement	45	50	82	50	64	
To expand capacity	58	52	51	26	37	
Statutory legislation and regulation	81	82	98	97	84	
Other	0	0	15	0	0	
<b>10 What factors are likely to limit (wholly or partly) your capital authorisations over the NEXT 12 MONTHS*</b>						
Inadequate net return on proposed investment	43	68	20	5	37	
Shortage of finance	22	15	15	26	45	
Cost of finance	5	0	0	3	0	
Uncertainty about demand/business prospects	41	3	36	6	21	
Shortage of labour including managerial & supervisor staff	78	62	63	92	66	
Other	0	0	1	24	0	
BUSINESS PROSPECTS						
<b>11 What factors are likely to limit your ability to increase your level of business over the NEXT 12 MONTHS*</b>						
Level of demand	- Total	59	65	52	75	48
	- Overseas	0	0	0	0	0
Staff turnover	- Total	1	15	0	26	15
	- Overseas	0	0	0	0	0
Availability of professional staff	- Total	41	17	17	3	2
	- Overseas	0	0	0	0	0
Availability of clerical staff	- Total	5	0	1	1	0
	- Overseas	0	0	0	0	0
Adequacy of systems capacity	- Total	58	20	47	27	62
	- Overseas	0	0	0	0	0
Ability to raise funds	- Total	4	2	2	26	30
	- Overseas	0	0	0	0	0
of which:						
Ability to raise capital	- Total	4	2	1	2	15
	- Overseas	0	0	0	0	0
Availability of wholesale funds	- Total	1	0	0	47	30
	- Overseas	0	0	0	0	0
Competition	- Total	96	82	98	53	99
	- Overseas	0	0	0	0	0
Statutory legislation and regulation	- Total	45	55	70	52	49
	- Overseas	0	0	0	0	0
Other	- Total	0	0	0	0	0
	- Overseas	0	0	0	0	0
<b>11.1 What do you expect to spend on regulatory compliance in the NEXT 12 MONTHS?</b>	+82	+75	+53	+53	+35	
<b>12 Where do you see your competition coming from in the next 12 months?</b>						
Your sector of financial services	80	70	99	99	85	
Other sectors of financial services	81	83	52	99	67	
Companies currently positioned outside of financial services	38	15	18	26	34	
New entrants	77	68	67	97	100	
Other	0	0	0	0	4	

GROWTH					
	2015 Mar	Jun	Sep	Dec	2016 Mar
<b>13 Where do you think your growth will come from over the next 3 months?</b>					
Cross sales to new customers	19	0	32	24	1
Cross sales to existing customers	38	15	46	47	32
Acquisition of domestic customers	95	97	82	95	98
Acquisition of international customers	0	0	0	0	0
New products	36	0	34	50	36
No growth expected	1	3	1	2	1
<b>14 Relative to the past 12 months, how important do you think the following elements will be to your organisation's growth strategy over the next 12 months?</b>					
<b>Organic growth activities</b>					
Acquiring new customers	+57	+20	+68	+100	+52
Cross-selling to existing customers	-14	0	+18	+2	+15
Retaining existing customers	+64	+38	+51	+53	+68
Launching new products/services	+38	+7	+18	+70	+22
<b>Inorganic growth activities</b>					
Engaging in M&A transactions	-18	-15	-1	-1	-30
Forming strategic partnerships/alliances	0	-15	0	-2	-16
<b>Market focus for growth</b>					
Increasing market share in domestic markets	+23	+22	+35	+50	+2
Increasing market share in international markets	0	0	0	0	0
<b>Investment in enablers to growth</b>					
Brand and advertising	+60	+32	+68	+27	+18
Sales force and distribution channels	+27	+8	+55	+76	+38
CRM/marketing capabilities (e.g. pricing, segmentation, profitability analysis)	+41	+47	+51	+52	+32
Performance measurement processes/tools	+4	+15	+4	+29	+16
IT systems and applications	+61	+38	+50	+55	+49

## CBI/PwC Financial Services Survey

Survey number 106, March 2016

### Finance Houses

Conducted between 16th February and 3rd March 2016

\*All figures are percentage balances of respondents except questions 9-13 where figures are percentages of firms responding.

VALUE AND VOLUME OF BUSINESS					
	2015 Mar	Jun	Sep	Dec	2016 Mar
<b>1 Are you more or less optimistic about THE OVERALL BUSINESS SITUATION IN YOUR SECTOR?</b>	+27	+39	+14	+51	+54
<b>2 Excluding seasonal variations, do you consider that in volume terms:</b>					
a) Your present level of business (above/below normal) is:	+9	+61	+53	+58	+47
b) Your present level of business with overseas customers (above/below normal) is:	0	+3	0	0	0
<b>3 Excluding seasonal variations, what are the trends in:</b>					
a) Volume of business					
- past 3 months	+76	+52	+57	+64	+60
- next 3 months	+76	+88	+32	+78	+64
b) Value** of fee, commission or premium income					
- past 3 months	0	-3	-39	-2	-1
- next 3 months	+24	+33	+22	+42	+3
c) Value** of net interest, investment or trading income					
- past 3 months	+47	0	+18	+40	+7
- next 3 months	+35	+33	+22	+42	0
** in sterling					
<b>4 What is the trend in your 'volume of business' with regard to the following categories of customer:</b>					
a) Industrial & commercial companies					
- past 3 months	+36	+3	+4	+33	-1
- next 3 months	+12	+18	+18	+39	+7
b) Financial institutions					
- past 3 months	+15	+15	+7	+10	+8
- next 3 months	+6	+18	+14	+7	+15
c) Private individuals					
- past 3 months	+70	+73	+60	+74	+65
- next 3 months	+70	+61	+18	+79	+72
d) Overseas customers (UK-based operations)					
- past 3 months	+3	+3	+11	0	+3
- next 3 months	+3	+15	+11	0	+3

CHARGES, COSTS AND PROFITABILITY							
		2015				2016	
		Mar	Jun	Sep	Dec	Mar	
<b>5 Excluding seasonal variations, what are the trends for:</b>							
a)	Average spreads	- past 3 months	-21	-55	0	+24	+66
		- next 3 months	-6	0	0	-33	+55
b)	Average commissions/fees/ premiums paid	- past 3 months	-35	+3	+7	0	+7
		- next 3 months	+14	+6	+7	+3	+3
c)	Total operating costs (excluding cost of funds)	- past 3 months	-46	+61	+64	+58	+73
		- next 3 months	-43	+64	+11	+58	+57
d)	Average operating costs per transaction	- past 3 months	-61	+55	-39	+31	-43
		- next 3 months	-61	+55	+7	+25	-62
e)	Value of non-performing loans	- past 3 months	-3	-9	+35	+9	-39
		- next 3 months	-3	-6	-53	0	-50
	of which:						
	Retail	- past 3 months	-3	-52	+42	+3	-47
		- next 3 months	-3	-3	-53	-6	-54
	Corporate	- past 3 months	-26	-6	+35	-21	+5
		- next 3 months	-26	-3	-53	0	+1
g)	Overall profitability of business	- past 3 months	+56	+67	+68	+43	-50
		- next 3 months	+85	+9	+32	+6	-50
EMPLOYMENT AND TRAINING							
<b>6 Excluding seasonal variations, what are the trends in:</b>							
a)	Numbers employed	- past 3 months	+21	+67	+65	+22	+66
		- next 3 months	+21	+88	+75	+44	+73
b)	Training expenditure	- past 3 months	+64	+67	+15	-13	+62
		- next 3 months	+44	+73	+19	+47	+65
c)	Staff costs as a proportion of total costs	- past 3 months	+21	+55	+46	-18	+66
		- next 3 months	+21	+40	+46	+60	+62
<b>6.1 What has been the trend with regard to your staff turnover:</b>							
		- past 3 months	+32	0	+7	+33	0
		- next 3 months	+23	-9	+7	+9	-3
MARKETING EXPENDITURE							
<b>7 Do you expect to authorise more or less expenditure on marketing in the NEXT 12 MONTHS than you did in the PAST 12 MONTHS</b>			+32	+24	+29	+61	+14
CAPITAL EXPENDITURE							
<b>8 Do you expect to authorise more or less capital expenditure in the NEXT 12 MONTHS than you authorised in the PAST 12 MONTHS on:</b>							
a)	Land and buildings		-2	-37	+21	-38	0
b)	Vehicles, plant & machinery		+15	+3	+7	-12	+3
c)	Information technology		+71	+85	+78	+61	+92
<b>9 What are the main reasons for any expected CAPITAL EXPENDITURE AUTHORISATION over the NEXT 12 MONTHS*</b>							
	To provide new services		59	85	11	56	81
	To increase efficiency/speed		94	85	78	94	88
	To reach new customers		71	15	25	51	30
	For replacement		21	9	64	45	89
	To expand capacity		44	24	25	49	30
	Statutory legislation and regulation		67	61	64	64	30
	Other		0	0	0	0	0
<b>10 What factors are likely to limit (wholly or partly) your capital authorisations over the NEXT 12 MONTHS*</b>							
	Inadequate net return on proposed investment		50	21	60	78	23
	Shortage of finance		3	3	7	21	19
	Cost of finance		3	3	4	18	23
	Uncertainty about demand/business prospects		56	18	29	49	89
	Shortage of labour including managerial & supervisor staff		15	55	64	22	80
	Other		23	0	4	3	0

## BUSINESS PROSPECTS

		2015				2016
		Mar	Jun	Sep	Dec	Mar
<b>11</b>	<b>What factors are likely to limit your ability to increase your level of business over the NEXT 12 MONTHS*</b>					
Level of demand	- Total	56	33	86	91	35
	- Overseas	0	0	7	0	0
Staff turnover	- Total	0	0	4	9	16
	- Overseas	0	0	0	0	0
Availability of professional staff	- Total	35	67	53	13	77
	- Overseas	0	0	0	0	0
Availability of clerical staff	- Total	0	46	4	9	16
	- Overseas	0	0	0	0	0
Adequacy of systems capacity	- Total	59	9	18	18	80
	- Overseas	0	0	0	0	0
Ability to raise funds	- Total	6	15	14	15	23
	- Overseas	0	0	0	0	0
of which:						
Ability to raise capital	- Total	0	15	11	21	20
	- Overseas	0	0	0	0	0
Availability of wholesale funds	- Total	6	15	11	18	23
	- Overseas	0	0	0	0	0
Competition	- Total	59	27	82	83	80
	- Overseas	0	0	0	27	0
Statutory legislation and regulation	- Total	67	12	36	40	77
	- Overseas	0	0	0	27	0
Other	- Total	23	0	0	0	0
	- Overseas	0	0	0	0	0
<b>11.1</b>	<b>What do you expect to spend on regulatory compliance in the NEXT 12 MONTHS?</b>	+4	+88	+50	+56	+88
<b>12</b>	<b>Where do you see your competition coming from in the next 12 months?</b>					
Your sector of financial services		77	82	96	94	96
Other sectors of financial services		61	67	32	46	89
Companies currently positioned outside of financial services		15	3	11	36	77
New entrants		71	64	43	91	88
Other		0	0	0	0	4
<b>GROWTH</b>						
<b>13</b>	<b>Where do you think your growth will come from over the next 3 months?</b>					
Cross sales to new customers		6	15	25	6	4
Cross sales to existing customers		29	64	18	18	12
Acquisition of domestic customers		33	33	71	85	88
Acquisition of international customers		0	0	4	0	58
New products		41	6	18	83	30
No growth expected		12	0	4	0	0
<b>14</b>	<b>Relative to the past 12 months, how important do you think the following elements will be to your organisation's growth strategy over the next 12 months?</b>					
<b>Organic growth activities</b>						
Acquiring new customers		+82	+88	+75	+42	+31
Cross-selling to existing customers		+3	+18	+18	-12	+8
Retaining existing customers		+30	+21	+78	+61	+76
Launching new products/services		+79	+79	+3	+88	+14
<b>Inorganic growth activities</b>						
Engaging in M&A transactions		+23	+12	-4	+15	-8
Forming strategic partnerships/alliances		+38	+76	+25	+67	+65
<b>Market focus for growth</b>						
Increasing market share in domestic markets		+88	+79	+36	+10	+27
Increasing market share in international markets		+26	+58	0	0	+4
<b>Investment in enablers to growth</b>						
Brand and advertising		+53	+45	+25	+24	+73
Sales force and distribution channels		+44	+21	+68	+79	+73
CRM/marketing capabilities (e.g. pricing, segmentation, profitability analysis)		+58	+70	+68	+43	+60
Performance measurement processes/tools		+6	+73	+14	+9	-1
IT systems and applications		+82	+85	+71	+27	+17

# Life insurance

- **Optimism**                      Optimism among life insurers was unchanged in the three months to March for a second quarter running.
- **Business volumes**            Business volumes grew at a solid pace in the three months to March, for a third consecutive quarter. Meanwhile, the level of business was deemed to be normal. Business volumes are expected to grow at a slightly slower pace in the quarter to June.
- **Pricing power**                Average commissions, fees & premiums were flat over the quarter to March and are expected to fall over the coming three months.
- **Income**                         Income from premiums, fees and commissions rose robustly again in the quarter to March, but is expected to fall over the next quarter. Income from net interest, investment and trading was flat and is set to remain so over the next quarter.
- **Costs**                         Total operating costs were unchanged in the three months to March and are expected to remain so over the next quarter. However, average operating costs fell for the second quarter in a row.
- **Profitability**                 Growth in profitability slowed slightly in the three months to March, with a similar expansion expected next quarter.
- **Employment**                 Employed growth picked up in the three months to March. Although growth in training expenditure came to a halt, staff costs as a proportion of total costs rose briskly over the quarter. Numbers employed are expected to rise at a solid pace over the next three months.
- **Investment**                 Life insurers are planning to invest more in IT land and buildings in the year ahead. Reaching new customers, providing new services and increasing efficiency and speed were some of the main factors driving capital spending authorisations.
- **The year ahead**              Concerns about potential constraints on business expansion decreased somewhat in this survey. The two most important potential brakes by far were the level of demand and statutory legislation and regulation. Life insurers reported that cross-selling to existing customers will be a key driver of business expansion in the year ahead, helped by investment in CRM/marketing capabilities and in IT.

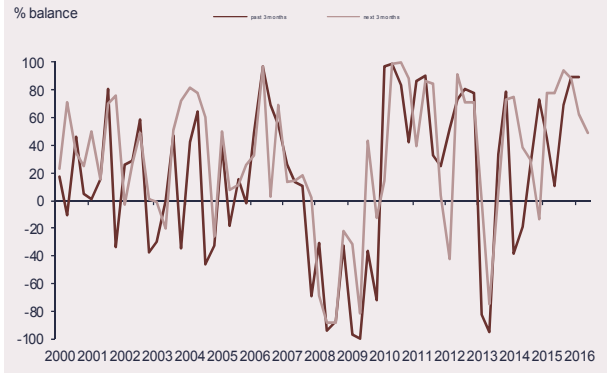


Q1: OPTIMISM VERSUS THREE MONTHS EARLIER



	Q1		Optimism was unchanged in the three months to March.
Latest	0		
Previous	0		
Mean	+5		

Q3 (A): TREND IN VOLUME OF BUSINESS



	Q3a: Past	Q3a: Next	Business volumes were steady in the quarter to March.
Latest	+89	+49	
Previous	+89	+62	
Mean	+15	+31	

Q5 (G): TREND IN OVERALL PROFITABILITY



	Q5g: Past	Q5g: Next	Growth in profitability slowed slightly in the three months to March.
Latest	+40	+40	
Previous	+89	+62	
Mean	+10	+16	

Q5 C&D: TOTAL & AVERAGE COSTS (PAST 3 MONTHS)



	Q5c: Past	Q5d: Past	Average operating costs fell for the second quarter in a row.
Latest	0	-40	
Previous	+27	-53	
Mean	-6	-18	

## CBI/PwC Financial Services Survey

Survey number 106, March 2016

### Life insurance

Conducted between 16th February and 3rd March 2016

\*All figures are percentage balances of respondents except questions 9-13 where figures are percentages of firms responding.

#### VALUE AND VOLUME OF BUSINESS

	2015 Mar	Jun	Sep	Dec	2016 Mar
<b>1 Are you more or less optimistic about THE OVERALL BUSINESS SITUATION IN YOUR SECTOR?</b>	+39	+50	+19	0	0
<b>2 Excluding seasonal variations, do you consider that in volume terms:</b>					
a) Your present level of business (above/below normal) is:					
a) Your present level of business (above/below normal) is:	-33	+11	+69	+27	0
b) Your present level of business with overseas customers (above/below normal) is:	0	+39	+19	0	0
<b>3 Excluding seasonal variations, what are the trends in:</b>					
a) Volume of business					
- past 3 months	+45	+11	+69	+89	+89
- next 3 months	+78	+94	+88	+62	+49
b) Value** of fee, commission or premium income					
- past 3 months	0	+11	+50	+89	+89
- next 3 months	+73	+88	+50	+62	-31
c) Value** of net interest, investment or trading income					
- past 3 months	+39	+11	+19	+27	0
- next 3 months	+34	+11	+19	+27	0
d) Value** of new business					
- past 3 months	-6	+11	+58	+89	+89
- next 3 months	+28	+88	+58	+62	-31

\*\* in sterling

		2015 Mar	Jun	Sep	Dec	2016 Mar
<b>4 What is the trend in your 'volume of business' with regard to the following categories of customer:</b>						
a) Industrial & commercial companies	- past 3 months	+50	+50	+50	+62	+49
	- next 3 months	+50	+55	+50	+9	+49
b) Financial institutions	- past 3 months	+5	+39	+19	+53	+40
	- next 3 months	+44	+39	+19	0	+40
c) Private individuals	- past 3 months	0	+50	+88	+62	+49
	- next 3 months	+78	+50	+88	+89	+49
d) Overseas customers (UK-based operations)	- past 3 months	0	+78	+19	+27	+40
	- next 3 months	+39	+78	+19	+27	+40
<b>CHARGES, COSTS AND PROFITABILITY</b>						
<b>5 Excluding seasonal variations, what are the trends for:</b>						
a) Average spreads	- past 3 months	0	-39	0	-27	0
	- next 3 months	-39	-39	0	-27	0
b) Average commissions/fees/ premiums paid	- past 3 months	+34	+50	-9	+27	0
	- next 3 months	+34	+50	-9	0	-40
c) Total operating costs (excluding cost of funds)	- past 3 months	+89	+67	+39	+27	0
	- next 3 months	+89	+67	+39	0	0
d) Average operating costs per transaction	- past 3 months	+5	-45	0	-53	-40
	- next 3 months	0	-45	0	-53	-40
f) Value of surrendered contracts	- past 3 months	+11	+6	-8	-16	+11
	- next 3 months	0	0	+12	0	0
g) Overall profitability of business	- past 3 months	-5	+50	+50	+89	+40
	- next 3 months	-5	+50	+50	+62	+40
<b>EMPLOYMENT AND TRAINING</b>						
<b>6 Excluding seasonal variations, what are the trends in:</b>						
a) Numbers employed	- past 3 months	+44	+50	+19	+26	+40
	- next 3 months	+44	+83	+19	+26	+40
b) Training expenditure	- past 3 months	+39	+83	+19	+53	0
	- next 3 months	+39	+39	+39	+53	0
c) Staff costs as a proportion of total costs	- past 3 months	+44	+6	0	+26	+40
	- next 3 months	+44	+6	0	+26	+40
<b>6.1 What has been the trend with regard to your staff turnover:</b>						
	- past 3 months	+50	-39	0	0	-40
	- next 3 months	+6	-39	0	+26	0
<b>MARKETING EXPENDITURE</b>						
<b>7 Do you expect to authorise more or less expenditure on marketing in the NEXT 12 MONTHS than you did in the PAST 12 MONTHS</b>		+84	+45	0	0	-40
<b>CAPITAL EXPENDITURE</b>						
<b>8 Do you expect to authorise more or less capital expenditure in the NEXT 12 MONTHS than you authorised in the PAST 12 MONTHS on:</b>						
a) Land and buildings		+34	+39	+39	0	+40
b) Vehicles, plant & machinery		0	0	0	+9	+9
c) Information technology		+94	+84	+78	+36	+60
<b>9 What are the main reasons for any expected CAPITAL EXPENDITURE AUTHORISATION over the NEXT 12 MONTHS*</b>						
To provide new services		39	45	39	27	80
To increase efficiency/speed		89	78	58	38	80
To reach new customers		89	39	39	80	80
For replacement		89	45	70	20	60
To expand capacity		95	84	58	27	80
Statutory legislation and regulation		61	55	81	47	60
Other		0	0	0	27	0
<b>10 What factors are likely to limit (wholly or partly) your capital authorisations over the NEXT 12 MONTHS*</b>						
Inadequate net return on proposed investment		50	16	42	20	51
Shortage of finance		39	39	19	27	40
Cost of finance		39	39	19	27	40
Uncertainty about demand/business prospects		95	50	50	38	91
Shortage of labour including managerial & supervisor staff		84	45	58	0	40
Other		0	39	0	53	0

## BUSINESS PROSPECTS

		2015 Mar	Jun	Sep	Dec	2016 Mar
<b>11 What factors are likely to limit your ability to increase your level of business over the NEXT 12 MONTHS*</b>						
Level of demand	- Total	94	84	50	64	51
	- Overseas	0	0	0	27	40
Staff turnover	- Total	39	0	19	27	0
	- Overseas	0	0	0	0	0
Availability of professional staff	- Total	45	16	58	27	9
	- Overseas	0	0	19	0	0
Availability of clerical staff	- Total	45	6	19	27	40
	- Overseas	0	0	0	0	40
Adequacy of systems capacity	- Total	39	39	78	36	40
	- Overseas	0	0	19	0	0
Ability to raise funds	- Total	0	0	19	0	0
	- Overseas	0	0	0	0	0
of which:						
Ability to raise capital	- Total	39	39	19	27	0
	- Overseas	0	0	0	0	0
Availability of wholesale funds	- Total	39	0	19	0	0
	- Overseas	0	0	0	0	0
Competition	- Total	95	89	70	64	40
	- Overseas	0	39	19	27	40
Statutory legislation and regulation	- Total	89	55	50	47	60
	- Overseas	0	0	19	0	40
Other	- Total	0	39	0	27	0
	- Overseas	0	39	0	27	0
<b>11.1 What do you expect to spend on regulatory compliance in the NEXT 12 MONTHS?</b>		+50	+16	+89	+9	0
<b>12 Where do you see your competition coming from in the next 12 months?</b>						
Your sector of financial services		100	89	81	100	100
Other sectors of financial services		50	45	50	38	51
Companies currently positioned outside of financial services		44	11	19	0	40
New entrants		44	16	39	0	40
Other		5	0	0	0	0
<b>GROWTH</b>						
<b>13 Where do you think your growth will come from over the next 3 months?</b>						
Cross sales to new customers		50	6	22	20	51
Cross sales to existing customers		89	94	61	73	60
Acquisition of domestic customers		89	84	50	64	60
Acquisition of international customers		39	39	19	53	80
New products		78	39	39	27	40
No growth expected		5	0	0	0	40
<b>14 Relative to the past 12 months, how important do you think the following elements will be to your organisation's growth strategy over the next 12 months?</b>						
<b>Organic growth activities</b>						
Acquiring new customers		+50	+78	+31	+64	+11
Cross-selling to existing customers		+61	+100	+31	+38	+51
Retaining existing customers		+22	+22	+61	+38	+20
Launching new products/services		+39	+45	+58	+17	+19
<b>Inorganic growth activities</b>						
Engaging in M&A transactions		0	+45	+70	+38	-29
Forming strategic partnerships/alliances		+16	+50	+31	+64	-29
<b>Market focus for growth</b>						
Increasing market share in domestic markets		+44	+33	+39	0	0
Increasing market share in international markets		+39	+39	-19	0	0
<b>Investment in enablers to growth</b>						
Brand and advertising		+78	+45	+39	+38	+2
Sales force and distribution channels		+50	+39	+39	+11	+11
CRM/marketing capabilities (e.g. pricing, segmentation, profitability analysis)		+78	+78	+58	+53	+40
Performance measurement processes/tools		+39	+78	+39	+38	+31
IT systems and applications		+84	+94	+58	+53	+49

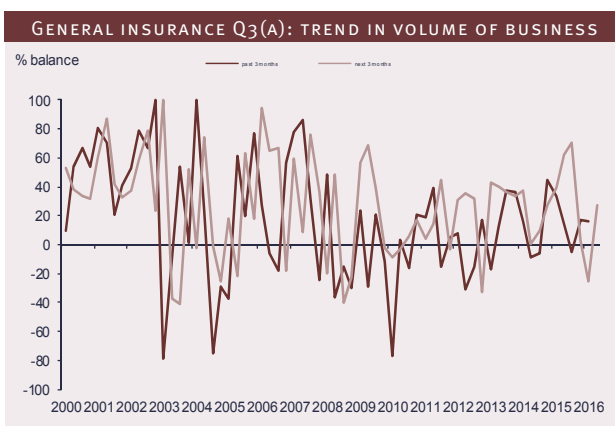
# General insurance and insurance brokers

## General insurance

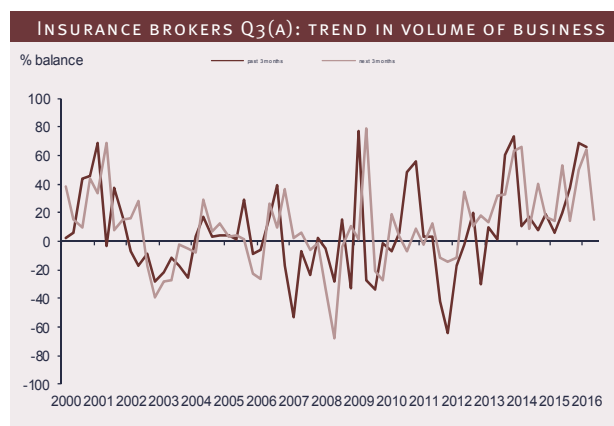
- Optimism** General insurers reported that optimism rose only marginally in the three months to March, for the third quarter running.
- Business volumes** Business volumes grew at a moderate pace over the quarter, however growth is set to accelerate in the three months to June.
- Profitability** Profits fell for the first time since June 2014, disappointing expectations of a marginal rise. Profits are set to fall further in the three months to June.
- Employment** Numbers employed rose for a second quarter, albeit more slowly than last quarter, with further slight increase expected over the three months to June.
- Investment** General insurers are planning to increase IT investment in the year ahead, but plan to scale back spending on land & buildings and vehicles, plant & machinery. The need to increase efficiency/speed was widely cited as a driver of investment.

## Insurance brokers

- Optimism** Optimism deteriorated marginally in the quarter to March.
- Business volumes** Business volumes grew at a solid pace over the quarter, rounding off full year of expansion, but growth is set to slow over the coming quarter.
- Profitability** Profitability increased broadly in line with expectations in the three months to March. Growth in profitability is set to slow slightly over the quarter to June, but to remain well above the long-run average.
- Employment** Numbers employed rose over the quarter to March after falling unexpectedly in the previous quarter. Headcount is set to rise again in the three months to June, albeit at a slightly slower pace.
- Investment** Insurance brokers are planning to increase investment in IT in the year ahead. The main reason cited for increased investment was the need to increase efficiency/speed.



	Q3a: Past	Q3a: Next	
Latest	+16	+27	Growth in business volumes held broadly steady, with a slight pick-up expected.
Previous	+17	-25	
Mean	+9	+18	



	Q3a: Past	Q3a: Next	
Latest	+66	+15	Growth in business volumes is expected to slow in the three months to June.
Previous	+69	+64	
Mean	+16	+18	

# CBI/PwC Financial Services Survey

Survey number 106, March 2016

## General insurance

Conducted between 16th February and 3rd March 2016

\*All figures are percentage balances of respondents except questions 9-13 where figures are percentages of firms responding.

VALUE AND VOLUME OF BUSINESS						
		2015			2016	
		Mar	Jun	Sep	Dec	Mar
<b>1 Are you more or less optimistic about THE OVERALL BUSINESS SITUATION IN YOUR SECTOR?</b>		+12	+48	+5	+2	+5
<b>2 Excluding seasonal variations, do you consider that in volume terms:</b>						
a) Your present level of business (above/below normal) is:		-18	+7	-7	+48	+30
b) Your present level of business with overseas customers (above/below normal) is:		+2	-2	+16	+41	+11
<b>3 Excluding seasonal variations, what are the trends in:</b>						
a) Volume of business	- past 3 months	+34	+14	-5	+17	+16
	- next 3 months	+62	+70	+2	-25	+27
b) Value** of fee, commission or premium income	- past 3 months	+21	+12	-5	+54	+39
	- next 3 months	+36	+31	+21	+11	+51
c) Value** of net interest, investment or trading income	- past 3 months	-39	-37	-23	+4	-33
	- next 3 months	-39	+3	+5	-36	-31
	** in sterling					
<b>4 What is the trend in your 'volume of business' with regard to the following categories of customer:</b>						
a) Industrial & commercial companies	- past 3 months	0	+10	+5	+13	+25
	- next 3 months	+5	+28	-7	+11	+26
b) Financial institutions	- past 3 months	0	+23	+34	+2	-8
	- next 3 months	0	+23	+2	+2	-8
c) Private individuals	- past 3 months	+26	+44	+36	-32	+4
	- next 3 months	+41	+46	+9	-32	+29
d) Overseas customers (UK-based operations)	- past 3 months	+21	+2	+17	+40	+24
	- next 3 months	+15	+2	+2	+41	+22
CHARGES, COSTS AND PROFITABILITY						
<b>5 Excluding seasonal variations, what are the trends for:</b>						
a) Average spreads	- past 3 months	0	0	0	+40	-12
	- next 3 months	0	0	0	+40	-14
b) Average commissions/fees/ premiums paid	- past 3 months	-13	+26	+2	-34	-2
	- next 3 months	0	+26	+5	-31	+12
c) Total operating costs (excluding cost of funds)	- past 3 months	-1	-32	+3	+10	+31
	- next 3 months	+12	+5	-23	+10	+29
d) Average operating costs per transaction	- past 3 months	+28	-15	-14	+8	+4
	- next 3 months	+2	+5	-5	+10	-9
g) Overall profitability of business	- past 3 months	+37	+8	+5	+47	-9
	- next 3 months	-5	+23	+5	+4	-16
<b>5.1 What has been the trend with regard to the value of insurance claims:</b>						
	- past 12 months	+21	-8	+8	-33	+12
	- next 12 months	+47	+26	+7	+49	+35
EMPLOYMENT AND TRAINING						
<b>6 Excluding seasonal variations, what are the trends in:</b>						
a) Numbers employed	- past 3 months	-3	+2	-26	+47	+17
	- next 3 months	+7	-19	+3	+48	+6
b) Training expenditure	- past 3 months	-26	+5	-28	+2	+26
	- next 3 months	+10	+28	-24	0	+17
c) Staff costs as a proportion of total costs	- past 3 months	-23	-35	-14	+47	+2
	- next 3 months	-28	-37	-16	+4	-14
<b>6.1 What has been the trend with regard to your staff turnover:</b>						
	- past 3 months	+26	+2	+17	+5	-25
	- next 3 months	+26	+23	+38	+1	-13

MARKETING EXPENDITURE						
	2015 Mar	Jun	Sep	Dec	2016 Mar	
<b>7 Do you expect to authorise more or less expenditure on marketing in the NEXT 12 MONTHS than you did in the PAST 12 MONTHS</b>	-16	-9	-28	+3	-30	
CAPITAL EXPENDITURE						
<b>8 Do you expect to authorise more or less capital expenditure in the NEXT 12 MONTHS than you authorised in the PAST 12 MONTHS on:</b>						
a) Land and buildings	-24	-39	-47	-36	-33	
b) Vehicles, plant & machinery	-18	-19	-16	+2	-9	
c) Information technology	+38	+31	+19	+44	+35	
<b>9 What are the main reasons for any expected CAPITAL EXPENDITURE AUTHORISATION over the NEXT 12 MONTHS*</b>						
To provide new services	54	30	64	45	66	
To increase efficiency/speed	98	97	97	52	92	
To reach new customers	80	93	45	88	67	
For replacement	64	49	74	45	33	
To expand capacity	51	26	31	89	29	
Statutory legislation and regulation	39	48	42	49	55	
Other	0	0	0	0	1	
<b>10 What factors are likely to limit (wholly or partly) your capital authorisations over the NEXT 12 MONTHS*</b>						
Inadequate net return on proposed investment	79	53	73	85	62	
Shortage of finance	18	44	38	6	16	
Cost of finance	5	5	5	2	27	
Uncertainty about demand/business prospects	43	23	78	44	55	
Shortage of labour including managerial & supervisor staff	21	7	28	0	30	
Other	0	0	0	0	12	
BUSINESS PROSPECTS						
<b>11 What factors are likely to limit your ability to increase your level of business over the NEXT 12 MONTHS*</b>						
Level of demand	- Total	80	69	66	93	64
	- Overseas	15	5	24	41	49
Staff turnover	- Total	5	4	21	0	13
	- Overseas	0	4	5	0	12
Availability of professional staff	- Total	10	7	12	6	14
	- Overseas	2	5	7	0	12
Availability of clerical staff	- Total	5	4	5	0	13
	- Overseas	0	4	5	0	12
Adequacy of systems capacity	- Total	65	46	69	41	41
	- Overseas	2	4	5	2	12
Ability to raise funds	- Total	0	7	21	2	0
	- Overseas	0	5	21	0	0
of which:						
Ability to raise capital	- Total	5	3	21	2	1
	- Overseas	0	2	21	0	1
Availability of wholesale funds	- Total	5	0	5	0	1
	- Overseas	0	0	5	0	1
Competition	- Total	74	97	95	53	72
	- Overseas	31	26	21	5	39
Statutory legislation and regulation	- Total	63	51	43	50	42
	- Overseas	13	4	9	2	27
Other	- Total	0	0	0	2	3
	- Overseas	0	0	0	0	1
<b>11.1 What do you expect to spend on regulatory compliance in the NEXT 12 MONTHS?</b>	+38	+51	+31	-32	+14	
<b>12 Where do you see your competition coming from in the next 12 months?</b>						
Your sector of financial services	100	96	100	100	97	
Other sectors of financial services	36	46	29	41	40	
Companies currently positioned outside of financial services	5	4	7	41	37	
New entrants	60	46	55	45	43	
Other	0	0	2	0	11	

GROWTH					
	2015				2016
	Mar	Jun	Sep	Dec	Mar
<b>13 Where do you think your growth will come from over the next 3 months?</b>					
Cross sales to new customers	44	23	47	46	44
Cross sales to existing customers	54	25	47	51	49
Acquisition of domestic customers	82	75	64	15	67
Acquisition of international customers	28	3	21	3	49
New products	52	28	55	49	44
No growth expected	0	0	23	41	25
<b>14 Relative to the past 12 months, how important do you think the following elements will be to your organisation's growth strategy over the next 12 months?</b>					
<b>Organic growth activities</b>					
Acquiring new customers	+66	+69	+74	+56	+32
Cross-selling to existing customers	+13	+56	+52	+6	+45
Retaining existing customers	+18	+37	+47	+11	+34
Launching new products/services	+57	+39	+64	+84	+31
<b>Inorganic growth activities</b>					
Engaging in M&A transactions	+2	+40	-36	+4	-4
Forming strategic partnerships/alliances	+23	+28	+27	+5	+33
<b>Market focus for growth</b>					
Increasing market share in domestic markets	+46	+49	+55	+51	+44
Increasing market share in international markets	0	+18	+48	+41	+33
<b>Investment in enablers to growth</b>					
Brand and advertising	-11	+5	+15	+8	-7
Sales force and distribution channels	+8	+3	+48	-1	+22
CRM/marketing capabilities (e.g. pricing, segmentation, profitability analysis)	+57	+39	+65	+2	+25
Performance measurement processes/tools	+21	+24	+21	+46	-7
IT systems and applications	+62	+67	+81	+46	+47

## CBI/PwC Financial Services Survey

Survey number 106, March 2016

### Insurance brokers

Conducted between 16th February and 3rd March 2015

\*All figures are percentage balances of respondents except questions 9-13 where figures are percentages of firms responding.

VALUE AND VOLUME OF BUSINESS					
	2015				2016
	Mar	Jun	Sep	Dec	Mar
<b>1 Are you more or less optimistic about THE OVERALL BUSINESS SITUATION IN YOUR SECTOR?</b>	+14	+32	+13	+4	-4
<b>2 Excluding seasonal variations, do you consider that in volume terms:</b>					
a) Your present level of business (above/below normal) is:	+13	+20	+13	+3	+4
b) Your present level of business with overseas customers (above/below normal) is:	-7	+8	0	-50	-56
<b>3 Excluding seasonal variations, what are the trends in:</b>					
a) Volume of business					
- past 3 months	+6	+20	+37	+69	+66
- next 3 months	+53	+14	+50	+64	+15
b) Value** of fee, commission or premium income					
- past 3 months	+13	+24	+34	-39	+67
- next 3 months	+46	+26	+42	+69	+12
c) Value** of net interest, investment or trading income					
- past 3 months	0	+12	+5	-2	-61
- next 3 months	+7	+18	+9	-2	-58
** in sterling					
<b>4 What is the trend in your 'volume of business' with regard to the following categories of customer:</b>					
a) Industrial & commercial companies					
- past 3 months	+26	+46	+25	+67	+15
- next 3 months	+33	+20	+29	+69	+15
b) Financial institutions					
- past 3 months	+7	0	+8	+54	+54
- next 3 months	+7	-8	+17	+54	+54
c) Private individuals					
- past 3 months	+33	+28	+29	-4	+11
- next 3 months	+67	+28	+37	-3	+4
d) Overseas customers (UK-based operations)					
- past 3 months	+7	+8	0	+57	+2
- next 3 months	0	+14	0	+57	+2

## CHARGES, COSTS AND PROFITABILITY

		2015				2016
		Mar	Jun	Sep	Dec	Mar
<b>5 Excluding seasonal variations, what are the trends for:</b>						
a) Average spreads	- past 3 months	0	0	0	-2	-54
	- next 3 months	0	0	0	0	0
b) Average commissions/fees/ premiums paid	- past 3 months	+7	+10	+21	-54	+62
	- next 3 months	+20	-4	+13	+3	+58
c) Total operating costs (excluding cost of funds)	- past 3 months	+20	+38	+50	-42	-38
	- next 3 months	+27	+46	+46	-42	-38
d) Average operating costs per transaction	- past 3 months	0	+32	+21	-47	-31
	- next 3 months	0	+12	+17	-47	-41
g) Overall profitability of business	- past 3 months	+7	+6	+42	+71	+65
	- next 3 months	+40	+20	+37	+64	+54

## EMPLOYMENT AND TRAINING

<b>6 Excluding seasonal variations, what are the trends in:</b>						
a) Numbers employed	- past 3 months	+1	+16	+16	-51	+53
	- next 3 months	+40	+26	+16	-42	+15
b) Training expenditure	- past 3 months	+14	+14	0	+61	+11
	- next 3 months	+27	+4	+4	+12	+17
c) Staff costs as a proportion of total costs	- past 3 months	-7	+34	+29	-44	-40
	- next 3 months	+33	+32	+21	-41	-42
<b>6.1 What has been the trend with regard to your staff turnover:</b>						
	- past 3 months	+20	-6	+4	+48	+53
	- next 3 months	0	+14	-8	+55	0

## MARKETING EXPENDITURE

<b>7 Do you expect to authorise more or less expenditure on marketing in the NEXT 12 MONTHS than you did in the PAST 12 MONTHS</b>	+34	+22	+25	+64	+77
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## CAPITAL EXPENDITURE

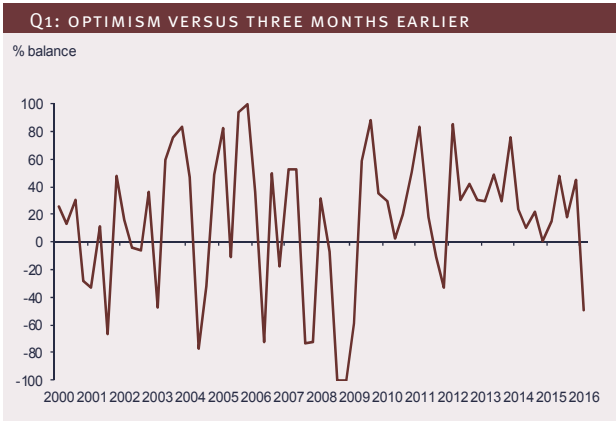
<b>8 Do you expect to authorise more or less capital expenditure in the NEXT 12 MONTHS than you authorised in the PAST 12 MONTHS on:</b>					
a) Land and buildings	+40	+22	+4	-2	+1
b) Vehicles, plant & machinery	0	-16	0	-5	-2
c) Information technology	+27	+30	+30	+14	+20
<b>9 What are the main reasons for any expected CAPITAL EXPENDITURE AUTHORISATION over the NEXT 12 MONTHS*</b>					
To provide new services	34	42	46	75	12
To increase efficiency/speed	73	60	75	90	91
To reach new customers	47	34	66	26	26
For replacement	60	82	54	22	35
To expand capacity	20	40	62	14	15
Statutory legislation and regulation	27	34	42	16	22
Other	0	14	8	2	0
<b>10 What factors are likely to limit (wholly or partly) your capital authorisations over the NEXT 12 MONTHS*</b>					
Inadequate net return on proposed investment	27	54	62	70	18
Shortage of finance	0	26	29	57	0
Cost of finance	0	14	13	5	0
Uncertainty about demand/business prospects	66	52	79	23	35
Shortage of labour including managerial & supervisor staff	13	12	29	62	16
Other	7	8	4	57	2



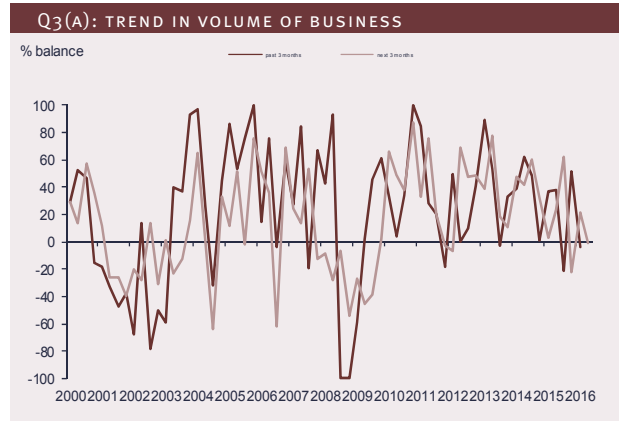
BUSINESS PROSPECTS		2015				2016
		Mar	Jun	Sep	Dec	Mar
<b>11 What factors are likely to limit your ability to increase your level of business over the NEXT 12 MONTHS*</b>						
Level of demand	- Total	67	68	79	90	33
	- Overseas	14	20	25	64	7
Staff turnover	- Total	0	12	29	64	6
	- Overseas	0	12	4	57	0
Availability of professional staff	- Total	20	42	37	71	73
	- Overseas	7	20	4	57	54
Availability of clerical staff	- Total	0	6	25	7	6
	- Overseas	0	6	4	3	2
Adequacy of systems capacity	- Total	0	14	8	10	9
	- Overseas	0	14	4	5	0
Ability to raise funds	- Total	0	14	4	3	0
	- Overseas	0	6	4	3	0
of which:						
Ability to raise capital	- Total	0	14	8	0	0
	- Overseas	0	6	4	0	0
Availability of wholesale funds	- Total	0	6	4	3	0
	- Overseas	0	6	0	3	0
Competition	- Total	87	88	87	97	95
	- Overseas	20	14	21	64	64
Statutory legislation and regulation	- Total	54	54	58	29	31
	- Overseas	7	6	4	3	2
Other	- Total	0	0	0	0	0
	- Overseas	0	0	0	0	0
<b>11.1 What do you expect to spend on regulatory compliance in the NEXT 12 MONTHS?</b>		+27	0	+46	+19	+34
<b>12 Where do you see your competition coming from in the next 12 months?</b>						
Your sector of financial services		100	100	96	98	93
Other sectors of financial services		20	40	37	19	16
Companies currently positioned outside of financial services		0	20	29	7	2
New entrants		27	46	37	21	23
Other		0	6	0	0	4
<b>GROWTH</b>						
<b>13 Where do you think your growth will come from over the next 3 months?</b>						
Cross sales to new customers		53	52	75	90	83
Cross sales to existing customers		67	66	75	88	93
Acquisition of domestic customers		54	52	59	74	85
Acquisition of international customers		7	22	8	59	63
New products		40	34	25	19	62
No growth expected		13	12	17	2	2
<b>14 Relative to the past 12 months, how important do you think the following elements will be to your organisation's growth strategy over the next 12 months?</b>						
<b>Organic growth activities</b>						
Acquiring new customers		+80	+70	+92	+33	+83
Cross-selling to existing customers		+60	+38	+37	+70	+78
Retaining existing customers		+47	+40	+46	+24	+18
Launching new products/services		+33	+16	+17	-4	0
<b>Inorganic growth activities</b>						
Engaging in M&A transactions		+13	0	+8	-53	-50
Forming strategic partnerships/alliances		+27	+30	-8	-46	+1
<b>Market focus for growth</b>						
Increasing market share in domestic markets		+67	+30	+54	+11	+77
Increasing market share in international markets		+7	+16	0	+4	+54
<b>Investment in enablers to growth</b>						
Brand and advertising		+46	+6	+37	+9	+12
Sales force and distribution channels		+46	+48	+37	+69	+73
CRM/marketing capabilities (e.g. pricing, segmentation, profitability analysis)		+27	+8	+12	+64	+67
Performance measurement processes/tools		+33	-6	-8	0	+1
IT systems and applications		+26	+8	+17	+15	+10

# Investment management

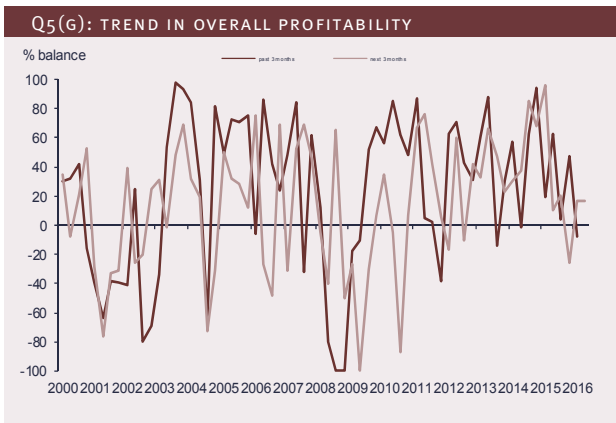
- **Optimism**                      Optimism about the general business situation fell sharply in the three months to March, after sustained improvement over much of the previous four years.
- **Business volumes**            Business volumes were flat last quarter. Growth by customer was mixed, with volumes of business with individuals, financial services institutions and overseas customers growing solidly, while business volumes with the corporate sector was flat. Overall, volumes are expected to remain unchanged over the coming three months.
- **Pricing power**                There was little movement in average spreads over the three months to March, with similar trends expected for the coming quarter. Average fees & premiums declined over the past quarter, with a similar fall expected in the months to June.
- **Income**                         Income from fees, commissions & premiums were flat last quarter, while interest, investment & trading income fell in the three months to March. Investment managers expect declines in both income streams over the coming three months.
- **Costs**                         Total and average costs rose over the quarter. A similar increase is expected in total costs over the quarter to June, though average costs are predicted to remain unchanged.
- **Profitability**                 Profits declined slightly over the three months to March, against expectations of an improvement in growth. Profitability is expected to rise next quarter.
- **Employment**                 Employment rose further in the quarter to March, marking a four years of uninterrupted growth. Although growth in numbers employed slowed to a below average pace last quarter, it is expected to accelerate again in the coming three months.
- **Investment**                 Investment intentions strengthened across all categories, with investment managers planning to raise spending on marketing, land and buildings, vehicles, plants and machinery and IT over the year ahead. Investment intentions for marketing are the strongest in a year. Capacity expansion and the provision of new services were the main drivers of investment, but shortages of labour have risen sharply as a constraint.
- **The year ahead**             Investment managers see retaining existing customers as the most important factor in their growth strategies in the year ahead, supported by brand and advertising. Competition, and statutory legislation and regulation are the most widely cited barriers to business expansion over the year ahead, while the number citing the level of demand has fallen slightly.



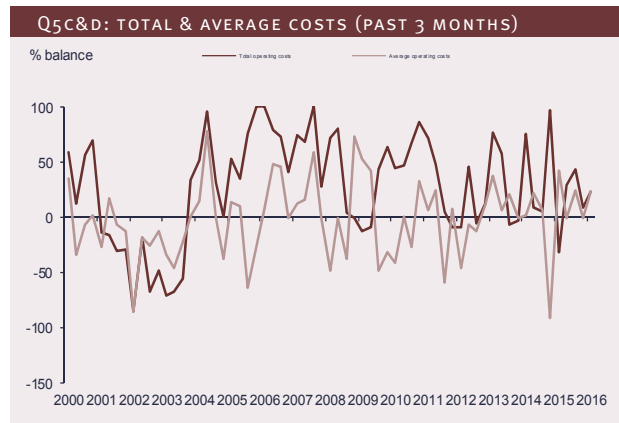
	Q1	Sentiment deteriorated at the fastest pace since 2009.
Latest	-49	
Previous	+45	
Mean	+18	



	Q3a: Past	Q3a: Next	Growth in business volumes stalled in the quarter to March.
Latest	-4	-1	
Previous	+51	+21	
Mean	+25	+18	



	Q5g: Past	Q5g: Next	Profitability declined slightly, but is expected to recover next quarter.
Latest	-8	+17	
Previous	+47	+17	
Mean	+22	+14	



	Q5c: Past	Q5d: Past	Total and average costs ticked up last quarter.
Latest	+23	+23	
Previous	+9	0	
Mean	+26	-3	

## CBI/PwC Financial Services Survey

Survey number 106, March 2016

### Investment management

Conducted between 16th February and 3rd March 2016

\*All figures are percentage balances of respondents except questions 9-13 where figures are percentages of firms responding.

VALUE AND VOLUME OF BUSINESS		2015				2016
		Mar	Jun	Sep	Dec	Mar
<b>1</b>	<b>Are you more or less optimistic about THE OVERALL BUSINESS SITUATION IN YOUR SECTOR?</b>	+15	+48	+18	+45	-49
<b>2</b>	<b>Excluding seasonal variations, do you consider that in volume terms:</b>					
a)	Your present level of business (above/below normal) is:	-1	+5	-7	+10	-4
b)	Your present level of business with overseas customers (above/below normal) is:	+13	+18	0	0	+22
<b>3</b>	<b>Excluding seasonal variations, what are the trends in:</b>					
a)	Volume of business					
	- past 3 months	+37	+38	-21	+51	-4
	- next 3 months	+23	+62	-22	+21	-1
b)	Value** of fee, commission or premium income					
	- past 3 months	+37	+52	-22	+44	+2
	- next 3 months	+10	+48	-37	+13	-42
c)	Value** of net interest, investment or trading income					
	- past 3 months	+11	+4	-29	+48	-24
	- next 3 months	+9	0	-4	+13	-23

\*\* in sterling

		2015 Mar	Jun	Sep	Dec	2016 Mar	
<b>4 What is the trend in your 'volume of business' with regard to the following categories of customer:</b>							
a)	Industrial & commercial companies	- past 3 months	+24	0	+16	+40	-1
		- next 3 months	0	0	+1	-2	-1
b)	Financial institutions	- past 3 months	+24	-14	-19	+55	+25
		- next 3 months	+11	+14	-19	+19	+25
c)	Private individuals	- past 3 months	+10	+66	+17	+32	+23
		- next 3 months	-1	+33	-3	-4	0
d)	Overseas customers (UK-based operations)	- past 3 months	0	+14	-4	+42	+25
		- next 3 months	0	0	-19	+6	+25
<b>CHARGES, COSTS AND PROFITABILITY</b>							
<b>5 Excluding seasonal variations, what are the trends for:</b>							
a)	Average spreads	- past 3 months	-1	0	+26	+2	0
		- next 3 months	0	0	+26	+6	-1
b)	Average commissions/fees/ premiums paid	- past 3 months	+23	+33	+23	-6	-19
		- next 3 months	+13	+33	-4	-6	-19
c)	Total operating costs (excluding cost of funds)	- past 3 months	-32	+29	+44	+9	+23
		- next 3 months	0	+14	+77	+9	+26
d)	Average operating costs per transaction	- past 3 months	+42	0	+24	0	+23
		- next 3 months	0	0	+39	0	0
e)	Value of non-performing loans	- past 3 months	0	-14	-1	0	+19
		- next 3 months	0	0	0	0	0
	of which:						
	Retail	- past 3 months	0	0	0	0	+19
		- next 3 months	0	0	0	0	0
	Corporate	- past 3 months	0	-14	-1	0	0
		- next 3 months	0	0	0	0	0
g)	Overall profitability of business	- past 3 months	+19	+63	+4	+47	-8
		- next 3 months	+10	+20	-26	+17	+17
<b>EMPLOYMENT AND TRAINING</b>							
<b>6 Excluding seasonal variations, what are the trends in:</b>							
a)	Numbers employed	- past 3 months	+53	+53	+59	+48	+24
		- next 3 months	+12	+68	+28	+29	+68
b)	Training expenditure	- past 3 months	+68	+41	+63	+8	+3
		- next 3 months	+12	+41	+50	+8	+25
c)	Staff costs as a proportion of total costs	- past 3 months	+33	-11	+34	+29	+21
		- next 3 months	-14	-11	+22	+24	+42
<b>6.1 What has been the trend with regard to your staff turnover:</b>							
		- past 3 months	-10	+59	+32	+19	-18
		- next 3 months	+7	+23	+20	0	-18
<b>MARKETING EXPENDITURE</b>							
<b>7 Do you expect to authorise more or less expenditure on marketing in the NEXT 12 MONTHS than you did in the PAST 12 MONTHS</b>							
			+30	+68	+10	-4	+73
<b>CAPITAL EXPENDITURE</b>							
<b>8 Do you expect to authorise more or less capital expenditure in the NEXT 12 MONTHS than you authorised in the PAST 12 MONTHS on:</b>							
a)	Land and buildings		+1	-14	-19	-2	+29
b)	Vehicles, plant & machinery		+4	0	-3	+4	+26
c)	Information technology		+36	+86	+29	+6	+26
<b>9 What are the main reasons for any expected CAPITAL EXPENDITURE AUTHORISATION over the NEXT 12 MONTHS*</b>							
	To provide new services		35	52	39	19	42
	To increase efficiency/speed		91	67	85	36	23
	To reach new customers		58	63	35	38	30
	For replacement		25	32	19	23	26
	To expand capacity		63	14	16	9	56
	Statutory legislation and regulation		72	81	61	87	49
	Other		0	0	1	0	0
<b>10 What factors are likely to limit (wholly or partly) your capital authorisations over the NEXT 12 MONTHS*</b>							
	Inadequate net return on proposed investment		66	33	53	36	0
	Shortage of finance		52	0	0	0	0
	Cost of finance		24	0	0	0	0
	Uncertainty about demand/business prospects		48	52	42	61	55
	Shortage of labour including managerial & supervisor staff		33	48	26	29	74
	Other		0	0	19	29	0

## BUSINESS PROSPECTS

		2015				2016	
		Mar	Jun	Sep	Dec	Mar	
<b>11</b>	<b>What factors are likely to limit your ability to increase your level of business over the NEXT 12 MONTHS*</b>						
	Level of demand	- Total	61	67	38	65	48
		- Overseas	36	48	35	48	46
	Staff turnover	- Total	11	0	0	0	0
		- Overseas	0	0	0	0	0
	Availability of professional staff	- Total	39	0	31	26	1
		- Overseas	0	0	26	0	0
	Availability of clerical staff	- Total	39	0	0	0	0
		- Overseas	0	0	0	0	0
	Adequacy of systems capacity	- Total	52	0	1	0	29
		- Overseas	13	0	0	0	0
	Ability to raise funds	- Total	11	0	0	9	0
		- Overseas	0	0	0	0	0
	of which:						
	Ability to raise capital	- Total	11	0	0	9	0
		- Overseas	0	0	0	0	0
	Availability of corporate loans	- Total	0	0	0	6	0
		- Overseas	0	0	0	0	0
	Competition	- Total	70	33	39	75	68
		- Overseas	27	33	19	36	45
	Statutory legislation and regulation	- Total	53	48	59	28	77
		- Overseas	9	48	41	32	45
	Other	- Total	0	0	19	0	0
		- Overseas	0	0	19	2	0
<b>11.1</b>	<b>What do you expect to spend on regulatory compliance in the NEXT 12 MONTHS?</b>		+50	+99	+99	+87	+52
<b>12</b>	<b>Where do you see your competition coming from in the next 12 months?</b>						
	Your sector of financial services		100	100	100	98	97
	Other sectors of financial services		11	14	35	33	19
	Companies currently positioned outside of financial services		11	14	19	33	0
	New entrants		66	18	50	36	3
	Other		11	0	0	0	0
<b>GROWTH</b>							
<b>13</b>	<b>Where do you think your growth will come from over the next 3 months?</b>						
	Cross sales to new customers		37	14	51	55	45
	Cross sales to existing customers		29	32	77	81	29
	Acquisition of domestic customers		73	68	76	45	68
	Acquisition of international customers		23	14	64	39	46
	New products		42	1	0	9	48
	No growth expected		0	0	0	0	29
<b>14</b>	<b>Relative to the past 12 months, how important do you think the following elements will be to your organisation's growth strategy over the next 12 months?</b>						
	<b>Organic growth activities</b>						
	Acquiring new customers		+80	+67	+61	+28	+23
	Cross-selling to existing customers		-11	+81	+8	+15	0
	Retaining existing customers		+59	+68	+81	+59	+76
	Launching new products/services		+42	+19	+34	+9	-70
	<b>Inorganic growth activities</b>						
	Engaging in M&A transactions		+23	+20	-18	+29	-25
	Forming strategic partnerships/alliances		+26	+48	+33	+6	+26
	<b>Market focus for growth</b>						
	Increasing market share in domestic markets		+42	+67	+75	+13	+42
	Increasing market share in international markets		+27	+33	+36	+48	+1
	<b>Investment in enablers to growth</b>						
	Brand and advertising		+20	+34	+36	+2	+44
	Sales force and distribution channels		+63	0	+20	+6	+23
	CRM/marketing capabilities (e.g. pricing, segmentation, profitability analysis)		+14	+1	+62	+13	+19
	Performance measurement processes/tools		-10	-14	+26	0	+1
	IT systems and applications		+32	+48	+80	+9	+19

# Supplementary questions

■ **Perceptions of financial market conditions**

Confidence in financial market conditions deteriorated in the quarter to March, having improved during the second half of 2016. Only 13% of respondents assigned a low likelihood to a worsening in financial market conditions over the next six months. This was the lowest share since 2012 and compares with 61% in the final quarter of 2015. The vast majority (81%) of respondents believed that “normal” financial market conditions will only resume beyond six months.

■ **Top challenges facing business over the next 12 months**

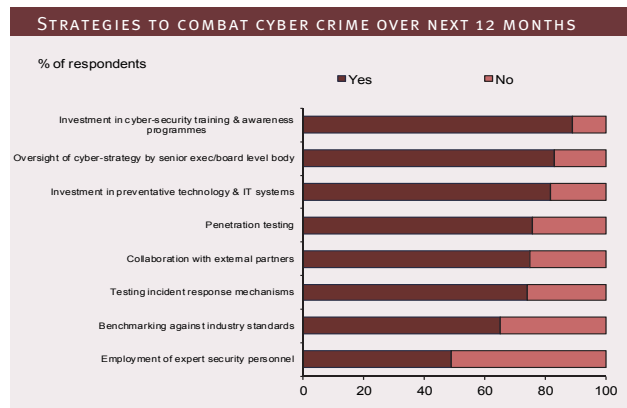
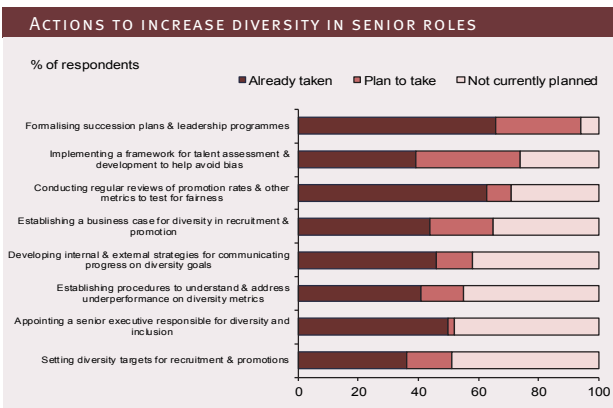
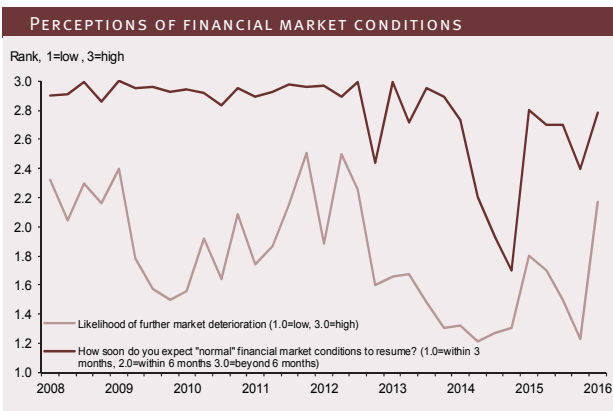
Asked to list the top three challenges facing their businesses over the year ahead, financial services firms gave the highest rankings to financial market instability, competition and macroeconomic uncertainty. However, the picture varied across sectors. Volatile markets were a big concern for banks, life insurers and investment managers, though pose less of a challenge for building societies and general insurance. Regulation was seen as a major challenge for building societies and life insurers.

■ **Increasing diversity in senior roles**

Firms have undertaken, or plan to take, a variety of actions to increase diversity in senior roles. Two thirds already have formal succession plans and leadership programmes in place, while almost as many carry out regular reviews of promotion rates. Four in ten firms currently use a framework to avoid bias in assessing talent, but more firms plan to do this. Half of firms see a role for setting targets, while half do not.

■ **Combatting the threat of cyber crime.**

The vast majority of firms are alert to the threat of cyber crime, with nine in ten expecting to invest in cyber training and awareness programmes over the year ahead, board-level oversight common and the use of IT and testing widespread.



## SAMPLE SIZES AND WEIGHTS

Survey 106, March 2016	Number of respondents	Sample weight
Banking	19	0.40
Building societies	11	0.05
Finance Houses	13	0.05
Life insurance	4	0.11
General insurance	22	0.16
Insurance brokers	16	0.05
Securities trading; stockbroking	2*	0.08
Investment management	8	0.05
Private equity (ex venture capital)	4	0.00
Other financial institutions	5	0.05
<b>Total</b>	<b>104</b>	<b>1.00</b>

\* Due to the small sample size, the results tables have been omitted this quarter.

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CBI	PwC
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Cannon Place	London SE1 2RT
78 Cannon Street	
London EC4N 6HN	

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Financial service activities: *SIC 64.19/1, 64.19/2, 64.2, 64.3 64.91,*

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## CBI CONTACT DETAILS

CBI Principal Economist: Ben Jones — [ben.jones@cbi.org.uk](mailto:ben.jones@cbi.org.uk). To subscribe to any of these publications, please contact: CBI Publication Sales, Cannon Place, 78 Cannon Street, London EC4N 6HN. DL: +44 (0) 207 395 8270. DF: +44 (0) 207 497 3646. E: [amit.parmar@cbi.org.uk](mailto:amit.parmar@cbi.org.uk)

To participate in our surveys or for further information, please contact: Nicola Grimwood, CBI Survey Management Group, Cannon Place, 78 Cannon Street, London EC4N 6HN. DL: +44 (0) 207 395 8081. DF: +44 (0) 207 836 5856

E: [nicola.grimwood@cbi.org.uk](mailto:nicola.grimwood@cbi.org.uk)



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PricewaterhouseCoopers LLP is proud to support the financial services industry through our involvement with the CBI/PwC Financial Services Survey. No other survey so comprehensively and immediately identifies the current perceptions held by the industry and its plans for investment, human resources, marketing and other strategic developments. PwC firms provide industry-focused assurance, tax and advisory services to enhance value for their clients. More than 169,000 people in 158 countries in firms across the PwC network share their thinking, experience and solutions to develop fresh perspectives and practical advice. See [www.pwc.com](http://www.pwc.com) for more information.

### PwC Contact Details

For further information about this Survey, please contact Jessica Houston on (020) 7213 1269 or Katherine Howbrook on (020) 7212 2711. For comment about a particular industry or issue, please contact one of the following people on (020) 7583 5000.

UK Financial Services: Kevin Burrowes  
Banking: Simon Hunt  
Building Societies: Nick Elliott

Insurance: Jonathan Howe  
Investment Management: Mark Pugh  
Financial Regulation: George Stylianides

## The CBI/PwC Financial Services Survey

The CBI and PwC are pleased to present this report of the results of the March 2016 quarterly survey of the health, perceptions and plans of the financial services industry.

This survey was launched in December 1989 and draws on the CBI's considerable expertise in survey analysis. It is one of the CBI's regular business trends surveys, standing together with the long established Industrial Trends Survey, the more recent Distributive Trades Survey and the survey of Consumer, Business and Professional Services launched in 1998.

The survey covers a broad range of financial services activities, including banks, finance houses, securities traders, fund managers and the insurance industry. It offers a unique and up-to-date insight into the recent trends and future prospects for these industries.

Modelled on the CBI's Industrial Trends Survey, the Survey is based on a qualitative rather than quantitative approach. Firms are asked a number of questions, covering: the trend for the past three months in the value and volume of business, charges, costs, profits, employment and training; the expected trend in these indicators over the next three months; factors likely to limit the ability to expand business over the year ahead; whether firms have become more or less optimistic about the situation in their sector; whether they regard the level of business as above or below 'normal'; investment intentions over the coming year; the reasons for such planned expenditure; and the likely constraints on it.

The Survey responses are weighted according to the size of the company and the importance of its activity within the industry. Responses are treated in absolute confidence, with replies being made anonymously where desired.

The survey results are reported in a similar way to other CBI Surveys and often use the 'balance' statistic – the difference between the percentage of respondents replying 'more', 'above normal' or 'up' minus the percentage replying 'less', 'below normal', or 'down'. The 'balance' provides a simplified method of interpreting the results and over a period of time the trend in the balance gives a good indication of the trend in the economic indicator.

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