



Embargoed until 00.01 hrs, Monday 30th March 2015

FINANCIAL SERVICES FIRMS REMAIN UPBEAT AS PROFITABILITY IMPROVES

Optimism rose across the financial services sector in the quarter to March 2015. Growth in overall business volumes slowed, but with average costs generally stable, profitability improved in most sectors. Against this backdrop, headcount rose in several sectors, but overall employment fell, weighed down by job losses in banking. Business volumes are expected to be flat in banking next quarter, but most other sectors expect volumes to expand. The outlook for profitability, employment growth and investment is somewhat more varied. Nonetheless, firms in most sectors plan to raise investment in IT, with the need to improve efficiency and provide new services paramount.

Banking	<i>page 6</i>	Sentiment continued to improve at a marked pace in the three months to March. Business volumes unexpectedly stabilised, but this followed three quarters of very strong growth. Pricing power improved, helping to underpin revenue growth, while profitability also strengthened. Employment is expected to fall for a second quarter, and investment intentions are mixed.
Building societies & finance houses	<i>page 10</i>	Building societies saw volumes stabilise, after a decline in the previous quarter, and expectations for the quarter ahead are buoyant. Meanwhile, finance houses indicated that volumes growth accelerated rapidly, at the fastest pace since June 2010, with strong growth expected next quarter.
Life insurance	<i>page 16</i>	Optimism improved in the quarter to March, following a decline in the previous survey. Business volumes increased for a third straight quarter, and growth is expected to pick up further. However, rising costs continue to weigh on profitability, with no recovery expected next quarter.
General insurance & insurance brokers	<i>page 20</i>	General insurers reported solid growth in business volumes, with expectations of future growth at the highest since 2009. By contrast, volumes growth slowed sharply in insurance broking, but is expected to accelerate again in the three months to June.
Securities trading	<i>page 26</i>	Profitability was flat, as ongoing growth in business volumes and fee/commission income was offset by stagnant net interest/trading income. But profits growth is expected to recover sharply over the next quarter.
Investment management	<i>page 30</i>	Optimism about the general business situation improved, having been flat last quarter, amid a recovery in business volumes growth. However, profits growth slowed and is expected to soften a little further next quarter.
Supplementary questions	<i>page 34</i>	Firms have become less confident in financial market conditions over the past quarter. Banks have maintained a sharp focus on the threat of cyber attacks over the past six months, hand-in-hand with plans to raise investment in digital platforms. Financial firms appear dissatisfied with several aspects of the UK's regulatory system.



Overall financial services

■ Optimism

Optimism about the overall business situation rose at a robust pace in the three months to March, with the rate of improvement picking up for a second quarter running.

■ Business volumes

Overall business volumes expanded at an above-average pace in the quarter to March, though growth slowed following two particularly strong quarters and was below expectations. The slowdown was broad-based across most sectors and across most customer groups. Financial services firms have downgraded their expectations for future growth somewhat, but still expect volumes growth to accelerate next quarter, driven by a strong recovery in business with private individuals.

■ Income

Revenues from fees, commissions & premiums and from net interest, investment & trading posted solid gains, but growth was weaker than expected in both categories. Firms expect broad-based revenue growth again in the coming three months, with income from fees, commissions & premiums expected to pick up strongly.

■ Pricing power

Commissions, fees & premiums rose for a second consecutive quarter (and at the fastest pace on record), with a majority of sectors reporting growth. Spreads were also reported to have widened for a second straight quarter, after relatively minor movements during much of the previous two years. Growth in commissions, fees & premiums is expected to slow in the quarter to June, while spreads are tipped to narrow slightly.

■ Costs

Total operating costs edged up in three months to March, having declined in the previous quarter. The increase was driven by higher costs in building societies, life insurance and insurance broking, and all three sectors (along with general insurance) expect costs to increase further in the coming quarter. Average costs rose at a more muted pace in the last quarter, and almost all sectors predict either stable or falling average costs next quarter. Meanwhile, the value of non-performing loans resumed a downward trend after an unexpected increase last quarter.

■ Profitability

Profitability improved at a brisk pace for a third successive quarter, with only life insurance reporting a mild decline. However, profit growth is expected to slow in the quarter to June, reflecting slower growth in four of the eight sectors, notably banking.

■ Employment

Overall employment fell for a second straight quarter, weighed down by lower headcount in banking. However, numbers employed either rose or were broadly stable in all other sectors. Overall employment is forecast to fall a little further next quarter.

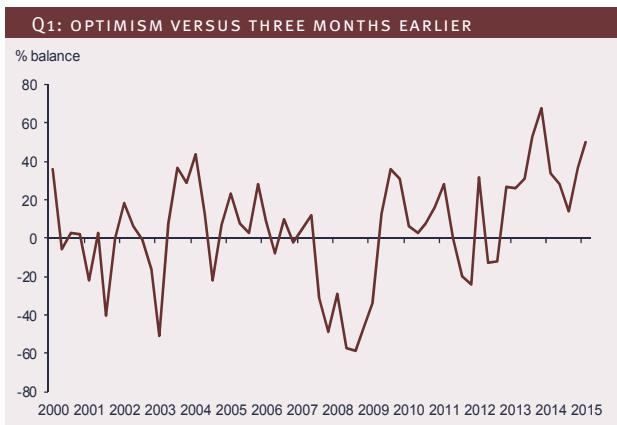
■ Investment

Investment intentions were mixed. Firms in all but one sector (securities trading) planned to raise spending on IT over the year. However, overall spending in other areas was predicted to fall, reflecting lower planned spending in banking and general insurance in particular. The need to improve efficiency and provide new services were the most important investment drivers, but concerns that inadequate net returns might constrain investment remained high. Uncertainty over demand also ticked higher as a limitation, but remained below its long-run average.

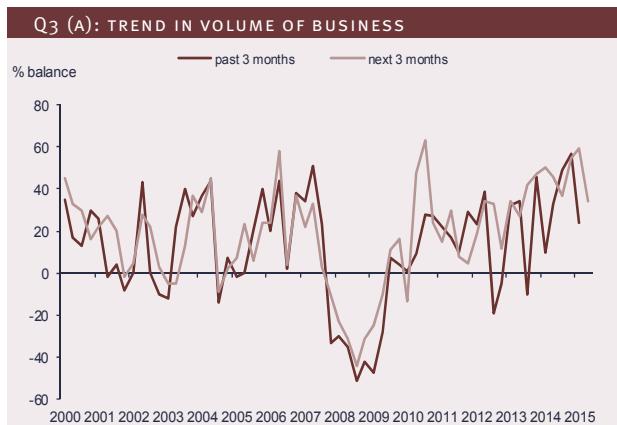
■ The year ahead

The level of demand is the most potent potential constraint on business over the coming year, with citations having increased markedly over the past six months. Firms increasingly expect growth to come from retaining existing customers and cross-selling products/services, while interest in launching new products appears to have waned.

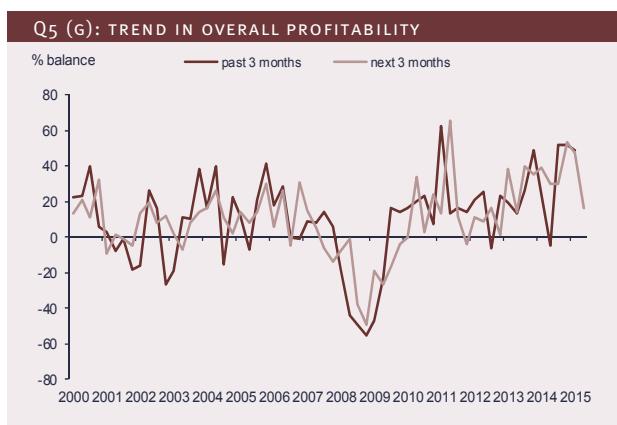
OVERALL



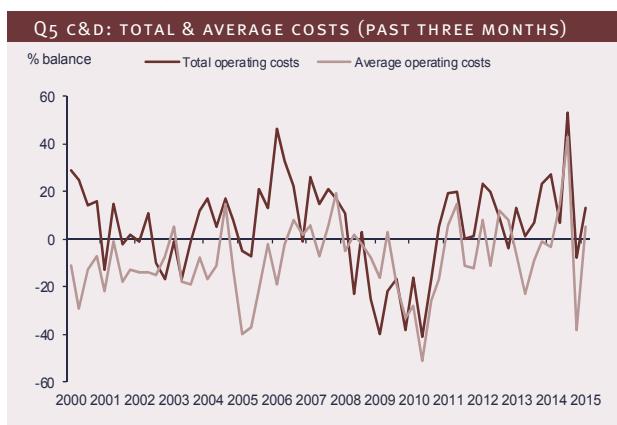
	Q1	Optimism has improved continuously for two-and-a-half years.
Latest	+50	
Previous	+37	
Mean	+6	



	Q3a: Past	Q3a: Next	Growth in business volumes slowed, but remained above its long-run trend.
Latest	+24	+34	
Previous	+57	+59	
Mean	+13	+20	



	Q5g: Past	Q5g: Next	Profit growth remained strong, but is expected to soften next quarter.
Latest	+49	+16	
Previous	+52	+47	
Mean	+12	+13	



	Q5c: Past	Q5d: Past	Total and average costs edged up slightly.
Latest	+13	+5	
Previous	-8	-38	
Mean	+6	-11	

CBI/PwC Financial Services Survey

Survey number 102, March 2015

Overall

Conducted between 17th February and 5th March 2015

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

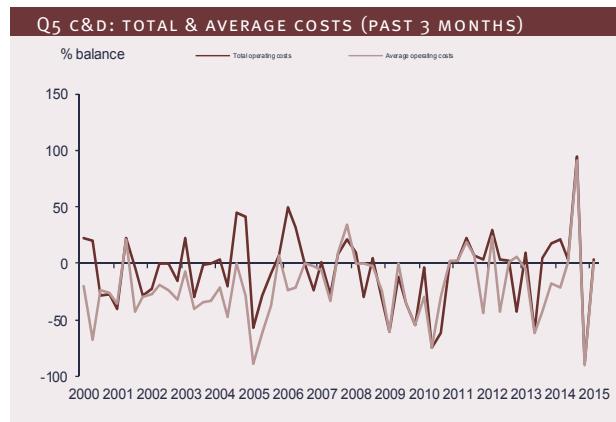
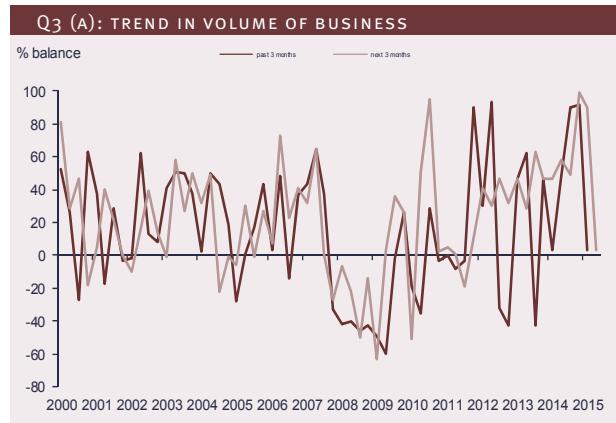
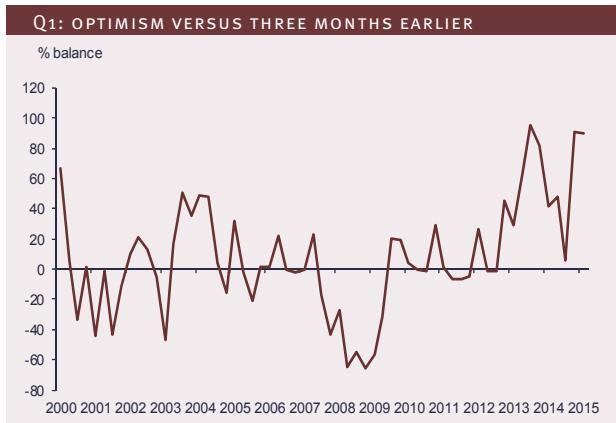
VALUE AND VOLUME OF BUSINESS					
	2014 Mar	Jun	Sep	Dec	2015 Mar
1 Are you more or less optimistic about THE OVERALL BUSINESS SITUATION IN YOUR SECTOR?	+34	+28	+14	+37	+50
2 Excluding seasonal variations, do you consider that in volume terms:					
a) Your present level of business (above/below normal) is:	-1	+1	-2	+1	-5
b) Your present level of business with overseas customers (above/below normal) is:	-4	-3	-6	-2	+1
3 Excluding seasonal variations, what are the trends in:					
a) Volume of business	+10	+33	+49	+57	+24
	+46	+37	+55	+59	+34
b) Value** of fee, commission or premium income	+4	-10	-27	+62	+46
	+34	+12	-22	+64	+60
c) Value** of net interest, investment or trading income	+5	+15	+34	+43	+36
	+8	+17	+35	+44	+36
** in sterling					

		2014 Mar	Jun	Sep	Dec	2015 Mar
4 What is the trend in your 'volume of business' with regard to the following categories of customer:						
a) Industrial & commercial companies	- past 3 months	+7	+6	+49	+52	+10
	- next 3 months	+21	+9	+46	+54	+9
b) Financial institutions	- past 3 months	+11	+20	+40	+13	+5
	- next 3 months	+11	+28	+40	+13	+6
c) Private individuals	- past 3 months	+15	+33	+48	+54	+18
	- next 3 months	+30	+39	+50	+59	+66
d) Overseas customers (UK-based operations)	- past 3 months	+2	-1	+33	0	+7
	- next 3 months	+16	-4	+38	+1	+9
CHARGES, COSTS AND PROFITABILITY						
5 Excluding seasonal variations, what are the trends for:						
a) Average spreads	- past 3 months	-2	0	+4	+33	+33
	- next 3 months	+4	+2	+2	+35	-7
b) Average commissions/fees/ premiums paid	- past 3 months	-8	-21	-2	+7	+39
	- next 3 months	+4	-19	-5	+3	+9
c) Total operating costs (excluding cost of funds)	- past 3 months	+27	+7	+53	-8	+13
	- next 3 months	+41	+23	+47	-9	+18
d) Average operating costs per transaction	- past 3 months	-3	+15	+43	-38	+5
	- next 3 months	+14	+8	+44	-37	-2
e) Value of non-performing loans	- past 3 months	-2	-21	-49	+31	-41
	- next 3 months	-5	-22	-44	-1	-41
of which:						
Retail	- past 3 months	-7	-18	-48	-5	-42
	- next 3 months	-8	-22	-43	-38	-40
Corporate	- past 3 months	-1	-25	-45	+34	-40
	- next 3 months	-5	-17	-45	+34	-40
g) Overall profitability of business	- past 3 months	+24	-5	+52	+52	+49
	- next 3 months	+30	+30	+53	+47	+16
EMPLOYMENT AND TRAINING						
6 Excluding seasonal variations, what are the trends in:						
a) Numbers employed	- past 3 months	+38	-12	+17	-9	-24
	- next 3 months	+46	+5	-2	-15	-13
b) Training expenditure	- past 3 months	+35	+12	+41	+58	-19
	- next 3 months	+47	+17	+46	+54	-20
c) Staff costs as a proportion of total costs	- past 3 months	+15	-7	+9	-27	+8
	- next 3 months	+31	-24	+10	-23	+14
6.1 What has been the trend with regard to your staff turnover:						
	- past 3 months	-11	+10	-23	-15	+52
	- next 3 months	+2	+3	-27	+5	+40
MARKETING EXPENDITURE						
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		+42	+17	+26	+19	-10
CAPITAL EXPENDITURE						
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:						
a) Land and buildings		+21	-13	+15	+36	-35
b) Vehicles, plant & machinery		+7	-23	-4	+34	-38
c) Information technology		+50	+49	+65	+75	+72
9 What are the main reasons for any expected CAPITAL EXPENDITURE AUTHORISATION over the NEXT 12 MONTHS*						
To provide new services		61	46	68	72	68
To increase efficiency/speed		71	85	44	85	89
To reach new customers		48	47	35	73	39
For replacement		61	34	27	38	35
To expand capacity		47	24	25	30	33
Statutory legislation and regulation		52	66	70	72	35
Other		3	0	1	0	1
10 What factors are likely to limit (wholly or partly) your capital authorisations over the NEXT 12 MONTHS*						
Inadequate net return on proposed investment		46	70	32	70	71
Shortage of finance		12	30	10	12	12
Cost of finance		8	8	7	41	8
Uncertainty about demand/business prospects		39	24	32	21	38
Shortage of labour including managerial & supervisor staff		36	29	21	30	26
Other		7	2	41	7	2

BUSINESS PROSPECTS		2014			2015	
		Mar	Jun	Sep	Dec	Mar
11 What factors are likely to limit your ability to increase your level of business over the NEXT 12 MONTHS*						
Level of demand	- Total	59	62	37	78	80
	- Overseas	36	14	17	10	44
Staff turnover	- Total	13	2	6	3	7
	- Overseas	7	2	2	0	0
Availability of professional staff	- Total	38	20	21	26	19
	- Overseas	8	1	4	3	1
Availability of clerical staff	- Total	12	2	6	2	9
	- Overseas	6	0	0	0	0
Adequacy of systems capacity	- Total	34	37	25	18	29
	- Overseas	11	6	7	0	5
Ability to raise funds	- Total	12	2	6	2	3
	- Overseas	7	2	1	1	0
of which:						
Ability to raise capital	- Total	5	3	8	1	7
	- Overseas	1	2	1	0	0
Availability of wholesale funds	- Total	11	1	8	2	6
	- Overseas	3	2	1	1	0
Competition	- Total	63	53	75	76	46
	- Overseas	28	13	52	6	12
Statutory legislation and regulation	- Total	48	70	80	68	40
	- Overseas	20	8	47	5	7
Other	- Total	0	0	0	3	1
	- Overseas	0	2	0	0	0
11.1 What do you expect to spend on regulatory compliance in the NEXT 12 MONTHS?		+82	+68	+76	+40	+67
12 Where do you see your competition coming from in the next 12 months?						
Your sector of financial services		91	97	97	92	95
Other sectors of financial services		36	44	21	65	24
Companies currently positioned outside of financial services		17	53	16	42	47
New entrants		39	43	23	57	35
Other		0	1	2	0	1
GROWTH						
13 Where do you think your growth will come from over the next 3 months?						
Cross sales to new customers		28	25	61	22	22
Cross sales to existing customers		47	69	35	21	71
Acquisition of domestic customers		61	64	43	39	81
Acquisition of international customers		25	11	12	7	14
New products		47	31	16	18	28
No growth expected		11	6	4	4	2
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?						
Organic growth activities:						
Acquiring new customers		+60	+56	+71	+46	+40
Cross-selling to existing customers		+36	+56	+21	+28	+51
Retaining existing customers		+36	+65	+72	+25	+57
Launching new products/services		+47	+22	+59	+35	+25
Inorganic growth activities:						
Engaging in M&A transactions		+17	-2	+15	+15	+6
Forming strategic partnerships/alliances		+30	+37	+59	+16	+15
Market focus for growth:						
Increasing market share in domestic markets		+38	+69	+68	+41	+66
Increasing market share in international markets		+9	+18	+13	+12	+11
Investment in enablers to growth:						
Brand and advertising		+29	+24	+74	+27	+21
Sales force and distribution channels		+41	+65	+55	+33	+22
CRM/marketing capabilities (e.g. pricing, segmentation, profitability analysis)		+36	+62	+66	+37	+32
Performance measurement processes/tools		+21	+18	+12	+19	+14
IT systems and applications		+41	+45	+73	+33	+69

Banking

- **Optimism** Optimism among banks increased strongly for a second consecutive quarter in the three months to March, marking two-and-a-half years of continuous improvement.
- **Business volumes** Business volumes unexpectedly stabilised in the quarter to March, after three quarters of very strong growth. The level of business was perceived as being close to “normal”. Business volumes with private individuals and overseas customers edged up a little, while business with industrial & commercial companies and financial institutions was broadly flat. Overall business volumes are predicted to remain stable next quarter.
- **Income** Banks reported broad-based income growth in the quarter to March. Revenue from fees, commissions & premiums rose for a second quarter running, while income from net interest, investment & trading continued to grow at a brisk pace. Banks expect strong revenue growth from both sources again in the quarter to June.
- **Pricing power** Banks reported that average spreads had widened for a second consecutive quarter, though they are expected to remain unchanged next quarter. Average commissions, fees & premiums increased for the first time in over a year, though they are expected to be stable in the three months to June.
- **Costs** Total and average operating costs were stable in the three months to March, having fallen in the previous quarter. The value of non-performing loans fell back following an unexpected rise in the previous quarter, resuming a downward trend evident since late 2013. Overall, total and average costs are expected to remain stable over the coming quarter.
- **Profitability** Profitability improved at a robust pace in the three months to March, although after three successive quarters of exceptionally strong growth banks expect profitability to stabilise over the coming quarter.
- **Employment** Numbers employed fell for a second consecutive quarter in the three months to March, in line with expectations, and headcount is expected to decline again next quarter. Training expenditure also fell in the quarter to March, with a further fall expected. Staff costs as a share of total costs were broadly stable, and are set to remain so.
- **Investment** Banks expect to raise investment in IT over the year ahead, but foresee lower spending on marketing, land & buildings and vehicles, plant & machinery. The need to increase efficiency and provide new services were the most widely cited investment motives. The most significant potential barrier to investment was, by far, the possibility of inadequate returns.
- **The year ahead** The level of demand was widely cited as the most important potential brake on business expansion over the year ahead. Although concerns that statutory legislation & regulation could hamper business expansion appear to have diminished, spending to meet new regulatory requirements was widely expected to increase. Banks see retaining existing customers and cross-selling to them as key growth strategies in the year ahead, underpinned by investment in IT systems and applications.



CBI/PwC Financial Services Survey

Survey number 102, March 2015

Banking

Conducted between 17th February and 5th March 2015

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

	2014				2015
	Mar	Jun	Sep	Dec	Mar
1 Are you more or less optimistic about THE OVERALL BUSINESS SITUATION IN YOUR SECTOR?	+42	+48	+6	+91	+90
2 Excluding seasonal variations, do you consider that in volume terms:					
a) Your present level of business (above/below normal) is:	-13	-2	-2	-1	+2
b) Your present level of business with overseas customers (above/below normal) is:	-13	-2	-2	-4	0
3 Excluding seasonal variations, what are the trends in:					
a) Volume of business	- past 3 months	+3	+48	+90	+92
	- next 3 months	+58	+49	+99	+90
b) Value** of fee, commission or premium income	- past 3 months	-9	-46	-91	+93
	- next 3 months	+45	0	-84	+94
c) Value** of net interest, investment or trading income	- past 3 months	+29	+48	+93	+93
	- next 3 months	+29	+48	+98	+94
** in sterling					

		2014				2015
		Mar	Jun	Sep	Dec	Mar
4 What is the trend in your 'volume of business' with regard to the following categories of customer:						
a) Industrial & commercial companies	- past 3 months	+8	+1	+91	+90	-1
	- next 3 months	+29	+1	+95	+90	+1
b) Financial institutions	- past 3 months	+8	+45	+90	-3	0
	- next 3 months	+21	+47	+94	-3	+1
c) Private individuals	- past 3 months	+16	+47	+93	+91	+8
	- next 3 months	+24	+48	+96	+97	+98
d) Overseas customers (UK-based operations)	- past 3 months	+8	-1	+90	-3	+5
	- next 3 months	+37	0	+94	0	+5
CHARGES, COSTS AND PROFITABILITY						
5 Excluding seasonal variations, what are the trends for:						
a) Average spreads	- past 3 months	-3	-2	0	+87	+90
	- next 3 months	-3	-1	+1	+92	+1
b) Average commissions/fees/ premiums paid	- past 3 months	-8	-46	-1	-1	+92
	- next 3 months	+13	-47	+1	0	+3
c) Total operating costs (excluding cost of funds)	- past 3 months	+21	+4	+94	-89	+3
	- next 3 months	+29	+3	+95	-86	+2
d) Average operating costs per transaction	- past 3 months	-21	+1	+91	-90	+1
	- next 3 months	+5	+2	+92	-88	+1
e) Value of non-performing loans	- past 3 months	-8	-46	-92	+87	-95
	- next 3 months	-13	-46	-91	-3	-92
of which:						
Retail	- past 3 months	-13	-47	-92	-3	-94
	- next 3 months	-13	-46	-91	-93	-91
Corporate	- past 3 months	-8	-45	-91	+88	-91
	- next 3 months	-13	-46	-91	+88	-90
g) Overall profitability of business	- past 3 months	+29	+1	+93	+92	+92
	- next 3 months	+29	+47	+96	+93	+5
EMPLOYMENT AND TRAINING						
6 Excluding seasonal variations, what are the trends in:						
a) Numbers employed	- past 3 months	+26	-43	+4	-85	-88
	- next 3 months	+34	-42	+3	-85	-83
b) Training expenditure	- past 3 months	+21	+2	+94	+92	-87
	- next 3 months	+34	+3	+95	+92	-85
c) Staff costs as a proportion of total costs	- past 3 months	+5	-42	+1	-89	+1
	- next 3 months	+34	-88	+2	-84	+3
6.1 What has been the trend with regard to your staff turnover:						
	- past 3 months	-34	+2	-89	-88	+90
	- next 3 months	-5	+1	-92	0	+93
MARKETING EXPENDITURE						
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						
		+50	0	+4	+4	-83
CAPITAL EXPENDITURE						
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:						
a) Land and buildings		+45	-44	0	+91	-90
b) Vehicles, plant & machinery		+5	-46	+1	+89	-91
c) Information technology		+42	+46	+95	+92	+95
9 What are the main reasons for any expected CAPITAL EXPENDITURE AUTHORISATION over the NEXT 12 MONTHS*						
To provide new services		76	49	94	92	95
To increase efficiency/speed		50	94	4	96	94
To reach new customers		29	47	2	94	3
For replacement		74	4	6	3	3
To expand capacity		16	3	4	1	3
Statutory legislation and regulation		50	96	96	97	5
Other		8	1	1	0	2
10 What factors are likely to limit (wholly or partly) your capital authorisations over the NEXT 12 MONTHS*						
Inadequate net return on proposed investment		37	97	4	96	95
Shortage of finance		0	46	1	0	0
Cost of finance		0	1	2	91	2
Uncertainty about demand/business prospects		37	4	5	5	3
Shortage of labour including managerial & supervisor staff		26	3	1	1	1
Other		8	1	92	0	1

BUSINESS PROSPECTS		2014 Mar	Jun	Sep	Dec	2015 Mar
11 What factors are likely to limit your ability to increase your level of business over the NEXT 12 MONTHS*						
Level of demand	- Total	58	49	6	94	95
	- Overseas	50	3	6	3	92
Staff turnover	- Total	8	2	0	0	2
	- Overseas	8	1	0	0	0
Availability of professional staff	- Total	47	4	2	1	3
	- Overseas	0	1	0	0	1
Availability of clerical staff	- Total	0	1	0	0	1
	- Overseas	0	1	0	0	1
Adequacy of systems capacity	- Total	13	47	3	0	1
	- Overseas	0	1	1	0	1
Ability to raise funds	- Total	8	1	0	4	3
	- Overseas	8	1	0	1	1
of which:						
Ability to raise capital	- Total	8	1	2	0	3
	- Overseas	0	1	1	0	1
Availability of wholesale funds	- Total	21	1	1	4	1
	- Overseas	8	1	1	1	1
Competition	- Total	45	49	93	96	2
	- Overseas	24	4	92	4	1
Statutory legislation and regulation	- Total	50	96	97	96	5
	- Overseas	29	2	94	5	4
Other	- Total	0	1	0	0	1
	- Overseas	0	0	0	0	1
11.1 What do you expect to spend on regulatory compliance in the NEXT 12 MONTHS?		+100	+98	+96	+8	+99
12 Where do you see your competition coming from in the next 12 months?						
Your sector of financial services		87	99	99	99	97
Other sectors of financial services		8	48	2	92	3
Companies currently positioned outside of financial services		8	93	2	91	91
New entrants		55	49	3	96	5
Other		0	0	2	0	0
GROWTH						
13 Where do you think your growth will come from over the next 3 months?						
Cross sales to new customers		16	4	94	4	2
Cross sales to existing customers		50	97	5	4	93
Acquisition of domestic customers		45	50	6	2	95
Acquisition of international customers		32	4	4	1	1
New products		71	48	1	0	3
No growth expected		16	0	0	1	1
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?						
Organic growth activities						
Acquiring new customers		+63	+52	+96	+8	+5
Cross-selling to existing customers		+42	+94	+3	+4	+97
Retaining existing customers		+29	+95	+94	+3	+94
Launching new products/services		+63	+1	+93	-1	+1
Inorganic growth activities						
Engaging in M&A transactions		+21	-48	+2	0	-1
Forming strategic partnerships/alliances		+34	+46	+94	0	+1
Market focus for growth						
Increasing market share in domestic markets		+29	+96	+93	+4	+91
Increasing market share in international markets		+3	+1	+3	+2	+3
Investment in enablers to growth						
Brand and advertising		+8	+2	+96	0	+2
Sales force and distribution channels		+39	+93	+93	0	+2
CRM/marketing capabilities (e.g. pricing, segmentation, profitability analysis)		+37	+93	+94	+1	+1
Performance measurement processes/tools		+8	+2	+3	-1	+2
IT systems and applications		+47	+47	+94	+1	+89

Building societies and finance houses

Building societies

▪ Optimism

Business optimism rebounded in the three months to March, after deteriorating in the previous quarter.

▪ Business volumes

However, business volumes stagnated, disappointing expectations of a resumption in growth. Nonetheless the level of business was deemed “above normal” for the first time in three quarters and expectations are buoyant.

▪ Profitability

Against a backdrop of flat average operating costs and the value of non-performing loans declining sharply, profitability increased for the tenth successive quarter. Profit growth is expected to remain firm in the three months to June.

▪ Employment

Employment grew further in the three months to March, with another robust rise expected in the coming three months.

▪ Investment

Building societies plan to raise spending on IT and land & buildings in the year ahead. Compared to the previous quarter, companies are increasingly citing reaching new customers as a motivation for capital spending.

Finance houses

▪ Optimism

Optimism among finance houses rose in the three months to March, with sentiment now having improved in each quarter since December 2012.

▪ Business volumes

Business volumes growth accelerated rapidly, to the fastest pace since June 2010, strongly outperforming expectations. Rising activity reflected a step up in growth in volumes of business with private individuals in particular.

▪ Profitability

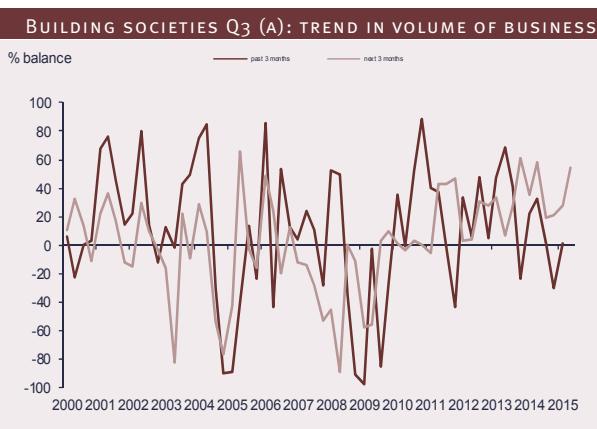
Rising business volumes and pronounced falls in total and average operating costs have underpinned a rise in profitability, which grew at the fastest pace since March 2012. Growth is predicted to pick-up further in the quarter ahead.

▪ Employment

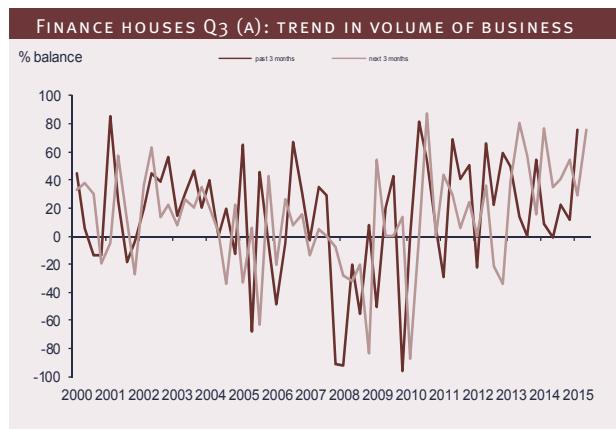
Numbers employed rose firmly, with a similar pace of growth expected next quarter.

▪ Investment

Finance houses plan to raise spending on IT and vehicles, plant & machinery in the year ahead, but spending plans on land & buildings remain muted for the second-consecutive quarter.



	Q3a: Past	Q3a: Next	Growth in business volumes stagnated in the three months to March.
Latest	+1	+54	
Previous	-30	+28	
Mean	+9	+8	



	Q3a: Past	Q3a: Next	Business volumes rose at the fastest pace since June 2010, outperforming expectations.
Latest	+76	+76	
Previous	+12	+29	
Mean	+13	+12	

CBI/PwC Financial Services Survey

Survey number 102, March 2015

Building societies

Conducted between 17th February and 5th 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		2014	2015		
		Mar	Jun	Sep	Dec
1 Are you more or less optimistic about THE OVERALL BUSINESS SITUATION IN YOUR SECTOR?		+22	+21	+5	-32
2 Excluding seasonal variations, do you consider that in volume terms:					+18
a) Your present level of business (above/below normal) is:	+40	+33	-2	-30	+14
b) Your present level of business with overseas customers (above/below normal) is:	0	0	0	0	0
3 Excluding seasonal variations, what are the trends in:					
a) Volume of business	- past 3 months	+22	+32	+1	-30
	- next 3 months	+58	+19	+21	+28
b) Value** of fee, commission or premium income	- past 3 months	+20	-12	-22	0
	- next 3 months	+1	+18	-26	+28
c) Value** of net interest, investment or trading income	- past 3 months	+79	+65	+49	0
	- next 3 months	+39	+20	+23	-2
** in sterling					-16
4 What is the trend in your 'volume of business' with regard to the following categories of customer:					
a) Industrial & commercial companies	- past 3 months	-2	-3	-1	0
	- next 3 months	-1	-3	0	0
b) Financial institutions	- past 3 months	-1	-1	-1	0
	- next 3 months	-1	-1	0	0
c) Private individuals	- past 3 months	+76	+33	+1	-32
	- next 3 months	+58	+35	-2	+32
d) Overseas customers (UK-based operations)	- past 3 months	0	0	0	0
	- next 3 months	0	0	0	0
CHARGES, COSTS AND PROFITABILITY					
5 Excluding seasonal variations, what are the trends for:					
a) Average spreads	- past 3 months	+22	+47	+26	-32
	- next 3 months	+23	0	+1	-65
b) Average commissions/fees/ premiums paid	- past 3 months	+1	+1	-22	-2
	- next 3 months	+2	0	-24	-2
c) Total operating costs (excluding cost of funds)	- past 3 months	+44	+61	+73	+68
	- next 3 months	+61	+61	+73	+98
d) Average operating costs per transaction	- past 3 months	+3	+15	+4	+33
	- next 3 months	+40	+1	+25	+33
e) Value of non-performing loans	- past 3 months	-57	-47	-93	-65
	- next 3 months	-55	-32	-69	-32
of which:					-77
Retail	- past 3 months	-57	-47	-93	-65
	- next 3 months	-56	-32	-69	-32
Corporate	- past 3 months	-18	-30	-46	-32
	- next 3 months	-37	-15	-45	-32
g) Overall profitability of business	- past 3 months	+78	+67	+49	+32
	- next 3 months	+58	+53	+47	-2
					+19
EMPLOYMENT AND TRAINING					
6 Excluding seasonal variations, what are the trends in:					
a) Numbers employed	- past 3 months	+21	+35	+73	+65
	- next 3 months	+57	+47	+27	0
b) Training expenditure	- past 3 months	+21	+67	+27	+35
	- next 3 months	+39	+65	+30	+35
c) Staff costs as a proportion of total costs	- past 3 months	+19	+33	+47	+63
	- next 3 months	+37	+35	+27	+31
6.1 What has been the trend with regard to your staff turnover:					
	- past 3 months	-18	-12	-18	-2
	- next 3 months	-21	+5	-23	+65
					+20

MARKETING EXPENDITURE	2014 Mar	Jun	Sep	Dec	2015 Mar
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	+80	+82	+98	+65	+96
CAPITAL EXPENDITURE					
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:					
a) Land and buildings	0	+18	+44	+35	+18
b) Vehicles, plant & machinery	+34	+17	-1	+2	-1
c) Information technology	+80	+67	+54	+68	+59
9 What are the main reasons for any expected CAPITAL EXPENDITURE AUTHORISATION over the NEXT 12 MONTHS*					
To provide new services	61	35	76	37	59
To increase efficiency/speed	78	96	74	98	95
To reach new customers	41	33	51	37	78
For replacement	57	82	50	68	45
To expand capacity	57	35	72	68	58
Statutory legislation and regulation	98	65	51	98	81
Other	0	0	0	0	0
10 What factors are likely to limit (wholly or partly) your capital authorisations over the NEXT 12 MONTHS*					
Inadequate net return on proposed investment	41	36	50	35	43
Shortage of finance	18	15	24	32	22
Cost of finance	0	0	0	0	5
Uncertainty about demand/business prospects	2	21	27	35	41
Shortage of labour including managerial & supervisor staff	58	61	50	65	78
Other	0	17	0	0	0
BUSINESS PROSPECTS					
11 What factors are likely to limit your ability to increase your level of business over the NEXT 12 MONTHS*					
Level of demand	- Total	24	38	51	96
	- Overseas	0	0	0	0
Staff turnover	- Total	0	0	0	1
	- Overseas	0	0	0	0
Availability of professional staff	- Total	38	32	25	2
	- Overseas	0	0	23	0
Availability of clerical staff	- Total	0	0	24	2
	- Overseas	0	0	0	0
Adequacy of systems capacity	- Total	56	47	52	63
	- Overseas	0	0	0	0
Ability to raise funds	- Total	0	0	2	0
	- Overseas	0	0	0	0
of which:					
Ability to raise capital	- Total	1	1	1	0
	- Overseas	0	0	0	0
Availability of wholesale funds	- Total	0	0	0	1
	- Overseas	0	0	0	0
Competition	- Total	98	65	99	98
	- Overseas	0	0	0	0
Statutory legislation and regulation	- Total	62	35	74	33
	- Overseas	0	0	0	0
Other	- Total	0	0	0	0
	- Overseas	0	0	0	0
11.1 What do you expect to spend on regulatory compliance in the NEXT 12 MONTHS?	+24	+67	+52	+68	+82
12 Where do you see your competition coming from in the next 12 months?					
Your sector of financial services	81	100	100	68	80
Other sectors of financial services	59	32	51	63	81
Companies currently positioned outside of financial services	3	18	26	0	38
New entrants	4	19	28	35	77
Other	0	0	0	0	0

GROWTH	2014 Mar	Jun	Sep	Dec	2015 Mar
13 Where do you think your growth will come from over the next 3 months?					
Cross sales to new customers	22	3	0	0	19
Cross sales to existing customers	22	17	47	32	38
Acquisition of domestic customers	78	83	97	96	95
Acquisition of international customers	0	0	0	0	0
New products	4	4	25	33	36
No growth expected	18	15	2	2	1
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?					
Organic growth activities					
Acquiring new customers	+78	+51	+27	+68	+57
Cross-selling to existing customers	+4	+4	+2	+2	-14
Retaining existing customers	+23	+21	+27	+67	+64
Launching new products/services	+60	+36	+51	+35	+38
Inorganic growth activities					
Engaging in M&A transactions	-55	-30	-1	0	-18
Forming strategic partnerships/alliances	+19	0	-1	+33	0
Market focus for growth					
Increasing market share in domestic markets	+43	+81	+27	+68	+23
Increasing market share in international markets	0	0	0	0	0
Investment in enablers to growth					
Brand and advertising	+78	+85	+73	+37	+60
Sales force and distribution channels	+76	+67	+72	+67	+27
CRM/marketing capabilities (e.g. pricing, segmentation, profitability analysis)	+22	+19	+50	+67	+41
Performance measurement processes/tools	+1	+20	+25	+32	+4
IT systems and applications	+23	+50	+53	+68	+61

CBI/PwC Financial Services Survey

Survey number 102, March 2015

Finance Houses

Conducted between 17th February and 5th March 2015

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

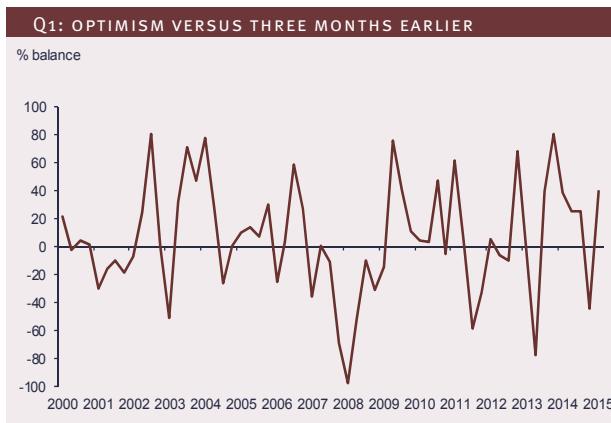
VALUE AND VOLUME OF BUSINESS	2014 Mar	Jun	Sep	Dec	2015 Mar
1 Are you more or less optimistic about THE OVERALL BUSINESS SITUATION IN YOUR SECTOR?					
+45	+46	+39	+18	+27	
2 Excluding seasonal variations, do you consider that in volume terms:					
a) Your present level of business (above/below normal) is:	-1	+6	+13	+6	+9
b) Your present level of business with overseas customers (above/below normal) is:	0	+23	+18	0	0
3 Excluding seasonal variations, what are the trends in:					
a) Volume of business	- past 3 months	+9	-1	+22	+12
	- next 3 months	+35	+41	+54	+29
b) Value** of fee, commission or premium income	- past 3 months	+28	-7	+13	+35
c) Value** of net interest, investment or trading income	- past 3 months	+65	+41	+45	+6
** in sterling	- next 3 months	+9	-24	-23	+6
	- next 3 months	+46	+35	+31	+47
4 What is the trend in your 'volume of business' with regard to the following categories of customer:					
a) Industrial & commercial companies	- past 3 months	+28	+12	+32	+6
	- next 3 months	+19	+35	+28	+6
b) Financial institutions	- past 3 months	+17	+12	0	+6
	- next 3 months	+17	+6	+13	+6
c) Private individuals	- past 3 months	-20	+6	+13	+12
	- next 3 months	+26	+57	+63	+70
d) Overseas customers (UK-based operations)	- past 3 months	0	+6	0	+3
	- next 3 months	0	+6	+5	+3

CHARGES, COSTS AND PROFITABILITY					
		2014			2015
		Mar	Jun	Sep	Dec
5 Excluding seasonal variations, what are the trends for:					
a) Average spreads	- past 3 months	+9	+17	+19	-17
	- next 3 months	0	+28	+11	+12
b) Average commissions/fees/ premiums paid	- past 3 months	+9	+6	-5	0
	- next 3 months	+9	+5	+4	+6
c) Total operating costs (excluding cost of funds)	- past 3 months	+17	-6	-26	0
	- next 3 months	+17	+17	-32	-17
d) Average operating costs per transaction	- past 3 months	+29	0	0	+23
	- next 3 months	+29	-40	-33	-17
e) Value of non-performing loans	- past 3 months	+20	-1	-55	-23
	- next 3 months	+29	-40	0	+29
of which:					
Retail	- past 3 months	+29	+6	-50	-23
	- next 3 months	+29	-40	0	+23
Corporate	- past 3 months	-9	-29	-41	0
	- next 3 months	0	-23	-31	0
g) Overall profitability of business	- past 3 months	-29	0	+22	+6
	- next 3 months	+17	+46	+67	+29
					+85
EMPLOYMENT AND TRAINING					
6 Excluding seasonal variations, what are the trends in:					
a) Numbers employed	- past 3 months	+62	+12	-43	+6
	- next 3 months	+71	+50	+31	+36
b) Training expenditure	- past 3 months	+71	+34	+27	+46
	- next 3 months	+71	+40	+26	+52
c) Staff costs as a proportion of total costs	- past 3 months	+36	+10	-26	0
	- next 3 months	+36	+23	-4	+29
6.1 What has been the trend with regard to your staff turnover:					
	- past 3 months	-8	-22	-13	+6
	- next 3 months	+1	0	+5	+36
					+23
MARKETING EXPENDITURE					
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		+72	+76	+76	+12
					+32
CAPITAL EXPENDITURE					
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:					
a) Land and buildings		-9	+51	+26	-6
b) Vehicles, plant & machinery		+17	0	-8	-6
c) Information technology		+26	+70	+72	+64
9 What are the main reasons for any expected CAPITAL EXPENDITURE AUTHORISATION over the NEXT 12 MONTHS*					
To provide new services		72	57	76	100
To increase efficiency/speed		81	64	45	100
To reach new customers		81	81	63	94
For replacement		81	52	45	35
To expand capacity		81	57	32	65
Statutory legislation and regulation		72	69	60	58
Other		0	0	0	0
10 What factors are likely to limit (wholly or partly) your capital authorisations over the NEXT 12 MONTHS*					
Inadequate net return on proposed investment		65	41	26	41
Shortage of finance		35	6	9	6
Cost of finance		26	11	5	12
Uncertainty about demand/business prospects		65	35	42	71
Shortage of labour including managerial & supervisor staff		19	41	31	48
Other		62	6	28	0
					23

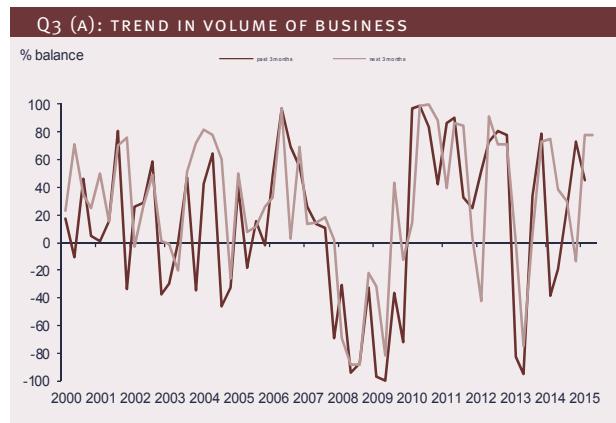
BUSINESS PROSPECTS		2014 Mar	Jun	Sep	Dec	2015 Mar
11 What factors are likely to limit your ability to increase your level of business over the NEXT 12 MONTHS*						
Level of demand	- Total	55	70	50	36	56
	- Overseas	0	6	5	0	0
Staff turnover	- Total	9	0	41	36	0
	- Overseas	0	0	23	0	0
Availability of professional staff	- Total	19	35	32	42	35
	- Overseas	0	0	23	0	0
Availability of clerical staff	- Total	19	0	5	6	0
	- Overseas	0	0	0	0	0
Adequacy of systems capacity	- Total	55	6	22	41	59
	- Overseas	0	0	0	0	0
Ability to raise funds	- Total	19	6	14	0	6
	- Overseas	0	23	5	0	0
of which:						
Ability to raise capital	- Total	9	6	19	0	0
	- Overseas	0	23	5	0	0
Availability of wholesale funds	- Total	26	6	5	0	6
	- Overseas	0	23	0	0	0
Competition	- Total	65	64	45	48	59
	- Overseas	0	0	0	0	0
Statutory legislation and regulation	- Total	72	82	73	29	67
	- Overseas	0	0	23	0	0
Other	- Total	0	0	0	0	23
	- Overseas	0	23	0	0	0
11.1 What do you expect to spend on regulatory compliance in the NEXT 12 MONTHS?	+91	+94	+86	+64	+4	
12 Where do you see your competition coming from in the next 12 months?						
Your sector of financial services	91	83	95	77	77	
Other sectors of financial services	65	82	42	82	61	
Companies currently positioned outside of financial services	19	0	63	0	15	
New entrants	81	42	55	88	71	
Other	0	0	0	0	0	
GROWTH						
13 Where do you think your growth will come from over the next 3 months?						
Cross sales to new customers	28	35	41	12	6	
Cross sales to existing customers	55	35	60	23	29	
Acquisition of domestic customers	72	69	68	65	33	
Acquisition of international customers	0	6	0	0	0	
New products	81	40	50	42	41	
No growth expected	0	6	5	0	12	
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?						
Organic growth activities						
Acquiring new customers	+35	+69	+81	+88	+82	
Cross-selling to existing customers	+48	+12	+28	+29	+3	
Retaining existing customers	+72	+75	+29	+58	+30	
Launching new products/services	+62	+33	+81	+94	+79	
Inorganic growth activities						
Engaging in M&A transactions	+9	+17	-8	-29	+23	
Forming strategic partnerships/alliances	+26	+29	+50	+82	+38	
Market focus for growth						
Increasing market share in domestic markets	+81	+69	+81	+88	+88	
Increasing market share in international markets	-17	+23	+23	+23	+26	
Investment in enablers to growth						
Brand and advertising	+55	+63	+81	+71	+53	
Sales force and distribution channels	+35	+35	+54	+94	+44	
CRM/marketing capabilities (e.g. pricing, segmentation, profitability analysis)	+9	+69	+67	+77	+58	
Performance measurement processes/tools	+46	+32	+54	+71	+6	
IT systems and applications	+35	+39	+72	+100	+82	

Life insurance

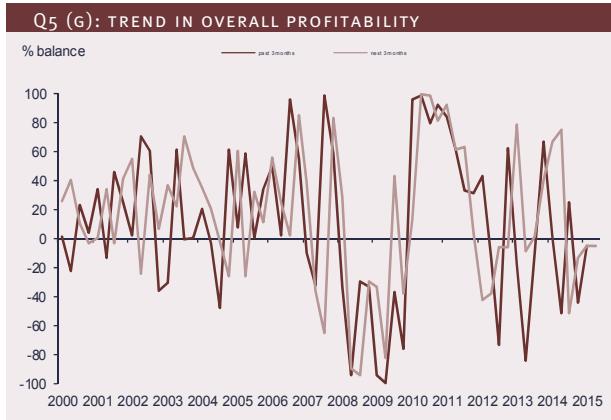
- **Optimism** Optimism among life insurers improved during the three months to March, after deteriorating in the previous quarter.
- **Business volumes** Business volumes grew in the three months to March, albeit at a slower pace than in the previous quarter. Meanwhile the level of business fell below normal. The slowing in volumes growth was driven by softer demand from financial institutions and private individuals. Business with all sub-sectors is expected to rise again next quarter, driving predictions of another increase in overall business volumes.
- **Pricing power** Average commissions/fees & premiums rose at a solid pace in the quarter to March, and are expected to rise at a similar pace next quarter.
- **Income** Income from premiums, fees and commissions was broadly flat in the three months to March, but is expected to grow over the next quarter. Income from net interest, investment and trading grew for the third consecutive quarter, and is predicted to expand again over the next three months.
- **Costs** Total operating costs increased sharply again over the quarter, and they are expected to grow at a similar pace in the three months to June. Average operating costs grew marginally, but are predicted to be flat over the next quarter. The value of surrendered contracts continued to grow, but at the weakest pace since September 2013, with no change expected next quarter.
- **Profitability** Overall profitability fell over the three months to March, but at a much more moderate pace than during the previous quarter. Profits are expected to fall only slightly over the next quarter.
- **Employment** Numbers employed grew again over the three months to March, albeit at a somewhat slower pace than in the previous survey. Staff costs increased as a proportion of total costs. Both numbers employed and staff costs are expected to rise again over the next three months.
- **Investment** Life insurers are planning to invest considerably more in IT and land buildings in the year ahead. Capacity expansion is the main factor driving capital spending authorisations over the coming year.
- **The year ahead** Concerns about potential constraints on business expansion rose somewhat in this survey, with citations for the level of demand, staff turnover, availability of clerical staff and completion all increasing. Life insurers reported that cross-selling to existing customers, investment in IT, branding and advertising, and marketing capabilities had become more important parts of their growth strategies for the year ahead.



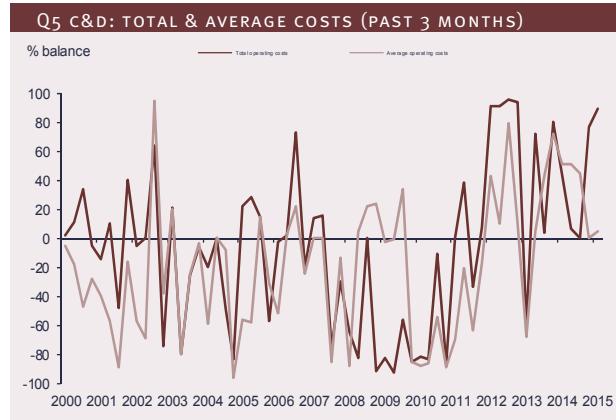
	Q1	Optimism rose at a solid pace in the three months to March.
Latest	+39	
Previous	-44	
Mean	+5	



	Q3a: Past	Q3a: Next	Growth in business volumes slowed somewhat over the quarter but remained robust.
Latest	+45	+78	
Previous	+73	+78	
Mean	+13	+29	



	Q5g: Past	Q5g: Next	Profitability fell at a slower pace in the three months to March.
Latest	-5	-5	
Previous	-44	-5	
Mean	+8	+15	



	Q5c: Past	Q5d: Past	Total operating costs grew strongly, but average costs rose only marginally.
Latest	+89	+5	
Previous	+77	0	
Mean	-7	-18	

CBI/PwC Financial Services Survey

Survey number 102, March 2015

Life insurance

Conducted between 17th February and 5th 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					
	2014 Mar	Jun	Sep	Dec	2015 Mar
1 Are you more or less optimistic about THE OVERALL BUSINESS SITUATION IN YOUR SECTOR?	+38	+25	+25	-44	+39
2 Excluding seasonal variations, do you consider that in volume terms:					
a) Your present level of business (above/below normal) is:	-44	-13	-51	+34	-33
b) Your present level of business with overseas customers (above/below normal) is:	0	0	-38	0	0
3 Excluding seasonal variations, what are the trends in:					
a) Volume of business	- past 3 months	-19	+25	+73	+45
	- next 3 months	+38	+30	+78	+78
b) Value** of fee, commission or premium income	- past 3 months	-38	-13	+25	0
c) Value** of net interest, investment or trading income	- past 3 months	+38	+25	+73	+73
d) Value** of new business	- next 3 months	0	+25	+34	+39
	- past 3 months	0	-13	+34	+34
	- next 3 months	-44	-19	+73	-6
** in sterling	+69	+30	-13	+78	+28

		2014 Mar	Jun	Sep	Dec	2015 Mar
4 What is the trend in your 'volume of business' with regard to the following categories of customer:						
a) Industrial & commercial companies - past 3 months +7 -38 0 +44 +50 - next 3 months +44 -38 0 +44 +50						
b) Financial institutions - past 3 months +38 +38 +25 +78 +5 - next 3 months -38 +38 -13 +78 +44						
c) Private individuals - past 3 months -38 -13 +25 +73 0 - next 3 months +79 +25 -13 +73 +78						
d) Overseas customers (UK-based operations) - past 3 months 0 0 0 0 0 - next 3 months 0 0 0 0 +39						
CHARGES, COSTS AND PROFITABILITY						
5 Excluding seasonal variations, what are the trends for:						
a) Average spreads - past 3 months 0 0 +38 0 0 - next 3 months +38 0 0 0 -39						
b) Average commissions/fees/ premiums paid - past 3 months -44 -38 -13 +34 +34 - next 3 months +31 0 -51 -5 +34						
c) Total operating costs (excluding cost of funds) - past 3 months +44 +7 0 +77 +89 - next 3 months +82 +45 0 +77 +89						
d) Average operating costs per transaction - past 3 months +51 +51 +45 0 +5 - next 3 months +51 +51 +45 0 0						
f) Value of surrendered contracts - past 3 months +42 +38 +30 +45 +11 - next 3 months +38 +38 +25 +39 0						
g) Overall profitability of business - past 3 months 0 -51 +25 -44 -5 - next 3 months +75 -51 -13 -5 -5						
EMPLOYMENT AND TRAINING						
6 Excluding seasonal variations, what are the trends in:						
a) Numbers employed - past 3 months +32 -6 +6 +83 +44 - next 3 months +73 -6 -6 +83 +44						
b) Training expenditure - past 3 months -40 -50 +6 +44 +39 - next 3 months +36 -50 +6 0 +39						
c) Staff costs as a proportion of total costs - past 3 months +76 +44 +32 +6 +44 - next 3 months +76 +44 -18 +6 +44						
6.1 What has been the trend with regard to your staff turnover:						
- past 3 months +36 +44 +44 +11 +50 - next 3 months +32 +32 +26 +6 +6						
MARKETING EXPENDITURE						
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						
+31 0 +70 +39 +84						
CAPITAL EXPENDITURE						
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:						
a) Land and buildings +31 +25 +25 -11 +34 b) Vehicles, plant & machinery -7 -13 -13 -11 0 c) Information technology +83 +62 +68 +94 +94						
9 What are the main reasons for any expected CAPITAL EXPENDITURE AUTHORISATION over the NEXT 12 MONTHS*						
To provide new services 83 75 81 84 39 To increase efficiency/speed 79 75 81 89 89 To reach new customers 38 49 51 39 89 For replacement 48 43 43 89 89 To expand capacity 79 38 43 0 95 Statutory legislation and regulation 52 49 100 55 61 Other 0 0 0 0 0						
10 What factors are likely to limit (wholly or partly) your capital authorisations over the NEXT 12 MONTHS*						
Inadequate net return on proposed investment 52 43 49 50 50 Shortage of finance 38 38 38 5 39 Cost of finance 38 38 38 0 39 Uncertainty about demand/business prospects 56 49 57 17 95 Shortage of labour including managerial & supervisor staff 86 75 81 45 84 Other 0 0 0 39 0						

BUSINESS PROSPECTS		2014 Mar	Jun	Sep	Dec	2015 Mar
11 What factors are likely to limit your ability to increase your level of business over the NEXT 12 MONTHS*						
11.1 What do you expect to spend on regulatory compliance in the NEXT 12 MONTHS?						
Level of demand	- Total	52	57	57	55	94
	- Overseas	0	0	0	0	0
Staff turnover	- Total	38	0	38	0	39
	- Overseas	0	0	0	0	0
Availability of professional staff	- Total	86	38	81	45	45
	- Overseas	0	0	0	0	0
Availability of clerical staff	- Total	42	0	38	6	45
	- Overseas	0	0	0	0	0
Adequacy of systems capacity	- Total	79	38	81	78	39
	- Overseas	0	0	0	0	0
Ability to raise funds	- Total	38	0	38	0	0
	- Overseas	0	0	0	0	0
of which:						
Ability to raise capital	- Total	0	0	38	0	39
	- Overseas	0	0	0	0	0
Availability of wholesale funds	- Total	0	0	75	0	39
	- Overseas	0	0	0	0	0
Competition	- Total	58	19	62	56	95
	- Overseas	0	0	0	0	0
Statutory legislation and regulation	- Total	55	57	94	94	89
	- Overseas	0	0	0	0	0
Other	- Total	0	0	0	0	0
	- Overseas	0	0	0	0	0
11.1 What do you expect to spend on regulatory compliance in the NEXT 12 MONTHS?	+21	+6	+94	+89	+50	
12 Where do you see your competition coming from in the next 12 months?						
Your sector of financial services	100	87	100	95	100	
Other sectors of financial services	79	62	51	50	50	
Companies currently positioned outside of financial services	38	51	38	5	44	
New entrants	38	75	38	5	44	
Other	0	0	0	0	5	
GROWTH						
13 Where do you think your growth will come from over the next 3 months?						
Cross sales to new customers	10	0	43	50	50	
Cross sales to existing customers	52	43	43	50	89	
Acquisition of domestic customers	87	75	49	50	89	
Acquisition of international customers	0	0	0	0	39	
New products	4	0	0	39	78	
No growth expected	7	19	13	5	5	
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?						
Organic growth activities						
Acquiring new customers	+92	+100	+43	+50	+50	
Cross-selling to existing customers	+58	+62	+57	+100	+61	
Retaining existing customers	+48	+57	+62	+61	+22	
Launching new products/services	+77	+68	+81	+84	+39	
Inorganic growth activities						
Engaging in M&A transactions	+77	+87	+81	0	0	
Forming strategic partnerships/alliances	+45	+19	+36	-33	+16	
Market focus for growth						
Increasing market share in domestic markets	+86	+94	+88	+83	+44	
Increasing market share in international markets	0	+38	0	0	+39	
Investment in enablers to growth						
Brand and advertising	+77	+75	+94	+45	+78	
Sales force and distribution channels	+55	+51	+25	+44	+50	
CRM/marketing capabilities (e.g. pricing, segmentation, profitability analysis)	+73	+81	+43	+84	+78	
Performance measurement processes/tools	+35	+38	0	+39	+39	
IT systems and applications	+77	+75	+94	+89	+84	

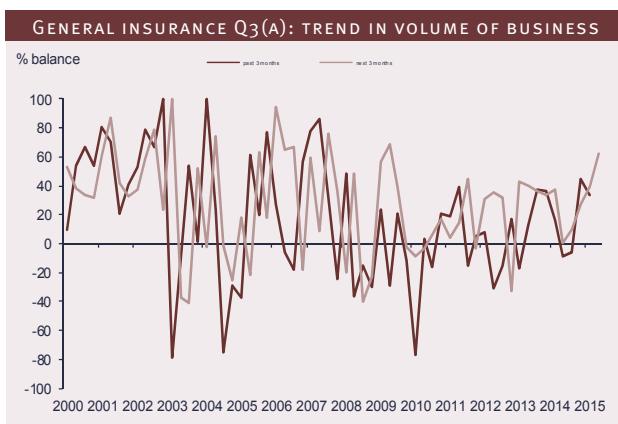
General insurance and insurance brokers

General insurance

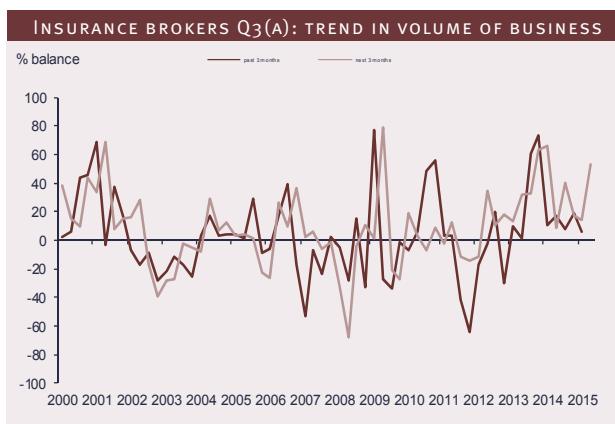
- **Optimism** General insurers were more optimistic in the three months to March, relative to three months ago, marking the first improvement in a year.
- **Business volumes** Business volumes grew for a second consecutive quarter, driven mainly by an increase in business with private individuals and overseas customers. Business volumes are expected to grow solidly again in the three months to June, and at a slightly faster pace.
- **Profitability** Profitability rose over the three months to March, beating expectations of no change. However, profitability is expected to fall slightly in the three months to June.
- **Employment** Numbers employed were broadly flat over the quarter but are expected to rise a little in the three months to June.
- **Investment** General insurers are planning to increase IT investment in the year ahead, but scaled back planned spending on land & buildings and vehicles, plant & machinery. The need to increase efficiency/speed was widely cited as a major investment driver.

Insurance brokers

- **Optimism** Optimism amongst insurance brokers improved in the three months to March.
- **Business volumes** Business volumes growth eased somewhat over the quarter, but is expected to pick-up strongly next quarter.
- **Profitability** Profitability rose only slightly over the three months to March, but is expected to grow at a much stronger pace over the next quarter.
- **Employment** Numbers employed were broadly flat over the quarter, compared with expectations for a stronger rise. Headcount is expected to grow at a robust pace in the quarter to June.
- **Investment** Insurance brokers are planning to increase investment in IT, and land and buildings in the year ahead, with the main reason cited being the need to increase efficiency/speed.



	Q3a: Past	Q3a: Next	Business volumes are expected to grow rapidly in the three months to June.
Latest	+34	+62	
Previous	+45	+39	
Mean	+9	+18	



	Q3a: Past	Q3a: Next	Growth in business volumes slowed to the weakest pace since June 2013.
Latest	+6	+53	
Previous	+19	+14	
Mean	+14	+18	

CBI/PwC Financial Services Survey

Survey number 102, March 2015

General insurance

Conducted between 17th February and 5th 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	2014				2015
	Mar	Jun	Sep	Dec	Mar
1 Are you more or less optimistic about THE OVERALL BUSINESS SITUATION IN YOUR SECTOR?	+16	-14	-21	-10	+12
2 Excluding seasonal variations, do you consider that in volume terms:					
a) Your present level of business (above/below normal) is:	-3	+10	-28	-10	-18
b) Your present level of business with overseas customers (above/below normal) is:	0	-21	-21	-1	+2
3 Excluding seasonal variations, what are the trends in:					
a) Volume of business	- past 3 months	+16	-9	-6	+45
	- next 3 months	0	+10	+27	+39
b) Value** of fee, commission or premium income	- past 3 months	-16	-7	-9	+43
	- next 3 months	-16	-9	+26	+40
c) Value** of net interest, investment or trading income	- past 3 months	-32	-56	-41	-13
	- next 3 months	-44	-53	-60	-13
	** in sterling				-39
4 What is the trend in your 'volume of business' with regard to the following categories of customer:					
a) Industrial & commercial companies	- past 3 months	+6	+24	0	+37
	- next 3 months	+9	+44	-11	+69
b) Financial institutions	- past 3 months	-7	0	-1	0
	- next 3 months	-7	+2	+1	0
c) Private individuals	- past 3 months	+16	+23	+4	+25
	- next 3 months	0	+42	+8	+24
d) Overseas customers (UK-based operations)	- past 3 months	-13	-17	-18	-11
	- next 3 months	-13	-17	+1	-11
					+15
CHARGES, COSTS AND PROFITABILITY					
5 Excluding seasonal variations, what are the trends for:					
a) Average spreads	- past 3 months	-13	-19	-15	0
	- next 3 months	0	0	0	+2
b) Average commissions/fees/ premiums paid	- past 3 months	-15	-12	-29	+17
	- next 3 months	-9	-14	-26	+17
c) Total operating costs (excluding cost of funds)	- past 3 months	+15	+14	+9	+35
	- next 3 months	+31	+12	+7	+23
d) Average operating costs per transaction	- past 3 months	-9	+10	+9	-16
	- next 3 months	-6	+8	+9	-16
g) Overall profitability of business	- past 3 months	-18	-39	+4	+31
	- next 3 months	-25	+3	-26	0
5.1 What has been the trend with regard to the value of insurance claims:					
	- past 12 months	-9	+49	-19	-13
	- next 12 months	+9	-8	+25	+49
EMPLOYMENT AND TRAINING					
6 Excluding seasonal variations, what are the trends in:					
a) Numbers employed	- past 3 months	+9	+11	-5	-26
	- next 3 months	+22	+7	+5	-12
b) Training expenditure	- past 3 months	-12	-11	-11	-26
	- next 3 months	-12	-11	+6	+2
c) Staff costs as a proportion of total costs	- past 3 months	+4	-2	-15	-29
	- next 3 months	+13	-7	-7	-29
6.1 What has been the trend with regard to your staff turnover:					
	- past 3 months	0	-2	+21	+20
	- next 3 months	+16	+3	+18	+13
					+26

MARKETING EXPENDITURE		2014 Mar	Jun	Sep	Dec	2015 Mar
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	-6	+3	-4	-17	-16
CAPITAL EXPENDITURE						
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:					
a)	Land and buildings	-16	-56	-18	-28	-24
b)	Vehicles, plant & machinery	0	-38	-23	-31	-18
c)	Information technology	+9	-14	-12	+15	+38
9	What are the main reasons for any expected CAPITAL EXPENDITURE					
AUTHORISATION over the NEXT 12 MONTHS*						
To provide new services		28	31	21	41	54
To increase efficiency/speed		93	97	92	100	98
To reach new customers		76	87	86	71	80
For replacement		65	47	30	73	64
To expand capacity		59	45	34	44	51
Statutory legislation and regulation		44	70	38	23	39
Other		0	0	0	0	0
10	What factors are likely to limit (wholly or partly) your capital authorisations over the NEXT 12 MONTHS*					
Inadequate net return on proposed investment		56	58	82	73	79
Shortage of finance		28	19	17	38	18
Cost of finance		13	0	1	3	5
Uncertainty about demand/business prospects		38	57	53	22	43
Shortage of labour including managerial & supervisor staff		47	42	6	22	21
Other		0	0	3	16	0
BUSINESS PROSPECTS						
11	What factors are likely to limit your ability to increase your level of business over the NEXT 12 MONTHS*					
Level of demand	- Total	41	74	57	92	80
	- Overseas	13	26	17	17	15
Staff turnover	- Total	13	0	1	3	5
	- Overseas	0	0	1	0	0
Availability of professional staff	- Total	13	24	21	37	10
	- Overseas	0	2	1	0	2
Availability of clerical staff	- Total	25	0	3	3	5
	- Overseas	13	0	1	0	0
Adequacy of systems capacity	- Total	31	62	48	20	65
	- Overseas	0	40	17	0	2
Ability to raise funds	- Total	0	0	0	2	0
	- Overseas	0	0	0	0	0
of which:						
Ability to raise capital	- Total	0	3	0	4	5
	- Overseas	0	0	0	0	0
Availability of wholesale funds	- Total	0	0	0	3	5
	- Overseas	0	0	0	0	0
Competition	- Total	97	88	93	77	74
	- Overseas	38	45	36	17	31
Statutory legislation and regulation	- Total	28	70	52	41	63
	- Overseas	0	29	15	0	13
Other	- Total	0	2	1	16	0
	- Overseas	0	2	3	0	0
11.1	What do you expect to spend on regulatory compliance in the NEXT 12 MONTHS?	+90	+75	+48	+57	+38
12	Where do you see your competition coming from in the next 12 months?					
Your sector of financial services		97	98	99	96	100
Other sectors of financial services		66	42	32	37	36
Companies currently positioned outside of financial services		25	38	30	20	5
New entrants		28	62	64	36	60
Other		0	0	0	0	0

GROWTH	2014 Mar	Jun	Sep	Dec	2015 Mar
13 Where do you think your growth will come from over the next 3 months?					
Cross sales to new customers	47	45	43	53	44
Cross sales to existing customers	56	26	51	34	54
Acquisition of domestic customers	72	93	75	76	82
Acquisition of international customers	25	24	17	19	28
New products	28	24	18	31	52
No growth expected	13	4	3	0	0
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?					
Organic growth activities					
Acquiring new customers	+35	+50	+72	+74	+66
Cross-selling to existing customers	+44	+22	+40	+44	+13
Retaining existing customers	+47	+55	+78	+21	+18
Launching new products/services	+28	+64	+43	+75	+57
Inorganic growth activities					
Engaging in M&A transactions	0	0	-18	+29	+2
Forming strategic partnerships/alliances	+41	+29	+37	+65	+23
Market focus for growth					
Increasing market share in domestic markets	+37	+51	+59	+40	+46
Increasing market share in international markets	+13	+47	+15	+17	0
Investment in enablers to growth					
Brand and advertising	+35	+10	+36	+32	-11
Sales force and distribution channels	+47	+45	+14	+30	+8
CRM/marketing capabilities (e.g. pricing, segmentation, profitability analysis)	+43	+38	+62	+66	+57
Performance measurement processes/tools	+18	+23	+17	+33	+21
IT systems and applications	+31	+48	+56	+33	+62

CBI/PwC Financial Services Survey

Survey number 102, March 2015

Insurance brokers

Conducted between 17th February and 5th 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	2014 Mar	Jun	Sep	Dec	2015 Mar
1 Are you more or less optimistic about THE OVERALL BUSINESS SITUATION IN YOUR SECTOR?					
	-41	+28	+4	-13	+14
2 Excluding seasonal variations, do you consider that in volume terms:					
a) Your present level of business (above/below normal) is:	+11	-6	-8	-20	+13
b) Your present level of business with overseas customers (above/below normal) is:	+4	-6	+2	-7	-7
3 Excluding seasonal variations, what are the trends in:					
a) Volume of business	- past 3 months	+11	+17	+8	+19
	- next 3 months	+9	+40	+17	+14
b) Value** of fee, commission or premium income	- past 3 months	+1	+11	-53	+19
	- next 3 months	+7	+47	+12	-6
c) Value** of net interest, investment or trading income	- past 3 months	+2	+13	+4	-7
	- next 3 months	+6	+19	+9	0
	** in sterling				+7
4 What is the trend in your 'volume of business' with regard to the following categories of customer:					
a) Industrial & commercial companies	- past 3 months	-36	+33	+18	+37
	- next 3 months	+17	+48	+24	+25
b) Financial institutions	- past 3 months	+59	+6	0	+6
	- next 3 months	+7	+6	+2	0
c) Private individuals	- past 3 months	-48	+25	-1	+13
	- next 3 months	-50	+25	+1	+19
d) Overseas customers (UK-based operations)	- past 3 months	+54	0	+7	+7
	- next 3 months	+54	+7	+5	0

CHARGES, COSTS AND PROFITABILITY		2014			2015	
		Mar	Jun	Sep	Dec	Mar
5 Excluding seasonal variations, what are the trends for:						
a) Average spreads	- past 3 months	+4	0	-3	0	0
	- next 3 months	+4	-7	0	0	0
b) Average commissions/fees/ premiums paid	- past 3 months	-48	+40	+51	+14	+7
	- next 3 months	-46	+19	-57	+7	+20
c) Total operating costs (excluding cost of funds)	- past 3 months	+51	+22	+17	+43	+20
	- next 3 months	+60	+14	+12	+25	+27
d) Average operating costs per transaction	- past 3 months	-49	+8	+9	+36	0
	- next 3 months	-51	+14	+6	+18	0
g) Overall profitability of business	- past 3 months	+61	+4	-5	+13	+7
	- next 3 months	+59	+27	+2	+25	+40
EMPLOYMENT AND TRAINING						
6 Excluding seasonal variations, what are the trends in:						
a) Numbers employed	- past 3 months	+62	-1	+14	+20	+1
	- next 3 months	+58	+38	-43	+20	+40
b) Training expenditure	- past 3 months	+61	+24	-45	+19	+14
	- next 3 months	+69	+24	+7	+13	+27
c) Staff costs as a proportion of total costs	- past 3 months	+3	+22	+13	+18	-7
	- next 3 months	+8	+21	+9	+18	+33
6.1 What has been the trend with regard to your staff turnover:						
	- past 3 months	+5	+19	+5	+26	+20
	- next 3 months	+4	+11	+51	-6	0
MARKETING EXPENDITURE						
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						
		+60	+27	-43	+26	+34
CAPITAL EXPENDITURE						
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:						
a) Land and buildings		-51	+10	+3	+25	+40
b) Vehicles, plant & machinery		-54	+33	-9	+5	0
c) Information technology		+65	+59	-41	+26	+27
9 What are the main reasons for any expected CAPITAL EXPENDITURE AUTHORISATION over the NEXT 12 MONTHS*						
To provide new services		69	53	68	38	34
To increase efficiency/speed		91	73	78	75	73
To reach new customers		21	47	25	51	47
For replacement		73	66	83	69	60
To expand capacity		16	34	17	25	20
Statutory legislation and regulation		65	20	11	13	27
Other		0	0	5	13	0
10 What factors are likely to limit (wholly or partly) your capital authorisations over the NEXT 12 MONTHS*						
Inadequate net return on proposed investment		15	33	74	32	27
Shortage of finance		8	14	5	13	0
Cost of finance		8	7	5	12	0
Uncertainty about demand/business prospects		75	48	73	56	66
Shortage of labour including managerial & supervisor staff		6	47	14	25	13
Other		2	6	2	7	7

BUSINESS PROSPECTS		2014				2015
		Mar	Jun	Sep	Dec	Mar
11 What factors are likely to limit your ability to increase your level of business over the NEXT 12 MONTHS*						
Level of demand	- Total	89	72	81	80	67
	- Overseas	64	19	60	20	14
Staff turnover	- Total	4	22	10	12	0
	- Overseas	4	7	5	6	0
Availability of professional staff	- Total	18	47	15	37	20
	- Overseas	64	19	5	6	7
Availability of clerical staff	- Total	4	14	5	12	0
	- Overseas	4	7	5	6	0
Adequacy of systems capacity	- Total	4	14	5	19	0
	- Overseas	4	7	3	6	0
Ability to raise funds	- Total	4	7	3	6	0
	- Overseas	4	7	3	6	0
of which:						
Ability to raise capital	- Total	4	7	3	6	0
	- Overseas	4	7	3	6	0
Availability of wholesale funds	- Total	4	7	3	6	0
	- Overseas	4	7	3	6	0
Competition	- Total	89	81	88	87	87
	- Overseas	10	13	65	25	20
Statutory legislation and regulation	- Total	15	52	72	58	54
	- Overseas	4	13	7	13	7
Other	- Total	0	0	5	0	0
	- Overseas	0	0	2	6	0
11.1 What do you expect to spend on regulatory compliance in the NEXT 12 MONTHS?		+69	+18	+78	+25	+27
12 Where do you see your competition coming from in the next 12 months?						
Your sector of financial services		98	93	96	100	100
Other sectors of financial services		62	60	12	31	20
Companies currently positioned outside of financial services		4	27	10	19	0
New entrants		15	19	15	30	27
Other		0	0	2	0	0
GROWTH						
13 Where do you think your growth will come from over the next 3 months?						
Cross sales to new customers		26	60	27	62	53
Cross sales to existing customers		80	73	85	69	67
Acquisition of domestic customers		80	67	25	50	54
Acquisition of international customers		56	19	10	13	7
New products		7	34	18	44	40
No growth expected		11	7	7	0	13
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?						
Organic growth activities						
Acquiring new customers		+87	+82	+30	+62	+80
Cross-selling to existing customers		+74	+40	+17	+44	+60
Retaining existing customers		+21	+55	+85	+37	+47
Launching new products/services		+7	+13	-45	+20	+33
Inorganic growth activities						
Engaging in M&A transactions		+48	+6	+2	-14	+13
Forming strategic partnerships/alliances		-51	+34	+5	-19	+27
Market focus for growth						
Increasing market share in domestic markets		+17	+47	+14	+31	+67
Increasing market share in international markets		+2	+12	-53	-6	+7
Investment in enablers to growth						
Brand and advertising		+17	+47	+9	+38	+46
Sales force and distribution channels		+73	+41	+21	+31	+46
CRM/marketing capabilities (e.g. pricing, segmentation, profitability analysis)		+6	+20	+6	+20	+27
Performance measurement processes/tools		+66	+14	+3	+13	+33
IT systems and applications		+7	+27	+58	+32	+26

Securities trading

■ Optimism

Sentiment rose only marginally in the quarter to March, following much stronger growth over the past couple of years.

■ Business volumes

Growth in business volumes slowed a little, remaining below the much stronger rates seen this time last year; notably, the level of business also fell back below that considered “normal”. Volumes growth was wholly driven by business with private individuals and this is expected to remain the case in the coming quarter, when total business volumes are set to rise at the same pace.

■ Pricing power

Average spreads and fees/commissions remained flat. A modest improvement in pricing power is expected in the coming quarter, with fees/commissions paid predicted to rise.

■ Income

Income from fees/commissions rose at the slowest pace in six quarters, although at a slightly faster pace than expected. However, net interest and trading income was flat. These trends are expected to persist in the coming quarter, with only fee/commission income predicted to rise.

■ Costs

Total costs inflation picked up over the past three months, to a fairly robust pace, but growth in average costs was much more muted. Total costs are set to continue rising strongly, and average costs growth is set to pick up.

■ Profitability

Limited pricing power and stagnant interest/trading income meant that profits were flat over the past three months, ending a five-quarter run of robust growth. But profits are set to rise strongly again in the coming quarter, likely linked to expectations of continual growth in business volumes and rising fees/commissions paid.

■ Employment

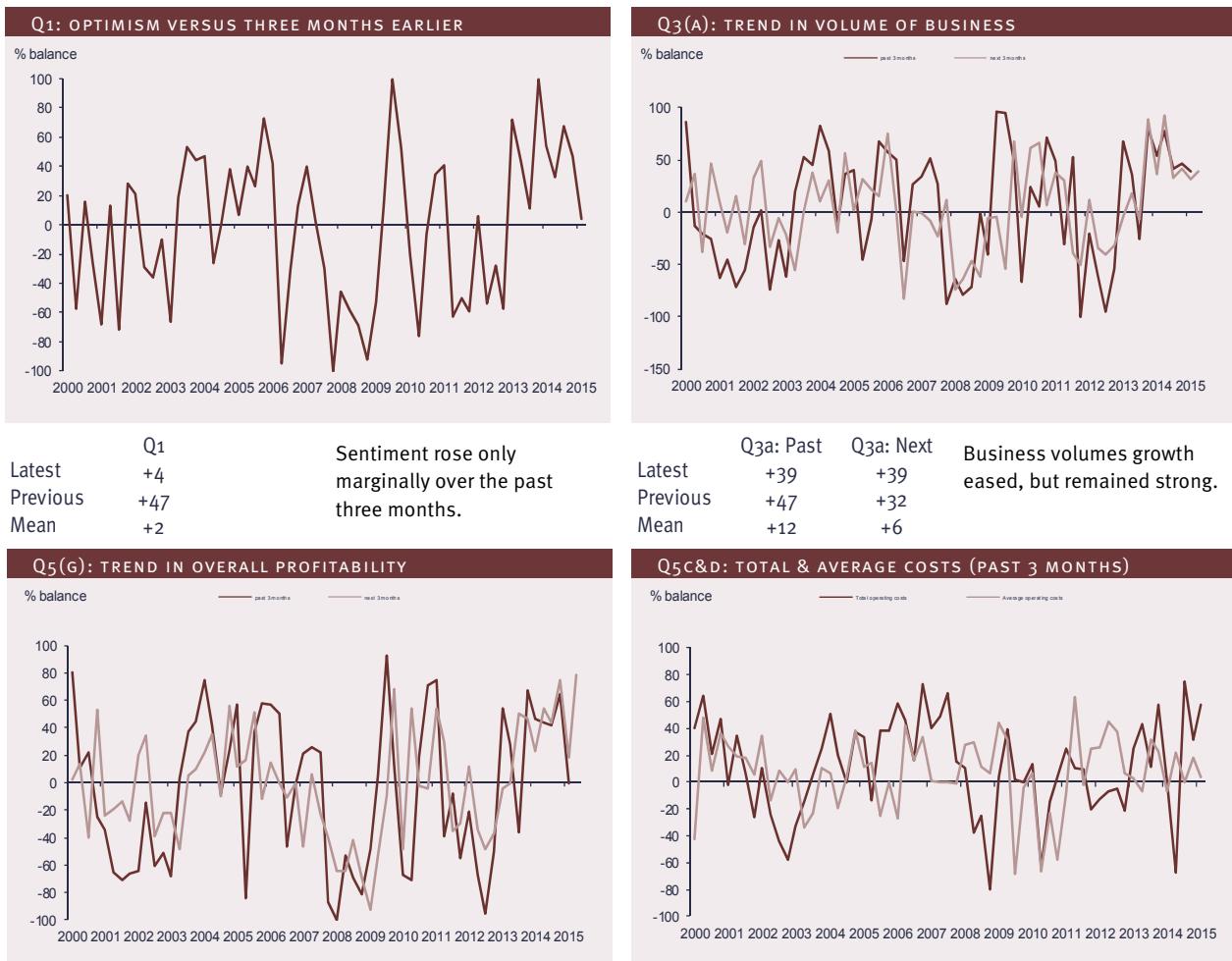
Growth in headcount slowed much more than expected, from a very strong rise in the previous quarter. However, numbers employed are set to rise at a somewhat faster pace in the next three months.

■ Investment

With the exception of marketing spending, investment intentions for the year ahead deteriorated on the previous survey. Notably, securities traders plan to invest less in land & buildings relative to the past twelve months, for the first time in over three years, but plans for IT spend remain strong. The main constraint on investment intentions appears to be a sharp rise in uncertainty over demand conditions, which are now at their highest since September 2013; concern over inadequate net returns has also picked up, but remains below average at present.

■ The year ahead

The level of competition is now among the most widely anticipated constraints to business expansion in the next twelve months, rising above its long-run average for the first time in a year. The expected sources of competitive pressure have broadened out, but most securities traders still anticipate increased competition from both their own sector and from new entrants.



CBI/PwC Financial Services Survey

Survey number 102, March 2015

Securities trading

Conducted between 17th February and 5th 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						
	2014	2015	Mar	Jun	Sep	Dec	Mar
1 Are you more or less optimistic about THE OVERALL BUSINESS SITUATION IN YOUR SECTOR?			+54	+33	+67	+47	+4
2 Excluding seasonal variations, do you consider that in volume terms:							
a) Your present level of business (above/below normal) is:	+47	-22	+42	+14	-14		
b) Your present level of business with overseas customers (above/below normal) is:	0	0	0	0	0		
3 Excluding seasonal variations, what are the trends in:							
a) Volume of business	- past 3 months	+54	+78	+42	+47	+39	
	- next 3 months	+93	+33	+42	+32	+39	
b) Value** of fee, commission or premium income	- past 3 months	+54	+78	+42	+64	+39	
c) Value** of net interest, investment or trading income	- past 3 months	+93	+33	+42	+32	+39	
** in sterling	- next 3 months	-27	+33	-42	+32	0	
		+7	+11	0	+32	0	

		2014 Mar	Jun	Sep	Dec	2015 Mar
4 What is the trend in your 'volume of business' with regard to the following categories of customer:						
a) Industrial & commercial companies	- past 3 months	+7	0	+67	+32	0
	- next 3 months	+7	0	+42	0	0
b) Financial institutions	- past 3 months	+7	-33	-8	+64	0
	- next 3 months	+46	+33	0	+32	0
c) Private individuals	- past 3 months	+54	+78	+33	+47	+39
	- next 3 months	+87	+44	+67	+32	+39
d) Overseas customers (UK-based operations)	- past 3 months	0	0	-8	+32	0
	- next 3 months	0	0	0	+32	0
CHARGES, COSTS AND PROFITABILITY						
5 Excluding seasonal variations, what are the trends for:						
a) Average spreads	- past 3 months	0	0	0	0	0
	- next 3 months	0	0	0	0	0
b) Average commissions/fees/ premiums paid	- past 3 months	0	+11	-8	0	0
	- next 3 months	0	+11	+33	0	+21
c) Total operating costs (excluding cost of funds)	- past 3 months	0	-67	+75	+32	+57
	- next 3 months	+47	+11	+33	+32	+61
d) Average operating costs per transaction	- past 3 months	-7	+22	0	+18	+4
	- next 3 months	+40	-11	+8	+50	+25
g) Overall profitability of business	- past 3 months	+47	+44	+42	+64	0
	- next 3 months	+54	+44	+75	+18	+79
EMPLOYMENT AND TRAINING						
6 Excluding seasonal variations, what are the trends in:						
a) Numbers employed	- past 3 months	+53	-22	+50	+82	+25
	- next 3 months	+54	+44	0	+50	+39
b) Training expenditure	- past 3 months	+80	+11	+42	+65	+43
	- next 3 months	+80	+44	+8	+50	+22
c) Staff costs as a proportion of total costs	- past 3 months	+40	-11	+8	+3	+25
	- next 3 months	+47	-11	+42	+18	+25
6.1 What has been the trend with regard to your staff turnover:						
	- past 3 months	-7	+33	+50	+82	+39
	- next 3 months	+7	-22	-8	-18	-18
MARKETING EXPENDITURE						
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		+7	0	+42	+32	+61
CAPITAL EXPENDITURE						
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:						
a) Land and buildings	+39	+22	+33	+32	-21	
b) Vehicles, plant & machinery	0	-11	0	+32	0	
c) Information technology	+80	+67	+75	+100	+61	
9 What are the main reasons for any expected CAPITAL EXPENDITURE AUTHORISATION over the NEXT 12 MONTHS*						
To provide new services	87	0	50	32	79	
To increase efficiency/speed	93	67	50	50	57	
To reach new customers	80	0	33	32	18	
For replacement	53	56	50	50	61	
To expand capacity	87	11	8	64	18	
Statutory legislation and regulation	46	11	50	68	61	
Other	0	0	8	0	0	
10 What factors are likely to limit (wholly or partly) your capital authorisations over the NEXT 12 MONTHS*						
Inadequate net return on proposed investment	40	44	25	0	18	
Shortage of finance	0	0	0	0	0	
Cost of finance	7	0	8	0	0	
Uncertainty about demand/business prospects	47	11	58	36	79	
Shortage of labour including managerial & supervisor staff	47	44	67	82	39	
Other	0	0	0	0	0	

BUSINESS PROSPECTS		2014		2015		
		Mar	Jun	Sep	Dec	Mar
11 What factors are likely to limit your ability to increase your level of business over the NEXT 12 MONTHS*						
Level of demand	- Total	100	89	67	68	57
	- Overseas	39	11	50	32	0
Staff turnover	- Total	46	0	0	0	0
	- Overseas	39	0	0	0	0
Availability of professional staff	- Total	46	56	33	64	39
	- Overseas	39	0	0	32	0
Availability of clerical staff	- Total	39	0	0	0	0
	- Overseas	39	0	0	0	0
Adequacy of systems capacity	- Total	87	11	42	0	21
	- Overseas	80	0	33	0	21
Ability to raise funds	- Total	39	0	0	0	0
	- Overseas	39	0	0	0	0
of which:						
Ability to raise capital	- Total	0	0	8	0	0
	- Overseas	0	0	8	0	0
Availability of wholesale funds	- Total	0	0	8	0	0
	- Overseas	0	0	8	0	0
Competition	- Total	93	11	25	36	57
	- Overseas	80	0	17	0	21
Statutory legislation and regulation	- Total	53	22	83	68	57
	- Overseas	39	11	42	32	21
Other	- Total	0	0	0	0	0
	- Overseas	0	0	0	0	0
11.1 What do you expect to spend on regulatory compliance in the NEXT 12 MONTHS?		+100	+22	+58	+68	+57
12 Where do you see your competition coming from in the next 12 months?						
Your sector of financial services		100	100	100	68	79
Other sectors of financial services		60	22	17	18	18
Companies currently positioned outside of financial services		46	11	0	0	18
New entrants		39	11	8	50	57
Other		0	0	0	0	0
GROWTH						
13 Where do you think your growth will come from over the next 3 months?						
Cross sales to new customers		53	44	58	36	18
Cross sales to existing customers		60	89	58	18	79
Acquisition of domestic customers		93	67	58	32	57
Acquisition of international customers		39	0	17	0	0
New products		87	0	33	32	21
No growth expected		0	0	0	32	0
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?						
Organic growth activities						
Acquiring new customers		+54	+33	+75	+82	+61
Cross-selling to existing customers		0	+33	+42	+68	+18
Retaining existing customers		+54	+33	+75	+50	+43
Launching new products/services		+47	-33	+25	+32	+21
Inorganic growth activities						
Engaging in M&A transactions		+7	+33	+42	+50	+21
Forming strategic partnerships/alliances		+7	+33	+50	+68	+39
Market focus for growth						
Increasing market share in domestic markets		+54	0	+42	+82	+61
Increasing market share in international markets		0	0	+42	0	0
Investment in enablers to growth						
Brand and advertising		+7	+11	+92	+50	+39
Sales force and distribution channels		0	+56	+50	+100	+39
CRM/marketing capabilities (e.g. pricing, segmentation, profitability analysis)		+54	+22	+58	+68	+79
Performance measurement processes/tools		+54	+44	+33	+36	+61
IT systems and applications		+47	+11	+75	+50	+39

Investment management

■ Optimism

Optimism about the overall business situation improved once again, having been flat last quarter.

■ Business volumes

Business volumes grew at a decent pace for the fifth time in six quarters, defying expectations that they would be flat. Growth was broad-based across most types of customer (the exception being flat business with overseas customers). Solid growth in volumes is expected to continue over the coming three months, but the drivers of expansion are set to narrow, with only business with financial institutions predicted to rise.

■ Pricing power

Average spreads were unchanged in the three months to March, as had been anticipated, and are expected to remain so. Average fees, commissions & premiums grew firmly, however, and are expected to post a further (but more modest) expansion in the coming quarter.

■ Income

As expected, income from fees, commissions & premiums increased firmly after having stalled last quarter, while income from net interest, investment & trading grew more modestly. Only a marginal increase in both types of income is anticipated in the coming three months.

■ Costs

Total costs fell sharply, defying expectations, but average costs rose robustly. Nonetheless, both are expected to be flat over the coming three months.

■ Profitability

Profits grew for a third-consecutive quarter, albeit more slowly than previously. Growth is expected to decelerate further in the coming three months.

■ Employment

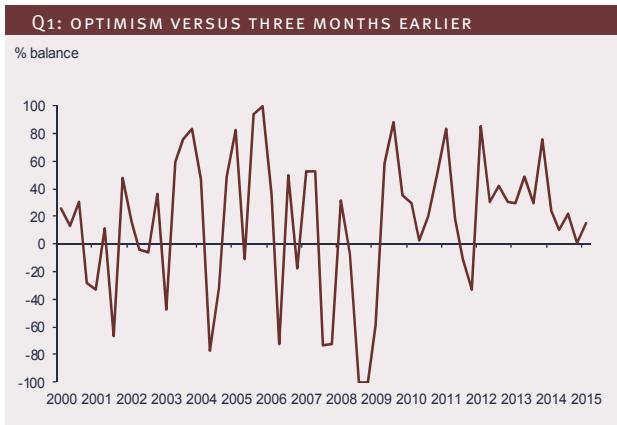
Investment management firms continued to expand their headcounts, with numbers employed now having risen at an above-average pace for ten consecutive quarters. Employment is expected to increase only a little over the coming three months, however.

■ Investment

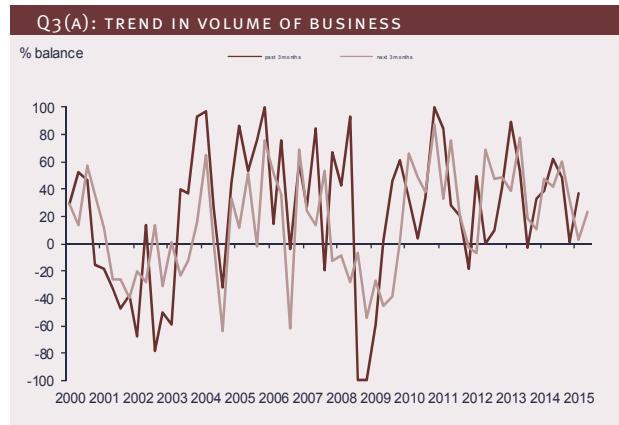
Investment intentions for the coming twelve months have eased for information technology and marketing, and are still flat for land & buildings. Inadequate net return and finance shortages are cited as the main factors putting the brakes on investment.

■ The year ahead

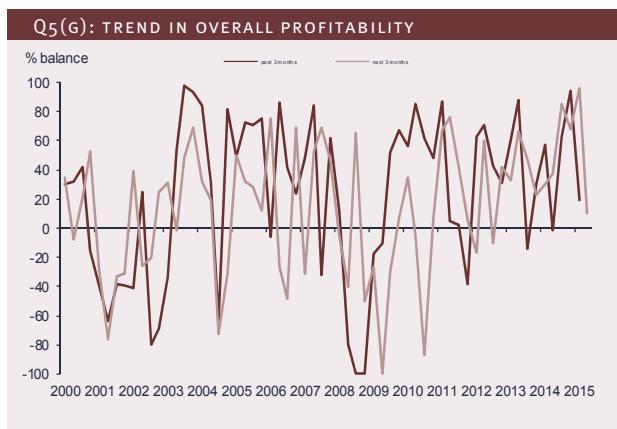
Investment managers see a broad number of factors as increasingly important elements of their growth strategies in the year ahead, particularly the acquisition of new domestic customers and launching new products. The level competition is the most widely cited barrier to business expansion over the year ahead, with the adequacy of systems capacity, and the availability of professional and clerical staff also fairly widespread concerns.



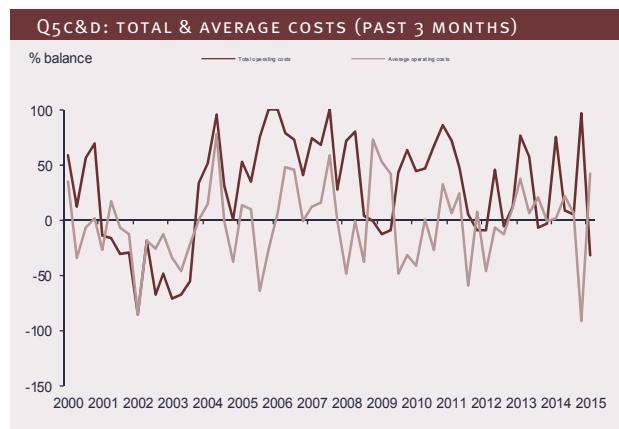
Optimism about the general business situation improved having been flat last quarter



Business volumes grew at a decent pace for the fifth time in six quarters



Profits growth continued but slowed sharply, and it is expected to ease further



Total costs fell sharply, defying expectations

CBI/PwC Financial Services Survey

Survey number 102, March 2015

Investment management

Conducted between 17th February and 5th 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					
	2014 Mar	Jun	Sep	Dec	2015 Mar	
1 Are you more or less optimistic about THE OVERALL BUSINESS SITUATION IN YOUR SECTOR?	+24	+10	+22	+1	+15	
2 Excluding seasonal variations, do you consider that in volume terms:						
a) Your present level of business (above/below normal) is:	+19	-5	+22	+1	-1	
b) Your present level of business with overseas customers (above/below normal) is:	+13	-4	-16	0	+13	
3 Excluding seasonal variations, what are the trends in:						
a) Volume of business	- past 3 months	+39	+62	+49	+1	+37
	- next 3 months	+42	+60	+32	+3	+23
b) Value** of fee, commission or premium income	- past 3 months	+76	+23	+56	+1	+37
c) Value** of net interest, investment or trading income	- past 3 months	+22	+36	+25	+96	+10
** in sterling	- next 3 months	-39	-22	+31	+3	+11
		-19	+7	+15	0	+9

		2014 Mar	Jun	Sep	Dec	2015 Mar
4 What is the trend in your 'volume of business' with regard to the following categories of customer:						
a) Industrial & commercial companies	- past 3 months	0	+11	+17	+3	+24
	- next 3 months	0	+10	+17	0	0
b) Financial institutions	- past 3 months	+19	+7	+15	+1	+24
	- next 3 months	+22	+22	+15	0	+11
c) Private individuals	- past 3 months	+21	-2	+39	+3	+10
	- next 3 months	+19	+22	+25	+3	-1
d) Overseas customers (UK-based operations)	- past 3 months	-20	+34	-16	+1	0
	- next 3 months	+24	-24	-16	0	0
CHARGES, COSTS AND PROFITABILITY						
5 Excluding seasonal variations, what are the trends for:						
a) Average spreads	- past 3 months	0	0	+7	+1	-1
	- next 3 months	0	+11	+7	0	0
b) Average commissions/fees/ premiums paid	- past 3 months	+39	0	+26	+2	+23
	- next 3 months	-17	+7	+10	+3	+13
c) Total operating costs (excluding cost of funds)	- past 3 months	+76	+9	+5	+97	-32
	- next 3 months	+54	+89	-14	+94	0
d) Average operating costs per transaction	- past 3 months	+2	+22	+7	-91	+42
	- next 3 months	-1	+24	+7	-94	0
e) Value of non-performing loans	- past 3 months	0	0	-7	0	0
	- next 3 months	0	0	-7	0	0
of which:						
Retail	- past 3 months	0	0	0	0	0
	- next 3 months	0	0	0	0	0
Corporate	- past 3 months	0	0	-7	0	0
	- next 3 months	0	0	-7	0	0
g) Overall profitability of business	- past 3 months	+57	-1	+63	+94	+19
	- next 3 months	+37	+85	+68	+96	+10
EMPLOYMENT AND TRAINING						
6 Excluding seasonal variations, what are the trends in:						
a) Numbers employed	- past 3 months	+45	+55	+44	+91	+53
	- next 3 months	+69	+77	+24	+81	+12
b) Training expenditure	- past 3 months	+45	+37	+61	+89	+68
	- next 3 months	+63	+43	+7	+78	+12
c) Staff costs as a proportion of total costs	- past 3 months	+10	+37	+39	+80	+33
	- next 3 months	+24	+59	+7	+80	-14
6.1 What has been the trend with regard to your staff turnover:						
	- past 3 months	+45	-9	+34	+2	-10
	- next 3 months	+32	+25	+18	+80	+7
MARKETING EXPENDITURE						
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		+79	+48	+63	+99	+30
CAPITAL EXPENDITURE						
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:						
a) Land and buildings		+23	+35	+68	+3	+1
b) Vehicles, plant & machinery		+34	+10	-5	+3	+4
c) Information technology		+78	+82	+78	+97	+36
9 What are the main reasons for any expected CAPITAL EXPENDITURE AUTHORISATION over the NEXT 12 MONTHS*						
To provide new services		0	44	7	95	35
To increase efficiency/speed		81	61	49	6	91
To reach new customers		74	20	49	94	58
For replacement		21	18	17	5	25
To expand capacity		73	58	49	94	63
Statutory legislation and regulation		40	16	41	95	72
Other		0	0	0	0	0
10 What factors are likely to limit (wholly or partly) your capital authorisations over the NEXT 12 MONTHS*						
Inadequate net return on proposed investment		79	66	31	97	66
Shortage of finance		3	18	0	0	52
Cost of finance		0	22	0	0	24
Uncertainty about demand/business prospects		5	13	46	6	48
Shortage of labour including managerial & supervisor staff		19	15	0	94	33
Other		0	0	15	0	0

BUSINESS PROSPECTS		2014				2015
		Mar	Jun	Sep	Dec	Mar
11 What factors are likely to limit your ability to increase your level of business over the NEXT 12 MONTHS*						
Level of demand	- Total	78	82	70	3	61
	- Overseas	73	70	65	1	36
Staff turnover	- Total	0	8	0	0	11
	- Overseas	0	24	0	0	0
Availability of professional staff	- Total	19	0	10	96	39
	- Overseas	20	0	0	0	0
Availability of clerical staff	- Total	0	2	0	0	39
	- Overseas	0	0	0	0	0
Adequacy of systems capacity	- Total	34	10	7	0	52
	- Overseas	34	0	0	0	13
Ability to raise funds	- Total	0	7	7	0	11
	- Overseas	0	0	7	0	0
of which:						
Ability to raise capital	- Total	0	10	7	0	11
	- Overseas	0	0	0	0	0
Availability of corporate loans	- Total	0	0	0	0	0
	- Overseas	0	0	0	0	0
Competition	- Total	42	72	65	97	70
	- Overseas	39	38	58	1	27
Statutory legislation and regulation	- Total	57	48	49	3	53
	- Overseas	54	24	31	0	9
Other	- Total	0	0	0	0	0
	- Overseas	0	0	0	0	0
11.1 What do you expect to spend on regulatory compliance in the NEXT 12 MONTHS?	+78	+55	+44	+5	+50	
12 Where do you see your competition coming from in the next 12 months?						
Your sector of financial services	100	100	100	99	100	
Other sectors of financial services	2	10	17	96	11	
Companies currently positioned outside of financial services	2	20	17	3	11	
New entrants	2	24	35	6	66	
Other	0	7	0	0	11	
GROWTH						
13 Where do you think your growth will come from over the next 3 months?						
Cross sales to new customers	58	88	39	3	37	
Cross sales to existing customers	25	66	56	3	29	
Acquisition of domestic customers	41	74	90	96	73	
Acquisition of international customers	22	66	65	0	23	
New products	0	50	39	1	42	
No growth expected	0	5	2	3	0	
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?						
Organic growth activities						
Acquiring new customers	+58	+34	+17	+97	+80	
Cross-selling to existing customers	+6	+11	+10	+3	-11	
Retaining existing customers	+8	+12	+12	+5	+59	
Launching new products/services	-21	+71	+7	+94	+42	
Inorganic growth activities						
Engaging in M&A transactions	0	+44	+53	+97	+23	
Forming strategic partnerships/alliances	+53	+37	+60	+3	+26	
Market focus for growth						
Increasing market share in domestic markets	0	+26	+44	+99	+42	
Increasing market share in international markets	+54	+63	+73	+93	+27	
Investment in enablers to growth						
Brand and advertising	+57	+35	+31	+99	+20	
Sales force and distribution channels	+56	+50	+10	+98	+63	
CRM/marketing capabilities (e.g. pricing, segmentation, profitability analysis)	0	+24	+7	+1	+14	
Performance measurement processes/tools	0	+15	-2	0	-10	
IT systems and applications	+2	+17	+5	+3	+32	

Supplementary questions

- **Perceptions of financial market conditions**

Confidence in financial market conditions has deteriorated. In the latest quarter, two-thirds (66%) of respondents assigned a medium likelihood to a worsening in financial market conditions, up from 30% in the quarter to December. The vast majority (90%) of respondents believed that “normal” financial market conditions will not resume within six months, up from 47% in the previous quarter.

- **Combatting cyber threats**

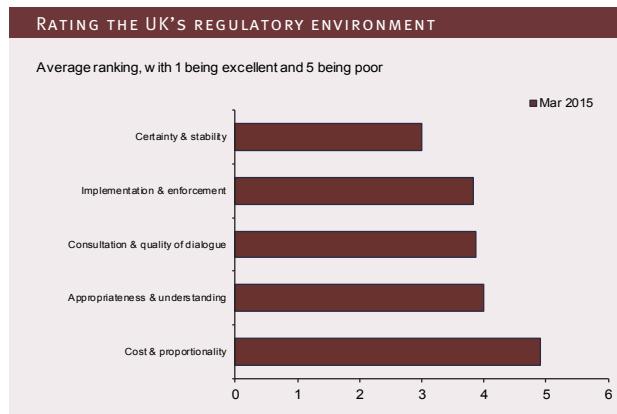
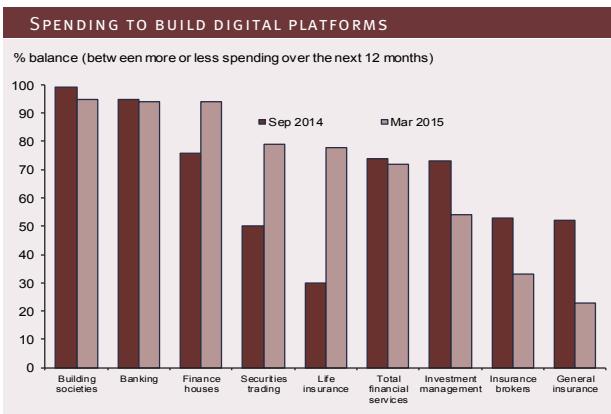
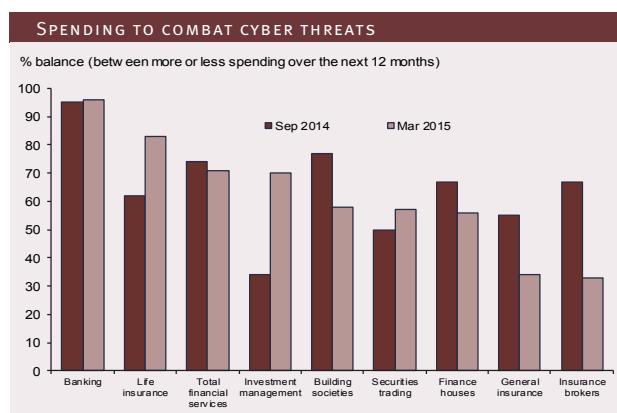
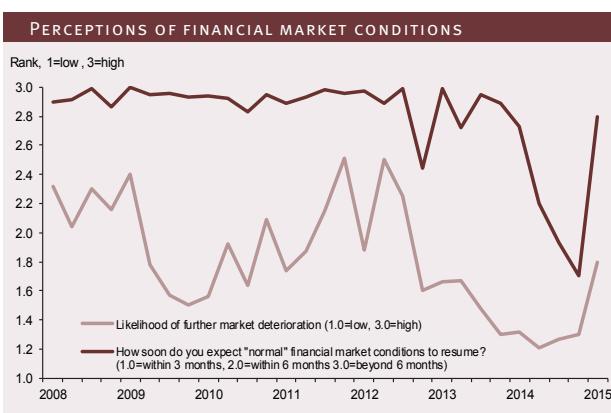
Banks have maintained their focus on the threat of cyber attacks over the past six months, with almost all those (96%) surveyed saying they planned to raise spending to combat the threat over the next 12 months. Tackling cyber threats also appears to be an increasing priority for life insurers and investment managers.

- **Spending on digital platforms**

Spending on building digital platforms is set to rise most significantly among traditional lenders over the next 12 months: banks, building societies and finance houses. However, securities traders and life insurers are planning to boost investment substantially.

- **The UK's regulatory environment**

Financial services firms generally see cost & proportionality as their biggest concern with respect to the UK's regulatory environment, with banks and securities traders assigning the lowest scores. In fact, banks tended to give the lowest scores to all five categories, whereas building societies on the whole gave the least negative ratings. The only sector not giving the lowest ranking to cost & proportionality was finance houses, which cited certainty & stability as their biggest concern, while securities traders rated implementation & enforcement joint-lowest alongside costs & proportionality.



SAMPLE SIZES AND WEIGHTS			SUBSCRIPTION INFORMATION	
	Number of respondents	Sample weight		
Survey 102, Mar 2015			This quarterly publication is available on a rolling year subscription at the following rates:	
Banking	12	0.40	CBI Members	£210 (four issues), £60 (single issue)
Building societies	11	0.05	Non Members	£360 (four issues), £95 (single issue)
Finance Houses	11	0.05	For further information about CBI and PwC publications and services, please contact the CBI Survey Group on (020) 7379 7400 or PwC on (020) 7583 5000.	
Life insurance	6	0.11		
General insurance	13	0.16	CBI	PwC
Insurance brokers	15	0.05	Business Survey Unit	7 More London Riverside
Securities trading; stockbroking	5	0.08	Cannon Place	London SE1 2RT
Investment management	9	0.05	78 Cannon Street	
Private equity (ex venture capital)	6	0.00	London EC4N 6HN	
Other financial institutions	6	0.05		
Total	94	1.00		

SECTORS COVERED BY STANDARD INDUSTRIAL CLASSIFICATION	
Financial service activities:	SIC 64.19/1, 64.19/2, 64.2, 64.3 64.91,

CBI Economic Analysis

The CBI economics and survey teams take advantage of the CBI's diverse contacts with British business to build up an accurate assessment of the latest developments in the UK and international economy. Widely acknowledged for their professional standards, the teams' work is vital since Government statistics, where available, are often slow to be published and are subject to revision. Apart from the quarterly International Economic Outlook and UK Economic Outlook, the teams publish the unique CBI business surveys outlined below. All results are carefully scrutinised and discussed by business people and economists before publication.

Title	CBI members		Non-members	
	Annual subscription	Single issue	Annual subscription	Single issue
CBI International Economic Outlook Quarterly	(4 issues)	FREE	FREE	-
CBI UK Economic Outlook Quarterly	(4 issues)	FREE	FREE	-
CBI Industrial Trends Survey Full Results Book	(4 issues)	£285	£75	£495
CBI Industrial Trends Survey (Monthly & Quarterly combined) Full Results Book	(12 issues)	£435	£45	£695
CBI Industrial Trends Survey	(4 issues)	£235	£60	£395
CBI/PricewaterhouseCoopers Financial Services Survey	(4 issues)	£210	£60	£360
CBI Distributive Trades Survey	(12 issues)	£385	£30	£460
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Advising Financial Services Organisations

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 for more information.

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The CBI/PwC Financial Services Survey

The CBI and PwC are pleased to present this report of the results of the March 2015 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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