Brand Finance®

Reputation Report Banking UK 2018

An independent market research report

June 2018

Foreword.

Richard Haigh
Managing Director
Brand Finance

The UK banking sector, for many decades, was perceived as being a pillar of society and an integral part of the high street, with bank managers being treated as important members of the establishment. The financial crisis of 2008 curtailed this unique role that banks played in British life, but the actions taken by the UK government at the time managed to underline their status. Since then, the industry has been rebuilding trust, improving its brands and reshaping businesses to meet the challenges facing banks in the future.

The creation of challenger banks is changing the banking landscape, forcing traditional models to be reimagined in order for banks to remain competitive. As with brands in all industries, a strong banking brand attracts customers, builds loyalty and, ultimately, provides the platform for profitability and growth.

The UK's banks are, largely, moving forward once more, with both profitability and innovation returning. There is an enthusiasm to embrace the new technologies and to provide digital services that will appeal to a new generation of customer.

Clearly, investment is being made in these brands. But how does an organisation measure the value of their brand and how best can it be communicated? At this stage of their evolution, banks need to be very careful about the way they market their brands and sensitively manage them.

Brand Finance bridges the gap between marketing and finance. Our teams have the experience across a wide range of disciplines from market research and visual identity to tax and accounting. We understand the importance of design, advertising and marketing, but we also believe that the ultimate and overriding purpose of brands is to make money. That is why we connect brands to the bottom line.

By valuing brands, we provide a mutually intelligible language for marketing and finance teams that can assist their companies in charting a course that maximises profits. Our research found there is a compelling link between strong brands and stock market performance. Furthermore, it revealed that investing in highly-branded companies can lead to a return almost double the average of the S&P500.

The importance of the banking sector was underlined by the aftermath of the financial crisis. Banks may have been indelibly linked with the problems of that period, but they are also extremely connected to prosperity, economic growth and consumer confidence. The following report attempts to provide some understanding about where the UK's banks stand in terms of reputation and customer satisfaction.

The team and I look forward to continuing the conversation with you.

About Brand Finance.

Brand Finance is the world's leading independent brand valuation and strategy consultancy.

Brand Finance was set up in 1996 with the aim of 'bridging the gap between marketing and finance'. For more than 20 years, we have helped companies and organisations of all types to connect their brands to the bottom line.

We pride ourselves on four key strengths:
- Independence
- Technical Credibility
- Transparency
- Expertise.

Brand Finance puts thousands of the world's biggest brands to the test every year, evaluating which are the strongest and most valuable.

For more information, please visit our website:
www.brandfinance.com

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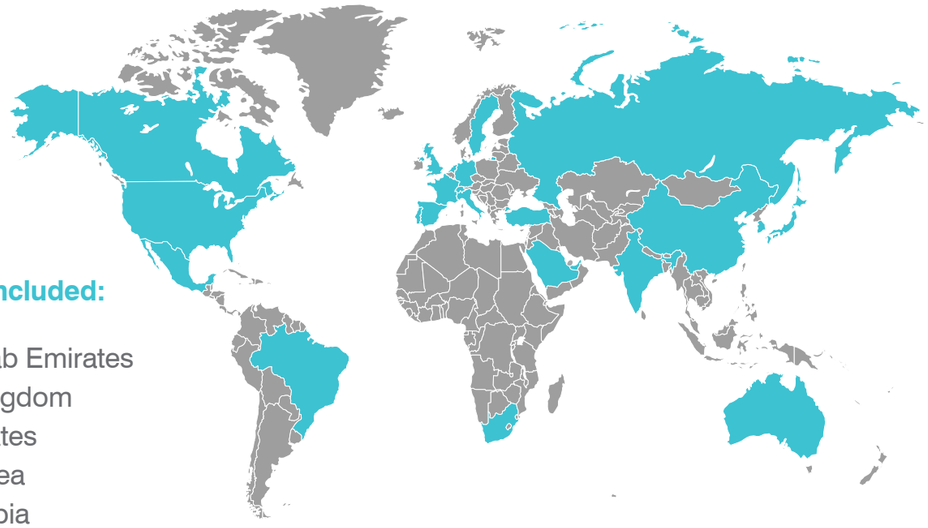
Contents.

Market Research Overview.

Brand Finance has undertaken original market research in 23 countries and across 4 sectors: Banking, Insurance, Telecoms and Utilities.



Countries included:

- United Arab Emirates
- United Kingdom
- United States
- South Korea
- Saudi Arabia
- South Africa
- Netherlands
- Switzerland
- Germany
- Australia
- Portugal
- Sweden
- Canada
- Mexico
- France
- Russia
- Turkey
- Japan
- Spain
- China
- Brazil
- India
- Italy

Sample size: ~25,000
Providing a global view

4 image attributes
Reputation, Trust, Quality, Value-for-Money

Attitudinal segments
Outlook and Priorities

Brand health measures
Familiarity, Consideration, Preference, and NPS Construct

Why is Reputation Important?

Acquiring a bad reputation is relatively easy, but shrugging it aside can be a very difficult and lengthy process. This applies to individuals, governments, industry sectors and corporates. For banks, a negative reputation can lose customers and value for the firm, demotivate staff and deter potential shareholders from making investments. Once the word gets around, the damage can be catastrophic.

The banking sector, since the financial crisis, has suffered a series of blows to its reputation. Many people blame banks and bankers for triggering-off the crisis and still resent the measures taken by governments to bail-out the sector across many countries. There is no doubt that these events, while staving-off even greater crises, have transformed the financial landscape we know today. Certainly, the wave of regulation owes its roots to ensuring banks are safer, more compliant and heavily policed.

Although customers did not flee the banking network, despite questionable practices and no small amount of scandal, banks are still in the process of winning back trust. It is no surprise that reputational risk has moved centre stage in almost every bank's risk management function. Why is this so vital? Basically, maintaining a reputation affects almost every aspect of the banking business – from customer engagement to financial performance, stability, risk profile, social responsibility and basic efficiency.

Today's bank CEOs are more aware of preserving a reputation than ever before. A poorly-managed reputation can cause a bank's brand to deteriorate, and in a fiercely competitive industry, that can spell disaster.

Top 10 Most Reputable Banking Brands (0-10)

SBERBANK	1	Reputation Score 8.22
SBI	2	Reputation Score 8.06
PRESENTED BY CAPITEC BANK	3	Reputation Score 7.72
FNB First National Bank	4	Reputation Score 7.69
中国银行 BANK OF CHINA	5	Reputation Score 7.65
HDFC BANK	6	Reputation Score 7.63
ICBC	7	Reputation Score 7.61
中国建设银行 China Construction Bank	8	Reputation Score 7.60
citibanamex	9	Reputation Score 7.56
TÜRKİYE İŞ BANKASI	10	Reputation Score 7.56

Executive Summary.

The Nationwide Building Society, which has undergone a number of significant changes to its image since the global financial crisis, has the most compelling brand in UK banking, outperforming the traditional big high street banks.

Nationwide's reputation rating of 7.29 is dovetailed by an extremely high recommendation ranking (8.08). Furthermore, only 2% of Nationwide customers would consider a switch to another bank.

While banks like RBS, Barclays, Lloyds and HSBC continue to repair their reputations and balance sheets, UK customers appear enthused by alternative providers. Nationwide, which has revisited and leveraged its building society heritage, is also the brand that customers of other institutions are more likely to switch to. Retail-connected banks such as M&S Bank (a JV with HSBC), Sainsbury and Tesco all perform relatively well in terms of reputation, suggesting that customers are looking to less obvious alternatives.

UK Banks Ranked by Reputation (0-10)

		Reputation Score	
Nationwide	1	7.29	→
M&S BANK	2	6.81	→
HALIFAX	3	6.77	↑
Santander	4	6.35	↓
Sainsbury's Bank	5	6.33	→
TESCO Bank	6	6.31	→
LLOYDS BANK	7	6.27	→
Virgin money	8	6.25	↓
TSB	9	6.23	→
NatWest	10	6.17	↑
BARCLAYS	11	6.14	↑
The co-operative bank	12	5.89	↑
HSBC	13	5.86	→
BANK OF SCOTLAND	14	5.55	→
RBS	15	5.05	↑

UK customers, in the post-crisis environment, have greater expectations of the banking sector and there is a high degree of dissatisfaction in the performance of some banks, undoubtedly connected to the taxpayer bail-out that followed the crisis, along with the negative publicity around the banks themselves.

Most of the major banks have announced branch closure programmes, which also reflects upon brand reputation. Although Lloyds has returned to private ownership, RBS is still immersed in solving its problems, although recent financial performance suggests progress is being made.

Despite this, customer discontent is not entirely reflected in their appetite to change providers, possibly based on the belief that switching banks is not easy in the UK and entails multiple hurdles. Nevertheless, customers of the bigger banks, who have been in the front line in terms of criticism, are more likely to switch, with RBS leading the way with 14% and HSBC and Lloyds on 10%.

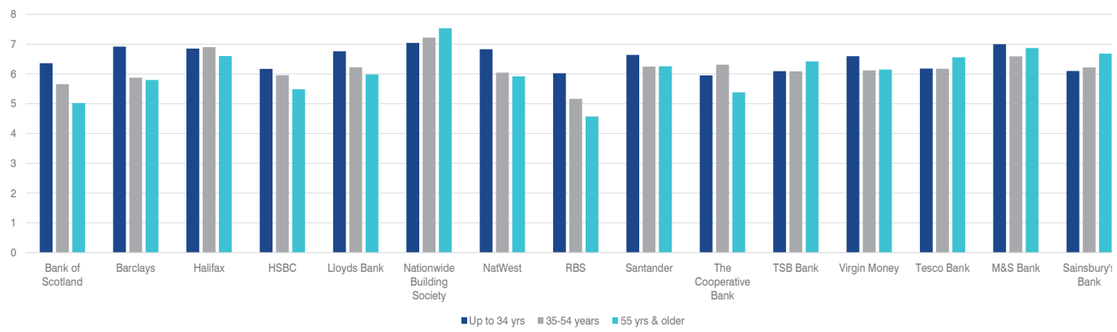
However, the sector as a whole still has perception issues to deal with and a recent report on ethical banking highlighted that UK's banks are hampering efforts to tackle climate change, despite initiatives being launched by, among others, Barclays and Lloyds.

Clearly a sector in a state of continued flux, UK banking is also confronted with ongoing digitalisation and new entrants providing dynamic competition. Some banks are adapting well to market evolution, but the future depends on combining new technologies with enhanced customer service, in order to strengthen brands and generate further customer loyalty.

Reputation by Age Group

The reputation and attractiveness of bank brands varies somewhat by age, with the older generations favouring 'trusted' names such as Nationwide especially highly. If we then consider younger consumers, in the UK, they appear more willing to consider a broader range of brands and are less critical of the Big Four. This generation is also more willing to switch banks, and of course tends to be earlier adopters of disrupter brands and banking technology. It is therefore important to consider these nuances when marketing to different age segments as well as the different wealth and income profiles, and lifestage needs.

Nationwide's overall strength is apparent across all age groups, but is generally stronger among older consumers. The good news for both challenger brands and the established Big Four, is that younger consumers are more willing to consider a broader range of brands, and are less likely to place 'trusted' names such as Nationwide on a pedestal.



Executive Summary.

1. Nationwide

Reputation (0-10)

7.29

Switch Likelihood (%)

2%

Nationwide Building Society has drawn on its roots to tell the story of its ideals, with imaginative use of social media and television advertisements focusing on the brand's heritage. In 2016, it began placing the building society aspect of its business at the forefront once more, perhaps distancing itself from the banking sector and reasserting its historic purpose, as well as being an organisation that is "owned" by its members.

As well as the highest reputation ranking in our research, Nationwide has a very high recommendation rating (8.08) and appeals to a broad range of current users as well as customers of other banks, who would likely turn to Nationwide if they decided to switch provider.

Nationwide has also looked at other sectors to reshape its own branch network. It has opted for an Apple-style store approach, looking to "humanise" banking and create a homely environment for its customers. In addition, it has aligned itself with campaigns that reach-out to a broader audience, such as mental health awareness and the creation of "authentic connections".

15. RBS

Reputation (0-10)

5.05

Switch Likelihood (%)

14%

In some ways a symbol of the financial crisis in the UK, RBS has spent the last decade repairing its balance sheet and its reputation. Despite this ongoing focus, the bank's reputation continues to be affected and over the past year, it has been tarnished by the SME scandal as well as ongoing punishment from regulators that has incurred misconduct fines. Branch closures, while generating cost savings, have created the perception that RBS' malaise continues.

On a more positive note, RBS moved back into profit in the first quarter of 2018. Furthermore, steps have been taken to repair its image, with RBS being rebranded NatWest in England and Wales.

Tellingly, RBS is less likely to pick-up customers from other banks, but conversely, RBS customers are more likely to switch than any other major UK bank (14%) in our research.

An Insight into Nationwide.

Sara Bennison
CMO, Nationwide

In this time of constant change, what do banks need to do in order to retain and grow their reputation?

I doubt if there was a generation who did not feel it was living through a time of constant change and whilst our sense of it is accelerated in a technological sense, many of the shifting sands our forebears dealt with are less troubling for us. The important thing for any brand is to remain 'constant' in your values and focus on your customers whilst 'changing' to harness new possibilities as customer needs change.

What do you think customers are looking for in a banking brand in today's environment?

The words customers use now will be the same as they have ever been – trust, service, value. However, the way that they define those words has changed. So, they no longer simply trust us just with their money, they need to trust us with their data. They no longer expect great service just to be defined by a smile in branch during opening hours, they demand speediness and certainty 24/7. They no longer just see value as just being about a rate or an incentive, they need to see how we can make their money work as hard for them as possible and know that we value them as an individual.

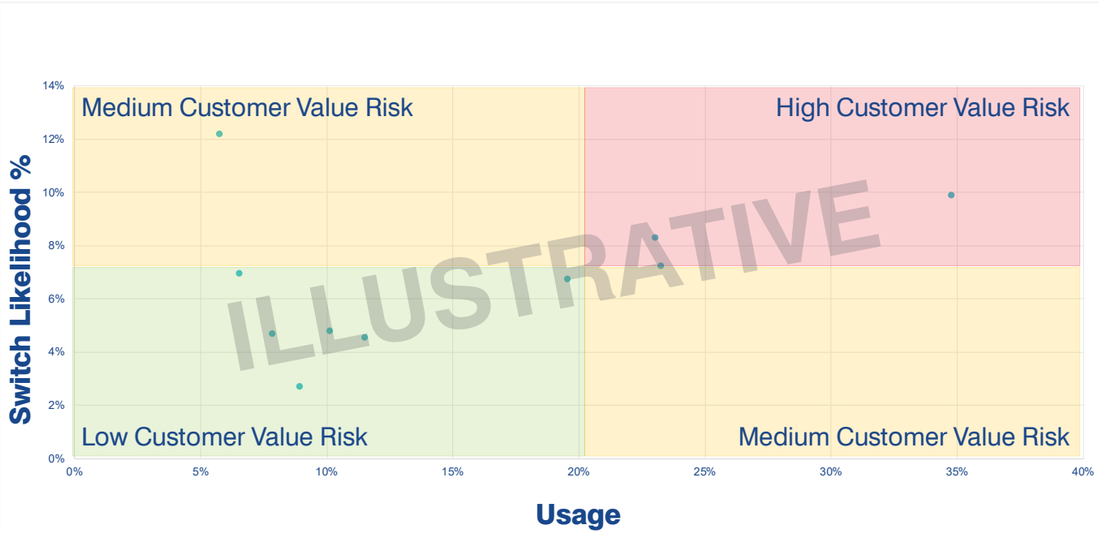
As Banking Services increasingly move on-line how can brands like Nationwide maintain customer relationships as they were when customers saw staff in the branch? Furthermore, as Artificial Intelligence and Smart Robots replace humans in the delivery of financial services how will brands maintain trust and reputation?

We are not a bank, we are a building society! And, yes, there really is a difference. One of those differences is that whilst our members are transacting more digitally, they do still value and need humanity, whether that is delivered directly through the fabulous humans who work in our branches, or through the way in which we design our digital services of the future. Starting with the human and then putting new technology to work in pursuit of providing better services is the way to maintain trust and reputation rather than turning us all into the slaves of technology.

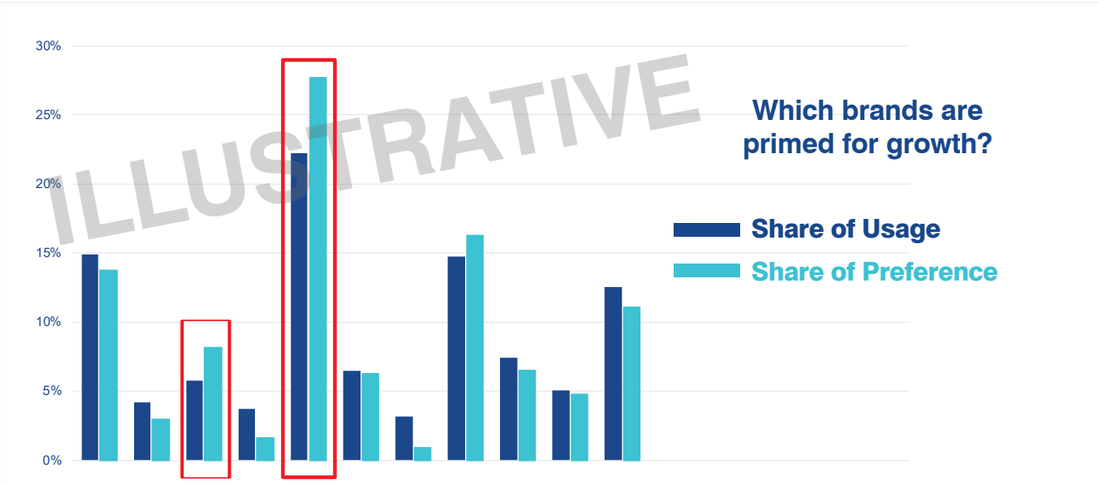
How Our Research Can Help You.

Market Research Report Overview
Sample Outputs

Competitor Targeting

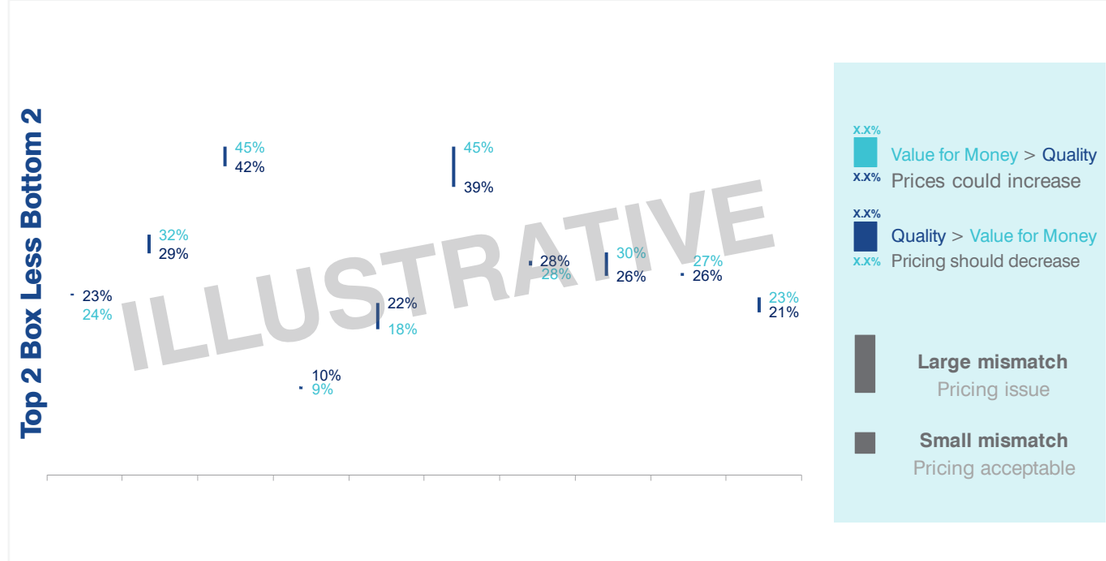


Share of Usage vs Share of Preference

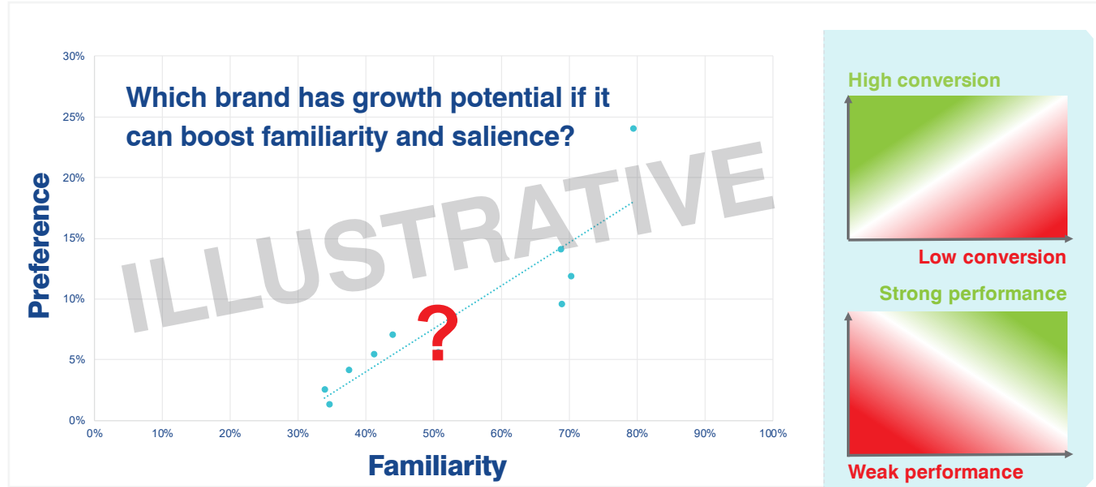


Market Research Report Overview
Sample Outputs

Value, Quality & Price



Familiarity to Preference



Consulting Services.

1. Valuation: What are my intangible assets worth?

Valuations may be conducted for technical purposes and to set a baseline against which potential strategic brand scenarios can be evaluated.

+ Branded Business Valuation
+ Trademark Valuation
+ Intangible Asset Valuation
+ Brand Contribution

2. Analytics: How can I improve marketing effectiveness?

Analytical services help to uncover drivers of demand and insights. Identifying the factors which drive consumer behaviour allows an understanding of how brands create bottom-line impact.

Market Research Analytics +
Return on Marketing Investment +
Brand Audits +
Brand Scorecard Tracking +

4. Transactions: Is it a good deal? Can I leverage my intangible assets?

Transaction services help buyers, sellers, and owners of branded businesses get a better deal by leveraging the value of their intangibles.

+ M&A Due Diligence
+ Franchising & Licensing
+ Tax & Transfer Pricing
+ Expert Witness

3. Strategy: How can I increase the value of my branded business?

Strategic marketing services enable brands to be leveraged to grow businesses. Scenario modelling will identify the best opportunities, ensuring resources are allocated to those activities which have the most impact on brand and business value.

Brand Governance +
Brand Architecture & Portfolio Management +
Brand Transition +
Brand Positioning & Extension +

MARKETING

We help marketers to connect their brands to business performance by evaluating the return on investment (ROI) of brand-based decisions and strategies.

FINANCE

We provide financiers and auditors with an independent assessment on all forms of brand and intangible asset valuations.

TAX

We help brand owners and fiscal authorities to understand the implications of different tax, transfer pricing, and brand ownership arrangements.

LEGAL

We help clients to enforce and exploit their intellectual property rights by providing independent expert advice in- and outside of the courtroom.

Communications Services.

We offer a variety of services to help communicate your brand's success.

Example digital endorsement stamp for use on your website as well as in investor relations and advertising, to recognise your brand's performance.

Brand Finance®

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