



Opportunities for Growth in the UK Business Bank Industry

An AI-fuelled analysis of private company data and macroeconomic indicators

WORLDQUANT
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Introduction



There's now more risk – and opportunity – in the UK business banking industry than there has been in recent memory.

According to the **Bank of England**, the number and scale of debt-vulnerable businesses has increased throughout the UK, and a third of its small businesses are highly indebted. But while economic growth has been impacted by multiple new factors, such as Covid-19, many companies are thriving and ready to borrow.

How do business banks find their ideal prospects in this environment and retain and improve their relationships with current customers?

Insight into customer needs is the key to success. Those that are able to offer the right product at the right time will increase their market share and have more satisfied clients.

We at WorldQuant Predictive (WQP) are launching a new software product specifically for UK business banks. We've analysed macroeconomic factors and data on UK private companies – including balance sheet and transaction data – and identified powerful predictive signals that can support new business acquisition.

The following pages comprise an analysis of the UK market for business banks, which we hope will be helpful in guiding your new acquisition efforts. We also have more granular, company-specific predictive insights available in our product.

Miklos Radnai

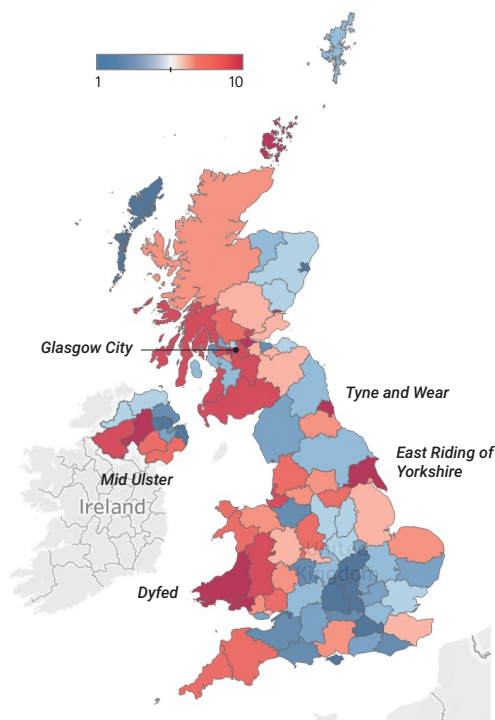
Director, Predictive Finance & Banking
WorldQuant Predictive

Opportunity for new business acquisition by county and by industry

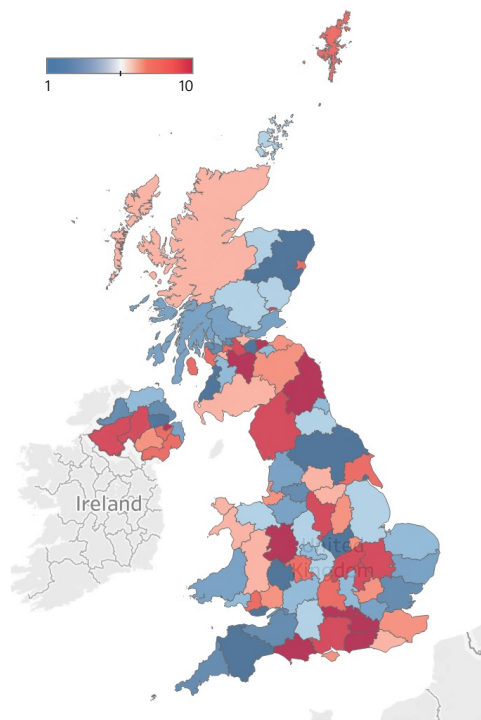
According to our analysis, **21%** of UK companies are predicted to need a long term-loan, or other long-term debt, and will see an increase in their revenues over the next 12 months.

From these criteria and others we have derived a “loan likelihood” score. Below, we’ve aggregated the scores for individual companies by both geography and selected industries.

Map 1 shows concentrations of companies needing loans, by county, as well as example counties with the highest and lowest concentration of predicted loan need.








Map 1 Avg. Expected Loan Need Likelihood - UK
Top Five Counties Highlighted



Map 2 Avg. Expected Loan Need Likelihood - UK, Specialty Retail

As we look at specific industries (**Map 2**), the map of loan likelihood is dramatically different by county, shown here for specialty retail. We found that the top industries by SIC categorisation that are most likely to need business loans are:

-  Specialty Retail
-  Food and Staples Retailing
-  Hotels, Restaurants and Leisure
-  Beverages
-  Metals and Mining

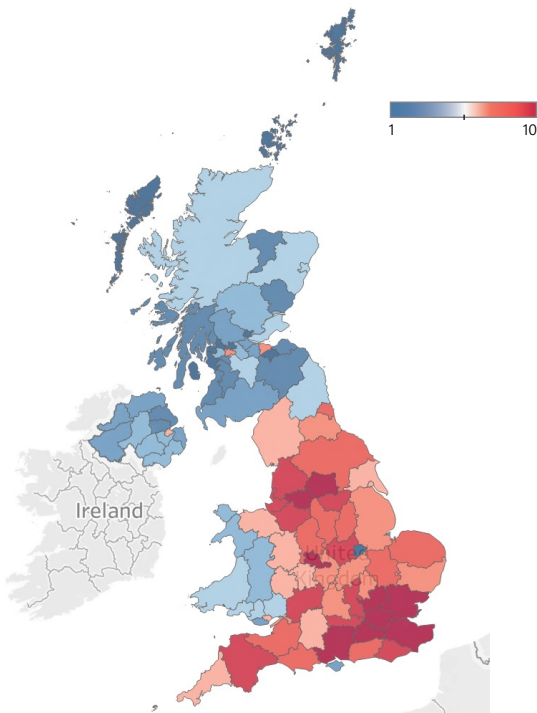
On the following page, we predict the total expected loan value for each county, to help facilitate your overall revenue growth strategy.

Total Loan Value and Revenue Pool Opportunity

Once the total number of companies needing a loan is combined with the most likely loan amount they would take out, a different concentration of opportunity is shown in the southern UK (**Map 3**).

In addition, our analysis of approximately **£2.6T** of business and corporate long-term debt in the UK has uncovered an opportunity: looking just at the outstanding bank loans, we estimate the existing revenue pools from net interest rates to be **£11B-£15B**. This represents the total opportunity to capture business from competitors in the market and is distributed by county similarly to the expected loan value map.

Compared to the existing revenue pool, we predict that there will be an increase of **4.1%-7.2%** in the need for new long-term loans (excluding refinancing of existing loans) in the UK in 2022. This will also represent an additional opportunity of **£450M-£800M** on top of existing revenue pools over the next 12 months.

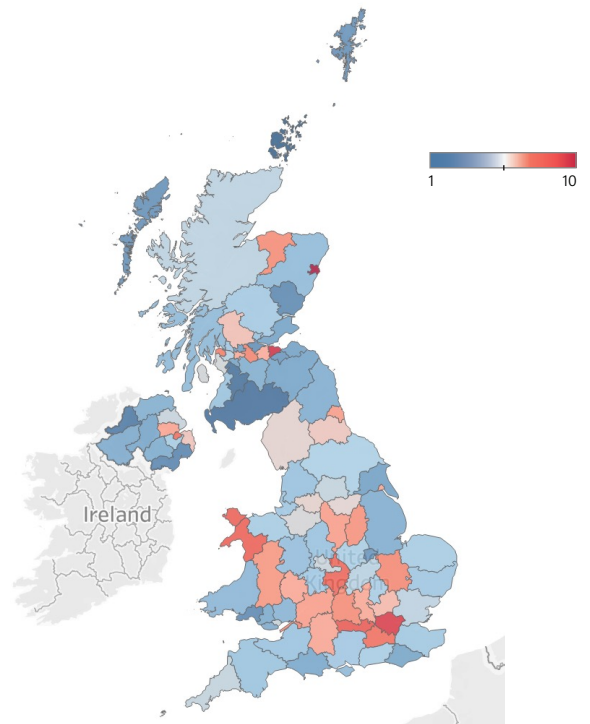


Map 3 Revenue Pool Opportunities - UK

Proactive Account Management

In many business banks, accounts are not assigned a relationship manager until the account passes a certain threshold in revenue, often **£1M or £5M**. By identifying the companies with which a bank does not currently have a relationship, and which are likely to cross that threshold ahead of time, banks can proactively begin building relationships with them ahead of the competition.

Shown here (**Map 4**) is an example of the companies that are likely to cross the **£1M** threshold in 2022 and where they are located. These represent **5.5%** of the companies in our analysis.



Map 4 1M GBP Breakaway Companies - UK

Summary

The data shown here is a sample of the insight that we have available to us. If you have any questions or would like more insight in a particular area, please contact us at www.wqpredictive.com/businessbanks.

Methodology

Our analyses leverage a database of **2.5** million UK companies, excluding companies with assets of less than **£1,000** or more than **£250** million. We predict loan likelihood scores and expected new loan size for each of these **2.5** million companies; the representations on the map are aggregations of these company scores.

WQP for Business Banks

WorldQuant Predictive (WQP) uses advanced AI to identify actionable insights to grow business banks' revenues, manage risk and improve the ability to serve customers.

Armed with this insight, banks can better understand customers and prospects, enabling them to offer more personalised products and services and build better relationships.

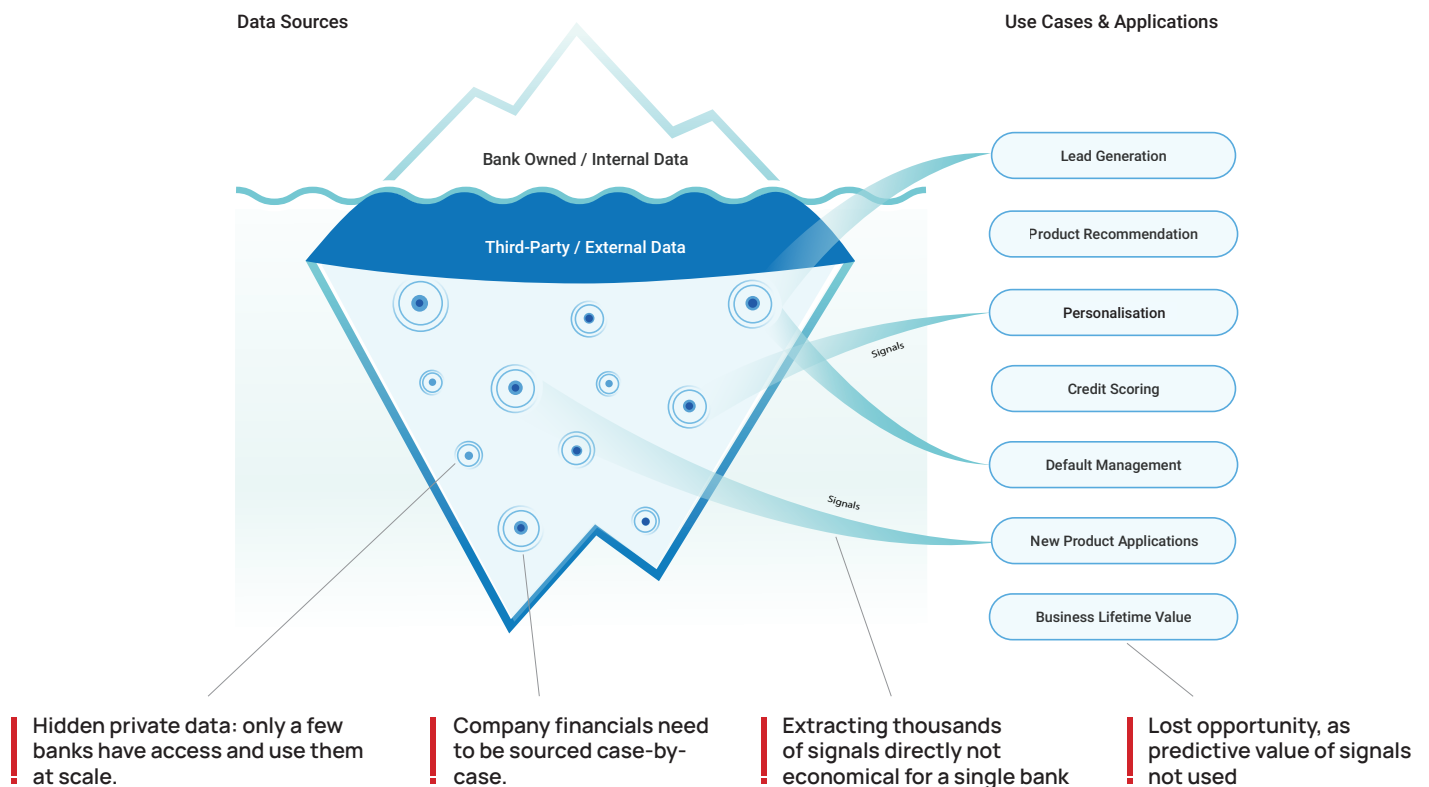
WQP extracts and builds predictive models from hundreds of signals. Based on these signals, we predict company revenue, loan need likelihood and expected loan amount.

Data on:

2.5M active UK businesses

£2.6T of business debt

200+ financial and macroeconomic factors, firmographic and company- and industry-specific data



About Us

WorldQuant Predictive seeks to solve our customers' business challenges by providing industry-leading, highly accurate AI prediction products via easy-to-access applications designed for non-technical users.

Our proprietary ML platform, Quanto™, along with our international network of data scientists rapidly create thousands of models using customer and alternative data, finding signals that others miss and allowing us to deliver solutions within weeks, not months.

Every prediction product is accompanied by real-world actionable insights from professionals with deep business knowledge and domain expertise. Our unique approach was designed to outperform the industry for accuracy and speed-to-results.

WorldQuant Predictive is a separate entity from WorldQuant, LLC, a global quantitative asset management firm.

Contact us at www.wqpredictive.com/businessbanks