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Analysis Of Financial and Non-Financial Performance Of The 3 Largest Banks In The United Kingdom For 2018-2022

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ABSTRAK

Penelitian ini bertujuan untuk menganalisis dan membandingkan kinerja keuangan melalui analisis CAMELS dan kinerja non-keuangan dari 3 bank terbesar di Inggris yaitu HSBC UK, Lloyds Banking Group, dan Santander UK Plc pada tahun 2018 sampai dengan tahun 2022 dan menghubungkannya dengan analisis PESTLE. Penelitian ini menggunakan pendekatan kuantitatif dengan menggunakan analisis deskriptif. Data dikumpulkan dari laporan tahunan 3 bank dan situs web data. Terdapat 12 kinerja keuangan dan kinerja non-keuangan. Hasil penelitian menunjukkan bahwa HSBC memiliki 4 rasio utama dalam kredit bermasalah, pendapatan per karyawan, pendapatan non-bunga terhadap aset, dan rasio dana modal terhadap kredit bersih, sedangkan Lloyds memiliki 3 rasio utama dalam marjin bunga bersih, pengembalian aset, dan pengembalian ekuitas, dan Santander memiliki 5 rasio utama dalam semua rasio kecukupan modal, cadangan kerugian kredit, dan semua rasio likuiditas pada tahun 2022.

This study aims to analyse and compare the financial through CAMELS analysis and non-financial performance of the 3 largest banks in the United Kingdom, HSBC UK, Lloyds Banking Group, and Santander UK Plc from 2018 to 2022 and linked it with PESTLE analysis. This research is a quantitative approach by applicating descriptive analysis. The data was collected from the annual report of the 3 banks and the data website. There are 12 financial performance and non-financial performance. The result shows that HSBC has 4 leading ratios in non-performing loans, revenue per employee, non-interest income to assets, and capital funds to net loans ratio, while Lloyds has 3 leading ratios in net interest margin, return on assets, and return on equity, and Santander has 5 leading ratios in all capital adequacy ratios, loan loss reserve, and all liquidity ratios in 2022.

PENDAHULUAN

The UK's economy is driven by the financial services industry. The UK continues to be a major focus for foreign business and investment, and it is a leading player in banking and finance. The UK has one of the most developed financial marketplaces in the world, offering variety, accessibility in obtaining financing, and efficiency (IMF, 2022). The banking sector is crucial to the economy and contemporary communities' operations. The provision of credit to individuals and businesses, which is essential for economic growth and development, is one way that banks contribute significantly to the promotion of financial stability (Hall, 2021). They also facilitate the movement of money within the economy by enabling deposits, withdrawals, and transfers of funds by individuals, businesses, and governments.

The banking sector is a crucial part of the UK economy, making a substantial contribution to the expansion and advancement of the national economy. For millions of people in the UK, it offers employment possibilities. In the first quarter of 2022, the UK had 1.08 million financial services positions or 3.0% of all jobs. In 2021, the financial services industry provided £173.6 billion, or 8.3% of the country's total economic output, to the UK economy . The overall assets of the UK banking industry were close to 16.7 trillion dollars in 2021 (Statista, 2023). Bank earnings have been boosted by recent interest rate rises and a rise in net interest margins. However, with geopolitical tensions and the cost-of-living crisis, banks confront significant challenges for the rest of 2023. While government intervention has mitigated the short-term impact on customer budgets, increased taxes affecting consumers and corporations offer a challenging scenario. To analyse more, the external factors of the UK banking industry are examined in this project.

The three largest UK banks that will be examined in this study are HSBC Holdings Plc, Santander UK Plc, and Lloyds Banking Group Plc. HSBC, Lloyds, and Santander are three of the largest banks in the UK for various reasons, including their assets, profit, number of employees, customer base, and market positioning (Statista, 2023). Large international banks HSBC, Lloyds, and Santander all have a sizable presence in the UK. One of the biggest banks in the world is HSBC, while the biggest banks in Europe are Lloyds and Santander. Each of those banks occupies a distinctive position in the UK banking market. While Lloyds has a substantial retail banking footprint in the UK and Santander has a sizable position in the UK mortgage market, HSBC has historically concentrated on international banking and serving customers with foreign demands (Modaresifar et al., 2020).

HSBC is the largest bank of the three with a total asset base of more than £2465.6 billion as of 2022 Field (Macrotrends, 2022). With assets of about £1519 billion (Macrotrends, 2022), Santander is the second-largest bank, followed by Lloyds, which has assets of £878 billion (Statista, 2022). With 219,199 employees worldwide as of 2022 (Macrotrends, 2022), HSBC is the bank with the greatest employment base of the three. This study aims to analyse and compare the financial through CAMELS analysis and non-financial performance of the 3 largest banks in the United Kingdom, HSBC UK, Lloyds Banking Group, and Santander UK Plc from 2018 to 2022 and linked it with PESTLE

METODE

This research is using a quantitative approach by applicating descriptive analysis and focusing on the 3 largest banks in the UK; HSBC UK, Lloyds, and Santander UK from 2018 to 2022.

Variable and Measurement

There are two variables that will be examined in this research. Those variables are financial and non-financial performance. The financial performance is determined by 15 financial ratios, such as total capital ratio, tier 1 ratio, non-performing loans, loan loss reserve, net interest margin, revenue per employee, return on assets, return on equity, cost to income ratio, liquidity coverage ratio, non-interest income to assets, and capital funds to net loans. And the non-financial performance is determined by 3 non-financial ratios, such as customer satisfaction ratio, market share, and employee turnover.

Population and Sample

The population for this study are three of the biggest UK banks; HSBC UK, Lloyds, and Santander UK. HSBC, Lloyds, and Santander are the largest bank with a large market capitalization, number of employees, number of customers, total assets, and profit before tax in 2022 in the UK banking industry.

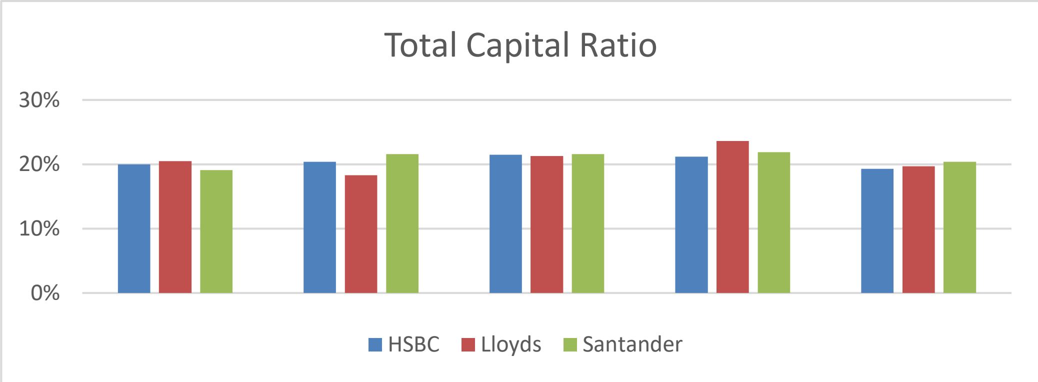
Data Collection Methods

The financial and non-financial performance is being analysed by looking at the annual report of 2018-2022 of HSBC UK, Lloyds, and Santander UK. The annual report of the three banks originated from the website and statistics market data in the last five years. This study gathered quantitative research data since it uses numbers and calculations to define and quantify the number of occurrences, also using statistical approaches to investigate correlations between numerical variables that are measured.

Data Analysis Model

The study strategy that is implemented is descriptive analysis since it uses the current and historical data to discover patterns and connections to demonstrate and summarise the data with the illustration of graphs for comparing the 12 financial ratios and 3 non-financial ratios of three banks from 2018 to 2022.

HASIL DAN PEMBAHASAN



Total Capital

Table 1 Total Capital Ratio of HSBC, Lloyds, Santander

	2018	2019	2020	2021	2022	Rank
HSBC	20,00%	20,40%	21,50%	21,20%	19,30%	**3**
Lloyds	20,50%	18,30%	21,30%	23,60%	19,70%	**2**
Santander	19,10%	21,60%	21,60%	21,90%	20,40%	**1**

Source: (HSBC, 2022) (Lloyds, 2022) (Santander, 2022)

As shown in Table 1, Santander has the biggest total capital ratio amongst HSBC and Lloyds even though they only have a slight difference in the total capital ratio average. The total capital ratio of Santander fell by 150 basis points to 20.4% as a result of the reduced CET1 capital ratio along with the fall in the Additional Tier 1 and Tier 2 capital instruments (Santander, 2022). HSBC has the lowest total capital ratio with constant total capital and a decreased ratio in 2022 due to the RWA increasing by £1.1 billion throughout the year due to regulatory reform and an increase in lending although it still fulfils the required capital requirements (HSBC, 2022). By looking at the total capital ratio, it shows that the three banks are having a constant total capital number for the last five years. Lloyds and Santander have a slight increase during COVID-19 due to their decline in the risk-weighted assets with a 3% in Lloyds mainly due to the simplification of operations in Commercial Banking, which was slightly offset by balance sheet expansion in the company's operations and 6% in Santander complying with asset sales and CIB business transfer to Santander London Branch. The total capital ratio increased by 50 basis points to 21.6%, with lower RWA and retained profits balancing the decrease in capital securities in issue and the higher effect beginning in January 2021. CET1 capital remained constant at £10.4 billion, with continued capital accretion from profits retained after dividend payment offsetting driven by markets pension changes. Santander kept concentrating on risk-weighted returns, RWAs have decreased significantly as a result of SRT securitisations and fewer corporate lending. This was somewhat offset by higher RWAs in Retail Banking as mortgage lending grew.

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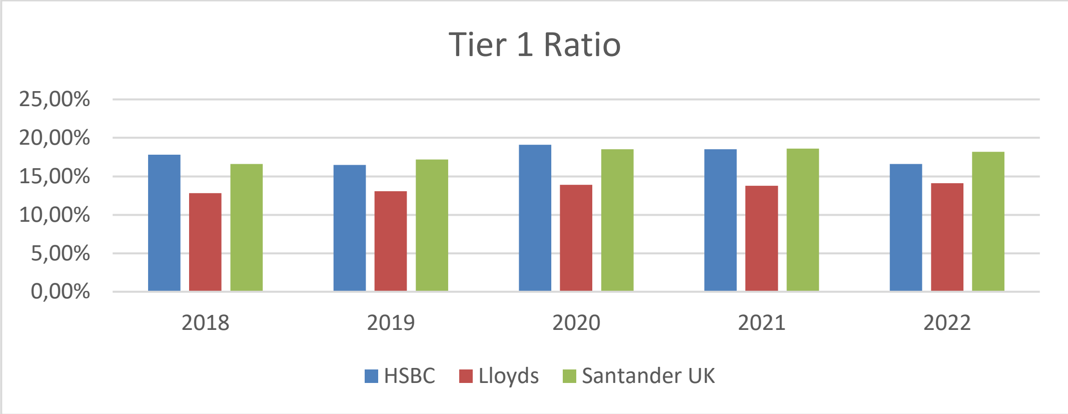


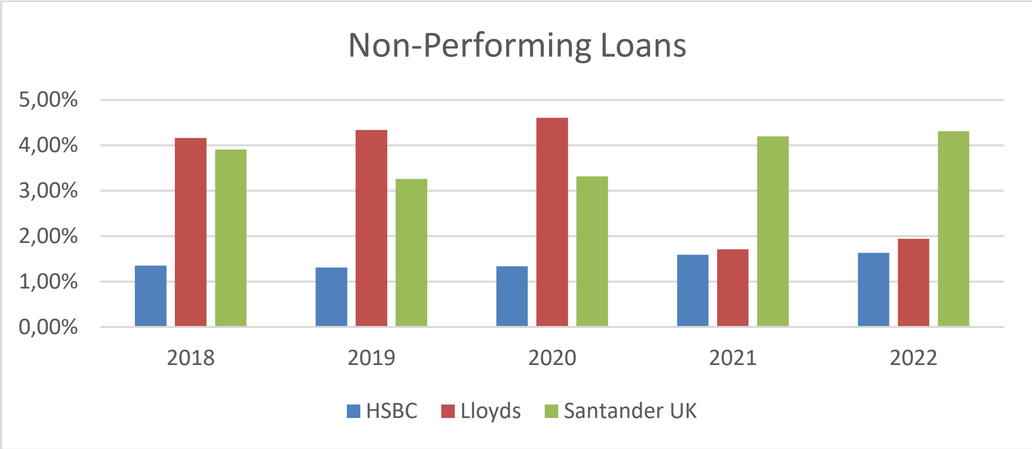
Tier 1 Ratio

Table 2 Tier Ratio of HSBC, Lloyds, Santander

	2018	2019	2020	2021	2022	Rank
HSBC	17,80%	16,50%	19,10%	18,50%	16,60%	**2**
Lloyds	12,80%	13,05%	13,89%	13,79%	14,10%	**3**
Santander UK	16,60%	17,20%	18,50%	18,60%	18,20%	**1**

Source: (HSBC, 2022) (Lloyds, 2022) (Santander, 2022)

According to Table 2, Santander has the highest tier 1 ratio even though it decreased for the year 2022 primarily as a result of the application of a revised definition of default regulatory guidance and regulatory changes of the return of the entire CET1 software asset deduction and affects the rising RWAs of £71.2 billion and the special dividend. Santander has increasingly sustained tier 1 for the last 5 years. CET1 capital remained constant at £10.4 billion, with continued capital accretion from profits retained after dividend payments offsetting market-driven pension changes. RWAs have been decreased primarily as a result of significant risk transfer (SRT) securitisations and lower corporate lending as we continue to emphasise risk-weighted returns. This was somewhat offset by higher RWAs in Retail Banking as mortgage lending increased. Active RWA management boosted the CET1 capital ratio by 110 basis points to 14.3%. The UK leverage ratio rose 20 basis points to 4.7%. The Bank of England stress test findings once again demonstrated the integrity and solidity of Santander's balance sheet. CET1 capital ratio grew 70 basis points to 15.9%, 590 basis points above the MDA requirement, owing primarily to lower RWAs and retained profit. The adjustment in how to deal with software assets stated in the EBA technological guideline on the regulatory treatment of software assets benefits the CET1 capital ratio by about 20bps and the UK leverage ratio by approximately 5bps. The PRA has stated in Policy Statement PS17/21 on the implementation of Basel Standards that this approach will be phased out at the beginning of 2022, with software assets being entirely deducted from CET1 capital as of that date.



Non-Performing Loans

Table 3 NPL of HSBC, Lloyds, Santander

	2018	2019	2020	2021	2022	Rank
HSBC	1,35%	1,31%	1,34%	1,59%	1,63%	**1**
Lloyds	4,16%	4,34%	4,61%	1,71%	1,94%	**2**
Santander UK	3,91%	3,26%	3,32%	4,20%	4,31%	**3**

Source: (Orbis, 2023)

As shown in Table 3, HSBC has a constant increase but the lowest NPL for the last five years. The increase for the year 2022 is due to the impacts of the Russia and Ukraine war, rising interest rates, inflation, and economic instability, along with continuous developments in China's commercial real estate market that impacted the Expected Credit Loss (ECL). ECL rose by £1,471 million from a £989 million release in 2021 to a charge of £482 million in 2022. The 2022 charge included additional stage 1 and stage 2 allowances for the effects of the Russia-Ukraine conflict, as well as increased economic uncertainty and inflationary pressures. This compares to a net discharge in 2021, mostly owing to Covid-19-related allowances accrued in 2020. A higher NPL ratio indicates a greater chance of credit losses, which could end up in larger predicted credit losses. The ECL fees were 36 basis points of average gross loans and advances to consumers and used to construct a provision for credit losses on the balance sheet of a financial organisation to compensate for anticipated future credit losses. While the NPL in 2019 slightly decreased to 1,31% compared with 2018 with 1,35% due to an increase in ECL charge for the period was $2,932 million, which included $3,961 million for underlying credit quality changes, including the credit quality impact of financial instruments shifting among stages, and $121 million for the net remeasurement impact of stage transfers. This was somewhat offset by $1,138 million in underlying net book volume movements and $12 million in adjustments to ECL calculation methodologies.

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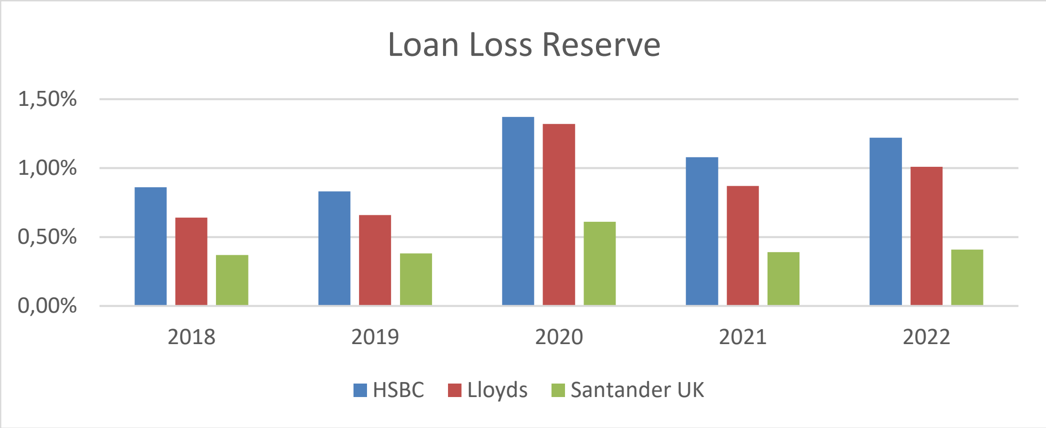


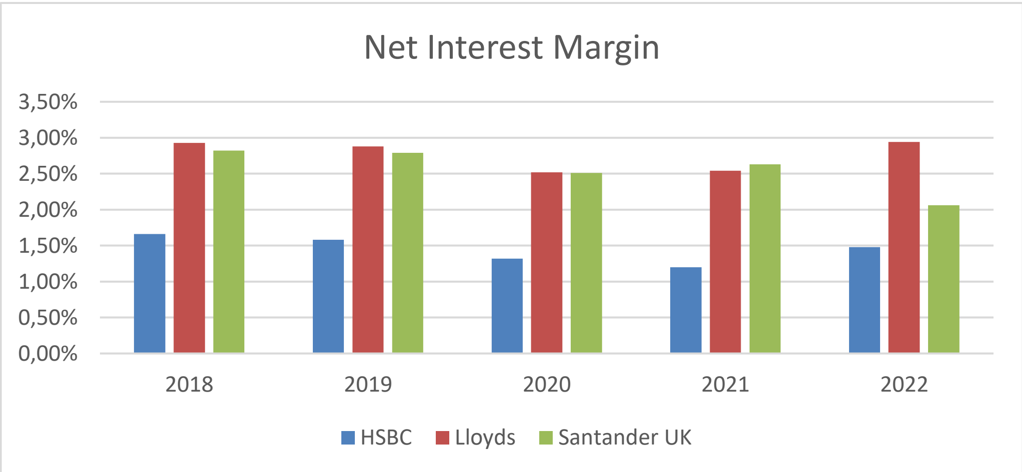
Loans Loss Reserve

Tabel 4 Loans Loss Reserve of HSBC, Lloyds, Santander

	2018	2019	2020	2021	2022	Rank
HSBC	0,86%	0,83%	1,37%	1,08%	1,22%	**3**
Lloyds	0,64%	0,66%	1,32%	0,87%	1,01%	**2**
Santander UK	0,37%	0,38%	0,61%	0,39%	0,41%	**1**

Source : (Orbis, 2023)

As illustrated in Table 4, Santander shows a persistent lower collection over the total loans issued for the year 2018-2022 as Santander UK has allocated aside 321 million pounds, an increase from 233 million pounds in 2021 for loan losses to compensate for future defaults as borrowers are being impacted by rising prices and a cost-of-living crisis as stated in the economic factors for UK Banks (Damyanova, 2022). At the end of the first half of 2022, Santander's stage 3 assets remained at a historically low level of 1.21% of total customer loans. Aside from these nonperforming exposures, the majority of the loan book was conservatively positioned, with 7.4% of the book in Stage 2 and only around 5% in arrears of more than 30 days. Santander has added a £344 million prudent management provision as of the mid of 2022, to cover for extra lending risks arising from the weakening UK economic scenario. Overall, the smart staging of Santander's restricted, high-quality loan book, combined with prudent control levels, should see it through a challenging moment in the UK economy (Santander, 2022).



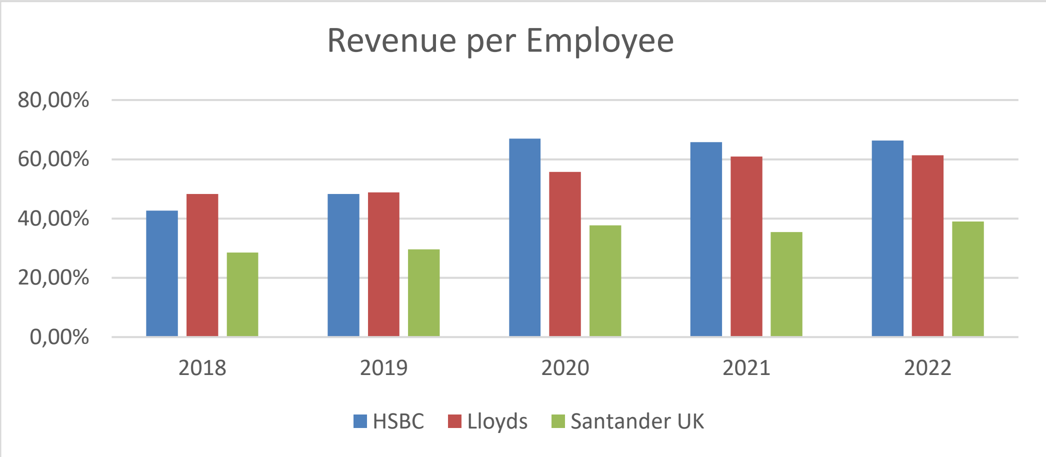
Net Interest Margin

Table 5 Net Interest Margin of HSBC, Lloyds, Santander

	2018	2019	2020	2021	2022	Rank
HSBC	42,70%	48,30%	66,95%	65,80%	66,30%	**1**
Lloyds	48,30%	48,90%	55,80%	60,96%	61,40%	**2**
Santander UK	28,50%	29,60%	37,80%	35,45%	39,60%	**3**

Source : (Orbis, 2023)

As depicted in Table 5, Lloyds has the strongest NIM which means loans and savings accounts in Lloyds are becoming more competitive and benefited from rises in UK bank rates, structural hedge earnings from the increasing rate environment, and sustained funding and capital optimisation, which was compensated partially by reduced mortgage margins. The net interest margin increased to 3.22 per cent in the fourth quarter, up from 2.98 per cent in the third quarter, owing in part to timing gains from UK bank rate increases. In 2019, the trading surplus remained stable at £8,822 million, an increase compared to 2018, £9,003 million, with decreased net income offset in part by the Group's sustained efforts in cost savings. Underlying profit was £7,531 million, a decrease from £8,066 million in 2018, reflecting reduced net income and greater impairment charges, which were offset in part by the Group's good cost performance. Lloyds had a market-leading underlying return on tangible equity of 14.8%.

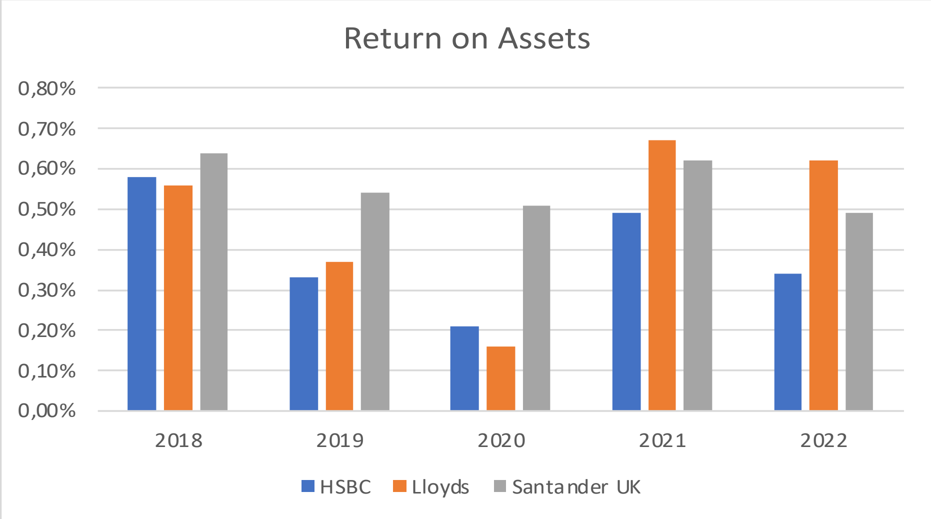


Revenue per Employee

Table 6

	2018	2019	2020	2021	2022	Rank
HSBC	1,66%	1,58%	1,32%	1,20%	1,48%	**3**
Lloyds	2,93%	2,88%	2,52%	2,54%	2,94%	**1**
Santander UK	1,8%	1,64%	1,63%	1,92%	2,06%	**2**

According to Table 6, the revenue per employee for the three banks are increasing for the last 5 years but in 2021 some of them had a decrease in revenue due to COVID-19 which made the ratio got lower. HSBC has the first rank due to an increase of 18% in their revenue to £44,49 billion owing to rapid growth in net interest income and a decrease of 1,000 employees from 2021. From 2018 to 2022, the number of employees, including full-time and part-time, at HSBC fell steadily. In 2022, it employs approximately 219,000 employees, nearly 16,000 fewer than in 2010. Despite a decline in employment, HSBC remains the leading employer in the European banking business. During 2022, HSBC provided over 17,000 employees with a one-time payment of £1,500 to help them deal with the mounting cost of living concerns. We have maintained the HSBC Support Fund in collaboration with the Bank Workers Charity to provide short-term financial assistance to current and past employees who are experiencing economic difficulties. Since the program's inception in May 2021, 130 grants totalling £190,000 have been given.



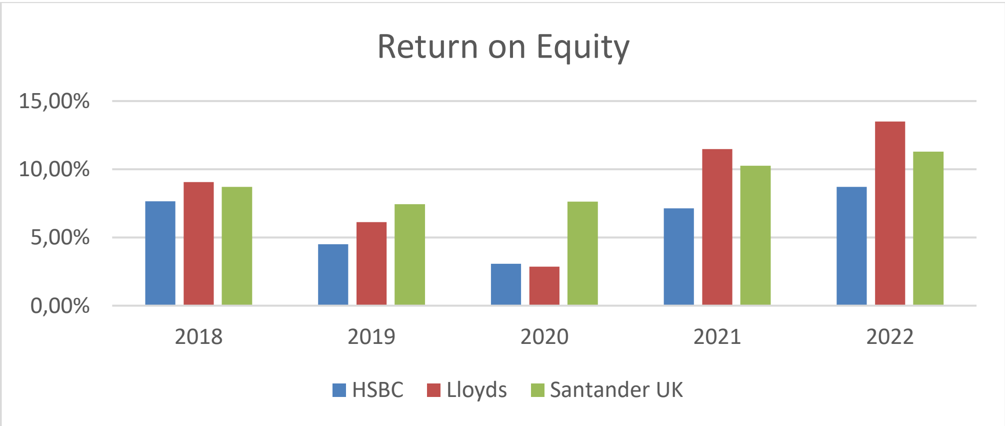
Return on Asset

Table 7 ROA of HSBC, Lloyds, Santander

	2018	2019	2020	2021	2022	Rank
HSBC	0,58%	0,33%	0,21%	0,49%	0,27%	**3**
Lloyds	0,56%	0,37%	0,16%	0,67%	0,62%	**1**
Santander UK	0,64%	0,54%	0,51%	0,62%	0,58%	**2**

Source: (HSBC, 2022) (Lloyds, 2022) (Santander, 2022)

As illustrated in Figure 8, Lloyds has the biggest ROA amongst the three banks and it could be reflected by higher net income amounted to £18,048 million which was an increase of 14% compared to the previous years as compensated for by the consequences of an impairment charge owing mostly to a decline in the UK's financial stability which affecting the banks in the UK. Lloyd's total assets are rising from 2018 with the amount of $1,064,6434 to 2021 to $1,219,061 and start to decline in 2022 to $1,085,787 which impacts its declining ROA.



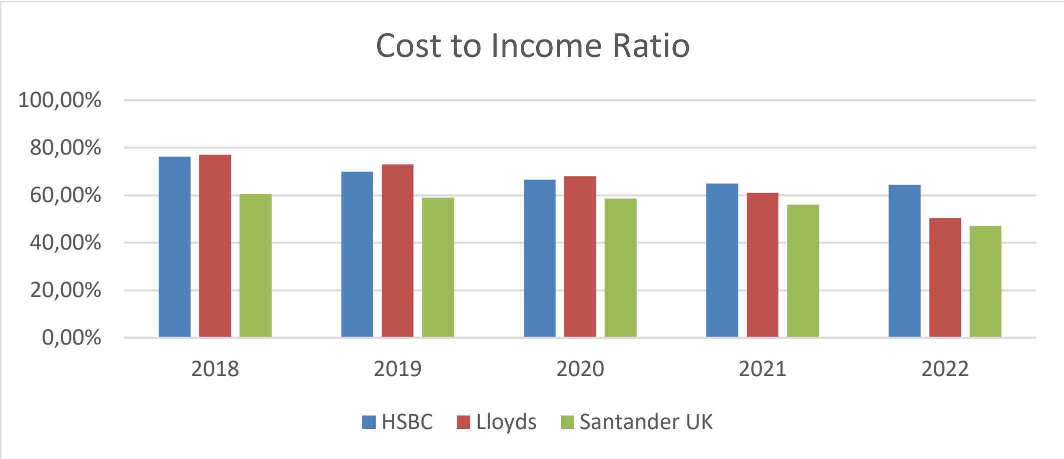
Return on Equity

Table 8 ROE of HSBC, Lloyds, Santander

	2018	2019	2020	2021	2022	Rank
HSBC	7,66%	4,50%	3,07%	7,14%	8,70%	**3**
Lloyds	9,07%	6,13%	2,85%	11,48%	13,50%	**1**
Santander UK	8,70%	7,45%	7,63%	10,25%	11,30%	**2**

Source: (HSBC, 2022) (Lloyds, 2022) (Santander, 2022)

According to Table 8, the three banks are showing an increase during the last 3 years but Lloyds has a significant upsurge. HSBC, Lloyds, and Santander are showing a rise in net income as their revenue across their main businesses such as wealth and personal banking and commercial banking is increasing. Lloyds has the highest increase of ROE due to their rise in net income by 14% to £18,048 million. There was a significant decrease of ROE in 2019 to 6,13% compared to 2018 with 9,07%. The underlying return on equity was 14.8%, owing to strong underlying earnings and slightly below average tangible equity. PPI had an influence on the statutory return on tangible equity, which was 7.8%. Lloyds anticipates a statutory return on tangible equity of 12 to 13% in 2020, underpinned by robust underlying profit and fewer below-the-line charges.



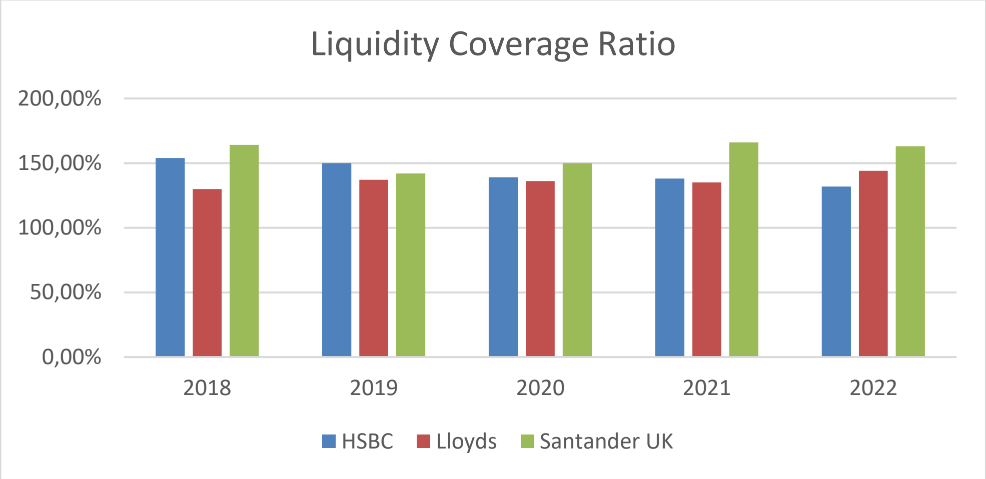
Cost to Income Ratio

Table 9 Cost to Income Ratio of HSBC, Lloyds, Santander

	2018	2019	2020	2021	2022	Rank
HSBC	76,30%	69,90%	68,30%	69,90%	64,40%	**3**
Lloyds	77,10%	73,00%	68,00%	61,00%	50,40%	**2**
Santander UK	60,50%	59,00%	58,60%	56,00%	47,00%	**1**

Source: (HSBC, 2022) (Lloyds, 2022) (Santander, 2022)

Santander had a significant improvement in profit to 47% as a consequence of greater adjusted net interest income primarily caused by the effects of rises in bank rates and a decrease in adjusted operating expenses and has a lower ratio than other banks as shown in Figure 10. Lloyds also has more than a 10% decrease as Santander as its increase in operating which represents greater projected strategic investment and expenses in new enterprises. Lower operational expenses and increased company efficiency have been incorporated into the transformation strategy, which is expected in mitigating the effects of inflation. In 2020, fewer than 1% of the mortgage book had negative equity with the remaining 4% having an indexed loan-to-value ratio of 85%-100% with the reported bank average being 64. The number of nonperforming and problematic loans continues to be low. In March 2021, Santander UK reported that Stage 3 loans totalled £3 billion, or 1.46% of total loans. A larger asset quality study includes Stage 2 loans. Total Stage 2 loans for Santander UK are quite low, due partially to its mortgage book bias.



Liquidity Coverage Ratio

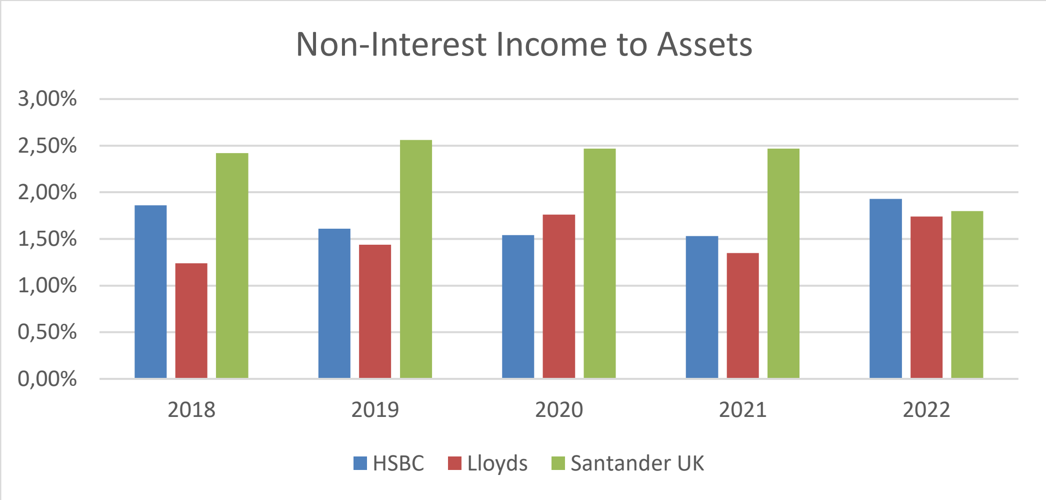
Table 10 Liquidity Coverage Ratio of HSBC, Lloyds, Santander

	2018	2019	2020	2021	2022	Rank
HSBC	154%	150%	139%	138%	132%	**3**
Lloyds	130%	137%	136%	135%	144%	**2**
Santander UK	164%	142%	150%	166%	163%	**1**

Source: (HSBC, 2022) (Lloyds, 2022) (Santander, 2022)

Santander has the highest LCR but the three banks are having LCR which is considerably more compared to what is required by regulatory requirements. It means that the three banks are having a very strong liquidity position and kept the liquidity performance good throughout 5 years. Santander has diverse wholesale financing activities and has well liquidity conditions for the last 5 years even during the COVID-19 pandemic. It also has no structural dependency on group funding and is self-sufficient in terms of cash. The lowest LCR of Santander is in 2019 with an LCR of 142%. LCR remains high at 142%, but it is decreased in 2018, owing to lesser uncertainty.

Due to the transfer of our Isle of Man and Jersey businesses into Santander Financial Services (SFS) in 2018 as part of ring-fencing implementation, the LCR qualifying liquidity pool was reduced. SFS liquidity was boosted by £6.1 billion in deposits in our Crown Dependencies sector, which climbed by £1.3 billion in 2019 in anticipation of the expected transfer of some RFB assets to SFS in 2020. In 2020, LCR was robust at 150%, up 8 percentage points over the previous year, indicating larger client deposits and a transfer of £3.2 billion in mortgage assets to Santander Financial Services plc as we keep trying to improve the group's funding structure.



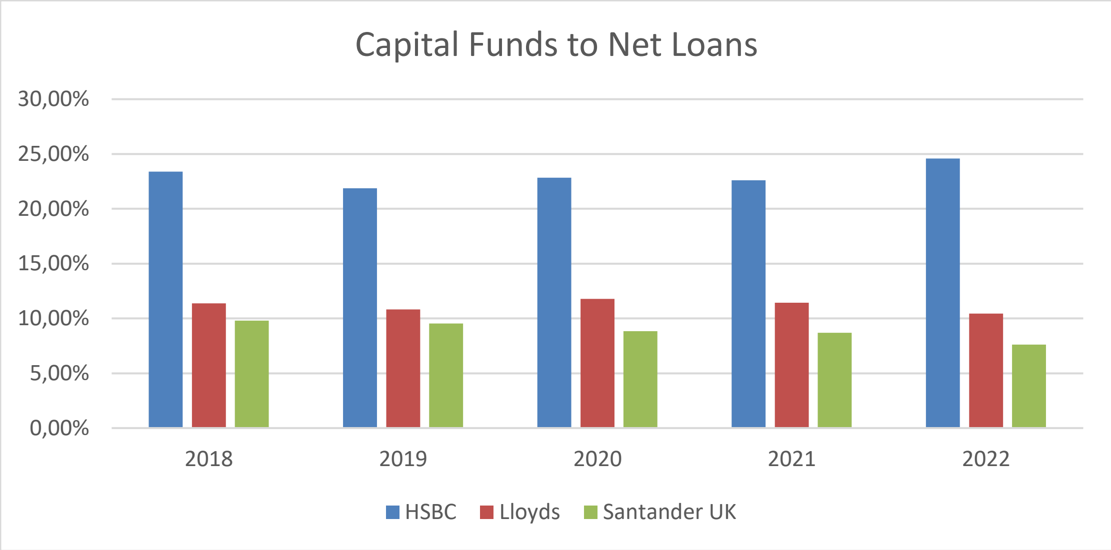
Non-Interest Income to Assets

Table 11 Non-Interest Income to Assets of HSBC, Lloyds, Santander

	2018	2019	2020	2021	2022	Rank
HSBC	1,86%	1,61%	1,54%	1,53%	1,93%	**1**
Lloyds	1,24%	1,44%	1,76%	1,35%	1,74%	**3**
Santander UK	2,42%	2,56%	2,47%	2,47%	1,80%	**2**

Source: (Orbis, 2023)

HSBC has the highest non-interest income to assets since in 2022 they got a total of $2,333 million with a management view of adjusted revenue in Wealth with a decrease of 8% and a decrease of 2% in Personal Banking due to $1.4 billion in detrimental market implications in life insurance manufacturing, regardless robust insurance sales and a $0.3 billion increase in net interest income in Global Private Banking, due to $1.4 billion in detrimental market implications in life insurance manufacturing. Markets Treasury revenue fell by $0.7 billion as a result of reduced net interest income from the consequences of higher interest rates on the financing costs and flattening curves of yield throughout every region, along with reduced disposal profits through risk management efforts. In 2019, the NII sensitivities displayed are hypothetical and based on simplified circumstances. Subsequent interest rate increases of 25 basis points and 100 basis points would boost anticipated NII for the year ending December 31, 2020 by $853 million and $2,798 million, respectively. Falls of 25bps and 100bps, on the other hand, would reduce anticipated NII for the year ending December 31, 2020 by $849m and $3,311m, respectively. When comparing December 2020 to December 2019, the sensitivity of NII grew by $20 million in the plus 100bps parallel shock and dropped by $143 million in the negative 100bps parallel shock. These fluctuations were principally driven by movements in sterling amounts as a result of changes in balance sheet composition provided by the management of liquidity.



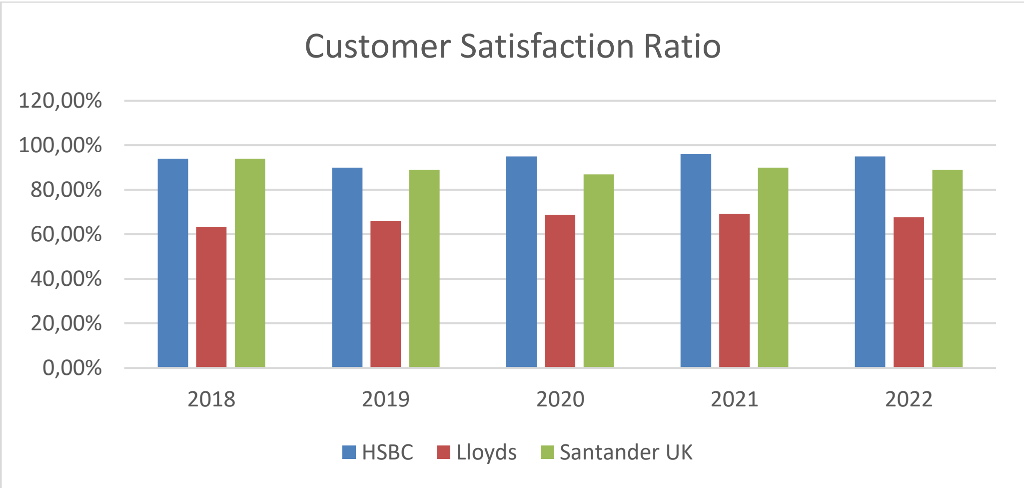
Capital Funds to Net Loans

Table 12 Capital Funds to Net Loans of HSBC, Lloyds, Santander

	2018	2019	2020	2021	2022	Rank
HSBC	23,39%	21,88%	22,84%	22,60%	24,60%	**1**
Lloyds	11,37%	10,81%	11,79%	11,43%	10,45%	**2**
Santander UK	9,81%	9,55%	8,84%	8,69%	7,60%	**3**

Source : (Orbis, 2023)

As illustrated in Table 12 above, HSBC has had the highest capital funds to net loans ratio for the last 5 years. HSBC's capital funds come from investors who have pledged $650 million to 2 HSBC Asset Management-backed natural capital funds (Marsh, 2022). While Lloyds and Santander have lower constant capital funds to net loans ratio which means that HSBC has more resources for mitigating potential loan default losses and is not excessively reliant on loans. HSBC engage the wholesale funding markets via issuing capital, senior unsecured debt, covered bonds, structured notes, and short-term funding. While HSBC's net loans and advances to customers are decreasing compared to the last 3 years to $924,854 million.



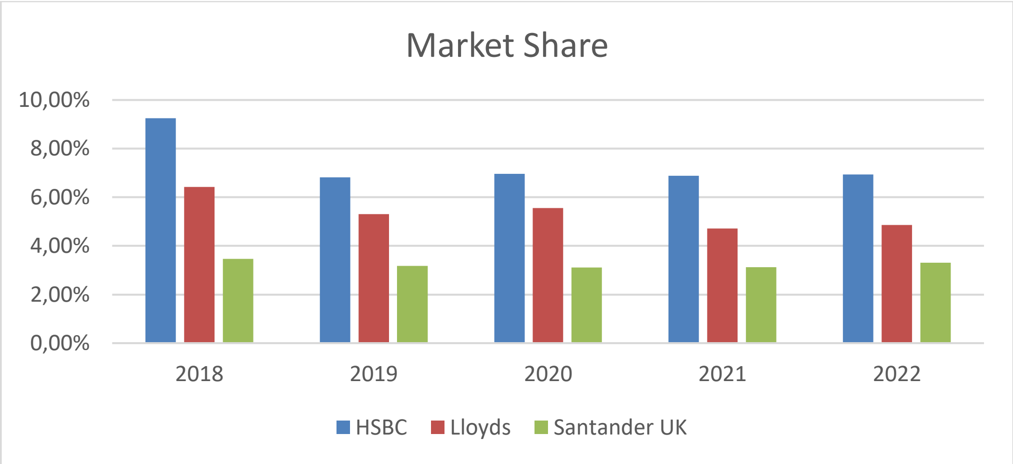
Costumer Satisfaction Ratio

Table 13 Costumer Satisfaction of HSBC, Lloyds, Santander

	2018	2019	2020	2021	2022	Rank
HSBC	94,00%	90,00%	95,00%	96,00%	95,00%	**1**
Lloyds	63,40%	66,00%	68,80%	69,30%	67,70%	**3**
Santander UK	94,00%	89,00%	87,00%	90,00%	89,00%	**2**

Source: (HSBC, 2022) (Lloyds, 2022) (Santander, 2022)

As illustrated in Table 13, the bank with the best satisfaction from customers and uses of banking services is HSBC and the bank with the least customer satisfaction is Lloyds. In some areas of the business at HSBC, the Net Promoter Score (NPS) performance which is a parameter that is used, has been favourably compared to its competitors despite a slight from the previous year (HSBC, 2022). The Wealth and Personal Banking (WPB) markets that sustained a top-three rank and improved in customer satisfaction got a better rank compared to 2021 which is now ranked 4 out of 6 compared to 2021, 5 out of 6 and HSBC has a target to be ranked top 3 and improve its rank. HSBC ranked in the top three among the primary corporate and mid-market enterprise customers in the UK, while the business banking customers had a slight decline in NPS. HSBC remain to have particular service delivery problems, notably for its business banking customers.



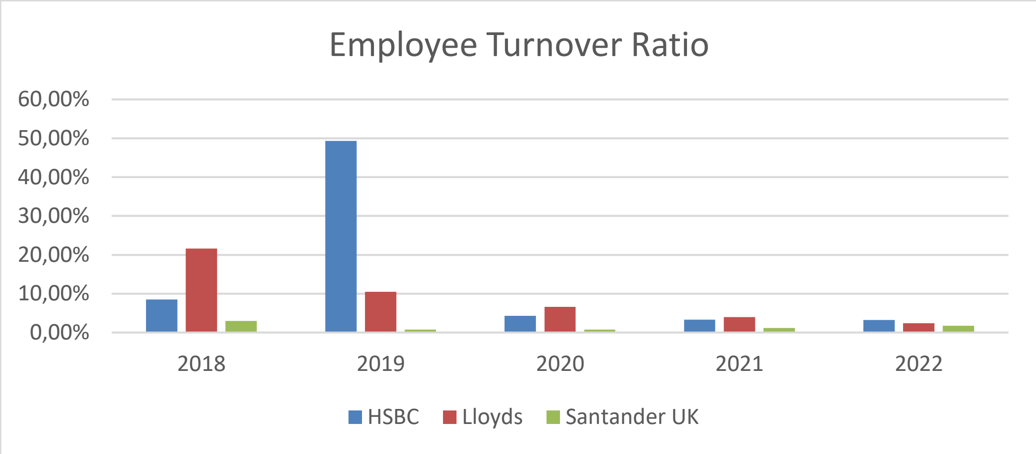
Market Share

Table 14 Market Share of HSBC, Lloyds, Santander

	2018	2019	2020	2021	2022	Rank
HSBC	9,25%	6,82%	6,96%	6,89%	6,94%	**1**
Lloyds	6,43%	5,31%	5,55%	4,71%	4,86%	**2**
Santander UK	3,46%	3,18%	3,11%	3,12%	3,31%	**3**

Source : (Orbis, 2023)

HSBC has the first position in market share compared to its competitors, even though it has a decline from 2018 and stay constant for the last 4 years as shown in Table 14. Comparing these 3 banks, HSBC has a better ability to attract and grow its customer base. HSBC's business achieved £27.9 billion in gross mortgage lending in 2022, relatively the same as the prior year's amount of £27.6 billion. It assisted first-time purchasers in closing on almost 12,000 residences, which it attributed to the increase of its intermediary coverage to 870 brokers and it also had net mortgage growth of £7.4 billion last year. The average loan-to-value ratio for new mortgages was 67%, while the whole mortgage portfolio had an LTV of 50%. Mortgages were the least sensitive to economic uncertainty because collateral values, or the fair worth of an item against which a loan is secured, were flexible.



Employee Turnover Ratio

Table 15 Employee Turnover Ratio of HSBC, Lloyds, Santander

	2018	2019	2020	2021	2022	Rank
HSBC	8,47%	49,31%	4,31%	3,34%	3,20%	**3**
Lloyds	4,64%	3,47%	6,57%	3,97%	2,40%	**2**
Santander UK	3,01%	0,78%	0,72%	1,19%	1,73%	**1**

Source: (HSBC, 2022) (Lloyds, 2022) (Santander, 2022)

Santander has had the lowest rate of employee resignation for the last 5 years since it is really concerned with employee wellbeing which was proved by its success in making a free app-based service delivering sessions with a mental health specialist, physiotherapist, private general practitioner, and a medical second opinion service accessible to all employees at Santander. As seen in Table 15, there is a big number of employee turnover at HSBC in 2019 and it was due to its surge of resignations as a result of low incentive payouts. HSBC provides a one-time payment of £1,500 to around half of its UK employees to assist them during the cost-of-living crisis, but executives have warned of more employment reductions. It will impact around 48% of UK-based employees or approximately 17,000 people.

Compariosn Table for Financial and Non-Financial Ratios for HSBC, Lloyds, and Santander

Rank Indicator	HSBC	Lloyds	Santander
Financial Ratios			
Capital Adequacy			
Total Capital Ratio	**3**	**2**	**1**
Tier 1 Ratio	**2**	**3**	**1**
Asset Quality			
Non-Performing Loan	**1**	**2**	**3**

Loan Loss Reserve	**3**	**2**	**1**
Management Capability			
Net Interest Margin	**3**	**1**	**2**
Revenue per Employee	**1**	**2**	**3**
Earning Quality			
Return on Assets	**3**	**1**	**2**
Return on Equity	**3**	**1**	**2**
Liquidity			
Cost to Income Ratio	**3**	**2**	**1**
Liquidity Coverage Ratio	**3**	**2**	**1**
Sensitivity			
Non-Interest Income to Assets	**1**	**3**	**2**
Capital Funds to Net Loans	**1**	**2**	**3**
Non-Financial Ratios			
Customer Satisfaction Ratio	**1**	**3**	**2**
Market Share	**1**	**2**	**3**
Employee Turnover	**3**	**2**	**1**

PESTLE Analysis
Political

Government regulation has an impact on the position of the banking sector. The government has the authority to intervene in banking problems at any time, leaving the industry vulnerable to political influence. This encompasses bribery inside political groups as well as specific legislative provisions including labour regulations, obstacles to trade, taxes, and political stability (Wiley, 2021). Brexit has negative consequences for the UK banking industry, as it results in over 440 banking and finance firms shifting to the EU from the UK, and banks have relocated an estimated £900 billion in assets from the UK to the EU, while insurance companies and asset managers have relocated over £100 billion in assets and cash (Hamre & Wright, 2021).

Economic

Since the banking sector impacts practically every aspect of an economy, numerous economic indicators may be used to analyse investments made by banks. Interest rates, inflation, and overall economic productivity and growth are all key factors (Ross, 2021). Banks may benefit from a higher interest rate environment because it increases the amount of money they can make from the loans they make. The Bank of England hiked UK interest rates to 4.5%, and the Bank now forecasts inflation to reach above 5% by the end of the year (Guardian, 2023). Higher inflation and interest rate forecasts around the world have had an impact on Expected Credit Loss (ECL) and credit quality as has the ensuing economic instability and could result in less demand for lending and have an adverse effect on bank profitability (Holdings plc, 2020). The UK's level of unemployment may affect borrowers' capacity to repay their debts, raising the credit risk to banks. Bank of England estimates that the growth remained poor, with annual rates unable to break 1% during the next three years, and unemployment would increase from 3.8 to 4.5 per cent by 2026 (Leitenstorfer et al., 2023).

Social

Many societal issues can affect the effectiveness and reputation of UK banks. The demand for banking services and products may be affected by the demographic show of the UK population (Paola Serafino, 2019). Older consumers might have amassed considerable assets throughout their entire lives and might need specialised services for wealth management to oversee their investments and assets (Deloitte, 2015). The ongoing global impact of COVID-19 poses numerous issues for banks and the financial services sector as a whole. In response to the impact of COVID-19, UK banks have implemented a customer relationship management strategy and implemented methods that are expected to influence consumer behaviour in the banking sector that includes distinctive approaches to advertising and branding throughout the pandemic and repayment of loan relaxation for clients (Darwish & Bayyoud, 2023).

Technological

The impact of digital technology on the level of rivalry and contestability in the financial markets could be significant. The opportunity for efficiency to increase through innovation, increased supply diversity, and a more competitive financial system that results in a market expansion enhancing financial inclusion can be provided by the digital transformation (OECD, 2020). With a rising focus on digital channels and mobile banking solutions, technological advancements have completely changed how banking products and services are offered. Banks are growing increasingly susceptible to cyberattacks and data breaches due to the increased usage of digital technologies. In order to safeguard client information and stop financial fraud, banks must invest in cybersecurity safeguards. In fact, the possibility of systemic issues resulting from cyberattacks and significant data leaks will be prevalent if banking advances towards a platform-based system (OECD, 2020). According to Finastra, cybercrime prevention holds 26% of banks' main challenges with 200 banks that had been surveyed (Finastra, 2019). Financial institutions spend an average of £1,900 annually per full-time employee on cybersecurity, which is a significant expense for a challenger bank (Deloitte, 2020). Banks are beginning to realise the advantages of cloud-based digital solutions, which may cut lead times to a few days or even a few hours and banks must advocate their cloud endeavours and give the funds for change. Technological advancements have permitted new entrants into the banking business as well as new goods and services which is a challenge for banks to attract, maintain, and innovate customers (Holdings plc, 2020).

Environmental

Environmental issues have grown into a more essential consideration for the UK banking industry, and they play a vital role in allocating resources towards more sustainable technology. The physical distribution of cash and coin throughout the economy is the direct contribution of banking and finance to emissions. The Bank of England has considered carbon emissions created by the cash system and implemented several innovations, such as the introduction of polymer £5 and £10 notes (Bank of England, 2017). Climate change is becoming a more significant factor as climate change-related destruction of properties and businesses, particularly storm-related effects may raise the risk of loan defaults and the viability of insurance products. It is viewed as a financial concern by 70% of UK banks but only 10% of UK banks have developed a long-term strategic strategy to control the financial risks posed by climate change (Mullan, et al., 2021).

Regulation

In order to promote financial stability, safeguard consumer interests, and maintain the integrity of the financial system, banks in the UK are subject to a thorough regulatory framework (Bank of England, 2022). The regulatory authorities also perform stress testing exercises and capital adequacy criteria to make sure banks are capable of enduring unfavourable economic conditions in the aftermath of economic downturns and systemic risks (Bank of England, 2022). The Prudential Regulation Authority (PRA) issued a consultation that enacted the final Basel III reforms in 2022 and included a number of substantial adjustments to the risk-weighted asset calculation (Lloyds Banking Group, 2017). Due to the recent run of bank collapses, The Basel Committee on Banking Supervision, which establishes global standards, has stated that it is evaluating recent events to determine whether there are any valuable lessons to be learnt and laws that should be strengthened (Noonan, 2023).

KESIMPULAN

In total, there are 12 financial ratios that have been analyzed through CAMELS and 3 non-financial ratios that assessed the 3 banks; HSBC, Lloyds, and Santander. For financial ratios in 2022, HSBC has 4 leading ratios in non-performing loans, revenue per employee, non-interest income to assets, and capital funds to net loans ratio, while Lloyds has 3 leading ratios in net interest margin, return on assets, and return on equity, and Santander has 5 leading ratios in all capital adequacy ratios, loan loss reserve, and all liquidity ratios. The financial and non-financial performance of HSBC, Lloyds, and Santander were affected during the COVID-19 pandemic but they have recovered from the pandemic, especially when the Bank of England lowered its interest rates and they maximize their banking technology for the transaction of its customer. The indication of limitations found in this research is that there are only 3 banks that are used to analyze that might not reflect the overall condition of the UK banking industry.

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