



UK Bank stocks... Is now the time to buy?

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UK Bank stocks have taken large drops right across the board as the fallout from the Credit Suisse and SVB bank situation continues to rattle investors, but for those with their eyes on the long-term prize, the short-term movement could easily offer some great entries. However, a word of caution, bank stocks are in the eye of the storm at the moment and will indeed see further volatility in the near term. That all being said long-term value looks appealing.

The key to trying to make an entry into these stocks lies in waiting to see the moves calm down and floors become established on the charts. In this report, we look at the major UK bank stocks, how far they've fallen and what the opportunity is.

Barclays Plc (BARC)

Company Profile

Barclays PLC is a UK-based global financial services provider. The firm is engaged in various operations including retail banking, credit cards, wholesale banking, investment banking, wealth management, and investment management services. The Company operates in two main divisions, which include Barclays UK and Barclays International, supported by its service company, Barclays Execution Services.

Barclays UK houses the UK Personal Banking, UK Business Banking and Barclaycard Consumer UK businesses. Barclays International consists of its corporate and investment bank and consumer, cards, and payments businesses. Barclays Execution Services provides technology, operations, and functional services to businesses. Its functions include consumer banking and payment services.

One thing that sets Barclays apart from the UK's other banks is its large and sometimes successful investment bank. Investment banking is seen as the riskier but more lucrative cousin of retail banking. Instead of mortgages and current accounts, it involves things like advice on takeovers, raising debt and equity for large corporations and trading bonds and shares.

Analysts Targets.

Barclays' share price receives a lot of coverage with 18 analysts across the industry offering target prices. The average for the 12-month target price is 237.5p with the top-end target prices of 300p and the bottom-end target of 150p. At the time of writing the share were trading at @148.58p.

Fall in Recent Trading

- Shares are currently down 32%+
- 3 Month high = 192p
- 3 Month low = 128p



Lloyds Bank (LLOY)

Company Profile

Lloyds Banking Group plc is a UK-based retail and commercial financial services, provider. The Company provides a range of banking and financial services in the UK and a small selection of locations overseas. The group offer its services through a range of brands, including Lloyds Bank, Halifax, Bank of Scotland and Scottish Widows.

It operates through three key segments: Retail, Commercial Banking, and Insurance and Wealth. The retail arm offers a range of financial service products, including current accounts, savings, mortgages, motor finance and unsecured consumer lending to personal and small business customers. The Commercial Banking arm provides a range of products and services, such as lending, transactional banking, working capital management, risk management and debt capital markets services to small and medium enterprises (SMEs), corporates and financial institutions. The Insurance and Wealth arm offers insurance, investment and wealth management products and services.

Analysts Targets.

Currently, there are 19 analysts across the industry offering target prices. The average for the 12-month target price is 60p with the top-end target prices of 100p and the bottom-end target of 42p. At the time of writing the share were trading @42.75p

Fall in Recent Trading

- Shares are currently down 18%+
- 3 Month high = 54p
- 3 Month low = 43.5p



Standard Chartered (STAN)

Company Profile

Standard Chartered Plc engages in the provision of banking and financial services. It operates through the following segments: Corporate and Institutional Banking, Retail Banking, Commercial Banking, Private Banking, and Central and Other Items. The Corporate and Institutional Banking segment supports clients with transaction banking, corporate finance, financial markets, and borrowing needs. The Retail Banking segment offers digital banking services such as deposits, payments, financing products and wealth management, as well as supporting business banking needs. The Commercial Banking segment consists of international financial solutions in areas such as trade finance, cash management, financial markets, and corporate finance. The Private Banking segment comprises a suite of investment, credit, and wealth planning solutions. The Central and Other Items segment comprises corporate centre costs, treasury markets, treasury activities, certain strategic investments, and the UK bank levy. The company was founded on November 18, 1969, and is headquartered in London, United Kingdom.

Analysts Targets.

Currently, there are 16 analysts across the industry offering target prices. The average for the 12-month target price is 861pp with the top-end target prices of 991p and the bottom-end target of 550p. At the time of writing the share were trading @601p

Fall in Recent Trading

- Shares are currently down 28%+
- 3 Month high = 797p
- 3 Month low = 580p



HSBC BANK (HSBA)

Company Profile

HSBC Holdings plc (HSBC) is a banking and financial services company. The Company's sectors include Wealth and Personal Banking, Commercial Banking and Global Banking and Markets. WPB provides a range of retail banking and wealth management services, including insurance and investment products, global asset management services, investment management and private wealth solutions for customers. CMB offers a range of products and services to serve the needs of commercial customers, including small and medium-sized enterprises, mid-market enterprises and corporates. These include credit and lending, international trade and receivables finance, commercial insurance and investments. GBM provides tailored financial solutions to government, corporate and institutional clients and private investors worldwide. The Company operates across various geographical regions, which include Europe, Asia-Pacific, Middle East and North Africa, North America and Latin America.

Analysts Targets.

There are 16 analysts across the industry offering target prices. The average for the 12-month target price is 718p with the top-end target prices of 891p and the bottom-end target of 550p. At the time of writing the share were trading @579p

Fall in Recent Trading

- Shares are currently down 20%+
- 3 Month high = 652p
- 3 Month low = 511p



NatWest Group (NWG)

Company Profile

NatWest Group plc is a UK-based bank. The Company is principally engaged in providing a range of banking and other financial services to personal, business and commercial customers. Its segments include Retail Banking, Private Banking, Commercial Banking, RBS International (RBSI), NatWest Markets (NWM), Central items & others and Ulster Bank RoI. Its Retail Banking segment serves personal customers in the UK and includes Ulster Bank customers. The private Banking segment serves UK-connected high-net-worth individuals and their business interests. Its Commercial Banking segment serves start-ups, small and medium enterprises (SME), and commercial, corporate and institutional customers. The RBSI segment serves retail, commercial, and corporate customers in the Channel Islands, Isle of Man and Gibraltar, and financial institution clients in those same locations. The NWM segment helps corporate and institutional customers manage their financial risks.

Analysts Targets.

There are 18 analysts across the industry offering target prices. The average for the 12-month target price is 377.5p with the top-end target prices of 510p and the bottom-end target of 300p. At the time of writing the share were trading @250p

Fall in Recent Trading

- Shares are currently down 22%+
- 3 Month high = 311p
- 3 Month low = 237.5p



Key Considerations

Regulation

The first consideration to be made is that the UK banks (especially the bigger banks) have faced tougher regulations since 2008 and this is designed to prevent them from failing. The UK banking sector is far more stringently regulated than it was, but no two crises are the same, and SVB Financial in the US didn't fail due to its assets, it failed due to a lack of liquidity. That's why investors need to be mindful that whilst the regulations put in place to avoid a repeat of 2008 may not be wholly relevant to the current situation. The threat to the banking sector at the moment comes from liquidity.

Too Big to Fail?

There's also a general view that most of the major institutions are "too big to fail" so the central banks and/or governments in each case will have no choice but to shore them up if necessary. Now whilst this can be true looking at the recent bailout of Credit Suisse it doesn't seem to offer much favour to shareholders. The SVB situation also seems to collaborate with this view. In the US, customers who had deposited with SVB have to some extent been protected, however, the bank's shareholders haven't been bailed out in any way.

A Run on the Banks?

For a run on the banks to become an issue the first thing you need to ask is, Are the customers of the UK banks about to demand their deposits in a way that causes a liquidity crisis? In the current climate, I don't think we are going to see big queues outside the banks demanding deposits back. Let's remember that The US bank failures came from tech start-ups needing their deposits back and UK banks have much less exposure to these businesses.

Summary

Make no mistake, the news flow justifies the pullbacks and right now, shares in UK banks have seen some considerable drops and are back trading at some attractive prices. While I think this could be a great opportunity, the risk is still there. In the short term, the biggest risk facing UK banks is that a liquidity crisis might cause them to fail. If that happens, it would be a disaster for shareholders. However, there are key takeaways to support why the trickle-through to UK banks could be more limited.

The current issues and liquidity concerns in the banking sector are different to any previous banking crisis we have seen, or may well remember. What we are seeing with the drops however is that those companies closer to the eye of the storm, or perceived to have more potential exposure are dropping more, hence Barclays with its US Trading arm is now seeing drops on the share price far more than Lloyds, which primarily serves the average UK customer.

The overall profile of SVB bank, the bank at the heart of the crisis is considerably different to the profile of standard UK banks. SVB found itself heavily reliant on institutional deposits from tech start-ups, which added to a highly risky bond programme which also added fuel to the fire. This gave SVB two issues, high reliance on customer deposits and high exposure to falling bond prices, both these issues add to the degree of separation from UK banks.

The serious discount can be seen as a risk premium as buying in at current levels offers investors far more risk than in normal conditions, but on the other side, there is also far more potential reward. Anyone looking at these shares right now must consider that before buying and operating with patience when it comes to getting in, perhaps not committing the full investment amount straight away and looking more to stage the entry.

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