

UK BANKS POST BREXIT

Business as usual?



The UK banking sector has, on the whole, taken a pragmatic view on the post-Brexit economy. Clearing banks emphasise their strong business and well managed balance sheets, with the message that they are very much open for business. Most banks are continuing to take a positive view with lending appetite based on an objective assessment of those deals / credits which are put in front of them. The consensus seems to be that there will be opportunities for financing where it is felt that UK assets are undervalued (due to both the relative weakness of sterling and listed assets suffering from general market turbulence) - foreign investors / private equity houses likely to be particularly active.

Many bank contacts anticipate that any prevailing uncertainty should lift in the medium term as it becomes clear that the process of Brexit will take some time and UK market fundamentals are still sound. Furthermore, any pressure on UK domestic discretionary spend may be offset by the relative attractiveness of spending in the UK economy for foreign tourists / investors / buyers of UK exports given the current pressure on sterling. In sponsor-backed leveraged finance, some uptick in activity is expected in certain areas of the market as prices adjust (most likely at the lower mid market end) but there is an acknowledgement that it will take time for vendor expectations to re-align with bidders.

The overriding message from UK banks is business as usual - there is expected to be no drastic action to pull back from core UK business lending. Indeed, one might expect that banks will be keen to be seen as supportive of UK PLC in what is widely viewed as a fundamentally strong economy.

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