

Index of charts and tables

Charts

	Overview	5			
1	The phases of the crisis	5	1.18	Personal insolvencies in England and Wales	25
2	US residential mortgage-backed securities (RMBS) issuance	6	1.19	Interest payment change on refinancing of two-year sub-prime mortgages	25
3	Global collateralised debt obligation issuance	6	1.20	90+ days arrears on UK non-conforming residential mortgage-backed securities, by vintage	26
4	US sub-prime mortgage delinquencies and home equity loan index spreads	6	1.21	Loan to income ratios for UK first-time buyers	26
5	Range of delinquency rates on mortgages backing US sub-prime securities	7	1.22	Firms with interest payments greater than profits: share of corporate debt	27
6	Residential mortgage-backed securities spreads across selected countries	7	1.23	US forward corporate credit spreads	27
7	Comovement between option-implied volatility across assets	8	1.24	UK commercial property prices	27
8	Financial market liquidity	8	1.25	Initial rental yield on commercial property and the swap rate	28
9	US\$-denominated commercial paper and Fed funds rate	9	1.26	Development pipeline — city offices	28
10	US\$-denominated commercial paper outstanding	9	1.27	EME sovereign external bond spreads by rating	28
11	Spreads of international three-month interbank rates to three-month expected policy rates	9			
	Box A		2	Structure of the financial system	29
1	Northern Rock: balance sheet growth and liability structure — June 1998-June 2007	10	2.1	Major UK banks' aggregate balance sheet as at end-June 2007	29
2	Five-year credit default swap premia	10	2.2	Major UK banks' exposures as a share of total assets as at end-June 2007	30
3	Relative equity prices	11	2.3	Sterling intraday liquidity buffers	31
12	Major UK banks' credit default swap premia	12	2.4	Major UK banks' customer funding gap	31
13	Major UK banks' wholesale funding as a percentage of total funding	13	2.5	Major UK banks' wholesale funding by maturity and securitisation end-2006	31
14	Major UK banks' Tier 1 capital ratios	13			
15	Risk premium on three-month UK interbank lending	14	Box 3		
16	Corporate credit availability	14	A	Major UK banks' participation as lead arrangers in global leveraged lending	32
17	LCFIs and major UK banks' credit default swap premia	15	B	Major UK banks' issuance of residential mortgage-backed securities and growth in mortgage lending	32
			2.6	Major UK banks' credit default swap premia	34
1	Shocks to the financial system	16	2.7	UK corporate borrowing rates	34
1.1	GDP growth forecasts	16	2.8	Annual growth in major UK banks' lending to UK non-financial companies	35
1.2	Official and expected interest rates	16	2.9	Annual growth in major UK banks' lending to UK households	35
1.3	Government bond yields	17	2.10	Effective mortgage spread	35
1.4	US residential mortgage delinquency rate	17	2.11	Major UK banks' annual write-off rates	36
1.5	US sub-prime mortgage delinquency rates by originator	17	2.12	Major UK banks' 'large exposures' by type of counterparty	36
1.6	Comovement between option-implied volatility across assets	18	2.13	Major UK banks' and LCFIs' credit default swap premia	37
1.7	Sterling corporate bond spreads by rating	18	2.14	LCFIs' issuance of RMBS backed by sub-prime lending	37
1.8	Contributions to change in credit default swap premia	18	2.15	LCFIs' Value-at-Risk	37
1.9	Prices of US sub-prime mortgage credit default swaps	19	2.16	LCFIs' revenue sources	38
1.10	Monthly returns on a hypothetical portfolio of sub-prime mortgage credit default swaps	19	2.17	LCFIs' return on common equity	38
1.11	Global CDO issuance	19	2.18	Monthly return on hedge fund strategies	39
	Box 1		3	Prospects for the UK financial system	40
A	Size of global securities markets	20	3.1	The phases of the crisis	40
1.12	US\$-denominated commercial paper outstanding	21	3.2	Major UK banks' pre-tax return on equity	41
	Box 2		3.3	UK banks average equity prices	41
A	Distribution of losses on mortgages underlying sub-prime RMBS	22	3.4	Stylised sub-prime securitisation chain	41
1.13	US asset-backed commercial paper and UK interbank risk premia	23	3.5	Asset-backed securities issuance	42
1.14	Risk premium on three-month UK interbank lending	23	3.6	US sub-prime mortgage delinquencies and home equity loan index spreads	43
1.15	Forecasts of US corporate profit growth	23	3.7	iTraxx LevX five-year indices bid-ask spreads	44
1.16	Yen-funded carry trade 'attractiveness' index	24	3.8	Financial market liquidity	44
1.17	US international capital inflows	24	3.9	Major UK banks' credit default swap premia	45
			3.10	Wholesale funding versus equity price changes	45

3.11	Major UK banks' Tier 1 capital ratios	45
3.12	FSA survey on factors affecting capital ratios	46
3.13	Corporate write-offs and insolvency rates	46
Box 4		
A	Impact of 'severe stress scenarios' affecting vulnerabilities	47
3.14	Corporate credit availability	48
3.15	Annual interest cost of a representative new £1 billion leveraged buyout deal	48
Box 5		
A	Distribution of households with secured arrears, by income and mortgage debt	49
B	Sensitivity of estimated mortgage arrears rates to interest rates	49
3.16	Decomposition of UK high-yield bond spreads	50
3.17	US GDP growth uncertainty	51
4	Mitigating risks to the UK financial system	53
4.1	Financial Stability Forum	53
Box 6		
A	Ratings downgrades of US sub-prime residential mortgage-backed securities by tranche of 2006 vintage	56
B	Historical probability of a Moody's rating downgrade of more than one notch	57
4.2	Daily volumes in CLS	63
4.3	Daily volumes in CREST	63
4.4	Monthly volumes in London Clearing House	63
4.5	Spreads of international three-month interbank rates to three-month expected policy rates	65

Tables

	Overview	5
A	Key lessons from recent events	12
B	Price changes of risky assets	13
C	Estimated capital and funding impact on major UK banks of unanticipated balance sheet expansion	14
D	Key vulnerabilities in the period ahead: change in assessment since April 2007	15
1	Shocks to the financial system	16
Box 1		
1	Size of asset classes referenced by collateralised debt obligations	21
Box 2		
1	Modelled prices of sub-prime RMBS tranches	22
2	Structure of the financial system	29
Box 3		
1	Estimated capital and funding impact on major UK banks of unanticipated balance sheet expansion	33
2.A	LCFIs' market shares as lead arrangers and book runners	38
3	Prospects for the UK financial system	40
3.A	Collateralised loan obligation investor profile	42
3.B	Key vulnerabilities in the period ahead: change in assessment since April 2007	52
4	Mitigating risks to the UK financial system	53
4.A	Market Wide Exercise 2006: progress on follow-up issues	64
4.B	Deposit insurance in the Group of Ten	66