Bank Liabilities Survey

Survey results | 2013 Q1

BANK OF ENGLAND

BANK OF ENGLAND

Bank Liabilities Survey

2013 Q1

Developments in banks' balance sheets are of key interest to the Bank of England in its assessment of economic conditions. Changes in the price, quantity and composition of banks' liabilities may affect their willingness or ability to lend, and the price of lending. The aim of this survey is to improve understanding of the role of bank liabilities in driving credit and monetary conditions, complementing the existing *Credit Conditions Survey*. The first section of the survey provides information on developments in the volume and price of bank funding, covering both wholesale market funding and deposits from households and companies. The second section covers developments in the loss absorbing capacity of banks as determined by their capital positions. The third section provides information on the price charged to their business units to fund the flow of new loans, sometimes referred to as the 'transfer price'. Developments in banks' transfer prices are an important factor in determining the cost of borrowing for firms and households.

This report presents the results of the 2013 Q1 survey. The 2013 Q1 survey was conducted between 8 February and 1 March 2013.

Additional background information on the survey can be found in the 2013 Q1 *Quarterly Bulletin* article 'The Bank of England *Bank Liabilities Survey*'.

This report, covering the results of the 2013 Q1 survey, and copies of the questionnaires are available on the Bank's website at
www.bankofengland.co.uk/publications/Pages/other/monetary/bls/default.aspx.

The publication dates in 2013 for future *Bank Liabilities Surveys* are:

2013 Q2 survey on 27 June 2013
2013 Q3 survey on 3 October 2013

BANK OF ENGLAND

Bank Liabilities Survey

2013 Q1

Funding

- UK banks and building societies reported that their total funding volumes had remained broadly unchanged over the past three months: a significant rise in retail deposit volumes had been offset by a significant reduction in volumes of 'other' funding. Lenders expected a significant further fall in 'other' funding to drive a slight reduction in total funding volumes in 2013 Q2.
- The cost of raising funds had fallen. Lenders reported that spreads — relative to appropriate reference rates — on retail funding and 'other' funding had fallen significantly in 2013 Q1. A further significant reduction in retail spreads was expected in Q2, but 'other' funding costs were expected to stay flat.
- In deposit markets, lenders reported that the supply of deposits from households, firms and other financial companies had risen significantly, with a further significant rise expected in Q2. This rise in supply from households and firms was consistent with the reported rise in the volume and fall in spreads on retail deposits in Q1.
- In wholesale markets, lenders reported that the tenor of their funding was broadly unchanged in Q1, but the proportion of long-term issuance was expected to rise significantly in Q2.
- Investor demand for wholesale debt rose significantly in Q1, with a further rise in investor demand expected in Q2.

Capital

- Lenders reported that their total capital levels had remained broadly unchanged in Q1, but were expected to rise in Q2.
- The balance of profits, losses, deductions and charges related to banks' UK operations had pushed down on the level of total capital in Q1. But regulatory drivers, such as the transition to Basel III, had pushed up significantly on lenders' demand for capital. Investors' demand for capital was reported to have risen across investor type, and was expected to rise further in Q2.

Transfer pricing

- Lenders reported that the cost charged to their business units to fund the flow of new loans (the 'transfer price') fell significantly in 2013 Q1, and was expected to fall further over the next three months.

This report presents the results of the 2013 Q1 survey. The 2013 Q1 survey was conducted between 8 February and 1 March 2013. The results are based on lenders' own responses to the survey. They do not necessarily reflect the Bank of England's views on developments in bank liabilities. To calculate aggregate results, each lender is assigned a score based on their response. Lenders who report that conditions have changed 'a lot' are assigned twice the score of those who report that conditions have changed 'a little'. These scores are then weighted by lenders' market shares. The results are analysed by calculating 'net percentage balances' — the difference between the weighted balance of lenders reporting that, for example, volumes were up/down. The net percentage balances are scaled to lie between ±100.

This report, and copies of the questionnaires are available on the Bank's website at www.bankofengland.co.uk/publications/Pages/other/monetary/bls/default.aspx.

Bank Liabilities Survey

In the three months to the beginning of March, lenders reported that their total funding volumes had remained broadly unchanged. Total funding volumes were expected to fall slightly in 2013 Q2. The average cost of retail deposit funding was reported to have fallen significantly, with further significant falls expected next quarter. Reported falls in retail deposit spreads were consistent with a significant reported rise in the supply of retail funding from households and firms. In wholesale funding markets, the cost of issuance had fallen significantly in Q1. Lenders reported that the tenor of wholesale funding was broadly unchanged in Q1, but was expected to lengthen significantly in Q2. Investor demand for bank debt had risen significantly, and was expected to rise further over the next three months. Lenders reported that their total capital levels had remained broadly unchanged in Q1, although levels were expected to rise in Q2. The price charged to banks' business units to fund the flow of new loans (the 'transfer price') fell significantly in Q1, and was expected to fall further in Q2.

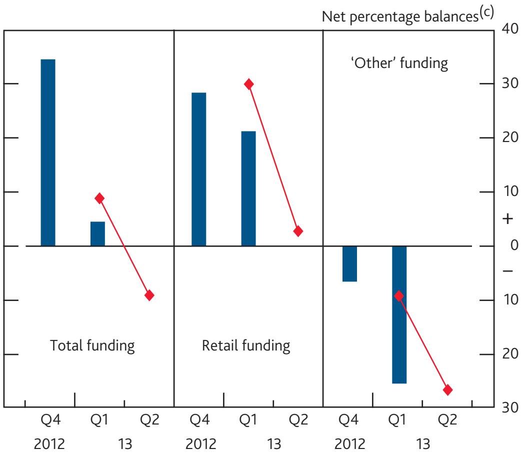
The *Bank Liabilities Survey* was conducted between 8 February 2013 and 1 March 2013. For further details of the survey and its design please see the 2013 Q1 edition of the *Bank of England Quarterly Bulletin* article on the *Bank Liabilities Survey*.(1)

Funding

Banks fund themselves via wholesale and retail markets. Wholesale market funding is provided by larger investors who range from other banks to pension funds and insurance companies, hedge funds and sovereign wealth funds.(2) Banks' ability to raise funding will influence their capacity to lend and the terms of that lending, which, in turn, will affect companies' and households' spending and saving decisions.(3) This section explores key developments in banks' funding over the past three months and their expectations for 2013 Q2.

UK banks and building societies reported that their total funding volumes had remained broadly unchanged over the past three months. A significant increase in retail deposit volumes had been offset by a significant reduction in 'other' funding volumes (wholesale debt funding, wholesale deposits and funding via central bank operations) (**Chart 1**). Over the coming quarter, total funding volumes were expected to fall

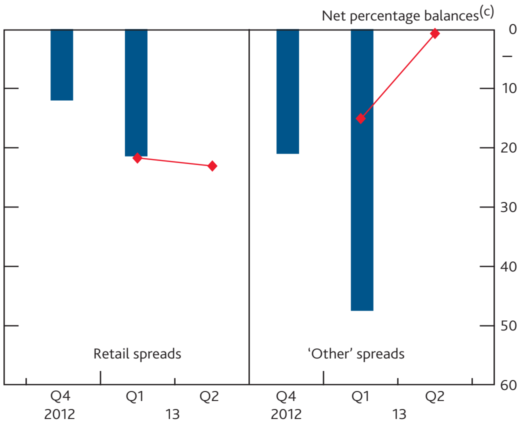
Chart 1 Funding volumes(a)(b)



(a) Net percentage balances are calculated by weighting together the responses of those lenders who answered the question. The blue bars show the responses over the previous three months. The red diamonds show the expectations over the next three months. Expectations balances have been moved forward one quarter so that they can be compared with the actual outturns in the following quarter.
(b) Question: 'How have funding volumes changed?'.
(c) A positive balance indicates an increase in funding volumes.

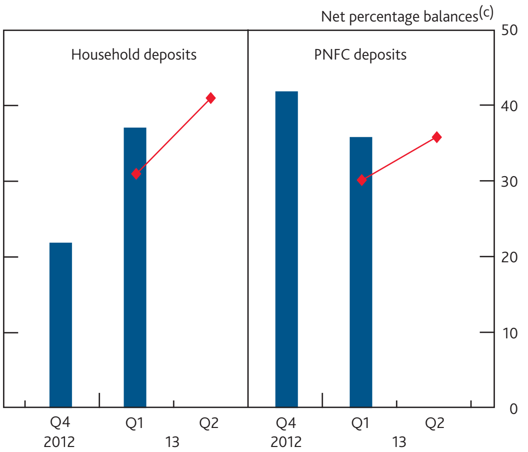
(1) See Bell, V Butt, N and Talbot, J (2013), 'The Bank of England *Bank Liabilities Survey*', *Bank of England Quarterly Bulletin*, Vol. 53, No. 1, pages 68–76.
(2) Short-term wholesale funding (less than twelve months maturity), can be raised via deposits from other banks or other financial corporations (OFCs) or using liquid instruments such as certificates of deposit, or short-term repo. Long-term wholesale funding (greater than twelve months maturity) is typically raised via issuance of debt securities, though long-term repo or securities lending allow banks to obtain funding against existing liquid securities. Banks also use household and private non-financial corporations' (PNFCs') retail deposits as a means of funding.
(3) Developments in banks' provision of credit are covered in the Bank of England's *Credit Conditions Survey*. The 2013 Q1 survey will be released on 3 April.

Chart 2 Funding costs[(a)(b)]



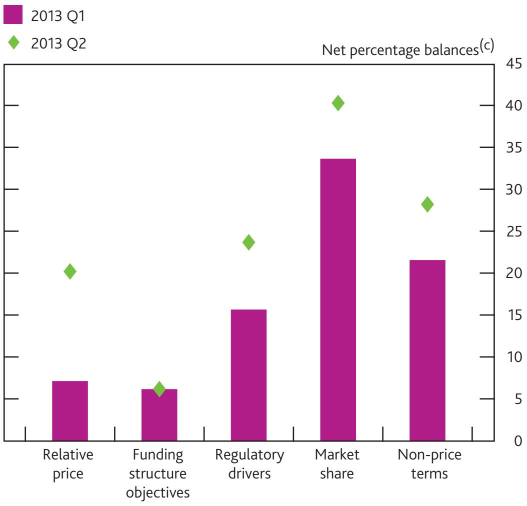
(a) See footnote (a) to **Chart 1**.
(b) Question: 'How has the average cost of funding changed?'
(c) A positive balance indicates an increase in funding costs.

Chart 3 Supply of deposits[(a)(b)]



(a) See footnote (a) to **Chart 1**.
(b) Question: 'Which of the following [supply] factors have been important reasons for changes in the volumes of household/PNFC deposits that you have raised?'
(c) A positive balance indicates a positive contribution to deposit volumes from the supply of deposits.

Chart 4 Factors affecting lenders' demand for household deposits[(a)(b)]



(a) Net percentage balances are calculated by weighting together the responses of those lenders who answered the question.
(b) Question: 'Which of the following [demand] factors have been important reasons for changes in the volumes of household/PNFC deposits that you have raised?'.
(c) A positive balance indicates a positive contribution to deposit volumes from the selected demand factor.

slightly, driven by a further significant fall in volumes of 'other' funding.

Lenders reported that spreads — relative to appropriate reference rates — on retail funding and 'other' funding had fallen significantly in 2013 Q1 (**Chart 2**). Lenders noted that the Funding for Lending Scheme was one factor which had helped to push down on funding costs. A further significant reduction in retail spreads was expected in Q2, but 'other' funding spreads were expected to be unchanged.

Deposits

The reported rise in the volume of retail funding and fall in retail deposit spreads was consistent with the significant reported rise in the supply of deposits from households and firms (PNFCs) (**Chart 3**). This supply of deposits was expected to rise significantly further in Q2. Lenders commented that subdued consumer spending and a preference for low-risk, liquid savings structures were contributing to the growth in supply of household deposits.

In terms of lenders' demand for household deposits, an increased desire for market share, together with a relaxation of the non-price terms which lenders are required to offer on deposits (consistent with the rise in deposit supply), pushed up significantly on deposit volumes in Q1 (**Chart 4**).[(1)] Regulatory factors, related to a continued drive to reduce the proportion of wholesale funding, also contributed positively to lenders' demand. Each of these factors, together with the price of household deposits relative to the cost of other liabilities, was expected to push up significantly on deposit volumes in Q2.

The price of deposits relative to the cost of other liabilities, and desire for increased market share, were reported by lenders to have been significant drivers of the volume of PNFC deposits in Q1. Strategic decisions to change funding structures had also made a positive contribution. Each of these factors was expected to push up on deposit volumes in Q2.

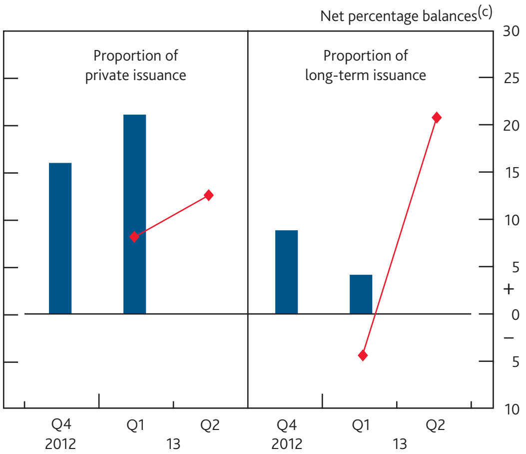
Wholesale markets

In wholesale markets, lenders reported that the tenor of funding was broadly unchanged and the proportion of their funding issued in private markets had risen significantly in Q1 (**Chart 5**).[(2)] Lenders expected the proportion of long-term issuance to rise significantly, and the proportion of private issuance to increase further, in Q2.

Lenders reported a significant rise in investor demand for their wholesale debt in Q1 (**Chart 6**), across both UK and non-UK investors. Lenders commented that continued strong investor

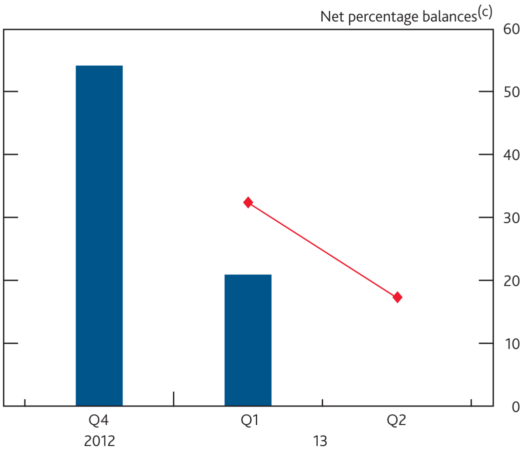
(1) Non-price terms could include factors such as the terms and conditions on withdrawals from deposit accounts, or improved ancillary services provided on business accounts.
(2) For example, via private placement issues rather than via public issuance in debt capital markets.

Chart 5 Changes in the proportion of new wholesale funding issuance[(a)(b)]



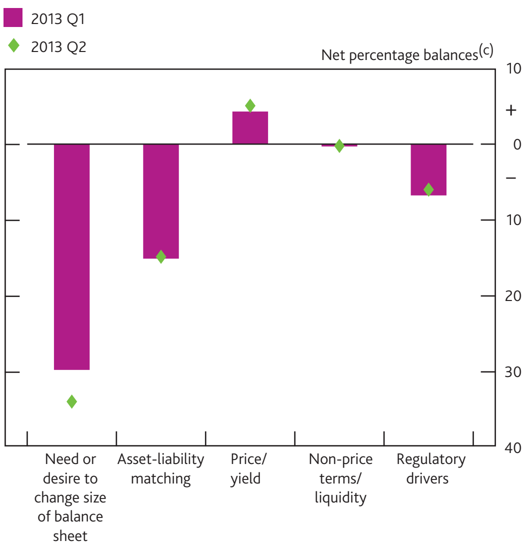
(a) See footnote (a) to **Chart 1**.
(b) Question: 'How have the proportions of wholesale market funding (excluding central bank operations) raised through the following sources changed?'.
(c) A positive balance indicates an increase in the proportion of new issuance accounted for by private issuance (long-term issuance).

Chart 6 Investor demand for UK banks' debt[(a)(b)]



(a) See footnote (a) to **Chart 1**.
(b) Question: 'How has demand for your wholesale debt from [all] investors changed?'.
(c) A positive balance indicates an increase in investor demand for banks' wholesale debt.

Chart 7 Demand factors affecting banks' issuance of short-term wholesale funding[(a)(b)]



(a) Net percentage balances are calculated by weighting together the responses of those lenders who answered the question.
(b) Question: 'Which of the following [demand] factors have affected your issuance of short-term wholesale debt funding?'.
(c) A positive balance indicates a positive contribution to debt issuance from the selected demand factor.

demand, combined with a lack of issuance, had contributed to the fall in spreads on wholesale debt. Demand from investors was expected to rise further in Q2.

Lenders reported that certain demand factors — changes in balance sheet size and an increased desire to match the maturity of their assets and liabilities — had contributed negatively to their issuance of short-term wholesale debt in Q1 (**Chart 7**).[(1)] Regulatory factors had also pushed down slightly on issuance volumes. These factors were expected to continue to reduce demand for short-term funding in Q2. Supply factors — investor demand for short-term debt and market access — had contributed positively to short-term debt issuance in Q1. And both of these factors were expected to contribute positively and significantly in Q2.[(2)]

Lenders reported that reductions in balance sheet size had a significant negative impact on issuance of long-term wholesale debt in Q1, while price and non-price terms had made a slight positive contribution. These factors were expected to contribute in a similar way towards long-term debt usage in Q2, with the addition of a positive impact on issuance from regulatory drivers, related to the term of liabilities. The reported impact of market access and investor demand on lenders' issuance of long-term debt was broadly unchanged in Q1, but was expected to increase in Q2.

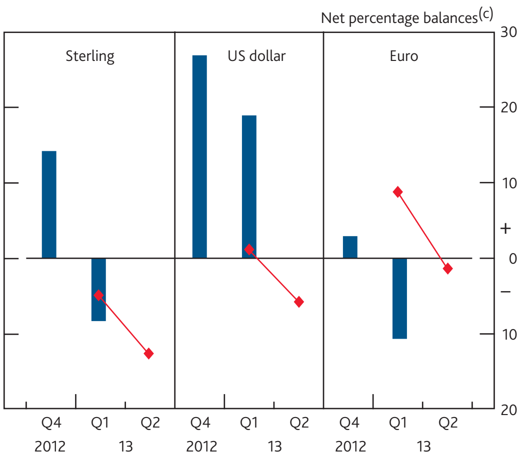
The currency composition of wholesale debt funding was reported to have shifted over the last quarter. Dollar volumes rose, while issuance in other currencies, including sterling, fell (**Chart 8**). Lenders reported that the relative cost of funds had a slight negative impact on non-sterling issuance,[(3)] although differences in investor demand across currency markets had a slight positive impact. In Q2, lenders expected to reduce their use of sterling currency markets. The relative cost of funds, as well as better market access, was expected to contribute positively to non-sterling issuance in Q2.

Capital

Banks issue capital, a liability, as a source of financing which acts as a buffer against losses incurred on the asset side of their balance sheets. The level of capital a bank chooses may be affected by a range of factors, including the size of its balance sheet and the riskiness of its assets. Banks' capital positions affect how investors perceive their resilience. Hence, those perceptions may affect banks' funding costs and the price and availability of credit to households and companies. In addition, the costs of capital — both the cost of issuance

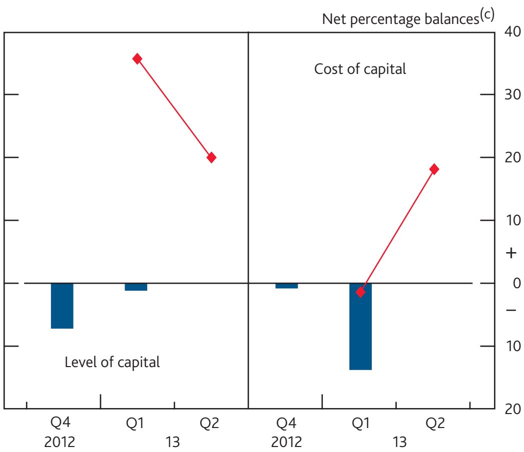
(1) Banks may alter the maturities, or duration, of their liabilities and assets to some degree to manage their maturity mismatch and interest rate risk.
(2) For details on other developments in sterling short-term money markets, please see the Money Market Liaison Group Sterling Money Market Survey: www.bankofengland.co.uk/publications/Pages/other/mmlg/default.aspx.
(3) Here, the relative cost of funds excludes changes which are due to currency swap markets.

Chart 8 Changes in the currency denomination of wholesale funding[(a)(b)]



(a) See footnote (a) to **Chart 1**.
(b) Question: 'How has the use of the following currency markets changed?'.
(c) A positive balance indicates an increase in issuance denominated in the selected currency.

Chart 9 Changes in the level and cost of banks' capital[(a)(b)]



(a) See footnote (a) to **Chart 1**.
(b) Questions: 'How has the level of total capital changed?' and 'How has the average cost of capital changed?'.
(c) A positive balance indicates an increase in banks' total levels of capital, or an increase in the cost of capital.

and costs related to risk weighting of assets — are taken into account when banks price lending.[(1)] This section explores key developments in banks' capital over the past three months and expectations for 2013 Q2.

Lenders reported that the level of their total capital was broadly unchanged over the past quarter, contrary to expectations of a significant pickup in the previous survey (**Chart 9**). Capital levels were expected to rise in Q2. While the average cost of capital was reported to have fallen in Q1, it was expected to increase in Q2.

Lenders reported that the balance of profits, losses, deductions and charges related to banks' UK operations had reduced total capital levels in Q1. But changes in the economic outlook (for example due to falls in default rates), changes in the riskiness of assets and contractions in balance sheet size, had also contributed negatively to demand for capital. Regulatory drivers, such as the move to a slotting approach for commercial real estate lending and the ongoing transition to Basel III, had acted in the opposite direction, pushing up significantly on lenders' demand for capital.

Looking ahead to Q2, lenders expected the balance of profits, losses, deductions and charges related to both UK and non-UK factors to contribute positively to total capital levels. The factors affecting lenders' demand for capital in Q2 were expected to act in a similar way to their reported impact in Q1.

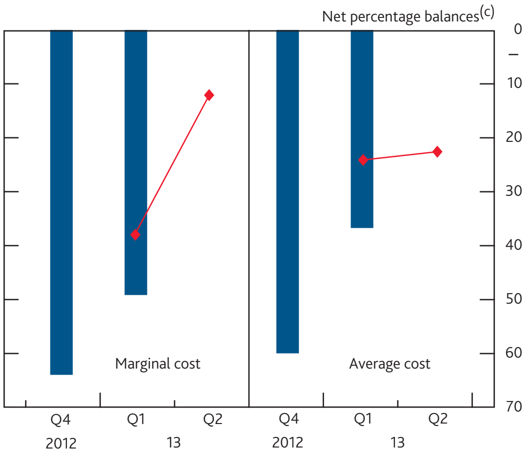
Banks' total capital positions can be split into three broad groups: Common Equity Tier 1 capital (CET1); Additional Tier 1 capital (AT1); and Tier 2 capital (T2).[(2)] The composition of banks' capital is affected by strategic decisions, regulatory changes and economic conditions, along with market conditions and investor demand. These factors made only small contributions to the mix of capital in Q1. Over the next quarter, lenders expected the outlook for the economy, as well as investor demand, to push up on the proportion of AT1 and T2 capital. Investor demand for capital was reported to have increased in Q1, and was expected to rise further in Q2.

Transfer pricing

A bank's transfer price is the marginal absolute cost charged to their business units for obtaining funding from the treasury unit, ie the cost of funding the flow of new loans.[(3)] The transfer price will therefore be a key influence on the cost of

(1) See Button, R, Pezzini, S and Rossiter, N (2010), 'Understanding the price of new lending to households', *Bank of England Quarterly Bulletin*, Vol. 50, No.3, pages 172–82.
(2) For further definitions of these terms please see the *Bank Liabilities Survey* compilation guide: www.bankofengland.co.uk/publications/Pages/other/monetary/bls/default.aspx.
(3) The transfer price can typically be broken down into the spreads on selected debt instruments, the reference rates to which those spreads are quoted and the cost of swapping fixed and floating-rate payments. For further details on transfer pricing please see Button, R, Pezzini, S and Rossiter, N (2010), 'Understanding the price of new lending to households', *Bank of England Quarterly Bulletin*, Vol. 50, No. 3, Pages 172–82.

Chart 10 Banks' marginal and average absolute costs of providing funds to business units(a)(b)



(a) See footnote (a) to **Chart 1**.
(b) Questions: 'How has the marginal absolute cost of providing funds to business units changed (sometimes referred to as the 'transfer price')?' and 'How has the average absolute cost of providing funds to business units changed?'.
(c) A positive balance indicates an increase in funding costs.

borrowing for firms and households, covered in the Bank of England's *Credit Conditions Survey*.

Consistent with lenders' reports of a reduction in the cost of raising funds, the average and marginal absolute costs of providing funds to business units (the transfer price) were reported to have fallen significantly over the past two quarters (**Chart 10**). A further fall in the marginal cost, and a significant fall in the average cost, of providing funds to business units were expected in Q2.

This reduction in the transfer price was reported to be the result of significant reductions in short-term and long-term wholesale funding spreads, as well as a fall in retail deposit spreads. Lenders expected each of these factors to continue to push down on the transfer price in Q2.

Lenders reported a wide range of responses for the average frequency at which transfer prices were updated. However, the average approximate frequency of updating across lenders was once every seven weeks.

Annex 1
Definitions and terminology

This annex provides further details of the questions referred to in the main text.

Terminology and general definitions

The following terms are used within the report:

- **Cost** — the cost to the *issuing* bank of raising money via the specified form of funding.
- **Demand factor** — a factor that influences a *bank's* need or desire for a particular volume of funding or capital, holding constant any supply factors.(1) These factors include price terms, such as the interest rate paid, spread charged or yield. And non-price terms or market liquidity are offered as potential reasons for some questions. In addition, most questions ask respondents to identify the influence of any regulatory factors in driving changes.
- **Supply factors** — typically include market access (ie whether markets are open or shut to issuers of debt) and *investor* demand in the case of wholesale debt finance or capital, and changing supply, unrelated to changes in prices, on the part of depositors for retail deposits.

Section 1 — Funding

This section refers to the following broad funding types:

- **Total funding** — all wholesale and retail funding.
- **Retail funding** — funding raised by banks in the form of deposits from households and private non-financial corporations (PNFCs).
- **Other funding** — funding in wholesale public debt capital markets, private placement markets and directly from central bank operations.

As well as the following funding instruments:

Short-term funding

- **Certificate of deposit** — a time deposit, with maturity of less than twelve months, in the form of a promissory note that is issued by banks and can be traded in secondary markets.
- **Commercial paper** — a discount instrument security, with maturity of less than twelve months, that can be traded in secondary markets.
- **Short-term repo/securities lending** — funding raised via the sale, and subsequent repurchase, of a security, or similar transaction, with term of less than twelve months.
- **Unsecured borrowing including deposits from other financial corporations (OFCs) and interbank deposits** — funding raised via deposits placed by other financial corporations and other banks.

Long-term funding

- **Long-term repo/securities lending** — funding raised via the sale, and subsequent repurchase of a security, or similar transaction, with term of greater than twelve months.
- **Structured products: structured notes** — debt instruments based on derivatives which pay coupons, and a final redemption value, linked to asset prices.
- **Structured products: other** — other structured debt instruments whose payout or structure is related to another market indicator or asset price.
- **Senior unsecured debt** — debt securities issued by banks that pay a coupon, along with a final redemption payment.
- **Asset-backed securities** — debt securities issued by special purpose vehicles, but ultimately 'sponsored' by banks (or other asset originators) that pay a coupon, along with a final redemption payment. The security is backed by, and cash flows come from, assets such as residential mortgage loans, commercial mortgage loans or credit card receivables.
- **Covered bonds** — debt securities issued by banks that pay a coupon, along with a final redemption payment. The security has an associated 'cover pool' of assets, such that the investor has dual recourse to both the issuer and the 'cover pool'.

(1) The options specified in the survey vary by question, although respondents have the option to include additional comments, which could include other factors, where relevant.

Section 2 — Capital

The following terms are used within this section:

- **Total capital** — the total *level* of capital.
- **Cost of capital** — the average cost of capital to the issuing institution.
- **Common equity Tier 1 capital** — paid-up share capital/common stock (issued and fully paid ordinary shares/common stock) and disclosed reserves created or increased by appropriations of retained earnings or other surplus (for example, share premiums, retained profit, general reserves and legal reserves).
- **Additional Tier 1 capital** — going concern capital that is not included in common equity Tier 1 (for example, perpetual non-cumulative preference shares).
- **Tier 2 capital** — subordinated instruments that meet the criteria for Tier 2 (and not Tier 1 capital) and certain loan loss provision.

This section refers to how various factors might affect a bank's actual and desired level of capital. These factors should be interpreted as follows:

Direct effects:

- **Direct effects of profits, losses, deductions and charges (UK-specific/non-UK-specific)** — how the balance of profits, losses, deductions and charges have affected the total level of capital. Deductions are defined as regulatory changes to the definition of capital: for example if a regulator defined capital more narrowly, this would reduce banks' total capital. The contribution of such factors within the United Kingdom and outside the United Kingdom is identified.

Factors that have affected banks' demand for capital:

- **Changing economic outlook** — if a bank expects the economic outlook to deteriorate then it might want to hold a higher level of total capital.
- **Strategic reasons to increase/reduce risk** — strategic reasons to change the size of a bank's capital buffer above the regulatory requirement, eg if a bank decided to hold a larger buffer, and so required more capital.
- **Regulatory drivers** — if regulatory authorities increased required capital levels then a bank may need to raise more capital.
- **Changes in size of balance sheet** — if a bank expects the size of its balance sheet to increase then it might want to hold a higher *level* of capital.
- **Changes in riskiness of assets** — this captures changes to the riskiness of assets, or their risk weighting. If regulatory risk weightings were increased then a bank might need to increase its level of capital. Additionally if a bank chose to hold riskier assets, their demand for capital might increase.

Supply factors:

- **Market conditions** — covers the effect of market access and investor demand.
- **Investor pressure to change volume of capital** — changes due to investor concerns about the ability of the respondent to absorb losses.

The section also refers to how various factors might affect the composition of a bank's capital. This question asks about whether economic conditions, strategic decisions to change the mix of capital, regulatory drivers, market conditions or investor demand have contributed positively or negatively to the *proportion* of total capital accounted for by additional Tier 1 and Tier 2 capital, as opposed to common equity Tier 1 capital.

Section 3 — Transfer pricing

The following terms are used within this section:

- **Average absolute cost** — which can be interpreted as the cost to a bank of funding the *stock* of loans.
- **Marginal absolute cost** — which can be interpreted as the cost of funding the flow of new loans, rather than the average cost of funding the stock of existing loans. This is sometimes referred to as the 'transfer price'.
- **Swaps or reference rates** — the transfer price can typically be broken down into the spreads on selected debt instruments, the reference rates to which those spreads are quoted, and the cost of swapping fixed and floating-rate payments. This question identifies the contribution to the transfer price from the latter two.

Annex 2
Bank Liabilities Survey questionnaire results

To calculate aggregate results, each bank is assigned a score based on their response. For example, banks that report that funding volumes have changed 'a lot' are assigned twice the score of those that report that volumes have changed 'a little'. The scores are weighted by banks' market shares, and the aggregate result is scaled to lie between ±100.

Positive balances indicate that banks, on balance, reported/expected volumes or proportions of funding to be higher than over the previous/current three-month period; demand or supply factors to have contributed positively to volumes; or spreads to have increased relative to the previous/current three-month period (ie become more costly).

The first *Bank Liabilities Survey* was conducted in 2012 Q4. A full set of results is available in Excel on the Bank's website at www.bankofengland.co.uk/publications/Pages/other/monetary/bls/default.aspx.

		Net percentage balances[a] 2012 Q4	2013 Q1
Funding			
1 How have funding volumes changed?[b]			
Total funding	Past three months	34.5	4.5
	Next three months	8.8	-9.1
Retail deposit funding	Past three months	28.3	21.2
	Next three months	30.0	2.7
'Other' funding	Past three months	-6.6	-25.4
	Next three months	-9.2	-26.6
2 How has the average cost of funding changed?[c]			
Retail deposit spreads relative to appropriate reference rate(s)	Past three months	-12.0	-21.5
	Next three months	-21.7	-23.1
'Other' funding spreads relative to appropriate reference rate(s)	Past three months	-21.0	-47.5
	Next three months	-15.2	-0.8
Deposits			
3 Factors contributing to changes in household deposit volumes:[d]			
Demand Factors			
Rates paid relative to the cost of other liabilities	Past three months	17.2	7.1
	Next three months	3.5	20.2
Non-price terms	Past three months	-4.4	21.6
	Next three months	2.1	28.2
Market share objectives	Past three months	27.7	33.6
	Next three months	27.1	40.3
Regulatory drivers	Past three months	-5.4	15.6
	Next three months	-5.4	23.7
Funding structure objectives (excluding those driven by regulation)	Past three months	26.2	6.2
	Next three months	18.9	6.2
Supply Factors			
Changing supply of deposits by households, unrelated to rates paid or non-price terms on those deposits	Past three months	21.8	37.0
	Next three months	30.9	40.9

		Net percentage balances(a)	
		2012 Q4	2013 Q1
4 Factors contributing to changes in private non-financial corporations (PNFCs) deposit volumes:			
Demand Factors			
Rates paid relative to the cost of other liabilities	Past three months	19.2	31.7
	Next three months	13.4	28.8
Non-price terms	Past three months	11.9	5.7
	Next three months	8.7	5.7
Market share objectives	Past three months	21.8	21.3
	Next three months	21.8	21.3
Regulatory drivers	Past three months	0.9	2.4
	Next three months	2.0	2.4
Funding structure objectives (excluding those driven by regulation)	Past three months	12.8	16.4
	Next three months	10.7	6.7
Supply Factors			
Changing supply of deposits by PNFCs, unrelated to rates paid or non-price terms on those deposits	Past three months	41.8	35.8
	Next three months	30.1	35.8
5 Factors contributing to changes in other financial corporations (OFCs) deposit volumes:			
Demand Factors			
Rates paid relative to the cost of other liabilities	Past three months	52.9	49.8
	Next three months	45.9	45.7
Non-price terms	Past three months	6.2	-6.6
	Next three months	13.4	8.4
Market share objectives	Past three months	0.3	0.3
	Next three months	14.9	16.1
Regulatory drivers	Past three months	-14.7	-14.8
	Next three months	7.0	0.3
Funding structure objectives (excluding those driven by regulation)	Past three months	25.5	24.3
	Next three months	43.5	35.7
Supply Factors			
Changing supply of deposits by OFCs, unrelated to rates paid or non-price terms on those deposits	Past three months	24.7	38.1
	Next three months	22.1	29.4

		Net percentage balances[a]	
		2012 Q4	2013 Q1

Wholesale debt funding

6 How have the proportions of wholesale market funding (excluding central bank operations) raised through the following sources changed?[e]

Proportion of private/public issuance	Past three months	16.0	21.1
	Next three months	8.1	12.5
Proportion of long-term/short-term issuance	Past three months	8.8	4.1
	Next three months	-4.4	20.8
Short-term funding			
Certificates of Deposit	Past three months	-6.3	6.5
	Next three months	-7.5	9.6
Commercial Paper	Past three months	3.9	-6.3
	Next three months	-0.2	2.4
Short-term repo/securities lending	Past three months	11.2	1.0
	Next three months	6.0	1.5
Unsecured borrowing including deposits from OFCs and interbank deposits	Past three months	-3.7	13.2
	Next three months	-7.3	-1.5
Long-term funding			
Long-term repo/securities lending	Past three months	6.8	-6.6
	Next three months	1.7	1.1
Structured products: structured notes	Past three months	-14.1	-6.6
	Next three months	-11.0	0.0
Structured products: other	Past three months	0.0	0.0
	Next three months	-6.5	0.0
Senior unsecured debt	Past three months	-8.9	14.2
	Next three months	6.6	9.8
Asset backed securities (excluding covered bonds)	Past three months	3.8	-0.5
	Next three months	-0.8	7.8
Covered bonds	Past three months	2.1	0.3
	Next three months	-6.3	-6.2

		Net percentage balances[a] 2012 Q4	2013 Q1
7 How has demand for wholesale debt from the following investors changed?[f]			
All investors	Past three months	54.1	20.9
	Next three months	32.3	17.2
UK investors	Past three months	53.0	20.9
	Next three months	32.3	17.2
Non-UK investors	Past three months	53.5	20.9
	Next three months	32.3	16.2
Breakdown			
Retail investors	Past three months	6.4	0.8
	Next three months	14.9	23.4
Other banks	Past three months	46.4	8.7
	Next three months	38.4	15.9
Money market funds	Past three months	29.4	11.3
	Next three months	29.4	15.4
Hedge funds	Past three months	43.6	8.4
	Next three months	22.3	16.1
Sovereign wealth funds	Past three months	42.5	7.7
	Next three months	29.2	16.4
Insurance companies and pension funds	Past three months	58.4	19.6
	Next three months	42.4	15.7
Other asset managers	Past three months	52.4	13.6
	Next three months	36.7	16.2

Maturity of wholesale debt funding

		2012 Q4	2013 Q1
8 Factors affecting issuance of short-term wholesale debt funding:			
Demand factors			
Need or desire to change size of balance sheet	Past three months	-24.9	-29.7
	Next three months	6.4	-33.9
Asset-liability matching	Past three months	-3.5	-15.1
	Next three months	25.5	-14.8
Price/yield	Past three months	-8.7	4.3
	Next three months	18.4	5.1
Non-price terms/liquidity	Past three months	-8.4	-0.2
	Next three months	22.4	-0.2
Regulatory drivers	Past three months	-0.3	-6.8
	Next three months	-6.5	-6.0
Supply factors			
Market access	Past three months	-5.2	5.1
	Next three months	15.0	21.4
Investor demand	Past three months	2.7	19.1
	Next three months	16.4	27.9

		Net percentage balances[a]	
		2012 Q4	2013 Q1
9 Factors affecting issuance of long-term wholesale debt funding:			
Demand factors			
Need or desire to change size of balance sheet	Past three months	-13.2	-44.0
	Next three months	-9.4	-27.3
Asset-liability matching	Past three months	9.0	-7.8
	Next three months	12.8	-6.2
Price/yield	Past three months	24.9	6.9
	Next three months	16.7	18.1
Non-price terms/liquidity	Past three months	22.8	5.3
	Next three months	15.0	8.6
Regulatory drivers	Past three months	8.5	0.3
	Next three months	0.1	17.2
Supply factors			
Market access	Past three months	11.0	0.8
	Next three months	24.3	14.3
Investor demand	Past three months	12.0	1.3
	Next three months	24.3	15.3

Currency of wholesale debt funding

10 How has the use of the following currency markets changed:[g]

		2012 Q4	2013 Q1
Sterling	Past three months	14.2	-8.3
	Next three months	-4.9	-12.6
US dollar	Past three months	26.8	18.9
	Next three months	1.1	-5.8
Euro	Past three months	2.9	-10.7
	Next three months	8.7	-1.4
Other	Past three months	6.5	-7.5
	Next three months	0.0	-7.5

		Net percentage balances[a]	
		2012 Q4	2013 Q1
11 Which of the following factors have affected non-sterling issuance:			
Changes in currency mix of assets	Past three months	0.0	0.0
	Next three months	-3.6	0.0
Relative cost of funds: due to currency swap markets	Past three months	4.2	1.1
	Next three months	-0.1	11.1
Relative cost of funds: due to other changes	Past three months	-3.3	-7.5
	Next three months	2.9	16.5
Availability of suitably rated currency swap counterparties	Past three months	-16.9	0.5
	Next three months	-23.1	-6.6
Differences in regulation in different currency markets	Past three months	0.0	0.0
	Next three months	0.0	0.0
Differences in investor demand	Past three months	28.6	5.7
	Next three months	20.6	6.4
Differences in market access	Past three months	17.2	3.5
	Next three months	9.7	13.1

		Net percentage balances[a]	
		2012 Q4	2013 Q1
Capital			
1 How has the level of total capital changed?	Past three months	-7.2	-1.2
	Next three months	35.7	19.9
2 How has the average cost of capital changed?	Past three months	-0.8	-13.8
	Next three months	-1.4	18.0
3 Factors contributing to changes in total capital:			
Direct effects on total capital			
Direct effects of profits, losses, deductions and charges (UK-specific)	Past three months	-2.2	-10.4
	Next three months	-7.5	20.1
Direct effects of profits, losses, deductions and charges (non-UK specific)	Past three months	-16.6	-0.9
	Next three months	-16.1	18.2
Factors that have affected demand for capital			
Changing economic outlook	Past three months	2.8	-20.2
	Next three months	-11.3	-19.2
Strategic decisions to increase/reduce risk	Past three months	7.6	-2.2
	Next three months	20.1	-3.6
Regulatory drivers	Past three months	9.8	21.2
	Next three months	29.8	20.2
Changes in size of balance sheet	Past three months	-23.4	-11.5
	Next three months	-14.6	-10.3
Changes in riskiness of assets	Past three months	-15.5	-25.9
	Next three months	-9.0	-25.9
Supply factors			
Market conditions	Past three months	15.1	3.3
	Next three months	7.5	-4.2
Investor pressure to change volume of capital	Past three months	0.8	0.0
	Next three months	0.8	1.5

		Net percentage balances[a]	
		2012 Q4	2013 Q1
4 How has the demand for total capital from the following investors changed?			
All investors	Past three months	29.1	19.5
	Next three months	19.6	18.8
UK investors	Past three months	29.1	15.1
	Next three months	20.4	25.4
Non-UK investors	Past three months	36.7	27.0
	Next three months	27.2	26.3
Breakdown			
Retail investors	Past three months	28.7	11.9
	Next three months	0.8	11.1
Other banks	Past three months	29.1	15.1
	Next three months	19.6	18.0
Hedge funds	Past three months	35.9	27.0
	Next three months	27.2	27.0
Sovereign wealth funds	Past three months	28.3	15.1
	Next three months	19.6	19.5
Insurance companies and pension funds	Past three months	29.1	15.1
	Next three months	19.6	18.0
Other asset managers	Past three months	28.3	15.1
	Next three months	27.2	26.3
5 Factors affecting the proportion of total capital accounted for by additional Tier 1 and Tier 2 capital instruments:			
Changing economic outlook	Past three months	-6.8	0.0
	Next three months	0.8	14.2
Strategic decisions to change mix of capital	Past three months	9.4	2.8
	Next three months	13.8	-4.8
Regulatory drivers	Past three months	-8.0	-6.8
	Next three months	5.0	6.8
Market conditions	Past three months	8.3	9.0
	Next three months	1.0	7.4
Investor demand	Past three months	8.3	9.0
	Next three months	0.2	13.4

		Net percentage balances[a]	
		2012 Q4	2013 Q1

Transfer price

		2012 Q4	2013 Q1
1 How has the average absolute cost of providing funds to business units changed?	Past three months	-60.0	-36.7
	Next three months	-24.1	-22.6
2 How has the marginal absolute cost of providing funds to business units changed (sometimes referred to as the 'transfer price')?	Past three months	-63.9	-49.1
	Next three months	-38.0	-12.1
3 Factors affecting the marginal absolute cost of providing funds to business units (sometimes referred to as the 'transfer price')			
Common equity capital	Past three months	n.a.*	n.a.*
	Next three months	n.a.*	n.a.*
Debt capital	Past three months	-1.1	n.a.*
	Next three months	0.0	n.a.*
Retail deposit spreads relative to appropriate reference rate(s)	Past three months	-28.5	-19.7
	Next three months	-10.2	-9.9
Short-term wholesale funding spreads relative to appropriate reference rate(s)	Past three months	-33.4	-26.9
	Next three months	-15.5	-18.8
Long-term secured wholesale funding spreads relative to appropriate reference rate(s)	Past three months	-31.3	-25.6
	Next three months	-16.3	-6.9
Long-term unsecured wholesale funding spreads relative to appropriate reference rate(s)	Past three months	-63.2	-40.4
	Next three months	-29.7	-25.1
Swaps or other reference rates	Past three months	-41.5	-7.3
	Next three months	-1.1	1.5
4 At what approximate frequency do you currently update the marginal absolute cost of providing funds to business units (sometimes referred to as the 'transfer price')?[h]			
Frequency of transfer price update (days)	Past three months	48.0	49.4

* Data are unpublished for this question as too few responses were received.

(a) Net percentage balances are calculated by weighting together the responses of those banks who answered the question by their market shares. Positive balances indicate that banks, on balance, reported/expected volumes or proportions of funding to be higher than over the previous/current three-month period; demand or supply factors to have contributed positively to volumes; or spreads to have increased relative to the previous/current three-month period (ie become more costly).
(b) A positive balance indicates an increase in volume.
(c) A positive balance indicates an increase in cost.
(d) A positive balance indicates a positive contribution to volumes from the selected factor.
(e) A positive balance indicates an increase in the proportion of new issuance accounted for by private issuance/long-term issuance/funding instrument.
(f) A positive balance indicates an increase in investors' demand for banks' wholesale debt.
(g) A positive balance indicates an increase in issuance denominated in the selected currency.
(h) Unlike the other questions in this survey, banks were asked to select the frequency at which they updated their transfer price. A weighted average response was then calculated in terms of number of days, based on lenders' market shares.

ISSN: 2052-3483 (online)