

Bank Liabilities Survey

Survey results | 2013 Q2



BANK OF ENGLAND





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Bank Liabilities Survey

2013 Q2

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 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 internal price charged to business units within individual banks 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 Q2 survey. The 2013 Q2 survey was conducted between 10 May and 31 May 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 Q2 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 Q3 survey on 3 October 2013



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Bank Liabilities Survey

2013 Q2

Funding

- UK banks and building societies reported that their total funding volumes had fallen in the three months to end-May. Although retail deposit volumes had risen significantly, these had been more than offset by a significant reduction in volumes of 'other' funding. Lenders expected a further fall in funding volumes in 2013 Q3.
- The cost of raising funds had continued to fall. Spreads — relative to appropriate reference rates — on retail funding fell significantly in the three months to end-May, and were expected to fall significantly further over the next three months. Many lenders also reported a fall in 'other' funding costs over the past quarter, with a further fall expected in Q3.
- Lenders reported that the supply of deposits from households and firms had pushed up significantly on the volume of deposits raised in Q2. Desire for market share and the non-price terms which lenders choose to offer on household deposits had also contributed significantly to the volume of household deposits raised.
- Lenders reported a rise in investor demand for wholesale debt funding in Q2, and demand was expected to rise further in Q3.

Capital

- Lenders reported that their total capital levels had increased significantly in Q2 and were expected to increase significantly further in Q3.
- The balance of profits, losses, deductions and charges related to banks' UK and non-UK operations was reported to have made a marked positive contribution to changes in total capital in Q2. However, improvements in the economic outlook; as well as a reduction in risk appetite; the riskiness of assets; and the size of lenders' balance sheets had acted to reduce lenders' demand for capital. The drivers of lenders' demand for capital were expected to be broadly similar in Q3.

Transfer pricing

- Lenders reported that the internal price charged to business units to fund the flow of new loans (the 'transfer price') fell significantly in 2013 Q2 and was expected to fall significantly further over the next three months, driven by significant falls in funding costs.

This report presents the results of the 2013 Q2 survey. The 2013 Q2 survey was conducted between 10 May and 31 May 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 end of May, lenders reported that their total funding volumes had fallen: a significant rise in retail deposits had been more than offset by a significant fall in volumes of 'other' funding. Total funding volumes were expected to fall further in 2013 Q3. The cost of retail deposit funding was reported to have fallen significantly in Q2, and many lenders also reported a fall in 'other' funding costs. A further fall in funding costs was expected in Q3. Investor demand for wholesale debt had risen again in Q2, and was expected to rise further over the next quarter. Lenders reported that their total capital levels had risen significantly over the past quarter, and were expected to rise significantly further in Q3. And the internal price charged to banks' business units to fund the flow of new loans (the 'transfer price') fell significantly in Q2 with a further significant fall expected over the next quarter.

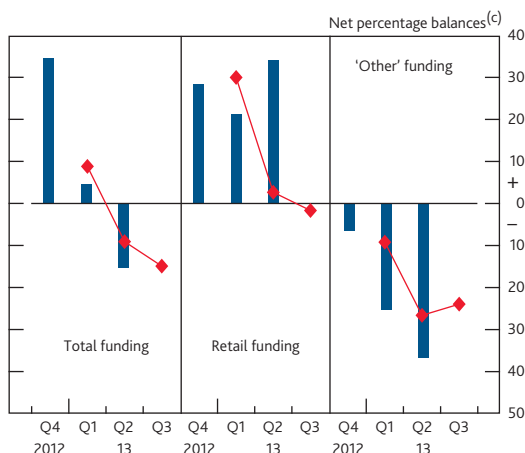
The *Bank Liabilities Survey* was conducted between 10 May 2013 and 31 May 2013. The survey and its design are discussed in more detail in the 2013 Q1 edition of the *Bank of England Quarterly Bulletin* article.⁽¹⁾

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 Q3.

UK banks and building societies reported that their total funding volumes had fallen over the past three months. Volumes of retail deposits had risen significantly, but these had been more than offset by a significant reduction in volumes of 'other' funding (**Chart 1**). 'Other' funding volumes — which include wholesale debt issuance — were expected to fall significantly further over the coming quarter, while volumes of retail deposits were expected to remain

Chart 1 Funding volumes^{(a)(b)}

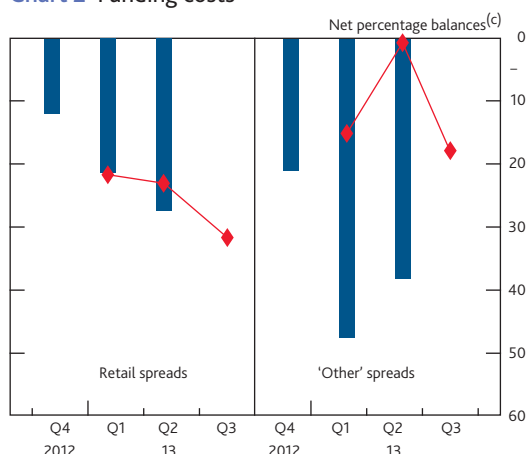


(a) Net percentage balances are calculated by weighting together the responses of those lenders who answered the question. The blue bars show the responses over the previous three months. The red diamonds show the expectations over the next three months. Expectations balances have been moved forward one quarter so that they can be compared with the actual outcomes in the following quarter.

(b) Question: 'How have funding volumes changed?'

(c) A positive balance indicates an increase in funding volumes.

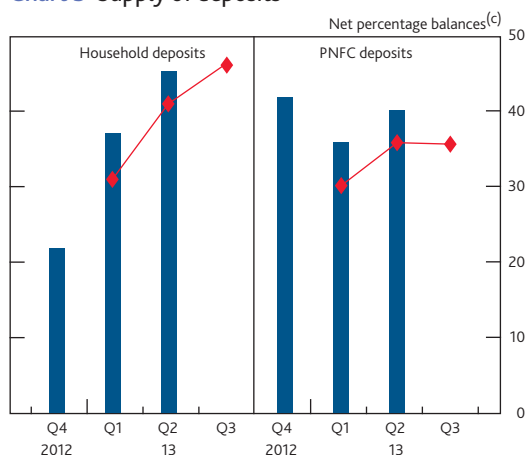
- (1) See Bell, V Butt, N and Talbot, J (2013), 'The Bank of England *Bank Liabilities Survey*', *Bank of England Quarterly Bulletin*, Vol. 53, No. 1, pages 68–76.
- (2) Short-term wholesale funding (less than twelve months maturity) can be raised via deposits from other banks or other financial corporations (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, although long-term repo or securities lending allow banks to obtain funding against existing liquid securities. Banks also use households' 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 Q2 survey will be released on 3 July.

Chart 2 Funding costs^{(a)(b)}

(a) See footnote (a) to Chart 1.

(b) Question: 'How has the average cost of funding changed?'

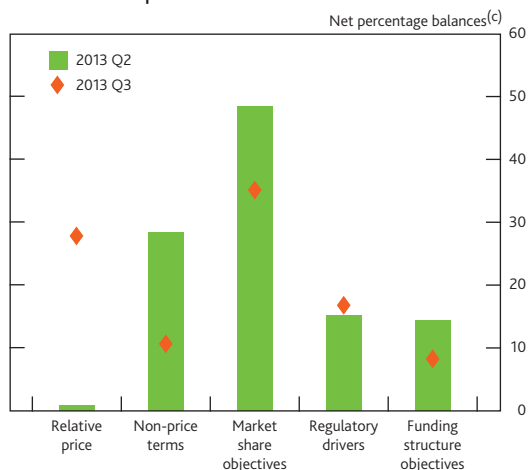
(c) A positive balance indicates an increase in funding costs.

Chart 3 Supply of deposits^{(a)(b)}

(a) See footnote (a) to Chart 1.

(b) Question: 'How has the changing supply of deposits by households/PNFCs, unrelated to rates paid or non-price terms on those deposits, contributed to 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.

unchanged. Overall, therefore, a further fall in total funding was expected.

Spreads — relative to appropriate reference rates — on retail funding were reported to have fallen significantly in Q2, continuing their downwards trend since the survey began in 2012 Q4 (Chart 2). Many lenders also reported a fall in 'other' funding costs over the past three months. 'Other' funding spreads were expected to fall further, and retail spreads to fall significantly further, next quarter.

Deposits

Lenders reported that a rising supply of deposits by households and firms (PNFCs), unrelated to the price of deposits, continued to have a marked positive impact on the volume of deposits raised in Q2 (Chart 3). This was consistent with the reported rise in volume and fall in spreads on deposits. The supply of deposits by households and firms was expected to continue to push up significantly on the volume of deposits raised over the next quarter.

The price and volume of household deposits raised will also be affected by lenders' demand for retail funding (Chart 4). Lenders reported that their desire for market share, as well as a change in the non-price terms which they choose to offer on deposits,⁽¹⁾ had pushed up significantly on the volume of household deposits raised in Q2. Regulation and strategic decisions to change funding structure had also contributed positively towards the volume of deposits raised. Each of these factors, together with a significant reduction in the cost of deposits relative to the price of other liabilities, was expected to continue to push up on deposit volumes in Q3.

The rising supply of PNFC deposits was the main factor reported to be affecting the volume of PNFC deposits raised in Q2. However, lenders' desire for market share, as well as small changes in funding structure objectives and the price of PNFC deposits relative to the cost of other liabilities were also cited as positive contributors. The rising supply of PNFC deposits, as well as desire for market share and the lower cost of PNFC deposits relative to the cost of other liabilities were expected to contribute significantly to the volume of PNFC deposits raised next quarter. Regulatory drivers were reported to be acting in the opposite direction, pushing down slightly on the volume of PNFC deposits raised in Q2 and expectations for Q3.

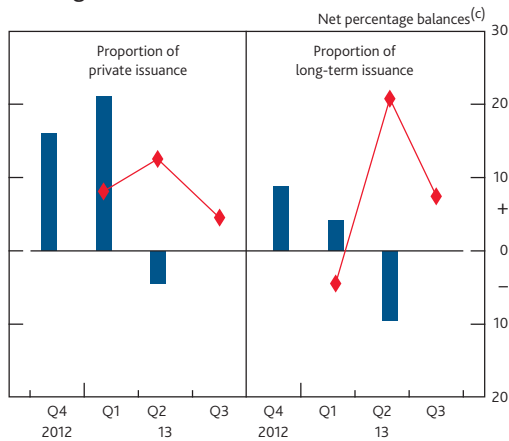
Wholesale markets

In wholesale markets, lenders reported that the proportion of their funding issued in private, rather than public, markets was broadly unchanged (Chart 5).⁽²⁾ The tenor of funding was

(1) Non-price terms could include factors such as the terms and conditions on withdrawals from deposit accounts.

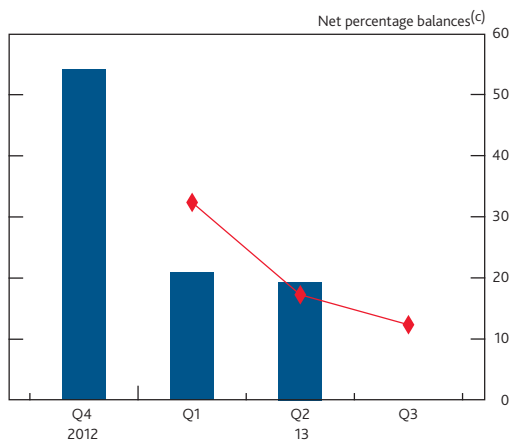
(2) For example, via private placement issues rather than via public issuance in debt capital markets.

Chart 5 Changes in the proportion of new wholesale funding issuance^{(a)(b)}



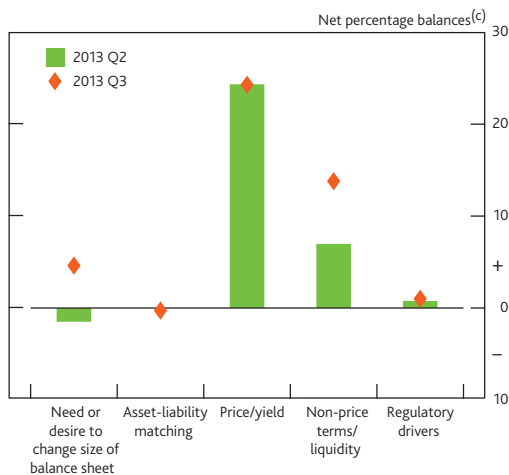
- (a) See footnote (a) to Chart 1.
 (b) Question: 'How have the proportions of wholesale market funding (excluding central bank operations) raised through the following sources changed?'.
 (c) A positive balance indicates an increase in the proportion of new issuance accounted for by private issuance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

reported to have fallen slightly, but was expected to rise slightly over the next quarter.

Lenders reported a continued rise in investor demand for their wholesale debt in Q2 (**Chart 6**), across both UK and non-UK investors. Some lenders commented that strong perceived demand was consistent with a lack of wholesale debt issuance, and was contributing towards a fall in spreads. Investor demand was expected to continue to rise over the next quarter.

Lenders reported that their desire to match the maturity of their assets and liabilities had a negative impact on their issuance of short-term wholesale debt in Q2.⁽¹⁾ However, an increase in investor demand for short-term wholesale debt had acted in the opposite direction. Each of these factors was expected to have a broadly similar influence on issuance of short-term wholesale debt in Q3.

Lenders reported that the low cost of long-term wholesale funding had been a significant positive factor behind issuance of long-term debt in Q2 (**Chart 7**), although some lenders noted that overall issuance volumes had been low. Favourable non-price terms had also made a slight positive contribution to long-term debt issuance. And these factors were expected to continue to push up on issuance in Q3.

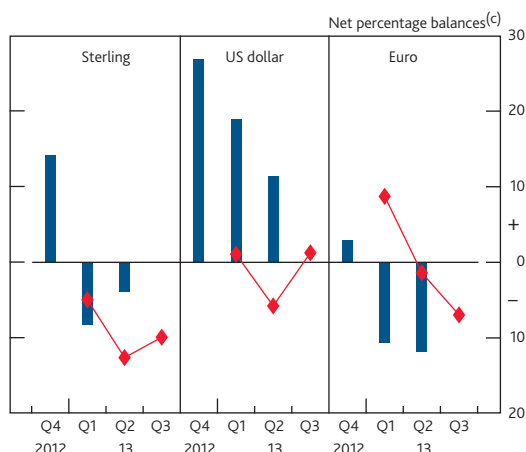
The currency composition of wholesale funding was reported to have shifted towards the US dollar in Q2, while euro denominated issuance had fallen (**Chart 8**). Lenders reported that falls in the cost of swapping foreign currency had made a marked positive contribution to their non-sterling issuance in Q2. Changes in the currency mix of assets on lenders' balance sheets, as well as stronger investor demand and better market access, had also pushed up on non-sterling issuance, while differences in regulation had a slight negative impact. Over the coming quarter, lenders expected to slightly reduce their use of both euro and sterling currency markets.

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. 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 and costs related to risk weighting of assets — are taken into account when banks price lending.⁽²⁾ This section explores key

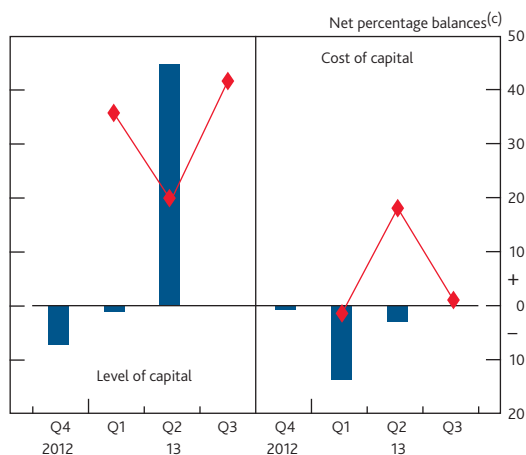
- (1) Banks may alter the maturities or duration of their liabilities and assets to some degree to manage their maturity mismatch and interest rate risk.
 (2) See Button, R, Pezzini, S and Rossiter, N (2010) 'Understanding the price of new lending to households', *Bank of England Quarterly Bulletin*, Vol. 50, No. 3, pages 172–82.

Chart 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 level of capital, or an increase in the cost of capital.

developments in banks' capital over the past three months and expectations for 2013 Q3.

Lenders reported that their total level of capital had increased significantly in Q2, a larger rise than expected last quarter (Chart 9). And capital levels were expected to rise significantly further in Q3. The average cost of capital had remained broadly unchanged in Q2 and was expected to be unchanged in Q3.

The balance of profits, losses, deductions and charges related to banks' UK and non-UK operations made a significant positive contribution to the change in total capital levels in Q2. Regulatory drivers, partly related to the recent Financial Policy Committee capital recommendations, had also contributed significantly to lenders' demand for capital (Chart 10). In contrast, a significant reduction in lenders' preferences for risk; an improvement in the economic outlook; reductions in the size of lenders' balance sheets; and a fall in the riskiness of their assets had reduced lenders' demand for capital.

Looking ahead to Q3, the drivers of lenders' demand for capital were expected to be broadly similar, although the negative impact from changes in risk preferences was expected to make less of a contribution than in Q2.

Lenders reported that investor demand for capital had increased in Q2, across investor types. Market conditions had eased slightly, although pressure from investors to change the volume of capital was reported to be unchanged.

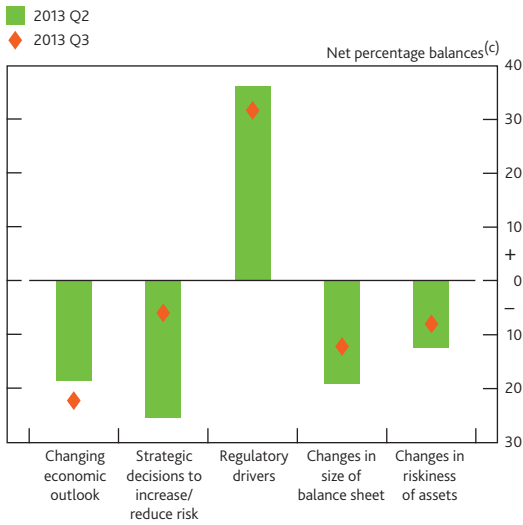
Both strategic decisions to change the mix of capital on lenders' balance sheets and regulatory factors had pushed up significantly on the proportion of total capital accounted for by Additional Tier 1 and Tier 2 capital instruments in Q2.⁽¹⁾⁽²⁾ Demand from investors had also made a positive contribution. Each of these factors, as well as a change in market conditions, was expected to raise the proportion of Additional Tier 1 and Tier 2 instruments in total capital in Q3.

Transfer pricing

A bank's transfer price is the marginal absolute cost charged internally to 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

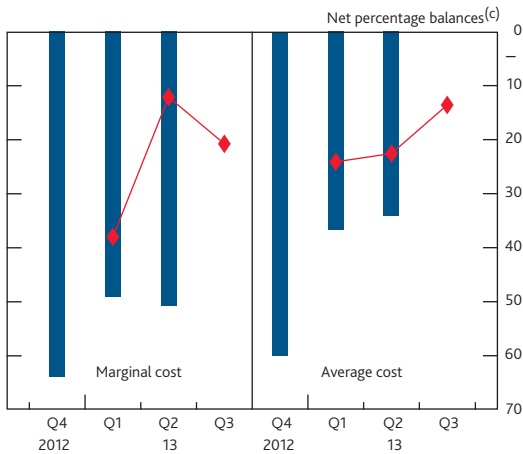
(1) Banks' total capital positions can be split into three broad groups: Common Equity Tier 1 capital (CET1), Additional Tier 1 capital (AT1) and Tier 2 capital (T2). The composition of banks' capital is affected by strategic decisions, regulatory changes and economic conditions, along with market conditions and investor demand.
 (2) For further details of these terms 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 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 Factors affecting the demand for capital^{(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 factors have been important reasons for changes to total capital/ demand for capital?'
- (c) A positive balance indicates a positive impact on capital or demand for capital caused by the selected factor.

Chart 11 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.

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

Consistent with the reported reductions in lenders' costs of raising funds over the past three quarters, the average and marginal absolute costs of providing funds to business units (the transfer price) were reported to have fallen significantly again in Q2 (**Chart 11**). A further fall in the average cost and a significant further fall in the marginal cost were expected in Q3. The reduction in the transfer price in Q2 was reported to be the result of significant falls in spreads across most funding types. In Q3, falls in the spreads on retail deposits and long-term wholesale funding were expected to continue to act to significantly reduce the transfer price.

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; non-price terms or market liquidity; and regulatory factors.
- **Supply factors** — these 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, as well as 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.

It also refers to 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, which 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 companies (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 a bank's total capital. The contribution of such factors is identified within the United Kingdom and outside the United Kingdom.

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 decisions to increase/reduce risk** — strategic decisions to change the size of a bank's capital buffer above the regulatory requirement, eg if a bank decided to hold a larger capital buffer it would require 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, its demand for capital might increase.

Supply factors:

- **Market conditions** — covers the effects 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** — this can be interpreted as the cost to a bank of funding the *stock* of loans.
- **Marginal absolute cost** — this 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	2013	
		Q4	Q1	Q2
Funding				
1 How have funding volumes changed?^(b)				
Total funding	Past three months	34.5	4.5	-15.3
	Next three months	8.8	-9.1	-14.9
Retail deposit funding	Past three months	28.3	21.2	34.1
	Next three months	30.0	2.7	-1.7
'Other' funding	Past three months	-6.6	-25.4	-36.8
	Next three months	-9.2	-26.6	-23.9
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	-27.5
	Next three months	-21.7	-23.1	-31.7
'Other' funding spreads relative to appropriate reference rate(s)	Past three months	-21.0	-47.5	-38.1
	Next three months	-15.2	-0.8	-17.9
Deposits				
3 Factors contributing to changes in household deposit volumes:^(d)				
<i>Demand factors</i>				
Rates paid relative to the cost of other liabilities	Past three months	17.2	7.1	0.9
	Next three months	3.5	20.2	27.7
Non-price terms	Past three months	-4.4	21.6	28.3
	Next three months	2.1	28.2	10.7
Market share objectives	Past three months	27.7	33.6	48.5
	Next three months	27.1	40.3	35.1
Regulatory drivers	Past three months	-5.4	15.6	15.3
	Next three months	-5.4	23.7	16.8
Funding structure objectives (excluding those driven by regulation)	Past three months	26.2	6.2	14.5
	Next three months	18.9	6.2	8.3
<i>Supply factors</i>				
Changing supply of deposits by households, unrelated to rates paid or non-price terms on those deposits	Past three months	21.8	37.0	45.3
	Next three months	30.9	40.9	46.1

		Net percentage balances ^(a)		
		2012	2013	
		Q4	Q1	Q2
4 Factors contributing to changes in private non-financial corporations (PNFCs) deposit volumes:				
<i>Demand factors</i>				
Rates paid relative to the cost of other liabilities	Past three months	19.2	31.7	8.9
	Next three months	13.4	28.8	20.6
Non-price terms	Past three months	11.9	5.7	0.8
	Next three months	8.7	5.7	0.3
Market share objectives	Past three months	21.8	21.3	16.7
	Next three months	21.8	21.3	21.1
Regulatory drivers	Past three months	0.9	2.4	-5.5
	Next three months	2.0	2.4	-5.5
Funding structure objectives (excluding those driven by regulation)	Past three months	12.8	16.4	7.4
	Next three months	10.7	6.7	8.2
<i>Supply factors</i>				
Changing supply of deposits by PNFCs, unrelated to rates paid or non-price terms on those deposits	Past three months	41.8	35.8	40.1
	Next three months	30.1	35.8	35.6
5 Factors contributing to changes in other financial corporations (OFCs) deposit volumes:				
<i>Demand factors</i>				
Rates paid relative to the cost of other liabilities	Past three months	52.9	49.8	31.0
	Next three months	45.9	45.7	16.8
Non-price terms	Past three months	6.2	-6.6	-6.2
	Next three months	13.4	8.4	-7.7
Market share objectives	Past three months	0.3	0.3	0.3
	Next three months	14.9	16.1	0.3
Regulatory drivers	Past three months	-14.7	-14.8	-15.0
	Next three months	7.0	0.3	-20.4
Funding structure objectives (excluding those driven by regulation)	Past three months	25.5	24.3	9.8
	Next three months	43.5	35.7	10.6
<i>Supply factors</i>				
Changing supply of deposits by OFCs, unrelated to rates paid or non-price terms on those deposits	Past three months	24.7	38.1	36.3
	Next three months	22.1	29.4	22.4

		Net percentage balances ^(a)		
		2012	2013	
		Q4	Q1	Q2
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	-4.4
	Next three months	8.1	12.5	4.5
Proportion of long-term/short-term issuance	Past three months	8.8	4.1	-9.5
	Next three months	-4.4	20.8	7.4
<i>Short-term funding</i>				
Certificates of Deposit	Past three months	-6.3	6.5	-5.7
	Next three months	-7.5	9.6	-8.7
Commercial Paper	Past three months	3.9	-6.3	11.5
	Next three months	-0.2	2.4	7.0
Short-term repo/securities lending	Past three months	11.2	1.0	9.4
	Next three months	6.0	1.5	6.1
Unsecured borrowing including deposits from OFCs and interbank deposits	Past three months	-3.7	13.2	-6.7
	Next three months	-7.3	-1.5	-0.3
<i>Long-term funding</i>				
Long-term repo/securities lending	Past three months	6.8	-6.6	1.0
	Next three months	1.7	1.1	-3.1
Structured products: structured notes	Past three months	-14.1	-6.6	0.0
	Next three months	-11.0	0.0	-4.8
Structured products: other	Past three months	0.0	0.0	0.0
	Next three months	-6.5	0.0	-4.8
Senior unsecured debt	Past three months	-8.9	14.2	4.7
	Next three months	6.6	9.8	0.0
Asset-backed securities (excluding covered bonds)	Past three months	3.8	-0.5	-7.3
	Next three months	-0.8	7.8	-2.5
Covered bonds	Past three months	2.1	0.3	-6.5
	Next three months	-6.3	-6.2	-1.8

		Net percentage balances ^(a)		
		2012	2013	
		Q4	Q1	Q2
7 How has demand for wholesale debt from the following investors changed?^(f)				
All investors	Past three months	54.1	20.9	19.3
	Next three months	32.3	17.2	12.3
UK investors	Past three months	53.0	20.9	12.4
	Next three months	32.3	17.2	5.4
Non-UK investors	Past three months	53.5	20.9	19.3
	Next three months	32.3	16.2	11.3
<i>Breakdown</i>				
Retail investors	Past three months	6.4	0.8	4.6
	Next three months	14.9	23.4	-0.5
Other banks	Past three months	46.4	8.7	0.9
	Next three months	38.4	15.9	-0.2
Money market funds	Past three months	29.4	11.3	13.1
	Next three months	29.4	15.4	8.1
Hedge funds	Past three months	43.6	8.4	0.9
	Next three months	22.3	16.1	12.8
Sovereign wealth funds	Past three months	42.5	7.7	8.4
	Next three months	29.2	16.4	12.3
Insurance companies and pension funds	Past three months	58.4	19.6	7.9
	Next three months	42.4	15.7	5.1
Other asset managers	Past three months	52.4	13.6	7.9
	Next three months	36.7	16.2	5.1

Maturity of wholesale debt funding

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	-7.5
	Next three months	6.4	-33.9	1.8
Asset-liability matching	Past three months	-3.5	-15.1	-19.6
	Next three months	25.5	-14.8	-19.6
Price/yield	Past three months	-8.7	4.3	-5.2
	Next three months	18.4	5.1	0.3
Non-price terms/liquidity	Past three months	-8.4	-0.2	1.1
	Next three months	22.4	-0.2	1.1
Regulatory drivers	Past three months	-0.3	-6.8	2.8
	Next three months	-6.5	-6.0	2.8

Supply factors

Market access	Past three months	-5.2	5.1	1.6
	Next three months	15.0	21.4	6.5
Investor demand	Past three months	2.7	19.1	12.5
	Next three months	16.4	27.9	5.7

		Net percentage balances ^(a)		
		2012	2013	
		Q4	Q1	Q2
9 Factors affecting issuance of long-term wholesale debt funding:				
<i>Demand factors</i>				
Need or desire to change size of balance sheet	Past three months	-13.2	-44.0	-1.5
	Next three months	-9.4	-27.3	4.6
Asset-liability matching	Past three months	9.0	-7.8	0.0
	Next three months	12.8	-6.2	-0.3
Price/yield	Past three months	24.9	6.9	24.3
	Next three months	16.7	18.1	24.3
Non-price terms/liquidity	Past three months	22.8	5.3	7.0
	Next three months	15.0	8.6	13.8
Regulatory drivers	Past three months	8.5	0.3	0.8
	Next three months	0.1	17.2	1.0
<i>Supply factors</i>				
Market access	Past three months	11.0	0.8	-0.3
	Next three months	24.3	14.3	4.2
Investor demand	Past three months	12.0	1.3	-0.3
	Next three months	24.3	15.3	12.3

Currency of wholesale debt funding

10 How has the use of the following currency markets changed:^(e)

Sterling	Past three months	14.2	-8.3	-3.9
	Next three months	-4.9	-12.6	-9.9
US dollar	Past three months	26.8	18.9	11.4
	Next three months	1.1	-5.8	1.3
Euro	Past three months	2.9	-10.7	-11.8
	Next three months	8.7	-1.4	-7.0
Other	Past three months	6.5	-7.5	0.0
	Next three months	0.0	-7.5	0.0

		Net percentage balances ^(a)		
		2012	2013	
		Q4	Q1	Q2
11 Which of the following factors have affected non-sterling issuance:				
Changes in currency mix of assets	Past three months	0.0	0.0	14.5
	Next three months	-3.6	0.0	14.5
Relative cost of funds: due to currency swap markets	Past three months	4.2	1.1	20.4
	Next three months	-0.1	11.1	7.5
Relative cost of funds: due to other changes	Past three months	-3.3	-7.5	0.0
	Next three months	2.9	16.5	0.0
Availability of suitably rated currency swap counterparties	Past three months	-16.9	0.5	-0.5
	Next three months	-23.1	-6.6	-6.5
Differences in regulation in different currency markets	Past three months	0.0	0.0	-7.0
	Next three months	0.0	0.0	0.0
Differences in investor demand	Past three months	28.6	5.7	12.3
	Next three months	20.6	6.4	5.3
Differences in market access	Past three months	17.2	3.5	12.3
	Next three months	9.7	13.1	5.3

		Net percentage balances ^(a)		
		2012	2013	
		Q4	Q1	Q2
Capital				
1 How has the level of total capital changed?	Past three months	-7.2	-1.2	44.7
	Next three months	35.7	19.9	41.6
2 How has the average cost of capital changed?	Past three months	-0.8	-13.8	-2.9
	Next three months	-1.4	18.0	1.0
3 Factors contributing to changes in total capital:				
<i>Direct effects on total capital</i>				
Direct effects of profits, losses, deductions and charges (UK-specific)	Past three months	-2.2	-10.4	31.1
	Next three months	-7.5	20.1	33.2
Direct effects of profits, losses, deductions and charges (non-UK specific)	Past three months	-16.6	-0.9	20.9
	Next three months	-16.1	18.2	20.9
<i>Factors that have affected demand for capital</i>				
Changing economic outlook	Past three months	2.8	-20.2	-18.5
	Next three months	-11.3	-19.2	-22.2
Strategic decisions to increase/reduce risk	Past three months	7.6	-2.2	-25.4
	Next three months	20.1	-3.6	-6.0
Regulatory drivers	Past three months	9.8	21.2	36.2
	Next three months	29.8	20.2	31.7
Changes in size of balance sheet	Past three months	-23.4	-11.5	-19.1
	Next three months	-14.6	-10.3	-12.2
Changes in riskiness of assets	Past three months	-15.5	-25.9	-12.5
	Next three months	-9.0	-25.9	-8.0
<i>Supply factors</i>				
Market conditions	Past three months	15.1	3.3	7.2
	Next three months	7.5	-4.2	4.2
Investor pressure to change volume of capital	Past three months	0.8	0.0	4.5
	Next three months	0.8	1.5	5.2

		Net percentage balances ^(a)		
		2012	2013	
		Q4	Q1	Q2
4 How has the demand for total capital from the following investors changed?				
All investors	Past three months	29.1	19.5	17.4
	Next three months	19.6	18.8	11.2
UK investors	Past three months	29.1	15.1	14.6
	Next three months	20.4	25.4	8.4
Non-UK investors	Past three months	36.7	27.0	25.1
	Next three months	27.2	26.3	18.9
<i>Breakdown</i>				
Retail investors	Past three months	28.7	11.9	18.4
	Next three months	0.8	11.1	11.4
Other banks	Past three months	29.1	15.1	6.2
	Next three months	19.6	18.0	-1.5
Hedge funds	Past three months	35.9	27.0	31.1
	Next three months	27.2	27.0	24.1
Sovereign wealth funds	Past three months	28.3	15.1	7.0
	Next three months	19.6	19.5	4.5
Insurance companies and pension funds	Past three months	29.1	15.1	22.1
	Next three months	19.6	18.0	15.1
Other asset managers	Past three months	28.3	15.1	22.1
	Next three months	27.2	26.3	15.9
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	0.0
	Next three months	0.8	14.2	0.0
Strategic decisions to change mix of capital	Past three months	9.4	2.8	25.2
	Next three months	13.8	-4.8	35.7
Regulatory drivers	Past three months	-8.0	-6.8	20.7
	Next three months	5.0	6.8	16.2
Market conditions	Past three months	8.3	9.0	4.5
	Next three months	1.0	7.4	12.0
Investor demand	Past three months	8.3	9.0	12.0
	Next three months	0.2	13.4	11.2

		Net percentage balances ^(a)		
		2012	2013	
		Q4	Q1	Q2
Transfer price				
1 How has the average absolute cost of providing funds to business units changed?	Past three months	-60.0	-36.7	-34.2
	Next three months	-24.1	-22.6	-13.6
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	-50.8
	Next three months	-38.0	-12.1	-20.8
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.*	n.a.*
	Next three months	n.a.*	n.a.*	n.a.*
Debt capital	Past three months	-1.1	n.a.*	-7.5
	Next three months	0.0	n.a.*	-1.5
Retail deposit spreads relative to appropriate reference rate(s)	Past three months	-28.5	-19.7	-33.3
	Next three months	-10.2	-9.9	-20.5
Short-term wholesale funding spreads relative to appropriate reference rate(s)	Past three months	-33.4	-26.9	-40.1
	Next three months	-15.5	-18.8	-12.2
Long-term secured wholesale funding spreads relative to appropriate reference rate(s)	Past three months	-31.3	-25.6	-26.5
	Next three months	-16.3	-6.9	-24.9
Long-term unsecured wholesale funding spreads relative to appropriate reference rate(s)	Past three months	-63.2	-40.4	-48.5
	Next three months	-29.7	-25.1	-24.1
Swaps or other reference rates	Past three months	-41.5	-7.3	-4.8
	Next three months	-1.1	1.5	0.3
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	38.1

* 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 volumes.

(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.