Bank Liabilities Survey

Survey results | 2013 Q3

BANK OF ENGLAND

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Bank Liabilities Survey

2013 Q3

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 Q3 survey. The 2013 Q3 survey was conducted between 13 August and 4 September 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 Q3 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 date for the 2013 Q4 *Bank Liabilities Survey* is 7 January 2014.

BANK OF ENGLAND

Bank Liabilities Survey

2013 Q3

Funding

- UK banks and building societies reported that their total funding volumes had been largely unchanged in the three months to end-August. Volumes of retail deposits had been unchanged, whereas volumes of 'other' funding had risen. Lenders expected total funding volumes to remain unchanged in 2013 Q4.
- Spreads — relative to appropriate reference rates — on retail funding costs had continued to fall significantly in the three months to end-August, but were not expected to fall further over the next three months. Lenders also reported a small fall in 'other' funding spreads over the past quarter, with a similar fall expected in Q4.
- Lenders reported that the supply of deposits from households and firms had continued to push up on the volume of deposits raised in Q3, although by significantly less than in the first half of the year. The contribution of demand factors to the volume of deposits raised had also diminished significantly in Q3 relative to the first half of 2013.
- Investor demand continued to contribute positively to lenders' issuance of both short-term and long-term wholesale debt over the past three months, although lenders reported a small reduction in investor demand for their wholesale debt in Q3, particularly from non-UK investors.

Capital

- Lenders reported that their total capital levels had continued to increase significantly in Q3 and were expected to rise significantly further in Q4.
- Regulatory drivers had continued to contribute significantly to lenders' demand for capital in Q3 and were expected to remain a significant driver of changes in capital levels over the next three months.

Transfer pricing

- Lenders reported that the internal price charged to business units to fund the flow of new loans (the 'transfer price') rose in 2013 Q3, the first reported rise since the survey began, driven by a significant increase in reference rates on the quarter. The transfer price was expected to remain broadly unchanged over the next three months.

This report presents the results of the 2013 Q3 survey. The 2013 Q3 survey was conducted between 13 August and 4 September 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 August, lenders reported that their total funding volumes had been largely unchanged and were expected to remain unchanged in 2013 Q4. Retail funding spreads were reported to have continued to fall significantly in Q3, but were not expected to fall further over the next three months. 'Other' funding spreads had fallen slightly over the past quarter and a further slight fall was expected in Q4. The supply of deposits by households and firms had continued to push up on the volume of deposits raised over the past three months, although by significantly less than earlier in the year. The contribution of demand factors to the volume of deposits raised had also diminished significantly in Q3. Lenders reported that their total capital levels had continued to rise significantly over the past quarter and were expected to rise significantly further in Q4. Despite continued falls in funding spreads, the internal price charged to banks' business units to fund the flow of new loans (the 'transfer price') increased in Q3, driven by a significant increase in reference rates. The transfer price was expected to remain unchanged over the next quarter.

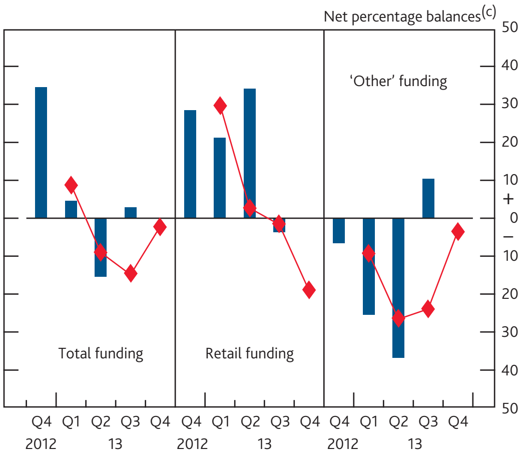
The *Bank Liabilities Survey* was conducted between 13 August 2013 and 4 September 2013. The survey and its design are discussed in more detail in the 2013 Q1 edition of the *Bank of England Quarterly Bulletin*.(1)

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 previous three months and their expectations for 2013 Q4.

UK banks and building societies reported that their total funding volumes had been largely unchanged over the previous three months. Volumes of retail deposits had been unchanged, whereas volumes of 'other' funding had gone up (**Chart 1**). Total funding volumes were expected to remain broadly

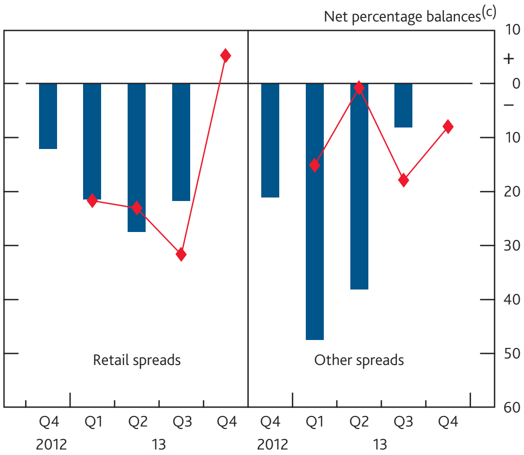
Chart 1 Funding volumes(a)(b)



(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.

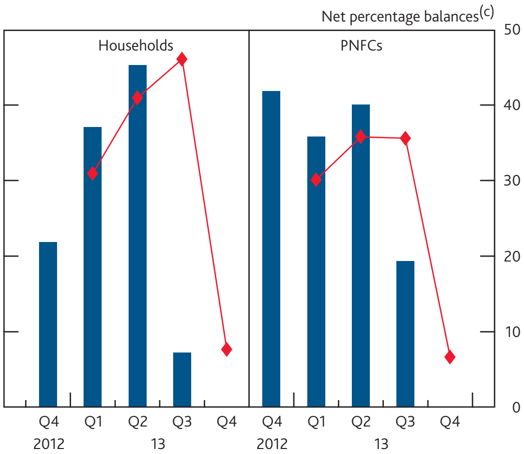
(1) See Bell, V, Butt, N and Talbot, J (2013), 'The Bank of England *Bank Liabilities Survey*', *Bank of England Quarterly Bulletin*, Vol. 53, No. 1, pages 68–76.
(2) Short-term wholesale funding (less than twelve months' maturity) can be raised via deposits from other banks or other financial corporations (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, 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 Q3 survey will be released on 9 October.

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



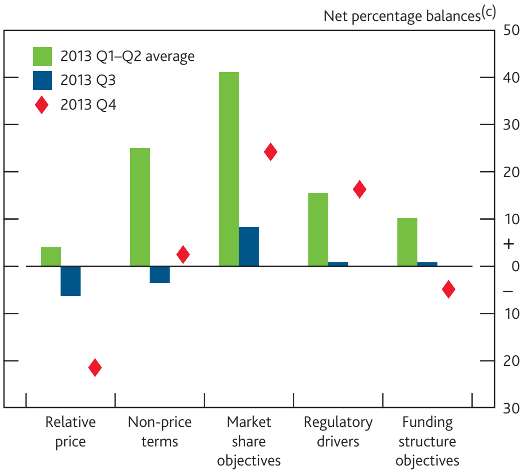
(a) See footnote (a) to **Chart 1**.
(b) Question: 'How has the average cost of funding changed?'.
(c) A positive balance indicates an increase in funding spreads.

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) See footnote (a) to **Chart 1**. The green bars show the average responses over 2013 Q1 and Q2. The red diamonds show the expectations for the three months to end-November.
(b) Question: 'Which of the following demand factors have been/are likely to be important reasons for changes in the volumes of household deposits that you have raised?'.
(c) A positive balance indicates a positive contribution to deposit volumes from the selected demand factor.

unchanged over the coming quarter, although within that, volumes of retail deposits were expected to fall.

Spreads between retail funding costs and appropriate reference rates were reported to have continued to fall significantly in Q3. For the first time since the survey began, in 2012 Q4, retail spreads were not expected to fall over the next quarter (**Chart 2**). Some lenders commented that deposit rates may now have reached a floor, following large reductions over the past twelve months. Lenders also reported a small fall in spreads on 'other' funding costs over the previous three months, with a similar fall expected in Q4.

Deposits

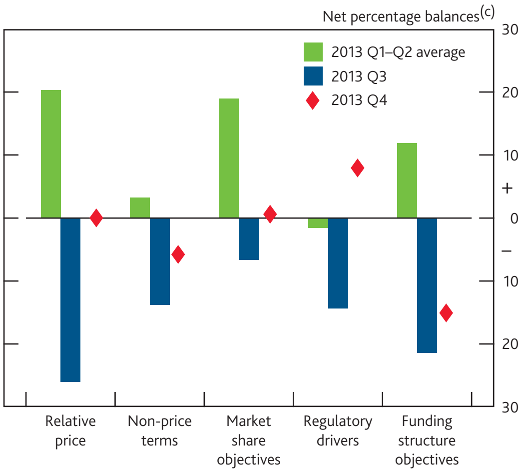
The volume of retail funding raised continued to be positively affected by an increase in the supply of deposits by households and firms (unrelated to price developments) in Q3, although by significantly less than reported earlier in the year and expected last quarter (**Chart 3**). The supply of deposits by households and firms was expected to continue to push up slightly on the volume of deposits raised in Q4.

The contribution of demand factors to the volume of deposits raised had also diminished significantly in Q3 relative to the first half of 2013. Some of the factors that had pushed up on lenders' demand for household deposits earlier in the year — such as changes in non-price terms which lenders choose to offer on deposits,[(1)] regulatory drivers and strategic decisions to change funding structure — had made a negligible contribution in Q3. The impact of lenders' desire for market share had also diminished significantly relative to the first half of 2013, but remained slightly positive (**Chart 4**). Among these factors, market share objectives were expected to push up significantly on lenders' demand for household deposits in Q4. Regulatory drivers were also expected to have a positive contribution. Acting in the opposite direction, lenders expected an increase in the cost of household deposits relative to the price of other liabilities to push down significantly on lenders' demand for household deposits over the next three months.

A number of factors weighed on lenders' demand for corporate (PNFC) deposits in Q3. Strategic decisions to change funding structure and an increase in the cost of PNFC deposits relative to the price of other liabilities had pushed down significantly on lenders' demand for PNFC deposits. Changes to non-price terms and regulation had also had a negative impact (**Chart 5**). Each of these factors was expected to have a less negative impact on lenders' demand for PNFC deposits in Q4, with regulatory drivers expected to make a small positive contribution.

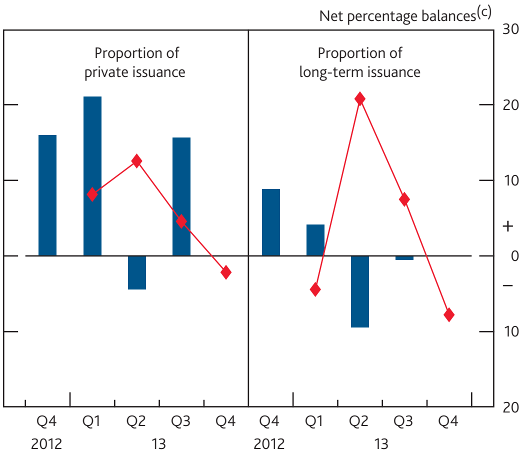
(1) Non-price terms could include factors such as the terms and conditions on withdrawals from deposit accounts.

Chart 5 Factors affecting lenders' demand for PNFC deposits[(a)(b)]



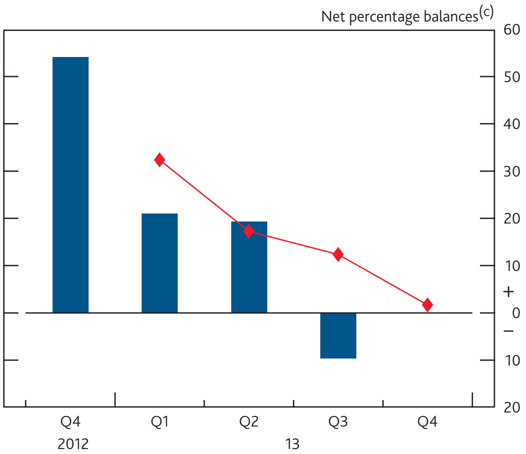
(a) See footnote (a) to **Chart 1**. The green bars show the average responses over 2013 Q1 and Q2. The red diamonds show the expectations for the three months to end-November.
(b) Question: 'Which of the following demand factors have been important reasons for changes in the volumes of PNFC deposits that you have raised?'.
(c) A positive balance indicates a positive contribution to deposit volumes from the selected demand factor.

Chart 6 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 7 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.

Wholesale markets

In wholesale markets, lenders reported that the proportion of their funding issued in private, rather than public, markets had increased in Q3.[(1)] The tenor of funding was reported to have been unchanged, but was expected to fall a little over the next quarter (**Chart 6**).

Lenders reported a slight fall in investor demand for their wholesale debt in Q3 (**Chart 7**), reflecting a slight fall in demand from non-UK investors, while demand from domestic investors had been broadly unchanged. Nevertheless, investor demand continued to contribute positively to lenders' issuance of short-term wholesale debt and, together with favourable market conditions, was expected to push up slightly on issuance in Q4. Factors that had contributed negatively earlier in the year, such as lenders' desire to better match the maturity of their assets and liabilities and changes to the size of lenders' balance sheets, had not weighed on issuance in Q3 and were not expected to do so in Q4.

Investor demand and favourable non-price terms had made a positive contribution to long-term debt issuance over the previous three months. Lower costs of funding and changes in asset-liability matching and to the size of lenders' balance sheets had also pushed up slightly on long-term debt issuance in Q3 (**Chart 8**). Regulation was expected to be a significant positive driver of issuance of long-term debt in Q4.

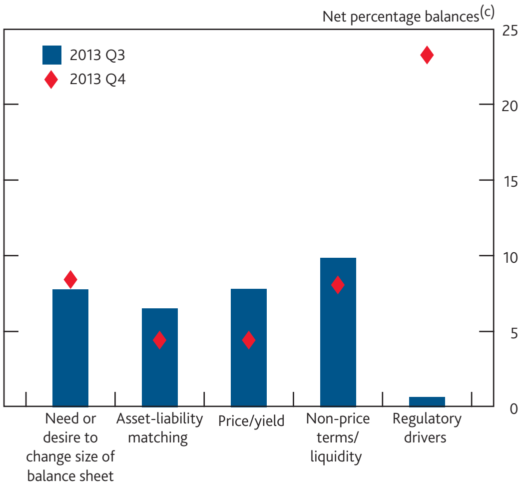
In terms of currency composition, issuance of wholesale debt had fallen in sterling and had fallen slightly in US dollar markets, but remained unchanged in euro and had risen a little in 'other currencies' relative to the previous three-month period. Lenders reported that differences in the regulatory environment as well as in investor demand had made a positive contribution to their non-sterling issuance. Other factors, such as falls in the cost of swapping foreign currency, had also made small positive contributions. Over the coming quarter, lenders expected to reduce their use of US dollar issuance and keep their use of other currency markets broadly unchanged.

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

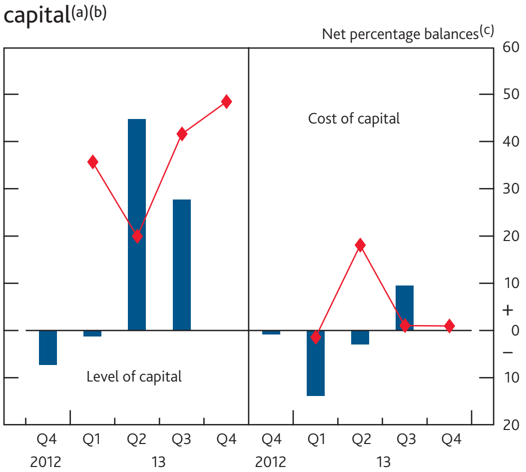
(1) For example, via private placement issues rather than via public issuance in debt capital markets.

Chart 8 Demand factors affecting banks' issuance of long-term wholesale funding[(a)(b)]



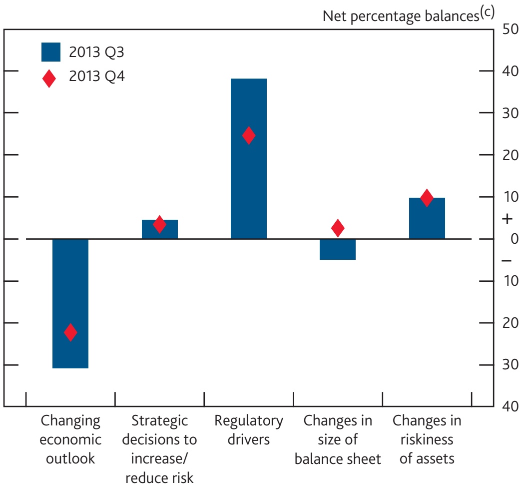
(a) See footnote (a) to **Chart 1**.
(b) Question: 'Which of the following demand factors have affected your issuance of long-term wholesale debt funding?'.
(c) A positive balance indicates a positive contribution to debt issuance from the selected demand factor.

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.

Chart 10 Factors affecting the demand for capital[(a)(b)]



(a) See footnote (a) to **Chart 1**.
(b) Question: 'Which of the following factors have been/are likely to be important reasons for changes to total capital?'.
(c) A positive balance indicates a positive impact on capital for capital caused by the selected factor.

addition, the costs of capital — both the cost of issuance and costs related to risk weighting of assets[(1)] — are taken into account when banks price lending. This section explores key developments in banks' capital over the past three months and expectations for 2013 Q4.

Lenders reported that their total level of capital had continued to increase significantly in Q3, although by less than expected in Q2 (**Chart 9**). The balance of profits, losses, deductions and charges in both UK and non-UK operations had continued to make a significant positive direct contribution to the change in total capital levels in Q3. Lenders expected their total level of capital to rise significantly further in Q4. The average cost of capital had increased a little in Q3, but was expected to remain broadly unchanged in Q4.

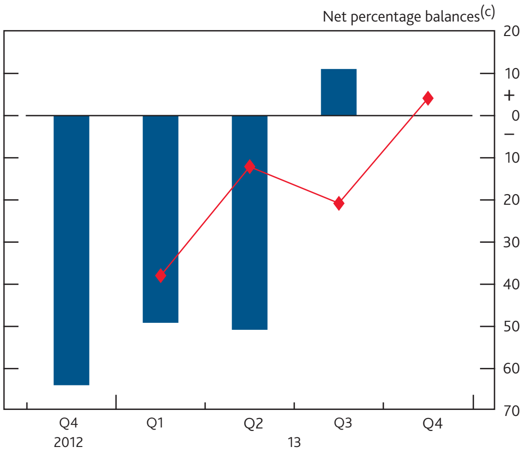
Regulatory drivers had continued to push up significantly on lenders' demand for capital in Q3 and were expected to remain a significant positive driver of capital in Q4 (**Chart 10**). Higher investor pressure was also expected to push up on the volume of capital raised over the next three months. Acting in the opposite direction, improved macroeconomic conditions were reported to have pushed down significantly on lenders' demand for capital in Q3 and on expectations for Q4. A better economic outlook might lower the probability of default on lending and thus reduce lenders' need for a buffer against such losses.

Investor demand for bank capital instruments had increased a little in Q3 and was expected to increase in Q4, with a significant increase in demand expected from non-UK investors.

Regulatory factors had pushed down on the proportion of total capital accounted for by additional Tier 1 and Tier 2 capital instruments (relative to common equity) in Q3.[(2)(3)] Strategic decisions to change the mix of capital on lenders' balance sheets and market conditions had also made small negative contributions. Regulation was expected to lower significantly the proportion of additional Tier 1 and Tier 2 instruments in Q4, as lenders take actions to raise common equity to meet Basel III capital requirements.[(4)]

(1) Lenders' decisions about whether to extend credit to households and at what price will partly depend on their assessment of the risk that the borrower may not repay the loan in full. In doing so, lenders account for the cost of holding capital to meet the possibility that losses might exceed their expectations. This cost, namely the 'capital charge', is increasing in the riskiness of their lending. For more information, 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) 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.
(3) For further details of these terms see the *Bank Liabilities Survey* compilation guide: www.bankofengland.co.uk/publications/Pages/other/monetary/bls/default.aspx.
(4) For more information, see Farag, M, Harland, D and Nixon, D (2013), 'Bank capital and liquidity', *Bank of England Quarterly Bulletin*, Vol. 53, No. 3, pages 201–15.

Chart 11 Banks' marginal absolute cost of providing funds to business units(a)(b)



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

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.(1) The transfer price will therefore be a key influence on the cost of borrowing for firms and households, covered in the Bank of England's *Credit Conditions Survey*.

For the first time since the survey began in 2012 Q4, the marginal absolute cost of providing funds to business units (the transfer price) was reported to have increased in Q3 (**Chart 11**), driven mainly by a significant rise in swaps or other reference rates. The transfer price was expected to remain broadly unchanged in Q4, as the contributions from reference rates and other costs were expected to fall.

(1) 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.

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	Q3
Funding					
1 How have funding volumes changed?[(b)]					
Total funding	Past three months	34.5	4.5	-15.3	2.8
	Next three months	8.8	-9.1	-14.9	-2.1
Retail deposit funding	Past three months	28.3	21.2	34.1	-3.6
	Next three months	30.0	2.7	-1.7	-19.1
'Other' funding	Past three months	-6.6	-25.4	-36.8	10.4
	Next three months	-9.2	-26.6	-23.9	-3.3
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	-21.7
	Next three months	-21.7	-23.1	-31.7	5.1
'Other' funding spreads relative to appropriate reference rate(s)	Past three months	-21.0	-47.5	-38.1	-8.1
	Next three months	-15.2	-0.8	-17.9	-8.0
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	0.9	-6.2
	Next three months	3.5	20.2	27.7	-21.7
Non-price terms	Past three months	-4.4	21.6	28.3	-3.4
	Next three months	2.1	28.2	10.7	1.9
Market share objectives	Past three months	27.7	33.6	48.5	8.3
	Next three months	27.1	40.3	35.1	23.1
Regulatory drivers	Past three months	-5.4	15.6	15.3	0.8
	Next three months	-5.4	23.7	16.8	15.6
Funding structure objectives (excluding those driven by regulation)	Past three months	26.2	6.2	14.5	0.8
	Next three months	18.9	6.2	8.3	-4.7
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	45.3	7.2
	Next three months	30.9	40.9	46.1	7.7

		Net percentage balances[a]			
		2012	2013		
		Q4	Q1	Q2	Q3
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	8.9	-26.0
	Next three months	13.4	28.8	20.6	-0.2
Non-price terms	Past three months	11.9	5.7	0.8	-13.7
	Next three months	8.7	5.7	0.3	-6.3
Market share objectives	Past three months	21.8	21.3	16.7	-6.6
	Next three months	21.8	21.3	21.1	-0.3
Regulatory drivers	Past three months	0.9	2.4	-5.5	-14.3
	Next three months	2.0	2.4	-5.5	6.9
Funding structure objectives (excluding those driven by regulation)	Past three months	12.8	16.4	7.4	-21.4
	Next three months	10.7	6.7	8.2	-15.1
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	40.1	19.3
	Next three months	30.1	35.8	35.6	6.6
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	31.0	-4.0
	Next three months	45.9	45.7	16.8	17.9
Non-price terms	Past three months	6.2	-6.6	-6.2	0.0
	Next three months	13.4	8.4	-7.7	1.0
Market share objectives	Past three months	0.3	0.3	0.3	-0.3
	Next three months	14.9	16.1	0.3	-0.3
Regulatory drivers	Past three months	-14.7	-14.8	-15.0	-8.5
	Next three months	7.0	0.3	-20.4	6.4
Funding structure objectives (excluding those driven by regulation)	Past three months	25.5	24.3	9.8	-8.0
	Next three months	43.5	35.7	10.6	-8.0
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	36.3	5.6
	Next three months	22.1	29.4	22.4	5.6

Wholesale debt funding

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

		Net percentage balances[a]			
		2012	2013		
		Q4	Q1	Q2	Q3
Proportion of private/public issuance	Past three months	16.0	21.1	-4.4	15.6
	Next three months	8.1	12.5	4.5	-2.2
Proportion of long-term/short-term issuance	Past three months	8.8	4.1	-9.5	-0.5
	Next three months	-4.4	20.8	7.4	-7.8
Short-term funding					
Certificates of Deposit	Past three months	-6.3	6.5	-5.7	-6.8
	Next three months	-7.5	9.6	-8.7	7.1
Commercial Paper	Past three months	3.9	-6.3	11.5	3.5
	Next three months	-0.2	2.4	7.0	0.3
Short-term repo/securities lending	Past three months	11.2	1.0	9.4	4.4
	Next three months	6.0	1.5	6.1	-6.8
Unsecured borrowing including deposits from OFCs and interbank deposits	Past three months	-3.7	13.2	-6.7	1.8
	Next three months	-7.3	-1.5	-0.3	-0.3
Long-term funding					
Long-term repo/securities lending	Past three months	6.8	-6.6	1.0	1.8
	Next three months	1.7	1.1	-3.1	0.6
Structured products: structured notes	Past three months	-14.1	-6.6	0.0	-7.4
	Next three months	-11.0	0.0	-4.8	-7.4
Structured products: other	Past three months	0.0	0.0	0.0	0.0
	Next three months	-6.5	0.0	-4.8	0.0
Senior unsecured debt	Past three months	-8.9	14.2	4.7	12.5
	Next three months	6.6	9.8	0.0	7.2
Asset-backed securities (excluding covered bonds)	Past three months	3.8	-0.5	-7.3	-6.4
	Next three months	-0.8	7.8	-2.5	-4.3
Covered bonds	Past three months	2.1	0.3	-6.5	-6.9
	Next three months	-6.3	-6.2	-1.8	6.3

		Net percentage balances[a]			
		2012	2013		
		Q4	Q1	Q2	Q3
7 How has demand for wholesale debt from the following investors changed?[f]					
All investors	Past three months	54.1	20.9	19.3	-9.6
	Next three months	32.3	17.2	12.3	1.7
UK investors	Past three months	53.0	20.9	12.4	-2.2
	Next three months	32.3	17.2	5.4	1.7
Non-UK investors	Past three months	53.5	20.9	19.3	-9.6
	Next three months	32.3	16.2	11.3	1.7
Breakdown					
Retail investors	Past three months	6.4	0.8	4.6	3.8
	Next three months	14.9	23.4	-0.5	1.0
Other banks	Past three months	46.4	8.7	0.9	-8.8
	Next three months	38.4	15.9	-0.2	1.5
Money market funds	Past three months	29.4	11.3	13.1	-8.0
	Next three months	29.4	15.4	8.1	1.2
Hedge funds	Past three months	43.6	8.4	0.9	-7.3
	Next three months	22.3	16.1	12.8	0.5
Sovereign wealth funds	Past three months	42.5	7.7	8.4	-8.0
	Next three months	29.2	16.4	12.3	0.9
Insurance companies and pension funds	Past three months	58.4	19.6	7.9	-8.8
	Next three months	42.4	15.7	5.1	1.2
Other asset managers	Past three months	52.4	13.6	7.9	-8.0
	Next three months	36.7	16.2	5.1	1.2

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	-1.6
	Next three months	6.4	-33.9	1.8	-1.0
Asset-liability matching	Past three months	-3.5	-15.1	-19.6	0.0
	Next three months	25.5	-14.8	-19.6	0.6
Price/yield	Past three months	-8.7	4.3	-5.2	4.0
	Next three months	18.4	5.1	0.3	5.1
Non-price terms/liquidity	Past three months	-8.4	-0.2	1.1	-5.9
	Next three months	22.4	-0.2	1.1	-6.0
Regulatory drivers	Past three months	-0.3	-6.8	2.8	4.8
	Next three months	-6.5	-6.0	2.8	13.3
Supply factors					
Market access	Past three months	-5.2	5.1	1.6	6.6
	Next three months	15.0	21.4	6.5	8.0
Investor demand	Past three months	2.7	19.1	12.5	12.7
	Next three months	16.4	27.9	5.7	9.1

		Net percentage balances[a]			
		2012	2013		
		Q4	Q1	Q2	Q3
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	-1.5	7.8
	Next three months	-9.4	-27.3	4.6	8.4
Asset-liability matching	Past three months	9.0	-7.8	0.0	6.5
	Next three months	12.8	-6.2	-0.3	4.4
Price/yield	Past three months	24.9	6.9	24.3	7.8
	Next three months	16.7	18.1	24.3	4.4
Non-price terms/liquidity	Past three months	22.8	5.3	7.0	9.9
	Next three months	15.0	8.6	13.8	8.1
Regulatory drivers	Past three months	8.5	0.3	0.8	0.7
	Next three months	0.1	17.2	1.0	23.3
Supply factors					
Market access	Past three months	11.0	0.8	-0.3	3.3
	Next three months	24.3	14.3	4.2	7.7
Investor demand	Past three months	12.0	1.3	-0.3	11.5
	Next three months	24.3	15.3	12.3	15.6

Currency of wholesale debt funding

10 How has the use of the following currency markets changed:[g]					
Sterling	Past three months	14.2	-8.3	-3.9	-17.1
	Next three months	-4.9	-12.6	-9.9	-0.9
US dollar	Past three months	26.8	18.9	11.4	-6.0
	Next three months	1.1	-5.8	1.3	-12.7
Euro	Past three months	2.9	-10.7	-11.8	3.0
	Next three months	8.7	-1.4	-7.0	-0.2
Other	Past three months	6.5	-7.5	0.0	7.4
	Next three months	0.0	-7.5	0.0	0.0

		Net percentage balances[a]			
		2012	2013		
		Q4	Q1	Q2	Q3
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	7.4
	Next three months	-3.6	0.0	14.5	-0.8
Relative cost of funds: due to currency swap markets	Past three months	4.2	1.1	20.4	9.0
	Next three months	-0.1	11.1	7.5	2.9
Relative cost of funds: due to other changes	Past three months	-3.3	-7.5	0.0	7.4
	Next three months	2.9	16.5	0.0	0.0
Availability of suitably rated currency swap counterparties	Past three months	-16.9	0.5	-0.5	7.4
	Next three months	-23.1	-6.6	-6.5	0.3
Differences in regulation in different currency markets	Past three months	0.0	0.0	-7.0	13.8
	Next three months	0.0	0.0	0.0	0.0
Differences in investor demand	Past three months	28.6	5.7	12.3	13.8
	Next three months	20.6	6.4	5.3	15.6
Differences in market access	Past three months	17.2	3.5	12.3	6.6
	Next three months	9.7	13.1	5.3	1.0

		Net percentage balances[a]			
		2012	2013		
		Q4	Q1	Q2	Q3
Capital					
1 How has the level of total capital changed?	Past three months	-7.2	-1.2	44.7	27.6
	Next three months	35.7	19.9	41.6	48.4
2 How has the average cost of capital changed?	Past three months	-0.8	-13.8	-2.9	9.5
	Next three months	-1.4	18.0	1.0	0.9
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	31.1	44.0
	Next three months	-7.5	20.1	33.2	35.8
Direct effects of profits, losses, deductions and charges (non-UK specific)	Past three months	-16.6	-0.9	20.9	22.4
	Next three months	-16.1	18.2	20.9	21.7
Factors that have affected demand for capital					
Changing economic outlook	Past three months	2.8	-20.2	-18.5	-30.7
	Next three months	-11.3	-19.2	-22.2	-22.3
Strategic decisions to increase/reduce risk	Past three months	7.6	-2.2	-25.4	4.5
	Next three months	20.1	-3.6	-6.0	3.4
Regulatory drivers	Past three months	9.8	21.2	36.2	38.1
	Next three months	29.8	20.2	31.7	24.6
Changes in size of balance sheet	Past three months	-23.4	-11.5	-19.1	-4.9
	Next three months	-14.6	-10.3	-12.2	2.5
Changes in riskiness of assets	Past three months	-15.5	-25.9	-12.5	9.8
	Next three months	-9.0	-25.9	-8.0	9.8
Supply factors					
Market conditions	Past three months	15.1	3.3	7.2	0.0
	Next three months	7.5	-4.2	4.2	-7.4
Investor pressure to change volume of capital	Past three months	0.8	0.0	4.5	1.3
	Next three months	0.8	1.5	5.2	13.2

		Net percentage balances[a]			
		2012	2013		
		Q4	Q1	Q2	Q3
4 How has the demand for total capital from the following investors changed?					
All investors	Past three months	29.1	19.5	17.4	5.4
	Next three months	19.6	18.8	11.2	15.3
UK investors	Past three months	29.1	15.1	14.6	-2.0
	Next three months	20.4	25.4	8.4	12.4
Non-UK investors	Past three months	36.7	27.0	25.1	5.4
	Next three months	27.2	26.3	18.9	27.2
Breakdown					
Retail investors	Past three months	28.7	11.9	18.4	0.9
	Next three months	0.8	11.1	11.4	10.8
Other banks	Past three months	29.1	15.1	6.2	-1.2
	Next three months	19.6	18.0	-1.5	7.1
Hedge funds	Past three months	35.9	27.0	31.1	6.9
	Next three months	27.2	27.0	24.1	25.7
Sovereign wealth funds	Past three months	28.3	15.1	7.0	-1.2
	Next three months	19.6	19.5	4.5	7.1
Insurance companies and pension funds	Past three months	29.1	15.1	22.1	5.4
	Next three months	19.6	18.0	15.1	15.3
Other asset managers	Past three months	28.3	15.1	22.1	6.2
	Next three months	27.2	26.3	15.9	14.5
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	-7.4
	Next three months	0.8	14.2	0.0	0.0
Strategic decisions to change mix of capital	Past three months	9.4	2.8	25.2	-7.4
	Next three months	13.8	-4.8	35.7	-4.2
Regulatory drivers	Past three months	-8.0	-6.8	20.7	-14.8
	Next three months	5.0	6.8	16.2	-47.7
Market conditions	Past three months	8.3	9.0	4.5	-7.4
	Next three months	1.0	7.4	12.0	0.0
Investor demand	Past three months	8.3	9.0	12.0	0.0
	Next three months	0.2	13.4	11.2	0.0

		Net percentage balances[a]			
		2012	2013		
		Q4	Q1	Q2	Q3

Transfer price

		2012 Q4	2013 Q1	2013 Q2	2013 Q3
1 How has the average absolute cost of providing funds to business units changed?	Past three months	-60.0	-36.7	-34.2	9.2
	Next three months	-24.1	-22.6	-13.6	8.5
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	11.1
	Next three months	-38.0	-12.1	-20.8	4.1
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.*	n.a.*	n.a.*
	Next three months	n.a.*	n.a.*	n.a.*	n.a.*
Debt capital	Past three months	-1.1	n.a.*	-7.5	8.2
	Next three months	0.0	n.a.*	-1.5	-7.4
Retail deposit spreads relative to appropriate reference rate(s)	Past three months	-28.5	-19.7	-33.3	-7.5
	Next three months	-10.2	-9.9	-20.5	-15.3
Short-term wholesale funding spreads relative to appropriate reference rate(s)	Past three months	-33.4	-26.9	-40.1	1.0
	Next three months	-15.5	-18.8	-12.2	-8.3
Long-term secured wholesale funding spreads relative to appropriate reference rate(s)	Past three months	-31.3	-25.6	-26.5	8.9
	Next three months	-16.3	-6.9	-24.9	-9.1
Long-term unsecured wholesale funding spreads relative to appropriate reference rate(s)	Past three months	-63.2	-40.4	-48.5	3.3
	Next three months	-29.7	-25.1	-24.1	-7.4
Swaps or other reference rates	Past three months	-41.5	-7.3	-4.8	34.1
	Next three months	-1.1	1.5	0.3	7.8
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	37.2

* 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.

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