Bank Liabilities Survey

Survey results | 2014 Q1

BANK OF ENGLAND

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Bank Liabilities Survey

2014 Q1

Developments in banks' balance sheets are of key interest to the Bank of England in its assessment of economic conditions. Changes in the price, quantity and composition of banks' liabilities may affect their willingness or ability to lend, and the price of lending. The aim of this survey is to improve understanding of the role of bank liabilities in driving credit and monetary conditions, complementing the existing *Credit Conditions Survey*. The first section 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 2014 Q1 survey. The 2014 Q1 survey was conducted between 7 February and 3 March 2014.

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 2014 Q1 survey, and copies of the questionnaires are available on the Bank's website at
www.bankofengland.co.uk/publications/Pages/other/monetary/bls/default.aspx.

The publication dates in 2014 for future *Bank Liabilities Surveys* are:

2014 Q2 survey on 2 July 2014
2014 Q3 survey on 7 October 2014

BANK OF ENGLAND

Bank Liabilities Survey

2014 Q1

Funding

- UK banks and building societies reported that their total funding volumes had been largely unchanged in the three months to early March. Volumes of retail deposits had increased, while volumes of 'other' funding had been broadly flat. Lenders expected total funding volumes to decrease in 2014 Q2.
- Spreads — relative to appropriate reference rates — on retail funding fell significantly in 2014 Q1, but were not expected to fall further over the coming quarter. Lenders also reported a significant fall in 'other' funding spreads over the past quarter, with a further significant fall expected in Q2.
- Lenders reported that the supply of deposits from firms had pushed up slightly on the volume of deposits raised in Q1, while the supply of deposits from households had made a broadly neutral contribution. The contribution of demand factors was mixed, with market share objectives pushing up on the volume of deposits raised, while other factors had generally pushed down.

Capital

- Lenders reported that their total capital levels were broadly unchanged in 2014 Q1, but were expected to rise significantly in Q2.
- Regulatory drivers had continued to contribute significantly to lenders' demand for capital in Q1 and were expected to remain a significant driver of changes in capital levels over the coming quarter.

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 2014 Q1, reflecting falls in retail and wholesale funding spreads, which had more than offset an increase in reference rates. The 'transfer price' was expected to fall further over the next three months.

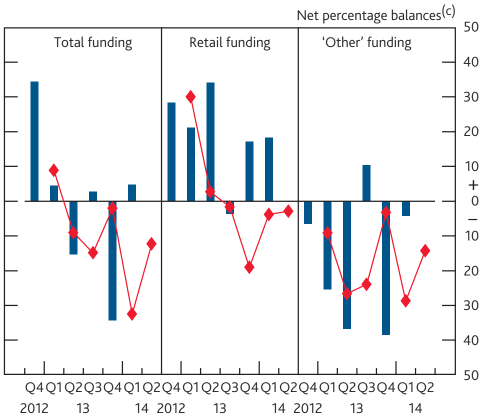
This report presents the results of the 2014 Q1 survey. The 2014 Q1 survey was conducted between 7 February and 3 March 2014. The results are based on lenders' own responses to the survey. They do not necessarily reflect the Bank of England's views on developments in bank liabilities. To calculate aggregate results, each lender is assigned a score based on their response. Lenders who report that conditions have changed 'a lot' are assigned twice the score of those who report that conditions have changed 'a little'. These scores are then weighted by lenders' market shares. The results are analysed by calculating 'net percentage balances' — the difference between the weighted balance of lenders reporting that, for example, volumes were up/down. The net percentage balances are scaled to lie between ±100.

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

Bank Liabilities Survey

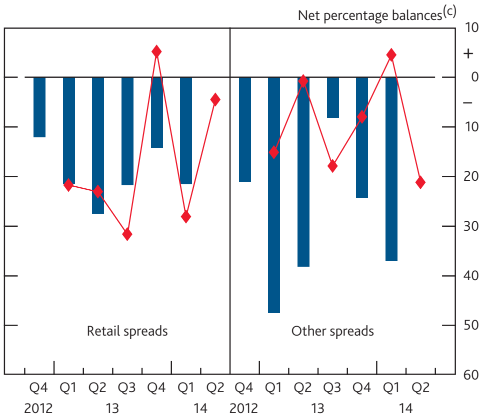
In the three months to the beginning of March, lenders reported that their total funding volumes had been largely unchanged. Volumes of retail deposits had increased, while volumes of 'other' funding had been broadly flat. Lenders expected total funding volumes to decrease in 2014 Q2. Spreads — relative to appropriate reference rates — on retail funding fell significantly in Q1, but were not expected to fall further over the coming quarter. Lenders also reported a significant fall in 'other' funding spreads over the past quarter, with a further significant fall expected in Q2. Lenders reported that their total capital levels were broadly unchanged in Q1, but were expected to rise significantly in Q2. Lenders reported that the internal price charged to business units to fund the flow of new loans (the 'transfer price') fell significantly in Q1, reflecting falls in retail and wholesale funding spreads, which had more than offset an increase in reference rates. The transfer price was expected to fall further over the next three months.

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.

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.

The *Bank Liabilities Survey* was conducted between 7 February 2014 and 3 March 2014.[(1)]

Funding

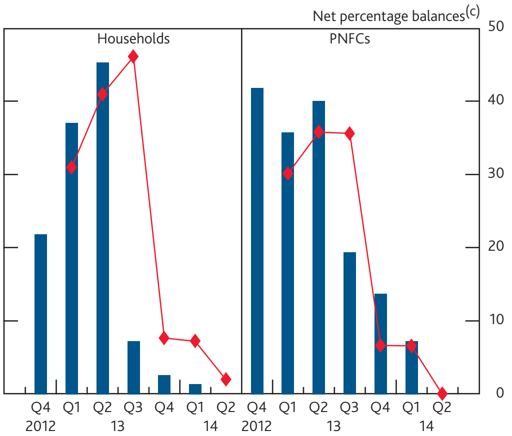
The terms and conditions under which banks can raise funding will influence their capacity to lend and the price of that lending.[(2)] This section explores key developments in banks' funding over the previous three months and their expectations for 2014 Q2. It covers retail funding from households and private non-financial corporations (PNFCs), as well as wholesale funding from larger investors such as pension funds, insurance companies and hedge funds.

UK banks[(3)] reported that their total funding volumes had been largely unchanged over the previous three months. Volumes of retail deposits had increased, while volumes of 'other' funding had been broadly flat (**Chart 1**). Lenders expected total funding volumes to decrease in 2014 Q2, and, in particular, volumes of 'other' funding were expected to fall.

Spreads — relative to appropriate reference rates — on both retail funding and 'other' funding fell significantly in Q1, according to lenders. Lenders have reported falling spreads on both retail and other funding in every quarter since the survey began in 2012 Q4 (**Chart 2**). Lenders commented that wholesale funding markets had generally remained benign since the turn of the year, with a lack of supply and strong

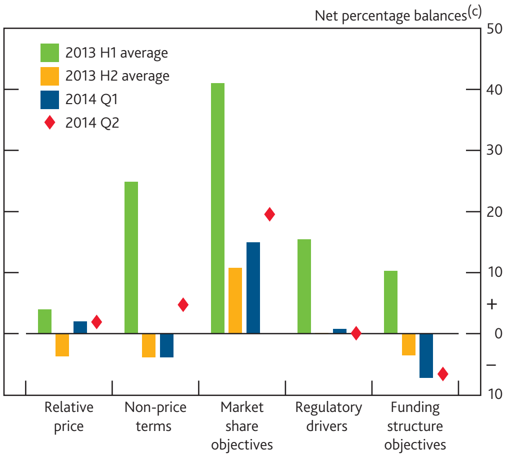
(1) For more information on the survey and its design, see Bell, V, Butt, N and Talbot, J (2013), 'The Bank of England *Bank Liabilities Survey*', *Bank of England Quarterly Bulletin*, Vol. 53, No. 1, pages 68–76.
(2) Developments in banks' provision of credit are covered in the Bank of England's *Credit Conditions Survey*. The 2014 Q1 survey will be released on 3 April.
(3) Throughout this report 'banks' and 'lenders' refers to banks and building societies.

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



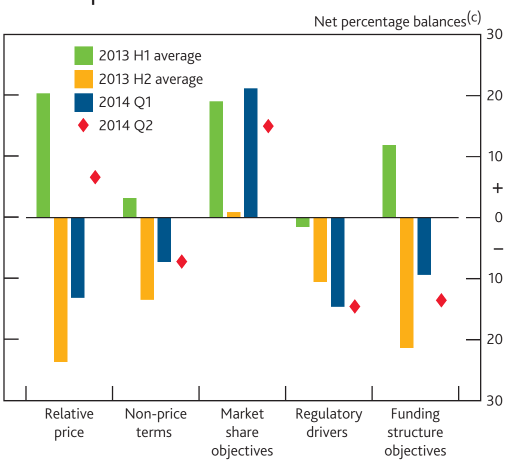
(a) See footnote (a) to **Chart 1**.
(b) Question: 'How has the changing supply of deposits by households/PNFCs, unrelated to rates paid or non-price terms on those deposits, contributed to changes in the volumes of household/PNFC deposits that you have raised?'.
(c) A positive balance indicates a positive 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 H1. The orange bars show the average responses over 2013 H2. The red diamonds show the expectations for 2014 Q2.
(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.

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 H1. The orange bars show the average responses over 2013 H2. The red diamonds show the expectations for 2014 Q2.
(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.

investor demand contributing to falls in spreads. Looking ahead, lenders expected retail funding spreads to be unchanged in Q2, while 'other' funding spreads were expected to fall significantly further.

Deposits

Lenders reported that the supply of deposits from firms had pushed up slightly on the volume of deposits raised in Q1, while the supply of deposits from households had made a broadly neutral contribution (**Chart 3**). Some lenders commented that retail deposit growth had flattened off, though remained strong in an absolute sense, particularly in the market for current accounts. Lenders expected the supply of deposits from firms and households to make a broadly neutral contribution to the volume of deposits raised in Q2.

In line with previous quarters, lenders' market share objectives were reported to be pushing up on the demand for household deposits raised (**Chart 4**). This was expected to continue in Q2. Most other factors affecting lenders' demand for household deposits had remained neutral in Q1, and this was expected to continue in Q2.

A number of factors weighed on lenders' demand for corporate (PNFC) deposits in Q1 (**Chart 5**). Regulatory drivers and an increase in the cost of PNFC deposits relative to the price of other liabilities had pushed down on lenders' demand. By contrast, market share objectives had pushed up significantly on lenders' demand for PNFC deposits. The contributions of most of these demand factors to changes in PNFC deposit volumes were expected to be broadly similar in Q2.

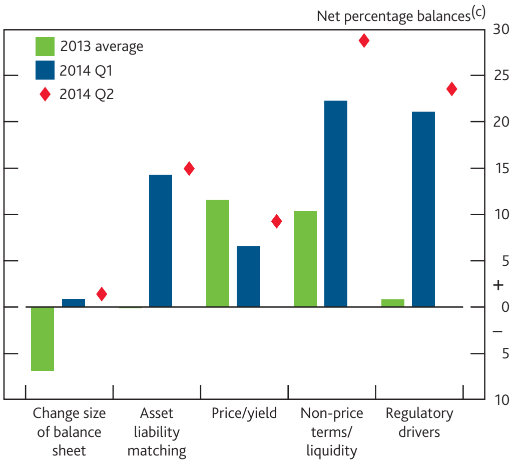
Wholesale markets

The proportion of wholesale market funding issued in public, rather than private, markets increased a little in 2014 Q1, and was expected to increase further in Q2. In terms of the tenor of funding, lenders reported that the proportion of issuance accounted for by long-term instruments had fallen in Q1, though lenders expected a significant increase in that proportion in Q2. As a proportion of long-term issuance, covered bond issuance had increased and senior unsecured debt issuance had increased significantly, while long-term repo/securities lending had decreased significantly in Q1.

Lenders reported a significant increase in investor demand for their wholesale debt in Q1. A range of demand factors had contributed positively to long-term issuance, including significant contributions from regulatory drivers and more favourable non-price terms (**Chart 6**). Similar trends were anticipated in Q2. Some lenders noted that issuance of some types of long-term wholesale debt would help meet future regulatory requirements on loss-absorbing liabilities.[1]

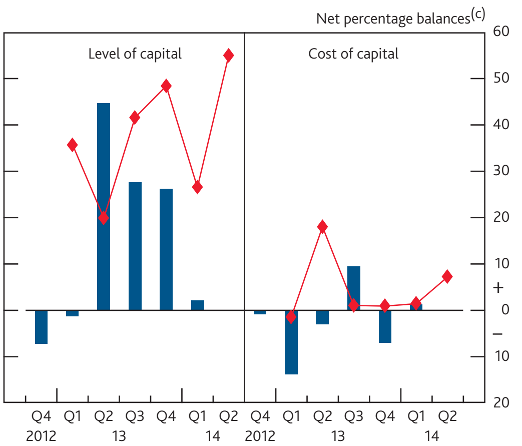
(1) As discussed in the November 2013 *Financial Stability Report*, the regulatory reform agenda includes the introduction of 'gone concern' loss-absorbing capacity, such as long-term bonded debt, that can be 'bailed in' at resolution to avoid taxpayer support when a bank's capital is depleted.

Chart 6 Demand factors affecting banks' issuance of long-term wholesale funding[(a)(b)]



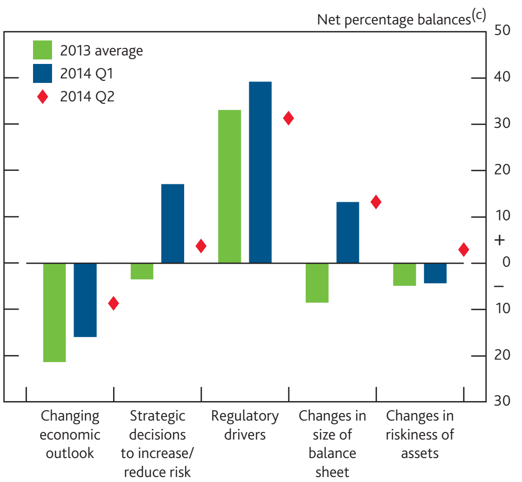
(a) See footnote (a) to **Chart 1**. The green bar shows the average responses over 2013.
(b) Question: 'Which of the following demand factors have affected your issuance of long-term wholesale debt funding?'.
(c) A positive balance indicates a positive contribution to debt issuance from the selected demand factor.

Chart 7 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 8 Factors affecting the demand for capital[(a)(b)]



(a) See footnote (a) to **Chart 1**. The green bar shows the average responses over 2013.
(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 the demand for capital caused by the selected factor.

Issuance of wholesale debt in euros had risen relative to the previous quarter. Lenders reported that falls in the cost of swapping foreign currency were a significant driver of non-sterling issuance, while greater investor demand for foreign currency issuance had also contributed in Q1. Lenders expected similar trends in the coming quarter.

Capital

Banks' capital positions may affect banks' funding costs and the price and availability of credit to households and companies, while the costs of capital are also taken into account when banks price lending.[(1)] This section explores key developments in banks' capital over the past three months and expectations for 2014 Q2.

Lenders reported that their total level of capital was broadly unchanged in 2014 Q1, having reported significant increases in each of the previous three quarters (**Chart 7**). The balance of profits, losses, deductions and charges in both UK and non-UK operations made little contribution to changes in total capital levels overall in Q1, although lenders had expected these to contribute positively in the Q4 survey. Lenders expected their total level of capital to rise significantly in Q2, with the highest expectations balance reported since the survey began in 2012 Q4. The average cost of capital was broadly unchanged in Q1, and was expected to increase slightly in Q2.

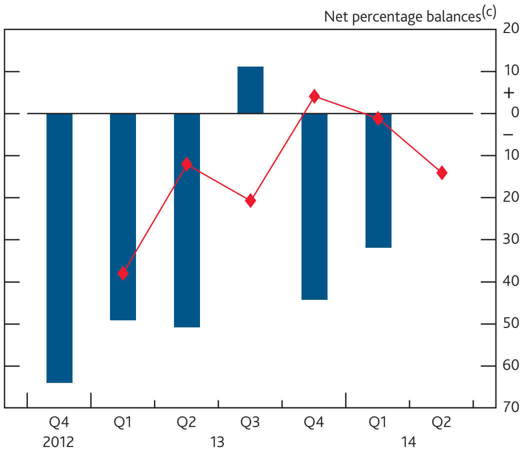
Regulatory drivers had continued to push up significantly on lenders' demand for capital in Q1 and were expected to remain a significant positive driver of capital in Q2 (**Chart 8**). Lenders also reported that increased balance sheet size, and strategic decisions to increase risk had pushed up on lenders' demand for capital over the past three months. Acting in the opposite direction, improved macroeconomic conditions were reported to have pushed down on lenders' demand for capital in Q1, which might reflect lower estimated probabilities of default on lending.

Investor demand for bank capital instruments had increased a little overall in Q1, with a larger increase reported for non-UK investors. Lenders expected a significant increase in investor demand for bank capital in Q2.

Most factors affecting the proportion of total capital accounted for by additional Tier 1 and Tier 2 capital instruments (relative to common equity) were neutral in Q1.[(2)] Strategic decisions to change the mix of capital had pushed down on this proportion in Q1, while market conditions had made a slight positive contribution. Some lenders had recently issued additional Tier 1 capital, in part to meet

(1) For more information, please see Button, R, Pezzini, S and Rossiter, N (2010), 'Understanding the price of new lending to households', *Bank of England Quarterly Bulletin*, Vol. 50, No. 3, pages 172–82.
(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.

Chart 9 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.

regulatory capital requirements, and lenders reported that demand for these instruments from investors had been strong.

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.

The transfer price was reported to have fallen significantly in 2014 Q1, as it had in all but one quarter since the survey began in 2012 Q4 (**Chart 9**). The fall in Q1 reflected falls in retail and short-term wholesale funding spreads, and significant falls in long-term wholesale funding spreads. These falls had more than offset an increase in reference rates. The transfer price was expected to fall further over the next three months, driven by continued falls in retail and short-term wholesale funding spreads.

(1) 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 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).

Where the survey balances are discussed, descriptions of a 'significant' change refer to a net percentage balance greater than 20 in absolute terms, and a 'slight' change refers to a net percentage balance of between 5 and 10 in absolute terms. Survey balances between 0 and 5 in absolute terms are described as unchanged.

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				2014
		Q4	Q1	Q2	Q3	Q4	Q1
Funding							
1 How have funding volumes changed?[b]							
Total funding	Past three months	34.5	4.5	-15.3	2.8	-34.3	4.8
	Next three months	8.8	-9.1	-14.9	-2.1	-32.5	-12.4
Retail deposit funding	Past three months	28.3	21.2	34.1	-3.6	17.1	18.3
	Next three months	30.0	2.7	-1.7	-19.1	-3.8	-2.9
'Other' funding	Past three months	-6.6	-25.4	-36.8	10.4	-38.5	-4.2
	Next three months	-9.2	-26.6	-23.9	-3.3	-28.8	-14.3
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	-14.2	-21.6
	Next three months	-21.7	-23.1	-31.7	5.1	-28.1	-4.5
'Other' funding spreads relative to appropriate reference rate(s)	Past three months	-21.0	-47.5	-38.1	-8.1	-24.2	-37.0
	Next three months	-15.2	-0.8	-17.9	-8.0	4.5	-21.2
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	-1.3	2.0
	Next three months	3.5	20.2	27.7	-21.7	-23.5	1.9
Non-price terms	Past three months	-4.4	21.6	28.3	-3.4	-4.3	-3.9
	Next three months	2.1	28.2	10.7	1.9	-4.3	4.7
Market share objectives	Past three months	27.7	33.6	48.5	8.3	13.2	14.9
	Next three months	27.1	40.3	35.1	23.1	6.6	19.5
Regulatory drivers	Past three months	-5.4	15.6	15.2	0.8	-0.5	0.8
	Next three months	-5.4	23.7	16.8	15.6	-0.5	0.0

		Net percentage balances[a]					
		2012	2013				2014
		Q4	Q1	Q2	Q3	Q4	Q1
Funding structure objectives (excluding those driven by regulation)	Past three months	26.2	6.2	14.5	0.8	-8.0	-7.3
	Next three months	18.9	6.2	8.3	-4.7	-7.7	-6.7
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	2.6	1.4
	Next three months	30.9	40.9	46.1	7.7	7.2	2.0
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	-21.3	-13.0
	Next three months	13.4	28.8	20.6	-0.2	-0.2	6.6
Non-price terms	Past three months	11.9	5.7	0.8	-13.7	-13.2	-7.2
	Next three months	8.7	5.7	0.3	-6.3	-6.9	-7.2
Market share objectives	Past three months	21.8	21.3	16.7	-6.6	8.3	21.2
	Next three months	21.8	21.3	21.1	-0.3	20.9	14.9
Regulatory drivers	Past three months	0.9	2.4	-5.5	-14.3	-6.7	-14.6
	Next three months	2.0	2.4	-5.5	6.9	-6.7	-14.6
Funding structure objectives (excluding those driven by regulation)	Past three months	12.8	16.4	7.4	-21.4	-21.3	-9.3
	Next three months	10.7	6.7	8.2	-15.1	-8.8	-13.6
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	13.8	7.2
	Next three months	30.1	35.8	35.6	6.6	6.6	0.0
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	-17.8	14.9
	Next three months	45.9	45.7	16.8	17.9	3.3	14.9
Non-price terms	Past three months	6.2	-6.6	-6.2	0.0	-6.4	-0.8
	Next three months	13.4	8.4	-7.7	1.0	-7.4	-0.8
Market share objectives	Past three months	0.3	0.3	0.3	-0.3	-6.6	0.0
	Next three months	14.9	16.1	0.3	-0.3	6.0	0.0
Regulatory drivers	Past three months	-14.7	-14.8	-15.0	-8.5	-21.6	-10.9
	Next three months	7.0	0.3	-20.4	6.4	-15.3	-15.7
Funding structure objectives (excluding those driven by regulation)	Past three months	25.5	24.3	9.8	-8.0	-20.1	-2.1
	Next three months	43.5	35.7	10.6	-8.0	-28.6	-6.9
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	36.4	5.6	5.9	-1.0
	Next three months	22.1	29.4	22.4	5.6	-1.3	0.0

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				2014
		Q4	Q1	Q2	Q3	Q4	Q1
Proportion of private/public issuance	Past three months	16.0	21.1	-4.4	15.6	-3.5	-5.4
	Next three months	8.1	12.5	4.5	-2.2	-10.2	-19.9
Proportion of long-term/short-term issuance	Past three months	8.8	4.1	-9.4	-0.5	9.4	-10.2
	Next three months	-4.4	20.8	7.4	-7.8	21.6	27.7
Short-term funding							
Certificates of Deposit	Past three months	-6.3	6.5	-5.7	-6.8	10.1	4.3
	Next three months	-7.5	9.6	-8.7	7.1	28.5	-4.8
Commercial Paper	Past three months	3.9	-6.3	11.5	3.5	2.0	7.1
	Next three months	-0.2	2.4	7.0	0.3	21.1	-4.8
Short-term repo/securities lending	Past three months	11.2	1.0	9.4	4.4	-0.2	-4.8
	Next three months	6.0	1.5	6.1	-6.8	0.8	8.2
Unsecured borrowing including deposits from OFCs and interbank deposits	Past three months	-3.7	13.2	-6.7	1.8	-13.1	5.9
	Next three months	-7.3	-1.5	-0.3	-0.3	-22.5	4.4
Long-term funding							
Long-term repo/securities lending	Past three months	6.8	-6.6	1.0	1.8	-6.9	-20.2
	Next three months	1.7	1.1	-3.1	0.6	-6.3	-22.2
Structured products: structured notes	Past three months	-14.1	-6.6	0.0	-7.4	0.0	-7.2
	Next three months	-11.0	0.0	-4.8	-7.4	-7.4	-14.6
Structured products: other	Past three months	0.0	0.0	0.0	0.0	0.0	0.0
	Next three months	-6.5	0.0	-4.8	0.0	0.0	0.0
Senior unsecured debt	Past three months	-8.9	14.2	4.7	12.5	11.7	28.4
	Next three months	6.6	9.8	0.0	7.2	16.3	26.3
Asset-backed securities (excluding covered bonds)	Past three months	3.8	-0.5	-7.3	-6.4	-15.7	-2.2
	Next three months	-0.8	7.8	-2.5	-4.3	-13.2	11.6
Covered bonds	Past three months	2.1	0.3	-6.5	-6.9	10.0	16.5
	Next three months	-6.3	-6.2	-1.8	6.3	-6.9	3.7

		Net percentage balances(a)					
		2012	2013				2014
		Q4	Q1	Q2	Q3	Q4	Q1
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	3.7	21.2
	Next three months	32.3	17.2	12.3	1.7	4.2	6.1
UK investors	Past three months	53.0	20.9	12.3	-2.2	3.7	21.2
	Next three months	32.3	17.2	5.4	1.7	4.2	6.1
Non-UK investors	Past three months	53.5	20.9	19.3	-9.6	3.7	21.2
	Next three months	32.3	16.2	11.3	1.7	4.2	6.1
Breakdown							
Retail investors	Past three months	6.4	0.8	4.6	3.8	5.4	-0.8
	Next three months	14.9	23.4	-0.5	1.0	10.0	0.0
Other banks	Past three months	46.4	8.7	0.9	-8.8	3.1	9.1
	Next three months	38.4	15.9	-0.2	1.5	3.0	0.7
Money market funds	Past three months	29.4	11.3	13.1	-8.0	-3.4	13.4
	Next three months	29.4	15.4	8.1	1.2	9.9	5.5
Hedge funds	Past three months	43.6	8.4	0.9	-7.3	6.9	21.5
	Next three months	22.3	16.1	12.8	0.5	4.8	5.5
Sovereign wealth funds	Past three months	42.5	7.7	8.4	-8.0	3.3	7.9
	Next three months	29.2	16.4	12.3	0.9	2.8	0.7
Insurance companies and pension funds	Past three months	58.4	19.6	7.9	-8.8	2.3	20.7
	Next three months	42.4	15.7	5.1	1.2	3.3	5.5
Other asset managers	Past three months	52.4	13.6	7.9	-8.0	-3.7	21.2
	Next three months	36.7	16.2	5.1	1.2	-3.1	6.1

Maturity of wholesale debt funding

		2012 Q4	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2014 Q1
8 Factors affecting issuance of short-term wholesale debt funding:							
Demand factors							
Need or desire to change size of balance sheet	Past three months	-24.9	-29.7	-7.5	-1.6	-8.4	-8.3
	Next three months	6.4	-33.9	1.8	-1.0	-10.5	-1.1
Asset-liability matching	Past three months	-3.5	-15.1	-19.7	0.0	0.0	-4.8
	Next three months	25.5	-14.8	-19.7	0.6	0.0	-4.8
Price/yield	Past three months	-8.7	4.3	-5.2	4.0	-0.7	-4.8
	Next three months	18.4	5.1	0.3	5.1	-1.3	-4.8
Non-price terms/liquidity	Past three months	-8.4	-0.2	1.1	-5.9	-0.4	-2.5
	Next three months	22.4	-0.2	1.1	-6.0	-8.4	-8.8
Regulatory drivers	Past three months	-0.3	-6.8	2.8	4.8	13.2	-1.1
	Next three months	-6.5	-6.0	2.8	13.3	11.8	-8.5
Supply factors							
Market access	Past three months	-5.2	5.1	1.6	6.6	2.4	2.2
	Next three months	15.0	21.4	6.5	8.0	1.8	3.2
Investor demand	Past three months	2.7	19.1	12.5	12.7	1.4	2.2
	Next three months	16.4	27.9	5.7	9.1	0.8	10.4

		2012 Q4	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2014 Q1
		Net percentage balances[a]					
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	10.1	0.8
	Next three months	-9.4	-27.3	4.6	8.4	9.0	1.3
Asset-liability matching	Past three months	9.0	-7.8	0.0	6.5	0.9	14.3
	Next three months	12.8	-6.2	-0.3	4.4	6.6	14.9
Price/yield	Past three months	24.9	6.9	24.3	7.8	7.2	6.6
	Next three months	16.7	18.1	24.3	4.4	13.7	9.2
Non-price terms/liquidity	Past three months	22.8	5.3	7.0	9.9	19.2	22.3
	Next three months	15.0	8.6	13.8	8.1	23.3	28.7
Regulatory drivers	Past three months	8.5	0.3	0.8	0.7	1.6	21.2
	Next three months	0.1	17.2	1.0	23.3	15.9	23.6
Supply factors							
Market access	Past three months	11.0	0.8	-0.3	3.3	-1.5	8.0
	Next three months	24.3	14.3	4.2	7.7	14.6	14.5
Investor demand	Past three months	12.0	1.3	-0.3	11.5	5.1	7.2
	Next three months	24.3	15.3	12.3	15.6	7.2	15.1

Currency of wholesale debt funding

		2012 Q4	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2014 Q1
10 How has the use of the following currency markets changed?[g]							
Sterling	Past three months	14.2	-8.3	-3.9	-17.1	-6.3	5.2
	Next three months	-4.9	-12.6	-9.9	-0.9	-15.0	7.8
US dollar	Past three months	26.8	18.9	11.4	-6.0	-13.0	-5.0
	Next three months	1.1	-5.8	1.3	-12.7	-6.3	8.9
Euro	Past three months	2.9	-10.7	-11.8	3.0	8.4	18.6
	Next three months	8.7	-1.4	-7.0	-0.2	-1.9	15.2
Other	Past three months	6.5	-7.5	0.0	7.4	-16.4	-1.0
	Next three months	0.0	-7.5	0.0	0.0	-16.4	0.0

		Net percentage balances[a]					
		2012	2013				2014
		Q4	Q1	Q2	Q3	Q4	Q1
11 Which of the following factors have affected non-sterling issuance?							
Changes in currency mix of assets	Past three months	0.0	0.0	14.5	7.4	-7.2	0.0
	Next three months	-3.6	0.0	14.5	-0.8	-7.2	0.0
Relative cost of funds: due to currency swap markets	Past three months	4.2	1.1	20.4	9.0	18.6	27.4
	Next three months	-0.1	11.1	7.5	2.9	17.5	27.4
Relative cost of funds: due to other changes	Past three months	-3.3	-7.5	0.0	7.4	-8.2	-1.0
	Next three months	2.9	16.5	0.0	0.0	-8.2	0.0
Availability of suitably rated currency swap counterparties	Past three months	-16.9	0.5	-0.5	7.4	-7.7	-1.0
	Next three months	-23.1	-6.6	-6.5	0.3	-7.2	0.0
Differences in regulation in different currency markets	Past three months	0.0	0.0	-7.0	13.8	-7.2	0.0
	Next three months	0.0	0.0	0.0	0.0	-7.2	0.0
Differences in investor demand	Past three months	28.6	5.7	12.3	13.8	4.8	17.2
	Next three months	20.6	6.4	5.3	15.6	4.3	18.4
Differences in market access	Past three months	17.2	3.5	12.3	6.6	10.4	3.7
	Next three months	9.7	13.1	5.3	1.0	9.9	3.7

		2012	2013				2014
		Q4	Q1	Q2	Q3	Q4	Q1
		Net percentage balances[a]					
Capital							
1 How has the level of total capital changed?	Past three months	-7.2	-1.2	44.7	27.6	26.1	2.2
	Next three months	35.7	19.9	41.6	48.4	26.6	54.9
2 How has the average cost of capital changed?	Past three months	-0.8	-13.8	-2.9	9.5	-7.0	1.3
	Next three months	-1.4	18.0	1.0	0.9	1.5	7.2
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	35.5	-1.0
	Next three months	-7.5	20.1	33.2	35.8	34.6	36.3
Direct effects of profits, losses, deductions and charges (non-UK specific)	Past three months	-16.6	-0.9	20.9	22.4	19.2	-2.1
	Next three months	-16.1	18.2	20.9	21.7	19.2	22.2
Factors that have affected demand for capital							
Changing economic outlook	Past three months	2.8	-20.2	-18.5	-30.7	-16.0	-15.9
	Next three months	-11.3	-19.2	-22.2	-22.3	-22.3	-8.7
Strategic decisions to increase/reduce risk	Past three months	7.6	-2.2	-25.4	4.5	9.3	17.1
	Next three months	20.1	-3.6	-6.0	3.4	8.3	3.7
Regulatory drivers	Past three months	9.8	21.2	36.2	38.1	37.2	39.3
	Next three months	29.8	20.2	31.7	24.6	31.6	31.3
Changes in size of balance sheet	Past three months	-23.4	-11.5	-19.1	-4.9	1.4	13.2
	Next three months	-14.6	-10.3	-12.2	2.5	9.7	13.2
Changes in riskiness of assets	Past three months	-15.5	-25.9	-12.5	9.8	9.2	-4.3
	Next three months	-9.0	-25.9	-8.0	9.8	-4.6	2.9
Supply factors							
Market conditions	Past three months	15.1	3.3	7.2	0.0	0.0	12.5
	Next three months	7.5	-4.2	4.2	-7.4	7.2	4.7
Investor pressure to change volume of capital	Past three months	0.8	0.0	4.5	1.3	0.8	0.8
	Next three months	0.8	1.5	5.2	13.2	0.8	0.8

		Net percentage balances[a]					
		2012	2013				2014
		Q4	Q1	Q2	Q3	Q4	Q1
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	6.4	5.6
	Next three months	19.6	18.8	11.2	15.3	-0.5	20.2
UK investors	Past three months	29.1	15.1	14.6	-2.0	11.0	5.6
	Next three months	20.4	25.4	8.4	12.4	3.8	20.2
Non-UK investors	Past three months	36.7	27.0	25.1	5.4	12.7	17.6
	Next three months	27.2	26.3	18.9	27.2	10.1	17.5
Breakdown							
Retail investors	Past three months	28.7	11.9	18.4	0.9	6.4	-0.8
	Next three months	0.8	11.1	11.4	10.8	3.8	7.2
Other banks	Past three months	29.1	15.1	6.2	-1.2	7.2	0.0
	Next three months	19.6	18.0	-1.5	7.1	0.0	7.2
Hedge funds	Past three months	35.9	27.0	31.1	6.9	8.7	5.6
	Next three months	27.2	27.0	24.1	25.7	1.5	12.8
Sovereign wealth funds	Past three months	28.3	15.1	7.0	-1.2	7.2	4.8
	Next three months	19.6	19.5	4.5	7.1	0.0	12.1
Insurance companies and pension funds	Past three months	29.1	15.1	22.1	5.4	5.6	10.3
	Next three months	19.6	18.0	15.1	15.3	0.0	17.5
Other asset managers	Past three months	28.3	15.1	22.1	6.2	7.9	10.3
	Next three months	27.2	26.3	15.9	14.5	0.8	17.5
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	0.0	0.0
	Next three months	0.8	14.2	0.0	0.0	0.0	0.0
Strategic decisions to change mix of capital	Past three months	9.4	2.8	25.2	-7.4	-19.1	-11.6
	Next three months	13.8	-4.8	35.7	-4.2	11.0	12.3
Regulatory drivers	Past three months	-8.0	-6.8	20.7	-14.8	-23.4	-1.0
	Next three months	5.0	6.8	16.2	-47.7	-44.0	-3.5
Market conditions	Past three months	8.3	9.0	4.5	-7.4	-4.6	7.2
	Next three months	1.0	7.4	12.0	0.0	3.3	0.0
Investor demand	Past three months	8.3	9.0	12.0	0.0	0.0	0.0
	Next three months	0.2	13.4	11.2	0.0	1.8	4.7

		Net percentage balances[a]					
		2012	2013				2014
		Q4	Q1	Q2	Q3	Q4	Q1

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	9.2	-25.6	-19.1
	Next three months	-24.1	-22.6	-13.6	8.5	-5.2	-8.7
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	-44.3	-31.9
	Next three months	-38.0	-12.1	-20.8	4.1	-1.2	-14.2

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.*	n.a.*	n.a.*
	Next three months	n.a.*	n.a.*	n.a.*	n.a.*	n.a.*	n.a.*
Debt capital	Past three months	-1.1	n.a.*	-7.5	8.2	-6.6	n.a.*
	Next three months	0.0	n.a.*	-1.5	-7.4	-3.8	7.3
Retail deposit spreads relative to appropriate reference rate(s)	Past three months	-28.5	-19.7	-33.3	-7.5	-8.6	-17.2
	Next three months	-10.2	-9.9	-20.5	-15.3	1.8	-15.2
Short-term wholesale funding spreads relative to appropriate reference rate(s)	Past three months	-33.4	-26.9	-40.1	1.0	-14.2	-19.8
	Next three month	-15.5	-18.8	-12.2	-8.3	-0.3	-14.9
Long-term secured wholesale funding spreads relative to appropriate reference rate(s)	Past three months	-31.3	-25.6	-26.5	8.9	-6.4	-20.7
	Next three months	-16.3	-6.9	-24.9	-9.1	-0.3	14.6
Long-term unsecured wholesale funding spreads relative to appropriate reference rate(s)	Past three months	-63.2	-40.4	-48.5	3.3	-27.7	-21.1
	Next three months	-29.7	-25.1	-24.1	-7.4	-0.3	-0.4
Swaps or other reference rates	Past three months	-41.5	-7.3	-4.8	34.1	-22.6	18.9
	Next three months	-1.1	1.5	0.3	7.8	5.0	12.6

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	38.5	38.3

* 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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