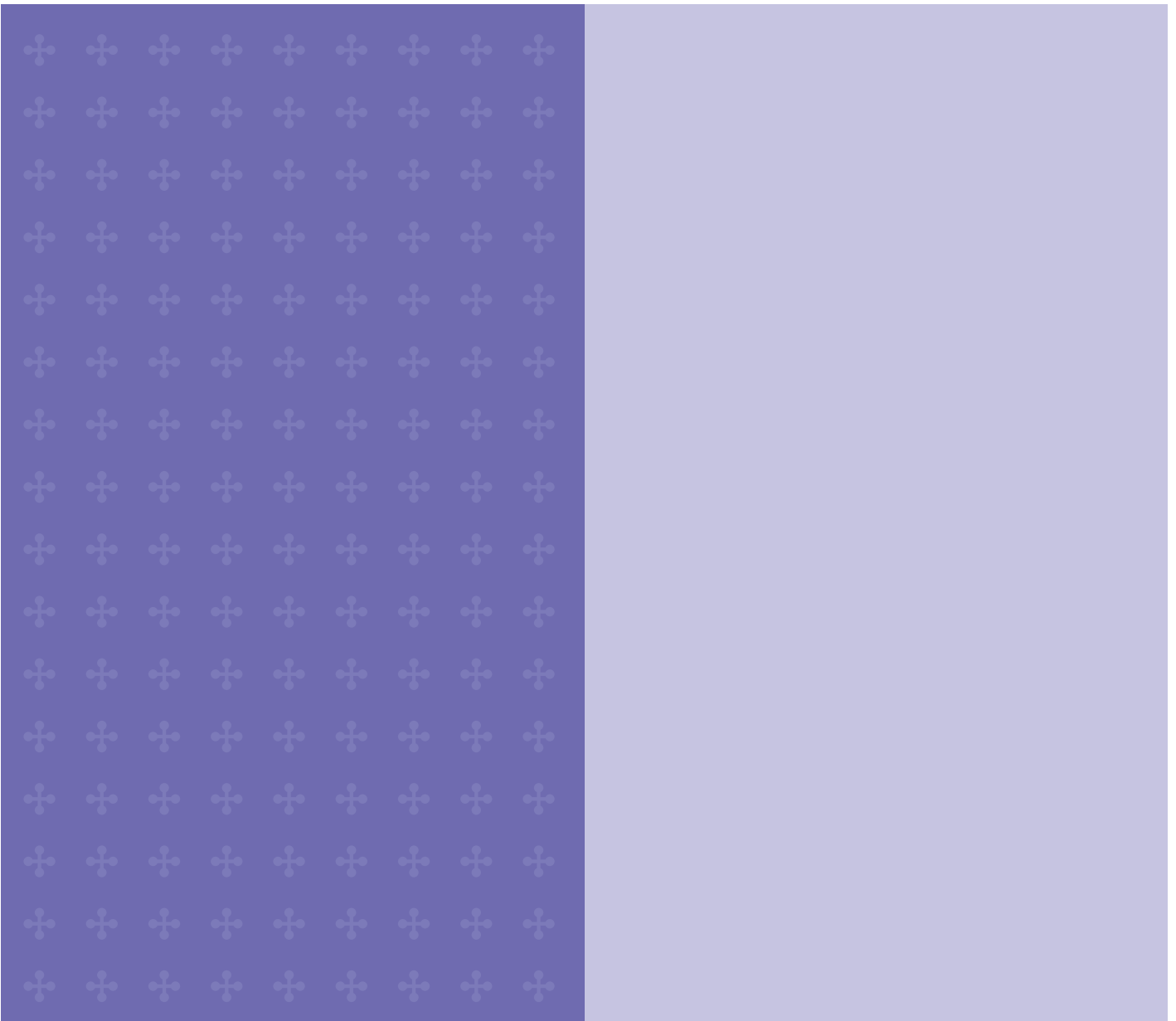




# Bank Liabilities Survey

Survey results | 2019 Q2





BANK OF ENGLAND

# Bank Liabilities Survey

2019 Q2

Developments in lenders' 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 lenders' funding may affect their willingness or ability to lend, and the price of lending. The aim of this quarterly survey of banks and building society lenders is to improve understanding of the role of lenders' liabilities and capital in driving credit and monetary conditions. Lenders are asked about the past three months and the coming three months. The survey covers developments in the volume and price of bank funding; developments in the loss-absorbing capacity of banks as determined by their capital positions; and developments in the internal price charged to business units within individual banks to fund the flow of new loans, sometimes referred to as the 'transfer price'.

This report presents the results of the 2019 Q2 survey. It was conducted between 3 and 21 June 2019.

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 2019 Q2 survey, and copies of the questionnaires are available on the Bank's website at [www.bankofengland.co.uk/bank-liabilities-survey/2019/2019-q2](http://www.bankofengland.co.uk/bank-liabilities-survey/2019/2019-q2).

The 2019 Q3 *Bank Liabilities Survey* will be published on 17 October 2019.



# Bank Liabilities Survey

## 2019 Q2

### Funding

- UK banks and building societies reported that their **total funding volumes** increased significantly in the three months to end-May 2019 (Q2). Within the total, 'other' funding — which includes wholesale debt funding, wholesale deposits and funding via central bank operations — was reported to have increased, while retail deposit funding was reported to have increased significantly (**Chart 1**). Lenders expected total funding volumes to remain unchanged in the three months to end-August 2019 (Q3).
- **Spreads** — relative to appropriate reference rates — on 'other' funding were reported to have decreased in Q2, while spreads on retail deposits were reported to have increased slightly (**Chart 2**). Lenders expected spreads on 'other' funding to remain unchanged, however retail deposit spreads were expected to decrease significantly over the next quarter.
- Lenders reported that the **supply of deposits** from households increased significantly in Q2, and was expected to increase over the next quarter. The supply of deposits from private non-financial corporates was reported to have increased slightly in Q2, and was expected to remain unchanged in Q3 (**Chart 3**).
- The proportion of wholesale market funding accounted for by **long-term instruments** was reported to have remained the same in Q2 but was expected to increase significantly in Q3.
- **Investor demand** for banks' wholesale debt increased significantly in Q2 (**Chart 4**). Lenders expected a slight decrease in the demand for wholesale debt in Q3.

### Capital

- The **average cost of capital** was reported to have decreased significantly in Q2 and was expected to remain unchanged in Q3.
- Lenders reported that their **total capital levels** remained the same in Q2, but were expected to decrease slightly in Q3.

### Transfer pricing

- Lenders reported that the internal price charged to business units to fund the flow of new loans (the '**transfer**' price) had decreased in Q2 (**Chart 5**). This was reported to have been driven by a significant decrease in long-term wholesale funding spreads (**Chart 6**). Lenders expected no change in the transfer price in Q3.

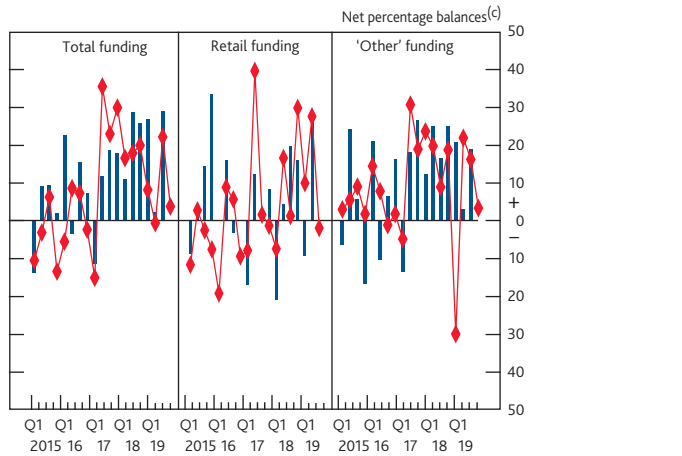
This report presents the results of the 2019 Q2 survey. It was conducted between 3 and 21 June 2019. The results are based on lenders' own responses to the survey. They do not necessarily reflect the Bank's views on developments in bank liabilities. To calculate aggregate results, each lender is assigned 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, demand was higher/lower or terms and

conditions were tighter/looser. The net percentage balances are scaled to lie between  $\pm 100$ .

In this report, changes in balances are described as 'significant' if greater than 20 in absolute terms, as 'slight' if between 5 and 10 and as 'unchanged' if less than 5.

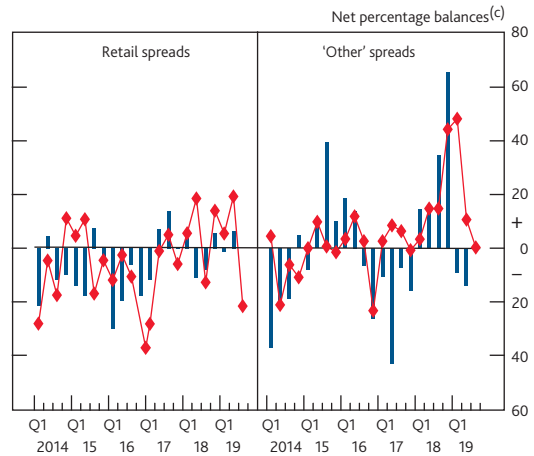
This report and copies of the questionnaires are available on the Bank's website at [www.bankofengland.co.uk/bank-liabilities-survey/2019/2019-q2](http://www.bankofengland.co.uk/bank-liabilities-survey/2019/2019-q2).

Chart 1 Funding volumes(a)(b)



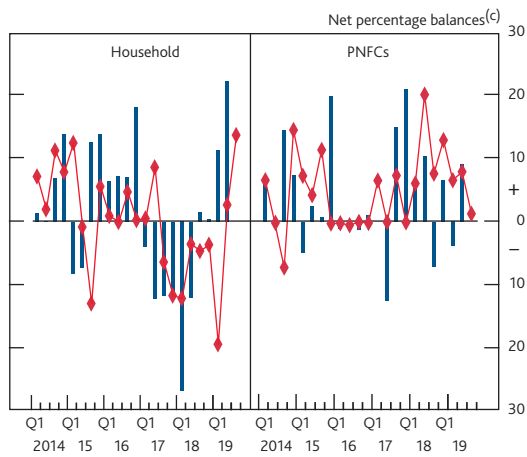
- (a) Net percentage balances are calculated by weighting together the responses of those lenders who answered the question. The blue bars show the responses over the previous three months. The red diamonds show the expectations over the next three months. Expectations balances have been moved forward 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)



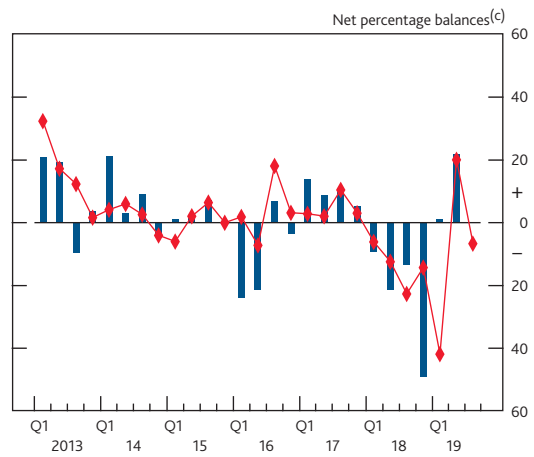
- (a) See footnote (a) to Chart 1.
- (b) Question: 'How has the average cost of funding changed?'.
- (c) A positive balance indicates an increase in funding spreads relative to appropriate reference rates.

Chart 3 Supply of deposits(a)(b)



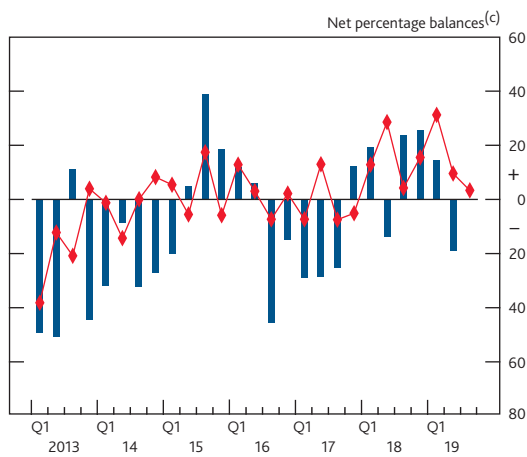
- (a) See footnote (a) to Chart 1.
- (b) Question: 'How has the supply of deposits from the following sources changed?'.
- (c) A positive balance indicates an increase in the supply of deposits.

Chart 4 Investors demand for UK bank debt(a)(b)



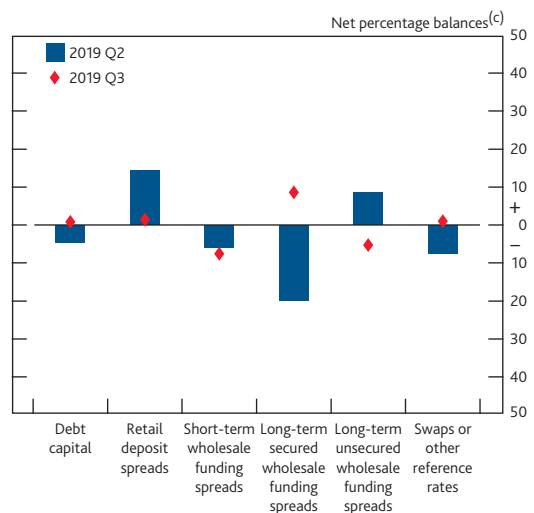
- (a) See footnote (a) to Chart 1.
- (b) Question: 'How has the demand for wholesale debt from the following investors changed?'.
- (c) A positive balance indicates an increase in investors demand for banks' wholesale debt.

Chart 5 Transfer prices(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 transfer prices.

Chart 6 Factors affecting transfer prices(a)(b)



- (a) See footnote (a) to Chart 1.
- (b) Question: 'Factors affecting the marginal absolute cost of providing funds to business units (sometimes referred to as the 'transfer price')?'.
- (c) A positive balance indicates a positive contribution to the transfer price.

## Annex 1

### Definitions and terminology

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

#### Terminology and general definitions

The following terms are used within the report:

- **Cost** — the cost to the *issuing* bank of raising money via the specified form of funding.
- **Demand factor** — a factor that influences a *bank's* need or desire for a particular volume of funding or capital, holding constant any supply factors.<sup>(1)</sup> 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 12 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 12 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 12 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 12 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 lender is assigned a score based on their response. Lenders who report that funding 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, funding volumes had increased/decreased. The net percentage balances are scaled to lie between  $\pm 100$ . This annex reports the net percentage balance of respondents for each question in the questionnaire.

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/bank-liabilities-survey/2019/2019-q2](http://www.bankofengland.co.uk/bank-liabilities-survey/2019/2019-q2).

|  |                   | Net percentage balances <sup>(a)</sup> |       |       |       |      |       |       |       |       |      |      |       |
|--|-------------------|--|-------|-------|-------|------|-------|-------|-------|-------|------|------|-------|
|  |                   | 2016                                   |       | 2017  |       |      |       | 2018  |       |       |      | 2019 |       |
|  |                   | Q3                                     | Q4    | Q1    | Q2    | Q3   | Q4    | Q1    | Q2    | Q3    | Q4   | Q1   | Q2    |
| <b>Funding</b>   |                   |  |       |       |       |      |       |       |       |       |      |      |       |
| <b>1 How have funding volumes changed?<sup>(b)</sup></b>                             |                   |  |       |       |       |      |       |       |       |       |      |      |       |
| Total funding  | Past three months | 15.3                                   | 7.2   | -11.5 | 11.7  | 18.6 | 17.9  | 10.9  | 28.6  | 25.6  | 26.7 | 2.1  | 28.8  |
|  | Next three months | -2.4                                   | -15.1 | 35.3  | 22.8  | 29.7 | 16.4  | 17.7  | 19.8  | 8.0   | -0.7 | 22.0 | 3.6   |
| Retail deposit funding   | Past three months | -3.2                                   | 0.2   | -17.1 | 12.3  | 1.1  | 8.4   | -21.0 | 4.3   | 19.7  | 16.0 | -9.4 | 28.3  |
|  | Next three months | -9.4                                   | -7.9  | 39.4  | 1.6   | -1.4 | -7.5  | 16.5  | 1.2   | 29.6  | 9.8  | 27.4 | -2.0  |
| 'Other' funding  | Past three months | 6.4                                    | 16.3  | -13.5 | 18.1  | 26.4 | 12.2  | 24.9  | 16.5  | 24.9  | 20.5 | 2.9  | 18.8  |
|  | Next three months | 1.7                                    | -4.9  | 30.5  | 18.8  | 23.5 | 19.6  | 8.8   | 18.6  | -30.0 | 21.8 | 16.1 | 3.3   |
| <b>2 How has the average cost of funding changed?<sup>(c)</sup></b>                  |                   |  |       |       |       |      |       |       |       |       |      |      |       |
| Retail deposit spreads relative to appropriate reference rate(s)                     | Past three months | -6.2                                   | -17.7 | -11.8 | 7.2   | 14.0 | 0.6   | 5.7   | -10.9 | -8.0  | 5.6  | -1.2 | 6.4   |
|  | Next three months | -37.1                                  | -28.1 | -1.0  | 5.1   | -5.9 | 5.7   | 18.7  | -12.6 | 14.1  | 5.6  | 19.5 | -21.5 |
| 'Other' funding spreads relative to appropriate reference rate(s)                    | Past three months | -6.5                                   | -26.2 | -10.5 | -43.1 | -7.1 | -16.0 | 14.5  | 15.0  | 34.5  | 65.5 | -9.1 | -14.0 |
|  | Next three months | -23.3                                  | 2.6   | 8.5   | 6.3   | -0.8 | 3.3   | 14.8  | 14.8  | 44.3  | 48.2 | 10.7 | 0.2   |
| <b>Deposits</b>  |                   |  |       |       |       |      |       |       |       |       |      |      |       |
| <b>3 Factors contributing to changes in household deposit volumes:<sup>(d)</sup></b> |                   |  |       |       |       |      |       |       |       |       |      |      |       |
| <i>Demand factors</i>  |                   |  |       |       |       |      |       |       |       |       |      |      |       |
| Rates paid relative to the cost of other liabilities                                 | Past three months | -11.4                                  | -13.4 | -24.9 | 5.3   | 1.1  | -8.8  | -5.4  | 0.8   | 13.7  | -2.6 | -4.3 | 18.0  |
|  | Next three months | -10.9                                  | -9.4  | 7.7   | -1.1  | -7.1 | -8.7  | 1.4   | 3.1   | 6.6   | 6.7  | 10.3 | -2.4  |
| Non-price terms  | Past three months | 0.9                                    | 1.1   | 1.0   | -6.0  | -5.8 | -7.3  | 0.0   | 1.7   | 1.8   | 1.8  | 6.7  | 8.0   |
|  | Next three months | 1.4                                    | 0.0   | -6.0  | -6.4  | -7.1 | -6.3  | 6.5   | -4.8  | 2.9   | 14.2 | 8.1  | 8.0   |
| Market share objectives  | Past three months | 14.5                                   | 13.1  | 13.6  | 12.2  | 6.7  | 5.5   | 0.0   | -5.7  | 3.2   | -1.3 | 11.6 | 4.7   |
|  | Next three months | 14.5                                   | 12.5  | 12.3  | 11.8  | 6.7  | 6.5   | 0.5   | -6.7  | -0.9  | 10.7 | 5.7  | 4.7   |

|   |                   | Net percentage balances <sup>(a)</sup> |      |      |       |       |       |       |       |       |       |      |      |
|---|-------------------|--|------|------|-------|-------|-------|-------|-------|-------|-------|------|------|
|   |                   | 2016                                   |      | 2017 |       |       |       | 2018  |       |       |       | 2019 |      |
|   |                   | Q3                                     | Q4   | Q1   | Q2    | Q3    | Q4    | Q1    | Q2    | Q3    | Q4    | Q1   | Q2   |
| Regulatory drivers  | Past three months | -0.5                                   | 0.0  | 4.9  | -5.7  | -5.8  | -7.0  | -1.2  | -6.1  | -16.6 | -16.4 | -0.8 | -0.6 |
|   | Next three months | 0.0                                    | 0.0  | -2.1 | -6.4  | -5.8  | -7.8  | -2.0  | -6.3  | -10.8 | 1.1   | -0.8 | -0.6 |
| Funding structure objectives (excluding those driven by regulation)                                     | Past three months | 6.0                                    | -2.8 | -1.8 | -5.4  | -3.4  | -7.1  | -0.5  | 2.1   | -9.1  | -9.3  | 7.1  | 5.8  |
|   | Next three months | -1.8                                   | -0.8 | 8.9  | -4.5  | -5.2  | -6.4  | 0.6   | 17.4  | -3.4  | 14.0  | 6.5  | 18.0 |
| <i>Supply factors</i>   |                   |  |      |      |       |       |       |       |       |       |       |      |      |
| Changing supply of deposits by households, unrelated to rates paid or non-price terms on those deposits | Past three months | 7.1                                    | 18.1 | -3.9 | -12.2 | -11.7 | -12.1 | -26.8 | -11.9 | 1.5   | 0.4   | 11.3 | 22.3 |
|   | Next three months | 0.3                                    | 0.5  | 8.6  | -6.4  | -11.7 | -12.1 | -3.5  | -4.6  | -3.6  | -19.4 | 2.7  | 13.8 |

#### 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 | 7.6  | -1.4 | -7.7 | 24.5 | 19.5 | 8.2  | 1.6  | 10.4 | 15.6 | 2.4  | 18.3 | 18.6 |
|   | Next three months | 7.1  | 10.7 | 7.2  | 25.5 | 19.5 | 27.5 | 21.0 | 18.4 | 17.8 | 18.6 | 18.3 | 12.9 |
| Non-price terms   | Past three months | 0.9  | 0.0  | 14.8 | -0.6 | 0.0  | 0.0  | 1.8  | 7.8  | 11.4 | 10.6 | 10.7 | 12.0 |
|   | Next three months | 0.9  | 14.3 | 14.2 | 1.0  | 0.0  | 0.0  | 0.3  | 13.9 | 11.8 | 11.2 | 12.1 | 11.5 |
| Market share objectives   | Past three months | 0.7  | 0.0  | -0.6 | -1.3 | 0.0  | 0.0  | 0.6  | 6.1  | 6.2  | 5.3  | 11.1 | 11.7 |
|   | Next three months | 0.0  | 0.0  | 0.0  | 0.0  | 0.0  | 6.3  | 13.1 | 12.3 | 6.2  | 11.5 | 11.6 | -0.7 |
| Regulatory drivers  | Past three months | 0.0  | 5.1  | 11.7 | 11.8 | 7.5  | 12.4 | 6.7  | 6.4  | 12.8 | 11.7 | 11.4 | 12.3 |
|   | Next three months | 0.0  | 5.1  | 12.3 | 12.4 | 7.5  | 12.4 | 5.9  | 6.4  | 14.0 | 12.5 | 11.4 | 5.5  |
| Funding structure objectives (excluding those driven by regulation) | Past three months | 7.0  | -2.0 | 6.4  | 7.4  | 2.0  | 2.0  | 6.8  | 6.9  | 15.4 | 7.7  | 19.8 | 12.7 |
|   | Next three months | 15.1 | 11.2 | 13.8 | 8.4  | 2.0  | 12.5 | 21.4 | 21.3 | 15.9 | 24.8 | 25.3 | 11.4 |

##### *Supply factors*

|  |                   |      |     |     |       |      |      |      |      |      |     |      |     |
|--|-------------------|------|-----|-----|-------|------|------|------|------|------|-----|------|-----|
| Changing supply of deposits by PNFCs, unrelated to rates paid or non-price terms on those deposits | Past three months | -1.2 | 1.0 | 0.0 | -12.4 | 15.0 | 21.0 | 5.3  | 10.4 | -7.0 | 6.6 | -3.8 | 9.1 |
|  | Next three months | -0.1 | 6.6 | 0.0 | 7.4   | -0.1 | 6.1  | 20.2 | 7.7  | 12.9 | 6.6 | 7.9  | 1.3 |

#### 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 | 11.9 | 1.1   | 18.7 | 24.5 | 20.7 | 26.5  | 20.2 | 17.2  | 6.1  | 14.2 | 1.9  | 8.1  |
|   | Next three months | 12.6 | 1.1   | 11.3 | 18.2 | 25.9 | 26.5  | 7.4  | 11.8  | 6.7  | 12.1 | 7.3  | 8.1  |
| Non-price terms   | Past three months | -1.0 | -1.0  | -6.1 | -1.0 | -5.2 | -3.4  | 0.8  | -6.1  | 0.0  | 0.8  | -6.2 | 0.0  |
|   | Next three months | -1.0 | -1.0  | -5.1 | 5.1  | -4.2 | -5.9  | -0.8 | -6.1  | 0.0  | -6.2 | 1.9  | 0.0  |
| Market share objectives   | Past three months | 0.0  | 0.0   | 0.0  | 0.0  | 0.0  | 0.0   | 0.0  | 0.0   | 0.0  | 0.0  | 5.6  | 0.6  |
|   | Next three months | 0.0  | 0.0   | 0.0  | 0.0  | 0.0  | 0.0   | 5.1  | 0.0   | 0.0  | 0.0  | 8.1  | 0.0  |
| Regulatory drivers  | Past three months | 6.5  | 12.4  | 0.0  | 12.4 | 12.8 | -5.0  | 0.2  | -0.6  | -0.7 | 7.8  | 6.6  | 7.8  |
|   | Next three months | 0.0  | 12.4  | 0.0  | -7.4 | 12.8 | -13.1 | -0.6 | -0.6  | 0.6  | 7.8  | 13.9 | 7.3  |
| Funding structure objectives (excluding those driven by regulation) | Past three months | 11.5 | -18.2 | -1.8 | 0.3  | 5.2  | 0.2   | 5.5  | -11.5 | 0.8  | 2.1  | 5.6  | 0.4  |
|   | Next three months | 8.6  | -6.2  | -0.2 | 0.0  | 5.2  | -7.3  | -2.0 | -11.5 | -5.6 | -0.8 | 6.8  | -5.2 |

##### *Supply factors*

|   |                   |      |      |      |     |     |     |      |      |      |      |     |      |
|---|-------------------|------|------|------|-----|-----|-----|------|------|------|------|-----|------|
| Changing supply of deposits by OFCs, unrelated to rates paid or non-price terms on those deposits | Past three months | -1.0 | -6.2 | 12.5 | 5.1 | 1.0 | 8.7 | 3.6  | -1.2 | -0.8 | -1.2 | 0.5 | 1.3  |
|   | Next three months | 0.0  | 0.0  | 12.5 | 8.4 | 0.0 | 7.3 | 11.6 | 0.8  | -0.8 | -7.4 | 6.3 | -0.3 |



|   |                   | Net percentage balances <sup>(a)</sup> |       |       |       |       |       |      |       |       |       |       |       |
|---|-------------------|--|-------|-------|-------|-------|-------|------|-------|-------|-------|-------|-------|
|   |                   | 2016                                   |       | 2017  |       |       |       | 2018 |       |       |       | 2019  |       |
|   |                   | Q3                                     | Q4    | Q1    | Q2    | Q3    | Q4    | Q1   | Q2    | Q3    | Q4    | Q1    | Q2    |
| <b>Wholesale debt funding</b>   |                   |  |       |       |       |       |       |      |       |       |       |       |       |
| <b>6 How have the proportions of wholesale market funding (excluding central bank operations) raised through the following sources changed?<sup>(e)</sup></b> |                   |  |       |       |       |       |       |      |       |       |       |       |       |
| Proportion of private/public issuance   | Past three months | 2.4                                    | 7.1   | -48.0 | -7.0  | 0.7   | -13.3 | -0.5 | -12.6 | -20.6 | -21.1 | -12.7 | -20.9 |
|   | Next three months | -16.0                                  | -34.8 | 21.7  | -22.2 | -34.6 | 21.2  | 9.4  | -27.9 | -17.0 | -30.3 | -21.2 | -12.1 |
| Proportion of long-term/short-term issuance   | Past three months | 10.3                                   | -24.0 | -10.4 | 4.5   | -5.2  | 27.8  | 8.0  | -4.7  | 3.4   | 30.9  | 12.7  | -1.6  |
|   | Next three months | 6.3                                    | -16.1 | -13.1 | 20.3  | 24.0  | -3.3  | -1.3 | 9.6   | 25.7  | 22.2  | 21.4  | 23.8  |
| <i>Short-term funding</i>   |                   |  |       |       |       |       |       |      |       |       |       |       |       |
| Certificates of Deposit   | Past three months | -30.5                                  | 4.2   | 0.4   | 12.4  | 0.0   | -22.3 | -6.6 | -8.3  | -18.9 | -4.6  | -8.0  | 0.7   |
|   | Next three months | -12.2                                  | 21.4  | 27.9  | -5.1  | 0.0   | 5.8   | -8.8 | -20.4 | -2.6  | -0.2  | 1.3   | -12.7 |
| Commercial Paper  | Past three months | -19.7                                  | -9.2  | -10.9 | 7.3   | 0.0   | 12.4  | 3.6  | 17.8  | 18.7  | 32.9  | 11.0  | 5.2   |
|   | Next three months | -18.6                                  | 26.1  | 27.9  | 5.1   | 0.0   | 5.1   | 16.4 | 17.5  | -8.7  | -2.4  | -1.7  | -7.5  |
| Short-term repo/securities lending  | Past three months | 4.3                                    | 24.8  | 5.8   | 0.0   | 0.6   | 5.4   | 6.1  | 2.7   | 8.1   | 8.8   | -14.1 | 4.4   |
|   | Next three months | 0.0                                    | -2.9  | 20.7  | 0.0   | -1.1  | -0.3  | 3.9  | -1.9  | -0.7  | 5.6   | 6.7   | 6.7   |
| Unsecured borrowing including deposits from OFCs and interbank deposits   | Past three months | -22.6                                  | 12.8  | -5.0  | 1.9   | 0.3   | 3.5   | 2.1  | 5.1   | 7.5   | 8.9   | 5.4   | 0.8   |
|   | Next three months | -8.6                                   | 12.8  | 26.9  | 0.0   | 0.0   | -0.2  | 15.8 | -12.2 | 0.0   | 0.8   | -6.8  | -9.3  |
| <i>Long-term funding</i>  |                   |  |       |       |       |       |       |      |       |       |       |       |       |
| Long-term repo/securities lending   | Past three months | -3.8                                   | 15.5  | 2.9   | -3.7  | -0.4  | 5.8   | -1.1 | -0.1  | 7.3   | 2.4   | 2.6   | -1.9  |
|   | Next three months | -4.8                                   | 2.9   | 0.4   | 0.3   | 1.0   | 0.4   | -1.1 | -1.1  | -1.0  | 0.0   | 1.8   | -1.0  |
| Structured products: structured notes   | Past three months | -25.9                                  | 1.0   | -4.5  | 15.7  | 5.1   | 16.6  | 12.4 | -18.6 | 21.0  | -4.0  | -19.5 | -7.3  |
|   | Next three months | -12.3                                  | -14.1 | -6.4  | 0.0   | 14.9  | 11.9  | 19.7 | -5.3  | 4.8   | -2.0  | -7.7  | 0.6   |
| Structured products: other  | Past three months | -4.8                                   | 0.0   | -6.4  | 0.0   | 0.0   | 0.0   | 0.0  | 0.0   | -7.4  | 14.6  | 0.0   | 0.0   |
|   | Next three months | -4.8                                   | -6.6  | -6.4  | 0.0   | 0.0   | 0.0   | 0.0  | 0.0   | -7.4  | 0.0   | 0.0   | -7.3  |
| Senior unsecured debt   | Past three months | 29.5                                   | -2.3  | 30.2  | 0.7   | 14.1  | 13.6  | 17.4 | 28.8  | 18.9  | 25.3  | 6.2   | 20.8  |
|   | Next three months | 23.1                                   | 28.5  | 14.5  | -4.8  | 27.6  | 0.1   | 5.4  | 19.5  | 20.6  | 0.0   | 14.0  | 0.9   |
| Asset-backed securities (excluding covered bonds)   | Past three months | -23.2                                  | 1.9   | -44.2 | -20.1 | -8.9  | -19.7 | -5.3 | 10.2  | 19.2  | 8.0   | -8.4  | 3.2   |
|   | Next three months | -3.6                                   | -14.9 | -1.4  | -8.7  | -21.2 | -23.2 | -9.3 | -3.7  | -9.9  | 9.1   | 15.1  | 7.9   |
| Covered bonds   | Past three months | -26.0                                  | -32.7 | -23.7 | 4.6   | -1.0  | -8.0  | -6.2 | 10.6  | -17.8 | 33.2  | 22.1  | 35.1  |
|   | Next three months | -4.4                                   | 7.8   | -0.4  | 19.1  | -16.8 | -7.3  | -7.1 | 9.1   | 8.1   | 21.9  | 14.3  | -2.8  |

|  |                   |  | Net percentage balances <sup>(a)</sup> |       |      |      |      |      |       |       |       |       |      |       |
|--|-------------------|--|--|-------|------|------|------|------|-------|-------|-------|-------|------|-------|
|  |                   |  | 2016                                   |       | 2017 |      |      |      | 2018  |       |       |       | 2019 |       |
|  |                   |  | Q3                                     | Q4    | Q1   | Q2   | Q3   | Q4   | Q1    | Q2    | Q3    | Q4    | Q1   | Q2    |
| <b>7 How has demand for wholesale debt from the following investors changed?<sup>(f)</sup></b> |                   |  |  |       |      |      |      |      |       |       |       |       |      |       |
| All investors  | Past three months |  | 6.9                                    | -3.5  | 13.8 | 8.8  | 10.8 | 5.1  | -9.4  | -21.4 | -13.4 | -49.2 | 1.0  | 21.9  |
|  | Next three months |  | 3.2                                    | 2.8   | 2.0  | 10.4 | 3.1  | -6.1 | -12.4 | -22.6 | -14.3 | -41.8 | 20.0 | -6.6  |
| UK investors   | Past three months |  | 6.9                                    | 4.0   | 18.9 | 14.9 | 9.8  | 5.0  | -2.3  | -28.1 | -14.1 | -42.8 | 7.8  | 14.8  |
|  | Next three months |  | 3.2                                    | 2.8   | 2.0  | 10.4 | 2.2  | -6.2 | -13.3 | -21.3 | -15.4 | -35.5 | 22.1 | -1.1  |
| Non-UK investors   | Past three months |  | 0.6                                    | -6.0  | 8.1  | 8.8  | 8.6  | 4.4  | -9.4  | -27.2 | -18.3 | -48.4 | -3.6 | 21.3  |
|  | Next three months |  | -2.4                                   | 1.0   | 2.0  | 10.4 | 2.0  | -6.1 | -12.4 | -28.4 | -18.4 | -42.6 | 18.3 | -7.6  |
| <i>Breakdown</i>   |                   |  |  |       |      |      |      |      |       |       |       |       |      |       |
| Retail investors   | Past three months |  | -1.0                                   | 0.0   | -0.6 | -1.3 | 0.0  | 1.0  | -7.3  | -7.9  | -14.8 | -14.7 | 0.0  | n.a.* |
|  | Next three months |  | 0.0                                    | 0.0   | -0.6 | 0.0  | 0.0  | -6.2 | -7.3  | -14.0 | -14.8 | 0.0   | 14.7 | n.a.* |
| Other banks  | Past three months |  | 6.9                                    | 9.2   | -0.4 | 8.2  | 2.2  | 4.9  | -3.2  | -8.1  | -8.1  | -31.7 | -7.4 | 9.2   |
|  | Next three months |  | 3.4                                    | 1.0   | 9.4  | 11.4 | 3.1  | -5.4 | -4.2  | -14.5 | -7.3  | -14.5 | 21.8 | -6.0  |
| Money market funds   | Past three months |  | -0.5                                   | -11.5 | 5.1  | 2.0  | 2.1  | 2.8  | 2.8   | -7.7  | -7.3  | -18.2 | 4.6  | 21.8  |
|  | Next three months |  | -11.1                                  | 1.0   | 7.4  | 11.4 | 1.1  | -5.5 | 1.2   | -16.5 | -6.3  | 2.8   | 27.3 | -1.1  |
| Hedge funds  | Past three months |  | 15.4                                   | 1.0   | 4.6  | 10.0 | 7.5  | 0.3  | -3.5  | -15.3 | -9.3  | -28.3 | 1.0  | 14.8  |
|  | Next three months |  | 3.4                                    | 1.0   | 2.0  | 3.0  | 0.0  | -7.0 | -4.7  | -16.5 | -7.7  | -6.5  | 26.5 | 14.3  |
| Sovereign wealth funds   | Past three months |  | 6.1                                    | 1.6   | 5.8  | 0.0  | 0.0  | -0.7 | -3.8  | -15.3 | -7.0  | -28.1 | 1.0  | 13.2  |
|  | Next three months |  | 0.6                                    | 1.0   | 1.0  | 1.1  | 1.1  | -8.0 | -5.7  | -16.5 | -7.5  | -8.1  | 26.0 | -1.9  |
| Insurance companies and pension funds  | Past three months |  | 6.9                                    | 1.6   | 7.0  | 17.1 | 2.2  | 4.0  | -7.8  | -14.2 | -14.3 | -35.8 | 3.9  | 22.4  |
|  | Next three months |  | 3.4                                    | 1.0   | 2.0  | 11.4 | 2.2  | -5.5 | -5.8  | -22.6 | -13.5 | -14.8 | 32.6 | -7.1  |
| Other asset managers   | Past three months |  | 6.9                                    | 9.2   | 7.0  | 10.4 | 9.8  | 4.0  | -7.8  | -13.5 | -14.3 | -37.6 | 2.9  | 23.2  |
|  | Next three months |  | 3.4                                    | 0.0   | 2.0  | 11.4 | 2.2  | -5.5 | -5.1  | -21.8 | -14.3 | -14.8 | 33.4 | -7.1  |

## Maturity of wholesale debt funding

### 8 Factors affecting issuance of short-term wholesale debt funding:

#### *Demand factors*

|  |                   |  |      |      |      |      |      |      |      |       |      |      |      |      |
|--|-------------------|--|------|------|------|------|------|------|------|-------|------|------|------|------|
| Need or desire to change size of balance sheet | Past three months |  | 6.0  | -5.1 | -5.7 | 12.4 | 12.7 | -5.5 | -6.5 | -11.5 | -7.4 | 4.6  | 7.3  | -6.6 |
|  | Next three months |  | 2.4  | 9.9  | 25.7 | -2.3 | 5.2  | -5.5 | -7.9 | -11.5 | -8.6 | -7.0 | 0.4  | -7.8 |
| Asset-liability matching                       | Past three months |  | 0.0  | 6.6  | 6.4  | 0.0  | 0.0  | 0.0  | -0.8 | 5.2   | 0.0  | 0.0  | 7.3  | 0.0  |
|  | Next three months |  | 0.0  | 6.6  | 0.0  | 0.0  | 0.0  | 0.0  | 4.5  | 0.0   | 0.0  | 0.0  | 7.3  | 0.0  |
| Price/yield                                    | Past three months |  | 18.0 | 19.7 | 13.6 | 21.2 | 14.5 | 15.2 | 6.7  | 2.6   | 19.3 | 7.5  | 7.4  | 21.4 |
|  | Next three months |  | 18.0 | 19.7 | 12.9 | 20.9 | 14.0 | 14.3 | 8.3  | 3.2   | 7.0  | -2.4 | 15.4 | 10.7 |
| Non-price terms/liquidity                      | Past three months |  | 6.0  | -2.0 | 4.0  | 20.9 | 5.9  | -2.8 | -8.1 | 12.8  | 13.6 | 3.9  | 32.5 | 8.4  |
|  | Next three months |  | -8.6 | 25.4 | 11.4 | 11.4 | 5.5  | -7.9 | 6.3  | 1.4   | -0.5 | 7.7  | 25.2 | 2.9  |
| Regulatory drivers                             | Past three months |  | -8.9 | 22.2 | 26.1 | 19.8 | 20.9 | -7.3 | -0.6 | -0.6  | 11.1 | 8.0  | 15.1 | 6.9  |
|  | Next three months |  | -9.6 | 27.1 | 19.7 | 19.8 | 20.2 | -7.3 | -0.6 | 0.2   | -5.0 | 8.2  | 13.9 | 6.9  |

#### *Supply factors*

|                 |                   |  |       |      |      |      |     |     |       |      |      |       |       |      |
|-----------------|-------------------|--|-------|------|------|------|-----|-----|-------|------|------|-------|-------|------|
| Market access   | Past three months |  | -1.0  | 5.7  | 5.6  | 13.1 | 5.9 | 0.0 | -0.8  | 0.0  | 7.5  | 1.2   | -1.2  | 0.0  |
|                 | Next three months |  | 0.0   | 5.7  | 5.6  | 12.4 | 5.2 | 0.0 | -0.8  | 0.0  | 0.6  | -0.2  | -6.0  | 0.0  |
| Investor demand | Past three months |  | -1.7  | -6.8 | 8.2  | -1.6 | 5.9 | 1.9 | -12.9 | 13.3 | 12.6 | 0.4   | -14.5 | 0.8  |
|                 | Next three months |  | -13.6 | -1.9 | 13.0 | 5.1  | 6.1 | 1.9 | 0.5   | 13.3 | 11.8 | -11.9 | -18.7 | -0.8 |

|  |                   |  | Net percentage balances <sup>(a)</sup> |       |       |      |      |      |      |      |       |       |       |      |
|--|-------------------|--|--|-------|-------|------|------|------|------|------|-------|-------|-------|------|
|  |                   |  | 2016                                   |       | 2017  |      |      |      | 2018 |      |       | 2019  |       |      |
|  |                   |  | Q3                                     | Q4    | Q1    | Q2   | Q3   | Q4   | Q1   | Q2   | Q3    | Q4    | Q1    | Q2   |
| <b>9 Factors affecting issuance of long-term wholesale debt funding:</b> |                   |  |  |       |       |      |      |      |      |      |       |       |       |      |
| <i>Demand factors</i>  |                   |  |  |       |       |      |      |      |      |      |       |       |       |      |
| Need or desire to change size of balance sheet                           | Past three months |  | 0.0                                    | -12.2 | -7.4  | 1.2  | 1.1  | 2.4  | 9.0  | 9.3  | 8.3   | 0.8   | -4.6  | 1.8  |
|  | Next three months |  | 0.9                                    | 0.3   | -20.1 | 1.7  | 2.4  | 0.0  | -0.3 | 8.1  | 7.6   | 2.2   | -5.3  | 0.0  |
| Asset-liability matching   | Past three months |  | 1.0                                    | 0.6   | 5.1   | 5.1  | 1.1  | 0.7  | 2.8  | 1.1  | 3.1   | 2.0   | 2.2   | 1.8  |
|  | Next three months |  | 0.6                                    | 0.0   | 0.6   | 7.1  | 1.1  | 1.8  | 4.5  | 1.9  | 3.6   | 1.8   | 0.0   | 2.5  |
| Price/yield  | Past three months |  | -4.5                                   | -8.3  | 19.6  | 19.1 | 15.6 | 18.3 | 24.5 | 13.7 | -14.4 | -17.7 | -30.3 | 27.4 |
|  | Next three months |  | 8.2                                    | -7.2  | 0.6   | 7.0  | 35.2 | 26.0 | 14.5 | 4.7  | -8.5  | -17.4 | 14.0  | -4.2 |
| Non-price terms/liquidity  | Past three months |  | -5.0                                   | -14.7 | 6.4   | 0.6  | 2.2  | 7.0  | 8.3  | 11.5 | 7.9   | -15.6 | -27.6 | 17.0 |
|  | Next three months |  | -13.1                                  | -1.0  | -1.0  | 3.7  | 2.9  | 6.1  | 9.6  | 9.7  | 10.5  | -17.4 | 18.5  | -5.8 |
| Regulatory drivers   | Past three months |  | 11.3                                   | 5.1   | -4.0  | 14.3 | 5.2  | 11.6 | 24.9 | 9.7  | -0.8  | -2.2  | 6.3   | 7.9  |
|  | Next three months |  | 5.3                                    | 20.0  | 19.2  | 26.1 | 13.4 | 23.5 | 16.3 | 0.2  | -0.8  | 5.1   | 7.9   | 6.3  |
| <i>Supply factors</i>  |                   |  |  |       |       |      |      |      |      |      |       |       |       |      |
| Market access  | Past three months |  | -4.5                                   | 19.5  | 12.3  | 28.1 | 17.2 | 3.6  | 18.6 | 3.5  | 6.9   | -39.7 | -31.5 | 23.7 |
|  | Next three months |  | 15.0                                   | -7.3  | 4.8   | 10.1 | 5.2  | 1.8  | 17.9 | 3.1  | 8.3   | -40.2 | 15.7  | 2.6  |
| Investor demand  | Past three months |  | 2.5                                    | 19.5  | 19.7  | 28.1 | 17.2 | 15.4 | 12.4 | 10.1 | 5.9   | -41.0 | -23.2 | 23.7 |
|  | Next three months |  | 2.9                                    | 8.3   | 20.3  | 11.1 | 5.8  | -0.4 | 11.1 | 3.1  | 6.7   | -40.8 | 21.2  | 3.9  |

## Currency of wholesale debt funding

### 10 How has the use of the following currency markets changed?<sup>(g)</sup>

|           |                   |  |      |      |       |       |      |       |      |      |       |      |       |       |
|-----------|-------------------|--|------|------|-------|-------|------|-------|------|------|-------|------|-------|-------|
| Sterling  | Past three months |  | 0.0  | 15.2 | 20.7  | 21.7  | 2.2  | 11.5  | -4.4 | 2.3  | -11.3 | 9.9  | 16.9  | 10.9  |
|           | Next three months |  | 16.0 | 20.7 | 6.3   | -16.1 | 16.9 | 12.9  | 21.1 | 2.4  | -12.7 | 13.9 | 23.1  | 7.7   |
| US dollar | Past three months |  | 12.5 | 2.6  | 39.8  | 2.2   | 2.1  | 14.7  | 12.4 | 17.6 | 9.2   | 15.4 | -1.0  | 13.6  |
|           | Next three months |  | 7.1  | 25.4 | 6.4   | -5.9  | 7.1  | -0.4  | 22.4 | 21.2 | 7.9   | 24.1 | 12.5  | -27.7 |
| Euro      | Past three months |  | -5.3 | 14.8 | 6.5   | 26.7  | 12.7 | -12.1 | 17.3 | 11.9 | 0.8   | 7.3  | -14.6 | 7.3   |
|           | Next three months |  | 6.2  | 0.7  | 2.9   | 5.1   | 9.8  | 2.9   | 35.8 | 13.4 | 13.0  | -0.2 | -19.5 | -10.1 |
| Other     | Past three months |  | 0.0  | 0.0  | -13.9 | 0.0   | 0.0  | 0.0   | 0.0  | 0.0  | 0.0   | 12.5 | 0.0   | 7.3   |
|           | Next three months |  | 0.0  | 0.0  | 13.3  | -7.4  | 0.0  | 0.0   | 0.0  | 0.0  | 20.1  | 24.4 | 0.0   | 7.3   |

|   |                   | Net percentage balances <sup>(a)</sup> |       |      |      |      |      |      |      |      |       |      |      |
|---|-------------------|--|-------|------|------|------|------|------|------|------|-------|------|------|
|   |                   | 2016                                   |       | 2017 |      |      |      | 2018 |      |      |       | 2019 |      |
|   |                   | Q3                                     | Q4    | Q1   | Q2   | Q3   | Q4   | Q1   | Q2   | Q3   | Q4    | Q1   | Q2   |
| <b>11 Which of the following factors have affected non-sterling issuance?</b> |                   |  |       |      |      |      |      |      |      |      |       |      |      |
| Changes in currency mix of assets   | Past three months | 0.0                                    | -7.6  | 7.4  | 0.0  | 0.0  | 0.0  | 0.0  | 0.0  | -0.5 | 0.0   | 0.0  | 0.5  |
|   | Next three months | 0.0                                    | 0.0   | 7.4  | 0.0  | 0.0  | 0.0  | 0.0  | 0.0  | 0.3  | 0.8   | 0.0  | 0.5  |
| Relative cost of funds: due to currency swap markets                          | Past three months | 12.2                                   | 5.2   | 32.4 | 19.8 | 2.1  | 28.5 | 25.4 | 18.6 | 18.9 | 13.0  | 16.4 | 18.5 |
|   | Next three months | -7.1                                   | 11.4  | 25.7 | 28.8 | 15.3 | 27.0 | 20.8 | 11.9 | -2.5 | 5.0   | 4.9  | 8.1  |
| Relative cost of funds: due to other changes                                  | Past three months | -2.4                                   | 7.3   | 13.9 | 12.4 | 0.0  | 20.1 | 31.8 | 32.1 | -0.8 | 0.4   | -7.3 | 7.3  |
|   | Next three months | -7.5                                   | 0.0   | 7.2  | 14.7 | 7.5  | 20.8 | 26.7 | 27.0 | -0.8 | -0.8  | 7.3  | 16.0 |
| Availability of suitably rated currency swap counterparties                   | Past three months | 0.0                                    | 0.0   | 5.1  | 0.0  | 1.1  | 0.4  | 0.0  | 0.0  | 0.4  | -0.8  | 0.0  | 0.0  |
|   | Next three months | -0.7                                   | 0.0   | 0.0  | 1.1  | 1.1  | -0.7 | 0.0  | 1.2  | 0.0  | -0.8  | 0.0  | 2.4  |
| Differences in regulation in different currency markets                       | Past three months | 0.0                                    | -5.1  | 7.4  | 0.0  | 5.2  | -0.7 | 0.0  | 0.0  | -0.5 | 0.0   | 0.0  | 0.0  |
|   | Next three months | 0.0                                    | 0.0   | 7.4  | 0.0  | 5.2  | -0.7 | 0.0  | 0.0  | -1.2 | -2.0  | 0.0  | 0.0  |
| Differences in investor demand  | Past three months | 9.1                                    | -10.3 | 18.8 | 13.7 | 9.7  | 28.9 | 31.5 | 6.2  | 7.9  | -14.0 | -2.4 | 31.5 |
|   | Next three months | -6.8                                   | -0.3  | 12.3 | 14.5 | 17.2 | 26.6 | 15.0 | 1.7  | 6.8  | -18.3 | 17.4 | 10.4 |
| Differences in market access  | Past three months | 3.4                                    | -5.1  | 18.8 | 7.9  | 2.2  | -3.6 | 20.9 | 26.1 | 7.5  | -13.6 | -7.7 | 27.1 |
|   | Next three months | 7.1                                    | 0.3   | 12.9 | 9.4  | 9.8  | -3.6 | 21.5 | 16.4 | 8.2  | -10.4 | 2.2  | 10.9 |

|   |                   | Net percentage balances <sup>(a)</sup> |       |       |       |       |      |       |       |       |       |       |       |
|---|-------------------|--|-------|-------|-------|-------|------|-------|-------|-------|-------|-------|-------|
|   |                   | 2016                                   |       | 2017  |       |       |      | 2018  |       |       |       | 2019  |       |
|   |                   | Q3                                     | Q4    | Q1    | Q2    | Q3    | Q4   | Q1    | Q2    | Q3    | Q4    | Q1    | Q2    |
| <b>Capital</b>  |                   |  |       |       |       |       |      |       |       |       |       |       |       |
| <b>1 How has the level of total capital changed?</b>                        | Past three months | 53.2                                   | 20.0  | 5.2   | 36.2  | 14.2  | 29.8 | -9.7  | 14.9  | 23.6  | -8.5  | -5.4  | 2.0   |
|   | Next three months | -24.7                                  | -14.9 | -1.5  | 27.8  | 45.3  | 39.8 | 25.5  | 6.1   | -0.7  | 4.4   | 11.8  | -8.5  |
| <b>2 How has the average cost of capital changed?</b>                       | Past three months | -6.6                                   | -12.3 | -26.8 | -5.1  | -21.5 | -4.4 | -0.6  | 7.4   | 15.4  | 28.1  | -3.1  | -26.7 |
|   | Next three months | 0.0                                    | 0.0   | -0.1  | 5.6   | 5.1   | 10.2 | 5.2   | 14.5  | 28.0  | 27.3  | 7.5   | -0.1  |
| <b>3 Factors contributing to changes in total capital:</b>                  |                   |  |       |       |       |       |      |       |       |       |       |       |       |
| <i>Direct effects on total capital</i>                                      |                   |  |       |       |       |       |      |       |       |       |       |       |       |
| Direct effects of profits, losses, deductions and charges (UK-specific)     | Past three months | 18.4                                   | 19.7  | 1.4   | 36.5  | 19.1  | 45.5 | 33.0  | 16.2  | 24.2  | 1.7   | 19.0  | 31.5  |
|   | Next three months | 10.1                                   | 4.4   | 31.5  | 22.5  | 43.7  | 53.4 | 18.8  | 19.4  | 17.1  | 22.0  | 31.4  | 31.6  |
| Direct effects of profits, losses, deductions and charges (non-UK specific) | Past three months | -5.1                                   | 0.3   | -19.9 | 12.3  | -7.5  | 4.3  | 6.0   | -16.5 | 0.0   | 7.3   | 8.1   | 7.9   |
|   | Next three months | -7.5                                   | -29.7 | 11.8  | -2.4  | 0.0   | 11.6 | 0.8   | 19.6  | 7.4   | 14.6  | 7.7   | 14.7  |
| <i>Factors that have affected demand for capital</i>                        |                   |  |       |       |       |       |      |       |       |       |       |       |       |
| Changing economic outlook   | Past three months | -1.8                                   | 24.6  | 0.6   | 5.7   | 4.6   | -0.7 | -7.4  | 0.0   | -4.8  | -4.0  | -4.9  | 1.3   |
|   | Next three months | 3.7                                    | 11.9  | 6.4   | 0.0   | 4.6   | 0.0  | 8.0   | 0.8   | 0.0   | -4.0  | -11.4 | -4.4  |
| Strategic decisions to increase/reduce risk                                 | Past three months | 7.1                                    | 6.0   | 14.2  | 4.3   | 5.8   | 4.4  | 0.0   | 5.2   | 4.8   | 0.5   | 0.0   | -0.6  |
|   | Next three months | 6.1                                    | 6.7   | 4.9   | 4.9   | -4.5  | 4.4  | 1.4   | 6.0   | -4.8  | 0.8   | 0.8   | -1.7  |
| Regulatory drivers  | Past three months | 0.0                                    | 12.8  | 12.2  | 4.7   | 0.6   | 7.7  | -11.1 | 0.4   | -13.7 | -1.6  | 2.5   | -1.0  |
|   | Next three months | 0.0                                    | 13.7  | -0.7  | 5.1   | 14.4  | 8.4  | 18.7  | 1.9   | 0.3   | 4.8   | 0.1   | 5.2   |
| Changes in size of balance sheet  | Past three months | 20.9                                   | 19.7  | 19.1  | -5.6  | -13.0 | 28.3 | 14.5  | 8.2   | -5.8  | -5.5  | -8.2  | 12.9  |
|   | Next three months | 13.4                                   | 18.7  | -4.3  | -12.7 | 10.5  | 6.0  | 3.4   | 2.1   | 0.1   | 13.3  | 6.5   | -3.8  |
| Changes in riskiness of assets  | Past three months | 7.1                                    | -7.0  | 4.3   | 5.0   | 0.0   | 15.9 | 12.7  | 5.2   | 3.5   | 5.3   | -5.4  | -1.2  |
|   | Next three months | 7.1                                    | -6.4  | 4.9   | -2.4  | 0.6   | 3.7  | 0.0   | 4.0   | -4.8  | -4.8  | -4.9  | -5.5  |
| <i>Supply factors</i>   |                   |  |       |       |       |       |      |       |       |       |       |       |       |
| Market conditions   | Past three months | 0.4                                    | 0.7   | 8.0   | 13.7  | 12.1  | 5.9  | 0.8   | 5.4   | -8.1  | -20.2 | -29.3 | 6.6   |
|   | Next three months | 16.5                                   | -0.5  | 9.7   | 12.4  | 12.7  | -2.1 | -0.3  | -7.9  | -2.7  | -32.5 | 3.8   | -1.9  |
| Investor pressure to change volume of capital                               | Past three months | 0.0                                    | -0.5  | -9.5  | 0.6   | -0.6  | 5.9  | 0.0   | -0.8  | -0.8  | 0.0   | 0.0   | 7.3   |
|   | Next three months | 0.0                                    | -0.5  | -9.5  | 4.3   | 0.0   | 5.1  | -7.3  | -0.8  | -0.8  | 0.0   | 0.0   | -7.3  |

|   |                   |  | Net percentage balances <sup>(a)</sup> |       |      |      |     |      |       |       |       |       |       |       |
|---|-------------------|--|--|-------|------|------|-----|------|-------|-------|-------|-------|-------|-------|
|   |                   |  | 2016                                   |       | 2017 |      |     |      | 2018  |       |       |       | 2019  |       |
|   |                   |  | Q3                                     | Q4    | Q1   | Q2   | Q3  | Q4   | Q1    | Q2    | Q3    | Q4    | Q1    | Q2    |
| <b>4 How has the demand for total capital from the following investors changed?</b> |                   |  |  |       |      |      |     |      |       |       |       |       |       |       |
| All investors   | Past three months |  | 13.9                                   | -4.1  | 13.3 | 3.8  | 9.4 | 1.5  | -5.9  | -8.1  | -15.6 | -39.2 | -4.9  | 26.1  |
|   | Next three months |  | 13.4                                   | 2.4   | 7.1  | 5.1  | 0.0 | -7.3 | -13.1 | -15.3 | -20.3 | -23.7 | 5.9   | -7.2  |
| UK investors  | Past three months |  | 13.9                                   | -4.1  | 13.9 | 3.8  | 8.1 | 1.5  | -5.9  | -13.3 | -7.4  | -34.0 | 7.6   | 21.6  |
|   | Next three months |  | 13.4                                   | 2.4   | 7.1  | 5.1  | 5.1 | -7.3 | -13.1 | -14.5 | -12.8 | -18.6 | -6.5  | -1.2  |
| Non-UK investors  | Past three months |  | 13.9                                   | -5.1  | 12.3 | 3.8  | 8.8 | 1.5  | -5.9  | -12.0 | -33.4 | -39.9 | -24.4 | 25.3  |
|   | Next three months |  | 13.4                                   | 2.4   | 7.1  | 5.1  | 0.0 | -7.3 | -13.1 | -20.3 | -38.1 | -24.5 | -6.2  | -7.2  |
| <i>Breakdown</i>  |                   |  |  |       |      |      |     |      |       |       |       |       |       |       |
| Retail investors  | Past three months |  | 7.5                                    | -7.6  | 7.4  | -1.3 | 0.0 | 0.0  | 0.0   | -7.4  | -7.4  | -14.7 | 0.0   | 0.0   |
|   | Next three months |  | 0.0                                    | 0.0   | 0.0  | 0.0  | 0.0 | -7.3 | -7.3  | -14.5 | -13.6 | -7.3  | 0.0   | 0.0   |
| Other banks   | Past three months |  | 7.5                                    | -11.7 | 13.5 | 3.8  | 0.6 | 0.7  | 0.0   | -7.4  | -7.4  | -27.9 | 2.2   | 12.6  |
|   | Next three months |  | 1.9                                    | -4.1  | 7.1  | 5.1  | 0.0 | -7.3 | -7.3  | -14.5 | -13.6 | -12.4 | 13.3  | -13.3 |
| Hedge funds   | Past three months |  | 13.9                                   | -4.1  | 13.3 | 5.7  | 9.4 | 1.5  | -10.2 | -7.4  | -7.4  | -33.3 | 8.3   | 26.1  |
|   | Next three months |  | 13.4                                   | 2.4   | 7.1  | 5.1  | 0.0 | -7.3 | -12.4 | -14.5 | -13.6 | -18.6 | 12.5  | -5.6  |
| Sovereign wealth funds  | Past three months |  | 13.9                                   | -6.1  | 12.5 | 4.4  | 0.6 | 0.7  | -6.2  | -13.5 | -7.4  | -34.8 | 7.6   | 18.0  |
|   | Next three months |  | 13.4                                   | 1.4   | 5.1  | 5.1  | 0.0 | -7.3 | -18.6 | -14.5 | -13.6 | -19.4 | 13.3  | -7.2  |
| Insurance companies and pension funds   | Past three months |  | 13.9                                   | -5.1  | 12.9 | 4.4  | 0.6 | 1.5  | -12.1 | -12.3 | -14.8 | -39.2 | 9.7   | 26.1  |
|   | Next three months |  | 13.4                                   | 2.4   | 7.1  | 5.1  | 0.0 | -7.3 | -19.4 | -14.5 | -21.1 | -23.7 | 12.5  | -6.4  |
| Other asset managers  | Past three months |  | 13.9                                   | -4.1  | 14.5 | 4.4  | 8.1 | 0.7  | -12.1 | -12.3 | -7.4  | -39.9 | 2.4   | 18.8  |
|   | Next three months |  | 13.4                                   | 2.4   | 7.1  | 5.1  | 0.0 | -7.3 | -19.4 | -14.5 | -12.8 | -24.5 | 12.5  | -6.4  |

**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 |  | 0.0  | -0.5 | 0.0   | 0.0 | 0.0  | 0.0  | -7.4 | -7.4 | 7.5  | 7.3  | 2.2  | -0.8 |
|  | Next three months |  | 0.0  | 0.5  | -5.1  | 0.0 | 0.0  | 0.0  | 7.4  | 8.1  | 7.5  | 0.0  | 0.0  | 0.0  |
| Strategic decisions to change mix of capital | Past three months |  | 0.0  | 2.0  | -4.9  | 0.0 | 0.0  | 0.6  | -5.1 | 5.2  | 0.0  | -7.3 | -6.3 | -9.5 |
|  | Next three months |  | 0.0  | 1.0  | 0.0   | 4.9 | -5.1 | -6.0 | 0.0  | -2.2 | -7.4 | 0.8  | 2.5  | 0.0  |
| Regulatory drivers                           | Past three months |  | 11.9 | 17.7 | -13.3 | 0.0 | 0.0  | -4.7 | 0.0  | 6.1  | 0.0  | -0.6 | 1.6  | 1.3  |
|  | Next three months |  | 4.8  | 6.5  | -13.3 | 0.0 | 0.6  | 1.5  | 6.2  | 0.8  | 0.1  | 5.2  | 6.8  | 0.0  |
| Market conditions                            | Past three months |  | 7.5  | 1.5  | 0.0   | 6.4 | 5.2  | 0.6  | 0.0  | 5.4  | 0.0  | -0.8 | 0.0  | 6.6  |
|  | Next three months |  | 5.0  | 1.0  | 0.0   | 0.0 | 0.6  | 0.0  | 6.2  | -0.8 | 0.6  | -0.8 | 0.0  | -7.3 |
| Investor demand                              | Past three months |  | 7.5  | 2.0  | 0.0   | 6.4 | 0.0  | 0.6  | 0.0  | -0.8 | 0.0  | 0.0  | 0.0  | 8.1  |
|  | Next three months |  | 5.0  | 1.0  | 0.0   | 0.0 | 0.6  | 0.0  | 0.0  | -0.8 | 0.6  | 0.0  | 0.0  | -7.3 |

|   |                   | Net percentage balances <sup>(a)</sup> |       |       |       |       |       |       |       |      |      |      |       |
|---|-------------------|--|-------|-------|-------|-------|-------|-------|-------|------|------|------|-------|
|   |                   | 2016                                   |       | 2017  |       |       |       | 2018  |       |      |      | 2019 |       |
|   |                   | Q3                                     | Q4    | Q1    | Q2    | Q3    | Q4    | Q1    | Q2    | Q3   | Q4   | Q1   | Q2    |
| <b>Transfer price</b>   |                   |  |       |       |       |       |       |       |       |      |      |      |       |
| <b>1 How has the average absolute cost of providing funds to business units changed?</b>  | Past three months | -27.2                                  | -9.5  | -3.4  | -15.8 | -19.9 | -6.9  | 21.2  | 14.3  | 10.9 | 24.7 | 17.6 | 9.7   |
|   | Next three months | -7.9                                   | -7.3  | -8.0  | -9.2  | -5.2  | 5.7   | 22.7  | 8.7   | 7.4  | 20.7 | 2.8  | 9.0   |
| <b>2 How has the marginal absolute cost of providing funds to business units changed (sometimes referred to as the 'transfer price')?</b>   | Past three months | -45.6                                  | -14.8 | -29.0 | -28.6 | -25.0 | 12.3  | 19.4  | -14.0 | 23.9 | 25.7 | 14.6 | -18.8 |
|   | Next three months | 2.2                                    | -7.3  | 13.0  | -7.3  | -5.0  | 12.8  | 28.5  | 4.4   | 15.5 | 31.2 | 9.7  | 3.4   |
| <b>3 Factors affecting the marginal absolute cost of providing funds to business units (sometimes referred to as the 'transfer price'):</b>   |                   |  |       |       |       |       |       |       |       |      |      |      |       |
| Debt capital  | Past three months | -7.7                                   | 9.3   | 7.2   | -7.3  | 0.0   | -5.7  | -0.6  | 0.0   | 1.2  | 3.6  | 6.7  | -4.7  |
|   | Next three months | -0.6                                   | 0.0   | 0.0   | 0.0   | -5.2  | 4.3   | 10.3  | 0.0   | 13.4 | 10.2 | 5.6  | 0.8   |
| Retail deposit spreads relative to appropriate reference rate(s)  | Past three months | -15.2                                  | -14.6 | -15.4 | -12.0 | -5.8  | -11.8 | -11.2 | -13.2 | -0.2 | 8.4  | 8.2  | 14.4  |
|   | Next three months | -13.2                                  | -6.3  | -6.6  | 0.0   | -5.0  | 1.9   | 4.1   | 0.9   | 2.0  | 3.7  | 6.4  | 1.4   |
| Short-term wholesale funding spreads relative to appropriate reference rate(s)  | Past three months | -5.2                                   | -14.7 | -13.5 | -26.8 | -18.4 | -20.3 | 12.7  | -12.7 | 0.3  | 22.9 | 0.6  | -6.0  |
|   | Next three months | -14.9                                  | 0.0   | 7.2   | 0.0   | -5.9  | 5.1   | 16.8  | 7.2   | 1.5  | 24.1 | 7.3  | -7.5  |
| Long-term secured wholesale funding spreads relative to appropriate reference rate(s)   | Past three months | -16.8                                  | -14.1 | -13.2 | -32.3 | -13.3 | -20.0 | -2.1  | 16.1  | 2.9  | 25.7 | 44.4 | -20.0 |
|   | Next three months | -12.6                                  | -1.4  | 6.2   | 0.0   | -5.9  | 7.2   | 17.4  | 17.3  | 9.6  | 30.1 | 11.8 | 8.6   |
| Long-term unsecured wholesale funding spreads relative to appropriate reference rate(s)   | Past three months | -42.7                                  | -25.7 | -24.9 | -45.1 | -27.1 | -17.3 | -1.8  | 12.6  | 14.8 | 38.4 | 40.7 | 8.5   |
|   | Next three months | -12.1                                  | 6.1   | 7.4   | 0.0   | -5.2  | 0.0   | 22.6  | 21.4  | 14.7 | 44.8 | 16.0 | -5.3  |
| Swaps or other reference rates  | Past three months | -43.6                                  | 26.0  | 3.6   | 0.2   | -13.7 | 38.5  | 45.6  | -6.8  | 13.9 | 13.9 | -3.8 | -7.4  |
|   | Next three months | 4.6                                    | 7.8   | 15.4  | 7.4   | 0.6   | 14.2  | 26.2  | 7.9   | 23.7 | 16.1 | 14.3 | 1.0   |
| <b>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')?<sup>(h)</sup></b> |                   |  |       |       |       |       |       |       |       |      |      |      |       |
| Frequency of transfer price update (days)   | Past three months | 24.1                                   | 17.9  | 25.4  | 19.4  | 14.9  | 22.7  | 21.9  | 21.8  | 22.1 | 21.8 | 20.6 | 27.7  |

\* 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. This was converted into a number of days. Then a weighted average response, based on lenders' market shares, was calculated.