Bank Liabilities Survey - 2023 Q3

This quarterly survey of banks and building societies is aimed at improving our understanding of the role of lenders' liabilities and capital in driving credit and monetary conditions.

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Content

Overview

Developments in lenders' balance sheets are of key interest in our 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. We use this quarterly survey of banks and building societies to improve our understanding of the role lenders' liabilities and capital play in driving credit and monetary conditions. We ask lenders about the past three months and the coming three months. The survey covers developments in:

- the volume and price of bank funding;
- the loss-absorbing capacity of banks as determined by their capital positions; and
- 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 2023 Q3 survey.

Lenders were asked to report changes in the three months to end-August 2023 (Q3), relative to the period between March and May (Q2), and expected changes in the three months to end-November 2023 (Q4), relative to the period between June and August.

The survey was conducted between 29 August and 15 September 2023. Any impact on lenders' expectations from development occurring within this period may not be fully captured in the survey's expected changes balances and any impact from more recent developments will not be captured at all.

The results are based on lenders' own responses to the survey, and are reported as net percentage balances. The results do not necessarily reflect our views on developments in bank liabilities. You can read a guide to **interpreting the survey** and copies of the questionnaires at the end of this page.

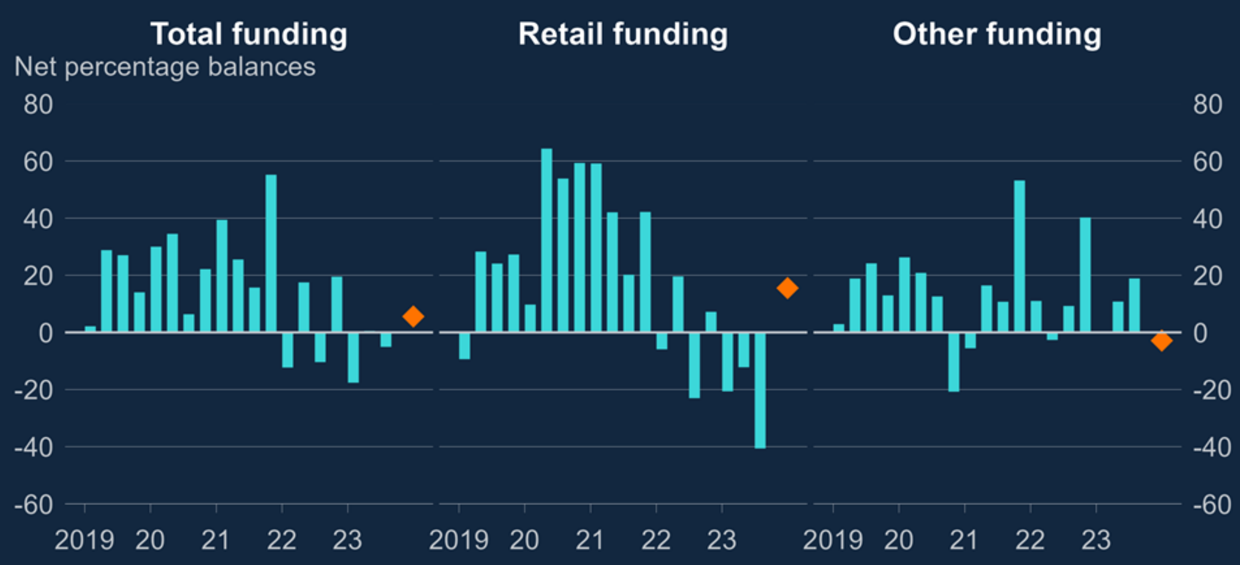
You can also find more information about the survey in the 2013 Q1 Quarterly Bulletin article **The Bank of England Bank Liabilities Survey**.

The 2023 Q4 Bank Liabilities Survey will be published on 18 January 2024.

Funding

- Lenders reported that total funding volumes slightly decreased in the three months to end-August 2023 (Q3). Within the total, lenders reported that ‘other’ funding – which includes wholesale debt funding, wholesale deposits and funding via central bank operations – increased and retail deposit funding decreased (Chart 1). Total funding volumes were expected to increase slightly in the three months to end-November 2023 (Q4).
- Lenders reported that the cost of funding – relative to appropriate reference rates – was unchanged on both ‘other’ funding and retail deposits in Q3. These costs were expected to increase for ‘other’ funding and to decrease slightly for retail deposits over the next quarter (Chart 2).
- Lenders reported that the supply of deposits from households and the supply of deposits from private non-financial corporations (PNFCs) decreased in Q3, and both were expected to decrease further over the next quarter (Chart 3).
- Lenders reported that the proportion of wholesale market funding accounted for by long-term instruments slightly decreased in Q3, and was expected to increase in Q4.
- Lenders reported that demand for wholesale bank debt from both UK investors and non-UK investors increased in Q3 (Chart 4). The demand from both UK investors and non-UK investors was expected to increase slightly in Q4.

Chart 1: Funding volumes (a) (b) (c)

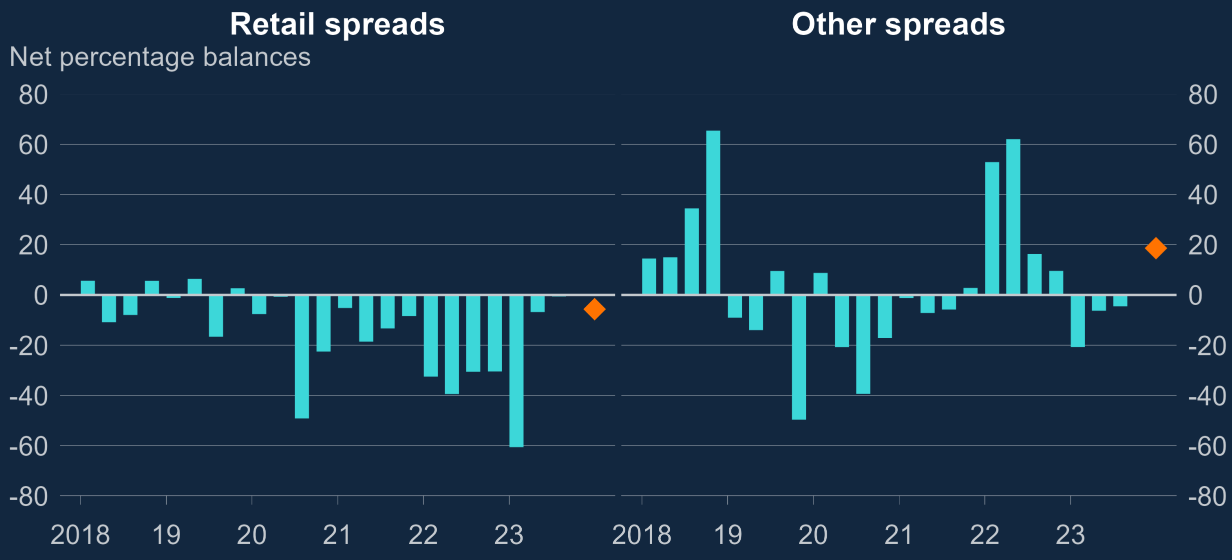


(a) Net percentage balances are calculated by weighting together the responses of those lenders who answered the question. The aqua bars show the responses over the previous three months. The orange diamond shows the expectation over the next three months. Expectations data can be used as an indicator of the potential direction and magnitude of the change expected in the next quarter but should not be treated as a realised outturn. Previous expectations balances are available in full in the annex.

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

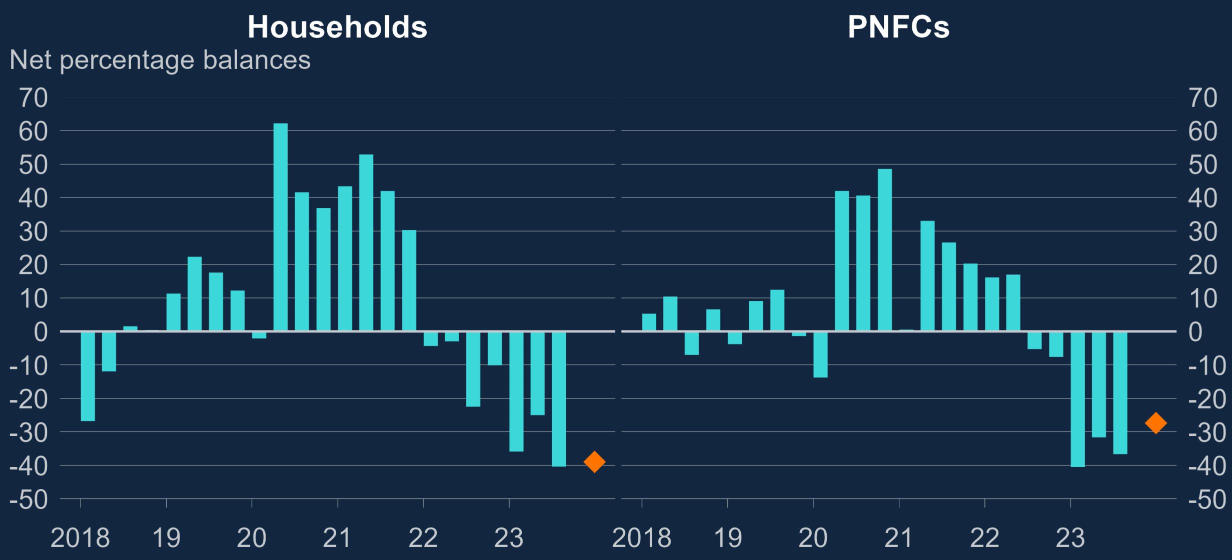
(c) A positive balance indicates an increase in funding volumes.

Chart 2: Funding spreads (a) (b) (c)



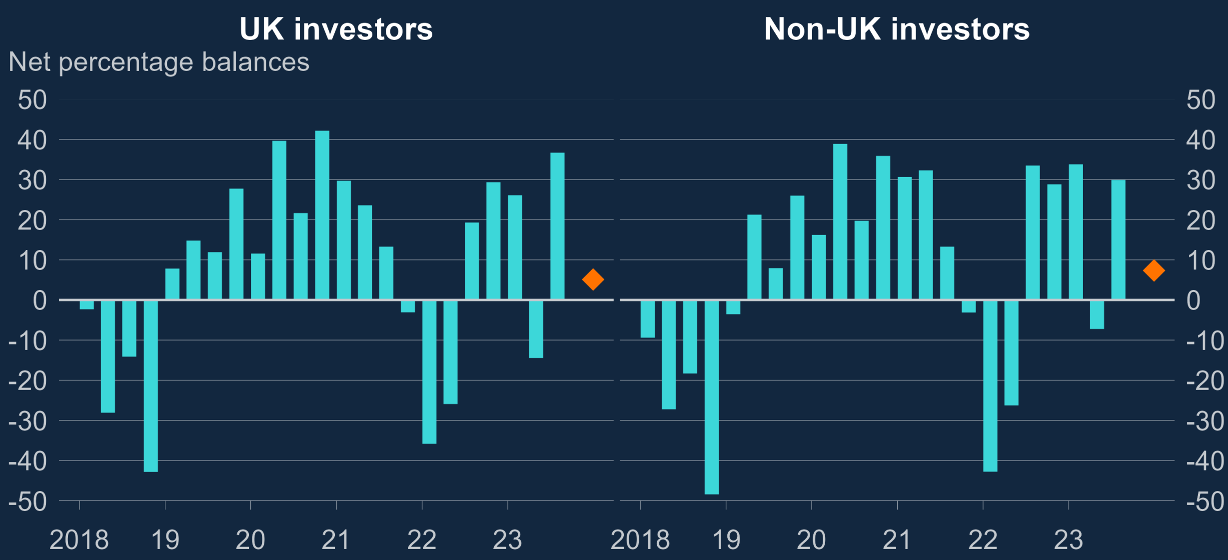
(a) See footnote (a) to Chart 1.
(b) Question: ‘How has the average cost of funding changed?’.
(c) A positive balance indicates an increase in funding costs relative to appropriate reference rates.

Chart 3: Supply of deposits (a) (b) (c)



(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) (c)



(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.

Capital

- Lenders reported that total capital levels increased in Q3, and were expected to increase in Q4 (Chart 5).
- Lenders reported that the average cost of capital decreased in Q3, and was expected to be unchanged in Q4.

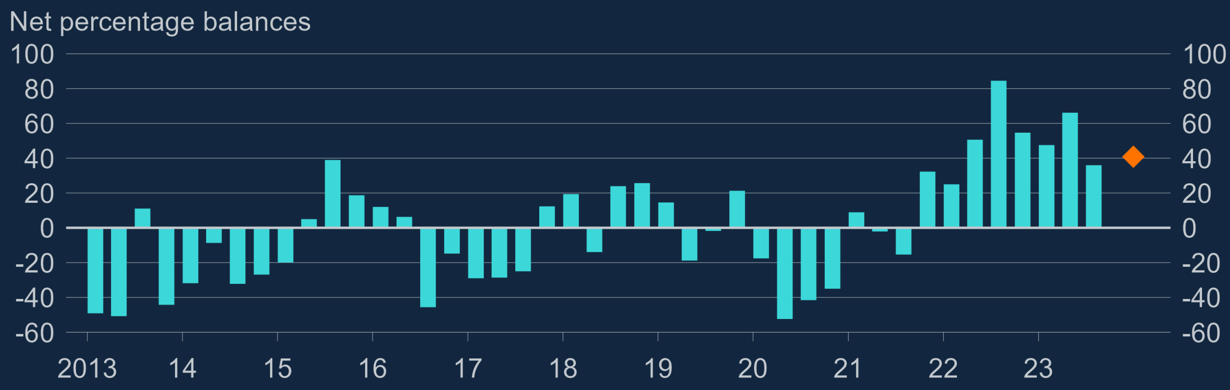
Chart 5: Total capital levels (a) (b) (c)

(a) See footnote (a) to Chart 1.
(b) Question: 'Has your total capital changed over the past three months? What are your plans for the next three months?'.
(c) A positive balance indicates an increase in total capital.

Transfer pricing

- Lenders reported that the internal price charged to business units to fund the flow of new loans – sometimes referred to as the 'transfer price' – increased in Q3, and was expected to increase in Q4 (Chart 6).

Chart 6: Transfer prices (a) (b) (c)



(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.

How to interpret this survey

The results are based on lenders' own responses to the survey. They do not necessarily reflect our 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 (+/-)100.

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

Annexes

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 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 a 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 a 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 pay out 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'.

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.

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1. The options specified in the survey vary by question, although respondents have the option to include additional comments where relevant.

Annex 2: Developments in funding

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 balances of lenders reporting that, for example, funding volumes had increased/decreased. The net percentage balances are scaled to lie between ±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 an ‘increase’ refer to a net percentage balance greater than 10 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 2019 Q2 and earlier reports also described changes greater than 20 in absolute terms as ‘significant’.

The first Bank Liabilities Survey was conducted in 2012 Q4. A full set of results is available in an Excel file at the end of this page.

		Net percentage balances (a)					
		2022			2023		
		Q2	Q3	Q4	Q1	Q2	Q3
Funding							
1. How have funding volumes changed? (b)							
Total funding	Past three months	17.5	-10.4	19.5	-17.6	0.5	-5.1
	Next three months	13.7	5.4	-1.3	-2.8	12.3	5.6
Retail deposit funding	Past three months	19.6	-23.0	7.2	-20.6	-12.2	-40.6
	Next three months	20.7	20.2	-13.3	15.4	9.1	15.5
Other funding	Past three months	-2.6	9.3	40.2	0.4	10.8	18.9
	Next three months	10.7	5.4	18.9	-1.2	11.0	-2.9
2. How has the average cost of funding changed? (c)							
Retail deposit spreads relative to appropriate reference rate(s)	Past three months	-39.5	-30.6	-30.5	-60.7	-6.8	-0.6
	Next three months	-0.2	-11.5	-38.7	-23.6	-2.7	-5.7

Other funding spreads relative to appropriate reference rate(s)	Past three months	62.1	16.3	9.6	-20.8	-6.3	-4.5
	Next three months	24.1	12.9	8.9	24.1	38.1	18.6
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	7.4	9.3	34.5	9.6	29.0	28.6
	Next three months	6.8	14.3	20.8	30.9	28.3	40.5
Non-price terms	Past three months	-1.4	-6.3	5.8	-5.5	-6.8	-5.4
	Next three months	-1.4	-1.4	5.8	0.3	-6.8	-5.4
Market share objectives	Past three months	5.8	0.9	18.6	12.2	11.3	25.9
	Next three months	11.2	7.8	17.7	27.2	19.4	24.2
Regulatory drivers	Past three months	0.0	0.0	0.0	0.0	0.0	0.0
	Next three months	0.0	0.0	0.0	0.0	0.0	-0.9

Funding structure objective (excluding those driven by regulation)	Past three months	-0.2	0.1	20.3	2.7	-2.2	3.8
	Next three months	5.6	6.4	18.0	3.3	-2.2	3.3
Supply factors							
Changing supply of deposits by households, unrelated to rates paid or non-price terms on those deposits	Past three months	-3.0	-22.5	-10.1	-35.9	-25.0	-40.4
	Next three months	-12.0	-34.4	-23.6	-3.0	-18.8	-39.0
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	15.4	17.6	19.2	14.2	3.6	14.7
	Next three months	35.8	12.3	26.6	27.0	4.5	19.8
Non-price terms	Past three months	7.5	7.6	7.6	7.6	2.5	7.6
	Next three months	7.5	12.6	2.6	7.6	2.5	7.6
Market share objectives	Past three months	0.0	0.0	0.0	0.0	0.0	13.9
	Next three months	0.0	0.0	0.0	-0.9	8.3	13.9

Regulatory drivers	Past three months	0.0	-0.9	0.4	-0.5	-0.9	-0.5
	Next three months	0.0	0.0	0.0	-0.9	-0.9	-0.5
Funding structure objective (excluding those driven by regulation)	Past three months	5.6	5.6	5.6	4.7	6.2	9.8
	Next three months	5.6	4.8	5.2	4.9	5.4	3.6
Supply factors							
Changing supply of deposits by PNFCs, unrelated to rates paid or non-price terms on those deposits	Past three months	17.0	-5.3	-7.6	-40.5	-31.7	-36.7
	Next three months	16.1	-6.8	-13.1	-26.2	-16.9	-27.4
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	-10.9	11.8	-2.7	3.9	20.6	16.5
	Next three months	-8.7	-1.9	-2.7	4.7	21.4	2.1
Non-price terms	Past three months	0.0	0.0	0.0	-1.0	0.0	0.0
	Next three months	0.9	0.0	0.0	-1.0	0.0	0.0

Market share objectives	Past three months	0.0	0.0	0.0	-1.0	0.0	16.5
	Next three months	0.0	0.0	0.0	-1.0	0.0	4.7
Regulatory drivers	Past three months	0.0	-6.9	-6.4	-1.5	-0.5	-0.5
	Next three months	0.0	-6.9	-6.4	-1.5	-0.5	-0.5
Funding structure objective (excluding those driven by regulation)	Past three months	-3.2	-2.5	11.7	3.7	11.0	2.0
	Next three months	-1.3	-11.1	19.3	13.9	20.2	3.3
Supply factors							
Changing supply of deposits by OFCs, unrelated to rates paid or non-price terms on those deposits	Past three months	-10.7	-12.0	-5.2	0.2	-13.0	-21.6
	Next three months	-10.7	-12.0	-7.2	-17.7	-12.0	-22.5
Wholesale debt funding							
6. How have the proportions of wholesale market funding (excluding central bank operations) raised through the following sources changed over the past three months? (e)							
Proportion of private/public issuance	Past three months	-13.2	-24.5	-7.4	-17.6	-32.3	-20.3
	Next three months	-20.6	-12.9	-19.1	-15.0	-6.1	-14.6

Proportion of long-term/short-term issuance	Past three months	-4.2	8.2	7.4	16.4	11.9	-9.1
	Next three months	-1.8	-6.1	-10.0	22.6	-11.2	24.5
Short-term funding							
Certificates of Deposit	Past three months	-22.1	27.1	13.9	34.4	-18.2	-20.7
	Next three months	14.3	-20.4	2.4	-4.2	-11.6	-2.3
Commercial paper	Past three months	-17.7	-0.6	3.6	-12.1	14.3	-16.7
	Next three months	6.8	5.8	12.5	10.4	22.1	-14.8
Short-term repo/securities lending	Past three months	13.4	4.4	23.3	10.7	12.1	-18.7
	Next three months	0.7	-5.6	19.7	-12.9	0.7	5.4
Unsecured borrowing including deposits from OFCs and interbank deposits	Past three months	-0.3	7.8	15.0	21.1	26.8	38.0
	Next three months	-16.3	-17.5	-16.4	-4.9	19.2	29.5
Long-term funding							

Long-term repo/securities lending	Past three months	3.7	3.7	-3.6	-3.5	9.0	6.5
	Next three months	1.5	-3.7	0.0	-3.5	-3.6	-5.3
Structured products: structured notes	Past three months	0.0	-16.5	0.0	15.7	0.0	0.0
	Next three months	-33.0	-16.5	16.4	0.0	0.0	16.2
Structured products: other	Past three months	0.0	0.0	0.0	n.a.*	4.2	0.0
	Next three months	0.0	0.0	0.0	n.a.*	0.0	0.0
Senior unsecured debt	Past three months	13.0	18.8	14.5	18.1	-3.9	8.4
	Next three months	9.0	26.2	11.8	6.7	12.3	-1.4
Asset-backed securities (excluding covered bonds)	Past three months	-9.6	5.5	10.5	4.2	4.0	3.4
	Next three months	5.5	4.2	7.0	9.7	-3.1	12.7
Covered bonds	Past three months	9.5	25.6	1.2	12.6	11.7	2.0
	Next three months	15.3	4.1	10.5	15.5	19.4	4.2

7. How has demand for wholesale debt from the following investors changed? (f)

All investors	Past three months	-26.2	32.7	28.1	33.0	-7.1	29.0
	Next three months	-8.4	12.6	14.2	-19.1	20.3	5.2
UK investors	Past three months	-25.9	19.3	29.3	26.1	-14.5	36.7
	Next three months	-14.3	6.4	14.3	-19.3	13.3	5.1
Non-UK investors	Past three months	-26.3	33.5	28.8	33.8	-7.2	29.9
	Next three months	-14.5	12.1	14.5	-19.5	20.8	7.3
Breakdown							
Retail investors	Past three months	-42.7	16.3	19.1	19.1	n.a.*	22.0
	Next three months	-15.4	-16.5	0.0	0.0	n.a.*	0.0
Other banks	Past three months	-13.1	13.8	34.4	26.1	9.8	38.8
	Next three months	-0.6	1.2	12.6	-18.4	21.1	7.7
Money market funds	Past three months	-21.1	16.1	33.0	32.7	-2.9	32.6
	Next three months	-8.6	0.7	8.5	-19.5	25.6	5.6

Hedge funds	Past three months	-19.4	15.8	35.9	28.3	-3.1	29.4
	Next three months	-12.1	-1.3	12.1	-20.0	14.5	6.6
Sovereign wealth funds	Past three months	-21.2	14.7	35.9	23.7	-14.6	30.6
	Next three months	-9.5	0.9	12.8	-20.9	13.4	6.7
Insurance companies and pension funds	Past three months	-26.3	20.0	31.3	25.5	-15.5	29.0
	Next three months	-14.5	7.9	13.2	-18.6	12.1	6.5
Other asset managers	Past three months	-19.5	26.2	31.8	32.5	-7.2	35.1
	Next three months	-7.9	1.4	15.2	-18.4	19.2	6.9
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	6.9	-5.2	12.1	20.3	18.0	0.4
	Next three months	0.0	-5.2	12.6	-0.7	25.5	0.4

Asset-liability matching	Past three months	6.9	0.0	0.0	0.4	0.0	0.4
	Next three months	0.0	0.0	0.0	0.4	0.0	0.4
Price/yield	Past three months	-15.4	4.1	2.7	11.3	12.7	3.4
	Next three months	-2.6	-8.1	-8.1	5.3	12.7	4.2
Non-price terms/liquidity	Past three months	0.0	7.4	1.6	-6.0	3.3	0.4
	Next three months	0.0	7.4	2.2	-6.0	3.3	0.4
Regulatory drivers	Past three months	-0.9	-6.1	-2.8	-0.9	0.0	0.0
	Next three months	-0.9	-5.2	-4.6	-0.9	0.0	0.0
Supply factors							
Market access	Past three months	5.9	5.9	9.8	4.4	0.9	0.9
	Next three months	5.4	5.4	8.9	11.9	0.0	0.0
Investor demand	Past three months	-4.4	-8.8	3.6	11.9	5.4	0.0
	Next three months	-4.1	-3.4	-3.4	-1.0	5.4	0.0

9. Factors affecting issuance of long-term wholesale debt funding:							
Demand factors							
Need or desire to change size of balance sheet	Past three months	7.4	13.4	9.8	14.1	6.4	5.8
	Next three months	13.2	8.4	9.6	14.6	5.0	5.8
Asset-liability matching	Past three months	7.2	7.3	13.4	7.8	-5.6	1.6
	Next three months	12.5	7.7	7.4	-5.6	-4.8	0.7
Price/yield	Past three months	14.8	15.9	30.9	30.9	17.5	30.8
	Next three months	14.0	15.9	25.8	-4.0	18.0	31.0
Non-price terms/liquidity	Past three months	-13.2	-6.0	23.5	14.1	9.6	16.6
	Next three months	-13.2	0.4	10.4	-4.5	10.1	17.1
Regulatory drivers	Past three months	12.4	11.9	25.2	23.1	20.9	36.2
	Next three months	19.9	20.1	11.8	12.3	21.7	37.2
Supply factors							

Market access	Past three months	-0.9	-3.7	29.4	32.6	13.3	32.2
	Next three months	-1.5	-4.6	27.9	-4.5	30.2	27.2
Investor demand	Past three months	6.9	8.6	35.2	32.6	11.5	30.3
	Next three months	7.1	5.8	30.1	-4.5	30.2	27.2
Currency of wholesale debt funding							
10. How has the use of the following currency markets changed: (g)							
Sterling	Past three months	-2.8	12.0	16.6	23.4	-21.7	32.7
	Next three months	5.8	11.0	9.5	11.0	10.9	0.8
US dollar	Past three months	-13.8	13.8	10.1	21.7	23.7	3.0
	Next three months	13.8	15.1	-15.4	-2.2	8.7	21.3
Euro	Past three months	13.8	18.5	3.6	25.1	-4.2	11.4
	Next three months	6.5	0.8	9.0	16.7	16.0	16.0

Other	Past three months	8.7	10.7	3.3	10.0	16.2	15.5
	Next three months	8.5	5.3	0.0	8.6	16.2	2.1
11. Which of the following factors have affected non-sterling issuance:							
Changes in currency mix of assets	Past three months	0.0	0.0	0.0	0.4	0.0	0.0
	Next three months	0.0	0.0	0.0	0.4	0.0	0.0
Relative cost of funds: due to currency swap markets	Past three months	47.8	18.6	19.6	34.7	27.9	23.5
	Next three months	50.1	30.1	18.2	0.1	29.6	31.2
Relative cost of funds: due to other changes	Past three months	26.8	3.8	18.6	11.3	26.1	31.9
	Next three months	30.0	7.0	11.4	-8.1	15.3	31.2
Availability of suitably rated currency swap counterparties	Past three months	0.0	0.0	0.0	0.0	0.0	0.0
	Next three months	0.9	0.0	0.0	0.0	8.6	0.0
Differences in regulation in different currency markets	Past three months	0.0	-0.9	0.0	0.0	0.0	-0.9
	Next three months	0.0	6.7	0.0	0.0	0.0	0.0

Differences in investor demand	Past three months	46.2	16.7	26.3	40.1	38.3	13.1
	Next three months	45.3	16.7	28.5	5.9	39.1	27.8
Differences in market access	Past three months	46.2	16.7	29.5	14.3	26.1	20.6
	Next three months	39.5	10.0	20.8	-2.2	26.7	22.2

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

(a) Net percentage balances are calculated by weighting together the responses of those banks who answered the question by their market shares. Positive balances indicate that banks, on balance, reported/expected volumes or proportions of funding to be higher than over the previous/current three-month period; demand or supply factors to have contributed positively to volumes; or spreads to have increased relative to the previous/current three-month period (ie become more costly).
(b) A positive balance indicates an increase in volume.
(c) A positive balance indicates an increase in cost.
(d) A positive balance indicates a positive contribution to volumes from the selected factor.
(e) A positive balance indicates an increase in the proportion of new issuance accounted for by private issuance/long-term issuance/funding instrument.
(f) A positive balance indicates an increase in investors’ demand for banks’ wholesale debt.
(g) A positive balance indicates an increase in issuance denominated in the selected currency.

Annex 3: Developments in capital

The methodology for calculating, and interpretation of the aggregate results are as described in Annex 2. A full set of results is available in Excel file at the end of this page.

		Net percentage balances (a)					
		2022			2023		
		Q2	Q3	Q4	Q1	Q2	Q3
Capital							
1. How has the level of total capital changed?	Past three months	13.2	19.0	25.9	3.6	33.3	15.2
	Next three months	6.7	25.0	-10.7	19.7	31.2	19.6
2. How has the average cost of capital changed?	Past three months	10.4	39.2	16.4	-45.6	54.4	-30.8
	Next three months	-4.1	13.7	-8.4	22.8	1.1	1.1
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	30.1	30.3	53.7	24.2	28.8	34.1
	Next three months	36.5	45.6	39.9	31.1	32.7	25.9
Direct effects of profits, losses, deductions and charges (non-UK specific)	Past three months	-0.7	-1.7	16.8	2.4	24.2	25.5
	Next three months	11.5	12.2	16.8	16.7	20.9	12.5

Factors that have affected demand for capital							
Changing economic outlook	Past three months	-13.3	-29.2	-20.4	12.3	7.4	0.9
	Next three months	-18.0	-14.0	-35.6	-18.9	-0.1	-7.3
Strategic decisions to increase/reduce risk	Past three months	7.4	7.5	7.1	12.2	13.6	1.0
	Next three months	7.4	8.2	-6.4	13.9	0.0	1.0
Regulatory drivers	Past three months	0.9	0.0	0.9	-5.4	6.0	7.8
	Next three months	-0.7	0.6	-3.5	2.3	2.1	1.7
Changes in size of balance sheet	Past three months	18.0	8.1	7.5	10.5	15.2	21.0
	Next three months	1.8	-1.6	-19.6	12.6	9.4	21.2
Changes in riskiness of assets	Past three months	4.6	-12.8	-5.5	11.0	10.7	9.1
	Next three months	3.5	-3.8	-19.9	-12.6	-0.7	-7.3
Supply factors							

Market conditions	Past three months	-31.4	-24.2	12.7	25.7	-5.7	13.9
	Next three months	-32.0	-24.2	2.6	-0.4	6.0	7.5
Investor pressure to change volume of capital	Past three months	-13.5	-9.0	-5.5	0.0	-8.1	5.5
	Next three months	-13.5	-9.0	-5.5	0.0	-7.2	-0.9
4. How has the demand for total capital from the following investors changed?							
All investors	Past three months	-45.1	8.3	21.9	42.9	-24.5	29.0
	Next three months	-22.3	-7.5	0.0	-8.4	18.1	14.0
UK investors	Past three months	-52.9	8.5	34.7	43.1	-25.2	30.6
	Next three months	-28.6	-6.8	0.9	-7.7	18.6	13.4
Non-UK investors	Past three months	-51.9	8.4	23.7	55.4	-37.7	32.7
	Next three months	-27.2	-9.5	1.0	-16.8	18.1	16.8
Breakdown							

Retail investors	Past three months	-40.8	n.a.*	26.3	26.4	n.a.*	50.0
	Next three months	-20.4	n.a.*	0.0	0.0	n.a.*	17.6
Other banks	Past three months	-36.5	11.5	29.2	48.6	-12.9	32.4
	Next three months	-23.2	-10.4	-1.2	-21.6	12.0	10.4
Hedge funds	Past three months	-45.7	10.6	25.4	52.2	-24.2	34.6
	Next three months	-19.3	-8.7	-1.0	-18.4	17.6	15.2
Sovereign wealth funds	Past three months	-47.2	10.8	24.7	41.0	-25.3	34.1
	Next three months	-20.4	-8.8	-1.0	-17.2	18.9	16.5
Insurance companies and pension funds	Past three months	-45.7	9.6	23.3	42.0	-24.2	34.6
	Next three months	-19.3	-7.7	-1.5	-16.2	19.7	16.2
Other asset managers	Past three months	-45.7	10.6	24.3	42.2	-24.2	34.6
	Next three months	-19.3	-8.7	0.0	-16.2	18.6	16.2

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	8.0	14.2	-2.0	-5.5	0.9	-7.3
	Next three months	-5.4	6.2	6.1	0.0	0.9	0.9
Strategic decisions to change mix of capital	Past three months	-14.0	0.0	-2.1	23.0	16.9	0.0
	Next three months	-13.4	-1.7	0.0	11.5	5.5	-1.2
Regulatory drivers	Past three months	0.0	0.0	0.0	8.1	-6.4	-8.2
	Next three months	0.0	0.0	0.0	0.0	-6.4	0.0
Market conditions	Past three months	0.0	-13.5	2.6	14.2	9.1	1.1
	Next three months	-12.7	-13.5	2.6	-13.6	8.2	8.4
Investor demand	Past three months	-5.5	-9.3	8.3	22.6	8.4	1.1
	Next three months	-5.5	-9.3	8.3	-9.4	8.4	8.6

(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).

Annex 4: Implications for the provision of credit to UK households and companies

The methodology for calculating, and interpretation of the aggregate results are as described in Annex 2. A full set of results is available in Excel file at the end of this page.

		Net percentage balances (a)					
		2022			2023		
		Q2	Q3	Q4	Q1	Q2	Q3
Transfer price							
1. How has the average absolute cost of providing funds to business units changed?							
How has the average absolute cost of providing funds to business units changed?	Past three months	34.8	63.9	54.9	34.4	32.7	21.1
	Next three months	32.6	41.6	23.0	27.2	29.9	24.5
2. How has the marginal absolute cost of providing funds to business units changed (sometimes referred to as the ‘transfer price’)?							
How has the marginal absolute cost of providing funds to business units changed?	Past three months	50.6	84.5	54.7	47.5	66.2	36.0
	Next three months	44.5	48.6	27.2	14.5	41.3	40.8
3. Factors affecting the marginal absolute cost of providing funds to business units (sometimes referred to as the ‘transfer price’):							

Common equity capital	Past three months	3.2	1.6	3.2	0.0	-1.6	0.0
	Next three months	1.6	1.6	-1.6	0.0	-1.6	0.0
Debt capital	Past three months	16.0	16.2	13.4	-23.0	-11.3	19.3
	Next three months	10.8	12.2	-15.1	10.9	11.0	19.3
Retail deposit spreads relative to appropriate reference rate(s)	Past three months	-28.5	-25.3	-38.5	-38.4	27.7	-2.2
	Next three months	-21.9	-21.6	-15.7	-31.9	30.5	-4.9
Short-term wholesale funding spreads relative to appropriate reference rate(s)	Past three months	6.4	2.9	40.0	6.9	26.3	38.3
	Next three months	22.0	8.4	-2.5	-0.6	8.4	0.5
Long-term secured wholesale funding spreads relative to appropriate reference rate(s)	Past three months	10.1	46.2	34.2	-5.3	-5.7	-7.5
	Next three months	29.6	35.9	5.5	13.5	-5.7	14.5

Long-term unsecured wholesale funding spreads relative to appropriate reference rate(s)	Past three months	25.6	35.1	47.1	-11.2	-9.7	6.5
	Next three months	31.8	20.9	-5.3	11.9	2.4	8.4
Swaps or other reference rates	Past three months	52.2	71.5	79.3	25.9	81.1	33.0
	Next three months	18.6	34.0	14.5	-1.2	37.2	15.7
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')? (b)							
Frequency of transfer price update	Past three months	23.8	32.3	24.2	33.7	24.9	25.5

(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) 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.

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