



The NBU is introducing a quarterly survey of bank funding¹. The survey aims to enhance understanding of the dynamics of the volumes, structure, and cost of bank liabilities and capital. In Q2 2021, the financial institutions that participated in the survey were optimistic about the dynamics of bank funding. The amount of funds raised, especially retail deposits, increased, the banks pointed out. At the same time, the average cost of funding decreased slightly, particularly for retail deposits. During the quarter, business clients themselves actively increased their deposits, respondents said. In addition, the growth in deposits was driven by the banks' actions to expand their market share overall, or in individual segments, a number of financial institutions said. The share of FX liabilities and the total maturity of deposits declined. A small percentage of banks took out large loans from other financial institutions or qualified investors. The banks' capital in general has not changed over the past 12 months. However, all respondents plan to increase their capital going forward, partially financing this increase with expected earnings. These plans are in part fueled by the banks' growth ambitions.

Liabilities

Total funding increased in Q2, the banks said. This is according to 73% of respondents. The rest said that total funding fell slightly. Retail deposits surged by 89%, while corporate deposits swelled by 62%. Wholesale funding – bond issuance, loans from international financial institutions (IFIs) or parent banks, long-term refinancing, etc. – increased in only 18% of financial institutions.

Deposit inflows from households were most significantly affected by financial institutions' plans to raise this type of deposit and change the structure of funding, banks said. Corporate deposits increased in volume, driven mainly by the growth in supply from depositors.

Most banks expect that deposits will rise in Q3. The share of respondents who expect an increase in funding from households is double that of respondents anticipating growth in corporate deposits. However, some banks project that funding will decline. Specifically, retail deposits will fall by one fourth, and corporate deposits by one third, these banks said. Wholesale funding will not change.

Only 38% of respondents plan to raise significant amounts of funds from financial institutions and qualified investors (wholesale funding), primarily in the next 12 months. For the most part, this funding will come from IFI loans, subordinated debt, and the NBU's long-term refinancing loans. The banks said that they needed these borrowings to reconcile the maturities of assets and liabilities, expand their balance sheets, and comply with regulations.

The overall cost of funding inched lower during the quarter, two-thirds of respondents said. Only 14% of them said there

had been a slight increase. The banks pointed to a decline in the cost of funding from customers. Respondents more often talked about cheaper retail deposits than corporate deposits. The cost of wholesale funding did not increase, according to the majority of respondents, but 31% of respondents said it had risen marginally.

In Q3, the cost of borrowing will decline slightly overall, driven by the expected reduction in the cost of household deposits. The cost of wholesale funding will not change, most respondents said.

The share of FX funding has shrunk over the past three months, two thirds of the banks said. The maturity of raised funds has also declined. Banks expect similar changes in Q3.

Capital

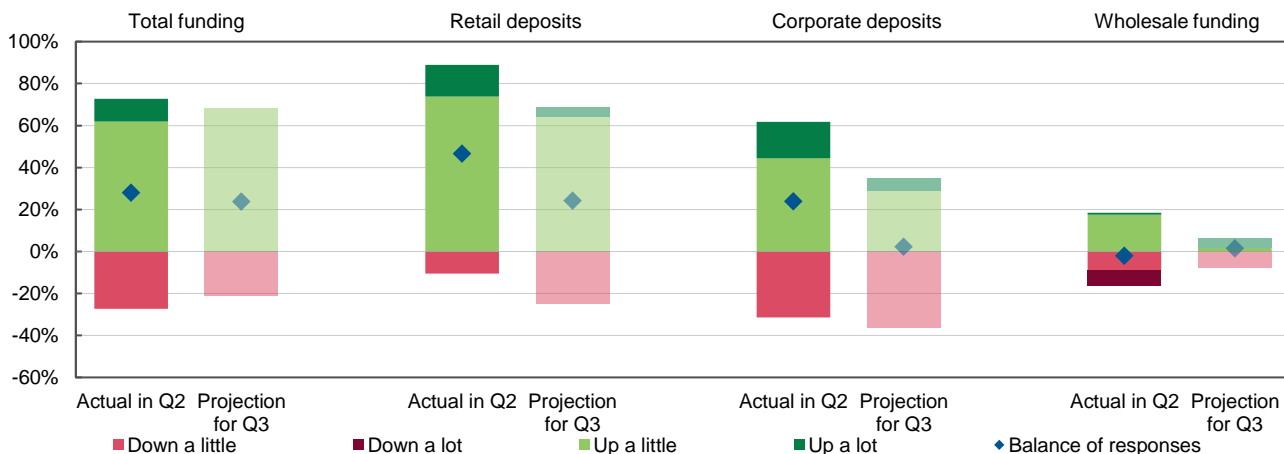
Banks were split almost fifty-fifty on estimated changes in capital over the last 12 months. However, all of them expect capital to increase over the next 12 months.

Respondents named profitability as being among the main factors that will drive this growth in capital, although some financial institutions said that they also had strategic plans to ramp up capital. The capital decrease will primarily be restrained by regulatory requirements and changes in the economic environment, the banks said.

The banks estimate the average cost of capital to have remained unchanged. A fourth of respondents expect that the cost of capital will decrease marginally in the next 12 months, while the rest do not anticipate any changes.

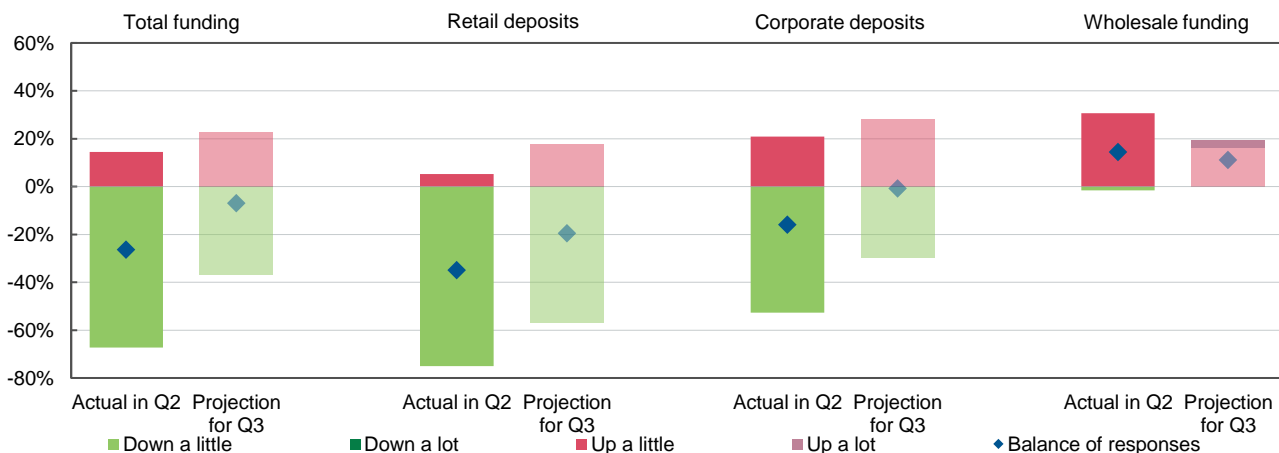
¹ For [information on the survey](#), see p. 7.

Figure 1. Changes in bank funding



* A positive balance of responses indicates an increase in funding. The procedure for calculating the balance of responses is presented in the [Annex: Survey results](#).

Figure 2. Changes in the cost of bank funding



* A positive balance of responses indicates an increase in the cost of funding.

Figure 3. Impact of factors on changes in the volume of funds raised (balance of responses*)

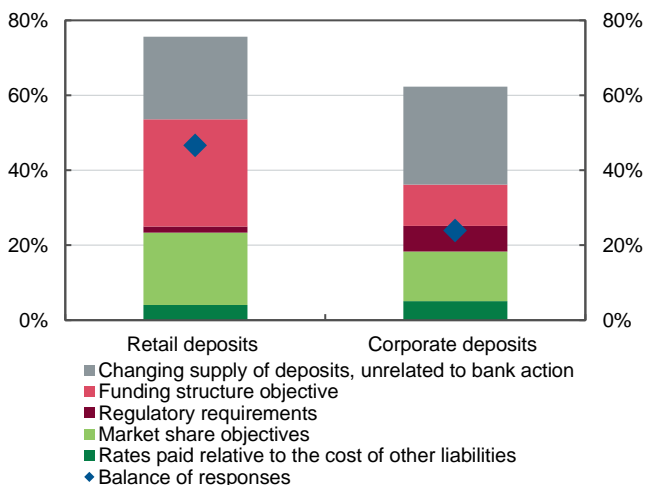
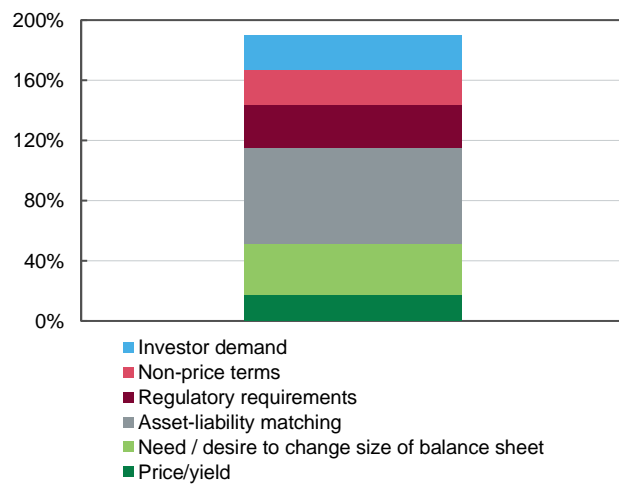


Figure 4. Impact of factors on changes in the volume of future wholesale funding (balance of responses*)



* A positive balance of responses indicates a positive impact of the factor on the funding growth.

The marker in the diagram is the balance of responses about the amount of funds raised. The bars denote the effects of factors on the change in the indicator (the total value of the indicator may not always equal the sum of the contributions of individual factors).

Figure 5. Change in the maturity of funds raised by banks (breakdown of responses)

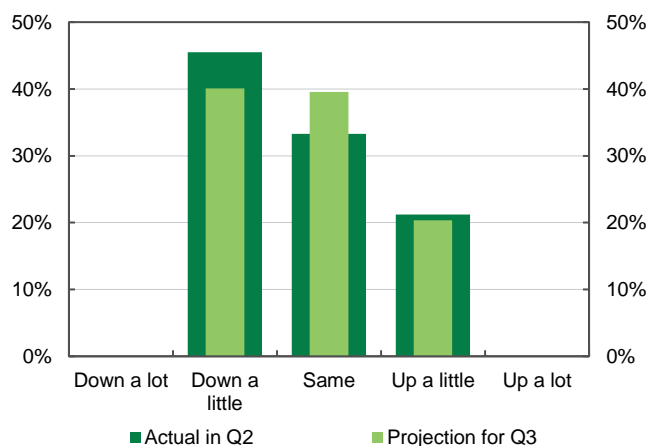


Figure 6. Change in the share of FX funding (breakdown of responses)

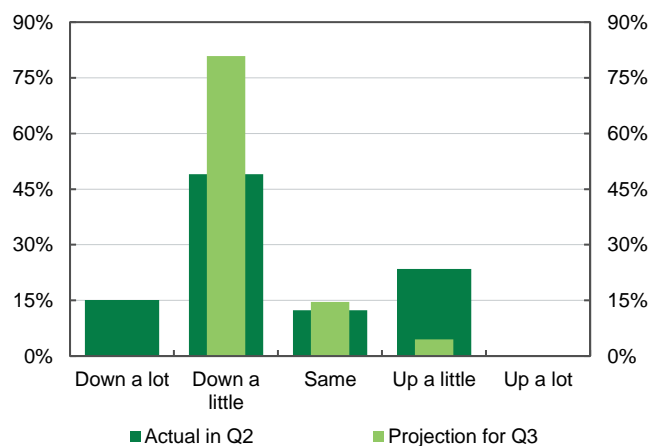


Figure 7. Change in banks' total capital (breakdown of responses)

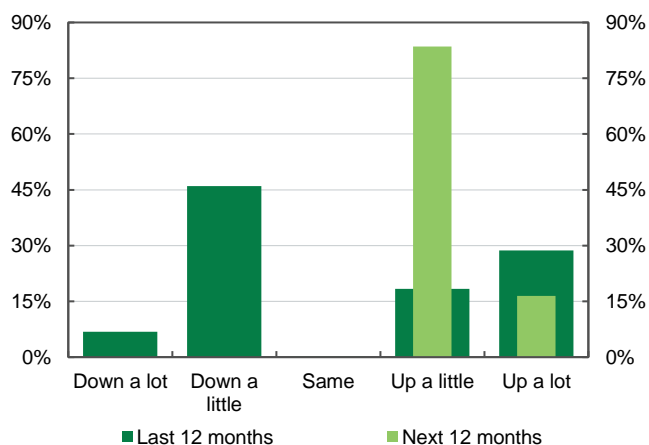


Figure 8. Change in banks' total capital (breakdown of responses)

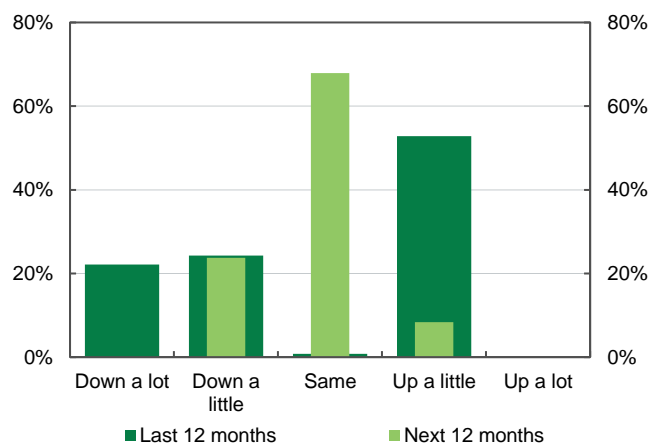
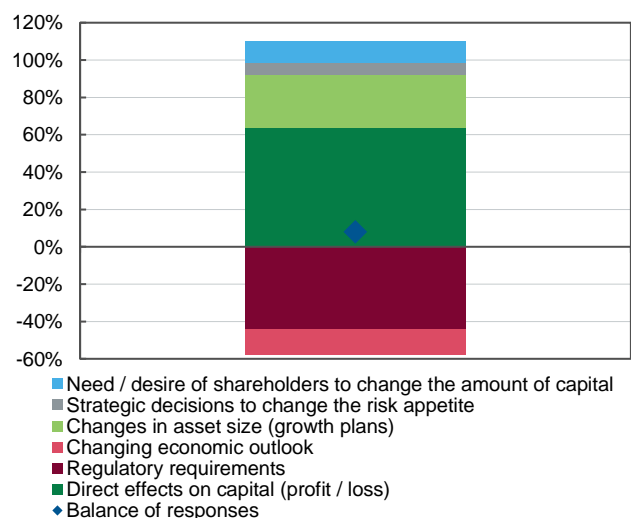


Figure 9. Impact of factors on changes in banks' capital (balance of responses*)



* A positive balance of responses indicates a positive impact on changes in banks' capital.

The marker in the diagram is the balance of responses about changes in capital. The bars denote the effects of factors on the change in the indicator (the total value of the indicator may not always equal the sum of the contributions of individual factors).

Annex: Survey results

Each responding bank was represented by a liabilities manager who filled out an electronic questionnaire.

For questions where responses were on an ordinal scale (e.g., from “significantly increased” to “significantly decreased”), a balance of responses indicator was calculated.

The questionnaire covers changes in the past three months and expected changes over the quarter that follows the reporting quarter. The questions from the “Capital” section concern changes during the 12 months before the survey and the 12 months after.

To calculate aggregated results for all banks, each response is assigned a score based on the respondent’s answers and their weight in the total sample. The scores are presented on a range from -1 to 1, depending on the direction of change of the indicator. Responses indicating a significant change of the indicator are assigned a higher score than responses

reflecting an insignificant change. The response “grew a lot” will have a score of 1, and the response “grew a little” a score of 0.5. Every estimate was assigned the respective respondent’s weight in the sample, which depended on their share in the liabilities or retail/corporate deposits in the sample. The total score for all banks is the balance of responses, which can be interpreted as the difference between the weighted share of respondents reporting an “increase” in a certain index, and the weighted share of respondents reporting a “decrease” in the index. The balance of responses can range between -100% and +100%. A positive balance indicates that respondents generally assess/expect a change in the indicator (the volume and cost of funding/capital, the maturity of borrowings, etc.) towards an increase/strengthening compared with the previous quarter. More information on how to interpret the balance of answers to each question is presented in the notes to the diagrams.

Table. Survey Findings

Balance of responses Q2.21	Weighted share of responses, Q2 2021				
1. How did funding change during the quarter that ended?					
	Down a lot	Down a little	Same	Up a little	Up a lot
Net change					
28%	0%	27%	0%	62%	11%
Retail deposits					
47%	0%	11%	1%	74%	15%
Corporate deposits					
24%	0%	31%	7%	44%	17%
Wholesale funding					
-2%	7%	9%	66%	18%	1%
2. How will funding change in the next quarter?					
	Down a lot	Down a little	Same	Up a little	Up a lot
Net change					
24%	0%	21%	11%	68%	0%
Retail deposits					
24%	0%	25%	6%	64%	4%
Corporate deposits					
2%	0%	36%	29%	29%	6%
Wholesale funding					
1%	0%	8%	86%	2%	5%
3. How did the average cost of funding change over the quarter that has just ended?					
	Down a lot	Down a little	Same	Up a little	Up a lot
Net change					
-26%	0%	37%	40%	23%	0%
Retail deposits					
-35%	0%	57%	25%	18%	0%
Corporate deposits					
-16%	0%	30%	42%	28%	0%
Wholesale funding					
14%	0%	0%	81%	16%	3%
4. How will the cost of funding change in the next quarter?					
	Down a lot	Down a little	Same	Up a little	Up a lot
Net change					
-7%	0%	37%	40%	23%	0%
Retail deposits					
-20%	0%	57%	25%	18%	0%
Corporate deposits					
-1%	0%	30%	42%	28%	0%

Wholesale funding	11%	0%	0%	81%	16%	3%
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5. How did these factors affect the amount of funding from households during the quarter that has just ended?

	Had a significant negative impact	Had a slight negative impact	No impact	Had a slight positive impact	Had a significant positive impact
Banks' demand factors					
Rates paid relative to the cost of other liabilities	4%	0%	39%	18%	39%
Market share objectives	19%	0%	0%	66%	30%
Regulatory requirements	2%	0%	0%	96%	4%
Funding structure objective	29%	0%	0%	43%	57%
Depositors' supply factors					
Changing supply of deposits, unrelated to bank action	22%	4%	25%	4%	56%

6. How did these factors affect the amount of corporate deposits during the quarter that has just ended?

	Had a significant negative impact	Had a slight negative impact	No impact	Had a slight positive impact	Had a significant positive impact
Banks' demand factors					
Rates paid relative to the cost of other liabilities	5%	0%	41%	20%	26%
Market share objectives	13%	0%	0%	80%	14%
Regulatory requirements	7%	0%	0%	86%	14%
Funding structure objective	11%	0%	12%	55%	34%
Depositors' supply factors					
Changing supply of deposits, unrelated to bank action	26%	0%	8%	37%	50%

7. How has the share of FX funding changed in the quarter that has just ended?

	Down a lot	Down a little	Same	Up a little	Up a lot
	-28%	15%	49%	12%	24%

8. How will the share of FX funding change in the next quarter?

	Down a lot	Down a little	Same	Up a little	Up a lot
	-38%	0%	81%	15%	5%

9. How did the maturity of the funds raised in the quarter that has just ended change from the previous quarter?

	Down a lot	Down a little	Same	Up a little	Up a lot
	-12%	0%	45%	33%	21%

10. How will the maturity of funding change over the next 12 months?

	Down a lot	Down a little	Same	Up a little	Up a lot
	-10%	0%	40%	40%	20%

11. What factors have influenced plans to raise wholesale funding going forward?

	Had a significant negative impact	Had a slight negative impact	No impact	Had a slight positive impact	Had a significant positive impact
Banks' demand factors					
Need / desire to change size of balance sheet	34%	0%	0%	32%	68%
Asset-liability matching	64%	0%	0%	6%	60%
Price/yield	17%	0%	9%	47%	44%
Non-price terms	24%	0%	0%	52%	48%
Regulatory requirements	28%	0%	0%	44%	56%
Depositors' supply factors					
Investor demand	23%	0%	0%	54%	46%

12. How has total capital changed over the past 12 months?

	Down a lot	Down a little	Same	Up a little	Up a lot
	8%	7%	46%	0%	18%

13. How will total capital change in the next 12 months?

	Down a lot	Down a little	Same	Up a little	Up a lot
58%	0%	0%	0%	84%	16%

14. How has the cost of capital changed over the past 12 months?

	Down a lot	Down a little	Same	Up a little	Up a lot
-8%	22%	24%	1%	53%	0%

15. How will the cost of capital change in the next 12 months?

	Down a lot	Down a little	Same	Up a little	Up a lot
-8%	0%	24%	68%	8%	0%

16. What factors will affect the change in capital over the next 12 months?

	Significant negative impact	Slightly negative impact	No impact	Slightly positive impact	Significant positive impact
Direct effects on capital (profit/loss)	0%	0%	0%	84%	16%
Regulatory requirements	23%	52%	19%	5%	2%
Factors affecting capital demand from banks					
Changes in economic outlook	0%	42%	44%	14%	0%
Strategic decisions to change risk appetite	0%	1%	86%	13%	0%
Changes in asset size (growth plans)	0%	18%	14%	60%	8%
Factors affecting capital supply from investors					
Need / desire of shareholders to change the amount of capital	0%	0%	84%	9%	7%

About the survey

In July 2021, the NBU introduced a quarterly bank funding survey. The survey primarily aims to enhance our understanding of the dynamics of the volumes, structure, and costs of banks' liabilities and capital. The survey features the aggregate assessments and expectations of respondents concerning the volumes, cost, and maturities of various types of banks' liabilities and capital, and the drivers that affect these indicators.

The first survey presents estimates of bank funding conditions in Q2 and expectations for Q3 2021. The survey contains generalized estimates of changes in the banks' capital ratios over the past 12 months, and expectations for the next 12 months. The current survey was carried out from 17 June to 9 July 2021 among bank liability managers. The answers were provided by 24 respondents, which jointly account for 91% of banking system assets. Survey findings reflect the views of respondents and do not necessarily reflect the assessments or forecasts made by the NBU.

A bank funding survey with banks' expectations for Q4 2021 will be published in October 2021.