Table 2

SENIOR LOAN OFFICER OPINION SURVEY ON BANK LENDING PRACTICES
AT SELECTED BRANCHES AND AGENCIES OF FOREIGN BANKS IN THE UNITED STATES[1]
(Status of policy as of October 2003)

Questions 1-5 *ask about* ***commercial and industrial (C&I) loans*** *at your bank. Questions 1-3 deal with changes in your bank's lending policies over the past three months. Questions 4-5 deal with changes in demand for C&I loans over the past three months. If your bank's lending policies have not changed over the past three months, please report them as unchanged even if the policies are either restrictive or accommodative relative to longer-term norms. If your bank's policies have tightened or eased over the past three months, please so report them regardless of how they stand relative to longer-term norms. Also, please report changes in enforcement of existing policies as changes in policies.*

1. Over the past three months, how have your bank's credit standards for approving applications for C&I loans or credit lines--other than those to be used to finance mergers and acquisitions--changed?

	All Respondents	
	Banks	Pct
Tightened considerably	0	0.0
Tightened somewhat	1	4.8
Remained basically unchanged	18	85.7
Eased somewhat	1	4.8
Eased considerably	1	4.8
Total	21	100.0

2. For applications for C&I loans or credit lines--other than those to be used to finance mergers and acquisitions--that your bank currently is willing to approve, how have the terms of those loans changed over the past three months? (Please assign each term a number between 1 and 5 using the following scale: 1=tightened considerably, 2=tightened somewhat, 3=remained basically unchanged, 4=eased somewhat, 5=eased considerably.)

	All Respondents
	Mean
Maximum size of credit lines	3.00
Costs of credit lines	2.95
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	3.00
Premiums charged on riskier loans	2.86
Loan covenants	3.00
Collateralization requirements	2.95
Other	3.00
Total	21

1. As of June 30, 2003, the 21 respondents had combined assets of $380 billion, compared to $977 billion for all foreign-related banking institutions in the United States. The sample is selected from among the largest foreign-related banking institutions in those Federal Reserve Districts where such institutions are common.

3. If your bank has tightened or eased its credit standards or its terms for C&I loans or credit lines over the past three months (as described in questions 1 and 2), how important have been the following possible reasons for the change? (Please respond to either A, B, or both as appropriate and rate each possible reason using the following scale: 1=not important, 2=somewhat important, 3=very important.)

A. Possible reasons for tightening credit standards or loan terms:

	All Respondents
	Mean
Deterioration in your bank's current or expected capital position	1.00
Less favorable or more uncertain economic outlook	1.80
Worsening of industry-specific problems	1.60
Less aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	1.20
Reduced tolerance for risk	1.80
Decreased liquidity in the secondary market for these loans	1.20
Increase in defaults by borrowers in public debt markets	1.40
Other	1.00
Number of banks responding	5

B. Possible reasons for easing credit standards or loan terms:

	All Respondents
	Mean
Improvement in your bank's current or expected capital position	2.25
More favorable or less uncertain economic outlook	2.00
Improvement in industry-specific problems	1.50
More aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	2.25
Increased tolerance for risk	1.75
Increased liquidity in the secondary market for these loans	1.75
Reduction in defaults by borrowers in public debt markets	2.25
Other	1.00
Number of banks responding	4

4. Apart from normal seasonal variation, how has demand for C&I loans changed over the past three months? (Please consider only funds actually disbursed as opposed to requests for new or increased lines of credit.)

	All Respondents	
	Banks	Pct
Substantially stronger	0	0.0
Moderately stronger	5	23.8
About the same	11	52.4
Moderately weaker	4	19.0
Substantially weaker	1	4.8
Total	21	100.0

5. If demand for C&I loans has strengthened or weakened over the past three months (as described in question 4), how important have been the following possible reasons for the change? (Please respond to either A, B, or both as appropriate and rate each possible reason using the following scale: 1=not important, 2=somewhat important, 3=very important.)

A. If stronger loan demand (answer 1 or 2 to question 4), possible reasons:

	All Respondents
	Mean
Customer inventory financing needs increased	1.60
Customer accounts receivable financing needs increased	1.40
Customer investment in plant or equipment increased	1.40
Customer internally generated funds decreased	1.00
Customer merger or acquisition financing needs increased	1.40
Customer borrowing shifted to your bank from other bank or nonbank sources because these other sources became less attractive	1.20
Other	1.20
Number of banks responding	5

B. If weaker loan demand (answer 4 or 5 to question 4), possible reasons:

	All Respondents
	Mean
Customer inventory financing needs decreased	1.33
Customer accounts receivable financing needs decreased	1.17
Customer investment in plant or equipment decreased	1.83
Customer internally generated funds increased	1.67
Customer merger or acquisition financing needs decreased	2.33
Customer borrowing shifted from your bank to other bank or nonbank credit sources because these other sources became more attractive	2.67
Other	1.00
Number of banks responding	6

Banks responding to this survey since mid-2000 have consistently indicated a weakening in demand for C&I loans, and this weakening has also been reflected in substantial declines in C&I loans on bank balance sheets over this period. ***Question 6*** *asks about prospective demand for C&I loans at your bank, as indicated by the volume of recent inquiries about the availability of new credit lines or increases in existing lines.*

6. At your bank, how has the number of inquiries from potential business borrowers regarding the availability and terms of new credit lines or increases in existing lines changed over the past three months? (Please consider only inquiries for additional C&I lines as opposed to the refinancing of existing loans.)

	All Respondents	
	Banks	Pct
Increased substantially	0	0.0
Increased moderately	6	28.6
Stayed about the same	14	66.7
Decreased moderately	1	4.8
Decreased substantially	0	0.0
Total	21	100.0

Trading volume in the secondary market for C&I loans has increased substantially over the past decade. ***Questions 7-11*** *ask about your bank's participation in this market over the past* *<u>two years</u>*. *Questions 7-9 focus on trading in adversely rated loans. Questions 10-11 ask about the prices at which your bank has sold or purchased loans--whether adversely rated or not--in this market.*

7. Over the past two years, about what share of the adversely rated loans (those rated as special mention or classified as substandard, doubtful, and loss) that were on your bank's books did your bank sell in the secondary market?

	All Respondents	
	Banks	Pct
None	2	10.5
Less than 5 percent	5	26.3
Between 5 percent and 10 percent	6	31.6
Between 10 percent and 15 percent	3	15.8
Between 15 percent and 20 percent	2	10.5
More than 20 percent	1	5.3
Total	19	100.0

8. If your bank sold adversely rated loans in the secondary market over the past two years (answers 2-6 to question 7), please rank, in order of their importance, the following possible reasons for selling these loans. (Please assign the most important reason a rank of 1, and the next most important reason a rank of 2, etc.)

	All Respondents
	Mean
To reduce the overall credit risk of your bank's portfolio	2.83
To reduce your bank's exposure to particular industries	3.39
To reduce your bank's exposure to particular firms	2.00
The price was attractive given your bank's perception of the loans' values	2.28
Other	4.28
Number of banks responding	18

9. If your bank sold adversely rated loans in the secondary market over the past two years (answers 2-6 to question 7), please indicate the approximate percentage of those loans purchased by the following entities (percentages should total 100 percent):

	All Respondents
	Mean
U.S. commercial banks	18.67
Other foreign banking organizations	5.00
Investment banks	40.33
Insurance companies	0.67
Collateralized loan obligations (CLOs) or collateralized debt obligations (CDOs)	6.00
Other nonbank financial institutions	14.67
Other	14.67
Number of banks responding	15

10. If your bank sold *any* loans in the secondary market (adversely rated or other) over the past *two years*, please indicate the approximate percentage of those loans sold at the following ratios to face value (percentages should total 100 percent):

	All Respondents
	Mean
Share sold at more than 100 percent of face value	1.94
Share sold at 95 percent to 100 percent of face value	28.71
Share sold at 90 percent to 95 percent of face value	8.94
Share sold at 85 percent to 90 percent of face value	13.88
Share sold at 75 percent to 85 percent of face value	15.65
Share sold at less than 75 percent of face value	30.88
Number of banks responding	17

11. If your bank purchased *any* loans in the secondary market (adversely rated or other) over the past *two years*, please indicate the approximate percentage of those loans purchased at the following ratios to face value (percentages should total 100 percent):

	All Respondents
	Mean
Share purchased at more than 100 percent of face value	0.00
Share purchased at 95 percent to 100 percent of face value	84.55
Share purchased at 90 percent to 95 percent of face value	3.41
Share purchased at 85 percent to 90 percent of face value	1.59
Share purchased at 75 percent to 85 percent of face value	1.36
Share purchased at less than 75 percent of face value	9.09
Number of banks responding	11

Questions 12-14 *ask about* ***commercial real estate loans*** *at your bank, including construction and land development loans and loans secured by nonfarm nonresidential real estate. Question 12 deals with changes in your bank's standards over the last three months. Question 13 deals with changes in demand. Question 14 asks about commercial real estate loans to commercial and industrial firms. If your bank's lending standards or terms have not changed over the relevant period, please report them as unchanged even if they are either restrictive or accommodative relative to longer-term norms. If your bank's standards or terms have tightened or eased over the relevant period, please so report them regardless of how they stand relative to longer-term norms. Also, please report changes in enforcement of existing standards as changes in standards.*

12. Over the past three months, how have your bank's credit standards for approving applications for commercial real estate loans changed?

	All Respondents	
	Banks	Pct
Tightened considerably	0	0.0
Tightened somewhat	0	0.0
Remained basically unchanged	11	91.7
Eased somewhat	1	8.3
Eased considerably	0	0.0
Total	12	100.0

13. Apart from normal seasonal variation, how has demand for commercial real estate loans changed over the past three months?

	All Respondents	
	Banks	Pct
Substantially stronger	0	0.0
Moderately stronger	4	33.3
About the same	4	33.3
Moderately weaker	4	33.3
Substantially weaker	0	0.0
Total	12	100.0

14. The weekly and quarterly Reports of Condition specify that any extension of credit that is secured by real estate is to be reported as a real estate loan. Relative to *one year ago*, how has the volume of loans to commercial and industrial firms secured by real estate but used for purposes other than the acquisition or improvement of real estate changed at your bank?

	All Respondents	
	Banks	Pct
Decreased considerably	1	9.1
Decreased somewhat	1	9.1
Remained basically unchanged	7	63.6
Increased somewhat	2	18.2
Increased considerably	0	0.0
Total	11	100.0