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 August 2002)

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	2	10.0
Tightened somewhat	10	50.0
Remained basically unchanged	8	40.0
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	20	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	2.20
Costs of credit lines	2.25
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.15
Premiums charged on riskier loans	2.10
Loan covenants	2.45
Collateralization requirements	2.45
Other	2.95
Total	20

1. As of March 29, 2002, the 20 respondents had combined assets of $293 billion, compared to $934 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	1.35
Less favorable or more uncertain economic outlook	2.35
Worsening of industry-specific problems	2.65
Less aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	1.18
Reduced tolerance for risk	2.06
Decreased liquidity in the secondary market for these loans	1.82
Increase in defaults by borrowers in public debt markets	2.00
Increased concern about further revelations of accounting irregularities	2.12
Other	1.00
Number of banks responding	17

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

	All Respondents
	Mean
Improvement in your bank's current or expected capital position	0.00
More favorable or less uncertain economic outlook	0.00
Improvement in industry-specific problems	0.00
More aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	0.00
Increased tolerance for risk	0.00
Increased liquidity in the secondary market for these loans	0.00
Reduction in defaults by borrowers in public debt markets	0.00
Decreased concern about further revelations of accounting irregularities	0.00
Other	0.00
Number of banks responding	0

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	0	0.0
About the same	13	65.0
Moderately weaker	7	35.0
Substantially weaker	0	0.0
Total	20	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	0.00
Customer accounts receivable financing needs increased	0.00
Customer investment in plant or equipment increased	0.00
Customer internally generated funds decreased	0.00
Customer merger or acquisition financing needs increased	0.00
Customer borrowing shifted to your bank from other bank or nonbank sources because these other sources became less attractive	0.00
Other	0.00
Number of banks responding	0

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

	All Respondents
	Mean
Customer inventory financing needs decreased	2.00
Customer accounts receivable financing needs decreased	2.00
Customer investment in plant or equipment decreased	2.50
Customer internally generated funds increased	1.33
Customer merger or acquisition financing needs decreased	2.50
Customer borrowing shifted from your bank to other bank or nonbank credit sources because these other sources became more attractive	1.17
Other	1.00
Number of banks responding	6

Over the past year, a number of large companies have admitted to providing inadequate or misleading financial statements to the public and regulatory authorities. ***Questions 6-7*** *ask about your bank's exposure to companies that have provided misleading information in their dealings with your bank.* ***Question 8*** *asks about your bank's response to the revelations of improper accounting practices.*

6. Approximately what percentage of your bank's outstanding C&I loans (as opposed to undrawn loan facilities) are to firms that have materially changed their prior period financial statements during the past year or are the subject of either civil or criminal investigations by regulatory or other authorities relating to their accounting practices?

	All Respondents	
	Banks	Pct
None	2	10.0
Less than 1 percent	9	45.0
At least 1 percent but less than 2 percent	6	30.0
At least 2 percent but less than 5 percent	2	10.0
At least 5 percent	1	5.0
Total	20	100.0

7. Apart from highly publicized incidents, has your bank detected any change in the frequency with which firms have submitted erroneous or misleading financial statements to you in the loan approval process over the past year?

	All Respondents	
	Banks	Pct
Notable decrease	0	0.0
Some decrease	0	0.0
No change	17	85.0
Some increase	3	15.0
Notable increase	0	0.0
Total	20	100.0

8. Please rate, in terms of the frequency or stringency with which they have been pursued, the following possible actions taken by your bank in response to the spate of revelations of accounting improprieties over the past year. (Please assign *each* possible action a number between 1 and 3 using the following scale: 1=with the same frequency/stringency, 2=with somewhat greater frequency/stringency, 3=with substantially greater frequency/stringency.)

A. Possible courses of action for existing loans:

	All Respondents
	Mean
Examining and evaluating financial statements	2.05
Requesting additional financial detail from loan customers	2.10
Monitoring loans	2.05
Enforcing loan covenants	1.50
Calling loans	1.25
Other	1.00
Number of banks responding	20

B. Possible courses of action for new loans and renewal of existing loans:

	All Respondents
	Mean
Requiring more financial detail from loan customers	2.30
Monitoring loans	2.05
Scrutinizing material adverse change clauses	1.85
Tightening loan terms (e.g. increased collateral, stricter covenants)	1.95
Denying new loans that previously would have been approved	1.50
Other	1.00
Number of banks responding	20

Questions 9-10 *ask about your bank's policies for assessing and managing* ***counterparty credit risk.***

9. When assessing counterparty credit risk for material business customers,[2] please indicate the relative weight given to each of the following pieces of information. (Please assign each source a number between 1 and 5 where 1=low weight and 5=high weight.)

	All Respondents
	Mean
Informal contacts with management	3.25
Financial statements	4.80
Credit ratings by independent agencies	3.65
Senior debt spreads	3.10
Subordinated debt spreads	2.50
Equity prices	3.40
Independent model-based estimated default probabilities (e.g. KMV)	3.45
Information from trade publications and other news sources	3.50
Other	1.15
Number of banks responding	20

10. Typically, how often do you verify that your material business customers are in compliance with the terms and conditions specified in their loan contracts or other credit agreements?

	All Respondents	
	Banks	Pct
At least once a week	1	5.0
Bi-weekly	0	0.0
Monthly	3	15.0
Quarterly	12	60.0
Other	4	20.0
Total	20	100.0

2. A material business customer is one that represents a material risk exposure, as indicated, for example, by the size of the overall relationship with the customer, the customer's risk rating, and the complexity of the customer's business model.

Questions 11-14 *ask about* ***commercial real estate loans*** *at your bank, including construction and land development loans and loans secured by nonfarm nonresidential real estate. Question 11 deals with changes in your bank's standards over the last three months. Question 12 deals with changes in demand. Questions 13--14 ask about commercial real estate loans to commercial and industrial firms that are used for purposes other than the aquisition or improvement of real estate. 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.*

11. 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	3	27.3
Remained basically unchanged	8	72.7
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	11	100.0

12. 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	0	0.0
About the same	9	81.8
Moderately weaker	2	18.2
Substantially weaker	0	0.0
Total	11	100.0

13. 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. Of the outstanding commercial real estate loans at your bank, about what percent was to commercial and industrial firms for purposes other than the acquisition or improvement of real estate?

	All Respondents	
	Banks	Pct
Less than 2 percent	7	58.3
Between 2 percent and 5 percent	0	0.0
Between 5 percent and 10 percent	1	8.3
Between 10 percent and 20 percent	1	8.3
Between 20 percent and 30 percent	2	16.7
More than 30 percent	1	8.3
Total	12	100.0

14. Relative to one year ago, how has the volume of these commercial real estate loans used for commercial and industrial purposes changed at your bank?

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