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 April 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	6	33.3
Remained basically unchanged	12	66.7
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	18	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	2.44
Costs of credit lines	2.61
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.56
Premiums charged on riskier loans	2.35
Loan covenants	2.72
Collateralization requirements	2.89
Other	2.50
Total	18

1. As of December 31, 2002, the 18 respondents had combined assets of $309 billion, compared to $921 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	1.45
Less favorable or more uncertain economic outlook	2.45
Worsening of industry-specific problems	2.00
Less aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	1.09
Reduced tolerance for risk	2.00
Decreased liquidity in the secondary market for these loans	1.36
Increase in defaults by borrowers in public debt markets	2.09
Other	1.00
Number of banks responding	11

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

	All Respondents
	Mean
Improvement in your bank's current or expected capital position	0
More favorable or less uncertain economic outlook	0
Improvement in industry-specific problems	0
More aggressive competition from other banks or nonbank lenders (other financial intermediaries or the capital markets)	0
Increased tolerance for risk	0
Increased liquidity in the secondary market for these loans	0
Reduction in defaults by borrowers in public debt markets	0
Other	0
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	10	55.6
Moderately weaker	7	38.9
Substantially weaker	1	5.6
Total	18	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
Customer accounts receivable financing needs increased	0
Customer investment in plant or equipment increased	0
Customer internally generated funds decreased	0
Customer merger or acquisition financing needs increased	0
Customer borrowing shifted to your bank from other bank or nonbank sources because these other sources became less attractive	0
Other	0
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	1.63
Customer accounts receivable financing needs decreased	1.63
Customer investment in plant or equipment decreased	2.50
Customer internally generated funds increased	1.38
Customer merger or acquisition financing needs decreased	2.75
Customer borrowing shifted from your bank to other bank or nonbank credit sources because these other sources became more attractive	1.25
Other	1.00
Number of banks responding	8

6. Over the **past two quarters**, Call Report data indicates that the delinquency rate on commercial and industrial loans has stabilized. To what do you attribute the improvement? (Please rate **each** possible reason using the following scale: 1=not important, 2=somewhat important, 3=very important.)

	All Respondents
	Mean
Aggressive tightening of lending standards over the past several years has reduced the incidence of new problem loans.	2.00
Industry-specific problems have abated somewhat.	2.22
Reduced interest rates have allowed borrowers to refinance and restructure their balance sheets to lower their debt-servicing costs.	2.06
Significant amounts of delinquent loans have been sold to nonbank investors.	1.33
Banks have been charging-off loans more aggressively than in the past.	1.89
Other	1.06
Number of banks responding	18

7. Net charge-off rates on C&I loans are at very high levels. To what do you attribute the unusually high level of net charge-offs relative to delinquencies? (Please rate **each** possible reason using the following scale: 1=not important, 2=somewhat important, 3=very important.)

	All Respondents
	Mean
Recovery rates on delinquent loans have been unusually low.	2.17
Significant amounts of loans have been sold at prices below book value (sales of assets at a price less than book value are recorded as charge-offs).	2.06
Banks have been charging-off loans more aggressively than in the past.	2.06
Other	1.06
Number of banks responding	18

Questions 8-14 *ask about* ***commercial real estate loans*** *at your bank, including construction and land development loans and loans secured by nonfarm nonresidential real estate. Question 8 deals with changes in your bank's standards over the last three months. Questions 9-12 ask about changes in terms over the past year. Question 13 asks about the reasons why commercial real estate loan quality has held up in the face of rising vacancy rates and declining rents in the sector. Question 14 deals with changes in demand. 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 accomodative relative to longer-term norms. If your bank's standards or terms have tightened or eased over the relevant period, please report changes in enforcement of existing standards as changes in standards.*

8. 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	2	20.0
Remained basically unchanged	8	80.0
Eased somewhat	0	0.0
eased considerably	0	0.0
Total	10	100.0

9. Over the **past year**, how have the following terms on commercial real estate loans changed? (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 loan size	2.90
Maximum loan maturity	2.90
Spreads of loan rates over your bank's cost of funds (wider spread=tightened, narrower spreads=eased)	2.80
Loan-to-value ratios	2.60
Requirement for take-out financing	2.70
Debt-service coverage ratios	2.70
Other	2.90
Number of banks responding	10

10. If your bank has tightened or eased its terms for commercial real estate loans over the **past year** (as described in question 9), 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 commercial real estate loan terms:

	All Respondents
	Mean
Less favorable economic outlook	2.80
Worsening of the condition of, or the outlook for, commercial real estate in the markets where your bank operates	2.20
Less aggressive competition from other commercial banks	1.00
Less aggressive competition from nonbank lenders	1.00
Reduced tolerance for risk	1.60
Increased concern about take-out financing	1.60
Less liquid market for secutities collateralized by these loans	1.40
Other	1.00
Number of banks responding	5

B. Possible reasons for easing commercial real estate loan terms:

	All Respondents
	Mean
More favorable economic outlook	0
Improvement in the condition of, or the outlook for, commercial real estate in the markets where your bank operates	0
More aggressive competition from other commercial banks	0
More aggressive competition from nonbank lenders	0
Increased tolerance for risk	0
Reduced concern about take-out financing	0
More liquid market for secutities collateralized by these loans	0
Other	0
Number of banks responding	0

11. For your bank's nonfarm, nonresidential real estate loans please indicate the average *original* term to maturity.

	All Respondents	
	Banks	Pct
Less than 2 years	1	11.1
Between 2 and 5 years	6	66.7
Between 5 and 10 years	2	22.2
Between 10 and 15 years	0	0.0
More than 15 years	0	0.0
Total	9	100.0

12. Approximately what percentage of commercial real estate loans on your bank's books impose a penalty for prepayment or refinancing of the loan?

	All Respondents	
	Banks	Pct
Less than 20 percent	5	55.6
Between 20 and 40 percent	2	22.2
Between 40 and 60 percent	0	0.0
Between 60 and 80 percent	1	11.1
More 80 percent	1	11.1
Total	9	100.0

13. Over the **past year**, vacancy rates for commercial office space have risen and commercial rents have fallen. Nonetheless, Call Report data indicates that the delinquency rate on commercial real estate loans declined steadily during 2002. To what do you attribute teh continued good performance of commercial real estate loans? (Please rate **each** possible reason using the following scale: 1=not important, 2=somewhat important, 3=very important.)

	All Respondents
	Mean
Aggressive tightening of lending standards and terms prior to the market decline allowed banks to avoid currently troubled properties.	2.22
The commercial real estate loans held on the banks' books are typically not secured by the types of properties that are currently experiencing difficulties.	1.67
Many borrowers have considerable equity in their properties, which maintains the incentive for them to continue payments.	2.44
Reduced interest rates have allowed borrowers to refinance and lower their debt financing costs.	2.78
Many long-term leases, signed prior to the market decline, have yet to expire or be negotiated and are supporting property revenue.	2.33
Other	1.00
Number of banks responding	9

14. 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	1	10.0
About the same	8	80.0
Moderately weaker	1	10.0
Substantially weaker	0	0.0
Total	10	100.0