Table 2

SENIOR LOAN OFFICER OPINION SURVEY ON BANK LENDING PRACTICES
AT SELECTED BRANCHES AND AGENCIES OF FOREIGN BANKS IN THE UNITED STATES
(Status of policy as of May 2000[1])

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, and questions 4-5 deal with changes in demand over the same period. 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	1	4.8
Tightened somewhat	7	33.3
Remained basically unchanged	12	57.1
Eased somewhat	1	4.8
Eased considerably	0	0.0
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	2.67
Costs of credit lines	2.71
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.81
Premiums charged on riskier loans	2.43
Loan covenants	2.76
Collateralization requirements	2.81
Other	2.90
Total	21

1. As of December 31, 1999, the 21 respondents had combined assets of $227 billion, compared to $806 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
A deterioration in your bank's current or expected capital position	1.00
A less favorable or more uncertain economic outlook	2.09
A worsening of industry-specific problems	1.91
Less aggressive competition from other commercial banks	1.27
Less aggressive competition from nonbank lenders (other financial intermediaries or the capital markets)	1.27
A reduced tolerance for risk	1.91
Decreased liquidity in the secondary market for these loans	1.45
Other	1.55
Number of banks responding	11

B. Possible reasons for easing credit standards or loan terms

	All Respondents
	Mean
An improvement in your bank's current or expected capital position	1.83
A more favorable or less uncertain economic outlook	1.50
An improvement in industry-specific problems	1.33
More aggressive competition from other commercial banks	1.83
More aggressive competition from nonbank lenders (other financial intermediaries or the capital markets)	1.17
An increased tolerance for risk	1.33
Increased liquidity in the secondary market for these loans	1.67
Other	1.00
Number of banks responding	6

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

	All Respondents	
	Banks	Pct
Substantially stronger	0	0.0
Moderately stronger	1	5.0
About the same	9	45.0
Moderately weaker	9	45.0
Substantially weaker	1	5.0
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	1.00
Customer accounts receivable financing needs increased	1.00
Customer investment in plant or equipment increased	2.00
Customer internally generated funds decreased	1.00
Customer merger or acquisition financing increased	2.00
Customer borrowing shifted from other sources to your bank because these other sources became less attractive	1.00
Other	1.00
Number of banks responding	1

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

	All Respondents
	Mean
Customer inventory financing needs decreased	1.50
Customer accounts receivable financing needs decreased	1.38
Customer investment in plant or equipment decreased	1.50
Customer internally generated funds increased	1.75
Customer merger or acquisition financing decreased	1.88
Customer borrowing shifted from your bank to other sources because these other sources became more attractive	1.38
Other	1.00
Number of banks responding	8

Since the middle of 1999, issuance in the high-yield bond market has fallen off notably. ***Questions 6-7*** *ask to what extent demand for C&I loans at your bank has been affected by recent developments in the market for below-investment grade bonds.*

6. Over the past *twelve months*, to what extent has demand for C&I loans at your bank been strengthened by borrowers that have turned to banks because of unfavorable conditions in the high-yield bond market?

	All Respondents	
	Banks	Pct
Substantially	0	0.0
Somewhat	10	50.0
Little or not at all	10	50.0
Total	20	100.0

7. If you answered 1 or 2 to question 6, how receptive has your bank been to this additional demand?

	All Respondents	
	Banks	Pct
Very receptive	0	0.0
Fairly receptive	8	80.0
Fairly unreceptive	1	10.0
Very unreceptive	1	10.0
Total	10	100.0

Questions 8-9 *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, and question 9 deals with changes in demand over the same period. If your bank's lending standards or terms have not changed over the past three months, 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 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 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	3	25.0
Remained basically unchanged	9	75.0
Eased somewhat	0	0.0
Eased considerably	0	0.0
Total	12	100.0

9. 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	75.0
Moderately weaker	3	25.0
Substantially weaker	0	0.0
Total	12	100.0

***Loans to purchase and carry securities** expanded very rapidly late last year and in the early months of 2000.* ***Questions 10-14** ask about your bank's activities in the market for loans to purchase and carry securities. (Loans to purchase and carry securities are defined to include all loans made to nonbank brokers and dealers and all loans, whether secured (except by real estate) or unsecured, to any other borrower for the purpose of purchasing or carrying securities.)*

10. Of the loans to purchase and carry securities on your bank's books, what is the typical approximate percentage distribution across customers? (Percentages may not add to 100 due to rounding.)

	All Respondents
	Mean
Nonbank brokers and dealers in securities	63.73
Mutual funds	11.45
Other financial institutions	14.36
Private banking and other retail customers	6.64
Other	3.82
Number of banks responding	11

11. Approximately what percentage of your bank's loans to purchase and carry securities is secured?

	All Respondents	
	Banks	Pct
90 to 100 percent	6	54.5
75 to 89 percent	1	9.1
50 to 74 percent	3	27.3
Less than 50 percent	1	9.1
Total	11	100.0

12. With respect to loans to purchase and carry securities at your bank that are secured, what is the approximate percentage distribution of collateral used across the following financial instruments? (Percentages may not add to 100 due to rounding.)

	All Respondents
	Mean
U.S. government securities	27.50
U.S. agency securities	7.30
Other debt instruments	27.10
Equity instruments	38.10
Other	0.00
Number of banks responding	10

13. Approximately what percentage of your bank's loans to purchase and carry securities are made under commitment?

	All Respondents	
	Banks	Pct
90 to 100 percent	1	9.1
75 to 89 percent	1	9.1
50 to 74 percent	1	9.1
25 to 49 percent	1	9.1
Less than 25 percent	7	63.6
Total	11	100.0

14. If loans to purchase and carry securities have grown at your bank since last fall, what have been the major reasons? (Please rate each possible reason using the following scale: 1=not important, 2=somewhat important, 3=very important.)

	All Respondents
	Mean
Broker-dealer financing needs have been high	1.89
Lending to mutual funds has been strong	1.33
Demands from private banking and other retail customers has been high	1.44
Other	1.33
Number of banks responding	9