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Bank of Japan
Financial System and Bank Examination Department

July 17, 2015

Senior Loan Officer Opinion Survey on Bank Lending Practices at Large Japanese Banks (July2015)

Period of survey: June 9th 2015 to July 8th 2015

Number of banks surveyed: 50 (For details see footnote 1) on page 9.)

Demand for Loans (Questions 1-6)

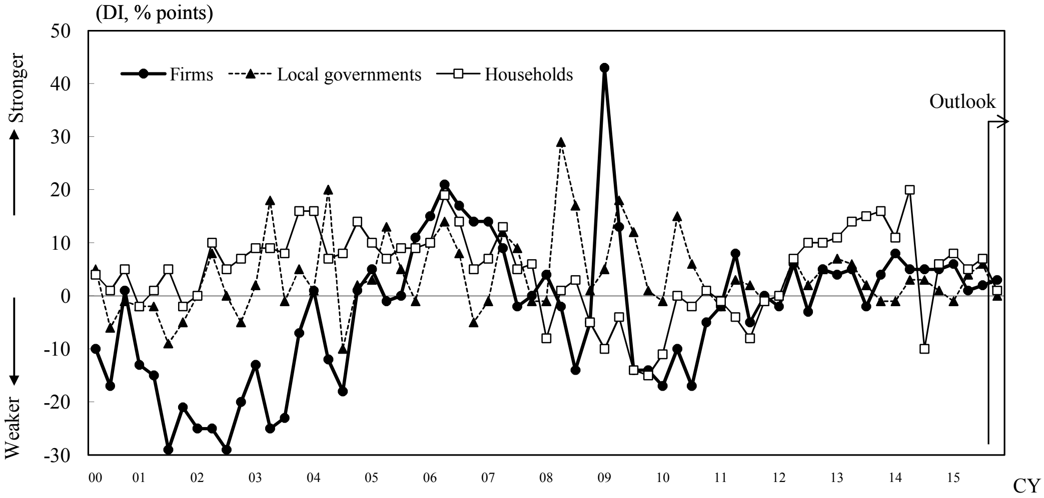
1. How has demand for loans from borrowers (firms, local governments, and households) changed over the past three months apart from normal seasonal variations?

	DI for demand for loans(% point)	(Previous Survey)
Firms	2	1
Local governments	6	4
Households	7	5

	Number of respondents selecting each option (percentage of respondents selecting each option)					Total
	Substantially stronger	Moderately stronger	About the same	Moderately weaker	Substantially weaker	
Firms	0 (0%)	3 (6%)	46 (92%)	1 (2%)	0 (0%)	50
Local governments	1 (2%)	4 (8%)	45 (90%)	0 (0%)	0 (0%)	50
Households	2 (4%)	4 (8%)	43 (86%)	1 (2%)	0 (0%)	50

* DI for demand for loans
= (percentage of respondents selecting “substantially stronger” + percentage of respondents selecting “moderately stronger” × 0.5) -(percentage of respondents selecting “substantially weaker” + percentage of respondents selecting “moderately weaker” × 0.5)
(The same method of calculation applies to question 2, 4 and 6.)

Demand for Loans from Borrowers by Borrower Type



The survey started in April 2000.

* See question 6. for the outlook.

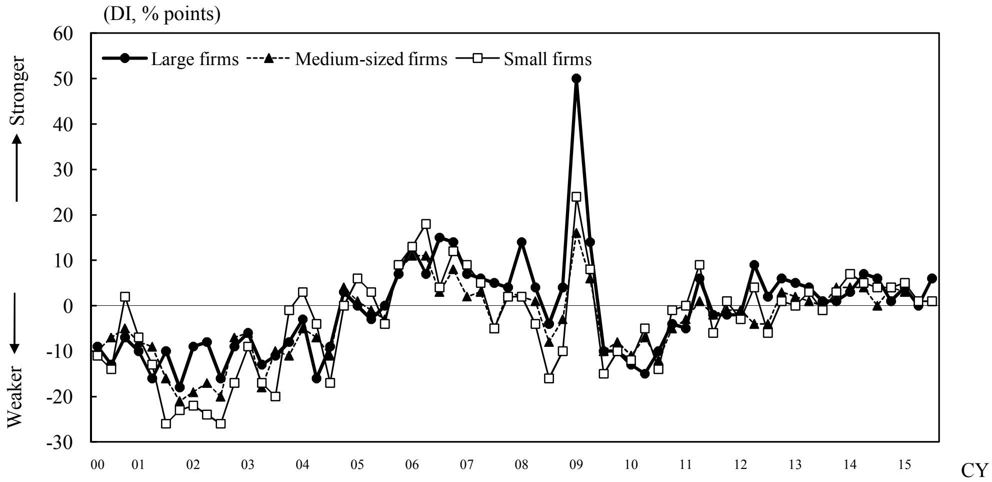
2. How has demand for loans from firms changed over the past three months according to industry and firm size?

All industries	DI for demand for loans(% point)	(Previous Survey)
Large firms	6	0
Medium-sized firms	1	1
Small firms	1	1

Number of respondents selecting each option (percentage of respondents selecting each option)					Total
Substantially stronger	Moderately stronger	About the same	Moderately weaker	Substantially weaker	
0 (0%)	6 (12%)	44 (88%)	0 (0%)	0 (0%)	50
0 (0%)	2 (4%)	47 (94%)	1 (2%)	0 (0%)	50
0 (0%)	2 (4%)	47 (94%)	1 (2%)	0 (0%)	50

* For details on the calculation of DI for Demand for Loans, see footnote for question 1.

Demand for Loans from Firms by Firm Size



The survey started in April 2000.

Manufacturing	DI for demand for loans(% point)	(Previous Survey)
Large firms	5	0
Medium-sized firms	2	-1
Small firms	-2	-3

Number of respondents selecting each option (percentage of respondents selecting each option)					Total
Substantially stronger	Moderately stronger	About the same	Moderately weaker	Substantially weaker	
0 (0%)	5 (10%)	45 (90%)	0 (0%)	0 (0%)	50
1 (2%)	2 (4%)	45 (90%)	2 (4%)	0 (0%)	50
0 (0%)	1 (2%)	46 (92%)	3 (6%)	0 (0%)	50

Nonmanufacturing	DI for demand for loans(% point)	(Previous Survey)
Large firms	2	-1
Medium-sized firms	2	1
Small firms	3	1

Number of respondents selecting each option (percentage of respondents selecting each option)					Total
Substantially stronger	Moderately stronger	About the same	Moderately weaker	Substantially weaker	
0 (0%)	5 (10%)	42 (84%)	3 (6%)	0 (0%)	50
0 (0%)	3 (6%)	46 (92%)	1 (2%)	0 (0%)	50
0 (0%)	4 (8%)	45 (90%)	1 (2%)	0 (0%)	50

Of which:

Construction and real estate	DI for demand for loans(% point)	(Previous Survey)
Large firms	-1	-3
Medium-sized firms	-3	-2
Small firms	3	1

Number of respondents selecting each option (percentage of respondents selecting each option)					Total
Substantially stronger	Moderately stronger	About the same	Moderately weaker	Substantially weaker	
0	3	44	2	1	50
(0%)	(6%)	(88%)	(4%)	(2%)	
0	2	45	1	2	50
(0%)	(4%)	(90%)	(2%)	(4%)	
0	4	45	1	0	50
(0%)	(8%)	(90%)	(2%)	(0%)	

Finance and insurance	DI for demand for loans(% point)	(Previous Survey)
Large firms	1	0
Medium-sized firms	0	0
Small firms	3	-1

Number of respondents selecting each option (percentage of respondents selecting each option)					Total
Substantially stronger	Moderately stronger	About the same	Moderately weaker	Substantially weaker	
0	3	45	2	0	50
(0%)	(6%)	(90%)	(4%)	(0%)	
0	0	49	0	0	49
(0%)	(0%)	(100%)	(0%)	(0%)	
0	3	46	0	0	49
(0%)	(6%)	(94%)	(0%)	(0%)	

Other nonmanufacturing	DI for demand for loans(% point)	(Previous Survey)
Large firms	0	2
Medium-sized firms	2	0
Small firms	0	-2

Number of respondents selecting each option (percentage of respondents selecting each option)					Total
Substantially stronger	Moderately stronger	About the same	Moderately weaker	Substantially weaker	
0	3	44	3	0	50
(0%)	(6%)	(88%)	(6%)	(0%)	
0	3	46	1	0	50
(0%)	(6%)	(92%)	(2%)	(0%)	
0	2	46	2	0	50
(0%)	(4%)	(92%)	(4%)	(0%)	

3.a. If demand for loans from firms has increased at your bank (that is, the answer to question 2 about "All industries" is either "Substantially stronger" or "Moderately stronger"), to what factors do you attribute this increase? (Please rate each possible reason using the following scale: 3=important, 2=somewhat important, 1=not important.)

	Large firms	Medium-sized firms	Small firms
	Average	Average	Average
(1) Customers' sales increased	2.00	2.50	2.50
(2) Customers' fixed investment increased	1.83	2.00	2.50
(3) Customers' funding from other sources became less available	1.50	2.00	2.00
(4) Customers' internally-generated funds decreased	1.67	1.50	1.00
(5) Customers' borrowing shifted from other sources to your bank	1.33	1.00	1.00
(6) Decline in interest rates	1.67	2.00	1.50
(7) Other factors	1.00	1.00	1.00
Number of banks responding	6	2	2

* Average is calculated as the product (ie. weighted average) of the percentage share that each reason was chosen and the scale given to each reason chosen.
(The same method of calculation applies to questions 3b, 5a, 5b, 8a and 8b.)

3.b. If demand for loans from firms has decreased at your bank (that is, the answer to question 2, "All industries" is either "Substantially weaker" or "Moderately weaker"), to what factors do you attribute this decrease? (Please rate each possible reason using the following scale: 3=important, 2=somewhat important, 1=not important.)

	Large firms	Medium-sized firms	Small firms
	Average	Average	Average
(1) Customers' sales decreased	n.a.	2.00	2.00
(2) Customers' fixed investment decreased	n.a.	2.00	2.00
(3) Customers' funding from other sources became easy to obtain	n.a.	1.00	1.00
(4) Customers' internally-generated funds increased	n.a.	1.00	1.00
(5) Customers' borrowing shifted from your bank to other sources	n.a.	1.00	1.00
(6) Rise in interest rates	n.a.	1.00	1.00
(7) Other factors	n.a.	1.00	1.00
Number of banks responding	0	1	1

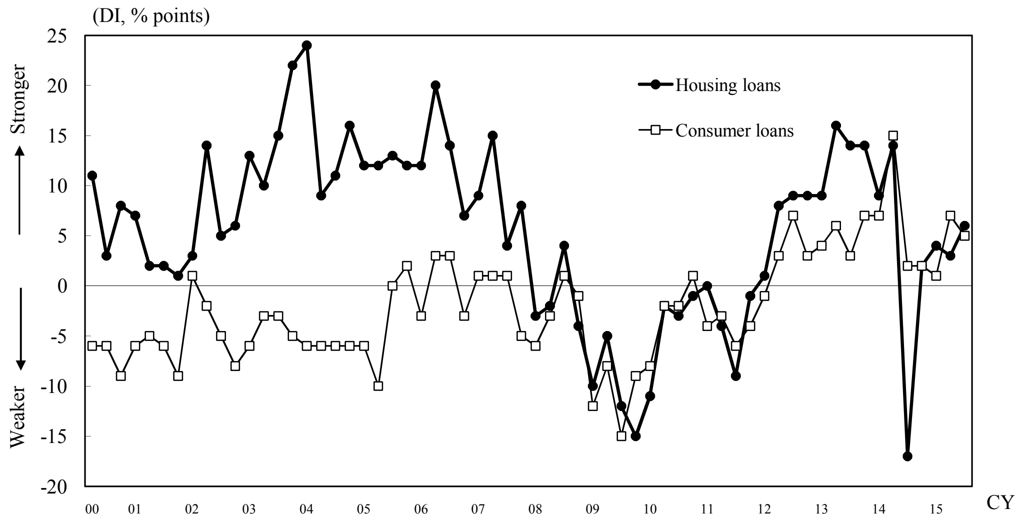
* For details on the calculation of Average, see footnote for question 3a.

4. How has demand from households for housing and consumer loans changed?

	DI for demand for loans(% point)	(Previous Survey)	Substantially stronger	Moderately stronger	About the same	Moderately weaker	Substantially weaker	Total
			Number of respondents selecting each option (percentage of respondents selecting each option)					
Housing loans	6	3	1 (2%)	5 (10%)	43 (86%)	1 (2%)	0 (0%)	50
Consumer loans	5	7	1 (2%)	5 (10%)	42 (84%)	2 (4%)	0 (0%)	50

* For details on the calculation of DI for demand for loans, see footnote for question 1.

Demand for Loans from Households by Type of Loan



The survey started in April 2000.

5.a. If demand for loans from households has increased at your bank (that is, the answer to question 4 is either "Substantially stronger" or "Moderately stronger"), to what factors do you attribute this increase? (Please rate each possible reason using the following scale: 3=important, 2=somewhat important, 1=not important.)

	Housing loans	Consumer loans
	Average	Average
(1) Increase in housing investment	1.86	1.00
(2) Increase in household consumption	1.57	1.50
(3) Decrease in income	1.00	1.17
(4) Decline in interest rates	2.00	1.50
(5) Other factors	1.00	1.83
Number of banks responding	7	6

* For details on the calculation of Average, see footnote for question 3a.

5.b. If demand for loans from households has decreased at your bank (that is, the answer to question 4 is either "Substantially weaker" or "Moderately weaker"), to what factors do you attribute this decrease? (Please rate each possible reason using the following scale: 3=important, 2=somewhat important, 1=not important.)

	Housing loans	Consumer loans
	Average	Average
(1) Decrease in housing investment	3.00	1.50
(2) Decrease in household consumption	2.00	2.00
(3) Increase in income	1.00	1.00
(4) Rise in interest rates	1.00	1.00
(5) Other factors	1.00	1.50
Number of banks responding	1	2

* For details on the calculation of Average, see footnote for question 3a.

6. How is demand for loans from borrowers (firms, local governments, and households) likely to change over the next three months (apart from normal seasonal variations)?

	DI for demand for loans(% point)	(Previous Survey)	Number of respondents selecting each option (percentage of respondents selecting each option)					Total
			Increase substantially	Increase somewhat	Remain about the same	Decrease somewhat	Decrease substantially	
Firms	3	0	0	3	47	0	0	50
			(0%)	(6%)	(94%)	(0%)	(0%)	
Local governments	0	-1	0	0	50	0	0	50
			(0%)	(0%)	(100%)	(0%)	(0%)	
Households	1	1	0	2	47	1	0	50
			(0%)	(4%)	(94%)	(2%)	(0%)	

* For details on the calculation of DI for demand for loans, see footnote for question 1.

Lending Policies (Questions 7-13)

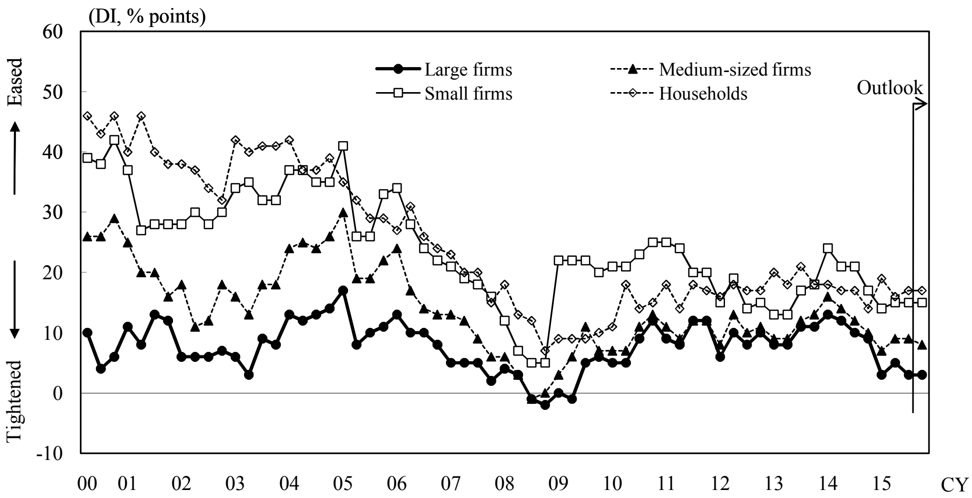
7. Over the past three months, how have your bank's credit standards for approving applications for loans from firms and households changed?

	DI for credit standards(% point)	(Previous Survey)
Large firms	3	5
Medium-sized firms	9	9
Small firms	15	15
Households	17	16

Number of respondents selecting each option (percentage of respondents selecting each option)					Total
Eased considerably	Eased somewhat	Remained basically unchanged	Tightened somewhat	Tightened considerably	
1 (2%)	2 (4%)	46 (92%)	1 (2%)	0 (0%)	50
2 (4%)	5 (10%)	43 (86%)	0 (0%)	0 (0%)	50
4 (8%)	7 (14%)	39 (78%)	0 (0%)	0 (0%)	50
6 (12%)	5 (10%)	39 (78%)	0 (0%)	0 (0%)	50

* DI for credit standards
= (percentage of respondents selecting "eased considerably" + percentage of respondents selecting "eased somewhat" × 0.5) -(percentage of respondents selecting "tightened considerably" + percentage of respondents selecting "tightened somewhat" × 0.5)
(The same method of calculation applies to question 11.)

Credit Standards for Approving Applications for Loans from Firms and Households



The survey started in April 2000.
* See question 11. for the outlook.

8.a. If your bank has eased its credit standards for loans to firms (that is, the answer to question 7 is either "Eased considerably" or "Eased somewhat"), to what factors do you attribute this easing? (Please rate each possible reason using the following scale: 3=important, 2=somewhat important, 1=not important.)

	Large firms	Medium-sized firms	Small firms
	Average	Average	Average
(1) An improvement in your bank's asset portfolio	1.00	1.14	1.09
(2) A more favorable or less uncertain economic outlook	1.33	1.43	1.55
(3) An improvement in industry- or firm-specific problems	1.33	1.43	1.36
(4) More aggressive competition from other banks	2.00	2.43	2.27
(5) More aggressive competition from non-banks	1.33	1.29	1.09
(6) More aggressive competition from capital markets	1.00	1.00	1.00
(7) An increased tolerance for risk	1.00	1.14	1.09
(8) Efforts strengthening to growth area	2.00	2.29	2.18
(9) Others	1.67	1.29	1.36
Number of banks responding	3	7	11

* For details on the calculation of Average, see footnote for question 3a.

8.b. If your bank has tightened its credit standards for loans to firms over the past three months (as described in questions 7), what were the important factors that led to the change? (Please rate each possible reason using the following scale: 3=important, 2=somewhat important, 1=not important.)

	Large firms	Medium-sized firms	Small firms
	Average	Average	Average
(1) A deterioration in your bank's asset portfolio	1.00	n.a.	n.a.
(2) A less favorable or more uncertain economic outlook	1.00	n.a.	n.a.
(3) A worsening of industry- or firm-specific problems	1.00	n.a.	n.a.
(4) Less aggressive competition from other banks	1.00	n.a.	n.a.
(5) Less aggressive competition from non-banks	1.00	n.a.	n.a.
(6) Less aggressive competition from capital markets	1.00	n.a.	n.a.
(7) A reduced tolerance for risk	3.00	n.a.	n.a.
(8) Others	1.00	n.a.	n.a.
Number of banks responding	1	0	0

* For details on the calculation of Average, see footnote for question 3a.

9. Over the past three months, how have the terms and conditions of loans to firms changed?

	DI for terms and conditions of loans (% point)		
	Large firms	Medium-sized firms	Small firms
(1) Maximum size of credit lines	3	4	5
(2) Spreads of loan rates over your bank's cost of funds (wider spreads = tightened, narrower spreads = eased)	3	5	4
(3) Premiums charged on riskier loans	0	0	1
(4) Collateralization requirements	0	0	0
Number of banks responding	50	50	50

* DI for terms and conditions of loans
= (percentage of respondents selecting “eased considerably” + percentage of respondents selecting “eased somewhat” × 0.5) -(percentage of respondents selecting “tightened considerably” + percentage of respondents selecting “tightened somewhat” × 0.5)
(The same method of calculation applies to question 12.)

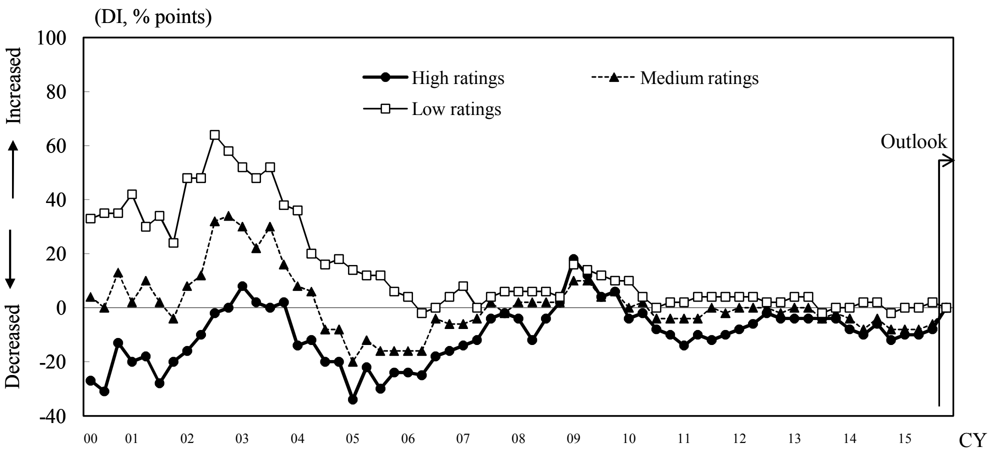
10. Over the past three months, how has your bank changed the spreads of loan rates over your bank's cost of funds according to the rating of the borrower?

For firms with	DI for spreads of loan rates(% point)	(Previous Survey)
High ratings	-8	-10
Medium ratings	-6	-8
Low ratings	2	0

Number of respondents selecting each option (percentage of respondents selecting each option)			Total
Increased	Remained basically unchanged	Decreased	
1 (2%)	44 (88%)	5 (10%)	50
1 (2%)	45 (90%)	4 (8%)	50
2 (4%)	47 (94%)	1 (2%)	50

* DI for spreads of loan rates
= percentage of respondents selecting “increased” - percentage of respondents selecting “decreased”
(The same method of calculation applies to question 13.)

Spreads of Loan Rates over Reporting Banks' Cost of Funds by Rating of Borrower Firm



The survey started in April 2000.
* See question 13. for the outlook.

11. Over the next three months, how are your bank's credit standards for firms and households likely to change?

	DI for credit standards(% point)	(Previous Survey)
Large firms	3	5
Medium-sized firms	8	11
Small firms	15	17
Households	17	18

Number of respondents selecting each option (percentage of respondents selecting each option)					Total
Ease considerably	Ease somewhat	Remain basically unchanged	Tighten somewhat	Tighten considerably	
1 (2%)	1 (2%)	48 (96%)	0 (0%)	0 (0%)	50
2 (4%)	4 (8%)	44 (88%)	0 (0%)	0 (0%)	50
5 (10%)	5 (10%)	40 (80%)	0 (0%)	0 (0%)	50
6 (12%)	5 (10%)	39 (78%)	0 (0%)	0 (0%)	50

* For details on the calculation of DI for credit standards, see footnote for question 7.

12. Over the next three months, how are your bank's terms and conditions of loans to firms likely to change?

	DI for terms and conditions of loans (% point)		
	Large firms	Medium-sized firms	Small firms
(1) Maximum size of credit lines	2	2	3
(2) Spreads of loan rates over your bank's cost of funds (wider spreads = tightened, narrower spreads = eased)	0	0	0
(3) Premiums charged on riskier loans	0	0	1
(4) Collateralization requirements	0	0	0
Number of banks responding	50	50	50

* For details on the calculation of DI for terms and conditions of loans, see footnote for question 9.

13. Over the next three months, how does your bank intend to change the spreads of loan rates according to the rating of the borrower?

For firms with	DI for spreads of loan rates(% point)	(Previous Survey)	Number of respondents selecting each option (percentage of respondents selecting each option)			Total
			Increase	Remain the same	Decrease	
High ratings	0	-2	0 (0%)	50 (100%)	0 (0%)	50
Medium ratings	0	-2	0 (0%)	50 (100%)	0 (0%)	50
Low ratings	0	-2	0 (0%)	50 (100%)	0 (0%)	50

* For details on the calculation of DI for spreads of loan rates, see footnote for question 10.

(Footnotes)

1) Among domestically licensed banks and shinkin banks that hold current accounts with the Bank of Japan, the 50 largest banks in terms of average amount outstanding of loans during fiscal 2013 cooperate with the survey. The aggregated loan amount of the surveyed 50 banks accounts for 76 percent of the total amount outstanding of loans held by all domestically licensed banks and shinkin banks (the average during fiscal 2013).

2) Households do not include small firms owned and run by individuals.

3) Local governments include administrations of prefectures and cities, as well as their directly managed businesses such as public transportation, water, electricity and gas utilities, and hospitals.

4) Definitions of firm size are as follows.

Large: Corporations with capital of Y1 billion or more with more than 300 regular employees (wholesaling and services firms capitalized at Y1 billion or more with more than 100 regular employees; and retailing, food and beverage services firms capitalized at Y1 billion or more with more than 50 regular employees).

Small: Corporations and small firms owned and run by individuals with capital of Y300 million or less, or with 300 regular employees or fewer (wholesaling firms capitalized at Y100 million or less, or with 100 regular employees or fewer; retailing, food and beverage services and other services firms capitalized at Y50 million or less, or with 50 regular employees or fewer [100 or fewer for other services firms]).

Medium-sized: Corporations which do not fall into either of the categories defined above.

5) Rating in questions 10 and 13 refers to the banks' internal ratings. These are broad ratings as indicated below.

High: AAA-BBB for domestic ratings of long-term corporate bonds.

Medium: BB-B for domestic ratings of long-term corporate bonds.

Low: CCC or lower for domestic ratings of long-term corporate bonds.

Inquiries
Banking Statistics Group, Financial Data Division,
Financial System and Bank Examination Department
E-mail: post.bsd6@boj.or.jp