October 25, 2002
8:50

Senior Loan Officer Opinion Survey on Bank Lending Practices at Large Japanese Banks (October 2002)

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 fluctuations)?

	DI for demand for loans(% point)	(July 2002)	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	-20	-29	0 (0%)	0 (0%)	33 (66%)	14 (28%)	3 (6%)	50
Local governments	-5	0	1 (2%)	1 (2%)	40 (80%)	8 (16%)	0 (0%)	50
Households	7	5	2 (4%)	8 (16%)	34 (69%)	5 (10%)	0 (0%)	49

* 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)

2. How has demand for loans from firms changed over the past three months? Please give a breakdown by industry and firm size.

All industries	DI for demand for loans(% point)	(July 2002)	Number of respondents selecting each option (percentage of respondents selecting each option)					Total
			Substantially stronger	Moderately stronger	About the same	Moderately weaker	Substantially weaker	
Large firms	-9	-16	1 (2%)	3 (6%)	34 (68%)	10 (20%)	2 (4%)	50
Medium-sized firms	-7	-20	1 (2%)	3 (6%)	34 (68%)	12 (24%)	0 (0%)	50
Small firms	-17	-26	0 (0%)	1 (2%)	33 (66%)	14 (28%)	2 (4%)	50

Manufacturing	DI for demand for loans(% point)	(July 2002)	Number of respondents selecting each option (percentage of respondents selecting each option)					Total
			Substantially stronger	Moderately stronger	About the same	Moderately weaker	Substantially weaker	
Large firms	-5	-24	0 (0%)	7 (14%)	32 (64%)	10 (20%)	1 (2%)	50
Medium-sized firms	-11	-20	0 (0%)	2 (4%)	36 (72%)	11 (22%)	1 (2%)	50
Small firms	-12	-23	1 (2%)	0 (0%)	35 (70%)	14 (28%)	0 (0%)	50

Nonmanufacturing	DI for demand for loans(% point)	(July 2002)	Number of respondents selecting each option (percentage of respondents selecting each option)					Total
			Substantially stronger	Moderately stronger	About the same	Moderately weaker	Substantially weaker	
Large firms	-6	-7	1	4	34	10	1	50
			(2%)	(8%)	(68%)	(20%)	(2%)	
Medium-sized firms	-5	-15	1	4	34	11	0	50
			(2%)	(8%)	(68%)	(22%)	(0%)	
Small firms	-16	-23	0	2	32	14	2	50
			(0%)	(4%)	(64%)	(28%)	(4%)	

Of which:

Construction and real estate	DI for demand for loans(% point)	(July 2002)	Number of respondents selecting each option (percentage of respondents selecting each option)					Total
			Substantially stronger	Moderately stronger	About the same	Moderately weaker	Substantially weaker	
Large firms	-10	-18	0	2	37	10	1	50
			(0%)	(4%)	(74%)	(20%)	(2%)	
Medium-sized firms	-3	-15	1	4	36	9	0	50
			(2%)	(8%)	(72%)	(18%)	(0%)	
Small firms	-7	-20	0	4	35	11	0	50
			(0%)	(8%)	(70%)	(22%)	(0%)	

Finance and insurance	DI for demand for loans(% point)	(July 2002)	Number of respondents selecting each option (percentage of respondents selecting each option)					Total
			Substantially stronger	Moderately stronger	About the same	Moderately weaker	Substantially weaker	
Large firms	-10	-13	1	4	31	12	2	50
			(2%)	(8%)	(62%)	(24%)	(4%)	
Medium-sized firms	-11	-15	0	0	38	11	0	49
			(0%)	(0%)	(78%)	(22%)	(0%)	
Small firms	-17	-16	0	2	31	13	3	49
			(0%)	(4%)	(63%)	(27%)	(6%)	

Other nonmanufacturing	DI for demand for loans(% point)	(July 2002)	Number of respondents selecting each option (percentage of respondents selecting each option)					Total
			Substantially stronger	Moderately stronger	About the same	Moderately weaker	Substantially weaker	
Large firms	-6	-1	1	3	36	9	1	50
			(2%)	(6%)	(72%)	(18%)	(2%)	
Medium-sized firms	-5	-12	1	3	36	10	0	50
			(2%)	(6%)	(72%)	(20%)	(0%)	
Small firms	-14	-19	0	2	33	14	1	50
			(0%)	(4%)	(66%)	(28%)	(2%)	

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

	DI for demand for loans(% point)	(July 2002)
Housing loans	6	5
Consumer loans	-8	-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	
Housing loans	3	7	32	7	0	49
	(6%)	(14%)	(65%)	(14%)	(0%)	
Consumer loans	0	4	33	12	0	49
	(0%)	(8%)	(67%)	(25%)	(0%)	

4.a. If demand for loans from firms has increased at your bank (that is, the answer to question 2, "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	1.00	1.00	1.00
(2) Customers' fixed investment increased	1.00	1.00	1.00
(3) Customers' funding from other sources became difficult to obtain	1.00	1.00	1.00
(4) Customers' internally-generated funds decreased	1.75	1.50	2.00
(5) Customers' borrowing shifted from other sources to your bank	2.00	2.00	2.00
(6) Decline in interest rates	1.00	1.00	1.00
(7) Other factors	1.00	n.a.	n.a.
Number of banks responding	4	4	1

* Average is calculated by multiplying the share of respondends selecting each option by the scale of each option, then adding up the result (same for qustion 4b, 5a and 5b)

4.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	1.83	1.83	2.13
(2) Customers' fixed investment decreased	2.08	1.92	2.06
(3) Customers' funding from other sources became easy to obtain	1.00	1.00	1.00
(4) Customers' internally-generated funds increased	1.75	1.58	1.50
(5) Customers' borrowing shifted from your bank to other sources	1.75	1.33	1.06
(6) Rise in interest rates	1.25	1.17	1.19
(7) Other factors	2.33	2.00	2.00
Number of banks responding	12	12	16

5.a. If demand for loans from households has increased at your bank (that is, the answer to question 3 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	1.00	1.00
(2) Increase in household consumption	1.00	1.00
(3) Decrease in income	1.00	1.50
(4) Decline in interest rates	2.00	1.25
(5) Other factors	2.20	2.00
Number of banks responding	10	4

5.b. If demand for loans from households has decreased at your bank (that is, the answer to question 3 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
	Average	Average
(1) Decrease in housing investment	2.43	1.00
(2) Decrease in household consumption	1.57	2.42
(3) Increase in income	1.00	1.00
(4) Rise in interest rates	1.00	1.00
(5) Other factors	n.a.	n.a.
Number of banks responding	7	12

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

	DI for demand for loans(% point)	(July 2002)
Firms	-8	-6
Local governments	-1	-1
Households	0	1

	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	0 (0%)	1 (2%)	41 (82%)	7 (14%)	1 (2%)	50
Local governments	0 (0%)	2 (4%)	45 (90%)	3 (6%)	0 (0%)	50
Households	0 (0%)	2 (4%)	45 (92%)	2 (4%)	0 (0%)	49

* DI for demand for loans
= (percentage of respondents selecting “increase substantially” + percentage of respondents selecting “increase somewhat” × 0.5) -(percentage of respondents selecting “decrease substantially” + percentage of respondents selecting “decrease somewhat” × 0.5)

Lending Policies (Questions 7-13)

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

	DI for credit standards(% point)	(July 2002)	Number of respondents selecting each option (percentage of respondents selecting each option)					Total
			Eased considerably	Eased somewhat	Remained basically unchanged	Tightened somewhat	Tightened considerably	
Large firms	7	6	1 (2%)	7 (14%)	40 (80%)	2 (4%)	0 (0%)	50
Medium-sized firms	18	12	3 (6%)	13 (26%)	33 (66%)	1 (2%)	0 (0%)	50
Small firms	30	28	9 (18%)	12 (24%)	29 (58%)	0 (0%)	0 (0%)	50
Households	32	34	11 (22%)	9 (18%)	29 (59%)	0 (0%)	0 (0%)	49

* 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)

8. 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	0	3	2
(2) Spreads of loan rates over your bank's cost of funds (wider spreads = tightened, narrower spreads = eased)	-13	-15	-21
(3) Premiums charged on riskier loans	-8	-11	-12
(4) Collateralization requirements	-2	-2	-6
(5) Others	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)

9. Over the past three months, how has your bank changed the spreads of loan rates over your bank's cost of funds?

For firms with	DI for spreads of loan rates(% point)	(July 2002)	Number of respondents selecting each option (percentage of respondents selecting each option)			Total
			Increased	Remained basically unchanged	Decreased	
High ratings	0	-2	5 (10%)	40 (80%)	5 (10%)	50
Medium ratings	34	32	20 (40%)	27 (54%)	3 (6%)	50
Low ratings	58	64	29 (58%)	21 (42%)	0 (0%)	50

* DI for spreads of loan rates
= percentage of respondents selecting “increased” - percentage of respondents selecting “decreased”

10.a. If your bank has eased 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) An improvement in your bank's asset portfolio	1.38	1.31	1.29
(2) A more favorable or less uncertain economic outlook	1.00	1.06	1.10
(3) An improvement in industry- or firm-specific problems	1.25	1.19	1.05
(4) More aggressive competition from other banks	2.38	2.25	2.10
(5) More aggressive competition from non-banks	1.50	1.38	1.43
(6) More aggressive competition from capital markets	1.38	1.13	1.14
(7) An increased tolerance for risk	1.38	1.25	1.29
(8) Others	3.00	3.00	2.86
Number of banks responding	8	16	21

* Average is calculated by multiplying the share of respondends selecting each option by the scale of each option, then adding up the result (same for qustion 10b)

10.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) An deterioration in your bank's asset portfolio	1.00	1.00	n.a.
(2) A less favorable or more uncertain economic outlook	1.50	2.00	n.a.
(3) A worsening of industry- or firm-specific problems	1.00	1.00	n.a.
(4) Less aggressive competition from other banks	1.00	1.00	n.a.
(5) Less aggressive competition from non-banks	1.00	1.00	n.a.
(6) Less aggressive competition from capital markets	1.00	1.00	n.a.
(7) A reduced tolerance for risk	1.50	1.00	n.a.
(8) Others	n.a.	n.a.	n.a.
Number of banks responding	2	1	0

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)	(July 2002)
Large firms	11	9
Medium-sized firms	24	19
Small firms	35	32
Households	39	38

Number of respondents selecting each option (percentage of respondents selecting each option)					Total
Ease considerably	Ease somewhat	Remain basically unchanged	Tighten somewhat	Tighten considerably	
3	7	38	2	0	50
(6%)	(14%)	(76%)	(4%)	(0%)	
5	15	29	1	0	50
(10%)	(30%)	(58%)	(2%)	(0%)	
10	15	25	0	0	50
(20%)	(30%)	(50%)	(0%)	(0%)	
13	12	24	0	0	49
(27%)	(25%)	(49%)	(0%)	(0%)	

* DI for credit standards
= (percentage of respondents selecting “ease considerably” + percentage of respondents selecting “ease somewhat” × 0.5) -(percentage of respondents selecting “tighten considerably” + percentage of respondents selecting “tighten somewhat” × 0.5)

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	0	5	7
(2) Spreads of loan rates over your bank's cost of funds (wider spreads = tightened, narrower spreads = eased)	-20	-26	-31
(3) Premiums charged on riskier loans	-12	-14	-18
(4) Collateralization requirements	-3	-4	-7
(5) Others	0	0	0
Number of banks responding	50	50	50

* DI for terms and conditions of loans
= (percentage of respondents selecting “ease considerably” + percentage of respondents selecting “ease somewhat” × 0.5) -(percentage of respondents selecting “tighten considerably” + percentage of respondents selecting “tighten somewhat” × 0.5)

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

For firms with	DI for spreads of loan rates(% point)	(July 2002)
High ratings	16	12
Medium ratings	52	50
Low ratings	72	82

Number of respondents selecting each option (percentage of respondents selecting each option)			Total
Increase	Remain the same	Decrease	
10	38	2	50
(20%)	(76%)	(4%)	
27	22	1	50
(54%)	(44%)	(2%)	
36	14	0	50
(72%)	(28%)	(0%)	

* DI for spreads of loan rates
= percentage of respondents selecting “increase” - percentage of respondents selecting “decrease”

***Ad hoc* Survey on Loans to Downgraded/Upgraded Firms**

What is the share (by value) of loans extended to firms that were downgraded or upgraded in the past three months in your bank's internal credit ratings as a percentage of the total loans in each firm size category?

Respondents were asked to select one option for each firm size category.

1. Loans to downgraded firms

	Number of respondents selecting each option (percentage of respondents selecting each option)					Total
	50% or more	25% or more	10% or more	5% or more	Less than 5%	
Large firms	0	5	14	12	17	48
	(0%)	(10%)	(29%)	(25%)	(35%)	
Medium-sized firms	0	2	14	12	20	48
	(0%)	(4%)	(29%)	(25%)	(42%)	
Small firms	0	2	12	19	15	48
	(0%)	(4%)	(25%)	(40%)	(31%)	

2. Loans to upgraded firms

	Number of respondents selecting each option (percentage of respondents selecting each option)					Total
	50% or more	25% or more	10% or more	5% or more	Less than 5%	
Large firms	0	0	6	11	31	48
	(0%)	(0%)	(13%)	(23%)	(65%)	
Medium-sized firms	0	1	10	14	23	48
	(0%)	(2%)	(21%)	(29%)	(48%)	
Small firms	0	0	5	15	28	48
	(0%)	(0%)	(10%)	(31%)	(58%)	

(Footnotes)

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

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

3) Definitions of firm size are as follows.

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

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

Medium-sized: Corporations which fall between the above two categories.

4) Rating in questions 9 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.