Internet Appendix for

"Financial Protectionism? First Evidence"[1]

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Appendix A1: Mortgage Loans, not Mortgage Size

In this appendix we run regressions which are analogous to those of Table 7, but examine the *number* of loans a bank makes as a regressand, instead of the *size* of individual mortgages. We do this in two ways, since the number of loans is a 'count' variable. First, we use the negative binomial estimator for the dependent variable. This might be problematic because the smallest decile of observations consists of banks that make two or less loans per quarter; the top decline is dominated by banks that make a huge number. We account for this by using an alternative estimator: trimming off the top and bottom deciles, and using the log of loan quantities as our dependent variable with least squares.

As it turns out, the exact methodology doesn't matter much; we see a strong negative effect of foreign nationalization on the number of loans. This effect is usually statistically significantly larger (in absolute value) than the effect of British nationalization; results follow.

[1] Rose, Andrew K. and Tomasz Wieladek, 2013, Internet Appendix to "Financial Protectionism? First Evidence," *Journal of Finance.* Please note: Wiley-Blackwell is not responsible for the content or functionality of any supporting information supplied by the authors. Any queries (other than missing material) should be directed to the authors of the article.

Table A1.1: Negative Binomial Estimation
Dependent Variable: # of Loans
(Mean= 2525.38, Standard Deviation= 9009.96)

	Foreign National'n	British National'n	Foreign Capital Injection	British Capital Injection	Brit Access to Loans/ Liquidity	F-Test: Brit=For National'n
Default	-1.05 (0.59)	-0.83** (0.17)	0.17 (0.61)	0.64** (0.13)	0.08 (0.10)	.13
Controls #1	-2.02** (0.53)	-0.68* (0.27)	0.85* (0.43)	0.87** (0.19)	0.01 (0.14)	5.17*
Controls #2	-1.59** (0.52)	-0.74** (0.17)	0.96* (0.47)	0.78** (0.11)	-0.01 (0.12)	2.55
Controls #1 & #2	-1.65** (0.59)	-0.65* (0.29)	0.79 (0.48)	0.90** (0.19)	0.04 (0.13)	2.33

Coefficients tabulated for dummy variables (columns); standards errors (recorded in parentheses) are clustered by bank. One (two) asterisk(s) mark coefficients significantly different from zero at .05 (.01) significance level. Each row represents a separate LS regression from quarterly panel spanning 2005Q2-2010Q1. Time- and bank-specific fixed effects included but not recorded. Dummies =1 for during/after intervention =0 otherwise. Default regression has 3128 observations. Control sets #1 & #2 are defined in Table 5.

Table A1.2: OLS Estimation
Dependent Variable: Log # of Trimmed (10%, 90%) Loans
(Mean=4.46, Standard Deviation=2.03)

	Foreign National'n	British National'n	Foreign Capital Injection	British Capital Injection	Brit Access to Loans/ Liquidity	F-Test: Brit=For National'n
Default	0.16 (1.21)	0.07 (0.31)	-0.76 (1.18)	0.50* (0.19)	-0.64** (0.17)	0.00
Controls #1	-2.03** (0.41)	0.27 (0.51)	0.72** (0.15)	0.46 (0.62)	-0.22 (0.37)	12.88**
Controls #2	-1.21** (0.35)	0.00 (0.34)	0.87** (0.21)	0.29 (0.36)	-0.41 (0.35)	5.28*
Controls #1 & #2	-1.71** (0.46)	0.25 (0.50)	0.67** (0.17)	0.42 (0.57)	-0.18 (0.35)	8.89**

Coefficients tabulated for dummy variables (columns); standards errors (recorded in parentheses) are clustered by bank. One (two) asterisk(s) mark coefficients significantly different from zero at .05 (.01) significance level. Each row represents a separate LS regression from quarterly panel spanning 2005Q2-2010Q1. Time- and bank-specific fixed effects included but not recorded. Dummies =1 for during/after intervention =0 otherwise. Default regression has 2592 observations. Control sets #1 & #2 are defined in Table 5.

Appendix A2: Excluding Financial Lending

In this appendix we show that our results are insensitive to the exclusion of financial lending (above and beyond the two robustness checks in Table 3). It is important to include financial lending in our default results for a number of reasons:

- We only observe the *immediate* destination of a foreign loan, which may not be the *ultimate* destination of the funds. This potential for re-intermediation makes us wary of over-interpreting these results.
- We only observe locational data (i.e. only the UK-resident component of a global banking conglomerate). Financial lending abroad includes both intra-group and inter-group lending. When a foreign bank cuts inter-group lending in the UK, it can plausibly lend more intra-group back home. This intra-group lending can plausibly materialize as real economy lending in the home country eventually, for example in lending to the household sector. By just looking at real economy lending we would miss this channel.
- Suppose that other banks in the home country are struggling to obtain interbank funding. On nationalization, the government could persuade the nationalized bank to help support these other struggling banks by lending more into the domestic (home) interbank market, thereby requiring a substitution away from the UK. This is also financial protectionism, but would be missed if we excluded financial lending.

Thus we think that looking at financial lending is important, since this may be part of how banks respond when foreign politicians ask them to lend more to foreign households.

Table A2.1: Excluding Financial Lending from Regressand: Sensitivity Analysis

After:	Foreign Nationalization	British Nationalization	Unusual Access to Loans or Liquidity	Public Capital Injection
No Financial Lending	-11.90* (4.54)	-2.52* (1.11)	-3.36** (.78)	-.78 (.49)
Robust SEs, not clustered	-11.90* (5.35)	-2.52 (1.93)	-3.36* (1.36)	-.78 (.90)
Weight by Log Assets	-8.92* (3.58)	-1.38 (.94)	-1.70** (.56)	-1.07** (.25)
Tobit	-11.94** (2.57)	-2.97 (2.58)	-3.09* (1.56)	-0.38 (1.00)
Big Banks	-5.98 (3.98)	-3.89** (.87)	.57 (.31)	-.22 (.15)
Drop pre-2000	-12.20* (4.66)	-4.04** (1.10)	-2.16** (.76)	-.58 (.55)
No Foreign Branches	-6.81 (4.93)	-2.26 (1.18)	-4.43** (.84)	-.47 (.54)
No Foreign Subsidiaries	-12.61* (5.36)	-1.76 (1.12)	-2.69** (.74)	-1.65** (.61)
No British Banks	-12.69** (4.62)	-	1.29** (.30)	1.10 (.57)

Dependent variable: domestic **non-bank** loans/(domestic + foreign **non-bank** loans), expressed as a percentage. Domestic **non-bank** loans contains private non-financial corporate lending only, as cross-border lending to households is unlikely and we want to maintain comparability between our domestic and foreign measure of non-bank loans. Compared Coefficients for column dummy variables; robust standard errors recorded in parentheses (clustered by time) unless recorded otherwise. One (two) asterisk(s) mark coefficients significantly different from zero at .05 (.01) significance level. Each row represents a separate LS regression. Dummies are +1 for British banks/event, -1 for foreign banks/events except for nationalizations and privatizations. Default regression has 9,577 observations, less than before as sector level lending is not available for each bank, from quarterly panel spanning 1997Q3-2010Q1 for 356 banks. Time- and bank-specific fixed effects included but not recorded. Set #1 of controls includes: loan growth; asset growth; log total assets; capital adequacy; assets/capital (leverage); and wholesale market dependence. Set #2 of controls includes: provisions ratio; dividend ratio; profit ratio.

Appendix A3: Figure 1 in Lending *Levels* (not *Growth*)

This figure shows (changes to) *levels* of lending, rather than lending *growth* rates (as in Figure 1 of the paper). The Bank of England has kindly agreed to publish the underlying data, and it is available on the web: http://www.bankofengland.co.uk/statistics/Documents/dl/06.02.13_MS.xlsx .