

SCOPE AND METHODOLOGY

The Bank Loans' Tendency Survey is a quarterly survey prepared by the Central Bank of Turkey in order to monitor and evaluate the tendencies of bank loans, which are instrumental in the financing of national economic growth.

The objective of the survey is to monitor changes which have already been observed in the supply of loans, as well as those foreseen in the future. It also serves to identify the factors that are believed to be effective on these changes, and, last but not least, the demand for credit.

The survey is sent to the 15 banks which provide nearly 80 percent of the total loans on aggregate and which have the highest share in this figure. It includes one public, nine private and five foreign banks. Responses to the survey are received by the 20th of the month following the end of the reporting quarter and evaluated by the end of the same month. Survey results are published on the website of the CBRT on "<http://www.tcmb.gov.tr>" under the heading of "Data – Surveys - Banks' Loans Tendency Survey" within the month following the evaluation period. The first survey was conducted in the period of April-June 2004.

The survey is composed of two main parts and includes 21 questions. In the first part, there are seven questions on Loans to Companies. In the second part there are 13 questions related to Consumer Loans. In addition to these questions, the banks are requested to state any additional factors, which they consider to be relevant to the tendencies in bank lending behavior. The questions of the survey are designed as to enable the assessment of any changes in the banks' credit standards, terms and conditions in relation to the market and current economic conditions. In addition, the Survey aims to provide a clear understanding of the tendency in the last quarter and the expected direction of this tendency over the next quarter as well as providing information about the maturity structure of the demand for bank loans by both companies and consumers.

In both parts of the survey, following each question regarding the course of change in *Credit Standards*, *Credit Terms and Conditions*, and *Credit Demand* in the last quarter, the degree of significance is questioned for several factors affecting this change. The impact of these factors is measured on a five-degree-scale between the minimum and the maximum. For example, it is questioned whether a factor *contributed to considerably lower, somewhat lower, unchanged, somewhat higher or considerably higher* credit demand, or if the effect of another factor *contributed to considerably tighten, somewhat tighten, unchanged, somewhat eased or considerably eased* terms and conditions for the credits. The analysis of the factors is followed by questions on the expected course of the change in credit standards, credit types and maturities in the demand for loans over the next quarter.

As well as the factors affecting the course of the credit standards, items under the main headings of *Cost of Funds and Balance Sheet Constraints* and *Competitive Pressure* are analyzed. Furthermore, the Survey charts the changing course of *Price, Expenses and Commissions, Collateral Requirements, Maturity* and *Other Special Conditions*, which form the requirements and inquires about the rules for the approval of credit lines. Regarding credit demand, banks are requested to note the significance of *Financing Needs, Use of Alternative Financing, Tax and Similar Burdens on Loans* in the determination of the changing course of the demand.

Survey results are calculated by weighting the banks' responses. The weight assigned to a bank for a specific credit type is the percentage share of this bank's granted loan amount in the overall amount of the specified credit type. Among the participating banks, 15 banks extend *Loans to Companies*, 14 banks provide *Housing Loans* and *Vehicle Loans* and 15 banks grant *Other Consumer Loans*. By weighting the responses, the Survey aims to reflect the market-determining effect of the responses of the banks, which have greater market shares in the specified credit type. While *Loans to Companies* are weighed on the aggregate amount of enterprise loans, *Consumer Loans* are weighed separately as *Total Consumer Loans*, *Housing Loans*, *Vehicle Loans* and *Other Consumer Loans*. Credit cards are not included in the scope of either the survey or the weights.

For all survey periods, the weights are updated on the basis of the credit volume for the last month of the preceding quarter.

The course of the change in the credit market is evaluated on the basis of the *Net Percentage Change*, which refers to the difference between the sum of the percentages for (Eased Somewhat + Eased Considerably) and the sum of the percentages for (Tightened Somewhat + Tightened Considerably) in the case of Credit Standards. This figure refers to the difference between the sum of percentages for (Increased Somewhat + Increased Considerably) and the sum of the percentages for (Decreased Somewhat + Decreased Considerably) for the questions related to the Demand for Loans.