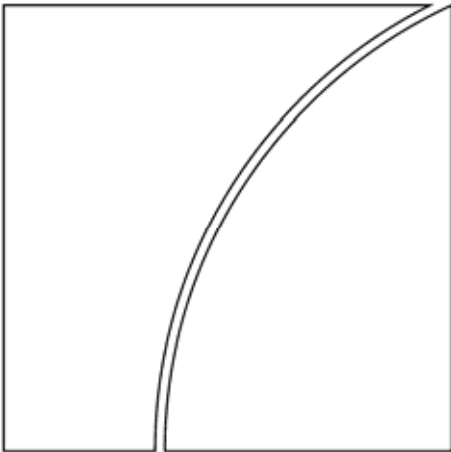




BANK FOR INTERNATIONAL SETTLEMENTS

Monetary and Economic  
Department

Statistical commentary on  
provisional locational and  
consolidated banking statistics  
at end-June 2007



October 2007

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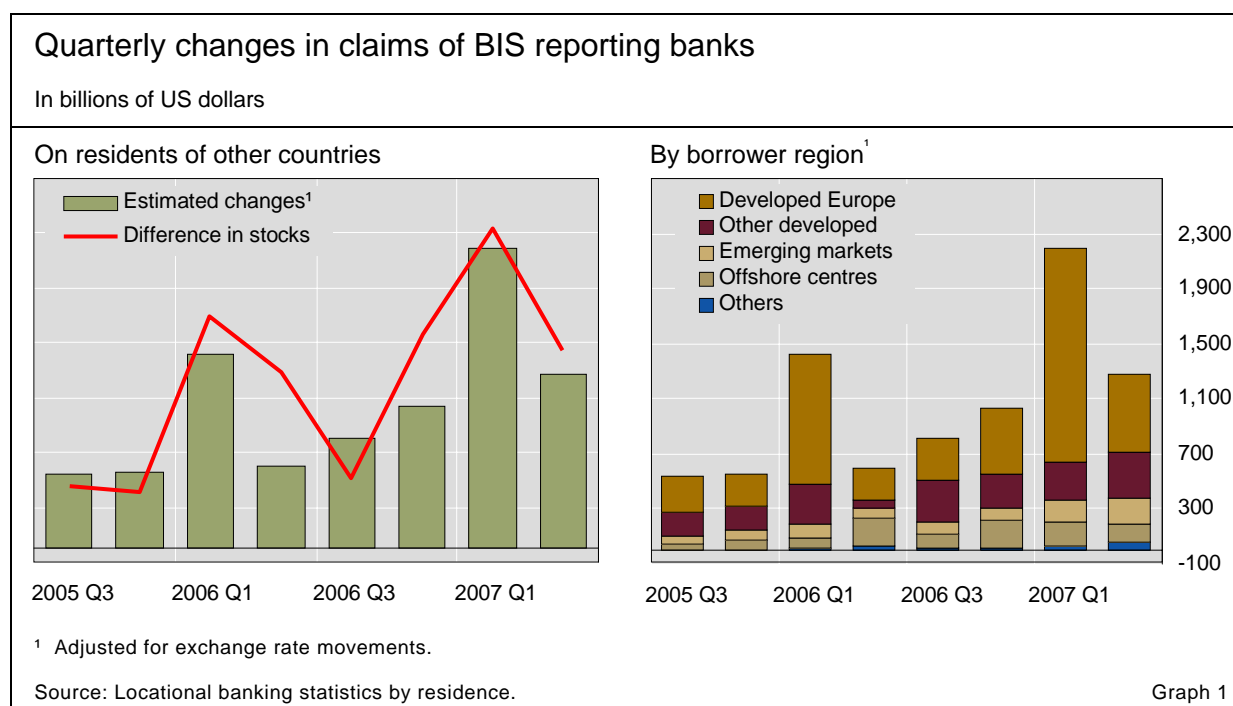
# Release of preliminary locational and consolidated banking statistics

## Second quarter 2007

Data for the second quarter 2007 are provisional, but revisions to the final data published six weeks later have been minor in the past. An analysis of the trends identified in the final data will be provided in the forthcoming *BIS Quarterly Review*, to be published on 10 December 2007.

### Locational banking statistics<sup>1</sup> (Table 1)

In the second quarter of 2007 the expansion of external claims of BIS reporting banks slowed markedly. Following a \$2.2 trillion rise in the previous quarter, external claims increased by \$1.3 trillion, or 4% (still 22% on a year-on-year basis), to stand at \$30 trillion. External liabilities advanced by \$1.2 trillion, or 4% (20% year-on-year). Despite the slowdown, year-on-year growth remained at a level last seen in the late 1980s.



<sup>1</sup> The locational statistics are structured by residence of the banks' offices, and provide details on the currency distribution and the liability and asset structure of cross-border banking.

- Most of the slowdown in new external claims was accounted for by developed Europe (Graph 1, right-hand panel). New credit to developing countries expanded by 10% (33% year-on-year), mostly in the form of new bank loans. Lending to Australia and New Zealand increased at an annual rate of 31%, while non-bank deposits from Australia grew 40%. Interbank deposits from Malaysia and Taiwan (China) expanded by 52% and 47% year-on-year respectively.
- Banks' investment in debt securities jumped from 9% to 20% of all new assets.
- In the developed countries, the share of interbank business in total new claims and liabilities fell to around 50%, compared with 75% in the previous quarter. The interbank market continued to be the dominant source of bank funds in developing countries and offshore centres.
- Dollar-denominated cross-border lending was maintained at a high level and new assets in yen doubled, with the increase shared almost equally between Japanese and other banks. New euro-based lending fell by half, and lending in sterling and Swiss francs slowed to only 4% and 25% of the levels seen in the previous quarter.
- New local deposits in foreign currencies by *residents of reporting countries* halved, with a reduction mainly in euros, yen and Swiss francs, while new local deposits in US dollars declined only slightly (to \$93 billion). Local lending to residents in foreign currencies, which had increased by 11% or \$353 billion in the previous quarter, slowed markedly to only \$56 billion, with a contraction in yen and Swiss francs lending to banks and non-banks.

## Consolidated banking statistics<sup>2</sup>

The stock of BIS reporting banks' consolidated worldwide foreign claims on an *immediate borrower basis* increased by \$1.7 trillion in the second quarter of 2007 (27% year-on-year), to stand at \$31.3 trillion.<sup>3</sup> In the first quarter of 2007, claims had risen by \$2.6 trillion. After taking into account net risk transfers related to guarantees and collateral, ie on an *ultimate risk basis*, the foreign claims of domestically owned banks (reported by 24 countries) increased by \$1.4 trillion (+6%, or 29% year-on-year), of which local claims in all currencies grew by 6%, or 28% year-on-year (Graph 2, left-hand panel). Other exposures rose by \$1.3 trillion, most of which (\$0.6 trillion) was due to increased guarantees, which include credit protection sold via credit derivatives (Graph 2, right-hand panel).

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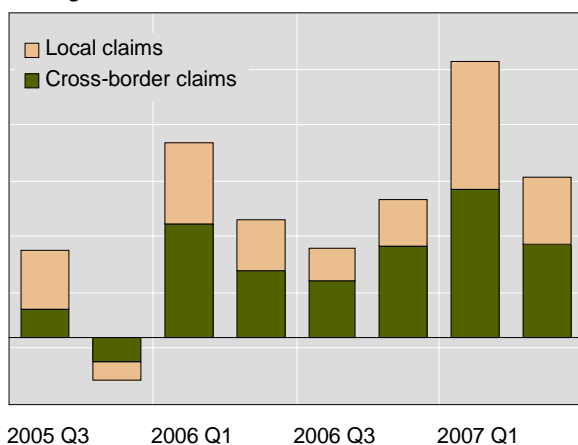
<sup>2</sup> The consolidated statistics are structured by banks' head offices and provide details on the sectoral and maturity distribution of banks' international assets. There are three conceptually important differences between the locational and the consolidated statistics on an immediate borrower basis. First, banks' inter-office business is excluded from the consolidated data to focus the latter on credit claims on unaffiliated borrowers. Second, local claims in foreign currency are included in the consolidated claims. Third, foreign offices' claims on residents of their own home country are excluded from the consolidated data.

<sup>3</sup> In the quarter under review, the US dollar declined by 3% against the euro, while the Australian and New Zealand dollars rose around 5% against the US dollar. The underlying increases in non-US dollar stocks, when converted into US dollars for reporting, therefore somewhat overstate the actual increase in new claims in the consolidated data, for which a currency breakdown is not available.

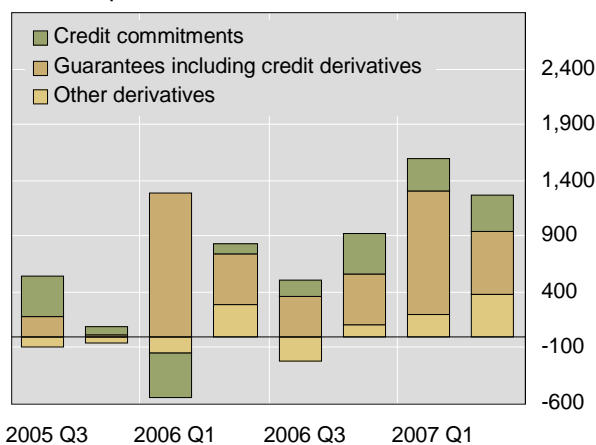
## Exposure of BIS reporting banks on an ultimate risk basis<sup>1</sup>

Changes in stocks,<sup>2</sup> in billions of US dollars

### Foreign claims<sup>3</sup>



### Other exposures<sup>4</sup>



<sup>1</sup> Worldwide consolidated positions of domestically owned banks of 24 reporting countries <sup>2</sup> Quarterly difference in outstanding stocks. <sup>3</sup> Local claims relate to claims in all currencies booked by reporting banks' foreign offices on residents of the country in which the foreign office is located. <sup>4</sup> Derivatives relate to positive market values recorded as on- or off-balance sheet items. Credit commitments and guarantees are recorded as off-balance sheet items.

Source: Consolidated banking statistics on an ultimate risk basis.

Graph 2

## Consolidated banks' assets on an immediate borrower basis (Table 2)

- German, French and US banks reported the largest rise in foreign claims in the second quarter of 2007 (\$279 billion, \$244 billion and \$213 billion respectively), followed by banks with head offices in Austria (\$160 billion), Japan (\$104 billion), the Netherlands (\$88 billion), the United Kingdom (\$79 billion) and Belgium (\$56 billion).
- Claims on developed countries accounted for only 67% of the increase in total claims, mainly from European countries (\$857 billion) and the United States (\$120 billion), after 91% in the previous quarter. The balance was due largely to developing countries and offshore centres (25% and 7% of the increase respectively).
- Claims on emerging market countries reached new highs after a hiatus in the first quarter of 2007 (with the exception of Asia). Claims on emerging Europe rose by \$195 billion (of which the Czech Republic accounted for \$33 billion, Russia \$32 billion and Romania \$29 billion). Austrian banks, as main lenders to the region, increased their claims by \$95 billion, followed by French banks (\$20 billion).
- Claims on Asia rose by \$115 billion (of which China accounted for \$34 billion, Taiwan, China \$23 billion, India \$21 billion and Korea \$15 billion), while claims on Thailand declined by \$3 billion. The main lenders to the region (US and UK banks) increased their claims by about \$21 billion each.
- Claims on Latin America rose by \$78 billion, just short of the \$81 billion high of end-2006, after stagnating in the first quarter (\$5 billion). The total increase clearly exceeded an earlier high of \$65 billion reached at end-1997. Claims on Brazil expanded by \$30 billion, followed by Mexico (\$22 billion). Main lenders to the region were Spanish (\$29 billion) and US banks (\$13 billion).
- Claims on the Middle East and Africa rose by \$41 billion (South Africa \$12 billion, United Arab Emirates \$10 billion and Saudi Arabia \$9 billion).

- Overall, short-term claims with a residual maturity of one year or less increased by \$654 billion (or 56% of the total increase, down from 73% in the first quarter). Developed countries accounted for about 75% (\$488 billion) of the total short-term increase. Short-term claims on the non-bank private sector rose the most (\$657 billion), followed by those on banks (\$453 billion) and the public sector (\$48 billion).

### **Consolidated banks' assets on an ultimate risk basis (Table 3)**

- On an *ultimate risk basis*, ie after taking into account net risk transfers related to guarantees and collateral, borrowers in developed countries accounted for about 64% (\$915 billion) of the total growth in claims, down from 90% in the first quarter of 2007, while the share of claims on emerging countries increased from 7% to 28%.
- The main lenders to emerging markets were Austrian (+\$99 billion or 25% of the increase), US (+\$48 billion), French (+\$41 billion), Swiss (+\$39 billion), UK (+\$38 billion) and Spanish banks (+\$31 billion). Among emerging markets, Europe attracted 48% of the total increase (\$197 billion, of which \$133 billion on the non-bank private sector), followed by Asia at 25% (\$103 billion).
- Local claims<sup>4</sup> (in all currencies) on residents of the United Kingdom grew significantly (\$115 billion), due to lending by US (\$36 billion), German (\$35 billion) and Irish (\$35) banks, while, exceptionally, local claims on the United States declined by \$36 billion.
- UK (\$163 billion) and German (\$40 billion) banks reported the largest increases in the positive market value of their “other” derivative positions. Overall, positive market values rose in aggregate by 16% (\$375 billion). Major increases were reported vis-à-vis the United States (\$102 billion) mainly by UK (\$59 billion), Swiss (\$17 billion) and German banks (\$11 billion); vis-à-vis the United Kingdom (\$52 billion) mainly by euro-area banks and vis-à-vis Germany (\$49 billion) primarily by UK banks (about 50%).
- Banks' contingent liabilities arising from guarantees, which, as noted above, include credit protection sold via credit derivatives, grew by 11% (\$565 billion) to \$5.7 trillion, with the largest increase (\$175 billion or +31%) in liabilities being to counterparties in the United Kingdom, followed by those in the United States (\$164 billion or +29%) and France (\$62 billion).

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<sup>4</sup> Refers to those booked by foreign offices of domestic banks with residents of the country where the office is located.

Table 1

**External claims and liabilities of BIS reporting banks**Exchange rate adjusted changes in amounts outstanding, in billions of US dollars<sup>1</sup>

	Vis-à-vis developed countries		Vis-à-vis offshore centres		Vis-à-vis developing countries		Vis-à-vis all countries <sup>2</sup>		Stocks at end-June 2007
	2007 Q1	2007 Q2	2007 Q1	2007 Q2	2007 Q1	2007 Q2	2007 Q1	2007 Q2	
Total external claims	1,837	893	177	132	152	190	2,195	1,276	29,961
By sector									
on banks	1,388	461	126	80	99	92	1,644	692	19,086
on non-banks	449	431	51	51	53	98	551	583	10,875
By instrument									
Loans	1,572	611	133	89	103	144	1,804	894	21,902
Securities	144	202	32	26	26	23	206	252	6,256
Other stocks	120	79	12	16	23	24	185	130	1,804
By currency									
US dollar	564	405	100	70	61	89	720	565	11,866
Euro	731	303	21	0	14	28	781	361	11,307
Yen	45	93	19	16	7	7	72	122	996
Other currencies <sup>3</sup>	498	91	37	46	69	66	622	228	5,793
<i>Memo: Local claims in foreign currency</i>	308	30	16	15	29	12	353	56	3,724
Total external liabilities	1,544	633	172	157	105	92	2,048	1,150	27,946
By sector									
on banks	1,170	348	135	109	79	58	1,574	728	20,395
on non-banks	374	284	37	48	26	34	474	423	7,551
By instrument									
Deposits	1,514	593	158	155	102	84	1,831	854	24,222
Securities	10	18	8	4	0	1	162	208	3,005
Other stocks	20	22	6	-1	3	6	55	89	719
By currency									
US dollar	579	269	87	109	61	62	756	529	12,427
Euro	491	268	27	-5	21	17	620	368	8,947
Yen	54	61	6	5	2	0	72	73	817
Other currencies <sup>2</sup>	420	35	51	48	21	13	599	180	5,754

<sup>1</sup> Not adjusted for seasonal effects. <sup>2</sup> Including claims on international organisations; excluding claims on residents. <sup>3</sup> Including unallocated currencies.

Table 2

**Consolidated claims on a contractual (immediate borrower) basis**

In billions of US dollars

	Vis-à-vis developed countries		Vis-à-vis offshore centres		Vis-à-vis emerging markets		Total <sup>1</sup>	
	2007 Q1	2007 Q2	2007 Q1	2007 Q2	2007 Q1	2007 Q2	2007 Q1	2007 Q2
Foreign claims <sup>2</sup>	24,355	25,500	1,937	2,053	3,262	3,692	29,606	31,304
- International claims <sup>3</sup>	16,481	17,311	1,613	1,711	1,848	2,087	19,994	21,167
as % of foreign claims	(67.7)	(67.9)	(83.3)	(83.3)	(56.7)	(56.5)	(67.5)	(67.6)
- Local claims <sup>4</sup>	7,874	8,190	324	343	1,414	1,605	9,612	10,138
as % of foreign claims	(32.3)	(32.1)	(16.7)	(16.7)	(43.3)	(43.5)	(32.5)	(32.4)
<b>Breakdown of international claims by maturity</b>								
- Up to and including one year	9,261	9,749	729	764	866	994	10,872	11,526
- As % of international claims	(56.2)	(56.3)	(45.2)	(44.7)	(46.9)	(47.6)	(54.4)	(54.5)
- Over one year and up to two years	598	623	45	47	92	108	737	781
- As % of international claims	(3.6)	(3.6)	(2.8)	(2.8)	(5.0)	(5.2)	(3.7)	(3.7)
Over two years	3,985	4,166	518	550	651	716	5,170	5,451
- As % of international claims	(24.2)	(24.1)	(32.1)	(32.2)	(35.2)	(34.3)	(25.9)	(25.8)
Unallocated	2,636	2,774	320	348	239	269	3,214	3,409
- As % of international claims	(16.0)	(16.0)	(19.8)	(20.4)	(12.9)	(12.9)	(16.1)	(16.1)
<b>Risk transfers<sup>5</sup></b>								
Inward risk transfers	1,323	1,368	64	72	127	140	1,517	1,584
Outward risk transfers	1,079	1,142	330	313	225	238	1,637	1,694
Net risk transfers	315	286	-504	-502	-221	-228	-419	-451
Foreign claims <sup>6</sup>	24,670	25,786	1,433	1,551	3,041	3,464	29,187	30,853
Of which: Domestically owned banks	20,887	21,815	1,365	1,473	2,889	3,296	25,190	26,643

<sup>1</sup> Includes positions vis-à-vis international organisations and unallocated. <sup>2</sup> Foreign claims of all banks (domestic and foreign banks) in 30 reporting countries. <sup>3</sup> Cross-border claims denominated in all currencies plus local claims of foreign offices denominated in foreign currencies. <sup>4</sup> Local claims of domestic banks' foreign offices denominated in local currencies. <sup>5</sup> While 30 countries report claims on a contractual basis, 26 countries provide risk transfer information. Inward risk transfers minus outward risk transfers do not equal net risk transfers because some countries report only net risk transfers. <sup>6</sup> After net risk transfers reported by 26 countries.

Table 3

**Consolidated foreign claims and other contingent exposures  
on an ultimate risk basis**

In billions of US dollars

	Vis-à-vis developed countries		Vis-à-vis offshore centres		Vis-à-vis emerging markets		Total <sup>1</sup>	
	2007 Q1	2007 Q2	2007 Q1	2007 Q2	2007 Q1	2007 Q2	2007 Q1	2007 Q2
<i>Memo: Foreign claims of domestically owned banks (after net risk transfers reported by 26 countries, Table 2)</i>	(20,887)	(21,815)	(1,365)	(1,473)	(2,889)	(3,296)	(25,190)	(26,643)
Foreign claims after net risk transfers (24 countries) <sup>2</sup>	20,554	21,470	1,339	1,447	2,868	3,274	24,805	26,241
Of which: local claims	8,711	9,088	395	414	1,633	1,828	10,752	11,350
As % of foreign claims	(42.4)	(42.3)	(29.5)	(28.6)	(56.9)	(55.8)	(43.3)	(43.3)
By sector								
-Banks	6,335	6,687	184	191	611	703	7,138	7,594
As % of foreign claims	(30.8)	(31.1)	(13.7)	(13.2)	(21.3)	(21.5)	(28.8)	(28.9)
-Public sector	3,179	3,067	60	59	619	691	3,900	3,865
As % of foreign claims	(15.5)	(14.3)	(4.5)	(4.1)	(21.6)	(21.1)	(15.7)	(14.7)
-Non-bank private sector	10,856	11,538	1,086	1,190	1,617	1,855	13,569	14,597
As % of foreign claims	(52.8)	(53.7)	(81.1)	(82.2)	(56.4)	(56.7)	(54.7)	(55.6)
-Unallocated	184	177	10	8	21	24	198	186
As % of foreign claims	(0.9)	(0.8)	(0.7)	(0.5)	(0.7)	(0.7)	(0.8)	(0.7)
<b>Other exposures</b>								
Derivatives contracts <sup>3</sup>	2,088	2,438	109	126	92	99	2,296	2,671
Guarantees extended	4,578	5,057	201	218	362	431	5,147	5,713
Credit commitments <sup>4</sup>	3,307	3,582	501	517	504	550	4,323	4,660

<sup>1</sup> Including positions vis-à-vis international organisations and unallocated. <sup>2</sup> Based on data of domestically owned banks in 24 countries which submitted both sets of data in 2007 Q1 and 2007 Q2 and also provided data on risk transfers, and a detailed breakdown of foreign claims and contingent exposures. <sup>3</sup> Excluding Chile. Positive market values only. <sup>4</sup> Excluding Chile.

## Breaks in series and major data revisions processed in 2007 Q2

The changes in locational banking discussed in the statistical commentary are net of the breaks listed below.

<b>A. Locational banking statistics by residence</b>			<b>Assets</b>	<b>Liabilities</b>
<b>Breaks in series<sup>1</sup></b>			<b>USD billions</b>	
<b>Data revisions of previous quarters<sup>2</sup></b>				
2007 Q1	Netherlands Antilles	Revision	-6.5	-
2006 Q4	Canada	Revision	-	0.3
2007 Q1	International Banking Facilities	Revision	0.5	-
2007 Q1	United States	Revision	45.9	41.8
2006 Q2	Japan	Revision	2.4	-
2007 Q1	Japan	Revision	4.6	-
2006 Q4	Macao SAR	Revision	0.1	-0.1
2007 Q1	Macao SAR	Revision	0.1	-
2006 Q3	Hong Kong SAR	Revision	-3.5	3.1
2006 Q4	Hong Kong SAR	Revision	-2.5	13.4
2007 Q1	Hong Kong SAR	Revision	-9.2	-9.2
<b>B. Locational banking statistics by nationality</b>			<b>Assets</b>	<b>Liabilities</b>
<b>Breaks in series<sup>1</sup></b>			<b>USD billions</b>	
2006 Q4	Macao SAR	Reclassification of nationality of reporting banks	-	-
2007 Q2	Greece	Reclassification of nationality of reporting banks	-	-
2007 Q2	Turkey	Reclassification of nationality of reporting banks	-	-
2007 Q2	Spain	Reclassification of nationality of reporting banks	-	-
2007 Q2	Isle of Man	Changes in structure of some reporting banks	-	-
<b>Data revisions of previous quarters<sup>2</sup></b>				
2006 Q4	Canada	Revision	-	0.3
2006 Q2	Japan	Revision	2.4	-
2006 Q4	Japan	Revision	4.6	-
2007 Q1	United States	Revision	48.1	41.8
2006 Q4	Macao SAR	Revision	0.1	-0.1
2007 Q1	Macao SAR	Revision	0.1	-
2006 Q3	Hong Kong SAR	Revision	-3.5	3.1
2006 Q4	Hong Kong SAR	Revision	-2.5	13.9
2007 Q1	Hong Kong SAR	Revision	1.3	8.9
2007 Q1	Denmark	Revision	-	1.4

<sup>1</sup> Please refer to the document at [www.bis.org/statistics/breakstables.pdf](http://www.bis.org/statistics/breakstables.pdf) for historical breaks in series.

<sup>2</sup> Revisions of smaller magnitudes are omitted from the table.

### C. Consolidated statistics on an immediate borrower basis

#### Breaks in series<sup>1</sup>

Quarters	Reporting countries	Details	Change in amount (USD billions)	
			International claims	Other positions
2007 Q2	Turkey	Acquisition of domestic bank by outside area foreign banks and also reporting positions of other outside area foreign banks	0.2	–

#### Data revisions<sup>2</sup>

Quarters	Reporting countries	Details	International claims	Other positions
2007 Q1	Austria	Revisions from reporting banks	–73.4	–
		Local claims in local currency		–67.8
2006 Q2	Canada	Revisions from reporting banks	2.2	–
2006 Q4	Canada	Revisions from reporting banks	1.0	–
2007 Q1	Canada	Revisions from reporting banks	–	–
		Inward risk transfers		–2.2
		Outward risk transfers		–2.2
2007 Q1	Ireland	Revisions due to reallocation of maturity and sector breakdown		–11.8
		Less than one year		–4.1
		Over one year and less than 2 years		16.0
		Over 2 years		–4.0
		Public sector		3.7
		Non-bank private sector		–
2006 Q2 to 2007 Q1	Japan	Revisions from reporting banks	8.8 to 11.4	–
		Net risk transfers		–1.7 to –1.9
2007 Q1	Netherlands	Revisions from reporting banks	6.4	–
2007 Q1	Portugal	Revisions from reporting banks	–4.2	–
2006 Q4	Switzerland	Revisions from reporting banks – sector reallocation		–
		Banks	–3.0	–
		Non-bank private sector	3.0	–
2007 Q1	Switzerland	Revisions from reporting banks	3.3	–

### D. Consolidated statistics on an ultimate risk basis

#### Breaks in series<sup>1</sup>

Quarters	Reporting countries	Details	Change in amount (USD billions)	
			Foreign claims	Other exposures
2007 Q2	Turkey	Acquisition of domestic bank by outside area foreign banks	–0.5	–

## Data revisions<sup>2</sup>

Quarters	Reporting countries	Details		
2007 Q1	Australia	Revisions from reporting banks		
		Guarantees	–	–7.3
		Credit commitments		–61.9
2007 Q1	Austria	Revisions from reporting banks		–
		Guarantees	–140.6	39.7
		Credit commitments		–12.5
2006 Q1	Canada	Revisions from reporting banks – sector reallocation (–\$11.4 bn to +\$5.8 bn)	4.6	–
2006 Q2	Canada	Revisions from reporting banks – sector reallocation (–\$13.3 bn to +8.5 bn)	2.2	–
		Derivatives		7.9
		Credit commitments		7.8
2006 Q3	Canada	Revisions from reporting banks – sector reallocation (–\$11.2 bn to +5.4 bn)	–	–
2007 Q1	Canada	Revisions from reporting banks – sector reallocation (–\$6.4 bn to +6.7 bn)	–	–
2007 Q1	Ireland	Revisions due to reallocation of sector breakdown	–6.4	–
		Banks		–11.9
		Public sector		–22.9
		Non-bank private sector		39.4
2006 Q2	Japan	Revisions from reporting banks	7.3	–
2006 Q3	Japan	Revisions from reporting banks	7.1	–
2006 Q4	Japan	Revisions from reporting banks	9.1	–
2007 Q1	Japan	Revisions from reporting banks	10.2	–
2007Q1	Netherlands	Revisions from reporting banks	6.4	
		Derivatives		–140.5
2007 Q1	Portugal	Revisions from reporting banks	–4.2	
2006 Q2	Sweden	Revisions from reporting banks	–4.5	
2007 Q1	Switzerland	Revisions from reporting banks	3.2	–
		Credit commitments	–	1.8