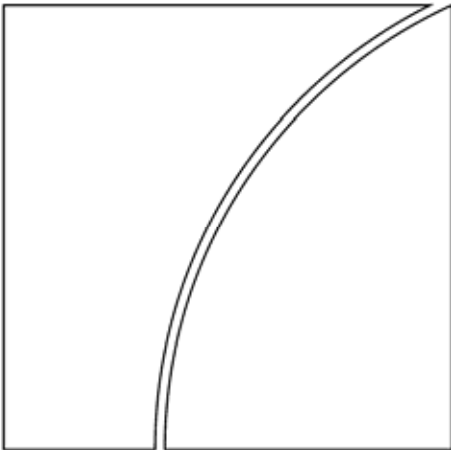




BANK FOR INTERNATIONAL SETTLEMENTS

Monetary and Economic
Department

Statistical commentary on
provisional locational and
consolidated banking statistics
at end-March 2008



July 2008

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Release of preliminary locational and consolidated banking statistics

First quarter of 2008

Data for the first quarter of 2008 are provisional. Final data, with an analysis of the trends, will be published in the forthcoming *BIS Quarterly Review* on 1 September 2008.

In the first quarter of 2008, international banking activity continued to expand, chiefly in inter-office loans. Growth in claims growth was dominated by short-term credit. Banks' other exposures, including derivatives, increased more rapidly than in the previous quarter.

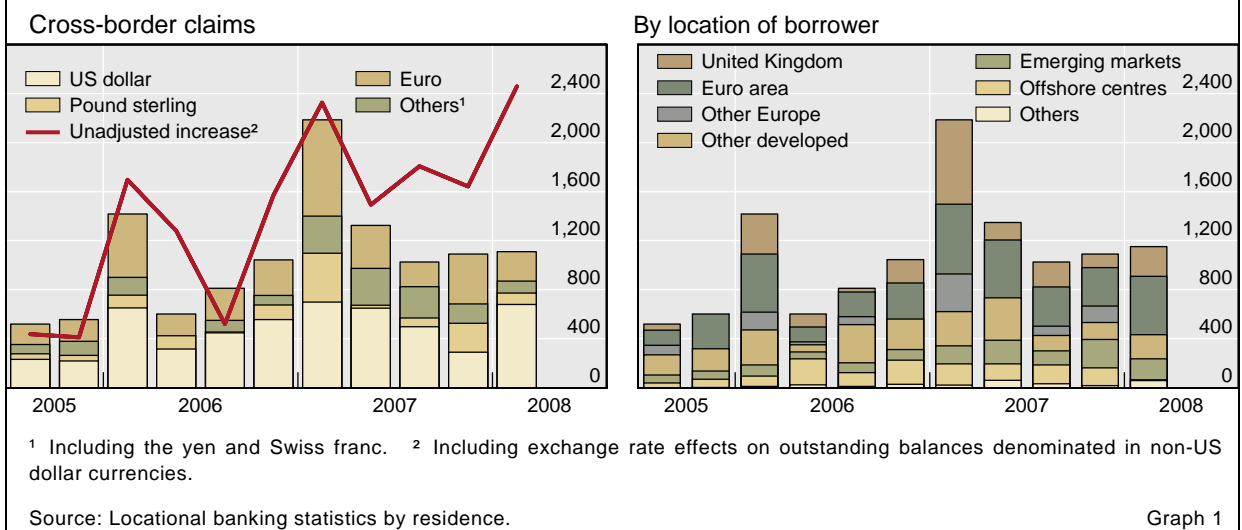
Locational banking statistics¹ (Table 1)

In the first quarter of 2008, BIS reporting banks' total external claims rose by \$1.1 trillion (or 3%) to \$35.9 trillion. The increase in loans was driven by banks resident in the euro area, the United Kingdom and the United States, which made 72% of their loans to banks, with the remainder (28%) to non-banks. Two thirds of these interbank loans were to related offices of the creditor banks. Holdings of securities dropped by \$79 billion. Banks' claims in US dollars expanded at a faster pace than those in euros (Graph 1, left-hand panel).

Banks' external liabilities rose by \$1.4 trillion, including around \$400 billion of cross-border US dollar deposits by non-bank residents of mainly the euro area and the United Kingdom. Foreign currency claims on and deposits by residents increased by about \$300 billion each.

Quarterly change in claims of BIS reporting banks

In billions of US dollars, at constant exchange rates



¹ 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.

- Driven by US- and UK-resident banks, interbank credit accounted for 83% of total new claims in the first quarter, compared to 73% in the fourth quarter of 2007. Banks' inter-office claims grew by 6%, while claims on non-banks increased by only 2% (down from a 3% increase in the previous quarter). Banks' cross-border holdings of securities declined by \$79 billion.
- **Assets:** Banks' claims on mature economies increased somewhat more than in the last quarter, while claims on emerging market economies expanded slightly less and claims on offshore centres were unchanged (Graph 1, right-hand panel). Claims on residents of the euro area advanced by \$473 billion (+4%, instead of +3%, primarily vis-à-vis Dutch, German, Irish and Spanish banks). Lending to the United Kingdom increased by \$243 billion (+4%) and that to the United States by \$131 billion (+2%). Increases in claims on emerging markets, at \$171 billion (+7%), were not far off the pace of \$231 billion (+10%) set in the previous quarter.
- **Liabilities:** Banks financed these claims mainly through a combination of liabilities to residents of the euro area (\$446 billion), the United States (\$393 billion) and the United Kingdom (\$340 billion). While practically all US deposits came from banks, non-bank residents of the euro area and the United Kingdom deposited \$169 billion and \$134 billion respectively. Deposits by residents of OPEC countries rose by \$31 billion, less than half the increase seen in the previous quarter.
- **Currencies:** Compared to the previous quarter, new US dollar-denominated claims more than doubled (at \$627 billion). In contrast, new euro claims fell to \$257 billion. Claims in pounds sterling increased by a moderate \$96 billion.

Consolidated bank assets on an immediate borrower basis² (Table 2)

In the first quarter of 2008, the consolidated international claims of BIS reporting banks on an *immediate borrower basis* increased by \$1.9 trillion, or 8%, not adjusting for exchange rate effects on outstanding stocks.³ In addition, local claims in local currency rose by \$0.7 trillion, or 6% (Graph 2, left-hand panel).

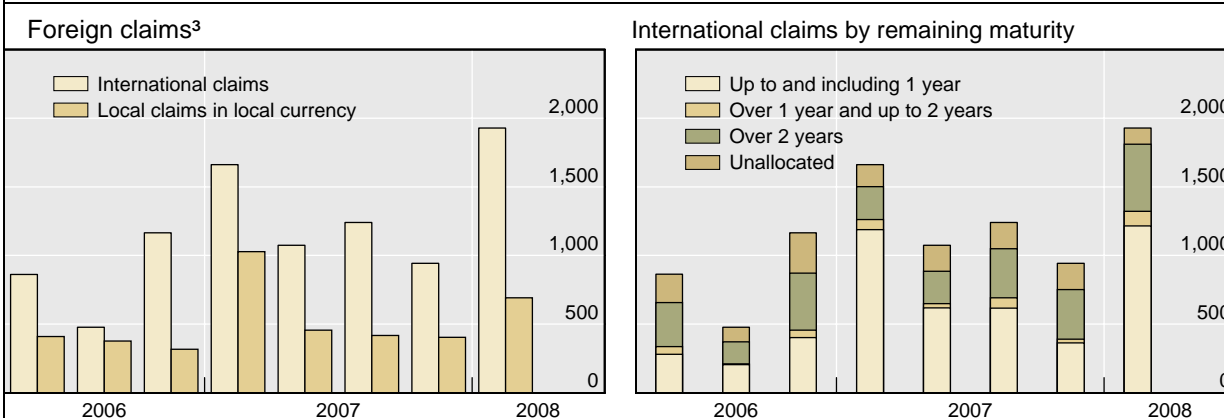
Based on the currency distribution in the locational statistics, the total increase in banks' foreign claims is estimated at \$1.2 trillion (the sum of \$0.86 trillion of new international claims plus \$0.36 trillion of new local currency claims) after adjusting for exchange rate movements. Borrowers in mature economies accounted for 85% of new international claims. Total short-term international claims increased by 9.8%. On a consolidated basis, banks' lending to residents of emerging market countries grew slightly less than in the previous quarter.

² The consolidated statistics are reported by banks' head offices, with a sectoral and maturity distribution. 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 countries in non-local currency are included in the consolidated claims. Third, foreign offices' claims on residents of their own home country are excluded from the consolidated data. There is no currency breakdown for the consolidated data, and therefore the currency breakdown is estimated on the basis of the locational data.

³ With 40% of outstanding assets denominated in currencies other than the US dollar, approximately \$1 trillion of the increase in *international* claims (ie excluding local claims in local currency) from the last quarter of 2007 to the first quarter of 2008 is estimated to be a result of currency revaluation effects on outstanding bank claims. New international claims amounted to about \$860 billion. In addition, \$692 billion of local currency claims comprised \$356 billion of new lending and \$336 billion of currency revaluations against the US dollar. Total new consolidated foreign claims are thus estimated at around \$1.2 trillion.

Exposure of BIS reporting banks on an immediate borrower basis¹

Changes in stocks,² in billions of US dollars



¹ Worldwide consolidated positions of domestically owned banks and unconsolidated positions of foreign banks in 30 reporting countries. ² Quarterly difference in outstanding stocks. ³ Sum of international claims and local claims in local currency; international claims comprise cross-border claims in all currencies and local claims in foreign currencies; local claims relate to those booked by reporting banks' foreign offices on residents of the country in which the foreign office is located.

Source: Consolidated banking statistics on an immediate borrower basis.

Graph 2

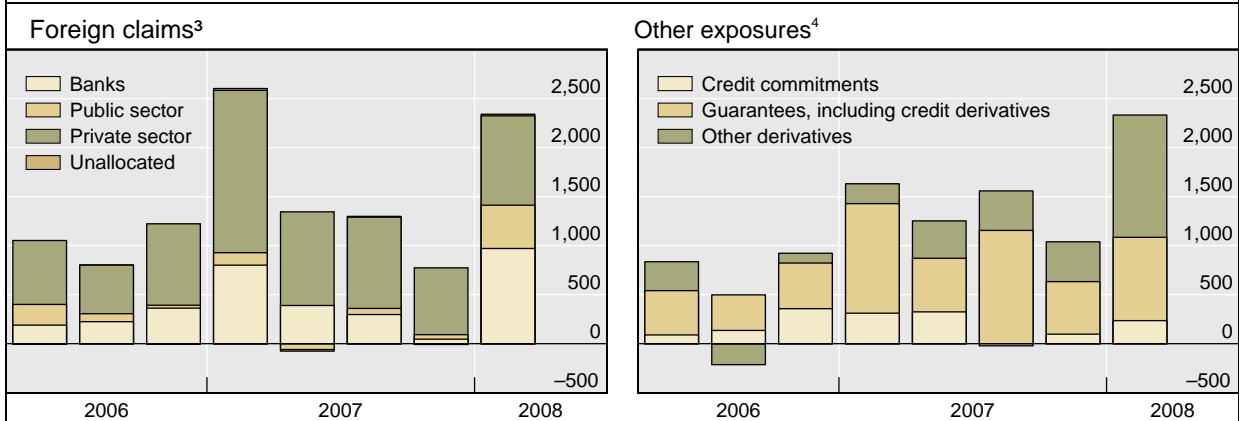
- **Maturity:** Short-term claims rose from 53.5% to 54.3% of total international claims outstanding (Graph 2, right-hand panel); 64% of new international claims on mature economies were of short-term remaining maturity. The increase in short-term claims was accounted for mainly by residents of the United Kingdom (where 90% of the increase was short-term), France (83%) and Germany (67%).
- **Local claims:** Banks' local claims in foreign countries, denominated in local currencies, grew at about a third of the pace of international claims (Graph 2, left-hand panel). Because the currency is known to be that of the borrower, the \$692 billion increase during the first quarter of 2008 can be split into \$356 billion of new lending and an increase of \$336 billion due to the revaluation of outstanding local currency claims against the US dollar.
- **Emerging markets:** Banks' foreign claims on emerging markets grew by \$317 billion, accounted for primarily by lending to emerging Europe (\$131 billion) and emerging Asia (\$105 billion). Residents of Korea borrowed \$31 billion from foreign lenders, followed by China (\$25 billion).

Consolidated bank assets on an ultimate risk basis (Table 3)

In the first quarter of 2008, on an *ultimate risk* basis, which accounts for net risk transfers related to guarantees and collateral, the stock of foreign claims of domestically owned banks (submitted by 24 out of the 30 countries reporting claims on an immediate borrower basis) increased by 8%, or \$2.3 trillion, including valuation effects. There was an additional \$2.3 trillion increase in banks' other exposures, mainly due to derivative claims and guarantees (which include credit protection sold via credit derivatives).

Exposure of BIS reporting banks on an ultimate risk basis¹

Changes in stocks,² in billions of US dollars



¹ Worldwide consolidated positions of domestically owned banks of 24 reporting countries. ² Quarterly difference in outstanding stocks. ³ 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. ⁴ 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 3

- **Sectors:** There had been almost no lending by reporting banks to the banking sector other in the last quarter of 2007 (Graph 3, left-hand panel). In contrast, in the first quarter of 2008, new credit to the bank sector was reported by most banking systems, with the exception of Japanese and Spanish banks, which increased lending mainly to the public and the non-bank private sectors respectively.
- **Derivatives and guarantees:** Banks' total derivative claims (Table 3) increased by \$1.2 trillion⁴, with guarantees outstanding expanding by \$850 billion (these include credit protection sold via credit derivatives).
- **Credit commitments:** Banks' credit commitments increased by \$238 billion to \$5.0 trillion (including currency revaluations of existing commitments). Commitments to developed countries rose by \$145 billion to a total of \$3.7 trillion, with the commitments to residents of offshore centres growing by \$52 billion to \$564 billion and commitments to emerging markets increasing by \$42 billion to \$688 billion.

⁴ There is no information on the extent to which this was due to higher market values for existing positions.

Table 1

External claims and liabilities of BIS reporting banks (locational banking statistics)Exchange rate adjusted changes in amounts outstanding, in billions of US dollars¹

	Vis-à-vis developed countries		Vis-à-vis offshore centres		Vis-à-vis developing countries		Vis-à-vis all countries ^{2,4}		Stocks at end-March 2008
	Q4 2007	Q1 2008	Q4 2007	Q1 2008	Q4 2007	Q1 2008	Q4 2007	Q1 2008	
Total external claims	697	870	144	5	231	171	1,090	1,106	35,916
By sector									
On banks	607	734	33	44	138	99	801	919	23,273
On non-banks	90	136	111	-39	93	72	289	186	12,643
By instrument									
Loans	612	835	100	58	184	163	886	1,085	26,546
Securities	56	-26	37	-58	24	3	119	-79	7,126
Other stocks	28	61	7	5	23	5	84	99	2,244
By currency									
US dollar	91	516	13	47	91	58	208	627	13,213
Euro	261	263	57	-36	30	19	378	257	14,151
Yen	99	30	19	-2	1	8	119	36	1,512
Other currencies ⁴	245	61	54	-3	109	86	385	186	7,039
<i>Memo: Local claims in foreign currency</i>	-10	262	14	47	-14	14	-10	323	4,436
Total external liabilities	754	1,205	248	77	156	-36	1,132	1,425	33,706
By sector									
On banks	653	861	156	55	81	-43	898	1,025	24,815
On non-banks	101	344	92	21	75	8	234	400	8,891
By instrument									
Deposits	643	1,040	251	79	157	-43	1,097	1,101	29,161
Securities	53	101	-7	2	1	2	-19	204	3,631
Other stocks	58	64	3	-5	-2	6	4	121	914
By currency									
US dollar	105	437	168	131	56	-20	307	597	13,815
Euro	289	430	37	-38	-9	-14	302	426	11,455
Yen	90	82	8	2	6	-8	117	74	1,290
Other currencies ²	270	256	34	-19	102	6	406	328	7,147

¹ Not adjusted for seasonal effects. ² Including claims on international organisations; excluding claims on residents. ³ Including unallocated data not individualised in the tables. ⁴ Including unallocated currencies.

Table 2

Consolidated claims on a contractual (immediate borrower) basis

Amounts outstanding, in billions of US dollars and percentages

	Vis-à-vis developed countries		Vis-à-vis offshore centres		Vis-à-vis emerging markets		Total ¹	
	Q4 2007	Q1 2008	Q4 2007	Q1 2008	Q4 2007	Q1 2008	Q4 2007	Q1 2008
Foreign claims ²	27,577	29,756	2,271	2,387	4,349	4,666	34,260	36,884
International claims ³	18,842	20,473	1,930	2,022	2,463	2,660	23,298	25,229
As % of foreign claims	(68.3)	(68.8)	(85.0)	(84.7)	(56.6)	(57.0)	(68.0)	(68.4)
Local claims ⁴	8,735	9,283	341	365	1,886	2,006	10,962	11,655
As % of foreign claims	(31.7)	(31.2)	(15.0)	(15.3)	(43.4)	(43.0)	(32.0)	(31.6)
Breakdown of international claims by maturity								
Up to and including one year	10,405	11,455	886	955	1,165	1,259	12,476	13,695
As % of international claims	(55.2)	(56.0)	(45.9)	(47.2)	(47.3)	(47.3)	(53.5)	(54.3)
Over one year and up to two years	693	764	56	60	126	157	878	984
As % of international claims	(3.7)	(3.7)	(2.9)	(3.0)	(5.1)	(5.9)	(3.8)	(3.9)
Over two years	4,685	5,070	590	605	861	947	6,157	6,647
As % of international claims	(24.9)	(24.8)	(30.6)	(29.9)	(34.9)	(35.6)	(26.4)	(26.3)
Unallocated	3,059	3,183	397	403	311	297	3,787	3,904
As % of international claims	(16.2)	(15.5)	(20.6)	(19.9)	(12.6)	(11.2)	(16.3)	(15.5)
Risk transfers⁵								
Inward risk transfers	1,353	1,581	83	98	150	163	1,590	1,846
Outward risk transfers	1,153	1,283	303	354	248	281	1,706	1,919
Net risk transfers	251	358	-497	-384	-187	-176	-435	-207
Foreign claims ⁶	27,827	30,114	1,774	2,003	4,162	4,490	33,826	36,677
Of which: Domestically owned banks	22,996	24,841	1,707	1,933	3,961	4,266	28,726	31,109

¹ Including positions vis-à-vis international organisations and unallocated. ² Foreign claims of all banks (domestic and foreign banks) in 30 reporting countries. The data for Panama are for Q4 2007. ³ Cross-border claims denominated in all currencies plus local claims of foreign offices denominated in foreign currencies. ⁴ Local claims of domestic banks' foreign offices denominated in local currencies. ⁵ 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. ⁶ After net risk transfers reported by 26 countries.

Table 3

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

Amounts outstanding, in billions of US dollars and percentages

	Vis-à-vis developed countries		Vis-à-vis offshore centres		Vis-à-vis emerging markets		Total ¹	
	Q4 2007	Q1 2008	Q4 2007	Q1 2008	Q4 2007	Q1 2008	Q4 2007	Q1 2008
<i>Memo: Foreign claims of domestically owned banks (after net risk transfers reported by 26 countries, Table 2)</i>	(22,996)	(24,841)	(1,707)	(1,933)	(3,961)	(4,266)	(28,726)	(31,109)
Foreign claims after net risk transfers (24 countries) ²	22,600	24,400	1,678	1,909	3,925	4,231	28,264	30,607
Of which: Local claims	9,858	10,090	442	482	2,159	2,297	12,465	12,876
As % of foreign claims	(43.6)	(41.4)	(26.4)	(25.3)	(55.0)	(54.3)	(44.1)	(42.1)
By sector								
Banks	6,824	7,667	214	255	837	922	7,882	8,854
As % of foreign claims	(30.2)	(31.4)	(12.7)	(13.4)	(21.3)	(21.8)	(27.9)	(28.9)
Public sector	2,996	3,370	65	69	799	860	3,903	4,345
As % of foreign claims	(13.3)	(13.8)	(3.9)	(3.6)	(20.4)	(20.3)	(13.8)	(14.2)
Non-bank private sector	12,629	13,201	1,393	1,573	2,261	2,423	16,291	17,205
As % of foreign claims	(55.9)	(54.1)	(83.0)	(82.4)	(57.6)	(57.3)	(57.6)	(56.2)
Unallocated	151	162	6	11	27	26	188	204
As % of foreign claims	(0.7)	(0.7)	(0.4)	(0.6)	(0.7)	(0.6)	(0.7)	(0.7)
Other exposures								
Derivatives contracts ³	3,132	4,274	205	244	137	202	3,486	4,734
Guarantees extended	6,633	7,436	257	272	511	543	7,402	8,252
Credit commitments ⁴	3,570	3,715	512	564	646	688	4,735	4,973

¹ Including positions vis-à-vis international organisations and unallocated. ² Based on data from domestically owned banks in 24 countries which submitted both sets of data in the fourth quarter of 2007 and first quarter of 2008 and also provided data on risk transfers, and a detailed breakdown of foreign claims and contingent exposures. The data for Panama are for Q4 2007. ³ Excluding Chile; positive market values only. ⁴ Excluding Chile.

Breaks in series and major data revisions processed in Q1 2008

(Changes in billions of US dollars)

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

A. Locational banking statistics by residence			Assets	Liabilities
Breaks in series¹				
Quarters	Reporting countries	Details		
Q4 2007	Malaysia	New reporting country.	45.4	63.7
Q1 2008	Norway	Improved sectoral breakdown of International Debt Securities, Liabilities.	—	—
Data revisions in previous quarters²				
Quarters	Reporting countries	Details		
Q3 2007	Belgium	Revisions from reporting banks	12.6	18.7
Q4 2007	Belgium	Revisions from reporting banks	-0.9	1.2
Q4 2007	Cayman Islands	Revisions from reporting banks	-47.5	6.6
B. Locational banking statistics by nationality			Assets	Liabilities
Breaks in series¹			USD billions	
Quarters	Reporting countries	Details		
Q4 2007	Germany	Reclassification of Nationality of reporting banks.	—	—
Q1 2008	Norway	Improved sectoral breakdown of Liabilities.	—	—
Q1 2008	Germany	Reclassification of Nationality of reporting banks.	—	—
Q1 2008	Turkey	Reclassification of Nationality of reporting banks.	—	—
Q1 2008	Macao SAR	Reclassification of Nationality of reporting banks.	—	—
Data revisions of previous quarters²				
Quarters	Reporting countries	Details		
Q3 2007	Belgium	Revisions from reporting banks	15.5	18.4
Q4 2007	Ireland	Revisions from reporting banks	17.7	-0.7
Q1 2007	United Kingdom	Revisions from reporting banks	0.1	-3.4
Q2 2007	United Kingdom	Revisions from reporting banks	-0.2	-3.5
Q3 2007	United Kingdom	Revisions from reporting banks	-0.4	-8.4
Q4 2007	United Kingdom	Revisions from reporting banks	-1.6	-4.0
Q4 2007	Cayman Islands	Revisions from reporting banks	-47.5	6.5

¹See www.bis.org/statistics/breakstables.pdf for historical breaks in series. ²Revisions of smaller magnitudes are omitted from the table.

C. Consolidated statistics on an immediate borrower basis

Quarters	Reporting countries	Details of breaks in series ¹	International claims	Other positions
Q1 2008	Germany	Change in nationality of banks:		
		Domestic banks	-2.6	—
		Outside area foreign banks	—	2.6
Quarters	Reporting countries	Details of data revisions ²		
Q4 2007	Ireland	Data revisions from reporting banks:	248.2	—
		Local currency claims	—	56.8
		Local liabilities	—	83.6
Q1 2007 – Q4 2007	Japan	Sectoral reclassification (-\$70bn to \$76bn)	—	—
Q4 2007	Norway	Data revisions from reporting banks:	—	—
		Local currency claims	—	-5.3
Q4 2007	Portugal	Data revisions from reporting banks:	3.8	—
		Local currency claims	—	3.3
Q4 2006 – Q4 2007	Sweden	Data revisions from reporting banks:	-29.4 to -26.9	—
		Local currency claims	—	-11.6 to 5.7
		Local liabilities	—	1.2 to 2.6
Q2 2007 – Q4 2007	United Kingdom	Local currency claims	—	-5.6 to 0
		Local currency liabilities	—	-10.7 to -5.6

D. Consolidated statistics on an ultimate risk basis

Quarters	Reporting countries	Details of breaks in series ¹	Foreign claims	Other exposures
Q1 2008	Germany	Change in nationality of banks:	20.6	—
Quarters	Reporting countries	Details of data revisions ²		
Q2 2007 – Q3 2007	Austria	Derivatives contracts		6.4 to 7.2
Q4 2007	Ireland	Reclassification of one institution:	323.5	—
		Derivatives contracts	—	4.8
		Guarantees extended	—	8.4
		Credit commitments	—	38.7
Q1 2007 – Q4 2007	Japan	Sectoral reclassification (-\$70bn to \$77 bn)	—	—
Q4 2007	Norway	Data revision from reporting banks:	-5.3	—
		Local claims in all currencies	—	-5.2
Q4 2007	Portugal	Data revision from reporting banks:	10.1	—
		Local claims in all currencies	—	3.6
Q2 2006 – Q4 2007	Sweden	Reclassification of type claims	-23.6 to 2.2	—
		Cross-border claims	—	-14.4
		Local claims in all currencies	—	14.4
		Derivatives contracts	—	-1.6 to 1.5
Q4 2007	United Kingdom	Data revisions from reporting banks	-5.6	—

¹See www.bis.org/statistics/breakstables.pdf for historical breaks in series. ²Revisions of smaller magnitudes are omitted from the table.