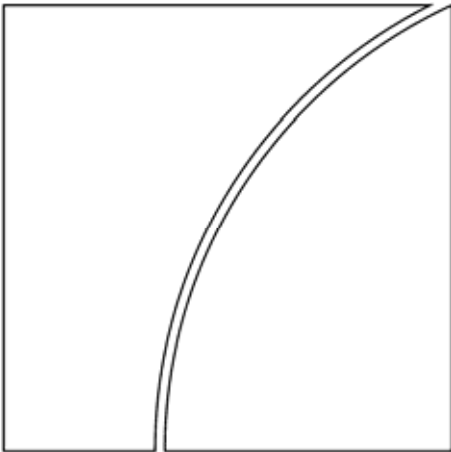




BANK FOR INTERNATIONAL SETTLEMENTS

Monetary and Economic
Department

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



October 2008

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Release of preliminary locational and consolidated banking statistics

Second quarter of 2008

Data for the second quarter of 2008 are provisional. Final data, with an analysis of the trends, will be published in the forthcoming *BIS Quarterly Review* on 8 December 2008.

In the second quarter of 2008, international banking activity, which had been sustained mainly by banks' inter-office loans in the first quarter, decreased by 3%. The reduction in assets was centred on short-term interbank credits in US dollars. In contrast, loans to banks and non-banks in emerging markets continued to grow. Banks' other exposures, such as credit derivatives and guarantees, also rose.

Locational banking statistics¹ (Table 1)

In the second quarter of 2008, BIS reporting banks' total international claims declined by \$1.1 trillion at constant exchange rates (or 3%) to \$39.1 trillion. The largest previous contractions occurred in the second quarter of 2001 in the aftermath of the bursting of the dotcom bubble (\$125 billion or 1% of the total at the time) and in the fourth quarter of 1998 following the demise of LTCM (1.2%). Cross-border claims fell by \$862 billion (2%) and foreign currency positions with local residents dropped by \$231 billion (5%).

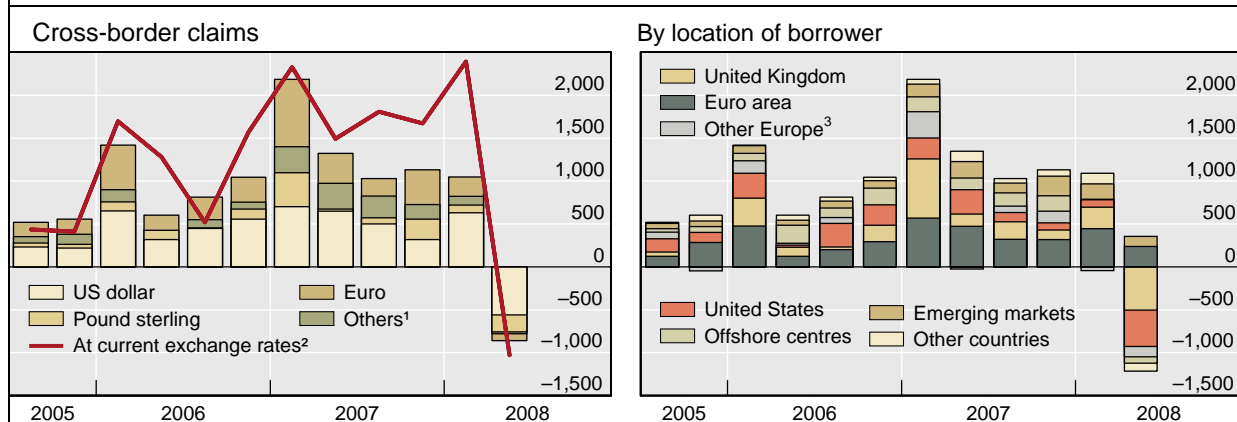
While banks provided additional credit to residents of emerging markets, particularly developing Europe, and within the euro area, credits to the United States, the United Kingdom and Caribbean and European offshore centres (Graph 1, right-hand panel) contracted by 7%, mainly due to declines of \$564 billion in cross-border US dollar claims and \$189 billion in pound sterling claims. Foreign currency positions with residents decreased mainly in euros (\$149 billion), US dollars (\$67 billion) and Japanese yen (\$43 billion).

Banks' cross-border liabilities shrank by \$1 trillion, including drawdowns of \$633 billion US dollar and \$184 billion pound sterling, mostly by residents of the United States, the United Kingdom and Switzerland. Foreign currency liabilities vis-à-vis residents decreased by \$185 billion, mainly in euros (\$139 billion). Banks' issues in international markets rose by \$148 billion.

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.

Changes in claims of BIS reporting banks

In billions of US dollars, at constant exchange rates



¹ "Others" includes the yen and Swiss franc. ² Including exchange rate effects on outstanding balances denominated in non-US dollar currencies, which were insignificant during the second quarter of 2008. ³ Countries in developed Europe other than the euro area and the United Kingdom.

Source: Locational banking statistics by residence.

Graph 1

- Assets:** Banks' cross-border claims on residents of the United Kingdom, the United States, Switzerland and Japan dropped by \$1,190 billion or 9% (Graph 1, right-hand panel), while claims on those of the euro area rose by \$237 billion (2%), after taking account of claim reductions on the Netherlands (\$49 billion) and Germany (\$17 billion). Claims on emerging market economies (mainly in Europe and Latin America) continued to expand, by \$117 billion or 4%. Claims on Caribbean offshore centres fell by \$119 billion or 5%, while claims on Asian offshore centres grew by \$52 billion (7%).
- Liabilities:** While liabilities to non-banks continued to grow slightly in most markets, non-bank depositors in offshore centres withdrew \$36 billion. Interbank liabilities dropped substantially everywhere (4%). Banks continued to issue international debt securities (\$148 billion), following a \$191 billion increase in the first quarter of 2008.
- Currencies:** The decline in banks' US dollar-denominated cross-border claims (\$564 billion) effectively cancelled out the increase seen in the previous quarter. Euro claims also declined, but by much less (\$67 billion). Banks' holdings of dollar-denominated securities fell by \$66 billion, while holdings of euro securities increased by an similar amount (\$69 billion).

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

In the second quarter of 2008, the consolidated international claims of BIS reporting banks on an *immediate borrower basis* declined by \$781 billion (3%). This decline mirrored developments in claims on a locational basis.

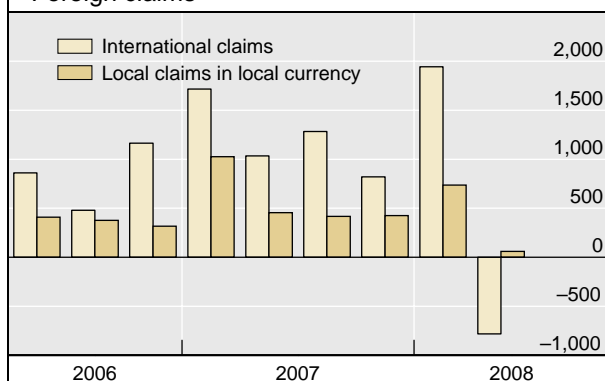
Given that there was very little movement in major exchange rates during the quarter, changes in the currency composition of consolidated assets can be estimated to be broadly similar to those in the locational statistics. However, the currencies of some emerging markets (such as Brazil, Mexico and eastern Europe) appreciated during the quarter. Hence, the increase in outstanding local claims in local currency of \$62 billion (see Graph 2, left-hand panel) was mainly due to exchange rate appreciation against the US dollar, and underlying local claims in local currencies increased by only \$3 billion.

In terms of maturity, there was no change in overall long-term claims, while short-term claims dropped by \$663 billion (Graph 2, right-hand panel). Short-term claims on mature economies fell even more (by \$727 billion), while short-term claims on offshore centres remained unchanged and those on emerging economies increased by 5%.

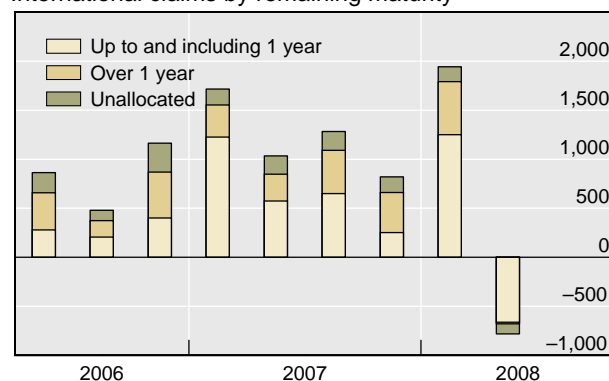
Exposure of BIS reporting banks on an immediate borrower basis¹

Changes in stocks,² in billions of US dollars

Foreign claims³



International claims by remaining maturity



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.

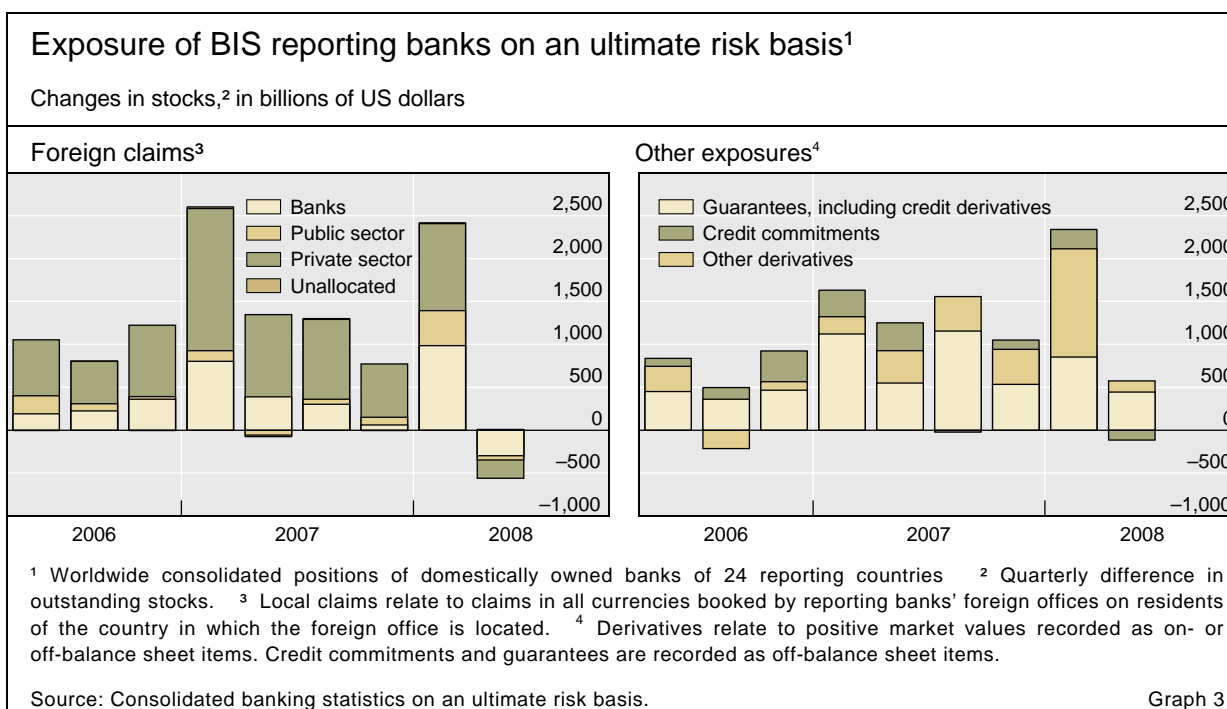
Graph 2

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 (international) 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.

- **Country breakdown and maturity:** Banks owned in the euro area, the United Kingdom and the United States took the lead in reducing international claims on residents of developed countries by \$848 billion or 4% (Table 2), of which \$305 billion vis-à-vis UK residents, \$229 billion vis-à-vis US residents and \$148 billion vis-à-vis Swiss residents (Annex Table 9A).
- Short-term claims accounted for the bulk of the decline (\$727 billion or 86%) on developed countries – mainly vis-à-vis the United Kingdom (\$300 billion), the United States (\$144 billion), Switzerland (\$138 billion) and the euro area (\$47 billion). As a consequence, the long-term share of bank claims on mature economies rose from 29% to 30% of the total. Within the euro area, the main reductions were vis-à-vis Germany (\$88 billion) and the Netherlands (\$55 billion); there were limited increases in short-term claims vis-à-vis Ireland (\$28 billion), France (\$25 billion) and Belgium (\$23 billion).
- Banks in the euro area increased short-term claims on emerging Europe and Latin America by \$15 billion and \$10 billion respectively. Banks in Asian offshore centres increased short-term claims on emerging economies in the region by \$15 billion.

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

Consolidated claims on an *ultimate risk* basis, which takes account of net risk transfers related to guarantees and collateral, declined by 2% to \$30.1 trillion. Banks' other exposures increased, mainly those related to derivatives (3% or \$128 billion) and guarantees, which include credit protection sold via credit derivatives (5% or \$444 billion). Credit commitments declined by 2%, however (\$116 billion).



- *Sectors:* After a fairly robust expansion in credit to other banks in the first quarter of 2008, the second quarter saw a reduction in claims in the interbank sector by 3% or \$300 billion (Table 3). This was accounted for mainly by UK (\$171 billion) and French banks (\$102 billion). Credit to the non-bank private sector and the public sector in mature markets contracted by similar magnitudes, ie around 3% (\$377 billion) and 2% (\$61 billion) respectively.
- In contrast, in emerging markets claims on all sectors increased, most strongly on the non-bank private sector (by 5%).
- *Derivatives:* Banks' derivative claims (positive market values only) increased by 3% or \$128 billion. French banks and UK banks reported the largest increases, while exposures of German, Swiss, Japanese and US banks fell by \$65 billion (6%), \$59 billion (9%), \$37 billion (53% of Japanese exposure) and \$29 billion (14%) respectively.
- The most substantial increases were reported vis-à-vis US entities (\$104 billion or 8%) and German entities (\$42 billion), while exposures declined vis-à-vis UK (\$40 billion) and Swiss (\$21 billion) counterparties.
- *Guarantees:* The value of bank guarantees, which include credit protection sold via credit derivatives, rose 5% or \$444 billion. This was driven by US banks (\$429 billion) and euro area banks (\$68 billion), while exposures of UK and Canadian banks declined by \$58 billion and \$46 billion respectively.
- Most of the increases were vis-à-vis borrowers in the United Kingdom (\$237 billion, a 10% increase over the first quarter of 2008) and German entities (\$57 billion), while exposures to French entities declined by \$57 billion.
- *Credit commitments:* Credit commitments declined by 2.3% (\$116 billion), the bulk of which was reported by banks from the euro area (\$52 billion) and Switzerland (\$41 billion). The reduction was most pronounced vis-à-vis entities in the euro area (\$89 billion), offshore centres (\$23 billion) and the United States (\$15 billion). Credit commitments to developing countries increased by \$28 billion, possibly due to currency appreciation.

Table 1

External claims and liabilities of BIS reporting banks (locational banking statistics)

Exchange rate adjusted changes in amounts outstanding, in billions of US dollars

	Vis-à-vis developed countries		Vis-à-vis offshore centres		Vis-à-vis developing countries		Vis-à-vis all countries ^{1,2}		Stocks at end-June 2008
	Q1 2008	Q2 2008	Q1 2008	Q2 2008	Q1 2008	Q2 2008	Q1 2008	Q2 2008	
Total external claims	806	-914	6	-75	178	117	1,046	-862	34,855
By sector									
On banks	675	-711	43	-34	103	57	861	-671	22,439
On non-banks	131	-203	-37	-41	75	60	186	-191	12,416
By instrument									
Loans	770	-843	57	-69	166	106	1,020	-797	25,558
Securities	-28	13	-57	-15	6	-2	-76	-4	7,115
Other stocks	64	-84	6	9	5	14	102	-60	2,183
By currency									
US dollar	464	-536	49	-51	59	28	578	-564	12,628
Euro	246	-60	-36	-60	20	26	243	-67	14,030
Yen	35	-94	0	2	9	-1	43	-93	1,330
Other currencies ³	61	-225	-7	34	90	65	183	-138	6,867
<i>Memo: Local claims in foreign currency</i>	263	-235	51	-1	43	5	356	-231	4,215
Total external liabilities	1,152	-784	83	-165	-40	-127	1,375	-1,031	32,509
By sector									
On banks	823	-826	65	-129	-46	-125	994	-1,045	23,637
On non-banks	330	42	18	-36	6	-2	381	13	8,871
By instrument									
Deposits	1,039	-822	88	-163	-46	-134	1,102	-1,148	27,898
Securities	91	69	-2	-2	1	4	191	148	3,767
Other stocks	23	-30	-3	0	6	2	82	-32	844
By currency									
US dollar	393	-388	136	-141	-24	-101	555	-633	13,156
Euro	428	-160	-38	-38	-14	7	424	-151	11,266
Yen	87	-89	3	-3	-8	0	80	-90	1,125
Other currencies ³	245	-147	-17	16	6	-33	316	-157	6,961

¹ Including claims on international organisations; excluding claims on residents. ² Including unallocated data not individualised in the tables. ³ 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	
	Q1 2008	Q2 2008	Q1 2008	Q2 2008	Q1 2008	Q2 2008	Q1 2008	Q2 2008
Foreign claims ²	29,740	28,828	2,397	2,398	4,679	4,881	36,897	36,178
International claims ³	20,398	19,549	2,031	2,031	2,669	2,746	25,177	24,397
As % of foreign claims	(68.6)	(67.8)	(84.7)	(84.7)	(57.0)	(56.3)	(68.2)	(67.4)
Local claims ⁴	9,343	9,279	366	367	2,010	2,135	11,720	11,781
As % of foreign claims	(31.4)	(32.2)	(15.3)	(15.3)	(43.0)	(43.7)	(31.8)	(32.6)
Breakdown of international claims by maturity								
Up to and including one year	11,388	10,660	966	974	1,263	1,329	13,648	12,985
As % of international claims	(55.8)	(54.5)	(47.6)	(47.9)	(47.3)	(48.4)	(54.2)	(53.2)
Over one year and up to two years	770	744	60	70	158	152	991	969
As % of international claims	(3.8)	(3.8)	(3.0)	(3.4)	(5.9)	(5.5)	(3.9)	(4.0)
Over two years	5,048	5,046	605	597	950	967	6,628	6,634
As % of international claims	(24.7)	(25.8)	(29.8)	(29.4)	(35.6)	(35.2)	(26.3)	(27.2)
Unallocated	3,192	3,099	400	390	298	297	3,911	3,809
As % of international claims	(15.6)	(15.9)	(19.7)	(19.2)	(11.2)	(10.8)	(15.5)	(15.6)
Risk transfers ⁵								
Inward risk transfers	1,575	1,478	98	102	163	168	1,840	1,751
Outward risk transfers	1,282	1,254	354	358	281	288	1,918	1,901
Net risk transfers	354	263	-384	-377	-176	-169	-211	-288
Foreign claims ⁶	30,094	29,091	2,013	2,021	4,503	4,712	36,686	35,890
Of which: Domestically owned banks	25,041	24,312	1,943	1,955	4,280	4,459	31,340	30,790

¹ Including positions vis-à-vis international organisations and unallocated. ² Foreign claims of all banks (domestic and foreign banks) in 30 reporting countries. 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	
	Q1 2008	Q2 2008	Q1 2008	Q2 2008	Q1 2008	Q2 2008	Q1 2008	Q2 2008
<i>Memo: Foreign claims of domestically owned banks (after net risk transfers reported by 26 countries, Table 2)</i>	(25,041)	(24,312)	(1,943)	(1,955)	(4,280)	(4,459)	(31,340)	(30,790)
Foreign claims after net risk transfers (24 countries) ²	24,466	23,732	1,908	1,920	4,236	4,412	30,679	30,127
Of which: Local claims	10,191	10,137	483	486	2,304	2,450	12,985	13,081
As % of foreign claims	(41.7)	(42.7)	(25.3)	(25.3)	(54.4)	(55.5)	(42.3)	(43.4)
By sector								
Banks	7,700	7,396	252	223	919	952	8,880	8,581
As % of foreign claims	(31.5)	(31.2)	(13.2)	(11.6)	(21.7)	(21.6)	(28.9)	(28.5)
Public sector	3,372	3,310	70	70	867	888	4,355	4,308
As % of foreign claims	(13.8)	(13.9)	(3.6)	(3.6)	(20.5)	(20.1)	(14.2)	(14.3)
Non-bank private sector	13,235	12,858	1,575	1,616	2,425	2,548	17,244	17,028
As % of foreign claims	(54.1)	(54.2)	(82.6)	(84.2)	(57.3)	(57.7)	(56.2)	(56.5)
Unallocated	160	169	11	11	25	24	200	209
As % of foreign claims	(0.7)	(0.7)	(0.6)	(0.6)	(0.6)	(0.5)	(0.7)	(0.7)
Other exposures								
Derivatives contracts ³	4,283	4,400	244	232	202	223	4,744	4,872
Guarantees extended	7,357	7,726	353	352	543	619	8,254	8,698
Credit commitments ⁴	3,724	3,602	571	548	669	697	4,971	4,854

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 first quarter of 2008 and second quarter of 2008 and also provided data on risk transfers, and a detailed breakdown of foreign claims and contingent exposures. ³ Excluding Chile; positive market values only. ⁴ Excluding Chile.

Breaks in series and major data revisions processed in Q2 2008

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			USD billions	
Quarters	Reporting countries	Details		
Q2 2008	Norway	Reports vis-à-vis country breakdown for International Debt Securities and Other Stocks, Liabilities and Liabilities Non-bank.	–	–
Q2 2008	Greece	Reports amounts vis-à-vis country International Institutions.	–	–
Data revisions in previous quarters²				
Quarters	Reporting countries	Details		
Q4 2007	United States	Revisions from reporting banks	29.3	17.3
Q1 2008	United States	Revisions from reporting banks	29.0	1.1
Q1 2008	Cayman Islands	Revisions from reporting banks	–55.2	–55.3
Q1 2008	Bahamas	Revisions from reporting banks	13.0	11.7
Q1 2008	South Korea	Revisions from reporting banks	49.3	51.1
Q1 2008	Luxembourg	Revisions from reporting banks	–36.0	–30.2
Q1 2008	Luxembourg	Revisions from reporting banks	–36.0	–30.2

B. Locational banking statistics by nationality			Assets	Liabilities
Breaks in series¹			USD billions	
Quarters	Reporting countries	Details		
Q4 2006	Italy	Improved breakdown of Nationality of reporting banks.	–	–
Q1 2007	Luxembourg	Reclassification of nationalities.	–	–
Q2 2008	Germany	Reclassification of nationalities.	–	–
Q2 2008	Norway	Improved sectoral breakdown.	–	–
Q2 2008	Spain	Reclassification of nationalities.	–	–
Data revisions of previous quarters²				
Quarters	Reporting countries	Details		
Q4 2007	United States	Revisions from reporting banks	30.9	18.0
Q1 2008	United States	Revisions from reporting banks	30.6	1.9
Q1 2008	Ireland	Revisions from reporting banks	–11.7	0.0
Q1 2008	Cayman Islands	Revisions from reporting banks	–55.3	–55.3
Q1 2008	South Korea	Revisions from reporting banks	49.3	51.1
Q2 2007	Luxembourg	Revisions from reporting banks	–0.0	–6.0
Q1 2008	Luxembourg	Revisions from reporting banks	–35.5	–30.1

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

C. Consolidated statistics on an immediate borrower basis

(Changes in amount, *in billions of US dollars*)

Quarters	Reporting countries	Details of breaks in series ¹	International claims	Other positions
Q1 2007	Luxembourg	Change in nationality of banks:		
		Domestic banks	132.5	
		Inside area foreign banks	-54.5	
		Outside area foreign banks	-23.1	
Quarters	Reporting countries	Details of data revisions ²		
Q1 2008	Belgium	Data revisions from reporting banks:	-	
		Local currency claims		1.6
		Local currency liabilities		15.8
Q1 2007- Q1 2008	Canada	Data revisions from reporting banks:		
		Maturity & sector reclassification	-2.7 to 2.7	
Q1 2008	Luxembourg	Change in nationality of banks	58.1	
Q4 2007	Luxembourg	Change in nationality of banks	57.9	
Q3 2007	Luxembourg	Change in nationality of banks	59.4	
Q2 2007	Luxembourg	Change in nationality of banks	62.1	
Q1 2007	Luxembourg	Change in nationality of banks	55.1	
Q1 2008	Norway	Data revisions from reporting banks:	-	
		Local currency claims		1.8
Q4 2004 – Q1 2008	Portugal	Data revisions from reporting banks	-3.4 to 2.1	
Q2 2007	Singapore	Revisions from inside area foreign banks	-45.8	
Q4 2007	Singapore	Revisions from inside area foreign banks	-93.8	
Q1 2008	Singapore	Revisions from inside area foreign banks	-94.1	
Q1 2008	United Kingdom	Data revisions from reporting banks	73.8	
		Local currency claims		61.8
		Local currency liabilities		131.7
		Net risk transfers		-2.6

D. Consolidated statistics on an ultimate risk basis

Quarters	Reporting countries	Details of breaks in series ¹	Foreign claims	Other exposures
Q2 2008	France	Improved reporting of derivatives exposure.		130
Quarters	Reporting countries	Details of data revisions ²	Foreign claims	Other exposures
Q1 2008	Belgium	Data revisions from reporting banks:	1.3	
		Credit commitments		-19.7
Q4 2006- Q1 2008	Canada	Data revisions from reporting banks:	-	
		Derivatives contracts		1 to 11.6
		Credit commitments		-0.2 to 8.7
Q1 2005 – Q1 2008	Portugal	Data revisions from reporting banks:	-0.2 to 1.9	
		Derivatives contracts		-4.7 to -0.2
		Guarantees extended		-2.0 to -1.3
Q1 2008	Sweden	Data revisions from reporting banks:		
		Credit commitments		2.0
Q1 2008	United Kingdom	Data revisions from reporting banks:	71.2	
		Derivatives contracts		3.2
		Guarantees extended		1.2
		Credit commitments		6.6

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