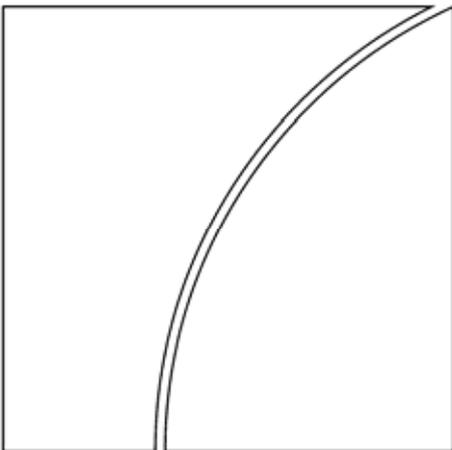




BANK FOR INTERNATIONAL SETTLEMENTS

Monetary and Economic
Department

**Statistical commentary on
preliminary locational and
consolidated banking statistics
at end-December 2006**



April 2007

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Release of preliminary locational and consolidated banking statistics¹

Fourth quarter 2006

Locational banking statistics (Table 1)

- In the fourth quarter of 2006² BIS reporting banks' cross-border claims increased by 18% on a year-on-year basis (compared with 16% in the previous quarter), to stand at \$26.1 trillion. Cross-border liabilities grew slightly less (17%).
- There was a noticeable pickup in lending to offshore centres. Banks' cross-border assets increased 23% year-on-year, mainly in the form of loans. After slowing in the previous quarter, lending to non-banks in offshore centres accelerated by \$92 billion during the fourth quarter, the largest such increase since September 2004. This resulted in year-on-year growth in lending to non-banks of 17%. A further \$97 billion was lent to banks. Lending in yen to all counterparties in offshore centres dropped by 19% year-on-year, while growth in assets denominated in pounds sterling and Swiss francs accelerated to reach 35% year-on-year.
- Globally, lending in the major currencies (except the yen) expanded at a slightly quicker pace than in the previous quarter; banks' assets denominated in pounds sterling grew 27% year-on-year.
- Interbank business in developed countries remained buoyant, growing 16% year-on-year.
- Banks' holdings of international securities issued by developed countries increased by \$207 billion in the quarter, against \$80 billion in the previous one.

Consolidated banking statistics (Tables 2 and 3)

- The stock of BIS reporting banks' consolidated worldwide foreign claims³ increased by 6% in the fourth quarter of 2006 (26% year-on-year, from 19% in the previous quarter), to stand at \$27 trillion⁴. Local currency lending by reporting banks' foreign offices expanded by 4% during the quarter (24% year-on-year).
- French and German banks reported the largest increase in foreign claims (\$220 billion and \$215 billion respectively) in the fourth quarter of 2006, followed by banks with head offices in Switzerland (\$115 billion), Japan (\$94 billion) and Belgium (\$84 billion).

¹ A more detailed analysis of the trends identified in the final data will be published in the forthcoming *BIS Quarterly Review* to be released on 11 June 2007.

² Exchange rate adjusted changes; provisional figures. Revised data will be published in the forthcoming *BIS Quarterly Review*. The data in the March 2007 *Quarterly Review* were practically unrevised (total assets) relative to the provisional data.

³ International claims plus foreign offices' local claims in local currencies, on an immediate borrower basis.

⁴ In the quarter under review, the US dollar declined 3–4% against other major currencies, with the exception of the yen. The underlying movements in non-US dollar stocks, when converted into US dollars for reporting, therefore somewhat overstate the actual increase in new lending in the consolidated data, for which a currency breakdown is not available.

- Seventy-three per cent of the quarter's expansion reflected claims on borrowers in developed countries – mainly the United States (30% of the increase on these countries), the United Kingdom (18%) and Spain (8%). Claims on Switzerland and Japan declined by 4% each during the quarter.
- Claims on emerging market countries rose by \$286 billion (19% of the total increase), with those in Europe accounting for about half of this expansion (mainly claims on Romania, Turkey⁵ and Russia). The \$81 billion increase to Latin American countries was a historical maximum, of which 50% went to Brazil (\$39 billion) and another 24% to Mexico.
- The largest increases in local currency claims on local residents were in the United States⁶ (\$42 billion) and the United Kingdom (\$28 billion), while the most significant decreases were in Japan (\$50 billion, –15%) and Hong Kong SAR (\$13 billion). In contrast to other banks, US banks reduced their aggregate local currency positions (by \$30 billion), mainly vis-à-vis the United Kingdom (\$39 billion) and Japan (\$15 billion).
- Net outward risk transfers of domestically owned banks stood at \$475 billion, \$331 billion and \$191 billion out of offshore centres (of which Cayman Islands \$282 billion), the United Kingdom and emerging market countries respectively. Net inward risk transfers stood at \$228 billion and \$175 billion to residents of the euro area (Germany \$181 billion) and the United States respectively⁷.
- On an ultimate risk basis, the foreign claims of domestically owned banks in 24 reporting countries increased by \$1.2 trillion to \$22.3 trillion. Borrowers in developed countries accounted for about 70% of the total increase. Among emerging markets, Europe alone attracted 47% (\$133 billion, of which \$94 billion on the non-bank private sector) of the total increase, followed by Latin America at 27% (\$77 billion).
- French, Swiss and German banks reported the largest increases in the positive market value of their derivatives positions. Reporting banks' positions increased by 5% (\$109 billion) after a decline of 9% (\$202 billion) in the previous quarter, resulting in only 4% growth year-on-year. While the major increase was reported vis-à-vis the United Kingdom (\$60 billion), positions vis-à-vis the United States declined by \$10 billion.
- Contingent liabilities arising from guarantees, which include credit protection sold via credit derivatives, increased to \$4 trillion, with banks in France showing the largest increase (\$156 billion), followed by those in the United States (\$122 billion) and the United Kingdom (\$50 billion).
- Credit commitments (mainly by German, British, Swiss and Dutch banks) rose by 10% during the quarter, largely to borrowers in the euro area (\$99 billion), the United States (\$56 billion) and the United Kingdom (\$42 billion), to stand at \$4 trillion. Increases vis-à-vis Jersey, Mexico and the Cayman Islands were noticeable.

⁵ The increase vis-à-vis Turkey was mainly accounted for by the acquisition of a Turkish bank by a Greek bank.

⁶ About three quarters (ie \$2.5 trillion) of foreign banks' local currency claims in the United States are funded from local currency liabilities in the United States.

⁷ Conceptually, global outward and inward risk transfers are identical. Net risk transfers to entities resident in the home countries of the respective reporting banks become intracountry exposures, however, and are not explicitly reported as inward risk transfers.

Table 1

Cross-border claims and liabilities of BIS reporting banksExchange 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		Stocks at end-Dec 2006
	2006 Q3	2006 Q4	2006 Q3	2006 Q4	2006 Q3	2006 Q4	2006 Q3	2006 Q4	
Total cross-border claims	609	719	114	189	80	95	813	1,023	26,094
By sector									
on banks	267	402	109	97	47	36	431	551	16,565
on non-banks	342	317	5	92	33	59	382	472	9,529
By instrument									
Loans	431	453	89	148	57	51	580	681	18,916
Securities	80	207	20	34	18	13	117	254	5,708
Other stocks	98	59	4	7	4	31	117	87	1,470
By currency									
US dollar	315	353	68	136	33	3	419	499	10,487
Euro	220	220	18	27	12	35	244	284	9,888
Yen	19	-7	-3	-1	3	2	20	-7	835
Other currencies ³	54	153	30	28	31	55	130	247	4,885
<i>Memo: Local claims in foreign currency</i>	-47	79	13	7	11	-15	-24	71	3,288
Total cross-border liabilities	259	275	141	224	143	101	681	680	24,182
By sector									
on banks	209	260	156	156	102	65	574	546	17,827
on non-banks	50	15	-15	67	42	36	107	134	6,354
By instrument									
Deposits	222	218	136	219	142	96	530	527	21,002
Securities	16	20	4	4	1	2	116	121	2,618
Other stocks	21	37	1	1	0	3	35	32	562
By currency									
US dollar	158	119	111	179	93	55	432	387	10,837
Euro	92	79	14	5	30	0	170	119	7,748
Yen	-2	6	-11	-2	-4	11	-13	19	699
Other currencies ²	10	72	27	41	24	35	91	155	4,897

¹ Not adjusted for seasonal effects. ² Including claims on international organisations; excluding claims on residents. ³ 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 ¹	
	2006 Q3	2006 Q4	2006 Q3	2006 Q4	2006 Q3	2006 Q4	2006 Q3	2006 Q4
Foreign claims ²	20,909	21,997	1,734	1,840	2,861	3,147	25,558	27,038
- International claims ³	14,073	15,006	1,417	1,531	1,663	1,788	17,207	18,379
as % of foreign claims	(67.3)	(68.2)	(81.7)	(83.2)	(58.1)	(56.8)	(67.3)	(68.0)
- Local claims ⁴	6,836	6,991	317	309	1,198	1,359	8,351	8,659
as % of foreign claims	(32.7)	(31.8)	(18.3)	(16.8)	(41.9)	(43.2)	(32.7)	(32.0)
Breakdown of international claims by maturity								
- Up to and including one year	7,844	8,154	635	689	792	832	9,289	9,694
- As % of international claims	(55.7)	(54.3)	(44.8)	(45.0)	(47.6)	(46.5)	(54.0)	(52.7)
- Over one year and up to two years	495	542	36	40	79	90	612	674
- As % of international claims	(3.5)	(3.6)	(2.5)	(2.6)	(4.8)	(5.0)	(3.6)	(3.7)
Over two years	3,476	3,828	455	485	600	631	4,545	4,959
- As % of international claims	(24.7)	(25.5)	(32.1)	(31.7)	(36.1)	(35.3)	(26.4)	(27.0)
Unallocated	2,259	2,483	291	316	192	235	2,760	3,051
- As % of international claims	(16.0)	(16.5)	(20.6)	(20.7)	(11.5)	(13.2)	(16.0)	(16.6)
Risk transfers ⁵								
Inward risk transfers	1,232	1,192	53	59	109	116	1,399	1,370
Outward risk transfers	1,031	1,019	293	300	200	199	1,526	1,521
Net risk transfers	272	252	-461	-476	-191	-192	-386	-426
Foreign claims ⁶	21,181	22,249	1,273	1,364	2,670	2,955	25,172	26,612
Of which: Domestically owned banks	17,745	18,618	1,197	1,281	2,454	2,739	21,447	22,688

¹ Includes 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**

In billions of US dollars

	Vis-à-vis developed countries		Vis-à-vis offshore centres		Vis-à-vis emerging markets		Total ¹	
	2006 Q3	2006 Q4	2006 Q3	2006 Q4	2006 Q3	2006 Q4	2006 Q3	2006 Q4
<i>Memo: Foreign claims of domestically owned banks (after net risk transfers reported by 26 countries, Table 2)</i>	(17,745)	(18,618)	(1,197)	(1,281)	(2,454)	(2,739)	(21,447)	(22,688)
Foreign claims after net risk transfers (24 countries) ²	17,448	18,304	1,176	1,258	2,436	2,721	21,106	22,326
Of which: local claims	7,442	7,665	374	377	1,366	1,541	9,197	9,600
As % of foreign claims	(42.7)	(41.9)	(31.8)	(30.0)	(56.1)	(56.6)	(43.6)	(43.0)
By sector								
-Banks	5,295	5,610	144	162	528	569	5,978	6,350
As % of foreign claims	(30.3)	(30.6)	(12.3)	(12.9)	(21.7)	(20.9)	(28.3)	(28.4)
-Public sector	3,078	3,054	62	59	537	585	3,711	3,732
As % of foreign claims	(17.6)	(16.7)	(5.3)	(4.7)	(22.1)	(21.5)	(17.6)	(16.7)
-Non-bank private sector	8,907	9,476	961	1,031	1,354	1,544	11,231	12,063
As % of foreign claims	(51.1)	(51.8)	(81.7)	(82.0)	(55.6)	(56.7)	(53.2)	(54.0)
-Unallocated	167	164	8	5	17	22	186	182
As % of foreign claims	(1.0)	(0.9)	(0.7)	(0.4)	(0.7)	(0.8)	(0.9)	(0.8)
Other exposures								
Derivatives contracts ³	1,975	2,067	87	98	77	82	2,144	2,253
Guarantees extended	3,108	3,551	178	173	276	304	3,570	4,033
Credit commitments ⁴	2,852	3,079	413	479	388	450	3,662	4,029

¹ Including positions vis-à-vis international organisations and unallocated. ² Based on data of domestically owned banks in 24 countries which submitted both sets of data in 2006 Q3 and 2006 Q4 and also provided data on risk transfers, and a detailed breakdown of foreign claims and contingent exposures. ³ Excluding Austria and Chile. Positive market values only. ⁴ Excluding Chile.

Breaks in series and major data revisions processed in 2006 Q4

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

Locational by residence banking statistics			Assets	Liabilities
Breaks in series¹			USD billions	
Q4 2006	All countries	Begin reporting vis-à-vis Serbia, Montenegro and Residual Former Serbia and Montenegro	—	—
Q4 2006	Netherlands	Debalancing of cash pooling at one reporting bank	32	26
Data revisions of previous quarters				
Q1 2006	Sweden	Revision	—	0.4
Q2 2006	Sweden	Revision	-5.6	-1.2
Q3 2006	Sweden	Revision	—	0.4
Q2 2006	Spain	Revision	—	-54.5

Locational by nationality banking statistics			Assets	Liabilities
Breaks in series¹			USD billions	
Q4 2006	Germany	Reclassification of nationality of reporting banks	—	—
Q4 2006	Switzerland	Reclassification of nationality of reporting banks	—	—
Q4 2006	Panama	Reclassification of nationality of reporting banks	—	—
Q4 2006	Greece	Reclassification of nationality of reporting banks	—	—
Q4 2006	Turkey	Reclassification of nationality of reporting banks	—	—
Q4 2006	Netherlands	Debalancing of cash pooling at one reporting bank	21	21
Q3 2006	United States	Reclassification of nationality of reporting banks	—	—
Data revisions of previous quarters				
Q1 2006	Sweden	Revision	—	0.4
Q2 2006	Sweden	Revision	-21.1	-25.0
Q3 2006	Sweden	Revision	—	0.4

Consolidated statistics on an immediate borrower basis

Breaks in series ¹			Changes in international claims (USD bn)
Quarter	Reporting countries	Details	
2006 Q4	All reporting countries	Begin reporting vis-à-vis Serbia, Montenegro and Residual Former Serbia and Montenegro	-
2006 Q4	Germany	Nationality of Greek bank changed to French; two Polish subsidiaries acquired by Italian bank	-16.2
2006 Q4	Greece	A Greek bank acquired a Turkish bank, and Cypriot banks acquired two Greek banks	5.5
2006 Q4	Panama	Acquisition of a domestic bank by a British bank and nationality changes of an outside foreign bank to inside area foreign bank	-2.0
2006 Q4	Turkey	A Turkish bank acquired by a Greek bank	-1.5

Data revisions			Changes in international claims (USD bn)
2006 Q3	Ireland	Revisions from reporting banks	-31.2
2005 Q4 to 2006 Q3	Japan	Revisions from reporting banks	Between 0 and +1
2006 Q3	Norway	Revisions from reporting banks	+2.8
2006 Q1 to 2006 Q3	Turkey	Revisions from reporting banks	Between 0 and +1
2006 Q2	Switzerland	Revisions from reporting banks	0.6

Consolidated statistics on an ultimate risk basis

Breaks in series ¹			Changes in foreign claims (USD bn)
2006 Q4	All reporting countries	Begin reporting vis-à-vis Serbia, Montenegro and Residual Former Serbia and Montenegro	-
2006 Q4	Greece	A Greek bank acquired a Turkish bank, and Cypriot banks acquired two Greek banks	14.2
2006 Q4	Turkey	A Turkish bank acquired by a Greek bank	-1.2

Data revisions			Changes in foreign claims (USD bn)
2006 Q3	Finland	Revisions from reporting banks for derivatives and credit commitments	Between -1 and 0
2005 Q4 to 2006 Q3	Japan	Revisions from reporting banks	Between 0 and +1
2006 Q3	Norway	Revisions from reporting banks	-2.5
2006 Q1 to 2006 Q3	Turkey	Revisions from reporting banks	Between 0 and +1

¹ Please refer to the document at www.bis.org/statistics/breakstables.pdf for historical breaks in series.