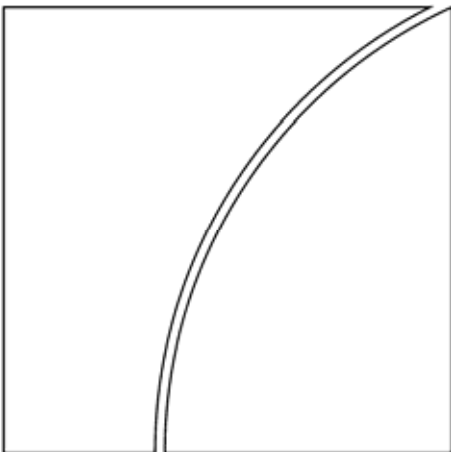




BANK FOR INTERNATIONAL SETTLEMENTS

Monetary and Economic
Department

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



July 2007

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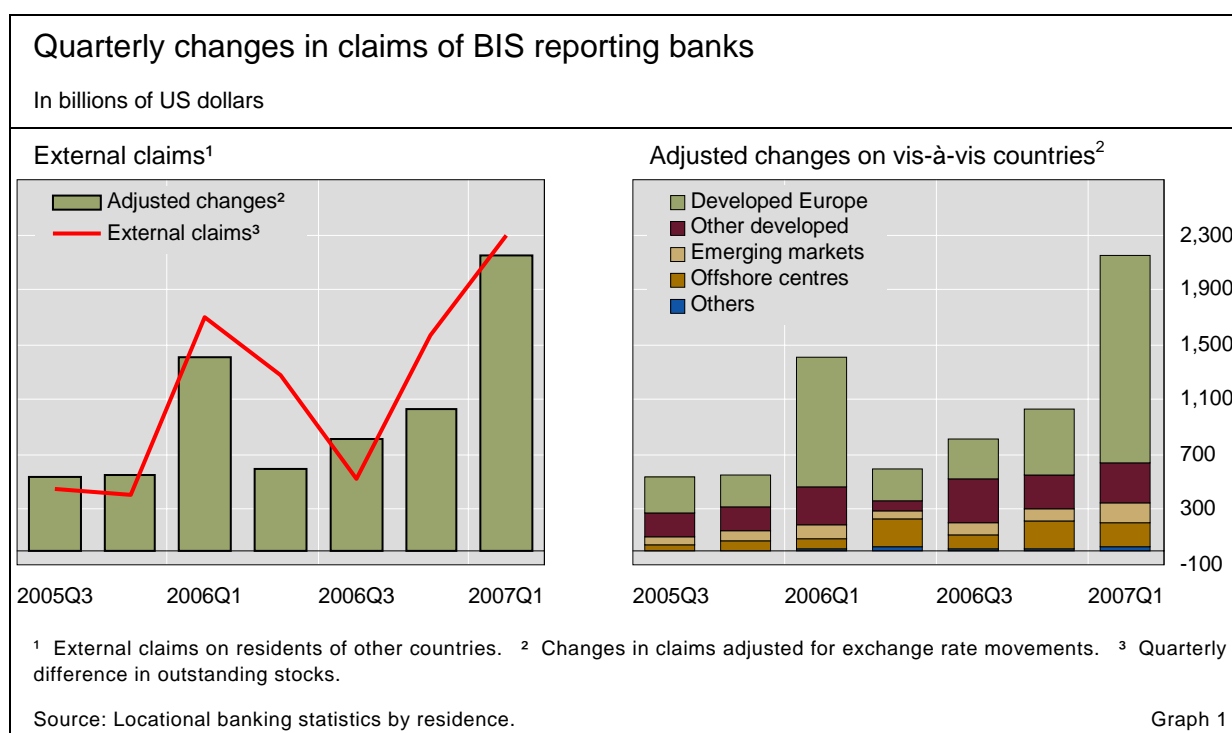
Release of preliminary locational and consolidated banking statistics

First quarter 2007

Data for the first quarter 2007 are provisional, but revisions to the final data have been minor in the past. An analysis of the trends identified in the final data will be published in the forthcoming BIS Quarterly Review, to be released on 3 September 2007.

Locational banking statistics (Table 1)

In the first quarter of 2007 the external claims of BIS reporting banks surged again. Following a \$1.0 trillion rise in the previous quarter, external claims increased by \$2.1 trillion, or 8% (20% on a year-on-year basis), to stand at \$28.5 trillion. External liabilities advanced by \$2 trillion, or 19% on a year-on-year basis (9% on a quarterly basis). Such annual growth rates were last seen in the late 1980s.

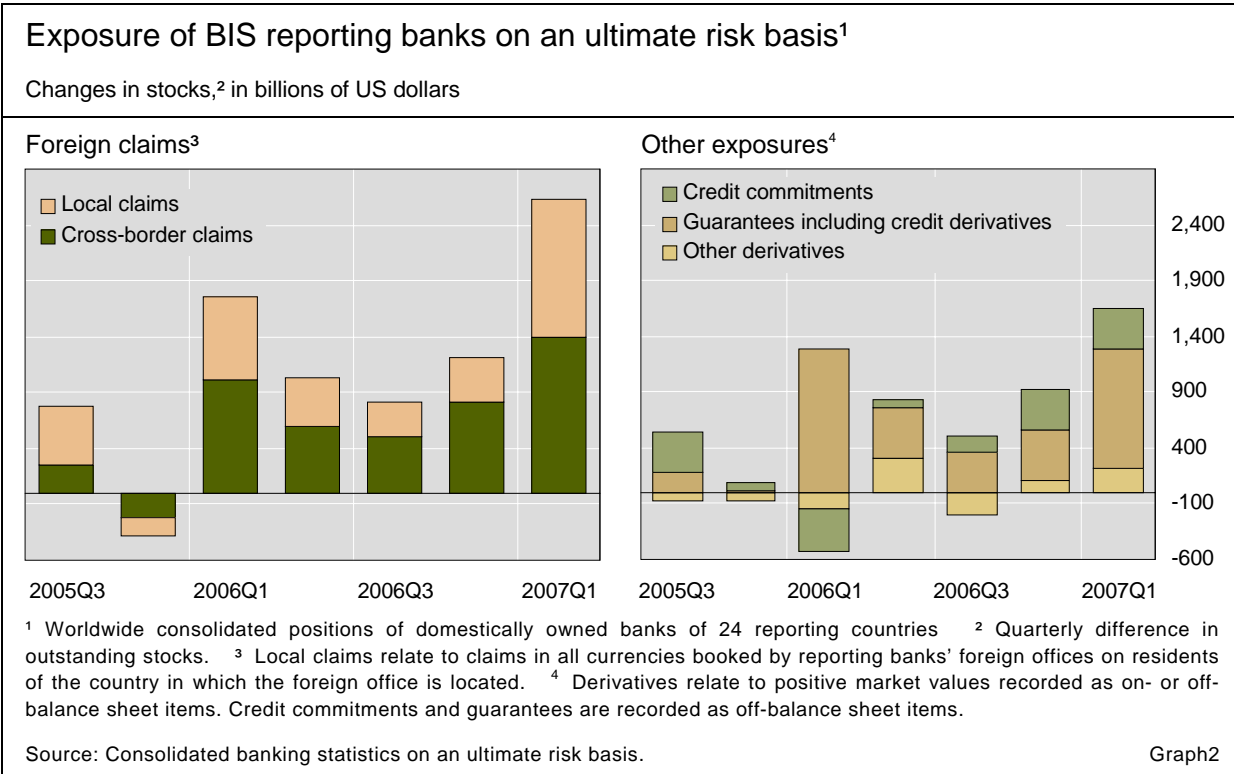


- Around 75% of the new claims and liabilities were interbank-related. Most of the rise in external claims was on economies in developed Europe (Graph 1, right-hand panel), where growth in new loans more than tripled, while accumulation of debt securities assets actually slowed. Most of these interbank credits were extended by banks in European countries (and, to some extent, the United States), mainly to banks in the United Kingdom, Switzerland, France, Ireland and Germany.
- Euro-denominated assets and liabilities showed the greatest increases in new activity, with growth rates about twice those of dollar-denominated instruments.
- Local bank lending in foreign currencies to residents of reporting countries grew by a robust 10% (14% on an annual basis).

Consolidated banking statistics (Tables 2 and 3)

The stock of BIS reporting banks' consolidated worldwide foreign claims on an immediate borrower basis¹ increased by \$2.7 trillion in the first quarter of 2007 (27% year-on-year), to stand at \$29.7 trillion.²

On an ultimate risk basis, after taking into account net risk transfers reported by 24 countries, the foreign claims of domestically owned banks increased by \$2.6 trillion (+12%, or 26% year-on-year), of which local claims in all currencies grew by 13%, or 28% year-on-year (Graph 2, left-hand panel). Other exposures rose by \$1.7 trillion, most of which (\$1.1 trillion) was due to increased guarantees, which include credit protection sold via credit derivatives (Graph 2, right-hand panel).



- On an *immediate borrower basis*, Italian, French and UK banks reported the largest rise in foreign claims (\$651 billion, \$336 billion and \$308 billion respectively) in the first quarter of 2007, followed by banks with head offices in Germany (\$293 billion), Switzerland (\$224 billion), the Netherlands (\$196 billion), the United States (\$173 billion) and Belgium (\$124 billion). A large increase in the claims of Italian

¹ 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-located banks' claims on residents of their own home country are excluded from the consolidated data.

² In the quarter under review, the US dollar declined by 2% against the euro. 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.

banks was mostly due to the inclusion of new foreign subsidiaries (\$622 billion),³ of which \$322 billion were classified as new claims on Germany.

- The change in reporting by Italian banks accounted for about 50% of the total \$106 billion increase in claims on emerging markets in Europe. Claims on emerging market countries in Asia rose by \$89 billion (of which South Korea \$31 billion, China \$18 billion and India \$17 billion). Claims on Latin America stagnated as the main lenders to the region (Spanish and US banks) reduced their claims.
- Overall, short-term claims with a residual maturity of one year or less increased by \$1.2 trillion, or 24% year-on-year. The change was concentrated mainly on developed countries, whose share of short-term claims rose from 54% to 56% in the first quarter.
- On an *ultimate risk basis*, ie after net risk transfers, borrowers in developed countries accounted for about 87% of the total growth in claims. Among emerging markets, Europe attracted 53% of the total increase (\$136 billion, of which \$76 billion were claims on the non-bank private sector), followed by Asia at 30% (\$76 billion).
- There was a record increase of \$290 billion in local currency claims on residents of the United States, due to lending by UK (\$77 billion), French (\$57 billion), Swiss (\$60 billion) and Dutch (\$35 billion) banks, while local sterling claims by foreign banks on residents of the United Kingdom rose by \$84 billion.
- UK (\$91 billion) and German (\$75 billion) banks reported the largest increases in the positive market value of their other derivatives positions. Overall, these positions rose in aggregate by 9% (\$208 billion). Major increases were reported (mainly by European banks) vis-à-vis the United States (\$72 billion) and the United Kingdom (\$35 billion).
- Contingent liabilities arising from guarantees, which, as noted above, include credit protection sold via credit derivatives, grew by 26% (\$1.1 trillion) to \$5.1 trillion, with the largest increase (\$425 billion or +37%) in liabilities being to counterparties in the United Kingdom, followed by those in the United States (\$231 billion or +27%) and Germany (\$100 billion).

³ Changes for 2007Q1 in consolidated statistics discussed in this commentary include impact due to breaks in series.

Table 1

External 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-Mar 2007 |
|---|-------------------------------|---------|----------------------------|---------|--------------------------------|---------|--------------------------------------|---------|------------------------|
| | 2006 Q4 | 2007 Q1 | 2006 Q4 | 2007 Q1 | 2006 Q4 | 2007 Q1 | 2006 Q4 | 2007 Q1 | |
| Total external claims | 724 | 1,789 | 196 | 171 | 95 | 155 | 1,036 | 2,144 | 28,467 |
| By sector | | | | | | | | | |
| on banks | 377 | 1,343 | 93 | 126 | 35 | 104 | 521 | 1,604 | 18,241 |
| on non-banks | 347 | 446 | 104 | 45 | 60 | 51 | 514 | 541 | 10,227 |
| By instrument | | | | | | | | | |
| Loans | 455 | 1,532 | 155 | 133 | 51 | 106 | 690 | 1,768 | 20,858 |
| Securities | 211 | 139 | 34 | 26 | 13 | 26 | 259 | 195 | 5,949 |
| Other stocks | 58 | 119 | 7 | 12 | 31 | 23 | 87 | 182 | 1,661 |
| By currency | | | | | | | | | |
| US dollar | 363 | 527 | 143 | 99 | 4 | 64 | 517 | 686 | 11,258 |
| Euro | 219 | 730 | 27 | 21 | 34 | 14 | 282 | 779 | 10,792 |
| Yen | -8 | 45 | -2 | 15 | 2 | 7 | -8 | 68 | 913 |
| Other currencies ³ | 150 | 488 | 28 | 37 | 55 | 69 | 245 | 611 | 5,504 |
| <i>Memo: Local claims in foreign currency</i> | 79 | 309 | 9 | 21 | -15 | 17 | 73 | 347 | 3,653 |
| Total external liabilities | 305 | 1,504 | 228 | 161 | 104 | 100 | 717 | 1,989 | 26,579 |
| By sector | | | | | | | | | |
| on banks | 265 | 1,127 | 159 | 125 | 68 | 75 | 555 | 1,515 | 19,490 |
| on non-banks | 40 | 376 | 69 | 36 | 36 | 25 | 161 | 474 | 7,089 |
| By instrument | | | | | | | | | |
| Deposits | 250 | 1,475 | 224 | 145 | 99 | 97 | 567 | 1,775 | 23,176 |
| Securities | 15 | 10 | 3 | 10 | 2 | 0 | 116 | 161 | 2,782 |
| Other stocks | 39 | 19 | 1 | 6 | 3 | 3 | 34 | 53 | 621 |
| By currency | | | | | | | | | |
| US dollar | 152 | 544 | 184 | 80 | 57 | 56 | 427 | 710 | 11,843 |
| Euro | 75 | 491 | 5 | 27 | 1 | 21 | 115 | 619 | 8,458 |
| Yen | 6 | 54 | -2 | 6 | 11 | 2 | 19 | 71 | 781 |
| Other currencies ² | 72 | 414 | 41 | 48 | 35 | 21 | 156 | 588 | 5,497 |

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 Q4 | 2007 Q1 | 2006 Q4 | 2007 Q1 | 2006 Q4 | 2007 Q1 | 2006 Q4 | 2007 Q1 |
| Foreign claims ² | 22,031 | 24,419 | 1,836 | 1,928 | 3,121 | 3,347 | 27,043 | 29,747 |
| - International claims ³ | 15,027 | 16,519 | 1,527 | 1,604 | 1,766 | 1,879 | 18,375 | 20,054 |
| as % of foreign claims | (68.2) | (67.6) | (83.2) | (83.2) | (56.6) | (56.1) | (67.9) | (67.4) |
| - Local claims ⁴ | 7,004 | 7,901 | 309 | 324 | 1,355 | 1,468 | 8,668 | 9,692 |
| as % of foreign claims | (31.8) | (32.4) | (16.8) | (16.8) | (43.4) | (43.9) | (32.1) | (32.6) |
| Breakdown of international claims by maturity | | | | | | | | |
| - Up to and including one year | 8,160 | 9,289 | 687 | 728 | 827 | 879 | 9,695 | 10,912 |
| - As % of international claims | (54.3) | (56.2) | (45.0) | (45.4) | (46.8) | (46.8) | (52.8) | (54.4) |
| - Over one year and up to two years | 536 | 606 | 40 | 45 | 89 | 95 | 667 | 748 |
| - As % of international claims | (3.6) | (3.7) | (2.6) | (2.8) | (5.0) | (5.0) | (3.6) | (3.7) |
| Over two years | 3,842 | 3,988 | 484 | 514 | 620 | 665 | 4,961 | 5,183 |
| - As % of international claims | (25.6) | (24.1) | (31.7) | (32.0) | (35.1) | (35.4) | (27.0) | (25.8) |
| Unallocated | 2,489 | 2,635 | 315 | 317 | 230 | 240 | 3,052 | 3,212 |
| - As % of international claims | (16.6) | (16.0) | (20.6) | (19.7) | (13.0) | (12.8) | (16.6) | (16.0) |
| Risk transfers ⁵ | | | | | | | | |
| Inward risk transfers | 1,230 | 1,329 | 59 | 67 | 116 | 127 | 1,409 | 1,526 |
| Outward risk transfers | 1,054 | 1,082 | 300 | 330 | 199 | 226 | 1,556 | 1,640 |
| Net risk transfers | 256 | 320 | -475 | -501 | -193 | -222 | -422 | -412 |
| Foreign claims ⁶ | 22,286 | 24,739 | 1,361 | 1,427 | 2,929 | 3,124 | 26,621 | 29,335 |
| Of which: Domestically owned banks | 18,649 | 20,957 | 1,278 | 1,360 | 2,716 | 2,972 | 22,692 | 25,338 |

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 Q4 | 2007 Q1 | 2006 Q4 | 2007 Q1 | 2006 Q4 | 2007 Q1 | 2006 Q4 | 2007 Q1 |
| <i>Memo: Foreign claims of domestically owned banks (after net risk transfers reported by 26 countries, Table 2)</i> | (18,649) | (20,957) | (1,278) | (1,360) | (2,716) | (2,972) | (22,692) | (25,338) |
| Foreign claims after net risk transfers (24 countries) ² | 18,335 | 20,624 | 1,255 | 1,334 | 2,697 | 2,951 | 22,330 | 24,953 |
| Of which: local claims | 7,675 | 8,742 | 377 | 395 | 1,535 | 1,683 | 9,605 | 10,833 |
| As % of foreign claims | (41.9) | (42.4) | (30.0) | (29.6) | (56.9) | (57.0) | (43.0) | (43.4) |
| By sector | | | | | | | | |
| -Banks | 5,641 | 6,388 | 160 | 184 | 561 | 631 | 6,371 | 7,211 |
| As % of foreign claims | (30.8) | (31.0) | (12.8) | (13.8) | (20.8) | (21.4) | (28.5) | (28.9) |
| -Public sector | 3,057 | 3,219 | 59 | 61 | 582 | 632 | 3,732 | 3,953 |
| As % of foreign claims | (16.7) | (15.6) | (4.7) | (4.6) | (21.6) | (21.4) | (16.7) | (15.8) |
| -Non-bank private sector | 9,472 | 10,836 | 1,030 | 1,078 | 1,531 | 1,665 | 12,045 | 13,590 |
| As % of foreign claims | (51.7) | (52.5) | (82.1) | (80.9) | (56.8) | (56.4) | (53.9) | (54.5) |
| -Unallocated | 165 | 182 | 6 | 10 | 22 | 24 | 183 | 200 |
| As % of foreign claims | (0.9) | (0.9) | (0.4) | (0.7) | (0.8) | (0.8) | (0.8) | (0.8) |
| Other exposures | | | | | | | | |
| Derivatives contracts ³ | 2,058 | 2,235 | 93 | 109 | 77 | 92 | 2,234 | 2,443 |
| Guarantees extended | 3,569 | 4,566 | 171 | 200 | 298 | 345 | 4,046 | 5,115 |
| Credit commitments ⁴ | 3,086 | 3,371 | 479 | 500 | 448 | 521 | 4,025 | 4,401 |

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 Q4 and 2007 Q1 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 2007Q1

The changes in locational statistics discussed in the commentary are corrected for the impact of breaks in series .

| Locational by residence banking statistics | | | Assets | Liabilities |
|--|----------------------------------|--|---------------------|--------------------|
| Breaks in series¹ | | | USD billions | |
| 2006 Q2 | United States | Inclusion of previously omitted reporting on brokerage balances and repurchase/resale agreements | 76.6 | 243.2 |
| 2007 Q1 | Greece | Improved vis-à-vis country breakdown | — | — |
| Data revisions of previous quarters² | | | | |
| 2006 Q1 | Japan | Revision | 3.0 | 3.3 |
| 2006 Q4 | Cayman Islands | Revision | 10.3 | 10.0 |
| 2006 Q2 | International Banking Facilities | Revision | — | 1.8 |
| 2006 Q2 | United States | Revision | 73.6 | 238.8 |
| 2006 Q3 | United States | Revision | 73.4 | 262.8 |
| 2006 Q4 | United States | Revision | 77.5 | 292.0 |

| Locational by nationality banking statistics | | | Assets | Liabilities |
|--|----------------|--|---------------------|--------------------|
| Breaks in series¹ | | | USD billions | |
| 2007 Q1 | Germany | Reclassification of nationality of reporting banks | — | — |
| 2007 Q1 | Chile | Reclassification of nationality of reporting banks | — | — |
| 2007 Q1 | Turkey | Reclassification of nationality of reporting banks | — | — |
| 2006 Q2 | United States | Inclusion of previously omitted reporting on brokerage balances and repurchase/resale agreements | 76.7 | 243.1 |
| Data revisions of previous quarters² | | | | |
| 2006 Q4 | Belgium | Revision | -0.1 | -0.1 |
| 2006 Q1 | Japan | Revision | 3.0 | 3.3 |
| 2006 Q4 | Cayman Islands | Revision | 10.2 | 10.5 |
| 2006 Q2 | United States | Revision | 76.7 | 243.1 |
| 2006 Q3 | United States | Revision | 74.4 | 264.1 |
| 2006 Q4 | United States | Revision | 77.5 | 292.0 |

Consolidated statistics on an immediate borrower basis

Changes for 2007Q1 in consolidated statistics discussed in the commentary include impact due to breaks in series.

Breaks in series¹

| Quarters | Reporting countries | Details | Change in amount (USD billions) | |
|----------|---------------------|---|---------------------------------|--------|
| | | | International claims | Others |
| 2007 Q1 | Germany | Reclassification of foreign subsidiaries from outside area foreign banks to inside area foreign bank. | -320.2 | - |
| 2007 Q1 | Italy | Inclusion of new foreign subsidiaries as domestic bank under Italian parent | 621.8 | - |

Data revisions²

| Quarters | Reporting countries | Details | | |
|----------|---------------------|---|------|---|
| 2006 Q4 | France | Revisions from reporting banks | -5.4 | - |
| 2006 Q4 | Ireland | Revisions due to reallocation of maturity breakdown | 1.1 | - |
| 2006 Q3 | Norway | Revisions from reporting banks | 2.4 | - |
| 2006 Q4 | Switzerland | Revisions from reporting banks | -4.0 | - |

Consolidated statistics on an ultimate risk basis

Breaks in series¹

| Quarters | Reporting countries | Details | Change in amount (USD billions) | |
|----------|---------------------|--|---------------------------------|--------|
| | | | Foreign claims | Others |
| 2007 Q1 | Austria | Starts reporting derivatives positions. | - | 31.5 |
| 2007 Q1 | Italy | Inclusion of new foreign subsidiaries as domestic bank under Italian parent. | 621.8 | - |
| | | Derivatives | | 26.7 |
| | | Guarantees | | 248.1 |
| | | Credit commitments | | 78.6 |

Data revisions²

| Quarters | Reporting countries | Details | | |
|----------|---------------------|--|-------|-------|
| 2006 Q3 | Canada | Revisions from reporting banks – sector reallocation | 6.0 | - |
| | | Credit commitments | - | -4.2 |
| 2006 Q4 | France | Revisions from reporting banks | 7.6 | - |
| | | Guarantees | - | 12.2 |
| 2006 Q1 | Norway | Revisions from reporting banks for derivatives | - | -7.6 |
| 2006 Q2 | Norway | Revisions from reporting banks | -10.7 | - |
| 2006 Q3 | Norway | Revisions from reporting banks | 2.4 | - |
| | | Derivatives | | -11.3 |
| | | Guarantees | | 0.5 |
| | | Credit commitments | | 5.6 |
| 2006 Q4 | Norway | Revisions from reporting banks for derivatives | - | -12.7 |
| 2006 Q4 | Switzerland | Revisions from reporting banks | -4.0 | - |

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