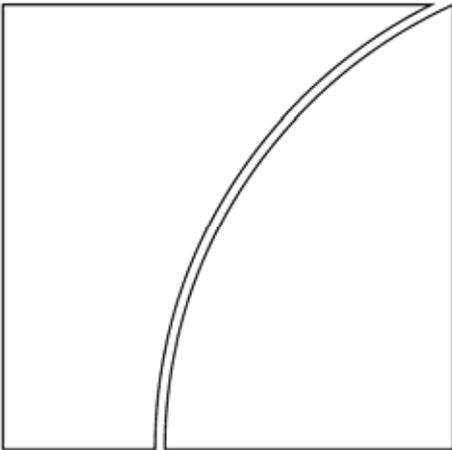




BANK FOR INTERNATIONAL SETTLEMENTS

Monetary and Economic
Department

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



January 2008

Queries concerning this release should be addressed to the authors listed below:

Statistical commentary:	Karsten von Kleist e-mail: karsten.von-kleist@bis.org	tel: +41 61 280 8408
Locational banking statistics (data):	Sebastian Görlich e-mail: sebastian.goerlich@bis.org	tel: +41 61 280 8410
Consolidated banking statistics (data):	Swapan Pradhan e-mail: swapan-kumar.pradhan@bis.org	tel: +41 61 280 8491

Bank for International Settlements
Monetary and Economic Department
CH-4002 Basel, Switzerland

Fax: +41 61 280 9100 and +41 61 280 8100

This publication is available on the BIS website only (www.bis.org).

© Bank for International Settlements 2008. All rights reserved. Brief excerpts may be reproduced or translated provided the source is cited.

Release of preliminary locational and consolidated banking statistics

Third quarter 2007

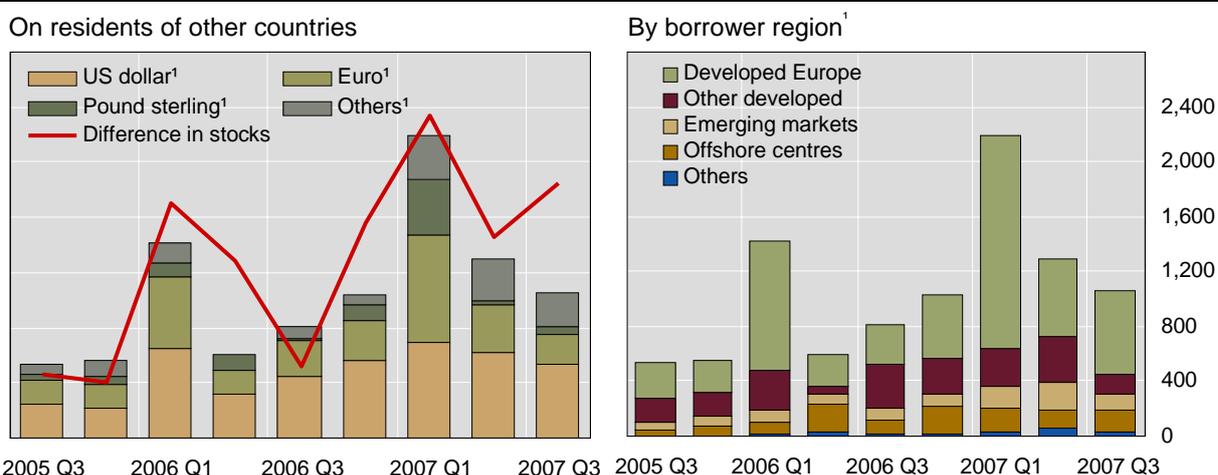
Data for the third quarter 2007 are provisional. Final data with revisions to historical and current quarter data will be published with an analysis of the trends in the forthcoming *BIS Quarterly Review*, due on 3 March 2008.

Locational banking statistics¹ (Table 1)

In the third quarter of 2007 the expansion of BIS reporting banks' external claims continued to slow for a second consecutive quarter. Adjusted for exchange rate changes, underlying external claims increased by only \$1.1 trillion to \$31.8 trillion² (+3.5%, compared to +4.5% in the second quarter). The contraction in new credit affected mainly non-banks, while there were compensating shifts in claims on banks between some financial centres. External liabilities also advanced by \$1 trillion, with the share of interbank liability funding climbing to 74% from 64% in the previous quarter.

Quarterly changes in claims of BIS reporting banks

In billions of US dollars



¹ Adjusted for exchange rate movements by currency; "Others" includes JPY and CHF.

Source: Locational banking statistics by residence.

Graph 1

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.

² Exchange rate movements increased the US dollar valuation of outstanding yen- and euro-denominated stocks by 7% and 5% respectively during the quarter.

- The slowdown in new credits was largely accounted for by claims on non-banks, mainly in the United States, the United Kingdom and emerging economies (–69%, –95% and –48% respectively); new claims on non-banks in offshore centres went up by 76%. New claims on banks were unchanged in aggregate, as the contraction in new claims on banks in the euro area (–28%) and the United States (–38%) was more than offset by a threefold increase in claims on the United Kingdom. Overall, bank credit growth to the United States dropped by 57%, from \$278 billion to \$118 billion, while that to emerging economies fell by 41% (Graph 1, right-hand panel).
- The share of banks' investment in debt securities dropped back to 12% of all new assets, after reaching 19% in the second quarter.
- New dollar-denominated cross-border lending was maintained at a high level (\$490 billion), while credit (and funding) in euros dropped again from the already low level of the previous quarter, as did that in yen. New credit in sterling and Swiss francs almost tripled, albeit from very low levels in the previous quarter. Banks' liabilities in sterling increased by \$121 billion, while new yen liabilities slowed down to \$52 billion; in contrast, funding in Swiss francs almost came to a standstill (\$2 billion).
- Banks' local foreign currency lending to *residents* (memo item in Table 1) increased by 12% during the quarter, mainly in US dollars and yen, while new lending in euros and other foreign currencies almost dried up. New local deposits in foreign currencies, all in US dollars, fell from \$153 to \$67 billion.

Consolidated banking statistics³

The stock of BIS reporting banks' consolidated worldwide foreign claims on an *immediate borrower basis* increased by \$1.6 trillion in the third quarter of 2007 (5%, or 29% year-on-year) to stand at \$32.9 trillion (Graph 2, left-hand panel). As in the case of the locational data, these numbers overstate underlying growth due to the foreign exchange valuation during the quarter of outstanding credits denominated in euros and yen, implying that the underlying increase in bank credit during the quarter was closer to 3%.

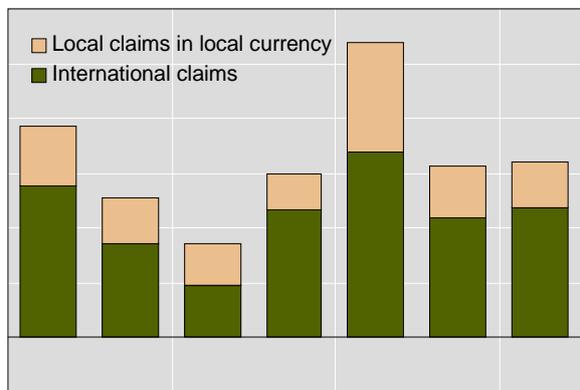
After taking into account net risk transfers related to guarantees and collateral, ie on an *ultimate risk basis*, the foreign claims of domestically owned banks (reported by 24 countries) increased by \$1.3 trillion (5%, or 30% year-on-year), of which local claims in all currencies grew by 4% (29% year-on-year). There was a rise of \$1.6 trillion in other exposures, most of which (\$1.2 trillion) was the result of increased guarantees, which include credit protection sold via credit derivatives (compared to \$0.6 trillion in the previous quarter), while new credit commitments came to a standstill (Graph 3, right-hand panel).

³ 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. There is no currency breakdown for the consolidated data.

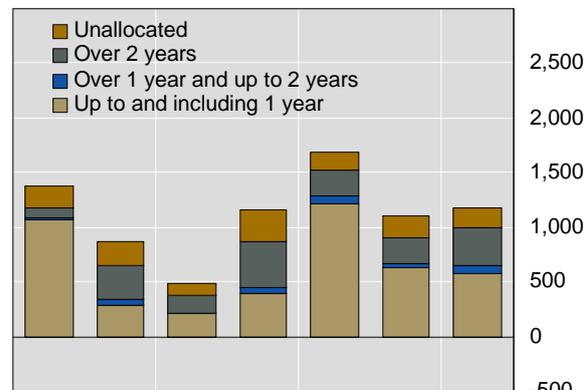
Exposure of BIS reporting banks on an immediate borrower basis¹

Changes in stocks², 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.

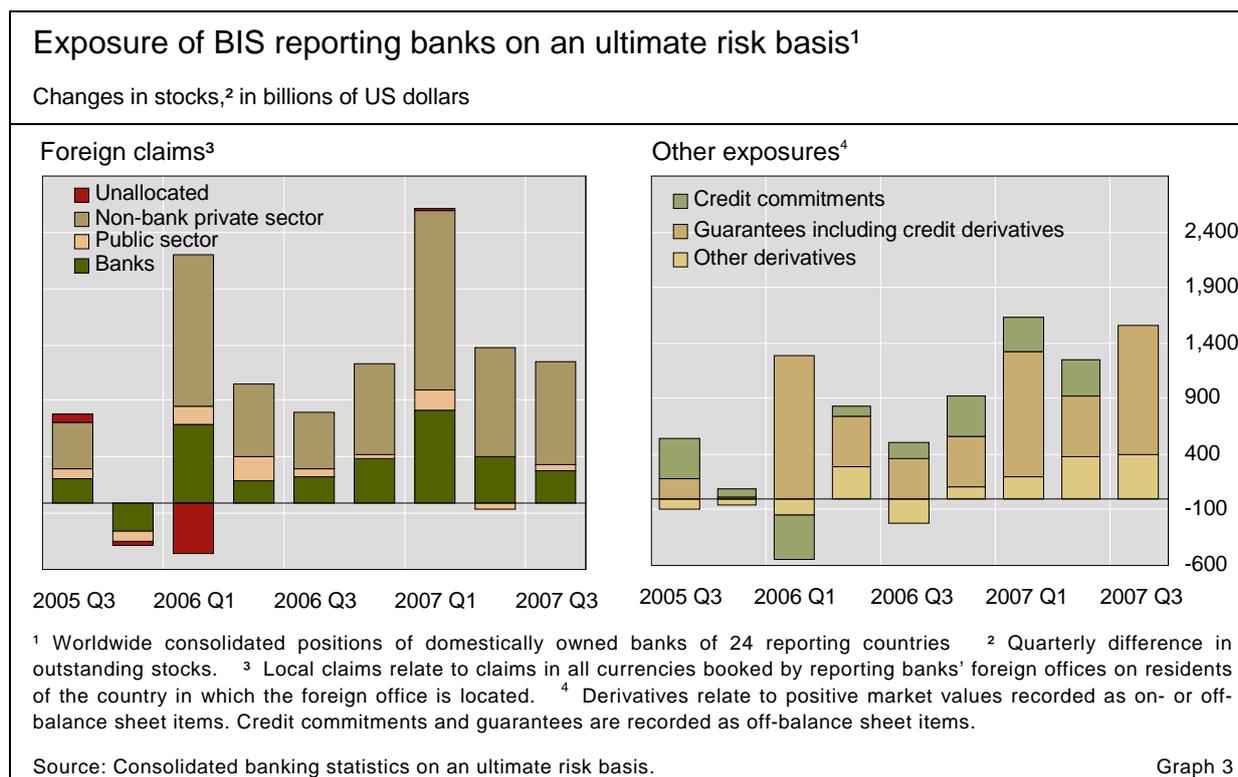
Graph 2

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

- The *maturity distribution* of bank's credits was largely unchanged from the previous quarter (Graph 2, right-hand panel). UK and Swiss banks increased short-term lending by \$108 billion and \$69 billion respectively. French banks' long-term lending (maturity greater than two years) grew by \$70 billion.
- British, German, Japanese and French banks reported the largest rise in foreign claims in the third quarter of 2007 (\$400 billion, \$149 billion, \$145 billion and \$138 billion respectively), followed by banks with head offices in the Netherlands (\$88 billion), Spain (\$77 billion) and Austria (\$46 billion). These figures are not adjusted for exchange rate effects.
- Claims on developed countries accounted for 70% of the growth in total foreign claims. These credit claims were mainly on European countries (\$943 billion), with the increase mainly accounted for by the United Kingdom (\$156 billion), Ireland (\$114 billion), Germany (\$107 billion) and France (\$96 billion), followed by Australia (\$48 billion) and the United States (\$46 billion, down from a \$120 billion increase in the second quarter). The rest of the increase in claims was due largely to lending to developing countries and offshore centres (20% and 10% respectively).
- Claims on emerging market countries moderated after the record increase in the previous quarter. Claims on emerging Europe rose by \$141 billion (of which Russia \$28 billion, Poland \$24 billion and the Czech Republic \$20 billion). Euro area banks accounted for \$112 billion, of which Austrian banks, as main lenders to the region, accounted for \$27 billion, followed by Italian banks (\$17 billion).
- Claims on Asia rose by \$84 billion (of which China \$34 billion, Korea \$21 billion and India \$20 billion), while claims on Malaysia declined by \$3 billion. The main lenders

to the region are US and Dutch banks (which increased their claims by \$30 billion and \$17 billion respectively).

- Claims on Latin America rose by \$47 billion after a near record increase of \$78 billion in the second quarter and stagnation in the first (\$5 billion). Claims on Brazil expanded by \$19 billion, followed by those on Mexico (\$8 billion). Main lenders to the region were Spanish (\$9 billion) and French banks (\$5 billion).
- Claims on the Middle East and Africa rose modestly by \$37 billion (United Arab Emirates \$12 billion, followed by South Africa and Saudi Arabia, each with an increase of \$7 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, the sectoral distribution of new claims was largely unchanged from the previous quarter, although lending to the private non-bank sector increased marginally at the expense of lending to banks, mainly in offshore centres (Graph 3, left-hand panel). As noted above, exchange rate developments in outstanding non-US dollar-denominated stocks imply that actual increases in credit accounted for only about half of the reported increase in amounts outstanding.
- Banks' contingent liabilities arising from *guarantees*, which include credit protection sold via credit derivatives, grew by 20% (or \$1.2 trillion) during the quarter to \$6.9 trillion (Graph 3, right-hand panel). The largest increase (\$452 billion or +23%) was reported by US banks, followed by Swiss and French banks with around \$175 billion. Guarantees vis-à-vis residents of the United Kingdom increased by \$451 billion (26%). German, Swiss and UK banks reported the largest increases (each close to \$100 billion) in the positive market value of their "other" derivative positions. Overall, positive market values rose in aggregate by 15% (\$404 billion).

- *Credit commitments* did not increase on balance, since \$72 billion and \$53 billion declines reported by Swiss and Dutch banks offset smaller increases reported by other countries, including growth of \$41 billion reported by Spain.
- Borrowers in developed countries accounted for \$799 billion (or about 64%, the same as in the previous quarter, against 70% on an immediate borrower basis) of the total growth in claims, down from 90% in the first quarter of 2007. The share of claims on emerging economies declined to 23% (28% in the second quarter and 7% in the first quarter).
- With a total increase of \$293 billion, the main lenders to emerging markets were UK (+\$71 billion or 24%), Dutch (+\$28 billion), Austrian (+\$27 billion), US (+\$24 billion) and German banks (+\$23 billion). Among emerging markets, Europe attracted 44% of the total increase (\$128 billion), followed by Asia at 31% (\$90 billion).
- Local claims⁴ (in all currencies) on residents increased the most for Belgium (+\$45 billion), followed by Italy (+\$33 billion), Germany (+\$32 billion), Australia (+\$32 billion) and the United Kingdom (+\$27 billion), while local claims on the United States fell by a further \$26 billion, following a \$36 billion decline in the second quarter of 2007.

⁴ 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 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-September 2007
	2007 Q2	2007 Q3	2007 Q2	2007 Q3	2007 Q2	2007 Q3	2007 Q2	2007 Q3	
Total external claims	897	755	133	154	201	118	1,293	1,059	31,821
By sector									
on banks	462	558	82	64	96	63	699	692	20,294
on non-banks	434	197	51	90	106	55	594	367	11,527
By instrument									
Loans	615	628	91	103	155	97	911	856	23,298
Securities	202	83	26	35	23	10	252	127	6,590
Other stocks	79	44	16	16	24	12	130	76	1,933
By currency									
US dollar	404	365	70	72	89	50	563	490	12,355
Euro	303	144	0	35	28	29	361	207	12,084
Yen	93	61	16	18	7	1	122	80	1,146
Other currencies ³	97	184	47	28	77	39	247	283	6,236
<i>Memo: Local claims in foreign currency</i>	30	34	17	22	12	9	58	65	3,876
Total external liabilities	645	610	157	236	97	62	1,169	1,026	29,626
By sector									
on banks	357	480	108	184	65	27	744	757	21,659
on non-banks	288	129	48	52	33	35	425	269	7,967
By instrument									
Deposits	604	566	155	239	90	61	872	885	25,663
Securities	18	25	4	-5	1	2	208	116	3,197
Other stocks	22	19	-1	2	6	-2	89	25	766
By currency									
US dollar	269	256	109	127	62	49	529	457	12,885
Euro	268	118	-5	44	17	1	368	184	9,583
Yen	61	49	5	3	0	-3	73	52	926
Other currencies ²	46	187	48	62	19	15	199	332	6,232

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

Amounts outstanding, in billions of US dollars

	Vis-à-vis developed countries		Vis-à-vis offshore centres		Vis-à-vis emerging markets		Total ¹	
	2007 Q2	2007 Q3	2007 Q2	2007 Q3	2007 Q2	2007 Q3	2007 Q2	2007 Q3
Foreign claims ²	25,500	26,616	2,053	2,213	3,692	4,001	31,304	32,903
- International claims ³	17,311	18,159	1,711	1,851	2,087	2,269	21,167	22,352
as % of foreign claims	(67.9)	(68.2)	(83.3)	(83.7)	(56.5)	(56.7)	(67.6)	(67.9)
- Local claims ⁴	8,190	8,457	343	361	1,605	1,732	10,138	10,551
as % of foreign claims	(32.1)	(31.8)	(16.7)	(16.3)	(43.5)	(43.3)	(32.4)	(32.1)
Breakdown of international claims by maturity								
- Up to and including one year	9,749	10,180	764	841	994	1,064	11,526	12,109
- As % of international claims	(56.3)	(56.1)	(44.7)	(45.4)	(47.6)	(46.9)	(54.5)	(54.2)
- Over one year and up to two years	623	677	47	50	108	121	781	850
- As % of international claims	(3.6)	(3.7)	(2.8)	(2.7)	(5.2)	(5.3)	(3.7)	(3.8)
Over two years	4,165	4,393	550	583	716	797	5,450	5,796
- As % of international claims	(24.1)	(24.2)	(32.2)	(31.5)	(34.3)	(35.1)	(25.8)	(25.9)
Unallocated	2,774	2,909	348	378	269	287	3,409	3,597
- As % of international claims	(16.0)	(16.0)	(20.4)	(20.4)	(12.9)	(12.7)	(16.1)	(16.1)
Risk transfers⁵								
Inward risk transfers	1,368	1,445	72	82	140	156	1,584	1,688
Outward risk transfers	1,142	1,190	313	341	238	249	1,694	1,781
Net risk transfers	286	318	-502	-529	-228	-213	-451	-428
Foreign claims ⁶	25,786	26,934	1,551	1,684	3,464	3,788	30,853	32,474
Of which: Domestically owned banks	21,815	22,651	1,473	1,623	3,296	3,598	26,642	27,939

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**

Amounts outstanding, in billions of US dollars

	Vis-à-vis developed countries		Vis-à-vis offshore centres		Vis-à-vis emerging markets		Total ¹	
	2007 Q2	2007 Q3	2007 Q2	2007 Q3	2007 Q2	2007 Q3	2007 Q2	2007 Q3
<i>Memo: Foreign claims of domestically owned banks (after net risk transfers reported by 26 countries, Table 2)</i>	(21,815)	(22,651)	(1,473)	(1,623)	(3,296)	(3,598)	(26,642)	(27,939)
Foreign claims after net risk transfers (24 countries) ²	21,469	22,269	1,447	1,596	3,274	3,567	26,241	27,498
Of which: local claims	9,088	9,398	414	446	1,828	1,978	11,350	11,831
As % of foreign claims	(42.3)	(42.2)	(28.6)	(27.9)	(55.8)	(55.5)	(43.3)	(43.0)
By sector								
-Banks	6,687	6,895	191	205	703	758	7,594	7,868
As % of foreign claims	(31.1)	(31.0)	(13.2)	(12.9)	(21.5)	(21.3)	(28.9)	(28.6)
-Public sector	3,067	3,100	59	68	691	711	3,865	3,925
As % of foreign claims	(14.3)	(13.9)	(4.1)	(4.3)	(21.1)	(19.9)	(14.7)	(14.3)
-Non-bank private sector	11,538	12,110	1,190	1,316	1,855	2,075	14,596	15,510
As % of foreign claims	(53.7)	(54.4)	(82.2)	(82.5)	(56.7)	(58.2)	(55.6)	(56.4)
-Unallocated	177	163	8	6	24	22	186	195
As % of foreign claims	(0.8)	(0.7)	(0.5)	(0.4)	(0.7)	(0.6)	(0.7)	(0.7)
Other exposures								
Derivatives contracts ³	2,438	2,782	126	168	99	114	2,671	3,075
Guarantees extended	5,057	6,109	218	251	431	505	5,713	6,867
Credit commitments ⁴	3,582	3,559	517	493	550	608	4,660	4,667

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 2007 Q2 and 2007 Q3 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.