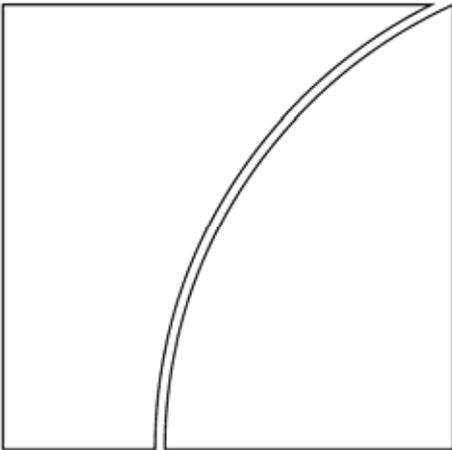




BANK FOR INTERNATIONAL SETTLEMENTS

Monetary and Economic
Department

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



April 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):	Swapam 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.

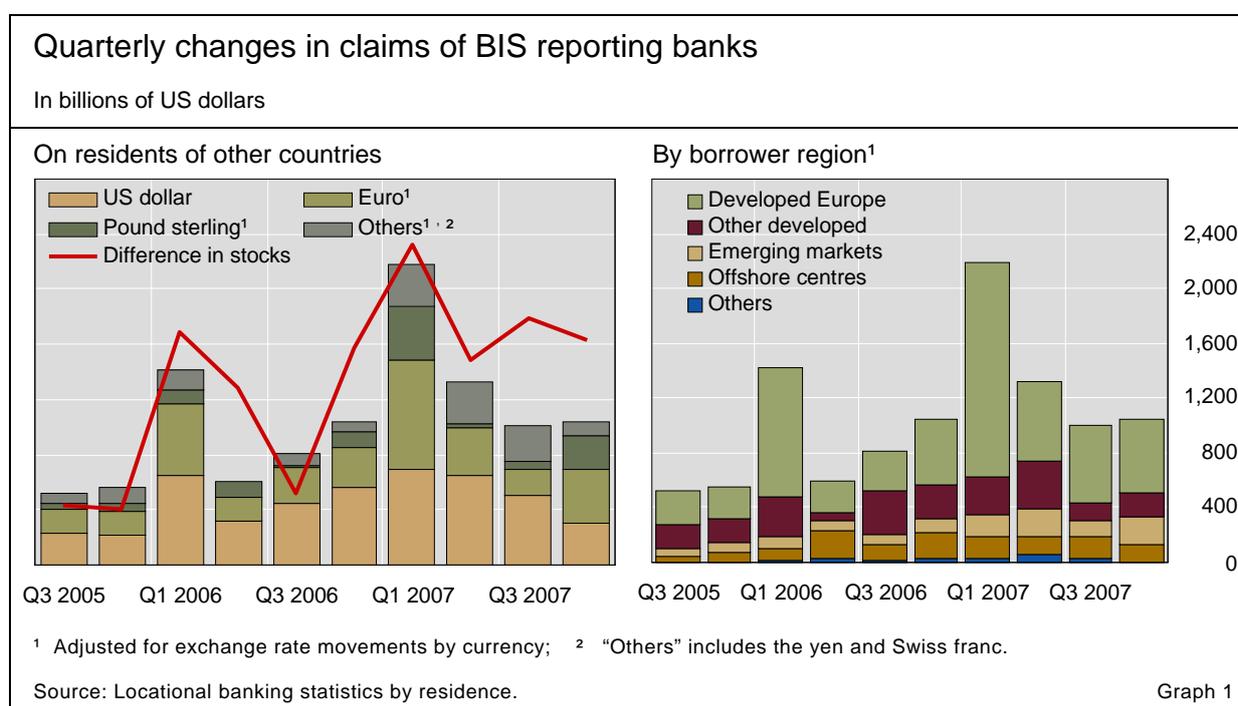
Release of preliminary locational and consolidated banking statistics

Fourth quarter of 2007

Data for the fourth quarter of 2007 are provisional. Final data will be published with an analysis of the trends in the forthcoming *BIS Quarterly Review*, due on 9 June 2008.

Locational banking statistics¹ (Table 1)

In the fourth quarter of 2007, BIS reporting banks' total external claims increased by \$1.1 trillion to \$33.5 trillion. Triggered by increased lending from euro area and UK banks, the interbank share of new credit expanded from 64% in the third quarter to 73% in the fourth quarter, with the regional distribution between financial centres largely unchanged (Graph1, right-hand panel). External liabilities also advanced by \$1.1 trillion, with the share of interbank liability funding climbing further to 82% from 76% in the previous quarter. Growth in US dollar-denominated claims continued to slow for the third consecutive quarter, while new claims in euros more than doubled, and the increase in sterling claims amounted to almost two thirds of the high level of the first quarter of 2007 (Graph1, left-hand panel).



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.

- Interbank credit accounted for 73% of new claims in the fourth quarter, compared to 64% in the third. Banks in the Euro area, UK, offshore centres and Japan accounted for much of the increase vis-à-vis euro area (\$233 billion), US (\$160 billion), Swiss (\$115 billion) and UK (\$99 billion) banks, while lending to banks in emerging markets more than doubled to \$134 billion. Banks in the United Kingdom reduced holdings of bank-issued securities (–\$33 billion) and increased loans (\$177 billion, of which \$123 billion to banks in Switzerland, mainly with related offices).
- New credit from banks in the euro area, Japan and Asian offshore centres to non-banks was concentrated in the euro area (\$81 billion), the developing countries (\$51 billion), offshore centres in Europe and the Caribbean (\$34 billion) and the US (\$28 billion).
- New US dollar-denominated credits almost halved to \$247 billion, while credits in euros more than doubled to \$377 billion. Banks' assets in sterling grew by \$236 billion, almost 60% of the record amount reached in the first quarter, while yen credit was maintained at \$119 billion (Graph1, left-hand panel).

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

The stock of BIS reporting banks' consolidated worldwide foreign claims on an *immediate borrower basis* increased by \$1,050 billion in the fourth quarter of 2007 (Graph 2, left-hand panel). With more than 40% of outstanding credit denominated in non-dollar currencies such as euro and yen, around one third of the increase in *international* claims (ie excluding local claims in local currency) was due to currency revaluation effects on outstanding claims. The increase in international claims is thus estimated at about \$450 billion. In addition, the reported increase of \$355 billion in local currency lending amounts to about \$210 billion once currency revaluations against the US dollar are accounted for. In summary, the total net increase in foreign claims is estimated at around \$660 billion.

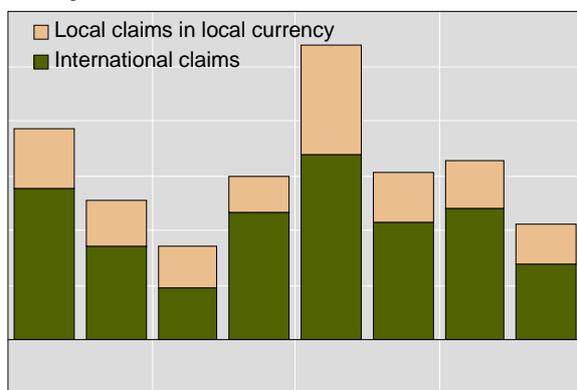
- Japanese, German and Belgian banks reported the largest rises in foreign claims, while Swiss, UK and US banks reduced their claims.
- The overall *maturity distribution* of bank credits was largely unchanged from the previous quarter (Graph 2, right-hand panel). There was some increase in short-term borrowing in Asia (China, India), while in Switzerland the share of long-term borrowing increased.

² 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, therefore the currency breakdown is estimated on the basis of the locational data.

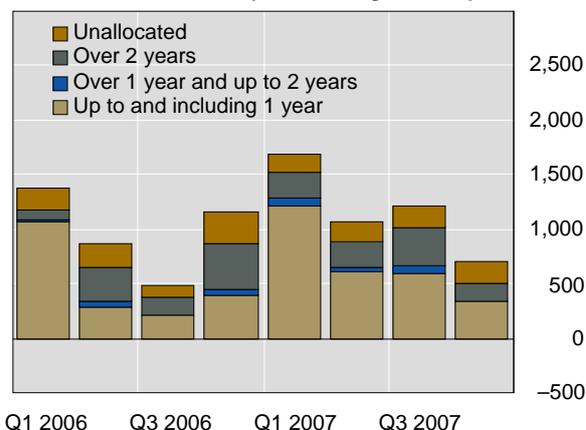
Exposure of BIS reporting banks on an immediate borrower basis¹

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

- The reported \$355 billion increase in consolidated claims in local currency resulted partly from revaluations of local currencies against the US dollar. In Europe, for example, where exchange rates rose against the dollar in association with the euro, reported local currency claims on Poland went up by \$18 billion, while actual local borrowing amounted to only \$7 billion, and a reported increase of \$3.5 billion on the Czech Republic actually represented a decline in local currency claims of \$5.5 billion. With the appreciation of the Brazilian real, actual new credit rose by only two thirds (ie \$11 billion) of the reported increase of \$18 billion to Brazil. In contrast, the impact of exchange rates movements was more limited in China, with an actual increase of \$18 billion in local currency lending compared to the reported \$19.5 billion increase. Similarly, with a stable exchange rate against the dollar, 90% of Turkey's increase of \$14 billion represented actual new borrowing.
- Foreign claims on developing countries accounted for 38% of the growth in total foreign claims (after 19% in the previous quarter). Claims on emerging Europe (\$160 billion) and emerging Asia (\$110 billion) increased the most. In Europe, Russia, Poland, Turkey and Croatia borrowed about \$20 billion each, and in Asia India borrowed \$28 billion, followed by China (\$25 billion) and Korea (\$17 billion). In Latin America, 43% and 25% of total new credit (\$67 billion) went to Brazil and Mexico respectively. In the Middle East and Africa (\$63 billion), borrowers in the United Arab Emirates received \$25 billion and those in Saudi Arabia \$10 billion.

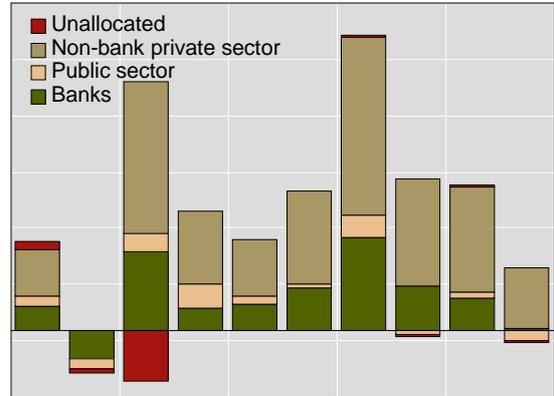
Consolidated bank assets on an ultimate risk basis (Table 3)

After account is taken of net risk transfers related to guarantees and collateral, ie on an *ultimate risk basis*, the stock of foreign claims of domestically owned banks (reported by 24 countries) on developed countries did not change, while overall claims increased by \$440 billion, 90% of which on emerging markets. There was a rise of \$1 trillion in other exposures, mainly due to increased derivatives and to guarantees, which include credit protection sold via credit derivatives.

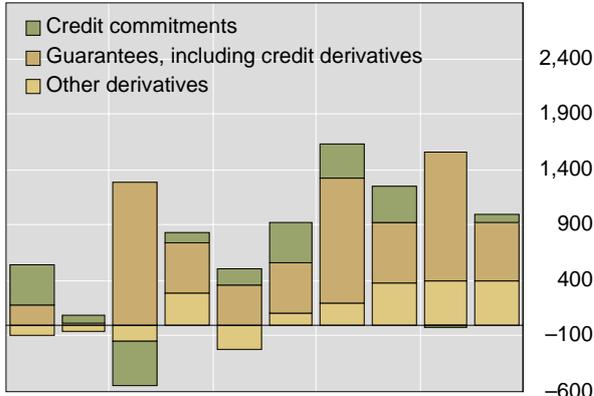
Exposure of BIS reporting banks on an ultimate risk basis¹

Changes in stocks,² in billions of US dollars

Foreign claims³



Other exposures⁴



Q3 2005 Q1 2006 Q3 2006 Q1 2007 Q3 2007

Q3 2005 Q1 2006 Q3 2006 Q1 2007 Q3 2007

The large reduction in the unallocated item in the first quarter of 2006 was due to better reporting of breakdowns by some major reporting countries. See <http://www.bis.org/statistics/breakstables.pdf> for details.

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

- On an *ultimate risk basis*, ie after account is taken of net risk transfers related to guarantees and collateral, only lending to the non-bank private sector increased by \$540 billion. Foreign claims on developed countries remained unchanged, while claims on developing countries increased by \$400 billion (emerging Europe \$180 billion and Asia \$100 billion).
- There was a rise of \$1 trillion in other exposures, mainly due to increased derivatives and to guarantees, which include credit protection sold via credit derivatives, but there is no information on the extent to which this was due to higher market values for existing positions. Credit commitments to developed countries declined by \$33 billion, while there were new commitments to developing countries (\$75 billion) and offshore centres (\$20 billion).

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-December 2007
	Q3 2007	Q4 2007	Q3 2007	Q4 2007	Q3 2007	Q4 2007	Q3 2007	Q4 2007	
Total external claims	709	751	154	142	118	228	1,013	1,137	33,458
By sector									
On banks	509	665	62	32	61	134	648	834	21,451
On non-banks	200	86	91	110	58	94	365	303	12,008
By instrument									
Loans	571	631	102	98	97	178	797	895	24,507
Securities	87	55	36	38	10	26	132	119	6,861
Other stocks	51	65	15	6	12	25	84	122	2,091
By currency									
US dollar	340	137	71	13	49	87	463	247	12,601
Euro	115	267	35	56	29	29	178	377	12,904
Yen	59	99	17	19	1	1	77	119	1,287
Other currencies ⁴	194	247	30	54	39	112	296	394	6,666
<i>Memo: Local claims in foreign currency</i>	34	-10	15	14	23	5	72	9	3,952
Total external liabilities	562	733	236	247	66	157	984	1,113	31,111
By sector									
On banks	491	637	153	193	56	79	750	916	22,894
On non-banks	72	96	82	54	10	78	234	197	8,217
By instrument									
Deposits	537	627	229	250	66	158	850	1,081	27,076
Securities	14	52	4	-7	2	1	165	-21	3,291
Other stocks	12	54	3	4	-2	-1	19	2	744
By currency									
US dollar	236	87	122	166	53	57	449	283	13,173
Euro	87	287	44	36	1	-10	180	299	10,225
Yen	47	88	3	8	-3	6	50	113	1,056
Other currencies ²	194	271	66	36	15	104	305	417	6,657

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	
	Q3 2007	Q4 2007	Q3 2007	Q4 2007	Q3 2007	Q4 2007	Q3 2007	Q4 2007
Foreign claims ²	26,619	27,239	2,219	2,261	4,002	4,404	32,911	33,962
International claims ³	18,156	18,575	1,858	1,920	2,270	2,499	22,355	23,051
As % of foreign claims	(68.2)	(68.2)	(83.7)	(84.9)	(56.7)	(56.7)	(67.9)	(67.9)
Local claims ⁴	8,463	8,664	361	341	1,732	1,905	10,556	10,911
As % of foreign claims	(31.8)	(31.8)	(16.3)	(15.1)	(43.3)	(43.3)	(32.1)	(32.1)
Breakdown of international claims by maturity								
Up to and including one year	10,183	10,346	841	886	1,065	1,197	12,113	12,449
As % of international claims	(56.1)	(55.7)	(45.3)	(46.2)	(46.9)	(47.9)	(54.2)	(54.0)
Over one year and up to two years	677	665	50	56	121	126	850	849
As % of international claims	(3.7)	(3.6)	(2.7)	(2.9)	(5.3)	(5.0)	(3.8)	(3.7)
Over two years	4,393	4,502	583	580	797	860	5,796	5,958
As % of international claims	(24.2)	(24.2)	(31.4)	(30.2)	(35.1)	(34.4)	(25.9)	(25.8)
Unallocated	2,904	3,062	384	397	287	317	3,596	3,795
As % of international claims	(16.0)	(16.5)	(20.7)	(20.7)	(12.6)	(12.7)	(16.1)	(16.5)
Risk transfers ⁵								
Inward risk transfers	1,445	1,342	82	83	156	152	1,688	1,580
Outward risk transfers	1,190	1,131	341	302	249	255	1,781	1,689
Net risk transfers	318	263	-529	-497	-213	-193	-428	-428
Foreign claims ⁶	26,937	27,502	1,690	1,764	3,789	4,212	32,483	33,534
Of which: Domestically owned banks	22,651	22,641	1,629	1,697	3,598	4,005	27,944	28,398

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	
	Q3 2007	Q4 2007	Q3 2007	Q4 2007	Q3 2007	Q4 2007	Q3 2007	Q4 2007
<i>Memo: Foreign claims of domestically owned banks (after net risk transfers reported by 26 countries, Table 2)</i>	(22,651)	(22,641)	(1,629)	(1,697)	(3,598)	(4,005)	(27,944)	(28,398)
Foreign claims after net risk transfers (24 countries) ²	22,269	22,253	1,602	1,668	3,567	3,969	27,503	27,944
Of which: Local claims	9,421	9,751	452	442	1,978	2,179	11,861	12,378
As % of foreign claims	(42.3)	(43.8)	(28.2)	(26.5)	(55.5)	(54.9)	(43.1)	(44.3)
By sector								
Banks	6,874	6,785	205	213	761	847	7,849	7,852
As % of foreign claims	(30.9)	(30.5)	(12.8)	(12.8)	(21.3)	(21.3)	(28.5)	(28.1)
Public sector	3,099	2,921	68	65	711	800	3,924	3,824
As % of foreign claims	(13.9)	(13.1)	(4.3)	(3.9)	(19.9)	(20.2)	(14.3)	(13.7)
Non-bank private sector	12,133	12,396	1,322	1,384	2,073	2,294	15,535	16,079
As % of foreign claims	(54.5)	(55.7)	(82.5)	(83.0)	(58.1)	(57.8)	(56.5)	(57.5)
Unallocated	163	151	6	6	22	28	195	188
As % of foreign claims	(0.7)	(0.7)	(0.4)	(0.4)	(0.6)	(0.7)	(0.7)	(0.7)
Other exposures								
Derivatives contracts ³	2,782	3,121	168	205	114	142	3,075	3,480
Guarantees extended	6,109	6,585	251	257	505	551	6,867	7,393
Credit commitments ⁴	3,553	3,520	493	512	584	657	4,638	4,696

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 third and fourth quarters of 2007 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 Q4 2007

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 series ¹			USD billions	
Quarters	Reporting countries	Details		
Q4 2007	Turkey	Change in methodology of domestic currency reporting	3.1	11.4
Data revisions in previous quarters ²				
Quarters	Reporting countries	Details		
Q2 2002	Cayman Islands	Revisions	–	1.8
Q3 2002	Cayman Islands	Revisions	–	1.8
Q4 2002	Cayman Islands	Revisions	0.6	2.0
Q1 2003	Cayman Islands	Revisions	–	2.4
Q2 2003	Cayman Islands	Revisions	1.1	3.0
Q3 2003	Cayman Islands	Revisions	0.1	1.9
Q4 2003	Cayman Islands	Revisions	–	2.0
Q1 2004	Cayman Islands	Revisions	–	1.9
Q2 2004	Cayman Islands	Revisions	–	1.9
Q3 2004	Cayman Islands	Revisions	–10.6	–14.9
Q4 2004	Cayman Islands	Revisions	19.9	18.9
Q1 2005	Cayman Islands	Revisions	–	1.9
Q2 2005	Cayman Islands	Revisions	19.2	18.6
Q3 2005	Cayman Islands	Revisions	–	1.8
Q4 2005	Cayman Islands	Revisions	–	1.8
Q1 2006	Cayman Islands	Revisions	–0.1	1.6
Q2 2006	Cayman Islands	Revisions	–0.1	1.8
Q3 2006	Cayman Islands	Revisions	–0.5	–0.5
Q4 2006	Cayman Islands	Revisions	–0.3	–0.3
Q3 2007	Cayman Islands	Revisions	–32.6	–39.4
Q3 2007	Belgium	Revisions	–0.1	–
Q2 2007	Netherlands	Revisions	–	–0.3
Q3 2006	Japan	Revisions	2.3	–
Q4 2006	Japan	Revisions	4.1	–
Q2 2007	Norway	Revisions	2.6	–
Q3 2007	Norway	Revisions	1.3	–
Q2 2007	South Korea	Revisions	9.3	22.3
Q3 2007	South Korea	Revisions	33.0	51.0
Q3 2007	Bahamas	Revisions	9.2	11.3
Q3 2007	Australia	Revisions	–	7.3

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

B. Locational banking statistics by nationality

			Assets	Liabilities
			USD billions	
Breaks in series¹				
Quarters	Reporting countries	Details		
Q3 2007	United States	Change of nationality of commercial banks	–	–
Q4 2007	Chile	Change of nationality of commercial banks	–	–
Q4 2007	Turkey	Change in methodology of domestic currency reporting	3.1	11.4
Q4 2007	Ireland	Change of nationality of commercial banks	–	–
Data revisions of previous quarters²				
Quarters	Reporting countries	Details		
Q1 2003	Cayman Islands	Revisions	0.9	0.6
Q2 2003	Cayman Islands	Revisions	1.1	1.7
Q3 2003	Cayman Islands	Revisions	0.1	0.1
Q3 2004	Cayman Islands	Revisions	–	–0.2
Q1 2006	Cayman Islands	Revisions	–0.3	–0.3
Q2 2006	Cayman Islands	Revisions	–0.1	–0.1
Q3 2006	Cayman Islands	Revisions	–0.4	–0.4
Q4 2006	Cayman Islands	Revisions	–0.2	–0.2
Q3 2007	Cayman Islands	Revisions	–39.9	–39.9
Q3 2007	Belgium	Revisions	–0.1	–
Q3 2006	Japan	Revisions	2.3	–
Q4 2006	Japan	Revisions	4.1	–
Q2 2007	Norway	Revisions	2.6	–
Q3 2007	Norway	Revisions	1.3	–
Q2 2007	Hong Kong SAR	Revisions	11.4	49.6
Q3 2007	Hong Kong SAR	Revisions	21.1	36.2

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

Breaks in series¹

Quarters	Reporting countries	Details	Change in amount (USD billions)	
			International claims	Other positions
Q4 2007	France	Reclassification of one institution:	310.6	–
		Local currency claims of foreign offices	–	250.5
		Local currency liabilities of foreign offices	–	72.7
		Net risk transfers	–	1.4
Q1 2005	Germany	Reclassification of an inside area foreign bank from unconsolidated to consolidated	– 3.7	–
Q4 2007	Germany	Acquisition of a foreign bank	42.8	–
Q4 2007	Ireland	Transfer of ownership of a bank:	–248.7	–
		Local currency claims of foreign offices	–	– 49.3
		Local currency liabilities of foreign offices	–	– 83.7
		Net risk transfers	–	6.4
Q4 2007	Netherlands	Acquisition of a foreign bank:	10.5	–
		Local currency claims of foreign offices	–	8.6
		Local currency liabilities of foreign offices	–	8.6
		Net risk transfers	–	–
Q4 2007	Turkey	Transfer of ownership of a bank:	– 0.5	–
		Local currency claims	–	0.5

Data revisions²

Quarters	Reporting countries	Details		
Q1 2007	Canada	Revisions: Sectoral reclassification	– 1.2	–
		Local currency claims of foreign offices	–	1.2
Q2 2007	Canada	Revisions: Sectoral reclassification	– 3.0	–
		Local currency claims of foreign offices	–	3.0
Q3 2007	Canada	Revisions: Sectoral reclassification	– 0.1	–
Q1 2005	Germany	Revisions: Change in consolidation	92.4	–
Q2 2005 – Q2 2007	Germany	Reclassification of an inside area bank	– 0.4 to – 1.0	–
Q3 2007	Greece	Revisions	0.5	–
		Local currency claims of foreign offices	–	1.0
Q3 2007	Mexico	Revisions: Reclassification of maturity and sector breakdown (\$0.5bn)	–	–
Q4 2006 – Q3 2007	Japan	Sectoral reclassification	–	–
		Banks: –\$16 bn to –\$21.4bn	–	–
		Public sector: –\$2bn to –\$4bn	–	–
		Private sector: \$19bn to \$25bn	–	–
Q3 2007	Netherlands	Revisions	6.2	–
		Local currency claims of foreign offices	–	4.5
Q2 2007	Norway	Revisions	4.5	–
Q3 2007	Norway	Revisions	2.2	–
Q1 2007	Turkey	Revision	0.2	–

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

D. Consolidated statistics on an ultimate risk basis

Breaks in series¹

Quarters	Reporting countries	Details	Change in amount (USD billions)	
			Foreign claims	Other exposures
Q4 2007	France	Reclassification of one institution:	312.0	–
		Local claims in all currencies	–	271.8
		Derivatives	–	11.0
		Guarantees extended	–	8.9
		Credit commitments	–	12.3
Q4 2007	Germany	Acquisition of a foreign bank	45.1	–
		Local claims in all currencies	–	11.0
Q4 2007	Ireland	Transfer of ownership of a bank:	– 323.9	–
		Derivatives	–	– 4.8
		Guarantees extended	–	13.7
		Credit commitments	–	38.8
Q4 2007	Netherlands	Acquisition of a foreign bank:	10.5	–
		Derivatives	–	0.1
		Guarantees extended	–	2.6
		Credit commitments	–	1.6
Q4 2007	Turkey	Transfer of ownership of a bank:	– 0.5	–
		Local claims in all currencies	–	0.5

Data revisions²

Quarters	Reporting countries	Details	Foreign claims	Other exposures
Q1 2007– Q3 2007	Canada	Revisions: Sectoral reclassification: (\$0.1bn to \$6.6 bn) Reclassification of claims between local and cross-border (\$11bn to \$24bn)	–	–
Q3 2007	Greece	Revisions	0.5	–
Q4 2006 – Q3 2007	Japan	Sectoral reclassification Banks: –\$20bn to –\$23bn Public sector: –\$2bn to –\$4bn Private sector: +24bn to +27bn	–	–
Q3 2007	Netherlands	Revisions Local currency claims of foreign offices	4.6	–
Q1 2007	Turkey	Revision	0.2	–

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