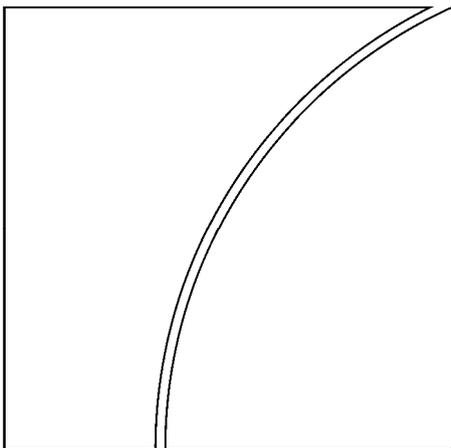




BANK FOR INTERNATIONAL SETTLEMENTS



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

Monetary and Economic Department

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Release of preliminary locational and consolidated banking statistics

Third quarter of 2008

Data for the third quarter of 2008 are provisional. Final data, with a detailed analysis of the recent trends, will be published in the forthcoming *BIS Quarterly Review* to be released on 2 March 2009.

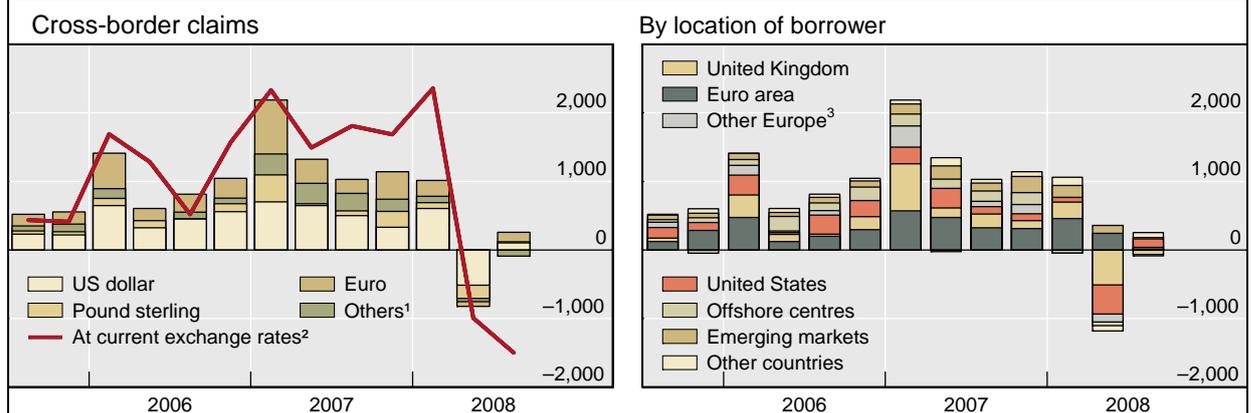
In the third quarter of 2008, cross-border activity decreased significantly on a consolidated basis when measured at current exchange rates and taking into account off-balance sheet exposures. However, on a locational basis and at constant exchange rates, overall cross-border credit turned slightly positive, mainly as a result of substantial inter-office lending by banks.

Locational banking statistics¹ (Table 1)

In the third quarter of 2008, due to the strong recovery of the US dollar against the euro (close to 10% during the quarter), which caused balance sheet positions denominated in euros to shrink in dollar terms, banks' reported external claims declined by \$1.5 trillion at current exchange rates. After excluding these exchange rate effects, the volume of banks' cross-border assets actually increased by \$167 billion (0.5%), compared with a contraction of \$821 billion in the second quarter (Graph 1, left-hand panel).

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. ³ Countries in developed Europe other than the euro area and the United Kingdom.

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.

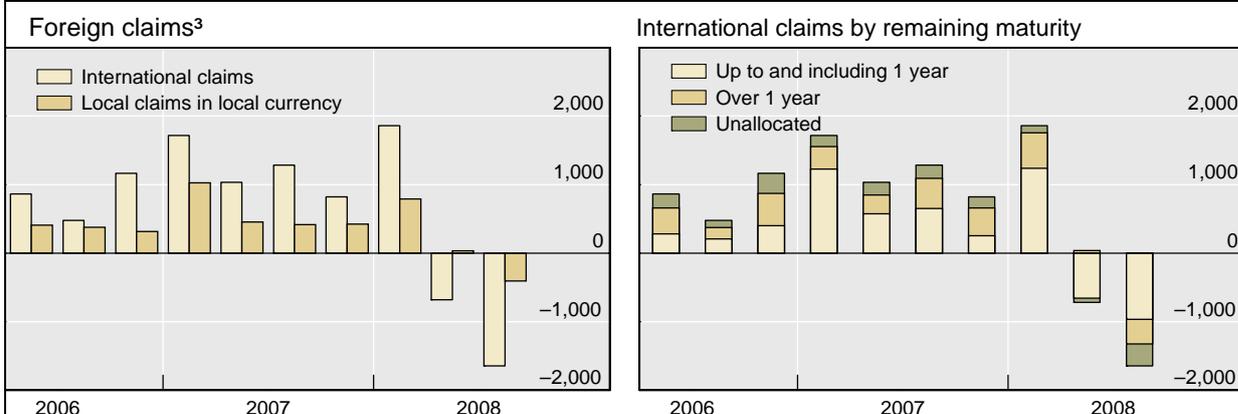
- *Type of borrowers:* The increase in international claims was more than accounted for by a \$300 billion (2.9%) gain in cross-border claims on banks' related foreign offices. Claims on other banks declined by \$173 billion (−1.4%). Claims on non-banks turned up by \$116 billion in total.
- *Location of borrowers:* In aggregate, 76% of the increase in claims was due to claims on banks, mainly in the United Kingdom (\$79 billion), the United States (\$78 billion) and the Netherlands (\$49 billion). Claims on banks decreased mainly in France (\$84 billion), the Cayman Islands (\$67 billion) and Belgium (\$57 billion). Total credits to residents of Iceland shrank again by almost 10%, after falling by 4% in the second quarter.
- Credit to offshore centres dropped by \$66 billion overall, with the exception of Asian centres, which gained \$25 billion. Emerging markets repaid \$21 billion in aggregate (Graph 1, right-hand panel).
- Credit to non-banks expanded mainly in the United States (\$44 billion) and France (\$23 billion), while shrinking mostly in the United Kingdom (\$55 billion).
- The limited turnaround in cross-border credit was driven mainly by three developments in major banking centres:
 - In the United Kingdom, bank lending increased by \$69 billion, after shrinking by \$606 billion in the second quarter.
 - In Germany, Australia and Luxembourg, banks increased assets by \$76 billion, \$63 billion and \$59 billion respectively, following essentially no increase in the second quarter.
 - Conversely, in the United States, cross-border claims continued to contract, by \$83 billion, compared to \$199 billion in the second quarter. In the Cayman Islands, claims dropped by \$92 billion, exceeding the \$38 billion contraction of the second quarter.
- *Currencies:* Banks' new claims were denominated mainly in euros (\$111 billion equivalent) and in US dollars (\$72 billion), while there was a slight decline in yen claims (\$22 billion). Funding was focused on the euro (\$158 billion or +1.4%) and other currencies, while banks' US dollar liabilities dropped by \$228 billion (−1.7%).
- *Local claims* in foreign currency increased by \$45 billion and \$26 billion in developed countries and emerging economies respectively.
- Banks' cross-border *liabilities* also contracted by \$1.5 trillion in unadjusted terms, mainly as a result of exchange rate movements. Excluding exchange rate effects, cross-border liabilities declined by only \$36 billion. The increase in assets was funded partly by domestic deposits in local currency and liabilities to official monetary authorities – up \$159 billion or 12% during the quarter.

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

In the third quarter of 2008, the consolidated international claims of BIS reporting banks on an *immediate borrower basis* decreased by \$1.6 trillion (7%). Though no currency breakdown is available for these statistics, a large part of the downturn is also due to the 10% decline in the euro/dollar exchange rate during the quarter. Once the exchange rate effect is accounted for, and noting that there was growth mainly in banks' inter-office claims, which are excluded by definition from consolidated reporting, underlying international consolidated claims can be estimated to have contracted by only \$180 billion (-0.8%) during the third quarter.

Exposure of BIS reporting banks on an immediate borrower basis¹

Changes in stocks,² in billions of US dollars



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 currencies of many developed and emerging markets depreciated against the US dollar during the third quarter, so that the reported decrease in outstanding local claims in local currency of \$406 billion (Graph 2, left-hand panel) was more than fully due to exchange rate depreciation against the US dollar. Excluding these exchange rate effects, underlying local claims in local currencies in fact went up by \$292 billion. UK and Japanese banks led the increase in local currency claims on residents via their foreign offices. The largest increases in local currency credit amounted to \$180 billion to

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.

US residents, as well as to UK (\$62 billion) and German (\$34 billion) residents. The largest reduction in local currency claims took place in Brazil (\$56 billion).

- Australian and UK banks increased their international claims, while banks headquartered in the euro area, Switzerland, Japan and the United States reduced international claims on residents of developed countries.
- The movements in the remaining maturity structure were due mainly to exchange rate effects on outstanding balance sheet items (Graph 2, right-hand panel).

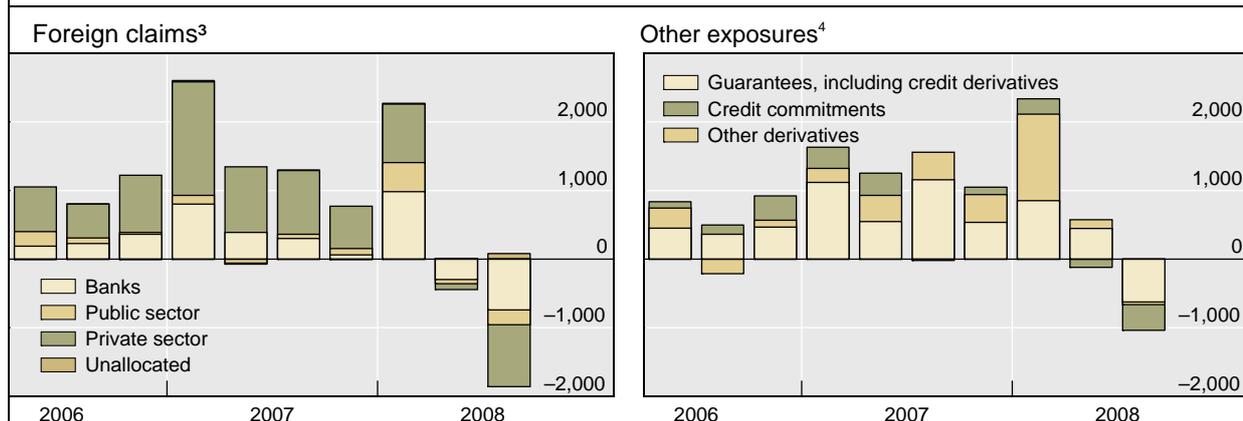
Consolidated bank assets on an ultimate risk basis (Table 3)

Banks' other outstanding exposures declined in US dollar terms. Guarantees, which include credit protection sold via credit derivatives, dropped by 9% while reported credit commitments declined by 5%.

- In regions where less than 15% of outstanding balances are denominated in euros, positive market values of banks' derivative positions tended to rise (by 30% and 13% in emerging markets in Asia and Latin America, respectively, and by 17% and 9% in Asian and Caribbean offshore centres, respectively). The exception was the United States, where positive market values of banks' derivative positions dropped by 11%.
- Banks' outstanding guarantees in these regions tended to shrink by between 4% and 14%, except for emerging markets in Asia, where they increased by 3%.
- Banks' credit commitments in these regions declined by between 3% and 10%, with the exception of emerging markets in Asia, where they increased by 62%.

Exposure of BIS reporting banks on an ultimate risk basis¹

Changes in stocks,² in billions of US dollars



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

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-Sept 2008
	Q2 2008	Q3 2008	Q2 2008	Q3 2008	Q2 2008	Q3 2008	Q2 2008	Q3 2008	
Total external claims	-894	219	-56	-66	117	-21	-821	167	33,372
By sector									
On banks	-717	193	-23	-70	57	-14	-665	128	21,479
On non-banks	-176	26	-33	5	60	-7	-156	40	11,893
By instrument									
Loans	-834	125	-68	-21	107	24	-786	149	24,603
Securities	18	69	2	-31	1	-16	21	20	6,736
Other stocks	-77	25	10	-14	8	-29	-56	-2	2,033
By currency									
US dollar	-518	122	-41	-37	45	-10	-518	72	12,735
Euro	-56	118	-46	-2	29	25	-51	111	12,863
Yen	-75	-25	2	5	-1	-1	-72	-22	1,346
Other currencies ³	-245	4	29	-31	45	-35	-180	6	6,428
<i>Memo: Local claims in foreign currency</i>	-235	45	-1	5	6	37	-230	87	4,191
Total external liabilities	-779	-68	-161	-94	-127	128	-1,027	-36	31,002
By sector									
On banks	-784	124	-132	-133	-125	122	-1,012	134	22,680
On non-banks	6	-192	-29	39	-2	6	-15	-170	8,322
By instrument									
Deposits	-819	-49	-158	-90	-134	124	-1,144	20	26,689
Securities	70	-65	-2	-3	5	1	150	-111	3,472
Other stocks	-29	46	-1	-1	2	3	-32	55	841
By currency									
US dollar	-376	-115	-118	-130	-101	58	-599	-228	12,964
Euro	-149	67	-36	22	9	71	-139	158	10,390
Yen	-82	-34	0	13	0	1	-81	-21	1,136
Other currencies ³	-172	14	-7	0	-35	-1	-208	55	6,512

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	
	Q2 2008	Q3 2008	Q2 2008	Q3 2008	Q2 2008	Q3 2008	Q2 2008	Q3 2008
Foreign claims ²	28,848	27,128	2,386	2,332	4,879	4,593	36,185	34,131
International claims ³	19,579	18,079	2,019	1,952	2,744	2,656	24,414	22,766
As % of foreign claims	(67.9)	(66.6)	(84.6)	(83.7)	(56.2)	(57.8)	(67.5)	(66.7)
Local claims ⁴	9,269	9,049	367	380	2,135	1,936	11,771	11,365
As % of foreign claims	(32.1)	(33.4)	(15.4)	(16.3)	(43.8)	(42.2)	(32.5)	(33.3)
Breakdown of international claims by maturity								
Up to and including one year	10,665	9,785	962	934	1,328	1,267	12,976	12,012
As % of international claims	(54.5)	(54.1)	(47.6)	(47.8)	(48.4)	(47.7)	(53.2)	(52.8)
Over one year and up to two years	754	703	70	71	151	159	979	936
As % of international claims	(3.9)	(3.9)	(3.5)	(3.6)	(5.5)	(6.0)	(4.0)	(4.1)
Over two years	5,060	4,744	597	582	970	977	6,652	6,332
As % of international claims	(25.8)	(26.2)	(29.6)	(29.8)	(35.4)	(36.8)	(27.2)	(27.8)
Unallocated	3,100	2,847	390	366	294	253	3,806	3,485
As % of international claims	(15.8)	(15.7)	(19.3)	(18.7)	(10.7)	(9.5)	(15.6)	(15.3)
Risk transfers ⁵								
Inward risk transfers	1,478	1,309	102	101	169	165	1,752	1,579
Outward risk transfers	1,254	992	358	323	288	262	1,902	1,577
Net risk transfers	263	371	-377	-477	-168	-146	-289	-256
Foreign claims ⁶	29,111	27,498	2,009	1,855	4,711	4,447	35,896	33,875
Of which: domestically owned banks	24,300	22,895	1,941	1,787	4,456	4,197	30,763	28,953

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 as 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	
	Q2 2008	Q3 2008	Q2 2008	Q3 2008	Q2 2008	Q3 2008	Q2 2008	Q3 2008
<i>Memo: Foreign claims of domestically owned banks (after net risk transfers reported by 26 countries, Table 2)</i>	(24,300)	(22,895)	(1,941)	(1,786)	(4,456)	(4,197)	(30,763)	(28,953)
Foreign claims after net risk transfers (24 countries) ²	23,720	22,343	1,906	1,752	4,409	4,148	30,098	28,316
Of which: local claims	10,126	9,798	486	494	2,450	2,281	13,070	12,582
As % of foreign claims	(42.7)	(43.9)	(25.5)	(28.1)	(55.6)	(54.9)	(43.4)	(44.4)
By sector								
Banks	7,396	6,720	223	215	952	893	8,581	7,838
As % of foreign claims	(31.2)	(30.1)	(11.7)	(12.2)	(21.6)	(21.5)	(28.5)	(27.7)
Public sector	3,309	3,155	70	81	888	814	4,307	4,092
As % of foreign claims	(13.9)	(14.1)	(3.7)	(4.6)	(20.1)	(19.6)	(14.3)	(14.4)
Non-bank private sector	12,847	12,230	1,603	1,444	2,545	2,416	17,001	16,098
As % of foreign claims	(54.2)	(54.7)	(84.1)	(82.4)	(57.7)	(58.2)	(56.5)	(56.9)
Unallocated	169	238	11	13	24	25	209	289
As % of foreign claims	(0.7)	(1.1)	(0.6)	(0.7)	(0.5)	(0.6)	(0.7)	(1.0)
Other exposures								
Derivatives contracts ³	4,401	4,291	232	259	223	265	4,873	4,831
Guarantees extended	7,729	7,024	352	326	619	725	8,701	8,076
Credit commitments ⁴	3,602	3,290	545	528	697	655	4,851	4,479

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 second and third 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 Q3 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		
Q3 2008	Austria	Split of banking groups creates new positions vis à vis residents.	52.3	56.4
Data revisions in previous quarters²				
Quarters	Reporting countries	Details		
Q1 2006	Cayman Islands	Revisions from reporting banks	-5.2	-5.2
Q2 2007	Cayman Islands	Revisions from reporting banks	-1.1	-1.1
Q4 2007	Cayman Islands	Revisions from reporting banks	12.1	0.0
Q4 2007	France	Revisions from reporting banks	-3.4	-1.1
Q1 2008	France	Revisions from reporting banks	-29.1	0.0
Q1 2008	Netherlands	Revisions from reporting banks	2.4	0.1
Q2 2008	Netherlands	Revisions from reporting banks	12.3	0.4
Q2 2008	South Korea	Revisions from reporting banks	7.1	-3.6
Q4 2007	United Kingdom	Revisions from reporting banks	2.3	-1.0
Q2 2008	United Kingdom	Revisions from reporting banks	-0.2	-3.8
B. Locational banking statistics by nationality				
Breaks in series¹			USD billions	
Quarters	Reporting countries	Details		
Q3 2008	Austria	Split of banking groups creates new positions vis-à-vis residents.	52.3	56.4
Q3 2008	Singapore	Reclassification of nationalities	-	-
Q3 2008	Germany	Reclassification of nationalities	-	-
Data revisions of previous quarters²				
Quarters	Reporting countries	Details		
Q1 2006	Cayman Islands	Revisions from reporting banks	-5.2	-5.2
Q2 2006	Cayman Islands	Revisions from reporting banks	0.0	1.5
Q2 2007	Cayman Islands	Revisions from reporting banks	-1.1	-1.1
Q4 2007	Cayman Islands	Revisions from reporting banks	12.1	0.0
Q4 2007	France	Revisions from reporting banks	-3.4	-1.2
Q1 2008	France	Revisions from reporting banks	-29.1	0.0
Q2 2008	South Korea	Revisions from reporting banks	7.8	-3.2
Q2 2008	United Kingdom	Revisions from reporting banks	-0.2	-3.8

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 billions of US dollars)

Quarters	Reporting countries	Details of breaks in series ¹	International claims	Other positions
Q3 2008	Germany	Change in nationality of banks among inside area and outside area foreign banks	5.6	
Quarters	Reporting countries	Details of data revisions ²		
Q2 2008	Belgium	Data revisions from reporting banks: Reclassification of maturity breakdown Local currency liabilities	–	– –8.0
Q3 2007 – Q2 2008	Japan	Reclassification of maturity and sectoral breakdown	–0.7 to –1.3	
Q1 2008	Netherlands	Data revisions from reporting banks: Local currency claims	–52.7	52.7
Q2 2008	Netherlands	Reclassification of maturity and sectoral breakdown	–	
Q2 2008	Singapore	Data revisions from reporting banks	–	–
Q2 2008	United Kingdom	Data revisions from reporting banks: Local currency claims	–27.5	–11.1

D. Consolidated statistics on an ultimate risk basis

Quarters	Reporting countries	Details of data revisions ²	Foreign claims	Other exposures
Q2 2008	Belgium	Data revisions from reporting banks: Credit commitments	–	–0.5
Q3 2007	Japan	Data revisions from reporting banks	–0.7	–
Q4 2007	Japan	Data revisions from reporting banks	–0.7	–
Q1 2008	Japan	Data revisions from reporting banks	–1.3	–
Q2 2008	Japan	Data revisions from reporting banks	–	–
Q1 2008	Netherlands	Data revisions from reporting banks: Derivatives contracts	–	0.5
Q2 2008	Netherlands	Data revisions from reporting banks: Derivatives contracts	–1.0	1.0
Q2 2008	United Kingdom	Data revisions from reporting banks: Guarantees extended Credit commitments	–27.5	3.1 –3.1

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