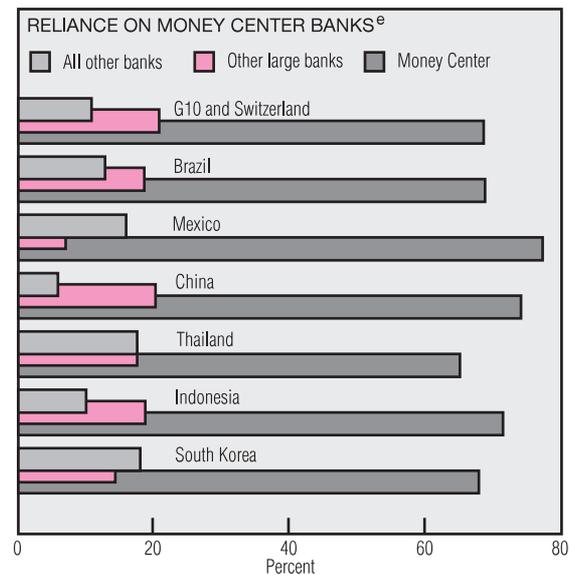
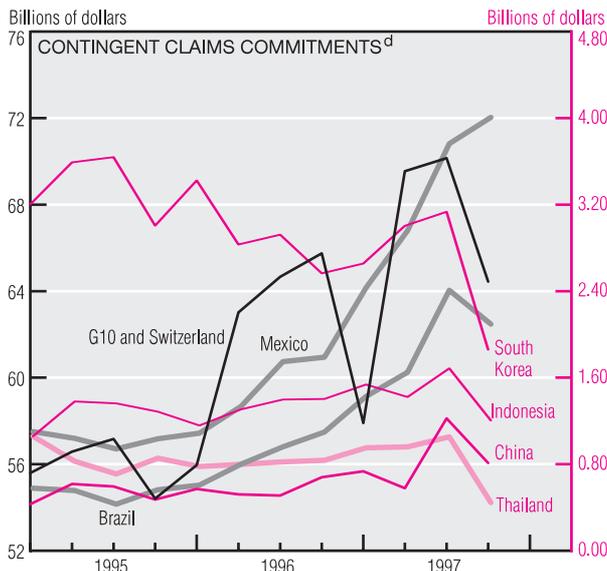
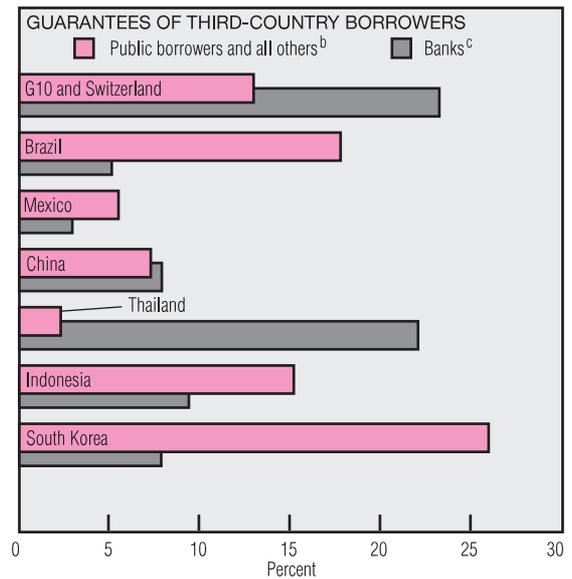
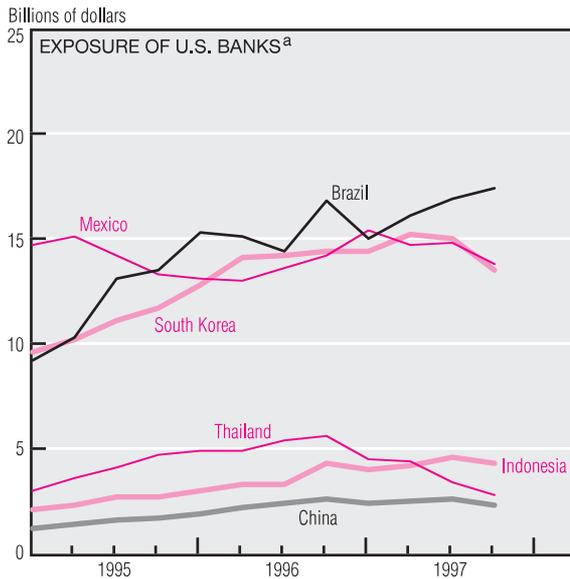


Foreign Lending Exposure



a. Total owed by borrower country after adjustments for guarantees and external borrowings (except derivative products).
 b. Percent expresses the ratio between guarantees by a country's public borrowers (and other nonbank entities) for other countries' borrowing from U.S. banks, and the total amount owed to U.S. banks by the guarantor.
 c. Percent expresses the ratio between guarantees by a country's banks for other countries' borrowing from U.S. banks, and the total amount owed to U.S. banks by the guarantor.
 d. Commitments of cross-border and nonlocal-currency contingent claims after adjustment for guarantees.
 e. Bank size category shares of the total amounts owed to U.S. banks after adjustment for guarantees and external borrowing (except derivative products).
 SOURCE: Federal Financial Institutions Examination Council, Country Exposure Lending Survey, various issues.

Last summer's Southeast Asian financial problems were reflected in 1997:IVQ as a declining exposure of U.S. banks to countries in that region. (Exposure had increased in 1997:IIIQ for Indonesia and China.) Analysts have voiced concern that Latin America could suffer a contagion effect, but results have been mixed: Exposure to Brazil rose for the third consecutive quarter, while exposure to Mexico declined.

Interpretation of exposure, however, is complicated. First, the risks

from separate economies are not easily distinguished if the economies rise and fall together. Second, exposure estimates are book values of loans and guarantees. Unlike market values, book values do not quickly reflect the market's assessment of uncertainties such as those surrounding the policy mix in Southeast Asia and Japan.

U.S. banks are also exposed through third-party credits. Reliance on public agencies to provide guarantees for U.S. loans changed little in 1997:IVQ.

Exposure through contingent claims (such as interest rate swaps and futures contracts) fell steeply across Southeast Asia in 1997:IVQ, but similar declines are also occurring in large industrial countries outside the region.

Money Center banks, accounting for more than 60% of lending from U.S. banks to Southeast Asia, cut back sharply in 1997:IVQ. At the same time, loans from banks in other categories increased for some countries in the region.