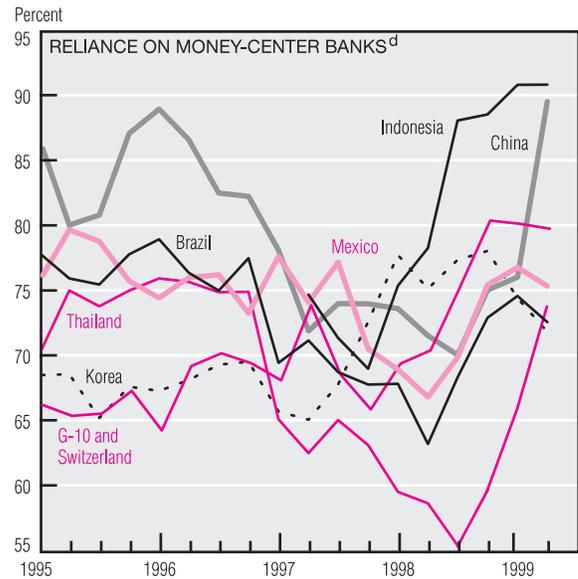
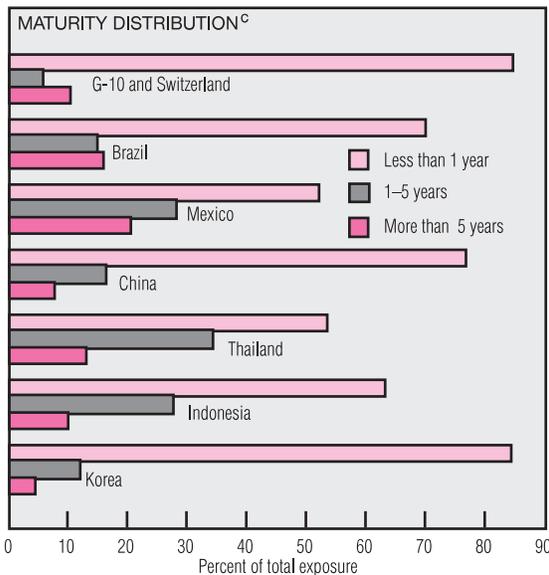
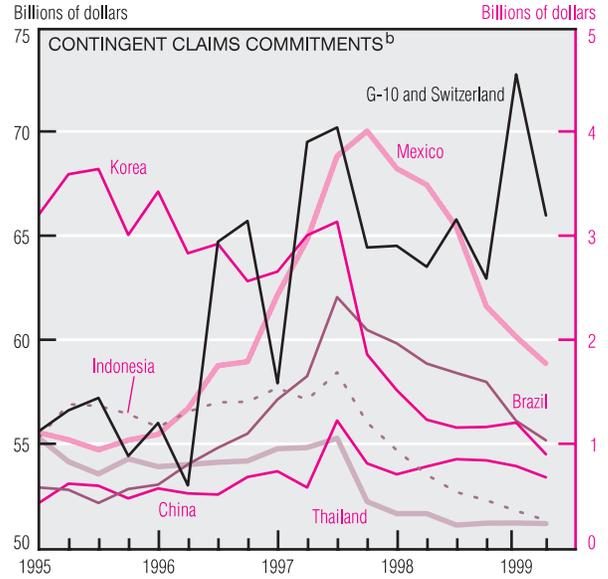
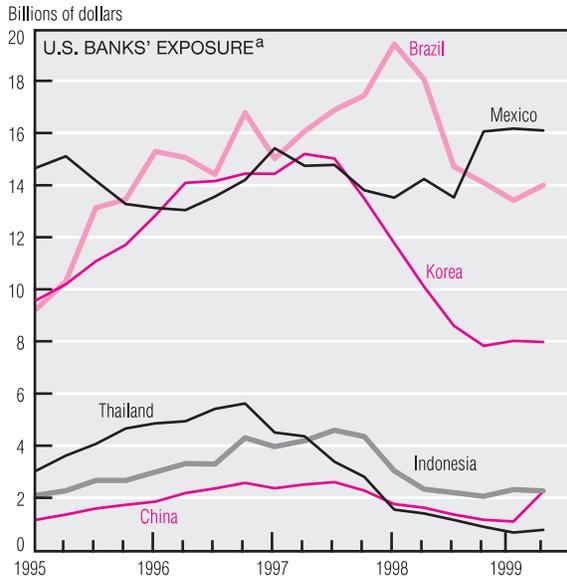


Foreign Lending Exposure



- a. Total owed by borrowers in a country after adjustment for guarantees and external borrowing (except derivative products).
 b. Commitments of cross-borrower and nonlocal-currency contingent claims after adjustment for guarantees.
 c. Maturity distribution of total owed to U.S. banks after adjustment for guarantees and external borrowing (except derivative products).
 d. Money-center banks' share of the total 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*.

Changes in political, social, and economic environments abroad can affect U.S. banks' foreign lending exposure. If, for example, our trading partners experience the increased economic growth that is currently forecast, U.S. banks may be inclined to increase their exposure.

Data for 1999:IIQ already reveal that the decline in U.S. banks' exposure to key developing countries has stopped. Exposure to Brazil has increased slightly, following the sharp

1998 decline associated with that country's fiscal policy changes and currency devaluation. Exposure to China has increased 56%, reversing a steady decline that began in 1997.

Use of contingent claims commitments (including legal commitments to extend credit, forward contracts, and guarantees) declined sharply for the G-10 countries and Switzerland, despite increased U.S. exposure there. Use of such commitments showed moderate declines for other countries as well.

For all countries, the maturity of exposure is primarily short term. This is inconsistent with the widely accepted notion that the depth of longer-term capital markets is a measure of sophistication in financial development.

Money-center banks continue to dominate other U.S. banks, large and small, in all nations. However, money-center banks may participate jointly with other banks in providing credit to developing countries.