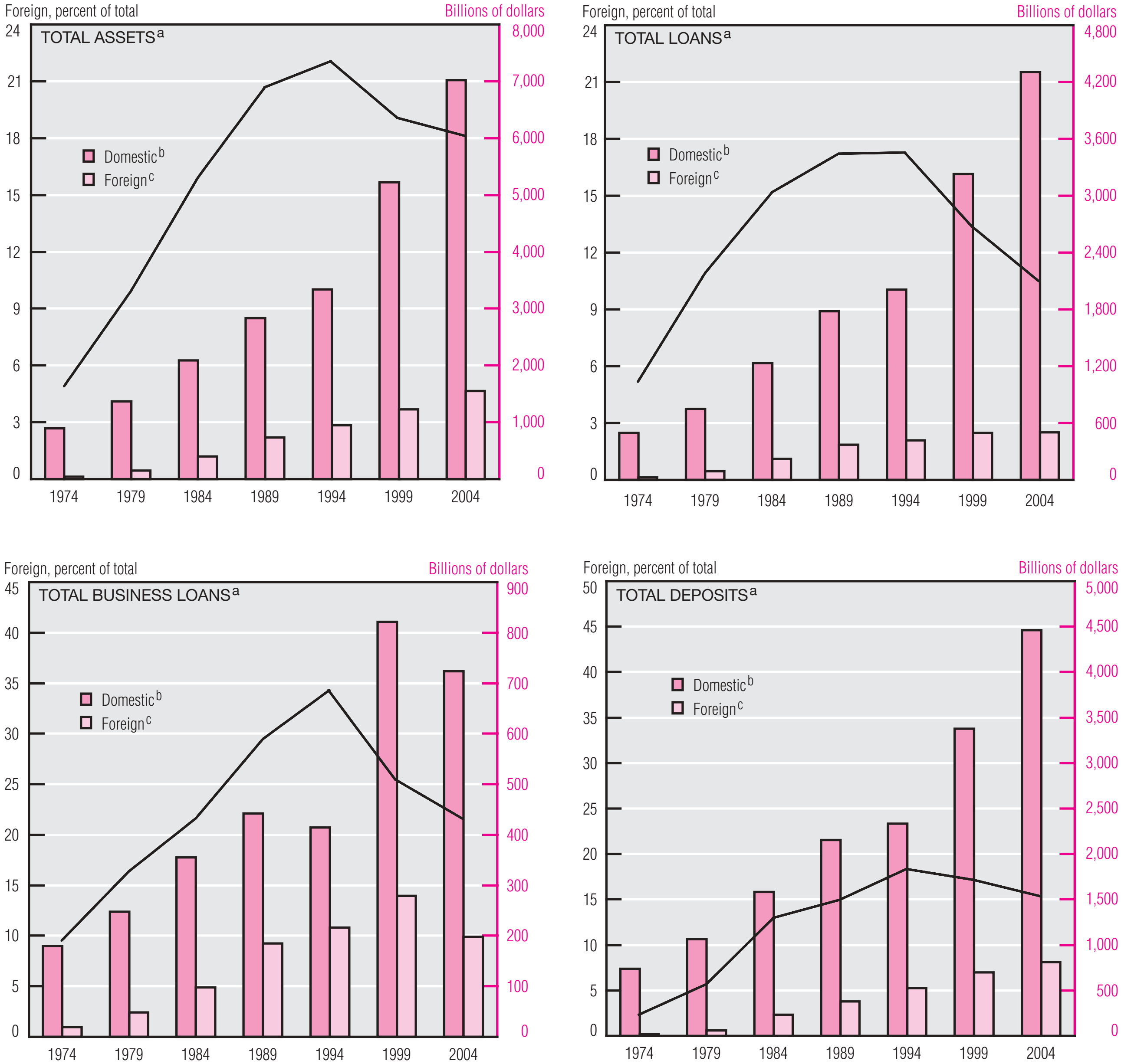
Foreign Banking Organizations



NOTE: Foreign banks are those owned by institutions located outside the U.S. and its affiliated insular areas.

a. Total claims, including domestically owned commercial banks as well as foreign banks' branches and agencies in the 50 states and the District of Columbia; New York investment companies (through September 1996); U.S. commercial banks, of which more than 25% are owned by foreign banks; and international banking facilities. The data exclude Edge Act and agreement corporations; U.S. offices of banks in Puerto Rico, the U.S. Virgin Islands, and other U.S.-affiliated insular areas; and foreign bank offices in U.S.-affiliated insular areas.

b. Excludes commercial banks, more than 25% of which are owned by foreign banks, but includes international banking facilities as well as banks owned by nonbank foreigners.

c. Adjusted to exclude net claims on own foreign offices.

SOURCE: Board of Governors of the Federal Reserve System, *Structure and Share Data for U.S. Offices of Foreign Banks*.

The U.S. banking industry shows the impact of financial markets' increasing globalization. Despite some loss of market share since 1994, foreign banks remain important competitors in the U.S. Total assets held by foreign banking organizations have risen steadily since 1974, more than trebling their share of U.S. banking assets from 4.9% to 18.1% but still down from their peak of 22% at the end of 1994.

Similar patterns are apparent in foreign banking organizations' market share of both loans and deposits. Their holdings of total loans rose from \$27.0 billion in 1974 to \$503.4 billion at the end of 2004, doubling their share. Foreign banks' 10.5% share of U.S. loans at the end of 2004 marks a 39% decline in their market share from its 1994 peak of 17.3%. Much like their total loans, foreign banks' 1994 peak business loan market share has been eroded by more than a third. On the other hand, foreign banks increased their holdings of business loans from \$18.8 billion in 1974 to \$198.5 billion by December 31, 2004, doubling their share of U.S. business loans. Given the nature of the lending process and the importance of established relationships with customers, it is not surprising that foreign banking organizations' loan share has grown much more slowly than their share of total assets.

Finally, foreign banking organizations' 15.32% share of deposits confirms that they are important competitors in the U.S., but recent trends suggest that the domestic industry is equal to the challenge posed by foreign competition.