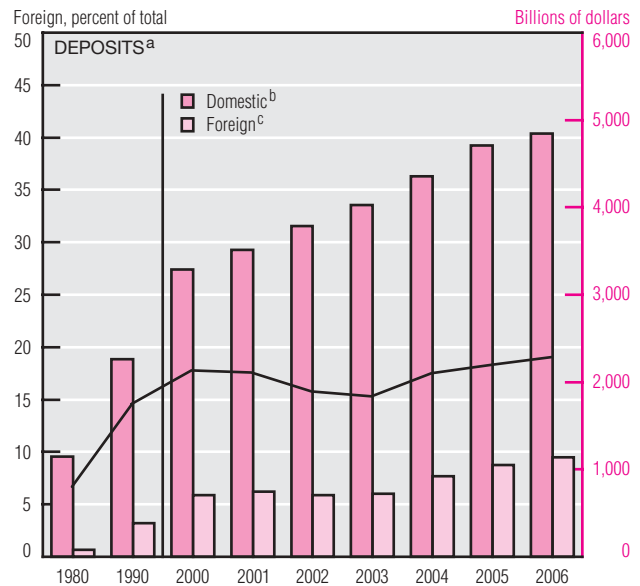
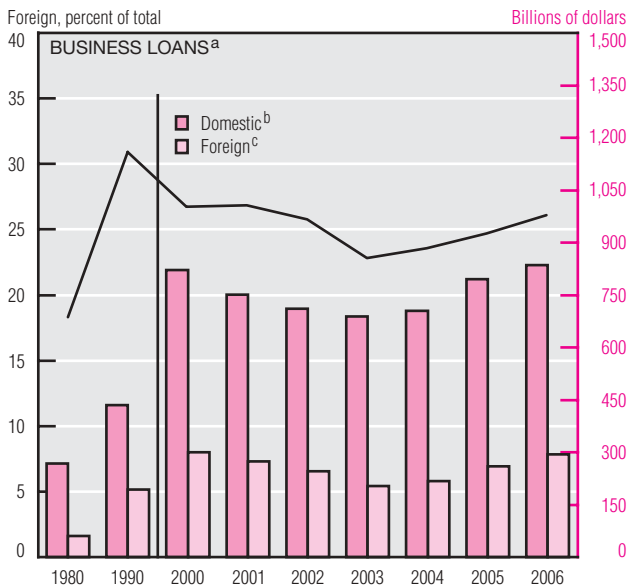
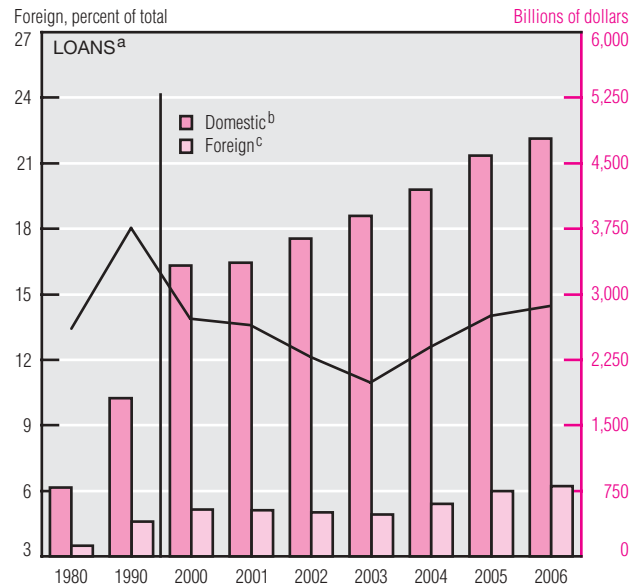


Foreign Banks in the U.S.



NOTE: Foreign banks are those owned by institutions outside the U.S. and 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. banks' offices in Puerto Rico, the U.S. Virgin Islands, and other affiliated insular areas; and foreign banks' offices in U.S.-affiliated insular areas.

b. Excludes commercial banks but includes international banking facilities as well as banks owned by foreign nonbank entities.

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

SOURCES: Federal Reserve Board, *Structure and Share Data for U.S. Offices of Foreign Banks*; and Federal Deposit Insurance Corporation, *Outlook 2005: The Globalization of the U.S. Banking Industry*.

Foreign banks are becoming more competitive with the U.S. domestic banking industry. While the number of foreign banks' branches and agencies in the U.S. declined from 593 at the end of 1991 to 270 at the end of 2004, their assets swelled from \$800 billion to \$2.2 trillion. Their share of U.S. banking assets rose to 22.4% in the first half of 2006, still below the 1991 peak of 22.6% but well above the 2003 trough of 18.4%.

Foreign banks' market shares of loans and deposits follow a similar pattern: Their total loan holdings rose to \$807 billion, or 14.4%, of all loans at the end of 2006:IIQ, following a 2003 trough of 10.9%. Although assets held in U.S. branches of foreign banks are predominantly commercial and industrial loans, recent trends suggest that foreign banks may be sharpening their focus on the U.S. consumer banking market, as exemplified by

HSBC's acquisition of Household International, Inc. in 2003. In contrast with the \$329 billion growth in total loans over the last three years, business loan portfolios grew only \$92 billion in 2006:IIQ.

Although foreign banks' 19.0% share of deposits confirms that they are important competitors in the U.S., recent trends suggest that the domestic banking industry is equal to the challenge.