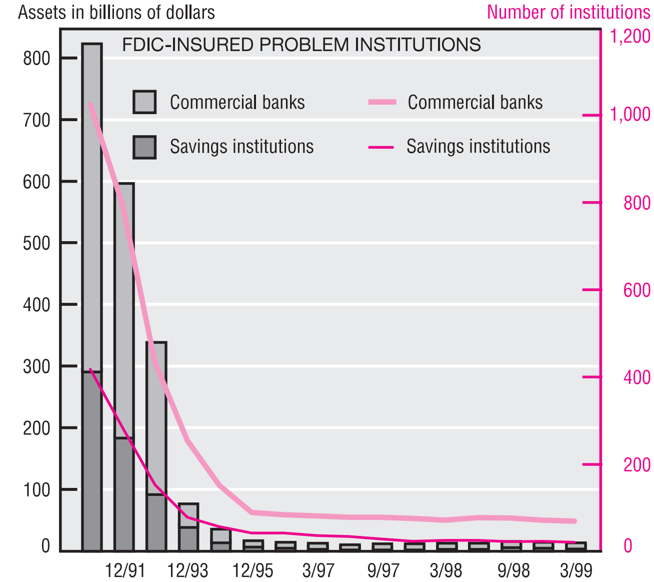
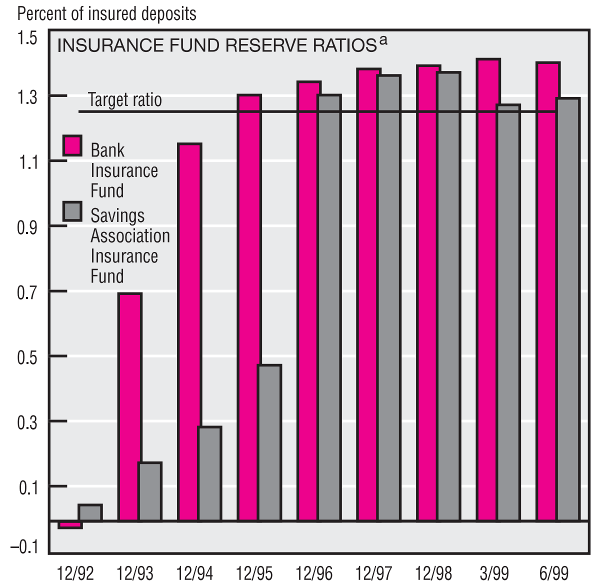
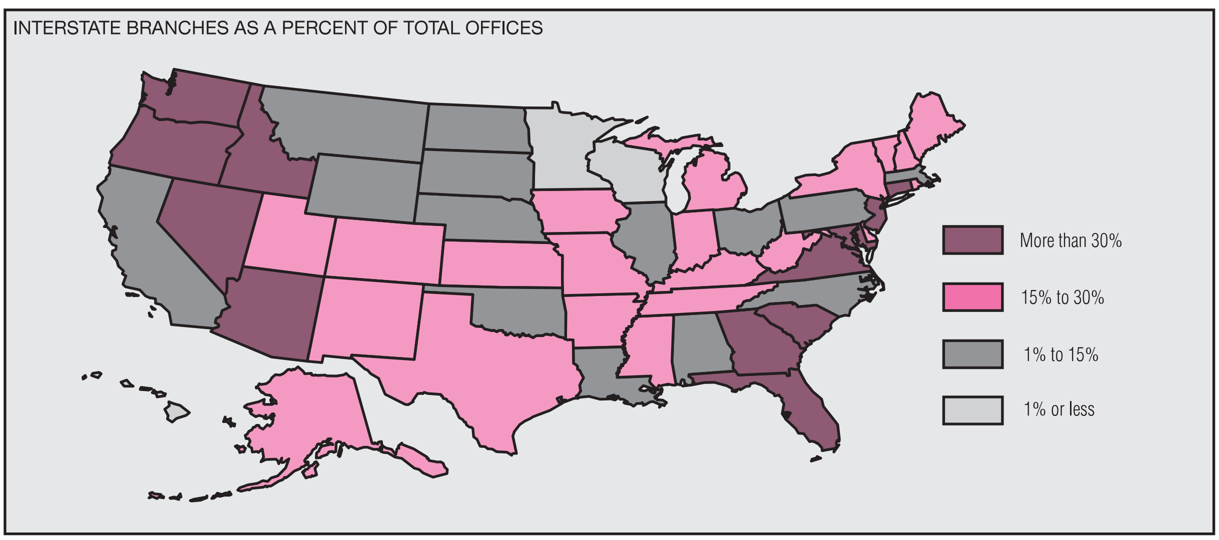
Banking Conditions







a. Insurance fund balance as a percent of total insured deposits.
SOURCE: Federal Deposit Insurance Corporation, *Quarterly Banking Profile.*

The number of FDIC-insured commercial banks continued to decline, dropping to 8,675 at the end of 1999:IIQ, a decrease of 309 since 1998:IIQ. Merger activity has remained fairly steady over the past year, with 217 mergers reported in the first half of 1999. New charters were up slightly from the corresponding reporting period last year. The Southeast region of the country showed the greatest growth in mergers and new charters.

Two banks had failed by midyear, but there have been no failures of thrifts. As of June 1999, the number of FDIC-listed "problem" institutions had declined from the previous quarter to 14 savings institutions and 62 commercial banks. The insurance funds for commercial banks and savings institutions both exceed the levels targeted by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989. The ratios of fund balances to insured deposits at the Bank Insurance Fund and the Savings Association Insurance Fund stood at 1.40% and 1.29%, respectively. The mandated ratio for both funds is 1.25%.

Interstate branching of banks continues to be uneven across states. The Southeast and West (with the exception of California) continue to have the greatest concentration of interstate branches as a percent of total offices. The share of interstate branches in Fourth District states is somewhat higher than it was a year ago. Ohio's share reflects only a minor increase in interstate branches, whereas the shares in Pennsylvania, Kentucky, and West Virginia include more significant increases.