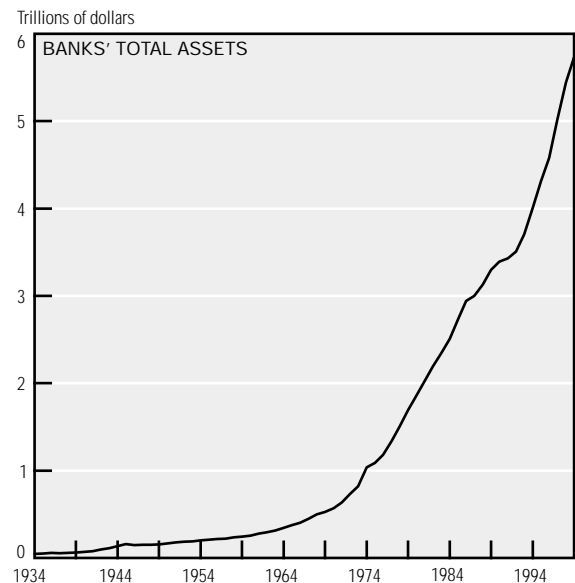
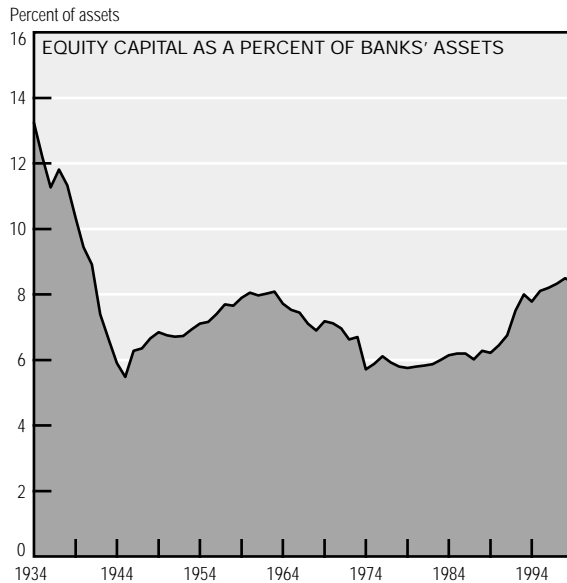
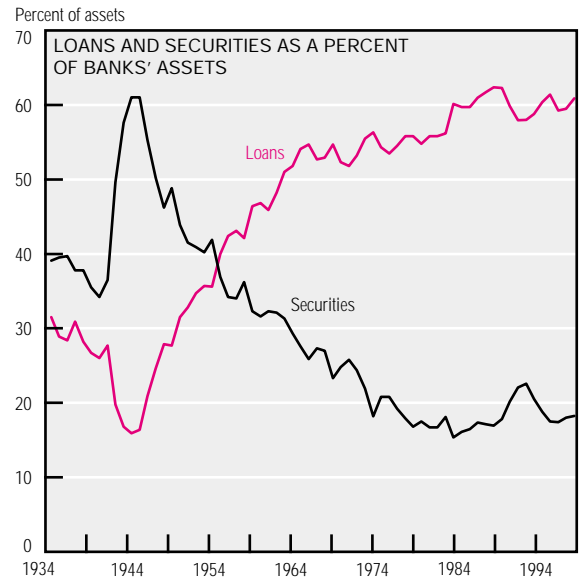
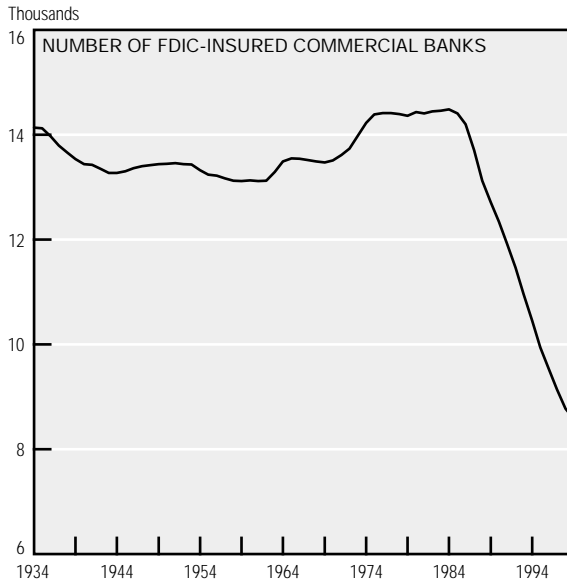


## Long-Term Trends in Banking Conditions



NOTE: Figures for 1934–77 exclude amounts held in foreign offices.  
SOURCE: Federal Deposit Insurance Corporation, *Quarterly Banking Profile*, 1999:IVQ.

During the severe economic downturn of the early 1930s, more than one-third of U.S. banks ceased operations. After federal deposit insurance began in 1934, the number of insured commercial banks remained fairly stable for about 50 years and then began to fall dramatically in the mid-1980s. This decline is commonly attributed to relaxation of bank branching restrictions. In the past two years, however, the trend toward consolidation has slowed.

The structure of commercial banks' balance sheets has changed significantly over time. In the mid-1940s, securities holdings accounted for more than 60% of total bank assets. Today, this percentage is less than 20%. Loans have replaced securities as the primary component of bank assets.

During the late 1970s and early 1980s, the ratio of banks' equity capital to total assets declined to levels that had not been observed

since the mid-1940s. Increased failures of commercial banks and savings and loans during the early 1980s prompted increases in minimum capital-asset ratios required by law and the adoption of risk-based capital requirements. During the 1990s, banks' capital-asset ratios increased fairly steadily. By the end of 1999, the ratio of equity capital to assets stood at 8.4% for commercial banks.