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Testimony by

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I am pleased to appear before the Financial Institutions Subcommittee on behalf of the Federal Reserve Board to discuss issues associated with interstate banking. For many years, the Board has believed that full interstate banking would benefit bank customers and lead to a stronger and safer banking system. While we have concerns about certain specific provisions of the bills before you, we strongly support the thrust of these legislative initiatives. This morning, I would like to explain the reasons for our support and evaluate the concerns voiced by the critics of interstate banking. To assist the subcommittee in its deliberations, the appendixes to my statement provide an up–to–date summary of state laws regarding interstate banking, a discussion of recent trends, and several statistical tables providing information relevant to the issue.

It is perhaps best to start with the observation that interstate banking is now a reality and has been for some time. For years, banks — both domestic and foreign — have maintained loan production offices outside of their home states, have issued credit cards nationally, have made loans from their head offices to borrowers around the nation and the world, have solicited deposits throughout the country, have engaged in a trust business for customers domiciled outside the banks' local markets and — through bank holding companies — have operated mortgage banking, consumer finance, and similar affiliates without geographic restraint. Since the early 1980s, moreover, the individual states have modified their statutes to permit — under the Douglas Amendment to the Bank Holding

Company Act — out–of–state bank holding companies to own banks within their jurisdiction. Indeed, today only Hawaii prohibits bank ownership by out–of–state bank holding companies.

While state legislatures have supported interstate banking, and while over one–fifth of domestic banking assets are already held in banks controlled by out–of–state bank holding companies, the Board believes that there is a need for congressional action. Our dual banking system has a desirable genius for resisting government–imposed uniformity, but the large number of significant differences among the states impedes the interstate delivery of services to the public, and reduces the efficiency of the banking business. The differences in state laws are discussed in the first appendix to this statement, but notable examples include restrictions on the home state of banking organizations allowed to enter some states, reciprocity requirements in some other states, the prohibition of de novo entry, and variable caps on the deposit shares of new entrants in still other states. In short, the states have made clear that they accept — and perhaps prefer — interstate banking, and their legislatures have made interstate banking a substantial reality today, but actions at the state level have resulted in a hodgepodge of laws and regulations that permit interstate banking in an inefficient and high cost manner.

Restrictions on both intra– and interstate banking were imposed in an era in which commercial banks were the dominant provider of financial services to households and businesses. These restrictions were clearly intended to limit competition and thereby insulate local banks from market pressures. Over time, branching and other geographic restraints became part of the totality of regulations designed to protect bank profits through limitations on entry and deposit rate competition. In recent years, however, banks have seen their market position eroded by nonbank providers of financial services that are not subject to bank–like regulation. Indeed, the unwinding of the historically protected position of banks, such as the removal of deposit rate ceilings, has proceeded on most fronts as a lagged response to market developments that had themselves been encouraged by those same restraints on banks. Attempts to maintain antiquated geographic restrictions will only protect inefficient banks, disadvantage consumers of bank services (particularly those like small businesses that still have relatively few alternative sources of credit), encourage the entry of less regulated nonbank competitors, and increase the stress on the safety net as the long–run viability of banks is undermined.

Action to provide more uniform rules for interstate banking would provide several public benefits. First, reducing obsolete barriers to entry would increase actual and potential competition in the provision of financial services to those customers that for one reason or another, have, at best, very limited access to out–of–market banks, nonbank lenders, or the securities markets. Bank customers would benefit from the resulting lower prices for credit, higher rates on their deposits, and improved quality and easier access to banking and related services. In addition, a significant proportion of our citizens live in areas where state borders intersect; interstate banking would provide households and businesses in these regions with significantly increased convenience in conducting their banking business.

Second, greater opportunities for geographic diversification through interstate banking could help to restore a level of stability to the banking system that once was accomplished, in part, through protection of local banks from competition. While increased competition from nonbanks has undermined the protection intended to be provided to banks through controlled entry and geographic constraints, those same restrictions have made it more difficult for banks to diversify their risks and seek out new opportunities. Thus, many banks operating in a region that has experienced a local economic contraction have been neither protected by limits on bank competition nor able to avoid the disastrous impacts of dependence on one market for both deposits and loans. Being able to cushion losses in one region with earnings in others would make banks better able to contribute to the recovery of their local economy, and more diversified banks would expose the federal safety net to fewer losses. Clearly, greater geographic diversification would have provided more stability over the last decade to banks operating in the agricultural areas of the Midwest, the oil patch of the Southwest, and the high–tech and defense regions of New England and California. In short, the elimination of geographic restraints would provide an important tool in diversifying individual bank risk, providing for stability of the banking system, and improving the flow of credit to local economies under duress.

Third, interstate banking would facilitate the allocation of resources to regions that offer both safety and higher return and assist in the reduction of excess banking capacity. The U.S. will hopefully continue to be a dynamic economy. Such economies grow more rapidly, but are characterized by both expanding and declining industries and by expanding and temporarily declining regions. Banks pinned by artificial geographic restrictions to local areas experiencing difficulties have no choice but to pull in their horns, as it were, to protect their own viability. Only through interbank credit extensions and loan participations can they diversify their portfolio to move their assets to borrowers unaffected by the depressed local economy. Indeed, many of these institutions no doubt tend to have lower loan–to–deposit ratios in part because of their inability to find bankable local credits. Note that, given banks' long–run interest in geographic diversification, banking offices would still remain in regions experiencing difficulty, but would be in a stronger position to finance local expansion when growth opportunities return.

The benefits from removal of restrictions on geographic expansion could occur through either the acquisition or de novo chartering of bank subsidiaries of bank holding companies headquartered in another state, or through the establishment of branches of a bank in another state. All of the interstate banking laws enacted by the states provide for interstate banking through bank subsidiaries of bank holding companies, although some states permit interstate banking through branches for state nonmember banks. Two of the three bills before the Subcommittee, H.R. 2235 and H.R. 459, would authorize interstate banking on a nationwide basis through bank subsidiaries. This step removes the last few vestiges of restrictions on interstate banking through bank subsidiaries, and the Board strongly supports such statutory change. The Board also supports removing the McFadden Act's restrictions on interstate branching for national and state member banks. This would permit banks to choose between alternative combinations of subsidiary banks and branches in the manner that best balances their own perceived costs and benefits.

The evidence from virtually all of the limited number of studies that compare interstate banking to branching suggests that, on average, both delivery systems have about the same cost structure. However, such evidence is also consistent with the view that for some banks branching may have the lowest cost structure. Indeed, as a matter of logic, the Board believes that the cost savings from elimination of separate boards of directors, separate management teams, and separate capitalization for banks that could be branches would be significant for some organizations. In any event, we believe that no good public policy purpose is served by restraining the freedom of choice of individual banking organizations that know best what is the least cost operating structure for them. We therefore applaud the provisions of H.R. 256 and H.R. 2235 that would permit immediately upon enactment interstate banking offices to be converted to branches, should a banking organization choose to do so.

We also support H.R. 2235's approach that would extend interstate branching powers only to those banks that are at least adequately capitalized and adequately managed (which we assume means having acceptable supervisory ratings). In the Board's testimonies during the drafting of and debate about FDICIA, the Board supported the principle of expanded activities only for strongly capitalized banks. In drafting recent regulations, the banking agencies have attempted, where possible, to apply this principle. Examples include the reduced documentation requirement on small- and medium-size business loans, and the Board's amendments to Regulation F implementing Section 308 of FDICIA with regard to interbank liabilities. A policy that rewards stronger banks is a desirable supplement to the regulatory limits imposed on weaker banks. However, the Subcommittee may wish to consider amending this provision of H.R. 2235 to permit the banking agencies to authorize a less than adequately capitalized bank to expand into another state if it would, in the agency's judgment, improve the financial condition of the bank.

State supervisors would no doubt prefer interstate operations through separate banks in each state, since it is much easier for them to supervise the activities of a single organization in their jurisdiction. It seems to the Board, however, that the criterion of ease of regulation for states is only one part of a broader cost–benefit test. So long as safety and soundness is not compromised, efficiency and least cost are far more important factors on which to base policy. We applaud the solution to this problem proposed in H.R. 2235 and in the Nationwide Banking and Branching Act, H.R. 459. As we understand it, under the provisions of both bills, the state in which branches of an out–of–state bank operates would negotiate a supervisory agreement with the bank's home state supervisor that is acceptable to both states and to the relevant primary federal regulator. Failure to reach agreement would require the primary federal supervisor to conduct examinations without deferring to the state authorities. Such an approach creates desirable incentives for the states to reach reasonable accord.

When interstate banking is implemented through bank subsidiaries, the bank in each state has all the powers that go with its charter — national or state. However, should interstate banking occur through branches, legislation must clarify whether those branches must limit their activities to those permitted to banks chartered in their host state, to activities permitted to banks in their home states, or — for national and/or state banks — to the powers granted to national banks. The issue of the powers that interstate branches should be permitted to exercise requires balancing a number of competing concerns, including preserving the dual banking system and creating incentives that could make certain types of bank charters more attractive than others. We read all three bills before the

Subcommittee as achieving the same balancing of the conflicting concerns. All the bills provide that interstate branches of state–chartered banks may not engage in any activities in the host state that are not permitted for banks chartered by the host state. National banks would still have the same powers regardless of which states they were in, except that, as at the present time, and consistent with the McFadden Act, branching within the host state would be limited by the laws of the host state. These provisions seem like a reasonable approach.

The interstate operations of foreign banks doing business in the United States raise issues similar to those for U.S. banks operating across state lines. It has been a long standing policy of the United States government to grant foreign banks treatment equivalent to that given to U.S. chartered banks — so–called national treatment. In the present context, such an approach would permit foreign banks to operate interstate on the same basis as U.S. banks, and it is this position that the Board supports. We believe that the provisions of H.R. 2235 and H.R. 459 that require the banking agencies to consult the Treasury on the foreign bank's capital equivalency prior to approval of the first branch of the foreign bank are inconsistent with national treatment, as well as unnecessary. The Board recommends that these provisions be dropped. In addition, the Board believes that the requirement in H.R. 2235 that branching be permitted only through a U.S. subsidiary bank if that structure is needed to verify adherence to U.S. standards by a foreign bank is also unnecessary. The Foreign Bank Supervision Enhancement

Act of 1991, already requires that a foreign bank may not establish a branch in the United States unless its capital is determined to be equivalent to that required of a U.S. bank. Consequently, the Board recommends that this provision also be deleted.

Whether interstate banking is achieved through bank subsidiaries, bank branches, or both, and regardless of how powers are exported from the home state to the branching host state, the arguments used by those that oppose interstate banking must be carefully reviewed.

The first concern is that interstate banking would result in undue concentration — and ultimately higher loan rates and lower deposit rates — as large out–of–state banks drive small in–state banks out of business. In–state market evidence simply does not support this contention. All of the relevant evidence indicates that small banks generally survive entry by large out–of–market banks, and are most frequently more profitable than the entrant. Similar evidence indicates that new large bank entrants to local markets, whether by de novo or by acquisition, are able to expand market share by only modest amounts, if at all.

In the 1970s, for example, when state–wide branching was authorized in New York State, a number of large New York City banks sought an upstate presence by acquiring small banks in these markets. By the early 1980s, the acquired banks had gained on average less than one percentage point in market share, with the largest gain less than three percentage points. The acquired banks or branches continue to have small market shares or they have been sold to local banks, as the New York City banks have exited the market. Experience in California also illustrates the ability of small banks to remain viable in the face of competition from much larger organizations. California has permitted unrestricted statewide branching since 1927 and several of the state's banking organizations, most notably BankAmerica, have operated extensive branch networks for years. In spite of these extensive branch banks, California continues to have many successful independent banking organizations. For example, as of year–end 1992, there were 395 banking organizations in California of which 101 had less than $50 million in assets. Moreover, over the period 1981 through 1991, some 311 de novo banks (almost 11 percent of the U.S. total of de novo banks) began operation in this unlimited branching state.

In addition to their difficulties in winning customers away from existing banks, entrants by acquisition often are soon confronted with competition from a de novo bank organized by local citizens, at times led by the former managers of the bank acquired. The potential for entry — both de novo and by acquisitions by other banks outside the market — plus evidence of continued small bank success, suggest it is unlikely that there would be consumer harm from interstate banking. It is well to remember that since 1979, while over 5,000 banks were absorbed by merger, about 3,500 new banks were chartered. In addition, while almost 10,500 branches were closed, 24,000 new ones were opened in that period. The vast majority of local banking markets in the United States are incredibly dynamic and sensitive to consumer demand, and interstate banking seems likely to make them more so. The concern that interstate banking would lead to excessive concentration in local banking markets is mitigated further by the fact that antitrust enforcement in banking focuses on maintaining competitive local markets. As indicated by appendix table B–7, concentration ratios have *not* increased in local markets despite the substantial overall consolidation in banking in recent years. Local competition has been maintained in part because many bank mergers have been between firms operating in different local markets. In addition, increased concentration has been avoided by factors already noted: the antitrust laws, limited ability of new large banks to increase market share, and the continued vitality of small local competitors.

The importance of local markets and the evidence of little change in local market concentration suggest that attempts to ensure competition through statewide or national deposit caps are unnecessary at best and may, in fact, be anticompetitive to the extent that they prohibit entry. Indeed, as shown in table B–5, the 30 percent individual bank cap that H.R. 2235 would permit states to authorize would protect 17 banks in 13 states from out–of–state acquisitions; 7 of the 17 are already held by out–of–state banking organizations. The Board would recommend deletion of the imposition of statewide and national deposit share caps as contained in the Interstate Banking Efficiency Act. Similarly, I would note that

H.R. 2235 discourages entry by authorizing states to restrict entry *only* to acquisitions of banks or branches that are at least five years old. We see no public benefit from such restrictions, although entry is most likely to be by acquisition in any event.

Another concern of some is that new entrants will vacuum up local deposits and channel them to out–of–market loans, or that managers brought into local markets will be insensitive to, or have no authority to adjust to, local demands. However, it is important to recall that an insured bank must fulfill its Community Reinvestment Act (CRA) responsibilities in all the markets in which it operates. Moreover, the ease of entry, just discussed, should soften concerns that out–of–market entrants will ignore local customers. If a local branch does not meet both the deposit needs and credit demands of the community, it will not succeed and it will attract a rival that will.

However, because the Board realizes that the expansion of nationwide banking raises a number of issues regarding the impact on local community credit needs, it does support provisions of H.R. 2235 and H.R. 459 which would amend CRA to require that performance of interstate institutions be assessed on a statewide or metropolitan area basis. This approach would maintain the concept embodied in CRA that insured banks should be evaluated on overall performance without imposing arbitrary or costly regulatory requirements at the level of the individual branch.

On the other hand, imposing a regulatory regime which requires individual out–of–state branches to meet special credit availability requirements (H.R. 2235 and H.R. 459), or which establishes numeric tests for individual branch loan production (H.R. 2235), would represent unnecessary and burdensome regulation of interstate branches. It would also be duplicative and unnecessary to impose new credit availability requirements on branches which are simply replacements for existing interstate banks of the same organization (H.R. 2235). Evaluating the statewide or metropolitan area CRA performance of an out–of–state institution would, in the Board's view, provide adequate information to determine that an interstate institution is meeting community needs in the markets it serves.

Finally, in considering the needs of local markets, Congress should consider the fact that large banks have higher loan–to–deposit ratios than small banks. This could imply that large banks entering new markets would make both more in–market loans and more out–of–market loans. Many assume that most of the loans would, in fact, be made outside the community. However, as I noted, banks must both meet their CRA requirements and service their customers in order to remain competitive in the market. It should also be kept in mind that small, independent banks also export funds: they are relatively large lenders to other banks through the federal funds and correspondent deposit markets, and purchase relatively more Treasury and out–of–market state and local bonds than large banks

In sum, interstate banking promises wider household and business choices at better prices, and, for our banking system, increased competitive efficiency, the elimination of unnecessary costs associated with the delivery of banking services, and risk reduction through diversification. By the record, most community banks are already providing services to their customers so efficiently that they have little to fear from out–of–market rivals. Those that are not *should* worry because interstate banking will — and should — mean either their displacement by a more efficient competitor or their rising to the competitive challenge and improving their own efficiency.

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APPENDIX A

THE STATUS OF INTERSTATE BANKING

Federal law and regulations prior to 1956 did not prohibit multistate bank holding companies, but in floor debate on the Bank Holding Company Act of 1956 Senator Douglas introduced an amendment that still has a profound influence on the structure of the banking industry. The Douglas Amendment prohibits a bank holding company from acquiring a bank outside its home state unless the acquisition is specifically permitted by the statutes of the home state of the bank to be acquired. In 1956, no state had a statute to allow bank acquisitions by out–of–state bank holding companies; thus, no new multistate organizations could be formed.

The Bank Holding Company Act, while effectively prohibiting new interstate banking organizations, provided grandfather rights for the existing multistate companies. They could retain their existing subsidiary banks, even though the acquisition of additional banks was not permitted. There were only 19 multistate organizations that were grandfathered in 1956. Most of the 19 were quite small, and the four largest held 86 percent of the deposits of the 19 interstate organizations.

The Bank Holding Company Act of 1956 regulated only *multibank* holding companies. The smaller multibank, multistate organizations preferred to reorganize and give up their grandfathered *multistate* operating rights in order to avoid the new federal regulations being applied to *multibank* holding companies. Thus, over time, the number of grandfathered multistate bank holding companies decreased to seven.

The option to allow bank acquisitions by out–of–state bank holding companies, provided to the states by the Douglas Amendment, went unused until 1975. In that year, a general revision of the Maine state banking code permitted the acquisition of Maine banks by out–of–state bank holding companies beginning in 1978. The Maine law initially required reciprocity; Massachusetts bank holding companies, for example, could only buy Maine banks if Maine bank holding companies were allowed to buy banks in Massachusetts. Because of the reciprocity requirement, no acquisitions of Maine banks were possible until other states enacted statutes allowing the acquisition of their banks by Maine bank holding companies.

Other states began enacting interstate banking statutes in the early 1980s with Alaska, Massachusetts, and New York passing laws that became effective in 1982. In subsequent years, all states except Hawaii enacted some form of interstate bank holding company law.

The Interstate Bank Holding Company Laws

The interstate bank holding company laws passed by the states and the District of Columbia in the years 1975–1993 vary on a number of bases. Appendix table A–1 details the major provisions of the interstate banking laws of 49 states and the District of Columbia. On the federal level, the Garn–St Germain Depository Institutions Act of 1982 amended the Bank Holding Company Act of 1956 to allow for the interstate acquisition of large failed banks.

Thirty–four states now provide for the acquisition of their banks by out–of–state holding companies headquartered in *any* other state. Many of these states began their interstate banking period by allowing for entry from a limited list of states. Later, either at a predetermined trigger date or by subsequent legislation, the limited number of states from which entry was permitted was expanded to allow nationwide entry.

However, twenty–one of those states that allow nationwide entry require reciprocal entry rights for their bank holding companies. Thus, although New York, for example, provides the potential for entry by bank holding companies headquartered in any other state, actual entry into New York is only allowed if the home state of the bank holding company allows entry by New York bank holding companies. Given that all states do not allow entry by New York holding companies, not all holding companies can enter New York. When they do allow entry from New York, they will simultaneously gain entry rights into New York. States that do not include a reciprocity requirement in the provisions of their interstate banking laws can be entered by bank holding companies located in any other state, regardless of the laws of that state.

Except for Hawaii, the sixteen states that do not have provisions for nationwide entry allow, or in the case of Montana will allow, entry from selected states within a region that is defined in the enabling legislation. Regions are defined as areas as small as the six adjacent states and as large as 16 states and the District of Columbia.

Although areas such as New England and the Southeast were initially thought of as interstate compact areas, there were no formal compacts or treaties between these states. Each state defined its region as it thought best. Only the Southeastern states remain as a somewhat cohesive unit, generally allowing entry from the other states in the region and generally excluding bank holding companies from outside the region. Even within this area, however, there are some differences between the regional definitions of the various states. All of the states with limited regions require reciprocity for their banking organizations.

There are a variety of other conditions that have been placed on interstate banking activity as each state has crafted its own law on the subject. Montana, which has the newest legislation on the subject, can be used to illustrate some of the possible features of interstate banking legislation. First, as Appendix table A–1 indicates, Montana has a regional reciprocal law allowing entry from only seven states. Second, Montana does not allow out–of–state bank holding companies to acquire a charter for a de novo bank. A Montana bank must be at least six years old before it can be acquired by an out–of–state bank holding company. Although few large bank holding companies have chosen to enter new markets by forming a de novo bank, the desire to protect the franchise value of the existing bank charters has led to barriers to de novo bank formations as a means of expansion across state borders.

As a third measure, Montana, like 16 other states listed in Appendix table A–2, has placed a cap on the share of bank deposits that can be controlled by any *one* out–of–state organization. Often, those opposing interstate banking argue that the entering out–of–state bank will have major operating advantages over local banks, or will use unfair competitive tactics to acquire an overwhelming share of the state's deposits. Montana's law limits the market share that any one out–of–state institution could acquire to 18 percent of the total of the state's insured bank, thrift, and credit union deposits. Going beyond other states, Montana also limits the combined share of all out–of–state banking organizations to 49 percent of the state's insured bank and thrift deposits.

As a fourth variation, some states designed their interstate banking laws to promote specific forms of economic activity. For example, Delaware encouraged holding companies from other states to establish Delaware banks for the purpose of issuing credit cards and processing credit card transactions. In some states, banks chartered for these specific purposes did not compete generally with the local banks, but rather concentrated on their specific functions.

In spite of the various restrictive provisions initially included in interstate banking legislation, over time the laws have become more permissive. As more states allow nationwide entry, the expansion possibilities increase for bank holding companies in all states. Treating each pair of states (and the District of Columbia) as a combination, there are 2,550 possible two state pairs. For example, Alabama entry into Alaska would be one possibility and Alaska entry into Alabama would be a second, etc. At this time, entry is permitted between 1,570 (62 percent) of the 2,550 possible state combinations.

The Interstate Bank Holding Companies

There are now 172 domestic multistate bank holding companies. These holding companies, as well as nine foreign bank holding companies with banks in multiple states, are listed in Appendix table A-3. While most of these are major banking organizations in terms of assets, as suggested by their average domestic deposit size of nearly $8 billion, there are 73 with less than $1 billion in domestic deposits that operate banks in two or more states.

One hundred and sixteen of the 181 interstate bank holding companies have subsidiary banks in only 2 states, their home state plus one additional state. At the other extreme, only three holding companies have bank subsidiaries in ten or more states, and two of these organizations---First Interstate Bancorp and Norwest Corporation---are among the grandfathered interstate bank holding companies that held some of their out-of-state subsidiary banks before the Bank Holding Company Act of 1956. Thus far, only a few banking organizations, such as BankAmerica, Banc One, Citicorp, Fleet Financial, KeyCorp, and NationsBank, have made extensive use of the state interstate banking laws and have made significant progress toward becoming truly nationwide organizations.

Interstate Banking Shares at the National Level

The share of domestic commercial banking assets controlled by interstate bank holding companies has not expanded as rapidly as might have been expected. As of December 31, 1992, 20.81 percent of domestic commercial banking deposits were held by banks owned by out-of-state bank holding companies. While this percentage is relatively low, it began from a very low base consisting only of the seven grandfathered bank holding companies.

A number of possible reasons can be advanced for the slower than expected increase of the interstate banking share of deposits. The first major reason would, most likely, be the financial problems encountered during the period by some of the largest banks. The spread of interstate banking laws coincided with significant banking system problems that left many banks that were expected to expand rapidly without the resources to grow at the anticipated rate.

Second, the economic outcome of those mergers that have occurred is not generally conducive to further mergers. Although some bank holding companies are able to make repeated large acquisitions, integrate the new banks into their organization, and increase their profit rates in the process, studies of hundreds of mergers suggest that, on average, mergers do not increase the profitability or efficiency of the combined firm. Studies, over time, have not found the economies of scale that would require firms to grow larger in order to be competitive and profitable. Thus, smaller banks are not under great pressure to be acquired; they can remain independent and still be profitable.

Finally, hostile takeovers are very difficult in banking. Below the top size–tier of banks, only a few have publicly traded stock. Thus, acquisitions must be negotiated in most cases.

As the condition of the banking system continues to improve, additional interstate expansion can be expected. However, such expansion may still be limited by the high share price of the banking organizations that are the most attractive acquisition targets.

Interstate Banking Shares at the State Level

While the national data suggest that the progression to interstate banking has been relatively slow, the state data presented in Appendix table A–4 reveal a wide variance in the percentage of state banking assets and deposits held by out–of–state bank holding companies. In three states, over 70 percent of domestic banking deposits are held by banks controlled by out–of–state bank holding companies. In seven states, between 50 percent and 70 percent of deposits are under out–of–state ownership. Twenty–eight states have out–of–state ownership of between 10 percent and 50 percent of state banking deposits, and in the final 13 states less than 10 percent of banking deposits are held by out–of–state bank holding companies.

The states in which out–of–state bank holding companies have acquired 70 or more percent of domestic banking deposits are Maine, Nevada, and Washington. Prior to interstate banking, all had few large banking organizations, and a relatively high degree of banking concentration. Thus, only a few acquisitions by out–of–state firms were required to bring over 70 percent of banking deposits under out–of–state control. Another important factor explaining levels of out–of–state ownership is bank failures. Especially in Texas, the percentage of out–of–state ownership is due, in part, to the failure and subsequent acquisition of major banking organizations by out–of–state bank holding companies.

There are a wide variety of explanations as to why some states have very low percentages of out–of–state ownership. Some of these states may not be regarded as particularly attractive for entry because of low income levels or growth rates. Others states, such as New York, contain so many very large banks that it would be difficult for out–of–state institutions to enter and acquire a large state share. Finally, some of the states have very low levels of concentration; even the acquisition of several of the largest banks could occur without transferring a large percentage of the total deposits to out–of–state firms.

Interstate Branching

The likely final step in the geographic deregulation of banking is interstate branching. Historically, neither federal nor state laws have permitted general interstate branching. A few states, including Utah, New York, Arizona, and Wyoming, have recently enacted laws that would permit interstate branching only for state nonmember banks, but there has been no general use of these laws yet.

Over time, however, a number of interstate branches have been maintained. According to the Summary of Deposits for June 30, 1992, there were 146 branches across the borders of states, territories or possessions, Most of these branches were owned by U.S. banks in the territories and possessions of the United States, or were U.S. branches of banks in the U.S. territories and possessions. Only forty–two of the branches are between states; they exist for three reasons. First, some were grandfathered from some earlier periods. Second, some were permitted as the means to resolve a failing institution problem. Third, some are branches of banks serving more than one military installation.

APPENDIX A

TABLE A–1

INTERSTATE BANKING LEGISLATION BY STATE (AS OF JUNE 1, 1993)

STATE	LEGISLATION IN EFFECT	AREA	DEPOSIT SHARE CAP
Alabama	Currently	Reciprocal. 13 States and DC (AR, FL, GA, KY, LA, MD, MS, NC, SC, TN, TX, VA, WV, DC).	No
Alaska	Currently	National, no reciprocity.	No
Arizona	Currently	National, no reciprocity.	No
Arkansas	Currently	Reciprocal. 16 States and DC (AL, FL, GA, KS, LA, MD, MO, MS, NC, NE, OK, SC, TN, TX, VA,WV, DC).	Yes
California	Currently	National, reciprocal.	No
Colorado	Currently	National, no reciprocity.	Yes
Connecticut	Currently	National, reciprocal.	No
Delaware	Currently	National, reciprocal.	No
District of Columbia	Currently	Reciprocal. 11 States (AL, FL, GA, LA, MD, MS, NC, SC, TN, VA, WV).	No
Florida	Currently	Reciprocal. 11 States and DC (AL, AR, GA, LA, MD, MS, NC, SC, TN, VA, WV, DC).	No
Georgia	Currently	Reciprocal. 10 States and DC (AL, FL, KY, LA, MD, MS, NC, SC, TN, VA, DC).	No
Idaho	Currently	National, no reciprocity.	No
Illinois	Currently	National, reciprocal.	No
Indiana	Currently	National, reciprocal.	No
Iowa	Currently	Reciprocal. 6 States (IL, MN, MO, NE, SD, WI).	Yes
Kansas	Currently	Reciprocal. 6 States (AR, CO, IA, MO, NE, OK).	Yes
Kentucky	Currently	National, reciprocal.	Yes
Louisiana	Currently	National, reciprocal.	No
Maine	Currently	National, no reciprocity.	No

TABLE A-1 (continued)

STATE	LEGISLATION IN EFFECT	AREA	DEPOSIT SHARE CAP
Maryland	Currently	Reciprocal. 14 States and DC (AL, AR, DE, FL, GA, KY, LA, MS, NC, PA, SC, TN, VA, WV, DC).	No
Massachusetts	Currently	National, reciprocal.	Yes
Michigan	Currently	National, reciprocal.	No
Minnesota	Currently	Reciprocal. 16 States (CO, IA, ID, IL, IN, KS, MI, MO, MT, ND, NE, OH, SD, WA, WI, WY).	Yes
Mississippi	Currently	Reciprocal. 13 States (AL, AR, FL, GA KY, LA, MO, NC, SC, TN, TX, VA, WV).	Yes
Missouri	Currently	Reciprocal. 8 States (AR, IA, IL, KS, KY; NE, OK, TN).	No
Montana	October 1993	Reciprocal. 7 States (CO, ID, MN, ND, SD, WI, WY).	Yes
Nebraska	Currently	National, reciprocal.	Yes
Nevada	Currently	National, no reciprocity.	No
New Hampshire	Currently	National, no reciprocity.	Yes
New Jersey	Currently	National, reciprocal.	No
New Mexico	Currently	National, no reciprocity.	No
New York	Currently	National, reciprocal.	No
North Carolina	Currently	Reciprocal. 13 States and DC (AL, AR, FL, GA, KY, LA, MD, MS, SC, TN, TX, VA, WV, DC).	No
North Dakota	Currently	National, reciprocal.	Yes
Ohio	Currently	National, reciprocal.	Yes
Oklahoma	Currently	National. After initial entry, BHC must be from state offer-ing reciprocity or wait 4 years to expand.	Yes
Oregon	Currently	National, no reciprocity.	No
Pennsylvania	Currently	National, reciprocal.	No
Rhode Island	Currently	National, reciprocal.	No

TABLE A–1 (continued)

STATE	LEGISLATION IN EFFECT	AREA	DEPOSIT SHARE CAP
South Carolina	Currently	Reciprocal. 12 States and DC (AL, AR, FL, GA, KY, LA, MD, MS, NC, TN, VA, WV, DC)	No
South Dakota	Currently	National, reciprocal.	No
Tennessee	Currently	National, reciprocal.	Yes
Texas	Currently	National, no reciprocity.	Yes
Utah	Currently	National, no reciprocity.	No
Vermont	Currently	National, reciprocal.	No
Virginia	Currently	Reciprocal. 12 States and DC (AL, AR, FL, GA, KY, LA, MD, MS, NC, SC, TN, WV, DC).	No
Washington	Currently	National, reciprocal.	No
West Virginia	Currently	National, reciprocal.	Yes
Wisconsin	Currently	Reciprocal. 8 States (IA, IL, IN, KY, MI, MN, MO, OH).	No
Wyoming	Currently	National, no reciprocity.	No

Source: Financial Structure Section, Board of Governors of the Federal Reserve System.

APPENDIX A

TABLE A–2

STATE DEPOSIT SHARE CAPS

		PERCENT LIMIT INCLUDES DEPOSITS OF		
STATE	PERCENT LIMIT	BANKS	THRIFTS	CREDIT UNIONS
Arkansas	25	X		
Colorado	25	X	X	X
Iowa	10	X	X	X
Kansas	12	X		
Kentucky	15	X	X	X
Massachusetts	15	X		
Minnesota	30	X	X	X
Mississippi	19	X	X	X
Montana	18	X	X	X
Nebraska	14	X	X	
New Hampshire	20	X	X	X
North Dakota	19	X	X	X
Ohio	20	X	X	
Oklahoma	11	X	X	X
Tennessee	16.5	X	X	X
Texas	25	X		
West Virginia	20	X	X	X

Source: Conference of State Bank Supervisors, amended by calls to state banking commissions in some cases.

APPENDIX A
TABLE A-3
INTERSTATE BANKING ORGANIZATIONS AND THEIR DEPOSITS
DECEMBER 31, 1992

Banking Organization	Home State	Number of States in which BHC has Insured Commercial Bank(s)	Domestic Deposits (bil of $)	Percent of BHC's Domestic Deposits From Outside Its Home State
Livingston SouthWest Corp.	IL	2	0.18	100.00
NationsBank Corporation	NC	11	82.55	90.38
Fleet Financial Group, Inc.	RI	6	32.28	83.64
Peoples Heritage Financial Group	ME	2	0.32	81.50
SunTrust Banks, Inc.	GA	3	28.95	72.71
T & C Bancorp, Inc.	IL	2	0.12	72.18
First Union Corporation	NC	6	38.20	72.04
Charter 95 Corp.	MN	2	0.11	71.99
First Nebraska Bancs, Inc.	NE	2	0.06	69.82
Magna Group, Inc.	MO	2	3.34	69.72
Banc One Corp.	OH	8	48.06	69.41
Valley Bancshares, Inc.	MN	2	0.06	69.19
Whitcorp Financial Company	KS	2	0.13	68.94
Community First Bankshares	ND	3	0.95	68.49
Suburban Bancshares, Inc.	VA	2	0.10	67.06
First Illinois Bancorp, Inc.	IL	2	0.15	63.58
American Interstate Bancorporation	NE	2	0.10	61.65
First Interstate Bancorp	CA	13	43.48	61.25
First Heartland Bancorp.	NE	2	0.10	60.04
Norwest Corp.	MN	11	27.04	59.95
Community First Financial, Inc.	KY	2	0.04	59.67
Chadwick Bancshares, Inc.	IL	2	0.10	55.21
First Banks, Inc.	MO	2	1.20	53.17
Wachovia Corp.	NC	4	22.98	50.70
Commercial Bancgroup, Inc.	TN	2	0.17	50.57
U.S. Bancorp	OR	5	15.21	48.92
NBD Bancorp, Inc.	MI	5	29.29	48.00
West One Bancorp	ID	4	5.34	47.81
HNB Corporation	KS	2	0.28	47.52
Shawmut National Corporation	CT	2	16.54	47.40
American Community Bank Group	MN	2	0.23	47.37
KeyCorp	NY	8	21.00	45.67

Table A-3 (Continued)

Banking Organization	Home State	Number of States in which BHC has Insured Commercial Bank(s)	Domestic Deposits (bil of $)	Percent of BHC's Domestic Deposits From Outside Its Home State
First Security Corp.	UT	3	5.51	42.24
Resource Bancshares Corp.	SC	2	0.58	42.10
American Bancorporation	WV	2	0.26	40.46
National City Corp.	OH	5	22.65	39.12
Granby Bancshares	MO	2	0.02	38.59
Signet Banking Corp.	VA	3	7.86	37.53
Mid-South Bancorp, Inc.	KY	2	0.17	36.90
Frandsen Financial Corp.	MN	2	0.10	36.81
Boatmen's Bancshares, Inc.	MO	8	18.25	36.49
Banner Bancorp, Ltd.	WI	2	0.05	36.10
Firstar Corp.	WI	5	10.88	36.03
F.S.B., Inc.	NE	2	0.07	35.38
SouthTrust Corporation	AL	6	9.64	34.85
Arrow Bank Corp.	NY	2	0.66	34.24
Otto Bremer Foundation	MN	3	1.78	34.23
Reelfoot Bancshares, Inc.	TN	2	0.10	34.23
Brighton Bancorp, Inc.	TN	2	0.03	33.21
Peoples Preferred Bankshares	GA	2	0.05	32.52
First Bank System, Inc.	MN	7	16.60	31.99
First of America Bank Corp.	MI	3	16.26	31.86
Midlantic Corp.	NJ	4	13.45	31.75
Bessemer Group, Inc.	NJ	2	0.27	31.46
Citizens Holding Company	OK	2	0.20	30.81
Bank of Boston Corp.	MA	5	19.84	30.29
First Community Bancshares Corp.	IA	2	0.08	29.50
Old National Bancorp	IN	3	2.40	29.34
PNC Financial Corp.	PA	6	29.39	29.33
Hancock Holding Company	MS	2	1.55	29.21
Central Bancshares of the South	AL	3	5.00	28.93
Dominion Bankshares Corp.	VA	4	7.22	28.65
National City Bancshares, Inc.	IN	3	0.42	28.40
Chemical Banking Corp.	NY	4	74.05	27.87
Chase Manhattan Corp.	NY	7	40.04	27.05
Synovus Financial Corp.	GA	3	4.37	27.03
State First Financial Corp	AR	2	0.60	26.97

Table A-3 (Continued)

Banking Organization	Home State	Number of States in which BHC has Insured Commercial Bank(s)	Domestic Deposits (bil of $)	Percent of BHC's Domestic Deposits From Outside Its Home State
Citicorp	NY	9	48.67	26.96
Decatur Corp.	IA	2	0.05	26.64
BankAmerica Corp.	CA	9	123.70	26.22
Mid-Citco Inc.	IL	2	1.28	25.02
Huntington Bancshares Inc.	OH	6	9.50	24.84
Grenada Sunburst System Corp.	MS	2	1.78	24.35
First Dodge City Bancshares, Inc.	KS	2	0.13	24.03
Corestates Financial Corp.	PA	3	16.07	23.96
FMB Banking Corp.	FL	2	0.08	23.78
Western Security Holding Company	NE	2	0.08	23.54
F & M National Corp.	VA	2	0.96	23.46
Miles Bancshares, Inc.	MO	2	0.09	23.10
Arvest Bank Group, Inc.	AR	2	0.99	22.59
First Affiliated Bancorp, Inc.	IL	2	0.08	22.05
United Community Banks, Inc.	GA	2	0.30	21.67
Deposit Guaranty Corp.	MS	3	4.02	21.56
MNC Financial, Inc.	MD	2	10.83	21.14
Baker Boyer Bancorp	WA	2	0.25	20.80
Sierra Tahoe Bancorp	CA	2	0.21	20.19
Johnson International, Inc.	WI	3	0.78	19.77
UJB Financial Corp.	NJ	2	11.94	19.77
Crestar Financial Corp.	VA	3	9.75	19.69
Comerica Inc.	MI	6	19.47	19.62
Union Planters Corp.	TN	4	4.45	19.03
Society Corp.	OH	3	17.60	18.86
First Place Financial Corp.	NM	2	0.39	18.62
Heartland Financial USA, Inc.	IA	2	0.43	18.33
Farmers State Bancorp	OH	2	0.07	18.22
Commerce Bancorp, Inc.	NJ	2	1.45	18.13
Susquehanna Bancshares, Inc.	PA	2	1.48	18.07
Century South Banks, Inc.	GA	2	0.37	17.79
Northern Trust Corp.	IL	5	7.99	17.77
Glendale Bancorporation	NJ	2	0.22	17.51
Union of Arkansas Corporation	AR	2	0.65	17.47

Banking Organization	Home State
Palmer Bancorp, Inc.	IL
WM Bancorp	MD
First West Virginia Bancorp	WV
Star Banc Corp.	OH
First Financial Bancorp	OH
Eufaula Bancorp, Inc	AL
The Lauritzen Corp.	NE
Fourth Financial Corp.	KS
Zions Bancorporation	UT
Wesbanco, Inc.	WV
First Western Bancorp	SD
First National Corporation	MS
Minowa Banshares, Inc.	IA
The Merchants Holding Company	MN
Old Kent Financial Corp.	MI
Riggs National Corp.	DC
Amsouth Bancorporation	AL
CNB Bancshares Inc.	IN
Southern National Corp.	NC
First Bank Corp.	AR
Vista Bancorp, Inc.	NJ
Fifth Third Bancorp.	OH
Meridian Bancorp, Inc.	PA
First Virginia Banks, Inc.	VA
J.P. Morgan & Co. Inc.	NY
SouthWest Missouri Bancorporation	MO
Citizens Bancorp	MD
First Alabama Bancshares	AL
W.T.B. Financial Corp.	WA
First Commercial Corp.	AR
Citizens Banking Corp.	MI
First United Corp.	MD
Mark Twain Bancshares, Inc.	MO
Bank South Corp.	GA

Table A-3 (Continued)

Number of States in which BHC has Insured Commercial Bank(s)	Domestic Deposits (bil of $)	Percent of BHC's Domestic Deposits From Outside Its Home State
2	0.21	16.98
2	0.33	16.77
2	0.09	16.63
3	6.48	16.61
2	1.15	16.48
2	0.07	16.06
2	0.24	16.05
2	4.51	16.05
3	2.72	15.48
2	0.84	14.81
2	0.24	14.71
2	0.06	14.67
2	0.16	14.11
2	0.28	13.98
2	7.09	13.94
3	3.83	13.46
3	7.43	13.08
2	1.43	12.98
2	3.60	12.81
2	0.51	12.43
2	0.31	12.42
3	7.57	12.18
2	10.18	12.08
3	6.02	11.91
2	5.82	11.00
2	0.11	10.77
3	2.84	10.64
4	6.72	10.54
2	0.89	10.50
3	2.55	10.35
2	2.09	10.08
2	0.32	9.75
2	1.89	9.66
2	3.65	9.65

Table A-3 (Continued)

Banking Organization	Home State	Number of States in which BHC has Insured Commercial Bank(s)	Domestic Deposits (bil of $)	Percent of BHC's Domestic Deposits From Outside Its Home State
United Carolina Bancshares Corp.	NC	2	2.49	9.64
United Missouri Bancshares	MO	4	3.89	9.49
Community Bankshares, Inc.	GA	2	0.17	9.36
Valley National Corp.	AZ	3	10.15	8.58
Upbancorp, Inc.	IL	2	0.18	8.06
Key Centurion Bancshares, Inc.	WV	2	2.60	7.98
First Chicago Corp.	IL	3	21.42	7.84
BancorpSouth, Inc.	MS	2	1.64	7.73
State Bancshares, Inc.	PA	2	0.51	7.71
Associated Banc-Corp.	WI	2	2.41	7.64
Bankers Trust New York Corp.	NY	3	10.29	7.58
Pocahontas Bankshares Corp.	WV	2	0.22	7.44
BB&T Financial Corp.	NC	2	5.34	7.42
Commerce Bancshares, Inc.	MO	4	6.52	7.30
Mercantile Bankshares Corp.	MD	3	4.59	7.26
Liberty National Bancorp., Inc.	KY	2	3.74	6.84
Mercantile Bancorporation	MO	2	7.60	6.53
UST Corp.	MA	2	1.80	6.06
Provident Bancorp, Inc.	OH	2	3.19	5.59
Michigan National Corp.	MI	2	8.30	5.42
First Bancorp of Kansas	KS	2	1.08	5.39
Marshall & Ilsley Corp.	WI	2	6.17	4.72
Citizens Bancshares, Inc.	OH	2	0.43	4.44
First National of Nebraska, Inc.	NE	2	3.10	4.38
Mellon Bank Corp.	PA	3	24.13	3.48
Lincoln Financial Corp.	IN	2	1.76	3.48
Barnett Banks, Inc.	FL	2	34.57	3.27
Bank of New York Co. Inc.	NY	3	20.94	2.91
F.N.B. Corp.	PA	2	1.08	2.69
First Financial Corp.	IN	2	0.89	1.80
U.S. Trust Corp.	NY	3	2.29	1.79
United Bankshares, Inc.	WV	2	1.29	1.79
Bancorp Hawaii, Inc.	HI	2	5.43	1.40
Baybanks, Inc.	MA	2	9.02	0.61

Table A-3 (Continued)

Banking Organization	Home State	Number of States in which BHC has Insured Commercial Bank(s)	Domestic Deposits (bil of $)	Percent of BHC's Domestic Deposits From Outside Its Home State
Continental Bank Corp.	IL	2	11.20	0.00
First Tennessee National Corp.	TN	2	6.17	0.00
B.M.J. Financial Corp.	NJ	2	0.61	0.00
Credit and Commerce, Neth. Antilles	VA	5	5.03	58.48
A.B.N. - Stichting, Netherlands	IL	2	11.22	38.50
National Westminster Bank, England	NY	2	14.99	38.09
Banco Santander SA, Spain	NJ	3	26.44	30.03
Sumitomo Bank, Japan	CA	2	4.78	22.49
Allied Irish Banks, Ltd,, Ireland	MD	4	6.75	20.28
Bank of Tokyo, Japan	CA	2	13.71	9.70
Bank of Montreal, Canada	IL	3	7.31	0.96
Saban SA, Panama	NY	2	5.24	0.00

Sources: NIC Database, Reports of Condition and Income

APPENDIX A

TABLE A–4

OUT–OF–STATE BANK HOLDING COMPANIES' SHARES OF DEPOSITS, BY STATE. DECEMBER 31, 1992

PERCENT OF DOMESTIC BANKING DEPOSITS HELD BY INSURED COMMERCIAL BANKS OWNED BY OUT–OF–STATE BANK HOLDING COMPANIES	
STATE	PERCENT
Alabama	2.51
Alaska	19.59
Arizona	64.24
Arkansas	2.08
California	14.51
Colorado	44.70
Connecticut	39.73
Delaware	41.71
District of Columbia	59.43
Florida	51.21
Georgia	39.07
Hawaii	8.74
Idaho	57.22
Illinois	24.51
Indiana	51.23
Iowa	25.81
Kansas	1.15
Kentucky	36.15
Louisiana	5.17
Maine	78.48
Maryland	38.24
Massachusetts	25.15
Michigan	3.55
Minnesota	3.50
Mississippi	2.25

TABLE A-4 (continued)

STATE	PERCENT
Missouri	0.61
Montana	37.74
Nebraska	10.06
Nevada	91.59
New Hampshire	27.92
New Jersey	38.49
New Mexico	34.61
New York	21.02
North Carolina	0.27
North Dakota	33.58
Ohio	3.48
Oklahoma	11.44
Oregon	48.40
Pennsylvania	10.67
Rhode Island	38.41
South Carolina	63.81
South Dakota	57.99
Tennessee	28.39
Texas	46.98
Utah	29.24
Vermont	4.68
Virginia	22.93
Washington	72.64
West Virginia	4.51
Wisconsin	17.14
Wyoming	44.03
National Average	20.81

Source: Reports of Condition and Income, December 31, 1992.

APPENDIX B

STATISTICAL TABLES

APPENDIX B

TABLE B–1

NUMBER OF INSURED U.S. COMMERCIAL BANKS, BANKING ORGANIZATIONS AND BRANCH OFFICES 1960–1992

YEAR	NUMBER OF INSURED U.S. COMMERCIAL BANKS	NUMBER OF BANKING ORGANIZATIONS*	NUMBER OF BRANCH OFFICES
1960	13,079	12,791	10,216
1970	13,511	12,625	21,424
1980	14,478	12,347	38,353
1985	14,290	11,008	43,239
1990	12,211	9,110	51,305
1991	11,806	9,004	53,000
1992	11,363	8,729	53,744

*** Banking organizations are the sum of independent banks, one bank holding companies, and individual multibank holding companies. In 1992 there were 867 multibank holding companies.**

Sources: NIC Database, Bank–Branch Structure File.
Note: Home offices are not included in branch data.

APPENDIX B

TABLE B–2

ENTRY AND EXIT IN BANKING, 1980–1992

NUMBERS					BANK BRANCHES	
YEAR	NEW BANKS	FAILURES OF FDIC–INSURED BANKS	ALL MERGERS AND ACQUISITIONS*	LARGE MERGERS AND ACQUISI-TIONS*	OPENINGS	CLOSINGS
1980	267	10	188	0	2,397	287
1981	286	10	359	1	2,326	364
1982	378	42	422	2	1,666	443
1983	419	48	432	6	1,320	567
1984	489	79	553	14	1,405	889
1985	346	120	553	7	1,480	617
1986	283	145	625	20	1,387	763
1987	217	203	710	21	1,117	960
1988	234	221	569	18	1,676	1,082
1989	204	207	388	9	1,825	758
1990	165	169	442	20	2,987	926
1991	106	127	231p	23	2,788	1,456
1992	94	122	n.a.	25	1,677p	1,313p
Total	3,488	1,503	5,472p	166	24,051p	10,425p

p = preliminary data, 1991 merger data includes only Federal Reserve approved transactions.

*** These numbers reflect the number of transactions; a merger may involve multiple banks.**

Sources:
New bank data and branch data are from the Annual Statistical Digest.

Bank failure data are from the Annual Report of the Federal Deposit Insurance Corporation.

Merger and acquisition data are from Stephen A. Rhoades, "Mergers and Acquisitions by Commercial Banks, 1960–1983," Staff Studies, No. 142 (Federal Reserve Board, January 1985) and annual updates supplied by the author. Large mergers and acquisition data are for mergers in which both organizations have deposits in excess of $1 billion and exclude acquisitions of thrifts and failing banks.

APPENDIX B

TABLE B–3

TOP 25 BANKING ORGANIZATIONS RANKED BY DOMESTIC DEPOSITS DECEMBER 31, 1992

ORGANIZATION	DOMESTIC DEPOSITS (BILLIONS OF DOLLARS)	PERCENT OF NATIONAL TOTAL OF DOMESTIC DEPOSITS IN INSURED COMMERCIAL BANKS
BankAmerica Corporation	123.7	5.18
NationsBank Corporation	82.5	3.46
Chemical Banking Corporation	74.0	3.10
Citicorp	48.7	2.04
Banc One Corporation	48.1	2.01
First Interstate Corporation	43.5	1.82
Wells Fargo & Company	42.3	1.77
Chase Manhattan Corporation	40.0	1.68
First Union Corporation	38.2	1.60
Barnett Banks, Inc.	34.6	1.45
Fleet Financial Group	32.3	1.35
PNC Financial Corp.	29.4	1.23
NBD Bancorp	29.3	1.23
SunTrust Banks	29.0	1.21
Norwest Corp.	27.0	1.13
Banco Santander SA	26.4	1.11
Mellon Bank Corporation	24.1	1.01
Wachovia Corporation	23.0	0.96
National City Corporation	22.6	0.95
First Chicago Corporation	21.4	0.90
Keycorp	21.0	0.88
Bank of New York Co.	20.9	0.88
Bank of Boston Corp.	19.8	0.83
Comerica Inc.	19.5	0.82
Boatmen's Bancshares	18.2	0.76

Source: NIC Database. Reports of Condition and Income.

APPENDIX B

TABLE B-4

NATIONAL CONCENTRATION OF DOMESTIC DEPOSITS IN INSURED COMMERCIAL BANKING ORGANIZATIONS

PERCENTAGE OF DEPOSITS HELD BY				
YEAR	TOP 10	TOP 25	TOP 50	TOP 100
1960	20.4	31.7	40.3	49.6
1965	21.3	32.7	40.9	49.8
1970	20.0	30.8	38.9	48.1
1975	19.9	30.6	38.7	48.2
1980	18.6	29.1	37.1	46.8
1985	17.0	28.5	40.5	52.6
1986	17.6	29.6	42.4	55.6
1987	18.1	31.1	44.1	57.4
1988	19.2	33.2	47.5	59.9
1989	19.9	34.1	48.1	60.5
1990	20.0	34.9	48.9	61.4
1991	22.7	37.5	49.6	61.3
1992	24.1	39.2	51.7	62.6

Sources: NIC Database, Reports of Condition and Income.

APPENDIX B

TABLE B–5

PERCENT OF DOMESTIC BANKING DEPOSITS HELD BY LARGEST BANKING ORGANIZATIONS DECEMBER 31, 1992

STATE	LARGEST ORGANIZATION	2ND LARGEST ORGANIZATION	3RD LARGEST ORGANIZATION
Alabama	18.42	17.92	17.14
Alaska	42.63	25.12	18.80*
Arizona	31.63*	31.17	21.25*
Arkansas	11.01	10.29	4.42
California	37.35	17.29	6.89
Colorado	17.38*	10.51	9.46*
Connecticut	32.69	23.95*	9.66
Delaware	16.12	14.94	10.89
District of Columbia	32.79	22.67*	12.05*
Florida	26.94	18.45*	13.10*
Georgia	16.46*	13.90	11.40*
Hawaii	43.58	37.29	8.74**
Idaho	34.96	28.40*	12.40*
Illinois	14.01	7.94	5.13**
Indiana	18.78*	11.48*	9.24*
Iowa	12.55*	6.87*	4.28
Kansas	14.54	3.91	2.96
Kentucky	12.48*	11.30*	10.08
Louisiana	15.00	11.86	9.67
Maine	33.21*	27.58*	14.34*
Maryland	20.23	12.75**	10.07
Massachusetts	23.87	15.47	13.53*
Michigan	20.20	19.66	14.30
Minnesota	24.64	23.64	2.55
Mississippi	16.24	15.99	7.70
Missouri	20.78	12.74	10.84

TABLE B–5 (continued)

STATE	LARGEST ORGANIZATION	2ND LARGEST ORGANIZATION	3RD LARGEST ORGANIZATION
Montana	16.89*	11.10*	9.28
Nebraska	15.17	12.49	8.69*
Nevada	35.64*	32.52*	11.61*
New Hampshire	23.59*	19.25	14.49
New Jersey	21.54**	11.15	10.68
New Mexico	25.24*	14.43	10.81
New York	20.71	15.50	12.84
North Carolina	20.22	19.06	14.16
North Dakota	14.24*	11.24*	6.26*
Ohio	16.00	15.55	15.02
Oklahoma	8.57	7.17	4.44*
Oregon	37.79	25.22*	13.10*
Pennsylvania	16.95	15.12	8.89
Rhode Island	55.71	30.62*	7.79**
South Carolina	26.45*	24.87*	6.61
South Dakota	29.14*	18.03*	4.54*
Tennessee	14.05	12.50	10.90*
Texas	17.39*	10.94*	9.88*
Utah	31.53	22.77	9.16*
Vermont	28.26	20.60	15.58
Virginia	18.19*	13.79	11.75
Washington	36.12*	15.00*	9.64*
West Virginia	14.60	14.14	7.73
Wisconsin	16.07	13.57	10.66*
Wyoming	22.84*	8.30*	6.93*

*** Out–of–state bank holding company.**
**** Foreign bank holding company.**

Sources: NIC Database, Reports of Condition and Income.

APPENDIX B

TABLE B–6

BANKING ORGANIZATIONS HOLDING OVER 20 PERCENT OF DOMESTIC DEPOSITS IN INSURED COMMERCIAL BANKS IN A STATE DECEMBER 31, 1992

PANEL A – BANKING ORGANIZATION IS AN IN–STATE BANK HOLDING COMPANY

BANKING ORGANIZATION HOLDING OVER 20% OF DEPOSITS IN STATE	STATE	BHC'S DOMESTIC DEPOSITS IN THE STATE (IN BILLION OF DOLLARS)	PERCENT OF STATE'S DOMESTIC BANKING DEPOSITS
Fleet Financial Group	Rhode Island	5.28	55.7
Bancorp Hawaii, Inc.	Hawaii	5.36	43.6
National Bancorp of Alaska	Alaska	1.54	42.6
U.S. Bancorp	Oregon	7.77	37.8
BankAmerica Corporation	California	91.26	37.4
First Hawaiian, Inc.	Hawaii	4.58	37.3
West One Bancorp	Idaho	2.78	35.0
Riggs National Corporation	District of Columbia	3.32	32.8
Shawmut Corporation	Connecticut	8.70	32.7
First Security Corporation	Utah	3.18	31.5
Valley National Corporation	Arizona	9.28	31.2
Barnett Banks, Inc.	Florida	33.44	26.9
BankNorth Group	Vermont	1.36	28.3
First National Bank of Alaska	Alaska	0.91	25.1
First Bank System	Minnesota	11.29	24.6
Bank of Boston Corporation	Massachusetts	13.83	23.9

TABLE B–6 (continued)

BANKING ORGANIZATION HOLDING OVER 20% OF DEPOSITS IN STATE	STATE	BHC'S DOMESTIC DEPOSITS IN THE STATE (IN BILLION OF DOLLARS)	PERCENT OF STATE'S DOMESTIC BANKING DEPOSITS
Norwest Corp.	Minnesota	10.83	23.6
Zions Bancorporation	Utah	2.30	22.8
Boatmen's Bancshares, Inc.	Missouri	11.59	20.8
Chemical Banking Corporation	New York	53.45	20.7
Chittenden Corp.	Vermont	0.99	20.6
Comerica, Inc.	Michigan	15.65	20.2
Wachovia Corporation	North Carolina	11.33	20.2
MNC Financial, Inc.	Maryland	8.54	20.2

PANEL B – BANKING ORGANIZATION IS AN OUT–OF–STATE OR FOREIGN BANK HOLDING COMPANY

BANKING ORGANIZATION HOLDING OVER 20% OF DEPOSITS IN STATE	STATE	BHC'S DOMESTIC DEPOSITS IN THE STATE (IN BILLION OF DOLLARS)	PERCENT OF STATE'S DOMESTIC BANKING DEPOSITS
BankAmerica Corporation	Washington	12.33	36.1
BankAmerica Corporation	Nevada	3.60	35.6
Fleet Financial Group	Maine	2.37	33.2
First Interstate Bancorp	Nevada	3.29	32.5
BankAmerica Corporation	Arizona	9.41	31.6
Bank of Boston Corp.	Rhode Island	2.90	30.6
Citicorp	South Dakota	3.25	29.1

TABLE B–6 (continued)

BANKING ORGANIZATION HOLDING OVER 20% OF DEPOSITS IN STATE	STATE	BHC'S DOMESTIC DEPOSITS IN THE STATE (IN BILLION OF DOLLARS)	PERCENT OF STATE'S DOMESTIC BANKING DEPOSITS
First Security Corporation	Idaho	2.26	28.4
KeyCorp	Maine	1.97	27.6
Wachovia Corporation	South Carolina	5.14	26.4
First Interstate Bancorp	Oregon	5.19	25.2
Boatmen's Bancshares, Inc.	New Mexico	2.76	25.2
NationsBank Corporation	South Carolina	4.83	24.9
Fleet Financial Group	Connecticut	6.37	24.0
Fleet Financial Group	New Hampshire	1.42	23.6
KeyCorp	Wyoming	1.00	22.8
MNC Financial Inc.	District of Columbia	2.29	22.7
Banco Santander SA	New Jersey	18.50	21.5
First Interstate Bancorp	Arizona	6.33	21.2

Sources: NIC Database, Reports of Condition and Income.

APPENDIX B

TABLE B–7

AVERAGE THREE FIRM CONCENTRATION RATIO 1976–1992

YEAR	METROPOLITAN STATISTICAL AREAS	NON METROPOLITAN COUNTIES
1976	68.5	90.0
1977	67.9	89.9
1978	67.4	89.9
1979	66.8	89.7
1980	66.4	89.6
1981	66.1	89.4
1982	65.9	89.4
1983	66.0	89.4
1984	66.4	89.4
1985	66.7	89.5
1986	67.5	89.5
1987	67.7	89.5
1988	67.8	89.7
1989	67.5	89.7
1990	67.3	89.6
1991	66.7	89.3
1992	67.5	89.2

Source: Summary of Deposits, 1976–1992.