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ARTICLES

EVOLUTION OF THE VIRGINIA BANKING STRUCTURE 1962-1974: THE EFFECTS OF THE BUCK-HOLLAND BILL

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The 1950's and 1960's were decades of rapid bank expansion nationally through merger, affiliation, and branching to create economically optimal banking structures.[1] Impetus for expansion in Virginia was provided in 1962 by the controversial Buck-Holland Bill,[2] which sparked a dramatic conversion of the state's banking

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1. *See* G. FISCHER, AMERICAN BANKING STRUCTURE 32-33, 98-99, 124, 131-35 (1968).

Arguments for and against liberalization of bank expansion laws are numerous. *See, e.g.*, Haymes & Phillips, *Banking in Virginia: The 1962 Legislation*, 21 WASH. & LEE L. REV. 48 (1964). Supporters generally cite five major advantages of branch banking: (1) because a bank can lend only an amount related to its capital and surplus, branching enables a bank to increase its lending capability as it expands; (2) branch banking allows increased mobility of funds between areas of surplus and shortage; (3) branch banks, doing business in a large area, can diversify their loans and investments, thus increasing safety and stability in banking; (4) branch banks, which generally are larger than unit banks, often are financially able to hire better management, while also offering greater managerial challenges; and (5) branching can provide a full range of banking services to small communities without involving an intermediary bank. *Id.* at 52-53. Opponents of branch banking have suggested several disadvantages: (1) branching may facilitate growth to monopolistic proportions, forcing unit banks out of existence; (2) failure of a larger bank would be more serious for the economic community than the failure of a smaller unit bank; and (3) branching reduces the personal service that accompanies local ownership and management. *Id.* at 52. No attempt will be made to evaluate these arguments in this Article; rather, they are presented to provide background for consideration of some of the forces behind Virginia's mixed history of bank expansion legislation. *See* notes 6-33 *infra* & accompanying text.

2. Act of Mar. 30, 1962, chs. 371, 404 [1962] Va. Acts of Assembly 512, 565. This Act amended sections 6-26 and 6-27 of the Virginia Code of 1950 and added sections 6-27.1 and 6-27.2. All now are incorporated in sections 6.1-4, 6.1-39, and 6.1-40 of the Virginia Banking Act, VA. CODE ANN. §§ 6.1-3 to -125 (Repl. Vol. 1973 & Supp. 1974).

structure from unit banking to branch banking.[3] Virginia now hosts sizable financial institutions capable of providing a wide variety of banking services to both large and small customers. Concurrently, however, market concentration[4] has increased appreciably and dominant statewide banking networks have evolved.[5] Legislative change thus acted as a catalyst to alter the structure and growth pattern of Virginia's banking industry. The question remains, however, whether regulatory action, designed to promote a socially optimal banking structure, has balanced properly the competitive advantages and disadvantages of expansion. This question will be considered through review of the history of statutory changes that sparked the structural evolution, examination of structural change in Virginia's banking industry, and comparison of the concept of an optimal banking structure with the experience in Virginia since 1962.

PROMOTING BANK EXPANSION: THE 1962 LEGISLATION

The first Virginia statute controlling branching of state banks,[6] passed in 1912, allowed branching throughout the state through either merger or de novo establishment.[7] Because national banks

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3. In a unit-banking system branch offices are prohibited or severely restricted, and increased banking needs must be met by new banks. In a branch-banking system establishment of branch offices is allowed, and increased banking demand may be met by either new banks or branches. In one general study, two commentators contended that branching operations are more costly than unit banking. *See* Bell & Murphy, *Economies of Scale and Division of Labor in Commercial Banking,* 35 S. ECON. J. 131, 134 (1968). *But see* Robinson, *Unit Banking Evaluated,* in BANKING AND MONETARY STUDIES 291, 304 (D. Carson ed. 1963).

4. Concentration measures the degree to which a market is served or controlled by the largest firms in an industry. *See* note 41 *infra* & accompanying text.

5. These concurrent developments illustrate the source of a troublesome issue confronted by those attempting to foster a socially optimal banking structure: efforts to promote competition can engender the adverse effects of market dominance. Bank expansion, however attained, introduces new competitors into markets; actual and potential entry also stimulate improved performance by existing market participants. Eventually, however, expansion may thwart the purpose for which it was encouraged since, as banks grow sufficiently large to dominate a market, they gain power to influence strongly the decisions of other lenders and borrowers.

6. Act of Mar. 13, 1912, ch. 173, § 3 [1912] Va. Acts of Assembly 1417 (originally codified in Va. Code Ann. § 4101 (1916)). This act prohibited banks from operating in more than one place, except that the State Corporation Commission (SCC) could authorize establishment of a branch by a bank with paid-in capital of $25,000 or more. These provisions, as amended, now are incorporated in sections 6.1-39, 6.1-41, and 6.1-113 of the Virginia Banking Act, VA. CODE ANN. §§ 6.1-3 to -125 (Repl. Vol. 1973 & Supp. 1974).

7. A de novo branch is a new office established by a parent bank to expand its banking

were not permitted to establish branches,[8] the Virginia statute placed them at a competitive disadvantage. This inequality in the dual-banking system[9] was alleviated in 1927 by the McFadden Act,[10] which allowed national banks to establish branches in the city or town in which their main offices were located. Despite the legislative sanction, Virginia's banking industry generally opposed branching, especially in cities or towns other than the home of the bank's main office.[11] Only the predecessor of the Bank of Virginia took advantage of the statewide branching opportunity,[12] and its expansion activities were viewed with dismay by most Virginia bankers.[13] The Virginia Bankers Association (VBA) strongly opposed branching[14] and sponsored a branch-restricting amendment in 1928 to the state's banking code.[15]

Responding to VBA suggestions, the 1928 General Assembly restricted branching in the Commonwealth by limiting the establishment of branches to the city, town, or village of the bank's main office or within cities with population of 50,000 or more; branching through merger was restricted to banks located in the same or adjoining counties or within 25 miles of the acquiring bank.[16] Despite these restrictions, the Bank of Virginia continued its expansion policy between 1928 and 1948 by opening new offices and expanding its

services into a new area. It is distinguished from a branch established by merger, in which an existing facility subsequently is operated as an office of the parent bank.

8. Act of Mar. 3, 1865, ch. 78, § 7, 13 Stat. 484, *as amended,* 12 U.S.C. § 36 (1970).

9. "Dual-banking system" refers to the two sets of independently organized and regulated banks, the state-chartered banks (state banks) and the federally chartered banks (national banks). For discussion of the advantages and problems of the dual-banking system, see Golembe, *Our Remarkable Banking System,* 53 VA. L. REV. 1091 (1967); Hackley, *Our Baffling Banking System* (pts. 1 & 2), 52 VA. L. REV. 565, 771 (1966).

10. Act of Feb. 25, 1927, ch. 191, § 7, 44 Stat. 1228 (Part 2), *as amended,* 12 U.S.C. § 36 (1970).

11. P. FOSTER, BANK EXPANSION IN VIRGINIA, 1962-1966, at 5-6 (1971).

12. The bank was then the Morris Plan Bank of Richmond. J. WESSELLS, THE BANK OF VIRGINIA: A HISTORY 92 (1973). The Morris Plan Bank of Richmond became the Bank of Virginia in 1945. *Id.* at vi.

13. P. FOSTER, *supra* note 11, at 4-5.

14. *Id.* In 1922 the American Bankers Association similarly displayed its attitude towards branching by resolving that "[b]ranch banking is contrary to public policy, violates the basic principles of our Government, and concentrates the credits of the Nation and the power of money in the hands of a few." G. FISCHER, AMERICAN BANKING STRUCTURE 45 (1968).

15. P. FOSTER, *supra* note 11, at 5-7.

16. Act of Mar. 27, 1928, ch. 507, § 13 [1928] Va. Acts of Assembly 1314. These provisions, as amended, now are incorporated in sections 6.1-39, 6.1-41, and 6.1-113 of the Virginia Banking Act, VA. CODE ANN. §§ 6.1-3 to -125 (Repl. Vol. 1973 & Supp. 1974).

services,[17] thus continuing its conflict with the VBA. In 1948, again acting on VBA suggestions,[18] the General Assembly further restricted branch banking by eliminating the provision allowing de novo branching into cities of 50,000 population.[19] Subsequent state and national developments reversed this restrictive policy. During the late 1940's and throughout the 1950's Virginia experienced unprecedented economic expansion, particularly in residential and commercial suburban areas.[20] Because Virginia banks were prevented by law from branching into these areas, however, bank expansion was slow, placing Virginia banks at a competitive disadvantage compared to larger banks in North Carolina, Maryland, and the District of Columbia.[21] These economic changes caused the Virginia banking community to reconsider its support of restrictive branching laws, while two federal enactments, the Bank Holding Company Act of 1956[22] and the Bank Merger Act of 1960,[23] also encouraged reconsideration. The Bank Holding Company Act formally recognized the bank holding company as an entity separate and distinct from other types of holding companies[24] and provided for Federal Reserve Board approval of all bank holding company organizational and expansion activities,[25] while the Bank Merger Act tightened federal administrative control over bank mergers and arguably established standards of legality for bank mergers different from those contained in the Clayton Act.[26]

17. P. FOSTER, *supra* note 11, at 10-12. *See also* J. WESSELLS, *supra* note 12, at 48-91.

18. *See* P. FOSTER, *supra* note 11, at 12-14.

19. Act of Mar. 4, 1948, ch. 96 [1948] Va. Acts of Assembly 155-56. This Act repealed sections 4098 and 4149 of the Virginia Code of 1924 and added sections 4149(1)-(76). These provisions, as amended, now are incorporated in sections 6.1-39, 6.1-41, and 6.1-113 of the Virginia Banking Act, VA. CODE ANN. §§ 6.1-3 to -125 (Repl. Vol. 1973 & Supp. 1974).

20. P. FOSTER, *supra* note 11, at 15-16.

21. *Id.* at 16; J. WESSELLS, *supra* note 12, at 130-31; Haymes & Phillips, *supra* note 1, at 56.

22. Act of May 9, 1956, ch. 240, § 2, 70 Stat. 133, *as amended,* 12 U.S.C. §§ 1841-49 (1970).

23. Act of May 13, 1960, Pub. L. No. 86-463, 74 Stat. 129, *as amended,* 12 U.S.C. § 1828(c) (1970).

24. *See* 12 U.S.C. § 1841 (1970).

25. *Id.* §§ 1842-43.

26. Clayton Act § 7, 15 U.S.C. § 18 (1970). The 1960 Act did not exempt banks explicitly from section 7 coverage, but imposed stringent administrative requirements on bank mergers; although thought to provide an exemption by implication (*see* United States v. First Nat'l Bank & Trust Co., 376 U.S. 665, 679-80 (1964) (Harlan, J., dissenting); United States v. Philadelphia Nat'l Bank, 374 U.S. 321, 373-86 (1963) (Harlan, J., dissenting)), the United States Supreme Court applied section 7 to a bank merger in 1963, holding that the 1960 Act provided no immunity from antitrust prosecution. United States v. Philadelphia Nat'l Bank, 374 U.S. 321, 350-55 (1963). *See generally* Note, *Federal Regulation of Bank Mergers: The*

By 1961, some Virginia bankers were convinced that more liberal branching laws were necessary to assure the future prosperity of the state's banks. In that year, seven Virginia banks[27] designed a plan for limited branching called the Virginia Metropolitan Plan.[28] Despite the efforts of the coalition, no consensus of support for the plan was obtained during the 1961 annual VBA convention; instead a committee was appointed to study the issue and to report in June 1962.[29] Because this report would not be submitted until after the 1962 session of the General Assembly,[30] creation of the committee may have been designed to preclude industry support of branching until 1964.[31] Nevertheless, a branching bill, the result of independent action by State Senator Shirley T. Holland and Delegate Fred C. Buck,[32] was introduced during the 1962 legislative session. As enacted, the Buck-Holland Bill[33] permitted a bank to establish branches in the city, town, or county in which its main office was located, in contiguous cities, and five miles into counties contiguous with the city in which its main office was located. In addition,

Opposing Views of the Federal Banking Agencies and the Department of Justice, 75 HARV. L. REV. 756 (1962). Congress responded with the Bank Merger Act of 1966, Pub. L. No. 89-356, § 1(a), 80 Stat. 7, *amending* 12 U.S.C. 1828(c) (1964), establishing special merger standards for banks by adding a proviso to the basic antimerger language, adopted from section 7 of the Clayton Act, that a merger, although sufficiently anticompetitive for proscription, shall be approved by the reviewing tribunal if "it finds that the anticompetitive effects . . . are clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served." 12 U.S.C. § 1828(c)(5)(B)(1970). *See* United States v. Third Nat'l Bank, 390 U.S. 171 (1968); United States v. First City Nat'l Bank, 386 U.S. 361 (1967).

27. The seven banks were First & Merchants National Bank (Richmond), State Planters Bank of Commerce & Trusts (Richmond), Central National Bank (Richmond), National Bank of Commerce & Trusts (Norfolk), First National Exchange Bank (Roanoke), Peoples National Bank (Charlottesville), and Shenandoah Valley National Bank (Harrisonburg). P. FOSTER, *supra* note 11, at 17.

28. *Id.* The plan would have removed some restrictions on city-to-city branching, allowing any bank to merge with any other bank located in a city of 15,000 or more residents, then to establish de novo branches in the new city and within five miles of the city limits. J. WESSELS, *supra* note 12, at 131.

29. P. FOSTER, *supra* note 11, at 18-19; J. WESSELS, *supra* note 12, at 132.

30. Pursuant to the state constitution effective in 1962, the General Assembly convened on the second Wednesday in January in even-numbered years and could not have continued in session for more than 90 days. Va. Const., art. 4, § 46 (1902).

31. P. FOSTER, *supra* note 11, at 18; J. WESSELS, *supra* note 12, at 132.

32. Delegate Buck from Abingdon, and Senator Holland, from Isle of Wight, were presidents of small Virginia banks. P. FOSTER, *supra* note 11, at 18 n.64.

33. Act of Mar. 30, 1962, chs. 371, 404 [1962] Va. Acts of Assembly 512, 565. *See* note 2 *supra*.

statewide branching through merger became possible. The 1962 legislation thus set the stage for expansion of Virginia's banking system.

VIRGINIA BANKING SINCE 1962: A CHANGING STRUCTURE

The 1962 legislative changes were followed first by a merger movement, then by a movement to holding company organization,[34] producing rapid growth of bank organizations in Virginia. Initially, major expansion came through the merger of smaller banks,[35] which became branches of larger organizations such as Virginia National Bank, First & Merchants National Bank, Bank of Virginia, State Planters Bank of Commerce, and First National Exchange Bank. With this expansion came loss of identity by local banks and the introduction of statewide banking to many Virginians. This process continued as growth strategy turned from the merger to the holding company as a vehicle of expansion, and holding companies themselves formed de novo branches in many areas. Liberalized de novo branching privileges, permitting city-based banks to branch five miles into surrounding counties, allowed banks to undergo internal growth, while the merger and holding company movements facilitated external growth.

The 1962 legislative changes served as a catalyst to banking industry expansion. Growth in deposits and number of banking offices between 1962 and 1974 was phenomenal, as shown in Tables 1 and 2. United Virginia Bankshares, with deposits growing from $255 million to $1,848 million while increasing from 18 to 156 offices typified this growth.

34. Although Virginia's statutes did not bar mergers totally and said nothing about holding companies prior to 1962, there is little evidence that Virginia bankers anticipated the merger and holding company movements of the 1960's. Only two bank holding companies, Financial General Corporation and First Virginia Bankshares Corporation, existed prior to passage of the Bank Holding Company Act of 1956, and no other bank holding companies were organized in Virginia between 1956 and 1962. Several bank mergers occurred in Virginia between 1960 and 1962, but they were few in number compared to those occurring after 1962. J. WESSELLS, *supra* note 12, at 136. Mergers may have been unattractive because branching laws restricted branching through merger to banks geographically close to the parent bank. *See* note 16 *supra* & accompanying text. Perhaps the banking community simply waited for the formal legislative approval of bank expansion that was provided by the 1962 legislative changes.

35. With the exception of the merger of National Bank of Commerce and Peoples National Bank of Central Virginia to form Virginia National Bank, all of the mergers between June 1962 and December 1963 resulted in the acquisition of banks with deposits of less than $50 million. *See* Haymes & Phillips, *supra* note 1, at 64-68.

TABLE 1
TOTAL DEPOSITS OF VIRGINIA'S LARGEST BANKS
1962-1974
(In Millions of Dollars)

Organization	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974
United Virginia[1] Bankshares	$255	$426	$512	$593	$640	$874	$979	$1,000	$1,093	$1,308	$1,516	$1,702	$1,848
Virginia National Bankshares	311	366	424	489	536	601	698	808	917	1,013	1,176	1,418	1,507
First & Merchants Corporation	387	405	477	524	535	614	692	651	768	912	1,011	1,261	1,392
Bank of Virginia Company	187	209	262	298	322	403	520	581	658	781	932	1,067	1,129
Dominion Bankshares	168	183	234	278	300	353	390	483	606	679	807	896	1,077
First Virginia Bankshares	171	193	216	260	301	362	422	441	467	580	706	827	889
Fidelity American Bankshares	*	*	*	*	*	*	*	249	305	383	541	668	665
Financial General Bankshares	153	175	195	225	235	274	322	347	385	470	573	672	644
Central National Bank	120	124	145	167	168	182	202	*	*	*	*	*	*

* *Not in top 8 organizations in these years.*
Source: Federal Reserve Bank of Richmond.

[1] *1962 deposits are those of State Planters Bank of Commerce; those of later years are of* United Virginia Bankshares Corporation.

TABLE 2
BANKING OFFICES OF VIRGINIA'S LARGEST BANKS
1962-1974

Organization	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974
First Virginia Bankshares	22	42	54	64	71	83	96	102	111	128	140	151	171
United Virginia Bankshares	18	45	58	63	68	86	88	99	104	118	123	143	156
Bank of Virginia Company	31	39	47	51	57	71	84	88	91	110	120	128	133
Virginia National Bankshares	35	47	54	66	75	75	81	102	108	111	114	121	127
First & Merchants Corporation	36	37	38	52	56	56	56	56	67	73	74	87	92
Dominion Bankshares	10	18	28	31	31	33	35	51	58	63	68	74	89
Fidelity American Bankshares	*	*	*	*	21	22	24	34	40	50	69	76	79
Financial General Bankshares	22	28	31	34	34	37	39	40	43	45	47	58	57
Central National Bank	6	8	8	9	*	*	*	*	*	*	*	*	*

* Not in top 8 organizations in these years.
Source: Federal Reserve Bank of Richmond.

Comparison of the deposit growth of two Virginia banking institutions with that of some large organizations in adjacent jurisdictions, as shown in Table 3, clearly indicates the faster growth rate of Virginia's banks. This rate of growth was so pronounced that, by 1973, each Virginia organization had deposits greater than either the Maryland or the District of Columbia institutions.

TABLE 3
DEPOSIT GROWTH OF VIRGINIA BANKING ORGANIZATIONS COMPARED WITH LARGEST WASHINGTON, MARYLAND, AND NORTH CAROLINA BANKS
1962-1973
(In Thousands of Dollars)

Bank	1962 Deposits	1973 Deposits	Percent Change
Wachovia B & T (N.C.)	$817,216	$2,729,943	234%
Maryland National (Md.)	580,580	1,347,992	132
Riggs National (D.C.)	552,006	1,194,974	116
United Virginia Bankshares*	255,213	1,738,825	581
Virginia National Bankshares**	207,059	1,426,473	589

	1962	1973
United Virginia* as percent of:		
Wachovia	31%	64%
Md. Nat'l	44	129
Riggs Nat'l	46	146
Virginia National** as percent of:		
Wachovia	25%	52%
Md. Nat'l	36	106
Riggs Nat'l	38	119

*1962 deposits of State Planters Bank of Commerce and Trusts.
**1962 deposits of National Bank of Commerce.
Source: Federal Reserve Bank of Richmond.

The Merger Movement

The years between 1962 and 1968 encompass what may be designated the merger movement in Virginia banking history.[36] Of the

36. J. Wessells, *supra* note 12, at 137. For a general discussion of bank mergers and oligopoly, *see* Solomon, *Bank Merger Policy and Problems*, 2 J. Money, Credit & Banking 323 (1970).

118 mergers between 1962 and 1974, 101 were consummated during the merger-movement years, all but 14 of those involving 8 banking institutions[37] that are currently the largest in the state. During the entire 13-year period, Virginia National Bankshares led the movement by acquiring 31 banks, while 6 of the other 7 banks accounted for 9 to 15 mergers each. Only Financial General Bankshares did not play a prominent role in the apparent merger race, as shown in Table 4.

Proliferation of mergers affected profoundly the structure of Virginia's banking system. During the merger movement, the number of banks operating in Virginia declined from 288 in 1962 to 236 in 1968. Although this decline continued through 1970, cessation of the merger movement, coupled with the establishment of new banks, slowed and finally reversed the downward trend in the total number of banks operating in the state, with the result that by 1974 the total number of banks equalled the total number in 1962, thirteen years earlier.[38]

The Holding Company Movement

During the mid-1960's, merger, rather than holding company formation, was the vehicle of expansion preferred by Virginia banks; since the late 1960's and particularly since 1970, the holding company vehicle has predominated.[39] From 1971 to 1974 there were more

37. The banks accounting for most of the mergers were First Virginia Bankshares, United Virginia Bankshares, Bank of Virginia Company, Virginia National Bankshares, First & Merchants Corporation, Fidelity American Bankshares, Dominion Bankshares, and Financial General Bankshares. Between 1962 and 1974, all but 17 mergers involved these institutions.

38. The variation in total number of banks in Virginia since 1962 illustrates the effects of the merger movement:

Year	Number	Year	Number
1962	288	1969	233
1963	276	1970	232
1964	269	1971	245
1965	262	1972	255
1966	249	1973	270
1967	250	1974	288
1968	236		

39. Expansion through merger has certain advantages over other forms of consolidation, including economies of scale and resource concentration. Merger permits consolidation of deposits, loans, computer facilities, and other recordkeeping functions, while holding company component banks require separate accounts and records. Exhaustion of opportunities to capitalize upon these advantages by the late 1960's may have influenced the waning of the

TABLE 4
BANK MERGERS IN VIRGINIA
1962-1974*

Year	United Va. Bksh.	Va. Nat. Bksh.	F & M Corp.	Dominion Bksh.	First Va. Bksh.	Fid. Am. Bksh.	Bank of Va. Co.	Fin. Gen. Bksh.	Other	Total
1962	1	5	2	1	1	1			2	13
1963	1	7	2	4		1	1		3	19
1964	2	2	1	3		1	2		3	14
1965	3	5	1	5	1	1	2		1	19
1966		4	2		1	5	2			14
1967	1				1	1	1		2	6
1968		3	1		3	2	4		3	16
1969		2			4			1	1	8
1970		3	1						1	5
1971	1			1						2
1972										
1973									1	1
1974				1						1
Total	9	31	10	15	11	12	12	1	17	118

*Excludes mergers of holding company subsidiaries.
Source: Federal Reserve Bank of Richmond.

Note: Several of these mergers involved banks which, at the time of merger, were not part of the holding company with which they presently are associated.

holding company affiliations than in the previous nine years, and this trend should continue in the near future, although probably at a slower pace.[40] Of the 121 holding company affiliations in Virginia between 1962 and 1974, 84 took place after 1968. Virginia National Bankshares, leader in the merger race, was active in the holding company movement, but the most active holding company has been First Virginia Bankshares. Each of the state's eight largest holding companies has acquired at least five affiliates since 1962. Table 5 illustrates the affiliation movement, and Table 6 depicts the accelerating significance of holding companies in Virginia's bank market since 1962, measured by the increased holding company share of total banks, offices, and deposits.

Market Concentration

Market dominance, measured by the concentration of deposits and offices, rose commensurately with the growth of Virginia's larger banking institutions. Two concentration ratios[41] illustrate the

merger movement and the increasing popularity of holding companies. The major advantages of the holding company configuration are retention of the market identity of small affiliated banks, P. FOSTER, *supra* note 11, at 73, and the potential for establishing additional new branches in the localities of the component bank's main offices. *See* note 33 *supra* & accompanying text. *See generally* Nadler, *One-Bank Holding Companies: The Public Interest,* 47 HARV. BUS. REV. 107 (1969). For a discussion of possible antitrust liability, see Falco, *Section 7 of the Clayton Act and "Control" in Bank Holding Company Regulation,* 18 ANTITRUST BULL. 715 (1973); Goodman, *Antitrust and Competitive Issues in U.S. Banking Structure,* 26 J. FINANCE 615 (1971).

The term "economies of scale" is used to describe the situation in which the firm's long-run average-cost curve decreases as output increases, enabling it to produce more units of output at a lower cost per unit. Economies of scale may result from internal causes such as specialization of labor, or the feasability of employing more efficient machinery at higher levels of output. Economies of scale also may be caused by factors external to the firm; for instance, high volume purchases of raw material may enable suppliers to offer the materials at lower prices. *See* E. SHOWS & R. BURTON, MICROECONOMICS, 229-34 (1972).

40. At the end of 1974, there were eight approved, but not yet effective affiliations outstanding: Second National Bank of Richmond by Financial General Bankshares, Peoples National Bank of Rocky Mount by First Virginia Bankshares, Peoples Bank of Chesapeake by First Virginia Bankshares, Bank of Virginia-Eastern Shore (spin-off) by Bank of Virginia Co., First & Merchants National Bank of Loudoun (spin-off) by First & Merchants Corporation, First & Merchants National Bank of Fairfax (spin-off) by First & Merchants Corporation, Bank of Gloucester by United Virginia Bankshares, and Bank of Smithfield by Dominion Bankshares. A decline in holding company affiliation activity appears imminent as there were only two pending applications for Federal Reserve Board approval at the end of 1974: First Bank & Trust Company by First Virginia Bankshares and Bank of Virginia-Shenandoah by Bank of Virginia Co.

41. Concentration ratios are used by economists to measure the degree to which a market

TABLE 5
BANK HOLDING COMPANY AFFILIATIONS
IN VIRGINIA
1962-1974

Year	United Va. Bksh.	Va. Nat. Bksh.	F & M Corp.	Dominion Bksh.	First Va. Bksh.	Fid. Am. Bksh.	Bank of Va. Co.	Fin. Gen. Bksh.	Other	Total
1962					3		4	2		9
1963	6							2		8
1964							2			2
1965	1							1		2
1966	2				2		1			5
1967				2	1		3			6
1968	1				2		1		1	5
1969			1	3		2	1		1	8
1970				1	1	1			1	4
1971	2		1		4	4	3		4	18
1972		2	1		4		3		5	15
1973	3	2	2	2		6			2	17
1974	1	1	1	2	3	3	1		10	22
Total	16	5	6	10	20	16	19	5	24	121

Source: Federal Reserve Bank of Richmond.

TABLE 6
GROWTH RATE COMPARISON OF
HOLDING COMPANY BANKS AND ALL VIRGINIA BANKS
1962-1974

Year	Holding Company Banks	Total Banks	Holding Company Offices	Total Offices	Holding Company Deposits (In Millions)	Total Deposits (In Millions)
1962	19	288	88	666	$ 511	$ 3,791
1963	28	276	154	717	1,103	4,111
1964	31	269	190	787	1,184	4,581
1965	33	262	211	828	1,376	5,064
1966	38	249	230	862	1,498	5,325
1967	45	250	310	886	2,266	6,122
1968	48	236	342	946	2,633	6,899
1969	50	232	414	1,001	3,101	7,211
1970	53	232	447	1,058	3,514	8,024
1971	74	245	598	1,129	5,241	9,226
1972	88	255	794	1,213	7,601	10,772
1973	103	270	925	1,303	9,389	13,052
1974	121	288	1,010	1,401	10,216	13,089

Source: Federal Reserve Bank of Richmond.

trend in market dominance in Virginia since 1962, the four-firm concentration ratio (C4) and the eight-firm concentration ratio (C8).[42] Two indices of market share, bank deposits and banking offices, provide a capsule portrait of the size and growth of banking in the state.

Deposit concentration, shown in Table 7, generally increased from 1962 to 1971, followed by a slight decline through 1973 and a resurgence in 1974. The largest organization controlled 10.2 percent of the total deposits in 1962, 14.2 percent in 1971, 13.0 percent in 1973, and 14.1 percent in 1974.[43] The market share of each of the eight largest banking organizations for these years reflects a similar

is served or controlled by the largest firms in that market. Concentration alone does not describe the competitiveness of a market, but high concentration may indicate dominance and a potential environment for anticompetitive behavior.

42. A four-firm concentration ratio, the combined percentage market share of the four largest firms, measures the degree to which the four largest firms control the market they serve. Similarly, the eight-firm concentration ratio shows the combined percentage market share of the eight largest firms. Four- and eight-firm concentration ratios are those most frequently used in economic analysis and are well suited to the Virginia banking market.

43. In 1962 the largest organization was First & Merchants National Bank; in 1971, 1973, and 1974 the largest was United Virginia Bankshares. *See* Table 1 *supra*.

TABLE 7
CONCENTRATION OF DEPOSITS
1962-1974

Ranking of Banking Organization	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974
Largest	10.2%	10.4%	11.2%	11.7%	12.0%	14.3%	14.2%	13.9%	13.6%	14.2%	14.1%	13.0%	14.1%
2nd Largest	8.2	9.9	10.4	10.4	10.1	10.0	10.1	11.2	11.4	11.0	10.9	10.9	11.5
3rd Largest	6.7	8.9	9.3	9.7	10.0	9.8	10.0	9.0	9.6	9.9	9.4	9.7	10.6
4th Largest	4.9	5.1	5.7	5.9	6.1	6.6	7.5	8.1	8.2	8.5	8.6	8.2	8.6
5th Largest	4.5	4.7	5.1	5.5	5.7	5.9	6.1	6.7	7.6	7.3	7.5	6.9	8.2
6th Largest	4.4	4.4	4.7	5.1	5.6	5.8	5.6	6.1	5.8	6.3	6.6	6.3	6.8
7th Largest	4.0	4.3	4.3	4.4	4.4	4.5	4.7	4.8	4.8	5.1	5.3	5.1	5.1
8th Largest	3.2	3.0	3.2	3.3	3.2	3.0	2.9	3.5	3.8	4.1	5.0	5.1	4.9
C_4	30.0%	34.3%	36.6%	37.7%	38.2%	40.7%	41.8%	42.2%	42.8%	43.6%	43.0%	41.8%	44.8%
C_8	46.1%	50.7%	53.9%	56.0%	57.1%	59.9%	61.1%	63.3%	64.8%	66.4%	67.4%	65.2%	69.8%

Source: Federal Reserve Bank of Richmond.

rise, fall, and resurgence. The four-firm concentration ratio (C4) for deposits grew from 30.0 percent in 1962 to 43.6 percent in 1971, declined to 41.8 percent in 1973, then increased to 44.8 percent in 1974. The C8 ratio increased from 46.1 percent in 1962 to 67.4 percent in 1972, before declining to 65.2 percent in 1973, then rising to 69.8 percent in 1974. The percentage of change over the entire period was 49 percent for C4 and 51 percent for C8.

As shown in Table 8, the trend in concentration of banking offices, unlike that in concentration of deposits, increased continually during the entire 13-year period. The largest organization[44] controlled 5.4 percent of the total banking offices in 1962; this figure increased each year to the point that by 1974 the largest organization[45] controlled 12.2 percent of the total banking offices. For banking offices the C4 ratio increased from 20.7 percent in 1962 to 41.9 percent in 1974, while C8 grew from 29.1 percent to 64.8 percent during the same period.

These figures illustrate the dramatic increase in banking market concentration that has occurred in Virginia since 1962, leading in recent years to what appears to be a plateau. The rate of increase in concentration of offices has slowed considerably, the deposit concentration ratio actually decreasing between 1971 and 1973.[46] Although the influence of the 1962 legislative liberalization of branching restrictions thus seems to have peaked, the past 13 years have seen Virginia's banking market transformed from a fragmented system into one characterized by large, statewide, highly diversified banking institutions. A comparison of this revitalized system with suggested models for a socially optimal banking industry structure will permit some evaluation of the social effects of the Buck-Holland Bill.

Socially Optimal Structure and Regulatory Policy

Two often conflicting goals, the stimulation of growth and the maintenance of competition, are crucial determinants of a socially

44. First & Merchants Corporation had the most offices in 1962. *See* Table 2 *supra*.
45. In 1974 First Virginia Bankshares had the most offices. *See* Table 2 *supra*.
46. Because there were relatively few pending affiliation applications at the end of 1974, *see* note 40 *supra*, the resurgence of concentration of bank deposits in 1974 seems unlikely to continue in the next few years.

TABLE 8
CONCENTRATION OF BANKING OFFICES
1962-1974

Ranking of Banking Organization	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974
Largest	5.4%	6.5%	7.4%	8.0%	8.7%	9.7%	10.1%	10.2%	10.5%	11.3%	11.5%	11.6%	12.2%
2nd Largest	5.3	6.3	6.9	7.7	8.2	9.2	9.3	10.2	10.2	10.5	10.1	11.0	11.1
3rd Largest	5.3	5.9	6.9	7.6	7.9	8.5	8.9	9.9	9.8	9.8	9.9	9.8	9.5
4th Largest	4.7	5.4	6.0	6.3	6.6	8.0	8.6	8.8	8.6	9.7	9.4	9.3	9.1
5th Largest	3.3	5.2	4.8	6.2	6.5	6.3	5.9	5.6	6.3	6.5	6.1	6.7	6.6
6th Largest	2.7	3.9	3.9	4.1	3.9	4.2	4.1	5.1	5.5	5.6	5.7	5.8	6.4
7th Largest	1.5	2.5	3.6	3.7	3.6	3.7	3.7	4.0	4.1	4.4	5.6	5.7	5.8
8th Largest	0.9	1.5	1.5	1.7	2.4	2.5	2.5	3.4	3.8	4.0	3.9	4.4	4.1
C_4	20.7%	24.1%	27.2%	29.6%	31.4%	35.4%	36.9%	39.1%	39.1%	41.3%	40.9%	41.7%	41.9%
C_8	29.1%	37.2%	41.0%	45.3%	47.8%	52.1%	53.1%	57.2%	58.8%	61.8%	62.2%	64.3%	64.8%

Source: Federal Reserve Bank of Richmond.

optimal banking structure. The desiderata of an "optimal banking structure"[47] have been described by Professor Stuart Greenbaum:

> First . . . would be . . . maximum productive efficiency . . . . The social cost of producing banking services with an optimal structure would be equal to or less than the social cost of producing the same services with any other implementable banking structure. Second . . . would be . . . allocative neutrality, which means that the over-all allocation of resources in the economy would not be appreciably influenced by any peculiarity of the banking structure. The third . . . would preclude exploitation of both consumers of banking services and sellers of banking inputs. Thus, banks could not behave like monopolists or monopsonists. Finally . . . would be . . . maximum responsivity to technological and demand-oriented changes. This criterion focuses on the time required by the banking system to adopt new technology and to adjust its operations to shifts in the composition and magnitude of the public's demand for financial services.[48]

These four characteristics are inherently conflicting, however: productive efficiency, for example, may require a system of large, multi-branch banking organizations to take advantage of economies of scale, while allocative neutrality and absence of exploitation may impel a system of relatively small, independent banks to ensure competition.

The significance of these goals evolves from their fundamental role in bank regulation. Besides providing a means by which economic stabilization can be attempted, public regulation of commercial banking "seeks to promote an ordering of the banking system that will foster allocative, distributive, and techological ends sought by the community . . . . Underlying [this] rationale for bank regulation is the vaguely defined aim of promoting a socially optimal banking structure."[49] Recognizing the conflict among the characteristics of optimal banking structure, Professor Greenbaum suggested that achievement of such a structure through promotion of competition might be impossible.[50] Larry Mote, after pointing to this sugges-

47. The use of this term may have been originated by Roland I. Robinson. *See* Robinson, *supra* note 3.

48. Greenbaum, *Competition and Efficiency in the Banking System—Empirical Research and Its Policy Implications,* 75 J. POL. ECON. 461, 462 (1967).

49. *Id.* at 461.

50. *Id.* at 464.

tion as a call "for a reexamination of the facile assumption that stimulation of competition should be the primary goal of public policy toward the banking structure,"[51] attempted to synthesize the four characteristics and to define a policy goal that could be used to evaluate the balancing of conflicting characteristics. He recommended that the four characteristics be defined in terms of a constrained production function:[52] banking system output, however defined, should be maximized subject to the constraint provided by the conflict between technological efficiency and the need for a sufficient number of competing units to ensure independent action.[53]

Mote's concept of a constrained production function for an optimal banking structure can be used to evaluate the changes in Virginia's banking structure during the past 13 years. Unfortunately, as is often the case in economics, there is no formula with which to calculate precisely the extent to which Virginia has achieved a socially optimal banking structure.[54] A reasonable evaluation of Virginia's progress toward that goal can be made, however, by comparing Virginia's present structure to Mote's description. Total bank output in Virginia has grown since 1962.[55] Banking offices and de-

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51. Mote, *A Conceptual Optimal Banking Structure for the United States,* in BANKING MARKETS AND FINANCIAL INSTITUTIONS 3 (T. Gies & V. Apilado eds. 1971).

52. "Constrained production function" is an economic term describing how an economic system strives to maximize production of some good or service subject to certain constraints, such as time, labor, and other inputs. *See generally* E. SHOWS & R. BURTON, MICROECONOMICS 229-34 (1972).

53. Mote, *supra* note 51, at 9-10. Mote noted: "[T]he existence of economies of scale in banking means that all goals cannot be attained simultaneously; rather, there is a tradeoff among goals determined by the parameters of the production function and other behavioral relationships found in banking." *Id.* at 8.

54. Mote conceded the inability of economists to make such precise calculations, *id.* at 16, noting "the paucity of clearly documented conclusions regarding the nature of an optimal banking structure . . . ." *Id.* at 4. For a good bibliography of studies on optimal size as determined by number of branches, see Meltzer, *Major Issues in the Regulation of Financial Institutions,* 75 J. POL. ECON. 482 (1967).

Although achievement of a socially optimal banking system may be a worthwhile goal, and one toward which the Virginia system has moved as a result of the 1962 changes in banking legislation, the dominant motive behind passage of the amendments seems to have been to encourage expansion through statewide branching to place Virginia banks in a more favorable competitive position with respect to banks and holding companies in neighboring states. *See* J. WESSELLS, *supra* note 12, at 131. Different groups, of course, had different motives for opposing or supporting the legislation. For an analysis of the effects of changes in banking laws on various interest groups, see Cohen & Reid, *Effects of Regulation, Branching and Mergers on Banking Structure and Performance,* 34 S. ECON. J. 231 (1967).

55. Just as there are no precise measures of an optimal banking system, there appears to be little agreement concerning the proper measure of banking "output." *See, e.g.,* Green-

posits have increased dramatically for both holding companies and the total banking community,[56] while the larger Virginia banking organizations have improved greatly their competitive standing with respect to banking organizations in neighboring states.[57] A statewide, centralized banking system has replaced the former fragmented structure.[58] But has this obvious growth in banking output, presumably accompanied by increased technological efficiency, been constrained optimally through regulation to preserve competition?

The first regulatory actions of the post-1962 bank expansion movement involved approval of numerous mergers during the 1962-1968 merger movement.[59] Both the State Corporation Commission (SCC) and the Comptroller of the Currency[60] readily approved merger applications during this period, thus enabling the banking system to take advantage of the liberalized branching provisions. Adverse public policy effects usually were considered slight during those years, when concentration was relatively low and most mergers involved the acquisition of smaller banks. In the late 1960's and early 1970's, however, as concentration increased in both statewide and local markets, the Federal Reserve Board[61] began to apply a more stringent policy to acquisitions that might be detrimental to statewide or local competition. For example, the Board twice denied permission to Virginia National Bank to form a holding company through acquisition of other large banks,[62] and Dominion Bank-

baum, *supra* note 48, at 462-65; Mote, *supra* note 51, at 15-16. Because of the wide variety of services provided by modern commercial banks, it is difficult to isolate one measure for output. For this reason, this study will use the readily obtainable indices of deposits and number of offices as a surrogate for output; the phenomenal increase in these two measures since 1962 leaves little doubt that output, however defined, has increased considerably.

56. *See* Table 6 *supra.*

57. *See* Table 3 *supra.*

58. In 1962, Virginia's early 1960's banking structure was characterized as "fragmented and decentralized." 1962 COMPTROLLER OF THE CURRENCY ANN. REP. 114.

59. *See* notes 36-38 *supra* & accompanying text.

60. The SCC must approve all mergers involving state banks, VA. CODE ANN. § 6.1-39 (Repl. Vol. 1973), and the Comptroller of the Currency must approve all mergers involving national banks, 12 U.S.C. §§ 215, 215a (1970). The Federal Reserve System or the Federal Deposit Insurance Corporation also must approve mergers of state banks. *Id.* § 1828(c).

61. The Board of Governors of the Federal Reserve System has sole authority to approve holding company acquisitions. 12 U.S.C. § 1842(a) (1970).

62. Applications to acquire the Central National Bank of Richmond in 1967 and the Colonial-American National Bank of Roanoke in 1972 were denied. In both cases the Board withheld approval in part because it believed the combination of two large banks would have

shares was not allowed to acquire a small bank in the area served by the headquarters of its lead bank.[63] The actions of the Federal Reserve Board illustrate its desire and ability to balance the public interest in maintaining competition against the banking industry's interest in external and internal growth to achieve economies of scale.[64]

Bank regulatory authorities foster bank competition not only through restraint of external expansion, but also by approving new, independent banks.[65] From 1962 to 1964, the Comptroller of the Currency approved 18 new national banks in Virginia, but since 1964 he has approved only five. In contrast, the SCC has been increasingly active in approving new bank organizations: 64 new, independent state banks have been approved since 1962.[66] The attitudes of these two regulatory agencies, reflected by their actions on new bank applications during the past 13 years, indicate their willingness to preserve a competitive banking market; the State Corporation Commission has been especially productive in this capacity in recent years.

The unquestioned increase in bank output in Virginia therefore

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an adverse effect on statewide bank competition. *See* Statement by Bd. of Governors of the Federal Reserve System Regarding Application by Virginia National Bankshares, Inc., Norfolk, Va., for Approval of Formation of a Bank Holding Company, Apr. 6, 1972 (majority & dissenting statements).

63. In 1973, Dominion Bankshares was denied approval to acquire the Bank of Fincastle. The Board, attempting to preserve local competition, denied approval of the application because First National Exchange Bank was the dominant bank in the Roanoke metropolitan area (controlling more than 40 percent of the deposits in the area) and the acquisition of another bank would result in further concentration. *See* Federal Reserve System, Dominion Bankshares Corp., Order Denying Acquisition of Bank of Fincastle, Dec. 21, 1973.

64. It is possible that the mere knowledge that the Federal Reserve Board will not approve affiliations detrimental to competition acts as a further deterrent to expansion by discouraging applications. Potential antitrust liability undoubtedly also dissuades potential applicants. *See* note 26 *supra*.

65. Market entry by new banks arguably generates improved performance and quality of services provided by existing banks and offsets the effects on local and statewide markets of holding company acquisition of existing banks. Such effects may explain the Virginia Code provision that, in cases in which a banking market is served by only merged and holding company banks, a new bank is not required to show need to obtain a certificate of authority to commence business. *See* VA. CODE ANN. § 6.1-13 (Repl. Vol. 1973).

The Comptroller of the Currency must approve new national banks, 12 U.S.C. §§ 26, 27 (1970), and the State Corporation Commission must approve new state banks, VA. CODE ANN. § 6.1-13 (Repl. Vol. 1973).

66. The following table lists the number of new state and national banks approved between 1962 and 1974, excluding spin-offs and holding company de novo banks:

appears to have been complemented by a regulatory effort to maintain adequate competition in the market. When expansion was needed to facilitate increased banking capacity, first mergers, then holding company affliliations were approved readily by the state and federal regulatory authorities; increased concentration brought more stringent expansion approval requirements along with promotion of independent entry into the market. The State Corporation Commission and the Federal Reserve Bank have seemed especially anxious to use their regulatory powers to promote the optimal banking structure made possible by the 1962 banking legislation.

Further evidence of the desirability of Virginia's current banking market structure is provided by a comparison of the concentration level in Virginia with that of other states. As indicated in Table 9, although deposit concentration in Virginia is greater than the average for limited-area-branching and unit-banking states, Virginia's market is much less concentrated than most other statewide branching markets. Virginia is very close to the average for all states, and, although by no means conclusive, these comparisons at least suggest that this market is neither over- nor under-concentrated.

CONCLUSION

Whether a truly optimal banking structure exists undoubtedly always will be a matter of debate, as there is no recipe for mixing competition and expansion in exact proportions to create an uncontestably optimal system.[67] Nevertheless, the growth in Virginia in-

Year	State	National	Total
1962	1	2	3
1963	2	13	15
1964	1	3	4
1965	4	1	5
1966	1	0	1
1967	6	0	6
1968	2	0	2
1969	4	1	5
1970	4	1	5
1971	8	0	8
1972	9	0	9
1973	14	1	15
1974	8	1	9

67. Authorities, of course, disagree on exactly how optimal banking may be achieved, the best mixture of elements for such a system, and the most effective tools for reaching that goal.

TABLE 9
RELATIVE SIZE OF THE FIVE LARGEST COMMERCIAL BANKING ORGANIZATIONS BY STATE
JUNE 30, 1972

Percent of Statewide Deposits Held by Five Largest Organizations					
Statewide Branching		Limited Area Branching		Unit Branching	
Alaska	87.94%	Alabama	39.44%	Arkansas	21.29%
Arizona	93.03	Georgia	41.70	Colorado	47.37
California	75.79	Indiana	25.72	Florida	27.09
Connecticut	60.15	Kentucky	30.68	Illinois	37.90
Delaware	92.50	Louisiana	29.28	Iowa	19.23
D.C.	89.70	Massachusetts	58.07	Kansas	14.58
Hawaii	89.79	Michigan	44.05	Minnesota	57.44
Idaho	87.50	Mississippi	34.12	Missouri	32.75
Maine	63.50	New Hampshire	43.22	Montana	57.10
Maryland	60.77	New Jersey	25.47	Nebraska	32.91
Nevada	97.37	New Mexico	62.28	North Dakota	50.45
North Carolina	67.89	New York	55.19	Oklahoma	30.87
Oregon	85.60	Ohio	32.77	Texas	20.76
Rhode Island	92.69	Pennsylvania	33.80	West. Va.	17.79
South Carolina	56.94	Tennessee	38.97	Wyoming	42.38
South Dakota	49.24	Wisconsin	32.48		
Utah	71.41				
Vermont	52.52				
Washington	76.04				
AVERAGE (including Virginia)	76.34%	AVERAGE	39.20%	AVERAGE	33.99%
Virginia	50.59%	All States	51.73%		

Source: Federal Deposit Insurance Corporation.

See, e.g., Cohen & Reid, *supra* note 54, at 467 (mergers exert stronger impact upon bank growth than branching; stimulating bank competition through legislation favoring branching preferable to liberalizing restrictions on mergers); Philips, *Competition, Confusion, and Commercial Banking*, 19 J. FINANCE 32, 36 (1964) (rapid development of branch operations and premiums paid for mergers evidence that branch banking more efficient than unit banking); Robinson, *supra* note 3, at 305 (optimal banking requires high responsibility on the part of banks themselves, minimum supervision of banks, increased branching powers, liberalized chartering provisions, and a "spirit of entrepreneurship" in banking).

duced by the 1962 legislation to minimize expansion restrictions did seem to move the state's banking system toward the goal of increased efficiency in a manner consistent with the criteria espoused by Greenbaum and Mote; the apparent concern for maintenance of competition exhibited by regulatory authorities in recent years, following their earlier promotion of expansion, also satisfies those criteria. That these opposing forces have dovetailed effectively indicates, if not more, that Virginia has moved closer to a socially optimal banking structure.

APPENDIX:

EIGHT LARGEST BANK HOLDING COMPANIES IN VIRGINIA, THEIR AFFILIATE BANKS, AND MERGERS SINCE 1962, AS OF DECEMBER 31, 1974

Acquisition Date		Merger Date
	UNITED VIRGINIA BANKSHARES, INC., RICHMOND	
1-10-63	United Virginia Bank, Richmond (formerly State-Planters Bank of Commerce & Trusts)	
	The Suburban Bank, Richmond	9-4-62
	The Tri-County Bank, Mechanicsville	8-31-65
1-10-63	United Virginia Bank/National, Vienna (formerly First & Citizens National Bank, Alexandria)	
	Shirlington Trust Company, Inc., Arlington	5-3-65
	United Virginia Bank of Fairfax, Vienna (former subsidiary) (formerly Vienna Trust Company)	12-31-73
1-11-63	United Virginia Bank/Seaboard National, Norfolk (formerly Merchants & Farmers Bank of Franklin)	
	Seaboard Citizens National Bank, Norfolk	1-1-67
	The Farmers Bank of Nansemond, Suffolk	10-21-63
	Farmers Bank of Holland, Inc., Holland	2-13-64
	Eastern Shore Citizens Bank, Onancock	5-31-71
1-11-63	United Virginia Bank/Citizens & Marine, Newport News (formerly Citizens & Marine Bank)	
	The Citizens National Bank of Hampton, Hampton	10-31-64
1-11-63	United Virginia Bank/First National, Lynchburg (formerly First National Trust and Savings Bank)	
12-31-65	United Virginia Bank of Williamsburg, Williamsburg (formerly Peninsula Bank & Trust Company)	
	James York Bank, Williamsburg	12-31-65
10-1-65	United Virginia Bank/Spotswood, Harrisonburg (formerly Spotswood Bank)	
10-1-65	United Virginia Bank/Rockbridge, Lexington (formerly Rockbridge Bank & Trust Company)	
11-1-68	United Virginia Bank/National Valley, Staunton (formerly National Valley Bank of Staunton)	
3-1-71	United Virginia Bank/Peoples National, Manassas (formerly Peoples National Bank of Manassas)	
9-1-71	United Virginia Bank/Security National, Roanoke (formerly Security National Bank)	
8-31-73	United Virginia Bank/Citizens of South Boston, South Boston (formerly Citizens Bank of South Boston)	
11-30-73	United Virginia Bank of Spotsylvania, Spotsylvania (formerly The Peoples Bank of Spotsylvania)	

12-31-73	United Virginia Bank/Peoples of Gretna, Gretna (formerly Peoples Bank of Gretna)	
7-1-74	United Virginia Bank of Charlottesville, Charlottesville (de novo)	

VIRGINIA NATIONAL BANKSHARES, INC., NORFOLK

7-10-72	Virginia National Bank, Norfolk	
	Peoples National Bank of Central Virginia, Charlottesville	4-29-63
	Buckingham County Bank, Dillwyn	7-2-62
	The First National Bank of Shenandoah	9-17-62
	National Bank of Commerce, Norfolk	4-29-63
	National Bank of Suffolk	8-26-63
	Farmers Exchange Bank, Abingdon	9-16-63
	Tidewater Bank & Trust Co., Franklin	12-16-63
	Meherrin Valley Bank, Boykins	3-9-62
	The Bank of Capron, Inc., Capron	3-9-62
	Farmers & Merchants Bank of Staunton	12-16-63
	The First National Bank of Buena Vista	4-6-64
	Southern Bank of Commerce, Danville	4-6-64
	The Bank of Glade Spring	2-1-65
	The Peoples National Bank of Farmville	4-9-65
	First National Bank of Gate City	4-9-65
	Bank of Phoebus, Hampton	11-5-65
	The Merchants National Bank of Hampton	11-5-65
	Wythe County National Bank, Wytheville	4-8-66
	The Peoples Bank of Rural Retreat	12-2-63
	The Peoples National Bank of Victoria	4-8-66
	Bank of Crewe	8-26-66
	The National Bank of Crewe	8-1-63
	The Pulaski National Bank	8-26-66
	Farmers & Merchants Bank of Lawrenceville	6-29-68
	Bank of Alberta	9-4-62
	The National Bank of Woodstock	6-29-68
	Northampton County Trust Bank, Cape Charles	11-15-68
	Commonwealth National Bank of Arlington	8-15-69
	The First National Bank of Quantico	12-19-69
	The First National Bank of Harrisonburg	3-13-70
	The Merchants & Farmers Bank, Smithfield	5-29-70
	Carroll County Bank, Hillsville	11-23-70
12-4-72	Virginia National Bank/Lynchburg, Lynchburg (formerly Jefferson National Bank)	
5-31-73	Virginia Trust Company, Richmond	
8-17-73	Virginia National Bank/Henry County, Martinsville (spin-off of existing branch)	
11-15-74	Virginia National Bank/Fairfax, Springfield (formerly Community Bank & Trust Co.)	

FIRST & MERCHANTS CORPORATION, RICHMOND

2-26-69	First & Merchants National Bank, Richmond	
	The Augusta National Bank of Staunton	10-1-62
	First National Bank of Newport News	11-1-62
	The Peoples National Bank & Trust Co. of Lynchburg	2-1-63
	Bank of Bedford, Inc., Big Island	5-21-62
	The First National Bank of Waynesboro	8-3-64
	The Loudoun National Bank of Leesburg	8-31-65
	Bank of Virginia Beach	1-1-66
	Bank of Princess Anne, Norfolk	1-2-63
	Bank of Chesapeake	6-30-66
	Suburban National Bank of Virginia, McLean	7-31-70
	First National Bank of Arlington	8-31-68
9-30-71	The First National Bank of Danville, Danville	
7-3-72	First & Merchants National Bank of the Peninsula, Williamsburg (spin-off of existing branches)	
10-1-73	First & Merchants National Bank of Tidewater, Chesapeake (spin-off of existing branches)	
10-1-73	Mountain Trust Bank, Roanoke	
11-22-74	First & Merchants National Bank of Prince William, Woodbridge (de novo)	

DOMINION BANKSHARES CORPORATION, ROANOKE

8-11-67	The First National Exchange Bank of Virginia, Roanoke	
	Farmers & Merchants National Bank of Blacksburg	12-3-62
	The Dominion National Bank of Bristol	3-1-63
	The First National Farmers Bank of Wytheville	4-2-63
	The Marion National Bank	7-9-63
	The First National Bank of Richlands	4-27-64
	The First National Bank of Lebanon	4-27-64
	The Citizens National Bank of Covington	12-16-64
	The Peoples National Bank of Lexington	3-17-65
	The First National Bank of Appalachia	7-9-65
	The First National Bank of Big Stone Gap	3-11-63
	Bank of Giles County, Pearisburg	7-16-65
	Bank of Glasgow, Inc.	9-14-65
	St. Paul National Bank	9-14-65
8-11-67	Metropolitan National Bank, Richmond	
3-24-69	First National Bank of Tidewater, Norfolk	
11-28-69	Dominion National Bank, Vienna	
	Dominion Bank, Alexandria (former subsidiary) (formerly City Bank & Trust Co.)	12-31-71
	Peoples Bank & Trust Co., Fairfax	4-1-74
11-28-69	Southampton County Bank, Courtland	
4-15-70	Cumberland Bank & Trust Company, Grundy	
7-19-73	Dominion National Bank of the Peninsula, Williamsburg	
9-4-73	Dominion National Bank, Bristol (spin-off of existing branches)	

1-2-74	The First National Exchange Bank of Montgomery County, Blacksburg (spin-off of existing branches)	
5-1-74	Merchants & Farmers Bank, Portsmouth	
	FIRST VIRGINIA BANKSHARES CORPORATION, FALLS CHURCH	
10-21-49	First Virginia Bank, Falls Church	
	Mount Vernon Bank & Trust Co. of Alexandria	3-30-62
	The Colonial National Bank of Alexandria	2-16-68
	Old Dominion Bank, Arlington (former subsidiary)	9-5-69
	Falls Church Bank (former subsidiary)	9-5-69
10- -54	First Virginia Bank/Manassas National, Manassas (formerly National Bank of Manassas)	
5- -60	First Virginia Bank/First National, Purcellville (formerly First National Bank of Purcellville)	
3- -62	Richmond National Bank, Richmond	
11- -62	First Virginia Bank, N.A., Strasburg	
	Massanutten Bank of Strasburg	6-25-66
	Peoples' Bank, Mount Jackson (former subsidiary)	4-30-69
12- -62	First Virginia Bank of Tidewater, Norfolk (formerly Southern Bank of Norfolk)	
	Peoples National Bank of Gloucester	5-4-68
8-19-66	The First National Bank, Narrows (formerly First Valley National Bank, Rich Creek)	
	The First National Bank of Narrows	7-21-67
10-11-66	First Virginia Bank of Augusta, Verona (formerly First Security Bank)	
	Bank of Craigsville (former subsidiary)	3-18-68
10-4-67	First Virginia Bank of the Southwest, Christiansburg (formerly Cambria Bank)	
	Bank of New River Valley, Radford (former subsidiary) (formerly Peoples Bank of Radford)	8-12-69
	Bank of Dublin, Inc., Dublin	7-1-65
9-16-68	First Virginia Bank/Monticello National, Charlottesville (formerly Monticello National Bank)	
12-2-68	The Planters Bank of Bridgewater, Bridgewater	
2-27-70	First Virginia Bank of Nansemond, Suffolk (formerly the Bank of Nansemond)	
1-31-71	First Virginia Bank of the Peninsula, Poquoson (formerly Citizens Bank of Poquoson)	
6-25-71	First Virginia Bank of Colonial Heights, Colonial Heights (de novo)	
11-5-71	Bank of Bland County, Bland	
12-28-71	Bank of Surry County, Inc., Surry	
1-3-72	The Bank of Westmoreland, Colonial Beach	
1-7-72	First Virginia Bank of Orange, Orange (de novo)	

3-31-72	Schoolfield Bank & Trust Company, Danville	
12-4-72	First Virginia Bank of Roanoke Valley, Roanoke (de novo)	
2-1-74	The First National Bank in Onancock, Onancock	
5-1-74	First Virginia Bank, South Central, Brookneal (de novo)	
7-1-74	First Guaranty Bank, Hurt (de novo)	

FIDELITY AMERICAN BANKSHARES, INC., LYNCHBURG

9-1-69	The Fidelity National Bank, Lynchburg	
	Campbell County Bank, Rustburg	10-1-63
	The Bank of Appomattox	10-26-64
	The First National Bank of Blackstone	9-30-65
	The Bank of Lunenburg, Kenbridge	7-9-66
	The Bank of Halifax	7-30-66
	Citizens Bank & Trust Co. of Clarksville	10-31-66
	The Peoples Bank & Trust Co. of Chase City	12-10-66
	Union Bank & Trust Co. of Amelia	6-30-67
	Planters Bank & Trust Co., Farmville	2-24-68
	Bank of Charlotte County, Drakes Branch	3-14-68
9-1-69	American National Bank, Portsmouth	
	American Bank & Trust Co., Suffolk	12-31-66
10-30-70	Bank of Hampton Roads, Newport News	
2-28-71	The Fidelity National Bank, Buchanan (formerly Buchanan National Bank)	
3-15-71	The Bank of Natural Bridge, Natural Bridge Station	
12-31-71	The Culpeper National Bank, Culpeper	
12-31-71	Metompkin Bank and Trust Company, Parksley	
2-28-73	Citizens Bank and Trust Company, Charlottesville	
2-28-73	Citizens National Bank of Herndon, Herndon	
2-28-73	Fairfield National Bank, Richmond	
2-28-73	People's Bank of Virginia Beach, Virginia Beach	
9-12-73	Tidewater Bank and Trust Company, Williamsburg	
10-1-73	Fidelity National Bank, Roanoke (de novo)	
5-1-74	Fidelity National Bank, Halifax (spin-off of existing branches)	
6-1-74	Peoples Bank of Buena Vista, Buena Vista	
6-1-74	Planters Bank & Trust Co., Chatham	

BANK OF VIRGINIA COMPANY, RICHMOND

12-21-62	Bank of Virginia—Central, Richmond (formerly The Bank of Virginia)	

	The Farmers Bank of Dinwiddie	7-1-63
	The Bank of Henrico, Sandston (former subsidiary)	7-1-63
	The Hallwood National Bank, Hallwood	1-31-64
	Farmers Bank of Boydton	8-31-65
	The Bank of LaCrosse	2-28-67
	The Peoples Bank of Reedville	5-31-68
	The Peoples Bank of Whitestone	5-31-68
12-21-62	Bank of Virginia—Peninsula, Newport News (formerly Bank of Warwick)	
1-2-64	Bank of Virginia—Southwest, Bristol (formerly Washington Trust Bank)	
	Russell County National Bank, Honaker	12-2-68
	The Bank of Russell County, Cleveland	8-4-66
1-2-64	Bank of Virginia—Pulaski, Pulaski (formerly The Peoples National Bank of Pulaski)	
4-1-66	Bank of Virginia—Lynchburg, Lynchburg (formerly The Bank of Central Virginia)	
3-20-67	Bank of Virginia—Scott, Weber City (formerly The First Valley Bank)	
8-31-67	Bank of Virginia—Potomac, Falls Church (formerly The American Bank, N.A.)	
	Bank of Virginia—Potomac, Woodbridge (former subsidiary) (formerly The American Bank)	12-29-72
	The Bank of Nokesville	2-1-64
	Guardian National Bank of Fairfax County, Springfield	5-15-65
	The National Bank of Rosslyn	9-15-66
	Fidelity National Bank of Arlington	12-31-68
10-31-67	Bank of Virginia—Fredericksburg, Fredericksburg (formerly American National Bank)	
12-31-69	Bank of Virginia—Danville, Danville (formerly Security Bank & Trust Company)	
1-2-71	Bank of Virginia—Galax, Galax (formerly Merchants and Farmers Bank of Galax)	
9-2-71	Bank of Virginia—Roanoke Valley, Vinton (de novo)	
	Bank of Virginia of the Southwest, Salem (former subsidiary) (formerly The Bank of Salem)	4-3-72
12-31-71	Bank of Virginia—Loudoun, Loudoun County (de novo)	
1-3-72	Bank of Virginia—Warren, Front Royal (formerly Bank of Warren)	
12-31-72	Bank of Virginia—Tidewater, Norfolk (formerly First Colonial Bank)	
	Bank of Virginia—Southeast, Nansemond (former subsidiary)	12-31-73
	Bank of Whaleyville, Inc. (former subsidiary)	1-3-72

1-2-74	Bank of Virginia—Petersburg (spin-off of existing branches)	

FINANCIAL GENERAL BANKSHARES, INC., WASHINGTON D.C.

(Virginia subsidiaries)

1959	Alexandria National Bank, Alexandria	
1961	Clarendon Bank & Trust, Alexandria	
1961	The Shenandoah Valley National Bank of Winchester	
1962	Valley National Bank, Harrisonburg	
1962	The Peoples National Bank of Leesburg	
1963	Arlington Trust Company, Inc., Herndon Republic Bank & Trust Co., Inc., Herndon	 6-30-69
1963	The First National Bank of Lexington, Lexington	
1965	The Round Hill National Bank, Round Hill	