FEDERAL RESERVE BANK OF RICHMOND
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1967 Annual Report

THE CHANGING FACE OF DISTRICT BANKING

FEDERAL RESERVE BANK OF RICHMOND FIFTY-THIRD ANNUAL REPORT

Contents

TO OUR MEMBER BANKS:

We are pleased to present the Annual Report of the Federal Reserve Bank of Richmond for 1967. The report features an analysis of "The Changing Face of District Banking" during the period from 1960 through 1966. Also included are the Bank's annual financial statements, a brief summary of the highlights of the year's operations, and a current list of officers and directors of our Richmond, Baltimore, and Charlotte offices.

On behalf of our directors and staff, we wish to thank you for the splendid cooperation and support you have extended to us throughout the past year.

Sincerely yours,

Edwin Hyde — Chairman of the Board

Edw. A. Wayne — President

THE CHANGING FACE OF DISTRICT BANKING

Economic growth is a process of change, and in a growing economy only those institutions which are capable of adapting to a changing environment can long survive. For this reason, the history of commercial banking in the United States, from colonial days to the present, is a chronicle of change. Over this long period, economic and social developments in the form of changing techniques of production, shifting patterns of demand for goods and services, expanding markets, and other changes that are a part of the process of economic development, created powerful pressures to alter and to reshape the basic features of the banking system.

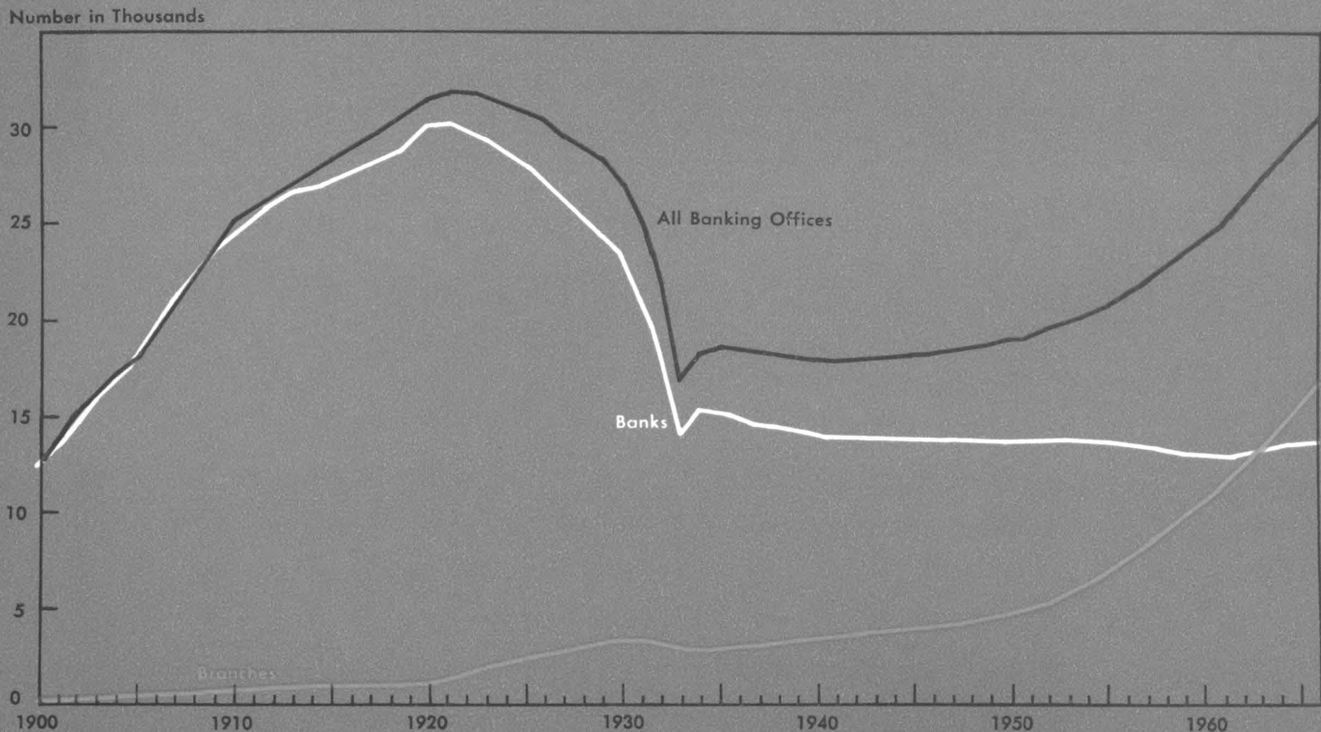
With the banking system organized on a predominantly free enterprise basis, individual banks responded to these pressures on their own initiative. Their efforts to adapt to the changing demands of the marketplace, however, were shaped and restrained by the legal environment within which the banks operated.

Over the years, the process of economic development in the United States has varied from time to time and from region to region. At the same time the restraints on banking adaption to change, which often took the form of state or Federal laws, have also varied. As a result, the way the banking system responded to the pressures accompanying the dynamic evolution of the economy differed over time and from one state to another. In the first two decades of this century, for example, the number of commercial banks in the United States increased about two and one-half times, and by 1920 they numbered almost 30,000. This phenomenal increase in banking institutions, which to some extent reflected competition between state and Federal authorities in the chartering of new banks, was followed in the 1920's by a large number of suspensions and mergers and by the virtual collapse of the banking system in the early 1930's. By 1933, the number of commercial banks in the United States had fallen to less than half the 1921 figure.

The period of rapid economic growth following World War II also brought far-reaching changes in the economy. Population grew at a much faster rate than in the decade of the 1930's and per capita income rose rapidly. This growth was accompanied by dramatic shifts in demographic patterns, sharp changes in age-distribution, large movements from rural to urban areas, and equally great movements from central cities to suburbs. New industries developed, others shifted their geographic locations, and the average size of business units increased. Growth in per capita income contributed to changes in saving and consumption patterns and created a need for increased banking services and for new kinds of banking services. Population shifts centered these new demands on areas served inadequately or not at all by existing banking offices. Changes in the industrial and commercial structure also created needs for additional and different banking services in new areas. Finally, increasing costs and the growth of automation provided incentives for a technological revolution in banking, with important implications for the kinds of services banks could offer to their clients.

The response of the banking industry to these changing conditions and needs differed greatly from earlier periods. The demands for increased banking services and new types of services did not lead to a great increase in the number of banks. Indeed, between 1947 and 1966 the number of commercial banks in the United States declined from 14,181 to 13,770. Over the same period, however, the number of branches and additional offices increased from just over 4,000 to more than 16,000. This period was marked by a large number of mergers and consolidations, with most of the absorbed banks converted into branches, and the establishment of a great many *de novo* branches. In addition, it saw a sharp accentuation in the growth of systems involving the linking together of banking units, both formally and informally, through stock ownership.

BANKING OFFICES IN THE UNITED STATES



Source: Board of Governors of the Federal Reserve System.

The expansion of banking services in particular areas in this period was influenced to an important degree by the legal constraints applicable to the area within which the change occurred. Commercial banks in the United States operate in a unique legal environment, with Federal and state-chartered banking systems operating side by side in each state, and with both Federal and state laws applying to most types of bank expansion. In each state, state law determines the status of branch banking for national as well as state banks. Most bank mergers and holding company activities, however, fall under the provisions of Federal legislation, with Federal supervisory agencies exercising important powers in these areas. These agencies include the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Federal Reserve System, each more or less independent of the other. Moreover, in recent years the United States Department of Justice has played a more active role in policing the competitive effects of bank structure change.

The comprehensive story of this latest chapter in United States banking cannot be told in this report. It would require far more time and space, and the advantage of a much better perspective, than is available at the moment. Rather, this study is confined chiefly to changes in banking structure in the Fifth District from 1960 through 1966. As such, it encompasses only a brief span of time and only a small segment of United States banking. It is offered in the belief that the Fifth Federal Reserve District represents an excellent laboratory for the study of banking structure development, since its recent history presents a variety of state banking structures within a relatively small area. At one extreme, West Virginia is a strict unit-banking state that outlaws all forms of multiple-office banking organization. At the other extreme, banks in Maryland and the two Carolinas have in recent years engaged in rather widespread merger and branching activities. Between these extremes, Virginia since 1962 has been adjusting to a new limited branch banking law and a flurry of bank holding company activity.

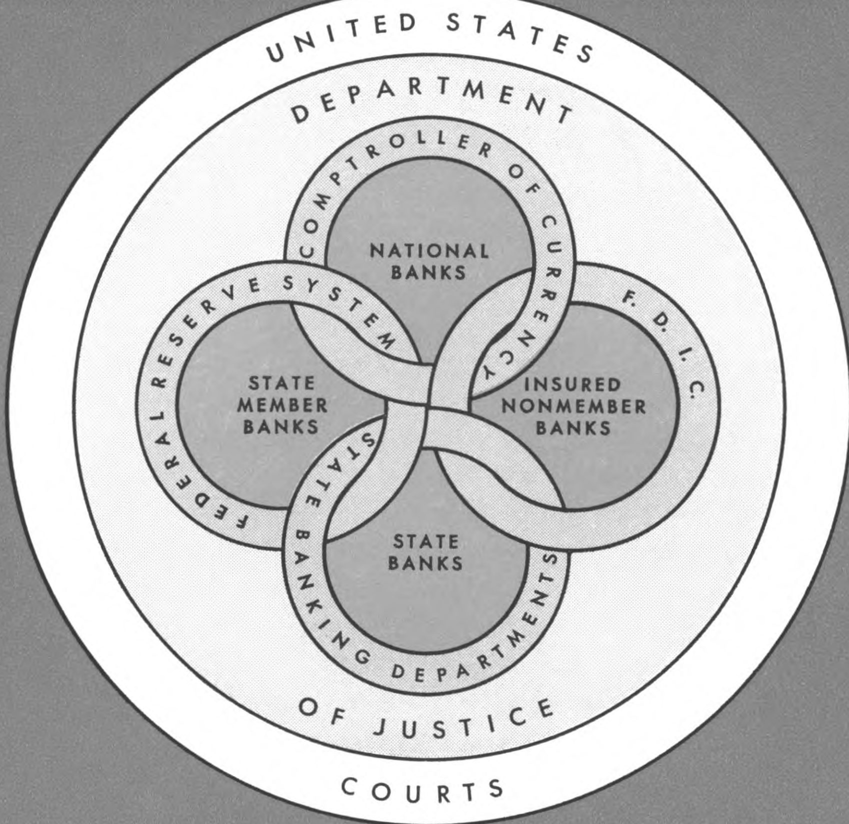
THE LEGAL ENVIRONMENT

Banking laws and the administrative actions of supervisory authorities are perhaps the most important factors determining how a banking system responds to a growing economy. Supervisory authorities influence the banking structure through control over the chartering of new banks, the opening and closing of branches, over bank mergers, and over the formation and growth of bank holding companies. In some of these areas Federal law is paramount; in others state law governs, and in still others authority is divided.

Since the establishment of the National Banking System more than one hundred years ago, authority over the chartering of commercial banks has been divided between state and Federal authorities. For many years both Federal and state laws were very lenient with respect to the granting of charters for new banks. Charters were granted almost automatically upon application to any group possessing a certain minimum amount of capital and meeting other limited requirements specified by law. Federal legislation of the 1930's, however, specifically directed the Comptroller of the Currency, in granting bank charters, to consider such things as the banks' future earning prospects and the convenience and needs of the community. Today, the laws of most states contain similar provisions.

Although the basic laws relating to the chartering of banks have not changed in many years, the administration of these laws has apparently varied

AGENCIES CONCERNED WITH BANK MERGERS



from time to time. In the seven years before 1960, for example, 32 new banks were organized in the Fifth District. In the following seven years, 76 new charters were granted. A more rapid rate of economic expansion in the later period might account for some of the increase in new bank formations, but it appears that changes in the attitudes of supervisory authorities toward the chartering of new banks was a more important explanation.

Branch Banking

The right of a bank to do business at more than one place is restricted by both Federal and state laws, but today Federal legislation gives a national bank the same branching powers as are enjoyed by state banks in the state in which the national bank is located. This goes far toward explaining differences in state banking structures, for state laws on branch banking vary greatly, a fact that is well illustrated in the Fifth District. Moreover, changes in the laws of the several states may determine the nature and direction of structural changes in a particular time period.

Among Fifth District states, state-wide branching was permitted in Maryland, North Carolina, and South Carolina throughout the 1960-1966 period. Banks in the District of Columbia were permitted to branch within that jurisdiction with the approval of the Comptroller of the Currency. Throughout the period, West Virginia law provided that no bank could install or maintain a branch or engage in business at any place other than at its principal office.

The most interesting and significant development in the Fifth District in the period under study was the change in the Virginia banking law in 1962. For some years prior to that date, *de novo* branching in Virginia was restricted to the limits of the city, town, or county in which the parent bank was located. Branching by a merger of banks located in the same or adjoining counties or within 25 miles of the parent bank was permitted. Mergers of this type were limited to banks that had been in existence for five years except under emergency conditions, in which case the limitation could be waived.

The law was amended in 1962 to permit banks to branch on a state-wide basis through merger. The five year limitation, however, was unaltered. The restriction upon *de novo* branching was retained, although it was liberalized somewhat to permit the establishment of new branches in cities contiguous to the county or city in which the parent bank is located or in counties contiguous to the city where the parent bank is located. In the latter case, the branch may not be more than five miles outside the city limits. The pronounced changes in Virginia's banking structure following these changes in the law will be discussed in a later section.

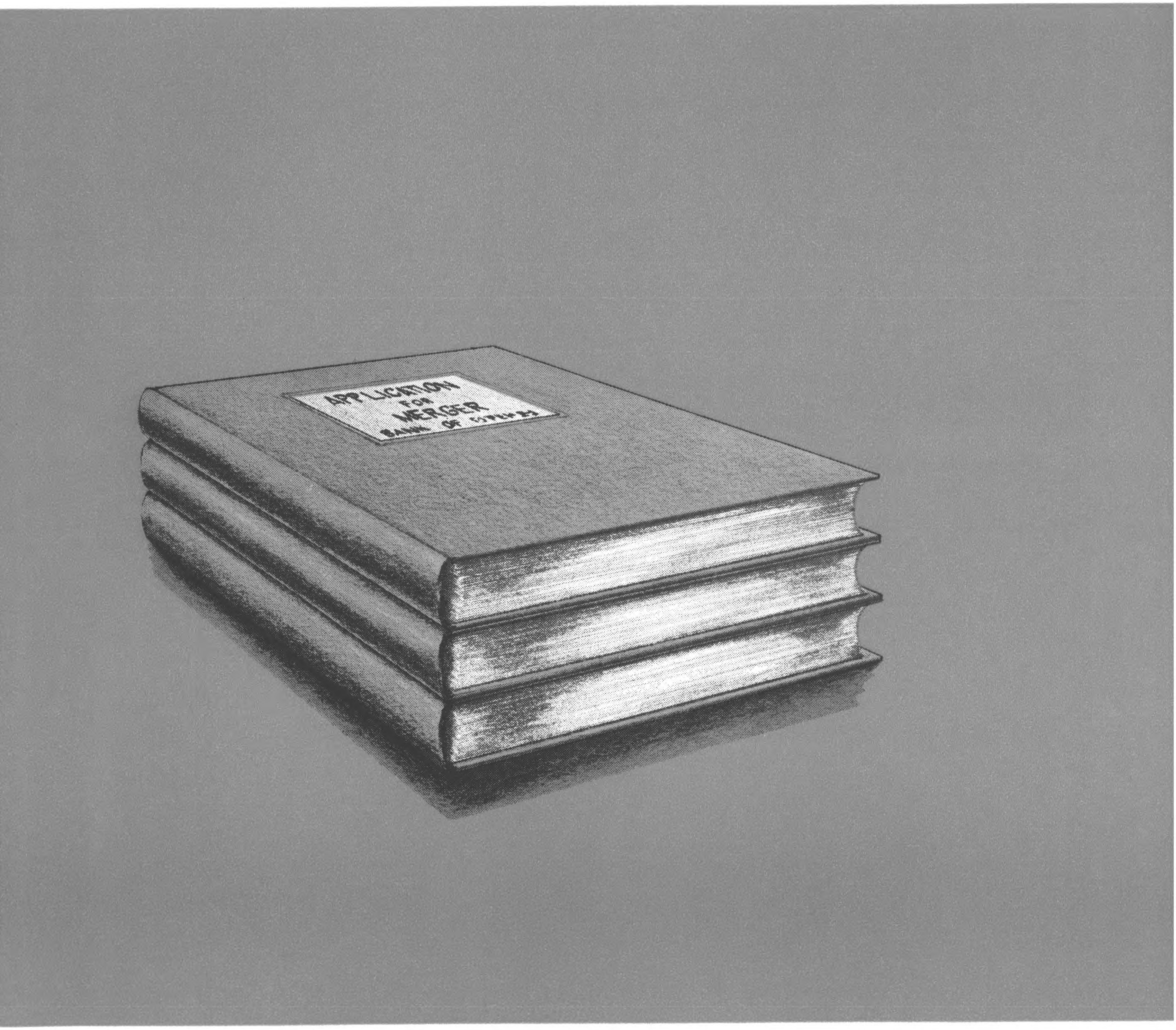
Bank Mergers

The period since World War II has been marked by numerous bank mergers, with most of the acquired banks being operated as branches of the remaining bank. The rate at which banks were being absorbed become so great in the early 1950's that concern developed over the effects on competition. At that time, control over bank mergers was divided between state and Federal authorities, although there was no clear-cut statutory authority for the Federal agencies with respect to bank mergers. The growing rate of bank mergers and the absence of uniform statutory standards among Federal agencies created dissatisfaction which eventually resulted in the passage of the Bank Merger Act of 1960.

This legislation gave Federal banking authorities control over all mergers involving insured banks, about 98 per cent of all banks. It provided that no insured commercial bank could merge with another insured bank without prior written approval from the Comptroller of the Currency where the resulting bank was a national bank, the Board of Governors where the resulting bank was a state member bank, or the Federal Deposit Insurance Corporation where the resulting bank was an insured nonmember bank.

In acting upon a merger application the appropriate supervisory agency was required to consider a number of banking factors, such as adequacy of capital structure, as well as the convenience and needs of the public and the effect of the merger on competition. To encourage uniform application of the law, the approving authority was required to request the other supervisory agencies and the Department of Justice to submit reports evaluating the competitive factors involved. After weighing all of these factors, the supervisory agency was not to approve the application unless it found the merger to be in the public interest.

At the time of the enactment of the Bank Merger Act of 1960 it was generally believed that the antitrust laws did not apply to mergers and consolidations of banks. This belief was based primarily on the fact that banking


APPLICATION
FOR
MERGER
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is a regulated business. In addition, the 1950 amendments to Section 7 of the Clayton Act were specifically made applicable only to corporations "subject to the jurisdiction of the Federal Trade Commission," and banks are not subject to the Commission's jurisdiction. Thus, it was believed by many that the requirement that the Justice Department investigate the competitive factors involved in proposed bank mergers was to be for purely advisory purposes.

However, in 1961 the Justice Department challenged several bank mergers on the grounds that they violated the antitrust laws, and in 1963 the United States Supreme Court handed down a landmark decision in a case involving the proposed merger of the Philadelphia National Bank and The Girard Trust Corn Exchange Bank. The Court ruled that banking is commerce and that the proposed merger would be in violation of Section 7 of the Clayton Act. A 1964 decision found a merger of banks in Lexington, Kentucky, to be in violation of the Sherman Act.

These decisions created confusion and uncertainty in the banking community. They appeared to render meaningless those provisions of the Bank Merger Act which required the regulatory agencies to take account of banking factors and the convenience and needs of the public in considering merger proposals. Instead, it appeared that competition, measured in terms of market structure rather than performance, was to be the controlling factor in determining the legality of a proposed bank merger. Moreover, decisions requiring the "unscrambling" of mergers that had been approved by the proper regulatory agency, and that had actually been consummated several years prior to the decisions, only added to the state of confusion. This state of affairs brought widespread demands that Congress pass legislation recognizing that banking is a regulated industry and therefore should not be considered the same as a nonregulated industry for purposes of antitrust regulation. These demands led to the amendment of the Bank Merger Act in February 1966.

The 1966 Amendment provides that the responsible Federal agency shall not approve (a) any proposed merger which would result in a monopoly, or which would be in furtherance of any combination or conspiracy to monopolize banking in any part of the United States; or (b) any other proposed merger the effect of which may be to substantially lessen competition, or to tend to create a monopoly, or which in any other manner would be in restraint of trade, unless it finds that the anticompetitive effects are clearly outweighed in the public interest by the probable effect in meeting the convenience and needs of the community to be served. In every case, the responsible agency is required to consider the "banking factors" and the convenience and needs of the community. To eliminate some of the uncertainty involved in bank mergers, the amendment provided that any merger which is not attacked in court within 30 days following final approval by the regulatory agency can no longer be challenged for violation of antitrust laws except under Section 2 of the Sherman Act.

Several new cases were brought to court by the Justice Department immediately following passage of this legislation. In a March 1967 decision the Supreme Court ruled that an action challenging a bank merger on the ground of its anticompetitive effects is brought under the antitrust laws and not under the Bank Merger Act of 1966. Moreover, the courts are not to give presumptive weight to the prior banking agency decision. The court's judgment, not that of the supervisory agency, finally determines the legality of the merger.

Hopes that the Bank Merger Act of 1960 and the 1966 amendment to that Act would eliminate the legal uncertainties surrounding bank mergers proved to be unfounded. The courts may still overrule a decision of a supervisory agency, and the decisions handed down thus far leave many important questions unanswered.

Although bank mergers have occurred at a rapid pace since 1960, there is reason to believe that the total number would have been considerably larger but for the legal uncertainties arising from the 1963 decision of the Supreme Court in the Philadelphia case. In the Fifth District, for example, 25 mergers were consummated in 1960 and 24 in 1961. The number rose to 40 in 1962 and 42 in 1963, but fell to 25 in 1964. It did not rise above 30 in either 1965 or 1966.

Bank Holding Companies

Banks affiliated with holding companies are subject to the same laws and regulations as other banks, but the holding company itself is usually not subject to the general banking laws of either the states or the Federal Government. Thus, for many years there were few legal restrictions on holding companies except for Section 7 of the Clayton Act. The Banking Acts of 1933 and 1935 gave the Federal Reserve System some authority over holding companies, but not enough to control their formation and operation. The Bank Holding

Company Act of 1956 was designed to strengthen the control of regulatory authorities over the formation and activities of bank holding companies.

This Act defines a bank holding company as one which controls 25 per cent or more of the voting stock of two or more banks, or which controls the election of a majority of the directors of two or more banks, or which for the benefit of whose stockholders or members 25 per cent or more of the voting stock of two or more banks is held by trustees.

The Act gave the Board of Governors of the Federal Reserve System supervisory authority over bank holding companies, and all bank holding companies (as defined by the Act) are required to register with the Board. Prior approval is required before a corporation may become a bank holding company and for most acquisitions of bank stock thereafter. Bank holding companies may not acquire, with certain exceptions, ownership or control of nonbank companies, nor may a holding company acquire voting shares of any bank located outside the state in which its principal offices are located, unless such acquisition is specifically authorized by the laws of the state in which the bank is located.

Amendments to the Act in 1966 generally broadened its coverage. The most noticeable single change, however, was the revision of that portion of the original Act establishing guidelines to be used by the regulatory agencies in approving applications. These guidelines now contain the same antitrust and monopoly provisions as are found in the amended Bank Merger Act.

The Federal Act does not prevent any state from exercising powers or jurisdiction over bank holding companies and several District states have laws relating to bank holding companies. Changes in the Virginia code in 1962 included a definition of a bank holding company very similar to that found in the Federal statute. In 1965, South Carolina adopted a State Bank Holding Company Act which defined a holding company in a similar manner and placed control of such companies under the State's Bank Control Board. The Board must approve the formation of bank holding companies as well as certain acquisitions by such companies. West Virginia's code contains a provision which apparently prohibits bank holding company operations in that state. The laws of North Carolina, Maryland, and the District of Columbia make no reference to bank holding companies.

THE EFFECTS OF MERGERS AND BRANCHING ACTIVITY, 1960-1966

The evolution of a banking structure is a continuing story and a synopsis of earlier chapters may be useful in providing perspective. Ideally, such a synopsis might cover a century or more, but for purposes of this report a review of the fifteen postwar years from 1945 to 1960 will have to suffice.

At the end of 1945, the Fifth District (plus the six West Virginia counties in the Fourth District) had 1,058 commercial banks and 394 branches for a total of 1,452 banking offices. These banks had total deposits of nearly $8 billion which gave an average of about $7.5 million of deposits per bank. Relative to the United States, the Fifth District had 7.5 per cent of the banks, 10 per cent of the branches, 8 per cent of the banking offices, and 5.3 per cent of the deposits. Thus, measured in terms of deposits, District banks were substantially smaller than the national average, although they had more branches.

Banking data for the period 1945-1960 suggest that the Fifth District experienced somewhat greater banking changes than did the country as a whole. The number of banks in the Fifth District declined to 960 for a drop of 9.3 per cent, while the corresponding fall in the whole country was only 4.7 per cent. Conversely, branches in the District more than trebled while in the nation they were increasing by 169 per cent. As a result, the number of banking offices in the District rose by a little more than a half compared to an increase

CHANGES IN NUMBER OF BANKS AND BRANCHES

Fifth Federal Reserve District

January 1, 1960-December 31, 1966

ALL COMMERCIAL BANKS	District of Columbia	Maryland	North Carolina	South Carolina	Virginia	West Virginia	Total
Number of Banks (beginning of period)	12	140	192	145	309	183	981
New Banks	4	14	2	11	34	11	76
Mergers and Absorptions	2	32	57	28	91	4	214
Voluntary Liquidations and Suspensions	....	....	....	....	1	....	1
Number of Banks (end of period)	14	122	137	128	251	190	842
Net Change							− 139
BRANCHES							
Number of Branches (beginning of period)	59	213	448	128	237	....	1,085
New Branches	29	170	307	145	273	....	924
Banks Converted to Branches	2	33	55	28	90	....	208
Branches Discontinued	2	10	24	5	7	....	48
Number of Branches (end of period)	88	406	786	296	593	....	2,169
Net Change							+1,084
Change in Banking Offices							+ 945

of one third for the country as a whole. Total deposits recorded a slightly larger gain in the District—57 per cent against 53 per cent—which gave the District a total of $12.8 billion in 1960, or 5.4 per cent of the national total. Since the number of banks declined more and deposits rose more, the average of deposits per bank increased considerably more in the District than in the nation, 71 per cent as compared with 60 per cent.

Geographically, the gains in the District were well distributed except where special conditions prevailed. West Virginia had no branches and the number of banks increased by only three, so there was no significant change in the number of banking offices. North Carolina had the largest decline in the number of banks and by far the largest increase in the number of banking offices. Remarkably few new banks were organized in North Carolina during this period, but numerous *de novo* branches were established and a large number of banks were converted into branches through mergers. The smallest increases in deposits—less than 45 per cent—were recorded in West Virginia and the District of Columbia, in both instances due in part to slow population growth. Virginia had the largest increase with 76 per cent.

District Changes, 1960-1966

In comparison with the earlier postwar years, developments in the 1960-1966 period may be described as "more of the same, only more so." In almost every category—organizations of new banks, mergers and absorptions, establishment of *de novo* branches, holding company formations—changes occurred at a considerably more rapid pace than in the 1945-1960 period. In this seven years, banking offices increased by 945, compared with 763 in the fifteen years following World War II. New banks organized averaged five per year in the latter half of the 1950's; the average was almost 11 per year in the 1960-1966 period, and in 1963 and 1964 the numbers were 19 and 20, respectively. At the same time, banks were absorbed through merger at a much faster pace. No fewer than 214 banks were merged in this seven-year period, with 208 of these converted into branches. The net result of these and other changes was a decline of 139 in the number of banks in the District.

In addition to the large number of branches created through mergers, 924 *de novo* branches were established. This was a record pace, almost twice that of the late 1950's. Coupled with the number of branches resulting from mergers, and taking account of discontinued branches, this rapid pace of *de novo* branching led to a net increase of 1,084 in the number of branches in the Fifth District between 1960 and 1966.

Changes by State

As in the earlier postwar period, West Virginia had the least number of changes in banking structure. Eleven new banks were organized and four were absorbed through mergers, raising the total from 183 at the beginning of 1960 to 190 at the end of 1966. There were no branches in West Virginia during this period.

On the other hand, Virginia had the most far-reaching and perhaps the most interesting changes in banking structure over this period. An important contributing factor here was the 1962 change in the banking code which permitted a bank to acquire branches anywhere in the state through merger. The revised law, which retained relatively close restrictions on *de novo* branching, affected the banking structure in several ways. First, it encouraged the formation of bank holding companies, a subject which will be discussed later. Second, it greatly increased the rate of creation of branches by permitting the establishment of regional and state-wide branch systems through merger and by accentuating the rate of formation of *de novo* branches.

For the period 1960-1966, Virginia had more bank mergers than any other Fifth District state and most of these resulted in the conversion of a bank into a branch. Moreover, a total of 273 *de novo* branches were established in the state, second only to North Carolina among Fifth District states. In addition, the new environment seemed to give impetus to the formation of new banks and for the period more new banks were organized in Virginia than in any other Fifth District state. As a result of all changes, the number of banks in the state declined by 58 and the number of branches rose by 356. Overall, the number of banking offices increased by 298, a gain of 55 per cent from 1960.

The North Carolina banking structure also underwent numerous changes in the period. For the most part, however, the North Carolina experience, unlike that of Virginia, represented a continuation of trends dating back to the 1950's rather than an abrupt change brought about by new legislation. One interesting feature was the remarkably small number of new banks organized, only four from 1950 through 1959 and only two since the beginning of 1960. The conversion of banks into branches as well as the establishment of *de novo* branches continued, and at the end of 1966 North Carolina had the largest number of branches of any District state. The rate of increase in branches since the beginning of 1960, however, was lower than in any of the other District states permitting branching and was substantially below the rate for the District as a whole.

Developments in Maryland and South Carolina were quite similar in nature. Both states showed a relatively small decline in the number of banks and a large increase in branches. In Maryland, the number of mergers exceeded new banks organized by 18 and there was a net gain in branches of 193. Total banking offices increased by slightly less than 50 per cent in the seven years.

In South Carolina mergers and new bank formations brought a net reduction of 17 in the number of banks, a relatively small 12 per cent decline. New branches were established at an increasing pace throughout the period, however, and the total number of branches rose by 168, or 131 per cent. In the final four years of the period, for example, new branches established averaged 25 per year, compared with an average of just under 15 per year in the first three years. Total banking offices increased by 55 per cent.

Dramatic changes in the banking structure of the District of Columbia are hardly to be expected. The geographical area is small, completely urban, and the highly limited scope of the political jurisdiction severely restricts the ability of resident banks to respond to local area demographic changes. Nevertheless, there were changes in the years 1960 through 1966. Four new banks were organized and two became branches of other banks through merger. Twenty-nine new branches were established, while two were discontinued. All in all, the number of banking offices rose to 102, an increase of 44 per cent over the figure at the beginning of 1960.

Growth in Deposits

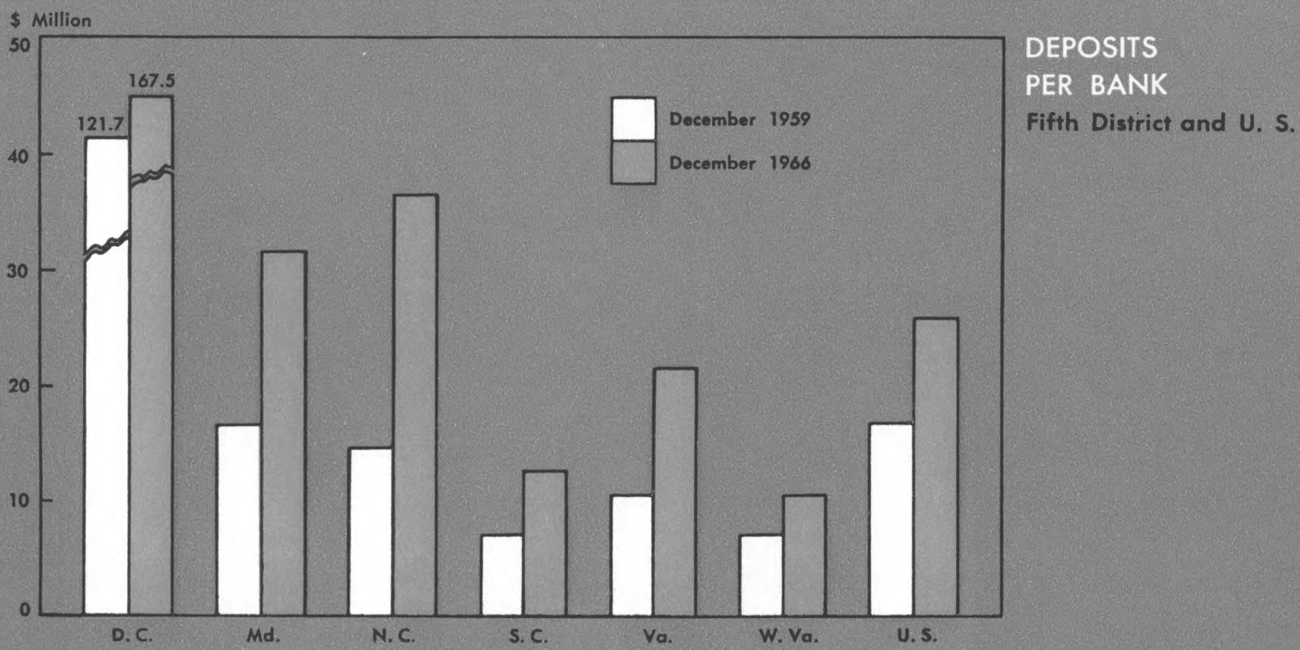
The changes in Fifth District banking structure described above were accompanied by an increase in total deposits from $12 billion at the beginning of 1960 to $20 billion at the end of 1966, a growth of 66.7 per cent. This compares with an increase of 61.2 per cent for all United States banks. North Carolina had by far the largest percentage growth in deposits over the seven-year period, almost 78 per cent. Deposit growth in Maryland and Virginia was about the same as the Fifth District average, although Virginia's increase in absolute terms, about $2.1 billion, was almost as large as North Carolina's.

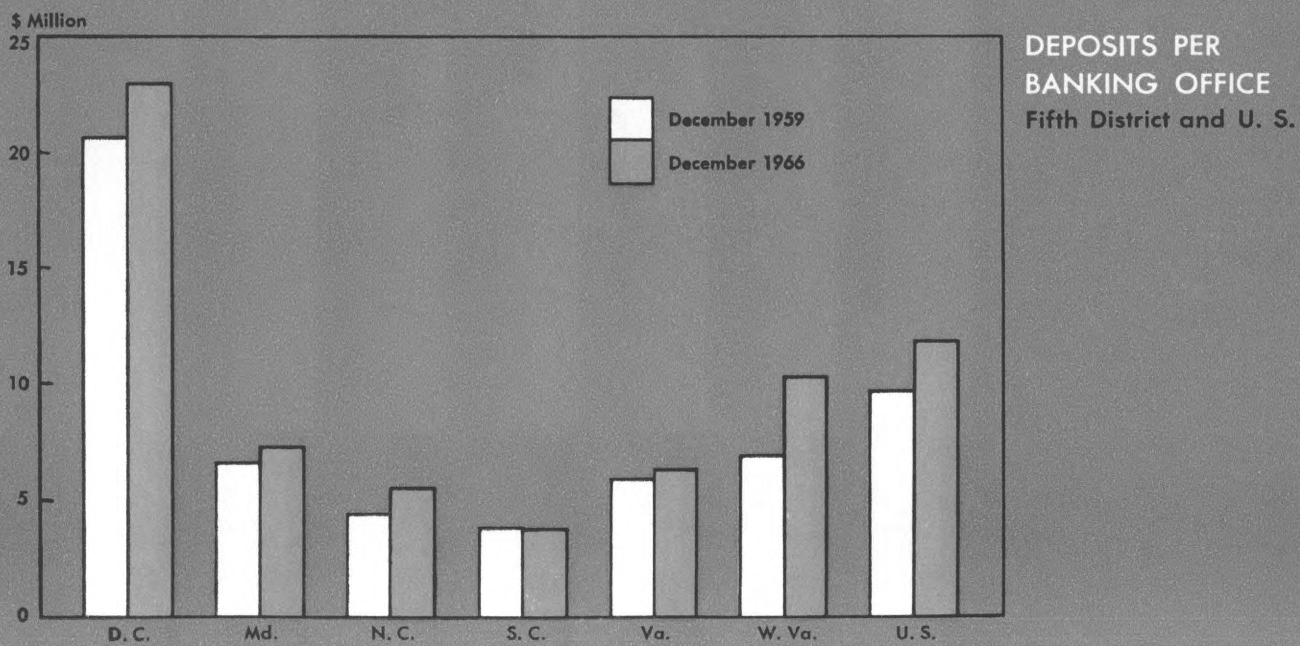
The changes in numbers of banks and banking offices, combined with the substantial growth in deposits, suggest significant changes in the size of banking units. For the entire Fifth District, deposits per bank rose from $12.3 million at the beginning of 1960 to $23.8 million at the end of 1966, an increase of 93.5 per cent. This compares with a growth of 57.8 per cent for all banks in the United States. As a result, by the end of 1966 deposits per bank in the Fifth District were only slightly below the average for the United States. Deposits per banking office, however, rose only moderately over the seven-year period, from $5.8 million to $6.6 million, and remained substantially below the national average.

In both 1960 and 1966, deposits per bank were far higher in the District of Columbia than in any other part of the Fifth District. The percentage increase over the seven-year period, however, was smaller in the nation's capital than in any Fifth District state. Two states had increases larger than the Fifth District average, North Carolina with 150 per cent and Virginia with 106 per cent. Growth in average deposit size for Maryland banks was about in line with that of the Fifth District, but increases for South Carolina and West Virginia fell below the District average. Because of the rapid growth in banking offices, deposits per banking office changed little in most District states. West Virginia, where the number of banking offices is the same as the number of banks, was the exception.

Population per Banking Office

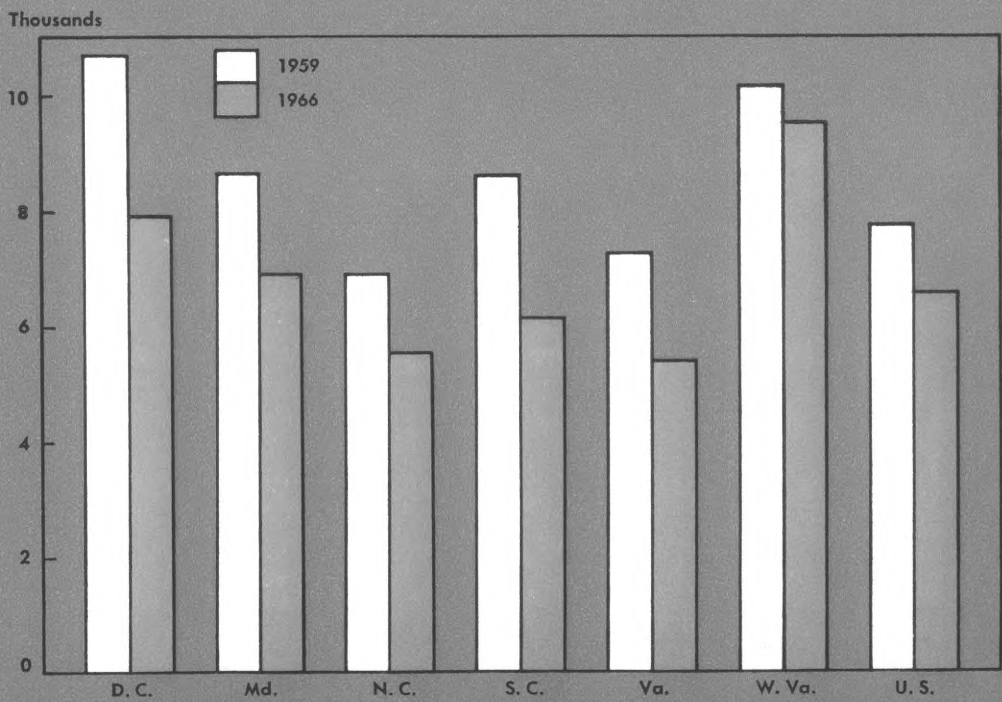
One of the great changes in commercial banking in the United States in recent decades has been the trend toward what might be called "consumer" or "retail" banking. Commercial and industrial loans are still the hallmark of the commercial bank and business deposits still represent the most important single source of funds, but to a steadily increasing extent commercial banks are providing loan and deposit services to individuals and consumer households.





Source: Federal Deposit Insurance Corporation; Federal Reserve Bulletin.

POPULATION PER BANKING OFFICE
Fifth District and U. S.



Source: Federal Reserve Bulletin; Bureau of the Census.

This has been reflected in the asset structure of commercial banks, in the growth in consumer and real estate loans, as well as in the deposit structure. In order to meet these new needs of the public, commercial banks have found it necessary to provide more convenient and more readily accessible banking facilities. Changes in the ratio of banking offices to population are both a measure of the pressures on the banking system to provide added services and of the extent to which the banking system has met these needs.

In the last seven years, the growth in banking offices outpaced population growth in all Fifth District states with a resulting decline in average population per banking office. For the whole District the average number of people per banking office fell from just under 8,000 in 1960 to about 6,100 in 1966. The latter figure compares with an average population per banking office of about 6,500 for the entire United States in 1966.

For the Fifth District, the largest decline, in absolute terms, was in the District of Columbia, where the population per banking office fell almost 2,800, or about 26 per cent. South Carolina was second, although the percentage decline for that state was even greater than for the District of Columbia. By 1966 the average population per banking office in Virginia had fallen to just under 5,400, the lowest for any District state. The North Carolina figure was only slightly higher. West Virginia, because of the absence of branches, showed the highest ratio of population to banking offices.

Changes in Concentration

Not surprisingly, the large number of bank mergers and the continued growth of branch banking organizations significantly increased the degree of concentration of banking resources in most District states in the last seven years. The District of Columbia and the state of West Virginia were exceptions to this general statement, however. In both of these areas there were few changes in banking structure, in the first instance because of the special nature of the area and in the other because of the state law prohibiting branch banking. The degree of concentration in these two areas differs greatly, however, with the five largest banks in the District of Columbia holding more than 88 per cent of the deposits in the area while the five largest banks in West Virginia hold slightly less than 20 per cent of the state's deposits.

After the District of Columbia, North Carolina showed the highest degree of concentration among Fifth District states. That state also had the greatest increase in concentration in the last seven years, although if holding companies are treated as single banking organizations the growth of concentration in Virginia exceeded that in North Carolina. In 1960, the five largest banks in North Carolina held about 56 per cent of the deposits in the state, only slightly higher than the 55 per cent figure for Maryland. But by 1966, the three largest banks in North Carolina accounted for about half of the state's deposits, while the five largest banks held more than 65 per cent. The five largest Maryland banks, on the other hand, held only 60.5 per cent of total deposits in the state in 1966.

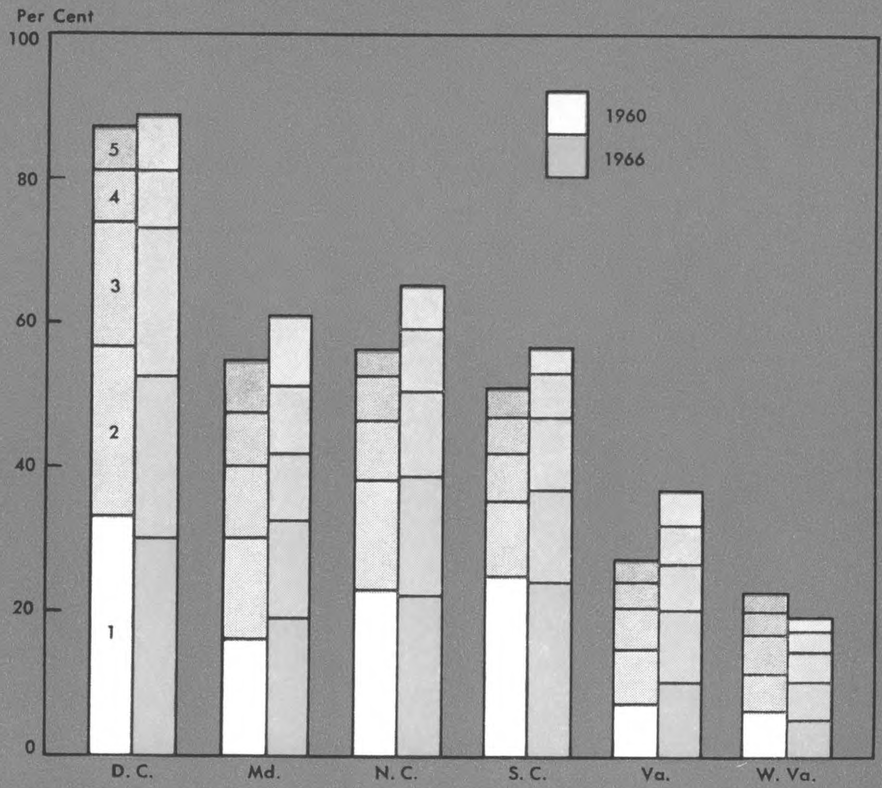
South Carolina shows a fairly high degree of banking concentration. The five largest banks held over 50 per cent of the deposits in the state in 1960, but the increase in concentration between 1960 and 1966 was moderate, with the share held by the five largest banks rising to 56.6 per cent.

In 1960 the degree of concentration of banking resources in Virginia was extremely low, with the five largest banks holding just under 28 per cent of total deposits in the state. But the development of regional and state-wide branch systems following the 1962 legislation brought about the largest relative increase in concentration for any District state. At the end of 1966, the three largest banks held almost 27 per cent of the state's deposits, and the five largest held almost 37 per cent. If holding company organizations are included these concentration figures are raised considerably, as the following section indicates.

Bank Holding Companies

No account of recent changes in Fifth District banking structure would be complete without some consideration of the activities of bank holding companies. Holding company banking involves the effective control of the operating policies of two or more banks through ownership of stock by a separate company established for that specific purpose. The holding company device has been employed in United States banking for many years, but it has been of little significance in the Fifth District until recent years. As of the present, it has assumed important dimensions only in the state of Virginia, where it has taken hold and grown rapidly since 1962.

PERCENTAGE OF TOTAL DEPOSITS
HELD BY FIVE LARGEST BANKS
Fifth District



Source: Federal Reserve Bank of Richmond.

BANK HOLDING COMPANIES

Fifth Federal Reserve District

	December 1960				December 1966			
	Holding Companies*	Banks	Offices	Deposits ($ million)	Holding Companies*	Banks	Offices	Deposits ($ million)
District of Columbia	1	2	7	$156.1	1	2	13	$ 233.3
Maryland	1	1	3	27.2	1	4	19	110.8
Virginia	2	6	15	92.7	4	38	223	1,499.4
Totals	2	9	25	$276.0	4	44	255	$1,843.5

*One holding company controlled banks in Maryland, Virginia, and the District of Columbia. In 1960 this holding company was not registered with the Board of Governors; in 1966 it was registered.

At the end of 1960, there were two bank holding companies in the Fifth District. One of these, a Virginia corporation with its activities largely confined to Northern Virginia, was registered under the Bank Holding Company Act of 1956. At the end of 1960, this group included four Virginia banks with eight offices, holding $60.8 million of deposits. The other holding company was exempt from the provisions of the Bank Holding Company Act of 1956 because it was an affiliate of a corporation registered under the Investment Company Act of 1940. In 1960, this holding company owned shares in banks in Virginia, Maryland, and the District of Columbia, as well as in three states outside the Fifth Federal Reserve District.

The accompanying table indicates the extent of the growth in bank holding companies over the last seven years. Between 1960 and 1966, two bank holding companies were formed in Virginia, and still another was established in 1967. Moreover, the 1966 amendment to the Bank Holding Company Act brought under the provisions of that Act the holding company that had formerly been exempted.

But the increase in the number of holding companies is not nearly as impressive as the growth in the number of banks, banking offices, and deposits controlled by holding companies. In 1960, the two holding companies operating in the Fifth District controlled nine banks with 25 banking offices and holding $276 million of deposits. By the end of 1966 the number of banks controlled by holding companies totaled 44 with 255 offices and $1,844 million of deposits.

The impact on the banking picture in Virginia was particularly great. Six Virginia banks, the largest holding deposits of less than $50 million, were members of holding company groups in 1960. In 1966, the number of banks had risen to 38 and deposits totaled almost $1.5 billion. Two of the five largest banks in the state were lead banks in holding companies at the end of 1966, and the new holding company created in 1967 included the state's fourth largest bank. Over a fourth of the state's banking offices were included in holding company groups.

If bank holding companies are considered as single banking organizations, the degree of concentration in Virginia banking is considerably increased. The share of the state's total deposits held by the three largest banking units increases from 26.6 per cent to 32.2 per cent, and the share held by the five largest organizations rises from 36.6 per cent to 44.0 per cent. If account is taken of changes and acquisitions since December 1966 the concentration figures become even higher. Nevertheless, the concentration of banking resources in Virginia remains the second lowest among Fifth District states.

Holding company organizations, or group banking as it is sometimes called, are often looked upon as being little more than means of getting around restrictions on branch banking. It is true that in states which prohibit or severely restrict branching, group banking may be a substitute for branch organizations. But the holding company is also found in states having little or no restrictions on branch banking.

It may seem paradoxical that the phenomenal growth in holding company banking in Virginia came after the liberalization of the branch banking laws in 1962. Nevertheless, restrictions on branch banking prior to 1962 and the provisions of the 1962 legislation go far toward explaining the growth in holding companies in the last five years. Two holding companies were operating in Virginia prior to 1962, and the two that were approved by the Board of Governors in late 1962 were in the planning stages before the changes in branching laws were finally approved. But apart from this, the provisions of the 1962 legislation encouraged expansion by the holding company rather than the branch banking route. Under present law, a bank may enter any banking market in the state by merging with an existing bank in that market. After the merger is completed, however, it is not possible for the merging bank to acquire additional banking offices in that area except by merging with still other banks. But if a holding company acquires a bank in another part of the state, that bank remains a separate legal organization and may continue to branch within its home territory.

The 1960-1966 period saw some growth in holding company operations in Maryland and the District of Columbia, but nothing to compare with the phenomenal expansion that occurred in Virginia. No new holding companies were formed in either jurisdiction during the period and in the District of Columbia no new banks were added to the group, although the number of banking offices and total deposits controlled by the holding company increased. In Maryland, three banks were added to the one bank that had been controlled in 1960, and the number of banking offices rose from three to 19. There was no holding company activity in North Carolina, South Carolina, and West Virginia.

HIGHLIGHTS OF 1967

Earnings and Capital Accounts

Net earnings before payments to the United States Treasury rose $25,042,937.78 to a record $140,568,566.77 in 1967. Member banks in the Fifth District received statutory dividends of 6 per cent per annum, totaling $1,823,438.20, and $137,245,978.57 was paid to the Treasury as interest on Federal Reserve notes. Capital stock rose $1,499,150.00 to $31,074,850.00 and the surplus account was increased $1,499,150.00 to $31,074,850.00.

Discount Rate

On April 7 the Richmond Reserve Bank, with approval of the Board of Governors, lowered its discount rate from 4½ per cent to 4 per cent. The action was taken to bring the discount rate into line with other market rates and to foster the Federal Reserve's policy objective of assuring that the availability of credit is adequate to provide for orderly economic growth. This marked the first change in the rate since December 10, 1965 when it was increased from 4 per cent to 4½ per cent.

The discount rate was increased to 4½ per cent on November 20 mainly because of the devaluation of the pound by the British Government. Commenting on the change, the Board of Governors expressed its confidence in the basic economic and financial strength of the United States and pledged to do its full share in maintaining the soundness of the dollar both domestically and internationally.

Check Collection

Each year, the volume of checks processed continues to grow and this year was no exception. There was an 8 per cent increase in the number of checks handled during 1967.

Several important steps have been taken to cope with the increasing volume and improve the overall check collection system. Motor carrier delivery of outgoing cash letters to virtually every bank in the Fifth District has been enthusiastically endorsed by the banks. This improvement has insured prompter delivery of our cash letters, thus reducing both collection time and float.

During the year a study was conducted in the Washington-Baltimore Metropolitan area to determine the feasibility of establishing a regional check clearing center in that area. A survey of ninety-four banks revealed that the daily average volume of checks processed in the area, exclusive of correspondent clearings for customer banks, was nearly 665 thousand items. This volume is considered sufficient to justify establishment of a regional clearing center, and if area banks are receptive, a regional clearing center in the Washington-Baltimore Metropolitan area could become a reality in 1968.

On September 1, 1967, all Federal Reserve Banks put into effect the regulation under which they would no longer handle as cash items checks not inscribed in magnetic ink with the routing symbol-transit number of the drawee bank. This has greatly reduced the number of items requiring manual handling and speeded up overall check processing operations.

Fiscal Agency

The Treasury Department adopted a new book-entry procedure for Treasury securities, effective January 1, 1968. Under this procedure Federal Reserve Banks, as fiscal agents of the United States, are authorized to issue and hold Treasury securities in the form of entries on their records in lieu of holding definitive securities for certain accounts of commercial banks.

Functional Cost Analysis

The Functional Cost Analysis Program is now in its second year. The program provides participating member banks with a confidential report of comparative earnings and costs covering the major banking functions for a full year. It enables participants to compare income, expenses, and earnings with banks of similar size and deposit structure. Banks that have taken advantage of the program have been very enthusiastic about the results.

New Member Banks

In the Fifth District, two banks became members of the Federal Reserve System in 1967. One of these is The National Bank of Commerce of Spartanburg, Spartanburg, South Carolina, a newly organized bank that opened for business on March 13. The other is the City National Bank, Charlotte, North Carolina, formerly the City Savings Bank, a nonmember institution that converted to a national charter and System membership on August 23.

Changes in Directors

The election by Fifth District member banks of one Class A director and one Class B director to three-year terms on the Board of Directors of the Head Office was held in the fall. Giles H. Miller, Jr., President, The Culpeper National Bank, Culpeper, Virginia, was elected a Class A director, succeeding George Blanton, Jr., President, First National Bank, Shelby, North Carolina. H. Dail Holderness, President, Carolina Telephone and Telegraph Company, Tarboro, North Carolina, was elected a Class B director to succeed Robert R. Coker, President, Coker's Pedigreed Seed Company, Hartsville, South Carolina.

The Board of Governors appointed Stuart Shumate, President, Richmond, Fredericksburg, and Potomac Railroad Company, Richmond, Virginia, to a three-year term as a Class C director of the Head Office. The Board also designated Wilson H. Elkins, President, University of Maryland, College Park, Maryland, as Chairman of the Board of Directors, and Robert W. Lawson, Jr., Managing Partner, Charleston Office, Steptoe & Johnson, Charleston, West Virginia, as Deputy Chairman. Mr. Elkins succeeded Edwin Hyde, President, Miller & Rhoads, Richmond, Virginia, whose term as a Class C director expired at the end of the year.

John H. Fetting, Jr., President, A. H. Fetting Company, Baltimore, Maryland, was appointed by the Board of Governors to a three-year term as a member of the Board of Directors of the Baltimore Branch. Mr. Fetting fills a vacancy caused by the expiration of the term of Leonard C. Crewe, Jr., Chairman of the Board, Maryland Specialty Wire, Inc., Cockeysville, Maryland. The Board reappointed William B. McGuire, President, Duke Power Company, Charlotte, North Carolina, to a three-year term on the Board of Directors of the Charlotte Branch. Mr. McGuire was first appointed to the Charlotte Board in 1965.

The Richmond Board of Directors appointed several directors to the Boards of the Baltimore and Charlotte Branches. James J. Robinson, Executive Vice President and Cashier, Bank of Ripley, Ripley, West Virginia, was appointed a director of the Baltimore Branch, succeeding Martin Piribek, Executive Vice President, The First National Bank of Morgantown, Morgantown, West Virginia, and Adrian L. McCardell, President, First National Bank of Maryland, Baltimore, Maryland, was reappointed to a three-year term as a director of the Branch. Mr. McCardell has served on the Baltimore Board since 1965.

At the Charlotte Branch, H. Phelps Brooks, Jr., President and Trust Officer, The Peoples National Bank, Chester, South Carolina, was appointed a director succeeding Wallace W. Brawley, President, National Bank of Commerce of Spartanburg, Spartanburg, South Carolina. The Richmond Board also reappointed C. C. Cameron, Chairman of the Board and President, First Union National Bank of North Carolina, Charlotte, North Carolina, a director of the Charlotte Branch.

Federal Advisory Council

The Board of Directors selected J. Harvie Wilkinson, Jr., to serve during 1968, for the second successive year, as the Fifth District representative on the Federal Advisory Council. Mr. Wilkinson is Chairman of the Board, State-Planters Bank of Commerce & Trusts, Richmond, Virginia.

Changes in Official Staff

A number of changes were made in the official staff during the year. Effective October 1, Vice President James Parthemos assumed the additional duties of Director of Research. Mr. Parthemos succeeded Benjamin U. Ratchford who retired in September. Also in September William H. Wallace joined the Research staff as an Assistant Vice President. Robert L. Miller, formerly Assistant Cashier, resigned in March to accept a position with a Fifth District member bank. R. Henry Smart, formerly Examining Officer, retired in April and subsequently accepted a position with a District commercial bank. William T. Cunningham, Jr., was promoted to Assistant Cashier in July and is serving as the Junior Officer in the Personnel Department.

Several promotions were announced in December to become effective January 1, 1968. Chester D. Porter, Jr., was promoted to Chief Examiner, and Edward L. Bennett and Lloyd W. Bostian, Jr., were elevated to the position of Assistant Vice President. All three men were formerly Examining Officers. Also in the Examining Department, Frank D. Stinnett, Jr., was named Examining Officer. In the Legal Department, William C. Fitzgerald was promoted to the position of Assistant Counsel. At the Charlotte Branch, Boyd Z. Eubanks was named Assistant Cashier. Mr. Eubanks will supervise the Discount and Credit, Money, and Securities Departments at the Branch.

Summary of Operations

	1967	1966
CHECK CLEARING & COLLECTION		
Dollar amount		
Commercial bank checks[1]	126,965,356,000	122,455,850,000
Government checks[2]	11,682,544,000	10,458,478,000
Other items	844,063,000	831,043,000
Number of items		
Commercial bank checks[1]	418,481,000	385,844,000
Government checks[2]	62,464,000	59,097,000
Other items	5,141,000	4,851,000
CURRENCY & COIN		
Currency disbursed—Dollar amount	2,636,834,175	2,470,387,445
Coin disbursed—Dollar amount	123,593,140	108,171,445
Dollar amount of currency withdrawn for destruction	995,106,780	1,016,230,052
Dollar amount of currency burned[3]	1,030,090,000	479,337,600
Daily average of currency burned		
Dollar amount[3]	4,055,472	1,894,615
Number	727,732	664,435
DISCOUNT & CREDIT		
Dollar amount		
Total loans made during year	1,143,190,000	4,744,173,000
Daily average loans outstanding	5,811,205	29,330,216
Number of banks borrowing during the year	78	120
FISCAL AGENCY ACTIVITIES		
Marketable securities delivered or redeemed		
Dollar amount	8,976,345,306	7,653,310,182
Number	210,321	198,431
Coupons redeemed		
Dollar amount	114,207,273	106,208,880
Number	369,077	372,840
Savings bond issues		
Dollar amount	398,807,245	401,934,887
Number	10,417,998	9,050,853
Savings bond redemptions		
Dollar amount	439,132,330	444,755,656
Number	10,131,835	9,414,689
Depositary receipts for withheld taxes		
Dollar amount	4,466,883,102	3,253,601,402
Number	1,111,523	937,367
TRANSFERS OF FUNDS		
Dollar amount	242,082,700,936	187,256,202,943
Number	332,593	306,835

[1] Excluding checks on this Bank.

[2] Includes postal money orders.

[3] Effective December 1966 this Bank began burning Federal Reserve Notes in denominations of $5 and $10.

COMPARATIVE STATEMENTS

Condition

ASSETS:	DECEMBER 31, 1967	DECEMBER 31, 1966
Gold certificate account	$ 834,755,307.24	$1,043,549,157.27
Redemption fund for Federal Reserve notes	172,763,050.00	157,273,352.00
Total Gold Certificate Reserves	1,007,518,357.24	1,200,822,509.27
Federal Reserve notes of other Federal Reserve Banks	53,308,878.00	86,988,583.00
Other cash	21,195,872.26	15,846,119.60
Discounts and advances	2,170,000.00	4,000,000.00
U. S. Government securities:		
Bills	1,176,488,000.00	855,175,000.00
Certificates	....	315,231,000.00
Notes	1,982,377,000.00	1,543,327,000.00
Bonds	448,234,000.00	449,100,000.00
Total U. S. Government Securities	3,607,099,000.00	3,162,833,000.00
Total Loans and Securities	3,609,269,000.00	3,166,833,000.00
Cash items in process of collection	887,187,388.78	811,145,082.44
Bank premises	7,071,622.23	5,514,769.21
Other assets	107,446,595.64	68,167,258.63
TOTAL ASSETS	$5,692,997,714.15	$5,355,317,322.15
LIABILITIES:		
Federal Reserve notes	$3,882,060,973.00	$3,680,408,151.00
Deposits:		
Member bank—reserve accounts	941,284,797.04	961,654,898.49
U. S. Treasurer—general account	77,566,014.18	569,637.23
Foreign	7,280,000.00	8,160,000.00
Other	19,320,628.04	14,520,350.64
Total Deposits	1,045,451,439.26	984,904,886.36
Deferred availability cash items	682,299,457.98	614,523,849.61
Other liabilities	21,036,143.91	16,329,035.18
TOTAL LIABILITIES	5,630,848,014.15	5,296,165,922.15
CAPITAL ACCOUNTS:		
Capital paid in	31,074,850.00	29,575,700.00
Surplus	31,074,850.00	29,575,700.00
TOTAL LIABILITIES AND CAPITAL ACCOUNTS	$5,692,997,714.15	$5,355,317,322.15

Contingent liability on acceptances purchased for foreign correspondents	$ 8,138,000.00	$ 9,781,800.00

Earnings and Expenses

EARNINGS:	1967	1966
Discounts and advances	$ 264,048.54	$ 1,353,103.83
Interest on U. S. Government securities	155,868,200.00	129,428,481.05
Foreign currencies	1,312,094.18	1,120,756.89
Other earnings	23,314.39	30,207.69
Total Current Earnings	157,467,657.11	131,932,549.46
EXPENSES:		
Operating expenses (including depreciation on bank premises) after deducting reimbursements received for certain Fiscal Agency and other expenses	14,661,602.49	13,721,308.51
Assessments for expenses of Board of Governors	559,500.00	462,000.00
Cost of Federal Reserve currency	1,733,620.02	2,128,879.59
NET EXPENSES	16,954,722.51	16,312,188.10
CURRENT NET EARNINGS	140,512,934.60	115,620,361.36
Additions to Current Net Earnings:		
Profit on sales of U. S. Government securities (net)	55,331.08	....
All other	77,861.56	80,329.72
Total Additions	133,192.64	80,329.72
Deductions From Current Net Earnings:		
Loss on sales of U. S. Government securities (net)	....	173,244.94
All other	77,560.47	1,817.15
Total Deductions	77,560.47	175,062.09
NET ADDITIONS OR DEDUCTIONS	55,632.17	— 94,732.37
NET EARNINGS BEFORE PAYMENTS TO U. S. TREASURY	$140,568,566.77	$115,525,628.99
Dividends paid	$ 1,823,438.20	$ 1,747,437.88
Payments to U. S. Treasury (interest on Federal Reserve notes)	137,245,978.57	112,294,941.11
Transferred to surplus	1,499,150.00	1,483,250.00
TOTAL	$140,568,566.77	$115,525,628.99

SURPLUS ACCOUNT

	1967	1966
Balance at close of previous year	$ 29,575,700.00	$ 28,092,450.00
Addition account of profits for year	1,499,150.00	1,483,250.00
BALANCE AT CLOSE OF CURRENT YEAR	$ 31,074,850.00	$ 29,575,700.00

CAPITAL STOCK ACCOUNT

(Representing amount paid in, which is 50% of amount subscribed)

	1967	1966
Balance at close of previous year	$ 29,575,700.00	$ 28,092,450.00
Issued during the year	1,552,500.00	1,570,450.00
	31,128,200.00	29,662,900.00
Cancelled during the year	53,350.00	87,200.00
BALANCE AT CLOSE OF CURRENT YEAR	$ 31,074,850.00	$ 29,575,700.00

FEDERAL RESERVE BANK OF RICHMOND

Directors (December 31, 1967)

EDWIN HYDE	Chairman of the Board and Federal Reserve Agent
WILSON H. ELKINS	Deputy Chairman of the Board

CLASS A

ROBERT C. BAKER	President and Chairman of the Board, American Security and Trust Company Washington, D. C. (Term expires December 31, 1969)
GEORGE BLANTON, JR.	President, First National Bank Shelby, North Carolina (Term expired December 31, 1967) Succeeded by: Giles H. Miller, Jr. President, The Culpeper National Bank Culpeper, Virginia (Term expires December 31, 1970)
WILLIAM A. DAVIS	President, Peoples Bank of Mullens Mullens, West Virginia (Term expires December 31, 1968)

CLASS B

ROBERT RICHARDSON COKER	President, Coker's Pedigreed Seed Company Hartsville, South Carolina (Term expired December 31, 1967) Succeeded by: H. Dail Holderness President, Carolina Telephone and Telegraph Company Tarboro, North Carolina (Term expires December 31, 1970)
CHARLES D. LYON	President, The Potomac Edison Company Hagerstown, Maryland (Term expires December 31, 1968)
THADDEUS STREET	President, Carolina Shipping Company Charleston, South Carolina (Term expires December 31, 1969)

CLASS C

WILSON H. ELKINS	President, University of Maryland College Park, Maryland (Term expires December 31, 1968)
EDWIN HYDE	President, Miller & Rhoads, Inc. Richmond, Virginia (Term expired December 31, 1967) Succeeded by: Stuart Shumate President, Richmond, Fredericksburg & Potomac Railroad Company Richmond, Virginia (Term expires December 31, 1970)
ROBERT W. LAWSON, JR.	Managing Partner, Charleston Office, Steptoe & Johnson Charleston, West Virginia (Term expires December 31, 1969)

MEMBER FEDERAL ADVISORY COUNCIL

J. HARVIE WILKINSON, JR.	Chairman of the Board, State-Planters Bank of Commerce & Trusts Richmond, Virginia (Term expires December 31, 1968)

Officers

EDWARD A. WAYNE, President

AUBREY N. HEFLIN, First Vice President

ROBERT P. BLACK, Vice President

J. GORDON DICKERSON, JR., Vice President

WELFORD S. FARMER, Vice President and General Counsel

DONALD F. HAGNER, Vice President

EDMUND F. MAC DONALD, Vice President

UPTON S. MARTIN, Vice President

JOHN L. NOSKER, Vice President

JAMES PARTHEMOS, Vice President and Director of Research

RAYMOND E. SANDERS, JR., Vice President

JOSEPH F. VIVERETTE, Vice President

H. ERNEST FORD, Cashier

J. LANDER ALLIN, JR., Assistant Vice President

CLIFFORD B. BEAVERS, Assistant Vice President

EDWARD L. BENNETT, Assistant Vice President

LLOYD W. BOSTIAN, JR., Assistant Vice President

JOHN G. DEITRICK, Assistant Vice President

WILLIAM C. GLOVER, Assistant Vice President

WILLIAM B. HARRISON, III, Assistant Vice President

HARMON H. HAYMES, Assistant Vice President

JIMMIE R. MONHOLLON, Assistant Vice President

ARTHUR V. MYERS, JR., Assistant Vice President

CHESTER D. PORTER, JR., Chief Examiner

VICTOR E. PREGEANT, III, Assistant Vice President and Secretary

AUBREY N. SNELLINGS, Assistant Vice President

WILLIAM F. UPSHAW, Assistant General Counsel

WILLIAM H. WALLACE, Assistant Vice President

WM. T. CUNNINGHAM, JR., Assistant Cashier

WILLIAM C. FITZGERALD, Assistant Counsel

JOHN E. FRIEND, Assistant Cashier

FRANK D. STINNETT, JR., Examining Officer

ANDREW L. TILTON, Assistant Cashier

JACK H. WYATT, Assistant Cashier

G. HAROLD SNEAD, General Auditor

JOHN C. HORIGAN, Assistant General Auditor

Baltimore Branch

DONALD F. HAGNER, Vice President

A. A. STEWART, JR., Cashier

B. F. ARMSTRONG, Assistant Cashier

E. RIGGS JONES, JR., Assistant Cashier

GERALD L. WILSON, Assistant Cashier

Charlotte Branch

EDMUND F. MAC DONALD, Vice President

STUART P. FISHBURNE, Vice President and Cashier

BOYD Z. EUBANKS, Assistant Cashier

WINFRED W. KELLER, Assistant Cashier

FRED C. KRUEGER, JR., Assistant Cashier

E. CLINTON MONDY, Assistant Cashier

Baltimore Branch Directors (December 31, 1967)

JOSEPH B. BROWNE	President, Union Trust Company of Maryland Baltimore, Maryland (Term expires December 31, 1968)
E. WAYNE CORRIN	President, Consolidated Gas Supply Corporation Clarksburg, West Virginia (Term expires December 31, 1968)
LEONARD C. CREWE, JR.	Chairman of the Board, Maryland Specialty Wire, Inc. Cockeysville, Maryland (Term expired December 31, 1967) Succeeded by: John H. Fetting, Jr. President, A. H. Fetting Company Baltimore, Maryland (Term expires December 31, 1970)
ARNOLD J. KLEFF, JR.	Manager, American Smelting and Refining Company Baltimore, Maryland (Term expires December 31, 1969)
ADRIAN L. McCARDELL	President, First National Bank of Maryland Baltimore, Maryland (Term expires December 31, 1970)
MARTIN PIRIBEK	Executive Vice President, The First National Bank of Morgantown Morgantown, West Virginia (Term expired December 31, 1967) Succeeded by: James J. Robinson Executive Vice President and Cashier, Bank of Ripley Ripley, West Virginia (Term expires December 31, 1970)
JOHN P. SIPPEL	President, The Citizens National Bank Laurel, Maryland (Term expires December 31, 1969)

Charlotte Branch Directors (December 31, 1967)

WALLACE W. BRAWLEY	President, National Bank of Commerce of Spartanburg Spartanburg, South Carolina (Term expired December 31, 1967) Succeeded by: H. Phelps Brooks, Jr. President and Trust Officer, The Peoples National Bank Chester, South Carolina (Term expires December 31, 1970)
C. C. CAMERON	Chairman of the Board and President, First Union National Bank of North Carolina Charlotte, North Carolina (Term expires December 31, 1970)
J. WILLIS CANTEY	President, The Citizens & Southern National Bank of South Carolina Columbia, South Carolina (Term expires December 31, 1969)
JOHN L. FRALEY	Executive Vice President, Carolina Freight Carriers Corporation Cherryville, North Carolina (Term expires December 31, 1968)
WILLIAM B. McGUIRE	President, Duke Power Company Charlotte, North Carolina (Term expires December 31, 1970)
JAMES A. MORRIS	Vice President, Division of Advanced Studies and Research, University of South Carolina Columbia, South Carolina (Term expires December 31, 1969)
G. HAROLD MYRICK	President and Trust Officer, First National Bank Lincolnton, North Carolina (Term expires December 31, 1968)