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Community savings



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Virginia National Bank will become the largest community bank in the Charlottesville area after a merger between Union First Market Bankshares and StellarOne goes into effect in 2014.

Despite numerous mergers and fewer bank companies, local institutions still vital

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Virginia National Bank is poised to become the main locally based commercial bank in the region when Richmond-based Union First Market Bankshares Corp. acquires Charlottesville-based StellarOne.

Announced June 10, the merger, an all-stock deal valued at \$445.1 million, will create the largest community bank in Virginia. The merged bank will retain the Union First Market name and be headquartered in Richmond.

Although the deal is expected to close Jan. 1, officials said changes will not affect customers until the summer.

Although bank mergers are common, industry experts say the nationwide decline in the number of banks may not bode well for everyone.

America's largest banks control about 80 percent of the total assets in the United States, while community banks control fewer than 10 percent, according to Glenn Rust, Virginia National Bank's president and CEO.

"We think it's important and we think it's time everybody woke up and said, 'What is your bank doing for you?'" Rust said.

"And it's not just banking services, but how are they playing in the community?" Rust continued. "How are they being a good citizen of the community? And it's not just about money — it is the time and talent. ... Sometimes, that's all people need. They don't need your money — they want your help."

Rust shared his perspective at a recent luncheon sponsored by Virginia National Bank to honor local nonprofits, community organizations and the news media.

Mergers, Rust said, can mean fewer resources for local nonprofits and weaken connections to the communities the banks serve.

"I think what the bank does ... is we step forward to sometimes test the waters for other corporations to say, 'This group is OK, this group is a worthwhile organization' and I know other corporations and other individuals in town do the same thing," Rust said.

Nationwide, the number of banking institutions declined to 6,891 in the third quarter of 2013, according to The Wall Street Journal.

Although the decline may help alleviate concerns that too many banks contribute to an inefficient, difficult to manage financial system, fewer small banks can mean fewer

loans for small businesses.

"All too often, the large banks use their models and their algorithms, and if you don't fit in their boxes, you don't get the loan," Sheila Bair, a former Federal Deposit Insurance Corp. chairwoman, told The Wall Street Journal.

Bill Sihler, a professor at the Darden Graduate School of Business Administration at the University of Virginia, agreed with the Wall Street Journal's assessment of the situation.

"The ironic effect of the [2010 Dodd-Frank Wall Street Reform and Consumer Protection Act] legislation is to put smaller banks out of business," Sihler said in an email. "They can't afford the regulatory requirements."

G. William "Billy" Beale, Union First Market's CEO, said his post-merger outlook is positive, both from a community and corporate perspective.

"Both Union and StellarOne have a very strong lending presence in the Charlottesville market, and we are expecting that to continue, and we're expecting our increased size to better able us to compete with the larger banks in the market," Beale said.

In June, Union First Market employed about 1,000 people; StellarOne employed about 700. Virginia National Bank employs 105 people.

Rust reaffirmed Virginia National Bank's community commitment at the luncheon.

"Our people live here, I live here, this is my town. And we also are proud that our employees don't just give money, but they give time and talents. We will be here for you the next year and the year after."

Meanwhile, as bank mergers and acquisitions continue, Sihler said credit unions are likely to fare better because they are operated under a different regulatory structure. Local credit union leaders share that outlook.

"Historically, what we have seen with merger announcements is significant credit union growth in both personal and business accounts," said Janine Williams, a spokeswoman for University of Virginia Community Credit Union. The credit union will mark its 60th anniversary next year.

Rust said his corporate outlook for 2014 is positive and that communities and individuals have an integral role in keeping local banks strong by choosing to do business locally.

"It sounds like an old cliché," said Rust, but "people have got to make choices about keeping their community vibrant and alive."



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Glenn Rust, president of Virginia National Bank, stressed the importance that community banks play in society during a recent luncheon.