

N.C. Bankers Have Well-Deserved Reputation As Financial Leaders

(Editor's Note: North Carolina bankers consider the ability to branch statewide the foundation that has earned them a reputation for financial leadership in the Southeast. Wachovia Bank and Trust Company commissioned freelance writer Jerry Adams to write the following article about the development of the state's banking system. Adams specialized in writing about banking and attended the School of Banking of the South at Louisiana State University this year. Wachovia first branched in 1902-03 into Asheville, Salisbury, High Point and Spencer. The bank is celebrating its 100th anniversary this year.)

"The inhabitants are a set of cutthroats and savages," wrote a New Englander who traveled through North Carolina in

the early 1800s, "with some exceptions."

A major complaint of the New Englander and most everybody else of the day was that you couldn't count on the money you put in your pocket.

Counterfeiters were thriving, the value of real money fluctuated wildly and, in the words of one historian, "banks were viewed with suspicion and distrust by the yeoman farmers of the back-country counties."

Monetary crises were continual, but through it all North Carolina banks responded in a way that became a tradition and, contemporary bankers say, a source of strength for today's banking system in the state: North Carolina banks branched.

At about the time the dyspeptic New Englander was traveling through the

state, in 1825, the official State Bank of North Carolina had just established its seventh branch—the first one west of the Piedmont—in what was then the backwoods town of Morganton.

Clearly, it was up to bankers to prove they were among the "exceptions." That wasn't easy because money, then as now, was so very important. Great Britain's refusal to allow the colonies to mint money was a principal cause of the Revolution, and money problems continued to plague the young nation.

In North Carolina, President Andrew Jackson's veto of the re-charter of the U. S. Bank in 1832 split political forces like a bolt of lightning. And it came on the heels of a gold-and-silver shortage that especially troubled agrarian states like North Carolina. It was in this environment—banks branching into the winds of monetary storms—that Wachovia Bank and Trust Co. of Winston-Salem was born.

Wachovia Bank and Trust, which is celebrating its 100th anniversary this year, is a bank spring from a branch. In 1804, the state legislature authorized North Carolina's first two banks, Bank of the Cape Fear and Bank of New Bern. By 1808 Bank of the Cape Fear had put a full branch in Salisbury and by 1814 it had offices in Charlotte and Salem.

Through the tumultuous days of the 1830s, the Salem office and the bank itself received the support of the Moravian community. In response to that support, shareholders of Bank of the Cape Fear voted in 1846 to provide Salem with a full-fledged branch. It was built in 1847 under the watchful eye of Israel Lash. The Civil War closed the branch, but Lash

revived operation in 1866 as the First National Bank of Salem.

In 1879, the bank was rechartered in the commercial atmosphere of adjoining Winston and re-chartered as Wachovia National Bank.

In 1911, Wachovia National merged with Francis Henry Fries' Wachovia Loan and Trust Co., founded in 1893, to form Wachovia Bank and Trust Co.

Fries had introduced branch banking in 1902-03 when he established offices in Asheville, Salisbury, High Point and Spencer. At the time of his death in 1931 the bank had sprouted a strong branching system and the nation was into the most serious financial crisis of its history, the Depression.

When the "crash" occurred in the fall of 1929, according to bankers association records, the cost in paper losses as stock prices plummeted was \$19-billion, more than the United States spent during World War I, including loans to allies.

Cash from savings and checking accounts to cover stock commitments equaled \$12-billion, with \$80-million required through the South.

By the spring of 1932, Robert M. Hanes, who succeeded Fries as Wachovia's president, had taken over leadership of the N. C. Bankers Association. Harry Gattton, now executive vice president of the association, says of Hanes: "He kept the banking community from

panicking."

When the state's bankers met in Asheville in May, 1932, a 61 state banks and 17 national banks had closed in North Carolina during the past 12 months, "bringing distress to many communities and great pressure on all of the banks of the state," Hanes told the group.

William H. Neal, 82, recalls working with Hanes during those dark days, trying to hold the state's banking system together. Neal, who retired in 1962 as a senior vice president and Public Relations Director at Wachovia, lives with his wife at the Presbyterian Home in High Point. In an interview recently, he recalled the challenge Hanes faced.

As a young man, Neal worked for Charlotte National Bank when, in 1927, the eight banks in Charlotte established the branch there of the Federal Reserve Bank. Neal says he "did some legwork" on the important project.

In 1933, Neal had gone to work for Wachovia but was assigned, along with trust officer Charles Wood, to be on hand at the "Fed" in Charlotte to make emergency deliveries of cash to banks under pressure by depositors. Wachovia then had offices in five cities, Winston-Salem, High Point, Salisbury, Raleigh and Asheville.

At one point, Neal recalls, Wachovia was the only bank still operating in those cities. The pressure focused

on Asheville, Neal says, which had gone through a land boom-collapse even before 1929.

On March 4, 1933—Neal remembers because it was the day Franklin D. Roosevelt was inaugurated—"We got the Federal Reserve boys to pack us up a couple of million dollars in bags."

Neal and Wood and a pilot were to fly the money to Asheville—from dirt runway to dirt runway. To Neal's utter dismay he realized one of the federal employees was climbing into the plane as well.

"He said since we had all that money he'd have to go along," Neal says. "I remember thinking, my God, we'll never get this plane off the ground."

The plane got off the ground, and North Carolina's banking system wobbled through the crisis.

Neal remembers Wachovia officers being instructed to sell not only their own bank's service but to convince companies to use other banks' services, too. The idea was to rebuild confidence.

"I remember Bob Hanes saying, 'I don't want to be the only bank in town,'" Neal recounted.

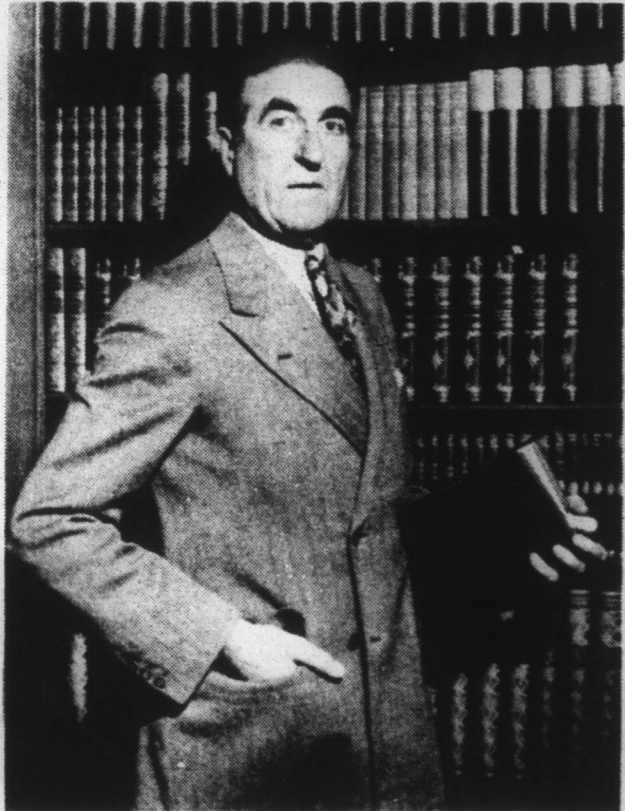
Although expansion was delayed by World War II (Wachovia built one branch, in Asheville, in the 1940s), Hanes insisted on new methods of selling Wachovia's service. "In those days," Neal says with a broad smile, "bankers considered 'selling' a dirty word."

Two of the young trainees

who were to learn the new method were Archie K. Davis and John F. Watlington Jr., who would also take over from Hanes as Wachovia's top management team in 1956.

After the war was over, Wachovia returned to the tradition of branching with a flair. In the 1950s, Wachovia established 29 branches, and in the 1960s, 69. So far in the 1970s, Wachovia has established 81 branches, bringing the bank to a total of 188 offices in 77 communities.

Fewer than half the states allow statewide branching by banks. In North Carolina, however, there are currently 90 banks in the state—with 1,688 offices.



BRANCHING — As head of the N. C. Bankers Association, Robert M. Hanes took a lead role in 1932 in supporting the state's banks during the Depression years. Hanes, an early advocate of neighborhood banking through branching, was president of Wachovia Bank in Winston-Salem from 1931-1956.

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