

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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FILER

FIRST VIRGINIA BANKS INC

CIK: **37032** | IRS No.: **540497561** | State of Incorp.: **VA** | Fiscal Year End: **1231**
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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the Quarter Ended
June 30, 1995

Commission file number 1-6580

FIRST VIRGINIA BANKS, INC.
(Exact name of registrant as specified in its charter)

Virginia
(State or other jurisdiction of
incorporation or organization)

54-0497561
(I.R.S. Employer Identification
Number)

6400 Arlington Boulevard
Falls Church, Virginia
(Address of principal executive
offices)

22042-2336
(Zip Code)

Registrant's telephone number, including area code
(703) 241-4000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

On June 30, 1995, there were 33,937,782 shares of common stock outstanding.

This report contains a total of 25 pages.

1

INDEX

Page

PART I - Financial Information

Item 1. Financial Statements.

Consolidated Balance Sheets - June 30,
1995 and 1994 and December 31, 1994 3/ 4

Consolidated Statements of Income - Three
months and six months ended June 30, 1995
and 1994 5/ 6

Consolidated Statements of Cash Flows - Six
months ended June 30, 1995 and 1994 7

Consolidated Statements of Shareholders'
Equity - Six months ended June 30, 1995
and 1994 8

Notes to Consolidated Financial Statements 8/10

Item 2. Management's Discussion and Analysis of

Financial Condition and Results of Operations 10/16

PART II - Other Information

| | |
|---|-------|
| Item 4. Submission of Matters to a Vote of Security Holders | 17/20 |
| Item 6. Exhibits and Reports on Form 8-K | |
| Signature | 21 |
| Exhibit 11 - Statement re: Computation of Per Share Earnings | 22 |
| Exhibit 15 - Independent Accountants' Review Report from Ernst & Young LLP | 23 |
| Exhibit 15A - Letter of Acknowledgement from Ernst & Young LLP, Independent Accountants | 24 |
| Exhibit 27 - Financial Data Schedule as of June 30, 1995 and the Six months ended June 30, 1995 | 25 |

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS (Unaudited)

| | June 30 1995 | December 31 1994 | June 30 1994 |
|---|-----------------|---------------------|-----------------|
| | ----- | ----- | ----- |
| | (In thousands) | | |
| ASSETS | | | |
| Cash and noninterest-bearing deposits in banks | \$ 388,726 | \$ 420,742 | \$ 330,005 |
| Federal funds sold and securities purchased under agreements to resell | 325,223 | 30,000 | 100,000 |
| | ----- | ----- | ----- |
| Total cash and cash equivalents | 713,949 | 450,742 | 430,005 |
| | ----- | ----- | ----- |
| Mortgage loans held for sale | 17,530 | 13,291 | 21,139 |
| Investment securities - held to maturity: | | | |
| U.S. Government & its agencies | 1,697,652 | 1,785,837 | 1,795,066 |

| | | | |
|---|-------------|-------------|-------------|
| Consumer | 2,086,690 | 1,820,274 | 1,597,935 |
| Large denomination | 285,960 | 205,480 | 188,406 |
| | ----- | ----- | ----- |
| Total deposits | 6,830,234 | 6,815,841 | 6,253,457 |
| Interest, taxes and other liabilities | 67,506 | 59,430 | 57,453 |
| Short-term borrowings and securities sold under agreements to repurchase | 211,973 | 179,409 | 174,706 |
| Mortgage indebtedness | 816 | 963 | 943 |
| Other long-term indebtedness | 2,412 | 2,851 | 3,273 |
| | ----- | ----- | ----- |
| Total Liabilities | 7,112,941 | 7,058,494 | 6,489,832 |
| | ----- | ----- | ----- |
| SHAREHOLDERS' EQUITY | | | |
| Preferred stock, \$10 par value | 709 | 746 | 795 |
| Common stock, \$1 par value | 33,938 | 34,050 | 32,769 |
| Capital Surplus | 106,964 | 111,184 | 76,651 |
| Retained Earnings | 692,873 | 660,908 | 629,512 |
| | ----- | ----- | ----- |
| Total Shareholders' Equity | 834,484 | 806,888 | 739,727 |
| | ----- | ----- | ----- |
| Total Liabilities and Shareholders' Equity | \$7,947,425 | \$7,865,382 | \$7,229,559 |
| | ===== | ===== | ===== |

See notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

| Three Months Ended | | Six Months Ended | |
|--------------------|-------|------------------|-------|
| June 30 | | June 30 | |
| 1995 | 1994 | 1995 | 1994 |
| ----- | ----- | ----- | ----- |

(In thousands, except per share data)

Interest income:

| | | | | |
|--|-----------|-----------|-----------|-----------|
| Interest and fees on loans | \$108,535 | \$ 93,481 | \$215,560 | \$181,246 |
| Interest on mortgage loans held for sale | 266 | 478 | 522 | 1,312 |
| Income on investment securities - held to maturity: | | | | |
| U.S. Government & its agencies | 25,152 | 26,906 | 50,056 | 55,950 |
| State and municipal obligations | 3,001 | 3,214 | 6,303 | 6,363 |
| Other | 56 | 26 | 187 | 198 |
| Income from federal funds sold and securities purchased under agreements to resell | 5,485 | 1,674 | 8,118 | 3,544 |
| Income on other earning assets | 146 | 95 | 290 | 189 |
| | ----- | ----- | ----- | ----- |
| Total interest income | 142,641 | 125,874 | 281,036 | 248,802 |
| | ----- | ----- | ----- | ----- |

Interest expense:

| | | | | |
|---|--------|--------|---------|---------|
| Deposits: | | | | |
| Transaction accounts | 7,034 | 7,075 | 14,286 | 14,247 |
| Money-market accounts | 5,557 | 4,732 | 11,251 | 9,264 |
| Savings deposits | 8,432 | 9,242 | 17,488 | 18,248 |
| Certificates of deposit: | | | | |
| Consumer | 26,351 | 15,066 | 47,965 | 30,159 |
| Large denomination | 3,442 | 1,320 | 6,400 | 2,803 |
| Short-term borrowings | 2,827 | 1,623 | 5,166 | 2,654 |
| Long-term indebtedness | 84 | 108 | 173 | 237 |
| | ----- | ----- | ----- | ----- |
| Total interest expense | 53,727 | 39,166 | 102,729 | 77,612 |
| | ----- | ----- | ----- | ----- |
| Net interest income | 88,914 | 86,708 | 178,307 | 171,190 |
| Provision for loan losses | 2,084 | 3,702 | 2,416 | 4,163 |
| | ----- | ----- | ----- | ----- |
| Net interest income after provision for loan losses | 86,830 | 83,006 | 175,891 | 167,027 |
| | ----- | ----- | ----- | ----- |

CONSOLIDATED STATEMENTS OF INCOME (Continued) (Unaudited)

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---------------------------------------|----------|-----------------------------|-----------|
| | 1995 | 1994 | 1995 | 1994 |
| | ----- | ----- | ----- | ----- |
| | (In thousands, except per share data) | | | |
| Net interest income after provision for loan losses | 86,830 | 83,006 | 175,891 | 167,027 |
| | ----- | ----- | ----- | ----- |
| Other income: | | | | |
| Service charges on deposit accounts | 9,632 | 9,133 | 19,151 | 18,038 |
| Insurance premiums and commissions | 1,478 | 1,616 | 3,308 | 3,248 |
| Credit card service charges and fees | 2,993 | 2,874 | 5,650 | 5,422 |
| Trust services | 1,891 | 1,264 | 3,560 | 2,490 |
| Income from other customer services | 4,728 | 4,440 | 8,912 | 8,387 |
| Securities gains (losses) before income tax provisions (credits) of \$(4) and \$337 | - | (10) | - | 964 |
| Other | 3,863 | 3,338 | 4,442 | 5,131 |
| | ----- | ----- | ----- | ----- |
| Total other income | 24,585 | 22,655 | 45,023 | 43,680 |
| | ----- | ----- | ----- | ----- |
| Other expenses: | | | | |
| Salaries and employee benefits | 37,843 | 34,296 | 75,688 | 68,993 |
| Occupancy | 5,383 | 4,682 | 10,759 | 9,519 |
| Equipment | 5,062 | 5,029 | 10,137 | 9,885 |
| FDIC assessment | 3,801 | 3,397 | 7,603 | 6,794 |
| Other | 17,424 | 15,032 | 34,104 | 29,548 |
| | ----- | ----- | ----- | ----- |
| Total other expenses | 69,513 | 62,436 | 138,291 | 124,739 |
| | ----- | ----- | ----- | ----- |
| Income before income taxes | 41,902 | 43,225 | 82,623 | 85,968 |
| Provision for income taxes | 14,330 | 14,196 | 27,853 | 28,123 |
| | ----- | ----- | ----- | ----- |
| NET INCOME | \$27,572 | \$29,029 | \$ 54,770 | \$ 57,845 |
| | ===== | ===== | ===== | ===== |
| Net income per share of common stock | \$.81 | \$.89 | \$1.61 | \$1.78 |
| | | | | |
| Average primary shares of common stock outstanding | 34,042 | 32,573 | 34,089 | 32,555 |

See notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

| | Six Months Ended June 30 | |
|--|-----------------------------|-----------|
| | 1995 | 1994 |
| | ----- | ----- |
| | (In thousands) | |
| Net cash provided by operating activities | \$ 77,750 | \$ 73,179 |
| Investing activities: | | |
| Proceeds from the maturity of held to maturity securities | 401,748 | 340,507 |
| Proceeds from the sale of available for sale securities | - | 2,183 |
| Purchase of held to maturity securities | (249,556) | (219,675) |
| Net (increase) decrease in loans | 25,559 | (491,671) |
| Net (increase) decrease in mortgages held for sale | (4,239) | 48,034 |
| Net (increase) decrease in other earning assets | (205) | 80 |
| Purchases of premises and equipment | (7,051) | (12,523) |
| Sales of premises and equipment | 1,468 | 849 |
| Goodwill and other intangible assets acquired | - | (7,307) |
| Acquisition of a bank, net of cash acquired | - | 11,745 |
| Other | (1,760) | 1,281 |
| | ----- | ----- |
| Net cash (used for) provided by investing activities | 165,964 | (326,497) |
| | ----- | ----- |
| Financing activities: | | |
| Net increase in deposits | 14,392 | 117,069 |
| Net increase in short-term borrowings | 32,564 | 22,847 |
| Proceeds from long-term borrowing | - | 3,722 |
| Principal payments on long-term borrowings | (585) | (516) |
| Cash dividends - common, \$.66 and \$.62 per share | (22,479) | (20,108) |
| Cash dividends - preferred | (25) | (27) |
| Stock purchased and retired | (5,292) | (1,093) |
| Proceeds from issuance of common stock | 918 | 293 |
| | ----- | ----- |
| Net cash provided by financing activities | 19,493 | 122,187 |
| | ----- | ----- |

| | | |
|--|-----------|-----------|
| Net increase (decrease) in cash and cash equivalents | 263,207 | (131,131) |
| Cash and cash equivalents at beginning of year | 450,742 | 561,136 |
| | ----- | ----- |
| Cash and cash equivalents at end of period | \$713,949 | \$430,005 |
| | ===== | ===== |

See notes to consolidated financial statements

7

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (Unaudited)

| | Six Months Ended June 31 | |
|--|-----------------------------|-----------|
| | 1995 | 1994 |
| | ----- | ----- |
| | (In thousands) | |
| Balance at beginning of year | \$806,888 | \$691,501 |
| Increase attributable to an acquired bank | - | 11,745 |
| Net income | 54,770 | 57,845 |
| Common stock purchased and retired | (5,286) | (1,093) |
| Issuance of common stock for the dividend reinvestment plan, stock options and stock appreciation rights | 917 | 292 |
| | ----- | ----- |
| | 857,289 | 760,290 |
| | ----- | ----- |
| Deduct dividends declared: | | |
| Preferred stock | 24 | 26 |
| Common stock, \$.67 and \$.63 per share | 22,781 | 20,537 |
| | ----- | ----- |
| | 22,805 | 20,563 |
| | ----- | ----- |
| Balance at end of period | \$834,484 | \$739,727 |
| | ===== | ===== |

See notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The foregoing unaudited consolidated financial statements include the accounts of the Corporation and all of its subsidiaries. The Corporation's subsidiaries are predominantly engaged in banking. Foreign banking activities and operations other than banking are not significant. All material intercompany transactions and accounts have been eliminated. The consolidated financial statements include all adjustments (consisting only of normal recurring accruals) which, in the opinion of management, are necessary for a fair presentation of the results of operations for each of the periods. Certain amounts previously reported in 1994 have been reclassified for comparative purposes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. ALLOWANCE FOR LOAN LOSSES

Activity in the allowance for loan losses was (in thousands):

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|-------------------------------|----------|-----------------------------|----------|
| | 1995 | 1994 | 1995 | 1994 |
| | ----- | ----- | ----- | ----- |
| Balance at beginning of period | \$57,289 | \$50,312 | \$58,860 | \$50,927 |
| Balance of an acquired bank | - | 744 | - | 744 |
| Provision charged to operating expense | 2,084 | 3,702 | 2,416 | 4,163 |
| | ----- | ----- | ----- | ----- |
| | 59,373 | 54,758 | 61,276 | 55,834 |
| Less: | | | | |
| Loans charged off, net of recoveries of \$843, \$978, \$1,757 and \$1,966 | 2,017 | 1,286 | 3,920 | 2,362 |
| | ----- | ----- | ----- | ----- |
| Balance at June 30 | \$57,356 | \$53,472 | \$57,356 | \$53,472 |
| | ===== | ===== | ===== | ===== |
| Percentage of net charge-offs to average loans | .16% | .12% | .16% | .11% |
| Percentage of allowance for loan losses to period-end loans | | | 1.15 | 1.19 |

Percentage of nonperforming assets
to period-end loans .55 .56

3. FEDERAL INCOME TAX

The reconciliation of income tax computed at the federal statutory tax rates to provision for income tax is as follows (dollars in thousands):

| | Three Months Ended June 30 | | Six Months Ended June 30 | | 1995 | | 1994 | |
|---|-------------------------------|-------|-----------------------------|-------|----------|-------|----------|-------|
| | 1995 | 1994 | 1995 | 1994 | 1995 | 1994 | 1995 | 1994 |
| | \$ | % | \$ | % | \$ | % | \$ | % |
| Statutory rate | \$14,666 | 35.0% | 15,129 | 35.0 | \$28,918 | 35.0% | 30,089 | 35.0 |
| Nontaxable interest on municipal obligations | (1,196) | (2.9) | (1,271) | (2.9) | (2,493) | (3.0) | (2,604) | (3.0) |
| Other items | 860 | 2.1 | 338 | .8 | 1,428 | 1.7 | 638 | .7 |
| Effective rate | \$14,330 | 34.2% | \$14,196 | 32.9% | \$27,853 | 33.7% | \$28,123 | 32.7% |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. PREFERRED STOCK

There are 3,000,000 shares of preferred stock, par value \$10.00 per share, authorized. The following four series of cumulative convertible stock were outstanding:

| Series | Dividends | June 30 1995 | December 31 1994 | June 30 1994 |
|--------|-----------|-----------------|---------------------|-----------------|
| A | 5% | 23,344 | 23,721 | 24,372 |
| B | 7% | 7,000 | 9,300 | 9,590 |
| C | 7% | 10,484 | 10,484 | 13,936 |
| D | 8% | 30,086 | 31,083 | 31,582 |
| | | 70,914 | 74,588 | 79,480 |

5. COMMON STOCK

There are 60,000,000 shares of common stock, par value \$1.00 per share, authorized and 33,938,000, 34,050,000 and 32,769,000 shares were outstanding at June 30, 1995, December 31, 1994 and June 30, 1994, respectively. Options to purchase 256,283 shares of common stock and 2,500 stock appreciation rights were outstanding on June 30, 1995. A total of 647,610 shares of common stock were reserved at June 30, 1995: 103,227 shares for the conversion of preferred stock and 544,383 shares for stock options and stock appreciation rights.

6. EARNINGS PER SHARE

Earnings per share of common stock for the six months ended June 30, after giving effect to dividends on preferred stock of \$24,000 in 1995 and \$26,000 in 1994, are based on 34,089,000 and 32,555,000 average shares respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Net income for the second quarter of 1995 was \$27,572,000 or \$.81 per share, which was up slightly compared to the first quarter income of \$27,198,000 or \$.80 per share. This was down 5%, however, from the record \$29,029,000 or \$.89 per share earned in the second quarter of 1994. The figures for 1994 do not include the results of Farmers National Bancorp which was acquired in late December and was accounted for as a purchase. The return on average assets for the second quarter of 1.40% was less than the 1.62% posted in the prior year's second quarter but remained above its 15-year historic average and once again placed the Corporation among the most

10

profitable banking institutions in the country. The return on average shareholders' equity of 13.33% declined from the 16.11% earned in the prior year's second quarter and was below the 15-year historic average due to the increase in the level of capital.

For the first six months, net income was \$54,770,000 or \$1.61 per share compared to the \$57,845,000 and \$1.78 per share earned in 1994. The return on average assets and return on average shareholders' equity were 1.40% and 13.34%, respectively, compared to the 1.63% and 16.28% earned in 1994.

The primary reason for the decline in earnings was the rise in interest rates that increased the cost of funds at a faster pace than the increase in the yield on earning assets. As a result, the net interest margin declined 11 basis points to 5.01% in the second quarter. Over the past year, the Federal Reserve has been very active in increasing interest rates in an attempt to

slow down the growth in the economy and control inflation. Because of the Corporation's slightly liability-sensitive balance sheet, these rate increases had a negative impact on the margin. In recent months, interest rates have begun dropping, and the rate of increase in the cost of funds has moderated and is expected to stabilize and then decline in the third and fourth quarters.

Earning assets increased at an annualized rate of 7% in the second quarter and were up 9% compared to the second quarter of 1994. Following a weak demand for loans in the first quarter, particularly in loans to consumers, activity increased strongly toward the end of the quarter, especially commercial loans and indirect automobile loans. Average loans declined slightly compared to the first quarter but were up 14% compared to the second quarter of 1994. Demand for home equity loans increased steadily during the quarter but was still significantly below the production levels achieved during 1994. Consumers who refinanced their first mortgages during 1993 and 1994 appear to have filled their short-term demand for this type of credit.

Average deposits increased at an annualized rate of 5% compared to the first quarter and were up 9% compared to the prior year's second quarter, which did not include the deposits of Farmers National Bancorp. Transaction accounts increased slightly compared to the first quarter following seasonal growth patterns. First quarter transaction accounts were weaker than normal for two reasons: a shift into higher-yielding certificates of deposit, and the late processing of tax refunds by the Internal Revenue Service. Savings deposits and money-market accounts declined at an annualized rate of 20% and 18%, respectively, compared to the first quarter as customers shifted funds into higher-yielding certificates of deposit that increased 31%. By the end of the quarter, this shifting of funds had slowed significantly, money-market accounts began to grow again, and consumer savings stabilized.

Asset quality was relatively unchanged from both the previous quarter and the second quarter of 1994 and remained at a very high level. Net charge-offs during the second quarter were basically unchanged from the first quarter and represented .16% of loans for the first six months of 1995. It is likely over the next year that charge-offs will increase slightly to a sustainable level of approximately 15-20 basis points which is still significantly below industry averages for the past 15 years.

The provision for loan losses in the second quarter increased \$1.75 million over the first quarter to \$2.08 million because of the increase in the volume of loans outstanding. The provision declined 44% compared to the prior year's second quarter when new loan volume was significantly higher. The allowance for loan losses amounted to \$57.36 million or 1.15% of loans which was essentially unchanged from the 1.16% at the end of the first quarter and covered annualized net loan charge-offs 7.3 times and represented 209% of nonperforming assets at June 30, 1995. Nonperforming assets declined \$2.30 million compared to the first quarter, and totaled \$27.46 million or .55% of

outstanding loans. This compares to the \$25.40 million or .56% of loans as of June 30, 1994, which did not include the balances acquired from Farmers National Bancorp.

| | 1995 | 1994 |
|--------------------------------|------------------------|----------|
| | ----- | ----- |
| | (Dollars in thousands) | |
| Nonaccruing loans | \$16,082 | \$16,224 |
| Restructured loans | 4,114 | 2,338 |
| Foreclosed real estate | 7,265 | 6,835 |
| | ----- | ----- |
| Total | \$27,461 | \$25,397 |
| | ===== | ===== |
| Percentage of total loans | .55% | .56% |
| | ===== | ===== |
| Loans past due 90 days or more | \$ 5,161 | \$ 3,441 |
| | ===== | ===== |
| Percentage of total loans | .10% | .08% |
| | ===== | ===== |

Noninterest income increased 9% compared to the second quarter of 1994 and was up 20% over the first quarter of 1995. During both the second quarters of 1995 and 1994, packages of mortgage servicing rights were sold at a gain of \$2.5 and \$2.4 million, respectively. The Corporation has typically bundled and sold a package of mortgage servicing rights each year from loans originated by its mortgage loan subsidiary. During the second quarter of 1995, the Corporation adopted SFAS 122 "Accounting for Mortgage Servicing Rights", which increased income by \$350,000. Income from trust services increased 50% in the second quarter and was up 43% for the first six months due, in part, to the acquisition of Farmers National but primarily due to an increase in all areas of trust administration.

Noninterest expenses increased 1% compared to the first quarter and were up 11% compared to the second quarter of 1994 although this was caused primarily by two acquisitions in 1994 that were accounted for as purchases. Excluding the expenses of the acquired banks from 1995 indicates a rate of increase of under 2%, less than the rate of inflation. For the first six months, the efficiency ratio increased 3% to 61% compared to 1994. Most of this increase was due to the decline in the net interest margin and to a \$2.2 million increase in goodwill expense from the acquisition of Farmers National Bancorp.

Shareholders' equity grew at an annualized rate of 5% in the second quarter over the first quarter and the ratio of shareholders' equity to total assets remained unchanged at 10.5% compared to the first quarter. Book value per share increased to \$24.57 and was up 9% compared to its value on June 30, 1994. The Corporation purchased and retired 146,800 shares of its common stock during the quarter as part of a remaining 1.0 million share repurchase program and will continue to repurchase shares as market conditions permit.

AVERAGE BALANCES AND INTEREST RATES (Unaudited)
(Dollar amounts in thousands)

| | Three Months Ended June 30 1995 | | |
|---|------------------------------------|--------------------------------|-------|
| | Average Balance | Interest Income/ Expense | Rate |
| Interest-earning assets: | | | |
| Investment securities-held to maturity: | | | |
| U.S. Government & its agencies | \$1,671,909 | \$ 25,152 | 6.03% |
| State and municipal obligations (Fully taxable-equivalent basis) | 242,302 | 4,244 | 7.00 |
| Other (Fully taxable-equivalent basis) | 4,647 | 55 | 4.77 |
| Total investment securities | 1,918,858 | 29,451 | 6.12 |
| Loans, net of unearned income: | | | |
| Installment | 3,251,948 | 70,320 | 8.65 |
| Real estate | 916,974 | 20,292 | 8.85 |
| Other (Fully taxable-equivalent basis) | 753,058 | 18,521 | 9.84 |
| Total loans | 4,921,980 | 109,133 | 8.89 |
| Mortgage loans held for sale | 13,038 | 266 | 8.15 |
| Federal funds sold and securities purchased under agreements to resell | 364,094 | 5,485 | 6.04 |
| Other earning assets | 9,192 | 146 | 6.35 |
| Total earning assets and income | \$7,227,162 | 144,481 | 7.99 |
| Interest-bearing liabilities: | | | |
| Transaction accounts | \$1,315,066 | 7,034 | 2.15 |
| Money-market accounts | 707,774 | 5,557 | 3.15 |
| Savings deposits | 1,257,928 | 8,432 | 2.69 |
| Certificates of deposit: | | | |
| Consumer | 2,049,247 | 26,351 | 5.14 |
| Large denomination | 276,740 | 3,442 | 4.99 |
| Total interest-bearing deposits | 5,606,755 | 50,816 | 3.64 |
| Short-term borrowings | 215,165 | 2,827 | 5.27 |
| Long-term indebtedness | 3,388 | 84 | 9.95 |
| Total interest-bearing liabilities and interest expense | \$5,825,308 | 53,727 | 3.70 |

| | | | |
|---|-------|-----------|-------|
| Net interest income and net interest margin | ===== | ----- | |
| | | \$ 90,754 | 5.01% |
| | ===== | | |

Other average balances:

| | |
|-----------------------------|-------------|
| Demand deposits | \$1,160,135 |
| Common shareholders' equity | 826,805 |
| Total shareholders' equity | 827,522 |
| Total assets | 7,873,367 |

13

AVERAGE BALANCES AND INTEREST RATES (Unaudited)
(Dollar amounts in thousands)

| | Three Months Ended June 30 1994 | | |
|---|------------------------------------|--------------------------------|-------|
| | Average Balance | Interest Income/ Expense | Rate |
| | ----- | ----- | ----- |
| Interest-earning assets: | | | |
| Investment securities-held to maturity: | | | |
| U.S. Government & its agencies | \$1,848,266 | \$ 26,906 | 5.84% |
| State and municipal obligations (Fully taxable-equivalent basis) | 256,661 | 4,658 | 7.26 |
| Other (Fully taxable-equivalent basis) | 2,134 | 46 | 8.65 |
| | ----- | ----- | |
| Total investment securities | 2,107,061 | 31,610 | 6.02 |
| | ----- | ----- | |
| Loans, net of unearned income: | | | |
| Installment | 3,060,071 | 65,642 | 8.58 |
| Real estate | 642,517 | 14,810 | 9.22 |
| Other (Fully taxable-equivalent basis) | 628,778 | 13,231 | 8.44 |
| | ----- | ----- | |
| Total loans | 4,331,366 | 93,683 | 8.65 |
| | ----- | ----- | |
| Mortgage loans held for sale | 26,798 | 478 | 7.13 |
| Federal funds sold and securities purchased under agreements to resell | 178,394 | 1,674 | 3.76 |
| Other earning assets | 6,343 | 95 | 6.01 |
| | ----- | ----- | |
| Total earning assets and income | \$6,649,962 | 127,540 | 7.68 |
| | ===== | ----- | |
| Interest-bearing liabilities: | | | |
| Transaction accounts | \$1,304,188 | 7,075 | 2.18 |
| Money-market accounts | 733,803 | 4,732 | 2.59 |
| Savings deposits | 1,358,298 | 9,242 | 2.73 |
| Certificates of deposit: | | | |
| Consumer | 1,566,715 | 15,066 | 3.86 |

| | | | |
|--|-------------|-----------|-------|
| Large denomination | 169,477 | 1,320 | 3.12 |
| | ----- | ----- | |
| Total interest-bearing deposits | 5,132,481 | 37,435 | 2.92 |
| Short-term borrowings | 198,981 | 1,623 | 3.27 |
| Long-term indebtedness | 4,365 | 108 | 9.91 |
| | ----- | ----- | |
| Total interest-bearing liabilities and interest expense | \$5,335,827 | 39,166 | 2.94 |
| | ===== | ----- | |
| Net interest income and net interest margin | | \$ 88,374 | 5.32% |
| | | ===== | |
| Other average balances: | | | |
| Demand deposits | \$1,066,936 | | |
| Common shareholders' equity | 720,086 | | |
| Total shareholders' equity | 720,881 | | |
| Total assets | 7,179,737 | | |

14

AVERAGE BALANCES AND INTEREST RATES (Unaudited)
(Dollar amounts in thousands)

| | Six Months Ended June 30 1995 | | |
|---|----------------------------------|--------------------------------|-------|
| | Average Balance | Interest Income/ Expense | Rate |
| | ----- | ----- | ----- |
| Interest-earning assets: | | | |
| Investment securities-held to maturity: | | | |
| U.S. Government & its agencies | \$1,682,325 | \$ 50,056 | 6.00% |
| State and municipal obligations (Fully taxable-equivalent basis) | 253,987 | 8,938 | 7.04 |
| Other (Fully taxable-equivalent basis) | 6,577 | 187 | 5.68 |
| | ----- | ----- | |
| Total investment securities | 1,942,889 | 59,181 | 6.10 |
| | ----- | ----- | |
| Loans, net of unearned income: | | | |
| Installment | 3,268,653 | 140,185 | 8.58 |
| Real estate | 915,492 | 40,479 | 8.84 |
| Other (Fully taxable-equivalent basis) | 749,912 | 36,089 | 9.68 |
| | ----- | ----- | |
| Total loans | 4,934,057 | 216,753 | 8.82 |
| | ----- | ----- | |
| Mortgage loans held for sale | 12,531 | 522 | 8.32 |
| Federal funds sold and securities purchased under agreements to resell | 273,129 | 8,118 | 5.99 |
| Other earning assets | 9,141 | 290 | 6.36 |
| | ----- | ----- | |

| | | | |
|--|-------------|-----------|-------|
| Total earning assets and income | \$7,171,747 | 284,864 | 7.96 |
| | ===== | ----- | |
| Interest-bearing liabilities: | | | |
| Transaction accounts | \$1,329,292 | 14,286 | 2.17 |
| Money-market accounts | 725,096 | 11,251 | 3.13 |
| Savings deposits | 1,293,957 | 17,488 | 2.73 |
| Certificates of deposit: | | | |
| Consumer | 1,978,423 | 47,965 | 4.89 |
| Large denomination | 261,605 | 6,400 | 4.93 |
| | ----- | ----- | |
| Total interest-bearing deposits | 5,588,373 | 97,390 | 3.51 |
| Short-term borrowings | 202,200 | 5,166 | 5.15 |
| Long-term indebtedness | 3,522 | 173 | 9.83 |
| | ----- | ----- | |
| Total interest-bearing liabilities and interest expense | \$5,794,095 | 102,729 | 3.58 |
| | ===== | ----- | |
| Net interest income and net interest margin | | \$182,135 | 5.07% |
| | | ===== | |

| | |
|-----------------------------|-------------|
| Other average balances: | |
| Demand deposits | \$1,144,078 |
| Common shareholders' equity | 820,212 |
| Total shareholders' equity | 820,941 |
| Total assets | 7,817,995 |

15

AVERAGE BALANCES AND INTEREST RATES (Unaudited)
(Dollar amounts in thousands)

| | Six Months Ended June 30 1994 | | |
|---|----------------------------------|--------------------------------|-------|
| | Average Balance | Interest Income/ Expense | Rate |
| | ----- | ----- | ----- |
| Interest-earning assets: | | | |
| Investment securities-held to maturity: | | | |
| U.S. Government & its agencies | \$1,880,225 | \$ 55,950 | 6.00% |
| State and municipal obligations (Fully taxable-equivalent basis) | 254,778 | 9,376 | 7.36 |
| Other (Fully taxable-equivalent basis) | 2,402 | 73 | 6.13 |
| | ----- | ----- | |
| Total investment securities | 2,137,405 | 65,399 | 6.17 |
| | ----- | ----- | |
| Loans, net of unearned income: | | | |
| Installment | 2,958,382 | 128,432 | 8.68 |
| Real estate | 630,547 | 29,560 | 9.38 |
| Other (Fully taxable-equivalent basis) | 603,925 | 24,336 | 8.13 |

| | | | |
|---|-------------|-----------|-------|
| Total loans | 4,192,854 | 182,328 | 8.71 |
| Mortgage loans held for sale | 39,378 | 1,312 | 6.66 |
| Federal funds sold and securities purchased under agreements to resell | 207,264 | 3,544 | 3.45 |
| Other earning assets | 6,303 | 189 | 6.05 |
| Total earning assets and income | \$6,583,204 | 252,772 | 7.70 |
| Interest-bearing liabilities: | | | |
| Transaction accounts | \$1,297,508 | 14,247 | 2.21 |
| Money-market accounts | 728,654 | 9,264 | 2.56 |
| Savings deposits | 1,346,564 | 18,248 | 2.73 |
| Certificates of deposit: | | | |
| Consumer | 1,573,374 | 30,159 | 3.87 |
| Large denomination | 166,621 | 2,803 | 3.39 |
| Total interest-bearing deposits | 5,112,721 | 74,721 | 2.95 |
| Short-term borrowings | 181,301 | 2,654 | 2.95 |
| Long-term indebtedness | 4,096 | 237 | 11.57 |
| Total interest-bearing liabilities and interest expense | \$5,298,118 | 77,612 | 2.95 |
| Net interest income and net interest margin | | \$175,160 | 5.31% |
| Other average balances: | | | |
| Demand deposits | \$1,043,077 | | |
| Common shareholders' equity | 709,712 | | |
| Total shareholders' equity | 710,511 | | |
| Total assets | 7,110,891 | | |

PART II - OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

- a) An Annual Meeting of the Shareholders was held on Friday, April 28, 1995. Proxies for the meeting were solicited pursuant to Regulation 14 under the Act.
- b) There was no solicitation in opposition to the management nominees as listed in the proxy statement and all such nominees were elected. The following directors were elected at the meeting.

| Management nominee: | Common | Preferred | Total |
|---------------------------------------|------------|-----------|------------|
| Edward L. Breeden, III | Stock | Stock | Stock |
| ===== | ----- | ----- | ----- |
| Votes For: | | | |
| Individual votes | 14,186,974 | 40,077 | 14,227,051 |
| Broker/Nominee votes | 13,617,717 | 259 | 13,617,976 |
| | ----- | ----- | ----- |
| Total Management proxy votes for | 27,804,691 | 40,336 | 27,845,027 |
| Floor Vote For - Individual/In person | 1 | 0 | 1 |
| | ----- | ----- | ----- |
| Total votes for | 27,804,692 | 40,336 | 27,845,028 |
| Votes Withheld: | | | |
| Individual votes | 182,086 | 557 | 182,643 |
| Broker/Nominee votes | 57,902 | 0 | 57,902 |
| | ----- | ----- | ----- |
| Total votes | 28,044,680 | 40,893 | 28,085,573 |
| Shares present but not voted | 20,891 | 0 | 20,891 |
| | ----- | ----- | ----- |
| Shares for a Quorum | 28,065,571 | 40,893 | 28,106,464 |
| Shares not present nor voted: | | | |
| Individual votes | 2,912,025 | 30,143 | 2,942,168 |
| Broker/Nominee votes | 3,081,284 | 2,885 | 3,084,169 |
| | ----- | ----- | ----- |
| Total Shares Outstanding | 34,058,880 | 73,921 | 34,132,801 |
| | ===== | ===== | ===== |

17

| Management nominee: | Common | Preferred | Total |
|---------------------|------------|-----------|------------|
| Gilbert R. Giordano | Stock | Stock | Stock |
| ===== | ----- | ----- | ----- |
| Votes For: | | | |
| Individual votes | 14,183,601 | 39,977 | 14,223,578 |

| | | | |
|---------------------------------------|------------|--------|------------|
| Broker/Nominee votes | 13,617,717 | 259 | 13,617,976 |
| | ----- | ----- | ----- |
| Total Management proxy votes for | 27,801,318 | 40,236 | 27,841,554 |
| Floor Vote For - Individual/In person | 1 | 0 | 1 |
| | ----- | ----- | ----- |
| Total votes for | 27,801,319 | 40,236 | 27,841,555 |
| Votes Withheld: | | | |
| Individual votes | 185,459 | 657 | 186,116 |
| Broker/Nominee votes | 57,902 | 0 | 57,902 |
| | ----- | ----- | ----- |
| Total votes | 28,044,680 | 40,893 | 28,085,573 |
| Shares present but not voted | 20,891 | 0 | 20,891 |
| | ----- | ----- | ----- |
| Shares for a Quorum | 28,065,571 | 40,893 | 28,106,464 |
| Shares not present nor voted: | | | |
| Individual votes | 2,912,025 | 30,143 | 2,942,168 |
| Broker/Nominee votes | 3,081,284 | 2,885 | 3,084,169 |
| | ----- | ----- | ----- |
| Total Shares Outstanding | 34,058,880 | 73,921 | 34,132,801 |
| | ===== | ===== | ===== |

Management nominee:

Eric C. Kendrick

=====

| | | | |
|---------------------------------------|------------|--------|------------|
| Votes For: | | | |
| Individual votes | 14,189,194 | 40,077 | 14,229,271 |
| Broker/Nominee votes | 13,617,717 | 259 | 13,617,976 |
| | ----- | ----- | ----- |
| Total Management proxy votes for | 27,806,911 | 40,336 | 27,847,247 |
| Floor Vote For - Individual/In person | 1 | 0 | 1 |
| | ----- | ----- | ----- |
| Total votes for | 27,806,912 | 40,336 | 27,847,248 |
| Votes Withheld: | | | |
| Individual votes | 179,866 | 557 | 180,423 |
| Broker/Nominee votes | 57,902 | 0 | 57,902 |
| | ----- | ----- | ----- |
| Total votes | 28,044,680 | 40,893 | 28,085,573 |
| Shares present but not voted | 20,891 | 0 | 20,891 |
| | ----- | ----- | ----- |
| Shares for a Quorum | 28,065,571 | 40,893 | 28,106,464 |
| Shares not present nor voted: | | | |
| Individual votes | 2,912,025 | 30,143 | 2,942,168 |
| Broker/Nominee votes | 3,081,284 | 2,885 | 3,084,169 |
| | ----- | ----- | ----- |
| Total Shares Outstanding | 34,058,880 | 73,921 | 34,132,801 |
| | ===== | ===== | ===== |

| Management nominee: | Common | Preferred | Total |
|---------------------------------------|------------|-----------|------------|
| John B. Melvin | Stock | Stock | Stock |
| ===== | ----- | ----- | ----- |
| Votes For: | | | |
| Individual votes | 14,187,814 | 40,047 | 14,227,861 |
| Broker/Nominee votes | 13,616,817 | 259 | 13,617,076 |
| | ----- | ----- | ----- |
| Total Management proxy votes for | 27,804,631 | 40,306 | 27,844,937 |
| Floor Vote For - Individual/In person | 1 | 0 | 1 |
| | ----- | ----- | ----- |
| Total votes for | 27,804,632 | 40,306 | 27,844,938 |
| Votes Withheld: | | | |
| Individual votes | 181,246 | 587 | 181,833 |
| Broker/Nominee votes | 58,802 | 0 | 58,802 |
| | ----- | ----- | ----- |
| Total votes | 28,044,680 | 40,893 | 28,085,573 |
| Shares present but not voted | 20,891 | 0 | 20,891 |
| | ----- | ----- | ----- |
| Shares for a Quorum | 28,065,571 | 40,893 | 28,106,464 |
| Shares not present nor voted: | | | |
| Individual votes | 2,912,025 | 30,143 | 2,942,168 |
| Broker/Nominee votes | 3,081,284 | 2,885 | 3,084,169 |
| | ----- | ----- | ----- |
| Total Shares Outstanding | 34,058,880 | 73,921 | 34,132,801 |
| | ===== | ===== | ===== |

| | | | |
|---------------------------------------|------------|--------|------------|
| Management nominee: | | | |
| Robert H. Zalokar | | | |
| ===== | | | |
| Votes For: | | | |
| Individual votes | 14,171,237 | 39,907 | 14,211,144 |
| Broker/Nominee votes | 13,617,717 | 259 | 13,617,976 |
| | ----- | ----- | ----- |
| Total Management proxy votes for | 27,788,954 | 40,166 | 27,829,120 |
| Floor Vote For - Individual/In person | 1 | 0 | 1 |
| | ----- | ----- | ----- |
| Total votes for | 27,788,955 | 40,166 | 27,829,121 |
| Votes Withheld: | | | |
| Individual votes | 197,823 | 727 | 198,550 |
| Broker/Nominee votes | 57,902 | 0 | 57,902 |
| | ----- | ----- | ----- |
| Total votes | 28,044,680 | 40,893 | 28,085,573 |
| Shares present but not voted | 20,891 | 0 | 20,891 |
| | ----- | ----- | ----- |
| Shares for a Quorum | 28,065,571 | 40,893 | 28,106,464 |

Shares not present nor voted:

| | | | |
|--------------------------|------------|--------|------------|
| Individual votes | 2,912,025 | 30,143 | 2,942,168 |
| Broker/Nominee votes | 3,081,284 | 2,885 | 3,084,169 |
| | ----- | ----- | ----- |
| Total Shares Outstanding | 34,058,880 | 73,921 | 34,132,801 |
| | ===== | ===== | ===== |

19

| | | | |
|---------------------------------------|------------|-----------|------------|
| Management nominee: | Common | Preferred | Total |
| Barry J. Fitzpatrick | Stock | Stock | Stock |
| ===== | ----- | ----- | ----- |
| Votes For: | | | |
| Individual votes | 14,158,006 | 39,977 | 14,197,983 |
| Broker/Nominee votes | 13,617,717 | 259 | 13,617,976 |
| | ----- | ----- | ----- |
| Total Management proxy votes for | 27,775,723 | 40,236 | 27,815,959 |
| Floor Vote For - Individual/In person | 1 | 0 | 1 |
| | ----- | ----- | ----- |
| Total votes for | 27,775,724 | 40,236 | 27,815,960 |
| Votes Withheld: | | | |
| Individual votes | 211,054 | 657 | 211,711 |
| Broker/Nominee votes | 57,902 | 0 | 57,902 |
| | ----- | ----- | ----- |
| Total votes | 28,044,680 | 40,893 | 28,085,573 |
| Shares present but not voted | 20,891 | 0 | 20,891 |
| | ----- | ----- | ----- |
| Shares for a Quorum | 28,065,571 | 40,893 | 28,106,464 |
| Shares not present nor voted: | | | |
| Individual votes | 2,912,025 | 30,143 | 2,942,168 |
| Broker/Nominee votes | 3,081,284 | 2,885 | 3,084,169 |
| | ----- | ----- | ----- |
| Total Shares Outstanding | 34,058,880 | 73,921 | 34,132,801 |
| | ===== | ===== | ===== |

c) Among other matters voted on at the meeting was the following:

i) The appointment of the independent auditors.

| | | | |
|---------------------------------------|------------|--------|------------|
| Votes For: | | | |
| Individual votes | 14,150,778 | 39,452 | 14,190,230 |
| Broker/Nominee votes | 13,626,112 | 259 | 13,626,371 |
| | ----- | ----- | ----- |
| Total Management proxy votes for | 27,776,890 | 39,711 | 27,816,601 |
| Floor Vote For - Individual/In person | 1 | 0 | 1 |

| | | | |
|-------------------------------|------------|--------|------------|
| Total votes for | 27,776,891 | 39,711 | 27,816,602 |
| Votes Against: | | | |
| Individual votes | 52,484 | 150 | 52,634 |
| Broker/Nominee votes | 21,907 | 0 | 21,907 |
| Total shares voted | 27,851,282 | 39,861 | 27,891,143 |
| Votes Abstain: | | | |
| Individual votes | 165,798 | 1,032 | 166,830 |
| Broker/Nominee votes | 27,600 | 0 | 27,600 |
| Total votes received | 28,044,680 | 40,893 | 28,085,573 |
| Shares present but not voted | 20,891 | 0 | 20,891 |
| Shares not present nor voted: | | | |
| Individual votes | 2,912,025 | 30,143 | 2,942,168 |
| Broker/Nominee votes | 3,081,284 | 2,885 | 3,084,169 |
| Total Shares Outstanding | 34,058,880 | 73,921 | 34,132,801 |

20

ITEM 6. EXHIBITS AND REPORTS ON FORM 8 - K

a) Exhibit 11 - Statement re: Computation of Per Share

Earnings (Page 22)

Exhibit 15 - Independent Accountants' Review Report
from Ernst & Young LLP (Page 23)

Exhibit 15A - Letter of Acknowledgement from
Ernst & Young LLP, Independent Accountants (Page 24)

Exhibit 27 - Financial Data Schedule (Page 25)

b) A Form 8-K was not required to be filed during the quarter ended June 30, 1995.

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by its principal financial officer thereunto duly authorized.

FIRST VIRGINIA BANKS, INC.

July 28, 1995

/s/ Richard F. Bowman

Richard F. Bowman,
Senior Vice President
and Treasurer

21

EXHIBIT 11

FIRST VIRGINIA BANKS, INC.
STATEMENT RE: COMPUTATION OF PER SHARE EARNINGS
(Unaudited)

| | Three Months Ended | | Six Months Ended | |
|--|--------------------|------|------------------|------|
| | June 30 | | June 30 | |
| | 1995 | 1994 | 1995 | 1994 |

(In thousands, except per share data)

PRIMARY:

| | | | | |
|-----------------------------------|----------|----------|----------|----------|
| Average common shares outstanding | 33,964 | 32,478 | 34,011 | 32,458 |
| Dilutive effect of stock options | 78 | 95 | 78 | 97 |
| | ----- | ----- | ----- | ----- |
| Total average common shares | 34,042 | 32,573 | 34,089 | 32,555 |
| | ===== | ===== | ===== | ===== |
| | | | | |
| Net income | \$27,572 | \$29,029 | \$54,770 | \$57,845 |

| | | | | |
|---------------------------------------|----------|----------|----------|----------|
| Provision for preferred dividends | 12 | 13 | 24 | 26 |
| | ----- | ----- | ----- | ----- |
| Net income applicable to common stock | \$27,560 | \$29,016 | \$54,746 | \$57,819 |
| | ===== | ===== | ===== | ===== |
| Net income per share of common stock | \$.81 | \$.89 | \$1.61 | \$1.78 |
| | ===== | ===== | ===== | ===== |

FULLY DILUTED:

| | | | | |
|--------------------------------------|----------|----------|----------|----------|
| Average common shares outstanding | 33,964 | 32,478 | 34,011 | 32,458 |
| Dilutive effect of stock options | 86 | 95 | 84 | 97 |
| Conversion of preferred stock | 103 | 115 | 104 | 115 |
| | ----- | ----- | ----- | ----- |
| Total average common shares | 34,153 | 32,688 | 34,199 | 32,670 |
| | ===== | ===== | ===== | ===== |
| Net income | \$27,572 | \$29,029 | \$54,770 | \$57,845 |
| | ===== | ===== | ===== | ===== |
| Net income per share of common stock | \$.81 | \$.89 | \$1.60 | \$1.77 |
| | ===== | ===== | ===== | ===== |

ERNST & YOUNG LLP
1225 Connecticut Avenue, N.W.
Washington, D.C. 20036

Independent Accountants' Review Report

Board of Directors
First Virginia Banks, Inc.

We have reviewed the accompanying condensed consolidated balance sheets of First Virginia Banks, Inc. and subsidiaries as of June 30, 1995 and 1994, and the related condensed consolidated statements of income for the three-month and six-month periods ended June 30, 1995 and 1994, and the related condensed consolidated statements of cash flows and shareholders' equity

for the six-month periods ended June 30, 1995 and 1994. These financial statements are the responsibility of the Corporation's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, which will be performed for the full year with the objective of expressing an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying condensed consolidated financial statements referred to above for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet of First Virginia Banks, Inc. and subsidiaries as of December 31, 1994, and the related consolidated statements of income, shareholders' equity, and cash flows for the year then ended (not presented herein) and in our report dated January 17, 1995, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 1994, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Ernst & Young LLP

Washington, D. C.
July 7, 1995

ERNST & YOUNG LLP
1225 Connecticut Avenue, N.W.
Washington, D.C. 20036

July 28, 1995

Board of Directors
First Virginia Banks, Inc.

We are aware of the incorporation by reference in the Post-effective Amendment No. 1 to Registration Statement Number 33-38024 on Form S-8 dated January 10, 1994, Registration Statement Number 33-51587 on Form S-3 dated December 20, 1993, Registration Statement Number 33-54802 on Form S-8 dated November 20, 1992, Registration Statement Number 33-31890 on form S-3 dated November 1, 1989, Post-effective Amendment Number 3 to Registration Statement Number 2-67507 on Form S-3 dated January 7, 1988, Post-effective Amendment Number 2 to Registration Statement Number 2-77151 on Form S-8 dated October 30, 1987, Registration Statement Number 33-17358 on Form S-8 dated September 28, 1987 and Registration Statement Number 33-15360 on Form S-3 dated June 26, 1987 of our reports dated April 7, 1995 and July 7, 1995 relating to the unaudited condensed consolidated interim financial statements of First Virginia Banks, Inc. and subsidiaries which are included in its Forms 10-Q for the quarters ended March 31, 1995 and June 30, 1995.

Pursuant to Rule 436 (c) of the Securities Act of 1933, our report is not a part of the registration statement prepared or certified by accountants within the meaning of Section 7 or 11 of the Securities Act of 1933.

/s/ Ernst & Young LLP

<TABLE> <S> <C>

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| | |
|-------------------------|--------|
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