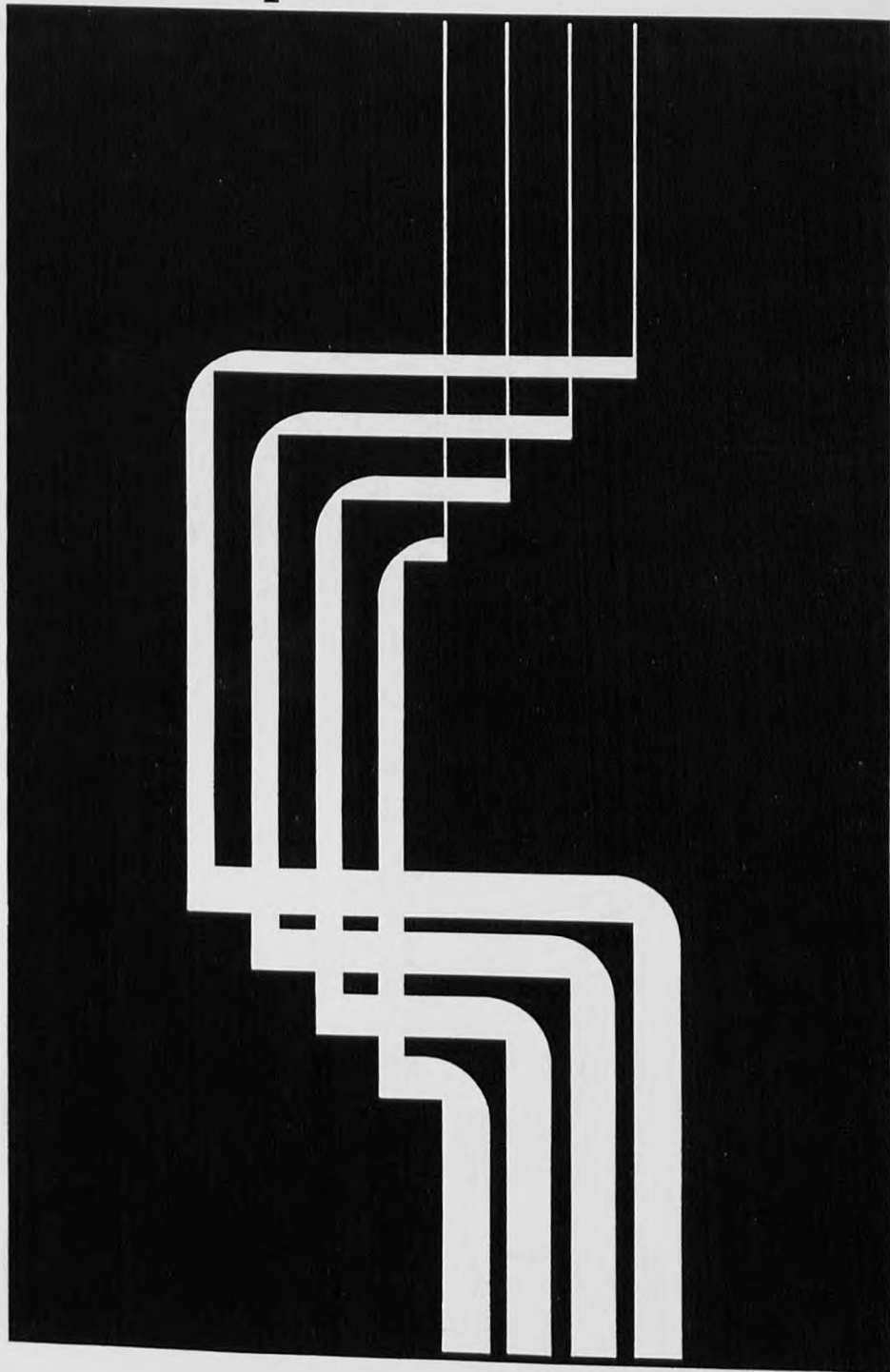


**1977 Annual Report
Federal Reserve Bank
of Philadelphia**



Contents

PRESIDENT'S COMMENTS	ii
EXECUTIVE CHANGES	3
DIRECTORS	4
OFFICERS	5
STATEMENT OF CONDITION	7
EARNINGS AND EXPENSES	9
ANNUAL OPERATIONS	11
PHAEDRUS	12



President's Comments

The year 1977 has given me more pleasure and satisfaction than any other since I became President of this Bank at the beginning of the decade.

I find particular pleasure in the new vitality that I sense all over the Bank. No doubt part of it comes from getting settled in our new building and we have taken specific steps to improve motivation and enhance career development opportunities.

Our officers and employees should feel good about their accomplishments in 1977. With overall quality measures at or near the top of the System scale, it was a very good year for operating departments. Unit costs were affected adversely by heavy overhead and by the slow growth in volume that characterizes the entire region. Nevertheless, when adjustment is made for new building charges, operating efficiency ranks a bit above the average for all Reserve Banks.

I want to make special mention of our program to refine and improve services offered to member banks. The first phase was completed in 1977 and resulted in a 35 percent increase in the utilization of check services—mostly by small banks. The next phase involves check services for medium and large banks and cash and U. S. Treasury securities services for all banks.

The Bank increased its efforts to inform both borrowers and lenders of their rights and obligations under the Federal Reserve consumer regulations. We also receive consumer complaints against banks and other financial institutions and last year handled over 20 percent of the System total.

We invited member banks to hold board meetings in our building and have lunch with us and I am delighted to report that over 40 institutions did so during the year. The invitation still stands and arrangements can be made through our Bank Services Department.

Among the other good things in 1977 were the milestone research on Philadelphia city and school finances, and the Bank's continuing leadership in System projects such as developing Reserve Banks' performance measures, budget objectives, and long-range automation strategies.

Pleased and satisfied I surely am but complacent I am not. I realize the Bank's 1977 record will be very hard to meet or beat in years to come. However, we now have momentum going for us and welcome the challenge.

David P. Eastman
President

Executive Changes and Annual Operations



Dick Smoot became First Vice President of the Bank in May 1977. He joined the Fed in 1975 as Vice President for operations improvement and later that year also assumed responsibility for cash and fiscal operations. Before coming to Philadelphia Dick was Acting Deputy Director, Bureau of Domestic Commerce, U. S. Department of Commerce, as a participant in the President's Executive Exchange Program. From 1964 to 1973 he held various management positions with the Ford Motor Company and the Philco-Ford Corporation. Born and raised in Fort Thomas, Kentucky, Dick is a graduate of the University of Colorado and holds a master's degree from the University of Cincinnati.

Executive Changes

The following changes in the Board of Directors and Official Staff were announced during 1977:

John W. Eckman, Chairman and President of Rorer Group Inc., Fort Washington, Pennsylvania, was redesignated Chairman of the Board of this Bank for 1978. Werner C. Brown, Chairman of Hercules Incorporated, Wilmington, Delaware, was redesignated Deputy Chairman for 1978 and reappointed to a new three-year term as a Class C Director.

Wilson M. Brown, Jr., President and Chief Executive Officer of Southeast National Bank of Pennsylvania, Chester, Pennsylvania, was elected a Class A Director by member banks in Electoral Group 1. He succeeds William B. Eagleson, Jr., Chairman of the Board and President of Girard Trust Bank, Philadelphia, Pennsylvania. Member banks in Electoral Group 2 reelected Jack K. Busby a Class B Director. Mr. Busby is Chairman of the Board and Chief Executive Officer of Pennsylvania Power & Light Company, Allentown, Pennsylvania.

The Board of Directors named Samuel H. Ballam, Jr., President and Chief Executive Officer of The Fidelity Bank, Philadelphia, Pennsylvania, to be the Third District representative to the Federal Advisory Council for 1978. He succeeds Roger S. Hillas, Chairman of Provident National Bank, Philadelphia, Pennsylvania.

Richard L. Smoot became First Vice President of the Bank in May 1977, replacing Mark H. Willes who resigned to become President of the Minneapolis Fed.

In June, G. William Metz, Vice President, assumed responsibility for Cash and Fiscal Operations, and Kathleen C. Holmes became Custody Control Officer in the same department.

Robert N. Gilmore was promoted, in February, to Automation Planning Officer in the Computer Services Department. At year end, the following official promotions were announced, all effective January 1, 1978: Frederick M. Manning was promoted to Assistant Vice President, and Robert A. Dobie and Edward G. Rutizer were made Examining Officers. Michael J. McGovern was appointed Data Processing and Technical Services Officer, and Donald L. Raiff became Research Officer and Economist.

Directors

CHAIRMAN

John W. Eckman
Chairman and President
Rorer Group Inc.
Fort Washington, Pennsylvania

DEPUTY CHAIRMAN

Werner C. Brown
Chairman
Hercules Incorporated
Wilmington, Delaware

Wilson M. Brown, Jr.
President and Chief Executive Officer
Southeast National Bank of Pennsylvania
Chester, Pennsylvania

Jack K. Busby
Chairman and Chief Executive Officer
Pennsylvania Power & Light Company
Allentown, Pennsylvania

Jean Crockett
Chairman, Professor of Finance
Wharton School
University of Pennsylvania
Philadelphia, Pennsylvania

William S. Masland
President and Chief Executive Officer
C. H. Masland & Sons
Carlisle, Pennsylvania

James Patchell
President and Chief Executive Officer
National Bank and Trust Company
of Gloucester County
Woodbury, New Jersey

Harold A. Shaub
President and Chief Executive Officer
Campbell Soup Company
Camden, New Jersey

W. J. Smouse
President
The First National Bank in Bedford
Bedford, Pennsylvania

MEMBER OF THE FEDERAL ADVISORY COUNCIL

Samuel H. Ballam, Jr.
President and Chief Executive Officer
The Fidelity Bank
Philadelphia, Pennsylvania

Officers

David P. Eastburn, President
Richard L. Smoot, First Vice President

Konstanty G. Adack, Senior Vice President
Edward G. Boehne, Senior Vice President
Hugh Chairnoff, Vice President and Lending Officer
Thomas K. Desch, Vice President
Peter M. DiPlacido, Vice President
Richard W. Epps, Vice President
James F. Gaylord, Vice President
Hiliary H. Holloway, Vice President and General Counsel
W. Lee Hoskins, Vice President and Director of Research
Ira Kaminow, Vice President and Economic Adviser
Alexander A. Kudelich, Vice President
Donald J. McAneny, Vice President and General Auditor
G. William Metz, Vice President
Lawrence C. Murdoch, Jr., Vice President and Secretary
Bipin C. Shah, Vice President
Evelyn G. Battista, Human Resources Services Officer
Jack P. Besse, Assistant Vice President and Assistant Secretary
D. Russell Connor, Assistant Vice President
Samuel J. Culbert, Jr., Bank Services Officer
Robert A. Dobie, Examining Officer
Guy H. Edwards, Systems Planning and Development Officer
Ronald G. Foley, Cash Operations Officer
Robert N. Gilmore, Automation Planning Officer
Judith H. Helmuth, Operations Improvement Officer and Assistant Secretary
Kathleen C. Holmes, Custody Control Officer
Paul E. Kirn, Jr., Assistant Vice President
Edwin C. Lodge, Statistical Officer
Frederick M. Manning, Assistant Vice President
*Robert E. Matthews, Assistant General Auditor
Glennie M. Matthewson, II, Assistant Counsel
Michael J. McGovern, Data Processing and Technical Services Officer
Arthur L. Morath, Jr., Banking Structure Officer
Donald J. Mullineaux, Research Officer and Economist
Joseph J. Ponczka, Fiscal Operations Officer
Donald L. Raiff, Research Officer and Economist
Edward G. Rutizer, Examining Officer
Lawrence C. Santana, Jr., Assistant Vice President
Anita A. Summers, Research Officer and Economist
*Ronald D. Watson, Research Officer and Economist
Elizabeth S. Webb, Assistant Counsel

*On leave
January 1, 1978

Statement of Condition

ASSETS

	December 31, 1977	December 31, 1976
Gold certificate account	\$ 631,731,900	\$ 640,643,300
Special drawing rights certificate	74,000,000	71,000,000
Other cash	13,089,874	10,609,977
Loans and securities:		
Discounts and advances	16,025,000	2,900,000
Federal Agency obligations	427,007,000	376,945,000
United States Government securities	5,384,085,000	5,174,888,000
Total Loans and Securities	<u>\$5,827,117,000</u>	<u>\$5,554,733,000</u>
Other assets:		
Cash items in process of collection	341,805,306	206,648,917
Bank premises	55,777,044	55,820,810
Operating equipment - net	5,099,415	2,480,548
All other	98,301,018	121,428,474
Interdistrict settlement account	<u>-389,371,391</u>	<u>-233,154,471</u>
Total Assets	<u><u>\$6,657,550,166</u></u>	<u><u>\$6,430,210,557</u></u>

LIABILITIES

Note liabilities:		
Federal Reserve notes	\$4,936,380,307	\$4,724,381,794
Deposits:		
Member bank reserve accounts	891,232,423	763,039,540
U. S. Treasury - general account	451,661,963	584,187,122
Foreign	11,855,100	10,842,200
All other	<u>34,175,216</u>	<u>60,827,308</u>
Total Deposits	\$1,388,924,703	\$1,418,896,171
Other liabilities:		
Deferred availability cash items	183,013,091	149,369,302
All other	<u>60,935,264</u>	<u>51,822,089</u>
Total Liabilities	\$6,569,253,366	\$6,344,469,357
Capital accounts:		
Capital paid in	44,148,400	42,870,600
Surplus	<u>44,148,400</u>	<u>42,870,600</u>
Total Liabilities and Capital Accounts	<u><u>\$6,657,550,166</u></u>	<u><u>\$6,430,210,557</u></u>

Note: Effective January 1, 1977, Federal Reserve notes of other Federal Reserve Banks was netted against Federal Reserve notes.

Earnings and Expenses

	1977	1976
Current earnings:		
From U.S. Government securities	\$ 364,810,998	\$ 362,014,427
From discounts, advances and miscellaneous sources	<u>2,012,278</u>	<u>1,773,847</u>
Total current earnings	366,823,276	363,788,274
Net expenses:		
Operating expenses (after deducting reimbursable or recoverable expenses . . .	29,573,053	31,207,563
Federal Reserve currency	<u>3,185,166</u>	<u>2,285,792</u>
Total net expenses	32,758,219	33,493,355
Current net earnings	334,065,057	330,294,919
Additions to current net earnings:		
Profit on sales of U.S. Government securities (net)		1,911,698
Miscellaneous nonoperating income . . .	<u>2,219,531</u>	<u>1,264,063</u>
Total additions	2,219,531	3,175,761
Deductions from current net earnings:		
Assessment for expenses of the Board of Governors	2,061,800	1,896,600
Loss on sales of U.S. Government securities (net)	2,648,278	
Loss on foreign currency transactions . .	6,294,527	1,153,408
Miscellaneous nonoperating expenses . .	<u>11,760</u>	<u>52,212</u>
Total deductions	11,016,365	3,102,220
Net additions		73,541
Net deductions	8,796,834	
Net earnings before payment to U.S. Treasury	<u>\$ 325,268,223</u>	<u>\$ 330,368,461</u>
Dividends paid	2,606,405	2,558,833
Paid to U.S. Treasury (interest on Federal Reserve notes)	321,384,018	327,354,578
Transferred to Surplus	<u>1,277,800</u>	<u>455,050</u>
	<u>\$ 325,268,223</u>	<u>\$ 330,368,461</u>

Note: Effective January 1, 1977, the assessment for expenses of the Board of Governors was reclassified.

Annual Operations

OPERATING STATISTICS

Millions of dollars	1977	1976
Loans to member banks	\$ 7,103	\$ 1,018
Currency received and counted	4,143	3,859
Coin received and counted	108	101
Checks handled:		
U. S. Government checks	17,183	19,849
Postal money orders	251	292
All other	229,296	205,465
Collection items handled:		
U. S. Government coupons paid	131	206
All other	48	1,705
U. S. Savings Bonds and Savings Notes issued, exchanged, redeemed	1,314	1,318
Other Government securities issued, exchanged, redeemed	157,413	101,723
Transfers of funds	1,126,759	994,810
Food stamps redeemed	391	389
Securities held in safekeeping:		
Book-entry form	9,696	6,437
Definitive form	3,166	3,079

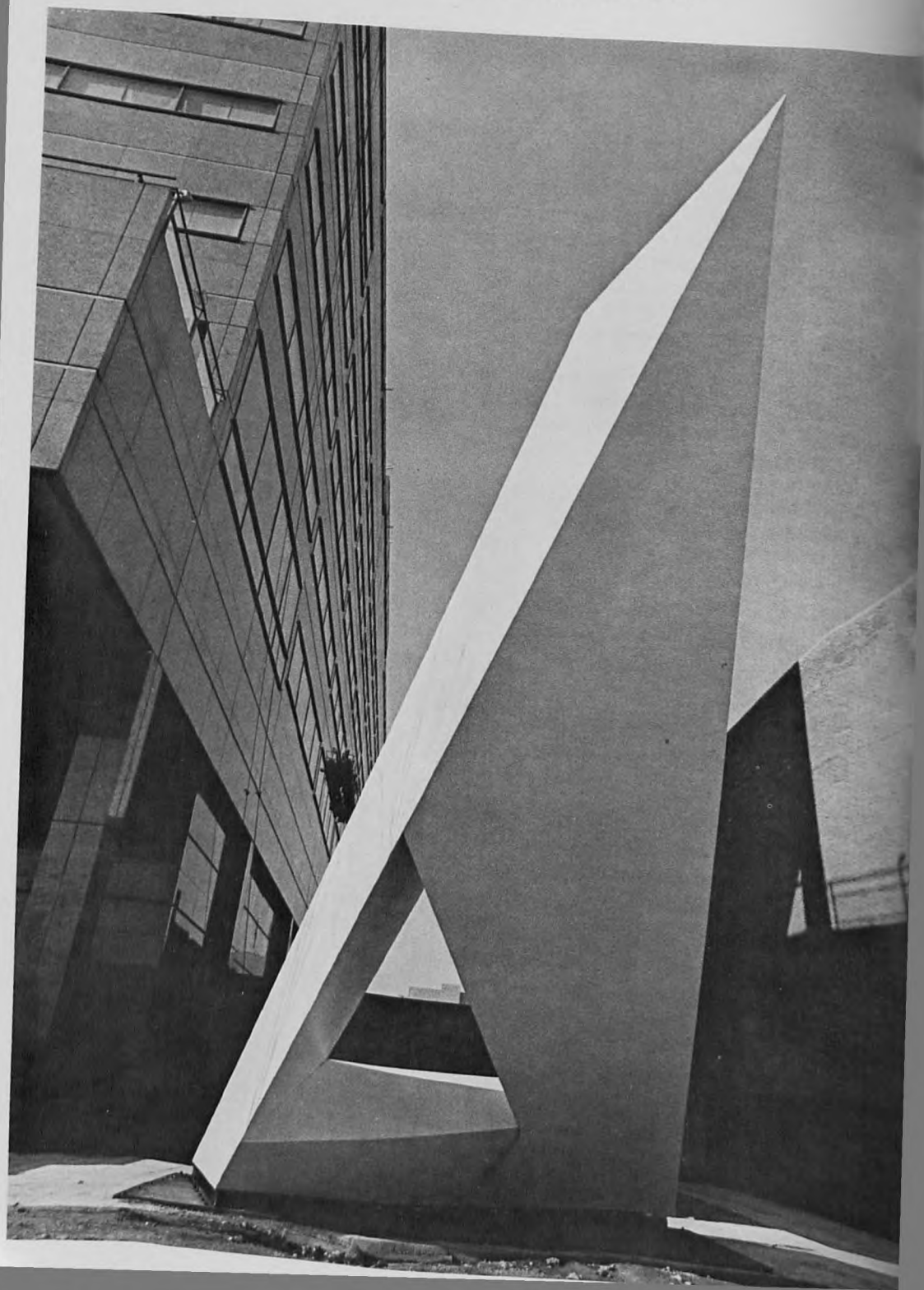
Thousands of items processed	1977	1976
Loans to member banks	774*	389*
Currency received and counted	445,395	429,057
Coin received and counted	768,198	740,004
Checks handled:		
U. S. Government checks	42,572	43,734
Postal money orders	7,058	9,465
All other	581,964	552,052
Collection items handled:		
U. S. Government coupons paid	477	543
All other	89	142
U. S. Savings Bonds and Savings Notes issued, exchanged, redeemed	21,953	23,181
Other Government securities issued, exchanged, redeemed	270	418
Transfers of funds	771	660
Food stamps redeemed	105,076	103,435
Securities held in safekeeping:		
Book-entry form	70	48
Definitive form	10	10

*Unrounded data

BANKING STATISTICS

	1977	1976
Member banks at year end	236	243
Nonmember banks at year end	144	145

Pepper Sculpture, Phaedrus, Completes Bank's Public Art Commitment





The installation, in November 1977, of a monumental steel sculpture by noted artist, Beverly Pepper, completed the Bank's required public art program for the new building.

The abstract sculpture, titled *Phaedrus*, was put in place north of the building's main entrance on Sixth Street. The week-long project was directed by the artist, who is trained in both engineering and metal-work.

Phaedrus—a triangular structure pierced with a triangular opening—rises from the vertical plane to a height of 17 feet and weighs approximately 12 tons.

New York-born Beverly Pepper has earned an international reputation in the art world. Her sculptures, with their characteristic pyramidal shapes, are on display in many cities in the United States and Europe.

Phaedrus is the second major work of art commissioned by this Bank for its new building. The first—a 100-foot mobile by the late Alexander Calder—can be seen in the building's east courtyard.

Both works, which were selected in consultation with a panel of area art experts, were an outgrowth of the sales agreement by which the Bank acquired the building site from the Philadelphia Redevelopment Authority. The land was sold at a favorable price and the Authority stipulated that the Bank spend one percent of the construction cost of the building on original art that is on view to the public.

