About the cover:

These investors are in our Eastburn Court, looking over the application to open a Treasury Direct account. Individuals also come into the Bank every weekday to purchase Treasury securities and savings bonds.

Contents:

President's Letter 1
1986 in Retrospect 4
Directors 12
Officers 15
Advisory Councils 16
Statement of Condition 18
Earnings and Expenses 19
Operating Statistics 20
President’s Letter

The Federal Reserve Bank of Philadelphia has split-level responsibilities. One level is as a team player, a member of a national System that makes decisions and takes actions that have an important impact on the country as a whole.

The other is more localized. This Bank also must provide leadership and services to make the Third District financial system and, in turn, the regional economy work better.

Continued
Maybe it's not always true that what's good for the District is good for the nation and vice versa, but in 1986 the Bank's crowning achievement most certainly satisfied both our national and our close-to-home responsibilities.

I refer to Treasury Direct. It is a brand new, nationwide book-entry system for U.S. Treasury securities which this Bank has been planning and developing for more than three years. In July we put Treasury Direct into operation with hardly a hitch. The computers in our building are linked to all Federal Reserve offices, and through them we are bringing Treasury Direct service to investors all over the country.

It is an all-win situation. The increased efficiency of Treasury Direct saves the U.S. Treasury tens of millions of dollars, while it also gives the nation's investors a lot of added safety and convenience. The Federal Reserve System has gained an expanded role in an important financial service, and this Bank winds up with a major new operation and the nice feeling that the entire project was introduced on time and under budget.

I like to think that Treasury Direct symbolizes the Bank's overall performance in 1986 — a successful fusion of our national and local responsibilities. Indeed 1986 was a year in which the Bank made many other important contributions on the System level and got the job done in the District as well.

There are three System-wide conferences that provide leadership for the Reserve Banks, and Philadelphia people were active in all of them. The Conference of Presidents and the Conference of First Vice Presidents were chaired in 1986 by me and the Bank's First Vice President, Dick Smoot, respectively. The Conference of Chairmen and Deputy Chairmen brings the leaders of the 12 Reserve Bank Boards together on a regular basis, and our Chairman, Bob Landis, headed the important Employee Benefits Committee.

In addition, our senior officers chair a number of other System committees, task forces and working groups, and the Bank's staff has made significant contributions to System projects such as Check Truncation and Inter-District Marketing.

On the Bank level, 1986 was a year of operational achievement. Not only was there Treasury Direct, but we began a two-year program that
will revamp every major operating system in the Bank. We had a number of reasons for such a major overhaul — such as controlling our unit costs and improving our efficiency — but our customers should only see better services at reasonable prices.

For example, 1986 brought more effective Automated Clearing House and funds transfer services as well as improved check availability. I believe that the Bank has reached the point where people naturally expect us to do a superior job, no matter what, and doing even better will be one of our biggest goals for 1987.

In a year that was highlighted by giant steps in automation, I am pleased to say that the Bank was guided by the principle that technology is for people and not the other way around. Several years ago we realized that something so new and different as Treasury Direct could be a bit scary for some less sophisticated investors, and we designed and carried out a national educational campaign.

With so much change in the Bank’s operating services crammed into a short period, we acted again to improve people-to-people communication. In June 1986, we began a series of meetings with our customers all over the District to talk with them about our automation plans and to make sure we knew their needs during the changeover period. Excellence in communication was also the 1986 theme of “YOU ARE THIS BANK,” a motivational program for our employees.

This Bank, through its Directors, President, and Research Department advisors, plays an important part in the determination of monetary policy. We found that 1986 was something of a good news-bad news year for the national economy. On the one hand, interest rates declined, and the economy expanded for the fourth year in a row. Inflation was “oiled” down to the lowest annual rate in over a decade. On the other hand, some industries and regions were left out of the expansion, notably in energy and agricultural related areas. Although the dollar declined, it didn’t have the hoped-for impact on trade deficits. These were major disappointments nationally.

In contrast, the Third District economy continued to perform well in 1986. In terms of the unemployment rate, retail sales, and particularly housing, the District outdid the nation. Likewise, reports from our farms show little of the distress that still plagues the Midwest and other regions.

Third District banks also performed well relative to the nation, but the big news in 1986 was interstate banking. Pennsylvania and New Jersey both passed legislation to permit reciprocal interstate banking during the year (Delaware has allowed out-of-state banks to enter since 1981). Several interstate mergers had been announced between large Pennsylvania and New Jersey banks by the year’s end and intense behind-the-scenes negotiations were continuing as various institutions prepared to compete on the new playing field.

This Bank also made preparations for interstate banking in 1986. Our Research Department studied its potential impact on financial markets and the Supervision and Regulation Department readied itself for an increasing number of applications.

In summary, I believe that the Bank got the job done on all levels of its responsibility in 1986. We accomplished a lot, both as a member of a national system and as a major provider of services to Third District institutions. In a year marked by achievements in operations and automation breakthroughs, we tried to keep the focus on the needs of people — the people we serve and those we employ.

Edward G. Boehne
1986 In Retrospect

A year for the Bank is the sum total of many events, large and small, and here we list a representative sample. Most of the highlights are included along with a selection of other items, including some reports from the District economy. The intent is to create a balanced picture of our activities and accomplishments.
The chronology is divided into calendar quarters to give a sense of flow and structure. We regret that we could mention by name only a small fraction of the people who made 1986 the fine year it was for the Bank.

January Thru March

At the first Board meeting of the year Chairman Bob Landis welcomed two new directors: Clarence McCormick, president of The Farmers and Merchants National Bank, Bridgeton, New Jersey, and Nicholas Riso, president of Giant Food Stores, Inc., Carlisle, Pennsylvania.

Treasury Direct underwent intensive testing as this nationwide book-entry system for U.S. Treasury securities began its final countdown. July was the target month.

In the auditorium, the Bank’s Gospel Choir gave a concert in honor of Martin Luther King, Jr. This was one of 12 concerts during the year, six of which featured students from the Curtis Institute of Music.

After a series of explanatory meetings around the District, we implemented a new program to reduce risks that may arise when large volumes of funds are transferred by wire.

The Bank offered HelpFinders confidential service to officers and employees to assist with solutions to personal problems.

The January/February issue of the Bank’s Business Review came out with studies of the business cycle and of relationships between productivity and the Federal deficit. Bank failure costs, the trade deficit, "junk" bonds, and what happened to M1 were among the other topics featured during the year.

Through the days of winter, our examiners were on the road to examine state member banks and inspect bank holding companies.

Almost 1,400 people toured the Bank during the first three months. They were escorted by the 10 retired employees in our successful part-time guide program.

The Federal Safety Council, Neighborhood Housing Services, Trust Officers Association, and Minority Business Women were among the outside groups that used the Bank’s facilities in the first three months of 1986. We make meeting rooms available to appropriate groups that are sponsored by one of this Bank’s officers.

Senior V.P. Jim Gaylord became the Chairman of the System Subcommittee on Personnel, which reviews benefits and other programs.

The first President’s Idea Exchange of the year covered how to be a better listener. Dealing with stress was another topic in this management-level series.

Our President, Ed Boehne, presided over a meeting of the Conference of Federal Reserve Bank Presidents in the Board Room. As Chairman of the Conference for 1986, he conducted a total of seven meetings.

In February, we became one of the first four Reserve Banks to support active trading of mortgage-backed securities.
The Federal Reserve System agreed to comply with the spirit of the Gramm-Rudman deficit reduction effort and, early in the year, this Bank cut $1.2 million from its 1986 budget.

Employment increased in all Third District states, with especially strong showings in southeastern Pennsylvania, central New Jersey, and Delaware.

Consumers boosted the economy as retail sales registered big gains over 1985, in some cases more than three times the national increase.

April Thru June

First Vice President Dick Smoot chaired a Conference of First Vice Presidents' meeting at this Bank. Reserve Banks' budget policy was a key item on the agenda. Another conference meeting was held in the Bank in November.

We began a special survey to evaluate our Fedline service and training. Fedline was introduced in 1985 to link smaller institutions to this Bank's mainframe via personal computers.

The 41st annual series of field meetings opened in Danville, Pennsylvania. Eight more of these dinner meetings for commercial bank directors and officers were held around the District in April and May. Attendance averaged 150.

In April, the District's 100th bank holding company was formed; six years ago only 25 such companies existed here. Larry Murdoch, V.P. and Secretary, chaired the System Subcommittee on Public Information meeting in Seattle, Washington. The main order of business was educating investors about Treasury Direct.

Check information services for paying banks were expanded and now include 20 institutions, up from 12 a year ago.

The Bank's Board held a joint meeting with the directors of the Boston Reserve Bank in that city.

New Automated Clearing House services were installed on schedule. ACH volume continued to grow rapidly in 1986, and the Bank purchased additional hardware for further expansion.

Federal judges from the Third Circuit came to the Bank for a day-long seminar on Economics and the Law, which we co-sponsored with the University of Pennsylvania.

First-line supervisors in various departments attended a series of seminars conducted by our Training Department.

For the fourth year in a row, we hosted a reception for newly naturalized citizens. After taking their oaths in the Federal Court House, they came to the Bank for coffee and sweets.

Fedline capabilities were extended to include receipt of Automated Clearing House payments.
Tracey Hambeau of the Checks Department sorts return items.
Ed Coia and Mary Labaree, leaders in this Bank's development of the Treasury Direct Book-entry Securities System, discuss the department's operations.
The Human Resources Department began a series of meetings for employees to explain the impact of the new tax legislation on Bank benefits.

George Butler, Chairman of the First Pennsylvania Bank, completed his service as this Bank's representative on the Federal Advisory Council. The council, which consists of a prominent banker from each Federal Reserve District, meets four times a year with the Fed's Governors in Washington.

Dynamic Calculated Availability became a reality on November 14 at 5:00 p.m. This is a new program that provides many check depositors with improved credit availability at a lower price. It came about because we now can analyze each individual check in a mixed deposit according to the location of the bank on which it is drawn.

Ted Crone, our top regional economist, took over as host for the MIT Enterprise Forum, which meets regularly in our auditorium to promote the development of new firms.

In the latter part of 1986, Manager Bill Reardon and more than 30 employees from eight departments were working to develop the Bank's new Integrated Accounting System. Scheduled for introduction in 1987, it will increase standardization among Reserve Banks which, in turn, should help the System accommodate interstate banking.

Sales in the Savings Bond department boomed in 1986, up more than 30 percent. In the last week of October alone, Camille Ochman and her staff received more than 10,000 applications to buy bonds.

At the November Board meeting, Ed Boehne and Dick Smoot reported to directors on the state of the Bank. They said that most objectives for 1986 had been met and predicted that the Bank would achieve its net revenue targets for the year while keeping expenditures below targeted Gramm-Rudman budget levels. It did.

Gus Adack, Senior V.P., reported that checks, Automated Clearing House, noncash, and cash operations all achieved full cost recovery in 1986, and the Bank as a whole did better than expected, thanks to cost-control and volume growth, particularly in checks.

We announced a new policy for pricing various consumer publications, and other Reserve Banks will be watching our experience in 1987.

On December 29, the Meridian Bank joined the Federal Reserve as a state member. In addition, four other banks applied for membership in 1986.

Nineteen Hundred Eighty-Six ended on a positive note. All three states in the District had unemployment rates well below the national average. Even the manufacturing sector was showing signs of improvement, and the Bank's survey of manufacturers showed increases in employment.

Jim McGowan of Temple University, who doesn't let his wheelchair keep him from skydiving, sailplaning and attempting to swim the English Channel, signs autographs as he helps kick off the Bank's United Way campaign.

In the Cash Department, workers count and verify currency from banks in the 3rd District with the help of high-speed machinery.
Directors, Officers And Advisory Councils

In late 1986, Nevius M. Curtis, chairman and chief executive officer of Delmarva Power and Light Co. of Wilmington, Delaware, was appointed chairman of the board. He replaces Robert M. Landis, whose term expired at the end of 1986. George E. Bartol, III, chairman and chief executive officer of Hunt Manufacturing Co. of Philadelphia, was named deputy chairman of the board, a position previously held by Mr. Curtis.
Two new directors also were selected for terms beginning January 1, 1987. George A. Butler, chairman and chief executive officer of First Pennsylvania Bank and First Pennsylvania Corp. of Philadelphia, was elected a Class A director by large member banks. He replaced John H. Walther. Peter A. Benoliel, chairman of the board of Quaker Chemical Corp. of Conshohocken, Pennsylvania, was appointed to a term as a Class C director, filling the seat formerly held by Robert M. Landis.

![Incoming Chairman Nevius M. Curtis, (left) and outgoing Chairman Robert M. Landis.](image)

### Board Of Directors

<table>
<thead>
<tr>
<th>Position</th>
<th>Name</th>
<th>Company/Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman</td>
<td>Robert M. Landis</td>
<td>Partner, Dechert, Price &amp; Rhoads</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Philadelphia, PA</td>
</tr>
<tr>
<td>Deputy Chairman</td>
<td>Nevius M. Curtis</td>
<td>Chairman and Chief</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Executive Officer</td>
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<tr>
<td></td>
<td></td>
<td>Delmarva Power &amp; Light Company</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Wilmington, DE</td>
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<td></td>
<td></td>
<td>Chairman, Hunt</td>
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<td></td>
<td></td>
<td>Manufacturing Company</td>
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<tr>
<td></td>
<td></td>
<td>Philadelphia, PA</td>
</tr>
<tr>
<td></td>
<td>Clarence D. McCormick</td>
<td>President, The Farmers and Merchants National Bank</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Bridgeton, NJ</td>
</tr>
<tr>
<td></td>
<td>Nicholas Riso</td>
<td>President and Chief</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Executive Officer</td>
</tr>
<tr>
<td></td>
<td>Charles F. Seymour</td>
<td>Chairman and Chief</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Executive Officer</td>
</tr>
<tr>
<td></td>
<td>Carl E. Singley</td>
<td>Dean and Professor of Law</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Temple University School of Law</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Philadelphia, PA</td>
</tr>
<tr>
<td></td>
<td>Ronald H. Smith</td>
<td>President and Chief</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Executive Officer</td>
</tr>
<tr>
<td></td>
<td>John H. Walther</td>
<td>Chairman and Chief</td>
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<tr>
<td></td>
<td></td>
<td>Executive Officer</td>
</tr>
<tr>
<td></td>
<td>John H. Walther</td>
<td>New Jersey National Bank</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Pennington, NJ</td>
</tr>
</tbody>
</table>

13
Directors George E. Bartol, III, and Charles F. Seymour (seated, left to right), and Carl E. Singley, Ronald H. Smith, and John H. Walther (back row).

Directors Clarence D. McCormick and Nicholas Riso.
In official actions in 1986, Edward J. Coia was promoted to Vice President; Eugene E. Hendrzak became Assistant Vice President, Accounting; Theodore M. Crone and Robert H. DeFina both were named Research Officer and Economist; Richard A. Sheaffer was promoted to Securities Operations Officer; Mary Labaree was named Assistant Vice President, Treasury Direct; and Marie Tkaczyk was appointed Systems Development Officer, Computer Services.

J. Warren Bowman, Jr., joined the Bank as Vice President of Automation Planning and Administrative Services.

In new official assignments, Vish Viswanathan became Vice President, Check Operations; James B. Duffy was named Vice President, Cash Operations; and Judith H. Helmuth became Quality Assurance Officer, Business Planning and Development.

Edward G. Boehne
President
Richard L. Smoot
First Vice President
Konstanty G. Adack
Executive Vice President
Thomas K. Desch
Senior Vice President and Lending Officer
Donald F. Doros
Senior Vice President
James F. Gaylord
Senior Vice President
Hiliary H. Holloway
Senior Vice President and General Counsel
Richard W. Lang
Senior Vice President and Director of Research
William H. Stone, Jr.
Senior Vice President
Ronald D. Watson
Senior Vice President
J. Warren Bowman, Jr.
Vice President
Edward J. Coia
Vice President
Peter M. DiPlacido
Vice President
James B. Duffy
Vice President
Ronald G. Foley
Vice President
Malcolm T. Humphrey
Vice President
Donald J. McAneny
Vice President and General Auditor
Lawrence C. Murdoch, Jr.
Vice President and Secretary
Terence B. O'Brien
Vice President
Lawrence C. Santana, Jr.
Vice President
Vish P. Viswanathan
Vice President
Jack P. Besse
Assistant Vice President
Robert J. Bucco
EFT Services Officer
James E. Burns
Planning Officer and Assistant Secretary
Theodore M. Crone
Research Officer and Economist
Robert H. DeFina
Research Officer and Economist
Robert A. Dobie
Assistant Vice President
Patrick L. Donahue
Financial Services Officer
Robert N. Downes, Jr.
Applications Officer
William Evans, Jr.
Technical Services Officer
Edward J. Fox
National Account Officer
Judith H. Helmuth
Quality Assurance Officer
Eugene E. Hendrzak
Assistant Vice President
Jerry Katz
Assistant Vice President
Alan L. Kiel
Staffing and Development Officer
Robert H. Klein
Assistant Vice President
Mary M. Labaree
Assistant Vice President
Thomas P. Laminus
Financial Accounting Officer
Edward M. Mahon
Assistant Counsel
Frederick M. Manning
Assistant Vice President and Community Affairs Officer
Stephen A. Meyer
Research Officer and Economist
Janice M. Moulton
Research Officer and Economist
Joseph J. Ponczka
Assistant Vice President
Edward G. Rutizer
Assistant Vice President
Louis N. Sanfelice
Assistant Vice President and Assistant Secretary
John B. Shaffer
Assistant General Auditor
Richard A. Sheaffer
Securities Operations Officer
Ronald R. Sheldon
Data Services Officer
Charles J. Sullivan, Jr.
Assistant Vice President
JoAnne Tarnoff
Automation Planning Officer
Marie Tkaczyk
Systems Development Officer
Ronald D. Watson
Vice President
JoAnne Tarnoff
Examination Review Officer
Elizabeth S. Webb
Assistant Counsel
Bernard Wennemer
Assistant Counsel
Lawrence C. Santana, Jr.
Vice President and General Auditor
Terence B. O'Brien
Vice President
Lawrence C. Santana, Jr.
Vice President
Vish P. Viswanathan
Vice President
Advisory Councils

The advisory councils created by this Bank's Board of Directors facilitate our communication with vital sectors of the regional economy. Each council consists of 12 members drawn from throughout the District. The councils normally meet at least twice a year with President Boehne and other high-ranking executives from the Bank to exchange information and discuss problems and needs.

There are now four advisory councils. The 1986 membership is listed below.

**Credit Union Advisory Council**

Chairman
Richard M. Stoops
Manager
Nylon Capital Federal Credit Union
Seaford, DE
Deputy Chairman
Peggy J. Bosma
Manager
Letterkenny Federal Credit Union
Chambersburg, PA
Betty L. Baker
Manager
Delaware State Employees Federal Credit Union
Dover, DE
Joseph Duffy
Manager
Philadelphia Inquirer and Daily News Employees Federal Credit Union
Philadelphia, PA
Milton E. Grosmick
President
Kimble Federal Credit Union
Vineland, NJ
Carl W. Knowiden
Manager
WAT Federal Credit Union
Williamsport, PA
John Ladd
Manager
609 Area Federal Credit Union
Moorstown, NJ
Carolyn O'Brien
Treasurer/Manager
Princeton University Employees Federal Credit Union
Princeton, NJ
Michael R. Prettyman
Treasurer
Defense Activities Federal Credit Union
Mechanicsburg, PA
Glenn Stuart, Jr.
President/General Manager
Wybro Federal Credit Union
Paoli, PA
Charles T. Williams
President
Citadel Federal Credit Union
Thornsdale, PA
Virginia Williams
Treasurer/Manager
Bridgeton Onized Federal Credit Union
Bridgeton, NJ

**Nonmember Bank Advisory Council**

Chairman
John D. Wickert
Chairman and CEO
Dauphin Deposit Bank & Trust Company
Harrisburg, PA
Deputy Chairman
Richard M. Linder
Chairman and President
The Drovers and Mechanics Bank
York, PA
Theodore D. Bessler
President and CEO
Garden State Bank
Jackson, NJ
John R. Beyer
President and CEO
Mid-State Bank and Trust Company
Altoona, PA
John R. Howell
President
First Valley Bank
Bethlehem, PA
Robert M. Hoyt
Chairman, President and CEO
Sussex Trust
Laurel, DE
Roy T. Peraino
Chairman and CEO
Continental Bank
Philadelphia, PA
F. Parker Renelt
President and CEO
Citizens State Bank
Forked River, NJ
William F. Sharp, Jr.
President and CEO
Lenape State Bank
West Deptford, NJ
Bernard J. Taylor, II
Chairman and CEO
Wilmington Trust Company
Wilmington, DE
David Tressler
Chairman and CEO
Northeastern Bank of Pennsylvania
Scranton, PA
R.G. Zullinger
President
Farmers and Merchants Trust Company of Chambersburg
Chambersburg
Small Business/Agriculture Advisory Council

Chairman
John H. Wright
Wright's Motor Sales
Company of Hazleton
Hazleton, PA

Deputy Chairman
Donald Lynch
Animal Health Sales
Selbyville, DE

Roy L. Bomberger
Bomberger's Store, Inc.
Elm, PA

Sandra Graffius
Milroy Enterprises, Inc.
Sinking Springs, PA

Joseph R. Hartle, Jr.
Lonely Spot Farm
Bellefonte, PA

Donald G. Hershey
Hershey Farms
Lancaster, PA

Willie Johnson
Fidelity Systems
Philadelphia, PA

Dean Pappas
Clement Pappas & Company, Inc.
Seabrook, NJ

Ian Sydel
Sydel's Egg Farm
Hartley, DE

Charles A. Wiggs
Town and Country Sheet
Metal Corp.
Hightstown, NJ

Robert A. Winner
Pleasant Acres Dairy Farm
Mooresetown, NJ

John Yahner
Yahner Brothers Farm
Loretto, PA

Thrift Institutions Advisory Council

Chairman
Ralph O. Williams
Chairman, President and CEO
First Federal Savings and Loan Association of Delaware
Wilmington, DE

Deputy Chairman
Stephen G. Harris, Jr.
President and CEO
Artisans' Savings Bank
Wilmington, DE

Lynn S. Baker
President
First Federal Savings Bank
Hanover, PA

Wendell T. Breithaupt
President and CEO
Trenton Savings and Loan Association
Trenton, NJ

Robert J. Colacicco
President
South Jersey Savings and Loan Association
Turnersville, NJ

Armando Felicetti
President
Fidelity Federal Savings and Loan Association
Philadelphia, PA

Edward L. Frampton
President
First Federal Savings and Loan Association
Pottstown, PA

David W. Lindstrom
President
Franklin Savings and Loan Association
Salem, NJ

Joseph J. McLaughlin
President and CEO
Beneficial Mutual Savings Bank
Philadelphia, PA

Oliver H. Reed, Jr.
Assistant Secretary
Peoples-Thrift Building and Loan Association
Norristown, PA

Robert H. Trewhella
President
First Federal Savings and Loan Association
Harrisburg, PA

Paul W. Williams
President and CEO
First Federal Savings and Loan Association
Hazleton, PA
# Statement of Condition

## ASSETS

<table>
<thead>
<tr>
<th></th>
<th>DECEMBER 31, 1986</th>
<th>DECEMBER 31, 1985</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gold certificate account</td>
<td>$431,000,000</td>
<td>$483,000,000</td>
</tr>
<tr>
<td>Special drawing rights certificates</td>
<td>162,000,000</td>
<td>195,000,000</td>
</tr>
<tr>
<td>Other cash</td>
<td>20,397,852</td>
<td>22,854,965</td>
</tr>
<tr>
<td><strong>Loans and securities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Discounts and advances</td>
<td>178,250,000</td>
<td>154,362,000</td>
</tr>
<tr>
<td>Federal Agency obligations</td>
<td>250,690,569</td>
<td>288,124,345</td>
</tr>
<tr>
<td>United States Government securities</td>
<td>6,327,830,175</td>
<td>6,226,478,136</td>
</tr>
<tr>
<td><strong>Total loans and securities</strong></td>
<td><strong>$6,756,770,744</strong></td>
<td><strong>$6,668,964,481</strong></td>
</tr>
<tr>
<td><strong>Other assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash items in process of collection</td>
<td>596,827,502</td>
<td>532,997,108</td>
</tr>
<tr>
<td>Bank premises—net</td>
<td>46,842,992</td>
<td>48,284,412</td>
</tr>
<tr>
<td>Operating equipment—net</td>
<td>14,978,258</td>
<td>14,136,161</td>
</tr>
<tr>
<td>All other</td>
<td>535,849,077</td>
<td>458,415,701</td>
</tr>
<tr>
<td>Interdistrict settlement account</td>
<td>(466,304,297)</td>
<td>(651,023,785)</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$8,098,362,128</strong></td>
<td><strong>$7,772,629,043</strong></td>
</tr>
</tbody>
</table>

## LIABILITIES AND CAPITAL ACCOUNTS

| Note liabilities: | | |
| Federal Reserve notes | $5,513,225,564 | $5,869,593,020 |

| Deposits: | | |
| Reserve accounts of depository institutions | $1,944,852,395 | $1,136,476,114 |
| U.S. Treasury—general account | 0 | 0 |
| Foreign | 6,900,000 | 7,350,000 |
| All other | 8,334,284 | 28,147,423 |
| **Total deposits** | **$1,960,086,679** | **$1,171,973,537** |

| Other liabilities: | | |
| Deferred availability cash items | 381,505,200 | 485,284,275 |
| All other | 70,613,685 | 80,686,411 |
| **Total liabilities** | **$7,925,431,128** | **$7,607,537,243** |

| Capital accounts: | | |
| Capital paid in | 86,465,500 | 82,545,900 |
| Surplus | 86,465,500 | 82,545,900 |
| **Total liabilities and capital accounts** | **$8,098,362,128** | **$7,772,629,043** |
### Earnings and Expenses

<table>
<thead>
<tr>
<th>Current earnings:</th>
<th>1986</th>
<th>1985</th>
</tr>
</thead>
<tbody>
<tr>
<td>From U.S. Government securities</td>
<td>$532,214,470</td>
<td>$580,130,971</td>
</tr>
<tr>
<td>From discounts, advances and miscellaneous sources</td>
<td>20,900,972</td>
<td>13,582,924</td>
</tr>
<tr>
<td>From services to depository institutions</td>
<td>27,488,236</td>
<td>25,021,004</td>
</tr>
<tr>
<td><strong>Total current earnings</strong></td>
<td><strong>$580,603,678</strong></td>
<td><strong>$618,734,899</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net expenses:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating expenses (after deducting reimbursable or recoverable expenses)</td>
<td>$51,969,075</td>
<td>$50,756,030</td>
</tr>
<tr>
<td>Cost of earnings credits</td>
<td>8,790,331</td>
<td>8,966,615</td>
</tr>
<tr>
<td><strong>Total net expenses</strong></td>
<td><strong>$60,759,406</strong></td>
<td><strong>$59,722,645</strong></td>
</tr>
</tbody>
</table>

| Current net earnings                                   | $519,844,272          | $559,012,254          |

<table>
<thead>
<tr>
<th>Additions to current net earnings:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Gain on sales of Government securities</td>
<td>$2,210,987</td>
<td>$3,391,633</td>
</tr>
<tr>
<td>Gain on foreign currency transactions</td>
<td>90,648,998</td>
<td>59,292,121</td>
</tr>
<tr>
<td>Miscellaneous nonoperating income</td>
<td>3,225</td>
<td>4,868</td>
</tr>
<tr>
<td><strong>Total additions</strong></td>
<td><strong>$92,863,210</strong></td>
<td><strong>$62,688,622</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Deductions from current net earnings:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessment by the Board of Governors:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Board expenditures</td>
<td>$4,522,900</td>
<td>$3,747,700</td>
</tr>
<tr>
<td>Federal Reserve currency</td>
<td>5,848,170</td>
<td>5,869,244</td>
</tr>
<tr>
<td>Loss on foreign currency transactions</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Miscellaneous nonoperating expenses</td>
<td>5,913,742*</td>
<td>297,516</td>
</tr>
<tr>
<td><strong>Total deductions</strong></td>
<td><strong>$16,284,812</strong></td>
<td><strong>$9,914,460</strong></td>
</tr>
</tbody>
</table>

| Net additions                                         | $76,578,398           | $52,774,162           |

| Net earnings before payment to U.S. Treasury          | $596,422,670          | $611,786,416          |

| Dividends paid                                        | $4,964,654            | $4,852,310            |

| Paid to U.S. Treasury (interest on Federal Reserve notes) | $587,538,416          | $604,330,206          |

| Transferred to Surplus, additions                      | $3,919,600            | $2,603,900            |

| **Total**                                             | **$596,422,670**      | **$611,786,416**      |

*Nonreimbursed Treasury services
### Operating Statistics

<table>
<thead>
<tr>
<th></th>
<th>1986</th>
<th>1985</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Millions of Dollars</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans to depository institutions</td>
<td>$5,701</td>
<td>$5,003</td>
</tr>
<tr>
<td>Currency received and counted</td>
<td>13,199</td>
<td>12,290</td>
</tr>
<tr>
<td>Coin received and counted</td>
<td>169</td>
<td>162</td>
</tr>
<tr>
<td>Checks handled:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Government checks</td>
<td>23,919</td>
<td>25,413</td>
</tr>
<tr>
<td>All other</td>
<td>665,726</td>
<td>579,663</td>
</tr>
<tr>
<td><strong>Issues, redemptions and exchanges</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>of U.S. Government securities</td>
<td>3,888,293</td>
<td>2,457,929</td>
</tr>
<tr>
<td>Transfers of funds</td>
<td>5,527,775</td>
<td>4,753,287</td>
</tr>
<tr>
<td>Food stamps redeemed</td>
<td>421</td>
<td>434</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>1986</th>
<th>1985</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Thousands of Items Processed</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans to depository institutions</td>
<td>1,344*</td>
<td>1,222*</td>
</tr>
<tr>
<td>Currency received and counted</td>
<td>1,015,700</td>
<td>988,400</td>
</tr>
<tr>
<td>Coin received and counted</td>
<td>1,010,300</td>
<td>944,300</td>
</tr>
<tr>
<td>Checks handled:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Government</td>
<td>29,500</td>
<td>29,100</td>
</tr>
<tr>
<td>All other</td>
<td>803,500</td>
<td>720,000</td>
</tr>
<tr>
<td>Issues, redemptions and exchanges</td>
<td></td>
<td></td>
</tr>
<tr>
<td>of U.S. Government securities</td>
<td>14,500</td>
<td>13,800</td>
</tr>
<tr>
<td>Transfers of funds</td>
<td>3,200</td>
<td>2,600</td>
</tr>
<tr>
<td>Food stamps redeemed</td>
<td>86,300</td>
<td>99,300</td>
</tr>
</tbody>
</table>

*Unrounded data