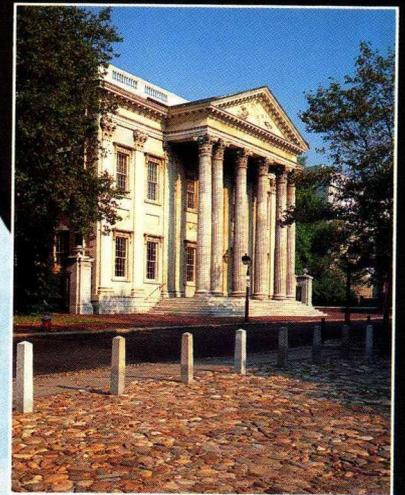
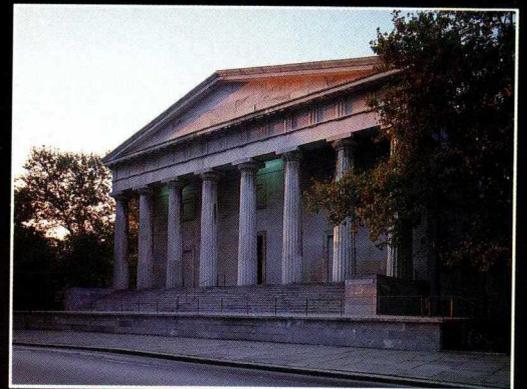


THE FEDERAL RESERVE BANK OF PHILADELPHIA

1991 ANNUAL REPORT

—
TWO
HUNDRED
YEARS OF
CENTRAL
BANKING
—



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The cover represents the three major institutions of this country that functioned, in various capacities, as central banks over the last 200 years. The modern building in the foreground is the Federal Reserve Bank of Philadelphia. The top right photo is the Second Bank of the United States and below it is the First Bank of the United States.

Federal Reserve Bank
of
Philadelphia
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Philadelphia is proud of its heritage as the birthplace of the nation. It was here that the Continental Congress met to declare the colonies' independence from England, here that the Constitution was framed, and here that George Washington served as the nation's first President.

The Federal Reserve Bank of Philadelphia is appropriately located in the city's historical area. From our front steps, we can see the Liberty Bell, Independence Hall and old Christ Church. And just a few blocks from those most famous national shrines are the buildings that housed the First and Second Banks of the United States. They were the nation's first central banks and ancestors to our own Federal Reserve System.

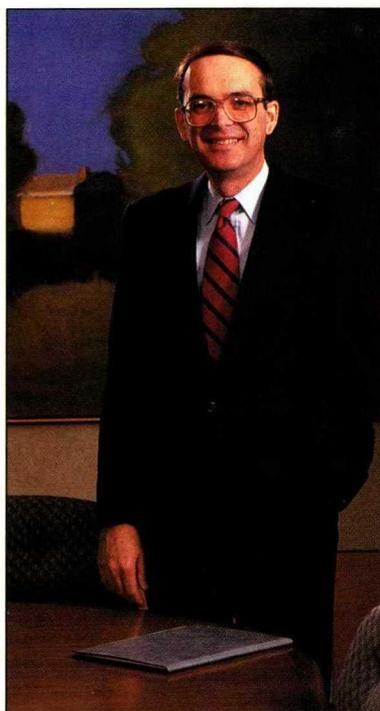
The year just ended marks the 200th anniversary of central banking in the United States. It was in 1791 that the First Bank opened its doors and central banking took its first tentative steps in this country.

Today's Fed bears a strong family resemblance to its predecessors. Of course, 200 years of technical and market innovation certainly have made central banking operations more complex, but these years of experience have also solidified our purpose.

Today, the Federal Reserve's mandate is clear: to foster a sound financial system, stable prices and sustainable economic growth.

As we move into the third century of central banking, the challenges to fulfilling that mandate are immediate and the Federal Reserve is stepping forward to meet them.

Here at the Philadelphia Fed, our commitment to quality service has led us to do what we do even better. In 1991, we focused on improving performance across the board, with special emphasis on our Check Operations. The results were notably positive.



In addition, we helped District depository institutions expand their use of the electronic payments system. Our new Fed Voice system provides them with information and a variety of Fed services at the touch of a phone.

To better serve the needs of people concerned about their investment alternatives, we revamped the customer information system in our Fiscal Department. Consumers can now call one number to get the latest information on U.S. Savings Bonds and new issues of Treasury securities.

Quality service is not only responsive, it is reliable. With the opening of our new disaster-recovery facility in Wayne, Pennsylvania, this past summer, we are now better prepared than ever to maintain services to financial institutions and the public in the event of a computer failure or natural disaster.

Both as bank regulator and monetary policymaker, we faced a challenging year in 1991. The disappointing performance of the national economy left its mark on every sector of the Third District economy, including banking.

The Federal Reserve eased monetary policy steadily throughout the year. As evidence of a stalled economic recovery began to accumulate, the Fed responded with reductions in the discount rate, as well as more accommodative open market operations. Our balanced response was designed not only to get the economy moving again, but also to lay the foundation for a sustainable recovery.

As the new year began, the region's economy seemed to have bottomed out. Though sustained increases in production or employment had yet to materialize, fears of further declines dissipated and the first faint signs of recovery may have started to emerge. For banks, too, the worst seems to have passed, and they began 1992 better positioned for the future.

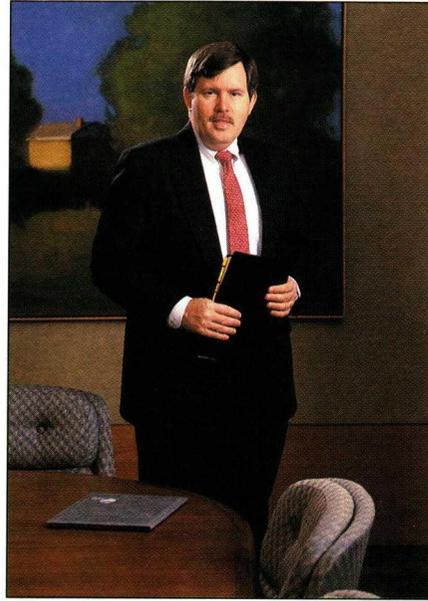


Edward G. Boehne
President

Nineteen ninety-one marked the 200th anniversary of the First Bank of the United States. Some say the similarities between the First Bank and the Federal Reserve System are striking. We agree that there are some similarities—and that's why we'd like to acknowledge this important milestone in American history.

We know the First Bank wasn't the "central bank" of the United States—at least not what we now know a central bank to be. However, its purpose resembled, at least in part, our purpose today. Read on, and you'll see why!

We're proud to be so close to this historic monument, located right here in Philadelphia. And we're also proud to share with you the history of the area where the First Bank, as well as this Bank, is situated. We hope you will enjoy this year's story...



William H. Stone, Jr.

William H. Stone, Jr.
First Vice President

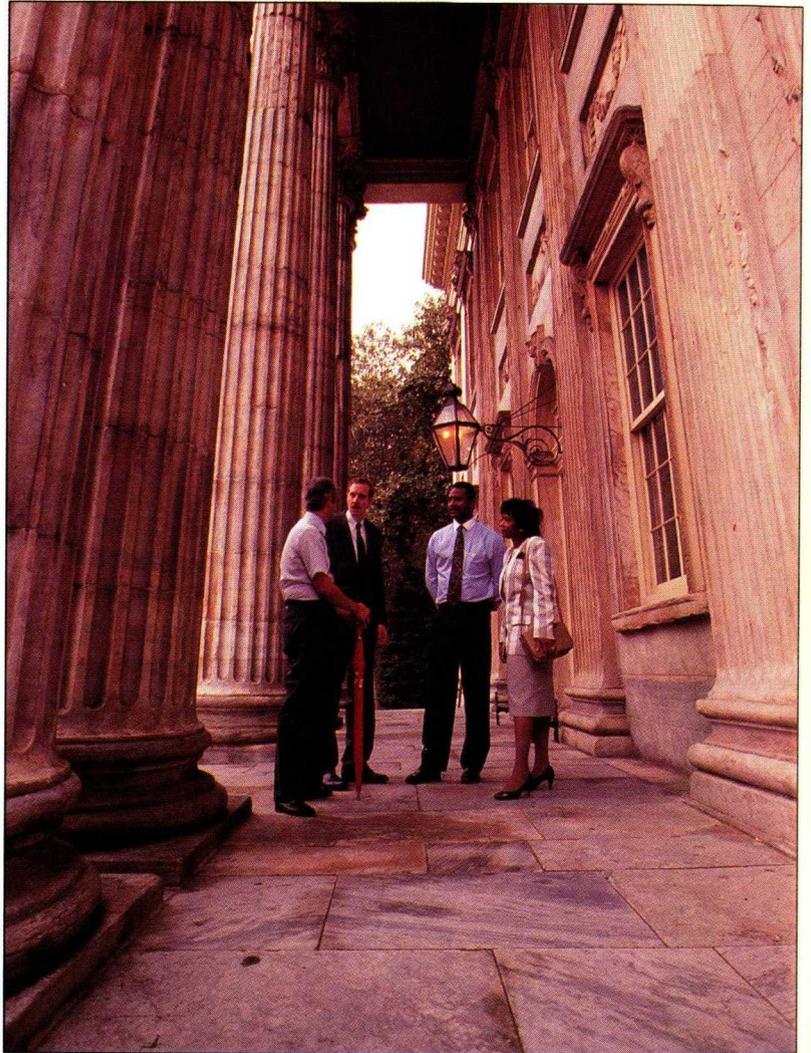
Each day, employees of the Federal Reserve Bank of Philadelphia work, walk, dine and shop among the foundations of America's first capital. Within just a few blocks, venerable Independence Hall looms tall. Here, on July 4, 1776, the Declaration of Independence was signed; ties to the King of England were declared severed. And here, in Philadelphia, the nation's first capital, the colonies would begin their struggle for freedom.

Although Philadelphia is no longer the nation's axis, it retains all the glory of its distinctive past. Independence National Historical Park envelops one of the most important concentrations of historic sites in the country—among them, the First Bank of the United States. Throughout the year we photographed some of our own employees as they strolled about on their lunch breaks, shopped in Society Hill or took some time to sightsee. We feel privileged to be in such a famous location—and we take advantage of it whenever we can!

In the following pages of this year's annual report, we will take you from the illustrious Liberty Bell to the place where George Washington, Betsy Ross and Robert Morris worshiped. We'll bring some of Philadelphia's history to you and tell you a little bit about the places where our nation got started.

On the morning of July 4, 1791, a small throng of merchants and speculators gathered in downtown Philadelphia to bid for shares in the First Bank of the United States. Within a few hours, the entire \$8 million issue was sold. That fall, the stockholders met with representatives of the federal government, which owned another \$2 million in shares, and elected a board of directors. Businessman Thomas Willing was chosen president, and the Bank opened its main office in Philadelphia. By the next spring, the Bank was a going concern, with branches in Boston, New York, Baltimore and Charleston. Thus began a successful 20-year enterprise and the institution now considered to be the nation's first central bank.

The First Bank was not a central bank in the modern sense—it didn't formulate monetary policy, nor did it regulate banks. It was chartered by Congress to act as a commercial bank for a nation that had none, and also as the bank for a fledgling federal government trying to establish itself financially. Still, elements of central banking—and of



FIRST BANK OF THE UNITED STATES

■ Third Street between Chestnut and Walnut Streets

The First Bank of the United States, the oldest bank building in the country, is an impressive example of neoclassical architecture with its six Corinthian columns, marble front and magnificent physical presence. The Bank's operations were moved into this building in 1797.



THE LIBERTY BELL

■ Located in the Liberty Bell Pavilion at Market Street, between Fifth and Sixth Streets, on Independence Mall

Many years ago, the bell that hung in Pennsylvania's State House, now called Independence Hall, resembled any other bell ringing throughout the land. Its course would change, however, but only years after it was cast.

Contrary to popular belief, its storied fate didn't begin on July 4, 1776 — our nation's Independence Day. With Congress meeting in closed session, the public was not yet aware of the declaration. It was on July 8, 1776, that the bell secured its place in history. On that day it tolled to gather Philadelphians to the State House, where the Declaration of Independence would be read publicly for the first time.

Of course, no story of the Liberty Bell is complete without mention of its famous crack running down the front, with bolt in place to keep it from splitting altogether.

No one is quite sure when and how the crack occurred; records indicate that it probably happened sometime between 1817 and 1846. The popular inscription on the Bell reads, "...Proclaim Liberty thro' all the Land to all the Inhabitants thereof..."

The Liberty Bell was moved from Independence Hall to the Pavilion on January 1, 1976.

America's approach to central banking—emerged from the First Bank. Thus, it is unmistakably the first American ancestor to today's Federal Reserve System.

Secretary of the Treasury Alexander Hamilton was keen to establish the federal government's primacy over state governments and its credibility in the eyes of the busi-

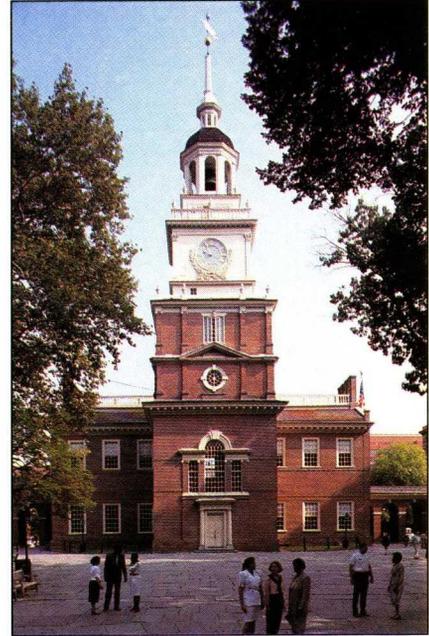
ness community. The First Bank was a crucial element of his plan. It provided the federal government with the full array of banking services. It collected tax revenues, secured the government's funds and paid the government's bills. It held a portion of government securities outstanding, conducted the sale of new issues and made direct loans to the Treasury.

The First Bank was also a successful commercial bank. It accepted deposits from the general public and made loans to private individuals. The only bank with a national charter, it had a monopoly on interstate banking and ultimately opened eight branch banks. When the First Bank opened there were only four banks in the country, all state-chartered institutions. The First Bank became, in effect, their correspondent, making loans to them and clearing their notes and checks. From these activities, it earned a respectable return for its shareholders and became the nation's largest corporation.

Though central banking was not its mandate, the First Bank's size and position in the budding national economy gave it the latitude to conduct a rudimentary monetary policy. Its notes, backed by substantial gold reserves and declared acceptable for the payment of taxes, provided the country with a stable national currency. By managing the flows of funds through its accounts, it could—and did—alter the supply of money and credit in response to economic conditions.

The First Bank's stabilization policies were manifest in its dealings with the state banks. In the course of business, the First Bank would accumulate the notes of the state banks. When it wanted to slow the growth of money and credit, it would present the notes for collection in gold, thereby limiting the state banks' ability to circulate new notes. To speed up the growth of money and credit, it would delay presentation of the notes.

In its own way, the First Bank also took on the central bank's role as lender of last resort. On at least one occasion it halted a bank run by depositing funds directly into the troubled institution. During a banking crisis in 1810, it delayed its collections from all banks to preserve their liquidity.



INDEPENDENCE HALL

■ Chestnut Street between Fifth and Sixth Streets

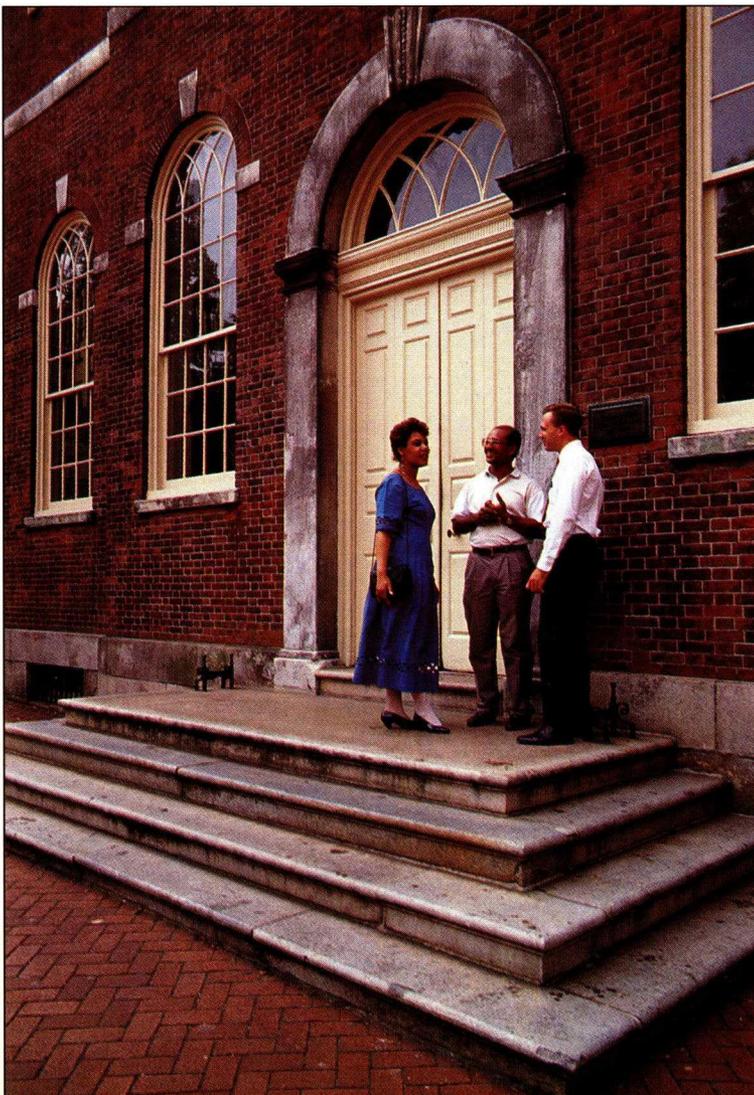
It is no small marvel — this place where early Americans adopted the Declaration of Independence in 1776, as well as the Articles of Confederation in 1781 and the Constitution in 1788.

Independence Hall, then known as the Pennsylvania State House, was the hallmark of Philadelphia, functioning as a meeting place for the Pennsylvania State Assembly until 1799. From 1752 to 1781, the “State House Bell,” which we know now as the Liberty Bell, hung in its steeple. From here, the Bell sounded in proclamation of the nation’s newly found freedom. The interior of Independence Hall is a magnificent sight for the thousands of tourists who come each year to see the nation’s birthplace.

CONGRESS HALL

■ Sixth and Chestnut Streets

The years 1790 to 1800 brought Philadelphia considerable fame as the chosen capital of the nation while the permanent capitol was being built in Washington, D.C. During this formative decade, the new federal government, under President George Washington, met in the Philadelphia County Court House, now known as Congress Hall. Here, through legislation, debate and design, this ruling body began setting the course for the American political system. During that decade in Philadelphia, Congress established, among other things, the First Bank of the United States and added the Bill of Rights to the Constitution. Congress Hall resumed its function as a courthouse when the federal government moved permanently to Washington, D.C.



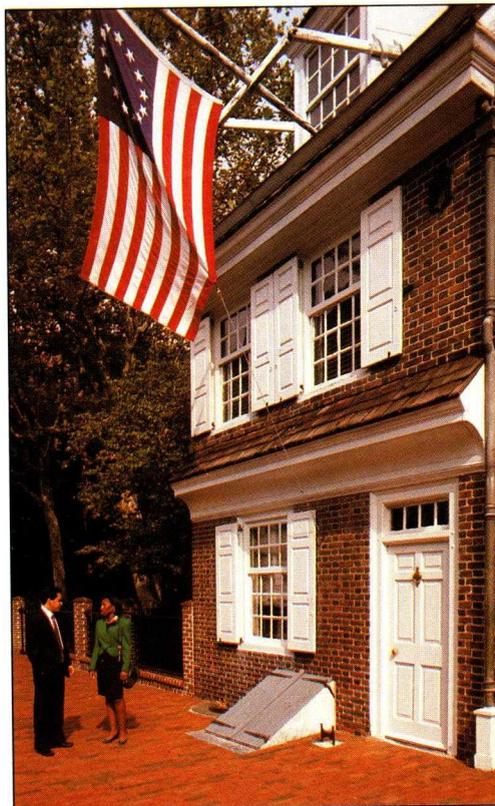
The First Bank of the United States survived only 20 years. Despite its successes, it was not universally popular. When Alexander Hamilton had first proposed the idea of a national bank, many people, including Secretary of State Thomas Jefferson and Congressman James Madison, decried it as an unconstitutional encroachment on the rights of the states to manage their own financial affairs.

That Congress would grant one corporation such a privileged role as national and government bank also created concerns about the First Bank. The First Bank never exploited its position to

benefit its stockholders. Its portfolio was conservatively managed, the dividends it paid were modest and, in fact, its stock price languished when those of other banks rose. Nonetheless, the public was suspicious of its activities.

Ironically, the Bank eventually won over its most celebrated opposition. By 1800, newly elected President Thomas Jefferson, persuaded of the Bank's benefits, decided not to seek the repeal of its charter. And in 1811, when the Bank's charter came up for reconsideration, President James Madison pressed for its renewal. Nonetheless, the bill to renew its original charter was defeated in Congress by a single vote.

The closing of the First Bank wasn't without consequences. Fiscal chaos, financial turmoil and rapid inflation followed. To restore order, a Second Bank of the United States was chartered in 1816. But its fate was no better. Its demonstrable influence on the economy resurrected the charge that the federal government was encroaching on states' sovereignty. Its policies raised suspicions that it served the business interests in the East at the expense of the agrarian concerns of the South and West. President Andrew Jackson himself crusaded against the Second Bank and emphatically vetoed its recharter.



THE BETSY ROSS HOUSE

■ 239 Arch Street

This quaint colonial house was the residence of Betsy Ross, the well-known Philadelphia seamstress who has been credited with making America's first flag. Ross and her husband also operated an upholstery shop here. When he was killed while serving in the militia in 1776, she carried on the business by herself. She remarried and lived in this house until 1786. On June 14, 1777, the stars-and-stripes flag was adopted by the Continental Congress.



CARPENTERS' HALL

■ Chestnut Street between Third and Fourth Streets

In the early 1700s, a newly founded organization called the Carpenters' Company comprised many of Philadelphia's most accomplished carpenters and city builders, who met regularly to hone their design and construction skills. In 1770, this organization built Carpenters' Hall, a lovely Georgian-style building that effectively flaunted its members' superior craftsmanship.

Interestingly enough, many of the company's members were at the forefront of the Independence movement. They unabashedly stood behind every Patriot action — always opening the Hall's doors to anti-British activists.

Appropriately, the First Continental Congress was welcomed here in 1774. It met at Carpenters' Hall for seven weeks, after turning down an offer to convene at the conservative State House of Pennsylvania.

By the early part of the 20th century, a series of financial panics and economic depressions underscored the need for a central bank.

Eastern bankers proposed a central bank essentially under their control. On the other side were the Populists, led by William Jennings Bryan. They represented farmers and small businesses, primarily in the South and West. Recognizing the potential influence of the Eastern establishment on the central bank, the Populists opposed the plan.

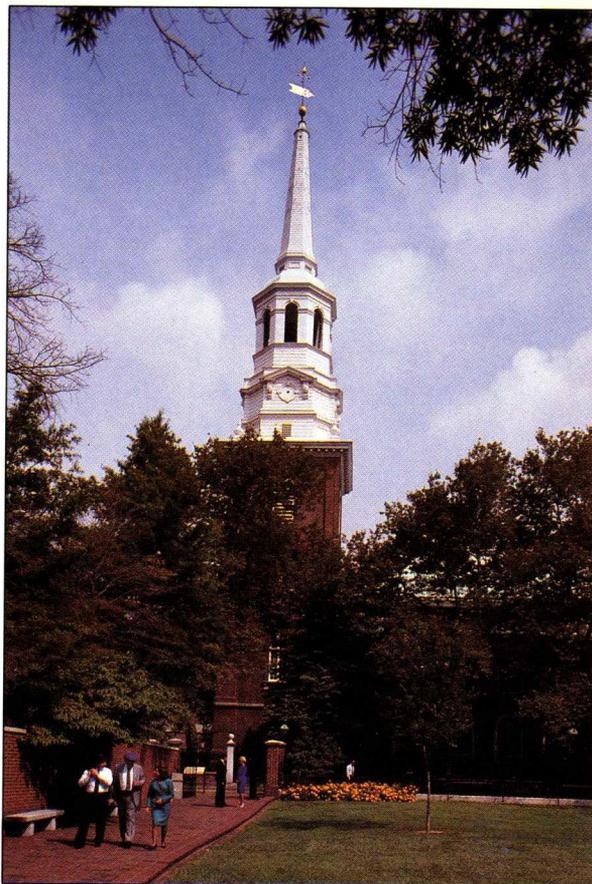
When Woodrow Wilson, himself a Populist reformer, began his campaign for the Presidency, he too opposed the establishment of a central bank. Wilson, however, gradually became convinced of

its potential benefits. Working with Congressman Carter Glass of Virginia and Senator Robert Owen of Oklahoma, he forged a compromise among the competing factions and interests.

The compromise so carefully and patiently woven by Wilson, Glass and Owen is the Federal Reserve System. The Fed was designed to be a “decentralized” central bank: a network of 12 regional banks, spread out over the entire country, each under the directorship of a cross-section of local leaders, and a Board of Governors in Washington to provide national coordination, public oversight and accountability to elected officials.

Today the Federal Reserve fills many different roles in the nation's financial system. Some are strikingly similar to those played by the First Bank of the United States 200 years ago; others have evolved with time and technology; still others are completely new.

Much like the First Bank, the Federal Reserve serves as the bank for the U.S. government and as a bankers' bank. Though airplanes and electronics have dramatically altered the nation's payments system, the Fed represents its core, just as the First Bank did. The Fed also is a regulator of commercial banks and bank holding companies.



**CHRIST CHURCH
OF PHILADELPHIA**

■ Second Street above Market

Christ Church, erected between 1727 and 1744, is the oldest Anglican church in Philadelphia. During that time, it was considered one of the largest buildings in North America. Among its congregation were many prominent individuals, including George Washington, John Adams and Benjamin Franklin. Several of the signers of the Declaration of Independence are buried in the churchyard, as well as in the church's own cemetery, located just a few blocks away. The church's beauty stems from its distinctive yet simple flavor. Its most impressive ornamentation includes a 500-year-old baptismal font used to baptize William Penn in England; a large Palladian window at the front, facing east; and an intricate 24-arm brass chandelier, which has hung from the center of the church since 1744. Its famed steeple measures 200 feet.

SECOND BANK OF THE UNITED STATES

■ Chestnut Street between Fourth and Fifth Streets

The Greek Revival style of the Second Bank is the outcome of one man's undertaking to satisfy the requirements of an architectural contest, announced in the Philadelphia Gazette in May 1818. The bank directors, who intended the Second Bank to restore the services of the First Bank of the United States, specified, rather loosely, that the new structure resemble Grecian architecture.

William Strickland, a young Philadelphian, won the contest and established himself as one of the leading architects of the time. The splendid building was then fully constructed by 1824.

The Second Bank was in operation only until 1836. Its demise started with President Andrew Jackson, who opposed it from the beginning on grounds that it held a monopoly over the nation's monetary system. He ultimately vetoed the bill to re-charter the Bank.

The Bank is now home to over 100 portraits of the nation's most eminent eighteenth-century men and women, painted by the great American artist, Charles Willson Peale (1741-1827). The portrait gallery also contains works by other artists, such as Gilbert Stuart, James and Ellen Sharples and James Claypoole, Jr.

The most striking change in American central banking over the last 200 years is the prominence to which it has risen. Unlike the First Bank, the Fed is acknowledged to be the nation's central bank. It is insulated from partisan political pressure, but clearly accountable to the Congress. Its monetary policy goals are defined in the Employment Act of 1946 and the Humphrey-Hawkins Act of 1978: to promote full employment, sustainable economic growth and stable prices.

At the same time, the Fed's regional structure ensures that the views of a broad spectrum of people from across the nation are brought to bear on these important economic decisions.

Central banking in the United States has evolved and adapted over the last two centuries. The modern-day Fed reflects both the lessons of history and the demands of a fast-changing economic and financial system.

Thus, American central banking moves into its third century with a sense both of history and the challenge that lies ahead.



THE ECONOMY OF OUR REGION
WHAT DID 1991 BRING US?
AND WHAT CAN WE LOOK FOR IN 1992?

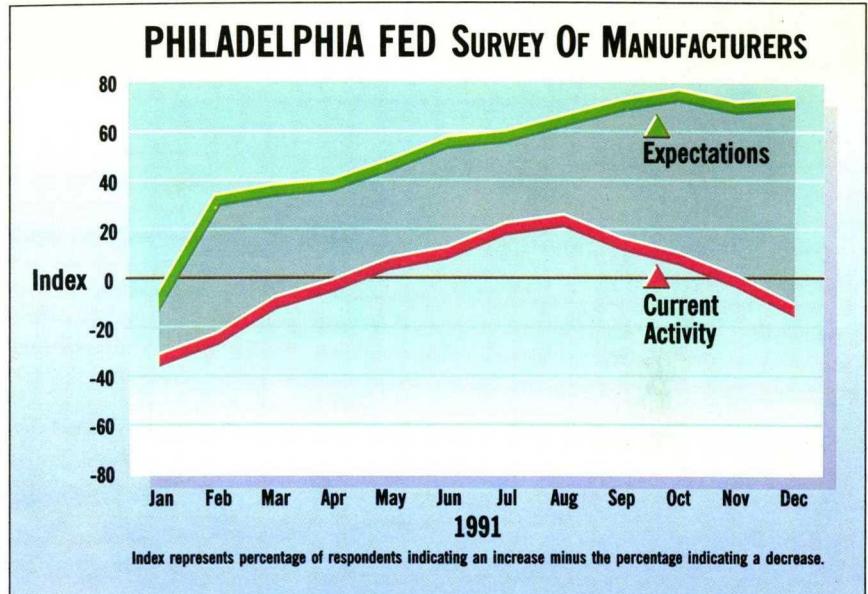
The region and the nation entered 1991 with the economy in recession and the threat of war looming in the Persian Gulf. The difficult task of tracking the economy amid a downturn was complicated even more by the crisis in the Gulf.

Despite uncertainties in the international situation, some faint signs of economic recovery began to appear early in the year. The quick end to war in the Middle East bolstered consumer confidence. There were expectations that this renewed confidence would reverse the sharp decline in consumer spending that had begun in the previous year. Indeed, retail sales showed measurable improvement in early spring, raising hopes of a consumer-led recovery.

Meanwhile, a less dramatic but nevertheless steady improvement was recorded in the housing industry. Housing permits in the region, which had generally been falling since 1988, bottomed out in the first months of the year and then turned up. Permits continued to increase through the year, although at a relatively slow pace. Few analysts, however, expect housing construction to return to the levels of the mid-1980s. Over the next 10 years, growth in the nation's population will slow; hence, the number of houses constructed will slow. In 1991, housing starts were much lower than their trend level, but mostly because of the recession.

By the spring of 1991 the industrial sector had also begun to show signs of new life. Expectations among the respondents to the Philadelphia Fed's *Business Outlook Survey*, a monthly survey of business conditions among manufacturers, rose sharply, and in May the index of current activity turned positive for the first time in more than a year. With stabilization in some sectors of the economy and improvement in others, new claims for unemployment insurance began to decline. Generally an early indicator of an economic turnaround, this development seemed to vindicate the rise in consumer confidence and improved business expectations.

By the fall, however, the hopeful signs in the economy began to fade. Consumer confidence fell back to the lows recorded during the Persian Gulf crisis. Holiday retail sales in the region were disappointing. Manufacturing gave up some of the advances made earlier in the year. The current activi-



ty index from our *Business Outlook Survey* turned negative again in November and December.

It was clear by year's end that the recovery that started in the spring had stalledled. Employment levels in most parts of the District were still above the lows of August or September, but they had moved very little since then. Expectations among the region's manufacturers were still high, and analysts were looking to mid-1992 for a sustained recovery.

The banking industry also felt the economic downturn in 1991. An oversupply of commercial office space, declining real estate values and job layoffs combined to increase non-performing loans. As the year drew to a close, some institutions saw their levels of problem loans receding and their profitability improving. A stronger economy in 1992 should help banks further improve their loan quality and earnings.

In 1991, Gary F. Simmerman was elected a Class A Director, replacing C.I. Costalas, and H. Bernard Lynch was elected a Class A Director, replacing Gary E. Burl.

James M. Mead was elected a Class B Director, replacing Charles F. Seymour.

Donald J. Kennedy was appointed a Class C Director, replacing Gunnar E. Sarsten, and Jane G. Pepper was appointed Deputy Chairperson.

Chairman
Peter A. Benoliel
Chairman
Quaker Chemical Corp.
Conshohocken, PA

Deputy Chairperson
Jane G. Pepper
President
The Pennsylvania Horticultural Society
Philadelphia, PA

Samuel A. McCullough
Chairman and Chief Executive Officer
Meridian Bank
Reading, PA

Gary F. Simmerman
President and Chief Executive Officer
United Jersey Bank/South, N.A.
Cherry Hill, NJ

H. Bernard Lynch
President and Chief Executive Officer
The First National Bank of Wyoming
Wyoming, DE

Nicholas Riso
Executive Vice President
Ahold U.S.A.
Harrisburg, PA

David W. Huggins
President
R M S Technologies, Inc.
Marlton, NJ

James M. Mead
President
Capital Blue Cross
Harrisburg, PA

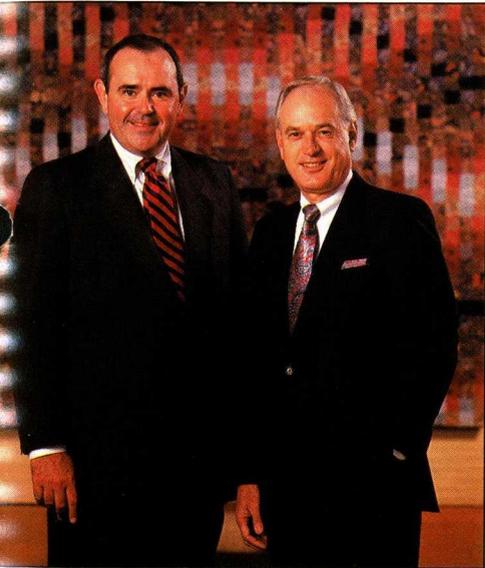
Donald J. Kennedy
Business Manager
International Brotherhood of
Electrical Workers
Trenton, NJ



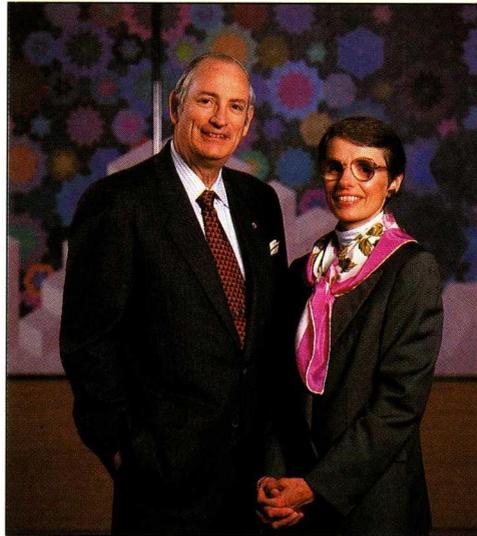
Nicholas Riso (left) and David W. Huggins (right)



H. Bernard Lynch (left), Donald J. Kennedy and Samuel A. McCullough



*James M. Mead (left) and
Gary F. Simmerman (right)*



*Peter A. Benoliel, Chairman,
and Jane G. Pepper, Deputy Chairperson*

In 1991, Patrick L. Donahue was promoted to Vice President of Business Development and Herbert E. Taylor moved up to Vice President and Secretary. In other official changes, Shirley L. Coker was promoted to Assistant Counsel; Eileen P. Adezio was appointed Budget Officer; John G. Bell was named Research Officer; Dean Croushore was promoted to Research Officer; Joseph L. McCann was named Administrative Services Officer; Alice J. Menzano was appointed Disaster-Recovery Planning and Quality Assurance Officer; and Loretta J. Mester was named Research Officer.

In changes of official assignment, Senior Vice President and Director of Research Richard W. Lang assumed oversight responsibility for both the Community and Consumer Affairs and Public Information departments. Assistant Vice President Alan L. Kiel returned to the Human Resources Department from an assignment in Contingency Planning, and Vice President J. Warren Bowman, Jr., assumed responsibility for Systems Development and Support in Computer Services and was appointed Data Security Officer.

Executive Vice President James F. Gaylord and Vice President and Secretary Lawrence C. Murdoch, Jr., both retired in 1991.

Edward G. Boehne
President

William H. Stone, Jr.
First Vice President

Donald F. Doros
Executive Vice President

Edward J. Coia
Senior Vice President

Thomas K. Desch
Senior Vice President
and Lending Officer

Peter M. DiPlacido
Senior Vice President

Richard W. Lang
Senior Vice President
and Director of Research

Ronald B. Lankford
Senior Vice President

Robert J. Bucco
Vice President

J. Warren Bowman, Jr.
Vice President

Robert A. Dobie
Vice President

Patrick L. Donahue
Vice President

William Evans, Jr.
Vice President

Joanna H. Frodin
Vice President
and Check Product Manager

Stephen M. Hoffman
Vice President

Jerry Katz
Vice President

Edward M. Mahon
Vice President and General Counsel

Frederick M. Manning
Vice President and
Community Affairs Officer

Stephen A. Meyer
Vice President and Associate
Director of Research

Donald J. McAneny
Vice President and General Auditor

Louis N. Sanfelice
Vice President

John B. Shaffer
Vice President

Milissa M. Tadeo
Vice President

Herbert E. Taylor
Vice President and Secretary

Vish P. Viswanathan
Deputy Check Product Manager

Eileen P. Adezio
Budget Officer

John G. Bell
Research Officer

Gerard A. Callanan
Assistant Vice President
and Planning Officer

Shirley L. Coker
Assistant Counsel

Michael E. Collins
Examination Review Officer

Theodore M. Crone
Assistant Vice President and Economist

Dean Croushore
Research Officer and Economist

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Arun Jain
Planning Officer

Henry T. Kern
Operations Officer

Alan L. Kiel
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Mary M. Labaree
Assistant General Auditor

Thomas P. Labinus
Assistant Vice President

Joseph L. McCann
Administrative Services Officer

Alice J. Menzano
Disaster-Recovery Planning and
Quality Assurance Officer

Loretta J. Mester
Research Officer and Economist

Edward Morrison
Systems Development Officer

Camille M. Ochman
Assistant Vice President

Patrick M. Regan
Assistant Vice President

Edward G. Rutizer
Assistant Vice President

Sherrill Shaffer
Assistant Vice President and Economist

Richard A. Sheaffer
Assistant Vice President

Ronald R. Sheldon
Assistant Vice President

Marie Tkaczyk
Assistant Vice President

Sharon N. Tomlinson
Assistant Vice President

Annie R. Ward
Fiscal Officer

Elizabeth S. Webb
Assistant Counsel

Bernard M. Wennemer
Assistant Vice President

Anthony J. White
Financial Services Officer

Richard A. Valente
Audit Officer

The Bank's four advisory councils meet regularly with senior officers to exchange information and discuss issues. The 1991 members of the advisory councils are listed below.

**COMMUNITY BANK
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Company of Hanover

Deputy Chairperson
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Schuylkill Haven Trust Co.

Arthur C. Annone
First State Bank

Gerard M. Banmiller
Community National Bank
of New Jersey

Frederick W. Bisbee
First National Trust Bank

Ronald C. Brown
The Yardville National Bank

Adolph F. Calovi
Sun National Bank

William W. Carlough
The First National Bank of
NJ/Salem

Robert E. Dickerson
Baltimore Trust Company

Agnes Jones
The Grange National Bank
of Susquehanna County

Robert Mazzei
Constitution Bank

Melvin Pankuch
Blue Ball National Bank

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ADVISORY COUNCIL**

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First Home Savings Bank, SLA

Deputy Chairman
Jack W. Shader, Sr.
Harris Savings Association

Ronald W. Bevan
Delaware Savings Bank, FBS

Gregory DiPaolo
South Jersey Savings and Loan
Association

Carl F. Gregory
Third Federal Savings and Loan
Association

John D. Hollenbach
First Federal Savings and Loan
Association

Gary L. Holman
Homestead Savings Association

Edward J. Molnar
Harleysville Savings Bank

Ellen Ann Roberts
First Financial Savings Bank,
PASA

Patricia A. Saunders
Morton Savings and Loan
Association

Joseph J. Tryon
Hatboro Federal Savings

Matthew T. Welde
Commonwealth Federal
Savings and Loan Association

**SMALL BUSINESS/
AGRICULTURE
ADVISORY COUNCIL**

Chairman
Gottfried Schweidler
Woodrite, Inc.

Deputy Chairman
Charles C. Bylone
Vineland Produce Auction

Marilyn Ababio
Paragon Uniforms

Donald Clark
Clark Seed Company

John L. Coates
Tri-County Hardware

Lozelle DeLuz
DeLuz Management

Thomas E. Holtzhauser
Holtzhauser Farms

Eleanor Marquisee
Arden Films & Video

Charles Patitucci
Patitucci Agency

John C. Simms, VMD
Burnt Mill Veterinary Center

Harold Schuler
Harold Schuler Farms

Larry R. Weaver
Weaver Farm

**CREDIT UNION
ADVISORY COUNCIL**

Chairperson
Rita L. Masselle, IMD
Federal Credit Union

Deputy Chairman
Robert W. Edmondson
Atlantic Employees
Federal Credit Union

Elisa P. Alexeeve
Trenton Auto Workers
Federal Credit Union

Martin J. Banecker
Campbell Employees
Federal Credit Union

Linda Blattenberger
Capital Health System
Credit Union

William Comrey
Pennsylvania Central
Federal Credit Union

Marvin Jones
Dow Jones Employees
Federal Credit Union

Anthony LaRosa
Police and Fire
Federal Credit Union

John H. Marsh
Jello Employees
Federal Credit Union

Shirlee Nicolino
Merck Sharp & Dohme
Federal Credit Union

JoAnne Simpson
Chryco Newark
Federal Credit Union

Thomas Swierzy
SmithKline Employees
Federal Credit Union

STATEMENT OF CONDITION

ASSETS

	DECEMBER 31, 1991	DECEMBER 31, 1990
Gold certificate account	\$ 318,000,000	\$ 384,000,000
Special drawing rights certificates	319,000,000	319,000,000
Other cash-coin	39,844,938	30,928,799
Loans and securities:		
Discounts and advances	45,290,000	24,375,000
Federal Agency obligations	159,714,271	184,681,067
U.S. government securities	7,041,384,541	6,846,363,252
Total loans and securities	<u>\$ 7,246,388,812</u>	<u>\$7,055,419,319</u>
Other assets:		
Cash items in process of collection	592,229,058	527,316,353
Bank premises-net	44,271,308	44,951,528
Operating equipment-net	16,706,557	15,521,947
Foreign currencies	1,312,235,000	1,468,440,000
All other	128,912,896	163,169,702
Interdistrict settlement account	3,171,568,487	(701,622,953)
Total assets	<u><u>\$13,189,157,055</u></u>	<u><u>\$9,307,124,695</u></u>

LIABILITIES AND CAPITAL ACCOUNTS

Note liabilities:		
Federal Reserve notes	\$10,872,446,355	\$7,077,839,408
Deposits:		
Depository institutions' reserves	1,469,840,995	1,773,896,908
Foreign	7,125,000	6,750,000
Other	73,648,540*	1,712,685
Total deposits	<u>\$ 1,550,614,535</u>	<u>\$1,782,359,593</u>
Other liabilities:		
Deferred availability cash items	489,958,715	132,244,127
All other	65,936,450	84,333,567
Total liabilities	<u>\$12,978,956,055</u>	<u>\$9,076,776,695</u>
Capital accounts:		
Capital paid in	105,100,500	115,174,000
Surplus	105,100,500	115,174,000
Total liabilities and capital	<u><u>\$13,189,157,055</u></u>	<u><u>\$9,307,124,695</u></u>

* Includes payable due to treasury.

EARNINGS AND EXPENSES

	1991	1990
Current earnings:		
From U.S. government securities	\$522,542,526	\$577,158,997
From discounts, advances and miscellaneous sources	119,510,419	119,715,469
From services to depository institutions	37,861,697	34,801,129
Total current earnings	<u>\$679,914,642</u>	<u>\$731,675,595</u>
Net expenses:		
Operating expenses (after deducting reimbursable expenses)	65,253,442	71,613,230
Cost of earnings credits	13,986,254	12,304,551
Total net expenses	<u>\$ 79,239,696</u>	<u>\$ 83,917,781</u>
Current net earnings	\$600,674,946	\$647,757,814
Additions to current net earnings:		
Gain on sales of government securities	3,632,617	1,832,900
Gain on foreign currency transactions	15,218,772	96,272,600
Miscellaneous non/operating income	3,603	3,128
Total additions	<u>\$ 18,854,992</u>	<u>\$ 98,108,628</u>
Deductions from current net earnings:		
Assessment by the Board of Governors:		
Board expenditures	4,818,600	4,531,200
Federal Reserve currency	6,912,056	6,150,167
Miscellaneous non/operating expenses	11,953,915*	14,620,193*
Total deductions	<u>\$ 23,684,571</u>	<u>\$ 25,301,560</u>
Net additions/(deductions)	(<u>\$ 4,829,579</u>)	<u>\$ 72,807,068</u>
Net earnings before payment to U.S. Treasury	<u>\$595,845,367</u>	<u>\$720,564,882</u>
Distribution of earnings:		
Dividends paid	\$ 6,134,888	\$6,268,895
Paid to U.S. Treasury (interest on FR notes)	599,783,979	699,100,887
Retained to equate surplus to capital	<u>(10,073,500)</u>	<u>15,195,100</u>
Net earnings	<u>\$595,845,367</u>	<u>\$720,564,882</u>

* Includes nonreimbursed Treasury services.

OPERATING STATISTICS

	1991	1990
Millions of dollars		
Loans to depository institutions	\$ 2,468	\$ 4,172
Currency received and counted	11,465	12,448
Coin received and counted	103	179
Checks handled:		
U.S. government	28,308	29,205
All other	1,213,181	1,109,841
Issues, redemptions and exchanges of		
U.S. government securities	6,741,355	4,745,465
Transfers of funds	16,715,893	18,478,987
Food stamps redeemed	655	564
Thousands of items processed		
Loans to depository institutions	1,046*	1,469*
Currency received and counted	976,555	1,078,620
Coin received and counted	150	239
Checks handled:		
U.S. government	23,889	26,440
All other	1,135,187	1,053,180
Issues, redemptions and exchanges of		
U.S. government securities	3,638	2,862
Transfers of funds	4,993	5,045
Food stamps redeemed	130,855	114,788

* Unrounded data

LIST OF PARTICIPANTS IN PHOTOGRAPHS

The following employees appeared in the previous pages. Names are in alphabetical order.

<i>Michele Anderson</i> Unit Head Fiscal	<i>Mary Leecan</i> Disbursements/Payroll Supervisor Accounting	<i>Larona Paige</i> Staff Assistant Public Information
<i>Deborah Casperson</i> Unit Head Fiscal	<i>Patricia Lenar</i> Customer Service Representative Business Development	<i>Carol H. Renzetti</i> Public Information Representative Public Information
<i>Dannette Pooré-Clark</i> Senior Trainer Human Resources	<i>Paul Lerario</i> Senior Guard General Administrative Services	<i>Keith Rolland</i> Senior Community Affairs Specialist Community and Consumer Affairs
<i>Michael Collins</i> Examination Review Officer Supervision and Regulation	<i>Priscilla Lynch</i> Fedline Support Analyst Electronic Payments	<i>Willis A. Ross</i> Network Support Technician Computer Services
<i>Rosanna Crosier</i> Senior Credit Analyst Credit	<i>Rossana Mancini</i> Communications Representative Public Information	<i>Anthony T. Scafide, Jr.</i> Manager Accounting
<i>Carolyn Cummings</i> Budget Reporting Clerk Business Planning and Budgets	<i>Larry Mazzu</i> Director of Employee Relations Human Resources	<i>Virginia Schaeffer</i> Senior Network Terminal Operator Computer Services
<i>Idell L. Gadsden</i> Check Processing Clerk Check Operations	<i>Ed McCool</i> Control Teller Cash	<i>Richard A. Sheaffer</i> Assistant Vice President
<i>Charles Hagelgans</i> Supervisor Fiscal	<i>Lawrence C. Murdoch, Jr.</i> Vice President and Secretary	<i>Dennis Stevenson</i> Unit Head Fiscal
<i>Steven Inzaina</i> Coordinator of Deposits Financial Statistics	<i>Leonard Nakamura</i> Senior Economist Economic Research	<i>Patrick F. Stone</i> Lithographer General Administrative Services
<i>Eric Jefferson</i> Treasury Direct Correspondence Clerk Fiscal	<i>Stanley Omietanski</i> Treasury Direct Support Clerk Fiscal	<i>Elizabeth S. Webb</i> Assistant Counsel Legal
<i>Oliver Thomas Jessup, Jr.</i> Check Adjustments Clerk Check Operations		<i>Fran Williams</i> Section Head Cash
<i>Julianne S. Keller</i> Assistant to the Corporate Secretary Executive Office		<i>Wayne Wilson</i> Supervisor Audit
<i>Henrietta C. Kiel</i> Public Information Representative Public Information		

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