1974 Annual Report

FEDERAL RESERVE BANK OF RICHMOND

60th Anniversary
1914 - 1974

FEDERAL RESERVE BANK OF RICHMOND

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TO OUR MEMBER BANKS:

We are pleased to present the 1974 Annual Report of the Federal Reserve Bank of Richmond. The Report's feature article reviews developments in commercial banking during 1974. The Report also includes highlights of the year, a summary of operations, comparative financial statements, and current lists of directors and officers of our Richmond, Baltimore, Charlotte, Columbia, and Culpeper offices.

On behalf of our directors and staff, we wish to thank you for the cooperation and support you have extended to us throughout the past year.

Sincerely yours,

Robert W. Lawson, Jr.

Chairman of the Board

Robt P. Black

President

BANKING DEVELOPMENTS IN 1974

Economic conditions in the United States during the past year were characterized by the anomalous combination of declining real output and rapid price inflation. The pattern of growth and prosperity experienced by the U. S. economy since 1971 was abruptly interrupted at the beginning of the year. Real gross national product turned downward, following declines in industrial production, residential construction, and expenditures for personal consumption. Some observers postulated early in the year that this slowdown was primarily the result of the oil embargo and shortages in supplies of other basic raw materials, and that once these supply constraints were broken the economy would promptly rebound. Subsequent developments proved this expectation to be overly optimistic.

The persistent and rapid inflation of the preceding year carried over into 1974 at an accelerating pace, and this development dominated the year's economic experience. Severe price increases sharply eroded consumer purchasing power, artificially inflated corporate profits, and distorted financial relationships. The resulting mood of uncertainty impaired both consumer and business confidence and confused economic decision making. This last effect of inflation had an especially adverse impact upon the investment plans of businesses.

In spite of a declining economy, aggregate demand for credit was strong in 1974, and based on preliminary data it is estimated that $175.7 billion in funds were raised by individuals, businesses, and government. This represents a decline of only 6.2 percent from the $187.4 billion raised in 1973. Although weakness in residential construction and lassitude in consumer durable spending tended to depress credit demand, the needs of nonfinancial businesses, influenced in no small degree by rapidly rising prices, compensated for lack of vigor in other areas. In fact nonfinancial businesses raised a record $85.4 billion in funds during the year, and this in spite of the fixed investment cancellations announced by many firms.

The persistence and intensification of inflation in the face of an economic contraction, concurrent with strong demand in the credit markets, considerably complicated the policy problem of the Federal Reserve. Early in the year, the nation's central bank wrestled with the problems of excessive growth in the monetary and credit aggregates, mounting pressures in credit markets that threatened financial stability, and the erosion of the liquidity positions of some key financial and nonfinancial businesses. By mid-year, growth in the monetary aggregates had been brought back to a moderate path, but many interest rates were at record high levels and liquidity in the business sector, including both financial and nonfinancial businesses, had been significantly reduced. In the summer months, with money and credit showing only sluggish growth in the face of a continuing decline in output, monetary policy was moved into a slightly more accommodative posture. Reserve supplying operations were stepped up and interest rate pressures peaked out. Key short-term rates retreated from the record levels of mid-summer and the tone of bond markets improved perceptibly. This gradual easing trend in policy continued through the remainder of the year, capped off with small reductions in reserve requirements and in the discount rate in late November and early December. By year-end money and credit growth had resumed a moderate path and interest rates were 100 to 400 basis points below their mid-summer levels.

As one would expect, the unusual complex of economic and financial problems in 1974 posed a major challenge to the commercial banking system as well. Faced with inflation-swollen demands for credit, with portfolio problems seriously aggravated by the sharp rise in interest rates and by a liquidity squeeze on many of its loan customers, and with its own liquidity problems, the banking industry was forced by circumstances and events to reevaluate certain aspects of its philosophy of management. Accordingly, a review of banking developments during the year offers an opportunity for insights into the evolutionary process by which commercial banking changes and matures. It is quite probable that the lessons learned in 1974 will exercise an important influence on the future course of bank behavior.

The Role of Commercial Banks The commercial banking system is the primary vehicle through which the effects of monetary policy are channeled to the rest of the economy. Encouraged by opportunities for growth and profit in a highly dynamic economy, commercial banks have responded positively and aggressively to the increasing demands placed upon them in recent years. During the four-year period 1970-73, these institutions provided over 40 percent of the $602.4 billion raised by nonfinancial borrowers in credit markets. In recent years, however, some basic questions have been raised, among both bankers and bank regulators, concerning the way in which commercial banks supported this expansion. These questions relate chiefly to the potential for liquidity problems inherent in the practice of liabilities management and penetrate the basic philosophy of modern banking. Economic and financial market conditions during 1974 provided a strong catalyst for this fundamental questioning.

Demand and time deposits[1] constitute the liability foundation upon which commercial banks traditionally have operated. When bank credit expansion exceeds growth in this traditional deposit base, as it has recently done, a liability gap develops that must be filled. For example, in 1973 the commercial banking system's traditional deposit base increased by an average of $42.3 billion, while bank credit increased by an average of $81.3 billion. Thus the difference between the increase in bank credit and the expansion in the traditional deposit base amounted to $39.0 billion. In recent years, liabilities management has become a primary method used within the banking system to support asset expansion at a rate faster than growth in the traditional deposit base, and 1974 was no exception in this regard. For the most part, liabilities management has involved aggressive efforts on the part of banks to raise funds through the issue of obligations that differ in some important respects from traditional demand and time deposit liabilities. More concretely, banks have actively sought to raise funds through the purchase of short-term money in the form of Federal funds, through use of the Federal Reserve's discount window to the extent permissible and through the sale of a diversified set of market instruments such as CD's and commercial paper. Large money market banks have also borrowed heavily in the Eurodollar market. Nor is the quest for funds confined to the short-term area. Banks generally have demonstrated great resourcefulness in designing new instruments for tapping the market for intermediate- and long-term consumer savings as well as intermediate- and long-term funds of businesses, institutional investors, and state and local governments.

[1] The demand deposit component of the traditional deposit base is defined to include demand deposits at all commercial banks other than those due to domestic commercial banks and the U. S. Government, less cash items in the process of collection and Federal Reserve float. The time deposit component includes commercial bank savings deposits, time deposits open account, and time certificates of deposit other than negotiable time certificates of deposit issued in denominations of $100,000 or more.

The banking system's access to both national and international money and capital markets has been greatly enhanced as a result of the bank holding company movement. Bank holding companies, which increased in number from less than 100 at year-end 1969 to over 1,600 at year-end 1973, are able, because of their size and financial stature, to tap sources of funds that are not accessible to smaller institutions. These funds are in turn channeled to holding company affiliates for use. Many of the innovative methods developed to raise new liabilities have originated at the holding company level; and one such device, the floating-rate note, was introduced in 1974. During the year, these debt securities were offered as the uninsured and unsecured obligations of a number of bank holding companies. As such, they were unsuitable for all but the strongest and best known debtors. It is estimated that approximately $1.1 billion in funds was raised by bank holding companies through the floating-rate note device during 1974.

Liabilities management has been widely practiced since the early 1960's. Over the years it has come to be viewed with such acceptance and confidence that it has been extended to encompass not only current asset expansion but also future asset expansion. In other words, forward commitments to extend credit are made without firm knowledge of the financial environment in which the supporting liability solicitation will take place. In recent years, loan commitments having indeterminate take-down patterns were aggressively assumed by banks and carried at nominal expense to the potential borrower under the assumption that future liabilities would be readily available at acceptable cost. This concept of forward commitments proved incompatible with the market conditions faced by many banks in 1974. One result of the tension created by this situation in the past year has been increased awareness of the need for prudent managment of asset portfolios.

The question of the extent to which banks can safely rely for liquidity on liabilities management leads naturally to the related issue of capital adequacy. Over the period 1970-73, while total assets at all commercial banks were rising 56 percent (from $536 billion to $836 billion), equity capital increased by only 42 percent. Consequently equity capital as a percent of total assets fell from 7.1 percent at year-end 1969 to 6.5 percent at year-end 1973. Many banks have attempted to offset this decline in the equity ratio through the use of such senior debt instruments as capital debentures. But experience in 1974 demonstrated that senior debt is only an imperfect substitute for equity capital. Access to the debt capital markets became quite restricted, emphasizing to many bankers that conditions of limited availability can completely frustrate last minute plans to improve capital ratios. Bank capital structure is a particularly important consideration in a context of rapid asset expansion sustained mainly by a similarly rapid expansion in volatile short-term liabilities.

Bank Credit in 1974 Bank credit, or loans and investments of commercial banks, expanded slowly in January but accelerated quickly thereafter. It advanced at an annual rate of 17.3 percent during the first quarter, slowing to 11.8 percent in the second quarter. This slowing trend continued, and the third and fourth quarters showed annual rates of change of 5.6 and —2.5 percent, respectively. For the year, bank credit expanded at an annual rate of 8.2 percent. Growth in loans led the increase in bank credit through the year and exhibited its greatest strength in the March-April and July-August periods. Bank investment portfolios, after a relatively rapid early year growth associated with widespread expectations of interest rate declines, were adjusted downward to accommodate heavy loan demand.

The overall expansion in credit started slowly as banks faced slack loan demand at the beginning of the year and consequently increased their holdings of U. S. Treasury and other securities. In March, however, as loan demand accelerated with unexpected vigor and interest rates began to move sharply upward, bank funds were directed away from securities and into loans. Strength in the demand for loans persisted through most of the year and became a major factor influencing the composition of bank credit over the year. The chief impetus behind this loan demand came from the business sector.

Early in the year, responding to widespread anticipations of easing in credit markets as economic activity fell off, banks stepped up their acquisitions of securities. As the year progressed, Treasury securities especially were allowed to run off to the extent that in September holdings were below the year-end 1973 level. These securities were displaced in bank portfolios by higher-yielding loans and investments.

In addition to burgeoning loan demand, several other factors played a role in this sizable shift by banks from Treasury securities to loans. The practice of liabilities management has, for instance, reduced bank reliance on Treasury securities as a source of short-term liquidity. Also, the provisions of the Tax Reform Act of 1969 require that capital gains be treated as ordinary income for tax purposes, reducing the attractiveness of Treasury securities as speculative investments. Moreover, during the first half of 1974 banks began to show a renewed interest in tax-exempt securities. Market rates on issues of state and local governments rose rapidly after March, making these tax-free yields attractive alternatives to other sources of investment income. By the third quarter, however, loan demand intensified to such a degree that banks allowed their holdings of state and local government issues to level off.

Loan Portfolios The extraordinary increase in bank loans had a decidedly different composition from increases in previous years. As mentioned earlier, inflation, high interest rates, and the depressed state of the economy had an especially adverse impact upon the residential construction industry, where activity was reduced by about one-half from peak 1973 levels. The combined effects of higher prices of homes, high interest rates, and scarcity of mortgage funds led to a sharp fall-off in housing sales and new starts. Consequently, real estate loans declined. For all commercial banks, such loans had increased by $19.6 billion in 1973, but they rose by only $11.8 billion in 1974. Because of the decisive and prolonged effect of inflation upon consumer spending, instalment loans also stagnated. After growing by $10.5 billion in 1973, they increased by only $2.9 billion in 1974.

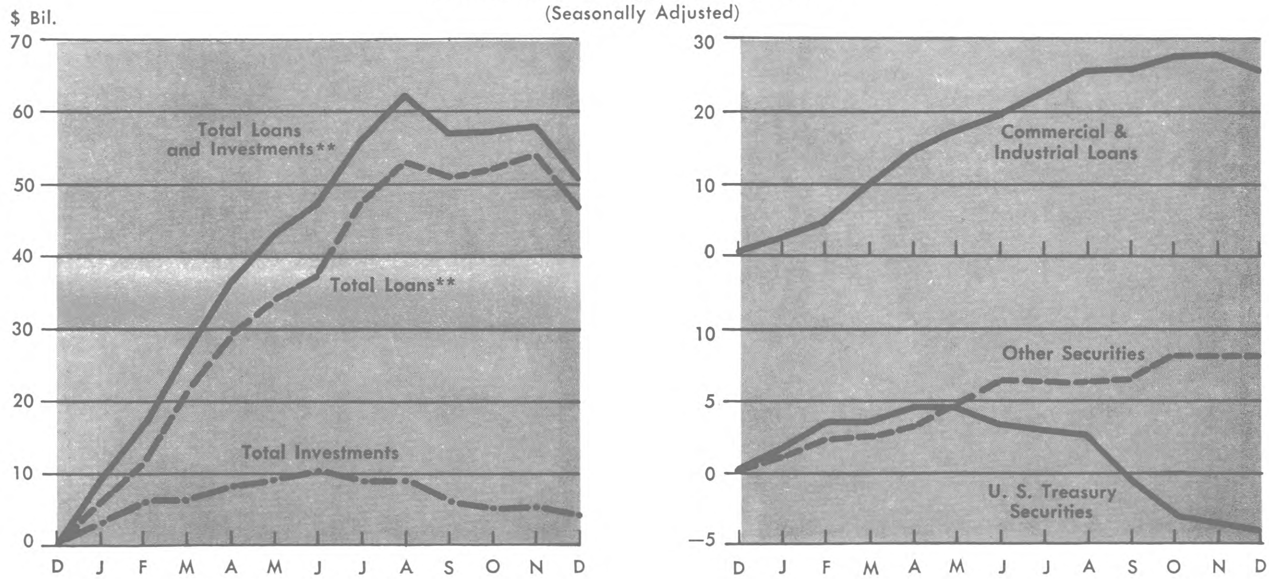
Business loans played the dominant role in bank credit expansion during the year. The ubiquitous effects of inflation were a strong influence behind business loan demand, although several other factors also contributed to the strength. The financing of physical inventory at given levels required more credit because of sharply rising prices. There is also evidence that some businesses engaged in anticipatory inventory accumulation as a hedge against further price increases and material shortages. Depressed sales and poor earnings performance may also have forced some businesses to seek bank financing for working capital requirements previously supported from cash flow. A number of businesses, especially

Chart 1

BANK CREDIT AT ALL COMMERCIAL BANKS*

Cumulative Change from 12-31-73

(Seasonally Adjusted)



*Data for July-December are preliminary.

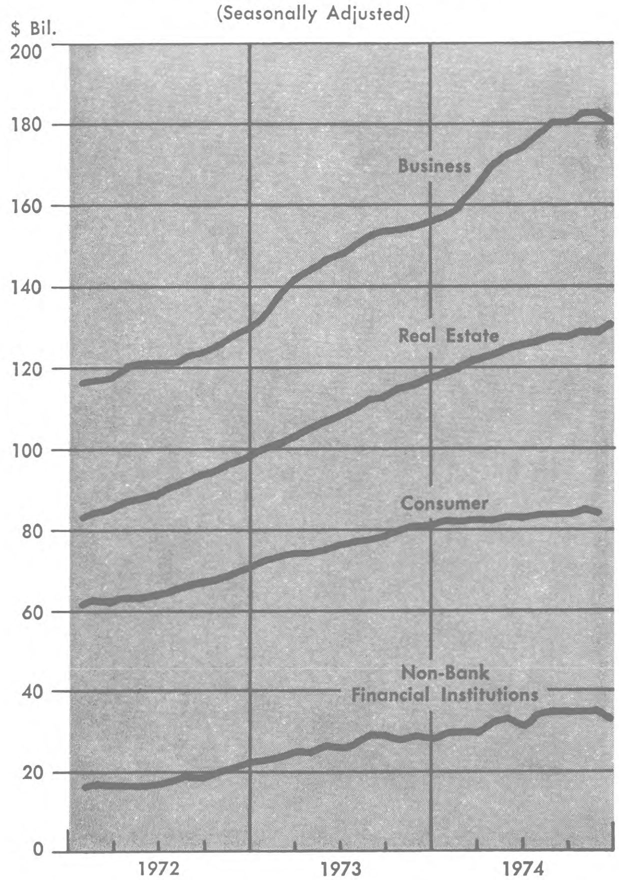
**Exclusive of domestic commercial interbank loans.

Source: Board of Governors of the Federal Reserve System.

Chart 2

SELECTED LOANS AT ALL COMMERCIAL BANKS*

(Seasonally Adjusted)



*Data for July-December 1974 are preliminary.

Source: Board of Governors of the Federal Reserve System.

public utilities, were precluded or discouraged from pursuing capital financing plans as long-term rates increased and the equity markets remained depressed. This increased the demand for term financing at banks.

Normally, of course, the banking system is called upon to satisfy only part of the short-term credit needs of business, commercial paper playing another important role. Through much of the first part of the year, however, commercial paper rates exceeded the prime rate by a significant amount and banks were a preferred source of short-term business credit. Near the end of the first quarter, moreover, long-term interest rates began to rise, discouraging the bond financing plans of some businesses, while depressed conditions in the stock market made equity financing increasingly expensive. Because of the energy crisis and a highly publicized dividend omission by an industry leader in April, public utilities, especially, found their access to equity financing severely restricted. As a result of this combination of circumstances, business loan volume rose sharply in March, the $5.6 billion increase representing the largest monthly advance on record. This was followed in April by another large monthly gain of $4.4 billion.

As news of business difficulties in some quarters spread during the year, investors developed an increasing aversion to risk and resistance toward investment in all but the most highly regarded commercial paper. Thus, even though the interest rate differential between the prime and commercial paper rates narrowed in April, many businesses and nonbank financial institutions that had hitherto relied on the commercial paper market found that they could no longer raise needed funds from that source. Hence, short-term loan demand of both nonfinancial and financial businesses tended to concentrate at commercial banks. Not until late October, when the commercial paper rate fell more quickly than a lagging prime rate, did some corporations successfully begin moving out of bank loans and back into paper.

As increases in credit supplies lagged behind growing loan demands, aggressive bidding for funds and a growing risk aversion among investors pushed interest rates to record levels by late spring. Banks faced these high rates, and occasional investor resistance, along with other short-term borrowers. Some banks, including a few large regional institutions, found themselves in a tight liquidity squeeze and the banking community in general began to manifest a new spirit of caution toward assuming short-term liabilities. Especially at the large regional banks, loan applications began to be subjected to a more searching scrutiny and customers at these institutions came to be turned away with increasing frequency. As a result, loan demand tended to shift increasingly to the large money center banks that retained the ability to tap money markets here and abroad. Hence, during the year the distribution of loans between the money center banks and the regional banks was significantly affected.

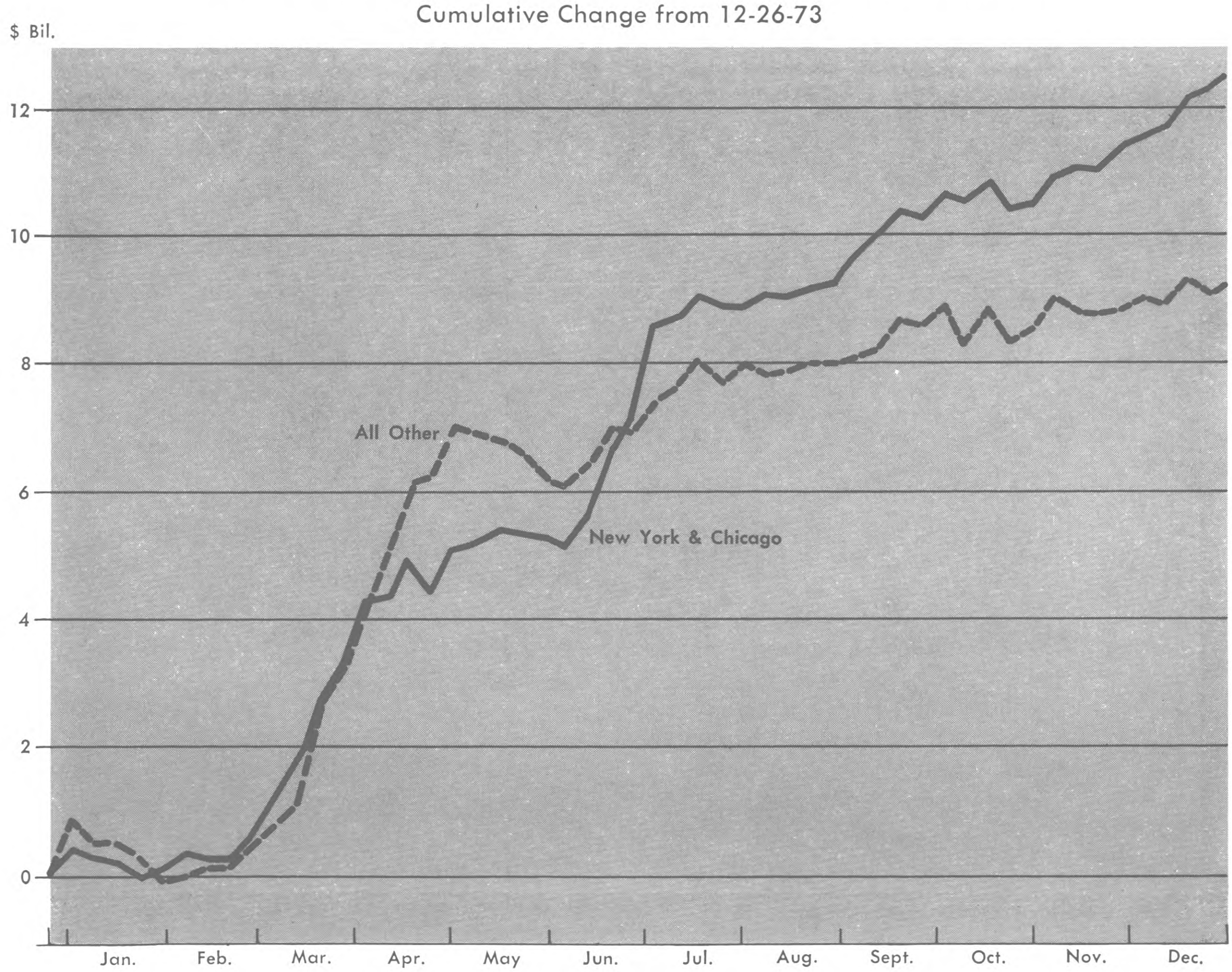
The Money Center Banks As noted earlier, the relative importance of money center and regional banks as suppliers of loan funds underwent a change, however temporary, during the year, with money center banks handling a larger share of total business loan demand. This shift developed when some regional institutions began to face uncongenial conditions in the market for large negotiable time certificates of deposit. Commercial and industrial loans of large regional banks increased by $7 billion from December 1973 through June 1974 compared with an increase of $6.5 billion at large banks in New York and Chicago. In the third quarter, however, business loans at the large regional institutions increased by only $1.7 billion while similar loans at the money center banks rose $4.0 billion. Hence, while the general pace of lending slowed at all banks, the slowing was accompanied by a clear shift from the regional to the money center banks and the latter group tended, at least in 1974, to dominate and increase their share of the national business loan market.

The money center banks reacted to the intensified loan demand they confronted by conservatively reevaluating their ability to supply the huge credit needs of business. Evidence of this is reflected in the action of a leading New York City bank, taken in September, to raise by 50 percent its fees for loan commitments to large corporations. This action, which was followed by a number of other large institutions, signaled the first such increase by the banking industry since 1969. It was accompanied by statements suggesting that the primary intent of the change was to decrease demand for loan commit-

Chart 3a

COMMERCIAL AND INDUSTRIAL LOANS AT LARGE COMMERCIAL BANKS

Cumulative Change from 12-26-73



Source: Board of Governors of the Federal Reserve System.

ments, not to increase income. Further, several other large banks, including the nation's largest, announced official policies aimed at slowing their recent high rates of asset expansion.

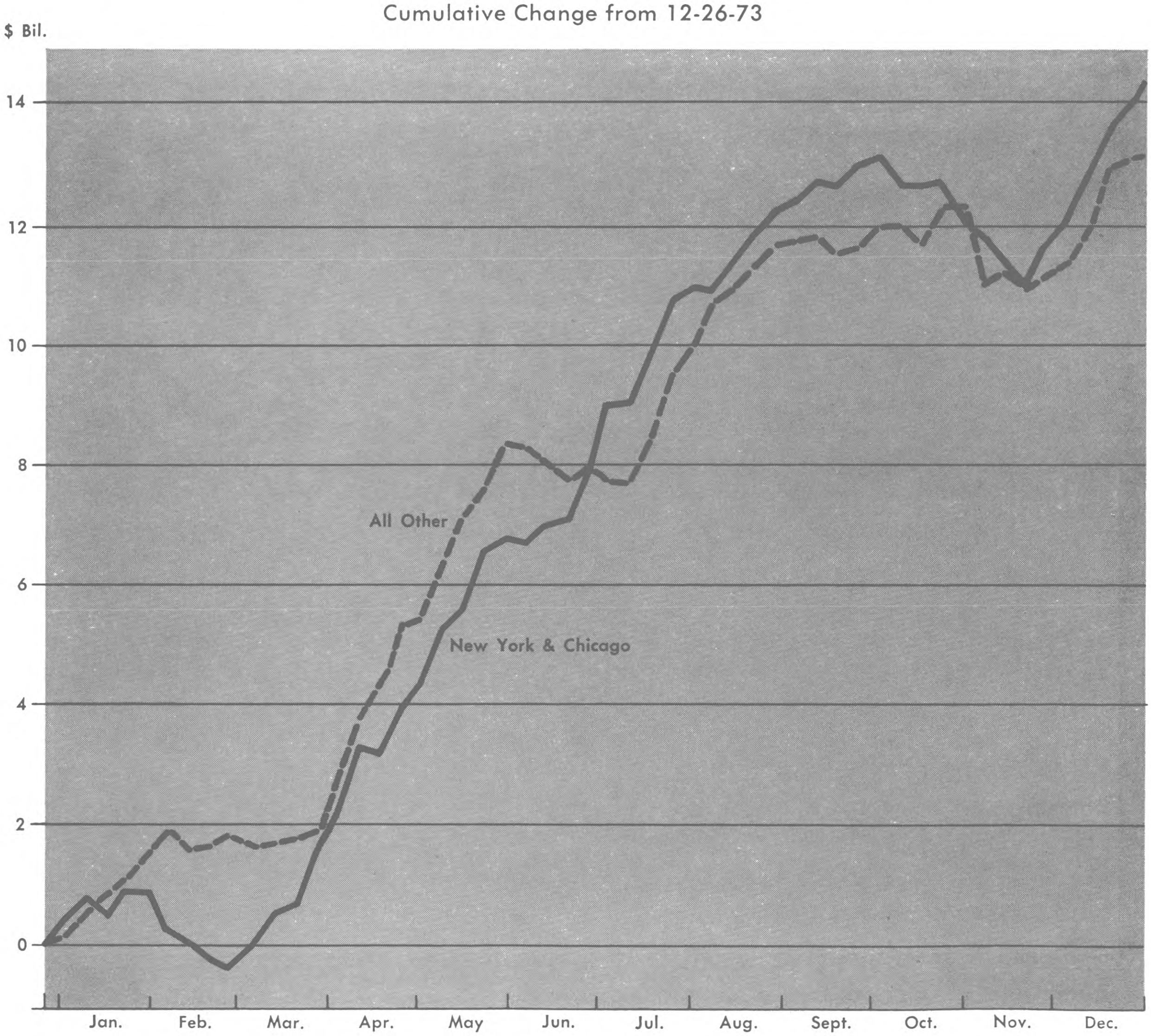
In the fourth quarter changes in bank pricing policies appeared that provide additional evidence of an industry-wide attempt to slow the pace of asset expansion and also to bolster declining capital ratios. The prime rate began to decline in October but not nearly as fast as other money market rates, and it fell in an unusual pattern of uneven steps that opened gaps of as much as 50 basis points between competitors. Wider profit margins on loans were clearly being sought, both to reduce demand and to provide an internal source of funds to supplement capital positions.

Sources of Bank Loan Funds In the first several months of 1974, banks were able to support asset growth largely through normal increases in the traditional deposit base. As the components of this deposit base responded to restrictive monetary policy,

Chart 3b

LARGE NEGOTIABLE TIME CERTIFICATES OF DEPOSITS AT LARGE COMMERCIAL BANKS

Cumulative Change from 12-26-73



Source: Board of Governors of the Federal Reserve System.

however, the banking system was under an increasing incentive to tap supplementary sources of funds. The demand deposit component increased vigorously in February and March but slowed thereafter except for another strong increase in June. For the year as a whole, demand deposits rose by an average of $8.8 billion. Increases in net time deposits also showed a general slowing during the first three quarters, although strong gains were experienced in January, February, and June. In the fourth quarter a sustained recovery began as yields on market instruments fell closer into line with ceilings on consumer-type deposits. The average increase in time deposits for the year amounted to $32.0 billion. Thus, the total traditional deposit base increased by $40.8 billion. Since bank credit expanded by an average of $69.8 billion, the banking system had to raise approximately $29.0 billion from other sources.

Banks accomplished this by borrowing more heavily from foreign branches, selling assets to holding companies, borrowing at the discount window, and, most importantly, issuing large denomination negotiable time certificates of deposit. Trading in Federal funds also increased. Net purchases of Federal funds for a sample of large member banks increased from a yearly average of $9.6 billion in 1973 to $14.2 billion in 1974. Heavy reliance upon Federal funds purchases drew the concern of bank regulators, and in September the Comptroller of the Currency's office emphasized the need for caution in this area.

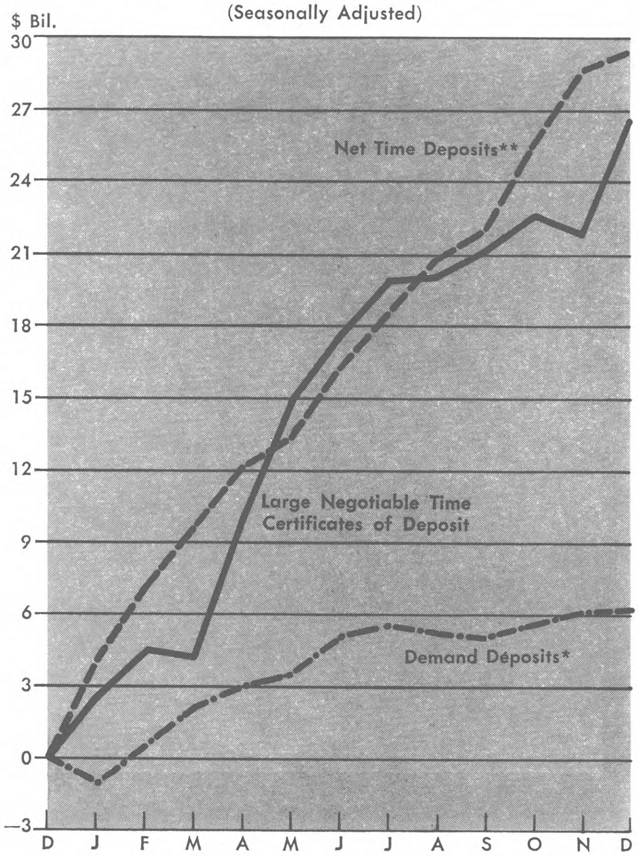
Expansion of large CD's began slowly early in the year, and outstandings at money center banks actually declined in February. With the appearance of heavy loan demand, however, banks marketed new CD's aggressively. Through June, the large regional banks had expanded their large-denomination CD liabilities by $8.1 billion while money center institutions had increased theirs by $7.3 billion. The money center institutions, however, became more active than the regional institutions in the CD market after mid-year, when business loan demand that could not be accommodated at regional banks was channeled to them. As a group, large banks expanded their average holdings of CD's by $20.1 billion in 1974, compared to $22.0 billion in 1973. Only banks in the over one billion dollar asset category relied on CD financing to a greater extent in 1974 than in 1973. These larger banks increased their average CD liabilities by

Chart 4

SELECTED DEPOSITS AT ALL COMMERCIAL BANKS

Cumulative Change from 12-73

(Seasonally Adjusted)



*Private demand deposits less cash items in the process of collection and Federal Reserve float, plus foreign demand balances at Federal Reserve Banks.

**Time deposits other than negotiable time certificates of deposit issued in denominations of $100,000 or more by large weekly reporting banks.

Source: Board of Governors of the Federal Reserve System.

$15.9 billion in 1974 versus $15.2 billion in 1973. Consequently, the share of CD outstandings at banks in the over one billion dollar asset category increased to 69.2 percent in 1974 from 66.0 percent in 1973.

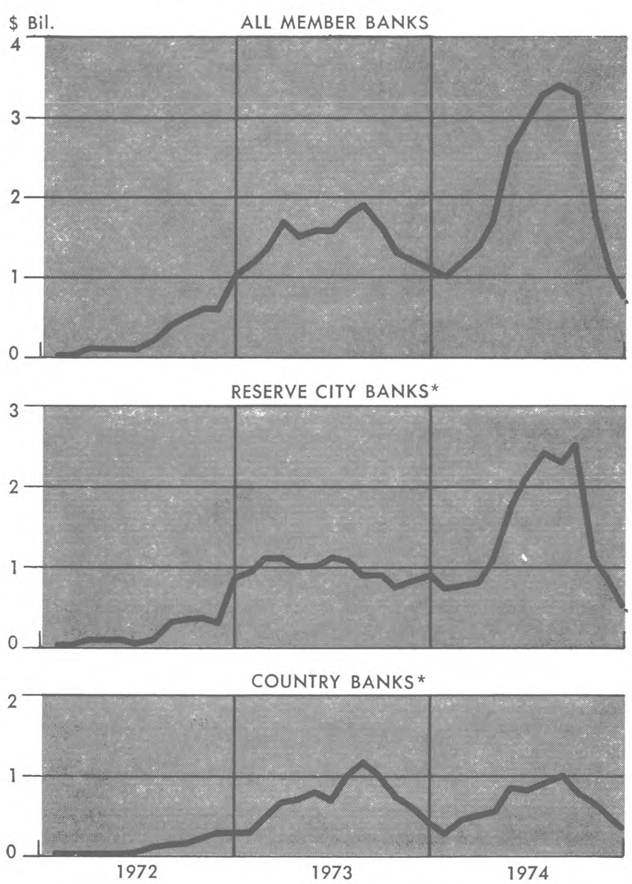
Liabilities Maturities and Liquidity Pressures

For several years now, the maturities of large denomination bank CD's have tended to become shorter. The average maturity has fallen from 3.4 months in January of 1972 to 2.1 months in January of 1974, a level at which it appears to have stabilized. This development has raised questions about the appropriateness of the CD as an instrument for financing longer-term bank assets. Since the relatively shorter-term CD's must be periodically rolled over in a market that can be vulnerable to sudden shifts in investor attitudes, the risks in such financing can be substantial. Recognizing this, the Federal Reserve on September 4 acted to encourage the lengthening of CD maturities. It announced the removal of the 3 percent marginal reserve requirement on member banks' large denomination CD's with initial maturities of four months or longer, with the full reserve requirement of 8 percent continuing to apply to those instruments with maturities of less than four months. This action provided banks with an incentive to lengthen the maturities of their CD's by lowering somewhat the relative cost of longer-term CD liabilities. A further restructuring of reserve requirements, designed mainly to help meet the end-of-year seasonal need for bank credit and to improve the liquidity of the banking system, was announced on November 13. Among other things, this restructuring removed the remaining marginal reserve requirement of 3 percent on large CD's issued to mature in less than four months and reduced from 5 to 3 percent the reserve requirement on *all* time deposits with an initial maturity of 4 months or longer. A modification of this action was announced on November 18. It changed the maturity break established in the previous announcement from 4 months to 6 months, thus providing encouragement to banks to seek even longer-term deposits.

Chart 5

BORROWINGS OF MEMBER BANKS

(Monthly Averages of Daily Figures)



*Following the designation used for reserve requirement purposes prior to November 9, 1972.

Source: Board of Governors of the Federal Reserve System.

One important index of liquidity pressure within the banking system is the level of borrowings at the Federal Reserve Banks. Member banks, of course, are privileged to use the discount window as a source of short-term liquidity. A deepening in the net borrowed position of member banks (defined as excess reserves minus borrowings) normally accompanies restrictive monetary conditions. In periods of strong demand for bank credit, especially when heavy reliance is placed upon short-term liabilities, one would expect the discount window to come into greater use. During the course of the year, member banks did make heavy use of the discount window, but, if the special borrowing of Franklin National Bank is excluded, total borrowings at the discount window did not exceed levels reached in 1973. Country banks[2] had average daily borrowings of $643 million in 1974 versus $724 million in 1973. Reserve City banks outside New York and Chicago had average daily borrowings of $713 million in 1974 versus $750 million in 1973.

The foregoing discussion has illustrated the heavy degree of reliance placed upon short-term (and high cost) liabilities by the banking system during the past year. In fact liabilities management allowed bank credit to expand faster than deposits as banks fulfilled commitments to extend credit to corporate customers. Unfortunately, however, liabilities man-

[2] The designation of banks as Reserve City banks and Country banks used in this article parallels the official designation used prior to November 9, 1972. The Reserve City category contains primarily large banks in financial centers, while the Country category includes all other banks, whether in urban areas or not.

agement was proven by events to be a double-edged sword. In 1974 groups of banks were periodically unable to maintain or achieve desired liabilities positions. Their experience emphasized the lesson that volatile liability structures can collapse as suddenly as they expand, and the use of short-term fund raising instruments must accordingly be approached with caution and prudence.

In several notable instances during 1974 individual banks suffered losses in connection with questionable investment or foreign exchange positions. With public confidence in them weakened, their original problems were exacerbated by withdrawals of funds on short notice, and in some notable instances failure resulted. Such examples, although few and isolated, served to highlight the potential dangers in a free-wheeling approach to liabilities management.

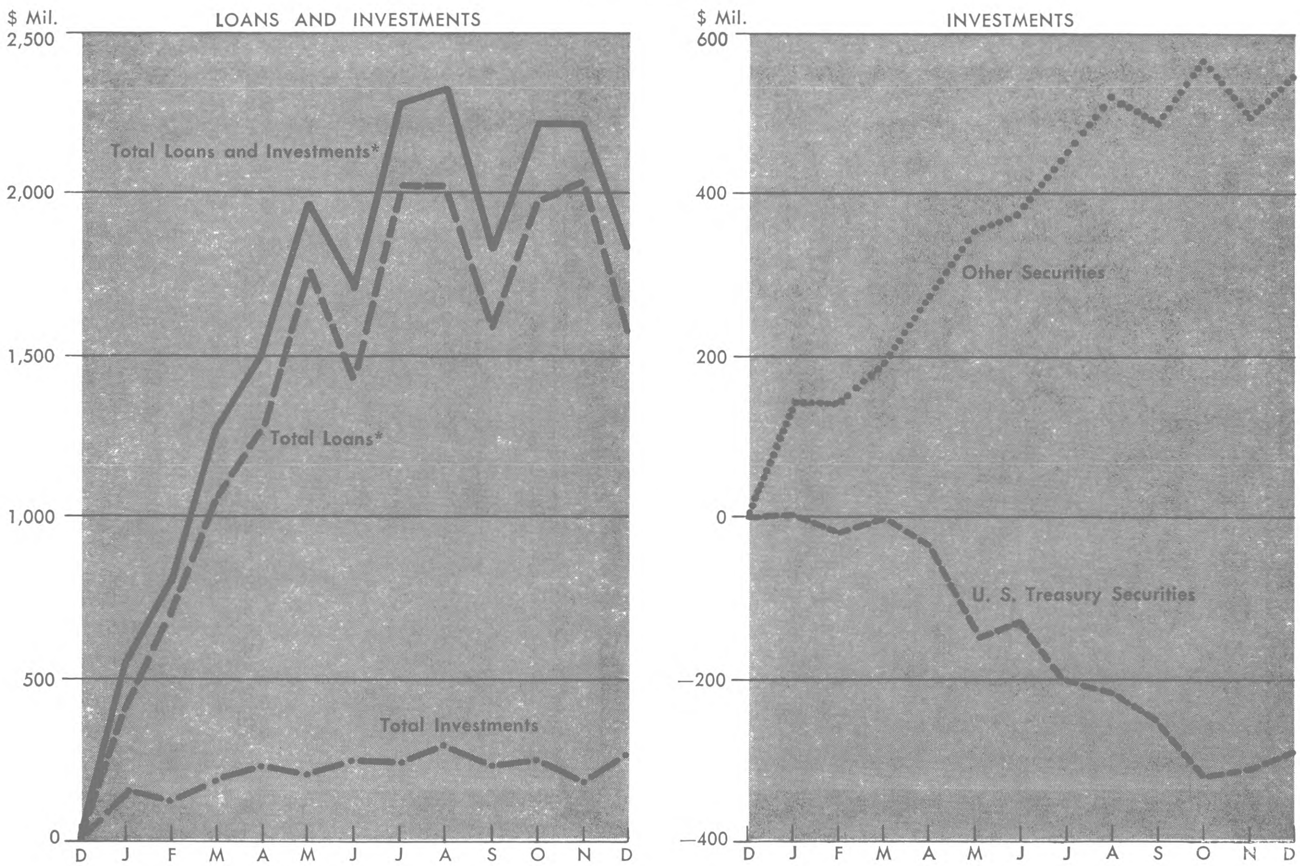
The banking industry, because of its fiduciary nature, depends heavily on public confidence. In a number of quarters the general soundness of the banking system was publicly called into question during the year, largely in connection with discussion of the liquidity problems encountered by several individual banks. Clearly, however, the banking system did not face a liquidity crisis. Review of the banking system's performance with regard to the provision of credit and the solicitation of supporting liabilities demonstrates this.

Chart 6

BANK CREDIT AT FIFTH DISTRICT MEMBER BANKS

Cumulative Change from 12-26-73

(Seasonally Adjusted)



*Includes Federal funds sold and securities purchased under resale agreements.

Source: Federal Reserve Bank of Richmond.

Highlights of Fifth District Banking Fifth District banks participated in the general credit expansion that occurred during 1974 and followed the typical pattern in supporting their asset growth. As in other parts of the nation, consumer and real estate loans performed sluggishly in comparison with recent years, and business loans contributed most to asset growth. Consumer time deposits came under pressure as short-term interest rates attracted funds away from financial institutions, and external sources of funds were used to sustain asset growth.

CD's and Federal funds were actively used to support asset expansion in the District, and it appears that many smaller banks became involved in these areas to a greater degree than in the past. District weekly reporting banks in the less than $200 million deposit category increased their issuance of CD's to a greater extent than did larger banks and remained active in the CD market for a longer period. The national trend toward shorter CD maturities was reflected in the Fifth District, and by July over 79 percent of outstanding CD's at large District banks had maturities of two months or less.

Reserve City banks, traditional net purchasers of Federal funds, increased their use of this method for enhancing liquidity by 60 percent over 1973, maintaining an average net purchase position of $1,055 million during 1974. Country banks continued to depart from their historical pattern of behavior as large net sellers of Federal funds, maintaining a weekly average net sales position of only $42 million in 1974 versus $99 million in 1973 and $252 million in 1972. Sales of Federal funds have contributed significantly to the earnings of smaller banks in recent years as heavy demand for short-term liabilities has pushed rates upward. Conversely, the shift by smaller banks from net sales to net purchase positions was probably an important factor tending to push up Federal funds rates through much of the year.

Fifth District Reserve City, and especially Country, banks were active at the discount window during 1974. Average daily borrowings of Reserve City banks increased to $114.2 million from $97.0 million in 1973, while borrowings of Country banks increased to $80.2 million from $50.6 million.

HIGHLIGHTS

Earnings and Capital Accounts Net earnings before payments to the United States Treasury increased by $96,706,966.92 to $412,988,684.42 in 1974. Six percent statutory dividends totaling $2,936,699.16 were paid to Fifth District member banks, and the sum of $407,257,185.26 was turned over to the United States Treasury as interest on Federal Reserve Notes.

Capital stock rose by $2,794,800 to $49,692,800 as member banks increased their stockholdings in this Bank, as required by law, to reflect the rise in their capital stock and surplus accounts. The Bank's surplus account increased $2,794,800 to a total of $49,692,800.

Discount Rate The Richmond Reserve Bank, following a decision by its Board of Directors and approval by the Board of Governors, raised its discount rate on April 25 from 7½% to 8%. This action was taken in light of a rapid rise in money and bank credit and in recognition of increases that had occurred in other short-term interest rates.

The Board of Governors established on September 25 a new category of discount borrowing under which a special discount rate might be applied to member banks requiring exceptionally large assistance over a prolonged period of time. The purpose of the special rate was to limit any rate perference for long-term assistance to individual banks and to encourage borrowing banks to make adjustments in their operations to permit repayment of loans within a reasonable period of time.

The discount rate of the Richmond Bank was reduced from 8 to 7¾%, effective December 10. The action was taken because of slackening in the demand for credit and the lower level of market interest rates.

New Building Program Plans for the new building to house the Richmond Office neared completion during the year, with ground breaking set for early 1975. In response to the energy situation, the design of the building was reviewed early in the year and was found to be highly efficient in terms of energy conservation. In August, the Board of Governors authorized the Bank to proceed with the development of final plans and specifications. The new Bank building is expected to be completed in late 1977.

Check Collection Operations Check Collection services in the Fifth District were expanded during 1974. In July, relay stations serving the Richmond Office were opened at Charlottesville, Lynchburg, Norfolk, and Roanoke and for the Charlotte Office at Asheville, Greensboro, and Winston-Salem. During September, the Richmond and Charlotte Offices extended their closing hours to 1:01 a.m., Monday through Friday, for certain items.

The Columbia Regional Check Processing Center, Columbia, South Carolina, opened in October 1974 on a limited scale. The formal opening was held on November 21 at the Columbia Office, which is located near the intersection of Interstate Highways I-20 and I-26. The Columbia Office is scheduled to be in full operation during the second half of 1975.

Fifth District Communications System The Fifth District Communications System began operations on July 25. The system utilizes a front-end, message-switching computer processor interconnected to the data processing computer at the Richmond Office and to the nationwide Federal Reserve Communications System network. Similar communications networks have been implemented in all Federal Reserve Districts, thus providing fully computerized communications capabilities throughout the Federal Reserve System.

New Member Banks The following newly chartered banks opened for business during the year as members of the Federal Reserve System.

National Banks

The First National Exchange Bank of Montgomery County	Blacksburg, Virginia	January 2
The Services National Bank	Arlington, Virginia	February 19
Fidelity National Bank	Halifax, Virginia	May 1
Hemisphere National Bank	Washington, D. C.	June 18
Atlantic National Bank	Ocean City, Maryland	June 24
South Berkeley National Bank	Inwood, West Virginia	June 28
First National Bank	Beckley, West Virginia	July 1
Metrolina National Bank	Charlotte, North Carolina	July 11
Peoples National Bank	Smithfield, North Carolina	July 22
Guyan National Bank	Barboursville, West Virginia	September 30
First and Merchants National Bank of Prince William	Woodbridge, Virginia	November 22
The First National Bank of Rocky Mount	Rocky Mount, Virginia	December 13

State Banks

New Bank of Culpeper	Culpeper, Virginia	February 11
The Bank of Vienna	Vienna, Virginia	March 29
First Virginia Bank—South Central	Brookneal, Virginia	April 1
The Stonewall Jackson Bank and Trust Company	Mount Jackson, Virginia	April 26
The Community Bank	Petersburg, Virginia	June 10
King George State Bank, Inc.	King George, Virginia	June 17
United Virginia Bank of Charlottesville	Charlottesville, Virginia	July 1
First Guaranty Bank	Hurt, Virginia	July 1
New Bank of Richmond	Richmond, Virginia	September 16
New Bank of Roanoke	Roanoke, Virginia	September 20
Community Bank and Trust Company of Augusta County	Verona, Virginia	October 1

The following state-chartered banks converted to membership in the Federal Reserve System during the year:

The Northern Virginia Bank	Springfield, Virginia	January 2
First Commercial Bank	Arlington, Virginia	August 22
Guaranty Bank and Trust Company	Florence, South Carolina	October 10
Community Bank and Trust Company (Converted to Virginia National Bank/Fairfax)	Springfield, Virginia	November 18
Pee Dee State Bank	Timmonsville, South Carolina	December 5

Change in Directors In August, Lacy I. Rice, Jr., President, The Old National Bank of Martinsburg, and President, Suburban Bank of Martinsburg, Martinsburg, West Virginia, was appointed a Director of the Baltimore Office by the Richmond Board of Directors to fill the unexpired portion of the term of the late Douglass Adams, President, The Parkersburg National Bank, Parkersburg, West Virginia.

Fifth District member banks elected one Class A and one Class B Director to three-year terms on the Richmond Board of Directors in the early fall. Mr. James A. Hardison, Jr., Chairman of the Board and President, The First National Bank of Anson County, Wadesboro, North Carolina, was elected a Class A Director to succeed Edward N. Evans, President, The Farmers and Merchants National Bank, Cambridge, Maryland, whose term expired at the end of 1974. Henry Clay Hofheimer, II, Chairman of the Board, Virginia Real Estate Investment Trust, Norfolk, Virginia, was re-elected by banks in Group 2 as a Class B Director.

Plato P. Pearson, Jr., President, Citizens National Bank, Gastonia, North Carolina, was elected in December to serve as a Class A Director by the banks in Group 2, filling the unexpired term of the late Claude Henson, Chairman of the Board and President, The First National Bank of Asheboro, Asheboro, North Carolina.

The Board of Governors redesignated Robert W. Lawson, Jr., Senior Partner, Charleston Office, Steptoe & Johnson, Charleston, West Virginia, Chairman of the Board of Directors and Federal Reserve Agent for 1975. Reappointed Class C Director for a three-year term beginning in 1975 and redesignated Deputy Chairman of the Board of Directors for 1975 was E. Craig Wall, Sr., Chairman of the Board, Canal Industries, Inc., Conway, South Carolina.

The Board of Governors reappointed James G. Harlow, President, West Virginia University, Morgantown, West Virginia, to a three-year term on the Baltimore Board and Charles F. Benbow, Senior Vice President and Director, R. J. Reynolds Industries, Inc., Winston-Salem, North Carolina, to a three-year term on the Charlotte Board, effective January 1, 1975.

The Richmond Board reappointed J. Pierre Bernard, Chairman, The Annapolis Banking and Trust Company, Annapolis, Maryland, to a three-year term on the Baltimore Board, effective January 1, 1975. The Richmond Board made two appointments to the Charlotte Board during 1974. W. B. Apple, Jr., President, First National Bank of Reidsville, Reidsville, North Carolina, was appointed to fill the unexpired term of Plato P. Pearson, Jr., who was elected to the Richmond Board in December. John T. Fielder, Executive Vice President, J. B. Ivey and Company, Charlotte, North Carolina, was appointed to a three-year term on the Charlotte Board to succeed L. D. Coltrane, III, President and Trust Officer, The Concord National Bank, Concord, North Carolina, whose term expired at the end of 1974.

Federal Advisory Council The Board of Directors reappointed Thomas I. Storrs, Chairman of the Board, NCNB Corporation, Charlotte, North Carolina, to a one-year term beginning in January 1975 as the Fifth Federal Reserve District representative on the Federal Advisory Council. The 12-member Council, consisting of one member from each of the Federal Reserve Districts, meets quarterly in Washington with the Federal Reserve System's Board of Governors to discuss business conditions and other topics of current interest to the System. Mr. Storrs served as President of the Federal Advisory Council in 1974.

Changes in Official Staff H. Lee Boatwright, III, Senior Vice President in charge of the Baltimore Office, resigned in January to accept an appointment as Executive Vice President at Suburban Trust Company, Hyattsville, Maryland.

In February, Joseph F. Viverette, General Auditor, was reassigned as Vice President and placed in charge of the Money, Printing and Supplies, Bank Accounts, and Accounting Departments. David B. Ayres, formerly State Comptroller of the Commonwealth of Virginia, joined the Bank in February as General Auditor.

In March, James D. Reese was named Assistant Cashier and assigned to the Check Collection Department.

Jimmie R. Monhollon, formerly Senior Vice President in charge of the Charlotte Office, was named Senior Vice President in charge of the Baltimore Office in April. Stuart P. Fishburne was appointed Senior Vice President in charge of the Charlotte Office, succeeding Mr. Monhollon. Thomas E. Snider, formerly in the Research Department of the

Richmond Office, was appointed Assistant Vice President at the Charlotte Office. William D. Martin, III, was promoted from Assistant General Counsel to General Counsel in April.

In May, H. Ernest Ford, Vice President, elected to take early retirement after 47 years of service to the Bank. Also, John A. Vaughan was named Assistant Cashier, with responsibilities for the Bank's new building program, and H. Lewis Garrett was named Assistant General Auditor.

James F. Tucker joined the staff of the Richmond Bank as Vice President in the Research Department in June. Mr. Tucker previously served as Professor and Director of the Center for Economic Education at Virginia Polytechnic Institute and State University in Blacksburg, Virginia.

George C. Rankin joined the staff of the Federal Reserve Bank of Richmond as First Vice President in July. Mr. Rankin was formerly Senior Vice President in charge of the Denver Office of the Federal Reserve Bank of Kansas City. Also in July, William C. Fitzgerald, Assistant Vice President in the Examining Department was transferred to the Legal Department and named Assistant General Counsel.

Several changes in the official staff of the Baltimore Office were made in October. William E. Pascoe, III, was appointed Vice President in charge of Check Operations. Named Assistant Vice Presidents with responsibilities in Check Operations were Ronald E. Gould and Robert A. Perry. Ronald B. Duncan was appointed Assistant Vice President with responsibilities in the Personnel, Planning, Protection, and Fiscal Agency Departments.

Other promotions and changes, effective January 1, 1975, were announced in December 1974. J. Alfred Broaddus, Jr., George B. Evans, and Robert D. McTeer, Jr., were promoted to Vice President at the Richmond Office. Bradley H. Gunter was named Assistant Vice President and Secretary and William E. Cullison, Research Officer. Also, Jackson L. Blanton was promoted to Assistant Vice President. Joseph F. Viverette, Vice President, was assigned to the Personnel Department, with retention of his present responsibilities for the Money and the Printing and Supplies Departments. In addition, Joseph C. Ramage, Assistant Vice President was transferred to the Accounting and Bank Accounts Departments.

At the Charlotte Office, Harry B. Smith and Jefferson A. Walker were promoted to Assistant Vice President, effective January 1975. Other promotions to Assistant Vice President were Kenneth A. Adams at the Culpeper Office and R. Wayne Stancil at the Columbia Office.

SUMMARY OF OPERATIONS

CHECK CLEARING & COLLECTION	1974	1973
Dollar amount		
Commercial bank checks[1]	316,943,290,000	297,787,536,000
Government checks[2]	27,457,303,000	23,098,871,000
Return items	3,240,226,000	2,536,220,000
Number of items		
Commercial bank checks[1]	963,470,000	912,730,000
Government checks[2]	83,555,000	71,900,000
Return items	11,371,000	10,134,000
CURRENCY & COIN		
Currency disbursed—Dollar amount	5,173,286,100	4,567,573,276
Coin disbursed—Dollar amount	220,512,550	202,869,650
Dollar amount of currency destroyed	1,562,086,030	1,294,843,400
Daily average of currency destroyed		
Dollar amount	6,174,253	5,138,267
Number	1,034,596	939,507
DISCOUNT & CREDIT		
Dollar amount		
Total loans made during year	26,692,631,203	21,816,710,592
Daily average loans outstanding	105,504,471	147,978,216
Number of banks borrowing during the year	137	126
FISCAL AGENCY ACTIVITIES		
Marketable securities delivered or redeemed		
Dollar amount	44,650,129,060	32,211,709,269
Number	314,954	205,266
Coupons redeemed		
Dollar amount	72,500,814	101,754,500
Number	199,785	261,135
Savings bond and savings note issues		
Dollar amount	497,387,663	473,140,395
Number	10,922,168	10,695,929
Savings bond and savings note redemptions		
Dollar amount	563,072,813	542,143,618
Number	12,574,930	11,895,687
Depositary receipts for withheld taxes		
Dollar amount	15,825,764,037	13,498,479,920
Number	3, 217,195	3,020,230
TRANSFERS OF FUNDS		
Dollar amount	1,192,906,797,259	807,522,989,366
Number	903,978	707,637

[1] Excluding checks on this Bank.

[2] Including postal money orders.

COMPARATIVE FINANCIAL STATEMENTS

Condition

ASSETS:	Dec. 31, 1974	Dec. 31, 1973
Gold certificate account	$ 906,917,837.26	$1,283,210,587.02
Special Drawing Rights certificate account	36,000,000.00	36,000,000.00
Federal Reserve notes of other Federal Reserve Banks	95,695,118.00	108,694,961.00
Other cash	17,096,290.84	27,830,683.81
LOANS AND SECURITIES:		
Loans to member banks	50,400,000.00	52,600,000.00
Federal agency obligations	374,620,000.00	147,165,000.00
U. S. Government securities:		
Bills	2,929,014,000.00	2,802,553,000.00
Certificates	------------	------------
Notes	3,187,537,000.00	2,917,640,000.00
Bonds	261,588,000.00	239,179,000.00
TOTAL U. S. GOVERNMENT SECURITIES	6,378,139,000.00	5,959,372,000.00
TOTAL LOANS AND SECURITIES	6,803,159,000.00	6,159,137,000.00
Cash items in process of collection	1,081,878,452.08	789,927,481.59
Bank premises	14,400,594.88	13,552,534.98
Other assets	103,259,293.89	68,140,928.35
TOTAL ASSETS	$9,058,406,586.95	$8,486,494,176.75
LIABILITIES:		
Federal Reserve notes	$6,493,192,313.00	$5,843,536,754.00
DEPOSITS:		
Member bank reserves	1,166,930,398.05	1,350,127,571.96
U. S. Treasurer—general account	162,487,877.76	365,415,834.87
Foreign	16,240,000.00	13,520,000.00
Other	50,950,345.75	48,462,266.38
TOTAL DEPOSITS	1,396,608,621.56	1,777,525,673.21
Deferred availability cash items	985,166,474.07	701,499,465.32
Other liabilities	84,053,578.32	70,136,284.22
TOTAL LIABILITIES	8,959,020,986.95	8,392,698,176.75
CAPITAL ACCOUNTS:		
Capital paid in	49,692,800.00	46,898,000.00
Surplus	49,692,800.00	46,898,000.00
TOTAL LIABILITIES AND CAPITAL ACCOUNTS	$9,058,406,586.95	$8,486,494,176.75

Contingent liability on acceptances purchased for foreign correspondents	$ 55,036,800.00	$ 30,217,200.00

Earnings and Expenses

EARNINGS:	1974	1973
Loans to member banks	$ 15,331,149.15	$ 10,025,720.13
Interest on U. S. Government securities	448,313,739.99	351,002,336.47
Foreign currencies	381,877.42	23,341.34
Other earnings	145,096.65	66,263.71
TOTAL CURRENT EARNINGS	464,171,863.21	361,117,661.65
EXPENSES:		
Operating expenses (including depreciation on bank premises) after deducting reimbursements received for certain Fiscal Agency and other expenses	39,891,328.18	34,027,444.21
Assessment for expenses of Board of Governors	2,287,600.00	2,355,300.00
Cost of Federal Reserve currency	3,694,938.25	3,500,417.95
NET EXPENSES	45,873,866.43	39,883,162.16
CURRENT NET EARNINGS	418,297,996.78	321,234,499.49
ADDITIONS TO CURRENT NET EARNINGS	135,856.86	95,139.92
DEDUCTIONS FROM CURRENT NET EARNINGS:		
Losses on sales of U. S. Government securities (net)	3,071,996.67	2,529,865.85
Losses on Foreign Exchange transactions	1,902,026.85	2,465,659.47
All other	471,145.70	52,396.59
TOTAL DEDUCTIONS	5,445,169.22	5,047,921.91
NET ADDITIONS OR DEDUCTIONS	−5,309,312.36	−4,952,781.99
NET EARNINGS BEFORE PAYMENTS TO U. S. TREASURY	$412,988,684.42	$316,281,717.50
Dividends paid	$ 2,936,699.16	$ 2,684,547.67
Payments to U. S. Treasury (interest on Federal Reserve notes)	407,257,185.26	308,264,119.83
Transferred to surplus	2,794,800.00	5,333,050.00
TOTAL	$412,988,684.42	$316,281,717.50

SURPLUS ACCOUNT

	1974	1973
Balance at close of previous year	$ 46,898,000.00	$ 41,564,950.00
Addition account of profits for year	2,794,800.00	5,333,050.00
BALANCE AT CLOSE OF CURRENT YEAR	$ 49,692,800.00	$ 46,898,000.00

CAPITAL STOCK ACCOUNT

(Representing amount paid in, which is 50% of amount subscribed)

	1974	1973
Balance at close of previous year	$ 46,898,000.00	$ 41,564,950.00
Issued during the year	3,736,000.00	5,394,250.00
	$ 50,634,000.00	$ 46,959,200.00
Cancelled during the year	941,200.00	61,200.00
BALANCE AT CLOSE OF CURRENT YEAR	$ 49,692,800.00	$ 46,898,000.00

DIRECTORS (December 31, 1974)

RICHMOND

Robert W. Lawson, Jr. .... *Chairman of the Board and Federal Reserve Agent*

E. Craig Wall, Sr. .... *Deputy Chairman of the Board*

Class A

Edward N. Evans .... *President, The Farmers and Merchants National Bank of Cambridge*
Cambridge, Maryland
(Term expired December 31, 1974)

Succeeded by: James A. Hardison, Jr.
Chairman and President
The First National Bank of Anson County
Wadesboro, North Carolina
(Term expires December 31, 1977)

John H. Lumpkin .... *Chairman of the Board and Chief Executive Officer*
The South Carolina National Bank
Columbia, South Carolina
(Term expires December 31, 1975)

Plato P. Pearson, Jr. .... *Chairman and President, Citizens National Bank in Gastonia*
Gastonia, North Carolina
(Filling term of Claude Henson, deceased, which expires December 31, 1976)

Class B

Andrew L. Clark .... *President, Andy Clark Ford, Inc.*
Princeton, West Virginia
(Term expires December 31, 1976)

Henry Clay Hofheimer, II .... *Chairman of the Board, Virginia Real Estate Investment Trust*
Norfolk, Virginia
(Term expires December 31, 1977)

Osby L. Weir .... *Retired General Manager, Metropolitan Washington-Baltimore Area*
Sears, Roebuck and Co.
Bethesda, Maryland
(Term expires December 31, 1975)

Class C

Robert W. Lawson, Jr. .... *Senior Partner, Charleston Office, Steptoe & Johnson*
Charleston, West Virginia
(Term expires December 31, 1975)

E. Angus Powell .... *President, Chesterfield Land & Timber Corp.*
Richmond, Virginia
(Term expires December 31, 1976)

E. Craig Wall, Sr. .... *Chairman of the Board, Canal Industries, Inc.*
Conway, South Carolina
(Term expires December 31, 1977)

Member Federal Advisory Council

Thomas I. Storrs .... *Chairman of the Board, NCNB Corporation*
Charlotte, North Carolina
(Term expires December 31, 1975)

BALTIMORE

David W. Barton, Jr. .... *President, The Barton-Gillet Company*
Baltimore, Maryland
(Term expires December 31, 1975)

J. Pierre Bernard .... *Chairman of the Board, The Annapolis Banking and Trust Company*
Annapolis, Maryland
(Term expires December 31, 1977)

James R. Chaffinch, Jr. .... *President, The Denton National Bank*
Denton, Maryland
(Term expires December 31, 1975)

*James G. Harlow .... *President, West Virginia University*
Morgantown, West Virginia
(Term expires December 31, 1977)

I. E. Killian .... *Manager, Eastern Region, Exxon Company, U.S.A.*
Baltimore, Maryland
(Term expires December 31, 1976)

J. Stevenson Peck .... *Chairman of the Board, Union Trust Company of Maryland*
Baltimore, Maryland
(Term expires December 31, 1976)

Lacy I. Rice, Jr. .... *President, The Old National Bank of Martinsburg*
Martinsburg, West Virginia
(Filling term of Douglass Adams, deceased, which expires December 31, 1976)

CHARLOTTE

W. B. Apple, Jr. .... *President, First National Bank of Reidsville*
Reidsville, North Carolina
(Filling term ending December 31, 1976 of Plato P. Pearson, Jr., who was elected a Class A Director of Federal Reserve Bank of Richmond)

Charles F. Benbow .... *Senior Vice President, R. J. Reynolds Industries, Inc.*
Winston-Salem, North Carolina
(Term expires December 31, 1977)

Thomas L. Benson .... *President, The Conway National Bank*
Conway, South Carolina
(Term expires December 31, 1976)

William W. Bruner .... *Chairman and President, First National Bank of South Carolina*
Columbia, South Carolina
(Term expires December 31, 1975)

L. D. Coltrane, III .... *President and Trust Officer, The Concord National Bank*
Concord, North Carolina
(Term expired December 31, 1974)

Succeeded by: John T. Fielder
Executive Vice President, J. B. Ivey and Company
Charlotte, North Carolina

*Charles W. DeBell .... *General Manager, North Carolina Works, Western Electric Company, Inc.*
Winston-Salem, North Carolina
(Term expires December 31, 1976)

Robert C. Edwards .... *President, Clemson University*
Clemson, South Carolina
(Term expires December 31, 1975)

*Branch Board Chairman.

OFFICERS (January 1, 1975)

RICHMOND

Robert P. Black	*President*
George C. Rankin	*First Vice President*
Welford S. Farmer	*Senior Vice President and Special Legal Adviser*
John L. Nosker	*Senior Vice President*
James Parthemos	*Senior Vice President and Director of Research*
John F. Rand	*Senior Vice President*
Raymond E. Sanders, Jr.	*Senior Vice President*
Lloyd W. Bostian, Jr.	*Vice President*
J. Alfred Broaddus, Jr.	*Vice President*
John G. Deitrick	*Vice President*
George B. Evans	*Vice President*
William C. Glover	*Vice President*
William D. Martin, III	*General Counsel*
Robert D. McTeer, Jr.	*Vice President*
Arthur V. Myers, Jr.	*Vice President*
Chester D. Porter, Jr.	*Vice President*
Aubrey N. Snellings	*Vice President*
Andrew L. Tilton	*Vice President*
James F. Tucker	*Vice President*
Joseph F. Viverette	*Vice President*
J. Lander Allin, Jr.	*Assistant Vice President*
Elizabeth W. Angle	*Assistant Vice President*
Fred L. Bagwell	*Assistant Vice President*
William E. Cullison	*Research Officer*
Wyatt F. Davis	*Chief Examiner*
Jackson L. Blanton	*Assistant Vice President*
Clyde H. Farnsworth, Jr.	*Assistant Vice President*
Roy L. Fauber	*Assistant Vice President*
William C. Fitzgerald	*Assistant General Counsel*
John E. Friend	*Assistant Vice President*
Bradley H. Gunter	*Assistant Vice President and Secretary*
Robert B. Hollinger, Jr.	*Assistant Vice President*
John C. Horigan	*Assistant Vice President*
William E. McLean	*Assistant Vice President*
Hobert D. Pierce	*Assistant Vice President*
Joseph C. Ramage	*Assistant Vice President*
Barthonhue W. Reese	*Assistant Vice President*
Frank D. Stinnett, Jr.	*Assistant Vice President*
John G. Stoides	*Assistant Vice President*
Wilbur C. Wilson	*Assistant Vice President*
Jack H. Wyatt	*Assistant Vice President*
James D. Reese	*Assistant Cashier*
James R. Slate	*Assistant Counsel*
John A. Vaughan	*Assistant Cashier*
David B. Ayres, Jr.	*General Auditor*
H. Lewis Garrett	*Assistant General Auditor*

BALTIMORE

Jimmie R. Monhollon	*Senior Vice President*
William E. Pascoe, III	*Vice President*
Gerald L. Wilson	*Vice President*
B. F. Armstrong, Sr.	*Assistant Vice President*
Ronald B. Duncan	*Assistant Vice President*
Ronald E. Gould	*Assistant Vice President*
E. Riggs Jones, Jr.	*Assistant Vice President*
Charles P. Kahler	*Assistant Vice President*
Robert A. Perry	*Assistant Vice President*

CHARLOTTE

Stuart P. Fishburne	*Senior Vice President*
Winfred W. Keller	*Assistant Vice President*
Fred C. Krueger, Jr.	*Assistant Vice President*
O. Louis Martin, Jr.	*Assistant Vice President*
Harry B. Smith	*Assistant Vice President*
Thomas E. Snider	*Assistant Vice President*
Jefferson A. Walker	*Assistant Vice President*
Robert F. Stratton	*Bank Relations Officer*

COLUMBIA

Boyd Z. Eubanks	*Vice President*
R. Wayne Stancil	*Assistant Vice President*

CULPEPER

J. Gordon Dickerson, Jr.	*Vice President*
Albert D. Tinkelenberg	*Vice President*
Kenneth A. Adams	*Assistant Vice President*
Dale M. Cunningham	*Assistant Vice President*
Charles H. Imel	*Assistant Vice President*