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**Federal
Reserve
Bank
of Atlanta**



**1996
Annual
Report**

The Federal Reserve Bank of Atlanta

is one of twelve regional Reserve Banks in the United States that, together with the Board of Governors in Washington, D.C., make up the Federal Reserve System—the nation's central bank. Since its establishment by an act of Congress in 1913, the Federal Reserve System's primary role has been to foster a sound financial system and a healthy economy.

To advance this goal, the Atlanta Fed helps formulate monetary policy, supervises and regulates banks and bank holding companies, and provides financial services to depository institutions and the federal government.

Through its six facilities in Atlanta, Jacksonville, Miami, Nashville, Birmingham, and New Orleans, the Federal Reserve Bank of Atlanta serves the Sixth Federal Reserve District, which comprises Alabama, Florida, Georgia, and parts of Louisiana, Mississippi, and Tennessee.



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The three and a half million people who live in Atlanta will always remember 1996 as the year of the Centennial Olympic Games. The staff of the Federal Reserve Bank of Atlanta will particularly remember it that way. The Bank was literally in the middle of the festivities because it is located only one block from Centennial Olympic Park and in the heart of the Olympic Ring, the area of the city where most events took place. This Bank works hard to reach out to the various communities it serves, and the extensive preparations for the Summer Games done by the Atlanta Committee for the Olympic Games, the municipalities of metro Atlanta, and the people who live here were a reminder of how important it is to establish public-private partnerships and to make them work.

On an institutional level, in the areas of cash services, security, and transportation, the Bank itself worked with many of the groups that helped to coordinate the Games. And during the seventeen days of the Games themselves, on a personal level, many members of our Bank staff helped make numerous domestic and international visitors to our city feel welcome. With or without the Olympic Games in town, however, the Federal Reserve Bank of Atlanta is reaching out to the many communities it serves by

- Building bridges
- Building partnerships,
- Bringing people together to get things done.

These three principles guide our work every day, and they are more important than ever in light of the vast changes taking place in technology, in the financial system, and in the economy at large. Here at the Federal Reserve Bank of Atlanta, we've been building bridges and partnerships for many years in the banking industry. Now, to meet today's challenges and changes, we are beginning to deepen and expand on partnerships we've already made, to create new partnerships both inside and outside of the region, and to increase our role as an intermediary, bringing together groups that might not otherwise sit down with one another to talk about how to solve issues that affect the financial arena and the economy. This annual report focuses on some recent steps we've taken and points to where we're headed as we approach the next century.

A unique feature of the Federal Reserve System is its decentralized structure and the role it affords for regional participation in important public policy decisions. The president and staff of a Reserve Bank work together with directors to understand what is going on with the people and companies that make up their region's economy as a key input into decisions about monetary policy. For this reason it is critically important in this time of profound—and not well understood—economic

The management team of the Federal Reserve Bank of Atlanta in nearby Centennial Olympic Park: Jack Guynn, president and chief executive officer; Hugh Brown, chairman of the board of directors; and Pat Barron, first vice president and chief operating officer.



shifts to gather information that can help shape the wisest monetary policy and, in turn, foster truly sustainable economic growth. To do so, we at the Federal Reserve Bank of Atlanta garner economic intelligence from throughout the Sixth District—which stretches from the Louisiana-Texas border to the mountains of Tennessee to the tip of the Florida Keys—seeking out the opinions and insights of business people and community leaders about the rapidly changing economy.

It is not only the economy that is evolving. Profound changes are taking place in the financial services industry and in the nation's payments system. To address issues like the future of checks and the optimal regulatory framework for the financial system, we are trying increasingly to work in concert with bankers and others to create solutions that will work for the twenty-first century.

Being part of the central bank, we also have our own ideas about what measures can best help to increase economic well-being for all, but we do not lay claim to having all the answers. That is why we want to serve as an intermediary—to bring the right people together to discuss and debate problems and, ultimately, to help us make the best decisions that will result in the best outcomes. We recognize that this kind of collaborative process does not produce results overnight. Yet it is a necessary step in building the kind of consensus that does bring about important change.

Building bridges and building partnerships are long-term activities. The Atlanta Fed has been part of the Southeast's financial infrastructure for more than eighty years now, and, with offices in six major southeastern cities, we have set down roots throughout the region. We are dedicated to creating the kind of long-term relationships that will continue to work to the benefit of everyone throughout the next century. No one can ever be certain about the future, but we believe the steps we are taking now set the right course. With the help of officers and staff of the Bank and counsel from our directors, I am optimistic that the Federal Reserve Bank of Atlanta will continue to play a vital role in the nation's economic future.



JACK GYNN

The Federal Reserve Bank of Atlanta serves its many constituencies throughout the Southeast by building bridges and partnerships and by playing an intermediary role with diverse groups. The photographic essay that follows presents a few examples of how the Atlanta Fed reached out in 1996:

Working with business and community leaders in the region to find out more about current developments and trends in the national economy

Working with international central bankers and bank supervisors to create partnerships that improve consolidated supervision of international banks

Working with the financial community to find ways to make the nation's payments system more efficient

Working with visiting scholars and financial market practitioners to learn how best to safeguard the financial system while encouraging financial innovation

Working with community representatives and bankers to help low- and moderate-income families achieve the dream of owning a home

Working with the U.S. Treasury to protect U.S. currency by introducing newly redesigned bills that are more secure against advancing technologies that could be used for counterfeiting

Getting input about changes in the auto industry at the Saturn plant in Spring Hill, Tennessee: Jack Guynn, president and CEO of the Atlanta Fed (far right), and Waymon Hickman, Atlanta Fed director (second from left), with Saturn's Thomas Manoff, vice president of finance (left), and Robert Boruff, vice president of manufacturing operations.



Gathering information directly from business and community leaders is one of the most important duties of every regional Federal Reserve Bank president. Jack Guynn, president and chief executive officer of the Atlanta Fed, visited Saturn Corporation's plant in Spring Hill, Tennessee, in September to meet with representatives of the region's growing automobile manufacturing sector and hear their views on the industry and the regional economy. Grassroots information such as this helps Reserve Bank presidents not only to represent their regions and leading industries at meetings of the Federal Open Market Committee—the Federal Reserve System's monetary policymaking body—but also to offer unique insights into economic developments nationally.

Atlanta Fed Director Waymon Hickman, a community banker in Columbia, Tennessee, accompanied President Guynn on his visit to the Saturn plant. In addition to touring the assembly line, they spoke with members of Saturn management to get their views on the future of the auto industry. With the relocation of many automobile manufacturing facilities and parts suppliers to this region, the Southeast has a particular interest in this industry, which is gaining local prominence along with the area's traditional manufacturing industries: lumber, paper, home appliances, textiles, and apparel. Although the Summer Olympic Games in Atlanta grabbed a majority of the headlines, the real economic story for the Southeast has been the strong growth driven by the automobile- and housing-related industries following the 1990-91 recession.

Another part of the visit to Tennessee was spent talking with a large group of business and community leaders to hear about their individual economic experiences. Many of these people represent the service industry, which has become a major part of the southeastern economy. In tandem with manufacturing, the growth in the service industry has helped this region to outpace the national economy for more than five years. But, ironically, the strong growth the Southeast has enjoyed has sometimes masked underlying dislocations and painful structural adjustments. For instance, while the automobile industry has been growing in this region, the traditional base of apparel manufacturing has been going through a difficult period as tens of thousands of jobs have moved to developing economies in other parts of the world. This dislocation of workers in parts of the regional economy is an issue that has both economic consequences and social implications.

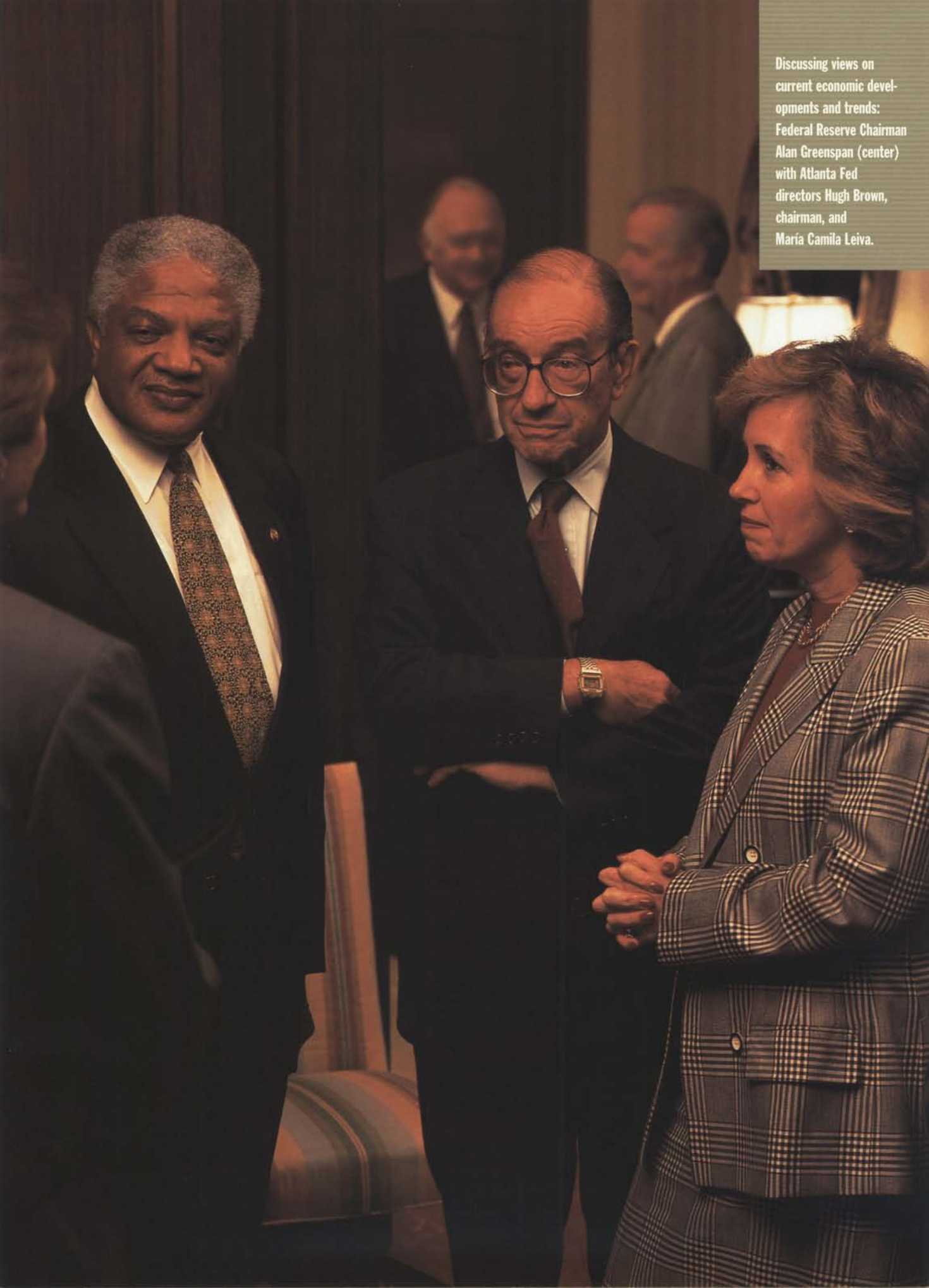
These are the kinds of larger public interest issues that Atlanta Fed staff grapple with every day, and the Bank has found it useful not only to conduct research into issues like state tax policy but also to sponsor conferences and other meetings that bring people together from outside the organization to explore such issues as the best way to finance education reforms and the economic development role of professional sports.

Alan Greenspan, chairman of the Federal Reserve System's Board of Governors, came to the Atlanta Fed in October to speak at a meeting of the board of directors. He also had a chance to talk about the economy with Atlanta Fed Chairman Hugh Brown, who heads a firm in the aerospace industry, and Director María Camila Leiva, an executive with the Miami Free Trade Zone, as well as the Sixth District's other head office and branch directors. Since the information gathered by Reserve Bank presidents and their staff from directors and other business contacts around their regions is an important contribution to policymaking at the Fed, Chairman Greenspan often visits the various regions of the country to hear firsthand what the Reserve Bank directors are reporting.

The Atlanta Fed's board of directors and branch directors, who number forty-four in all, are a broad cross-section of southeastern business and community leaders. In 1996 these included executives in the fields of utilities, nonprofit work, retailing, manufacturing, and banking in addition to aerospace engineering and exporting. The president of the Atlanta Fed also meets regularly with the Bank's Advisory Council on Small Business, Agriculture, and Labor to gain insights into the special perspective and concerns of the sectors of the economy the members represent. As 1996 played out as another year of steady growth and low inflation, Atlanta Fed directors and council members helped the president and his staff gain a better understanding of the labor and wage picture in this business cycle. Their information helped Fed policymakers seated around the Federal Open Market Committee table judge whether labor shortages were becoming more widespread and whether wage increases were likely to feed through to higher inflation.

As many important economic theories that had been validated by actual experience over past economic cycles have proved to be less useful in today's environment, input from directors has helped to fill the gap in information and understanding. Some approaches, such as targeting monetary aggregates, have become less reliable, in the same way that inventory cycles are not as helpful as gauges of the economy in an era when "just-in-time" inventory has become a way of life for most businesses. Overall, judgments about monetary policy are enhanced not only by economic models and data but also by the information gathered firsthand from business and community leaders.

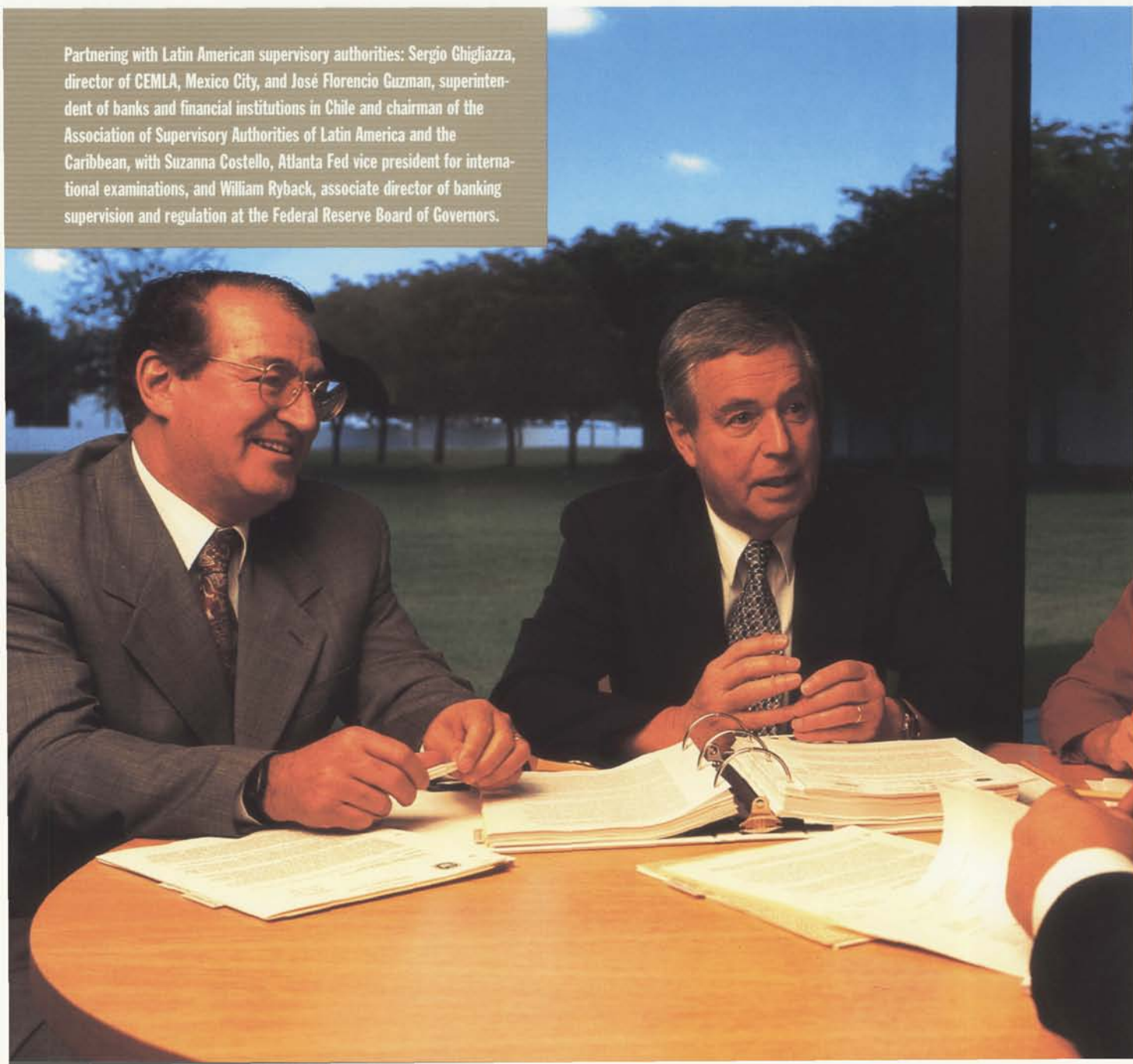
Discussing views on current economic developments and trends: Federal Reserve Chairman Alan Greenspan (center) with Atlanta Fed directors Hugh Brown, chairman, and Maria Camila Leiva.



The Atlanta Fed hosted a meeting of the board of directors of the Association of Supervisory Authorities of Latin America and the Caribbean in October. Meetings such as this one at the Miami office help the Federal Reserve System to keep open lines of communication and to work mutually with international banking authorities toward having the necessary information to supervise international financial institutions.

The large international banking community in Miami has provided many opportunities for Atlanta Fed staff to develop ties with international banking authorities. For instance, Fed staff have made frequent trips to Latin America to conduct training aimed at helping international supervisors develop policies and procedures

Partnering with Latin American supervisory authorities: Sergio Ghigliazza, director of CEMLA, Mexico City, and José Florencio Guzman, superintendent of banks and financial institutions in Chile and chairman of the Association of Supervisory Authorities of Latin America and the Caribbean, with Suzanna Costello, Atlanta Fed vice president for international examinations, and William Ryback, associate director of banking supervision and regulation at the Federal Reserve Board of Governors.



to curtail money laundering. But Congress added another reason to expand these ties when it enacted the Foreign Bank Supervision Enhancement Act of 1991, making the Federal Reserve the lead authority for supervising international banks with offices in the United States and approving applications for their entry and expansion. The act, which is in line with the goals of the Basle Agreement on worldwide supervision, was established to ensure that foreign financial institutions operating in the United States would have comprehensive and consolidated supervision by their home country. Within the Federal Reserve System, the Atlanta Fed has been given responsibility for developing specialized expertise on most of Latin America and the Caribbean, a knowledge base that can be used by all of the regional Reserve Banks and the Board of Governors.

The Bank's supervisory staff have been building partnerships with their counterparts in countries like Colombia and Chile for several years, and staff members have also been on loan in different Latin American and Caribbean countries to teach commercial and central bankers about the Fed's methods of supervision. In addition, the Atlanta Fed's economic research department has established a Latin American research group, a team of economic analysts who monitor economic and financial developments in this region of the world.

The Bank has not limited itself to Latin America and the Caribbean in its international partnership-building. For instance, staff are providing ongoing technical assistance to Azerbaijan and other fledgling market economies in the former Soviet Union and in Eastern Europe to help them put modern banking systems and payments systems in place. Over the past three years, more than four hundred central bankers, bank regulators, and commercial bankers from these regions, as well as countries in Africa, Latin America, and Asia, have visited the Atlanta Fed to learn more about the U.S. financial system and the operations of the U.S. central bank. These kinds of initiatives reflect the Atlanta Fed's commitment to helping emerging market economies.





Building Bridges, Building Partnerships

In 1996 Fred Herr, senior vice president of the Atlanta Fed, worked closely with representatives from commercial banks such as SunTrust, NationsBank, and others to take checks to the next step beyond paper. As financial service institutions look for ways to make some of their back-room operations more efficient, the Atlanta Fed has partnered with several commercial banks to develop an efficient check-imaging system, in which a full image of a check is transmitted or stored electronically rather than moving the piece of paper itself or storing it on microfilm. The Sixth District completed tests on such a check-imaging system and went live with imaging services in 1996. Another dimension of the check-imaging effort is reflected in the Bank's



Contemplating improvements in check processing: Bob Whitehead, executive vice president, bank operations, SunTrust Service Corp., Atlanta; Fred Herr, Atlanta Fed senior vice president; and Jack Price, executive vice president, transaction services, NationsBank, Atlanta.

work with other Federal Reserve Banks and the U.S. Treasury, the nation's largest check writer, to convert all Treasury checks to electronic images at the Federal Reserve Bank of first deposit.

Working with commercial banks and other financial service institutions comes naturally to a regional Federal Reserve Bank, and the Atlanta Fed is forging ahead to become an even more active partner. For instance, this Bank has completed a pilot project with five commercial banks in the Sixth District to test a software program to detect fraudulent checks.

With approximately 60 billion paper checks being written in the United States each year, this nation's payments system is far removed from the Federal Reserve's goal of moving from paper-based to electronic-based payments. The Atlanta Fed first did a ground-breaking study of how to move toward an electronic system for making retail payments back in the 1970s. More than twenty years after the original COPE (Committee on Paperless Entries) study, it is abundantly clear that this nation still loves its paper checks.

A technology even more promising than check imaging is electronic check presentment, which refers to a method of capturing the pertinent data about a paper check embedded in the magnetically encoded characters at the bottom of the check and electronically transmitting that data for presentment and reconciliation. The development in the 1950s of the magnetic ink character recognition (MICR) system, which allows check data to be read electronically, thereby speeding up posting to an individual's account, was one of the Federal Reserve System's early contributions to the automation of check processing. Electronic check presentment seems to be more promising for the industry—and for consumers, who should benefit from cost savings—

because most financial institutions can use technology built on the MICR system, whereas fewer can afford to invest in full-fledged check-imaging systems.

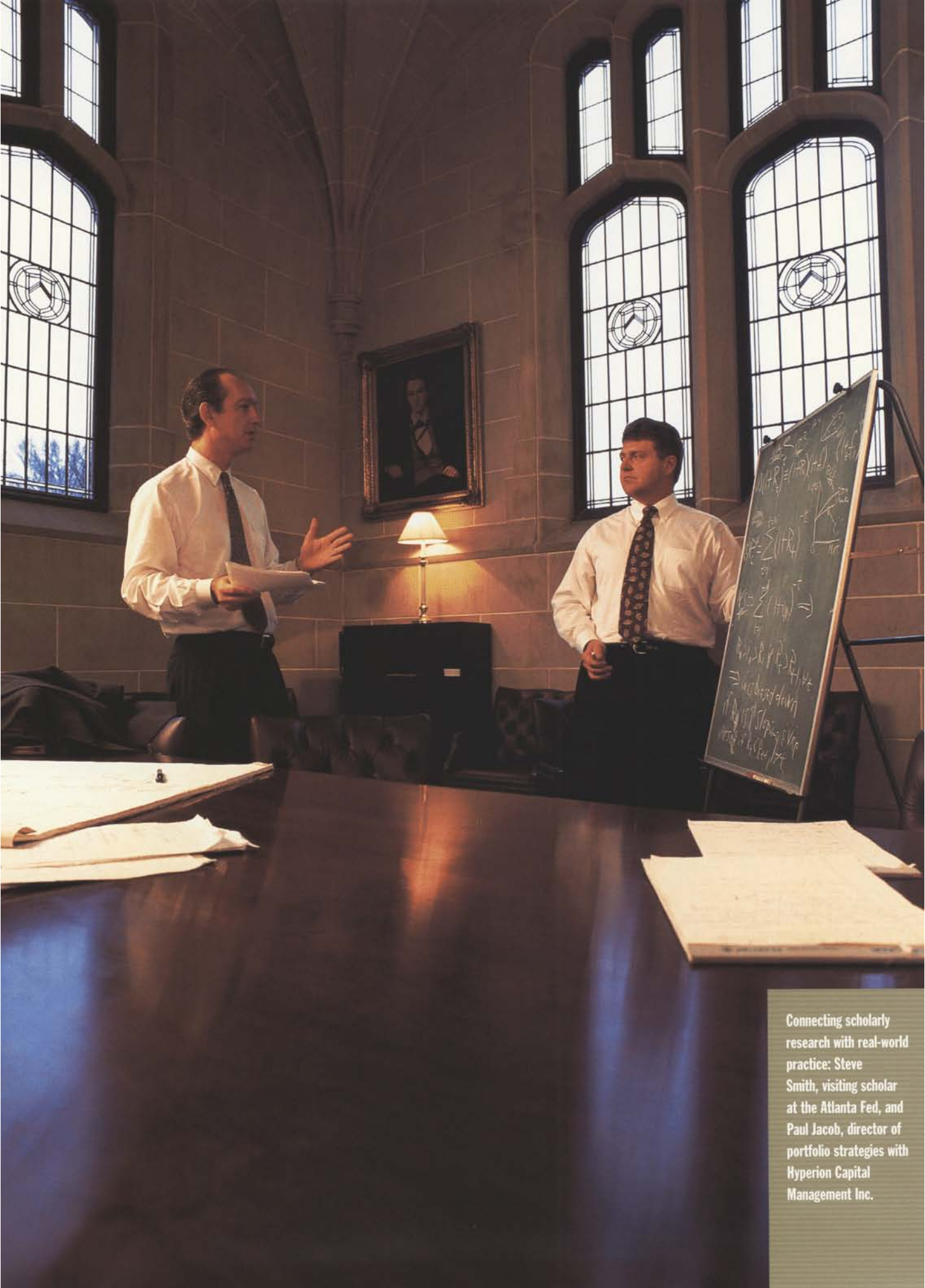
The Atlanta Fed has been providing significant leadership and staff resources to help promote this approach with a pilot project of the Electronic Check Presentment Advisory Council, a Fed-sponsored banking industry group that was formed to advance the use of electronic check presentment and to examine possible operational enhancements to make the process more attractive to all participants. This group, which is made up of seventeen banks from across the nation, has teamed with the Southwest Clearing House in a pilot program to work out operational issues involved in wide-scale electronic check presentment. This effort is indicative of a clear Federal Reserve strategy to partner with the industry to improve the overall efficiency and integrity of the payments system.

Visiting scholars and staff in the economic research department of the Atlanta Fed found ample opportunities in 1996 to talk about their research on financial markets not only with academic economists but also with market practitioners like Paul Jacob of Hyperion Capital Management Inc., New York. By partnering with visiting scholars like Steve Smith, who is the H. Talmage Dobbs Jr. Chair of Finance at Georgia State University, the Atlanta Fed brings differing viewpoints to the discussion of monetary policy and financial markets. The research done at the Atlanta Fed has also proved useful to market practitioners like Jacob, who, as director of portfolio strategies for Hyperion, works on asset allocation strategies and econometric model-building for clients.

Since the 1980s a number of market forces have transformed the financial services industry. These include further geographic consolidation with the proliferation of interstate banking, increasing international investment, the rise of nonbank financial intermediaries, and ongoing technological changes. In the past few years, derivatives have become high-profile new instruments. With globalization and technology helping these innovations to appear at a breathtaking pace, the issues pertaining to the liquidity, transparency, and regulation of derivatives markets are complex.

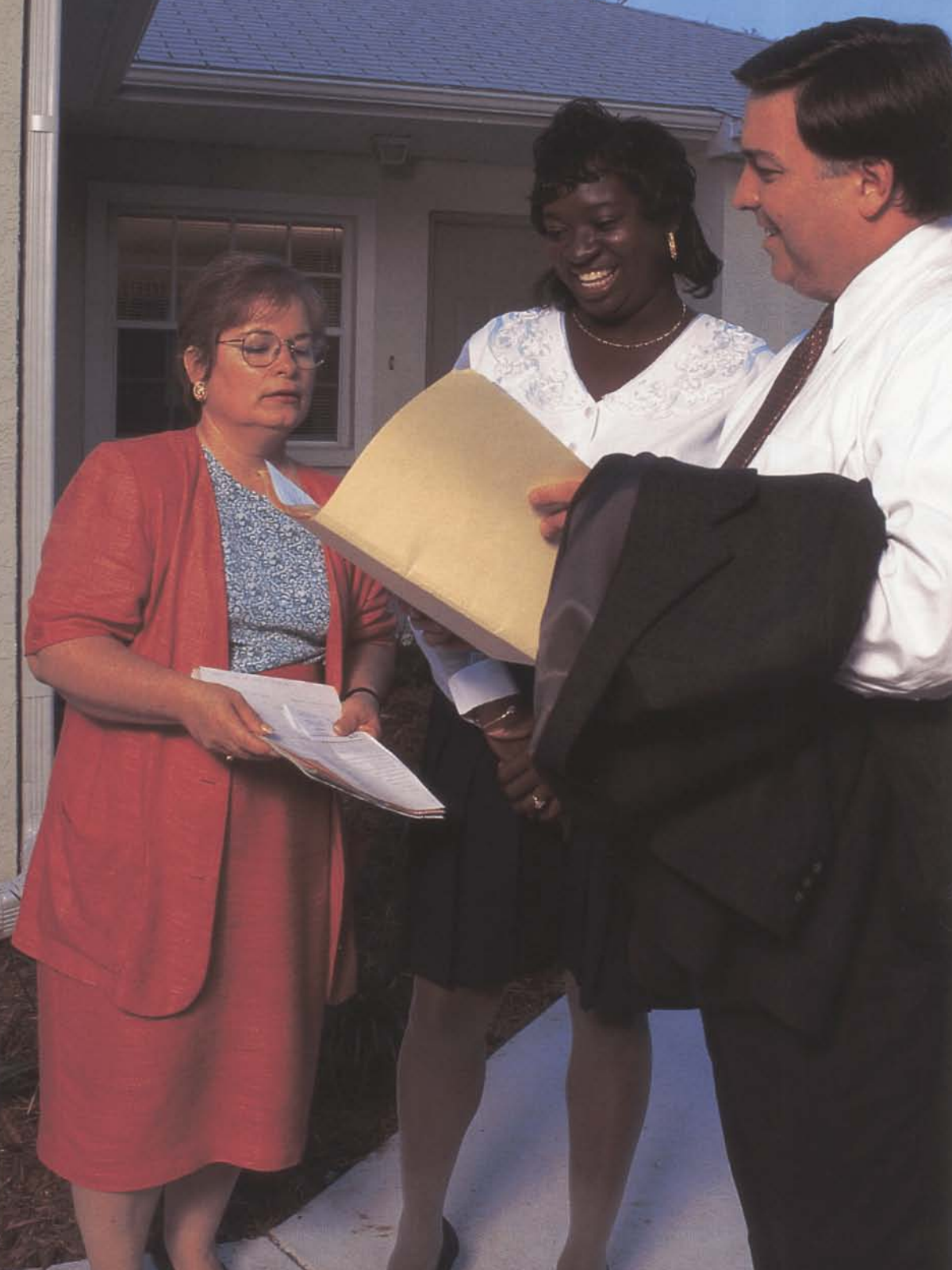
The Atlanta Fed's staff of financial economists and visiting scholars have been studying these problems and publishing research for a number of years, foreseeing the tremendous growth in this arena. Recognizing that not all problems can be addressed by in-house research alone or even through partnerships with visiting scholars, the Atlanta Fed is equally involved in bringing together groups of people to work on problems in which they all have an interest. One of the best examples of this intermediary role is the Bank's annual financial markets conference, which brings together top scholars, market practitioners, and policymakers from around the world.

In 1996 the Bank held its fifth annual conference on financial markets. Representatives from organizations as diverse as the Deutsche Bundesbank, the Financial Accounting Standards Board, the University of Chicago, Morgan Stanley, the U.S. Office of the Comptroller of the Currency, and the Federal Reserve discussed topics such as whether derivatives change the way monetary policy affects the economy and how to foster transparency in the markets, both in terms of positions taken and prices set. The financial markets conference continues to serve as a thought-provoking forum for such broad issues as optimal regulatory structures in a global context.



Connecting scholarly research with real-world practice: Steve Smith, visiting scholar at the Atlanta Fed, and Paul Jacob, director of portfolio strategies with Hyperion Capital Management Inc.

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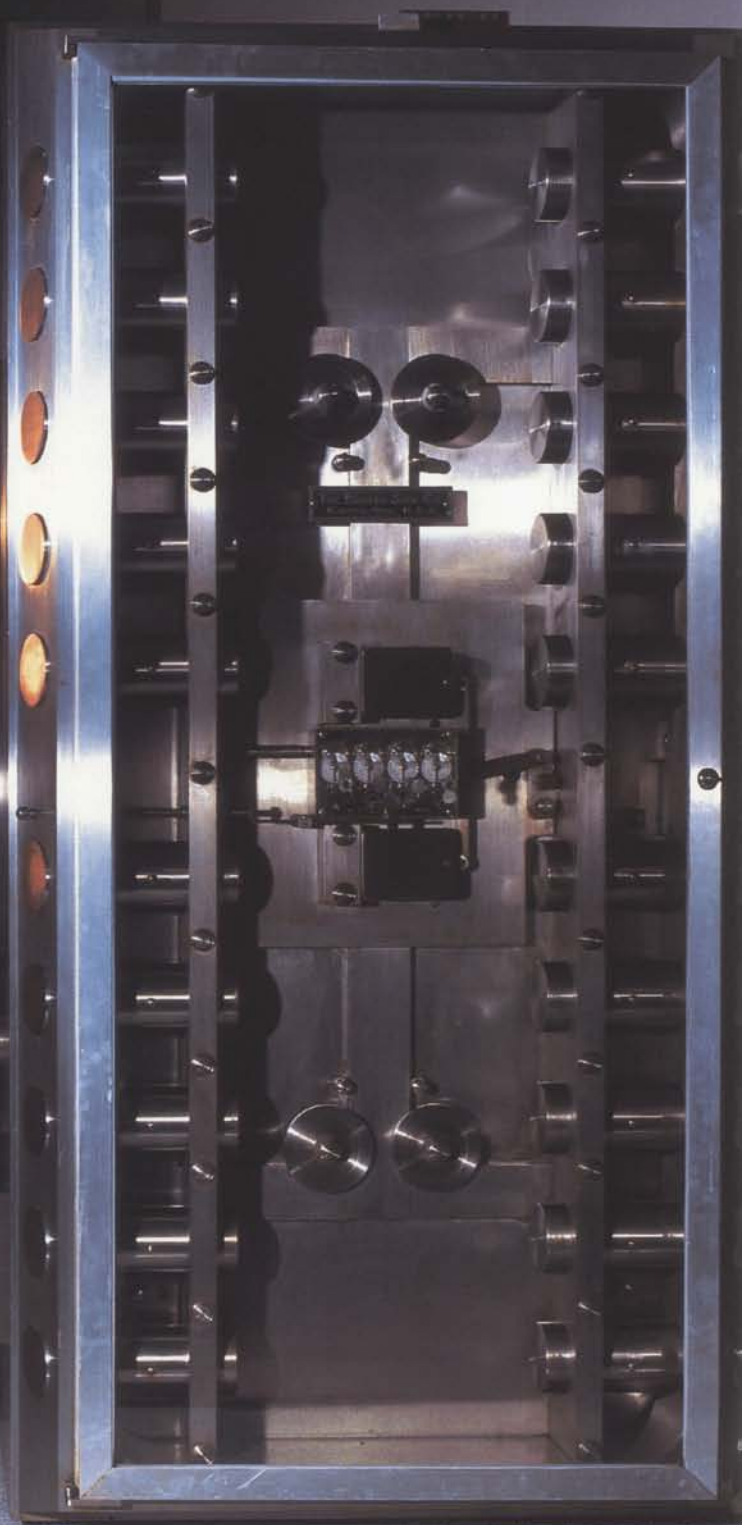
Finding ways to bring together lenders and low-to moderate-income home buyers: Ron Zimmerman (right), Atlanta Fed vice president in supervision and regulation, with Harriet Stone (left), director of housing management services, Tampa United Methodist Center, and Mishondra Key, homeowner.

By purchasing her own home in Tampa, Florida, in 1996, Mishondra Key was able to realize part of the American dream, thanks in large part to an undertaking of Ron Zimmerman, vice president in the Atlanta Fed's supervision and regulation division. Zimmerman developed a software program called Partners, which has helped the Bank to serve as an intermediary between bankers who lend money and people in low- and moderate-income areas who wish to purchase a house. His Partners program provides lenders and community groups with an easy-to-understand method of determining who can qualify for a home purchase loan, given the underwriting criteria and the financial information provided. It also offers solutions to overcome barriers for applicants who may not immediately qualify for conventional home purchase loans.

Community lending has been a strong focus for the Bank since the passage of the Community Reinvestment Act (CRA) of 1977, which governs how financial service institutions meet the credit needs of their communities, including low- and moderate-income areas. In a further effort to bring information to the people who can put it to best use, in 1996 the community affairs department of the Atlanta Fed spurred an effort throughout the twelve regional banks in the Federal Reserve System to develop a comprehensive computer database system that covers all the community development groups that serve low- and moderate-income areas and small business development needs. With 7,000 contacts in the Southeast alone, this database now allows the regional Reserve Banks to track, sort, and manage information on specialized loan and investment programs.

Besides the traditional safety and soundness bank examinations, bank examiners at the Atlanta Fed and elsewhere are required by law to do separate CRA and community lending examinations of lending institutions in the Sixth District. Following a customer survey of commercial bankers carried out throughout the Federal Reserve System, the Atlanta Fed reorganized some of the ways its supervision and regulation division handles examinations in response to suggestions from bankers. Now, for example, rather than visiting a lending institution three or more times for the different kinds of examinations, Bank staff often consolidate their exams into one visit. These changes are part of the Bank's continuing effort of working with financial service institutions to make bank supervision more efficient.

Assisting the Treasury Department in the successful roll-out of newly redesigned currency: Bob Musso, the Atlanta Fed's New Orleans branch manager and chairman of the Federal Reserve System's Cash Advisory Group.



Cash vaults throughout the Federal Reserve System in 1996 started to receive the U.S. Treasury's redesigned \$100 bill, which employs new technology and enhances the integrity of U.S. currency. The Federal Reserve System's Cash Advisory Group, which is chaired by Robert Musso, vice president and branch manager of the Atlanta Fed's New Orleans office, played an important role in the successful introduction of these notes. Since there was no recall of the "old" \$100 bills, the Cash Advisory Group devised a plan to accelerate the return of the old notes while keeping an adequate supply of new notes on hand to replace them. This complicated inventory problem was handled smoothly, preventing any shortage of notes. A similar program will be used to introduce the newly redesigned \$50 bills in 1997.

At the same time the Atlanta Fed's operations staff were heavily involved in the new currency roll-out, they were also installing a new generation of high-speed cash processing equipment. This new equipment, which processes cash faster than the old equipment and also more accurately detects counterfeit and unfit currency that must be taken out of circulation, will enable the Sixth District to continue serving both the public and the Treasury Department efficiently.

The Atlanta Fed office also played an important intermediary role during the Summer Olympic Games in Atlanta. In preparation for the tight security and limited transportation access to the Atlanta Fed and banks in the city, as well as in anticipation of the much greater need for cash in Atlanta during the two weeks of the Games, the Atlanta office began planning more than a year in advance to make arrangements with commercial banks and city and Olympic officials. Cash delivery trucks had to be rescheduled and rerouted, space had to be created in the cash vault to handle larger inventories, and enough cash had to be on hand to meet the needs of the many Olympic visitors. Through these endeavors, the Atlanta Fed provided a nearly invisible, yet critical, service for all the U.S. citizens and visitors from around the world who came to Atlanta for the Summer Games.

These examples of the Atlanta Fed's work – gathering information, building partnerships, and serving as an intermediary—are only part of what the Bank has done and plans to do to serve its many communities. Nineteen ninety-six began an era of new leadership at the Federal Reserve Bank of Atlanta. Under this leadership, the Bank intends to find new ways of enhancing its legacy by building bridges, building partnerships, and bringing people together to work on important public interest issues that are arising in today's rapidly changing world.

Atlanta Fed head office directors, drawn from throughout the Southeast, help shape monetary policy by providing the Bank president with insights into current economic developments derived from their business experience and community ties.



LEFT TO RIGHT: WILLIAMS, PAUL JONES, LEIVA, HICKMAN, KINDERMAN, BROWN, DAVID JONES, RUBENSTEIN. NOT PICTURED: SWEAT

Atlanta Board of Directors

HUGH M. BROWN

Chairman

President and Chief Executive Officer
BAMSI Inc.
Titusville, Florida

LARRY W. KINDERMAN

President and Chief Executive Officer
Stockham Valves & Fittings Inc.
Birmingham, Alabama

DAN E. SWEAT JR.

Deputy Chairman

Program Director
The America Project
Atlanta, Georgia

MARÍA CAMILA LEIVA

Executive Vice President
Miami Free Zone Corp.
Miami, Florida

WAYMON L. HICKMAN

Chairman and Chief Executive Officer
First Farmers and
Merchants National Bank
Columbia, Tennessee

ANDRÉ M. RUBENSTEIN

Chairman and Chief Executive Officer
Rubenstein Brothers Inc.
New Orleans, Louisiana

DAVID R. JONES

President and Chief Executive Officer
AGL Resources Inc.
Atlanta, Georgia

JAMES B. WILLIAMS

Chairman and Chief Executive Officer
SunTrust Banks Inc.
Atlanta, Georgia

D. PAUL JONES JR.

Chairman and Chief Executive Officer
Compass Bancshares Inc.
Birmingham, Alabama

Federal Advisory Council Member

CHARLES E. RICE

Chairman and Chief Executive Officer
Barnett Banks Inc.
Jacksonville, Florida

Birmingham Branch Directors

DONALD E. BOOMERSHINE
Chairman
President
The Better Business Bureau of
Central Alabama Inc. and the
Counties of the Wiregrass
Birmingham, Alabama

JULIAN W. BANTON
Chairman, President and
Chief Executive Officer
SouthTrust Bank of Alabama, N.A.
Birmingham, Alabama

D. BRUCE CARR
International Representative
Laborers' International Union
of North America
Gadsden, Alabama

PATRICIA B. COMPTON
President
Patco Inc.
Georgiana, Alabama

MARLIN D. MOORE JR.
Chairman
Pritchett-Moore Inc.
Tuscaloosa, Alabama

J. STEPHEN NELSON
Chairman and Chief Executive Officer
First National Bank of Brewton
Brewton, Alabama

COLUMBUS SANDERS
President
Consolidated Industries Inc.
Huntsville, Alabama

LEFT TO RIGHT: MOORE, SANDERS, NELSON, BOOMERSHINE, CARR, COMPTON, BANTON



Birmingham branch directors visit Liberty Park, the Birmingham site selected in 1996 for a new branch building that will replace the current structure, built in 1926.

Jacksonville branch directors pause in the branch's lobby on a rainy day as they gather for their monthly meeting to discuss business and financial conditions in north and central Florida.



LEFT TO RIGHT: WALDEN, KELLY, SMITH, RUFFIER, JONES, HEGGESTAD, WEST

Jacksonville Branch Directors

JOAN D. RUFFIER

Chairman
General Partner
Sunshine Cafes
Orlando, Florida

ARNOLD A. HEGGESTAD

Professor of Finance and Director
of Entrepreneurial Programs
University of Florida
Gainesville, Florida

JUDY R. JONES

President
J.R. Jones and Associates
Tallahassee, Florida

PATRICK C. KELLY

Chairman and Chief Executive Officer
Physician Sales & Service Inc.
Jacksonville, Florida

WILLIAM G. SMITH JR.

President
Capital City Bank Group
Tallahassee, Florida

ROYCE B. WALDEN

Vice President
SouthTrust Securities
Orlando, Florida

TERRY R. WEST

President and Chief Executive Officer
Jax Navy Federal Credit Union
Jacksonville, Florida

Miami Branch Directors

R. KIRK LONDON
Chairman
Chairman
American Bankers Insurance Group
Miami, Florida

KAAREN JOHNSON-STREET
Vice President of
Minority Business Development
Enterprise Florida
Miami, Florida

CARLOS A. MIGOYA
President, Dade/Monroe Counties
First Union National Bank of Florida
Miami, Florida

E. ANTHONY NEWTON
President and Chief Executive Officer
Island National Bank and Trust Co.
Palm Beach, Florida

STEVEN C. SHIMP
President
O-A-K/Florida Inc.
Fort Myers, Florida

PAT L. TORNILLO JR.
Executive Vice President
United Teachers of Dade
Miami, Florida

MICHAEL T. WILSON
President
Vinegar Bend Farms Inc.
Belle Glade, Florida

LEFT TO RIGHT: TORNILLO, SHIMP, LONDON, JOHNSON-STREET, NEWTON, MIGOYA. NOT PICTURED: WILSON



Miami is known for its beaches, palm trees, and tourists, but the makeup of the Miami branch board of directors—whose members represent agriculture, labor, banking, insurance, and economic development—reflects the diversity of business interests in south Florida.



Nashville branch directors visit the Atlanta Fed to discuss regional and national economic conditions with their counterparts from other Sixth District branches.

LEFT TO RIGHT: DALTON, MARCUM, VAUGHN, LOVELL, SEWARD, POLLEY, ARANT

Nashville Branch Directors

PAULA LOVELL
Chairman
President
Lovell Communications Inc.
Nashville, Tennessee

WILLIAMS E. ARANT JR.
Chairman
First Knoxville Bank
Knoxville, Tennessee

JAMES E. DALTON JR.
President and Chief Executive Officer
Quorum Health Group Inc.
Brentwood, Tennessee

FRANCES E. MARCUM
Chairman and Chief Executive Officer
Micro Craft Inc.
Tullahoma, Tennessee

DALE W. POLLEY
President
First American National Bank
Nashville, Tennessee

JOHN E. SEWARD JR.
President and Chief Executive Officer
Paty Lumber Co. Inc.
Piney Flats, Tennessee

JACK J. VAUGHN
President
Opryland Hospitality
& Attractions Group
Gaylord Entertainment Co.
Nashville, Tennessee

New Orleans Branch Directors

LUCIMARIAN T. ROBERTS
Chairman
President
Mississippi Coast Coliseum
Commission
Biloxi, Mississippi

VICTOR BUSSIE
President
Louisiana AFL-CIO
Baton Rouge, Louisiana

ANGUS R. COOPER II
Chairman and Chief Executive Officer
Cooper/T. Smith Corp.
Mobile, Alabama


HOWELL N. GAGE
Chairman and Chief Executive Officer
Merchants Bank
Vicksburg, Mississippi

HOWARD C. GAINES
Chairman
First National Bank of Commerce
New Orleans, Louisiana

KAY L. NELSON
President
Nelson Capital Corp.
New Orleans, Louisiana

JO ANN SLAYDON
President
Slaydon Consultants and
Insight Productions and Advertising
Baton Rouge, Louisiana

LEFT TO RIGHT: GAGE, GAINES, ROBERTS, SLAYDON, NELSON, BUSSIE. NOT PICTURED: COOPER



St. Louis Cathedral, in the French Quarter, evokes the history and ambience that support the tourism industry, which New Orleans branch directors report on together with other regional industries such as energy, petrochemicals, and shipbuilding.

Members of the Management Committee, framed here by the columns from the original building that still mark the Bank's entrance, help guide the Bank as it deals with today's changes and challenges that are affecting the framework of the nation's financial system. Left to right: Brown, Herr, Caldwell, Eisenbeis, Guynn, Oliver, Estes, Barron, Hawkins, DeBeer.



Management Committee

JACK GUINN
(CHAIRMAN)
*President and
Chief Executive Officer*

PATRICK K. BARRON
(VICE CHAIRMAN)
*First Vice President and
Chief Operating Officer*

W. RONNIE CALDWELL
Executive Vice President

ANNE M. DEBEER
Senior Vice President

ROBERT A. EISENBEIS
*Senior Vice President and
Director of Research*

WILLIAM B. ESTES III
Senior Vice President

JAMES D. HAWKINS
*Senior Vice President and
Coordinating Branch Manager*

FREDERICK R. HERR
*Senior Vice President and
Coordinating Branch Manager*

RICHARD R. OLIVER
Senior Vice President

CHRISTOPHER G. BROWN
(ADVISOR)
*Vice President and
General Auditor*

Other Corporate Officers

Senior Vice Presidents

FRANK J. CRAVEN JR.
*Senior Vice President and
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Assistant Vice President

Statement of Condition

<i>(in millions)</i>	DECEMBER 31, 1996	DECEMBER 31, 1995
Assets		
Gold certificates	\$ 769	\$ 556
Special drawing rights certificates	745	523
Coin	81	66
Items in process of collection	1,556	688
Loans to depository institutions	0	9
U.S. government and federal agency securities, net	26,312	17,728
Investments denominated in foreign currencies	1,890	1,954
Accrued interest receivable	237	180
Interdistrict settlement account	0	13,362
Bank premises and equipment, net	133	118
Other assets	29	29
Total assets	\$ 31,752	\$ 35,213
Liabilities and Capital		
LIABILITIES		
Federal Reserve notes outstanding, net	\$ 27,512	\$ 31,186
Deposits		
Depository institutions	1,708	2,481
Other deposits	31	19
Deferred credit items	1,033	660
Statutory surplus transfer due U.S. Treasury	36	15
Interdistrict settlement account	511	0
Accrued benefit cost	70	64
Other liabilities	11	10
Total liabilities	\$ 30,912	\$ 34,435
CAPITAL		
Capital paid-in	\$ 425	\$ 389
Surplus	415	389
Total capital	\$ 840	\$ 778
Total liabilities and capital	\$ 31,752	\$ 35,213

These statements are prepared by Bank management. Copies of full and final financial statements, complete with footnotes, are available by contacting the Public Affairs Department of the Federal Reserve Bank of Atlanta.

Statement of Income

<i>(in millions)</i>	FOR THE YEARS ENDED	
	DECEMBER 31, 1996	DECEMBER 31, 1995
Interest income		
Interest on U.S. government securities	\$ 1,448	\$ 1,086
Interest on foreign currencies	43	73
Interest on loans to depository institutions	0	0
Total interest income	\$ 1,491	\$ 1,159
Other operating income		
Income from services	\$ 95	\$ 92
Reimbursable services to government agencies	12	14
Foreign currency gains (losses), net	(163)	93
Government securities gains (losses), net	2	0
Other income	3	3
Total other operating income	\$ (51)	\$ 202
Operating expenses		
Salaries and other benefits	\$ 109	\$ 106
Occupancy expense	16	13
Equipment expense	19	17
Cost of unreimbursed Treasury services	4	3
Assessments by Board of Governors	47	33
Other expenses	72	81
Total operating expenses	\$ 267	\$ 253
Income before cumulative effect of accounting change	1,173	1,108
Cumulative effect of change in accounting principle	0	(8)
Net income prior to distribution	\$ 1,173	\$ 1,100
Distribution of net income		
Dividends paid to member banks	\$ 25	\$ 22
Transferred to surplus	36	48
Payments to U.S. Treasury as interest on Federal Reserve notes	787	1,030
Payments to U.S. Treasury as required by statute	325	0
	\$ 1,173	\$ 1,100

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Statement of Changes in Capital

(in millions)

FOR THE YEARS ENDED DECEMBER 31, 1996, AND DECEMBER 31, 1995

	CAPITAL PAID-IN	SURPLUS	TOTAL CAPITAL
Balance at January 1, 1995 (6,820,342 shares)	\$ 341	\$ 341	\$ 682
Net income transferred to surplus		48	48
Net change in capital stock issued (958,896 shares)	\$ 48	\$	\$ 48
Balance at December 31, 1995 (7,779,238 shares)	\$ 389	\$ 389	\$ 778
Net income transferred to surplus		36	36
Statutory surplus transfer to the U.S. Treasury		(10)	(10)
Net change in capital stock issued (722,057 shares)	\$ 36	\$	\$ 36
Balance at December 31, 1996 (8,501,295 shares)	\$ 425	\$ 415	\$ 840

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Head Office and Atlanta Branch
104 Marietta Street, N.W.
Atlanta, Georgia 30303-2713

Birmingham Branch
1801 Fifth Avenue, North
Birmingham, Alabama 35203-2104

Jacksonville Branch
800 West Water Street
Jacksonville, Florida 32204-1616

Miami Branch
9100 N.W. 36th Street
Miami, Florida 33178-2425

Nashville Branch
301 Eighth Avenue, North
Nashville, Tennessee 37203-4407

New Orleans Branch
525 St. Charles Avenue
New Orleans, Louisiana 70130-3480

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Public Affairs Department
Federal Reserve Bank of Atlanta
104 Marietta Street, N.W.
Atlanta, Georgia 30303-2713
404/521-8020
<http://www.frbatlanta.org>

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