Jack Guynn, Atlanta Fed president and CEO (left), and Pat Barron, first vice president and chief operating officer
MESSAGE FROM THE PRESIDENT

ATLANTA'S SKYLINE IS EMBLEMATIC OF changes that have transformed the Southeast in the past two decades. From Nashville to Miami, cities are taller, bigger, and more impressive than ever. Stretching upward, this impressive urban architecture signals the region's transition to a new plateau of economic, social, and cultural achievement. The region has taken its place as an international contender with great potential, as the 1996 Olympic Games confirmed.

This new status brings with it new responsibility for the Atlanta Fed to work actively in channeling the economic, social, and technological dynamism that has carried us beyond regional and national boundaries, and promises to take us further still. The future is not simply something that happens—we create it through collaboration with others who share our hopes and concerns.

The Atlanta Fed's work of shaping the future cannot take place inside the walls of an office, in a laboratory, or at the computer. Anticipating the potentials of technology, globalization, a seamless banking environment, and rich human resources requires close contact with those who are most immersed in the flow of activity. During the past year we've made even greater efforts to keep in touch with the region's industries, businesses, and financial institutions, and we've learned how they are growing and evolving. We've brought different constituencies together to discuss policy issues that affect us all. We've sat down with community leaders to share their visions and qualms. We've rolled up our sleeves and worked side by side with businesses, financial institutions, policymakers, and neighborhoods.

Working with partners from throughout the region and the nation in banking, business, education, government, and the community, in 1997 we took stock of our role in the quickly evolving payments arena; moved forward in providing forums for discussing national and international policy issues; helped banks adjust to new regulations and continued developing our internal operations to provide the best service possible; explored ways to enhance opportunities for consumers of financial services and provided education; and deepened our commitment to strong corporate citizenship.

Managing change—understanding the benefits and risks of innovation and clearing the way for productive transitions—is integral to creating the kind of world we want to move toward. In times of rapid and dramatic change, like these, it is critical to look beyond short-term goals and immediate rewards and move forward with a broader, deeper vision. With the help of its sources and partners, the Atlanta Fed is committed to shaping the future of the economy in the region and the nation.

JACK GUYN

3
ENVISIONING THE FUTURE IS A COMPLEX TASK. A FEW DECADES AGO, PEOPLE THE WORLD OVER WERE AWESTRUCK AS THE FIRST HUMAN BEING STEPPED ONTO THE MOON. NOW, AS PHOTOGRAPHS RETURN FROM MARS, GALACTIC EXPLORATION IS NO LONGER A FAR-FETCHED MIRACLE BUT RATHER AN INTRIGUING FACT OF LIFE. THE OTHER PLANETS OF OUR SOLAR SYSTEM HAVE BECOME PART OF OUR WORLD, AND THE BOUNDARIES OF HUMAN CONSCIOUSNESS HAVE EXPANDED TO INCLUDE THEM. WE LIVE IN A RADICALLY DIFFERENT UNIVERSE.

AS OUR VISION OF WHAT IS POSSIBLE HAS GROWN TO INCLUDE SCENARIOS THAT WERE ONCE THE STUFF OF SCIENCE FICTION, SO HAS OUR ECONOMY EVOLVED IN WAYS OUR GREAT-GREAT-PARENTS COULD HAVE SCARELY IMAGINED. LEAPS IN TECHNOLOGY HAVE NOT ONLY CHANGED HOW WE PRODUCE THINGS AND BROUGHT EFFICIENCIES TO THE MARKETPLACE BUT HAVE ALSO TRANSFORMED HOW WE DO BUSINESS, PAY OUR BILLS, AND ADMINISTER OUR FINANCIAL RESOURCES. HAND IN HAND WITH TECHNOLOGY COME INNOVATIONS IN COMMUNICATION THAT HAVE CONVERTED THE WORLD INTO A GLOBAL VILLAGE AND TRANFIGURED NETWORKS FOR THE PRODUCTION AND DISTRIBUTION OF GOODS AND SERVICES. BANK DeregULATION, WHICH MAKES IT POSSIBLE FOR FINANCIAL INSTITUTIONS TO KEEP PACE IN AN ENVIRONMENT OF RAPID CHANGE, HAS RESULTED IN MAJOR TRANSITIONS IN THE BANKING INDUSTRY.

MANAGING CHANGE EFFECTIVELY TO MAXIMIZE BENEFITS AND MINIMIZE RISKS REQUIRES FIRSTHAND UNDERSTANDING OF TRANSFORMATIONS IN THE ECONOMY. THE FEDERAL RESERVE BANK OF ATLANTA RELIES HEAVILY ON THE INSIGHTS OF ITS BOARDS OF DIRECTORS, WHOSE AFFILIATIONS IN MANUFACTURING, FINANCE, AGRICULTURE, AND OTHER INDUSTRIES REPRESENT THE REGION'S GREAT ECONOMIC DIVERSITY.

HUGH BROWN, CHAIRMAN OF THE ATLANTA FED'S BOARD OF DIRECTORS AND PRESIDENT AND CEO OF BAMSINCTIONS (INC., IN TITUSVILLE, FLORIDA, TOURED THE NASA SPACE CENTER IN CAPE CANAVERAL WITH SPACE CENTER ADMINISTRATOR ROY BRIDGES TO LEARN MORE ABOUT SIGNIFICANT SHIFTS IN THE SPACE INDUSTRY. LIKE MANY OTHER AGENCIES AND ENTERPRISES, NASA HAS RECONFIGURED ITSELF TO MEET THE CHALLENGES OF THE CHANGING ECONOMIC LANDSCAPE.

JUST AS THE REGION'S INDUSTRIES HAVE EVOLVED AT A RAPID PACE IN RESPONSE TO ECONOMIC AND TECHNOLOGICAL CHANGES, SO HAS THE ATLANTA FED MOVED INTO A NEW ERA. IN AREAS LIKE PAYMENTS AND SUPERVISION AND REGULATION, TRANSFORMATIONS ARE APPARENT; BUT EVEN LESS OBVIOUS AREAS, LIKE RESEARCH, HAVE FELT THE IMPACT OF TECHNOLOGY. FOR EXAMPLE, NEW TECHNIQUES OF ECONOMIC MODELING CREATED BY ATLANTA FED RESEARCH STAFF PROVIDE EXPLICIT MEASURES OF THE UNCERTAINTY OF FORECASTS AND AN EMPIRICALLY COHERENT FRAMEWORK FOR MAKING POLICY DECISIONS.
SHAPING THE FUTURE

Policy Making

During the past year the Atlanta Fed has taken an active role in facilitating public discussion of far-reaching policy issues. Insulated from short-term political pressures as part of the Federal Reserve System, the Atlanta Fed can provide an open forum for fostering and framing debate about topics of profound importance for the region and beyond. As boundaries among regional, national, and international economies continue to dissolve, the Atlanta Fed has responded to the need to explore the implications of broad-based policy decisions.

The North American Free Trade Agreement and its possible extension to other countries represent a complicated policy arena where many conflicting interests compete. To present the divergent views of the key players and offer participants a chance to question them, the Federal Reserve Bank of Atlanta joined the Brookings Institution and the Carter Center in the fall in hosting a conference, "Freer Trade: In Whose Interest?" Former U.S. President Jimmy Carter, Atlanta Fed President Jack Guynn, and Robert Litan, director of the Economic Studies Program of the Brookings Institution, joined other conference participants in discussing the challenges and potentials of NAFTA.

Global trade also raises critical questions about the soundness of banking and financial infrastructures in economies that may have once seemed distant. In February, for its annual conference in Miami on financial markets, the Atlanta Fed brought together a distinguished group of economists, bankers, scholars, financiers, government officials, and policy analysts from around the world to discuss "Market and Regulatory Structures in a Global Environment."

In fulfilling the Atlanta Fed's supervisory responsibilities for U.S. offices of banks originating in Latin America and the Caribbean, staff have worked to continue building strong relationships with banking authorities in these areas. Bank representatives conducted workshops and participated in training initiatives throughout Central and South America and the Caribbean, treating such diverse topics as money laundering, capital markets, and credit analysis; they also offered training sessions in Atlanta and Miami for international supervisors and central bankers. The Atlanta Fed's growing expertise in these regions, through supervisory, financial services, and economic research initiatives, provides a base of knowledge for the entire Federal Reserve System. In addition, this year the Atlanta Fed also conducted international training activities in China and Russia.
FACILITATING IMPORTANT POLICY DISCUSSIONS: Former President Jimmy Carter (center), Jack Guynn, Atlanta Fed president and CEO (right), and Robert Litan, director of the Economic Studies Program at the Brookings Institution, discuss the future of NAFTA during a conference at the Carter Center.
GATHERING INFORMATION ON-SITE:
John Seward, Nashville Branch director and president and CEO of Paty Lumber Co. Inc. (right); Georgia-Pacific plant manager Robert Newsome (left); and the Atlanta Fed's research officer in charge of regional research, Tom Cunningham, take a firsthand look at innovations in the lumber industry.
ATLANTA FED BRANCH BANK

directors are a vital finger
on the pulse of the region's economy. Close communication with those at
the heart of the region's industries
and businesses provides Atlanta Fed
researchers with information they
can't get from just looking at
statistics. Branch directors represent
economic activities as widely varied
as agriculture, education, heavy
industry, technology, hospitality,
retail business, and labor and service
organizations as well as financial
institutions. The diversity of their
affiliations, concerns, and back-
grounds is an essential resource for
in-depth perspectives on the region's
economic activity.

Just as technology is transforming
the global economy, it is also changing
the shape of the region's most tradi-
tional industries. Nashville Branch
Director John Seward, president and
CEO of Paty Lumber Co. Inc., and
Tom Cunningham, vice president
in charge of the regional research
group at the Federal Reserve Bank
of Atlanta, toured the Georgia-Pacific
Corporation's lumber mill in
Warrenton, Georgia, with plant

manager Robert Newsome to discuss
how technological innovations are
revolutionizing the industry. In this
operation logs are scanned by lasers
that feed the information into com-
puter programs, which in turn deter-
mine the optimal way to cut each log.
The new system minimizes waste and
speeds delivery to customers across
the nation.

Understanding how change—not
only in technology but in the whole
structure of the economy—affects
everyday work situations can help
economists interpret statistical
information and add critical insight
about the region's economic potential.

In addition to maintaining ongoing
contact with the Bank's directors,
Atlanta Fed President Jack Guynn
meets regularly with small groups of
leaders in business and the communi-
ty throughout the region. Economic
research staff also gather information
from diverse audiences on various
sectors of the economy. The informa-
tion from these exchanges is a crucial
complement to formal research.
DEREGULATION OF THE BANKING industry presents a twofold challenge to the Atlanta Fed. First, how do we help banks make a transition to the new banking environment? Second, how does the Fed adjust its internal operations to provide a seamless interface in a financial world where state and even regional borders have become obsolete? The Atlanta Fed has stretched beyond traditional Reserve Bank roles to smooth the way to a boundary-free banking environment.

Changes in the size and shape of banking have called for new regulatory, administrative, and accounting structures within the system. During the past year congressional legislation took effect that makes it possible for banks to maintain one charter for all their branches, even those in other states or districts. The Atlanta Fed worked closely with teams from the larger banks to assist with their transition to the new account structure. In some instances staff reworked procedures to assure that institutions with an extensive presence in more than one district could consolidate their charters and still access services from multiple districts with no disruption of customer service.

In addition to working with large banks, the Atlanta Fed provided special workshops and training for midsize banks to help them make the most of the new single-charter structure. Anne DeBeer, senior vice president and head of accounting and automation, and Bill Estes, senior vice president over supervision and regulation, visited with Compass Bancshares CEO and Atlanta Director D. Paul Jones in Birmingham to discuss some of the ways his institution is taking advantage of the opportunities to grow in the new banking environment.

To complement the single-charter arrangement, the Federal Reserve has also adopted a single-account structure that allows banks to consolidate their funds management and reporting systems. Atlanta Fed staff worked on-site with institutions throughout the region to help them institute the new accounting procedure. Fine-tuning the new process often called for day-to-day consultations and extensive training.
BANKING ACROSS BOUNDARIES:
Atlanta Director and Compass Bancshares CEO D. Paul Jones (right) discusses deregulation with Anne DeBeer, Atlanta Fed senior vice president over accounting and automation, and Bill Estes, senior vice president in supervision and regulation.
Providing Leadership in Payments Systems: Federal Reserve Board Vice Chairman Alice Rivlin, on a visit to the Atlanta Fed, with Mel Purcell, vice president of the Nashville Branch, observes Willie Pearl Sims demonstrating check-clearing procedures. Gregg Ehrlich (left) and Preston Hughes work in the background.
Methods of payment have transformed in a few decades from a simple paper-based system of checks to a complex array of electronic possibilities. Long a significant force in exploring the implications of electronic payments, the Atlanta Fed played an important role during the past year in a study to determine how the Federal Reserve can best serve in this rapidly diversifying area. In a series of meetings around the country, Alice Rivlin, vice chairman of the Board of Governors of the Federal Reserve System, took the question to bankers and other stakeholders who deal with payments on a daily basis. Responding to a survey that proposed five scenarios with varying degrees of Fed involvement, from withdrawing from payments altogether to assuming a greater leadership role, participants called for the Fed to lead the way in developing and integrating new payments alternatives.

The Atlanta Fed contributed significantly to the Rivlin Commission’s work through participation in the scenario team and hosting two of the commission’s meetings as well as conducting regional meetings. While on a visit to Atlanta, Vice Chairman Rivlin observed current operational procedures in check processing with Mel Purcell, vice president of the Nashville Branch. The volume of check payments at the Atlanta Fed grew in 1997 about 10 percent.

Assessing the soundness of new payments alternatives and making consumers aware of risks and potentials are important aspects of the Fed’s task. This role has taken the Atlanta Fed beyond U.S. borders to work with central bankers in Latin and Central America and the Caribbean, where U.S. dollars are used extensively in business transactions. Staff from the Birmingham and Miami branches formed a team to educate bankers, in Spanish, about the new currency released in early 1997 and the availability of Fed services.
MAKING SURE THAT CONSUMERS are educated about the new banking environment and removing obstacles that keep them from achieving their full economic potential were important aspects of the Atlanta Fed's mission in 1997. In response to recent statistics that indicate the extraordinary growth of businesses owned by women during the 1980s, ten Federal Reserve Banks around the nation joined with the National Women's Business Council and the U.S. Small Business Administration to host a series of workshops to help promote the growth of women-owned enterprises. One aspect of the workshops involved assessing banks' credit-scoring processes to see if they provide an accurate gauge of women's creditworthiness as small business owners.

The New Orleans Branch of the Atlanta Fed partnered with two Louisiana-based women's business centers—the Southeast Louisiana Black Chamber of Commerce Women's Business Center and the Women Entrepreneurs for Economic Development—to explore the potential of entrepreneurship as a means to help women move from welfare to work. Fed Governor Susan Phillips joined New Orleans Branch Director Jo Ann Slaydon and workshop participants—a selected group of business owners, lenders, financial regulators, and intermediaries who help welfare recipients make a transition to the workforce.

The Atlanta Fed also hosted a public hearing in Atlanta—one of three in the country—on a Truth in Lending Act amendment, which attracted participants to discuss how home equity lending disclosure requirements might be improved.
EXPLORING THE POTENTIAL OF WOMEN AS ENTREPRENEURS:
Federal Reserve Board Governor Susan Phillips (second from right) and New Orleans Branch Director Jo Ann Slaydon, president of Slaydon Consultants and Insight Productions and Advertising (left), talk with Cathy Harris, president of C. Harris Companies Inc. (second from left), and Judy Watts, president and CEO of Agenda for Children, on their way to a workshop hosted by the New Orleans Branch.
MAKING A DIFFERENCE IN COMMUNITIES:
Atlanta Fed volunteers Cheryl Woodie (left) and Emily Graham and children from the neighborhood pitch in to help make a dream come true for Atlanta’s Reynoldstown community.
TAKING AN ACTIVE ROLE IN THE region’s communities has always been a high priority at the Atlanta Fed, but in 1997 it assumed an even more important place in the Bank’s vision. Understanding the region’s people, its cities, towns, and neighborhoods, its problems and potentials, calls for hands-on involvement. The Reynoldstown Theater project in Atlanta was one of several initiatives around the region that took Bank employees into the community. Atlanta Fed staff helped erect the stage and backdrops for a two-week summer theater festival, sold tickets, and served as ushers to help this neighborhood raise money for improvements.

Federal Reserve branches around the region have partnered with schools to provide support and encouragement for students, teachers, and parents. In 1997 the Nashville Branch celebrated its twelfth year of partnership with a local elementary school, where bank staff have maintained an ongoing tutoring program as well as helped mulch nature trails, sponsored spaghetti dinners and other fundraisers, and initiated Junior Achievement programs. The New Orleans Branch partnered with local financial institutions in setting up simulated “Finance Centers” that provide a business environment enabling students to learn about business and banking.

Participating in community projects creates links beyond the neighborhoods and groups that are served. Fed employees get to know other civic leaders, local business groups, and service organizations that work with diverse segments of the population. Employees also get to know each other better. Building, painting, teaching, or mentoring, employees share experiences that reinforce our organization’s commitment to corporate citizenship. Working side by side with those determined to bring out the best in their communities inspires us to continue doing our best as partners in shaping the future.
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President and Chief Executive Officer  
BAMSI Inc.  
Titusville, Florida

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

Juanita P. Baranco  
Executive Vice President  
Baranco Automotive Group  
Lilburn, Georgia

Waymon L. Hickman  
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First Farmers and Merchants National Bank  
Columbia, Tennessee

D. Paul Jones Jr.  
Chairman and Chief Executive Officer  
Compass Bancshares Inc.  
Birmingham, Alabama

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

Maria Camila Leiva  
Executive Vice President  
Miami Free Zone Corp.  
Miami, Florida

Howard L. McMillan Jr.  
President and Chief Operating Officer  
Deposit Guaranty National Bank  
Jackson, Mississippi

John Wieland  
President  
John Wieland Homes Inc.  
Atlanta, Georgia

LEFT TO RIGHT:
Wieland, Brown, Hickman, Leiva, Baranco, Paul Jones
Not pictured: David Jones, Kinderman, McMillan
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Labor-Relations Liaison  
Laborers’ District Council of Alabama  
Gadsden, Alabama

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President, Alabama Banking Group  
AmSouth Bank  
Birmingham, Alabama

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Tuscaloosa, Alabama

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Chairman and Chief Executive Officer  
First National Bank of Brewton  
Brewton, Alabama

Columbus Sanders  
President  
Consolidated Industries Inc.  
Huntsville, Alabama

LEFT TO RIGHT:  
Sanders, Mayer, Compton,  
Carr, Moore, Martin, Nelson
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Chairman and Chief Executive Officer
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Professor of Finance and Director of
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President and Chief Executive Officer
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LEFT TO RIGHT:
West, Walden, Kelly, Rydberg,
Heggestad, Jones
Not pictured: Smith
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First Union National Bank of Florida  
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West Palm Beach, Florida

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Lakeview Farms Inc.  
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LEFT TO RIGHT: Migoya, Landon, Cobb, Johnson-Street, Sodders, Newton, Moore
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Gaylord Entertainment Co.
Nashville, Tennessee

L.A. Walker Jr.
Chairman, President, and
Chief Executive Officer
First National Bank and Trust Co.
Athens, Tennessee

LEFT TO RIGHT:
Marcum, Polley, Dalton,
Lovell, Seward
Not pictured: Vaughn, Walker
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President  
Slaydon Consultants and Insight Productions and Advertising  
Baton Rouge, Louisiana

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New Orleans, Louisiana

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Pumpelly Oil Inc.  
Westlake, Louisiana

Lucimarian T. Roberts  
Past President  
Mississippi Coast Coliseum Commission and Community Advocate  
Biloxi, Mississippi

LEFT TO RIGHT:  
Gaines, Nelson, Cooper, Slaydon, Gage, Roberts, Pumpelly
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Small Business, Agriculture, and Labor Advisory Council

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James D. Hawkins
Senior Vice President

Frederick R. Herr
Senior Vice President

Richard R. Oliver
Senior Vice President

Christopher G. Brown
Adviser
Vice President and General Auditor

LEFT TO RIGHT:
Eisenbeis, Estes, Hawkins, Caldwell, Barron, Oliver, Guynn, Herr, DeBeer, Brown
OTHER CORPORATE OFFICERS

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Senior Vice President and
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Senior Vice President

Edmund Willingham
Senior Vice President and
General Counsel

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Assistant Vice President and
Corporate Secretary

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J. Courtney Dufries
Assistant Vice President

Barry G. Hartin
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J. Stephen Foley
Assistant Vice President

William R. Herbert
(resigned)
Assistant Vice President

Gerald P. Dwyer
Assistant Vice President

Susan Hoy
Assistant General Counsel

Marie E. McNally
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J. Stephen Foley
Assistant Vice President

Amelia A. Murphy
Assistant Vice President

J. Stephen Foley
Assistant Vice President

J. Stephen Foley
Assistant Vice President

Thomas J. Cunningham
Research Officer

Chapelle D. Davis
Assistant General Counsel

Albert E. Martin III
Assistant General Counsel

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Assistant Vice President

J. Courtney Dufries
Assistant Vice President

Daniel A. Maslar
Assistant Vice President

Larry D. Wall
Research Officer

J. Stephen Foley
Assistant Vice President

Marie E. McNally
Assistant Vice President

Amelia A. Murphy
Assistant Vice President

Kimberly K. Winstel
Assistant Vice President
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Assistant Vice President and Assistant Branch Manager

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Assistant Vice President

Robert A. Love
Assistant Vice President

Robert I. McKenzie
(resigned) Assistant Vice President

William R. Powell
Assistant Vice President

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Senior Vice President

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Vice President

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Assistant Vice President and Assistant Branch Manager

Darrin G. Finley
Assistant Vice President

Jeffrey L. Weltzien
Assistant Vice President

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Melvyn K. Purcell
Vice President

Lee C. Jones
Assistant Vice President and Assistant Branch Manager

Annita T. Moore
Assistant Vice President

Joel E. Warren
Assistant Vice President

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Vice President

Amy S. Goodman
Assistant Vice President and Assistant Branch Manager

W. Jeffrey Devine
Assistant Vice President

Edward B. Hughes
Assistant Vice President

Patricia D. Van de Graaf
Assistant Vice President

BIRMINGHAM

Frederick R. Herr
Senior Vice President

Andre T. Anderson
Vice President

Margaret A. Thomas
Assistant Vice President and Assistant Branch Manager

Fredric L. Fullerton
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Charles W. Prime
Assistant Vice President

MIAMI

James T. Curry III
Vice President

Juan del Busto
Assistant Vice President and Assistant Branch Manager

Vicki A. Anderson
Assistant Vice President

Fred D. Cox
Assistant Vice President

Robert A. de Zayas
Assistant Vice President

Carolyn C. Healy
Assistant Vice President
### Statement of Condition

#### (in millions)  

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<td>237</td>
</tr>
<tr>
<td>Interdistrict settlement account</td>
<td>793</td>
<td>0</td>
</tr>
<tr>
<td>Bank premises and equipment, net</td>
<td>132</td>
<td>133</td>
</tr>
<tr>
<td>Other assets</td>
<td>23</td>
<td>29</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$34,577</strong></td>
<td><strong>$31,752</strong></td>
</tr>
</tbody>
</table>

#### Liabilities and Capital

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>December 31, 1997</th>
<th>December 31, 1996</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Reserve notes outstanding, net</td>
<td>$30,390</td>
<td>$27,512</td>
</tr>
<tr>
<td>Deposits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depository institutions</td>
<td>2,081</td>
<td>1,708</td>
</tr>
<tr>
<td>Other deposits</td>
<td>17</td>
<td>31</td>
</tr>
<tr>
<td>Deferred credit items</td>
<td>1,210</td>
<td>1,033</td>
</tr>
<tr>
<td>Statutory surplus transfer due U.S. Treasury</td>
<td>95</td>
<td>36</td>
</tr>
<tr>
<td>Interdistrict settlement account</td>
<td>0</td>
<td>511</td>
</tr>
<tr>
<td>Accrued benefit cost</td>
<td>74</td>
<td>70</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>12</td>
<td>11</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>$33,879</strong></td>
<td><strong>$30,912</strong></td>
</tr>
</tbody>
</table>

#### Capital

<table>
<thead>
<tr>
<th>Capital</th>
<th>December 31, 1997</th>
<th>December 31, 1996</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital paid-in</td>
<td>$359</td>
<td>$425</td>
</tr>
<tr>
<td>Surplus</td>
<td>339</td>
<td>415</td>
</tr>
<tr>
<td><strong>Total capital</strong></td>
<td><strong>$698</strong></td>
<td><strong>$840</strong></td>
</tr>
</tbody>
</table>

#### Total liabilities and capital

<table>
<thead>
<tr>
<th></th>
<th>December 31, 1997</th>
<th>December 31, 1996</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total liabilities and capital</strong></td>
<td><strong>$34,577</strong></td>
<td><strong>$31,752</strong></td>
</tr>
</tbody>
</table>

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

(in millions)

<table>
<thead>
<tr>
<th></th>
<th>December 31, 1997</th>
<th>December 31, 1996</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Interest income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest on U.S. government securities</td>
<td>$1,679</td>
<td>$1,448</td>
</tr>
<tr>
<td>Interest on foreign currencies</td>
<td>35</td>
<td>43</td>
</tr>
<tr>
<td><strong>Total interest income</strong></td>
<td>$1,714</td>
<td>$1,491</td>
</tr>
<tr>
<td><strong>Other operating income (loss)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income from services</td>
<td>$98</td>
<td>$95</td>
</tr>
<tr>
<td>Reimbursable services to government agencies</td>
<td>11</td>
<td>12</td>
</tr>
<tr>
<td>Foreign currency losses, net</td>
<td>(239)</td>
<td>(163)</td>
</tr>
<tr>
<td>Government securities gains, net</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Other income</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total other operating loss</strong></td>
<td>$(124)</td>
<td>$(51)</td>
</tr>
<tr>
<td><strong>Operating expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and other benefits</td>
<td>$113</td>
<td>$109</td>
</tr>
<tr>
<td>Occupancy expense</td>
<td>15</td>
<td>16</td>
</tr>
<tr>
<td>Equipment expense</td>
<td>20</td>
<td>19</td>
</tr>
<tr>
<td>Cost of unreimbursed Treasury services</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Assessments by Board of Governors</td>
<td>38</td>
<td>47</td>
</tr>
<tr>
<td>Other expenses</td>
<td>72</td>
<td>72</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>$260</td>
<td>$267</td>
</tr>
<tr>
<td><strong>Net income prior to distribution</strong></td>
<td>$1,330</td>
<td>$1,173</td>
</tr>
<tr>
<td><strong>Distribution of net income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends paid to member banks</td>
<td>$23</td>
<td>$25</td>
</tr>
<tr>
<td>Transferred from surplus</td>
<td>(66)</td>
<td>36</td>
</tr>
<tr>
<td>Payments to U.S. Treasury as interest on Federal Reserve notes</td>
<td>0</td>
<td>787</td>
</tr>
<tr>
<td>Payments to U.S. Treasury as required by statute</td>
<td>1,373</td>
<td>326</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$1,330</td>
<td>$1,173</td>
</tr>
</tbody>
</table>

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<table>
<thead>
<tr>
<th>(in millions)</th>
<th>for the years ended December 31, 1997, and December 31, 1996</th>
<th>Capital Paid-in</th>
<th>Surplus</th>
<th>Total Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at January 1, 1996</strong> (7.8 million shares)</td>
<td></td>
<td>$389</td>
<td>$389</td>
<td>$778</td>
</tr>
<tr>
<td>Net income transferred to surplus</td>
<td></td>
<td></td>
<td>36</td>
<td>36</td>
</tr>
<tr>
<td>Statutory surplus transfer to the U.S. Treasury</td>
<td></td>
<td></td>
<td>(10)</td>
<td>(10)</td>
</tr>
<tr>
<td>Net change in capital stock issued (0.7 million shares)</td>
<td></td>
<td>$36</td>
<td></td>
<td>$36</td>
</tr>
<tr>
<td><strong>Balance at December 31, 1996</strong> (8.5 million shares)</td>
<td></td>
<td>$425</td>
<td>$415</td>
<td>$840</td>
</tr>
<tr>
<td>Net income transferred from surplus</td>
<td></td>
<td></td>
<td>(66)</td>
<td>(66)</td>
</tr>
<tr>
<td>Statutory surplus transfer to the U.S. Treasury</td>
<td></td>
<td></td>
<td>(10)</td>
<td>(10)</td>
</tr>
<tr>
<td>Net change in capital stock redeemed (1.3 million shares)</td>
<td></td>
<td>$(66)</td>
<td></td>
<td>$(66)</td>
</tr>
<tr>
<td><strong>Balance at December 31, 1997</strong> (7.2 million shares)</td>
<td></td>
<td>$359</td>
<td>$339</td>
<td>$698</td>
</tr>
</tbody>
</table>

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Birmingham, Alabama 35203-2104

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Jacksonville, Florida 32204-1616

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