

**FEDERAL RESERVE BANK
OF DALLAS**



1976 ANNUAL STATEMENT

Federal Reserve Bank of Dallas

To All Member Banks in the Eleventh Federal Reserve District:

The Federal Reserve Bank of Dallas, along with its Branches at El Paso, Houston, and San Antonio, directed significant efforts in 1976 to improving the quality of payments services available to banks in the Eleventh District.

Overnight check collection service through the Regional Check Processing Center (RCPC) was extended to 293 more banks in the Dallas and San Antonio zones, while expedited service was implemented in northern Louisiana utilizing Federal Reserve transportation and settlement facilities.

A further improvement in check services is planned to be introduced in 1977, when the Federal Reserve begins accepting a larger daily volume of unsorted checks from member banks.

The Southwest Automated Clearing House Association (SWACHA), for which the Federal Reserve Bank of Dallas provides processing, delivery, and clearing services, handled a growing volume of items last year and is expected to play an increasing role in the payments mechanism in the Southwest in 1977 and succeeding years.

In the area of supervision and regulation, new responsibilities assigned by the Congress, especially in the area of "consumer protection," have required a step-up in examinations, inspections, and field investigations of banks and other financial organizations. Also, there was a moderate increase in 1976 in the number of applications of various types filed under the Bank Holding Company Act. There appears to be a tide of change in both the regulation and the structure of the financial sector.

Good year

Generally speaking, 1976 was a good year for the Eleventh District. In an area as large and diverse as the District, however, some individuals and businesses undoubtedly experienced a year that did not fit the "general" pattern. On the whole, the District fared better than most other regions, as the steady inflow of new businesses and workers attests.

Comparative strength in the economy of the Eleventh District reflected primarily the region's role as a producer and processor of petroleum products and petroleum derivatives. The effects were widespread, being visible in manufacturing, domestic and foreign banking, and residential and commercial construction, as well as in the exploration and production of gas and crude oil.

Exploratory and developmental drilling for gas and oil, which sagged in the first half of the year, rebounded during the summer and fall and reached a record pace at year-end. The surge reflected the easing of price controls on products from new wells. Production, however, continued the downtrend that began in 1972, and the nation's dependence on imported oil rose further.

Some surprises

The year was not devoid of surprises. The pace of economic activity was somewhat slower than expected during most of the year. For some, the weakness

was not particularly good news. Bankers, particularly those in large metropolitan areas, found loan demand considerably weaker than anticipated. And, in some areas, people looking for work found it took longer to find a job.

But the slowdown had some pleasant side effects for many people. Borrowers found that projected increases in interest rates did not materialize. In fact, money and capital markets absorbed an increase of over \$50 billion in government debt (federal, state, and local) with an actual decline in interest rates during the year. And almost everyone appreciated the moderation in inflation that accompanied the reduced pace of economic expansion.

The devaluation of the Mexican peso September 1, and again October 27, took nearly everyone by surprise. The immediate and sharp reduction in the purchasing power of the peso was probably felt nowhere more than along the Texas-Mexico border. Total retail sales along the border may have been cut 10 to 15 percent in 1976 compared to what they would have been in the absence of a devaluation. In some communities the reductions were greater.

District banking

The dominant feature of banking both in the District and the nation last year was the weakness in loan demand. Large banks, whose lending is geared primarily to business or corporate clients, particularly felt the slack. Good profits and a wider-than-usual spread between the cost of borrowing in the commercial paper market and the cost of borrowing at banks allowed many businesses to finance expenditures without drawing on their bank lines.

Smaller banks, whose lending is more geared to the consumer, fared better. Both retail sales and homebuilding in the District were fairly brisk, and many people went to their banks to finance these and related purchases. Banks with large agricultural clientele also had relatively strong loan growth. A late 1976 survey of more than 200 such banks showed they financed a 20-percent increase in loans with only a 10-percent rise in deposits.

About two dozen member banks arranged for seasonal credit from the Federal Reserve Bank of Dallas in 1976, and 14 made such borrowings to better serve the credit needs of their customers. Borrowings from the Federal Reserve by other members were relatively low, reflecting increased liquidity and moderate loan demand at most member banks.

Looking ahead, economic activity in the Eleventh District and the nation as a whole is expected to rise further in 1977, probably at a rate that will accelerate during the year. Prospects are particularly bright for the Eleventh District, based, in part, on its gas and oil resources and the broad array of related economic activity.

Your cooperation during the past year is appreciated and we look forward to working with you in coming years to maintain quality financial services to a growing economy.

Sincerely yours,



ERNEST T. BAUGHMAN
President

Directors

January 1, 1977

FEDERAL RESERVE BANK OF DALLAS

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Gene D. Adams
Thomas W. Herrick
Gerald D. Hines
Frank Junell
Stewart Orton
Robert H. Stewart, III
Margaret Scarbrough Wilson

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(Deputy Chairman), Publisher, Shreveport Journal, Shreveport, Louisiana
President, The First National Bank of Seymour, Seymour, Texas
Cattle and Investments, Amarillo, Texas
Owner, Gerald D. Hines Interests, Houston, Texas
Chairman of the Board, The Central National Bank of San Angelo, San Angelo, Texas
President, Foley's, Division of Federated Department Stores, Inc., Houston, Texas
Chairman of the Board, First International Bancshares, Inc., Dallas, Texas
Chairman of the Board and Chief Executive Officer, Scarbroughs Stores, Austin, Texas

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Reed H. Chittim
George V. Janzen
A. J. Losee
Arnold B. Peinado, Jr.
Wayne Stewart

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(Chairman Pro Tem), Executive Director, BI Language Services, El Paso, Texas
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President, First City National Bank of El Paso, El Paso, Texas
President, Losee & Carson, P.A. (a lawyers' professional corporation), Artesia, New Mexico
President, Peinado, Peinado & Navarro, Consulting Engineers, El Paso, Texas
President, First National Bank in Alamogordo, Alamogordo, New Mexico

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Seth W. Dorbandt
Jerome L. Howard
Bookman Peters
Nat S. Rogers
P. K. Stubblefield

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Chairman of the Board, First National Bank in Conroe, Conroe, Texas
Chairman of the Board and Chief Executive Officer, Mortgage and Trust, Inc., Houston, Texas
President, The City National Bank of Bryan, Bryan, Texas
President, First City National Bank of Houston, Houston, Texas
President, Victoria Bank & Trust Company, Victoria, Texas

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Richard W. Calvert
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Pat Legan
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Leon Stone

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(Chairman Pro Tem), President and General Manager, Morales Feed Lots, Inc., Devine, Texas
Chairman of the Board, National Bank of Commerce of San Antonio, San Antonio, Texas
Owner-Manager, Progreso Haciendas Company, Progreso, Texas
Owner, Legan Properties, San Antonio, Texas
Vice President, Churchill National Bank, San Antonio, Texas
President, The Austin National Bank, Austin, Texas

FEDERAL ADVISORY COUNCIL MEMBER

Ben F. Love

Chairman of the Board and Chief Executive Officer, Texas Commerce Bank, National Association, Houston, Texas

Officers

January 1, 1977

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Senior Vice President
Senior Vice President
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Vice President and Senior Economic Adviser
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Assistant Vice President
Assistant Vice President and Assistant Secretary
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Assistant Vice President
Assistant Vice President
Assistant Vice President
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Research Officer

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Operations Officer
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Thomas C. Cole
Robert W. Schultz

SAN ANTONIO BRANCH

Vice President in Charge
Assistant Vice President
Operations Officer
Operations Officer

Statement of Condition

	Dec. 31, 1976	Dec. 31, 1975
ASSETS		
Gold certificate account	\$ 420,435,200	\$ 422,062,397
Special Drawing Rights certificate account	46,000,000	19,000,000
Federal Reserve notes of other Banks	218,342,208	110,300,237
Other cash	21,374,602	16,053,214
Loans and securities:		
Loans	1,937,000	200,000
Federal agency obligations	322,689,000	310,412,000
U.S. Government securities	4,430,078,000	4,433,099,000
Total loans and securities	<u>4,754,704,000</u>	<u>4,743,711,000</u>
Cash items in process of collection	806,060,718	835,120,787
Bank premises	11,660,735	11,761,334
Operating equipment	2,993,827	2,234,384
Other assets	72,182,698	66,719,535
Interdistrict settlement account	359,136,915	—
TOTAL ASSETS	<u>\$6,712,890,903</u>	<u>\$6,226,962,888</u>
LIABILITIES		
Federal Reserve notes in actual circulation	\$3,702,248,269	\$3,009,711,816
Deposits:		
Member bank—reserve accounts	1,713,142,757	1,666,305,414
U.S. Treasury—general account	572,289,012	389,303,570
Foreign	13,199,200	14,443,000
Other	36,731,901	61,759,282
Total deposits	<u>2,335,362,870</u>	<u>2,131,811,266</u>
Deferred availability cash items	523,267,376	565,839,777
Other liabilities	41,604,788	51,260,044
Interdistrict settlement account	—	364,544,485
TOTAL LIABILITIES	<u>6,602,483,303</u>	<u>6,123,167,388</u>
CAPITAL ACCOUNTS		
Capital paid in	55,203,800	51,897,750
Surplus	55,203,800	51,897,750
TOTAL CAPITAL ACCOUNTS	<u>110,407,600</u>	<u>103,795,500</u>
TOTAL LIABILITIES AND CAPITAL ACCOUNTS	<u>\$6,712,890,903</u>	<u>\$6,226,962,888</u>

Earnings and Expenses

	1976	1975
CURRENT EARNINGS		
Loans	\$ 475,491	\$ 518,909
U.S. Government securities	311,643,884	295,895,909
Foreign currencies	1,581,130	300,698
All other	37,928	38,096
TOTAL CURRENT EARNINGS	313,738,433	296,753,612
CURRENT EXPENSES		
Current operating expenses	29,725,121	27,671,218
Assessment for expenses of Board of Governors	2,333,400	1,846,600
Federal Reserve currency:		
Original cost, including shipping charges	3,912,629	1,591,712
Cost of redemption, including shipping charges	47,719	37,325
Total	36,018,869	31,146,855
Less reimbursement for certain fiscal agency and other expenses	1,694,581	1,569,640
NET EXPENSES	34,324,288	29,577,215
PROFIT AND LOSS		
Current net earnings	279,414,145	267,176,397
Additions to current net earnings:		
Profit on sales of U.S. Government securities (net)	1,654,866	1,734,021
All other	108,644	182,844
Total additions	1,763,510	1,916,865
Deductions from current net earnings:		
Loss on Foreign Exchange (net)	1,404,150	13,298,861
All other	112,246	79,005
Total deductions	1,516,396	13,377,866
Net additions or deductions (-)	247,114	- 11,461,001
Net earnings before dividends and payments to U.S. Treasury	279,661,259	255,715,396
Dividends paid	3,206,262	3,028,166
Payments to U.S. Treasury (interest on F.R. notes)	273,148,947	249,948,730
Transferred to surplus	3,306,050	2,738,500
Surplus, January 1	51,897,750	49,159,250
Surplus, December 31	\$ 55,203,800	\$ 51,897,750

Volume of Operations

Federal Reserve Bank of Dallas
Head Office and Branches Combined

	Number of Pieces Handled ¹		Dollar Amount	
	1976	1975	1976	1975
Loans	187	100	593,889,000	444,841,000
Currency received and counted	346,920,424	292,661,307	3,205,658,350	2,792,896,730
Coin received and counted	794,557,830	672,728,036	104,798,232	96,629,681
Checks handled:				
U.S. Government checks	48,498,034	54,989,981	23,982,336,102	20,480,845,942
Postal money orders	10,961,031	11,447,592	505,858,065	465,915,531
All other ²	739,448,798	684,185,082	304,324,958,777	254,289,529,989
Collection items handled:				
U.S. Government coupons paid . .	229,504	236,359	144,611,770	147,535,213
All other	130,613	240,062	250,436,812	301,513,428
Issues, redemptions, and exchanges				
of U.S. Government securities . . .	12,238,573	12,147,049	96,837,011,114	63,686,042,685
Transfers of funds	1,402,719	1,109,590	1,943,679,452,931	1,693,936,700,560
Food stamps redeemed	121,418,203	160,021,426	496,215,549	575,051,952

¹Packaged items handled as a single item are counted as one piece.

²Exclusive of checks drawn on the F.R. Banks.