

1989 FINANCIAL STATEMENT

Federal Reserve Bank of Dallas
El Paso
Houston
San Antonio

When Congress created the Federal Reserve System in 1913, the nation was in a state of economic uncertainty. The banking system was marred by panics and by the absence of a stabilizing mechanism. From its inception, the Federal Reserve System quickly established a record of offering reliable, high-quality services to financial institutions and providing a stabilizing influence for the national economy. The Federal Reserve Bank of Dallas and its Branches in El Paso, Houston and San Antonio have played an integral role in this process, regularly introducing new techniques and technologies to better serve the Eleventh District.

As the Federal Reserve completed its 75th year, the country once again experienced a decade of turbulence and change. The 1980s were a dramatic period for the banking industry, particularly in the Eleventh Federal Reserve District. The financial crisis in both banks and savings and loan associations brought nationwide and even worldwide attention to this area of the country. The experience challenged us to mobilize our staff and our resources to respond to fundamental changes in the industry. And while we were busy with the unprecedented events in the banking industry, we maintained our high levels of service to those institutions that continue to look to us as a reliable provider of financial services.

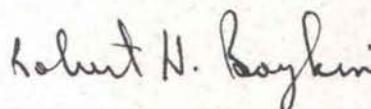
In addition to the crisis of the past few years in the financial industry, the Eleventh District has been recovering from energy price shocks that occurred during the 1980s. The District economy continued to grow during the latter part of the decade, but the pace was considerably slower than that of the national economy. Energy extraction, manufacturing and construction sectors have stabilized, but they have not contributed to the area's recovery.

While the goods-producing industries lag behind, the District service sector has sustained a growth rate comparable to the national rate. Some portions of the private service sector — such as transportation, medical services and general business services — have exhibited strong employment gains during the past few years.

The District economy continues to show signs of modest improvement, and the recovery appears to be spreading across geographic regions and across economic sectors. As the economy improves, the financial condition of the banking sector will also recuperate. With that improvement will come the credit expansion necessary to reinforce the economic growth.

The past decade has taught us valuable lessons about banking practices and operating procedures and reminded us of the importance of innovation. When we are able to add innovation and leading-edge technology to our services, we can better serve the financial community and the nation.

We are pleased to present our financial statement for the past year. We hope that during the 1990s, our experiences will provide a framework for meeting the challenges of an ever-changing, but always interesting, industry.



Robert H. Boykin
President and Chief Executive Officer

STATEMENT OF CONDITION

	December 31, 1989 <hr style="width: 100%; border: none; border-top: 1px solid black; margin: 0;"/> (Thousands)	December 31, 1988 <hr style="width: 100%; border: none; border-top: 1px solid black; margin: 0;"/> (Thousands)
ASSETS		
Gold certificate account ¹	\$ 613,000	\$ 676,000
Special drawing rights certificate account ²	433,000	307,000
Coin	39,231	27,877
Loans to depository institutions	27,503	687,785
Securities:		
Federal agency obligations	274,119	390,710
U.S. government securities	9,527,526	13,104,763
Total securities	<u>\$ 9,801,645</u>	<u>\$13,495,473</u>
Items in process of collection	753,758	695,590
Bank premises (<i>net</i>)	25,356	22,498
Other assets	4,088,643	2,084,434
Interdistrict settlement account	<u>(1,511,417)</u>	<u>(2,812,546)</u>
TOTAL ASSETS	<u><u>\$14,270,719</u></u>	<u><u>\$15,184,111</u></u>
LIABILITIES		
Federal Reserve notes	\$11,166,011	\$11,663,736
Deposits:		
Depository institution	1,948,763	2,401,129
Foreign	11,250	12,900
Other	67,408	840
Total deposits	<u>\$ 2,027,421</u>	<u>\$ 2,414,869</u>
Deferred credit items	616,847	616,195
Other liabilities	<u>119,310</u>	<u>173,249</u>
TOTAL LIABILITIES	<u>\$13,929,589</u>	<u>\$14,868,049</u>
CAPITAL ACCOUNTS		
Capital paid in	\$ 170,565	\$ 158,031
Surplus	<u>170,565</u>	<u>158,031</u>
TOTAL CAPITAL ACCOUNTS	<u>\$ 341,130</u>	<u>\$ 316,062</u>
TOTAL LIABILITIES AND CAPITAL ACCOUNTS	<u><u>\$14,270,719</u></u>	<u><u>\$15,184,111</u></u>

¹ This Bank's share of gold certificates deposited by the U.S. Treasury with the Federal Reserve System.

² This Bank's share of special drawing rights certificates deposited by the U.S. Treasury with the Federal Reserve Bank of New York.

STATEMENT OF OPERATIONS

	December 31, 1989 <i>(Thousands)</i>	December 31, 1988 <i>(Thousands)</i>
CURRENT INCOME		
Interest on loans	\$ 211,730	\$ 152,867
Interest on government securities	917,443	1,030,436
Income on foreign currency	78,316	25,762
Income from priced services	48,079	48,081
Other income	1,015	930
Total current income	\$1,256,583	\$1,258,076
CURRENT EXPENSES		
Current operating expenses	\$ 87,616	\$ 81,159
Less expenses reimbursed	6,061	5,070
Current net operating expenses	\$ 81,555	\$ 76,089
Cost of earnings credits	7,744	6,332
Current net expenses	\$ 89,299	\$ 82,421
CURRENT NET INCOME	\$1,167,284	\$1,175,655
PROFIT AND LOSS		
Additions to current net income:		
Profit on sales of government securities <i>(net)</i>	\$ 25	\$ 1,358
Profit on foreign exchange transactions <i>(net)</i>	92,320	0
Other additions	16	11
Total additions	\$ 92,361	\$ 1,369
Deductions from current net income:		
Loss on foreign exchange transactions <i>(net)</i>	\$ 0	\$ 43,936
Other deductions	1	23
Total deductions	\$ 1	\$ 43,959
Net additions (deductions)	\$ 92,360	\$ (42,590)
Cost of unreimbursable Treasury services	\$ 2,777	\$ 1,888
Assessment by Board of Governors:		
Expenditures	\$ 6,562	\$ 7,387
Federal Reserve currency costs	8,854	9,541
NET INCOME AVAILABLE FOR DISTRIBUTION	\$1,241,451	\$1,114,249

STATEMENT OF SURPLUS

Surplus, January 1	\$ 158,031	\$ 175,325
Net income available for distribution	1,241,451	1,114,249
LESS:		
Dividends paid	9,328	10,516
Payments to the U.S. Treasury	1,219,589	1,121,027
Net amount transferred to (from) surplus	\$ 12,534	\$ (17,294)
Surplus, December 31	\$ 170,565	\$ 158,031

VOLUME OF OPERATIONS

District Summary

	<i>Number of Pieces Handled</i>		<i>Dollar Amount (Thousands)</i>	
	<i>1989</i>	<i>1988</i>	<i>1989</i>	<i>1988</i>
Currency received and counted	1,012,861,100	964,414,800	14,412,556	12,131,634
Coin received and counted ¹	803,788,459	1,214,964,860	149,561	188,771
Food stamps redeemed	248,706,000	226,475,250	1,284,487	1,111,041
Transfers of funds	6,717,474	6,382,598	10,566,952,229	9,030,389,655
CHECKS HANDLED				
U.S. government checks	33,762,656	34,423,947	44,881,991	48,691,642
Fine sort	313,701,988	271,931,207	84,985,195	72,410,327
All other ²	1,109,788,622	1,103,220,490	575,841,535	582,703,122
ACH ITEMS HANDLED				
Commercial	77,391,770	61,653,567	333,366,399	306,570,875
Government	33,996,160	29,240,042	27,073,447	21,672,430
COLLECTION ITEMS HANDLED				
U.S. government coupons paid	19,682	24,693	10,483	19,276
All other	291,651	227,721	712,502	424,929
ISSUES, REDEMPTIONS, EXCHANGES OF U.S. GOVERNMENT SECURITIES				
Definitive and book-entry	8,417,607	8,542,845	511,327,620	493,948,487
LOANS				
Advances made	3,235	3,556	150,928,502	459,853,173

¹ 1988 values have been revised to exclude coin terminal operations.

² Exclusive of checks drawn on Federal Reserve Banks.

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