FEDERAL RESERVE BANK
OF DALLAS

1976 ANNUAL STATEMENT
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

Irving A. Mathews
(Chairman and Federal Reserve Agent), Chairman of the Board and Chief
Executive Officer, Frost Bros., Inc., San Antonio, Texas

Charles T. Beaird
(Deputy Chairman), Publisher, Shreveport Journal, Shreveport, Louisiana

Gene D. Adams
President, The First National Bank of Seymour, Seymour, Texas

Thomas W. Herrick
Cattle and Investments, Amarillo, Texas

Gerald D. Hines
Owner, Gerald D. Hines Interests, Houston, Texas

Frank Junell
Chairman of the Board, The Central National Bank of San Angelo,
San Angelo, Texas

Stewart Orton
President, Foley’s, Division of Federated Department Stores, Inc.,
Houston, Texas

Robert H. Stewart, III
Chairman of the Board, First International Bancshares, Inc., Dallas, Texas

Margaret Scarbrough Wilson
Chairman of the Board and Chief Executive Officer, Scarbroughs Stores,
Austin, Texas

Gage Holland
(Chairman), Owner, Gage Holland Ranch, Alpine, Texas

Josefina A. Salas-Porras
(Chairman Pro Tem), Executive Director, BI Language Services,
El Paso, Texas

Reed H. Chittim
President, First National Bank of Lea County, Hobbs, New Mexico

George V. Janzen
President, First City National Bank of El Paso, El Paso, Texas

A. J. Losee
President, Losee & Carson, P.A. (a lawyers’ professional corporation),
Artesia, New Mexico

Arnold B. Peinado, Jr.
President, Peinado, Peinado & Navarro, Consulting Engineers, El Paso, Texas

Wayne Stewart
President, First National Bank in Alamogordo, Alamogordo, New Mexico

Alvin I. Thomas
(Chairman), President, Prairie View A&M University, Prairie View, Texas

Gene M. Woodfin
(Chairman Pro Tem), Chairman of the Board and Chief Executive Officer,
Marathon Manufacturing Company, Houston, Texas

Seth W. Dorbandt
Chairman of the Board, First National Bank in Conroe, Conroe, Texas

Jerome L. Howard
Chairman of the Board and Chief Executive Officer, Mortgage and Trust, Inc.,
Houston, Texas

Bookman Peters
President, The City National Bank of Bryan, Bryan, Texas

Nat S. Rogers
President, First City National Bank of Houston, Houston, Texas

P. K. Stubblefield
President, Victoria Bank & Trust Company, Victoria, Texas

San Antonio Branch

Marshall Boykin III
(Chairman), Senior Partner, Wood, Boykin & Wolter, Lawyers,
Corpus Christi, Texas

Pete Morales, Jr.
(Chairman Pro Tem), President and General Manager, Morales Feed Lots, Inc.,
Devine, Texas

Richard W. Calvert
Chairman of the Board, National Bank of Commerce of San Antonio,
San Antonio, Texas

John H. Holcomb
Owner-Manager, Progreso Haciendas Company, Progreso, Texas

Pat Legan
Owner, Legan Properties, San Antonio, Texas

Ben R. Low
Vice President, Churchill National Bank, San Antonio, Texas

Leon Stone
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

FEDERAL RESERVE BANK OF DALLAS

Ernest T. Baughman
Robert H. Boykin
George C. Cochran, III
Harry E. Robinson, Jr.
Tony J. Salvaggio
Robert A. Brown
Joseph E. Burns
Leon W. Cowan
Ralph T. Green
C. J. Pickering
W. M. Pritchett
George F. Rudy
Thomas R. Sullivan
E. W. Vorlop, Jr.
J. A. Clymer
Forrest E. Coleman
Richard D. Ingram
Larry J. Reck
Thomas H. Rust
Neil B. Ryan
Jesse D. Sanders
Robert Smith, III
T. E. Spreng
E. A. Thaxton, Jr.
C. L. Vick
John C. Blake
Sammy T. Schulze
Millard E. Sweatt, Jr.
Adrian W. Throop
Carla M. Warberg

President
First Vice President
Senior Vice President
Senior Vice President
Senior Vice President
General Auditor
Vice President
Vice President
Vice President and Senior Economic Adviser
Vice President
Vice President
Vice President and General Counsel
Vice President
Vice President and Controller
Assistant Vice President
Assistant Vice President
Assistant Vice President
Assistant Vice President and Assistant Secretary
Assistant Vice President
Assistant Vice President
Assistant Vice President
Assistant Vice President
Assistant Vice President
Assistant Vice President
Assistant Vice President
Assistant Vice President
Assistant Vice President
Assistant Vice President
Assistant Vice President
Chief Examiner
Assistant General Auditor
Assistant General Counsel
Research Officer
Research Officer

EL PASO BRANCH

Fredric W. Reed
Joel L. Koonce, Jr.

Vice President in Charge
Assistant Vice President

HOUSTON BRANCH

J. Z. Rowe
Sammie C. Clay
Vernon L. Bartee
C. O. Holt, Jr.

Vice President in Charge
Assistant Vice President
Operations Officer
Operations Officer

SAN ANTONIO BRANCH

Carl H. Moore
Thomas H. Robertson
Thomas C. Cole
Robert W. Schultz

Vice President in Charge
Assistant Vice President
Operations Officer
Operations Officer
## Statement of Condition

### ASSETS

<table>
<thead>
<tr>
<th>Description</th>
<th>Dec. 31, 1976</th>
<th>Dec. 31, 1975</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gold certificate account</td>
<td>$420,435,200</td>
<td>$422,062,397</td>
</tr>
<tr>
<td>Special Drawing Rights certificate account</td>
<td>46,000,000</td>
<td>19,000,000</td>
</tr>
<tr>
<td>Federal Reserve notes of other Banks</td>
<td>218,342,208</td>
<td>110,300,237</td>
</tr>
<tr>
<td>Other cash</td>
<td>21,374,602</td>
<td>16,053,214</td>
</tr>
<tr>
<td>Loans and securities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans</td>
<td>1,937,000</td>
<td>200,000</td>
</tr>
<tr>
<td>Federal agency obligations</td>
<td>322,689,000</td>
<td>310,412,000</td>
</tr>
<tr>
<td>U.S. Government securities</td>
<td>4,430,078,000</td>
<td>4,433,099,000</td>
</tr>
<tr>
<td>Total loans and securities</td>
<td>4,754,704,000</td>
<td>4,743,711,000</td>
</tr>
<tr>
<td>Cash items in process of collection</td>
<td>806,060,718</td>
<td>835,120,787</td>
</tr>
<tr>
<td>Bank premises</td>
<td>11,660,735</td>
<td>11,761,334</td>
</tr>
<tr>
<td>Operating equipment</td>
<td>2,993,827</td>
<td>2,234,384</td>
</tr>
<tr>
<td>Other assets</td>
<td>72,182,698</td>
<td>66,719,535</td>
</tr>
<tr>
<td>Interdistrict settlement account</td>
<td>359,136,915</td>
<td>—</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>$6,712,890,903</strong></td>
<td><strong>$6,226,962,888</strong></td>
</tr>
</tbody>
</table>

### LIABILITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>Dec. 31, 1976</th>
<th>Dec. 31, 1975</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Reserve notes in actual circulation</td>
<td>$3,702,248,269</td>
<td>$3,009,711,816</td>
</tr>
<tr>
<td>Deposits:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Member bank—reserve accounts</td>
<td>1,713,142,757</td>
<td>1,666,305,414</td>
</tr>
<tr>
<td>U.S. Treasury—general account</td>
<td>572,289,012</td>
<td>389,303,570</td>
</tr>
<tr>
<td>Foreign</td>
<td>13,199,200</td>
<td>14,443,000</td>
</tr>
<tr>
<td>Other</td>
<td>36,731,901</td>
<td>61,759,282</td>
</tr>
<tr>
<td>Total deposits</td>
<td>2,335,362,870</td>
<td>2,131,811,266</td>
</tr>
<tr>
<td>Deferred availability cash items</td>
<td>523,267,376</td>
<td>565,839,777</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>41,604,788</td>
<td>51,260,044</td>
</tr>
<tr>
<td>Interdistrict settlement account</td>
<td>—</td>
<td>364,544,485</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td><strong>6,602,483,303</strong></td>
<td><strong>6,123,167,388</strong></td>
</tr>
</tbody>
</table>

### CAPITAL ACCOUNTS

<table>
<thead>
<tr>
<th>Description</th>
<th>Dec. 31, 1976</th>
<th>Dec. 31, 1975</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital paid in</td>
<td>55,203,800</td>
<td>51,897,750</td>
</tr>
<tr>
<td>Surplus</td>
<td>55,203,800</td>
<td>51,897,750</td>
</tr>
<tr>
<td><strong>TOTAL CAPITAL ACCOUNTS</strong></td>
<td><strong>110,407,600</strong></td>
<td><strong>103,795,500</strong></td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES AND CAPITAL ACCOUNTS</strong></td>
<td><strong>$6,712,890,903</strong></td>
<td><strong>$6,226,962,888</strong></td>
</tr>
</tbody>
</table>
Earnings and Expenses

### CURRENT EARNINGS

<table>
<thead>
<tr>
<th>Description</th>
<th>1976</th>
<th>1975</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans</td>
<td>$475,491</td>
<td>$518,909</td>
</tr>
<tr>
<td>U.S. Government securities</td>
<td>311,643,884</td>
<td>295,895,909</td>
</tr>
<tr>
<td>Foreign currencies</td>
<td>1,581,130</td>
<td>300,698</td>
</tr>
<tr>
<td>All other</td>
<td>37,928</td>
<td>38,096</td>
</tr>
<tr>
<td><strong>TOTAL CURRENT EARNINGS</strong></td>
<td>313,738,433</td>
<td>296,753,612</td>
</tr>
</tbody>
</table>

### CURRENT EXPENSES

<table>
<thead>
<tr>
<th>Description</th>
<th>1976</th>
<th>1975</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current operating expenses</td>
<td>29,725,121</td>
<td>27,671,218</td>
</tr>
<tr>
<td>Assessment for expenses of Board of Governors</td>
<td>2,333,400</td>
<td>1,846,600</td>
</tr>
<tr>
<td>Federal Reserve currency:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Original cost, including shipping charges</td>
<td>3,912,629</td>
<td>1,591,712</td>
</tr>
<tr>
<td>Cost of redemption, including shipping charges</td>
<td>47,719</td>
<td>37,325</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>36,018,869</td>
<td>31,146,855</td>
</tr>
<tr>
<td>Less reimbursement for certain fiscal agency and other expenses</td>
<td>1,694,581</td>
<td>1,569,640</td>
</tr>
<tr>
<td><strong>NET EXPENSES</strong></td>
<td>34,324,288</td>
<td>29,577,215</td>
</tr>
</tbody>
</table>

### PROFIT AND LOSS

<table>
<thead>
<tr>
<th>Description</th>
<th>1976</th>
<th>1975</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current net earnings</td>
<td>279,414,145</td>
<td>267,176,397</td>
</tr>
<tr>
<td>Additions to current net earnings:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit on sales of U.S. Government securities (net)</td>
<td>1,654,866</td>
<td>1,734,021</td>
</tr>
<tr>
<td>All other</td>
<td>108,644</td>
<td>182,844</td>
</tr>
<tr>
<td><strong>Total additions</strong></td>
<td>1,763,510</td>
<td>1,916,865</td>
</tr>
<tr>
<td>Deductions from current net earnings:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss on Foreign Exchange (net)</td>
<td>1,404,150</td>
<td>13,298,861</td>
</tr>
<tr>
<td>All other</td>
<td>112,246</td>
<td>79,005</td>
</tr>
<tr>
<td><strong>Total deductions</strong></td>
<td>1,516,396</td>
<td>13,377,866</td>
</tr>
<tr>
<td>Net additions or deductions (—)</td>
<td>247,114</td>
<td>—11,461,001</td>
</tr>
<tr>
<td>Net earnings before dividends and payments to U.S. Treasury</td>
<td>279,661,259</td>
<td>255,715,396</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>3,206,262</td>
<td>3,028,166</td>
</tr>
<tr>
<td>Payments to U.S. Treasury (interest on F.R. notes)</td>
<td>273,148,947</td>
<td>249,948,730</td>
</tr>
<tr>
<td>Transferred to surplus</td>
<td>3,306,050</td>
<td>2,738,500</td>
</tr>
<tr>
<td>Surplus, January 1</td>
<td>51,897,750</td>
<td>49,159,250</td>
</tr>
<tr>
<td>Surplus, December 31</td>
<td>$55,203,800</td>
<td>$51,897,750</td>
</tr>
</tbody>
</table>

### Notes

- The table provides a breakdown of earnings and expenses, including detailed categories for loans, U.S. Government securities, foreign currencies, and other sources, as well as expenses for current operating, Board of Governors, and Federal Reserve currency. The profits and loss section includes current earnings, additions, deductions, and net earnings before dividends and payments, showing comparisons between 1976 and 1975.
### Volume of Operations

**Federal Reserve Bank of Dallas**
Head Office and Branches Combined

<table>
<thead>
<tr>
<th>Number of Pieces Handled¹</th>
<th>1976</th>
<th>1975</th>
<th>Dollar Amount</th>
<th>1976</th>
<th>1975</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans</td>
<td>187</td>
<td>100</td>
<td>593,889,000</td>
<td>444,841,000</td>
<td></td>
</tr>
<tr>
<td>Currency received and counted</td>
<td>346,920,424</td>
<td>292,661,307</td>
<td>3,205,658,350</td>
<td>2,792,896,730</td>
<td></td>
</tr>
<tr>
<td>Coin received and counted</td>
<td>794,557,830</td>
<td>672,728,036</td>
<td>104,798,232</td>
<td>96,629,681</td>
<td></td>
</tr>
</tbody>
</table>

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 other²: 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
- 1,402,719, 1,109,590, 1,943,679,452,931, 1,693,936,700,560
- 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.