

ANNUAL
REPORT



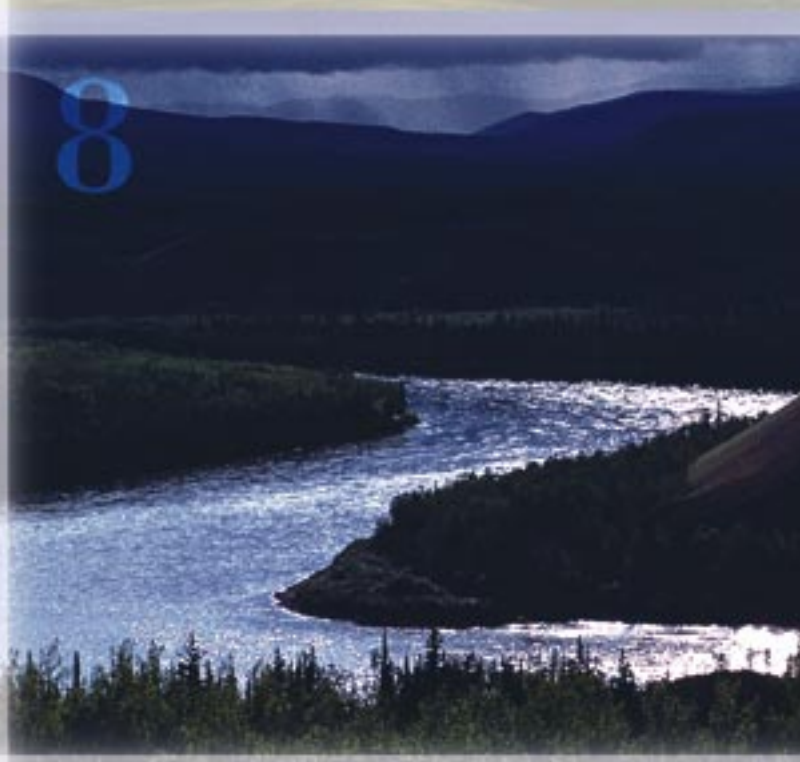
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Federal Reserve Bank of
KANSAS CITY

INSIDE

President's Message	2
Monetary Policy	4
Board of Directors	7
Regional Economy	8
Financial Services	12
Supervision and Regulation	16
Branch Offices	19
Branch Directors	21
Advisory Councils	24
Bank Officers	25
Financial Reports	26
Volume of Principle Operations	47

The seven states of the Tenth Federal Reserve District are, to many people, the Heartland of America. With headquarters at the Federal Reserve Bank of Kansas City, the district encompasses western Missouri, Kansas, Nebraska, Oklahoma, Colorado, Wyoming, and northern New Mexico.

The district is rich in history and contrast. Its economy is as diverse as the landscape. Oil and gas, coal, uranium, and a variety of other minerals lie beneath its surface. Agriculture, livestock production, and attendant food-processing industries are important components of its economy, along with manufacturing, aerospace and aviation, and the growing presence of high-technology and telecommunications sectors. World demand for products from the Heartland has opened overseas markets and spawned a thriving export sector.

In this Annual Report for 1998, you will read of the relationships we, at the Federal Reserve Bank of Kansas City, have developed throughout the region as we endeavor to serve the nation and its financial interests. It is in this spirit of service that we celebrate the Heartland. ■



President

THOMAS M. HOENIG

One of the enduring aspects of the Federal Reserve structure is that it is at once public and private, centralized and decentralized. The 12 Reserve Banks that serve our nation's geographic districts represent the more private and decentralized character of the System. This regionalism makes each Reserve Bank unique. No two districts are alike.

In this year's Annual Report, we present the results of our efforts in the Tenth District to serve our region's constituents. More than ever before, we have involved the community we serve in our efforts to achieve our goals.

As always, we have sought to foster an environment that encourages innovation in the private sector. By forging new and lasting partnerships with the community, we are finding new ways to let innovation flourish – not only for today, but for the new century.

As you read the following pages, you will meet six people from our district who exemplify the kinds of relationships we are forging with leaders from banking, business, and communities across our vast region. They represent the kinds of people who are closely involved with the Federal Reserve Bank of Kansas City, as directors, customers,

or advisors – often as all three.

We report on our efforts in monetary policy, financial services, and bank supervision over the past year. In these pages you will see how we responded to the Federal Reserve's Rivlin Report, which called on us to increase our efforts with the community to enhance the efficiency, effectiveness, and convenience of the retail payments system.

You will also see many other ways we are responding to the challenges of the 21st century. Our new Center for the Study of Rural America is one example. Our year 2000 testing program for on-line customers and our Basic Training program for bank directors are two others – to name just a few.

We will continue to foster our network of partnerships throughout the region.

As we move closer to the year 2000, our sphere has clearly extended beyond our borders to the global economy. In 1998, we saw how quickly a financial crisis in one part of the world can spread to other continents, threatening healthy industrialized nations and developing nations alike.

The Federal Reserve acted promptly and decisively to ease monetary policy at home and prevent serious disruptions in the U.S. economy. But the lesson of 1998 was clear: No longer is there any doubt that we are all in this global,



interconnected marketplace together.

Here at home, we will continue to foster our network of partnerships throughout the region. With the help of our branch offices in Denver, Oklahoma City, and Omaha, we will continue to reach out to the communities we serve, to streamline our operations, and to provide an even higher level of service to our customers.

We have benefited in important ways from the oversight, advice, and practical experience of the directors who serve the Bank and its branches. These outstanding men and women from all over the region bring us perspectives that bolster our understanding and contribute to real-world solutions to the problems we all face. They have earned the thanks of everyone in the region for their service.

And we have benefited from the hard work and dedication of all our employees. It is through them that we are able to earn the trust and confidence of those we serve.

And so, once again, we report on a successful year – one that embraced the growing need for partnerships in a rapidly changing and expanding world. Together, we look forward to the challenges and opportunities that a new year and a new century will surely bring.

A handwritten signature in black ink, reading "Thomas M. Hoenic". The signature is fluid and cursive, with a large initial "T" and "H".

THOMAS M. HOENIG
President and
Chief Executive Officer

