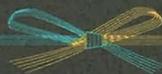


1992 Annual Report

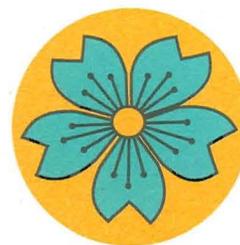


ORGANIZATIONAL REPORT
SAS BANK
MEMBERS REPORT

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Federal Reserve Bank
of San Francisco

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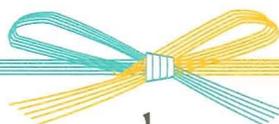


The Federal Reserve Bank of San Francisco is one of twelve regional Reserve Banks which, together with the Board of Governors in Washington, D.C., comprise the nation's central bank.

As the nation's central bank, the Federal Reserve is responsible for making and carrying out our nation's monetary policy. It also is a bank regulatory agency, a provider of wholesale priced banking services, and the fiscal agent for the United States Treasury.

The Federal Reserve Bank of San Francisco serves the Twelfth Federal Reserve District, which includes the nine western states — Alaska, Arizona, California, Hawaii, Idaho, Nevada, Oregon, Utah and Washington — Guam, American Samoa, and the Northern Mariana Islands.

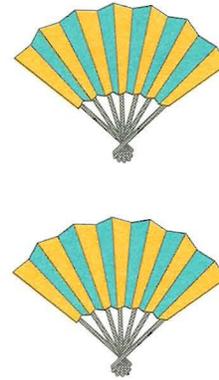
To serve this expansive region, the San Francisco Reserve Bank has five offices: the headquarters in San Francisco, and offices in Los Angeles, Portland, Salt Lake City, and Seattle. Each office provides financial services to the public and banking institutions in its locale.



From the Boardroom



SEATED, FROM LEFT, ROBERT F. ERBURU, DEPUTY CHAIRMAN (1992), JAMES A. VOHS, CHAIRMAN. STANDING, FROM LEFT, ROBERT T. PARRY, PRESIDENT, JUDITH M. RUNSTAD, DEPUTY CHAIRMAN (1993), AND PATRICK K. BARRON, FIRST VICE PRESIDENT.

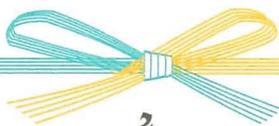


This past year was one of continuing challenges and significant transition for the Twelfth District economy and western banking. While many of the states in our District performed relatively well despite the overall weakness in the national economy, California, particularly southern California, was the hardest hit, experiencing its deepest and longest recession since World War II.

In searching for long-term solutions to these economic difficulties, we are increasingly looking beyond our borders as the nations of the world become more closely integrated through international trade and financial ties. For those of us in the West, a fundamental source of economic strength lies in our growing interdependence with the fast-growing economies of the Pacific Basin region. This interdependence will play a critical role in the future economic vitality of our District and the U.S. as a whole.

Situated at the edge of the Pacific Ocean, our Bank is considered the Federal Reserve's window on the Pacific Basin region's economies and banking and financial markets. In this role, our Bank has contributed greatly to international understanding of major Pacific Basin monetary and economic policy issues and to promoting cooperation among central banks across the region. As part of this cooperative effort, members of the Bank's executive staff travel to various countries in the Pacific Basin each year to meet with top monetary and government officials along with local and U.S. bankers with operations in the region. In this way, we gain first-hand knowledge of Pacific Basin monetary and economic issues, how these economies are interacting with the U.S. economy, and how U.S. banks are performing in the region.

Our Center for Pacific Basin Monetary and Economic Studies is an integral component of the Bank's contribution to international understanding of the Pacific Basin economies and is recognized as a worldwide authority on the region.



The Center's international conferences and programs along with its policy-oriented research contributions will have broad applications to other nations beyond the Pacific Basin region as the world becomes more globally integrated.

In this Report, we examine the tremendous growth of the Pacific Basin region along with its increasing importance to the world economy, our District and the U.S. through interviews with Bank management staff who make yearly visits to the region. We also interview Hang-Sheng Cheng, the former Director of the Pacific Basin Center who retired during 1992 after 19 years with the Bank. Cheng's foresight and expertise were instrumental in developing and establishing the Center which has conducted an active Pacific Basin program for over 18 years.

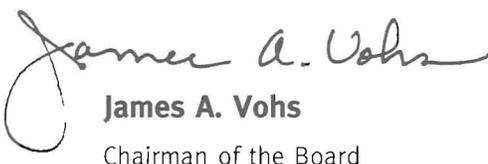
This Report also reviews the Bank's performance in meeting its ongoing responsibilities in the dynamic environment in which it operates.

The supervision and regulation of bank holding companies and state-chartered member banks is a vital area of responsibility for the Bank. Maintaining a safe and sound financial system is becoming an increasingly complex task as the financial and regulatory arena in which we operate grows more highly integrated both within the U.S. and across international boundaries. Our goals in this activity continue to be the prudent supervision of financial institutions along with monitoring compliance with community development and reinvestment legislation to meet the needs of all our Twelfth District constituencies.

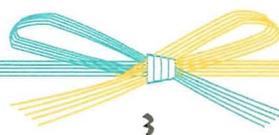
Our critical responsibilities in wholesale banking are formed by rapidly changing technological innovation. In this dynamic arena, we continue to enhance the quality, safety, and efficiency of our payments system to benefit financial institutions and their customers in all market segments.

We would like to express our thanks and appreciation to all of the Twelfth District's directors for their valuable counsel and assistance throughout 1992. The directors' independent assessment of the economic and financial conditions shaping the District helps keep the Bank in tune with the community it serves and is essential to the formulation of monetary policy.

We also would like to extend our sincere thanks and appreciation to those directors who completed their terms of service during 1992: on the San Francisco Head Office Board, its 1992 Deputy Chairman and Immediate Past Chairman, Robert F. Erburu (Chairman of the Board and CEO, The Times Mirror Company, Los Angeles, CA) and Warren K. K. Luke (President and Director, Hawaii National Bankshares, Inc., Honolulu, HI); on the Los Angeles Branch Board, its former Chairman, Yvonne B. Burke (Partner, Jones, Day, Reavis & Pogue, Los Angeles, CA), Ignacio E. Lozano, Jr. (Editor-in-Chief, La Opinion, Los Angeles, CA), and Fred D. Jensen (Executive Director, Long Beach Local Development Corporation, Long Beach, CA); on the Portland Branch Board, Wayne E. Phillips, Jr., (Vice President, Phillips Ranch, Inc., Baker, OR); on the Salt Lake City Branch Board, Ronald S. Hanson (Director of the Board and Member of the Executive Committee, Zions First National Bank, Salt Lake City, UT); and, on the Seattle Branch Board, Robert P. Gray (President, National Bank of Alaska, Anchorage, AK) and H. H. Larison (President and CEO, Columbia Paint & Coatings, Spokane, WA).


James A. Vohs
Chairman of the Board


Robert T. Parry
President



Toward the Pacific Century

Opening



Markets

It has been said that the nineteenth century was the century of Europe, the twentieth of America, and the twenty-first will be one of the Pacific Basin. This vision may well become reality given the extraordinary economic transformations and tremendous rates of growth that have taken place across the Pacific Basin over the past 20 years. This growth has forged critical trade and investment ties between the United States and the countries of the Pacific Basin, creating markets for U.S. exports, jobs for U.S. workers, and investment capital for U.S. business ventures.

The region known as the Pacific Basin generally encompasses Japan, East and Southeast Asia, and Oceania, which includes Australia and New Zealand. The economies in this region are the fastest growing in the world,

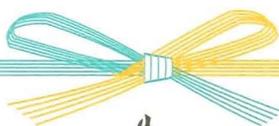


HONG KONG

having experienced a real gross domestic product growth rate that averaged over 6 percent per year between 1970 and 1990, more than two times the rate of industrialized countries.

Although almost all of the Pacific Basin countries have experienced strong growth, they are at varying levels of economic development. Japan's economy set the stage for

this tremendous growth having emerged as one of the world's industrial superpowers in the 1970s. The four economic "tigers" of East Asia -- Singapore, Hong Kong, Taiwan, and Korea -- are fast approaching standards of living comparable to those in some European countries. Within Southeast Asia, Malaysia and Thailand are well into the first stage of industrialization, producing



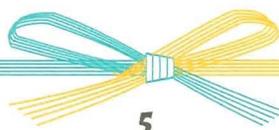
increasingly more sophisticated products for export to foreign markets, as well as for domestic use. Indonesia and the Philippines have lagged further behind, but are now implementing programs and policies that have worked elsewhere in Asia to spur economic growth. China's experiments with creating special economic zones (SEZs) in the southern provinces of Guandong and Fujian opened the areas to a rapid influx of foreign trade and investment through government tax breaks and other incentives. Explosive economic growth resulted and the SEZs have set a pattern for the rest of China. Recent growth in the already-developed economies of Australia and New Zealand has not been as strong as elsewhere in the Pacific Basin, but both countries currently are undertaking structural reforms to improve their international competitiveness.

The U.S. and the Pacific Basin region have become increasingly more interdependent through trade with the rapid development and growth of the Pacific Basin economies over the past 20 years. U.S. trade ties with the

Pacific Basin now outrank those with western Europe. Between 1970 and 1990, U.S. exports to the Asian Pacific Rim rose from 20 to 35 percent of total U.S. exports, compared to western Europe's current 25 percent share. Japan is second only to Canada as America's largest export market, and more U.S. exports go to the East Asian newly-industrialized economies of Korea, Taiwan, Singapore, and Hong Kong than to France and Germany combined. At the same time, the U.S. is a critical export market for Asia, buying approximately one-third of the exports from Japan, Taiwan, South Korea, China, and the Philippines; a quarter of the exports

from Hong Kong, Singapore, and Thailand; and ten percent of Australia's and New Zealand's exports.

Increased trade between the U.S. and the Pacific Basin region has been accompanied by rapidly expanding financial ties. The links between Japanese and U.S. financial markets are particularly strong. In 1980, Japan accounted for less than five percent of foreign direct investment in the U.S. In 1991, Japan's equity holdings had risen to over 20 percent of the \$408 billion in total assets of foreign-owned companies operating in the U.S., second only to the United



Kingdom. Banks from Pacific Basin countries, primarily Japan, held almost 13 percent of total U.S. banking assets in 1991. Within the Twelfth District, banks from the Pacific Basin accounted for 21 percent of total banking assets and loans, with Japan again holding the major portion.

Although Asia-Pacific investment in the U.S. has been led by Japanese capital, investment from other Pacific Basin countries has recently increased as these countries have undergone financial reforms which liberalized capital outflows. U.S. investors have significant stakes in the Pacific Basin as well, particularly in Japan, the NIEs, Australia, and New Zealand.

Trade and investment connections between Pacific Basin countries and Twelfth District states are particularly strong and will play an integral role in the economic vitality of the District in the future.

Pacific Basin countries, Japan most significantly, fall within the top ten export destinations of every state within the Twelfth District. The Pacific Basin provides critical markets for aircraft built in Washington, lumber cut from the forests of Alaska, and computer-related products designed in California's Silicon Valley. Software companies in Utah have targeted the Pacific Rim, primarily Japan, as one of their principal markets. In 1987, Idaho

launched a campaign to target the fast growing markets of Southeast Asia for Idaho exports. Oregon's exports to the Pacific Basin have undergone a notable shift, with value-added products, such as electronics components and computer software, now dominating natural resource based exports, such as lumber and agricultural products. Pacific Basin economies are the top export market for Hawaii with its central location in the Pacific. Hawaii's economy also has benefitted greatly from Japanese tourism.

California and Washington are the two largest exporting states in the District and together account for approximately 20 percent of total U.S. exports. Their seaports, with strategic access to the Pacific Basin, are among the most active in the world. Approximately 40 percent of these states' exports are destined for the Pacific Basin.

Pacific Basin direct investment ties with the Twelfth District economy have been led by Japan and followed by expanding ties with Australia and Taiwan. Pacific Rim investors have

Tokyo



been attracted to our own region's growth potential, its close proximity and ready access to major markets and financial centers, highly skilled labor force, and hi-tech expertise. Although Pacific Rim investment initially focused on California, it has now spread throughout the District, diversifying into industries such as computers, electronics, entertainment, and food-processing, producing for U.S., Pacific Basin, and world markets.

Conversely, Twelfth District companies and investors are looking toward the Pacific Rim as an area for profitable business ventures. Astute District firms are spreading their operations around the region to gain the best comparative cost advantage of each Asian country. For example, one West Coast based manufacturer of computer disk drives assembles its products in Singapore using printed circuit boards bought from South Korea, metal parts from Taiwan, and magnetic heads from Hong Kong that are put together in Thailand.



PACIFIC BASIN

Trading

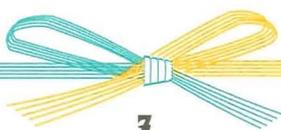


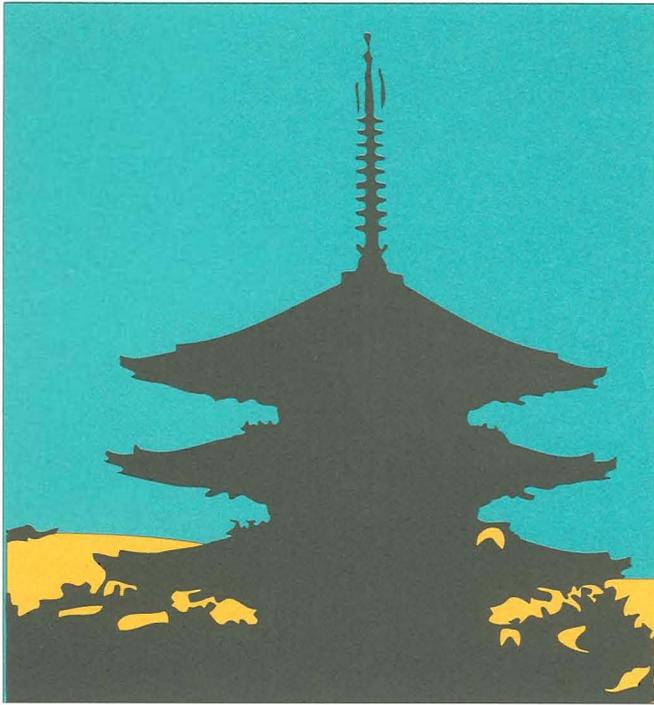
Customs

From its geographical vantage point on the edge of the Pacific Basin, the Bank views the region as one of critical importance to the future of the District's economy and the U.S. as a whole. In recognition of this critical importance, each year the Bank's president and executive vice

president visit Pacific Basin countries to meet with top central bank, finance, and government officials along with U.S. and local business people and bankers in order to gain first-hand knowledge of the economic and financial developments shaping the region.

During the mid-1980's, the Bank's Supervision, Regulation, and Credit and Economic Research departments began conducting training programs





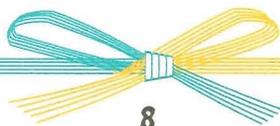
SENSOJI TEMPLE

to provide technical assistance to Pacific Basin central banks in the areas of bank examination and monetary and economic policy reform. The most extensive programs have been with representatives from the People's Bank of China (PBC) who have participated in year-long, on-the-job training programs in bank supervision and regulation. Reserve Bank teams also have traveled to China to conduct seminars on monetary policy and the U.S. banking system. These programs are a fundamental element of the Bank's efforts to strengthen the spirit of cooperation among central banks.

In 1990, the Bank officially established its Center for Pacific Basin Monetary and Economic Studies, the culmination of a 15-year effort. An integral component of the Bank's Economic Research department, the Center promotes central bank cooperation across

the region and enhances public understanding of major Pacific Basin monetary and economic policy issues through its network of international researchers, international conferences, and staff research and publications. As part of its Pacific Basin program the Bank has hosted visiting research economists from central banks throughout the Asia-Pacific region including the Bank of Japan, the Bank of Korea, the Reserve Bank of Australia, the Reserve Bank of New Zealand, and the Bank of Thailand.

In the pages that follow, President Robert Parry and Executive Vice President Thomas Thomson -- who oversees the Bank's Supervision, Regulation, and Credit; Legal; Economic Research; and Public Information functions -- discuss the significance of the San Francisco Reserve Bank's links with the Pacific Basin within the context of their 1992 visits to the area. The Bank's Pacific Basin Center is spotlighted in an interview with Hang-Sheng Cheng, the Center's former director, who retired in October 1992 after 19 years with the Bank. Cheng concurrently served as Vice President of International Studies in the Bank's Economic Research department while directing the Pacific Basin Center. In his interview, Cheng examines the Center's important role in furthering international understanding of the Pacific Basin region along with the programs and research studies the Center has undertaken to fulfill this role.



Robert T.



Parry

What is the connection between our Bank and the Pacific Basin?

Our District plays a special role within the Federal Reserve as the System's window on Asia. Our ties to Asia extend back to the mid-70's during the developmental stages of the Pacific Basin program when the Bank recognized the importance of the Pacific Basin economies for U.S. and world trade and particularly for the Twelfth District because of our geographical proximity to the region. Our Bank was a pioneer of sorts in this area because we were among the first to identify the Pacific Basin's growing importance to the world economy.

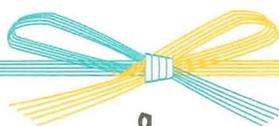
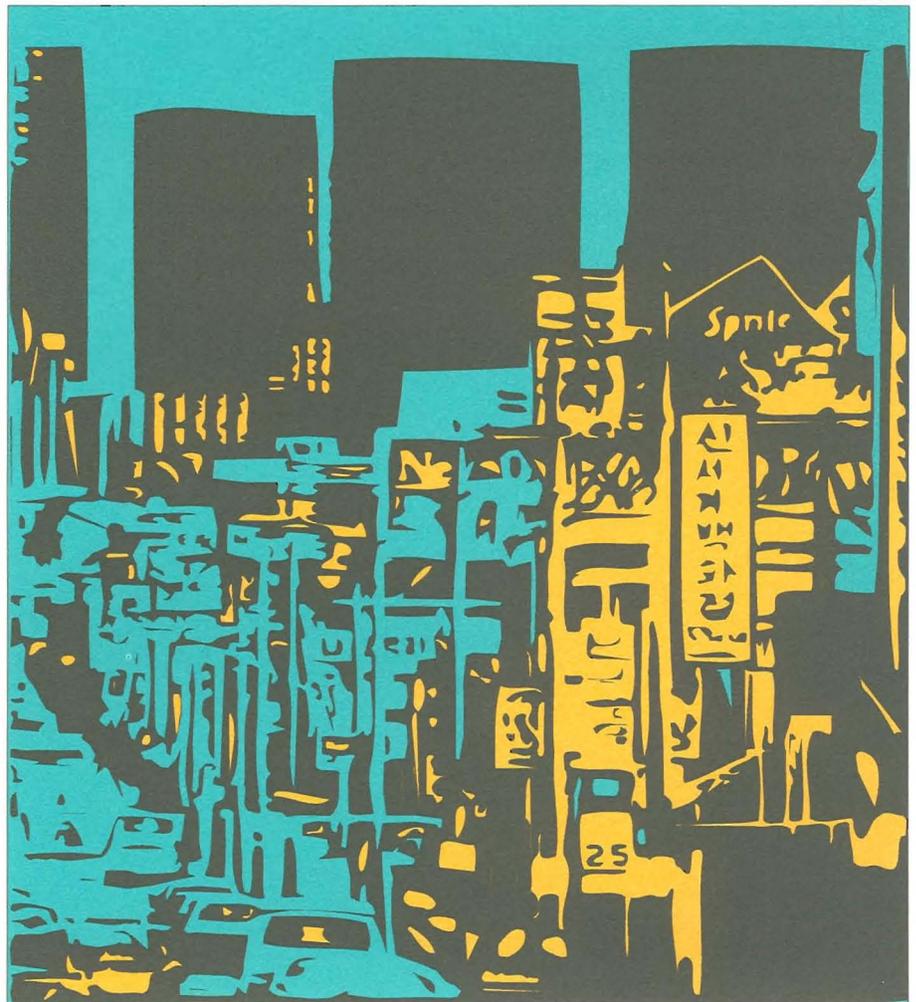
Each year I visit several Pacific Rim countries to meet and exchange views with senior central bank and government officials. I am very appreciative of the support we have received from the various U.S.

Embassies in arranging these visits which help us gain a first-hand perspective and analysis of the region's economic and financial developments. They also provide the opportunity to meet with and speak before local banking and business groups as well as U.S. business people and bankers with operations in these countries.

There is a mutual benefit to these exchanges. In the interdependent

world we live in, economic developments in one country are transmitted rapidly to the rest of the world's economies through monetary and fiscal policies, open financial markets, and trade relations. There is a strong, and growing, trade interdependence between the U.S. and the Pacific Rim, so it's of vital importance to both regions to maintain an open dialogue regarding economic developments and policy issues.

LOS ANGELES



What about the countries you visited this year?

In April of 1992, I traveled to four countries in Southeast Asia -- Singapore, Thailand, Indonesia, and Malaysia. The trip was particularly interesting given the extraordinary economic performances these areas have experienced. These countries generally have weathered the "rolling" world recession that began in 1990 better than the rest of the world. Even though their present economic size prevents the area from being an engine of growth for a sustained world recovery, their demand for U.S. exports has been a boost to U.S.

economic activity and a positive source of strength to the world economy.

The U.S. is Singapore's largest trading partner. Singapore's offshore banking is very active and the country is striving to become a regional financial center. Economic progress in Indonesia and Thailand has been impressive, although Indonesia's development lags significantly behind that in Thailand. Thailand has benefitted from very large foreign investment, especially by the Japanese, and the country is striving to become the next newly industrialized economy (NIE).

Malaysia also is industrializing quickly with manufactured goods having replaced commodities as their primary exports.

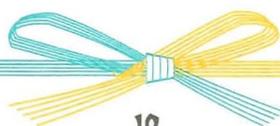
Opportunities for U.S. businesses are good in all four countries. However, restrictive banking policies -- which act to shelter domestic banks in the retail and wholesale banking sectors from foreign competition -- are a major point of concern for U.S. banks operating in the region. Although all of the countries are moving toward deregulation and liberalization of financial markets, they still have a lot of progress to make toward embracing an open domestic financial structure that permits international financial services to grow.

SINGAPORE



What were the primary areas of interest among the groups you spoke before and met with?

One was a heightened interest in the outlook for the U.S. economy. This was precipitated by two factors -- the considerable uncertainty associated with the prospects for a speedy U.S. economic recovery and trade issues



-- especially the North American Free Trade Agreement (NAFTA).

These countries' economies have a strong trade dependence upon the U.S. We absorb a major portion of their exports, so it's only natural that they would have a vital interest in how our economy performs.

All four countries showed a tremendous interest in our views on NAFTA and free trade agreements in general. The major concern was that a North American free trade association would turn out to be a vehicle for excluding products that are exported from their countries. Although I don't think you can totally dismiss this concern, I tried to be reassuring without underplaying their apprehensions since I believe we are in a transitional stage for global trade liberalization.

The benefits for the world economies from regional economic groupings such as in NAFTA, and those in Europe, haven't become apparent yet. In the longer-term, these types of agreements will demonstrate the gains from freer trade, foster global

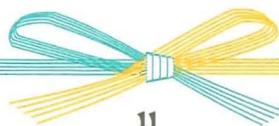


KYOTO

economic growth, and stimulate further steps toward multilateral trade liberalization. Eliminating trade barriers among countries in NAFTA and the European Community (EC) will prompt greater trade within these regions and demonstrate the prosperity -- in terms of rising incomes and a higher standard of living -- that comes with the elimination of trade barriers. This has to be beneficial to other parts of the world because, typically, as a country's income rises so does its level of spending for imports.

The U.S. is clearly an example of this since we have a very high propensity to import. I also think this will follow for lesser developed countries like Mexico. If Mexico experiences a strong increase in its standard of living, I know there will be a concurrent rise in their demand for imports.

Another important topic of interest was the Foreign Bank Supervision Enhancement Act of 1991 which shifted primary supervisory responsibilities for U.S. operations of





ULSAN KOREA

foreign banking organizations to the Federal Reserve. At the time of my visit, the administrative follow-up to the law had not been implemented, but I think our Bank will play an active supervisory role in this area given the strong presence of Asian and other foreign financial institutions in the Twelfth District, particularly in California.

How do the Pacific Basin economies relate to the Twelfth District?

Every state within our District has trade and investment ties to some degree with the Pacific Basin -- particularly California, Washington,

Oregon, Alaska, and Hawaii. California is an excellent example of a state that benefits greatly from international trade, especially trade with Asia, Australia, and New Zealand.

We have huge, active ports in this state, and the number of jobs that are dependent, directly and indirectly, upon international trade is tremendous.

From a central banker’s perspective, what are the challenges facing the Pacific Basin?

Looking ahead, a major issue confronting all Pacific Basin economies is maintaining and expanding international trade which is an engine of growth for almost all the region’s countries. How to avoid protectionism and promote the continued expansion of trade will be

a key ingredient to future growth. An important component of this expansion will be working toward deregulating domestic financial markets to allow the international movement of financial services.

Policymakers worldwide face a similarly difficult task. If we can resist protectionist pressures during the economic downturns that most of the world’s economies are facing, I believe we will be able to see long-term benefits for everyone from maintaining open trade and financial markets.

I cannot overstate the importance of maintaining an open dialogue between the U.S. and Pacific Basin countries given the mutual interests we share through trade and investment ties. I believe our Bank’s Pacific Basin Center provides an essential connection between the Federal Reserve and the Pacific Basin region that will further international understanding in the years ahead.

Thomas D.



Thomson

What is the key objective of your visits to Asia?

The visits help promote mutual understanding and cooperation between our regions which are so closely linked through trade and financial ties. Unlike Bob Parry, I travel under the auspices of the U.S. Information Agency which is responsible for our government's overseas information programs to increase understanding between the U.S. and other countries. Although the people I meet with are similar, my presentations and discussions tend to have more of a regulatory rather than a monetary policy focus.

Pacific Basin banks, especially Japanese, play a significant role in U.S. and Twelfth District financial markets so it's critical for us to have strong relationships with these countries. My travels provide an important opportunity to meet with the home offices of foreign banks

operating in our District and with the overseas staff of U.S. banks operating in the Pacific Basin.

What countries did you travel to this year?

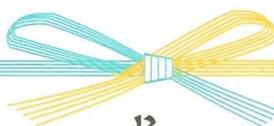
This past July, I visited Taiwan, Hong Kong, China, and Korea. These countries have been relatively unscathed by the global recession. Their economies still are experiencing impressive growth due to the strength of their intraregional as well as worldwide exports. The special economic zones (SEZs) have dramatically demonstrated the benefits of China's "open door" trade policy. The province of Guangdong, a beneficiary of the SEZs policy, has undergone the most rapid growth in the region -- 12.5 percent per year since 1980.

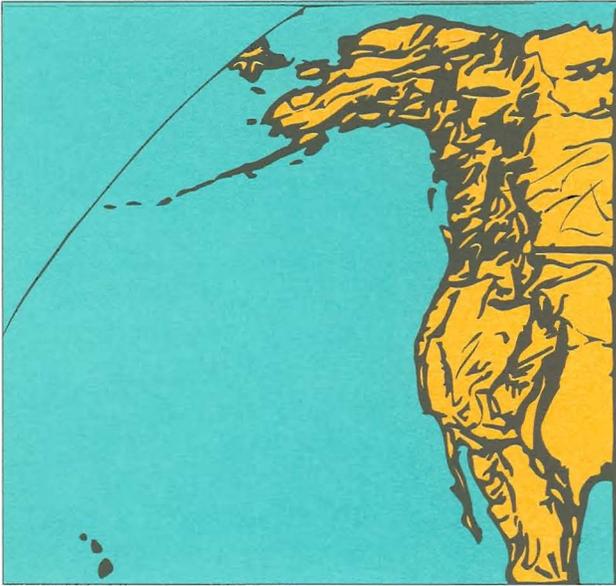
What were the major interests and concerns expressed in the countries you visited?

Although there is always interest in the U.S. economic outlook, global financial deregulation and the globalization of financial markets are

of primary interest. Financial reform was a particularly hot topic in Taiwan and China as they are both in the midst of extensive financial deregulation and monetary policy reforms. Taiwan's new banking law was passed in 1989, and the country has aspirations of becoming another international financial center.

U.S. regulatory developments, particularly the Foreign Bank Supervision Enhancement Act of 1991, were another primary topic of discussion. This law shifted primary supervisory responsibilities over U.S. offices of foreign banking organizations to the Federal Reserve and altered some of the examination provisions. There is concern that the new law appears more restrictive than our traditional open-door banking policy and that it contradicts U.S. efforts to promote deregulation and liberalization of financial markets across the Pacific Basin. In my discussions, I emphasized that this was not a fundamental change in U.S. policy. The Federal Reserve strongly believes that public interest is enhanced by deregulated and open financial markets as well as by the





TWELFTH DISTRICT

prudential supervision of bank operations.

Can you talk about the presence of Pacific Basin banks operating in our District and U.S. banks operating in Asia?

Pacific Basin banks have a very significant presence here with almost every country represented.

Our Bank maintains close communication with Asia-Pacific banks. Representatives from all major Asian financial institutions doing business in the Twelfth District meet with us once or twice per year about their strategic plans, both globally and in our region.

There are three ways that foreign banks can operate in the U.S. The first is through buying a U.S. chartered bank. The second is through operating branches of their domestic banks in the U.S. Often these branch offices service their home

country customers doing business in the U.S. Third, they can have a representative office which is primarily used as a marketing device to direct business to their institutional facilities located elsewhere in the U.S.

U.S. banks do not have as significant a presence in the Pacific Basin as their banks do here. The reasons are twofold. Within the past few years, U.S. banks have purposely moved away from international banking due to a shift in strategic direction. This has resulted in a decline in the number of U.S. banks operating in the Pacific Basin region. Asia's restrictive regulatory environment also has been a contributing factor to the

presence of U.S. banks operating in the region. Many of the Pacific Basin countries -- even though they are moving toward more liberalized policies to some extent -- have restrictive regulatory policies which tend to protect domestic banks from foreign competition in both the retail and wholesale sectors. This makes it difficult for U.S. banks to be a significant presence, and a large portion of U.S. banking in the Pacific Basin is there to provide services to U.S. multinationals operating in the region.

What is the importance of the Pacific Rim for the Twelfth District economy?

The Pacific Rim will become increasingly more important to the Twelfth Federal Reserve District. The presence of these financial institutions is significant now, and their importance collectively as trading partners is growing. Economic integration in Europe and North America is important, but even with these exciting developments taking place, I think the Pacific Rim will continue to be the most crucial

international focus for those of us in the West.

Asia-Pacific financial institutions have a strong interest in doing business in the Twelfth District because of the attractiveness of our markets and the number of Asia-Pacific businesses here. In terms of foreign banks in the District, Japan will continue to be the most important country, at least in the near future, but I think we also will see an increased banking presence from Taiwan, Korea, and Hong Kong.

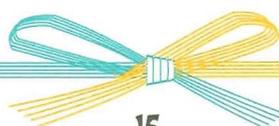
What are the challenges facing the Pacific Basin from a regulator's perspective?

Bank deregulation and liberalization of financial services are important ingredients for economic growth. Looking ahead, these will be important issues for the Pacific Basin region as well as for the rest of the world as the global economy grows more closely integrated through international trade and capital movements.

Another longer term question concerns the relative growth of financial centers within Asia. Taipei aspires to become an international financial center, but it, as well as some of Asia's other financial markets, must move further toward deregulation for this to occur. Tokyo is now the dominant center within Asia, but Singapore and Hong Kong are growing in importance. Growth in Singapore's and Hong Kong's financial markets will depend on

how far they are willing to go in terms of deregulation which isn't clear at the present time. The reversion of Hong Kong to China in 1997 also will impact the relative growth of Asia's financial centers in the future. Currently, Hong Kong is relatively unregulated. If the integration goes smoothly and the accommodations with China continue, I fully expect Hong Kong to grow in importance as a financial center.

SHINJUKU DISTRICT, TOKYO



Hang-Sheng



Cheng

How does the Center foster understanding of Pacific Basin economies?

Many of the Center's programs for accomplishing this already have been in place for quite some time.

Although the Center was officially inaugurated in 1990, this Bank has conducted an active program to promote central bank cooperation and enhance public understanding of the economic policy issues shaping the Pacific Basin since 1974.

The Bank has conducted research on Pacific Basin economies, sponsored international conferences, and established a worldwide network of top officials and researchers from Pacific Basin central banks, universities, research institutes, international organizations, and commercial banks. This Bank also serves as the Clearinghouse for Pacific Basin Central Bank Economic Research and organized the Pacific



Basin Central Bank Economic Modeling Conference series which began in 1975. The conference series is regularly attended by top level representatives from the International Monetary Fund, the World Bank, and the Asian Development Bank as well as delegates from 14 central banks.

This international linkage of top policymakers, researchers, and international organizations across the region provides the Center with a strong, growing foundation for its role as the Federal Reserve's window on the Asia-Pacific region.

What significant issues did the Center focus on during 1992?

Two major undertakings during 1992 were the Center's conference on "Exchange Rate Policy in Pacific Basin

Countries," held at our Bank, and the 10th Pacific Basin Central Bank Conference, which was hosted by the People's Bank of China (PBC) in Beijing. The Center played a key role in helping the PBC organize the Beijing Conference.

Exchange rate policy is a topic of major concern for the shaping of monetary policy and another example of how the U.S. and Pacific Basin countries are so integrally linked. The potential for economic disturbances in one country to cross borders and impact prices, output, and interest rates in other national economies has substantially increased as the world has grown more interdependent through international trade and capital flows. This has complicated the formulation of monetary policy as countries have adopted diverse exchange rate practices to insulate their economies from foreign shocks.

With its dynamic growth and wide variety of exchange rate practices, the Pacific Basin is an ideal laboratory for examining the impact of exchange rate practices on the conduct of monetary policy. Why countries have



adopted different exchange rate policies, and how these disparate policy approaches impact national economies are questions of substantial interest to policymakers and researchers alike.

The Beijing Conference focused on issues related to the importance of highly-developed financial sectors for economic growth in the Pacific Basin economies. Well-developed financial sectors across the Pacific Basin will be critical for sustaining the tremendous growth of the region's economies. For example, firms that need working capital to augment their businesses may be inhibited from further expansion if they have to generate their own funds rather than having the wider access to funds that is available through a more developed financial sector.

What will be important areas of focus in the years ahead?

Looking ahead, maintaining and expanding international trade and investment ties will be a critical issue for all Pacific Basin economies. An essential element for success in this

area will be the development of economic and financial policies that can support the continued extraordinary growth of the region. Although they are at varying levels of development, countries throughout the Pacific Basin are undertaking economic and financial reforms toward this direction.

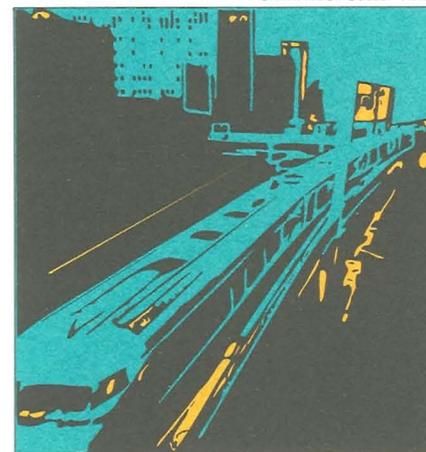
As Pacific Basin countries undergo economic and financial reform, a central issue will be the conduct of monetary policy for price stabilization in the face of domestic and external shocks in our increasingly integrated world economy. Although the conference on exchange rate policy made a significant contribution toward greater understanding of this critical issue, more research and interaction with policymakers in the region are needed.

Another core issue for economic and financial reform is the development of short-term and long-term capital markets in the region. These markets are both complimentary to and in competition with the existing banking sector for funds. Their proper development can enhance and

strengthen a nation's capacity for financing economic growth, but requires a mature legal and institutional infrastructure, which is lacking in some of the countries in the region.

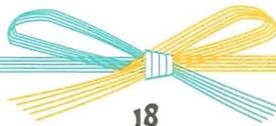
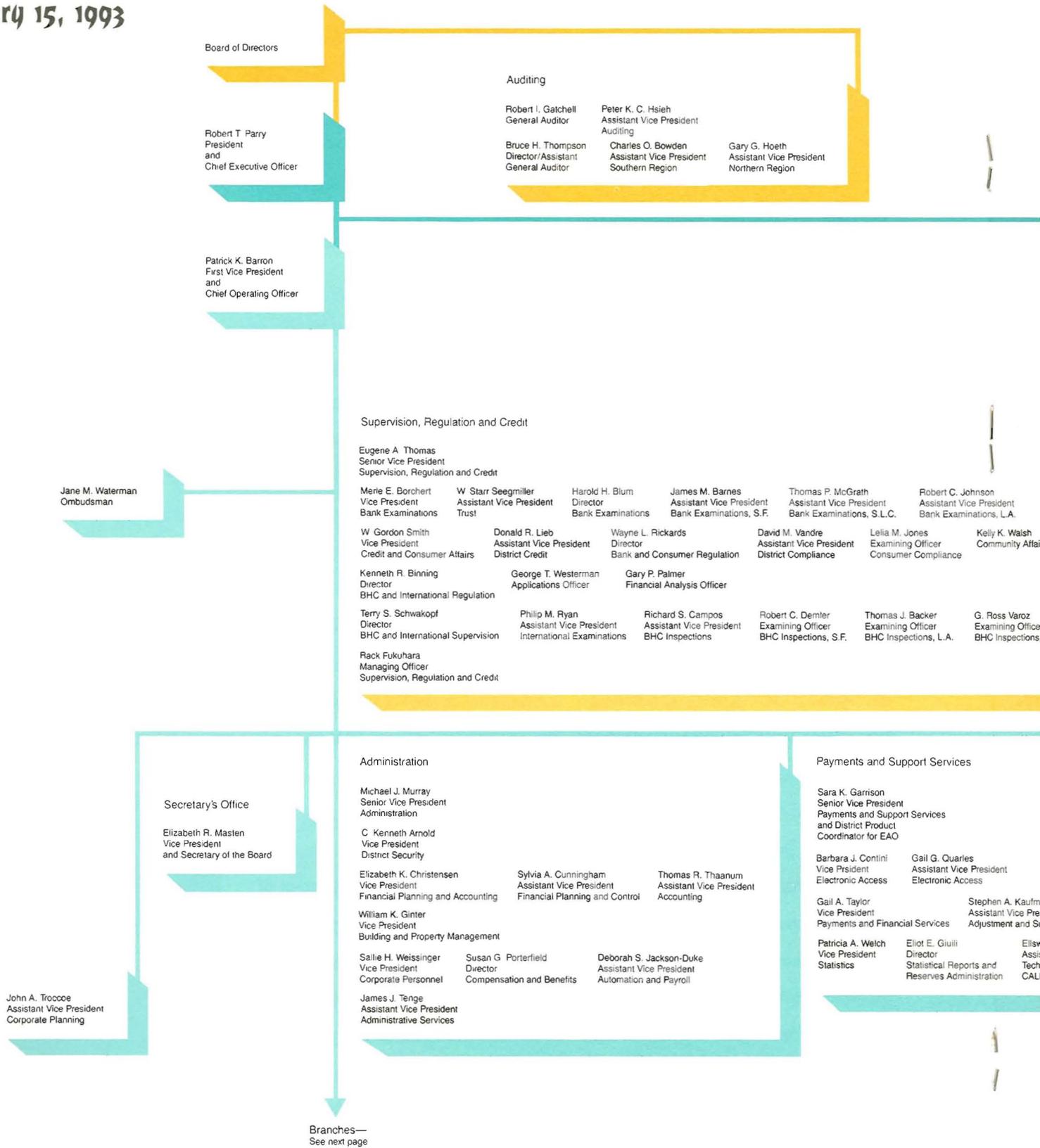
These are complicated issues which point out the importance of exchanging knowledge and promoting mutual cooperation among our central banks. Unfortunately, there isn't an exact economic blueprint for success. On our side, we have a lot to contribute given our experience and technological sophistication in these areas. We also have a lot to gain from interaction with central bankers and other experts in the region as the importance of the Pacific Basin for the U.S. economy grows into the next century.

SHINKANSEN BULLET TRAIN



Organization Charts

February 15, 1993



Thomas D. Thomson
Executive Vice President
Central Bank Functions

Economic Research

Jack H. Beebe
Senior Vice President
and Director of Research

John P. Judd
Vice President and
Associate Director of Research

Frederick T. Furlong
Assistant Vice President
Banking and Regional Studies

Reuven Glick
Assistant Vice President
International Studies

Adrian W. Throop
Research Officer
Domestic Macroeconomic Studies

Mark E. Levonian
Research Officer
Banking and Regional Studies

Bharat Trehan
Research Officer
Domestic Macroeconomic Studies

Public Information

Robert L. Fienberg
Vice President and
Director of Public Information

Law

Robert D. Mulford
Vice President
and General Counsel

Douglas R. Shaw
Vice President
and Counsel

Kenneth M. Kinoshita
Associate General Counsel

Robert C. Johnson
Assistant Vice President
Bank Examinations, L.A.

James G. Jones
Compliance Officer
Gail G. Quarles
Compliance Officer
Kelly K. Walsh
Community Affairs Officer

Backer
Officer
Operations, L.A.
G. Ross Varoz
Examining Officer
BHC Inspections, S.L.C.

Support Services

Services

Gail G. Quarles
Assistant Vice President
Electronic Access

Stephen A. Kaufman
Assistant Vice President
Adjustment and Support Services

Douglas O. Knudsen
Assistant Vice President
Financial Services

Elizabeth M. O'Shea
Payments Services Officer

Ellsworth E. Lund
Assistant Vice President
Technical Resources and
CALL/BHC Reports

Bank and Treasury Services

John W. Gleason
Senior Vice President
Bank and Treasury Services
and District Product
Coordinator for EAO

Dawn S. Block
Assistant Vice President
Cash Services

John H. Wong
Assistant Vice President
Securities Services

Computer Services and Electronic Payments

Laurence Washtien
Senior Vice President
Computer Services and
Electronic Payments and
District Product Coordinator
for EFT

Patrick Tong
Vice President
Computer Operations,
Data Security,
Contingency Planning and
Support Services

Nancy Emerson
Director
Applications Systems

John Y. C. Lin
Director
Systems and Communications/
Financial Administration

Paige B. Scott
Assistant Vice President
Electronic Payments

John S. Hsiao
Applications Officer
Applications Systems

Patrick K. Barron
 First Vice President
 and
 Chief Operating Officer

E. Ronald Liggett
 Senior Vice President
 Northern Region
 and District Quality
 Control Coordinator

Los Angeles Branch

John F. Moore
 Senior Vice President
 and District Product
 Coordinator for Cash

D. Kerry Webb
 Vice President and
 Assistant Branch Manager

Robin A. Rockwood
 Assistant Vice President
 Financial Services and
 Electronic Product Support

Rachel Romero
 Assistant Vice President
 Payments

Mark W. Fishback
 Director
 Custodies Division

Darcy J. Coulter
 Assistant Vice President
 Securities Services, Cash
 Administration, End User Computing
 and Disaster/Contingency Planning

David C. Albo
 Assistant Vice President
 Cash Services

Sean J. Rodriguez
 Director
 Administrative Division

Brent M. Duxbury
 Assistant Vice President
 Administrative Services

Salt Lake City Branch

Andrea P. Wolcott
 Vice President
 and District Product
 Coordinator for Financial Services

Gerald R. Dalling
 Assistant Vice President
 Payments Services

Robert R. Richards
 Assistant Vice President
 Administrative Services

A. Kenneth Ridd
 Assistant Vice President
 Cash and Financial Services

Seattle Branch

Gordon R. G. Werkema
 Senior Vice President
 and District Product
 Coordinator for Checks

Gale P. Ansell
 Assistant Vice President
 Administrative Services

Jimmy F. Kamada
 Assistant Vice President
 Custody Services

Kenneth L. Peterson
 Assistant Vice President
 Payments Services

Portland Branch

Dean C. Gonnerman
 Assistant Vice President
 Financial, Securities and
 Support Services and
 Public Information

Robert D. Long
 Assistant Vice President
 Custody Services

Mary E. Monroe
 Payments Services Officer



BRANCH OPERATIONS
 (FROM LEFT)
 JOHN F. MOORE
 ANDREA P. WOLCOTT
 E. RONALD LIGGETT
 GORDON R. G. WERKEMA





MANAGEMENT COMMITTEE

(FROM LEFT)

MICHAEL J. MURRAY, SENIOR VICE PRESIDENT, ADMINISTRATION

PATRICK K. BARRON, FIRST VICE PRESIDENT AND CHIEF OPERATING OFFICER

ROBERT T. PARRY, PRESIDENT AND CHIEF EXECUTIVE OFFICER

THOMAS D. THOMSON, EXECUTIVE VICE PRESIDENT, CENTRAL BANK FUNCTIONS



Highlights of 1992

Operations and



Financial

Services

1992 was a pivotal year for the Federal Reserve Bank of San Francisco, during which we introduced a number of fundamental changes in the way we provide services to banks and the public. To improve service quality, reliability and responsiveness, we developed and implemented several new and enhanced systems. We also introduced new products to meet the needs of financial institutions. And, within the Federal Reserve System, we continued to work on several major, multi-year efforts to redesign the infrastructure through which services are provided. These initiatives have laid the groundwork for providing highly automated and responsive financial services well into the next century.

Automation Consolidation

To improve processing efficiency, the Federal Reserve System is

consolidating mainframe computer processing at three locations (Richmond, VA; East Rutherford, NJ; and Dallas, TX). A new unified communications network is under development to connect with all depository institutions having electronic access to any Reserve Bank and provide for centralized operations of the System's key electronic payments services (including Funds Transfer, Securities Transfer and the Automated Clearing House). This will increase reliability, expand service capabilities, and lead to greater efficiency in these critical services.

The Federal Reserve Bank of San Francisco has played a key role in these nationwide efforts. As the System's coordinator for electronic access to services, we have done extensive work to adapt electronic access tools to support the future connectivity arrangements and to ensure minimal disruption to service users. We also focused on positioning the Twelfth District for a smooth transfer of computer

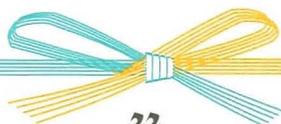
operations to the consolidated processing centers over the next three years.

During 1992 this Bank implemented programs to improve and expand services in all key areas. Highlights of these activities follow.

Check Services

In 1992 we focused on improving the quality, competitiveness and efficiency of services. We implemented a number of automated tools to increase productivity and customer responsiveness. In the Adjustments area, we automated certain research functions, thereby freeing staff to concentrate on more complex cases and speeding the resolution of cases overall. In the processing area, we implemented a system to link files generated by high- and low-speed sorting equipment, thereby improving the quality of collection and payor bank products.

We introduced several new products and services in 1992. The first were



enhanced MICR Capture products (called MICR-Link and ACCOUNT-Link) for payor bank customers. We piloted a new Check Adjustments application for Fedline, which, when in production in 1993, will enable customers to initiate adjustments and exchange information with us electronically. Finally, we introduced new products and enhancements in collection services to give customers later deposit deadlines and more time to transport work to us.

Automated Clearing House

The Bank took major steps in 1992 to improve ACH customer support, processing efficiency and deposit deadlines. First, we helped many non-automated customers establish electronic access to our services. In the Northern branches, most customers now send and receive ACH transactions electronically, and in the District as a whole, 88 percent of our customers have electronic access. By July 1993, we expect to meet the goal of an all electronic ACH service.

The advantages of electronic access were abundantly clear during the civil disturbances in Los Angeles in April

of 1992, when our District's contingency capabilities came into play. Although the Los Angeles Branch's ACH processing was relocated to San Francisco, customers that were able to send and receive work electronically experienced minimal service disruption.

By closing in on our goal of an all electronic ACH, we improved processing and cost efficiencies and paved the way for improved deposit schedules in the future. Late in the year, customer support was centralized in San Francisco, and in early 1993, ACH processing will be consolidated in San Francisco as well.

In spite of these challenges, we maintained very high standards for service quality, with a 99.99 percent on-time delivery rate for both the number of and dollar value of ACH items.

Funds Transfer

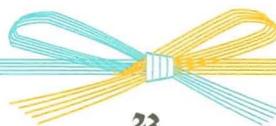
For the sixth straight year, both full-day and critical hours availability for Fedwire service (at 99.95 and 99.98 percent, respectively) exceeded service quality standards established

for the Federal Reserve System as a whole. With our ongoing focus on facilitating electronic access to services, we continued to support customer transitions from off-line to automated Fedwire connections. Overall, the District's volume of Fedwire transactions grew nearly 8 percent during 1992, while non-automated volume declined.

We worked closely with customers to help them develop viable disaster recovery plans and effective data security controls. We disseminated an updated booklet on working with us during a disaster, held two conferences on disaster recovery and data security, and worked with customers to test their contingency arrangements.

Securities and Fiscal Services

In 1992 we focused on increasing the use of electronic access to securities and fiscal services, resulting in more than 1,100 electronic connections for Treasury Tax & Loan accounting, Savings Bond issuance, securities transfer and Treasury auction services. Over 85 percent of the Savings Bonds issued in this District



are now processed over electronic connections with issuing agents.

The final implementation of the Treasury's Regional Delivery System (RDS) for Savings Bond issuance was completed at mid-year with conversion of issuing agents in the San Francisco and Los Angeles Branch zones. Under this multi-year program, Savings Bond stock was removed from all 9,500 issuing agents in the Twelfth District. Bond purchase information is now sent electronically or in paper form to the Federal Reserve Bank for bond printing and mailing.

Customer service was a high priority in 1992. In San Francisco we re-aligned responsibilities and created a separate customer service unit dedicated to telephone support of individual investors and depository institutions. This unit has improved both response time and the quality of responses significantly. It provides a back-up to our branches in handling inquiries during peak periods.

The Twelfth District is a leader within the Federal Reserve System in

identifying opportunities for reducing costs and improving productivity in securities services. As a result of centralization and automation initiatives over the last several years, this Bank's unit costs are now among the lowest in the System.

At the same time, we offer our customers outstanding reliability, with both critical hours and full-day availability at 100 percent for our Securities Transfer service. To ensure minimum disruption in our services in the event of a disaster, we developed and implemented contingency plans for all major programs in 1992.

Cash Services

During 1992, we began three significant multi-year projects to upgrade and automate various functions within cash services. First, all five offices began to remodel their facilities in preparation for the delivery of second generation high-speed currency processing equipment. Initial deliveries will begin in Los Angeles and Salt Lake City in late-1993. Second, we developed plans for an advanced system to automate and improve control over most cash

operating and accounting functions. This system will be installed in all offices during 1993. Finally, to expand the operating capacity of our two largest cash vaults, we prepared for the installation of automated material handling systems in San Francisco and Los Angeles.

Finally, after reviewing the costs and benefits of continuing to arrange cash transportation services for our customers, we decided to discontinue this service. In doing so, we worked closely with customers and armored carriers to ensure a smooth transition.

Economic



Research

Domestic macroeconomic research focused on important issues related to the conduct of monetary policy during 1992 and in the years ahead. Studies examined the effects of weak consumer confidence and slow growth in credit and monetary aggregates on the 1990-91 recession and the ensuing slow expansion, while another paper investigated a



method for forecasting current-quarter economic growth. Studies of longer-term issues focused on the Fed's disinflation policy; nominal income targeting as a monetary policy approach; the effectiveness of monetary announcements in conducting monetary policy in the U.S. and Japan; the dollar's response to fiscal and monetary policies; and real wages and real business cycle models.

Our international macroeconomic research centered around three areas. The first addressed general international macroeconomic policy issues including international monetary integration and business cycles. The second covered macroeconomic issues relevant to Pacific Basin countries including exchange rates, demand and supply shocks, monetary policy intervention, and international capital mobility. The third area focused on Japan's financial markets.

Banking and financial market research addressed issues related to bank capital regulation, bank lending practices, "problem" banks, the

international competitiveness of U.S. banks, weak credit markets and monetary policy; and NAFTA's effect on U.S. banks.

Our regional research studied economic links between District states; regional variations in economic stress responses to the recent recession and current expansion; and productivity trends. Other research focused on District developments in aerospace, semiconductors, and agriculture; water markets; land reform in Mexico; and the effects of regional economic conditions on California commercial banks.

During its second full year of operation, the Center for Pacific Basin Monetary and Economic Studies organized a major conference and continued to expand its international network of researchers. The 1992 conference -- "Exchange Rate Policy in Pacific Basin Countries" -- was attended by senior officials from 15 Pacific Basin central banks as well as representatives from international organizations, commercial banks, and academia. The Center's visiting

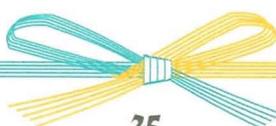
scholar program continued to facilitate interaction among Center staff and U.S. and foreign researchers. Working contacts with research institutions in various Pacific Basin countries rose from 34 in 1991 to 39 in 1992. We continued to distribute the Center's research through publication of the Pacific Basin Research Abstracts and the Center Working Paper series.

Public



Information

Media relations efforts centered on heightening public awareness and understanding of the Federal Reserve System, its policies, and banking and economic developments. Our programs included news briefings and media interviews by the Bank president and key staff, news releases, meetings with print and broadcast editors, and audio interviews with Bank economists for broadcast use. We conducted a comprehensive media visitation program in Washington state and efforts were expanded to reach the



Hispanic media through Spanish translations of news releases. Internally, the program was strengthened through media training workshops held for senior bank staff members.

In January, The San Francisco Bank along with the Los Angeles and Seattle branches hosted public hearings on the Bank of America and Security Pacific National Bank merger. Public information staff, at the head and branch offices, assisted the media in covering the public hearings which attracted approximately 70 print and broadcast media.

As part of our internal communications efforts during this past year, we launched the 12L Times, a new quarterly publication for employees of the Twelfth Federal Reserve District.

Three teacher workshops -- spotlighting the role of the Federal Reserve and Bank-produced educational materials -- were held in the District as part of the economics education program. Program efforts were enhanced through continued ties

with the National and State Councils on Economics Education, school districts, and the Bank's economics education advisory board. A new computer-animated video and accompanying curriculum materials explaining spending's relation to prices and output in the economy were completed for free distribution to schools nationwide.

Visitors to the San Francisco Bank's World of Economics Exhibit in 1993 will be able to listen to three new audio-guided tours which track three paths through the exhibit.

A notable highlight during 1992 was the discovery of an historical collection of American currency -- one of the premier collections in the U.S. -- which will be installed in a permanent display in the San Francisco Bank's lobby during 1994.

Supervision,



Regulation

and Credit

During 1992, Reserve Bank examiners conducted a total of 68 commercial bank examinations. Deteriorating financial conditions prompted formal supervisory actions against seven banks and informal actions at two banks. Compliance and Community Reinvestment Act (CRA) related issues resulted in the assessment of civil money penalties levied at one commercial bank.

Domestic Applications filings fell sharply -- by 43 percent -- during the year due to regulatory changes and the banking economy while international applications rose as the Federal Reserve took over primary supervisory responsibilities for U.S. offices of foreign banking organizations under FDICIA. Previously, we played only a residual supervisory role.

Compliance examiners continue to operate in an expanding, ever



evolving regulatory environment due largely to the increasing complexity of consumer regulations and the rapidly growing number of complex loan products on the market.

Compliance efforts focused on strengthening enforcement responsibilities primarily through enhancing the collection, processing, and utilization of Home Mortgage Disclosure Act (HMDA) data which is instrumental in assessing compliance with the Community Reinvestment (CRA), Equal Credit Opportunity (ECOA), and Fair Housing (FHA) Acts along with the HMDA. To support these efforts, new HMDA-PC Bank-developed software was distributed to submitting institutions which greatly enhanced the timeliness and

accuracy of data submissions. Internally, System-wide HMDA training and educational curricula programs were put into place along with a new software program for analyzing HMDA data which significantly improved compliance assessment in all areas.

The Community Affairs Unit played an active role in the formation of state bank community lending consortia to finance affordable housing in Washington and Nevada. In response to the civil unrest in Los Angeles, we assisted area banks with the formation of a multi-bank community development corporation to provide small business loans and investments to the affected area. We also successfully sponsored two workshop programs which were held throughout

the District. One focused on advanced community development lending techniques while the other provided a review of the top-down approach to managing a CRA program.

Bank Holding Company inspections continued to focus on consolidated asset quality of large BHCs along with evaluations of their credit extending nonbank subsidiaries.

A notable highlight was SRC's contribution to the development of guidelines for the Board's new interagency coordination program which is designed to improve interagency supervisory coordination particularly for multi-state banking organizations.

Summary of Operations

Custody Services

Cash Services

Currency notes paid into circulation
Food stamp coupons processed

Securities Services

Savings Bonds original issues
Other Treasury original issues
Book-Entry Securities processed

Payments Services

Check Services

Commercial checks collected
Government checks processed
Return items processed

Electronic Payments Services

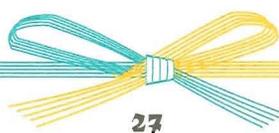
Wire transfers processed
Automated clearinghouse transactions processed

Discounts and Advances

Total discounts and advances*
Number of financial institutions accommodated*

	VOLUME (IN THOUSANDS)		
	1990	1991	1992
Currency notes paid into circulation	3,516,705	3,599,575	3,758,533
Food stamp coupons processed	362,408	436,226	604,544
Savings Bonds original issues	3,456	2,902	3,024
Other Treasury original issues	312	216	150
Book-Entry Securities processed	659	686	766
Commercial checks collected	3,128,340	3,027,685	2,978,582
Government checks processed	82,274	78,013	76,781
Return items processed	34,085	33,221	33,496
Wire transfers processed	17,195	18,245	19,416
Automated clearinghouse transactions processed	300,865	345,458	380,448
Total discounts and advances*	1,088	866	910
Number of financial institutions accommodated*	101	97	78

* Whole number (not in thousands)



Federal Reserve Bank of San Francisco Board of Directors



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Chairman, President and CEO
Saratoga Bancorp
Saratoga, California



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Federal Reserve Agent**

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Chairman and CEO (Retired)
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Health Plan, Inc. and
Kaiser Foundation Hospitals
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Co-Chairman
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First Interstate Bancorp
Los Angeles, California



William L. Tooley
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Tooley & Company,
Investment Builders
Los Angeles, California



E. Kay Stepp
Former President and
Chief Operating Officer
Portland General Electric
Portland, Oregon



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Evans Hotels
San Diego, California



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College District
Los Angeles, California



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Anita E. Landecker
Regional Vice President
Local Initiatives
Support Corporation
Los Angeles, California



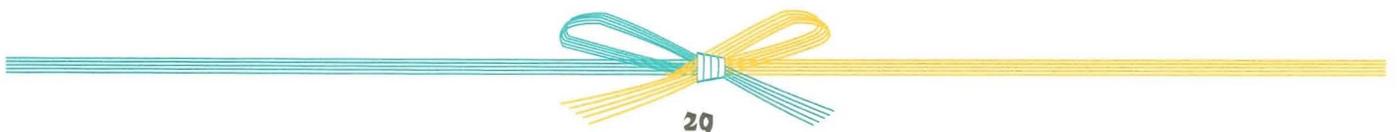
David L. Moore
President
Western Growers Assn.
Irvine, California



William S. Randall
CEO, Southwest Region
First Interstate Bank
Phoenix, Arizona



Steven R. Sensenbach
President and CEO
Vineyard National Bank
Rancho Cucamonga, California



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Chairman of the Board

William A. Hilliard
Editor
The Oregonian
Portland, Oregon



Stuart H. Compton
Chairman
Pioneer Trust Bank, N.A.
Salem, Oregon



Cecil W. Drinkward
President
Hoffman Corporation
Portland, Oregon



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President
TransWestern Helicopters, Inc.
Scappoose, Oregon



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Baker Boyer Bancorp
Walla Walla, Washington



Ross R. Runkel
Professor of Law
Willamette University
Salem, Oregon



Carol A. Whipple
Owner/Manager
Rocking C Ranch
Elkton, Oregon



Salt Lake City Branch Board of Directors



Chairman of the Board

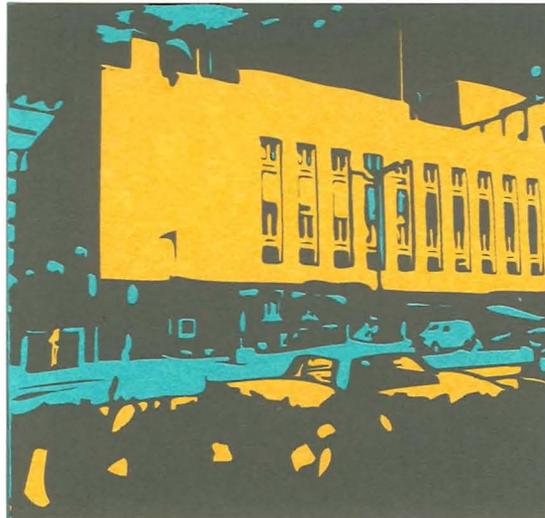
Gary G. Michael
Chairman and CEO
Albertson's, Inc.
Boise, Idaho



H. Roger Boyer
Chairman of the Board
The Boyer Company
Salt Lake City, Utah



Curtis H. Eaton
Vice President; Manager, Community
Banking Area and Member of
Board of Directors
First Security Bank of Idaho, N.A.
Twin Falls, Idaho



Constance G. Hogland
Executive Director
Boise Neighborhood Housing Services, Inc.
Boise, Idaho



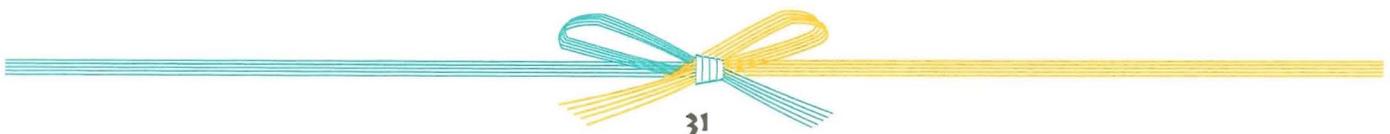
Virginia P. Kelson
Partner
Ralston Consulting Group
Salt Lake City, Utah



Roy C. Nelson
President
Bank of Utah
Ogden, Utah



Gerald R. Sherratt
President
Southern Utah University
Cedar City, Utah



Seattle Branch Board of Directors



Emilie A. Adams
President and CEO
Better Business Bureau
Seattle, Washington



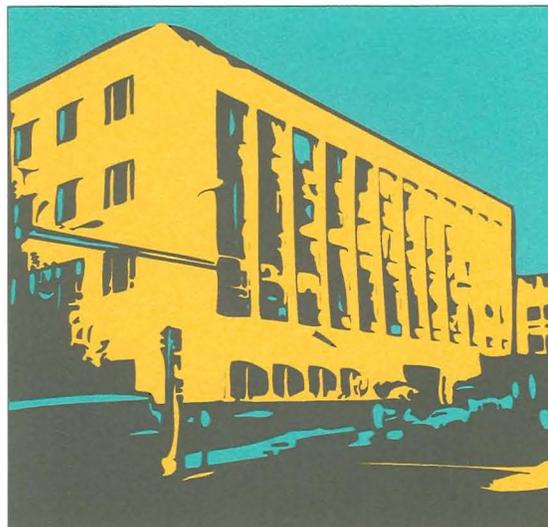
Gerry B. Cameron
Vice Chairman
U.S. Bancorp
Seattle, Washington



Constance L. Proctor
Partner
Alston Courtnege, MacAulay
& Proctor
Seattle, Washington



Chairman of the Board
George F. Russell, Jr.
Chairman
Frank Russell Company
Tacoma, Washington



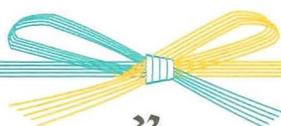
B. R. Beekma
Chairman of the Board
InterWest Savings Bank
Oak Harbor, Washington



Thomas E. Cleveland
Chairman, President & CEO
Enterprise Bank of Bellevue, N.A.
Bellevue, Washington



William R. Wiley
Senior Vice President,
Battelle Memorial Institute; Director
Battelle/Pacific Northwest Division;
and Director, U.S. Department of
Energy, Pacific Northwest Laboratory
Richland, Washington



Federal Advisory Council Member-1993



Richard M. Rosenberg
Chairman and CEO
Bank of America
San Francisco, California



Advisory Council on Small Business and Agriculture-1993

Chairman

Donald Butler
Chairman
Agrolink Corp.
Tucson, Arizona

Vice Chairman

David Nimkin
Executive Director
Utah Small Business
Development Center
Salt Lake City, Utah

Bailey S. "Biff" Barnard
President
Heller First Capital Corp.
San Francisco, California

Barry Baszile
President
Baszile Metals Service
Los Angeles, California

Kendall E. Bert
Economic Development Director
City Manager's Office
Tucson, Arizona

Karla S. Chambers
Vice President
Stahlbush Island Farms, Inc.
Corvallis, Oregon

Robert D. Fay
Vice President and
Operations Manager
JoLoNa Farms
Grandview, Washington

Peter H. Parra
Executive Director
Employers' Training Resource
Bakersfield, California

Walter F. Payne, Jr.
President and Chief Executive Officer
Blue Diamond Growers
Sacramento, California

Boyd R. Poulton
Partner
Price, Poulton and Co.
Burley, Idaho

Leslie Tang Schilling
President
L.T.D.D., Inc.
San Francisco, California

Henry J. Voss
Director
California Department of
Food and Agriculture
Sacramento, California



Comparative Statement of Account

(Thousands of Dollars)

DECEMBER 31,

Assets	1992	1991
Gold certificate account.....	1,299,000	1,207,000
Special Drawing Rights certificate account.....	904,000	1,072,000
Other Cash.....	97,768	93,723
Loans to depository institutions.....	69,000	10,472
Federal Agency obligations.....	616,510	632,500
United States Government securities:		
Bills.....	16,141,240	13,879,002
Notes.....	13,452,997	10,623,081
Bonds.....	3,988,478	3,383,184
Total United States Government Securities.....	33,582,715	27,885,267
Total loans and securities.....	34,267,865	28,528,239
Items in process of collection.....	1,349,226	1,497,645
Bank premises.....	146,243	146,546
Operating equipment.....	30,845	33,394
Other assets:		
Denominated in foreign currencies.....	2,723,618	3,596,905
All other.....	636,325	448,618
Interdistrict Settlement Account.....	2,133,707	3,983,406
Total assets.....	43,588,597	40,607,476
Liabilities		
Federal Reserve Notes.....	35,878,384	32,439,832
Deposits:		
Total depository institutions-reserve accounts.....	5,466,392	5,712,913
Foreign.....	17,597	19,530
Other deposits.....	5,866	191,819
Total deposits.....	5,489,855	5,924,262
Deferred credit items.....	1,107,531	1,321,165
Other liabilities.....	212,237	250,921
Total liabilities.....	42,688,007	39,936,180
Capital Accounts		
Capital paid in.....	450,295	335,648
Surplus.....	450,295	335,648
Total liabilities and capital accounts.....	43,588,597	40,607,476



Earnings and Expenses

(Thousands of Dollars)

DECEMBER 31,

Current Earnings

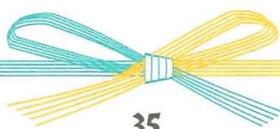
	1992	1991
Discounts and advances.....	682	1,193
United States Government securities.....	1,916,003	2,045,163
Foreign currencies.....	269,109	326,463
Income from services.....	91,162	84,289
All other.....	1,126	1,361
Total current earnings.....	2,278,082	2,458,469

Current Expenses

Total current expenses.....	(182,321)	(176,429)
Less: reimbursement for certain fiscal agency and other expenses.....	15,121	14,050
Net expenses.....	(167,200)	(162,379)
Cost of earnings credits.....	(21,243)	(16,237)
Current net earnings.....	2,089,639	2,279,853

Profit and Loss

Additions to current net earnings		
Profit on prior period adjustments.....	-	-
Profit on sales of United States Government securities (net).....	13,348	14,132
Profit on foreign exchange transactions (net).....	-	51,912
All other.....	5	8
Total additions.....	13,353	66,052
Deductions from current net earnings		
Loss on sales of United States Government securities (net).....	-	-
Loss on foreign exchange transactions (net).....	(136,565)	-
All other.....	(283)	(122)
Total deductions.....	(136,848)	(122)
Net additions (+) or deductions (-).....	(123,495)	65,930
Cost of Unreimbursed Treasury Services.....	(4,099)	(9,239)
Assessments by Board of Governors		
Board expenditures.....	(16,423)	(14,123)
Federal Reserve currency costs.....	(36,604)	(23,986)
Net earnings before payments to the United States Treasury.....	1,909,018	2,298,435
Dividends paid.....	(23,042)	(19,639)
Payments to the United States Treasury (interest on Federal Reserve Notes).....	1,771,329	2,258,525
Transferred to surplus.....	114,647	20,271
Surplus, January 1.....	335,648	315,377
Surplus, December 31.....	450,295	335,648





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Los Angeles Branch

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Portland Branch

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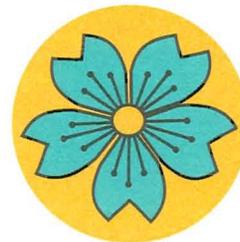
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THIS REPORT WAS PRODUCED BY KAREN FLAMME AND WRITTEN BY LYNDEN BEALE WITH CONTRIBUTIONS FROM REUVEN GLICK, ECONOMIC RESEARCH, BARBARA BENNETT, CORPORATE PLANNING, AND JOHN GLEASON, BANK AND TREASURY SERVICES. DESIGN AND GRAPHICS BY MARK HENDRICKS. COLOR PHOTOGRAPHY BY PAUL SCHULZ. ORGANIZATION CHART BY WILLIAM ROSENTHAL. PRINTED ON RECYCLED PAPER WITH SOYBEAN INKS.

