



1991 Annual Report

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



From left, Robert F. Erburu, Chairman (1991), James A. Vohs, Chairman (1992), and Robert T. Parry, President.

This past year saw significant challenges for the Twelfth District economy and western banking. Along with the rest of the nation, our attention turned to the prospects for recovery from the national recession.

Spanning nine western states, our District is the largest geographically within the Federal Reserve System, and possesses an unusually diverse economy. In this Report, we explore the patterns of diversity that have shaped the western regional economies from their early settlement in the 1800s to the present. We also look at how this diversity was reflected in the economic performance of the region during the past year.

As part of our regional profile, this Report spotlights the Pacific Northwest through observations by Angelo S. Carella, former senior vice president-in-charge of our Portland Branch, who retired in September 1991 after 35 years of service, and Gerald R. Kelly, senior vice president-in-charge of our Seattle Branch, who will retire during 1992 after 39 years of service. Kelly and Carella comment on some of the transitions taking place in the Pacific Northwest, from the changing role of the branch offices to the impact of the consolidation trend on banking.

In the dynamic economic and regulatory environment in which we operate, it is imperative that we strive to anticipate and meet the needs of our Twelfth District constituencies. This Report reviews the Bank's performance during the past year in achieving its fundamental objectives.

The wholesale banking arena is shaped by rapidly changing technological innovation. To meet the challenges presented by this dynamic environment, we are guided by our well-established commitment to enhance the quality and efficiency of the payments system to benefit all market segments of the financial community and its public.

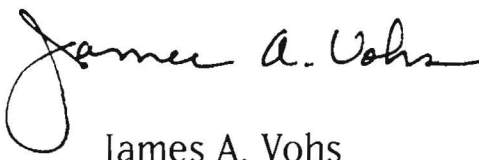
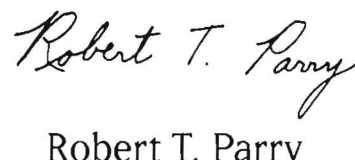
The supervision and regulation of bank holding companies and state-chartered member banks is another vital area of responsibility for the Bank. The recent passage of banking reform legislation calling for a stricter regulatory environment, along with the trend toward bank consolidation, make this a very active arena. Our goals in this area continue to be to maintain a safe and sound banking system, and to monitor compliance with community development and reinvestment legislation.

This Report also highlights key elements of change within our District organizational structure which took effect on January 1, 1992. The reorganization is part of our ongoing commitment to meet the divergent needs of the District.

In meeting the challenges of 1991, management was helped by the invaluable guidance of the Bank's Boards of Directors at our headquarters office and each of our four branches. Their independent assessments of economic and financial conditions throughout the nine western states provided instrumental support in the formulation of monetary policy, and their expert counsel guided us in major management decisions.

We especially appreciate the contributions of Robert F. Erburu (Chairman of the Board and CEO, The Times Mirror Company, Los Angeles, CA) who stepped down as Chairman of the San Francisco Head Office Board at the end of last year after four years of service in this role. His great gifts of leadership and astute expertise provided instrumental guidance to the Bank's management, to its five boards of directors, and to the Board of Governors. We are grateful that Mr. Erburu will continue to lend his invaluable skills to the Bank as Deputy Chairman of the Board in 1992.

We also extend our heartfelt thanks to those individuals who completed their terms of service during 1991: on the San Francisco Head Office Board, Deputy Chairman, Carolyn S. Chambers (President and CEO, Chambers Communications Corp., Eugene, OR); on the Los Angeles Branch Board, David R. Lovejoy (Former Vice Chairman, Security Pacific Corporation, Los Angeles, CA) and Harry W. Todd (Managing Partner, Carlisle Enterprises, L.P., La Jolla, CA); on the Salt Lake City Branch Board, Chairman, D.N. Rose (President and CEO, Mountain Fuel Supply Company, Salt Lake City, UT) and Gerald R. Christensen (President and Chairman, First Federal Savings Bank, Salt Lake City, UT); on the Seattle Branch Board, Bruce R. Kennedy (Former Chairman, Alaska AirGroup, Seattle, WA); and, on the Federal Advisory Council, Paul Hazen (President and COO, Wells Fargo Bank, N.A. and Wells Fargo & Co., San Francisco, CA).

James A. Vohs
Chairman

Robert T. Parry
President

Exploring the Twelfth District

- Northern California, Hawaii

A wealth of natural resources provided the common source of early development for both Northern California and Hawaii. The gold rush of 1849 sparked Northern California's economic development and turned San Francisco into a major port and financial center. While the lure of gold drew thousands of prospectors to the Sierras, the fertile Central Valley provided a home for many farming and ranching immigrants. The region's growing wealth provided the ready capital necessary for its rapid expansion.

The harvesting of Hawaii's vast sugarcane fields and the development of the plantation system by European settlers during the early 1800s signaled the beginning of the Islands' agricultural development. Hawaii's population boomed with the influx of Asian immigrants imported to work the sugar plantations. Trade flourished as merchant shippers took advantage of Hawaii's strategic position in the center of the Pacific to build strong market ties with the United States, particularly California's booming gold rush economy.

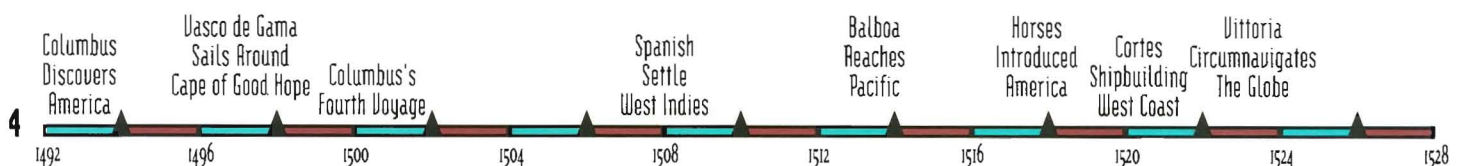
Northern California

Yesterday

Technological leadership has characterized Northern California's rapid growth since the turn of the century. This was evident in the engineering genius which created the intricate network of canals, dams, reservoirs, and aqueducts to bring the water supplies of the Sierra Nevada and the Colorado River to California's arid valleys and urban centers. The invention of the refrigerated railroad car and agricultural specialization entwined to propel the Central Valley into its position as a world-class producer of fruits, vegetables, and nuts. Since the Franciscan monks' first attempts to ferment Sonoma Valley grapes into wine, the inland valleys of Sonoma,

Napa, and Mendocino counties have become world renowned for their premier wines.

Northern California's Silicon Valley launched the modern computer industry and remains a leading center of the world's high-tech industries, serving as headquarters for such innovators as Apple and Hewlett-Packard. San Francisco remains an important financial center, serving as the headquarters for most of the major western banks, and the Pacific Coast Stock Exchange, in addition to being a major center for venture capital.



During 1991, Northern California felt the impact of the national recession, though less severely than Southern California. While Northern California accounts for 25 percent of California's total employment, only about 10 percent of the jobs lost in the state since July 1990 have been in the northern part of the state. The manufacturing industries of Silicon Valley, a source of major economic growth in recent years, were the hardest hit sector of the region. Unemployment in Santa Clara County rose from 4.5 percent to 5.6 percent between September 1990 and 1991, reflecting a 5.5 percent job loss in the electronic components industry. Cutbacks in the high-tech area also have influenced other sectors of Silicon Valley, with service employment rising only slightly and finance employment experiencing a 1.5 percent decline.

During the past year, growth in the San Francisco Bay Area also suffered from consolidations in the finance industry, where employment fell somewhat below the past year's level. California state budget shortfalls also have led to cutbacks in public sector employment.

During 1991, unemployment rates in Central

Valley towns remained among the highest in the District as lower crop production added to the usually higher unemployment rates found in agricultural communities.

Significant damage to citrus crops resulting from the severe freeze of December 1990, along with the fifth successive year of drought conditions, contributed to lower production levels during the year.

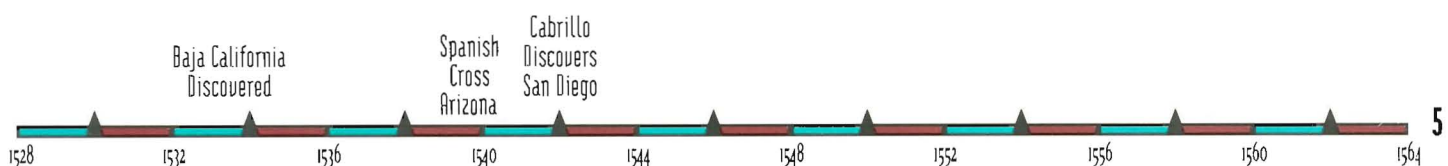
Unemployment in Fresno reached 11.1 percent during September 1991 compared to 10.7 percent in September 1990.

Northern California's outlook is mixed. The region's economy has weakened along with the rest of the nation during the recession.

Defense cutbacks, declines in high-tech employment, and the Central Valley's agricultural problems have compounded the region's weak performance.

Although economic conditions in Northern California should improve as the national picture brightens, future growth rates are likely to be less than the high levels experienced during the

past decade. High costs and an increasingly inadequate infrastructure are likely to weaken growth prospects in the San Francisco Bay Area, while the Sacramento



area faces persistent state budget problems. The region should continue to benefit from its relatively strong population growth. The availability of relatively low-priced land and housing costs in the inland areas will most likely promote faster growth to these areas.

Hawaii

Yesterday

By the opening of the 20th century, the face of Hawaii had changed forever. The Islands' native culture was largely overshadowed by early Western settlement influences. Penal labor contracts were declared illegal, although the plantations continued to recruit cheap labor from around the world. Jim Dole introduced commercialized pineapple production to the Islands' economy, and a mammoth campaign was launched to sell the luxury fruit to the world. Economically and politically, the Islands were dominated by a consortium of five corporations that exerted a powerful influence over every aspect of Hawaiian commerce from banking to retail merchandising.

Statehood in 1959 shifted economic power away from the rule of the five corporations as outside capital investment began to infiltrate

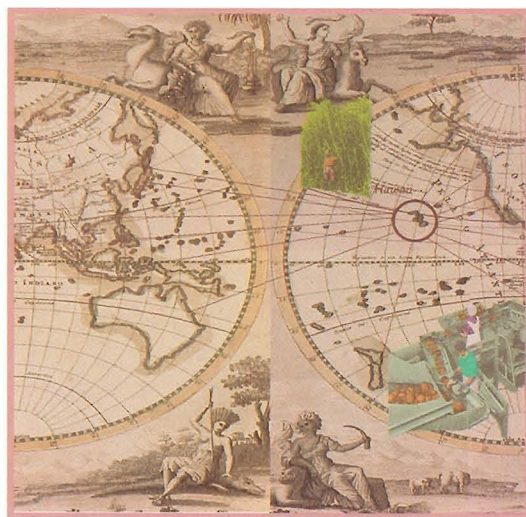
the Islands' economy. The Islands' growing defense industry also pulled labor away from the consortium's influence.

Today

Today, Hawaii's primary dependence upon sugar and pineapple has diminished with the rapid growth of the tourist industry. Hawaii's strategic location between Asia and the U.S. mainland has made it a prominent destination for Asian and U.S. mainland visitors. Additionally, Japan's rapid income gains during the 1980s have spilled over to Hawaii's economy in the 1990s bringing sharp increases in Japanese investment and tourism to the Islands.

During 1991, Hawaii's economy felt the impact of the Gulf War as Japanese tourist activity fell with the war's onset. Despite this setback, overall employment increased 1.4 percent during the year, led by a 3.2 percent rise in service sector jobs.

Moreover, recent reports indicate that conditions have returned to normal with the renewal of Japanese tourist traffic. The region's economic strength is reflected in Hawaii's home prices, which remain the highest in the nation. The median home price in Honolulu stands at \$345,000.



Tomorrow

Hawaii's outlook is fundamentally positive, but the state faces unique challenges. Agriculture will play a less important role in Hawaii's future economy as the tourist industry continues to expand. With Hawaii's

unemployment rate staying well under 3 percent ever since the second quarter of 1990, inadequate supplies of labor, coupled with high land costs, are likely to constrain Hawaii's future pace of growth.

-Southern California, Arizona

The rush for gold which drew thousands of prospectors to Northern California in 1849 provided the impetus for Southern California's development. The race to build a transcontinental railroad and market connections to the rapidly growing northern part of the state set off the first of Southern California's many population booms. Arizona remained thinly settled until the discovery of the state's rich copper deposits in the late 1800s lured mining interests anxious to cash in on the mineral wealth.

Southern California

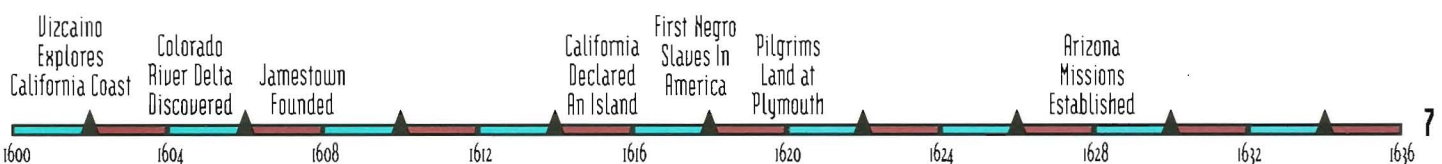
Yesterday

The opening of the 20th century launched Southern California toward the industrial age. The development of a complex water transportation system, engineered to divert water from Northern California and the Colorado River to the arid valleys and growing metropolis, assured the region's growth. Southern California grew rapidly with the discovery of oil in Los Angeles, Long Beach, and Kern county. Agricultural specialization, which tailored crops to suit climate and market demand, propelled the Imperial Valley toward its position today as a leading producer of citrus and vegetable crops. Additionally, sunny weather and rising wealth combined to attract the motion picture industry and make Southern California the moviemaking and television center of the world.

Today

Today, sprawling Southern California is an empire unto itself with its vast cultural, ethnic, and economic diversity. Southern California also remains a center of activity for the entertainment, aerospace, electronics, and research-intensive industries. The region has become an impressive melting pot with its wide composition of ethnic groups hailing from virtually every corner of the world.

Southern California continues to have much faster population growth than the rest of the nation. During the 1980s, Southern California's population grew 19 percent, double the national average. Within the last decade, Southern California employment has grown even faster — by 32 percent. Los Angeles alone has added 700,000 new jobs during the past ten years.



During 1991, the national recession hit Southern California harder than any other area in the Twelfth District. This reflects, in part, the unwinding of some of the forces that propelled Southern California's rapid growth during the previous years. As of September, Southern California (Anaheim, Los Angeles-Long Beach, Oxnard-Ventura, Riverside-Santa Barbara, San Diego) recorded 77,000 jobs lost since the onset of the recession in July 1990. Defense-related manufacturing has been particularly hard hit. Cutbacks in defense spending have led to significant reductions in aerospace employment, with 15,000 jobs lost during the past year. Recession-related cutbacks in the electronic components industry accounted for another 2,000 job losses.

Construction and real estate activity also have dropped significantly, particularly in the nonresidential sector.

In part, this reflects the overbuilding that occurred during the previous years' boom period in anticipation of further employment growth. The office vacancy rate in downtown Los Angeles is approaching a relatively high 25 percent.

due to environmental regulation, congested transportation networks, and water restrictions make growth at the boom rates of the previous decade unlikely. Continued population growth and the growing importance of trade with Mexico and the Pacific Rim nations, however, bode well for the region's continued economic vitality.

Arizona

Yesterday

World War II and the invention of air-conditioning helped transform Arizona into an industrial economy. The harnessing and

diverting of the rivers of central Arizona to arid valley lands and cities, which had occurred in the early part of the century, set the stage for the region's rapid growth. The state's desert landscape and temperate winters drew aerospace, defense, and manufacturing industries to support the war efforts.



Over the past decade, Arizona's economy has continued to grow and diversify. This diverse economic make-up includes not only mining, particularly copper, agriculture and manufacturing, but also a rapidly growing tourist industry. The state's sunny skies and temperate winters continue to attract new immigrants, including many retirees.

Tomorrow

While Southern California will likely recover when the rest of the nation does, constraints

During the 1980s, Arizona's population rose by 30 percent. Even while suffering a real estate slump during the latter part of this period, Arizona still managed to add almost 500,000 jobs, primarily in the service sectors.

During 1991, Arizona performed better than the nation during the national recession. Arizona's employment grew 1.5 percent through September 1991, fueled largely by the continued expansion of services, which were up 4 percent from the year earlier.

Construction activity weakened further in 1991, with the number of construction jobs falling 4.8 percent in September 1991 from the level of a year earlier. Declines in construction activity reflect overbuilt markets that have existed for the past several years.

-Oregon, Washington, Alaska

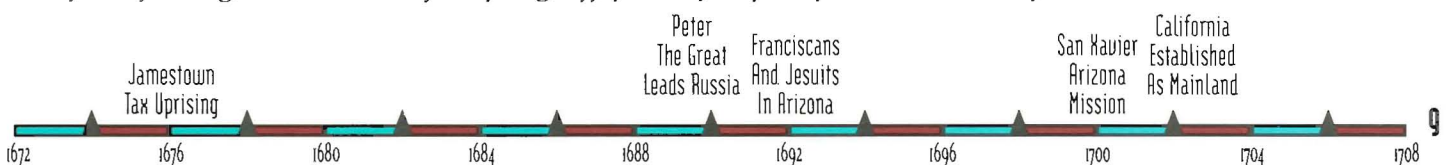
The promise of free land and tales of fortune intertwined to spark the early development of Oregon, Washington, and Alaska. Lured by the promise of free acreage, thousands of settlers migrated westward between 1840 and 1860 along the Oregon Trail to farm Oregon's productive Willamette Valley and to harvest the abundant timber resources of Washington's Puget Sound region. Alaska's isolated wilderness remained largely unsettled, except for fur traders, until 1896 when tales of vast gold strikes in the Klondike drew thousands of stampedeers seeking their fortunes.

California's gold rush economy, with its expansive demand for timber and food supplies, provided a ready market for the commercial agriculture and timber products of both Oregon and Washington. Portland emerged as a major shipping center, building strong links with the neighboring Golden State. Seattle also grew rapidly during this period, serving as the chief outfitting station and jumping-off point for prospectors bound for Alaska.

Nonresidential construction remains weak, with the value of awards down 18 percent from the level of a year earlier.

Arizona manufacturing activity slowed during 1991, with employment falling 3.3 percent in September from the level of a year earlier. Defense contractors, including Hughes Aircraft, reduced employment, and IBM closed a major plant in Tucson.

Over the longer term, Arizona's population is expected to grow at rates above the national average. The continued development of retirement communities is expected, and the region hopes to benefit from expanded trade with Mexico. The state also has been actively courting Southern California businesses, hoping that Arizona's relatively low land costs will attract firms to the state.



Oregon

Yesterday

By the opening of the 20th century, Oregon was poised for rapid growth. Timber and developing forest-related industries dominated the state's growing economy. Railroad transportation ties, which had been consolidated during the late 1880s, linked the state to markets in the eastern states and to San Francisco in the West. The tapping of the Columbia River for irrigation paved the way for the large-scale production of Oregon's diverse agricultural crops.

In recent years, Oregon's economic dependence upon agriculture and timber has diminished. Although forestry and agriculture are still integral components of the state's economy, tourist-related businesses and high-tech industries have seen faster growth recently. Environmental pressures have sharply curtailed logging activity, speeding the process of diversification away from the dominance of the timber industry. Low production costs have combined with the region's pristine beauty and high quality of life to stimulate rapid population growth and attract new businesses.

Today

Today Oregon remains a leading supplier of wood products and a major beneficiary of growing international trade, especially the exporting of lumber products to Japan and the rest of the Pacific Basin. The Willamette Valley boasts a highly productive source of

diverse crops, including flowers and nursery products, grass seed, noncitrus fruits, and a variety of field crops. Eastern Oregon is the home of the state's wheat production and cattle industry.

During 1991, Oregon felt the impact of the national recession, although later than the rest of the country and with less force. After averaging 3 percent growth from 1988 to 1990, Oregon's employment rose only 1.4 percent between September of 1990 and 1991.

Problems in Oregon's wood products industries contributed to the state's overall weaker numbers. During the past four years, Oregon's employment in lumber and wood products has fallen steadily, with 4,500 jobs lost since 1987. Restrictions on the logging of public lands due to environmental concerns, such as the spotted owl debate, have reduced the availability of federal timber. Small mills, which historically have depended on public lands as a primary source of raw materials, have faced rising log prices. At the same time, the slump in national construction activity has curtailed the demand for wood products.

A combination of poor weather conditions and weakening demand for some products also led to a disappointing year for the state's agricultural industry in 1991. Drought conditions affected some parts of the region, while the December 1990 freeze damaged



fruit trees. Wheat and onion crops were off sharply from the levels of a year earlier. Potato production remained strong, but prices were down significantly from the record level of a year earlier.

The more recent growth sectors of the region were also affected by the recession. Electronics employment, which had shown rapid growth since 1987, slowed to a 1.3 percent annualized growth rate in the first three quarters of 1991. Non-lumber manufacturing employment in September 1991 dropped 1.4 percent from that of the previous year.

During 1991, services continued to provide the bulk of Oregon's new jobs. In September, service employment rose 3.2 percent from the previous year. The finance, insurance, and real estate industries also registered strong employment gains of nearly 4.6 percent over the period.

Construction activity growth slowed in 1991 for both residential and commercial building. Although construction employment rose by 2.7 percent between September 1990 and 1991, this growth is well below the double-digit increases seen in 1990.

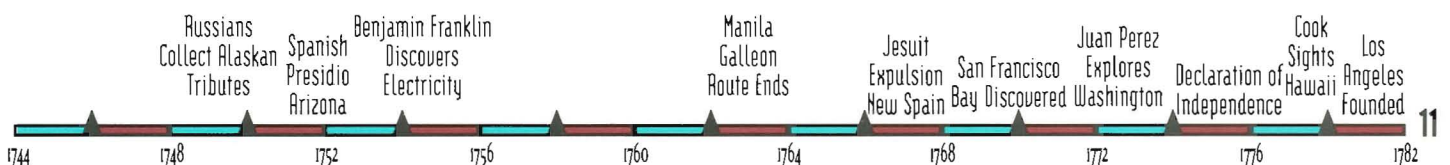
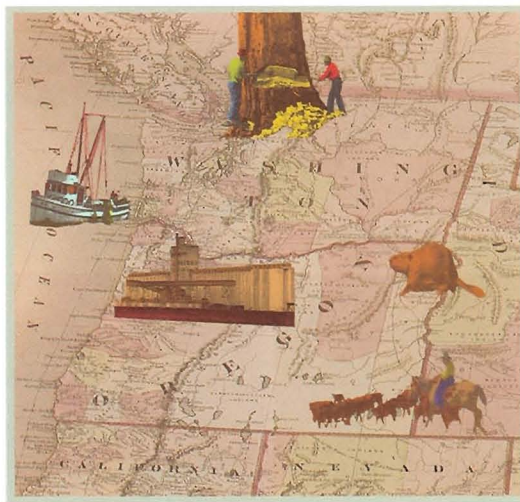
Overall, Oregon's economy outperformed the rest of the nation during the past year and is likely to continue to do so. The region's long-term trend away from its economic dependence on agricultural and forest products industries continues to provide Oregon with a more diverse economic base.

Washington

Since the turn of the century, Washington has emerged as a major industrial power. In 1916, Washington's future economy was unmistakably altered when William Boeing

chose to take advantage of the region's abundant timber supplies to begin his fledgling aircraft manufacturing business. The state's economy has evolved from one based largely on agriculture, logging, and fishing to one driven by aerospace, manufacturing, and shipping. Access to the Columbia River's inexpensive source of

hydroelectric power has made Washington a leading producer of aluminum. Eastern Washington's economy remains largely agricultural, producing such staples as wheat, potatoes, and barley. Recent industrial expansion in the Spokane area,



fueled by low land and labor costs, has enhanced Spokane's role as a center of economic activity in eastern Washington.

Today

The Puget Sound region has experienced some of the greatest growth in the state fueled by Boeing's dominance as a world leader in commercial aircraft production and the establishment of major computer-related industries. Today, shipping remains as integral to Washington's economy as it was to the earliest pioneers who sent their first shipment of timber pilings to San Francisco from Elliot Bay. Seattle and Tacoma have emerged as two of the most important seaports in the world with both cities doubling their trade volume since 1980.

During 1991, Washington's economy slowed in response to the national recession and a leveling off of the past decade's rapid growth in the aerospace industry. After growing at an average rate of 4.7 percent between 1985 and 1990, Washington employment rose less than one percent between September 1990 and 1991. Although Boeing's success in the last ten years led to a 44 percent increase in Washington's aerospace employment, during 1991, aerospace employment flattened out as Boeing reached its target production levels for commercial aircraft, and as defense cutbacks hurt Boeing's defense production. No growth at Boeing, coupled with weaknesses in the aluminum and forest product markets, led to a 2.2 percent decline

in manufacturing employment between September 1990 and 1991.

Slower growth in the state also has cooled the housing market from its previous frenetic activity. Between 1989 and 1990, the median home price in Seattle soared 23 percent with sales activity skyrocketing. Boeing's rapid growth combined with an influx of immigrants from other parts of the country acted to bid up Seattle housing prices. New supplies could not keep up with the rapid population growth. In contrast, during 1991, the median home price dropped by 3 percent, sales activity slowed, and construction employment declined by 4.4 percent.

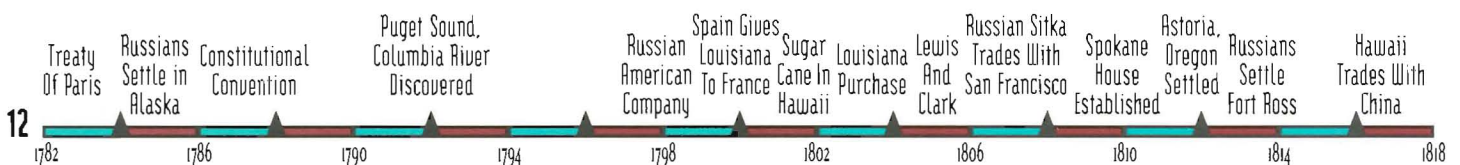
Tomorrow

The Washington outlook remains bright, although growth is expected to remain well below the high level seen two years ago. Boeing has planned a multibillion dollar expansion over the next several years, which may spill over into the lower-cost Spokane area. Although costs have risen in the Seattle region and congestion has increased dramatically, the state remains an attractive destination for new businesses and migrants.

Alaska

Yesterday

Alaska's sprawling wilderness was just starting to be tamed during the first few decades of the 20th century. The state remained largely a frontier economy until World War II. The construction of military



airfields and installations during the war and the concomitant building of an extensive road transportation network set the stage for the later commercial development of the state. Alaska's economy was finally thrust into the modern era in 1968 with the discovery of vast quantities of oil in Prudhoe Bay and the engineering of the expansive infrastructure needed to ship oil to the rest of the country.

Today

Alaska's present-day economy remains heavily dependent upon its natural resource base, with oil, mining, forestry, and fisheries providing important sources of employment and income. Transportation, including the oil pipeline, also remains a primary source of employment in the state. Although Alaska is the largest state in the country, encompassing 571,000 square miles and nearly 16 percent of the entire geographical area of the United States, its population density is among the lowest. Alaska contains only 0.2 percent of the total national population, and 42 percent of the state's population lives in Anchorage. This low population density reflects the rugged topography and climate of the region. Extreme cold has made development costs very high for most businesses.

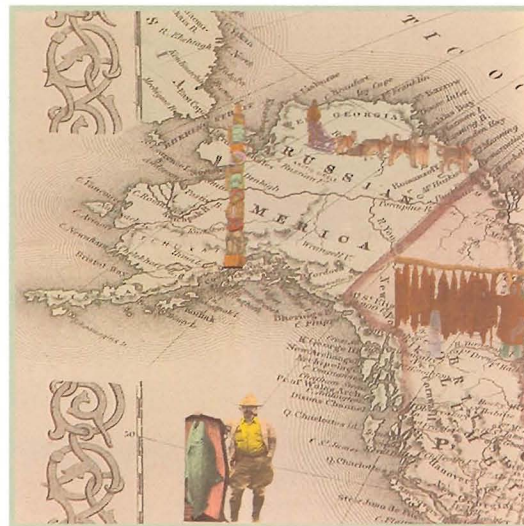
Over 80 percent of Alaska's state government revenues come from taxes on the oil industry. With this heavy dependence upon oil, Alaska's economy has yet to recover fully from a severe recession following the 1986 oil price collapse. Only within the past two years has employment in the state risen above its 1986 level. Ironically, some of this rise is due to the cleanup of the oil spill in Prince William Sound.

During 1991, Alaska experienced slower growth with only a slight gain in overall employment during the 12 months ending in September. However, the sharp rise in oil prices during the Gulf War did provide temporary relief to Alaska's economy, as

government oil revenues rose by more than \$200 million.

Alaska also suffered a 2.2 percent reduction in manufacturing employment during 1991. Additionally, mining activity dropped during the year because of falling metal prices and

restrictions on new drilling opportunities in the oil fields, including the Alaska National Wildlife Refuge, which remains off-limits to drilling.



Alaska's construction activity has remained relatively weak since the 1986 oil price collapse triggered a downturn in the state's economy that led to an overbuilt housing stock. Although recently the stock of vacant housing has fallen sufficiently to encourage some new construction, construction employment was down about 1 percent in September from the level of a year earlier.

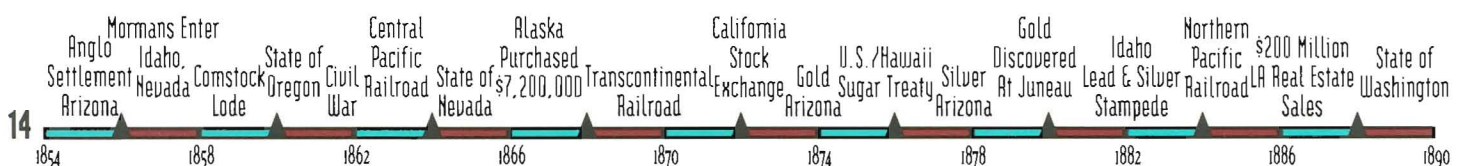
The outlook for the region is relatively bright. Tourism has emerged as a major growth industry. Alaska will remain an important oil producer for quite some time, although production has begun to decline. The state's other natural resources, particularly its wild and scenic topography, have only begun to be tapped.

-Utah, Idaho, Nevada

Religious faith and the pursuit of fortune fueled the economic development of Utah, Idaho, and Nevada. In 1846, Brigham Young led the Mormons west to Utah entering the Salt Lake Valley on July 24, 1847. Young quickly organized his followers to colonize the arid valley and to establish the self-sufficient farming communities that pioneered Utah's agricultural industry.

Young's vision spread to Nevada and Idaho in 1855 when he dispatched missionaries to establish colonies in the two states. Although the Mormon settlement at Las Vegas Springs proved to be only temporary due to the harsh climate, their early attempts at farming and ranching paved the way for later settlement and the development of Nevada's livestock industry. The colonists successfully established permanent farming settlements in southern Idaho, and their agrarian efforts, especially the introduction of irrigation, opened the way for the development of Idaho agriculture.

Idaho and Nevada remained largely unsettled until 1860, when gold was discovered in northern Idaho and abundant silver deposits were struck at Nevada's famous Comstock Lode. The discoveries opened both states to a rapid influx of prospectors along with other migrants anxious to take advantage of the instant markets created by the boomtowns.

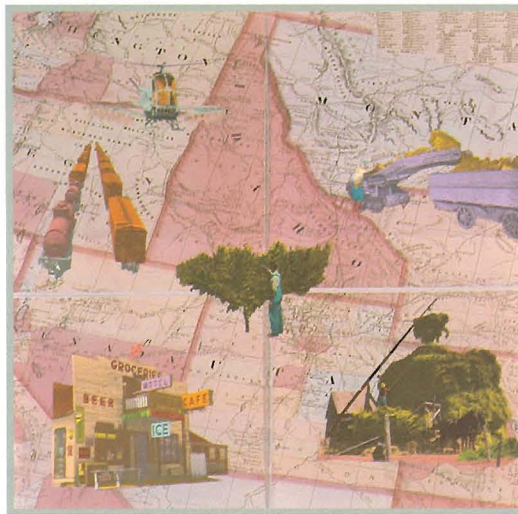


Utah

Yesterday

The coming of the transcontinental railroad and Utah's statehood were major turning points for Utah's economy. The introduction of the railroad encouraged an influx of non-Mormon businesses and settlements, ending the Mormons' physical isolation. With cheap transportation close at hand, Utah's mining industry took off. Merchandising, along with commercial agriculture and livestock, developed with the opening of new markets. With admission into the Union in 1896, Utah moved further toward the nation's political and economic mainstream.

Since the opening of the 20th century, Utah's economy has diversified beyond its early economic base of agriculture, mining, livestock and dairy farming, to include manufacturing, tourism, and services. The state has become a center for credit card processing, telemarketing, airline reservations, and software companies. Tourism has become an increasingly important industry in the state as skiers have discovered the excellent powder conditions at resorts such as Snowbird and Park City. Utah's economy also has benefited from growth in the defense industry.



Utah has enjoyed some of the fastest employment growth in the country over the last several years. Low land and housing costs, along with an industrious, well-educated population, have stimulated Utah's growth.

Today

During 1991, Utah was largely spared the impact of the national recession, registering a 3 percent rate of growth in employment over the previous year's September level. While

manufacturing employment fell, employment in the construction sector rose 8.5 percent above that of a year earlier. Additionally, employment in service industries grew by 4.7 percent. Utah's employment growth in both the construction and service industries remained well above national

averages. Employment in finance, insurance and real estate also strengthened, reporting a 5.2 percent increase over the twelve months ending in September.

During the second quarter of 1991, the median home price in Salt Lake City climbed 8 percent from the previous year's level and continued gains are expected. After experiencing sharp declines in home prices and relatively little sales activity during the middle of the 1980s, Utah is experiencing a



surge of population growth which has created a growing demand for new housing.

Tomorrow

Utah's future remains relatively bright. The region is gaining national prominence as a vacation destination. Additionally, the state's well-educated and disciplined labor force makes Utah attractive to businesses.

Idaho

Yesterday

The coming of railroads in the late 1800s and early part of the 20th century propelled Idaho's frontier economy toward the modern age. The railroads opened transportation and communication links within the state and with the rest of the nation. The availability of reliable freight transportation and access to wider markets enabled large-scale mining, timber, and agricultural production. The harnessing and diversion of the Snake River during the early part of the 20th century was key to promoting agricultural prosperity in southern Idaho and to providing an inexpensive source of hydroelectric power to spur industrialization.

Today

Today, Idaho's economy has diversified beyond its agricultural and timber base. The state has enjoyed some of the fastest employment growth in the nation during the last several years.

During 1991, Idaho's economy performed well relative to other parts of the nation.

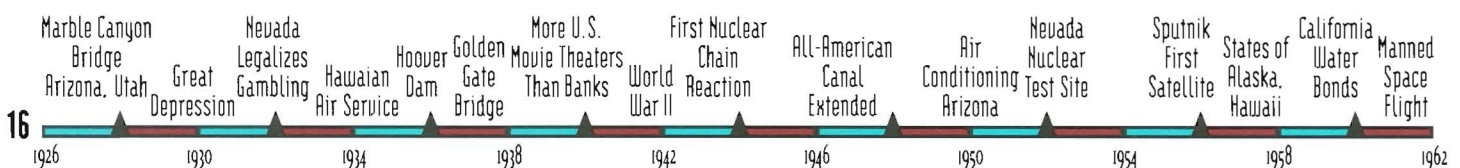
Idaho employment grew 2 percent between September 1990 and 1991. Even so, this is a slowdown from the 4 to 5 percent rate of growth during 1990.

A number of factors contributed to Idaho's slower employment growth during 1991. Responding to the national recession and declines in lumber production, Idaho's manufacturing sector did not grow during the year. Although electronics employment continued to rise during 1991, this growth was at a slower pace than in previous years.

In contrast to the rest of the country, construction activity in Idaho is relatively robust. Construction employment is up more than 8 percent from a year ago with most of the strength in the residential sector. Idaho is also experiencing relatively strong employment growth in the service-producing industries. Strength in business services, tourism, and healthcare caused overall services employment to rise by 4.5 percent between September 1990 and 1991.

Tomorrow

Idaho's economy continues to have a bright future, and the pace of growth should pick up when the national economy emerges from its doldrums.



Nevada

Yesterday

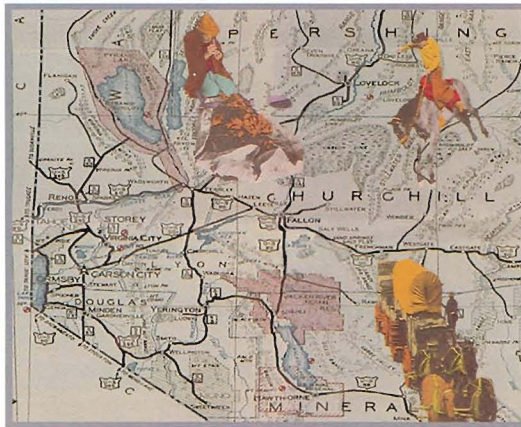
Nevada's economy largely followed the boom and bust pattern of mineral strikes into the early part of the 20th century. In 1931, casino gambling was legalized in the state.

Additionally, divorce residency requirements were lowered to six weeks.

These two events stimulated the development of Reno's casino gambling and entertainment industries.

The construction of Hoover Dam on the Colorado River

between 1930 and 1935 provided the catalyst for Las Vegas' rapid growth. The dam not only supplied water to the desert, but also provided a cheap source of hydroelectric power to open the way for manufacturing in the state.



Nevada's economy slowed markedly during 1991. After several years of employment growth in the 6 to 8 percent range, overall employment grew by only 0.3 percent during the year.

During the past year, Reno's unemployment rate was a relatively low 4.9 percent, while continued strength in the government and finance sectors offset weaknesses in the service industries.

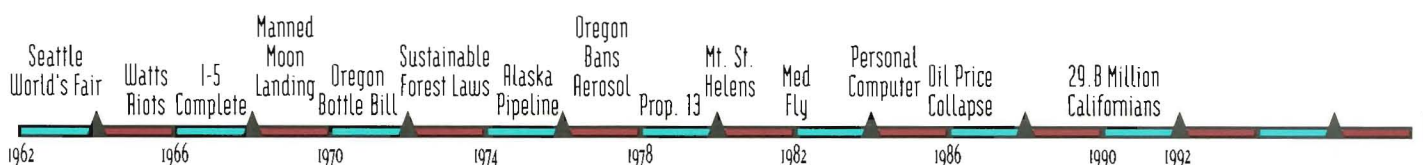
Las Vegas' economy continued to grow during the past year, but not at the high rates of the previous decade. This, in part, reflects the tapering off of Las Vegas' construction boom as several large casino construction projects were completed.

Today

Since the turn of the century, Nevada has continued to grow and diversify. Today, Las Vegas is a modern-day boomtown having experienced some of the most rapid growth in the nation with employment gains of 71 percent reported during the last decade. The state has experienced a resurgence of mining activity, especially in precious metals such as gold. The state also has seen growth in manufacturing and service activities, and in the casino-dominated recreational tourist trade.

Tomorrow

Nevada's outlook is uncertain. The state has attempted, with some success, to diversify away from its dependence upon the gambling industry into such areas as credit card processing. Future prospects depend, in part, on Nevada's success in attracting more tourism, particularly family-oriented recreation and entertainment, as well as additional efforts to diversify its economy. The expansion of business links with Southern California, including development of a "bullet train," also may be an important determinant of Nevada's future growth.



12th District Reorganization

Patrick K. Barron, first vice president, will oversee the 1992 organizational changes. As the Federal Reserve Bank of San Francisco's chief operating officer, Barron is responsible for all operational and financial service activities of its five offices in San Francisco, Los Angeles, Portland, Salt Lake City, and Seattle. Additionally, he serves on the Bank's management committee, its top policymaking body. Prior to his appointment as first vice president in September 1991, Barron was senior vice president of Corporate Services at the Federal Reserve Bank of Atlanta.



To meet our commitment to serve the evolving needs of the Twelfth District financial community, the Federal Reserve Bank of San Francisco implemented several changes to the District organizational structure effective January 1, 1992. The changes are reflected in the organizational chart contained in this Report. The reorganization involves senior operations and support personnel at our Head Office and each of our four branches. The changes are designed to enhance the effectiveness of our management resources and expertise throughout the District and to improve coordination among the branches so that we can provide the appropriate financial services in a dynamic marketplace. Key elements of the reorganization include:

Realignment of reporting structures for several Bank operation positions to strengthen accountability within the District and to reflect the interdependency of these important functions.

Appointment of a District Quality Control Coordinator to monitor the quality of all Twelfth District financial services.

Appointment of District Product Coordinators for Cash and Check services.

The reorganization opens direct lines of communication and responsibility throughout the Twelfth District. An integral component of the reorganization is the establishment of separate cost/revenue goals for each of our priced services at the Head Office and the four branches to ensure that every office can respond effectively to market conditions within their respective zones. A districtwide enhanced management development program along with an ongoing cross-training program within the financial services areas also have been implemented to strengthen the effectiveness of the reorganization.



*Gordon R. G. Werkema
Senior Vice President in Charge
Seattle Branch*



*Branch Operations
(From left)*

*E. Ronald Liggett, Senior Vice
President, Northern Region*

*Gerald R. Kelly, Senior Vice
President and Advisor, Seattle*

*John F. Moore, Senior Vice
President in Charge,
Los Angeles*

*Leslie R. Watters, Vice
President in Charge, Portland*

*Andrea P. Wolcott, Vice
President in Charge, Salt Lake
City*

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Chief Executive Officer

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Auditing

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Director/Assistant
General Auditor

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Assistant Vice President
Southern Region

Gary G. Hoeth
Assistant Vice President
Northern Region

Patrick K. Barron
First Vice President
and
Chief Operating Officer

Jane M. Waterman
Ombudsman

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Senior Vice President
Supervision, Regulation and Credit

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Vice President
Bank Examinations

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Assistant Vice President
Trust

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Director
Bank Examinations

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Bank Examinations, S.F.

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Bank Examinations, S.L.C.

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

Rodney E. Reid
Vice President
BHC and International Supervision

Philip M. Ryan
Assistant Vice President
International Examinations

Richard S. Campos
Assistant Vice President
BHC Inspections

Terry S. Schwabkopf
Assistant Vice President
BHC Inspections

Robert C. Demler
Examining Officer
BHC Inspections, S.F.

Thomas J. ...
Examining Officer
BHC Inspections

W. Gordon Smith
Vice President
Credit and Consumer Affairs

Donald R. Lieb
Assistant Vice President
District Credit

Wayne L. Rickards
Director
Bank and Consumer Regulation

David M. Vandre
District Compliance Officer

Kelly K. Walsh
Community Affairs Officer

Kenneth R. Binning
Director
BHC and International Regulation

George T. Westerman
Applications Officer

Rack Fukuhara
Managing Officer
Supervision, Regulation and Credit

Computer Services and Electronic Payments

Laurence Washien
Senior Vice President
Computer Services and
Electronic Payments

Patrick Tong
Vice President
Computer Operations

John Y.C. Lin
Director
Systems and Communications

Nancy E. Perkins
Director
Applications Systems

Joan L. Moghadan
Assistant Vice President
Applications Systems

Paige B. Scott
Assistant Vice President
Data Security, Contingency
Planning and Support Services

Gerald L. Moreno
Electronic Payments Officer

Secretary's Office

Elizabeth R. Masten
Vice President
and Secretary of the Board

Administration

Michael J. Murray
Senior Vice President
Administration

C. Kenneth Arnold
Vice President
District Security

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Vice President
Financial Planning and Control
and Accounting

Sylvia A. Cunningham
Assistant Vice President
Financial Planning and Control

Thomas R. Thaanum
Assistant Vice President
Accounting

Sallie H. Weissinger
Vice President
Corporate Personnel

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Compensation and Benefits

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Human Resources Systems and
Employment/Employee Relations Officer

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Building and Property Management

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Assistant Vice President
Administrative Services

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Payments and Support Services

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Electronic Access

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Monetary Aggregator
and Reserve Reports

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Senior Vice President
in Charge

Charles L. Hurlstetter
Vice President
Electronic Payments/Product
Services, Administrative Services,
Financial Services, Financial
Planning and Control, Consultant
Services, and Human Resources

Darcy J. Coulter
Assistant Vice President
Financial Planning and Control, and
Consultant Services Officer

G. Bradley Shodgrass
Assistant Vice President
Financial Services

Brent M. Duxbury
Assistant Vice President
Human Resources

D. Kerry Webb
Director
Payments Services

Sean J. Rodriguez
Assistant Vice President
Check Processing

Rachel A. Romero
Adjustment Services Officer

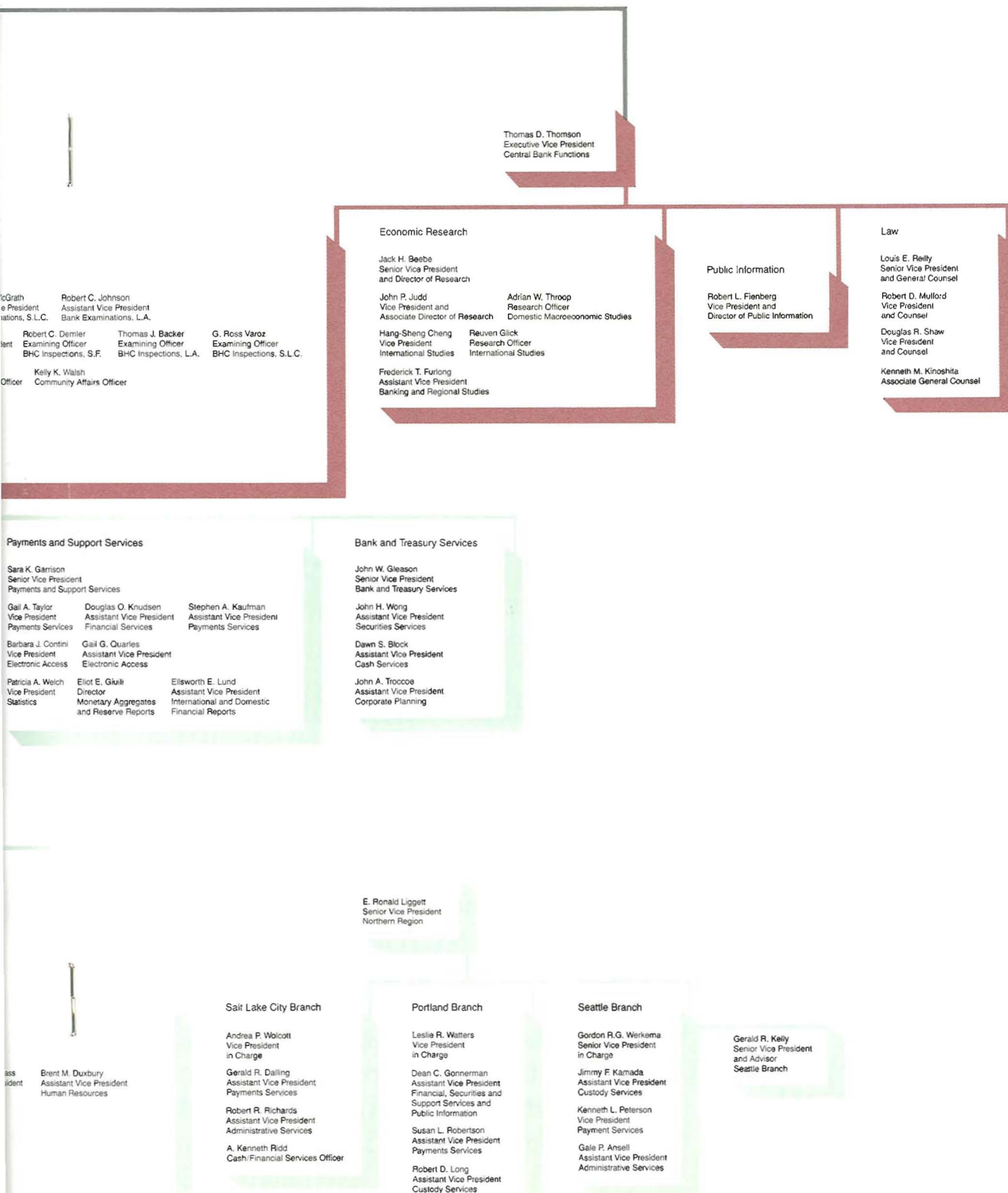
Mark W. Fishback
Director
Custody Services

David C. Albo
Assistant Vice President
Cash Administration and
Currency Processing (CVCS)

Theodore A. Schroeder
Assistant Vice President
Cash Operations and Securities Services

Organization Chart

January 31, 1992





Management Committee

(From left)

Patrick K. Barron, First Vice President and Chief Operating Officer

Michael J. Murray, Senior Vice President, Administration

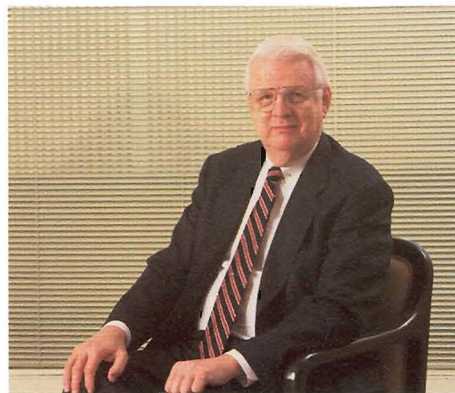
Robert T. Parry, President and Chief Executive Officer

Thomas D. Thomson, Executive Vice President, Central Bank Functions

Spotlight On The Pacific Northwest



April 1991 marked the retirement of Angelo S. Carella, senior vice president-in-charge of the Portland Branch, after 35 years of service with the Federal Reserve Bank of San Francisco. In 1975, Carella moved from San Francisco to the Portland Branch as vice president-in-charge, and was promoted to senior vice president-in-charge in 1980. Carella was a tireless advocate and much respected mentor of branch management and staff, and his leadership and expertise had a far-reaching impact on both civic and community activities. Carella chaired a three-year preparatory effort to bring the Rotary International Convention to Portland in 1990, and he served as president of the Portland Rotary Club and the Oregon Chapter of Robert Morris Associates. During his tenure, Carella also was appointed to the advisory boards of the Institute for Managerial and Professional Women and the Oregon Council on Economic Education.



Gerald R. Kelly, senior vice president-in-charge of the Seattle Branch will retire in 1992 after a career spanning 39 years with the Federal Reserve Bank of San Francisco. Kelly moved from Los Angeles to the Seattle Branch in 1977. His positive contributions extend well beyond his leadership as officer-in-charge of the Seattle Branch to the business and academic communities. He lectures at a number of state universities, and serves as a charter member to the advisory boards of Seattle Pacific University's School of Business and Economics and the University of Washington's Center for the Study of Financial Management. Kelly's ongoing humanitarian contributions extend into the community where he is an active volunteer working with individuals with special needs.

As previously discussed, the Pacific Northwest states, particularly Oregon and Washington, have undergone some fundamental changes within the last few decades. Oregon's economy is at a turning point, slowly moving away from its primary dependence upon agriculture and timber, while Washington has emerged as a major industrial power. Alaska's relative isolation serves as a prime example of the challenges presented by the geographical expanse that encompasses the Twelfth District.

1991 marked the retirement of Angelo S. Carella, senior vice president-in-charge of our Portland Branch and the announcement of the Seattle Branch's senior vice president-in-charge, Gerald R. Kelly's, intention to retire in 1992. With 74 combined years of service, Kelly and Carella are in a unique position to provide a first-hand perspective on the transformations taking place in the Pacific Northwest, and the Federal Reserve's response to the changing dynamics of the region.

The logistics of transporting coins and currency to Alaska in a timely and cost-effective manner is just one of the unusual challenges presented by the Twelfth District's vast geographical diversity, says Kelly. "Only recently have we been able to establish a coin depot in Alaska to serve financial institutions," adds Kelly. "Although currency could be transported by air at reasonable expense, the sheer weight of coin shipments makes air transport prohibitively expensive. Now, regular shipments are transported by barge up the Pacific Coast to Anchorage."

Kelly notes that the advent of the electronic age has brought some fundamental changes to the Branch offices of the San Francisco Federal Reserve. "Prior to this technological revolution, the branch offices were almost

completely stand-alone, full-service entities, including providing the discount window," states Kelly. "Now, a bank in Fairbanks can be on-line directly to San Francisco, so the Seattle Branch no longer needs to be the intermediary for these types of functions." Kelly is quick to add that the branches still perform vital functions not only in the delivery of check, coin, and currency services, but also in the crucial role of keeping the San Francisco office in tune with "the grassroots needs of the District communities."

"Ten to fifteen years ago, this same picture wouldn't have emerged in Oregon," states Carella commenting on Oregon's relatively healthy response to the national recession. Carella views this response as "evidence that Oregon isn't as

dependent upon the lumber industry as it once was." He notes that recent growth in high-tech industries, tourism, and services, pushed by Oregon's population influx, are all contributing to this transformation. Carella does not want to downplay the impact of the decline in the lumber industry. He admits that the state is still very much in transition "as people aren't making the same wages as they were in the lumber industry."

Carella sees environmental issues at the "forefront of Oregon's economic concerns" right now. He cites the spotted owl debate and its impact on the lumber industry as just one example. "Currently, a number of proposals are being considered related to the preservation of a variety of salmon species which could have a major spillover effect into other industries, and possibly even other states." Carella suggests that one initiative which proposes to lower water levels "would hurt not only fisheries, but also agriculture and manufacturing by affecting irrigation and Oregon's cheap source of hydroelectric power." He adds that, "States which get their surplus hydroelectric power from Oregon — California for example — could be potentially affected as well."

Turning to banking in the Pacific Northwest, Carella and Kelly both agree

that the regional banking structure is in the midst of a major transition. "Prior to the onset of the consolidation phenomenon, the Pacific Northwest existed primarily as a self-contained regional banking structure," states Kelly. "We now have de facto interstate banking with all of the mergers and acquisitions." Carella notes that Oregon has not been immune from the consolidation trend either. "In Oregon, we've seen the demise of the smaller size institutions in the \$500 million range. What's left are the community banks and the major conglomerates." Carella says the immediate effect seems to be on consolidations in banking personnel. He adds that "the long-term effects are still unclear" especially with "the overall weakness in lending on a national basis."

Kelly and Carella both view the increasing trend toward diversification as positive for the Pacific Northwest. Says Kelly, "While much of Alaska's natural resource potential remains untapped, Washington's relatively lower tax base should continue to draw new business to the area." Carella sees Oregon's long-run challenge as "continuing to diversify away from our natural resource dependence. Balancing the effects of growth and environmental concerns will be of prime importance to Oregon's future."

Highlights Of 1991

Economic Research

Domestic macroeconomic research focused on several issues important to the shaping of monetary policy during 1991 and in the years ahead. Studies examined the effects of slow growth in credit and the monetary aggregates, weak consumer confidence, and the 1990-91 recession.

Another study examined the reliability of recently developed recession-probability indexes for forecasting recessions. Also investigated were longer-term issues, including the relationship between wages and prices in the 1980s, and the merits of nominal income targeting as an approach for Federal Reserve monetary policy.

International research focused on three areas: the role of exchange rate flexibility in macroeconomic adjustments; Japan's financial markets; and economic reform in China, with a focus on foreign trade.

Banking and financial markets research included basic research on interstate banking laws, prompt regulatory intervention, contagious deposit runs in banking, commerce powers for banks, trends in banking risk, the changing role of banks as commercial lenders, and deposit insurance pricing.

Regional research studied geographic

changes in the electronic components industry, the influence of economic fluctuations of individual states on neighboring states, the effects of bank branching restrictions on agricultural lending, and an inter-industry productivity comparison.

Three major initiatives were undertaken during the first full year of operation of the Center for Pacific Basin Monetary and Economic Studies. First, the visiting scholar program was expanded to include six eminent U.S. scholars who joined visiting scholars from Japan, Korea, and the Philippines. Second, a network to facilitate communication among researchers interested in Pacific Basin monetary and economic policy issues was expanded to 263 associates and 34 research institutes in various Pacific Basin countries. Third, two series of Center publications were launched. The *Pacific Basin Research Abstracts* contained abstracts of 49 research papers by Center associates and the *Center Working Papers* series included a total of six papers on various Pacific Basin subjects.

Public Information

Programs were expanded to heighten an understanding of the Federal Reserve System, its impact on the economy, its

relevance to the society in which it operates, and the responsibilities of serving its community. Expanded media relations and economic education efforts were the primary activities used to reach an audience of regional and national opinion leaders.

Media relations programs included personal visits by Bank senior management and staff to media locations, regional media orientation programs, numerous print interviews and appearances on television and radio news programs, and the Bank's media training workshops for key staff. Additionally, a successful effort was launched to develop an effective program involving the rapidly growing Spanish-speaking media.

The purposes and functions of the Federal Reserve System were highlighted in five economic education workshops for secondary and post-secondary teachers. A new format was introduced offering graduate credit for participating educators. An advisory board of educators from throughout the District was established to provide advice and feedback on existing and future activities, and a new economic education videotape and accompanying curriculum materials were completed.

Supervision, Regulation and Credit

At year-end 1991, there were 65 state member commercial banks in the Twelfth District, four of which have assets exceeding \$1 billion each and 17 of which have assets between \$200 million and \$1 billion. During the year, Reserve Bank examiners conducted a total of 64 examinations of commercial banks. At year-end, a total of 24 state member banks were subject to special supervisory attention because of unfavorable financial conditions, one less than last year.

All 19 trust and transfer examinations required by System policies were completed. A trust examination consists of the evaluation of bank trust departments or trust company subsidiaries of bank holding companies. Transfer examinations evaluate an institution's compliance with the rules governing the transfer of corporate stock. As well, inspections were completed at 95 of the 247 bank holding companies for which the Bank has responsibility.

At year-end 1991, there were 153 agencies and branches of foreign banks in the Twelfth District, 21 of which have assets exceeding \$1 billion, and 34 Edge Act corporation offices. Staff members examined 53 agencies and branches, as

well as 26 Edge offices. During the year, staff members monitored the condition of 48 agencies and branches with a less than satisfactory rating. This included the administration of ten supervisory actions, including three Cease and Desist orders.

Domestic Applications filings in 1991 totaled 247, representing an increase of 20 percent over 1990 filings of 205. The volume of long-form applications, which captures the more complex filings, increased to 152 compared to 121 a year earlier, an increase of 26 percent. The Bank also received five applications to expand international activities, a decline of seven from the 1990 level. As a result of applications approved, supervisory purview was extended over nine banks and one nonbank company, bringing an additional \$12 billion in assets under direct or indirect oversight responsibility of the Bank.

The Bank's 1991 annual community investment conference, held in Phoenix, was attended by nearly 300 bankers, community leaders and government officials. Also in 1991, 11 Community Reinvestment Act (CRA) workshops were held attracting more than 400 lenders from throughout the District. In addition, community affairs staff completed extensive community profiles of San Diego and Seattle to provide guidance for

banks in those areas to help address community credit needs.

The Community Affairs Unit played an active role in the formation of the Hawaii Community Reinvestment Corporation. The Bank also worked throughout the year with groups of lenders in Washington and Nevada to form similar consortia, and the effectiveness of the program was enhanced by the publication of a quarterly Community Investment newsletter.

Approximately 2,000 regulatory inquiries were handled during 1991. About 45 percent involved Regulation Z, Truth in Lending, as has been the case for several years. The remainder involved a variety of consumer concerns.

Complaints against state member banks numbered about 150, or 20 more than in 1990. For the first time in several years, complaints involving allegations of unauthorized withdrawals from automatic teller machines decreased from 20 percent to about 10 percent of total complaints last year.

The Consumer Affairs Unit continues to be significantly impacted by the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) amendments to the Home Mortgage Disclosure Act.



Beginning in March 1991, lenders were required to submit raw application/loan data rather than summaries which regulatory agencies review, edit, and process. As a result, the Unit had to translate several hundred thousand lines of raw data into electronic form for submission to the Board of Governors.

The discount window was used by 97 depository institutions in 1991. The level of borrowings was relatively modest compared to previous years, as few institutions encountered severe liquidity problems requiring our assistance. Twelfth District institutions increased their collateral holdings, however, due in part to a desire to establish contingent liquidity sources during uncertain economic times. Credit staff continue to be extensively involved in a wide range of risk management issues concerning the provision of Reserve Bank services to depository institutions.

Funds Transfer



For the fifth straight year, Federal Reserve System targets for service availability were exceeded. Full-day availability averaged 99.90 percent and critical hours service availability was at 99.93 percent.

Volume growth for Fedwire transactions in the Twelfth District weakened from

previous years, due primarily to consolidation of financial institutions. Volume in the Twelfth District in 1991 was 7.2 percent ahead of volume in 1990, compared to a 1990/1989 growth rate of 12.9 percent.

ACH



A number of important initiatives were set in motion by the Automated Clearing House (ACH) during 1991. By year-end, 40 percent of commercial ACH receivers were participating in the All-Electronic ACH initiative, which requires that all commercial ACH participants establish an electronic connection to the Federal Reserve by July 1993. A new participating fee was implemented, aimed at improving the efficiency and reducing costs for ACH service. Additionally, plans for the consolidation of data processing activities were announced for the System, offering the opportunity to develop new ACH services to address the evolving needs of financial institutions.

Growth in ACH transaction volume remained strong in the Twelfth District. The volume of transactions handled continued to outpace the growth experienced in most other Reserve Districts. ACH commercial transactions in 1991 grew by 14.8 percent over 1990.

Electronic Access

The Twelfth District continued to provide national leadership direction in its role as the Electronic Access Office for the System. It addressed strategic issues related to security, network, service requirements, and appropriate platforms for electronic access to all Federal Reserve services. It managed the electronic access environment, which includes over 10,000 Fedline terminals deployed nationwide that access payments and information services. National service offerings were expanded to support new features for funds, securities, ACH, and other financial services, as well as support for submission of monetary aggregates reports. For computer interface users, new functionality was provided, allowing access to funds and securities services across multiple Districts.

Additionally, the second release of *FLASH-Light* was introduced. This new connection option is designed for the small ACH receiver as a simple-to-use, receive-only personal computer-based facility. It also offers a full array of Federal Reserve Bank information services.

At the local level, the District successfully converted all terminals to the national Fedline software, offered an automatic data delivery facility, and provided

enhancements to service products, including a capability for electronic savings bonds submission. The District currently supports over 1,500 electronic connections to its services.

Check Services

Quality improvements in check operations and increased automation were major achievements in 1991. Improvement was seen in the expeditious handling of adjustments, as well as the quality of incoming deposits and outgoing cash letters and associated processing information. At the same time, plans to sustain service in an emergency were tested and strengthened. New automated adjustment software was implemented in all offices, and software integrating IBM and Unisys systems was introduced at some locations.

Securities

The methodology of processing of the applications for and issuance of Savings Bonds through San Francisco was streamlined at the Portland, Seattle, and Salt Lake City Branches. Due to the smooth conversion process and high receptivity by financial institutions, the schedule for implementation of the California offices has been accelerated.

Reliability in securities transfer service continues to be high. Service availability was 99.89 percent for a full-day and 99.95 percent during critical hours. Both measurements surpassed Federal Reserve System targets. An ongoing effort was continued to ensure Securities and Fiscal Services ability to recover from a major disaster.

Cash Services

Introduction of the security enhanced \$100 bill marked the first major change in U.S. currency since 1929. Internally, automation and strategic planning were two areas of emphasis during 1991. The initiatives will position the Twelfth

District to respond more effectively to District financial institutions, and various government agencies. New software will be acquired to minimize paper transfers and to improve accountability throughout the operation.

Plans were made to upgrade vault capacity in the two California offices by installing high-density material handling equipment, and currency processing units were acquired at the Portland and San Francisco offices. The Bank developed options to manage currency volume growth in order to ensure the District's ability to continue to provide high-quality service in the future.

Summary of Operations

		Volume (in thousands)		
		1989	1990	1991
Custody Services				
Cash Services				
	Currency notes paid into circulation	3,472,290	3,516,705	3,586,179
	Food stamp coupons processed	309,852	362,408	436,226
Securities Services				
	Savings Bonds original issues	3,477	3,456	2,902
	Other Treasury original issues	396	312	216
	Book-Entry Securities processed	685	659	686
Payments Services				
Check Services				
	Commercial checks collected	3,082,631	3,128,340	3,026,361
	Government checks processed	82,827	82,274	78,013
	Return items processed	37,676	34,085	33,221
Electronic Payments Services				
	Wire transfers processed	15,435	17,195	18,245
	Automated clearinghouse transactions processed	245,740	300,865	345,458
Discounts and Advances				
	Total discounts and advances*	1,329	1,088	866
	Number of financial institutions accommodated*	129	101	97

* Whole number (not in thousands)

Federal Reserve Bank of San Francisco

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Honolulu, Hawaii



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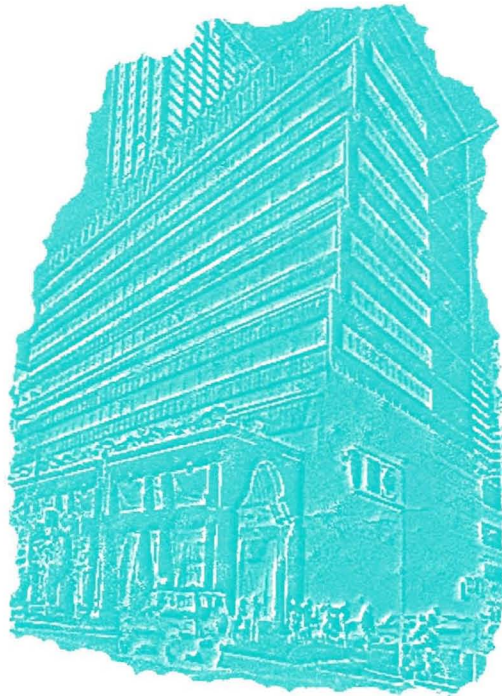
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and CEO
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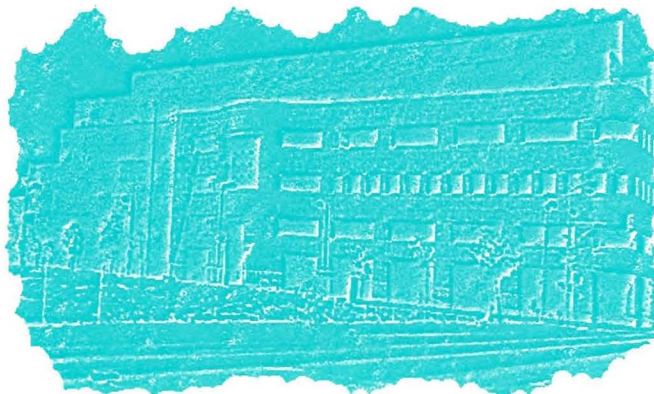
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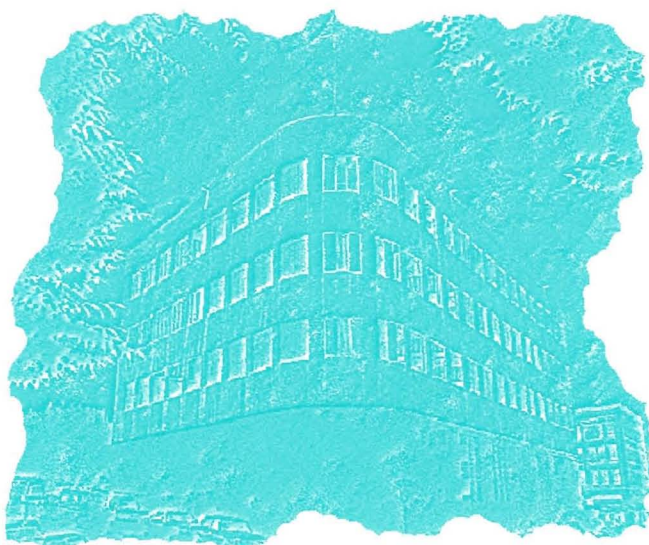
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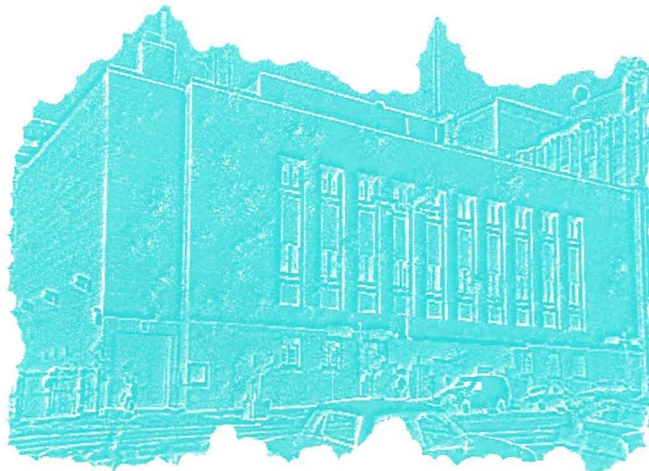
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 Community Banking
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 Boise, Idaho

Seattle Branch Board of Directors



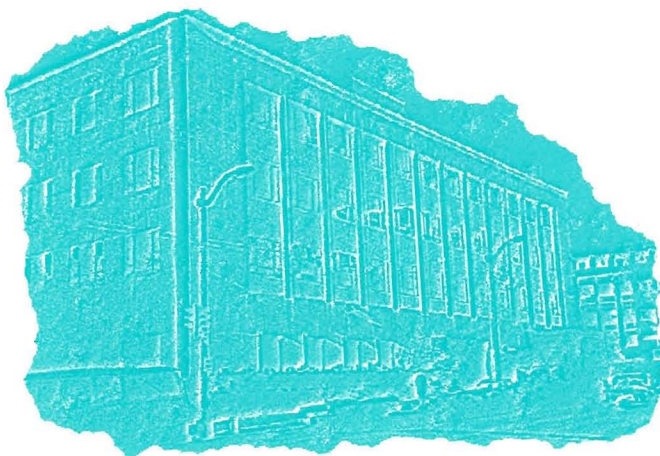
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Chairman
Frank Russell Company
Tacoma, Washington



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



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Senior Vice President,
Technology Management
and Director, Pacific
Northwest Division
Battelle Memorial Institute
Richland, Washington



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InterWest Savings Bank
Oak Harbor, Washington



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President and CEO
Columbia Paint & Coatings
Spokane, Washington



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President and CEO
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Seattle, Washington



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National Bank of Alaska
Anchorage, Alaska

Advisory Council on Small Business and Agriculture-1992

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Baszile Metals Service
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Boyd R. Poulton
Partner
Price, Poulton and Co.
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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,	
	1991	1990
Assets		
Gold certificate account.....	1,207,000	1,329,000
Special Drawing Rights certificate account.....	1,072,000	1,072,000
Other Cash.....	93,723	89,178
Loans to depository institutions.....	10,472	25,030
Federal Agency obligations.....	632,500	706,352
United States Government securities:		
Bills.....	13,879,002	12,532,995
Notes.....	10,623,081	10,181,288
Bonds.....	3,383,184	3,471,101
Total United States Government Securities.....	27,885,267	26,185,384
Total loans and securities.....	28,528,239	26,916,766
Items in process of collection.....	1,497,645	684,544
Bank premises.....	146,546	148,493
Operating equipment.....	33,394	33,075
Other assets:		
Denominated in foreign currencies.....	3,596,905	4,405,320
All other.....	448,618	526,052
Interdistrict Settlement Account.....	3,983,406	(1,482,186)
Total assets.....	40,607,476	33,722,242
Liabilities		
Federal Reserve Notes.....	32,439,832	24,562,533
Deposits:		
Total depository institutions-reserve accounts.....	5,712,913	7,740,779
Foreign.....	19,530	20,250
Other deposits.....	191,819	6,799
Total deposits.....	5,924,262	7,767,828
Deferred credit items.....	1,321,165	448,150
Other liabilities.....	250,921	312,977
Total liabilities.....	39,936,180	33,091,488
Capital Accounts		
Capital paid in.....	335,648	315,377
Surplus.....	335,648	315,377
Total liabilities and capital accounts.....	40,607,476	33,722,242

Earnings and Expenses

(Thousands of Dollars)

	December 31,	
	1991	1990
Current Earnings		
Discounts and advances.....	1,193	2,023
United States Government securities.....	2,045,163	2,272,869
Foreign currencies.....	326,463	352,012
Income from services.....	84,289	83,453
All other.....	1,361	1,735
Total current earnings.....	2,458,469	2,712,092
Current Expenses		
Total current expenses.....	176,429	164,950
Less: reimbursement for certain fiscal agency and other expenses.....	14,050	14,031
Net expenses.....	162,379	150,919
Cost of earnings credits.....	16,237	15,043
Current net earnings.....	2,279,853	2,546,130
Profit and Loss		
Additions to current net earnings		
Profit on prior period adjustments.....	-	-
Profit on sales of United States Government securities (net).....	14,132	6,999
Profit on foreign exchange transactions (net).....	51,912	288,818
All other.....	8	8
Total additions.....	66,052	295,825
Deductions from current net earnings		
Loss on foreign exchange transactions (net).....	-	-
All other.....	122	364
Total deductions.....	122	364
Net additions (+) or deductions (-).....	65,930	295,461
Cost of Unreimbursed Treasury Service.....	(9,239)	(11,178)
Assessments by Board of Governors		
Board expenditures.....	(14,123)	(14,097)
Federal Reserve currency costs.....	(23,986)	(20,650)
Net earnings before payments to the United States Treasury.....	2,298,435	2,795,666
Dividends paid.....	19,639	18,929
Payments to the United States Treasury (interest on Federal Reserve Notes).....	2,258,525	2,763,270
Transferred to surplus.....	20,271	13,467
Surplus, January 1.....	315,377	301,910
Surplus, December 31.....	335,648	315,377

San Francisco Office

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P.O. Box 2077, Terminal Annex
Los Angeles, California 90051

Portland Branch

P.O. Box 3436
Portland, Oregon 97208

Salt Lake City Branch

P.O. Box 30780
Salt Lake City, Utah 84125

Seattle Branch

P.O. Box 3567, Terminal Annex
Seattle, Washington 98124

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