



John F. Moore
First Vice President

Robert T. Parry
President

Nelson C. Rising
Chairman

George M. Scalise
Deputy Chairman

From the Boardroom

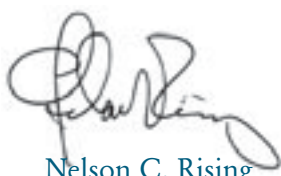
The world changed on September 11, 2001. On that day we bore witness to the worst and best of the human condition, as wanton destruction gave way to bravery and heroism. The events of September 11 will continue to affect us, personally and professionally, long into the future.

We recognize that those events affected every area of this Bank and its employees, from the Protection officers who instituted additional security measures, to the employees who transported checks or coordinated cash shipments without benefit of air travel, to those who operated the discount window for extended periods. Across the Bank, no less than across the Federal Reserve System, individual upon individual ensured that the monetary system remained stable and operational. We take this opportunity to thank our employees for their exemplary service, both in a time of crisis and throughout the year.

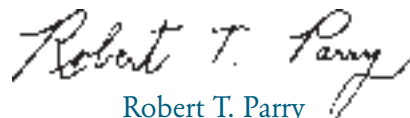
Even before September 11, an escalating rate of change was a familiar aspect of our environment. It seems fitting, then, that our annual report for the year 2001 should examine the effects of change on the world "Inside the San Francisco Fed." It is especially fitting that the report should include comments from our employees on how they adapt to change as well as initiate it. We also asked our staff a simple question, "Why do you work here?" Their responses echoed with the words "service," "challenge," and "meaningful work." Our employees know that their work matters, and that they can make a difference in a changing world.

We also would like to extend our thanks and appreciation to our Twelfth District directors for their invaluable counsel during 2001. The directors' independent assessment of economic and financial conditions throughout our nine western states is critical to the formulation of monetary policy. In particular, we acknowledge the many contributions of Warren K.K. Luke (Chairman, President, and Chief Executive Officer, Hawaii National Bank, Honolulu, Hawaii) who completed his term of service on the Head Office Board during 2001, after serving nine years in that capacity.

In addition, we would like to express our sincere thanks and appreciation to the other directors who completed their terms of service during 2001: on the Seattle Branch Board, Richard R. Sonstelie (Chairman of the Board (Retired), Puget Sound Energy, Inc., Bellevue, Washington) who served five years as Chairman of the Seattle Branch Board and Helen M. Rockey (President and Chief Executive Officer (Retired) Just for Feet, Inc., Seattle, Washington); and on the Twelfth District Advisory Council, Walter F. Payne, Jr. (President Emeritus, Blue Diamond Growers, Sacramento, California) who served as Chairman of the Advisory Council the final two years of his term.



Nelson C. Rising
Chairman



Robert T. Parry
President