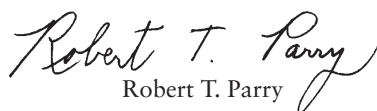


Robert T. Parry
President
Chief Executive Officer

A Personal Message

This annual report is the last to be published during my tenure at the Federal Reserve Bank of San Francisco before I retire on June 1, 2004. It has been a great honor and a great privilege to serve the nation and the Twelfth Federal Reserve District, the largest, most diverse District in the Federal Reserve System. I would like to take this opportunity to acknowledge the tremendous support I have received from the staff at all levels in this Bank.

During my eighteen years of service, dramatic—even revolutionary—changes have occurred in the U.S. and global economies and financial markets. In many respects, these developments challenged us to transform the way we conduct monetary policy, supervise banks, fulfill our role in the payments system, and deliver financial services. In every instance, the employees of this Bank rose to those challenges and met them with intelligence, commitment, and energy. Their contributions and dedication to the mission of the Federal Reserve have played a significant role in maintaining the institution's integrity and in guaranteeing its success. I thank them for all of their efforts and wish them well for the future. I leave deeply enriched by the personal and professional relationships I have developed with them over the years.


Robert T. Parry