

Federal Reserve Bank of San Francisco

2013 ANNUAL REPORT

LETTER FROM THE PRESIDENT
ESSAY
BANK LEADERSHIP AND ADVISORS
DIRECTORS AND ADVISORY COUNCILS
OFFICERS AND PRINCIPALS
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The San Francisco Fed and the West

A Century of Reinvention

An Essay by President and CEO John C. Williams and Senior Editor Sam Zuckerman



It was 100 years ago that the Federal Reserve Bank of San Francisco first opened its doors. That really isn't very long in the scheme of things, hardly more than a typical human lifetime. Yet, in those years, the economy, population, environment, and culture of the San Francisco Fed's western-state region have been utterly transformed.

[Read the essay.](#) 



Letter from the President

I am pleased to present the Federal Reserve Bank of San Francisco's 2013 Annual Report. It comes at a special time in our history for two reasons.

[Read the letter.](#)



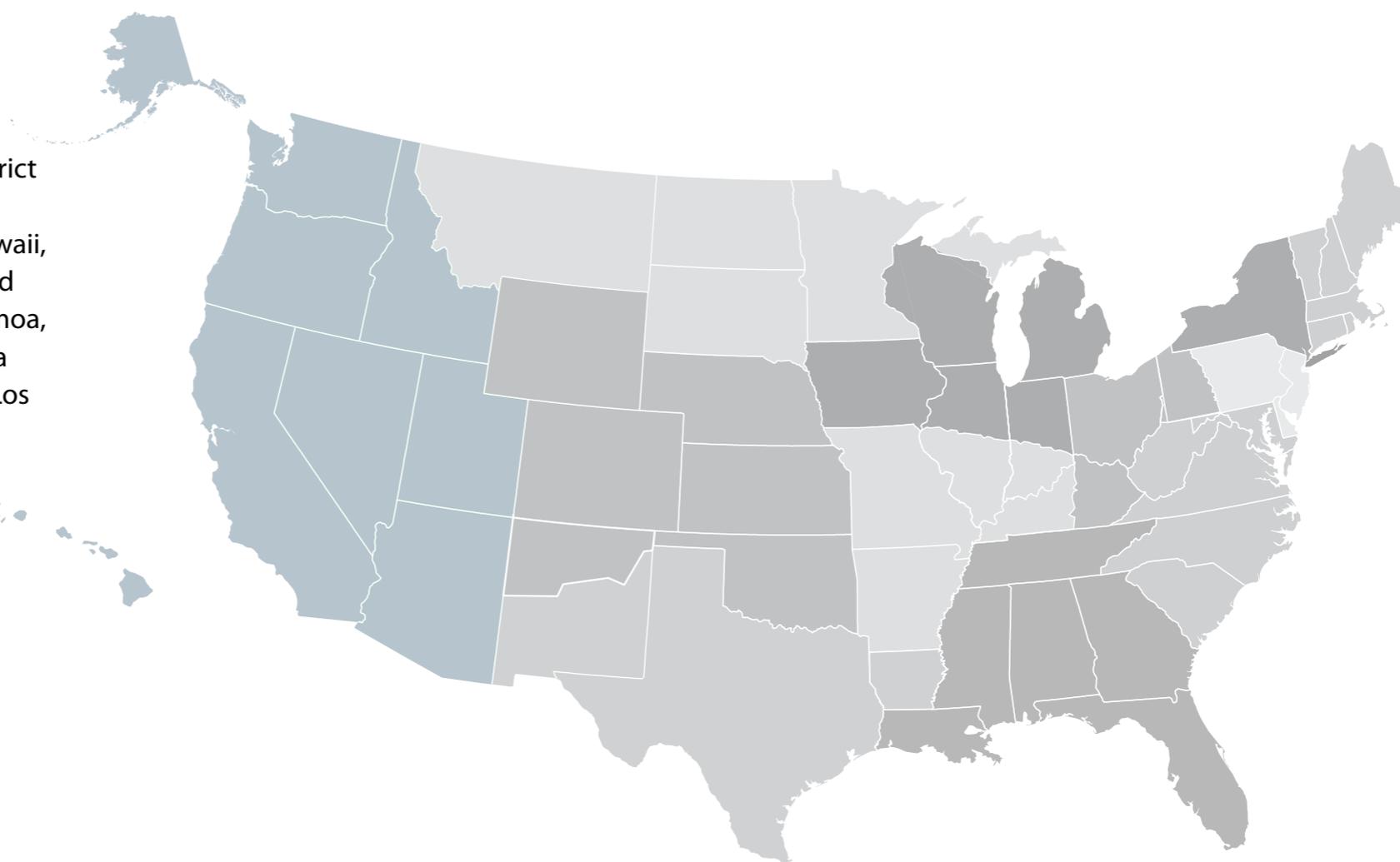
Learn more about the
12th District



*100 Years of
Central Banking*

The Federal Reserve Bank of San Francisco is one of twelve regional Federal Reserve Banks across the United States that, together with the Board of Governors in Washington, D.C., serve as our nation's central bank.

The Twelfth Federal Reserve District includes the nine western states —Alaska, Arizona, California, Hawaii, Idaho, Nevada, Oregon, Utah, and Washington—and American Samoa, Guam, and the Northern Mariana Islands. Branches are located in Los Angeles, Portland, Salt Lake City, and Seattle, with a cash facility in Phoenix. The largest District, it covers 35 percent of the nation's landmass, ranks first in the size of its economy, and is home to approximately 20 percent of the nation's population.





Our ability to change, grow, and grasp opportunity has served us well in a world that moves at a breakneck pace.

Letter from the President

I am pleased to present the Federal Reserve Bank of San Francisco's 2013 Annual Report. It comes at a special time in our history for two reasons. First, Janet Yellen, my predecessor as San Francisco Fed president and CEO, has recently assumed the post of Chair of the Board of Governors of the Federal Reserve System. To those of us who worked with her in San Francisco, her appointment is both a delight and a signal honor. We are immensely heartened that someone of her caliber and character has taken this most important job.

The second reason this Annual Report is special is that it marks the 100th anniversary of this institution. San Francisco was selected as the site of the westernmost unit of the nation's newly established central bank, the Federal Reserve, in April 1914, and opened for business seven months later. Our Reserve Bank was a very different place then. When we began, we had fewer than two dozen employees and focused narrowly on banking conditions in our small part of the world. Today, we have grown to more than 1,600 employees in six offices serving nine western states. And we have become an integral part of a modern central banking system that has a critical role to play in maintaining a sound national economy.

In this Annual Report, we look at how the economic life of our region has changed over the past 100 years and how the San Francisco Fed has evolved along with it. It's a great story that tells how our District has grown from a thinly populated and underdeveloped set of states on the nation's western margin to a vibrant region that is an economic and cultural pacesetter for our country and the world. As the essay in these pages explains, it's a story of two reinventions. One hundred years ago, our economy was built on timber, oil, and the products of our mines, farms, and ranches. Fifty years ago, we had become a major manufacturing power and the center for the Western world's most advanced aerospace industry. Now we are one of the capitals of a global knowledge-based economy rooted in life sciences, digital technology, and the Internet. Our ability to change, grow, and grasp opportunity has served us well in a world that moves at a breakneck pace.

As this year's essay explains, the San Francisco Fed too has been transformed. The designers of the Federal Reserve created a highly decentralized system that included 12 regional Reserve Banks, each narrowly focused on financial conditions in its own District. Today, we at the San Francisco Fed are part of a modern central banking system. We must keep our eyes on economic and financial conditions across the nation and around the globe in a world that has become vastly more complex than the one of the early 20th century San Francisco Fed.

Nothing illustrates the challenges facing today's Federal Reserve better than the events of the past few years, marked by a historic financial crisis, an extraordinarily deep recession, and a tepid recovery. To boost the economy under these difficult circumstances, the Fed adopted unprecedented measures. In particular, we have been buying government and mortgage securities on a massive scale to help keep longer-term interest rates low. In last year's Annual Report, I noted the economic recovery appeared to have



**A Quarter Century of San Francisco
Fed Presidents**

Ceremony Commemorating the Centennial
of the Federal Reserve System
December 16, 2013

Left to Right:

John C. Williams (2011 – present)
Janet L. Yellen (2004 – 2010)
Robert T. Parry (1986 – 2004)

shifted to a higher gear, thanks in part to the Fed's policies. Our support for low, longer-term interest rates encouraged more Americans to buy homes, cars, and other big-ticket items. Since then, the economy has continued to build momentum, albeit gradually. Although the job market is not yet fully recovered, I am especially gratified that unemployment has fallen steadily, and work has become easier to find. I'm also encouraged by the markedly improved budget outlooks of states in our District.

All in all, we've reached a crossroads. With the economy slowly returning to health, we at the Fed have begun scaling back the pace of our securities purchase program. As we've built our holdings of longer-term securities, we've kept short-term interest rates near zero, a policy that also encourages consumption and investment. Assuming the economy continues to improve, further down the road we will be able to consider raising our short-term interest rate benchmark to more normal levels. In this regard, the Fed has taken extraordinary steps to let the public know our plans.

The Fed has acted boldly and creatively in recent years to help nurse the economy back to health, and that is a tribute to the leadership of our recently retired Chairman Ben Bernanke. I'm confident that, under Janet Yellen, the Fed will continue to make wise decisions that will further strengthen the economy.

The close of 2013 marked a major transition in leadership for the 12th District as we announced First Vice President and COO John Moore's plan to retire in January 2014, after 33 years of service with the Federal Reserve System. With this, we also announced the appointment of Seattle Branch Manager Mark Gould as the San Francisco Fed's new first vice president and COO. I can speak for everyone who worked with John when I say that he leaves behind a remarkable legacy of public service and an exceptional foundation to build upon through his leadership at this Bank and contributions to the entire Federal Reserve System.

I am fortunate to work with an extraordinary team of employees who every day demonstrate their commitment to public service. I sincerely thank all of them for their diligent efforts.

During 2013, our Supervisory staff continued their leadership role in the Fed's ongoing implementation of the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act. Supervisory teams and experts from Economic Research also played key roles in the Fed's regulatory reform programs that monitor risk and assess the financial stability of the country's largest banks.

Economic Research staff provided essential support for my role as a monetary policymaker. And, following a multi-year effort, Statistics staff launched a new technology platform that streamlines how the Fed monitors the balances banks are required to keep in accounts with us to support the execution of monetary policy.

To support the Bank's public outreach during the past year, Community Development staff organized 160 events addressing areas such as asset building, affordable housing, and the Community Reinvestment Act, which promotes access to financial services for people in low- and moderate-income communities. Our Public Information team launched our redesigned website to better inform

Our Bank is fortunate to be guided by the insights of our boards of directors and advisory councils whose members represent a range of industries and organizations in our region.

the public about the multiple roles we play. On the operations side, I want to congratulate cash processing teams in all of our offices for meeting every cost and efficiency target set for the Fed's cash operations.

Our Bank is fortunate to be guided by the insights of our boards of directors and advisory councils whose members represent a range of industries and organizations in our region. Their independent assessment of the economic and financial conditions that shaped our region in 2013 helped me shape my monetary policy views. I sincerely appreciate their counsel and public service.

In particular, I would like to acknowledge the contributions made by Betsy Lawer, vice chair and president, First National Bank Alaska, Anchorage, Alaska. Ms. Lawer completed three years of service on the San Francisco Head Office Board.

In addition, I sincerely thank other directors and advisory council members who concluded their terms of service during 2013:

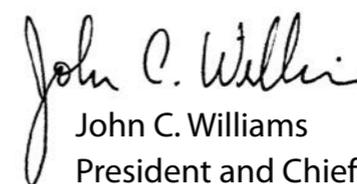
Los Angeles Branch Board: Grace Evans Cherashore, president and chief executive officer, Evans Hotels, San Diego, California, who served as chair of the Los Angeles Branch Board for two years and previously served two years on the 12th District Economic Advisory Council, including one year as vice chair; and Laphonza Butler, president, Services Employees International Union, Long Term Care Workers Union, Los Angeles, California.

Portland Branch Board: Roger W. Hinshaw, president, Oregon and SW Washington, Bank of America, Portland, Oregon.

Salt Lake City Branch Board: Scott L. Hymas, chief executive officer, R.C. Willey, Salt Lake City, Utah, who served as chairman of the Salt Lake City Branch Board for four years.

12th District Economic Advisory Council: Sandra R. Hernandez, M.D., chief executive officer, The San Francisco Foundation, San Francisco, California; and Rick R. Holley, president and chief executive officer, Plum Creek Timber Co., Inc., Seattle, Washington.

12th District Community Depository Institutions Advisory Council: James E. Christensen, president and chief executive officer, Gateway Commercial Bank, Mesa, Arizona; Daniel J. Doyle, president and chief executive officer, Central Valley Community Bank, Fresno, California; Arvind A. Menon, president and chief executive officer, Meadows Bank, Las Vegas, Nevada; and James R. Woolwine, chairman, Presidio Bank, San Francisco, California.



John C. Williams
President and Chief Executive Officer



In a District that stretched from the deserts of the Southwest to the rainforests of the Northwest, and from the Great Salt Lake to the Pacific, there were ores to be mined, timber to be harvested, oil for the taking, and rich soil for growing crops.

The San Francisco Fed and the West

A Century of Reinvention

An Essay by President and CEO John C. Williams and Senior Editor Sam Zuckerman

It was 100 years ago that the Federal Reserve Bank of San Francisco first opened its doors. That really isn't very long in the scheme of things, hardly more than a typical human lifetime. Yet, in those years, the economy, population, environment, and culture of the San Francisco Fed's western-state region have been utterly transformed.

As we mark the centennial of the founding of the Federal Reserve System and the San Francisco Fed, it is an opportune time to reflect on those changes. The evolution of our region has been remarkable. In the second decade of the 20th century, the seven western states then served by the San Francisco Fed were a thinly populated and underdeveloped territory on the American periphery, barely past their status as the American frontier. One hundred years later, the 12th Federal Reserve District has grown from 6% to 21% of the nation's population and become a global leader in such cutting-edge industries as digital technology, biotechnology, and renewable energy. And the rest of the world avidly follows cultural trends that first emerge here.

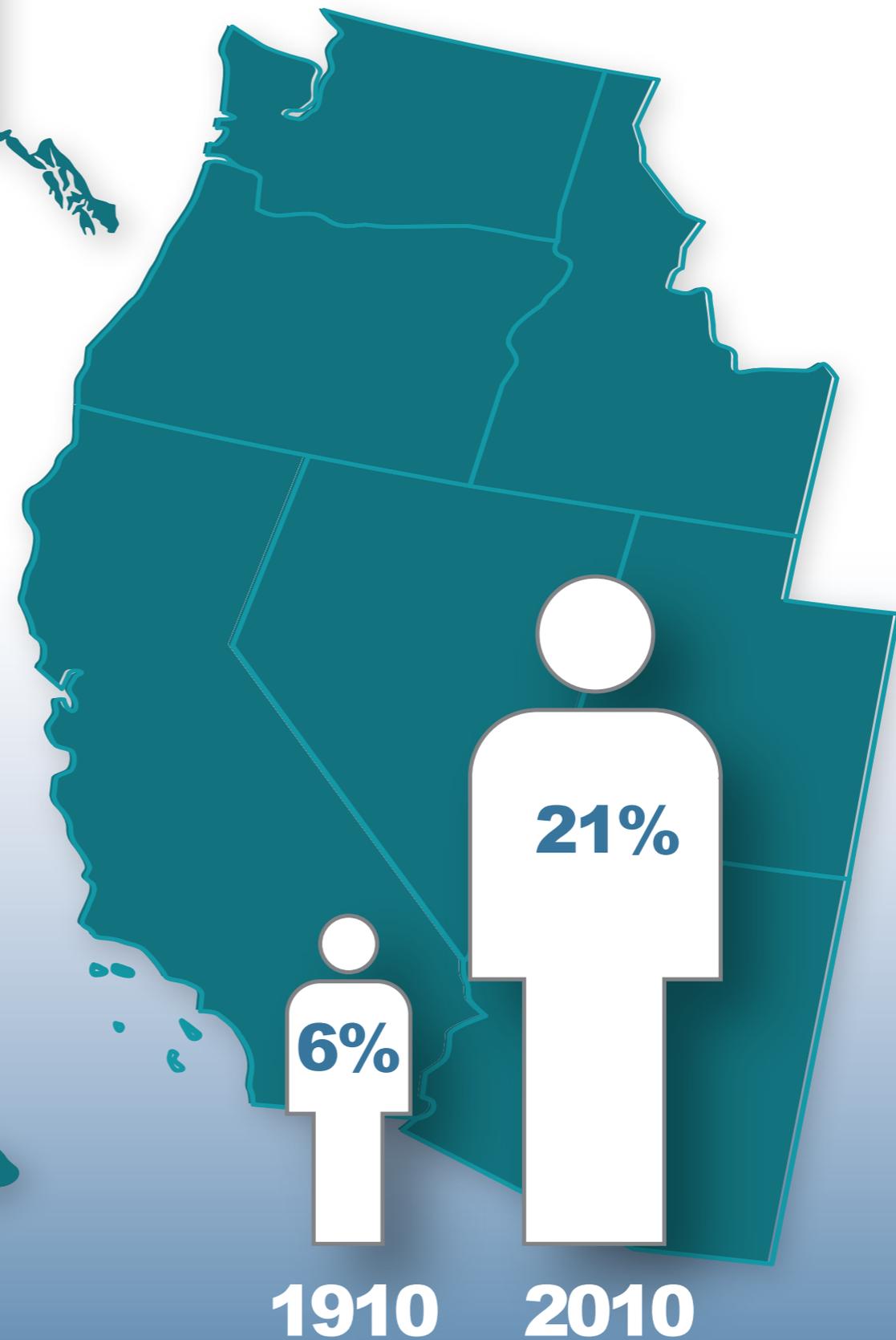
In the past 100 years, the San Francisco Fed too has been remade, along with the entire Federal Reserve System. In 1914, when the San Francisco Fed started in rented offices with a staff of 21, it was largely a creature of the banking industry. Its main jobs were to supply currency, clear checks, and provide credit to banks in its territory. Now, as a unit of our nation's central banking system, we have a voice in setting U.S. monetary policy, and we watch over the safety and soundness of a range of financial institutions. Our territory has expanded beyond the Arctic Circle and across the Pacific to include Alaska, Hawaii, Guam, and the Mariana Islands.

The story of how a region on the edge of America became strong and vibrant is a tale of economic reinvention—not just once, but twice. It offers important lessons on what it has taken to successfully navigate the economic changes of the past century and the qualities that will be essential in the years ahead.

Of course, we were blessed with an enviable array of resources. In a District that stretched from the deserts of the Southwest to the rainforests of the Northwest, and from the Great Salt Lake to the Pacific, there were ores to be mined, timber to be harvested, oil for the taking, and rich soil for growing crops. But there was something else as well, something

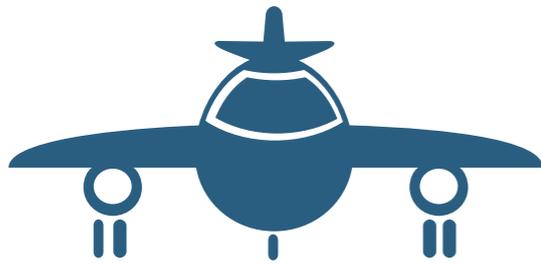
12th District's Share of U.S. Population

In the past 100 years, the 12th District has grown from a thinly populated territory on the American periphery to a vibrant region that is an economic and multicultural epicenter for the nation and the world.



Source: Decennial Census

*Alaska and Hawaii included in the 12th District starting in 1960



In the 1950s, the San Francisco Fed's territory accounted for 40% of U.S. aircraft production. Los Angeles and Seattle, the headquarters of Boeing, had become world centers of aircraft design and manufacturing.

that allowed us to take full advantage of this abundance—the spirit of the frontier, where everything was new, opportunity abounded, and people came from far away to seek their fortunes. It was the boldness of our entrepreneurs and workers that allowed our western states to thrive.

As we matured and the frontier was settled in, we took steps to preserve our economic dynamism by channeling resources into education. We built world-class public and private universities that became hubs of innovation. We ensured our people would have the skills and intellectual tools needed to succeed in a competitive world. The frontier may be largely tamed, but the frontier spirit of our entrepreneurs endures, and our workers are among the most skilled anywhere. We still attract hard-working, adventurous people from far and wide. This concentration of knowledge and talent gives us a significant edge. It's vital that we do what is necessary to preserve it.

The Reinvention of the 12th District Economy

This is where we came from: one hundred years ago, the economies of the seven states of the 12th District were based almost wholly on what could be wrested from the land. As the San Francisco Fed's first Annual Report noted in 1915: "This district is enormously rich in natural resources and surpasses in variety of products." In 1909, 49% of the nation's gold, 67% of its silver, 57% of its copper, and 61% of its lead were produced in the District. California was the leading oil producer. Washington and Oregon were essentially lumber camps, with that industry representing 60% of economic activity in those states. Utah was synonymous with copper, and Idaho with potatoes. Except for its mines and a few scattered ranches, Nevada was sparsely populated, with a little more than 80,000 inhabitants. Arizona had been admitted to the union just two years before. San Francisco was still recovering from a catastrophic earthquake and fire. Los Angeles had only in the previous decade secured the water it needed to grow. And, even as we supplied the nation with the output from our farms, mines, forests, and oil fields, we didn't manufacture much of anything. In 1909, the value of 12th District manufactured products equaled only one-third of the output of New York City's factories.

Our profile changed dramatically as we went through our first reinvention, a shift that culminated in the decades after World War II. Cheap hydroelectric power, a concentration of engineering know-how, and the burgeoning growth of Western markets fueled a nascent factory network, turning our region into a manufacturing powerhouse. The region's largest state, California, led the way, starting with food processing and oil refining, and then expanding into a broad range of light and heavy manufacturing. As economic historian Paul Rhode has written: "What had been an unimportant industrial location in 1900 became the nation's number one manufacturing state by 1977."

Major 12th District Industries

A Century of Reinvention

1920



OIL/GAS

Food and Consumer Products



Forest and Paper Products



Mining



1955



AEROSPACE



Oil/Gas

Forest and Paper Products



Food and Consumer Products



Mining



Retail Grocery



2013



COMPUTER HARDWARE



SPECIALTY STORES



Software Programming

Communications Equipment



Oil/Gas

Biotechnology Drugs



Broadcasting Cable TV



Airline Services



Mining



Advertising



Electronic Instruments Controls



Electric Utilities



Footwear



Entertainment Media



Fashion Stores



Personal Household Products



Money Center Banks



Retail Grocery



Semiconductors



Truck Manufacturers





The companies that are building successful businesses by extending Internet technology into retailing, transportation, entertainment, and social networking are largely based in our District.

Aircraft production is a notable example of the rise of manufacturing in our District. Southern California's balmy climate, which permitted aircraft to be parked outside and tested year-round, first attracted the industry before World War II. An expanding industrial cluster soon emerged as technical expertise and support industries sprang up. In 1933, aircraft manufacturing employed 1,000 workers in Southern California. By 1943, that number had risen to 280,000, according to researcher Rosa Maria Moller. In the 1950s, the San Francisco Fed's territory accounted for 40% of U.S. aircraft production. Los Angeles and Seattle, the headquarters of Boeing, had become world centers of aircraft design and manufacturing.

After World War II, electronics manufacturing became increasingly important, a trend that gathered steam when Silicon Valley became the global capital for information technology. In the final decade of the 20th century, as the Cold War came to a close, aerospace declined in the District. Electronics picked up some of the slack, with Seattle, Portland, Boise, San Diego, and Phoenix growing as producers of high-tech equipment.

The aerospace and electronics industries benefitted from and reinforced our District's position as a scientific and technological leader. Thanks to the presence of some of the world's leading research universities, our District produced more than its share of scientists and engineers. After World War II, as demand for advanced weapons systems heated up, District states accounted for close to half of all U.S. research and development spending, and almost one in four new jobs for physicists completing their doctorates.

This laid the groundwork for our second reinvention—a shift to a service and knowledge-based economy. As the forces of globalism have swept the world in recent decades, manufacturing has migrated to the developing world. Production in sectors such as aviation and information technology has dwindled in our District. At the same time, we have cemented our status as a center of research, engineering, and design in those sectors. And our location on the Pacific Rim connects us through trade with the emerging industrial and technological powers of Asia.

The rise of the Internet, with its astonishing capacity to disrupt and reshape just about every area of life, has added new momentum to our latest reinvention. Thanks to our existing tech-sector base, the presence of leading research institutions, a concentration of venture capital, and a culture of innovation, we were exceptionally well positioned to take advantage of this revolutionary technology. As a result, the companies that are building successful businesses by extending Internet technology into retailing, transportation, entertainment, and social networking are largely based in our District.

We have another core strength that helps us prosper in a post-industrial economy—our skill at entertaining people in their moments of leisure. One might say that Hollywood was the West's original knowledge-based industry. Tourism has grown explosively in recent decades, and our region is a major destination. Low-cost air travel has made Hawaii accessible



San Francisco Banking Center, Circa 1920

Image Courtesy of the Library of Congress,
Prints and Photographs Division

San Francisco didn't get to be the headquarters of the 12th Federal Reserve District without a fight. Seattle, Portland, and Los Angeles each vied for the privilege. But, San Francisco, the financial center of the West since the Gold Rush, was the logical choice.

to millions. And no one who saw Las Vegas as a dusty railroad junction a century ago could possibly have imagined what it has become today.

In all these areas, the spirit of the frontier is still alive. Our ability to stay on the leading edge of emerging economic trends reflects our history, the diversity of our people, and our informal culture. Many of the people who migrated to the West came to get away from more rigid societies. As author Neal Gabler wrote in a portrait of Hollywood's founding studio executives, "unlike in the East, the social structure was primitive and permeable ... new and unformed, ... there was no real aristocracy in place."

Scholars such as Paul Rhode and AnnaLee Saxenian argue that, in some parts of the West, business culture is different than it is elsewhere. It's not clear whether Casual Friday was invented here, but it might as well have been. Throughout much of our region, informality, a rapid pace of innovation, diversity, and tolerance are woven into the fabric of the way we do business.

As we recognize our strengths, it is also important to acknowledge our challenges. Millions of people in the West have not benefited from the economic changes of recent decades. The rise of new economic sectors has created enormous wealth. But global shifts in manufacturing have made well-paying, middle-class jobs harder to find, while low-wage workers struggle to make ends meet. Ongoing pressures in public finance jeopardize our investments in education and our future as a leader in an increasingly knowledge-based global economy. The great system of public education we built is threatened and even at state colleges and universities, costs are moving out of reach for many students.

It may also be that the optimism and willingness to take risks that serve us so well also make us prone to destructive booms and busts. That may explain why large swaths of our District—including Arizona, Nevada, and large parts of California—were hit so hard by the housing crash of the past decade. We must take a hard look at both our strengths and our weaknesses, and work to ensure that our nine states are not only more prosperous, but also that this prosperity is shared.

The Federal Reserve Bank of San Francisco over 100 Years

Just as the economy has changed radically over the past century, so has the San Francisco Fed. That transformation reflects the vastly increased scale and complexity of the nation's economy and financial system, and the expanded policymaking and regulatory roles of the Federal Reserve.

Congress created the Federal Reserve and authorized Reserve Banks in strategic locations around the country because the absence of a central bank made the nation's financial system inefficient and vulnerable to crises—a danger demonstrated

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San Francisco Fed Headquarters
315 Battery Street
1918 – 1923

Image Courtesy of the
San Francisco Fed Archives

Originally, the San Francisco Fed and the other Reserve Banks were given great operating latitude, in keeping with the decentralized system set up by Congress. Their main functions were settling transactions between financial institutions, lending money to banks, and managing the availability of credit in their Districts.

graphically when financier J.P. Morgan had to personally intervene to stem the Panic of 1907. But Americans had a long-standing suspicion of a single powerful monetary authority. In the 19th century, the two previous U.S. central banks had been shuttered. So, in 1913, Congress created a central banking system with a notably decentralized structure. It consisted of a government Federal Reserve Board in Washington, D.C., and 12 Reserve Banks that were unique public/private hybrids.

San Francisco didn't get to be the headquarters of the 12th Federal Reserve District without a fight. Seattle, Portland, and Los Angeles each vied for the privilege. But, San Francisco, the financial center of the West since the Gold Rush, was the logical choice. A U.S. mint and the West's largest securities market, then called the San Francisco Stock and Bond Exchange, were located here. And the city had far and away the largest banks and the most bank capital in the seven-state region. The decision to locate the 12th District Reserve Bank in San Francisco was announced in April 1914, and the San Francisco Fed started business on November 16 of that year.

Originally, the San Francisco Fed and the other Reserve Banks were given great operating latitude, in keeping with the decentralized system set up by Congress. Their main functions were settling transactions between financial institutions, lending money to banks, and managing the availability of credit in their Districts. They also promoted use of Federal Reserve notes, the nation's new paper currency replacing paper money issued by private banks. That was a big deal in the West, which wasn't far from the days when debts were settled with gold dust. Distrust of paper currency ran deep and most people paid for goods and services with coins.

The wide autonomy granted the Reserve Banks created a problem: with each Reserve Bank managing credit in its own territory, it was possible to have 12 separate policies and significant differences in interest rates from District to District. Such a system proved unworkable. Within two decades of the Fed's creation, monetary policy—the setting of interest rates—shifted in several steps to the Federal Reserve Board and a newly created Federal Open Market Committee in Washington, D.C., to centralize policymaking.

As a result, the San Francisco Fed and other Reserve Banks no longer set monetary policy for their separate Districts. Instead, we take part in the process of setting policy at the national level. The 12 presidents of the Reserve Banks and the seven governors of the Federal Reserve Board sit on the Federal Open Market Committee. Except for the New York Fed president, who always votes on policy, the Reserve Bank presidents vote on a rotating basis.

The world of the San Francisco Fed in its early years was tightly woven with the West's banking industry. All nationally chartered banks had to become Fed members, meaning they owned shares of and kept accounts with their Reserve Bank. State-chartered banks could choose whether to become members. Within a few years, the San Francisco Fed established



San Francisco Fed Headquarters
101 Market Street
1983 – Present

Image Courtesy of the
San Francisco Fed Archives

The modern San Francisco Fed must contend with a banking industry and financial system that exchange information digitally, and operate with global reach and lightning speed.

branches in Seattle, Portland, Spokane (later consolidated with Seattle), Los Angeles, and Salt Lake City to work with the banks in those regions. The San Francisco Fed became the regulator of state-chartered member banks in the 12th District.

The banking industry in those days was a far cry from what it is today. It was rare for a bank to have a branch outside its home office. As a result, the nation was served by thousands of small banks. In 1915, the 12th District alone had 1,725 banks. But, thanks to a series of legal changes, branch banking began to take root. A visionary immigrant, A.P. Giannini, founder of San Francisco's Bank of Italy, renamed Bank of America, saw the potential of a branch network and set up offices throughout California, creating the model familiar to us now.

The financial system of a century ago was far simpler than it is today. There were no exotic financial instruments, no trading desks, no risk management offices. Payments were made with cash, checks, or by wire. Books were kept by hand. Credit cards and debit cards didn't exist. The number of banks in the 12th District has dropped to about 400, but those banks are orders of magnitude larger than those that were here when the Fed began.

The modern San Francisco Fed must contend with a banking industry and financial system that exchange information digitally, and operate with global reach and lightning speed. The San Francisco Fed still supervises small banks, but it also watches over institutions with hundreds of billions of dollars in assets and business lines that are light years removed from the deposit-taking and loan-making of the early 20th century banks.

The relationship of the San Francisco Fed with the rest of the Federal Reserve System has also changed. The System is much more centralized today and, as a result, the role of the Federal Reserve Board as our overseer has increased. Centralization has diminished the power of our board of directors and created more of an arms-length relationship with the banking industry than existed 100 years ago.

Meanwhile, each Reserve Bank performs specialized services for the Federal Reserve System as a whole. For example, the Atlanta Fed oversees electronic check processing and automated clearing house services, while the New York Fed runs the Fedwire funds transfer system. San Francisco is the Reserve Bank responsible for strategic direction of the System's cash operations. Our Cash Product Office develops and implements the Fed's overall currency strategy to make sure the economy's need for cash is always met. The San Francisco Fed is also a major developer of software for the System. In this, we benefit from the concentration of information technology innovators in our District.

Today the San Francisco Fed is part of a 21st century central banking system that has evolved far from its roots. The story of the San Francisco Fed is really the story of how the world has changed since 1914, and how we have evolved with it. The transformation over the past 100 years has been enormous, and it continues into our second century. As we change though, we must strive to keep the spirit of the West alive in us and work to remain a force for economic progress in our region.

Bank Leadership

as of January 1, 2014

(Left to Right)

Patricia E. Yarrington
Chair of the Board and
Federal Reserve Agent

John F. Moore
First Vice President and
Chief Operating Officer

John C. Williams
President and
Chief Executive Officer

Roy A. Vallee
Deputy Chairman
of the Board



(Back Row, Left to Right)

Adrian Rodriguez

Senior Vice President
Communications and Community Engagement

Mark A. Gould

Senior Vice President and Product Manager,
National Cash Product Office; Seattle Branch Manager

Glenn D. Rudebusch

Executive Vice President and Director of Research

(Middle Row, Left to Right)

Teresa M. Curran

Senior Vice President and Director
Banking Supervision and Regulation

Roger W. Replogle

Senior Vice President, Cash Services, Administrative
Services, Business Development, Customer Support,
Business Continuity, Facilities, and Police Services;
Los Angeles Branch Manager

John F. Moore

First Vice President and Chief Operating Officer
Director, National Cash Product Office

Susan A. Sutherland

Senior Vice President, Equal Employment Opportunity,
Human Resources, Statistics; Director, Office of Minority
and Women Inclusion

(Front Row, Left to Right)

Gopa Kumar

Senior Vice President and Chief Information Officer
Information and Technology Services

John C. Williams

President and Chief Executive Officer

Executive Committee

as of January 1, 2014



Advisors

as of January 1, 2014

(Left to Right)

Lee C. Dwyer

Group Vice President and General Auditor

Erik Z. Revai

Group Vice President and General Counsel

Kelly L. McKenzie

Secretariat

Robin A. Rockwood

Vice President
Community Perspectives
Salt Lake City Branch Manager



Branch Managers

as of January 1, 2014

(Left to Right)

Robin A. Rockwood
Salt Lake City

Roger W. Replogle
Los Angeles

Mark A. Gould
Seattle

Steven H. Walker
Portland



San Francisco Head Office Board of Directors

as of January 1, 2014

Boards of directors of the Reserve Banks and Branches provide the Federal Reserve System with a wealth of information on economic conditions in every corner of the nation. This information, along with other sources, is used by the Federal Open Market Committee and the Board of Governors when reaching decisions about monetary policy.

*Chair of the Board and
Federal Reserve Agent*



PATRICIA E. YARRINGTON

Vice President and
Chief Financial Officer
Chevron Corporation
San Ramon, California

Deputy Chairman of the Board



ROY A. VALLEE

Retired Executive Chairman and
Chief Executive Officer
Avnet, Inc.
Phoenix, Arizona



STEVEN E. BOCHNER

Partner
Wilson, Sonsini, Goodrich &
Rosati, P.C.
Palo Alto, California



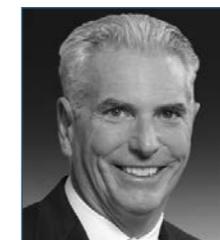
MEGAN F. CLUBB

Chief Executive Officer and
Chairman of the Board
Baker Boyer National Bank
Walla Walla, Washington



RICHARD A. GALANTI

Executive Vice President and
Chief Financial Officer
Costco Wholesale Corporation
Issaquah, Washington



STEVEN R. GARDNER

President and
Chief Executive Officer
Pacific Premier Bank
Irvine, California



PETER S. HO

Chairman, President and
Chief Executive Officer
Bank of Hawaii and
Bank of Hawaii Corporation
Honolulu, Hawaii



ALEXANDER R. MEHRAN

President and
Chief Executive Officer
Sunset Development Company
San Ramon, California



NICOLE C. TAYLOR

President and
Chief Executive Officer
Thrive Foundation for Youth
Menlo Park, California



J. MICHAEL SHEPHERD

Chairman and
Chief Executive Officer
Bank of the West and
BancWest Corporation
San Francisco, California

*Member of the
Federal Advisory
Council, Appointed by
San Francisco Board
of Directors*

Los Angeles Branch Board of Directors

*as of January 1, 2014**

Chairman



KEITH E. SMITH
President and
Chief Executive Officer
Boyd Gaming Corporation
Las Vegas, Nevada



PEGGY TSIANG CHERNG
Co-Chair of the Board and
Co-Chief Executive Officer
Panda Restaurant Group, Inc.
Rosemead, California



JAMES A. HUGHES
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Tempe, Arizona



GINA MARIE LINDSEY
Executive Director
Los Angeles World Airports
Los Angeles, California



JOHN C. MOLINA
Chief Financial Officer
Molina Healthcare, Inc.
Long Beach, California



DAVID I. RAINER
Chairman, President and
Chief Executive Officer
California United Bank
Encino, California

** Reflects one vacant seat*

Portland Branch Board of Directors

as of January 1, 2014

Chairman



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Vice Chairman
JELD-WEN, inc.
Klamath Falls, Oregon



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President and
Chief Executive Officer
& Co-Chairperson of the Board
Pioneer Trust Bank, N.A.
Salem, Oregon



ROBERT C. HALE
Chief Executive Officer
Hale Companies
Hermiston, Oregon



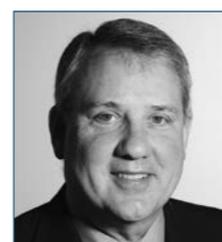
ROMÁN D. HERNÁNDEZ
Shareholder
Schwabe, Williamson &
Wyatt, P.C.
Portland, Oregon



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President and
Chief Executive Officer
Schnitzer Steel Industries, Inc.
Portland, Oregon



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Regional President
KeyBank
Portland, Oregon



JOSEPH E. ROBERTSON, JR., M.D.
President
Oregon Health & Science University
Portland, Oregon

Salt Lake City Branch Board of Directors

as of January 1, 2014

Chairman



BRADLEY J. WISKIRCHEN
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Boise, Idaho



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President and
Chief Financial Officer
C.R. England, Inc.
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Chief Financial Officer
Rio Tinto Kennecott
Utah Copper
South Jordan, Utah



PETER R. METCALF
Lead Founder, President
and Chief Executive Officer
Black Diamond, Inc.
Salt Lake City, Utah



DAMON G. MILLER
Utah Market President
U.S. Bank
Salt Lake City, Utah



SUSAN D. MOONEY JOHNSON
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Futura Industries
Clearfield, Utah



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Chairman
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Pingree, Idaho

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as of January 1, 2014

Chair



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Vice President, Real Estate
Vulcan Inc.
Seattle, Washington



MARTHA CHOE
Chief Administrative Officer
The Bill & Melinda
Gates Foundation
Seattle, Washington



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Chief Executive Officer,
Wizards of the Coast
Hasbro, Inc.
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Executive Director
Washington Health Alliance
Seattle, Washington



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Vice President and
General Manager,
Propulsion Systems Division
Boeing Commercial Airplanes
Everett, Washington



PATRICK G. YALUNG
Regional President,
Washington
Wells Fargo Bank, N.A.
Seattle, Washington

Twelfth District Economic Advisory Council

as of January 1, 2014

Established May 1985

The Twelfth District Economic Advisory Council is a source of information on current and pending economic developments in the Twelfth District. The members provide observations, opinions, and advice to members of the boards of directors and management of the Federal Reserve Bank of San Francisco. The Twelfth District Economic Advisory Council members reside within the nine state District of this Reserve Bank.

Chairman



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Retired, Chief Executive Officer
Unified Grocers, Inc.
Commerce, California

Vice Chair



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Chief Financial Officer
Toyota Motor Sales, USA, Inc.
Torrance, California



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Blum Capital Partners
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Chief Executive Officer
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Portland, Oregon



GEORGE ZINN
Corporate Vice President and
Treasurer
Microsoft Corporation
Redmond, Washington

Twelfth District Community Depository Institutions Advisory Council

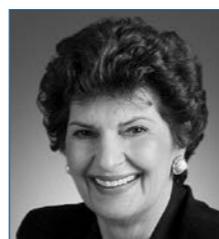
*as of January 1, 2014**

The Twelfth District Community Depository Institutions Advisory Council (CDIAC) serves as an important source of information about the ability of community depository institutions to support local markets in the District. Members reside in the nine-state region of the Twelfth District and provide observations, opinions, and advice to management of the Federal Reserve Bank of San Francisco and members of the Board of Governors of the Federal Reserve System. The chairman represents the Twelfth District at CDIAC meetings held by the Board of Governors twice a year in Washington, D.C.

Chairman



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Chief Executive Officer
DL Evans Bank
Burley, Idaho



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Chief Executive Officer
Americas United Bank
Glendale, California



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President and
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Arizona State Credit Union
Phoenix, Arizona



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President and
Chief Executive Officer
Montecito Bank & Trust
Santa Barbara, California



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Columbia Bank
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Salt Lake City, Utah



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Chief Executive Officer
Farmers and Merchants
Bank of Central California
Lodi, California



ROBERT A. STUART
President and
Chief Executive Officer
OnPoint Community
Credit Union
Portland, Oregon



STANLEY C. WILMOTH
President and
Chief Executive Officer
Heritage Bank of Nevada
Reno, Nevada

* Reflects vacant vice chair seat

LETTER FROM
THE PRESIDENT

ESSAY

BANK LEADERSHIP
AND ADVISORS

DIRECTORS AND
ADVISORY COUNCILS

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Officers and Principals

as of January 1, 2014

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President and Chief
Executive Officer

John F. Moore
First Vice President and
Chief Operating Officer

Glenn D. Rudebusch
Executive Vice President and
Director of Research

Teresa M. Curran
Senior Vice President
and Director of Banking
Supervision and Regulation

Mary C. Daly
Senior Vice President
and Associate Director of
Research

Gopa Kumar
Senior Vice President and
Chief Information Officer

Erik Z. Revai
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Adrian Rodriguez
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Deborah Awai
Group Vice President

Jose Alonso
Vice President

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novich**
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Director

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Director

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Salt Lake City Branch

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Lee J. Kapos
Director

Seattle Branch

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Senior Vice President

Lynn M. Jorgensen
Director

Darlene R. Wilczynski
Director

Financial Statements 2013

Auditor Independence

The Board of Governors engaged Deloitte & Touche LLP (D&T) to audit the 2013 combined and individual financial statements of the Reserve Banks and those of the consolidated LLC entities.¹ In 2013, D&T also conducted audits of internal controls over financial reporting for each of the Reserve Banks. Fees for D&T's services totaled \$7 million, of which \$1 million was for the audits of the consolidated LLC entities. To ensure auditor independence, the Board requires that D&T be independent in all matters relating to the audits. Specifically, D&T may not perform services for the Reserve Banks or others that would place it in a position of auditing its own work, making management decisions on behalf of the Reserve Banks, or in any other way impairing its audit independence. In 2013, the Bank did not engage D&T for any non-audit services. The Bank leases office space to Deloitte LLC.

View the Federal Reserve Bank of San Francisco's 2013 financial statements,
along with financial statements for the entire Federal Reserve System, at:
<http://www.federalreserve.gov/monetarypolicy/files/BSTSanFranciscofstmt2013.PDF>

¹ In addition, D&T audited the Office of Employee Benefits of the Federal Reserve System (OEB), the Retirement Plan for Employees of the Federal Reserve System (System Plan), and the Thrift Plan for Employees of the Federal Reserve System (Thrift Plan). The System Plan and the Thrift Plan provide retirement benefits to employees of the Board, the Federal Reserve Banks, and the OEB.

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Credits

Production: Internal Communications

Photography: Internal Communications (pages 15 - 18)

Thank you to the following departments for their contributions to the 2013 Annual Report:
Accounting, Economic Research, Human Resources, Office of the Secretary, Shared Services

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