

Comparative Financial Statements

**STATEMENTS
OF CONDITION**
(in millions)

	As of December 31, 2002	As of December 31, 2001
ASSETS		
Gold certificates	\$ 522	\$ 538
Special drawing rights certificates	104	104
Coin	43	61
Items in process of collection	764	219
U.S. government and federal agency securities, net	35,264	32,885
Investments denominated in foreign currencies	1,531	996
Accrued interest receivable	301	334
Bank premises and equipment, net	182	181
Other assets	64	62
Total assets	\$ 38,775	\$ 35,380
LIABILITIES AND CAPITAL		
Liabilities:		
Federal Reserve notes outstanding, net	\$ 28,170	\$ 30,620
Securities sold under agreements to repurchase	1,164	—
Deposits:		
Depository institutions	1,393	1,103
Other deposits	4	4
Deferred credit items	685	224
Interest on Federal Reserve notes due U.S. Treasury	71	28
Interdistrict settlement account	5,818	2,008
Accrued benefit costs	58	56
Other liabilities	8	7
Total liabilities	\$ 37,371	\$ 34,050
Capital:		
Capital paid-in	702	665
Surplus	702	665
Total capital	1,404	1,330
Total liabilities and capital	\$ 38,775	\$ 35,380

The accompanying notes are an integral part of these financial statements.

**STATEMENTS
OF INCOME**
(in millions)

	For the year ended December 31, 2002	For the year ended December 31, 2001
Interest income:		
Interest on U.S. government and federal agency securities	\$ 1,410	\$ 1,708
Interest on investments denominated in foreign currencies	24	22
Interest on loans to depository institutions	—	1
Total interest income	1,434	1,731
Interest expense:		
Interest expense on securities sold under agreements to repurchase	1	—
Net interest income	1,433	1,731
Other operating income (loss):		
Income from services	66	65
Reimbursable services to government agencies	26	23
Foreign currency gains (losses), net	194	(98)
U.S. government securities gains, net	4	18
Other income	4	5
Total other operating income	\$ 294	\$ 13
Operating expenses:		
Salaries and other benefits	86	81
Occupancy expense	11	13
Equipment expense	13	12
Assessments by Board of Governors	40	39
Other expenses	46	55
Total operating expenses	196	200
Net income prior to distribution	\$ 1,531	\$ 1,544
Distribution of net income:		
Dividends paid to member banks	\$ 42	\$ 30
Transferred to surplus	37	193
Payments to U.S. Treasury as interest on Federal Reserve notes	1,452	1,321
Total distribution	\$ 1,531	\$ 1,544

**STATEMENTS OF
CHANGES IN CAPITAL**
(in millions)

For the years ended December 31, 2002 and December 31, 2001

	Capital paid-in	Surplus	Total capital
Balance at January 1, 2001 (9.4 million shares)	\$ 472	\$ 472	\$ 944
Net income transferred to surplus	—	193	193
Net change in capital stock issued (3.9 million shares)	193	—	193
Balance at December 31, 2001 (13.3 million shares)	\$ 665	\$ 665	\$ 1,330
Net income transferred to surplus	—	37	37
Net change in capital stock issued (0.7 million shares)	37	—	37
Balance at December 31, 2002 (14 million shares)	\$ 702	\$ 702	\$ 1,404

The accompanying notes are an integral part of these financial statements.