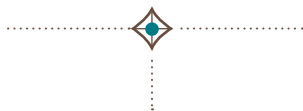


# Financial Statements



The firm engaged by the Board of Governors for the audits of the individual and combined financial statements of the Reserve Banks for 2005 was PricewaterhouseCoopers LLP (PwC). Fees for these services totaled \$4.6 million. To ensure auditor independence, the Board of Governors requires that PwC be independent in all matters relating to the audit. Specifically, PwC 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 2005, the Bank did not engage PwC for any material advisory services.

# Comparative Financial Statements



## Statements of Condition *(in millions)*

	December 31, 2005	December 31, 2004
<b>Assets</b>		
Gold certificates	\$ 453	\$ 452
Special drawing rights certificates	104	104
Coin	55	52
Items in process of collection	820	814
U.S. government securities, net	31,692	31,004
Investments denominated in foreign currencies	1,712	1,757
Accrued interest receivable	247	217
Interdistrict settlement account	833	—
Bank premises and equipment, net	185	183
Interest on Federal Reserve notes due from U.S. Treasury	—	234
Other assets	73	85
<b>Total assets</b>	<b>\$ 36,174</b>	<b>\$ 34,902</b>
<b>Liabilities and Capital</b>		
Liabilities:		
Federal Reserve notes outstanding, net	\$ 31,457	\$ 29,103
Securities sold under agreements to repurchase	1,289	1,315
Deposits:		
Depository institutions	658	1,272
Other deposits	7	3
Deferred credit items	581	505
Interest on Federal Reserve notes due U.S. Treasury	78	—
Interdistrict settlement account	—	495
Accrued benefit costs	65	65
Other liabilities	11	14
<b>Total liabilities</b>	<b>34,146</b>	<b>32,772</b>
Capital:		
Capital paid-in	1,014	1,065
Surplus	1,014	1,065
<b>Total capital</b>	<b>2,028</b>	<b>2,130</b>
<b>Total liabilities and capital</b>	<b>\$ 36,174</b>	<b>\$ 34,902</b>

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

## Statements of Income *(in millions)*

	For the year ended December 31, 2005	For the year ended December 31, 2004
Interest income:		
Interest on U.S. government securities	\$ 1,191	\$ 963
Interest on investments denominated in foreign currencies	25	22
<b>Total interest income</b>	<b>1,216</b>	<b>985</b>
Interest expense:		
Interest expense on securities sold under agreements to repurchase	34	13
<b>Net interest income</b>	<b>1,182</b>	<b>972</b>
Other operating income (loss):		
Income from services	—	61
Compensation received for check services provided	60	—
Reimbursable services to government agencies	55	43
Foreign currency (losses)/gains, net	(243)	101
Other income	5	3
<b>Total other operating income (loss)</b>	<b>(123)</b>	<b>208</b>
Operating expenses:		
Salaries and other benefits	106	103
Occupancy expense	15	13
Equipment expense	11	13
Assessments by the Board of Governors	50	45
Other expenses	64	48
<b>Total operating expenses</b>	<b>246</b>	<b>222</b>
<b>Net income prior to distribution</b>	<b>\$ 813</b>	<b>\$ 958</b>
Distribution of net income:		
Dividends paid to member banks	\$ 65	\$ 45
Transferred (from)/to surplus	(51)	338
Payments to U.S. Treasury as interest on Federal Reserve notes	799	575
<b>Total distribution</b>	<b>\$ 813</b>	<b>\$ 958</b>

## Statements of Changes in Capital *(in millions)*

	For the years ended December 31, 2005 and December 31, 2004		
	Capital Paid-in	Surplus	Total Capital
Balance at January 1, 2004 (14.5 million shares)	\$ 727	\$ 727	\$ 1,454
Transferred to surplus	—	338	338
Net change in capital stock issued (6.8 million shares)	338	—	338
Balance at December 31, 2004 (21.3 million shares)	\$ 1,065	\$ 1,065	\$ 2,130
Transferred from surplus	—	(51)	(51)
Net change in capital stock redeemed (1.0 million shares)	(51)	—	(51)
Balance at December 31, 2005 (20.3 million shares)	\$ 1,014	\$ 1,014	\$ 2,028

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