

Comparative Financial Statements

Statements of Condition

(in millions)

	December 31, 2006	December 31, 2005
ASSETS		
Gold certificates	\$ 446	\$ 453
Special drawing rights certificates	104	104
Coin	73	55
Items in process of collection	451	820
U.S. government securities, net	33,836	31,692
Investments denominated in foreign currencies	1,570	1,712
Accrued interest receivable	290	247
Interdistrict settlement account	—	833
Bank premises and equipment, net	186	185
Other assets	62	73
Total assets	\$ 37,018	\$ 36,174
LIABILITIES AND CAPITAL		
Liabilities:		
Federal Reserve notes outstanding, net	\$ 29,807	\$ 31,457
Securities sold under agreements to repurchase	1,279	1,289
Deposits:		
Depository institutions	954	658
Other deposits	4	7
Deferred credit items	405	581
Interest on Federal Reserve notes due to U.S. Treasury	29	78
Interdistrict settlement account	2,264	—
Accrued benefit costs	88	65
Other liabilities	14	11
Total liabilities	34,844	34,146
Capital:		
Capital paid-in	1,087	1,014
Surplus (including accumulated other comprehensive loss of \$22 million at December 31, 2006)	1,087	1,014
Total capital	2,174	2,028
Total liabilities and capital	\$ 37,018	\$ 36,174

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

Statements of Income

(in millions)

	For the year ended December 31, 2006	For the year ended December 31, 2005
Interest income:		
Interest on U.S. government securities	\$ 1,512	\$ 1,191
Interest on investments denominated in foreign currencies	29	25
Total interest income	1,541	1,216
Interest expense:		
Interest expense on securities sold under agreements to repurchase	58	34
Net interest income	1,483	1,182
Other operating income (loss):		
Compensation received for services provided	68	60
Reimbursable services to government agencies	60	55
Foreign currency gains (losses), net	91	(243)
Other income	4	5
Total other operating income (loss)	223	(123)
Operating expenses:		
Salaries and other benefits	112	106
Occupancy expense	16	15
Equipment expense	14	11
Assessments by the Board of Governors	46	50
Other expenses	80	64
Total operating expenses	268	246
Net income prior to distribution	\$ 1,438	\$ 813
Distribution of net income:		
Dividends paid to member banks	\$ 63	\$ 65
Transferred to (from) surplus	95	(51)
Payments to U.S. Treasury as interest on Federal Reserve notes	1,280	799
Total distribution	\$ 1,438	\$ 813

Statements of Changes in Capital

For the years ended December 31, 2006 and December 31, 2005

(in millions)

	Surplus				
	Capital Paid-In	Net Income Retained	Accumulated Other Comprehensive Loss	Total Surplus	Total Capital
Balance at January 1, 2005 (21.3 million shares)	\$ 1,065	\$ 1,065	\$ —	\$ 1,065	\$ 2,130
Net change in capital stock redeemed (1.0 million shares)	(51)	—	—	—	(51)
Transferred from surplus	—	(51)	—	(51)	(51)
Balance at December 31, 2005 (20.3 million shares)	\$ 1,014	\$ 1,014	\$ —	\$ 1,014	\$ 2,028
Net change in capital stock issued (1.4 million shares)	73	—	—	—	73
Transferred to surplus	—	95	—	95	95
Adjustment to initially apply FASB Statement No. 158	—	—	(22)	(22)	(22)
Balance at December 31, 2006 (21.7 million shares)	\$ 1,087	\$ 1,109	\$ (22)	\$ 1,087	\$ 2,174

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