

# Comparative Financial Statements

## Statements of Condition

(in millions)

|   | December 31, 2007 | December 31, 2006 |
|---|-------------------|-------------------|
| <b>ASSETS</b>   |                   |                   |
| Gold certificates   | \$ 428            | \$ 446            |
| Special drawing rights certificates   | 104               | 104               |
| Coin  | 113               | 73                |
| Items in process of collection  | 268               | 451               |
| Loans to depository institutions  | 853               | —                 |
| Securities purchased under agreements to resell   | 1,903             | —                 |
| U.S. government securities, net   | 30,514            | 33,836            |
| Investments denominated in foreign currencies   | 3,354             | 1,570             |
| Accrued interest receivable   | 260               | 290               |
| Bank premises and equipment, net  | 176               | 186               |
| Interest on Federal Reserve notes due from U.S. Treasury  | 69                | —                 |
| Other assets  | 59                | 62                |
| <b>Total assets</b>   | <b>\$ 38,101</b>  | <b>\$ 37,018</b>  |
| <b>LIABILITIES AND CAPITAL</b>  |                   |                   |
| Liabilities:  |                   |                   |
| Federal Reserve notes outstanding, net  | \$ 32,223         | \$ 29,807         |
| Securities sold under agreements to repurchase  | 1,800             | 1,279             |
| Deposits:   |                   |                   |
| Depository institutions   | 446               | 954               |
| Other deposits  | 3                 | 4                 |
| Deferred credit items   | 200               | 405               |
| Interest on Federal Reserve notes due to U.S. Treasury  | —                 | 29                |
| Interdistrict settlement account  | 741               | 2,264             |
| Accrued benefit costs   | 90                | 88                |
| Other liabilities   | 16                | 14                |
| <b>Total liabilities</b>  | <b>35,519</b>     | <b>34,844</b>     |
| Capital:  |                   |                   |
| Capital paid-in   | 1,291             | 1,087             |
| Surplus (including accumulated other comprehensive loss of \$17 million and \$22 million at December 31, 2007 and 2006, respectively) | 1,291             | 1,087             |
| <b>Total capital</b>  | <b>2,582</b>      | <b>2,174</b>      |
| <b>Total liabilities and capital</b>  | <b>\$ 38,101</b>  | <b>\$ 37,018</b>  |

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

## Statements of Income and Comprehensive Income

(in millions)

|   | For the year ended<br>December 31, 2007 | For the year ended<br>December 31, 2006 |
|---|---|---|
| Interest income:  |   |   |
| Interest on U.S. government securities                                    | \$ 1,609                                | \$ 1,512                                |
| Interest on securities purchased under agreements to resell               | 59                                      | —                                       |
| Interest on investments denominated in foreign currencies                 | 41                                      | 29                                      |
| Interest on loans to depository institutions                              | 1                                       | —                                       |
| <b>Total interest income</b>  | <b>1,710</b>                            | <b>1,541</b>                            |
| Interest expense:   |   |   |
| Interest expense on securities sold under agreements to repurchase        | 70                                      | 58                                      |
| <b>Net interest income</b>  | <b>1,640</b>                            | <b>1,483</b>                            |
| Other operating income:   |   |   |
| Compensation received for services provided                               | 80                                      | 68                                      |
| Reimbursable services to government agencies                              | 62                                      | 60                                      |
| Foreign currency gains, net   | 132                                     | 91                                      |
| Other income  | 6                                       | 4                                       |
| <b>Total other operating income</b>                                       | <b>280</b>                              | <b>223</b>                              |
| Operating expenses:   |   |   |
| Salaries and other benefits   | 128                                     | 112                                     |
| Occupancy expense   | 17                                      | 16                                      |
| Equipment expense   | 13                                      | 14                                      |
| Assessments by the Board of Governors                                     | 47                                      | 46                                      |
| Other expenses  | 79                                      | 80                                      |
| <b>Total operating expenses</b>   | <b>284</b>                              | <b>268</b>                              |
| <b>Net income prior to distribution</b>                                   | <b>1,636</b>                            | <b>1,438</b>                            |
| Change in funded status of benefit plans                                  | 5                                       | —                                       |
| <b>Comprehensive income prior to distribution</b>                         | <b>\$ 1,641</b>                         | <b>\$ 1,438</b>                         |
| Distribution of comprehensive income:                                     |   |   |
| Dividends paid to member banks  | \$ 66                                   | \$ 63                                   |
| Transferred to surplus and change in accumulated other comprehensive loss | 204                                     | 95                                      |
| Payments to U.S. Treasury as interest on Federal Reserve notes            | 1,371                                   | 1,280                                   |
| <b>Total distribution</b>   | <b>\$ 1,641</b>                         | <b>\$ 1,438</b>                         |

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## Statements of Changes in Capital

(in millions)

For the years ended December 31, 2007 and December 31, 2006

|  | <b>Surplus</b>  |                     |                                      | Total Surplus | Total Capital |
|--|-----------------|---------------------|--------------------------------------|---------------|---------------|
|  | Capital Paid-In | Net Income Retained | Accumulated Other Comprehensive Loss |               |               |
| Balance at January 1, 2006<br>(20.3 million shares)                          | \$ 1,014        | \$ 1,014            | \$ —                                 | \$ 1,014      | \$ 2,028      |
| Net change in capital stock issued<br>(1.4 million shares)                   | 73              | —                   | —                                    | —             | 73            |
| Transferred to surplus   | —               | 95                  | —                                    | 95            | 95            |
| Adjustment to initially apply SFAS<br>No. 158                                | —               | —                   | (22)                                 | (22)          | (22)          |
| Balance at December 31, 2006<br>(21.7 million shares)                        | \$ 1,087        | \$ 1,109            | \$ (22)                              | \$ 1,087      | \$ 2,174      |
| Net change in capital stock issued<br>(4.1 million shares)                   | 204             | —                   | —                                    | —             | 204           |
| Transferred to surplus and change in<br>accumulated other comprehensive loss | —               | 199                 | 5                                    | 204           | 204           |
| Balance at December 31, 2007<br>(25.8 million shares)                        | \$ 1,291        | \$ 1,308            | \$ (17)                              | \$ 1,291      | \$ 2,582      |

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