

Federal Reserve Bank of San Francisco
101 Market Street, San Francisco, California 94105

March 21, 2012

To State Member Banks, Bank
Holding Companies, Financial Holding
Companies, Foreign Bank Offices and
Savings and Loan Holding Companies
in the Twelfth Federal Reserve District

Federal Reserve System Publishes Annual Financial Statements

The Federal Reserve System on March 20, 2012 released the 2011 combined annual comparative financial statements for the Federal Reserve Banks, as well as for the 12 individual Federal Reserve Banks, the limited liability companies (LLCs) that were created to respond to strains in financial markets, and the Board of Governors. These financial statements are audited annually by an independent auditing firm.

The Federal Reserve Banks' 2011 net income of \$77.4 billion was derived primarily from \$83.6 billion in interest income on securities acquired through open market operations (Treasury securities, federal agency and government-sponsored enterprise (GSE) mortgage-backed securities (MBS), and GSE debt securities).

The Reserve Banks provided for payments of \$75.4 billion of their 2011 net income to the U.S. Treasury.

Total Reserve Bank assets as of December 31, 2011, were \$2.919 trillion, which represents an increase of \$491 billion from the previous year. Holdings of U.S. Treasury securities increased by \$683 billion, GSE debt securities holdings decreased by \$45 billion, and federal agency and GSE MBS holdings decreased by \$156 billion. The balances held under central bank liquidity swap arrangements increased by \$99.7 billion.

Federal Reserve Bank assets related to credit and liquidity programs decreased by \$95.8 billion. The closing of the American International Group, Inc. (AIG) recapitalization plan in January 2011 resulted in asset reductions of \$47 billion, inclusive of the full repayment of the revolving line of credit with AIG in the amount of \$20.6 billion and the redemption or sale of the Federal Reserve Bank of New York's (FRBNY) preferred interests in two AIG-related LLCs in the amount of \$26.4 billion.

Investments held by the LLCs consolidated by the FRBNY decreased by \$33 billion, primarily as a result of asset sales and maturities, and these proceeds were used to repay \$32.3 billion of the loans extended by the FRBNY to the LLCs. In addition, loans outstanding under the Term Asset-Backed Securities Lending Facility decreased by \$15.8 billion, as a result of principal payments and loan prepayments.

The combined annual financial statements for the Federal Reserve Banks and the consolidated annual financial statements for the Federal Reserve Bank of New York include information about the assets and income of each of the consolidated LLCs, such as overall financial results, portfolio composition, asset quality, and asset value information. The statements also contain summaries of the associated credit and market risks for each significant holding.

The Federal Reserve System financial statements may be accessed via the Federal Reserve Board's website at http://www.federalreserve.gov/monetarypolicy/bst_fedfinancials.htm

Additional Information

All circulars and documents are available on the Internet through the Federal Reserve Bank of San Francisco's website, at <http://www.frbsf.org/banking/letters>.

For additional information, please contact:

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