

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

May 6, 2010

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

Federal Reserve System Publishes Annual Financial Statements

The Federal Reserve System released on April 21, 2010 the 2009 annual comparative financial statements for the combined Federal Reserve Banks, 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. The individual and combined Reserve Bank financial statements and those of the consolidated LLCs and the Board are audited annually by an independent auditing firm.

"I am pleased that an independent auditor has found that our financial statements present fairly, in all material respects, the financial position of the Federal Reserve," said Federal Reserve Board Chairman Ben S. Bernanke. "The information disclosed in the 2009 financial statements reaffirms our commitment to transparency and to the responsible stewardship of public resources."

The annual financial statements include information about the assets held by each of the consolidated LLCs, including the composition of the LLCs' portfolios, measures of the assets' quality, and information about the assets' value and the consolidated LLCs' overall financial results. The statements also contain summaries of the associated credit and market risk for each significant holding.

Total Reserve Bank assets as of December 31, 2009 were \$2.235 trillion, which represents a decrease of \$11 billion from the previous year. Although the level of total Reserve Bank assets did not change significantly, the composition of the balance sheet changed notably. Because of improvements in funding markets, assets related to certain financial stability activities decreased during 2009, including a \$543 billion decrease in central bank liquidity swaps, a \$447 billion decrease in loans to depository institutions, and a \$324 billion decrease in commercial paper held in the Commercial Paper Funding Facility. These decreases were offset, in part, by a \$919 billion increase in holdings of Federal agency and government-sponsored enterprise (GSE) mortgage-backed securities (MBS), which were purchased to provide support to mortgage and housing markets and to foster improved conditions in financial markets more generally, and a \$471 billion increase in holdings of Treasury securities and GSE debt securities.

The Reserve Banks' comprehensive income increased \$17.9 billion over the previous year to \$53.4 billion in the year ended December 31, 2009. The increase was primarily attributable to interest earnings on the Federal agency and GSE MBS holdings of \$20.4 billion in 2009. This increase in comprehensive income was partially offset by a decrease of \$3.8 billion in realized gains on the sale of Treasury securities and a decrease of \$2.8 billion in interest income on loans to depository institutions.

The consolidated LLCs also contributed to the increase in Reserve Banks' comprehensive income in 2009, with net earnings of \$5.6 billion for the year ended December 31, 2009, a \$7.3 billion increase over the 2008 net loss of \$1.7 billion.

The Reserve Banks transferred \$47.4 billion of their \$53.4 billion in comprehensive income to the U.S. Treasury in 2009, a \$15.7 billion or 50 percent increase from the amount transferred in 2008.

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:

Federal Reserve Bank of San Francisco
Banking Supervision and Regulation
(415) 974-2136