



# Federal Reserve Banks Combined Quarterly Financial Report

Unaudited

March 31, 2013





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# Abbreviations

|        |  |
|--------|--|
| ABS    | Asset-backed securities                    |
| AIG    | American International Group, Inc.         |
| ARM    | Adjustable rate mortgage                   |
| CDO    | Collateralized debt obligation             |
| CMBS   | Commercial mortgage-backed securities      |
| FRBNY  | Federal Reserve Bank of New York           |
| GSE    | Government-sponsored enterprise            |
| MBS    | Mortgage-backed securities                 |
| ML     | Maiden Lane LLC                            |
| ML II  | Maiden Lane II LLC                         |
| ML III | Maiden Lane III LLC                        |
| LLC    | Limited liability company                  |
| RMBS   | Residential mortgage-backed securities     |
| SBA    | Small Business Administration              |
| SOMA   | System Open Market Account                 |
| TALF   | Term Asset-Backed Securities Loan Facility |
| VIE    | Variable interest entity                   |





# Combined Quarterly Financial Statements

| <b>Combined statements of condition</b>  |                    |                    |
|--|--------------------|--------------------|
| <b>(in millions)</b>   |                    |                    |
|  | March 31, 2013     | December 31, 2012  |
| <b>Assets</b>  |                    |                    |
| Gold certificates  | \$ 11,037          | \$ 11,037          |
| Special drawing rights certificates  | 5,200              | 5,200              |
| Coin   | 2,116              | 2,108              |
| <b>Loans:</b>  |                    |                    |
| Depository institutions  | 9                  | 70                 |
| Term Asset-Backed Securities Loan Facility (measured at fair value)  | 385                | 560                |
| <b>System Open Market Account:</b>   |                    |                    |
| Treasury securities, net (of which \$26,768 and \$9,139 is lent as of March 31, 2013, and December 31, 2012, respectively)   | 1,950,412          | 1,809,188          |
| Government-sponsored enterprise debt securities, net (of which \$1,234 and \$697 is lent as of March 31, 2013, and December 31, 2012, respectively)                            | 74,898             | 79,479             |
| Federal agency and government-sponsored enterprise mortgage-backed securities, net   | 1,103,201          | 950,321            |
| Foreign currency denominated assets, net   | 23,741             | 24,972             |
| Central bank liquidity swaps   | 8,056              | 8,889              |
| Other investments  | 90                 | 23                 |
| Investments held by consolidated variable interest entities (of which \$1,839 and \$2,266 is measured at fair value as of March 31, 2013, and December 31, 2012, respectively) | 2,284              | 2,750              |
| Accrued interest receivable  | 20,299             | 18,932             |
| Bank premises and equipment, net   | 2,662              | 2,676              |
| Items in process of collection   | 173                | 216                |
| Other assets   | 797                | 713                |
| Total assets   | <u>\$3,205,360</u> | <u>\$2,917,134</u> |
| <b>Liabilities and capital</b>   |                    |                    |
| Federal Reserve notes outstanding, net   | \$1,134,315        | \$1,126,661        |
| <b>System Open Market Account:</b>   |                    |                    |
| Securities sold under agreements to repurchase   | 105,457            | 107,188            |
| Other liabilities  | 2,894              | 3,177              |
| <b>Consolidated variable interest entities:</b>  |                    |                    |
| Beneficial interest in consolidated variable interest entities (measured at fair value)  | 380                | 803                |
| Other liabilities (of which \$70 and \$71 is measured at fair value as of March 31, 2013, and December 31, 2012, respectively)   | 381                | 415                |
| <b>Deposits:</b>   |                    |                    |
| Depository institutions  | 1,787,307          | 1,491,045          |
| Term deposit facility  | 3,045              | —                  |
| Treasury, general account  | 79,152             | 92,720             |
| Other deposits   | 29,646             | 33,903             |
| Interest payable to depository institutions  | 300                | 199                |
| Accrued benefit costs  | 3,812              | 3,964              |
| Deferred credit items  | 764                | 702                |
| Accrued interest on Federal Reserve notes  | 2,122              | 1,407              |
| Other liabilities  | 657                | 230                |
| Total liabilities  | <u>3,150,232</u>   | <u>2,862,414</u>   |
| Capital paid-in  | 27,564             | 27,360             |
| Surplus (including accumulated other comprehensive loss of \$4,732 and \$4,845 at March 31, 2013, and December 31, 2012, respectively)   | 27,564             | 27,360             |
| Total capital  | <u>55,128</u>      | <u>54,720</u>      |
| Total liabilities and capital  | <u>\$3,205,360</u> | <u>\$2,917,134</u> |

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| Combined statements of income and comprehensive income  |  |  |
|---|--|--|
| (in millions)   |  |  |
|   | Three months and<br>year-to-date ended<br>March 31, 2013 | Three months and<br>year-to-date ended<br>March 31, 2012 |
| <b>Interest income</b>  |  |  |
| <b>Loans:</b>   |  |  |
| Term Asset-Backed Securities Loan Facility  | \$ 2   | 35   |
| <b>System Open Market Account:</b>  |  |  |
| Treasury securities, net  | 11,139   | 11,058   |
| Government-sponsored enterprise debt securities, net  | 584  | 698  |
| Federal agency and government-sponsored enterprise mortgage-backed securities, net                | 7,571  | 8,416  |
| Foreign currency denominated assets, net  | 26   | 40   |
| Central bank liquidity swaps  | 12   | 136  |
| Investments held by consolidated variable interest entities                                       | 1  | 562  |
| Total interest income   | <u>19,335</u>  | <u>20,945</u>  |
| <b>Interest expense</b>   |  |  |
| <b>System Open Market Account:</b>  |  |  |
| Securities sold under agreements to repurchase  | 26   | 23   |
| Beneficial interest in consolidated variable interest entities                                    | —  | 71   |
| <b>Deposits:</b>  |  |  |
| Depository institutions   | 1,042  | 996  |
| Term Deposit Facility   | 1  | 1  |
| Total interest expense  | <u>1,069</u>   | <u>1,091</u>   |
| Net interest income   | <u>18,266</u>  | <u>19,854</u>  |
| <b>Non-interest income</b>  |  |  |
| Term Asset-Backed Securities Loan Facility, unrealized gains (losses)                             | (1)  | (12)   |
| <b>System Open Market Account:</b>  |  |  |
| Treasury securities gains, net  | —  | 2,847  |
| Federal agency and government-sponsored enterprise mortgage-backed securities gains (losses), net | (75)   | 121  |
| Foreign currency translation (losses), net  | (1,258)  | (408)  |
| <b>Consolidated variable interest entities:</b>   |  |  |
| Investments held by consolidated variable interest entities gains, net                            | 27   | 4,276  |
| Beneficial interest in consolidated variable interest entities (losses), net                      | —  | (1,208)  |
| Income from services  | 112  | 116  |
| Reimbursable services to government agencies  | 134  | 89   |
| Other   | 20   | 18   |
| Total non-interest income   | <u>(1,041)</u>   | <u>5,839</u>   |
| <b>Operating expenses</b>   |  |  |
| Salaries and benefits   | 791  | 708  |
| Occupancy   | 75   | 74   |
| Equipment   | 41   | 44   |
| <b>Assessments:</b>   |  |  |
| Board of Governors operating expenses and currency costs  | 274  | 253  |
| Bureau of Consumer Financial Protection   | 108  | 64   |
| Professional fees related to consolidated variable interest entities                              | 2  | 10   |
| Other   | 140  | 103  |
| Total operating expenses  | <u>1,431</u>   | <u>1,256</u>   |
| Net income before interest on Federal Reserve notes expense remitted to Treasury                  | 15,794   | 24,437   |
| Interest on Federal Reserve notes—remitted to Treasury  | 15,291   | 23,784   |
| Net income  | <u>503</u>   | <u>653</u>   |
| Change in prior service costs related to benefit plans  | 26   | 25   |
| Change in actuarial gains (losses) related to benefit plans                                       | 87   | 47   |
| Total other comprehensive income  | <u>113</u>   | <u>72</u>  |
| Comprehensive income  | <u>\$ 616</u>  | <u>\$ 725</u>  |

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**Combined statements of changes in capital**

(in millions, except share data)

|   | Capital paid-in | Surplus             |                                      |                 | Total capital   |
|---|-----------------|---------------------|--------------------------------------|-----------------|-----------------|
|   |                 | Net income retained | Accumulated other comprehensive loss | Total surplus   |                 |
| Balance at January 1, 2012 (537,984,621 shares)       | \$26,899        | \$31,691            | \$(4,792)                            | \$26,899        | \$53,798        |
| Net change in capital stock issued (9,210,524 shares) | 461             | —                   | —                                    | —               | 461             |
| Comprehensive income:                                 |                 |                     |                                      |                 |                 |
| Net income  | —               | 2,151               | —                                    | 2,151           | 2,151           |
| Other comprehensive income                            | —               | —                   | (53)                                 | (53)            | (53)            |
| Dividends on capital stock                            | —               | (1,637)             | —                                    | (1,637)         | (1,637)         |
| Net change in capital                                 | 461             | 514                 | (53)                                 | 461             | 922             |
| Balance at December 31, 2012 (547,195,145 shares)     | \$27,360        | \$32,205            | \$(4,845)                            | \$27,360        | \$54,720        |
| Net change in capital stock issued (4,092,131 shares) | 204             | —                   | —                                    | —               | 204             |
| Comprehensive income:                                 |                 |                     |                                      |                 |                 |
| Net income  | —               | 503                 | —                                    | 503             | 503             |
| Other comprehensive income                            | —               | —                   | 113                                  | 113             | 113             |
| Dividends on capital stock                            | —               | (412)               | —                                    | (412)           | (412)           |
| Net change in capital                                 | 204             | 91                  | 113                                  | 204             | 408             |
| Balance at March 31, 2013 (551,287,276 shares)        | <u>\$27,564</u> | <u>\$32,296</u>     | <u>\$(4,732)</u>                     | <u>\$27,564</u> | <u>\$55,128</u> |

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# Supplemental Financial Information

## (1) Loans

### Loans to Depository Institutions

The Reserve Banks offer primary, secondary, and seasonal loans to eligible depository institutions. The remaining maturity distribution of loans to depository institutions outstanding as of March 31, 2013, and December 31, 2012, was as follows:

**Table 1. Loans to depository institutions**  
(in millions)

|   | Within 15 days | 16 to 90 days | Total |
|---|----------------|---------------|-------|
| <b>March 31, 2013:</b>                  |                |               |       |
| Primary, secondary, and seasonal credit | \$ 9           | \$ —          | \$ 9  |
| <b>December 31, 2012:</b>               |                |               |       |
| Primary, secondary, and seasonal credit | \$67           | \$ 3          | \$70  |

As of March 31, 2013, and December 31, 2012, the Reserve Banks did not have any impaired loans and no allowance for loan losses was required. There were no impaired loans during the period ended March 31, 2013, and year ended December 31, 2012.

### Term Asset-Backed Securities Loan Facility (TALF) Loans

The Board of Governors authorized the offering of TALF loans collateralized by newly-issued asset-backed securities (ABS) and legacy commercial mortgage-backed securities (CMBS) until March 31, 2010, and TALF loans collateralized by newly-issued CMBS until September 30, 2010. All TALF loans are recorded at fair value.

The table below presents the fair value of TALF loans by concentration as of March 31, 2013, and December 31, 2012, respectively:

**Table 2. TALF loans by concentration**  
(in millions)

| Collateral type <sup>1</sup> | Time to maturity <sup>2</sup> |                   |                        | Total        |
|------------------------------|-------------------------------|-------------------|------------------------|--------------|
|                              | Within 90 days                | 91 days to 1 year | Over 1 year to 3 years |              |
| <b>March 31, 2013:</b>       |                               |                   |                        |              |
| Student loan                 | \$—                           | \$—               | \$259                  | \$259        |
| Credit card                  | —                             | —                 | —                      | —            |
| CMBS                         | —                             | —                 | 126                    | 126          |
| Floorplan                    | —                             | —                 | —                      | —            |
| Auto                         | —                             | —                 | —                      | —            |
| SBA's                        | —                             | —                 | —                      | —            |
| Other <sup>3</sup>           | —                             | —                 | —                      | —            |
| <b>Total</b>                 | <b>\$—</b>                    | <b>\$—</b>        | <b>\$385</b>           | <b>\$385</b> |

(continued on next page)

**Table 2.—continued**

| Collateral type <sup>1</sup> | Time to maturity <sup>2</sup> |                   |                        | Total        |
|------------------------------|-------------------------------|-------------------|------------------------|--------------|
|                              | Within 90 days                | 91 days to 1 year | Over 1 year to 3 years |              |
| <b>December 31, 2012:</b>    |                               |                   |                        |              |
| Student loan                 | \$—                           | \$—               | \$382                  | \$382        |
| Credit card                  | —                             | —                 | —                      | —            |
| CMBS                         | 3                             | —                 | 129                    | 132          |
| Floorplan                    | —                             | —                 | —                      | —            |
| Auto                         | —                             | —                 | —                      | —            |
| SBAs                         | —                             | —                 | —                      | —            |
| Other <sup>3</sup>           | 46                            | —                 | —                      | 46           |
| <b>Total</b>                 | <b>\$49</b>                   | <b>\$—</b>        | <b>\$511</b>           | <b>\$560</b> |

<sup>1</sup> All credit ratings are AAA unless otherwise indicated.  
<sup>2</sup> TALF loans will mature over the next several years, with all loans maturing no later than March 31, 2015.  
<sup>3</sup> Includes equipment loans, insurance premium financial loans, and residential mortgage servicing advances.

The fair value of TALF loans reported in the Combined Statements of Condition as of March 31, 2013, and December 31, 2012, includes \$2 million and \$3 million in unrealized gains, respectively.

As of March 31, 2013, and December 31, 2012, no TALF loans were over 90 days past due or on nonaccrual status. Because TALF loans are measured at fair value, an allowance for loan losses was not required.

## (2) System Open Market Account (SOMA) Holdings

Treasury securities, government-sponsored enterprise (GSE) debt securities, and federal agency and GSE mortgage-backed securities (MBS) are reported at amortized cost in the Combined Statements of Condition. SOMA portfolio holdings as of March 31, 2013, and December 31, 2012, were as follows:

**Table 3. Domestic SOMA portfolio holdings**  
(in millions)

|  | March 31, 2013     |                    |   | December 31, 2012  |                    |   |
|--|--------------------|--------------------|---|--------------------|--------------------|---|
|  | Amortized cost     | Fair value         | Fair value greater (less) than amortized cost | Amortized cost     | Fair value         | Fair value greater (less) than amortized cost |
| Bills  | \$ —               | \$ —               | \$ —  | \$ —               | \$ —               | \$ —  |
| Notes  | 1,231,422          | 1,300,205          | 68,783  | 1,142,219          | 1,213,177          | 70,958  |
| Bonds  | 718,990            | 798,107            | 79,117  | 666,969            | 761,138            | 94,169  |
| <b>Subtotal—Treasury securities</b>              | <b>\$1,950,412</b> | <b>\$2,098,312</b> | <b>\$147,900</b>                              | <b>\$1,809,188</b> | <b>\$1,974,315</b> | <b>\$165,127</b>                              |
| GSE debt securities                              | 74,898             | 79,955             | 5,057   | 79,479             | 85,004             | 5,525   |
| Federal agency and GSE MBS                       | 1,103,201          | 1,134,742          | 31,541  | 950,321            | 993,990            | 43,669  |
| Foreign currency denominated assets              | 23,741             | 23,885             | 144   | 24,972             | 25,141             | 169   |
| Central bank liquidity swaps                     | 8,056              | 8,056              | —   | 8,889              | 8,889              | —   |
| <b>Memorandum - Commitments for:</b>             |                    |                    |   |                    |                    |   |
| Purchases of Treasury securities                 | 5,113              | 5,110              | (3)   | —                  | —                  | —   |
| Purchases of Federal agency and GSE MBS          | 100,519            | 100,834            | 315   | 118,215            | 118,397            | 182   |
| Sales of Federal agency and GSE MBS              | —                  | —                  | —   | —                  | —                  | —   |
| Purchases of foreign government debt instruments | —                  | —                  | —   | —                  | —                  | —   |

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The following table provides additional information on the amortized cost and fair values of the federal agency and GSE MBS portfolio as of March 31, 2013, and December 31, 2012:

| <b>Table 4. Detail of federal agency and GSE MBS holdings</b> |                           |                           |                         |                         |
|---|---------------------------|---------------------------|-------------------------|-------------------------|
| <b>(in millions)</b>  |                           |                           |                         |                         |
| Distribution of MBS holdings by coupon rate                   | March 31, 2013            |                           | December 31, 2012       |                         |
|   | Amortized cost            | Fair value                | Amortized cost          | Fair value              |
| 2.0%  | \$ 2,929                  | \$ 2,918                  | \$ 845                  | \$ 846                  |
| 2.5%  | 80,827                    | 80,558                    | 37,562                  | 37,766                  |
| 3.0%  | 317,312                   | 314,949                   | 160,613                 | 161,757                 |
| 3.5%  | 200,179                   | 202,926                   | 179,587                 | 184,752                 |
| 4.0%  | 119,982                   | 126,447                   | 137,758                 | 145,955                 |
| 4.5%  | 230,238                   | 246,821                   | 262,485                 | 282,182                 |
| 5.0%  | 112,110                   | 118,507                   | 125,107                 | 132,213                 |
| 5.5%  | 34,097                    | 35,809                    | 39,970                  | 41,819                  |
| 6.0%  | 4,870                     | 5,098                     | 5,642                   | 5,888                   |
| 6.5%  | 657                       | 709                       | 752                     | 812                     |
| <b>Total</b>  | <b><u>\$1,103,201</u></b> | <b><u>\$1,134,742</u></b> | <b><u>\$950,321</u></b> | <b><u>\$993,990</u></b> |

The remaining maturity distribution of Treasury securities, GSE debt securities, federal agency and GSE MBS bought outright, and securities sold under agreements to repurchase as of March 31, 2013, and December 31, 2012, was as follows:

| <b>Table 5. Maturity distribution of domestic SOMA portfolio securities</b> |                |                    |                   |                        |                          |               |             |
|---|----------------|--------------------|-------------------|------------------------|--------------------------|---------------|-------------|
| <b>(in millions)</b>  |                |                    |                   |                        |                          |               |             |
|   | Within 15 days | 16 days to 90 days | 91 days to 1 year | Over 1 year to 5 years | Over 5 years to 10 years | Over 10 years | Total       |
| <b>March 31, 2013:</b>  |                |                    |                   |                        |                          |               |             |
| Treasury securities (par value)   | \$ 1           | \$ 5               | \$ 309            | \$457,250              | \$879,623                | \$ 458,860    | \$1,796,048 |
| GSE debt securities (par value)   | 370            | 2,873              | 21,837            | 42,952                 | 2,044                    | 2,347         | 72,423      |
| Federal agency and GSE MBS (par value) <sup>1</sup>                         | —              | —                  | 1                 | 1                      | 2,560                    | 1,068,384     | 1,070,946   |
| Securities sold under agreements to repurchase (contract amount)            | 105,457        | —                  | —                 | —                      | —                        | —             | 105,457     |
| <b>December 31, 2012:</b>   |                |                    |                   |                        |                          |               |             |
| Treasury securities (par value)   | \$ —           | \$ 5               | \$ 16             | \$378,476              | \$862,410                | \$ 425,238    | \$1,666,145 |
| GSE debt securities (par value)   | 1,565          | 2,795              | 15,202            | 52,830                 | 2,044                    | 2,347         | 76,783      |
| Federal agency and GSE MBS (par value) <sup>1</sup>                         | —              | —                  | 2                 | 1                      | 2,365                    | 924,294       | 926,662     |
| Securities sold under agreements to repurchase (contract amount)            | 107,188        | —                  | —                 | —                      | —                        | —             | 107,188     |

<sup>1</sup> The par amount shown for federal agency and GSE MBS is the remaining principal balance of the securities.

Federal agency and GSE MBS are reported at stated maturity in the table above. The estimated weighted average remaining life of these securities as of March 31, 2013, and December 31, 2012, which differs from the stated maturity primarily because it factors in scheduled payments and prepayment assumptions, was approximately 4.7 years and 3.3 years, respectively.

Information about transactions related to Treasury securities, GSE debt securities, and federal agency and GSE MBS during the three months ended March 31, 2013, and during the year ended December 31, 2012, is summarized as follows:

| <b>Table 6. Domestic portfolio transactions of SOMA securities</b>   |             |                    |                  |                           |                     |                            |
|--|-------------|--------------------|------------------|---------------------------|---------------------|----------------------------|
| <b>(in millions)</b>   |             |                    |                  |                           |                     |                            |
|  | Bills       | Notes              | Bonds            | Total Treasury securities | GSE debt securities | Federal agency and GSE MBS |
| Balance December 31, 2011  | \$ 18,423   | \$1,311,917        | \$419,937        | \$1,750,277               | \$107,828           | \$ 848,258                 |
| Purchases <sup>1</sup>   | 118,886     | 397,999            | 263,991          | 780,876                   | —                   | 431,487                    |
| Sales <sup>1</sup>   | —           | (507,420)          | (11,727)         | (519,147)                 | —                   | —                          |
| Realized gains, net <sup>2</sup>   | —           | 12,003             | 1,252            | 13,255                    | —                   | —                          |
| Principal payments and maturities  | (137,314)   | (67,462)           | —                | (204,776)                 | (27,211)            | (324,181)                  |
| Amortization of premiums and discounts   | 5           | (5,461)            | (7,531)          | (12,987)                  | (1,138)             | (5,243)                    |
| Inflation adjustment on inflation-indexed securities   | —           | 643                | 1,047            | 1,690                     | —                   | —                          |
| <b>Balance December 31, 2012</b>   | <b>\$ —</b> | <b>\$1,142,219</b> | <b>\$666,969</b> | <b>\$1,809,188</b>        | <b>\$ 79,479</b>    | <b>\$ 950,321</b>          |
| Purchases <sup>1</sup>   | —           | 90,759             | 54,443           | 145,202                   | —                   | 244,021                    |
| Sales <sup>1</sup>   | —           | —                  | —                | —                         | —                   | —                          |
| Realized gains, net <sup>2</sup>   | —           | —                  | —                | —                         | —                   | —                          |
| Principal payments and maturities  | —           | (4)                | —                | (4)                       | (4,360)             | (89,176)                   |
| Amortization of premiums and discounts   | —           | (1,420)            | (2,173)          | (3,593)                   | (221)               | (1,965)                    |
| Inflation adjustment on inflation-indexed securities   | —           | (132)              | (249)            | (381)                     | —                   | —                          |
| <b>Balance March 31, 2013</b>  | <b>\$ —</b> | <b>\$1,231,422</b> | <b>\$718,990</b> | <b>\$1,950,412</b>        | <b>\$ 74,898</b>    | <b>\$1,103,201</b>         |
| Year ended December 31, 2012   |             |                    |                  |                           |                     |                            |
| <b>Supplemental information - par value of transactions:</b>   |             |                    |                  |                           |                     |                            |
| Purchases <sup>3</sup>   | \$ 118,892  | \$ 383,106         | \$205,115        | \$ 707,113                | \$ —                | \$ 413,160                 |
| Sales <sup>3</sup>   | —           | (492,234)          | (9,094)          | (501,328)                 | —                   | —                          |
| Three months ended March 31, 2013  |             |                    |                  |                           |                     |                            |
| <b>Supplemental information - par value of transactions</b>  |             |                    |                  |                           |                     |                            |
| Purchases <sup>3</sup>   | \$ —        | \$ 85,269          | \$ 45,020        | \$ 130,289                | \$ —                | \$ 233,460                 |
| Sales <sup>3</sup>   | —           | —                  | —                | —                         | —                   | —                          |
| <sup>1</sup> Purchases and sales are reported on a settlement-date basis and may include payments and receipts related to principal, premiums, discounts, and inflation compensation adjustments to the basis of inflation-indexed securities. The amount reported as sales also includes realized gains and losses on such transactions. Purchases and sales exclude MBS TBA transactions that are settled on a net basis.<br><sup>2</sup> Realized gains, net offset the amount of realized gains and losses included in the reported sales amount.<br><sup>3</sup> Includes inflation compensation. |             |                    |                  |                           |                     |                            |

Foreign currency denominated assets are comprised of foreign currency deposits, securities purchased under agreements to resell, and government debt instruments. Information about foreign currency denominated assets, including accrued interest, valued at amortized cost and foreign currency market exchange rates as of March 31, 2013, and December 31, 2012, was as follows:

| <b>Table 7. Foreign currency denominated assets</b> |                |                   |
|---|----------------|-------------------|
| <b>(in millions)</b>                                |                |                   |
|   | March 31, 2013 | December 31, 2012 |
| <b>Euro:</b>  |                |                   |
| Foreign currency deposits                           | \$8,240        | \$8,925           |
| Securities purchased under agreements to resell     | 1,089          | 659               |
| German government debt instruments                  | 2,247          | 2,178             |
| French government debt instruments                  | 2,279          | 2,470             |

(continued on next page)



**Table 7.—continued**

|                                      | March 31, 2013         | December 31, 2012      |
|--------------------------------------|------------------------|------------------------|
| <b>Japanese yen:</b>                 |                        |                        |
| Foreign currency deposits            | 3,269                  | 3,553                  |
| Japanese government debt instruments | <u>6,617</u>           | <u>7,187</u>           |
| <b>Total</b>                         | <b><u>\$23,741</u></b> | <b><u>\$24,972</u></b> |

The remaining maturity distribution of foreign currency denominated assets, by currency, as of March 31, 2013, and December 31, 2012, was as follows:

**Table 8. Maturity distribution of foreign currency denominated assets**  
(in millions)

|                           | Within 15 days         | 16 days to 90 days    | 91 days to 1 year     | Over 1 year to 5 years | Total                  |
|---------------------------|------------------------|-----------------------|-----------------------|------------------------|------------------------|
| <b>March 31, 2013:</b>    |                        |                       |                       |                        |                        |
| Euro                      | \$ 6,307               | \$2,062               | \$1,921               | \$3,565                | \$13,855               |
| Japanese yen              | <u>3,487</u>           | <u>421</u>            | <u>1,940</u>          | <u>4,038</u>           | <u>9,886</u>           |
| <b>Total</b>              | <b><u>\$ 9,794</u></b> | <b><u>\$2,483</u></b> | <b><u>\$3,861</u></b> | <b><u>\$7,603</u></b>  | <b><u>\$23,741</u></b> |
| <b>December 31, 2012:</b> |                        |                       |                       |                        |                        |
| Euro                      | \$ 6,602               | \$1,726               | \$2,165               | \$3,739                | \$14,232               |
| Japanese yen              | <u>3,801</u>           | <u>491</u>            | <u>2,139</u>          | <u>4,309</u>           | <u>10,740</u>          |
| <b>Total</b>              | <b><u>\$10,403</u></b> | <b><u>\$2,217</u></b> | <b><u>\$4,304</u></b> | <b><u>\$8,048</u></b>  | <b><u>\$24,972</u></b> |

As of March 31, 2013, and December 31, 2012, the fair value of foreign currency denominated assets, including accrued interest, was \$23,885 million and \$25,141 million, respectively.

In May 2010, U.S. dollar liquidity swap arrangements were re-authorized with the Bank of Canada, the Bank of England, the European Central Bank, the Bank of Japan, and the Swiss National Bank through January 2011. Subsequently, these arrangements were extended through February 1, 2014. There is no specified limit to the amount that may be drawn by the Bank of England, the European Central Bank, the Bank of Japan, and the Swiss National Bank under these swap arrangements; the Bank of Canada may draw up to \$30 billion under the swap arrangement with the Federal Reserve Bank of New York (FRBNY). In addition to the central bank liquidity swap arrangements, the Federal Open Market Committee has authorized reciprocal currency arrangements with the Bank of Canada and the Bank of Mexico.

The remaining maturity distribution of U.S. dollar liquidity swaps as of March 31, 2013, and the total U.S. dollar liquidity swaps outstanding as of December 31, 2012, was as follows:

**Table 9. Maturity distribution of liquidity swaps**  
(in millions)

|              | March 31, 2013      |                       |                       | December 31, 2012     |                       |                       |
|--------------|---------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|              | Within 15 days      | 16 days to 90 days    | Total                 | Within 15 days        | 16 days to 90 days    | Total                 |
| Euro         | \$505               | \$7,551               | \$8,056               | \$1,741               | \$7,147               | \$8,888               |
| Japanese yen | <u>—</u>            | <u>—</u>              | <u>—</u>              | <u>1</u>              | <u>—</u>              | <u>1</u>              |
| <b>Total</b> | <b><u>\$505</u></b> | <b><u>\$7,551</u></b> | <b><u>\$8,056</u></b> | <b><u>\$1,742</u></b> | <b><u>\$7,147</u></b> | <b><u>\$8,889</u></b> |

The following table presents realized gains and the change in the unrealized gain position of the domestic securities holdings during the periods ended March 31, 2012, and March 31, 2013:

| <b>Table 10: Realized gains and change in unrealized gain position</b>   |   |  |
|--|---|--|
| <b>(in millions)</b>   |   |  |
|  | Total portfolio holdings realized gains (losses) <sup>1</sup> | Fair value changes in unrealized gains (losses) <sup>2</sup> |
| <b>Three months ended March 31, 2013</b>   |   |  |
| Treasury Securities  | \$ —  | \$(17,227)   |
| GSE debt securities  | —   | (468)  |
| Federal agency and GSE MBS   | (75)  | (12,128)   |
| <b>Total</b>   | <b>\$ (75)</b>  | <b>\$(29,823)</b>  |
| <b>Three months ended March 31, 2012</b>   |   |  |
| Treasury Securities  | \$2,847   | \$(38,034)   |
| GSE debt securities  | —   | (592)  |
| Federal agency and GSE MBS   | 121   | (4,056)  |
| <b>Total</b>   | <b>\$2,968</b>  | <b>\$(42,682)</b>  |
| <sup>1</sup> Total portfolio holdings realized gains (losses) are reported in "Non-interest income: System Open Market Account" in the Combined statements of income and comprehensive income. |   |  |
| <sup>2</sup> Because SOMA securities are recorded at amortized cost, unrealized gains (losses) are not reported in the Combined statements of income and comprehensive income.                 |   |  |

### (3) Consolidated Variable Interest Entities (VIEs)

The combined financial statements include the accounts and results of operations of Maiden Lane LLC (ML), Maiden Lane II LLC (ML II), Maiden Lane III LLC (ML III), and TALF LLC, which are consolidated by the FRBNY. Intercompany balances and transactions are eliminated in consolidation.

Substantially all of the investments held by ML, ML II, ML III, and TALF LLC are recorded at fair value.

The classification of significant assets and liabilities of the consolidated VIEs as of March 31, 2013, and December 31, 2012, was as follows:

| <b>Table 11. Assets and liabilities of consolidated VIEs</b>          |                |            |            |              |                |
|---|----------------|------------|------------|--------------|----------------|
| <b>(in millions)</b>  |                |            |            |              |                |
|   | ML             | ML II      | ML III     | TALF LLC     | Total          |
| <b>March 31, 2013:</b>  |                |            |            |              |                |
| <b>Assets</b>   |                |            |            |              |                |
| Commercial mortgage loans   | \$ 495         | \$—        | \$—        | \$ —         | \$ 495         |
| Swap contracts  | 367            | —          | —          | —            | 367            |
| Short-term investments  | 251            | —          | —          | 150          | 401            |
| Non-agency RMBS   | 5              | —          | —          | —            | 5              |
| CDOs  | —              | —          | —          | —            | —              |
| Federal agency and GSE MBS  | —              | —          | —          | —            | —              |
| Residential mortgage loans  | —              | —          | —          | —            | —              |
| Other investments   | 48             | —          | —          | —            | 48             |
| <b>Subtotal—investments</b>   | <b>\$1,166</b> | <b>\$—</b> | <b>\$—</b> | <b>\$150</b> | <b>\$1,316</b> |
| Cash, cash equivalents, accrued interest receivable, and other assets | 632            | 64         | 22         | 250          | 968            |

(continued on next page)

Table 11.—continued

|   | ML                    | ML II              | ML III             | TALF LLC            | Total                 |
|---|-----------------------|--------------------|--------------------|---------------------|-----------------------|
| <b>Total portfolio assets</b>   | <b>\$1,798</b>        | <b>\$64</b>        | <b>\$22</b>        | <b>\$400</b>        | <b>\$2,284</b>        |
| Liabilities   | 381                   | —                  | —                  | —                   | 381                   |
| <b>Net portfolio assets available</b>                                 | <b><u>\$1,417</u></b> | <b><u>\$64</u></b> | <b><u>\$22</u></b> | <b><u>\$400</u></b> | <b><u>\$1,903</u></b> |
| <b>As of December 31, 2012:</b>                                       |                       |                    |                    |                     |                       |
| <b>Assets</b>   |                       |                    |                    |                     |                       |
| Commercial mortgage loans   | \$ 466                | \$—                | \$—                | \$ —                | \$ 466                |
| Swap contracts  | 408                   | —                  | —                  | —                   | 408                   |
| Short-term investments  | 251                   | —                  | —                  | 439                 | 690                   |
| Non-agency RMBS   | 2                     | —                  | —                  | —                   | 2                     |
| CDOs  | —                     | —                  | —                  | —                   | —                     |
| Federal agency and GSE MBS  | 1                     | —                  | —                  | —                   | 1                     |
| Residential mortgage loans  | —                     | —                  | —                  | —                   | —                     |
| Other investments   | 65                    | —                  | —                  | —                   | 65                    |
| <b>Subtotal—investments</b>   | <b>\$1,193</b>        | <b>\$—</b>         | <b>\$—</b>         | <b>\$439</b>        | <b>\$1,632</b>        |
| Cash, cash equivalents, accrued interest receivable, and other assets | 617                   | 61                 | 22                 | 418                 | 1,118                 |
| <b>Total portfolio assets</b>   | <b>\$1,810</b>        | <b>\$61</b>        | <b>\$22</b>        | <b>\$857</b>        | <b>\$2,750</b>        |
| Liabilities   | 415                   | —                  | —                  | —                   | 415                   |
| <b>Net portfolio assets available</b>                                 | <b><u>\$1,395</u></b> | <b><u>\$61</u></b> | <b><u>\$22</u></b> | <b><u>\$857</u></b> | <b><u>\$2,335</u></b> |

To finance the initial acquisition of assets by ML, ML II, and ML III, the FRBNY extended senior loans, and other beneficial interest holders acquired subordinated interests through the contribution of subordinated loans, a deferred purchase price, and equity for ML, ML II, and ML III, respectively.

On June 14, 2012, the remaining outstanding balance of the senior loan from the FRBNY to ML was repaid in full, with interest. On November 15, 2012, the remaining outstanding balance of the subordinated loan from JPMorgan Chase & Co was repaid in full, with interest. The FRBNY will continue to sell the remaining assets from the ML portfolio as market conditions warrant and if the sales represent good value for the public. In accordance with the ML agreements, proceeds from future asset sales will be distributed to the FRBNY as contingent interest after all derivative instruments in ML have been terminated and paid or sold from the portfolio.

On March 1, 2012, the loan from the FRBNY to ML II was repaid in full with interest, in accordance with the terms of the facility. On March 15, 2012, the remaining portion of the fixed deferred purchase price plus interest owed to the American International Group, Inc. (AIG) subsidiaries was repaid in full. On March 19, 2012, ML II was dissolved and the FRBNY began the wind up process in accordance with and as required by Delaware law and the agreements governing ML II. Winding up requires ML II to pay or make reasonable provision to pay all claims and obligations of ML II before distributing its remaining assets. While its affairs are being wound up, the ML II is retaining certain assets to meet trailing expenses and other obligations as required by law. Dissolution costs are not expected to be material.

On June 14, 2012, the FRBNY announced that its loan to ML III had been repaid in full, with interest. On July 16, 2012, the FRBNY announced that net proceeds from additional sales of securities in ML III enabled the full repayment of AIG's equity contribution plus accrued interest and provided residual profits to the FRBNY and AIG. On September 10, 2012, ML III was dissolved and the FRBNY began the wind up process in accordance with and as required by Dela-

ware law and the agreements governing ML III. ML III expects the wind up process to be concluded during 2013. Winding up requires ML III to pay or make reasonable provision to pay all claims and obligations of ML III before distributing its remaining assets. While its affairs are being wound up, the ML III is retaining certain assets to meet trailing expenses and other obligations as required by law. Dissolution costs are not expected to be material.

The TALF LLC, which was formed to purchase from the FRBNY any ABS that might be surrendered by a TALF borrower or claimed by the FRBNY in connection with enforcement rights, has not purchased any ABS collateral from the inception of the program to March 31, 2013. As compensation for the commitment to purchase assets, the FRBNY pays the TALF LLC a put option fee based on the amount of TALF loans extended to eligible borrowers. The Treasury provided initial funding of \$100 million to the TALF LLC in the form of a subordinated loan. The TALF LLC invests the fees received from the FRBNY and the funding received from the Treasury in short-term investments.

On January 15, 2013, the Treasury, FRBNY, and the TALF LLC agreed to eliminate in their entirety the Treasury's subordinate funding commitment to the TALF LLC and the FRBNY's senior funding commitment to the TALF LLC. These commitments were no longer deemed necessary because the accumulated fees collected through the TALF program, and currently held in liquid assets in the TALF LLC, exceed the amount of TALF loans outstanding. In addition, the agreement related to distribution of proceeds was amended to limit funding of the cash collateral account to an amount equal to the outstanding principal plus accrued interest of all TALF loans as of the payment determination date; all accumulated funding in excess of that amount would then be distributed according to the distribution priorities described in the agreements governing TALF LLC. Pursuant to this agreement, the TALF LLC repaid in full the outstanding principal and accrued interest on the subordinated loan to the Treasury, and additional distributions were made to the Treasury and FRBNY as contingent interest in the amounts of \$310 million and \$35 million, respectively.

The following table presents the activity related to the senior and subordinated interests from inception to March 31, 2013, and December 31, 2012:

| <b>Table 12. Analysis of senior and subordinated interests in consolidated VIEs</b> |                |             |             |             |                   |             |             |             |
|---|----------------|-------------|-------------|-------------|-------------------|-------------|-------------|-------------|
| <b>(in millions)</b>  |                |             |             |             |                   |             |             |             |
|   | March 31, 2013 |             |             |             | December 31, 2012 |             |             |             |
|   | ML             | ML II       | ML III      | TALF LLC    | ML                | ML II       | ML III      | TALF LLC    |
| <b>Net assets available to pay senior and subordinated interests</b>                | \$ 1,417       | \$ 64       | \$ 22       | \$400       | \$ 1,395          | \$ 61       | \$ 22       | \$857       |
| <b>FRBNY loan:<sup>1</sup></b>  |                |             |             |             |                   |             |             |             |
| Loan extended (par value)   | 28,820         | 19,494      | 24,339      | —           | 28,820            | 19,494      | 24,339      | —           |
| Plus: interest accrued and capitalized  | 765            | 580         | 738         | —           | 765               | 580         | 738         | —           |
| Less: repayments of principal and interest  | (29,585)       | (20,074)    | (25,077)    | —           | (29,585)          | (20,074)    | (25,077)    | —           |
| <b>Total FRBNY loan outstanding</b>   | <b>\$ —</b>    | <b>\$ —</b> | <b>\$ —</b> | <b>\$ —</b> | <b>\$ —</b>       | <b>\$ —</b> | <b>\$ —</b> | <b>\$ —</b> |
| <b>Subordinated interests:</b>  |                |             |             |             |                   |             |             |             |
| Loans and equity contributions  | \$ 1,150       | \$ 1,000    | \$ 5,000    | \$100       | \$ 1,150          | \$ 1,000    | \$ 5,000    | \$100       |
| Plus: interest accrued and capitalized  | 280            | 113         | 639         | 13          | 280               | 113         | 639         | 13          |

(continued on next page)

**Table 12.—continued**

|   | March 31, 2013 |         |         |          | December 31, 2012 |         |         |          |
|---|----------------|---------|---------|----------|-------------------|---------|---------|----------|
|   | ML             | ML II   | ML III  | TALF LLC | ML                | ML II   | ML III  | TALF LLC |
| Less: repayments of principal and interest  | (1,430)        | (1,113) | (5,639) | (113)    | (1,430)           | (1,113) | (5,639) | —        |
| Total subordinated interests outstanding  | \$ —           | \$ —    | \$ —    | \$ —     | \$ —              | \$ —    | \$ —    | \$113    |
| <b>Excess of net assets available over loans and subordinated interest outstanding:</b> |                |         |         |          |                   |         |         |          |
| Allocated to FRBNY  | 1,417          | 53      | 15      | 38       | 1,395             | 51      | 15      | 71       |
| Allocated to other beneficial interests   | —              | 11      | 7       | 362      | —                 | 10      | 7       | 673      |
| Total   | \$ 1,417       | \$ 64   | \$ 22   | \$ 400   | \$ 1,395          | \$ 61   | \$ 22   | \$744    |

<sup>1</sup> Loans extended by FRBNY to ML, ML II, and ML III are eliminated in consolidation.

The following table presents information on the ratings breakdown of debt securities as of March 31, 2013, which are recorded at fair value in the ML portfolio, as a percentage of aggregate fair value of all securities in the portfolio.

**Table 13. Rating composition of consolidated VIE portfolio assets**

|                            | AAA | AA+ to AA- | A+ to A- | BBB+ to BBB- | BB+ and lower | Gov't / agency | Not rated | Total  |
|----------------------------|-----|------------|----------|--------------|---------------|----------------|-----------|--------|
| Short-term investments     | —   | —          | —        | —            | —             | 82.4%          | —         | 82.4%  |
| Non-agency RMBS            | —   | —          | —        | —            | 1.6%          | —              | —         | 1.6%   |
| Federal agency and GSE MBS | —   | —          | —        | —            | —             | —              | —         | —      |
| Other                      | —   | —          | —        | —            | 3.2%          | —              | 12.8%     | 16.0%  |
| Total                      | —   | —          | —        | —            | 4.8%          | 82.4%          | 12.8%     | 100.0% |

Note: Lowest of all ratings was used for the purpose of this table if rated by two or more nationally recognized statistical rating organizations. The year of issuance with the highest concentration of underlying assets as measured by outstanding principal balance determines the vintage of the CDO. Rows and columns may not total due to rounding.

## (4) Federal Reserve Notes

Federal Reserve notes are the circulating currency of the United States. These notes, which are identified as issued to a specific Reserve Bank, must be fully collateralized. All of the Reserve Banks' assets are eligible to be pledged as collateral. As of March 31, 2013, and December 31, 2012, all Federal Reserve notes were fully collateralized.

## (5) Depository Institution Deposits

Depository institution deposits are primarily comprised of required reserve balances, contractual clearing balances, and excess reserve balances. Required reserve balances are those that a depository institution must hold to satisfy its reserve requirement. Contractual clearing balances are those established by a depository institution to provide protection against overdrafts in its account with its Reserve Bank. Excess reserves are those held by the depository institutions in excess of their required reserve balances and contractual clearing balances. The contractual clearing balance program was eliminated on July 12, 2012.

## (6) Treasury Deposits

The Treasury holds deposits at the Reserve Banks in a general account pursuant to the Reserve Banks' role as fiscal agents of the United States.

## (7) Capital and Surplus

The Federal Reserve Act requires that each member bank subscribe to the capital stock of the Reserve Bank in an amount equal to 6 percent of the capital and surplus of the member bank. These shares are nonvoting with a par value of \$100, and may not be transferred or hypothecated. Currently, only one-half of the subscription is paid in and the remainder is subject to call. By law, each Reserve Bank is required to pay each member bank an annual dividend of 6 percent on paid-in capital stock.

In addition, the Board of Governors requires the Reserve Banks to maintain a surplus equal to the amount of capital paid-in as of December 31 of each year.

## (8) Income and Expense

### (A) Loans

Interest income on primary, secondary, and seasonal credit is accrued using the applicable rate established at least every 14 days by the Reserve Banks' boards of directors, subject to review and determination by the Board of Governors. Interest income on loans includes interest earned on TALF loans. Supplemental information on interest income on loans is as follows:

| <b>Table 14. Interest income on loans</b> |                                      |                                      |
|---|--------------------------------------|--------------------------------------|
| <b>(in millions)</b>                      |                                      |                                      |
|   | Three months ended<br>March 31, 2013 | Three months ended<br>March 31, 2012 |
| <b>Interest income:</b>                   |                                      |                                      |
| Primary, secondary, and seasonal credit   | *                                    | *                                    |
| TALF                                      | 2                                    | 35                                   |
| <b>Total interest income</b>              | <b>\$ 2</b>                          | <b>\$ 35</b>                         |
| <b>Average daily loan balance:</b>        |                                      |                                      |
| Primary, secondary, and seasonal credit   | \$ 11                                | \$ 19                                |
| TALF                                      | 463                                  | 7,935                                |
| <b>Average interest rate:</b>             |                                      |                                      |
| Primary, secondary, and seasonal credit   | 0.69%                                | 0.72%                                |
| TALF                                      | 1.73%                                | 1.76%                                |
| * Less than \$500 thousand.               |                                      |                                      |

In addition to TALF LLC net income, the FRBNY records income and expense related to TALF loans in its consolidated financial statements. The following table summarizes the earnings of the TALF program, taken as a whole:

| <b>Table 15. FRBNY net income from TALF program</b> |                                      |                                      |
|---|--------------------------------------|--------------------------------------|
| <b>(in millions)</b>                                |                                      |                                      |
|   | Three months ended<br>March 31, 2013 | Three months ended<br>March 31, 2012 |
| <b>TALF loans:</b>                                  |                                      |                                      |
| Interest income                                     | \$ 2                                 | \$ 35                                |
| Gains (losses)                                      | (1)                                  | (12)                                 |
| Subtotal—TALF loans                                 | \$ 1                                 | \$ 23                                |
| TALF LLC  | —                                    | (6)                                  |
| Total—TALF  | \$ 1                                 | \$ 17                                |

## (B) SOMA Holdings

The amount reported as interest income on SOMA portfolio holdings includes the amortization of premiums and discounts. Supplemental information on interest income on SOMA portfolio holdings is as follows:

| <b>Table 16. Interest income on SOMA portfolio</b>   |                                      |                                      |
|--|--------------------------------------|--------------------------------------|
| <b>(in millions)</b>   |                                      |                                      |
|  | Three months ended<br>March 31, 2013 | Three months ended<br>March 31, 2012 |
| <b>Interest income:</b>  |                                      |                                      |
| U.S. Treasury securities   | \$ 11,139                            | \$ 11,058                            |
| GSE debt securities  | 584                                  | 698                                  |
| Federal agency and GSE MBS   | 7,571                                | 8,416                                |
| Foreign currency denominated assets  | 26                                   | 40                                   |
| Central bank liquidity swaps   | 12                                   | 136                                  |
| Total interest income  | \$ 19,332                            | \$ 20,348                            |
| <b>Average daily balance:</b>  |                                      |                                      |
| U.S. Treasury securities <sup>1</sup>  | \$1,879,381                          | \$1,753,233                          |
| GSE debt securities <sup>1</sup>   | 77,063                               | 104,431                              |
| Federal agency and GSE MBS <sup>2</sup>  | 1,028,431                            | 855,208                              |
| Foreign currency denominated assets <sup>3</sup>   | 24,360                               | 25,782                               |
| Central bank liquidity swaps <sup>4</sup>  | 7,205                                | 90,821                               |
| <b>Average interest rate:</b>  |                                      |                                      |
| U.S. Treasury securities   | 2.37%                                | 2.52%                                |
| GSE debt securities  | 3.03%                                | 2.67%                                |
| Federal agency and GSE MBS   | 2.94%                                | 3.94%                                |
| Foreign currency denominated assets  | 0.43%                                | 0.62%                                |
| Central bank liquidity swaps   | 0.67%                                | 0.60%                                |
| <sup>1</sup> Face value, net of unamortized premiums and discounts.<br><sup>2</sup> Guaranteed by Fannie Mae, Freddie Mac, and Ginnie Mae. Current face value of the securities, which is the remaining principal balance of the underlying mortgages, net of premiums and discounts.<br><sup>3</sup> Includes accrued interest. Foreign currency denominated assets are revalued daily at market exchange rates.<br><sup>4</sup> Dollar value of foreign currency held under these agreements valued at the exchange rate to be used when the foreign currency is returned to the foreign central bank. This exchange rate equals the market exchange rate used when the foreign currency was acquired from the foreign central bank. |                                      |                                      |

The average daily balance of securities sold under agreements to repurchase as of March 31, 2013, and March 31, 2012, was \$93,646 million and \$88,871 million, respectively. The average interest rate on these transactions was 0.1 percent for each of the three month periods ended March 31, 2013, and March 31, 2012, respectively.

**(C) Consolidated VIEs**

The interest income related to the consolidated VIEs is recorded when earned and includes amortization of premiums, accretion of discounts, and paydown gains and losses. Interest expense of the consolidated VIEs is attributable to loans extended by subordinated interest holders; interest expense on loans extended by the FRBNY is eliminated when the VIEs are consolidated in the FRBNY's financial statements. Gains and losses include realized and unrealized gains. Unrealized gains result from the quarterly revaluation of the VIEs portfolio assets. Operating expenses of the consolidated VIEs, which are reported as a component of "Operating expenses" in the Combined Statement of Income, were \$2 million and \$10 million for the three months ended March 31, 2013, and March 31, 2012, respectively.

The following table summarizes the net income and loss recorded by the FRBNY in its consolidated financial statements for each of the VIEs for the periods ended March 31, 2013, and March 31, 2012:

| <b>Table 17. FRBNY net income from consolidated VIEs</b>   |                     |                |                |                           |                |
|--|---------------------|----------------|----------------|---------------------------|----------------|
| <b>(in millions)</b>   |                     |                |                |                           |                |
|  | ML                  | ML II          | ML III         | TALF LLC                  | Total          |
| <b>Three months ended March 31, 2013:</b>  |                     |                |                |                           |                |
| <b>Interest income:</b>  |                     |                |                |                           |                |
| Portfolio interest income  | \$ (3) <sup>1</sup> | \$ 4           | \$ —           | \$ —                      | \$ 1           |
| Less: interest expense   | —                   | —              | —              | —                         | —              |
| Net interest income  | (3)                 | 4              | —              | —                         | 1              |
| <b>Non-interest income:</b>  |                     |                |                |                           |                |
| Portfolio holdings gains   | 27                  | —              | —              | —                         | 27             |
| Less: unrealized and realized gains on beneficial interest in consolidated VIEs  | —                   | —              | —              | — <sup>2</sup>            | —              |
| Net non-interest (loss) income   | 27                  | —              | —              | —                         | 27             |
| <b>Total net interest income and non-interest income</b>   | <b>24</b>           | <b>4</b>       | <b>—</b>       | <b>—</b>                  | <b>28</b>      |
| Less: professional fees  | 2                   | —              | —              | —                         | 2              |
| <b>Net income (loss) attributable to consolidated VIEs</b>   | <b>\$ 22</b>        | <b>\$ 4</b>    | <b>\$ —</b>    | <b>\$ —<sup>3</sup></b>   | <b>\$ 26</b>   |
| <b>Three months ended March 31, 2012:</b>  |                     |                |                |                           |                |
| <b>Interest income:</b>  |                     |                |                |                           |                |
| Portfolio interest income  | \$ 29               | \$ 53          | \$ 480         | \$ —                      | \$ 562         |
| Less: interest expense   | 18                  | 7              | 45             | 1                         | 71             |
| Net interest income  | 11                  | 46             | 435            | (1)                       | 491            |
| <b>Non-interest income:</b>  |                     |                |                |                           |                |
| Portfolio holdings (losses) gains  | 381                 | 1,350          | 2,545          | —                         | 4,276          |
| Less: unrealized (gains) losses on beneficial interest in consolidated VIEs  | —                   | (231)          | (972)          | (5) <sup>2</sup>          | (1,208)        |
| Net non-interest (loss) income   | 381                 | 1,119          | 1,573          | (5)                       | 3,068          |
| <b>Total net interest income and non-interest income</b>   | <b>392</b>          | <b>1,165</b>   | <b>2,008</b>   | <b>(6)</b>                | <b>3,559</b>   |
| Less: professional fees  | 4                   | 1              | 5              | —                         | 10             |
| <b>Net income (loss) attributable to consolidated VIEs</b>   | <b>\$388</b>        | <b>\$1,164</b> | <b>\$2,003</b> | <b>\$ (6)<sup>3</sup></b> | <b>\$3,549</b> |
| <p><sup>1</sup> Reflects a reduction of \$5.1 million due to the recalculation by the trustee of payments originally received and recorded in previous periods.</p> <p><sup>2</sup> Represents the amount of TALF LLC's income allocated to the Treasury.</p> <p><sup>3</sup> Additional information regarding TALF-related income recorded by FRBNY is presented in Table 15.</p> |                     |                |                |                           |                |



**(D) Depository Institution Deposits**

The Reserve Banks pay interest to depository institutions on qualifying balances held at the Reserve Banks. The interest rates paid on required reserve balances and excess balances are determined by the Board of Governors, based on a Federal Open Market Committee-established target range for the effective federal funds rate.

In May 2010, the Reserve Banks commenced the auction of term deposits to be offered through its Term Deposit Facility. The interest rate paid on these deposits is determined by auction.

