



Federal Reserve Banks Combined Quarterly Financial Report

Unaudited

March 31, 2012



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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 entities
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

Combined statements of condition

(in millions)

	March 31, 2012	December 31, 2011
Assets		
Gold certificates	\$ 11,037	\$ 11,037
Special drawing rights certificates	5,200	5,200
Coin	2,318	2,306
Loans:		
Depository institutions	6	196
Term Asset-Backed Securities Loan Facility (measured at fair value)	7,088	9,059
System Open Market Account:		
Treasury securities, net	1,763,807	1,750,277
Government-sponsored enterprise debt securities, net	99,993	107,828
Federal agency and government-sponsored enterprise mortgage-backed securities, net	848,895	848,258
Foreign currency denominated assets, net	25,582	25,950
Central bank liquidity swaps	46,482	99,823
Other investments	25	—
Investments held by consolidated variable interest entities (of which \$26,882 and \$35,593 is measured at fair value as of March 31, 2012 and December 31, 2011, respectively)	27,038	35,693
Accrued interest receivable	18,838	19,710
Bank premises and equipment, net	2,714	2,549
Items in process of collection	329	273
Other assets	718	711
Total assets	<u>\$2,860,070</u>	<u>\$2,918,870</u>
Liabilities and capital		
Federal Reserve notes outstanding, net	\$1,056,656	\$1,034,052
System Open Market Account:		
Securities sold under agreements to repurchase	96,671	99,900
Other liabilities	1,262	1,368
Consolidated variable interest entities:		
Beneficial interest in consolidated variable interest entities (measured at fair value)	9,558	9,845
Other liabilities (of which \$94 and \$106 is measured at fair value as of March 31, 2012 and December 31, 2011, respectively)	640	690
Deposits:		
Depository institutions	1,546,875	1,562,253
Term deposit facility	3,057	—
Treasury, general account	43,480	85,737
Other deposits	37,286	65,034
Interest payable to depository institutions	254	178
Accrued benefit costs	3,833	3,952
Deferred credit items	1,049	904
Accrued interest on Federal Reserve notes	4,359	900
Other liabilities	656	259
Total liabilities	<u>2,805,636</u>	<u>2,865,072</u>
Capital paid-in	27,217	26,899
Surplus	27,217	26,899
Total capital	<u>54,434</u>	<u>53,798</u>
Total liabilities and capital	<u>\$2,860,070</u>	<u>\$2,918,870</u>

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Combined statements of income and comprehensive income (in millions)		
	Three months and year-to-date ended March 31, 2012	Three months and year-to-date ended March 31, 2011
Interest income		
Loans:		
Depository institutions	\$ —	\$ —
Term Asset-Backed Securities Loan Facility	35	96
American International Group, Inc., net	—	409
System Open Market Account:		
Treasury securities, net	11,058	8,646
Government-sponsored enterprise debt securities, net	698	836
Federal agency and government-sponsored enterprise mortgage-backed securities, net	8,416	10,002
Foreign currency denominated assets, net	40	58
Central bank liquidity swaps	136	—
Other investments	1	—
Investments held by consolidated variable interest entities	562	987
Total interest income	<u>20,946</u>	<u>21,034</u>
Interest expense		
System Open Market Account:		
Securities sold under agreements to repurchase	23	18
Beneficial interest in consolidated variable interest entities	71	70
Deposits:		
Depository institutions	996	761
Term Deposit Facility	1	1
Total interest expense	<u>1,091</u>	<u>850</u>
Net interest income	<u>19,855</u>	<u>20,184</u>
Non-Interest Income		
Term Asset-Backed Securities Loan Facility, unrealized gains (losses)	(12)	(16)
System Open Market Account:		
Treasury securities gains, net	2,847	—
Federal agency and government-sponsored enterprise mortgage-backed securities gains, net	121	—
Foreign currency gains (losses), net	(408)	605
Consolidated variable interest entities:		
Investments held by consolidated variable interest entities gains, net	4,276	2,656
Beneficial interest in consolidated variable interest entities (losses), net	(1,208)	(926)
Dividends on preferred interests	—	47
Income from services	116	128
Reimbursable services to government agencies	89	88
Other	17	99
Total non-interest income	<u>5,838</u>	<u>2,681</u>

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Combined statements of income and comprehensive income

 (in millions)—*continued*

	Three months and year-to-date ended March 31, 2012	Three months and year-to-date ended March 31, 2011
Operating Expenses		
Salaries and benefits	708	720
Occupancy	74	73
Equipment	44	42
Assessments:		
Board of Governors operating expenses and currency costs	253	200
Bureau of Consumer Financial Protection	64	28
Office of Financial Research	—	—
Professional fees related to consolidated variable interest entities	10	19
Other	103	186
Total operating expenses	<u>1,256</u>	<u>1,268</u>
Net income prior to distribution	<u>24,437</u>	<u>21,597</u>
Change in funded status of benefit plans	72	102
Comprehensive income prior to distribution	<u>\$24,509</u>	<u>\$21,699</u>
Distribution of comprehensive income:		
Dividends paid to member banks	\$ 407	\$ 397
Transferred to surplus and change in accumulated other comprehensive loss	318	44
Payments to Treasury as interest on Federal Reserve notes	<u>23,784</u>	<u>21,258</u>
Total distribution	<u>\$24,509</u>	<u>\$21,699</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, 2011 (530,481,136 shares)	\$26,524	\$30,154	\$(3,630)	\$26,524	\$53,048
Net change in capital stock issued (7,503,485 shares)	375	—	—	—	375
Transferred to surplus and change in accumulated other comprehensive income	—	1,537	(1,162)	375	375
Balance at December 31, 2011 (537,984,621 shares)	\$26,899	\$31,691	\$(4,792)	\$26,899	\$53,798
Net change in capital stock issued (6,363,529 shares)	318	—	—	—	318
Transferred to surplus and change in accumulated other comprehensive loss	—	244	74	318	318
Balance at March 31, 2012 (544,348,150 shares)	<u>\$27,217</u>	<u>\$31,935</u>	<u>\$(4,718)</u>	<u>\$27,217</u>	<u>\$54,434</u>

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Supplemental Financial Information

(1) Loans

Loans to Depository Institutions

The remaining maturity distribution of loans to depository institutions outstanding as of March 31, 2012, and December 31, 2011, was as follows:

Table 1. Loans to depository institutions (in millions)			
	Within 15 days	16 to 90 days	Total
As of March 31, 2012:			
Primary, secondary, and seasonal credit	\$ 6	\$ —	\$ 6
As of December 31, 2011:			
Primary, secondary, and seasonal credit	\$189	\$ 7	\$196

As of March 31, 2012, and December 31, 2011, 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, 2012, and year ended December 31, 2011.

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 June 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, 2012, and December 31, 2011, respectively:

Table 2. TALF loans by concentration (in millions)				
Collateral type ¹	Remaining maturity			Total
	Within 90 days	91 days to 1 year	Over 1 year to 4 years	
March 31, 2012:				
Auto	\$ 60	\$ 251	\$ —	\$ 311
CMBS	—	960	482	1,442
Credit card	507	1,597	—	2,104
Floorplan	—	897	—	897
SBAs	—	138	120	258
Student loan	—	—	1,448	1,448
Other ²	4	624	—	628
Total	\$571	\$4,467	\$2,050	\$7,088
December 31, 2011:				
Auto	\$ 1	\$ 374	\$ 36	\$ 411
CMBS	—	578	1,454	2,032
Credit card	—	2,326	80	2,406

(continued on next page)

Table 2.—continued

Collateral type ¹	Remaining maturity			Total
	Within 90 days	91 days to 1 year	Over 1 year to 4 years	
Floorplan	—	533	430	963
SBAs	—	113	221	334
Student loan	—	23	1,937	1,960
Other ²	—	426	527	953
Total	\$ 1	\$4,373	\$4,685	\$9,059

¹ All credit ratings are AAA unless otherwise indicated.

² 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, 2012, and December 31, 2011, includes \$25 million and \$37 million in unrealized gains, respectively.

As of March 31, 2012, and December 31, 2011, 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 entities (GSE) debt securities, and federal agency and GSE mortgage-backed securities (MBS) are reported at amortized cost in the balance sheet. SOMA portfolio holdings as of March 31, 2012, and December 31, 2011, were as follows:

Table 3. Domestic SOMA portfolio holdings

(in millions)

	March 31, 2012		December 31, 2011	
	Amortized cost	Fair value	Amortized cost	Fair value
Bills	\$ 18,422	\$ 18,422	\$ 18,423	\$ 18,423
Notes	1,262,895	1,324,187	1,311,917	1,389,429
Bonds	482,490	549,433	419,937	508,694
Subtotal—Treasury securities	\$1,763,807	\$1,892,042	\$1,750,277	\$1,916,546
GSE debt securities	99,993	105,811	107,828	114,238
Federal agency and GSE MBS	848,895	892,076	848,258	895,495
Other investments	25	25	—	—

The following table provides additional information on the amortized cost and fair values of the federal agency and GSE MBS portfolio at March 31, 2012, and December 31, 2011:

Table 4. Detail of federal agency and GSE MBS holdings

(in millions)

Distribution of MBS holdings by coupon rate	March 31, 2012		December 31, 2011	
	Amortized cost	Fair value	Amortized cost	Fair value
3.0%	\$ 7,920	\$ 8,008	\$ 1,313	\$ 1,336
3.5%	62,474	62,799	19,415	19,660

(continued on next page)

Table 4.—continued

Distribution of MBS holdings by coupon rate	March 31, 2012		December 31, 2011	
	Amortized cost	Fair value	Amortized cost	Fair value
4.0%	170,553	177,946	161,481	169,763
4.5%	369,597	391,962	406,465	431,171
5.0%	168,089	177,537	182,497	192,664
5.5%	60,809	63,859	66,795	70,064
6.0%	8,392	8,826	9,152	9,616
6.5%	1,061	1,139	1,140	1,221
Total MBS holdings	<u>\$848,895</u>	<u>\$892,076</u>	<u>\$848,258</u>	<u>\$895,495</u>

Information about transactions related to Treasury securities, GSE debt securities, and federal agency and GSE MBS during the three months ended March 31, 2012, and during the year ended December 31, 2011, is summarized as follows:

Table 5. Domestic portfolio transactions of SOMA securities

(in millions)

	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 ¹	57,683	107,224	66,606	231,513	—	74,234
Sales ¹	—	(135,736)	(2,768)	(138,504)	—	—
Realized gains, net ²	—	2,546	301	2,847	—	—
Principal payments and maturities	(57,686)	(21,724)	—	(79,410)	(7,516)	(72,616)
Amortization of premiums and discounts	2	(1,361)	(1,639)	(2,998)	(319)	(981)
Inflation adjustment on inflation-indexed securities	—	29	53	82	—	—
Balance March 31, 2012	<u>\$ 18,422</u>	<u>\$1,262,895</u>	<u>\$482,490</u>	<u>\$1,763,807</u>	<u>\$ 99,993</u>	<u>\$ 848,895</u>
Supplemental information - par value of transactions for the three months ended March 31, 2012:						
Purchases	\$ 57,686	\$ 101,453	\$ 52,425	\$ 211,564	\$ —	\$ 71,723
Sales	—	(132,445)	(2,105)	(134,550)	—	—
Balance December 31, 2010	\$ 18,422	\$ 786,575	\$261,955	\$1,066,952	\$152,972	\$1,004,695
Purchases ¹	239,487	731,252	161,876	1,132,615	—	42,145
Sales ¹	—	(137,733)	—	(137,733)	—	—
Realized gains, net ²	—	2,258	—	2,258	—	—
Principal payments and maturities	(239,494)	(67,273)	—	(306,767)	(43,466)	(195,413)
Amortization of premiums and discounts	8	(4,445)	(4,985)	(9,422)	(1,678)	(3,169)
Inflation adjustment on inflation-indexed securities	—	1,283	1,091	2,374	—	—
Balance December 31, 2011	<u>\$ 18,423</u>	<u>\$1,311,917</u>	<u>\$419,937</u>	<u>\$1,750,277</u>	<u>\$107,828</u>	<u>\$ 848,258</u>
Supplemental information - par value of transactions for the year ended December 31, 2011:						
Purchases	\$ 239,494	\$ 713,878	\$127,802	\$1,081,174	\$ —	\$ 40,955
Sales	—	(134,829)	—	(134,829)	—	—

Note: Does not include transactions related to other investments, which are all short term in duration.

¹ Purchases and sales are reported on a settlement-date basis and include payments and receipts related to principal, premiums, discounts, and inflation compensation included in the basis of inflation-indexed securities. The amount reported as sales also includes realized gains, net.

² Adjustment for realized gains, net is required because these amounts do not affect the reported amount of the related securities. Excludes realized gains and losses that result from net settled MBS TBA transactions.

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, 2012, and December 31, 2011, was as follows:

Table 6. Maturity distribution of domestic SOMA portfolio securities

(in millions)

	Treasury securities (par value)	GSE debt securities (par value)	Federal agency and GSE MBS (par value) ¹	Securities sold under agreements to repurchase (contract amount)
March 31, 2012:				
Within 15 days	\$ 24,075	\$ 1,278	\$ —	\$96,671
16 days to 90 days	20,959	3,716	—	—
91 days to 1 year	55,195	19,061	1	—
Over 1 year to 5 years	573,622	59,094	10	—
Over 5 years to 10 years	706,146	10,982	97	—
Over 10 years	281,136	2,347	836,683	—
Total	\$1,661,133	\$ 96,478	\$836,791	\$96,671
December 31, 2011:				
Within 15 days	\$ 16,246	\$ 2,496	\$ —	\$99,900
16 days to 90 days	27,107	5,020	—	—
91 days to 1 year	89,899	19,695	—	—
Over 1 year to 5 years	649,698	60,603	13	—
Over 5 years to 10 years	649,913	13,833	34	—
Over 10 years	230,583	2,347	837,636	—
Total	\$1,663,446	\$103,994	\$837,683	\$99,900

¹ The par amount shown for federal agency and GSE MBS is the remaining principal balance of the underlying mortgages.

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, 2012, and December 31, 2011, which differs from the stated maturity primarily because it factors in scheduled payments and prepayment assumptions, was approximately 2.7 years and 2.4 years, respectively.

Foreign currency denominated assets are comprised of foreign currency deposits, securities purchased under agreements to resell, and government debt instruments. The foreign currency denominated assets, including accrued interest, valued at amortized cost and foreign currency market exchange rates as of March 31, 2012, and December 31, 2011, was as follows:

Table 7. Foreign currency denominated assets

(in millions)

	March 31, 2012	December 31, 2011
Euro:		
Foreign currency deposits	\$ 7,139	\$ 9,367
Securities purchased under agreements to resell	2,496	—
German government debt instruments	1,971	1,885
French government debt instruments	2,701	2,635
Japanese yen:		
Foreign currency deposits	3,727	3,985
Japanese government debt instruments	7,548	8,078
Total	\$25,582	\$25,950

The remaining maturity distribution of foreign currency denominated assets, by currency, as of March 31, 2012, and December 31, 2011, was as follows:

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

	Euro	Japanese yen	Total
March 31, 2012:			
Within 15 days	\$ 5,098	\$ 4,014	\$ 9,112
16 days to 90 days	3,384	656	4,040
91 days to 1 year	2,056	2,618	4,674
Over 1 year to 5 years	3,769	3,987	7,756
Total	\$14,307	\$11,275	\$25,582
December 31, 2011:			
Within 15 days	\$ 5,352	\$ 4,180	\$ 9,532
16 days to 90 days	2,933	662	3,595
91 days to 1 year	2,115	3,143	5,258
Over 1 year to 5 years	3,487	4,078	7,565
Total	\$13,887	\$12,063	\$25,950

As of March 31, 2012, and December 31, 2011, the fair value of foreign currency denominated assets, including accrued interest, was \$25,752 million and \$26,116 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, 2013. 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, 2012, and the total U.S. dollar liquidity swaps outstanding as of December 31, 2011, was as follows:

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

	March 31, 2012			December 31, 2011
	Within 15 days	16 days to 90 days	Total	Total
Euro	\$ 2,881	\$30,135	\$33,016	\$85,437
Japanese yen	12,556	910	13,466	13,991
Swiss franc	—	—	—	395
Total	\$15,437	\$31,045	\$46,482	\$99,823

(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, 2012, and December 31, 2011, was as follows:

Table 10. Assets and liabilities of consolidated VIEs					
(in millions)					
	ML	ML II	ML III	TALF LLC	Total
As of March 31, 2012:					
Assets					
CDOs	\$ 175	\$ —	\$19,572	\$ —	\$19,747
Non-agency RMBS	1,270	—	276	—	1,546
Federal agency and GSE MBS	422	—	—	—	422
Commercial mortgage loans	1,320	—	—	—	1,320
Swap contracts	610	—	—	—	610
Residential mortgage loans	3	—	—	—	3
Other investments	456	—	—	360	816
Other assets	65	—	—	—	65
Subtotal—Investments	\$4,321	\$ —	\$19,848	\$360	\$24,529
Cash, cash equivalents, and accrued interest receivable	1,891	19	129	470	2,509
Total portfolio assets	\$6,212	\$ 19	\$19,977	\$830	\$27,038
Liabilities	638	—	2	—	640
Net portfolio assets available	\$5,574	\$ 19	\$19,975	\$830	\$26,398
As of December 31, 2011:					
Assets					
CDOs	\$ 380	\$ —	\$17,474	\$ —	\$17,854
Non-agency RMBS	1,537	9,105	261	—	10,903
Federal agency and GSE MBS	440	—	—	—	440
Commercial mortgage loans	2,861	—	—	—	2,861
Swap contracts	657	—	—	—	657
Residential mortgage loans	378	—	—	—	378
Other investments	955	—	—	374	1,329
Other assets	29	—	—	—	29
Subtotal—investments	\$7,237	\$9,105	\$17,735	\$374	\$34,451
Cash, cash equivalents, and accrued interest receivable	568	152	85	437	1,242
Total portfolio assets	\$7,805	\$9,257	\$17,820	\$811	\$35,693
Liabilities	684	3	3	—	690
Net portfolio assets available	\$7,121	\$9,254	\$17,817	\$811	\$35,003

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.

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, 2012. 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.

The following table presents the activity related to the senior and subordinated interests from inception to March 31, 2012, and December 31, 2011:

Table 11. Analysis of senior and subordinated interests in consolidated VIEs
(in millions)

	March 31, 2012				December 31, 2011			
	ML	ML II	ML III	TALF LLC	ML	ML II	ML III	TALF LLC
Net assets available to pay senior and subordinated interests	\$ 5,574	\$ 19	\$ 19,975	\$830	\$ 7,121	\$ 9,254	\$ 17,817	\$811
FRBNY loan:¹								
Loan extended (par value)	28,820	19,494	24,339	—	28,820	19,494	24,339	—
Plus: interest accrued and capitalized	762	580	722	—	755	569	692	—
Less: repayments of principal and interest	(26,669)	(20,074)	(16,068)	—	(24,716)	(13,271)	(15,205)	—
Total FRBNY loan outstanding	\$ 2,913	\$ —	\$ 8,993	—	\$ 4,859	\$ 6,792	\$ 9,826	—
Subordinated interests:								
Loans and equity contributions	\$ 1,150	\$ 1,000	\$ 5,000	\$110	\$ 1,150	\$ 1,000	\$ 5,000	\$100
Plus: interest accrued and capitalized	253	113	586	—	235	106	542	9
Less: repayments of principal and interest	—	(1,113)	—	—	—	—	—	—
Total subordinated interests outstanding	\$ 1,403	\$ —	\$ 5,586	\$110	\$ 1,385	\$ 1,106	\$ 5,542	\$109
Excess of net assets available over loans and subordinated interest outstanding:								
Allocated to FRBNY	1,258	16	3,615	45	877	1,130	1,641	33
Allocated to other beneficial interests	—	3	1,781	675	—	226	808	669
Total	\$ 1,258	\$ 19	\$ 5,396	\$720	\$ 877	\$ 1,356	\$ 2,449	\$702

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

The following table presents information on the rating composition of specific ML, ML II, and ML III portfolio assets as of March 31, 2012, recorded at fair value, as a percentage of aggregate fair value of each VIE's total portfolio assets.

Table 12. 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
ML:								
Federal agency and GSE MBS	—	—	—	—	—	18.2%	—	18.2%
Non-agency RMBS	0.2%	0.2%	0.9%	0.3%	51.6%	—	1.4%	54.7%
Other	—	1.3%	0.1%	6.4%	3.2%	15.1%	1.2%	27.2%
Total	0.2%	1.5%	1.0%	6.7%	54.8%	33.2%	2.6%	100.0%
ML II:								
Alt-A ARM	—	—	—	—	—	—	—	—
Subprime	—	—	—	—	—	—	—	—
Option ARM	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—	—
Total	—	—	—	—	—	—	—	—
ML III:								
High-grade ABS CDOs:	—	—	—	—	62.0%	—	2.7%	64.8%
Pre-2005	—	—	—	—	20.7%	—	0.8%	21.4%
2005	—	—	—	—	29.9%	—	1.9%	31.9%

(continued on next page)

Table 12.—continued

	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-	BB+ and lower	Gov't / agency	Not rated	Total
2006	—	—	—	—	5.3%	—	—	5.3%
2007	—	—	—	—	6.1%	—	—	6.1%
Mezzanine ABS CDOs:	—	—	—	0.3%	7.4%	—	0.2%	7.9%
Pre-2005	—	—	—	0.3%	4.7%	—	0.2%	5.2%
2005	—	—	—	—	2.7%	—	—	2.7%
2006	—	—	—	—	—	—	—	—
2007	—	—	—	—	—	—	—	—
Commercial real estate CDOs:	—	—	—	—	26.0%	—	—	26.0%
Pre-2005	—	—	—	—	3.1%	—	—	3.1%
2005	—	—	—	—	—	—	—	—
2006	—	—	—	—	—	—	—	—
2007	—	—	—	—	22.8%	—	—	22.8%
RMBS, CMBS, & Other:	0.1%	0.1%	0.1%	0.1%	1.0%	—	—	1.4%
Pre-2005	—	—	—	—	0.1%	—	—	0.2%
2005	0.1%	—	0.1%	0.1%	0.8%	—	—	1.2%
2006	—	—	—	—	0.1%	—	—	0.1%
2007	—	—	—	—	—	—	—	—
Total	0.1%	0.1%	0.1%	0.5%	96.4%	—	2.9%	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, 2012, and December 31, 2011, 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.

(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 sur-

plus 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 to Depository Institutions

Interest income on loans includes interest earned on TALF loans and American International Group, Inc. (AIG) credit extensions. 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. Supplemental information on interest income on loans to depository institutions is as follows:

Table 13. Interest income on loans
(in millions)

	Three months ended March 31, 2012	Three months ended March 31, 2011
Interest income:		
Primary, secondary, and seasonal credit	*	*
AIG	\$ —	\$ 409
TALF	35	96
Total interest income	\$ 35	\$ 505
Average daily loan balance:		
Primary, secondary, and seasonal credit	\$ 19	\$ 34
AIG ¹	—	711
TALF	7,935	21,871
Average interest rate:		
Primary, secondary, and seasonal credit	0.72%	0.68%
AIG ²	N/A	3.94%
TALF	1.76%	1.76%

¹ Average daily loan balance for AIG represents the average from January 1, 2011, to January 14, 2011, when the AIG loan was repaid in full.

² As a result of the closing of the AIG recapitalization plan on January 14, 2011, \$381 million of deferred commitment fees and allowances were recognized as interest income in 2011. The average interest rate calculation for March 31, 2011, excludes these items. There was no interest income recognized during the three months ended March 31, 2012, related to the AIG loan.

* 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:

Table 14. FRBNY net income from TALF program		
(in millions)		
	Three months ended March 31, 2012	Three months ended March 31, 2011
TALF loans:		
Interest income	\$ 35	\$ 96
Gains (losses)	(12)	(16)
Subtotal—TALF loans	\$ 23	\$ 80
TALF LLC	(6)	(30)
Total—TALF	\$ 17	\$ 50

(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:

Table 15. Interest income on SOMA portfolio		
(in millions)		
	Three months ended March 31, 2012	Three months ended March 31, 2011
Interest income:		
U.S. Treasury securities ¹	\$ 11,058	\$ 8,646
GSE debt securities ¹	698	836
Federal agency and GSE MBS ²	8,416	10,002
Foreign currency denominated assets ³	40	58
Central bank liquidity swaps ⁴	136	*
Other SOMA assets ⁵	1	—
Total interest income	\$ 20,349	\$ 19,542
Average daily balance:		
U.S. Treasury securities	\$1,753,233	\$1,229,230
GSE debt securities	104,431	148,413
Federal agency and GSE MBS	855,208	974,940
Foreign currency denominated assets	25,782	26,180
Central bank liquidity swaps	90,821	47
Other SOMA assets	63	—
Average interest rate:		
U.S. Treasury securities	2.52%	2.81%
GSE debt securities	2.67%	2.25%
Federal agency and GSE MBS	3.94%	4.10%
Foreign currency denominated assets	0.62%	0.89%
Central bank liquidity swaps	0.60%	—
Other SOMA assets	6.35%	—
¹ Face value, net of unamortized premiums and discounts. ² 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. ³ Includes accrued interest. Foreign currency denominated assets are revalued daily at market exchange rates. ⁴ 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. ⁵ Cash and short-term investments related to the federal agency and government-sponsored enterprise mortgage-backed securities portfolio. * Less than \$500 thousand.		

The average daily balance of securities sold under agreements to repurchase as of March 31, 2012, and March 31, 2011, was \$88,871 million and \$57,850 million, respectively. The average interest rate on these transactions was 0.1% for each of the three months ended March 31, 2012, and March 31, 2011, 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 \$10 million and \$19 million for the three months ended March 31, 2012 and March 31, 2011, 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, 2012, and March 31, 2011:

Table 16. FRBNY net income from consolidated VIEs

(in millions)

	ML	ML II	ML III	TALF LLC	Total
Three months ended March 31, 2012:					
Interest income:					
Portfolio interest income	\$ 29	\$ 53	\$ 480	\$ —	\$ 562
Less: interest expense	18	7	45	1	71
Net interest income	11	46	435	(1)	491
Non-interest income:					
Portfolio holdings gains	381	1,350	2,545	—	4,276
Less: unrealized gains on beneficial interest in consolidated VIEs	—	(231)	(972)	(5) ¹	(1,208)
Net non-interest (loss) income	381	1,119	1,573	(5)	3,068
Total net interest income and non-interest income	392	1,165	2,008	(6)	3,559
Less: professional fees	4	1	5	—	10
Net income (loss) attributable to consolidated VIEs	\$ 388	\$ 1,164	\$ 2,003	\$ (6)²	\$ 3,549
Three months ended March 31, 2011:					
Interest income:					
Portfolio interest income	\$ 232	\$ 172	\$ 583	\$ —	\$ 987
Less: Interest expense	17	9	43	1	70
Net interest income	215	163	540	(1)	917
Non-interest income:					
Portfolio holdings gains	499	684	1,473	—	2,656
Less: unrealized gains on beneficial interest in consolidated VIEs	(114)	(134)	(649)	(29) ¹	(926)
Net non-interest (loss) income	385	550	824	(29)	1,730
Total net interest income and non-interest income	600	713	1,364	(30)	2,647
Less: professional fees	12	2	5	—	19
Net income (loss) attributable to consolidated VIEs	\$ 588	\$ 711	\$ 1,359	\$ (30)²	\$ 2,628

¹ Represents the amount of TALF LLC's income allocated to the Treasury.

² Additional information regarding TALF-related income recorded by FRBNY is presented in Table 14.

(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.

