

# Press Release

## FEDERAL RESERVE press release



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### **For immediate release**

The Federal Reserve Board on Tuesday announced preliminary unaudited results indicating that the Reserve Banks provided for payments of approximately \$46.1 billion of their estimated 2009 net income of \$52.1 billion to the U.S. Treasury. This represents a \$14.4 billion increase over the 2008 results (\$31.7 billion of \$35.5 billion of net income). The increase was primarily due to increased earnings on securities holdings during 2009.

Under the Board's policy, the Reserve Banks are required to transfer their net income to the U.S. Treasury after providing for the payment of statutory dividends to member banks and equating surplus to paid-in capital. In 2009, statutory dividends totaled \$1.4 billion and approximately \$4.6 billion of earnings were used to equate surplus to paid-in capital.

The Federal Reserve Banks' 2009 net earnings were derived primarily from \$46.1 billion in earnings on securities acquired through open market operations (U.S. Treasury securities, government-sponsored enterprise (GSE) debt securities, and federal agency and GSE mortgage-backed securities), \$5.5 billion in net earnings from consolidated limited liability companies (LLCs), which were created in response to the financial crisis, and \$2.9 billion in earnings on loans extended to depository institutions, primary dealers, and others. The significant increase in earnings on securities was primarily due to increased securities holdings as a result of the Federal Reserve's response to the severe economic downturn. Net earnings from currency swap arrangements, which have been established with 14 central banks, and investments denominated in foreign currencies totaled \$2.6 billion. Additional net earnings of \$1.5 billion were derived primarily from fees of \$0.7 billion for the provision of priced services to depository institutions.

Operating expenses of the twelve Reserve Banks, net of amounts reimbursed by the U.S. Treasury and other entities for services the Reserve Banks provided as fiscal agents, totaled \$3.4 billion in 2009. In addition, the interest paid to depository institutions on reserve balances totaled \$2.2 billion. The Reserve Banks were assessed for Board expenditures, including the cost of new currency, totaling \$0.9 billion.

The preliminary results include valuation adjustments through September 30 for loans and consolidated LLCs. The final results, which will be presented in the Reserve Banks' annual financial reports and the Board of Governors' Annual Report, will reflect valuation adjustments through December 31.