FEDERAL HOME LOAN BANKS

2000

FINANCIAL REPORT

This report provides financial information on the Federal Home Loan Banks. You should use this Financial Report, with other information the Federal Home Loan Banks specifically provide, when you consider whether or not to purchase the consolidated bonds and consolidated notes of the Federal Home Loan Banks.

The Securities Act of 1933, as amended, does not require the registration of consolidated bonds and consolidated notes. Accordingly, no registration statement has been filed with the Securities and Exchange Commission. Neither the Securities and Exchange Commission nor any State securities commission has approved or disapproved the consolidated bonds and consolidated notes or has passed upon the accuracy or adequacy of any offering material.

The consolidated bonds and consolidated notes are not obligations of the United States and are not guaranteed by the United States.

This Financial Report provides information on the business of the Federal Home Loan Banks as of March 28, 2001. The financial information is as of and for periods ended December 31, 2000.

Neither this Financial Report nor any offering material provided by the Office of Finance on behalf of the Federal Home Loan Banks concerning any offering of consolidated bonds and consolidated notes describes all the risks of investing in consolidated bonds or consolidated notes. Prospective investors should consult their financial and legal advisors about the risks of investing in any particular issue of consolidated bonds or consolidated notes.

You should direct questions about the Federal Home Loan Banks' Combined Financial Statements to the Deputy Chief Economist, Federal Housing Finance Board, 1777 F Street, N.W., Washington, D.C. 20006, (202) 408-2845. You should direct questions about the consolidated bonds and consolidated notes to Marketing/Debt & Credit Services, Office of Finance, Federal Home Loan Banks, 11921 Freedom Drive, Suite 1000, Reston, VA 20190, (703) 487-9500, www.fhlb-of.com. The Office of Finance will provide additional copies of this Financial Report upon request. Please contact the Office of Finance if you want to receive subsequent annual and quarterly financial reports.

The delivery of this Financial Report does not imply that there has been no change in the financial condition of the Federal Home Loan Banks since December 31, 2000.

The date of this Financial Report is March 28, 2001.

TABLE OF CONTENTS

The Luxembourg Stock Exchange has allocated the number 2306 to the Federal Home Loan Banks' global debt program for listing purposes. Application may be made to list consolidated obligations issued under the program on the Luxembourg Stock Exchange.

FEDERAL HOME LOAN BANKS

The 12 Federal Home Loan Banks (FHLBanks) are instrumentalities of the United States organized under the authority of the Federal Home Loan Bank Act of 1932, as amended (FHLBank Act). The Office of Finance is a joint office of the FHLBanks established by the Federal Housing Finance Board to facilitate issuing and servicing of consolidated obligations of the FHLBanks. The Federal Housing Finance Board is an independent agency in the executive branch of the U.S. Government charged with the supervision and regulation of the FHLBanks and the Office of Finance.

The FHLBanks serve the public by enhancing the availability of residential mortgage and community investment credit. They provide a readily available, low-cost source of funds to their member institutions. The FHLBanks are cooperatives; only member institutions own the capital stock of each FHLBank and the members receive dividends on their investment. Each FHLBank has its own management, employees, and board of directors. The Finance Board is both the safety-and-soundness regulator and mission regulator of the FHLBanks, and the Finance Board, through the Office of Finance and through the period ended December 31, 2000, was the issuer of consolidated debt for which the FHLBanks are jointly and severally liable. Effective January 2, 2001, the FHLBanks will issue joint debt through the Office of Finance as their agent. (See "Regulatory Developments—Issuance of Debt by the FHLBanks.")

Each FHLBank operates in a specifically defined geographic district. The district number, the FHLBank's name and address, and the States and territories composing each district are as follows:

District 1	FHLBank of Boston One Financial Center, 20th Floor Boston, Massachusetts 02111 Business number: (617) 292-9600	Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont
District 2	FHLBank of New York 7 World Trade Center, Floor 22 New York, New York 10048 Business number: (212) 441-6600	New Jersey, New York, Puerto Rico, Virgin Islands
District 3	FHLBank of Pittsburgh 601 Grant Street Pittsburgh, Pennsylvania 15219 Business number: (412) 288-3400	Delaware, Pennsylvania, West Virginia
District 4	FHLBank of Atlanta 1475 Peachtree Street, N.E. Atlanta, Georgia 30309 Business number: (404) 888-8000	Alabama, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia
District 5	FHLBank of Cincinnati Atrium Two, Suite 1000 221 East Fourth Street Cincinnati, Ohio 45202 Business number: (513) 852-7500	Kentucky, Ohio, Tennessee
District 6	FHLBank of Indianapolis 8250 Woodfield Crossing Boulevard Indianapolis, Indiana 46240 Business number: (317) 465-0200	Indiana, Michigan
District 7	FHLBank of Chicago 111 East Wacker Drive, Suite 800 Chicago, Illinois 60601 Business number: (312) 565-5700	Illinois, Wisconsin

District 8	FHLBank of Des Moines 907 Walnut Street Des Moines, Iowa 50309 Business number: (515) 243-4211	Iowa, Minnesota, Missouri, North Dakota, South Dakota
District 9	FHLBank of Dallas 8500 Freeport Parkway South, Suite 100 Irving, Texas 75063 Business number: (214) 441-8500	Arkansas, Louisiana, Mississippi, New Mexico, Texas
District 10	FHLBank of Topeka 2 Townsite Plaza 200 East 6th Street Topeka, Kansas 66603 Business number: (785) 233-0507	Colorado, Kansas, Nebraska, Oklahoma
District 11	FHLBank of San Francisco 600 California Street San Francisco, California 94108 Business number: (415) 616-1000	Arizona, California, Nevada
District 12	FHLBank of Seattle 1501 Fourth Avenue, 19th Floor Seattle, Washington 98101 Business number: (206) 340-2300	Alaska, Guam, Hawaii, Idaho, Montana, Oregon, Pacific Islands, Utah, Washington, Wyoming

Office of Finance
Federal Home Loan Banks
11921 Freedom Drive, Suite 1000
Reston, Virginia 20190
Business number: (703) 487-9500
www.fhlb-of.com

Federal Housing Finance Board
1777 F Street, N.W.
Washington, D.C. 20006
Business number: (202) 408-2500
www.fhfb.gov

FEDERAL HOME LOAN BANKS

SUMMARY FINANCIAL DATA
(Dollar amounts in millions)

	2000	1999	1998	1997	1996
At December 31,					
Advances	$437,861	$395,747	$288,189	$202,265	$161,372
Mortgage loans, net	16,149	2,026	966	37	
Investments(1)	186,437	171,425	137,193	140,106	125,231
Total assets	653,687	583,212	434,002	348,575	292,035
Deposits and borrowings	17,100	17,624	25,805	18,445	18,257
Consolidated obligations	591,606	525,419	376,715	304,493	251,316
Capital stock	30,537	28,361	22,287	18,833	16,540
Retained earnings(2)	728	654	465	341	336
Average balances for the year ended December 31,					
Advances	$420,870	$335,300	$229,932	$170,963	$141,277
Mortgage loans, net	9,582	1,413	344	37	
Investments(1)	174,423	151,682	144,946	136,020	126,409
Total assets	616,678	487,249	381,909	311,931	272,801
Deposits and borrowings	15,669	19,907	22,185	16,084	17,651
Consolidated obligations	558,126	442,158	332,265	270,904	233,436
Capital stock	29,538	24,615	20,026	17,542	15,645
Retained earnings(2)	679	527	330	342	450
Operating results for the year ended December 31,					
Net income(3)	$ 2,211	$ 2,128	$ 1,778	$ 1,492	$ 1,330
Dividends paid in cash and stock	2,142	1,636	1,354	1,191	1,049
Weighted average dividend rate(4)	7.25%	6.65%	6.76%	6.79%	6.71%
Return on average equity(3)	7.32%	8.46%	8.73%	8.33%	8.26%
Return on average assets(3)	0.36%	0.44%	0.47%	0.49%	0.49%
Net interest margin(5)	0.54%	0.52%	0.57%	0.58%	0.59%
At December 31,					
Total capital ratio(6)	4.8%	5.0%	5.2%	5.5%	5.8%
Ratio of total unsecured liabilities to total capital(7)		19.1:1	17.9:1	17.2:1	16.3:1
Leverage ratio(7)	20.9:1				

(1) Investments also include interest-bearing deposits in banks, securities purchased under resale agreements, and federal funds sold.

(2) Retained earnings also include unrealized net (losses) gains on available-for-sale securities.

(3) Net income for the year ended December 31, 2000, includes an expense of $553 million relating to the FHLBanks' REFCORP payments. These payments were charged directly to retained earnings for years through December 31, 1999. Title VI of the Gramm-Leach-Bliley Act made FHLBank membership voluntary and, effective January 1, 2000, changed the REFCORP payment from a fixed $300 million annual amount to 20 percent of each FHLBank's net earnings. As a result of these statutory changes, the REFCORP payment is similar to a tax and is presented as an expense on the Combined Statements of Income effective for 2000. Presentation of operating results for years before 2000 are not restated. Therefore, net income, the return on average equity, and the return on average assets are not comparable between 2000 and prior years. (See "Discussion and Analysis of Financial Condition and Results of Operations—REFCORP Payment" and Note 11 to the accompanying combined financial statements for a more complete explanation.)

(4) Weighted average dividend rates are dividends paid in cash and stock divided by the average of capital stock eligible for dividends.

(5) Net interest margin is net interest income before loan loss provision as a percentage of average earning assets.

(6) Total capital ratio is capital stock plus retained earnings as a percentage of total assets at year end.

(7) On June 2, 2000, the Finance Board adopted a final rule amending the FHLBanks' leverage limit requirements. Effective July 1, 2000, each FHLBank's leverage limit is based on a ratio of assets to capital rather than a ratio of liabilities to capital.

FEDERAL HOME LOAN BANKS

SELECTED FIVE-YEAR FINANCIAL HIGHLIGHTS
(Dollar amounts in millions)

	At December 31,				
	2000	**1999**	**1998**	**1997**	**1996**
Statements of Condition					
Advances	$437,861	$395,747	$288,189	$202,265	$161,372
Mortgage loans, net	16,149	2,026	966	37	
Investments(1)	186,437	171,425	137,193	140,106	125,231
Other assets(2)	13,240	14,014	7,654	6,167	5,432
Total assets	$653,687	$583,212	$434,002	$348,575	$292,035
Deposits and borrowings	$ 17,100	$ 17,624	$ 25,805	$ 18,445	$ 18,257
Consolidated obligations	591,606	525,419	376,715	304,493	251,316
Other liabilities(3)	13,716	11,154	8,730	6,463	5,586
Total liabilities	$622,422	$554,197	$411,250	$329,401	$275,159
Capital stock outstanding	$ 30,537	$ 28,361	$ 22,287	$ 18,833	$ 16,540
Retained earnings(4)	728	654	465	341	336
Total capital	$ 31,265	$ 29,015	$ 22,752	$ 19,174	$ 16,876

	For the Year Ended December 31,				
	2000	**1999**	**1998**	**1997**	**1996**
Statements of Income					
Total interest income	$38,980	$26,520	$21,478	$18,030	$15,596
Total interest expense	35,667	23,986	19,362	16,258	14,012
Net interest income before loan loss provision	3,313	2,534	2,116	1,772	1,584
Loan loss provision	2	1			
Net interest income after loan loss provision	3,311	2,533	2,116	1,772	1,584
Prepayment fees, net	4	13	80	26	20
Other non-interest income, net	61	94	39	86	94
Total non-interest income	65	107	119	112	114
Operating expenses	333	282	258	229	219
Finance Board and Office of Finance expenses	29	29	28	24	23
Other, net	11	3	2		3
Total other expenses	373	314	288	253	245
Affordable Housing Program	246	199	169	137	119
REFCORP(5)	553				
Total assessments	799	199	169	137	119
Extraordinary item:					
Gain (loss) on early retirement of debt, net	7	1		(2)	(4)
Net income(5)	$ 2,211	$ 2,128	$ 1,778	$ 1,492	$ 1,330

(1) Investments also include interest-bearing deposits in banks, securities purchased under resale agreements, and federal funds sold.

(2) Other assets also include cash and due from banks, accrued interest receivable, and bank premises and equipment, net.

(3) Other liabilities also include accrued interest payable, Affordable Housing Program, and payable to REFCORP.

(4) Retained earnings also include unrealized net (losses) gains on available-for-sale securities.

(5) The FHLBanks' REFCORP payments were charged directly to retained earnings for years through December 31, 1999. Title VI of the Gramm-Leach-Bliley Act made FHLBank membership voluntary and effective January 1, 2000, changed the REFCORP payment from a fixed $300 million annual amount to 20 percent of each FHLBank's net earnings. As a result of these statutory changes, the REFCORP payment is similar to a tax and is presented as an expense on the Combined Statements of Income effective for 2000. (See "Discussion and Analysis of Financial Condition and Results of Operations—REFCORP Payment" and Note 11 to the accompanying combined financial statements for a more complete explanation.)

FEDERAL HOME LOAN BANKS

DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read this discussion and analysis of financial condition and results of operations with the combined financial statements and the notes beginning on page 69 of this Financial Report.

Forward-Looking Information

Statements contained in this report, including statements describing the objectives, projections, estimates, or future predictions of the Finance Board, the FHLBanks, and the Office of Finance may be "forward-looking statements." These statements may use forward-looking terminology, such as "anticipates," "believes," "could," "estimates," "may," "should," "will," or their negatives or other variations on these terms. The FHLBanks caution that, by their nature, forward-looking statements involve risk or uncertainty and that actual results could differ materially from those expressed or implied in these forward-looking statements or could affect the extent to which a particular objective, projection, estimate, or prediction is realized.

These forward-looking statements involve risks and uncertainties including, but not limited to, the following:

- economic and market conditions;
- volatility of market prices, rates, and indices that could affect the value of collateral held by the FHLBanks as security for the obligations of FHLBank members and counterparties to interest-rate exchange agreements and similar agreements;
- political events, including legislative, regulatory, judicial, or other developments that affect the FHLBanks, their members, counterparties, and/or investors in the consolidated obligations of the FHLBanks;
- competitive forces, including without limitation other sources of capital available to FHLBank members, other entities borrowing funds in the capital markets, and the ability to attract and retain skilled individuals;
- ability to develop and support technology and information systems, including the Internet, sufficient to manage the risks of the FHLBanks' business effectively;
- changes in investor demand for consolidated obligations and/or the terms of interest-rate exchange agreements and similar agreements;
- timing and volume of market activity;
- ability to introduce new FHLBank products and services and manage successfully the risks associated with those products and services, including new types of collateral securing advances;
- risk of loss arising from litigation filed against one or more of the FHLBanks; and
- inflation/deflation.

2000 Highlights

Legislation. The FHLBank Act, as amended by Title VI of the Gramm-Leach-Bliley Act (GLB Act), enacted on November 12, 1999, contained major legislative changes affecting the FHLBanks. Some of the provisions of the GLB Act were effective upon enactment. Other provisions required the Finance Board to adopt implementing regulations before they are effective. Among other things, the legislation

- eliminated mandatory FHLBank membership for Federal savings associations, and allows Federal savings associations to withdraw from membership after May 12, 2000;

- allowed FHLBanks to make long-term advances to "community financial institutions" (FDIC-insured depository institutions with less than an annually adjusted cap amount of assets which is $500 million for 2000) to fund small businesses, small farms, and small agri-businesses[(1)];
- allowed community financial institutions to use secured small business and agricultural loans as collateral for advances;
- exempted community financial institutions from the requirement that member institutions must have 10 percent of their assets in residential mortgages to qualify for membership;
- eliminated the cap on the amount of advances that can be secured by "other real estate owned" (formerly 30 percent of a member's capital);
- eliminated all provisions that discriminated against members that are not Qualified Thrift Lenders (QTLs), thereby providing equal access to FHLBanks advances for all members without regard to QTL status;
- changed the term of all FHLBank directors to three years, established limits on FHLBank director compensation (which are indexed annually to reflect inflation), and allowed each FHLBank's board of directors to elect its own chair and vice chair;
- conferred independent litigation authority on the Finance Board; and
- conferred on the Finance Board the same types of enforcement powers as have been granted to the Office of Federal Housing Enterprise Oversight.

Effective January 1, 2000, the GLB Act changed the FHLBanks' payment to the Resolution Funding Corporation (REFCORP) from a flat $300 million per year to 20 percent of each FHLBank's earnings net of operating expenses and Affordable Housing Program (AHP) expense. These payments will cease when the total amounts of the FHLBanks' payments to REFCORP are equivalent to a $300 million annual annuity whose final maturity date is April 15, 2030. This change in payment method resulted in a REFCORP expense of $553 million for the year ended December 31, 2000, an 84.3 percent increase over the 1999 payment of $300 million. (See "Discussion and Analysis of Financial Condition and Results of Operations—REFCORP Payment") In addition, the 1989 changes to the FHLBank Act directed the FHLBanks to establish an AHP to enhance the availability of affordable housing for very low-, low-, and moderate-income families. The annual AHP obligation is the greater of 10 percent of net income after the REFCORP expense or $100 million. In 2000, the FHLBanks expensed AHP contributions of $246 million, which was a 23.6 percent increase from 1999. (See Notes 6 and 11 to the accompanying combined financial statements.) Despite these two annual financial obligations, the FHLBanks have remained well-capitalized, profitable, and highly liquid.

The GLB Act will also create a new capital structure for the FHLBanks by directing the Finance Board to prescribe uniform capital regulations, including a leverage limit, a risk-based capital requirement, and requiring each FHLBank to establish its own capital structure plan, which may authorize the FHLBank to issue two classes of stock, redeemable at par on either six months or five years notice. The plan must describe each class or subclass of stock an FHLBank will offer to its members and indicate the terms, rights, and preferences for each class or subclass of stock, such as dividend and voting rights. It must also detail requirements relating to members' capital investment, and describe when and how the FHLBank intends to issue the new capital stock. The capital structure plan must also establish criteria for transfer of FHLBank stock, and describe how the FHLBank will handle the disposition of stock held by institutions that terminate their membership.

(1) Beginning in 2001, the cap will be adjusted annually by the Finance Board to reflect any percentage increase in the preceding year's Consumer Price Index (CPI) for all urban consumers, as published by the U.S. Department of Labor. Each year, as soon as practicable after the publication of the previous year's CPI, the Finance Board will publish notice in the *Federal Register* concerning the CPI-adjusted cap. The amount for 2001 is $517 million in assets.

Each FHLBank must include with its capital plan independent reports addressing whether implementation of the plan would result in any write down of its redeemable stock or would have a material effect on its credit rating. The current capital structure of each FHLBank will remain in place until the capital structure plan of that FHLBank has been approved and is effective. The final rule was published on January 30, 2001, and the FHLBanks have until October 29, 2001, to submit their capital plans for regulatory approval. (See "Discussion and Analysis of Financial Condition and Results of Operations—Business Overview—Historical Perspective," "Discussion and Analysis of Financial Condition and Results of Operations—Federal Home Loan Bank Membership Trends," "Business—Advances," "Business—Capitalization," and Notes 1, 5, and 11 to the accompanying combined financial statements.)

Financial Highlights. Ten of the 12 FHLBanks had an increase in total assets and 8 of the 12 FHLBanks had an increase in advances during 2000. In 2000, advances increased by 10.7 percent to $437.9 billion, assets increased by 12.1 percent to $653.7 billion, consolidated obligations outstanding increased by 12.6 percent to $591.6 billion, and total capital increased by 7.9 percent to $31.3 billion.

The growth in advances for the majority of FHLBanks reflects strong demand by members for term funding. A significant part of advances growth over the past several years has been attributable to convertible advances, which entail a put option(s) sold by the member to the FHLBank that allows the FHLBank to convert the advance from fixed-rate to floating rate. A convertible advance carries an interest rate considerably lower than a comparable-maturity advance that does not have the conversion feature. (See "Discussion and Analysis of Financial Condition and Results of Operations—Risk Management—Derivatives" and Note 10 to the accompanying combined financial statements).

Investments other than mortgage-backed securities (MBS) increased by 6.9 percent to $105.2 billion. MBS increased by 11.4 percent to $81.3 billion. Finance Board policy limits an FHLBank's investments in MBS to three times its capital, and aggregate MBS investments were 2.60 times aggregate FHLBank capital at December 31, 2000, compared with 2.52 times capital one year earlier.

Consolidated obligations, which are the joint-and-several obligations of the FHLBanks, are the FHLBanks' principal funding source, and they reached $591.6 billion at December 31, 2000, an increase of $66.2 billion from one year earlier. On June 2, 2000, the Finance Board adopted a final rule amending the FHLBanks' leverage limit requirements. The FHLBanks' assets to capital leverage was 20.9 to 1 at December 31, 2000. (See "Discussion and Analysis of Financial Condition and Results of Operations — Regulatory Developments — Leverage Limits.")

The 7.9 percent increase in capital to $31.3 billion is due to three factors. First, the number of FHLBank members grew by 5.3 percent to 7,777. Each new member must purchase stock in its FHLBank based on its level of residential mortgage assets. Second, borrowing members must hold capital stock at least equal to 5 percent of their advances outstanding. As aggregate advances grew, some borrowers needed to purchase additional capital stock to comply with this statutory requirement. Third, five of the FHLBanks pay stock dividends, and this gives rise to increased levels of capital. The FHLBanks' capital to asset ratio was 4.8 percent at December 31, 2000, compared with 5.0 percent at December 31, 1999. Some of the decline in the capital to asset ratio reflects capital stock redemptions by former non-QTL members as the GLB Act reduced the capital requirement for non-QTL members to equal that for QTL members.

The FHLBanks operate deposit programs primarily for the benefit of their members, and member deposits at the end of 2000 remained at $17.1 billion, approximately the same from year end 1999. Most of these deposits are very short term, and the FHLBanks, as a matter of prudence, hold short-term assets with maturities similar to the deposits. Member demand and the liquidity situation of members drive the level of deposits.

Net income for the year ended December 31, 2000, includes an expense of $553 million relating to the FHLBanks' REFCORP payments. These payments were charged directly to retained earnings for the years through December 31, 1999. Title VI of the GLB Act made membership voluntary and effective January 1, 2000, changed the REFCORP payment from a fixed $300 million annual amount to 20 percent of net income. As a result of these statutory changes, the REFCORP payment is similar to a tax and will be presented as an expense on the Combined Statement of Income. Because of the change in accounting presentation, neither the return on average equity nor the return on average assets are comparable between 2000 and 1999. See "Discussion and Analysis of Financial Condition and Results of Operations—REFCORP Payment" for more information. The spread between the yield on earning assets and the cost of interest-bearing liabilities in 2000 was 23 basis points, 1 basis point lower than in 1999. The return on average assets was 36 basis points in 2000, 8 basis points lower than in 1999. This decline is due primarily to the change in REFCORP presentation. The return on average capital was 7.32 percent in 2000, which is 114 basis points lower than in 1999. The change in REFCORP presentation primarily accounts for the decrease. The weighted average dividend rate was 7.25 percent in 2000, compared with 6.65 percent one year earlier.

Net interest income after loan loss provision increased 30.7 percent to $3.311 billion in 2000 because of the higher volumes of assets and higher interest rates. Average assets of $616.7 billion during 2000 were 26.6 percent higher than a year ago. Partially offsetting the higher level of net interest income were increases in the FHLBanks' operating expenses and other expenses, AHP contributions, and assessments. The FHLBanks' operating expenses, which were $333 million in 2000, increased 18.1 percent from 1999 operating expenses. Net income of $2.211 billion for 2000 compares with 1999 net income of $2.128 billion. Had the 1999 REFCORP payment been expensed, 1999 net income would have been $1.828 billion.

Regulatory Developments

Capital Structure of the FHLBanks and Risk-Based Capital. The FHLBank Act, as amended by Title VI of the GLB Act, enacted on November 12, 1999, will require the FHLBanks to hold capital against assets and to maintain a capital to assets leverage ratio of 5 percent. In determining compliance with this leverage requirement, permanent capital will be multiplied by 1.5, provided that an FHLBank's total capital without any multiplier shall not be less than 4 percent of the total assets of the FHLBank. The GLB Act also imposes risk-based capital requirements. This new structure will replace the stock subscription structure that has been in place since 1932. Under the existing subscription system, the FHLBanks may only issue stock to their members in a minimum amount determined by the board of directors of each FHLBank (subject to an absolute statutory minimum). Depending on the approved FHLBank capital plans, the new risk-based capital structure may, in effect, de-couple an FHLBank's capital requirements from its members' mortgage assets or outstanding advances and, instead, tie the requirements to the risks associated with the FHLBank's assets (although the final capital rule still requires a minimum capital investment). In this way, the new risk-based capital and leverage requirements will be similar to those of insured depository institutions, as well as to the requirements imposed on the other housing-finance government-sponsored enterprises (GSEs). The existing capital structure at each FHLBank will remain in effect until that FHLBank first issues the new capital stock under an approved plan. The GLB Act also required the Finance Board, as the FHLBanks' safety-and-soundness and mission regulator, to promulgate regulations implementing the risk-based capital requirements. The Finance Board published the final capital rule on January 30, 2001.

Under the final capital rule, an FHLBank must comply with the minimum leverage and risk-based capital requirements as of the effective date of its capital plan, which is the date on which the FHLBank first issues the new capital stock. If an FHLBank would not be in compliance with the capital requirements as of the effective date, it must come into compliance within a transition period of up to three years. During that period, the existing leverage limit established by the Finance Board's regulations will continue to apply.

The GLB Act and the final rule define total capital for each FHLBank as the sum of the FHLBank's permanent capital, plus the amounts paid-in by its members for Class A stock (which will be redeemable on six months written notice); any general loss allowance, if consistent with Generally Accepted Accounting Principles in the United States (GAAP) and not established for specific assets; and other amounts from sources determined by the Finance Board as generally available to absorb losses. The GLB Act defines permanent capital as the amount paid-in for the Class B stock (which will be redeemable on five years written notice), plus the amount of an FHLBank's retained earnings, as determined in accordance with GAAP. Consistent with the GLB Act, the final rule will require each FHLBank to maintain a ratio of total capital to total assets of not less than 5 percent (when weighting permanent capital by a 1.5 factor) and a minimum 4 percent ratio without weighting.

The GLB Act also requires each FHLBank to maintain permanent capital in an amount sufficient to meet the credit and market risks to which the FHLBank is subject. While not required by the GLB Act, the final rule also imposes an operations risk capital charge as part of the risk-based capital requirement to assure that the FHLBanks are adequately capitalized against loss from business operations. Regarding credit risk, the final rule provides a regulatory framework that would assess capital charges based on the extent of the underlying credit exposure. Assets would be assigned a risk factor, which is weighted according to estimated risk exposure. For example, FHLBank advances, which are fully collateralized, have a low risk factor. Under the final rule, the market-risk requirement for each FHLBank will be determined by using a model, developed by each FHLBank and approved by the Finance Board, that subjects the FHLBank's portfolio to a stress test.

The final rule permits each FHLBank to issue either Class A stock or Class B stock, or both. Whatever the classes of stock the board of directors of an FHLBank authorizes, the FHLBank's capital structure plan, as approved by the Finance Board, must demonstrate that the stock to be issued will result in the FHLBank having sufficient amounts of permanent capital to meet the risk-based capital requirements and sufficient amounts of total capital to meet the leverage capital requirements established by the GLB Act and the final rule.

The GLB Act defines the essential characteristics of both Class A and Class B stock. Accordingly, the final rule provides that Class A stock would be redeemed in cash at its par value on six months written notice to the FHLBank. Class B stock may be redeemed in cash at par value on five years written notice to the FHLBank. The Finance Board requires that Class A and Class B stocks have a par value that is determined by the FHLBank as included in its capital structure plan. The Class B stock would also confer an ownership interest in the retained earnings of the FHLBank. This provision is required by the GLB Act and is consistent with other forms of permanent capital in the marketplace.

The GLB Act provides that stock in an FHLBank may be issued to and held by only members of that FHLBank. An FHLBank may, at its discretion, repurchase at par value any capital stock in excess of a member's minimum stock requirement. The FHLBank Act provides, however, that if the Finance Board or the board of directors of an FHLBank determines that the FHLBank has incurred or is likely to incur losses that will result in charges against the capital of the FHLBank, then the FHLBank shall not redeem or repurchase any capital stock without the prior approval of the Finance Board. Furthermore, an FHLBank may not redeem or repurchase any capital stock if, following the redemption or repurchase, the FHLBank would fail to satisfy any minimum capital requirement.

Capital Structure—Retained Earnings. On June 22, 2000, the Finance Board rescinded its dividend policy applicable to the FHLBanks. This action has the effect of no longer requiring an FHLBank to hold as restricted retained earnings that portion of prepayment fee income that, if allocated on a pro-rata basis over the remaining maturity of prepaid advances, the FHLBank would realize in future periods. This action removes any regulatory requirement that an FHLBank must have a restricted retained earnings account. Current Finance Board regulations permit an

FHLBank's board of directors to declare and pay a dividend only from previously retained earnings or current net earnings and only if the payment of a dividend will not result in the projected impairment of the par value of an FHLBank's capital stock. Under the final capital rule, an FHLBank may not declare or pay a dividend if it is not in compliance with its minimum capital requirement or would not be in compliance after paying the dividend.

Issuance of Debt by the FHLBanks. The Finance Board adopted final rules on June 2, 2000, to govern the issuance of debt on behalf of the FHLBanks and related activities. Through December 31, 2000, the Finance Board issued consolidated obligations, on which the FHLBanks are jointly and severally liable, through the Office of Finance as agent for the Finance Board under the authority of section 11(c) of the FHLBank Act. The final rule authorizes the FHLBanks to issue joint debt, which also will be called consolidated obligations, through the Office of Finance as their agent under the authority of section 11(a) of the FHLBank Act. All of the FHLBanks will continue to be jointly and severally liable for the consolidated obligations issued under section 11(a). As is now the case, no FHLBank will be permitted to issue individual debt under section 11(a) without Finance Board approval.

The final rule represents a technical change in the issuer of FHLBank debt. The change ends the anomaly of having the Finance Board, the safety-and-soundness regulator, issue the debt of the entities it regulates. The date at which the FHLBanks started to issue debt in their own name through the Office of Finance was January 2, 2001. In addition, the rules require the Office of Finance to prepare the FHLBanks' combined annual and quarterly Financial Reports, and the Finance Board expects that the Office of Finance will begin preparing the Financial Reports starting with the first quarter of 2001.

Leverage Limits. In conjunction with the final rule transferring the debt-issuance function to the FHLBanks, the Finance Board adopted a final rule amending the FHLBanks' leverage limit requirements. Effective July 1, 2000, each FHLBank's leverage limit will be based on a ratio of capital to assets, rather than a ratio of capital to liabilities, in keeping with the new risk-based capital requirements outlined above.

The Finance Board's former regulations prohibited the issuance of consolidated obligations if such issuance would bring the FHLBanks' outstanding consolidated obligations and other unsecured senior liabilities (principally deposits) above 20 times the FHLBanks' total capital. The Finance Board's Financial Management Policy also applied this limit on an FHLBank-by-FHLBank basis. The final rule deletes the FHLBank System-wide leverage limit from the regulations, but, by regulation, limits each FHLBank's assets generally to no more than 21 times its capital. Nevertheless, an FHLBank whose non-mortgage assets, after deducting deposits and capital, do not exceed 11 percent of its assets may have total assets in an amount not greater than 25 times its capital. The imposition of this standard on each FHLBank will ensure that the FHLBanks stay within the leverage limit, rendering the retention of an FHLBank System-wide leverage limit unnecessary.

The final rule also imposes several credit ratings requirements on the FHLBanks. First, it requires the FHLBanks, collectively, to obtain from a Nationally Recognized Statistical Rating Organization (NRSRO), and at all times maintain, a current credit rating on the FHLBanks' consolidated obligations. Second, the rule specifically requires each FHLBank to operate in such a manner and to take whatever actions are necessary, including reducing the FHLBank's leverage, to ensure that the FHLBanks' consolidated obligations receive and maintain the highest credit rating from any NRSRO that currently rates consolidated obligations. Presently, the FHLBanks' consolidated obligations receive the highest rating from Standard and Poor's (AAA) and from Moody's Investors Service (Aaa). The rule further requires each FHLBank to operate in a manner and take any necessary action to ensure that the FHLBank is rated and maintains an FHLBank-specific credit rating that is a meaningful measure of the FHLBank's financial strength and stability. The rule expressly requires that the credit rating must be at least the second highest rating from any NRSRO providing the rating. Finally, the rule specifies that the FHLBanks must obtain such credit ratings by July 1, 2001, and at least annually thereafter.

This final rule removes a provision that purported to limit the Finance Board's ability to amend certain regulatory provisions unless certain actions were taken (the applicable conditions of which were met prior to adoption of the final rule). The prior condition of obtaining a one-time written statement from a rating agency or investment banking firm that a change in the leverage limit would not adversely affect the rating or creditworthiness of the consolidated obligations has been replaced by a requirement that each of the FHLBanks on an ongoing basis take whatever action may be necessary to maintain the rating of consolidated obligations at the highest level.

Collateral. On June 29, 2000, the Finance Board adopted a final rule that implemented the collateral provisions of the GLB Act. The rule, which became effective on August 17, 2000, permits an FHLBank to accept as collateral from a community financial institution (an FDIC-insured institution with assets not exceeding $500 million) small business loans, small farm loans, and small agri-business loans. Before accepting such collateral, the rule requires an FHLBank to demonstrate that it has procedures in place to value appropriately and discount the collateral. The rule also implements a provision of the GLB Act that removes the limit for all members on the amount of advances that could be secured by real estate-related collateral other than mortgages (such as home equity loans and commercial real estate). The amount had been capped at 30 percent of a member's capital.

Core Mission Activities and Acquired Member Assets. On June 29, 2000, the Finance Board adopted a final rule that became effective on July 17, 2000, governing core mission activities and acquired member assets.

The core mission activities rule is definitional rather than prescriptive. It does not specify any limits as to non-core mission activities, nor does it specify requirements to engage in core mission activities. It defines core mission activities to include:

- advances,
- certain acquired member assets,
- standby letters of credit,
- intermediary derivative contracts,
- a narrow list of targeted debt and equity instruments,
- certain investments in Small Business Investment Corporations (SBICs),
- certain SBIC debentures,
- Section 108 Interim Notes and Participation Certificates guaranteed by the Department of Housing and Urban Development, and
- investments and obligations issued or guaranteed under the Native American Housing Assistance and Self-Determination Act of 1996.

Under the final rule, the purchase of mortgage-backed securities does not count as a core mission activity. The rule does not, however, impose a limit on an FHLBank's investment in mortgage-backed securities beyond the 300 percent of capital limitation contained in the Finance Board's Financial Management Policy.

Investments. On June 29, 2000, the Finance Board adopted a final rule that became effective on July 17, 2000, governing FHLBank investments. Before the new rule, the Finance Board's Financial Management Policy implemented and limited the FHLBanks' statutory investment authority, providing a finite list of specific permissible investments. The new rule generally permits the FHLBanks to make any investments that are authorized under the FHLBank Act. However, the new rule sets forth several specific limitations on this general investment authority, and all requirements and restrictions regarding investments set forth in the Finance Board's Financial Management Policy remain in effect (See "Business — Investments"). In addition, an FHLBank must provide notice to the Finance Board before undertaking any investment of a type that the

FHLBank has not previously made, or that involves risks not previously and regularly managed by the FHLBank.

Business Overview

Historical Perspective. The fundamental business of the FHLBanks is to provide member institutions and housing associates with advances and other credit products in a wide range of maturities to meet member demand. Congress created the FHLBanks in 1932 to improve the availability of funds to support home ownership. As a government-sponsored enterprise, the FHLBanks are Federal instrumentalities specifically designed to carry out Federal housing policy. Although initially capitalized with government funds, their members have provided all the FHLBanks' capital for almost 50 years.

To accomplish their public purpose, the FHLBanks offer a readily available, low-cost source of funds, called advances, to member institutions and certain housing associates. Congress originally granted access to advances only to those institutions with the potential to make and hold long-term, amortizing home mortgage loans. Such institutions were primarily Federally and State-chartered savings and loan associations, cooperative banks, and State-chartered savings banks (thrift institutions).

FHLBanks and their member thrift institutions became an integral part of the home mortgage financing system in the United States. However, a variety of factors, including a severe recession, record-high interest rates, and deregulation, resulted in significant losses for thrift institutions in the 1980s. In reaction to the very significant cost to the American taxpayer of resolving failed thrift institutions, Congress restructured the home mortgage financing system in 1989. While Congress reaffirmed the housing finance mission of the FHLBanks, it expanded membership eligibility in the FHLBanks beyond traditional thrift institutions to include commercial banks and credit unions with a commitment to housing finance.

Federal Home Loan Bank Membership Trends

At December 31, 2000, there were 7,777 members of the FHLBanks, a net increase of 394 since December 31, 1999. As of December 31, 2000, the membership in the FHLBanks was comprised of 1,547 thrift institutions (savings and loan associations and savings banks), 5,681 commercial banks, 497 credit unions, and 52 insurance companies.

Federal Home Loan Banks

Membership

	Commercial Banks	Thrifts	Credit Unions	Insurance Companies	Total
December 31, 1997	4,514	1,742	213	35	6,504
December 31, 1998	4,925	1,651	275	33	6,884
December 31, 1999	5,329	1,610	405	39	7,383
December 31, 2000	5,681	1,547	497	52	7,777

Voluntary Members. The GLB Act made membership voluntary for all members. Previously membership was voluntary for all members except Federally chartered savings associations regulated by the Office of Thrift Supervision (OTS). As of December 31, 2000, 885 Federally chartered savings associations regulated by the OTS were FHLBank members. These members held 48.6 percent of all advances to members and 40.1 percent of member capital stock.

A member must give six months notice of its intent to withdraw. Members that withdraw from membership may not be readmitted to membership for five years. While 177 OTS-regulated, State-chartered savings associations have been voluntary members since April 19, 1995, only 1 has given notice of its intent to withdraw from membership since then for reasons other than merger or acquisition. Between January 1, 1993, and December 31, 2000, only 41 FHLBank members withdrew from membership for reasons other than merger or acquisition, and only 2 members have given notice to withdraw before July 1, 2001, for reasons other than merger or acquisition. The withdrawal of these three members will not have a material adverse effect on any FHLBank.

At December 31, 2000, total capital stock was $30.5 billion, an increase of $2.1 billion since December 31, 1999. Commercial bank members hold 45 percent of the capital stock and thrift institution members hold 50 percent.

Federal Home Loan Banks

Capital by Member Type
(Dollar amounts in billions)

	Commercial Banks	Thrifts	Credit Unions	Insurance Companies	Other(1)	Total
December 31, 1997	$ 8.0	$ 9.9	$0.2	$0.2	$0.5	$18.8
December 31, 1998	10.0	11.1	0.3	0.2	0.7	22.3
December 31, 1999	13.2	14.0	0.5	0.3	0.4	28.4
December 31, 2000	13.8	15.3	0.6	0.4	0.4	30.5

(1) Includes capital of members involved in mergers. Advances to members involved in mergers must be paid off before or at maturity if the merger involves a nonmember institution. Until these advances are paid off, the former member must still hold capital supporting those advances.

The following table presents information on the 10 largest holders of FHLBank capital stock at December 31, 2000.

Federal Home Loan Banks

Top 10 Capital Stock Holding Members in the FHLBanks
at December 31, 2000

Name	City	State	Capital Stock ($Millions)	Percent of Total Capital Stock
Washington Mutual Bank, FA*	Stockton	CA	$2,577.4	8.4%
California Federal Bank, FSB*	San Francisco	CA	1,361.1	4.5
World Savings Bank, FSB*	Oakland	CA	784.1	2.6
Washington Mutual Bank*	Seattle	WA	625.2	2.1
Charter One Bank, FSB*	Cleveland	OH	531.0	1.7
Bank United*	Houston	TX	390.9	1.3
Dime Savings Bank of NY, FSB	New York	NY	346.8	1.1
PNC Bank, NA	Pittsburgh	PA	332.5	1.1
Bank of America Oregon, NA	Portland	OR	288.7	1.0
Astoria FS&LA *	Long Island City	NY	285.3	0.9
			$7,523.0	24.7%

* An asterisk indicates that an officer of the member was an FHLBank director in 2000.

The information presented on capital stock in the table is for individual FHLBank members. The data is not aggregated to the holding-company level. Some of the institutions listed are affiliates of the same holding company, and some of the institutions listed may have affiliates that are members but that are not listed in the tables.

The following table identifies the five largest holders of capital stock of each FHLBank and their holdings at December 31, 2000.

Federal Home Loan Banks

Top 5 Capital Stock Holding Members by FHLBank at December 31, 2000

FHLBank	Name	City	State	Capital Stock ($Millions)	Percent of FHLBank Capital Stock
Boston	Fleet National Bank	Providence	RI	$ 231.6	12.5%
	Webster Bank	Waterbury	CT	125.3	6.7
	First Massachusetts Bank, NA	Worcester	MA	97.1	5.2
	People's Bank	Bridgeport	CT	89.9	4.8
	Citizens Bank of MA	Boston	MA	66.6	3.6
				$ 610.5	32.8%
New York	Dime Savings Bank of NY, FSB	New York	NY	$ 346.8	9.6%
	Astoria FS&LA*	Long Island City	NY	285.3	7.9
	HSBC Bank USA	Buffalo	NY	265.1	7.3
	North Fork Bank	Mattituck	NY	196.1	5.4
	Summit Bank	Hackensack	NJ	162.9	4.5
				$1,256.2	34.7%
Pittsburgh	PNC Bank, NA	Pittsburgh	PA	$ 332.5	16.1%
	Sovereign Bank, FSB	Wyomissing	PA	225.8	10.9
	Lehman Brothers Bank, FSB	Wilmington	DE	116.5	5.6
	Chase Manhattan Bank USA, NA	Wilmington	DE	84.5	4.1
	Waypoint Bank	Harrisburg	PA	76.5	3.7
				$ 835.8	40.4%
Atlanta	Regions Bank	Birmingham	AL	$ 266.3	7.6%
	BB&T of NC	Winston-Salem	NC	257.7	7.3
	SunTrust Bank, Atlanta	Atlanta	GA	248.3	7.1
	AmSouth Bank	Birmingham	AL	218.1	6.2
	First Union Direct Bank, NA	Augusta	GA	158.1	4.5
				$1,148.5	32.7%
Cincinnati	Charter One Bank, FSB*	Cleveland	OH	$ 531.0	19.0%
	Fifth Third Bank of Western Ohio	Dayton	OH	234.1	8.4
	Firstar Bank, NA	Cincinnati	OH	187.4	6.7
	Union Planters National Bank	Memphis	TN	182.9	6.6
	Ohio Savings Bank	Cleveland	OH	121.4	4.4
				$1,256.8	45.1%
Indianapolis	Standard Federal Bank, FSB*	Troy	MI	$ 227.3	14.7%
	Fifth Third Bank of Indiana*	Saint Joseph	MI	100.2	6.5
	Flagstar Bank, FSB	Bloomfield Hills	MI	98.8	6.4
	Old Kent Bank	Grand Rapids	MI	89.2	5.8
	Republic Bank	Lansing Township	MI	75.9	4.9%
				$ 591.4	38.3%

FHLBank	Name	City	State	Capital Stock ($Millions)	Percent of FHLBank Capital Stock
Chicago	LaSalle Bank, NA*	Chicago	IL	$ 228.8	14.0%
	The Northern Trust Company	Chicago	IL	94.5	5.8
	Mid America Bank, FSB*	Clarendon Hills	IL	84.8	5.2
	Anchor Bank, FSB*	Madison	WI	37.2	2.3
	The Private Bank & Trust Co.	Chicago	IL	35.0	2.1
				$ 480.3	29.4%
Des Moines	Wells Fargo Bank Minnesota, NA	Minneapolis	MN	$ 269.0	15.4%
	U.S. Bank, NA	Minneapolis	MN	150.8	8.6
	Superior Guaranty Insurance Co.	Minneapolis	MN	111.3	6.4
	Mississippi Valley Life Insurance Co.	St. Louis	MO	98.4	5.6
	TCF National Bank	Minneapolis	MN	49.2	2.8
				$ 678.7	38.8%
Dallas	Bank United*	Houston	TX	$ 390.9	18.4%
	World Savings Bank, SSB	Houston	TX	253.8	11.9
	Guaranty Federal Bank	Dallas	TX	161.9	7.6
	International Bank of Commerce	Laredo	TX	78.9	3.7
	Bluebonnet Savings Bank, FSB*	Dallas	TX	58.3	2.7
				$ 943.8	44.3%
Topeka	Commercial Federal Bank, FSB	Omaha	NE	$ 246.3	20.2%
	MidFirst Bank	Oklahoma City	OK	183.9	15.1
	Capitol Federal Savings Bank	Topeka	KS	161.3	13.2
	Firstar Bank Midwest	Overland Park	KS	26.3	2.2
	Bank of Oklahoma, NA	Tulsa	OK	24.7	2.0
				$ 642.5	52.7%
San Francisco	Washington Mutual Bank, FA*	Stockton	CA	$2,577.4	41.1%
	California Federal Bank, FSB*	San Francisco	CA	1,361.1	21.7
	World Savings Bank, FSB*	Oakland	CA	784.1	12.5
	Citibank, FSB	San Francisco	CA	201.0	3.2
	Downey S&LA	Newport Beach	CA	106.4	1.7
				$5,030.0	80.2%
Seattle	Washington Mutual Bank*	Seattle	WA	$ 625.2	29.0%
	Bank of America Oregon, NA	Portland	OR	288.7	13.4
	Washington Federal Savings	Seattle	WA	118.2	5.5
	Zions First National Bank	Salt Lake City	UT	100.8	4.7
	First Hawaiian Bank	Honolulu	HI	84.9	3.9
				$1,217.8	56.5%

* An asterisk indicates that an officer of the member was an FHLBank director in 2000.

The information presented on capital stock in the table is for individual FHLBank members. The data is not aggregated to the holding-company level. Some of the institutions listed are affiliates of the same holding company, and some of the institutions listed may have affiliates that are members but that are not listed in the tables.

Member Borrowers. While the total number of borrowing members has increased in recent years, and rose to 5,210 at year end 2000 from 5,092 at year end 1999, the percent of total members borrowing declined to 67.0 percent in 2000 from 69.0 percent in 1999.

Federal Home Loan Banks

Member Borrowers

	Commercial Banks	Thrifts	Credit Unions	Insurance Companies	Total
December 31, 1997	2,530	1,113	57	13	3,713
December 31, 1998	3,056	1,083	87	13	4,239
December 31, 1999	3,683	1,211	179	19	5,092
December 31, 2000	3,843	1,165	177	25	5,210

While 67.0 percent of the FHLBank's members held advances at December 31, 2000, the 68 borrowers with advance holdings of $1 billion or more at December 31, 2000, held 62.9 percent of the FHLBanks' total advances. At year end 1999, 61 borrowers held advances greater than $1 billion, representing 58.7 percent of total FHLBanks' advances.

Federal Home Loan Banks

Advances
(Dollar amounts in billions)

	Commercial Banks	Thrifts	Credit Unions	Insurance Companies	Other(1)	Total
December 31, 1997	$ 57.4	$138.0	$0.6	$1.8	$4.5	$202.3
December 31, 1998	104.4	172.9	1.1	2.5	7.3	288.2
December 31, 1999	147.7	238.0	3.4	3.2	3.4	395.7
December 31, 2000	172.1	254.9	3.4	2.5	5.0	437.9

(1) Includes advances to housing associates and members involved in mergers. Advances to members involved in mergers must be paid off before or at maturity if the merger involves a nonmember institution.

The following table presents information on the 10 largest borrowers at the FHLBanks at December 31, 2000.

Federal Home Loan Banks

Top 10 Advance Holding Members
at December 31, 2000

Name	City	State	Advances ($ Millions)	Percent of Total Advances
Washington Mutual Bank, FA*	Stockton	CA	$ 48,485.0	11.1%
California Federal Bank, FSB*	San Francisco	CA	26,027.9	5.9
World Savings Bank, FSB*	Oakland	CA	14,472.0	3.3
Charter One Bank, FSB*	Cleveland	OH	8,905.2	2.0
Washington Mutual Bank*	Seattle	WA	8,709.1	2.0
Bank United*	Houston	TX	7,696.8	1.8
Dime Savings Bank of NY, FSB	New York	NY	6,935.4	1.6
Bank of America Oregon, NA	Portland	OR	5,534.5	1.3
Regions Bank	Birmingham	AL	5,305.0	1.2
Astoria FS&LA*	Long Island City	NY	5,255.0	1.2
			$137,325.9	31.4%

* An asterisk indicates that an officer of the member was an FHLBank director in 2000.

The information presented on advances in the table is for individual FHLBank members. The data is not aggregated to the holding-company level. Some of the institutions listed are affiliates of the same holding company, and other members listed may have affiliates that are members but that are not listed in the tables.

The following table presents information on the five largest borrowers by FHLBank at December 31, 2000.

Federal Home Loan Banks

Top 5 Advance Holding Members by FHLBank at December 31, 2000

FHLBank	Name	City	State	Advances ($ Millions)	Percent of FHLBank Advances
Boston	Webster Bank	Waterbury	CT	$ 2,381.6	11.0%
	People's Bank	Bridgeport	CT	1,773.8	8.2
	First Massachusetts Bank, NA	Worcester	MA	1,626.5	7.5
	Bank of New Hampshire, NA	Farmington	NH	921.8	4.3
	First FSB America	Fall River	MA	737.7	3.4
				$ 7,441.4	34.4%
New York	Dime Savings Bank of NY, FSB	New York	NY	$ 6,935.4	13.2%
	Astoria FS&LA*	Long Island City	NY	5,255.0	10.0
	Summit Bank	Hackensack	NJ	3,153.5	6.0
	North Fork Bank	Mattituck	NY	3,059.2	5.8
	Manufacturers & Traders Trust Co.	Buffalo	NY	2,789.1	5.3
				$21,192.2	40.3%
Pittsburgh	PNC Bank, NA	Pittsburgh	PA	$ 4,900.5	18.9%
	Sovereign Bank, FSB	Wyomissing	PA	4,515.9	17.4
	Waypoint Bank	Harrisburg	PA	1,436.0	5.5
	National City Bank of Pennsylvania	Pittsburgh	PA	857.1	3.3
	United National Bank	Parkersburg	WV	579.0	2.2
				$12,288.5	47.3%
Atlanta	Regions Bank	Birmingham	AL	$ 5,305.0	9.1%
	BB&T of NC	Winston-Salem	NC	5,153.8	8.8
	SunTrust Bank, Atlanta	Atlanta	GA	4,965.1	8.5
	AmSouth Bank	Birmingham	AL	4,341.0	7.5
	First Union Direct Bank, NA	Augusta	GA	3,162.0	5.4
				$22,926.9	39.3%
Cincinnati	Charter One Bank, FSB*	Cleveland	OH	$ 8,905.2	27.9%
	Union Planters National Bank	Memphis	TN	3,500.9	11.0
	Firstar Bank, NA	Cincinnati	OH	3,482.8	10.9
	Ohio Savings Bank	Cleveland	OH	1,683.4	5.3
	Fifth Third Bank of Western Ohio	Dayton	OH	1,347.9	4.2
				$18,920.2	59.3%
Indianapolis	Standard Federal Bank, FSB*	Troy	MI	$ 4,230.7	17.6%
	Fifth Third Bank of Indiana*	Saint Joseph	MI	1,801.7	7.5
	Old Kent Bank	Grand Rapids	MI	1,760.9	7.3
	Flagstar Bank, FSB	Bloomfield Hills	MI	1,721.0	7.1
	Republic Bank	Lansing Township	MI	1,387.5	5.8
				$10,901.8	45.3%

FHLBank	Name	City	State	Advances ($ Millions)	Percent of FHLBank Advances
Chicago	LaSalle Bank, NA*	Chicago	IL	$ 2,751.8	14.9%
	Mid America Bank, FSB*	Clarendon Hills	IL	1,695.5	9.2
	Anchor Bank, FSB*	Madison	WI	695.0	3.8
	The Northern Trust Company	Chicago	IL	615.9	3.3
	Liberty Federal Bank*	Hinsdale	IL	546.2	3.0
				$ 6,304.4	34.2%
Des Moines	Wells Fargo Bank Minnesota, NA	Minneapolis	MN	$ 5,228.0	24.7%
	U.S. Bank, NA	Minneapolis	MN	2,056.4	9.7
	Superior Guaranty Insurance Co.	Minneapolis	MN	1,030.0	4.9
	TCF National Bank	Minneapolis	MN	857.5	4.1
	Jefferson Heritage Bank	Ballwin	MO	632.3	3.0
				$ 9,804.2	46.4%
Dallas	Bank United*	Houston	TX	$ 7,696.8	25.5%
	World Savings Bank, SSB	Houston	TX	5,000.0	16.6
	Guaranty Federal Bank	Dallas	TX	2,742.0	9.1
	International Bank of Commerce	Laredo	TX	1,300.0	4.3
	Bluebonnet Savings Bank, FSB*	Dallas	TX	1,156.2	3.8
				$17,895.0	59.3%
Topeka	Commercial Federal Bank, FSB	Omaha	NE	$ 3,523.4	20.0%
	MidFirst Bank	Oklahoma City	OK	3,220.5	18.3
	Capitol Federal Savings Bank	Topeka	KS	3,200.0	18.2
	Firstar Bank Midwest	Overland Park	KS	525.0	3.0
	Security Benefit Life Insurance	Topeka	KS	467.4	2.7
				$10,936.3	62.2%
San Francisco	Washington Mutual Bank, FA*	Stockton	CA	$48,485.0	44.1%
	California Federal Bank, FSB*	San Francisco	CA	26,027.9	23.7
	World Savings Bank, FSB*	Oakland	CA	14,472.0	13.2
	Citibank, FSB	San Francisco	CA	4,019.2	3.7
	Downey S&LA	Newport Beach	CA	1,978.1	1.8
				$94,982.2	86.5%
Seattle	Washington Mutual Bank*	Seattle	WA	$ 8,709.1	33.2%
	Bank of America Oregon, NA	Portland	OR	5,534.5	21.1
	Washington Federal Savings	Seattle	WA	2,107.0	8.0
	American Savings Bank, FSB	Honolulu	HI	1,249.3	4.8
	First Security Bank of Utah*	Ogden	UT	757.1	2.9
				$18,357.0	70.0%

* An asterisk indicates that an officer of the member was an FHLBank director in 2000.

The information presented on advances in the table is for individual FHLBank members. The data is not aggregated to the holding-company level. Some of the institutions listed are affiliates of the same holding company, and other members listed may have affiliates that are members but that are not listed in the tables.

Housing Associates. At year end 2000, the FHLBanks had $223.5 million in advances outstanding to 19 housing associates, down from $356.4 million at year end 1999. Housing associates eligible to borrow include 41 State housing finance agencies, 1 tribal housing corporation, 6 county housing finance agencies, and 4 city housing authorities.

Financial Trends

Balance Sheet. FHLBanks' advances rose to $437.9 billion at year end 2000. Advances have been increasing in recent years reflecting the use of advances by new commercial bank members and the development of advance products tailored to specific member funding needs. Advances increased by 42.5 percent in 1998, 37.3 percent in 1999, and by 10.7 percent in 2000. Advances increased primarily in the first two quarters of 2000 and by a total of $42.2 billion by year end. In the last half of 2000, advances for the most part remained flat or declined for the FHLBanks. A large portion of this flatness or decline is attributable to special factors surrounding the merger and acquisition activity of a small number of members. Also, there was a significant amount of one-year advance activity in mid 1999 for Year 2000-liquidity purposes, and some of the decline in advances may be attributable to a roll-off of these advances. The flatness or decline in advances does not necessarily indicate a trend. As Note 5 discusses, the FHLBanks make significant use of interest-rate exchange agreements to transform cash flows on certain of their advances. (See Note 5 to the accompanying combined financial statements.)

Investments fell by $2.9 billion or 2.1 percent in 1998 and then grew by $34.2 billion, or 24.9 percent, during 1999. In 2000, investments grew by $15.0 billion or 8.8 percent. The principal investments of the FHLBanks are mortgage-backed securities, overnight and term federal funds sold, commercial paper, agency securities, and U.S. Government securities. The Finance Board's Financial Management Policy limits the mortgage-backed security investments of any FHLBank to 300 percent of that FHLBank's capital. Aggregate mortgage-backed security investments of $81.3 billion at December 31, 2000, were 260 percent of total FHLBank capital. These investments represented 252 percent of total FHLBank capital at December 31, 1999. As Note 3 discusses, the FHLBanks make significant use of interest-rate exchange agreements to transform the cash flows on certain of their investment securities.

Historically, the FHLBanks collectively have been one of the largest providers of federal funds. Federal funds sold were $55.3 billion (29.7 percent of total investments) at year end 2000, compared with $57.0 billion (33.2 percent of total investments) at year end 1999.

The FHLBanks held commercial paper of $11.7 billion (6.3 percent of total investments) at year end 2000, compared with $11.5 billion (6.7 percent of total investments) at year end 1999. The FHLBanks also invest in U.S. agency obligations, primarily structured debt issued by other GSEs and also in the consolidated obligations of other FHLBanks. The FHLBanks use interest-rate exchange agreements to hedge the interest-rate risk associated with investments in structured debt. U.S. agency obligations rose to $13.9 billion or 7.5 percent of total investments at year end 2000, up from $13.3 billion or 7.7 percent of total investments at year end 1999. (See Notes 3 and 4 to the accompanying combined financial statements.)

Advances and investments grew in 2000. Advances as a percentage of total assets have decreased to 67.0 percent at December 31, 2000, from 67.9 percent at December 31, 1999. Investments as a percentage of total assets also decreased, falling to 28.5 percent from 29.4 percent over the same period. While both advances and investments declined slightly as a percentage of total assets, mortgage loans increased to 2.5 percent of assets at December 31, 2000, from 0.3 percent one year earlier. Total assets reached $653.7 billion at year end 2000, up $70.5 billion or 12.1 percent over total assets at year end 1999.

Mortgage loans held increased to $16.1 billion at December 31, 2000, from $2.0 billion at December 31, 1999. The pattern of net increases was uneven during 2000 as there were significant net increases mid-year with much smaller net increases toward the end of 2000. Much of the mid-year activity was the purchase of FHA/VA loans. As pricing relationships changed later in the year, the amount of FHA/VA purchase activity declined.

The principal funding source for FHLBank operations is consolidated obligations, which consist of consolidated bonds and consolidated discount notes. Member deposits and capital are also funding sources. Generally, discount notes are consolidated obligations with a maturity up to

360 days, and consolidated bonds have maturities of one year or longer. Discount notes are a significant funding source for advances with short-term maturities or short repricing intervals, for convertible advances, and for money-market investments. As Note 10 discusses, the FHLBanks make significant use of interest-rate exchange agreements to transform the cash flows on consolidated obligations and to reduce funding costs. Consolidated obligations outstanding increased 12.6 percent between year end 1999 and year end 2000, rising to $591.6 billion at year end 2000. Consolidated discount notes outstanding increased 13.2 percent over the same period, reaching $159.9 billion at year end 2000, and consolidated bonds outstanding increased by 12.4 percent to end 2000 at $431.7 billion. (See Notes 8, 9, and 10 to the accompanying combined financial statements.)

The FHLBanks' total capital grew by $2.3 billion or 7.9 percent between 1999 and 2000 due to increases in advances, increases in membership, and the payment of stock dividends by the FHLBanks of Cincinnati, Chicago, Dallas, San Francisco, and Seattle. Over the same period, total assets grew more than total capital, causing the FHLBanks' capital-to-asset ratio to decrease to 4.8 percent at year end 2000 from 5.0 percent at year end 1999. (See Note 11 to the accompanying combined financial statements.)

Effective July 1, 2000, the FHLBank leverage limit is based on a ratio of assets to capital rather than a ratio of liabilities to capital. At year end 2000, combined FHLBank asset-based leverage was 20.9 to 1. Combined FHLBank liability-based leverage was 19.1 to 1 at year end 1999, and 17.9 to 1 at year end 1998. At December 31, 2000, four FHLBanks had leverage in excess of 21.0 to 1, but less than 25.0 to 1 in all cases. (See "Business—Debt Financing—Consolidated Obligations," "Discussion and Analysis of Financial Condition and Results of Operations—Regulatory Developments—Leverage Limits," and Note 10 to the accompanying combined financial statements.)

Advances Activity. More than 57.3 percent of the advances outstanding at December 31, 2000, had a remaining maturity greater than one year compared with 50.3 percent at December 31, 1999. Approximately 32.0 percent of the par amount of advances outstanding at December 31, 2000, were floating-rate advances compared with 34.1 percent one year earlier. Advance originations totaled $4.680 trillion in 2000, up 81.6 percent from 1999 originations of $2.577 trillion, reflecting the demand by members for short-term advances. (See Note 5 to the accompanying combined financial statements.)

Debt Financing Activity. An increase in consolidated obligations outstanding of $66.2 billion or 12.6 percent in 2000 financed most of the increase in FHLBank assets. Consolidated bonds composed 73.0 percent of consolidated obligations outstanding at year end 2000, with the remainder being consolidated discount notes. Through December 31, 2000, the Finance Board through the Office of Finance offered consolidated bonds and consolidated discount notes (collectively, consolidated obligations) on a daily basis. The Finance Board adopted final rules on June 2, 2000, to govern the issuance of debt for the FHLBanks. Beginning January 2, 2001, the FHLBanks will issue joint debt through the Office of Finance as their agent. (See "Business—Debt Financing—Consolidated Obligations," "Discussion and Analysis of Financial Condition and Results of Operations—Risk Management," and Notes 10 and 13 to the accompanying combined financial statements.)

Federal Home Loan Banks

Composition of Bonds Outstanding
(Par amounts in millions at December 31)

	2000	1999
Par amount of consolidated bonds:		
Fixed rate	$386,511	$329,583
Step-up	3,901	4,149
Simple variable-rate	31,502	33,599
Inverse floating rate	447	500
Fixed that converts to variable	849	1,273
Variable that converts to fixed	99	180
Comparative-index	864	1,451
Zero-coupon	24,009	24,464
Other	339	6,173
Total par value	$448,521	$401,372

In 2000, 73.0 percent of bond sales by par amount were negotiated transactions and 27.0 percent by par amount were competitively bid. In 2000, 45.5 percent of bonds sold were fixed-rate, fixed-term, non-callable (bullet) bonds; 36.5 percent were callable bonds; and 17.4 percent were simple floating-rate bonds. Bonds sold through the Office of Finance often have investor-determined features. The decision to issue a bond using a particular structure is based upon the funding level to be acquired and the ability of the FHLBank(s) receiving the proceeds of the bonds issued to hedge the risks. The issuance of a bond with an associated interest-rate exchange agreement, which effectively converts the consolidated bond into a simple fixed- or floating-rate bond, usually results in a funding vehicle with a lower cost than the FHLBanks could otherwise achieve. The continued attractiveness of such debt depends on price relationships in both the bond and interest-rate exchange markets. If conditions in these markets change, then the FHLBanks may alter the types or terms of the bonds issued. The increase in funding alternatives available to the FHLBanks through negotiated transactions has diversified the investor base, reduced funding costs, and resulted in additional asset-liability management tools. (See "Discussion and Analysis of Financial Condition and Results of Operations—Risk Management" and Notes 10 and 13 to the accompanying combined financial statements.)

The Finance Board, through the Office of Finance, issued $217.3 billion of consolidated bonds in 2000. This compares with $244.7 billion in 1999 and $284.4 billion in 1998. Some of this activity reflects the recent trend of issuing callable bonds, often with short lock-out periods. Call activity declined precipitously in 2000 with the increase in open-market interest rates. The FHLBanks are extensive users of callable debt, with $224.5 billion outstanding as of year end 2000 or 52 percent of total bonds. At December 31, 2000, an estimated $34.2 billion of bonds had in-the-money calls that could be exercised in 2001 based on interest rates prevailing on December 31, 2000. The amount of bonds that will be called in 2001 will depend on the level and volatility of interest rates and other factors.

Discount notes are a significant funding source for the FHLBanks. Discount notes are short-term instruments, and the issuance of discount notes with maturities of one business day influences the aggregate origination volume. Through a 16-member selling group, the Office of Finance offers discount notes daily in a range of maturities up to 360 days. In addition, the Office of Finance offers discount notes in four standard maturities in two auctions each week. The FHLBanks use discount notes to fund short-term advances, longer-term advances with short repricing intervals, some putable advances, and money market investments. Discount notes composed 27.0 percent of outstanding consolidated obligations at year end 2000 but accounted for 95.0 percent of the proceeds from the sale of consolidated obligations in 2000. Much of the discount note activity reflects the refinancing of overnight discount notes, which averaged $13.6 billion in 2000.

Federal Home Loan Banks

Average Consolidated Obligations Outstanding
(Dollar amounts in billions)

	2000	1999
Overnight discount notes	$ 13.6	$ 9.1
Term discount notes	132.4	89.0
Total discount notes	146.0	98.1
Bonds	432.3	344.1
Total consolidated obligations	$578.3	$442.2

Early in 2000, the FHLBanks and the Office of Finance implemented an Internet-based platform for discount note auctions. This platform, created for the Office of Finance, uses the Internet to automate manual tasks in the auction process to improve productivity and responsiveness to the marketplace and the FHLBanks.

The FHLBanks have emphasized diversification of funding sources and channels as the need for funding from the capital markets has grown. In July 1994, the Office of Finance initiated a Global Debt Program. By issuing debt under this program, the FHLBanks can expand and diversify their investor base. In 2000, the Global Debt Program provided $46 billion in term funds. In mid 1999, the Office of Finance implemented the TAP issue program. This program consolidates most bullet bond issuance through daily auctions of common maturities. By consolidating these small issues, the Office of Finance seeks to enhance the liquidity of these issues. In 2000, TAP issuance was $43.1 billion. The TAP program has also reduced FHLBanks' funding costs.

REFCORP Payment

The FHLBanks must pay 20 percent of net earnings (after their AHP obligation) to REFCORP for part of the interest on the bonds issued by REFCORP. The FHLBanks must make these payments to REFCORP until the total amount of payments actually made is equivalent to a $300 million annual annuity whose final maturity date is April 15, 2030. The Finance Board will shorten or lengthen the period during which the FHLBanks must make payments to REFCORP depending on actual payments relative to the referenced annuity. In addition, the Finance Board in consultation with the Secretary of the Treasury will select the appropriate discounting factors used in this calculation.

The REFCORP assessment of the FHLBanks was $144.5 million for the fourth quarter of 2000 and $553 million for the year 2000. As specified in the Finance Board regulation that implements section 607 of the GLB Act, the amount of a quarter's payment in excess of the $75 million benchmark payment is used to simulate the purchase of zero-coupon Treasury bonds to "defease" all or a portion of the most-distant remaining quarterly benchmark payment. The $69.5 million fourth-quarter REFCORP payment in excess of the $75 million quarterly benchmark will fully defease the remaining $43.8 million portion of the benchmark payment due on April 15, 2027; the benchmark payments due on January 15, 2027, October 15, 2026, and July 15, 2026; and defease $40.0 million of the $75 million benchmark payment due on April 15, 2026. These benchmark payments or portions of them could be restored if the future actual REFCORP payments of the FHLBanks fall short of $75 million in a quarter.

The FHLBanks' payments to REFCORP in 2000 of $553 million had the effect of shortening the period during which the FHLBanks must make quarterly payments to April 15, 2026, from April 15, 2030. If future payments to REFCORP are less than $75 million in a quarter, some or all of these payments could be reinstated.

The following table presents information on the status of the FHLBanks' REFCORP payments.

Federal Home Loan Banks

REFCORP Payment Summary
For Fourth Quarter 2000 Payment
(Dollar amounts in millions)

Payment Due Date	Amount of Remaining Benchmark Payment Defeased*	Interest Rate Used to Discount the Future Benchmark Payment	Present Value of Benchmark Payment Defeased
April 15, 2027 (most distant remaining payment)	$ 43.8	5.82%	$ 9.6
January 15, 2027	75.0	5.82	16.7
October 15, 2026	75.0	5.83	16.9
July 15, 2026	75.0	5.84	17.1
April 15, 2026	40.0	5.85	9.2
Total	$308.8		$69.5

* Subject to possible subsequent reinstatement.

Results of Operations

Net Income and Net Interest Income. The FHLBanks' net income for 2000 was $2.211 billion, $83 million or 3.9 percent above 1999 net income, continuing a trend that began in 1992. The FHLBanks' net income for 1999 was 19.7 percent above 1998 net income, while net income for 1998 was 19.2 percent above 1997 net income. Reported net income in 2000 is not comparable to net income in years before 2000. Beginning with the first quarter of 2000, the FHLBanks' required REFCORP payments became 20 percent of their respective net earnings, and these combined payments are reflected on the statement of income. Before the first quarter of 2000, the FHLBanks' required REFCORP payment was a fixed $75 million per quarter, and this was treated as a charge to retained earnings and was not expensed. The FHLBanks' combined REFCORP payment for 2000 was $553 million compared with $300 million for 1999. Net income before the required REFCORP payment was $2.764 billion, $636 million or 29.9 percent above 1999.

For 2000, the increase in net interest income after loan loss provision was $778 million, a 30.7 percent increase above 1999. Net interest income after loan loss provision for 1999 was 19.7 percent above 1998, while net interest income after loan loss provision for 1998 was 19.4 percent above 1997. The FHLBanks' average assets increased 26.6 percent during 2000; average advances grew 25.5 percent, while average investments increased 15.0 percent over the year. The FHLBanks' average assets increased 27.6 percent during 1999; average advances grew 45.8 percent, while average investments increased 4.6 percent over 1998. The FHLBanks' average assets increased 22.4 percent during 1998; average advances grew 34.5 percent, while average investments increased 44.2 percent over 1997.

Earnings Analysis. The following table presents changes in the components of the FHLBanks earnings for the past three years:

Federal Home Loan Banks

Change in Earnings Components
(Dollar amounts in millions)

	2000 vs. 1999	1999 vs. 1998	1998 vs. 1997
Increase (decrease) in:			
Total interest income	$12,460	$5,042	$3,448
Total interest expense	11,681	4,624	3,104
Net interest income before loan loss provision	779	418	344
Loan loss provision	1	1	
Net interest income after loan loss provision	778	417	344
Prepayment fees, net	(9)	(67)	54
Other noninterest income, net	(33)	55	(47)
Total noninterest income	(42)	(12)	7
Operating expenses	51	24	29
Finance Board and Office of Finance expenses		1	4
Other, net	8	1	2
Total other expenses	59	26	35
Affordable Housing Program	47	30	32
REFCORP	553		
Total assessments	600	30	32
Extraordinary item:			
Gain on early retirement of debt, net	6	1	2
Net income	$ 83	$ 350	$ 286

The following table presents average balances (calculated using quarterly balances) and yields of major earning asset categories and the sources funding those earning assets. It also presents spreads between yields on total earning assets and the cost of interest-bearing liabilities and spreads between yields on total earning assets and the cost of total funding sources (i.e., interest-bearing liabilities plus capital plus other interest-free liabilities funding earning assets).

Federal Home Loan Banks

Spread and Yield Analysis
(Dollar amounts in millions)

	2000		1999		1998	
	Average Balance	Yield	Average Balance	Yield	Average Balance	Yield
Earning assets:						
Advances and other loans	$430,452	6.43%	$336,713	5.29%	$235,199	5.60%
Investments	174,423	6.47%	151,682	5.74%	137,736	6.03%
Total earning assets	$604,875	6.44%	$488,395	5.43%	$372,935	5.76%
Funded by:						
Consolidated obligations	558,126	6.24%	$442,158	5.21%	$329,350	5.53%
Interest-bearing deposits and other borrowings	15,669	5.50%	19,907	4.74%	22,502	5.17%
Total interest-bearing liabilities	573,795	6.21%	462,065	5.19%	351,852	5.50%
Capital and other non-interest-bearing funds	31,080		26,330		21,083	
Total funding	$604,875	5.90%	$488,395	4.91%	$372,935	5.19%
Spread on:						
Total interest-bearing liabilities		0.23%		0.24%		0.26%
Total funding (net interest margin)		0.54%		0.52%		0.57%

The primary source of FHLBank earnings is net interest income, which is the interest earned on advances, mortgages, and investments less interest paid on consolidated obligations, deposits, and other borrowings. Interest income and interest expense increased in 2000 relative to 1999, reflecting higher capital levels, the growth in FHLBank average assets, and the corresponding increase in liabilities. Net interest income as a percentage of average earning assets (net interest margin) was 54 basis points in 2000, 52 basis points in 1999, and 57 basis points in 1998. Compared with 1999, interest income increased by 47.0 percent while interest expense increased by 48.7 percent. This is attributable to both an increase in interest-bearing liabilities and to an increase in interest rates as described in the following Rate and Volume Analysis. Average total assets were 26.6 percent higher in 2000 than in 1999, average advances were 25.5 percent higher, average investments were 15.0 percent higher, and average consolidated obligations were 26.2 percent higher.

A significant portion of net interest income results from earnings on assets funded by non-interest-bearing capital. Average total capital for 2000 was $30.2 billion, which was $5.1 billion or 20.3 percent greater than average total capital of $25.1 billion for 1999. Average total capital also increased from 1998 to 1999, growing 23.0 percent to $25.1 billion in 1999. Growth in FHLBank membership, increased advance levels and stock dividends contributed to the increase in average total capital.

Net interest income as a percentage of average earning assets (net interest margin) was 0.54 percent in 2000 compared with 0.52 percent in 1999. The increase in the net interest margin is mostly attributable to assets funded by capital as the yield on earning assets and the cost of interest-bearing liabilities increased by 101 and 102 basis points, compared with 1999. While this spread decreased by 1 basis point, the net interest margin increased by 2 basis points, reflecting the earnings on assets supported by capital. The similar increases in asset yields and funding costs reflects the efficacy of interest-rate risk management policies of the FHLBanks.

Even though interest rates increased in 2000, the FHLBanks' profitability declined only slightly in relative terms. Compared with 1999, the spread between the yield on earning assets and interest-bearing liabilities decreased to 0.23 percent from 0.24 percent. This relatively stable profitability reflects the extensive use of hedging vehicles to limit interest-rate risk. (See "Discussion and Analysis of Financial Condition and Results of Operations—Risk Management" and Note 13 to the accompanying combined financial statements.)

Changes in both volume and interest rates influence changes in net interest income and net interest margin. Higher profitability with narrowing spreads comes about through increased leverage. The following table summarizes changes in interest income and interest expense between 2000 and 1999 and between 1999 and 1998. Changes in interest income and interest expense attributable to both volume and rate changes have been allocated to the volume and rate categories based upon the proportion of the absolute value of the volume and rate changes.

Federal Home Loan Banks

Rate and Volume Analysis
(Dollar amounts in millions)

	2000 vs. 1999 Increase/(Decrease) due to			1999 vs. 1998 Increase/(Decrease) due to		
	Volume	Rate	Total	Volume	Rate	Total
Interest income:						
Advances and other loans	$5,562	$4,330	$ 9,892	$5,405	$ (769)	$4,636
Investments	1,395	1,173	2,568	814	(408)	406
Total interest income	6,957	5,503	12,460	6,219	(1,177)	5,042
Interest expense:						
Consolidated obligations	6,723	5,039	11,762	5,930	(1,085)	4,845
Deposits and other borrowings	(219)	138	(81)	(128)	(93)	(221)
Total interest expense	6,504	5,177	11,681	5,802	(1,178)	4,624
Changes in net interest income	$ 453	$ 326	$ 779	$ 417	$ 1	$ 418

Other Income. The following table presents other income for each of the last three years:

	For the Year Ended December 31, 2000	1999	1998
	(Dollar amounts in millions)		
Other income:			
Prepayment fees, net	$ 4	$ 13	$ 80
Services to members	44	43	52
Realized net gain on sales of available-for-sale securities, net	2		
Unrealized gain (loss) on change in fair value of interest-rate exchange agreements associated with the elimination of interbank bonds		24	(30)
Other, net	15	27	17
Total other income	$65	$107	$119

In 1998, the unrealized loss on change in fair value of interest-rate exchange agreements associated with the elimination of interbank bonds was reclassified from an extraordinary item to a part of other income. Other than the reclassification, total other income reported by the FHLBanks has changed primarily because of changes in prepayment fees. The FHLBanks charge their members a prepayment fee when they prepay certain advances before their original maturity. The Finance Board's regulations generally require advances with a maturity or repricing period greater than six months to carry a fee sufficient to make an FHLBank financially indifferent to the borrower's decision to prepay the advances. (See Note 14 to the accompanying combined financial statements.)

During 2000, total other income was $65 million, $42 million less than total other income in 1999. Prepayment fees reported during 2000 of $4 million were $9 million lower than the 1999 prepayment fees of $13 million due to the rise in interest rates.

Operating Expenses. The following table presents operating expenses for the last three years:

Federal Home Loan Banks

Operating Expenses
(Dollar amounts in millions)

	For the Year Ended December 31,			Percentage Increase	
	2000	1999	1998	2000/1999	1999/1998
Salaries and employee benefits	$185	$155	$138	19.4%	12.3%
Occupancy cost	25	19	19	31.6%	
Other	123	108	101	13.9%	6.9%
Total operating expenses	$333	$282	$258	18.1%	9.3%

Total FHLBank operating expenses for 2000 were $333 million, $51 million or 18.1 percent above total operating expenses in 1999. The increase in salaries and benefits in 2000 reflects general pay and benefits increases. Operating expenses as a percent of average assets were 5.4 basis points in 2000 and 5.8 basis points in 1999. Operating expenses includes the costs of providing member correspondent services, as well as credit operations.

Finance Board and Office of Finance Expenses. The FHLBanks are assessed the costs of operating the Finance Board and the Office of Finance. These expenses totaled $29 million in 2000 and 1999.

Affordable Housing Program. The AHP expense for 2000 was $246 million, 23.6 percent greater than the 1999 AHP expense of $199 million. For both 2000 and 1999, the AHP assessment was 10 percent of net income after the required payment to REFCORP. The increases in 2000, 1999, and 1998 reflect increased FHLBank net income. (See Note 6 to the accompanying combined financial statements.)

Quarterly Results of Operations

The following table presents combined results of operations for the FHLBanks, by quarter, for the past three years:

Federal Home Loan Banks

Income Statement
(Dollar amounts in millions)

	2000 Quarter Ended			
	March 31	June 30	Sept 30	Dec 31
Total interest income	$8,663	$9,366	$10,298	$10,653
Total interest expense	7,898	8,548	9,441	9,780
Net interest income before loan loss provision	765	818	857	873
Loan loss provision	1		1	
Net interest income after loan loss provision	764	818	856	873
Prepayment fees, net			1	3
Other noninterest income, net	18	14	11	18
Total noninterest income	18	14	12	21
Operating expenses	74	84	78	97
Finance Board and Office of Finance expenses	9	7	8	5
Other, net	1	3	3	4
Total other expenses	84	94	89	106
Affordable Housing Program	57	61	63	65
REFCORP	129	135	144	145
Total assessments	186	196	207	210
Extraordinary item:				
Gain (loss) on early retirement of debt, net	4	1	3	(1)
Net income	$ 516	$ 543	$ 575	$ 577

	1999 Quarter Ended			
	March 31	June 30	Sept 30	Dec 31
Total interest income	$5,668	$5,988	$6,800	$8,064
Total interest expense	5,094	5,399	6,146	7,347
Net interest income before loan loss provision	574	589	654	717
Loan loss provision	1	(1)		1
Net interest income after loan loss provision	573	590	654	716
Prepayment fees, net	8	4	2	(1)
Other non-interest income, net	29	22	25	18
Total non-interest income	37	26	27	17
Operating expenses	67	68	68	79
Finance Board and Office of Finance expenses	8	7	6	8
Other, net			1	2
Total other expenses	75	75	75	89
Affordable Housing Program	47	45	51	56
Total assessments	47	45	51	56
Extraordinary item:				
Gain on early retirement of debt, net			1	
Net income	$ 488	$ 496	$ 556	$ 588

	1998 Quarter Ended			
	March 31	June 30	Sept 30	Dec 31
Total interest income	$5,060	$5,034	$5,411	$5,973
Total interest expense	4,551	4,516	4,882	5,413
Net interest income	509	518	529	560
Prepayment fees, net	12	15	19	34
Other non-interest income, net	(9)	(2)	8	42
Total non-interest income	3	13	27	76
Operating expenses	59	64	62	73
Finance Board and Office of Finance expenses	5	7	6	10
Other, net				2
Total other expenses	64	71	68	85
Affordable Housing Program	40	38	42	49
Total assessments	40	38	42	49
Extraordinary item:				
(Loss) gain on early retirement of debt, net		(1)	(1)	2
Net income	$ 408	$ 421	$ 445	$ 504

Risk Management

The fundamental business of the FHLBanks is to provide member institutions and housing associates with advances and other credit products in a wide range of maturities and terms to meet member demand. The principal sources of funds for these activities are consolidated obligations and, to a lesser extent, capital and members' deposits. Lending and investing funds and engaging in interest-rate exchange agreements have the potential for exposing the FHLBanks to a number of risks, including credit and interest-rate risk. To control the FHLBanks' risk exposure, the Finance Board has established regulations and policies that FHLBanks must follow to evaluate and manage their credit and interest-rate risk. FHLBanks must file periodic compliance reports with the Finance Board. The Finance Board conducts an annual on-site examination of each FHLBank and the Office of Finance as well as off-site analyses. In addition, each FHLBank's board of directors must establish risk management policies that comport with Finance Board guidelines.

The FHLBanks face very low credit risk from advances. Members must fully collateralize all advances. In addition, the FHLBanks have certain statutory lien protections for any collateral a member pledges, and a member's capital stock serves as additional collateral for advances. Even in the late 1980s and early 1990s when many members were liquidated, the FHLBanks experienced no credit losses on advances.

In 1999, the Finance Board authorized all of the FHLBanks to establish mortgage purchase programs similar to the Mortgage Partnership Finance® (MPF®) program. By their very nature, these assets may have more credit risk than advances, even though the member that originates the loan provides credit enhancement. At year end 2000, the programs had an outstanding balance of $16.1 billion of mortgage loans, all credit enhanced by members to an investment-grade rating, although these loans are not rated.

Certain funding strategies of the FHLBanks may incur some credit risk as an effect of eliminating or reducing interest-rate risk. In particular, the FHLBanks are extensive users of interest-rate exchange agreements with $565.7 billion of notional amount of interest-rate exchange agreements at December 31, 2000, compared with $494.6 billion at December 31, 1999. Often, these agreements eliminate or nearly eliminate interest-rate risk associated with a funding strategy. In return, however, an FHLBank may accept the unsecured credit risk of potential nonperformance by the counterparty to the interest-rate exchange agreement, as well as operations and other risks. The FHLBanks require collateral agreements on some interest-rate exchange agreements. As with other sources of risk, Finance Board policies and procedures govern credit risk and interest-rate risk arising from interest-rate exchange agreements. As Note 13 details, the maximum unsecured credit exposure on interest-rate exchange agreements was $2.3 billion at year end 2000, of which $1.6 billion was accrued interest receivable. In determining maximum credit risk, each FHLBank considers accrued interest receivables and payables, and the legal right to offset assets and liabilities by counterparty. The FHLBanks held securities with a fair value of $815 million as collateral at December 31, 2000. The counterparties to most interest-rate exchange agreements are swap dealers and major domestic and international commercial banks, some of which are also affiliated with underwriters of consolidated obligations and members. (See Note 13 to the accompanying combined financial statements.)

Managing Interest-Rate Risk. Interest-rate risk is the risk that relative and absolute changes in interest rates may adversely affect an institution's financial condition. The goal of an interest-rate risk management strategy is not necessarily to eliminate interest-rate risk but to manage it by setting appropriate limits. The general approach of the FHLBanks toward managing interest-rate risk is to acquire and maintain a portfolio of assets and liabilities, which, together with their associated interest-rate exchange agreements, limit the expected duration mismatch. The FHLBanks manage interest-rate risk in several different ways.

Each of the FHLBanks uses sophisticated computerized financial models to measure its exposure to changes in interest rates. The financial literature describes many interest-rate risk measures, including interest-rate gaps, duration, modified duration, duration of equity, income simulation, changes in the market value of equity, and value at risk. Each of these measures has advantages and drawbacks. The internal models used by the FHLBanks often use several of these interest-rate risk measures. The Finance Board reviews an FHLBank's use of these models and the interest-rate risk limits established by an FHLBank's board and management in the annual safety-and-soundness examination.

The Finance Board measures interest-rate risk exposure by calculation of duration of equity. Duration of equity shows the sensitivity of market value of equity to changes in interest rates. Higher duration numbers, whether positive or negative, infer greater volatility of market value of equity. Under the Finance Board's Financial Management Policy, duration of equity must stay within a range of 5 to -5 years assuming current interest rates. It must stay within a range of 7 to -7 years assuming an instantaneous parallel increase or decrease in interest rates of 200 basis points. The FHLBanks report the results of their duration of equity calculations to the Finance Board each quarter. The Finance Board's new capital rules ultimately will replace duration of equity based limits on interest-rate risk with a model-generated market-risk capital requirement.

Each of the FHLBanks has adopted an interest-rate risk management policy. While each of the FHLBanks is governed by a different board of directors that has adopted somewhat different interest-rate risk management policies, the general objective of the policies is to limit the exposure to changes in interest rates on financial instruments and financial contracts in a manner consistent with Finance Board policies. In their interest-rate risk management policies, several of the FHLBanks have adopted duration of equity limits narrower than those contained in the Finance Board's Financial Management Policy.

Derivatives. Interest-rate exchange agreements (interest-rate swaps, futures, forwards, caps, and floors) may alter the effective maturities, repricing frequencies, or optionality characteristics of financial instruments. The FHLBanks use interest-rate exchange agreements in their overall interest-rate risk management to adjust the interest-rate sensitivity of consolidated obligations to approximate more closely the interest-rate sensitivity of assets (both advances and investments), and/or to adjust the interest-rate sensitivity of advances or investments to approximate more closely the interest-rate sensitivity of liabilities. In addition to using interest-rate exchange agreements to manage mismatches of interest rates between assets and liabilities, the FHLBanks also use interest-rate exchange agreements to manage embedded options in assets and liabilities and to hedge the market value of existing assets and liabilities, and anticipated transactions.

An FHLBank also enters into interest-rate exchange agreements simultaneously with the issuance of consolidated obligations to convert the investor-specified characteristics of these obligations into characteristics more useful in the context of the asset and liability structure of the FHLBank and to reduce funding costs. In most cases, the interest-rate exchange agreements associated with the issuance of consolidated obligations effectively simulate the conversion of the instrument into a synthetic fixed-rate bond or a simple floating-rate bond tied to a common index such as LIBOR.

An FHLBank executes its interest-rate exchange agreements in connection with the issuance of consolidated obligations. An FHLBank manages the risk arising from changing market prices and volatility by matching the cash inflow on the interest-rate exchange agreement with the cash outflow on the consolidated obligation. This process may create credit risk exposure to the interest-rate exchange agreement counterparties, which each FHLBank must manage within the parameters of the Finance Board's Financial Management Policy. In addition, all the FHLBanks require collateral agreements on some interest-rate exchange agreements. While consolidated obligations are the joint-and-several obligations of the FHLBanks, one or more FHLBanks individually serve as counterparties to interest-rate exchange agreements associated with specific debt issues.

In a typical transaction, fixed-rate consolidated obligations are issued for one or more FHLBanks, and each of those FHLBanks simultaneously enters into a matching interest-rate exchange agreement in which the counterparty pays fixed cash flows to the FHLBank designed to mirror in timing and amount the cash outflows the FHLBank pays on the consolidated obligation. In this typical transaction, the FHLBank pays a variable cash flow that closely matches the interest payments it receives on short-term or variable-rate advances. This intermediation between the capital and swap markets permits the FHLBanks to raise funds at lower costs than would otherwise be available through the issuance of simple fixed- or floating-rate consolidated obligations in the capital markets.

The optionality embedded in certain financial instruments held by the FHLBanks can create interest-rate risk. When a member prepays an advance, the FHLBank could suffer lower future income if the principal portion of the prepaid advance were invested in lower-yielding assets that continue to be funded by higher-cost debt. To protect against this risk, each FHLBank generally charges a prepayment fee that makes it financially indifferent to a borrower's decision to prepay an advance. When FHLBanks offer other than short-term advances that a member may prepay without a prepayment fee, they usually finance such advances with callable debt or otherwise hedge this option.

The FHLBanks invest in MBS. The prepayment options embedded in MBS can result in extensions or contractions in the expected maturities of these investments, depending on changes in interest rates. The Financial Management Policy limits this source of interest-rate risk by restricting the types of MBS the FHLBanks may own to those with limited average life changes under certain interest-rate shock scenarios. (See "Business—Investments.") The FHLBanks may hedge against contraction risk by funding some MBS with consolidated obligations that have call features. In addition, the FHLBanks may use caps, floors, and other interest-rate exchange agreements to manage the extension and contraction variability of MBS. The FHLBanks may also use interest-rate exchange agreements to transform the characteristics of investment securities other than MBS.

The FHLBanks are subject to interest-rate risk on mortgage loans because changes in interest rates produce changes in mortgage prepayments, which could result in the mortgage loans paying off sooner than expected. Net income could be reduced if the FHLBank replaces the mortgages with lower-yielding assets and if the FHLBank's higher funding costs are not reduced concomitantly.

The FHLBanks manage the interest-rate risk associated with mortgages through a combination of debt issuance and derivatives. The FHLBanks issue both callable and non-callable debt to achieve cash-flow patterns and liability durations similar to those expected on the mortgage loans. The FHLBanks also use derivatives to match the expected prepayment characteristics of the mortgages.

The FHLBanks analyze the risk of the mortgage portfolio on a regular basis and consider the interest-rate environment under various rate scenarios and also perform analyses of the duration and convexity of the portfolio.

The FHLBanks had $224.5 billion of callable debt outstanding at December 31, 2000. Often with the issuance of this debt, an FHLBank enters into a cancelable interest-rate exchange agreement. Together, these transactions allow the FHLBanks to provide to their members attractively priced floating-rate financing. The option on the swap mirrors the call option on the debt in that the same financial condition that would give rise to the swap counterparty canceling the interest-rate exchange agreement, generally a decline in interest-rates, would also likely cause the FHLBank to call the debt.

The FHLBanks had $100.3 billion of convertible advances outstanding at the end of 2000. With a convertible advance, an FHLBank has purchased from the member a put option(s) that enables the FHLBank to convert an advance from fixed rate to floating rate if interest rates increase or to terminate the advance and extend additional credit on new terms. An FHLBank may fund a convertible advance by using short-term floating-rate funds and entering into a cancelable interest-rate exchange agreement where the FHLBank pays fixed and receives variable. If interest rates increase, the swap counterparty can cancel the interest-rate exchange agreement, and the FHLBank can convert the advance to a floating rate.

To meet the off-balance-sheet hedging needs of their members, the FHLBanks enter into offsetting interest-rate exchange agreements, acting as an intermediary between members and other counterparties. This intermediation allows smaller members indirect access to the swap market. At December 31, 2000, the notional amount of interest-rate exchange agreements in which the FHLBanks were intermediaries was $3.4 billion. (See Note 13 to the accompanying combined financial statements).

An FHLBank may convert interest payments on an advance to a LIBOR floater and convert the interest cost of the consolidated obligation supporting the advance to a LIBOR floater. The use of two interest-rate exchange agreements in one financing transaction locks in a fixed spread. The Financial Management Policy prohibits speculative use of interest-rate exchange agreements. The FHLBanks are not derivatives dealers and thus do not trade derivatives for short-term profit.

The notional amount serves as a factor in determining periodic interest payments or cash flows received and paid and does not represent actual amounts exchanged or the FHLBanks' exposure to credit and market risk. The amount potentially subject to credit loss is much less. Notional values are not meaningful measures of the risks associated with derivatives. The risk of derivatives can only be measured meaningfully on a portfolio basis, taking into account the derivatives, the item being hedged, and any offsets between them.

Each FHLBank is subject to credit risk due to the risk of nonperformance by counterparties to the agreements and operational risks. The degree of counterparty risk on derivatives depends critically on the extent to which netting procedures are used to mitigate the risk. Each FHLBank manages counterparty credit risk through credit analysis and collateral requirements and by following the requirements set forth in the Finance Board's Financial Management Policy. Based on credit analyses and collateral requirements, the management of each FHLBank does not anticipate any credit losses on its agreements. (See Note 13 to the accompanying combined financial statements.)

While various FHLBanks may have adopted changes in the particular details of their interest-rate risk management policies, for the FHLBanks as a whole there were no major changes in 2000 in the primary interest-rate risk exposure or how that exposure was measured or managed.

The Finance Board, on behalf of the FHLBanks, has issued some consolidated obligations denominated in currencies other than U.S. dollars, and the FHLBanks use forward exchange contracts to hedge currency risk. These contracts are agreements to exchange different currencies at specified future dates and at specified rates. The use of these contracts effectively simulates the conversion of these consolidated obligations denominated in foreign currencies to ones denominated in U.S. dollars. At December 31, 2000, consolidated obligations denominated in foreign currencies represented less than 1 percent of consolidated obligations outstanding. Therefore, the FHLBanks are not exposed to material amounts of currency risk. (See Note 10 to the accompanying combined financial statements.)

Quantitative Disclosure About Market Risk. Duration is the primary means used by the FHLBanks to measure their exposure to changes in interest rates. Duration is the weighted-average maturity (typically measured in months or years) of an instrument's cash flows, weighted by the present value of those cash flows. Duration measures the time required to recapture an investment, reinvesting repaid principal. As duration lengthens, risk increases. Duration is also a measure of price volatility. The value of an instrument with a duration of 5 years will change by approximately 5 percent with a 1 percentage point change in interest rates.

Duration of equity is the duration of assets less the duration of liabilities. The Finance Board's Financial Management Policy requires that each FHLBank's duration of equity (at current interest rate levels using the consolidated obligation cost curve or an appropriate discounting methodology) be maintained within a range of +/—5 years. Each FHLBank is required to maintain its duration of equity, under an assumed instantaneous +/—200 basis points shift in interest rates, within a range of +/—7 years.

Each FHLBank has an internal modeling system for measuring duration of equity. The table below reflects the results of each FHLBank's own measurement of its exposure to interest-rate risk in accordance with the Finance Board's Financial Management Policy. The table pertains to the interest-rate risk associated with instruments entered into for other than trading purposes. The FHLBanks do not have trading portfolios. At January 1, 2001, the FHLBanks adopted Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities* and reclassified certain investment securities under the transition provisions into the "trading" category. (See "Discussion of Analysis of Financial Condition and Results of Operations— Significant Accounting Developments" and Note 1 to the accompanying combined financial statements for more information.) The FHLBanks use derivative instruments to swap out equity risk related to consolidated obligations whose interest payments are linked to equity indices.

Federal Home Loan Banks

Duration of Equity
(In years)

	December 31, 2000			December 31, 1999		
FHLBank	Up	Base	Down	Up	Base	Down
Boston	2.3	1.8	(0.0)	2.3	2.1	0.7
New York	2.9	3.8	2.2	1.9	1.8	0.9
Pittsburgh	5.1	2.9	(1.3)	2.9	1.9	(1.1)
Atlanta	4.0	1.9	(3.4)	3.1	2.6	(1.9)
Cincinnati	3.7	0.0	(2.0)	4.3	4.0	(0.1)
Indianapolis	2.0	2.3	0.1	2.1	1.9	2.0
Chicago	4.2	3.7	(4.1)	5.4	3.7	1.4
Des Moines	4.5	1.2	(2.5)	3.6	2.3	0.3
Dallas	4.1	4.2	2.1	2.1	2.3	1.8
Topeka	3.5	0.3	(4.6)	5.6	2.9	(1.9)
San Francisco	2.0	1.4	0.7	1.9	1.3	0.2
Seattle	6.8	2.5	(6.5)	6.9	4.1	(4.0)

Up = +200 basis points. Down = —200 basis points.

Before July 1, 2000, the Finance Board permitted an FHLBank to calculate its duration of equity either with or without the cash flows associated with REFCORP and AHP. Beginning July 1, 2000, the Finance Board requires that the duration calculations exclude the REFCORP and AHP cash flows. This change affected only the FHLBank of New York and the FHLBank of San Francisco. The data for December 31, 1999, for these two FHLBanks using the post-July 1, 2000, calculation methodology, which the other 10 FHLBanks used at year end 1999, is as follows:

	Up	Base	Down
FHLBank of New York	2.1	2.1	1.4
FHLBank of San Francisco	1.7	2.4	0.7

Managing Credit Risk. Credit risk is the risk of loss due to default. The FHLBanks protect against credit risk through collateralization of all advances. In addition, each FHLBank can call for additional or substitute collateral during the life of an advance to protect its security interest. No FHLBank has ever experienced a credit loss on an advance to a member. (See "Business—Advances")

The FHLBanks' credit risk on the mortgage portfolio is the risk that they will be unable to collect amounts due from the mortgage borrowers. The FHLBanks manage the credit risk on a mortgage portfolio through the use of sound due diligence to ensure the quality of the mortgage loans. They have also established quality assurance standards for the review of loans. The

FHLBanks also carefully monitor delinquency trends and diligently apply loss-mitigation procedures to non-performing loans.

The FHLBanks obtain credit enhancements and minimize credit risk by sharing the risk with their participating member that funded or sold the loan. The FHLBanks assume the first-loss obligation limited by the First Loss Account (FLA), and the participating members assume credit losses in excess of the FLA, up to the amount of the credit enhancement obligation specified in the master agreement. The FHLBanks also minimize credit risk on part of their portfolio through the purchase of mortgage loans that have the guarantee of the Federal government (FHA/VA).

The FHLBanks have established a loan loss reserve against losses inherent in the portfolio. As of December 31, 2000, the loan loss reserve was $3.0 million.

The FHLBanks are subject to credit risk on some investments and interest-rate exchange agreements. The FHLBanks follow guidelines established by the Finance Board and their individual boards of directors on unsecured extensions of credit, whether on- or off-balance sheet. The Financial Management Policy limits the amounts and terms of unsecured credit exposure to any counterparty other than to the U.S. Government. Unsecured credit exposure to any counterparty is limited by the credit quality and capital level of the counterparty and by the capital level of the FHLBank.

At December 31, 2000, the FHLBanks' unsecured credit exposure to counterparties other than the U.S. Government or U.S. Government agencies and instrumentalities was $84.5 billion, most of which was overnight and term federal funds sold and commercial paper. This is a $7.4 billion increase from the unsecured credit exposure at December 31, 1999. Twenty-two percent of the exposure at December 31, 2000, had an overnight maturity, 49 percent had a maturity from 2 to 30 days, and the remainder had a maturity less than 271 days. At December 31, 2000, the FHLBanks had aggregate unsecured credit exposure of more than $1 billion to each of 30 counterparties. The aggregate unsecured credit exposure to these counterparties represented 53 percent of the FHLBank's unsecured credit exposure to counterparties other than the U.S. Government, and U.S. Government agencies and instrumentalities. Included in this total is unsecured credit of $1.015 billion to Washington Mutual Bank, FA, $1.018 billion to the affiliated Washington Mutual Bank, and $300 million to Bank United, Houston, Texas.

As of the same date, Washington Mutual Bank had advances of $8.7 billion from the FHLBank of Seattle, the affiliated Washington Mutual Bank, FA, had advances of $48.5 billion from the FHLBank of San Francisco, and the affiliated Washington Mutual Bank, FSB, had advances of $514 million from the FHLBank of Seattle. All these advances were secured borrowings. An officer of Washington Mutual Bank, FA, serves as a director and vice chairman of the FHLBank of San Francisco, and an officer of Washington Mutual Bank serves as a director and vice chairman of the FHLBank of Seattle. In February 2001, Washington Mutual Bank, FA, acquired Bank United, Houston, Texas. Bank United was the largest borrower from the FHLBank of Dallas with $7.7 billion in advances. An officer of Bank United served on the board of directors of the FHLBank of Dallas in 2000.

Capital Adequacy

The FHLBank Act prescribes minimum member capital stock requirements. At December 31, 2000, 98 percent of the FHLBanks' capital was capital stock, and 2 percent was retained earnings. At December 31, 2000, the FHLBanks had an aggregate capital-to-asset ratio of 4.8 percent. This compares with a capital-to-asset ratio of 5.0 percent at December 31, 1999. (See "Business—Debt Financing—Consolidated Obligations," "Business—Capitalization," "Discussion and Analysis of Financial Condition and Results of Operations—2000 Highlights—Legislation," "Discussion and Analysis of Financial Condition and Results of Operations—Regulatory Developments—Capital Structure of the FHLBanks and Risk-Based Capital," and Note 11 to the accompanying combined financial statements.)

Transactions with Related Parties

The FHLBank System is a cooperative system. The members own all the stock of the FHLBanks, the majority of the directors of each FHLBank is elected by and from the membership, and the FHLBanks conduct their advances and other business almost exclusively with members. Therefore, in the normal course of business, the FHLBanks extend credit to members whose officers may serve as directors of the FHLBanks. At December 31, 2000, the FHLBanks had $149.9 billion of advances outstanding to members whose officers were serving as directors of the FHLBanks. This amounted to 34.2 percent of total advances.

Significant Accounting Developments

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS 133). In June 1999, the FASB issued SFAS 137, *Accounting for Derivative Instruments and Hedging Activities—Deferral of the Effective Date of FASB Statement No. 133*, that amends SFAS 133, deferring its effective date. SFAS 133 is now effective for all fiscal quarters of all fiscal years beginning after June 15, 2000 (January 1, 2001 for the FHLBanks). SFAS 133 requires that all derivative instruments be recorded on the balance sheet at their fair value. Changes in fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. The gains and losses on derivative instruments that are reported in other comprehensive income will be reclassified as earnings in the periods in which earnings are affected by the variability of the cash flows of the hedged item. The ineffective portion of all hedges will be recognized in current period earnings. In June 2000, the FASB issued SFAS 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities (SFAS 138)*, which addressed a limited number of implementation issues arising from SFAS 133.

The FHLBanks adopted SFAS 133, as amended by SFAS 138, on January 1, 2001. For a derivative designated as a fair-value hedge, the transition adjustment for the derivative will be reported as a cumulative effect adjustment of net income. Concurrently, any fair-value gain or loss on the hedged instrument will be recognized as an adjustment of the hedged item's carrying amount, but only to the extent of the offsetting transition adjustment of the derivative, and shall also be reported as a cumulative effect adjustment of net income. The transition provisions of SFAS 133, as amended by SFAS 138, also provide that at the date of initial application an entity may transfer any security classified as "held-to-maturity" to "available-for-sale" or "trading", and any security classified as "available-for-sale" to "trading."

On January 1, 2001, the FHLBanks held certain derivatives as fair-values hedges of advances, mortgages, investments, consolidated obligation bonds, or deposits. These hedging relationships are deemed to be highly effective, and, at the date of adoption, have an immaterial effect on net income as a cumulative effect of a change in accounting principle. On January 1, 2001, the FHLBanks transferred held-to-maturity securities with an amortized cost of $4.89 billion and an estimated fair value of $4.95 billion into the available-for-sale category. In addition, the FHLBanks transferred held-to-maturity securities with an amortized cost of $7.53 billion and an estimated fair value of $7.66 billion into the "trading" (investments held at fair value, with changes in fair value recognized in earnings) category. The unrealized net gain as of transfer date related to the transfer of certain securities into the available-for-sale category was approximately $57.5 million, which will be recognized in the accumulated other comprehensive income component of capital, as part of the cumulative effect of adopting the new accounting principle in the first quarter of 2001. The unrealized net gain as of transfer date related to the transfer of certain held-to-maturity securities into the investments held at fair value category was approximately $134 million, and will be shown as an increase to the FHLBank's results of operations in the first quarter of 2001 as a cumulative effect of a change in accounting principle. The remaining cumulative effect of adjustments related to fair-value hedges and derivative transactions either not designated as hedges under SFAS 133 or not meeting the requirements for fair-value or cash-flow hedges will be shown as a charge to the

FHLBanks' results of operations in the first quarter of 2001 as part of the cumulative effect of a change in accounting principle, decreasing net income by approximately $178.9 million. The FHLBanks also have pre-existing derivatives with an unrealized net loss of approximately $10.6 million, which will be recognized in net income as a cumulative effect of adopting the new accounting standard at the date of adoption. These factors combined resulted in a net charge at transition on January 1, 2001, totaling approximately $44.9 million. In addition, the FHLBanks' recognized in accumulated other comprehensive income as part of the cumulative effect of a change in accounting principle at transition a charge of approximately $13.2 million decreasing capital.

BUSINESS

General

The FHLBanks serve the public by enhancing the availability of housing finance, including community investment credit, through their member institutions. They provide a readily available, low-cost source of funds to members and a means of liquefying home mortgages held in portfolio. The FHLBanks are cooperatives; only members may own the stock of each FHLBank, and the members receive dividends on their investment. Regulated financial depositories and insurance companies engaged in housing finance can apply for membership. Each member must purchase stock in its district FHLBank.

The FHLBanks have a unique role in housing finance. The FHLBanks make loans, called advances, to their members and eligible housing associates on the security of mortgages and other collateral that the members pledge. Advances generally support mortgage originations, provide term funding for portfolio lending, and may be used to provide funds to any member "community financial institution" for loans to small business, small farms, and small agri-business. Since portfolio lenders may originate loans that they are unwilling or unable to sell in the secondary mortgage market, FHLBank advances can serve as a funding source for a variety of conforming and nonconforming mortgages. This flexibility allows FHLBank advances to support important housing markets, including those focused on low- and moderate-income households. For those members that choose to securitize their mortgages, FHLBank advances can provide interim funding.

FHLBank advances can provide funding to smaller lenders that lack diverse funding sources. Smaller community lenders very often do not have access to many of the funding alternatives available to larger financial entities, including repurchase agreements, commercial paper, and brokered deposits. The FHLBanks give these lenders access to competitively priced wholesale funding.

FHLBank credit products also help members in asset-liability management. FHLBanks offer advances matched to the maturity and prepayment characteristics of mortgage loans. Such advances can reduce a member's interest-rate risk associated with holding long-term fixed-rate mortgages. Alternatively, members can enter interest-rate exchange agreements directly with an FHLBank to reduce their exposure to interest-rate risk.

The FHLBanks help members meet their Community Reinvestment Act (CRA) responsibilities. Through Community Investment Cash Advance programs such as the AHP and the Community Investment Program (CIP), members have access to subsidized and other low-cost funding to create affordable rental and home ownership opportunities, and for commercial and economic development activities that benefit low- and moderate-income neighborhoods, thus contributing to the revitalization of these communities.

The FHLBanks serve as a source of liquidity for their members. Access to FHLBank advances for liquidity purposes can reduce the amount of low-yielding liquid assets a member would otherwise need to hold. Some FHLBanks also provide correspondent services, such as the purchase, sale, and safekeeping of securities on behalf and at the direction of their members.

Consolidated obligations are the principal funding source for the FHLBanks. To a lesser extent, member deposits, FHLBank capital stock, and retained earnings also provide funding. The FHLBanks have traditionally used these sources of funds to make advances to members.

Advances

Advances are the largest category of the FHLBanks' assets. (See "Discussion and Analysis of Financial Condition and Results of Operations—Financial Trends" and Note 5 to the accompanying combined financial statements.) Each FHLBank develops its own advances programs, as authorized in the FHLBank Act and regulations established by the Finance Board, to meet the particular needs of its members.

Flexible advances policies have helped to satisfy the short-term and long-term business objectives of the FHLBanks' members. Beyond providing funding for housing finance, advances also give members a supplementary source of funds for expansion and liquidity during seasonal imbalances in savings deposits and mortgage loan disbursements. Additionally, specialized advances programs provide funds for community investment and affordable housing programs.

Prepayment Fees. The Finance Board's advances regulations provide that the FHLBanks should price advances based on each FHLBank's marginal cost of raising matching-maturity funds and related administrative and operating costs. Advances with a maturity or repricing period greater than six months generally require a fee sufficient to make the FHLBank financially indifferent should the borrower decide to prepay the advance.

Collateral. On June 29, 2000, the Finance Board adopted a final rule that implemented the collateral provisions of the GLB Act. (See "Discussion and Analysis of Financial Condition and Results of Operations—Regulatory Developments—Collateral")

The FHLBank Act, as amended, requires each FHLBank, at the time it originates or renews an advance, to obtain and maintain a security interest in collateral eligible in one or more of the following categories:

- fully disbursed, whole first mortgages on improved residential property (not more than 90 days delinquent) or securities representing a whole interest in such mortgages;
- securities issued, insured, or guaranteed by the U.S. Government or any of its agencies (including, without limitation, mortgage-backed securities issued or guaranteed by Fannie Mae, Freddie Mac, or the Government National Mortgage Association (Ginnie Mae));
- cash or deposits in an FHLBank;
- other real estate-related collateral acceptable to the FHLBank, provided such collateral has a readily ascertainable value and the FHLBank can perfect a security interest in such property; or
- in the case of any "community financial institution," which is an FDIC-insured institution with assets of $517 million or less for 2001, secured loans for small business, agriculture, or securities representing a whole interest in such secured loans.

Each FHLBank retains the right to require additional collateral at any time (whether or not such additional collateral would be eligible to originate an advance) or substitutions of collateral by the borrower. As additional security for a member's indebtedness, an FHLBank has a statutory lien upon that member's FHLBank stock.

The FHLBank Act affords any security interest granted to an FHLBank by any member of an FHLBank or any affiliate of any such member priority over the claims and rights of any party (including any receiver, conservator, trustee, or similar party having rights of a lien creditor). The only two exceptions are claims and rights that would be entitled to priority under otherwise applicable law or are held by actual bona fide purchasers for value or by parties that are secured by actual perfected security interests.

Residential mortgage loans are the principal form of collateral for advances. The FHLBanks perfect the security interests granted to them if the financial condition of a particular borrower so warrants. In addition, the FHLBanks must take any steps necessary to ensure that the security interest in all collateral pledged by non-depository institutions for an advance is as secure as the security interest in collateral pledged by depository institutions.

None of the FHLBanks has ever recorded a credit loss on an advance to a member. Based on repayment history and collateral held as security on advances, no FHLBank believes any allowance for losses on advances is necessary.

Member Mortgage Asset Programs. Eleven of the FHLBanks have established various member mortgage asset programs to further assist their members. The programs all involve the investment by the FHLBank in loans originated by members. The Finance Board authorized all of the FHLBanks to hold acquired member assets, such as assets acquired under the MPF program developed by the FHLBank of Chicago. Under these programs, the FHLBank acquires mortgage assets from or through members or housing associates, and the members or housing associates continue to bear a significant portion of the credit risk. By their very nature, these assets may have more credit risk than advances, even though the member or housing associate provides credit enhancement. At December 31, 2000, all acquired member asset programs had an outstanding balance of $16.1 billion of mortgage loans, all credit enhanced by members to a level equivalent to at least an investment-grade rating, although neither the member credit enhancement nor loan is rated. An FHLBank must hold risk-based capital against acquired member assets that have an implied credit rating less than double-A. The FHLBank of Chicago held the largest portion of acquired member assets, $8.1 billion, followed by the FHLBank of Des Moines at $3.3 billion. All of the FHLBanks except Seattle and Cincinnati either offer or plan to offer MPF to their members, and these two FHLBanks, along with the FHLBank of Indianapolis, have developed an alternative mortgage purchase plan. The Finance Board has permitted these three FHLBanks to offer this program subject to a $300 million cap per FHLBank. All of the FHLBanks participating in these programs have established appropriate loan loss allowances.

The acquired member asset rule specifies that assets must be either whole loans eligible to secure advances (excluding mortgages above the conforming loan limit), whole loans secured by manufactured housing, or State and local housing finance agency bonds. In addition, the rule mandates a member or housing associate nexus requirement. All pools of acquired member assets must have a credit-risk-sharing arrangement with a member or housing associate that limits the FHLBank's credit-risk exposure to no less than investment grade, as determined by a formal rating or a comparable methodology. Furthermore, an FHLBank must hold risk-based capital against all pools not rated double-A or higher. The rule has the effect of removing the pilot status of the FHLBanks' existing acquired member asset programs, and eliminating the previously imposed FHLBank System-wide cap on MPF, which the Finance Board had set at an aggregate of $9 billion.

Letters of Credit. The FHLBanks also issue letters of credit for members' accounts. Members must collateralize letters of credit. (See Note 15 to the accompanying combined financial statements.)

Housing Associates. Section 10b of the FHLBank Act permits the FHLBanks to make advances to nonmembers that are approved mortgagees under Title II of the National Housing Act. Eligible housing associates must also be chartered under law and have succession, be subject to inspection and supervision by some governmental agency, and lend their own funds as their principal activity in the mortgage field. Housing associates are not subject to certain provisions applicable to members in the FHLBank Act. For example, they do not purchase capital stock in an FHLBank. However, the same regulatory lending requirements generally apply to them as apply to members. (See "Discussion and Analysis of Financial Condition and Results of Operations—Federal Home Loan Bank Membership Trends—Housing Associates")

Commitments for Advances. An FHLBank may make commitments for advances to a member covering a predefined period. This program aids members and the FHLBanks in their cash-flow planning and enables members to reduce their funding risk. (See Note 15 to the accompanying combined financial statements.)

Investments

FHLBank Statutory Investment Authority. Subject to such regulations, restrictions, and limitations as the Finance Board may impose, the FHLBanks are authorized by statute to hold the following investments in their portfolios:

- obligations of the United States;

- deposits in banks or trust companies;
- obligations, participations, or other instruments of or issued by Fannie Mae or Ginnie Mae;
- Fannie Mae stock;
- mortgages, obligations, or other securities that are, or ever have been, sold by Freddie Mac pursuant to 12 U.S.C. §§ 1454 or 1455;
- stock, obligations, or other securities of any small business investment company (SBIC) formed pursuant to 15 U.S.C. § 681(d) (when made for the purpose of aiding FHLBank members); and
- such securities as fiduciary and trust funds may be invested in under the laws of the State in which the FHLBank is located.

Financial Management Policy. Until July 17, 2000, the Finance Board's Financial Management Policy regulated and primarily limited the FHLBanks' statutory investment authority. Section II.B of the Financial Management Policy contains a list of specific investments, falling within the parameters of the investment authority set forth in the FHLBank Act, that FHLBanks were permitted to hold in their portfolios. To the extent specifically authorized under the Act, or to the extent an FHLBank determined that they are securities that a fiduciary or trust fund may purchase under the laws of the State in which the FHLBank is located, these permissible investments were as follows:

- overnight and term fund placements, having maturities not exceeding 271 days, with eligible financial institutions;
- overnight and term resale agreements, having maturities not exceeding 271 days, with eligible counterparties, using for collateral securities that are eligible investments under the investment guidelines and FHA-insured and VA-guaranteed mortgages;
- deposits, having a term to maturity of not more than 271 days, placed with eligible financial institutions;
- commercial paper, having a term to maturity of not more than 271 days, issued in the domestic market by financial companies rated P-1 by Moody's or A-1 by Standard & Poor's;
- bankers' acceptances, having a term to maturity of not more than 271 days, drawn on and accepted by eligible financial institutions;
- marketable direct obligations of the United States;
- marketable direct obligations of U.S. government-sponsored agencies and instrumentalities (including consolidated obligations of other FHLBanks) for which such institutions have pledged their credit for repayment of both principal and interest;
- securities representing an interest in pools of mortgages issued, guaranteed, or fully insured by Ginnie Mae, Freddie Mac, or Fannie Mae, and collateralized mortgage obligations (CMOs), including real estate mortgage investment conduits (REMICs), backed by mortgage securities issued, guaranteed, or fully insured by Ginnie Mae, Freddie Mac, or Fannie Mae;
- nonfederal agency mortgage-backed securities rated Aaa by Moody's or AAA by Standard & Poor's;
- asset-backed securities collateralized by manufactured housing loans or home equity loans rated Aaa by Moody's or AAA by Standard & Poor's;
- marketable direct obligations of State or local governments or agencies, rated at least Aa by Moody's or AA by Standard & Poor's, where the purchase of such obligations by an

FHLBank provides the issuer the customized terms, necessary liquidity, or favorable pricing required to generate needed funding for housing or community development; and

- other investments that support housing and community development, if, before entering such investments, the FHLBank:
  - ensures the appropriate levels of expertise, establishes policies, procedures, and controls, and provides for any reserves required to limit and manage risk exposure and preserve the triple-A credit rating on consolidated obligations;
  - ensures its involvement in such investment activity helps in providing housing and community development financing that is not generally available, or that is available at lower levels or under less attractive terms;
  - ensures that such investment activity promotes (or at the very least, does not detract from) the cooperative nature of the FHLBanks;
  - provides a complete description of the contemplated investment activity to the Finance Board; and
  - receives written confirmation from the Finance Board, before entering such investments, that the FHLBank has met the eligibility standards and requirements.

Section II.C of the Financial Management Policy further limits FHLBank investment in MBS and asset-backed securities. This provision requires that the total book value of MBS owned by an FHLBank not exceed 300 percent of the FHLBank's previous month end capital on the day it purchases the securities. In addition, section II.C prohibits the FHLBanks from purchasing:

- interest-only or principal-only stripped MBS;
- residual-interest or interest-accrual classes of CMOs and REMICs;
- fixed-rate MBS or floating-rate MBS that on the trade date are at rates equal to their contractual cap and that have average lives that vary more than 6 years under an assumed instantaneous interest rate change of 300 basis points; and
- non-U.S. dollar denominated securities.

New Investment Regulation. On July 17, 2000, a new Finance Board regulation governing FHLBank investments, which largely supersedes section II.B of the Financial Management Policy, became effective. Unlike the Financial Management Policy, which provides a finite list of specific investments that the FHLBanks are permitted to make, the new regulation generally permits the FHLBanks to make any of the investments that are authorized under the FHLBank Act. However, the new regulation sets forth several specific limitations on this general authority, which prohibit the FHLBanks from investing in:

- instruments, such as common stock, that represent an ownership interest in an entity, other than stock in SBICs, or certain investments targeted to low-income persons or communities;
- instruments issued by non-United States entities, other than those issued by United States branches and agency offices of foreign commercial banks;
- non-investment-grade debt instruments, other than certain investments targeted to low-income persons or communities and instruments that were downgraded after purchase by the FHLBank;
- whole mortgages or other whole loans, other than: those acquired under the FHLBanks' Acquired Member Asset programs (See "Business — Advances — Member Mortgage Asset Programs"); certain investments targeted to low-income persons or communities; certain marketable direct obligations of State, local, or tribal government units or agencies, having at least the second highest credit rating from a nationally-recognized statistical rating organization; MBS or asset-backed securities backed by manufactured housing loans or home equity

loans; and certain foreign housing loans authorized under section 12(b) of the FHLBank Act (which are no longer made, but which the FHLBanks may still hold in their portfolios).

Under the new investment regulation, all requirements and restrictions regarding specific investments that are set forth in the Financial Management Policy (for example, maturity limits, investment grade requirements and the limitations on MBS contained in section II.C) remain in effect. In addition, the new regulation requires that an FHLBank provide notice to the Finance Board before undertaking any investment of a type that the FHLBank has not previously made, or that involves risks not previously and regularly managed by the FHLBank.

(See Notes 3 and 4 to the accompanying combined financial statements.)

Debt Financing—Consolidated Obligations

The primary source of funds for the FHLBanks is the sale of debt securities, known as consolidated obligations, in the capital markets. Consolidated obligations are the joint-and-several obligations of the FHLBanks, backed only by the financial resources of the 12 FHLBanks. Consolidated obligations are not obligations of the United States, and the United States does not guarantee them. Moody's has rated consolidated obligations Aaa/P-1, and Standard & Poor's has rated them AAA/A-1+. Since 1992, the increasingly sophisticated funding requirements of the FHLBanks' members and the demands of the investment community have led to the use of negotiated and competitively bid transactions, instead of single large monthly bond sales.

The Finance Board adopted final rules on June 2, 2000, to govern the issuance of debt on behalf of the FHLBanks and related activities. Through December 31, 2000, the Finance Board issued consolidated obligations, on which the FHLBanks are jointly and severally liable, through the Office of Finance as agent for the Finance Board under the authority of section 11(c) of the FHLBank Act. The final rule authorizes the FHLBanks to issue joint debt, which also would be called consolidated obligations, through the Office of Finance as their agent under the authority of section 11(a) of the FHLBank Act. All of the FHLBanks will continue to be jointly and severally liable for the consolidated obligations issued under section 11(a). As is now the case, no FHLBank will be permitted to issue individual debt under section 11(a) without Finance Board approval. The final rule represents a technical change in the issuer of FHLBank debt. The change ends the anomaly of having the Finance Board, the safety-and-soundness regulator, issue the debt of the entities it regulates. The FHLBanks started to issue debt in their own name through the Office of Finance on January 2, 2001. (See "Discussion and Analysis of Financial Condition and Results of Operations — Regulatory Developments — Issuance of Debt by the FHLBanks" and Note 10 to the accompanying combined financial statements.)

Leverage Limits. In conjunction with the final rule transferring the debt-issuance function to the FHLBanks, the Finance Board adopted a final rule amending the FHLBanks' leverage limit requirements. (See "Discussion and Analysis of Financial Condition and Results of Operations — Regulatory Developments — Leverage Limits.")

In addition to the Finance Board leverage limits, the FHLBanks must maintain the following types of assets free from any lien or pledge in an amount at least equal to the amount of consolidated obligations outstanding:

- cash;
- obligations of, or fully guaranteed by, the United States;
- secured advances;
- mortgages, which have any guaranty, insurance, or commitment from the United States or any agency of the United States;

- investments described in Section 16(a) of the FHLBank Act, which, among other items, includes securities that a fiduciary or trust fund may purchase under the laws of the State in which the FHLBank is located; and
- other securities that are rated Aaa by Moody's or AAA by Standard & Poor's.

The Office of Finance, a joint office of the FHLBanks has responsibility for facilitating and executing the issuance of the consolidated obligations. It also services all outstanding debt, provides the FHLBanks with credit information, serves as a source of information for the FHLBanks on capital market developments, and administers REFCORP and the Financing Corporation (FICO), and manages the FHLBanks' relationship with the rating agencies.

With prior Finance Board approval, an FHLBank may issue its own obligations. However, as of the date of this Report, the Finance Board has not granted such approval, and no individual FHLBank obligations are outstanding. (See "Discussion and Analysis of Financial Condition and Results of Operations—Regulatory Developments—Leverage Limits" and Note 10 to the accompanying combined financial statements.)

Consolidated Bonds. FHLBank consolidated bonds satisfy term funding requirements. Typically, the maturity of these securities ranges from 1 year to 10 years, but their maturity is not subject to any statutory or regulatory limit. Consolidated bonds can be issued and distributed through negotiated or competitively bid transactions with approved underwriters or selling group members. (See "Discussion and Analysis of Financial Condition and Results of Operations—Financial Trends" and "Discussion and Analysis of Financial Condition and Results of Operations—Risk Management.")

On July 1, 1999, the FHLBanks commenced the TAP issue program for fixed-rate, noncallable (bullet) bonds. This program uses specific maturities that may be reopened twice daily during a three-month period through competitive auctions. The aim of the TAP program is to aggregate frequent smaller issues into a larger bond issue that may have greater market liquidity. Fifty percent of the issuance of fixed-rate, noncallable bonds in 2000 was through the TAP program.

Consolidated Discount Notes. The Office of Finance also sells consolidated discount notes to provide short-term funds for advances to members for seasonal and cyclical fluctuations in savings flows and mortgage financing, short-term investments, and variable-rate and putable or convertible advance programs. These securities have maturities up to 360 days, and are offered daily through a 16-member consolidated discount-note selling group. Discount notes are sold at a discount and mature at par. Daily discount note issuances have increased significantly since 1993 with the advent of discount notes with original maturities less than 30 days.

Interest-Rate Exchange Agreements. Certain securities dealers and banks and their affiliates engage in transactions with and perform services for the FHLBanks, including the purchase and sale of investment securities. In connection with the sale of any particular issue of consolidated obligations, the FHLBank(s) receiving the proceeds may enter into interest-rate exchange agreements or other transactions with or arranged by the applicable securities dealer, bank, or affiliate, or an unaffiliated third party. (See "Discussion and Analysis of Financial Condition and Results of Operations—Risk Management" and Note 13 to the accompanying combined financial statements.)

Deposits

The FHLBank Act allows each of the 12 FHLBanks to accept deposits from its members, from any institution for which it is providing correspondent services, from other FHLBanks, or from other government instrumentalities. Deposit programs provide some of the FHLBanks' funding resources, while also giving members a low-risk earning asset that satisfies their regulatory liquidity requirements. The FHLBanks generally offer several types of deposit programs to their members including demand, overnight, and term deposits.

Liquidity Requirements. To support its member deposits, the FHLBank Act requires each FHLBank to have an amount equal to the current deposits invested in obligations of the United States, deposits in eligible banks or trust companies, or advances with a maturity not exceeding five years. In addition, the liquidity guidelines in the Finance Board's Financial Management Policy require each FHLBank to maintain an average daily liquidity level each month in an amount not less than the sum of:

- 20 percent of the sum of its daily average demand and overnight deposits and other overnight borrowings, and
- 10 percent of the sum of its daily average term deposits, consolidated obligations, and other borrowings that mature within one year.

Assets eligible for meeting these liquidity requirements include:

- overnight funds and overnight deposits placed with eligible financial institutions;
- overnight and term resale agreements with eligible counterparties, which mature in 271 days or less, using for collateral securities that are eligible investments under the investment guidelines, and FHA-insured and VA-guaranteed mortgages;
- negotiable certificates of deposit placed with eligible financial institutions, bankers' acceptances drawn on and accepted by eligible financial institutions, and commercial paper issued in U.S. financial markets and rated P-1 by Moody's or A-1 by Standard & Poor's, all having a remaining term to maturity of not more than 271 days;
- marketable direct obligations of the United States that mature in 36 months or less;
- marketable direct obligations of U.S. government-sponsored agencies and instrumentalities that mature in 36 months or less for which the credit of such institution is pledged for repayment of both principal and interest; and
- cash and collected balances held at a Federal Reserve Bank and other eligible financial institutions, net of member pass-throughs.

A security pledged under a repurchase agreement cannot satisfy liquidity requirements. (See Notes 2 and 9 to the accompanying combined financial statements.)

Capitalization

The GLB Act and the implementing final rule define total capital for each FHLBank as the sum of the FHLBank's permanent capital, plus the amounts paid-in by its members for Class A stock (which is redeemable on six months written notice); any general loss allowance, if consistent with GAAP and not established for specific assets; and other amounts from sources determined by the Finance Board as available to absorb losses. The GLB Act defines permanent capital as the amount paid-in for the Class B stock (which is redeemable on five years written notice), plus the amount of an FHLBank's retained earnings, as determined in accordance with GAAP.

Until the new capital plans are implemented by the FHLBanks, the pre-GLB Act capital rules will remain in effect. The capital plans are not due to be submitted to the Finance Board until October 29, 2001, and no FHLBank has submitted a plan for Finance Board's approval as of the date of this report. Under the current capitalization, all members of the FHLBanks are voluntary members, and may withdraw from membership and redeem their capital after giving six months notice to do so. Members that withdraw from membership may not be readmitted to membership for 5 years.

Voting Rights. Members holding capital stock at December 31 of the preceding year can participate in the annual election process for FHLBank directors. Their year-end minimum required stock holdings determine the voting rights of members. Eligible members may nominate and elect representatives from members in their State to serve three-year terms on the board of directors of their FHLBank. (See "FHLBank Management and Compensation.")

Dividends

The FHLBanks may pay dividends from retained earnings after providing for all reserves and charge-offs required under the FHLBank Act. (See Note 11 to the accompanying combined financial statements.)

Interest-Rate Exchange Agreements

The Finance Board's Financial Management Policy establishes guidelines for interest-rate exchange agreements. The FHLBanks can use interest-rate swaps, futures and forward contracts, and interest-rate caps and floors as part of their interest-rate risk management and funding strategies. The Financial Management Policy prohibits speculative use of these instruments and limits credit risk arising from these instruments. (See "Discussion and Analysis of Financial Condition and Results of Operations—Risk Management" and Note 13 to the accompanying combined financial statements.)

Oversight, Audits, and Examinations

The Government Corporation Control Act provides that, before a government corporation issues and offers obligations to the public, the Secretary of the Treasury shall prescribe the form, denomination, maturity, interest rate, and conditions of the obligations; the way and time issued; and the selling price. The FHLBank Act also authorizes the Secretary of the Treasury, at his or her discretion, to purchase consolidated obligations up to an aggregate principal amount of $4 billion. No borrowings under this authority have been outstanding since 1977. The U.S. Department of the Treasury receives the Finance Board's annual report to the Congress, monthly reports reflecting securities transactions of the FHLBanks, and other reports reflecting the operations of the FHLBanks.

Each FHLBank and the Office of Finance has an internal audit department and audit committee, and an independent public accounting firm audits the annual financial statements of each FHLBank and the annual combined financial statements as prepared by the Finance Board. The independent accountant conducts these audits following generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General. The FHLBanks, the Finance Board, and the Congress all receive the audit reports. The FHLBanks must submit annual management reports to the Congress, the President, the Office of Management and Budget, and the Comptroller General. These reports include a statement of financial condition, a statement of operations, a statement of cash flows, a statement of internal accounting and administrative control systems, and the report of the independent public accountants on the financial statements. In addition, the Finance Board conducts an annual on-site examination of each FHLBank and the Office of Finance and off-site reviews of their financial operations.

The Comptroller General has authority under the FHLBank Act to audit or examine the Finance Board and the FHLBanks and to decide the extent to which they fairly and effectively fulfill the purposes of the FHLBank Act. Furthermore, the Government Corporation Control Act provides that the Comptroller General may review any audit of the financial statements conducted by an independent public accounting firm. If the Comptroller General conducts such a review, then he must report the results and provide his recommendations to the Congress, the Office of Management and Budget, and the FHLBank in question. The Comptroller General may also conduct his own audit of any financial statements of an FHLBank.

Tax Status

Although the FHLBanks are exempt from all Federal, State, and local taxation except for real property taxes, they are obligated to make payments to REFCORP in the amount of 20 percent of net earnings after operating expenses and AHP expense. In addition, annually the FHLBanks must set aside for the AHPs the greater of an aggregate of $100 million or 10 percent of their current year's income before charges for AHP (but after expenses for REFCORP). All FHLBank dividends received by members, however, are fully taxed; dividends received by members do not benefit from the corporate dividends received exclusion.

THE FEDERAL HOUSING FINANCE BOARD

The Finance Board is an independent agency in the executive branch of the U.S. Government. The Finance Board's purpose is to ensure that the FHLBanks operate in a safe and sound manner. In addition, the Finance Board ensures that the FHLBanks carry out their housing finance and community investment mission and remain adequately capitalized and able to raise funds in the capital markets. The FHLBank Act requires the Finance Board to conduct annual examinations and obtain reports of condition of the FHLBanks. The Finance Board assesses the FHLBanks for the costs of operating the Finance Board.

A five-member board of directors manages the Finance Board. The secretary of the Department of Housing and Urban Development (HUD) serves *ex officio* as a director of the Finance Board. The President appoints the other four directors, with the advice and consent of the Senate. Members of the board of directors hold office for terms of seven years. The President designates one of the four appointed directors to serve as chairman of the Finance Board. Each of the four appointed directors must have experience or training in housing finance or a commitment to providing specialized housing credit. Not more than three directors may be members of the same political party. At least one director must come from an organization with more than a two-year history of representing consumer or community interests in banking services, credit needs, housing, or financial consumer protections. The directors serve on a full-time basis.

At December 31, 2000, the directors of the Finance Board were Chairman Allan I. Mendelowitz, Andrew M. Cuomo, Franz S. Leichter, and J. Timothy O'Neill. Bruce A. Morrison resigned as chairman of the board of directors of the Finance Board effective July 4, 2000. One director position was vacant for all of 2000.

Allan I. Mendelowitz, 58, received a recess appointment by President Clinton to serve as chair and member of the board of directors of the Finance Board on December 28, 2000. Dr. Mendelowitz was executive director of the U.S. Trade Deficit Review Commission. Previously, he served as vice president of the Economic Strategy Institute, executive vice president of the Export-Import Bank of the United States, and managing director for international trade, finance, and economic competitiveness at the U.S. General Accounting Office. Unless Dr. Mendelowitz is confirmed by the Senate, he may serve on the Board until the end of the first session of the 107th Congress. Dr. Mendelowitz is paid at Level III of the Federal executive pay schedule, which was $130,200 in 2000. He receives the same benefits as other Federal employees paid under the executive schedule.

On January 29, 1997, the Senate confirmed Andrew M. Cuomo, 43, as secretary of HUD. In that capacity, Secretary Cuomo served as a director of the Finance Board. From 1993 to 1997, Mr. Cuomo was assistant secretary for Community Planning and Development at HUD. In 1991, Mr. Cuomo served as chairman of the Commission on the Homeless in New York City. Mr. Cuomo founded H.E.L.P. in 1986. This organization became the nation's largest provider of transitional housing for the homeless. Secretary Cuomo continued a delegation, effective since May 23, 1993, of all of the secretary's functions, powers, and duties as director of the Finance Board to the Assistant Secretary for Housing—Federal Housing Commissioner at HUD, and William C. Apgar, 54, served in this position from October 23, 1998 to late January 2001. Before his appointment, Dr. Apgar served as the director of the Joint Center for Housing Studies at Harvard University. The HUD Secretary and his designee serve the Finance Board without additional compensation.

Mel Martinez, 54, was sworn in as Secretary of Housing and Urban Development on January 24, 2001, replacing Mr. Cuomo. Mr. Martinez most recently served as the Chairman of

Orange County, Florida, the elected chief executive of a government that provides services to more than 860,000 people. Mr. Martinez graduated from Florida State University College of Law in 1973. During his 25 years of law practice in Orlando, he was actively involved in community activities. He served as vice president of the Board of Catholic Charities of the Orlando Diocese. The HUD Secretary serves on the Finance Board without additional compensation. As of the date of this report, Mr. Martinez has not named an individual to serve as his designee on the Finance Board.

On August 3, 2000, President Clinton made a recess appointment of Franz S. Leichter, 70, to be a member of the Finance Board. Mr. Leichter, a resident of New York City, was a practicing attorney with the firm of Walter, Conston, Alexander, and Green. He served in the New York Senate from 1975 to 1998, where he was a member of the Banking Committee. Mr. Leichter also helped to establish and provide funding for the Northern Manhattan Improvement Corporation and the Washington Heights/Inwood Development Corporation, both of which aim to conserve affordable housing and sponsor community development in northern Manhattan. Unless Mr. Leichter is confirmed by the Senate, he may serve on the Board until the end of the first session of the 107th Congress. Mr. Leichter is paid at Level IV of the Federal executive pay schedule, which was $122,400 in 2000. He receives the same benefits as other Federal employees paid under the executive schedule.

J. Timothy O'Neill, 46, has served as a director of the Finance Board since June 1, 1995. Although his term expired on February 28, 1997, Mr. O'Neill has continued to serve in a holdover capacity. Before his service on the Finance Board, Mr. O'Neill most recently was a partner in the Washington law firm of O'Connor & Hannan, and focused on trade and international law and matters relating to legislation and regulation. He has represented both international and domestic clients before the Congress and the Executive Branch. He is the former director of congressional affairs for the Finance Board. Mr. O'Neill has served as senior legislative manager for international affairs for the U.S. Department of the Treasury, and was deputy director of congressional affairs for the U.S. Agency for International Development. Before his Executive Branch experience, he was the legislative director for U.S. Senator John Heinz of Pennsylvania. Mr. O'Neill is paid at executive level IV of the Federal executive pay schedule, which was $122,400 in 2000 and $118,400 in 1999 and 1998. Mr. O'Neill receives the same benefits as other Federal employees paid under the executive schedule.

FHLBANK MANAGEMENT AND COMPENSATION

FHLBank Directors. The FHLBank Act provides that a board of at least 14 directors will govern each FHLBank. Directors elected by the members to three-year terms are a majority of the directors at each FHLBank. However, the Finance Board appoints at least six public-interest directors to three-year terms. Before the passage of the GLB Act, elected directors served two-year terms and appointed directors served four-year terms. At least two of the directors of each FHLBank appointed by the Finance Board must come from organizations with more than a two-year history of representing consumer or community interests in banking services, credit needs, housing, or financial consumer protections.

The board of directors of each FHLBank has the responsibility to monitor that FHLBank's compliance with Finance Board regulations and to establish policies and programs that carry out the FHLBank's housing finance mission. Each board of directors adopts and reviews policies governing the FHLBank's credit, investment, and funding activities, and oversees the implementation of these policies. The directors also must adopt policies to manage the FHLBank's exposure to credit, liquidity, and interest-rate risk.

Beginning with 2000, the GLB Act requires that each FHLBank's board of directors elects a chair and vice chair from among its members to two-year terms. In 1999 and prior years, the chair of each FHLBank was generally a public-interest director, and the vice chair of each FHLBank was an industry-elected director. The Finance Board designated the chair and vice chair of each FHLBank.

Charles W. Smith, 57, is chair of the FHLBank of Boston and served in that position in 2000. He is chairman and chief executive officer of Granite Bank, Keene, New Hampshire, and of its holding company, Granite State Bankshares, Inc. He is chairman and director of the New Hampshire Bankers Association. Before joining Granite Bank, Mr. Smith was executive vice president and treasurer, Raritan Savings Bank, Raritan, New Jersey. He has served as president of the Greater Keene Chamber of Commerce and the Keene Downtown Revitalization Corporation. He was also a director of the Savings and Community Bankers Association. Mr. Smith has also served as vice chair of the FHLBank of Boston.

Elizabeth H. Mitchell, 60, is vice chair of the FHLBank of Boston and served in that position in 2000. She is a public policy fellow at the Muskie School of Public Policy, University of Southern Maine, in Portland, Maine, and serves as a director of Maine General Associates, in Augusta, Maine, and chairs the housing committee of the Kennebec Valley Community Action Program. A former state representative, Ms. Mitchell was speaker of the Maine House of Representatives from 1996-1998. From 1986-1990, she was chair and director of the Maine State Housing Authority. She is the former director of the Maine Homeless Coalition and Home Resources of Maine and a former chair of the FHLBank of Boston.

James J. Florio, 63, is chair of the FHLBank of New York and has served in that position in 1999 and 2000. Mr. Florio is also CEO of XSPAND, an asset management company; and in addition to being of counsel in the law firm of Fischbein, Badillo, Wagner and Harding, he is a University professor for Public Policy and Administration at Rutgers, the State University of New Jersey. He serves on the U.S. Secretary of Energy's Advisory Board and is a member of the Trade and Environment Policy Advisory Committee (TEPAC) to the U.S. Trade Representative. Mr. Florio was governor of New Jersey from 1990 through 1994. He was a member of the U.S. House of Representatives from 1974 through 1990. Before that, he served three terms in the New Jersey General Assembly.

Dennis A. James, 50, serves as vice chair of the FHLBank of New York and has been a director since 1996. He is president and chief executive officer of Sturdy Savings Bank in Cape May County, New Jersey. Mr. James is chairman of the New Jersey League Community and Savings Bankers' Legislative and Regulatory Affairs Committee. His prior experience includes the firm of Deloitte & Touche. Mr. James was a U.S. Navy Seabee and a trustee of the Wetlands Institute.

Herbert G. Chorbajian, 62, was vice chair of the FHLBank of New York in 2000 and served in that position in 1999 as well. He is vice chairman and a director of Charter One Financial, Inc., and chairman of the New York Business Development Corporation. He is a board member of the RSI Retirement Trust, Northeast Health Foundation, Albany College of Pharmacy, and several other organizations. Mr. Chorbajian is a graduate of Boston University and a certified public accountant. Besides a career in public accounting, he held a number of positions with the State Bank of Albany and the Norstar Bancorp.

David W. Curtis, 45, serves as chair of the FHLBank of Pittsburgh and served in that position in 2000. Mr. Curtis is the executive vice president and chief financial officer of Leon N. Weiner & Associates, Inc., a multi-faceted real estate development firm providing housing to individuals and families of moderate means. He is also the president of Arbor Management, LLC, a multifamily residential management company with a portfolio of more than 8,000 units in 75 properties. Mr. Curtis holds a Master of Arts Degree from the University of Delaware's College of Urban Affairs, where he was a graduate fellow.

John T. Connelly, 65, is vice chair of the FHLBank of Pittsburgh and served in that position in 2000. He has been in banking for 35 years, most recently with the First National Bank of Leesport, Leesport, Pennsylvania, where he was president and chief executive officer from 1976 until 1998, when he become chairman of the board. Retired as an active officer of the First National Bank of Leesport on August 1, 1999, he now serves as chair of its board of directors' executive committee. A graduate of Williams College, he is a past president of the Pennsylvania Bankers Association and active in many civic organizations in Berks County, Pennsylvania. He has served as an elected director of the FHLBank of Pittsburgh since 1996.

Rita I. Fair, 64, assumed the chair of the FHLBank of Atlanta on July 1, 1997. Ms. Fair served as managing director of the Finance Board from April 1994 to March 1997. Before that, she was managing director of the Secura Group, a financial institutions consulting firm in Washington. Ms. Fair was formerly senior vice president for regulatory operations at the U.S. League of Savings Institutions and chief of staff of the Federal Home Loan Bank Board, and served in a number of positions at HUD.

Joseph S. Bracewell, III, 54 is vice chair of the FHLBank of Atlanta and served in that position in 2000. He was elected to the board of directors in 1995. Mr. Bracewell is chairman and chief executive officer of Century National Bank in Washington, D.C. He also serves as a director of the Independent Bankers Association of America, Hankey Oil Company, and Hadron, Inc.

Paul Tipps, 64, was elected chairman of the FHLBank of Cincinnati for a two-year term beginning January 1, 2000. He has served as a director since 1997 and was reappointed for an additional three year term effective January 1, 2000. Mr. Tipps is a principal of State Street Consultants, a firm created by the merger of Public Policy Consultants, of which Mr. Tipps served as president and founder, and NSC Consulting. State Street Consultants is based in Columbus, Ohio, and provides a number of public policy services, such as issue analysis and research and the monitoring of important legislative and regulatory developments. Before that, Mr. Tipps was a real estate broker and developer and was president for 17 years of Federal Property Management, which managed and developed 10,000 multifamily housing units in seven states. He served as chairman of the Ohio Democratic Party from 1975 to 1983.

Michael R. Melvin, 56, is vice chair of the FHLBank of Cincinnati and has served in that position since 1999. He has been a director since 1995. In addition, he is president, chief executive officer, and a director of Perpetual Federal Savings Bank, Urbana, Ohio, with which he has been associated since 1969. Mr. Melvin served as chairman of the Ohio League of Financial Institutions in 1994 and continues to serve on the trade association's board and their insurance trust board. Mr. Melvin also serves as a trustee of the Urbana University Endowment Scholarship Fund, director of Springfield-Clark County Chamber of Commerce, and secretary-treasurer of the board of the Rotary Manor Senior Housing Project.

Carolyn Sparks Hutting, 54, is chair of the FHLBank of Indianapolis, and served in that position in 1999. She serves as the director of corporate relations for Earth Force, a national non-profit organization that works with young people to teach environmental stewardship and community action. Ms. Hutting has held numerous positions in both Kentucky and Michigan State governments including executive assistant to Michigan Governor James Blanchard, chief of staff for State Senator Jim Berryman, and communications analyst for House Speaker Curtis Hertel. She also served as operations director of the Michigan Democratic Party.

William R. White, 47, is vice chair of the FHLBank of Indianapolis, and he served in that position in 2000. He is the chairman and president of Dearborn Federal Savings Bank, Dearborn, Michigan. Before his current appointment, Mr. White served the bank in the positions of president, executive vice president, and treasurer. Mr. White is a certified public accountant, having worked 13 years with Deloitte & Touche, L.L.P., primarily serving financial institution clients. He is involved in many professional and community organizations, including: Michigan League of Community Banks, Dearborn Chamber of Commerce, West Dearborn Downtown Development Authority, Henry Ford Community College Foundation Board, Financial Managers Society, and the President's Advisory Council for Henry Ford Museum and Greenfield Village.

Douglas J. Timmerman, 60, chairman of the FHLBank of Chicago, was re-elected to a three-year term as a director commencing on January 1, 2001. Mr. Timmerman is the chairman, president, and chief executive officer of AnchorBank, FSB, Madison, Wisconsin. He is also a director of the Wisconsin Bankers Association, a trustee of the University of Wisconsin Research

Park, and a director of Chorus Communications, a southwest Wisconsin telephone holding company. Mr. Timmerman served as vice chair of the FHLBank of Chicago in 1998-1999.

Mindy W. Turbov, 44, vice chair of the FHLBank of Chicago, was re-appointed to a three-year term as a director commencing on January 1, 2001. Ms. Turbov is president of Turbov Associates, a Chicago, Illinois, based community development consulting firm. Previously, she served as special assistant to the chairman of the Finance Board and as a special assistant to the HUD Secretary. Ms. Turbov was formerly a vice president of McCormack Baron & Associates, a real estate development firm, and a senior associate at Shorebank Corporation. She also served as deputy commissioner for development for Chicago's Department of Housing. Ms. Turbov served as chair of the FHLBank of Chicago in 1998-1999.

Dale J. Torpey, 55, chair of the board of the FHLBank of Des Moines, was first elected to the board in 1996. He is the president and chief executive officer of Community State Bank in West Branch, Iowa. Mr. Torpey has been very active with the Independent Community Bankers of America serving on its Operations Committee and as chair of its Lending Committee and Long-range Planning Committee. Mr. Torpey has served on several committees for the Iowa Bankers Association and has taught classes at the Iowa School of Banking. He has served on several civic boards including the Kirkwood College Foundation and the Tipton Economic Development Corporation.

Linda R. Cottington, 52, began her term as vice chair of the FHLBank of Des Moines in January 2000. Ms. Cottington is the vice president, Strategic Planning and Business Development for Mercy Health Network, Des Moines, Iowa. She was formerly a partner with Watson Wyatt Worldwide and the regional managing director of consulting for Deloitte & Touche, Des Moines, Iowa. Ms. Cottington's community service includes being a member of the board of directors of the Greater Des Moines Partnership, a member of the City of Des Moines Strategic Planning Committee and co-chair of the Governor's Housing Task Force. She was first appointed to the board in 1995.

Henry Flores, 45, has been chair of the FHLBank of Dallas since January 1995 and a community interest director on the board since January 1994. Mr. Flores currently serves as the president of The West Companies. This firm is a builder/developer of multifamily communities, single-family subdivisions, and retail shopping center projects in the Southwest, with its business primarily focused on multifamily construction and acquisition/rehabilitation in the affordable housing sector. Before this position, he served as a principal with Flores, Elizondo and Associates, a company specializing in real estate development, public/private investment partnerships, tax-credit syndication, and property management. Mr. Flores is a past executive director of the Texas Department of Housing and Community Affairs. He also serves on the executive boards of the Austin Housing Authority, Texas Housing Finance Corporation, National Housing Trust, and was a founding member and first president of the National Hispanic Housing Council.

George W. Mitchell, 57, is vice chair of the FHLBank of Dallas and served in that position in 2000. He has been a director since 1995. Mr. Mitchell is chairman of the board, president, and a director of Pioneer Savings Bank, Roswell, New Mexico. During his tenure with Pioneer, which began in 1977, Mitchell has been very active in local and state civic activities which include: the Governor's Task Force Commission on Interstate Banking, president of the New Mexico League of Financial Institutions, president of the Roswell Rotary Club, director of the Roswell Chamber of Commerce, president of the Conquistador Council of Boy Scouts of America, and president of the Spectacular Air Show New Mexico.

Ron Wente, 50, is chair of the FHLBank of Topeka and served in that position in 2000. He is president and chief executive officer of Golden Belt Bank, FSA, Hays, Kansas. He joined Golden Belt Bank in 1973 after graduating from Fort Hays State University. He began serving as president and CEO the following year. He is past chairman of the Heartland Community Bankers Association and serves on the board of directors of the Ellis County Economic Development Corp.

Paul Barru, 75, is vice chair of the FHLBank of Topeka and served in that position in 2000. He is president of BHI, Inc., Littleton, Colorado, and is a builder, developer, and affordable housing advocate. He was appointed to the Bank's board in 1995 as a public interest director. An ordained Presbyterian minister, he earned a theology degree from Harvard University Divinity School. He has a bachelor's degree in humanities from Michigan State University and business administration and accounting degrees from New York University School of Commerce. He is a past director of the National Association of Home Builders and has been named to that organization's Housing Hall of Fame. Mr. Barru served as chair of the FHLBank of Topeka in 1999.

Mary Lee Widener, 62, is chair of the FHLBank of San Francisco, and she served in that position in 2000. She is chief executive officer of Neighborhood Housing Services of America, Inc., in Oakland, California. She developed, co-founded and administers this nonprofit secondary market program to provide liquidity to community loan funds nationally. She serves on the board of The PMI Group, Inc., Social Compact, the S. H. Cowell Foundation, and the Advisory Board of the Pew Partnership for Civic Change. She also is trustee emeritus of The San Francisco Foundation and Partners for Livable Communities.

J. Lance Erikson, 57, is vice chair of the FHLBank of San Francisco and served in that position in 2000. He is an officer of Washington Mutual Bank, FA, Stockton, California. He was formerly executive vice president, secretary, and general counsel of Great Western Financial Corporation and its principal subsidiary, Great Western Bank, which Washington Mutual acquired in July 1997. Mr. Erikson joined Great Western in 1982 and was named to the company's executive management committee in 1987.

Michael P. Radway, 47, is chair of the FHLBank of Seattle, and he served in that position in 2000. Mr. Radway served for more than two decades as the legislative director to two senior members of the House Banking Committee. In the 103rd Congress he also served as the deputy staff director of the Subcommittee on Economic Growth and Credit Formation. In the 104th and 105th Congresses, he served as the Democratic professional staff of the Subcommittee on Capital Markets, Securities and Government Sponsored Enterprises. Mr. Radway was elected chairman of the Council of Federal Home Loan Banks for the year 2001. Mr. Radway was born and raised in Hanover, New Hampshire and graduated cum laude from Yale University with distinction in political science. Mr. Radway's clients include Sallie Mae, the nation's largest provider of funding for higher education and IBT Financial, the nation's leading provider of internet based training for the financial services industry.

Kerry K. Killinger, 51, is vice chair of the FHLBank of Seattle, and he served in that position in 2000. He has served on the board since January 1994. Mr. Killinger has been chairman of Washington Mutual, Inc. and its predecessor, Washington Mutual Savings Bank, since January 1991. He joined Washington Mutual as an executive vice president in 1982, and became its chief executive officer in 1990. Mr. Killinger currently serves on the boards of directors for numerous community and industry organizations, including the Washington Financial League, America's Community Bankers, Greater Seattle Chamber of Commerce, Seattle Foundation, the Alliance for Education and the Washington Roundtable.

Compensation of Directors. Beginning with 2000, the GLB Act limits the annual compensation to $25,000 for a chair, $20,000 for a vice chair, and $15,000 for all other directors. Beginning with 2001, the Finance Board must adjust these amounts based on the percentage annual increase in the Consumer Price Index. The compensation limits for 2001 are $25,850 for a chair, $20,680 for a vice chair, and $15,510 for all other directors.

FHLBank Presidents. Each FHLBank president is responsible to that FHLBank's board of directors. The FHLBank president's responsibilities include the management of the FHLBank, the administration of the FHLBank's programs and of FHLBank objectives set forth in the FHLBank Act, and the execution of the regulations and policies of the Finance Board. Each FHLBank president participates in regular meetings with the other FHLBank presidents.

The following persons served as presidents of the FHLBanks during 2000:

Michael A. Jessee, 54, has been president of the FHLBank of Boston since May 1989. Before that, he served 12 years with the FHLBank of San Francisco as executive vice president and chief operating officer; executive vice president, economics and corporate policy; senior vice president and chief economist; and assistant vice president and director of research. Mr. Jessee also worked as an economist with the Federal Reserve Bank of New York and in corporate planning and correspondent banking with the Bank of Virginia.

Alfred A. DelliBovi, 54, has been president of the FHLBank of New York since December 1992. His experience includes 11 years of executive service with the U.S. Government. From June 1989 to November 1992, he served as the deputy secretary and chief operating officer of HUD. Before that, he worked at the U.S. Department of Transportation's Urban Mass Transportation Administration as administrator and regional administrator. Mr. DelliBovi was also a member of, and worked for, the New York State Assembly.

James D. Roy, 60, has been president of the FHLBank of Pittsburgh since November 1987. Before that, he spent 25 years with Mellon Bank, N.A., serving as the senior vice president, finance; as vice president and manager, corporate financial planning and control; and in various management positions within the finance department.

Raymond R. Christman, 51, became president of the FHLBank of Atlanta on July 1, 1999. He had been a community interest director and chair of the FHLBank of Pittsburgh since 1994. Mr. Christman was president of the Pittsburgh Technology Council, a business association that fosters the growth of the technology industry in southwestern Pennsylvania. He also served as president of a related organization, the Southwestern Pennsylvania Industrial Resource Center, which is a not-for-profit economic development organization that provides technical consulting, financing assistance, and workforce development services to small- and medium-sized manufacturing companies.

Charles L. Thiemann, 63, has been president of the FHLBank of Cincinnati since January 1976. Before that, he spent 12 years with the FHLBank of Cincinnati as the executive vice president; senior vice president; vice president, director of research; and economist. Mr. Thiemann also worked as an economist with the Federal Reserve Bank of St. Louis, where he served as an advisor to the president and the board of directors.

Martin L. Heger, 55, has been president of the FHLBank of Indianapolis since February 1992. During the previous 12 years, he served as the FHLBank of Indianapolis' executive vice president and chief operating officer, and vice president and division head for the Michigan division. Earlier, Mr. Heger spent 13 years in various management positions with the National Bank of Detroit.

Alex J. Pollock, 57, has been president of the FHLBank of Chicago since September 1991. Before that, he was a visiting scholar at the Federal Reserve Bank of St. Louis and served as president and chief executive officer of the Community Federal Savings and Loan Association in St. Louis; president of Marine Bank, Milwaukee; and senior vice president of Continental Illinois National Bank, where he served in various capacities in Europe and the United States.

Patrick J. Conway, 50, became president of the FHLBank of Des Moines in October 1999. Before that, he served as executive vice president of finance and banking for the FHLBank of San Francisco. Mr. Conway joined the FHLBank of San Francisco in 1975 and held a variety of finance and management positions before being named executive vice president. Earlier, Mr. Conway spent six years with Merrill Lynch.

Terry Smith, 44, has been president of the FHLBank of Dallas since August 2000. Before that, he served for 14 years with FHLBank of Dallas in a variety of management positions including executive vice president and chief operating officer, and chief financial officer. Mr. Smith also served as an assistant professor of finance at the Edwin L. Cox School of Business at Southern Methodist University.

Frank A. Lowman, 61, has been president of the FHLBank of Topeka since April 1989. Before that, he spent six years as president and chief operating officer of Fourth Financial Corporation/ BANK IV Wichita, and 14 years as president and chief executive officer of Heritage Savings Association in Hays, Kansas.

Dean M. Schultz, 53, has been president of the FHLBank of San Francisco since September 1991. His experience includes serving seven years as executive vice president of the FHLBank of New York; four years as senior vice president, general counsel, and director of corporate services and human resources for First Federal Savings and Loan Association in Rochester, New York; and seven years with the law firm of Robinson, Williams and Angeloff in Rochester.

Norman B. Rice, 57, has served as president of the FHLBank of Seattle since February 1, 1999. Before that he served as the FHLBank's executive vice president. Mr. Rice was mayor of Seattle from 1990 through 1997.

Managing Director, Office of Finance. John K. Darr, 56, has served as managing director of the Office of Finance since July 1992. Before joining the Office of Finance, he served as president of Ryland Acceptance Advisors, managing director of Prudential Bache Capital Funding, executive vice president of administration and finance of the Student Loan Marketing Association (Sallie Mae), and treasurer of the FHLBank of San Francisco, among other positions.

Finance Board Regulations Governing the Selection and Compensation of FHLBank Employees

Historically, the FHLBank Act required the Finance Board to be involved in varying degrees in the corporate governance of the FHLBanks, typically by requiring Finance Board approval of various FHLBank practices. However, the GLB Act repealed most of those requirements, thereby transferring many governance responsibilities from the Finance Board to the FHLBanks. The GLB Act devolved responsibility for FHLBank employee compensation to the FHLBanks by removing the requirement that the Finance Board approve FHLBank compensation. As a result of this amendment to the FHLBank Act, the Finance Board rescinded its compensation regulation for compensation years starting after December 21, 1999. (The Finance Board's interim final rule, Devolution of Corporate Governance Responsibilities, in connection with the compensation of FHLBank officers and employees, was effective on December 21, 1999.) As a consequence of the devolution of FHLBank employee compensation to the FHLBanks, tables showing FHLBank presidents' base salary caps and maximum total compensation are inapplicable for years subsequent to 1999.

Before the enactment of the GLB Act, the FHLBank Act provided that an FHLBank may select, employ, and fix the compensation of such officers and employees as may be necessary for the transaction of its business, subject to the approval of the Finance Board. Pursuant to this statutory authority, the Finance Board promulgated regulations governing the selection and compensation of FHLBank employees, described below, which were in effect through December 31, 1999.

Selection of FHLBank Employees. The FHLBanks were authorized to hire officers and employees without prior Finance Board approval. However, the Finance Board prohibited the FHLBanks from entering into employment contracts with their employees.

Compensation of FHLBank Employees. Each FHLBank set the base salary of its president, subject to a salary cap established annually by the Finance Board. The Finance Board's regulations provided for the salary cap for each FHLBank president, based upon the average base salary of a chief executive officer of a subsidiary financial institution in the FHLBank's primary metropolitan statistical area with an asset size comparable to that of the FHLBank, as of June of the prior year, reduced by 5 percent and rounded to the nearest $5,000. The Finance Board established salary caps for the FHLBank presidents for 1998 through 1999 based on nationwide salary survey data.

In addition to base salary, each FHLBank was authorized to make an incentive payment to its president up to an amount equal to the difference between the president's base salary and 125 percent of the president's base salary cap. At least 50 percent of a president's incentive payment was based on the extent to which the FHLBank met reasonable numerical performance targets established by the FHLBank's board of directors related to the FHLBank's achievement of its housing finance mission.

In November 1998, the Finance Board adopted the Community Investment Cash Advance Programs regulation, which amended, effective in 1999, the elements upon which an FHLBank's board of directors must base the FHLBank president's numerical performance targets for incentive compensation. These targets included substantial consideration of innovative products directed at unmet credit needs, Community Investment Cash Advances (including Community Investment Program advances), non-advance credit support, and risk-management products for members, as well as advances, including long-term advances. No incentive payment could be made to an FHLBank president if the most recent examination of the FHLBank by the Finance Board identified an unsafe or unsound practice or condition.

The FHLBanks could set compensation levels for officers and employees below the level of president without prior Finance Board approval. The base salaries and any incentive compensation for such employees were required to be reasonable and comparable with the base salaries and incentive compensation of employees of other FHLBanks and other similar businesses (including financial institutions) with similar duties and responsibilities.

The following table shows the 1999 FHLBank presidents' base salary caps and maximum total compensation (125 percent of base salary cap) as set by the Finance Board.

Federal Home Loan Bank Presidents

1999 Base Salary Caps and Maximum Total Compensation

FHLBank	President	Base Salary Cap	Maximum Total Compensation(1)
Boston	Michael A. Jessee	$345,000	$431,250
New York	Alfred A. DelliBovi	$345,000	$431,250
Pittsburgh	James D. Roy	$345,000	$431,250
Atlanta	Raymond R. Christman	$345,000	$431,250
Cincinnati	Charles L. Thiemann	$345,000	$431,250
Indianapolis	Martin L. Heger	$345,000	$431,250
Chicago	Alex J. Pollock	$345,000	$562,500(2)
Des Moines	Patrick J. Conway	$345,000	$431,250
Dallas	George M. Barclay	$345,000	$431,250
Topeka	Frank A. Lowman	$345,000	$431,250
San Francisco	Dean M. Schultz	$375,000	$468,750
Seattle	Norman B. Rice	$345,000	$431,250

(1) 125 percent of base salary cap.

(2) The FHLBank of Chicago's board received Finance Board approval to pay its president a supplemental retention payment of $105,000, which increased his incentive compensation opportunity to $112,500 and his maximum total compensation opportunity to $562,500.

In 1998, the Finance Board required the incentive compensation performance targets to include substantial consideration of growth in innovative products directed at unmet credit needs, growth in pre-committed Community Investment Program advances, growth in non-advance credit support and risk management products for members, as well as growth in advances, including long-term advances. The remaining portion of a president's incentive payment had to be based on the extent to which the FHLBank met reasonable numerical performance targets related to the achievement of goals established by the FHLBank's board of directors, in its discretion.

In June 1998, the Finance Board amended the section of the compensation regulation regarding compensation of FHLBank employees other than the president. The amendment required that the sum of annual base salary and all incentive payments received in a single calendar year by an employee other than the FHLBank president could not exceed 125 percent of the annual base salary cap established for the FHLBank president, as published by the Finance Board.

The following table shows the 1998 FHLBank presidents' base salary caps and maximum total compensation (125 percent of base salary cap) as set by the Finance Board.

Federal Home Loan Bank Presidents

1998 Base Salary Caps and Maximum Total Compensation

FHLBank	President	Base Salary Cap	Maximum Total Compensation(1)
Boston	Michael A. Jessee	$315,000	$393,750
New York	Alfred A. DelliBovi	$315,000	$393,750
Pittsburgh	James D. Roy	$315,000	$393,750
Atlanta	Paul D. Hill	$315,000	$393,750
Cincinnati	Charles L. Thiemann	$315,000	$393,750
Indianapolis	Martin L. Heger	$315,000	$393,750
Chicago	Alex J. Pollock	$315,000	$393,750
Des Moines	Thurman C. Connell	$315,000	$393,750
Dallas	George M. Barclay	$315,000	$393,750
Topeka	Frank A. Lowman	$265,000	$331,250
San Francisco	Dean M. Schultz	$345,000	$431,250
Seattle	James R. Faulstich	$315,000	$393,750

(1) 125 percent of base salary cap.

Finance Board Regulations Governing Selection and Compensation of Office of Finance Employees

The Finance Board exercises similar supervisory and examination authority over the Office of Finance and its board of directors that it exercises over an FHLBank and its board of directors. In 2000, the Finance Board amended its regulations governing the operations of the Office of Finance. The final rule, which took effect July 1, 2000, requires the Office of Finance board of directors to select, employ, determine the compensation for, and assign the duties of the managing director/chief executive officer. Before this change, the Finance Board regulations governing the Office of Finance made selection and employment of the managing director a responsibility of the Office of Finance board of directors, subject to Finance Board approval.

In December 1998, the Finance Board determined that it was appropriate to subject the compensation of the managing director to the same limits that apply to the FHLBank presidents, other than the president of the FHLBank of San Francisco, as revised to reflect differences in their respective responsibilities. At the time the Finance Board subjected the managing director's compensation to the same limits as the FHLBank presidents' compensation, it rescinded all prior Finance Board resolutions addressing the compensation of the managing director. In 1999, the managing director's compensation was governed by the $345,000 base salary cap and $431,250 cap on total compensation that applied to the FHLBank presidents other than the president of the FHLBank of San Francisco.

In amending its regulations governing the selection and compensation of FHLBank employees in January 1997, the Finance Board deferred action on the selection and compensation of Office of Finance employees. As a result, for 1997 and 1998, the selection and compensation of the managing director remained under the guidelines of the FHLBank presidents' compensation plan while the FHLBank presidents' selection and compensation was determined under the Finance Board's regulations governing selection and compensation of FHLBank employees. The FHLBank presidents' compensation plan established base salary guidelines, merit increase guidelines, and criteria for incentive payments for FHLBank presidents. For 1998, base salary and merit increase guidelines for the managing director under the compensation plan were as follows:

Salary Range: $205,000 (minimum); $255,000 (midpoint); $325,000 (maximum)

Merit Increase: 4.2 percent benchmark merit increase
8.4 percent maximum merit increase

The following table presents information on the compensation of the FHLBank presidents and the managing director of the Office of Finance for 2000, 1999, and 1998.

Federal Home Loan Bank Presidents

Summary Compensation Table

		Annual Compensation			Long Term Compensation			
					Awards		Payouts	
Name and Principal Position	Year	Salary($)	Incentive Payment($)	Other Annual Compensation ($)(1)	Restricted Stock Awards ($)	Securities Underlying Options/ SARs (#)	LTIP Payouts ($)	All Other Compensation ($)(2)
Michael A. Jessee	2000	400,000	202,600	85,110				33,559(3)(4)
President, FHLBank	1999	335,600	95,650					26,609(3)(4)
of Boston	1998	315,000	78,750					23,988(3)(4)
Alfred A. DelliBovi	2000	425,000	239,160					27,675(5)(6)
President, FHLBank	1999	345,000	86,250					23,011(5)(6)
of New York	1998	315,000	78,750					20,974(5)(6)
James D. Roy	2000	400,000	101,520					29,293(7)
President, FHLBank	1999	337,296	93,954					25,381(7)
of Pittsburgh	1998	308,022	85,728					23,415(7)
Raymond R. Christman	2000	360,000	176,400					6,650(7)
President, FHLBank	1999	162,500	53,125					1,181(7)
of Atlanta(8)								
Charles L. Thiemann.........	2000	435,000	276,209					37,543(7)
President, FHLBank	1999	345,000	86,250					26,152(7)
of Cincinnati	1998	315,000	78,750					23,513(7)
Martin L. Heger.............	2000	379,600	197,917					22,776(7)
President, FHLBank	1999	312,338	108,352					18,740(7)
of Indianapolis	1998	289,198	102,217					17,352(7)
Alex J. Pollock..............	2000	500,000	250,000					30,000(7)
President, FHLBank	1999	397,500	112,500					21,000(7)
of Chicago	1998	315,000	79,000					19,000(7)
Patrick J. Conway	2000	331,667	98,610					25,817(7)
President, FHLBank	1999	169,869	82,500					9,422(7)
of Des Moines(9)								
Terry Smith	2000	282,408	169,196					16,600(7)
President, FHLBank								
of Dallas(10)								

Name and Principal Position	Year	Annual Compensation: Salary($)	Incentive Payment($)	Other Annual Compensation ($) (1)	Long Term Compensation — Awards: Restricted Stock Awards ($)	Securities Underlying Options/ SARs (#)	Payouts: LTIP Payouts ($)	All Other Compensation ($) (2)
Frank A. Lowman	2000	360,000	127,292					28,486(7)
President, FHLBank	1999	287,750	99,763					20,758(7)
of Topeka	1998	257,500	56,967					18,700(7)
Dean M. Schultz	2000	420,000	210,000					34,811(7)
President, FHLBank	1999	360,000	99,100					28,478(7)
of San Francisco	1998	345,000	74,500					20,700(7)
Norman B. Rice	2000	325,000	54,200					6,500(7)
President, FHLBank	1999	270,833	54,200					4,419(7)
of Seattle(11)	1998	166,667	36,468					
John K. Darr	2000	375,000	149,888					28,575(7)
Managing Director,	1999	330,000	101,250					25,172(7)
Office of Finance	1998	305,231	89,531					23,263(7)

(1) Perquisite and other personal benefits, securities or property are only reported with respect to a person named in the Summary Compensation Table ("Named Person") if they exceed the lesser of $50,000 or 10 percent of the total of annual salary and incentive payment for the year.

(2) Except as indicated in note (6) below, the dollar value of premiums paid for group term life insurance is not reported because the plans under which these benefits are provided do not discriminate in scope, terms, or operation in favor of executive officers or directors of the FHLBank or the Office of Finance and are available generally to all salaried employees.

(3) Includes $31,539, $24,861, and $22,446 in contributions or other allocations made by the FHLBank to qualified and/or non-qualified vested and unvested defined contribution plans in 2000, 1999, and 1998, and $2,020, $1,748, and $1,542 in insurance premiums paid by, or on behalf of, the FHLBank with respect to term life insurance for the benefit of the president in 2000, 1999, and 1998.

(4) To match and fund the FHLBank's Benefit Equalization Plan liability, the FHLBank is providing a collateral assignment split-dollar life insurance policy in which the president has rights to a cash surrender value not to exceed the present value of his benefit under the Benefit Equalization Plan. To the extent the cash value offsets a liability under the Benefit Equalization Plan, the liability under the Plan will be reduced. The premium of the term-life component of the policy has been separately disclosed in note (3) above. The benefits under the Benefit Equalization Plan are reported below.

(5) Includes $25,500, $20,700, and $18,900 in contributions or other allocations made by the FHLBank to qualified and/or non-qualified vested and unvested contribution plans in 2000, 1999, and 1998, and $2,175, $2,311, and $2,074 in insurance premiums paid by, or on behalf of, the FHLBank with respect to term life insurance for the benefit of the president in 2000, 1999, and 1998.

(6) To match and fund the FHLBank's Benefit Equalization Plan liability, the FHLBank is providing a collateral assignment split-dollar life insurance policy in which the president has rights to a cash surrender value not to exceed the present value of his benefit under the Benefit Equalization Plan. To the extent the cash value offsets a liability under the Benefit Equalization Plan, the liability under the Plan will be reduced. The premium of the term-life component of the policy has been separately disclosed in note (5) above. The benefits under the Benefit Equalization Plan are reported below.

(7) Represents contributions or other allocations made by the FHLBank with whom the Named Person is employed or the Office of Finance to qualified and/or non-qualified vested and unvested defined contribution plans.

(8) Mr. Christman became president of the FHLBank of Atlanta in July 1999.

(9) Mr. Conway became president of the FHLBank of Des Moines in October 1999. Before that, he served as acting interim president beginning in April 1999.

(10) Mr. Smith became president of the FHLBank of Dallas in August 2000.

(11) Mr. Rice became president of the FHLBank of Seattle in February 1999. Before that, he served as executive vice president beginning March 1, 1998.

FHLBank Presidents and Managing Director of the Office of Finance Pension Plans and Benefit Equalization Plans

All of the FHLBank presidents and the managing director of the Office of Finance, except the president of the FHLBank of San Francisco, participate in the Financial Institutions Retirement Fund (FIRF), a tax-qualified defined-benefit plan. The managing director of the Office of Finance and all of the FHLBank presidents, except the president of the FHLBank of Dallas, have retirement Benefit Equalization Plans (BEP), a non-qualified retirement plan. A BEP ensures, among other things, that participants receive the full amount of benefits to which they would have been entitled under their pension plans in the absence of limits on benefit levels imposed by the Internal Revenue Service (IRS).

The following tables show estimated annual benefits payable from FIRF and BEP combined upon retirement at age 65 and calculated in accordance with the formula currently in effect for specified years-of-service and remuneration classes for the FHLBank presidents participating in both plans and the managing director of the Office of Finance. The table for the president of the FHLBank of Dallas shows estimated annual benefits payable from FIRF only. Retirement benefits are not subject to any offset provision for Social Security benefits that are received in the defined-benefit plans. Following each table, the formula for calculating annual benefits, the credited years of service for each president and the managing director as of December 31, 2000, and any other information relevant to understanding the table are set forth.

President, FHLBank of Boston

	Years of Service				
Remuneration	**15**	**20**	**25**	**30**	**35**
$125,000	$ 44,531	$ 59,375	$ 74,219	$ 89,063	$103,906
$150,000	$ 53,438	$ 71,250	$ 89,063	$106,875	$124,688
$175,000	$ 62,344	$ 83,125	$103,906	$124,688	$145,469
$200,000	$ 71,250	$ 95,000	$118,750	$142,500	$166,250
$225,000	$ 80,156	$106,875	$133,594	$160,313	$187,031
$250,000	$ 89,063	$118,750	$148,438	$178,125	$207,813
$300,000	$106,875	$142,500	$178,125	$213,750	$249,375
$400,000	$142,500	$190,000	$237,500	$285,000	$332,500
$450,000	$160,313	$213,750	$267,188	$320,625	$374,063
$500,000	$178,125	$237,500	$296,875	$356,250	$415,625

- Formula: 2.375 percent x high three-year average compensation x credited years of service.
- Compensation is the highest three-year compensation (base and incentive) paid in the year.
- Credited years of service as of December 31, 2000, is 23 years, 10 months.
- The regular form of retirement benefits is a straight-life annuity including a lump-sum retirement death benefit.

President, FHLBank of New York

	Years of Service				
Remuneration	**15**	**20**	**25**	**30**	**35**
$125,000	$ 46,875	$ 62,500	$ 78,125	$ 93,750	$ 93,750
$150,000	$ 56,250	$ 75,000	$ 93,750	$112,500	$112,500
$175,000	$ 65,625	$ 87,500	$109,375	$131,250	$131,250
$200,000	$ 75,000	$100,000	$125,000	$150,000	$150,000
$225,000	$ 84,375	$112,500	$140,625	$168,750	$168,750
$250,000	$ 93,750	$125,000	$156,250	$187,500	$187,500
$300,000	$112,500	$150,000	$187,500	$225,000	$225,000
$400,000	$150,000	$200,000	$250,000	$300,000	$300,000
$450,000	$168,750	$225,000	$281,250	$337,500	$337,500
$500,000	$187,500	$250,000	$312,500	$375,000	$375,000

- Formula: 2.5 percent x years of benefit service (not to exceed 30) x high three-year average salary.
- Salary includes basic annual salary rate plus incentive payments.
- Credited years of service as of December 31, 2000, is 7 years, 8 months.

- The regular form of retirement benefits is a straight-life annuity with a death benefit equal to 12 times the annual retirement allowance less the sum of such allowance payments made before death.

President, FHLBank of Pittsburgh

	Years of Service				
Remuneration	15	20	25	30	35
$125,000	$ 37,500	$ 50,000	$ 62,500	$ 75,000	$ 87,500
$150,000	$ 45,000	$ 60,000	$ 75,000	$ 90,000	$105,000
$175,000	$ 52,500	$ 70,000	$ 87,500	$105,000	$122,500
$200,000	$ 60,000	$ 80,000	$100,000	$120,000	$140,000
$225,000	$ 67,500	$ 90,000	$112,500	$135,000	$157,500
$250,000	$ 75,000	$100,000	$125,000	$150,000	$175,000
$300,000	$ 90,000	$120,000	$150,000	$180,000	$210,000
$400,000	$120,000	$160,000	$200,000	$240,000	$280,000
$450,000	$135,000	$180,000	$225,000	$270,000	$315,000
$500,000	$150,000	$200,000	$250,000	$300,000	$350,000

- Formula: 2 percent x years of benefit service x high three-year average salary.
- Compensation covered includes annual base salary plus incentive compensation without regard to IRS limitations.
- Credited years of service as of December 31, 2000, is 13 years, 1 month.
- The regular form of retirement benefits provides a life annuity; a lump-sum option is also available.

President, FHLBank of Atlanta

	Years of Service				
Remuneration	15	20	25	30	35
$125,000	$ 46,875	$ 62,500	$ 78,125	$ 93,750	$ 93,750
$150,000	$ 56,250	$ 75,000	$ 93,750	$112,500	$112,500
$175,000	$ 65,625	$ 87,500	$109,375	$131,250	$131,250
$200,000	$ 75,000	$100,000	$125,000	$150,000	$150,000
$225,000	$ 84,375	$112,500	$140,625	$168,750	$168,750
$250,000	$ 93,750	$125,000	$156,250	$187,500	$187,500
$300,000	$112,500	$150,000	$187,500	$225,000	$225,000
$400,000	$150,000	$200,000	$250,000	$300,000	$300,000
$450,000	$168,750	$225,000	$281,250	$337,500	$337,500
$500,000	$187,500	$250,000	$312,500	$375,000	$375,000

- Formula: 2.5 percent x years of service (not to exceed 30 years) x high three-year average salary.
- Compensation includes salary and incentive compensation.
- Credited years of service as of December 31, 2000, is 1 year, 6 months.
- The regular form of retirement benefits is a straight-life annuity including a lump-sum retirement death benefit.

President, FHLBank of Cincinnati

Remuneration	Years of Service 15	20	25	30	35
$125,000	$ 46,875	$ 62,500	$ 78,125	$ 93,750	$109,375
$150,000	$ 56,250	$ 75,000	$ 93,750	$112,500	$131,250
$175,000	$ 65,625	$ 87,500	$109,375	$131,250	$153,125
$200,000	$ 75,000	$100,000	$125,000	$150,000	$175,000
$225,000	$ 84,375	$112,500	$140,625	$168,750	$196,875
$250,000	$ 93,750	$125,000	$156,250	$187,500	$218,750
$300,000	$112,500	$150,000	$187,500	$225,000	$262,500
$400,000	$150,000	$200,000	$250,000	$300,000	$350,000
$450,000	$168,750	$225,000	$281,250	$337,500	$393,750
$500,000	$187,500	$250,000	$312,500	$375,000	$437,500

- Formula: 2.5 percent x years of benefit service x high three-year average salary.
- Salary is defined as the basic annual salary rate plus overtime and incentive. Salary is recognized annually on a paid basis versus an earned basis.
- Credited years of service as of December 31, 2000, is 35 years, 8 months.
- The regular form of retirement benefits is a straight-life annuity including a lump-sum retirement death benefit.

President, FHLBank of Indianapolis

Remuneration	Years of Service 15	20	25	30	35
$125,000	$ 46,875	$ 62,500	$ 78,125	$ 93,750	$109,375
$150,000	$ 56,250	$ 75,000	$ 93,750	$112,500	$131,250
$175,000	$ 65,625	$ 87,500	$109,375	$131,250	$153,125
$200,000	$ 75,000	$100,000	$125,000	$150,000	$175,000
$225,000	$ 84,375	$112,500	$140,625	$168,750	$196,875
$250,000	$ 93,750	$125,000	$156,250	$187,500	$218,750
$300,000	$112,500	$150,000	$187,500	$225,000	$262,500
$400,000	$150,000	$200,000	$250,000	$300,000	$350,000
$450,000	$168,750	$225,000	$281,250	$337,500	$393,750
$500,000	$187,500	$250,000	$312,500	$375,000	$437,500

- Formula: 2.5 percent x years of benefit service x high three-year average compensation.
- The remuneration covered by the plan includes salary, bonus, and any other compensation, that is reflected on the Internal Revenue Service Form W-2 (exclusive of any compensation deferred from a prior year).
- Credited years of service as of December 31, 2000, is 19 years, 8 months.
- The retirement benefits are computed on a straight-life annuity basis.

President, FHLBank of Chicago

Remuneration	Years of Service				
	15	20	25	30	35
$125,000	$ 42,188	$ 56,250	$ 70,313	$ 84,375	$ 98,438
$150,000	$ 50,625	$ 67,500	$ 84,375	$101,250	$118,125
$175,000	$ 59,063	$ 78,750	$ 98,438	$118,125	$137,813
$200,000	$ 67,500	$ 90,000	$112,500	$135,000	$157,500
$225,000	$ 75,938	$101,250	$126,563	$151,875	$177,188
$250,000	$ 84,375	$112,500	$140,625	$168,750	$196,875
$300,000	$101,250	$135,000	$168,750	$202,500	$236,250
$400,000	$135,000	$180,000	$225,000	$270,000	$315,000
$450,000	$151,875	$202,500	$253,125	$303,750	$354,375
$500,000	$168,750	$225,000	$281,250	$337,500	$393,750

- Formula: 2.25 percent x years and months of benefit service x high three-year average salary.
- Salary equals basic annual salary rate plus overtime and incentives.
- Credited years of service as of December 31, 2000, is 8 years, 9 months.
- The regular form of retirement benefits is a straight-life annuity including a lump-sum retirement death benefit.

President, FHLBank of Des Moines

Remuneration	Years of Service				
	15	20	25	30	35
$125,000	$ 42,188	$ 56,250	$ 70,313	$ 84,375	$ 98,438
$150,000	$ 50,625	$ 67,500	$ 84,375	$101,250	$118,125
$175,000	$ 59,063	$ 78,750	$ 98,438	$118,125	$137,813
$200,000	$ 67,500	$ 90,000	$112,500	$135,000	$157,500
$225,000	$ 75,938	$101,250	$126,563	$151,875	$177,188
$250,000	$ 84,375	$112,500	$140,625	$168,750	$196,875
$300,000	$101,250	$135,000	$168,750	$202,500	$236,250
$400,000	$135,000	$180,000	$225,000	$270,000	$315,000
$450,000	$151,875	$202,500	$253,125	$303,750	$354,375
$500,000	$168,750	$225,000	$281,250	$337,500	$393,750

- Formula: 2.25 percent x years of benefit service x high three-year average compensation.
- The compensation covered by each plan is base salary plus incentive compensation (as paid in a calendar year).
- Credited years of service as of December 31, 2000, is 21 years.
- Benefits are computed on the basis of a modified cash refund form of annuity with a death benefit equal to 12 times the annual retirement allowance less the sum of such allowance payments made before death.

President, FHLBank of Dallas

Remuneration	Years of Service 15	20	25	30	35
$125,000	$ 56,250	$ 75,000	$ 93,750	$112,500	$112,500
$150,000	$ 67,500	$ 90,000	$112,500	$135,000	$135,000
$175,000	$ 76,500	$102,000	$127,500	$153,000	$153,000
$200,000	$ 76,500	$102,000	$127,500	$153,000	$153,000
$225,000	$ 76,500	$102,000	$127,500	$153,000	$153,000
$250,000	$ 76,500	$102,000	$127,500	$153,000	$153,000
$300,000	$ 76,500	$102,000	$127,500	$153,000	$153,000
$400,000	$ 76,500	$102,000	$127,500	$153,000	$153,000
$450,000	$ 76,500	$102,000	$127,500	$153,000	$153,000
$500,000	$ 76,500	$102,000	$127,500	$153,000	$153,000

- Formula: 3 percent x years of service x high three-year average salary.
- Salary equals W-2 earnings up to the maximum IRS compensation limit, which is currently $170,000. The plan limits the maximum years of benefit service to 30 years.
- Credited years of service as of December 31, 2000, is 14 years.
- The regular form of retirement benefits is a straight-life annuity that includes a lump-sum death benefit. The normal retirement age is 65, but the plan does provide for an unreduced retirement benefit beginning at age 60.

President, FHLBank of Topeka

Remuneration	Years of Service 15	20	25	30	35
$125,000	$ 83,750	$ 83,750	$ 83,750	$ 84,375	$ 84,375
$150,000	$100,500	$100,500	$100,500	$101,250	$101,250
$175,000	$117,250	$117,250	$117,250	$118,125	$118,125
$200,000	$134,000	$134,000	$134,000	$135,000	$135,000
$225,000	$150,750	$150,750	$150,750	$151,875	$151,875
$250,000	$167,500	$167,500	$167,500	$168,750	$168,750
$300,000	$201,000	$201,000	$201,000	$202,500	$202,500
$350,000	$234,500	$234,500	$234,500	$236,250	$236,250
$400,000	$268,000	$268,000	$268,000	$270,000	$270,000
$450,000	$301,500	$301,500	$301,500	$303,750	$303,750
$500,000	$335,000	$335,000	$335,000	$337,500	$337,500

- Formula: FIRF Benefit = 2.25 percent x years of benefit service x high three-year average salary (the table does not reflect compensation and benefit limits imposed by law on qualified defined benefit plans)

  BEP Benefit = 15.25 percent of high three-year average salary after 5 years of benefit service to 67 percent of high-three-year average salary for benefit service in excess of 13 years, less the applicable FIRF benefit
- The salary definition for both FIRF and BEP is comprised of base salary plus incentive compensation and any overtime paid, except that the FIRF plan does not recognize salary and incentive deferred under the nonqualified deferral option of the BEP. Benefit service begins one year after employment for both plans.
- Credited years of service as of December 31, 2000, is 10 years, 8 months.
- FIRF and BEP benefits are computed based on a straight-life annuity with 10 years certain. There are no benefit offsets other than that the BEP benefit is based on a total benefit less the applicable FIRF benefit.

President, FHLBank of San Francisco

The FHLBank of San Francisco (FHLBSF or the Bank) provides a retirement pension to its president with benefits provided under two plans (which are also available to all employees): (i) the Cash Balance Plan, a qualified plan consisting of a transition benefit account component and a cash balance account component; and (ii) the Benefit Equalization Plan, a non-qualified plan, which restores benefits lost under the transition benefit account and the cash balance account of the qualified plan due to limitations under the Internal Revenue Code.

Before January 1, 1996, the FHLBSF participated in FIRF, a qualified pension plan. Effective December 31, 1995, the FHLBSF withdrew from FIRF and adopted the Cash Balance Plan. The full value of benefits earned under the FIRF at age 65 calculated as of December 31, 1995, is preserved and vested for those employees who participated in the FIRF prior to January 1, 1996 (the "frozen FIRF benefit account"), including its president. The FIRF benefits were based on the highest three consecutive year average pay multiplied by credited years of benefit service multiplied by 2 percent.

The transition benefit account is designed to supplement the frozen FIRF benefit by maintaining the employee's percentage ratio of his or her frozen FIRF annuity payments to the employee's highest three consecutive year average pay, calculated as of December 31, 1995 (the "annuity ratio"). At December 31, 1995, the FHLBSF president's annuity ratio was 22 percent. Upon retirement, the employee will receive benefits equal to his or her highest three consecutive year average pay multiplied by his or her annuity ratio. The benefits would be paid from the frozen FIRF benefit account plus the transition benefit account.

If its president terminated his service at the Bank as of December 31, 2000, with approximately 16 years of service, its president's pension annuity payments would be $101,831 per year beginning in 2012 (at age 65), which is equal to his highest three consecutive year average pay of $462,867 multiplied by 22 percent. The qualified annuity payments paid from the frozen FIRF benefit account would be $48,004 annually, with the remainder paid from the transition benefit account under the Benefit Equalization Plan. If its president continues his service at the Bank until he reaches age 65 and assuming: (i) he receives an annual base salary of $420,000 for 2000 and incentive pay of $99,100 in 2000 (earned in 1999); and (ii) his annual base salary increases by 4 percent each year and he receives an annual incentive pay of 45 percent of his prior year's base salary for 12 years until the year 2012, his annuity payment would be $196,056 per year.

The cash balance account provides its president with benefits comprised of a service credit equal to 6 percent of its president's total annual pay (base salary plus incentive pay) and an interest credit equal to 6 percent of the opening balance at the beginning of each plan year. Its president may withdraw this amount in a lump sum or convert the amount into an annuity. Its president will have a balance of $163,492 in his cash balance account as of December 31, 2000. If its president terminated his service at the Bank as of December 31, 2000, and annuitized his cash balance account, his annuity payments would be $29,293 per year beginning in 2012. If its president continues his service at the Bank until he reaches age 65 and assuming: (i) he receives an annual base salary of $420,000 for 2000 and incentive pay of $99,100 in 2000 (earned in 1999); and (ii) his annual base salary increases by 4 percent each year and he receives an annual incentive pay of 45 percent of his prior year's base salary for 12 years until the year 2012, his annuity payments would be $94,837 per year beginning in 2012.

The benefits under the Cash Balance Plan and the Benefit Equalization Plan vest 20 percent per year and are fully vested after completing 5 years of service.

President, FHLBank of Seattle

Remuneration	Years of Service 15	20	25	30	35
$125,000	$ 46,875	$ 62,500	$ 78,125	$ 93,750	$109,375
$150,000	$ 56,250	$ 75,000	$ 93,750	$112,500	$131,250
$175,000	$ 65,625	$ 87,500	$109,375	$131,250	$153,125
$200,000	$ 75,000	$100,000	$125,000	$150,000	$175,000
$225,000	$ 84,375	$112,500	$140,625	$168,750	$196,875
$250,000	$ 93,750	$125,000	$156,250	$187,500	$218,750
$300,000	$112,500	$150,000	$187,500	$225,000	$262,500
$400,000	$150,000	$200,000	$250,000	$300,000	$350,000
$450,000	$168,750	$225,000	$281,250	$337,500	$393,750
$500,000	$187,500	$250,000	$312,500	$375,000	$437,500

- Formula: 2.5 percent x years of benefit service (less 1 year waiting period) x high three-year average salary.
- Compensation includes base salary and incentive compensation.
- Credited years of service as of December 31, 2000, is 2 years, 7 months.
- The regular form of retirement benefit is a straight-life annuity including a lump-sum retirement death benefit, which is 12 times the annual retirement allowance less the sum of such allowance payments made before death.

Managing Director, Office of Finance

Remuneration	Years of Service 15	20	25	30	35
$125,000	$ 42,188	$ 56,250	$ 70,313	$ 84,375	$ 98,438
$150,000	$ 50,625	$ 67,500	$ 84,375	$101,250	$118,125
$175,000	$ 59,063	$ 78,750	$ 98,438	$118,125	$137,813
$200,000	$ 67,500	$ 90,000	$112,500	$135,000	$157,500
$225,000	$ 75,938	$101,250	$126,563	$151,875	$177,188
$250,000	$ 84,375	$112,500	$140,625	$168,750	$196,875
$300,000	$101,250	$135,000	$168,750	$202,500	$236,250
$400,000	$135,000	$180,000	$225,000	$270,000	$315,000
$450,000	$151,875	$202,500	$253,125	$303,750	$354,375
$500,000	$168,750	$225,000	$281,250	$337,500	$393,750

- Formula: 2.25 percent x years of benefit service x high three-year average compensation.
- Compensation includes base salary and incentive compensation.
- Credited years of service as of December 31, 2000, is 13 years, 4 months.
- The regular form of retirement benefit is a straight-life annuity including a lump-sum retirement death benefit.

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FEDERAL HOME LOAN BANKS

INDEX TO COMBINED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT ACCOUNTANTS

To the Boards of Directors of the Federal Home Loan Banks and
the Federal Housing Finance Board

In our opinion, the accompanying combined statements of condition and the related combined statements of income, of capital, and of cash flows present fairly, in all material respects, the combined financial position of the Federal Home Loan Banks (the FHLBanks) at December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America. These combined financial statements are the responsibility of the management of the Federal Housing Finance Board and the FHLBanks; our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Also, in accordance with those standards and as part of our audit of the combined financial statements, we issued separate reports on internal controls and on compliance with laws and regulations. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As explained in Note 1, the FHLBanks changed their method of accounting for REFCORP payments during the year ended December 31, 2000. For the year ended December 31, 2000, the REFCORP payment has been recorded as an expense in the statement of income. During the years ended December 31, 1999 and 1998 REFCORP payments were recorded as deductions from capital.

Our audits were made for the purpose of forming an opinion on the combined financial statements taken as a whole; we have also audited each of the individual FHLBank financial statements. The combining information included herein is presented for purposes of additional analysis rather than to present the financial position, results of operations and cash flows of the individual FHLBanks. However, the combining information has been subjected to the auditing procedures applied in the audits of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

PricewaterhouseCoopers LLP

Washington, D.C.
March 28, 2001

FEDERAL HOME LOAN BANKS

COMBINED STATEMENTS OF CONDITION

(In millions of dollars)

	December 31, 2000	December 31, 1999
ASSETS		
Cash and due from banks (Note 2)	$ 752	$ 4,047
Interest-bearing deposits in banks	18,138	9,956
Securities purchased under resale agreements	1,416	2,754
Federal funds sold (Note 3)	55,263	56,984
Held-to-maturity securities (Note 3)	107,186	97,159
Available-for-sale securities (Note 4)	4,434	4,572
Advances (Note 5)	437,861	395,747
Mortgage loans (Note 7)	16,152	2,027
Less: allowance for credit losses on mortgages	3	1
Mortgage loans, net	16,149	2,026
Accrued interest receivable	12,137	9,380
FHLBank premises and equipment, net	123	98
Other assets	228	489
Total assets	$653,687	$583,212
LIABILITIES		
Deposits (Note 8):		
Demand and overnight	$ 15,859	$ 15,151
Term	755	1,478
Other	486	452
Total deposits	17,100	17,081
Borrowings:		
Securities sold under repurchase agreements (Note 9)		543
Total borrowings		543
Consolidated obligations (Note 10):		
Discount notes	159,870	141,249
Bonds	431,736	384,170
Total consolidated obligations	591,606	525,419
Accrued interest payable	12,331	9,804
Affordable Housing Program (Note 6)	618	520
Payable to REFCORP (Note 11)	146	75
Other liabilities	621	755
Total liabilities	622,422	554,197
Commitments and contingencies (Notes 6, 10, 11, 13 and 15)		
CAPITAL		
Capital stock ($100 par value)—issued and outstanding shares: 305,361 in 2000 and 283,605 in 1999 (Note 11)	30,537	28,361
Retained earnings (Note 11)	729	660
Accumulated other comprehensive loss:		
Unrealized net losses on available-for-sale securities (Note 4)	(1)	(6)
Total capital	31,265	29,015
Total liabilities and capital	$653,687	$583,212

The accompanying notes are an integral part of these combined financial statements.

FEDERAL HOME LOAN BANKS
COMBINED STATEMENTS OF INCOME
(In millions of dollars)

	For the Years Ended December 31,		
	2000	1999	1998
INTEREST INCOME			
Advances	$26,987	$17,721	$13,155
Interest-bearing deposits in banks	855	445	248
Securities purchased under resale agreements	165	177	212
Federal funds sold	2,939	2,620	2,842
Held-to-maturity securities	6,819	5,193	4,792
Available-for-sale securities	326	262	205
Mortgage loans	714	88	18
Other	175	14	6
Total interest income	38,980	26,520	21,478
INTEREST EXPENSE			
Consolidated obligations	34,805	23,043	18,198
Deposits	817	910	1,137
Securities sold under repurchase agreements	17	24	3
Other borrowings	28	9	24
Total interest expense	35,667	23,986	19,362
NET INTEREST INCOME BEFORE LOAN LOSS PROVISION	3,313	2,534	2,116
Loan loss provision	2	1	
NET INTEREST INCOME AFTER LOAN LOSS PROVISION	3,311	2,533	2,116
OTHER INCOME			
Prepayment fees, net	4	13	80
Service fees	44	43	52
Realized net gains from sale of available-for-sale securities	2		
Unrealized gain (loss) on change in fair value of interest-rate exchange agreements associated with the elimination of interbank bonds		24	(30)
Other, net	15	27	17
Total other income	65	107	119
OTHER EXPENSE			
Operating expenses	333	282	258
Finance Board and Office of Finance expenses	29	29	28
Other, net	11	3	2
Total other expenses	373	314	288
INCOME BEFORE ASSESSMENTS	3,003	2,326	1,947
Affordable Housing Program	246	199	169
REFCORP (Notes 1 and 11)	553		
Total assessments	799	199	169
INCOME BEFORE EXTRAORDINARY ITEM	2,204	2,127	1,778
Gain on early retirement of debt, net	7	1	
NET INCOME	$ 2,211	$ 2,128	$ 1,778

The accompanying notes are an integral part of these combined financial statements.

FEDERAL HOME LOAN BANKS

COMBINED STATEMENTS OF CAPITAL
FOR THE YEARS ENDED DECEMBER 31, 2000, 1999, AND 1998

(In millions of dollars)

	Capital Stock					Accumulated Other	
	Shares (In millions)	Par Value	Restricted	Unrestricted	Total Retained Earnings	Comprehensive Income (Loss)	Total Capital
BALANCE, DECEMBER 31, 1997	189	$18,833	$ 18	$ 326	$ 344	$(3)	$19,174
Proceeds from sale of capital stock	59	6,064					6,064
Redemption of capital stock	(31)	(3,212)					(3,212)
Comprehensive income:							
Net income				1,778	1,778		1,778
Total comprehensive income							1,778
Transfers			59	(59)			
Dividend on capital stock:							
Cash				(752)	(752)		(752)
Stock	6	602		(602)	(602)		
Capital distribution to REFCORP (Note 11)				(300)	(300)		(300)
BALANCE, DECEMBER 31, 1998	223	$22,287	$ 77	$ 391	$ 468	$(3)	$22,752
Proceeds from sale of capital stock	88	8,851					8,851
Redemption of capital stock	(35)	(3,478)					(3,478)
Comprehensive income:							
Net income				2,128	2,128		2,128
Other comprehensive income:							
Net unrealized loss on available-for-sale securities						(3)	(3)
Total comprehensive income							2,125
Transfers			(8)	8			
Dividend on capital stock:							
Cash				(935)	(935)		(935)
Stock	8	701		(701)	(701)		
Capital distribution to REFCORP (Note 11)				(300)	(300)		(300)
BALANCE, DECEMBER 31, 1999	284	$28,361	$ 69	$ 591	$ 660	$(6)	$29,015
Proceeds from sale of capital stock	66	6,636					6,636
Redemption of capital stock	(55)	(5,470)					(5,470)
Comprehensive income:							
Net income				2,211	2,211		2,211
Other comprehensive income:							
Net unrealized gain on available-for-sale securities						5	5
Total comprehensive income							2,216
Transfers			(69)	69			
Dividend on capital stock:							
Cash				(1,132)	(1,132)		(1,132)
Stock	10	1,010		(1,010)	(1,010)		
BALANCE, DECEMBER 31, 2000	305	$30,537	$	$ 729	$ 729	$(1)	$31,265

The accompanying notes are an integral part of these combined financial statements.

FEDERAL HOME LOAN BANKS
COMBINED STATEMENTS OF CASH FLOWS
(In millions of dollars)

	For the Years Ended December 31, 2000	1999	1998
OPERATING ACTIVITIES			
Net income	$ 2,211	$ 2,128	$ 1,778
Extraordinary gain on early retirement of debt, net	(7)	(1)	
Income before extraordinary item	2,204	2,127	1,778
Adjustments to reconcile income before extraordinary item to net cash provided by operating activities:			
Depreciation and amortization:			
Net premiums and discounts on consolidated obligations and investments, and deferred costs and deferred fees received on interest-rate exchange agreements	5,147	3,283	3,499
Concessions on consolidated obligations	78	120	145
Deferred loss on interest-rate exchange agreements, net	24	15	3
FHLBank premises and equipment	16	12	15
Premiums and discounts on mortgage loans	5		
Other	(1)		
Provision for credit losses on mortgage loans	2	1	
Loss due to change in net mark to market adjustment for interest-rate exchange agreements in which the FHLBanks are intermediaries	5	9	
Net realized gains on available-for-sale securities	(2)		
Gain on disposal of bank premises and equipment		(5)	
Increase in accrued interest receivable	(2,504)	(2,946)	(1,122)
Decrease (increase) in other assets	257	(281)	(58)
Increase in Affordable Housing Program (AHP) liability and discount on AHP advances	100	64	70
Increase in accrued interest payable	2,335	3,329	1,066
Increase in REFCORP liability	71		
(Decrease) increase in other liabilities	(223)	(537)	616
Total adjustments	5,310	3,064	4,234
Net cash provided by operating activities	7,514	5,191	6,012
INVESTING ACTIVITIES			
Net (increase) decrease in interest-bearing deposits in banks	(8,184)	(5,238)	3,312
Net decrease (increase) in federal funds sold	2,947	(9,687)	6,726
Net decrease (increase) in securities purchased under resale agreements	1,339	1,234	(1,016)
Net decrease (increase) in short-term held-to-maturity securities	1,208	(3,260)	2,901
Proceeds from sales of long-term held-to-maturity securities	20	8	242
Proceeds from maturities of long-term held-to-maturity securities	13,596	24,806	42,403
Purchases of long-term held-to-maturity securities	(24,182)	(40,868)	(47,772)
Proceeds from sales of available-for-sale securities	750	303	325
Proceeds from maturities of available-for-sale securities	21,656	43,119	55,386
Purchases of available-for-sale securities	(22,134)	(43,759)	(57,754)
Principal collected on advances	4,637,522	2,469,535	939,607
Advances made	(4,679,644)	(2,577,096)	(1,025,853)
Principal collected on mortgage loans	469	110	27
Mortgage loans made	(14,600)	(1,166)	(956)
Principal collected on other loans	(1,225)	1	
(Increase) decrease in bank premises and equipment	(44)	65	(15)
Net cash used in investing activities	(70,506)	(141,893)	(82,437)

	For the Years Ended December 31,		
	2000	1999	1998
FINANCING ACTIVITIES			
Net increase (decrease) in deposits	$ 5	$ (7,739)	$ 6,875
Net (decrease) increase in securities sold under repurchase agreements	(543)	(105)	405
Net (decrease) increase in other borrowings	(1)	(336)	80
Net proceeds from sale of consolidated obligations:			
Discount notes	4,090,586	2,883,705	2,275,824
Bonds	217,297	244,700	284,375
Payments for maturing and retiring consolidated obligations:			
Discount notes	(4,077,439)	(2,861,458)	(2,250,973)
Bonds	(170,223)	(122,854)	(241,889)
Proceeds from issuance of capital stock	6,636	8,849	6,064
Payments for redemption of capital stock	(5,470)	(3,480)	(3,212)
Cash dividends paid	(1,151)	(919)	(751)
Cash distributions to REFCORP		(300)	(300)
Net cash provided by financing activities	59,697	140,063	76,498
Net (decrease) increase in cash and cash equivalents	(3,295)	3,361	73
Cash and cash equivalents at beginning of period	4,047	686	613
Cash and cash equivalents at end of period	$ 752	$ 4,047	$ 686
Supplemental Disclosures:			
Interest paid	$ 30,571	$ 19,166	$ 17,060
Stock dividends issued	$ 1,010	$ 701	$ 602

The accompanying notes are an integral part of these combined financial statements.

Federal Home Loan Banks

Notes to Combined Financial Statements

Background Information

These financial statements present the combined financial position and results of operations of the 12 Federal Home Loan Banks (FHLBanks). The FHLBanks and the Office of Finance are regulated by the Federal Housing Finance Board (Finance Board). The FHLBanks serve the public by enhancing the availability of residential mortgage and community investment credit. They provide a readily available, low-cost source of funds to their member institutions. The FHLBanks are cooperatives; only member institutions own the capital stock of each FHLBank and receive dividends on their investment. All members must purchase stock in their district FHLBank. Each FHLBank has its own management, employees, and board of directors.

The Finance Board, an independent agency in the executive branch of the United States Government, regulates the FHLBanks. The Finance Board ensures that the FHLBanks operate in a safe and sound manner, carry out their housing finance mission, remain adequately capitalized, and can raise funds in the capital markets. Also, the Finance Board establishes policies and regulations governing the operations of the FHLBanks.

FHLBank debt instruments (consolidated obligations), the joint-and-several obligations of all 12 FHLBanks, are the primary source of funds for the FHLBanks. Deposits, other borrowings, and the issuance of capital stock provide other funds. Some FHLBanks also offer to their members correspondent services, such as item processing, collection, and settlement.

Note 1—Summary of Significant Accounting Policies

Principles of Combination. For the purposes of Statement of Financial Accounting Standards (SFAS) No. 131, *Disclosures about Segments of an Enterprise and Related Information,* the Finance Board considers each FHLBank to be a segment. The combined financial statements include the financial records of the 12 FHLBanks. Material transactions among the FHLBanks have been eliminated. The principal transactions among segments are purchases of interbank bonds—consolidated obligations issued on behalf of one FHLBank and purchased by one or more other FHLBanks. All these transactions occur at market prices, and the purchasing FHLBanks treat these bonds as investments. In the past, upon combination any interest-rate exchange agreements associated with such consolidated obligations were marked to their fair value and any unrealized gains or losses resulting from changes in fair value flowed through the income statement. Because the level of interbank holdings has diminished, from about $11.7 billion at year end 1995 to about $3.6 billion at December 31, 1999, the amounts of such unrealized gains and losses became immaterial and are no longer measured. At December 31, 1998, the fair value of interest-rate exchange agreements associated with interbank holdings was ($24) million. To implement this decision, this ($24) million appeared as a gain on the income statement for the year ended December 31, 1999. No other transactions among the FHLBanks have a material effect on operating results.

The following paragraphs describe the more significant accounting policies followed by the FHLBanks.

Use of Estimates. The preparation of combined financial statements requires the preparer to make assumptions and estimates. These assumptions and estimates may affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of income and expenses. Actual results could differ from those estimates.

Investments. The FHLBanks carry at cost investments for which they have both the ability and intent to hold to maturity, adjusted for the amortization of premiums and accretion of discounts using a method that approximates the level-yield method. In addition, the FHLBanks adjust the carrying value of these investments for the unamortized costs of, and deferred gains and losses from, associated interest-rate exchange agreements. As more fully discussed below in "Recently Issued Accounting Standards," on January 1, 2001 the FHLBanks transferred certain held-to-maturity securities to "trading" ("investments held at fair value" for FHLBank purposes) as allowed under the transition provisions contained in SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities,* as amended.

The FHLBanks classify investments that they may sell before maturity as available-for-sale and carry them at fair value. In addition, the FHLBanks adjust the carrying value of these investments for the fair value of interest-rate exchange agreements that are associated with them. The FHLBanks record changes in the fair value of these investments and associated interest-rate exchange agreements through a separate component of capital.

The FHLBanks compute gains and losses on sales of investment securities using the specific identification method and include these gains and losses in other income. The FHLBanks treat repurchase agreements as financings.

Advances. The FHLBanks present advances, net of unearned commitment fees and discounts on advances for the Affordable Housing Program (AHP), as discussed below. In addition, the FHLBanks adjust the carrying value of advances for the unamortized cost of, and deferred gains and losses from, associated interest-rate exchange agreements. The FHLBanks credit interest on advances to income as earned. Following the requirements of the Federal Home Loan Bank Act of 1932 (the FHLBank Act), as amended, each FHLBank is to obtain sufficient collateral on advances to protect the FHLBank from losses. The FHLBank Act limits eligible collateral to certain investment securities, residential mortgage loans, deposits with the FHLBank, and other real estate-related assets, as Note 5 more fully describes. Beginning with the Gramm-Leach-Bliley Act (GLB Act), "community financial institutions," FDIC-insured institutions with assets of not more than $500 million ($517 million for 2001), are subject to more liberal collateral and membership rules. The FHLBanks have not incurred any credit losses on advances to members since their inception. Because of the collateral held as security on the advances and repayment history, management of each FHLBank believes that an allowance for losses on advances is unnecessary.

Mortgage Loans. The FHLBanks invest in mortgage loans, which are either funded by the FHLBanks or purchased from its participating members. The FHLBanks manage the liquidity and interest-rate risk, and optionality of the loans, while the members retain the marketing and servicing activities. The FHLBanks and the members share the credit risk of the loans. The member assumes credit losses up to the amount of the credit enhancement obligation specified in the master agreement. This member credit risk is collateralized using various agreements entered into with its FHLBank. Remaining losses are the responsibility of an FHLBank.

The FHLBanks classify loans as held for investment and report them at their principal amount outstanding, net of deferred loan fees and premiums and discounts.

The FHLBanks defer and amortize loan origination fees (agent fees) and premiums/discounts as interest income over the average life of the related loan. The FHLBanks use actual prepayment experience and estimates of future principal prepayments in calculating the average lives of the loans. The FHLBanks aggregate the loans by similar characteristics (coupon, type, maturity and acquisition date) in determining prepayment estimates.

The FHLBanks record non-origination fees, such as credit enhancement fees and pair-off fees, in interest income and other income, accordingly.

The FHLBanks place a conventional loan on nonaccrual status when the collection of the contractual principal or interest is 90 days or more past due. When an FHLBank places a loan on nonaccrual status, it reverses accrued but uncollected interest against interest income. The FHLBanks record cash interest payments received on nonaccrual loans first as interest income until they recover all interest and then as principal. An FHLBank does not place a government-guaranteed loan on nonaccrual status when the collection of the contractual principal is 90 days or more past due because the member is obligated to repurchase the loan.

An FHLBank bases its allowance for credit losses on its management's analysis of estimated credit losses inherent in the FHLBanks' mortgage loan portfolio. Actual losses greater than defined levels are offset by the members' credit enhancement up to their respective limits. The analysis includes consideration of the various factors such as past performance, current performance, loan portfolio characteristics, collateral valuations, and prevailing economic conditions.

Affordable Housing Program. The FHLBank Act requires each FHLBank to establish and fund an AHP (see Note 6). The FHLBanks charge required AHP funding to earnings and establish a liability. The AHP funds provide direct subsidies to members to assist in the purchase, construction, or rehabilitation of housing for very low-, low-, and moderate-income households. In addition, some FHLBanks grant AHP advances at interest rates below the customary interest rate for nonsubsidized advances. When an FHLBank makes an AHP advance, the present value of the variation in the cash flow caused by the difference in the interest rate between the AHP advance rate and the FHLBank's related cost of funds for comparable-maturity funding is charged against the AHP liability and recorded as a discount on the AHP advance.

Prepayment Fees. The FHLBanks charge their members a prepayment fee when members prepay certain advances before the original maturity. The FHLBanks credit prepayment fees to income when received. They net gains and losses on interest-rate exchange agreements associated with prepaid advances with prepayment fees on the statements of income.

Commitment Fees. The FHLBanks defer commitment fees for advances and amortize them to interest income using the straight-line method. They defer refundable fees until the commitment expires or until they make the advance. The FHLBanks record commitment fees for letters of credit as a deferred credit when they receive the fees and amortize them over the term of the letter of credit.

Interest-Rate Exchange Agreements. The FHLBanks enter into interest-rate swaps, interest-rate cap and floor agreements, and futures and forward contracts (collectively, interest-rate exchange agreements) to manage their exposure to changes in interest rates (see Notes 13 and 14). These interest-rate exchange agreements, when linked with a designated financial instrument, effectively alter the financial characteristics of the underlying instrument. They may adjust the effective maturity, repricing frequency, or option characteristics of financial instruments to achieve risk-management objectives. The FHLBanks use interest-rate exchange agreements in three ways: either by designating them to an underlying financial instrument, by acting as an intermediary, or in asset-liability management. The two accounting methodologies described below differ in the timing of income recognition arising from gains and losses. The one used depends on the way the FHLBanks use interest-rate exchange agreements.

The differential between accruals to interest receivable and payable resulting from interest-rate exchange agreements designated to an underlying financial instrument is recognized as an adjustment to the interest yield or interest expense of the underlying financial instrument. The differential between accruals to interest receivable and payable, plus unrealized gains and losses, on interest-rate exchange agreements in which an FHLBank acts as an intermediary is recognized as other income.

A designated interest-rate exchange agreement's association with an underlying financial instrument ceases upon termination of the underlying financial instrument. When this happens, the FHLBanks mark to market the interest-rate exchange agreement and include the resulting gain or loss with the gain or loss on the underlying financial instrument. The FHLBanks may then re-designate the interest-rate exchange agreement originally designated to the terminated financial instrument to other financial instruments. The FHLBanks may also enter new interest-rate exchange agreements and designate them to the original interest-rate exchange agreements to offset the economic effects of the original interest-rate exchange agreements.

The FHLBanks defer gains and losses on terminated interest-rate exchange agreements and re-designated interest-rate exchange agreements, which were linked with a designated underlying financial instrument, as long as the designated underlying financial instrument remains outstanding.

They report these deferred gains and losses as adjustments to the carrying value of the designated underlying financial instrument. The FHLBanks amortize, using the level-yield method, deferred gains and losses related to futures and forward contracts over the remaining life of the associated financial instrument. They amortize deferred gains and losses related to interest-rate swaps, caps, and floors over the shorter of the remaining life of the underlying financial instrument or the period ending on the original maturity date of the interest-rate swap, cap, or floor agreement had it not been terminated. The FHLBanks report unamortized costs and unamortized fees related to outstanding interest-rate exchange agreements as adjustments to the carrying value of the designated financial instrument and amortize them, using the level-yield method, over the remaining life of the interest-rate exchange agreement.

The FHLBanks also intermediate interest-rate exchange agreements between members and third parties. The FHLBanks classify these interest-rate exchange agreements as other assets and other liabilities and measure them at fair value in the statements of condition. In addition, the FHLBanks recognize changes in fair value and realize gains and losses on these interest-rate exchange agreements as other income in the period when incurred. The FHLBanks recognize changes in the fair value of interest-rate exchange agreements used in asset-liability management and realize gains and losses on these agreements as other income in the period when incurred.

The FHLBanks sometimes use interest-rate exchange agreements, which are not designated to an underlying financial instrument, as part of the FHLBank's asset-liability management. The FHLBanks include these interest-rate exchange agreements in other assets and other liabilities and measure them at their fair value in the statements of condition. The FHLBanks recognize changes in fair value and realized gains and losses on these interest-rate exchange agreements in income in the period incurred and classify them in other income.

Premises and Equipment. The FHLBanks state premises and equipment at cost less accumulated depreciation and amortization of approximately $123 million and $98 million at December 31, 2000 and 1999. The FHLBanks compute depreciation on the straight-line method over the estimated useful lives of assets. They amortize leasehold improvements on the straight-line basis over the shorter of the estimated useful life of the improvement or the remaining term of the lease. The FHLBanks capitalize improvements and major renewals but expense ordinary maintenance and repairs when incurred. The FHLBanks include gains and losses on disposal of premises and equipment in other income.

Concessions on Consolidated Obligations. The FHLBanks defer and amortize, using the straight-line method, the amounts paid to dealers in connection with the sale of consolidated obligation bonds over the term of the bonds or to the first call date for callable bonds. The Office of Finance prorates the amount of the concession among the FHLBanks. The FHLBanks charge to expense as incurred the concessions applicable to the sale of consolidated obligation discount notes because of the short maturities of these notes.

Discounts and Premiums on Consolidated Obligations. The FHLBanks expense the discounts on consolidated obligation discount notes using the straight-line method over the term of the related notes due to their short maturity. They amortize the discounts and premiums on consolidated bonds to expense using a method that approximates the level-yield method over the term to maturity of the consolidated obligation bond or through the first call date for callable bonds.

Capital Distributions to Resolution Funding Corporation. For years through 1999, the FHLBanks charged the $300 million annual capital distribution to the Resolution Funding Corporation (REFCORP) directly to retained earnings (see Note 11). Effective January 1, 2000, each FHLBank is required to pay 20 percent of net earnings after AHP to REFCORP. The FHLBanks will expense these amounts until the aggregate amounts actually paid by all 12 FHLBanks are equivalent to a $300 million annual annuity whose final maturity date is April 15, 2030, at which point the required payment of each FHLBank to REFCORP will be fully satisfied.

Finance Board and Office of Finance Expenses. The FHLBanks are assessed the costs of operating the Finance Board and the Office of Finance.

Estimated Fair Values. Many of the FHLBanks' financial instruments lack an available trading market characterized by transactions between willing parties other than in a forced or liquidation sale. Therefore, the FHLBanks use significant estimates and present-value calculations when disclosing estimated fair values. The FHLBanks assume that book value approximates fair value for financial instruments with three months or less to repricing or maturity. Note 14 details the estimated fair values of the FHLBanks' financial instruments.

Cash Flows. In the statements of cash flows, the FHLBanks consider cash on hand and due from banks as cash and cash equivalents.

Recently Issued Accounting Standards. The FHLBanks adopted SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended by SFAS No. 138, on January 1, 2001. The transition provisions contained in SFAS 133, as amended, provide that at the date of initial application, an entity may transfer any security classified as "held-to-maturity" to "available-for-sale" or "trading" and any security classified as "available-for-sale" to "trading". On the initial adoption date of SFAS 133, as amended, the FHLBanks transferred held-to-maturity securities with an amortized cost of $4,888 million and an estimated fair value of $4,945 million into the available-for-sale category. In addition, the FHLBanks transferred held-to-maturity securities with an amortized cost of $7,528 million and an estimated fair value of $7,662 million into the "trading" (investments held at fair value, with changes in fair value recognized in earnings) category. The unrealized net gain as of transfer date related to the transfer of certain securities into the available-for-sale category was approximately $57.5 million, which will be recognized in the accumulated other comprehensive income component of capital, as part of the cumulative effect of adopting the new accounting principle in the first quarter of 2001. The unrealized net gain as of transfer date related to the transfer of certain held-to-maturity securities into the investments held at fair value category was approximately $134 million and will be shown as an increase to the FHLBank's results of operations in the first quarter of 2001 as a cumulative effect of a change in accounting principle. The remaining cumulative effect of adjustments related to fair-value hedges and derivative transactions either not designated as hedges under SFAS 133 or not meeting the requirements for fair-value or cash-flow hedges will be shown as a charge to the FHLBanks' results of operations in the first quarter of 2001 as part of the cumulative effect of a change in accounting principle, decreasing net income by approximately $178.9 million. These factors combined resulted in a net charge at transition on January 1, 2001, totaling approximately $44.9 million. In addition, the FHLBanks' recognized in accumulated other comprehensive income as part of the cumulative effect of a change in accounting principle at transition, a charge of approximately $13.2 million decreasing capital.

Reclassifications. Certain amounts in the 1999 and 1998 combined financial statements have been reclassified to conform with the 2000 presentation.

Note 2—Cash and Due from Banks

Compensating Balances. The FHLBanks maintain collected cash balances with commercial banks in return for certain services. These agreements contain no legal restrictions about the withdrawal of funds. The average compensating balances for the years ended December 31, 2000 and 1999, were approximately $38.8 million and $46.7 million.

In addition, the FHLBanks maintained average required clearing balances with various Federal Reserve Banks and branches of approximately $109.6 million and $105.4 million for the years ended December 31, 2000 and 1999. These clearing balances are required and may not be withdrawn; however, the FHLBanks may use earnings credits on these balances to pay for services received from the Federal Reserve Banks.

Pass-through Deposit Reserves. The FHLBanks act as a pass-through correspondent for member institutions required to deposit reserves with the Federal Reserve Banks. The amount shown as cash and due from banks includes pass-through reserves deposited with Federal Reserve Banks of approximately $79.8 and $41.0 million as of December 31, 2000 and 1999. The FHLBanks include member reserve balances in "other liabilities" on the statements of condition.

Note 3—Held-to-Maturity Securities and Federal Funds Sold

Major Security Types. Held-to-maturity securities as of December 31, 2000, were as follows (in millions):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury obligations	$ 232	$ 1	$	$ 233
Commercial paper	8,933		(1)	8,932
U.S. agency obligations	12,449	141	(79)	12,511
State or local housing agency obligations	3,907	41	(98)	3,850
Other	536		(1)	535
	26,057	183	(179)	26,061
Mortgage-backed securities	81,054	750	(378)	81,426
	107,111	933	(557)	107,487
Deferred gains on terminated or redesignated interest-rate exchange agreements	(4)			(4)
	107,107	933	(557)	107,483
Associated interest-rate exchange agreements, net	79	88	(288)	(121)
Total	$107,186	$1,021	$(845)	$107,362

Federal funds sold as of December 31, 2000, which are separately classified on the statements of condition, were as follows (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Federal funds sold	$55,263	$3	$(3)	$55,263
Associated interest-rate exchange agreements, net		4		4
Total	$55,263	$7	$(3)	$55,267

Major Security Types. Held-to-maturity securities as of December 31, 1999, were as follows (in millions):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury obligations	$ 232	$	$ (7)	$ 225
Commercial paper	9,988	2		9,990
U.S. agency obligations	11,614	15	(416)	11,213
State or local housing agency obligations	3,018	1	(253)	2,766
Other	552		(10)	542
	25,404	18	(686)	24,736
Mortgage-backed securities	71,688	128	(1,809)	70,007
	97,092	146	(2,495)	94,743
Deferred gains on terminated or redesignated interest-rate exchange agreements	(1)			(1)
	97,091	146	(2,495)	94,742
Associated interest-rate exchange agreements, net	68	504	(73)	499
Total	$97,159	$650	$(2,568)	$95,241

Federal funds sold as of December 31, 1999, which are separately classified on the statements of condition, were as follows (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Federal funds sold	$56,984	$7	$(1)	$56,990
Associated interest-rate exchange agreements, net		1		1
Total	$56,984	$8	$(1)	$56,991

Redemption Terms. The amortized cost and estimated fair value of held-to-maturity securities, excluding associated interest-rate exchange agreements, as of December 31, 2000 and 1999, by contractual maturity, are shown below (in millions). Expected maturities of some securities and mortgage-backed securities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment fees.

	2000		1999	
Year of Maturity	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 9,607	$ 9,606	$10,753	$10,754
Due after one year through five years	7,058	7,092	5,891	5,762
Due after five through ten years	3,359	3,343	3,372	3,232
Due after ten years	6,033	6,020	5,388	4,988
	26,057	26,061	25,404	24,736
Mortgage-backed securities	81,054	81,426	71,688	70,007
Total	$107,111	$107,487	$97,092	$94,743

The amortized cost of the FHLBanks' mortgage-backed securities classified as held-to-maturity includes net discounts of $103 million and $1,541 million at December 31, 2000 and 1999.

Interest-Rate Payment Terms. The following table details additional interest-rate payment terms for investment securities classified as held-to-maturity and interest-rate exchange agreements associated with these securities at December 31, 2000 and 1999 (in millions):

	2000	1999
Amortized cost of held-to-maturity securities other than mortgage-backed securities:		
Fixed-rate	$ 24,010	$23,812
Variable-rate	2,047	1,592
	26,057	25,404
Amortized cost of held-to-maturity mortgage-backed securities:		
Pass-through securities:		
Fixed-rate	11,684	12,644
Variable-rate	4,785	5,023
Collateralized mortgage obligations:		
Fixed-rate	48,743	41,254
Variable-rate	15,842	12,767
	81,054	71,688
Total	$107,111	$97,092
Notional principal of interest-rate exchange agreements by class type associated with held-to-maturity securities:		
Interest-rate swaps	$ 11,524	$12,056
Interest-rate caps purchased	8,056	6,739
Interest-rate floors purchased	1,548	2,268
Other	1,065	465
Total	$ 22,193	$21,528

Note 13 shows the effect of the FHLBanks' interest-rate exchange agreements on interest income from held-to-maturity securities.

Gains and Losses. During 1998, one FHLBank sold investment securities classified as held-to-maturity with an amortized cost of $213 million, resulting in a loss of $484,000. The sale of these securities was prompted by a regulatory interpretation that these were impermissible investments.

Securities Purchased Under Resale Agreements. Certain FHLBanks have entered into purchases of securities under agreements to resell. These amounts represent short-term loans and are assets in the statements of condition. The securities purchased under agreements to resell are held in safekeeping in the name of the FHLBank by one of the Federal Reserve Banks. Should the market value of the underlying securities decrease below the market value required as collateral, the counterparty must place an equivalent amount of additional securities in safekeeping in the name of the FHLBank or the dollar value of the resale agreement will be decreased accordingly.

Note 4—Available-for-Sale Securities

Available-for-sale securities consisted primarily of U.S. Treasury obligations, commercial paper, U.S. agency obligations, and mortgage-backed securities at December 31, 2000 and 1999. These securities as of December 31, 2000, and December 31, 1999, had a total amortized cost of $4,438 million and $4,570 million, including associated interest-rate exchange agreements. The estimated fair values including associated interest-rate exchange agreements for 2000 and 1999 were $4,434 million and $4,572 million. The FHLBanks realized $1.622 million in gains on the sale of available-for-sale securities for 2000. No gains were realized during 1999 and 1998. The FHLBanks realized no gross losses on the sale of available-for-sale securities in 2000, 1999, and 1998. The notional amount of interest-rate exchange agreements associated with available-for-sale securities totaled $1,530 million and $1,669 million as of December 31, 2000 and 1999.

Note 13 shows the effect of the FHLBanks' interest-rate exchange agreements on interest income from available-for-sale securities.

Note 5—Advances

Redemption Terms. At December 31, 2000, the FHLBanks had advances outstanding, including AHP advances (see Note 6), at interest rates ranging from 0 percent to 10.51 percent, as summarized below (in millions). At December 31, 1999, the FHLBanks had advances outstanding, including AHP advances at interest rates ranging from 0 percent to 12.90 percent. Advances with interest rates of 0 percent are AHP-subsidized advances.

	2000		1999	
Year of Maturity	Amount	Weighted Average Interest Rate	Amount	Weighted Average Interest Rate
Overdrawn demand deposit accounts	$ 100		$ 135	
2000			196,655	5.73%
2001	187,095	6.53%	43,982	5.94
2002	56,303	6.50	27,215	5.89
2003	45,888	6.28	27,056	5.46
2004	24,232	6.13	26,799	5.75
2005	33,868	6.42	5,089	5.74
Thereafter	89,793	5.77	68,212	5.43
Index amortizing advances	614	6.47	641	6.36
Total par value	437,893	6.31	395,784	5.69
Unamortized commitment fees	(1)		(2)	
Discount on AHP advances	(43)		(39)	
Deferred net loss on terminated interest-rate exchange agreements	1			
	437,850		395,743	
Associated interest-rate exchange agreements, net	11		4	
Total	$437,861		$395,747	

Index amortizing advances require repayment according to predetermined amortization schedules linked to the level of various indices. Usually, as market interest rates rise (fall), the maturity of an index amortizing advance extends (contracts).

Many of the FHLBanks' advances are callable at the member's option. However, the FHLBanks charge a prepayment fee when members or nonmember mortgagees terminate certain advances. Members may repay other advances on pertinent dates (call dates) without incurring prepayment fees (callable advances). At December 31, 2000 and 1999, the FHLBanks had callable advances outstanding totaling $11,692 million and $13,102 million.

The following table summarizes advances at December 31, 2000 and 1999, by year of maturity or next call date for callable advances (in millions):

Year of Maturity or Next Call Date	2000	1999
Overdrawn demand deposit accounts	$ 100	$ 135
2000		202,708
2001	192,471	42,221
2002	55,140	27,142
2003	44,959	26,705
2004	24,435	27,026
2005	33,213	4,526
Thereafter	86,961	64,680
Index amortizing advances	614	641
Total par value	$437,893	$395,784

The FHLBanks also offer convertible advances. With a convertible advance, the FHLBank effectively purchases a put option from the member that allows the FHLBank to convert the advance from fixed to floating rate if interest rates increase or to terminate the advance and extend additional credit on new terms. At December 31, 2000 and 1999, the FHLBanks had convertible advances outstanding totaling $100,275 million and $85,568 million.

The following table summarizes advances at December 31, 2000 and 1999, by year of maturity or next put date (in millions):

Advances by Year of Maturity or Next Put Date	2000	1999
Overdrawn demand deposit accounts	$ 100	$ 135
2000		242,762
2001	248,976	60,691
2002	74,329	27,996
2003	57,628	29,366
2004	20,261	16,428
2005	17,379	3,487
Thereafter	18,606	14,278
Index amortizing advances	614	641
Total par value	$437,893	$395,784

Security Terms. The individual FHLBanks lend to financial institutions involved in housing finance within their districts according to Federal statutes, including the FHLBank Act. The FHLBank Act requires the FHLBanks to obtain sufficient collateral on advances to protect against losses and to accept only certain U.S. government or government agency securities, residential mortgage loans, deposits in the applicable FHLBank, and other real estate-related assets as collateral on such advances. Community financial institutions may pledge secured loans for small businesses or agriculture as collateral for advances. Borrowing members pledge their capital stock of the FHLBanks as additional collateral for advances. Until the Finance Board approves and an FHLBank implements its approved capital plan, the FHLBank Act requires that total advances from an FHLBank to a member not exceed 20 times the member's capital stock in the FHLBank.

At December 31, 2000 and 1999, the FHLBanks had rights to collateral with an estimated value greater than outstanding advances. Based upon the financial condition of the member, an FHLBank:

- Allows a member to retain possession of the collateral assigned to the FHLBank, if the member executes a written security agreement and agrees to hold such collateral for the benefit of the FHLBank; or
- Requires the member specifically to assign or place physical possession of collateral with the FHLBank or its safekeeping agent.

Beyond these provisions, Section 10(e) of the FHLBank Act affords any security interest granted by a member to an FHLBank priority over the claims or rights of any other party. The only two exceptions are claims that would be entitled to priority under otherwise applicable law or perfected security interests.

Credit Risk. The FHLBanks have experienced no credit losses on advances to members since the FHLBank System was founded, nor does the management of any FHLBank anticipate any credit losses on advances. Accordingly, the FHLBanks have not provided any allowances for losses on advances.

The FHLBanks' potential credit risk from advances is concentrated in commercial banks and savings institutions. At year end 2000, 68 members held advances that exceeded $1 billion per member. As of December 31, 2000, the FHLBanks had advances of $275.6 billion outstanding to these 68 members, and this represented 62.9 percent of total advances outstanding. The FHLBanks held sufficient collateral to cover the advances to these institutions, and the FHLBanks do not expect to incur any credit losses on these advances.

Interest-Rate Payment Terms. The following table details additional interest-rate payment terms for advances and the notional amount of interest-rate exchange agreements associated with advances at December 31, 2000 and 1999 (in millions):

	2000	1999
Par amount of advances:		
Fixed-rate	$297,708	$260,978
Variable-rate	140,185	134,806
Total	$437,893	$395,784
Notional principal of interest-rate exchange agreements by class type associated with advances:		
Interest-rate swaps	$184,107	$139,383
Interest-rate caps purchased	1,395	592
Interest-rate floors purchased	569	340
Other	126	420
Total	$186,197	$140,735

Note 13 shows the effect of the FHLBanks' interest-rate exchange agreements on interest income from advances.

Prepayment Fees. During 2000, 1999, and 1998, the FHLBanks charged members prepayment fees when they prepaid the principal on certain advances before original maturity. Further, some of these advances had associated interest-rate exchange agreements. Upon termination of these advances, the FHLBanks either terminated or marked-to-market the associated interest-rate exchange agreements, and netted the resulting gains or losses (see Note 13) with the prepayment fees on the statements of income. The FHLBanks received prepayment fees, net of gains or losses on associated interest-rate exchange agreements, of $4 million, $13 million, and $80 million, during the years ended December 31, 2000, 1999, and 1998. The corresponding principal amount prepaid during these same years was $21,390 million, $5,030 million, and $12,535 million.

Note 6—Affordable Housing Program

Section 10(j) of the FHLBank Act requires each FHLBank to establish an AHP. Each FHLBank provides subsidies to members who use the funds to assist the purchase, construction, or rehabilitation of housing for very low-, low-, and moderate-income households. In 2000, approximately 94 percent of AHP subsidies awarded were direct grants. The AHP liability represents funds accrued in 2000 to be awarded in 2001 and the portion of previously approved awards that the member has not yet used.

Annually, the FHLBanks must set aside for the AHPs the greater of $100 million or 10 percent of the current year's income before charges for AHP (but after expenses for REFCORP) (see Note 11). The FHLBanks charge the amount set aside to income and recognize it as a liability. As members use subsidies, the FHLBanks relieve the AHP liability. If the result of the aggregate 10 percent calculation described above is less than $100 million, then the FHLBank Act requires the shortfall to be allocated among the FHLBanks based on the ratio of each FHLBank's income before AHP and REFCORP to the sum of the income before AHP and REFCORP of the 12 FHLBanks. There was no shortfall in 2000, 1999, or 1998.

Note 7—Mortgage Loans

Under two programs, the FHLBanks hold single-family mortgage loans that are originated, credit-enhanced, and serviced by members. The Finance Board has authorized different and much smaller mortgage loan purchase programs at the FHLBanks of New York, Atlanta, and Seattle. The following table presents information as of December 31, 2000 and 1999 on mortgage loans held by all FHLBanks under all programs (in millions):

	2000	1999
Real Estate:		
Fixed medium-term single-family mortgages	$ 577	$ 430
Fixed long-term single-family mortgages	15,287	1,363
Multifamily mortgages	221	231
Nonresidential mortgages	3	
Unamortized premiums	52	(2)
Defined loan costs, net	12	5
Total mortgage loans	$16,152	$2,027

	2000	1999
Balance, beginning of year	$ 1	
Allowance for credit losses		
Provision for credit losses	2	$ 1
Balance, end of year	$ 3	$ 1

At year end 2000, the FHLBanks had no investments in impaired loans.

Note 8—Deposits

The FHLBanks offer demand and overnight deposits for members and qualifying nonmembers. In addition, the FHLBanks offer short-term deposit programs to members. A member that services mortgage loans may deposit in an FHLBank the funds collected in connection with the mortgage loans pending disbursement of such funds to the owners of the mortgage loans; the FHLBanks classify these items as other deposits on the statements of condition.

The following table shows the notional amount of interest-rate exchange agreements associated with deposits at December 31, 2000, (in millions) and there were none in 1999:

	2000
Notional principal of interest-rate exchange agreements by class type associated with deposits:	
Interest-rate caps purchased	$350
Other	150
Total	$500

Note 13 shows the effect of the FHLBanks' interest-rate exchange agreements on interest expense on deposits.

Note 9—Borrowings

Securities Sold Under Agreements to Repurchase. Certain FHLBanks have entered sales of securities under agreements to repurchase. The amounts received under these agreements represent short-term borrowings and are liabilities on the statements of condition. The FHLBanks have delivered securities sold under agreements to repurchase to the primary dealer. Should the market value of the underlying securities fall below the market value required as collateral, the FHLBanks must deliver additional securities to the dealer. None were outstanding at December 31, 2000.

Note 10—Consolidated Obligations

Consolidated obligations are the joint-and-several obligations of the FHLBanks and consist of consolidated bonds and discount notes. Through December 31, 2000, the Finance Board issued consolidated bonds through the Office of Finance primarily to raise intermediate- and long-term funds for the FHLBanks. Usually, the maturity of consolidated bonds ranges from 1 year to 10 years, but they are not subject to any statutory or regulatory limits on maturity. The Finance Board, through the Office of Finance, issued consolidated discount notes to raise short-term funds sold at less than the notes' face amount and redeems them at par value when they mature. The Finance Board adopted final rules on June 2, 2000, to govern the issuance of debt for the FHLBanks. Effective January 2, 2001, the Finance Board will no longer be the issuer of debt; instead, the FHLBanks will issue joint debt through the Office of Finance as their agent.

The book value of outstanding consolidated obligations for all of the FHLBanks, including consolidated obligations held by other FHLBanks that have been eliminated in combination, was approximately $594,562 million and $529,005 million at December 31, 2000 and 1999. Regulations require the 12 FHLBanks to maintain unpledged Qualifying Assets equal to the consolidated obligations outstanding. Qualifying Assets are defined as cash; secured advances; assets with an assessment or rating at least equivalent to the current assessment or rating of the consolidated obligations; obligations, participations, mortgages, or other securities of or issued by the United States or an agency of the United States; and such securities as fiduciary and trust funds may invest in under the laws of the State in which the FHLBank is located.

On June 2, 2000, the Finance Board adopted a final rule amending the FHLBanks' leverage limit requirements. Effective July 1, 2000, each FHLBank's leverage limit will be based on a ratio of assets to capital, rather than a ratio of liabilities to capital. The Finance Board's former regulations prohibited the issuance of consolidated obligations if such issuance would bring the FHLBanks' outstanding consolidated obligations and other unsecured senior liabilities above 20 times the FHLBanks' total capital. The Finance Board's Financial Management Policy also applied this limit on an FHLBank-by-FHLBank basis. The new rule deletes the FHLBank System-wide leverage limit from the regulations, but limits each FHLBank's assets generally to no more than 21 times its capital. Nevertheless, an FHLBank whose non-mortgage assets, after deducting deposits and capital, do not exceed 11 percent of its assets may have total assets in an amount not greater than 25 times its capital.

To provide the holders of consolidated obligations issued before January 29, 1993 (prior bondholders), the protection equivalent to that provided under the FHLBanks' previous leverage limit of 12 times FHLBanks' capital stock, prior bondholders have a claim on a certain amount of the Qualifying Assets (Special Asset Account (SAA)) if capital stock is less than 8.33 percent of consolidated obligations. At December 31, 2000 and 1999, the FHLBanks' capital stock was 5.0 percent and 5.5 percent of the par value of consolidated obligations outstanding, and the SAA balance was approximately $37 million and $67 million. Further, the regulations require each FHLBank to transfer Qualifying Assets in the amount of its allocated share of the FHLBanks' SAA to a trust for the benefit of the prior bondholders if its capital-to-assets ratio falls below 2 percent.

General Terms. Consolidated obligations have either fixed-rate coupon payment terms or variable-rate coupon payment terms that use a variety of indices for interest-rate resets including the London Interbank Offered Rate (LIBOR), Constant Maturity Treasury (CMT), 11th District Cost of Funds (COFI), and others. Since 1997, consolidated bonds whose interest rate varies according to changes in the Consumer Price Index (CPI) have been authorized. In addition, to meet the expected specific needs of certain investors in consolidated obligations, both fixed-rate bonds and variable-rate bonds may also contain certain features, which may result in complex coupon payment terms and call or put options. Contemporaneous with the issuance of such bonds, an FHLBank enters an interest-rate exchange agreement containing offsetting features that effectively convert the terms of the bond to those of a simple variable-rate bond or a fixed-rate bond.

Consolidated obligations, beyond having fixed-rate or simple variable-rate coupon payment terms, may also have the following broad terms regarding either principal repayment or coupon payment terms:

- Indexed principal redemption bonds (index amortizing notes) repay principal according to predetermined amortization schedules that are linked to the level of a certain index. As of December 31, 2000 and 1999, most of the index amortizing notes had fixed-rate coupon payment terms. Usually, as market interest rates rise (fall), the maturity of the index amortizing notes extends (contracts); and

- Optional principal redemption bonds (callable bonds) may be redeemed by the FHLBank in whole or in part at its discretion on predetermined call dates according to terms of bond offerings. Callable bonds may be priced at or close to par or at a deep discount (zero-coupon bonds).

With respect to interest payments, consolidated bonds may also have the following terms:

- Step-up bonds generally pay interest at increasing fixed rates for specified intervals over the life of the bond. These bonds generally contain provisions enabling the FHLBanks to call bonds at their option on the step-up dates;

- Inverse floating bonds have coupons that increase as an index declines and decrease as an index rises;

- Conversion bonds have coupons that the FHLBank may convert from fixed to floating, or floating to fixed, or from one U.S. or other currency index to another, at its discretion;

- Range bonds pay interest at variable rates provided a specified index is within a specified range. The computation of the variable interest rate differs for each bond issue, but the bond generally pays zero interest if the specified index is outside the specified range; and

- Comparative index bonds have coupon rates determined by the difference between two or more market indices, typically CMT and LIBOR.

Redemption Terms. The following is a summary of consolidated bonds outstanding at December 31, 2000 and 1999, by year of maturity (in millions):

	2000		1999	
Year of Maturity	Amount	Weighted Average Interest Rate	Amount	Weighted Average Interest Rate
2000			$118,704	5.36%
2001	$129,254	6.03%	63,206	5.58
2002	94,017	6.25	44,896	5.70
2003	57,546	6.07	40,775	5.66
2004	41,465	6.31	38,761	6.22
2005	24,909	6.78	8,594	6.16
Thereafter	98,392	6.58	83,053	6.41
Index amortizing notes	2,938	6.12	3,383	6.11
Total par value	448,521	6.27	401,372	5.79
Concessions	(107)		(80)	
Bond premium	192		43	
Bond discount	(16,980)		(17,294)	
Forward exchange contracts associated with bonds denominated in foreign currencies	120		177	
Deferred net (gains) losses on terminated interest-rate exchange agreements	(14)		2	
	431,732		384,220	
Bonds held in treasury	(60)		(80)	
Associated interest-rate exchange agreements	64		30	
Total	$431,736		$384,170	

Consolidated bonds outstanding at December 31, 2000 and 1999, include callable bonds totaling $224,462 million and $184,952 million. The FHLBanks use fixed-rate callable debt to finance callable advances (see Note 5) and mortgage-backed securities. Contemporaneous with such a debt issue, an FHLBank may also enter an interest-rate swap (in which the FHLBank pays variable and receives fixed) with a call feature that mirrors the option embedded in the debt (a sold callable swap). The combined sold callable swap and callable debt allows an FHLBank to provide members attractively priced variable-rate advances, while converting its own payment to a variable rate (in millions).

	2000	1999
Par amount of consolidated bonds:		
Non-callable/non-putable	$225,039	$217,731
Callable	222,936	183,032
Putable	546	609
Total par value	$448,521	$401,372

The following table summarizes consolidated bonds outstanding at December 31, 2000 and 1999, by year of maturity or next call date (in millions):

Year of Maturity or Next Call Date	2000	1999
2000		$255,624
2001	$273,283	57,583
2002	81,857	29,314
2003	39,164	21,568
2004	14,715	11,266
2005	12,678	2,571
Thereafter	23,886	20,063
Index amortizing notes	2,938	3,383
Total par value	$448,521	$401,372

Interest-Rate Payment Terms. The following table details interest-rate payment terms for consolidated bonds and the notional amount of interest-rate exchange agreements associated with consolidated bonds at December 31, 2000 and 1999 (in millions). Range bonds are classified as comparative-index bonds.

	2000	1999
Par amount of consolidated bonds:		
Fixed rate	$386,511	$329,583
Step-up	3,901	4,149
Simple variable-rate	31,502	33,599
Inverse floating rate	447	500
Fixed that converts to variable	849	1,273
Variable that converts to fixed	99	180
Comparative-index	864	1,451
Zero-coupon	24,009	24,464
Other	339	6,173
Total par value	$448,521	$401,372
Notional principal of interest-rate exchange agreements by class type associated with consolidated obligations:		
Interest-rate swaps	$338,044	$323,050
Interest-rate caps purchased	1,178	1,637
Interest-rate floors purchased	1,456	205
Forward and futures contracts		13
Other		4
	$340,678	$324,909

Note 13 shows the effects of the FHLBanks' interest-rate exchange agreements on interest expenses from consolidated obligations.

Bonds Denominated in Foreign Currencies. The Finance Board issues consolidated bonds denominated in foreign currencies. Contemporaneous with these issuances, the Finance Board requires that the FHLBanks exchange the interest and principal payment obligations related to the issues for equivalent amounts denominated in U.S. dollars. Bonds denominated in foreign currencies and the related forward exchange contracts have been translated into U.S. dollars at the exchange rate as of December 31, 2000 and 1999, in the preceding tables that presented these bonds by year of maturity, by year of maturity or next call date, and by interest-rate payment terms.

Bonds denominated in foreign currencies as of December 31, 2000 and 1999, are as follows (in millions):

	Amount Denominated in Foreign Currency 2000	1999	Year of Maturity	Par in Dollars	Interest Rate
German Marks		1,000	2000	$717.4	6.00%
British Pounds	300	300	2002	488.7	6.88
British Pounds	400	400	2003	677.2	5.63

Discount Notes. The FHLBanks' consolidated discount notes, all of which are due within one year, are as follows (in millions):

	Book Value	Par Value	Weighted Average Interest Rate
December 31, 2000	$159,870	$161,209	6.35%
December 31, 1999	$141,249	$142,477	5.12%

The FHLBank Act authorizes the Secretary of the Treasury, at his or her discretion, to purchase consolidated obligations of the FHLBanks aggregating not more than $4 billion. The terms, conditions, and interest rates are determined by the Secretary of the Treasury. There were no such purchases by the U.S. Treasury during the two years ended December 31, 2000.

Extraordinary Item—Early Retirement of Debt. During 2000, 1999, and 1998, the FHLBanks retired consolidated bonds by purchasing consolidated bonds in the open market. Further, some of these bonds had associated interest-rate exchange agreements, which were terminated or marked to market at the date of the extinguishment. The FHLBanks netted the resulting gain or loss with the gain or loss on the early retirement of the debt. The FHLBanks retired consolidated bonds with net gains (losses) on associated interest-rate exchange agreements of $7.0 million, $1.8 million, and $0.4 million for the years ended December 31, 2000, 1999, and 1998. The corresponding principal retired for these three years was $5,634 million, $2,307 million, and $16,654 million.

Note 11—Capital

The GLB Act will lead to a number of changes in the capital structure of the FHLBanks. On December 20, 2000, the Finance Board approved the final rule implementing a new capital structure for the FHLBanks. The final rule was published on January 30, 2001. The GLB Act and the implementing rule require each FHLBank to submit a capital structure plan to the Finance Board by October 29, 2001, for approval. The current capital structure of an FHLBank will remain in place until the Finance Board has approved the capital structure plan of the FHLBank and that plan is effective. The effective date of the capital plan is when the FHLBank first issues Class A or Class B stock under the plan. Before the effective date, an FHLBank's members must purchase stock equal to the greater of 1 percent of its mortgage-related assets or 5 percent of its outstanding FHLBank advances. After the effective date, each FHLBank must comply with the minimum leverage and risk-based capital requirements specified in the Finance Board's new capital regulations. If an FHLBank would not be in compliance with the capital requirements as of the effective date, it must come into compliance within a transition period of up to three years. During that period, the existing leverage limit established by Finance Board regulations will continue to apply.

Each FHLBank may offer two classes of stock. Members can redeem Class A stock by giving six months notice, and members can redeem Class B stock by giving five years notice. Only "permanent" capital, defined as retained earnings and the amounts paid-in for the Class B stock, can satisfy the risk-based capital requirement. In addition, the GLB Act requires each FHLBank to maintain total capital equal to at least 5 percent of assets, when total capital is calculated after multiplying the permanent capital by 1.5, and equal to at least 4 percent of assets when total capital is calculated without weighting the permanent capital.

The GLB Act made membership voluntary for all members. A member must give written notice of its intent to withdraw from membership, and the membership terminates as of the end of the longest stock redemption period, *i.e.,* six months if a member has only Class A stock or five years if the member has Class B stock. Members that withdraw from membership may not be readmitted to membership for five years.

On June 22, 2000, the Finance Board rescinded its dividend policy applicable to the FHLBanks. This action has the effect of no longer requiring an FHLBank to hold as restricted retained earnings that portion of prepayment fee income that, if prorated over the maturity of the advances prepaid, would be allocated to future dividends. An FHLBank's board of directors may declare and pay, in either cash or capital stock, dividends only from retained earnings or current net earnings.

Before the GLB Act, the FHLBanks were required to pay $300 million annually through 2030 to fund part of the interest on REFCORP debt. Before paying dividends, each Bank was assessed up to 20 percent of its net income after AHP contributions to meet these required payments. These payments were charged directly to retained earnings for years through December 31, 1999.

The GLB Act changed these required payments to 20 percent of annual net earnings for each FHLBank without the $300 million aggregate limit, with the final payment date to be adjusted by the Finance Board so that the aggregate payments made by all 12 FHLBanks would be equivalent to a $300 million annual annuity whose final maturity date is April 15, 2030. The cumulative amount to be paid to REFCORP by any FHLBank is not determinable at this time because the value is dependent on the future earnings of each FHLBank, as well as on future interest rates. As a result of these statutory charges, the REFCORP payment is presented as an expense on the Combined Statement of Income for years after 1999.

At December 31, 2000, the 10 largest holders of capital stock held 24.7 percent of the aggregate capital stock of the FHLBanks. Washington Mutual Bank, FA, and its affiliates Washington Mutual Bank and Washington Mutual Bank, FSB, together held 10.5 percent of FHLBanks' capital.

Note 12—Employee Retirement Plans

The FHLBanks, except for the FHLBank of San Francisco, participate in the Financial Institutions Retirement Fund (FIRF), a defined-benefit plan. The plan covers substantially all officers and employees of the FHLBanks. The FHLBanks' contributions to FIRF through June 30, 1987, represented the normal cost of the plan. The plan reached the full-funding limitation, as defined by the Employee Retirement Income Security Act, for the plan year beginning July 1, 1987, because of favorable investment and other actuarial experience during previous years. As a result, FIRF suspended employer contributions for all plan years ending after June 30, 1987. Contributions to the plan will resume when the plan is no longer in full-funding status based on annual determinations by FIRF. FIRF does not segregate its assets, liabilities, or costs by participating employer. As a result, disclosure of the accumulated benefit obligations, plan assets, and the components of annual pension expense attributable to the FHLBanks cannot be made.

The FHLBanks, except for the FHLBanks of Atlanta and Seattle, also participate in the Financial Institutions Thrift Plan, a defined-contribution plan. The FHLBanks of Atlanta and Seattle have similar defined-contribution plans. The FHLBanks' contributions are equal to a percentage of participants' compensation and a matching contribution equal to a percentage of voluntary employee contributions, subject to certain limitations. The FHLBanks contributed $5.1 million, $4.6 million, and $4.2 million, in the years ended December 31, 2000, 1999, and 1998.

In addition, several FHLBanks maintain deferred compensation plans, available to all employees, which are, in substance, unfunded supplemental retirement plans. The plans' liability consists of the accumulated compensation deferrals and accrued earnings on the deferrals. The FHLBanks' minimum obligations from these plans at December 31, 2000 and 1999 were $19.8 million and $16.9 million.

Note 13—Interest-Rate Exchange Agreements

The FHLBanks use interest-rate exchange agreements in the normal course of business to manage exposure to fluctuations in interest rates. In addition, the FHLBanks may act as intermediaries between members and third parties.

Interest-rate exchange transactions involve the contractual exchange of payments that are based on a notional principal amount and determined using different interest rates, as defined in the agreement. Usually, the agreement calls for the exchange of a payment determined using a short-term or floating interest rate and another payment, based on the same notional amount, determined using a long-term or fixed interest rate. Futures and forward contracts are commitments to buy or sell a financial instrument or a foreign currency at a future date and at a contracted price. Interest-rate caps and floors obligate one party to make payment to the other if an interest-rate index exceeds the upper "capped" level or if the index falls below a specified "floor" level.

While swaps, futures, forwards, caps, and floors usually reduce interest-rate or currency risk, they introduce some credit risk. This off-balance-sheet credit risk arises from the possible nonperformance by the other party to nonexchange-traded agreements. However, based on each FHLBank's credit analyses and collateral requirements, the FHLBanks do not anticipate any credit losses on these agreements.

The contractual or notional amount of interest-rate exchange agreements reflects the involvement of an FHLBank in the various classes of financial instruments. The notional amount of interest-rate exchange agreements does not measure the credit-risk exposure of an FHLBank. The maximum credit exposure of an FHLBank is much less than the notional amount. The maximum credit risk is the estimated cost of replacing favorable interest-rate swaps, forward agreements, and purchased caps and floors if the counterparty defaults, and the related collateral, if any, is of no value to the FHLBank.

At December 31, 2000 and 1999, the FHLBanks' maximum credit risk, as defined above, was approximately $2,272 million and $2,073 million. These totals include $1,645 million and $1,031 million of net accrued interest receivable. In determining maximum credit risk, the FHLBanks consider accrued interest receivables and payables, and the legal right to offset assets and liabilities by counterparty. The FHLBanks held securities and cash with a fair value of $815 million and $991 million as collateral as of December 31, 2000 and 1999.

The FHLBanks transact most of their interest-rate exchange agreements with large banks and major broker-dealers. Some of these banks and dealers or their affiliates buy, sell, and distribute consolidated obligations. Note 15 discusses assets pledged by the FHLBanks to these counterparties.

Note 14 presents the notional principal, amortized costs, and estimated fair values by class type of all interest-rate exchange agreements outstanding at December 31, 2000 and 1999. Notes 3, 4, 5, 8, and 10 discuss the notional principal by class type of designated interest-rate exchange agreements associated with held-to-maturity securities, available-for-sale securities, advances, deposits, and consolidated obligations outstanding at December 31, 2000 and 1999.

Intermediation. Interest-rate exchange agreements in which an FHLBank is an intermediary may arise when the FHLBank: (1) enters into offsetting interest-rate exchange agreements with members and other counterparties to meet the needs of their members, (2) enters into interest-rate exchange agreements to offset the economic effect of other interest-rate exchange agreements that are no longer designated to either advances, investments, or consolidated obligations, or (3) purchases consolidated obligations of other FHLBanks that have interest-rate exchange agreements associated with them either by the FHLBank that issued the bond or by the FHLBank that purchased the bond.

The following table summarizes at December 31, 2000 and 1999, the notional principal of interest-rate exchange agreements by class type in which the FHLBanks are intermediaries (in millions):

	2000	1999
Interest-rate swaps	$1,845	$2,087
Interest-rate caps purchased	767	374
Interest-rate floors purchased	50	
Interest-rate caps sold	676	281
Interest-rate floors sold	50	
Total	$3,388	$2,742

Income Effect. The effect of the FHLBanks' interest-rate exchange agreements for the years ended December 31, 2000, 1999, and 1998, was to (decrease) increase interest income, interest expense, other net income and net extraordinary item as follows (in millions):

	2000	1999	1998
Interest income:			
Advances	$937	$ 85	$ 121
Securities purchased under resale agreements		(4)	(4)
Federal funds		1	
Held-to-maturity securities	25	(147)	(95)
Available-for-sale securities	5	(13)	(2)
Mortgage loans	(1)		
Interest expense:			
Consolidated obligations	384	(1,312)	(1,070)
Deposits	1	(1)	
Other income:			
Prepayment fees (see Note 5)	1	1	(8)
Sale of available-for-sale securities		8	
Unrealized net gains (losses) on redesignation of interest-rate exchange agreements	15	(2)	
Realized net (losses) gains on sales of interest-rate exchange agreements not associated with an underlying financial instrument	(4)	(19)	2
Change in net mark-to-market adjustment for interest-rate exchange agreements in which the FHLBanks are intermediaries	(1)		
Net extraordinary item (see Note 10)	(19)	1	1

Note 14—Estimated Fair Values

Cash and due from banks. The estimated fair value approximates the recorded book balance.

Investments. The FHLBanks determine the fair value of investments based on quoted prices, excluding accrued interest, as of the last business day of the year.

Advances and other loans. The FHLBanks determine the estimated fair value of advances with fixed-rates and more than three months to maturity and advances with complex floating-rates by calculating the present value of expected cash flows from the advances and reducing this amount for accrued interest receivable. The discount rates used in these calculations are the replacement advance rates for advances with similar terms. Following the Finance Board's advances regulations, advances with a maturity or repricing period greater than six months require a prepayment fee sufficient to make an FHLBank financially indifferent to the borrower's decision to prepay the advances. Therefore, the estimated fair value of advances does not assume prepayment risk. The estimated fair value approximates the recorded book balance of advances with floating rates and fixed rates with three months or less to maturity or repricing.

Mortgage Loans. The estimated fair values for mortgage loans have been determined based on quoted prices of similar mortgage loans available in the market. These prices, however, are highly dependent upon the prepayment assumptions that are used. Changes in the prepayment rates used often have a material effect on the fair value estimates. Since these estimates are made as of a specific point in time, they are susceptible to material near-term changes.

Accrued interest receivable and payable. The estimated fair value approximates the recorded book value.

Deposits. The FHLBanks determine fair values of deposits with fixed-rates and more than three months to maturity by calculating the present value of expected future cash flows from the deposits and reducing this amount for accrued interest payable. The discount rates used in these calculations are the cost of deposits with similar terms. The estimated fair value approximates the recorded book balance for deposits with floating-rates and fixed-rates with three months or less to maturity or repricing.

Consolidated obligations. The FHLBanks daily determine the estimated cost of issuing comparable-term debt based on the secondary market for debt of government-sponsored enterprises and other indications from the Office of Finance and securities dealers. The estimated cost of issuing debt includes noninterest selling costs.

Borrowings. The FHLBanks determine the estimated fair value of borrowings with fixed-rates and more than three months to maturity by calculating the present value of expected future cash flows from the borrowings and reducing this amount for accrued interest payable. The discount rates used in these calculations are the cost of borrowings with similar terms. For borrowings with floating-rates and fixed-rates with three months or less to maturity or repricing, the estimated fair value approximates the recorded book balance.

Commitments. The estimated fair value of the FHLBanks' commitments to extend credit, including letters of credit, was immaterial at December 31, 2000 and 1999.

Interest-rate Exchange Agreements. The FHLBanks base the estimated fair values of these agreements on the cost of interest-rate exchange agreements with similar terms or available market prices, excluding accrued interest receivable and payable.

The carrying value of all the FHLBanks' financial instruments at December 31, 2000 and 1999, except available-for-sale securities and interest-rate exchange agreements in which an FHLBank is an intermediary, is amortized cost. The carrying value of available-for-sale securities and interest-rate exchange agreements in which an FHLBank is an intermediary at December 31, 2000 and 1999, is estimated fair value. The amortized cost and estimated fair values of the FHLBanks' financial instruments at December 31, 2000 and 1999, are as follows (in millions):

2000 FAIR VALUE SUMMARY TABLE

Financial Instruments	Amortized Cost	Net Unrealized Gains (Losses)	Estimated Fair Value
ASSETS			
Cash and due from banks	$ 752	$	$ 752
Interest-bearing deposits in banks	18,138	(8)	18,130
Securities purchased under resale agreements	1,416		1,416
Held-to-maturity securities	107,107	376	107,483
Interest-rate exchange agreements associated with held-to-maturity securities	79	(200)	(121)
Held-to-maturity securities, net	107,186	176	107,362
Available-for-sale securities	4,438	3	4,441
Interest-rate exchange agreements associated with available-for-sale securities		(7)	(7)
Available-for-sale securities, net	4,438	(4)	4,434
Federal funds sold	55,263		55,263
Interest-rate exchange agreements associated with available-for-sale securities		4	4
Federal funds sold, net	55,263	4	55,267
Advances	437,850	3,115	440,965
Interest-rate exchange agreements associated with advances to members	11	(2,447)	(2,436)
Advances to members, net	437,861	668	438,529
Mortgage loans	16,152	245	16,397
Allowance for credit losses	(3)	3	
Mortgage loans, net	16,149	248	16,397
Other loans	53		53
Accrued interest receivable	12,137		12,137
Interest-rate exchange agreements used in asset-liability management	25	(8)	17
LIABILITIES			
Deposits	(17,100)	18	(17,082)
Consolidated obligations:			
Bonds	(431,672)	(902)	(432,574)
Discount notes	(159,870)	(64)	(159,934)
Interest-rate exchange agreements associated with consolidated obligations	(64)	(9)	(73)
Consolidated obligations, net	(591,606)	(975)	(592,581)
Accrued interest payable	(12,331)		(12,331)
OTHER			
Interest-rate exchange agreements in which the FHLBanks are intermediaries	(1)		(1)
Standby letters of credit		3	3
Commitments to extend credit		1	1

2000 FAIR VALUE SUPPLEMENTAL TABLE

Total by Class Type of All Interest-rate Exchange Agreements	Notional Amount	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Interest-rate swaps:					
Non-cancelable:					
FHLBanks pay fixed, receive variable	$ 68,731	$(21)	$ 175	$ (602)	$ (448)
FHLBanks pay variable, receive fixed	125,237	25	667	(434)	258
FHLBanks pay variable, receive variable	55,317	17	37	(216)	(162)
Cancelable by counterparty:					
FHLBanks pay fixed, receive variable	110,544	6	137	(2,385)	(2,242)
FHLBanks pay variable, receive fixed	173,717	31	866	(974)	(77)
FHLBanks pay variable, receive variable	4,006	(2)	7	(29)	(24)
Cancelable by FHLBank:					
FHLBanks pay fixed, receive variable	4,416	11	25	(69)	(33)
FHLBanks pay variable, receive variable	25	2		(1)	1
Subtotal	541,993	69	1,914	(4,710)	(2,727)
Interest-rate caps purchased	13,531	47	5	(39)	13
Interest-rate floors purchased	4,522	45	25	(4)	66
Interest-rate caps sold	676	(2)	1		(1)
Interest-rate floors sold	50			(1)	(1)
Forward and futures contracts	2,884			(2)	(2)
Other	2,071	4	1	(1)	4
Total	$565,727	$163	$1,946	$(4,757)	$(2,648)

1999 FAIR VALUE SUMMARY TABLE

Financial Instruments	Amortized Cost	Net Unrealized Gains (Losses)	Estimated Fair Value
ASSETS			
Cash and due from banks	$ 4,047	$	$ 4,047
Interest-bearing deposits in banks	9,956	2	9,958
Securities purchased under resale agreements	2,754	1	2,755
Held-to-maturity securities	97,091	(2,347)	94,744
Interest-rate exchange agreements associated with held-to-maturity securities	68	431	499
Held-to-maturity securities, net	97,159	(1,916)	95,243
Available-for-sale securities	4,570	(56)	4,514
Interest-rate exchange agreements associated with available-for-sale securities		58	58
Available-for-sale securities, net	4,570	2	4,572
Federal funds sold	56,984	7	56,991
Advances	395,743	(3,023)	392,720
Interest-rate exchange agreements associated with advances to members	4	1,969	1,973
Advances to members, net	395,747	(1,054)	394,693
Mortgage loans	2,027	(72)	1,955
Allowance for credit losses	(1)	1	
Mortgage loans, net	2,026	(71)	1,955
Other loans	54	(2)	52
Accrued interest receivable	9,380		9,380
Interest-rate exchange agreements used in asset-liability management	16		16
LIABILITIES			
Deposits	(17,081)	36	(17,045)
Securities sold under repurchase agreements	(543)		(543)
Consolidated obligations:			
Bonds	(384,140)	9,149	(374,991)
Discount notes	(141,249)	4	(141,245)
Interest-rate exchange agreements associated with consolidated obligations	(30)	(6,257)	(6,287)
Consolidated obligations, net	(525,419)	2,896	(522,523)
Accrued interest payable	(9,804)		(9,804)
OTHER			
Interest-rate exchange agreements in which the FHLBanks are intermediaries	(3)	1	(2)
Standby letters of credit	1	3	4
Commitments to extend credit		(1)	(1)

1999 FAIR VALUE SUPPLEMENTAL TABLE

Total by Class Type of All Interest-rate Exchange Agreements	Notional Amount	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Interest-rate swaps:					
Non-cancelable:					
FHLBanks pay fixed, receive variable	$ 46,740	$ 2	$1,072	$ (25)	$ 1,049
FHLBanks pay variable, receive fixed	122,846	(1)	327	(2,025)	(1,699)
FHLBanks pay variable, receive variable	51,841	21	225	(206)	40
Cancelable by counterparty:					
FHLBanks pay fixed, receive variable	88,302	44	1,334	(9)	1,369
FHLBanks pay variable, receive fixed	155,640	29	471	(5,092)	(4,592)
FHLBanks pay variable, receive variable	10,921	(5)	32	(133)	(106)
Cancelable by FHLBank:					
FHLBanks pay fixed, receive variable	3,055	(17)	134	(2)	115
FHLBanks pay variable, receive variable	133	4		(1)	3
Subtotal	479,478	77	3,595	(7,493)	(3,821)
Interest-rate caps purchased	10,667	87	43	(19)	111
Interest-rate floors purchased	3,213	22	1	(9)	14
Interest-rate caps sold	286	(2)	1	(2)	(3)
Forward and futures contracts	72				
Other	905	4	2	(2)	4
Total	$494,621	$ 188	$3,642	$(7,525)	$(3,695)

Note 15—Commitments and Contingencies

As described in Note 10, all FHLBanks have joint-and-several liability for the consolidated obligations issued. Accordingly, should one or more of the FHLBanks be unable to repay their participation in the consolidated obligations, each of the other FHLBanks could be called upon to repay all or part of such obligations. Notes 6, 11, and 13 discuss other commitments and contingencies.

Commitments that legally bind and unconditionally obligate the FHLBanks for additional advances totaled approximately $12,265 million and $3,260 million at December 31, 2000 and 1999. Commitments generally are for periods up to 12 months. Outstanding standby letters of credit were approximately $4,886 million and $4,520 million at December 31, 2000 and 1999. Based on management's credit analyses and collateral requirements, the FHLBanks do not deem it necessary to have any allowance for credit losses on these commitments and letters of credit. Commitments and letters of credit are fully collateralized at the time of issuance (see Note 5).

Commitments which obligate the FHLBanks to purchase participating interests in mortgage loans totaled $7,439 million at December 31, 2000 and $591 million at December 31, 1999. Unused line of credit and other commitments totaled $3,402 million at December 31, 2000 and $2,989 million at December 31, 1999.

The FHLBanks generally execute interest-rate exchange agreements with major banks and broker-dealers and generally enter bilateral collateral agreements. As of December 31, 2000, the FHLBanks had pledged as collateral securities and cash of $816 million to broker-dealers who have market-risk exposure from the FHLBanks related to interest-rate exchange agreements.

The FHLBanks charged to operating expenses net rental costs of approximately $16 million for the years ended December 31, 2000 and 1999, and approximately $14 million for the year ended December 31, 1998. Future minimum rentals at December 31, 2000, are as follows (in millions):

Year	Premises	Equipment	Total
2001	$ 14	$2	$ 16
2002	14	1	15
2003	14	1	15
2004	14		14
2005	14		14
Thereafter	80	—	80
Total	$150	$4	$154

Lease agreements for FHLBank premises generally provide for increases in the basic rentals resulting from increases in property taxes and maintenance expenses. Such increases are not expected to have a material effect on the FHLBanks.

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CONDITION
DECEMBER 31, 2000

(In millions of dollars)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
ASSETS						
Cash and due from banks	$ 752	$	$ 10	$ 25	$ 441	$ 46
Interest-bearing deposits in banks	18,138		100	8,020	1,192	617
Securities purchased under resale agreements	1,416		100			
Federal funds sold	55,263		7,102	3,028	5,467	6,073
Held-to-maturity securities	107,186	(2,553)	8,823	11,308	8,349	13,437
Available-for-sale securities	4,434	(403)	37		370	
Advances	437,861		21,594	52,396	25,946	58,249
Mortgage loans	16,152		17	528	1,910	423
Less: allowance for credit losses on mortgages	3					
Mortgage loans, net	16,149		17	528	1,910	423
Loans to other FHLBanks		(50)		50		
Accrued interest receivable	12,137	(31)	486	1,226	1,362	1,749
FHLBank premises and equipment, net	123		2	11	13	30
Other assets	228		11	8	13	17
Total assets	$653,687	$(3,037)	$38,282	$76,600	$45,063	$80,641
LIABILITIES						
Deposits:						
Demand and overnight	$ 15,859	$	$ 1,248	$ 1,990	$ 1,330	$ 3,196
Term	755		58	167	9	38
Other	486		4	5	105	58
Total deposits	17,100		1,310	2,162	1,444	3,292
Borrowings:						
Other FHLBanks		(50)				
Total borrowings		(50)				
Consolidated obligations:						
Discount notes	159,870		13,587	28,431	1,699	6,057
Bonds	431,736	(2,956)	20,835	41,132	38,734	65,285
Total consolidated obligations	591,606	(2,956)	34,422	69,563	40,433	71,342
Accrued interest payable	12,331	(31)	496	982	945	2,134
Affordable Housing Program	618		34	89	44	85
Payable to REFCORP	146		10	19	10	20
Other liabilities	621		104	38	13	119
Total liabilities	622,422	(3,037)	36,376	72,853	42,889	76,992
CAPITAL						
Capital stock outstanding ($100 par value)	30,537		1,858	3,626	2,065	3,506
Retained earnings	729		47	121	110	143
Accumulated other comprehensive income:						
Unrealized net (losses) gains on available-for-sale securities	(1)		1		(1)	
Total capital	31,265		1,906	3,747	2,174	3,649
Total liabilities and capital	$653,687	$(3,037)	$38,282	$76,600	$45,063	$80,641

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 12	$ 36	$ 4	$ 72	$ 95	$ 1	$ 5	$ 5
3,301			270		1,141	2,698	799
	45	46	800			400	25
8,245	2,410	2,397	3,955	2,605	1,619	8,376	3,986
8,615	4,754	5,780	5,264	8,656	5,916	15,525	13,312
2,985	1,445						
31,935	24,073	18,462	21,158	30,195	17,582	110,031	26,240
31	36	8,104	3,297	1,383	5		418
		1	2				
31	36	8,103	3,295	1,383	5		418
478	567	578	685	784	513	3,137	603
3	10	12	6	30		4	2
10	15	7	26	95	10	14	2
$55,615	$33,391	$35,389	$35,531	$43,843	$26,787	$140,190	$45,392
$ 994	$ 736	$ 1,654	$ 1,048	$ 1,455	$ 1,023	$ 348	$ 837
93		155	87	3	6	29	110
49	21	201			43		
1,136	757	2,010	1,135	1,458	1,072	377	947
			50				
			50				
27,096	6,057	4,949	8,084	7,606	5,484	32,097	18,723
23,978	24,285	25,953	24,014	31,680	18,488	97,366	22,942
51,074	30,342	30,902	32,098	39,286	23,972	129,463	41,665
385	661	664	429	836	427	3,888	515
66	27	32	28	37	25	110	41
13	9	9	8	8	7	25	8
100	14	71	10	52	17	35	48
52,774	31,810	33,688	33,758	41,677	25,520	133,898	43,224
2,789	1,550	1,631	1,744	2,127	1,218	6,268	2,155
53	31	70	29	39	49	24	13
(1)							
2,841	1,581	1,701	1,773	2,166	1,267	6,292	2,168
$55,615	$33,391	$35,389	$35,531	$43,843	$26,787	$140,190	$45,392

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CONDITION
DECEMBER 31, 1999

(In millions of dollars)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
ASSETS						
Cash and due from banks	$ 4,047	$	$ 230	$ 2,911	$ 322	$ 14
Interest-bearing deposits in banks	9,956			4,341	1,406	732
Securities purchased under resale agreements	2,754					
Federal funds sold	56,984		5,740	895	2,062	7,504
Held-to-maturity securities	97,159	(3,085)	7,773	9,266	7,667	14,739
Available-for-sale securities	4,572	(501)	37		1,479	
Advances	395,747		22,488	44,409	36,527	45,216
Mortgage loans	2,027			228	3	84
Less: allowance for credit losses on mortgages	1					
Mortgage loans, net	2,026			228	3	84
Loans to other FHLBanks		(50)		50		
Accrued interest receivable	9,380	(25)	467	580	1,119	1,477
FHLBank premises and equipment, net	98		3	7	10	30
Other assets	489		11	6	8	8
Total assets	$583,212	$(3,661)	$36,749	$62,693	$50,603	$69,804
LIABILITIES						
Deposits:						
Demand and overnight	$ 15,151	$	$ 1,016	$ 2,439	$ 1,120	$ 3,195
Term	1,478		49	210	7	117
Other	452		7	6	125	92
Total deposits	17,081		1,072	2,655	1,252	3,404
Borrowings:						
Other FHLBanks		(50)				
Securities sold under repurchase agreements	543					
Total borrowings	543	(50)				
Consolidated obligations:						
Discount notes	141,249		14,966	19,794	3,391	4,135
Bonds	384,170	(3,586)	18,304	36,549	42,532	56,699
Total consolidated obligations	525,419	(3,586)	33,270	56,343	45,923	60,834
Accrued interest payable	9,804	(25)	471	501	959	1,863
Affordable Housing Program	520		27	66	39	72
Payable to REFCORP	75		5	8	6	11
Other liabilities	755		35	27	11	186
Total liabilities	554,197	(3,661)	34,880	59,600	48,190	66,370
CAPITAL						
Capital stock outstanding ($100 par value)	28,361		1,829	3,023	2,318	3,328
Retained earnings (subject to restrictions)	660		39	70	98	106
Accumulated other comprehensive income:						
Unrealized net (losses) gains on available-for-sale securities	(6)		1		(3)	
Total capital	29,015		1,869	3,093	2,413	3,434
Total liabilities and capital	$583,212	$(3,661)	$36,749	$62,693	$50,603	$69,804

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 37	$ 12	$ 42	$ 181	$ 292	$ 1	$ 1	$ 4
695	255		250	200	55	1,702	320
	45	50				2,559	100
9,782	3,829	3,170	6,675	2,448	3,335	8,636	2,908
7,078	4,243	6,608	6,928	9,106	4,991	10,382	11,463
1,972	1,585						
28,134	19,433	17,167	22,949	27,034	15,592	90,514	26,284
	6	1,620	80	6			
		1					
	6	1,619	80	6			
357	368	561	629	728	405	2,100	614
4	10	8	7	14		4	1
9	10	4	18	399	1	14	1
$48,068	$29,796	$29,229	$37,717	$40,227	$24,380	$115,912	$41,695
$ 831	$ 796	$ 2,026	$ 795	$ 1,325	$ 627	$ 303	$ 678
116	4	714	119	3	7	24	108
71		137			14		
1,018	800	2,877	914	1,328	648	327	786
			50				
	19			124			400
	19		50	124			400
19,925	8,990	6,548	9,480	3,583	6,147	30,677	13,613
24,297	18,035	17,655	24,400	32,472	15,834	76,725	24,254
44,222	27,025	24,203	33,880	36,055	21,981	107,402	37,867
348	411	574	460	802	335	2,607	498
56	24	27	25	31	23	91	39
6	5	5	5	4	4	11	5
15	66	38	119	21	199	36	2
45,665	28,350	27,724	35,453	38,365	23,190	110,474	39,597
2,361	1,419	1,450	2,229	1,799	1,147	5,374	2,084
46	27	55	35	63	43	64	14
(4)							
2,403	1,446	1,505	2,264	1,862	1,190	5,438	2,098
$48,068	$29,796	$29,229	$37,717	$40,227	$24,380	$115,912	$41,695

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2000

(In millions of dollars)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
INTEREST INCOME						
Advances	$26,987	$	$1,519	$3,040	$2,118	$3,405
Interest-bearing deposits in banks	855		5	435	66	22
Securities purchased under resale agreements	165		30			
Federal funds sold	2,939		129	202	236	354
Held-to-maturity securities	6,819	(170)	620	721	515	879
Available-for-sale securities	326	(23)	3		81	
Mortgage loans	714			26	65	17
Loans to other FHLBanks		(7)		3		1
Other	175					
Total interest income	38,980	(200)	2,306	4,427	3,081	4,678
INTEREST EXPENSE						
Consolidated obligations	34,805	(193)	2,018	3,906	2,762	4,067
Deposits	817		66	105	56	170
Borrowings from other FHLBanks		(5)		1	1	
Securities sold under repurchase agreements	17					
Other borrowings	28	(2)		5		1
Total interest expense	35,667	(200)	2,084	4,017	2,819	4,238
NET INTEREST INCOME BEFORE LOAN LOSS PROVISION	3,313		222	410	262	440
Loan loss provision	2					
NET INTEREST INCOME AFTER LOAN LOSS PROVISION	3,311		222	410	262	440
OTHER INCOME						
Prepayment fees, net	4		1			2
Service fees	44		1	6	16	3
Realized net gains from sale of available-for-sale securities	2				2	
Other, net	15					3
Total other income	65		2	6	18	8
OTHER EXPENSE						
Operating expenses	333		23	34	43	34
Finance Board and Office of Finance expenses	29		2	3	2	4
Other, net	11			2		5
Total other expenses	373		25	39	45	43
INCOME BEFORE ASSESSMENTS	3,003		199	377	235	405
Affordable Housing Program	246		16	31	19	33
REFCORP	553		37	69	44	74
Total assessments	799		53	100	63	107
INCOME BEFORE EXTRAORDINARY ITEM	2,204		146	277	172	298
Gain on early retirement of debt, net	7				1	
NET INCOME	$ 2,211	$	$ 146	$ 277	$ 173	$ 298

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$1,958	$1,363	$1,186	$1,427	$1,766	$1,085	$6,431	$1,689
124	9		9	2	29	131	23
	3	4	25		2	94	7
628	164	155	203	151	124	549	44
494	320	409	380	577	351	898	825
169	96						
	1	360	180	56			9
		1			1	1	
				12			163
3,373	1,956	2,115	2,224	2,564	1,592	8,104	2,760
3,042	1,727	1,797	1,984	2,278	1,401	7,524	2,492
48	42	106	48	75	43	13	45
			3				
				5		12	
2				1			21
3,092	1,769	1,903	2,035	2,359	1,444	7,549	2,558
281	187	212	189	205	148	555	202
			2				
281	187	212	187	205	148	555	202
1							
1	7	1	4	3	1	1	
2	2		1		1	4	2
4	9	1	5	3	2	5	2
19	22	30	21	34	14	43	16
3	1	2	2	2	1	5	2
		4					
22	23	36	23	36	15	48	18
263	173	177	169	172	135	512	186
22	14	14	14	15	11	42	15
48	32	32	31	32	25	94	35
70	46	46	45	47	36	136	50
193	127	131	124	125	99	376	136
		(2)		4		1	3
$ 193	$ 127	$ 129	$ 124	$ 129	$ 99	$ 377	$ 139

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 1999

(In millions of dollars)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
INTEREST INCOME						
Advances	$17,721	$ 8	$1,063	$1,937	$1,584	$2,063
Advances participated other FHLBanks		(8)			4	
Interest-bearing deposits in banks	445			180	42	40
Securities purchased under resale agreements	177		21			
Federal funds sold	2,620		230	122	159	359
Held-to-maturity securities	5,193	(115)	411	520	422	711
Available-for-sale securities	262	(22)	1		70	
Mortgage loans	88			1		3
Loans to other FHLBanks		(4)		3		1
Other	14					
Total interest income	26,520	(141)	1,726	2,763	2,281	3,177
INTEREST EXPENSE						
Consolidated obligations	23,043	(137)	1,492	2,364	1,984	2,664
Deposits	910		61	107	73	178
Borrowings from other FHLBanks		(4)			1	
Securities sold under repurchase agreements	24					
Other borrowings	9		3	2	1	
Total interest expense	23,986	(141)	1,556	2,473	2,059	2,842
NET INTEREST INCOME BEFORE LOAN LOSS PROVISION	2,534		170	290	222	335
Loan loss provision	1					
NET INTEREST INCOME AFTER LOAN LOSS PROVISION	2,533		170	290	222	335
OTHER INCOME						
Prepayment fees, net	13		2	3		1
Service fees	43		1	7	14	3
Unrealized gain on change in fair value of interest-rate exchange agreements associated with the elimination of interbank bonds	24	24				
Other, net	27					1
Total other income	107	24	3	10	14	5
OTHER EXPENSE						
Operating expenses	282		21	30	33	26
Finance Board and Office of Finance expenses	29		2	3	2	3
Other, net	3					2
Total other expenses	314		23	33	35	31
INCOME BEFORE ASSESSMENTS	2,326	24	150	267	201	309
Affordable Housing Program	199		13	23	17	27
Total assessments	199		13	23	17	27
INCOME BEFORE EXTRAORDINARY ITEM	2,127	24	137	244	184	282
Gain on early retirement of debt, net	1					
NET INCOME	$ 2,128	$ 24	$ 137	$ 244	$ 184	$ 282

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$1,204	$ 882	$ 871	$1,055	$1,246	$ 637	$3,970	$1,201
					4		
49	11		9	2	9	68	35
	2	23	11			111	9
443	180	137	241	131	132	355	131
365	262	352	338	456	288	525	658
127	86						
	1	82	1				
				14			
2,188	1,424	1,465	1,655	1,849	1,070	5,029	2,034
1,928	1,229	1,128	1,443	1,624	916	4,628	1,780
56	45	168	46	69	42	12	53
			3				
	1			11	1	2	9
1	1			1			
1,985	1,276	1,296	1,492	1,705	959	4,642	1,842
203	148	169	163	144	111	387	192
		1					
203	148	168	163	144	111	387	192
4				1		2	
1	6	1	4	3	1	1	1
1	3	1			1	17	3
6	9	2	4	4	2	20	4
17	18	24	21	27	13	39	13
3	2	2	2	2	1	5	2
		1					
20	20	27	23	29	14	44	15
189	137	143	144	119	99	363	181
16	12	12	12	10	9	32	16
16	12	12	12	10	9	32	16
173	125	131	132	109	90	331	165
						1	
$ 173	$ 125	$ 131	$ 132	$ 109	$ 90	$ 332	$ 165

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF INCOME FOR THE YEAR ENDED DECEMBER 31, 1998

(In millions of dollars)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
INTEREST INCOME						
Advances	$13,155	$	$ 787	$1,249	$1,211	$1,618
Advances participated other FHLBanks		(1)				
Interest-bearing deposits in banks	248			83	4	8
Securities purchased under resale agreements	212		40			
Federal funds sold	2,842		367	367	128	274
Held-to-maturity securities	4,792	(354)	342	480	395	638
Available-for-sale securities	205	(19)			34	
Mortgage loans	18					1
Loans to other FHLBanks		(6)		3		1
Other	6		1			
Total interest income	21,478	(380)	1,537	2,182	1,772	2,540
INTEREST EXPENSE						
Consolidated obligations	18,198	(375)	1,311	1,829	1,501	2,081
Deposits	1,137		81	131	95	189
Borrowings from other FHLBanks		(5)				
Securities sold under repurchase agreements	3					
Other borrowings	24		1	2	2	1
Total interest expense	19,362	(380)	1,393	1,962	1,598	2,271
NET INTEREST INCOME	2,116		144	220	174	269
OTHER INCOME						
Prepayment fees, net	80		2	5	2	2
Service fees	52		1	7	13	3
Unrealized loss on change in fair value of interest-rate exchange agreements associated with the elimination of interbank bonds	(30)	(30)				
Other, net	17					1
Total other income	119	(30)	3	12	15	6
OTHER EXPENSE						
Operating expenses	258		18	26	31	28
Finance Board and Office of Finance expenses	28		2	3	2	3
Other, net	2					2
Total other expenses	288		20	29	33	33
INCOME BEFORE ASSESSMENTS	1,947	(30)	127	203	156	242
Affordable Housing Program	169		11	17	13	21
Total assessments	169		11	17	13	21
NET INCOME	$ 1,778	$ (30)	$ 116	$ 186	$ 143	$ 221

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 905	$ 715	$ 704	$ 772	$ 885	$386	$2,987	$ 936
					1		
46	40	1	13	14	10	11	18
1		38	5	18	32	68	10
445	190	171	247	111	145	258	139
345	277	377	365	450	335	487	655
137	53						
		17					
			1			1	
				5			
1,879	1,275	1,308	1,403	1,483	909	3,812	1,758
1,629	1,092	957	1,206	1,249	749	3,465	1,504
68	52	214	61	92	61	15	78
	1		3		1		
					1		2
1				16		1	
1,698	1,145	1,171	1,270	1,357	812	3,481	1,584
181	130	137	133	126	97	331	174
27	2	4	6	1	1	25	3
1	6	1	4	4	10	1	1
1	2		2		2	5	4
29	10	5	12	5	13	31	8
16	17	19	15	21	20	35	12
2	2	2	2	2	1	5	2
18	19	21	17	23	21	40	14
192	121	121	128	108	89	322	168
16	10	10	12	9	8	28	14
16	10	10	12	9	8	28	14
$ 176	$ 111	$ 111	$ 116	$ 99	$ 81	$ 294	$ 154

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CAPITAL
FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998

(In millions)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
CAPITAL STOCK SHARES						
BALANCE, DECEMBER 31, 1997	189		13	19	14	20
Proceeds from sale of capital stock	59		2	5	10	8
Redemption of capital stock	(31)			(1)	(7)	(5)
Capital stock dividends	6					
BALANCE, DECEMBER 31, 1998	223		15	23	17	23
Proceeds from sale of capital stock	88		4	8	16	19
Redemption of capital stock	(35)		(1)	(1)	(10)	(9)
Capital stock dividends	8					
BALANCE, DECEMBER 31, 1999	284		18	30	23	33
Proceeds from sale of capital stock	66		4	8	9	13
Redemption of capital stock	(55)		(3)	(2)	(11)	(11)
Capital stock dividends	10					
BALANCE, DECEMBER 31, 2000	305		19	36	21	35
CAPITAL STOCK—PAR VALUE						
BALANCE, DECEMBER 31, 1997	$18,833	$	$1,318	$1,851	$ 1,388	$ 2,026
Proceeds from sale of capital stock	6,064		212	492	1,044	843
Redemption of capital stock	(3,212)		(31)	(55)	(677)	(519)
Capital stock dividends	602					
BALANCE, DECEMBER 31, 1998	22,287		1,499	2,288	1,755	2,350
Proceeds from sale of capital stock	8,851		392	788	1,577	1,921
Redemption of capital stock	(3,478)		(62)	(53)	(1,014)	(943)
Capital stock dividends	701					
BALANCE, DECEMBER 31, 1999	28,361		1,829	3,023	2,318	3,328
Proceeds from sale of capital stock	6,636		434	755	809	1,322
Redemption of capital stock	(5,470)		(405)	(152)	(1,062)	(1,144)
Capital stock dividends	1,010					
BALANCE, DECEMBER 31, 2000	$30,537	$	$1,858	$3,626	$ 2,065	$ 3,506

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
17	11	11	13	13	8	35	15
2	2	5	8	6	1	8	2
(1)	(1)	(3)	(6)	(5)	(1)	(1)	
1				1	1	2	1
19	12	13	15	15	9	44	18
3	2	4	9	4	4	13	2
		(2)	(2)	(2)	(2)	(6)	
2				1	1	3	1
24	14	15	22	18	12	54	21
5	1	4	3	4	3	10	2
(3)		(4)	(8)	(3)	(3)	(5)	(2)
2		1		2		4	1
28	15	16	17	21	12	63	22
$1,672	$1,068	$1,137	$1,302	$1,287	$ 764	$3,535	$1,485
191	214	473	836	621	140	781	217
(80)	(126)	(346)	(640)	(472)	(104)	(136)	(26)
124				75	60	221	122
1,907	1,156	1,264	1,498	1,511	860	4,401	1,798
341	280	352	893	446	398	1,294	169
(34)	(17)	(166)	(162)	(247)	(179)	(575)	(26)
147				89	68	254	143
2,361	1,419	1,450	2,229	1,799	1,147	5,374	2,084
536	171	474	329	443	293	976	94
(294)	(40)	(407)	(814)	(268)	(222)	(499)	(163)
186		114		153		417	140
$2,789	$1,550	$1,631	$1,744	$2,127	$1,218	$6,268	$2,155

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES STATEMENTS OF CAPITAL
FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998—(Continued)

(In millions of dollars)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
RESTRICTED RETAINED EARNINGS						
BALANCE, DECEMBER 31, 1997	$ 18	$	$ 1	$ 1	$ 1	$ 1
Transfers to (from) unrestricted retained earnings	59			3	1	
BALANCE, DECEMBER 31, 1998	77		1	4	2	1
Transfers to (from) unrestricted retained earnings	(8)		1	(1)		
BALANCE, DECEMBER 31, 1999	69		2	3	2	1
Transfers to (from) unrestricted retained earnings	(69)		(2)	(3)	(2)	(1)
BALANCE, DECEMBER 31, 2000	$	$	$	$	$	$
UNRESTRICTED RETAINED EARNINGS						
BALANCE, DECEMBER 31, 1997	$ 326	$ 6	$ 24	$ 30	$ 52	$ 51
Net income	1,778	(30)	116	186	143	221
Transfers (to) from restricted retained earnings	(59)			(3)	(1)	
Dividends on capital stock:						
Cash	(752)		(91)	(147)	(101)	(159)
Stock	(602)					
Capital distributions to REFCORP	(300)		(19)	(32)	(23)	(37)
BALANCE, DECEMBER 31, 1998	391	(24)	30	34	70	76
Net income	2,128	24	137	244	184	282
Transfers (to) from restricted retained earnings	8		(1)	1		
Dividends on capital stock:						
Cash	(935)		(110)	(177)	(132)	(213)
Stock	(701)					
Capital distributions to REFCORP	(300)		(19)	(35)	(26)	(40)
BALANCE, DECEMBER 31, 1999	591		37	67	96	105
Net income	2,211		146	277	173	298
Transfers (to) from restricted retained earnings	69		2	3	2	1
Dividends on capital stock:						
Cash	(1,132)		(138)	(226)	(161)	(261)
Stock	(1,010)					
BALANCE, DECEMBER 31, 2000	$ 729	$	$ 47	$ 121	$ 110	$ 143

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 1	$	$	$ 1	$ 3	$	$ 3	$ 6
16	1	2	5	1		28	2
17	1	2	6	4		31	8
(10)		(2)	(2)	(1)	1	8	(2)
7	1		4	3	1	39	6
(7)	(1)		(4)	(3)	(1)	(39)	(6)
$	$	$	$	$	$	$	$
$ 21	$ 21	$ 21	$ 17	$ 48	$ 26	$ 6	$ 3
176	111	111	116	99	81	294	154
(16)	(1)	(2)	(5)	(1)		(28)	(2)
	(91)	(79)	(84)				
(124)				(75)	(60)	(221)	(122)
(29)	(18)	(18)	(22)	(16)	(13)	(48)	(25)
28	22	33	22	55	34	3	8
173	125	131	132	109	90	332	165
10		2	2	1	(1)	(8)	2
	(103)	(92)	(108)				
(147)				(89)	(68)	(254)	(143)
(25)	(18)	(19)	(17)	(16)	(13)	(48)	(24)
39	26	55	31	60	42	25	8
193	127	129	124	129	99	377	139
7	1		4	3	1	39	6
	(123)		(130)		(93)		
(186)		(114)		(153)		(417)	(140)
$ 53	$ 31	$ 70	$ 29	$ 39	$ 49	$ 24	$ 13

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CAPITAL
FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998—(Continued)

(In millions of dollars)

	Combined	Combining Adjustment	Boston	New York	Pittsburgh	Atlanta
TOTAL RETAINED EARNINGS						
BALANCE, DECEMBER 31, 1997	$ 344	$ 6	$ 25	$ 31	$ 53	$ 52
Net income	1,778	(30)	116	186	143	221
Dividends on capital stock:						
Cash	(752)		(91)	(147)	(101)	(159)
Stock	(602)					
Capital distributions to REFCORP	(300)		(19)	(32)	(23)	(37)
BALANCE, DECEMBER 31, 1998	468	(24)	31	38	72	77
Net income	2,128	24	137	244	184	282
Dividends on capital stock:						
Cash	(935)		(110)	(177)	(132)	(213)
Stock	(701)					
Capital distributions to REFCORP	(300)		(19)	(35)	(26)	(40)
BALANCE, DECEMBER 31, 1999	660		39	70	98	106
Net income	2,211		146	277	173	298
Dividends on capital stock:						
Cash	(1,132)		(138)	(226)	(161)	(261)
Stock	(1,010)					
BALANCE, DECEMBER 31, 2000	$ 729	$	$ 47	$ 121	$ 110	$ 143
ACCUMULATED OTHER COMPREHENSIVE INCOME						
BALANCE, DECEMBER 31, 1997	$ (3)	$	$	$	$ (3)	$
Other comprehensive income:						
Net unrealized (loss) gain on available-for-sale securities					(1)	
BALANCE, DECEMBER 31, 1998	(3)				(4)	
Other comprehensive income:						
Net unrealized (loss) gain on available-for-sale securities	(3)		1		1	
BALANCE, DECEMBER 31, 1999	(6)		1		(3)	
Other comprehensive income:						
Net unrealized gain on available-for-sale securities	5				2	
BALANCE, DECEMBER 31, 2000	$ (1)	$	$ 1	$	$ (1)	$

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 22	$ 21	$ 21	$ 18	$ 51	$ 26	$ 9	$ 9
176	111	111	116	99	81	294	154
	(91)	(79)	(84)				
(124)				(75)	(60)	(221)	(122)
(29)	(18)	(18)	(22)	(16)	(13)	(48)	(25)
45	23	35	28	59	34	34	16
173	125	131	132	109	90	332	165
	(103)	(92)	(108)				
(147)				(89)	(68)	(254)	(143)
(25)	(18)	(19)	(17)	(16)	(13)	(48)	(24)
46	27	55	35	63	43	64	14
193	127	129	124	129	99	377	139
	(123)		(130)		(93)		
(186)		(114)		(153)		(417)	(140)
$ 53	$ 31	$ 70	$ 29	$ 39	$ 49	$ 24	$ 13
$	$	$	$	$	$	$	$
1							
1							
(5)							
(4)							
3							
$ (1)	$	$	$	$	$	$	$

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CAPITAL FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998—(Continued)

(In millions of dollars)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
TOTAL CAPITAL						
BALANCE, DECEMBER 31, 1997	$19,174	$ 6	$1,343	$1,882	$ 1,438	$ 2,078
Proceeds from sale of capital stock	6,064		212	492	1,044	843
Redemption of capital stock	(3,212)		(31)	(55)	(677)	(519)
Comprehensive income:						
Net income	1,778	(30)	116	186	143	221
Other comprehensive income:						
Net unrealized (loss) gain on available-for-sale securities					(1)	
Total comprehensive income	$ 1,778	$(30)	$ 116	$ 186	$ 142	$ 221
Dividend on capital stock:						
Cash	(752)		(91)	(147)	(101)	(159)
Capital distributions to REFCORP	(300)		(19)	(32)	(23)	(37)
BALANCE, DECEMBER 31, 1998	$22,752	$(24)	$1,530	$2,326	$ 1,823	$ 2,427
Proceeds from sale of capital stock	8,851		392	788	1,577	1,921
Redemption of capital stock	(3,478)		(62)	(53)	(1,014)	(943)
Comprehensive income:						
Net income	2,128	24	137	244	184	282
Other comprehensive income:						
Net unrealized (loss) gain on available-for-sale securities	(3)		1		1	
Total comprehensive income	$ 2,125	$ 24	$ 138	$ 244	$ 185	$ 282
Dividend on capital stock:						
Cash	(935)		(110)	(177)	(132)	(213)
Capital distributions to REFCORP	(300)		(19)	(35)	(26)	(40)
BALANCE, DECEMBER 31, 1999	$29,015	$	$1,869	$3,093	$ 2,413	$ 3,434
Proceeds from sale of capital stock	6,636		434	755	809	1,322
Redemption of capital stock	(5,470)		(405)	(152)	(1,062)	(1,144)
Comprehensive income:						
Net income	2,211		146	277	173	298
Other comprehensive income:						
Net unrealized gain on available-for-sale securities	5				2	
Total comprehensive income	$ 2,216	$	$ 146	$ 277	$ 175	$ 298
Dividend on capital stock:						
Cash	(1,132)		(138)	(226)	(161)	(261)
BALANCE, DECEMBER 31, 2000	$31,265	$	$1,906	$3,747	$ 2,174	$ 3,649

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$1,694	$1,089	$1,158	$1,320	$1,338	$ 790	$3,544	$1,494
191	214	473	836	621	140	781	217
(80)	(126)	(346)	(640)	(472)	(104)	(136)	(26)
176	111	111	116	99	81	294	154
1							
$ 177	$ 111	$ 111	$ 116	$ 99	$ 81	$ 294	$ 154
	(91)	(79)	(84)				
(29)	(18)	(18)	(22)	(16)	(13)	(48)	(25)
$1,953	$1,179	$1,299	$1,526	$1,570	$ 894	$4,435	$1,814
341	280	352	893	446	398	1,294	169
(34)	(17)	(166)	(162)	(247)	(179)	(575)	(26)
173	125	131	132	109	90	332	165
(5)							
$ 168	$ 125	$ 131	$ 132	$ 109	$ 90	$ 332	$ 165
	(103)	(92)	(108)				
(25)	(18)	(19)	(17)	(16)	(13)	(48)	(24)
$2,403	$1,446	$1,505	$2,264	$1,862	$1,190	$5,438	$2,098
536	171	474	329	443	293	976	94
(294)	(40)	(407)	(814)	(268)	(222)	(499)	(163)
193	127	129	124	129	99	377	139
3							
$ 196	$ 127	$ 129	$ 124	$ 129	$ 99	$ 377	$ 139
	(123)		(130)		(93)		
$2,841	$1,581	$1,701	$1,773	$2,166	$1,267	$6,292	$2,168

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2000

(In millions of dollars)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
OPERATING ACTIVITIES						
Net income	$ 2,211	$	$ 146	$ 277	$ 173	$ 298
Extraordinary (gain) loss on early retirement of debt	(7)				(1)	
Income before extraordinary item	2,204		146	277	172	298
Adjustments to reconcile income before extraordinary item to net cash provided by operating activities:						
Depreciation and amortization:						
Net premiums and discounts on consolidated obligations and investments, and deferred costs and deferred fees received on interest-rate exchange agreements	5,147		900	(8)	170	279
Concessions on consolidated obligations	78		1	3	10	19
Deferred loss (gain) on interest-rate exchange agreements, net	24		15		(8)	
FHLBank premises and equipment	16		1	1	3	1
Premiums and discounts on mortgage loans	5					
Other	(1)					
Provision for credit losses on mortgage loans	2					
Loss due to change in net mark to market adjustment for interest-rate exchange agreements in which the FHLBanks are intermediaries	5					
Net realized gains on available-for-sale securities	(2)				(2)	
(Increase) decrease in accrued interest receivable	(2,504)	(13)	(19)	(422)	(243)	(272)
Decrease (increase) in other assets	257		(1)	(1)	(5)	(9)
Increase in Affordable Housing Program (AHP) liability and discount on AHP advances	100		7	22	5	13
Increase (decrease) in accrued interest payable	2,335	13	24	271	(13)	271
Increase in REFCORP liability	71		5	11	5	8
(Decrease) increase in other liabilities	(223)		19	12	2	(66)
Total adjustments	5,310		952	(111)	(76)	244
Net cash provided by operating activities	7,514		1,098	166	96	542
INVESTING ACTIVITIES						
Net (increase) decrease in interest-bearing deposits in banks	(8,184)		(100)	(3,679)	213	114
Net decrease (increase) in federal funds sold	2,947		(1,362)	(2,133)	(3,405)	1,431
Net decrease (increase) in securities purchased under resale agreements	1,339		(100)			
Net decrease (increase) in short-term held-to-maturity securities	1,208		(990)		467	2,067
Proceeds from sales of long-term held-to-maturity securities	20					
Proceeds from maturities of long-term held-to-maturity securities	13,596	(858)	1,058	1,557	1,052	1,731
Purchases of long-term held-to-maturity securities	(24,182)	471	(1,090)	(3,585)	(2,206)	(2,446)
Proceeds from sales of available-for-sale securities	750				750	
Proceeds from maturities of available-for-sale securities	21,656	(110)	1		363	
Purchases of available-for-sale securities	(22,134)					
Principal collected on advances	4,637,522		532,276	1,044,957	368,169	76,788
Advances made	(4,679,644)		(531,382)	(1,052,944)	(357,589)	(89,822)
Principal collected on mortgage loans	469			40	36	12
Mortgage loans made	(14,600)		(17)	(340)	(1,943)	(351)
Principal collected on other loans	(1,225)		1			
Net decrease (increase) in loans to other FHLBanks		1	(1)			
Increase in bank premises and equipment	(44)		(1)	(5)	(6)	(1)
Net cash (used in) provided by investing activities	(70,506)	(496)	(1,707)	(16,132)	5,901	(10,477)

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 193	$ 127	$ 129	$ 124	$ 129	$ 99	$ 377	$ 139
		2		(4)		(1)	(3)
193	127	131	124	125	99	376	136
1,337	354	319	564	290	329	(253)	866
1	1	7	1	10	2	14	9
		1	1			14	1
1	1	2	1	4		1	
		4	1				
(1)							
			2				
			5				
(121)	(200)	(17)	(56)	(56)	(59)	(1,037)	11
(2)	(4)	(3)	(14)	305	(9)		
16	3	5	3	6	2	18	
37	249	90	(32)	34	92	1,282	17
8	4	4	4	4	4	14	
(3)	(40)	60	(109)	32	(182)	1	51
1,273	368	472	371	629	179	54	955
1,466	495	603	495	754	278	430	1,091
(2,606)	255		(20)	200	(1,086)	(996)	(479)
1,537	1,419	773	2,720	(157)	1,716	260	148
		5	(800)			2,159	75
	7	473	832	500	(359)	(1,130)	(659)
							20
1,091	689	1,017	833	996	877	1,844	1,709
(2,536)	(1,193)	(658)	(1)	(1,050)	(1,442)	(5,556)	(2,890)
21,263	139						
(22,134)							
1,176,639	40,426	31,172	86,248	747,311	164,914	316,901	51,721
(1,180,444)	(45,066)	(32,467)	(84,456)	(750,472)	(166,904)	(336,420)	(51,678)
	1	253	96	27			4
(31)	(31)	(6,742)	(3,314)	(1,404)	(5)		(422)
							(1,226)
	(1)	(7)	(1)	(20)		(1)	(1)
(7,221)	(3,355)	(6,181)	2,137	(4,069)	(2,289)	(22,939)	(3,678)

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CASH FLOWS—(Continued) FOR THE YEAR ENDED DECEMBER 31, 2000

(In millions of dollars)

	Combined	Combined Adjustments	Boston	New York	Pittsburgh	Atlanta
FINANCING ACTIVITIES						
Net increase (decrease) in deposits	$ 5	$	$ 238	$ (492)	$ 191	$ (112)
Net decrease in securities sold under agreements to repurchase	(543)					
Net decrease in other borrowings	(1)	(1)				
Net proceeds from sale of consolidated obligations:						
Discount notes	4,090,586		363,117	749,344	222,959	145,243
Bonds	217,297	(471)	8,010	23,430	5,320	24,247
Payments for maturing and retiring consolidated obligations:						
Discount notes	(4,077,439)		(365,349)	(740,708)	(224,815)	(143,576)
Bonds	(170,223)	968	(5,525)	(18,871)	(9,119)	(15,753)
Proceeds from issuance of capital stock	6,636		434	755	809	1,322
Payments for redemption of capital stock	(5,470)		(405)	(152)	(1,062)	(1,144)
Cash dividends paid	(1,151)		(131)	(226)	(161)	(260)
Net cash provided by (used in) financing activities	59,697	496	389	13,080	(5,878)	9,967
Net (decrease) increase in cash and cash equivalents	(3,295)		(220)	(2,886)	119	32
Cash and cash equivalents at beginning of period	4,047		230	2,911	322	14
Cash and cash equivalents at end of period	$ 752	$	$ 10	$ 25	$ 441	$ 46
Supplemental Disclosures:						
Interest paid	$ 30,571		$ 2,060	$ 3,707	$ 2,649	$ 3,693
Stock dividends issued	$ 1,010					

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 117	$ (54)	$ (867)	$ 221	$ 130	$ 423	$ 49	$ 161
	(19)			(124)			(400)
762,621	520,474	350,489	73,508	80,533	286,847	252,743	282,708
11,736	11,116	36,697	9,871	8,544	10,873	54,750	13,174
(756,921)	(523,770)	(352,419)	(75,352)	(76,804)	(287,894)	(251,340)	(278,491)
(12,065)	(4,871)	(28,399)	(10,374)	(9,336)	(8,216)	(34,166)	(14,496)
536	171	474	329	443	293	976	94
(294)	(40)	(407)	(814)	(268)	(222)	(499)	(163)
	(123)	(27)	(130)		(93)		
5,730	2,884	5,541	(2,741)	3,118	2,011	22,513	2,587
(25)	24	(37)	(109)	(197)		4	
37	12	41	181	292	1	1	5
$ 12	$ 36	$ 4	$ 72	$ 95	$ 1	$ 5	$ 5
$ 1,594	$ 1,157	$ 1,490	$ 1,616	$ 2,515	$ 1,352	$ 6,197	$ 2,541
$ 186		$ 114		$ 153		$ 417	$ 140

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 1999

(In millions of dollars)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
OPERATING ACTIVITIES						
Net income	$ 2,128	$ 24	$ 137	$ 244	$ 184	$ 282
Extraordinary gain on early retirement of debt	(1)					
Income before extraordinary item	2,127	24	137	244	184	282
Adjustments to reconcile income before extraordinary item to net cash provided by operating activities:						
Depreciation and amortization:						
Net premiums and discounts on consolidated obligations and investments, and deferred costs and deferred fees received on interest-rate exchange agreements	3,283		654	(9)	75	146
Concessions on consolidated obligations	120		1	3	2	50
Deferred loss (gain) on interest-rate exchange agreements, net	15		(1)		1	1
FHLBank premises and equipment	12		1	1	2	1
Other						
Provision for credit losses on mortgage loans	1					
Loss (gain) due to change in net mark to market adjustment for interest-rate exchange agreements in which FHLBanks are intermediaries	9		1			
Gain on disposal of bank premises and equipment	(5)					
(Increase) decrease in accrued interest receivable	(2,946)	(92)	(69)	(161)	(456)	(569)
(Increase) decrease in other assets	(281)	(24)	2	(1)	5	5
Increase in Affordable Housing Program (AHP) liability and discount on AHP advances	64		5	12	7	6
Increase (decrease) in accrued interest payable	3,329	92	83	265	354	781
(Decrease) increase in other liabilities	(537)		(5)	(1)	(16)	(373)
Total adjustments	3,064	(24)	672	109	(26)	48
Net cash provided by operating activities	5,191		809	353	158	330
INVESTING ACTIVITIES						
Net (increase) decrease in interest-bearing deposits in banks	(5,238)			(1,696)	(1,355)	(590)
Net (increase) decrease in federal funds sold	(9,687)		2,066	1,645	282	(2,874)
Net decrease (increase) in securities purchased under resale agreements	1,234		150			
Net (increase) decrease in short-term held-to-maturity securities	(3,260)		(274)		(216)	(1,438)
Proceeds from sales of long-term held-to-maturity securities	8					
Proceeds from maturities of long-term held-to-maturity securities	24,806	(596)	1,789	1,915	2,040	3,140
Purchases of long-term held-to-maturity securities	(40,868)	48	(3,026)	(4,124)	(2,962)	(6,262)
Proceeds from sales of available-for-sale securities	303					
Proceeds from maturities of available-for-sale securities	43,119	(400)	1		456	
Purchases of available-for-sale securities	(43,759)		(37)		(926)	
Principal collected on advances	2,469,535	320	177,277	681,877	339,365	47,904
Principal collected on advances participated from another FHLBank		(320)			(280)	
Advances made	(2,577,096)		(184,346)	(694,769)	(349,842)	(59,559)
Principal collected on mortgage loans	110				7	7
Mortgage loans made	(1,166)			(222)	(4)	(74)
Principal collected on other loans	1		1			
Net (increase) decrease in loans to other FHLBanks		(325)		150		75
Decrease (increase) in bank premises and equipment	65		(1)	(3)	(2)	
Net cash used in investing activities	(141,893)	(1,273)	(6,400)	(15,227)	(13,437)	(19,671)

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 173	$ 125	$ 131	$ 132	$ 109	$ 90	$ 332	$ 165
						(1)	
173	125	131	132	109	90	331	165
596	321	271	457	138	215	(130)	549
4	1	8	1	29	1	8	12
			1	(1)		13	1
1	1	1	1	1		2	
(1)		1					
		1					
			8				
						(5)	
(180)	(73)	70	(250)	(178)	(149)	(578)	(261)
(1)	(2)	15	(3)	(303)		26	
12	1	5		2	4	10	
170	88	(51)	186	223	160	787	191
	52	2	(102)	(83)		(15)	4
601	389	323	299	(172)	231	118	496
774	514	454	431	(63)	321	449	661
(261)	(135)		(125)	(200)	119	(1,300)	305
(2,453)	(657)	(904)	(1,902)	(1,015)	(695)	(3,742)	562
	(45)	802	309		100	(332)	250
	431	(830)	(265)	(521)	21	(867)	699
							8
1,908	1,299	1,735	1,425	2,187	1,680	1,614	4,670
(3,519)	(2,196)	(2,203)	(2,018)	(2,924)	(2,261)	(3,000)	(6,421)
	303						
42,947	115						
(42,493)	(303)						
467,743	33,990	25,651	60,244	342,194	60,233	195,964	36,773
					600		
(478,006)	(39,034)	(27,919)	(64,521)	(347,036)	(67,668)	(222,490)	(41,906)
		96					
	(1)	(786)	(76)	(3)			
					50		50
(1)	(1)	(5)		(13)		91	
(14,135)	(6,234)	(4,363)	(6,929)	(7,331)	(7,821)	(34,062)	(5,010)

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CASH FLOWS—(Continued) FOR THE YEAR ENDED DECEMBER 31, 1999

(In millions of dollars)

	Combined	Combined Adjustments	Boston	New York	Pittsburgh	Atlanta
FINANCING ACTIVITIES						
Net decrease in deposits	$ (7,739)	$	$ (699)	$ (328)	$ (1,020)	$ (695)
Net (decrease) increase in securities sold under repurchase agreements	(105)					
Net decrease in other borrowings	(336)					
Net increase (decrease) in loans from other FHLBanks		325				
Net proceeds from sale of consolidated obligations:						
Discount notes	2,883,705		180,871	436,946	56,349	34,747
Bonds	244,700	(48)	8,433	28,154	23,129	31,692
Payments for maturing and retiring consolidated obligations:						
Discount notes	(2,861,458)		(179,261)	(439,139)	(56,088)	(33,974)
Bonds	(122,854)	996	(3,737)	(8,406)	(9,456)	(13,218)
Proceeds from issuance of capital stock	8,849		391	788	1,578	1,921
Payments for redemption of capital stock	(3,480)		(62)	(53)	(1,014)	(943)
Cash dividends paid	(919)		(102)	(177)	(132)	(213)
Cash distributions to REFCORP	(300)		(19)	(35)	(26)	(37)
Net cash provided by financing activities	140,063	1,273	5,815	17,750	13,320	19,280
Net increase (decrease) in cash and cash equivalents	3,361		224	2,876	41	(61)
Cash and cash equivalents at beginning of period	686		6	35	281	75
Cash and cash equivalents at end of period	$ 4,047	$	$ 230	$ 2,911	$ 322	$ 14
Supplemental disclosures:						
Interest paid	$ 19,166		$ 1,473	$ 2,088	$ 1,631	$ 1,929
Stock dividends	$ 701					

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ (570)	$ (414)	$ (1,277)	$ (638)	$ (432)	$ (690)	$ (151)	$ (825)
	19			(167)		(150)	193
		(200)	(130)			(6)	
			(175)			(150)	
628,670	455,549	291,673	123,981	41,865	229,032	159,964	244,058
17,454	9,565	9,259	15,001	26,755	10,197	50,946	14,163
(624,862)	(453,488)	(289,228)	(125,086)	(45,010)	(229,120)	(140,822)	(245,380)
(7,587)	(5,675)	(6,368)	(6,965)	(15,585)	(2,186)	(36,690)	(7,977)
340	280	351	893	446	398	1,294	169
(34)	(17)	(166)	(162)	(247)	(180)	(576)	(26)
	(103)	(85)	(107)				
(27)	(17)	(19)	(19)	(16)	(12)	(48)	(25)
13,384	5,699	3,940	6,593	7,609	7,439	33,611	4,350
23	(21)	31	95	215	(61)	(2)	1
14	33	11	86	77	62	3	3
$ 37	$ 12	$ 42	$ 181	$ 292	$ 1	$ 1	$ 4
$ 1,222	$ 855	$ 1,079	$ 940	$ 1,688	$ 800	$ 3,810	$ 1,651
$ 147				$ 89	$ 68	$ 254	$ 143

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 1998

(In millions of dollars)

	Combined	Combining Adjustment	Boston	New York	Pittsburgh	Atlanta
OPERATING ACTIVITIES						
Net income	$ 1,778	$ (30)	$ 116	$ 186	$ 143	$ 221
Adjustments to reconcile net income to net cash provided by operating activities:						
Depreciation and amortization:						
Net premiums and discounts on consolidated obligations, investments, and interest-rate exchange agreements	3,499		534	23	97	162
Concessions on consolidated obligations	145		2	9	2	59
Deferred loss (gain) on interest-rate exchange agreements, net	3				1	1
FHLBank premises and equipment	15		1	1	2	2
Other						
(Increase) decrease in accrued interest receivable	(1,122)	22	(63)	(107)	(174)	(200)
(Increase) decrease in other assets	(58)	30	(3)	(1)	(10)	(7)
Increase in Affordable Housing Program (AHP) liability and discount on AHP advances	70		2	9	6	12
Increase (decrease) accrued interest payable	1,066	(22)	34	20	141	216
Increase (decrease) in other liabilities	616		5	(18)	(15)	449
Total adjustments	4,234	30	512	(64)	50	694
Net cash provided by operating activities	6,012		628	122	193	915
INVESTING ACTIVITIES						
Net decrease (increase) in interest-bearing deposits in banks	3,312		30		315	(74)
Net decrease (increase) in federal funds sold	6,726		(1,712)	4,300	999	672
Net (increase) decrease in securities purchased under resale agreement	(1,016)		110			
Net decrease (increase) in short term held-to-maturity securities	2,901		198		27	226
Proceeds from sales of long term held-to-maturity securities	242					
Proceeds from maturities of long term held-to-maturity securities	42,403	(6,139)	2,062	16,918	2,338	5,175
Purchase of long term held-to-maturity securities	(47,772)	3,706	(2,905)	(18,096)	(2,332)	(4,256)
Proceeds from sales of available-for-sale securities	325					
Proceeds from maturities of available-for-sale securities	55,386	242			193	
Purchase of available-for-sale securities	(57,754)	(155)			(809)	
Principal collected on advances	939,607		50,800	190,576	135,259	37,435
Principal collected on advances participated from another FHLBank		(306)	1	6	280	7
Advances made	(1,025,853)		(54,168)	(202,492)	(144,330)	(47,868)
Principal collected on mortgage loans	27					
Mortgage loans made	(956)			(5)	(5)	(13)
Principal collected on other loans			1	(1)		
Net (increase) decrease in loans to other FHLBanks		(28)		(150)		103
(Increase) decrease in bank premises and equipment	(15)		(1)	(3)	(6)	(2)
Net cash used in investing activities	(82,437)	(2,680)	(5,584)	(8,947)	(8,071)	(8,595)

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 176	$ 111	$ 111	$ 116	$ 99	$ 81	$ 294	$ 154
566	147	227	1,163	67	209	(127)	431
5	6	11	2	20	1	3	25
	(4)	1		(4)		7	1
1	1	1	1		1	4	
(1)					(2)		3
45	1	(169)	(52)	(126)	15	(325)	11
	6	(13)	(3)	(55)	1	(3)	
14	5	3	3	1	4	11	
15	(12)	176	68	125	(31)	354	(18)
3	(9)	1	198	26	1	(25)	
648	141	238	1,380	54	199	(101)	453
824	252	349	1,496	153	280	193	607
1,212	1,268	55	301	772	16	(303)	(280)
1,477	959	(345)	2,981	(478)	138	(2,565)	300
		(367)	(284)	517	385	(1,052)	(325)
569	544	856	1,048	111	1,072	(1,151)	(599)
			212				30
1,999	1,750	3,084	2,206	3,000	2,032	1,727	6,251
(3,057)	(1,861)	(2,343)	(2,626)	(3,162)	(2,362)	(1,766)	(6,712)
160	165						
54,634	317						
(55,415)	(1,375)						
171,901	31,923	15,464	25,009	108,161	39,061	101,723	32,295
2		2		5	3		
(175,052)	(34,870)	(20,008)	(33,123)	(117,309)	(41,974)	(116,440)	(38,219)
		27					
	(5)	(925)		(3)			
100	75				(50)		(50)
(1)	(1)	(2)	(1)		4	(2)	
(1,471)	(1,111)	(4,502)	(4,277)	(8,386)	(1,675)	(19,829)	(7,309)

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CASH FLOWS—(Continued)
FOR THE YEAR ENDED DECEMBER 31, 1998

(In millions of dollars)

	Combined	Combining Adjustment	Boston	New York	Pittsburgh	Atlanta
FINANCING ACTIVITIES						
Net increase in deposits	$ 6,875	$	$ 838	$ 757	$ 1,013	$ 1,025
Net increase in securities sold under agreements to repurchase	405					
Net increase (decrease) in other borrowings	80				(50)	
Net increase (decrease) in loans from other FHLBanks		28			(228)	
Net proceeds from sale of consolidated obligations:						
Discount notes	2,275,824		96,098	384,337	48,735	19,360
Bonds	284,375		11,316	14,047	25,887	42,119
Payments for maturing/retiring consolidated obligations:						
Discount notes	(2,250,973)		(92,805)	(376,329)	(49,935)	(20,439)
Bonds	(241,889)	2,652	(10,561)	(14,242)	(17,712)	(34,517)
Proceeds from issuance of capital stock	6,064		212	492	1,044	843
Payments for redemption of capital stock	(3,212)		(31)	(55)	(677)	(518)
Cash dividends paid	(751)		(89)	(147)	(101)	(160)
Distribution to REFCORP	(300)		(20)	(31)	(23)	(38)
Net cash provided by financing activities	76,498	2,680	4,958	8,829	7,953	7,675
Net increase (decrease) in cash and cash equivalents	73		2	4	75	(5)
Cash and cash equivalents at beginning of year	613		4	31	206	80
Cash and cash equivalents at end of year	$ 686	$	$ 6	$ 35	$ 281	$ 75
Supplemental disclosures:						
Interest paid	$ 17,060		$ 1,358	$ 1,948	$ 1,355	$ 1,872
Stock dividends	$ 602					

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 411	$ 491	$ 409	$ 727	$ 417	$ 228	$ 162	$ 397
				53		150	202
(200)		200	130				
			50			150	
637,541	290,927	260,693	47,782	12,227	125,014	133,103	220,007
10,224	18,558	12,385	30,572	15,998	7,655	75,641	19,973
(637,679)	(289,407)	(260,601)	(47,698)	(8,000)	(121,847)	(130,784)	(215,449)
(9,744)	(19,693)	(8,979)	(28,853)	(12,581)	(9,682)	(59,383)	(18,594)
191	214	473	837	621	140	781	216
(80)	(126)	(346)	(640)	(472)	(105)	(136)	(26)
	(91)	(78)	(85)				
(27)	(19)	(18)	(19)	(17)	(14)	(49)	(25)
637	854	4,138	2,803	8,246	1,389	19,635	6,701
(10)	(5)	(15)	22	13	(6)	(1)	(1)
24	38	26	64	64	68	4	4
$ 14	$ 33	$ 11	$ 86	$ 77	$ 62	$ 3	$ 3
$ 983	$ 976	$ 778	$ 857	$ 1,369	$ 843	$ 3,119	$ 1,602
$ 124				$ 75	$ 60	$ 221	$ 122