Important Cautionary Note Regarding
Previously Reported Combined Financial Results

As of August 8, 2006, all 12 Federal Home Loan Bank (FHLBank) SEC registrations were effective, and the required reports for each FHLBank were available on the SEC EDGAR database. On November 8, 2006, the 2005 Combined Financial Report was published and thereafter distributed to the FHLBanks and their members, and to investors in connection with the offer and sale of consolidated bonds and consolidated discount notes (collectively referred to as consolidated obligations) of the FHLBanks.

The FHLBanks Combined Financial Statements for 2001 have been restated. The FHLBanks Office of Finance Board of Directors previously determined that the original 2003, 2002 and 2001 FHLBanks audited Combined Financial Statements should no longer be relied upon due to restatements at seven FHLBanks. The restatement is now complete, and corrected data can be viewed in the 2005 Combined Financial Report on this web site.

The original 2001 FHLBanks Combined Financial Report is made available for informational purposes and historical reference only.

FEDERAL HOME LOAN BANKS

2001

UNAUDITED COMBINED FINANCIAL INFORMATION

The Federal Home Loan Banks Office of Finance is providing an unaudited Combined Statement of Condition as of December 31, 2001, and the unaudited Combined Statements of Income, Capital and Cash Flows for the year ended December 31, 2001. Supporting unaudited combining schedules and footnotes, including one explaining the restatements, are also being provided. The Federal Home Loan Banks Office of Finance Board of Directors previously determined that the original 2003, 2002 and 2001 Federal Home Loan Banks' audited Combined Financial Statements should no longer be relied upon due to restatements at seven Federal Home Loan Banks. These reports remain posted on the Federal Home Loan Banks Office of Finance's web site for informational purposes. For the convenience of the readers of the combined financial reports, unaudited restated 2001 financial information is being provided in this document. This Unaudited Combined Financial Information is also being provided as a condition to the Federal Housing Finance Board's waiver of its requirement that the Federal Home Loan Banks provide an Audited Restated Combined Financial Report for 2001. See the Finance Board's Resolution "2007-10 Waivers Concerning Preparation of Combined Financial Reports," in the Regulation/Supervision Section of the Finance Board's web site located at www.fhfb.gov for more information.

As of August 8, 2006, all 12 Federal Home Loan Banks' Securities and Exchange Commission registrations were effective, and the required reports for each Federal Home Loan Bank were available on the Securities and Exchange Commission EDGAR database. On November 8, 2006, the 2005 Combined Financial Report was published and thereafter distributed to the Federal Home Loan Banks and their members, and to investors in connection with the offer and sale of consolidated bonds and consolidated discount notes (collectively referred to as consolidated obligations) of the Federal Home Loan Banks. See the 2005 Combined Financial Report for audited financial statements and discussions of the FHLBanks' business, risk factors, risk management, restatements and other general information related to the FHLBanks for certain periods including the period covered by the financial statements herein. The unaudited information in this document is a subset of the summary financial data included in the 2005 Combined Financial Report dated November 8, 2006.

The Securities Act of 1933, as amended, does not require the registration of consolidated obligations. No registration statement has been filed with the Securities and Exchange Commission with respect to the consolidated obligations. None of the Securities and Exchange Commission, the Federal Housing Finance Board, or any State securities commission has approved or disapproved the consolidated obligations or has passed upon the accuracy or adequacy of any offering material.

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

Neither this Unaudited Combined Financial Information nor any offering material provided by the Office of Finance on behalf of the Federal Home Loan Banks concerning any offering of consolidated obligations describes all the risks of investing in consolidated obligations. Prior to investing in consolidated obligations you should consult your financial and legal advisors about the risks of investing in any particular issue of consolidated obligations.

The financial information contained in this Unaudited Combined Financial Information is as of and for periods ended on or before December 31, 2001. This document is available on the Federal Home Loan Banks' Office of Finance web site at: www.fhlb-of.com.

You should direct questions about the Federal Home Loan Banks' Unaudited Combined Financial Information to the Federal Home Loan Banks Office of Finance, Senior Director of Accounting Policy & Financial Reporting. You should direct questions about the Federal Home Loan Banks' consolidated obligations to the Federal Home Loan Banks Office of Finance, Marketing & Corporate Communications Division. The address is Federal Home Loan Banks' Office of Finance, 11921 Freedom Drive, Suite 1000, Reston, VA 20190, (703) 467-3600, and the web site is www.fhlb-of.com. Please contact the Office of Finance if you want to receive subsequent annual and quarterly financial reports.

The date of this Unaudited Combined Financial Information is January 16, 2008.

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Consolidated obligations issued under the Federal Home Loan Banks' Global Debt Program may be listed on the Euro MTF market of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange has allocated the number 2306 to the Federal Home Loan Banks' Global Debt Program for listing purposes. Under the Federal Home Loan Banks' agreement with the underwriter(s) of a particular series of consolidated obligations, any series of consolidated obligations listed on the Luxembourg Stock Exchange may be delisted if the continuation of the listing has become unduly onerous in the opinion of the issuer, and the issuer has agreed with the underwriter(s) that it will use reasonable efforts to list the consolidated obligations on another stock exchange.

EXPLANATORY STATEMENT ABOUT FHLBANKS COMBINED FINANCIAL REPORTS

The Federal Home Loan Banks Office of Finance (Office of Finance) assumed responsibility for the preparation of the combined financial reports of the Federal Home Loan Banks (FHLBanks) in 2001, which previously had been prepared by the Federal Housing Finance Board (Finance Board). The Office of Finance does not have the same access to information about the FHLBanks as the Finance Board does in its capacity as regulator of the FHLBanks. In connection with its responsibilities in preparing combined financial reports, the Office of Finance is responsible for combining the financial information it receives from each of the FHLBanks. Each FHLBank is responsible for the financial information it provides to the Office of Finance and the underlying data it provides to the Office of Finance for inclusion in the combined financial reports.

The combined financial reports of the FHLBanks are intended to be used by investors who invest in the consolidated bonds and consolidated discount notes of the FHLBanks. These consolidated obligations are the joint and several obligations of the FHLBanks. This means that each individual FHLBank is responsible to the registered holders of the consolidated obligations for the payment of principal of and interest on all consolidated obligations issued by the FHLBanks.

Even though the consolidated obligations are the joint and several obligations of all of the FHLBanks, each FHLBank is a separately chartered entity. Each has its own board of directors and management. This is the case even though some financial institutions may have one or more affiliates that is a member of one or more FHLBanks. There is no system-wide central management of the FHLBanks. All FHLBanks are subject to regulations issued by the Finance Board, which periodically examines each FHLBank's operations.

Although each FHLBank has publicly available financial information, the financial information relating to the FHLBanks is presented to investors in consolidated obligations on a "combined" basis because this is considered more convenient for investors than providing financial information on each FHLBank on a stand-alone basis only. Investors should note, however, that this combined presentation describes a combination of assets and liabilities for this purpose only. This combined presentation in no way indicates that these assets and liabilities are under joint management and control. Each individual FHLBank manages its operations independently and with only minimal consideration as to how the transactions it enters into might affect the combined financial results.

In addition, each FHLBank's board of directors and management is responsible for establishing its own accounting and financial reporting policies in accordance with U.S. generally accepted accounting principles (GAAP). The 12 FHLBanks' accounting and financial reporting policies and practices are not necessarily always identical because different policies and/or presentations are permitted under GAAP in certain circumstances. However, all 12 FHLBanks' accounting and financial reporting policies conform to GAAP. Statements in this document may be qualified by a term such as "generally," "primarily," "typically" or words of similar meaning to indicate that the statement is generally applicable to all FHLBanks or the kinds of transactions described but which may not be applicable to all 12 FHLBanks as a result of their differing business practices and accounting and financial reporting policies under GAAP. An investor should review available information on individual FHLBanks to obtain more specific information on an FHLBank's business practices and accounting and financial reporting policies.

The FHLBanks occasionally engage in transactions in which one FHLBank transfers its direct liability on outstanding consolidated bonds to another FHLBank that assumes the direct liability on those outstanding consolidated bonds. By engaging in these transactions, two FHLBanks are able to better match their funding needs. Excess funds held by one FHLBank are transferred to another FHLBank that needs them. These transfers generally result in costs for the FHLBank that assumes the liability for the debt that are equal to or lower than those available for a similarly-sized transaction in the capital markets at that time. Because the consolidated bonds are the joint and several obligation of all 12 FHLBanks, these interbank transactions have no effect on the holders of the consolidated bonds.

AVAILABLE INFORMATION ON INDIVIDUAL FHLBANKS

The FHLBanks provide information on their operations on an ongoing basis.

Pursuant to a Finance Board regulation, each FHLBank is subject to certain reporting requirements of the Securities Exchange Act of 1934, as amended (1934 Act) and must file certain periodic reports and other information with the U.S. Securities and Exchange Commission (SEC). These periodic reports and other information filed pursuant to the 1934 Act, including each FHLBank's description of the risk factors applicable to that FHLBank, may be inspected without charge and copied at prescribed rates at the public reference facilities of the SEC's principal office at 100 F Street, N.E., Washington, D.C. 20549. Investors may obtain information on the operation of the SEC's public reference facilities by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site at: http://www.sec.gov that will contain the periodic reports and other information filed by the FHLBanks with the SEC.

Each FHLBank prepares financial reports containing financial information relating to its financial condition and results of operations and files this information annually with the SEC on Form 10-K and quarterly on Form 10-Q. All of this information is made available on the respective web site of each FHLBank. The web site of the Office of Finance is located at: www.fhlb-of.com. This site also contains links to the web sites of each individual FHLBank.

Please note that we are providing all of the web site addresses and the identification of available information above solely as a matter of convenience. These web site addresses are not intended to be active links and their contents and the other available information are not a part of this Unaudited Combined Financial Information and are not intended to be incorporated by reference into this Unaudited Combined Financial Information.

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FEDERAL HOME LOAN BANKS

UNAUDITED COMBINED STATEMENT OF CONDITION

(Dollar amounts in millions and capital stock shares in thousands)

	December 31, 2001 (As Restated)
ASSETS	
Cash and due from banks	$ 312
Interest-bearing deposits	19,315
Securities purchased under agreements to resell	7,950
Federal funds sold	48,394
Trading securities includes $1,183 pledged	9,929
Available-for-sale securities includes $35 pledged	7,385
Held-to-maturity securities includes $2,809 pledged	97,286
Advances	472,540
Mortgage loans held for portfolio	27,648
Less: allowance for credit losses on mortgage loans	7
Mortgage loans held for portfolio, net	27,641
Accrued interest receivable	2,758
Premises and equipment, net	138
Derivative assets	2,184
Other assets	422
Total assets	$696,254
LIABILITIES	
Deposits:	
Demand and overnight	$ 23,815
Term	1,114
Other	840
Total deposits	25,769
Borrowings:	
Securities sold under agreements to repurchase	800
Other	400
Total borrowings	1,200
Consolidated obligations, net:	
Discount notes	139,501
Bonds	481,502
Total consolidated obligations, net	621,003
Accrued interest payable	5,751
Affordable Housing Program	675
Payable to REFCORP	129
Derivative liabilities	7,262
Other liabilities	369
Total liabilities	662,158
CAPITAL	
Capital Stock:	
Capital stock Pre-conversion putable ($100 par value) — issued and outstanding shares: 332,873 shares	33,288
Total capital stock	33,288
Retained earnings	749
Accumulated other comprehensive income:	
Net unrealized gains on available-for-sale securities	56
Net unrealized gains relating to hedging activities	3
Total capital	34,096
Total liabilities and capital	$696,254

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

FEDERAL HOME LOAN BANKS

UNAUDITED COMBINED STATEMENT OF INCOME

(Dollar amounts in millions)

	For the Year Ended December 31, 2001 (As Restated)
INTEREST INCOME	
Advances	$20,779
Prepayment fees on advances, net	83
Interest-bearing deposits	714
Securities purchased under agreements to resell	190
Federal funds sold	2,291
Trading securities	454
Available-for-sale securities	352
Held-to-maturity securities	5,797
Mortgage loans held for portfolio	1,383
Other	3
Total interest income	32,046
INTEREST EXPENSE	
Consolidated obligations	27,637
Deposits	955
Securities sold under agreements to repurchase	6
Other borrowings	2
Total interest expense	28,600
NET INTEREST INCOME BEFORE PROVISION FOR CREDIT LOSSES	3,446
Provision for credit losses	10
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	3,436
OTHER (LOSS) INCOME	
Service fees	40
Net gains on trading securities	66
Net losses on derivatives and hedging activities	(325)
Other, net	(14)
Total other loss	(233)
OTHER EXPENSE	
Operating	364
Finance Board	20
Office of Finance	14
Other	16
Total other expense	414
INCOME BEFORE ASSESSMENTS	2,789
Affordable Housing Program	220
REFCORP	490
Total assessments	710
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	2,079
Cumulative effect of change in accounting principle before assessments	(109)
NET INCOME	$ 1,970

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

FEDERAL HOME LOAN BANKS

UNAUDITED COMBINED STATEMENT OF CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2001

(Dollar amounts in millions)

	Capital Stock Pre-conversion*		Total Capital Stock*				
	Shares (In millions)	Par Value	Shares (In millions)	Par Value	Retained Earnings	Accumulated Other Comprehensive Income	Total Capital
BALANCE, DECEMBER 31, 2000 (As Restated)	305	$30,537	305	$30,537	$ 731	$ 1	$31,269
Proceeds from sale of capital stock	92	9,236	92	9,236			9,236
Repurchase/redemption of capital stock	(74)	(7,431)	(74)	(7,431)			(7,431)
Comprehensive income:							
Net income					1,970		1,970
Other comprehensive income:							
Net unrealized gains on available-for-sale securities						56	56
Net unrealized losses relating to hedging activities						(4)	(4)
Reclassification adjustment for losses included in net income relating to hedging activities						10	10
Cumulative effect of change in accounting principle						(4)	(4)
Total comprehensive income							2,028
Dividends on capital stock:							
Cash					(1,006)		(1,006)
Stock	9	946	9	946	(946)	—	—
BALANCE, DECEMBER 31, 2001 (As Restated)	332	$33,288	332	$33,288	$ 749	$59	$34,096

* Putable

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

FEDERAL HOME LOAN BANKS

UNAUDITED COMBINED STATEMENT OF CASH FLOWS

(Dollar amounts in millions)

	For the Year Ended December 31, 2001 (As Restated)
OPERATING ACTIVITIES	
Net income	$ 1,970
Cumulative effect of change in accounting principle before assessments	109
Income before cumulative effect of change in accounting principle	2,079
Adjustments to reconcile income before cumulative effect of change in accounting principle to net cash used in operating activities:	
Depreciation and amortization:	
Net premiums and discounts on consolidated obligations, investments, mortgage loans, and deferred costs and fees received on derivatives	248
Concessions on consolidated obligation bonds	221
Net deferred losses on derivatives	11
Premises and equipment	22
Other	(4)
Provision for credit losses	10
Net realized gains on held-to-maturity securities	(3)
Gains due to change in net fair value adjustment on derivative and hedging activities	(1,262)
Losses on extinguishment of debt	35
Net change in:	
Trading securities, net of transfers and transition adjustments	(4,689)
Accrued interest receivable	8,612
Derivative assets-net accrued interest	(971)
Derivative liabilities-net accrued interest	614
Other assets	(265)
Affordable Housing Program (AHP) liability and discount on AHP advances	63
Accrued interest payable	(6,274)
Payable to REFCORP	(25)
Other liabilities	8
Total adjustments	(3,649)
Net cash used in operating activities	(1,570)

	For the Year Ended December 31, 2001 (As Restated)
INVESTING ACTIVITIES	
Net change in:	
Interest-bearing deposits	$ (1,046)
Securities purchased under agreements to resell	(6,534)
Federal funds sold	6,869
Short-term held-to-maturity securities	3,002
Principal collected on other loans	1
Premises and equipment	(32)
Held-to-maturity securities:	
Proceeds from sales	120
Proceeds from maturities	39,815
Purchases	(42,381)
Available-for-sale securities:	
Proceeds from sales	124
Proceeds from maturities	60,266
Purchases	(58,748)
Advances:	
Principal collected	3,732,857
Made	(3,758,303)
Mortgage loans held for portfolio:	
Principal collected	7,919
Purchased	(19,460)
Net cash used in investing activities	(35,531)
FINANCING ACTIVITIES	
Net change in:	
Deposits	8,598
Other borrowings	1,200
Net proceeds from issuance of consolidated obligations:	
Discount notes	4,663,861
Bonds	413,388
Payments for maturing and retiring consolidated obligations:	
Discount notes	(4,684,634)
Bonds	(366,531)
Proceeds from issuance of capital stock	9,236
Payments for redemption/repurchase of capital stock	(7,431)
Cash dividends paid	(1,024)
Net cash provided by financing activities	36,663
Net decrease in cash and cash equivalents	(438)
Cash and cash equivalents at beginning of the year	750
Cash and cash equivalents at end of the year	$ 312
Supplemental Disclosure:	
Interest paid	$ 30,391

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

Notes to Unaudited 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 are regulated by the Federal Housing Finance Board (Finance Board). The FHLBanks serve the public by enhancing the availability of credit for residential mortgages and targeted community development. They provide a readily available, competitively-priced source of funds to their member institutions. The FHLBanks are cooperatives whose member institutions own nearly all of the capital stock of each FHLBank. Former members own the remaining capital stock to support business transactions still carried on the FHLBanks' Statement of Condition. All holders of an FHLBank's capital stock are entitled to receive dividends on their capital stock, to the extent declared by its FHLBank's board of directors. Regulated financial depositories and insurance companies engaged in residential housing finance may apply for membership. All members must purchase stock in their district's FHLBank.

The Finance Board, an independent agency in the executive branch of the U.S. government, supervises and regulates the FHLBanks and the Federal Home Loan Banks Office of Finance (Office of Finance), a joint office of the FHLBanks. The Finance Board's principal 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 mission, remain adequately capitalized, and are able to raise funds in the capital markets. Also, the Finance Board establishes policies and regulations governing the operations of the FHLBanks. Each FHLBank operates as a separate entity with its own management, employees and board of directors. The FHLBanks do not have any special purpose entities or any other type of off-balance sheet conduits.

The FHLBanks' debt instruments, known as consolidated obligations, are the joint and several obligations of all 12 FHLBanks and are the primary source of funds for the FHLBanks. Deposits, other borrowings and capital stock issued to members provide additional funds. Each FHLBank primarily uses these funds to provide advances to members and to purchase loans from members through its Mortgage Purchase Program (MPP)/Mortgage Partnership Finance® (MPF®) Program(1). Some FHLBanks also offer their member institutions correspondent services, such as wire transfer, security safekeeping, and settlement services.

Note 1 — Summary of Significant Accounting Policies

Principles of Combination. The combined financial statements include the financial results of the 12 FHLBanks. Material transactions among the FHLBanks have been eliminated in accordance with combination accounting principles under U.S. generally accepted accounting principles (GAAP), including Accounting Research Bulletin No. 51, *Consolidated Financial Statements.* The significant transactions between the FHLBanks are: 1) transfers of direct liability on bonds between FHLBanks — consolidated obligations issued on behalf of one FHLBank and transferred to and assumed by another FHLBank and 2) purchases of bonds — consolidated obligations issued on behalf of one FHLBank and purchased by another FHLBank in the open market.

Purchases of Bonds. All purchase transactions occur at market prices with third parties, and the purchasing FHLBanks treat these bonds as investments. Under combination accounting principles, the investment and the bonds and related interest income and expense are eliminated in combination.

No other transactions among the FHLBanks have a material effect on operating results.

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(1) "Mortgage Partnership Finance," "MPF," "MPF Shared Funding" and "eMPF" are registered trademarks of the FHLBank of Chicago.

Segment Reporting. While individual FHLBanks identify and report operating segments of their businesses, for the purposes of SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information,* the Finance Board regulations consider each FHLBank to be a segment.

Basis of Presentation and Use of Estimates. The FHLBanks' accounting and financial reporting policies conform to GAAP. The preparation of financial statements in accordance with GAAP requires each FHLBank's management to make assumptions and estimates that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of income and expense. The most significant of these estimates includes the fair value of derivatives. Actual results could differ from these estimates significantly.

Additionally, the preparation of combined financial statements in accordance with GAAP requires the Office of Finance and the FHLBanks' management to make assumptions and estimates that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of income and expense. Actual combined results could differ from these estimates significantly.

Cash Flows. In the Statement of Cash Flows, the FHLBanks consider cash and due from banks as cash and cash equivalents. Federal funds sold are not treated as cash equivalents for purposes of the Statement of Cash Flows, but instead are treated as short-term investments and are reflected in the investing activities section of the Statement of Cash Flows.

Note 2—Restatement of 2001 Combined Financial Statements

The combined financial statements of the 12 FHLBanks have been restated as of and for the year ended December 31, 2001 as a result of restatements at seven of the 12 FHLBanks, as discussed in detail below. Please refer to each restating FHLBank's SEC Form 10/10-K for a detailed description of that FHLBank's restatement.

In connection with the registration of the FHLBanks' capital stock with the SEC, the FHLBanks performed a comprehensive review of certain derivative instruments. During this review, six FHLBanks identified certain corrections that were needed with respect to these FHLBanks' use of hedge accounting for certain transactions under SFAS 133. As a result, these FHLBanks restated their financial statements, largely to reflect the loss of hedge accounting for certain hedging relationships and other matters under SFAS 133 as discussed below.

In connection with a review of its hedging activities pursuant to an agreement entered into by the FHLBank of Chicago with the Finance Board effective June 30, 2004, the FHLBank of Chicago determined that for certain hedging transactions, it applied a method of hedge accounting deemed to be inconsistent with the application of SFAS 133. As a result, the FHLBank of Chicago restated its financial statements and changed its accounting to conform with SFAS 133.

All of the above restatements are summarized in the following chart:

Restatement of Financial Statements (Net Income Effect)
(Dollar amounts in millions)

	SFAS 133 Accounting Errors					
FHLBank:	Short-Cut Methodology	Long-Haul/ Effectiveness/ Valuation Issues	Miscellaneous SFAS 133 Adjustments	SFAS 91 or Amortization Errors	Correction for Errors Previously Identified as Immaterial	Total Change in Net Income
Atlanta	$(136)	$	$	$	$	$(136)
Chicago		2				2
Dallas	(32)	29		2		(1)
Des Moines	(13)		5			(8)
Indianapolis	(26)				5	(21)
Pittsburgh	3	(1)	(5)	(5)	(2)	(10)
Topeka		(12)	1			(11)
Total	$(204)	$ 18	$ 1	$(3)	$ 3	$(185)

Short-cut methodology:

The short-cut method allows a company to make the assumption that the change in fair value of a hedged item attributable to changes in the risk being hedged exactly offsets the change in fair value of the related derivative rather than periodically evaluating the actual change in fair value of the hedged item independently. During the course of the FHLBanks' registrations with the SEC, certain FHLBanks discovered that their accounting related to certain hedging relationships did not meet the criteria required to qualify for the short-cut method of hedge accounting and, as a result, those relationships would lose "hedge accounting" treatment. The loss of hedge accounting resulted in marking only the derivative to fair value with no corresponding offset.

Additionally, some of these FHLBanks incorrectly used the short-cut method for evaluating hedge effectiveness, when the long-haul method should have been used, resulting in the loss of short-cut hedge accounting treatment. These FHLBanks previously had believed that these highly effective relationships were eligible for the short-cut method and, therefore, did not perform the periodic effectiveness testing required under the long-haul method.

Long-haul/effectiveness/valuation issues:

The application of hedge accounting generally requires a company to evaluate the effectiveness of the hedging relationships at inception and on an ongoing basis and to calculate the changes in fair value of the derivatives and related hedged items independently. This is known as the long-haul method of hedge accounting. During the course of the FHLBanks' registrations with the SEC, certain FHLBanks discovered that their accounting related to certain hedging relationships did not meet the requirements of the long-haul method of hedge accounting and, as a result, those relationships would lose "hedge accounting" treatment. These FHLBanks previously had believed that these relationships met the requirements of the long-haul method of hedge accounting. The loss of hedge accounting resulted in marking only the derivative to fair value with no corresponding offset.

For certain fair value hedging relationships, one of these FHLBanks hedged fair value risk attributable to changes in LIBOR, the designated benchmark interest rate. Following an evaluation of its previous practices, the FHLBank concluded that its benchmark valuation methodology was flawed in certain respects. Among other things, the FHLBank determined in some cases that the periodic basis adjustments included elements unrelated to the risk being hedged. To correct this and other deficiencies in its benchmark valuation methodology, the FHLBank revised the amount of the periodic changes in the benchmark fair values for the affected consolidated obligation bonds, advances and available-for-sale securities that had previously been reported in earnings.

For certain cash flow hedging transactions, one of these FHLBanks accounted for certain payer and receiver swaptions, caps and floors assuming no ineffectiveness under SFAS No. 133 Implementation Issue G20, *Assessing and Measuring the Effectiveness of an Option Used in a Cash Flow Hedge* (Issue G20). While the stand-alone payer and receiver swaptions, caps and floors economically hedged the variability of interest rate movements associated with anticipated debt issuances, the FHLBank determined that hedge accounting was not applicable and reclassified to earnings all related gains and losses previously deferred in other comprehensive income. Additionally, this FHLBank previously reclassified from other comprehensive income into earnings premiums paid on certain caps and floors using an effective yield method. As part of the restatement, this FHLBank corrected its method of reclassifying into earnings premiums paid on caps and floors to the caplet/floorlet methodology in accordance with the provisions of Issue G20, which modifies the timing of the reclassification.

Miscellaneous SFAS 133 adjustments:

During the course of the FHLBanks' registrations with the SEC, certain FHLBanks identified other errors related to the application of SFAS 133. Examples of these errors included not properly amortizing basis adjustments, SFAS 133 transition accounting, the timing for recognizing derivatives, and changes in the values of certain derivative instruments. Although the effect of these errors by themselves was not material, the affected FHLBanks made accounting adjustments to correct for these transactions in the proper accounting periods.

SFAS 91 or amortization issues:

During the course of the FHLBanks' registrations with the SEC, certain FHLBanks changed their method of amortizing and accreting premiums, discounts and concession fees (e.g., on certain available-for-sale securities and consolidated obligation bonds) from the straight-line method to the level-yield method to comply with the provisions of SFAS No. 91, *Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases* (SFAS 91). In conjunction with the change, errors under the level-yield method were corrected and adjustments were made for certain premiums, discounts and other nonrefundable fees.

Correction for errors previously identified as immaterial:

During the course of the FHLBanks' registrations with the SEC, certain FHLBanks restated prior financial statements for other miscellaneous items, including corrections related to the valuation of certain hedged consolidated obligation bonds and interest-rate swaps with upfront or deferred fees, the reclassifications of certain items within the statements of income and statements of condition, as well as other miscellaneous items. Although the effect of these errors by themselves was not material, the affected FHLBanks made accounting adjustments to correct for these transactions in the proper accounting periods.

Reconciliation of Statements of Condition

At December 31, 2001

(Dollar amounts in millions)

	As Previously Reported	Pittsburgh	Atlanta	Indianapolis	Chicago	Des Moines	Dallas	Topeka	Reclassification/ Rounding	As Restated
ASSETS										
Cash and due from banks	$ 319	$	$ (8)	$	$	$	$	$	$ 1	$ 312
Interest-bearing deposits	13,627					9			5,679	19,315
Trading securities	9,908					(1)			22	9,929
Available-for-sale securities	7,403	2		(23)					3	7,385
Held-to-maturity securities	102,968	(1)							(5,681)	97,286
Advances	472,732	(4)	(168)			(11)	(1)	(9)	1	472,540
Mortgage loans held for portfolio	27,650	(4)							2	27,648
Mortgage loans held for portfolio, net	27,643	(4)							2	27,641
Accrued interest receivable	3,078	(318)							(2)	2,758
Premises and equipment, net	132		6							138
Derivative assets	2,148	31	1			1		1	2	2,184
Other assets	403	13	15			(9)	2		(2)	422
Total assets	$696,705	$(281)	$(154)	$(23)	$	$(11)	$ 1	$(8)	$ 25	$696,254
LIABILITIES										
Deposits:										
Demand and overnight	$ 23,720	$	$ 88	$	$	$	$	$	$ 7	$ 23,815
Term	1,115								(1)	1,114
Other	925		(87)						2	840
Total deposits	25,760		1						8	25,769
Borrowings:										
Other	350		50							400
Total borrowings	1,150		50							1,200
Consolidated obligations, net:										
Discount notes	139,503					(1)			(1)	139,501
Bonds	481,800	(299)	17	(6)		2	(51)	13	26	481,502
Total consolidated obligations, net	621,303	(299)	17	(6)		1	(51)	13	25	621,003
Affordable Housing Program	696	(1)	(15)	(2)		(1)		(1)	(1)	675
Payable to REFCORP	161	(1)	(20)	(5)	1	(2)		(3)	(2)	129
Derivative liabilities	7,235	31				1		(5)		7,262
Other liabilities	431	(5)	(51)			(1)			(5)	369
Total liabilities	662,487	(275)	(18)	(13)	1	(2)	(51)	4	25	662,158
CAPITAL										
Capital stock Pre-conversion putable ($100 par value) issued and outstanding	33,289								(1)	33,288
Total capital stock	33,289								(1)	33,288
Retained earnings	932	(7)	(136)	(21)	2	(9)	(1)	(11)		749
Accumulated other comprehensive income:										
Net unrealized gains (losses) on available-for-sale securities	175	1		11			(131)			56
Net unrealized (losses) gains relating to hedging activities	(178)				(3)		184	(1)	1	3
Total capital	34,218	(6)	(136)	(10)	(1)	(9)	52	(12)		34,096
Total liabilities and capital	$696,705	$(281)	$(154)	$(23)	$	$(11)	$ 1	$(8)	$ 25	$696,254

Reconciliation of Statements of Income
For the Year Ended December 31, 2001
(Dollar amounts in millions)

	As Previously Reported	Pittsburgh	Atlanta	Indianapolis	Chicago	Des Moines	Dallas	Topeka	Reclassification/ Rounding	As Restated
INTEREST INCOME										
Advances	$20,676	$	$ 87	$ 1	$	$ 2	$	$	$13	$20,779
Prepayment fees on advances, net		1	7	2	1	17		1	54	83
Federal funds sold	2,291		1						(1)	2,291
Trading securities	498		(46)		(6)	1			7	454
Available-for-sale securities	299			29			28		(4)	352
Held-to-maturity securities	5,772		46		(12)	(1)			(8)	5,797
Mortgage loans held for portfolio	1,378				4				1	1,383
Other	1								2	3
Total interest income	31,819	1	95	32	(13)	19	28	1	64	32,046
INTEREST EXPENSE										
Consolidated obligations	27,611	2	6		(3)	4	16		1	27,637
Deposits	953		(1)						3	955
Other borrowings	6								(4)	2
Total interest expense	28,576	2	5		(3)	4	16			28,600
NET INTEREST INCOME BEFORE PROVISION (REVERSAL) FOR CREDIT LOSSES	3,243	(1)	90	32	(10)	15	12	1	64	3,446
Provision (reversal) for credit losses	4	7	(1)							10
NET INTEREST INCOME AFTER PROVISION (REVERSAL) FOR CREDIT LOSSES	3,239	(8)	91	32	(10)	15	12	1	64	3,436
OTHER INCOME										
Prepayment fees	93	(1)	(7)	(2)	(1)	(17)		(1)	(64)	
Net gains (losses) on trading securities	73								(7)	66
Net realized gains (losses) from sale of held-to-maturity securities	3								(3)	
Net (losses) gains on derivatives and hedging activities	(55)	(4)	(231)	(56)	18	13	(9)	(6)	5	(325)
Other, net	(20)	1	(2)						7	(14)
Total other income (loss)	134	(4)	(240)	(58)	17	(4)	(9)	(7)	(62)	(233)
OTHER EXPENSE										
Operating	368	(5)					1			364
Office of Finance	13								1	14
Other	11				5					16
Total other expense	412	(5)			5		1		1	414
INCOME BEFORE ASSESSMENTS	2,961	(7)	(149)	(26)	2	11	2	(6)	1	2,789
Affordable Housing Program	239	(1)	(15)	(2)		(1)		(1)	1	220
REFCORP	538	(3)	(34)	(5)		(2)		(3)	(1)	490
Total assessments	777	(4)	(49)	(7)		(3)		(4)		710
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	2,184	(3)	(100)	(19)	2	14	2	(2)	1	2,079
Cumulative effect of change in accounting principle before assessments	(30)	(7)	(36)	(2)		(22)	(3)	(9)		(109)
NET INCOME	$ 2,154	$(10)	$(136)	$(21)	$ 2	$ (8)	$(1)	$(11)	$ 1	$ 1,970

Reconciliation of Statements of Capital

For the Year Ended December 31, 2001

(Dollar amounts in millions)

	As Previously Reported	Pittsburgh	Atlanta	Indianapolis	Chicago	Des Moines	Dallas	Topeka	Reclassification/ Rounding	As Restated
TOTAL CAPITAL										
BALANCE, DECEMBER 31, 2000	$ 31,265	$ 4	$	$	$	$	$	$	$	$31,269
Comprehensive income:										
Net income	2,154	(10)	(136)	(21)	2	(8)	(1)	(11)	1	1,970
Other comprehensive income:										
Net unrealized gains (losses) on available-for-sale securities	176			11			(131)			56
Net unrealized (losses) gains relating to hedging activities	(215)	1			26		184			(4)
Reclassification adjustment for losses (gains) included in net income relating to hedging activities	39				(29)					10
Cumulative effect of change in accounting principle	(2)	(1)						(1)		(4)
Total comprehensive income	2,152	(10)	(136)	(10)	(1)	(8)	52	(12)	1	2,028
Dividend on capital stock:										
Cash	(1,004)					(1)			(1)	(1,006)
BALANCE, DECEMBER 31, 2001	$ 34,218	$ (6)	$(136)	$(10)	$ (1)	$(9)	$ 52	$(12)	$	$34,096

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FEDERAL HOME LOAN BANKS

UNAUDITED COMBINING SCHEDULES — STATEMENTS OF CONDITION
DECEMBER 31, 2001

(Dollar amounts in millions)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
	(Restated)	(Restated)			(Restated)	(Restated)
ASSETS						
Cash and due from banks	$ 312	$	$ 10	$ 13	$ 44	$ 69
Interest-bearing deposits	19,315		75	5,915	1,181	1,177
Deposits with other FHLBanks for mortgage loan programs		(21)		1	7	5
Securities purchased under agreements to resell	7,950		1,550			
Federal funds sold	48,394		3,780	1,434	1,127	7,492
Trading securities	9,929	(507)	769		3,551	2,617
Available-for-sale securities	7,385	(497)	1,036		122	
Held-to-maturity securities	97,286	(1,627)	6,022	11,800	5,077	12,609
Advances	472,540		24,361	60,962	29,311	71,818
Mortgage loans held for portfolio	27,648		330	425	1,835	510
Less: allowance for credit losses on mortgages loans	7					1
Mortgage loans held for portfolio, net	27,641		330	425	1,835	509
Loans to other FHLBanks		(175)		50		
Accrued interest receivable	2,758	(46)	165	377	214	486
Premises and equipment, net	138		7	8	10	35
Derivative assets	2,184		64	215	125	341
Other assets	422		16	40	52	102
Total assets	$696,254	$(2,873)	$38,185	$81,240	$42,656	$97,260
LIABILITIES						
Deposits:						
Demand and overnight	$ 23,815	$	$ 2,502	$ 2,725	$ 1,692	$ 4,803
Term	1,114		34	132	13	25
Deposits from other FHLBanks for mortgage loan programs		(21)				
Other	840		8	5	13	180
Total deposits	25,769	(21)	2,544	2,862	1,718	5,008
Borrowings:						
Loans from other FHLBanks		(175)				
Securities sold under agreements to repurchase	800					
Other	400					50
Total borrowings	1,200	(175)				50
Consolidated obligations, net:						
Discount notes	139,501		8,059	22,790	11,070	791
Bonds	481,502	(2,631)	24,816	49,837	26,925	83,975
Total consolidated obligations, net	621,003	(2,631)	32,875	72,627	37,995	84,766
Accrued interest payable	5,751	(46)	325	632	340	960
Affordable Housing Program	675		37	105	39	82
Payable to REFCORP	129		4	20	5	
Derivative liabilities	7,262		329	1,036	569	2,133
Other liabilities	369		38	48	18	96
Total liabilities	662,158	(2,873)	36,152	77,330	40,684	93,095
CAPITAL						
Capital Stock:						
Capital stock Pre-conversion putable ($100 par value) — issued and outstanding	33,288		1,985	3,733	1,889	4,127
Total capital stock	33,288		1,985	3,733	1,889	4,127
Retained earnings	749		47	177	80	38
Accumulated other comprehensive income:						
Net unrealized gains (losses) on available-for sale securities	56		(11)		2	
Net unrealized gains (losses) relating to hedging activities	3		12		1	
Total capital	34,096		2,033	3,910	1,972	4,165
Total liabilities and capital	$696,254	$(2,873)	$38,185	$81,240	$42,656	$97,260

Cincinnati	Indianapolis (Restated)	Chicago (Restated)	Des Moines (Restated)	Dallas (Restated)	Topeka (Restated)	San Francisco	Seattle
$ 10	$ 38	$ 2	$ 64	$ 47	$ 2	$ 2	$ 11
3,146	296		144	166	2,009	4,487	719
				8			
		50	4,000			2,150	200
11,310	3,096	3,165	1,470	2,181	1,721	8,445	3,173
30	96	1,854	147	434	170	528	240
1,600	1,108		214	3,802			
8,998	4,826	5,254	4,013	5,119	5,946	16,544	12,705
35,223	26,399	21,902	20,745	32,490	22,822	102,255	24,252
567	395	16,574	3,745	1,438	100		1,729
		3	3				
567	395	16,571	3,742	1,438	100		1,729
100						25	
222	125	214	56	157	110	418	260
3	11	19	7	29	1	5	3
72	51	150	199	246	178	480	63
20	53	13	9	33	22	45	17
$61,301	$36,494	$49,194	$34,810	$46,150	$33,081	$135,384	$43,372
$ 1,450	$ 1,517	$ 1,507	$ 1,817	$ 2,495	$ 1,298	$ 444	$ 1,565
117		109	161	12	31	36	444
		21					
68	28	123		100	43	272	
1,635	1,545	1,760	1,978	2,607	1,372	752	2,009
			50		125		
		800					
						200	150
		800	50		125	200	150
24,778	9,418	8,995	7,316	6,587	6,637	21,283	11,777
30,390	22,669	34,282	23,446	33,898	22,707	104,685	26,503
55,168	32,087	43,277	30,762	40,485	29,344	125,968	38,280
379	261	447	294	471	295	1,080	313
75	31	37	26	40	25	127	51
12	3	18	5	8	3	37	14
776	790	331	118	215	473	373	119
16	14	22	4	56	9	38	10
58,061	34,731	46,692	33,237	43,882	31,646	128,575	40,946
3,198	1,741	2,394	1,539	2,143	1,396	6,752	2,391
3,198	1,741	2,394	1,539	2,143	1,396	6,752	2,391
42	12	112	34	70	40	62	35
	10			55			
		(4)			(1)	(5)	
3,240	1,763	2,502	1,573	2,268	1,435	6,809	2,426
$61,301	$36,494	$49,194	$34,810	$46,150	$33,081	$135,384	$43,372

FEDERAL HOME LOAN BANKS

UNAUDITED COMBINING SCHEDULES STATEMENTS OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2001

(Dollar amounts in millions)

	Combined (Restated)	Combining Adjustments (Restated)	Boston	New York	Pittsburgh (Restated)	Atlanta (Restated)
INTEREST INCOME						
Advances	$20,779	$	$1,206	$2,574	$1,182	$3,061
Prepayment fees on advances, net	83		35	10	1	7
Interest-bearing deposits	714		4	266	37	39
Deposits for mortgage loan programs with other FHLBanks		(2)			2	
Securities purchased under agreements to resell	190		30			
Federal funds sold	2,291		198	198	94	329
Trading securities	454	(29)	63		132	123
Available-for-sale securities	352	(27)	36		11	
Held-to-maturity securities	5,797	(89)	358	794	394	801
Mortgage loans held for portfolio	1,383		10	34	140	34
Loans to other FHLBanks		(7)		3		1
Other	3					
Total interest income	32,046	(154)	1,940	3,879	1,993	4,395
INTEREST EXPENSE						
Consolidated obligations	27,637	(145)	1,639	3,353	1,692	3,610
Deposits	955		93	106	61	202
Deposits from other FHLBanks for mortgage loan programs		(2)				
Borrowings from other FHLBanks		(7)	1	1	2	
Securities sold under agreements to repurchase	6		1			
Other borrowings	2			1	1	
Total interest expense	28,600	(154)	1,734	3,461	1,756	3,812
NET INTEREST INCOME BEFORE PROVISION FOR CREDIT LOSSES	3,446		206	418	237	583
Provision for credit losses	10				7	
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	3,436		206	418	230	583
OTHER (LOSS) INCOME						
Service fees	40		2	4	12	3
Net gains (losses) on trading securities	66		12		22	(4)
Net (losses) gains on derivatives and hedging activities	(325)		(10)	3	(92)	(252)
Other, net	(14)		(26)	(1)	1	
Total other (loss) income	(233)		(22)	6	(57)	(253)
OTHER EXPENSE						
Operating	364		25	35	40	46
Finance Board	20		1	3	1	3
Office of Finance	14		1	1	1	1
Other	16					7
Total other expense	414		27	39	42	57
INCOME BEFORE ASSESSMENTS	2,789		157	385	131	273
Affordable Housing Program	220		13	32	9	18
REFCORP.	490		28	71	21	41
Total assessments	710		41	103	30	59
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	2,079		116	282	101	214
Cumulative effect of change in accounting principle before assessments	(109)		(3)	3	(16)	(52)
NET INCOME	$ 1,970	$	$ 113	$ 285	$ 85	$ 162

Cincinnati	Indianapolis (Restated)	Chicago (Restated)	Des Moines (Restated)	Dallas (Restated)	Topeka (Restated)	San Francisco	Seattle
$1,498	$1,179	$ 883	$1,014	$1,352	$ 869	$4,734	$1,227
2	3	1	17		1	6	
114	6		6	4	67	142	29
	1	2	86			64	7
481	89	96	117	98	104	349	138
2	6	45	12	36	11	40	13
67	85		2	175	3		
545	316	284	220	241	334	829	770
14	7	722	259	103	3		57
1					1	1	
				1			2
2,724	1,692	2,033	1,733	2,010	1,393	6,165	2,243
2,393	1,410	1,739	1,514	1,730	1,197	5,580	1,925
57	56	80	72	88	64	16	60
		2					
			3				
		1					4
2,450	1,466	1,822	1,589	1,818	1,261	5,596	1,989
274	226	211	144	192	132	569	254
		2	1				
274	226	209	143	192	132	569	254
1	6	1	4	3	1	1	2
1	3	(5)	1	31	6	7	(8)
1	(62)	64	5	(37)	(14)	55	14
4	1	2	(7)	1	2	3	6
7	(52)	62	3	(2)	(5)	66	14
19	24	38	23	29	16	48	21
2	1	1	1	1	1	4	1
2	1	1	1	1		3	1
		9					
23	26	49	25	31	17	55	23
258	148	222	121	159	110	580	245
21	12	18	8	13	9	47	20
47	26	41	18	28	19	106	44
68	38	59	26	41	28	153	64
190	110	163	95	118	82	427	181
(1)	(6)	1	(21)	(4)	(5)	(2)	(3)
$ 189	$ 104	$ 164	$ 74	$ 114	$ 77	$ 425	$ 178

FEDERAL HOME LOAN BANKS

UNAUDITED COMBINING SCHEDULES — STATEMENTS OF CAPITAL
FOR THE YEARS ENDED DECEMBER 31, 2001

(Shares in millions)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
CAPITAL STOCK PRE-CONVERSION PUTABLE SHARES						
BALANCE, DECEMBER 31, 2000	305		19	36	21	35
Proceeds from sale of capital stock	92		2	8	33	13
Repurchase/redemption of capital stock	(74)		(1)	(7)	(35)	(7)
Capital stock dividends	9	—	—	—	—	—
BALANCE, DECEMBER 31, 2001	332	—	20	37	19	41
TOTAL CAPITAL PUTABLE SHARES						
BALANCE, DECEMBER 31, 2000	305		19	36	21	35
Proceeds from sale of capital stock	92		2	8	33	13
Repurchase/redemption of capital stock	(74)		(1)	(7)	(35)	(7)
Capital stock dividends	9	—	—	—	—	—
BALANCE, DECEMBER 31, 2001	332	—	20	37	19	41

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
28	15	16	17	21	12	63	22
2	2	11	5	4	3	7	2
		(4)	(7)	(5)	(1)	(6)	(1)
2		1		1		4	1
32	17	24	15	21	14	68	24
28	15	16	17	21	12	63	22
2	2	11	5	4	3	7	2
		(4)	(7)	(5)	(1)	(6)	(1)
2		1		1		4	1
32	17	24	15	21	14	68	24

FEDERAL HOME LOAN BANKS

UNAUDITED COMBINING SCHEDULES — STATEMENTS OF CAPITAL (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2001

(Dollar amounts in millions)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
CAPITAL STOCK PRE-CONVERSION PUTABLE PAR VALUE						
BALANCE, DECEMBER 31, 2000	$30,537	$	$1,858	$3,626	$ 2,065	$3,506
Proceeds from sale of capital stock	9,236		200	843	3,364	1,307
Repurchase/redemption of capital stock	(7,431)		(73)	(736)	(3,540)	(686)
Capital stock dividends	946					
BALANCE, DECEMBER 31, 2001	$33,288	$	$1,985	$3,733	$ 1,889	$4,127
TOTAL CAPITAL STOCK PUTABLE PAR VALUE						
BALANCE, DECEMBER 31, 2000	$30,537	$	$1,858	$3,626	$ 2,065	$3,506
Proceeds from sale of capital stock	9,236		200	843	3,364	1,307
Repurchase/redemption of capital stock	(7,431)		(73)	(736)	(3,540)	(686)
Capital stock dividends	946					
BALANCE, DECEMBER 31, 2001	$33,288	$	$1,985	$3,733	$ 1,889	$4,127

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$2,789	$1,550	$1,631	$1,744	$2,127	$1,218	$6,268	$2,155
226	193	1,064	491	424	299	665	160
(16)	(2)	(422)	(696)	(491)	(121)	(568)	(80)
199		121		83		387	156
$3,198	$1,741	$2,394	$1,539	$2,143	$1,396	$6,752	$2,391
$2,789	$1,550	$1,631	$1,744	$2,127	$1,218	$6,268	$2,155
226	193	1,064	491	424	299	665	160
(16)	(2)	(422)	(696)	(491)	(121)	(568)	(80)
199		121		83		387	156
$3,198	$1,741	$2,394	$1,539	$2,143	$1,396	$6,752	$2,391

FEDERAL HOME LOAN BANKS

UNAUDITED COMBINING SCHEDULES — STATEMENTS OF CAPITAL (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2001

(Dollar amounts in millions)

	Combined (Restated)	Combining Adjustments	Boston	New York	Pittsburgh (Restated)	Atlanta (Restated)
RETAINED EARNINGS						
BALANCE, DECEMBER 31, 2000	$ 731	$	$ 47	$ 121	$ 114	$ 143
Net income	1,970		113	285	85	162
Dividends on capital stock:						
Cash	(1,006)		(113)	(229)	(119)	(267)
Stock	(946)					
BALANCE, DECEMBER 31, 2001	$ 749	$	$ 47	$ 177	$ 80	$ 38
ACCUMULATED OTHER COMPREHENSIVE INCOME						
BALANCE, DECEMBER 31, 2000	$ 1	$	$ 1	$	$	$
Net unrealized gains (losses) on available-for-sale securities	56		(12)		2	
Net unrealized (losses) gains relating to hedging activities	(4)				1	
Reclassification adjustment for losses (gains) included in net income relating to hedging activities	10		(2)			
Cumulative effect of change in accounting principle	(4)		14			
Other						
BALANCE, DECEMBER 31, 2001	$ 59	$	$ 1	$	$ 3	$
TOTAL CAPITAL						
BALANCE, DECEMBER 31, 2000	$31,269	$	$1,906	$3,747	$2,179	$3,649
Proceeds from sale of capital stock	9,236		200	843	3,364	1,307
Repurchase/redemption of capital stock	(7,431)		(73)	(736)	(3,540)	(686)
Comprehensive income:						
Net income	1,970		113	285	85	162
Other comprehensive income:						
Net unrealized gains (losses) on available-for-sale securities	56		(12)		2	
Net unrealized (losses) gains relating to hedging activities	(4)				1	
Reclassification adjustment for losses (gains) included in net income relating to hedging activities	10		(2)			
Cumulative effect of change in accounting principle	(4)		14			
Total comprehensive income	2,028		113	285	88	162
Dividend on capital stock:						
Cash	(1,006)		(113)	(229)	(119)	(267)
BALANCE, DECEMBER 31, 2001	$34,096	$	$2,033	$3,910	$1,972	$4,165

Cincinnati	Indianapolis (Restated)	Chicago (Restated)	Des Moines (Restated)	Dallas (Restated)	Topeka (Restated)	San Francisco	Seattle
$ 52	$ 31	$ 69	$ 29	$ 39	$ 49	$ 24	$ 13
189	104	164	74	114	77	425	178
	(123)		(69)		(86)		
(199)		(121)		(83)		(387)	(156)
$ 42	$ 12	$ 112	$ 34	$ 70	$ 40	$ 62	$ 35
$ (1)	$	$ 1	$	$	$	$	$
1	10			55			
		(5)					
						12	
					(1)	(17)	
$	$ 10	$ (4)	$	$ 55	$ (1)	$ (5)	$
$2,840	$1,581	$1,701	$1,773	$2,166	$1,267	$6,292	$2,168
226	193	1,064	491	424	299	665	160
(16)	(2)	(422)	(696)	(491)	(121)	(568)	(80)
189	104	164	74	114	77	425	178
1	10			55			
		(5)					
						12	
					(1)	(17)	
190	114	159	74	169	76	420	178
	(123)		(69)		(86)		
$3,240	$1,763	$2,502	$1,573	$2,268	$1,435	$6,809	$2,426

FEDERAL HOME LOAN BANKS

UNAUDITED COMBINING SCHEDULES — STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2001

(Dollar amounts in millions)

	Combined (Restated)	Combining Adjustments	Boston	New York	Pittsburgh (Restated)	Atlanta (Restated)
OPERATING ACTIVITIES						
Net income	$1,970	$	$113	$285	$ 85	$ 162
Cumulative effect of change in accounting principle before assessments	109		3	(3)	16	52
Income before cumulative effect of change in accounting principle	2,079		116	282	101	214
Adjustments to reconcile income before cumulative effect of change in accounting principle to net cash (used in) provided by operating activities:						
Depreciation and amortization:						
Net premiums and discounts on consolidated obligations, investments, mortgage loans and deferred costs and fees received on derivatives	248		(116)	58	(41)	283
Concessions on consolidated obligation bonds	221		4	8	17	53
Net deferred losses (gains) on derivatives	11					2
Premises and equipment	22		1	2	3	2
Other	(4)					
Provision for credit losses	10				7	
Net realized gains on held-to-maturity securities	(3)			(3)		
(Gains) losses due to change in net fair value adjustment on derivative and hedging activities	(1,262)		7	1	(833)	(90)
Losses on extinguishment of debt	35		26			
Net change in:						
Trading securities, net of transfers and transition adjustments	(4,689)	(140)	343		(2,070)	(2,568)
Accrued interest receivable	8,612	11	321	229	1,148	1,263
Derivative assets-net accrued interest	(971)		(26)	168	(125)	(131)
Derivative liabilities-net accrued interest	614		(46)	8	569	146
Other assets	(265)		(2)	(18)	(15)	(117)
Affordable Housing Program (AHP) liability and discount on AHP advances	63		3	16	(6)	(2)
Accrued interest payable	(6,274)	(11)	(171)	(48)	(605)	(1,174)
Payable to REFCORP.	(25)		(5)	2	(6)	(33)
Other liabilities	8		(6)	9	4	2
Total adjustments	(3,649)	(140)	333	432	(1,953)	(2,364)
Net cash (used in) provided by operating activities	(1,570)	(140)	449	714	(1,852)	(2,150)

Cincinnati	Indianapolis (Restated)	Chicago (Restated)	Des Moines (Restated)	Dallas (Restated)	Topeka (Restated)	San Francisco	Seattle
$ 189	$ 104	$164	$ 74	$114	$ 77	$ 425	$178
1	6	(1)	21	4	5	2	3
190	110	163	95	118	82	427	181
(428)	(34)	44	296	(24)	(44)	(423)	677
6	21	6	8	17	19	50	12
		(2)	1			10	
1	1	5	1	4		2	
(2)	(2)						
		2	1				
(1)	40	(292)	(51)	(20)	22	(46)	1
			8			1	
17	(3)	112	55	185	113	(521)	(212)
256	442	336	629	627	289	2,718	343
(21)	(25)	(27)	(258)	(163)	(108)	(231)	(24)
(44)	2	(29)	(29)	(57)	(31)	144	(19)
(2)	(16)	(2)	23	(114)		(3)	1
14	4	5	(2)	3	1	17	10
(6)	(400)	(217)	(135)	(365)	(132)	(2,808)	(202)
(1)	(5)	10	(3)	1	(3)	12	6
5	(1)	(48)	(8)	81	1	3	(34)
(206)	24	(97)	536	175	127	(1,075)	559
(16)	134	66	631	293	209	(648)	740

FEDERAL HOME LOAN BANKS

UNAUDITED COMBINING SCHEDULES — STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2001

(Dollar amounts in millions)

	Combined (Restated)	Combining Adjustments	Boston	New York	Pittsburgh (Restated)	Atlanta (Restated)
INVESTING ACTIVITIES						
Net change in:						
Interest-bearing deposits	$ (1,046)	$	$ 25	$ 2,105	$ (19)	$ (565)
Securities purchased under agreements to resell	(6,534)		(1,450)			
Federal funds sold	6,869		3,322	1,594	4,340	(1,419)
Short-term held-to maturity securities	3,002		1,539		212	
Deposits to other FHLBanks for mortgage loan programs		(16)		1	23	
Principal collected on other loans	1		1			
Loans to other FHLBanks		125				
Premises and equipment	(32)		(5)	1		(3)
Held-to-maturity securities:						
Proceeds from sales	120			80		
Proceeds from maturities	39,815	(2,400)	1,298	2,863	3,098	7,926
Purchases	(42,381)	2,300	(1,989)	(3,432)	(1,500)	(7,068)
Available-for-sale securities:						
Proceeds from sales	124		124			
Proceeds from maturities	60,266	(204)	1		251	
Purchases	(58,748)	28	(338)			
Advances:						
Principal collected	3,732,857		474,620	1,032,747	570,131	65,403
Made	(3,758,303)		(476,967)	(1,040,022)	(572,665)	(76,574)
Mortgage loans held for portfolio:						
Principal collected	7,919		16	317	998	159
Purchases	(19,460)		(330)	(215)	(926)	(246)
Net cash (used in) provided by investing activities	(35,531)	(167)	(133)	(3,961)	3,943	(12,387)
FINANCING ACTIVITIES						
Net change in:						
Deposits	8,598		1,229	700	273	1,693
Deposits from other FHLBanks for mortgage loan programs		16				
Loans from other FHLBanks		(125)				
Other borrowings	1,200					50
Net proceeds from issuance of consolidated obligations:						
Discount notes	4,663,861		183,082	737,922	717,276	50,785
Bonds	413,388	(2,328)	14,453	31,219	13,627	84,693
Payments for maturing and retiring consolidated obligations:						
Discount notes	(4,684,634)		(188,501)	(743,621)	(707,908)	(56,294)
Bonds	(366,531)	2,744	(10,578)	(22,863)	(25,462)	(66,715)
Proceeds from issuance of capital stock	9,236		200	843	3,364	1,307
Payments for redemption/repurchase of capital stock	(7,431)		(73)	(736)	(3,540)	(686)
Cash dividends paid	(1,024)		(128)	(229)	(119)	(270)
Net cash provided by (used in) financing activities	36,663	307	(316)	3,235	(2,489)	14,563
Net (decrease) increase in cash and cash equivalents	(438)			(12)	(398)	26
Cash and cash equivalents at beginning of the year	750		10	25	442	43
Cash and cash equivalents at end of the year	$ 312	$	$ 10	$ 13	$ 44	$ 69
Supplemental Disclosures:						
Interest paid	$ 30,391	$	$ 1,861	$ 3,590	$ 2,088	$ 4,722

Cincinnati	Indianapolis (Restated)	Chicago (Restated)	Des Moines (Restated)	Dallas (Restated)	Topeka (Restated)	San Francisco	Seattle
$ 156	$ (296)	$	$ 126	$	$ (869)	$ (1,789)	$ 80
	45	(4)	(3,200)			(1,750)	(175)
(3,065)	(686)	(768)	2,485	424	(102)	(69)	813
(1)		(49)	(70)	(579)	(27)	1,593	384
				(8)			
(100)						(25)	
(1)	(1)	(12)	(2)	(3)	(1)	(3)	(2)
					40		
4,067	1,601	1,983	2,176	1,359	1,800	4,771	9,273
(4,581)	(1,755)	(3,346)	(1,054)	(1,525)	(2,142)	(7,243)	(9,046)
59,286	628			279	25		
(57,837)	(274)		(223)	(104)			
357,375	68,662	23,060	50,903	471,382	237,538	343,438	37,598
(359,721)	(70,246)	(26,017)	(50,163)	(473,534)	(242,188)	(334,746)	(35,460)
25	13	3,907	1,619	675	6		184
(561)	(371)	(12,406)	(2,074)	(736)	(100)		(1,495)
(4,958)	(2,680)	(13,652)	523	(2,370)	(6,020)	4,177	2,154
499	787	(233)	843	1,071	299	375	1,062
		(16)					
					125		
		800				200	150
1,035,802	422,821	377,412	152,058	229,437	287,558	196,443	273,265
18,476	18,792	47,660	21,522	33,750	17,602	92,897	21,025
(1,037,759)	(419,431)	(373,379)	(153,053)	(230,441)	(286,378)	(206,939)	(280,930)
(12,256)	(20,489)	(39,302)	(22,258)	(31,721)	(13,486)	(86,605)	(17,540)
226	193	1,064	491	424	299	665	160
(16)	(2)	(422)	(696)	(491)	(121)	(568)	(80)
	(123)		(69)		(86)		
4,972	2,548	13,584	(1,162)	2,029	5,812	(3,532)	(2,888)
(2)	2	(2)	(8)	(48)	1	(3)	6
12	36	4	72	95	1	5	5
$ 10	$ 38	$ 2	$ 64	$ 47	$ 2	$ 2	$ 11
$ 1,482	$ 1,153	$ 1,742	$ 1,427	$ 1,733	$ 1,315	$ 7,135	$ 2,143

FEDERAL HOME LOAN BANKS

2001

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 (collectively consolidated obligations) of the Federal Home Loan Banks.

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

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

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 obligations 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.

The financial information is as of and for periods ended December 31, 2001. This document is available on the Federal Home Loan Banks' Office of Finance website, www.fhlb-of.com.

You should direct questions about the Federal Home Loan Banks' Combined Financial Statements to the Federal Home Loan Banks' Office of Finance, Director of Accounting Policy & Financial Reporting. You should direct questions about the Federal Home Loan Banks' consolidated obligations to the Federal Home Loan Banks' Office of Finance, Marketing & Information Services. The address for both is Federal Home Loan Banks' Office of Finance, 11921 Freedom Drive, Suite 1000, Reston, VA 20190, (703) 467-3600, 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, 2001.

The date of this Financial Report is March 29, 2002.

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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 of America 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 (Finance Board) to facilitate issuing and servicing of consolidated obligations of the FHLBanks. The Finance Board is an independent agency in the executive branch of the U.S. Government charged with the regulation of the FHLBanks and the Office of Finance.

The FHLBanks serve the public through member institutions by providing members liquidity and 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 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 market. The Finance Board, through the Office of Finance and through the period ended December 31, 2000, was the issuer of consolidated obligations for which the FHLBanks are jointly and severally liable. Effective January 2, 2001, the FHLBanks issue debt through the Office of Finance as their agent.

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

District 1	FHLBank of Boston 111 Huntington Avenue Boston, MA 02199 Business number: (617) 292-9600	Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont
District 2	FHLBank of New York 200 Park Avenue New York, NY 10166 Business number: (212) 294-1800 30 Montgomery Street, 3rd. Floor Jersey City, NJ 07302 Business number: (201) 356-1000	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 120 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) 467-3600 *www.fhlb-of.com*	
	Federal Housing Finance Board 1777 F Street, N.W. Washington, D.C. 20006 Business number: (202) 408-2500	

FEDERAL HOME LOAN BANKS

SUMMARY FINANCIAL DATA
(Dollar amounts in millions)

	2001	2000	1999	1998	1997
At December 31,					
Advances	$472,732	$437,861	$395,747	$288,189	$202,265
Mortgage loans, net	27,643	16,149	2,026	966	37
Investments(1)	190,064	186,437	171,425	137,193	140,106
Total assets	697,074	653,687	583,212	434,002	348,575
Deposits and borrowings	26,811	17,100	17,624	25,805	18,445
Consolidated obligations	621,093	591,606	525,419	376,715	304,493
Capital stock	33,289	30,537	28,361	22,287	18,833
Retained earnings	932	729	660	468	344
Average balances for the year ended December 31,					
Advances	$457,698	$418,123	$327,605	$229,932	$170,963
Mortgage loans, net	19,810	8,509	1,399	344	37
Investments(1)	186,256	171,970	151,035	144,946	136,020
Total assets	672,983	609,491	488,459	381,909	311,931
Deposits and borrowings	26,176	14,058	19,378	22,185	16,084
Consolidated obligations	599,581	553,262	434,385	332,265	270,904
Capital stock	31,627	29,280	24,798	20,026	17,542
Retained earnings	1,010	945	796	330	342
Operating results for the year ended December 31,					
Net income(2)	$ 2,154	$ 2,211	$ 2,128	$ 1,778	$ 1,492
Dividends paid in cash and stock	1,951	2,142	1,636	1,354	1,191
Weighted average dividend rate(3)	6.17%	7.32%	6.60%	6.76%	6.79%
Return on average equity(2)	6.60%	7.32%	8.31%	8.73%	8.33%
Return on average assets(2)	0.32%	0.36%	0.44%	0.47%	0.49%
Net interest margin(4)	0.47%	0.55%	0.52%	0.57%	0.58%
At December 31,					
Total capital ratio(5)	4.9%	4.8%	5.0%	5.2%	5.5%
Ratio of total unsecured liabilities to total capital(6)			19.1:1	17.9:1	17.2:1
Leverage ratio(6)	20.4:1	20.9:1			

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

(2) Net income for the years ended December 31, 2001 and 2000, include expenses of $538 million and $553 million relating to the FHLBanks' REFCORP payments. 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 and beyond. Presentation of operating results for years before 2000 have not been restated. Therefore, net income, the return on average equity, and the return on average assets for 2000 and 2001 are not comparable to prior years.

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

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

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

(6) 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 INFORMATION
(Dollar amounts in millions)

	At December 31, 2001	2000	1999	1998	1997
Statements of Condition					
Advances	$472,732	$437,861	$395,747	$288,189	$202,265
Mortgage loans, net	27,643	16,149	2,026	966	37
Investments(1)	190,064	186,437	171,425	137,193	140,106
Other assets(2)	6,635	13,240	14,014	7,654	6,167
Total assets	$697,074	$653,687	$583,212	$434,002	$348,575
Deposits and borrowings	$ 26,811	$ 17,100	$ 17,624	$ 25,805	$ 18,445
Consolidated obligations	621,093	591,606	525,419	376,715	304,493
Other liabilities(3)	14,952	13,716	11,154	8,730	6,463
Total liabilities	$662,856	$622,422	$554,197	$411,250	$329,401
Capital stock outstanding	$ 33,289	$ 30,537	$ 28,361	$ 22,287	$ 18,833
Retained earnings	932	729	660	468	344
Other comprehensive income	(3)	(1)	(6)	(3)	(3)
Total capital	$ 34,218	$ 31,265	$ 29,015	$ 22,752	$ 19,174

	For the Year Ended December 31, 2001	2000	1999	1998	1997
Statements of Income					
Total interest income	$31,696	$38,980	$26,520	$21,478	$18,030
Total interest expense	28,596	35,667	23,986	19,362	16,258
Net interest income before mortgage loan loss provision	3,100	3,313	2,534	2,116	1,772
Mortgage loan loss provision	4	2	1		
Net interest income after mortgage loan loss provision.	3,096	3,311	2,533	2,116	1,772
Net unrealized gains on securities held at fair value	66				
Net gains on derivatives and hedging activities	83				
Other non-interest income, net	170	65	107	119	112
Total non-interest income	319	65	107	119	112
Operating expenses	369	333	282	258	229
Finance Board and Office of Finance expenses	33	29	29	28	24
Other, net	18	11	3	2	
Total other expenses	420	373	314	288	253
Affordable Housing Program	239	246	199	169	137
REFCORP(4)	538	553			
Total assessments	777	799	199	169	137
Extraordinary item:					
(Losses) gains on early retirement of debt, net	(34)	7	1		(2)
Cumulative effect of change in accounting principle	(30)				
Net income(4)	$ 2,154	$ 2,211	$ 2,128	$ 1,778	$ 1,492

(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, net bank premises and equipment, and derivative assets.

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

(4) 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 the year 2000.

FEDERAL HOME LOAN BANK

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 35 of this Financial Report. See "Explanatory Statement about FHLBanks Combined Financial Report" on page 34.

Amounts used to calculate percentage variances are based on numbers in the millions. Accordingly, recalculations may not produce the same results when the relevant amounts are disclosed only in billions.

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.

2001 Highlights

Financial Highlights. Net income decreased by 2.6 percent to $2,154 million in 2001 from $2,211 million in 2000. Net interest income after mortgage loan loss provision decreased 6.5 percent to $3,096 million in 2001 because of generally lower interest rates and the impact of lower interest rates on invested capital combined with the effects of compressed spreads earned on interest bearing assets net of interest bearing liabilities which reflects relatively less attractive execution in the agency debt markets. Average assets of $673.0 billion during 2001 were 10.4 percent higher than a year ago. Partially offsetting the lower level of net interest income were recognition of unrealized and realized gains on sale of securities held at fair value, and gain on derivatives and hedging activities, increase in other income, and decreases in AHP and REFCORP assessments. The FHLBanks' operating expenses, which were $369 million in 2001, increased 10.8 percent from 2000 operating expenses.

The adoption of Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS 133) resulted in net gains on derivatives and hedging activities of $83 million and a $30 million decrease to net income as the cumulative effect of change in accounting principle for 2001. In addition, the transition provisions of SFAS 133 allowed the FHLBanks to transfer any security classified as "held-to-maturity" and/or "available-for-sale" to "securities held at fair value." Therefore, the FHLBanks transferred certain investments classified as "held-to-maturity" and/or "available-for-sale" to "securities held at fair value" so that the FHLBanks could obtain reasonably symmetrical accounting treatment for the hedged investments and the associated interest-rate exchange agreements. As a result of these transfers under SFAS 133, the FHLBanks recognized net unrealized gains on securities held at fair value of $66 million during the year ending 2001.

Net income for the year ended December 31, 2001, includes an expense of $538 million relating to the FHLBanks' REFCORP payments. REFCORP payments were charged directly to retained earnings for the years through December 31, 1999. Title VI of the Gramm-Leach-Bliley Act (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 is now 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 for 1999 are comparable to 2001 and 2000. (See "Discussion and Analysis of Financial Condition and Results of Operations—REFCORP Payment".)

The spread between the yield on earning assets and the cost of interest-bearing liabilities in 2001 was 21 basis points, 1 basis point lower than in 2000. The return on average assets was 32 basis points in 2001, 4 basis points lower than in 2000. This decline is due primarily to lower income and higher average assets for 2001. The return on average equity was 6.6 percent in 2001, which is 72 basis points lower than in 2000. The decrease in net income and increase in average equity account for this decrease. The weighted average dividend rate was 6.17 percent in 2001, compared with 7.32 percent one year earlier.

Seven of the 12 FHLBanks had an increase in total assets and 9 of the 12 FHLBanks had an increase in advances during 2001. In 2001, advances increased by 8.0 percent to $472.7 billion, total assets increased by 6.6 percent to $697.1 billion, consolidated obligations outstanding increased by 5.0 percent to $621.1 billion, and total capital increased by 9.4 percent to $34.2 billion.

Advances and investments grew in 2001. Advances as a percentage of total assets have increased to 67.8 percent at December 31, 2001, from 67.0 percent at December 31, 2000. Investments as a percentage of total assets decreased, falling to 27.3 percent from 28.5 percent over the same period. While advances and investments changed slightly as a percentage of total assets, mortgage loans increased to 4.0 percent of total assets at December 31, 2001, from 2.5 percent one year earlier.

The growth in advances for the majority of FHLBanks reflects 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 one or more 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 8 to the accompanying combined financial statements.)

Investments other than mortgage-backed securities (MBS) decreased by 1.8 percent to \$103.3 billion. MBS increased by 6.7 percent to \$86.7 billion. Finance Board policy limits an FHLBank's investments in MBS to three times its capital, and aggregate MBS investments were 2.53 times aggregate FHLBank capital at December 31, 2001, compared with 2.60 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 \$621.1 billion outstanding at December 31, 2001, an increase of \$29.5 billion from one year earlier.

The 9.4 percent increase in capital to \$34.2 billion is attributable to a number of factors, including: the number of FHLBank members grew by 1.6 percent to 7,902 and each new member must purchase stock in its FHLBank based on its level of residential mortgage assets; borrowing members must hold capital stock at least equal to 5 percent of their advances outstanding and as aggregate advances grew, some borrowers needed to purchase additional capital stock to comply with this statutory requirement; five of the FHLBanks pay stock dividends, and this gives rise to increased levels of capital; and several FHLBanks, as a result of the adoption of SFAS 133, increased their accumulated retained earnings in order to offset the possible impact of temporary income volatility associated with SFAS 133. The FHLBanks' capital to asset ratio was 4.9 percent at December 31, 2001, compared with 4.8 percent at December 31, 2000.

The FHLBanks operate deposit programs primarily for the benefit of their members, and member deposits at the end of 2001 increased to \$25.7 billion, up 50.1 percent from year-end 2000. 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. Factors that generally influence deposit levels include turnover in members' investment and loan portfolios, changes in member demand for liquidity, and the FHLBanks' deposit pricing as compared to other short-term market rates.

Legislation and Regulatory Developments. Title VI of the 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.

In 2001, the Finance Board issued several final rules, including:

Capital Plans. On January 30, 2001, the Finance Board published a final rule implementing a new capital structure for the FHLBanks, as required by the GLB Act. The rule establishes risk-based and leverage capital requirements for the FHLBanks, addresses different classes of stock that an FHLBank may issue and the rights and preferences that may be associated with each class of stock, and required each FHLBank to submit a capital plan to the Finance Board for approval by October 29, 2001. All FHLBanks submitted their proposed capital plans to the Finance Board by October 29, 2001. The Finance Board has announced a schedule to consider the FHLBanks' proposed capital plans during its meetings from March 13 to July 10, 2002; however, there is no assurance that the capital plans will be approved on the review dates. The capital rule provides a transition period that allows each FHLBank up to three years from the effective date of its capital plan to implement their new capital structure. The existing capital structure of each FHLBank will remain in place until its capital plan has been approved and is effective.

On March 13, 2002, the Finance Board approved the capital structure plan of the FHLBank of Seattle.

Unsecured Credit Limits. On December 27, 2001, the Finance Board published a final rule amending its rules governing the amount of unsecured credit that an FHLBank can extend to a particular counterparty. The amendments require an FHLBank to base its credit limit on the long-term credit rating of the counterparty, set the amount of unsecured credit that may be extended to a Government-Sponsored Enterprise at the level allowed under an FHLBank's Financial Management Policy, adjust the limits for sales of overnight Federal funds and limits for unsecured credit extended to groups of affiliated counterparties, address how unsecured credit limits should be applied to certain housing finance agency bonds, and clarify how an FHLBank should calculate its credit exposures from on- and off-balance sheet items and derivative contracts. The rule became effective March 27, 2002.

Multiple Membership Petitions. The Finance Board published a solicitation of comments on the implications for the FHLBanks raised by structural changes occurring in their membership. The solicitation was prompted by the submission of several petitions requesting that the Finance Board permit a single depository institution to become a member of two FHLBanks concurrently. On January 22, 2002, the Finance Board announced that it intends to defer action on multi-district membership petitions until it decides on a course of action to address broader membership issues.

Non-Mortgage Assets Redefinition. The Finance Board published a proposed rule on March 7, 2002, that would amend its regulation of FHLBank consolidated obligations in order to redefine the term "non-mortgage assets" as used in the provision on FHLBank leverage limits. The amendment would allow an FHLBank to maintain more easily its assets-to-capital ratio.

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. 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.

Financial Performance. As a cooperative, the FHLBanks seek to maintain a balance between their public policy mission and their obligation to provide adequate returns on the capital supplied by their members. The FHLBanks achieve this balance by delivering low-cost financing to members to help them meet the credit needs of their communities while paying a market-rate dividend. Reflecting the FHLBanks' unique cooperative nature, the FHLBanks' financial strategies are designed to enable the FHLBanks to expand and contract in response to member credit needs. The FHLBanks invest their capital in high-quality, short- and intermediate-term financial instruments. This strategy reduces the risk of loss if investments have to be liquidated to redeem excess capital stock.

Financial Trends

Conditions in Financial Markets. The financial markets during 2001 exhibited significant volatility, as the U.S. economy began to slow. The stock market was adversely affected by reports of poor quarterly earnings throughout 2001, numerous industrial and service companies lowered growth expectations, and substantial employee layoffs were announced. The terrorist attacks of September 11 also adversely affected the stock market, eroded consumer confidence and disrupted commerce.

In response to economic conditions, the Federal Reserve, through its Federal Open Market Committee, cut the discount rate 11 times for a total of 475 basis points since January 1, 2001. As a result, a significant volume of redemptions of callable FHLBank consolidated obligations were triggered with those bonds being replaced by bonds with lower interest rates. As spreads narrowed, given the overall downward shift in interest rates, the FHLBanks' funding spreads have also compressed as a result of unprecedented U.S. Government-Sponsored Enterprise (GSE) and corporate demand for funding and the increased cost of hedging their market risk using interest-rate exchange agreements. In 2001, new issue volume in the U.S. bond market reached a new record, totaling $4.6 trillion, up from $2.7 trillion in 2000, a 37 percent increase.

The lower level of interest rates affects all FHLBanks directly through lower earnings on invested capital. In addition, many homeowners took advantage of lower mortgage rates to refinance their homes, resulting in increased prepayments on mortgages, including the member mortgage asset programs established by the FHLBanks, and the recognition of any associated premiums or discounts.

For the third quarter ended September 30, 2001, the latest period for which data is available, the FDIC reported that deposits growth exceeded loan growth at commercial banks for the fourth consecutive quarter and that deposits growth of FDIC-insured deposits rose $128 billion since December 31, 2000. This was the eighth consecutive quarter with growth in deposits. These increases have reversed a long period of minimal deposit growth, which may, if sustained, affect the future demand for advances at the FHLBanks.

Statement of Condition. SFAS 133 requires that, beginning in 2001, the assets and liabilities hedged with derivative instruments designated under fair value hedging relationships be adjusted for changes in fair value even as other assets and liabilities continue to be carried on a historical cost basis. In discussing changes in the Statement of Condition for 2001 compared to 2000, the SFAS 133 fair value adjustment information for advances, investments and consolidated obligations have been included. All other fair value adjustments were less than one percent of the book value. In addition, SFAS 133 requires that all derivative instruments be recorded in the Statement of Condition at their fair value, which includes accrued interest. In the prior year, accrued interest on derivatives was reported as accrued interest receivable and accrued interest payable in the Statement of Condition.

Advances rose to $472.7 billion at year-end 2001. 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 10.7 percent in 2000 and by 8.0 percent in 2001. Advances increased primarily in the second half of 2001 and by a total of $34.8 billion by year-end. Approximately $9.4 billion of the increase in advances in 2001 relates to basis adjustments related to hedging relationships accounted for under SFAS 133. The FHLBanks make significant use of interest-rate exchange agreements to alter cash flows on certain of their advances. (See Note 8 to the accompanying combined financial statements.)

More than 67.8 percent of the advances outstanding at December 31, 2001, had a remaining maturity greater than one year compared with 57.3 percent at December 31, 2000. Approximately 28.7 percent of the par amount of advances outstanding at December 31, 2001, were floating-rate advances compared with 32.0 percent one year earlier. Approximately 31.5 percent of the par amount of advances outstanding at December 31, 2001 were convertible advances compared with

22.9 percent at December 31, 2000. Advance originations totaled $3.758 trillion in 2001, down 19.7 percent from 2000 originations of $4.680 trillion, reflecting lower demand by members for short-term advances. (See Note 8 to the accompanying combined financial statements.)

In 2001, investments grew by $3.7 billion, or 1.9 percent. Approximately $301 million of the increase in investments in 2001 relates to basis adjustments related to hedging relationships accounted for under SFAS 133. Investments grew by $15.0 billion, or 8.8 percent, during 2000. 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 $86.7 billion at December 31, 2001, were 253 percent of total FHLBank capital. These investments represented 260 percent of total FHLBank capital at December 31, 2000. The FHLBanks make significant use of interest-rate exchange agreements to alter the cash flows on certain of their investment securities. (See Note 5 to the accompanying combined financial statements.)

Historically, the FHLBanks have been one of the largest providers of Federal funds. Federal funds sold were $48.4 billion (25.5 percent of total investments) at year-end 2001, compared with $55.3 billion (29.7 percent of total investments) at year-end 2000.

The FHLBanks held commercial paper investments of $6.7 billion (3.5 percent of total investments) at year-end 2001, compared with $11.7 billion (6.3 percent of total investments) at year-end 2000. 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 $15.1 billion or 7.9 percent of total investments at year-end 2001, up from $13.9 billion or 7.5 percent of total investments at year-end 2000. (See Notes 5, 6, and 7 to the accompanying combined financial statements.)

Mortgage loans held increased to $27.6 billion at December 31, 2001, from $16.1 billion at December 31, 2000. The increase in mortgage loans relates to the expansion of the member mortgage asset programs established by the FHLBanks. Despite lower interest rates leading to homeowners refinancing their mortgage loans, new loan production far outpaced the accelerated prepayments. During 2001, repayments and prepayments were approximately $8.0 billion while originations were approximately $19.5 billion. The FHLBank of Chicago, which pioneered the Mortgage Partnership Finance (MPF®) program in which ten of the 12 FHLBanks now participate, allowing them to purchase mortgages from member financial institutions, and the FHLBank of Des Moines hold the largest mortgage loan balances with 60.0 percent and 13.5 percent, respectively. MPF® had mortgage loans outstanding of $24.9 billion at December 31, 2001. The FHLBanks of Cincinnati, Indianapolis and Seattle developed the Mortgage Purchase Program (MPP), which had mortgage loans outstanding of $2.7 billion at December 31, 2001. The FHLBank of Indianapolis participates in both programs.

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 maturities 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. The FHLBanks make significant use of interest-rate exchange agreements to alter the cash flows on consolidated obligations and to reduce funding costs. Consolidated obligations outstanding increased 5.0 percent between year-end 2000 and year-end 2001, rising to $621.1 billion at year-end 2001. Approximately $2.9 billion of the increase in consolidated obligations in 2001 relates to basis adjustments related to hedging relationships accounted for under SFAS 133. Consolidated discount notes outstanding decreased 12.7 percent over the same period, reaching $139.5 billion at year end 2001, and consolidated bonds outstanding increased by 11.5 percent to end 2001 at $481.6 billion. (See Notes 11, 12, and 13 to the accompanying combined financial statements.)

The FHLBanks' total capital grew by $2.9 billion or 9.4 percent between 2000 and 2001 due to increases in advances, increases in membership, the payment of stock dividends by the FHLBanks of Cincinnati, Chicago, Dallas, San Francisco, and Seattle, and the accumulation of retained earnings to compensate for temporary earnings volatility resulting from SFAS 133. Over the same period, total assets grew less than total capital, causing the FHLBanks' capital-to-asset ratio to increase to 4.9 percent at year-end 2001 from 4.8 percent at year-end 2000. (See Note 14 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. The final rule generally limits each FHLBank's assets to no more than 21 times 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 no greater than 25 times its capital. At year-end 2001, combined FHLBank asset-based leverage was 20.4 to 1. Combined FHLBank asset-based leverage was 20.9 to 1 at year-end 2000, and combined FHLBank liability-based leverage was 19.1 to 1 at year-end 1999. At December 31, 2001, 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," and Note 14 to the accompanying combined financial statements.)

Debt Financing Activity. An increase in consolidated obligations outstanding of $29.5 billion or 5.0 percent in 2001 financed most of the increase in FHLBank assets. Bonds composed 77.5 percent of consolidated obligations outstanding at year-end 2001, with the remainder being discount notes. Through December 31, 2000, the Finance Board through the Office of Finance issued consolidated obligations on behalf of the FHLBanks on a daily basis. The Finance Board adopted final rules on June 2, 2000, to govern the issuance of debt directly by the FHLBanks. Beginning January 2, 2001, the FHLBanks issue debt jointly through the Office of Finance as their agent. (See "Discussion and Analysis of Financial Condition and Results of Operations—Risk Management," and Notes 13 and 16 to the accompanying combined financial statements.)

The data in the following table is not adjusted for the $2.7 billion of interbank holdings at par value of consolidated obligations at December 31, 2001.

Federal Home Loan Banks

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

	At December 31,	
	2001	2000
Fixed-rate, Non-callable	$224.0	$188.5
Fixed-rate, Callable	180.8	197.1
Fixed-rate, Putable	0.6	0.6
Single-index Floating Rate	58.1	31.7
Zero-coupon, Non-callable	0.9	1.4
Zero-coupon, Callable	20.8	24.3
Other	12.3	9.6
Total	$497.5	$453.2

In 2001, 81.1 percent of bond sales by par amount were negotiated transactions and 18.6 percent by par amount were competitively bid. In 2001, 27.3 percent of bonds sold were fixed-rate, fixed-term, non-callable (bullet) bonds; 54.5 percent were callable bonds; and 15.0 percent were simple floating-rate bonds. Bonds issued 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 achieved 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 provided additional asset-liability management tools. (See "Discussion and Analysis of Financial Condition and Results of Operations—Risk Management" and Notes 13 and 16 to the accompanying combined financial statements.)

The FHLBanks through the Office of Finance issued $383.0 billion of bonds at par in 2001. This compares with $190.8 billion at par in 2000 and $239.9 at par billion in 1999. The increase in bond issuance occurred because of greater call activity attributable to the decline in interest rates in 2001. The FHLBanks are extensive users of callable debt, with $222.0 billion at par outstanding without interbank holding adjustment of $1.2 billion as of year-end 2001 or 44.6 percent of total bonds. At December 31, 2001, an estimated $70.5 billion of bonds had in-the-money calls that could be exercised in 2002 based on interest rates prevailing on December 31, 2001. The amount of bonds that will be called in 2002 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 comprised 22.5 percent of outstanding consolidated obligations at year-end 2001 but accounted for 91.8 percent of the proceeds from the sale of consolidated obligations in 2001. Much of the discount note activity reflects the refinancing of overnight discount notes, which averaged $14.7 billion in 2001.

Federal Home Loan Banks

Average Consolidated Obligations Outstanding
(Dollar amounts in billions)

	2001	2000
Overnight discount notes	$ 14.7	$ 12.8
Term discount notes	151.8	131.9
Total discount notes	166.5	144.7
Bonds	449.6	432.4
Total consolidated obligations	$616.1	$577.1

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 2001, the Global Debt Program provided $91.5 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 re-opening previously issued bonds. By consolidating these small issues, the Office of Finance seeks to enhance the liquidity of these issues. In 2001, TAP issuance was $48.3 billion up from $43.1 billion in 2000.

REFCORP Payment

The FHLBanks must pay 20 percent of net earnings (after their AHP obligation) to REFCORP to support the payment of 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 $161 million (cash payment of $160.1 million) for the fourth quarter of 2001 and $538 million (cash payment of $536.5 million) for the year 2001. The cash payments are made based on preliminary net income amounts due to the timing requirement of the payment. 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 $85.1 million fourth-quarter REFCORP payment in excess of the $75 million quarterly benchmark will fully defease the remaining $25.5 million portion of the benchmark payment due on April 15, 2024; the benchmark payments due on January 15, 2024, October 15, 2023, and July 15, 2023; and defease $51.3 million of the $75 million benchmark payment due on April 15, 2023. 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' cash payments to REFCORP in 2001 of $536.5 million had the effect of shortening the period during which the FHLBanks must make quarterly payments to April 15, 2023, from April 15, 2027. 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 2001 Payment
(Dollar amounts in millions)

Payment Due Date	Amount of Benchmark Payment Defeased*	Interest Rate Used to Discount the Future Benchmark Payment	Present Value of Benchmark Payment Defeased**
April 15, 2024 (most distant remaining payment as of September 30, 2001)	$ 25.5	5.88%	$ 6.9
January 15, 2024	75.0	5.88%	20.8
October 15, 2023	75.0	5.88%	21.1
July 15, 2023	75.0	5.86%	21.5
April 15, 2023	51.3	5.89%	14.8
Total	$301.8		$85.1

* Subject to possible subsequent reinstatement.

** Cash payment of $160.1 million made on estimated net income.

Results of Operations

Net Income and Net Interest Income. The FHLBanks' net income for 2001 was $2,154 million, $57 million or 2.6 percent below 2000 net income. The FHLBanks' net income for 2000 was 3.9 percent above 1999 net income, while net income for 1999 was 19.7 percent above 1998 net income. Reported net income in 2001 and 2000 are 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 2001 and 2000 were $538 million and $553 million, respectively, compared with $300 million for 1999.

For 2001, the decrease in net interest income after mortgage loan loss provision was $215 million, a 6.5 percent decrease from 2000. The decrease is attributable to lower interest rates as well as the effects of the compressed spreads earned on assets net of the cost of liabilities, which reflects relatively less attractive execution in the agency debt market because of the unprecedented U.S. GSE and corporate demand for funding and the increased cost of FHLBanks hedging their market risk using interest-rate exchange agreements. Net interest income after mortgage loan loss provision for 2000 was 30.7 percent above 1999, while net interest income after mortgage loan loss provision for 1999 was 19.7 percent above 1998.

SFAS 133 was adopted by the FHLBanks on January 1, 2001, and resulted in net gains on derivatives and hedging activities of $83 million, a net unrealized gain on securities now held at fair value of $66 million and a $30 million decrease to net income as the cumulative effect of change in accounting principle for 2001. Under SFAS 133, all derivatives are recorded at fair value and an FHLBank is required to recognize unrealized losses or gains on derivative positions regardless of whether offsetting gains or losses on the underlying assets or liabilities being hedged are permitted to be recognized in a symmetrical manner. Therefore, SFAS 133 introduces the potential for a considerable timing difference between income recognition from assets or liabilities and the income effects of hedge instruments positioned to mitigate market risk and cash-flow variability. Because some of the FHLBanks manage derivatives positions with primary emphasis on economic cost-effectiveness, as opposed to symmetrical accounting results, the adoption of SFAS 133 has led to more volatility in the reported earnings for certain FHLBanks following this strategy due to changes in market prices and interest rates.

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)

	2001 vs. 2000	2000 vs. 1999	1999 vs. 1998
Increase (decrease) in:			
Total interest income	$(7,284)	$12,460	$5,042
Total interest expense	(7,071)	11,681	4,624
Net interest income before mortgage loan loss provision	(213)	779	418
Mortgage loan loss provision	2	1	1
Net interest income after mortgage loan loss provision	(215)	778	417
Net unrealized gains on securities held at fair value	66		
Net gains on derivatives and hedging activities	83		
Other non-interest income, net	105	(42)	(12)
Total non-interest income	254	(42)	(12)
Operating expenses	36	51	24
Finance Board and Office of Finance expenses	4		1
Other, net	7	8	1
Total other expenses	47	59	26
Affordable Housing Program	(7)	47	30
REFCORP	(15)	553	
Total assessments	(22)	600	30
Extraordinary item:			
(Losses) gains on early retirement of debt, net	(41)	6	1
Cumulative effect of change in accounting principle	(30)		
Net income	$ (57)	$ 83	$ 350

Excluding the primary effects of SFAS 133 on 2001 earnings, net income would have decreased by an additional $83 million, net of the REFCORP and AHP assessments. The $57 million change in net income for 2001 versus 2000 was impacted by the adoption of SFAS 133, including unrealized gains on securities held at fair value of $66 million, net gains on derivatives and hedging activities of $83 million and a decrease to net income as negative cumulative effect of change in accounting principle of $30 million. The net $119 million increase in net income as a result of SFAS 133 for 2001 versus 2000 is offset by $32 million in REFCORP and AHP assessments.

The following table presents average 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). The primary source of FHLBank earnings is net interest income, which is the interest earned on advances, mortgages, investments and capital less interest paid on consolidated obligations, deposits, and other borrowings. The decrease in net interest margin is largely attributable to the decline in interest yields and the effects of compressed spreads because of the less attractive execution in the agency debt markets because of the unprecedented U.S. GSE and corporate demand for funding.

Federal Home Loan Banks

Spread and Yield Analysis
(Dollar amounts in millions)

	2001		2000		1999	
	Average Balance	Yield	Average Balance	Yield	Average Balance	Yield
Earning assets:						
Advances and mortgage loans	$477,508	4.62%	$426,632	6.53%	$329,004	5.42%
Investments	186,256	5.17%	171,970	6.46%	151,035	5.76%
Total earning assets	$663,764	4.78%	$598,602	6.51%	$480,039	5.52%
Funded by:						
Consolidated obligations	$599,581	4.61%	$553,262	6.29%	$434,385	5.30%
Interest-bearing deposits and other borrowings	26,176	3.68%	14,058	6.13%	19,378	4.87%
Total interest-bearing liabilities	625,757	4.57%	567,320	6.29%	453,763	5.29%
Capital and other non-interest-bearing funds	38,007		31,282		26,276	
Total funding	$663,764	4.31%	$598,602	5.96%	$480,039	5.00%
Spread on:						
Total interest-bearing liabilities		0.21%		0.22%		0.23%
Total funding (net interest margin)		0.47%		0.55%		0.52%

In the preceding table, average amounts for the years ended 2000 and 1999 have been restated using daily average balances, rather than the year-end average balances, for calculations to be consistent with the 2001 presentation.

A significant portion of net interest income results from earnings on assets funded by non-interest-bearing capital. Average total capital for 2001 was $32.6 billion, which was $2.4 billion or 7.9 percent greater than average total capital of $30.2 billion for 2000. Average total capital also increased from 1999 to 2000, growing 18.1 percent to $30.2 billion in 2000. Growth in FHLBank membership, increased advance levels and stock dividends contributed to the increase in average total capital.

Changes in both volume and interest rates influence changes in net interest income and net interest margin. The following table summarizes changes in interest income and interest expense between 2001 and 2000 and between 2000 and 1999. Changes in interest income and interest expense not identifiable as either volume-related or rate-related, but rather equally 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)

	2001 vs. 2000 Increase/(Decrease) Due to			2000 vs. 1999 Increase/(Decrease) Due to		
	Volume	Rate	Total	Volume	Rate	Total
Interest income:						
Advances and mortgage loans	$3,036	$(8,852)	$(5,816)	$5,948	$4,105	$10,053
Investments	872	(2,340)	(1,468)	1,283	1,124	2,407
Total interest income	3,908	(11,192)	(7,284)	7,231	5,229	12,460
Interest expense:						
Consolidated obligations	2,725	(9,898)	(7,173)	6,991	4,771	11,762
Deposits and other borrowings	540	(438)	102	(293)	212	(81)
Total interest expense	3,265	(10,336)	(7,071)	6,698	4,983	11,681
Changes in net interest income	$ 643	$ (856)	$ (213)	$ 533	$ 246	$ 779

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

	For the Year Ended December 31,		
	2001	2000	1999
	(Dollar amounts in millions)		
Other income:			
Net unrealized gains on securities held at fair value	$ 66	$	$
Net gains on derivatives and hedging activities	83		
Service fees	40	44	43
Gains on sale of securities held at fair value, net	7		
Gains on sale of available-for-sale securities, net		2	
Prepayment fees, net	94	4	13
Other, net	29	15	51
Total other income	$319	$65	$107

During 2001, total other income was $319 million, $254 million more than total other income in 2000. The increase in 2001 is mainly attributable to the $83 million in net gains on derivatives and hedging activities and $66 million net unrealized gains on securities held at fair value resulting from the adoption of SFAS 133 and the $90 million increase 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. Prepayment fees, which are reported as a part of the other, net income on the Statements of Income in the accompanying combined financial statements, increased $90 million from 2000. This increase is attributable to the lower interest rates which resulted in an increase in re-financing activities during 2001.

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 (Decrease)	
	2001	2000	1999	2001/2000	2000/1999
Salaries and employee benefits	$218	$185	$155	17.8%	19.4%
Occupancy cost	23	25	19	(8.0)%	31.6%
Other	128	123	108	4.1%	13.9%
Total operating expenses	$369	$333	$282	10.8%	18.1%

Total FHLBank operating expenses for 2001 were $369 million, $36 million or 10.8 percent above total operating expenses in 2000. The increase in salaries and benefits in 2001 reflects general pay and benefits increases, higher staffing levels and an increase in pension liabilities. Operating expenses as a percent of average assets were 5.5 basis points in 2001 and 2000. Operating expenses include the costs of providing member correspondent services, as well as credit operations. The FHLBank of New York's headquarters at 7 World Trade Center were destroyed as a result of the September 11 attacks. The FHLBank of New York is working out of interim locations in New York and New Jersey, while considering options for a new permanent location. The increase in operating expenses relating to the relocation is not expected to materially affect the FHLBank of New York's 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 $33 million in 2001, an increase of 13.8 percent over the 2000 $29 million expense.

Affordable Housing Program. The AHP expense for 2001 was $239 million, 2.8 percent less than the 2000 AHP expense of $246 million. For both 2001 and 2000, the AHP assessment was 10 percent of net income after the required payment to REFCORP. The AHP assessment changes in 2001, 2000, and 1999 reflect trends of the FHLBank net income. (See Note 9 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)

	2001 Quarter Ended			
	March 31	June 30	Sept 30	Dec 31
Total interest income	$9,921	$8,407	$7,369	$5,999
Total interest expense	9,131	7,662	6,585	5,218
Net interest income before mortgage loan loss provision	790	745	784	781
Mortgage loan loss provision	1	1		2

	2001 Quarter Ended			
	March 31	June 30	Sept 30	Dec 31
Net interest income after mortgage loan loss provision	789	744	784	779
Net unrealized gains (losses) on securities held at fair value	76	(48)	183	(145)
Net (losses) gains on derivatives and hedging activities	(43)	112	(297)	311
Other non-interest income, net	35	28	45	62
Total non-interest income	68	92	(69)	228
Operating expenses	85	90	90	104
Finance Board and Office of Finance expenses	10	7	11	5
Other, net	5	2	4	7
Total other expenses	100	99	105	116
Affordable Housing Program	58	61	48	72
REFCORP	134	135	108	161
Total assessments	192	196	156	233
Extraordinary item:				
Losses on early retirement of debt, net		(1)	(14)	(19)
Cumulative effect of change in accounting principle	(30)			
Net income	$ 535	$ 540	$ 440	$ 639

	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 mortgage loan loss provision	765	818	857	873
Mortgage loan loss provision	1		1	
Net interest income after mortgage loan loss provision	764	818	856	873
Prepayment fees, net			1	3
Other non-interest income, net	18	14	11	18
Total non-interest 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:				
Gains (losses) 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 mortgage loan loss provision	574	589	654	717
Mortgage loan loss provision	1	(1)		1
Net interest income after mortgage 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:				
Gains on early retirement of debt, net			1	
Net income	$ 488	$ 496	$ 556	$ 588

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 deposits from members. 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. The FHLBanks are also subject to operational risk. To control these risks, the FHLBanks have established policies and practices to evaluate and manage their credit, business, operating and interest-rate risk positions. The Finance Board has established regulations governing the FHLBanks' risk management practices. 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.

The FHLBanks do not have any special purpose entities or any other type of off-balance sheet conduits. All derivatives are recorded on the balance sheet at fair value. The Finance Board's Financial Management Policy (Financial Management Policy) prohibits the speculative use of interest-rate exchange agreements. The FHLBanks do not trade derivatives for short-term profit.

Liquidity. The FHLBanks are required to maintain liquidity in accordance with certain regulations, with the Financial Management Policy, and with policies established by their board of directors. The FHLBanks need liquidity to satisfy member demand for short- and long-term funds, repay maturing consolidated obligations, and meet other obligations. In their asset/liability management planning, members may look to the FHLBanks to provide standby liquidity. The FHLBanks seek to be in a position to meet their customers' credit and liquidity needs without maintaining excessive holdings of low-yielding liquid investments or being forced to incur unnecessarily high borrowing costs. The FHLBanks' primary sources of liquidity are short-term investments and the issuance of new consolidated obligation bonds and discount notes. Other short-term borrowings, such as Federal funds purchased, securities sold under agreements to repurchase, and loans from other FHLBanks, also provide liquidity. The FHLBanks maintain contingency liquidity plans designed to enable them to meet their obligations and the liquidity needs of members in the event of operational disruptions at the FHLBanks or the Office of Finance or short-term capital market disruptions.

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 as is more fully discussed below.

The FHLBanks measure interest-rate risk exposure by various methods, including 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, indicate greater volatility of market value of equity. Under the Finance Board's Financial Management Policy, each FHLBank's 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. (See Duration of Equity table in the Quantitative Disclosure about Market Risk section on page 27.)

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 reinvested 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 the FHLBanks offer advances (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 hold mortgage-related investments, including mortgage loans, mortgage-backed securities, and agency obligations. The prepayment options embedded in mortgages 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 mortgage-backed securities the FHLBanks may own to those with limited average life changes under certain interest-rate shock scenarios. The FHLBanks may hedge against contraction risk by funding some mortgage-related investments 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 mortgage-related investments. The FHLBanks may also use interest-rate exchange agreements to transform the characteristics of investment securities other than mortgage-backed securities.

Derivatives. The FHLBanks enter into interest-rate swaps, swaptions, interest-rate cap and floor agreements, calls, puts, and futures and forward contracts (collectively, interest-rate exchange agreements) to manage their exposure to changes in interest rates. 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 as a fair-value or cash-flow hedge of an underlying financial instrument or a forecasted transaction, by acting as an intermediary, or in asset-liability management. For example, 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 (advances, investments and mortgage loans), and/or to adjust the interest-rate sensitivity of advances, investments, or mortgage loans 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, to hedge the market value of existing assets and liabilities, and anticipated transactions, to hedge the duration risk of prepayable instruments and to reduce funding costs. The Financial Management Policy prohibits the speculative use of interest-rate exchange agreements. The FHLBanks do not trade derivatives for short-term profit.

An FHLBank manages the risk arising from changing market prices and volatility of a consolidated obligation by matching the interest received on the interest-rate exchange agreement with the interest paid on the consolidated obligation. In addition, all the FHLBanks require collateral agreements on most interest-rate exchange agreements. While consolidated obligations are the joint-and-several obligations of the FHLBanks, individual FHLBanks 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 a fixed interest rate to the FHLBank designed to mirror in timing and amount the interest rate paid by the FHLBank on the consolidated obligation. In this typical transaction, the FHLBank pays a variable interest rate 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.

With issuances of convertible advances, an FHLBank has purchased from the member one or more 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, upon request of the member, extend replacement advances 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. In this type of hedge, the interest-rate exchange agreement variable interest received mirrors in timing and amount the interest paid of the short-term floating-rate funds. If interest rates rise, the swap counterparty can cancel the interest-rate exchange agreement on the call date, and the FHLBank can convert the advance to a floating rate.

The FHLBanks invest in mortgage assets (mortgage-backed securities) and mortgage loans under the member mortgage asset programs. The prepayment options embedded in mortgage assets purchased can result in extensions or contractions in the expected maturities of these assets, depending on changes in interest rates. The Financial Management Policy limits this source of interest-rate risk by restricting the types of mortgage-backed securities the FHLBanks may own to those with limited average life changes under certain interest-rate shock scenarios. The FHLBanks may manage against contraction risk by funding some mortgage assets with consolidated obligations that have call features. In addition, the FHLBanks may use interest-rate caps, floors, and interest-rate exchange agreements to manage the extension and contraction variability of mortgage assets. 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 and prepayment 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.

At December 31, 2001, the FHLBanks had $600.7 billion total notional amount of interest-rate exchange agreements outstanding compared with $565.7 billion at December 31, 2000. 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. The FHLBanks adopted SFAS 133, as amended by Statement of Financial Accounting Standard No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities,* on January 1, 2001. SFAS 133 requires that all derivative instruments be recorded on the statement of condition at their fair values. At December 31, 2001, the FHLBanks had derivative assets of $2.7 billion and derivative liabilities of $7.8 billion.

In addition to market risk, each FHLBank is subject to credit risk because of the risk of nonperformance by counterparties to the agreements as well as operational risks. The degree of counterparty risk on derivatives depends on the extent to which netting procedures are used to mitigate the risk. Each FHLBank manages counterparty credit risk through credit analysis, collateral management and other credit enhancements, and by following the requirements set forth in the Financial Management Policy. The FHLBanks require collateral agreements on interest-rate exchange agreements, and maximum net unsecured credit exposure amounts which may exist before collateral requirements are triggered based upon each individual counterparty's rating. For example, a counterparty must deliver collateral to a FHLBank if the total market value of the FHLBank's exposure to that counterparty rises above a specific trigger point. As a result of these risk mitigation initiatives, the management of each FHLBank does not anticipate any credit losses on its agreements.

The FHLBanks have approximately 25 counterparties for interest-rate exchange agreements. Most are derivative dealers and major domestic and international banks, some of which may be affiliated with underwriters of consolidated obligations and members. Most of the counterparties are rated AA/Aa or higher.

The following table categorizes the estimated fair value of derivative financial instruments excluding accrued interest by product and type of accounting treatment. The categories "Fair Value, Firm Commitments and Cash Flow" represent hedges where hedge accounting is achieved. The category "Economic" represents hedge strategies where hedge accounting is not achieved. Amounts at December 31, 2001 are as follows (dollar amounts in millions):

Total by Product

	Notional	Estimated Fair Value
	(excludes accrued interest)	
Advances		
Fair Value	$227,481	$(9,448)
Firm Commitments	13	
Cash Flow	1,727	76
Economic	3,733	4
Total	232,954	(9,368)
Investments		
Fair Value	5,966	(251)
Economic	19,492	(205)
Total	25,458	(456)

	Notional	Estimated Fair Value
	(excludes accrued interest)	
Mortgage Loans		
Fair Value	$ 2,213	$ 22
Economic	10,597	80
Total	12,810	102
Consolidated Obligations		
Fair Value	271,825	2,952
Firm Commitments	41	(1)
Cash Flow	1,500	(2)
Economic	42,504	14
Total	315,870	2,963
Discount Notes		
Fair Value	4,996	7
Cash Flow	1,710	124
Economic	949	19
Total	7,655	150
Deposits		
Fair Value	20	4
Economic	350	
Total	370	4
Balance Sheet		
Economic	900	1
Total	900	1
Intermediary Positions		
Intermediaries	4,778	1
Total	4,778	1
Caps		
Economic	109	
Total	109	
Total Notional and Fair Value	$600,904	$(6,603)
Total Derivatives Excluding Accrued Interest		$(6,603)
Accrued Interest at December 31, 2001		1,517
Net Derivative Balance at December 31, 2001		$(5,086)
Net Derivative Assets Balance at December 31, 2001		$ 2,728
Net Derivative Liabilities Balance at December 31, 2001		(7,814)
Net Derivative Balance at December 31, 2001		$(5,086)

The FHLBanks have 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, 2001, consolidated obligations denominated in foreign currencies represented less than 1 percent of consolidated obligations outstanding.

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, the 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 market value-weighted duration of assets minus the market value-weighted duration of liabilities divided by the market value of equity. The 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 must maintain its duration of equity, under an assumed instantaneous +/−200 basis points parallel 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 Financial Management Policy. The table summarizes the interest-rate risk associated with all instruments entered into by the FHLBanks.

Federal Home Loan Banks

Duration of Equity
(In years)

	December 31, 2001			December 31, 2000		
FHLBank	Up	Base	Down	Up	Base	Down
Boston	3.0	1.8	(0.3)	2.3	1.8	(0.0)
New York	4.1	3.3	2.0	2.9	3.8	2.2
Pittsburgh	1.6	0.3	(3.6)	5.1	2.9	(1.3)
Atlanta	2.7	2.6	(4.0)	4.0	1.9	(3.4)
Cincinnati	5.9	2.2	(2.4)	3.7	0.0	(2.0)
Indianapolis	0.0	0.1	1.3	2.0	2.3	0.1
Chicago	1.3	2.5	(3.3)	4.2	3.7	(4.1)
Des Moines	(1.6)	(0.1)	2.5	4.5	1.2	(2.5)
Dallas	3.8	3.0	1.8	4.1	4.2	2.1
Topeka	2.1	(0.8)	(4.9)	3.5	0.3	(4.6)
San Francisco	2.6	2.0	0.9	2.0	1.4	0.7
Seattle	3.2	0.8	(4.0)	6.8	2.5	(6.5)

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

Growth of mortgage assets with their embedded optionality, partially offset by the related funding/hedging strategy, has the effect of widening the duration of equity range at certain FHLBanks.

Managing Credit Risk. Credit risk is the risk of loss due to default. The FHLBanks protect against credit risk on advances 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.

While the FHLBanks face minimal credit risk on advances, they are subject to credit risk on some investments and on interest-rate exchange agreements. Each FHLBank follows guidelines established by the Finance Board and its board 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, 2001, the FHLBanks had Federal funds sold of $48.4 billion. At the same date, the FHLBanks held $6.7 billion of commercial paper.

At December 31, 2001, the FHLBanks' unsecured credit exposure to counterparties other than the U.S. Government or U.S. Government agencies and instrumentalities was $71.2 billion, most of which was Federal funds sold and commercial paper. This is a $13.3 billion decrease from the $84.5 billion unsecured credit exposure to such counterparties at December 31, 2000. About 26.9 percent of this exposure at December 31, 2001 had an overnight maturity, 46.9 percent had a maturity from 2 to 30 days, 20.0 percent had a maturity from 31 to 90 days, and the remainder had a maturity less than 271 days. At December 31, 2001, the FHLBanks had aggregate unsecured credit exposure of more than $1 billion to each of 21 counterparties. The aggregate unsecured credit exposure to these 21 counterparties represented 47.1 percent of the FHLBanks' unsecured credit exposure to non-government counterparties.

Included in the aggregate unsecured credit exposure total is unsecured credit of $1.7 billion to Washington Mutual Bank, FA, and $913.1 million to its affiliated Washington Mutual Bank. As of the same date, Washington Mutual Bank had advances of $7.3 billion from the FHLBank of Seattle, its affiliated Washington Mutual Bank, FA, had advances of $53.2 billion from the FHLBank of San Francisco, its affiliated Washington Mutual Bank, FSB, had advances of $503.6 million from the FHLBank of Seattle, and its affiliated First Community Industrial Bank had advances of $110.0 million from the FHLBank of Topeka. 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. Before its acquisition, Bank United renegotiated $7.6 billion of its advances from the FHLBank of Dallas, principally to extend the term of these advances. After the merger, Washington Mutual Bank, FA, is responsible for the repayment of these advances to the FHLBank of Dallas. This amount is included in the Washington Mutual, FA, advance amount noted above. An officer of Bank United served on the board of directors of the FHLBank of Dallas until the merger in February 2001.

On January 7, 2002, Washington Mutual, Inc., finalized its acquisition of the parent company of Dime Savings Bank of New York. As of December 31, 2001, Dime Savings Bank of New York, FSB, had unsecured credit from the FHLBanks of $601.0 million and advances of $8.5 billion. An officer of Dime Savings Bank of New York, FSB, served on the board of directors of the FHLBank of New York in 2001.

Mortgage Loans. All 12 FHLBanks have established member mortgage asset programs as services to their members. The programs all involve the investment by the FHLBank in loans created by members. The Finance Board authorized all of the FHLBanks to hold acquired member assets, such as assets acquired under the Mortgage Partnership Finance® (MPF®) program developed by the FHLBank of Chicago and the Mortgage Purchase Program (MPP) developed by the FHLBanks of Cincinnati, Indianapolis, and Seattle. 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. These assets may have more credit risk than advances, even though the member or housing associate provides credit enhancement. At December 31, 2001, the acquired member asset programs had a total outstanding balance of $27.6 billion of mortgage loans, all of which were credit enhanced by members to a level equivalent to at least an investment-grade rating. Outstanding mortgage loan balances were $16.1 billion at December 31, 2000. All of the FHLBanks participating in these programs have established appropriate loan loss allowances. Neither the member credit enhancements nor loans are rated. An FHLBank must hold risk-based capital against acquired member assets or pools of assets that have an implied credit rating less than double-A. All of the FHLBanks except Seattle and Cincinnati offer the MPF® program to their members, and these two FHLBanks, along with the FHLBank of Indianapolis, offer an alternative mortgage purchase plan, MPP.

The acquired member asset rule of the Finance Board 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. All pools of acquired member assets must have a credit-risk-sharing arrangement with a member, housing associate or third-party mortgage insurance that limits the FHLBank's credit-risk exposure to no less than investment grade, as determined by a formal rating or a comparable methodology.

Operational Risk. Operational risk is the risk of potential loss due to human error, systems malfunctions, man-made or natural disasters, fraud, or circumvention or failure of internal controls. The FHLBanks have established comprehensive financial and operating polices and procedures and appropriate insurance coverage to mitigate the likelihood of, and potential losses from, such occurrences. The FHLBanks' policies and procedures include controls to ensure that system-generated data are reconciled to source documentation on a regular basis. Each FHLBank's internal audit department, which reports directly to the individual FHLBank's audit committee, regularly monitors each FHLBank's compliance with established polices and procedures. In addition, each FHLBank has a disaster recovery plan that is designed to restore critical business processes and systems in the event of disasters. However, some of the operational risks of the FHLBanks are beyond the control of the FHLBanks, and the failure of other parties to address adequately their operational risk could adversely affect the FHLBanks.

Capital Adequacy

The FHLBank Act prescribes minimum member capital stock requirements. At December 31, 2001, 97.3 percent of the FHLBanks' capital was capital stock, and 2.7 percent was retained earnings. At December 31, 2001, the FHLBanks had an aggregate capital-to-asset ratio of 4.9 percent. This compares with a capital-to-asset ratio of 4.8 percent at December 31, 2000. (See "Business—Debt Financing—Consolidated Obligations," "Business—Capitalization," and Note 14 to the accompanying combined financial statements.)

Transactions with Related Parties

Each FHLBank is a cooperative bank. The debt issued by the FHLBanks is the joint and several obligation of all FHLBanks. 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, 2001, the FHLBanks had $141.3 billion of advances outstanding to members whose officers were serving as directors of the FHLBanks. This amounted to 29.9 percent of total advances.

Critical Accounting Matters

Accounting for Derivatives. The FHLBanks adopted SFAS 133, as amended by Statement of Financial Accounting Standard No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities,* on January 1, 2001. SFAS 133 requires that all derivative instruments be recorded on the statement of condition at their fair values. 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 designated as cash flow hedges and 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. For a derivative designated as a fair-value hedge, the transition adjustment for the derivative was reported as a cumulative effect adjustment of net income. Concurrently, any fair-value gain or loss on the hedged instrument was 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 was also reported as a cumulative effect adjustment of net income. Changes in the fair value of a non-SFAS 133 hedge of an asset or liability (economic hedge) for asset-liability management will be recorded in current-period earnings. As discussed in more detail below, the adoption of SFAS 133 is likely to lead to more volatility in the statement of income because of changes in market prices and interest rates. The transition provisions of SFAS 133 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" (herein referred to as securities held at fair value), and any security classified as "available-for-sale" to "trading" (securities held at fair value).

The adoption of SFAS 133 resulted in the FHLBanks recording a decrease in net income of $30 million and an unrealized net loss of $2 million in the other comprehensive income component of capital at January 1, 2001, as a cumulative effect of change in accounting principle.

As noted under "Risk Management—Derivatives," by regulation, derivative instruments are only permitted to be used by an FHLBank in order to mitigate identifiable risks. All of an FHLBank's derivatives are positioned to offset some or all of the risk exposure inherent in its member lending, investment, and funding activities. Under SFAS 133, an FHLBank is required to recognize unrealized losses or gains on derivative positions regardless of whether offsetting gains or losses on the underlying assets or liabilities being hedged are permitted to be recognized in a symmetrical manner. Therefore, the new accounting framework imposed by SFAS 133 introduces the potential for a considerable mismatch between the timing of income and expense recognition from assets or liabilities and the income effects of hedge instruments positioned to mitigate market risk and cash-flow variability. Hence, during periods of significant changes in interest rates, an FHLBank's reported GAAP earnings may exhibit considerably greater variability than had been reported in previous years. Certain FHLBanks have generally continued their practice of utilizing the most cost-efficient hedging techniques available—viewing the resulting accounting consequences to be an important but secondary consideration. These FHLBanks anticipate that this approach will result in enhanced long-term performance, albeit at the expense of increased variability in quarterly earnings as reported under the new requirements of SFAS 133. In managing derivatives positions with primary emphasis on economic cost-effectiveness as opposed to evenness of accounting result, the adoption of SFAS 133 has led to more volatility in the reported earnings for FHLBanks following this strategy due to changes in market prices and interest rates.

REFCORP Payments. These combined financial statements do not include a liability for the statutorily mandated payments from the FHLBanks to REFCORP. No liability is recorded because the FHLBanks must pay 20 percent of net earnings (after their AHP obligation) to REFCORP to support the payment of part of the interest on the bonds issued by REFCORP and the FHLBanks are unable to estimate their future payments required as the payments are based on future earnings and not estimable under SFAS 5. Accordingly, the REFCORP payments are disclosed as a long-term statutory payment requirement and are treated for accounting purpose similar to a tax.

Federal Home Loan Bank Membership Trends

At December 31, 2001, there were 7,902 members of the FHLBanks, a net increase of 125 since December 31, 2000. As of December 31, 2001, the membership in the FHLBanks was comprised of 1,483 thrift institutions (savings and loan associations and savings banks), 5,786 commercial banks, 576 credit unions, and 57 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
December 31, 2001	5,786	1,483	576	57	7,902

Members. Membership is voluntary. 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. Between January 1, 1993, and December 31, 2001, only 47 FHLBank members withdrew from membership for reasons other than merger or acquisition, and no member has given notice to withdraw before July 1, 2002, for reasons other than merger or acquisition.

At December 31, 2001, total capital stock was $33.3 billion, an increase of $2.8 billion since December 31, 2000. Commercial bank members hold 45.9 percent of the capital stock and thrift institution members hold 49.2 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
December 31, 2001	15.3	16.4	0.9	0.3	0.4	33.3

(1) Includes capital stock of members involved in mergers other than Bank United, which was acquired by Washington Mutual Bank, FA, in February 2001. For additional information, see footnote (1) in the "Top 10 Capital Stock Holding Members in the FHLBanks" table below. 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 stock to support those advances.

The following table presents information on the 10 largest holders of FHLBank capital stock at December 31, 2001.

Federal Home Loan Banks

Top 10 Capital Stock Holding Members in the FHLBanks at December 31, 2001

Name	City	State	Capital Stock ($Millions)	Percent of Total Capital Stock
Washington Mutual Bank, FA(1)*	Stockton	CA	$3,143.4	9.4%
California Federal Bank, FSB*	San Francisco	CA	1,446.6	4.3%
World Savings Bank, FSB*	Oakland	CA	753.4	2.3%
Washington Mutual Bank*	Seattle	WA	669.3	2.0%
Charter One Bank, FSB*	Cleveland	OH	567.7	1.7%
Dime Savings Bank of New York, FSB(2)*	New York	NY	426.9	1.3%
BB&T of NC	Winston-Salem	NC	422.2	1.3%
US Bank, NA(3)	Cincinnati	OH	363.1	1.1%
World Savings Bank, FSB	Austin	TX	352.4	1.1%
SunTrust Bank	Atlanta	GA	350.1	1.1%
			$8,495.1	25.6%

* An asterisk indicates that an officer of the member was an FHLBank director in 2001.

(1) Includes $396.0 million in capital stock from the acquisition of Bank United, a former member of the FHLBank of Dallas, by Washington Mutual Bank, FA, a member of the FHLBank of San Francisco.

(2) On January 7, 2002, Washington Mutual, Inc., finalized its acquisition of the parent company of Dime Savings Bank of New York. If the merger had been effective at December 31, 2001, Washington Mutual, Inc., through its various affiliates, would have held $4,300.3 million or 12.9% of total FHLBank capital stock.

(3) Includes $22.0 million in capital stock of US Bank, NA, a former member of FHLBank of Des Moines which merged with US Bank, NA (Firstar), a member of FHLBank of Cincinnati on August 9, 2001.

The information presented on capital stock in the table is for individual FHLBank members. The data are 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 have affiliates that are members but that are not listed in the tables.

For information on the top five holders of capital stock of each FHLBank and their holdings at December 31, 2001, please refer to page 131.

Member Borrowers. While the total number of borrowing members has increased in recent years, and rose to 5,222 at year end 2001 from 5,210 at year end 2000, the percent of total members borrowing declined to 66.1 percent in 2001 from 67.0 percent in 2000.

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
December 31, 2001	3,937	1,086	168	31	5,222

While 66.1 percent of the FHLBank's members held advances at December 31, 2001, the 72 borrowers with advance holdings of $1 billion or more at December 31, 2001, held 61.7 percent of

the FHLBanks' total advances. At year-end 2000, 68 borrowers held advances greater than $1 billion, representing 62.9 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
December 31, 2001	197.6	251.6	4.9	3.1	15.5	472.7

(1) Includes advances to housing associates and members involved in mergers other than Bank United, which was acquired by Washington Mutual Bank, FA, in February 2001. For additional information, see footnote (1) in the "Top 10 Advance Holding Members" table below. 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, 2001.

Federal Home Loan Banks

Top 10 Advance Holding Members
at December 31, 2001

Name	City	State	Advances ($ Millions)	Percent of Total Advances(4)
Washington Mutual Bank, FA(1)*	Stockton	CA	$ 53,239.5	11.3%
California Federal Bank, FSB*	San Francisco	CA	22,323.0	4.7%
World Savings Bank, FSB*	Oakland	CA	11,037.5	2.3%
Dime Savings Bank of New York, FSB(2)*	New York	NY	8,537.4	1.8%
BB&T of NC	Winston-Salem	NC	8,443.2	1.8%
Charter One Bank, FSB*	Cleveland	OH	7,772.5	1.6%
Washington Mutual Bank*	Seattle	WA	7,321.8	1.5%
US Bank, NA(3)	Cincinnati	OH	7,171.3	1.5%
World Savings Bank, FSB	Austin	TX	7,000.0	1.5%
SunTrust Bank	Atlanta	GA	7,000.0	1.5%
			$139,846.2	29.5%

* An asterisk indicates that an officer of the member was an FHLBank director in 2001.

(1) Includes $7,592.5 million in advances from the acquisition of Bank United, a former member of the FHLBank of Dallas, by Washington Mutual Bank, FA, a member of the FHLBank of San Francisco.

(2) On January 7, 2002, Washington Mutual, Inc., finalized its acquisition of the parent company of Dime Savings Bank of New York. If the merger had been effective at December 31, 2001, Washington Mutual, Inc., through its various affiliates, would have held $69,712 million or 14.7% of total FHLBank advances.

(3) Includes $439.3 million in advances of US Bank, NA a former member of FHLBank of Des Moines which merged with US Bank, NA (Firstar), a member of FHLBank of Cincinnati on August 9, 2001.

(4) Member advance amounts are at par and total advance amounts are at book value. The difference between the par and book value amounts relates to basis adjustments arising from hedges under SFAS 133 for book purposes. The difference is approximately 2% and has no material impact on the calculated percentage amounts.

The information presented on advances in the table is for individual FHLBank members. The data are 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 have affiliates that are members but that are not listed in the tables.

For information on the five largest borrowers by FHLBank at December 31, 2001, please refer to page 133.

Housing Associates. At year-end 2001, the FHLBanks had $263.8 million in advances outstanding to 19 housing associates, up from $223.5 million at year-end 2000. Housing associates eligible to borrow include 42 State housing finance agencies, 7 county housing finance agencies, 4 city housing authorities and 1 tribal housing corporation.

Explanatory Statement about FHLBanks Combined Financial Report

The Office of Finance assumed responsibility for the preparation of the FHLBanks' combined Financial Reports, beginning with Financial Reports prepared for fiscal periods commencing after December 31, 2000. Financial Reports prepared and published for fiscal periods ended prior to January 1, 2001, were prepared by the Finance Board. The Office of Finance does not have the same access to information regarding the FHLBanks as the Finance Board has in its capacity as regulator of the FHLBanks. In connection with the Office of Finance's preparation responsibilities, the Office of Finance is responsible for combining the financial information it receives from the FHLBanks, each of which is responsible for the financial information it provides to the Office of Finance.

The FHLBanks' combined Financial Reports are intended to be used by investors in the consolidated bonds and consolidated discount notes of the FHLBanks. These consolidated obligations are the joint-and-several obligations of the FHLBanks, which means that each FHLBank is responsible to the registered holders of the consolidated obligations for the payment of all principal of and interest on those obligations.

Each FHLBank is a separately chartered entity, with its own board of directors and management, even though the consolidated obligations are the joint-and-several obligations of all FHLBanks, and even though some financial institutions may have one or more affiliates which are members of one or more FHLBanks. All FHLBanks are subject to regulations issued by the Finance Board, and their operations are examined periodically by the Finance Board.

The Financial Reports are prepared on behalf of the FHLBanks because it is believed that the presentation of the financial information relating to the FHLBanks on a "combined" basis is more meaningful to investors in consolidated obligations than providing financial information relating to each FHLBank on a stand-alone basis only. However, investors should be aware that this combined presentation describes a combination of assets and liabilities only for this purpose, and that these assets and liabilities are not presented on a consolidated basis because the combined assets and liabilities are not under joint management and control. (See Note 1 to the accompanying combined financial statements.)

FEDERAL HOME LOAN BANKS

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Boards of Directors of the Federal Home Loan Banks and
the FHLBanks Office of Finance

In our opinion, the accompanying combined statements of condition and the related combined statements of income, of capital, and of cash flows shown on pages 37 to 101 present fairly, in all material respects, the combined financial position of the Federal Home Loan Banks (the FHLBanks) at December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, 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 Office of Finance 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 financial statements of the Federal Home Loan Banks, 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 14, the FHLBanks changed their method of accounting for REFCORP payments during the year ended December 31, 2000. For the years ended December 31, 2001 and 2000, the REFCORP payments have been recorded as an expense in the statements of income. During the year ended December 31, 1999 REFCORP payments were recorded as deductions from capital. As discussed in Note 2, the FHLBanks adopted Statement of Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities,* as amended by Statement of Accounting Standards No. 138, on January 1, 2001.

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 27, 2002

FEDERAL HOME LOAN BANKS

COMBINED STATEMENTS OF CONDITION

(Dollar amounts in millions)

	December 31, 2001	December 31, 2000
ASSETS		
Cash and due from banks	$ 319	$ 752
Interest-bearing deposits in banks	19,141	18,138
Securities purchased under resale agreements	7,950	1,416
Federal funds sold	48,394	55,263
Held-to-maturity securities including $2,809 and $781 pledged in 2001 and 2000	97,296	107,186
Available-for-sale securities including $35 and $9 pledged in 2001 and 2000	7,403	4,434
Securities held at fair value including $1,183 pledged in 2001	9,880	
Advances	472,732	437,861
Mortgage loans	27,650	16,152
Less: allowance for credit losses on mortgage loans	7	3
Mortgage loans, net	27,643	16,149
Accrued interest receivable	3,106	12,137
Premises and equipment, net	132	123
Derivative assets	2,728	
Other assets	350	228
Total assets	$697,074	$653,687
LIABILITIES		
Deposits:		
Demand and overnight	$ 23,720	$ 15,859
Term	1,115	755
Other	826	486
Total deposits	25,661	17,100
Borrowings:		
Securities sold under repurchase agreements	800	
Other borrowings	350	
Total borrowings	1,150	
Consolidated obligations, net:		
Discount notes	139,502	159,870
Bonds	481,591	431,736
Total consolidated obligations	621,093	591,606
Accrued interest payable	5,751	12,331
Affordable Housing Program	696	618
Payable to REFCORP	161	146
Derivative liabilities	7,814	
Other liabilities	530	621
Total liabilities	662,856	622,422
Commitments and contingencies (Notes 9, 13, 14, 15 and 18)		
CAPITAL		
Capital stock ($100 par value) — issued and outstanding shares: 332,873 in 2001 and 305,361 in 2000	33,289	30,537
Retained earnings	932	729
Accumulated other comprehensive loss:		
Net unrealized gains (losses) on available-for-sale securities	176	(1)
Net change during period related to hedging activities	(179)	
Total capital	34,218	31,265
Total liabilities and capital	$697,074	$653,687

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

FEDERAL HOME LOAN BANKS

COMBINED STATEMENTS OF INCOME

(Dollar amounts in millions)

	For the Years Ended December 31,		
	2001	2000	1999
INTEREST INCOME			
Advances	$20,679	$26,987	$17,721
Interest-bearing deposits in banks	710	855	445
Securities purchased under resale agreements	190	165	177
Federal funds sold	2,292	3,062	2,620
Held-to-maturity securities	5,737	6,696	5,193
Available-for-sale securities	290	326	262
Securities held at fair value	417		
Mortgage loans	1,378	714	88
Other	3	175	14
Total interest income	31,696	38,980	26,520
INTEREST EXPENSE			
Consolidated obligations	27,632	34,805	23,043
Deposits	951	817	910
Securities sold under repurchase agreements	6	17	24
Other borrowings	7	28	9
Total interest expense	28,596	35,667	23,986
NET INTEREST INCOME BEFORE MORTGAGE LOAN LOSS PROVISION	3,100	3,313	2,534
Mortgage loan loss provision	4	2	1
NET INTEREST INCOME AFTER MORTGAGE LOAN LOSS PROVISION	3,096	3,311	2,533
OTHER INCOME			
Net unrealized gains on securities held at fair value	66		
Net gains on derivatives and hedging activities	83		
Service fees	40	44	43
Gains on sale of securities held at fair value, net	7		
Gains on sale of available-for-sale securities, net		2	
Other, net	123	19	64
Total other income	319	65	107
OTHER EXPENSE			
Operating expenses	369	333	282
Finance Board and Office of Finance expenses	33	29	29
Other, net	18	11	3
Total other expenses	420	373	314
INCOME BEFORE ASSESSMENTS	2,995	3,003	2,326
Affordable Housing Program	239	246	199
REFCORP	538	553	
Total assessments	777	799	199
INCOME BEFORE EXTRAORDINARY ITEM AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	2,218	2,204	2,127
(Losses) gains on early retirement of debt, net	(34)	7	1
Cumulative effect of change in accounting principle	(30)		
NET INCOME	$ 2,154	$ 2,211	$ 2,128

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, 2001, 2000 AND 1999

(Dollar amounts in millions)

	Capital Stock						
	Shares (In millions)	Par Value	Restricted	Unrestricted	Total Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Capital
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 losses 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				(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 gains 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
Proceeds from sale of capital stock	92	9,236					9,236
Redemption of capital stock	(74)	(7,431)					(7,431)
Comprehensive income:							
Net income				2,154	2,154		2,154
Other comprehensive income:							
Net unrealized gains on available-for-sale securities						177	177
Cumulative effect of change in accounting principle						(2)	(2)
Net unrealized losses relating to hedging activities						(204)	(204)
Reclassification adjustment in net income						27	27
Total comprehensive income							2,152
Dividend on capital stock:							
Cash				(1,004)	(1,004)		(1,004)
Stock	9	947		(947)	(947)		
BALANCE, DECEMBER 31, 2001	332	$33,289	$	$ 932	$ 932	$ (3)	$34,218

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

FEDERAL HOME LOAN BANKS
COMBINED STATEMENTS OF CASH FLOWS
(Dollar amounts in millions)

	For the Years Ended December 31,		
	2001	2000	1999
OPERATING ACTIVITIES			
Net income	$ 2,154	$ 2,211	$ 2,128
Extraordinary losses (gains) on early retirement of debt, net	34	(7)	(1)
Cumulative effect of change in accounting principle	30		
Income before extraordinary item and cumulative effect of change in accounting principle	2,218	2,204	2,127
Adjustments to reconcile income before extraordinary item and cumulative effect of change in accounting principle 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	3,857	5,147	3,283
Concessions on consolidated obligations	221	78	120
Deferred losses on interest-rate exchange agreements, net	11	24	15
Premises and equipment	23	16	12
Net premiums and discounts on mortgage loans	51	5	
Other	(3)	(1)	
Provision for credit losses on mortgage loans	4	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 held-to-maturity securities	(3)		
Net realized gains on available-for-sale securities		(2)	
Increase in securities held at fair value, net of transfers and transition adjustments	(1,744)		
Loss due to change in net fair value adjustment on derivative and hedging activities	(357)		
Gain on disposal of bank premises and equipment			(5)
Decrease (increase) in accrued interest receivable	8,863	(2,504)	(2,946)
Increase in derivative assets-accrued interest	(1,443)		
Decrease in derivative liabilities-accrued interest	(70)		
(Increase) decrease in other assets	(130)	257	(281)
Increase in Affordable Housing Program (AHP) liability and discount on AHP advances	83	100	64
(Decrease) increase in accrued interest payable	(6,520)	2,335	3,329
Increase in REFCORP liability	15	71	
Increase (decrease) in other liabilities	67	(223)	(537)
Total adjustments	2,925	5,310	3,064
Net cash provided by operating activities	5,143	7,514	5,191

	For the Years Ended December 31,		
	2001	2000	1999
INVESTING ACTIVITIES			
Net increase in interest-bearing deposits in banks	$ (1,038)	$ (8,184)	$ (5,238)
Net decrease (increase) in federal funds sold	6,869	2,947	(9,687)
Net (increase) decrease in securities purchased under resale agreements	(6,534)	1,339	1,234
Net decrease (increase) in short-term held-to-maturity securities	3,097	1,208	(3,260)
Proceeds from sales of long-term held-to-maturity securities	6,822	20	8
Proceeds from maturities of long-term held-to-maturity securities	30,676	13,596	24,806
Purchases of long-term held-to-maturity securities	(43,028)	(24,182)	(40,868)
Proceeds from sales of available-for-sale securities	124	750	303
Proceeds from maturities of available-for-sale securities	60,266	21,656	43,119
Purchases of available-for-sale securities	(58,748)	(22,134)	(43,759)
Principal collected on advances	3,732,858	4,637,522	2,469,535
Advances made	(3,758,305)	(4,679,644)	(2,577,096)
Principal collected on mortgage loans	7,881	469	110
Mortgage loans purchased	(19,418)	(14,600)	(1,166)
Principal collected on other loans	1	(1,225)	1
(Increase) decrease in premises and equipment	(27)	(44)	65
Net cash used in investing activities	(38,504)	(70,506)	(141,893)
FINANCING ACTIVITIES			
Net increase (decrease) in deposits	8,594	5	(7,739)
Net decrease in securities sold under repurchase agreements		(543)	(105)
Net increase (decrease) in other borrowings	1,150	(1)	(336)
Net proceeds from sale of consolidated obligations:			
Discount notes	4,665,348	4,090,586	2,883,705
Bonds	415,410	217,297	244,700
Payments for maturing and retiring consolidated obligations:			
Discount notes	(4,689,707)	(4,077,439)	(2,861,458)
Bonds	(368,653)	(170,223)	(122,854)
Proceeds from issuance of capital stock	9,236	6,636	8,849
Payments for redemption of capital stock	(7,431)	(5,470)	(3,480)
Cash dividends paid	(1,019)	(1,151)	(919)
Cash distributions to REFCORP			(300)
Net cash provided by financing activities	32,928	59,697	140,063
Net (decrease) increase in cash and cash equivalents	(433)	(3,295)	3,361
Cash and cash equivalents at beginning of period	752	4,047	686
Cash and cash equivalents at end of period	$ 319	$ 752	$ 4,047
Supplemental Disclosures:			
Interest paid	$ 30,098	$ 30,571	$ 19,166
Stock dividends issued	$ 947	$ 1,010	$ 701

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 operates as a separate entity with 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 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. 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 periodic principal repayments, amortization of premiums and accretion of discounts. Amortization of premiums and accretion of discounts are computed on the level-yield method. In addition, the FHLBanks adjusted the carrying value of these investments for the unamortized costs of designated interest-rate exchange agreements for periods prior to the implementation of Statement of Financial Accounting Standards (SFAS) No. 133, *Accounting for Derivative Instruments and Hedging Activities,* as amended by SFAS No. 137, *Accounting for Derivative Instruments and Hedging Activities—Deferral of Effective Date of FASB Statement No. 133*, and as amended by SFAS No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities* (herein referred to as "SFAS 133").

The FHLBanks classify investments that they may sell before maturity as available-for-sale and carry them at fair value. In addition, prior to the implementation of SFAS 133, the FHLBanks adjusted the carrying value of these investments for the fair value of interest-rate exchange agreements that are associated with them. Beginning in 2001 for available-for-sale securities that have been hedged and qualify as a fair value hedge, the FHLBanks record the portion of the change in value related to the risk being hedged in other income as "Net gain (loss) on derivatives and hedging activities" together with the related change in the fair value of the interest-rate exchange agreements, and the remainder of the change in other comprehensive income as an unrealized gain or loss on available-for-sale securities. With available-for-sale securities that have been hedged and qualify as a cash-flow hedge, the FHLBanks record the effective portion of the change in value of the interest-rate exchange agreements related to the risk being hedged in other comprehensive income as an unrealized gain or loss on hedging activities. The ineffective portion is recorded as other income. The change in value of the available-for-sale securities is recorded in other comprehensive income as a net unrealized gain or loss on available-for-sale securities.

The FHLBanks classify certain investments that they may sell before maturity as securities held at fair value and carry them at fair value. The FHLBanks record changes in the fair value of these investments through other income.

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 securities purchased under agreements to resell as collateralized financings.

Advances. The FHLBanks present advances, net of unearned commitment fees and discounts on advances for the Affordable Housing Program (AHP), as discussed below. 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 obtains sufficient collateral on advances to protect it from losses. The FHLBank Act limits eligible collateral to certain investment securities, residential mortgage loans, cash or deposits with the FHLBank, and other eligible real estate-related assets. As Note 8 more fully describes, community financial institutions (FDIC-insured institutions with assets of $517 million or less) are subject to more liberal statutory collateral rules for small business and agricultural loans. The FHLBanks have not incurred any credit losses on advances since its 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. In addition, prior to implementing SFAS 133 in 2001, the FHLBanks adjusted the carrying value of advances for the unamortized cost of, and deferred gains and losses from, associated interest-rate exchange agreements.

Mortgage Loans. All 12 FHLBanks have established member mortgage asset programs as services to their members. The programs all involve the investment by the FHLBank in loans created by members. The Finance Board authorized all of the FHLBanks to hold acquired member assets, such as assets acquired under the Mortgage Partnership Finance® (MPF®) program developed by the FHLBank of Chicago and the Mortgage Purchase Program (MPP) developed by the FHLBanks of Cincinnati, Indianapolis, and Seattle. Under these programs, 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 the FHLBanks.

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.

The first loss liability is the responsibility of the FHLBanks and is predetermined percentage of the unpaid principal balance, net of related charge-offs. The FHLBanks' members bear credit risk on their respective mortgages through a credit enhancement established as a second loss liability. This member credit risk may be collateralized under various agreements entered into with the FHLBanks. In certain circumstances, the FHLBanks use mortgage insurance to reduce credit risk. Losses remaining after the second loss liability are the responsibility of the FHLBanks.

Affordable Housing Program. The FHLBank Act requires each FHLBank to establish and fund an AHP (see Note 9). 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 in other income. Gains and losses on interest-rate exchange agreements associated with prepaid advances are included with prepayment fees on the Statements of Income.

Commitment Fees. The FHLBanks defer commitment fees for advances and accrete 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 accrete them over the term of the letter of credit.

Derivatives. All derivatives are recognized on the balance sheet at their fair value and those not used for intermediary purposes are designated as (1) a hedge of the fair value of (a) a recognized asset or liability or (b) an unrecognized firm commitment (a "fair-value" hedge); (2) a hedge of (a) a forecasted transaction or (b) the variability of cash flows that are to be received or paid in connection with a recognized asset or liability (a "cash-flow" hedge); (3) a hedge of the foreign currency component of a hedged item in a fair-value or cash-flow hedge; (4) a non-SFAS 133 hedge of an asset or liability (economic hedge) for asset-liability management purposes. Changes in the fair value of a derivative that is effective as—and that is designated and qualifies as—a fair-value hedge, along with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk (including changes that reflect losses or gains on firm commitments), are recorded in current-period earnings. Changes in the fair value of a derivative that is effective as—and that is designated and qualifies as—a cash-flow hedge, to the extent that the hedge is effective, are recorded in other comprehensive income, until earnings are affected by the variability of cash flows of the hedged transaction (e.g., until periodic settlements of a variable-rate asset or liability are recorded in earnings). Changes in the fair value of a derivative that is effective as—and that is designated and qualifies as—a foreign-currency hedge are recorded in either current-period earnings or other comprehensive income, depending on whether the hedging relationship satisfies the criteria for a fair-value or cash-flow hedge. Any hedge ineffectiveness (which represents the amount by which the changes in the fair value of the derivative exceed the change in fair value of hedged item or the variability in the cash flows of the forecasted transaction) is recorded in current-period earnings. Changes in the fair value of a stand-alone derivative designated as an economic hedge are recorded in current-period earnings with no fair value adjustment to an asset or liability. Hedge ineffectiveness and changes in the fair value of stand-alone derivatives are recorded in other income as "Net gain (loss) on derivatives and hedging activities."

The FHLBanks occasionally purchase financial instruments in which a derivative instrument is "embedded" and that are not remeasured at fair value with changes in fair value reported in earnings as they occur. Upon purchasing the financial instrument, the FHLBanks assess whether the economic characteristics of the embedded derivative are clearly and closely related to the economic characteristics of the remaining component of the financial instrument (i.e., the host contract) and whether a separate, non-embedded instrument with the same terms as the embedded instrument would meet the definition of a derivative instrument. When it is determined that (1) the embedded derivative possesses economic characteristics that are not clearly and closely related to the economic characteristics of the host contract and (2) a separate, stand-alone instrument with the same terms would qualify as a derivative instrument, the embedded derivative is separated from the host contract, carried at fair value, and designated as either (1) a hedging instrument in a fair-value, cash-flow, or foreign-currency hedge or (2) a stand-alone derivative instrument pursuant to an economic hedge. However, if the entire contract were to be measured at fair value, with changes in fair value reported in current earnings (e.g., an investment security classified as "trading" under SFAS 115, *Accounting for Certain Investments in Debt and Equity Securities*), or if the FHLBanks could not reliably identify and measure the embedded derivative for purposes of separating that derivative from its host contract, the entire contract would be carried on the balance sheet at fair value and no portion of the contract would be designated as a hedging instrument.

The FHLBanks formally document all relationships between derivative hedging instruments and hedged items, as well as its risk-management objectives and strategies for undertaking various hedge transactions and its method of assessing ineffectiveness. This process includes linking all derivatives that are designated as fair-value, cash-flow, or foreign-currency hedges to (1) assets and liabilities on the balance sheet, (2) firm commitments or (3) forecasted transactions. The FHLBanks also formally assess (both at the hedge's inception and at least quarterly on an ongoing basis) whether the derivatives that are used in hedging transactions have been effective in offsetting changes in the fair value or cash flows of hedged items and whether those derivatives may be expected to remain effective in future periods. The FHLBanks typically use regression analyses or other statistical analyses to assess the effectiveness of its hedges. When it is determined that a derivative has not been or is not expected to be effective as a hedge, the FHLBanks discontinue hedge accounting prospectively, as discussed below.

The FHLBanks discontinue hedge accounting prospectively when (1) it determines that the derivative is no longer effective in offsetting changes in the fair value or cash flows of a hedged item (including hedged items such as firm commitments or forecasted transactions); (2) the derivative and/or the hedged item expires or is sold, terminated, or exercised; (3) it is no longer probable that the forecasted transaction will occur; (4) a hedged firm commitment no longer meets the definition of a firm commitment; or (5) management determines that designating the derivative as a hedging instrument is no longer appropriate.

When hedge accounting is discontinued due to the FHLBanks' determination that the derivative no longer qualifies as an effective fair-value hedge, the FHLBanks will continue to carry the derivative on the balance sheet at its fair value, cease to adjust the hedged asset or liability for changes in fair value, and begin amortizing the cumulative basis adjustment on the hedged item into earnings over the remaining life of the hedged item. When hedge accounting is discontinued because the hedged item no longer meets the definition of a firm commitment, the FHLBanks will continue to carry the derivative on the balance sheet at its fair value, removing from the balance sheet any asset or liability that was recorded to recognize the firm commitment and recording it as a gain or loss in current-period earnings. When the FHLBanks discontinue hedge accounting because it is no longer probable that the forecasted transaction will occur in the originally expected period, the gain or loss on the derivative remains in accumulated other comprehensive income and is reclassified into earnings when the forecasted transaction affects earnings. However, if it is probable that a forecasted transaction will not occur by the end of the originally specified time period or within an additional two-month period of time thereafter, the gains and losses that were accumulated in other comprehensive income will be recognized immediately in earnings. When hedge accounting is discontinued due to the FHLBanks' determination that the derivative no longer qualifies as an effective cash-flow hedge of an existing hedged item, the FHLBanks will continue to carry the derivative on the balance sheet at its fair value and amortize the cumulative other comprehensive income adjustment to earnings when earnings are affected by the original forecasted transaction. In all situations in which hedge accounting is discontinued and the derivative remains outstanding, the FHLBanks will carry the derivative at its fair value on the balance sheet, recognizing changes in the fair value of the derivative in current-period earnings.

The FHLBanks are not derivative dealers and thus do not trade derivatives for short-term profit.

The FHLBanks are subject to credit risk due to the risk of nonperformance by counterparties to the derivative agreements. The degree of counterparty risk on derivative agreements depends on the extent to which master netting arrangements are included in such contracts to mitigate the risk. The FHLBanks manage 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 managements of the FHLBanks do not anticipate any credit losses on their agreements.

Hedging Activities.

General. The FHLBanks enter into interest-rate swaps, swaptions, interest-rate cap and floor agreements, calls, puts, and futures and forward contracts (collectively, interest-rate exchange agreements) to manage their exposure to changes in interest rates. The FHLBanks 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 as a fair-value or cash-flow hedge of an underlying financial instrument or a forecasted transaction, by acting as an intermediary, or in asset-liability management (i.e., a non-SFAS 133 economic hedge.) For example, 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, investments or mortgage loans 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, to hedge the market value of existing assets and liabilities, and anticipated transactions, to hedge the duration risk of prepayable instruments and to reduce funding costs.

Consolidated Obligations. An FHLBank manages the risk arising from changing market prices and volatility of a consolidated obligation by matching the cash inflow on the interest-rate exchange agreement with the cash outflow on the consolidated obligation. In addition, 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. Such transactions are treated as fair-value hedges under SFAS 133. In this typical transaction, the FHLBanks pay 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.

Advances. With issuances of convertible advances, an FHLBank may purchase 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 hedge a convertible advance by entering into a cancelable interest-rate exchange agreement where the FHLBank pays fixed and receives variable. This type of hedge is treated as a fair value hedge under SFAS 133. The swap counterparty can cancel the interest-rate exchange agreement on the call date, which would normally occur in a rising-rate environment, and the FHLBank can convert the advance to a floating rate.

The optionality embedded in certain financial instruments held by the FHLBanks can create interest-rate risk. When a member prepays an advance, the FHLBanks 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 an FHLBank offers advances (other than short-term advances) that a member may prepay without a prepayment fee, it usually finances such advances with callable debt or otherwise hedges this option.

Mortgage Loans. The FHLBanks invest in mortgage assets. The prepayment options embedded in mortgage assets can result in extensions or contractions in the expected maturities of these investments, depending on changes in interest rates. The Finance Board's Financial Management Policy limits this source of interest-rate risk by restricting the types of mortgage assets the FHLBank may own to those with limited average life changes under certain interest-rate shock scenarios. The FHLBanks may manage against prepayment and duration risk by funding some mortgage assets with consolidated obligations that have call features. In addition, the FHLBanks may use interest-rate exchange agreements to manage the prepayment and duration variability of mortgage assets. Net income could be reduced if the FHLBanks replace the mortgages with lower-yielding assets and if the FHLBanks' higher funding costs are not reduced concomitantly.

The FHLBanks manage the interest-rate and prepayment 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. Interest-rate swaps, to the extent the payments on the mortgages result in simultaneous reduction of the notional amount on the swaps, may receive fair-value hedge accounting under which changes in the fair value of the swaps and changes in the fair value of the mortgages that are attributable to the hedged risk, are recorded in current-period earnings. Options may also be used to hedge prepayment risk on the mortgages, many of which are not identified to specific mortgages and, therefore, do not receive fair-value or cash-flow hedge accounting treatment. The options are marked-to-market through current earnings. The FHLBanks also purchase interest-rate caps and floors, swaptions, callable swaps, calls, and puts to minimize the prepayment risk embedded in the mortgage loans. Although these derivatives are valid economic hedges against the prepayment risk of the loans, they are not specifically linked to individual loans and, therefore, do not receive either fair-value or cash-flow hedge accounting. The derivatives are marked-to-market through earnings.

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

Investments. The FHLBanks invest in U.S. agency securities, mortgage-backed securities and the taxable portion of state or local housing finance agency securities. The interest-rate and prepayment risk associated with these investment securities is managed through a combination of debt issuance and derivatives. The FHLBanks may manage against prepayment and duration risk by funding investment securities with consolidated obligations that have call features. The FHLBanks may also manage the risk arising from changing market prices and volatility of investment securities by matching the cash outflow on the interest-rate exchange agreements with the cash inflow on the investment securities. The FHLBanks' derivatives currently associated with investment securities are designated as economic hedges with the changes in fair values of the derivatives being recorded in current earnings. The hedged investment securities are classified as securities held at fair value.

Anticipated Debt Issuance. Certain FHLBanks enter into swaps on the anticipated issuance of debt to "lock in" a spread between the earning asset and the cost of funding. The swap is terminated upon issuance of the debt instrument, and amounts reported in accumulated other comprehensive income are reclassified as earnings in the periods in which earnings are affected by the variability of the cash flows of the debt that was issued.

The FHLBanks have 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. Such transactions are treated as foreign currency fair-value hedges under SFAS 133, whereby the fair value changes of the foreign-currency-denominated obligation and the forward contract are recorded in current period earnings. At December 31, 2001, 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.

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. The derivatives used in intermediary activities do not receive SFAS 133 hedge accounting and are separately marked-to-market through earnings. The net result of the accounting for these derivatives does not significantly affect the operating results of the FHLBank.

Premises and Equipment. The FHLBanks state premises and equipment at cost less accumulated depreciation and amortization of approximately $132 million and $123 million at December 31, 2001 and 2000. 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. Although the FHLBanks are exempt from ordinary federal, state, and local taxation except for local real estate tax, they are required to make payments to the Resolution Funding Corporation (REFCORP). 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 14). 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, their debt issuing agent.

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 17 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.

Reclassifications. Certain amounts in the 2000 and 1999 combined financial statements have been reclassified to conform with the 2001 presentation.

Note 2—Change in Accounting Principle and Recently Issued Accounting Standards

Adoption of SFAS 133. The FHLBanks adopted SFAS 133 on January 1, 2001. 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.

For a derivative designated as a fair-value hedge, the transition adjustment for the derivative was reported as a cumulative effect adjustment of net income. Concurrently, any fair value gain or loss on the hedged item was 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 was also reported as a cumulative effect adjustment of net income. The transition provisions of SFAS 133 also provide that at the date of initial implementation an entity may transfer any security classified as "held-to-maturity" to "available-for-sale" or "trading" (herein referred to as investments at fair value), and any security classified as "available-for-sale" to "trading" (investments at fair value.)

In accordance with the transition provisions of SFAS 133, the FHLBanks recorded the following cumulative effect adjustments to earnings as of January 1, 2001 (dollar amounts in millions):

Net adjustments related to (1) fair-value hedges, (2) derivative transactions not designated as hedges under SFAS 133, and (3) derivative transactions not meeting the requirements for fair-value or cash-flow hedges	$(166)
Unrealized net gains (losses) on investments transferred from "held-to-maturity" to "investments at fair value'	136
Total cumulative effect of accounting change on earnings	$ (30)

The FHLBanks also recorded cumulative-effect adjustments in other comprehensive income as of January 1, 2001, and recorded changes in other comprehensive income for the year ended December 31, 2001, as follows (dollar amounts in millions):

Previously deferred hedging gains and losses	$ (1)
Net unrealized gains (losses) on investments transferred from "held-to-maturity" to "available-for-sale"	(1)
Total cumulative effect of accounting change on other comprehensive income at January 1, 2001	(2)
Net amounts reclassified as earnings for the year ended December 31, 2001	27
Net change associated with hedging activities for the year ended December 31, 2001	(204)
Net change during period related to hedging activities	(177)
Total cumulative effect of accounting change on other comprehensive income at January 1, 2001, less net change during the year ended December 31, 2001, related to hedging activities	$(179)

On January 1, 2001, the FHLBanks transferred held-to-maturity securities with an amortized cost of $4.60 billion and an estimated fair value of $4.64 billion into the available-for-sale category. The unrealized net gain related to the transfer of certain securities into the available-for-sale category, net of adjustments to related derivatives, was $1 million, which has been recognized in the accumulated other comprehensive income component of capital, as part of the cumulative effect of adopting the accounting principle in 2001. 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 investments held at fair value category. The unrealized gain related to the transfer of certain held-to-maturity securities into the investments held at fair value category was $136 million, and has been shown as an increase to the FHLBanks' results of operations in 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 have been shown as a charge to the FHLBanks' results of operations in 2001 as part of the cumulative effect of a change in accounting principle, decreasing net income by $166 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 loss of $2 million decreasing capital.

As a result of SFAS 133, for the year ended December 31, 2001, the FHLBanks recorded net gains on derivatives and hedging activities of $83 million in other income. In addition, the FHLBanks recorded derivative assets of $2,728 million and derivative liabilities of $7,814 million at December 31, 2001. For fair-value hedges and their related hedged items, the FHLBanks recognized a net gain of $79.1 million in earnings which represents the amount of the hedge's ineffectiveness, classified as "net gain (loss) on derivatives and hedging activities" on the Statements of Income. The FHLBanks also recognized $2.3 million in earnings due to hedged firm commitments no longer qualifying as fair-value hedges. For economic hedges, the FHLBanks recognized a net loss of $51.6 million in earnings, classified as "net gain (loss) on derivatives and hedging activities" on the Statements of Income. For cash-flow hedges and their related hedged items, the FHLBanks recognized a net gain of $28.8 million in earnings, of which $0.7 million represents the amount of the hedge's ineffectiveness, classified as "net gain (loss) on derivatives and hedging activities" on the Statements of Income. There were no material amounts for the year ended December 31, 2001, that were reclassified into earnings as a result of the discontinuance of cash-flow hedges because it became probable that the original forecasted transactions would not occur by the end of the originally specified time period or within a two month period thereafter. As of December 31, 2001, the deferred net gains (losses) on derivative instruments accumulated in other comprehensive income expected to be reclassified as earnings during the next twelve months is approximately $7.8 million. The maximum length of time over which the FHLBanks is hedging its exposure to the variability in future cash flows for forecasted transactions, excluding those forecasted transactions related to the payment of variable interest on existing financial instruments, is five years.

Certain notes included herein are adjusted to accommodate the effect of SFAS 133. Comparative information for prior years, which is no longer relevant in 2001, is not disclosed in accordance with the transition provisions of SFAS 133. Other disclosures for 2001 resulting from the implementation of SFAS 133 have been added, and comparative information for 2000 may not be relevant and therefore not disclosed.

Recently Issued Accounting Standard. In September 2000, Statement of Financial Accounting Standards No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* (SFAS 140) was issued. SFAS 140 provides accounting and reporting requirements for all transfers and the servicing of financial assets and the extinguishment of liabilities, effective for all transfers and extinguishments beginning after March 31, 2001. SFAS 140 is also effective for the recognition and reclassification of collateral and for disclosures relating to securitization transactions and collateral for fiscal years ending after December 15, 2000. Management of the FHLBanks has evaluated the effect of adopting SFAS 140 and has determined that the effect of adoption is not material.

Note 3—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, 2001 and 2000, were approximately $67.9 million and $38.8 million.

In addition, the FHLBanks maintained average required clearing balances with various Federal Reserve Banks and branches of approximately $113.5 million and $109.6 million for the years ended December 31, 2001 and 2000. 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 $156.1 million and $79.8 million as of December 31, 2001 and 2000. The FHLBanks include member reserve balances in "other liabilities" on the statements of condition.

Note 4—Securities Purchased Under Agreements to Resell

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 or a safekeeping agent. 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 5—Held-to-Maturity Securities

Major Security Types. Held-to-maturity securities as of December 31, 2001, were as follows (dollar amounts in millions):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury obligations	$ 206	$ 9		$ 215
Commercial paper	5,107			5,107
U.S. agency obligations	5,558	111	(12)	5,657
State or local housing agency obligations	4,551	65	(49)	4,567
Other	906	11	(8)	909
	16,328	196	(69)	16,455
Mortgage-backed securities	80,968	1,382	(141)	82,209
Total	$97,296	$1,578	$ (210)	$98,664

Federal funds sold as of December 31, 2001, which are separately classified on the statements of condition, were as follows (dollar amounts in millions):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Federal funds sold	$48,394	$ 4	$	$48,398

Held-to-maturity securities as of December 31, 2000, were as follows (dollar amounts 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 (dollar amounts in millions):

	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

Redemption Terms. The amortized cost and estimated fair value of held-to-maturity securities, excluding associated interest-rate exchange agreements, as of December 31, 2001 and 2000, by contractual maturity, are shown below (dollar amounts 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.

	2001		2000	
Year of Maturity	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 5,593	$ 5,594	$ 9,607	$ 9,606
Due after one year through five years	4,919	5,035	7,058	7,092
Due after five through ten years	1,452	1,462	3,359	3,343
Due after ten years	4,364	4,364	6,033	6,020
	16,328	16,455	26,057	26,061
Mortgage-backed securities	80,968	82,209	81,054	81,426
Total	$97,296	$ 98,664	$107,111	$107,487

The amortized cost of the FHLBanks' mortgage-backed securities classified as held-to-maturity includes net discounts of $2,375 million and $103 million at December 31, 2001 and 2000.

Interest-Rate Payment Terms. The following table details additional interest-rate payment terms for investment securities classified as held-to-maturity at December 31, 2001 and 2000, and interest-rate exchange agreements associated with these securities at December 31, 2000 (dollar amounts in millions):

	2001	2000
Amortized cost of held-to-maturity securities other than mortgage-backed securities:		
Fixed-rate	$13,754	$ 24,010
Variable-rate	2,574	2,047
	16,328	26,057
Amortized cost of held-to-maturity mortgage-backed securities:		
Pass-through securities:		
Fixed-rate	8,696	11,684
Variable-rate	1,843	4,785
Collateralized mortgage obligations:		
Fixed-rate	54,595	48,743
Variable-rate	15,834	15,842
	80,968	81,054
Total	$97,296	$107,111
Notional principal of interest-rate exchange agreements by class type associated with held-to-maturity securities:		
Interest-rate swaps		$ 11,524
Interest-rate caps purchased		8,056
Interest-rate floors purchased		1,548
Other		1,065
Total		$ 22,193

Note 6—Available-for-Sale Securities

Major Security Types. Available-for-sale securities as of December 31, 2001, were as follows (dollar amounts in millions):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Commercial paper	$1,600	$	$	$1,600
U.S. agency obligations	3,792	126	(51)	3,867
Other	350		(4)	346
	5,742	126	(55)	5,813
Mortgage-backed securities	1,494	98	(2)	1,590
Total	$7,236	$224	$(57)	$7,403

The FHLBanks have recorded $155 million of unrealized gains associated with hedging activities related to available-for-sale securities for the year ended December 31, 2001.

Available-for-sale securities as of December 31, 2000, were as follows (dollar amounts in millions):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Commercial paper	$2,718	$	$	$2,718
U.S. agency obligations	1,475	13	(14)	1,474
State or local housing agency obligations				
Other	36	5		41
	4,229	18	(14)	4,233
Mortgage-backed securities	209		(1)	208
	4,438	18	(15)	4,441
Associated interest-rate exchange agreements, net		14	(21)	(7)
Total	$4,438	$ 32	$(36)	$4,434

Redemption Terms. The amortized cost and estimated fair value of available-for-sale securities, excluding associated interest-rate exchange agreements, as of December 31, 2001 and 2000, by contractual maturity, are shown below (dollar amounts 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.

	2001		2000	
Year of Maturity	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	$1,676	$1,678	$2,953	$2,953
Due after one year through five years	450	481	330	334
Due after five through ten years	936	937	912	907
Due after ten years	2,680	2,717	34	39
	5,742	5,813	4,229	4,233
Mortgage-backed securities	1,494	1,590	209	208
Total	$7,236	$7,403	$4,438	$4,441

The amortized cost of the FHLBank's mortgage-backed securities classified as available-for-sale includes net premiums of $3 million and $2 million at December 31, 2001 and 2000.

Interest-Rate Payment Terms. The following table details additional interest-rate payment terms for investment securities classified as available-for-sale at December 31, 2001 and 2000, and interest-rate exchange agreements associated with these securities at December 31, 2000 (dollar amounts in millions):

	2001	2000
Amortized cost of available-for-sale securities other than mortgage-backed securities:		
Fixed-rate	$5,544	$4,078
Variable-rate	198	151
	5,742	4,229
Amortized cost of available-for-sale mortgage-backed securities:		
Pass-through securities:		
Fixed-rate	1,243	
Variable-rate	118	205
Collateralized mortgage obligations:		
Fixed-rate	133	
Variable-rate		4
	1,494	209
Total	$7,236	$4,438
Notional principal of interest-rate exchange agreements by class type associated with available-for-sale securities:		
Interest-rate swaps		$1,480
Interest-rate caps purchased		50
Interest-rate floors purchased		
Other		
Total		$1,530

Gains and losses. The FHLBanks realized $797 million and $2 million in gains on the sale of available-for-sale securities for 2001 and 2000. The FHLBanks realized $794 million in gross losses on the sale of available-for-sale securities in 2001 and no gross losses in 2000. Gains and losses on the sale of available-for-sale securities were netted with gains (losses) incurred on interest-rate exchange agreements designated against available-for-sale securities during the years ended December 31, 2000, and 1999. In 2001, after adopting SFAS 133, realized gains and losses on interest-rate exchange agreements were included in the separate line on the income statement entitled net gain (loss) on derivatives and hedging activities.

Note 7—Securities Held at Fair Value

Major Security Types. Securities held at fair value as of December 31, 2001, were as follows (dollar amounts in millions):

	Estimated Fair Value
U.S. agency obligations	$5,645
State or local housing agency obligations	59
	5,704
Mortgage-backed securities	4,176
Total investments	$9,880

Net gain on securities held at fair value during the year ended December 31, 2001, included a change in net unrealized holding gain of $87 million for securities held on December 31, 2001.

Note 8—Advances

Redemption Terms. At December 31, 2001 and 2000, the FHLBanks had advances outstanding, including AHP advances (see Note 9), at interest rates ranging from 0 percent to 10.51 percent, as summarized below (dollar amounts in millions). Advances with interest rates of 0 percent are AHP-subsidized advances.

	2001		2000	
Year of Maturity	Amount	Weighted Average Interest Rate	Amount	Weighted Average Interest Rate
Overdrawn demand deposit accounts	$ 98		$ 100	
2001			187,084	6.53%
2002	149,202	3.13%	56,282	6.50%
2003	71,300	4.07%	45,830	6.28%
2004	49,504	3.77%	24,195	6.13%
2005	39,036	4.97%	33,807	6.42%
2006	27,583	3.50%	4,201	6.50%
Thereafter	122,958	5.23%	84,470	5.72%
Index amortizing advances	3,660	5.40%	1,924	6.29%
Total par value	463,341	4.10%	437,893	6.31%
Unamortized commitment fees	(1)		(1)	
Discount on AHP advances	(46)		(43)	
Premium on advances	1			
SFAS 133 hedging adjustments	9,437			
Deferred net losses on terminated interest-rate exchange agreements			1	
	472,732		437,850	
Associated interest-rate exchange agreements, net			11	
Total	$472,732		$437,861	

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 terminate certain advances. Members may repay other advances on pertinent dates (call dates) without incurring prepayment fees (callable advances). At December 31, 2001 and 2000, the FHLBanks had callable advances outstanding totaling $38,623 million and $11,692 million.

The following table summarizes advances at December 31, 2001 and 2000, by year of maturity or next call date for callable advances (dollar amounts in millions):

Year of Maturity or Next Call Date	2001	2000
Overdrawn demand deposit accounts	$ 98	$ 100
2001		192,463
2002	159,086	55,126
2003	68,975	44,876
2004	46,268	24,364
2005	38,392	33,096
2006	26,706	3,594
Thereafter	120,156	82,350
Index amortizing advances	3,660	1,924
Total par value	$463,341	$437,893

The FHLBanks also offer convertible advances. With a convertible advance, the FHLBanks effectively purchase 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, 2001 and 2000, the FHLBanks had convertible advances outstanding totaling $145,754 million and $100,275 million.

The following table summarizes advances at December 31, 2001 and 2000, by year of maturity or next put date (dollar amounts in millions):

Advances by Year of Maturity or Next Put Date	2001	2000
Overdrawn demand deposit accounts	$ 98	$ 100
2001		248,966
2002	244,025	74,308
2003	92,231	57,570
2004	52,981	20,225
2005	25,464	17,318
2006	27,408	3,540
Thereafter	17,474	13,942
Index amortizing advances	3,660	1,924
Total par value	$463,341	$437,893

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, 2001 and 2000, 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 to members. 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 2001, 72 members held advances that exceeded $1 billion per member. As of December 31, 2001, the FHLBanks had advances of $291.8 billion outstanding to these 72 members, and this represented 61.7 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 at December 31, 2001 and 2000, and the notional amount of interest-rate exchange agreements associated with advances at December 31, 2000 (dollar amounts in millions):

	2001	2000
Par amount of advances:		
Fixed-rate	$330,295	$297,708
Variable-rate	133,046	140,185
Total	$463,341	$437,893
Notional principal of interest-rate exchange agreements by class type associated with advances:		
Interest-rate swaps		$184,107
Interest-rate caps purchased		1,395
Interest-rate floors purchased		569
Other		126
Total		$186,197

Note 9—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. The AHP liability represents funds accrued in 2001 to be awarded in 2002 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 14). 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 2001, 2000, and 1999. The FHLBanks had outstanding principal in AHP-related advances of $244 million at December 31, 2001.

Note 10—Mortgage Loans

Under two programs, the FHLBanks hold single-family mortgage loans that are originated through or by, credit-enhanced by, and serviced by members. The Finance Board has authorized different and much smaller mortgage loan purchase programs not confined to single-family mortgage loans at the FHLBanks of New York, Atlanta, and Seattle. The following table presents information as of December 31, 2001 and 2000 on mortgage loans held by all FHLBanks under all programs (dollar amounts in millions):

	2001	2000
Real Estate:		
Fixed medium-term* single-family mortgages	$ 2,721	$ 577
Fixed long-term single-family mortgages	24,681	15,287
Multifamily mortgages	157	221
Nonresidential mortgages	3	3
Unamortized premiums	65	52
Deferred loan costs, net	25	12
Associated interest-rate exchange agreements, net	(2)	
Total mortgage loans	$27,650	$16,152

* Medium-term is defined as a term of 15 years or less.

The par value of mortgage loans outstanding at December 31, 2001, and December 31, 2000, was comprised of government-guaranteed loans totaling $13,336 million and $12,507 million and conventional loans totaling $14,206 million and $3,563 million, respectively.

The allowances for credit losses were as follows (dollar amounts in millions):

	2001	2000
Balance, beginning of year	$ 3	$ 1
Provision for credit losses	4	2
Balance, end of year	$ 7	$ 3

The estimated fair value of the mortgage loans held as of December 31, 2001 and 2000 are reported in Note 17.

At year end 2001, the FHLBanks had no investments in impaired mortgage loans.

Note 11—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 (dollar amounts in millions):

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

Note 12—Borrowings

Securities Sold Under Repurchase Agreements. Certain FHLBanks have entered into sales of securities under repurchase agreements. The amounts received under these agreements represent 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. The FHLBanks had $800 million of securities sold under repurchase agreements outstanding at December 31, 2001.

Note 13—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. Effective January 2, 2001, and in accordance with final rules adopted by the Finance Board on June 2, 2000, the Finance Board discontinued issuing the debt; instead, the FHLBanks began issuing joint debt through the Office of Finance as their agent. 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 FHLBanks, through the Office of Finance, issue 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 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 $623,740 million and $594,562 million at December 31, 2001 and 2000. 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 is 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, 2001 and 2000, the FHLBanks' capital stock was 6.7 percent and 5.0 percent of the par value of consolidated obligations outstanding, and the SAA balance was approximately $28 million and $37 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. 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, 2001 and 2000, 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.
- Zero-coupon bonds are long-term discounted instruments that earn a fixed yield to maturity or the optional principal redemption date. All principal and interest are paid at maturity or on the optional principal redemption date, if exercised prior to maturity.

Redemption Terms. The following is a summary of consolidated bonds outstanding at December 31, 2001 and 2000, by year of maturity (dollar amounts in millions):

	2001		2000	
Year of Maturity	**Amount**	**Weighted Average Interest Rate**	**Amount**	**Weighted Average Interest Rate**
2001	$		$129,256	6.03%
2002	122,514	4.56%	94,035	6.25%
2003	107,622	4.12%	57,546	6.07%
2004	75,321	4.98%	41,465	6.31%
2005	38,765	5.59%	24,923	6.78%
2006	45,820	5.27%	9,575	6.46%
Thereafter	103,889	5.95%	90,337	6.59%
Index amortizing notes	819	5.72%	2,948	6.12%
Total par value	494,750	4.97%	450,085	6.27%
Concessions	(216)		(107)	
Bond premium	497		192	
Bond discount	(16,239)		(18,544)	
SFAS 133 hedging adjustments	2,866			
Forward exchange contracts associated with bonds denominated in foreign currencies			120	
Deferred net gains on terminated interest-rate exchange agreements	(11)		(14)	
	481,647		431,732	
Bonds held in treasury	(60)		(60)	
Associated interest-rate exchange agreements	4		64	
Total	$481,591		$431,736	

Consolidated bonds outstanding at December 31, 2001 and 2000, include callable bonds totaling $220,793 million and $224,452 million. The FHLBanks use fixed-rate callable debt to finance callable advances (see Note 8) and mortgage-backed securities. Contemporaneous with such a debt issue, an FHLBank may also enter an interest-rate exchange agreements (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.

The FHLBanks' consolidated bonds outstanding include (dollar amount in millions):

	2001	2000
Par amount of consolidated bonds:		
Non-callable/non-putable	$273,410	$225,087
Callable	220,793	224,452
Putable	547	546
Total par value	$494,750	$450,085

The following table summarizes consolidated bonds outstanding at December 31, 2001 and 2000, by year of maturity or next call date (dollar amounts in millions):

Year of Maturity or Next Call Date	2001	2000
2001	$	$273,931
2002	250,862	82,156
2003	126,317	39,164
2004	57,279	14,715
2005	15,415	12,692
2006	17,766	4,213
Thereafter	26,292	20,266
Index amortizing notes	819	2,948
Total par value	$494,750	$450,085

Interest-Rate Payment Terms. The following table details interest-rate payment terms for consolidated bonds at December 31, 2001 and 2000, and the notional amount of interest-rate exchange agreements associated with consolidated bonds at December 31, 2000 (dollar amounts in millions). Range bonds are classified as comparative-index bonds.

	2001	2000
Par amount of consolidated bonds:		
Fixed rate	$403,984	$386,511
Step-up	10,813	3,901
Simple variable-rate	54,420	31,502
Inverse floating rate	174	447
Fixed that converts to variable	608	849
Variable that converts to fixed	179	99
Comparative-index	2,466	864
Zero-coupon	21,410	25,573
Other	696	339
Total par value	$494,750	$450,085
Notional principal of interest-rate exchange agreements by class type associated with consolidated obligations:		
Interest-rate swaps		$338,044
Interest-rate caps purchased		1,178
Interest-rate floors purchased		1,456
		$340,678

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, 2001 and 2000, 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, 2001 and 2000, are as follows (dollar amounts in millions):

	Amount Denominated in Foreign Currency				
	2001	**2000**	**Year of Maturity**	**Par in Dollars**	**Interest Rate**
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 (dollar amounts in millions):

	Book Value	**Par Value**	**Weighted Average Interest Rate**
December 31, 2001	$139,502	$139,844	2.08%
December 31, 2000	$159,870	$161,209	6.35%

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, 2001.

Extraordinary Item—Early Retirement of Debt. During 2001, 2000, and 1999, 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 (losses) gains on associated interest-rate exchange agreements of $(34) million, $7 million, and $1 million for the years ended December 31, 2001, 2000, and 1999. The corresponding principal retired for these three years was $1,136 million, $5,634 million, and $2,307 million.

Note 14—Capital

The GLB Act will lead to a number of changes in the capital structure of the FHLBanks. The final rule was published on January 30, 2001 and required each FHLBank to submit a capital structure plan to the Finance Board by October 29, 2001, for approval. The FHLBanks have all submitted their proposed capital plan. 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.

Under the GLB Act, 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 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. 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, 2001, the 10 largest holders of capital stock held 25.6 percent of the aggregate capital stock of the FHLBanks. Washington Mutual Bank, FA, and its affiliates Washington Mutual Bank, Washington Mutual Bank, FSB, and First Community Industrial Bank together held 11.6 percent of FHLBanks' capital. On January 7, 2002, Washington Mutual, Inc., finalized its acquisition of the parent company of Dime Savings Bank of New York. If the merger had been effective at December 31, 2001, Washington Mutual, Inc., through its various affiliates, would have held 12.9 percent of total FHLBank capital stock.

Note 15—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 $5.0 million, $5.1 million, and $4.6 million in the years ended December 31, 2001, 2000 and 1999.

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, 2001 and 2000 were $23.7 million and $19.8 million.

Note 16—Interest-Rate Exchange 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, 2001 and 2000, the FHLBanks' maximum credit risk, as defined above, was approximately $2,529 million and $2,272 million. These totals include $1,312 million and $1,645 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 $1,175 million and $815 million as collateral as of December 31, 2001 and 2000.

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 18 discusses assets pledged by the FHLBanks to these counterparties.

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 notional principal of interest-rate exchange agreements in which the FHLBanks are intermediaries is $4,778 million and $3,388 million as of December 31, 2001 and 2000.

Note 17—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.

Federal funds sold. The estimated fair value is determined by calculating the present value of the future cash flows for instruments with more than three months to maturity. The discount rates used in these calculations are the rates for Federal funds with similar terms. The estimated fair value approximates the recorded book balance of Federal funds with three months or less to maturity.

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.

Derivative Assets/Liabilities. The FHLBanks base the estimated fair values of interest-rate exchange agreements with similar terms or available market prices including accrued interest receivable and payable. However, active markets do not exist for many types of financial instruments. Consequently, fair values for these instruments must be estimated using techniques such as discounted cash-flow analysis and comparisons to similar instruments. Estimates developed using these methods are highly subjective and require judgments regarding significant matters such as the amount and timing of future cash flows and the selection of discount rates that appropriately reflect market and credit risks. Changes in these judgments 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. The fair values are netted by counterparty where such legal right exists. If these netted amounts are positive, they are classified as an asset and if negative, a liability.

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 non-interest 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, 2001 and 2000.

The carrying values and estimated fair values of the FHLBanks' financial instruments at December 31, 2001 and 2000, are as follows (dollar amounts in millions):

2001 FAIR VALUE SUMMARY TABLE

Financial Instruments	Carrying Value	Net Unrealized Gains (Losses)	Estimated Fair Value
Assets:			
Cash and due from banks	$ 319	$	$ 319
Interest-bearing deposits in banks	19,141	3	19,144
Securities purchased under resale agreements	7,950		7,950
Held-to-maturity securities	97,296	1,368	98,664
Available-for-sale securities	7,403		7,403
Securities held at fair value	9,880		9,880
Federal funds sold	48,394	4	48,398
Advances	472,732	1,990	474,722
Mortgage loans	27,650	377	28,027
Allowance for credit losses	(7)	3	(4)
Mortgage loans, net	27,643	380	28,023
Accrued interest receivable	3,106		3,106
Derivative assets	2,728		2,728
Liabilities:			
Deposits	(25,661)	(2)	(25,663)
Securities sold under repurchase agreements	(800)	6	(794)
Other borrowings	(350)		(350)
Consolidated obligations			
Discount notes	(139,502)	(109)	(139,611)
Bonds	(481,591)	(3,689)	(485,280)
Accrued interest payable	(5,751)		(5,751)
Derivative liabilities	(7,814)		(7,814)
Other:			
Standby letters of credit	934	3	937
Commitments to extend credit	4	1	5

2000 FAIR VALUE SUMMARY TABLE

Financial Instruments	Carrying Value	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	4,441		4,441
Interest-rate exchange agreements associated with available-for-sale securities	(7)		(7)
Available-for-sale securities, net	4,434		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	11	(2,447)	(2,436)
Advances, 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
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	Carrying Value	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)

Note 18—Commitments and Contingencies

As described in Note 13, 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 9, 14, and 16 discuss other commitments and contingencies.

Commitments that legally bind and unconditionally obligate the FHLBanks for additional advances totaled approximately $13,640 million and $12,265 million at December 31, 2001 and 2000. Commitments generally are for periods up to 12 months. Outstanding standby letters of credit were approximately $7,044 million and $4,886 million at December 31, 2001 and 2000. 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 8).

Commitments which obligate the FHLBanks to purchase participating interests in mortgage loans totaled $1,862 million at December 31, 2001, and $7,439 million at December 31, 2000. Unused line of credit and other commitments totaled $2,844 million at December 31, 2001, and $3,402 million at December 31, 2000.

The FHLBanks generally execute interest-rate exchange agreements with major banks and broker-dealers and generally enter bilateral collateral agreements. As of December 31, 2001, the FHLBanks had pledged as collateral securities and cash of $3,705 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 $18 million for the year ended December 31, 2001 and $16 million for the years ended December 31, 2001 and 2000. Future minimum rentals at December 31, 2001, are as follows (dollar amounts in millions):

Year	Equipment	Premises	Total
2002	$ 13	$3	$ 16
2003	13	2	15
2004	13	1	14
2005	13		13
2006	13		13
Thereafter	58	—	58
Total	$123	$6	$129

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.

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FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CONDITION
DECEMBER 31, 2001

(Dollar amounts in millions)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
ASSETS						
Cash and due from banks	$ 319	$	$ 10	$ 13	$ 44	$ 77
Interest-bearing deposits in banks	19,141		75	5,915	1,181	1,177
Deposits for mortgage loan programs with other FHLBanks		(21)		1	7	5
Securities purchased under resale agreements	7,950		1,550			
Federal funds sold	48,394		3,780	1,434	1,127	7,492
Held-to-maturity securities	97,296	(1,619)	6,022	11,800	5,078	12,609
Available-for-sale securities	7,403	(499)	1,036		120	
Securities held at fair value	9,880	(529)	769		3,551	2,617
Advances	472,732		24,361	60,962	29,315	71,986
Mortgage loans	27,650		330	425	1,839	510
Less: allowance for credit losses on mortgages loans	7					1
Mortgage loans, net	27,643		330	425	1,839	509
Loans to other FHLBanks		(175)		50		
Accrued interest receivable	3,106	(46)	165	378	532	486
Premises and equipment, net	132		7	8	10	29
Derivative assets	2,728		64	782	94	340
Other assets	350		11	26	16	42
Total assets	$697,074	$(2,889)	$38,180	$81,794	$42,914	$97,369
LIABILITIES						
Deposits:						
Demand and overnight	$ 23,720	$	$ 2,502	$ 2,725	$ 1,692	$ 4,715
Term	1,115		34	132	13	25
Deposits from other FHLBanks for mortgage loan programs		(21)				
Other	826		8	5	13	267
Total deposits	25,661	(21)	2,544	2,862	1,718	5,007
Borrowings:						
Other FHLBanks		(175)				
Securities sold under repurchase agreements	800					
Other borrowings	350					
Total borrowings	1,150	(175)				
Consolidated obligations:						
Discount notes	139,502		8,059	22,790	11,070	791
Bonds	481,591	(2,647)	24,811	49,823	27,201	83,913
Total consolidated obligations	621,093	(2,647)	32,870	72,613	38,271	84,704
Accrued interest payable	5,751	(46)	325	632	340	960
Affordable Housing Program	696		37	105	40	97
Payable to REFCORP	161		4	21	6	20
Derivative liabilities	7,814		329	1,603	538	2,133
Other liabilities	530		38	48	23	147
Total liabilities	662,856	(2,889)	36,147	77,884	40,936	93,068
CAPITAL						
Capital stock outstanding ($100 par value)	33,289		1,985	3,733	1,889	4,127
Retained earnings	932		47	177	87	174
Accumulated other comprehensive income:						
Net unrealized gains (losses) on available-for sale securities	176		(11)		1	
Net change during period related to hedging activities	(179)		12		1	
Total capital	34,218		2,033	3,910	1,978	4,301
Total liabilities and capital	$697,074	$(2,889)	$38,180	$81,794	$42,914	$97,369

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 10	$ 37	$ 2	$ 64	$ 47	$ 2	$ 2	$ 11
3,146	296		135		2,010	4,487	719
				8			
		50	4,000			2,150	200
11,310	3,096	3,165	1,470	2,181	1,721	8,445	3,173
8,998	4,826	5,254	4,013	5,119	5,946	16,544	12,706
1,600	1,131		214	3,801			
30	96	1,826	148	434	170	528	240
35,223	26,399	21,902	20,756	32,491	22,830	102,255	24,252
566	395	16,574	3,745	1,438	100		1,728
		3	3				
566	395	16,571	3,742	1,438	100		1,728
100						25	
222	125	242	56	157	110	419	260
3	11	19	7	29	1	5	3
72	52	150	210	246	176	479	63
14	31	5	12	168	7	17	1
$61,294	$36,495	$49,186	$34,827	$46,119	$33,073	$135,356	$43,356
$ 1,450	$ 1,516	$ 1,506	$ 1,817	$ 2,495	$ 1,293	$ 444	$ 1,565
117		110	161	12	31	36	444
		21					
68	28	123			42	272	
1,635	1,544	1,760	1,978	2,507	1,366	752	2,009
			50		125		
		800					
						200	150
		800	50		125	200	150
24,778	9,419	8,995	7,316	6,587	6,637	21,283	11,777
30,383	22,653	34,273	23,439	33,920	22,678	104,657	26,487
55,161	32,072	43,268	30,755	40,507	29,315	125,940	38,264
379	261	447	294	471	295	1,080	313
75	33	37	27	40	27	127	51
12	8	18	7	8	6	37	14
776	790	331	129	215	478	373	119
16	14	22	5	155	14	38	10
58,054	34,722	46,683	33,245	43,903	31,626	128,547	40,930
3,198	1,741	2,395	1,539	2,143	1,396	6,752	2,391
42	33	110	43	71	51	62	35
	(1)			186	1		
		(2)		(184)	(1)	(5)	
3,240	1,773	2,503	1,582	2,216	1,447	6,809	2,426
$61,294	$36,495	$49,186	$34,827	$46,119	$33,073	$135,356	$43,356

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CONDITION
DECEMBER 31, 2000

(Dollar amounts in millions)

	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 mortgage loans	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
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:						
Net unrealized (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 INCOME FOR THE YEAR ENDED DECEMBER 31, 2001

(Dollar amounts in millions)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
INTEREST INCOME						
Advances	$20,679	$	$1,206	$2,574	$1,182	$2,974
Interest-bearing deposits in banks	710		4	266	37	39
Deposits for mortgage loan programs with other FHLBanks		(2)			2	
Securities purchased under resale agreements	190		30			
Federal funds sold	2,292		198	198	94	329
Held-to-maturity securities	5,737	(89)	358	794	381	764
Available-for-sale securities	290	(26)	36		11	
Securities held at fair value	417	(30)	61		125	123
Mortgage loans	1,378		9	34	133	34
Loans to other FHLBanks		(5)		3		
Other	3	(2)				
Total interest income	31,696	(154)	1,902	3,869	1,965	4,263
INTEREST EXPENSE						
Consolidated obligations	27,632	(145)	1,640	3,353	1,688	3,616
Deposits	951		92	106	61	203
Deposits from other FHLBanks for mortgage loan programs		(2)				
Borrowings from other FHLBanks		(7)	1	1	2	
Securities sold under resale agreements	6		1			
Other borrowings	7			1	2	
Total interest expense	28,596	(154)	1,734	3,461	1,753	3,819
NET INTEREST INCOME BEFORE MORTGAGE LOAN LOSS PROVISION	3,100		168	408	212	444
Mortgage loan loss provision	4					1
NET INTEREST INCOME AFTER MORTGAGE LOAN LOSS PROVISION	3,096		168	408	212	443
OTHER INCOME						
Net unrealized gains (losses) on securities held at fair value	66		10		16	(4)
Net gains (losses) on derivatives and hedging activities	83		(7)	3	(64)	28
Service fees	40		2	4	12	3
Gains (losses) on sale of securities held at fair value, net	7		2		6	
Other, net	123		34	9	2	9
Total other income	319		41	16	(28)	36
OTHER EXPENSE						
Operating expenses	369		25	35	44	46
Finance Board and Office of Finance expenses	33		2	4	2	4
Other, net	18					7
Total other expenses	420		27	39	46	57
INCOME BEFORE ASSESSMENTS	2,995		182	385	138	422
Affordable Housing Program	239		13	32	10	33
REFCORP	538		28	71	24	75
Total assessments	777		41	103	34	108
INCOME BEFORE EXTRAORDINARY ITEM AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	2,218		141	282	104	314
Losses on early retirement of debt, net	(34)		(25)			
Cumulative effect of change in accounting principle	(30)		(3)	3	(9)	(16)
NET INCOME	$ 2,154	$	$ 113	$ 285	$ 95	$ 298

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$1,498	$1,179	$ 882	$1,012	$1,350	$ 870	$4,736	$1,216
114	6		6		67	142	29
	1	2	86			64	7
481	89	97	117	98	104	349	138
545	312	279	220	240	334	829	770
67	57		2	141	2		
2	6	51	9	30	7	28	5
14	7	724	259	104	3		57
					1	1	
				5			
2,721	1,657	2,035	1,711	1,968	1,388	6,149	2,222
2,393	1,410	1,741	1,522	1,713	1,197	5,579	1,925
55	56	80	72	86	64	16	60
		2					
			3				
		1					4
2				2			
2,450	1,466	1,824	1,597	1,801	1,261	5,595	1,989
271	191	211	114	167	127	554	233
		2	1				
271	191	209	113	167	127	554	233
1	2	(5)	1	31	6	8	
1	(3)	63		(13)	(5)	64	16
1	6	1	4	3	1	1	2
				(1)			
7	4	3	25	1	3	9	17
10	9	62	30	21	5	82	35
20	24	38	23	29	16	49	20
4	2	2	2	2	1	6	2
		11					
24	26	51	25	31	17	55	22
257	174	220	118	157	115	581	246
21	14	18	9	13	9	47	20
47	31	41	20	28	22	106	45
68	45	59	29	41	31	153	65
189	129	161	89	116	84	428	181
			(8)			(1)	
(1)	(4)	1	1	(1)	4	(2)	(3)
$ 188	$ 125	$ 162	$ 82	$ 115	$ 88	$ 425	$ 178

FEDERAL HOME LOAN BANKS

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

(Dollar amounts in millions)

	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	3,062		252	202	236	354
Held-to-maturity securities	6,696	(170)	497	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 MORTGAGE LOAN LOSS PROVISION	3,313		222	410	262	440
Mortgage loan loss provision	2					
NET INTEREST INCOME AFTER MORTGAGE LOAN LOSS PROVISION	3,311		222	410	262	440
OTHER INCOME						
Service fees	44		1	6	16	3
Gains on sale of available-for-sale securities, net	2				2	
Other, net	19		1			5
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
Gains (losses) 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	7	1	4	3	1	1	
	3	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

(Dollar amounts in millions)

	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 MORTGAGE LOAN LOSS PROVISION	2,534		170	290	222	335
Mortgage loan loss provision	1					
NET INTEREST INCOME AFTER MORTGAGE LOAN LOSS PROVISION	2,533		170	290	222	335
OTHER INCOME						
Service fees	43		1	7	14	3
Other, net	64	24	2	3		2
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
Gains 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
1	6	1	4	3	1	1	1
5	3	1		1	1	19	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 CAPITAL FOR THE YEARS ENDED DECEMBER 31, 2001, 2000, AND 1999

(Dollar amounts in millions)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
CAPITAL STOCK SHARES (In millions)						
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
Proceeds from sale of capital stock	92		2	8	33	13
Redemption of capital stock	(74)		(1)	(7)	(35)	(7)
Capital stock dividends	9					
BALANCE, DECEMBER 31, 2001	332		20	37	19	41
CAPITAL STOCK—PAR VALUE						
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
Proceeds from sale of capital stock	9,236		200	843	3,364	1,307
Redemption of capital stock	(7,431)		(73)	(736)	(3,540)	(686)
Capital stock dividends	947					
BALANCE, DECEMBER 31, 2001	$33,289	$	$1,985	$3,733	$ 1,889	$4,127

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
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
2	2	11	5	4	3	7	2
		(4)	(7)	(5)	(1)	(6)	(1)
2		1		1		4	1
32	17	24	15	21	14	68	24
$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
226	193	1,064	491	424	299	665	160
(16)	(2)	(422)	(696)	(491)	(121)	(568)	(80)
199		122		83		387	156
$3,198	$1,741	$2,395	$1,539	$2,143	$1,396	$6,752	$2,391

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CAPITAL FOR THE YEARS ENDED DECEMBER 31, 2001, 2000, AND 1999—(Continued)

(Dollar amounts in millions)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
RESTRICTED RETAINED EARNINGS						
BALANCE, DECEMBER 31, 1998	$ 77	$	$ 1	$ 4	$ 2	$ 1
Transfers (from) to unrestricted retained earnings	(8)		1	(1)		
BALANCE, DECEMBER 31, 1999	69		2	3	2	1
Transfers (from) to unrestricted retained earnings	(69)		(2)	(3)	(2)	(1)
BALANCE, DECEMBER 31, 2000	$	$	$	$	$	$
UNRESTRICTED RETAINED EARNINGS						
BALANCE, DECEMBER 31, 1998	$ 391	$(24)	$ 30	$ 34	$ 70	$ 76
Net Income	2,128	24	137	244	184	282
Transfers from (to) 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 from (to) 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
Net Income	2,154		113	285	95	298
Dividends on capital stock:						
Cash	(1,004)		(113)	(229)	(118)	(267)
Stock	(947)					
BALANCE, DECEMBER 31, 2001	$ 932	$	$ 47	$ 177	$ 87	$ 174

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 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)
$	$	$	$	$	$	$	$
$ 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
188	125	162	82	115	88	425	178
	(123)		(68)		(86)		
(199)		(122)		(83)		(387)	(156)
$ 42	$ 33	$ 110	$ 43	$ 71	$ 51	$ 62	$ 35

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CAPITAL FOR THE YEARS ENDED DECEMBER 31, 2001, 2000, AND 1999 — (Continued)

(Dollar amounts in millions)

	Combined	Combining Adjustment	Boston	New York	Pittsburgh	Atlanta
TOTAL RETAINED EARNINGS						
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
Net Income	2,154		113	285	95	298
Dividends on capital stock:						
Cash	(1,004)		(113)	(229)	(118)	(267)
Stock	(947)					
BALANCE, DECEMBER 31, 2001	$ 932	$	$ 47	$ 177	$ 87	$ 174
ACCUMULATED OTHER COMPREHENSIVE INCOME						
BALANCE, DECEMBER 31, 1998	$ (3)	$	$	$	$ (4)	$
Other Comprehensive Income:						
Net unrealized (losses) gains on available-for-sale securities	(3)		1		1	
BALANCE, DECEMBER 31, 1999	(6)		1		(3)	
Other Comprehensive Income:						
Net unrealized gains on available-for-sale securities	5				2	
BALANCE, DECEMBER 31, 2000	(1)		1		(1)	
Other Comprehensive Income:						
Net unrealized gains (losses) on available-for-sale securities	177		(12)		2	
Cumulative effect of change in accounting principle	(2)		14		1	
Net unrealized losses related to hedging activities	(204)					
Reclassification adjustment in net income	27		(2)			
BALANCE, DECEMBER 31, 2001	$ (3)	$	$ 1	$	$ 2	$

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 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
188	125	162	82	115	88	425	178
	(123)		(68)		(86)		
(199)		(122)		(83)		(387)	(156)
$ 42	$ 33	$ 110	$ 43	$ 71	$ 51	$ 62	$ 35
$ 1	$	$	$	$	$	$	$
(5)							
(4)							
3							
(1)							
1	(1)			186	1		
						(17)	
		(20)		(184)			
		18			(1)	12	
$	$ (1)	$ (2)	$	$ 2	$	$ (5)	$

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CAPITAL FOR THE YEARS ENDED DECEMBER 31, 2001, 2000, AND 1999 — (Continued)

(Dollar amounts in millions)

	Combined	Combining Adjustment	Boston	New York	Pittsburgh	Atlanta
TOTAL CAPITAL						
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 (losses) gains 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 gains 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
Proceeds from sale of capital stock	9,236		200	843	3,364	1,307
Redemption of capital stock	(7,431)		(73)	(736)	(3,540)	(686)
Comprehensive income:						
Net Income	2,154		113	285	95	298
Other Comprehensive Income:						
Net unrealized gains (losses) on available-for-sale securities	177		(12)		2	
Cumulative effect of change in accounting principle	(2)		14		1	
Net unrealized losses related to hedging activities	(204)					
Reclassification adjustment in net income	27		(2)			
Total Comprehensive Income	$ 2,152	$	$ 113	$ 285	$ 98	$ 298
Dividend on Capital Stock:						
Cash	(1,004)		(113)	(229)	(118)	(267)
BALANCE, DECEMBER 31, 2001	$34,218	$	$2,033	$3,910	$ 1,978	$4,301

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 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
226	193	1,064	491	424	299	665	160
(16)	(2)	(422)	(696)	(491)	(121)	(568)	(80)
188	125	162	82	115	88	425	178
1	(1)			186	1		
						(17)	
		(20)		(184)			
		18			(1)	12	
$ 189	$ 124	$ 160	$ 82	$ 117	$ 88	$ 420	$ 178
	(123)		(68)		(86)		
$ 3,240	$1,773	$2,503	$1,582	$2,216	$1,447	$6,809	$2,426

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2001

(Dollar amounts in millions)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
OPERATING ACTIVITIES						
Net income	$ 2,154	$	$ 113	$ 285	$ 95	$ 298
Extraordinary losses on early retirement of debt, net	34		25			
Cumulative effect of change in accounting principle	30		3	(3)	9	16
Income before extraordinary item and cumulative effect of change in accounting principle	2,218		141	282	104	314
Adjustments to reconcile income before extraordinary item and cumulative effect of change in accounting principle to net cash provided by operating activities:						
Depreciation and amortization:						
Net premiums and discounts on consolidated obligations, investments, and deferred costs and fees received on interest-rate exchange agreements	3,857		503	(2)	204	282
Concessions on consolidated obligations	221		4	8	12	53
Deferred losses (gains) on interest-rate exchange agreements, net	11					2
Premises and equipment	23		2	2	3	2
Net premiums and discounts on mortgage loans	51			1	9	
Other	(3)					
Provision for credit losses on mortgage loans	4					1
Net realized gains on held-to-maturity securities	(3)			(3)		
(Increase) decrease in securities held at fair value, net of transfers and transition adjustments	(1,744)	(118)	343		(2,086)	(37)
(Gain) loss due to change in net fair value adjustment on derivative and hedging activities	(357)		7	1	47	(28)
Decrease in accrued interest receivable	8,863	(45)	321	854	830	1,263
Increase in derivative asset-accrued interest	(1,443)		(26)	(369)	(47)	(131)
(Decrease) increase in derivative liability-accrued interest	(70)		(46)	222	(50)	(146)
(Increase) decrease in other assets	(130)		(2)	(18)	(3)	(25)
Increase (decrease) in Affordable Housing Program (AHP) liability and discount on AHP advances	83		3	16	(4)	12
Decrease in accrued interest payable	(6,520)	45	(171)	(350)	(605)	(1,174)
Increase (decrease) in REFCORP liability	15		(6)	2	(4)	
Increase (decrease) in other liabilities	67		(6)	10	10	28
Total adjustments	2,925	(118)	926	374	(1,684)	102
Net cash provided by (used in) operating activities	5,143	(118)	1,067	656	(1,580)	416
INVESTING ACTIVITIES						
Net (increase) decrease in interest-bearing deposits in banks	(1,038)		25	2,105	(19)	(565)
Net decrease (increase) in federal funds sold	6,869		3,322	1,594	4,340	(1,419)
Net (increase) decrease in securities purchased under resale agreements	(6,534)		(1,450)			
Net decrease (increase) in short-term held-to maturity securities	3,097		1,539		197	100
Proceeds from sales of long-term held-to-maturity securities	6,822			80		5,343
Proceeds from maturities of long-term held-to-maturity securities	30,676	(2,400)	1,298	2,863	3,093	
Purchases of long-term held-to-maturity securities	(43,028)	2,300	(1,989)	(3,432)	(1,500)	(7,158)
Proceeds from sales of available-for-sale securities	124		124			
Proceeds from maturities of available-for-sale securities	60,266	(204)	1		251	
Purchases of available-for-sale securities	(58,748)	28	(338)			
Principal collected on advances	3,732,858		474,620	1,032,747	570,136	65,399
Advances made	(3,758,305)		(476,967)	(1,040,022)	(572,669)	(76,572)
Principal collected on mortgage loans	7,881		16	317	964	159
Mortgage loans purchased	(19,418)		(330)	(215)	(886)	(245)
Principal collected on other loans	1		1			
Net decrease (increase) in deposits to other FHLBanks for mortgage loan programs		(16)		1	23	
Net increase in loans to other FHLBanks		125				
(Increase) decrease in premises and equipment	(27)		(5)	1		(1)
Net cash (used in) provided by investing activities	(38,504)	(167)	(133)	(3,961)	3,930	(14,959)

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 188	$ 125	$ 162	$ 82	$ 115	$ 88	$ 425	$ 178
			8			1	
1	4	(1)	(1)	1	(4)	2	3
189	129	161	89	116	84	428	181
926	511	297	281	11	248	(78)	674
7	21	6	12	17	19	50	12
		(2)	1			10	
1	1	5	1	4		2	
		32	7				2
(1)	(2)						
		2	1				
17	(3)	6	56	185	113	(8)	(212)
(1)	3	(291)	(48)	(20)	18	(46)	1
256	442	336	629	627	289	2,718	343
(21)	(25)	(27)	(271)	(163)	(108)	(231)	(24)
(44)	2	(29)	(16)	(57)	(31)	144	(19)
(4)	(16)	2	14	(76)		(3)	1
14	6	5	(1)	3	2	17	10
(6)	(400)	(217)	(135)	(365)	(132)	(2,808)	(202)
(1)	(1)	9	(1)		(1)	12	6
5		(49)	(8)	103	5	3	(34)
1,148	539	85	522	269	422	(218)	558
1,337	668	246	611	385	506	210	739
155	(296)		135		(869)	(1,789)	80
(3,065)	(686)	(768)	2,485	424	(102)	(69)	813
	45	(4)	(3,200)			(1,750)	(175)
		(49)	(61)	(579)	(27)	1,593	384
				1,359	40		
4,067	1,601	1,983	2,176		1,800	4,922	9,273
(4,581)	(1,755)	(3,239)	(1,054)	(1,525)	(2,142)	(7,907)	(9,046)
59,286	628			279	25		
(57,837)	(274)		(223)	(104)			
357,375	68,662	23,060	50,903	471,382	237,538	343,438	37,598
(359,721)	(70,246)	(26,017)	(50,163)	(473,534)	(242,188)	(334,746)	(35,460)
25	13	3,903	1,619	675	6		184
(561)	(371)	(12,406)	(2,074)	(735)	(100)		(1,495)
				(8)			
(100)						(25)	
	(1)	(12)	(1)	(3)	(1)	(3)	(1)
(4,957)	(2,680)	(13,549)	542	(2,369)	(6,020)	3,664	2,155

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CASH FLOWS—(Continued)
FOR THE YEAR ENDED DECEMBER 31, 2001

(Dollar amounts in millions)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
FINANCING ACTIVITIES						
Net increase (decrease) in deposits	$ 8,594	$ (1)	$ 1,229	$ 700	$ 273	$ 1,715
Net increase other borrowings	1,150					
Net decrease in deposits to other FHLBanks for mortgage loan programs		17				
Net increase-loans from other FHLBanks		(125)				
Net proceeds from sale of consolidated obligations:						
Discount notes	4,665,348		183,082	739,091	717,361	50,785
Bonds	415,410	(2,328)	14,453	31,219	15,764	84,614
Payments for maturing and retiring consolidated obligations:						
Discount notes	(4,689,707)		(189,066)	(744,732)	(708,232)	(56,294)
Bonds	(368,653)	2,722	(10,631)	(22,863)	(27,619)	(66,600)
Proceeds from issuance of capital stock	9,236		200	843	3,364	1,307
Payments for redemption of capital stock	(7,431)		(73)	(736)	(3,540)	(686)
Cash dividends paid	(1,019)		(128)	(229)	(118)	(267)
Net cash provided by (used in) financing activities	32,928	285	(934)	3,293	(2,747)	14,574
Net (decrease) increase in cash and cash equivalents	(433)			(12)	(397)	31
Cash and cash equivalents at beginning of period	752		10	25	441	46
Cash and cash equivalents at end of period	$ 319	$	$ 10	$ 13	$ 44	$ 77
Supplemental Disclosures:						
Interest paid	$ 30,098		$ 1,781	$ 3,590	$ 2,088	$ 4,132
Stock dividends issued	$ 947					

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 499	$ 787	$ (233)	$ 843	$ 1,049	$ 296	$ 375	$ 1,062
		800				200	150
		(17)					
					125		
1,035,806	422,821	377,412	152,059	229,666	287,557	196,443	273,265
18,476	18,792	47,661	21,522	33,713	17,601	92,898	21,025
(1,039,117)	(419,966)	(373,662)	(153,056)	(230,704)	(286,663)	(207,285)	(280,930)
(12,256)	(20,489)	(39,302)	(22,256)	(31,721)	(13,493)	(86,605)	(17,540)
226	193	1,064	491	424	299	665	160
(16)	(2)	(422)	(696)	(491)	(121)	(568)	(80)
	(123)		(68)		(86)		
3,618	2,013	13,301	(1,161)	1,936	5,515	(3,877)	(2,888)
(2)	1	(2)	(8)	(48)	1	(3)	6
12	36	4	72	95	1	5	5
$ 10	$ 37	$ 2	$ 64	$ 47	$ 2	$ 2	$ 11
$ 1,482	$ 1,153	$ 1,742	$ 1,493	$ 1,966	$ 1,393	$ 7,135	$ 2,143
$ 199		$ 122		$ 83		$ 387	$ 156

FEDERAL HOME LOAN BANKS

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

(Dollar amounts in millions)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
OPERATING ACTIVITIES						
Net income	$ 2,211	$	$ 146	$ 277	$ 173	$ 298
Extraordinary (gains) losses on early retirement of debt, net	(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)	
Premises and equipment	16		1	1	3	1
Net 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 purchased	(14,600)		(17)	(340)	(1,943)	(351)
Principal collected on other loans	(1,225)		1			
Net increase in loans to other FHLBanks		1	(1)			
Increase in 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

(Dollar amounts in millions)

	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

(Dollar amounts in millions)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
OPERATING ACTIVITIES						
Net income	$ 2,128	$ 24	$ 137	$ 244	$ 184	$ 282
Extraordinary gains on early retirement of debt, net	(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
Premises and equipment	12		1	1	2	1
Other						
Provision for credit losses on mortgage loans	1					
Loss 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 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 (used in) 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 purchased	(1,166)			(222)	(4)	(74)
Principal collected on other loans	1		1			
Net decrease in loans to other FHLBanks		(325)		150		75
Decrease (increase) in 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

(Dollar amounts in millions)

	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 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
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BUSINESS

General

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

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.

Letters of Credit. The FHLBanks also issue letters of credit for members. Members must collateralize letters of credit.

Housing Associates. Section 10(b) 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.

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.

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;
- 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; 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.

Mortgage Loans

All 12 of the FHLBanks have established member mortgage asset programs to further assist their members. The programs all involve the investment by the FHLBank in loans originated through or 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. All credit is enhanced by members to a level equivalent to at least an investment-grade rating, although neither the member credit enhancements nor loans are rated. An FHLBank must hold risk-based capital against acquired member assets that have an implied credit rating less than double-A. All of the FHLBanks except Seattle and Cincinnati offer MPF® to their members, and these two FHLBanks, along with the FHLBank of Indianapolis, have developed an alternative mortgage purchase plan. 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, housing associate or third-party mortgage insurance 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.

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+.

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 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). 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.

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.

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.

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.

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

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.

Deposits

The FHLBank Act allows the FHLBanks to accept deposits from their members, from any institution for which they are 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 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.

Capitalization

The Gramm-Leach-Bliley Act (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 final rule was published on January 30, 2001 and the required each FHLBank to submit a capital structure plan to the Finance Board by October 29, 2001, for approval. The FHLBanks have all submitted their proposed capital plan. On March 13, 2002, the Finance Board approved the capital structure plan of the FHLBank of Seattle.

Under the current capitalization, members are required to purchase capital stock equal to the greater of 1 percent of their mortgage-related assets or 5 percent of outstanding FHLBank advances. Members may, at the FHLBank's discretion, redeem at par value any capital stock greater than their statutory requirement or sell it to other FHLBank members at par value. 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.

Dividends

The FHLBanks may pay dividends from retained earnings after providing for all reserves and charge-offs required under the FHLBank Act.

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, swaptions, interest-rate cap and floor agreements, calls, puts, and futures and forward contracts 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. The FHLBanks do not trade derivatives for short-term profit.

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 Office of Finance. 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 taxable; dividends received by members do not benefit from the corporate dividends received exclusion.

FHLBANKS' REGULATOR

The FHLBanks are regulated by the Finance Board, 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, 2001, the directors of the Finance Board were Chairman John T. Korsmo, Mel Martinez, Secretary of HUD, (HUD secretary designee; John C. Weicher), Franz S. Leichter, Allan I. Mendelowitz, and J. Timothy O'Neill.

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.

The following persons served as chair and vice chair of the FHLBanks during 2001 or are serving in 2002:

William P. Morrissey, 75, was elected chair of the FHLBank of Boston effective January 1, 2002. He is also senior vice president of Central Bank headquartered in Somerville, Massachusetts. He is a member of the Federal Liaison Committee of the Massachusetts Bankers Association and vice-president and director of McLaughlin House of Charlestown, a transitional housing program for women in recovery. He formerly served as executive vice-president at Boston Five Cents Savings Bank, vice president of Atlantic Savings Bank and deputy commissioner of banking for the Commonwealth of Massachusetts.

Charles W. Smith, 58, served as chair of the FHLBank of Boston in 2001. He is chairman and chief executive officer of Granite Bank, Keene, New Hampshire, and of its holding company, Granite State Bankshares, Inc. He is past chairman of the New Hampshire Bankers Association. Before joining Granite Bank, Mr. Smith served as 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.

Kathleen N. Sullivan, 47, was elected vice chair of the FHLBank of Boston effective January 1, 2002. She is an attorney with the firm of Wadleigh, Starr & Peters in Manchester, New Hampshire. Ms. Sullivan serves as chair of the New Hampshire Democratic Party and as trustee of the Manchester Public Library. She is a former member of Manchester Charter Commission, the New Hampshire Juvenile Parole Board and director of the Manchester YWCA.

Elizabeth H. Mitchell, 61, served as vice chair of the FHLBank of Boston in 2001. A former state representative, Ms. Mitchell was speaker of the House of Maine 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, 64, is chair of the FHLBank of New York and has served in that position in 1999, 2000 and 2001. Mr. Florio is also the chairman and 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, 51, 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.

John T. Connelly, 66, is chair of the FHLBank of Pittsburgh effective January 2002, having served as vice chair from 1998 to 2001. He has been in banking for 40 years, most recently with the First National Bank of Leesport, Leesport, Pennsylvania (now the Leesport Bank), where he was president and chief executive officer from 1976 until 1998, when he became chairman of the board. Retired as an active officer on August 31, 1999, he now serves on the Leesport Bank's board of directors and chairs its executive committee. A graduate of Williams College, he is a past president of the Pennsylvania Bankers Association and is active in many civic organizations in Berks County, Pennsylvania. He has served as an elected director of the FHLBank of Pittsburgh since 1996.

David W. Curtis, 46, serves as vice chair of the FHLBank of Pittsburgh. Appointed as a public interest director of the FHLBank in 1996 and serving as the FHLBank's chair from 1999 to 2001, Mr. Curtis is the executive vice president 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 5,000 units. Mr. Curtis holds a Master of Arts Degree from the University of Delaware's College of Urban Affairs.

Rita I. Fair, 65, 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.

J. Edward Norris, III, 51, was elected vice chair of the FHLBank of Atlanta effective January 1, 2002. Mr. Norris joined the board of directors in 1996. He serves as chairman, president and chief executive officer of America's Community Bankers and chairs the ACB's FHLB System Capital Committee. He also serves on the ACB's governmental affairs council and the Audit/Finance Committee.

Joseph S. Bracewell, III, 55 served as vice chair of the FHLBank of Atlanta for 2001. Mr. Bracewell left the board of directors effective December 31, 2001. Mr. Bracewell was chairman and chief executive officer of Century National Bank in Washington, D.C. He also served as a director of the Independent Bankers Association of America, Hankey Oil Company, and Hadron, Inc.

Paul Tipps, 65, is chairman of the FHLBank of Cincinnati and has served in that capacity since January 1, 2000. He has served as a director since 1997. He brings over 30 years of public policy expertise to the Cincinnati Bank board. Mr. Tipps is a principal and co-founder of State Street Consultants, Ohio's premiere government affairs firm. Headquartered in Columbus, State Street Consultants has affiliates throughout Ohio. Mr. Tipps is past chair of the Ohio Democratic Party. Mr. Tipps is a past member of the Wright State University Board of Trustees. He currently sits on the board of directors of Janus Hotels & Resorts and is a member of the board of directors of the John Glenn Institute for Public Service and Public Policy at The Ohio State University. Prior to his career as a government affairs consultant, Mr. Tipps was involved in the development and management of 10,000 multi-family units in seven states. A Cincinnati native, Mr. Tipps graduated with a bachelor's degree from the University of Dayton and served as a First Lieutenant in the U.S. Army.

Buckner Woodford, 57, assumed the position of vice chair of the FHLBank of Cincinnati on January 1, 2002. He has served as a director since 1996. In addition, Mr. Woodford is president and chief executive officer of Kentucky Bank, Paris, Kentucky, with which he has been associated since 1971. Mr. Woodford is a past president of The Kentucky Banker's Association. He has also served as president of Bluegrass Tomorrow and the Paris Bourbon County YMCA. He is a past chairman of Bourbon General Hospital and has served as a member of the Small Bank Advisory Committee of The Federal Reserve Bank of Cleveland.

Michael R. Melvin, 57, was vice chair of the FHLBank of Cincinnati from 1999 through 2001. 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.

William R. White, 48, is chair of the FHLBank of Indianapolis. He served as vice chair from 1999 through 2001. 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, LLP, 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.

Carolyn Sparks Hutting, 55, was chair of the FHLBank of Indianapolis, and served in that position in 1999 through 2001. 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.

Michael J. Hannigan, Jr., 57, is vice chair of the FHLBank of Indianapolis. He is executive vice president of The Precedent Companies, a holding company with divisions in residential, commercial, and industrial development. From 1986 to 1996, he served as president of Precedent Financial Corporation, a corporation he co-founded that grew into a regional mortgage banking company with seven branches and wholesale operations in 15 states. Prior to that, he was senior vice president of Waterfield Financial Corp/Union Federal Savings Bank from 1971 to 1986. Mr. Hannigan is president of the Builders Association of Greater Indianapolis, and a director of the Indiana Builders Association and the National Association of Homebuilders. He is a trustee of the St. Mary's Child Center Endowment and a director of Junior Achievement of Central Indiana and The Indy Partnership.

Douglas J. Timmerman, 61, 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 a trustee of the University of Wisconsin Research Park. Mr. Timmerman served as vice chair of the FHLBank of Chicago in 1998-1999.

Mindy W. Turbov, 45, served as vice chair of the FHLBank of Chicago for 2000-2001, and 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 Torpey, 56, chair of the board of the FHLBank of Des Moines, was first elected to the board of directors in 1996. He is president of Washington Federal Savings Bank in Washington, Iowa and has been a leader in the banking world for 30 years. As a six-year Home Loan Bank director, he served as Audit Committee Chair for three years before serving his first term as chair of the board in 2000. Mr. Torpey is currently the chairman of the Lending Committee for the Independent Community Bankers of America and has also served on the Operations Committee and chaired the Lending Subcommittee. He teaches *"Analyzing Bank Financial Statements"* classes at the Iowa School of Banking.

Joe Du Bray, 57, vice-chair of the board of the FHLBank of Des Moines, was first appointed to the board of directors in 1996 and is serving his second three-year term. He also serves as Chair of the Compensation, Diversity and Governance Committee of the FHLBank's board. Mr. Du Bray is the senior vice president, general counsel and board secretary for Wellmark, Inc., d.b.a. Wellmark Blue Cross and Blue Shield of Iowa. He is also general counsel and board secretary for Wellmark of South Dakota, Inc., d.b.a. Wellmark Blue Cross and Blue Shield of South Dakota.

Linda R. Cottington, 53, served as vice chair of the FHLBank of Des Moines in 2000 through May 2001. Ms. Cottington was the vice president, Strategic Planning and Business Development for Mercy Health Network, Des Moines, Iowa before she moved to the West Coast to pursue personal interests in May 2001. 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, 46, 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.

Fred Miller, Jr., 52, began his term as vice chair of the FHLBank of Dallas in January 2002. He has been a director since 1997. Mr. Miller is president and CEO of Bank of Anguilla, a $75 million dollar institution in the Mississippi Delta. He is a graduate of Louisiana State University, The Graduate School of Banking of the South, and the Mississippi School of Banking. He is a past president of the Mississippi Bankers Association and is currently a member of the association's Executive Committee. Mr. Miller has served on various state banking association committees as chairman and has served on national committees for the American Bankers Association and the Independent Community Bankers of America. He currently is serving on the ABA's Agriculture and Rural Bankers Committee. Mr. Miller was also on the ABA's Task Force for 21st Century Agricultural Banking

George W. Mitchell, 58, was vice chair of the FHLBank of Dallas and served in that position in 2000 and 2001. 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, 51, is chair of the FHLBank of Topeka and served in that position in 2001 and will continue to serve in that position in 2002. 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.

David W. Herlinger, 65, is vice chair of the FHLBank of Topeka and began serving in that position in 2002. He has served as chair of the FHLBank's Affordable Housing Advisory Council. He was appointed to the board in 1996. He is president of Puma Housing Investments in Denver, Colo. Before that, he was with the Colorado Housing and Finance Authority from 1974 to 2001, heading that agency's efforts to increase housing finance opportunities in Colorado. Before joining CHFA, he served as a director of Colorado Housing Inc. and the community development division of Metro Housing Center in Denver. He earned a bachelor's degree from Colgate University, Hamilton, N.Y., in 1958 and a master's degree in urban and regional planning from the University of Colorado, Boulder, in 1972. He is a past president of the National Council of State Housing Agencies and serves on the Downtown Denver Housing Committee and the Federal National Mortgage Association's housing impact advisory council.

Paul Barru, 76, was vice chair of the FHLBank of Topeka and served in that position in 2000 and 2001. 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, 63, is chair of the FHLBank of San Francisco, and she served in that position in 2001 and will continue to serve in that position in 2002. 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.

D. Tad Lowrey, 50, is vice chair of the FHLBank of San Francisco and began serving in that position in 2002. He is chairman, president and chief executive officer of Jackson Federal Bank in Brea, California, a federally chartered savings bank with approximately $1.5 billion in assets. Mr. Lowrey formerly served as a director of the FHLBank of San Francisco from January 1996 to September 1998. He currently serves as a director of America's Community Bankers, and he is a former Chairman of the Western League of Savings Institutions. Mr. Lowrey is also involved as Treasurer, director and a member of the executive committee of the Pasadena Playhouse State Theatre of California, and is a member of the Board of Trustees of the University of La Verne. He has also served on the Savings Association Industry Advisory Committee to the FDIC.

J. Lance Erikson, 58, was vice chair of the FHLBank of San Francisco and served in that position in 2000 and 2001. 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 council of Federal Home Loan Banks and has served as chair of the FHLBank of Seattle since 1999. Mr. Radway is also a strategic planning and legislative strategy consultant to Sallie Mae. He was Legislative Director from 1985 to 1999 for U.S. Representative Paul Kanjorski (D-PA) and served from 1995 through 1999 as the Democratic staff of the Subcommittee on Capital Markets, Securities and Government Sponsored Enterprises for the House Banking Committee. On that subcommittee, Mr. Radway worked on legislation to modernize the Federal Home Loan Bank System. Mr. Radway is also former Deputy Staff Director of the Subcommittee on Economic Growth and Credit Formation for the House Banking Committee.

Richard Swanson, 51, is vice chair of the FHLBank of Seattle, and began serving in that position in 2002. Mr. Swanson is chair of HomeStreet Bank, formerly Continental Savings Bank, Seattle, Washington. Prior to that he served as president, executive vice president and general counsel. Mr. Swanson serves on the board of governors of the Mortgage Bankers Association of America, a director of the Washington Financial League, a Trustee of the Greater Seattle Chamber of Commerce, and a director of the Washington Roundtable. He is a member of the Fannie Mae National Advisory Council, a former member of the Advisory Panel for the Washington State Department of Financial Institutions, a Trustee of Lakeside School, and a member of the Advisory Board of the University of Washington's Business and Economic Development Program. He belongs to Seattle Rotary, and is a past-president of the Washington Mortgage Lenders Association and the Woodland Park Zoological Society. He is a former partner of Real Estate Finance practice group of the Seattle law firm of Hillis, Clark, Martin & Peterson. Mr. Swanson holds a bachelor's degree from Harvard and graduate degrees from Cambridge University in England and Stanford Law School.

Kerry K. Killinger, 52, served as vice chair of the FHLBank of Seattle in 2001. 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 were $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 2001:

Michael A. Jessee, 55, has been president and chief executive officer 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, 55, 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, 61, 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. Mr. Roy currently serves on the board of directors of the FHLBank Office of Finance.

Raymond R. Christman, 52, 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, 64, 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. He serves as a Director and Treasurer of the Habitat for Humanity International Board and as a member of the Board of Trustees of Bellarmine University in Louisville, Kentucky.

Martin L. Heger, 56, 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, 58, 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. He is a past president of the International Union for Housing Finance and the Bankers Club of Chicago; a Life Member of the Banking Research Center of Northwestern University; a director of the Great Lakes Higher Education Corporation and the Great Books Foundation; and a trustee of the Illinois Council on Economic Education. Mr. Pollock is an honors graduate of Williams College and holds masters degrees from the University of Chicago in philosophy and Princeton University in international relations.

Patrick J. Conway, 51, became president of the FHLBank of Des Moines in October 1999. Before that, he served as executive vice president of Finance and Banking at the FHLBank of San Francisco. He joined the San Francisco Bank 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. Mr. Conway currently serves as vice chairman of the Bank President's Conference and on the boards of directors of the Financial Institutions Thrift Plan and the FHLBanks' Office of Finance.

Terry Smith, 45, became president of the FHLBank of Dallas in August 2000 after serving as executive vice president and chief operating officer since 1991. In that capacity, Mr. Smith was responsible for financial and risk management, credit and collateral, financial services, accounting, and information systems functions, among others. Mr. Smith originally joined the FHLBank in 1986 to coordinate the FHLBank's hedging and asset/liability management functions, and was promoted to chief financial officer in 1988. He served in that capacity until his appointment as chief operating officer. Mr. Smith graduated from Southern Methodist University with degrees in Economics, Mathematics and History. After completing his Ph.D. studies in Economics at the University of Chicago, he was an assistant professor of Finance at the Edwin L. Cox School of Business at SMU.

Frank A. Lowman, 62, 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, 54, has been president of the FHLBank of San Francisco since April 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, 58, 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. During his tenure, Mr. Rice also served as president of the U.S. Conference of mayors. Prior to entering public life, he was manager of corporate contributions and social policy at Rainier National Bank (now part of Bank of America). Mr. Rice holds a Bachelor of Arts degree in communications and a master's degree in public administration from the University of Washington. Currently, Mr. Rice is a member of the Bretton Woods Committee. He serves on the board of directors for the YMCA, Regence Blue Shield, and SAFECO Corporation.

Managing Director, FHLBanks' Office of Finance. *John K. Darr,* 57, 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.

FHLBanks' Office of Finance Board of Directors. At December 31, 2001, the directors of FHLBanks' Office of Finance were John T. McEvoy, Patrick J. Conway, FHLBank of Des Moines, and James D. Roy, FHLBank of Pittsburgh.

John T. McEvoy, 64, an attorney, was appointed an Office of Finance board member in April 1995 and its chair in September 1998. From 1989 to 2001, he was executive director of the National Council of State Housing Agencies, which represents the nation's state housing finance agencies in Washington. From 1981 to 1989, he headed the Department of Federal Policy in the law firm of Kutak, Rock & Campbell and was a managing partner of that firm's Washington office. Between 1962 and 1980 he served on the staffs of the Secretary of the Army, the Secretary of Defense, and the US Senate, including six years as chief counsel and then staff director of the Senate Committee on the Federal Budget, during the first six years of the Congressional Budget Process reform Congress enacted in 1974.

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 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.

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 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.

The following table presents information on the compensation of the FHLBank presidents and the managing director of the Office of Finance for 2001, 2000 and 1999.

Federal Home Loan Bank Presidents

Summary Compensation Table

					Long Term Compensation			
		Annual 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	2001	450,000	86,985					39,681(3)(4)
President, FHLBank	2000	400,000	202,600	85,110				33,559(3)(4)
of Boston	1999	335,600	95,650					26,609(3)(4)
Alfred A. DelliBovi	2001	459,000	298,889					30,015(5)(6)
President, FHLBank	2000	425,000	239,160					27,675(5)(6)
of New York	1999	345,000	86,250					23,011(5)(6)
James D. Roy	2001	440,000	155,971					32,491(7)
President, FHLBank	2000	400,000	101,520					29,293(7)
of Pittsburgh	1999	337,296	93,954					25,381(7)
Raymond R. Christman	2001	450,000	214,650					11,779(7)
President, FHLBank	2000	360,000	176,400					6,650(7)
of Atlanta(8)	1999	162,500	53,125					1,181(7)
Charles L. Thiemann	2001	510,000	275,293	51,374				46,464(7)
President, FHLBank	2000	435,000	276,209					37,543(7)
of Cincinnati	1999	345,000	86,250					26,152(7)
Martin L. Heger	2001	420,030	320,813				(12)	25,202(7)
President, FHLBank	2000	379,600	197,917					22,776(7)
of Indianapolis	1999	312,338	108,352					18,740(7)
Alex J. Pollock	2001	525,000	224,490					31,500(7)
President, FHLBank	2000	500,000	250,000					30,000(7)
of Chicago	1999	397,500	112,500					21,000(7)
Patrick J. Conway	2001	414,167	178,187					35,541(7)
President, FHLBank	2000	331,667	98,610					25,817(7)
of Des Moines(9)	1999	169,869	82,500					9,422(7)
Terry Smith	2001	368,604	71,186					21,180(7)
President, FHLBank	2000	282,408	169,196					16,600(7)
of Dallas(10)								
Frank A. Lowman	2001	425,000	201,151					33,135(7)
President, FHLBank	2000	360,000	127,292					28,486(7)
of Topeka	1999	287,750	99,763					20,758(7)
Dean M. Schultz	2001	460,000	215,600					27,600(7)
President, FHLBank	2000	420,000	210,000					34,811(7)
of San Francisco	1999	360,000	99,100					28,478(7)
Norman B. Rice	2001	360,000	101,800					12,825(7)
President, FHLBank	2000	325,000	75,600					6,500(7)
of Seattle(11)	1999	270,833	54,200					4,419(7)
John K. Darr	2001	425,000	199,750					34,493(7)
Managing Director,	2000	375,000	149,888					28,575(7)
Office of Finance	1999	330,000	101,250					25,172(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 notes(4) and (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 $37,356, $31,539 and $24,861 in contributions or other allocations made by the FHLBank to qualified and/or non-qualified vested and unvested defined contribution plans in 2001, 2000 and 1999, and $2,325, $2,020 and $1,748 in insurance premiums paid by, or on behalf of, the FHLBank with respect to term life insurance for the benefit of the president in 2001, 2000 and 1999.

(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 $27,540, $25,500 and $20,700 in contributions or other allocations made by the FHLBank to qualified and/or non-qualified vested and unvested contribution plans in 2001, 2000 and 1999, and $2,475, $2,175 and $2,311 in insurance premiums paid by, or on behalf of, the FHLBank with respect to term life insurance for the benefit of the president in 2001, 2000 and 1999.

(6) To fund the FHLBank's Benefit Equalization Plan liability, the FHLBank obtained a collateral assignment of each 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 assigned cash value offsets a liability under the Benefit Equalization Plan, the liability under the Plan will be reduced. 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.

(12) During 2001, the FHLBank of Indianapolis implemented a key employee severance agreement for Mr. Heger (executive). Under the terms of the agreement, if a termination occurs under certain specified circumstances, the executive is entitled to 2.99 times the average of the three preceding years' base salary, bonus and other cash compensation, salary deferrals and matching contributions to the qualified and non-qualified plans, compensation for loss of use of company vehicle, continued medical and dental plan coverage and a gross up amount to cover the increased tax liability.

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. All of the FHLBank presidents and the managing director of the Office of Finance, 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, 2001, is 24 years.
- 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, 2001, is 8 years and 9 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

Remuneration	Years of Service 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 compensation (base salary and short term incentive).
- Compensation covered includes annual base salary plus incentive compensation without regard to IRS limitations.
- Credited years of service as of December 31, 2001, is 14 years.
- The regular form of retirement benefits provides a life annuity; a lump-sum option is also available.

President, FHLBank of Atlanta

Remuneration	Years of Service 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, 2001, is 3 years.
- 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, 2001, is 37 years.
- 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, 2001, is 21 years.
- 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, 2001, is 9 years.
- 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, 2001, is 22 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 $200,000. The plan limits the maximum years of benefit service to 30 years.
- Credited years of service as of December 31, 2001, is 15 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, 2001, is 11 years.
- 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.

Prior to 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, 2001, with approximately 17 years of service, its president's pension annuity payments would be $120,524 per year beginning in 2012 (at age 65), which is equal to his highest three consecutive year average pay of $547,837 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 $479,904 for 2001 (which consists of a base salary of $460,000 and $19,904 in accrued vacation cash-out) and incentive pay of $210,000 in 2001 (earned in 2000); 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 11 years until the year 2012, his annuity payment would be $206,470 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 $214,696 in his cash balance account as of December 31, 2001. If its president terminated his service at the Bank as of December 31, 2001, and annuitized his cash balance account, his annuity payments would be $36,291 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 $479,904 for 2001 and incentive pay of $210,000 in 2001 (earned in 2000); 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 11 years until the year 2012, his annuity payments would be $98,631 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, 2001, is 3 years.
- 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	$ 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: 2.50 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, 2001, is 14 years.
- The regular form of retirement benefit is a straight-life annuity including a lump-sum retirement death benefit.

FIVE LARGEST CAPITAL STOCK HOLDERS OF AND BORROWERS FROM EACH FHLBANK

The following table identifies the five largest holders of capital stock of each FHLBank and their holdings at December 31, 2001.

Federal Home Loan Banks

Top 5 Capital Stock Holding Members by FHLBank at December 31, 2001

FHLBank	Name	City	State	Capital Stock ($Millions)	Percent of FHLBank Capital Stock
Boston	Fleet National Bank	Providence	RI	$ 270.1	13.6%
	Webster Bank	Waterbury	CT	126.6	6.4%
	First Massachusetts Bank, NA	Worcester	MA	102.0	5.1%
	People's Bank	Bridgeport	CT	89.9	4.5%
	Bank of New Hampshire, NA	Farmington	NH	63.6	3.2%
				$ 652.2	32.8%
New York	Dime Savings Bank of New York, FSB*	New York	NY	$ 426.9	11.4%
	HSBC Bank, USA	New York	NY	278.4	7.5%
	Astoria FS&LA*	Lake Success	NY	250.5	6.7%
	GreenPoint Bank	New York	NY	232.5	6.2%
	Manufacturers & Traders Trust Company*	Buffalo	NY	180.2	4.8%
				$1,368.5	36.6%
Pittsburgh	Sovereign Bank, FSB	Wyomissing	PA	$ 301.9	16.0%
	Lehman Brothers Bank, FSB	Wilmington	DE	216.3	11.5%
	PNC Bank, NA	Pittsburgh	PA	211.2	11.2%
	Waypoint Bank	Harrisburg	PA	92.1	4.9%
	Chase Manhattan Bank USA, NA	Wilmington	DE	85.3	4.5%
				$ 906.8	48.1%
Atlanta	BB&T of NC	Winston-Salem	NC	$ 422.2	10.2%
	SunTrust Bank, Atlanta	Atlanta	GA	350.1	8.5%
	Regions Bank	Birmingham	AL	239.5	5.8%
	AmSouth Bank	Birmingham	AL	232.1	5.6%
	SouthTrust Bank, NA	Birmingham	AL	212.5	5.1%
				$1,456.4	35.2%
Cincinnati	Charter One Bank FSB*	Cleveland	OH	$ 567.7	17.8%
	US Bank, NA	Cincinnati	OH	341.1	10.7%
	Fifth Third Bank	Cincinnati	OH	258.1	8.1%
	Union Planters National Bank	Memphis	TN	195.6	6.1%
	Ohio Savings Bank	Cleveland	OH	129.8	4.1%
				$1,492.3	46.8%
Indianapolis	Standard Federal Bank, NA*	Troy	MI	$ 334.0	19.2%
	Flagstar Bank, FSB	Troy	MI	128.4	7.4%
	National City Bank of Indiana	Indianapolis	IN	116.6	6.7%
	Fifth Third Bank*	Indianapolis	IN	100.2	5.8%
	Fifth Third Bank	Grand Rapids	MI	89.2	5.1%
				$ 768.4	44.2%
Chicago	LaSalle Bank, NA*	Chicago	IL	$ 245.0	10.2%
	Mid America Bank, FSB*	Clarendon Hills	IL	121.4	5.1%
	The Northern Trust Company	Chicago	IL	101.2	4.2%
	American National Bank and Trust Company of Chicago	Chicago	IL	100.0	4.2%
	The Private Bank and Trust Company	Chicago	IL	92.4	3.9%
				$ 660.0	27.6%

FHLBank	Name	City	State	Capital Stock ($Millions)	Percent of FHLBank Capital Stock
Des Moines	Wells Fargo Bank Minnesota, NA	Minneapolis	MN	$ 307.8	20.0%
	Superior Guaranty Insurance Co.	Minneapolis	MN	81.4	5.3%
	TCF National Bank	Minneapolis	MN	76.1	4.9%
	Transamerica Life Insurance Company	Cedar Rapids	IA	45.0	2.9%
	Bank Midwest	Kansas City	MO	38.6	2.5%
				$ 548.9	35.6%
Dallas	Washington Mutual Bank, FA(1)	Stockton	CA	$ 396.0	18.5%
	World Savings Bank, FSB	Austin	TX	352.4	16.4%
	Guaranty Bank*	Austin	TX	195.7	9.1%
	Hibernia National Bank	New Orleans	LA	58.8	2.7%
	International Bank of Commerce	Laredo	TX	53.9	2.5%
				$1,056.8	49.2%
Topeka	Commercial Federal Bank, FSB	Omaha	NE	$ 252.1	18.1%
	MidFirst Bank	Oklahoma City	OK	198.1	14.2%
	Capitol Federal Savings Bank	Topeka	KS	162.0	11.6%
	Local Oklahoma Bank, NA	Oklahoma City	OK	38.4	2.8%
	Security Life of Denver Ins. Co.	Denver	CO	35.5	2.5%
				$ 686.1	49.2%
San Francisco	Washington Mutual Bank, FA*	Stockton	CA	$2,747.4	40.7%
	California Federal Bank, AFSB*	San Francisco	CA	1,446.6	21.4%
	World Savings Bank, FSB*	Oakland	CA	753.4	11.2%
	Citibank, FSB	San Francisco	CA	243.5	3.6%
	Downey S&LA	Newport Beach	CA	113.1	1.7%
				$5,304.0	78.6%
Seattle	Washington Mutual Bank*	Seattle	WA	$ 669.3	28.0%
	Bank of America Oregon, NA	Portland	OR	320.7	13.4%
	Washington Federal Savings	Seattle	WA	126.6	5.3%
	Zions First National Bank*	Salt Lake City	UT	108.8	4.6%
	First Hawaiian Bank*	Honolulu	HI	90.9	3.8%
				$1,316.3	55.1%

* An asterisk indicates that an officer of the member was an FHLBank director in 2001.

(1) The amount relates to the outstanding capital stock of Bank United, a former member of the FHLBank of Dallas, which was acquired by Washington Mutual Bank, FA, a member of the FHLBank of San Francisco during 2001. The outstanding capital stock of the FHLBank of Dallas owned by Washington Mutual Bank, FA, results from the acquisition.

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 presents information on the five largest borrowers by FHLBank at December 31, 2001.

Federal Home Loan Banks
Top 5 Advance Holding Members by FHLBank
at December 31, 2001

FHLBank	Name	City	State	Advances ($Millions)	Percent of FHLBank Advances(3)
Boston	Webster Bank	Waterbury	CT	$ 2,532.0	10.4%
	People's Bank	Bridgeport	CT	1,324.4	5.4%
	Bank of New Hampshire, NA	Farmington	NH	870.0	3.6%
	First Massachusetts Bank, NA	Worcester	MA	804.6	3.3%
	Investors Bank & Trust Company	Boston	MA	780.0	3.2%
				$ 6,311.0	25.9%
New York	Dime Savings Bank of New York*	New York	NY	$ 8,537.4	14.0%
	Astoria FS&LA*	Lake Success	NY	4,859.0	8.0%
	GreenPoint Bank	New York	NY	4,500.0	7.4%
	Manufacturers & Traders Trust Company*	Buffalo	NY	3,093.2	5.1%
	North Fork Bank	Melville	NY	2,728.6	4.5%
				$23,718.2	39.0%
Pittsburgh	Sovereign Bank, FSB	Wyomissing	PA	$ 6,034.9	20.6%
	Lehman Brothers Bank, FSB	Wilmington	DE	3,970.0	13.5%
	PNC Bank, NA	Pittsburgh	PA	2,042.9	7.0%
	Waypoint Bank	Harrisburg	PA	1,842.9	6.3%
	National City Bank of Pennsylvania	Pittsburgh	PA	855.3	2.9%
				$14,746.0	50.3%
Atlanta	BB&T of NC	Winston-Salem	NC	$ 8,443.2	11.7%
	SunTrust Bank, Atlanta	Atlanta	GA	7,000.0	9.7%
	Regions Bank	Birmingham	AL	4,770.9	6.6%
	AmSouth Bank	Birmingham	AL	4,642.0	6.4%
	SouthTrust Bank, NA	Birmingham	AL	4,220.6	5.9%
				$29,076.7	40.3%
Cincinnati	Charter One Bank FSB*	Cleveland	OH	$ 7,772.5	22.1%
	US Bank, NA	Cincinnati	OH	6,732.0	19.1%
	Fifth Third Bank	Cincinnati	OH	2,379.8	6.8%
	Union Planters National Bank	Memphis	TN	1,602.2	4.5%
	National Bank of Commerce	Memphis	TN	1,441.9	4.1%
				$19,928.4	56.6%
Indianapolis	Standard Federal Bank, NA*	Troy	MI	$ 6,329.9	24.0%
	Flagstar Bank, FSB	Troy	MI	1,970.5	7.5%
	Fifth Third Bank-Indiana*	Indianapolis	IN	1,760.9	6.7%
	Fifth Third Bank	Grand Rapids	MI	1,601.7	6.1%
	National City Bank of Indiana	Indianapolis	IN	1,387.4	5.3%
				$13,050.4	49.6%
Chicago	LaSalle Bank National Association*	Chicago	IL	$ 3,351.7	15.3%
	American National Bank and Trust Company of Chicago	Chicago	IL	2,000.0	9.1%
	MidAmerica Bank, FSB*	Clarendon Hills	IL	1,405.5	6.4%
	M&I Marshall and Ilsley Bank	Milwaukee	WI	845.7	3.9%
	Associated Bank, NA	Green Bay	WI	815.7	3.7%
				$ 8,418.6	38.4%

FHLBank	Name	City	State	Advances ($Millions)	Percent of FHLBank Advances(3)
Des Moines	Wells Fargo Bank Minnesota, NA	Minneapolis	MN	$ 6,155.0	29.7%
	TCF National Bank	Minneapolis	MN	1,153.5	5.6%
	Transamerica Life Insurance Company	Cedar Rapids	IA	900.0	4.3%
	Bank Midwest	Kansas City	MO	662.3	3.2%
	US Bank, NA(2)	Minneapolis	MN	439.3	2.1%
				$ 9,310.1	44.9%
Dallas	Washington Mutual Bank, FA(1)	Seattle	WA	$ 7,592.5	23.4%
	World Savings Bank, FSB	Austin	TX	7,000.0	21.5%
	Guaranty Bank*	Austin	TX	3,422.6	10.5%
	Hibernia National Bank	New Orleans	LA	1,043.0	3.2%
	CoastalBanc, SSB	Houston	TX	690.9	2.1%
				$19,749.0	60.7%
Topeka	Commercial Federal Bank, FSB	Omaha	NE	$ 4,898.8	21.5%
	MidFirst Bank	Oklahoma City	OK	3,356.6	14.7%
	Capitol Federal Savings Bank	Topeka	KS	3,220.0	14.1%
	Local Oklahoma Bank, NA	Oklahoma City	OK	728.2	3.2%
	Security Life of Denver Ins. Co.	Denver	CO	709.0	3.1%
				$12,912.6	56.6%
San Francisco	Washington Mutual Bank, FA*	Stockton	CA	$45,647.0	44.6%
	California Federal Bank AFSB*	San Francisco	CA	22,323.0	21.8%
	World Savings Bank, FSB*	Oakland	CA	11,037.5	10.8%
	Citibank, FSB	San Francisco	CA	3,718.4	3.6%
	IndyMac Bank, FSB	Pasadena	CA	1,999.9	2.0%
				$84,725.8	82.8%
Seattle	Washington Mutual Bank*	Seattle	WA	$ 7,321.8	30.2%
	Bank of America Oregon, NA	Portland	OR	5,995.5	24.7%
	Washington Federal Savings	Seattle	WA	1,550.0	6.4%
	American Savings Bank, FSB	Honolulu	HI	1,032.8	4.3%
	Pacific Northwest Bank	Oak Harbor	WA	714.5	2.9%
				$16,614.6	68.5%

* An asterisk indicates that an officer of the member was an FHLBank director in 2001.

(1) The amount relates to the outstanding advances of Bank United, a former member of the FHLBank of Dallas, which was acquired by Washington Mutual Bank, FA, a member of the FHLBank of San Francisco during 2001. The outstanding advances of Bank United with the FHLBank of Dallas result from the acquisition.

(2) The amount relates to the outstanding advances of US Bank, NA, a former member of FHLBank of Des Moines, which merged with US Bank, NA (Firstar), a member of FHLBank of Cincinnati during 2001. The outstanding advances of US Bank, NA from the FHLBank of Des Moines result from the acquisition.

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.

(3) Member advance amounts are at par and total advance amounts are at book value. The difference between the par and book value amounts relates to basis adjustments arising from hedges under SFAS 133 for book purposes. The difference is immaterial and has no material impact on the calculated percentage amounts.

AUDIT FEES

The following table sets forth the aggregate fees billed to FHLBanks for the year ended December 31, 2001 by their external accounting firm PricewaterhouseCoopers LLP (Dollar amounts in millions):

	2001
Audit fees	$2.4
All other fees	0.7
Total fees	$3.1

No fees were paid to the external accounting firm for financial information system design and implementation. The Office of Finance Board annually considers whether the services identified under the caption "All other fees" are compatible with maintaining the principal accountants' independence.

AUDIT COMMITTEE REPORT

By Finance Board regulation, the Office of Finance (OF) Board performs the duties of an audit committee in connection with the oversight of the preparation of the FHLBanks' annual combined financial report. The OF Board is appointed by the Finance Board and is comprised of two FHLBank Presidents and an appointee with demonstrated expertise in financial markets. In connection with its duties as an audit committee, the OF Board has adopted a written charter, which is presented on page 136. The OF Board members are not required to satisfy any express qualification or independence standards governing their service as an "audit committee"; however, each FHLBank's board of directors has established an audit committee, the members of which are required to meet express qualification and independence standards established by the Finance Board. See "Explanatory Statement about FHLBanks Combined Financial Report".

The OF Board has reviewed and discussed the audited financial statements with senior management of the Office of Finance, and discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61, as amended.

The OF Board has also received the written disclosures and the letter from the independent accountants required by Independence Standards Board Standard No. 1, and has discussed with the independent accountants the independent accountants' independence.

Based on the review and discussions referred to above, the OF Board recommended that the combined audited financial statements be included in the FHLBanks' 2001 Financial Report.

James D. Roy, Chair
Patrick J. Conway
John T. McEvoy

AUDIT COMMITTEE CHARTER, COMBINED FINANCIAL REPORTS

Mission Statement

The Office of Finance (OF) Board acts as an audit committee in connection with the oversight of the preparation of the FHLBanks' annual and quarterly combined financial reports, which shall include the combined financial statements of the FHLBanks. In that role, the OF Board shall review the combined financial statements. To achieve this objective, the OF Board will direct senior management of the Office of Finance to maintain the reliability and integrity of the accounting policies and financial reporting and disclosure practices of the OF.

In accordance with guidance from the Federal Housing Finance Board, the OF Board shall not be responsible for the underlying financial statements and other data of the FHLBanks contained in the combined financial reports, and is entitled to rely on those financial statements and other data as submitted by the individual FHLBanks. Furthermore, the combined financial reports and combined financial statements are the responsibility of the OF and its senior management and the OF Board can only review the material in an oversight capacity.

Roles and Responsibilities

In connection with the financial reports and consistent with Finance Board guidance, the OF Board is responsible for:

- Reviewing the FHLBanks' combined financial statements, the external auditor's opinion on the annual combined financial statements, and the combined annual and quarterly financial reports, including the nature and extent of any significant changes in accounting principles or the application thereof.
- Ensuring that policies are in place that are reasonably designed to achieve disclosure and transparency regarding the FHLBanks' financial performance on a combined basis.
- Reviewing the scope of audit services required, significant accounting policies, significant risks and exposures, audit activities and audit findings with respect to the combined financial statements of the FHLBanks.
- Reviewing the activities and organizational structure of the OF's Department of Accounting Policy & Financial Reporting.
- Monitoring the accomplishments of the Director, Accounting Policy & Financial Reporting's goals and objectives.
- Approving the external auditor's annual engagement letter, which shall require the external auditor to review the FHLBanks' combined financial statements prior to their inclusion in the FHLBanks' quarterly combined financial reports.
- Reviewing and approving audit plans of the external auditors relating to the combined financial statements.
- Reviewing the performance of the FHLBanks' external auditor.
- Making determinations regarding the appointment, renewal, or termination of the external auditor.
- Providing an independent, direct communication channel between the OF Board and the OF's Director, Internal Audit & Compliance, the FHLBanks' external auditors and Finance Board examiners.
- Conducting or authorizing investigations into any matters within the OF Board's scope or responsibilities as it relates to the FHLBanks' combined financial reports.

- Reviewing the programs and policies of the OF designed to ensure compliance with applicable laws, regulations and policies relating to the disclosure process supporting the FHLBanks' joint debt issuance programs and monitoring the results of these compliance efforts.

- Determining that no restrictions are imposed on combined audit scope.

- Determining the extent to which internal auditors review computer systems and applications, the security of such systems and applications, and the contingency plan for processing financial information in the event of a systems breakdown.

- Obtaining reasonable assurance that significant findings and recommendations made by the Director, Internal Audit & Compliance and external auditors relating to the FHLBanks' combined financial reports are received and discussed on a timely basis, including evaluating management's response to the findings and reports.

- Coordinating the OF's response to Finance Board examination reports as they relate to the FHLBanks' combined financial reports.

- Considering such other matters in relation to the preparation and publication of the FHLBanks' combined financial reports as the OF Board may, in its discretion, determine to be advisable.

- Prepare a report for inclusion in the FHLBanks' combined annual financial report describing the discharge of its responsibilities in this capacity, to the extent required by law.

Interaction with External Auditors

The continued independence of the independent auditors in accordance with professional auditing standards and Securities and Exchange Commission ("SEC") requirements, as practicable, shall be reviewed periodically with management, as well as with the external auditors. The Committee shall require annually the written statement and letter from the external auditors disclosing relationships between the system and the external auditors, consistent with Independence Standards Board Standard No. 1, and shall discuss with the external auditors their independence in fact, as well as consulting and other non-audit services provided by the external auditors, to determine any potential impact on independence.

Subsequent to each audit, the OF Board shall meet with the external auditors to review and discuss accounting and audit matters, including, but not limited to:

- Significant auditing or accounting areas of concern,

- New or unusual transactions, balances or financial statement disclosures of significance,

- The external auditors' judgments about the quality of the FHLBanks' combined accounting principles as applied,

- The representation letters provided to the external auditors by the FHLBanks,

- The level of support provided by each FHLBank's management, accounting and internal audit personnel, and

- Any other matters required to be discussed by Statement of Auditing Standards (SAS) 61 (as amended by SAS 90) and other concerns the external auditors have with respect to positions taken in the combined financial statements.

The OF Board shall also review and discuss any matters that the external auditors are required under professional auditing standards to communicate to the OF Board, such as:

- Significant audit adjustments,
- Disagreements with management, and
- Any irregularities or illegal acts detected during the audit.

The OF Board will also review the responses of management with regard to these matters.

Prior to release to the public, the annual combined audited financial statements of the FHLBanks shall be reviewed by the OF Board and discussed with management and the external auditors. The purpose of the review shall be to determine whether to accept the audited financial statements presented to it for publication in the annual financial report. The OF Board shall inquire about the following:

- Significant variations in financial information between reporting periods.
- Consistency of the Discussion and Analysis of Financial Condition and Results of Operations section of the annual financial report with information reflected in the combined financial statements.
- Changes or proposed changes in accounting standards or rules issued by the Financial Accounting Standards Board or the SEC or the Finance Board that have an impact on the financial statements.
- Significant reporting or operational issues affecting the combined financial statements.
- Accounting accruals, reserves and estimates made by management of the FHLBanks having a material impact on the financial statements.

The above responsibilities of the OF Board will be discharged through review of combined audit reports and discussions with the external auditors, and the Director, Accounting Policy & Financial Reporting. The Director, Internal Audit & Compliance and external auditors shall have access to the OF Board on matters concerning the financial reports without the need for any prior management knowledge or approval.

Charters

The OF Board shall review, assess the adequacy of, and, where appropriate, amend the Charter of the OF Board acting as "Audit Committee" in connection with the financial report function on an annual basis. Amendments to the Charter can be adopted and approved at any time. This Charter shall be re-adopted and re-approved not less often than every three years.

Meetings

The OF Board shall meet at least twice annually with the OF's Director, Accounting Policy & Financial Reporting. The OF Board shall meet in executive session with each of the Director, Internal Audit & Compliance, Director, Accounting Policy and Financial Reporting, the external auditors and other senior management of the OF at least annually to review the matters which are the subject of this charter. Written minutes shall be prepared for each meeting. The OF Board, or its chairman, shall also meet with the external auditors, the Director, Accounting Policy & Financial Reporting, and other senior management of the OF quarterly to review each quarterly financial report prior to its publication.