FEDERAL HOME LOAN BANK SYSTEM

1999

FINANCIAL REPORT

This report provides financial information on the Federal Home Loan Bank System. The Federal Housing Finance Board and the Federal Home Loan Bank System intend that you should use this Financial Report, with other information the Federal Home Loan Bank System specifically provides, when you consider whether or not to purchase the consolidated bonds and consolidated notes of the Federal Home Loan Banks offered and issued by the Federal Housing Finance Board.

The Securities Act of 1933, as amended, does not require the Federal Housing Finance Board to register consolidated bonds and consolidated notes. Accordingly, the Federal Housing Finance Board has not filed a registration statement with the Securities and Exchange Commission. Neither the Securities and Exchange Commission nor any State securities commission has approved or disapproved the consolidated bonds and consolidated notes or has passed upon the accuracy or adequacy of any offering material.

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

This Financial Report provides information on the business of the Federal Home Loan Bank System as of March 29, 2000. The financial information is as of and for periods ended December 31, 1999.

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

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

The delivery of this Financial Report does not imply that there has been no change in the financial condition of the Federal Home Loan Bank System since December 31, 1999.

The date of this Financial Report is March 29, 2000.

TABLE OF CONTENTS

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

FEDERAL HOME LOAN BANK SYSTEM

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

The Bank System serves the public by enhancing the availability of residential mortgage and community investment credit. It provides a readily available, low-cost source of funds to its member institutions. The FHLBanks are cooperatives; only member institutions own the capital stock of each FHLBank and the members receive dividends on their investment. Each FHLBank has its own management, employees, and board of directors. The Finance Board is both the safety-and-soundness regulator and mission regulator of the FHLBanks, and the Finance Board, through the Office of Finance, is the issuer of consolidated debt for which the FHLBanks are jointly and severally liable.

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

District 1	FHLBank of Boston One Financial Center, 20th Floor Boston, Massachusetts 02111 Business number: (617) 542-0150	Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont
District 2	FHLBank of New York 7 World Trade Center, Floor 22 New York, New York 10048 Business number: (212) 441-6600	New Jersey, New York, Puerto Rico, Virgin Islands
District 3	FHLBank of Pittsburgh 601 Grant Street Pittsburgh, Pennsylvania 15219 Business number: (412) 288-3400	Delaware, Pennsylvania, West Virginia
District 4	FHLBank of Atlanta 1475 Peachtree Street, N.E. Atlanta, Georgia 30309 Business number: (404) 888-8000	Alabama, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia
District 5	FHLBank of Cincinnati Atrium Two, Suite 1000 221 East Fourth Street Cincinnati, Ohio 45202 Business number: (513) 852-7500	Kentucky, Ohio, Tennessee
District 6	FHLBank of Indianapolis 8250 Woodfield Crossing Boulevard Indianapolis, Indiana 46240 Business number: (317) 465-0200	Indiana, Michigan
District 7	FHLBank of Chicago 111 East Wacker Drive, Suite 700 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 5605 North MacArthur Boulevard Irving, Texas 75038 Business number: (214) 944-8500	Arkansas, Louisiana, Mississippi, New Mexico, Texas
District 10	FHLBank of Topeka 2 Townsite Plaza 200 East 6th Street Topeka, Kansas 66603 Business number: (785) 233-0507	Colorado, Kansas, Nebraska, Oklahoma
District 11	FHLBank of San Francisco 600 California Street San Francisco, California 94108 Business number: (415) 616-1000	Arizona, California, Nevada
District 12	FHLBank of Seattle 1501 Fourth Avenue, 19th Floor Seattle, Washington 98101 Business number: (206) 340-2300	Alaska, Guam, Hawaii, Idaho, Montana, Oregon, Pacific Islands, Utah, Washington, Wyoming
	Office of Finance Federal Home Loan Banks 11921 Freedom Drive, Suite 1000 Reston, Virginia 20190 Business number: (703) 487-9500 *www.fhlb-of.com*	
	Federal Housing Finance Board 1777 F Street, N.W. Washington, D.C. 20006 Business number: (202) 408-2500	

FEDERAL HOME LOAN BANK SYSTEM

SUMMARY FINANCIAL DATA
(Dollars in millions)

	1999	1998	1997	1996	1995
At December 31,					
Advances to members	$395,747	$288,189	$202,265	$161,372	$132,264
Investments(1)	171,425	137,193	140,106	125,231	135,426
Total assets	583,212	434,002	348,575	292,035	272,661
Deposits and borrowings	17,624	25,805	18,445	18,257	20,599
Consolidated obligations	525,419	376,715	304,493	251,316	231,417
Capital stock	28,361	22,287	18,833	16,540	14,850
Retained earnings(2)	654	465	341	336	366
Average balances for the year ended December 31,					
Advances to members	$336,713	$229,932	$170,963	$141,277	$121,948
Investments(1)	151,682	144,946	136,020	126,409	123,387
Total assets	487,249	381,909	311,931	272,801	249,402
Deposits and borrowings	19,907	22,185	16,084	17,651	18,920
Consolidated obligations	442,158	332,265	270,904	233,436	211,645
Capital stock	24,615	20,026	17,542	15,645	13,892
Retained earnings(2)	527	330	342	450	390
Operating results for the year ended December 31,					
Net income	$ 2,128	$ 1,778	$ 1,492	$ 1,330	$ 1,300
Dividends paid in cash and stock	1,636	1,353	1,191	1,049	916
Weighted average dividend rate(3)	6.65%	6.76%	6.79%	6.71%	6.60%
Return on average equity	8.46%	8.73%	8.33%	8.26%	9.10%
Return on average assets	0.44%	0.47%	0.49%	0.49%	0.52%
Net interest margin(4)	0.52%	0.57%	0.58%	0.59%	0.57%
At December 31,					
Total capital ratio(5)	5.0%	5.2%	5.5%	5.8%	5.6%
Ratio of total unsecured liabilities to total capital	19.1:1	17.9:1	17.2:1	16.3:1	16.9:1

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

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

(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 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.

FEDERAL HOME LOAN BANK SYSTEM

SELECTED FIVE-YEAR FINANCIAL HIGHLIGHTS
(Dollars in millions)

	At December 31,				
	1999	1998	1997	1996	1995
Balance Sheet					
Advances to members	$395,747	$288,189	$202,265	$161,372	$132,264
Mortgage loans, net	2,026	966	37		
Investments(1)	171,425	137,193	140,106	125,231	135,426
Other assets(2)	14,014	7,654	6,167	5,432	4,971
Total assets	$583,212	$434,002	$348,575	$292,035	$272,661
Deposits and borrowings	$ 17,624	$ 25,805	$ 18,445	$ 18,257	$ 20,599
Consolidated obligations	525,419	376,715	304,493	251,316	231,417
Other liabilities(3)	11,154	8,730	6,463	5,586	5,429
Total liabilities	$554,197	$411,250	$329,401	$275,159	$257,445
Capital stock outstanding	$ 28,361	$ 22,287	$ 18,833	$ 16,540	$ 14,850
Retained earnings(4)	654	465	341	336	366
Total capital	$ 29,015	$ 22,752	$ 19,174	$ 16,876	$ 15,216

	For the Year Ended December 31,				
	1999	1998	1997	1996	1995
Income Statement					
Total interest income	$ 26,520	$ 21,478	$ 18,030	$ 15,596	$ 15,315
Total interest expense	23,986	19,362	16,258	14,012	13,914
Net interest income before loan loss provision	2,534	2,116	1,772	1,584	1,401
Loan loss provision	1				
Net interest income after loan loss provision	2,533	2,116	1,772	1,584	1,401
Prepayment fees, net	13	80	26	20	47
Other non-interest income, net	94	39	86	94	200
Total non-interest income	107	119	112	114	247
Operating expenses	282	258	229	219	213
Assessments(5)	29	28	24	23	23
Affordable Housing Program	199	169	137	119	104
Other	3	2		3	
Total other expenses	513	457	390	364	340
Extraordinary item:					
Gain (loss) on early extinguishment of debt	1		(2)	(4)	(8)
Net income	$ 2,128	$ 1,778	$ 1,492	$ 1,330	$ 1,300

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

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

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

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

(5) Consists of the cost of operating the Finance Board and the Office of Finance.

FEDERAL HOME LOAN BANK SYSTEM

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 65 of this Financial Report.

Forward-Looking Information

Statements contained in this report, including statements describing the objectives, projections, estimates, or predictions of the future of the Federal Housing Finance Board (Finance Board), the Federal Home Loan Banks (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 negative or other variations on these terms. The Federal Home Loan Bank System (System or Bank System) cautions 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 and manage successfully the risks associated with new FHLBank 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.

1999 Highlights

Legislation. On November 12, 1999, President Clinton signed the Gramm-Leach-Bliley Act, S. 900 (formerly known as the Financial Services Modernization Act of 1999), Title VI of this Act is entitled the "Federal Home Loan Bank System Modernization Act (Modernization Act) of 1999." This legislation contains the first major legislative changes affecting the Bank System since the passage of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989.

Some of the provisions of the Modernization Act were effective upon enactment. Other provisions require the Finance Board to adopt implementing regulations before they are effective. Among other things, the legislation will:

- eliminate mandatory membership for Federal savings associations, and allow a Federal savings association to withdraw from membership after May 12, 2000;
- allow FHLBanks to make long-term advances to "community financial institutions" (FDIC-insured depository institutions with less than $500 million in assets) to fund small businesses, small farms, and small agri-businesses;
- allow community financial institutions to use secured small business and agricultural loans as collateral for advances;
- exempt community financial institutions from the requirement that member institutions must have 10 percent of their assets in residential mortgages to qualify for membership;
- eliminate the cap on the amount of advances that can be secured by "other real estate owned" (formerly 30 percent of a member's capital);
- eliminate all provisions that discriminate against members that are not Qualified Thrift Lenders (QTL), thereby providing equal access to Bank System advances for all members without regard to QTL status;
- effective January 1, 2000, change the FHLBanks' payment to the Resolution Funding Corporation (REFCORP) from a flat $300 million per year to 20 percent of each FHLBank's earnings net of operating expenses and Affordable Housing Program expense. These payments will cease when the total amounts of the FHLBanks' payments to REFCORP are equivalent to a $300 million annual annuity whose final maturity date is April 15, 2030;
- change the term of all FHLBank directors to three years, establish limits on FHLBank director compensation, and allow each FHLBank's board of directors to elect its own chair and vice chair;
- confer independent litigation authority on the Finance Board;
- confer on the Finance Board the same types of enforcement powers as have been granted to the Office of Federal Housing Enterprise Oversight; and
- create a new capital structure for the Bank System by directing the Finance Board to prescribe uniform capital regulations, including a leverage limit (generally not less than 5 percent of total assets) and a risk-based capital requirement, and requiring each FHLBank to establish its own capital structure plan, which may authorize the FHLBank to issue two classes of stock, redeemable at par on either six months or five years notice. The current capital structure of the Bank System will remain in place until such time as the new capital regulations are in effect and the capital structure plans of each FHLBank have been approved and implemented.

(See "Discussion and Analysis of Financial Condition and Results of Operations—Business Overview—Historical Perspective," "Discussion and Analysis of Financial Condition and Results of Operation—Federal Home Loan Bank System Membership Trends," "Business—Advances," "Business—Capitalization," and Notes 1, 5, and 11 to the accompanying combined financial statements.)

Financial Highlights. The Bank System and each FHLBank experienced substantial growth in 1999. Advances increased by 37.3 percent to $395.7 billion, assets increased by 34.4 percent to $583.2 billion, consolidated obligations outstanding increased by 39.5 percent to $525.4 billion, and total capital increased by 27.5 percent to $29.0 billion.

The growth in advances reflects strong demand by members for term funding. Some of the growth in advances reflects strategies of members to lock in term funding that bridged the turn of the century. Advances increased every month in 1999, with monthly increases in excess of $15 billion in June, August, September, and December. Advances increased in January and February 2000, which suggests there was no systemic liquidation of advances after the turn of the century. A significant part of advances growth over the past several years has been attributable to convertible advances, which entail a put option(s) sold by the member to the FHLBank that allows the FHLBank to convert the advance from fixed-rate to floating rate. A convertible advance carries an interest rate considerably lower than a comparable-maturity advance that does not have the conversion feature. (See "Discussion and Analysis of Financial Condition and Results of Operations—Risk Management—Derivatives" and Note 10 to the accompanying combined financial statements).

In preparation for potential demands for advances from members at year end 1999, the FHLBanks amassed significant liquidity portfolios in 1999. Investments other than mortgage-backed securities (MBS) increased by 21.9 percent to $98.4 billion. MBS increased by 29.2 percent to $73.0 billion. Finance Board policy limits an FHLBank's investments in MBS to three times its capital, and aggregate MBS investments were 2.52 times System capital at December 31, 1999, compared with 2.48 times capital one year earlier.

Consolidated obligations, which are the joint-and-several obligation of the FHLBanks, are the System's principal funding source, and they reached $525.4 billion at December 31, 1999, up from $376.7 billion one year earlier. Because of the significant balance sheet growth, System leverage increased to 19.1 to 1 at December 31, 1999, from 17.9 to 1 at December 31, 1998.

The 27.5 percent increase in capital to $29.0 billion is due to three factors. First, the number of System members grew by 7.2 percent to 7,383. New members must purchase stock in their FHLBank based on their level of residential mortgage assets. Second, borrowing members must hold capital stock at least equal to 5 percent of their advances outstanding. As aggregate advances grew, some borrowers needed to purchase additional capital stock to be in compliance with this statutory requirement. Third, five of the FHLBanks pay stock dividends, and this gives rise to increased levels of capital. The System's capital to asset ratio was 5.0 percent at December 31, 1999, compared with 5.2 percent at December 31, 1998.

The FHLBanks operate deposit programs primarily for the benefit of their members, and member deposits at the end of 1999 decreased 31.0 percent from the end of 1998 to $17.1 billion. 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. The level of deposits at the end of 1999 was very similar to the $17.9 billion level at the end of 1997. The FHLBanks do not actively manage their deposits; the level of deposits is driven by member demand and the liquidity situation of members.

The spread between the yield on earning assets and the cost of interest-bearing liabilities in 1999 was 24 basis points, 2 basis points lower than in 1998. The return on average assets was 44 basis points in 1999, 3 basis points lower than in 1998. The return on average capital was 8.46 percent in 1999, which is 27 basis points lower than in 1998. The weighted average dividend rate was 6.64 percent in 1999, compared with 6.76 percent one year earlier.

Net interest income after loan loss provision increased 19.7 percent to $2.5 billion in 1999 because of the higher levels of advances. Average assets of $487.2 billion during 1999 were 27.6 percent higher than a year ago. Partially offsetting the higher level of net interest income were increases in System operating expenses and other expenses, Affordable Housing Program (AHP) contributions, and assessments. System operating expenses, which were $282 million in 1999, increased 9.3 percent from 1998 operating expenses. Net income of $2.1 billion for 1999 exceeded 1998 net income by 19.7 percent.

Regulatory Developments

Financial Management and Mission Achievement. On July 28, 1999, the board of directors of the Finance Board proposed a regulation that would modernize the financial management, mission achievement, and business activities of the FHLBanks. The Financial Management and Mission Achievement (FMMA) proposal would promulgate for the first time regulatory standards for mission achievement by the FHLBanks and an accompanying definition of core mission assets. It would authorize new activities and new classes of assets that build on the cooperative structure of the System. FMMA would supersede the current Financial Management Policy that governs the financial operations of the FHLBanks.

FMMA eventually would require each FHLBank to hold core mission assets at least equal to the amount of consolidated obligations it has outstanding. The proposal would also require that each FHLBank maintain a stand-alone credit rating of at least double-A from a nationally recognized statistical rating organization and that the System maintain a triple-A rating on its consolidated obligations.

FMMA, as proposed, had four key elements:

- It articulated standards for each FHLBank's board of directors' responsibility for adopting both a risk management and mission achievement policy and for directing the establishment and maintenance of an effective system of internal controls. It also articulated standards for an independent audit committee within each FHLBank's board of directors to review and implement both internal and external accounting policies and policies that ensure meaningful assessment, monitoring, and control of mission achievement.

- It would create a risk-based capital requirement for the FHLBanks based on credit risk, market risk, and operations risk. The Finance Board must approve the risk models used in the stress testing of market risk, and the Finance Board would also specify those components of capital that may go to meet the capital requirement. The proposal would establish a minimum capital requirement of 3 percent of assets to replace the existing liabilities-based leverage ratio. FMMA also would establish a contingency liquidity requirement.

- It would authorize the FHLBanks to acquire a broader range of assets than currently allowed, but would prohibit the holdings of equities (other than those defined as core mission assets), foreign, non-traded, or below-investment-grade securities, commodities, and foreign currencies. Trading for speculative purposes and speculative use of hedging instruments would continue to be prohibited.

- The proposal required that by January 1, 2005, the ratio of core mission assets to consolidated obligations for each FHLBank must equal at least 100 percent. The requirement would start at 80 percent, effective January 1, 2001, and increase by 5 percentage points annually until January 1, 2005. Core mission assets are defined as financial products and services that assist members and nonmember mortgagees in financing housing and targeted community lending. Core mission assets include advances, letters of credit, certain targeted equity investments (such as investments in Small Business Investment Corporations (SBIC)), and a new class of assets called Member Mortgage Assets. These assets are mortgages or pools of mortgages that

  - finance housing or community lending,

  - are acquired pursuant to a transaction between an FHLBank and its members or nonmember mortgagees, and

  - require the member or nonmember mortgagee to bear and benefit from the credit risk performance of the asset. Mortgage-backed securities generally would not be categorized as core mission assets.

At December 31, 1999, the ratio of core mission assets to consolidated obligations for the Bank System was approximately 76 percent.

The proposed FMMA regulation was subject to a 90-day comment period, which commenced on the date it was published in the *Federal Register,* September 27, 1999. However, in a letter to the Senate and House Banking Committee chairmen dated October 18, 1999, the chairman of the Finance Board stated that it was the intention of the Finance Board, upon final enactment of the Gramm-Leach-Bliley Act, to (1) withdraw its proposed FMMA, and (2) not take action to promulgate proposed or final regulations limiting FHLBank advances or assets beyond those currently in effect (except to the extent necessary to protect the safety and soundness of the FHLBanks) until capital regulations required pursuant to the Gramm-Leach-Bliley Act governing a risk-based capital system and a minimum leverage requirement for the FHLBanks have become final and the statutory period for the submission of capital plans by the FHLBanks under the Gramm-Leach-Bliley Act have expired.

On November 15, 1999, the Finance Board withdrew its proposed FMMA regulation. However, in March 2000, the Finance Board approved in final form governance rules similar to those contained in the original FMMA proposal. The Finance Board may propose and adopt in 2000 other provisions similar to those contained in the original FMMA proposal.

Office of Finance Reorganization. On December 14, 1999, the Finance Board proposed amending its regulations governing the Office of Finance, a joint office of the FHLBanks. The proposed rule would reorganize the Office of Finance and broaden its duties, functions, and responsibilities in two key respects. First, the Office of Finance would perform consolidated obligation issuance functions, including preparation of the Bank System's combined financial reports, for the FHLBanks. Second, the Office of Finance would be authorized to serve as a vehicle for the FHLBanks to carry out joint activities in a way that promotes operating efficiency and effectiveness in achieving the mission of the FHLBanks.

With respect to the issuance of consolidated obligations, the proposed rule would make the FHLBanks, rather than the Finance Board, the issuer of consolidated obligations under the authority of section 11(a) of the Bank Act. This is consistent with devolutionary actions taken by Congress to give the FHLBanks greater autonomy over the management of their business and to remove the Finance Board from involvement in FHLBank management functions. If the proposal is adopted, the FHLBanks would issue debt collectively, and such debt also would continue to be the joint-and-several obligation of all the FHLBanks.

Mortgage Loans. As provided by the Financial Management Policy of the Finance Board, an FHLBank may invest in assets that support housing and community development, provided that before entering into such investments, the FHLBank:

- ensures the appropriate levels of expertise, establishes policies, procedures, and controls, and provides for any reserves required effectively to limit and manage risk exposure and preserve the FHLBank's and the System's triple-A rating;
- ensures that its involvement in such investment activity assists 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 System;
- provides a complete description of the contemplated investment activity (including a comprehensive analysis of how the above three requirements are fulfilled) to the Finance Board; and
- receives written confirmation from the Finance Board, before entering into such investments, that the above investment eligibility standards and requirements have been satisfied.

In 1997 the Finance Board authorized the FHLBank of Chicago to establish a $750 million Mortgage Partnership Finance® (MPF®) pilot program. The objective of the pilot program was to unbundle the risks associated with home mortgage lending and allocate the individual risk components between the FHLBank of Chicago (and other participating FHLBanks) and its members in a manner that uses the cooperative structure of the Bank System to maximize their respective core competencies.

MPF provides members with a strategic alternative to holding loans in portfolio or selling/securitizing them in the secondary market. The member continues to be responsible for functions involving the customer relationship, including all aspects of mortgage marketing, origination, and servicing. The novel feature of MPF is that the FHLBank acquires, either through a purchase or funding transaction, and retains in portfolio home mortgage loans originated, serviced, and credit-enhanced by its members. The member receives compensation for managing the customer relationship and the credit risk, while the FHLBank retains the risks it has the most expertise in managing—liquidity, interest-rate, and prepayment risks. The FHLBank holds these mortgage assets on its books.

MPF is designed to limit the credit risk associated with investing in home mortgages faced by the FHLBank and other participating FHLBanks. In return for a fee, MPF participating members provide credit enhancement at least equivalent to the level of subordination afforded double-A-rated mortgage-backed securities, although MPF loans are not rated. In 1998, the Finance Board replaced the MPF pilot program cap of $750 million applicable to one FHLBank with a Systemwide limit of $9 billion.

On October 4, 1999, the Finance Board authorized all FHLBanks to offer single-family Member Mortgage Asset (MMA) programs within certain defined parameters, terms, and conditions. MMA is a generic designation for programs that efficiently allocate mortgage risks to best use the core competencies of the entities involved, provide appropriate capital treatment to the participating financial institution members, and provide capital market funding and risk management alternatives, all for the ultimate benefit of consumers. The terms and conditions of this authorization require, among other things, that the Finance Board staff's determinations about an FHLBank's request to operate a single-family MMA program shall be subject to a pre-implementation safety and soundness examination. MPF and MPF products continue to be authorized under this action. That authorization also reduced the minimum credit quality of loans purchased in MMA programs from the equivalent of double A to the equivalent of investment grade, subject to the FHLBank having adequate risk-based capital.

Business Overview

Historical Perspective. The fundamental business of the Bank System is to provide member institutions with advances and other credit products in a wide range of maturities to meet member demand. Congress created the Bank System in 1932 to improve the availability of funds to support home ownership. As a government-sponsored enterprise, the FHLBanks are Federal instrumentalities specifically designed to carry out Federal housing policy. Although initially capitalized with government funds, their members have provided all the Bank System's capital for more than 45 years.

To accomplish its public purpose, the Bank System offers a readily available, low-cost source of funds, called advances, to member institutions and certain nonmember mortgagees. 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 Bank System, it expanded membership eligibility in the Bank System beyond traditional thrift institutions to include commercial banks and credit unions with a commitment to housing finance.

The 1999 amendments to the FHLBank Act (the Act) also require the FHLBanks to provide 20 percent of their net earnings annually to pay part of the interest due on REFCORP bonds until the payments made are equivalent to a $300 million annuity whose final maturity is April 15, 2030. This is a change from the flat $300 million annual contribution that the FHLBanks faced in previous years. In addition, the 1989 changes to the Act directed the FHLBanks to establish an AHP to enhance the availability of affordable housing for very low-, low-, and moderate-income families. The annual AHP obligation is the greater of 10 percent of net income after the charge for REFCORP or $100 million. In 1999, the FHLBanks expensed AHP contributions of $199 million, which was a 17.8 percent increase from 1998. (See Notes 6 and 11 to the accompanying combined financial statements.) Despite these two annual financial obligations, the FHLBanks have remained well-capitalized, profitable, and highly liquid.

Federal Home Loan Bank System Membership Trends

At December 31, 1999, there were 7,383 members of the Bank System, a net increase of 499 since December 31, 1998. As of December 31, 1999, Bank System membership was comprised of 1,610 thrift institutions (savings and loan associations and savings banks), 5,329 commercial banks, 405 credit unions, and 39 insurance companies.

Federal Home Loan Bank System

Membership

	Total
December 31, 1996	6,146
December 31, 1997	6,504
December 31, 1998	6,884
December 31, 1999	7,383

Voluntary Members. The Modernization Act made membership voluntary for all members. Previously membership was voluntary for all members except Federally chartered savings associations regulated by the Office of Thrift Supervision (OTS). While membership now is voluntary for these institutions, existing Federally chartered savings associations regulated by OTS may not withdraw from membership before May 12, 2000. As of December 31, 1999, 926 Federally chartered savings associations regulated by the Office of Thrift Supervision (OTS) were FHLBank members. These members held 48.0 percent of all advances to members and 38.4 percent of member capital stock.

A member must give six months notice of its intent to withdraw. Members that withdraw from membership may not reapply for membership for five years. While 177 OTS-regulated, State-chartered savings associations have been voluntary members since April 19, 1995, only one has given notice of its intent to withdraw from membership since then for reasons other than merger or acquisition. Between January 1, 1993, and December 31, 1999, only 36 FHLBank members withdrew from membership for reasons other than merger or acquisition, and only 2 members have given notice to withdraw before July 1, 2000, for reasons other than merger or acquisition. The withdrawal of these two members will not have a material adverse effect on any FHLBank or the Bank System.

The following table presents information on the 10 largest holders of FHLBank capital stock in the Bank System at December 31, 1999.

Federal Home Loan Bank System

Top 10 Capital Stock Holding Members in the Bank System at December 31, 1999

Name	City	State	Capital Stock ($Millions)	Percent of System Capital Stock
Washington Mutual Bank, FA*	Stockton	CA	$2,278.1	8.0%
California Federal Bank A FSB*	San Francisco	CA	1,167.1	4.1
Norwest Bank Minnesota	Minneapolis	MN	678.4	2.4
Washington Mutual Bank*	Seattle	WA	586.2	2.1
Sovereign Bank, FSB	Wyomissing	PA	524.4	1.8
Charter One Bank FSB*	Cleveland	OH	415.8	1.5
PNC Bank, N.A.	Pittsburgh	PA	370.0	1.3
Bank United*	Houston	TX	335.1	1.2
Dime Savings Bank of New York, FSB*	New York	NY	328.7	1.2
World SB, FSB*	Oakland	CA	320.0	1.1
			$7,003.8	24.7%

* An asterisk indicates that an officer of the member was an FHLBank director in 1999.

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

The following table identifies the five largest holders of capital stock of each FHLBank and their holding at December 31, 1999.

Federal Home Loan Bank System

Top 5 Capital Stock Holding Members by FHLBank at December 31, 1999

FHLBank	Name	City	State	Capital Stock ($Millions)	Percent of FHLBank Capital Stock
Boston	Fleet National Bank	Providence	RI	$ 226.8	12.4%
	Webster Bank	Waterbury	CT	103.9	5.7
	Family Bank, FSB	Haverhill	MA	81.0	4.4
	People's Bridgeport	Bridgeport	CT	73.3	4.0
	Citizens Bank of MA	Boston	MA	71.6	3.9
				$ 556.5	30.4%
New York	Dime Savings Bank of New York, FSB*	New York	NY	$ 328.7	10.9%
	Astoria FS&LA*	Long Island City	NY	265.3	8.8
	North Fork Bank	Melville	NY	158.6	5.2
	Summit Bank	Hackensack	NJ	144.4	4.8
	HSBC Bank USA	Buffalo	NY	109.4	3.6
				$1,006.4	33.3%

FHLBank	Name	City	State	Capital Stock ($Millions)	Percent of FHLBank Capital Stock
Pittsburgh	Sovereign Bank, FSB	Wyomissing	PA	$ 524.4	22.6%
	PNC Bank, N.A.	Pittsburgh	PA	370.0	16.0
	Keystone Financial Bank, N.A.	Harrisburg	PA	61.9	2.7
	National City Bank of Pennsylvania	Pittsburgh	PA	55.1	2.4
	Lehman Brothers Bank, FSB	Wilmington	DE	51.6	2.2
				$1,063.0	45.9%
Atlanta	SouthTrust Bank, N.A.	Birmingham	AL	$ 319.2	9.6%
	Wachovia Bank, N.A.	Winston-Salem	NC	186.0	5.6
	SunTrust Bank, Atlanta	Atlanta	GA	154.8	4.7
	Regions Bank	Birmingham	AL	150.5	4.5
	First Union Direct Bank, N.A.	Augusta	GA	149.4	4.5
				$ 959.9	28.9%
Cincinnati	Charter One Bank FSB*	Cleveland	OH	$ 415.8	17.6%
	Union Planters National Bank	Memphis	TN	162.2	6.9
	Firstar Bank, N.A.	Cincinnati	OH	103.6	4.4
	First American National Bank	Nashville	TN	101.5	4.3
	National City Bank	Cleveland	OH	98.2	4.2
				$ 881.3	37.4%
Indianapolis	Standard FSB*	Troy	MI	$ 218.1	15.4%
	Flagstar Bank, FSB	Bloomfield Hills	MI	79.9	5.6
	National City Bank Of Indiana	Indianapolis	IN	65.8	4.6
	Old Kent Bank	Grand Rapids	MI	60.8	4.3
	Michigan National Bank*	Farmington Hills	MI	60.1	4.2
				$ 484.7	34.1%
Chicago	LaSalle Bank, FSB	Chicago	IL	$ 120.5	8.3%
	LaSalle Bank, N.A.*	Chicago	IL	96.3	6.6
	The Northern Trust Company	Chicago	IL	89.5	6.2
	Mid America Bank, FSB*	Clarendon Hills	IL	75.0	5.2
	TCF National Bank Illinois	Burr Ridge	IL	35.1	2.4
				$ 416.4	28.7%
Des Moines	Norwest Bank Minnesota	Minneapolis	MN	$ 678.4	30.4%
	U.S. Bank National Association	Minneapolis	MN	223.2	10.0
	Mercantile Bank, N.A.	Saint Louis	MO	222.8	10.0
	Superior Guaranty Insurance Co.	Minneapolis	MN	109.0	4.9
	Bank Midwest	Kansas City	MO	88.5	4.0
				$1,321.9	59.3%
Dallas	Bank United*	Houston	TX	$ 335.1	18.6%
	World Savings Bank, SSB	Austin	TX	154.3	8.6
	Guaranty Federal Bank	Dallas	TX	134.4	7.5
	International Bank of Commerce	Laredo	TX	70.0	3.9
	Bluebonnet Savings Bank, FSB	Dallas	TX	58.6	3.3
				$ 752.4	41.9%

FHLBank	Name	City	State	Capital Stock ($Millions)	Percent of FHLBank Capital Stock
Topeka	Commercial Federal Bank	Omaha	NE	$ 226.7	19.8%
	Midfirst Bank	Oklahoma City	OK	165.2	14.4
	Capitol Savings Bank	Topeka	KS	96.4	8.4
	Security Benefit Life Ins. Co.	Topeka	KS	74.4	6.5
	Bank of Oklahoma	Tulsa	OK	42.4	3.7
				$ 605.1	52.8%
San Francisco	Washington Mutual Bank, FA*	Stockton	CA	$2,278.1	42.4%
	California Federal Bank A FSB*	San Francisco	CA	1,167.1	21.7
	World SB, FSB*	Oakland	CA	320.0	6.0
	Citibank, FSB	San Francisco	CA	145.7	2.7
	Downey S&LA	Newport Beach	CA	102.4	1.9
				$4,013.3	74.7%
Seattle	Washington Mutual Bank*	Seattle	WA	$ 586.2	28.1%
	Bank of America Oregon, N.A.	Portland	OR	209.2	10.0
	Washington Federal Savings	Seattle	WA	110.8	5.3
	First Security Bank of Utah*	Ogden	UT	99.3	4.8
	Zions First National Bank	Salt Lake City	UT	94.5	4.5
				$1,100.0	52.7%

* An asterisk indicates that an officer of the member was an FHLBank director in 1999.

The information presented on advances in the tables 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.

Member Borrowers. The total number of borrowing members has increased in recent years, and rose to 5,092 or 69.0 percent of total members at year end 1999 from 4,239 or 61.6 percent of total members at year end 1998.

Federal Home Loan Bank System

Borrowers

	Total
December 31, 1996	3,443
December 31, 1997	3,713
December 31, 1998	4,239
December 31, 1999	5,092

While 69.0 percent of the System's members held advances at December 31, 1999, the 61 borrowers with advance holdings of $1 billion or more at December 31, 1999, held 58.7 percent of System total advances. At year end 1998, 45 borrowers held advances greater than $1 billion, representing 54.9 percent of total System advances.

The following table presents information on the 10 largest borrowers of advances in the Bank System at December 31, 1999.

Federal Home Loan Bank System

Top 10 Advance Holding Members at December 31, 1999

Name	City	State	Advances ($Millions)	Percent of Total Advances
Washington Mutual Bank, FA*	Stockton	CA	$ 45,511.1	11.5%
California Federal Bank A FSB*	San Francisco	CA	23,342.9	5.9
Washington Mutual Bank*	Seattle	WA	11,151.2	2.8
Sovereign Bank, FSB	Wyomissing	PA	10,487.9	2.7
Charter One Bank FSB*	Cleveland	OH	8,135.1	2.1
PNC Bank, N.A.	Pittsburgh	PA	6,650.5	1.7
Bank United*	Houston	TX	6,593.3	1.7
Norwest Bank Minnesota	Minneapolis	MN	6,100.0	1.5
World SB, FSB*	Oakland	CA	5,654.6	1.4
Astoria FS&LA*	Long Island City	NY	5,305.0	1.3
			$128,931.6	32.6%

* An asterisk indicates that an officer of the member was an FHLBank director in 1999.

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

The following table presents information on the five largest borrowers of advances by FHLBank at December 31, 1999.

Federal Home Loan Bank System

Top 5 Advance Holding Members by FHLBank at December 31, 1999

FHLBank	Name	City	State	Advances ($Millions)	Percent of FHLBank Advances
Boston	Webster Bank	Waterbury	CT	$ 1,714.4	7.6%
	Family Bank, FSB	Haverhill	MA	1,469.1	6.5
	People's Bridgeport	Bridgeport	CT	1,465.0	6.5
	Citizens Bank of MA	Boston	MA	1,432.1	6.4
	Bank of New Hampshire	Manchester	NH	1,186.3	5.3
				$ 7,266.9	32.3%
New York	Astoria FSLA*	Long Island City	NY	$ 5,305.0	11.9%
	Dime Savings Bank of New York, FSB*	New York	NY	4,462.7	10.0
	North Fork Bank	Melville	NY	3,143.0	7.1
	Summit Bank	Hackensack	NJ	2,887.2	6.5
	Hudson United Bank	Mahwah	NJ	1,984.4	4.5
				$17,782.3	40.0%

FHLBank	Name	City	State	Advances ($Millions)	Percent of FHLBank Advances
Pittsburgh	Sovereign Bank, FSB	Wyomissing	PA	$10,487.9	28.7%
	PNC Bank, N.A.	Pittsburgh	PA	6,650.5	18.2
	Harris Savings Bank	Harrisburg	PA	805.0	2.2
	United National Bank	Parkersburg	WV	800.8	2.2
	National City Bank of Pennsylvania	Pittsburgh	PA	758.8	2.1
				$19,503.0	53.4%
Atlanta	SouthTrust Bank, N.A.	Birmingham	AL	$ 3,530.3	7.8%
	Regions Bank	Birmingham	AL	3,009.2	6.7
	First Union Direct Bank, N.A.	Augusta	GA	2,987.0	6.6
	AmSouth Bank	Birmingham	AL	2,875.1	6.4
	BB&T of NC	Winston-Salem	NC	2,758.9	6.1
				$15,160.5	33.6%
Cincinnati	Charter One Bank FSB*	Cleveland	OH	$ 8,135.1	28.9%
	Union Planters National Bank	Memphis	TN	3,201.1	11.4
	Ohio Savings Bank	Cleveland	OH	1,623.2	5.8
	First American National Bank	Nashville	TN	1,396.4	5.0
	National City Bank	Cleveland	OH	918.5	3.3
				$15,274.3	54.4%
Indianapolis	Standard FSB*	Troy	MI	$ 4,221.8	21.7%
	Flagstar Bank, FSB	Bloomfield Hills	MI	1,477.0	7.6
	Civitas Bank*	Saint Joseph	MI	943.7	4.9
	Old Kent Bank	Grand Rapids	MI	931.9	4.8
	National City Bank of Michigan/Illinois	Bannockburn	IL	800.3	4.1
				$ 8,374.7	43.1%
Chicago	LaSalle Bank, FSB	Chicago	IL	$ 1,825.0	10.6%
	Mid America Bank, FSB*	Clarendon Hills	IL	1,480.5	8.6
	Anchor Bank, SSB*	Madison	WI	686.9	4.0
	TCF National Bank Illinois	Burr Ridge	IL	601.0	3.5
	St Francis Bank, FSB	Milwaukee	WI	600.0	3.5
				$ 5,193.4	30.2%
Des Moines	Norwest Bank Minnesota	Minneapolis	MN	$ 6,100.0	26.6%
	Superior Guaranty Insurance Co.	Minneapolis	MN	2,180.0	9.5
	U.S. Bank National Association	Minneapolis	MN	1,997.7	8.7
	Mercantile Bank, N.A.	Saint Louis	MO	1,953.7	8.5
	Bank Midwest	Kansas City	MO	661.4	2.9
				$12,892.8	56.2%
Dallas	Bank United*	Houston	TX	$ 6,593.3	24.4%
	World Savings Bank, SSB	Austin	TX	3,000.0	11.1
	Guaranty Federal Bank	Dallas	TX	2,151.0	8.0
	International Bank of Commerce	Laredo	TX	1,355.0	5.0
	Bluebonnet Savings Bank, FSB	Dallas	TX	1,158.7	4.3
				$14,258.0	52.8%

FHLBank	Name	City	State	Advances ($Millions)	Percent of FHLBank Advances
Topeka	Commercial Federal Bank	Omaha	NE	$ 4,420.0	28.3%
	Midfirst Bank	Oklahoma City	OK	2,740.7	17.6
	Capitol Savings Bank	Topeka	KS	1,900.0	12.2
	Bank of Oklahoma	Tulsa	OK	474.5	3.0
	Security Benefit Life Ins. Co.	Topeka	KS	349.3	2.2
				$ 9,884.5	63.3%
San Francisco	Washington Mutual Bank, FA*	Stockton	CA	$45,511.1	50.3%
	California Federal Bank A FSB*	San Francisco	CA	23,342.9	25.8
	World SB, FSB*	Oakland	CA	5,654.6	6.2
	Downey S&LA	Newport Beach	CA	2,047.4	2.3
	Bay View Bank, N.A.	San Mateo	CA	1,367.3	1.5
				$77,923.3	86.1%
Seattle	Washington Mutual Bank*	Seattle	WA	$11,151.2	42.4%
	Bank of America Oregon NA	Portland	OR	3,987.8	15.2
	First Security Bank of Utah*	Ogden	UT	1,953.9	7.4
	American Savings Bank, FSB	Honolulu	HI	1,189.1	4.5
	Washington Federal Savings	Seattle	WA	950.0	3.6
				$19,232.0	73.1%

* An asterisk indicates that an officer of the member was an FHLBank director in 1999.

The information presented on advances in the tables 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.

Nonmember Borrowers. At year end 1999, the System had $356.4 million in advances outstanding to 19 nonmember borrowers, down from $374.4 million at year end 1998. These nonmember borrowers include 35 state housing finance agencies, 1 city housing development corporation, 1 city community development agency, 1 tribal housing corporation, 6 county housing finance agencies, and 1 city housing authority.

Financial Trends

Balance Sheet. System advances to members rose to $395.7 billion at year end 1999. 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 25.3 percent in 1997, 42.5 percent in 1998 and by 37.3 percent in 1999. Advances to members increased in each quarter of 1999 and by a total of $107.6 billion by year end. (See Note 5 to the accompanying combined financial statements.)

Investments grew by $14.9 billion or 11.9 percent during 1997, then fell by $2.9 billion or 2.1 percent in 1998. In 1999 investments grew by $34.2 billion, or 24.9 percent. The principal investments of the FHLBanks are mortgage-backed securities, overnight and term federal funds sold, commercial paper, agency securities, and U.S. Government securities. In addition, the FHLBanks hold smaller amounts of repurchase agreements. 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 $73.0 billion at December 31, 1999, were 252 percent of total System capital. These investments represented 248 percent of total System capital at December 31, 1998. As Note 3 discusses, the FHLBanks make significant use of interest-rate exchange agreements to transform the cash flows on certain of their investment securities.

Historically, the FHLBanks collectively have been one of the largest providers of federal funds. Federal funds sold were $57.0 billion (33.2 percent of total investments) at year end 1999, compared with $47.2 billion (34.4 percent of total investments) at year end 1998.

The FHLBanks held commercial paper of $11.5 billion (6.7 percent of total investments) at year end 1999, compared with $8.6 billion (6.3 percent of total investments) at year end 1998. The FHLBanks also invest in U.S. agency obligations, primarily structured debt issued by other government-sponsored enterprises and also in the consolidated obligations of other FHLBanks. The FHLBanks use interest-rate exchange agreements to hedge the interest-rate risk associated with investments in structured debt. U.S. agency obligations rose to $13.3 billion or 7.7 percent of total investments at year end 1999, up from $13.2 billion or 9.6 percent of total investments at year end 1998. (See Notes 3 and 4 to the accompanying combined financial statements.)

Advances and investments grew in 1999. Advances to members as a percentage of total assets have increased to 67.9 percent at December 31, 1999, from 66.4 percent at December 31, 1998. Conversely, investments as a percentage of total assets have decreased, falling to 29.4 percent from 31.6 percent over the same period. Total assets reached $583.2 billion at year end 1999, up $149.2 billion or 34.4 percent over total assets at year end 1998.

The principal funding source for FHLBank operations is consolidated obligations, which consist of consolidated bonds and consolidated discount notes. Member deposits and capital are also funding sources. Generally, discount notes are consolidated obligations with a maturity up to 360 days, and consolidated bonds have maturities of one year or longer. Discount notes have become a significant funding source for advances with short-term maturities or repricing intervals, for convertible advances, and for money-market investments. As Note 10 discusses, the FHLBanks make significant use of interest-rate exchange agreements to transform the cash flows on consolidated obligations and to reduce funding costs. Consolidated obligations outstanding increased 39.5 percent between year end 1998 and year end 1999, rising to $525.4 billion at year end 1999. Consolidated discount notes outstanding increased 22.1 percent over the same period, reaching $141.2 billion at year end 1999, and consolidated bonds outstanding increased by 47.1 percent to end 1999 at $384.2 billion. (See Notes 8, 9, and 10 to the accompanying combined financial statements.)

System total capital grew by $6.3 billion or 27.5 percent between 1998 and 1999 due to increases in membership, advance use, and the payment of stock dividends by the FHLBanks of Cincinnati, Dallas, Topeka, San Francisco, and Seattle. Over the same period, total assets grew more than total capital causing the System's capital-to-asset ratio to decrease to 5.0 percent at year end 1999 from 5.2 percent at year end 1998. (See Note 11 to the accompanying combined financial statements.)

During 1999, Finance Board regulations prohibited the issuance of senior bonds, other than bonds issued to refund consolidated bonds previously issued, if, immediately following such issuance, the aggregate amount of senior bonds and unsecured senior liabilities of the FHLBanks would exceed 20 times the total paid-in capital stock, retained earnings, and reserves of all the FHLBanks. However, to allow the FHLBanks to provide Year 2000-related credit to their members, the Finance Board allows, through June 30, 2000, an FHLBank to have leverage of up to 25 to 1 if that FHLBank's non-mortgage investments do not exceed 12 percent of the consolidated obligations for which that FHLBank is the primary obligor. At year end 1999, System leverage was 19.1 to 1, up from 17.9 to 1 at year end 1998, and up from 17.2 to 1 at year end 1997. At December 31, 1999, two FHLBanks had leverage in excess of 20.0 to 1, but it was less than 21.0 to 1 in both cases. The increase in leverage during 1999 was due to the growth in consolidated obligations relative to capital. (See "Business—Debt Financing—Consolidated Obligations," "Discussion and Analysis of Financial Condition and Results of Operations—1999 Highlights—Regulatory Development," and Note 10 to the accompanying combined financial statements.)

Advances Activity. More than 50.3 percent of the advances outstanding at December 31, 1999, had a remaining maturity greater than one year compared with 61.6 percent at December 31,

1998. About 34.1 percent of the par amount of advances outstanding at December 31, 1999, were floating-rate advances compared with 26.2 percent one year earlier. Advance originations totaled $2.577 trillion in 1999, up 151.2 percent from 1998 originations of $1.026 trillion, reflecting the increased activity in short-term advances. (See Note 5 to the accompanying combined financial statements.)

Debt Financing Activity. An increase in consolidated obligations outstanding of $148.7 billion or 39.5 percent in 1999 financed most of the increase in System assets. Consolidated bonds composed 73.1 percent of consolidated obligations at year end 1999, with the remainder being consolidated discount notes. Acting on behalf of the Finance Board, the Office of Finance offers consolidated bonds and consolidated discount notes (collectively, consolidated obligations) on a daily basis. Since 1992, the increasingly sophisticated funding requirements of the FHLBanks' members and the demands of the investment community have led to the use of negotiated and competitively bid transactions, instead of single large monthly auctions. (See "Business—Debt Financing—Consolidated Obligations," "Discussion and Analysis of Financial Condition and Results of Operations—Risk Management," and Notes 10 and 13 to the accompanying combined financial statements.)

On behalf of the Finance Board, the Office of Finance sells consolidated bonds through 102 underwriters. In 1999, 82.8 percent of bond sales by par amount were negotiated transactions and 17.2 percent by par amount were competitively bid. In 1999, 41.8 percent bonds sold were fixed-rate, fixed-term, non-callable (bullet) bonds; 41.8 percent were callable bonds; and 13.7 percent were simple floating-rate bonds. Bonds sold by the Office of Finance often have investor-determined features. The decision to issue a bond using a particular structure is based upon the funding level to be acquired and the ability of the FHLBank(s) receiving proceeds of the bonds issue 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 Finance Board may alter the types or terms on the bonds it issues. The increase in funding alternatives available to the FHLBanks through negotiated transactions has diversified the investor base, reduced funding costs, and resulted in additional asset-liability management tools. (See "Discussion and Analysis of Financial Condition and Results of Operations—Risk Management" and Notes 10 and 13 to the accompanying combined financial statements.)

The Office of Finance, on behalf of the Finance Board, issued $244.7 billion of consolidated bonds in 1999. This compares with $284.4 billion in 1998 and $165.4 billion in 1997. Some of this activity reflects the recent trend of issuing callable bonds, often with short lock-out periods. As the yield curve flattened and interest rates declined in 1998, many of these bonds were called and replaced with lower-coupon debt. Call activity declined significantly in 1999 with the increase in interest rates.

The FHLBanks are extensive users of callable debt, with $185.0 billion outstanding as of year end 1999. At December 31, 1999, an estimated $2.3 billion of bonds had in-the-money calls that could be exercised in 2000 based on interest rates prevailing on December 31, 1999. The amount of bonds that will be called in 2000 will depend on the level and volatility of interest rates and other factors.

Discount notes have become 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 19-member selling group, the Office of Finance, on behalf of the Finance Board, offers discount notes daily in a wide range of maturities up to 360 days. In addition, the Office of Finance, on behalf of the Finance Board, also offers discount notes in four standard maturities in two auctions each week. The FHLBanks use discount notes to fund short-term advances, longer-term advances with short repricing intervals, some putable advances, and money market investments. Discount notes composed 26.9 percent of outstanding consolidated obligations at year end 1999 but accounted for 92.2 percent of the proceeds from the sale of consolidated obligations in 1999. Much of the discount note activity reflects the rolling over of overnight discount notes, which averaged $9.1 billion in 1999.

Federal Home Loan Bank System

Average Consolidated Obligations Outstanding
(Amounts in billions)

	1999	1998
Overnight discount notes	$ 9.1	$ 8.3
Term discount notes	89.0	71.7
Total discount notes	98.1	80.0
Bonds	344.1	252.3
Total consolidated obligations	$442.2	$332.3

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

The Bank System has 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 Bank System can expand and diversify its investor base. In 1999, the Global Debt Program provided $39 billion in term funds. In mid 1999, the Office of Finance implemented the TAP issue program. This program consolidates previous bullet bond issuance through periodic auction of five common maturities. By consolidating these small issues, the Office of Finance seeks to enhance the liquidity of these issues. From July 6 through the end of 1999, TAP issuance was $18.5 billion. The TAP program has also reduced System funding costs.

Results of Operations

Bank System net income for 1999 was $2.128 billion, $350 million or 19.7 percent above 1998 net income, continuing a trend that began in 1992. System net income for 1998 was 19.2 percent above 1997 net income, while net income for 1997 was 12.2 percent above 1996 net income. During 1999, higher earning asset and capital levels generated a higher level of net interest income that was only partially offset by other items. For 1999, the increase in net interest income after loan loss provision was $417 million, and the increase in net income was $350 million.

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

Federal Home Loan Bank System

Change in Earnings Components
(Dollars in millions)

	1999 vs. 1998	1998 vs. 1997	1997 vs. 1996
Increase (decrease) in:			
Total interest income	$5,042	$3,448	$2,434
Total interest expense	4,624	3,104	2,246
Net interest income before loan loss provision	418	344	188
Loan loss provision	1		
Net interest income after loan loss provision	417	344	188
Prepayment fees, net	(67)	54	6
Other non-interest income, net	55	(47)	(8)
Total non-interest income	(12)	7	(2)
Operating expenses	24	29	10
Assessments	1	4	1
Affordable Housing Program	30	32	18
Other	1	2	(3)
Total other expenses	56	67	26
Extraordinary item			
Gain on early extinguishment of debt	1	2	2
Net income	$ 350	$ 286	$ 162

Net Income and Net Interest Income. Bank System net income for 1999 was $2.128 billion, $350 million or 19.7 percent greater than net income in 1998. System average assets increased 27.6 percent during 1999; average advances grew 46.4 percent, while average investments increased 4.6 percent over the year.

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

Federal Home Loan Bank System

Spread and Yield Analysis
(Dollars in millions)

	1999		1998		1997	
	Average Balance	Yield	Average Balance	Yield	Average Balance	Yield
Earning assets:						
Advances and other loans	$336,713	5.29%	$235,199	5.60%	$170,971	5.84%
Investments	151,682	5.74%	137,736	6.03%	136,020	5.99%
Total earning assets	$488,395	5.43%	$372,935	5.76%	$306,991	5.90%
Funded by:						
Consolidated obligations	$442,158	5.21%	$329,350	5.53%	$270,904	5.69%
Interest-bearing deposits and other borrowings	19,907	4.74%	22,502	5.17%	16,084	5.34%
Total interest-bearing liabilities	462,065	5.19%	351,852	5.50%	286,988	5.67%
Capital and other non-interest-bearing funds	26,330		21,083		18,380	
Total funding	$488,395	4.91%	$372,935	5.19%	$305,368	5.32%
Spread on:						
Total interest-bearing liabilities		0.24%		0.26%		0.23%
Total funding (net interest margin)		0.52%		0.57%		0.58%

Bank System net interest income after loan loss provision in 1999 was $2.533 billion, $417 million or 19.7 percent greater than net interest income in 1998. Interest income and interest expense increased in 1999 relative to 1998, reflecting higher capital levels, the growth in System average assets, and the corresponding increase in liabilities. Net interest income as a percentage of average earning assets (net interest margin) was 52 basis points in 1999, 57 basis points in 1998, and 58 basis points in 1997. The decline in the net interest margin and the decline in the return on average assets reflects the increase in the System's leverage as non-interest-bearing capital has declined in the overall funding mix. The relative decrease in capital, apart from any changes in asset yields or liability costs, will cause a decline in the return on average assets. A significant portion of net interest income results from earnings on assets funded by Bank System capital. Average total capital for 1999 was $25.1 billion, $4.7 billion or 23.0 percent greater than average total capital for 1998. Average total capital also increased from 1997 to 1998, growing 14.0 percent to $20.4 billion in 1998. Growth in Bank System membership, increased advance levels, and stock dividends contributed to the increase in average total capital.

Even though interest rates increased in late 1999, FHLBank System profitability declined only modestly in relative terms. Compared with 1998, the spread between the yield in earning assets and interest-bearing liabilities decreased to 0.24 percent from 0.26 percent. This relatively stable profitability reflects the extensive use of hedging vehicles to limit interest-rate risk. (See "Discussion and Analysis of Financial Condition and Results of Operations—Risk Management" and Note 13 to the accompanying combined financial statements.)

In 1999, both the average yield on earning assets and average cost of interest-bearing liabilities decreased by small amounts relative to 1998. In 1999, the earning assets yield decreased 33 basis points, primarily due to lower yields on advances, while the cost of interest-bearing liabilities decreased by 31 basis points. The yield on advances decreased by 31 basis points in 1999 relative to 1998 and the cost of consolidated obligations decreased by 32 basis points.

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 1999 and 1998 and between 1998 and 1997. Changes in interest income and interest expense attributable to both volume and rate changes have been allocated to the volume and rate categories based upon the proportion of the absolute value of the volume and rate changes.

Federal Home Loan Bank System

Rate and Volume Analysis
(Dollars in millions)

	1999 vs. 1998 Increase/(Decrease) due to			1998 vs. 1997 Increase/(Decrease) due to		
	Volume	Rate	Total	Volume	Rate	Total
Interest income:						
Advances and other loans	$5,405	$ (769)	$4,636	$3,612	$(420)	$3,192
Investments	814	(408)	406	102	154	256
Total interest income	6,219	(1,177)	5,042	3,714	(266)	3,448
Interest expense:						
Consolidated obligations	5,930	(1,085)	4,845	3,240	(443)	2,797
Deposits and other borrowings	(128)	(93)	(221)	333	(26)	307
Total interest expense	5,802	(1,178)	4,624	3,573	(469)	3,104
Changes in net interest income	$ 417	$ 1	$ 418	$ 141	$ 203	$ 344

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

	For the Year Ended December 31,		
	1999	1998	1997
	(Dollars in millions)		
Other income:			
Prepayment fees, net	$ 13	$ 80	$ 26
Services to members	43	52	49
Realized net loss on sales of available-for-sale securities, net			(1)
Unrealized gain (loss) on change in fair value of interest-rate exchange agreements associated with the elimination of interbank bonds	24	(30)	52
Other, net	27	17	(14)
Total other income	$107	$119	$112

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

During 1999, total other income was $107 million, $12 million less than total other income in 1998. Prepayment fees reported during 1999 of $13 million were $67 million lower than the 1998 prepayment fees of $80 million.

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

Federal Home Loan Bank System

Operating Expenses
(Dollars in millions)

	For the Year Ended December 31,			Percentage Increase	
	1999	1998	1997	1999/1998	1998/1997
Salaries and employee benefits	$155	$138	$124	12.3%	11.3%
Cost of quarters	19	19	17		11.8%
Other	108	101	88	6.9%	14.8%
Total operating expenses	$282	$258	$229	9.3%	12.7%

System total operating expenses for 1999 were $282 million, $24 million or 9.3 percent above total operating expenses in 1998. The increase in salaries and benefits in 1999 reflects general pay and benefits increases. Operating expenses as a percent of average assets were 5.8 basis points in 1999 and 6.8 basis points in 1998. Operating expenses includes the costs of providing member correspondent services, as well as credit operations.

Assessments. The FHLBanks are assessed the costs of operating the Finance Board and the Office of Finance. Assessments totaled $29 million in 1999, $1 million greater than total assessments for 1998.

Affordable Housing Program. The AHP expense for 1999 was $199 million, 17.8 percent greater than the 1998 AHP expense of $169 million. For both 1999 and 1998, the AHP assessment was 10 percent of net income after capital distributions to REFCORP. The increases in 1999 and 1998 reflect increased System net income. (See Note 6 to the accompanying combined financial statements.)

Quarterly Results of Operations

The following table presents combined results of operations for the Bank System, by quarter, for the past two years:

Federal Home Loan Bank System

Income Statement
(Dollars in millions)

	1999 Quarter Ended			
	March 31	June 30	Sept 30	Dec 31
Total interest income	$5,668	$5,988	$6,800	$8,064
Total interest expense	5,094	5,399	6,146	7,347
Net interest income before loan loss provision	574	589	654	717
Loan loss provision	1	(1)		1
Net interest income after loan loss provision	573	590	654	716
Prepayment fees, net	8	4	2	(1)
Other non-interest income, net	29	22	25	18
Total non-interest income	37	26	27	17
Operating expenses	67	68	68	79
Assessments	8	7	6	8
Affordable Housing Program	47	45	51	56
Other			1	2
Total other expenses	122	120	126	145
Extraordinary item:				
Gain on early extinguishment of debt			1	
Net income	$ 488	$ 496	$ 556	$ 588

	1998 Quarter Ended			
	March 31	June 30	Sept 30	Dec 31
Total interest income	$5,060	$5,034	$5,411	$5,973
Total interest expense	4,551	4,516	4,882	5,413
Net interest income	509	518	529	560
Prepayment fees, net	12	15	19	34
Other non-interest income, net	(9)	(2)	8	42
Total non-interest income	3	13	27	76
Operating expenses	59	64	62	73
Assessments	5	7	6	10
Affordable Housing Program	40	38	42	49
Other				2
Total other expenses	104	109	110	134
Extraordinary item:				
(Loss) gain on early extinguishment of debt		(1)	(1)	2
Net income	$ 408	$ 421	$ 445	$ 504

	1997 Quarter Ended			
	March 31	June 30	Sept 30	Dec 31
Total interest income	$4,045	$4,422	$4,715	$4,848
Total interest expense	3,618	3,968	4,244	4,428
Net interest income	427	454	471	420
Prepayment fees, net	1	1	4	20
Other non-interest income, net	13	12	15	46
Total non-interest income	14	13	19	66
Operating expenses	53	56	55	65
Assessments	6	6	6	6
Affordable Housing Program	31	33	35	38
Total other expenses	90	95	96	109
Extraordinary item:				
Gain (loss) on early extinguishment of debt	1			(3)
Net income	$ 352	$ 372	$ 394	$ 374

Risk Management

The fundamental business of the Bank System is to provide member institutions 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, members' deposits. Lending and investing funds and engaging in off-balance-sheet interest-rate exchange agreements have the potential for exposing the FHLBanks to a number of risks, including credit and interest-rate risk. To control the Bank System's risk exposure, the Finance Board has established regulations and policies that FHLBanks must follow to evaluate and manage their credit and interest-rate risk. FHLBanks must file periodic compliance reports with the Finance Board. The Finance Board conducts an annual on-site examination of each FHLBank and the Office of Finance as well as off-site analyses. In addition, each FHLBank's board of directors must establish risk management policies that comport with Finance Board guidelines.

The FHLBanks face very low credit risk from advances. Members must fully collateralize all advances. In addition, the FHLBanks have certain statutory lien protections for any collateral a member pledges, and a member's capital stock serves as additional collateral for advances. Even in the late 1980s and early 1990s when many members were liquidated, the FHLBanks experienced no credit losses on advances. (See "Discussion and Analysis of Financial Condition and Results of Operations—Other Development".)

In 1999, the Finance Board authorized all of the FHLBanks to establish programs similar to MPF in which the FHLBanks may acquire certain mortgage loans. By their very nature, these assets may have more credit risk than advances, even though the member that originates the loan provides credit enhancement. At year end 1999, the programs had an outstanding balance of $2.0 billion of mortgage loans, all credit enhanced by members to an investment-grade rating, although these loans are not rated. The Finance Board imposed a Systemwide limit of $9 billion in such loans outstanding.

Certain funding strategies of the FHLBanks may incur some credit risk as an effect of eliminating or reducing interest-rate risk. In particular, the FHLBanks are extensive users of interest-rate exchange agreements with $494.6 billion of notional amount of interest-rate exchange agreements at December 31, 1999, compared with $382.4 billion at December 31, 1998. Often, these agreements eliminate or nearly eliminate interest-rate risk associated with a funding strategy. In return, however, an FHLBank may accept the unsecured credit risk of potential nonperformance by the counterparty to the interest-rate exchange agreement, as well as operations and other risks. The FHLBanks require collateral agreements on some interest-rate exchange agreements. As with other sources of risk, Finance Board policies and procedures govern credit risk and interest-rate risk arising from interest-rate exchange agreements. As Note 13 details, the maximum unsecured credit exposure on interest-rate exchange agreements was $2.1 billion at year end 1999, of which $1.0 billion was 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 with a fair value of $1.0 billion as collateral as of December 31, 1999. The counterparties to most interest-rate exchange agreements are swap dealers and major domestic and international commercial banks, which may also be affiliated with underwriters of consolidated obligations and members. (See Note 13 to the accompanying combined financial statements.)

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

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

The Finance Board measures interest-rate risk exposure by calculation of duration of equity. Duration of equity shows the sensitivity of market value of equity to changes in interest rates. Higher duration numbers, whether positive or negative, infer greater volatility of market value of equity. Under the Finance Board's Financial Management Policy, duration of equity must stay within a range of 5 to -5 years assuming current interest rates. It must stay within a range of 7 to -7 years assuming an instantaneous parallel increase or decrease in interest rates of 200 basis points. The FHLBanks report the results of their duration of equity calculations to the Finance Board each quarter. The Finance Board is considering adopting different or additional measures of interest-rate risk. In particular, the FMMA proposal would have imposed a market-risk capital requirement using a value at risk approach derived from an FHLBank's internal risk models and using shock parameters prescribed by the Finance Board.

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

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

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

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

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

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

The FHLBanks invest in mortgage-backed securities. The prepayment options embedded in mortgage-backed securities 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. (See "Business—Investments.") The FHLBanks may hedge against contraction risk by funding some mortgage-backed securities 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-backed securities. The FHLBanks may also use interest-rate exchange agreements to transform the characteristics of investment securities other than mortgage-backed securities.

The FHLBanks had $184.7 billion of callable debt outstanding at December 31, 1999. Often with the issuance of this debt, the FHLBanks enter into a cancelable interest-rate exchange agreement. Together, these transactions allow the FHLBanks to provide to their members attractively priced floating-rate financing that members can prepay without penalty. The option on the swap mirrors the call option in the debt in that the same financial condition that would give rise to the swap counterparty canceling the interest-rate exchange agreement, generally a decline in interest-rates, would also cause the FHLBank to call the debt.

The FHLBanks had $85.6 billion of convertible advances outstanding at the end of 1999. With a convertible advance, an FHLBank has purchased from the member a put option(s) that enables the FHLBank to convert an advance from fixed rate to floating rate if interest rates increase or to terminate the advance and extend additional credit on new terms. An FHLBank may fund a convertible advance by using short-term floating-rate funds and entering into a cancelable interest-rate exchange agreement where the FHLBank pays fixed and receives variable. If interest rates increase, the swap counterparty can cancel the interest-rate exchange agreement, and the FHLBank can convert the advance to a floating rate.

To meet the off-balance-sheet hedging needs of their members, the FHLBanks enter into offsetting interest-rate exchange agreements, acting as an intermediary between members and other counterparties. This intermediation allows smaller members indirect access to the swap market. At December 31, 1999, the notional amount of interest-rate exchange agreements in which the FHLBanks were intermediaries was $2.7 billion. (See Note 13 to the accompanying combined financial statements).

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

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

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

While various FHLBanks may have adopted changes in the particular details of their interest-rate risk management policies in 1999, for the System as a whole there were no major changes in 1999 in the primary interest-rate risk exposure or how that exposure was measured or managed.

The Finance Board, on behalf of the FHLBanks, issues 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, 1999, consolidated obligations denominated in foreign currencies represented less than 1 percent of consolidated obligations outstanding. Therefore, the FHLBanks are not exposed to material amounts of currency risk. (See Note 10 to the accompanying combined financial statements.) In March 1999, the Finance Board authorized the Office of Finance to use the euro as an allowable index and currency of denomination, subject to certain conditions, in addition to indices and currencies previously authorized.

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 percent change in interest rates.

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

Each FHLBank has an internal modeling system for measuring duration of equity. The table below reflects the results of each FHLBank's own measurement of its exposure to interest-rate risk in accordance with the Finance Board's Financial Management Policy. The table pertains to the interest-rate risk associated with instruments entered into for other than trading purposes. The FHLBanks do not have trading portfolios. The FHLBanks use derivative instruments to swap out equity risk related to consolidated obligations whose interest payments are linked to equity indices.

Federal Home Loan Bank System

Duration of Equity
(In years)

FHLBank	December 31, 1999 Up	Base	Down	December 31, 1998 Up	Base	Down
Boston	2.3	2.1	0.7	2.3	(0.7)	(2.3)
New York	1.9	1.8	0.9	1.2	0.7	(5.3)
Pittsburgh	2.9	1.9	(1.1)	4.1	1.0	(1.0)
Atlanta	3.1	2.6	(1.9)	3.6	1.5	(1.5)
Cincinnati	4.3	4.0	(0.1)	5.6	1.2	(0.5)
Indianapolis	2.1	1.9	2.0	1.8	0.6	0.0
Chicago	5.4	3.7	1.4	4.8	0.8	(2.4)
Des Moines	3.6	2.3	0.3	6.9	4.0	2.4
Dallas	2.1	2.3	1.8	0.7	0.2	(0.3)
Topeka	5.6	2.9	(1.9)	2.9	(1.6)	(2.4)
San Francisco	1.9	1.3	0.2	1.3	0.7	0.4
Seattle	6.9	4.1	(4.0)	6.7	1.3	(6.4)

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

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

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

At December 31, 1999, the FHLBanks' unsecured credit exposure to counterparties other than the U.S. Government or U.S. Government agencies and instrumentalities was $77.1 billion, most of which was overnight and term federal funds sold and commercial paper. This is a $16.5 billion increase from the unsecured credit exposure at December 31, 1998, and the increase reflects the FHLBanks' Year 2000 preparedness. Twenty-one percent of the exposure at December 31, 1999, had an overnight maturity, 41 percent had a maturity from 2 to 30 days, and the remainder had a maturity less than 271 days. At December 31, 1999, the FHLBanks had aggregate unsecured credit exposure of more than $1 billion to each of 24 counterparties. The aggregate unsecured credit exposure to these counterparties represented 52 percent of the System's unsecured credit exposure to nongovernment counterparties. Included in this total is unsecured credit of $400 million to Washington Mutual Bank.

As of the same date, Washington Mutual Bank had advances of $11.2 billion from the FHLBank of Seattle, the affiliated Washington Mutual Bank, FA, had advances of $45.5 billion from the FHLBank of San Francisco, and the affiliated Washington Mutual Bank, FSB, had advances of $316 million from the FHLBank of Seattle. All these advances were secured borrowings. An officer of Washington Mutual Bank FA serves as a director and vice chairman of the FHLBank of San Francisco, and an officer of Washington Mutual Bank serves as a director and vice chairman of the FHLBank of Seattle.

Capital Adequacy

The Act prescribes minimum member capital stock requirements. At December 31, 1999, 98 percent of the System's capital was capital stock, and 2 percent was retained earnings. At December 31, 1999, the System had a capital-to-asset ratio of 5.0 percent. This compares with a capital-to-asset ratio of 5.2 percent at December 31, 1998. (See "Business—Debt Financing—Consolidated Obligations," "Business—Capitalization," "Discussion and Analysis of Financial Condition and Results of Operations—1999 Highlights," and Note 11 to the accompanying combined financial statements.)

Transactions with Related Parties

The Bank System is a cooperative system. The members own all the stock of the FHLBanks, the majority of the directors of each FHLBank is elected by and from the membership, and the FHLBanks conduct their advances and other business almost exclusively with members. Therefore, in the normal course of business, the FHLBanks extend credit to members whose officers may serve as directors of the FHLBanks. At December 31, 1999, the FHLBanks had $132.9 billion of advances outstanding to members, whose officers were serving as directors of the FHLBanks. This amounted to 33.6 percent of total advances.

Other Development

On February 29, 2000, Congressmen Richard Baker and James Leach introduced the Housing Finance Regulatory Improvement Act (H.R. 3703). This bill would combine into a single Federal agency the responsibilities for both the safety-and-soundness and mission oversight of the FHLBanks, Fannie Mae, and Freddie Mac. In particular, it would combine the functions of the Finance Board, the Office of Federal Housing Enterprise Oversight (the safety-and-soundness regulator of Fannie Mae and Freddie Mac), and those activities of the Department of Housing and Urban Development dealing with the mission oversight of Fannie Mae and Freddie Mac. Among other things, the proposed legislation would repeal the Treasury Department's authorization to purchase up to $4 billion of FHLBank obligations, eliminate the statutory lien priority given an FHLBank's security interest in the collateral pledged by a member, limit the non-mission-related assets the FHLBanks may hold at any time, and establish an FHLBank Finance Corporation as a Federally chartered instrumentality to perform the functions now performed by the Office of Finance. As of the date of this report, no committee of the House of Representatives has considered this bill. It is impossible to predict what actions, if any, the House of Representatives will take, whether the Senate will consider the bill, and whether Congress will enact the bill, whether the President would sign the bill, and the effect this legislation, or any other legislation, would have on the FHLBanks and Finance Board.

BUSINESS

General

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

The Bank System has a unique role in housing finance. The FHLBanks make loans, called advances, to their members and eligible nonmember mortgagees on the security of mortgages and other collateral pledged by those members. 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 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 funding alternatives available to larger financial entities, including repurchase agreements, commercial paper, and brokered deposits. The Bank System gives these lenders access to the 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 Bank System helps members meet their Community Reinvestment Act (CRA) responsibilities. Through Community Investment Cash Advance programs such as the Affordable Housing Program (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 Bank System serves as a source of liquidity for its members. Access to FHLBank advances for liquidity purposes can reduce the amount of low-yielding liquid assets a member would otherwise need to hold. Some FHLBanks also provide correspondent services, such as the purchase, sale, and safekeeping of securities on behalf, and at the direction, of their members.

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

Advances

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

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

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

Collateral. The Act 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 United States 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 of 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
- after the Finance Board adopts implementing regulations, secured loans for small business, agriculture, or securities representing a whole interest in such secured loans, in the case of any "community financial institution," which is an FDIC-insured institution with assets of $500 million or less.

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 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. Based on repayment history and collateral held as security on advances, neither any FHLBank nor the Finance Board believes any allowance for losses on advances is necessary.

Member Mortgage Asset Programs. The FHLBanks of Chicago, New York, Atlanta, Dallas, Des Moines, Pittsburgh, and Seattle have each established various member mortgage asset programs to further assist their members. The programs all involve the investment by the FHLBank in loans originated by members. In 1998, the Finance Board permitted all FHLBanks to offer programs similar to that of the Mortgage Partnership Finance (MPF) program initiated by the FHLBank of Chicago. There is a $9 billion combined System limit on these programs as prescribed by the Finance Board. All of the FHLBanks participating in these programs have established an appropriate loan loss allowance, although no FHLBank has experienced a loss.

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

Nonmember Borrowers. Section 10b of the Act permits the FHLBanks to make advances to nonmembers that are approved mortgagees under Title II of the National Housing Act. Eligible nonmember borrowers 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. Nonmember borrowers are not subject to certain provisions applicable to members in the Act. For example, they do not purchase capital stock in an FHLBank. However, the same regulatory lending requirements generally apply to them as apply to members. (See "Discussion and Analysis of Financial Condition and Results of Operations—Federal Home Loan Bank System Membership Trends—Nonmember Borrowers")

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

Investments

Permitted Investments. Under the guidelines included in the Financial Management Policy, allowable investments for FHLBank portfolios, to the extent specifically authorized under Section 11(g), 11(h), or 16(a) of the Act or to the extent an FHLBank has 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, are 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 Federal Housing Administration (FHA)-insured and Veterans Administration (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 FHLBank's and System's triple-A credit rating;
  - 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 System;
  - 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.

Prohibited Investments. The guidelines, as amended, contain certain limitations on the FHLBanks' investments in mortgage-backed securities. The total book value of mortgage-backed securities owned by an FHLBank may not exceed 300 percent of the FHLBank's previous month-end capital on the day it purchases the mortgage-backed securities. The FHLBanks may not purchase:

- interest-only or principal-only stripped mortgage-backed securities;
- residual-interest or interest-accrual classes of CMOs and REMICs;
- fixed-rate mortgage-backed securities or floating-rate mortgage-backed securities 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.

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

Debt Financing—Consolidated Obligations

The primary source of funds for the FHLBanks is the sale of debt securities, known as consolidated obligations, in the capital markets. Consolidated obligations are the joint-and-several obligations of the FHLBanks, backed only by the financial resources of the 12 FHLBanks. Consolidated obligations are not obligations of the United States, and the United States does not guarantee them. Moody's has rated consolidated obligations Aaa/P-1, and Standard & Poor's has rated them AAA/A-1+.

The Act expressly authorizes the Finance Board to issue consolidated obligations. Finance Board regulations generally prohibit the issuance of senior bonds, other than bonds issued to refund consolidated bonds previously issued, if, immediately following such issuance, the aggregate amount of senior bonds and unsecured senior liabilities of the FHLBanks exceed 20 times the total paid-in capital stock, retained earnings, and reserves of all the FHLBanks. The Finance Board applies a 20 to 1 leverage limit to individual FHLBanks by policy, and applies an identical leverage limit on a Systemwide basis by regulation. On December 14, 1999, the Finance Board proposed to remove the Systemwide leverage limit from its regulations, and to restate the individual FHLBank leverage limit as a ratio of assets to capital. Instead of liabilities being limited to no more than 20 times capital, assets would be limited to no more than 21 times capital. Accordingly, if implemented, the proposed changes would result in an asset based leverage limit for individual FHLBanks contained in the Finance Board's Financial Management Policy.

To allow the FHLBanks to provide additional Year 2000-related credit to their members, the Finance Board temporarily increased the leverage limit for both individual FHLBanks and the FHLBank System to 25 to 1 through June 30, 2000. For an FHLBank to exceed the 20 to 1 leverage limit, its net liquidity (defined as total investments less mortgage-backed securities, pilot program assets, member deposits, member capital investment in the FHLBank, and binding advances commitments) cannot exceed 12 percent of outstanding consolidated obligations for which that FHLBank is the primary obligor.

In addition, 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 senior bonds 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 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 Bank System has responsibility for facilitating and executing the issuance of the consolidated obligations of the Bank System. It also services all outstanding debt, provides the FHLBanks with credit information, serves as a source of information for the System on capital market developments, and administers the Resolution Funding Corporation (REFCORP) and the Financing Corporation (FICO).

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.

On December 14, 1999, the Finance Board proposed a regulation that would restructure the Office of Finance. One of the proposed changes would be for the FHLBanks, no later than January 2, 2001, to issue debt in their own name through the Office of Finance under the authority of Section 11(a) of the Act. Currently, the Finance Board issues the debt on behalf of the FHLBanks through the Office of Finance under the authority of Section 11(c) of the Act. If the proposed regulation is adopted, the debt issued by the FHLBanks would also be the joint-and-several obligation of all the FHLBanks.

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

On July 1, 1999, the Bank System 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 aim of the TAP program is to cumulate frequent smaller issues into a larger bond issue that may have greater market liquidity.

Consolidated Discount Notes. The Office of Finance on behalf of the Finance Board also sells consolidated discount notes to provide short-term funds for seasonal and cyclical fluctuations in savings flows and mortgage financing, short-term investments, and variable-rate and putable advance programs. These securities have maturities up to 360 days, and are offered daily through a 19-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 when the Office of Finance began selling 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 FHLBanks may enter into interest-rate exchange agreements or other transactions with or arranged by the applicable securities dealer, bank, or affiliate, or an unaffiliated third party. (See "Discussion and Analysis of Financial Condition and Results of Operations—Risk Management" and Note 13 to the accompanying combined financial statements.)

Deposits

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

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

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

Assets eligible for meeting these liquidity requirements include:

- overnight funds and overnight deposits placed with eligible financial institutions;
- overnight and term resale agreements with eligible counterparties, which mature in 271 days or less, using for collateral securities that are eligible investments under the investment guidelines, and FHA-insured and VA-guaranteed mortgages;
- negotiable certificates of deposit placed with eligible financial institutions, bankers' acceptances drawn on and accepted by eligible financial institutions, and commercial paper issued in U.S. financial markets and rated P-1 by Moody's or A-1 by Standard & Poor's, all having a remaining term to maturity of not more than 271 days;

- marketable direct obligations of the United States that mature in 36 months or less;
- marketable direct obligations of U.S. government-sponsored agencies and instrumentalities that mature in 36 months or less for which the credit of such institution is pledged for repayment of both principal and interest; and
- cash and collected balances held at a Federal Reserve Bank and other eligible financial institutions, net of member pass-throughs.

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

Capitalization

The Federal Home Loan Bank System Modernization Act of 1999 (Title VI of the Gramm-Leach-Bliley Act) (Modernization Act), will change member stock purchase and maintenance requirements, and these changes will occur over the next three to five years. The Modernization Act created a permanent capital structure for the FHLBanks, and the Finance Board must adopt regulations by November 12, 2000, which will prescribe uniform capital standards for the FHLBanks. The Modernization Act authorizes two classes of stock: Class A stock, redeemable at par with six months' written notice; and Class B stock, redeemable at par with five years' written notice. The Modernization Act defines permanent stock to be Class B stock and retained earnings. The paid-in value of all stock and retained earnings will be used to meet a targeted 5 percent leverage ratio. Class B stock and retained earnings are weighted at 150 percent, reducing the actual minimum leverage ratio, but no less than 4 percent. Class B stock and retained earnings will be used to meet a (still to be determined) minimum risk-based capital requirement. Until such time as the Finance Board adopts implementing regulations and approves the capital structure plans of the FHLBanks, and the FHLBanks implement these plans, the capital structure of the System will conform to the laws and regulations in effect at the time of the passage of the Modernization Act. Each member of an FHLBank must purchase and hold stock in its FHLBank based upon the level of its assets or upon the amount of its FHLBank borrowings.

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

All members of the Bank System are voluntary members, and may withdraw from membership and redeem their capital after giving six months notice to do so. However, former mandatory members, Federally chartered savings institutions regulated by the Office of Thrift Supervision, cannot withdraw from membership before May 12, 2000. Members that withdraw from membership may not re-apply for membership for 5 years.

Capital Structure. At December 31, 1999, capital stock composed approximately 98 percent of the System's capital base with retained earnings making up the remaining 2 percent. Retained earnings are classified as either restricted or unrestricted. The restricted portion of retained earnings represents income from advance prepayment fees that, if allocated on a pro-rata basis over the remaining maturity of the prepaid advances, the FHLBank would realize in future periods. Other extraordinary gains and losses related to financial instruments can adjust the level of restricted retained earnings. (See Note 11 to the accompanying combined financial statements.)

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

Dividends

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

Interest-Rate Exchange Agreements

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

Oversight, Audits, and Examinations

The Government Corporation Control Act provides that before a government corporation issues and offers obligations to the public, the Secretary of the Treasury shall prescribe the form, denomination, maturity, interest rate, and conditions of the obligations; the way and time issued; and the selling price. The Bank Act also authorizes the Secretary of the Treasury, in his or her discretion, to purchase consolidated obligations issued by the Finance Board 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 an independent public accounting firm audits the annual financial statements of each FHLBank. 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 Bank 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 Bank 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

The FHLBanks are exempt from all Federal, State, and local taxation except for real property taxes. All FHLBank dividends received by members, however, are subject to taxation.

THE FINANCE BOARD

The Finance Board is an independent agency in the executive branch of the U.S. Government. The Finance Board's purpose is to ensure that the FHLBanks operate in a safe and sound manner. In addition, the Finance Board ensures that the FHLBanks carry out their housing finance and community investment mission and remain adequately capitalized and able to raise funds in the capital markets. The 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, 1999, the directors of the Finance Board were Chairman Bruce A. Morrison, Andrew M. Cuomo, and J. Timothy O'Neill. Two director positions were vacant for all of 1999.

Bruce A. Morrison, 55, has served as the chairman of the Finance Board since June 1, 1995. His term expired on February 27, 2000, but he has continued to serve in a hold-over capacity. President Clinton has nominated Mr. Morrison to a new seven-year term, but the Senate has taken no action on that nomination. Mr. Morrison, of New Haven, Connecticut, represented the third district of Connecticut in the House of Representatives from 1983 until 1991. While a member of Congress, Mr. Morrison served on the Committee on Banking, Finance, and Urban Affairs, where he earned a reputation as a strong advocate for affordable housing and community development and strong capital standards for financial institutions. As a member of the House Banking Committee, Mr. Morrison helped craft legislation to improve the regulation and supervision of insured financial institutions and authored legislation on the use of federal funds for the development of owner-occupied housing in urban areas. Before his appointment to the Finance Board, Mr. Morrison practiced law with the firm of Morrison & Swain in New Haven, and specialized in immigration issues and international trade and investment. Mr. Morrison is paid at executive level III of the Federal executive pay schedule, which was $125,900 in 1999 and 1998 and $123,000 in 1997. Mr. Morrison receives the same benefits as other Federal employees paid under the executive schedule.

On January 29, 1997, the Senate confirmed Andrew M. Cuomo, 42, as secretary of HUD. In that capacity, Secretary Cuomo serves as a director of the Finance Board. From 1993 to 1997, Mr. Cuomo was assistant secretary for Community Planning and Development at HUD. In 1991, Mr. Cuomo served as chairman of the Commission on the Homeless in New York City. Mr. Cuomo founded H.E.L.P. in 1986. This organization became the nation's largest provider of transitional housing for the homeless. Secretary Cuomo has continued a delegation, effective since May 23, 1993, of all of the secretary's functions, powers, and duties as director of the Finance Board to the Assistant Secretary for Housing—Federal Housing Commissioner at HUD, and William C. Apgar, 53, has served in this position since October 23, 1998. Before his current appointment, Mr. Apgar served as the director of the Joint Center for Housing Studies at Harvard University. The HUD Secretary and his designee serve the Finance Board without additional compensation.

J. Timothy O'Neill, 45, has served as a director of the Finance Board since June 1, 1995. Although his term expired on February 28, 1997, Mr. O'Neill has continued to serve in a holdover capacity. President Clinton has nominated Mr. O'Neill to a term that expires on February 28, 2004, but the Senate has taken no action on that nomination. Before his service on the Finance Board, Mr. O'Neill most recently was a partner in the Washington law firm of O'Connor & Hannan, and focused on trade and international law and matters relating to legislation and regulation. He has represented both international and domestic clients before the Congress and the Executive Branch. He is the former director of congressional affairs for the Finance Board. Mr. O'Neill has served as senior legislative manager for international affairs for the U.S. Department of the Treasury, and was deputy director of congressional affairs for the U.S. Agency for International Development. Before his Executive Branch experience, he was the legislative director for U.S. Senator John Heinz of Pennsylvania. Mr. O'Neill is paid at executive level IV of the Federal executive pay schedule, which was $118,400 in 1999 and 1998 and $115,700 in 1997. Mr. O'Neill receives the same benefits as other Federal employees paid under the executive schedule.

On June 8, 1999, the President nominated Franz S. Leichter to be a director of the Finance Board for a term that expires February 27, 2006, and Douglas L. Miller to a term that expires on February 27, 2002. Mr. Leichter, 68, practices law with the firm of Walter, Conston, Alexander, and Green, P.C., and is a former State Senator in New York. Mr. Miller, 57, served as chief of staff to former Senator Larry Pressler of South Dakota. The Senate has not taken any action on these nominations.

FHLBANK MANAGEMENT AND COMPENSATION

FHLBank Directors. The 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 Modernization 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 Bank System regulations and to establish policies and programs that carry out the Bank System'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.

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

Charles W. Smith, 56, is chair of the FHLBank of Boston. He is chairman and chief executive officer of Granite Bank, Keene, New Hampshire, and of its holding company, Granite State Bankshares, Inc. He is chairman and director of the New Hampshire Bankers Association. Before joining Granite Bank, Mr. Smith was executive vice president and treasurer, Raritan Savings Bank, Raritan, New Jersey. He has served as president of the Greater Keene Chamber of Commerce and the Keene Downtown Revitalization Corporation. He was also a director of the Savings and Community Bankers Association. Mr. Smith has also served as vice chair of the FHLBank of Boston.

Elizabeth H. Mitchell, 59, is vice chair of the FHLBank of Boston. She is a public policy fellow at the Muskie School of Public Policy, University of Southern Maine, in Portland, Maine, and serves as a director of Maine General Associates, in Augusta, Maine, and chairs the housing committee of the Kennebec Valley Community Action Program. A former state representative, Ms. Mitchell was speaker of the Maine House of Representatives from 1996-1998. From 1986-1990, she was chair and director of the Maine State Housing Authority. She is the former director of the Maine Homeless Coalition and Home Resources of Maine and a former chair of the FHLBank of Boston.

Nicolas P. Retsinas, 53, was chair of the FHLBank of Boston in 1999. He is director of the Joint Center for Housing Studies, Harvard University, in Cambridge, Massachusetts, and is a lecturer in housing studies at the Harvard Design School and the Kennedy School of Government. Before his Harvard appointment, Mr. Retsinas served for almost five years as Assistant Secretary for Housing-Federal Housing Commissioner at the U.S. Department of Housing and Urban Development. He also served as acting director of the Office of Thrift Supervision, and on the boards of the Federal Deposit Insurance Corporation, the Federal Housing Finance Board, and the Neighborhood Reinvestment Corporation. He was also the executive director of the Rhode Island Housing and Mortgage Finance Corporation. Mr. Retsinas currently serves on the boards of the National Housing Endowment, the Enterprise Foundation, Habitat for Humanity International, Shorebank, the National Community Capital Association, the Community Development Trust, Inc., the Low Income Housing Fund, and the National Low Income Housing Coalition, as well as the executive committee for the National Housing Conference.

Robert T. Kenney, 57, was vice chair of the FHLBank of Boston in 1999. He is chairman, president, and chief executive officer of American Savings Bank, New Britain, Connecticut. Mr. Kenney serves as a corporator of the New Britain/Berlin YMCA, New Britain General Hospital, and Hospital for Special Care, and is a director of Mutual Investment Fund of Connecticut, Inc., and Savings Bank Life Insurance Company. He also serves as chairman of New Britain General Hospital and the Central Connecticut Sate University Foundation, and is trustee of the Connecticut Policy and Economic Council, YWCA, and Jerome Home.

James J. Florio, 62, is chair of the FHLB of New York and served in that position in 1999. In addition to being a partner 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 is serving 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 served as the 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.

Herbert G. Chorbajian, 61, is vice chair of the FHLB of New York and served in that position in 1999. He is vice chairman and a director of Charter One Financial, Inc. He is a board member of the RSI Retirement Trust, the Albany Memorial Hospital Foundation, the Albany College of Pharmacy, the Albany Arts Commission, and several other organizations. Mr. Chorbajian is a graduate of Boston University and a certified public accountant. Besides a career in public accounting, he held a number of positions with the State Bank of Albany and the Norstar Bancorp.

David W. Curtis, 44, serves as chair of the FHLBank of Pittsburgh. Appointed as a public interest director of the Bank in 1996 and chair in 1999, Mr. Curtis is the executive vice president and chief financial officer of Leon N. Weiner & Associates, Inc., a multi-faceted real estate development firm providing housing to individuals and families of moderate means. He is also the president of Arbor Management, LLC, a multifamily residential management company with a portfolio of more than 8,000 units in 75 properties. Mr. Curtis holds a Master of Arts Degree from the University of Delaware's College of Urban Affairs, where he was a Graduate Fellow.

John T. Connelly, 64, is vice chair of the FHLBank of Pittsburgh and served in that position in 1999. He has been in banking for 35 years, most recently with The First National Bank of Leesport, Leesport, Pennsylvania, where he was president and chief executive officer from 1976 until 1998, when he become chairman of the board. Retired as an active officer of the First National Bank of Leesport on August 1, 1999, he now serves as chair of its board of directors' executive committee. A graduate of Williams College, he is a past president of the Pennsylvania Bankers Association and active in many civic organizations in Berks County, Pennsylvania. He has served as an elected director of the FHLBank of Pittsburgh since 1996.

Rita I. Fair, 63, assumed the chair of the FHLBank of Atlanta on July 1, 1997. Ms. Fair served as managing director of the Finance Board from April 1994 to March 1997. Before that, she was managing director of the Secura Group, a financial institutions consulting firm in Washington. Ms. Fair was formerly senior vice president for regulatory operations at the U.S. League of Savings Institutions and chief of staff of the Federal Home Loan Bank Board, and served in a number of positions at HUD.

Joseph S. Bracewell, III, 53 is vice chair of the FHLBank of Atlanta and served in that position in 1999. He was elected to the board of directors in 1995. Mr. Bracewell is chairman and chief executive officer of Century National Bank in Washington, D.C. He also serves as a director of the Independent Bankers Association of America, Hankey Oil Company, and Hadron Inc.

Paul Tipps, 63, was elected chairman of the FHLBank of Cincinnati for a two-year term beginning January 1, 2000. He has served as a director since 1997 and was reappointed for an additional three year term effective January 1, 2000. Mr. Tipps is a principal of State Street Consultants, a firm recently created by the merger of Public Policy Consultants, of which Mr. Tipps served as president and founder, and NSC Consulting. State Street Consultants is based in Columbus, Ohio, and provides a number of public policy services, such as issue analysis and research and the monitoring of important legislative and regulatory developments. Before that, Mr. Tipps was a real estate broker and developer and was president for 17 years of Federal Property Management, which managed and developed 10,000 multifamily housing units in seven states. He served as chairman of the Ohio Democratic Party from 1975 to 1983.

Nancy C. Miller-Herron, 43, was chair of the board of the FHLBank of Cincinnati in 1999. She began her service as a community interest director in January 1994. She is a partner with the law firm of Neese, Herron & Miller-Herron, Dresden, Tennessee. She is secretary of the local affiliate of the Habitat for Humanity, and chairs its fund raising committee. While presently on leave from the Tennessee Conference of the United Methodist Church, she continues to serve occasionally as a minister.

Michael R. Melvin, 55, is vice chair of the FHLBank of Cincinnati and served in that position in 1999. He has been a director since 1995. In addition, he is president, chief executive officer, and a director of Perpetual Federal Savings Bank, Urbana, Ohio, with which he has been associated since 1969. Mr. Melvin served as chairman of the Ohio League of Financial Institutions in 1994 and continues to serve on the Trade Associations Board and Executive Committee. Mr. Melvin also serves as a president of the Champaign County Community Improvement Corporation, director of Springfield-Clark County Chamber of Commerce, and secretary-treasurer of the board of the Rotary Manor Senior Housing Project. He is now serving his sixth year as an elected director of the FHLBank of Cincinnati.

Carolyn Sparks Hutting, 53, is chair of the FHLBank of Indianapolis, and she served in that position in 1999. She serves as the director of sales and marketing for Team Telcom, an East Lansing, Michigan telemarketing firm. Ms. Hutting has held numerous positions in both Kentucky and Michigan State governments including executive assistant to Michigan Governor James Blanchard, chief of staff for State Senator Jim Berryman, and communications analyst for House Speaker Curtis Hertel. She also served as operations director of the Michigan Democratic Party.

William R. White, 46, is vice chair of the FHLBank of Indianapolis, and he served in that position in 1999. He is the chairman and president of Dearborn Federal Savings Bank, Dearborn, Michigan. Before his current appointment, Mr. White served the bank in the positions of president, executive vice president, and treasurer. Mr. White is a certified public accountant, having worked 13 years with Deloitte & Touche, L.L.P., primarily serving financial institution clients. He is involved in many professional and community organizations, including: Michigan League of Community Banks, Dearborn Chamber of Commerce, West Dearborn Downtown Development Authority, Henry Ford Community College Foundation Board, Financial Managers Society, and the President's Advisory Council for Henry Ford Museum and Greenfield Village.

Douglas J. Timmerman, 59, chairman of the FHLBank of Chicago, was elected to a three-year term as a director beginning on January 1, 1998. Mr. Timmerman is the chairman, president, and chief executive officer of Anchor BanCorp Wisconsin Inc., Madison, Wisconsin. He is also a director of the Wisconsin Bankers Association, a trustee of the University of Wisconsin Research Park, and a director of Chorus Communications, a southwest Wisconsin telephone holding company. Mr. Timmerman served as vice chair of the FHLBank of Chicago in 1999.

Mindy W. Turbov, 43, vice chair of the FHLBank of Chicago, was appointed to a three-year term as director beginning on January 1, 1998. 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 1999.

Dale J. Torpey, 54, chair of the board of the FHLBank of Des Moines was first elected to the board in 1996. He is the president and chief executive officer of Community State Bank in West Branch, Iowa. Mr. Torpey has been very active with the Independent Community Bankers of America servings on its Operations Committee and as chair of its Lending Subcommittee. Mr. Torpey has served on several committees for the Iowa Bankers Association and has taught classes at the Iowa School of Banking. He has served on several civic boards including the Kirkwood College Foundation and the Tipton Economic Development Corporation.

Anthony J. Scallon, 54, was chair of the FHLBank of Des Moines in 1999. He has been a community interest director and chair of the board of the FHLBank of Des Moines since 1994. Mr. Scallon works to create alternative schools, including charter schools, with a focus on transitioning students from school to careers and work. He is currently a work experience coordinator for Independent School District #197, Mendota Heights, Minnesota, and a founder and member of the board of directors of the Minnesota Transitions Charter School. Mr. Scallon served on the Minneapolis City Council for 13 years and was commissioner of the Minneapolis Community Development Agency. He is an active member of the Longfellow Neighborhood Group focusing on loans for housing rehabilitation and neighborhood improvement.

Linda R. Cottington, 51, began her term as vice chair of the FHLBank of Des Moines in January 2000. Ms. Cottington is the vice president, Strategic Planning and Business Development for Mercy Health Network, Des Moines, Iowa. She was formerly a partner with Watson Wyatt Worldwide and the regional managing director of consulting for Deloitte & Touche, Des Moines, Iowa. Ms. Cottington's community service includes being a member of the board of directors of the Greater Des Moines Partnership and serving as a member of the City of Des Moines Strategic Planning Committee. She was first appointed to the board in 1995.

Curtis L. Hage, 54, was vice chair of the FHLBank of Des Moines in 1999. He is chairman, president, and chief executive officer of HF Financial Corp. and its subsidiaries, including Home Federal Savings Bank, Sioux Falls, South Dakota. Mr. Hage has been affiliated with Home Federal Savings Bank since 1968. A past president of the South Dakota Savings League, he has served as chair of the Community Appeals Committee of the Sioux Falls Chamber of Commerce and is a past chair of the Evangelical Lutheran Good Samaritan Society. Mr. Hage currently serves on the board of directors of America's Community Banks and is the current chair of the Council of Federal Home Loan Banks. He has served as a director of the FHLBank of Des Moines since 1994.

Henry Flores, 44, 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 principal with Flores, Elizondo and Associates, a company that specializes in real estate development, public/private investment partnerships, tax-credit syndication, and property management. Before this position, he served as the executive director of the Texas Department of Housing and Community Affairs. Mr. Flores also serves on the executive boards of the Austin Housing

Authority, Texas Housing Finance Corporation, National Housing Trust, and was a founding member and first president of the National Hispanic Housing Council.

George W. Mitchell, 56, is vice chair of the FHLBank of Dallas and served in that position in 1999. 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 includes: 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, 49, is chair of the FHLBank of Topeka and president and chief executive officer of Golden Belt Bank, FSA, Hays, Kansas. He joined Golden Belt Bank in 1973 after graduating from Fort Hays State University. He began serving as president and CEO the following year. He is past chairman of the Heartland Community Bankers Association and serves on the board of directors of the Ellis County Economic Development Corp.

Paul Barru, 74, is vice chair of the FHLBank of Topeka. 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.

Richard C. Berg, 62, served as vice chair of the FHLBank of Topeka in 1999. He is chairman and chief executive officer of the First National Bank of Ordway, Ordway, Colorado. He is a graduate of the University of North Dakota, Grand Forks. Following graduation he joined the investment department of Northwestern National Life Insurance Co. in Minneapolis. After that he worked for the U.S. Office of the Comptroller of the Currency in Denver as a national bank examiner. He later worked for Cherry Creek National Bank, Commercial Bancorporation of Colorado and Colfax National Bank before joining the First National Bank of Ordway. Berg has served as a director of the Colorado Bankers Association and has been a member of the Colorado governor's task force to restructure the Colorado Division of Banking. Mr. Berg was elected to the FHLBank of Topeka board of directors in 1996.

Mary Lee Widener, 61, is chair of the FHLBank of San Francisco, and she served in that position in 1999. She is president 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 PMI Group, Inc., the Social Compact, the S. H. Cowell Foundation, and the advisory board of the Pew Partnership for Civic Change. She also is trustee emeritus of the San Francisco Foundation and Partners for Livable Communities.

J. Lance Erikson, 56, is vice chair of the FHLBank of San Francisco. He is an officer of Washington Mutual Bank, 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.

Robert N. Barone, 55, was vice chair of the FHLBank of San Francisco in 1999. He is currently director of First Security Bank of Nevada. Before the merger of Comstock Bank/Bankcorp and First Security Bank/Bankcorp in 1999, he was chairman of the board and chief executive officer of Comstock, a position he held since 1984. Mr. Barone holds a Ph.D. in Economics from Georgetown University and was an associate professor of finance at the University of Nevada, Reno. Mr. Barone is a director of the California State Automobile Association, which serves Northern California, Nevada, and Utah. He is also a member of the Reno South Rotary Club.

Michael P. Radway, 46, is chair of the FHLBank of Seattle, and he served in that position in 1999. From 1997 through 1998, Mr. Radway served as the legislative director to two senior members of the House Banking Committee (Rep. Norman D'Amours and Rep. Paul Kanjorksi). In the 103rd Congress, he also served as the deputy staff director of the Subcommittee on Economic Growth and Credit Formation. In the last two Congresses, he served as the Democratic professional staff of the Subcommittee on Capital Markets, Securities, and Government Sponsored Enterprises. A native of Hanover, New Hampshire, he graduated cum laude from Yale University with distinction in political science.

Kerry K. Killinger, 50, is vice chair of the FHLBank of Seattle, and he served in that position in 1999. 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 Savings 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 Modernization 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.

FHLBank Presidents. Each FHLBank president is responsible to that FHLBank's board of directors. The FHLBank presidents' responsibilities include the management of the FHLBank, the administration of the FHLBank's programs and of System objectives set forth in the 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 1999:

Michael A. Jessee, 53, has been president of the FHLBank of Boston since June 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, 53, 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, 59, has been president of the FHLBank of Pittsburgh since November 1987. Before that, he spent 25 years with Mellon Bank, N.A., serving as the senior vice president, finance; as vice president and manager, corporate financial planning and control; and in various management positions within the finance department.

Raymond R. Christman, 50, 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, 62, has been president of the FHLBank of Cincinnati since January 1976. Before that, he spent 12 years with the FHLBank of Cincinnati as the executive vice president; senior vice president; vice president, director of research; and economist. Mr. Thiemann also worked as an economist with the Federal Reserve Bank of St. Louis, where he served as an advisor to the president and the board of directors.

Martin L. Heger, 54, 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, 56, has been president of the FHLBank of Chicago since October 1991. Before that, he was a visiting scholar at the Federal Reserve Bank of St. Louis and served as president and chief executive officer at the Community Federal Savings and Loan Association in St. Louis; president of Marine Bank, Milwaukee; and senior vice president of Continental Illinois National Bank, where he served in various capacities in Europe and the United States.

Patrick J. Conway, 49, became president of the FHLBank of Des Moines in October 1999. Before that, he served as executive vice president of finance and banking for the FHLBank of San Francisco. Mr. Conway joined the FHLBank of San Francisco in 1975 and held a variety of finance and management positions before being named executive vice president. Earlier, Mr. Conway spent six years with Merrill Lynch.

George M. Barclay, 65, has been president of the FHLBank of Dallas since November 1987. Before that, he served for four years as that FHLBank's senior and executive vice president for financial operations and member services. He previously spent 13 years with Carondelet Savings and Loan Association in St. Louis and seven years with the National Biscuit Company in various capacities.

Frank A. Lowman, 60, 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, 52, 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, 56, has served as president of the FHLBank of Seattle since February 1, 1999. Before that he served as the FHLBank's executive vice president. Mr. Rice was mayor of Seattle from 1990 through 1997.

Managing Director, Office of Finance. John K. Darr, 55, 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.

Finance Board Regulations Governing the Selection and Compensation of FHLBank Employees

Before the enactment of the Modernization 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, which are described below.

The Modernization Act devolved responsibility for FHLBank employee compensation to the FHLBanks by removing the requirement that the Finance Board must approve FHLBank employee compensation. As a result of the amendment of the Bank Act, the Finance Board rescinded its compensation regulation effective for compensation years starting after December 21, 1999. The discussion in this section describes the rules in effect through December 31, 1999.

Selection of FHLBank Employees. The FHLBanks may hire officers and employees without prior Finance Board approval. The Finance Board prohibits the FHLBanks from entering into employment contracts with their employees.

Compensation of FHLBank Employees. Each FHLBank may set the base salary of its president, subject to a salary cap established annually by the Finance Board. The Finance Board's regulations provide for the salary cap for each FHLBank president to be 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 five percent and rounded to the nearest $5,000. The Finance Board established salary caps for the FHLBank presidents for 1997 through 1999 based on nationwide salary survey data.

In addition to base salary, each FHLBank may 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 must be based on the extent to which the FHLBank meets 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 must include 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 may 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 may 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 must be reasonable and comparable with the base salaries and incentive compensation of employees of other FHLBanks and other similar businesses (including financial institutions) with similar duties and responsibilities.

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

Federal Home Loan Bank Presidents

1999 Base Salary Caps and Maximum Total Compensation

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

(1) 125 percent of Base Salary Cap.

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

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

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

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

Federal Home Loan Bank Presidents

1998 Base Salary Caps and Maximum Total Compensation

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

(1) 125 percent of Base Salary Cap.

In January 1997, the Finance Board amended its regulation governing the selection and compensation of FHLBank employees and established the requirements for base salary caps and limitations on total compensation. In 1997, no employee's base salary could exceed the base salary of the president, and no employee could be paid an incentive award, expressed as a percentage of base salary, greater than the president's incentive payment opportunity, expressed as a percentage of base salary.

The following table shows the 1997 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

1997 Base Salary Caps and Maximum Total Compensation

Bank	President	Base Salary Cap	Maximum Total Compensation(2)
Boston	Michael A. Jessee	$290,000(1)	$362,500
New York	Alfred A. DelliBovi	$310,000	$387,500
Pittsburgh	James D. Roy	$295,000	$368,750
Atlanta	Paul D. Hill	$315,000	$393,750
Cincinnati	Charles L. Thiemann	$300,000(1)	$375,000
Indianapolis	Martin L. Heger	$275,000	$343,750
Chicago	Alex J. Pollock	$285,000(1)	$356,250
Des Moines	Thurman C. Connell	$305,000	$381,250
Dallas	George M. Barclay	$290,000	$362,500
Topeka	Frank A. Lowman	$265,000	$331,250
San Francisco	Dean M. Schultz	$345,000	$431,250
Seattle	James R. Faulstich	$285,000(1)	$356,250

(1) Actual base salary as recommended by the FHLBank's board of directors exceeded the Finance Board's salary cap. Since base salary recommendations were considered at the same time the Finance Board set the salary caps, the Finance Board determined that the board of director's salary recommendation would be "grandfathered" with the condition that the base salary would not be increased until the salary cap set by the Finance Board exceeded the 1997 base salary.

(2) 125 percent of Base Salary Cap.

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

The Finance Board exercises similar supervisory and examination authority over the Office of Finance and the Office of Finance board of directors that it exercises over an FHLBank and its board of directors. Finance Board regulations governing the Office of Finance make selection and employment of the managing director of the Office of Finance (managing director) a responsibility of the Office of Finance board of directors subject to Finance Board approval.

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

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

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

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

Amendments to the compensation plan in 1996, which affected the 1997 incentive awards, provided that the managing director's incentive award must be based on numerically expressed performance targets established by the Office of Finance board of directors that must illustrate an improvement in performance over the prior year or illustrate extraordinary achievement. Additionally, the maximum award was reduced to 31.25 percent of base salary.

The following table presents information on the compensation of the FHLBank presidents and the managing director of the Office of Finance for 1999, 1998, and 1997.

		Annual Compensation			Long Term Compensation			
					Awards		Payouts	
Name and Principal Position	Year	Salary	Incentive Payment ($)	Other Annual Compensation ($) (1)	Restricted Stock Awards ($)	Securities Underlying Options/ SARs (#)	LTIP Payouts ($)	All Other Compensation ($) (2)
Michael A. Jessee	1999	335,600	95,650					26,609 (3) (4)
President, FHLBank	1998	315,000	78,750					23,988 (3) (4)
of Boston	1997	303,400	59,100					24,666 (3) (4)
Alfred A. DelliBovi	1999	345,000	86,250					23,011 (5) (6)
President, FHLBank	1998	315,000	78,750					20,974 (5) (6)
of New York	1997	302,100	65,828					15,885 (5) (6)
James D. Roy	1999	337,296	93,954					25,381 (7)
President, FHLBank	1998	308,022	85,728					23,415 (7)
of Pittsburgh	1997	286,530	82,220					22,067 (7)
Raymond R. Christman	1999	162,500	53,125					1,181 (7)
President, FHLBank								
of Atlanta (8)								
Charles L. Thiemann	1999	345,000	86,250					26,152 (7)
President, FHLBank	1998	315,000	78,750					23,513 (7)
of Cincinnati	1997	307,206	67,794					24,227 (7)
Martin L. Heger	1999	312,338	108,352					18,740 (7)
President, FHLBank	1998	289,198	102,217					17,352 (7)
of Indianapolis	1997	265,304	78,446					15,918 (7)
Alex J. Pollock	1999	397,500	112,500					21,000 (7)
President, FHLBank	1998	315,000	79,000					19,000 (7)
of Chicago	1997	285,282	70,968					17,112 (7)
Patrick J. Conway	1999	169,869	82,500					9,422 (7)
President, FHLBank								
of Des Moines (9)								
George M. Barclay	1999	307,912	76,496					18,484 (7)
President, FHLBank	1998	267,500						16,065 (7)
of Dallas	1997	255,000						15,050 (7)
Frank A. Lowman	1999	287,750	99,763					20,758 (7)
President, FHLBank	1998	257,500	56,967					18,700 (7)
of Topeka	1997	249,375	54,164					17,303 (7)
Dean M. Schultz	1999	360,000	99,100					28,478 (7)
President, FHLBank	1998	345,000	74,500					20,700 (7)
of San Francisco	1997	329,000	90,000					19,740 (7)
Norman B. Rice	1999	270,833	54,200					4,419 (7)
President, FHLBank	1998	166,667	36,468					
of Seattle (10)								
John K. Darr	1999	330,000	101,250					25,172 (7)
Managing Director,	1998	305,231	89,531					23,263 (7)
Office of Finance	1997	283,936	82,519					21,991 (7)

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

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

(3) Includes $24,861, $22,446, and $23,294 in contributions or other allocations made by the FHLBank to qualified and/or non-qualified vested and unvested defined contribution plans in 1999, 1998, and 1997, and $1,748, $1,542, and $1,372 in insurance premiums paid by, or on behalf of, the FHLBank with respect to term life insurance for the benefit of the president in 1999, 1998, and 1997.

(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 (5) above. The benefits under the Benefit Equalization Plan are reported below.

(5) Includes $20,700, $18,900, and $14,350 in contributions or other allocations made by the FHLBank to qualified and/or non-qualified vested and unvested contribution plans in 1999, 1998, and 1997, and $2,311, $2,074, and $1,535 in insurance premiums paid by, or on behalf of, the FHLBank with respect to term life insurance for the benefit of the president in 1999, 1998, and 1997.

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

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

(8) Mr. Christman became president of the FHLBank of Atlanta on July 1, 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. Rice became president of the FHLBank of Seattle on February 1, 1999. Before that, he served as executive vice president beginning March 1, 1998.

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

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

The following tables show estimated annual benefits payable from FIRF and BEP combined upon retirement at age 65 and calculated in accordance with the formula currently in effect for specified years-of-service and remuneration classes for the FHLBank presidents participating in both plans and the managing director of the Office of Finance. The table for the president of the FHLBank of Dallas shows estimated annual benefits payable from FIRF only. Retirement benefits are not subject to any offset provision for Social Security benefits that are received in the defined-benefit plans. Following each table, the formula for calculating annual benefits, the credited years of service for each president and the managing director as of December 31, 1999, and any other information relevant to understanding the table are set forth.

President, FHLBank of Boston

Remuneration	15	20	25	30	35
	Years of Service				
$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, 1999, is 22 years, 10 months.
- The regular form of retirement benefits is a straight-life annuity including a lump-sum retirement death benefit.

President, FHLBank of New York

Remuneration	15	20	25	30	35
	Years of Service				
$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, 1999, is 6 years, 8 months.
- The regular form of retirement benefits is a straight-life annuity with a death benefit equal to 12 times the annual retirement allowance less the sum of such allowance payments made before death.

President, FHLBank of Pittsburgh

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 salary.
- Compensation covered includes annual base salary plus incentive compensation without regard to IRS limitations.
- Estimated credited years of service as of December 31, 1999, is 12 years, 1 month.
- The regular form of retirement benefits provides a life annuity; 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.
- Includes salary and incentive compensation.
- Credited years of service as of December 31, 1999, is 6 months.
- The regular form of retirement benefits is a straight-life annuity including a lump-sum retirement death benefit.

President, FHLBank of Cincinnati

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

- Formula: 2.5 percent x years of benefit service x high three-year average salary.
- Salary is defined as the basic annual salary rate plus overtime and incentive. Salary is recognized annually on a paid basis versus an earned basis.
- Credited years of service as of December 31, 1999, is 34 years, 8 months.
- The regular form of retirement benefits is a straight-life annuity including a lump-sum retirement death benefit.

President, FHLBank of Indianapolis

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

- Formula: 2.5 percent x years of benefit service x high three-year average compensation.
- The remuneration covered by the plan includes salary, bonus, and any other compensation, that is reflected on the Internal Revenue Service Form W-2 (exclusive of any compensation deferred from a prior year).
- Credited years of service as of December 31, 1999, is 18 years, 8 months.
- The retirement benefits are computed on a straight-life annuity basis.

President, FHLBank of Chicago

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

- Formula: 2.25 percent x years and months of benefit service x high three-year average salary.
- Salary equals basic annual salary rate plus overtime and incentives.
- Estimated credited years of service as of December 31, 1999, is 7 years, 9 months.
- The regular form of retirement benefits is a straight-life annuity including a lump-sum retirement death benefit.

President, FHLBank of Des Moines

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

- Formula: 2.25 percent x years of benefit service x high three-year average compensation.
- The compensation covered by each plan is base salary plus incentive compensation (as paid in a calendar year).
- Estimated credited years of service as of December 31, 1999, is approximately 20 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
$275,000	$ 76,500	$102,000	$127,500	$153,000	$153,000
$300,000	$ 76,500	$102,000	$127,500	$153,000	$153,000
$400,000	$ 76,500	$102,000	$127,500	$153,000	$153,000
$450,000	$ 76,500	$102,000	$127,500	$153,000	$153,000
$500,000	$ 76,500	$102,000	$127,500	$153,000	$153,000

- Formula: 3 percent x years of service x high three-year average salary.
- Salary equals W-2 earnings up to the maximum IRS compensation limit, which is currently $170,000. The plan limits the maximum years of benefit service to 30 years.
- Estimated credited years of service as of December 31, 1999, is 16 years, 8 months.
- 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
$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, 1999, is 9 years, 8 months.
- FIRF and BEP benefits are computed based on a straight-life annuity with 10 years certain. There are no benefit offsets other than that the BEP benefit is based on a total benefit less the applicable FIRF benefit.

President, FHLBank of San Francisco

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

Before January 1, 1996, the FHLBank of San Francisco participated in the Financial Institutions Retirement Fund ("FIRF"), a qualified pension plan. Effective December 31, 1995, the FHLBank of San Francisco withdrew from the 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 before January 1, 1996 (the "frozen FIRF benefit account"), including the president. The FIRF benefits were based on the highest three-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-year average pay, calculated as of December 31, 1995 (the "annuity ratio"). At December 31, 1995, the FHLBank of San Francisco president's annuity ratio was 22 percent. Upon retirement, the employee will receive benefits equal to his or her highest three-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 the president terminated his service at the FHLBank as of December 31, 1999, with approximately 15 years of service, his pension annuity payments would be $94,666 per year beginning in 2012 (at age 65), which is equal to his highest three-year average pay of $430,300 multiplied by 22 percent. The annuity payments would be paid from the frozen FIRF benefit account ($48,005 annual annuity) with the remainder paid from the transition benefit account under the Benefit Equalization Plan. If he continues his service at the FHLBank until he reaches age 65 and assuming: (i) he receives an annual base salary of $360,000 for 1999 and incentive pay of $74,500 in 1999 (earned in 1998); 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 13 years until the year 2012, his annuity payment would be $174,770 per year.

The cash balance account provides the president with benefits consisting of a service credit equal to 6 percent of his 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. He may withdraw this amount in a lump sum or convert the amount into an annuity. He will have a balance of $124,855 in his cash balance account as of December 31, 1999. If he terminated his service at the FHLBank as of December 31, 1999, and annuitized his cash balance account, his annuity payments would be $23,713 per year beginning in 2012. If he continues his service at the FHLBank until he reaches age 65 and assuming: (i) he receives an annual base salary of $360,000 for 1999 and incentive pay of $74,500 in 1999 (earned in 1998); 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 13 years until the year 2012, his annuity payments would be $87,907 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.
- Estimated credited years of service as of December 31, 1999, is 1 year, 7 months.
- The regular form of retirement benefit is a straight-life annuity including a lump-sum retirement death benefit, which is 12 times the annual retirement allowance less the sum of such allowance payments made before death.

Managing Director, Office of Finance

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

- Formula: 2.25 percent x years of benefit service x high three-year average compensation.
- For years before 1998, compensation is defined as base salary as defined by FIRF. For 1998 and 1999, compensation includes base salary and incentive compensation.
- Estimated credited years of service as of December 31, 1999, is 12 years, 4 months.
- The regular form of retirement benefit is a straight-life annuity including a lump-sum retirement death benefit.

FEDERAL HOME LOAN BANKS

INDEX TO COMBINED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT ACCOUNTANTS

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

In our opinion, the accompanying combined statements of condition and the related combined statements of income, of capital, and of cash flows present fairly, in all material respects, the combined financial position of the Federal Home Loan Banks (the FHLBanks) at December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States. These combined financial statements are the responsibility of the management of the Federal Housing Finance Board and the FHLBanks; our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States and *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Also, in accordance with those standards and as part of our audit of the combined financial statements, we issued separate reports on internal controls and on compliance with laws and regulations. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

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 29, 2000

FEDERAL HOME LOAN BANKS

COMBINED STATEMENTS OF CONDITION
(In millions of dollars)

	December 31, 1999	December 31, 1998
ASSETS		
Cash and due from banks (Note 2)	$ 4,047	$ 686
Interest-bearing deposits in banks	9,956	4,718
Securities purchased under resale agreements	2,754	3,988
Federal funds sold (Note 3)	56,984	47,208
Investments:		
Held-to-maturity securities (Note 3)	97,159	77,142
Available-for-sale securities (Note 4)	4,572	4,137
Advances (Note 5)	395,747	288,189
Mortgage loans (Note 7)	2,027	966
Less: allowance for credit losses on mortgage loans	1	
Mortgage loans, net	2,026	966
Accrued interest receivable	9,380	6,317
Bank premises and equipment, net	98	149
Other assets	489	502
Total assets	$583,212	$434,002
LIABILITIES		
Deposits (Note 8):		
Demand and overnight	$ 15,151	$ 21,712
Term	1,478	2,590
Other	452	520
Total deposits	17,081	24,822
Borrowings:		
Securities sold under repurchase agreements (Note 9)	543	647
Other		336
Total borrowings	543	983
Consolidated obligations (Note 10):		
Discount notes	141,249	115,555
Bonds	384,170	261,160
Total consolidated obligations	525,419	376,715
Accrued interest payable	9,804	6,439
Affordable Housing Program (Note 6)	520	455
Payable to REFCORP (Note 11)	75	75
Other liabilities	755	1,761
Total liabilities	554,197	411,250
Commitments and contingencies (Notes 6, 10, 11, 13 and 15)		
CAPITAL		
Capital stock ($100 par value)—issued and outstanding shares: 283,605 in 1999 and 222,896 in 1998 (Note 11)	28,361	22,287
Retained earnings—Subject to restrictions (Note 11)	660	468
Accumulated other comprehensive loss:		
Unrealized net losses on available-for-sale securities (Note 4)	(6)	(3)
Total capital	29,015	22,752
Total liabilities and capital	$583,212	$434,002

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

FEDERAL HOME LOAN BANKS

COMBINED STATEMENTS OF INCOME
(In millions of dollars)

	For the Years Ended December 31, 1999	1998	1997
INTEREST INCOME			
Advances	$17,721	$13,155	$ 9,981
Interest-bearing deposits in banks	445	248	299
Securities purchased under resale agreements	177	212	241
Federal funds sold	2,620	2,842	2,840
Investments:			
Held-to-maturity securities	5,193	4,792	4,458
Available-for-sale securities	262	205	206
Trading securities			1
Mortgage loans	88	18	
Other	14	6	4
Total interest income	26,520	21,478	18,030
INTEREST EXPENSE			
Consolidated obligations	23,043	18,198	15,401
Deposits	910	1,137	836
Securities sold under repurchase agreements	24	3	9
Other borrowings	9	24	12
Total interest expense	23,986	19,362	16,258
NET INTEREST INCOME BEFORE LOAN LOSS PROVISION	2,534	2,116	1,772
Loan loss provision	1		
NET INTEREST INCOME AFTER LOAN LOSS PROVISION	2,533	2,116	1,772
OTHER INCOME			
Prepayment fees, net	13	80	26
Service fees	43	52	49
Realized net losses from sale of available-for-sale securities			(1)
Unrealized gain (loss) on change in fair value of interest-rate exchange agreements associated with the elimination of interbank bonds	24	(30)	52
Other, net	27	17	(14)
Total other income	107	119	112
OTHER EXPENSE			
Operating expenses	282	258	229
Assessments	29	28	24
Affordable Housing Program	199	169	137
Other	3	2	
Total other expenses	513	457	390
INCOME BEFORE EXTRAORDINARY ITEM	2,127	1,778	1,494
Extraordinary gain (loss) on early extinguishment of debt	1		(2)
NET INCOME	$ 2,128	$ 1,778	$ 1,492

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, 1999, 1998, AND 1997
(In millions of dollars)

	Capital Stock						
	Shares (In millions)	Par Value	Restricted	Unrestricted	Total Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Capital
BALANCE, DECEMBER 31, 1996	165	$16,540	$33	$ 309	$ 342	$(7)	$16,875
Proceeds from sale of capital stock	42	4,195					4,195
Redemption of capital stock	(24)	(2,431)					(2,431)
Comprehensive income:							
Net income				1,492	1,492		1,492
Other comprehensive income:							
Net unrealized gain on available-for-sale securities						4	4
Total comprehensive income							1,496
Transfers			(15)	15			
Dividends on capital stock:							
Cash				(661)	(661)		(661)
Stock	6	529		(529)	(529)		
Capital distribution to REFCORP				(300)	(300)		(300)
BALANCE, DECEMBER 31, 1997	189	18,833	18	326	344	(3)	19,174
Proceeds from sale of capital stock	59	6,064					6,064
Redemption of capital stock	(31)	(3,212)					(3,212)
Comprehensive income:							
Net income				1,778	1,778		1,778
Total comprehensive income							1,778
Transfers			59	(59)			
Dividends on capital stock:							
Cash				(752)	(752)		(752)
Stock	6	602		(602)	(602)		
Capital distribution to REFCORP				(300)	(300)		(300)
BALANCE, DECEMBER 31, 1998	223	22,287	77	391	468	(3)	22,752
Proceeds from sale of capital stock	88	8,851					8,851
Redemption of capital stock	(35)	(3,478)					(3,478)
Comprehensive income:							
Net income				2,128	2,128		2,128
Other comprehensive loss:							
Net unrealized loss on available-for-sale securities						(3)	(3)
Total comprehensive income							2,125
Transfers			(8)	8			
Dividends 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

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

FEDERAL HOME LOAN BANKS

COMBINED STATEMENTS OF CASH FLOWS
(In millions of dollars)

	For the Years Ended December 31,		
	1999	1998	1997
OPERATING ACTIVITIES			
Net income	$ 2,128	$ 1,778	$ 1,492
Extraordinary (gain) loss on early extinguishment of debt	(1)		2
Income before extraordinary item	2,127	1,778	1,494
Adjustments to reconcile income before extraordinary item to net cash provided by operating activities:			
Depreciation and amortization:			
Net premiums and discounts on consolidated obligations, investments, and interest-rate exchange agreements	3,283	3,499	2,613
Concessions on consolidated obligations	120	145	117
Deferred losses (gains) on interest-rate exchange agreements, net	15	3	(70)
Bank premises and equipment	12	15	17
Other			(2)
Provision for credit losses on mortgage loans	1		
Loss due to change in net mark to market adjustment for interest-rate exchange agreements	9		
Gain on disposal of bank premises and equipment	(5)		
Net realized losses on available-for-sale securities			1
Decrease in accrued interest receivable	(2,946)	(1,122)	(1,127)
(Decrease) increase in other assets	(281)	(58)	6
Increase in Affordable Housing Program (AHP) liability and discount on AHP advances	64	70	55
Increase in accrued interest payable	3,329	1,066	1,036
(Decrease) increase in other liabilities	(537)	616	(141)
Total adjustments	3,064	4,234	2,505
Net cash provided by operating activities	5,191	6,012	3,999
INVESTING ACTIVITIES			
Net (increase) decrease in interest-bearing deposits in banks	(5,238)	3,312	(1,665)
Net (increase) decrease in federal funds sold	(9,687)	6,726	(16,410)
Net decrease (increase) in securities purchased under resale agreements	1,234	(1,016)	1,967
Net (increase) decrease in short-term held-to-maturity securities	(3,260)	2,901	3,319
Net decrease in trading securities			47
Proceeds from sales of long-term held-to-maturity securities	8	242	5
Purchases of long-term held-to-maturity securities	(40,868)	(47,772)	(27,386)
Proceeds from maturities of long-term held-to-maturity securities	24,806	42,403	22,222
Proceeds from sales of available-for-sale securities	303	325	231
Purchases of available-for-sale securities	(43,759)	(57,754)	(6,996)
Proceeds from maturities of available-for-sale securities	43,119	55,386	10,180
Principal collected on advances	2,469,535	939,607	791,098

	For the Years Ended December 31,		
	1999	1998	1997
Advances made	$(2,577,096)	$(1,025,853)	$ (832,005)
Principal collected on mortgage loans	110	27	
Mortgage loans made	(1,166)	(956)	(37)
Principal collected on other loans	1		4
Decrease (increase) in bank premises and equipment	65	(15)	(11)
Net cash used in investing activities	(141,893)	(82,437)	(55,437)
FINANCING ACTIVITIES			
Net (decrease) increase in deposits	(7,739)	6,875	229
Net (decrease) increase in securities sold under repurchase agreements	(105)	405	(16)
Net (decrease) increase in other borrowings	(336)	80	(30)
Net proceeds from sale of consolidated obligations:			
Bonds	244,700	284,375	165,423
Discount notes	2,883,705	2,275,824	1,963,163
Payments for maturing and retiring consolidated obligations:			
Bonds	(122,854)	(241,889)	(129,107)
Discount notes	(2,861,458)	(2,250,973)	(1,949,198)
Proceeds from issuance of capital stock	8,849	6,064	4,197
Payments for redemption of capital stock	(3,480)	(3,212)	(2,430)
Cash dividends paid	(919)	(751)	(660)
Distribution to REFCORP	(300)	(300)	(300)
Net cash provided by financing activities	140,063	76,498	51,271
Net increase (decrease) in cash and cash equivalents	3,361	73	(167)
Cash and cash equivalents at beginning of year	686	613	780
Cash and cash equivalents at end of year	$ 4,047	$ 686	$ 613
Supplemental Disclosures:			
Interest paid during the year	$ 19,166	$ 17,060	$ 14,049
Stock dividends issued during the year	$ 701	$ 602	$ 529

The accompanying notes are an integral part of these 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). Each FHLBank is a Federally chartered corporation that is exempt from all Federal, State, and local taxation except real property taxes. The FHLBanks and the Office of Finance, operating under the supervision of the Federal Housing Finance Board (Finance Board), compose the Federal Home Loan Bank System (Bank System or System). The Bank System serves the public by enhancing the availability of credit for residential mortgages and community investment. It provides a readily available, low-cost source of funds to its member institutions. The FHLBanks are cooperatives whose member institutions own the capital stock of each FHLBank and receive dividends on their investment. All members must purchase stock in their district FHLBank. Each FHLBank has its own management, employees, and board of directors.

The Finance Board, an independent agency in the executive branch of the United States Government, supervises and 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.

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

Note 1—Summary of Significant Accounting Policies

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

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

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

Investments. The FHLBanks carry at cost investments for which they have both the ability and intent to hold to maturity, adjusted for the amortization of premiums and accretion of discounts using a method that approximates the level-yield method. In addition, the FHLBanks adjust the carrying value of these investments for the unamortized costs of, and deferred gains and losses from, associated interest-rate exchange agreements.

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

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

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

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

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

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

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

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

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

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

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

Interest-rate exchange agreements, which are not designated to an underlying financial instrument, are used as part of the Bank's asset-liability management. These interest-rate exchange agreements are included in other assets and other liabilities and measured at fair value in the statements of condition. Changes in fair value and realized gains and losses on these interest-rate exchange agreements are recognized in income in the period incurred and classified in other income.

Premises and Equipment. The FHLBanks state premises and equipment at cost less accumulated depreciation and amortization of approximately $98 million and $149 million at December 31, 1999 and 1998. The FHLBanks compute depreciation on the straight-line method over the estimated useful lives of assets ranging from 1 to 50 years. They amortize leasehold improvements on the straight-line basis over the shorter of the estimated useful life of the improvement or the remaining term of the lease. The FHLBanks capitalize improvements and major renewals but expense ordinary maintenance and repairs when incurred. The FHLBanks include gains and losses on disposal of premises and equipment in other income.

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

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

Capital Distributions to Resolution Funding Corporation. For years up through 1999, the FHLBanks charged the annual capital distribution to Resolution Funding Corporation (REFCORP) directly to retained earnings. Beginning with 2000, the FHLBanks will expense the annual contribution to REFCORP (see Note 11).

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

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

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

Reclassifications. Certain amounts in the 1998 and 1997 combined financial statements have been reclassified to conform with the year end 1999 presentation. Most of these reclassifications reflect a Finance Board policy adopted on June 24, 1998, to have the financial statements conform, to the greatest extent practicable as determined by the Finance Board, to the disclosure standards of the Securities and Exchange Commission.

Recently Issued Accounting Standards. In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS 133). In June 1999, the FASB issued SFAS No. 137, *Accounting for Derivative Instruments and Hedging Activities — Deferral of the Effective Date of FASB Statement No. 133,* that amends SFAS 133, deferring its effective date to all fiscal quarters of all fiscal years beginning after June 15, 2000 (January 1, 2001 for the FHLBanks). On March 3, 2000, the FASB issued an exposure draft of a proposed statement of financial accounting standards "Accounting for Certain Derivative Instruments and Certain Hedging Activities" an amendment of SFAS 133. The exposure draft seeks to clarify certain aspects of SFAS 133. 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 the derivative instrument 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. The effect of the impending adoption of SFAS 133 on the System is still unknown.

Note 2—Cash and Due from Banks

Compensating Balances. The FHLBanks maintain collected cash balances with commercial banks in return for certain services. These agreements contain no legal restrictions about the withdrawal of funds. The average compensating balances for the years ended December 31, 1999 and 1998, were approximately $46.7 million and $40.0 million.

In addition, the FHLBanks maintained average required clearing balances with various Federal Reserve Banks and branches of approximately $105.4 million and $98.2 million for the years ended December 31, 1999 and 1998. These are required clearing balances 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 $41.0 million and $109.4 million as of December 31, 1999 and 1998. The FHLBanks include member reserve balances in "other liabilities" on the statements of condition.

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

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

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

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

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

Major Security Types. Held-to-maturity securities as of December 31, 1998, were as follows (in millions):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury obligations	$ 432	$ 6	$	$ 438
Commercial paper	6,901	2		6,903
U.S. agency obligations	12,005	416	(23)	12,398
State or local housing agency obligations	1,882	41	(11)	1,912
Other	194			194
	21,414	465	(34)	21,845
Mortgage-backed securities	55,664	656	(102)	56,218
	77,078	1,121	(136)	78,063
Deferred losses (deferred gains) on terminated or redesignated interest-rate exchange agreements	1		(1)	
	77,079	1,121	(137)	78,063
Associated interest-rate exchange agreements, net	63	52	(728)	(613)
Total	$77,142	$1,173	$(865)	$77,450

Federal funds sold as of December 31, 1998, which are separately classified on the statements of condition, were as follows (in millions):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Federal funds sold	$47,208	$2	$	$47,210
Associated interest-rate exchange agreements, net		5		5
Total	$47,208	$7	$	$47,215

Redemption Terms. The amortized cost and estimated fair value of held-to-maturity securities, excluding associated interest-rate exchange agreements, as of December 31, 1999 and 1998, by contractual maturity, are shown below (in millions). Expected maturities of some securities and mortgage-backed securities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment fees.

	1999		1998	
Year of Maturity	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	$10,753	$10,754	$ 8,285	$ 8,283
Due after one year through five years	5,891	5,762	4,328	4,449
Due after five through ten years	3,372	3,232	3,493	3,570
Due after ten years	5,388	4,988	5,275	5,510
	25,404	24,736	21,381	21,812
Mortgage-backed securities	71,688	70,007	55,697	56,251
Total	$97,092	$94,743	$77,078	$78,063

The amortized cost of the FHLBanks' mortgage-backed securities classified as held-to-maturity includes net discounts of $1,541 million and $3 million at December 31, 1999 and 1998.

Interest-Rate Payment Terms. The following table details additional interest-rate payment terms for investment securities classified as held-to-maturity and interest-rate exchange agreements associated with these securities at December 31, 1999 and 1998 (in millions):

	1999	1998
Amortized cost of held-to-maturity securities other than mortgage-backed securities:		
Fixed-rate	$23,812	$17,898
Variable-rate	1,592	3,483
	25,404	21,381
Amortized cost of held-to-maturity mortgage-backed securities:		
Pass-through securities:		
Fixed-rate	12,644	12,727
Variable-rate	5,023	7,100
Collateralized mortgage obligations:		
Fixed-rate	41,254	27,480
Variable-rate	12,767	8,390
	71,688	55,697
Total	$97,092	$77,078
Notional principal of interest-rate exchange agreements by class type associated with held-to-maturity securities:		
Interest-rate swaps	$12,056	$12,877
Interest-rate caps purchased	6,739	5,211
Interest-rate floors purchased	2,268	2,192
Other	465	765
Total	$21,528	$21,045

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

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

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

Note 4—Available-for-Sale Securities

Available-for-sale securities consisted primarily of U.S. Treasury obligations, commercial paper, U.S. agency obligations, and mortgage backed securities at December 31, 1999 and 1998. These securities as of December 31, 1999, and December 31, 1998, had a total amortized cost of $4,570 million and $4,140 million, including associated interest-rate exchange agreements. The estimated fair values including associated interest-rate exchange agreements for 1999 and 1998 were $4,572 million and $4,137 million. The FHLBanks realized no gains on the sale of available-for-sale securities for 1999, 1998, and 1997. The FHLBanks realized no gross losses on the sale of available-for-sale securities in 1999, 1998, and $1.1 million in 1997. The notional amount of interest-rate exchange agreements associated with available-for-sale securities totaled $1,669 million and $1,335 million as of December 31, 1999 and 1998.

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

Note 5—Advances

Redemption Terms. At both December 31, 1999 and 1998, the FHLBanks had advances outstanding, including AHP advances (see Note 6), at interest rates ranging from 0 percent to 12.90 percent, as summarized below (in millions). Advances with interest rates of 0 percent are AHP-subsidized advances.

	1999		1998	
Year of Maturity	Amount	Weighted Average Interest Rate	Amount	Weighted Average Interest Rate
Overdrawn demand deposit accounts	$ 135		$ 101	
1999			110,418	5.32%
2000	196,655	5.73%	45,943	5.48
2001	43,982	5.94	21,163	5.41
2002	27,215	5.89	19,289	5.63
2003	27,056	5.46	31,018	5.26
2004	26,799	5.75	3,030	5.75
Thereafter	73,301	5.45	55,253	5.27
Index amortizing advances	641	6.36	1,727	6.14
Total par value	395,784	5.69	287,942	5.36
Unamortized commitment fees	(2)		(2)	
Discount on AHP advances	(39)		(37)	
Other Loans			280	
Deferred net loss on terminated interest-rate exchange agreements			2	
	395,743		288,185	
Associated interest-rate exchange agreements, net	4		4	
Total	$395,747		$288,189	

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

Many of the FHLBanks' advances are callable at the member's option. However, the FHLBanks charge a prepayment fee when members or nonmember mortgagees terminate certain advances. Members may repay other advances on pertinent dates (call dates) without incurring prepayment fees (callable advances). At December 31, 1999 and 1998, the FHLBanks had callable advances outstanding totaling $13,102 million and $19,015 million.

The following table summarizes advances at December 31, 1999 and 1998, by year of maturity or next call date for callable advances (in millions):

Year of Maturity or Next Call Date	1999	1998
Overdrawn demand deposit accounts	$ 133	$ 100
1999		122,272
2000	208,695	39,163
2001	39,947	20,073
2002	25,646	18,713
2003	25,979	29,964
2004	25,568	2,248
Thereafter	69,175	53,682
Index amortizing advances	641	1,727
Total par value	$395,784	$287,942

The FHLBanks also offer convertible advances. With a convertible advance, the FHLBank effectively purchases a put option from the member that allows the FHLBank to convert the advance from fixed to floating rate if interest rates increase or to terminate the advance and extend additional credit on new terms. At December 31, 1999 and 1998, the FHLBanks had convertible advances outstanding totaling $85,568 million and $81,261 million.

The following table summarizes advances at December 31, 1999 and 1998, by year of maturity or next put date (in millions):

Advances by Year of Maturity or Next Put Date	1999	1998
Overdrawn demand deposit accounts	$ 133	$ 100
1999		158,654
2000	234,759	52,811
2001	54,208	25,709
2002	26,216	8,512
2003	27,161	26,852
2004	18,356	1,887
Thereafter	34,310	11,690
Index amortizing advances	641	1,727
Total par value	$395,784	$287,942

Security Terms. The individual FHLBanks lend to financial institutions involved in housing finance within their districts according to Federal statutes, including the Act. The 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. After the Finance Board adopts new collateral rules and the FHLBanks adopt new collateral policies, 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. The 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, 1999 and 1998, 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 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 since the System was founded, nor does the management of any FHLBank anticipate any credit losses on advances. Accordingly, the FHLBanks have not provided any allowances for losses on advances.

The FHLBanks' potential credit risk from advances is concentrated in commercial banks and savings institutions. At year end 1999, 61 members held advances that exceeded $1 billion. As of December 31, 1999, the FHLBanks had advances of $232.3 billion outstanding to these 61 members, and this represented 58.7 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 and the notional amount of interest-rate exchange agreements associated with advances at December 31, 1999 and 1998 (in millions):

	1999	1998
Par amount of advances:		
Fixed-rate	$260,978	$212,643
Variable-rate	134,806	75,299
Total	$395,784	$287,942
Notional principal of interest-rate exchange agreements by class type associated with advances:		
Interest-rate swaps	$139,383	$125,222
Interest-rate caps purchased	592	563
Interest-rate floors purchased	340	440
Other	420	290
Total	$140,735	$126,515

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

Prepayment Fees. During 1999, 1998, and 1997, the FHLBanks charged members prepayment fees when they prepaid the principal on certain advances before original maturity. Further, some of these advances had associated interest-rate exchange agreements. Upon termination of these advances, the FHLBanks either terminated or marked-to-market the associated interest-rate exchange agreements, and netted the resulting gains or losses (see Note 13) with the prepayment fees on the statements of income. The FHLBanks received prepayment fees, net of gains or losses on associated interest-rate exchange agreements, of $14 million, $80 million, and $26 million during the years ended December 31, 1999, 1998, and 1997. The corresponding principal amount prepaid during these same years was $5,030 million, $12,535 million, and $5,530 million.

Note 6—Affordable Housing Program

Section 10(j) of the Act requires each FHLBank to establish an AHP. Each FHLBank provides subsidies to members who use the funds to assist the purchase, construction, or rehabilitation of housing for very low-, low-, and moderate-income households. In 1999, approximately 94 percent of AHP subsidies awarded were direct grants. The AHP liability represents funds accrued in 1999 to be awarded in 2000 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 charges for REFCORP) (see Note 11). The FHLBanks charge the amount set aside to income and recognize it as a liability. As members use subsidies, the FHLBanks relieve the AHP liability. If the result of the aggregate 10 percent calculation described above is less than $100 million, then the 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 either 1999 or 1998.

Note 7—Mortgage Loans

The FHLBanks hold single-family mortgage loans that are originated, credit-enhanced, and serviced by members. The Finance Board has placed a System-wide cap of $9 billion of loans outstanding under such programs. The Finance Board has also authorized different and much smaller mortgage loan purchase programs at the FHLBanks of New York, Atlanta, and Seattle. The following table presents information as of December 31, 1999 and 1998 on mortgage loans held by all FHLBanks under all four programs (in millions):

	1999	1998
Real Estate:		
Fixed 15-year single-family mortgages	$ 430	$295
Fixed 30-year single-family mortgages	1,363	653
Multifamily mortgages	231	11
Nonresidential mortgages		1
Unamortized premiums	(2)	6
Defined loan costs, net	5	
Total mortgage loans	$2,027	$966

	1999	1998
Allowance for credit losses		
Provision for credit losses	$ 1	
Balance, end of year	$ 1	

At year end 1999, the FHLBanks had no investments in impaired loans.

Note 8—Deposits

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

The following table shows the notional amount of interest-rate exchange agreements associated with deposits at December 31, 1999 and 1998 (in millions):

	1999	1998
Notional principal of interest-rate exchange agreements by class type associated with deposits:		
Interest-rate swaps:	$	$
Interest-rate caps purchased		150
Other		125
Total	$	$275

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

Note 9—Borrowings

Securities Sold Under Agreements to Repurchase. Certain FHLBanks have entered sales of securities under agreements to repurchase. The amounts received under these agreements represent short-term borrowings and are liabilities on the statements of condition. The FHLBanks have delivered securities sold under agreements to repurchase to the primary dealer. Should the market value of the underlying securities fall below the market value required as collateral, the FHLBanks must deliver additional securities to the dealer.

Note 10—Consolidated Obligations

Consolidated obligations are the joint-and-several obligations of the FHLBanks and consist of consolidated bonds and discount notes. The Finance Board issues consolidated bonds through the Office of Finance primarily to raise intermediate- and long-term funds for the FHLBanks. Usually, the maturity of consolidated bonds ranges from 1 year to 10 years, but they are not subject to any statutory or regulatory limits on maturity. The Finance Board, through the Office of Finance, issues 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 $529,005 million and $382,105 million at December 31, 1999 and 1998. 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. In addition, effective January 29, 1993, Finance Board regulations generally prohibit the issuance of senior bonds, other than bonds issued to refund consolidated bonds previously issued, if, immediately following such issuance, the aggregate amount of senior bonds and unsecured senior liabilities of the FHLBanks exceeds 20 times the total paid-in capital stock, retained earnings, and reserves of all the FHLBanks.

To allow the FHLBanks to provide additional Year 2000-related credit to their members, the Finance Board has temporarily increased the leverage limit for both individual FHLBanks and the FHLBank System to 25 to 1 through June 30, 2000. For an FHLBank to exceed the 20 to 1 leverage limit, its net liquidity (defined as total investments less mortgage-backed securities, pilot program assets, member deposits, member capital investment in the FHLBank, and binding advances commitments) cannot exceed 12 percent of outstanding consolidated obligations for which that FHLBank is the primary obligor. (See "Business—Debt Financing—Consolidated Obligations.")

At December 31, 1999 and 1998, the ratio of total Bank System debt to total Bank System capital, as defined, was 19.1 to 1 and 17.9 to 1, and, accordingly, the Bank System met this regulation at December 31, 1999 and 1998.

To provide the holders of consolidated obligations issued before January 29, 1993 (prior bondholders), the protection equivalent to that provided under the Bank System's previous leverage limit of 12 times Bank System 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, 1999 and 1998, the Bank System's capital stock was 5.5 percent and 5.6 percent of the par value of consolidated obligations outstanding, and the SAA balance was approximately $67 million and $152 million. Further, the regulations require each FHLBank to transfer Qualifying Assets in the amount of its allocated share of the System's SAA to a trust for the benefit of the prior bondholders if its capital-to-assets ratio falls below 2 percent.

General Terms. The Finance Board issues consolidated obligations with 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 1997, the Finance Board issued consolidated bonds whose interest rate varies according to changes in the Consumer Price Index (CPI). 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 options. When the Finance Board issues such consolidated obligations, the FHLBanks enter interest-rate exchange agreements containing offsetting features that effectively convert the terms of the bond to those of a simple variable-rate bond or a fixed-rate bond.

These 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, 1999 and 1998, 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) that the FHLBank may redeem in whole or in part at its discretion on predetermined call dates according to terms of bond offerings. Callable bonds may be priced at or close to par or at a deep discount (zero-coupon bonds).

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

- Step-up bonds generally pay interest at increasing fixed rates for specified intervals over the life of the bond. These bonds generally contain provisions enabling the FHLBanks to call bonds at their option on the step-up dates;
- Inverse floating bonds have coupons that increase as an index declines and decrease as an index rises;
- Conversion bonds have coupons that the FHLBank may convert from fixed to floating, or floating to fixed, or from one U.S. or other currency index to another, at its discretion;
- Range bonds pay interest at variable rates provided a specified index is within a specified range. The computation of the variable interest rate differs for each bond issue, but the bond generally pays zero interest if the specified index is outside the specified range; and
- Comparative index bonds have coupon rates determined by the difference between two or more market indices, typically CMT and LIBOR.

Redemption Terms. The following is a summary of consolidated bonds outstanding at December 31, 1999 and 1998, by year of maturity (in millions):

	1999		1998	
Year of Maturity	Amount	Weighted Average Interest Rate	Amount	Weighted Average Interest Rate
1999			$ 63,172	5.42%
2000	$118,704	5.36%	31,077	5.52
2001	63,206	5.58	35,947	5.72
2002	44,896	5.70	22,425	6.03
2003	40,775	5.66	42,511	5.65
2004	38,761	6.22	15,047	6.40
Thereafter	91,647	6.39	60,395	6.28
Index amortizing notes	3,383	6.11	4,488	6.16
Total par value	401,372	5.79	275,062	5.81
Concessions	(80)		(93)	
Bond premium	43		16	
Bond discount	(17,294)		(13,853)	
Forward exchange contracts associated with bonds denominated in foreign currencies	177		90	
Deferred net losses (gains) on terminated interest-rate exchange agreements	2		(4)	
	384,220		261,218	
Bonds held in treasury	(80)		(83)	
Associated interest-rate exchange agreements	30		25	
Total	$384,170		$261,160	

Consolidated bonds outstanding at December 31, 1999 and 1998, include callable bonds totaling $184,952 million and $149,493 million. The FHLBanks use fixed-rate callable debt to finance callable advances (see Note 5) and mortgage-backed securities. Contemporaneous with such a debt issue, an FHLBank may also enter an interest-rate swap (in which the FHLBank pays variable and receives fixed) with a call feature that mirrors the option embedded in the debt (a sold callable swap). The combined sold callable swap and callable debt allows an FHLBank to provide members attractively priced variable-rate advances, while converting its own payment to a variable rate.

	1999	1998
Par amount of consolidated bonds:		
Non-callable/nonputable	$217,731	$127,840
Callable	183,032	146,619
Putable	609	603
Total par value	$401,372	$275,062

The following table summarizes consolidated bonds outstanding at December 31, 1999 and 1998, by year of maturity or next call date (in millions):

Year of Maturity or Next Call Date	1999	1998
1999		$167,640
2000	$255,629	40,541
2001	57,583	18,004
2002	29,314	7,864
2003	21,568	19,145
2004	11,266	2,930
Thereafter	22,634	14,163
Index Amortizing Notes	3,378	4,775
Total par value	$401,372	$275,062

Interest-Rate Payment Terms. The following table details interest-rate payment terms for consolidated bonds and the notional amount of interest-rate exchange agreements associated with consolidated bonds at December 31, 1999 and 1998 (in millions). Range bonds are classified as comparative-index bonds.

	1999	1998
Par amount of consolidated bonds:		
Fixed rate	$329,583	$231,034
Step-up	4,149	2,710
Simple variable-rate	33,599	19,742
Inverse floating rate	500	496
Fixed that converts to variable	1,273	1,033
Variable that converts to fixed	180	106
Comparative-index	1,451	1,198
Zero-coupon	24,464	18,150
Other	6,173	593
Total par value	$401,372	$275,062

	1999	1998
Notional principal of interest-rate exchange agreements by class type associated with consolidated obligations:		
Interest-rate swaps	$323,050	$219,798
Interest-rate caps purchased	1,637	5,859
Interest-rate floors purchased	205	1,045
Forward and futures contracts	13	245
Other	4	41
	$324,909	$226,988

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

Bonds Denominated in Foreign Currencies. The Finance Board issues consolidated bonds denominated in foreign currencies. Concurrent with these issuances, 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, 1999 and 1998, 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, 1999 and 1998, are as follows (in millions):

	Amount Denominated in Foreign Currency		Year of Maturity	Par in Dollars	Interest Rate
	1999	1998			
German Marks	1,000	1,000	2000	$717.4	6.00%
British Pounds	400	400	2003	677.2	5.63

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

	Book Value	Par Value	Weighted Average Interest Rate
December 31, 1999	$141,249	$142,477	5.12%
December 31, 1998	$115,555	$116,276	5.11%

The Act authorizes the Secretary of the Treasury, in 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, 1999.

Extraordinary Item—Early Extinguishment of Debt. During 1999, 1998, and 1997, the FHLBanks extinguished 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 extinguishment of the debt. The FHLBanks extinguished consolidated bonds with net gains (losses) on associated interest-rate exchange agreements of $1.8 million, $0.4 million, and $(2.2) million for the years ended December 31, 1999, 1998, and 1997. The corresponding principal retired for these three years was $2,307 million, $16,654 million, and $8,051 million.

Note 11—Capital

The Act requires members 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.

Members may withdraw from membership and redeem their capital six months after giving notice to do so. Before the passage of the Federal Home Loan Bank System Modernization Act (Modernization Act) in November 1999, Federal savings associations regulated by the Office of Thrift Supervision were mandatory members. The Modernization Act made membership totally voluntary and allows these members to withdraw from membership after May 12, 2000. All newly chartered Federal savings associations are voluntary members. Members that withdraw from membership may not re-apply for membership for 5 years.

Finance Board regulations require the FHLBanks to retain in restricted retained earnings the portion of prepayment fee income that, if prorated over the maturity of the advances prepaid, would be allocated to future dividend periods. The FHLBanks can treat certain other gains and losses similarly, such as those from the early retirement of consolidated obligations. Finance Board policy allows the FHLBanks to pay quarterly dividends from unrestricted retained earnings. An FHLBank may pay dividends in cash or capital stock, as authorized by the FHLBank's board of directors.

The Modernization Act changed the form of the FHLBanks' obligation to REFCORP. For years up through 1999, the FHLBanks paid $300 million annually to fund part of the interest on REFCORP debt. Before paying dividends, each FHLBank had to pay up to 20 percent of its net income after AHP contributions to meet this obligation. If 20 percent of net income was less than the $300 million assessment in any year, the Bank Act allocated the shortfall among all FHLBanks based on the percentage equal to the ratio of each FHLBank's average advances to insured depository institutions, which are Savings Association Insurance Fund (SAIF) members, to the Bank System's total average advances to SAIF-insured members. If the initial 20 percent assessment calculation exceeded the required $300 million, the $300 million was allocated among the FHLBanks based on their net income after their AHP contribution to the System net income after AHP contributions. There was no shortfall in 1999 or 1998.

Beginning with 2000, each FHLBank will contribute to REFCORP 20 percent of its net earnings (after AHP contributions). This will continue until the aggregate amount of payments by all the FHLBanks are equivalent to the value of a $300 million annual annuity whose final maturity date is April 15, 2030. Instead of treating the REFCORP contribution as a capital charge, beginning with 2000 the FHLBanks will expense their REFCORP contributions. If the FHLBanks' REFCORP payment in 1999 been determined using the formula for years 2000 and later, the 1999 payment would have been $425.6 million instead of $300 million.

Note 12—Employee Retirement Plans

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

The FHLBanks, except for the FHLBanks of Atlanta and Seattle, also participate in the Financial Institutions Thrift Plan, a defined-contribution plan. The FHLBanks of Atlanta and Seattle have similar defined-contribution plans. The FHLBanks' contributions are equal to a percentage of participants' compensation and a matching contribution equal to a percentage of voluntary employee contributions, subject to certain limitations. The FHLBanks contributed $4.6 million, $4.2 million, and $4.1 million in the years ended December 31, 1999, 1998, and 1997.

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.

Note 13—Interest-Rate Exchange Agreements

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

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

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

The contractual or notional amount of interest-rate exchange agreements reflects the involvement of an FHLBank in the various classes of financial instruments. The notional amount of interest-rate exchange agreements does not measure the credit-risk exposure of an FHLBank, and 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, 1999 and 1998, the FHLBanks' maximum credit risk, as defined above, was approximately $2,073 million and $1,665 million. These totals include $1,031 million and $1,079 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 with a fair value of $991 million and $730 million as collateral as of December 31, 1999 and 1998.

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

Note 14 presents the notional principal, amortized costs, and estimated fair values by class type of all interest-rate exchange agreements outstanding at December 31, 1999 and 1998. Notes 3, 4, 5, 8, and 10 discuss the notional principal by class type of designated interest-rate exchange agreements associated with held-to-maturity securities, available-for-sale securities, advances, deposits, and consolidated obligations outstanding at December 31, 1999 and 1998.

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, and (3) purchases consolidated obligations of other FHLBanks that have interest-rate exchange agreements associated with them either by the FHLBank that issued the bond or by the FHLBank that purchased the bond.

The following table summarizes at December 31, 1999 and 1998, the notional principal of interest-rate exchange agreements by class type in which the FHLBanks are intermediaries (in millions):

	1999	1998
Interest-rate swaps	$2,087	$2,802
Interest-rate caps purchased	374	297
Interest-rate floors purchased		18
Interest-rate caps sold	281	296
Interest-rate floors sold		18
Total	$2,742	$3,431

Income Effect. The effect of the FHLBanks' interest-rate exchange agreements for the years ended December 31, 1999, 1998 and 1997, was to (decrease) increase interest income, interest expense, other net income and net extraordinary item as follows (in millions):

	1999	1998	1997
Interest income:			
Advances to members	$ 85	$ 121	$ 10
Securities purchased under resale agreements	(4)	(4)	
Federal funds	1		
Held-to-maturity securities	(147)	(95)	(71)
Available-for-sale securities	(13)	(2)	22
Interest expense:			
Consolidated obligations	(1,312)	(1,070)	(1,077)
Deposits	(1)		1
Other income:			
Prepayment fees (see Note 5)	1	(8)	(5)
Sale of available-for-sale securities	8		
Unrealized net (losses) gains on redesignation of interest-rate exchange agreements	(2)		(20)
Realized net gains on sales of interest-rate exchange agreements not associated with an underlying financial instrument	(19)	2	(3)
Change in net mark-to-market adjustment for interest-rate exchange agreements in which the FHLBanks are intermediaries			(1)
Net extraordinary item (see Note 10)	1	1	(2)

Note 14—Estimated Fair Values

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

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

Advances to members 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.

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

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

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

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

Commitments. The estimated fair value of the FHLBanks' commitments to extend credit, including letters of credit, was immaterial at December 31, 1999 and 1998.

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

The carrying value of all the FHLBanks' financial instruments at December 31, 1999 and 1998, except available-for-sale securities and interest-rate exchange agreements in which an FHLBank is an intermediary, is amortized cost. The carrying value of available-for-sale securities and interest-rate exchange agreements in which the FHLBanks are an intermediary at December 31, 1999 and 1998, is estimated fair value. The amortized cost and estimated fair values of the FHLBanks' financial instruments at December 31, 1999, are as follows (in millions):

1999 FAIR VALUE SUMMARY TABLE

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

1999 FAIR VALUE SUPPLEMENTAL TABLE

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

The amortized cost and estimated fair values of the FHLBanks' financial instruments at December 31, 1998, are as follows (in millions):

1998 FAIR VALUE SUMMARY TABLE

Financial Instruments	Amortized Cost	Net Unrealized Gains (Losses)	Estimated Fair Value
Assets:			
Cash and due from banks	$ 686	$	$ 686
Interest-bearing deposits in banks	4,718	1	4,719
Securities purchased under resale agreements	3,988	(2)	3,986
Held-to-maturity securities	77,079	984	78,063
Interest-rate exchange agreements associated with held-to-maturity securities	63	(676)	(613)
Held-to-maturity securities, net	77,142	308	77,450
Available-for-sale securities	4,140	99	4,239
Interest-rate exchange agreements associated with available-for-sale securities.		(102)	(102)
Available-for-sale securities, net	4,140	(3)	4,137
Federal funds sold	47,208	7	47,215
Advances	288,185	2,538	290,723
Interest-rate exchange agreements associated with advances to members	4	(1,705)	(1,701)
Advances to members, net	288,189	833	289,022
Mortgage loans, net	966	7	973
Other loans	6		6
Accrued interest receivable	6,317		6,317
Interest-rate exchange agreements used in asset-liability management at market	22		22
Liabilities:			
Deposits	(24,822)		(24,822)
Securities sold under repurchase agreements	(647)		(647)
Other borrowings	(336)	(1)	(337)
Consolidated obligations:			
Bonds	(261,135)	(1,942)	(263,077)
Discount notes	(115,589)	(26)	(115,615)
Interest-rate exchange agreements associated with consolidated obligations	9	628	637
Consolidated obligations, net	(376,715)	(1,340)	(378,055)
Accrued interest payable	(6,439)		(6,439)
Other:			
Interest-rate exchange agreements in which the FHLBanks are intermediaries	(3)	4	1
Standby letters of credit	1	4	5

1998 FAIR VALUE SUPPLEMENTAL TABLE

Total by Class Type of All Interest-rate Exchange Agreements	Notional Amount	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Interest-rate swaps:					
Non-cancelable:					
FHLBanks pay fixed, receive variable	$ 48,790	$ (87)	$ 56	$ (755)	$ (786)
FHLBanks pay variable, receive fixed	59,536	(17)	609	(136)	456
FHLBanks pay variable, receive variable	47,766	29	294	(323)	
Cancelable by counterparty:					
FHLBanks pay fixed, receive variable	87,027	(33)	91	(1,669)	(1,611)
FHLBanks pay variable, receive fixed	110,279	(19)	554	(284)	251
FHLBanks pay variable, receive variable	6,007	2	4	(27)	(21)
Cancelable by FHLBank:					
FHLBanks pay fixed, receive variable	2,936	(25)	10	(88)	(103)
FHLBanks pay variable, receive fixed					
FHLBanks pay variable, receive variable	314	12		(11)	1
Subtotal	362,655	(138)	1,618	(3,293)	(1,813)
Interest-rate caps purchased	13,088	93	4	(67)	30
Interest-rate floors purchased	4,647	39	38		77
Interest-rate caps sold	485	(3)	2		(1)
Interest-rate floors sold	18				
Forward and futures contracts	245				
Other	1,283	2	1	(5)	(2)
Total	$382,421	$ (7)	$1,663	$(3,365)	$(1,709)

Note 15—Commitments and Contingencies

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

Commitments that legally bind and unconditionally obligate the FHLBanks for additional advances totaled approximately $3,260 million and $11,583 million at December 31, 1999 and 1998. Commitments generally are for periods up to 12 months. Outstanding standby letters of credit were approximately $4,520 million and $3,955 million at December 31, 1999 and 1998. 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 in the same way as advances to members (see Note 5).

The FHLBanks generally execute interest-rate exchange agreements with major banks and broker-dealers and generally enter bilateral collateral agreements. As of December 31, 1999, the FHLBanks had pledged as collateral securities of $1,466 million to broker-dealers who have market-risk exposure from the FHLBanks related to interest-rate exchange agreements.

The FHLBanks charged to operating expenses net rental costs of approximately $16 million, $14 million, and $12 million for the years ending December 31, 1999, 1998, and 1997. Future minimum rentals at December 31, 1999, are as follows (in millions):

Year	Premises	Equipment	Total
2000	$ 14	$2	$ 16
2001	13	1	14
2002	12	1	13
2003	11		11
2004	10		10
Thereafter	68	—	68
Total	$128	$4	$132

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, 1999
(In millions of dollars)

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

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

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CONDITION
DECEMBER 31, 1998
(In millions of dollars)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
ASSETS						
Cash and due from banks	$ 686		$ 6	$ 35	$ 281	$ 75
Interest-bearing deposits in banks	4,718			2,645	50	142
Securities purchased under resale agreements	3,988		150			
Federal funds sold	47,208		7,807	2,540	2,344	4,630
Investments:						
Held-to-maturity securities	77,142	$(4,480)	6,279	7,045	6,714	10,179
Available-for-sale securities	4,137	(910)			1,010	
Advances	288,189		15,419	31,517	26,050	33,561
Advances participated other FHLBanks					(280)	
Mortgage loans, net	966			6	5	17
Loans to other FHLBanks		(375)		200		75
Accrued interest receivable	6,317	(153)	398	406	663	907
Bank premises and equipment, net	149		3	6	10	31
Other assets	502	(24)	14	7	38	13
Total assets	$434,002	$(5,942)	$30,076	$44,407	$36,885	$49,630
LIABILITIES						
Deposits:						
Demand and overnight	$ 21,712		$ 1,652	$ 2,620	$ 2,086	$ 3,620
Term	2,590		105	356	68	310
Other	520		14	7	118	169
Total deposits	24,822		1,771	2,983	2,272	4,099
Borrowings:						
Other FHLBanks		$ (375)				
Securities sold under repurchase agreements	647					
Other	336					
Total borrowings	983	(375)				
Consolidated obligations:						
Discount notes	115,555		12,760	21,987	3,060	3,280
Bonds	261,160	(5,390)	13,568	16,785	28,882	38,109
Total consolidated obligations	376,715	(5,390)	26,328	38,772	31,942	41,389
Accrued interest payable	6,439	(153)	388	236	604	1,082
Affordable Housing Program	455		22	54	31	66
Payable to REFCORP	75		4	8	6	8
Other liabilities	1,761		33	28	207	559
Total liabilities	411,250	(5,918)	28,546	42,081	35,062	47,203
CAPITAL						
Capital stock outstanding ($100 par value)	22,287		1,499	2,288	1,755	2,350
Retained earnings (subject to restrictions)	468	(24)	31	38	72	77
Accumulated other comprehensive income:						
Unrealized net (losses) gains on available-for-sale securities	(3)				(4)	
Total capital	22,752	(24)	1,530	2,326	1,823	2,427
Total liabilities and capital	$434,002	$(5,942)	$30,076	$44,407	$36,885	$49,630

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 14	$ 33	$ 11	$ 86	$ 77	$ 62	$ 3	$ 3
435	120		125		174	402	625
		853	309		100	2,226	350
7,429	3,172	2,266	4,773	1,433	2,450	4,894	3,470
5,626	3,759	5,313	6,070	7,831	4,428	7,974	10,404
2,337	1,700						
17,873	14,388	14,899	18,673	22,191	8,477	63,990	21,151
					280		
	5	930		3			
					50		50
177	295	631	379	549	190	1,522	353
3	10	4	7	2		73	
7	9	18	30	97	1	40	252
$33,901	$23,491	$24,925	$30,452	$32,183	$16,212	$81,124	$36,658
$ 1,324	$ 1,198	$ 3,241	$ 1,271	$ 1,754	$ 1,328	$ 233	$ 1,385
229	15	738	281	6	11	245	226
36	1	175					
1,589	1,214	4,154	1,552	1,760	1,339	478	1,611
			225			150	
				290		150	207
		200	130			6	
		200	355	290		306	207
15,427	6,592	3,824	10,221	6,543	5,978	11,522	14,361
14,421	14,141	14,766	16,271	21,303	7,801	62,439	18,064
29,848	20,733	18,590	26,492	27,846	13,779	73,961	32,425
178	324	625	274	579	175	1,820	307
46	23	23	25	29	19	82	35
9	4	5	7	4	3	11	6
278	14	29	221	105	3	31	253
31,948	22,312	23,626	28,926	30,613	15,318	76,689	34,844
1,907	1,156	1,264	1,498	1,511	860	4,401	1,798
45	23	35	28	59	34	34	16
1							
1,953	1,179	1,299	1,526	1,570	894	4,435	1,814
$33,901	$23,491	$24,925	$30,452	$32,183	$16,212	$81,124	$36,658

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 1999
(In millions of dollars)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
INTEREST INCOME						
Advances	$17,721	$ 8	$1,063	$1,937	$1,584	$2,063
Advances participated other FHLBanks		(8)			4	
Interest-bearing deposits in banks	445			180	42	40
Securities purchased under resale agreements	177		21			
Federal funds sold	2,620		230	122	159	359
Investments:						
Held-to-maturity securities	5,193	(115)	411	520	422	711
Available-for-sale securities	262	(22)	1		70	
Mortgage loans	88			1		3
Loans to other FHLBanks		(4)		3		1
Other	14					
Total interest income	26,520	(141)	1,726	2,763	2,281	3,177
INTEREST EXPENSE						
Consolidated obligations	23,043	(137)	1,492	2,364	1,984	2,664
Deposits	910		61	107	73	178
Borrowings from other FHLBanks		(4)			1	
Securities sold under repurchase agreements	24					
Other borrowings	9		3	2	1	
Total interest expense	23,986	(141)	1,556	2,473	2,059	2,842
NET INTEREST INCOME BEFORE LOAN LOSS PROVISION	2,534		170	290	222	335
Loan loss provision	1					
NET INTEREST INCOME AFTER LOAN LOSS PROVISION	2,533		170	290	222	335
OTHER INCOME						
Prepayment fees, net	13		2	3		1
Service fees	43		1	7	14	3
Unrealized gain on change in fair value of interest-rate exchange agreements associated with the elimination of interbank bonds	24	24				
Other, net	27					1
Total other income	107	24	3	10	14	5
OTHER EXPENSE						
Operating expenses	282		21	30	33	26
Assessments	29		2	3	2	3
Affordable Housing Program	199		13	23	17	27
Other	3					2
Total other expenses	513		36	56	52	58
INCOME BEFORE EXTRAORDINARY ITEM	2,127	24	137	244	184	282
Extraordinary gain on early extinguishment of debt	1					
NET INCOME	$ 2,128	$ 24	$ 137	$ 244	$ 184	$ 282

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$1,204	$ 882	$ 871	$1,055	$1,246	$ 637	$3,970	$1,201
					4		
49	11		9	2	9	68	35
	2	23	11			111	9
443	180	137	241	131	132	355	131
365	262	352	338	456	288	525	658
127	86						
	1	82	1				
				14			
2,188	1,424	1,465	1,655	1,849	1,070	5,029	2,034
1,928	1,229	1,128	1,443	1,624	916	4,628	1,780
56	45	168	46	69	42	12	53
			3				
	1			11	1	2	9
1	1			1			
1,985	1,276	1,296	1,492	1,705	959	4,642	1,842
203	148	169	163	144	111	387	192
		1					
203	148	168	163	144	111	387	192
4				1		2	
1	6	1	4	3	1	1	1
1	3	1			1	17	3
6	9	2	4	4	2	20	4
17	18	24	21	27	13	39	13
3	2	2	2	2	1	5	2
16	12	12	12	10	9	32	16
		1					
36	32	39	35	39	23	76	31
173	125	131	132	109	90	331	165
						1	
$ 173	$ 125	$ 131	$ 132	$ 109	$ 90	$ 332	$ 165

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 1998
(In millions of dollars)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
INTEREST INCOME						
Advances	$13,155	$	$ 787	$1,249	$1,211	$1,618
Advances participated other FHLBanks		(1)				
Interest-bearing deposits in banks	248			83	4	8
Securities purchased under resale agreements	212		40			
Federal funds sold	2,842		367	367	128	274
Investments:						
Held-to-maturity securities	4,792	(354)	342	480	395	638
Available-for-sale securities	205	(19)			34	
Mortgage loans	18					1
Loans to other FHLBanks		(6)		3		1
Other	6		1			
Total interest income	21,478	(380)	1,537	2,182	1,772	2,540
INTEREST EXPENSE						
Consolidated obligations	18,198	(375)	1,311	1,829	1,501	2,081
Deposits	1,137		81	131	95	189
Borrowings from other FHLBanks		(5)				
Securities sold under repurchase agreements	3					
Other borrowings	24		1	2	2	1
Total interest expense	19,362	(380)	1,393	1,962	1,598	2,271
NET INTEREST INCOME	2,116		144	220	174	269
OTHER INCOME						
Prepayment fees, net	80		2	5	2	2
Service fees	52		1	7	13	3
Unrealized loss on change in fair value of interest-rate exchange agreements associated with the elimination of interbank bonds	(30)	(30)				
Other, net	17					1
Total other income	119	(30)	3	12	15	6
OTHER EXPENSE						
Operating expenses	258		18	26	31	28
Assessments	28		2	3	2	3
Affordable Housing Program	169		11	17	13	21
Other	2					2
Total other expenses	457		31	46	46	54
NET INCOME	$ 1,778	$ (30)	$ 116	$ 186	$ 143	$ 221

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 905	$ 715	$ 704	$ 772	$ 885	$386	$2,987	$ 936
					1		
46	40	1	13	14	10	11	18
1		38	5	18	32	68	10
445	190	171	247	111	145	258	139
345	277	377	365	450	335	487	655
137	53						
		17					
			1			1	
				5			
1,879	1,275	1,308	1,403	1,483	909	3,812	1,758
1,629	1,092	957	1,206	1,249	749	3,465	1,504
68	52	214	61	92	61	15	78
	1		3		1		
					1		2
1				16		1	
1,698	1,145	1,171	1,270	1,357	812	3,481	1,584
181	130	137	133	126	97	331	174
27	2	4	6	1	1	25	3
1	6	1	4	4	10	1	1
1	2		2		2	5	4
29	10	5	12	5	13	31	8
16	17	19	15	21	20	35	12
2	2	2	2	2	1	5	2
16	10	10	12	9	8	28	14
34	29	31	29	32	29	68	28
$ 176	$ 111	$ 111	$ 116	$ 99	$ 81	$ 294	$ 154

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 1997
(In millions of dollars)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
INTEREST INCOME						
Advances	$ 9,981		$ 623	$ 976	$ 819	$1,095
Interest-bearing deposits in banks	299		1	62	14	16
Securities purchased under resale agreements	241		24			
Federal funds sold	2,840		282	406	178	240
Investments:						
Held-to-maturity securities	4,458	$(678)	375	455	429	760
Available-for-sale securities	206	(49)			37	
Trading securities	1					
Loans to other FHLBanks		(3)		3		
Other	4		1			
Total interest income	18,030	(730)	1,306	1,902	1,477	2,111
INTEREST EXPENSE						
Consolidated obligations	15,401	(645)	1,120	1,618	1,280	1,732
Deposits	836		51	109	59	138
Borrowings from other FHLBanks		(3)				
Securities sold under repurchase agreements	9					9
Other borrowings	12	(1)	6		1	
Total interest expense	16,258	(649)	1,177	1,727	1,340	1,879
NET INTEREST INCOME	1,772	(81)	129	175	137	232
OTHER INCOME						
Prepayment fees, net	26		1			1
Service fees	49		1	7	11	3
Realized net losses from sale of available-for-sale securities	(1)				(1)	
Unrealized gain on change in fair value of interest-rate exchange agreements associated with the elimination of interbank bonds	52	52				
Other, net	(14)					1
Total other income	112	52	2	7	10	5
OTHER EXPENSE						
Operating expenses	229		17	22	25	23
Assessments	24		2	3	2	3
Affordable Housing Program	137		9	13	10	17
Total other expenses	390		28	38	37	43
INCOME BEFORE EXTRAORDINARY ITEM	1,494	(29)	103	144	110	194
Extraordinary loss on early extinguishment of debt	(2)					(2)
NET INCOME	$ 1,492	$ (29)	$ 103	$ 144	$ 110	$ 192

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 711	$ 603	$ 571	$ 563	$ 597	$332	$2,396	$ 695
78	54	1	22	20	6	9	16
		27	2	9	34	142	3
404	199	143	444	115	124	146	159
281	235	389	443	461	309	431	568
172	46						
							1
				3			
1,646	1,137	1,131	1,474	1,205	805	3,124	1,442
1,445	988	816	1,295	1,020	684	2,811	1,237
41	34	190	43	67	40	11	53
			3				
				4		1	1
1,486	1,022	1,006	1,341	1,091	724	2,823	1,291
160	115	125	133	114	81	301	151
2		1		1		18	2
1	6	1	3	3	11	1	1
	3	(1)	(2)	(1)	1	(16)	1
3	9	1	1	3	12	3	4
14	16	17	12	21	21	29	12
2	1	1	2	1	1	4	2
12	9	9	10	8	6	22	12
28	26	27	24	30	28	55	26
135	98	99	110	87	65	249	129
$ 135	$ 98	$ 99	$ 110	$ 87	$ 65	$ 249	$ 129

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CAPITAL
FOR THE YEARS ENDED DECEMBER 31, 1999, 1998, AND 1997
(In millions of dollars)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
CAPITAL STOCK SHARES						
BALANCE, DECEMBER 31, 1996	165		12	16	12	18
Proceeds from sale of capital stock	42		2	3	8	9
Redemption of capital stock	(24)		(1)		(6)	(7)
Capital stock dividends	6					
BALANCE, DECEMBER 31, 1997	189		13	19	14	20
Proceeds from sale of capital stock	59		2	5	10	8
Redemption of capital stock	(31)			(1)	(7)	(5)
Capital stock dividends	6					
BALANCE, DECEMBER 31, 1998	223		15	23	17	23
Proceeds from sale of capital stock	88		4	8	16	19
Redemption of capital stock	(35)		(1)	(1)	(10)	(9)
Capital stock dividends	8					
BALANCE, DECEMBER 31, 1999	284		18	30	23	33
CAPITAL STOCK—PAR VALUE						
BALANCE, DECEMBER 31, 1996	$16,540		$1,214	$1,586	$1,185	$1,808
Proceeds from sale of capital stock	4,195		226	313	756	864
Redemption of capital stock	(2,431)		(122)	(48)	(553)	(646)
Capital stock dividends	529					
BALANCE, DECEMBER 31, 1997	18,833		1,318	1,851	1,388	2,026
Proceeds from sale of capital stock	6,064		212	492	1,044	843
Redemption of capital stock	(3,212)		(31)	(55)	(677)	(519)
Capital stock dividends	602					
BALANCE, DECEMBER 31, 1998	22,287		1,499	2,288	1,755	2,350
Proceeds from sale of capital stock	8,851		392	788	1,577	1,921
Redemption of capital stock	(3,478)		(62)	(53)	(1,014)	(943)
Capital stock dividends	701					
BALANCE, DECEMBER 31, 1999	$28,361		$1,829	$3,023	$2,318	$3,328

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
14	9	11	12	11	6	31	13
2	2	2	2	4	2	4	2
		(2)	(1)	(3)	(1)	(2)	(1)
1				1	1	2	1
17	11	11	13	13	8	35	15
2	2	5	8	6	1	8	2
(1)	(1)	(3)	(6)	(5)	(1)	(1)	
1				1	1	2	1
19	12	13	15	15	9	44	18
3	2	4	9	4	4	13	2
		(2)	(2)	(2)	(2)	(6)	
2				1	1	3	1
24	14	15	22	18	12	54	21
$1,358	$ 882	$1,075	$1,227	$1,100	$ 641	$3,140	$1,324
247	186	263	234	369	153	349	235
(38)		(201)	(159)	(251)	(80)	(155)	(178)
105				69	50	201	104
1,672	1,068	1,137	1,302	1,287	764	3,535	1,485
191	214	473	836	621	140	781	217
(80)	(126)	(346)	(640)	(472)	(104)	(136)	(26)
124				75	60	221	122
1,907	1,156	1,264	1,498	1,511	860	4,401	1,798
341	280	352	893	446	398	1,294	169
(34)	(17)	(166)	(162)	(247)	(179)	(575)	(26)
147				89	68	254	143
$2,361	$1,419	$1,450	$2,229	$1,799	$1,147	$5,374	$2,084

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 1999, 1998 AND 1997—(Continued)
(In millions of dollars)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
RESTRICTED RETAINED EARNINGS						
BALANCE, DECEMBER 31, 1996	$ 33		$ 3	$ 2	$ 2	$ 2
Transfers (to) from unrestricted retained earnings	(15)		(2)	(1)	(1)	(1)
BALANCE, DECEMBER 31, 1997	18		1	1	1	1
Transfers (to) from unrestricted retained earnings	59			3	1	
BALANCE, DECEMBER 31, 1998	77		1	4	2	1
Transfers (to) from unrestricted retained earnings	(8)		1	(1)		
BALANCE, DECEMBER 31, 1999	$ 69		$ 2	$ 3	$ 2	$ 1
UNRESTRICTED RETAINED EARNINGS						
BALANCE, DECEMBER 31, 1996	$ 309	$ 35	$ 21	$ 28	$ 44	$ 37
Net income	1,492	(29)	103	144	110	192
Transfers (to) from restricted retained earnings	15		2	1	1	1
Dividends on capital stock:						
Cash	(661)		(82)	(115)	(81)	(141)
Stock	(529)					
Capital distributions to REFCORP	(300)		(20)	(28)	(22)	(38)
BALANCE, DECEMBER 31, 1997	326	6	24	30	52	51
Net income	1,778	(30)	116	186	143	221
Transfers (to) from restricted retained earnings	(59)			(3)	(1)	
Dividends on capital stock:						
Cash	(752)		(91)	(147)	(101)	(159)
Stock	(602)					
Capital distributions to REFCORP	(300)		(19)	(32)	(23)	(37)
BALANCE, DECEMBER 31, 1998	391	(24)	30	34	70	76
Net income	2,128	24	137	244	184	282
Transfers (to) from restricted retained earnings	8		(1)	1		
Dividends on capital stock:						
Cash	(935)		(110)	(177)	(132)	(213)
Stock	(701)					
Capital distributions to REFCORP	(300)		(19)	(35)	(26)	(40)
BALANCE, DECEMBER 31, 1999	$ 591	$	$ 37	$ 67	$ 96	$ 105

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 1			$ 1	$ 5		$ 10	$ 7
				(2)		(7)	(1)
1			1	3		3	6
16	$ 1	$ 2	5	1		28	2
17	1	2	6	4		31	8
(10)		(2)	(2)	(1)	$ 1	8	(2)
$ 7	$ 1	$	$ 4	$ 3	$ 1	$ 39	$ 6
$ 18	$ 21	$ 16	$ 18	$ 45	$ 24		$ 2
135	98	99	110	87	65	$ 249	129
				2		7	1
	(79)	(74)	(89)				
(105)				(69)	(50)	(201)	(104)
(27)	(19)	(20)	(22)	(17)	(13)	(49)	(25)
21	21	21	17	48	26	6	3
176	111	111	116	99	81	294	154
(16)	(1)	(2)	(5)	(1)		(28)	(2)
	(91)	(79)	(84)				
(124)				(75)	(60)	(221)	(122)
(29)	(18)	(18)	(22)	(16)	(13)	(48)	(25)
28	22	33	22	55	34	3	8
173	125	131	132	109	90	332	165
10		2	2	1	(1)	(8)	2
	(103)	(92)	(108)				
(147)				(89)	(68)	(254)	(143)
(25)	(18)	(19)	(17)	(16)	(13)	(48)	(24)
$ 39	$ 26	$ 55	$ 31	$ 60	$ 42	$ 25	$ 8

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CAPITAL—(Continued)
FOR THE YEARS ENDED DECEMBER 31, 1999, 1998 AND 1997
(In millions of dollars)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
TOTAL RETAINED EARNINGS						
BALANCE, DECEMBER 31, 1996	$ 342	$ 35	$ 24	$ 30	$ 46	$ 39
Net income	1,492	(29)	103	144	110	192
Dividend on capital stock:						
Cash	(661)		(82)	(115)	(81)	(141)
Stock	(529)					
Capital distributions to REFCORP	(300)		(20)	(28)	(22)	(38)
BALANCE, DECEMBER 31, 1997	344	6	25	31	53	52
Net income	1,778	(30)	116	186	143	221
Dividends on capital stock:						
Cash	(752)		(91)	(147)	(101)	(159)
Stock	(602)					
Capital distributions to REFCORP	(300)		(19)	(32)	(23)	(37)
BALANCE, DECEMBER 31, 1998	468	(24)	31	38	72	77
Net income	2,128	24	137	244	184	282
Dividend 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

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 19	$ 21	$ 16	$ 19	$ 50	$ 24	$ 10	$ 9
135	98	99	110	87	65	249	129
	(79)	(74)	(89)				
(105)				(69)	(50)	(201)	(104)
(27)	(19)	(20)	(22)	(17)	(13)	(49)	(25)
22	21	21	18	51	26	9	9
176	111	111	116	99	81	294	154
	(91)	(79)	(84)				
(124)				(75)	(60)	(221)	(122)
(29)	(18)	(18)	(22)	(16)	(13)	(48)	(25)
45	23	35	28	59	34	34	16
173	125	131	132	109	90	332	165
	(103)	(92)	(108)				
(147)				(89)	(68)	(254)	(143)
(25)	(18)	(19)	(17)	(16)	(13)	(48)	(24)
$ 46	$ 27	$ 55	$ 35	$ 63	$ 43	$ 64	$ 14

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CAPITAL—(Continued)
FOR THE YEARS ENDED DECEMBER 31, 1999, 1998, AND 1997
(In millions of dollars)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
ACCUMULATED OTHER COMPREHENSIVE INCOME						
BALANCE, DECEMBER 31, 1996	$ (7)	$	$	$	$ (6)	$
Other Comprehensive Income:						
Net unrealized gain on available-for-sale securities	4				3	
BALANCE, DECEMBER 31, 1997	(3)				(3)	
Other Comprehensive Income:						
Net unrealized (loss) gain on available-for-sale securities					(1)	
BALANCE DECEMBER 31, 1998	(3)				(4)	
Other Comprehensive Income:						
Net unrealized (loss) gain on available-for-sale securities	(3)		1		1	
BALANCE DECEMBER 31, 1999	$ (6)	$	$ 1	$	$ (3)	$
TOTAL CAPITAL						
BALANCE DECEMBER 31, 1996	$16,875	$ 35	$1,238	$1,616	$ 1,225	$1,847
Proceeds from sale of capital stock	4,195		226	313	756	864
Redemption of capital stock	(2,431)		(122)	(48)	(553)	(646)
Comprehensive income:						
Net Income	1,492	(29)	103	144	110	192
Other Comprehensive Income:						
Net unrealized gain on available-for-sale securities	4				3	
Total Comprehensive Income	$ 1,496	$(29)	$ 103	$ 144	$ 113	$ 192
Dividend on Capital stock:						
Cash	(661)		(82)	(115)	(81)	(141)
Capital distributions to REFCORP	(300)		(20)	(28)	(22)	(38)
BALANCE DECEMBER 31, 1997	$19,174	$ 6	$1,343	$1,882	$ 1,438	$2,078
Proceeds from sale of capital stock	6,064		212	492	1,044	843
Redemption of capital stock	(3,212)		(31)	(55)	(677)	(519)
Comprehensive income:						
Net Income	1,778	(30)	116	186	143	221
Other Comprehensive Income:						
Net unrealized (loss) gain on available-for-sale securities					(1)	
Total Comprehensive Income	$ 1,778	$(30)	$ 116	$ 186	$ 142	$ 221
Dividend on Capital stock:						
Cash	(752)		(91)	(147)	(101)	(159)
Capital distributions to REFCORP	(300)		(19)	(32)	(23)	(37)
BALANCE DECEMBER 31, 1998	$22,752	$(24)	$1,530	$2,326	$ 1,823	$2,427
Proceeds from sale of capital stock	8,851		392	788	1,577	1,921
Redemption of capital stock	(3,478)		(62)	(53)	(1,014)	(943)
Comprehensive income:						
Net Income	2,128	24	137	244	184	282
Other Comprehensive Income:						
Net unrealized (loss) gain on available-for-sale securities	(3)		1		1	
Total Comprehensive Income	$ 2,125	$ 24	$ 138	$ 244	$ 185	$ 282
Dividend on Capital stock:						
Cash	(935)		(110)	(177)	(132)	(213)
Capital distributions to REFCORP	(300)		(19)	(35)	(26)	(40)
BALANCE DECEMBER 31, 1999	$29,015	$	$1,869	$3,093	$ 2,413	$3,434

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ (1)	$	$	$	$	$	$	$
1							
1							
1							
(5)							
$ (4)	$	$	$	$	$	$	$
$1,376	$ 903	$1,091	$1,246	$1,150	$ 665	$3,150	$1,333
247	186	263	234	369	153	349	235
(38)		(201)	(159)	(251)	(80)	(155)	(178)
135	98	99	110	87	65	249	129
1							
$ 136	$ 98	$ 99	$ 110	$ 87	$ 65	$ 249	$ 129
	(79)	(74)	(89)				
(27)	(19)	(20)	(22)	(17)	(13)	(49)	(25)
$1,694	$1,089	$1,158	$1,320	$1,338	$ 790	$3,544	$1,494
191	214	473	836	621	140	781	217
(80)	(126)	(346)	(640)	(472)	(104)	(136)	(26)
176	111	111	116	99	81	294	154
1							
$ 177	$ 111	$ 111	$ 116	$ 99	$ 81	$ 294	$ 154
	(91)	(79)	(84)				
(29)	(18)	(18)	(22)	(16)	(13)	(48)	(25)
$1,953	$1,179	$1,299	$1,526	$1,570	$ 894	$4,435	$1,814
341	280	352	893	446	398	1,294	169
(34)	(17)	(166)	(162)	(247)	(179)	(575)	(26)
173	125	131	132	109	90	332	165
(5)							
$ 168	$ 125	$ 131	$ 132	$ 109	$ 90	$ 332	$ 165
	(103)	(92)	(108)				
(25)	(18)	(19)	(17)	(16)	(13)	(48)	(24)
$2,403	$1,446	$1,505	$2,264	$1,862	$1,190	$5,438	$2,098

FEDERAL HOME LOAN BANKS

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

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

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 173	$ 125	$ 131	$ 132	$ 109	$ 90	$ 332	$ 165
						(1)	
173	125	131	132	109	90	331	165
596	321	271	457	138	215	(130)	549
4	1	8	1	29	1	8	12
			1	(1)		13	1
1	1	1	1	1		2	
(1)		1					
		1					
			8				
						(5)	
(180)	(73)	70	(250)	(178)	(149)	(578)	(261)
(1)	(2)	15	(3)	(303)		26	
12	1	5		2	4	10	
170	88	(51)	186	223	160	787	191
	52	2	(102)	(83)		(15)	4
601	389	323	299	(172)	231	118	496
774	514	454	431	(63)	321	449	661
(261)	(135)		(125)	(200)	119	(1,300)	305
(2,453)	(657)	(904)	(1,902)	(1,015)	(695)	(3,742)	562
	(45)	802	309		100	(332)	250
	431	(830)	(265)	(521)	21	(867)	699
							8
(3,519)	(2,196)	(2,203)	(2,018)	(2,924)	(2,261)	(3,000)	(6,421)
1,908	1,299	1,735	1,425	2,187	1,680	1,614	4,670
	303						
(42,493)	(303)						
42,947	115						
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
(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) increase in other borrowings	(336)					
Net increase (decrease) in loans from other FHLBanks		$ 325				
Net proceeds from sale of consolidated obligations:						
Bonds	244,700	(48)	8,433	28,154	23,129	31,692
Discount notes	2,883,705		180,871	436,946	56,349	34,747
Payments for maturing and retiring consolidated obligations:						
Bonds	(122,854)	996	(3,737)	(8,406)	(9,456)	(13,218)
Discount notes	(2,861,458)		(179,261)	(439,139)	(56,088)	(33,974)
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 during the year	$ 19,166		$ 1,473	$ 2,088	$ 1,631	$ 1,929
Stock dividends issued during the period	$ 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)	
17,454	9,565	9,259	15,001	26,755	10,197	50,946	14,163
628,670	455,549	291,673	123,981	41,865	229,032	159,964	244,058
(7,587)	(5,675)	(6,368)	(6,965)	(15,585)	(2,186)	(36,690)	(7,977)
(624,862)	(453,488)	(289,228)	(125,086)	(45,010)	(229,120)	(140,822)	(245,380)
340	280	351	893	446	398	1,294	169
(34)	(17)	(166)	(162)	(247)	(180)	(576)	(26)
	(103)	(85)	(107)				
(27)	(17)	(19)	(19)	(16)	(12)	(48)	(25)
13,384	5,699	3,940	6,593	7,609	7,439	33,611	4,350
23	(21)	31	95	215	(61)	(2)	1
14	33	11	86	77	62	3	3
$ 37	$ 12	$ 42	$ 181	$ 292	$ 1	$ 1	$ 4
$ 1,222	$ 855	$ 1,079	$ 940	$ 1,688	$ 800	$ 3,810	$ 1,651
$ 147				$ 89	$ 68	$ 254	$ 143

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 1998 (In millions of dollars)

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

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

FEDERAL HOME LOAN BANKS

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

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

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

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 1997
(In millions of dollars)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
OPERATING ACTIVITIES						
Net income	$ 1,492	$ (29)	$ 103	$ 144	$ 110	$ 192
Add extraordinary loss on early extinguishment of debt	2					2
Income before extraordinary item	1,494	(29)	103	144	110	194
Adjustments to reconcile income before extraordinary item to net cash provided by operating activities:						
Depreciation and amortization:						
Net premiums and discounts on consolidated obligations, investments, and interest-rate exchange agreements	2,613		368	12	173	191
Concessions on consolidated obligations	117		2	4	2	30
Deferred (gain) loss on interest-rate exchange agreements, net	(70)					1
Bank premises and equipment	17		1	1	2	2
Other	(2)					
Net realized losses on available-for-sale securities	1				1	
(Increase) decrease in accrued interest receivable	(1,127)	1	(77)	(56)	(166)	(193)
Decrease (increase) in other assets	6	29	(2)	(1)		
Increase in Affordable Housing Program (AHP) liability and discount on AHP advances	55		2	7	6	12
Increase (decrease) accrued interest payable	1,036	(1)	58	14	136	270
(Decrease) increase in other liabilities	(141)		3	9	28	(29)
Total adjustments	2,505	29	355	(10)	182	284
Net cash provided by operating activities	3,999		458	134	292	478
INVESTING ACTIVITIES						
Net (increase) decrease in interest-bearing deposits	(1,665)		(30)		(16)	311
Net (increase) decrease in federal funds sold	(16,410)		(1,960)	(1,807)	(1,312)	(1,745)
Net decrease (increase) in securities purchased under resale agreements	1,967		705			227
Net decrease (increase) in short-term held-to-maturity securities	3,319		446		512	449
Net decrease in trading securities	47					
Proceeds from sales of long-term held-to-maturity securities	5					
Purchase of long-term held-to-maturity securities	(27,386)	2,449	(1,030)	(10,403)	(2,176)	(2,490)
Proceeds from maturities of long-term held-to-maturity securities	22,222	(4,847)	1,766	9,465	2,129	2,598
Proceeds from sales of available-for-sale securities	231				224	
Purchase of available-for-sale securities	(6,996)				(43)	
Proceeds from maturities of available-for-sale securities	10,180				163	
Principal collected on advances	791,098		37,752	93,561	121,511	35,070
Advances made	(832,005)		(40,150)	(96,677)	(126,121)	(41,423)
Mortgage loans made	(37)			(1)		(3)
Principal collected on other loans made	4		2	1		
Net decrease (increase) in loans to other FHLBanks		353				(178)
Increase in bank premises and equipment	(11)		(1)	(1)	(2)	
Net cash used in investing activities	(55,437)	(2,045)	(2,500)	(5,862)	(5,131)	(7,184)

	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
	$ 135	$ 98	$ 99	$ 110	$ 87	$ 65	$ 249	$ 129
	135	98	99	110	87	65	249	129
	538	127	180	561	(4)	108	(64)	423
	3	35	7	2	11	1	3	17
		(81)	1		(3)		12	
	1	1	1	1	1	1	5	
	(1)	(1)						
	(27)	(52)	(81)	(9)	(61)	(62)	(233)	(111)
	1	(10)	(1)	(8)	(6)	16	(12)	
	10	2	1	2	3	1	9	
	17	48	72	(24)	42	14	311	79
	(4)	(102)	(2)	(55)	(29)	1	43	(4)
	538	(33)	178	470	(46)	80	74	404
	673	65	277	580	41	145	323	533
	(484)	(671)	(55)	34	(772)	90	23	(95)
	(4,087)	(1,037)	(121)	(1,728)	625	(1,027)	(689)	(1,522)
			(235)	25	(517)	(290)	2,052	
	835	118	(529)	816	(90)	342	370	50
								47
						5		
	(1,400)	(1,118)	(1,319)	(1,422)	(2,469)	(895)	(887)	(4,226)
	642	520	1,418	1,185	2,274	1,270	857	2,945
		7						
	(6,586)	(367)						
	9,556	461						
	134,488	20,256	18,105	26,089	126,224	35,424	96,605	46,013
	(138,330)	(22,122)	(18,229)	(26,343)	(129,182)	(36,346)	(106,696)	(50,386)
			(33)					
		1						
	(100)	(75)						
	(1)	(1)	(1)		(1)	(1)	(2)	
	(5,467)	(4,028)	(999)	(1,344)	(3,908)	(1,428)	(8,367)	(7,174)

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CASH FLOWS—(Continued)
FOR THE YEAR ENDED DECEMBER 31, 1997
(In millions of dollars)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
FINANCING ACTIVITIES						
Net increase (decrease) in deposits	$ 229		$ (68)	$ 566	$ 296	$ 549
Net (decrease) increase in securities sold under repurchase agreements	(16)		(27)			(227)
Net (decrease) increase in other borrowings	(30)				(228)	
Net (decrease) increase in loans from other FHLBanks		$ (353)			228	
Net proceeds from sale of consolidated obligations:						
Bonds	165,423		11,509	12,999	15,745	22,665
Discount notes	1,963,163		71,611	344,336	218,893	41,175
Payments for maturing/retiring consolidated obligations:						
Bonds	(129,107)	2,398	(11,145)	(8,408)	(10,812)	(15,581)
Discount notes	(1,949,198)		(69,841)	(343,897)	(219,378)	(41,913)
Proceeds from issuance of capital stock	4,197		226	313	756	864
Payments for redemption of capital stock	(2,430)		(121)	(49)	(553)	(646)
Cash dividends paid	(660)		(80)	(115)	(81)	(142)
Distribution to REFCORP	(300)		(20)	(28)	(20)	(38)
Net cash provided by financing activities	51,271	2,045	2,044	5,717	4,846	6,706
Net (decrease) increase in cash and cash equivalents	(167)		2	(11)	7	
Cash and cash equivalents at beginning of year	780		2	42	199	80
Cash and cash equivalents at end of year	$ 613	$	$ 4	$ 31	$ 206	$ 80
Supplemental Disclosures:						
Interest paid during the year	$ 14,049	$	$ 1,120	$ 1,615	$ 1,022	$ 1,403
Stock dividends issued during the year	$ 529	$	$	$	$	$

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 321	$ 170	$ (2,166)	$ (333)	$ 199	$ 464	$ (44)	$ 275
				238			
200						(2)	
			125				
9,770	12,008	6,391	6,602	8,452	5,514	39,107	14,661
427,081	192,379	209,103	37,024	3,128	38,352	164,006	216,075
(6,922)	(9,903)	(6,205)	(5,829)	(7,380)	(5,980)	(33,544)	(9,796)
(425,886)	(190,777)	(206,375)	(36,888)	(900)	(37,117)	(161,621)	(214,605)
246	187	264	235	369	153	349	235
(38)		(200)	(159)	(251)	(80)	(155)	(178)
	(79)	(75)	(88)				
(26)	(19)	(20)	(22)	(18)	(13)	(51)	(25)
4,746	3,966	717	667	3,837	1,293	8,045	6,642
(48)	3	(5)	(97)	(30)	10	1	1
72	35	31	161	94	58	3	3
$ 24	$ 38	$ 26	$ 64	$ 64	$ 68	$ 4	$ 4
$ 818	$ 884	$ 757	$ 838	$ 1,180	$ 710	$ 2,490	$ 1,212
$ 105				$ 69	$ 50	$ 201	$ 104