

FEDERAL HOME LOAN BANKS

Quarterly Financial Report For the Six Months Ended June 30, 2002

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

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

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

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

The financial information is as of and for periods ended June 30, 2002. You should read this Financial Report in conjunction with the 2001 Financial Report dated March 29, 2002. We are incorporating that report by reference. The 2001 Financial Report contains financial and other information about the Federal Home Loan Banks as of December 31, 2001. These documents are available on the Office of Finance web site, www.fhfb-of.com.

You should direct questions about this Financial Report to the Federal Home Loan Banks' Office of Finance, Director of Accounting Policy & Financial Reporting. You should direct questions about the Federal Home Loan Banks' consolidated obligations to the Federal Home Loan Banks' Office of Finance, Marketing & Information Services. The address for both is Federal Home Loan Banks' Office of Finance, 11921 Freedom Drive, Suite 1000, Reston, VA 20190, (703) 467-3600, www.fhfb-of.com. The Office of Finance will provide additional copies of this Financial Report upon request. Please contact the Office of Finance if you want to receive subsequent annual and quarterly financial reports.

The delivery of this Financial Report does not imply that there has been no change in the financial condition of the Federal Home Loan Banks since June 30, 2002.

The date of this Quarterly Financial Report is August 13, 2002.

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

FEDERAL HOME LOAN BANKS

SUMMARY FINANCIAL DATA

(Dollar amounts in millions)

(Unaudited)

			<u>2002</u>	<u>2001</u>
At June 30,				
Advances			\$470,376	\$450,337
Mortgage loans, net			38,295	19,609
Investments(1)			205,764	188,297
Total assets			722,153	665,056
Deposits and borrowings			28,036	26,343
Consolidated obligations			640,771	593,561
Capital stock			34,260	31,725
Retained earnings			989	791

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

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

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

(4) Total capital ratio is capital stock plus retained earnings and accumulated other comprehensive income as a percentage of total assets at period end.

FEDERAL HOME LOAN BANKS
DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read this discussion and analysis of financial condition and results of operations with the combined financial statements and the notes beginning on page 29 of this Financial Report. See “Explanatory Statement about FHLBanks Combined Financial Report” on page 26.

Amounts used to calculate percentage variances from June 30, 2002, to the most recent year-end and comparable preceding interim period are based on numbers in the millions. Accordingly, recalculations may not produce the same results when the relevant amounts are disclosed only in billions.

Forward-Looking Information

Statements contained in this report, including statements describing the objectives, projections, estimates, or future predictions of the 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 negatives or other variations on these terms. The FHLBanks caution that, by their nature, forward-looking statements involve risk or uncertainty and that actual results could differ materially from those expressed or implied in these forward-looking statements or could affect the extent to which a particular objective, projection, estimate, or prediction is realized.

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

- economic and market conditions;
- demand for FHLBank advances resulting from changes in FHLBank members’ deposit flows and credit demands;
- 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 funding available to FHLBank members, other entities borrowing funds in the capital markets, and the ability to attract and retain skilled individuals;
- ability to develop and support technology and information systems, including the Internet, sufficient to manage the risks of the FHLBanks’ business effectively;
- changes in investor demand for consolidated obligations and/or the terms of interest-rate exchange agreements and similar agreements;
- timing and volume of market activity;
- ability to introduce new FHLBank products and services, and successfully manage the risks associated with those products and services, including new types of collateral securing advances;
- risk of loss arising from litigation filed against one or more of the FHLBanks; and
- inflation/deflation.

Financial Trends

Conditions in Financial Markets. During the second quarter of 2002, the financial markets continued to exhibit significant volatility. The stock market and other financial markets were negatively affected by corporate business scandals involving questionable accounting and other practices, as well as lowered growth expectations by companies in numerous industries, and the continued announcement of significant restructurings (including substantial employee layoffs) by many companies. The U.S. Department of Commerce revised the first quarter GDP from a 6.1 to 5.0 percent annual rate and reported that the second quarter GDP declined to a 1.1 percent annual rate, raising questions about the strength of the U.S. economic recovery.

In response to economic conditions, the Federal Reserve Board, through its Federal Open Market Committee, cut the discount rate 11 times for a total of 475 basis points during 2001. The discount rate has not been adjusted during 2002. As a result of lower interest rates, a significant volume of redemptions of callable FHLBank consolidated obligations was triggered, with those bonds being replaced by bonds with lower interest rates. In the first quarter of 2002, the latest period for which data is available, new issue volume in the U.S. bond market totaled \$1.3 trillion, an increase of 31.2 percent from the \$1.0 trillion issued during the same period last year. The low interest rate environment continues to attract issuers, while the more stable and relatively safer fixed-income markets appeal to investors looking to protect themselves against stock market volatility.

The continued low level of interest rates in the second quarter of 2002 has had a demonstrable impact on the FHLBanks' profitability, particularly because a majority of their investment and a significant portion of their advance portfolios have effective maturities of less than one year. Representative of that fact and its related impact on the FHLBanks' profitability is the change in the overnight Federal funds effective rate as reported by the Board of Governors of the Federal Reserve System, the rate at which banks sell excess reserves to one another. On average, the overnight Federal funds effective rate during the second quarter of 2001 was 4.33 percent. During the second quarter of 2002, that rate averaged 1.75 percent, a decline of 258 basis points or 60 percent period over period. Furthermore, the overnight Federal funds effective rate, on average, during the first six months of 2001 was 4.96 percent. During the first six months of 2002, that rate averaged 1.74 percent, a decline of 322 basis points or 65 percent period over period.

The lower level of interest rates also affects all FHLBanks directly through lower earnings on invested capital. In addition, many homeowners took advantage of lower mortgage rates to refinance their homes, resulting in increased prepayments on mortgages, including the member mortgage asset programs established by the FHLBanks, and the resulting income recognition of any associated premiums or discounts. The effective yields on the mortgage assets that replaced those prepaid loans reflect the current lower overall level of interest rates.

For the first quarter ended March 31, 2002, the latest period for which data is available, the FDIC reported that total assets and deposits of all FDIC-insured institutions shrank slightly. Total loans declined for the first time in five years. Despite the decreases from year-end, deposits remained strong at \$5.2 trillion for all FDIC-insured institutions, a 4.5 percent gain over the 2001 first quarter. The growth in deposits over the previous ten quarters reversed a long period of minimal deposit growth, which may lower the future demand for advances from the FHLBanks.

Statement of Condition. Statement of Financial Accounting Standards No. 133, *Accounting For Derivative Instruments and Hedging Activities* (SFAS 133) requires that, beginning in 2001, the assets and liabilities hedged with derivative instruments designated and effective under fair-value hedging relationships be adjusted for changes in fair value even as other assets and liabilities continue to be carried on a historical cost basis. In discussing changes in the Statement of Condition for the second quarter of 2002 compared to the same period in 2001, the SFAS 133 fair value adjustment information for advances, investments and consolidated obligations have been included. All other fair value adjustments were less than one percent of the book value. The SFAS 133 basis adjustments for advances, investments and consolidated obligations are as follows.

**SFAS 133 Basis Adjustments
(Dollar amounts in millions)**

	At June 30,	
	2002	2001
Advances at pre-SFAS 133 value	\$459,445	\$445,989
SFAS 133 basis adjustments	10,931	4,348
Advances at carrying value	<u>\$470,376</u>	<u>\$450,337</u>
Investments at pre-SFAS 133 value(1)	\$204,659	\$188,182
SFAS 133 basis adjustments	1,105	115
Investments at carrying value	<u>\$205,764</u>	<u>\$188,297</u>
Consolidated obligations at pre-SFAS 133 value	\$636,568	\$592,349
SFAS 133 basis adjustments	4,203	1,212
Consolidated obligations at carrying value	<u>\$640,771</u>	<u>\$593,561</u>

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

Advances totaled \$470.4 billion at June 30, 2002. Advances decreased by 0.5 percent from December 31, 2001 and increased by 4.4 percent from June 30, 2001. Advances activity has been affected by improvements in members' liquidity positions due to strong deposit flows.

Approximately 70 percent of the advances outstanding at June 30, 2002, had a remaining maturity greater than one year compared with 68 percent at December 31, 2001 and 61 percent at June 30, 2001. Advance originations totaled \$1,858.8 billion in the first six months of 2002, down 2.1 percent from originations of \$1,898.4 billion during the first six months of 2001, reflecting increased demand by members for long-term advances as a result of the lower interest rate environment.

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. At June 30, 2002, investments grew by \$15.6 billion, or 8.2 percent from the year-end 2001 balance of \$190.2 billion. Investments grew by \$17.5 billion, or 9.3 percent from June 30, 2001. 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 \$93.1 billion at June 30, 2002, were 264 percent of total FHLBank capital. These investments represented 253 percent and 261 percent of total FHLBank capital at December 31, 2001 and June 30, 2001, respectively. The FHLBanks make use of interest-rate exchange agreements to alter the cash flows on certain of their investment securities.

Historically, the FHLBanks have been one of the largest providers of Federal funds. Federal funds sold were \$48.1 billion (23.4 percent of total investments) at June 30, 2002, compared with

\$48.4 billion (25.4 percent of total investments) at year-end 2001 and \$53.6 billion (28.5 percent of total investments) at June 30, 2001.

The FHLBanks held commercial paper investments of \$7.3 billion (3.6 percent of total investments) at June 30, 2002, compared with \$6.7 billion (3.5 percent of total investments) at year-end 2001 and \$9.6 billion (5.1 percent of total investments) at June 30, 2001. The FHLBanks also invest in U.S. agency obligations, some of which is structured debt issued by other Government-Sponsored Enterprises (GSEs). 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 \$22.2 billion or 10.8 percent of total investments at June 30, 2002, up from \$15.1 billion or 7.9 percent of total investments at year-end 2001 and \$13.6 billion or 7.2 percent at June 30, 2001.

Mortgage loans held increased to \$38.3 billion at June 30, 2002 from \$27.6 billion at December 31, 2001 and \$19.6 billion at June 30, 2001. The increase in mortgage loans relates to the expansion of the member mortgage asset programs established by the FHLBanks, allowing them to purchase mortgages from member financial institutions. Despite lower interest rates leading to homeowners refinancing their mortgage loans, new loan production far outpaced the accelerated prepayments. For the first six months of 2002, repayments and prepayments were approximately \$4.2 billion while originations were approximately \$14.8 billion. The FHLBank of Chicago, which pioneered the Mortgage Partnership Finance (MPF®) program in which nine of the 12 FHLBanks participate, and the FHLBank of Des Moines hold the largest mortgage loan balances with 54.0 percent and 10.1 percent, respectively, of the FHLBanks' mortgage loans held at June 30, 2002. MPF® had mortgage loans outstanding of \$30.8 billion at June 30, 2002, an increase of 23.7 percent from the mortgage loans outstanding of \$24.9 billion at December 31, 2001. The FHLBanks of Cincinnati, Indianapolis and Seattle developed the Mortgage Purchase Program (MPP), which had mortgage loans outstanding of \$7.5 billion at June 30, 2002, an increase of 177.8 percent from the mortgage loans outstanding of \$2.7 billion at December 31, 2001.

The principal funding source for FHLBank operations is consolidated obligations, which consist of consolidated bonds and consolidated discount notes. Member deposits, capital, and to the lesser extent, repurchase agreements, are also funding sources. Generally, consolidated discount notes have maturities up to 360 days, and consolidated bonds have maturities of one year or longer. Discount notes are a significant funding source for advances with short-term maturities or short repricing intervals, for convertible advances, and for money-market investments. The FHLBanks make significant use of interest-rate exchange agreements to alter the cash flows on consolidated obligations to better match their funding needs and to reduce funding costs. Consolidated obligations outstanding increased 3.1 percent since year-end 2001, rising to \$640.8 billion at June 30, 2002. Consolidated obligations outstanding increased 8.0 percent from June 30, 2001 to June 30, 2002. Consolidated discount notes outstanding decreased 4.0 percent from December 31, 2001 and 23.1 percent from June 30, 2001, reaching \$133.9 billion at June 30, 2002, and consolidated bonds outstanding increased by 5.2 percent from December 31, 2001 and 20.9 percent from June 30, 2001 to a balance of \$506.9 billion at June 30, 2002.

The FHLBanks' total capital grew by \$1.0 billion or 2.8 percent from December 31, 2001 to June 30, 2002, and \$2.7 billion or 8.2 percent from June 30, 2001 to June 30, 2002, due to increases in advances, increases in members, the payment of stock dividends by the FHLBanks of Cincinnati, Chicago, Dallas, San Francisco, and Seattle, and the accumulation of retained earnings to absorb temporary earnings volatility resulting from SFAS 133. Over the same periods, total assets grew consistently with total capital, causing the FHLBanks' capital-to-asset ratio to remain at 4.9 percent at June 30, 2002, December 31, 2001 and June 30, 2001.

The FHLBank leverage limit is based on a ratio of assets to capital rather than a ratio of liabilities to capital. The amount of each FHLBank's assets is generally limited to no more than 21 times capital. Nevertheless, an FHLBank whose non-mortgage assets, after deducting deposits and capital, do not exceed 11 percent of its assets may have total assets in an amount no greater than 25

times its capital. At June 30, 2002, combined FHLBank asset-based leverage was 20.5 to 1. Combined FHLBank asset-based leverage was 20.4 to 1 at year-end 2001 and June 30, 2001. At June 30, 2002, four FHLBanks had leverage in excess of 21.0 to 1, but less than 25.0 to 1 in all cases.

Debt Financing Activity. Increases in consolidated obligations of \$19.5 billion or 3.1 percent and deposits and borrowings of \$1.1 billion or 4.2 percent from December 31, 2001 to June 30, 2002 financed most of the increase in FHLBank assets. Increases in FHLBank assets from June 30, 2001, were also financed primarily by increases in consolidated obligations of \$47.2 billion or 8.0 percent and deposits and borrowings of \$1.7 billion or 6.4 percent from June 30, 2001 to June 30, 2002. Bonds composed 79.1 percent of consolidated obligations outstanding at June 30, 2002, with the remainder being discount notes. Through December 31, 2000, the Finance Board through the Office of Finance issued consolidated obligations on behalf of the FHLBanks on a daily basis. The Finance Board adopted final rules on June 2, 2000, to govern the issuance of debt directly by the FHLBanks. Beginning January 2, 2001, the FHLBanks issue debt jointly through the Office of Finance as their agent.

The data in the following table is not adjusted for the \$2.3 billion of interbank holdings at par value of consolidated bonds at June 30, 2002.

**Composition of Consolidated Bonds Outstanding
(Par amounts in billions)**

	<u>At June 30,</u>	
	<u>2002</u>	<u>2001</u>
Fixed-rate, Non-callable	\$235.4	\$210.0
Fixed-rate, Callable	172.3	156.4
Fixed-rate, Puttable	0.6	0.6
Single-index, Floating Rate	66.1	39.7
Zero-coupon, Non-callable	0.5	1.4
Zero-coupon, Callable	20.9	19.1
Other	24.9	6.9
Total	<u>\$520.7</u>	<u>\$434.1</u>

In the first six months of 2002, 78.4 percent of bond sales by par amount were negotiated transactions, 21.4 percent by par amount were competitively bid and 0.2 percent by par amount were direct placements. In the first six months of 2002, 31.7 percent of bonds sold were fixed-rate, fixed-term, non-callable (bullet) bonds; 47.3 percent were callable bonds; and 9.4 percent were simple floating-rate bonds. Bonds issued through the Office of Finance often have investor-determined features. The decision to issue a bond using a particular structure is based upon the funding level to be achieved and the ability of the FHLBank(s) receiving the proceeds of the bonds issued to hedge the risks. The issuance of a bond with an associated interest-rate exchange agreement, which effectively converts the consolidated bond into a simple fixed- or floating-rate bond, usually results in a funding vehicle with a lower cost than the FHLBanks could otherwise achieve. The continued attractiveness of such debt depends on price relationships in both the bond and interest-rate exchange markets. If conditions in these markets change, then the FHLBanks may alter the types or terms of the bonds issued. The increase in funding alternatives available to the FHLBanks through negotiated transactions has diversified the investor base, reduced funding costs, and provided additional asset-liability management tools.

The FHLBanks, through the Office of Finance, issued \$169.7 billion of bonds at par in the first six months of 2002. This compares with \$165.2 billion issued at par for the first six months of 2001. The relatively high level of bond issuance during both periods occurred because of greater call

activity attributable to the decline in the level of interest rates throughout 2001 and throughout the first half of 2002.

Discount notes are a significant funding source for the FHLBanks. Discount notes are short-term instruments, and the issuance of discount notes with maturities of one business day influences the aggregate origination volume. Utilizing a 16-member selling group, the FHLBanks, through the Office of Finance, offer discount notes daily in a range of maturities up to 360 days. In addition, the FHLBanks, through the Office of Finance, offer discount notes in four standard maturities in two auctions each week. The FHLBanks primarily use discount notes to fund short-term advances, longer-term advances with short repricing intervals, convertible advances, and money market investments. Discount notes comprised 20.9 percent of outstanding consolidated obligations at June 30, 2002 but accounted for 91.9 percent of the proceeds from the sale of consolidated obligations in the first six months of 2002. Much of the discount note activity reflects the refinancing of overnight discount notes, which averaged \$12.5 billion in the first six months of 2002.

**Average Consolidated Obligations Outstanding
(Dollar amounts in billions)**

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2002	2001	2002	2001
Overnight discount notes	\$ 12.7	\$ 14.2	\$ 12.5	\$ 14.8
Term discount notes	112.1	165.4	117.9	160.5
Total discount notes	124.8	179.6	130.4	175.3
Bonds	524.2	428.6	511.8	437.4
Total consolidated obligations	<u>\$649.0</u>	<u>\$608.2</u>	<u>\$642.2</u>	<u>\$612.7</u>

The composition of consolidated obligations shifted in the first six months of 2002 compared to the same period in 2001 as total discount notes decreased by 23.1 percent and bonds increased by 20.9 percent. The shift in funding mix represents the relatively more attractive cost of funds available through bond issuance compared with discount notes.

The FHLBanks have emphasized diversification of funding sources and channels as the need for funding from the capital markets has grown. In July 1994, the Office of Finance initiated a Global Debt Program. By issuing debt under this program, the FHLBanks can expand and diversify their investor base. The Global Debt Program provided \$31.2 billion and \$40.2 billion in term funds in the first six months of 2002 and 2001, respectively. In mid-1999, the Office of Finance implemented the TAP bond issue program. This program consolidates domestic bullet bond issuance through daily auctions of common maturities by re-opening previously issued bonds. In this way, the Office of Finance seeks to enhance the liquidity of these issues. In the first six months of 2002, TAP bond issuance was \$23.8 billion up \$1.0 billion from the same period in 2001. The FHLBanks continue to issue debt that is both competitive and attractive in the market place. In addition, the FHLBanks continuously monitor their debt issuance practices to ensure that consolidated obligations are efficiently priced.

Results of Operations

Net Income. The FHLBanks' net income for the second quarter of 2002 was \$413 million, which is \$127 million or 23.5 percent below the net income for the second quarter of 2001. The FHLBanks' net income for the first six months of 2002 was \$862 million, which is \$213 million or 19.8 percent below the net income for first six months of 2001. The decreases in net income are primarily attributable to the effect of lower interest rates and the change from a combined net gain position to a net loss position in the unrealized gains (losses) on securities held at fair value and the realized and unrealized gains (losses) on derivatives and hedging activities. For the three and

six months ended June 30, 2002, the FHLBanks had net realized and unrealized losses of \$84 million and \$113 million related to these investment securities, and derivatives and hedging activities, respectively, whereas for the three and six months ended June 30, 2001, the FHLBanks had net realized and unrealized gains of \$39 million and \$56 million, respectively, on these investment securities, and derivatives and hedging activities.

SFAS 133 Effect on Net Income
(Dollar amounts in millions)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Net unrealized gains (losses) on securities held at fair value . .	\$335	\$(48)	\$ 176	\$28
Net realized and unrealized (losses) gains on derivatives and hedging activities	<u>(419)</u>	<u>87</u>	<u>(289)</u>	<u>28</u>
Net effect before cumulative effect of change in accounting principle	(84)	39	(113)	56
Cumulative effect of change in accounting principle				<u>(30)</u>
Net effect, excluding AHP and REFCORP	<u>\$(84)</u>	<u>\$ 39</u>	<u>\$(113)</u>	<u>\$26</u>

Net Interest Income. For the second quarter of 2002, the decrease in net interest income after mortgage loan loss provision was \$31 million, a 4.0 percent decrease from the same period in 2001. Consistently, the decrease in net interest income after mortgage loan loss provision for the first six months of 2002 was \$150 million, a 9.5 percent decrease from the same period in 2001. The decreases are attributable to lower interest rates.

For the three months ended June 30, 2002, the FHLBanks recorded net unrealized gains on securities held at fair value of \$335 million and net realized and unrealized losses on derivatives and hedging activities of \$419 million. For the same period in 2001, the FHLBanks recorded net unrealized losses on securities held at fair value of \$48 million, and net realized and unrealized gains on derivatives and hedging activities of \$87 million. For the first six months of 2002, the FHLBanks recorded net unrealized gains on securities held at fair value of \$176 million and net realized and unrealized losses on derivatives and hedging activities of \$289 million. For the first six months of 2001, the FHLBanks recorded net unrealized gains on securities held at fair value of \$28 million, net realized and unrealized gains on derivatives and hedging activities of \$28 million, and a \$30 million decrease to net income as the cumulative effect of change in accounting principle related to the adoption of SFAS 133.

Under SFAS 133, all derivatives are recorded at fair value and an FHLBank is required to recognize unrealized losses or gains on derivative positions regardless of whether offsetting gains or losses on the underlying assets or liabilities being hedged are permitted to be recognized in a symmetrical manner. Therefore, SFAS 133 introduces the potential for considerable timing differences between income recognition on those assets or liabilities not adjusted for market changes and the income effects of hedge instruments entered into to mitigate interest-rate risk and cash-flow variability. Because some of the FHLBanks manage derivatives positions with primary emphasis on economic cost-effectiveness, as opposed to symmetrical accounting results, the adoption of SFAS 133 has led to more volatility in the reported earnings for those FHLBanks following this strategy due to changes in market prices and interest rates.

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

income, which is the interest earned on advances, mortgages, investments and capital less interest paid on consolidated obligations, deposits, and other borrowings. The increases in spread on total interest bearing liabilities from the three and six months ended June 30, 2001 to June 30, 2002, reflect the somewhat more rate sensitive nature of the FHLBanks' funding relative to assets and a move to a more profitable mix of assets, including an increase in mortgage loans and mortgage-backed securities. The decreases in net interest margin are largely attributable to the decline in interest rates and the effect of lower interest rates on invested capital.

**Spread and Yield Analysis
(Dollar amounts in millions)**

	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
	2002 Average		2001 Average		2002 Average		2001 Average	
	Balance	Yield	Balance	Yield	Balance	Yield	Balance	Yield
Earning assets:								
Advances	\$466,207	2.45%	\$452,387	4.93%	\$466,719	2.46%	\$451,989	5.48%
Mortgage loans, net	34,750	6.42%	17,303	7.07%	32,013	6.50%	16,804	7.21%
Investments	201,067	3.61%	185,557	5.49%	197,867	3.65%	186,052	5.90%
Total earning assets	<u>\$702,024</u>	2.98%	<u>\$655,247</u>	5.15%	<u>\$696,599</u>	2.98%	<u>\$654,845</u>	5.64%
Funded by:								
Consolidated obligations	\$632,560	2.77%	\$591,585	4.98%	\$626,196	2.78%	\$594,694	5.49%
Interest-bearing deposits and other borrowings	27,437	1.68%	27,272	4.27%	28,503	1.68%	24,121	4.81%
Total interest-bearing liabilities	659,997	2.72%	618,857	4.95%	654,699	2.73%	618,815	5.46%
Capital and other non-interest-bearing funds	42,027		36,390		41,900		36,030	
Total funding	<u>\$702,024</u>	2.56%	<u>\$655,247</u>	4.67%	<u>\$696,599</u>	2.57%	<u>\$654,845</u>	5.16%
Spread on:								
Total interest-bearing liabilities		0.26%		0.20%		0.25%		0.18%
Total funding (net interest margin)		0.42%		0.48%		0.41%		0.48%

In the preceding table, average amounts for the three and six months ended June 30, 2001 have been restated using daily average balances, rather than the quarter-end average balances that were used in the 2001 second quarter Financial Report, for calculations to be consistent with the 2002 presentation.

A significant portion of net interest income results from earnings on assets funded by non-interest-bearing capital. Average total capital for the second quarter of 2002 was \$35.0 billion, which was \$2.7 billion or 8.2 percent greater than average total capital of \$32.3 billion for the same period in 2001. Average total capital for the six months ended June 30, 2002 was \$34.7 billion, which was \$2.6 billion or 8.0 percent greater than average total capital of \$32.1 billion for the six months ended June 30, 2001. Growth in FHLBank membership, increased advance levels and stock dividends, and the accumulation of retained earnings to compensate for temporary earnings volatility resulting from SFAS 133 contributed to the increases in average total capital. The increase in the spread on total interest-bearing liabilities reflects the increase in higher earning assets such as mortgage loans and mortgage-backed securities.

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 the three and six months ended in June 30, 2002 and 2001. Changes in interest income and interest expense not identifiable as either volume-related or rate-related, but rather equally attributable to both volume and rate changes, have been allocated to the volume and rate categories based upon the proportion of the absolute value of the volume and rate changes.

Rate and Volume Analysis
(Dollar amounts in millions)

	For the Three Months Ended June 30, 2002 vs. 2001			For the Six Months Ended June 30, 2002 vs. 2001		
	Increase (Decrease) Due to			Increase (Decrease) Due to		
	Volume	Rate	Total	Volume	Rate	Total
Interest Income:						
Advances	\$165	\$(2,877)	\$(2,712)	\$ 388	\$(6,985)	\$(6,597)
Mortgage loans, net	281	(30)	251	495	(64)	431
Investments	198	(927)	(729)	327	(2,188)	(1,861)
Total interest income	644	(3,834)	(3,190)	1,210	(9,237)	(8,027)
Interest Expense:						
Consolidated obligations	477	(3,462)	(2,985)	818	(8,358)	(7,540)
Deposits and other borrowings	2	(177)	(175)	90	(428)	(338)
Total interest expense	479	(3,639)	(3,160)	908	(8,786)	(7,878)
Changes in net interest income	<u>\$165</u>	<u>\$ (195)</u>	<u>\$ (30)</u>	<u>\$ 302</u>	<u>\$ (451)</u>	<u>\$ (149)</u>

Operating Expenses. The following table presents operating expenses for the three and six months ended June 30, 2002 and 2001.

Operating Expenses
(Dollar amounts in millions)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2002	2001	2002	2001
Salaries and employee benefits	\$60	\$52	\$115	\$104
Occupancy cost	5	7	11	14
Other	32	31	59	57
Total operating expenses	<u>\$97</u>	<u>\$90</u>	<u>\$185</u>	<u>\$175</u>

Total FHLBank operating expenses for the second quarter of 2002 were \$97 million, which is \$7 million or 7.8 percent above total operating expenses for the same period in 2001. Total FHLBank operating expenses for the six months ended June 30, 2002 were \$185 million, which is \$10 million or 5.7 percent more than total operating expenses for the same period in 2001. The increase in salaries and benefits in the three and six months ended June 30, 2002 reflects general pay and benefit increases, higher staffing levels, and an increase in pension expenses. Operating expenses as a percent of average assets on an annualized basis were 5.3 basis points and 5.5 basis points for the six months ended June 30, 2002 and 2001, respectively. Operating expenses include the costs of providing the advance and mortgage purchase operations, as well as member correspondent services.

The FHLBank of New York's headquarters at 7 World Trade Center were destroyed as a result of the September 11 attacks. The FHLBank of New York is currently working out of interim locations in New York and New Jersey. In May 2002, the FHLBank of New York signed a lease for a permanent location in New York City and expects to move by the end of the year. The FHLBank of New York will also maintain the New Jersey site. The increase in operating expenses relating to the relocation is not expected to materially affect the FHLBank of New York's results of operations.

Other, net. The FHLBank of New York's receipt of \$6 million in proceeds of insurance claims related to the destruction of its headquarters on September 11 was recorded in the other, net

expenses in the quarter ended March 31, 2002. Excluding these insurance proceeds, other, net expense was \$12 million for the first six months of 2002. The other, net expense was \$7 million for the first six months of 2001. Operating expenses related to MPF® are included on the other, net expenses.

Finance Board and Office of Finance Expenses. The FHLBanks are assessed the costs of operating the Finance Board and the Office of Finance. These expenses totaled \$10 million for the second quarter of 2002, an increase of 42.9 percent from \$7 million for the second quarter of 2001. These expenses totaled \$23 million for the six months ended June 30, 2002, an increase of 35.3 percent from \$17 million for the same period in 2001.

Affordable Housing Program. The AHP expense for the second quarter of 2002 was \$48 million, 21.3 percent less than the \$61 million AHP expense for the second quarter of 2001. The AHP expense for the first six months of 2002 was \$97 million, 18.5 percent less than the \$119 million AHP expense for the same period in 2001. The AHP assessment was 10 percent of net income after the required payment to REFCORP. The AHP assessment changes from the second quarter and the first six months of 2002 to 2001 reflect the decline of the FHLBanks net income.

REFCORP Payment

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

The REFCORP assessment of the FHLBanks was \$105 million (cash payment of \$103.6 million) for the second quarter of 2002 compared to the \$135 million assessment for the same period in year 2001. The cash payments are made based on preliminary net income amounts due to the timing requirement of the payment. As specified in the Finance Board regulation that implements section 607 of the Gramm-Leach-Bliley Act (GLB Act), the amount of a quarter's payment in excess of the \$75 million benchmark payment is used to simulate the purchase of zero-coupon Treasury bonds to "defease" all or a portion of the most-distant remaining quarterly benchmark payment. The \$28.6 million second-quarter REFCORP payment in excess of the \$75 million quarterly benchmark will fully defease the remaining \$40.4 million portion of the benchmark payment due on October 15, 2022, and defease \$52.0 million of the \$75 million benchmark payment due on July 15, 2022. These benchmark payments or portions of them could be restored if the future actual REFCORP payments of the FHLBanks fall short of \$75 million in a quarter.

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

**REFCORP Defeasance Summary
For Second Quarter 2002 Payment
(Dollar amounts in millions)**

<u>Payment Due Date</u>	<u>Amount of Benchmark Payment Defeased*</u>	<u>Interest Rate Used to Discount the Future Benchmark Payment</u>	<u>Present Value of Benchmark Payment Defeased**</u>
October 15, 2022 (most distant remaining payment)	\$40.4	5.88%	\$12.4
July 15, 2022.....	<u>52.0</u>	5.87%	<u>16.2</u>
Total.....	<u>\$92.4</u>		<u>\$28.6</u>

* Subject to possible subsequent reinstatement.

** Cash payment of \$103.6 million made on estimated net income.

Risk Management

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

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

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

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

The FHLBanks measure interest-rate risk exposure by various methods, including calculation of duration of equity. Duration of equity shows the sensitivity of market value of equity to changes in interest rates. Higher duration numbers, whether positive or negative, indicate greater volatility of market value of equity. Under the Finance Board's Financial Management Policy, each FHLBank's duration of equity must stay within a range of +5 to -5 years assuming current interest rates. It must stay within a range of +7 to -7 years assuming an instantaneous parallel increase or decrease in interest rates of 200 basis points. The FHLBanks report the results of their duration of equity calculations to the Finance Board each quarter. The Finance Board's new capital rules ultimately will replace duration of equity-based limits on interest-rate risk with a model-generated market-risk capital requirement. (See "Duration of Equity" table in the "Quantitative Disclosure about Market Risk" section on page 19.)

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

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

Derivatives and Hedging Activities

General. The FHLBanks enter into interest-rate swaps, swaptions, interest-rate cap and floor agreements, calls, puts, and futures and forward contracts (collectively, interest-rate exchange agreements) to manage their exposure to changes in interest rates. They may adjust the effective maturity, repricing frequency, or option characteristics of financial instruments to achieve risk-management objectives. The FHLBanks use interest-rate exchange agreements in three ways: either by designating them as fair-value or cash-flow hedges of underlying financial instruments or forecasted transactions, by acting as an intermediary, or in asset-liability management. For example, the FHLBanks use interest-rate exchange agreements in their overall interest-rate risk management to adjust the interest-rate sensitivity of consolidated obligations to approximate more closely the interest-rate sensitivity of assets (advances, investments and mortgage-related investments), and/or to adjust the interest-rate sensitivity of advances, investments, or mortgage-related 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, to hedge the market value of existing assets and liabilities and anticipated transactions, to hedge the duration risk of prepayable instruments and to reduce funding costs.

Consolidated Obligations. An FHLBank manages the risk arising from changing market prices and volatility of a consolidated obligation by matching the interest received on the interest-rate exchange agreement with the interest paid on the consolidated obligation. In addition, all the FHLBanks require collateral agreements on most interest-rate exchange agreements. While consolidated obligations are the joint-and-several obligations of the FHLBanks, individual FHLBanks serve as counterparties to interest-rate exchange agreements associated with specific debt issues.

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

Advances. With issuance of convertible advances, an FHLBank has purchased from the member one or more put option(s) that enables the FHLBank to convert an advance from fixed rate to variable rate if interest rates increase or to terminate the advance and, upon request of the member, extend a replacement advance on new terms. An FHLBank typically creates a convertible advance by entering into a cancelable interest-rate exchange agreement where the FHLBank pays fixed and receives variable, and sells the swap counterparty one or more put option(s) that mirror the option(s) in the convertible advance. The advance is then funded using short-term variable rate funds. In this type of transaction, the variable interest received on the interest-rate exchange agreement mirrors in timing and amount the interest paid of the short-term variable-rate funds. If interest rates rise, the swap counterparty can cancel the interest-rate exchange agreement on the exercise date, and the FHLBank can convert the advance to a variable rate.

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

Mortgage Loans. The FHLBanks invest in mortgage assets (mortgage-backed securities) and mortgage loans under the member mortgage asset programs. The prepayment options embedded in mortgage assets purchased can result in extensions or contractions in the expected maturities of these assets, depending on changes in interest rates. The FHLBanks may manage against contraction risk by funding some mortgage assets with consolidated obligations that have call features. In addition, the FHLBanks may use interest-rate exchange agreements to manage the extension and contraction variability of mortgage assets. Net income could be reduced if the FHLBank replaces the mortgages with lower-yielding assets and if the FHLBank's higher funding costs are not reduced concomitantly.

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

mortgage loans. The FHLBanks also use derivatives to approximate the expected prepayment characteristics of the mortgages. Interest-rate swaps, to the extent the payments on the mortgages result in simultaneous reduction of the notional amount on the swaps, may receive fair-value hedge accounting under which changes in the fair value of the swaps and changes in the fair value of the mortgages that are attributable to the hedged risk, are recorded in current-period earnings. A portfolio of interest-rate swaps and various options, including futures, may be used to hedge pools of mortgage loans with similar asset characteristics, such as loan type, maturity and coupon tranche, in a fair-value hedge relationship. Options may also be used to hedge prepayment risk on the mortgages, many of which are not identified to specific mortgages and, therefore, do not receive fair-value or cash-flow hedge accounting treatment. Changes in fair value of options are recognized in current period earnings. The FHLBanks also purchase interest-rate caps and floors, swaptions, callable swaps, calls, and puts to manage the prepayment risk embedded in the mortgage assets and mortgage loans. Although these derivatives are valid economic hedges against the prepayment risk of the loans, they are not specifically linked to individual loans and, therefore, do not receive either fair-value or cash-flow hedge accounting. Excluding derivatives designated as cash-flow hedges, changes in fair value of derivatives are recognized in current period earnings.

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

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

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

Intermediation. To meet the hedging needs of their members, the FHLBanks enter into offsetting interest-rate exchange agreements, acting as an intermediary between members and other counterparties. This intermediation allows smaller members indirect access to the swap market. The derivatives used in intermediary activities do not receive SFAS 133 hedge accounting and are separately marked-to-market through earnings. The net result of the accounting for these derivatives does not significantly affect the operating results of the FHLBanks.

Derivative Notional Amounts. At June 30, 2002, the FHLBanks had \$615 billion total notional amount of interest-rate exchange agreements outstanding compared with \$601 billion at December 31, 2001 and \$546 billion at June 30, 2001. 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, including collateral. The FHLBanks adopted SFAS 133, as amended by Statement of

Financial Accounting Standard No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities*, on January 1, 2001. SFAS 133 requires that all derivative instruments be recorded on the Statement of Condition at their fair values. At June 30, 2002, the FHLBanks had derivative assets of \$3.3 billion and derivative liabilities of \$8.9 billion. At December 31, 2001 and June 30, 2001, the FHLBanks had derivative assets of \$2.7 billion and \$2.2 billion, respectively, and derivative liabilities of \$7.8 billion and \$3.7 billion, respectively.

Derivative Credit Risk Exposure and Counterparty Ratings. In addition to market risk, each FHLBank is subject to credit risk because of the risk of potential nonperformance by counterparties to the agreements as well as operational risks. The degree of counterparty risk on derivatives depends on the extent to which netting procedures are used to mitigate the risk. At June 30, 2002, five counterparties represented approximately 49 percent of the total notional amount of outstanding derivative transactions and each had a credit rating of A or better. Of these five counterparties, none represented more than 10 percent of the FHLBanks net exposure after collateral excluding agreements with member institutions, which was \$963 million at June 30, 2002. Each FHLBank manages counterparty credit risk through credit analysis, collateral management, and other credit enhancements, and by following the requirements set forth in the Financial Management Policy. The FHLBanks require collateral agreements on interest-rate exchange agreements, and maximum net unsecured credit exposure amounts that may exist before collateral requirements are triggered based upon each individual counterparty's rating. For example, a counterparty must deliver collateral to an FHLBank if the total market value of the FHLBank's exposure to that counterparty rises above a specific trigger point. As a result of these risk mitigation initiatives, the management of each FHLBank does not anticipate any credit losses on its interest-rate exchange agreements.

The contractual or notional amount of interest-rate exchange agreements reflects the involvement of an FHLBank in the various classes of financial instruments. The notional amount of interest-rate exchange agreements does not measure the credit-risk exposure of an FHLBank. The maximum credit exposure of an FHLBank is much less than the notional amount. The maximum credit risk is the estimated cost of replacing favorable interest-rate swaps, forward agreements, and purchased caps and floors if the counterparty defaults, net of the value of related collateral.

At June 30, 2002, the FHLBanks' maximum credit risk, before considering collateral, was approximately \$2,544 million. 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' net exposure after collateral was approximately \$966 million at June 30, 2002.

**Derivative Counterparty Credit Exposure
At June 30, 2002
(Dollar amounts in millions)**

<u>Credit Rating</u>	<u>Notional Amount</u>	<u>Total Net Exposure at Fair Value</u>	<u>Collateral Held</u>	<u>Net Exposure After Collateral</u>
AAA	\$ 12,345	\$ 118	\$	\$118
AA	451,904	1,750	1,058	692
A	142,520	653	500	153
BBB	4,985			
	611,754	2,521	1,558	963
Member Institutions	3,702	23	20	3
Total Derivatives	<u>\$615,456</u>	<u>\$2,544</u>	<u>\$1,578</u>	<u>\$966</u>

Excluding interest-rate exchange agreements in which the FHLBanks are intermediaries for member institutions, over 99.2 percent of the notional amount of the FHLBanks' outstanding

interest-rate exchange agreements are with counterparties rated “single-A” or higher. At June 30, 2002, 28 counterparties represented approximately 99.7 percent of the total notional amount of the FHLBanks’ outstanding interest-rate exchange agreements excluding agreements in which the FHLBanks are intermediaries, and approximately 79 percent is with 21 counterparties rated “double-A” or higher and approximately 20 percent is with 6 counterparties rated “single-A” and approximately 1 percent is with 1 counterparty rated “triple B.”

Foreign Currencies. The FHLBanks have issued some consolidated obligations denominated in currencies other than U.S. dollars, and the FHLBanks use forward exchange contracts to hedge currency risk. These contracts are agreements to exchange different currencies at specified future dates and at specified rates. The use of these contracts effectively simulates the conversion of these consolidated obligations denominated in foreign currencies to ones denominated in U.S. dollars. At June 30, 2002, consolidated obligations denominated in foreign currencies represented less than one percent of consolidated obligations outstanding.

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

Duration of equity is the market value-weighted duration of assets minus the market value-weighted duration of liabilities divided by the market value of equity. The Financial Management Policy requires that each FHLBank’s duration of equity (at current interest rate levels using the consolidated obligation cost curve or an appropriate discounting methodology) be maintained within a range of ± 5 years. Each FHLBank must maintain its duration of equity, under an assumed instantaneous ± 200 basis points parallel shift in interest rates, within a range of ± 7 years.

Each FHLBank has an internal modeling system for measuring duration of equity. The table below reflects the results of each FHLBank’s own measurement of its exposure to interest-rate risk in accordance with the Financial Management Policy. The table summarizes the interest-rate risk associated with all instruments entered into by the FHLBanks.

Duration of Equity (In Years)

FHLBank	June 30, 2002			December 31, 2001			June 30, 2001		
	Up	Base	Down	Up	Base	Down	Up	Base	Down
Boston	2.3	1.2	(0.5)	3.0	1.8	(0.3)	2.7	2.0	(0.1)
New York	3.7	2.4	1.0	4.1	3.3	2.0	4.7	4.4	2.8
Pittsburgh	4.5	1.2	(2.9)	1.6	0.3	(3.6)	4.1	2.2	(3.9)
Atlanta	3.0	(0.5)	(3.3)	2.7	2.6	(4.0)	3.9	2.7	(3.0)
Cincinnati	6.3	2.1	(4.5)	5.9	2.2	(2.4)	5.0	0.5	(2.2)
Indianapolis	1.3	0.6	1.9	0.0	0.1	1.3	2.6	2.8	0.3
Chicago	5.2	2.4	(5.9)	1.3	2.5	(3.3)	1.0	4.2	(3.7)
Des Moines	3.6	1.6	(4.4)	(1.6)	(0.1)	2.5	1.9	1.1	(2.5)
Dallas	2.8	1.7	0.1	3.8	3.0	1.8	6.9	2.6	2.4
Topeka	3.3	(0.9)	(5.0)	2.1	(0.8)	(4.9)	3.8	0.6	(5.5)
San Francisco	3.0	2.1	(0.2)	2.6	2.0	0.9	2.1	1.7	0.8
Seattle	3.1	(0.3)	(5.8)	3.2	0.8	(4.0)	5.8	2.8	(4.8)

Up = +200 basis points. Down = -200 basis points. The Finance Board regulation restricts the down rate from assuming a negative interest rate.

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

Managing Credit Risk. Credit risk is the risk of loss due to default. The FHLBanks face credit risk on advances, some investments, mortgage loans and interest-rate exchange agreements. The FHLBanks protect against credit risk on advances through collateralization of all advances. In addition, each FHLBank can call for additional or substitute collateral during the life of an advance to protect its security interest. The FHLBank Act limits eligible collateral to certain investment securities, residential mortgage loans, deposits with the FHLBank, and other real estate related assets. As a result of the GLB Act and regulatory implementation by the Finance Board, the FHLBanks are allowed to expand eligible collateral for many of its members. Members that qualify as “community financial institutions” (CFIs)—defined in the GLB Act as FDIC-insured depository institutions that had average assets totaling no more than \$500 million, updated to \$527 million in January 2002—can now pledge small-business, small-farm, and small-agribusiness loans as collateral for advances. The FHLBanks are allowed to make advances to nonmember housing associates that also have expanded collateral requirements. While no FHLBank has ever experienced a credit loss on an advance to a member, the expanded eligible collateral for CFI’s and nonmember housing associates provides additional credit risk for the FHLBanks. Advances to CFIs secured with the expanded collateral represent approximately \$1.2 billion of the total \$470 billion advances outstanding at June 30, 2002, and housing associates represent \$468 million of the total \$470 billion advances outstanding at June 30, 2002. The managements of the FHLBanks have the policies and procedures in place to appropriately manage this credit risk.

While the FHLBanks face minimal credit risk on advances, they are subject to credit risk on some investments and on interest-rate exchange agreements. Each FHLBank follows guidelines established by the Finance Board and its board of directors on unsecured extensions of credit, whether on- or off-balance sheet. The Finance Board regulations limit 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. (See “Regulatory Developments—Unsecured Credit Limits” for a description of these regulations.)

At June 30, 2002, the FHLBanks had Federal funds sold of \$48.1 billion. At the same date, the FHLBanks held \$7.3 billion of commercial paper.

At June 30, 2002, the FHLBanks’ unsecured credit exposure to counterparties other than the U.S. Government or U.S. Government agencies and instrumentalities was \$76.2 billion, much of which was Federal funds sold and commercial paper. This is a \$5.0 billion increase from the \$71.2 billion unsecured credit exposure to such counterparties at December 31, 2001. About 32.4 percent of this exposure at June 30, 2002 had an overnight maturity, 27.2 percent had a maturity from 2 to 30 days, 29.7 percent had a maturity from 31 to 90 days, and the remainder had a maturity less than 271 days. At June 30, 2002, the FHLBanks had aggregate unsecured credit exposure of more than \$1 billion to each of 28 counterparties. The aggregate unsecured credit exposure to these 28 counterparties represented 56.7 percent of the FHLBanks’ unsecured credit exposure to non-government counterparties.

Included in the aggregate unsecured credit exposure total is unsecured credit of \$1.2 billion to Washington Mutual Bank, FA, and \$378 million to its affiliated Washington Mutual Bank. As of the same date, Washington Mutual Bank had advances of \$5.0 billion from the FHLBank of Seattle, its affiliated Washington Mutual Bank, FA, had advances of \$53.0 billion from the FHLBank of San Francisco, its affiliated Washington Mutual Bank, FSB, had advances of \$204 million from the FHLBank of Seattle, and its affiliated First Community Industrial Bank had advances of \$103 million from the FHLBank of Topeka. All these advances were secured borrowings. An officer of Washington Mutual Bank serves as a director of the FHLBank of Seattle. In February 2001,

Washington Mutual Bank, FA, acquired Bank United, Houston, Texas. Before its acquisition, Bank United renegotiated \$7.6 billion of its advances from the FHLBank of Dallas, principally to extend the term of these advances. After the merger, Washington Mutual Bank, FA, is responsible for the repayment of these advances to the FHLBank of Dallas. At June 30, 2002, the outstanding advance amount related to former Bank United was \$7.5 billion. This amount is included in the Washington Mutual Bank, FA, advance amount noted above. An officer of Bank United served on the board of directors of the FHLBank of Dallas until the merger in February 2001.

On January 7, 2002, Washington Mutual Bank, FA, finalized its acquisition of the parent company of Dime Savings Bank of New York, FSB. Before the acquisition in January 2002, Dime Savings Bank of New York, FSB, replaced maturing short-term advances and borrowed new advances, both with intermediate maturities, totaling \$7.9 billion from the FHLBank of New York. After the merger, Washington Mutual Bank, FA, is responsible for the repayment of these advances to the FHLBank of New York. This amount is included in the Washington Mutual Bank, FA, advance amount noted above. An officer of Dime Savings Bank of New York, FSB, served on the board of directors of the FHLBank of New York until the acquisition.

Mortgage Loans. All 12 FHLBanks have established member mortgage asset purchase programs as services to their members. The programs all involve the investment by the FHLBank in loans created by members. The Finance Board authorized all of the FHLBanks to hold acquired member assets, such as assets acquired under the Mortgage Partnership Finance® (MPF®) program developed by the FHLBank of Chicago and the Mortgage Purchase Program (MPP) developed by the FHLBanks of Cincinnati, Indianapolis, and Seattle. Under these programs, the FHLBank acquires mortgage assets from or through members or housing associates, and the members or housing associates continue to bear a portion of the credit risk. These assets may have more credit risk than advances, even though the member or housing associate provides credit enhancement. At June 30, 2002, the acquired member asset programs had a total outstanding balance of \$38.3 billion of mortgage loans, all of which were credit enhanced by members to a level equivalent to at least an investment-grade rating. Outstanding mortgage loan balances were \$27.6 billion at December 31, 2001 and \$19.6 billion at June 30, 2001. All of the FHLBanks participating in these programs have either established appropriate loan loss allowances or have determined no loan loss allowances are necessary, and have the policies and procedures in place to appropriately manage this credit risk. Neither the member credit enhancements nor mortgage loans are rated. An FHLBank must hold risk-based capital against acquired member assets or pools of assets that have an implied credit rating less than double-A. All of the FHLBanks except Seattle, Cincinnati and Indianapolis offer the MPF® program to their members, and these three FHLBanks purchase mortgages through the MPP.

The acquired member asset rule of the Finance Board specifies that assets must be either whole loans eligible to secure advances (excluding mortgages above the conforming loan limit), whole loans secured by manufactured housing, or state and local housing finance agency bonds. In addition, the rule mandates a member or housing associate nexus. All pools of acquired member assets must have a credit-risk-sharing arrangement with a member, housing associate, or third-party mortgage insurance that limits the FHLBank's credit-risk exposure to no less than investment grade, as determined by a formal rating or a comparable methodology.

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

systems in the event of disasters. However, some of the operational risks of the FHLBanks are beyond the control of the FHLBanks, and the failure of other parties to adequately address their operational risk could adversely affect the FHLBanks.

Regulatory Developments

Capital Plans. On January 30, 2001, the Finance Board published a final rule implementing a new capital structure for the FHLBanks, as required by the GLB Act. The rule establishes risk-based and leverage capital requirements for the FHLBanks, addresses different classes of stock that an FHLBank may issue and the rights and preferences that may be associated with each class of stock, and required each FHLBank to submit a capital plan to the Finance Board for approval by October 29, 2001. As of July 18, 2002, the Finance Board approved the capital structure plans of all 12 FHLBanks. The capital rule provides a transition period that allows each FHLBank up to three years from the effective date of its capital plan to implement its new capital structure. The FHLBank of Seattle plans to convert to their new capital plan during the third quarter of 2002 and the remaining FHLBanks plan to convert within the three year required time frame. The existing capital structure of each FHLBank will remain in place until its capital plan is implemented.

Discussions of Enhanced Financial Disclosures. In July 2002, the staff of the Finance Board initiated discussions with the staff of the Division of Corporation Finance of the SEC and the Department of Treasury about the possible expansion of the financial disclosure reporting of the FHLBanks. The Office of Finance prepares the combined financial reports of the FHLBanks, which under current Finance Board regulations must be consistent with SEC Regulations S-K and S-X, subject to certain exceptions contained in the Finance Board regulations. However, due to the unique nature of the FHLBanks (the FHLBanks, as part of a cooperative system, are not publicly traded corporations and the member financial institutions hold all FHLBank stock), changes in disclosure requirements, if any, for the FHLBanks have not yet been determined.

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

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

Capital Adequacy

The FHLBank Act prescribes minimum member capital stock requirements. At June 30, 2002, 97.4 percent of the FHLBanks' capital was capital stock, and 2.6 percent was retained earnings. At June 30, 2002, the FHLBanks had an aggregate capital-to-asset ratio of 4.9 percent. This compares with a capital-to-asset ratio of 4.9 percent at December 31, 2001 and June 30, 2001.

Transactions with Related Parties

Each FHLBank is a cooperative. The consolidated obligations issued by the FHLBanks are the joint-and-several obligation of all FHLBanks. The members own all the stock of the FHLBanks, the majority of the directors of each FHLBank is elected by and from the membership, and the FHLBanks conduct their advances and other business almost exclusively with members. Therefore, in the normal course of business, the FHLBanks extend credit to members whose officers may serve as directors of the FHLBanks. At June 30, 2002, the FHLBanks had \$82.0 billion of advances outstanding to members whose officers were serving as directors of the FHLBanks. This amounted to 17.8 percent of total advances at par.

Accounting Matters

The FHLBanks adopted Statement of Financial Accounting Standards (“SFAS”) No. 145, “Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections as of April 2002” on June 30, 2002. SFAS 145 rescinds both SFAS 4, “Reporting Gains and Losses from the Extinguishment of Debt” and the amendment to SFAS 4, SFAS 64, “Extinguishments of Debt made to Satisfy Sinking-Fund Requirements,” and eliminates the requirement that gains and losses from the extinguishment of debt be aggregated and, if material, classified as an extraordinary item, net of the related income tax effect. In accordance with the transition provisions of SFAS No. 145, previously reported gains and losses on early retirement of debt have been reclassified into other income under other, net.

Federal Home Loan Bank Membership Trends

At June 30, 2002, there were 7,943 members of the FHLBanks, a net increase of 66 since December 31, 2001. As of June 30, 2002, the membership in the FHLBanks was comprised of 1,456 thrift institutions (savings and loan associations and savings banks), 5,804 commercial banks, 620 credit unions, and 63 insurance companies.

Membership

	<u>Commercial Banks</u>	<u>Thrifts</u>	<u>Credit Unions</u>	<u>Insurance Companies</u>	<u>Total</u>
December 31, 1998	4,925	1,651	275	33	6,884
December 31, 1999	5,329	1,610	405	39	7,383
December 31, 2000	5,681	1,547	497	52	7,777
December 31, 2001 (1)	5,765	1,481	574	57	7,877
June 30, 2002	5,804	1,456	620	63	7,943

(1) Revised based on member mergers.

Members. Membership is voluntary. A member must give six months notice of its intent to withdraw. Members that withdraw from membership may not be readmitted to membership for five years. Membership withdrawal may be affected by the new capital plans previously discussed. Between January 1, 1993, and June 30, 2002, only 48 FHLBank members withdrew from membership for reasons other than merger or acquisition, and one member has given notice to withdraw before January 1, 2003, for reasons other than merger or acquisition.

At June 30, 2002, total capital stock was \$34.3 billion, an increase of \$1.0 billion since December 31, 2001. Commercial bank members hold 49.0 percent of the capital stock and thrift institution members hold 44.9 percent.

Capital by Member Type
(Dollar amounts in billions)

	<u>Commercial Banks</u>	<u>Thrifts</u>	<u>Credit Unions</u>	<u>Insurance Companies</u>	<u>Other(1)</u>	<u>Total</u>
December 31, 1998	\$10.0	\$11.1	\$0.3	\$0.2	\$0.7	\$22.3
December 31, 1999	13.2	14.0	0.5	0.3	0.4	28.4
December 31, 2000	13.8	15.3	0.6	0.4	0.4	30.5
December 31, 2001(2)	15.2	16.4	0.9	0.3	0.5	33.3
June 30, 2002	16.8	15.4	1.1	0.4	0.6	34.3

(1) Includes capital stock of members involved in mergers other than Bank United and Dime Savings Bank of New York, FSB, which were both acquired by Washington Mutual Bank, FA, in February 2001 and January 2002, respectively. For additional information, see footnotes (1) and (2) in the "Top 10 Capital Stock Holding Members in the FHLBanks" table below. Advances to members involved in mergers must be paid off before or at maturity, if the merger involves a nonmember institution. Until these advances are paid off, the former member must still hold capital stock to support those advances.

(2) Revised based on member mergers.

The following table presents information on the 10 largest holders of FHLBank capital stock at June 30, 2002.

Top 10 Capital Stock Holding Members
at June 30, 2002

<u>Name</u>	<u>City</u>	<u>State</u>	<u>Capital Stock (\$Millions)</u>	<u>Percent of Total Capital Stock</u>
Washington Mutual Bank, FA(1)(2)	Stockton	CA	\$3,157.7	9.2%
California Federal Bank, FSB*	San Francisco	CA	1,195.7	3.5%
World Savings Bank, FSB*	Oakland	CA	693.2	2.0%
Washington Mutual Bank*	Seattle	WA	689.4	2.0%
Charter One Bank, NA*	Cleveland	OH	580.8	1.7%
U S Bank, NA(3)	Cincinnati	OH	476.5	1.4%
BB&T of NC	Winston-Salem	NC	421.9	1.2%
Standard Federal Bank, NA*	Troy	MI	357.7	1.0%
World Savings Bank, FSB	Houston	TX	357.6	1.0%
Fleet National Bank	Providence	RI	331.9	1.0%
			<u>\$8,262.4</u>	<u>24.0%</u>

* An asterisk indicates that an officer of the member was an FHLBank director in 2002.

(1) Includes \$401.9 million in capital stock from the acquisition of Bank United, a former member of the FHLBank of Dallas, by Washington Mutual Bank, FA, a member of the FHLBank of San Francisco.

(2) Includes \$394.2 million in capital stock from the acquisition of Dime Savings Bank of New York, FSB, a former member of the FHLBank of New York, by Washington Mutual Bank, FA, a member of the FHLBank of San Francisco.

- (3) Includes \$22.0 million in capital stock owned by US Bank, NA, a former member of the FHLBank of Des Moines, which merged with US Bank, NA (Firststar), a member of the FHLBank of Cincinnati.

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

Member Borrowers. The total number of borrowing members increased from 5,210 at year end 2001 to 5,317 at June 30, 2002. The percent of total members borrowing increased to 66.9 percent at June 30, 2002 from 66.1 percent at December 31, 2001.

Member Borrowers

	<u>Commercial Banks</u>	<u>Thrifts</u>	<u>Credit Unions</u>	<u>Insurance Companies</u>	<u>Total</u>
December 31, 1998	3,056	1,083	87	13	4,239
December 31, 1999	3,683	1,211	179	19	5,092
December 31, 2000	3,843	1,165	177	25	5,210
December 31, 2001(1)	3,927	1,084	168	31	5,210
June 30, 2002	4,047	1,056	181	33	5,317

(1) Revised based on member mergers.

While 66.9 percent of the FHLBanks' members held advances at June 30, 2002, the 75 borrowers with advance holdings of \$1 billion or more at June 30, 2002, held 62.7 percent of the FHLBanks' total advances. At year-end 2001, 70 borrowers held advances greater than \$1 billion, representing 63.0 percent of total FHLBanks' advances.

Advances (Dollar amounts in billions)

	<u>Commercial Banks</u>	<u>Thrifts</u>	<u>Credit Unions</u>	<u>Insurance Companies</u>	<u>Other(1)</u>	<u>Total(2)</u>
December 31, 1998	\$104.4	\$172.9	\$1.1	\$2.5	\$7.3	\$288.2
December 31, 1999	147.7	238.0	3.4	3.2	3.4	395.7
December 31, 2000	172.1	254.9	3.4	2.5	5.0	437.9
December 31, 2001(3) ...	196.3	251.6	4.9	3.1	7.4	463.3
June 30, 2002	212.2	228.0	6.0	4.0	9.3	459.5

(1) Includes advances to housing associates and members involved in mergers other than Bank United and Dime Savings Bank of New York, FSB, which were acquired by Washington Mutual Bank, FA in February 2001 and January 2002, respectively. For additional information, see footnotes (1) and (2) in the "Top 10 Advance Holding Members" table below. Advances to members involved in mergers must be paid off before or at maturity, if the merger involves a nonmember institution.

(2) Total advance amounts for December 31, 2001, and June 30, 2002, are at par value and will not agree to the Statements of Condition. The differences between the par and book value amounts relate to basis adjustments arising from hedges under SFAS 133 for book purposes.

(3) Revised based on member mergers.

The following table presents information on the 10 largest borrowers from the FHLBanks at June 30, 2002.

**Top 10 Advance Holding Members
at June 30, 2002**

<u>Name</u>	<u>City</u>	<u>State</u>	<u>Advances (\$ Millions)</u>	<u>Percent of Total Advances</u>
Washington Mutual Bank, FA(1)(2)	Stockton	CA	\$ 52,952.6	11.5%
California Federal Bank, FSB*	San Francisco	CA	18,586.3	4.0%
World Savings Bank, FSB*	Oakland	CA	11,948.7	2.6%
U S Bank, NA(3)	Cincinnati	OH	9,429.7	2.1%
BB&T of NC	Winston-Salem	NC	8,418.0	1.8%
World Savings Bank, FSB	Houston	TX	7,000.0	1.5%
Charter One Bank, NA*	Cleveland	OH	6,946.2	1.5%
Standard Federal Bank, NA*	Troy	MI	6,854.9	1.5%
Sovereign Bank, FSB	Wyomissing	PA	6,599.9	1.4%
Wells Fargo Bank Minnesota, NA	Minneapolis	MN	6,526.0	1.4%
			<u>\$135,262.3</u>	<u>29.3%</u>

* An asterisk indicates that an officer of the member was an FHLBank director in 2002.

- (1) Includes \$7,537.1 million in advances from the acquisition of Bank United, a former member of the FHLBank of Dallas, by Washington Mutual Bank, FA, a member of the FHLBank of San Francisco.
- (2) Includes \$7,864.2 million in advances from the acquisition of Dime Savings Bank of New York, FSB, a former member of the FHLBank of New York by Washington Mutual Bank, FA, a member of the FHLBank of San Francisco.
- (3) Includes \$433.2 million in advances of US Bank, NA, a former member of the FHLBank of Des Moines, which merged with US Bank, NA (Firststar), a member of the FHLBank of Cincinnati.
- (4) Member advance amounts and the total advance amounts are at par value, and the total advance amount will not agree to the Statements of Condition. The difference between the par and book value amounts relates to basis adjustments arising from hedges under SFAS 133 for book purposes.

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

Housing Associates. At June 30, 2002, the FHLBanks had \$467.6 million in advances outstanding to 18 housing associates, up from \$263.8 million at year-end 2001. Housing associates eligible to borrow include 46 state housing finance agencies, 9 county housing finance agencies, 4 city housing authorities and 1 tribal housing corporation.

Explanatory Statement about FHLBanks Combined Financial Report

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

The FHLBanks' combined Financial Reports are required to be distributed to members, and are intended to be used by investors in the consolidated bonds and consolidated discount notes of the FHLBanks. These consolidated obligations are the joint-and-several obligations of the FHLBanks,

which means that each FHLBank is responsible to the registered holders of the consolidated obligations for the payment of all principal of and interest on those obligations.

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

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

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

	June 30, 2002 <u>(Unaudited)</u>	December 31, 2001	June 30, 2001 <u>(Unaudited)</u>
ASSETS			
Cash and due from banks	\$ 464	\$ 319	\$ 698
Interest-bearing deposits in banks	22,544	19,307	16,627
Securities purchased under resale agreements	5,860	7,950	4,280
Federal funds sold	48,102	48,394	53,597
Held-to-maturity securities	109,931	97,296	98,148
Available-for-sale securities	9,387	7,403	8,564
Securities held at fair value	9,940	9,880	7,081
Advances	470,376	472,732	450,337
Mortgage loans	38,305	27,650	19,614
Less: allowance for credit losses on mortgage loans	10	7	5
Mortgage loans, net	<u>38,295</u>	<u>27,643</u>	<u>19,609</u>
Accrued interest receivable	3,280	3,106	3,488
Premises and equipment, net	139	132	130
Derivative assets	3,345	2,728	2,225
Other assets	490	386	272
Total assets	<u><u>\$722,153</u></u>	<u><u>\$697,276</u></u>	<u><u>\$665,056</u></u>
LIABILITIES			
Deposits:			
Demand and overnight	\$ 24,172	\$ 23,720	\$ 24,778
Term	951	1,115	797
Other	1,134	925	538
Total deposits	<u>26,257</u>	<u>25,760</u>	<u>26,113</u>
Borrowings:			
Securities sold under repurchase agreements	1,704	800	230
Other borrowings	75	350	
Total borrowings	<u>1,779</u>	<u>1,150</u>	<u>230</u>
Consolidated obligations, net:			
Discount notes	133,892	139,502	174,188
Bonds	506,879	481,793	419,373
Total consolidated obligations	<u>640,771</u>	<u>621,295</u>	<u>593,561</u>
Accrued interest payable	5,556	5,751	5,930
Affordable Housing Program	692	696	660
Payable to REFCORP	104	161	137
Derivative liabilities	8,882	7,814	3,697
Other liabilities	2,921	431	2,206
Total liabilities	<u>686,962</u>	<u>663,058</u>	<u>632,534</u>
CAPITAL			
Capital stock (\$100 par value)	34,260	33,289	31,725
Retained earnings	989	932	791
Accumulated other comprehensive income:			
Net unrealized gains on available-for-sale securities	253	176	31
Net unrealized losses related to hedging activities	(311)	(179)	(25)
Total capital	<u>35,191</u>	<u>34,218</u>	<u>32,522</u>
Total liabilities and capital	<u><u>\$722,153</u></u>	<u><u>\$697,276</u></u>	<u><u>\$665,056</u></u>

FEDERAL HOME LOAN BANKS
COMBINED STATEMENTS OF INCOME
(Dollar amounts in millions)
(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2002	2001	2002	2001
INTEREST INCOME				
Advances	\$2,850	\$5,562	\$5,688	\$12,285
Interest-bearing deposits in banks	101	203	194	448
Securities purchased under resale agreements	27	37	62	109
Federal funds sold	231	645	458	1,467
Held-to-maturity securities	1,296	1,469	2,550	3,004
Available-for-sale securities	39	86	74	193
Securities held at fair value	116	100	242	221
Mortgage loans	556	305	1,032	601
Other	1		1	
Total interest income	<u>5,217</u>	<u>8,407</u>	<u>10,301</u>	<u>18,328</u>
INTEREST EXPENSE				
Consolidated obligations	4,362	7,347	8,637	16,177
Deposits	101	286	211	569
Securities sold under repurchase agreements	13	1	24	1
Other borrowings	1	3	2	5
Total interest expense	<u>4,477</u>	<u>7,637</u>	<u>8,874</u>	<u>16,752</u>
NET INTEREST INCOME BEFORE MORTGAGE LOAN LOSS PROVISION	740	770	1,427	1,576
Mortgage loan loss provision	<u>2</u>	<u>1</u>	<u>3</u>	<u>2</u>
NET INTEREST INCOME AFTER MORTGAGE LOAN LOSS PROVISION	<u>738</u>	<u>769</u>	<u>1,424</u>	<u>1,574</u>
OTHER INCOME				
Net unrealized gains (losses) on securities held at fair value	335	(48)	176	28
Net realized and unrealized (losses) gains on derivatives and hedging activities	(419)	87	(289)	28
Service fees	8	11	17	22
Net gains on sale of securities held at fair value			7	
Net losses on sale of available-for-sale securities		(1)		(1)
Net gains on sale of held-to-maturity securities			1	
Other, net	17	17	54	41
Total other income	<u>(59)</u>	<u>66</u>	<u>(34)</u>	<u>118</u>
OTHER EXPENSE				
Operating expenses	97	90	185	175
Finance Board and Office of Finance expenses	10	7	23	17
Other, net	6	2	6	7
Total other expenses	<u>113</u>	<u>99</u>	<u>214</u>	<u>199</u>
INCOME BEFORE ASSESSMENTS	<u>566</u>	<u>736</u>	<u>1,176</u>	<u>1,493</u>
Affordable Housing Program	48	61	97	119
REFCORP	105	135	217	269
Total assessments	<u>153</u>	<u>196</u>	<u>314</u>	<u>388</u>
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	413	540	862	1,105
Cumulative effect of change in accounting principle				(30)
NET INCOME	<u>\$ 413</u>	<u>\$ 540</u>	<u>\$ 862</u>	<u>\$ 1,075</u>

FEDERAL HOME LOAN BANKS
COMBINED STATEMENTS OF CAPITAL
(Dollar amounts in millions)
(Unaudited)

	Capital Stock		Retained Earnings	Accumulated Other Comprehensive Income	Total Capital
	Shares (In millions)	Par Value			
BALANCE, DECEMBER 31, 2000	305	\$30,537	\$ 729	\$ (1)	\$31,265
Proceeds from sale of capital stock	43	4,280			\$ 4,280
Redemption of capital stock	(36)	(3,576)			(3,576)
Comprehensive income:					
Net income			1,075		1,075
Other comprehensive income:					
Net unrealized gains on available-for-sale securities				32	32
Cumulative effect of change in accounting principle				(2)	(2)
Net unrealized losses related to hedging activities				(23)	(23)
Total comprehensive income					<u>1,082</u>
Dividend on capital stock:					
Cash			(529)		(529)
Stock	<u>5</u>	<u>484</u>	<u>(484)</u>		
BALANCE, JUNE 30, 2001	<u>317</u>	<u>\$31,725</u>	<u>\$ 791</u>	<u>\$ 6</u>	<u>\$32,522</u>
BALANCE, DECEMBER 31, 2001	332	\$33,289	\$ 932	\$ (3)	\$34,218
Proceeds from sale of capital stock	45	4,468			4,468
Redemption of capital stock	(39)	(3,919)			(3,919)
Comprehensive income:					
Net income			862		862
Other comprehensive income:					
Net unrealized gains on available-for-sale securities				78	78
Net unrealized losses related to hedging activities				(133)	(133)
Total comprehensive income					<u>807</u>
Dividend on capital stock:					
Cash			(383)		(383)
Stock	<u>5</u>	<u>422</u>	<u>(422)</u>		
BALANCE, JUNE 30, 2002	<u>343</u>	<u>\$34,260</u>	<u>\$ 989</u>	<u>\$(58)</u>	<u>\$35,191</u>

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

	For the Six Months Ended June 30,	
	2002	2001
OPERATING ACTIVITIES		
Net income	\$ 862	\$ 1,075
Cumulative effect of change in accounting principle		30
Income before cumulative effect of change in accounting principle	862	1,105
Adjustments to reconcile income before cumulative effect of change in accounting principle to net cash provided by operating activities:		
Depreciation and amortization:		
Net premiums and discounts on consolidated obligations and investments, and deferred costs and deferred fees received on interest-rate exchange agreements ..	769	2,438
Concessions on consolidated obligations	69	98
Deferred loss on interest-rate exchange agreements, net	4	12
Premises and equipment	14	11
Net premiums and discounts on mortgage loans	20	29
Other	(1)	(5)
Provision for credit losses on mortgage loans	3	2
Net realized gains on held-to-maturity securities	(1)	
Net realized losses on available-for-sale securities		1
Increase in securities held at fair value, net of transfers and transition adjustments ..	(2,121)	(351)
Losses (gains) due to change in net fair value adjustment on derivative and hedging activities	124	(104)
(Increase) decrease in accrued interest receivable	(191)	6,650
Increase in derivative assets — accrued interest	(271)	(809)
Increase (decrease) in derivative liabilities — accrued interest	118	(377)
Increase in other assets	(405)	(218)
Increase in Affordable Housing Program (AHP) liability and discount on AHP advances		45
Decrease in accrued interest payable	(178)	(4,953)
Decrease in REFCORP liability	(57)	(9)
Increase in other liabilities	726	899
Total adjustments	(1,378)	3,359
Net cash (used in) provided by operating activities	(516)	4,464
INVESTING ACTIVITIES		
Net (increase) decrease in interest-bearing deposits in banks	(3,237)	1,569
Net decrease in Federal funds sold	292	1,668
Net decrease (increase) in securities purchased under resale agreements	2,090	(2,864)
Net (increase) decrease in short-term held-to-maturity securities	(439)	1,920
Proceeds from sales of long-term held-to-maturity securities	782	3,560
Proceeds from maturities of long-term held-to-maturity securities	19,521	10,983
Purchases of long-term held-to-maturity securities	(28,231)	(18,337)
Proceeds from sales of available-for-sale securities		24
Proceeds from maturities of available-for-sale securities	23,422	30,494
Purchases of available-for-sale securities	(26,207)	(30,326)
Principal collected on advances	1,862,616	1,890,256
Advances made	(1,858,767)	(1,898,390)
Principal collected on mortgage loans	4,164	3,512
Mortgage loans made	(14,790)	(6,983)
Principal collected on other loans	1	
Increase in premises and equipment	(19)	(16)
Net cash used in investing activities	(18,802)	(12,930)

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

	For the Six Months Ended June 30,	
	2002	2001
FINANCING ACTIVITIES		
Net increase in deposits.....	\$ 495	\$ 9,035
Net increase in securities sold under repurchase agreements	504	229
Net increase (decrease) in other borrowings	125	(2)
Net proceeds from sale of consolidated obligations:		
Discount notes	1,999,125	2,377,289
Bonds	177,016	177,902
Payments for maturing and retiring consolidated obligations:		
Discount notes	(2,005,608)	(2,365,513)
Bonds	(152,348)	(190,695)
Proceeds from issuance of capital stock	4,468	4,280
Payments for redemption of capital stock	(3,919)	(3,576)
Cash dividends paid	(395)	(537)
Net cash provided by financing activities	<u>19,463</u>	<u>8,412</u>
Net increase (decrease) in cash and cash equivalents	145	(54)
Cash and cash equivalents at beginning of period	319	752
Cash and cash equivalents at end of period	<u>\$ 464</u>	<u>\$ 698</u>
Supplemental Disclosures:		
Interest paid	\$ 8,228	\$ 18,250
Stock dividends issued	\$ 422	\$ 484

Notes to Combined Financial Statements (Unaudited)

Note 1 — Basis of Presentation

The accompanying combined interim financial statements for the three and six months ended June 30, 2002, should be read in conjunction with the audited financial statements for the year ended December 31, 2001, which are contained in the Federal Home Loan Banks 2001 Financial Report.

The results of operations for interim periods are not necessarily indicative of results to be expected for the year ending December 31, 2002.

Each FHLBank prepares its own financial statements and submits them, along with other financial information, to the Office of Finance. The Office of Finance is responsible for combining those financial statements, including the elimination of material transactions between the FHLBanks, and preparing the combined Financial Report that includes the combined financial statements.

Reclassifications. Certain amounts in the 2001 year-end and second quarter 2001 combined financial statements have been reclassified to conform with the second quarter 2002 presentation.

Note 2 — Principles of Combination and Segment Reporting

For the purposes of SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information*, the Finance Board considers each FHLBank to be a segment. The combined financial statements include the financial records of the 12 FHLBanks. Material transactions among the FHLBanks have been eliminated. The principal transactions among segments are purchases of interbank bonds — consolidated obligations issued on behalf of one FHLBank and purchased by one or more other FHLBanks. All these transactions occur at market prices, and the purchasing FHLBanks treat these bonds as investments. No other transactions among the FHLBanks have a material effect on operating results.

Note 3 — Change in Accounting Principle

The FHLBanks adopted Statement of Financial Accounting Standards (“SFAS”) No. 145, “Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections as of April 2002” on June 30, 2002. SFAS 145 rescinds both SFAS 4, “Reporting Gains and Losses from the Extinguishment of Debt” and the amendment to SFAS 4, SFAS 64, “Extinguishments of Debt made to Satisfy Sinking-Fund Requirements,” and eliminates the requirement that gains and losses from the extinguishment of debt be aggregated and, if material, classified as an extraordinary item, net of the related income tax effect. In accordance with the transition provisions of SFAS 145, previously reported gains and losses on early retirement of debt have been reclassified into other income under other, net. The amounts reclassified were not material.

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FEDERAL HOME LOAN BANKS
COMBINING SCHEDULES—STATEMENTS OF CONDITION
JUNE 30, 2002

(Dollar amounts in millions)
(Unaudited)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
ASSETS						
Cash and due from banks	\$ 464	\$	\$ 6	\$ 9	\$ 94	\$ 37
Interest-bearing deposits in banks	22,544		915	6,110	1,215	1,627
Deposits for mortgage loan programs with other FHLBanks		(64)		1	49	5
Securities purchased under resale agreements	5,860		1,455			
Federal funds sold	48,102		4,881	3,040	2,780	6,253
Held-to-maturity securities	109,931	(978)	6,170	11,713	9,189	12,645
Available-for-sale securities	9,387	(508)	1,055		393	
Securities held at fair value	9,940	(846)	659		1,761	3,282
Advances	470,376		23,828	64,469	28,232	73,519
Mortgage loans	38,305		1,260	388	2,551	592
Less: allowance for credit losses on mortgage loans	10		1			1
Mortgage loans, net	38,295		1,259	388	2,551	591
Loans to other FHLBanks		(1,007)		50	570	
Accrued interest receivable	3,280	(33)	164	386	592	478
Premises and equipment, net	139		6	8	9	29
Derivative assets	3,345		105	870	176	484
Other assets	490		17	28	38	107
Total assets	<u>\$722,153</u>	<u>\$ (3,436)</u>	<u>\$40,520</u>	<u>\$87,072</u>	<u>\$47,649</u>	<u>\$99,057</u>
LIABILITIES						
Deposits:						
Demand and overnight	\$ 24,172	\$	\$ 1,898	\$ 1,972	\$ 1,954	\$ 5,666
Term	951		25	270	6	34
Deposits from other FHLBanks for mortgage loan programs		(64)				
Other	1,134		5	4	59	343
Total deposits	<u>26,257</u>	<u>(64)</u>	<u>1,928</u>	<u>2,246</u>	<u>2,019</u>	<u>6,043</u>
Borrowings:						
Other FHLBanks		(1,007)		232		
Securities sold under repurchase agreements	1,704				504	
Other borrowings	75					
Total borrowings	<u>1,779</u>	<u>(1,007)</u>	<u></u>	<u>232</u>	<u>504</u>	<u></u>
Consolidated obligations, net:						
Discount notes	133,892		5,882	20,302	11,422	378
Bonds	506,879	(2,332)	29,554	57,648	30,284	84,327
Total consolidated obligations	<u>640,771</u>	<u>(2,332)</u>	<u>35,436</u>	<u>77,950</u>	<u>41,706</u>	<u>84,705</u>
Accrued interest payable	5,556	(33)	340	616	361	917
Affordable Housing Program	692		32	108	30	97
Payable to REFCORP	104		4	13	3	20
Derivative liabilities	8,882		402	1,874	651	2,454
Other liabilities	2,921		224	32	452	383
Total liabilities	<u>686,962</u>	<u>(3,436)</u>	<u>38,366</u>	<u>83,071</u>	<u>45,726</u>	<u>94,619</u>
CAPITAL						
Capital stock outstanding (\$100 par value)	34,260		2,127	3,778	1,861	4,243
Retained earnings	989		41	223	68	195
Accumulated other comprehensive income:						
Net unrealized net gains (losses) on available-for sale securities	253		(22)		(6)	
Net unrealized (losses) gains related to hedging activities	(311)		8			
Total capital	<u>35,191</u>	<u></u>	<u>2,154</u>	<u>4,001</u>	<u>1,923</u>	<u>4,438</u>
Total liabilities and capital	<u>\$722,153</u>	<u>\$ (3,436)</u>	<u>\$40,520</u>	<u>\$87,072</u>	<u>\$47,649</u>	<u>\$99,057</u>

<u>Cincinnati</u>	<u>Indianapolis</u>	<u>Chicago</u>	<u>Des Moines</u>	<u>Dallas</u>	<u>Topeka</u>	<u>San Francisco</u>	<u>Seattle</u>
\$ 37	\$ 48	\$ 3	\$ 87	\$ 113	\$ 9	\$ 3	\$ 18
4,448	408		175	188	2,682	3,327	1,449
		305		4		5	
						3,850	250
11,651	2,136	2,793	3,363	2,304	1,639	4,340	2,922
10,324	5,740	4,705	4,620	5,004	6,469	19,544	14,786
1,914	1,744		523	4,266			
24	98	3,283	105	372	442	530	230
36,310	27,503	24,330	21,857	34,405	24,637	89,772	21,514
1,401	3,244	20,676	3,855	1,366	127	5	2,840
		5	3				
<u>1,401</u>	<u>3,244</u>	<u>20,671</u>	<u>3,852</u>	<u>1,366</u>	<u>127</u>	<u>5</u>	<u>2,840</u>
		287				100	
202	170	295	61	159	120	419	267
3	11	19	7	28	10	6	3
125	51	226	231	341	185	486	65
20	29	22	73	31	62	44	19
<u>\$66,459</u>	<u>\$41,182</u>	<u>\$56,939</u>	<u>\$34,954</u>	<u>\$48,581</u>	<u>\$36,382</u>	<u>\$122,431</u>	<u>\$44,363</u>
\$ 1,525	\$ 1,254	\$ 2,731	\$ 1,615	\$ 2,324	\$ 1,423	\$ 358	\$ 1,452
163		195	63	24	28	53	90
		64					
117	26	175		195	51	159	
<u>1,805</u>	<u>1,280</u>	<u>3,165</u>	<u>1,678</u>	<u>2,543</u>	<u>1,502</u>	<u>570</u>	<u>1,542</u>
			550			225	
		1,200				75	
		<u>1,200</u>	<u>550</u>			<u>300</u>	
24,776	11,466	11,458	5,977	7,339	10,515	13,973	10,404
33,658	25,149	37,393	24,554	35,150	22,019	100,172	29,303
<u>58,434</u>	<u>36,615</u>	<u>48,851</u>	<u>30,531</u>	<u>42,489</u>	<u>32,534</u>	<u>114,145</u>	<u>39,707</u>
388	270	440	283	466	273	896	339
78	35	40	23	34	26	135	54
10	8	12	4	5	3	13	9
927	920	300	187	294	499	246	128
1,305	85	24	5	346	19	33	13
<u>62,947</u>	<u>39,213</u>	<u>54,032</u>	<u>33,261</u>	<u>46,177</u>	<u>34,856</u>	<u>116,338</u>	<u>41,792</u>
3,462	1,930	2,805	1,657	2,330	1,477	6,046	2,544
50	37	135	37	78	49	49	27
	2		(1)	280			
		(33)		(284)		(2)	
<u>3,512</u>	<u>1,969</u>	<u>2,907</u>	<u>1,693</u>	<u>2,404</u>	<u>1,526</u>	<u>6,093</u>	<u>2,571</u>
<u>\$66,459</u>	<u>\$41,182</u>	<u>\$56,939</u>	<u>\$34,954</u>	<u>\$48,581</u>	<u>\$36,382</u>	<u>\$122,431</u>	<u>\$44,363</u>

FEDERAL HOME LOAN BANKS
COMBINING SCHEDULES—STATEMENTS OF CONDITION
JUNE 30, 2001
(Dollar amounts in millions)
(Unaudited)

	<u>Combined</u>	<u>Combining Adjustments</u>	<u>Boston</u>	<u>New York</u>	<u>Pittsburgh</u>	<u>Atlanta</u>
ASSETS						
Cash and due from banks	\$ 698	\$	\$ 208	\$ 18	\$ 125	\$ 107
Interest-bearing deposits in banks	16,627			6,600	1,628	905
Deposits for mortgage loan programs with other FHLBanks		(103)			86	5
Securities purchased under resale agreements	4,280		645			
Federal funds sold	53,597		4,768	4,927	1,690	10,542
Held-to-maturity securities	98,148	(770)	6,062	12,284	6,408	12,352
Available-for-sale securities	8,564	(467)	881		155	
Securities held at fair value	7,081	(507)	900		2,462	1,714
Advances	450,337		21,466	55,746	26,161	66,629
Mortgage loans	19,614		124	469	1,961	486
Less: allowance for credit losses on mortgage loans . .	5					
Mortgage loans, net	<u>19,609</u>		<u>124</u>	<u>469</u>	<u>1,961</u>	<u>486</u>
Loans to other FHLBanks		(125)		50		75
Accrued interest receivable	3,488	(14)	160	460	536	513
Premises and equipment, net	130		3	10	13	30
Derivative assets	2,225		70	734	141	111
Other assets	272		16	18	35	43
Total assets	<u>\$665,056</u>	<u>\$(1,986)</u>	<u>\$35,303</u>	<u>\$81,316</u>	<u>\$41,401</u>	<u>\$93,512</u>
LIABILITIES						
Deposits:						
Demand and overnight	\$ 24,778	\$	\$ 2,369	\$ 2,799	\$ 1,677	\$ 5,565
Term	797		40	179	17	49
Deposits from other FHLBanks for mortgage loan programs		(103)				
Other	538			5	46	81
Total deposits	<u>26,113</u>	<u>(103)</u>	<u>2,409</u>	<u>2,983</u>	<u>1,740</u>	<u>5,695</u>
Borrowings:						
Other FHLBanks		(125)			75	
Securities sold under repurchase agreements	230		125			
Total borrowings	<u>230</u>	<u>(125)</u>	<u>125</u>		<u>75</u>	
Consolidated obligations, net:						
Discount notes	174,188		9,156	31,323	10,530	5,520
Bonds	419,373	(1,744)	20,964	41,333	26,376	75,260
Total consolidated obligations	<u>593,561</u>	<u>(1,744)</u>	<u>30,120</u>	<u>72,656</u>	<u>36,906</u>	<u>80,780</u>
Accrued interest payable	5,930	(14)	327	634	373	969
Affordable Housing Program	660		36	97	45	91
Payable to REFCORP	137		7	18	10	18
Derivative liabilities	3,697		118	843	202	983
Other liabilities	2,206		170	32	224	883
Total liabilities	<u>632,534</u>	<u>(1,986)</u>	<u>33,312</u>	<u>77,263</u>	<u>39,575</u>	<u>89,419</u>
CAPITAL						
Capital stock outstanding (\$100 par value)	31,725		1,930	3,918	1,705	3,945
Retained earnings	791		48	135	119	148
Accumulated other comprehensive income:						
Net unrealized net gains (losses) on available- for-sale securities	31		(1)		1	
Net unrealized (losses) gains related to hedging activities	(25)		14		1	
Total capital	<u>32,522</u>		<u>1,991</u>	<u>4,053</u>	<u>1,826</u>	<u>4,093</u>
Total liabilities and capital	<u>\$665,056</u>	<u>\$(1,986)</u>	<u>\$35,303</u>	<u>\$81,316</u>	<u>\$41,401</u>	<u>\$93,512</u>

<u>Cincinnati</u>	<u>Indianapolis</u>	<u>Chicago</u>	<u>Des Moines</u>	<u>Dallas</u>	<u>Topeka</u>	<u>San Francisco</u>	<u>Seattle</u>
\$ 23	\$ 37	\$ 4	\$ 74	\$ 97	\$ 1	\$ 3	\$ 1
1,789	153		160	71	1,946	3,025	350
				11	1		
		50	2,000			1,285	300
11,649	1,975	2,470	2,225	2,542	1,365	6,728	2,716
9,044	4,915	4,874	3,911	5,045	6,586	14,888	12,549
2,978	1,384			3,593	40		
38	93	642	184	467	148	599	341
32,823	24,894	19,172	21,272	29,471	19,434	107,416	25,853
174	68	9,832	4,087	1,510	53		850
		2	3				
174	68	9,830	4,084	1,510	53		850
265	113	199	70	181	115	590	300
3	11	16	6	31		4	3
97	44	236	181	138	185	234	54
17	18	12	9	26	21	46	11
<u>\$58,900</u>	<u>\$33,705</u>	<u>\$37,505</u>	<u>\$34,176</u>	<u>\$43,183</u>	<u>\$29,895</u>	<u>\$134,818</u>	<u>\$43,328</u>
\$ 1,328	\$ 1,469	\$ 1,677	\$ 1,803	\$ 2,305	\$ 1,699	\$ 394	\$ 1,693
180		117	108	13	31	24	39
		103					
79	22	175		27	48	55	
<u>1,587</u>	<u>1,491</u>	<u>2,072</u>	<u>1,911</u>	<u>2,345</u>	<u>1,778</u>	<u>473</u>	<u>1,732</u>
			50				
							105
			50				105
27,479	15,467	7,941	4,228	6,460	4,822	34,821	16,441
25,544	14,466	24,785	25,869	31,694	21,438	91,094	22,294
<u>53,023</u>	<u>29,933</u>	<u>32,726</u>	<u>30,097</u>	<u>38,154</u>	<u>26,260</u>	<u>125,915</u>	<u>38,735</u>
369	228	402	342	507	315	1,169	309
71	30	31	28	38	27	120	46
13	8	7	4	7	8	25	12
306	310	274	37	125	194	263	42
531	6	23	14	40	8	269	6
<u>55,900</u>	<u>32,006</u>	<u>35,535</u>	<u>32,483</u>	<u>41,216</u>	<u>28,590</u>	<u>128,234</u>	<u>40,987</u>
2,954	1,670	1,893	1,656	1,928	1,247	6,560	2,319
46	29	71	37	44	58	34	22
				31			
		6		(36)		(10)	
<u>3,000</u>	<u>1,699</u>	<u>1,970</u>	<u>1,693</u>	<u>1,967</u>	<u>1,305</u>	<u>6,584</u>	<u>2,341</u>
<u>\$58,900</u>	<u>\$33,705</u>	<u>\$37,505</u>	<u>\$34,176</u>	<u>\$43,183</u>	<u>\$29,895</u>	<u>\$134,818</u>	<u>\$43,328</u>

FEDERAL HOME LOAN BANKS
COMBINING SCHEDULES—STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED JUNE 30, 2002

(Dollar amounts in millions)
(Unaudited)

	<u>Combined</u>	<u>Combining Adjustments</u>	<u>Boston</u>	<u>New York</u>	<u>Pittsburgh</u>	<u>Atlanta</u>
INTEREST INCOME						
Advances	\$2,850	\$	\$205	\$411	\$158	\$397
Interest-bearing deposits in banks	101		4	27	5	6
Deposits for mortgage loan programs with other FHLBanks		(1)			1	
Securities purchased under resale agreements	27		10			
Federal funds sold	231		16	11	5	41
Held-to-maturity securities	1,296	(11)	75	177	92	162
Available-for-sale securities	39	(6)	4		4	
Securities held at fair value	116	(11)	8		16	46
Mortgage loans	556		15	7	30	10
Loans to other FHLBanks		(1)		1		
Other	1					
Total interest income	<u>5,217</u>	<u>(30)</u>	<u>337</u>	<u>634</u>	<u>311</u>	<u>662</u>
INTEREST EXPENSE						
Consolidated obligations	4,362	(28)	301	542	267	539
Deposits	101		7	9	8	22
Deposits from other FHLBanks for mortgage loan programs		(1)				
Borrowings from other FHLBanks		(1)			1	
Securities sold under resale agreements	13				2	
Other borrowings	1					
Total interest expense	<u>4,477</u>	<u>(30)</u>	<u>308</u>	<u>551</u>	<u>278</u>	<u>561</u>
NET INTEREST INCOME BEFORE MORTGAGE LOAN LOSS PROVISION ..						
Mortgage loan loss provision	740		29	83	33	101
Mortgage loan loss provision	<u>2</u>		<u>1</u>			
NET INTEREST INCOME AFTER MORTGAGE LOAN LOSS PROVISION ..						
	<u>738</u>		<u>28</u>	<u>83</u>	<u>33</u>	<u>101</u>
OTHER INCOME						
Net unrealized gains (losses) on securities held at fair value	335		6		28	121
Net realized and unrealized losses on derivatives and hedging activities	(419)		(7)	(2)	(35)	(105)
Service fees	8		1	1	2	
Other, net	17			2		3
Total other income	<u>(59)</u>			<u>1</u>	<u>(5)</u>	<u>19</u>
OTHER EXPENSE						
Operating expenses	97		7	9	9	12
Finance Board and Office of Finance expenses	10			1	1	2
Other, net	6					
Total other expenses	<u>113</u>		<u>7</u>	<u>10</u>	<u>10</u>	<u>14</u>
INCOME BEFORE ASSESSMENTS						
Affordable Housing Program	566		21	74	18	106
REFCORP	48		2	6	1	9
REFCORP	105		4	14	4	19
Total assessments	<u>153</u>		<u>6</u>	<u>20</u>	<u>5</u>	<u>28</u>
NET INCOME	<u>\$ 413</u>	<u>\$</u>	<u>\$ 15</u>	<u>\$ 54</u>	<u>\$ 13</u>	<u>\$ 78</u>

<u>Cincinnati</u>	<u>Indianapolis</u>	<u>Chicago</u>	<u>Des Moines</u>	<u>Dallas</u>	<u>Topeka</u>	<u>San Francisco</u>	<u>Seattle</u>
\$217	\$167	\$161	\$147	\$207	\$141	\$474	\$165
22	2		1		10	18	6
		1	6			9	1
56	14	12	12	10	10	32	12
130	76	29	45	38	75	220	188
6	8		3	20			
1	1	45	1	2	1	3	3
20	38	314	63	24	2		33
					1		
<u>452</u>	<u>306</u>	<u>562</u>	<u>278</u>	<u>301</u>	<u>240</u>	<u>756</u>	<u>408</u>
385	249	433	244	255	206	627	342
6	7	11	7	9	7	2	6
		1					
		10					1
<u>1</u>							
<u>392</u>	<u>256</u>	<u>455</u>	<u>251</u>	<u>264</u>	<u>213</u>	<u>629</u>	<u>349</u>
60	50	107	27	37	27	127	59
		1					
<u>60</u>	<u>50</u>	<u>106</u>	<u>27</u>	<u>37</u>	<u>27</u>	<u>127</u>	<u>59</u>
(1)	3	145	1	(2)	12	9	13
	(4)	(173)	(3)		(22)	(52)	(16)
1	1	1			1		
<u>1</u>	<u>1</u>	<u>5</u>	<u>1</u>	<u>1</u>		<u>2</u>	<u>1</u>
<u>1</u>	<u>1</u>	<u>(22)</u>	<u>(1)</u>	<u>(1)</u>	<u>(9)</u>	<u>(41)</u>	<u>(2)</u>
6	7	11	6	7	4	13	6
1			1	1		2	1
		6					
<u>7</u>	<u>7</u>	<u>17</u>	<u>7</u>	<u>8</u>	<u>4</u>	<u>15</u>	<u>7</u>
<u>54</u>	<u>44</u>	<u>67</u>	<u>19</u>	<u>28</u>	<u>14</u>	<u>71</u>	<u>50</u>
4	4	6	1	3	2	6	4
10	8	12	4	5	2	13	10
<u>14</u>	<u>12</u>	<u>18</u>	<u>5</u>	<u>8</u>	<u>4</u>	<u>19</u>	<u>14</u>
<u>\$ 40</u>	<u>\$ 32</u>	<u>\$ 49</u>	<u>\$ 14</u>	<u>\$ 20</u>	<u>\$ 10</u>	<u>\$ 52</u>	<u>\$ 36</u>

FEDERAL HOME LOAN BANKS
COMBINING SCHEDULES—STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED JUNE 30, 2001

(Dollar amounts in millions)
(Unaudited)

	<u>Combined</u>	<u>Combining Adjustments</u>	<u>Boston</u>	<u>New York</u>	<u>Pittsburgh</u>	<u>Atlanta</u>
INTEREST INCOME						
Advances	\$5,562	\$	\$319	\$684	\$314	\$ 806
Interest-bearing deposits in banks	203		1	87	5	11
Deposits for mortgage loan programs with other FHLBanks		(1)			1	
Securities purchased under resale agreements ..	37		6			
Federal funds sold	645		57	64	29	84
Held-to-maturity securities	1,469	(14)	85	202	99	195
Available-for-sale securities	86	(4)	13		2	
Securities held at fair value	100	(10)	17		30	28
Mortgage loans	305			9	32	8
Loans to other FHLBanks		(2)		1		
Total interest income	<u>8,407</u>	<u>(31)</u>	<u>498</u>	<u>1,047</u>	<u>512</u>	<u>1,132</u>
INTEREST EXPENSE						
Consolidated obligations	7,347	(28)	425	912	437	966
Deposits	286		28	34	18	61
Deposits from other FHLBanks for mortgage loan programs		(1)				
Borrowings from other FHLBanks		(2)	1			
Securities sold under resale agreements	1		1			
Other borrowings	3			(1)		
Total interest expense	<u>7,637</u>	<u>(31)</u>	<u>455</u>	<u>945</u>	<u>455</u>	<u>1,027</u>
NET INTEREST INCOME BEFORE MORTGAGE LOAN LOSS PROVISION ..						
Mortgage loan loss provision	<u>770</u>		<u>43</u>	<u>102</u>	<u>57</u>	<u>105</u>
NET INTEREST INCOME AFTER MORTGAGE LOAN LOSS PROVISION ..						
	<u>769</u>		<u>43</u>	<u>102</u>	<u>57</u>	<u>105</u>
OTHER INCOME						
Net unrealized losses on securities held at fair value	(48)		(4)		(8)	(22)
Net realized and unrealized gains (losses) on derivatives and hedging activities	87		6	4	13	24
Service fees	11		1	1	4	
Net losses on sale of available-for-sale securities	(1)		(1)			
Other, net	17		3	1		2
Total other income	<u>66</u>		<u>5</u>	<u>6</u>	<u>9</u>	<u>4</u>
OTHER EXPENSE						
Operating expenses	90		6	9	13	11
Finance Board and Office of Finance expenses ..	7			1		1
Other, net	2				(1)	2
Total other expenses	<u>99</u>		<u>6</u>	<u>10</u>	<u>12</u>	<u>14</u>
INCOME BEFORE ASSESSMENTS						
	<u>736</u>		<u>42</u>	<u>98</u>	<u>54</u>	<u>95</u>
Affordable Housing Program	61		4	8	5	7
REFCORP	135		7	18	10	18
Total assessments	<u>196</u>		<u>11</u>	<u>26</u>	<u>15</u>	<u>25</u>
NET INCOME	<u>\$ 540</u>	<u>\$</u>	<u>\$ 31</u>	<u>\$ 72</u>	<u>\$ 39</u>	<u>\$ 70</u>

<u>Cincinnati</u>	<u>Indianapolis</u>	<u>Chicago</u>	<u>Des Moines</u>	<u>Dallas</u>	<u>Topeka</u>	<u>San Francisco</u>	<u>Seattle</u>
\$396	\$318	\$231	\$268	\$363	\$235	\$1,300	\$328
30	2		2	2	21	35	7
			19			10	2
138	22	25	32	27	26	101	40
136	78	74	56	67	89	209	193
18	17			40			
1	1	10	2	7	2	8	4
2		152	62	27	1		12
			1				
<u>721</u>	<u>438</u>	<u>492</u>	<u>442</u>	<u>533</u>	<u>374</u>	<u>1,663</u>	<u>586</u>
631	373	421	397	463	320	1,522	508
18	17	23	21	25	19	5	17
		1					
			1				
<u>1</u>				<u>1</u>			<u>2</u>
<u>650</u>	<u>390</u>	<u>445</u>	<u>419</u>	<u>489</u>	<u>339</u>	<u>1,527</u>	<u>527</u>
71	48	47	23	44	35	136	59
			<u>1</u>				
<u>71</u>	<u>48</u>	<u>47</u>	<u>22</u>	<u>44</u>	<u>35</u>	<u>136</u>	<u>59</u>
	(1)	(4)	(1)		(3)	(5)	
	2	3	5	(1)	7	19	5
1	1	1	1	1			
<u>1</u>		<u>1</u>	<u>3</u>		<u>1</u>	<u>2</u>	<u>3</u>
<u>2</u>	<u>2</u>	<u>1</u>	<u>8</u>		<u>5</u>	<u>16</u>	<u>8</u>
5	6	8	6	6	4	11	5
	1	1			1	2	
		2					(1)
<u>5</u>	<u>7</u>	<u>11</u>	<u>6</u>	<u>6</u>	<u>5</u>	<u>13</u>	<u>4</u>
<u>68</u>	<u>43</u>	<u>37</u>	<u>24</u>	<u>38</u>	<u>35</u>	<u>139</u>	<u>63</u>
6	4	4	2	3	2	11	5
12	7	6	5	7	7	26	12
<u>18</u>	<u>11</u>	<u>10</u>	<u>7</u>	<u>10</u>	<u>9</u>	<u>37</u>	<u>17</u>
<u>\$ 50</u>	<u>\$ 32</u>	<u>\$ 27</u>	<u>\$ 17</u>	<u>\$ 28</u>	<u>\$ 26</u>	<u>\$ 102</u>	<u>\$ 46</u>

FEDERAL HOME LOAN BANKS
COMBINING SCHEDULES—STATEMENTS OF INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2002

(Dollar amounts in millions)
(Unaudited)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
INTEREST INCOME						
Advances	\$5,688	\$	\$415	\$825	\$310	\$ 787
Interest-bearing deposits in banks	194		5	52	11	11
Deposits for mortgage loan programs with other FHLBanks		(1)			1	
Securities purchased under resale agreements	62		16			
Federal funds sold	458		34	22	10	78
Held-to-maturity securities	2,550	(24)	152	362	157	338
Available-for-sale securities	74	(13)	9		9	
Securities held at fair value	242	(19)	18		52	88
Mortgage loans	1,032		23	14	58	19
Loans to other FHLBanks		(2)		2		
Other	1					
Total interest income	<u>10,301</u>	<u>(59)</u>	<u>672</u>	<u>1,277</u>	<u>608</u>	<u>1,321</u>
INTEREST EXPENSE						
Consolidated obligations	8,637	(56)	601	1,082	520	1,074
Deposits	211		15	20	16	46
Deposits from other FHLBanks for mortgage loan programs		(1)				
Borrowings from other FHLBanks		(2)			1	
Securities sold under resale agreements	24				4	
Other borrowings	2					
Total interest expense	<u>8,874</u>	<u>(59)</u>	<u>616</u>	<u>1,102</u>	<u>541</u>	<u>1,120</u>
NET INTEREST INCOME BEFORE MORTGAGE LOAN LOSS PROVISION						
.....	1,427		56	175	67	201
Mortgage loan loss provision	3		1			
NET INTEREST INCOME AFTER MORTGAGE LOAN LOSS PROVISION						
.....	<u>1,424</u>		<u>55</u>	<u>175</u>	<u>67</u>	<u>201</u>
OTHER INCOME						
Net unrealized gains (losses) on securities held at fair value	176		3		(7)	73
Net realized and unrealized losses on derivatives and hedging activities	(289)		(6)	(1)	(26)	(69)
Service fees	17		1	2	3	1
Net gains on sale of securities held at fair value	7				7	
Net gains on sale of held-to-maturity securities	1					
Other, net	54		5	12		4
Total other income	<u>(34)</u>		<u>3</u>	<u>13</u>	<u>(23)</u>	<u>9</u>
OTHER EXPENSE						
Operating expenses	185		13	18	17	23
Finance Board and Office of Finance expenses	23		1	2	2	3
Other, net	6			(5)		2
Total other expenses	<u>214</u>		<u>14</u>	<u>15</u>	<u>19</u>	<u>28</u>
INCOME BEFORE ASSESSMENTS						
.....	<u>1,176</u>		<u>44</u>	<u>173</u>	<u>25</u>	<u>182</u>
Affordable Housing Program	97		4	14	2	15
REFCORP	217		8	32	5	33
Total assessments	<u>314</u>		<u>12</u>	<u>46</u>	<u>7</u>	<u>48</u>
NET INCOME	<u>\$ 862</u>	<u>\$</u>	<u>\$ 32</u>	<u>\$127</u>	<u>\$ 18</u>	<u>\$ 134</u>

<u>Cincinnati</u>	<u>Indianapolis</u>	<u>Chicago</u>	<u>Des Moines</u>	<u>Dallas</u>	<u>Topeka</u>	<u>San Francisco</u>	<u>Seattle</u>
\$437	\$332	\$290	\$291	\$409	\$275	\$ 978	\$339
40	4		1	1	20	39	10
		1	22			21	2
111	26	24	20	22	21	66	24
256	145	67	91	76	147	421	362
14	14		4	37			
1	3	78	2	4	2	6	7
33	51	596	126	48	4		60
					1		
<u>892</u>	<u>575</u>	<u>1,056</u>	<u>557</u>	<u>597</u>	<u>470</u>	<u>1,531</u>	<u>804</u>
763	470	843	488	502	403	1,266	681
13	14	22	14	20	14	4	13
		1					
			1				
		18					2
<u>1</u>							<u>1</u>
<u>777</u>	<u>484</u>	<u>884</u>	<u>503</u>	<u>522</u>	<u>417</u>	<u>1,270</u>	<u>697</u>
115	91	172	54	75	53	261	107
		2					
<u>115</u>	<u>91</u>	<u>170</u>	<u>54</u>	<u>75</u>	<u>53</u>	<u>261</u>	<u>107</u>
(1)	2	85	(1)		10	5	7
	(2)	(113)	(18)	(7)	(11)	(20)	(16)
1	3	1	1	1	1	1	1
							1
<u>11</u>	<u>1</u>	<u>9</u>	<u>2</u>	<u>3</u>	<u>1</u>	<u>4</u>	<u>2</u>
<u>11</u>	<u>4</u>	<u>(18)</u>	<u>(16)</u>	<u>(3)</u>	<u>1</u>	<u>(10)</u>	<u>(5)</u>
11	13	21	11	14	8	25	11
2	1	1	2	2	1	4	2
		9					
<u>13</u>	<u>14</u>	<u>31</u>	<u>13</u>	<u>16</u>	<u>9</u>	<u>29</u>	<u>13</u>
<u>113</u>	<u>81</u>	<u>121</u>	<u>25</u>	<u>56</u>	<u>45</u>	<u>222</u>	<u>89</u>
9	7	10	2	5	4	18	7
21	15	22	5	10	8	41	17
<u>30</u>	<u>22</u>	<u>32</u>	<u>7</u>	<u>15</u>	<u>12</u>	<u>59</u>	<u>24</u>
<u>\$ 83</u>	<u>\$ 59</u>	<u>\$ 89</u>	<u>\$ 18</u>	<u>\$ 41</u>	<u>\$ 33</u>	<u>\$ 163</u>	<u>\$ 65</u>

FEDERAL HOME LOAN BANKS
COMBINING SCHEDULES—STATEMENTS OF INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2001

(Dollar amounts in millions)
(Unaudited)

	<u>Combined</u>	<u>Combining Adjustments</u>	<u>Boston</u>	<u>New York</u>	<u>Pittsburgh</u>	<u>Atlanta</u>
INTEREST INCOME						
Advances	\$12,285	\$	\$ 692	\$1,466	\$ 711	\$1,773
Interest-bearing deposits in banks	448		3	189	17	23
Deposits for mortgage loan programs with other FHLBanks		(1)			1	
Securities purchased under resale agreements	109		17			
Federal funds sold	1,467		115	141	79	173
Held-to-maturity securities	3,004	(41)	186	401	210	384
Available-for-sale securities	193	(11)	26		7	
Securities held at fair value	221	(18)	36		57	63
Mortgage loans	601		1	18	68	16
Loans to other FHLBanks		(3)		2		
Total interest income	<u>18,328</u>	<u>(74)</u>	<u>1,076</u>	<u>2,217</u>	<u>1,150</u>	<u>2,432</u>
INTEREST EXPENSE						
Consolidated obligations	16,177	(70)	924	1,944	1,001	2,096
Deposits	569		56	65	36	118
Deposits from other FHLBanks for mortgage loan programs		(1)				
Borrowings from other FHLBanks		(3)	1			
Securities sold under resale agreements	1		1			
Other borrowings	5					
Total interest expense	<u>16,752</u>	<u>(74)</u>	<u>982</u>	<u>2,009</u>	<u>1,037</u>	<u>2,214</u>
NET INTEREST INCOME BEFORE MORTGAGE LOAN LOSS PROVISION						
	1,576		94	208	113	218
Mortgage loan loss provision	<u>2</u>					
NET INTEREST INCOME AFTER MORTGAGE LOAN LOSS PROVISION						
	<u>1,574</u>		<u>94</u>	<u>208</u>	<u>113</u>	<u>218</u>
OTHER INCOME						
Net unrealized gains (losses) on securities held at fair value	28		4		10	(2)
Net realized and unrealized gains (losses) on derivatives and hedging activities	28			(3)	(1)	11
Service fees	22		1	2	8	1
Net losses from sale of available-for-sale securities	(1)		(1)			
Other, net	41		6	1		4
Total other income	<u>118</u>		<u>10</u>		<u>17</u>	<u>14</u>
OTHER EXPENSE						
Operating expenses	175		12	17	23	21
Finance Board and Office of Finance expenses	17		1	2	1	2
Other, net	7					4
Total other expenses	<u>199</u>		<u>13</u>	<u>19</u>	<u>24</u>	<u>27</u>
INCOME BEFORE ASSESSMENTS						
	<u>1,493</u>		<u>91</u>	<u>189</u>	<u>106</u>	<u>205</u>
Affordable Housing Program	119		7	16	8	15
REFCORP	269		16	35	18	35
Total assessments	<u>388</u>		<u>23</u>	<u>51</u>	<u>26</u>	<u>50</u>
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE						
	1,105		68	138	80	155
Cumulative effect of change in accounting principle	<u>(30)</u>		<u>(3)</u>	<u>3</u>	<u>(9)</u>	<u>(16)</u>
NET INCOME	<u><u>\$ 1,075</u></u>	<u><u>\$</u></u>	<u><u>\$ 65</u></u>	<u><u>\$ 141</u></u>	<u><u>\$ 71</u></u>	<u><u>\$ 139</u></u>

<u>Cincinnati</u>	<u>Indianapolis</u>	<u>Chicago</u>	<u>Des Moines</u>	<u>Dallas</u>	<u>Topeka</u>	<u>San Francisco</u>	<u>Seattle</u>
\$ 877	\$684	\$ 517	\$591	\$ 812	\$506	\$2,946	\$ 710
76	3		4	3	36	77	17
	1	1	45			41	4
308	53	58	82	57	67	239	95
276	159	159	128	142	178	425	397
48	38			84	1		
2	3	20	5	22	5	18	8
3	1	300	121	52	1		20
			1				
<u>1,590</u>	<u>942</u>	<u>1,055</u>	<u>977</u>	<u>1,172</u>	<u>794</u>	<u>3,746</u>	<u>1,251</u>
1,417	812	903	872	1,038	687	3,452	1,101
33	34	51	43	51	39	9	34
		1					
			2				
<u>1</u>				<u>1</u>			<u>3</u>
<u>1,451</u>	<u>846</u>	<u>955</u>	<u>917</u>	<u>1,090</u>	<u>726</u>	<u>3,461</u>	<u>1,138</u>
139	96	100	60	82	68	285	113
		<u>1</u>	<u>1</u>				
<u>139</u>	<u>96</u>	<u>99</u>	<u>59</u>	<u>82</u>	<u>68</u>	<u>285</u>	<u>113</u>
		13			1	2	
1		(16)	(1)	3	6	23	5
1	3	1	2	2			1
<u>2</u>	<u>1</u>	<u>1</u>	<u>11</u>		<u>3</u>	<u>4</u>	<u>8</u>
<u>4</u>	<u>4</u>	<u>(1)</u>	<u>12</u>	<u>5</u>	<u>10</u>	<u>29</u>	<u>14</u>
10	12	17	11	12	8	22	10
1	1	1	1	1	1	4	1
		3					
<u>11</u>	<u>13</u>	<u>21</u>	<u>12</u>	<u>13</u>	<u>9</u>	<u>26</u>	<u>11</u>
<u>132</u>	<u>87</u>	<u>77</u>	<u>59</u>	<u>74</u>	<u>69</u>	<u>288</u>	<u>116</u>
11	7	7	5	6	5	23	9
<u>24</u>	<u>15</u>	<u>14</u>	<u>11</u>	<u>13</u>	<u>14</u>	<u>53</u>	<u>21</u>
<u>35</u>	<u>22</u>	<u>21</u>	<u>16</u>	<u>19</u>	<u>19</u>	<u>76</u>	<u>30</u>
97	65	56	43	55	50	212	86
<u>(1)</u>	<u>(4)</u>	<u>1</u>	<u>1</u>	<u>(1)</u>	<u>4</u>	<u>(2)</u>	<u>(3)</u>
<u>\$ 96</u>	<u>\$ 61</u>	<u>\$ 57</u>	<u>\$ 44</u>	<u>\$ 54</u>	<u>\$ 54</u>	<u>\$ 210</u>	<u>\$ 83</u>

FEDERAL HOME LOAN BANKS
COMBINING SCHEDULES—STATEMENTS OF CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2002 AND 2001

(Dollar amounts in millions)
(Unaudited)

	<u>Combined</u>	<u>Combining Adjustments</u>	<u>Boston</u>	<u>New York</u>	<u>Pittsburgh</u>	<u>Atlanta</u>
CAPITAL STOCK SHARES (In millions)						
BALANCE, DECEMBER 31, 2000	305		19	36	21	35
Proceeds from sale of capital stock	43		1	4	15	7
Redemption of capital stock	(36)		(1)	(1)	(19)	(3)
Capital stock dividends	5					
BALANCE, JUNE 30, 2001	<u>317</u>		<u>19</u>	<u>39</u>	<u>17</u>	<u>39</u>
BALANCE, DECEMBER 31, 2001	332		20	37	19	41
Proceeds from sale of capital stock	45		1	5	16	4
Redemption of capital stock	(39)			(4)	(16)	(3)
Capital stock dividends	5					
BALANCE, JUNE 30, 2002	<u>343</u>		<u>21</u>	<u>38</u>	<u>19</u>	<u>42</u>
CAPITAL STOCK—PAR VALUE						
BALANCE, DECEMBER 31, 2000	\$30,537	\$	\$1,858	\$3,626	\$ 2,065	\$3,506
Proceeds from sale of capital stock	4,280		145	396	1,530	761
Redemption of capital stock	(3,576)		(73)	(104)	(1,890)	(322)
Capital stock dividends	484					
BALANCE, JUNE 30, 2001	<u>\$31,725</u>	<u>\$</u>	<u>\$1,930</u>	<u>\$3,918</u>	<u>\$ 1,705</u>	<u>\$3,945</u>
BALANCE, DECEMBER 31, 2001	\$33,289	\$	\$1,985	\$3,733	\$ 1,889	\$4,127
Proceeds from sale of capital stock	4,468		146	461	1,569	413
Redemption of capital stock	(3,919)		(4)	(416)	(1,597)	(297)
Capital stock dividends	422					
BALANCE, JUNE 30, 2002	<u>\$34,260</u>	<u>\$</u>	<u>\$2,127</u>	<u>\$3,778</u>	<u>\$ 1,861</u>	<u>\$4,243</u>

<u>Cincinnati</u>	<u>Indianapolis</u>	<u>Chicago</u>	<u>Des Moines</u>	<u>Dallas</u>	<u>Topeka</u>	<u>San Francisco</u>	<u>Seattle</u>
28	15	16	17	21	12	63	22
1	2	4	2	2	1	3	1
		(2)	(2)	(5)	(1)	(2)	
<u>1</u>	<u> </u>	<u>1</u>	<u> </u>	<u>1</u>	<u> </u>	<u>2</u>	<u> </u>
<u>30</u>	<u>17</u>	<u>19</u>	<u>17</u>	<u>19</u>	<u>12</u>	<u>66</u>	<u>23</u>
32	17	24	15	21	14	68	24
2	2	6	2	2	2	2	1
		(3)		(1)	(1)	(11)	
<u>1</u>	<u> </u>	<u>1</u>	<u> </u>	<u>1</u>	<u> </u>	<u>1</u>	<u>1</u>
<u>35</u>	<u>19</u>	<u>28</u>	<u>17</u>	<u>23</u>	<u>15</u>	<u>60</u>	<u>26</u>
\$2,789	\$1,550	\$1,631	\$1,744	\$2,127	\$1,218	\$6,268	\$2,155
74	120	409	194	175	121	252	103
(12)		(203)	(282)	(425)	(92)	(160)	(13)
<u>103</u>	<u> </u>	<u>56</u>	<u> </u>	<u>51</u>	<u> </u>	<u>200</u>	<u>74</u>
<u>\$2,954</u>	<u>\$1,670</u>	<u>\$1,893</u>	<u>\$1,656</u>	<u>\$1,928</u>	<u>\$1,247</u>	<u>\$6,560</u>	<u>\$2,319</u>
\$3,198	\$1,741	\$2,395	\$1,539	\$2,143	\$1,396	\$6,752	\$2,391
195	208	624	133	208	206	210	95
(6)	(19)	(278)	(15)	(55)	(125)	(1,092)	(15)
<u>75</u>	<u> </u>	<u>64</u>	<u> </u>	<u>34</u>	<u> </u>	<u>176</u>	<u>73</u>
<u>\$3,462</u>	<u>\$1,930</u>	<u>\$2,805</u>	<u>\$1,657</u>	<u>\$2,330</u>	<u>\$1,477</u>	<u>\$6,046</u>	<u>\$2,544</u>

FEDERAL HOME LOAN BANKS
COMBINING SCHEDULES—STATEMENTS OF CAPITAL—(Continued)
FOR THE SIX MONTHS ENDED JUNE 30, 2002 AND 2001

(Dollar amounts in millions)
(Unaudited)

	<u>Combined</u>	<u>Adjustments</u>	<u>Boston</u>	<u>New York</u>	<u>Pittsburgh</u>	<u>Atlanta</u>
RETAINED EARNINGS						
BALANCE, DECEMBER 31, 2000	\$ 729	\$	\$ 47	\$121	\$110	\$143
Net Income	1,075		65	141	71	139
Dividends on capital stock:						
Cash	(529)		(64)	(127)	(62)	(134)
Stock	(484)					
BALANCE, JUNE 30, 2001	<u>\$ 791</u>	<u>\$</u>	<u>\$ 48</u>	<u>\$135</u>	<u>\$119</u>	<u>\$148</u>
BALANCE, DECEMBER 31, 2001	\$ 932	\$	\$ 47	\$177	\$ 87	\$174
Net Income	862		32	127	18	134
Dividends on capital stock:						
Cash	(383)		(38)	(81)	(37)	(113)
Stock	(422)					
BALANCE, JUNE 30, 2002	<u>\$ 989</u>	<u>\$</u>	<u>\$ 41</u>	<u>\$223</u>	<u>\$ 68</u>	<u>\$195</u>
ACCUMULATED OTHER COMPREHENSIVE INCOME						
BALANCE, DECEMBER 31, 2000	\$ (1)	\$	\$ 1	\$	\$ (1)	\$
Other Comprehensive Income:						
Net unrealized gains (losses) on available-for-sale securities	32		(2)		2	
Cumulative effect of change in accounting principle	(2)		14		1	
Net unrealized (losses) gains related to hedging activities	(23)					
BALANCE, JUNE 30, 2001	<u>\$ 6</u>	<u>\$</u>	<u>\$ 13</u>	<u>\$</u>	<u>\$ 2</u>	<u>\$</u>
BALANCE, DECEMBER 31, 2001	\$ (3)	\$	\$ 1	\$	\$ 2	\$
Other Comprehensive Income:						
Net unrealized gains (losses) on available-for-sale securities	78		(11)		(7)	
Net unrealized (losses) gains related to hedging activities	(133)		(4)		(1)	
BALANCE, JUNE 30, 2002	<u>\$ (58)</u>	<u>\$</u>	<u>\$ (14)</u>	<u>\$</u>	<u>\$ (6)</u>	<u>\$</u>

<u>Cincinnati</u>	<u>Indianapolis</u>	<u>Chicago</u>	<u>Des Moines</u>	<u>Dallas</u>	<u>Topeka</u>	<u>San Francisco</u>	<u>Seattle</u>
\$ 53 96	\$ 31 61	\$ 70 57	\$ 29 44	\$ 39 54	\$ 49 54	\$ 24 210	\$ 13 83
	(63)		(36)	2	(45)		
(103)		(56)		(51)		(200)	(74)
<u>\$ 46</u>	<u>\$ 29</u>	<u>\$ 71</u>	<u>\$ 37</u>	<u>\$ 44</u>	<u>\$ 58</u>	<u>\$ 34</u>	<u>\$ 22</u>
\$ 42 83	\$ 33 59	\$110 89	\$ 43 18	\$ 71 41	\$ 51 33	\$ 62 163	\$ 35 65
	(55)		(24)		(35)		
(75)		(64)		(34)		(176)	(73)
<u>\$ 50</u>	<u>\$ 37</u>	<u>\$135</u>	<u>\$ 37</u>	<u>\$ 78</u>	<u>\$ 49</u>	<u>\$ 49</u>	<u>\$ 27</u>
\$ (1)	\$	\$	\$	\$	\$	\$	\$
1				31			
						(17)	
		6		(36)		7	
<u>\$</u>	<u>\$</u>	<u>\$ 6</u>	<u>\$</u>	<u>\$ (5)</u>	<u>\$</u>	<u>\$ (10)</u>	<u>\$</u>
\$	\$ (1)	\$ (2)	\$	\$ 2	\$	\$ (5)	\$
	3		(1)	94			
		(31)		(100)		3	
<u>\$</u>	<u>\$ 2</u>	<u>\$ (33)</u>	<u>\$ (1)</u>	<u>\$ (4)</u>	<u>\$</u>	<u>\$ (2)</u>	<u>\$</u>

FEDERAL HOME LOAN BANKS
COMBINING SCHEDULES—STATEMENTS OF CAPITAL—(Continued)
FOR THE SIX MONTHS ENDED JUNE 30, 2002 AND 2001

(Dollar amounts in millions)
(Unaudited)

	<u>Combined</u>	<u>Combining Adjustment</u>	<u>Boston</u>	<u>New York</u>	<u>Pittsburgh</u>	<u>Atlanta</u>
TOTAL CAPITAL						
BALANCE, DECEMBER 31, 2000	\$31,265	\$	\$1,906	\$3,747	\$2,174	\$3,649
Proceeds from sale of capital stock	4,280		145	396	1,530	761
Redemption of capital stock	(3,576)		(73)	(104)	(1,890)	(322)
Comprehensive income:						
Net Income	1,075		65	141	71	139
Other Comprehensive Income:						
Net unrealized gains (losses) on available- for-sale securities	32		(2)		2	
Cumulative effect of change in accounting principle	(2)		14		1	
Net unrealized (losses) gains related to hedging activities	(23)					
Total Comprehensive Income	<u>1,082</u>		<u>77</u>	<u>141</u>	<u>74</u>	<u>139</u>
Dividend on Capital Stock:						
Cash	<u>(529)</u>		<u>(64)</u>	<u>(127)</u>	<u>(62)</u>	<u>(134)</u>
BALANCE, JUNE 30, 2001	<u>\$32,522</u>	<u>\$</u>	<u>\$1,991</u>	<u>\$4,053</u>	<u>\$1,826</u>	<u>\$4,093</u>
BALANCE, DECEMBER 31, 2001	\$34,218	\$	\$2,033	\$3,910	\$1,978	\$4,301
Proceeds from sale of capital stock	4,468		146	461	1,569	413
Redemption of capital stock	(3,919)		(4)	(416)	(1,597)	(297)
Comprehensive income:						
Net Income	862		32	127	18	134
Other Comprehensive Income:						
Net unrealized gains (losses) on available- for-sale securities	78		(11)		(7)	
Net unrealized (losses) gains related to hedging activities	(133)		(4)		(1)	
Total Comprehensive Income	<u>807</u>		<u>17</u>	<u>127</u>	<u>10</u>	<u>134</u>
Dividend on Capital Stock:						
Cash	<u>(383)</u>		<u>(38)</u>	<u>(81)</u>	<u>(37)</u>	<u>(113)</u>
BALANCE, JUNE 30, 2002	<u>\$35,191</u>	<u>\$</u>	<u>\$2,154</u>	<u>\$4,001</u>	<u>\$1,923</u>	<u>\$4,438</u>

<u>Cincinnati</u>	<u>Indianapolis</u>	<u>Chicago</u>	<u>Des Moines</u>	<u>Dallas</u>	<u>Topeka</u>	<u>San Francisco</u>	<u>Seattle</u>
\$2,841	\$1,581	\$1,701	\$1,773	\$2,166	\$1,267	\$6,292	\$2,168
74	120	409	194	175	121	252	103
(12)		(203)	(282)	(425)	(92)	(160)	(13)
96	61	57	44	54	54	210	83
1				31			
						(17)	
		6		(36)		7	
97	61	63	44	49	54	200	83
	(63)		(36)	2	(45)		
<u>\$3,000</u>	<u>\$1,699</u>	<u>\$1,970</u>	<u>\$1,693</u>	<u>\$1,967</u>	<u>\$1,305</u>	<u>\$6,584</u>	<u>\$2,341</u>
\$3,240	\$1,773	\$2,503	\$1,582	\$2,216	\$1,447	\$6,809	\$2,426
195	208	624	133	208	206	210	95
(6)	(19)	(278)	(15)	(55)	(125)	(1,092)	(15)
83	59	89	18	41	33	163	65
3			(1)	94			
		(31)		(100)		3	
83	62	58	17	35	33	166	65
	(55)		(24)		(35)		
<u>\$3,512</u>	<u>\$1,969</u>	<u>\$2,907</u>	<u>\$1,693</u>	<u>\$2,404</u>	<u>\$1,526</u>	<u>\$6,093</u>	<u>\$2,571</u>

FEDERAL HOME LOAN BANKS
COMBINING SCHEDULES—STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2002

(Dollar amounts in millions)
(Unaudited)

	<u>Combined</u>	<u>Combining Adjustments</u>	<u>Boston</u>	<u>New York</u>	<u>Pittsburgh</u>	<u>Atlanta</u>
OPERATING ACTIVITIES						
Net income	\$ 862	\$	\$ 32	\$ 127	\$ 18	\$ 134
Adjustments to reconcile income to net cash provided by operating activities:						
Depreciation and amortization:						
Net premiums and discounts on consolidated obligations, investments, and deferred costs and fees received on interest-rate exchange agreements	769		75	166	153	45
Concessions on consolidated obligations	69		3	9	7	
Deferred losses on interest-rate exchange agreements, net ...	4					1
Premises and equipment	14		1	2	2	1
Net premiums and discounts on mortgage loans	20				2	
Other	(1)					
Provision for credit losses on mortgage loans	3		1			
Net realized gains on held-to-maturity securities	(1)					
(Increase) decrease in securities held at fair value, net of transfers and transition adjustments	(2,121)	(738)	110		(594)	(661)
Losses (gains) due to change in net fair value adjustment on derivative and hedging activities	124		4	2	38	77
(Increase) decrease in accrued interest receivable	(191)	(30)	1	(8)	(60)	8
(Increase) decrease in derivative asset-accrued interest	(271)		(79)	(22)	(18)	(134)
Increase (decrease) in derivative liability-accrued interest ...	118		61	29	22	22
(Increase) decrease in other assets	(405)		(1)	4	4	(21)
(Decrease) increase in Affordable Housing Program (AHP) liability and discount on AHP advances			(4)	4	(10)	1
(Decrease) increase in accrued interest payable	(178)	30	15	(16)	21	(43)
Decrease in REFCORP liability	(57)			(8)	(3)	
Increase (decrease) in other liabilities	726		(2)	(16)	129	245
Total adjustments	(1,378)	(738)	185	146	(307)	(459)
Net cash (used in) provided by operating activities	(516)	(738)	217	273	(289)	(325)
INVESTING ACTIVITIES						
Net (increase) decrease in interest-bearing deposits in banks	(3,237)		(840)	(195)	(34)	(450)
Net decrease (increase) decrease in Federal funds sold	292		(1,101)	(1,606)	(1,653)	1,239
Net decrease (increase) decrease in securities purchased under resale agreements	2,090		95			
Net (increase) decrease in short-term held-to maturity securities ..	(439)				(1)	100
Proceeds from sales of long-term held-to-maturity securities	782					
Proceeds from maturities of long-term held-to-maturity securities ..	19,521	(1,649)	765	1,767	1,123	3,742
Purchases of long-term held-to-maturity securities	(28,231)	999	(724)	(1,678)	(1,559)	(3,866)
Proceeds from maturities of available-for-sale securities	23,422		46		226	
Purchases of available-for-sale securities	(26,207)		(55)		(1,480)	
Principal collected on advances	1,862,616		71,294	369,278	476,667	23,119
Advances made	(1,858,767)		(70,672)	(372,501)	(475,417)	(24,217)
Principal collected on mortgage loans	4,164		30	110	442	81
Mortgage loans purchased	(14,790)		(961)	(73)	(1,148)	(163)
Principal collected on other loans	1		1			
Net (increase) decrease in deposits to other FHLBanks for mortgage loan programs		43			(42)	
Net (increase) decrease in loans to other FHLBanks		832			(570)	
Increase in premises and equipment	(19)			(2)	(1)	
Net cash (used in) provided by investing activities	(18,802)	225	(2,122)	(4,900)	(3,447)	(415)

<u>Cincinnati</u>	<u>Indianapolis</u>	<u>Chicago</u>	<u>Des Moines</u>	<u>Dallas</u>	<u>Topeka</u>	<u>San Francisco</u>	<u>Seattle</u>
\$ 83	\$ 59	\$ 89	\$ 18	\$ 41	\$ 33	\$ 163	\$ 65
173	74	88	80	(149)	74	(26)	16
4	10	3	7		7	17	2
		1	1			1	
1	1	3		2		1	
1		15	1				1
(1)		2					
							(1)
6	(2)	(80)	43	62	(272)	(5)	10
	(3)	(81)	51	26	(9)	22	(3)
20	(45)	(53)	(5)	(2)	(10)		(7)
(11)	(4)	(5)	(33)		27	10	(2)
23	63	21	(23)		3	(112)	9
	22	(4)	(62)	(287)	(43)	2	(19)
4	2	3	(4)	(5)	(1)	8	2
9	9	(7)	(11)	(5)	(22)	(184)	26
(2)		(6)	(3)	(3)	(3)	(24)	(5)
3	71	2		293	3	(5)	3
230	198	(98)	42	(68)	(246)	(295)	32
313	257	(9)	60	(27)	(213)	(132)	97
(1,302)	(112)		(40)	(22)	(672)	1,160	(730)
(341)	960	372	(1,893)	(123)	82	4,105	251
		(255)	4,000			(1,700)	(50)
		418	(470)	600	100	(1,032)	(154)
				738			44
2,231	1,239	1,698	706		1,283	3,094	3,522
(2,269)	(2,144)	(2,943)	(837)	(790)	(1,899)	(5,025)	(5,496)
23,097	38			15			
(23,397)	(592)		(299)	(384)			
164,090	16,343	8,584	14,004	375,380	128,570	190,262	25,025
(165,031)	(17,332)	(10,962)	(15,015)	(377,253)	(130,278)	(177,840)	(22,249)
66	40	2,157	719	355	6		158
(901)	(2,884)	(6,239)	(830)	(282)	(33)	(5)	(1,271)
				4		(5)	
100		(287)				(75)	
	(1)	(3)		(1)	(10)	(1)	
(3,657)	(4,445)	(7,460)	45	(1,763)	(2,851)	12,938	(950)

FEDERAL HOME LOAN BANKS
COMBINING SCHEDULES—STATEMENTS OF CASH FLOWS—(Continued)
FOR THE SIX MONTHS ENDED JUNE 30, 2002

(Dollar amounts in millions)
(Unaudited)

	<u>Combined</u>	<u>Combining Adjustments</u>	<u>Boston</u>	<u>New York</u>	<u>Pittsburgh</u>	<u>Atlanta</u>
FINANCING ACTIVITIES						
Net increase (decrease) in deposits	\$ 495	\$	\$ (616)	\$ (616)	\$ 300	\$ 1,036
Net increase in securities sold under repurchase agreements	504				504	
Net increase (decrease) other borrowings	125					
Net increase in deposits from other FHLBanks for mortgage loan programs		(43)				
Net increase (decrease) in loans from other FHLBanks		(832)		232		
Net proceeds from sale of consolidated obligations:						
Discount notes	1,999,125		81,304	250,999	272,361	75
Bonds	177,016	(999)	9,468	21,063	10,587	23,049
Payments for maturing and retiring consolidated obligations:						
Discount notes	(2,005,608)		(83,546)	(253,664)	(272,097)	(496)
Bonds	(152,348)	2,387	(4,810)	(13,355)	(7,804)	(22,958)
Proceeds from issuance of capital stock	4,468		146	461	1,569	413
Payments for redemption of capital stock	(3,919)		(4)	(416)	(1,597)	(297)
Cash dividends paid	(395)		(41)	(81)	(37)	(122)
Net cash provided by (used in) financing activities	19,463	513	1,901	4,623	3,786	700
Net increase (decrease) in cash and cash equivalents	145		(4)	(4)	50	(40)
Cash and cash equivalents at beginning of period	319		10	13	44	77
Cash and cash equivalents at end of period	<u>\$ 464</u>	<u>\$</u>	<u>\$ 6</u>	<u>\$ 9</u>	<u>\$ 94</u>	<u>\$ 37</u>
Supplemental Disclosures:						
Interest paid	\$ 8,228		\$ 582	\$ 942	\$ 427	\$ 1,082
Stock dividends issued	\$ 422					

<u>Cincinnati</u>	<u>Indianapolis</u>	<u>Chicago</u>	<u>Des Moines</u>	<u>Dallas</u>	<u>Topeka</u>	<u>San Francisco</u>	<u>Seattle</u>
\$ 170	\$ (264)	\$ 1,362	\$ (300)	\$ (64)	\$ 136	\$ (182)	\$ (467)
		400				(125)	(150)
		43					
			500		(125)	225	
350,234	188,767	170,826	208,108	93,286	201,367	65,177	116,621
11,325	12,898	19,211	10,632	12,147	5,428	30,810	11,397
(350,431)	(186,811)	(168,451)	(209,504)	(92,534)	(197,567)	(72,487)	(118,020)
(8,116)	(10,525)	(16,267)	(9,612)	(11,132)	(6,214)	(35,341)	(8,601)
195	208	624	133	208	206	210	95
(6)	(19)	(278)	(15)	(55)	(125)	(1,092)	(15)
	(55)		(24)		(35)		
3,371	4,199	7,470	(82)	1,856	3,071	(12,805)	860
27	11	1	23	66	7	1	7
10	37	2	64	47	2	2	11
<u>\$ 37</u>	<u>\$ 48</u>	<u>\$ 3</u>	<u>\$ 87</u>	<u>\$ 113</u>	<u>\$ 9</u>	<u>\$ 3</u>	<u>\$ 18</u>
\$ 566	\$ 356	\$ 792	\$ 495	\$ 920	\$ 435	\$ 959	\$ 672
\$ 75		\$ 64		\$ 34		\$ 176	\$ 73

FEDERAL HOME LOAN BANKS
COMBINING SCHEDULES—STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2001

(Dollar amounts in millions)
(Unaudited)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
OPERATING ACTIVITIES						
Net income	\$ 1,075	\$	\$ 65	\$ 141	\$ 71	\$ 139
Cumulative effect of change in accounting principle	30		3	(3)	9	16
Income before cumulative effect of change in accounting principle	1,105		68	138	80	155
Adjustments to reconcile income before cumulative effect of change in accounting principle to net cash provided by operating activities:						
Depreciation and amortization:						
Net premiums and discounts on consolidated obligations and investments, and deferred costs and deferred fees received on interest-rate exchange agreements	2,438		330	2	72	229
Concessions on consolidated obligations	98		1	4	4	23
Deferred loss on interest-rate exchange agreements, net	12			4		1
Premises and equipment	11		1	1	2	1
Net premiums and discounts on mortgage loans	29			1	5	
Other	(5)					(4)
Provision for credit losses on mortgage loans	2					
Net realized losses on available-for-sale securities	1		1			
(Increase) decrease in securities held at fair value, net of transfers and transition adjustments	(351)	(370)	204		(997)	864
(Gains) losses due to change in net fair value adjustment on derivative and hedging activities	(104)		(1)	(1)	1	(16)
Decrease (increase) in accrued interest receivable	6,650	(16)	326	145	826	(31)
(Increase) decrease in derivative asset-acrued interest ..	(809)		(43)	166	(68)	33
(Decrease) increase in derivative liability-acrued interest ..	(377)		(42)	(55)	(62)	(89)
(Increase) decrease in other assets	(218)		(2)	(7)	(8)	8
Increase (decrease) in Affordable Housing Program (AHP) liability and discount on AHP advances	45		3	8	1	6
Decrease in accrued interest payable	(4,953)	16	(168)	(45)	(572)	(22)
(Decrease) increase in REFCORP liability	(9)		(3)	(1)		(2)
Increase (decrease) in other liabilities	899		(2)	(5)	11	770
Total adjustments	3,359	(370)	605	217	(785)	1,771
Net cash provided by (used in) operating activities	4,464	(370)	673	355	(705)	1,926
INVESTING ACTIVITIES						
Net decrease (increase) in interest-bearing deposits in banks ..	1,569		100	1,420	(465)	(293)
Net decrease (increase) in Federal funds sold	1,668		2,334	(1,899)	3,777	(4,467)
Net (increase) decrease in securities purchased under resale agreements	(2,864)		(545)			
Net decrease (increase) in short-term held-to-maturity securities	1,920		1,214		47	100
Proceeds from sales of long-term held-to-maturity securities ..	3,560			1,180		1,825
Proceeds from maturities of long-term held-to-maturity securities	10,983	(1,650)	578		1,458	
Purchases of long-term held-to-maturity securities	(18,337)	1	(831)	(2,155)	(850)	(3,402)
Proceeds from sales of available-for-sale securities	24		24			
Proceeds from maturities of available-for-sale securities	30,494	(297)	1		216	
Purchases of available-for-sale securities	(30,326)		(123)			
Principal collected on advances	1,890,256		361,759	525,007	229,557	32,634
Advances made	(1,898,390)		(361,457)	(527,813)	(229,400)	(39,866)
Principal collected on mortgage loans	3,512		3	100	437	161
Mortgage loans made	(6,983)		(111)	(42)	(477)	(223)
Net increase in deposits to other FHLBanks for mortgage loan programs		67			(56)	
Net increase in loans to other FHLBanks		75				(75)
Increase in premises and equipment	(16)		(1)	(1)	(1)	(1)
Net cash (used in) provided by investing activities	(12,930)	(1,804)	2,945	(4,203)	4,243	(13,607)

<u>Cincinnati</u>	<u>Indianapolis</u>	<u>Chicago</u>	<u>Des Moines</u>	<u>Dallas</u>	<u>Topeka</u>	<u>San Francisco</u>	<u>Seattle</u>
\$ 96 1	\$ 61 4	\$ 57 (1)	\$ 44 (1)	\$ 54 1	\$ 54 (4)	\$ 210 2	\$ 83 3
97	65	56	43	55	50	212	86
592 1	297 15	161 3	181 6	17 6	157 8	(49) 20	449 7
	1	2	1	2		5	
(1)		16	6			1	1
		1	1				
9	(1)	(13)	20	135	106	(2)	(306)
(1)	(13)	(46)	(46)	2	14	7	(4)
213	455	380	615	603	284	2,547	303
(81)	(20)	(108)	(263)	(187)	(117)	(91)	(30)
(23)	(27)	(10)	(48)	(44)	(36)	69	(10)
(2)	6		25	(1)		(237)	
8	3	(1)		1	2	10	4
(15)	(433)	(262)	(86)	(329)	(112)	(2,719)	(206)
	(1)	(2)	(4)	(1)	1		4
	(9)	(47)	(1)	5		233	(56)
700	273	75	407	209	307	(206)	156
797	338	131	450	264	357	6	242
1,513	(153)		110	20	(805)	(327)	449
(3,404)	435	(73)	1,730	63	254	1,648	1,270
	45	(4)	(1,200)			(885)	(275)
		104	(250)	(300)	(1,021)	1,445	581
				555			
1,338	617	864	1,404		645	1,603	4,126
(1,382)	(865)	(691)	(1)	(925)	(598)	(2,688)	(3,950)
30,255	78			226	15		
(30,203)							
166,262	42,281	12,855	22,944	222,804	113,296	138,580	22,277
(166,715)	(42,726)	(13,331)	(22,921)	(222,016)	(114,887)	(135,435)	(21,823)
3	2	1,686	745	312	1		62
(146)	(33)	(3,424)	(1,541)	(443)	(49)		(494)
				(10)	(1)		
	(1)	(6)		(2)		(1)	(2)
(2,479)	(320)	(2,020)	1,020	284	(3,150)	3,940	2,221

FEDERAL HOME LOAN BANKS
COMBINING SCHEDULES—STATEMENTS OF CASH FLOWS—(Continued)
FOR THE SIX MONTHS ENDED JUNE 30, 2001

(Dollar amounts in millions)
(Unaudited)

	<u>Combined</u>	<u>Combining Adjustments</u>	<u>Boston</u>	<u>New York</u>	<u>Pittsburgh</u>	<u>Atlanta</u>
FINANCING ACTIVITIES						
Net increase (decrease) in deposits	\$ 9,035	\$	\$ 1,100	\$ 821	\$ 294	\$ 2,403
Net increase in securities sold under agreements to repurchase	229		124			
Net decrease other borrowings	(2)	(2)				
Net increase in deposits from other FHLBanks for mortgage loan programs		(65)				
Net increase in loans from other FHLBanks		(75)			75	
Net proceeds from sale of consolidated obligations:						
Discount notes	2,377,289		113,557	429,938	352,747	48,911
Bonds	177,902	(1)	6,259	13,339	3,193	43,390
Payments for maturing and retiring consolidated obligations:						
Discount notes	(2,365,513)		(118,283)	(427,053)	(344,018)	(49,664)
Bonds	(190,695)	2,317	(6,178)	(13,369)	(15,723)	(33,602)
Proceeds from issuance of capital stock	4,280		145	396	1,530	761
Payments for redemption of capital stock	(3,576)		(73)	(104)	(1,890)	(322)
Cash dividends paid	(537)		(71)	(127)	(62)	(135)
Net cash provided by (used in) financing activities	8,412	2,174	(3,420)	3,841	(3,854)	11,742
Net (decrease) increase in cash and cash equivalents	(54)		198	(7)	(316)	61
Cash and cash equivalents at beginning of period	752		10	25	441	46
Cash and cash equivalents at end of period	\$ 698	\$	\$ 208	\$ 18	\$ 125	\$ 107
Supplemental Disclosures:						
Interest paid	\$ 18,250		\$ 1,150	\$ 2,102	\$ 1,488	\$ 2,091
Stock dividends issued	\$ 484					

<u>Cincinnati</u>	<u>Indianapolis</u>	<u>Chicago</u>	<u>Des Moines</u>	<u>Dallas</u>	<u>Topeka</u>	<u>San Francisco</u>	<u>Seattle</u>
\$ 451	\$ 734	\$ (4)	\$ 776	\$ 870	\$ 707	\$ 97	\$ 786
							105
65							
589,744	197,906	185,223	20,369	71,667	136,558	81,212	149,457
7,454	4,226	10,235	12,289	19,804	8,767	39,161	9,786
(589,999)	(188,767)	(182,393)	(24,369)	(72,840)	(137,380)	(78,529)	(152,218)
(6,019)	(14,173)	(11,443)	(10,409)	(19,799)	(5,843)	(45,981)	(10,473)
74	120	409	194	175	121	252	103
(12)		(203)	(282)	(425)	(92)	(160)	(13)
	(63)		(36)	2	(45)		
1,693	(17)	1,889	(1,468)	(546)	2,793	(3,948)	(2,467)
11	1		2	2		(2)	(4)
12	36	4	72	95	1	5	5
\$ 23	\$ 37	\$ 4	\$ 74	\$ 97	\$ 1	\$ 3	\$ 1
\$ 822	\$ 817	\$ 1,055	\$ 855	\$ 1,307	\$ 724	\$ 4,574	\$ 1,265
\$ 103		\$ 56		\$ 51		\$ 200	\$ 74