FEDERAL HOME LOAN BANKS

Quarterly Financial Report
For the Nine Months Ended September 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 September 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.fhlb-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.fhlb-of.com. The Office of Finance will provide additional copies of this Financial Report upon request. Please contact the Office of Finance if you want to receive subsequent annual and quarterly financial reports.

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

The date of this Quarterly Financial Report is November 12, 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.

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SUMMARY FINANCIAL DATA

(Dollar amounts in millions)
(Unaudited)

	2002	2001
At September 30,		
Advances	$490,739	$466,772
Mortgage loans, net	47,073	22,641
Investments (1)	215,462	193,851
Total assets	761,225	691,355
Deposits and borrowings	30,197	29,669
Consolidated obligations	667,561	611,505
Capital stock	32,514	32,441
Capital stock-Class B1 (2)	1,946	
Capital stock-Class B2 (2)	371	
Total capital stock	34,831	32,441
Retained earnings	1,085	750

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
Average balances				
Advances	$478,939	$456,303	$470,837	$453,443
Mortgage loans, net	41,947	20,992	35,360	18,215
Investments (1)	206,552	184,592	200,794	185,560
Total assets	736,942	670,543	715,970	666,412
Deposits and borrowings	29,186	28,209	28,733	25,498
Consolidated obligations	652,697	595,708	635,126	595,035
Capital stock	31,873	31,670	33,036	31,322
Capital stock-Class B1 (2)	2,524		851	
Capital stock-Class B2 (2)	4		1	
Total capital stock	34,401	31,670	33,888	31,322
Retained earnings	1,225	997	1,163	991
Operating results				
Net interest income (6)	$ 767	$ 784	$ 2,194	$ 2,360
Net income	494	440	1,356	1,515
Dividends paid in cash and stock	398	481	1,203	1,494
Weighted average dividend rate (3)	4.59%	6.03%	4.75%	6.38%
Return on average equity	5.50%	5.35%	5.18%	6.27%
Return on average assets	0.27%	0.26%	0.25%	0.30%
Net interest margin (4)	0.42%	0.47%	0.42%	0.48%

	2002	2001
At September 30,		
Total capital ratio (5)	4.7%	4.8%
Leverage ratio	21.2:1	20.9:1

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

(2) The FHLBank of Seattle implemented its new capital plan during the third quarter of 2002. See "Discussion and Analysis of Financial Condition and Results of Operations — Regulatory Developments."

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

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

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

(6) Net interest income is net interest income before loan loss provision.

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 27.

Amounts used to calculate percentage variances from September 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 third quarter of 2002, the financial markets continued to exhibit volatility reflecting concern over the tepid pace of the current economic recovery and the state of the equities market, among other factors. The U.S. stock market remained depressed in the third quarter in the context of continuing corporate scandals involving questionable business and accounting practices, and lower current earnings coupled with only modest growth expectations into 2003 by companies in numerous industries. Two key elements identified by the U.S. Commerce Department that have buoyed the national economy, the strong housing market and brisk consumer spending, have recently begun to slow, reflecting, in part, consumer concerns about any sustained improvement in the economy.

In response to economic conditions, the Federal Reserve Board, through its Federal Open Market Committee, cut the federal funds rate 11 times for a total of 475 basis points during 2001. While the federal funds rate had not been adjusted until November 6, 2002, when the Federal Open Market Committee cut the rate by 50 basis points, other interest rates have continued to drop to historic lows throughout the period. As a result of sustained lower interest rates, which reached 40+ year lows for some maturities during the period due to continued concerns about the economy and the increased possibility of war with Iraq, 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 half of 2002, the latest period for which data is available, the Bond Market Association's August 2002 "Research Quarterly" noted that new issue volume in the U.S. bond market totaled $2.5 trillion, an increase of 16.8 percent from the $2.1 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 third quarter of 2002 has had an impact on the FHLBanks' profitability, due primarily to the short-term structure of their earning assets. The majority of investments and nearly one third of the outstanding advances have 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 third quarter of 2001 was 3.61 percent. During the third quarter of 2002, that rate averaged 1.75 percent, a decline of 186 basis points. Furthermore, the overnight Federal funds effective rate, on average, during the first nine months of 2001 was 4.49 percent. During the first nine months of 2002, that rate averaged 1.75 percent, a decline of 274 basis points.

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 effect on income 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 second quarter ended June 30, 2002, the latest period for which data is available, the FDIC reported that total assets and deposits of all FDIC-insured institutions increased slightly compared to second quarter of June 30, 2001. Total assets increased 5.3 percent. Deposits were $5.3 trillion for all FDIC-insured institutions, a 4.6 percent gain over the 2001 second quarter, while total loans increased only 2.1 percent compared to the second quarter of June 2001. The growth in deposits over the previous two years reversed a long period of minimal deposit growth, and this growth 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 third quarter of 2002 compared to the same period in 2001, the SFAS 133 fair value adjustment information for advances, investments, mortgage loans 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, mortgage loans and consolidated obligations are as follows.

SFAS 133 Basis Adjustments
(Dollar amounts in millions)

	At September 30, 2002	At September 30, 2001
Advances at pre-SFAS 133 value	$470,969	$455,343
SFAS 133 basis adjustments	19,770	11,429
Advances at carrying value	$490,739	$466,772
Investments at pre-SFAS 133 value(1)	$214,009	$193,388
SFAS 133 basis adjustments	1,453	463
Investments at carrying value	$215,462	$193,851
Mortgage loans at pre-SFAS value	$ 46,947	$ 22,625
SFAS 133 basis adjustment	137	21
Mortgage loans at carrying value	$ 47,084	$ 22,646
Consolidated obligations at pre-SFAS 133 value	$660,919	$605,814
SFAS 133 basis adjustments	6,642	5,691
Consolidated obligations at carrying value	$667,561	$611,505

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

Advances totaled $490.7 billion at September 30, 2002. Advances increased by 3.8 percent from December 31, 2001 and increased by 5.1 percent from September 30, 2001. Advances activity has been affected by improvements in members' liquidity positions due to strong deposit flows.

Approximately 69 percent of the advances outstanding at September 30, 2002, had a remaining maturity greater than one year compared with 68 percent at December 31, 2001 and 65 percent at September 30, 2001. Advance originations totaled $2,778.5 billion in the first nine months of 2002, down 3.7 percent from originations of $2,886.0 billion during the first nine 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 September 30, 2002, investments grew by $25.3 billion, or 13.3 percent from the year-end 2001 balance of $190.2 billion. Investments grew by $21.6 billion, or 11.1 percent from September 30, 2001. 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 $95.5 billion at September 30, 2002, were 266 percent of total FHLBank capital. These investments represented 253 percent and 258 percent of total FHLBank capital at December 31, 2001 and September 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 major providers of Federal funds. Federal funds sold were $53.9 billion (25.0 percent of total investments) at September 30, 2002, compared with $48.4 billion (25.4 percent of total investments) at year-end 2001 and $60.7 billion (31.3 percent of total investments) at September 30, 2001.

The FHLBanks held commercial paper investments of $5.7 billion (2.6 percent of total investments) at September 30, 2002, compared with $6.7 billion (3.5 percent of total investments) at year-end 2001 and $7.2 billion (3.7 percent of total investments) at September 30, 2001. The FHLBanks also invest in U.S. agency obligations, some of which are 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 debt. U.S. agency obligations rose to $24.5 billion or 11.4 percent of total investments at September 30, 2002, up from $15.1 billion or 7.9 percent of total investments at year-end 2001 and $13.6 billion or 7.0 percent at September 30, 2001.

Mortgage loans held increased to $47.1 billion at September 30, 2002 from $27.7 billion at December 31, 2001 and $22.6 billion at September 30, 2001. The increase in mortgage loans relates to the expansion of the member mortgage asset purchase programs that enable the FHLBanks to purchase/originate 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 nine months of 2002, repayments and prepayments were approximately $6.8 billion while originations were approximately $26.1 billion. The FHLBank of Chicago and the FHLBank of Seattle hold the largest mortgage loan balances with 48.0 percent and 10.9 percent, respectively, of the FHLBanks' mortgage loans held at September 30, 2002. The FHLBank of Chicago pioneered the Mortgage Partnership Finance (MPF®) program in which nine of the 12 FHLBanks participate. MPF® had mortgage loans, net outstanding of $34.8 billion at September 30, 2002, an increase of 39.4 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, net outstanding of $12.3 billion at September 30, 2002, an increase of 360.7 percent from the mortgage loans outstanding of $2.7 billion at December 31, 2001. The significant increase in MPP relates to the expansion of the program established in 2000. In October 2002, the FHLBank of Atlanta announced that it would also be participating in MPP.

The principal funding source for FHLBank operations is consolidated obligations, which consist of consolidated bonds and consolidated discount notes. Member deposits, capital, and to a 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 restructure interest rates on consolidated obligations to better match their funding needs and to reduce funding costs. Consolidated obligations outstanding increased 7.4 percent since year-end 2001, rising to $667.6 billion at September 30, 2002. Consolidated obligations outstanding increased 9.2 percent from September 30, 2001 to September 30, 2002. Consolidated discount notes outstanding increased 0.2 percent from December 31, 2001 and decreased 15.4 percent from September 30, 2001, reaching $139.8 billion at September 30, 2002, and consolidated bonds outstanding increased by 9.5 percent from December 31, 2001 and 18.3 percent from September 30, 2001 to a balance of $527.8 billion at September 30, 2002.

Other liabilities increased by $3.6 billion or 839.2 percent from $431 million at December 31, 2001 to $4.0 billion at September 30, 2002, and $1.8 billion or 87.5 percent from $2.2 billion at September 30, 2001. The increase relates to investments purchased but not settled as of September 30, 2002.

The FHLBanks' total capital grew by $1.8 billion or 5.1 percent from December 31, 2001 to September 30, 2002, and $2.9 billion or 8.5 percent from September 30, 2001 to September 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. Total assets grew faster than total capital, causing the FHLBanks' capital-to-asset ratio to decrease to 4.7 percent at September 30, 2002 from 4.9 percent at December 31, 2001, and 4.8 percent at September 30, 2001. The FHLBank of Seattle converted to their new capital structure during the third quarter of 2002. The conversion was considered a capital transaction and was accounted for at par value. See "Discussion and Analysis of Financial Condition and Results of Operations — Regulatory Developments."

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 September 30, 2002, combined FHLBank asset-based leverage was 21.2 to 1. Combined FHLBank asset-based leverage was 20.4 to 1 at year-end 2001 and 20.9 to 1 at September 30, 2001. At September 30, 2002, 7 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 $46.3 billion or 7.4 percent and deposits and borrowings of $3.3 billion or 12.2 percent from December 31, 2001 to September 30, 2002 financed most of the increase in FHLBank assets. Increases in FHLBank assets from September 30, 2001, were also financed primarily by increases in consolidated obligations of $56.1 billion or 9.2 percent and borrowings of $1.3 billion or 511.4 percent from September 30, 2001 to September 30, 2002. Bonds composed 79.1 percent of consolidated obligations outstanding at September 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. The Finance Board adopted final rules on September 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 $1.1 billion of interbank holdings at par value of consolidated bonds at September 30, 2002.

Composition of Consolidated Bonds Outstanding
(Par amounts in billions)

	At September 30, 2002	At September 30, 2001
Fixed-rate, Non-callable	$235.7	$211.2
Fixed-rate, Callable	201.3	158.9
Fixed-rate, Putable	0.6	0.6
Single-index, Floating Rate	55.6	57.3
Zero-coupon, Non-callable	0.3	1.4
Zero-coupon, Callable	13.3	20.4
Other	25.6	8.8
Total	$532.4	$458.6

In the first nine months of 2002, 82.4 percent of bond sales by par amount were negotiated transactions, 17.5 percent by par amount were competitively bid and 0.1 percent by par amount were direct placements. In the first nine months of 2002, 23.1 percent of bonds sold were fixed-rate, fixed-term, non-callable (bullet) bonds; 59.7 percent were callable bonds; 8.2 percent were Step-Ups and Step-Downs; and 6.4 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 $297.8 billion of bonds at par in the first nine months of 2002. This is an increase of $22.2 billion from $275.6 billion issued at par for the first nine months of 2001. The increase in bond issuance is due to greater call activity attributable to the decline in the level of long-term interest rates throughout the first nine months 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 September 30, 2002 but accounted for 90.5 percent of the proceeds from the sale of consolidated obligations in the first nine months of 2002. Much of the discount note activity reflects the refinancing of overnight discount notes, which averaged $12.5 billion in the first nine months of 2002, down from an average of $14.6 billion during the same period in 2001.

Average Consolidated Obligations Outstanding
(Dollar amounts in billions)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2002	**2001**	**2002**	**2001**
Overnight discount notes	$ 12.5	$ 14.4	$ 12.5	$ 14.6
Term discount notes	131.2	146.7	122.3	155.9
Total discount notes	143.7	161.1	134.8	170.5
Bonds	518.5	450.5	514.0	441.8
Total consolidated obligations	$662.2	$611.6	$648.8	$612.3

The composition of consolidated obligations shifted in the first nine months of 2002 compared to the same period in 2001 as total discount notes decreased by 15.4 percent and bonds increased by 18.3 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. The Global Debt Program provided $39.8 billion at par and $75.2 billion at par in term funds in the first nine 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 nine months of 2002, TAP bond issuance was $31.8 billion, down $4.3 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 and competitively priced.

Results of Operations

Net Income. The FHLBanks' net income for the third quarter of 2002 was $494 million, which is $54 million or 12.3 percent above the net income for the third quarter of 2001. The FHLBanks' net income for the first nine months of 2002 was $1,356 million, which is $159 million or 10.5 percent below the net income for first nine months of 2001.

The increase in net income for the third quarter is primarily attributable to the change in the net unrealized gain on securities held at fair value and the net realized and unrealized gains (losses) on derivatives and hedging activities. For the three months ended September 30, 2002, the FHLBanks had net realized and unrealized losses of $12 million related to these investment securities and derivatives and hedging activities, whereas for the three months ended September 30, 2001, the FHLBanks had net realized and unrealized losses of $114 million on these investment securities and derivatives and hedging activities.

The decrease in net income for the first nine months of 2002 compared to the same period in 2001 is primarily attributable to the effect of lower interest rates and the change in the level of net losses related to the unrealized gains (losses) on securities held at fair value and the realized and unrealized gains (losses) on derivatives and hedging activities. For the nine months ended September 30, 2002, the FHLBanks had net realized and unrealized losses of $125 million related to these investment securities and derivatives and hedging activities whereas for the nine months ended September 30, 2001, the FHLBanks had net realized and unrealized losses of $88 million on these investment securities and derivatives and hedging activities.

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2002	2001	2002	2001
Net unrealized gains on securities held at fair value	$ 535	$ 167	$ 711	$ 211
Net realized and unrealized losses on derivatives and hedging activities	(547)	(281)	(836)	(269)
Net effect before cumulative effect of change in accounting principle	(12)	(114)	(125)	(58)
Cumulative effect of change in accounting principle				(30)
Net effect, excluding AHP and REFCORP	$ (12)	$(114)	$(125)	$ (88)

Net Interest Income. Net interest income after mortgage loan loss provision was $766 million for the third quarter of 2002, an $18 million or 2.3 percent decrease from $784 million for the same period in 2001. Consistently, net interest income after mortgage loan loss provision for the first nine months of 2002 was $2,190 million, a $168 million or a 7.1 percent decrease from $2,358 million for the same period in 2001. The decreases are attributable to lower interest rates.

Due to the lower interest rate environment, interest income from advances decreased by $1,896 million and $8,493 million from the three and nine months ended September 30, 2001 to the comparable periods in 2002, respectively. The growth in the mortgage loan programs and the related interest income on mortgage loans partially offset the net decrease in net interest income. Interest income from mortgage loans increased by $269 million and $700 million from the three and nine months ended September 30, 2001 to the comparable periods in 2002, respectively.

For the three months ended September 30, 2002, the FHLBanks recorded net unrealized gains on securities held at fair value of $535 million and net realized and unrealized losses on derivatives and hedging activities of $547 million. For the same period in 2001, the FHLBanks recorded net unrealized gains on securities held at fair value of $167 million, and net realized and unrealized losses on derivatives and hedging activities of $281 million. For the first nine months of 2002, the FHLBanks recorded net unrealized gains on securities held at fair value of $711 million and net realized and unrealized losses on derivatives and hedging activities of $836 million. For the first nine months of 2001, the FHLBanks recorded net unrealized gains on securities held at fair value of $211 million, net realized and unrealized losses on derivatives and hedging activities of $269 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 interestfree 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 nine months ended September 30, 2001 to September 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 September 30,				For the Nine Months Ended September 30,			
	2002 Average		2001 Average		2002 Average		2001 Average	
	Balance	Yield	Balance	Yield	Balance	Yield	Balance	Yield
Earning assets:								
Advances	$478,939	2.34%	$456,303	4.11%	$470,837	2.42%	$453,443	5.02%
Mortgage loans, net	41,947	6.00%	20,992	6.90%	35,360	6.30%	18,215	7.09%
Investments	206,552	3.49%	184,592	4.90%	200,794	3.59%	185,560	5.56%
Total earning assets	$727,438	2.88%	$661,887	4.42%	$706,991	2.95%	$657,218	5.23%
Funded by:								
Consolidated obligations	$652,697	2.67%	$595,708	4.23%	$635,126	2.74%	$595,035	5.06%
Interest-bearing deposits and other borrowings	29,186	1.69%	28,209	3.38%	28,733	1.68%	25,498	4.27%
Total interest-bearing liabilities	681,883	2.63%	623,917	4.19%	663,859	2.70%	620,533	5.03%
Capital and other non-interest-bearing funds	45,555		37,970		43,132		36,685	
Total funding	$727,438	2.46%	$661,887	3.95%	$706,991	2.53%	$657,218	4.75%
Spread on:								
Total interest-bearing liabilities		0.25%		0.23%		0.25%		0.20%
Total funding (net interest margin)		0.42%		0.47%		0.42%		0.48%

A significant portion of net interest income results from earnings on assets funded by non-interest-bearing capital. Average total capital for the third quarter of 2002 was $35.6 billion, which was $3.0 billion or 9.1 percent greater than average total capital of $32.6 billion for the same period in 2001. Average total capital for the nine months ended September 30, 2002 was $35.0 billion, which was $2.7 billion or 8.4 percent greater than average total capital of $32.3 billion for the nine months ended September 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 nine months ended in September 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 September 30, 2002 vs. 2001 Increase (Decrease) Due to			For the Nine Months Ended September 30, 2002 vs. 2001 Increase (Decrease) Due to		
	Volume	Rate	Total	Volume	Rate	Total
Interest income:						
Advances	$225	$(2,121)	$(1,896)	$ 630	$ (9,123)	$(8,493)
Mortgage loans, net	322	(53)	269	818	(118)	700
Investments	249	(710)	(461)	592	(2,914)	(2,322)
Total interest income	796	(2,884)	(2,088)	2,040	(12,155)	(10,115)
Interest expense:						
Consolidated obligations	562	(2,517)	(1,955)	1,429	(10,924)	(9,495)
Deposits and other borrowings	8	(124)	(116)	92	(546)	(454)
Total interest expense	570	(2,641)	(2,071)	1,521	(11,470)	(9,949)
Changes in net interest income	$226	$ (243)	$ (17)	$ 519	$ (685)	$ (166)

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

Operating Expenses
(Dollar amounts in millions)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2002	2001	2002	2001
Salaries and employee benefits	$59	$54	$174	$158
Occupancy cost	7	3	18	17
Other	31	33	90	90
Total operating expenses	$97	$90	$282	$265

Total FHLBank operating expenses for the third 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 nine months ended September 30, 2002 were $282 million, which is $17 million or 6.4 percent more than total operating expenses for the same period in 2001. The increase in salaries and benefits in the three and nine months ended September 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 for the nine months ended September 30, 2002 and 2001. Operating expenses include the costs of providing the advance, as well as member correspondent services.

Other, net. The other, net expense was $17 million and $23 million for the third quarter and first nine months of 2002 compared to $4 million and $11 million for the same periods in 2001. The increases for the third quarter and first nine months in 2002 to the comparable periods in 2001 relate to the rise in MPF® and MPP related operating expenses due to the growth in the member mortgage programs.

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 $9 million for the third quarter of 2002, a decrease of 18.2 percent from $11 million for the third quarter of 2001.

These expenses totaled $32 million for the nine months ended September 30, 2002, an increase of 14.3 percent from $28 million for the same period in 2001.

Affordable Housing Program. The AHP expense for the third quarter of 2002 was $54 million, 12.5 percent greater than the $48 million AHP expense for the third quarter of 2001. The AHP expense for the first nine months of 2002 was $151 million, 9.6 percent less than the $167 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 third quarter and the first nine months of 2002 to the comparable periods in 2001 reflect the respective increase for the third quarter and decline for the nine months 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 $122 million (cash payment of $124.5 million) for the third quarter of 2002 compared to the $108 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 $49.5 million third-quarter REFCORP payment in excess of the $75 million quarterly benchmark will fully defease the remaining $23.0 million portion of the benchmark payment due on July 15, 2022, and the $75 million benchmark payment due on April 15, 2022, and defease $46.2 million of the $75 million benchmark payment due on January 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 Third Quarter 2002 Payment
(Dollar amounts in millions)

Payment Due Date	Amount of Benchmark Payment Defeased*	Interest Rate Used to Discount the Future Benchmark Payment	Present Value of Benchmark Payment Defeased**
July 15, 2022 (most distant remaining payment)	$ 23.0	5.51%	$ 7.8
April 15, 2022	75.0	5.54%	25.6
January 15, 2022	46.2	5.54%	16.1
Total	$144.2		$49.5

* Subject to possible subsequent reinstatement.

** Cash payment of $124.5 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. Finance Board regulation 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 Finance Board regulations 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 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 Finance Board regulation, 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 will require FHLBanks to hold permanent capital in an amount determined by a market risk model developed by each FHLBank.

(See "Duration of Equity" table in the "Quantitative Disclosure about Market Risk" section on page 20.)

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. Finance Board regulation limits this source of interest-rate risk by restricting the types of mortgage-backed securities the FHLBanks may own to those with limited average life changes under certain interest-rate shock scenarios. The FHLBanks may manage 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 adjust 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 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 the 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 on 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.

Mortgage Loans. The FHLBanks invest in mortgage-backed securities and mortgage loans under the member mortgage asset purchase programs (mortgage assets). 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 concurrently reduced.

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 mortgage-backed securities, U.S. agency 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.

Issuance and Maturities of Discount Notes. Certain FHLBanks use derivatives to hedge the variable cash stream associated with the rolling issuances and maturities of short-term discount notes over a specified period of time. The derivatives are usually in the form of options where the premium paid is amortized over the designated hedge period. The market value movement of the options not attributable to the premium is recorded in other comprehensive income.

Anticipated Debt Issuance. Certain FHLBanks use derivatives in anticipation of the issuance of debt to "lock in" the cost of funding. The derivative 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 September 30, 2002, the FHLBanks had $654 billion total notional amount of interest-rate exchange agreements outstanding compared with $601 billion at December 31, 2001 and $560 billion at September 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 September 30, 2002, the FHLBanks had derivative assets of $3.8 billion and derivative liabilities of $17.3 billion. At December 31, 2001 and September 30, 2001, the FHLBanks had derivative assets of $2.7 billion and $3.4 billion, respectively, and derivative liabilities of $7.8 billion and $8.6 billion, respectively. The $9.5 billion or 120.9 percent increase in derivative liabilities from December 31, 2001 to September 30, 2002, is the result of interest rate changes and the small growth in derivative volumes.

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 September 30, 2002, 5 counterparties represented approximately 47 percent of the total notional amount of outstanding derivative transactions and each had a credit rating of A or better. No counterparty represented more than 10 percent of the FHLBanks' net exposure after collateral which was $854 million at September 30, 2002. Each FHLBank manages counterparty credit risk through credit analysis, collateral management, and other credit enhancements, and by following the requirements set forth by Finance Board regulation. 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 September 30, 2002, the FHLBanks' maximum credit risk, before considering collateral, was approximately $2,914 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 $854 million at September 30, 2002 compared to $966 million at June 30, 2002.

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

Credit Rating	Notional Amount	Total Net Exposure at Fair Value	Collateral Held	Net Exposure After Collateral
AAA	$ 10,621	$ 153	$	$153
AA	402,913	1,509	1,053	456
A	233,194	1,115	870	245
BBB	4,223			
	650,951	2,777	1,923	854
Member Institutions	3,308	137	137(1)	(1)
Total Derivatives	$654,259	$2,914	$2,060	$854

(1) Collateral held with respect to interest-rate exchange agreements with member institutions represents either collateral physically held by or on behalf of the FHLBank or collateral assigned to the FHLBank, as evidenced by a written security agreement, and held by the member institution for the benefit of the FHLBank.

Excluding interest-rate exchange agreements in which the FHLBanks are intermediaries for member institutions, over 99.4 percent of the notional amount of the FHLBanks' outstanding interest-rate exchange agreements are with counterparties rated "single-A" or higher. At September 30, 2002, 30 counterparties represented approximately 99.8 percent of the total notional amount of the FHLBanks' outstanding interest-rate exchange agreements excluding agreements in which the FHLBanks are intermediaries, and of these 30 counterparties, approximately 78.9 percent is with 22 counterparties rated "double-A" or higher, approximately 20.5 percent is with 7 counterparties rated "single-A" and approximately 0.6 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

September 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. For each FHLBank that has not yet converted to its new capital plan, Finance Board regulation 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 Finance Board regulation. The table summarizes the interest-rate risk associated with all instruments entered into by the FHLBanks.

Duration of Equity
(In Years)

	September 30, 2002			December 31, 2001			September 30, 2001		
FHLBank	Up	Base	Down	Up	Base	Down	Up	Base	Down
Boston	1.5	0.2	(0.2)	3.0	1.8	(0.3)	2.6	1.5	(0.6)
New York	2.0	0.3	0.1	4.1	3.3	2.0	2.7	1.7	1.9
Pittsburgh	4.3	1.1	0.5	1.6	0.3	(3.6)	2.4	0.3	(4.3)
Atlanta	1.7	(2.2)	(3.7)	2.7	2.6	(4.0)	3.9	1.3	(2.7)
Cincinnati	4.0	(1.6)	(4.8)	5.9	2.2	(2.4)	4.0	(2.3)	(2.4)
Indianapolis	2.0	0.1	5.4	0.0	0.1	1.3	2.7	2.0	(0.2)
Chicago	4.8	2.0	(0.2)	1.3	2.5	(3.3)	1.5	3.4	(1.7)
Des Moines	0.8	(0.1)	(2.0)	(1.6)	(0.1)	2.5	2.5	1.9	(3.3)
Dallas	2.8	1.7	(0.3)	3.8	3.0	1.8	5.4	4.0	2.2
Topeka	1.4	(3.9)	(3.9)	2.1	(0.8)	(4.9)	1.2	(2.9)	(6.5)
San Francisco	2.5	1.5	(1.0)	2.6	2.0	0.9	2.9	2.3	1.3
Seattle	3.9	(1.7)	(6.6)	3.2	0.8	(4.0)	4.1	0.2	(6.3)

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. In calculating and measuring duration of equity, the FHLBanks also calculate and measure their duration gap, the difference between the durations of assets and liabilities. The FHLBanks' duration gaps at September 30, 2002 ranged from 0.6 months to −2.1 months.

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 $1.3 billion of the total $490.7 billion advances outstanding at September 30, 2002, and housing associates represent $506 million of the total $490.7 billion advances outstanding at September 30, 2002. The management of each FHLBank believes it has the policies and procedures in place to manage appropriately 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 September 30, 2002, the FHLBanks had Federal funds sold of $53.9 billion. At the same date, the FHLBanks held $5.7 billion of commercial paper.

At September 30, 2002, the FHLBanks' unsecured credit exposure to counterparties other than the U.S. Government or U.S. Government agencies and instrumentalities was $80.7 billion, much of which was Federal funds sold and commercial paper. This is a $9.5 billion increase from the $71.2 billion unsecured credit exposure to such counterparties at December 31, 2001. About 39.8 percent of this exposure at September 30, 2002 had an overnight maturity, 19.7 percent had a maturity from 2 to 30 days, 29.1 percent had a maturity from 31 to 90 days, and the remainder had a maturity less than 271 days. At September 30, 2002, the FHLBanks had aggregate unsecured credit exposure of more than $1 billion to each of 29 counterparties. The aggregate unsecured credit exposure to these 29 counterparties represented 59.4 percent of the FHLBanks' unsecured credit exposure to non-government counterparties.

Included in the aggregate unsecured credit exposure total is unsecured credit of $545.1 million to Washington Mutual Bank, FA. As of the same date, Washington Mutual Bank had advances of $4.7 billion from the FHLBank of Seattle, its affiliated Washington Mutual Bank, FA, had advances of $50.8 billion from the FHLBank of San Francisco, its affiliated Washington Mutual Bank, FSB, had advances of $131 million from the FHLBank of Seattle, and its affiliated First Community Industrial Bank had advances of $100 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 September 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/originates 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 September 30, 2002, the acquired member asset programs had a total outstanding balance of $47.1 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 $27.7 billion at December 31, 2001 and $22.6 billion at September 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 the management of each of these FHLBanks believes that it has the policies and procedures in place to manage appropriately 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 FHLBank of Atlanta announced in October 2002 that it would also be participating in MPP.

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

Operational Risk. Operational risk is the risk of potential loss due to human error, systems malfunctions, man-made or natural disasters, fraud, or circumvention or failure of internal controls. The FHLBanks have established comprehensive financial and operating polices and procedures and appropriate insurance coverage to mitigate the likelihood of, and potential losses from, such occurrences. The FHLBanks' policies and procedures include controls to ensure that system-generated data are reconciled to source documentation on a regular basis. Each FHLBank's internal audit department, which reports directly to the individual FHLBank's audit committee, regularly monitors each FHLBank's compliance with established polices and procedures. In addition, each FHLBank has a 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 implemented its new capital plan during the third quarter of 2002 and the remaining FHLBanks plan to implement within the three-year required time frame. The existing capital structure of each FHLBank will remain in place until its capital plan is implemented.

The FHLBanks are subject to risk-based capital rules under the new capital structure plan. Only "permanent" capital, defined as retained earnings and Class B stock, can satisfy the risk-based capital requirement. In addition, the GLB Act specifies a 5 percent minimum leverage ratio based on total capital and a 4 percent minimum capital ratio that does not include the 1.5 weighting factor applicable to the permanent capital which is used in determining compliance with the 5 percent leverage ratio. The FHLBank of Seattle offers two classes of Class B stock, which consists of Class B1 and Class B2, that can be redeemed by giving 5 years notice. Class B1 stock is issued to meet membership and activity stock purchase requirements. Excess B1 stock above the lesser of $50 million or the total stock purchase requirement converts to B2 stock.

Prior to the FHLBanks' implementation of the new capital regulations, the prior capital rules were in effect. In particular, the Federal Home Loan Bank Act of 1932, as amended, required members to purchase capital stock equal to the greater of 1 percent of their mortgage-related assets or 5 percent of FHLBanks' outstanding advances. However, the GLB Act removed the provision that required a non-thrift member to purchase additional stock to borrow from the FHLBanks if the non-thrift member's mortgage-related assets were less than 65 percent of total assets. Members could, at the FHLBanks' discretion, redeem at par value any capital stock greater than their statutory requirement or sell it to other FHLBank members at par value.

The GLB Act made membership voluntary for all members. Members that withdraw from membership may not reapply for membership for 5 years. The FHLBanks' board of directors may declare and pay dividends in either cash or capital stock.

Discussions of Enhanced Financial Disclosures. The staff of the Finance Board has 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 generally 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 for the FHLBanks, if any, have not yet been determined.

Capital Adequacy

The FHLBank Act prescribes minimum member capital stock requirements. At September 30, 2002, 96.9 percent of the FHLBanks' capital was capital stock, and 3.1 percent was retained earnings and accumulated other comprehensive income. At September 30, 2002, the FHLBanks had an aggregate capital-to-asset ratio of 4.7 percent. This compares with a capital-to-asset ratio of 4.9 percent at December 31, 2001 and 4.8 percent at September 30, 2001.

The FHLBank of Seattle, which implemented its new capital plan, is subject to risk-based capital rules under the new capital structure plan. Only "permanent" capital, defined as retained earnings and Class B stock, can satisfy the risk-based capital requirement. In addition, the GLB Act specifies a 5 percent minimum leverage ratio based on total capital and a 4 percent minimum capital ratio that does not include the 1.5 weighting factor applicable to the permanent capital which is used in determining compliance with the 5 percent leverage ratio. The FHLBank of Seattle is in compliance with their risk-based capital rules at September 30, 2002.

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 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 September 30, 2002, the FHLBanks had $84.7 billion of advances outstanding to members whose officers were serving as directors of the FHLBanks. This amounted to 18.0 percent of total advances at par.

Federal Home Loan Bank Membership Trends

At September 30, 2002, there were 7,992 members of the FHLBanks, a net increase of 115 since December 31, 2001. As of September 30, 2002, the membership in the FHLBanks was comprised of 1,408 thrift institutions (savings and loan associations and savings banks), 5,873 commercial banks, 639 credit unions, and 72 insurance companies.

Membership

	Commercial Banks	Thrifts	Credit Unions	Insurance Companies	Total
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
September 30, 2002	5,873	1,408	639	72	7,992

(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 September 30, 2002, only 52 FHLBank members withdrew from membership for reasons other than merger or acquisition, and three members have given notice to withdraw before April 1, 2003, for reasons other than merger or acquisition.

At September 30, 2002, total capital stock was $34.8 billion, an increase of $1.5 billion since December 31, 2001. Commercial bank members hold 49.4 percent of the capital stock and thrift institution members hold 44.3 percent.

Capital by Member Type
(Dollar amounts in billions)

	Commercial Banks	Thrifts	Credit Unions	Insurance Companies	Other (1)	Total
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
September 30, 2002	17.2	15.4	1.1	0.4	0.7	34.8

(1) Includes capital stock of members involved in mergers with a non-member. 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 September 30, 2002.

Top 10 Capital Stock Holding Members
at September 30, 2002

Name	City	State	Capital Stock ($Millions)	Percent of Total Capital Stock
Washington Mutual Bank, FA (1)(2)	Stockton	CA	$3,030	8.7%
California Federal Bank, FSB*	San Francisco	CA	1,105	3.2%
World Savings Bank, FSB*	Oakland	CA	703	2.0%
Washington Mutual Bank*	Seattle	WA	700	2.0%
Charter One Bank, NA*	Cleveland	OH	588	1.7%
US Bank, NA (3)	Cincinnati	OH	482	1.4%
BB&T of NC	Winston-Salem	NC	436	1.3%
Wells Fargo Bank Minnesota, NA	Minneapolis	MN	401	1.2%
World Savings Bank, FSB	Houston	TX	360	1.0%
Standard Federal Bank, NA*	Troy	MI	358	1.0%
			$8,163	23.5%

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

(1) Includes $405 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 $393 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 million in capital stock owned by US Bank, NA, a former member of the FHLBank of Des Moines, which merged with US Bank, NA (Firstar), 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 5,393 at September 30, 2002. The percent of total members borrowing increased to 67.5 percent at September 30, 2002 from 66.1 percent at December 31, 2001.

Member Borrowers

	Commercial Banks	Thrifts	Credit Unions	Insurance Companies	Total
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
September 30, 2002	4,134	1,015	207	37	5,393

(1) Revised based on member mergers.

While 67.5 percent of the FHLBanks' members held advances at September 30, 2002, the 73 borrowers with advance holdings of $1 billion or more at September 30, 2002, held 61.7 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)

	Commercial Banks	Thrifts	Credit Unions	Insurance Companies	Other (1)	Total (2)
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
September 30, 2002	227.6	219.0	6.9	4.5	13.0	471.0

(1) Includes advances to housing associates and members involved in mergers with a non-member. 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 September 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 September 30, 2002.

Top 10 Advance Holding Members
at September 30, 2002

Name	City	State	Advances (5) ($ Millions)	Percent of Total Advances
Washington Mutual Bank, FA (1)(2)	Stockton	CA	$ 50,800	10.8%
California Federal Bank, FSB*	San Francisco	CA	16,581	3.5%
World Savings Bank, FSB*	Oakland	CA	11,577	2.5%
BB&T of NC	Winston-Salem	NC	8,716	1.9%
US Bank, NA (3)	Cincinnati	OH	8,931	1.9%
Wells Fargo Bank Minnesota, NA	Minneapolis	MN	7,887	1.7%
World Savings Bank, FSB	Houston	TX	7,000	1.5%
Standard Federal Bank, NA*	Troy	MI	6,930	1.5%
SunTrust Bank (4)	Atlanta	GA	6,774	1.4%
Charter One Bank, NA*	Cleveland	OH	6,681	1.4%
			$131,877	28.1%

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

(1) Includes $7,537 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 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 million in advances of US Bank, NA, a former member of the FHLBank of Des Moines, which merged with US Bank, NA (Firstar), a member of the FHLBank of Cincinnati.

(4) Includes $211 million in advances of SunTrust Bank, Chattanooga, Nashville, and Knoxville, TN, former members of the FHLBank of Cincinnati, which merged with SunTrust Bank, Atlanta, GA, a member of the FHLBank of Atlanta.

(5) 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 September 30, 2002, the FHLBanks had $506 million in advances outstanding to 24 housing associates, up from $264 million at year-end 2001. Housing associates eligible to borrow include 38 state housing finance agencies, 8 county housing finance agencies, 3 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.)

FEDERAL HOME LOAN BANKS

COMBINED STATEMENTS OF CONDITION

(Dollar amounts in millions)

	September 30, 2002 (Unaudited)	December 31, 2001	September 30, 2001 (Unaudited)
ASSETS			
Cash and due from banks	$ 574	$ 319	$ 1,013
Interest-bearing deposits	26,884	19,307	17,139
Securities purchased under resale agreements	2,837	7,950	4,500
Federal funds sold	53,877	48,394	60,707
Held-to-maturity securities	111,712	97,296	96,873
Available-for-sale securities	10,147	7,403	6,704
Securities held at fair value	10,005	9,880	7,928
Advances	490,739	472,732	466,772
Mortgage loans	47,084	27,650	22,646
Less: allowance for credit losses on mortgage loans	11	7	5
Mortgage loans, net	47,073	27,643	22,641
Accrued interest receivable	3,014	3,106	3,248
Premises and equipment, net	140	132	126
Derivative assets	3,844	2,728	3,351
Other assets	379	386	353
Total assets	$761,225	$697,276	$691,355
LIABILITIES			
Deposits:			
Demand and overnight	$ 26,120	$ 23,720	$ 27,551
Term	1,116	1,115	1,051
Other	1,408	925	813
Total deposits	28,644	25,760	29,415
Borrowings:			
Securities sold under repurchase agreements	1,500	800	254
Other borrowings	53	350	
Total borrowings	1,553	1,150	254
Consolidated obligations, net:			
Discount notes	139,787	139,502	165,212
Bonds	527,774	481,793	446,293
Total consolidated obligations	667,561	621,295	611,505
Accrued interest payable	5,383	5,751	5,538
Affordable Housing Program	699	696	668
Payable to REFCORP	123	161	110
Derivative liabilities	17,260	7,814	8,582
Other liabilities	4,048	431	2,159
Total liabilities	725,271	663,058	658,231
CAPITAL			
Capital stock outstanding ($100 par value)	32,514	33,289	32,441
Capital stock — Class B1 outstanding ($100 par value)	1,946		
Capital stock — Class B2 outstanding ($100 par value)	371		
Retained earnings	1,085	932	750
Accumulated other comprehensive income:			
Net unrealized gains on available-for-sale securities	579	175	247
Net unrealized losses related to hedging activities	(541)	(178)	(314)
Total capital	35,954	34,218	33,124
Total liabilities and capital	$761,225	$697,276	$691,355

FEDERAL HOME LOAN BANKS

COMBINED STATEMENTS OF INCOME

(Dollar amounts in millions)
(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2002	2001	2002	2001
INTEREST INCOME				
Advances	$2,830	$4,726	$8,518	$17,011
Interest-bearing deposits	114	149	308	597
Securities purchased under resale agreements	25	45	87	154
Federal funds sold	221	515	679	1,982
Held-to-maturity securities	1,299	1,409	3,849	4,413
Available-for-sale securities	41	68	115	261
Securities held at fair value	115	92	357	313
Mortgage loans	634	365	1,666	966
Other	2		3	
Total interest income	5,281	7,369	15,582	25,697
INTEREST EXPENSE				
Consolidated obligations	4,390	6,345	13,027	22,522
Deposits	112	238	323	807
Securities sold under repurchase agreements	11	4	35	5
Other borrowings	1	(2)	3	3
Total interest expense	4,514	6,585	13,388	23,337
NET INTEREST INCOME BEFORE MORTGAGE LOAN LOSS PROVISION	767	784	2,194	2,360
Mortgage loan loss provision	1		4	2
NET INTEREST INCOME AFTER MORTGAGE LOAN LOSS PROVISION	766	784	2,190	2,358
OTHER INCOME				
Net unrealized gains on securities held at fair value	535	167	711	211
Net realized and unrealized losses on derivatives and hedging activities	(547)	(281)	(836)	(269)
Service fees	8	10	25	32
Net gains on sale of securities held at fair value	5		12	
Net gains on sale of available-for-sale securities		1		
Net gains on sale of held-to-maturity securities			1	
Other, net	26	20	80	61
Total other income	27	(83)	(7)	35
OTHER EXPENSE				
Operating expenses	97	90	282	265
Finance Board and Office of Finance expenses	9	11	32	28
Other, net	17	4	23	11
Total other expenses	123	105	337	304
INCOME BEFORE ASSESSMENTS	670	596	1,846	2,089
Affordable Housing Program	54	48	151	167
REFCORP	122	108	339	377
Total assessments	176	156	490	544
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	494	440	1,356	1,545
Cumulative effect of change in accounting principle				(30)
NET INCOME	$ 494	$ 440	$1,356	$ 1,515

FEDERAL HOME LOAN BANKS

COMBINED STATEMENTS OF CAPITAL

(Dollar amounts in millions)
(Unaudited)

	Capital Stock		Capital Stock Class B1		Capital Stock Class B2		Total Capital Stock			Accumulated Other	
	Shares (In millions)	Par Value	Shares (In millions)	Par Value	Shares (In millions)	Par Value	Shares (In millions)	Par Value	Retained Earnings	Comprehensive Income	Total Capital
BALANCE, DECEMBER 31, 2000	305	$30,537		$		$	305	$30,537	$ 729	$ (1)	$31,265
Proceeds from sale of capital stock	72	7,010					72	7,010			7,010
Redemption of capital stock	(59)	(5,819)					(59)	(5,819)			(5,819)
Comprehensive income:											
Net income									1,515		1,515
Other comprehensive income:											
Net unrealized gains on available-for-sale securities										248	248
Cumulative effect of change in accounting principle										(2)	(2)
Net unrealized losses related to hedging activities										(312)	(312)
Total comprehensive income											1,449
Dividend on capital stock:											
Cash									(781)		(781)
Stock	8	713					8	713	(713)		
BALANCE, SEPTEMBER 30, 2001	326	$32,441		$		$	326	$32,441	$ 750	$ (67)	$33,124
BALANCE, DECEMBER 31, 2001	332	$33,289		$		$	332	$33,289	$ 932	$ (3)	$34,218
Proceeds from sale of capital stock	67	6,635		7			67	6,642			6,642
Redemption of capital stock	(54)	(5,460)	(3)	(272)			(57)	(5,732)			(5,732)
Conversion to Capital Stock — Class B1 and Class B2	(26)	(2,544)	22	2,173	4	371					
Comprehensive income:											
Net income									1,356		1,356
Other comprehensive income:											
Net unrealized gains on available-for-sale securities										404	404
Net unrealized losses related to hedging activities										(363)	(363)
Total comprehensive income											1,397
Dividend on capital stock:											
Cash									(571)		(571)
Stock	6	594		38			6	632	(632)		
BALANCE, SEPTEMBER 30, 2002	325	$32,514	19	$1,946	4	$371	348	$34,831	$1,085	$ 38	$35,954

FEDERAL HOME LOAN BANKS

COMBINED STATEMENTS OF CASH FLOWS

(Dollar amounts in millions)
(Unaudited)

	For the Nine Months Ended September 30,	
	2002	2001
OPERATING ACTIVITIES		
Net income	$ 1,356	$ 1,515
Cumulative effect of change in accounting principle		30
Income before cumulative effect of change in accounting principle	1,356	1,545
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	2,080	3,292
Concessions on consolidated obligations	139	161
Deferred loss on interest-rate exchange agreements, net	5	11
Premises and equipment	19	15
Net premiums and discounts on mortgage loans	50	39
Other	(2)	(6)
Provision for credit losses on mortgage loans	4	2
Net realized gains on held-to-maturity securities	(1)	
Increase in securities held at fair value, and transition adjustments	(2,107)	(257)
Losses due to change in net fair value adjustment on derivative and hedging activities	691	176
Decrease in accrued interest receivable	227	6,860
Decrease (increase) in derivative assets-accrued interest	133	(491)
Increase (decrease) in derivative liabilities-accrued interest	19	(344)
Increase in other assets	(31)	(271)
Increase in Affordable Housing Program (AHP) liability and discount on AHP advances	6	53
Decrease in accrued interest payable	(365)	(5,315)
Decrease in REFCORP liability	(38)	(35)
Increase in other liabilities	1,937	1,512
Total adjustments	2,766	5,402
Net cash provided by operating activities	4,122	6,947

FEDERAL HOME LOAN BANKS

COMBINED STATEMENTS OF CASH FLOWS — (Continued)

(Dollar amounts in millions)
(Unaudited)

	For the Nine Months Ended September 30, 2002	2001
INVESTING ACTIVITIES		
Net (increase) decrease in interest-bearing deposits in banks	$ (7,577)	$ 1,240
Net increase in Federal funds sold	(5,333)	(5,435)
Net decrease (increase) in securities purchased under resale agreements	5,313	(3,084)
Net decrease in short-term held-to-maturity securities	616	2,475
Proceeds from sales of long-term held-to-maturity securities	77	1,406
Proceeds from maturities of long-term held-to-maturity securities	31,981	23,430
Purchases of long-term held-to-maturity securities	(43,107)	(28,393)
Proceeds from sales of available-for-sale securities		(100)
Proceeds from maturities of available-for-sale securities	35,595	45,185
Purchases of available-for-sale securities	(38,369)	(42,936)
Principal collected on advances	2,770,787	2,868,515
Advances made	(2,778,461)	(2,886,007)
Principal collected on mortgage loans	6,763	5,457
Mortgage loans made	(26,116)	(11,971)
Principal collected on other loans		1
Increase in premises and equipment	(28)	(19)
Net cash used in investing activities	(47,859)	(30,236)
FINANCING ACTIVITIES		
Net increase in deposits	2,884	12,249
Net increase in securities sold under repurchase agreements	300	254
Net increase in other borrowings	103	
Net proceeds from sale of consolidated obligations:		
Discount notes	3,012,168	3,493,227
Bonds	315,564	289,092
Payments for maturing and retiring consolidated obligations:		
Discount notes	(3,013,455)	(3,491,294)
Bonds	(273,901)	(280,378)
Proceeds from issuance of capital stock	6,642	7,010
Payments for redemption of capital stock	(5,732)	(5,819)
Cash dividends paid	(581)	(791)
Net cash provided by financing activities	43,992	23,550
Net increase in cash and cash equivalents	255	261
Cash and cash equivalents at beginning of period	319	752
Cash and cash equivalents at end of period	$ 574	$ 1,013
Supplemental Disclosures:		
Interest paid	$ 12,590	$ 25,175
Stock dividends issued	$ 632	$ 713

Notes to Combined Financial Statements (Unaudited)

Note 1 — Basis of Presentation

The accompanying combined interim financial statements for the three and nine months ended September 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 third quarter 2001 combined financial statements have been reclassified to conform with the third 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 — Capital

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 implemented its new capital plan during the third quarter of 2002 and the remaining FHLBanks plan to convert within the three-year required time frame. The conversion was considered a capital transaction and was accounted for at par value. The existing capital structure of each FHLBank will remain in place until its capital plan is implemented.

The FHLBank of Seattle offers two classes of Class B stock, which consists of Class B1 and Class B2, that can be redeemed by giving 5 years notice. Class B1 stock is issued to meet membership and activity stock purchase requirements. Excess B1 stock above the lesser of $50 million or the total stock purchase requirement converts to B2 stock.

The FHLBanks are subject to risk-based capital rules under the new capital structure plan. Only "permanent" capital, defined as retained earnings and Class B stock, can satisfy the risk-based capital requirement. In addition, the GLB Act specifies a 5 percent minimum leverage ratio based on total capital and a 4 percent minimum capital ratio that does not include the 1.5 weighting factor applicable to the permanent capital which is used in determining compliance with the 5 percent leverage ratio. The FHLBank of Seattle is in compliance with their risk-based capital rules at September 30, 2002 with a 7.5 percent leverage ratio and weighted leverage capital of $3.5 billion, and a 4.9 percent minimum capital ratio and permanent capital of $2.3 billion.

Note 4 — 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 reclassed were not material.

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES — STATEMENTS OF CONDITION
SEPTEMBER 30, 2002

(Dollar amounts in millions)
(Unaudited)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
ASSETS						
Cash and due from banks	$ 574	$	$ 9	$ 13	$ 105	$ 96
Interest-bearing deposits	26,884		1,045	6,958	1,187	2,164
Deposits for mortgage loan programs with other FHLBanks		(158)			142	5
Securities purchased under resale agreements	2,837		75			200
Federal funds sold	53,877		5,430	2,605	1,614	5,302
Held-to-maturity securities	111,712	(179)	6,284	12,209	9,119	13,198
Available-for-sale securities	10,147	(370)	1,217		383	
Securities held at fair value	10,005	(593)	621		1,463	3,576
Advances	490,739		24,657	67,571	31,362	78,782
Mortgage loans	47,084		1,635	383	3,825	617
Less: allowance for credit losses on mortgages loans	11		1	1		1
Mortgage loans, net	47,073		1,634	382	3,825	616
Loans to other FHLBanks		(200)		50	150	
Accrued interest receivable	3,014	(12)	158	388	529	454
Premises and equipment, net	140		6	9	9	29
Derivative assets	3,844		128	1,090	227	481
Other assets	379		20	29	36	55
Total assets	$761,225	$(1,512)	$41,284	$91,304	$50,151	$104,958
LIABILITIES						
Deposits:						
Demand and overnight	$ 26,120	$	$ 2,206	$ 2,690	$ 2,225	$ 5,573
Term	1,116		74	356	17	33
Deposits from other FHLBanks for mortgage loan programs		(158)				
Other	1,408		5	4	85	360
Total deposits	28,644	(158)	2,285	3,050	2,327	5,966
Borrowings:						
Other FHLBanks		(200)		150		
Securities sold under repurchase agreements	1,500					
Other borrowings	53					
Total borrowings	1,553	(200)		150		
Consolidated obligations, net:						
Discount notes	139,787		5,074	21,888	12,195	153
Bonds	527,774	(1,142)	30,395	57,992	31,647	87,396
Total consolidated obligations	667,561	(1,142)	35,469	79,880	43,842	87,549
Accrued interest payable	5,383	(12)	361	666	329	831
Affordable Housing Program	699		31	107	27	103
Payable to REFCORP	123		4	13	5	24
Derivative liabilities	17,260		872	3,234	1,462	4,905
Other liabilities	4,048		112	47	53	967
Total liabilities	725,271	(1,512)	39,134	87,147	48,045	100,345
CAPITAL						
Capital stock outstanding ($100 par value)	32,514		2,141	3,914	2,040	4,381
Capital stock — Class B1 outstanding ($100 par value)	1,946					
Capital stock — Class B2 outstanding ($100 par value)	371					
Retained earnings	1,085		40	243	71	232
Accumulated other comprehensive income:						
Net unrealized gains (losses) on available-for sale securities	579		(35)		(5)	
Net unrealized (losses) gains related to hedging activities	(541)		4			
Total capital	35,954		2,150	4,157	2,106	4,613
Total liabilities and capital	$761,225	$(1,512)	$41,284	$91,304	$50,151	$104,958

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 28	$ 30	$ 4	$ 88	$ 167	$ 1	$ 3	$ 30
5,446	688		451	494	2,044	5,323	1,084
				5	2	4	
		312				2,100	150
12,102	2,609	3,475	4,491	4,145	1,556	6,041	4,507
9,267	5,708	5,884	5,500	5,251	6,722	18,883	13,866
1,156	1,846		701	5,214			
22	103	3,041	86	363	515	553	255
38,532	28,520	25,512	24,939	36,722	26,704	86,018	21,420
2,711	4,430	22,586	4,180	1,397	147	39	5,134
		5	3				
2,711	4,430	22,581	4,177	1,397	147	39	5,134
212	137	256	59	156	112	319	246
4	10	20	7	27	10	6	3
209	34	415	61	350	196	552	101
24	25	21	15	31	67	39	17
$69,713	$44,140	$61,521	$40,575	$54,322	$38,076	$119,880	$46,813
$ 1,715	$ 1,726	$ 2,356	$ 1,439	$ 2,102	$ 1,810	$ 344	$ 1,934
122		205	23	101	26	55	104
		158					
207	12	329		208	64	108	26
2,044	1,738	3,048	1,462	2,411	1,900	507	2,064
			50				
		1,200	300				
						53	
		1,200	350			53	
26,765	11,607	13,963	8,046	10,456	9,062	12,838	7,740
35,214	26,895	38,056	27,865	37,662	24,180	98,444	33,170
61,979	38,502	52,019	35,911	48,118	33,242	111,282	40,910
385	286	472	263	375	260	772	395
80	35	45	22	34	24	137	54
11	9	18	6	5	1	18	9
1,655	1,563	461	696	661	1,057	383	311
26	20	1,023	55	218	10	790	727
66,180	42,153	58,286	38,765	51,822	36,494	113,942	44,470
3,479	1,951	2,992	1,765	2,407	1,548	5,896	
							1,946
							371
54	43	170	47	80	34	45	26
	(7)		(2)	628			
		73		(615)		(3)	
3,533	1,987	3,235	1,810	2,500	1,582	5,938	2,343
$69,713	$44,140	$61,521	$40,575	$54,322	$38,076	$119,880	$46,813

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES — STATEMENTS OF CONDITION
SEPTEMBER 30, 2001

(Dollar amounts in millions)
(Unaudited)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
ASSETS						
Cash and due from banks	$ 1,013	$	$ 5	$ 370	$ 89	$ 116
Interest-bearing deposits	17,139			3,720	1,087	1,405
Deposits for mortgage loan programs with other FHLBanks		(25)			15	5
Securities purchased under resale agreements	4,500		200			
Federal funds sold	60,707		8,739	2,912	3,025	9,491
Held-to-maturity securities	96,873	(1,919)	6,059	11,504	6,038	12,498
Available-for-sale securities	6,704	(528)	844		134	
Securities held at fair value	7,928	(539)	838		2,653	2,141
Advances	466,772		22,563	57,489	27,054	71,823
Mortgage loans	22,646		253	447	2,052	493
Less: allowance for credit losses on mortgage loans	5					
Mortgage loans, net	22,641		253	447	2,052	493
Loans to other FHLBanks		(50)		50		
Accrued interest receivable	3,248	(32)	163	434	548	482
Premises and equipment, net	126		4	10	9	29
Derivative assets	3,351		95	860	160	479
Other assets	353		16	19	49	55
Total assets	$691,355	$(3,093)	$39,779	$77,815	$42,913	$99,017
LIABILITIES						
Deposits:						
Demand and overnight	$ 27,551	$	$ 2,673	$ 3,362	$ 1,771	$ 6,116
Term	1,051		114	129	43	58
Deposits from other FHLBanks for mortgage loan programs		(25)				
Other	813			6	45	285
Total deposits	29,415	(25)	2,787	3,497	1,859	6,459
Borrowings:						
Other FHLBanks		(50)				
Securities sold under repurchase agreements	254					
Total borrowings	254	(50)				
Consolidated obligations, net:						
Discount notes	165,212		10,930	23,490	9,933	831
Bonds	446,293	(2,986)	23,258	44,533	27,954	83,049
Total consolidated obligations	611,505	(2,986)	34,188	68,023	37,887	83,880
Accrued interest payable	5,538	(32)	311	597	363	971
Affordable Housing Program	668		38	100	40	94
Payable to REFCORP	110		7	16	(1)	21
Derivative liabilities	8,582		422	1,828	575	2,328
Other liabilities	2,159		38	43	262	1,016
Total liabilities	658,231	(3,093)	37,791	74,104	40,985	94,769
CAPITAL						
Capital stock outstanding ($100 par value)	32,441		1,953	3,567	1,845	4,079
Retained earnings	750		50	144	82	169
Accumulated other comprehensive income:						
Net unrealized gains (losses) on available-for-sale securities	247		(28)		1	
Net unrealized (losses) gains relating to hedging activities	(314)		13			
Total capital	33,124		1,988	3,711	1,928	4,248
Total liabilities and capital	$691,355	$(3,093)	$39,779	$77,815	$42,913	$99,017

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 13	$ 28	$ 199	$ 101	$ 79	$ 7	$ 1	$ 5
2,115	167		74	175	2,506	4,640	1,250
			1	4			
		50	3,000			1,150	100
11,921	3,930	2,691	2,310	5,108	1,569	6,037	2,974
8,755	4,901	4,663	3,606	4,343	5,898	17,410	13,117
1,137	1,075		223	3,786	33		
34	98	1,324	168	462	155	574	20
34,533	26,264	21,323	21,827	29,898	20,388	108,700	24,910
308	153	12,467	3,898	1,467	78		1,030
		2	3				
308	153	12,465	3,895	1,467	78		1,030
220	122	204	62	170	110	490	275
3	10	18	7	29		4	3
102	58	52	220	355	280	583	107
46	23	10	31	31	20	43	10
$59,187	$36,829	$42,999	$35,525	$45,907	$31,044	$139,632	$43,801
$ 1,551	$ 1,552	$ 1,755	$ 1,975	$ 2,498	$ 1,730	$ 580	$ 1,988
163	13	133	191	17	25	41	124
		25					
97	22	29		98	68	163	
1,811	1,587	1,942	2,166	2,613	1,823	784	2,112
			50				
							254
			50				254
27,026	16,854	9,195	5,929	7,728	6,171	31,525	15,600
25,867	15,513	28,485	25,037	32,787	20,858	99,008	22,930
52,893	32,367	37,680	30,966	40,515	27,029	130,533	38,530
366	225	376	315	383	278	1,016	369
72	31	34	27	39	27	119	47
11	8	8	3	7	3	17	10
866	799	441	144	252	483	348	96
20	64	213	226	62	41	168	6
56,039	35,081	40,694	33,897	43,871	29,684	132,985	41,424
3,109	1,718	2,278	1,596	1,983	1,314	6,641	2,358
39	30	72	32	54	45	14	19
				273	1		
		(45)		(274)		(8)	
3,148	1,748	2,305	1,628	2,036	1,360	6,647	2,377
$59,187	$36,829	$42,999	$35,525	$45,907	$31,044	$139,632	$43,801

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES — STATEMENTS OF INCOME FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2002

(Dollar amounts in millions) (Unaudited)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
INTEREST INCOME						
Advances	$2,830	$	$200	$417	$149	$ 398
Interest-bearing deposits	114		5	31	5	8
Securities purchased under resale agreements	25		7			
Federal funds sold	221		22	13	4	22
Held-to-maturity securities	1,299	(3)	74	180	98	156
Available-for-sale securities	41	(6)	5		3	
Securities held at fair value	115	(10)	8		12	50
Mortgage loans	634		22	6	35	10
Loans to other FHLBanks		(1)				
Other	2					
Total interest income	5,281	(20)	343	647	306	644
INTEREST EXPENSE						
Consolidated obligations	4,390	(19)	298	550	262	521
Deposits	112		8	12	9	22
Borrowings from other FHLBanks		(1)				
Securities sold under resale agreements	11				2	
Other borrowings	1				1	
Total interest expense	4,514	(20)	306	562	274	543
NET INTEREST INCOME BEFORE MORTGAGE LOAN LOSS PROVISION	767		37	85	32	101
Mortgage loan loss provision	1			1		
NET INTEREST INCOME AFTER MORTGAGE LOAN LOSS PROVISION	766		37	84	32	101
OTHER INCOME						
Net unrealized gains on securities held at fair value	535		6		4	216
Net realized and unrealized losses on derivatives and hedging activities	(547)		(11)	(2)	(8)	(184)
Service fees	8				2	1
Net gains on sale of securities held at fair value	5				5	
Other, net	26		2		(1)	9
Total other income	27		(3)	(2)	2	42
OTHER EXPENSE						
Operating expenses	97		7	9	9	12
Finance Board and Office of Finance expenses	9		1	2		1
Other, net	17			(1)		2
Total other expenses	123		8	10	9	15
INCOME BEFORE ASSESSMENTS	670		26	72	25	128
Affordable Housing Program	54		2	6	2	10
REFCORP	122		5	13	4	24
Total assessments	176		7	19	6	34
NET INCOME	$ 494	$	$ 19	$ 53	$ 19	$ 94

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$218	$167	$ 167	$154	$217	$145	$436	$162
23	2		1	2	11	20	6
		1				16	1
55	11	14	21	12	6	27	14
138	82	29	46	39	74	208	178
8	8		3	20			
	2	42		2	2	3	4
30	57	321	66	23	2		62
		1					
				1	1		
472	329	575	291	316	241	710	427
399	271	444	247	267	206	587	357
8	6	13	7	11	6	2	8
			1				
		9					
407	277	466	255	278	212	589	365
65	52	109	36	38	29	121	62
65	52	109	36	38	29	121	62
	5	218		9	34	18	25
	(4)	(212)	(6)	(15)	(55)	(17)	(33)
	2		1	1			1
3	2	2	4	1	1	2	1
3	5	8	(1)	(4)	(20)	3	(6)
5	7	12	5	8	5	13	5
1		1				3	
		7				9	
6	7	20	5	8	5	25	5
62	50	97	30	26	4	99	51
5	4	8	2	2		8	5
11	9	18	5	5	1	18	9
16	13	26	7	7	1	26	14
$ 46	$ 37	$ 71	$ 23	$ 19	$ 3	$ 73	$ 37

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES — STATEMENTS OF INCOME FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2001

(Dollar amounts in millions) (Unaudited)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
INTEREST INCOME						
Advances	$4,726	$	$272	$609	$270	$ 684
Interest-bearing deposits	149			48	13	7
Deposits for mortgage loan programs with other FHLBanks		(1)			1	
Securities purchased under resale agreements	45		7			
Federal funds sold	515		46	42	9	111
Held-to-maturity securities	1,409	(25)	82	202	94	192
Available-for-sale securities	68	(6)	12		2	
Securities held at fair value	92	(8)	14		34	25
Mortgage loans	365		4	8	33	9
Loans to other FHLBanks		(2)				
Total interest income	7,369	(42)	437	909	456	1,028
INTEREST EXPENSE						
Consolidated obligations	6,345	(39)	374	780	385	862
Deposits	238		22	27	15	54
Deposits from other FHLBanks for mortgage loan programs		(1)				
Borrowings from other FHLBanks		(2)		1	1	
Securities sold under resale agreements	4					
Other borrowings	(2)			1	1	
Total interest expense	6,585	(42)	396	809	402	916
NET INTEREST INCOME BEFORE MORTGAGE LOAN LOSS PROVISION	784		41	100	54	112
Mortgage loan loss provision						
NET INTEREST INCOME AFTER MORTGAGE LOAN LOSS PROVISION	784		41	100	54	112
OTHER INCOME						
Net unrealized gains on securities held at fair value	167		14		28	61
Net realized and unrealized losses on derivatives and hedging activities	(281)		(14)	(6)	(84)	(40)
Service fees	10			1	3	1
Net gains on sale of available-for-sale securities	1		1			
Other, net	20		4	4	1	2
Total other income	(83)		5	(1)	(52)	24
OTHER EXPENSE						
Operating expenses	90		6	9	11	13
Finance Board and Office of Finance expenses	11		1	1	1	1
Other, net	4					1
Total other expenses	105		7	10	12	15
INCOME BEFORE ASSESSMENTS	596		39	89	(10)	121
Affordable Housing Program	48		3	7	(1)	10
REFCORP	108		7	17	(2)	22
Total assessments	156		10	24	(3)	32
NET INCOME	$ 440	$	$ 29	$ 65	$ (7)	$ 89

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$346	$277	$ 204	$238	$300	$203	$1,038	$285
21	1		1		16	36	6
		1	24			11	2
103	18	24	22	26	23	64	27
137	80	68	48	56	84	199	192
14	12			33	1		
	2	9	2	5	1	6	2
4	2	190	71	27	1		16
				1	1		
625	392	496	406	447	330	1,355	530
545	331	422	359	379	282	1,215	450
14	13	18	18	21	16	4	16
		1					
							4
				(1)			(3)
559	344	441	377	399	298	1,219	467
66	48	55	29	48	32	136	63
66	48	55	29	48	32	136	63
	4	25	1	13	8	13	
	(6)	(24)	(11)	(16)	(24)	(47)	(9)
	2		1			1	1
1	1	1	2	1		2	1
1	1	2	(7)	(2)	(16)	(31)	(7)
5	6	9	5	7	3	12	4
2			1	1		2	1
		3					
7	6	12	6	8	3	14	5
60	43	45	16	38	13	91	51
5	3	3	1	3	2	8	4
11	8	8	3	7	2	16	9
16	11	11	4	10	4	24	13
$ 44	$ 32	$ 34	$ 12	$ 28	$ 9	$ 67	$ 38

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES — STATEMENTS OF INCOME FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002

(Dollar amounts in millions) (Unaudited)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
INTEREST INCOME						
Advances	$ 8,518	$	$ 615	$1,242	$459	$1,185
Interest-bearing deposits	308		10	83	16	19
Deposits for mortgage loan programs with other FHLBanks		(1)			1	
Securities purchased under resale agreements	87		23			
Federal funds sold	679		56	35	14	100
Held-to-maturity securities	3,849	(27)	226	542	255	494
Available-for-sale securities	115	(19)	14		12	
Securities held at fair value	357	(29)	26		64	138
Mortgage loans	1,666		45	20	93	29
Loans to other FHLBanks		(3)		2		
Other	3					
Total interest income	15,582	(79)	1,015	1,924	914	1,965
INTEREST EXPENSE						
Consolidated obligations	13,027	(75)	899	1,632	782	1,595
Deposits	323		23	32	25	68
Deposits from other FHLBanks for mortgage loan programs		(1)				
Borrowings from other FHLBanks		(3)			1	
Securities sold under resale agreements	35				6	
Other borrowings	3				1	
Total interest expense	13,388	(79)	922	1,664	815	1,663
NET INTEREST INCOME BEFORE MORTGAGE LOAN LOSS PROVISION	2,194		93	260	99	302
Mortgage loan loss provision	4		1	1		
NET INTEREST INCOME AFTER MORTGAGE LOAN LOSS PROVISION	2,190		92	259	99	302
OTHER INCOME						
Net unrealized gains (losses) on securities held at fair value	711		9		(3)	289
Net realized and unrealized losses on derivatives and hedging activities	(836)		(17)	(3)	(34)	(253)
Service fees	25		1	2	5	2
Net gains on sale of securities held at fair value	12				12	
Net gains on sale of held-to-maturity securities	1					
Other, net	80		7	12	(1)	13
Total other income	(7)			11	(21)	51
OTHER EXPENSE						
Operating expenses	282		20	27	26	35
Finance Board and Office of Finance expenses	32		2	4	2	4
Other, net	23			(6)		4
Total other expenses	337		22	25	28	43
INCOME BEFORE ASSESSMENTS	1,846		70	245	50	310
Affordable Housing Program	151		6	20	4	25
REFCORP	339		13	45	9	57
Total assessments	490		19	65	13	82
NET INCOME	$ 1,356	$	$ 51	$ 180	$ 37	$ 228

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 655	$499	$ 457	$445	$626	$420	$1,414	$ 501
63	6		2	3	31	59	16
		2	22			37	3
166	37	38	41	34	27	93	38
394	227	96	137	115	221	629	540
22	22		7	57			
1	5	120	2	6	4	9	11
63	108	917	192	71	6		122
		1					
				1	2		
1,364	904	1,631	848	913	711	2,241	1,231
1,162	741	1,287	735	769	609	1,853	1,038
21	20	35	21	31	20	6	21
		1					
			2				
		27					2
1							1
1,184	761	1,350	758	800	629	1,859	1,062
180	143	281	90	113	82	382	169
		2					
180	143	279	90	113	82	382	169
(1)	7	303	(1)	9	44	23	32
	(6)	(325)	(24)	(22)	(66)	(37)	(49)
1	5	1	2	2	1	1	2
							1
14	3	11	6	4	2	6	3
14	9	(10)	(17)	(7)	(19)	(7)	(11)
16	20	33	16	22	13	38	16
3	1	2	2	2	1	7	2
		16				9	
19	21	51	18	24	14	54	18
175	131	218	55	82	49	321	140
14	11	18	4	7	4	26	12
32	24	40	10	15	9	59	26
46	35	58	14	22	13	85	38
$ 129	$ 96	$ 160	$ 41	$ 60	$ 36	$ 236	$ 102

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES — STATEMENTS OF INCOME FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001

(Dollar amounts in millions) (Unaudited)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
INTEREST INCOME						
Advances	$17,011	$	$ 964	$2,075	$ 981	$2,457
Interest-bearing deposits	597		3	237	30	30
Deposits for mortgage loan programs with other FHLBanks		(2)			2	
Securities purchased under resale agreements	154		24			
Federal funds sold	1,982		161	183	88	284
Held-to-maturity securities	4,413	(66)	268	603	304	576
Available-for-sale securities	261	(17)	38		9	
Securities held at fair value	313	(26)	50		91	88
Mortgage loans	966		5	26	101	25
Loans to other FHLBanks		(5)		2		
Total interest income	25,697	(116)	1,513	3,126	1,606	3,460
INTEREST EXPENSE						
Consolidated obligations	22,522	(109)	1,298	2,724	1,386	2,958
Deposits	807		78	92	51	172
Deposits from other FHLBanks for mortgage loan programs		(2)				
Borrowings from other FHLBanks		(5)	1	1	1	
Securities sold under resale agreements	5		1			
Other borrowings	3			1	1	
Total interest expense	23,337	(116)	1,378	2,818	1,439	3,130
NET INTEREST INCOME BEFORE MORTGAGE LOAN LOSS PROVISION	2,360		135	308	167	330
Mortgage loan loss provision	2					
NET INTEREST INCOME AFTER MORTGAGE LOAN LOSS PROVISION	2,358		135	308	167	330
OTHER INCOME						
Net unrealized gains on securities held at fair value	211		18		38	59
Net realized and unrealized (losses) gains on derivatives and hedging activities	(269)		(14)	(9)	(85)	(29)
Service fees	32		1	3	11	2
Other, net	61		10	5	1	6
Total other income	35		15	(1)	(35)	38
OTHER EXPENSE						
Operating expenses	265		18	26	34	34
Finance Board and Office of Finance expenses	28		2	3	2	3
Other, net	11					5
Total other expenses	304		20	29	36	42
INCOME BEFORE ASSESSMENTS	2,089		130	278	96	326
Affordable Housing Program	167		10	23	7	25
REFCORP	377		23	52	16	57
Total assessments	544		33	75	23	82
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	1,545		97	203	73	244
Cumulative effect of change in accounting principle	(30)		(3)	3	(9)	(16)
NET INCOME	$ 1,515	$	$ 94	$ 206	$ 64	$ 228

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$1,223	$ 961	$ 721	$ 829	$1,112	$ 709	$3,984	$ 995
97	4		5	3	52	113	23
	1	2	69			52	6
411	71	82	104	83	90	303	122
413	239	227	176	198	262	624	589
62	50			117	2		
2	5	29	7	27	6	24	10
7	3	490	192	79	2		36
			1		1	1	
2,215	1,334	1,551	1,383	1,619	1,124	5,101	1,781
1,962	1,143	1,325	1,231	1,417	969	4,667	1,551
47	47	69	61	72	55	13	50
		2					
			2				
							4
1							
2,010	1,190	1,396	1,294	1,489	1,024	4,680	1,605
205	144	155	89	130	100	421	176
		1	1				
205	144	154	88	130	100	421	176
	4	38	1	29	9	15	
1	(6)	(40)	(12)	(29)	(18)	(24)	(4)
1	5	1	3	2		1	2
3	2	2	13	1	3	6	9
5	5	1	5	3	(6)	(2)	7
15	18	26	16	19	11	34	14
3	1	1	2	2	1	6	2
		6					
18	19	33	18	21	12	40	16
192	130	122	75	112	82	379	167
16	10	10	6	9	7	31	13
35	23	22	14	20	16	69	30
51	33	32	20	29	23	100	43
141	97	90	55	83	59	279	124
(1)	(4)	1	1	(1)	4	(2)	(3)
$ 140	$ 93	$ 91	$ 56	$ 82	$ 63	$ 277	$ 121

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES — STATEMENTS OF CAPITAL FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002 AND 2001

(Dollar amounts in millions) (Unaudited)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
CAPITAL STOCK SHARES (In millions)						
BALANCE, DECEMBER 31, 2000	305		19	36	21	35
Proceeds from sale of capital stock	72		2	7	26	11
Redemption of capital stock	(59)		(1)	(7)	(28)	(5)
Capital stock dividends	8					
BALANCE, SEPTEMBER 30, 2001	326		20	36	19	41
BALANCE, DECEMBER 31, 2001	332		20	37	19	41
Proceeds from sale of capital stock	67		1	7	25	7
Redemption of capital stock	(54)			(5)	(24)	(4)
Conversion to Capital Stock — Class B1 and Class B2	(26)					
Capital stock dividends	6					
BALANCE, SEPTEMBER 30, 2002	325		21	39	20	44
CAPITAL STOCK — CLASS B1 SHARES (In millions)						
BALANCE, DECEMBER 31, 2001						
Proceeds from sale of capital stock						
Redemption of capital stock	(3)					
Conversion to Capital Stock — Class B1 and Class B2	22					
Capital stock dividends						
BALANCE, SEPTEMBER 30, 2002	19					
CAPITAL STOCK — CLASS B2 SHARES (In millions)						
BALANCE, DECEMBER 31, 2001						
Proceeds from sale of capital stock						
Redemption of capital stock						
Conversion to Capital Stock — Class B1 and Class B2	4					
Capital stock dividends						
BALANCE, SEPTEMBER 30, 2002	4					
TOTAL CAPITAL STOCK SHARES (In millions)						
BALANCE, DECEMBER 31, 2000	305		19	36	21	35
Proceeds from sale of capital stock	72		2	7	26	11
Redemption of capital stock	(59)		(1)	(7)	(28)	(5)
Capital stock dividends	8					
BALANCE, SEPTEMBER 30, 2001	326		20	36	19	41
BALANCE, DECEMBER 31, 2001	332		20	37	19	41
Proceeds from sale of capital stock	67		1	7	25	7
Redemption of capital stock	(57)			(5)	(24)	(4)
Capital stock dividends	6					
BALANCE, SEPTEMBER 30, 2002	348		21	39	20	44

	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
	28	15	16	17	21	12	63	22
	2	2	9	4	2	2	3	2
			(3)	(6)	(5)	(1)	(2)	(1)
	2	—	1	—	1	—	3	1
	32	17	23	15	19	13	67	24
	32	17	24	15	21	14	68	24
	2	3	9	3	3	3	3	1
			(4)		(1)	(2)	(14)	
								(26)
	1	—	1	—	1	—	2	1
	35	20	30	18	24	15	59	
								(3)
								22
	—	—	—	—	—	—	—	—
								19
								4
	—	—	—	—	—	—	—	—
								4
	28	15	16	17	21	12	63	22
	2	2	9	4	2	2	3	2
			(3)	(6)	(5)	(1)	(2)	(1)
	2	—	1	—	1	—	3	1
	32	17	23	15	19	13	67	24
	32	17	24	15	21	14	68	24
	2	3	9	3	3	3	3	1
			(4)		(1)	(2)	(14)	(3)
	1	—	1	—	1	—	2	1
	35	20	30	18	24	15	59	23

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES — STATEMENTS OF CAPITAL FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002 AND 2001

(Dollar amounts in millions) (Unaudited)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
CAPITAL STOCK — PAR VALUE						
BALANCE, DECEMBER 31, 2000	$30,537	$	$1,858	$3,626	$2,065	$3,506
Proceeds from sale of capital stock	7,010		168	676	2,557	1,056
Redemption of capital stock	(5,819)		(73)	(735)	(2,777)	(483)
Capital stock dividends	713					
BALANCE, SEPTEMBER 30, 2001	$32,441	$	$1,953	$3,567	$1,845	$4,079
BALANCE, DECEMBER 31, 2001	$33,289	$	$1,985	$3,733	$1,889	$4,127
Proceeds from sale of capital stock	6,635		160	709	2,548	652
Redemption of capital stock	(5,460)		(4)	(528)	(2,397)	(398)
Conversion to Capital Stock — Class B1 and Class B2	(2,544)					
Capital stock dividends	594					
BALANCE, SEPTEMBER 30, 2002	$32,514	$	$2,141	$3,914	$2,040	$4,381
CAPITAL STOCK — CLASS B1 PAR VALUE						
BALANCE, DECEMBER 31, 2001	$	$	$	$	$	$
Proceeds from sale of capital stock	7					
Redemption of capital stock	(272)					
Conversion to Capital Stock — Class B1 and Class B2	2,173					
Capital stock dividends	38					
BALANCE, SEPTEMBER 30, 2002	$ 1,946	$	$	$	$	$
CAPITAL STOCK — CLASS B2 PAR VALUE						
BALANCE, DECEMBER 31, 2001	$	$	$	$	$	$
Proceeds from sale of capital stock						
Redemption of capital stock						
Conversion to Capital Stock — Class B1 and Class B2	371					
Capital stock dividends						
BALANCE, SEPTEMBER 30, 2002	$ 371	$	$	$	$	$
TOTAL CAPITAL STOCK PAR VALUE						
BALANCE, DECEMBER 31, 2000	$30,537	$	$1,858	$3,626	$2,065	$3,506
Proceeds from sale of capital stock	7,010		168	676	2,557	1,056
Redemption of capital stock	(5,819)		(73)	(735)	(2,777)	(483)
Capital stock dividends	713					
BALANCE, SEPTEMBER 30, 2001	$32,441	$	$1,953	$3,567	$1,845	$4,079
BALANCE, DECEMBER 31, 2001	$33,289	$	$1,985	$3,733	$1,889	$4,127
Proceeds from sale of capital stock	6,642		160	709	2,548	652
Redemption of capital stock	(5,732)		(4)	(528)	(2,397)	(398)
Capital stock dividends	632					
BALANCE, SEPTEMBER 30, 2002	$34,831	$	$2,141	$3,914	$2,040	$4,381

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$2,789	$1,550	$1,631	$1,744	$2,127	$1,218	$6,268	$2,155
181	170	856	415	240	201	336	154
(15)	(2)	(298)	(563)	(452)	(105)	(250)	(66)
154		89		68		287	115
$3,109	$1,718	$2,278	$1,596	$1,983	$1,314	$6,641	$2,358
$3,198	$1,741	$2,395	$1,539	$2,143	$1,396	$6,752	$2,391
219	246	877	265	272	295	304	88
(55)	(36)	(380)	(39)	(59)	(143)	(1,413)	(8)
							(2,544)
117		100		51		253	73
$3,479	$1,951	$2,992	$1,765	$2,407	$1,548	$5,896	$
$	$	$	$	$	$	$	$
							7
							(272)
							2,173
							38
$	$	$	$	$	$	$	$1,946
$	$	$	$	$	$	$	$
							371
$	$	$	$	$	$	$	$ 371
$2,789	$1,550	$1,631	$1,744	$2,127	$1,218	$6,268	$2,155
181	170	856	415	240	201	336	154
(15)	(2)	(298)	(563)	(452)	(105)	(250)	(66)
154		89		68		287	115
$3,109	$1,718	$2,278	$1,596	$1,983	$1,314	$6,641	$2,358
$3,198	$1,741	$2,395	$1,539	$2,143	$1,396	$6,752	$2,391
219	246	877	265	272	295	304	95
(55)	(36)	(380)	(39)	(59)	(143)	(1,413)	(280)
117		100		51		253	111
$3,479	$1,951	$2,992	$1,765	$2,407	$1,548	$5,896	$2,317

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES — STATEMENTS OF CAPITAL — (Continued)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002 AND 2001

(Dollar amounts in millions)
(Unaudited)

	Combined	Adjustments	Boston	New York	Pittsburgh	Atlanta
RETAINED EARNINGS						
BALANCE, DECEMBER 31, 2000	$ 729	$	$ 47	$ 121	$110	$ 143
Net income	1,515		94	206	64	228
Dividends on capital stock:						
Cash	(781)		(91)	(183)	(92)	(202)
Stock	(713)					
BALANCE, SEPTEMBER 30, 2001	$ 750	$	$ 50	$ 144	$ 82	$ 169
BALANCE, DECEMBER 31, 2001	$ 932	$	$ 47	$ 177	$ 87	$ 174
Net income	1,356		51	180	37	228
Dividends on capital stock:						
Cash	(571)		(58)	(114)	(53)	(170)
Stock	(632)					
BALANCE, SEPTEMBER 30, 2002	$1,085	$	$ 40	$ 243	$ 71	$ 232
ACCUMULATED OTHER COMPREHENSIVE INCOME						
BALANCE, DECEMBER 31, 2000	$ (1)	$	$ 1	$	$ (1)	$
Net unrealized gains (losses) on available-for-sale securities	248		(29)		2	
Cumulative effect of change in accounting principle	(2)		14		1	
Net unrealized (losses) gains related to hedging activities	(312)		(1)		(1)	
BALANCE, SEPTEMBER 30, 2001	$ (67)	$	$(15)	$	$ 1	$
BALANCE, DECEMBER 31, 2001	$ (3)	$	$ 1	$	$ 2	$
Net unrealized gains (losses) on available-for-sale securities	404		(24)		(6)	
Net unrealized (losses) gains related to hedging activities	(363)		(8)		(1)	
BALANCE, SEPTEMBER 30, 2002	$ 38	$	$(31)	$	$ (5)	$

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 53	$ 31	$ 70	$ 29	$ 39	$ 49	$ 24	$ 13
140	93	91	56	82	63	277	121
	(94)		(53)	1	(67)		
(154)		(89)		(68)		(287)	(115)
$ 39	$ 30	$ 72	$ 32	$ 54	$ 45	$ 14	$ 19
$ 42	$ 33	$ 110	$ 43	$ 71	$ 51	$ 62	$ 35
129	96	160	41	60	36	236	102
	(86)		(37)		(53)		
(117)		(100)		(51)		(253)	(111)
$ 54	$ 43	$ 170	$ 47	$ 80	$ 34	$ 45	$ 26
$ (1)	$	$	$	$	$	$	$
1				273	1		
						(17)	
		(45)		(274)		9	
$	$	$ (45)	$	$ (1)	$ 1	$ (8)	$
$	$ (1)	$ (2)	$	$ 2	$	$ (5)	$
	(6)		(2)	442			
		75		(431)		2	
$	$ (7)	$ 73	$ (2)	$ 13	$	$ (3)	$

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES — STATEMENTS OF CAPITAL — (Continued)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002 AND 2001

(Dollar amounts in millions)
(Unaudited)

	Combined	Combining Adjustment	Boston	New York	Pittsburgh	Atlanta
TOTAL CAPITAL						
BALANCE, DECEMBER 31, 2000	$31,265	$	$1,906	$3,747	$ 2,174	$3,649
Proceeds from sale of capital stock	7,010		168	676	2,557	1,056
Redemption of capital stock	(5,819)		(73)	(735)	(2,777)	(483)
Comprehensive income:						
Net income	1,515		94	206	64	228
Other comprehensive income:						
Net unrealized gains (losses) on available-for-sale securities	248		(29)		2	
Cumulative effect of change in accounting principle	(2)		14		1	
Net unrealized (losses) gains related to hedging activities	(312)		(1)		(1)	
Total comprehensive income	1,449		78	206	66	228
Dividend on capital stock:						
Cash	(781)		(91)	(183)	(92)	(202)
BALANCE, SEPTEMBER 30, 2001	$33,124	$	$1,988	$3,711	$ 1,928	$4,248
BALANCE, DECEMBER 31, 2001	$34,218	$	$2,033	$3,910	$ 1,978	$4,301
Proceeds from sale of capital stock	6,642		160	709	2,548	652
Redemption of capital stock	(5,732)		(4)	(528)	(2,397)	(398)
Comprehensive income:						
Net income	1,356		51	180	37	228
Other comprehensive income:						
Net unrealized gains (losses) on available-for-sale securities	404		(24)		(6)	
Net unrealized (losses) gains related to hedging activities	(363)		(8)		(1)	
Total comprehensive income	1,397		19	180	30	228
Dividend on capital stock:						
Cash	(571)		(58)	(114)	(53)	(170)
BALANCE, SEPTEMBER 30, 2002	$35,954	$	$2,150	$4,157	$ 2,106	$4,613

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$2,841	$1,581	$1,701	$1,773	$2,166	$1,267	$ 6,292	$2,168
181	170	856	415	240	201	336	154
(15)	(2)	(298)	(563)	(452)	(105)	(250)	(66)
140	93	91	56	82	63	277	121
1				273	1		
						(17)	
		(45)		(274)		9	
141	93	46	56	81	64	269	121
	(94)		(53)	1	(67)		
$3,148	$1,748	$2,305	$1,628	$2,036	$1,360	$ 6,647	$2,377
$3,240	$1,773	$2,503	$1,582	$2,216	$1,447	$ 6,809	$2,426
219	246	877	265	272	295	304	95
(55)	(36)	(380)	(39)	(59)	(143)	(1,413)	(280)
129	96	160	41	60	36	236	102
	(6)		(2)	442			
		75		(431)		2	
129	90	235	39	71	36	238	102
	(86)		(37)		(53)		
$3,533	$1,987	$3,235	$1,810	$2,500	$1,582	$ 5,938	$2,343

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES — STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002

(Dollar amounts in millions)
(Unaudited)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
OPERATING ACTIVITIES						
Net income	$ 1,356	$	$ 51	$ 180	$ 37	$ 228
Adjustments to reconcile income before extraordinary item to net cash provided by operating activities:						
Depreciation and amortization:						
Net premiums and discounts on consolidated obligations, investments, and deferred costs and fees received on interest-rate exchange agreements	2,080		107	260	835	62
Concessions on consolidated obligations	139		4	16	14	
Deferred losses on interest-rate exchange agreements, net	5					1
Premises and equipment	19		1	2	2	1
Net premiums and discounts on mortgage loans	50		1	1	3	(1)
Other	(2)					
Provision for credit losses on mortgage loans	4		1	1		
Net realized gains on held-to-maturity securities	(1)					
(Increase) decrease in securities held at fair value, net of transfers and transition adjustments	(2,107)	(504)	148		(296)	(954)
Losses (gains) due to change in net fair value adjustment on derivative and hedging activities	691		11	4	53	299
Decrease (increase) in accrued interest receivable	227	(37)	7	128	3	32
Decrease (increase) in derivative asset-accrued interest	133		(20)	(28)	(2)	(7)
Increase (decrease) in derivative liability-accrued interest	19		(36)	13	34	83
(Increase) decrease in other assets	(31)		(3)	(5)	5	31
Increase (decrease) in Affordable Housing Program (AHP) liability and discount on AHP advances	6		(5)	3	(13)	6
(Decrease) increase in accrued interest payable	(365)	37	36	34	(11)	(129)
(Decrease) increase in REFCORP liability	(38)			(8)	(1)	4
Increase (decrease) in other liabilities	1,937			(1)	30	828
Total adjustments	2,766	(504)	252	420	656	256
Net cash provided by (used in) operating activities	4,122	(504)	303	600	693	484
INVESTING ACTIVITIES						
Net increase in interest-bearing deposits	(7,577)		(970)	(1,043)	(6)	(987)
Net (increase) decrease in Federal funds sold	(5,333)		(1,650)	(1,171)	(487)	2,190
Net decrease (increase) decrease in securities purchased under resale agreements	5,313		1,475			(200)
Net decrease (increase) in short-term held-to maturity securities	616				(68)	100
Proceeds from sales of long-term held-to-maturity securities	77					
Proceeds from maturities of long-term held-to-maturity securities	31,981	(2,449)	1,165	2,531	2,211	6,040
Purchases of long-term held-to-maturity securities	(43,107)	999	(1,355)	(2,938)	(2,809)	(6,714)
Proceeds from maturities of available-for-sale securities	35,595		66		236	
Purchases of available-for-sale securities	(38,369)		(124)		(1,480)	
Principal collected on advances	2,770,787		102,076	579,596	666,287	33,638
Advances made	(2,778,461)		(101,816)	(584,512)	(667,310)	(37,549)
Principal collected on mortgage loans	6,763		72	150	652	114
Mortgage loans purchased	(26,116)		(1,378)	(108)	(2,594)	(220)
Principal collected on other loans						
Net decrease (increase) in deposits to other FHLBanks for mortgage loan programs		137		1	(135)	
Net (increase) decrease in loans to other FHLBanks		25			(150)	
Increase in premises and equipment	(28)			(3)	(2)	(2)
Net cash (used in) provided by investing activities	(47,859)	(1,288)	(2,439)	(7,497)	(5,655)	(3,590)

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 129	$ 96	$ 160	$ 41	$ 60	$ 36	$ 236	$ 102
275	114	142	118	(42)	119	(29)	119
8	21	7	12	1	11	31	14
		2				2	
1	1	5	1	3		1	1
4	2	36	1				3
(1)	(1)						
		2					
							(1)
8	(7)	(257)	62	78	(345)	(25)	(15)
	(6)	258	68	(8)	94	33	(115)
10	(12)	(14)	(3)	1	(2)	100	14
(33)	13	(201)	200	113	45	91	(38)
49	12	(125)	(80)	(32)	(13)	(78)	192
(2)	24	(3)	(9)		(43)	3	(29)
7	2	8	(5)	(5)	(3)	9	2
6	25	25	(31)	(96)	(35)	(308)	82
(1)	1		(1)	(3)	(5)	(19)	(5)
10	6	1,001	50	5	(3)	(4)	15
341	195	886	383	15	(180)	(193)	239
470	291	1,046	424	75	(144)	43	341
(2,300)	(392)		(316)	(328)	(34)	(836)	(365)
(792)	487	(310)	(3,021)	(1,964)	165	2,404	(1,184)
		(262)	4,000			250	50
		315	(1,221)	600	35	656	199
			33				44
3,290	1,793	3,230	1,131	1,148	2,004	5,110	4,777
(3,555)	(2,660)	(5,131)	(1,419)	(1,570)	(2,810)	(7,506)	(5,639)
34,980	38			275			
(34,515)	(592)		(414)	(1,244)			
288,794	26,637	12,491	19,833	567,549	202,786	239,230	31,870
(291,134)	(28,002)	(15,673)	(23,378)	(571,540)	(205,951)	(222,768)	(28,828)
169	164	3,660	1,072	396	11		303
(2,317)	(4,189)	(9,640)	(1,509)	(353)	(58)	(39)	(3,711)
				3	(2)	(4)	
100						25	
(1)	(1)	(6)		(1)	(10)	(2)	
(7,281)	(6,717)	(11,326)	(5,209)	(7,029)	(3,864)	16,520	(2,484)

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES — STATEMENTS OF CASH FLOWS — (Continued)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002

(Dollar amounts in millions)
(Unaudited)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
FINANCING ACTIVITIES						
Net increase (decrease) in deposits	$ 2,884	$	$ (259)	$ 188	$ 609	$ 959
Net increase in securities sold under repurchase agreements	300					
Net increase (decrease) other borrowings	103					
Net increase in deposits from other FHLBanks for mortgage loan programs		(137)				
Net increase (decrease) in loans from other FHLBanks		(25)		150		
Net proceeds from sale of consolidated obligations:						
Discount notes	3,012,168		145,806	383,087	378,882	1,708
Bonds	315,564	(999)	14,201	29,521	18,942	50,135
Payments for maturing and retiring consolidated obligations:						
Discount notes	(3,013,455)		(148,880)	(384,266)	(377,885)	(2,356)
Bonds	(273,901)	2,953	(8,828)	(21,850)	(15,623)	(47,398)
Proceeds from issuance of capital stock	6,642		160	709	2,548	652
Payments for redemption of capital stock	(5,732)		(4)	(528)	(2,397)	(398)
Cash dividends paid	(581)		(61)	(114)	(53)	(177)
Net cash provided by (used in) financing activities	43,992	1,792	2,135	6,897	5,023	3,125
Net increase (decrease) in cash and cash equivalents	255		(1)		61	19
Cash and cash equivalents at beginning of period	319		10	13	44	77
Cash and cash equivalents at end of period	$ 574	$	$ 9	$ 13	$ 105	$ 96
Supplemental Disclosures:						
Interest paid	$ 12,590		$ 889	$ 1,351	$ 674	$ 1,672
Stock dividends issued	$ 632					

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 409	$ 194	$ 1,151	$ (516)	$ (195)	$ 534	$ (245)	$ 55
			300				
		400				(147)	(150)
		137					
					(125)		
533,823	300,345	248,587	323,213	144,285	306,619	81,514	164,299
20,962	23,390	31,321	21,832	23,540	12,149	49,096	21,474
(532,146)	(298,304)	(243,763)	(322,580)	(140,529)	(304,319)	(89,961)	(168,466)
(16,383)	(19,330)	(28,048)	(17,629)	(20,240)	(10,950)	(55,710)	(14,865)
219	246	877	265	272	295	304	95
(55)	(36)	(380)	(39)	(59)	(143)	(1,413)	(280)
	(86)		(37)		(53)		
6,829	6,419	10,282	4,809	7,074	4,007	(16,562)	2,162
18	(7)	2	24	120	(1)	1	19
10	37	2	64	47	2	2	11
$ 28	$ 30	$ 4	$ 88	$ 167	$ 1	$ 3	$ 30
$ 860	$ 615	$ 1,152	$ 916	$ 1,146	$ 669	$ 1,673	$ 973
$ 117		$ 100		$ 51		$ 253	$ 111

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES — STATEMENTS OF CASH FLOWS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001

(Dollar amounts in millions) (Unaudited)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
OPERATING ACTIVITIES						
Net income	$ 1,515	$	$ 94	$ 206	$ 64	$ 228
Cumulative effect of change in accounting principle	30		3	(3)	9	16
Income before cumulative effect of change in accounting principle	1,545		97	203	73	244
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	3,292		432	1	155	259
Concessions on consolidated obligations	161		3	5	7	40
Deferred loss on interest-rate exchange agreements, net	11					1
Premises and equipment	15		1	1	2	1
Net premiums and discounts on mortgage loans	39			1	7	
Other	(6)					(5)
Provision for credit losses on mortgage loans	2					
(Increase) decrease in securities held at fair value, net of transfers and transition adjustments	(257)	(119)	274		(958)	439
Losses (gains) due to change in net fair value adjustment on derivative and hedging activities	176		14	11	71	25
Decrease in accrued interest receivable	6,860	(27)	324	172	814	1
(Increase) decrease in derivative asset-accrued interest	(491)		(59)	239	(38)	68
(Decrease) increase in derivative liability-accrued interest	(344)		(18)	(52)	(39)	(182)
(Increase) decrease in other assets	(271)		(3)	(11)	(17)	3
Increase (decrease) in Affordable Housing Program (AHP) liability and discount on AHP advances	53		4	12	(4)	9
Decrease in accrued interest payable	(5,315)	27	(184)	(82)	(582)	(18)
(Decrease) increase in REFCORP liability	(35)		(2)	(3)	(14)	2
Increase (decrease) in other liabilities	1,512		(11)	5	20	897
Total adjustments	5,402	(119)	775	299	(576)	1,540
Net cash provided by (used in) operating activities	6,947	(119)	872	502	(503)	1,784
INVESTING ACTIVITIES						
Net decrease (increase) in interest-bearing deposits	1,240		100	4,300	175	(793)
Net (increase) decrease in Federal funds sold	(5,435)		(1,637)	116	2,442	(3,409)
Net (increase) decrease in securities purchased under resale agreements	(3,084)		(100)			
Net decrease (increase) in short-term held-to maturity securities	2,475		1,539		(102)	100
Proceeds from sales of long-term held-to-maturity securities	1,406					
Proceeds from maturities of long-term held-to-maturity securities	23,430	(2,110)	940	1,961	2,329	2,504
Purchases of long-term held-to-maturity securities	(28,393)	2,300	(1,667)	(2,155)	(1,500)	(4,219)
Proceeds from sales of available-for-sale securities	(100)		123			
Proceeds from maturities of available-for-sale securities	45,185	(230)	1		237	
Purchases of available-for-sale securities	(42,936)		(123)			
Principal collected on advances	2,868,515		446,760	797,295	410,503	47,923
Advances made	(2,886,007)		(447,224)	(800,826)	(410,587)	(58,394)
Principal collected on mortgage loans	5,457		6	154	688	246
Mortgage loans made	(11,971)		(242)	(74)	(821)	(316)
Principal collected on other loans	1		1			
Net decrease (increase) in deposits to other FHLBanks for mortgage loan programs		(12)			16	
(Increase) decrease in FHLBank premises and equipment	(19)		(3)		1	(1)
Net cash (used in) provided by investing activities	(30,236)	(52)	(1,526)	771	3,381	(16,359)

Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 140	$ 93	$ 91	$ 56	$ 82	$ 63	$ 277	$ 121
1	4	(1)	(1)	1	(4)	2	3
141	97	90	55	83	59	279	124
789	440	241	237	2	208	(58)	586
3	17	4	9	12	12	37	12
		2	1			7	
1	1	3	1	3		1	
		23	7				1
(1)							
		1	1				
13	(5)	(38)	36		99	(16)	18
(1)	(10)	5	(34)	9	37	45	4
258	445	373	623	613	289	2,647	328
(26)	(12)	(16)	(272)	(106)	(96)	(128)	(45)
(38)	1	(76)	(26)	(40)	(22)	173	(25)
(31)	3	2	1	(83)	1	(137)	1
11	4		(1)	2	1	10	5
(19)	(436)	(288)	(113)	(453)	(149)	(2,872)	(146)
(3)	(1)	3	(5)		(4)	(9)	1
10	50	140	213	108	4	133	(57)
966	497	379	678	67	380	(167)	683
1,107	594	469	733	150	439	112	807
1,187	(167)		196		(1,365)	(1,942)	(451)
(3,676)	(1,520)	(294)	1,645	(2,503)	50	2,339	1,012
	45	(4)	(2,200)			(750)	(75)
		488		21	(295)	441	283
				1,366	40		
2,370	1,022	1,402	1,804		1,232	2,642	7,334
(2,641)	(1,253)	(2,058)	(339)	(925)	(1,231)	(5,284)	(7,421)
			(223)				
44,720	435				22		
(42,813)							
261,160	59,330	17,203	41,580	345,408	173,939	236,516	30,898
(262,646)	(60,654)	(19,457)	(41,834)	(344,903)	(176,029)	(234,077)	(29,376)
8	4	2,609	1,154	481	2		105
(286)	(120)	(6,987)	(1,763)	(570)	(75)		(717)
				(4)			
(1)		(9)	(1)	(3)		(1)	(1)
(2,618)	(2,878)	(7,107)	19	(1,632)	(3,710)	(116)	1,591

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES — STATEMENTS OF CASH FLOWS — (Continued)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001

(Dollar amounts in millions)
(Unaudited)

	Combined	Combining Adjustments	Boston	New York	Pittsburgh	Atlanta
FINANCING ACTIVITIES						
Net increase (decrease) in deposits	$ 12,249	$	$ 1,471	$ 1,335	$ 414	$ 3,168
Net increase in securities sold under agreements to repurchase	254					
Net decrease in deposits from other FHLBanks for mortgage loan programs		12				
Net proceeds from sale of consolidated obligations:						
Discount notes	3,493,227		156,678	553,724	528,099	50,635
Bonds	289,092	(2,300)	11,113	22,499	9,914	69,268
Payments for maturing and retiring consolidated obligations:						
Discount notes	(3,491,294)		(159,726)	(558,665)	(520,053)	(56,097)
Bonds	(280,378)	2,459	(8,881)	(19,579)	(21,292)	(52,700)
Proceeds from issuance of capital stock	7,010		168	676	2,557	1,056
Payments for redemption of capital stock	(5,819)		(73)	(735)	(2,777)	(483)
Cash dividends paid	(791)		(101)	(183)	(92)	(202)
Net cash provided by (used in) financing activities	23,550	171	649	(928)	(3,230)	14,645
Net increase (decrease) in cash and cash equivalent	261		(5)	345	(352)	70
Cash and cash equivalents at beginning of period	752		10	25	441	46
Cash and cash equivalents at end of period	$ 1,013	$	$ 5	$ 370	$ 89	$ 116
Supplemental Disclosures:						
Interest paid	$ 25,175		$ 1,562	$ 2,914	$ 1,810	$ 3,349
Stock dividends issued	$ 713					

	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
	$ 675	$ 830	$ (55)	$ 1,030	$ 1,057	$ 752	$ 407	$ 1,165
								254
			(12)					
	811,425	326,130	283,413	75,930	163,944	188,854	142,892	211,503
	11,070	8,091	21,119	17,713	26,285	12,175	68,397	13,748
	(812,344)	(315,750)	(279,410)	(78,277)	(163,833)	(188,382)	(143,501)	(215,256)
	(9,480)	(17,099)	(18,780)	(16,918)	(25,776)	(10,151)	(68,281)	(13,900)
	181	170	856	415	240	201	336	154
	(15)	(2)	(298)	(563)	(452)	(105)	(250)	(66)
		(94)		(53)	1	(67)		
	1,512	2,276	6,833	(723)	1,466	3,277		(2,398)
	1	(8)	195	29	(16)	6	(4)	
	12	36	4	72	95	1	5	5
	$ 13	$ 28	$ 199	$ 101	$ 79	$ 7	$ 1	$ 5
	1,164	999	1,441	1,213	1,729	1,066	6,239	1,689
	154		89		68		287	115