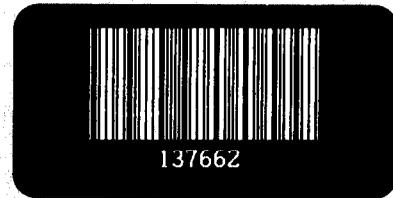


December 1988

FINANCIAL AUDIT

Federal Home Loan Banks' 1987 Financial Statements



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United States
General Accounting Office
Washington, D.C. 20548

Comptroller General
of the United States

B-114893

December 30, 1988

To the President of the Senate and the
Speaker of the House of Representatives

This report presents the results of our reviews of the independent certified public accountants' audits of the calendar year 1987 financial statements of each of the 12 Federal Home Loan Banks and the combined financial statements of the 12 banks. In the auditors' opinions, each bank's statements and the combined statements are fairly presented. We are also providing the independent auditors' overall reports on the banks' internal accounting controls and on their compliance with laws and regulations.

The banks were established under the authority of the Federal Home Loan Bank Act of 1932 (12 U.S.C. 1423) and are classified as mixed-ownership government corporations under 31 U.S.C. 9101. The banks were established to promote home ownership by serving as lending facilities for member savings institutions. The banks raise funds for this purpose primarily through the sale of consolidated debt instruments, repayment of which is the obligation of all of the banks. The banks are subject to oversight by the Federal Home Loan Bank Board, which was also established by the Federal Home Loan Bank Act of 1932 (12 U.S.C. 1437) and is an independent agency in the executive branch.

As authorized by 12 U.S.C. 1440, the Federal Home Loan Bank Board contracted with an independent certified public accounting firm, Deloitte Haskins and Sells, to perform financial and compliance audits of the 12 banks' 1987 financial statements. The Government Corporation Control Act (31 U.S.C. 9105) requires the Comptroller General to audit the financial transactions of the 12 Federal Home Loan Banks at least once every 3 years. To fulfill our audit responsibilities, avoid duplication and unnecessary expense, and make the most efficient use of our resources, we reviewed the independent auditors' work and reports for the year ended December 31, 1987.

We conducted our review of the auditors' work in accordance with generally accepted government auditing standards. To determine the reasonableness of the auditors' work and the extent to which we could rely on it, we

- reviewed the auditors' approach and planning of the audit;
- evaluated the qualifications and independence of the audit staff assigned,
- reviewed the financial statements and auditors' reports to evaluate compliance with generally accepted accounting principles and generally accepted government auditing standards; and
- reviewed the auditors' working papers to determine (1) the nature, timing, and extent of audit work performed, (2) the extent of audit quality control methods the auditors used, (3) whether a study and evaluation was conducted of the banks' internal accounting controls, (4) whether the auditors tested transactions for compliance with applicable laws and regulations, and (5) whether the evidence in the working papers supported the auditors' opinions on the financial statements and internal accounting control and compliance reports

Deloitte Haskins and Sells' Reports

In the opinion of Deloitte Haskins and Sells, each bank's financial statements present fairly its financial position as of December 31, 1987, the results of its operations, and the changes in its financial position for the year then ended, in conformity with generally accepted accounting principles. Also, in its opinion, the combined financial statements of the 12 banks present fairly, in all material respects, the combined financial position of the banks as of December 31, 1987, the results of their combined operations, and the changes in their combined financial position for the year then ended, in conformity with generally accepted accounting principles. Deloitte Haskins and Sells' reports on internal controls and on compliance with laws and regulations did not disclose any material internal accounting control weaknesses or noncompliance with laws and regulations.

Auditors' Report on the Bank of Dallas

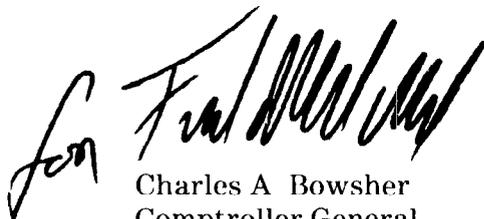
Because it was not material to the combined financial statements, the auditors' opinion on the combined statements included in this report does not discuss an item disclosed in their separate report on the Federal Home Loan Bank of Dallas. Although the auditors stated that the Dallas bank's financial statements are fairly presented, in all material respects, they did disclose a significant uncertainty, the outcome of which could affect the Dallas bank's financial statements. As of December 31, 1987, the bank had approximately \$510 million of undercollateralized or uncollateralized advances to member savings and loan institutions that were guaranteed by the Federal Savings and Loan Insurance Corporation. As set forth in notes 14 and 16 to the combined financial statements, the ultimate collectibility of these advances to members is

uncertain and, in the event of default, is dependent upon the ability of the Corporation to perform under its guarantees. Although we concluded in B-233063, October 11, 1988, that the Corporation's obligations are obligations of the United States backed by its full faith and credit, legislation would be needed to withdraw funds from the Treasury. As disclosed in our report on the Corporation's 1987 financial statements (GAO/AFMD-88-58, dated July 5, 1988), as a result of the Corporation's \$13.7 billion deficit and other factors, congressional action may well be needed to enable the Corporation to meet its obligations.

Conclusions

During our reviews, we found nothing to indicate that Deloitte Haskins and Sells' opinions on the banks' individual and combined 1987 financial statements are inappropriate or cannot be relied on. Nor did we find anything to indicate that the auditors' reports on internal accounting controls and on compliance with laws and regulations are inappropriate or cannot be relied on. We believe that the financial statements, together with Deloitte Haskins and Sells' opinions and our reviews of that work, provide the Congress with a dependable basis for overseeing the banks' financial position. This report presents the combined financial statements of the banks, and the auditors' opinion thereon. We did not review the auditors' work supporting its opinions on the 1986 and 1985 financial statements.

We are sending copies of this report to the Director of the Office of Management and Budget; the Secretary of the Treasury; the Chairmen of the Senate Committee on Banking, Housing and Urban Affairs and the House Committee on Banking, Finance and Urban Affairs, and the Chairman of the Federal Home Loan Bank Board.



Charles A. Bowsher
Comptroller General
of the United States

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Abbreviations

FSLIC	Federal Savings and Loan Insurance Corporation
FICO	Financing Corporation

Auditors' Opinion

Deloitte Haskins Sells

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INDEPENDENT AUDITORS' REPORT

To the Chairman
Federal Home Loan Bank Board.

We have audited the combined statements of condition of the twelve Federal Home Loan Banks (the "Banks") as of December 31, 1987, 1986, and 1985 and the related combined statements of income, capital and changes in financial position for each of the three years then ended. These combined financial statements are the responsibility of management of the Federal Home Loan Banks and the FHLBB. Our responsibility is to express an opinion on these combined financial statements based on our audits. We did not audit the financial statements of the Federal Home Loan Banks of Boston, New York, Pittsburgh, Indianapolis and Seattle for the year ended December 31, 1985, which statements show assets constituting 28% of combined assets at December 31, 1985 and net income constituting 32% of combined net income for the year then ended. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the 1985 financial statements expressed herein, insofar as it relates to the amounts included for the Banks examined by other auditors, is based solely upon the reports of such other auditors.

We performed our audits in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, issued by the U.S. General Accounting Office. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures included in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based upon our audits and the reports of other auditors referred to above, such combined financial statements of the twelve Federal Home Loan Banks present fairly, in all material respects, the combined financial position of the Banks at December 31, 1987, 1986, and 1985 and the results of their combined operations and the changes in their combined financial position for each of the three years then ended, in conformity with generally accepted accounting principles.

Auditors' Opinion

Our audits were made for the purpose of forming an opinion on the basic combined financial statements taken as a whole. The supplemental combining information is presented for purposes of additional analysis of the basic combined financial statements. The supplemental combining information, derived from the financial statements of the individual Banks does not, as presented, include all relevant disclosures to the individual financial statements. Accordingly, it is not intended to present the financial position, results of operations and the changes in financial position of the individual Banks. In our opinion, based on our examinations and (as to the 1985 amounts included for the Federal Home Loan Banks of Boston, New York, Pittsburgh, Indianapolis and Seattle) the reports of other auditors referred to above, such supplemental combining information is fairly stated in all material respects when considered in relation to the combined financial statements taken as a whole.

Deloitte Haskins & Sells

July 15, 1988

Auditors' Report on Internal Accounting Controls

Deloitte Haskins Sells

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To The Federal Home Loan Bank Board
Washington, D.C.

July 15, 1988

We have audited the combined financial statements of the Federal Home Loan Banks as of December 31, 1987 and for the year then ended and have issued our report thereon dated July 15, 1988. Our report is based on our separate examinations of the twelve Banks comprising the combined financial statements. As a part of our audits, we made a study and evaluation of the system of internal accounting control of each of the Banks to the extent we considered necessary to evaluate the systems as required by generally accepted auditing standards and the standards for financial and compliance audits contained in the U.S. General Accounting Office Standards for Audit of Governmental Organizations, Programs, Activities, and Functions as promulgated by the Comptroller General of the United States. Our studies and evaluations of the Banks' systems of internal accounting control included all control systems we considered to be significant, as separately reported to the Board of Directors of each Bank, copies of which reports have been forwarded to you.

The purpose of our studies and evaluations was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the financial statements of the Banks. However, our studies and evaluations were more limited than would be necessary to express an opinion on the systems of internal accounting control taken as a whole or on any of the control systems considered to be significant.

The Board of Directors and management of each Federal Home Loan Bank are responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide the directors and management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

**Auditors' Report on Internal
Accounting Controls**

Federal Home Loan Bank Board

July 15, 1988

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Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

A material weakness (for the auditor's purpose) is a condition in which the specific control procedures, or the degree of compliance with them, do not (in the auditor's judgment) reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. These criteria may be broader than those that may be appropriate for evaluating weaknesses in accounting control for management or other purposes.

Our studies and evaluations made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the systems. Accordingly, we do not express an opinion on the systems of internal control of the Federal Home Loan Banks taken as a whole. However, our studies and evaluations disclosed no condition that we believe to be a material weakness with respect to each Bank and, accordingly, with respect to the combined financial statements of the Federal Home Loan Banks. Other matters of significance which came to our attention during the course of our audits and which we believe should be brought to your attention have been reported separately to the Board of Directors of each Bank.

This report is intended solely for the use of the Federal Home Loan Bank Board and should not be used for any other purpose.

Yours truly,

Deloitte Haskins & Sells

Auditors' Report on Compliance With Laws and Regulations

**Deloitte
Haskins Sells**

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To The Federal Home Loan Bank Board
Washington, D.C.

July 15, 1988

We have audited the combined financial statements of the Federal Home Loan Banks as of December 31, 1987 and for the year then ended and have issued our report thereon dated July 15, 1988. Our report is based on our separate audits of the financial statements of the twelve Banks comprising the combined financial statements. Our audits were made in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions as promulgated by the Comptroller General of the United States and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As a part of our audits we reviewed and tested compliance with the following laws and regulations to the extent we considered necessary: Section 6(c), 10(c), 11(g), 11(i), 12(b), and 16 of the Federal Home Loan Bank Act, Sections 524.3 and 531.4 of the Regulations of the Federal Home Loan Bank Board System, and Section 506.1 of the General Regulations of the Federal Home Loan Bank Board.

Based on our audits, we found that the Federal Home Loan Banks complied with the material terms and conditions of the laws and regulations referred to in the preceding paragraph. Although our audits were not directed primarily toward obtaining knowledge of non-compliance, nothing came to our attention that caused us to believe that transactions not tested did not comply with the terms and conditions of the applicable regulations and policies of the Federal Home Loan Bank System in all material respects.

This report is intended solely for the use of the Federal Home Loan Bank Board and its cognizant audit agency and should not be used for any other purpose.

Yours truly,

Deloitte Haskins + Sells

Financial Statements

Combined Statements of Condition

WITH SUPPLEMENTAL (COMBINING INFORMATION)
DECEMBER 31, 1987
(In thousands of dollars)

	Notes	Combined	Supplemental Combining Information			
			Combining Entries	Boston	New York	Pittsburgh
ASSETS						
Cash and due from banks	2	\$ 1,593,505		\$ 4,435	\$ 150,500	\$ 156,820
Investments	1 3	16,538,089		687,696	1,349,496	601,570
Advances to members	4	133,057,921		10,348,069	16,243,741	5,229,501
Loans guaranteed by Agency for International Development, net	5	75,217		24,792	50,425	
Loans to other Federal Home Loan Banks	7		\$(633,000)	8,000	150,000	65,000
Loans to Federal Savings and Loan Insurance Corporation	6	900,000			700,000	
Accrued interest receivable		868,684		79,219	144,147	35,399
Bank premises and equipment, net	1	153,928		2,774	7,794	3,816
Investment in and advances to Federal Home Loan Mortgage Corporation	8	800,000	700,000	4,900	11,700	6,100
Concessions on consolidated obligations - bonds	1	127,848		6,409	15,661	3,355
Deferred charges - Federal Home Loan Bank Board assessments	1	25,975		963	2,925	1,254
Other assets		44,323	(5,234)	486	7,997	1,229
Total assets		<u>\$154,185,490</u>	<u>\$ 61,766</u>	<u>\$11,167,743</u>	<u>\$18,834,386</u>	<u>\$6,104,044</u>
LIABILITIES AND CAPITAL						
LIABILITIES						
Deposits						
Members - time		\$ 12,153,008		\$ 1,033,035	\$ 747,334	\$ 26,750
Members - demand		8,209,112			471,430	1,100,737
Total deposits		<u>20,362,120</u>		<u>1,033,035</u>	<u>1,218,764</u>	<u>1,127,487</u>
Borrowings						
Other FHL Banks	7		\$(633,000)	410,000		
Other borrowings	3	639,332				
Total borrowings		<u>639,332</u>	<u>(633,000)</u>	<u>410,000</u>		
Accrued interest payable		2,179,078		113,382	228,297	60,180
Consolidated obligations	1,9					
Bonds		96,536,542	(44,454)	5,770,752	12,062,269	2,994,887
Discount notes		19,849,121		3,004,705	4,266,842	1,389,119
Less Pass throughs to FHLMC			700,000		(700,000)	
FHLBanks' Participations		<u>116,385,663</u>	<u>655,546</u>	<u>8,775,457</u>	<u>15,629,111</u>	<u>4,384,006</u>
Other liabilities	2,12	874,301		24,299	191,284	18,172
Total liabilities		<u>140,440,494</u>	<u>22,546</u>	<u>10,356,173</u>	<u>17,267,456</u>	<u>5,589,845</u>
CONTINGENCIES AND COMMITMENTS						
CAPITAL						
Capital stock outstanding (\$100 par value)	11	11,281,479		716,494	1,309,283	406,940
Retained earnings						
Legal reserve		1,969,718		68,250	230,868	81,342
Dividend stabilization reserve		462,513		26,765	29,417	25,622
Undivided profits		186,786	39,220	2,958	11,513	6,935
Total retained earnings		<u>2,619,017</u>	<u>39,220</u>	<u>97,973</u>	<u>271,798</u>	<u>113,899</u>
Capital distribution to financing Corporation	1	(155,500)		(2,897)	(14,151)	(6,640)
Total capital		<u>13,744,996</u>	<u>39,220</u>	<u>811,570</u>	<u>1,566,930</u>	<u>514,199</u>
Total liabilities and capital		<u>\$154,185,490</u>	<u>\$ 61,766</u>	<u>\$11,167,743</u>	<u>\$18,834,386</u>	<u>\$6,104,044</u>

Statement continued on following page

Financial Statements

WITH SUPPLEMENTAL COMBINING INFORMATION
 DECEMBER 31, 1987
 (In thousands of dollars)

	Supplemental Combining Information				
	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines
ASSETS					
Cash and due from banks	\$ 75,258	\$ 25,122	\$ 124,642	\$ 38,261	\$ 107,174
Investments	1,733,396	1,493,860	620,311	2,083,272	448,891
Advances to members	16,885,564	4,308,292	7,439,756	3,869,476	5,990,586
Loans guaranteed by Agency for International Development, net					
Loans to other Federal Home Loan Banks		100,000			
Loans to Federal Savings and Loan Insurance Corporation		200,000			
Accrued interest receivable	11,917	37,987	43,482	52,926	37,028
Bank premises and equipment, net	53,597	5,973	4,534	5,246	14,440
Investment in and advances to Federal Home Loan Mortgage Corporation	14,200	9,300	4,900	10,300	6,100
Concessions on consolidated obligations - bonds	13,783	4,249	10,439	2,868	4,589
Deferred charges - Federal Home Loan Bank Board assessments	4,689	2,239	1,039	2,649	1,453
Other assets	9,367	1,756	2,932	2,832	925
Total assets	<u>\$18,801,771</u>	<u>\$6,188,778</u>	<u>\$8,252,035</u>	<u>\$6,067,830</u>	<u>\$6,611,186</u>
LIABILITIES AND CAPITAL					
LIABILITIES					
Deposits					
Members - time	\$ 2,378,076	\$ 934,475	\$ 627,634	\$ 2,776,664	\$ 422,194
Members - demand	15,005	476,955	236,068	—	426,942
Total deposits	<u>2,393,081</u>	<u>1,411,430</u>	<u>863,702</u>	<u>2,776,664</u>	<u>849,136</u>
Borrowings					
Other FHLBanks			50,000		5,000
Other borrowings	302,121		16,718		10,025
Total borrowings	<u>302,121</u>		<u>66,718</u>		<u>15,025</u>
Accrued interest payable	212,857	85,209	142,186	86,276	103,190
Consolidated obligations					
Bonds	10,685,036	3,433,422	5,955,731	2,104,145	4,171,095
Discount notes	3,423,298	528,785	513,916	324,719	764,376
Less Pass-throughs to FHLMC					
FHLBanks' Participations	14,108,334	3,962,207	6,469,647	2,428,864	4,935,471
Other liabilities	<u>70,110</u>	<u>9,894</u>	<u>17,283</u>	<u>7,413</u>	<u>48,102</u>
Total liabilities	<u>17,086,503</u>	<u>5,468,740</u>	<u>7,559,536</u>	<u>5,299,217</u>	<u>5,950,924</u>
CONTINGENCIES AND COMMITMENTS					
CAPITAL					
Capital stock outstanding (\$100 par value)	1,405,064	547,365	539,922	608,896	485,047
Retained earnings					
Legal reserve	268,731	134,864	108,675	160,994	124,264
Dividend stabilization reserve	47,266	30,449	47,872	1,655	51,727
Undivided profits	16,600	20,213	4,250	12,134	10,000
Total retained earnings	<u>332,597</u>	<u>185,526</u>	<u>160,797</u>	<u>174,783</u>	<u>185,991</u>
Capital distribution to Financing Corporation	(22,393)	(12,853)	(8,220)	(15,066)	(10,776)
Total capital	<u>1,715,268</u>	<u>720,038</u>	<u>692,499</u>	<u>768,613</u>	<u>660,262</u>
Total liabilities and capital	<u>\$18,801,771</u>	<u>\$6,188,778</u>	<u>\$8,252,035</u>	<u>\$6,067,830</u>	<u>\$6,611,186</u>

Statement concluded on following page

Financial Statements

WITH SUPPLEMENTAL COMBINING INFORMATION
 DECEMBER 31, 1987
 (In thousands of dollars)

	Supplemental Combining Information			
	Dallas	Topeka	San Francisco	Seattle
ASSETS				
Cash and due from banks	\$ 308,240	\$ 57,956	\$ 478,820	\$ 66,277
Investments	2,172,514	1,246,615	2,824,559	1,275,909
Advances to members	13,745,910	7,777,534	32,498,769	8,720,723
Loans guaranteed by Agency for International Development, net				
Loans to other Federal Home Loan Banks	100,000		60,000	150,000
Loans to Federal Savings and Loan Insurance Corporation				
Accrued interest receivable	190,247	102,917	41,665	91,750
Bank premises and equipment, net	31,970	3,724	16,287	3,773
Investment in and advances to Federal Home Loan Mortgage Corporation	6,800	3,900	17,900	3,900
Concessions on consolidated obligations - bonds	12,239	8,353	38,451	7,452
Deferred charges - Federal Home Loan Bank Board assessments	1,832	1,151	4,762	1,019
Other assets	3,775	8,530	7,203	2,525
Total assets	\$16,573,527	\$9,210,680	\$35,988,416	\$10,323,328
LIABILITIES AND CAPITAL				
LIABILITIES				
Deposits				
Members - time	\$ 721,713	\$ 864,049	\$ 887,462	\$ 733,622
Members - demand	3,223,233	86,795	2,054,850	117,097
Total deposits	3,944,946	950,844	2,942,312	850,719
Borrowings				
Other FHLBanks	50,000	100,000	18,000	
Other borrowings		310,468		
Total borrowings	50,000	410,468	18,000	
Accrued interest payable	246,377	208,447	532,237	160,440
Consolidated obligations				
Bonds	8,827,247	6,426,615	27,514,427	6,635,370
Discount notes	1,902,354	478,675	1,427,006	1,825,326
Less Pass-throughs to FHLMC				
FHLBanks' Participations	10,729,601	6,905,290	28,941,433	8,460,696
Other liabilities	223,039	41,524	179,483	43,698
Total liabilities	15,193,963	8,516,573	32,613,465	9,515,553
CONTINGENCIES AND COMMITMENTS				
CAPITAL				
Capital stock outstanding (\$100 par value)	1,156,869	562,200	2,904,837	638,562
Retained earnings				
Legal reserve	171,539	97,105	398,062	125,024
Dividend stabilization reserve	54,868	33,800	68,443	44,629
Undivided profits	10,000	9,198	34,654	9,111
Total retained earnings	236,407	140,103	501,159	178,764
Capital distribution to Financing Corporation	(13,712)	(8,196)	(31,045)	(9,551)
Total capital	1,379,564	694,107	3,374,951	807,775
Total liabilities and capital	\$16,573,527	\$9,210,680	\$35,988,416	\$10,323,328

The accompanying notes are an integral part of these financial statements

Financial Statements

WITH SUPPLEMENTAL COMBINING INFORMATION
 DECEMBER 31, 1986
 (In thousands of dollars)

	Notes	Combined	Supplemental Combining Information			
			Combining Entries	Boston	New York	Pittsburgh
ASSETS						
Cash and due from banks	2	\$ 2,616,210		\$ 41,426	\$ 295,523	\$ 120,254
Investments	1,3	17,437,784		790,929	1,093,803	802,741
Advances to members	4	108,644,706		5,728,364	10,547,172	3,543,834
Loans guaranteed by Agency for International Development, net	5	77,436		26,059	51,377	
Loans to other Federal Home Loan Banks	7		\$(708,000)	8,000		110,000
Loans to Federal Savings and Loan Insurance Corporation	6	900,000			700,000	
Accrued interest receivable		676,671		40,914	77,181	28,557
Bank premises and equipment, net	1	133,261		2,613	8,116	3,954
Investment in and advances to Federal Home Loan Mortgage Corporation	8	1,000,000	900,000	4,900	11,700	6,100
Concessions on consolidated obligations - bonds	1	109,128	462	5,064	10,758	2,853
Deferred charges - Federal Home Loan Bank Board assessments	1	26,396		1,027	2,975	1,207
Other assets		57,342	(10,503)	1,058	3,983	1,382
Total assets		\$131,678,934	\$ 181,959	\$6,650,354	\$12,802,588	\$4,620,882
LIABILITIES AND CAPITAL						
LIABILITIES						
Deposits						
Members - time		\$ 15,266,088		\$1,345,139	\$ 986,700	\$ 2,400
Members - demand		11,685,534			676,896	1,479,416
Total deposits		26,951,622		1,345,139	1,663,596	1,481,816
Borrowings						
Other FHLBanks	7		\$(708,000)	25,000	10,000	
Other borrowings	3	417,213			66,793	
Total borrowings		417,213	(708,000)	25,000	76,793	
Accrued interest payable		1,937,188		73,710	149,811	51,987
Consolidated obligations						
Bonds	1,9	76,115,966	(72,070)	3,330,611	7,708,745	2,298,217
Discount notes		13,474,528		1,323,169	2,764,705	345,624
Less Pass-throughs to FHLMC			900,000		(900,000)	
FHLBanks' Participations		89,590,494	827,930	4,653,780	9,573,450	2,643,841
Other liabilities	2,12	974,833		15,774	31,347	16,315
Total liabilities		119,871,350	119,930	6,113,403	11,494,997	4,193,959
CONTINGENCIES AND COMMITMENTS						
	13,14					
CAPITAL						
Capital stock outstanding (\$100 par value)	11	9,484,685		466,434	1,093,317	336,202
Retained earnings						
Legal reserve		1,699,486		53,360	193,975	68,653
Dividend stabilization reserve		413,818		14,199	8,786	15,133
Undivided profits		209,595	62,029	2,958	11,513	6,935
Total retained earnings		2,322,899	62,029	70,517	214,274	90,721
Total capital		11,807,584	62,029	536,951	1,307,591	426,923
Total liabilities and capital		\$131,678,934	\$ 181,959	\$6,650,354	\$12,802,588	\$4,620,882

Statement continued on following page

Financial Statements

WITH SUPPLEMENTAL COMBINING INFORMATION
 NOVEMBER 31, 1986
 (In thousands of dollars)

	Supplemental Combining Information				
	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines
ASSETS					
Cash and due from banks	\$ 78,353	\$ 60,749	\$ 133,875	\$ 36,827	\$ 165,032
Investments	2,959,068	2,100,892	707,232	2,285,946	710,026
Advances to members	13,309,830	3,659,446	6,220,405	3,349,623	5,288,378
Loans guaranteed by Agency for International Development, net					
Loans to other Federal Home Loan Banks			25,000	15,000	30,000
Loans to Federal Savings and Loan Insurance Corporation		200,000			
Accrued interest receivable	2,902	31,036	36,190	40,159	35,326
Bank premises and equipment, net	52,771	5,817	2,964	3,723	8,382
Investment in and advances to Federal Home Loan Mortgage Corporation	14,200	9,300	4,900	10,300	6,100
Commissions on consolidated obligations - bonds	13,194	4,406	8,884	3,023	4,930
Deferred charges - Federal Home Loan Bank Board assessments	4,570	2,351	1,108	2,671	1,562
Other assets	22,366	1,662	5,533	7,857	1,165
Total assets	<u>\$16,457,254</u>	<u>\$6,075,664</u>	<u>\$7,146,091</u>	<u>\$5,755,129</u>	<u>\$6,250,901</u>
LIABILITIES AND CAPITAL					
LIABILITIES					
Deposits					
Members - time	\$ 3,928,281	\$1,250,275	\$ 768,226	\$3,024,974	\$1,008,355
Members - demand	9,867	825,334	235,440		451,592
Total deposits	<u>3,938,148</u>	<u>2,075,609</u>	<u>1,003,666</u>	<u>3,024,974</u>	<u>1,459,947</u>
Borrowings					
Other FHLBanks			100,000		55,000
Other borrowings	122,172	38,995		10,150	
Total borrowings	<u>122,172</u>	<u>38,995</u>	<u>100,000</u>	<u>10,150</u>	<u>55,000</u>
Accrued interest payable	194,888	70,211	123,793	76,740	111,011
Consolidated obligations					
Bonds	9,478,596	2,900,326	4,761,099	1,918,395	3,951,919
Discount notes	1,060,906	322,218	555,338		
Less Pass-throughs to FHLMC					
FHLBanks' Participations	<u>10,539,502</u>	<u>3,222,544</u>	<u>5,316,437</u>	<u>1,918,395</u>	<u>3,951,919</u>
Other liabilities	103,136	18,126	8,198	5,105	44,373
Total liabilities	<u>14,897,846</u>	<u>5,425,485</u>	<u>6,552,094</u>	<u>5,035,364</u>	<u>5,622,250</u>
CONTINGENCIES AND COMMITMENTS					
CAPITAL					
Capital stock outstanding (\$100 par value)	1,254,858	477,034	451,966	553,927	458,386
Retained earnings					
Legal reserve	239,376	122,279	91,762	148,637	110,465
Dividend stabilization reserve	48,574	30,653	46,019	5,067	49,800
Undivided profits	16,600	20,213	4,250	12,134	10,000
Total retained earnings	<u>304,550</u>	<u>173,145</u>	<u>142,031</u>	<u>165,838</u>	<u>170,265</u>
Total capital	<u>1,559,408</u>	<u>650,179</u>	<u>593,997</u>	<u>719,765</u>	<u>628,651</u>
Total liabilities and capital	<u>\$16,457,254</u>	<u>\$6,075,664</u>	<u>\$7,146,091</u>	<u>\$5,755,129</u>	<u>\$6,250,901</u>

Statement concluded on following page

Financial Statements

WITH SUPPLEMENTAL COMBINING INFORMATION
 DECEMBER 31, 1986
 (In thousands of dollars)

	Supplemental Combining Information			
	Dallas	Topeka	San Francisco	Seattle
ASSETS				
Cash and due from banks	\$ 715,040	\$ 19,462	\$ 771,863	\$ 177,806
Investments	2,079,280	576,115	2,327,067	1,004,685
Advances to members	11,111,208	6,043,679	32,583,301	7,259,466
Loans guaranteed by Agency for International Development, net				
Loans to other Federal Home Loan Banks	180,000		320,000	20,000
Loans to Federal Savings and Loan Insurance Corporation				
Accrued interest receivable	149,798	98,864	60,669	75,075
Bank premises and equipment, net	23,354	1,696	16,025	3,846
Investment in and advances to Federal Home Loan Mortgage Corporation	6,800	3,900	17,900	3,900
Concessions on consolidated obligations - bonds	7,496	5,826	36,998	5,234
Deferred charges - Federal Home Loan Bank Board assessments	1,909	1,235	4,675	1,106
Other assets	3,585	5,064	13,070	1,115
Total assets	\$14,278,470	\$6,755,841	\$36,151,568	\$8,552,233
LIABILITIES AND CAPITAL				
LIABILITIES				
Deposits				
Members - time	\$ 301,406	\$ 675,617	\$ 928,298	\$1,046,417
Members - demand	4,167,764	196,642	3,499,675	142,908
Total deposits	4,469,170	872,259	4,427,973	1,189,325
Borrowings				
Other FHLBanks	160,000	125,000	113,000	120,000
Other borrowings		129,148		49,955
Total borrowings	160,000	254,148	113,000	169,955
Accrued interest payable	198,204	179,641	572,902	134,290
Consolidated obligations				
Bonds	5,880,159	4,382,479	24,952,111	4,625,379
Discount notes	2,151,174	454,675	2,806,048	1,690,671
Less Pass-throughs to FHLMC				
FHLBanks' Participations	8,031,333	4,837,154	27,758,159	6,316,050
Other liabilities	225,241	65,552	391,180	50,486
Total liabilities	13,083,948	6,208,754	33,263,214	7,860,106
CONTINGENCIES AND COMMITMENTS				
CAPITAL				
Capital stock outstanding (\$100 par value)	987,636	435,982	2,433,289	535,654
Retained earnings				
Legal reserve	146,011	81,308	336,872	106,788
Dividend stabilization reserve	50,875	20,599	83,539	40,574
Undivided profits	10,000	9,198	34,654	9,111
Total retained earnings	206,886	111,105	455,065	156,473
Total capital	1,194,522	547,087	2,888,354	692,127
Total liabilities and capital	\$14,278,470	\$6,755,841	\$36,151,568	\$8,552,233

The accompanying notes are an integral part of these financial statements

Financial Statements

WITH SUPPLEMENTAL COMBINING INFORMATION
 DECEMBER 31, 1985
 (In thousands of dollars)

	Notes	Combined	Supplemental Combining Information			
			Combining Entries	Boston	New York	Pittsburgh
ASSETS						
Cash and due from banks	2	\$ 865,292		\$ 15,216	\$ 130,480	\$ 61,010
Investments	1,3	19,242,687		442,426	730,967	766,843
Advances to members	4	88,834,601		3,560,731	7,095,677	2,515,175
Loans guaranteed by Agency for International Development, net	5	79,311		27,230	52,081	
Loans to other Federal Home Loan Banks	7		\$(1,276,000)	8,000	210,000	158,000
Loans to Federal Savings and Loan Insurance Corporation	6	900,000			700,000	
Accrued interest receivable		636,564		33,652	70,372	24,525
Bank premises and equipment, net	1	57,798		1,378	5,648	2,815
Investment in and advances to Federal Home Loan Mortgage Corporation	8	1,300,000	1,150,000	7,350	17,550	9,150
Concessions on consolidated obligations - bonds	1	68,934		2,785	6,396	1,745
Deferred charges - Federal Home Loan Board assessments	1	29,951		1,194	3,346	1,415
Other assets		40,842		609	2,228	978
Total assets		\$112,055,980	\$ (126,000)	\$4,100,571	\$9,024,745	\$3,541,656
LIABILITIES AND CAPITAL						
LIABILITIES						
Deposits						
Members - time		\$ 15,076,554		\$ 629,815	\$1,088,013	\$ 42,450
Members - demand		8,238,195			312,444	1,170,447
Total deposits		23,314,749		629,815	1,400,457	1,212,897
Borrowings						
Other FHLBanks	7		\$(1,276,000)	20,000	10,000	
Other borrowings	3	594,382				
Total borrowings		594,382	(1,276,000)	20,000	10,000	
Accrued interest payable		1,821,316		57,867	123,158	44,032
Consolidated obligations						
Bonds	1,9	62,450,506		2,344,472	5,937,192	1,634,262
Discount notes		13,159,642		612,216	1,520,746	300,760
Less Pass-throughs to FHLMC			1,150,000		(1,150,000)	
FHLBanks' Participations		75,610,148	1,150,000	2,956,688	6,307,938	1,935,022
Other liabilities	2,12	610,501		10,966	34,990	4,139
Total liabilities		101,951,098	(126,000)	3,675,336	7,876,543	3,196,090
CONTINGENCIES AND COMMITMENTS						
CAPITAL						
Capital stock outstanding (\$100 par value)	11	8,313,247		377,541	964,592	275,128
Retained earnings						
Legal reserve		1,419,440		41,561	164,399	58,327
Dividend stabilization reserve		224,629		3,175	7,698	5,176
Undivided profits		147,566		2,958	11,513	6,935
Total retained earnings		1,791,635		47,694	183,610	70,438
Total capital		10,104,882		425,235	1,148,202	345,566
Total liabilities and capital		\$112,055,980	\$ (126,000)	\$4,100,571	\$9,024,745	\$3,541,656

Statement continued on following page

Financial Statements

WITH SUPPLEMENTAL COMBINING INFORMATION
 DECEMBER 31, 1985
 (In thousands of dollars)

	Supplemental Combining Information				
	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines
ASSETS					
Cash and due from banks	\$ 88,557	\$ 41,256	\$ 57,329	\$ 47,469	\$ 99,893
Investments	2,932,186	1,894,601	928,568	2,409,115	734,859
Advances to members	11,620,990	3,215,158	5,021,524	2,780,791	4,201,401
Loans guaranteed by Agency for International Development, net					
Loans to other Federal Home Loan Banks	75,000				75,000
Loans to Federal Savings and Loan Insurance Corporation		200,000			
Accrued interest receivable	2,541	32,151	35,211	28,214	16,032
Bank premises and equipment, net	3,407	3,444	1,595	1,385	7,397
Investment in and advances to Federal Home Loan Mortgage Corporation	21,300	13,950	7,350	15,450	9,150
Concessions on consolidated obligations - bonds	7,600	3,075	6,232	1,514	3,052
Deferred charges - Federal Home Loan Bank Board assessments	4,750	2,479	1,302	2,888	1,859
Other assets	5,663	1,228	4,530	2,888	1,831
Total assets	\$14,761,994	\$5,407,342	\$6,063,641	\$5,289,714	\$5,150,474
LIABILITIES AND CAPITAL					
LIABILITIES					
Deposits					
Members - time	\$ 3,873,737	\$1,276,700	\$ 636,253	\$2,919,409	\$ 679,623
Members - demand	6,313	567,165	179,492		398,760
Total deposits	3,880,050	1,843,865	815,745	2,919,409	1,078,383
Borrowings					
Other FHLBanks			208,000	30,000	235,000
Other borrowings	63,803	5,002	27,006		
Total borrowings	63,803	5,002	235,006	30,000	235,000
Accrued interest payable	176,436	65,863	117,260	57,374	85,691
Consolidated obligations					
Bonds	7,205,166	2,270,719	4,067,548	1,479,353	2,839,279
Discount notes	1,965,551	617,150	301,271	109,724	326,531
Less Pass-throughs to FHLMC					
FHLBanks' Participations	9,170,717	2,887,869	4,368,819	1,589,077	3,165,810
Other liabilities	96,219	22,610	6,238	11,022	17,283
Total liabilities	13,387,225	4,825,209	5,543,068	4,606,882	4,582,167
CONTINGENCIES AND COMMITMENTS					
CAPITAL					
Capital stock outstanding (\$100 par value)	1,146,136	452,103	403,694	531,319	431,520
Retained earnings					
Legal reserve	199,706	103,943	75,255	133,381	94,084
Dividend stabilization reserve	12,327	5,874	37,374	5,998	32,703
Undivided profits	16,500	20,213	4,250	12,134	10,000
Total retained earnings	228,633	130,030	116,879	151,513	136,787
Total capital	1,374,769	582,133	520,573	682,832	568,307
Total liabilities and capital	\$14,761,994	\$5,407,342	\$6,063,641	\$5,289,714	\$5,150,474

Statement concluded on following page

Financial Statements

WITH SUPPLEMENTAL COMBINING INFORMATION
 DECEMBER 31, 1985
 (In thousands of dollars)

	<u>Supplemental Combining Information</u>			
	<u>Dallas</u>	<u>Topeka</u>	<u>San Francisco</u>	<u>Seattle</u>
ASSETS				
Cash and due from banks	\$ 123,761	\$ 38,305	\$ 136,827	\$ 25,189
Investments	2,600,153	502,066	3,814,753	1,486,150
Advances to members	8,788,981	4,479,740	28,860,656	6,693,777
Loans guaranteed by Agency for International Development, net				
Loans to other Federal Home Loan Banks	280,000		420,000	50,000
Loans to Federal Savings and Loan Insurance Corporation				
Accrued interest receivable	149,595	76,464	87,746	80,061
Bank premises and equipment, net	11,814	1,252	14,991	2,672
Investment in and advances to Federal Home Loan Mortgage Corporation	10,200	5,850	26,850	5,850
Concessions on consolidated obligations - bonds	5,611	3,661	21,815	5,448
Deferred charges - Federal Home Loan Bank Board assessments	1,960	1,423	6,145	1,190
Other assets	4,815	1,453	14,256	363
Total assets	<u>\$11,976,890</u>	<u>\$5,110,214</u>	<u>\$33,404,039</u>	<u>\$8,350,700</u>
LIABILITIES AND CAPITAL				
LIABILITIES				
Deposits				
Members - time	\$ 84,826	\$ 562,554	\$ 3,106,875	\$ 169,986
Members - demand	3,440,230	157,379	637,709	1,374,569
Total deposits	<u>3,525,056</u>	<u>719,933</u>	<u>3,744,584</u>	<u>1,544,555</u>
Borrowings				
Other FHLBanks	175,000	235,000	243,000	120,000
Other borrowings			498,571	
Total borrowings	<u>175,000</u>	<u>235,000</u>	<u>741,571</u>	<u>120,000</u>
Accrued interest payable	220,780	136,978	579,397	156,482
Consolidated obligations				
Bonds	5,474,002	3,283,380	21,263,512	4,651,621
Discount notes	1,466,845	241,316	4,412,972	1,284,560
Less Pass-throughs to FHLMC				
FHLBanks' Participations	<u>6,940,847</u>	<u>3,524,696</u>	<u>25,676,484</u>	<u>5,936,181</u>
Other liabilities	171,287	40,770	164,851	30,126
Total liabilities	<u>11,032,970</u>	<u>4,657,377</u>	<u>30,906,887</u>	<u>7,787,344</u>
CONTINGENCIES AND COMMITMENTS				
CAPITAL				
Capital stock outstanding (\$100 par value)	<u>766,765</u>	<u>359,945</u>	<u>2,175,427</u>	<u>429,077</u>
Retained earnings				
Legal reserve	122,091	69,962	265,204	91,527
Dividend stabilization reserve	45,064	13,732	21,867	33,641
Undivided profits	10,000	9,198	34,654	9,111
Total retained earnings	<u>177,155</u>	<u>92,892</u>	<u>321,725</u>	<u>134,279</u>
Total capital	943,920	452,837	2,497,152	563,356
Total liabilities and capital	<u>\$11,976,890</u>	<u>\$5,110,214</u>	<u>\$33,404,039</u>	<u>\$8,350,700</u>

The accompanying notes are an integral part of these financial statements

Financial Statements

Combined Statements of Income

WITH SUPPLEMENTAL COMBINING INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 1987
(In thousands of dollars)

	Notes	Combined	Supplemental Combining Information			
			Combining Entries	Boston	New York	Pittsburgh
INCOME						
Interest on advances to members	1,4	\$ 9,876,160		\$612,555	\$1,095,127	\$354,604
Income from investments		1,314,297		43,044	69,473	64,436
Interest and fees on Agency for International Development loans	5	6,367		1,977	4,390	
Income from Examination Division		97,094		2,780	7,298	3,538
Earned commitment fees		32,226			3,615	520
Income from services to members		103,325		1,032	12,178	11,589
Income from services to other Federal Home Loan Banks			\$ (5,086)	1	1,197	
Interest on loans to other Federal Home Loan Banks			(42,664)	927	30	8,571
Interest on loans to the Federal Savings and Loan Insurance Corporation		60,827			47,535	
Income from Federal Home Loan Mortgage Corporation	8	62,962	57,238	245	728	305
Income from prepayment fees - advances		147,309		8,641	27,268	1,438
Other income		27,219	131	348	892	31
Total income		11,727,786	9,619	671,550	1,269,731	445,032
EXPENSES						
Interest and concessions on consolidated obligations		8,548,273	86,750	509,869	971,102	274,987
Assessments	1					
Federal Home Loan Bank Board		8,969		487	994	365
Federal Home Loan Bank Offices		17,319		1,011	1,926	614
Financing Corporation		136		2	13	6
Interest on deposits		1,388,471		69,040	72,513	89,646
Interest on interbank borrowings			(42,533)	4,458	1,029	
Other interest		49,204			1,007	
Other operating expense	12,13	376,673	(11,789)	12,233	36,686	15,970
Total expenses		10,389,045	32,428	597,100	1,085,270	381,588
INCOME BEFORE EXTRAORDINARY ITEM		1,338,741	(22,809)	74,450	184,461	63,444
Extraordinary item						
Gain (loss) from early retirement of debt	15	(10,408)				
NET INCOME		\$ 1,328,333	\$(22,809)	\$ 74,450	\$ 184,461	\$ 63,444

Statement continued on following page

Financial Statements

WITH SUPPLEMENTAL COMBINING INFORMATION
 FOR THE YEAR ENDED DECEMBER 31, 1987
 (In thousands of dollars)

	Supplemental Combining Information				
	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines
INCOME					
Interest on advances to members	\$1,168,773	\$352,512	\$627,528	\$300,714	\$418,047
Income from investments	188,312	132,302	59,269	173,249	54,433
Interest and fees on Agency for International Development loans					
Income from Examination Division	14,543	9,029	4,240	9,138	6,388
Earned commitment fees		1,559	5,505	90	3,771
Income from services to members	7,551	7,847	7,593	6,041	
Income from services to other Federal Home Loan Banks				1,794	2,091
Interest on loans to other Federal Home Loan Banks		347	1,389	203	3,330
Interest on loans to the Federal Savings and Loan Insurance Corporation		13,292			
Income from Federal Home Loan Mortgage Corporation	883	465	245	640	379
Income from prepayment fees - advances	22,314	6,823	15,119	1,479	13,845
Other income	<u>229</u>	<u>371</u>	<u>55</u>	<u>626</u>	<u>1,084</u>
Total income	<u>1,402,605</u>	<u>524,547</u>	<u>720,943</u>	<u>493,974</u>	<u>503,368</u>
EXPENSES					
Interest and concessions on consolidated obligations	982,704	320,589	542,110	196,428	347,223
Assessments					
Federal Home Loan Bank Board	872	505	421	571	501
Federal Home Loan Bank Offices	1,990	966	801	1,047	837
Financing Corporation	20	11	7	13	9
Interest on deposits	214,904	102,145	56,680	210,333	57,214
Interest on interbank borrowings			7,449	31	909
Other interest	11,283	5,374	735	323	537
Other operating expense	<u>44,060</u>	<u>32,032</u>	<u>17,403</u>	<u>23,443</u>	<u>27,143</u>
Total expenses	<u>1,255,833</u>	<u>461,622</u>	<u>625,606</u>	<u>432,189</u>	<u>434,373</u>
INCOME BEFORE EXTRAORDINARY ITEM	146,772	62,925	95,337	61,785	68,995
Extraordinary item					
Gain (loss) from early retirement of debt			<u>(10,775)</u>		
NET INCOME	<u>\$ 146,772</u>	<u>\$ 62,925</u>	<u>\$ 84,562</u>	<u>\$ 61,785</u>	<u>\$ 68,995</u>

Statement concluded on following page

Financial Statements

WITH SUPPLEMENTAL COMBINING INFORMATION
 FOR THE YEAR ENDED DECEMBER 31, 1987
 (In thousands of dollars)

	<u>Supplemental Combining Information</u>			
	<u>Dallas</u>	<u>Topeka</u>	<u>San Francisco</u>	<u>Seattle</u>
INCOME				
Interest on advances to members	\$ 988,100	\$584,062	\$2,691,432	\$682,706
Income from investments	193,204	62,023	169,729	104,823
Interest and fees on Agency for International Development loans				
Income from Examination Division	19,086	4,958	11,388	4,708
Earned commitment fees		5,596	7,035	4,535
Income from services to members	14,021	7,252	25,576	2,645
Income from services to other Federal Home Loan Banks				3
Interest on loans to other Federal Home Loan Banks	14,482		13,212	173
Interest on loans to the Federal Savings and Loan Insurance Corporation				
Income from Federal Home Loan Mortgage Corporation	310	195	1,113	216
Income from prepayment fees - advances	1,514	8,532	21,886	18,450
Other income	<u>521</u>	<u>11,188</u>	<u>11,586</u>	<u>157</u>
Total income	<u>1,231,238</u>	<u>683,806</u>	<u>2,952,957</u>	<u>818,416</u>
EXPENSES				
Interest and concessions on consolidated obligations	760,864	500,007	2,410,412	645,228
Assessments				
Federal Home Loan Bank Board	931	458	2,339	525
Federal Home Loan Bank Offices	1,784	794	4,570	979
Financing Corporation	12	6	28	9
Interest on deposits	274,840	62,617	121,717	56,822
Interest on interbank borrowings	6,372	13,481	5,179	3,625
Other interest	689	9,533	18,453	1,270
Other operating expense	<u>58,110</u>	<u>17,926</u>	<u>84,308</u>	<u>19,148</u>
Total expenses	<u>1,103,602</u>	<u>604,822</u>	<u>2,647,006</u>	<u>727,606</u>
INCOME BEFORE EXTRAORDINARY ITEM	127,636	78,984	305,951	90,810
Extraordinary item				
Gain (loss) from early retirement of debt				<u>367</u>
NET INCOME	<u>\$ 127,636</u>	<u>\$ 78,984</u>	<u>\$ 305,951</u>	<u>\$ 91,177</u>

The accompanying notes are an integral part of these financial statements

Financial Statements

WITH SUPPLEMENTAL COMBINING INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 1986
(In thousands of dollars)

	Notes	Combined	Supplemental Combining Information			
			Combining Entries	Boston	New York	Pittsburgh
INCOME						
Interest on advances to members	1,4	\$ 9,042,272		\$418,907	\$813,245	\$263,958
Income from investments		1,518,916		49,744	66,618	89,007
Interest and fees on Agency for International Development loans	5	6,542		2,074	4,468	
Income from Examination Division		82,209		2,664	5,936	2,349
Earned commitment fees		46,185			3,943	306
Income from services to members		91,643		348	11,936	11,461
Income from services to other Federal Home Loan Banks			\$ (5,488)		1,488	
Interest on loans to other Federal Home Loan Banks			(115,752)	927	16,498	17,783
Interest on loans to the Federal Savings and Loan Insurance Corporation		62,945			48,873	
Income from Federal Home Loan Mortgage Corporation	8	87,845	80,858	353	864	401
Income from prepayment fees - advances		403,215		18,000	7,198	4,405
Other income		31,062		668	1,776	726
Total income		11,372,834	(40,382)	493,685	982,843	390,398
EXPENSES						
Interest and concessions on consolidated obligations		7,856,969	86,534	353,060	721,418	224,767
Assessments	1	9,524		478	1,067	362
Federal Home Loan Bank Board		10,459		591	1,233	450
Federal Home Loan Bank Offices		1,617,338		62,172	80,713	97,936
Interest on deposits			(115,752)	1,694	1,142	
Interest on interbank borrowings		50,556			66	
Other interest		350,114	(10,911)	16,693	29,323	15,250
Other operating expense	12,13					
Total expenses		9,894,960	(40,129)	434,688	834,962	338,765
INCOME BEFORE EXTRAORDINARY ITEM		1,477,874	(253)	58,997	147,881	51,633
Extraordinary item						
Gain (loss) from early retirement of debt	15	(15,604)	62,282			
NET INCOME		\$ 1,462,270	\$ 62,029	\$ 58,997	\$147,881	\$ 51,633

Statement continued on following page

Financial Statements

WITH SUPPLEMENTAL COMBINING INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 1986
(In thousands of dollars)

	Supplemental Combining Information				
	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines
INCOME					
Interest on advances to members	\$1,118,268	\$344,162	\$574,613	\$296,697	\$416,762
Income from investments	297,630	153,125	68,102	179,509	66,157
Interest and fees on Agency for International Development loans				6,251	4,581
Income from Examination Division	9,859	6,019	3,456	336	4,591
Earned commitment fees			5,922	6,083	
Income from services to members	6,980	7,153	6,958		
Income from services to other Federal Home Loan Banks				1,775	1,877
Interest on loans to other Federal Home Loan Banks	7,218		1,531	253	5,173
Interest on loans to the Federal Savings and Loan Insurance Corporation		14,072			
Income from Federal Home Loan Mortgage Corporation	1,026	614	362	743	439
Income from prepayment fees - advances	51,782	26,222	51,971	10,803	29,342
Other income	<u>4,363</u>	<u>763</u>	<u>628</u>	<u>1,173</u>	<u>1,201</u>
Total income	<u>1,497,126</u>	<u>552,130</u>	<u>713,543</u>	<u>503,623</u>	<u>530,123</u>
EXPENSES					
Interest and concessions on consolidated obligations	950,616	295,662	489,807	188,979	336,859
Assessments					
Federal Home Loan Bank Board	1,091	578	478	661	540
Federal Home Loan Bank Offices	1,389	620	517	743	625
Interest on deposits	303,962	132,216	56,075	212,794	66,633
Interest on interbank borrowings			18,875	3,242	18,995
Other interest	6,231	3,081	1,507	359	47
Other operating expense	<u>35,486</u>	<u>28,296</u>	<u>16,272</u>	<u>20,567</u>	<u>24,517</u>
Total expenses	<u>1,298,775</u>	<u>460,453</u>	<u>583,531</u>	<u>427,345</u>	<u>448,216</u>
INCOME BEFORE EXTRAORDINARY ITEM	198,351	91,677	130,012	76,278	81,907
Extraordinary item					
Gain (loss) from early retirement of debt			<u>(47,474)</u>		
NET INCOME	<u>\$ 198,351</u>	<u>\$ 91,677</u>	<u>\$ 82,538</u>	<u>\$ 76,278</u>	<u>\$ 81,907</u>

Statement concluded on following page

Financial Statements

WITH SUPPLEMENTAL COMBINING INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 1986
(In thousands of dollars)

	Supplemental Combining Information			
	Dallas	Topeka	San Francisco	Seattle
INCOME				
Interest on advances to members	\$ 870,374	\$490,585	\$2,762,271	\$672,430
Income from investments	223,945	49,427	182,859	92,793
Interest and fees on Agency for International Development loans				
Income from Examination Division	20,103	3,728	13,634	3,629
Earned commitment fees		9,145	19,133	2,809
Income from services to members	11,763	6,117	20,118	2,726
Income from services to other Federal Home Loan Banks			60	288
Interest on loans to other Federal Home Loan Banks	22,437		39,767	4,165
Interest on loans to the Federal Savings and Loan Insurance Corporation				
Income from Federal Home Loan Mortgage Corporation	490	257	1,179	259
Income from prepayment fees - advances	15,005	9,969	115,891	62,627
Other income	<u>1,333</u>	<u>10,962</u>	<u>7,024</u>	<u>443</u>
Total income	<u>1,165,450</u>	<u>580,190</u>	<u>3,161,936</u>	<u>842,169</u>
EXPENSES				
Interest and concessions on consolidated obligations	680,981	419,978	2,494,858	613,450
Assessments				
Federal Home Loan Bank Board	887	454	2,421	507
Federal Home Loan Bank Offices	952	553	2,183	603
Interest on deposits	288,782	57,234	183,463	75,358
Interest on interbank borrowings	17,823	23,904	17,295	12,782
Other interest	590	8,174	30,491	10
Other operating expense	<u>55,839</u>	<u>13,159</u>	<u>72,884</u>	<u>32,739</u>
Total expenses	<u>1,045,854</u>	<u>523,456</u>	<u>2,803,595</u>	<u>735,449</u>
INCOME BEFORE EXTRAORDINARY ITEM	119,596	56,734	358,341	106,720
Extraordinary item				
Gain (loss) from early retirement of debt				<u>(30,412)</u>
NET INCOME	<u>\$ 119,596</u>	<u>\$ 56,734</u>	<u>\$ 358,341</u>	<u>\$ 76,308</u>

The accompanying notes are an integral part of these financial statements

Financial Statements

WITH SUPPLEMENTAL COMBINING INFORMATION
 FOR THE YEAR ENDED DECEMBER 31, 1985
 (in thousands of dollars)

	Notes	Combined	Supplemental Combining Information			
			Combining Entries	Boston	New York	Pittsburgh
INCOME						
Interest on advances to members	1,4	\$ 8,690,244		\$279,641	\$688,164	\$224,631
Income from investments		1,478,223		53,331	58,006	71,002
Interest and fees on Agency for International Development loans	5	6,700		2,161	4,539	
Income from Examination Division		20,604		557	1,666	1,053
Earned commitment fees		30,025		251	1,902	149
Income from services to members		79,473			10,996	9,344
Income from services to other Federal Home Loan Banks			\$ (4,000)		1,018	
Interest on loans to other Federal Home Loan Banks			(169,144)	927	24,428	21,949
Interest on loans to Federal Savings and Loan Insurance Corporation		59,099			59,099	
Income from Federal Home Loan Mortgage Corporation	8	125,962	117,723	404	964	502
Income from prepayment fees - advances		124,067		4,297	4,620	2,244
Other income		<u>11,654</u>		<u>195</u>	<u>635</u>	<u>10</u>
Total income		<u>10,626,051</u>	<u>(55,421)</u>	<u>341,764</u>	<u>856,037</u>	<u>330,884</u>
EXPENSES						
Interest and concessions on consolidated obligations	1	7,757,794	117,723	247,987	631,265	206,404
Assessments						
Federal Home Loan Bank Board		11,779		533	1,589	439
Federal Home Loan Bank Offices		7,186		348	822	284
Interest on deposits		1,492,097		44,270	75,402	77,553
Interest on interbank borrowings			(169,144)	4,262	1,143	
Other interest		57,278				88
Other operating expense	12,13	<u>216,651</u>	<u>(4,000)</u>	<u>7,600</u>	<u>24,322</u>	<u>11,574</u>
Total expenses		<u>9,542,785</u>	<u>(55,421)</u>	<u>305,000</u>	<u>734,543</u>	<u>296,342</u>
INCOME BEFORE EXTRAORDINARY ITEM		1,083,266		36,764	121,494	34,542
Extraordinary item						
Gain (loss) from early retirement of debt	15					
NET INCOME		<u>\$ 1,083,266</u>		<u>\$ 36,764</u>	<u>\$ 121,494</u>	<u>\$ 34,542</u>

Statement continued on following page

Financial Statements

WITH SUPPLEMENTAL COMBINING INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 1985
(In thousands of dollars)

	Supplemental Combining Information				
	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines
INCOME					
Interest on advances to members	\$1,132,898	\$353,818	\$532,305	\$308,381	\$433,540
Income from investments	207,260	149,080	70,286	189,789	55,971
Interest and fees on Agency for International Development loans			994	1,928	1,240
Income from Examination Division Earned commitment fees	3,367	1,861	3,810	556	1,846
Income from services to members	6,825	6,142	6,904	5,421	
Income from services to other Federal Home Loan Banks				1,447	1,535
Interest on loans to other Federal Home Loan Banks	8,240	6,086		1,329	8,665
Interest on loans to Federal Savings and Loan Insurance Corporation					
Income from Federal Home Loan Mortgage Corporation	1,170	766	404	849	503
Income from prepayment fees - advances	6,069	3,878	4,749	5,393	31,708
Other income	227	519	59	128	508
Total income	<u>1,366,056</u>	<u>522,150</u>	<u>619,511</u>	<u>515,221</u>	<u>535,516</u>
EXPENSES					
Interest and concessions on consolidated obligations	885,540	318,673	456,592	237,250	327,659
Assessments					
Federal Home Loan Bank Board	1,474	705	582	900	666
Federal Home Loan Bank Offices	915	497	396	542	380
Interest on deposits	285,290	123,351	48,499	183,823	68,139
Interest on interbank borrowings			26,119	5,667	26,855
Other interest	5,417	2,872	3,549	52	1,110
Other operating expense	20,299	21,505	11,181	14,770	19,421
Total expenses	<u>1,198,935</u>	<u>467,603</u>	<u>546,918</u>	<u>443,004</u>	<u>444,230</u>
INCOME BEFORE EXTRAORDINARY ITEM	167,121	54,547	72,593	72,217	91,286
Extraordinary Item					
Gain (loss) from early retirement of debt					
NET INCOME	<u>\$ 167,121</u>	<u>\$ 54,547</u>	<u>\$ 72,593</u>	<u>\$ 72,217</u>	<u>\$ 91,286</u>

Statement concluded on following page

Financial Statements

WITH SUPPLEMENTAL COMBINING INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 1985
(In thousands of dollars)

	Supplemental Combining Information			
	Dallas	Topeka	San Francisco	Seattle
INCOME				
Interest on advances to members	\$ 778,380	\$474,113	\$2,779,833	\$704,540
Income from investments	188,677	39,079	269,323	126,419
Interest and fees on Agency for International Development Loans				
Income from Examination Division	3,651	1,012	2,247	1,028
Earned commitment fees		3,641	15,443	2,427
Income from services to members	8,625	4,270	18,091	2,855
Income from services to other Federal Home Loan Banks				
Interest on loans to other Federal Home Loan Banks	31,064		60,804	5,652
Interest on loans to Federal Savings and Loan Insurance Corporation				
Income from Federal Home Loan Mortgage Corporation	560	321	1,475	321
Income from prepayment fees - advances	3,871	7,874	27,700	21,664
Other income	826	5,691	2,502	354
Total income	<u>1,015,654</u>	<u>536,001</u>	<u>3,177,418</u>	<u>865,260</u>
EXPENSES				
Interest and concessions on consolidated obligations	620,817	404,946	2,626,865	676,072
Assessments				
Federal Home Loan Bank Board	966	554	2,702	669
Federal Home Loan Bank Offices	606	313	1,638	445
Interest on deposits	228,384	44,137	226,781	86,468
Interest on interbank borrowings	32,728	27,260	32,326	12,784
Other interest	1,777	235	41,594	584
Other operating expense	28,082	8,541	42,699	10,657
Total expenses	<u>913,360</u>	<u>485,986</u>	<u>2,974,605</u>	<u>787,679</u>
INCOME BEFORE EXTRAORDINARY ITEM	102,294	50,015	202,813	77,581
Extraordinary item				
Gain (loss) from early retirement of debt				
NET INCOME	<u>\$ 102,294</u>	<u>\$ 50,015</u>	<u>\$ 202,813</u>	<u>\$ 77,581</u>

The accompanying notes are an integral part of these financial statements

Financial Statements

Combined Statements of Capital

WITH SUPPLEMENTAL COMBINING INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 1987, 1986, AND 1985
(In thousands of dollars)

	Supplemental Combining Information						
	Combined		Combining	Boston		New York	
	Shares	Amount	Entries Amount	Shares	Amount	Shares	Amount
CAPITAL STOCK							
BALANCE, JANUARY 1, 1985	72,003	\$ 7,200,185		3,135	\$313,484	8,762	\$ 876,156
Proceeds from sale of capital stock	11,865	1,186,599	860	85,996	1,125	112,517	
Redemption of capital stock	(2,480)	(247,927)	(220)	(21,939)	(241)	(24,081)	
Dividends on capital stock -							
Stock issued	1,744	174,390					
BALANCE, DECEMBER 31, 1985	83,132	8,313,247		3,775	377,541	9,646	964,592
Proceeds from sale of capital stock	10,848	1,084,734	1,079	107,855	1,356	135,595	
Redemption of capital stock	(2,604)	(260,535)	(190)	(18,962)	(69)	(6,870)	
Dividends on capital stock -							
Stock issued	3,472	347,239					
BALANCE, DECEMBER 31, 1986	94,848	9,484,685		4,664	466,434	10,933	1,093,317
Proceeds from sale of capital stock	14,877	1,488,023	2,962	296,180	2,291	229,112	
Redemption of capital stock	(3,745)	(374,721)	(461)	(46,120)	(131)	(13,146)	
Dividends on capital stock -							
Stock issued	6,835	683,492					
BALANCE, DECEMBER 31, 1987	<u>112,815</u>	<u>\$11,281,479</u>		<u>7,165</u>	<u>\$716,494</u>	<u>13,093</u>	<u>\$1,309,283</u>
RETAINED EARNINGS							
LEGAL RESERVE							
BALANCE, JANUARY 1, 1985		\$ 1,202,786		\$ 34,208		\$ 140,100	
Statutory transfer of net income		216,654		7,353		24,299	
BALANCE, DECEMBER 31, 1985		1,419,440		41,561		164,399	
Statutory transfer of net income		280,046		11,799		29,576	
BALANCE, DECEMBER 31, 1986		1,699,486		53,360		193,975	
Statutory transfer of net income		270,232		14,890		36,893	
BALANCE, DECEMBER 31, 1987		<u>\$ 1,969,718</u>		<u>\$ 68,250</u>		<u>\$ 230,868</u>	
DIVIDEND STABILIZATION RESERVE							
BALANCE, JANUARY 1, 1985		\$ 153,412		\$ 1,695		\$ 6,094	
Transfer from net income		221,042		1,480		1,604	
Dividends on capital stock							
Cash payment		(34)					
Stock issued		(149,791)					
BALANCE, DECEMBER 31, 1985		224,629		3,175		7,698	
Transfer from (to) net income		414,190		11,024		1,088	
Dividends on capital stock							
Cash payment		(47)					
Stock issued		(224,954)					
BALANCE, DECEMBER 31, 1986		413,818		14,199		8,786	
Transfer from (to) net income		327,300		12,566		20,631	
Dividends on capital stock							
Cash payment		(47)					
Stock issued		(278,558)					
BALANCE, DECEMBER 31, 1987		<u>\$ 462,513</u>		<u>\$ 26,765</u>		<u>\$ 29,417</u>	

Statement continued on following page

Financial Statements

WITH SUPPLEMENTAL COMBINING INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 1987, 1986, AND 1985
(In thousands of dollars)

	Supplemental Combining Information							
	Pittsburgh		Atlanta		Cincinnati		Indianapolis	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
CAPITAL STOCK								
BALANCE, JANUARY 1, 1985	2,413	\$241,361	9,916	\$ 991,612	4,255	\$425,485	3,616	\$361,558
Proceeds from sale of capital stock	372	37,252	1,697	169,703	418	41,805	286	28,564
Redemption of capital stock	(34)	(3,485)	(152)	(15,179)	(152)	(15,187)	(110)	(11,027)
Dividends on capital stock - Stock issued							246	24,599
BALANCE, DECEMBER 31, 1985	<u>2,751</u>	<u>275,128</u>	<u>11,461</u>	<u>1,146,136</u>	<u>4,521</u>	<u>452,103</u>	<u>4,038</u>	<u>403,694</u>
Proceeds from sale of capital stock	698	69,800	1,323	132,252	383	38,323	570	57,002
Redemption of capital stock	(87)	(8,726)	(235)	(23,530)	(257)	(25,652)	(87)	(8,730)
Dividends on capital stock - Stock issued					123	12,260		
BALANCE, DECEMBER 31, 1986	<u>3,362</u>	<u>336,202</u>	<u>12,549</u>	<u>1,254,858</u>	<u>4,770</u>	<u>477,034</u>	<u>4,521</u>	<u>451,966</u>
Proceeds from sale of capital stock	714	71,491	1,278	127,833	246	24,586	556	55,648
Redemption of capital stock	(7)	(753)	(962)	(96,229)	(47)	(4,727)	(55)	(5,470)
Dividends on capital stock - Stock issued			1,186	118,602	505	50,472	377	37,778
BALANCE, DECEMBER 31, 1987	<u>4,069</u>	<u>\$406,940</u>	<u>14,051</u>	<u>\$1,405,064</u>	<u>5,474</u>	<u>\$547,365</u>	<u>5,399</u>	<u>\$539,922</u>
RETAINED EARNINGS								
LEGAL RESERVE								
BALANCE, JANUARY 1, 1985		\$ 51,418		\$ 166,282		\$ 93,034		\$ 60,736
Statutory transfer of net income		6,909		33,424		10,909		14,519
BALANCE, DECEMBER 31, 1985		<u>58,327</u>		<u>199,706</u>		<u>103,943</u>		<u>75,255</u>
Statutory transfer of net income		10,326		39,670		18,336		16,507
BALANCE, DECEMBER 31, 1986		<u>68,653</u>		<u>239,376</u>		<u>122,279</u>		<u>91,762</u>
Statutory transfer of net income		12,589		29,355		12,585		16,913
BALANCE, DECEMBER 31, 1987		<u>\$ 81,342</u>		<u>\$ 268,731</u>		<u>\$134,864</u>		<u>\$108,675</u>
DIVIDEND STABILIZATION RESERVE								
BALANCE, JANUARY 1, 1985		\$ 4,152		\$ 9,505		\$ 3,487		\$ 25,290
Transfer from net income		1,024		2,822		2,387		12,084
Dividends on capital stock								
Cash payment								
Stock issued								
BALANCE, DECEMBER 31, 1985		<u>5,176</u>		<u>12,327</u>		<u>5,874</u>		<u>37,374</u>
Transfer from (to) net income		9,957		36,247		24,779		8,645
Dividends on capital stock								
Cash payment								
Stock issued								
BALANCE, DECEMBER 31, 1986		<u>15,133</u>		<u>48,574</u>		<u>30,653</u>		<u>46,019</u>
Transfer from (to) net income		10,489		(1,308)		(204)		1,853
Dividends on capital stock								
Cash payment								
Stock issued								
BALANCE, DECEMBER 31, 1987		<u>\$ 25,622</u>		<u>\$ 47,266</u>		<u>\$ 30,449</u>		<u>\$ 47,872</u>

Statement continued on following page

Financial Statements

WITH SUPPLEMENTAL COMBINING INFORMATION
 OF THE YEARS ENDED DECEMBER 31, 1987, 1986, AND 1985
 (In thousands of dollars)

Supplemental Combining Information

	Chicago		Des Moines		Dallas		Topeka	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
CAPITAL STOCK								
BALANCE, JANUARY 1, 1985	5,077	\$507,717	3,927	\$392,680	5,638	\$ 563,778	3,246	\$324,588
Proceeds from sale of capital stock	250	24,995	416	41,683	2,281	228,069	497	49,708
Redemption of capital stock	(14)	(1,393)	(28)	(2,843)	(251)	(25,082)	(144)	(14,351)
Dividends on capital stock - Stock issued								
BALANCE, DECEMBER 31, 1985	5,313	531,319	4,315	431,520	7,668	766,765	3,599	359,945
Proceeds from sale of capital stock	242	24,217	347	34,726	2,070	207,011	669	66,912
Redemption of capital stock	(16)	(1,609)	(78)	(7,860)	(315)	(31,512)	(14)	(1,441)
Dividends on capital stock - Stock issued					453	45,372	106	10,566
BALANCE, DECEMBER 31, 1986	5,539	553,927	4,584	458,386	9,876	987,636	4,360	435,982
Proceeds from sale of capital stock	554	55,359	364	36,485	1,556	155,639	811	81,142
Redemption of capital stock	(4)	(390)	(98)	(9,824)	(844)	(84,421)	(49)	(4,874)
Dividends on capital stock - Stock issued					981	98,015	500	49,950
BALANCE, DECEMBER 31, 1987	<u>6,089</u>	<u>\$608,896</u>	<u>4,850</u>	<u>\$485,047</u>	<u>11,569</u>	<u>\$1,156,869</u>	<u>5,622</u>	<u>\$562,200</u>
RETAINED EARNINGS								
LEGAL RESERVE								
BALANCE, JANUARY 1, 1985		\$118,938		\$ 75,826		\$ 101,633		\$ 59,959
Statutory transfer of net income		14,443		18,258		20,458		10,003
BALANCE, DECEMBER 31, 1985		133,381		94,084		122,091		69,962
Statutory transfer of net income		15,256		16,381		23,920		11,346
BALANCE, DECEMBER 31, 1986		148,637		110,465		146,011		81,308
Statutory transfer of net income		12,357		13,799		25,528		15,797
BALANCE, DECEMBER 31, 1987		<u>\$160,994</u>		<u>\$124,264</u>		<u>\$ 171,539</u>		<u>\$ 97,105</u>
DIVIDEND STABILIZATION RESERVE								
BALANCE, JANUARY 1, 1985		\$ 4,802		\$ 9,483		\$ 45,826		\$ 10,247
Transfer from net income		1,196		23,220		(762)		3,485
Dividends on capital stock								
Cash payment								
Stock issued								
BALANCE, DECEMBER 31, 1985		5,998		32,703		45,064		13,732
Transfer from (to) net income		(931)		17,097		5,811		6,867
Dividends on capital stock								
Cash payment								
Stock issued								
BALANCE, DECEMBER 31, 1986		5,067		49,800		50,875		20,599
Transfer from (to) net income		(3,412)		1,927		22,741		13,201
Dividends on capital stock								
Cash payment								
Stock issued						(18,748)		
BALANCE, DECEMBER 31, 1987		<u>\$ 1,655</u>		<u>\$ 51,727</u>		<u>\$ 54,868</u>		<u>\$ 33,800</u>

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Financial Statements

WITH SUPPLEMENTAL COMBINING INFORMATION
 FOR THE YEARS ENDED DECEMBER 31, 1987, 1986, AND 1985
 (In thousands of dollars)

	<u>Supplemental Combining Information</u>			
	<u>San Francisco</u>		<u>Seattle</u>	
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>
CAPITAL STOCK				
BALANCE, JANUARY 1, 1985	18,020	\$1,801,963	3,998	\$399,803
Proceeds from sale of capital stock	3,159	315,951	504	50,356
Redemption of capital stock	(923)	(92,278)	(211)	(21,082)
Dividends on capital stock -				
Stock issued	<u>1,498</u>	<u>149,791</u>		
BALANCE, DECEMBER 31, 1985	<u>21,754</u>	<u>2,175,427</u>	<u>4,291</u>	<u>429,077</u>
Proceeds from sale of capital stock	1,425	142,493	686	68,548
Redemption of capital stock	(1,095)	(109,585)	(161)	(16,058)
Dividends on capital stock -				
Stock issued	<u>2,249</u>	<u>224,954</u>	<u>541</u>	<u>54,087</u>
BALANCE, DECEMBER 31, 1986	<u>24,333</u>	<u>2,433,289</u>	<u>5,357</u>	<u>535,654</u>
Proceeds from sale of capital stock	2,906	290,686	639	63,862
Redemption of capital stock	(789)	(78,948)	(298)	(29,819)
Dividends on capital stock -				
Stock issued	<u>2,598</u>	<u>259,810</u>	<u>688</u>	<u>68,865</u>
BALANCE, DECEMBER 31, 1987	<u>29,048</u>	<u>\$2,904,837</u>	<u>6,386</u>	<u>\$638,562</u>
RETAINED EARNINGS				
LEGAL RESERVE				
BALANCE, JANUARY 1, 1985		\$ 224,641		\$ 76,011
Statutory transfer of net income		40,563		15,516
BALANCE, DECEMBER 31, 1985		<u>265,204</u>		<u>91,527</u>
Statutory transfer of net income		71,668		15,261
BALANCE, DECEMBER 31, 1986		<u>336,872</u>		<u>106,788</u>
Statutory transfer of net income		61,190		18,236
BALANCE, DECEMBER 31, 1987		<u>\$ 398,062</u>		<u>\$125,024</u>
DIVIDEND STABILIZATION RESERVE				
BALANCE, JANUARY 1, 1985		\$ 9,442		\$ 23,389
Transfer from net income		162,250		10,252
Dividends on capital stock				
Cash payment		(34)		
Stock issued		<u>(149,791)</u>		
BALANCE, DECEMBER 31, 1985		<u>21,867</u>		<u>33,641</u>
Transfer from (to) net income		286,673		6,933
Dividends on capital stock				
Cash payment		(47)		
Stock issued		<u>(224,954)</u>		
BALANCE, DECEMBER 31, 1986		<u>83,539</u>		<u>40,574</u>
Transfer from (to) net income		244,761		4,055
Dividends on capital stock				
Cash payment		(47)		
Stock issued		<u>(259,810)</u>		
BALANCE, DECEMBER 31, 1987		<u>\$ 68,443</u>		<u>\$ 44,629</u>

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Financial Statements

WITH SUPPLEMENTAL COMBINING INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 1987, 1986, AND 1985
(In thousands of dollars)

	Supplemental Combining Information			
	Combined Amount	Combining Entries Amount	Boston	New York
UNDIVIDED PROFITS				
BALANCE, JANUARY 1, 1985	\$ 147,566		\$ 2,958	\$ 11,513
Net income	1,083,267		36,764	121,494
Statutory transfer of net income	(216,654)		(7,353)	(24,299)
Transfer to dividend stabilization reserve	(221,042)		(1,480)	(1,604)
Dividends on capital stock				
Cash payment	(620,964)		(27,931)	(95,591)
Stock issued	(24,607)			
BALANCE, DECEMBER 31, 1985	147,566		2,958	11,513
Net income	1,462,270	\$62,029	58,997	147,881
Statutory transfer of net income	(280,046)		(11,799)	(29,576)
Transfer to dividend stabilization reserve	(414,190)		(11,024)	(1,088)
Dividends on capital stock				
Cash payment	(583,720)		(36,174)	(117,217)
Stock issued	(122,285)			
BALANCE, DECEMBER 31, 1986	209,595	62,029	2,958	11,513
Net income	1,328,333	(22,809)	74,450	184,461
Statutory transfer of net income	(270,232)		(14,890)	(36,893)
Transfer to dividend stabilization reserve	(327,300)		(12,566)	(20,631)
Dividends on capital stock				
Cash payment	(348,676)		(46,994)	(126,937)
Stock issued	(404,934)			
BALANCE, DECEMBER 31, 1987	\$ 186,786	\$39,220	\$ 2,958	\$ 11,513
CAPITAL DISTRIBUTION TO FINANCING CORPORATION				
BALANCE, JANUARY 1, 1987				
Capital distribution to Financing Corporation	(155,500)		(2,897)	(14,151)
BALANCE, DECEMBER 31, 1987	\$ (155,500)	\$ —	\$ (2,897)	\$ (14,151)

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Financial Statements

WITH SUPPLEMENTAL COMBINING INFORMATION
 FOR THE YEARS ENDED DECEMBER 31, 1987, 1986, AND 1985
 (In thousands of dollars)

Supplemental Combining Information

	<u>Pittsburgh</u>	<u>Atlanta</u>	<u>Cincinnati</u>	<u>Indianapolis</u>
UNDIVIDED PROFITS				
BALANCE, JANUARY 1, 1985	\$ 6,935	\$ 16,600	\$ 20,213	\$ 4,250
Net income	34,542	167,121	54,547	72,593
Statutory transfer of net income	(6,909)	(33,424)	(10,909)	(14,519)
Transfer to dividend stabilization reserve	(1,024)	(2,822)	(2,387)	(12,084)
Dividends on capital stock				
Cash payment	(26,609)	(130,875)	(41,251)	(21,383)
Stock issued				(24,607)
BALANCE, DECEMBER 31, 1985	<u>6,935</u>	<u>16,600</u>	<u>20,213</u>	<u>4,250</u>
Net income	51,633	198,351	91,677	82,538
Statutory transfer of net income	(10,326)	(39,670)	(18,336)	(16,507)
Transfer to dividend stabilization reserve	(9,957)	(36,247)	(24,779)	(8,645)
Dividends on capital stock				
Cash payment	(31,350)	(122,434)	(36,302)	(57,386)
Stock issued			(12,260)	
BALANCE, DECEMBER 31, 1986	<u>6,935</u>	<u>16,600</u>	<u>20,213</u>	<u>4,250</u>
Net income	63,444	146,772	62,925	84,562
Statutory transfer of net income	(12,689)	(29,355)	(12,585)	(16,913)
Transfer to dividend stabilization reserve	(10,489)	1,308	204	(1,853)
Dividends on capital stock				
Cash payment	(40,266)	(123)	(72)	(28,018)
Stock issued		(118,602)	(50,472)	(37,778)
BALANCE, DECEMBER 31, 1987	<u>\$ 6,935</u>	<u>\$ 16,600</u>	<u>\$ 20,213</u>	<u>\$ 4,250</u>
CAPITAL DISTRIBUTION TO FINANCING CORPORATION				
BALANCE, JANUARY 1, 1987				
Capital distribution to Financing Corporation	\$ (6,640)	\$ (22,393)	\$ (12,853)	\$ (8,220)
BALANCE, DECEMBER 31, 1987	<u>\$ (6,640)</u>	<u>\$ (22,393)</u>	<u>\$ (12,853)</u>	<u>\$ (8,220)</u>

Statement continued on following page

Financial Statements

WITH SUPPLEMENTAL COMBINING INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 1987, 1986, AND 1985
(In thousands of dollars)

	Supplemental Combining Information			
	Chicago	Des Moines	Dallas	Topeka
UNDIVIDED PROFITS				
BALANCE, JANUARY 1, 1985	\$ 12,134	\$ 10,000	\$ 10,000	\$ 9,198
Net income	72,217	91,286	102,294	50,015
Statutory transfer of net income	(14,443)	(18,258)	(20,458)	(10,003)
Transfer to dividend stabilization reserve	(1,196)	(23,220)	762	(3,485)
Dividends on capital stock				
Cash payment	(56,578)	(49,808)	(82,598)	(36,527)
Stock issued				
BALANCE, DECEMBER 31, 1985	<u>12,134</u>	<u>10,000</u>	<u>10,000</u>	<u>9,198</u>
Net income	76,278	81,907	119,596	56,734
Statutory transfer of net income	(15,256)	(16,381)	(23,920)	(11,346)
Transfer to dividend stabilization reserve	931	(17,097)	(5,811)	(6,867)
Dividends on capital stock				
Cash payment	(61,953)	(48,429)	(44,493)	(27,955)
Stock issued			(45,372)	(10,566)
BALANCE, DECEMBER 31, 1986	<u>12,134</u>	<u>10,000</u>	<u>10,000</u>	<u>9,198</u>
Net income	61,785	68,995	127,636	78,984
Statutory transfer of net income	(12,357)	(13,799)	(25,528)	(15,797)
Transfer to dividend stabilization reserve	3,412	(1,927)	(22,741)	(13,201)
Dividends on capital stock				
Cash payment	(52,840)	(53,269)	(100)	(36)
Stock issued			(79,267)	(49,950)
BALANCE, DECEMBER 31, 1987	<u>\$ 12,134</u>	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 9,198</u>
CAPITAL DISTRIBUTION TO FINANCING CORPORATION				
BALANCE, JANUARY 1, 1987				
Capital distribution to Financing Corporation	\$(15,066)	\$(10,776)	\$(13,712)	\$(8,196)
BALANCE, DECEMBER 31, 1987	<u>\$(15,066)</u>	<u>\$(10,776)</u>	<u>\$(13,712)</u>	<u>\$(8,196)</u>

Statement continued on following page

Financial Statements

WITH SUPPLEMENTAL COMBINING INFORMATION
 FOR THE YEARS ENDED DECEMBER 31, 1987, 1986, AND 1985
 (In thousands of dollars)

	<u>Supplemental Combining Information</u>	
	<u>San Francisco</u>	<u>Seattle</u>
	<u>Amount</u>	<u>Amount</u>
UNDIVIDED PROFITS		
BALANCE, JANUARY 1, 1985	\$ 34,654	\$ 9,111
Net income	202,813	77,581
Statutory transfer of net income	(40,563)	(15,516)
Transfer to dividend stabilization		
reserve	(162,250)	(10,252)
Dividends on capital stock		
Cash payment		(51,813)
Stock issued		
BALANCE, DECEMBER 31, 1985	<u>34,654</u>	<u>9,111</u>
Net income	358,341	76,308
Statutory transfer of net income	(71,668)	(15,261)
Transfer to dividend stabiliza-		
tion reserve	(286,673)	(6,933)
Dividends on capital stock		
Cash payment		(27)
Stock issued		<u>(54,082)</u>
BALANCE, DECEMBER 31, 1986	<u>34,654</u>	<u>9,111</u>
Net income	305,951	91,177
Statutory transfer of net income	(61,190)	(18,236)
Transfer to dividend stabiliza-		
tion reserve	(244,761)	(4,055)
Dividends on capital stock		
Cash payment		(21)
Stock issued		<u>(68,865)</u>
BALANCE, DECEMBER 31, 1987	<u>\$ 34,654</u>	<u>\$ 9,111</u>
CAPITAL DISTRIBUTION TO FINANCING CORPORATION		
BALANCE, JANUARY 1, 1987		
Capital distribution to Financing Corporation	<u>(31,045)</u>	<u>(9,551)</u>
BALANCE, DECEMBER 31, 1987	<u>(31,045)</u>	<u>(9,551)</u>

The accompanying notes are an integral part of these financial statements

Financial Statements

Combined Statements of Changes in Financial Position

WITH SUPPLEMENTAL COMBINING INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 1987
(in thousands of dollars)

	Supplemental Combining Information				
	Combined	Combining Entries	Boston	New York	Pittsburgh
FINANCIAL RESOURCES WERE PROVIDED FROM					
Operations					
Income before extraordinary item	\$ 1,338,741	\$(22,809)	\$ 74,450	\$ 184,461	\$ 63,444
Noncash charges (credits) to income					
Depreciation and amortization of bank premises and equipment	18,589		590	1,500	925
Amortization of concessions on consolidated obligation bonds	39,245		2,230	2,913	1,431
Amortization of premium on consolidated obligation bonds and forward exchange contracts	(28,281)				(330)
Amortization of discount on consolidated obligation bonds and forward exchange contracts	313,430				52,896
Amortization of discount on consolidated obligation discount notes	714,513		141,229	221,263	
Amortization of Federal Home Loan Bank Board assessments	1,379		64	226	75
Amortization of deferred (gain) loss on hedges	(7,025)		608	(2,115)	(14)
Other resources	1,177		500		(2)
Total from operations (exclusive of extraordinary item)	2,391,768	(22,809)	219,671	408,248	118,425
Extraordinary item	(10,408)				
Total	2,381,360	(22,809)	219,671	408,248	118,425
Net proceeds from issuance of consolidated obligations					
Bonds	35,643,626	22,809	2,870,767	5,344,808	1,246,125
Discount notes	34,971,288		4,921,447	9,508,338	2,672,234
Advances repaid	169,967,795		14,508,644	6,533,920	5,851,552
Proceeds from sale of capital stock	1,488,023		296,180	229,112	71,491
Increase (decrease) in loans guaranteed by the Agency for International Development - net			1,267	952	
Net change in interbank loans and borrowings			385,000	(160,000)	45,000
Increase (decrease) in dividends payable	(27,374)		3,930		
Net increase (decrease) in members' deposits	(6,589,501)		(312,104)	(444,832)	(354,329)
Decrease in investment in FHLMC	200,000			200,000	
Increase (decrease) in securities sold under agreements to repurchase	222,119			(66,793)	
Increase (decrease) in accrued interest payable	241,890		39,672	78,486	8,193
Increase (decrease) in other liabilities	(74,492)		4,595	159,937	1,857
Total	<u>\$238,426,953</u>		<u>\$22,939,069</u>	<u>\$21,792,176</u>	<u>\$9,660,548</u>
FINANCIAL RESOURCES WERE USED FOR					
Payments on maturing consolidated obligations					
Bonds	\$ 15,257,836		\$ 434,700	\$ 999,100	\$ 551,058
Discount notes	29,623,580		3,381,140	8,227,000	1,681,635
Advances made	194,371,942		19,128,944	12,228,838	7,537,205
Capital distribution to Financing Corporation	155,500		2,897	14,151	6,640
Redemption of capital stock	374,721		46,120	13,146	753
Cash dividends paid on capital stock	348,723		46,994	126,937	40,266
Net additions to bank premises and equipment	39,278		749	1,178	785
Increase (decrease) in investments	(899,695)		(103,233)	255,693	(201,171)
Increase (decrease) in accrued interest receivable	192,013		38,305	66,966	6,842
Increase (decrease) in deferred charges and other assets	(14,240)		(556)	4,190	(31)
Increase (decrease) in cash	(1,022,705)		(36,991)	(145,023)	36,566
Total	<u>\$238,426,953</u>		<u>\$22,939,069</u>	<u>\$21,792,176</u>	<u>\$9,660,548</u>

Statement continued on following page

Financial Statements

WITH SUPPLEMENTAL COMBINING INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 1987
(In thousands of dollars)

	Supplemental Combining Information				
	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines
FINANCIAL RESOURCES WERE PROVIDED FROM					
Operations					
Income before extraordinary item	\$ 146,772	\$ 62,925	\$ 95,337	\$ 61,785	\$ 68,995
Noncash charges (credits) to income					
Depreciation and amortization of bank premises and equipment	3,236	1,101	902	1,318	2,075
Amortization of concessions on consolidated obligation bonds	5,050	1,504	2,613	876	2,173
Amortization of premium on consolidated obligation bonds and forward exchange contracts	(462)		34	(160)	(13)
Amortization of discount on consolidated obligation bonds and forward exchange contracts			(62)	13	2
Amortization of discount on consolidated obligation discount notes	133,685	24,900	39,286	7,474	8,929
Amortization of Federal Home Loan Bank Board assessments			96	219	109
Amortization of deferred (gain) loss on hedges	1,305	(254)	(297)	(570)	773
Other resources	392	186		3	16
Total from operations (exclusive of extraordinary item)	289,978	90,362	137,909	70,958	83,059
Extraordinary item			(10,775)		
Total	289,978	90,362	127,134	70,958	83,059
Net proceeds from issuance of consolidated obligations					
Bonds	3,394,269	853,646	2,001,725	502,999	1,193,168
Discount notes	5,720,341	1,281,667	1,350,290	540,180	830,448
Advances repaid	7,746,129	1,292,733	2,493,365	2,753,398	9,298,691
Proceeds from sale of capital stock	127,833	24,586	55,648	55,359	36,485
Increase (decrease) in loans guaranteed by the Agency for International Development - net			(25,000)	15,000	(20,000)
Net change in interbank loans and borrowings		(100,000)			
Increase (decrease) in dividends payable	(31,304)				
Net increase (decrease) in members' deposits	(1,545,067)	(664,179)	(139,964)	(248,310)	(610,810)
Decrease in investment in FHLMC					
Increase (decrease) in securities sold under agreements to repurchase	179,949	(38,995)	16,718	(10,150)	10,025
Increase (decrease) in accrued interest payable	17,969	14,998	18,393	9,536	(7,821)
Increase (decrease) in other liabilities	(1,681)	(8,232)	7,523	2,308	3,729
Total	<u>\$15,898,416</u>	<u>\$2,746,586</u>	<u>\$5,905,832</u>	<u>\$3,691,278</u>	<u>\$10,816,974</u>
FINANCIAL RESOURCES WERE USED FOR					
Payments on maturing consolidated obligations					
Bonds	\$ 2,194,014	\$ 322,000	\$ 809,561	\$ 313,000	\$ 975,500
Discount notes	3,491,635	1,100,000	1,431,000	222,935	75,000
Advances made	11,322,219	1,941,222	3,712,527	3,272,803	10,001,656
Capital distribution to Financing Corporation	22,393	12,853	8,220	15,066	10,776
Redemption of capital stock	96,229	4,727	5,470	390	9,824
Cash dividends paid on capital stock	123	72	28,018	52,840	53,269
Net additions to bank premises and equipment	4,074	1,257	2,472	2,844	8,149
Increase (decrease) in investments	(1,225,672)	(607,032)	(86,921)	(202,674)	(261,135)
Increase (decrease) in accrued interest receivable	9,015	6,951	7,292	12,767	1,702
Increase (decrease) in deferred charges and other assets	(12,519)	163	(2,574)	(127)	91
Increase (decrease) in cash	(3,095)	(35,627)	(9,233)	1,434	(57,858)
Total	<u>\$15,898,416</u>	<u>\$2,746,586</u>	<u>\$5,905,832</u>	<u>\$3,691,278</u>	<u>\$10,816,974</u>

Statement concluded on following page

Financial Statements

WITH SUPPLEMENTAL COMBINING INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 1987
(in thousands of dollars)

	Supplemental Combining Information			
	Dallas	Topeka	San Francisco	Seattle
FINANCIAL RESOURCES WERE PROVIDED FROM				
Operations				
Income before extraordinary item	\$ 127,636	\$ 78,984	\$ 305,951	\$ 90,810
Noncash charges (credits) to income				
Depreciation and amortization of bank premises and equipment	1,949	602	2,127	2,264
Amortization of concessions on consolidated obligation bonds	3,620	2,471	11,746	2,618
Amortization of premium on consolidated obligation bonds and forward exchange contracts	(32)	(1,080)	(26,238)	
Amortization of discount on consolidated obligation bonds and forward exchange contracts	147,583	306		112,692
Amortization of discount on consolidated obligation discount notes	(25)	31,866	105,906	
Amortization of Federal Home Loan Bank Board assessments	115	84	391	
Amortization of deferred (gain) loss on hedges	(8,288)	140	(46)	1,733
Other resources	(5)			87
Total from operations (exclusive of extraordinary item)	272,553	113,373	399,837	210,204
Extraordinary item				367
Total	272,553	113,373	399,837	210,571
Net proceeds from issuance of consolidated obligations				
Bonds	4,786,454	2,965,015	7,346,116	3,115,725
Discount notes	2,834,769	597,529	2,194,777	2,519,268
Advances repaid	88,581,300	3,018,168	24,327,545	3,562,350
Proceeds from sale of capital stock	155,639	81,142	290,686	63,862
Increase (decrease) in loans guaranteed by the Agency for International Development - net	(30,000)	(25,000)	165,000	(250,000)
Net change in interbank loans and borrowings				
Increase (decrease) in dividends payable				
Net increase (decrease) in members' deposits	(524,224)	78,585	(1,485,661)	(338,606)
Decrease in investment in FHLMC				
Increase (decrease) in securities sold under agreements to repurchase		181,320		(49,955)
Increase (decrease) in accrued interest payable	48,173	28,806	(40,665)	26,150
Increase (decrease) in other liabilities	(2,015)	(24,028)	(211,697)	(6,788)
Total	\$96,122,649	\$7,014,910	\$32,985,938	\$8,852,577
FINANCIAL RESOURCES WERE USED FOR				
Payments on maturing consolidated obligations				
Bonds	\$ 1,846,500	\$ 928,000	\$ 4,772,100	\$ 1,112,303
Discount notes	3,230,810	605,395	3,679,725	2,497,305
Advances made	91,209,435	4,751,860	24,241,626	5,023,607
Capital distribution to Financing Corporation	13,712	8,196	31,045	9,551
Redemption of capital stock	84,421	4,874	78,948	29,819
Cash dividends paid on capital stock	100	36	47	21
Net additions to bank premises and equipment	10,560	2,630	2,389	2,191
Increase (decrease) in investments	93,234	670,500	497,492	271,224
Increase (decrease) in accrued interest receivable	40,449	4,053	(19,004)	16,675
Increase (decrease) in deferred charges and other assets	228	872	(5,387)	1,410
Increase (decrease) in cash	(406,800)	38,494	(293,043)	(111,529)
Total	\$96,122,649	\$7,014,910	\$32,985,938	\$8,852,577

The accompanying notes are an integral part of these financial statements

Financial Statements

WITH SUPPLEMENTAL COMBINING INFORMATION
 FOR THE YEAR ENDED DECEMBER 31, 1986
 In thousands of dollars)

	Combined	Supplemental Combining Information			
		Combining Entries	Boston	New York	Pittsburgh
FINANCIAL RESOURCES WERE PROVIDED FROM					
Operations					
Income before extraordinary item	\$ 1,477,874	\$ (253)	\$ 58,997	\$ 147,881	\$ 51,633
Noncash charges (credits) to income					
Depreciation and amortization of					
Bank premises and equipment	11,637		309	976	655
Amortization of concessions on consolidated obligation bonds	34,642		1,470	2,492	1,140
Amortization of premium on consolidated obligation bonds and forward exchange contracts	(6,517)				(328)
Amortization of discount on consolidated obligation bonds and forward exchange contracts	19				
Amortization of discount on consolidated obligation discount notes	909,989		72,963	148,963	26,468
Amortization of Federal Home Loan Bank Board assessments	1,338		69	186	81
Amortization of deferred (gain) loss on hedges	(11,272)		(631)	166	(14)
Other resources	1,608		298		
Total from operations (exclusive of extraordinary item)	2,419,318	(253)	133,475	300,664	79,635
Extraordinary item	(15,604)	62,282			
Total	2,403,714	62,029	133,475	300,664	79,635
Net proceeds from issuance of consolidated obligations					
Bonds	33,811,602	(61,369)	1,732,417	3,103,699	1,131,831
Discount notes	24,402,776		1,692,250	6,710,196	1,233,958
Advances repaid	161,833,388		7,370,935	6,334,312	2,985,074
Proceeds from sale of capital stock	1,084,734		107,855	135,595	69,800
Increase (decrease) in loans guaranteed by the Agency for International Development - net	1,875		1,171	704	
Net change in interbank loans and borrowings			5,000	210,000	48,000
Increase (decrease) in dividends payable	(1,419)		1,444		
Net increase (decrease) in members' deposits	3,636,873		715,324	263,139	268,919
Decrease in investment in FHLMC	13,550		2,450		
Increase in pass-through reserves	75,568				
Increase (decrease) in securities sold under agreements to repurchase	(177,169)			66,793	
Increase (decrease) in accrued interest payable	115,869		15,843	26,653	7,955
Increase (decrease) in other liabilities	308,792		3,243	(3,643)	12,176
Total	\$227,510,153	\$ 660	\$11,781,407	\$17,148,112	\$5,837,348
FINANCIAL RESOURCES WERE USED FOR					
Payments on maturing consolidated obligations					
Bonds	\$ 20,826,984		\$ 749,900	\$ 1,089,000	\$ 469,797
Discount notes	24,138,940		1,054,260	5,615,200	1,215,562
Advances made	181,631,331		9,538,947	9,785,973	4,013,719
Redemption of capital stock	260,535		18,962	6,870	8,726
Cash dividends paid on capital stock	583,766		36,174	117,217	31,350
Net additions to bank premises and equipment	87,206		1,842	3,444	1,794
Increase (decrease) in investments	(1,328,117)		348,503	362,836	35,898
Increase (decrease) in accrued interest receivable	(438,322)		7,262	6,809	4,032
Increase (decrease) in deferred charges and other assets	(3,087)	\$ 660	(653)	(4,280)	(2,774)
Increase (decrease) in cash	1,750,917		26,210	165,043	59,244
Total	\$227,510,153	\$ 660	\$11,781,407	\$17,148,112	\$5,837,348

Statement continued on following page

Financial Statements

WITH SUPPLEMENTAL COMBINING INFORMATION
 FOR THE YEAR ENDED DECEMBER 31, 1986
 In thousands of dollars)

	Supplemental Combining Information				
	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines
FINANCIAL RESOURCES WERE PROVIDED FROM					
Operations					
Income before extraordinary item	\$ 198,351	\$ 91,677	\$ 130,012	\$ 76,278	\$ 81,907
Noncash charges (credits) to income					
Depreciation and amortization of bank premises and equipment	1,401	678	695	340	1,819
Amortization of concessions on consolidated obligation bonds	4,385	1,166	2,677	764	1,841
Amortization of premium on consolidated obligation bonds and forward exchange contracts	(650)		168	(138)	(9)
Amortization of discount on consolidated obligation bonds and forward exchange contracts			(50)	9	7
Amortization of discount on consolidated obligation discount notes	139,709	40,804	26,667	10,668	6,469
Amortization of Federal Home Loan Bank Board assessments			77	172	109
Amortization of deferred (gain) loss on hedges	1,606	(472)	(2,987)	(683)	(1,749)
Other resources	<u>345</u>	<u>150</u>	<u></u>	<u>41</u>	<u>(500)</u>
Total from operations (exclusive of extraordinary item)	345,147	134,003	157,259	87,451	89,894
Extraordinary item			(47,474)		
Total	<u>345,147</u>	<u>134,003</u>	<u>109,785</u>	<u>87,451</u>	<u>89,894</u>
Net proceeds from issuance of consolidated obligations					
Bonds	4,489,324	1,075,898	1,755,630	873,042	1,843,652
Discount notes	3,165,996	974,624	1,512,627	179,807	
Advances repaid	6,154,332	1,479,556	1,604,171	2,809,780	8,052,563
Proceeds from sale of capital stock	132,252	38,323	57,002	24,217	34,726
Increase (decrease) in loans guaranteed by the Agency for International Development - net			(133,000)	(45,000)	(135,000)
Net change in interbank loans and borrowings	75,000				
Increase (decrease) in dividends payable	(2,863)				
Net increase (decrease) in members' deposits	58,098	231,744	187,921	105,565	381,564
Decrease in investment in FHLMC		4,650			3,050
Increase in pass-through reserves	10,563				
Increase (decrease) in securities sold under agreements to repurchase	58,369	33,993	(27,006)	10,150	
Increase (decrease) in accrued interest payable	18,452	4,348	6,533	19,366	25,320
Increase (decrease) in other liabilities	(774)	(4,484)	9,782	(5,917)	27,090
Total	<u>\$14,503,896</u>	<u>\$3,972,655</u>	<u>\$5,083,445</u>	<u>\$4,058,461</u>	<u>\$10,322,859</u>
FINANCIAL RESOURCES WERE USED FOR					
Payments on maturing consolidated obligations					
Bonds	\$ 2,227,000	\$1,310,360	\$1,070,927	\$ 440,000	\$ 735,000
Discount notes	4,210,350	449,000	1,285,225	300,200	333,000
Advances made	7,843,026	1,923,160	2,802,924	3,378,053	9,137,520
Redemption of capital stock	23,530	25,652	8,730	1,609	7,860
Cash dividends paid on capital stock	122,434	36,302	57,386	61,953	48,429
Net additions to bank premises and equipment	50,834	3,051	2,064	2,718	2,304
Increase (decrease) in investments	26,882	206,291	(221,336)	(123,413)	(24,833)
Increase (decrease) in accrued interest receivable	361	(1,115)	979	11,945	19,294
Increase (decrease) in deferred charges and other assets	9,683	461		(3,962)	(854)
Increase (decrease) in cash	(10,204)	19,493	76,546	(10,642)	65,139
Total	<u>\$14,503,896</u>	<u>\$3,972,655</u>	<u>\$5,083,445</u>	<u>\$4,058,461</u>	<u>\$10,322,859</u>

Statement concluded on following page

Financial Statements

WITH SUPPLEMENTAL COMBINING INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 1986
(In thousands of dollars)

	Supplemental Combining Information			
	Dallas	Topeka	San Francisco	Seattle
FINANCIAL RESOURCES WERE PROVIDED FROM				
<i>Operations</i>				
Income before extraordinary item	\$ 119,596	\$ 56,734	\$ 358,341	\$ 106,720
Noncash charges (credits) to income				
Depreciation and amortization of bank premises and equipment	1,111	277	1,408	1,968
Amortization of concessions on consolidated obligation bonds	3,083	1,814	11,530	2,280
Amortization of premium on consolidated obligation bonds and forward exchange contracts	(41)	(43)	(5,476)	
Amortization of discount on consolidated obligation bonds and forward exchange contracts	10	43		
Amortization of discount on consolidated obligation discount notes	112,364	21,891	216,765	86,258
Amortization of Federal Home Loan Bank Board assessments	115	84	361	84
Amortization of deferred (gain) loss on hedges	(892)	580	(8,577)	2,381
Other resources	199		1,126	(51)
Total from operations (exclusive of extraordinary item)	235,545	81,380	575,478	199,640
Extraordinary item				(30,412)
Total	235,545	81,380	575,478	169,228
<i>Net proceeds from issuance of consolidated obligations</i>				
Bonds	2,249,478	1,802,827	12,711,625	1,103,548
Discount notes	2,624,518	463,968	3,644,506	2,200,326
Advances repaid	86,127,513	2,609,423	32,753,780	3,551,949
Proceeds from sale of capital stock	207,011	66,912	142,493	68,548
Increase (decrease) in loans guaranteed by the Agency for International Development - net				
Net change in interbank loans and borrowings	85,000	(110,000)	(30,000)	30,000
Increase (decrease) in dividends payable				
Net increase (decrease) in members' deposits	944,114	152,326	683,389	(355,230)
Decrease in investment in FHLMC	3,400			
Increase in pass-through reserves	54,105	1,950	8,950	
Increase (decrease) in securities sold under agreements to repurchase		129,148	(498,571)	49,955
Increase (decrease) in accrued interest payable	(22,576)	42,663	(6,495)	(22,193)
Increase (decrease) in other liabilities	(151)	24,781	226,329	20,360
Total	<u>\$92,507,957</u>	<u>\$5,265,378</u>	<u>\$50,211,484</u>	<u>\$6,816,491</u>
FINANCIAL RESOURCES WERE USED FOR				
<i>Payments on maturing consolidated obligations</i>				
Bonds	\$ 1,850,000	\$ 711,000	\$ 9,040,000	\$ 1,134,000
Discount notes	2,054,790	272,500	5,468,195	1,880,658
Advances made	88,444,318	4,173,942	36,472,111	4,117,638
Redemption of capital stock	31,512	1,441	109,585	16,058
Cash dividends paid on capital stock	44,493	27,954	47	27
Net additions to bank premises and equipment	12,850	721	2,442	3,142
Increase (decrease) in investments	(520,322)	74,049	(1,487,686)	(4,986)
Increase (decrease) in accrued interest receivable	203	22,400	(27,077)	(483,415)
Increase (decrease) in deferred charges and other assets	(1,166)	215	(1,169)	752
Increase (decrease) in cash	591,279	(18,844)	635,036	152,617
Total	<u>\$92,507,957</u>	<u>\$5,265,378</u>	<u>\$50,211,484</u>	<u>\$6,816,491</u>

The accompanying notes are an integral part of these financial statements

Financial Statements

WITH SUPPLEMENTAL COMBINING INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 1985
(In thousands of dollars)

	Supplemental Combining Information				
	Combined	Combining Entries	Boston	New York	Pittsburgh
FINANCIAL RESOURCES WERE PROVIDED FROM					
Operations					
Net income	\$ 1,083,267		\$ 36,764	\$ 121,494	\$ 34,542
Noncash charges (credits) to income					
Depreciation and amortization of bank premises and equipment	5,790		218	617	497
Amortization of concessions on consolidated obligation bonds	31,425		1,135	2,326	849
Amortization of premium on consolidated obligation bonds and forward exchange contracts	(447)				
Amortization of discount on consolidated obligation bonds and forward exchange contracts	357				
Amortization of discount on consolidated obligation discount notes	1,149,247		21,232	143,257	39,505
Amortization of Federal Home Loan Bank Board assessments	1,467		65	199	85
Amortization of deferred (gain) loss on hedges	(13,064)		(403)	(372)	(7)
Other resources	463		33		(27)
Total from operations	<u>2,258,505</u>		<u>59,044</u>	<u>267,521</u>	<u>75,444</u>
Net proceeds from issuance of consolidated obligations					
Bonds	27,219,777		1,192,270	2,657,138	884,905
Discount notes	25,135,609		666,125	4,053,344	934,124
Advances repaid	119,880,662		4,379,443	5,243,845	3,008,475
Proceeds from sale of capital stock	1,186,599		85,996	112,517	37,252
Increase (decrease) in loans guaranteed by the Agency for International Development - net	1,695		1,088	607	
Net change in interbank loans and borrowings			(68,000)	25,000	43,000
Net increase (decrease) in members' deposits	4,467,758		79,025	260,021	154,751
Decrease (increase) in investment in FHLMC					
Increase in pass-through reserves	106,086				
Increase (decrease) in securities sold under agreements to repurchase	384,118				
Increase (decrease) in dividends payable	(26,394)		8,275		
Increase (decrease) in accrued interest payable	135,567		11,162		3,663
Increase (decrease) in other liabilities	40,683		2,361	18,446	3,170
Total	<u>\$180,790,665</u>		<u>\$6,416,789</u>	<u>\$12,659,974</u>	<u>\$5,144,784</u>
FINANCIAL RESOURCES WERE USED FOR					
Payments on maturing consolidated obligations					
Bonds	\$ 17,780,264		\$ 534,000	\$ 1,334,000	\$ 481,000
Discount notes	26,385,707		214,540	5,064,900	1,332,290
Advances made	134,100,042		5,630,173	6,414,724	3,572,946
Loans made to FSLIC	200,000				
Redemption of capital stock	247,927		21,939	24,081	3,485
Cash dividends paid on capital stock	621,006		27,931	95,591	26,609
Net additions to bank premises and equipment	25,133		1,190	2,102	1,953
Increase (decrease) in investments	1,658,858		(30,873)	(275,339)	(195,761)
Increase (decrease) in accrued interest receivable	28,843		10,022	(2,936)	(1,025)
Increase (decrease) in deferred charges and other assets	6,085		(2,347)	(800)	672
Increase (decrease) in cash	(263,200)		10,214	3,651	(77,385)
Total	<u>\$180,790,665</u>		<u>\$6,416,789</u>	<u>\$12,659,974</u>	<u>\$5,144,784</u>

Statement continued on following page

Financial Statements

WITH SUPPLEMENTAL COMBINING INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 1985
(In thousands of dollars)

	Supplemental Combining Information				
	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines
FINANCIAL RESOURCES WERE PROVIDED FROM					
Operations					
Net income	\$ 167,121	\$ 54,547	\$ 72,593	\$ 72,217	\$ 91,286
Noncash charges (credits) to income					
Depreciation and amortization of bank premises and equipment	675	486	289	346	817
Amortization of concessions on consolidated obligation bonds	3,704	1,115	1,707	915	1,473
Amortization of premium on consolidated obligation bonds and forward exchange contracts	(330)			(113)	
Amortization of discount on consolidated obligation bonds and forward exchange contracts			177	8	7
Amortization of discount on consolidated obligation discount notes	164,814	52,720	35,319	22,969	32,460
Amortization of Federal Home Loan Bank Board assessments			78	172	109
Amortization of deferred (gain) loss on hedges	3,574	(826)	(1,406)	(476)	63
Other resources	293	147		2	4
Total from operations	<u>339,851</u>	<u>108,189</u>	<u>108,757</u>	<u>96,040</u>	<u>126,219</u>
Net proceeds from issuance of consolidated obligations					
Bonds	3,575,974	861,277	1,437,102	129,551	1,507,117
Discount notes	3,318,415	1,107,497	984,928	295,338	599,033
Advances repaid	4,029,375	1,642,586	1,048,864	1,635,030	7,782,370
Proceeds from sale of capital stock	169,703	41,805	28,564	24,995	41,683
Increase (decrease) in loans guaranteed by the Agency for International Development - net					
Net change in interbank loans and borrowings			(100,000)	155,000	(200,000)
Net increase (decrease) in members' deposits	787,241	329,428	144,114	1,254,415	23,492
Decrease (increase) in investment in FHLMC					
Increase in pass-through reserves	39,310				
Increase (decrease) in securities sold under agreements to repurchase	(73,323)	5,002	27,006	(73,138)	
Increase (decrease) in dividends payable	(34,669)				
Increase (decrease) in accrued interest payable	28,270			(18,863)	22,940
Increase (decrease) in other liabilities	1,924	10,761		974	12,196
Total	<u>\$12,182,071</u>	<u>\$4,099,041</u>	<u>\$3,689,463</u>	<u>\$3,499,342</u>	<u>\$9,915,050</u>
FINANCIAL RESOURCES WERE USED FOR					
Payments on maturing consolidated obligations					
Bonds	\$ 1,788,000	\$ 867,000	\$ 776,000	\$ 795,999	\$ 916,000
Discount notes	3,571,050	1,103,640	1,034,425	479,400	896,250
Advances made	5,705,852	1,611,149	1,690,548	1,519,664	7,792,120
Loans made to FSLIC		200,000			
Redemption of capital stock	15,179	15,187	11,027	1,393	2,843
Cash dividends paid on capital stock	130,875	41,251	21,391	56,578	49,808
Net additions to bank premises and equipment	2,187	522	983	169	6,480
Increase (decrease) in investments	918,931	275,437	176,539	626,133	219,787
Increase (decrease) in accrued interest receivable	(5,132)	451	6,329	(4,191)	11,585
Increase (decrease) in deferred charges and other assets	(1,297)	(1,897)	2,864	1,042	(83)
Increase (decrease) in cash	56,426	(13,699)	(30,643)	23,155	20,260
Total	<u>\$12,182,071</u>	<u>\$4,099,041</u>	<u>\$3,689,463</u>	<u>\$3,499,342</u>	<u>\$9,915,050</u>

Statement concluded on following page

Financial Statements

WITH SUPPLEMENTAL COMBINING INFORMATION
 FOR THE YEAR ENDED DECEMBER 31, 1985
 (In thousands of dollars)

	Supplemental Combining Information			
	Dallas	Topeka	San Francisco	Seattle
FINANCIAL RESOURCES WERE PROVIDED FROM				
Operations				
Net income	\$ 102,294	\$ 50,015	\$ 202,813	\$ 77,581
Noncash charges (credits) to income				
Depreciation and amortization of bank premises and equipment	649	129	580	487
Amortization of concessions on consolidated obligation bonds	2,789	1,618	11,704	2,090
Amortization of premium on consolidated obligation bonds and forward exchange contracts	(4)			
Amortization of discount on consolidated obligation bonds and forward exchange contracts	160	5		
Amortization of discount on consolidated obligation discount notes	102,226	18,398	391,056	125,291
Amortization of Federal Home Loan Bank Board assessments	115	85	468	91
Amortization of deferred (gain) loss on hedges	3,727	764	(18,445)	743
Other resources	11			
Total from operations	<u>211,967</u>	<u>71,014</u>	<u>588,176</u>	<u>206,283</u>
Net proceeds from issuance of consolidated obligations				
Bonds	3,072,690	882,645	10,122,852	896,256
Discount notes	2,567,145	360,170	8,039,142	2,210,348
Advances repaid	27,844,444	2,183,491	58,314,438	2,768,301
Proceeds from sale of capital stock	228,069	49,708	315,951	50,356
Increase (decrease) in loans guaranteed by the Agency for International Development - net				
Net change in interbank loans and borrowings	(220,000)		365,000	
Net increase (decrease) in members' deposits	478,401	224,764	500,127	231,979
Decrease (increase) in investment in FHLMC				
Increase in pass-through reserves	66,776			
Increase (decrease) in securities sold under agreements to repurchase			498,571	
Increase (decrease) in dividends payable	45,973	32,013	(29,742)	15,992
Increase (decrease) in accrued interest payable	4,603	16,114	(35,032)	5,166
Increase (decrease) in other liabilities				
Total	<u>\$34,300,068</u>	<u>\$3,819,919</u>	<u>\$78,679,483</u>	<u>\$6,384,681</u>
FINANCIAL RESOURCES WERE USED FOR				
Payments on maturing consolidated obligations				
Bonds	\$ 1,049,000	\$ 810,000	\$ 7,756,265	\$ 673,000
Discount notes	2,192,615	253,700	7,512,770	2,730,127
Advances made	30,752,522	2,642,903	63,271,401	3,496,040
Loans made to FSLIC				
Redemption of capital stock	25,082	14,351	92,278	21,082
Cash dividends paid on capital stock	82,598	36,527	34	51,813
Net additions to bank premises and equipment	1,711	902	5,097	1,837
Increase (decrease) in investments	302,997	6,491	177,199	(542,683)
Increase (decrease) in accrued interest receivable	31,255	31,558	(52,017)	2,944
Increase (decrease) in deferred charges and other assets	(528)	(122)	8,321	260
Increase (decrease) in cash	(137,184)	23,609	(91,865)	(49,739)
Total	<u>\$34,300,068</u>	<u>\$3,819,919</u>	<u>\$78,679,483</u>	<u>\$6,384,681</u>

The accompanying notes are an integral part of these financial statements

Notes to the Combined Financial Statements

FOR THE YEARS ENDED DECEMBER 31, 1987, 1986, AND 1985

Organization and Related Agencies

The accompanying financial statements present the combined financial position and results of operations of the twelve District Federal Home Loan Banks (FHLBanks), which together with their member institutions, comprise the FHLBank System. The FHLBank System is designed to promote home ownership through the extension of credit to savings and home financing institutions. Member institutions include all federally chartered savings and loan associations, all federally chartered savings banks, and all institutions insured by the Federal Savings and Loan Insurance Corporation (FSLIC). Membership is also available to qualifying institutions, such as state chartered, non-FSLIC insured savings associations and savings banks.

The FHLBanks are instrumentalities of the federal government; they are owned by, and serve as central credit banks for, member institutions. A principal source of funds for the FHLBanks is sales to the public of debt instruments (consolidated obligations) which are the joint and several obligations of all FHLBanks. Other funds are provided by issuance of capital stock, all of which is owned by the FHLBanks' members, and by member deposits.

The FHLBank System is supervised and regulated by the Federal Home Loan Bank Board (Bank Board) which is an independent federal agency in the executive branch of government. The Bank Board is the chartering and regulatory authority for federal savings and loan associations and federal savings banks. The Bank Board governs the Federal Home Loan Mortgage Corporation (Mortgage Corporation) which is a secondary mortgage market facility. The principal function of the Mortgage Corporation is to promote the flow of capital into the housing markets by establishing an active secondary market in residential mortgages. Further, the Bank Board is the operating head of the FSLIC which insures the accounts of savers in federally insured savings and loan associations and federal savings banks. Bank Board expenses are met through assessments to the FHLBanks and the FSLIC.

In accordance with the provisions of the Competitive Equality Banking Act of 1987, the Bank Board chartered the Financing Corporation (FICO) in August 1987. FICO's sole purpose is to obtain financing in the capital markets for the purpose of recapitalizing the FSLIC. As discussed more fully in Note 11, the FHLBanks will provide the capitalization for FICO.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies not described elsewhere in the notes to the financial statements are as follows:

Investments

Investment securities are carried at cost, adjusted for amortization of premiums, accretion of discounts, and deferred gains and losses from hedging activities. Gains and losses on sales of securities are included in income from investments.

The FHLBanks enter into purchases of securities under agreements to resell (reverse repurchase agreements). Securities purchased under agreements to resell are held in safekeeping in the name of the FHLBanks by a Federal Reserve Bank.

Sales of securities under agreements to repurchase (repurchase agreements) are treated as financings. Securities pledged as collateral for the underlying agreements remain in investments. The obligation to repurchase securities sold is recorded as a liability in Other Borrowings in the combined statements of condition.

Bank Premises and Equipment

Bank premises, furniture, equipment and leasehold improvements are stated at cost less accumulated depreciation and amortization of \$41,779,000, \$28,082,000 and \$20,559,000 at December 31, 1987, 1986, and 1985, respectively. Depreciation of bank premises, furniture and equipment is computed using the straight-line method over estimated service lives ranging from 2 to 50 years. Leasehold improvements are amortized over the estimated service life of the improvement or the remaining term of the lease, whichever is shorter.

Improvements and major renewals are capitalized; ordinary maintenance and repairs are expensed as incurred. Gain or loss on disposal is included in other income.

Assessments - Federal Home Loan Bank Board

The FHLBanks expense their pro rata share of the Bank Board assessment for operating expenses during the year in which the assessment is levied.

The Bank Board also assesses the FHLBanks for the cost of the Bank Board's office building in Washington, D.C. and for the cost of capital expenditures for furniture and equipment for the building. The payments are recorded as deferred charges and are amortized using the straight-line method over 25 years and 5 years, respectively.

Assessments - Federal Home Loan Bank Offices

The FHLBanks' Office of Finance manages the Consolidated Securities Fund (Note 3), the sale of consolidated obligations and certain accounting functions for the twelve FHLBanks as a group. Assessments for the Office of Finance's operating costs are charged directly to expense when billed.

The FHLBanks' Office of Publication was organized for the purpose of disseminating to the members of the FHLBanks and to the public certain studies, information and other material which may be of value to the Banks, their members and the public. Assessments for the Office of Publication's operating costs are charged directly to expense when billed.

The FHLBanks' Office of Education was established to identify, coordinate, and develop independent education and training programs in all areas and levels of the Federal Home Loan Bank System. Assessments for the Office of Education's operating costs are charged directly to expense when billed.

The FHLBanks' Office of Regulatory Policy, Oversight and Supervision (ORPOS) was established in September 1986 to succeed the Bank Board's Office of Examination and Supervision. Assessments for ORPOS' operating costs are charged to expense except for capital expenditures which are amortized using the straight-line method over a five year period.

Assessments - Financing Corporation

The administrative expenses of FICO, which are billed to the FHLBanks by the Office of Finance on behalf of FICO, are charged directly to expense when billed.

Concessions on Consolidated Obligations

The amounts allowed dealers in connection with the sale of consolidated obligation bonds are deferred and amortized on the straight-line method to the maturity of the obligations. The amounts applicable to the sale of consolidated obligation discount notes are charged to expense as incurred because of their short-term maturities.

Premiums and Discounts on Consolidated Obligations

The discounts on consolidated obligation discount notes are amortized to expense using the straight-line method to the maturity of the related notes. The premiums and discounts on consolidated obligation bonds are amortized to expense using the level yield method over the term to maturity of the bond issue.

Hedging

The FHLBanks are engaged in an asset/liability management program that includes the use of hedges in the currency and financial futures markets. Gains and losses on hedge transactions using financial futures are deferred. Gains and losses on hedge transactions using cash market securities entered into prior to March 1987 are deferred. Deferred gains and losses on hedge transactions are amortized using the level yield method over the term to maturity of the related hedged assets or liabilities and are included as an adjustment of the carrying value of the hedged assets or liabilities.

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Subsequent to February 1987, the FHLBanks, generally, have included gains and losses on hedge transactions using cash market securities in income from investments in accordance with the majority view of the Emerging Issues Task Force of the Financial Accounting Standards Board. This change in accounting resulted in a reduction of net income of approximately \$1,588,000 for the year ended December 31, 1987.

Prepayment, Commitment and Service Fees

Prepayment Fees

A prepayment fee is charged by the FHLBanks when an advance with an original term of one year or more is paid prior to its original maturity. Such fees are credited to income when received.

Commitment Fees

Commitment fees for advances and letters of credit are recorded as deferred credits when received. Nonrefundable fees of less than \$5,000 are recognized as income immediately. Fees of \$5,000 or more are amortized to income over the period of the commitment on the straight-line basis. Refundable fees are deferred until the commitment expires, the advance is made, or the letter of credit is issued.

In December 1986, the Financial Accounting Standards Board issued Statement No. 91, "Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases." This statement will be effective for the 1988 fiscal year of the FHLBanks. The effect of adopting the statement has not yet been determined.

Agency for International Development (AID) Service Fees

FHLBanks receive service fees from borrowers for AID guaranteed loans against which the direct expenses associated with the financing arrangements are charged. The balance is deferred and amortized to income at 1% of the unamortized balance per month.

Capital Distribution to the Financing Corporation

Amounts distributed by the FHLBanks for FICO's redeemable capital stock are accounted for as capital distributions within an affiliated group and are recorded as a subtractive component of capital in the accompanying combined statement of condition.

Interbank Transactions

Transactions among the FHLBanks and related interbank balances have been eliminated in arriving at combined amounts in the financial statements.

Reclassification - Certain amounts in the 1985 and 1986 financial statements have been reclassified to conform with the 1987 presentation.

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NOTE 2 - CASH BALANCES

Compensating Balances

The FHLBanks have agreed to maintain compensating average collected cash balances with various commercial banks in consideration for certain services. There are no legal restrictions as to the withdrawal of funds under these agreements. The average compensating balances were approximately \$129,842,000, \$139,312,000 and \$89,976,000 for the years ended December 31, 1987, 1986, and 1985, respectively

Further, the FHLBanks maintained average collected balances with various Federal Reserve Banks and branches of approximately \$45,448,000, \$83,143,000 and \$40,468,000 for the years ended December 31, 1987, 1986, and 1985, respectively. These average balances are required clearing balances and may not be withdrawn; however, earnings credits on these balances may be used to pay for services received from the Federal Reserve.

Pass-through Deposit Reserves

The Depository Institutions Deregulation and Monetary Control Act of 1980 authorized FHLBanks to act as pass-through correspondents for member institutions required to deposit reserves with the Federal Reserve. Cash and due from banks shown in the combined statements of condition include pass-through reserves deposited with Federal Reserve offices of \$635,699,000, \$848,984,000 and \$418,616,000 as of December 31, 1987, 1986, and 1985, respectively. Member reserve balances are included in other liabilities.

NOTE 3 - INVESTMENTS

Investments at December 31, 1987, 1986, and 1985 are as follows:

	<u>1987</u>	
	<u>Book Value</u>	<u>Market Value</u>
	(In thousands)	
U.S. Treasury obligations	\$ 796,696	\$ 787,036
U.S. Government agencies	86,984	87,340
Federal funds sold	11,471,100	11,471,100
Term funds sold	306,000	306,000
Bankers' acceptances	36,346	36,355
Certificates of deposit - domestic	4,000	3,999
Certificates of deposit - Eurodollars	277,967	277,883
Participation in the FHLBanks'		
Consolidated Securities Fund	3,315,897	3,312,223
Other	<u>243,099</u>	<u>243,099</u>
Total	<u>\$16,538,089</u>	<u>\$16,525,035</u>

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	<u>1986</u>	
	<u>Book Value</u>	<u>Market Value</u>
	(In thousands)	
U S Treasury obligations	\$ 959,643	\$ 964,316
U.S. Government agencies	83,028	83,447
Federal funds sold	9,926,500	9,926,500
Term funds sold	1,681,000	1,681,000
Bankers' acceptances	82,986	82,923
Certificates of deposit - domestic	11,002	10,991
Certificates of deposit - Eurodollars	291,991	291,822
Participation in the FHLBanks'		
Consolidated Securities Fund	4,219,762	4,218,774
Other	<u>181,872</u>	<u>182,043</u>
Total	<u>\$17,437,784</u>	<u>\$17,441,816</u>

	<u>1985</u>	
	<u>Book Value</u>	<u>Market Value</u>
	(In thousands)	
U.S. Treasury obligations	\$ 1,054,397	\$ 1,073,049
U.S. Government agencies	59,925	63,125
Federal funds sold	14,180,300	14,180,300
Term funds sold	415,400	415,400
Bankers' acceptances	71,340	71,330
Certificates of deposit - domestic	26,053	26,036
Certificates of deposits - Eurodollars	161,190	161,287
Participation in the FHLBanks'		
Consolidated Securities Fund	3,268,078	3,268,102
Other	<u>6,004</u>	<u>6,015</u>
Total	<u>\$19,242,687</u>	<u>\$19,264,644</u>

The FHLBanks' Consolidated Securities Fund (Fund) was established by the Bank Board to offer a centralized portfolio management system for securities owned by the FHLBanks. The Fund is managed by the Office of Finance of the FHLBanks and invests primarily in short-term money market instruments.

Obligations to repurchase securities sold, included in Other Borrowings in the combined statements of condition, were \$396,083,000, \$238,110,000 and \$594,382,000 at December 31, 1987, 1986, and 1985, respectively.

Securities pledged as collateral for the underlying repurchase agreements, included in Investments at December 31, 1987, had approximate carrying values of \$394,500,000 and approximate market values of \$392,327,000.

NOTE 4 - ADVANCES TO MEMBERS

At December 31, 1987, 1986, and 1985, the FHLBanks had advances outstanding to members at interest rates ranging from 5.75% to 16.25%, from 5.75% to 21.53% and from 7.50% to 17.30%, respectively, as summarized below:

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<u>Year of Maturity</u>	<u>December 31, 1987</u>	
	<u>Amount</u> <u>(In thousands)</u>	<u>Weighted Average</u> <u>Interest Rate</u>
1988	\$ 50,802,779	8.45
1989	20,235,390	8.85
1990	15,057,140	8.96
1991	14,187,052	8.56
1992	10,597,109	9.24
1993-2007	<u>22,175,339</u>	9.08
	133,054,809	

Deferred net loss from
hedging transactions 3,112

Total \$133,057,921

<u>Year of Maturity</u>	<u>December 31, 1986</u>	
	<u>Amount</u> <u>(In thousands)</u>	<u>Weighted Average</u> <u>Interest Rate</u>
1987	\$ 36,762,203	9.48%
1988	13,430,753	9.80
1989	13,355,228	9.27
1990	8,990,940	9.47
1991	11,979,424	8.71
1992-2006	<u>24,149,256</u>	9.52
	108,667,804	9.37

Deferred net gain from
hedging transactions (23,098)

Total \$108,644,706

<u>Year of Maturity</u>	<u>December 31, 1985</u>	
	<u>Amount</u> <u>(In thousands)</u>	<u>Weighted Average</u> <u>Interest Rate</u>
1986	\$40,686,686	9.74%
1987	13,777,507	10.88
1988	11,189,378	10.74
1989	5,629,821	11.39
1990	5,797,401	10.93
1991-2005	<u>11,770,832</u>	11.50
	88,851,625	10.45

Deferred net gain from
hedging transactions (17,024)

Total \$88,834,601

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Outstanding advances at December 31, 1987, 1986, and 1985 generally were collateralized pursuant to a written security agreement by property that is defined as eligible collateral under Section 525.7 and/or additional collateral accepted pursuant to Section 525.9 of the rules and regulations of the FHLBank System (Regulations) and the FHLBanks' credit programs.

Outstanding advances of \$2,312,610,000, \$3,594,835,000, and \$1,303,016,000 at December 31, 1987, 1986, and 1985, respectively were guaranteed by the FSLIC including advances of \$542,089,000 at December 31, 1987 that were collateralized only by the guarantee of FSLIC (see Note 14). The capital stock of the FHLBanks owned by borrowing members that is pledged as additional collateral for outstanding advances also is additional collateral for overdrawn deposit accounts. Generally, the FHLBanks require members to specifically assign or place physical possession of eligible collateral with the Bank or its safekeeping agent. The FHLBanks may, however, permit a borrowing member to physically retain collateral assigned to the FHLBanks provided the member agrees to hold such collateral for the benefit and subject to the direction and control of the FHLBanks.

NOTE 5 - LOANS GUARANTEED BY THE AGENCY FOR INTERNATIONAL DEVELOPMENT

The Agency for International Development (AID) was established by the Foreign Assistance Act of 1961, as amended. Under Sections 221 and 222 of the Act, AID issues guarantees backed by the full faith and credit of the United States of America to eligible U.S. investors insuring against loss of investments, including unpaid accrued interest, in self-liquidating housing projects. The FHLBanks qualify as eligible investors.

Under contracts of guaranty, the FHLBanks may, without the approval of AID, sell participating interests to members of any FHLBank. The outstanding loan balances are reported net of participations sold totaling \$308,493,000, \$319,765,000, and \$332,441,000 at December 31, 1987, 1986, and 1985, respectively, and mature between 1990 and 2008.

NOTE 6 - LOANS TO FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

The proceeds of certain consolidated obligations have been loaned to the FSLIC by two FHLBanks, as follows:

New York	\$700,000,000
Cincinnati	<u>200,000,000</u>
Total	<u>\$900,000,000</u>

The loans, collateralized principally by first mortgage loans, have been made in accordance with the Federal Home Loan Bank Act.

The New York FHLBank loan is payable in installments of \$70 million each year from 1988 through 1993. The remaining principal balance of \$280 million is payable January 1, 1995. Interest on the loan accrues at .20% above the FHLBanks' cost of funds.

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The Cincinnati FHLBank loan is payable in installments of \$20 million each year from 1989 through 1994. The remaining principal balance of \$80 million is payable August 15, 1995. Interest on the loan accrues at .25% above the interest cost of consolidated obligations.

NOTE 7 - LOANS TO AND BORROWINGS FROM OTHER FEDERAL HOME LOAN BANKS

The outstanding balance of borrowings among FHLBanks was \$633,000,000 at December 31, 1987, \$708,000,000 at December 31, 1986, and \$1,276,000,000 at December 31, 1985. Interest rates ranged from 6.50% to 12.15%, from 6.0% to 12.15%, and from 9.57% to 12.15%, respectively, with loan maturities ranging from 1988 through 1994, from 1987 through 1994 and from 1986 through 1994, respectively.

NOTE 8 - INVESTMENT IN AND ADVANCES TO FEDERAL HOME LOAN MORTGAGE CORPORATION

The investment in the Mortgage Corporation is stated at cost and consists of 100,000 shares of \$1,000 par value non-voting common stock redeemable at par by the Mortgage Corporation, which represents all of the common stock outstanding. The Mortgage Corporation paid a cash dividend of \$5,724,248 in 1987, \$5,302,094 in 1986, and \$2,490,570 in 1985 to the FHLBanks on their investments in the Mortgage Corporation common stock. A \$50,000,000 subordinated capital debenture issued on June 20, 1980, was redeemed on March 20, 1986 at a redemption price of 101.25% of the principal amount thereof plus accrued interest to the date of redemption. Earnings on the debenture were \$1,684,796 in 1986, and \$5,748,250 in 1985.

Proceeds from certain consolidated obligations have been advanced to the Mortgage Corporation by the FHLBank of New York. These advances are evidenced by notes receivable from the Mortgage Corporation. The following are summaries of these advances:

	..December 31, 1987..		
Bonds.....		
	Weighted		
	Average		
	Interest	Amount	
<u>Year of Maturity</u>	<u>Rate</u>	<u>Outstanding</u>	
1993-1997	7.59%	<u>\$700,000,000</u>	
	..December 31, 1986..		
Bonds.....		
	Weighted		
	Average		
	Interest	Amount	
<u>Year of Maturity</u>	<u>Rate</u>	<u>Outstanding</u>	
1987	11.10%	\$200,000,000	
1993-1997	7.59%	<u>700,000,000</u>	
Total		<u>\$900,000,000</u>	

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	..December 31, 1985..	
Bonds	
	Weighted	
	Average	
	Interest	Amount
<u>Year of Maturity</u>	<u>Rate</u>	<u>Outstanding</u>
1986	9.90%	\$ 250,000,000
1987	11.10%	200,000,000
1991-1997	7.59%	<u>700,000,000</u>
Total		<u>\$1,150,000,000</u>

As provided for in Section 306(c) of the Federal Home Loan Mortgage Corporation Act, the Bank Board has provided for the guarantee by the other FHLBanks of the above borrowings of the Mortgage Corporation from the FHLBank of New York. Each of the other FHLBanks participates in the guarantee in proportion to its investment in the common stock of the Mortgage Corporation.

NOTE 9 - CONSOLIDATED OBLIGATIONS

The par values of the outstanding consolidated obligations of the FHLBanks (see "Organization and Related Agencies" at page 38) were \$116,777,804,000, \$89,857,068,000 and \$75,987,690,000 at December 31, 1987, 1986, and 1985, respectively. Regulations require the FHLBanks to maintain in the aggregate, unpledged qualifying assets in an amount equal to the consolidated obligations outstanding. Qualifying assets are defined as cash, obligations of or fully guaranteed by the United States, collateralized advances, and federally insured or guaranteed mortgages. The FHLBanks were in compliance with this requirement as of December 31, 1987, 1986, and 1985.

The following is a summary of the FHLBanks' net consolidated obligations (in thousands):

	<u>December 31, 1987</u>	
	<u>Bonds</u>	
	Weighted Average	Amount
<u>Year of Maturity</u>	<u>Interest Rate</u>	<u>Outstanding</u>
1988	8.94%	\$20,917,800
1989	8.83	19,221,400
1990	8.60	15,373,600
1991	8.21	12,779,000
1992	9.10	9,590,000
1993-2000	8.83	<u>18,658,220</u>
		96,540,020
Bond premium		24,624
Bond discount		(8,188)
Forward exchange contract		(8,131)
Deferred net loss from hedging transactions		<u>(11,783)</u>
Total		<u>\$96,536,542</u>

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	<u>Discount Notes</u>	
	<u>Book Value</u>	<u>Par Value</u>
All due within one year.....	<u>\$19,849,121</u>	<u>\$20,245,915</u>

<u>December 31, 1986</u>		
<u>Bonds</u>		
<u>Year of Maturity</u>	<u>Weighted Average Interest Rate</u>	<u>Amount Outstanding</u>
1987	10.27%	\$14,635,000
1988	9.60	12,952,000
1989	9.32	11,105,000
1990	9.37	7,475,000
1991	8.31	10,204,000
1992-2006	9.33	<u>19,757,917</u>
		76,128,917
Bond premium		4,550
Bond discount		(2,801)
Forward exchange contract		(15,969)
Deferred net gain from hedging transactions		<u>1,269</u>
Total		<u>\$76,115,966</u>

	<u>Discount Notes</u>	
	<u>Book Value</u>	<u>Par Value</u>
All due within one year.....	<u>\$13,474,528</u>	<u>\$13,744,120</u>

<u>December 31, 1985</u>		
<u>Bonds</u>		
<u>Year of Maturity</u>	<u>Weighted Average Interest Rate</u>	<u>Amount Outstanding</u>
1986	11.84%	\$18,543,000
1987	10.34	14,635,000
1988	10.34	10,022,000
1989	12.24	4,044,970
1990	10.68	4,790,000
1991-1995	11.13	<u>10,425,000</u>
		62,459,970
Bond premium		2,895
Bond discount		(4,313)
Deferred net loss from hedging transactions		<u>(8,046)</u>
Total		<u>\$62,450,506</u>

	<u>Discount Notes</u>	
	<u>Book Value</u>	<u>Par Value</u>
All due within one year.....	<u>\$13,159,642</u>	<u>\$13,527,720</u>

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In 1986, the FHLBanks issued bonds denominated in European Currency Units (ECU) of 100 million at 8.75% maturing in 1996 and in Japanese YEN of 25 billion at 7.5% maturing in 1996. Concurrent with the issuance, the FHLBanks exchanged the interest and principal ECU and YEN payment obligations related to the issues for equivalent amounts denominated in U.S. dollars. The ECU and YEN exchanges resulted in effective interest rates to the FHLBanks of 9.159% and 7.852%, respectively. These bonds and the related foreign exchange contracts are translated into U.S. dollars at the exchange rates in effect at December 31, 1987 and 1986.

NOTE 10 - CREDIT AVAILABLE FROM THE U.S. TREASURY

Section 11(1) of the Federal Home Loan Bank Act authorizes the Secretary of the Treasury, at his discretion, to extend credit to the FHLBanks aggregating not more than \$4 billion, the terms, conditions, and interest rate to be determined by the Secretary of the Treasury. There were no borrowings from the U.S. Treasury during the three-year period ended December 31, 1987.

NOTE 11 - CAPITAL

The capital stock of the FHLBanks has a par value of \$100 per share. Member institutions are required to purchase capital stock in relation to their holdings of mortgage loans or outstanding borrowings from the respective FHLBank. Capital stock held by members in excess of their statutory requirement may be redeemed at par value by a FHLBank or sold to other FHLBank members at par value.

Retained earnings consist of undivided profits, a legal reserve, and a dividend stabilization reserve (DSR). The FHLBanks must transfer 20% of their net income to the legal reserve until the reserve equals the capital stock amount. Thereafter, 5% of the FHLBanks' net income must be allocated for this purpose. In addition, the Bank Board has required that the FHLBanks retain in the DSR that portion of income from prepayment fees which, if allocated on a prorata basis over the maturity of the advances prepaid, would be allocated to future dividend periods. Dividends may be paid in the form of cash or capital stock, if authorized by the Boards of Directors.

In 1987, 1986, and 1985 dividends were permitted only to the extent of current year's net income, after the legal reserve transfer, plus the unrestricted balance of the DSR, and were authorized to be paid either quarterly, semiannually, or annually.

The Competitive Equality Banking Act of 1987 (Act) was enacted in August, 1987 providing for, among other things, the recapitalization of the FSLIC. The Act empowered the Bank Board to charter FICO to obtain financing in the capital markets for the purpose of investing in redeemable nonvoting capital stock and nonredeemable capital certificates of the FSLIC.

The capitalization of FICO is provided by capital distributions from the FHLBanks to FICO in exchange for FICO nonvoting capital stock. Such distributions, to be made at such times and in such amounts as the Bank Board may prescribe, are not to exceed \$3,000,000,000 in the aggregate. Each FHLBank's cumulative distribution limitation in the capital stock of FICO is limited to the sum of its Legal Reserve, Undivided Profits, and the increase in the Dividend Stabilization Reserve balance from December 31, 1985. Capital distributions made by the FHLBanks to FICO totaled \$155,500,000 during 1987 and at December 31, 1987, the FHLBanks' cumulative distribution limitation was \$2,359,509,000.

If a FHLBank has reached its cumulative distribution limitation, the Act provides that all other FHLBanks not at their distribution limitations, share in the capital distributions to FICO equivalent to that FHLBank's shortfall. FHLBanks with shortfalls are required to purchase capital of FICO from the other applicable FHLBanks as their distribution limitation allows and until the shortfall is corrected. During the period of any shortfall, the affected FHLBank may pay dividends equal to one-half the maximum amount otherwise allowed. There were no such shortfalls by any FHLBanks during 1987.

The redeemable nonvoting and non-dividend-bearing capital stock of the FSLIC purchased by FICO is to be redeemed by the year 2026 with funds accumulated in an equity return account maintained by the FSLIC. The FSLIC will make determinations of its required contributions to the equity return account, if any, beginning in 1997 using statutorily prescribed formulae related to its financial strength. The Act provides that the FSLIC capital stock may be redeemed at a price equal to its original purchase price together with certain investment return amounts. However, the Act provides no assurance that contributions accumulated in the equity return account will be adequate to fund the redemption of all the FSLIC capital stock at its original purchase price. There can be no assurance that there will not be further legislative action that would impact the FSLIC, FICO, or the FHLBanks' investment in FICO. Upon the earlier of redemption of the capital stock of the FSLIC purchased by FICO, or December 31, 2026, FICO will be dissolved and all remaining net assets applied to the redemption of the capital stock of FICO held by the FHLBanks.

NOTE 12 - EMPLOYEE RETIREMENT PLAN

The FHLBanks are participants in multiemployer plans, the Financial Institutions Retirement Fund (FIRF) and the Financial Institutions Thrift Plan (FITP); substantially all of the FHLBanks' officers and employees are covered by both plans. The FIRF is a defined benefit pension plan and the FITP is a defined contribution pension plan.

The FHLBanks' contributions to FIRF through June 30, 1987, represented, generally, the normal cost of the plan. The plan reached the full-funding limitation, as defined by the Employee Retirement Income Security Act, for the plan year beginning July 1, 1987, because of favorable investment and other actuarial experience

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during the past several years. As a result, FIRF suspended employer contributions for the plan year ending June 30, 1988. Contributions to the plan will resume when the plan is no longer in full-funding status based on annual determinations by FIRF.

Pension costs of the plan charged to other operating expenses were approximately \$5,423,000 in 1987, \$8,185,000 in 1986 and \$6,880,000 in 1985. FIRF does not segregate its assets, liabilities, or costs by participating employer. As a result, disclosure of the accumulated benefit obligation, plan assets, and the components of annual pension expense attributable to the FHLBanks cannot be made.

The FHLBanks' contributions to the FITP consist of a basic contribution equal to a percentage of participants' compensation and a matching contribution equal to a percentage of voluntary employee contributions, subject to certain limitations. The FHLBanks contributed approximately \$3,740,000, \$3,200,000, and \$3,636,000 to the FITP in 1987, 1986, and 1985, respectively.

In November 1986, certain of the FHLBanks adopted deferred compensation plans available to all officers which, in substance, are unfunded supplemental retirement plans. The related pension liability consists of the accumulated compensation deferrals and accrued interest on the deferrals, as provided in Statement No. 87 of the Financial Accounting Standards Board.

NOTE 13 - COMMITMENTS

Rental expense of approximately \$34,127,000 in 1987, \$30,118,000 in 1986, and \$25,735,000 in 1985 for premises and equipment has been charged to other operating expense. Future minimum rentals are as follows:

	<u>Premises</u>	<u>Equipment</u> (in thousands)	<u>Total</u>
1988	\$ 17,191	\$ 7,668	\$ 24,859
1989	16,465	5,128	21,593
1990	14,109	2,802	16,911
1991	12,151	1,086	13,237
1992	11,088	546	11,634
1993-2007	<u>35,234</u>	<u>36</u>	<u>35,270</u>
Total	<u>\$106,238</u>	<u>\$17,266</u>	<u>\$123,504</u>

The lease agreements for the FHLBanks' premises provide for increases in the basic rentals resulting from increased property taxes and maintenance expense.

Commitments for advances to members totaled \$3,722,380,015 at December 31, 1987, \$3,722,131,000 at December 31, 1986 and \$3,224,981,000 at December 31, 1985.

The FHLBanks had outstanding, \$14,240,564,000, \$12,178,188,000, and \$6,906,800,000 in underlying notional principal of interest rate swap agreements at December 31, 1987, 1986, and 1985, respectively. For interest rate swaps outstanding at December 31, 1987, the fixed rates to be paid by the FHLBanks' range from 6.06% to 14.27% and the FHLBanks are to receive interest at fixed rates ranging from 6.20% to 14.37%. The variable rates to be paid by the FHLBanks range from 5.68% to 9.44% and the FHLBanks are to receive variable rates ranging from 5.68% to 9.25%. The agreements have expiration dates between February 1988 and September 1998. The net interest expense related to these agreements amounted to \$5,208,000, \$3,647,000 and \$3,889,000 for 1987, 1986, and 1985, respectively.

NOTE 14 - CONTINGENCIES

FSLIC Guarantees

The ultimate collectibility of under- or uncollateralized advances to members guaranteed by FSLIC (see Note 4) is dependent upon the ability of these members to repay the advances as they become due and, in the event of default, the ability of FSLIC to perform under its guarantees. For the year ended December 31, 1986, FSLIC reported a loss from operations of \$10.9 billion and a deficit of \$6.3 billion. In the audit report, dated May 1, 1987, on the 1986 FSLIC financial statements, the Comptroller General of the United States concludes "these factors indicate that the Corporation may be unable to continue to fulfill its mission and meet its financial obligations."

In August 1987, the Congress enacted legislation that will enable FSLIC to obtain up to \$10.8 billion of capital through the end of 1989 in addition to income streams generated from regular and special deposit insurance assessments, investment income, and asset disposition income. Whether such capital and additional income streams will be adequate to enable FSLIC to meet its obligations as they become due is not presently determinable. Included in the under- or uncollateralized advances of \$542,089,000 at December 31, 1987 (see Note 4) is approximately \$510,000,000 of advances to certain members of the Dallas FHLBank. Because of the deteriorated financial condition of these members, their ultimate ability to repay is uncertain. Management of the Dallas FHLBank believes, however, that FSLIC, if required to do so, will be able to perform, as Federal agencies have traditionally performed, under its guarantees of these advances to members. Accordingly, the financial statements include no provision for loss relating to this contingency (see Note 16).

Mortgage Corporation

In accordance with Section 306(c) of the Federal Home Loan Mortgage Corporation Act, the Bank Board has provided for the guarantee by the FHLBanks of certain borrowings of the Mortgage Corporation from the FHLBank of New York. Each FHLBank participates in the guarantee in proportion to its investment in the common stock of the Mortgage

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Corporation (see Note 8). At December 31, 1987, 1986, and 1985 the FHLBanks had guaranteed \$700,000,000, \$900,000,000, and \$1,150,000,000, respectively, of the Mortgage Corporation's borrowings from the FHLBank of New York in the form of pass-throughs of the proceeds of certain consolidated obligations.

Letters of Credit

Outstanding standby letters of credit totaled \$2,550,903,000, \$1,667,082,000, and \$877,948,000 at December 31, 1987, 1986, and 1985, respectively. The letters of credit are collateralized fully at the time of issuance.

NOTE 15 - EXTRAORDINARY ITEM - EARLY RETIREMENT OF DEBT

During 1987, the Indianapolis and Seattle FHLBanks retired \$224,000,000 and \$100,000,000, respectively, of their consolidated obligation bonds prior to scheduled maturities. The original coupons ranged from 7.0% to 14.55% resulting in a current loss on early retirement of \$10,408,000.

During 1986, the Seattle FHLBank retired \$75,000,000 of its consolidated obligation bonds prior to scheduled maturity, with original coupons ranging from 13.7% to 15.1% resulting in a current loss on early retirement of \$15,604,000.

NOTE 16 - SUBSEQUENT EVENT

In its consolidated statement of financial condition for the year ended December 31, 1987, the FSLIC reported a net loss from operations of \$8.6 billion and a reserve deficit of \$13.7 billion. In its report dated May 17, 1988, and issued on July 5, 1988, the Comptroller General of the United States issued the following opinion with respect to the aforementioned statement of condition and related matters:

"As a result of the above conditions, namely,

- the magnitude of the resolution costs for currently insolvent institutions,
- the uncertainties about the Corporation's future revenue streams,
- the Corporation's current \$13.7 billion deficit, and
- the industry's deteriorated financial condition,

we believe that further congressional action, beyond that already taken under the Competitive Equality Banking Act of 1987 to recapitalize the Corporation, may well be needed to enable the Corporation to continue to meet its obligations and provide the deposit insurance it is mandated to provide.

In our opinion, subject to the potential need for further congressional action to enable the Corporation to resolve the industry's problems and meet its obligations, the financial statements referred to above present fairly the financial position of the Federal Savings and Loan Insurance Corporation as of December 31, 1987 and 1986, and the results of its operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis."

Management of the FHLBank of Dallas continues to believe that FSLIC, if required to do so, will be able to perform, as Federal agencies have traditionally performed, under its guarantees of advances to members (See Note 14).

At July 15, 1988, advances by the FHLBank of Dallas collateralized only by the guarantee of FSLIC totalled \$738 million. In addition, at July 15, 1988, there were \$394 million of advances to members by the FHLBank of Dallas secured solely by FSLIC promissory notes. All amounts in this paragraph are unaudited.

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