FIRST QUARTER 2004
Financial Report

FEDERAL HOME LOAN BANK OF SEATTLE

Lending Strength®

Board of Directors

Executive Staff

Federal Home Loan Bank Seattle

1501 Fourth Avenue, Suite 1900
Seattle, Washington 98101-1693
206.340.2300 tel
206.340.2485 fax
www.fhlbsea.com

to our members

These have been challenging times for the Federal Home Loan Bank System and the members of our cooperative.

But I believe challenge makes us sharper and helps us work in a more proactive and strategic manner.

That has certainly been the case at the Federal Home Loan Bank of Seattle, where our strategic plan—the roadmap we follow in setting our current and future business goals—has been instrumental in guiding us through these past two years. It has helped us manage the impact that low interest rates have had on our earnings and our response to increasing legislative scrutiny and regulatory changes and demands.

All told, the demands on the Seattle Bank have been significant. But, based on our progress to date, we remain confident in the direction we are taking our business and in the prudence and effectiveness of our strategic plan.

In the first quarter of 2004, we paid an annualized dividend of 4.0 percent. Although it was 100 basis points below the 5.0 percent paid in the fourth quarter of 2003, it still compared favorably to market interest rates.

The driving force behind the decline in our dividend is the effect of the sustained low interest-rate environment. Lower interest rates reduce our yield on capital, which over time contributes about half of our earnings. Lower rates also compress our interest-rate spread, as our asset yields generally decline faster than our liability costs. Together, these factors resulted in first-quarter 2004 net income of $23.0 million, down from $34.5 million for the fourth quarter of 2003.

While sales into our Mortgage Purchase Program (MPP) were lower than budgeted during the quarter, our balance of mortgage loans held for portfolio increased to $11.5 billion, up from $11.2 billion at the end of 2003. Advances outstanding at the end of the first quarter were $18.4 billion, down from $19.7 billion at the end of the previous quarter, and our balance of investments increased to $20.7 billion, up from $20.0 billion at the end of 2003.

At its April 2004 meeting, our Board of Directors completed an assessment of the Seattle Bank's retained earnings policy and approved a new policy for the bank. The board took this action in response to 2003 guidance issued by our regulator, the Federal Housing Finance Board. The Finance Board recommended that each of the Federal Home Loan Banks (FHLBanks), at least annually, assess the adequacy of its retained earnings, in light of a number of possible financial and economic scenarios, and adopt a retained earnings policy with a defined target level of retained earnings and a plan to meet that target.

By statute, the Seattle Bank has two forms of permanent capital—Class B stock and retained earnings. The bank holds sufficient Class B stock to exceed both its minimum capital requirement and the risk-based capital standards required by statute and regulation. The new policy addresses the extent to which the Seattle Bank will hold retained earnings as part of the mix of its overall level of permanent capital. Conscious of the fact that it is our shareholders who ultimately bear the risk of any losses, whether in the form of retained earnings or capital stock, the Seattle Bank's retained earnings policy creates the following framework:

- We will hold retained earnings at a level sufficient to cushion the earnings volatility due to the application of certain accounting principles, including volatility caused by changes in the fair value of derivatives and amortization of premiums on mortgage-based securities.
- As under the existing capital plan, we will use capital stock to bear the risk of all remaining potential earnings volatility, including any potential losses stemming from operational, credit, and interest-rate risk. Therefore, in the event of future financial losses, capital stock will likely not be redeemable.

Applying this framework, the level of retained earnings held as of the end of the first quarter of 2004, $57.8 million (2.3 percent of total capital), meets the requirements of the new policy. However, our Board of Directors will review our level of retained earnings on a quarterly basis, in the context of the bank's risk profile. In addition, the Finance Board will review the policy as part of its annual examination process.

On the political front, the Senate Banking Committee held a hearing on April 1 to discuss an amendment to a Government Sponsored Enterprise (GSE) regulatory consolidation bill. Among other things, the bill, if passed, would create a new, independent regulatory agency for all of the housing GSEs—the FHLBanks, Fannie Mae, and Freddie Mac. The bill, in many respects, recognizes the unique ways in which the FHLBanks advance their housing finance mission and reaffirms their authority to provide liquidity and economic development funding to community financial institutions. It remains uncertain, however, as to whether further legislative action will occur on the GSE regulatory consolidation bill in 2004.

As we work through the challenges we face, we continue to implement our strategic plan—expanding our capacity to meet higher standards of financial disclosure, to grow our MPP to support our members' needs and to manage the risks that are inherent in our business. We made good progress toward our goals in the first quarter of 2004:

- Interest and participation in our MPP continue to grow, with 49 members approved to participate, 20 of which actively traded during the quarter, and with 12 applications in process. This program now represents approximately 20 percent of our assets and 50 percent of our net income, reinforcing its importance to our long-term strategic plan.
- We are well underway in our efforts to increase our capacity in terms of our staffing and systems to meet our business objectives. We have been able to attract high-caliber individuals with the specific experience we need to accomplish our goals. In

addition, we have acquired and begun implementing the new systems that will support the increasingly complex transactions related to managing our MPP and its associated risks, as well as our compliance with the Sarbanes-Oxley Act of 2002.

Although we cannot predict changes in the economy or political and regulatory outcomes, our efforts thus far in 2004 reflect the Seattle Bank's commitment to meeting our members' evolving business needs and protecting and enhancing the value of their investments in our cooperative.

With the focus of our strategic plan and the guidance of our Board of Directors and management team, we will continue to work diligently through this challenging and changing market and rate environment to partner with our members in building healthy communities and economies.

I look forward to seeing many of you at our 2004 Management Conference and Shareholder Address, May 19 – 21, in Seattle. If you haven't registered yet, please make plans to do so by visiting our Web site at www.events.fhlbsea.com or calling 206.340.2312.

Sincerely,

Norman B. Rice

NORMAN B. RICE
PRESIDENT AND CHIEF EXECUTIVE OFFICER

Contents

Management's Discussion and Analysis of Financial Condition and Results of Operations

This discussion and analysis reviews our financial condition as of March 31, 2004, our results of operations for the three months ended March 31, 2004 and 2003, and where appropriate, factors that may affect our future financial performance. This discussion should be read in conjunction with our Management's Discussion and Analysis of Financial Condition and Results of Operations and annual audited financial statements as of December 31, 2003, contained in our *2003 Annual Report,* and the unaudited financial statements and related condensed notes included in this report.

The amounts used to calculate percentage variances are based on numbers in thousands, and the amounts used to calculate average yields are based on whole numbers. Accordingly, recalculations of percentage variances and average yields may not produce the same results when the relevant amounts are disclosed only in thousands, millions, or billions.

FORWARD-LOOKING INFORMATION CONTAINED IN THIS REPORT IS SUBJECT TO RISK AND UNCERTAINTY

This report contains certain forward-looking statements. These statements describe our expectations regarding future events and developments, including future operating results, growth in assets, and continued success of our products. These statements include, without limitation, statements as to future expectations, beliefs, plans, strategies, objectives, events, conditions, and financial performance. The words "will," "believe," "expect," "intend," "may," "could," "should," "anticipate," and words of similar nature are intended in part to help identify forward-looking statements.

Future events are difficult to predict, and the expectations described in this report, including any forward-looking statements, are subject to risk and uncertainty that may cause actual results to differ materially from those we currently anticipate. Consequently, there is no assurance that the expected results will be achieved. Factors that may cause actual results to differ materially from those contemplated include, among others, the following:

- Changes in interest rates could reduce interest-rate spreads more than expected and could negatively affect other aspects of our business.
- A sustained low interest-rate environment could result in faster-than-expected prepayments and lower-than-expected yields on mortgage assets.
- Volatility of market prices, interest rates, and indices could affect the value of our investments and derivatives, as well as the value of collateral that we hold as security.
- Changes in investor demand for consolidated obligations could affect our borrowing costs and access to capital.
- Competitive pressure among financial institutions in the secondary mortgage market could increase, reducing the margins on the loans we purchase under our Mortgage Purchase Program (MPP).
- We may not be able to fully offset gains and losses on our securities held at fair value with gains and losses on our associated derivatives.
- Changes in our membership, such as the withdrawal of one or more large members, could affect our capital levels and our ability to generate income.
- Projected business volumes could be different than expected.
- Costs or difficulties related to the introduction of new products could be greater than expected.
- Legislation, regulatory requirements, ratings changes, or accounting rule changes could adversely affect the businesses in which we are engaged.
- If another Federal Home Loan Bank (FHLBank) were unable to do so, we could be required to make principal or interest payments on other FHLBanks' consolidated obligations.
- Local and national economic conditions could be less favorable than expected or could have a more direct and pronounced effect on our business than expected. Changes in these conditions could adversely affect our ability to continue our internal growth at historical rates and maintain the quality of our earning assets.
- Events of terrorism, natural disasters, or other catastrophic events could disrupt the capital markets in which we obtain funding, the ability of our borrowers to repay advances, or the value of collateral that we hold.

These cautionary statements apply to all related forward-looking statements, wherever they appear in this report. We do not undertake to update any forward-looking statements that we make in this report or that we may make from time to time.

Operating results for the three months ended March 31, 2004, are not necessarily indicative of the results that may be expected for the year ended December 31, 2004.

OVERVIEW

The Federal Home Loan Bank of Seattle (Seattle Bank), a federally chartered corporation, is one of 12 district FHLBanks that, along with the Federal Housing Finance Board (Finance Board), comprise the Federal Home Loan Bank System (Bank System). The FHLBanks serve the public by enhancing the availability of credit for residential mortgages and targeted community development. The Seattle Bank provides a readily available, low-cost source of funds to our member institutions.

The Seattle Bank is a cooperative in which member institutions own the capital stock of the bank and may receive dividends on their investments. Regulated financial depositories and insurance companies engaged in residential housing finance may apply for membership. All members must purchase stock in the Seattle Bank.

The Finance Board, an independent agency in the executive branch of the United States government, supervises and regulates the FHLBanks and the Office of Finance, the FHLBanks' agent for debt issuance. The Finance Board is charged with ensuring that the FHLBanks operate in a safe and sound manner, carry out their housing finance mission, remain adequately capitalized, and can raise funds in the capital markets. Also, the Finance Board establishes policies and regulations covering the operations of the FHLBanks. Each FHLBank operates as a separate entity with its own management, employees, and board of directors. The Seattle Bank does not currently have any special purpose entities or any other type of off-balance sheet conduits.

The FHLBanks' debt instruments (i.e., consolidated obligations) are the joint and several obligations of all the FHLBanks and the primary source of funds for the FHLBanks. Deposits, other borrowings, short-term investments, and capital stock issued to members provide additional funds. We primarily use these funds to provide advances to members and to purchase mortgage loans from members through our MPP.

During the first quarter of 2004, the Bank System, as well as other government-sponsored enterprises, continued to receive heightened regulatory, political, and market scrutiny. The Finance Board took no action on its proposed regulation that would, if adopted, require each FHLBank to register a class of its equity securities with the Securities and Exchange Commission (SEC). Congress has continued work on legislation aimed at changing the regulatory structure of several of the government-sponsored enterprises. This legislation, if passed, could result in all of the housing government-sponsored enterprises [i.e., Federal National Mortgage Association (Fannie Mae), Federal Home Loan Mortgage Corporation (Freddie Mac), and the FHLBanks] being placed under a new regulator. It is also likely that such legislation would contain a requirement that the FHLBanks register a class of their equity securities with the SEC. Although we cannot predict when, or if, any of these proposed regulatory and statutory changes will occur, we are committed to providing the highest level of public disclosure and transparency, and we continue to enhance our disclosures and disclosure practices with this quarterly report.

In November 2003, Standard & Poor's rating service revised the individual counterparty rating outlooks of the FHLBanks of Seattle, Chicago, and Indianapolis from stable to negative, citing concerns about the impact of growing mortgage-based asset portfolios on the banks' risk profiles. Standard & Poor's did not change the counterparty ratings and reaffirmed both the Seattle Bank's and the Bank System's ratings, which are AAA/A-1+.

Credit rating agencies may, from time to time, change a counterparty rating because of various factors, including operating results or actions taken, business developments, or changes in their opinion regarding, among other things, the general outlook for a particular industry or the economy. A change in a rating outlook by Standard & Poor's reflects their assessment of the potential direction of a long-term credit rating over the immediate- or longer-term.

We periodically provide the rating agencies with information, as requested, to address their questions regarding the MPP and to provide additional information on our operations. In late 2003, we met with Standard & Poor's and provided them with detailed information regarding the MPP, including its unique credit risk-sharing features, as well as the practices we use to manage interest-rate risk. The rating service did not change the Seattle Bank's counterparty rating outlooks or ratings during the first quarter of 2004; however, there can be no assurance that Standard & Poor's will change our counterparty rating outlook back to stable or that Standard & Poor's, Moody's Investors Service, or other rating agencies will not reduce our counterparty rating or their ratings on our consolidated obligations or those of the Bank System in the future.

Low interest rates continued to impact our net income and have increased the prepayment speeds on our mortgage-based assets. Increased prepayment speeds have resulted in a compression of our interest-rate spread, as the average yields on our interest-earning assets declined faster than the average yields on our cost of funds. We reinvested principal amounts received from the prepayments on the mortgage-based assets into new assets at prevailing market rates, which were generally lower than the assets replaced, while the consolidated obligation bonds that funded the original assets remained on our books. These factors were the primary drivers of the 44.2% decrease in our net income, to $23.0 million, for the three months ended March 31, 2004, compared to $41.2 million for the same period in 2003.

SUMMARY OF CRITICAL ACCOUNTING ESTIMATES

Our financial statements and reported results are prepared in accordance with accounting principles generally accepted in the United States, which require the use of estimates and assumptions that may affect the reported results and disclosures. Several of these accounting policies involve the use of accounting estimates that we consider to be critical as: (1) they are likely to change from period to period because they require significant management judgment and assumptions about highly complex and uncertain matters, and (2) the use of a different estimate or a change in estimate could have a material impact on our reported results of operations or financial condition. We review our estimates and assumptions frequently. Estimates and assumptions that are significant to the results of operations and financial condition include: (1) assets and liabilities reported at fair value, (2) accounting for derivatives, (3) allowance for credit losses, (4) amortization of premiums/accretion of discounts, (5) joint and several liability on the Bank System's consolidated obligations, and (6) liability for Resolution Funding Corporation (REFCORP). These critical accounting estimates are described in the Summary of Critical Accounting Estimates section of Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 1 to the financial statements, "Summary of Significant Accounting Policies," of our *2003 Annual Report*.

RESULTS OF OPERATIONS

The following table presents summary financial information for the periods indicated:

	For the Three Months Ended March 31		
(Unaudited)	2004	2003	% Increase (Decrease)
(in thousands, except percentage data)			
Interest Income			
Advances	**$ 107,221**	$ 132,670	(19.2)
Investments	**162,289**	155,570	4.3
Mortgage loans held for portfolio	**136,944**	112,475	21.8
Other		22	*
Total interest income	**406,454**	400,737	1.4
Interest Expense			
Consolidated obligations	**359,372**	330,620	8.7
Deposits	**2,734**	4,959	(44.9)
Other borrowings	**3**	75	(96.0)
Total interest expense	**362,109**	335,654	7.9
Net Interest Income	**44,345**	65,083	(31.9)
Other Income (Loss)			
Prepayment fees	**39**	697	(94.4)
Service fees	**593**	547	8.4
Net gain on sale of held-to-maturity securities	**3**		*
Net gain on securities held at fair value	**10,937**	1,094	899.7
Net loss on derivatives and hedging activities	**(13,910)**	(3,683)	277.7
Other, net	**26**	102	(74.5)
Total other income (loss)	**(2,312)**	(1,243)	86.0
Other Expense			
Operating	**9,419**	6,414	46.9
Finance Board and Office of Finance	**652**	851	(23.4)
Other	**693**	514	34.8
Total other expense	**10,764**	7,779	38.4
Income Before Assessments	**31,269**	56,061	(44.2)
Assessments	**8,296**	14,873	(44.2)
Net Income	**$ 22,973**	$ 41,188	(44.2)

* Calculation is not meaningful.

Net Interest Income

The main source of our earnings is net interest income, which consists of interest earned on advances, mortgage loans, and investments, less interest paid on consolidated obligations, deposits, and other borrowings. Net interest income is the primary measure used by management to monitor the performance of our ongoing operations. Net interest income decreased by 31.9%, to $44.3 million, for the three months ended March 31, 2004, compared to $65.1 million for the same period in 2003.

Our first quarter 2004 interest-rate spread was compressed, compared to the first quarter 2003, as the average yield on our interest-earning assets decreased at a faster rate than the average yield on our interest-bearing liabilities. This compression reduces the difference between the interest income we earn on our investments and the interest expense on our borrowings. The significant decline in our net interest margin reflects the impact of this compression. Net interest margin is calculated as net interest income divided by average interest-earning assets and measures our ability to earn a return on assets while leveraging the use of debt. Our net interest margin decreased by 24 basis points, to 36 basis points, for the three months ended March 31, 2004, compared to 60 basis points for the same period in 2003 (100 basis points equals 1.0%).

Net interest income comprises two elements: (1) earnings related to interest-rate spread, and (2) earnings on average capital.

Earnings Related to Interest-Rate Spread. Earnings related to interest-rate spread is calculated as the difference between the average yield on our interest-earning assets and the average yield on our interest-bearing liabilities. Earnings related to interest-rate spread decreased by $19.2 million, to $20.0 million, for the three months ended March 31, 2004, compared to $39.2 million for the same period in 2003.

Earnings related to interest-rate spread is impacted by the mix of our interest-earning assets and the composition of our interest-bearing liabilities, as well as by the timing of transactions and prevailing market conditions at the time of those transactions and by subsequent changes in the interest-rate environment. An increase in the interest-rate spread has a favorable impact on net interest income, and a decrease in the interest-rate spread has an unfavorable impact on net interest income.

The low interest-rate environment and faster-than-expected prepayment speeds on our mortgage-based assets continued to impact our earnings related to interest-rate spread. The low interest-rate environment has motivated homeowners to refinance their mortgage loans, resulting in prepayments on our mortgage-based assets. We reinvested principal prepayments on our mortgage-based assets into new assets at prevailing market rates, which were generally lower than the yields on assets replaced, while the higher-cost consolidated obligations that were issued to finance the original assets remained on our statement of condition.

Earnings related to interest-rate spread contributed 45% to our net interest income for the three months ended March 31, 2004, compared to 60% for the same period in 2003. The decline in our earnings related to interest-rate spread was due primarily to the compression of the interest-rate spreads on our interest-earning assets relative to our interest-bearing liabilities, which decreased by 22 basis points, to 17 basis points, for the three months ended March 31, 2004, compared to 39 basis points for the same period in 2003.

Earnings on Average Capital. Earnings on average capital is calculated as our average interest-earning assets less our average interest-bearing liabilities, multiplied by the average yield on interest-earning assets. Earnings on average capital decreased by $1.5 million, to $24.4 million, for the three months ended March 31, 2004, compared to $25.9 million for the same period in 2003. Average capital increased by $139.6 million, to $3.0 billion, for the three months ended March 31, 2004, compared to $2.8 billion for the same period in 2003.

Earnings on average capital is impacted by increases and decreases in our average capital, which is average interest-earning assets less average interest-bearing liabilities, and by increases and decreases in the average yield on interest-earning assets. Although our average capital increased, the earnings of $1.2 million related to the increase in average capital did not offset the decrease of $2.7 million in average yields on interest-earning assets. This resulted in a net decrease in our earnings on average capital of $1.5 million. The decline in the average yield on interest-earning assets was due to the maturities and prepayments of higher-yielding assets and reinvestment into assets at prevailing market rates, which were generally lower than rates on the assets replaced.

Earnings on average capital contributed 55% to our net interest income for the three months ended March 31, 2004, compared to 40% for the same period in 2003. Because of the large decrease in the earnings related to interest-rate spread, the earnings on average capital contributed a higher proportion of the total net interest income earnings for the three months ended March 31, 2004, compared to the same period in 2003.

The following table presents average balances and yields, and interest income and expense of major interest-earning asset and interest-bearing liability categories, for the three months ended March 31, 2004 and 2003. It also presents spreads between the average yield on total earning assets and the average cost of interest-bearing liabilities, as well as net interest margin for these periods.

	March 31, 2004			March 31, 2003		
For the three months ended	Average Balance	Interest Income / Expense	Average Yield %	Average Balance	Interest Income / Expense	Average Yield %
(in thousands, except average yield data)						
Interest-Earning Assets						
Advances to members	**$ 18,801,384**	**$ 107,221**	**2.29**	$ 20,078,488	$ 132,670	2.68
Mortgage loans	**11,553,524**	**136,944**	**4.77**	8,770,090	112,475	5.20
Investments	**19,409,785**	**162,289**	**3.36**	15,146,656	155,570	4.17
Other earning assets	**100**			7,291	22	1.31
Total interest-earning assets	**49,764,793**	**$ 406,454**	**3.28**	44,002,525	$ 400,737	3.69
Other assets	**280,281**			324,770		
Total Assets	**$ 50,045,074**			$ 44,327,295		
Interest-Bearing Liabilities						
Consolidated obligations	**$ 45,557,186**	**$ 359,372**	**3.17**	$ 39,408,329	$ 330,620	3.40
Member deposits	**1,221,080**	**2,734**	**0.90**	1,729,542	4,959	1.16
Other borrowings	**890**	**3**	**1.19**	18,611	75	1.64
Total interest-bearing liabilities	**46,779,156**	**$ 362,109**	**3.11**	41,156,482	$ 335,654	3.30
Other liabilities	**796,457**			779,445		
Capital	**2,469,461**			2,391,368		
Total Liabilities and Capital	**$ 50,045,074**			$ 44,327,295		
Net interest income		**$ 44,345**			$ 65,083	
Interest-rate spread			**0.17**			0.39
Net interest margin			**0.36**			0.60
Earnings related to interest-rate spread		**$ 19,960**			$ 39,164	
Earnings on average capital		**24,385**			25,919	
Net interest income		**$ 44,345**			$ 65,083	

Our net interest income, presented in the table above, is impacted by changes in the dollar volume (volume) of our interest-earning assets and interest-bearing liabilities and changes in the average yield (rate) for both the interest-earning assets and interest-bearing liabilities. For example, the interest income on advances and other loans declined by $25.5 million, to $107.2 million, for the three months ended March 31, 2004, compared to $132.7 million for the same period in 2003. As presented in the table below, the decrease of $25.5 million in interest income was due to a decline in the volume of advances and other loans during the period, which accounted for $8.1 million of the decrease, and a decrease in average yield, which accounted for $17.4 million of the decrease.

The following table summarizes increases and decreases in interest income, interest expense, and net interest income due to changes in the volume of interest-earning assets and interest-bearing liabilities and changes in the average yield:

For the three months ended March 31 (in millions)	2004 vs. 2003 Increase (Decrease)			2003 vs. 2002 Increase (Decrease)		
	Volume*	Rate*	Total	Volume*	Rate*	Total
Interest Income						
Advances and other loans	**$ (8.1)**	**$ (17.4)**	**$ (25.5)**	$ (20.5)	$ (20.5)	$ (41.0)
Mortgage loans	**33.5**	**(9.0)**	**24.5**	91.4	(6.3)	85.1
Investments	**38.9**	**(32.2)**	**6.7**	(19.2)	(24.6)	(43.8)
Total interest income	**64.3**	**(58.6)**	**5.7**	51.7	(51.4)	0.3
Interest Expense						
Consolidated obligations	**49.3**	**(20.6)**	**28.7**	23.0	(31.8)	(8.8)
Deposits and other borrowings	**(1.3)**	**(1.0)**	**(2.3)**	(1.2)	(2.3)	(3.5)
Total interest expense	**48.0**	**(21.6)**	**26.4**	21.8	(34.1)	(12.3)
Change in net interest income	**$ 16.3**	**$ (37.0)**	**$ (20.7)**	$ 29.9	$ (17.3)	$ 12.6

* Changes in interest income and interest expense not identifiable as either volume-related or rate-related, but rather equally attributable to both volume and rate changes, are allocated to volume and rate categories based upon the proportion of the absolute value of the volume and rate changes.

Interest Income. Interest income from advances decreased by 19.2%, to $107.2 million, for the three months ended March 31, 2004, compared to $132.7 million for the same period in 2003, due primarily to lower average yields. The average yield on advances declined to 2.3% for the three months ended March 31, 2004, from 2.7% for the same period in 2003, reflecting a shift from higher-yielding, longer-term advances to lower-yielding, shorter-term advances. Our advances portfolio is heavily weighted to shorter-term advances. Approximately 48% of the portfolio had a term to maturity of one year or less as of March 31, 2004, compared to approximately 29% as of March 31, 2003. In addition, our average advances balance decreased by $1.3 billion, to $18.8 billion, for the three months ended March 31, 2004, compared to $20.1 billion for the same period in 2003, accounting for 31.8% of the decline.

Interest income from mortgage loans purchased under the MPP has grown significantly since the launch of the program in 2001, as a result of our focus on building this segment of our business. The MPP is a residential mortgage purchase program under which we purchase government-insured and conventional residential mortgage loans, secured by one- to four-family residential structures, from participating financial institutions. Interest income on mortgage loans purchased under the MPP increased by 21.8%, to $136.9 million, for the three months ended March 31, 2004, compared to $112.5 million for the same period in 2003, due to an increase in the number of loans purchased. Interest income from mortgage loans purchased under the MPP was significantly higher for the three months ended March 31, 2004, compared to the same period in 2003. However, average yield was negatively impacted by low interest rates and accelerated recognition of premium amortization. This was due to the increase in prepayment speeds experienced during the period. Premium amortization on mortgage loans purchased under the MPP totaled $15.1 million and $12.1 million for the three months ended March 31, 2004 and 2003.

Interest income from investments, which includes shorter-term investments (e.g., interest-bearing deposits, securities purchased under agreements to resell, and federal funds sold), and longer-term investments (e.g., held-to-maturity securities and securities held at fair value), increased by 4.3%, to $162.3 million, for the three months ended March 31, 2004, compared to $155.6 million for the same period in 2003. Although our income on investments and our average investment balances increased in the first quarter of 2004, compared to the same period in 2003, interest income from investments was negatively impacted by an 81-basis-point decrease in the average yield. This reduction was a result of a significant amount of prepayments on our mortgage-backed securities caused by low interest rates and qualifying sales of our held-to-maturity mortgage-backed securities during 2003 and our subsequent reinvestment of the proceeds at lower prevailing rates.

Interest Expense. Interest expense on consolidated obligations increased by 8.7%, to $359.4 million, for the three months ended March 31, 2004, compared to $330.6 million for the same period in 2003. The average yields on our interest-bearing liabilities declined by 19 basis points, to 3.1%, for the three months ended March 31, 2004, compared to 3.3% for the same period in 2003.

We actively manage our debt portfolio to closely match the anticipated cash flows of our assets. The cash flows of mortgage loans and investments are dependent on borrower prepayment behavior. If mortgage interest rates rise, mortgage-based assets typically remain outstanding for a longer period of time. Likewise, when mortgage interest rates fall, mortgage loans tend to be prepaid, and our balances decline faster than originally expected. We seek to manage these changes in our outstanding balances by using a combination of callable and non-callable debt to closely match the expected principal balances outstanding on our mortgage-based assets, under a variety of expected prepayment scenarios. With callable debt, we have the option to repay the obligation, without penalty, prior to the contractual maturity date of the debt obligation. We would generally elect to repay the debt when interest rates fall and the debt can be refinanced at lower rates. However, there is typically a lock-out period before we can repay the debt.

During the fourth quarter of 2002, we purchased a significant number of mortgage loans under the MPP while interest rates were declining. Most of the callable debt issued to finance these loans could not be repaid for a minimum of one year. The net result was a reduction in our net interest-rate spread on our mortgage-based assets.

Interest expense on deposits continued to decrease because we reduced the interest rates we pay on deposits. Interest expense on deposits was $2.7 million and $5.0 million for the three months ended March 31, 2004 and 2003.

Other Income (Loss)

Other income (loss) includes member service fees, advance prepayment fees, gain and loss on derivatives and hedging activities, and other miscellaneous income (loss) not included in our core operations. Because of the type of financial activity reported in this category, other income (loss) can be volatile from one period to another. For instance, advance prepayment activity and associated fees may vary based on individual member liquidity and balance sheet restructuring activity, mergers and acquisitions among member institutions, and other factors. Gain and loss on derivatives and hedging activities are highly dependent on changes in interest rates and spreads between various interest-rate yield curves.

Total other loss increased by $1.1 million, to a loss of $2.3 million, for the three months ended March 31, 2004, compared to a loss of $1.2 million for the same period in 2003, due primarily to changes in net realized and unrealized losses on derivatives and hedging activities and net unrealized gain on securities held at fair value.

The following table summarizes the components of net realized and unrealized gain and loss on derivatives and hedging activities, as well as net unrealized gain on securities held at fair value, for the three months ended March 31, 2004 and 2003:

For the Three Months Ended (in thousands)	Advances	Securities Held at Fair Value	Mortgage Loans	Consolidated Obligations	Statement of Condition	Intermediary Positions	Total
March 31, 2004							
Net realized and unrealized gain (loss) on derivatives and hedging activities	**$ 1**	**$ (13,024)**	**$ 1,345**	**$ (3)**	**$ (2,198)**	**$ (31)**	**$ (13,910)**
Net unrealized gain on securities held at fair value		**10,937**					**10,937**
Total	**$ 1**	**$ (2,087)**	**$ 1,345**	**$ (3)**	**$ (2,198)**	**$ (31)**	**$ (2,973)**
March 31, 2003							
Net realized and unrealized gain (loss) on derivatives and hedging activities	$	$ (3,908)	$ (193)	$ 96	$ 537	$ (215)	$ (3,683)
Net unrealized gain on securities held at fair value		1,094					1,094
Total	$	$ (2,814)	$ (193)	$ 96	$ 537	$ (215)	$ (2,589)

Most of the change in net realized and unrealized gain and loss on derivatives and hedging activities is due to changes in the fair value of interest-rate swaps that economically hedge our securities held at fair value. We determine the change in fair value on securities held at fair value using quoted market prices from securities brokers. We determine the change in fair value on hedging instruments based on estimated fair values of interest-rate exchange agreements on instruments with similar terms or available market prices. Increases in the fair value of securities held at fair value are generally offset by decreases in the fair value of interest-rate swaps that economically hedge the investments, and decreases in the fair value of securities held at fair value are generally offset by increases in the fair value of interest-rate swaps. When changes in the fair value of securities held at fair value and interest-rate swaps do not offset each other, the residual amount is recorded as other income (loss) on the statement of income. Although we expect the majority of the changes in fair value of securities held at fair value to be offset by opposite changes in fair value of interest-rate swap agreements, there will be differences. The fair value of securities held at fair value is dependent on the relative value of agency debt securities, whereas the fair value of the derivatives is dependent on the relative value of interest-rate exchange agreements or swaps. While these two instruments are highly correlated, their changes in fair value are not exactly the same.

The realized and unrealized loss on the interest-rate swaps that economically hedge our U.S. agency securities held at fair value was $13.0 million for the three months ended March 31, 2004, compared to $3.9 million for the same period in 2003. Interest expense on these interest-rate swaps was $2.9 million and $2.8 million for the three months ended March 31, 2004 and 2003. Excluding the interest expense, the change in the fair value of the interest-rate swap resulted in losses of $10.1 million and $1.1 million for the three months ended March 31, 2004 and 2003. The unrealized loss in the fair value of the interest-rate swap was more than offset by unrealized gains in the fair value of securities held at fair value of $10.9 million and $1.1 million for the three months ended March 31, 2004 and 2003, resulting in residual net gains of $841,000 and $11,000.

Effective July 1, 2003, mortgage loan commitments are classified as derivatives, and the changes in the fair value are included in other income (loss). Prior to July 1, 2003, mortgage loan commitments and related hedge items were not classified as derivatives and were eligible for fair value hedge accounting treatment. As a result, only the ineffective portion between the mortgage loan commitment and the hedging instrument was recorded in current-period earnings. Net realized and unrealized gain and loss related to mortgage loan commitments was a gain of $1.3 million for the three months ended March 31, 2004, compared to a loss of $193,000 for the three months ended March 31, 2003.

We hold $700 million notional (face) amount of interest-rate caps that are included in the statement of condition category. These interest-rate caps are used to economically hedge changes in the fair value of our assets and liabilities. The change in the fair value of the interest-rate caps was a loss of $2.2 million for the three months ended March 31, 2004, compared to a gain of $537,000 for the three months ended March 31, 2003.

Other Expense

Total other expense increased by 38.4%, to $10.8 million, for the three months ended March 31, 2004, compared to $7.8 million for the same period in 2003. Other expense includes operating expenses, Finance Board and Office of Finance assessments, and other expenses. Operating expenses increased by 46.9%, to $9.4 million, for the three months ended March 31, 2004, compared to $6.4 million for the same period in 2003. The increase in operating expenses reflects incremental additions to staff to support the infrastructure required for our two operating segments and compliance with increased regulatory requirements and general pay and benefit increases.

Assessments

Total assessments decreased by 44.2%, to $8.3 million, for the three months ended March 31, 2004, compared to $14.9 million for the same period in 2003. The Federal Home Loan Bank Act of 1932, as amended (FHLB Act) requires each FHLBank to establish and fund an Affordable Housing Program (AHP) to provide resources to member institutions for housing development to assist in the purchase, construction, and rehabilitation of homes for qualified households. Also, each FHLBank is required to make payments to REFCORP to support the payment of interest on the bonds issued by REFCORP until all bonds issued are repaid.

SEGMENT RESULTS

We manage our operations by grouping our products into two operating segments: traditional member finance and the MPP. The traditional member finance segment includes revenues from advances and other member services and their related funding costs, as well as income from investment securities and their related funding costs. The MPP segment includes revenues from mortgage loans purchased from members and the related funding costs, as well as other assets, income, and expenses directly related to the MPP. The AHP and REFCORP assessments have been allocated to each segment, based on that segment's income as a percentage of total income before assessments.

Refer to Note 9 of the Condensed Notes to Financial Statements for information on our segment results.

Traditional Member Finance

Net Interest Income. Net interest income from the traditional member finance segment decreased 39.0%, to $28.3 million, for the three months ended March 31, 2004, compared to $46.5 million for the same period in 2003. Low interest rates continued to impact this segment, causing increases in the prepayment speeds on our mortgage-backed securities. These prepayments compressed our interest-rate spread as the average yields on our interest-earning assets declined faster than our average cost of funds. These assets are funded with consolidated obligation bonds and discount notes, which have specific redemption terms that may not match our prepayment experience on the assets. During the first quarter of 2004, we continued to reinvest principal received from prepayments on mortgage-backed securities into assets at prevailing market interest rates, which were generally lower than the interest rates on the assets replaced, while a portion of the consolidated obligation bonds that funded the original assets remained on our books.

The interest-rate spread in the traditional member finance segment decreased 20 basis points, to 13 basis points, for the three months ended March 31, 2004, compared to 33 basis points for the same period in 2003. Our average interest-earning assets increased $3.0 billion, to $38.2 billion, for the three months ended March 31, 2004, compared to $35.2 billion for the same period in 2003. Although our average interest-earning asset balance increased, the compression of the interest-rate spread offset the increase in interest income that might otherwise have been expected from the growth of the asset balance.

Advances outstanding decreased by $1.3 billion, to $18.4 billion, as of March 31, 2004, compared to $19.7 billion as of December 31, 2003. When interest rates are low, consumers generally maintain a larger amount of cash in their bank accounts, which tends to increase the level of liquidity for our member institutions. Because customer deposits at member institutions generally represent a less expensive source of liquidity than advances, demand for advances tends to decline when interest rates are low. In addition, our average yield on advances declined as interest rates declined. The average balances for advances decreased 6.4%, to $18.8 billion, for the three months ended March 31, 2004, compared to $20.1 billion for the same period in 2003. The average yield on advances decreased 39 basis points, to 2.3%, for the three months ended March 31, 2004, compared to 2.7% for the same period in 2003, reflecting a shift from higher-yielding, longer-term advances to lower-yielding, shorter-term advances. Our advances portfolio is heavily weighted to shorter-term advances. Approximately 48% of the portfolio had a term to maturity of one year or less as of March 31, 2004, compared to approximately 29% for the same period in 2003.

Average balances for investments were $19.4 billion and $15.1 billion for the three months ended March 31, 2004 and 2003. Average yields on our investments declined by 80 basis points, to 3.4%, for the three months ended March 31, 2004, compared to 4.2% during the same period in 2003. The decrease in average yields was a result of a significant amount of prepayments on our mortgage-backed securities caused by low interest rates and qualifying sales of our held-to-maturity mortgage-backed securities during 2003 and our subsequent reinvestment of the proceeds at lower prevailing rates.

Other Income (Loss). Total other loss for the traditional member finance segment increased by $2.6 million, to $3.7 million, for the three months ended March 31, 2004, compared to $1.1 million for the same period in 2003. The increase in the loss was due primarily to net unrealized and realized loss on derivatives and hedging activities and net unrealized gain on securities held at fair value.

Most of the net realized and unrealized loss on derivatives and hedging activities for the three months ended March 31, 2004 and 2003, was due to changes in the fair values of the interest-rate swaps that economically hedge our securities held at fair value.

Other Expense. Other expense increased by 35.9%, to $9.6 million, for the three months ended March 31, 2004, compared to $7.1 million for the same period in 2003. Other expense primarily consists of operating expenses, which include staffing costs, facilities costs, professional fees, and other costs. Increases in salaries and benefits in the traditional member finance segment reflect higher staffing levels to address the increasingly complex nature of our regulatory environment and general increases in pay and benefits.

Mortgage Purchase Program

Net Interest Income. Net interest income from loans purchased under the MPP decreased by 13.9%, to $16.0 million, for the three months ended March 31, 2004, compared to $18.6 million for the same period in 2003. Average interest-earning assets increased $2.8 billion, to $11.6 billion, for the three months ended March 31, 2004, compared to $8.8 billion for the same period in 2003. Although our average asset balance increased, the compression of the interest-rate spread offset the increased interest income that might otherwise have been expected from the growth of the asset balance, thereby negatively impacting income. Our interest-rate spread decreased 29 basis points, to 34 basis points, for the three months ended March 31, 2004, compared to 63 basis points for the same period in 2003. The interest-rate spread compression is primarily due to the increased prepayment speeds on mortgage loans purchased under the MPP. Because the principal received as a result of rapid paydowns was reinvested into mortgage loans at the prevailing market rates, which were generally lower yielding than the mortgage loans replaced, the spread between the original debt and the new assets declined.

In addition, because of rapidly declining interest rates over the past two years, many of the mortgage loans purchased under the MPP were purchased at a price greater than the outstanding principal amount (i.e., at a premium). Mortgage loans carry a premium price in a declining interest-rate environment when the contractual rate on the mortgage loans is higher than prevailing market rates. The premium is amortized and recognized as an adjustment to interest income, on a level-yield basis, taking into consideration the expected life of the mortgage loan. In determining the expected life of a mortgage loan, we take into consideration the actual as well as the forecasted cash flows, which are subject to change as borrower prepayments are expected to change. Typically, the expected life will increase as interest rates increase and decrease as interest rates decrease. Our average yields and net interest income were negatively impacted by the accelerated recognition of premium amortization due to rapid prepayments on mortgage loans purchased under the MPP. Premium amortization on mortgage loans purchased under the MPP totaled $15.1 million and $12.1 million for the three months ended March 31, 2004 and 2003.

Average yields were not impacted by credit losses for either the three months ended March 31, 2004, or the three months ended March 31, 2003. We have not experienced any credit losses on our MPP investments since the program's inception. The conventional mortgage loans that we purchase under the MPP are credit-enhanced by our member institutions to a level equivalent to at least an investment-grade rating. Additionally, the conventional mortgage loans are covered by supplemental mortgage insurance sufficient to raise the credit quality of the loan pools to the equivalent of an AA rating. Based on our analysis of the mortgage loan portfolio, we have determined that the credit enhancements provided by the sellers and the supplemental mortgage insurance are currently sufficient to cover expected credit losses and that an allowance for credit loss is unnecessary.

Other Income (Loss). Other income (loss) increased by $1.5 million, to $1.4 million, for the three months ended March 31, 2004, up from a $184,000 loss for the same period in 2003. Other income (loss) includes fair value adjustments on our mortgage delivery commitments to purchase mortgage loans from participating financial institutions. These mortgage delivery commitments are considered derivative instruments and are recorded in our financial statements at fair value. Other income (loss) also includes pair-off fees, which are fees that we charge to participating financial institutions when the amount of loans they deliver to us differs from the committed amount.

Other Expense. Other expense increased 62.8%, to $1.1 million, for the three months ended March 31, 2004, compared to $702,000 for the same period in 2003. Other expense includes operating expenses and other infrastructure costs associated with the ongoing operations of the MPP. The expense increase reflects growth in our staffing, facilities, and information systems needed to support growth of the MPP segment.

FINANCIAL CONDITION

Advances

Advances totaled $18.4 billion and $19.7 billion as of March 31, 2004 and December 31, 2003. The decrease was due primarily to the maturity and non-renewal of approximately $780 million of advances to one member institution and approximately $400 million to another member institution.

Average advances decreased by $1.3 billion, to $18.8 billion, as of March 31, 2004, compared to $20.1 billion for the same period in 2003. This decrease was primarily due to a decline in the use of advances by larger member institutions ($3.0 billion and above in assets). Member institutions with smaller asset sizes (below $3.0 billion) continued to use and grow their advance balances during 2004.

As of March 31, 2004 and December 31, 2003, five member institutions held approximately 61% of our outstanding advances balances. One member institution had advances totaling approximately 31% of our outstanding advances as of March 31, 2004, compared to two members with approximately 42% as of December 31, 2003. No other member had more than 10% of advances outstanding during these periods. Because only a few members hold a large percentage of our advances, changes in their borrowing decisions cause volatility in the amount of our advances outstanding.

New advances totaled $9.0 billion and $8.9 billion for the three months ended March 31, 2004 and 2003, compared to repayments of $10.3 billion and $8.7 billion during the same periods. Many of the new advances were shorter-term in nature, with advances with maturities of more than one year declining to approximately 52% of outstanding advances as of March 31, 2004, compared to approximately 71% as of March 31, 2003.

Member institutions regularly evaluate financing options as their advances mature. The demand for advances is affected by many factors, including interest rates and changes in member institution needs. In a low interest-rate environment, our member institutions typically have less need for advances. Demand for advances declined largely because increases in cash balances held by our member institutions provided a less expensive source of liquidity.

Variable-rate advances accounted for 33.6% and 36.7% of advances outstanding as of March 31, 2004, and December 31, 2003. Convertible advances totaled approximately $3.6 billion of advances as of March 31, 2004, and December 31, 2003. With a convertible advance, we effectively purchase a put option from the member, which allows us to terminate the fixed advance prior to maturity. We would typically terminate a convertible advance when interest rates increase above the interest rate on the fixed-rate advance. If the convertible advance is terminated, we would provide alternative funding, at the current advance rates.

We believe that the demand for new advances is likely to remain modest in our district, and given the current economic environment, we do not expect significant growth in advances in the near term. If maturing advances are not replaced with new advances, we expect to reinvest the cash into investment assets or reduce our consolidated obligations as they mature.

Refer to Note 5 of the Condensed Notes to Financial Statements for additional information on advances.

Credit Risk. At the end of 2003, we classified as substandard $194.0 million of advances and $530,000 of letters of credit to two insurance companies. As of March 31, 2004, the advances outstanding to these two insurance companies totaled $180.0 million and the letters of credits totaled $530,000. During April 2004, one insurance company repaid its outstanding advance. As of April 30, 2004, the advances outstanding totaled $173.5 million and the letters of credit totaled $250,000. In 2004, both companies were placed in receivership by their state regulators. This credit exposure is fully collateralized with high-grade, marketable securities under our control. Because the two borrowers have continued to pay the Seattle Bank according to contractual requirements and because of our collateral position, interest continues to accrue on the advances. We expect full repayment, and we have concluded that, given current circumstances, no allowance for credit losses is necessary.

Investments

Investments increased by $659.5 million, to $20.7 billion, as of March 31, 2004, compared to $20.0 billion as of December 31, 2003. Our principal investments are as noted in the table below:

(in thousands)	March 31, 2004	December 31, 2003
Mortgage-backed securities	**$ 7,303,783**	$ 7,245,569
U.S. agency obligations	**5,068,871**	5,569,228
Other FHLBanks' bonds	**4,500,689**	3,500,000
Federal funds sold	**2,717,900**	2,506,500
Other	**1,080,980**	1,184,822
State or local housing agency obligations	**34,664**	41,273
Total	**$ 20,706,887**	$ 20,047,392

Finance Board regulations limit each FHLBank's investment in mortgage-backed securities to 300% of the bank's capital. Our total investment in mortgage-backed securities was $7.3 billion and $7.2 billion as of March 31, 2004, and December 31, 2003, which represented 294.7% and 295.1% of our total capital. The mortgage-backed securities balances as of March 31, 2004, and December 31, 2003, consisted of $1.8 billion and $2.0 billion in Freddie Mac securities, respectively, and $1.7 billion of investments in Fannie Mae securities for both periods.

We invest in U.S. agency obligations, including securities issued by other government-sponsored enterprises. U.S. agency obligations decreased by $500.4 million, to $5.1 billion, as of March 31, 2004, compared to $5.6 billion as of December 31, 2003. These investments consisted of $1.8 billion and $2.3 billion of Fannie Mae debt securities as of March 31, 2004, and December 31, 2003, and $2.4 billion of Freddie Mac debt securities for both periods. The Finance Board limits our investments in the debt of any one government-sponsored enterprise debt to 100% of our capital, with the exception of FHLBank investments, which have no limits. Our investment in other FHLBanks' consolidated obligations totaled $4.5 billion and $3.5 billion as of March 31, 2004, and December 31, 2003. The increase in held-to-maturity securities as of March 31, 2004, compared to December 31, 2003, was due primarily to the reinvestment of proceeds from the maturity of $1.3 billion in advances during the first quarter of 2004.

We currently hold $72.6 million in mortgage-backed securities with unrealized losses of $1.2 million that have been in a continuous unrealized loss position for over 12 months. Based on the creditworthiness of the issuers and underlying collateral, we believe that these unrealized losses represent temporary impairments. If these unrealized losses proved not to be temporary, we could be required to establish an allowance for losses on these investments. A table summarizing the held-to-maturity securities with unrealized losses as of March 31, 2004, is included in Note 3 of the Condensed Notes to Financial Statements.

Mortgage Loans

As of March 31, 2004, the MPP included 49 member institutions approved to participate, 20 of which actively participated during the quarter, and 12 member institutions with applications in process, compared to 45, 25, and 10, as of December 31, 2003. Through March 31, 2004, we have purchased over 86% of our existing mortgage loan portfolio from one member institution and over 97% of our mortgage loan portfolio from three participating financial institutions. Consequently, changes in the volume of mortgage loan originations of these members may cause volatility in the volume of loans we purchase under the MPP. We are actively working to increase the number of members participating in the MPP to enable us to broaden our participating financial institution base.

The total outstanding principal value of mortgage loans purchased through the MPP was $11.4 billion and $11.1 billion as of March 31, 2004, and December 31, 2003. This balance comprised $8.9 billion and $8.6 billion in conventional mortgage loans held as of March 31, 2004, and December 31, 2003, and $2.5 billion in government-insured mortgage loans held on both dates. The balance of total mortgage loans held for portfolio increased to $11.5 billion as of March 31, 2004, from $11.2 billion as of December 31, 2003.

Since late 2002, the Seattle Bank and the other FHLBanks offering the MPP have been in discussions with the principal federal banking agencies regarding the appropriate risk-based capital treatment of the MPP by participating financial institutions. Our member institutions are required to maintain a minimum risk-based capital requirement that is calculated based on the composition of their assets and liabilities. A higher minimum risk-based capital requirement could impact the volume of loans that the participating financial institution sells to the FHLBanks. We are working to answer the questions that have been raised by the federal banking agencies with respect to the MPP's regulatory capital treatment, and we believe that this inquiry will be favorably resolved. However, depending on the resolution of this issue, we may modify the MPP to address this issue.

Derivative Assets and Liabilities

As of March 31, 2004, and December 31, 2003, we had derivative assets of $61.9 million and $45.8 million and derivative liabilities of $321.8 million and $306.5 million. Interest-rate exchange agreements are considered derivative instruments, and we classify them as derivative assets or liabilities according to the net fair value of the derivatives with each counterparty. If the net fair value of the derivatives with a counterparty is positive, it is classified as an asset; if the net fair value of the derivatives with a counterparty is negative, it is classified as a liability. Increases and decreases in the fair value of an interest-rate exchange agreement are caused by increases and decreases in interest rates that translate into changes in the fair value.

Funding

We fund our operations primarily with proceeds from the issuance of consolidated obligations in the financial markets. Member deposits, capital, short-term investments and, to a lesser extent, repurchase agreements are also funding sources. We make significant use of interest-rate exchange agreements to restructure interest rates on consolidated obligations to better match our funding needs and to reduce funding costs. We are able to obtain favorable funding for our operations because of our ability to access the financial markets, particularly through the sale of consolidated obligations across the entire maturity spectrum and through a variety of debt structures.

Consolidated Obligations. Finance Board regulations govern the issuance of debt on behalf of the FHLBanks, and the Office of Finance is responsible for issuing and servicing consolidated obligations. All of the FHLBanks are jointly and severally liable for the consolidated obligations issued under the FHLB Act. We record our allocated portion of the combined consolidated obligations, but do not record our joint and several liability relative to the other FHLBanks' consolidated obligations on our statement of condition, on the basis that its occurrence is conditional on the default of another FHLBank. The probability of failure of each of the other FHLBanks would have to be determined and evaluated against the particular FHLBank's debt level. The possibility that one of the FHLBanks would be unable to repay its participation is considered remote.

FHLBanks are not permitted to issue individual debt under the FHLB Act without Finance Board approval. We have not issued any such debt. Consolidated obligations are issued in the form of either discount notes or bonds.

Consolidated Obligation Discount Notes. Consolidated obligation discount notes have maturities of up to 360 days and are a significant funding source for advances with short-term maturities or short repricing intervals, for convertible advances, and for money-market investments. Discount notes are sold at a discount to, and mature at, par. Our allocated portion of the combined consolidated obligation discount notes outstanding was $6.8 billion and $6.6 billion as of March 31, 2004, and December 31, 2003.

Consolidated Obligation Bonds. Consolidated obligation bonds satisfy longer-term funding requirements and have maturities ranging from one year to 20 years. The maturity terms are not subject to any statutory or regulatory limit. Consolidated obligation bonds can be issued and distributed through negotiated or competitively bid transactions with approved underwriters or selling group members. We use a number of different structures and maturity terms to meet our funding needs. Our allocated portion of the combined consolidated obligation bonds outstanding was $39.3 billion and $39.9 billion as of March 31, 2004, and December 31, 2003. Refer to Note 7 of the Condensed Notes to Financial Statements for additional information on consolidated obligation bonds.

Other Liabilities

Other liabilities increased by $130.0 million, to $264.9 million, as of March 31, 2004, compared to $134.9 million as of December 31, 2003. Other liabilities primarily included $249.2 million and $119.9 million of investments purchased but not settled as of March 31, 2004, and December 31, 2003.

Capital Resources, Retained Earnings and Dividends

Capital Resources. Our capital increased by 0.9%, to $2.5 billion, as of March 31, 2004, compared to $2.5 billion as of December 31, 2003.

Our capital plan offers two classes of Class B stock, each of which has a par value of $100. Each class of stock is issued, redeemed, and repurchased only at par value. Members are required to hold Class B(1) stock equal to the sum of: (1) 3.5% of the member's outstanding principal balance of advances; (2) $500 or 0.75% of the member's home mortgage loans; and (3) 5.0% of the outstanding principal balance of loans that the member has sold the Seattle Bank under the MPP, minus the amount in (2) above (cannot be less than 0). Members can also hold some amount of Class B(1) stock in excess of the required balance under certain circumstances. Members cannot purchase Class B(2) stock and are not required to hold any amount of Class B(2) stock. Any Class B(1) stock held by members that exceeds the permitted amount of Class B(1) stock will automatically convert to Class B(2) stock five days after the Seattle Bank notifies the member of that conversion. We regularly monitor our members' activity-based stock requirements and notify members of any changes.

Member stock requirements are based on the volume of activity with the Seattle Bank. Class B(1) stock decreased by $45.8 million, to $2.2 billion, as of March 31, 2004, compared to $2.3 billion as of December 31, 2003, as member institutions' stock holdings decreased based on changes in their activity levels during the period. Class B(2) stock increased by $67.7 million, to $181.2 million, as of March 31, 2004, compared to $113.5 million as of December 31, 2003, as Class B(1) stock was converted to Class B(2) due to limits on the amount of excess Class B(1) stock that a member can hold.

We are subject to three statutory capital requirements, as follows:

First, we are required to hold risk-based capital equal to the sum of our credit-risk requirement, market-risk requirement, and operations-risk requirement, calculated in accordance with Finance Board regulations. As of March 31, 2004, we were in compliance with this regulatory requirement. Only permanent capital, defined as retained earnings and Class B stock, can satisfy the risk-based capital requirement. The Finance Board may require the Seattle Bank to maintain a greater amount of permanent capital than is required by the risk-based capital requirements as defined but has not done so.

(in thousands)	March 31, 2004	December 31, 2003
Permanent Capital		
Class B(1) stock	**$ 2,239,190**	$ 2,285,032
Class B(2) stock	**181,179**	113,473
Retained earnings	**57,754**	57,177
Permanent capital	**$ 2,478,123**	$ 2,455,682
Risk-Based Capital Requirement		
Credit-risk capital	**$ 168,424**	$ 172,940
Market-risk capital	**373,799**	361,599
Operations-risk capital	**162,666**	160,362
Risk-based capital requirement	**$ 704,889**	$ 694,901

Second, the Gramm-Leach-Bliley Act (GLB Act) imposes a 5% minimum leverage ratio based on total capital, which includes a 1.5 weighting factor applicable to permanent capital. As of March 31, 2004, we were in compliance with this requirement. A minimum leverage ratio, which is defined as total capital (with permanent capital multiplied by 1.5) divided by total assets, is intended to ensure that the Seattle Bank maintains a sufficient amount of capital to service our debt. The leverage ratio measures the degree to which we use debt. Leverage ratios that are closer to the 5% minimum indicate that the FHLBank has reached its maximum capacity to issue debt, and leverage ratios that exceed the 5% minimum indicate that the FHLBank has additional capacity to fund its operations through debt.

(in thousands, except ratio data)	March 31, 2004	December 31, 2003
Leverage Ratio		
Minimum leverage capital (5% of total assets)	**$ 2,544,651**	$ 2,558,191
Leverage capital (includes 1.5 weighting factor applicable to permanent capital)	**$ 3,717,185**	$ 3,683,523
Leverage ratio (leverage capital as a percentage of total assets)	**7.3%**	7.2%

Third, the GLB Act imposes a 4% minimum capital ratio that does not include the 1.5 weighting factor applicable to permanent capital. As of March 31, 2004, we were in compliance with this requirement. This ratio, which is defined as total capital over total assets, does not weight permanent capital. The capital ratio is another measure used to monitor our operations. Capital ratios that are closer to the 4% minimum indicate that the FHLBank has fully utilized its capital resources to run its operations, and capital ratios that exceed the 4% minimum indicate that the FHLBank has additional capacity to grow its asset base to increase its earnings capacity.

(in thousands, except ratio data)	March 31, 2004	December 31, 2003
Capital Ratio		
Minimum capital (4% of total assets)	**$ 2,035,721**	$ 2,046,553
Capital ratio (permanent capital as a percentage of total assets)	**4.9%**	4.8%

Retained Earnings. Retained earnings increased by 1.0%, to $57.8 million, as of March 31, 2004, compared to $57.2 million as of December 31, 2003. The increase of $577,000 for the three months ended March 31, 2004, resulted from net income of $23.0 million less dividends paid to member institutions of $22.4 million.

In 2003, the Finance Board issued guidance to the FHLBanks calling for each FHLBank, at least annually, to assess the adequacy of its retained earnings in light of alternative possible future financial and economic scenarios, including parallel and non-parallel interest-rate shifts, changes in the basis relationship between different yield curves, and changes in the credit quality of the FHLBank's assets. Each FHLBank's board of directors is expected to adopt a retained earnings policy that includes a target level of retained earnings, as well as a plan that will enable the FHLBank to reach the target level of retained earnings.

In April 2004, the Seattle Bank's Board of Directors adopted a retained earnings policy and a target level of retained earnings. This policy's target level of retained earnings is intended to help cushion the earnings volatility due to the application of certain accounting principles, including volatility caused by changes in the fair value of derivatives and amortization of premiums on mortgage-based securities. If our retained earnings were not sufficient to cover the volatility in our earnings due to the application of accounting principles, including volatility stemming from operational, credit, and interest-rate risk, Class B stock would be used to cover all remaining losses. This policy will be reviewed quarterly by our Board of Directors and is subject to change based on changes in our operations. As part of its ongoing supervision, the Finance Board also will review this policy.

Based on current circumstances, a retained earnings level of $35.0 million would be required to comply with the retained earnings policy and target level of retained earnings. As of March 31, 2004, our retained earnings balance of $57.8 million exceeded the retained earnings required to meet the target level under the retained earnings policy. Future quarterly reviews and changes in our operations may result in adjustments to the required level of retained earnings.

Dividends. We may pay dividends from current income and retained earnings. Our Board of Directors may declare and pay dividends in either cash or capital stock. Dividends on Class B(1) stock totaled $22.1 million, and dividends on Class B(2) stock totaled $273,000 for the three months ended March 31, 2004. The 2004 annualized dividend rate for Class B(1) stock was 4.00% and for Class B(2) stock was 0.64% as of March 31, 2004, compared to 6.75% and 0.79% for the same period in 2003.

Although we expect to continue paying dividends in the foreseeable future, payment of future dividends is subject to the discretion of our Board of Directors and satisfaction of regulatory requirements. The amount and timing will depend on many factors, including our financial condition, earnings, capital requirements, retained earnings policy, regulatory constraints, legal requirements, and other factors that our Board of Directors deems relevant.

During 2004 and 2003, our Board of Directors declared dividends in the form of stock only, with cash paid for any fractional shares.

The following table represents the dividends paid in 2004 and 2003 on Class B(1) stock.

Class B(1) Stock	2004 Amount	2004 Annualized Dividend Rate	2003 Amount	2003 Annualized Dividend Rate
(in thousands, except annualized dividend rate data)				
First Quarter	**$ 22,120**	**4.00%**	$ 35,005	6.75%
Second Quarter			28,448	5.25%
Third Quarter			29,659	5.25%
Fourth Quarter			28,636	5.00%
Total	**$ 22,120**	**4.00%**	$ 121,748	5.56%

The following table represents the dividends paid in 2004 and 2003 on Class B(2) stock.

Class B(2) Stock	2004 Amount	2004 Annualized Dividend Rate	2003 Amount	2003 Annualized Dividend Rate
(in thousands, except annualized dividend rate data)				
First Quarter	**$ 276**	**0.64%**	$ 449	0.79%
Second Quarter			412	0.73%
Third Quarter			324	0.65%
Fourth Quarter			200	0.67%
Total	**$ 276**	**0.64%**	$ 1,385	0.71%

LIQUIDITY

We serve the public by enhancing the availability of credit to our member institutions for residential mortgage loans and targeted community development. We are required to maintain liquidity in accordance with Finance Board regulations and policies established by our Board of Directors. We actively manage our liquidity to preserve stable, reliable, and cost-effective sources of cash to meet all current and future normal operating financial commitments.

In their asset/liability management planning, member institutions may look to the Seattle Bank to provide standby liquidity. We seek to be in a position to meet our member institutions' credit and liquidity needs without maintaining excessive holdings of low-yielding liquid investments or being forced to incur unnecessarily high borrowing costs. Our primary sources of liquidity are short-term investments and new consolidated obligations. Other short-term borrowings, including federal funds purchased, securities sold under agreements to repurchase, and loans from other FHLBanks, provide additional liquidity. To ensure that adequate liquidity is available to meet our cash requirements, we monitor and forecast our future cash flows and our members' liquidity needs, and we adjust funding and investment strategies as needed.

We have ready access to funding at relatively favorable spreads to U.S. Treasury rates. However, the U.S. government does not guarantee FHLBank debt.

We maintain contingency liquidity plans designed to enable us to meet our obligations and the liquidity needs of our members in the event of operational disruptions at the Seattle Bank or the Office of Finance, or in the event of short-term financial market disruptions. These include back-up funding sources in the repurchase and federal funds markets. We continuously monitor our liquidity position and anticipated funding needs. If an operational disruption occurred in which the Bank System was not able to issue consolidated obligations, we could borrow against our held-to-maturity investment portfolio to meet funding needs.

Quantitative and Qualitative Disclosures about Market Risk

Our operating segments provide our member institutions and housing associates with advances and other credit products with a wide range of maturities and terms and provide our members with an alternative funding source in the secondary mortgage market. The principal sources of funds for these activities are consolidated obligations and, to a lesser extent, capital and deposits from member institutions. Lending and investing funds and engaging in interest-rate exchange agreements may expose us to a number of risks, including credit, interest-rate, operational, and business risks. We have established policies and practices to evaluate and to control these risks. In addition, the Finance Board has established regulations governing our risk management practices, and we file periodic compliance reports with the Finance Board.

We do not currently have any special purpose entities or any other type of off-balance sheet conduits. All derivatives are recorded in the statement of condition at fair value. Finance Board regulations prohibit the speculative use of interest-rate exchange agreements, and we do not trade derivatives for short-term profit.

Interest-Rate Risk Management

We measure interest-rate risk exposure by a variety of methods, including calculation of duration of equity. Duration measures the time required to recapture an investment and reinvest repaid principal. Duration of equity is the market-value-weighted duration of assets minus the market-value-weighted duration of liabilities, divided by the market value of equity. In this calculation, we consider all components of capital as equity. Duration of equity shows the sensitivity of market value of equity to changes in interest rates. Higher duration numbers, whether positive or negative, indicate greater potential volatility of the market value of equity. The value of an instrument with a duration of five years will change by approximately 5% with a one percentage point change in interest rates. Under our current policy, duration of equity must stay within a range of +5 to -5 years when measured using current interest rates. It must stay within a range of +7 to -7 years when measured under an instantaneous parallel increase or decrease in interest rates of 200 basis points. However, with three-month treasury rates below 1%, a decrease of 200 basis points would result in short-term rates below zero. As a result, we believe that a parallel decrease of 60 basis points provides a more reasonable measure of our duration of equity in a low interest-rate environment. We report the results of our duration of equity calculations to the Finance Board each quarter.

The following table summarizes the interest-rate risk associated with our financial instruments outstanding as of March 31, 2004, and December 31, 2003, based on the duration of equity in years:

Duration of Equity (in years)	March 31, 2004	December 31, 2003
Up 200 basis points	**6.4**	6.4
Base	**4.9**	4.1
Down 60 basis points	**3.8**	3.2

In calculating and measuring duration of equity, we also calculate and measure our duration gap (i.e., the difference between the durations of assets and liabilities). Duration gap summarizes the extent to which estimated cash flows for assets and liabilities are matched, on average, over time and across interest-rate scenarios. A positive duration gap signals a greater exposure to rising interest rates because it indicates that the duration of our assets exceeds the duration of our liabilities. A negative duration gap signals a greater exposure to declining interest rates because the duration of our assets is less than the duration of our liabilities.

The following table summarizes the range of our duration gap in months between our assets and liabilities:

Duration Gap During the Period Ranged: (in months)	March 31, 2004	December 31, 2003
From	**1.1**	(2.9)
To	**2.0**	1.3

Refer to our *2003 Annual Report* for additional discussion about Quantitative and Qualitative Disclosures about Market Risk.

Interest-Rate Exchange Agreements

Total notional (face) amount of interest-rate exchange agreements outstanding was $15.0 billion as of March 31, 2004, compared to $17.5 billion as of December 31, 2003. The notional amount of these agreements serves as a factor in determining periodic interest payments or cash flows received and paid, and does not represent actual amounts exchanged or our exposure to credit or market risk. The amount potentially subject to credit loss is much less. Notional values are not meaningful measures of the risks associated with interest-rate exchange agreements or other derivatives, which can only be meaningfully measured on a market-value basis, taking into consideration the cost of replacing interest-rate exchange agreements with similar agreements from a highly rated counterparty.

We record all derivative instruments on the statement of condition at their fair values. We classify derivative assets and derivative liabilities according to the net fair value of derivatives with each counterparty. If the net fair value of derivatives with a counterparty is positive, the net amount is classified as an asset; if the net fair value of derivatives with a counterparty is negative, it is classified as a liability. As of March 31, 2004, and December 31, 2003, we held derivative assets of $61.9 million and $45.8 million. As of March 31, 2004, and December 31, 2003, we held derivative liabilities of $321.8 million and $306.5 million.

The following table categorizes the estimated fair value of derivative financial instruments, excluding accrued interest, by product and type of accounting treatment. Under "Fair Value," we include derivative instruments where hedge accounting is achieved. In a fair value hedge, the changes in fair value of the hedged item and the derivative offset each other, resulting in little or no impact to earnings. Under "Economic," we include hedge strategies where hedge accounting is not applied and, therefore, changes in the fair value of the derivatives are recorded in current-period earnings with no adjustments made to the economically hedged asset or liability. Refer to our *2003 Annual Report* for additional discussion of hedge accounting treatment in Quantitative and Qualitative Disclosures about Market Risk in the Interest-Rate Risk section.

	March 31, 2004			December 31, 2003		
(in thousands)	Notional	Estimated Fair Value (excludes accrued interest)	Hedged Item Fair Value (excludes accrued interest)	Notional	Estimated Fair Value (excludes accrued interest)	Hedged Item Fair Value (excludes accrued interest)
Advances						
Fair Value	**$ 3,421,809**	**$ (329,579)**	**$ 329,579**	$ 3,372,309	$ (254,844)	$ 254,844
Investments						
Economic	**200,000**	**(58,618)**	**55,125***	200,000	(48,522)	44,187*
Mortgage Loans Held for Portfolio						
Fair Value	**374,000**	**1,681**				
Standalone delivery commitments	**11,455**	**(30)**		612,674	(2,736)	
Economic				746,000	2,061	
Consolidated Obligations						
Fair Value	**9,338,495**	**82,811**	**(82,811)**	10,728,495	4,038	(4,035)
Discount Notes						
Fair Value						
Balance Sheet						
Economic	**700,000**	**3,986**		700,000	6,185	
Intermediary Positions						
Intermediaries	**974,800**	**122**		1,134,800	151	
Total Notional and Fair Value	**$ 15,020,559**	**$ (299,627)**	**$ 301,893**	$ 17,494,278	$ (293,667)	$ 294,996
Accrued Interest		**39,689**			32,920	
Net Derivative Balance		**$ (259,938)**			$ (260,747)	
Derivative Balance						
Assets		**$ 61,906**			$ 45,766	
Liabilities		**(321,844)**			(306,513)	
Net Derivative Balance		**$ (259,938)**			$ (260,747)	

* Fair value adjustment on securities held at fair value.

Legal Proceedings

From time to time, the Seattle Bank is subject to legal proceedings arising in the normal course of business. After consultations with legal counsel, we do not anticipate that the ultimate liability, if any, arising out of any current matters will have a material impact on our financial condition, results of operations, or cash flows.

Statements of Condition
(Unaudited)

(in thousands, except par value data)	March 31, 2004	December 31, 2003
Assets		
Cash and due from banks	**$ 4,229**	$ 4,313
Interest-bearing deposits	**690,000**	770,000
Securities purchased under agreements to resell	**100,000**	100,000
Federal funds sold	**2,717,900**	2,506,500
Investments:		
Held-to-maturity securities (Note 3)	**16,943,862**	16,426,705
Securities held at fair value (Note 4)	**255,125**	244,187
Advances (Note 5)	**18,433,599**	19,652,566
Mortgage loans held for portfolio (Note 6)	**11,466,584**	11,171,517
Accrued interest receivable	**199,162**	222,045
Premises and equipment, net	**5,323**	5,259
Derivative assets	**61,906**	45,766
Other assets	**15,328**	14,957
Total Assets	**$ 50,893,018**	$ 51,163,815
Liabilities and Capital		
Liabilities		
Deposits:		
Demand and overnight	**$ 1,185,858**	$ 1,125,313
Term	**116,941**	171,325
Other	**24,540**	20,100
Total deposits	**1,327,339**	1,316,738
Consolidated obligations, net (Note 7):		
Discount notes	**6,772,518**	6,609,074
Bonds	**39,255,636**	39,909,274
Total consolidated obligations	**46,028,154**	46,518,348
Accrued interest payable	**418,805**	374,298
Affordable Housing Program	**48,143**	48,368
Payable to Resolution Funding Corporation	**5,699**	9,065
Derivative liabilities	**321,844**	306,513
Other liabilities	**264,949**	134,878
Total liabilities	**48,414,933**	48,708,208
Capital **(Note 8)**		
Class B(1) stock ($100 par value) issued and outstanding shares: 22,392 and 22,850	**2,239,190**	2,285,032
Class B(2) stock ($100 par value) issued and outstanding shares: 1,812 and 1,135	**181,179**	113,473
Retained earnings	**57,754**	57,177
Accumulated other comprehensive income:		
Unrealized loss related to hedging activities	**(38)**	(75)
Total capital	**2,478,085**	2,455,607
Total Liabilities and Capital	**$ 50,893,018**	$ 51,163,815

See condensed notes to financial statements.

Statements of Income

(Unaudited)

(in thousands, ecept per share and annualized rate data)	For the three months ended March 31 2004	2003
Interest Income		
Advances (Note 5)	**$ 107,221**	$ 132,670
Interest-bearing deposits	**2,237**	1,954
Securities purchased under agreements to resell	**258**	478
Federal funds sold	**5,579**	8,273
Investments:		
Held-to-maturity securities (Note 3)	**150,590**	141,240
Securities held at fair value (Note 4)	**3,625**	3,625
Mortgage loans held for portfolio (Note 6)	**136,944**	112,475
Other		22
Total interest income	**406,454**	400,737
Interest Expense		
Consolidated obligations (Note 7)	**359,372**	330,620
Deposits	**2,734**	4,959
Other borrowings	**3**	75
Total interest expense	**362,109**	335,654
Net Interest Income	**44,345**	65,083
Other Income (Loss)		
Prepayment fees	**39**	697
Service fees	**593**	547
Net realized gain on sale of held-to-maturity securities	**3**	
Net unrealized gain on securities held at fair value	**10,937**	1,094
Net realized and unrealized loss on derivatives and hedging activities	**(13,910)**	(3,683)
Other, net	**26**	102
Total other income (loss)	**(2,312)**	(1,243)
Other Expense		
Operating	**9,419**	6,414
Federal Housing Finance Board	**358**	489
Office of Finance	**294**	362
Other	**693**	514
Total other expense	**10,764**	7,779
Income Before Assessments	**31,269**	56,061
Assessments		
Affordable Housing Program	**2,553**	4,576
Resolution Funding Corporation	**5,743**	10,297
Total assessments	**8,296**	14,873
Net Income	**$ 22,973**	$ 41,188
Earnings per share of Class B stock	**$ .96**	$ 1.77
Average number of shares of Class B stock outstanding during the period	**23,967**	23,319
Annualized dividend rate	**3.76%**	6.17%

See condensed notes to financial statements.

Statements of Capital

(Unaudited)

(in thousands, except annualized dividend rate data)	Class B(1) Stock Shares	Class B(1) Stock Par Value	Class B(2) Stock Shares	Class B(2) Stock Par Value	Retained Earnings	Accumulated Other Comprehensive Income	Total Capital
Balance as of December 31, 2002	20,911	$ 2,091,138	2,541	$ 254,186	$ 36,540	$ 280	$ 2,382,144
Proceeds from sale of Class B(1) stock	64	6,436					6,436
Redemption of Class B(1) and B(2) stock	(203)	(20,399)					(20,399)
Comprehensive income:							
Net Income					41,188		41,188
Other comprehensive income:							
Reclassification adjustment for gain on hedging activities included in net income						(131)	(131)
Comprehensive income					41,188	(131)	41,057
Transfers	254	25,413	(254)	(25,413)			
Dividends on Class B(1) stock (6.75%):							
Cash					(18)		(18)
Stock	350	34,987			(34,987)		
Dividends on Class B(2) stock (0.79%):							
Cash					(3)		(3)
Stock			4	447	(447)		
Balance as of March 31, 2003	21,376	$ 2,137,575	2,291	$ 229,220	$ 42,273	$ 149	$ 2,409,217
Balance as of December 31, 2003	22,850	$ 2,285,032	1,134	$ 113,473	$ 57,177	$ (75)	$ 2,455,607
Proceeds from sale of Class B(1) stock	**122**	**12,180**					**12,180**
Redemption of Class B(1) and B(2) stock	**(123)**	**(12,320)**	**(3)**	**(371)**			**(12,691)**
Comprehensive income:							
Net Income					**22,973**		**22,973**
Other comprehensive income:							
Reclassification adjustment for loss on hedging activities included in net income						**37**	**37**
Comprehensive income					**22,973**	**37**	**23,010**
Transfers	**(678)**	**(67,804)**	**678**	**67,804**			
Dividends on Class B(1) stock (4.00%):							
Cash					**(18)**		**(18)**
Stock	**221**	**22,102**			**(22,102)**		
Dividends on Class B(2) stock (0.64%):							
Cash					**(3)**		**(3)**
Stock			**3**	**273**	**(273)**		
Balance as of March 31, 2004	**22,392**	**$ 2,239,190**	**1,812**	**$ 181,179**	**$ 57,754**	**$ (38)**	**$2,478,085**

See condensed notes to financial statements.

Statements of Cash Flows
(Unaudited)

(in thousands)	For the three months ended March 31 2004	2003
Operating Activities		
Net income	$ 22,973	$ 41,188
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization:		
Net premiums and discounts on consolidated obligations, investments, mortgage loans, and deferred costs and fees received on interest-rate exchange agreements	4,727	(11,775)
Concessions on consolidated obligation bonds	3,604	5,317
Premises and equipment	406	230
Other	37	(103)
Net realized gains on sales of held-to-maturity securities	(3)	
Increase in securities held at fair value	(10,937)	(1,094)
Loss (gain) due to change in net fair value adjustment on derivatives and hedging activities	5,515	(12,646)
Decrease in accrued interest receivable	22,883	44,059
Increase in net accrued interest on derivative assets	(9,929)	(5,830)
Increase in net accrued interest on derivative liabilities	3,161	17,462
Increase in other assets	(3,972)	(4,567)
Net increase (decrease) in Affordable Housing Program (AHP) liability and discount on AHP advances	(225)	676
Increase in accrued interest payable	44,507	7,975
Decrease in payable to Resolution Funding Corporation	(3,366)	(889)
Increase in other liabilities	803	488
Total adjustments	57,211	39,303
Net cash provided by operating activities	$ 80,184	$ 80,491
Investing Activities		
Net decrease (increase) in interest-bearing deposits	$ 80,000	$ (30,000)
Net decrease in securities purchased under agreements to resell		150,000
Net increase in federal funds sold	(171,400)	(68,000)
Proceeds from maturities of held-to-maturity securities	2,559,095	2,519,765
Purchases of held-to-maturity securities	(2,984,588)	(2,444,829)
Principal collected on advances	10,255,313	8,653,342
Advances made	(8,961,612)	(8,852,529)
Principal collected on mortgage loans held for portfolio	460,586	767,432
Purchases of mortgage loans held for portfolio	(766,311)	(88,552)
Net increase in loans to other Federal Home Loan Banks		(65,000)
Net increase in premises and equipment	(473)	(124)
Net cash provided by investing activities	$ 470,610	$ 541,505

continued on the following page

Statements of Cash Flows

(Unaudited)

continued from previous page

(in thousands)	For the three months ended March 31 2004	2003
Financing Activities		
Net increase in deposits	**$ 10,601**	$ 152,483
Net proceeds from issuance of consolidated obligations:		
Discount notes	**52,298,774**	42,937,614
Bonds	**5,048,728**	6,582,321
Payments for maturing and retiring consolidated obligations:		
Discount notes	**(52,130,552)**	(44,145,793)
Bonds	**(5,777,897)**	(6,143,183)
Proceeds from issuance of Class B(1) stock	**12,180**	6,436
Payments for redemption of Class B(1) stock	**(12,320)**	(20,399)
Payments for redemption of Class B(2) stock	**(371)**	
Cash dividends paid	**(21)**	(21)
Net cash used in financing activities	**$ (550,878)**	$ (630,542)
Net decrease in cash and cash equivalents	**(84)**	(8,546)
Cash and cash equivalents at beginning of the year	**4,313**	17,813
Cash and cash equivalents at end of the quarter	**$ 4,229**	$ 9,267
Supplemental Disclosures		
Interest paid	**$ 317,602**	$ 327,680
Stock dividends paid	**$ 22,375**	$ 35,434

See condensed notes to financial statements.

Condensed Notes to Financial Statements
(Unaudited)

NOTE 1
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Reporting

These unaudited financial statements and condensed notes should be read in conjunction with the financial statements and notes included in the Federal Home Loan Bank of Seattle's (Seattle Bank) *2003 Annual Report*. These unaudited financial statements and condensed notes have been prepared in conformity with accounting principles generally accepted in the United States for interim financial information. Certain financial information, which is required in the annual financial statements, may not be required for interim financial reporting purposes and has been condensed or omitted.

In the opinion of management, all normal and recurring adjustments considered necessary for a fair presentation of results for the interim periods have been included.

Use of Estimates

The preparation of financial statements requires management to make assumptions and estimates. These assumptions and estimates may affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of income and expense. Actual results could differ from these estimates.

Reclassifications

Certain reclassifications have been made to the prior period amounts to conform to the current year presentation.

NOTE 2
RECENTLY ISSUED ACCOUNTING STANDARDS AND INTERPRETATIONS

Statement of Financial Accounting Standards (SFAS) No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities* (SFAS 149)

The Financial Account Standards Board (FASB) issued SFAS 149, which amends and clarifies financial accounting and reporting for derivative instruments and for hedging activities under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended by SFAS No. 137, *Accounting for Derivative Instruments and Hedging Activities – Deferral of Effective Date of FASB Statement No. 133*, and as amended by SFAS No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities*, and SFAS No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities* (herein referred to as SFAS 133). In most cases, SFAS 149 is effective for contracts entered into or modified after June 30, 2003, and for hedging relationships designated after June 30, 2003, and, in most cases, all provisions of SFAS 149 should be applied prospectively. We adopted SFAS 149 as of June 30, 2003, and the adoption did not have a material impact on the financial statements.

SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity* (SFAS 150)

SFAS 150 was issued in May 2003. We will adopt SFAS 150 as of the effective date and are currently assessing the impact of SFAS 150 on our financial statements.

NOTE 3
HELD-TO-MATURITY SECURITIES

Major Security Types

Held-to-maturity securities were as follows:

As of March 31, 2004 (in thousands)	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair Value
U.S. agency obligations	**$ 4,813,746**	**$ 122,098**	**$ (12,525)**	**$ 4,923,319**
Other Federal Home Loan Banks' bonds	**4,500,689**	**10,058**	**(712)**	**4,510,035**
State or local housing agency obligations	**34,664**	**330**	**(102)**	**34,892**
Other	**290,980**	**19,580**		**310,560**
	9,640,079	**152,066**	**(13,339)**	**9,778,806**
Mortgage-backed securities	**7,303,783**	**124,586**	**(24,511)**	**7,403,858**
Total	**$ 16,943,862**	**$ 276,652**	**$ (37,850)**	**$ 17,182,664**

As of Decembr 31, 2003 (in thousands)	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair Value
U.S. agency obligations	$ 5,325,041	$ 117,911	$ (24,440)	$ 5,418,512
Other Federal Home Loan Banks' bonds	3,500,000	3,354	(2,044)	3,501,310
State or local housing agency obligations	41,273	225	(256)	41,242
Other	314,822	14,793		329,615
	9,181,136	136,283	(26,740)	9,290,679
Mortgage-backed securities	7,245,569	74,152	(48,061)	7,271,660
Total	$ 16,426,705	$ 210,435	$ (74,801)	$ 16,562,339

The following table summarizes the held-to-maturity securities with unrealized losses as of March 31, 2004. The unrealized losses are aggregated by major security type and length of time that individual securities have been in a continuous unrealized loss position.

	Less than 12 months		More than 12 months		Total	
As of March 31, 2004 (in thousands)	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss
U.S. agency obligations	**$ 549,712**	**$ (12,525)**	**$**	**$**	**$ 549,712**	**$ (12,525)**
Other Federal Home Loan Banks' bonds	**1,249,977**	**(712)**			**1,249,977**	**(712)**
State or local housing agency obligations	**16,548**	**(102)**			**16,548**	**(102)**
	1,816,237	**(13,339)**			**1,816,237**	**(13,339)**
Mortgage-backed securities	**1,241,436**	**(23,345)**	**72,594**	**(1,166)**	**1,314,030**	**(24,511)**
Total	**$ 3,057,673**	**$ (36,684)**	**$ 72,594**	**$ (1,166)**	**$ 3,130,267**	**$ (37,850)**

We have determined, based on the creditworthiness of the issuers and any underlying collateral, that unrealized losses in the above table represent temporary declines in value.

Redemption Terms

The amortized cost and estimated fair value of held-to-maturity securities by contractual maturity are shown below. Expected maturities of some non-mortgage-backed securities and mortgage-backed securities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment fees.

	March 31, 2004		December 31, 2003	
(in thousands)	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Non-mortgage-backed securities				
Due in one year or less	**$ 500,000**	**$ 500,031**	$ 1,000,017	$ 1,005,075
Due after one year through five years	**7,483,502**	**7,549,883**	6,498,508	6,555,339
Due after five years through 10 years	**1,525,988**	**1,597,160**	1,541,594	1,588,358
Due after 10 years	**130,589**	**131,732**	141,017	141,907
Total non-mortgage-backed securities	**9,640,079**	**9,778,806**	9,181,136	9,290,679
Mortgage-backed securities				
Due after one year through five years	**10,375**	**10,813**	16,974	17,362
Due after five years through 10 years	**59,458**	**63,198**	65,972	70,066
Due after 10 years	**7,233,950**	**7,329,847**	7,162,623	7,184,232
Total mortgage-backed securities	**7,303,783**	**7,403,858**	7,245,569	7,271,660
Total	**$ 16,943,862**	**$ 17,182,664**	$ 16,426,705	$ 16,562,339

The amortized cost of our mortgage-backed securities classified as held-to-maturity includes net discounts of $60.2 million and $64.5 million as of March 31, 2004, and December 31, 2003.

NOTE 4
SECURITIES HELD AT FAIR VALUE

Major Security Types and Redemption Terms

Securities held at fair value were as follows:

(in thousands)	March 31, 2004	December 31, 2003
U.S. agency obligations		
Due after 10 years	**$ 255,125**	$ 244,187
Total	**$ 255,125**	$ 244,187

Net gain on securities held for fair value for the three months ended March 31, 2004 and 2003, include changes in unrealized holding gain of $10.9 million and $1.1 million.

NOTE 5
ADVANCES

Redemption Terms

As of March 31, 2004, and December 31, 2003, we had advances outstanding, including Affordable Housing Program (AHP) advances, at interest rates ranging from 1.05% to 8.65% and 1.03% to 8.65%, as summarized below. As of March 31, 2004, and December 31, 2003, AHP-subsidized-advance interest rates ranged from 2.80% to 5.99%.

	March 31, 2004		December 31, 2003	
Term to Maturity	Amount	Weighted Average Interest Rate %	Amount	Weighted Average Interest Rate %
(in thousands, except interest rate data)				
Due in one year or less	**$ 8,647,173**	**1.55**	$ 9,779,304	1.81
Due after one year through two years	**3,570,504**	**3.49**	3,087,950	2.81
Due after two years through three years	**1,224,218**	**3.63**	1,858,332	4.40
Due after three years through four years	**1,006,985**	**3.69**	913,428	3.71
Due after four years through five years	**940,535**	**4.85**	988,318	4.94
Thereafter	**2,718,627**	**5.17**	2,774,709	5.19
Total par value	**18,108,042**	**2.91**	19,402,041	2.95
Unamortized commitment fees	**(1,005)**		(1,027)	
Discount on AHP advances	**(464)**		(480)	
Deferred prepayment fees	**(2,553)**		(2,812)	
Derivative hedging adjustments	**329,579**		254,844	
Total	**$ 18,433,599**		$ 19,652,566	

The following table summarizes advances as of March 31, 2004, and December 31, 2003, by term to maturity or next call date for callable advances:

Term to Maturity or Next Call Date	March 31, 2004	December 31, 2003
(in thousands)		
Due in one year or less	**$ 8,648,254**	$ 9,780,406
Due after one year through two years	**3,570,635**	3,088,083
Due after two years through three years	**1,224,218**	1,858,332
Due after three years through four years	**1,006,985**	913,428
Due after four years through five years	**940,535**	988,318
Thereafter	**2,717,415**	2,773,474
Total	**$ 18,108,042**	$ 19,402,041

We also offer convertible advances. With a convertible advance, we have the option to terminate the advance prior to maturity. In the event the advance is terminated, we will provide alternative funding, at current advance rates, to the member for the remaining term of the terminated advance. As of March 31, 2004, and December 31, 2003, we had convertible advances outstanding of $3.6 billion.

The following table summarizes the par value of advances as of March 31, 2004, and December 31, 2003, by term to maturity or next put date:

Term to Maturity or Next Put Date (in thousands)	March 31, 2004	December 31, 2003
Due in one year or less	**$ 11,293,368**	$ 12,297,499
Due after one year through two years	**3,364,927**	3,140,242
Due after two years through three years	**1,285,976**	1,827,222
Due after three years through four years	**864,872**	716,215
Due after four years through five years	**379,685**	437,618
Thereafter	**919,214**	983,245
Total	**$ 18,108,042**	$ 19,402,041

Credit Risk

We have classified as substandard $180.0 million of advances and $530,000 of letters of credit to two insurance companies under common ownership. The companies experienced financial distress in late 2003 and consented to supervisory orders from their respective state regulators to refrain from certain business actions without prior regulatory approval. In 2004, both companies were placed in receivership by their state regulators. This credit exposure is fully collateralized with high-grade, marketable securities under the Seattle Bank's control. Because both borrowers continue to pay according to contractual requirements and because of our collateral position, interest continues to accrue on the advances. We expect full repayment and have concluded that, given current circumstances, no allowance for credit losses is necessary.

We have never experienced a credit loss on an advance to a member. We have policies and procedures in place to appropriately manage our credit risk. Because of the collateral held as security on the advances and repayment history, we believe that an allowance for credit losses on advances is unnecessary.

Interest-Rate Payment Terms

The following table details par value information on interest-rate payment terms for advances:

(in thousands)	March 31, 2004	December 31, 2003
Fixed-rate	**$ 12,031,249**	$ 12,287,277
Variable-rate	**6,076,793**	7,114,764
Total	**$ 18,108,042**	$ 19,402,041

NOTE 6
MORTGAGE LOANS HELD FOR PORTFOLIO

The Mortgage Purchase Program (MPP) involves the investment by the Seattle Bank in mortgage loans that are purchased from our participating members. The mortgage loans represent held-for-portfolio investments whereby our members originate, service, and credit enhance home mortgage loans that are owned by the Seattle Bank. Members participating in the servicing released program do not service the loans owned by the Seattle Bank. The servicing on these loans is sold concurrently to a designated mortgage service provider. The following table presents information on mortgage loans held for portfolio:

(in thousands)	March 31, 2004	December 31, 2003
Fixed, medium-term*, single-family mortgage loans	**$ 1,843,118**	$ 1,939,564
Fixed, long-term, single-family mortgage loans	**9,525,240**	9,141,616
Unamortized net premiums	**93,741**	90,337
Derivative hedging adjustments	**4,485**	
Total	**$ 11,466,584**	$ 11,171,517

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

The par value of mortgage loans held for portfolio outstanding as of March 31, 2004, and December 31, 2003, comprised government-insured loans totaling $2.5 billion and $2.5 billion and conventional loans totaling $8.9 billion and $8.6 billion.

Based on our analysis of our mortgage loan portfolio, we have determined that the credit enhancements provided by the sellers, including supplemental mortgage insurance, is sufficient to absorb inherent credit losses and that an allowance for credit loss is unnecessary. We had no nonaccrual loans at March 31, 2004, and December 31, 2003.

NOTE 7
CONSOLIDATED OBLIGATIONS

Consolidated Obligation Bond Redemption Terms

The following is a summary of our participation in consolidated obligation bonds outstanding as of March 31, 2004, and December 31, 2003:

	March 31, 2004		December 31, 2003	
Term to Maturity	Amount	Weighted Average Interest Rate %	Amount	Weighted Average Interest Rate %
(in thousands, except interest rate data)				
Due in one year or less	**$ 6,744,095**	**3.28**	$ 7,800,400	3.36
Due after one year through two years	**8,127,400**	**2.64**	7,840,595	2.75
Due after two years through three years	**6,412,100**	**3.86**	5,656,100	3.67
Due after three years through four years	**3,407,625**	**4.29**	3,902,625	4.81
Due after four years through five years	**3,926,050**	**4.02**	3,842,050	3.85
Thereafter	**10,548,800**	**5.29**	10,868,800	5.31
Total par value	**39,166,070**	**3.95**	39,910,570	4.00
Bond premiums	**75,825**		64,067	
Bond discounts	**(74,151)**		(75,777)	
Deferred net losses on terminated interest-rate exchange agreements	**(95)**		(101)	
Derivative hedging adjustments	**87,987**		10,515	
Total	**$ 39,255,636**		$ 39,909,274	

The following table summarizes the par value of our participation in consolidated obligation bonds outstanding as of March 31, 2004, and December 31, 2003, by call and put terms:

	March 31, 2004	December 31, 2003
(in thousands)		
Non-callable or non-putable	**$ 21,928,220**	$ 21,145,720
Callable	**16,687,850**	18,214,850
Putable	**550,000**	550,000
Total	**$ 39,166,070**	$ 39,910,570

The following table summarizes the par value of our participation in consolidated obligation bonds outstanding as of March 31, 2004, and December 31, 2003, by term to maturity or next call date:

Term to Maturity or Next Put Date (in thousands)	March 31, 2004	December 31, 2003
Due in one year or less	**$ 22,691,945**	$ 23,125,250
Due after one year through two years	**6,228,100**	5,880,295
Due after two years through three years	**3,719,100**	3,268,100
Due after three years through four years	**1,307,625**	2,527,625
Due after four years through five years	**1,259,500**	965,500
Thereafter	**3,959,800**	4,143,800
Total	**$ 39,166,070**	$ 39,910,570

Consolidated Obligation Discount Notes

Our participation in consolidated obligation discount notes, all of which are due within one year, was as follows:

(in thousands, except interest rate data)	March 31, 2004	December 31, 2003
Book value	**$ 6,772,518**	$ 6,609,074
Par value	**$ 6,781,528**	$ 6,613,749
Weighted average interest rate	**1.05%**	1.06%

NOTE 8
CAPITAL

We are subject to three capital requirements under Federal Housing Finance Board (Finance Board) regulation:

- We are required to hold risk-based capital equal to the sum of our credit-risk capital requirement, market-risk requirement, and operations-risk requirement, calculated in accordance with Finance Board regulations. Only permanent capital, defined as retained earnings and Class B stock, can satisfy the risk-based capital requirement. The Finance Board may require us to maintain a greater amount of permanent capital than is required by the risk-based capital requirements as defined. As of March 31, 2004, we were in compliance with this requirement with a risk-based capital requirement of $704.9 million and permanent capital of $2.5 billion.

- The Gramm-Leach-Bliley Act (GLB Act) imposes a 5% minimum leverage ratio based on total capital, which includes a 1.5 weighting factor applicable to permanent capital. A minimum leverage ratio, which is defined as total capital (with permanent capital multiplied by 1.5) divided by total assets, is intended to ensure that we maintain a sufficient amount of capital to service our debt. As of March 31, 2004, we were in compliance with this requirement with a leverage ratio of 7.3% and weighted leverage capital of $3.7 billion.

- The GLB Act imposes a 4% minimum capital ratio that does not include the 1.5 weighting factor applicable to permanent capital. This ratio, which is defined as total capital over total assets, does not weight permanent capital and provides another measure to monitor our business. As of March 31, 2004, we were in compliance with this requirement with a minimum capital ratio of 4.9% and permanent capital of $2.5 billion.

NOTE 9
SEGMENT INFORMATION

We have identified two main operating segments, the MPP and traditional member finance, based on our method of internal reporting. The products and services provided reflect the manner in which financial information is evaluated by management. MPP income is derived primarily from the difference, or spread, between the yield on mortgage loans and the borrowing cost related to those loans. The traditional member finance segment includes advances, investments, and the borrowing costs related to those assets.

The following table presents our condensed statements of income by operating segment.

	For the Three Months Ended March 31	
(in thousands)	2004	2003
Mortgage Purchase Program		
Net interest income	**$ 16,017**	$ 18,606
Other income (loss)	**1,364**	(184)
Other expense	**(1,143)**	(702)
Income before assessments	**16,238**	17,720
Assessments	**(4,308)**	(4,701)
Net income	**$ 11,930**	$ 13,019
Traditional Member Finance		
Net interest income	**$ 28,328**	$ 46,477
Other income (loss)	**(3,676)**	(1,059)
Other expense	**(9,621)**	(7,077)
Income before assessments	**15,031**	38,341
Assessments	**(3,988)**	(10,172)
Net income	**$ 11,043**	$ 28,169
Total		
Net interest income	**$ 44,345**	$ 65,083
Other income (loss)	**(2,312)**	(1,243)
Other expense	**(10,764)**	(7,779)
Income before assessments	**31,269**	56,061
Assessments	**(8,296)**	(14,873)
Net income	**$ 22,973**	$ 41,188

The following table presents our total assets by operating segment.

(in thousands)	March 31, 2004	December 31, 2003
Mortgage Purchase Program	**$ 11,518,436**	$ 11,221,604
Traditional Member Finance	**39,374,582**	39,942,211
Total	**$ 50,893,018**	$ 51,163,815

NOTE 10

ESTIMATED FAIR VALUE

We have determined the following estimated fair value amounts using available market information and our best judgment of appropriate valuation methods. These estimates are based on pertinent information available to us as of March 31, 2004, and December 31, 2003. Although we use our best judgment in estimating the fair value of these financial instruments, there are inherent limitations in any estimation technique or valuation methodology. For example, because an active secondary market does not exist for a portion of our financial instruments, in certain cases, fair values are not subject to precise quantification or verification and may change as economic and market factors and evaluation of those factors change. Therefore, these estimated fair values are not necessarily indicative of the amounts that would be realized in current market transactions. The fair value summary tables do not represent an estimate of the overall market value of the Seattle Bank as a going concern, which would take into account future business opportunities.

The carrying value and estimated fair values of our financial instruments were as follows:

As of March 31, 2004 (in thousands)	Carrying Value	Net Unrealized Gain (Loss)	Estimated Fair Value
Assets			
Cash and due from banks	$ 4,229	$	$ 4,229
Interest-bearing deposits	690,000	9	690,609
Securities purchased under agreements to resell	100,000		100,000
Federal funds sold	2,717,900	4	2,717,904
Held-to-maturity securities	16,943,862	238,802	17,182,664
Securities held at fair value	255,125		255,125
Advances	18,433,599	219,203	18,652,802
Mortgage loans held for portfolio	11,466,584	112,710	11,579,294
Accrued interest receivable	199,162		199,162
Derivative assets	61,906		61,906
Liabilities			
Deposits	(1,327,339)	(2)	(1,327,341)
Consolidated obligations:			
Discount notes	(6,772,518)	309	(6,772,209)
Bonds	(39,255,636)	(863,396)	(40,119,032)
Accrued interest payable	(418,805)		(418,805)
Derivative liabilities	(321,845)		(321,845)
Other			
Commitments to extend credit for advances	1,005		1,005
Commitments to extend credit for mortgage loans held for portfolio	(30)		(30)
Commitments to issue consolidated obligation bonds		974	974
Commitments to enter into interest-rate exchange agreements		(815)	(815)

As of December 31, 2003 (in thousands)	Carrying Value	Net Unrealized Gain (Loss)	Estimated Fair Value
Assets			
Cash and due from banks	$ 4,313	$	$ 4,313
Interest-bearing deposits	770,000	22	770,022
Securities purchased under agreements to resell	100,000		100,000
Federal funds sold	2,506,500	15	2,506,515
Held-to-maturity securities	16,426,705	135,634	16,562,339
Securities held at fair value	244,187		244,187
Advances	19,652,566	219,282	19,871,848
Mortgage loans held for portfolio	11,171,517	(15,470)	11,156,047
Accrued interest receivable	222,045		222,045
Derivative assets	45,766		45,766
Liabilities			
Deposits	(1,316,738)	(4)	(1,316,742)
Consolidated obligations:			
Discount notes	(6,609,074)	151	(6,608,923)
Bonds	(39,909,274)	(668,090)	(40,577,364)
Accrued interest payable	(374,298)		(374,298)
Derivative liabilities	(306,513)		(306,513)
Other			
Commitments to extend credit for advances	1,027		1,027
Commitments to extend credit for mortgage loans held for portfolio	(2,736)		(2,736)
Commitments to issue consolidated obligation bonds		2,644	2,644
Commitments to enter into interest-rate exchange agreements		(232)	(232)