# FEDERAL HOME LOAN BANKS

## Quarterly Combined Financial Report
## For the Six Months Ended June 30, 2009

This Combined Financial Report provides financial information on the Federal Home Loan Banks. Investors should use this Combined Financial Report, together with the other information expressly provided by the Federal Home Loan Banks for this purpose, when considering whether or not to purchase the consolidated bonds and consolidated discount notes (collectively referred to in this Combined Financial Report as consolidated obligations) of the Federal Home Loan Banks.

**The Securities Act of 1933, as amended, does not require the registration of consolidated obligations. No registration statement has been filed with the Securities and Exchange Commission with respect to the consolidated obligations. None of the Securities and Exchange Commission, the Federal Housing Finance Agency or any State securities commission has approved or disapproved the consolidated obligations or has passed upon the accuracy or adequacy of any offering material.**

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

Neither this Combined Financial Report nor any offering material provided by the Office of Finance on behalf of the Federal Home Loan Banks concerning any offering of consolidated obligations describes all the risks of investing in consolidated obligations. Prior to investing in consolidated obligations investors should consult their financial and legal advisors about the risks of investing in any particular issue of consolidated obligations. The combined financial reports of the FHLBanks are intended to be used by investors who invest in the consolidated obligations of the FHLBanks. Even though the consolidated obligations are the joint and several obligations of all of the FHLBanks, each FHLBank is a separately chartered entity with its own board of directors and management. There is no centralized system-wide management or oversight by a single board of directors of the FHLBanks. Please see "Explanatory Statement about FHLBanks Combined Financial Report" on page 1 for important background information regarding the publication of this Combined Financial Report.

The financial information contained in this Combined Financial Report is as of and for periods ended on or before June 30, 2009. You should read this Combined Financial Report in conjunction with the 2008 Combined Financial Report dated April 21, 2009. The 2008 Combined Financial Report contains financial and other information about the Federal Home Loan Banks as of and for the periods ended on or before December 31, 2008. These documents are available on the Federal Home Loan Banks Office of Finance web site at: www.fhlb-of.com.

Investors should direct questions about the Federal Home Loan Banks' combined financial reports to the Federal Home Loan Banks Office of Finance, Chief Accounting Officer & Senior Director of Accounting Policy & Financial Reporting. Investors should direct questions about the Federal Home Loan Banks' consolidated obligations to the Federal Home Loan Banks Office of Finance, Marketing & Corporate Communications Division. The address is Federal Home Loan Banks Office of Finance, 1818 Library Street, Suite 200, Reston, VA 20190, (703) 467-3600, and the web site is www.fhlb-of.com. The Office of Finance will provide additional copies of this Combined Financial Report upon request. Please contact the Office of Finance to receive subsequent annual and quarterly combined financial reports.

**Investors should not assume, based on the delivery of this Combined Financial Report, that there has been no change in the financial condition of the Federal Home Loan Banks since June 30, 2009.**

The date of this Combined Financial Report is August 20, 2009.

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Consolidated obligations issued under the Federal Home Loan Banks' Global Debt Program may be listed on the Euro MTF market of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange has allocated the number 2306 to the Federal Home Loan Banks' Global Debt Program for listing purposes. Under the Federal Home Loan Banks' agreement with the underwriter(s) of a particular series of consolidated obligations, any series of consolidated obligations listed on the Luxembourg Stock Exchange may be delisted if the continuation of the listing has become unduly onerous in the opinion of the issuer, and the issuer has agreed with the underwriter(s) that it will use reasonable efforts to list the consolidated obligations on another stock exchange.

## EXPLANATORY STATEMENT ABOUT FHLBANKS COMBINED FINANCIAL REPORT

The Federal Home Loan Banks Office of Finance (Office of Finance) assumed responsibility for the preparation of the combined financial reports of the Federal Home Loan Banks (FHLBanks) in 2001, which previously had been prepared by the Federal Housing Finance Board (Finance Board), the former regulator of the FHLBanks. The Office of Finance does not have the same access to information about the FHLBanks as the Finance Board had, or the new regulator (the Federal Housing Finance Agency (Finance Agency)) has, in its capacity as regulator (the Regulator) of the FHLBanks. See "Notes to Combined Financial Statements—Background Information" for more information regarding the change in the FHLBanks' regulator. In connection with its responsibilities in preparing combined financial reports, the Office of Finance is responsible for combining the financial information it receives from each of the FHLBanks. Each FHLBank is responsible for the financial information it provides to the Office of Finance and the underlying data it provides to the Office of Finance for inclusion in the combined financial reports.

The combined financial reports of the FHLBanks are intended to be used by investors who invest in the consolidated bonds and consolidated discount notes of the FHLBanks. These consolidated obligations are the joint and several obligations of the FHLBanks. This means that each individual FHLBank is responsible to the registered holders of the consolidated obligations for the payment of principal of and interest on all consolidated obligations issued by the FHLBanks.

Even though the consolidated obligations are the joint and several obligations of all of the FHLBanks, each FHLBank is a separately chartered entity. Each has its own board of directors and management. This is the case even though some financial institution holding companies may have one or more affiliates, each of which may be a member of a different FHLBank. There is no centralized system-wide management or oversight by a single board of directors of the FHLBanks. All FHLBanks are subject to regulations issued by the Regulator, which periodically examines each FHLBank's operations.

Although each FHLBank has publicly available financial information, the financial information relating to the FHLBanks is presented to investors in consolidated obligations on a "combined" basis in this report because this is considered more convenient for investors in the consolidated obligations of the FHLBanks than providing financial information on each FHLBank on a stand-alone basis only. Investors should note, however, that this combined presentation describes a combination of assets and liabilities for this purpose only. This combined presentation in no way indicates that these assets and liabilities are under joint management and control. Each individual FHLBank manages its operations independently and with only minimal consideration as to how the transactions it enters into might affect the combined financial results. In addition to the other information relating to the FHLBanks contained in this Combined Financial Report, please see "Available Information on Individual FHLBanks" and "Supplemental Information—Individual FHLBank Selected Financial Data and Financial Ratios."

In addition, each FHLBank's board of directors and management is responsible for establishing its own accounting and financial reporting policies in accordance with accounting principles generally accepted in the United States of America (GAAP). The FHLBanks' accounting and financial reporting policies and practices are not necessarily always identical because different policies and/or presentations are permitted under GAAP in certain circumstances. However, all 12 FHLBanks' accounting and financial reporting policies conform to GAAP. The FHLBanks may not use the same dealer prices, models and assumptions in determining the fair values (including impairments) of their respective assets, liabilities and derivatives. The use of different models or assumptions by individual FHLBanks, as well as changes in market conditions, could result in materially different valuation estimates, impairment determinations or other estimates even when similar or identical assets and liabilities are being measured, and could have materially different effects on the net income and retained earnings of the respective FHLBanks. Statements in this report may be qualified by a term such as "generally," "primarily," "typically" or words of similar meaning to indicate that the statement is generally applicable to all FHLBanks or the kinds of transactions described, but which may not be applicable to all 12 FHLBanks as a result of their differing business practices and accounting and financial reporting policies under GAAP.

An investor should review available information on individual FHLBanks to obtain more specific information on each FHLBank's business practices and accounting and financial reporting policies. (See "Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations—Critical Accounting Estimates—OTTI for Investment Securities" for more information.)

The absence of centralized management or centralized board of director oversight over the 12 FHLBanks does not necessarily allow investors in consolidated obligations, which are the joint and several obligations of all 12 FHLBanks, to obtain easily a "system-wide" view of the business, risk profile, financial condition and results of operations, and liquidity of the FHLBanks. There is no centralized system-wide management or centralized board of director oversight that ensures consistency in the operations, risk management, accounting and financial disclosure policies of the individual FHLBanks. This decentralized structure makes it difficult to prepare disclosures from a "system-wide" view in the same manner that is generally expected of U.S. Securities and Exchange Commission (SEC) registrants, such as the manner in which each FHLBank provides disclosures in its individual periodic financial reports. For example, the SEC's guidance regarding Management's Discussion and Analysis of Financial Condition and Results of Operations, commonly called MD&A, included in periodic reports filed by SEC registrants, notes that one of the principal objectives of MD&A is to provide a narrative explanation of a registrant's financial statements that enables investors to see the registrant through the eyes of its management. Because there is no centralized management of the FHLBank System, this Combined Financial Report does not contain a conventional MD&A. It includes, instead, a "Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations," prepared by the Office of Finance using information provided by the individual FHLBanks. Important information regarding the business and financial condition of each of the FHLBanks, including a discussion of business and financial risks, is set forth in the periodic reports filed by the respective FHLBanks with the SEC.

The FHLBanks occasionally engage in transactions in which one FHLBank transfers its direct liability on outstanding consolidated obligations to another FHLBank that assumes the direct liability on those outstanding consolidated obligations. By engaging in these transactions, two FHLBanks are able to better match their funding needs. Excess funds held by one FHLBank are transferred to another FHLBank that needs those funds. These transfers generally result in costs for the FHLBank that assumes the liability for the debt that are equal to or lower than those available for a similarly-sized transaction in the capital markets at that time. Because the consolidated obligations are the joint and several obligation of all 12 FHLBanks, these interbank transactions have no effect on the holders of the consolidated obligations. (See "Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations—Combined Results of Operations—Interbank Transfers of Liability on Outstanding Consolidated Bonds and Their Effect on Combined Net Income" and Note 1 to the accompanying combined financial statements.)

## AVAILABLE INFORMATION ON INDIVIDUAL FHLBANKS

Each FHLBank provides information on its operations on an ongoing basis.

Each FHLBank is subject to certain reporting requirements of the Securities Exchange Act of 1934, as amended (1934 Act) and must file certain periodic reports and other information with the SEC. These periodic reports and other information filed pursuant to the 1934 Act, including each FHLBank's description of the risk factors applicable to that FHLBank, may be inspected without charge and copied at prescribed rates at the public reference facilities of the SEC's principal office at 100 F Street, N.E., Washington, D.C. 20549. Investors may obtain information on the operation of the SEC's public reference facilities by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site at: www.sec.gov that will contain the periodic reports and other information filed by each FHLBank with the SEC.

Each FHLBank prepares financial reports containing financial information relating to its financial condition and results of operations and files this information annually with the SEC on Form 10-K and quarterly on Form 10-Q. All of this information is made available on the respective web site of each

FHLBank. The web site of the Office of Finance is located at www.fhlb-of.com. This site also contains links to the web sites of each individual FHLBank.

In addition to the other information relating to the FHLBanks contained in this Combined Financial Report, please see "Supplemental Information—Individual FHLBank Selected Financial Data and Financial Ratios."

Please note that the web site addresses and the identification of available information above are provided solely as a matter of convenience. These web site addresses are not intended to be active links and their contents and the other available information are not a part of this report and are not intended to be incorporated by reference into this report.

# FEDERAL HOME LOAN BANKS

## COMBINED STATEMENT OF CONDITION

### (Dollar amounts in millions)
### (Unaudited)

| | June 30, 2009 | December 31, 2008 |
|---|---|---|
| **ASSETS** | | |
| Cash and due from banks | $ 1,037 | $ 20,820 |
| Interest-bearing deposits | 44,151 | 47,486 |
| Securities purchased under agreements to resell | 10,385 | 6,895 |
| Federal funds sold | 57,731 | 40,299 |
| Trading securities | 21,433 | 12,150 |
| Available-for-sale securities | 30,703 | 14,559 |
| Held-to-maturity securities(a) | 161,190 | 184,524 |
| Advances includes $34,869 and $38,774 at fair value under fair value option at June 30, 2009 and December 31, 2008 | 738,812 | 928,638 |
| Mortgage loans held for portfolio | 77,779 | 87,376 |
| Less: allowance for credit losses on mortgage loans | 24 | 15 |
| Mortgage loans held for portfolio, net | 77,755 | 87,361 |
| Accrued interest receivable | 2,954 | 4,261 |
| Premises, software, and equipment, net | 201 | 199 |
| Derivative assets | 678 | 902 |
| Other assets | 866 | 959 |
| Total assets | $1,147,896 | $1,349,053 |
| **LIABILITIES** | | |
| Deposits: | | |
| Interest-bearing | 17,668 | 15,183 |
| Non-interest-bearing | 494 | 313 |
| Total deposits | 18,162 | 15,496 |
| Borrowings: | | |
| Securities sold under agreements to repurchase | 1,200 | 1,200 |
| Total borrowings | 1,200 | 1,200 |
| Consolidated obligations, net: | | |
| Discount notes | 342,259 | 439,895 |
| Bonds includes $42,129 and $31,285 at fair value under fair value option at June 30, 2009 and December 31, 2008 | 718,409 | 818,372 |
| Total consolidated obligations, net | 1,060,668 | 1,258,267 |
| Mandatorily redeemable capital stock | 5,628 | 6,136 |
| Accrued interest payable | 4,119 | 6,331 |
| Affordable Housing Program | 860 | 808 |
| Payable to REFCORP | 225 | 37 |
| Derivative liabilities | 6,216 | 7,732 |
| Other liabilities | 3,941 | 696 |
| Subordinated notes | 1,000 | 1,000 |
| Total liabilities | 1,102,019 | 1,297,703 |
| **CAPITAL** | | |
| Capital Stock: | | |
| Capital stock Class B putable ($100 par value per share) issued and outstanding | 46,162 | 46,413 |
| Capital stock Class A putable ($100 par value per share) issued and outstanding | 429 | 752 |
| Capital stock Pre-conversion ($100 par value per share) issued and outstanding | 2,375 | 2,386 |
| Total capital stock | 48,966 | 49,551 |
| Retained earnings | 6,009 | 2,936 |
| Accumulated other comprehensive income: | | |
| Net unrealized losses on available-for-sale securities | (122) | (410) |
| Net unrealized losses on held-to-maturity securities transferred from available-for-sale securities | (37) | (76) |
| Net noncredit portion of other-than-temporary impairment losses on available-for-sale securities | (1,931) | |
| Net noncredit portion of other-than-temporary impairment losses on held-to-maturity securities | (6,619) | |
| Net unrealized losses relating to hedging activities | (352) | (612) |
| Pension and postretirement benefits | (37) | (39) |
| Total capital | 45,877 | 51,350 |
| Total liabilities and capital | $1,147,896 | $1,349,053 |

(a) Fair values: $152,637 and $165,649 at June 30, 2009 and December 31, 2008.

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

# FEDERAL HOME LOAN BANKS

## COMBINED STATEMENT OF INCOME

### (Dollar amounts in millions)
### (Unaudited)

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| **INTEREST INCOME** | | | | |
| Advances | $ 2,675 | $ 6,716 | $ 6,470 | $15,790 |
| Prepayment fees on advances, net | 72 | 26 | 113 | 67 |
| Interest-bearing deposits | 29 | 16 | 61 | 50 |
| Securities purchased under agreements to resell | 5 | 5 | 14 | 22 |
| Federal funds sold | 37 | 469 | 78 | 1,160 |
| Trading securities | 109 | 109 | 217 | 207 |
| Available-for-sale securities | 136 | 78 | 196 | 142 |
| Held-to-maturity securities | 1,478 | 2,145 | 3,167 | 4,447 |
| Mortgage loans held for portfolio | 1,011 | 1,133 | 2,079 | 2,286 |
| Other | 1 | 1 | 2 | 2 |
| Total interest income | 5,553 | 10,698 | 12,397 | 24,173 |
| **INTEREST EXPENSE** | | | | |
| Consolidated obligations - Discount notes | 507 | 2,266 | 1,549 | 5,615 |
| Consolidated obligations - Bonds | 3,517 | 6,932 | 8,033 | 15,638 |
| Deposits | 7 | 113 | 15 | 290 |
| Securities sold under agreements to repurchase | 7 | 12 | 17 | 33 |
| Subordinated notes | 14 | 15 | 28 | 29 |
| Mandatorily redeemable capital stock | 7 | 15 | 15 | 28 |
| Other borrowings | 1 | 1 | 1 | 1 |
| Total interest expense | 4,060 | 9,354 | 9,658 | 21,634 |
| **NET INTEREST INCOME** | 1,493 | 1,344 | 2,739 | 2,539 |
| Provision for credit losses | 6 | 2 | 10 | 3 |
| **NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES** | 1,487 | 1,342 | 2,729 | 2,536 |
| **OTHER INCOME (LOSS)** | | | | |
| Total other-than-temporary impairment losses | (2,996) | | (8,196) | |
| Portion of impairment losses recognized in other comprehensive income | 2,559 | | 7,243 | |
| Net other-than-temporary impairment losses | (437) | | (953) | |
| Realized losses on other-than-temporarily impaired securities | | (30) | | (63) |
| Net losses on trading securities | (68) | (266) | (79) | (132) |
| Net realized (losses) gains from sale of available-for-sale securities | (43) | 3 | (24) | 3 |
| Net realized gains from sale of held-to-maturity securities | | 2 | 6 | 2 |
| Net (losses) gains on advances and consolidated bonds held at fair value | (189) | (228) | (367) | 46 |
| Net gains (losses) on derivatives and hedging activities | 979 | 364 | 1,179 | (20) |
| Service fees | 9 | 10 | 17 | 17 |
| Other, net | (6) | 6 | (3) | (5) |
| Total other income (loss) | 245 | (139) | (224) | (152) |
| **OTHER EXPENSE** | | | | |
| Operating | 196 | 178 | 384 | 359 |
| Finance Agency/Finance Board | 7 | 10 | 20 | 20 |
| Office of Finance | 9 | 8 | 18 | 16 |
| Provision for derivative counterparty credit losses | | | 35 | |
| Other, net | 5 | 4 | 7 | 5 |
| Total other expense | 217 | 200 | 464 | 400 |
| **INCOME BEFORE ASSESSMENTS** | 1,515 | 1,003 | 2,041 | 1,984 |
| Affordable Housing Program | 120 | 87 | 177 | 176 |
| REFCORP | 272 | 198 | 396 | 393 |
| Total assessments | 392 | 285 | 573 | 569 |
| **NET INCOME** | $ 1,123 | $ 718 | $ 1,468 | $ 1,415 |

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

# FEDERAL HOME LOAN BANKS

## COMBINED STATEMENT OF CAPITAL
## FOR THE SIX MONTHS ENDED JUNE 30, 2009 AND 2008

### (Dollar amounts and shares in millions)
### (Unaudited)

| | Capital Stock Class B* | | Capital Stock Class A* | | Capital Stock Pre-conversion* | | Total Capital Stock* | | Retained Earnings | Accumulated Other Comprehensive Income | Total Capital |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Shares | Par Value | Shares | Par Value | Shares | Par Value | Shares | Par Value | | | |
| **BALANCE, DECEMBER 31, 2007** | 468 | $ 46,701 | 9 | $ 891 | 27 | $2,661 | 504 | $ 50,253 | $3,689 | $ (345) | $ 53,597 |
| Adjustment to opening balance relating to SFAS 158 and SFAS 159 | | | | | | | | | 16 | | 16 |
| Proceeds from sale of capital stock | 144 | 14,483 | 4 | 367 | | 52 | 148 | 14,902 | | | 14,902 |
| Repurchase/redemption of capital stock | (109) | (10,816) | (3) | (334) | | | (112) | (11,150) | | | (11,150) |
| Net shares reclassified to mandatorily redeemable capital stock | (12) | (1,106) | | (75) | (2) | (165) | (14) | (1,346) | | | (1,346) |
| Comprehensive income: | | | | | | | | | | | |
| Net income | | | | | | | | | 1,415 | | 1,415 |
| Other comprehensive income: | | | | | | | | | | | |
| Net unrealized losses on available-for-sale securities | | | | | | | | | | (170) | (170) |
| Reclassification adjustment for gains included in net income relating to available-for-sale securities | | | | | | | | | | (3) | (3) |
| Net unrealized gains (losses) on held-to-maturity securities transferred from available-for-sale securities | | | | | | | | | | | |
| Reclassification adjustment for losses included in net income relating to held-to-maturity securities transferred from available-for-sale securities | | | | | | | | | | 39 | 39 |
| Net unrealized gains relating to hedging activities | | | | | | | | | | 3 | 3 |
| Reclassification adjustment for losses included in net income relating to hedging activities | | | | | | | | | | 21 | 21 |
| Pension and postretirement benefits | | | | | | | | | | 1 | 1 |
| Total comprehensive income | | | | | | | | | | | 1,306 |
| Transfer between Class B and Class A shares | | (24) | | 24 | | | | | | | |
| Dividends on capital stock: | | | | | | | | | | | |
| Cash | | | | | | | | | (693) | | (693) |
| Stock | 6 | 589 | | | | | 6 | 589 | (589) | | |
| **BALANCE, JUNE 30, 2008** | 497 | $ 49,827 | 10 | $ 873 | 25 | $2,548 | 532 | $ 53,248 | $3,838 | $ (454) | $ 56,632 |

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

# FEDERAL HOME LOAN BANKS

## COMBINED STATEMENT OF CAPITAL (continued)
## FOR THE SIX MONTHS ENDED JUNE 30, 2009 AND 2008

### (Dollar amounts and shares in millions)
### (Unaudited)

| | Capital Stock Class B* | | Capital Stock Class A* | | Capital Stock Pre-conversion* | | Total Capital Stock* | | Retained Earnings | Accumulated Other Comprehensive Income | Total Capital |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Shares | Par Value | Shares | Par Value | Shares | Par Value | Shares | Par Value | | | |
| **BALANCE, DECEMBER 31, 2008** | 465 | $ 46,413 | 7 | $ 752 | 24 | $2,386 | 496 | $ 49,551 | $2,936 | $(1,137) | $ 51,350 |
| Cumulative effect of adjustment relating to FSP FAS 115-2 and FAS 124-2 | | | | | | | | | 1,883 | (1,883) | |
| Proceeds from sale of capital stock | 35 | 3,746 | | 24 | 1 | 100 | 36 | 3,870 | | | 3,870 |
| Repurchase/redemption of capital stock | (38) | (3,835) | (1) | (118) | | | (39) | (3,953) | | | (3,953) |
| Net shares reclassified to mandatorily redeemable capital stock | (2) | (320) | (1) | (97) | (1) | (111) | (4) | (528) | | | (528) |
| Comprehensive income: | | | | | | | | | | | |
| Net income | | | | | | | | | 1,468 | | 1,468 |
| Other comprehensive income: | | | | | | | | | | | |
| Net unrealized gains on available-for-sale securities | | | | | | | | | | 281 | 281 |
| Reclassification adjustment for losses included in net income relating to available-for-sale securities | | | | | | | | | | 7 | 7 |
| Net unrealized gains (losses) on held-to-maturity securities transferred from available-for-sale securities | | | | | | | | | | | |
| Reclassification adjustment for losses included in net income relating to held-to-maturity securities transferred from available-for-sale securities | | | | | | | | | | 39 | 39 |
| Noncredit portion of other-than-temporary impairment losses on available-for-sale securities | | | | | | | | | | (1,124) | (1,124) |
| Reclassification adjustment of noncredit portion of impairment losses included in net income relating to available-for-sale securities | | | | | | | | | | 51 | 51 |
| Net unrealized gains on noncredit portion of impairment losses on available-for-sale securities | | | | | | | | | | | |
| Noncredit portion of other-than-temporary impairment losses on held-to-maturity securities | | | | | | | | | | (7,396) | (7,396) |
| Reclassification adjustment of noncredit portion of impairment losses included in net income relating to held-to-maturity securities | | | | | | | | | | 382 | 382 |
| Accretion of noncredit portion of impairment losses on held-to-maturity securities | | | | | | | | | | 453 | 453 |
| Reclassification of noncredit portion of other-than-temporary impairment losses from held-to-maturity securities to available-for-sale securities | | | | | | | | | | 967 | 967 |
| Net unrealized gains relating to hedging activities | | | | | | | | | | 239 | 239 |
| Reclassification adjustment for losses included in net income relating to hedging activities | | | | | | | | | | 20 | 20 |
| Pension and postretirement benefits | | | | | | | | | | 3 | 3 |
| Total comprehensive income | | | | | | | | | | | (4,610) |
| Transfer between Class B and Class A shares | 1 | 132 | (1) | (132) | | | | | | | |
| Dividends on capital stock: | | | | | | | | | | | |
| Cash | | | | | | | | | (252) | | (252) |
| Stock | | 26 | | | | | | 26 | (26) | | |
| **BALANCE, JUNE 30, 2009** | 461 | $ 46,162 | 4 | $ 429 | 24 | $2,375 | 489 | $ 48,966 | $6,009 | $(9,098) | $ 45,877 |

* Putable

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

## FEDERAL HOME LOAN BANKS

## COMBINED STATEMENT OF CASH FLOWS

**(Dollar amounts in millions)**
**(Unaudited)**

| | For the Six Months Ended June 30, | |
|---|---|---|
| | 2009 | 2008 |
| **OPERATING ACTIVITIES** | | |
| Net income | $ 1,468 | $ 1,415 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | (887) | (577) |
| Change in net derivative and hedging activities | 404 | (38) |
| Other adjustments | 989 | 89 |
| Net change in fair value adjustments on trading securities | 106 | 177 |
| Net change in fair value adjustments on advances and consolidated bonds held at fair value | 367 | (46) |
| Net change in: | | |
| Trading securities | (428) | |
| Accrued interest receivable | 1,266 | 1,179 |
| Other assets | (37) | (83) |
| Accrued interest payable | (2,226) | (1,165) |
| Other liabilities | 251 | 73 |
| Total adjustments | (195) | (391) |
| Net cash provided by operating activities | 1,273 | 1,024 |
| **INVESTING ACTIVITIES** | | |
| Net change in: | | |
| Interest-bearing deposits | 8,800 | 73 |
| Securities purchased under agreements to resell | (3,490) | 500 |
| Federal funds sold | (17,432) | (3,535) |
| Premises, software and equipment | (31) | (21) |
| Trading securities: | | |
| Proceeds | 6,885 | 1,293 |
| Purchases | (15,813) | (3,601) |
| Available-for-sale securities: | | |
| Proceeds | 14,396 | 3,268 |
| Purchases | (25,502) | (8,160) |
| Held-to-maturity securities: | | |
| Net decrease (increase) in short-term | 3,242 | (5,953) |
| Proceeds from long-term | 20,777 | 13,876 |
| Purchases of long-term | (10,334) | (35,305) |
| Advances: | | |
| Proceeds | 2,123,100 | 4,500,762 |
| Made | (1,943,142) | (4,539,969) |
| Mortgage loans held for portfolio: | | |
| Principal collected | 12,885 | 7,053 |
| Purchases | (5,681) | (4,639) |
| Mortgage loans held for sale: | | |
| Proceeds | 2,124 | |
| Principal collected | 128 | |
| Proceeds from sales of foreclosed assets | 29 | 20 |
| Principal collected on other loans | 1 | 1 |
| Net cash provided by (used in) investing activities | 170,942 | (74,337) |

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

## FEDERAL HOME LOAN BANKS

## COMBINED STATEMENT OF CASH FLOWS (continued)

**(Dollar amounts in millions)**
**(Unaudited)**

| | For the Six Months Ended June 30, | |
|---|---|---|
| | 2009 | 2008 |
| **FINANCING ACTIVITIES** | | |
| Net change in: | | |
| Deposits and pass-through reserves | $ 2,188 | $ (617) |
| Borrowings | (198) | (116) |
| Net (payments) proceeds on derivative contracts with financing element | (771) | 250 |
| Net proceeds from issuance of consolidated obligations: | | |
| Discount notes | 3,872,915 | 6,312,151 |
| Bonds | 248,033 | 386,534 |
| Payments for maturing and retiring consolidated obligations: | | |
| Discount notes | (3,969,607) | (6,309,204) |
| Bonds | (343,187) | (317,566) |
| Proceeds from issuance of capital stock | 3,870 | 14,902 |
| Payments for redemption of mandatorily redeemable capital stock | (1,036) | (1,228) |
| Payments for repurchase/redemption of capital stock | (3,953) | (11,150) |
| Cash dividends paid | (252) | (693) |
| Net cash (used in) provided by financing activities | (191,998) | 73,263 |
| Net decrease in cash and cash equivalents | (19,783) | (50) |
| Cash and cash equivalents at beginning of the period | 20,820 | 320 |
| Cash and cash equivalents at end of the period | $ 1,037 | $ 270 |
| **Supplemental Disclosures:** | | |
| Interest paid | $ 12,675 | $ 22,795 |
| AHP payments, net | $ 129 | $ 127 |
| REFCORP assessments paid | $ 107 | $ 407 |
| Transfers of mortgage loans to real estate owned | $ 68 | $ 46 |
| Mortgage loans held for portfolio transferred to mortgage loans held for sale | $ 2,414 | $ |
| Mortgage loans held for sale transferred to mortgage loans held for portfolio | $ 163 | $ |

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

**Federal Home Loan Banks**

**Notes to Combined Financial Statements (Unaudited)**

**Background Information**

These financial statements present the combined financial position and combined results of operations of the 12 Federal Home Loan Banks (FHLBanks). The FHLBanks serve the public by enhancing the availability of credit for residential mortgages and targeted community development. They provide a readily available, competitively-priced source of funds to their member institutions. The FHLBanks are cooperatives whose member institutions own nearly all of the capital stock of each FHLBank. Former members[(1)] own the remaining capital stock to support business transactions still carried on the FHLBanks' Combined Statement of Condition. All holders of an FHLBank's capital stock are entitled to receive dividends on their capital stock, to the extent declared by the FHLBank's board of directors. Regulated financial depositories and insurance companies engaged in residential housing finance may apply for membership. State and local housing authorities that meet certain statutory and regulatory criteria may also borrow from the FHLBanks; while eligible to borrow, housing associates are not members of the FHLBanks and, as such, are not required to hold capital stock. All members must purchase stock in their district's FHLBank.

The former Federal Housing Finance Board (Finance Board) was an independent agency in the executive branch of the U.S. government that supervised and regulated the FHLBanks and the Federal Home Loan Banks' Office of Finance (Office of Finance) through July 29, 2008. With the passage of the "Housing and Economic Recovery Act of 2008" (the Housing Act), the Federal Housing Finance Agency (Finance Agency) was established and became the new independent Federal regulator (the Regulator) of the FHLBanks, effective July 30, 2008. The Finance Board was merged into the Finance Agency as of October 27, 2008. Pursuant to the Housing Act, all regulations, orders, determinations, and resolutions that were issued, made, prescribed, or allowed to become effective by the Finance Board will remain in effect until modified, terminated, set aside, or superseded by the Director of the Finance Agency, any court of competent jurisdiction, or operation of law. References throughout this document to regulations of the Finance Agency also include the regulations of the Finance Board where they remain applicable. The Office of Finance is a joint office of the FHLBanks established by the Finance Board to facilitate the issuance and servicing of the debt instruments of the FHLBanks, known as consolidated obligations, and to prepare the combined quarterly and annual financial reports of all 12 FHLBanks. The Finance Agency's principal purpose is to ensure that the FHLBanks operate in a safe and sound manner including maintenance of adequate capital and internal controls. In addition, the Regulator ensures that the operations and activities of each FHLBank foster liquid, efficient, competitive, and resilient national housing finance markets; each FHLBank complies with the title and the rules, regulations, guidelines, and orders issued under the Federal Housing Enterprises Financial Safety and Soundness Act and the FHLBank Act; each FHLBank carries out its statutory mission only through activities that are authorized under and consistent with the Federal Housing Enterprises Financial Safety and Soundness Act and the FHLBank Act; and the activities of each FHLBank and the manner in which such regulated entity is operated are consistent with the public interest. Each FHLBank operates as a separate entity with its own management, employees and board of directors. The FHLBanks do not have any special purpose entities or any other type of off-balance sheet conduits. As provided by the Federal Home Loan Bank Act of 1932 (FHLBank Act), as amended, and applicable regulations, consolidated obligations are backed only by the financial resources of all 12 FHLBanks and are the primary source of funds for the FHLBanks. Deposits, other borrowings and capital stock issued to members provide other funds. Each FHLBank primarily uses these funds to provide advances to members. Certain FHLBanks also use these funds to purchase mortgage loans from members (acquired member assets (AMA)) through their respective FHLBank's Mortgage Purchase Program (MPP) or the Mortgage Partnership Finance (MPF®)[(2)] Program. In

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(1) Former members include certain nonmembers that own FHLBank capital stock as a result of merger or acquisition of an FHLBank member.

(2) "Mortgage Partnership Finance," "MPF," "MPF Shared Funding" and "eMPF" are registered trademarks of the FHLBank of Chicago. "MPF Xtra" is a trademark of the FHLBank of Chicago.

addition, some FHLBanks offer their member institutions correspondent services, such as wire transfer, security safekeeping, and settlement services.

**Note 1—Summary of Significant Accounting Policies**

*Principles of Combination.* The combined financial statements include the financial records of the 12 FHLBanks. Material transactions among the FHLBanks have been eliminated in accordance with combination accounting principles under generally accepted accounting principles in the United States of America (GAAP), including Accounting Research Bulletin No. 51, *Consolidated Financial Statements.* The most significant transactions between the FHLBanks are: 1) transfers of direct liability on consolidated bonds between FHLBanks; consolidated bonds issued on behalf of one FHLBank and transferred to and assumed by another FHLBank and 2) purchases of consolidated bonds and discount notes; consolidated obligations issued on behalf of one FHLBank and purchased by another FHLBank in the open market.

*Transfers of Direct Liability on Consolidated Bonds Between FHLBanks.* The transferring FHLBank treats the transfer as a debt extinguishment as the transferring FHLBank has been released from being the primary obligor. Specifically, the release is made effective by the Office of Finance recording the transfer in its records. The Office of Finance provides release by acting within the confines of the Finance Agency regulations that govern the determination of which FHLBank is the primary obligor. The assuming FHLBank becomes the primary obligor because it now is directly responsible for repaying the debt. The transferring FHLBank continues to disclose the transferred debt as a contingent liability because it still has a joint and several liability with respect to repaying the transferred consolidated obligation.

The FHLBank assuming the consolidated bond liability accounts for the consolidated bond at par with the initial carrying amount being the amount paid to the transferring FHLBank by the assuming FHLBank in exchange for the assumption, plus any premium or minus any discount. There have not been any transactions with a third party independent of the FHLBanks under the transfer scenario. Under combination accounting principles, combining adjustments are required to reflect the transaction as if the transferring FHLBank still held the consolidated bond for purposes of the FHLBanks' combined financial statements. The debt extinguishment transaction, including any gain or loss, is eliminated, all statement of condition and statement of income effects related to the assuming FHLBank's premium or discount related to the purchase of the consolidated bonds are eliminated and the transferring FHLBank reinstates and amortizes over the life of the consolidated bond the original premium or discount, concession fees and basis adjustments relating to Statement of Financial Accounting Standards (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*, SFAS No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities,* SFAS No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities* and SFAS No. 155, *Accounting for Certain Hybrid Financial Instruments, an Amendment of FASB Statements No. 133 and 140* (SFAS 133).

*Purchases of Consolidated Obligations.* All purchase transactions occur at market prices with third parties, and the purchasing FHLBanks treat these consolidated bonds and discount notes as investments. Under combination accounting principles, the investment and the consolidated bonds and discount notes and related interest income and expense are eliminated in combination.

No other transactions among the FHLBanks have a material effect on operating results.

*Derivatives.* Accounting for derivatives is addressed in SFAS 133. All derivatives are recognized on the balance sheet at their fair values. Due to the application of FASB Staff Position (FSP) No. FIN 39-1, *Amendment of FASB Interpretation No. 39* (FSP FIN 39-1), derivative assets and derivative liabilities reported on the Combined Statement of Condition include the net cash collateral and accrued interest from counterparties.

In accordance with SFAS 133, each derivative is designated as one of the following:

(1) a hedge of the fair value of a recognized asset or liability or an unrecognized firm commitment (a "fair-value" hedge);

(2) a hedge of a forecasted transaction or the variability of cash flows that are to be received or paid in connection with a recognized asset or liability (a "cash-flow" hedge);

(3) a non-qualifying hedge of an asset or liability ("economic" hedge) for asset-liability management purposes; or

(4) a non-qualifying hedge of another derivative (an "intermediation" hedge) that is offered as a product to members or used to offset other derivatives with non-member counterparties.

Changes in the fair value of a derivative that is designated and qualifies as a fair-value hedge, along with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk (including changes that reflect losses or gains on firm commitments), are recorded in other income as "Net gains (losses) on derivatives and hedging activities."

Changes in the fair value of a derivative that is designated and qualifies as a cash-flow hedge, to the extent that the hedge is effective, are recorded in accumulated other comprehensive income (AOCI), a component of capital, until earnings are affected by the variability of the cash flows of the hedged transaction.

For both fair-value and cash-flow hedges, any hedge ineffectiveness (which represents the amount by which the change in the fair value of the derivative differs from the change in the fair value of the hedged item or the variability in the cash flows of the forecasted transaction) is recorded in other income as "Net gains (losses) on derivatives and hedging activities."

An economic hedge is defined as a derivative hedging specific or non-specific underlying assets, liabilities, or firm commitments that does not qualify or was not designated for hedge accounting, but is an acceptable hedging strategy under an FHLBank's risk management program. These economic hedging strategies also comply with Finance Agency regulatory requirements prohibiting speculative hedge transactions. An economic hedge by definition introduces the potential for earnings variability caused by the changes in fair value on the derivatives that are recorded in an FHLBank's income but not offset by corresponding changes in the value of the economically hedged assets, liabilities, or firm commitments. As a result, an FHLBank recognizes only the net interest and the change in fair value of these derivatives in other income as "Net gains (losses) on derivatives and hedging activities" with no offsetting fair value adjustments for the assets, liabilities, or firm commitments. Cash flows associated with such stand-alone derivatives (derivatives not qualifying as a hedge) are reflected as cash flows from operating activities in the Combined Statement of Cash Flows.

The derivatives used in intermediary activities do not qualify for SFAS 133 hedge accounting treatment and are separately marked-to-market through earnings. The net result of the accounting for these derivatives does not significantly affect the operating results of the FHLBanks. These amounts are recorded in other income and presented as "Net gains (losses) on derivatives and hedging activities."

The differentials between accruals of interest receivables and payables on derivatives designated as fair-value or cash-flow hedges are recognized as adjustments to the income or expense of the designated underlying investment securities, advances, consolidated obligations or other financial instruments. The differentials between accruals of interest receivables and payables on intermediated derivatives for members and other economic hedges are recognized in other income as "Net gains (losses) on derivatives and hedging activities."

The FHLBanks may issue debt, make advances, or purchase financial instruments in which a derivative instrument is "embedded." Upon execution of these transactions, the FHLBank assesses whether the economic characteristics of the embedded derivative are clearly and closely related to the economic characteristics of the remaining component of the advance or debt (the host contract) and whether a separate, non-embedded instrument with the same terms as the embedded instrument would

meet the definition of a derivative instrument. When the FHLBank determines that (1) the embedded derivative has economic characteristics that are not clearly and closely related to the economic characteristics of the host contract and (2) a separate, stand-alone instrument with the same terms would qualify as a derivative instrument, the embedded derivative is separated from the host contract, carried at fair value, and designated as a stand-alone derivative instrument pursuant to an economic hedge. However, if the entire contract (the host contract and the embedded derivative) is to be measured at fair value, with changes in fair value reported in current-period earnings (such as an investment security classified as "trading" under SFAS 115, as well as hybrid financial instruments accounted for under SFAS No. 155, *Accounting for Certain Hybrid Financial Instruments, an Amendment of FASB Statements No. 133 and 140* (SFAS 155)), or if the FHLBank cannot reliably identify and measure the embedded derivative for purposes of separating that derivative from its host contract, the entire contract is carried on the balance sheet at fair value and no portion of the contract is designated as a hedging instrument.

If hedging relationships meet certain criteria specified in SFAS 133, they are eligible for hedge accounting and the offsetting changes in fair value of the hedged items may be recorded in earnings. The application of hedge accounting requires an FHLBank to evaluate the effectiveness of the hedging relationships on an ongoing basis and to calculate the changes in fair value of the derivatives and related hedged items independently. This is known as the "long-haul" method of accounting. Transactions that meet more stringent criteria qualify for the "short-cut" method of hedge accounting in which an assumption can be made that the change in fair value of a hedged item exactly offsets the change in fair value of the related derivative.

Derivatives are typically executed at the same time as the hedged advances or consolidated obligations, and the FHLBanks designate the hedged item in a qualifying hedge relationship at the trade date. In many hedging relationships, the FHLBank may designate the hedging relationship upon its commitment to disburse an advance or trade a consolidated obligation in which settlement occurs within the shortest period of time possible for the type of instrument based on market settlement conventions. The FHLBank defines market settlement conventions for advances to be five business days or less and for consolidated obligations to be thirty calendar days or less, using a next business day convention. The FHLBank then records the changes in fair value of the derivative and the hedged item beginning on the trade date. When the hedging relationship is designated on the trade date and the fair value of the derivative is zero on that date, the hedge meets the criteria within SFAS 133 for applying the short-cut method provided all the other criteria of paragraph 68 of SFAS 133 are also met.

An FHLBank may discontinue hedge accounting prospectively when: (1) it determines that the derivative is no longer effective in offsetting changes in the fair value or cash flows of a hedged item (including hedged items such as firm commitments or forecasted transactions); (2) the derivative and/or the hedged item expires or is sold, terminated, or exercised; (3) it is no longer probable that the forecasted transaction will occur in the originally expected period; (4) a hedged firm commitment no longer meets the definition of a firm commitment; or (5) management determines that designating the derivative as a hedging instrument in accordance with SFAS 133 is no longer appropriate.

When hedge accounting is discontinued because the FHLBank determines that the derivative no longer qualifies as an effective fair-value hedge of an existing hedged item, the FHLBank continues to carry the derivative on the statement of condition at its fair value, ceases to adjust the hedged asset or liability for changes in fair value, and amortizes the cumulative basis adjustment on the hedged item into earnings over the remaining life of the hedged item using a level-yield methodology.

When hedge accounting is discontinued because the FHLBank determines that the derivative no longer qualifies as an effective cash-flow hedge of an existing hedged item, the FHLBank continues to carry the derivative on the balance sheet at its fair value and reclassifies the cumulative AOCI adjustment into earnings when earnings are affected by the existing hedge item (i.e., the original forecasted transaction).

Under limited circumstances, when the FHLBank discontinues cash-flow hedge accounting because it is no longer probable that the forecasted transaction will occur by the end of the originally specified time period, or within the following two months, but it is probable the transaction will still occur in the

future, the gain or loss on the derivative remains in AOCI and is recognized as earnings when the forecasted transaction affects earnings. However, if it is probable that a forecasted transaction will not occur by the end of the originally specified time period or within the following two months, the gains and losses that were accumulated in AOCI are recognized immediately in earnings.

When hedge accounting is discontinued because the hedged item no longer meets the definition of a firm commitment, the FHLBank continues to carry the derivative on the balance sheet at its fair value, removing from the balance sheet any asset or liability that was recorded to recognize the firm commitment and recording it as a gain or loss in current-period earnings.

*Segment Reporting.* For the purposes of SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information,* the Finance Agency regulations consider each FHLBank to be a segment.

*Basis of Presentation and Use of Estimates.* The FHLBanks' accounting and financial reporting policies conform to GAAP. The preparation of financial statements in accordance with GAAP requires each FHLBank's management to make subjective assumptions and estimates that may affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of income and expense. The most significant of these estimates includes the fair value of derivatives, certain advances, certain investment securities and certain consolidated obligations that are reported at fair value in the Combined Statement of Condition. Actual results could differ from these estimates significantly.

*Reclassifications.* Certain amounts in the 2008 financial statements of the FHLBanks have been reclassified to conform to the second quarter 2009 presentation. During the third quarter of 2008, on a retrospective basis, the FHLBanks reclassified their investments in certain certificates of deposit and bank notes, previously reported as interest-bearing deposits, as held-to-maturity securities in their statements of condition and income as they meet the definition of a security under SFAS 115. These financial instruments have been classified as held-to-maturity securities based on their short-term nature and the FHLBanks' history of holding them until maturity. This reclassification had no effect on total assets or net interest income and net income. The certificates of deposit and bank notes that do not meet the definition of a security will continue to be classified as interest-bearing deposits on the statements of condition and income. Applicable prior year amounts have been reclassified to conform to this presentation.

Certain prior period amounts have been revised and may not agree to the 2008 Combined Financial Report. These amounts were not deemed to be material.

## Note 2—Recently Issued and Adopted Accounting Standards and Interpretations and Changes in Accounting Principle and Accounting Estimate

*SFAS 168.* On June 29, 2009, the FASB issued SFAS No. 168, *The* FASB Accounting Standards Codification™ *and the Hierarchy of Generally Accepted Accounting Principles—a replacement of FASB Statement No. 162* (SFAS 168). SFAS 168 establishes FASB's Accounting Standards Codification (Codification) as the single source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities. SEC rules and interpretive releases are also sources of authoritative GAAP for SEC registrants. SFAS 168 modifies the GAAP hierarchy to include only two levels of GAAP: authoritative and nonauthoritative. In addition, the FASB no longer will consider new accounting standards updates as authoritative in their own right. Instead, new accounting standards updates will serve only to update the Codification, provide background information about the guidance and provide the bases for conclusions regarding changes in the Codification. SFAS 168 will be effective for interim and annual periods ending after September 15, 2009 (September 30, 2009 for the FHLBanks). As SFAS 168 is not intended to change or alter existing GAAP, the FHLBanks' adoption of SFAS 168 will not affect the FHLBanks' financial condition, results of operations or cash flows.

*SFAS 167.* On June 12, 2009, the FASB issued SFAS No. 167, *Amendments to FASB Interpretation No. 46(R)* (SFAS 167), which is intended to amend certain requirements of FASB Interpretation No. 46

(revised December 2003), *Consolidation of Variable Interest Entities*, to improve financial reporting by enterprises involved with variable interest entities (VIEs) and to provide more relevant and reliable information to users of financial statements. SFAS 167 amends the manner in which entities evaluate whether consolidation is required for VIEs. An entity must first perform a qualitative analysis in determining whether it must consolidate a VIE, and if the qualitative analysis is not determinative, the entity must perform a quantitative analysis. SFAS 167 also requires that an entity continually evaluate VIEs for consolidation, rather than making such an assessment based upon the occurrence of triggering events. Additionally, SFAS 167 requires enhanced disclosures about how an entity's involvement with a VIE affects its financial statements and its exposure to risks. SFAS 167 is effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009 (January 1, 2010 for the FHLBanks), for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. Earlier application is prohibited. Each FHLBank is evaluating the effect of the adoption of SFAS 167 on its financial condition, results of operations and cash flows.

*SFAS 166.* On June 12, 2009, the FASB issued SFAS No. 166, *Accounting for Transfers of Financial Assets—an amendment of FASB Statement No. 140* (SFAS 166), which is intended to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement in transferred financial assets. Key provisions of SFAS 166 include (i) the removal of the concept of qualifying special purpose entities, (ii) the introduction of the concept of a participating interest, in circumstances in which a portion of a financial asset has been transferred and (iii) the requirement that to qualify for sale accounting, the transferor must evaluate whether it maintains effective control over transferred financial assets either directly or indirectly. SFAS 166 also requires enhanced disclosures about transfers of financial assets and a transferor's continuing involvement. SFAS 166 is effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009 (January 1, 2010 for the FHLBanks), for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. Earlier application is prohibited. Each FHLBank is evaluating the effect of the adoption of SFAS 166 on its financial condition, results of operations and cash flows.

*SFAS 165.* On May 28, 2009, the FASB issued SFAS No. 165, *Subsequent Events* (SFAS 165), which is intended to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. SFAS 165 sets forth: (1) the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements; (2) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements; and (3) the disclosures that an entity should make about events or transactions that occurred after the balance sheet date, including disclosure of the date through which an entity has evaluated subsequent events and whether that represents the date the financial statements were issued or were available to be issued. This disclosure should alert all users of financial statements that an entity has not evaluated subsequent events after that date in the set of financial statements being presented. SFAS 165 does not apply to subsequent events or transactions that are within the scope of other applicable GAAP that provide different guidance on the accounting treatment for subsequent events or transactions. SFAS 165 is effective for interim and annual financial periods ending after June 15, 2009. The FHLBanks adopted SFAS 165 as of June 30, 2009. Its adoption resulted in increased interim financial statement disclosures, but did not affect either the FHLBanks' financial condition, results of operations or cash flows.

For purposes of this combined financial report, subsequent events have been evaluated through August 12, 2009, which is the date that each FHLBank filed its Second Quarter 2009 Form 10-Q with the SEC.

*FSP FAS 115-2 and FAS 124-2.* On April 9, 2009, the FASB issued FSP FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments* (FSP FAS 115-2 and FAS 124-2). FSP FAS 115-2 and FAS 124-2 amends the other-than-temporary impairment (OTTI) guidance in GAAP for debt securities to make the guidance more operational and to improve the presentation and disclosure

of OTTI on debt and equity securities in the financial statements. This FSP clarifies the interaction of the factors that should be considered when determining whether a debt security is other than temporarily impaired and changes the presentation and calculation of the OTTI on debt securities recognized in earnings in the financial statements. FSP FAS 115-2 and FAS 124-2 does not amend existing recognition and measurement guidance related to OTTI of equity securities. This FSP expands and increases the frequency of existing disclosures about OTTI for debt and equity securities and requires new disclosures to help users of financial statements understand the significant inputs used in determining a credit loss, as well as a rollforward of that amount each period.

If the fair value of a debt security is less than its amortized cost basis at the measurement date, FSP FAS 115-2 and FAS 124-2 requires an entity to assess whether (a) it has the intent to sell the debt security, or (b) it is more likely than not that it will be required to sell the debt security before its anticipated recovery. If either of these conditions is met, an OTTI on the security must be recognized.

In instances in which a determination is made that a credit loss (defined by FSP FAS 115-2 and FAS 124-2 as the difference between the present value of the cash flows expected to be collected and the amortized cost basis) exists but the entity does not intend to sell the debt security and it is not more likely than not that the entity will be required to sell the debt security before the anticipated recovery of its remaining amortized cost basis (i.e., the amortized cost basis less any current-period credit loss), FSP FAS 115-2 and FAS 124-2 changes the presentation and amount of the OTTI recognized in the income statement. In these instances, the impairment is separated into (a) the amount of the total impairment related to the credit loss, and (b) the amount of the total impairment related to all other factors. The amount of the total OTTI related to the credit loss is recognized in earnings. The amount of the total impairment related to all other factors is recognized in AOCI. Subsequent non-OTTI-related increases and decreases in the fair value of available-for-sale securities will be included in AOCI. The OTTI recognized in AOCI for debt securities classified as held-to-maturity will be amortized over the remaining life of the debt security as an increase in the carrying value of the security (with no effect on earnings unless the security is subsequently sold or there is additional OTTI recognized). The total OTTI is presented in the income statement with an offset for the amount of the total OTTI that is recognized in AOCI. Previously, in all cases, if an impairment was determined to be other-than-temporary, an impairment loss was recognized in earnings in an amount equal to the entire difference between the security's amortized cost basis and its fair value at the balance sheet date of the reporting period for which the assessment was made. The new presentation provides additional information about the amounts that the entity does not expect to collect related to a debt security.

The FHLBanks adopted FSP FAS 115-2 and FAS 124-2 as of January 1, 2009, and recognized the effects of applying FSP FAS 115-2 and FAS 124-2 as a change in accounting principle. The FHLBanks recognized the $1,883 million cumulative effect of initially applying FSP FAS 115-2 and FAS 124-2 as an adjustment to their retained earnings at January 1, 2009, with an offsetting adjustment to AOCI. This adjustment did not affect either the FHLBanks' AHP or REFCORP expense or accruals, as these assessments were calculated based on GAAP net income. Had the FHLBanks not adopted FSP FAS 115-2 and FAS 124-2, the FHLBanks would have recognized approximately the entire OTTI amount in net income.

*Application of Accounting Guidance When Determining the Appropriate Interest Income Recognition Method for a Particular Other-Than-Temporarily Impaired Security.* Under previous GAAP, the amount of OTTI related to factors other than the decrease in cash flows to be collected (economic loss), including the effect of current market conditions on the fair value of the security, was subsequently accreted to earnings over the remaining term of the security, based on the amount and timing of estimated cash flows. This accretion was included in net interest income on the FHLBanks' statements of income.

Upon implementation of FSP FAS 115-2 and FAS 124-2, the present value of the cash flows expected to be collected is compared to the amortized cost basis of the security to determine if a credit loss exists. Emerging Issues Task Force Issue No. 99-20, *Recognition of Interest Income and Impairment on Purchased Beneficial Interests and Beneficial Interests That Continue to Be Held by a Transferor in Securitized Financial Assets* (EITF 99-20), and AICPA Statement of Position No. 03-3, *Accounting for*

*Certain Loans or Debt Securities Acquired in a Transfer* (SOP 03-3), prescribe subsequent accounting for other-than-temporarily impaired securities. Under both methods, if the present value of cash flows expected to be collected is less than the amortized cost basis, an FHLBank would record an additional OTTI and adjust the yield of the security prospectively. Under EITF 99-20, if there is a favorable change in the present value of expected cash flows, the yield is adjusted prospectively. Under SOP 03-3, if there is no additional impairment, the yield is required to be adjusted only when there is a significant increase in the expected cash flows. Regardless of whether an increase is significant, an FHLBank may choose to update the yield each quarter. Under both EITF 99-20 and SOP 03-3, future estimated cash flows are updated on a regular basis (e.g., quarterly) for impaired securities.

EITF 99-20, as amended, provides incremental impairment guidance for certain beneficial interests in securitized financial assets, specifically those that are not of "high credit quality." The FHLBanks only acquire private-label mortgage-backed securities (also referred to as MBS) that are of high credit quality at acquisition, and thus, these investments are not initially subject to EITF 99-20. Authoritative GAAP does not specifically address whether impairments or credit downgrades subsequent to acquisition require the application of EITF 99-20 to a beneficial interest that was not in scope at the time of purchase. Each FHLBank's management makes a policy choice when evaluating accounting models for securities that have been impaired or downgraded after acquisition. The FHLBanks of Chicago and Topeka have historically elected to apply EITF 99-20 to securities, which were not initially in the scope of EITF 99-20, prospectively as of the date the security is determined to be other-than-temporarily impaired. Upon application of FSP 115-2 and FAS 124-2, each FHLBank that does not currently apply EITF 99-20 will apply the guidance in SOP 03-3 to recognize interest income on other-than-temporarily impaired securities.

*FSP FAS 157-4.* On April 9, 2009, the FASB issued FSP FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly* (FSP FAS 157-4). FSP FAS 157-4 is intended to provide additional guidance for estimating fair value in accordance with SFAS 157 when the volume and level of activity for the asset or liability have significantly decreased. FSP FAS 157-4 also includes guidance on identifying circumstances that indicate a transaction is not orderly. FSP FAS 157-4 is effective and should be applied prospectively for financial statements issued for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for reporting periods ending after March 15, 2009. Early adoption of FSP FAS 157-4 also requires early adoption of FSP FAS 115-2 and FAS 124-2. The FHLBanks adopted FSP FAS 157-4 as of January 1, 2009. Its adoption did not have a material effect on the FHLBanks' financial condition, results of operations or cash flows.

*FSP FAS 107-1 and APB 28-1.* On April 9, 2009, the FASB issued FSP FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments* (FSP FAS 107-1 and APB 28-1). FSP FAS 107-1 and APB 28-1 amends the disclosure requirements in SFAS No. 107, *Disclosures about Fair Value of Financial Instruments* (SFAS 107), and APB Opinion No. 28, *Interim Financial Reporting*, to require disclosures about the fair value of financial instruments within the scope of SFAS 107, including disclosure of the method(s) and significant assumptions used to estimate the fair value of financial instruments, in interim financial statements as well as in annual financial statements. Previously, these disclosures were required only in annual financial statements. FSP FAS 107-1 and APB 28-1 is effective and should be applied prospectively for financial statements issued for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for reporting periods ending after March 15, 2009. Early adoption of FSP FAS 107-1 and APB 28-1 is only permitted if an election is also made to early adopt FSP FAS 115-2 and FAS 124-2 and FSP FAS 157-4. In periods after initial adoption, FSP FAS 107-1 and APB 28-1 requires comparative disclosures only for periods ending subsequent to initial adoption and does not require earlier periods to be disclosed for comparative purposes at initial adoption. The FHLBanks adopted FSP FAS 107-1 and APB 28-1 on January 1, 2009. Its adoption resulted in increased interim financial statement disclosures, but did not affect the FHLBanks' financial condition, results of operations or cash flows.

*FSP FAS 157-2.* On February 12, 2008, the FASB issued FSP FAS 157-2, *Effective Date of FASB Statement No. 157* (FSP FAS 157-2), which delayed the effective date of SFAS No. 157, *Fair Value*

*Measurements* (SFAS 157) until January 1, 2009, for non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. The requirements of SFAS 157 apply to non-financial assets and non-financial liabilities addressed by FSP FAS 157-2 for fiscal years beginning after November 15, 2008, and interim periods within those fiscal years. The FHLBanks adopted FSP FAS 157-2 on January 1, 2009. Its adoption did not have a material effect on the FHLBanks' financial condition, results of operations or cash flows.

*SFAS 161.* On March 19, 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities—An Amendment of FASB Statement No. 133* (SFAS 161), which is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early adoption allowed. The FHLBanks adopted SFAS 161 on January 1, 2009. Its adoption resulted in increased financial statement disclosures.

**Note 3—Trading Securities**

*Major Security Types.* Trading securities, excluding interbank holdings of consolidated bonds totaling $450 million and $617 million, at June 30, 2009 and December 31, 2008, were as follows (dollar amounts in millions):

| | June 30, 2009 |
|---|---|
| | Estimated Fair Value |
| U.S. Treasury obligations | $ 679 |
| Commercial paper | 2,735 |
| Certificates of deposit (1) | 2,710 |
| Government-sponsored enterprises* | 8,382 |
| State or local housing agency obligations | 14 |
| Other** | 6,163 |
| | 20,683 |
| Mortgage-backed securities: | |
| Other U.S. obligations residential MBS*** | 59 |
| Government-sponsored enterprises residential MBS**** | 677 |
| Government-sponsored enterprises commercial MBS**** | 14 |
| | 750 |
| Total | $21,433 |

| | December 31, 2008 Estimated Fair Value |
|---|---|
| Commercial paper | $ 673 |
| Certificates of deposit (1) | 2,072 |
| Government-sponsored enterprises* | 6,422 |
| State or local housing agency obligations | 14 |
| Other** | 2,161 |
| | 11,342 |
| Mortgage-backed securities: | |
| Other U.S. obligations*** | 60 |
| Government-sponsored enterprises**** | 748 |
| | 808 |
| Total | $12,150 |

(1) Represents certificates of deposit that meet the definition of a security under SFAS 115. (See "Note 1—Summary of Significant Accounting Policies.")

* Primarily consists of debt securities issued or guaranteed by Federal Home Loan Mortgage Corporation (Freddie Mac) and Federal National Mortgage Association (Fannie Mae).

** Primarily consists of corporate debentures issued or guaranteed by the Federal Deposit Insurance Corporation (FDIC) under the Temporary Liquidity Guarantee Program (TLGP) totaling estimated fair values of $6,153 million and $2,151 million at June 30, 2009 and December 31, 2008.

*** Primarily consists of Government National Mortgage Association (Ginnie Mae) investment pools.

**** Primarily consists of securities issued or guaranteed by Freddie Mac and/or Fannie Mae.

Net losses on trading securities during the six months ended June 30, 2009 and June 30, 2008 includes a change in net unrealized holding losses of $72 million and $134 million for securities held on June 30, 2009 and June 30, 2008.

## Note 4—Available-for-Sale Securities

*Major Security Types.* Available-for-sale (or AFS) securities were as follows (dollar amounts in millions). There were no available-for-sale interbank holdings of consolidated bonds at June 30, 2009 and December 31, 2008.

| | June 30, 2009 | | | |
|---|---|---|---|---|
| | Amortized Cost (1) | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
| U.S. Treasury obligations | $ 859 | $ 29 | $ | $ 888 |
| Certificates of deposit (2) | 5,955 | | | 5,955 |
| Other U.S. obligations and FFELP ABS* | 5,861 | 17 | (4) | 5,874 |
| Government-sponsored enterprises** | 2,640 | 95 | (65) | 2,670 |
| Other*** | 1,110 | 4 | (59) | 1,055 |
| | 16,425 | 145 | (128) | 16,442 |
| Mortgage-backed securities: | | | | |
| Other U.S. obligations residential MBS* | 623 | 3 | (1) | 625 |
| Government-sponsored enterprises residential MBS**** | 10,448 | 78 | (83) | 10,443 |
| Government-sponsored enterprises commercial MBS**** | 316 | | (6) | 310 |
| Private-label residential MBS | 4,813 | | (1,936) | 2,877 |
| Home equity loans | 17 | | (11) | 6 |
| | 16,217 | 81 | (2,037) | 14,261 |
| Total | $32,642 | $226 | $(2,165) | $30,703 |

| | December 31, 2008 | | | |
|---|---|---|---|---|
| | Amortized Cost (1) | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
| Certificates of deposit and bank notes (2) | $ 2,512 | $ | $ (1) | $ 2,511 |
| Government-sponsored enterprises** | 2,711 | 177 | (80) | 2,808 |
| State and local housing agency obligations | 30 | | | 30 |
| Other | 516 | | (46) | 470 |
| | 5,769 | 177 | (127) | 5,819 |
| Mortgage-backed securities: | | | | |
| Government-sponsored enterprises**** | 8,766 | 36 | (214) | 8,588 |
| Other***** | 208 | | (56) | 152 |
| | 8,974 | 36 | (270) | 8,740 |
| Total | $14,743 | $213 | $(397) | $14,559 |

(1) Amortized cost of available-for-sale securities includes adjustments made to the cost basis of an investment for accretion, amortization, collection of cash, previous OTTI recognized in earnings (excluding any cumulative-effect adjustments recognized in accordance with the transition provisions of FSP FAS 115-2 and FAS 124-2), and/or fair value hedge accounting adjustments.

(2) Represents certificates of deposit and/or bank notes that meet the definition of a security under SFAS 115. (See "Note 1—Summary of Significant Accounting Policies.")

* FFELP ABS are backed by Federal Family Education Loan Program (FFELP) student loans that are guaranteed by a guarantee agency and re-insured by the U.S. Department of Education and have a total estimated fair value of $5,095 million at June 30, 2009. Other U.S. obligations primarily consists of Ginnie Mae and/or SBA investment pools.

** Primarily consists of debt securities issued or guaranteed by Freddie Mac, Fannie Mae and/or TVA.

*** Primarily consists of corporate debentures and/or promissory notes issued or guaranteed by FDIC under its TLGP, with a total estimated fair value of $567 million at June 30, 2009.

**** Primarily consists of securities issued or guaranteed by Freddie Mac and/or Fannie Mae.

***** Primarily consists of private-label mortgage-backed securities.

The following tables summarize the available-for-sale securities with unrealized losses, which are aggregated by major security type and length of time that individual securities have been in a continuous unrealized loss position (dollar amounts in millions).

| | June 30, 2009 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 12 Months | | 12 months or more | | Total | |
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| Other U.S. obligations* | $1,283 | $ (4) | $ | $ | $ 1,283 | $ (4) |
| Government-sponsored enterprises** | 45 | (1) | 317 | (64) | 362 | (65) |
| Other | | | 377 | (56) | 377 | (56)(2) |
| Mortgage-backed securities: | | | | | | |
| Other U.S. obligations residential MBS* | 386 | (1) | | | 386 | (1) |
| Government-sponsored enterprises residential MBS*** | 2,158 | (21) | 5,091 | (62) | 7,249 | (83) |
| Government-sponsored enterprises commercial MBS*** | | | 310 | (6) | 310 | (6) |
| Private-label residential MBS (3) | | | 2,878 | (1,936) | 2,878 | (1,936) |
| Home equity loans (3) | | | 6 | (11) | 6 | (11) |
| Total | $3,872 | $(27) | $8,979 | $(2,135) | $12,851 | $(2,162) |

| | December 31, 2008 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 12 Months | | 12 months or more | | Total | |
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| Certificates of deposit and bank notes (1) | $2,012 | $ (1) | $ | $ | $ 2,012 | $ (1) |
| Government-sponsored enterprises** | 324 | (64) | 70 | (16) | 394 | (80) |
| Other | 410 | (38) | 49 | (5) | 459 | (43)(2) |
| Mortgage-backed securities: | | | | | | |
| Government-sponsored enterprises*** | 4,196 | (103) | 2,859 | (111) | 7,055 | (214) |
| Other**** | | | 87 | (56) | 87 | (56) |
| Total temporarily impaired | $6,942 | $(206) | $3,065 | $(188) | $10,007 | $(394) |

(1) Represents certificates of deposit and/or bank notes that meet the definition of a security under SFAS 115.

(2) Does not include $3 million of unrealized losses in mutual funds in two grantor trusts designated as available-for-sale securities at June 30, 2009 and December 31, 2008.

(3) Includes investments for which a portion of an OTTI has been recognized in AOCI.

* Primarily consists of Ginnie Mae and/or SBA investment pools.

** Primarily consists of debt securities issued or guaranteed by Freddie Mac, Fannie Mae and/or TVA.

*** Primarily consists of securities issued or guaranteed by Freddie Mac and/or Fannie Mae.

**** Primarily consists of private-label mortgage-backed securities.

Each FHLBank evaluates its individual available-for-sale investment securities holdings for OTTI on at least a quarterly basis. As part of this process, an FHLBank considers its intent to sell each debt security and whether it is more likely than not that an FHLBank will be required to sell the security before its anticipated recovery. If either of these conditions is met, an FHLBank recognizes an OTTI charge to earnings equal to the entire difference between the security's amortized cost basis and its fair value at the balance sheet date. For securities that meet neither of these conditions, each FHLBank performs analysis to determine if any of these securities are at risk for OTTI. For the period ending June 30, 2009, to support consistency among the FHLBanks, each FHLBank has completed its OTTI analysis primarily using key modeling assumptions provided by the FHLBanks' OTTI Governance Committee. To determine which

individual securities are at risk for OTTI and should be quantitatively evaluated utilizing a detailed cash flow analysis, an FHLBank uses indicators, or "screens," which consider various adverse risk characteristics, including: the duration and magnitude of the unrealized loss, Nationally Recognized Statistical Rating Organization (NRSRO) credit ratings below investment grade, and criteria related to the credit performance of the underlying collateral, including the ratio of credit enhancement to expected collateral losses and the ratio of seriously delinquent loans to credit enhancement. For these purposes, expected collateral losses are those that are implied by current delinquencies taking into account a default probability based on the state of delinquency and a loss severity assumption based on product and vintage; seriously delinquent loans are those that are 60 or more days past due, including loans in foreclosure and real estate owned.

To assess whether the entire amortized cost bases of their securities will be recovered, each FHLBank performed a cash flow analysis for each of its securities that were determined to be other-than-temporarily impaired in a previous reporting period as well as those with adverse risk characteristics as of June 30, 2009.

In performing the cash flow analysis for each of these securities, each FHLBank used two third-party models. The first model considers borrower characteristics and the particular attributes of the loans underlying an FHLBank's securities, in conjunction with assumptions about future changes in home prices and interest rates, to project prepayments, defaults and loss severities. A significant input to the first model is the forecast of future housing price changes for the relevant states and core based statistical areas (CBSAs), which are based upon an assessment of the individual housing markets. CBSA refers collectively to metropolitan and micropolitan statistical areas as defined by the United States Office of Management and Budget; as currently defined, a CBSA must contain at least one urban area with a population of 10,000 or more people. The FHLBanks' housing price forecast assumed current-to-trough home price declines ranging from 0 percent to 20 percent over the next 9 to 15 months (resulting in peak-to-trough home price declines of up to 51 percent). Thereafter, home prices are projected to increase 1 percent in the first year, 3 percent in the second year and 4 percent in each subsequent year. The month-by-month projections of future loan performance derived from the first model, which reflect projected prepayments, defaults and loss severities, are then input into a second model that allocates the projected loan level cash flows and losses to the various security classes in the securitization structure in accordance with its prescribed cash flow and loss allocation rules. In a securitization in which the credit enhancement for the senior securities is derived from the presence of subordinate securities, losses are generally allocated first to the subordinate securities until their principal balance is reduced to zero. Refer to individual FHLBanks' periodic reports filed with the SEC for summaries of significant inputs used to measure the amount of credit loss on other-than-temporarily impaired securities recognized in earnings during the three months ended June 30, 2009.

At June 30, 2009, the FHLBank of Pittsburgh transferred unpaid principal balance of $2,109 million in private-label MBS from its held-to-maturity portfolio to its available-for-sale portfolio. These private-label MBS had an OTTI loss recognized during the quarter ended June 30, 2009 which the FHLBank of Pittsburgh believes constitutes evidence of a significant decline in the issuer's creditworthiness. The FHLBank of Pittsburgh transferred the securities to its available-for-sale portfolio to increase financial flexibility to sell these securities if management determines it is prudent to do so. The FHLBank of Pittsburgh has no current plans to sell these securities nor is the FHLBank of Pittsburgh under any requirement to sell these securities.

At March 31, 2009 and June 30, 2009, the FHLBank of Atlanta transferred unpaid principal balances of $2,480 million and $322 million in private-label MBS from its held-to-maturity portfolio to an available-for-sale portfolio. These securities represent private-label MBS for which the FHLBank of Atlanta has recognized an OTTI loss. The objective of this transfer was to recognize management's intent to hold these securities for an indefinite period of time, but that management may choose to sell them prior to maturity in response to changes in interest rates, changes in prepayment risk or other factors. In accordance with SFAS 115, changes in circumstances may cause an FHLBank to change its intent to hold a certain security to maturity without calling into question its intent to hold other debt securities to maturity in the future. Thus, the sale or transfer of a held-to-maturity security due to certain changes in

circumstances, such as evidence of significant deterioration in the issuer's creditworthiness, is not considered to be inconsistent with its original classification. Additionally, other events that are isolated, nonrecurring, and unusual for an FHLBank that could not have been reasonably anticipated may cause an FHLBank to sell or transfer a held-to-maturity security without necessarily calling into question its intent to hold other debt securities to maturity.

As a result of these evaluations, the FHLBanks of Pittsburgh, Atlanta and Chicago determined that $5,030 million of unpaid principal balance related to available-for-sale securities were other-than-temporarily impaired at June 30, 2009, because each of these FHLBanks determined it was likely that it would not recover the entire amortized cost basis of each of these securities. These securities included 12 securities that had previously been identified as other-than-temporarily impaired in 2008 and 38 securities that were newly identified as other-than-temporarily impaired in the first six months of 2009.

Each of the following FHLBanks recognized an OTTI charge on its available-for-sale securities, based on each individual FHLBank's impairment analysis of its investment portfolio at June 30, 2009, as follows (dollar amounts in millions).

| | At June 30, 2009 (1) | | | | | | |
|---|---|---|---|---|---|---|---|
| | Unpaid Principal Balance | Amortized Cost (2) | Gross Unrealized Losses (2) | Fair Value (2) | OTTI Related to Credit Loss (3) | OTTI Related to Noncredit Loss (3) | Total OTTI Losses (3) |
| **FHLBank of Pittsburgh** | | | | | | | |
| Securities other-than-temporarily-impaired during the three months ended June 30, 2009 | | | | | | | |
| Private-label RMBS—Prime | $ 909 | $ 888 | $ (354) | $ 534 | $ (17) | $ (352) | $ (369) |
| Private-label RMBS—Alt-A | 1,197 | 1,144 | (442) | 702 | (22) | (67) | (89) |
| Private-label RMBS—Subprime | 3 | 3 | (2) | 1 | * | (2) | (2) |
| Total Private-label RMBS OTTI | $2,109 | $ 2,035 | $ (798) | $ 1,237 | $ (39) | $ (421) | $ (460) |
| Securities other-than-temporarily-impaired during the six months ended June 30, 2009 | | | | | | | |
| Private-label RMBS—Prime | $ 909 | $ 888 | $ (354) | $ 534 | $ (17) | $ (355) | $ (372) |
| Private-label RMBS—Alt-A | 1,197 | 1,144 | (442) | 702 | (45) | (260) | (305) |
| Private-label RMBS—Subprime | 3 | 3 | (2) | 1 | * | (2) | (2) |
| Total Private-label RMBS OTTI | $2,109 | $ 2,035 | $ (798) | $ 1,237 | $ (62) | $ (617) | $ (679) |
| **Available-for-sale MBS** | | 2,068 | (815) | 1,253 | | | |
| **Total available-for-sale investment securities** | | 2,068 | (815) | 1,253 | | | |
| **FHLBank of Atlanta** | | | | | | | |
| Securities other-than-temporarily-impaired during the three months ended June 30, 2009 | | | | | | | |
| Private-label RMBS—Prime | $1,870 | $ 1,779 | $ (691) | $ 1,088 | $ (36) | $ (237) | $ (273) |
| Private-label RMBS—Alt-A | 308 | 296 | (145) | 151 | (10) | (121) | (131) |
| Total Private-label RMBS OTTI | $2,178 | $ 2,075 | $ (836) | $ 1,239 | $ (46) | $ (358) | $ (404) |
| Securities other-than-temporarily-impaired during the six months ended June 30, 2009 | | | | | | | |
| Private-label RMBS—Prime | $2,426 | $ 2,299 | $ (914) | $ 1,385 | $(123) | $ (848) | $ (971) |
| Private-label RMBS—Alt-A | 308 | 296 | (145) | 151 | (12) | (119) | $ (131) |
| Total Private-label RMBS OTTI | $2,734 | $ 2,595 | $(1,059) | $ 1,536 | $(135) | $ (967) | $(1,102) |
| **Available-for-sale MBS** | | 2,595 | (1,059) | 1,536 | | | |
| **Total available-for-sale investment securities** | | 2,595 | (1,059) | 1,536 | | | |

| | At June 30, 2009 (1) | | | | | | |
|---|---|---|---|---|---|---|---|
| | Unpaid Principal Balance | Amortized Cost (2) | Gross Unrealized Losses (2) | Fair Value (2) | OTTI Related to Credit Loss (3) | OTTI Related to Noncredit Loss (3) | Total OTTI Losses (3) |
| **FHLBank of Chicago** | | | | | | | |
| Securities other-than-temporarily-impaired during the three months ended June 30, 2009 | | | | | | | |
| Private-label RMBS—Alt-A | $ 187 | $ 165 | $ (71) | $ 94 | $ (8) | $ 14 | $ 6 |
| Total Private-label RMBS OTTI | $ 187 | $ 165 | $ (71) | $ 94 | $ (8) | $ 14 | $ 6 |
| Securities other-than-temporarily-impaired during the six months ended June 30, 2009 | | | | | | | |
| Private-label RMBS—Alt-A | $ 187 | $ 165 | $ (71) | $ 94 | $ (19) | $ (27) | $ (46) |
| Total Private-label RMBS OTTI | $ 187 | $ 165 | $ (71) | $ 94 | $ (19) | $ (27) | $ (46) |
| **Available-for-sale MBS** | | 4,861 | (95) | 4,832 | | | |
| **Total available-for-sale investment securities** | | 11,109 | (99) | 11,095 | | | |
| **Total** | | | | | | | |
| Securities other-than-temporarily-impaired during the three months ended June 30, 2009 | | | | | | | |
| Private-label RMBS—Prime | $2,779 | $ 2,667 | $(1,045) | $ 1,622 | $ (53) | $ (589) | $ (642) |
| Private-label RMBS—Alt-A | 1,692 | 1,605 | (658) | 947 | (40) | (174) | (214) |
| Private-label RMBS—Subprime | 3 | 3 | (2) | 1 | * | (2) | (2) |
| Total Private-label RMBS OTTI | $4,474 | $ 4,275 | $(1,705) | $ 2,570 | $ (93) | $ (765) | $ (858) |
| Securities other-than-temporarily-impaired during the six months ended June 30, 2009 | | | | | | | |
| Private-label RMBS—Prime | $3,335 | $ 3,187 | $(1,268) | $ 1,919 | $(140) | $(1,203) | $(1,343) |
| Private-label RMBS—Alt-A | 1,692 | 1,605 | (658) | 947 | (76) | (406) | (482) |
| Private-label RMBS—Subprime | 3 | 3 | (2) | 1 | * | (2) | (2) |
| Total Private-label RMBS OTTI | $5,030 | $ 4,795 | $(1,928) | $ 2,867 | $(216) | $(1,611) | $(1,827) |
| **Available-for-sale MBS **** | | 16,217 | (2,037) | 14,261 | | | |
| **Total available-for-sale investment securities **** | | 32,642 | (2,165) | 30,703 | | | |

* Represents an amount less than $1 million.

** Represents the FHLBanks' combined total.

(1) The FHLBanks classify private-label MBS as prime, Alt-A and subprime based on the originator's classification at the time of origination or based on classification by an NRSRO upon issuance of the MBS.

(2) This table does not include gross unrealized gains; therefore, amortized cost net of gross unrealized losses will not necessarily equal the fair value.

(3) The OTTI-related credit and noncredit losses for the three and six months ended June 30, 2009 also include OTTI losses related to securities transferred from held-to-maturity to available-for-sale securities.

Because of continued credit deterioration in the non-agency MBS market, an additional impairment of $48 million related to credit loss and an additional impairment of $193 million related to all other factors were recorded in the first six months of 2009 on the non-agency MBS previously identified as other-than-temporarily impaired. For the newly identified non-agency MBS with OTTI, the FHLBanks recorded an impairment of $8 million related to credit loss and an impairment of $34 million related to all other factors. Each of these FHLBanks does not intend to sell these securities and it is not more likely than not that the FHLBank will be required to sell these securities before its anticipated recovery of each security's remaining amortized cost basis. The $56 million related to credit loss in the first six months of 2009 does not include credit losses transferred from held-to-maturity securities to available-for-sale securities by the FHLBanks of Pittsburgh and Atlanta.

The FHLBanks recognized total OTTI charges of $56 million in the first six months of 2009 related to the credit losses on MBS instruments in their available-for-sale portfolios before transfers from held-

to-maturity securities, which are reported in the Combined Statement of Income as a part of the "Net other-than-temporary impairment losses", and the impairment related to noncredit portion of $227 million, which was reflected in the Combined Statement of Condition as "Accumulated other comprehensive income—Net noncredit portion of other-than-temporary impairment losses on available-for-sale securities." Subsequent increases and decreases (if not an additional OTTI) in the fair value of available-for-sale securities and transfers are included in "Accumulated other comprehensive income."

The following table presents the rollforward of the amounts related to credit losses recognized into earnings (dollar amounts in millions). The rollforward relates to the amount of credit losses on investment securities held by the FHLBanks for which a portion of the OTTI charges was recognized in AOCI.

| | For the Three Months Ended June 30, 2009 | For the Six Months Ended June 30, 2009 |
|---|---|---|
| Balance, at beginning of period | $108[1] | $ 3[2] |
| Additions: | | |
| Credit losses for which OTTI was not previously recognized | | 8 |
| Additional OTTI credit losses for which an OTTI charge was previously recognized | 45 | 48 |
| Reductions: | | |
| Securities sold, matured, paid down or prepaid during the period | | |
| Securities for which the amount previously recognized in AOCI was recognized in earnings because the FHLBanks intend to sell the security or more likely than not they will be required to sell the security before the recovery of its amortized cost basis | | |
| Increases in cash flows expected to be collected, recognized over the remaining life of the securities | | |
| Credit losses on securities transferred from held-to-maturity (3) | 81 | 175 |
| Balance, at end of period | $ 234 | $234 |

(1) The beginning balance for the three months ended June 30, 2009 includes credit losses of $94 million transferred from held-to-maturity securities to available-for-sale securities by the FHLBank of Atlanta during the three months ended March 31, 2009. The FHLBank of Atlanta's credit losses on transferred securities include $5 million of cumulative effect of credit losses related to initial application of FSP FAS 115-2 and FAS 124-2.

(2) The FHLBanks adopted FSP FAS 115-2 and FAS 124-2 as of January 1, 2009 and recognized the cumulative effect of initially applying this FSP, totaling $59 million, as an adjustment to the retained earnings balance at January 1, 2009, with an offsetting adjustment to AOCI. This amount represents noncredit losses reported in AOCI related to the adoption of FSP FAS 115-2 and FAS 124-2.

(3) For the three months ended June 30, 2009, credit losses on securities transferred from held-to-maturity securities include $72 million and $9 million recognized by the FHLBanks of Pittsburgh and Atlanta. For the six months ended June 30, 2009, credit losses on securities transferred from held-to-maturity securities include $72 million and $103 million recognized by the FHLBanks of Pittsburgh and Atlanta. For the FHLBank of Pittsburgh, the $72 million on transferred securities includes $23 million of credit losses recognized during the three months ended March 31, 2009 and $10 million of cumulative effect of credit losses related to initial application of FSP FAS 115-2 and FAS 124-2. The FHLBank of Atlanta's credit losses on transferred securities include $5 million of cumulative effect of credit losses related to initial application of FSP FAS 115-2 and FAS 124-2.

The remainder of the FHLBanks' available-for-sale securities portfolio has experienced unrealized losses and a decrease in fair value due to illiquidity in the marketplace, credit deterioration and interest rate volatility in the U.S. mortgage markets. However, the decline is considered temporary as each of the FHLBanks expects to recover the entire amortized cost basis on the remaining available-for-sale securities in unrealized loss position and neither intends to sell these securities nor considers it more

likely than not that it will be required to sell these securities before its anticipated recovery of each security's remaining amortized cost basis.

*Redemption Terms.* The amortized cost and estimated fair value of available-for-sale securities by contractual maturity are shown below (dollar amounts in millions). Expected maturities of some securities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment fees.

| | June 30, 2009 | | December 31, 2008 | |
|---|---|---|---|---|
| **Year of Maturity** | **Amortized Cost** | **Estimated Fair Value** | **Amortized Cost** | **Estimated Fair Value** |
| Due in one year or less | $ 6,051 | $ 6,049 | $ 2,577 | $ 2,573 |
| Due after one year through five years | 674 | 677 | 158 | 164 |
| Due after five years through ten years | 2,344 | 2,433 | 1,845 | 2,013 |
| Due after ten years | 7,356 | 7,283 | 1,189 | 1,069 |
| | 16,425 | 16,442 | 5,769 | 5,819 |
| Mortgage-backed securities | 16,217 | 14,261 | 8,974 | 8,740 |
| Total | $32,642 | $30,703 | $14,743 | $14,559 |

The amortized cost of the FHLBanks' mortgage-backed securities classified as available-for-sale includes net discounts of $98 million at June 30, 2009 and net premiums of $2 million at December 31, 2008.

*Gains and Losses.* The FHLBanks received $1,404 million and $258 million in proceeds from the sale of available-for-sale securities during the six months ended June 30, 2009 and June 30, 2008. The FHLBanks realized $20 million in gross gains and $44 million in gross losses on the sale of available-for-sale securities during the six months ended June 30, 2009.

## Note 5—Held-to-Maturity Securities

*Major Security Types.*

There were no held-to-maturity interbank holdings of consolidated bonds at June 30, 2009 and December 31, 2008.

| | June 30, 2009 | | | | | |
|---|---|---|---|---|---|---|
| | Amortized Cost (1) | OTTI Recognized in AOCI (2) | Carrying Value (3) | Gross Unrecognized Holding Gains (2) | Gross Unrecognized Holding Losses (2) | Estimated Fair Value |
| Commercial paper | $ 2,545 | $ | $ 2,545 | $ | $ | $ 2,545 |
| Certificates of deposit (4) | 13,785 | | 13,785 | 2 | (2) | 13,785 |
| Other U.S. obligations* | 411 | | 411 | 4 | (1) | 414 |
| Government-sponsored enterprises** | 1,634 | | 1,634 | 77 | (7) | 1,704 |
| State or local housing agency obligations | 2,905 | | 2,905 | 31 | (130) | 2,806 |
| Other*** | 2,080 | | 2,080 | 12 | (1) | 2,091 |
| | 23,360 | | 23,360 | 126 | (141) | 23,345 |
| Mortgage-backed securities: | | | | | | |
| Other U.S. obligations residential MBS* | 1,121 | | 1,121 | 6 | (3) | 1,124 |
| Other U.S. obligations commercial MBS* | 50 | | 50 | | (1) | 49 |
| Government-sponsored enterprises residential MBS**** | 81,800 | | 81,800 | 1,989 | (322) | 83,467 |
| Government-sponsored enterprises commercial MBS**** | 1,166 | | 1,166 | 64 | | 1,230 |
| Private-label residential MBS | 57,359 | (6,229) | 51,130 | 179 | (10,020) | 41,289 |
| Private-label commercial MBS | 480 | | 480 | 2 | (15) | 467 |
| Manufactured housing loans | 239 | | 239 | | (75) | 164 |
| Home equity loans | 1,891 | (390) | 1,501 | | (329) | 1,172 |
| MPF Shared Funding Program mortgage-backed certificates | 343 | | 343 | | (13) | 330 |
| | 144,449 | (6,619) | 137,830 | 2,240 | (10,778) | 129,292 |
| Total | $167,809 | $(6,619) | $161,190 | $2,366 | $(10,919) | $152,637 |

| | December 31, 2008 | | | |
|---|---|---|---|---|
| | Amortized Cost (1) | Gross Unrealized Gains (2) | Gross Unrealized Losses (2) | Estimated Fair Value |
| Commercial paper | $ 1,272 | $ 2 | $ | $ 1,274 |
| Certificates of deposit (4) | 16,428 | 6 | | 16,434 |
| Other U.S. obligations* | 737 | 6 | (2) | 741 |
| Government-sponsored enterprises** | 2,267 | 90 | | 2,357 |
| State or local housing agency obligations | 2,941 | 27 | (194) | 2,774 |
| Other*** | 1,257 | 1 | | 1,258 |
| | 24,902 | 132 | (196) | 24,838 |
| Mortgage-backed securities: | | | | |
| Other U.S. obligations* | 505 | 2 | (4) | 503 |
| Government-sponsored enterprises**** | 86,225 | 1,292 | (758) | 86,759 |
| Other***** | 72,892 | 7 | (19,350) | 53,549 |
| | 159,622 | 1,301 | (20,112) | 140,811 |
| Total | $184,524 | $1,433 | $(20,308) | $165,649 |

(1) Amortized cost of held-to-maturity securities includes adjustments made to the cost basis of an investment for accretion, amortization, collection of cash, and/or previous OTTIs recognized in earnings (excluding any

cumulative-effect adjustments recognized in accordance with the transition provisions of FSP FAS 115-2 and FAS 124-2). At December 31, 2008, carrying value equaled amortized cost.

(2) Gross unrecognized holding gains/(losses) represent the difference between estimated fair value and carrying value, while gross unrealized gains/(losses) represent the difference between estimated fair value and amortized cost.

(3) In accordance with FSP FAS 115-2 and FAS 124-2, carrying value of held-to-maturity securities represent amortized cost after adjustment for noncredit related impairment recognized in AOCI.

(4) Represents certificates of deposit that meet the definition of a security under SFAS 115. (See "Note 1—Summary of Significant Accounting Policies.")

* Primarily consists of Ginnie Mae and/or SBA investment pools.

** Primarily consists of debt securities issued or guaranteed by Freddie Mac, Fannie Mae and/or TVA.

*** Primarily consists of corporate debentures and/or promissory notes issued or guaranteed by FDIC under its TLGP, with total amortized cost of $2,073 million and $1,250 million at June 30, 2009 and December 31, 2008.

**** Primarily consists of securities issued or guaranteed by Freddie Mac and/or Fannie Mae.

***** Primarily consists of private-label mortgage-backed securities.

The following tables summarize the held-to-maturity securities with unrealized losses, which are aggregated by major security type and length of time that individual securities have been in a continuous unrealized loss position (dollar amounts in millions). The unrealized losses include other-than-temporary impairments recognized in AOCI and gross unrecognized holding losses at June 30, 2009.

| | June 30, 2009 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 12 Months | | 12 months or more | | Total | |
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses (2) |
| Certificates of deposit (1) | $ 9,175 | $ (2) | $ | $ | $ 9,175 | $ (2) |
| Other U.S. obligations* | 39 | (1) | 20 | | 59 | (1) |
| Government-sponsored enterprises** | 250 | (7) | | | 250 | (7) |
| State or local housing agency obligations | 1,106 | (61) | 431 | (69) | 1,537 | (130) |
| Other | 200 | (1) | | | 200 | (1) |
| Mortgage-backed securities: | | | | | | |
| Other U.S. obligations residential MBS* | 477 | (2) | 76 | (1) | 553 | (3) |
| Other U.S. obligations commercial MBS* | 49 | (1) | | | 49 | (1) |
| Government-sponsored enterprises residential MBS*** | 10,972 | (124) | 10,559 | (198) | 21,531 | (322) |
| Private-label residential MBS (3) | 370 | (34) | 40,507 | (16,164) | 40,877 | (16,198) |
| Private-label commercial MBS | 81 | | 173 | (15) | 254 | (15) |
| Manufactured housing loans | | | 164 | (75) | 164 | (75) |
| Home equity loans (3) | 57 | (15) | 1,095 | (704) | 1,152 | (719) |
| MPF Shared Funding Program mortgage-backed certificates | | | 290 | (13) | 290 | (13) |
| Total | $22,776 | $(248) | $53,315 | $(17,239) | $76,091 | $(17,487) |

| | December 31, 2008 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 12 Months | | 12 months or more | | Total | |
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| Other U.S. obligations* | $ 51 | $ (2) | $ | $ | $ 51 | $ (2) |
| State or local housing agency obligations | 243 | (23) | 427 | (171) | 670 | (194) |
| Mortgage-backed securities: | | | | | | |
| Other U.S. obligations* | 245 | (3) | 40 | (1) | 285 | (4) |
| Government-sponsored enterprises*** | 18,220 | (459) | 7,512 | (299) | 25,732 | (758) |
| Other**** | 17,973 | (5,474) | 33,058 | (13,876) | 51,031 | (19,350) |
| Total temporarily impaired | $36,732 | $(5,961) | $41,037 | $(14,347) | $77,769 | $(20,308) |

(1) Represents certificates of deposit that meet the definition of a security under SFAS 115. (See "Note 1—Summary of Significant Accounting Policies.")

(2) As a result of differences in the definitions of unrealized losses and unrecognized holding losses, total unrealized losses in the table above will not agree with total gross unrecognized holding losses in the June 30, 2009 major security types table as previously noted.

(3) Includes investments for which a portion of an OTTI has been recognized in AOCI.

* Primarily consists of Ginnie Mae and/or SBA investment pools.

** Primarily consists of debt securities issued or guaranteed by Freddie Mac and/or Fannie Mae.

*** Primarily consists of securities issued or guaranteed by Freddie Mac and/or Fannie Mae.

**** Primarily consists of private-label mortgage-backed securities.

Each FHLBank evaluates its individual held-to-maturity investment securities holdings for OTTI on at least a quarterly basis. As part of this process, an FHLBank considers its intent to sell each debt security and whether it is more likely than not that an FHLBank will be required to sell the security before its anticipated recovery. If either of these conditions is met, an FHLBank recognizes an OTTI charge in earnings equal to the entire difference between the security's amortized cost basis and its fair value at the balance sheet date. For securities that meet neither of these conditions, each FHLBank performs analysis to determine if any of these securities are at risk for OTTI. For the period ending June 30, 2009, to support consistency among the FHLBanks, each FHLBank has completed its OTTI analysis primarily using key modeling assumptions provided by the FHLBanks' OTTI Governance Committee. To determine which individual securities are at risk for OTTI and should be quantitatively evaluated utilizing a detailed cash flow analysis, an FHLBank uses indicators, or "screens," which consider various adverse risk characteristics, including: the duration and magnitude of the unrealized loss, NRSRO credit ratings below investment grade, and criteria related to the credit performance of the underlying collateral, including the ratio of credit enhancement to expected collateral losses and the ratio of seriously delinquent loans to credit enhancement. For these purposes, expected collateral losses are those that are implied by current delinquencies taking into account a default probability based on the state of delinquency and a loss severity assumption based on product and vintage; seriously delinquent loans are those that are 60 or more days past due, including loans in foreclosure and real estate owned.

To assess whether the entire amortized cost bases of their securities will be recovered, each FHLBank performed a cash flow analysis for each of its securities that were determined to be other-than-temporarily impaired in a previous reporting period as well as those with adverse risk characteristics as of June 30, 2009. In performing the cash flow analysis for each of these securities, each FHLBank used two third-party models. The first model considers borrower characteristics and the particular attributes of the loans underlying an FHLBank's securities, in conjunction with assumptions about future changes in home prices and interest rates, to project prepayments, defaults and loss severities. A significant input to the first model is the forecast of future housing price changes for the relevant states and CBSAs, which are based upon an assessment of the individual housing markets. As currently defined, a CBSA must contain at least one urban area with a population of 10,000 or more people. The FHLBanks' housing price

forecast assumed current-to-trough home price declines ranging from 0 percent to 20 percent over the next 9 to 15 months (resulting in peak-to-trough home price declines of up to 51 percent). Thereafter, home prices are projected to increase 1 percent in the first year, 3 percent in the second year and 4 percent in each subsequent year. The month-by-month projections of future loan performance derived from the first model, which reflect projected prepayments, defaults and loss severities, are then input into a second model that allocates the projected loan level cash flows and losses to the various security classes in the securitization structure in accordance with its prescribed cash flow and loss allocation rules. In a securitization in which the credit enhancement for the senior securities is derived from the presence of subordinate securities, losses are generally allocated first to the subordinate securities until their principal balance is reduced to zero. Refer to individual FHLBanks' periodic reports filed with the SEC for summaries of significant inputs used to measure the amount of credit loss on other-than-temporarily impaired securities recognized in earnings during the three months ended June 30, 2009.

On June 30, 2009, the FHLBank of Pittsburgh transferred unpaid principal balance of $2,109 million in private-label MBS from its held-to-maturity portfolio to its available-for-sale portfolio. These private-label MBS had an OTTI loss recognized during the quarter ended June 30, 2009 which the FHLBank of Pittsburgh believes constitutes evidence of a significant decline in the issuer's creditworthiness. The FHLBank of Pittsburgh transferred the securities to its available-for-sale portfolio to increase financial flexibility to sell these securities if management determines it is prudent to do so. The FHLBank of Pittsburgh has no current plans to sell these securities nor is the FHLBank of Pittsburgh under any requirement to sell the securities.

At March 31, 2009 and June 30, 2009, the FHLBank of Atlanta transferred unpaid principal balances of $2,480 million and $322 million in private-label MBS from its held-to-maturity portfolio to an available-for-sale portfolio. These securities represent private-label MBS for which the FHLBank of Atlanta has recognized an OTTI loss. The objective of this transfer was to recognize management's intent to hold these securities for an indefinite period of time, but that management may choose to sell them prior to maturity in response to changes in interest rates, changes in prepayment risk or other factors. In accordance with SFAS 115, changes in circumstances may cause an FHLBank to change its intent to hold a certain security to maturity without calling into question its intent to hold other debt securities to maturity in the future. Thus, the sale or transfer of a held-to-maturity security due to certain changes in circumstances, such as evidence of significant deterioration in the issuer's creditworthiness, is not considered to be inconsistent with its original classification. Additionally, other events that are isolated, nonrecurring, and unusual for an FHLBank that could not have been reasonably anticipated may cause an FHLBank to sell or transfer a held-to-maturity security without necessarily calling into question its intent to hold other debt securities to maturity.

As a result of each FHLBank's evaluations, at June 30, 2009, the FHLBanks of Boston, New York, Pittsburgh, Indianapolis, Chicago, Dallas, Topeka, San Francisco and Seattle recognized OTTI losses related to an aggregate amount of $15,632 million of unpaid principal balance in held-to-maturity MBS investments, as further described in this footnote. Each of these FHLBanks determined that it was likely that it would not recover the entire amortized cost of each of these securities owned by it. These securities consisted of 67 securities that had previously been identified as other-than-temporarily impaired in 2008 and 217 securities that were newly identified as other-than-temporarily impaired in the first six months of 2009.

The following FHLBanks recognized an OTTI charge on its held-to-maturity securities, based on each individual FHLBank's impairment analysis of its investment portfolio at June 30, 2009, as follows (dollar amounts in millions).

| | At June 30, 2009 (1) | | | | | | |
|---|---|---|---|---|---|---|---|
| | Unpaid Principal Balance | Amortized Cost (2) | Gross Unrealized Losses (2) | Fair Value (2) | OTTI Related to Credit Loss | OTTI Related to Noncredit Loss | Total OTTI Losses |
| **FHLBank of Boston** | | | | | | | |
| Securities other-than-temporarily-impaired during the three months ended June 30, 2009 | | | | | | | |
| Private-label RMBS—Prime | $ 88 | $ 86 | $ (32) | $ 54 | $ (2) | $ (32) | $ (34) |
| Private-label RMBS—Alt-A | 2,241 | 2,014 | (1,039) | 977 | (68) | (108) | (176) |
| Total Private-label RMBS OTTI | $ 2,329 | $ 2,100 | $ (1,071) | $ 1,031 | $ (70) | $ (140) | $ (210) |
| Home equity loan investments—Subprime | $ 3 | $ 2 | $ (1) | $ 1 | $ * | $ * | $ * |
| Total Home equity loan investments OTTI | $ 3 | $ 2 | $ (1) | $ 1 | $ * | $ * | $ * |
| Securities other-than-temporarily-impaired during the six months ended June 30, 2009 | | | | | | | |
| Private-label RMBS—Prime | $ 88 | $ 86 | $ (32) | $ 54 | $ (2) | $ (32) | $ (34) |
| Private-label RMBS—Alt-A | 2,330 | 2,099 | (1,086) | 1,015 | (195) | (875) | (1,070) |
| Total Private-label RMBS OTTI | $ 2,418 | $ 2,185 | $ (1,118) | $ 1,069 | $(197) | $ (907) | $(1,104) |
| Home equity loan investments—Subprime | $ 3 | $ 3 | $ (1) | $ 2 | $ * | $ (1) | $ (1) |
| Total Home equity loan investments OTTI | $ 3 | $ 3 | $ (1) | $ 2 | $ * | $ (1) | $ (1) |
| **Held-to-maturity MBS** | | 7,896 | (1,660) | 6,371 | | | |
| **Total held-to-maturity investment securities** | | 8,548 | (1,694) | 6,993 | | | |
| **FHLBank of New York** | | | | | | | |
| Securities other-than-temporarily-impaired during the three months ended June 30, 2009 | | | | | | | |
| Private-label RMBS—Prime | $ 61 | $ 60 | $ (3) | $ 57 | $ * | $ (3) | $ (3) |
| Total Private-label RMBS OTTI | $ 61 | $ 60 | $ (3) | $ 57 | $ * | $ (3) | $ (3) |
| Home equity loan investments—Subprime | $ 180 | $ 175 | $ (65) | $ 110 | $ (5) | $ (65) | $ (70) |
| Total Home equity loan investments OTTI | $ 180 | $ 175 | $ (65) | $ 110 | $ (5) | $ (65) | $ (70) |
| Securities other-than-temporarily-impaired during the six months ended June 30, 2009 | | | | | | | |
| Private-label RMBS—Prime | $ 61 | $ 60 | $ (3) | $ 57 | $ * | $ (3) | $ (3) |
| Total Private-label RMBS OTTI | $ 61 | $ 60 | $ (3) | $ 57 | $ * | $ (3) | $ (3) |
| Home equity loan investments—Subprime | $ 216 | $ 206 | $ (75) | $ 132 | $ (10) | $ (75) | $ (85) |
| Total Home equity loan investments OTTI | $ 216 | $ 206 | $ (75) | $ 132 | $ (10) | $ (75) | $ (85) |
| **Held-to-maturity MBS** | | 9,780 | (314) | 9,722 | | | |
| **Total held-to-maturity investment securities** | | 10,549 | (339) | 10,469 | | | |

| | At June 30, 2009 (1) | | | | | | |
|---|---|---|---|---|---|---|---|
| | Unpaid Principal Balance | Amortized Cost (2) | Gross Unrealized Losses (2) | Fair Value (2) | OTTI Related to Credit Loss | OTTI Related to Noncredit Loss | Total OTTI Losses |
| **FHLBank of Pittsburgh** | | | | | | | |
| Securities other-than-temporarily-impaired during the three months ended June 30, 2009 | | | | | | | |
| Private-label RMBS | $ | $ | $ | $ | $ | $ | $ |
| Total Private-label RMBS OTTI | $ | $ | $ | $ | $ | $ | $ |
| Securities other-than-temporarily-impaired during the six months ended June 30, 2009 | | | | | | | |
| Private-label RMBS—Prime | $ 178 | $ 174 | $ (41) | $ 133 | $ (2) | $ (30) | $ (32) |
| Private-label RMBS—Alt-A | 148 | 141 | (60) | 81 | (6) | (68) | (74) |
| Total Private-label RMBS OTTI | $ 326 | $ 315 | $ (101) | $ 214 | $ (8) | $ (98) | $ (106) |
| **Held-to-maturity MBS** | | 7,848 | (1,225) | 6,691 | | | |
| **Total held-to-maturity investment securities** | | 13,214 | (1,260) | 12,042 | | | |
| **FHLBank of Indianapolis** | | | | | | | |
| Securities other-than-temporarily-impaired during the three months ended June 30, 2009 | | | | | | | |
| Private-label RMBS—Prime | $ 121 | $ 116 | $ (45) | $ 71 | $ (3) | $ (22) | $ (25) |
| Private-label RMBS—Alt-A | 50 | 49 | (11) | 38 | * | (11) | (11) |
| Total Private-label RMBS OTTI | $ 171 | $ 165 | $ (56) | $ 109 | $ (3) | $ (33) | $ (36) |
| Securities other-than-temporarily-impaired during the six months ended June 30, 2009 | | | | | | | |
| Private-label RMBS—Prime | $ 357 | $ 335 | $ (128) | $ 207 | $ (21) | $ (151) | $ (172) |
| Private-label RMBS—Alt-A | 50 | 49 | (11) | 38 | * | (11) | (11) |
| Total Private-label RMBS OTTI | $ 407 | $ 384 | $ (139) | $ 245 | $ (21) | $ (162) | $ (183) |
| **Held-to-maturity MBS** | | 5,723 | (667) | 5,109 | | | |
| **Total held-to-maturity investment securities** | | 8,093 | (667) | 7,491 | | | |

| | At June 30, 2009 (1) | | | | | | |
|---|---|---|---|---|---|---|---|
| | Unpaid Principal Balance | Amortized Cost (2) | Gross Unrealized Losses (2) | Fair Value (2) | OTTI Related to Credit Loss | OTTI Related to Noncredit Loss | Total OTTI Losses |
| **FHLBank of Chicago** | | | | | | | |
| Securities other-than-temporarily-impaired during the three months ended June 30, 2009 | | | | | | | |
| Private-label RMBS—Prime | $ 2,231 | $ 2,116 | $ (800) | $ 1,316 | $ (56) | $ (74) | $ (130) |
| Total Private-label RMBS OTTI | $ 2,231 | $ 2,116 | $ (800) | $ 1,316 | $ (56) | $ (74) | $ (130) |
| Home equity loan investments—Subprime | $ 759 | $ 633 | $ (312) | $ 321 | $ (60) | $ (60) | $ (120) |
| Total Home equity loan investments OTTI | $ 759 | $ 633 | $ (312) | $ 321 | $ (60) | $ (60) | $ (120) |
| Securities other-than-temporarily-impaired during the six months ended June 30, 2009 | | | | | | | |
| Private-label RMBS—Prime | $ 2,241 | $ 2,126 | $ (802) | $ 1,324 | $(108) | $ (843) | $ (951) |
| Total Private-label RMBS OTTI | $ 2,241 | $ 2,126 | $ (802) | $ 1,324 | $(108) | $ (843) | $ (951) |
| Home equity loan investments—Subprime | $ 765 | $ 636 | $ (312) | $ 324 | $ (83) | $ (206) | $ (289) |
| Total Home equity loan investments OTTI | $ 765 | $ 636 | $ (312) | $ 324 | $ (83) | $ (206) | $ (289) |
| **Held-to-maturity MBS** | | 14,086 | (1,306) | 13,218 | | | |
| **Total held-to-maturity investment securities** | | 14,797 | (1,306) | 13,951 | | | |
| **FHLBank of Dallas** | | | | | | | |
| Securities other-than-temporarily-impaired during the three months ended June 30, 2009 | | | | | | | |
| Private-label RMBS—Prime | $ 82 | $ 82 | $ (37) | $ 45 | $ (1) | $ (25) | $ (26) |
| Private-label RMBS—Alt-A | 18 | 18 | (11) | 7 | * | * | |
| Total Private-label RMBS OTTI | $ 100 | $ 100 | $ (48) | $ 52 | $ (1) | $ (25) | $ (26) |
| Securities other-than-temporarily-impaired during the six months ended June 30, 2009 | | | | | | | |
| Private-label RMBS—Prime | $ 82 | $ 82 | $ (37) | $ 45 | $ (1) | $ (38) | $ (39) |
| Private-label RMBS—Alt-A | 18 | 18 | (11) | 7 | * | (13) | $ (13) |
| Total Private-label RMBS OTTI | $ 100 | $ 100 | $ (48) | $ 52 | $ (1) | $ (51) | $ (52) |
| **Held-to-maturity MBS** | | 12,570 | (355) | 12,253 | | | |
| **Total held-to-maturity investment securities** | | 12,636 | (355) | 12,319 | | | |

| | At June 30, 2009 (1) | | | | | | |
|---|---|---|---|---|---|---|---|
| | Unpaid Principal Balance | Amortized Cost (2) | Gross Unrealized Losses (2) | Fair Value (2) | OTTI Related to Credit Loss | OTTI Related to Noncredit Loss | Total OTTI Losses |
| **FHLBank of Topeka** | | | | | | | |
| Securities other-than-temporarily-impaired during the three months ended June 30, 2009 | | | | | | | |
| Home equity loan investments—Prime | $ 2 | $ 2 | $ (1) | $ 1 | $ * | $ | $ * |
| Total Home equity loan investments OTTI | $ 2 | $ 2 | $ (1) | $ 1 | $ * | $ | $ * |
| Securities other-than-temporarily-impaired during the six months ended June 30, 2009 | | | | | | | |
| Home equity loan investments—Prime | $ 2 | $ 2 | $ (1) | $ 1 | $ * | $ (1) | $ (1) |
| Total Home equity loan investments OTTI | $ 2 | $ 2 | $ (1) | $ 1 | $ * | $ (1) | $ (1) |
| **Held-to-maturity MBS** | | 8,260 | (344) | 7,941 | | | |
| **Total held-to-maturity investment securities** | | 8,400 | (344) | 8,081 | | | |
| **FHLBank of San Francisco** | | | | | | | |
| Securities other-than-temporarily-impaired during the three months ended June 30, 2009 | | | | | | | |
| Private-label RMBS—Prime | $ 1,203 | $ 1,190 | $ (366) | $ 824 | $ (15) | $ (312) | $ (327) |
| Private-label RMBS—Alt-A | 5,483 | 5,317 | (2,248) | 3,127 | (73) | (883) | (956) |
| Total Private-label RMBS OTTI | $ 6,686 | $ 6,507 | $ (2,614) | $ 3,951 | $ (88) | $(1,195) | $(1,283) |
| Securities other-than-temporarily-impaired during the six months ended June 30, 2009 | | | | | | | |
| Private-label RMBS—Prime | $ 1,203 | $ 1,190 | $ (366) | $ 824 | $ (15) | $ (312) | $ (327) |
| Private-label RMBS—Alt-A | 5,743 | 5,569 | (2,344) | 3,294 | (161) | (1,951) | (2,112) |
| Total Private-label RMBS OTTI | $ 6,946 | $ 6,759 | $ (2,710) | $ 4,118 | $(176) | $(2,263) | $(2,439) |
| **Held-to-maturity MBS** | | 35,621 | (7,187) | 28,855 | | | |
| **Total held-to-maturity investment securities** | | 44,951 | (7,222) | 38,150 | | | |
| **FHLBank of Seattle** | | | | | | | |
| Securities other-than-temporarily-impaired during the three months ended June 30, 2009 | | | | | | | |
| Private-label RMBS—Alt-A | $ 2,147 | $ 2,004 | $ (1,235) | $ 819 | $ (61) | $ (199) | $ (260) |
| Total Private-label RMBS OTTI | $ 2,147 | $ 2,004 | $ (1,235) | $ 819 | $ (61) | $ (199) | $ (260) |
| Securities other-than-temporarily-impaired during the six months ended June 30, 2009 | | | | | | | |
| Private-label RMBS—Alt-A | $ 2,147 | $ 2,004 | $ (1,235) | $ 819 | $(133) | $(1,022) | $(1,155) |
| Total Private-label RMBS OTTI | $ 2,147 | $ 2,004 | $ (1,235) | $ 819 | $(133) | $(1,022) | $(1,155) |
| **Held-to-maturity MBS** | | 7,611 | (2,210) | 5,475 | | | |
| **Total held-to-maturity investment securities** | | 10,554 | (2,210) | 8,473 | | | |

| | At June 30, 2009 (1) | | | | | | |
|---|---|---|---|---|---|---|---|
| | Unpaid Principal Balance | Amortized Cost (2) | Gross Unrealized Losses (2) | Fair Value (2) | OTTI Related to Credit Loss | OTTI Related to Noncredit Loss | Total OTTI Losses |
| **Total** | | | | | | | |
| Securities other-than-temporarily-impaired during the three months ended June 30, 2009 | | | | | | | |
| Private-label RMBS—Prime | $ 3,786 | $ 3,650 | $ (1,283) | $ 2,367 | $ (77) | $ (468) | $ (545) |
| Private-label RMBS—Alt-A | 9,939 | 9,402 | (4,544) | 4,968 | (202) | (1,201) | (1,403) |
| Total Private—label RMBS OTTI | $13,725 | $ 13,052 | $ (5,827) | $ 7,335 | $(279) | $(1,669) | $(1,948) |
| Home equity loan investments—Prime | $ 2 | $ 2 | $ (1) | $ 1 | $ * | $ | $ * |
| Home equity loan investments—Subprime | 942 | 810 | (378) | 432 | (65) | (125) | (190) |
| Total Home equity loan investments OTTI | $ 944 | $ 812 | $ (379) | $ 433 | $ (65) | $ (125) | $ (190) |
| Securities other-than-temporarily-impaired during the six months ended June 30, 2009 | | | | | | | |
| Private-label RMBS—Prime | $ 4,210 | $ 4,053 | $ (1,409) | $ 2,644 | $(149) | $(1,409) | $(1,558) |
| Private-label RMBS—Alt-A | 10,436 | 9,880 | (4,747) | 5,254 | (495) | (3,940) | (4,435) |
| Total Private-label RMBS OTTI | $14,646 | $ 13,933 | $ (6,156) | $ 7,898 | $(644) | $(5,349) | $(5,993) |
| Home equity loan investments—Prime | $ 2 | $ 2 | $ (1) | $ 1 | $ * | $ (1) | $ (1) |
| Home equity loan investments—Subprime | 984 | 845 | (388) | 458 | (93) | (282) | (375) |
| Total Home equity loan investments OTTI | $ 986 | $ 847 | $ (389) | $ 459 | $ (93) | $ (283) | $ (376) |
| **Held-to-maturity MBS **** | | 144,449 | (17,397) | 129,292 | | | |
| **Total held-to-maturity investment securities **** | | 167,809 | (17,538) | 152,637 | | | |

* Represents an amount less than $1 million.

** Represents the FHLBanks' combined total.

(1) The FHLBanks classify private-label MBS as prime, Alt-A and subprime based on the originator's classification at the time of origination or based on classification by an NRSRO upon issuance of the MBS.

(2) This table does not include gross unrealized gains; therefore, amortized cost net of gross unrealized losses will not necessarily equal the fair value.

Because of continued credit deterioration in the non-agency mortgage-backed securities market, an additional impairment of $322 million related to credit loss and an additional impairment of $100 million related to all other factors were recorded in the first six months of 2009 on the non-agency MBS previously identified as other-than-temporarily impaired. For the newly identified non-agency MBS with OTTI, the FHLBanks recorded an impairment of $575 million related to credit loss and an impairment of $6,916 million related to all other factors. Each of these FHLBanks does not intend to sell these securities and it is not more likely than not that the FHLBank will be required to sell these securities before its anticipated recovery of each security's remaining amortized cost basis. The $897 million related to credit loss in the first six months of 2009 include a total of $160 million related to credit losses transferred from held-to-maturity securities to available-for-sale securities by the FHLBanks of Pittsburgh and Atlanta during the period.

The FHLBanks recognized total OTTI charges of $897 million in the first six months of 2009 related to the credit losses on MBS instruments in their held-to-maturity portfolios before transfers to available-for-sale securities, which are reported in the Combined Statement of Income as a part of the "Net other-than-temporary impairment losses", and the impairment related to noncredit portion of $7,016 million,

which was reflected in the Combined Statement of Condition as "Accumulated other comprehensive income—Net noncredit portion of other-than-temporary impairment losses on held-to-maturity securities." The OTTI recognized in AOCI related to held-to-maturity securities is accreted to the carrying value of each security on a prospective basis, over the remaining life of each security. That accretion increases the carrying value of each security and continues until this security is sold or matures, or there is an additional OTTI that is recognized in earnings.

The following table presents the rollforward of the amounts related to credit losses recognized into earnings (dollar amounts in millions). The rollforward relates to the amount of credit losses on investment securities held by the FHLBanks for which a portion of the OTTI charges was recognized in AOCI.

| | For the Three Months Ended June 30, 2009 | For the Six Months Ended June 30, 2009 |
|---|---|---|
| Balance, at beginning of period | $539[1] | $ 128[2] |
| Additions: | | |
| Credit losses for which OTTI was not previously recognized | 71 | 575 |
| Additional OTTI credit losses for which an OTTI charge was previously recognized | 321 | 322 |
| Reductions: | | |
| Securities sold, matured, paid down or prepaid during the period | | |
| Securities for which the amount previously recognized in AOCI was recognized in earnings because the FHLBanks intend to sell the security or more likely than not they will be required to sell the security before the recovery of its amortized cost basis | | |
| Increases in cash flows expected to be collected, recognized over the remaining life of the securities | | |
| Credit losses on securities transferred to available-for-sale (3) | (81) | (175) |
| Balance, at end of period | $850 | $ 850 |

(1) The beginning balance for the three months ended June 30, 2009 excludes credit losses of $94 million transferred from held-to-maturity securities to available-for-sale securities by the FHLBank of Atlanta during the three months ended March 31, 2009. The FHLBank of Atlanta's credit losses on transferred securities include $5 million of cumulative effect of credit losses related to initial application of FSP FAS 115-2 and FAS 124-2.

(2) The FHLBanks adopted FSP FAS 115-2 and FAS 124-2 as of January 1, 2009 and recognized the cumulative effect of initially applying this FSP, totaling $1,824 million, as an adjustment to the retained earnings balance at January 1, 2009, with an offsetting adjustment to AOCI. This amount represents noncredit losses reported in AOCI related to the adoption of FSP FAS 115-2 and FAS 124-2.

(3) For the three months ended June 30, 2009, credit losses on securities transferred to available-for sale securities include $72 million and $9 million recognized by the FHLBanks of Pittsburgh and Atlanta. For the six months ended June 30, 2009, credit losses on securities transferred to available-for-sale securities include $72 million and $103 million recognized by the FHLBanks of Pittsburgh and Atlanta. For the FHLBank of Pittsburgh, the $72 million on transferred securities includes $23 million of credit losses recognized during the three months ended March 31, 2009 and $10 million of cumulative effect of credit losses related to initial application of FSP FAS 115-2 and FAS 124-2. The FHLBank of Atlanta's credit losses on transferred securities include $5 million of cumulative effect of credit losses related to initial application of FSP FAS 115-2 and FAS 124-2.

The remainder of the FHLBanks' held-to-maturity securities portfolio has experienced unrealized losses and a decrease in fair value due to interest rate volatility, illiquidity in the marketplace, and credit

deterioration in the U.S. mortgage markets. However, the decline is considered temporary as each of the FHLBanks expects to recover the entire amortized cost basis on the remaining held-to-maturity securities in unrealized loss position and neither intends to sell these securities nor considers it more likely than not that it will be required to sell these securities before its anticipated recovery of the remaining amortized cost basis.

*Redemption Terms.* The amortized cost, carrying value and estimated fair value of held-to-maturity securities by contractual maturity are shown below (dollar amounts in millions). Expected maturities of some securities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment fees.

| | June 30, 2009 | | | December 31, 2008 | |
|---|---|---|---|---|---|
| **Year of Maturity** | **Amortized Cost** | **Carrying Value** | **Estimated Fair Value** | **Amortized Cost*** | **Estimated Fair Value** |
| Due in one year or less | $ 16,920 | $ 16,920 | $ 16,925 | $ 19,866 | $ 19,878 |
| Due after one year through five years | 3,236 | 3,236 | 3,329 | 2,052 | 2,152 |
| Due after five years through ten years | 351 | 351 | 354 | 341 | 337 |
| Due after ten years | 2,853 | 2,853 | 2,737 | 2,643 | 2,471 |
| | 23,360 | 23,360 | 23,345 | 24,902 | 24,838 |
| Mortgage-backed securities | 144,449 | 137,830 | 129,292 | 159,622 | 140,811 |
| Total | $167,809 | $161,190 | $152,637 | $184,524 | $165,649 |

* At December 31, 2008, carrying value equaled amortized cost.

The amortized cost of the FHLBanks' mortgage-backed securities classified as held-to-maturity includes net discounts of $1,902 million and $2,127 million at June 30, 2009 and December 31, 2008.

*Gains and Losses.* The FHLBanks of New York, Cincinnati and Des Moines each sold securities out of its held-to-maturity securities portfolio during the six months ended June 30, 2009 that were either within three months of maturity or had less than 15 percent of the acquired principal outstanding at the time of the sale. In accordance with SFAS 115, such sales are considered as maturities for the purposes of security classification. These FHLBanks recognized $264 million in proceeds from the sale of long-term held-to-maturity securities during the six months ended June 30, 2009. The FHLBanks of New York and Seattle had $594 million in proceeds from the sale of long-term held-to-maturity securities during the six months ended June 30, 2008.

## Note 6—Advances

*Redemption Terms.* The FHLBanks had advances outstanding, as summarized below (dollar amounts in millions).

| | June 30, 2009 | | December 31, 2008 | |
|---|---|---|---|---|
| Redemption Term | Amount | Weighted-Average Interest Rate | Amount | Weighted-Average Interest Rate |
| Overdrawn demand and overnight deposit accounts | $ 28 | | $ 30 | |
| Due in 1 year or less | 273,952 | 2.10% | 382,493 | 2.44% |
| Due after 1 year through 2 years | 128,827 | 3.26% | 150,323 | 3.67% |
| Due after 2 years through 3 years | 74,825 | 2.83% | 94,086 | 3.53% |
| Due after 3 years through 4 years | 71,482 | 2.90% | 67,173 | 3.65% |
| Due after 4 years through 5 years | 30,886 | 3.20% | 58,127 | 3.13% |
| Thereafter | 137,043 | 3.61% | 144,578 | 3.78% |
| Index amortizing advances | 3,504 | 4.58% | 3,654 | 4.62% |
| Total par value | 720,547 | 2.81% | 900,464 | 3.12% |
| Commitment fees | (7) | | (6) | |
| Discount on AHP advances | (65) | | (68) | |
| Premiums | 86 | | 105 | |
| Discounts | (68) | | (42) | |
| SFAS 133 hedging adjustments | 17,366 | | 26,885 | |
| SFAS 159 valuation adjustments | 953 | | 1,300 | |
| Total | $738,812 | | $928,638 | |

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

The FHLBanks offer advances to members that may be prepaid on pertinent dates (call dates) without incurring prepayment or termination fees (callable advances). Other advances may only be prepaid subject to a fee to the FHLBank (prepayment fee) that makes the FHLBank financially indifferent to the prepayment of the advance. At June 30, 2009 and December 31, 2008, the FHLBanks had callable advances of $35,186 million and $46,098 million.

The following table summarizes advances at June 30, 2009 and December 31, 2008, by year of contractual maturity or next call date for callable advances (dollar amounts in millions):

| Year of Contractual Maturity or Next Call Date | June 30, 2009 | December 31, 2008 |
|---|---|---|
| Overdrawn demand and overnight deposit accounts | $ 28 | $ 30 |
| Due in 1 year or less | 300,488 | 414,444 |
| Due after 1 year through 2 years | 126,430 | 148,674 |
| Due after 2 years through 3 years | 70,797 | 89,636 |
| Due after 3 years through 4 years | 65,883 | 62,615 |
| Due after 4 years through 5 years | 29,844 | 53,534 |
| Thereafter | 123,573 | 127,877 |
| Index amortizing advances | 3,504 | 3,654 |
| Total par value | $720,547 | $900,464 |

The FHLBanks also offer putable and convertible advances. With a putable advance, an FHLBank has the right to terminate the advance at predetermined exercise dates, which the FHLBank typically would exercise when interest rates increase relative to contractual rates, and the borrower may then apply for a new advance at the prevailing market rate. At June 30, 2009 and December 31, 2008, the FHLBanks had putable advances outstanding totaling $84,592 million and $94,621 million.

Convertible advances allow the FHLBanks to convert the fixed-rate advance to a variable-rate advance at the current market rate or another structure after an agreed-upon lockout period. At June 30, 2009 and December 31, 2008, the FHLBanks had convertible advances outstanding totaling $50,227 million and $47,676 million.

The following table summarizes advances at by year of contractual maturity or next put/convert date for putable/convertible advances (dollar amounts in millions):

| Year of Contractual Maturity or Next Put/Convert Date | June 30, 2009 | December 31, 2008 |
|---|---|---|
| Overdrawn demand and overnight deposit accounts | $ 28 | $ 30 |
| Due in 1 year or less | 373,034 | 483,174 |
| Due after 1 year through 2 years | 129,335 | 151,648 |
| Due after 2 years through 3 years | 71,360 | 96,779 |
| Due after 3 years through 4 years | 57,285 | 51,820 |
| Due after 4 years through 5 years | 28,501 | 52,660 |
| Thereafter | 57,500 | 60,699 |
| Index amortizing advances | 3,504 | 3,654 |
| Total par value | $720,547 | $900,464 |

*Interest-Rate Payment Terms.* The following table details additional interest-rate payment terms for advances (dollar amounts in millions):

| Par Amount of Advances | June 30, 2009 | December 31, 2008 |
|---|---|---|
| Fixed-rate | $511,797 | $609,073 |
| Variable-rate | 208,750 | 291,391 |
| Total | $720,547 | $900,464 |

## Note 7—Mortgage Loans Held for Portfolio

Under two programs, the FHLBanks hold single-family mortgage loans that are funded through and primarily serviced by Participating Financial Institutions (PFIs). These mortgage loans are guaranteed or insured by Federal agencies or are credit-enhanced by PFIs. In addition, the Regulator previously authorized different and much smaller mortgage loan purchase programs not confined to single-family mortgage loans at the FHLBanks of New York and Atlanta. The FHLBanks of New York and Atlanta suspended acquisitions under these programs prior to 2007.

The following table presents information on mortgage loans held by all FHLBanks under all programs (dollar amounts in millions):

| | June 30, 2009 | December 31, 2008 |
|---|---|---|
| Real Estate: | | |
| Fixed-rate, medium-term* single-family mortgages | $18,885 | $20,913 |
| Fixed-rate, long-term single-family mortgages | 58,354 | 65,846 |
| Multifamily mortgages | 26 | 27 |
| | 77,265 | 86,786 |
| Premiums | 510 | 516 |
| Discounts | (264) | (269) |
| Deferred loan costs, net | 25 | 32 |
| SFAS 133 hedging adjustments | 243 | 311 |
| Total mortgage loans held for portfolio | $77,779 | $87,376 |

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

The following table details the par value of mortgage loans held for portfolio outstanding (dollar amounts in millions):

| | June 30, 2009 | December 31, 2008 |
|---|---|---|
| Conventional loans | $69,429 | $78,499 |
| Government-guaranteed or-insured loans | 7,832 | 8,283 |
| Other loans | 4 | 4 |
| Total par value | $77,265 | $86,786 |

The allowances for credit losses on mortgage loans were as follows (dollar amounts in millions):

| | June 30, 2009 | December 31, 2008 |
|---|---|---|
| Balance, beginning of period | $15 | $ 8 |
| Charge-offs | (1) | (1) |
| Provision for credit losses | 10 | 8 |
| Balance, end of period | $24 | $15 |

On April 8, 2009, the FHLBank of Des Moines transferred $2.4 billion of mortgage loans from held for portfolio to held for sale as a result of its management identifying certain loans for which its intent to hold these loans for portfolio had changed. At the time of transfer, all loans were in a gain position and therefore, were recorded at their cost basis which included the principal amount outstanding and unamortized premiums, discounts and basis adjustments. During the three months ended June 30, 2009, the FHLBank of Des Moines received normal monthly principal payments and liquidations amounting to $0.1 billion on these mortgage loans held for sale. During the three months ended June 30, 2009, the FHLBank of Des Moines recognized $0.5 million in losses on mortgage loans held for sale that had liquidated during the period, which represented net unamortized premiums on these loans. These losses were recorded as a component of other income (loss) in the Combined Statement of Income.

On June 24, 2009, in an effort to improve its risk position the FHLBank of Des Moines sold $2.1 billion of mortgage loans held for sale to the FHLBank of Chicago, which immediately resold these loans to Fannie Mae. The FHLBank of Des Moines recorded a net gain on sale of $1.8 million. This net gain on sale consisted of a $17.0 million gain on sale, partially offset by $15.2 million of credit enhancement fees paid by the FHLBank of Des Moines to settle all future credit enhancement obligations on the sold

loans with the PFI. The remaining $0.2 billion of mortgage loans held for sale were reclassified back to held for portfolio on June 30, 2009 as management intends to hold these loans to maturity.

## Note 8—Derivatives and Hedging Activities

*Nature of Business Activity*

The FHLBanks are exposed to interest-rate risk primarily from the effect of interest rate changes on their interest-earning assets and their funding sources that finance these assets.

Consistent with Finance Agency regulation, an FHLBank enters into derivatives to manage the interest-rate risk exposures inherent in otherwise unhedged assets and funding positions, to achieve the FHLBank's risk management objectives, and to act as an intermediary between its members and counterparties. Finance Agency regulation and each FHLBank's risk management policy prohibit trading in or the speculative use of these derivative instruments and limit credit risk arising from these instruments. The FHLBanks may only use derivatives to reduce funding costs for consolidated obligations and to manage their interest-rate risk, mortgage prepayment risk and foreign currency risk positions. Interest-rate exchange agreements (also referred to as derivatives) are an integral part of each FHLBank's financial management strategy.

The most common ways in which the FHLBanks use derivatives are to:

- reduce the interest-rate sensitivity and repricing gaps of assets, liabilities, and interest-rate exchange agreements;
- reduce funding costs by combining a derivative with a consolidated obligation as the cost of a combined funding structure can be lower than the cost of a comparable consolidated bond;
- preserve a favorable interest-rate spread between the yield of an asset (e.g., an advance) and the cost of the related liability (e.g., the consolidated bond used to fund the advance). Without the use of derivatives, this interest-rate spread could be reduced or eliminated when a change in the interest rate on the advance does not match a change in the interest rate on the bond;
- mitigate the adverse earnings effects of the shortening or extension of certain assets (e.g., advances or mortgage assets) and liabilities;
- protect the value of existing asset or liability positions or of anticipated transactions;
- manage embedded options in assets and liabilities; and
- as part of its overall asset/liability management.

*Types of Interest-Rate Exchange Agreements*

Each FHLBank's risk management policy establishes guidelines for its use of interest-rate exchange agreements. The FHLBanks can use the following instruments to manage their exposure to interest-rate risks inherent in their normal course of business—lending, investment, and funding activities and to reduce funding costs:

— interest-rate swaps;

— swaptions;

— interest-rate cap and floor agreements;

— calls;

— puts; and

— futures and forward contracts.

The goal of the FHLBanks' interest-rate risk management strategy is not to eliminate interest-rate risk, but to manage it within appropriate limits. To mitigate the risk of loss, the FHLBanks have

established policies and procedures, which include guidelines on the amount of exposure to interest rate changes they are willing to accept. In addition, the FHLBanks monitor the risk to their revenue, net interest margin and average maturity of interest-earning assets and funding sources.

One strategy the FHLBanks use to manage interest-rate risk is to acquire and maintain a portfolio of assets and liabilities which, together with their associated derivatives, are reasonably matched with respect to the expected maturities or repricings of the assets and liabilities. The FHLBanks may also use derivatives to adjust the effective maturity, repricing frequency, or option characteristics of financial instruments (such as advances, AMA, MBS, and consolidated obligations) to achieve risk management objectives.

The FHLBanks use either derivative strategies or embedded options in their funding to minimize hedging costs. Swaps are used to manage interest rate exposures. Swaptions, caps and floors are used to manage interest rate and volatility exposures.

*Interest-Rate Swaps.* An interest-rate swap is an agreement between two entities to exchange cash flows in the future. The agreement sets the dates on which the cash flows will be paid and the manner in which the cash flows will be calculated. One of the simplest forms of an interest-rate swap involves the promise by one party to pay cash flows equivalent to the interest on a notional principal amount at a predetermined fixed rate for a given period of time. In return for this promise, this party receives cash flows equivalent to the interest on the same notional principal amount at a variable-rate index for the same period of time. The variable rate received by the FHLBanks in most interest-rate exchange agreements is the London Interbank Offered Rate (LIBOR).

*Swaptions.* A swaption is an option on a swap that gives the buyer the right to enter into a specified interest-rate swap at a certain time in the future. When used as a hedge, a swaption can protect an FHLBank that is planning to lend or borrow funds in the future against future interest rate changes. The FHLBanks purchase both payer swaptions and receiver swaptions. A payer swaption is the option to make fixed interest payments at a later date and a receiver swaption is the option to receive fixed interest payments at a later date.

*Interest-Rate Cap and Floor Agreements.* In an interest-rate cap agreement, a cash flow is generated if the price or rate of an underlying variable rises above a certain threshold (or "cap") price. In an interest-rate floor agreement, a cash flow is generated if the price or rate of an underlying variable falls below a certain threshold (or "floor") price. Caps may be used in conjunction with liabilities and floors may be used in conjunction with assets. Caps and floors are designed as protection against the interest rate on a variable-rate asset or liability rising above or falling below a certain level.

*Options.* An option is an agreement between two entities that conveys the right, but not the obligation, to engage in a future transaction on some underlying security or other financial asset at an agreed-upon price during a certain period of time or on a specific date. Premiums paid to acquire options in a fair-value hedge relationship are accounted for at the fair value of the derivative at inception of the hedge and are reported in derivative assets or derivative liabilities. Premiums paid are considered the fair value of the option at inception of the hedge.

*Futures.* The FHLBanks use futures contracts in order to hedge interest-rate risk. SFAS 133 permits the benchmark interest rate to be the designated risk in a hedge of interest-rate risk. The benchmark interest rate encompasses both U.S. Treasury rates and LIBOR. In order to hedge benchmark interest-rate risk, the FHLBanks enter into Eurodollar futures contracts that they can demonstrate are highly correlated to LIBOR.

Eurodollar futures contracts are based on three-month Eurodollar interest rates. All futures contracts are standardized, with specific value dates and fixed contract sizes. Eurodollar futures contracts are traded through the Chicago Mercantile Exchange. They provide for daily cash settlements in order to reduce the risk of default by a counterparty.

*Foreign Currencies.* At times, the FHLBanks have issued some consolidated obligations denominated in currencies other than U.S. dollars. The FHLBanks use forward exchange contracts to hedge

currency risk on such consolidated obligations. These contracts exchange different currencies at specified rates on specified dates in the future. These contracts effectively simulate the conversion of consolidated obligations denominated in foreign currencies into ones denominated in U.S. dollars. At June 30, 2009, there were no outstanding consolidated obligations denominated in foreign currencies.

*Application of Interest-Rate Exchange Agreements*

*General.* The FHLBanks use these derivatives to adjust the effective maturity, repricing frequency or option characteristics of financial instruments in order to achieve their risk management and funding objectives to reduce identified risks inherent in the normal course of business. Derivative financial instruments are used by the FHLBanks in three ways:

— by designating them as a fair-value or cash-flow hedge of an associated financial instrument, a firm commitment or an anticipated transaction;

— in asset/liability management (i.e., non-SFAS 133 "economic" hedges); or

— by acting as an intermediary.

Each FHLBank reevaluates its hedging strategies from time to time and may change the hedging techniques it uses or adopt new strategies.

FHLBank management uses derivatives when they are considered to be the most cost-effective alternative to achieve the FHLBank's financial and risk management objectives. Accordingly, an FHLBank may enter into derivatives that do not necessarily qualify for hedge accounting (economic hedges).

*Types of Assets and Liabilities Hedged*

Each FHLBank documents at inception all relationships between derivatives designated as hedging instruments and hedged items, its risk management objectives and strategies for undertaking various hedge transactions, and its method of assessing effectiveness. This process includes linking all derivatives that are designated as fair-value or cash-flow hedges to (1) assets and liabilities on the statement of condition, (2) firm commitments, or (3) forecasted transactions. An FHLBank also formally assesses (both at the hedge's inception and at least quarterly) whether the derivatives that it uses in hedging transactions have been effective in offsetting changes in the fair value or cash flows of hedged items and whether those derivatives may be expected to remain effective in future periods. Each FHLBank typically uses regression analyses or other statistical analyses to assess the effectiveness of its hedges.

*Consolidated Obligations*—While consolidated obligations are the joint and several obligations of the FHLBanks, each FHLBank has consolidated obligations for which it is the primary obligor. To date, no FHLBank has ever had to assume or pay the consolidated obligations of another FHLBank. Each FHLBank enters into derivatives to hedge the interest-rate risk associated with its specific debt issuances. An FHLBank manages the risk arising from changing market prices and volatility of a consolidated obligation by matching the cash inflow on the interest-rate exchange agreement with the cash outflow on the consolidated obligation. In addition, the FHLBanks require collateral on interest-rate exchange agreements at specified levels correlated to counterparty credit ratings.

For instance, in a typical transaction, fixed-rate consolidated obligations are issued for one or more FHLBanks, and each FHLBank simultaneously enters into a matching derivative in which the counterparty pays fixed cash flows to the FHLBank designed to mirror in timing and amount the cash outflows the FHLBank pays on the consolidated obligation. The FHLBank pays a variable cash flow that closely matches the interest payments it receives on short-term or variable-rate advances (typically one- or three-month LIBOR). These transactions are treated as fair-value hedges under SFAS 133. The FHLBanks may issue variable-rate consolidated bonds indexed to LIBOR, the U.S. Prime rate, or federal funds rate and simultaneously execute interest-rate swaps to hedge the basis risk of the variable rate debt.

This strategy of issuing bonds while simultaneously entering into interest-rate exchange agreements enables an FHLBank to offer a wider range of attractively priced advances to its members and may allow

an FHLBank to reduce its funding costs. The continued attractiveness of such debt depends on yield relationships between the bond and interest-rate exchange markets. If conditions in these markets change, an FHLBank may alter the types or terms of the bonds that it issues. By acting in both the capital and the swap markets, the FHLBanks can raise funds at lower costs than through the issuance of simple fixed- or variable-rate consolidated obligations in the capital markets alone.

*Advances*—The FHLBanks offer a wide array of advance structures to meet members' funding needs. These advances may have maturities up to 30 years with variable or fixed rates and may include early termination features or options. An FHLBank may use derivatives to adjust the repricing and/or options characteristics of advances in order to match more closely the characteristics of that FHLBank's funding liabilities. In general, whenever a member executes a fixed-rate advance or a variable-rate advance with embedded options, the FHLBank will simultaneously execute a derivative with terms that offset the terms and embedded options, if any, in the advance. For example, the FHLBank may hedge a fixed-rate advance with an interest-rate swap where the FHLBank pays a fixed-rate coupon and receives a variable-rate coupon, effectively converting the fixed-rate advance to a variable-rate advance. This type of hedge is treated as a fair-value hedge under SFAS 133.

When issuing convertible advances, an FHLBank may purchase put options from a member that allow the FHLBank to convert the advance from a fixed rate to a variable rate if interest rates increase. A convertible advance carries an interest rate lower than a comparable-maturity fixed-rate advance that does not have the conversion feature. With a putable advance, an FHLBank effectively purchases a put option from the member that allows the FHLBank to put or extinguish the fixed-rate advance, which the FHLBank normally would exercise when interest rates increase, and the borrower may elect to enter into a new advance. An FHLBank may hedge these advances by entering into a cancelable interest-rate exchange agreement.

*Mortgage Loans*—The FHLBanks invest in fixed-rate mortgage loans. The prepayment options embedded in mortgage loans can result in extensions or contractions in the expected repayment of these investments, depending on changes in estimated prepayment speeds. The FHLBanks manage the interest-rate and prepayment risks associated with mortgages through a combination of debt issuance and derivatives. The FHLBanks issue both callable and noncallable debt and prepayment linked consolidated obligations to achieve cash flow patterns and liability durations similar to those expected on the mortgage loans. Interest-rate swaps, to the extent the payments on the mortgages result in simultaneous reduction of the notional amount on the swaps, may receive fair-value hedge accounting under which changes in the fair value of the swaps, and changes in the fair value of the mortgages that are attributable to the hedged risk, are recorded in current period earnings.

A combination of swaps and options, including futures, may be used as a portfolio of derivatives linked to a portfolio of mortgage loans. The portfolio of mortgage loans consists of one or more pools of similar assets, as determined by factors such as product type and coupon. As the portfolio of loans changes due to new loans, liquidations and payments, the derivative portfolio is modified accordingly to hedge the interest-rate and prepayment risks effectively. A new hedging relationship is created with each change to the loan and derivative portfolios; such relationship is treated as a fair-value hedge.

Options may also be used to hedge prepayment risk on the mortgages, many of which are not identified to specific mortgages and, therefore, do not receive fair-value or cash-flow hedge accounting treatment. The options are marked-to-market through current-period earnings and presented in the Combined Statement of Income as "Net gains (losses) on derivatives and hedging activities." The FHLBanks may also purchase interest-rate caps and floors, swaptions, callable swaps, calls, and puts to minimize the prepayment risk embedded in the mortgage loans. Although these derivatives are valid economic hedges against the prepayment risk of the loans, they are not specifically linked to individual loans and, therefore, do not receive either fair-value or cash-flow hedge accounting. The derivatives are marked-to-market through earnings.

*Anticipated Streams of Future Cash Flows*—The FHLBanks may enter into an option to hedge a specified future variable cash stream as a result of rolling over short-term, fixed-rate financial

instruments such as LIBOR advances and consolidated discount notes. The option will effectively cap the variable cash stream at a predetermined target rate.

*Firm Commitment Strategies*—In accordance with SFAS No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities* (SFAS 149), certain mortgage purchase commitments are considered derivatives. The FHLBanks normally hedge these commitments by selling to be announced (TBA) mortgage-backed securities or other derivatives for forward settlement. A TBA represents a forward contract for the sale of mortgage-backed securities at a future agreed upon date for an established price. The mortgage purchase commitment and the TBA used in the firm commitment hedging strategy (economic hedge) are recorded as a derivative asset or derivative liability at fair value, with changes in fair value recognized in current-period earnings. When the mortgage purchase commitment derivative settles, the current market value of the commitment is included with the basis of the mortgage loan and amortized accordingly.

The FHLBanks may also hedge a firm commitment for a forward starting advance through the use of an interest-rate swap. In this case, the swap will function as the hedging instrument for both the firm commitment and the subsequent advance. The basis movement associated with the firm commitment will be rolled into the basis of the advance at the time the commitment is terminated and the advance is issued. The basis adjustment will then be amortized into interest income over the life of the advance.

*Investments*—The FHLBanks primarily invest in mortgage-backed securities, U.S. agency obligations, certificates of deposit and the taxable portion of state or local housing finance agency obligations, which may be classified as held-to-maturity, available-for-sale or trading securities. The interest-rate and prepayment risks associated with these investment securities is managed through a combination of debt issuance and derivatives. The FHLBanks may manage the prepayment and interest-rate risks by funding investment securities with consolidated obligations that have call features or by hedging the prepayment risk with caps or floors, callable swaps or swaptions. The FHLBanks may manage prepayment and duration risk by funding investment securities with consolidated obligations that contain call features. The FHLBanks may also manage the risk arising from changing market prices and volatility of investment securities by matching the cash outflow on the interest-rate exchange agreements with the cash inflow on the investment securities. The derivatives held by the FHLBank that are currently associated with trading securities, carried at fair value, and held-to-maturity securities, carried at amortized cost, are designated as economic hedges. The changes in fair values of these derivatives are recorded in current-period earnings.

For available-for-sale securities that have been hedged and qualify as a fair-value hedge, the FHLBanks record the portion of the change in value related to the risk being hedged in other income as "Net gains (losses) on derivatives and hedging activities" together with the related change in the fair value of the derivative, and the remainder of the change in AOCI as "Net unrealized gains (losses) on available-for-sale securities." For available-for-sale securities that have been hedged and qualify as a cash-flow hedge, the FHLBanks record the effective portion of the change in value of the derivative related to the risk being hedged in AOCI as "Net unrealized gains (losses) relating to hedging activities." The ineffective portion is recorded in other income in the Combined Statement of Income and presented as "Net gains (losses) on derivatives and hedging activities."

The FHLBanks may also manage the risk arising from changing market prices or cash flows of investment securities classified as trading by entering into derivatives (economic hedges) that offset the changes in fair value or cash flows of the securities. The market value changes of both the trading securities and the associated derivatives are included in other income in the Combined Statement of Income and presented as part of the "Net losses on trading securities" and "Net gains (losses) on derivatives and hedging activities."

*Anticipated Debt Issuance*—Certain FHLBanks use derivatives to "lock-in" the cost of funding prior to an anticipated debt issuance. The portion of the change in fair value of the derivative deemed effective is reported in AOCI. The ineffective portion is recorded in other income. The derivative is terminated upon issuance of the debt instrument. Amounts reported in AOCI are reclassified to earnings

in the periods in which earnings are affected by the variability of the cash flows of the debt that was issued.

*Variable Cash Streams*—Certain FHLBanks use derivatives to hedge the variability of cash flows over a specified period of time as a result of the issuances and maturities of short-term, fixed-rate instruments such as discount notes. The maturity dates of the cash flow streams are matched to the maturity dates of the derivatives. The change in the fair value of the derivatives is recorded in AOCI. If the derivatives are terminated prior to their maturity dates, the amount in AOCI is recognized over the remaining lives of the specified cash streams as unrealized gains or losses on hedging activities.

*Intermediation*—To meet the asset/liability management needs of their members, the FHLBanks may enter into interest-rate exchange agreements with their members and offsetting interest-rate exchange agreements with other counterparties. Under these agreements, the FHLBank acts as an intermediary between members and other counterparties. This intermediation grants smaller members indirect access to the derivatives market. The derivatives used in intermediary activities do not receive SFAS 133 hedge accounting treatment and are separately marked-to-market through earnings. The net result of the accounting for these derivatives does not significantly affect the operating results of the FHLBanks.

*Managing Credit Risk on Derivatives*

The FHLBanks are subject to credit risk due to nonperformance by counterparties to the derivative agreements. The degree of counterparty risk depends on the extent to which master netting arrangements are included in such contracts to mitigate the risk. The FHLBanks manage counterparty credit risk through credit analysis, collateral requirements and adherence to the requirements set forth in FHLBank policies and regulations. Based on credit analyses and collateral requirements, the management of each FHLBank does not anticipate any credit losses on its derivative agreements. (See "Note 12—Estimated Fair Values" for discussion regarding the FHLBanks' estimated fair value methodology for derivative assets/liabilities, including an evaluation of the potential for the fair value of these instruments to be affected by counterparty credit risk.)

The contractual or notional amount of derivatives reflects the involvement of the FHLBanks in the various classes of financial instruments. The notional amount of derivatives does not measure the credit risk exposure of the FHLBanks, and the maximum credit exposure of the FHLBanks is substantially less than the notional amount. The FHLBanks require collateral agreements on all derivatives that establish collateral delivery thresholds. The maximum credit risk is the estimated cost of replacing interest-rate swaps, forward interest-rate agreements, mandatory delivery contracts for mortgage loans, and purchased caps and floors that have a net positive market value, assuming the counterparty defaults and the related collateral, if any, is of no value to the FHLBanks. This collateral has not been sold or repledged.

At June 30, 2009 and December 31, 2008, the FHLBanks' maximum credit risk, as defined above, was approximately $2.8 billion and $3.7 billion. These totals include $786 million and $902 million of net accrued interest receivable. In determining maximum credit risk, the FHLBanks consider accrued interest receivables and payables, and the legal right to offset derivative assets and liabilities by counterparty. The FHLBanks held securities and cash with a fair value of $2.7 billion and $3.4 billion as collateral at June 30, 2009 and December 31, 2008. Additionally, collateral related to derivatives with member institutions includes collateral assigned to an FHLBank, as evidenced by a written security agreement and held by the member institution for the benefit of the FHLBank.

Certain of the FHLBanks' derivative instruments contain provisions that require an FHLBank to post additional collateral with its counterparties if there is deterioration in that FHLBank's credit rating. If an FHLBank's credit rating is lowered by a major credit rating agency, that FHLBank would be required to deliver additional collateral on derivative instruments in net liability positions. The aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a net liability position (before cash collateral and related accrued interest) at June 30, 2009 was $10,790 million for which the FHLBanks have posted collateral of $7,869 million in the normal course of business. If each of the FHLBanks' credit ratings had been lowered from its current rating to the next lower rating that

would have triggered additional collateral to be delivered, the FHLBanks would have been required to deliver up to an additional $2,622 million of collateral (at fair value) to their derivatives counterparties at June 30, 2009. While none of the FHLBanks' senior credit ratings changed during the 12-month period ended June 30, 2009, on July 1, 2009, S&P upgraded the FHLBank of Chicago's long-term counterparty rating to AA+ with a stable outlook. Also, on May 15, 2009, Moody's lowered the FHLBank of Chicago's subordinated debt rating from Aa2 with negative outlook to A2 with a stable outlook.

Each FHLBank transacts most of its derivatives with large banks and major broker-dealers. Some of these banks and broker-dealers or their affiliates buy, sell, and distribute consolidated obligations. FHLBanks are not derivative dealers and thus do not trade derivatives for short-term profit.

*Intermediation.* To assist its members in meeting their hedging needs, an FHLBank may act as an intermediary between the members and other counterparties by entering into offsetting derivatives. This intermediation allows smaller members indirect access to the derivatives market.

Derivatives in which an FHLBank is an intermediary may arise when the FHLBank: (1) enters into derivatives with members and offsetting derivatives with other counterparties to meet the needs of its members, and (2) enters into derivatives to offset the economic effect of other derivatives that are no longer designated to either advances, investments, or consolidated obligations.

Total notional principal of derivatives for the FHLBanks' intermediary positions was $4,040 million and $4,146 million at June 30, 2009 and December 31, 2008.

*Financial Statement Effect and Additional Financial Information*

*Derivative Notional Amounts.* The notional amount of derivatives serves as a factor in determining periodic interest payments or cash flows received and paid.

The notional amount of derivatives represents neither the actual amounts exchanged nor the overall exposure of the FHLBanks to credit and market risk. The overall amount that could potentially be subject to credit loss is much smaller. Notional values are not meaningful measures of the risks associated with derivatives. The risks of derivatives can be measured meaningfully on a portfolio basis. This measurement must take into account the derivatives, the item being hedged and any offsets between the two.

The following table summarizes fair value of derivative instruments without effect of netting arrangements or collateral (dollar amounts in millions). For purposes of this disclosure, the derivative values include fair value of derivatives and related accrued interest.

| | June 30, 2009 | | |
|---|---|---|---|
| | Notional Amount of Derivatives | Derivative Assets | Derivative Liabilities |
| **Derivatives Designated as Hedging Instruments under SFAS 133:** | | | |
| Interest-rate swaps | $ 668,687 | $ 8,304 | $ 19,639 |
| Interest-rate swaptions | 2,855 | 72 | |
| Interest-rate caps or floors | 2,821 | 255 | |
| Interest-rate futures/forwards | 20,736 | 343 | 527 |
| Total derivatives in SFAS 133 hedging relationships | 695,099 | 8,974 | 20,166 |
| **Derivatives Not Designated as Hedging Instruments under SFAS 133:** | | | |
| Interest-rate swaps | 273,827 | 1,409 | 2,057 |
| Interest-rate swaptions | 17,702 | 344 | |
| Interest-rate caps or floors | 20,014 | 251 | 46 |
| Interest-rate futures/forwards | 1,275 | 5 | 1 |
| Mortgage delivery commitments | 540 | 1 | 5 |
| Other | 873 | 3 | 2 |
| Total derivatives not designated as hedging instruments under SFAS 133 | 314,231 | 2,013 | 2,111 |
| Total derivatives before netting and collateral adjustments | $1,009,330 | 10,987 | 22,277 |
| Netting adjustments | | (8,091) | (8,091) |
| Cash collateral and related accrued interest | | (2,218) | (7,970) |
| Total netting adjustments and cash collateral (1) | | (10,309) | (16,061) |
| Derivative assets and derivative liabilities as reported on the statement of condition | | $ 678 | $ 6,216 |

(1) Amounts represent the effect of legally enforceable master netting agreements that allow the FHLBank to settle positive and negative positions and also cash collateral held or placed with the same counterparties.

The following table presents the components of net gains (losses) on derivatives and hedging activities as presented in the statement of income (dollar amounts in millions).

| | Three Months Ended June 30, 2009 Net Gains/(Losses) | Six Months Ended June 30, 2009 Net Gains/(Losses) |
|---|---|---|
| **Derivatives and Hedged Items in SFAS 133 Fair-Value Hedging Relationships:** | | |
| Interest-rate swaps | $ 321 | $ 516 |
| Other (1) | 3 | (11) |
| Total net gain related to fair-value hedge ineffectiveness | 324 | 505 |
| **Total Net Gain Related to Cash-Flow Hedge Ineffectiveness** | 2 | 4 |
| **Derivatives Not Designated as Hedging Instruments under SFAS 133:** | | |
| Economic hedges | | |
| Interest-rate swaps | 837 | 1,325 |
| Interest-rate swaptions | (116) | (427) |
| Interest-rate caps/floors | 103 | 107 |
| Interest-rate futures/forwards | 7 | 5 |
| Net interest settlements | (169) | (323) |
| Other | 3 | 3 |
| Mortgage delivery commitments | (12) | (13) |
| Other | | (7) |
| Total net gain related to derivatives not designated as hedging instruments under SFAS 133 | 653 | 670 |
| Net gains on derivatives and hedging activities | $ 979 | $1,179 |

(1) Includes derivatives designated by the FHLBank of Chicago as fair-value hedging instruments of MPF loan pools.

The following table presents, by type of hedged item, the gains (losses) on derivatives and the related hedged items in fair-value hedging relationships and the effect of those derivatives on the FHLBanks' net interest income (dollar amounts in millions).

| | For the Three Months Ended June 30, 2009 | | | |
|---|---|---|---|---|
| Hedged Item Type: | Gains/(Losses) on Derivative | (Losses)/Gains on Hedged Item | Net Fair-Value Hedge Ineffectiveness | Effect of Derivatives on Net Interest Income/ Interest Expense (1) |
| Advances | $ 5,785 | $(5,556) | $229 | $(2,568) |
| Consolidated bonds | (2,855) | 2,871 | 16 | 1,382 |
| Consolidated discount notes | 28 | (24) | 4 | 41 |
| Available-for-sale securities | 269 | (193) | 76 | (27) |
| Mortgage loans held for portfolio | 58 | (59) | (1) | (17) |
| Deposits | (1) | 1 | | 1 |
| Total | $ 3,284 | $(2,960) | $324 | $(1,188) |

| Hedged Item Type: | For the Six Months Ended June 30, 2009 | | | |
|---|---|---|---|---|
| | Gains/(Losses) on Derivative | (Losses)/Gains on Hedged Item | Net Fair-Value Hedge Ineffectiveness | Effect of Derivatives on Net Interest Income/ Interest Expense (1) |
| Advances | $ 8,844 | $(8,628) | $216 | $(4,743) |
| Consolidated bonds | (4,410) | 4,638 | 228 | 2,928 |
| Consolidated discount notes | (6) | 10 | 4 | 55 |
| Available-for-sale securities | 356 | (283) | 73 | (49) |
| Mortgage loans held for portfolio | 59 | (75) | (16) | (35) |
| Deposits | (1) | 1 | | 1 |
| Total | $ 4,842 | $(4,337) | $505 | $(1,843) |

(1) The net interest on derivatives in fair-value hedge relationships is presented in the interest income/expense line item of the respective hedged item.

## Effect of Cash Flow Hedge Related Derivative Instruments for the Three Months and Six Months Ended June 30, 2009 (Dollar amounts in millions)

| Derivatives and Hedged Items in SFAS 133 Cash Flow Hedging Relationships: | Three Months Ended June 30, 2009 | | | |
|---|---|---|---|---|
| | Amount of (Losses)/Gains Recognized in AOCI on Derivative (Effective Portion) | Location of Losses Reclassified from AOCI into Income (Effective Portion) | Amount of Losses Reclassified from AOCI into Income (Effective Portion) | Amount of Gains Recognized in Net Gains/(Losses) on Derivatives and Hedging Activities (Ineffective Portion) |
| Interest-rate swaps | | | | |
| Consolidated bonds | $ | Interest expense | $ (4) | $ |
| Consolidated discount notes | (210) | Interest expense | (1) | 2 |
| Interest-rate caps or floors | | | | |
| Advances | 58 | Interest income | (3) | |
| Consolidated discount notes | | Interest expense | (3) | |
| Total | $(152) | | $(11) | $2 |

| Derivatives and Hedged Items in SFAS 133 Cash Flow Hedging Relationships: | Six Months Ended June 30, 2009 | | | |
|---|---|---|---|---|
| | Amount of (Losses)/Gains Recognized in AOCI on Derivative (Effective Portion) | Location of Losses Reclassified from AOCI into Income (Effective Portion) | Amount of Losses Reclassified from AOCI into Income (Effective Portion) | Amount of Gains Recognized in Net Gains/(Losses) on Derivatives and Hedging Activities (Ineffective Portion) |
| Interest-rate swaps | | | | |
| Consolidated bonds | $ | Interest expense | $ (8) | $ |
| Consolidated discount notes | (330) | Interest expense | (2) | 4 |
| Interest-rate caps or floors | | | | |
| Advances | 91 | Interest income | (6) | |
| Consolidated discount notes | | Interest expense | (8) | |
| Total | $(239) | | $(24) | $4 |

There was no reclassification from other comprehensive income into earnings as a result of the discontinuance of cash flow hedges because the original forecasted transactions occurred by the end of the originally specified time period or within a two month period thereafter. At June 30, 2009, the deferred net gains (losses) on derivative instruments in AOCI that are expected to be reclassified to earnings during the next twelve months are not material. The maximum length of time over which the FHLBanks are hedging their exposure to the variability in future cash flows for forecasted transactions, excluding those forecasted transactions related to the payment of variable interest on existing financial instruments, is generally no more than three months. For the FHLBank of Chicago, the maximum length of time over which forecasted transactions are hedged is 10 years.

**Note 9—Deposits**

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

The following table details interest-bearing deposits and non-interest-bearing deposits with the FHLBanks (dollar amounts in millions):

| | June 30, 2009 | December 31, 2008 |
|---|---|---|
| Interest-bearing: | | |
| Demand and overnight | $16,202 | $13,260 |
| Term | 1,434 | 1,885 |
| Other | 32 | 38 |
| Total interest-bearing | 17,668 | 15,183 |
| Non-interest-bearing: | | |
| Demand and overnight | 126 | 129 |
| Other | 368 | 184 |
| Total non-interest-bearing | 494 | 313 |
| Total deposits | $18,162 | $15,496 |

The aggregate amount of time deposits with a denomination of $100 thousand or more was $1,432 million and $1,883 million as of June 30, 2009 and December 31, 2008.

**Note 10—Consolidated Obligations**

*General.* Consolidated obligations consist of consolidated bonds and consolidated discount notes. The FHLBanks issue consolidated obligations through the Office of Finance as their agent. In connection with each debt issuance, each FHLBank specifies the amount of debt it wants issued on its behalf. The Office of Finance tracks the amount of debt issued on behalf of each FHLBank. In addition, each FHLBank separately tracks and records as a liability its specific portion of consolidated obligations for which it is the primary obligor.

The Finance Agency and the U.S. Secretary of the Treasury have oversight over the issuance of FHLBank debt through the Office of Finance. Consolidated bonds are issued primarily to raise intermediate and long-term funds for the FHLBanks and are not subject to any statutory or regulatory limits on their maturity. Consolidated discount notes are issued primarily to raise short-term funds. These notes sell at less than their face amount and are redeemed at par value when they mature.

During the third quarter of 2008, each FHLBank entered into a Lending Agreement with the U.S. Treasury in connection with the U.S. Treasury's establishment of the Government Sponsored

Enterprise Credit Facility (GSECF), as authorized by the Housing Act. The GSECF is designed to serve as a contingent source of liquidity for the housing government-sponsored enterprises, including each of the 12 FHLBanks. Any borrowings by one or more of the FHLBanks under the GSECF are considered consolidated obligations with the same joint and several liability as all other consolidated obligations. The terms of any borrowings are agreed to at the time of issuance. Loans under the Lending Agreement are to be secured by collateral acceptable to the U.S. Treasury, which consists of FHLBank advances to members that have been collateralized in accordance with regulatory standards and mortgage-backed securities issued by Fannie Mae or Freddie Mac. Each FHLBank is required to submit to the Federal Reserve Bank of New York, acting as fiscal agent of the U.S. Treasury, a list of eligible collateral updated on a weekly basis. As of June 30, 2009, the FHLBanks had provided the U.S. Treasury with listings of advance and MBS collateral amounting to $216.9 billion. The amount of collateral can be increased or decreased (subject to the approval of the U.S. Treasury) at any time through the delivery of an updated listing of collateral. As of June 30, 2009, no FHLBank has drawn on this available source of liquidity.

*Redemption Terms.* The following is a summary of the FHLBanks' consolidated bonds outstanding, excluding interbank holding of $435 million and $577 million, at June 30, 2009 and December 31, 2008, by year of contractual maturity (dollar amounts in millions):

| | June 30, 2009 | | December 31, 2008 | |
|---|---|---|---|---|
| **Year of Contractual Maturity** | **Amount** | **Weighted - Average Interest Rate** | **Amount** | **Weighted - Average Interest Rate** |
| Due in 1 year or less | $360,102 | 1.64% | $406,355 | 2.62% |
| Due after 1 year through 2 years | 130,470 | 2.53% | 129,788 | 3.39% |
| Due after 2 years through 3 years | 60,391 | 3.74% | 68,554 | 4.16% |
| Due after 3 years through 4 years | 39,836 | 4.13% | 36,138 | 4.73% |
| Due after 4 years through 5 years | 36,969 | 4.29% | 56,818 | 4.24% |
| Thereafter | 78,175 | 4.97% | 104,405 | 5.18% |
| Index amortizing notes | 6,902 | 5.03% | 7,756 | 5.02% |
| Total par value | 712,845 | 2.65% | 809,814 | 3.43% |
| Premiums | 839 | | 719 | |
| Discounts | (1,468) | | (3,216) | |
| SFAS 133 hedging adjustments | 6,094 | | 10,989 | |
| SFAS 159 valuation adjustments | 99 | | 66 | |
| Total | $718,409 | | $818,372 | |

The FHLBanks' consolidated bonds outstanding included (dollar amounts in millions):

| **Par Amount of Consolidated Bonds** | **June 30, 2009** | **December 31, 2008** |
|---|---|---|
| Noncallable/nonputable | $613,119 | $643,882 |
| Callable | 99,726 | 165,932 |
| Total par value | $712,845 | $809,814 |

The following table summarizes consolidated bonds outstanding by year of contractual maturity or next call date (dollar amounts in millions):

| Year of Contractual Maturity or Next Call Date | June 30, 2009 | December 31, 2008 |
|---|---|---|
| Due in 1 year or less | $429,916 | $511,099 |
| Due after 1 year through 2 years | 131,375 | 134,664 |
| Due after 2 years through 3 years | 47,642 | 52,644 |
| Due after 3 years through 4 years | 26,185 | 19,723 |
| Due after 4 years through 5 years | 25,812 | 33,591 |
| Thereafter | 45,013 | 50,337 |
| Index amortizing notes | 6,902 | 7,756 |
| Total par value | $712,845 | $809,814 |

## Note 11—Capital

The Gramm-Leach-Bliley Act of 1999 (GLB Act) required each FHLBank to adopt a capital plan and convert to a new capital structure. By July 18, 2002, the Finance Board had approved the capital structure plan of each FHLBank.

As of June 30, 2009, all of the FHLBanks, except for the FHLBank of Chicago, had implemented their respective capital plans. Each conversion was considered a capital transaction and was accounted for at par value. Each FHLBank that has converted to a new capital structure is subject to three capital requirements under its capital plan and the Finance Agency rules and regulations: (1) risk-based capital, (2) total capital and (3) leverage capital. First, under the risk-based capital requirement, each FHLBank must maintain at all times permanent capital, defined as Class B stock and retained earnings, in an amount at least equal to the sum of its credit risk, market risk, and operations risk capital requirements, all of which are calculated in accordance with the rules and regulations of the Finance Agency. The Finance Agency may require an FHLBank to maintain a greater amount of permanent capital than is required by the risk-based capital requirements as defined. Second, an FHLBank is required to maintain at all times a total capital-to-assets ratio of at least four percent. Total regulatory capital is the sum of permanent capital, Class A stock, any general loss allowance, if consistent with GAAP and not established for specific assets, and other amounts from sources determined by the Finance Agency as available to absorb losses. Third, each FHLBank is required to maintain at all times a leverage capital-to-assets ratio of at least five percent. Leverage capital is defined as the sum of (i) permanent capital weighted 1.5 times and (ii) all other capital without a weighting factor. Mandatorily redeemable capital stock is considered capital for determining an FHLBank's compliance with its regulatory requirements. If the FHLBank of Chicago is not in compliance with the capital requirements at the effective date of its capital conversion, it must come into compliance within a transition period of up to three years. During that period, the existing leverage limit established by Finance Agency regulations will continue to apply. For the 11 FHLBanks that have implemented their respective capital plans, each FHLBank was in compliance with these capital requirements at the effective date of its capital conversion.

At June 30, 2009, combined regulatory capital was $61.6 billion, compared to $59.6 billion at December 31, 2008. These amounts include $1.0 billion (Designated Amount) in subordinated notes, which the FHLBank of Chicago is allowed to include in determining compliance with its regulatory capital requirements, as further discussed below in this note.

At June 30, 2009, all of the FHLBanks that have implemented their respective capital plans, except for the FHLBank of Seattle, were in compliance with their risk-based capital rules as follows (dollar amounts in millions):

**Regulatory Capital Requirements**

| FHLBank* | Minimum Regulatory Capital Ratio Requirement | At June 30, 2009 | | | | |
|---|---|---|---|---|---|---|
| | | Minimum Regulatory Capital Requirement | Actual Capital Ratio | Total Regulatory Capital (1) | Permanent Capital (2) | Required Risk-Based Capital |
| Boston | 4.0% | $3,123 | 5.1% | $ 3,948 | $ 3,948 | $2,144 |
| New York | 4.0% | 5,165 | 4.7% | 6,101 | 6,099 | 575 |
| Pittsburgh | 4.0% | 3,056 | 5.8% | 4,451 | 4,450 | 3,574 |
| Atlanta | 4.0% | 6,808 | 5.3% | 9,028 | 9,028 | 5,062 |
| Cincinnati | 4.0% | 3,187 | 5.7% | 4,506 | 4,506 | 558 |
| Indianapolis | 4.0% | 2,051 | 5.5% | 2,793 | 2,793 | 895 |
| Des Moines | 4.0% | 2,681 | 5.0% | 3,373 | 3,373 | 1,050 |
| Dallas | 4.0% | 2,884 | 4.5% | 3,208 | 3,208 | 529 |
| Topeka | 4.0% | 1,851 | 4.4% | 2,029 | 1,715 | 967 |
| San Francisco | 4.0% | 9,557 | 6.1% | 14,590 | 14,590 | 8,226 |
| Seattle(3) | 4.0% | 1,975 | 6.0% | 2,957 | 2,798 | 2,977 |

| FHLBank* | Minimum Leverage Ratio Requirement | At June 30, 2009 | | |
|---|---|---|---|---|
| | | Minimum Weighted Leverage Capital Requirement | Actual Leverage Ratio | Actual Weighted Leverage Capital |
| Boston | 5.0% | $ 3,904 | 7.6% | $ 5,922 |
| New York | 5.0% | 6,456 | 7.1% | 9,151 |
| Pittsburgh | 5.0% | 3,820 | 8.7% | 6,676 |
| Atlanta | 5.0% | 8,510 | 8.0% | 13,543 |
| Cincinnati | 5.0% | 3,984 | 8.5% | 6,758 |
| Indianapolis | 5.0% | 2,564 | 8.2% | 4,190 |
| Des Moines | 5.0% | 3,352 | 7.5% | 5,059 |
| Dallas | 5.0% | 3,605 | 6.7% | 4,812 |
| Topeka | 5.0% | 2,314 | 6.2% | 2,887 |
| San Francisco | 5.0% | 11,946 | 9.2% | 21,884 |
| Seattle | 5.0% | 2,469 | 8.8% | 4,357 |

* Excludes the FHLBank of Chicago, which had not implemented a new capital plan as of June 30, 2009. See this note for a description of this FHLBank's regulatory capital requirements.

(1) Total regulatory capital is defined as the sum of permanent capital, the amounts paid for Class A capital stock, any general allowance for losses and any other amount from sources available to absorb losses that the Finance Agency has determined by regulation to be appropriate to include in determining total capital. Total regulatory capital also includes mandatorily redeemable capital stock. Total capital does not include AOCI.

(2) Permanent capital is defined as retained earnings and regulatory capital Class B stock. The mandatorily redeemable capital stock is considered capital for regulatory purposes. Permanent capital does not include AOCI.

(3) At June 30, 2009, due to increases in the market-risk and credit-risk components of the FHLBank of Seattle's risk-based capital, the FHLBank of Seattle was out of compliance with its risk-based capital requirement. Under Finance Agency regulations, an FHLBank that fails to meet any regulatory capital requirement may not declare a dividend or redeem or repurchase capital stock.

On May 27, 2009, the FHLBank of Seattle received preliminary notification from the Finance Agency that the FHLBank of Seattle's capital classification is "undercapitalized" based on its reported risk-based capital deficiency as of March 31, 2009. Under the interim final rule, the FHLBank of Seattle had 30 calendar days to submit information for consideration in the Finance Agency's final classification determination. The FHLBank of Seattle submitted information to the Finance Agency for consideration during this period.

On August 3, 2009, the FHLBank of Seattle received notification from the Finance Agency that it had completed its review of the FHLBank of Seattle's additional information submission and that it had determined, based on the FHLBank of Seattle's risk-based capital deficiency as of March 31, 2009, the FHLBank of Seattle's final capital classification is "undercapitalized." In addition to the reported risk-based capital deficiency as of March 31, 2009, the Finance Agency noted other factors related to the FHLBank of Seattle's investments in private-label mortgage-backed securities as the basis for its final determination.

As a result of this classification, the FHLBank of Seattle must submit to the Finance Agency a capital restoration plan within fifteen business days of receipt of the classification, as well as restrict dividends and redemptions and repurchases of capital stock. In addition, restrictions include a limit on asset growth, such that the current quarterly average of the FHLBank of Seattle's total assets may not exceed the average total assets of the previous quarter, unless the Director of the Finance Agency determines the increase is consistent with an approved capital restoration plan and meets other requirements.

The FHLBank of Seattle previously suspended dividend payments, stock redemptions, and stock repurchases, and it expects to submit its capital restoration plan on or before August 24, 2009. The FHLBank of Seattle's capital classification will remain undercapitalized until the Finance Agency determines otherwise.

See "Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations—Legislative and Regulatory Developments—Final Rule Regarding Capital Classifications and Critical Capital Levels for the FHLBanks" for additional discussion.

The GLB Act made membership voluntary for all members. Members can redeem Class A stock by giving six months' written notice, and members can redeem Class B stock by giving five years' written notice, subject to certain restrictions. Any member that withdraws from membership may not be readmitted to membership in any FHLBank until five years from the divestiture date for all capital stock that is held as a condition of membership, as that requirement is set out in an FHLBank's capital plan, unless the institution has cancelled its notice of withdrawal prior to that date, before being readmitted to membership in any FHLBank. This restriction does not apply if the member is transferring its membership from one FHLBank to another on an uninterrupted basis.

Until the FHLBank of Chicago implements its new capital plan, the pre-GLB Act capital rules remain in effect. In particular, the pre-GLB Act rules require members to purchase capital stock equal to the greater of $500, 1 percent of its mortgage-related assets or 5 percent of its outstanding FHLBank advances. After entering into the Consent Cease and Desist Order (C&D Order) with the Finance Board on October 10, 2007, the FHLBank of Chicago's capital stock repurchases or redemptions, including redemptions upon membership withdrawal or other termination, except for certain redemptions of excess stock above a member's capital stock floor, require prior approval of the Deputy Director, Division of FHLBank Regulation of the Finance Agency (Deputy Director). On July 24, 2008, the Finance Board amended the C&D Order to allow the FHLBank of Chicago to redeem a member's capital stock that becomes excess capital stock above a member's capital stock floor (the amount of capital stock a member held as of the close of business on July 23, 2008) in connection with the repayment of advances, subject to certain conditions as further described in "Note 17—Capital—FHLBank of Chicago Regulatory Actions" in the Federal Home Loan Banks' 2008 Combined Financial Report. During the first six months of 2009, the FHLBank of Chicago redeemed $86 million in excess capital stock above the member's capital stock floor. From April 24, 2008 through June 30, 2009, the Deputy Director has denied the FHLBank of Chicago's requests to redeem capital stock totaling $19 million in connection with

12 membership withdrawals or other membership terminations. The FHLBank of Chicago does not believe the denial of stock redemption requests affects the FHLBank of Chicago's reclassification of mandatorily redeemable capital stock as a liability; rather, this denial delays the timing of an eventual mandatory redemption.

As of June 30, 2009, the FHLBank of Chicago was in compliance with all of its minimum regulatory capital requirements. The following table summarizes the FHLBank of Chicago's regulatory capital requirements at June 30, 2009 as a percentage of its total assets (dollar amounts in millions):

| Regulatory Capital(1) | | | |
|---|---|---|---|
| Requirement in Effect | | Actual | |
| Ratio (2) | Amount | Ratio | Amount |
| 4.76% | $4,278 | 5.16% | $4,638 |

(1) Regulatory capital is defined as the sum of the paid-in value of capital stock and mandatorily redeemable capital stock (together defined as regulatory capital stock) plus retained earnings. The Finance Agency allows the FHLBank of Chicago to include a Designated Amount of subordinated notes in determining compliance with its regulatory capital ratio.

(2) The regulatory capital ratio required by Finance Agency regulations for the FHLBank of Chicago, which has not implemented a capital plan under the GLB Act, is 4.0 percent provided that its non-mortgage assets (defined as total assets less advances, acquired member assets, standby letters of credit, intermediary derivative contracts, certain MBS, and other investments specified by Finance Agency regulation) after deducting its amount of deposits and capital are not greater than 11 percent of the FHLBank of Chicago's total assets. If the non-mortgage asset ratio is greater than 11 percent of its total assets, the Finance Agency regulations require a regulatory capital ratio of 4.76 percent. The C&D Order includes an additional minimum regulatory capital ratio of 4.5 percent, which supersedes the 4.0 percent regulatory requirement discussed above. The FHLBank of Chicago's non-mortgage assets on an average monthly basis was above 11 percent at June 30, 2009; thus, it was subject to the 4.76 percent ratio at that date.

Under the C&D Order, the FHLBank of Chicago is also required to maintain an aggregate amount of regulatory capital stock plus the Designated Amount of the subordinated notes of at least $3.600 billion. At June 30, 2009, the FHLBank of Chicago had an aggregate amount of $3.801 billion of regulatory capital stock plus the Designated Amount of subordinated notes.

An FHLBank's board of directors may declare and pay dividends in either cash or capital stock, assuming the FHLBank is in compliance with Finance Agency rules. Dividends declared by the board of directors of the FHLBank of Chicago are subject to the prior written approval of the Deputy Director.

At June 30, 2009 and December 31, 2008, the 10 largest holders of capital stock held $16.0 billion and $15.9 billion of the aggregate capital stock of the FHLBanks. At June 30, 2009 and December 31, 2008, the largest capital stock holder, Citibank, N.A., held $3.9 billion of the FHLBanks' capital stock.

*Mandatorily Redeemable Capital Stock.* In accordance with SFAS 150, the FHLBanks reclassify capital stock subject to redemption from equity to liability once a member exercises a written redemption right, gives notice of intent to withdraw from membership, or attains non-member status by merger or acquisition, charter termination, or involuntary termination from membership. Shares of capital stock meeting these definitions are reclassified to a liability at fair value. Dividends related to capital stock classified as a liability are accrued at the expected dividend rate and reported as interest expense in the Combined Statement of Income. The repayment of these mandatorily redeemable financial instruments is reflected as a financing cash outflow in the Combined Statement of Cash Flows.

Each FHLBank is a cooperative whose member financial institutions and former members own all of the relevant FHLBank's capital stock. Member shares cannot be purchased or sold except between an FHLBank and its members at its $100 per share par value. If a member cancels its written notice of redemption or notice of withdrawal, the FHLBank will reclassify mandatorily redeemable capital stock from a liability to equity in accordance with SFAS 150. After the reclassification, dividends on the capital stock would no longer be classified as interest expense. For the six months ended June 30, 2009 and 2008, dividends on mandatorily redeemable capital stock in the amount of $15 million and $28 million were recorded as interest expense.

At June 30, 2009 and December 31, 2008, the FHLBanks had $5.6 billion and $6.1 billion in capital stock subject to mandatory redemption with payment subject to each FHLBank's waiting period and the FHLBank continuing to meeting its minimum regulatory capital requirements. These amounts have been classified as a liability in the Combined Statement of Condition in accordance with SFAS 150.

*Excess Capital Stock.* Excess stock is defined as the amount of stock held by a member (or former member) in excess of that institution's minimum investment requirement. Finance Agency rules limit the ability of an FHLBank to create member excess stock under certain circumstances. An FHLBank may not pay dividends in the form of capital stock or issue new excess stock to members if that FHLBank's excess stock exceeds one percent of its total assets or if the issuance of excess stock would cause that FHLBank's excess stock to exceed one percent of its total assets. At June 30, 2009, each of the FHLBanks of Boston, Pittsburgh, Cincinnati, Indianapolis, Chicago, San Francisco and Seattle had excess capital stock outstanding totaling more than one percent of its total assets.

**Note 12—Estimated Fair Values**

The FHLBanks adopted SFAS 157 and SFAS 159 on January 1, 2008. SFAS 157 defines fair value, establishes a framework for measuring fair value under GAAP and expands disclosures about fair value measurements. SFAS 157 applies whenever other accounting pronouncements require or permit assets or liabilities to be measured at fair value. Accordingly, SFAS 157 does not expand the use of fair value in any new circumstances. SFAS 159 provides entities with an option to report selected financial assets and financial liabilities at fair value. The FHLBanks do not necessarily use the same dealer prices, models and assumptions in determining the fair values of their respective assets, liabilities and derivatives.

The FHLBanks record trading securities, available-for-sale securities, derivative assets, and derivative liabilities as well as certain advances and certain consolidated bonds at fair value. Fair value is a market-based measurement and is defined as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The transaction to sell the asset or transfer the liability is a hypothetical transaction at the measurement date, considered from the perspective of a market participant that holds the asset or owes the liability. In general, the transaction price will equal the exit price and, therefore, represents the fair value of the asset or liability at initial recognition. In determining whether a transaction price represents the fair value of the asset or liability at initial recognition, each reporting entity is required to consider factors specific to the asset or liability, the principal or most advantageous market for the asset or liability, and market participants with whom the entity would transact in that market.

*Fair Value Option.* SFAS 159 provides an option to elect fair value as an alternative measurement for selected financial assets, financial liabilities, unrecognized firm commitments, and written loan commitments not previously carried at fair value. It requires entities to display the fair value of those assets and liabilities for which the entity has chosen to use fair value on the face of the statement of condition. Under SFAS 159, fair value is used for both the initial and subsequent measurement of the designated assets, liabilities and commitments, with the changes in fair value recognized in net income. The FHLBanks adopted SFAS 159 on January 1, 2008. The FHLBank of San Francisco was the only FHLBank that elected the fair value option for certain financial assets and financial liabilities at the time of adoption. Upon adoption of SFAS 159, the FHLBank of San Francisco elected certain advances and consolidated bonds that are economically hedged to transition to the fair value option. During the third quarter of 2008, the FHLBanks of New York and Chicago elected the fair value option for certain newly acquired financial assets and financial liabilities. During the first quarter of 2009, the FHLBank of Des Moines also elected the fair value option for certain newly acquired financial liabilities.

The FHLBanks of New York, Chicago, Des Moines and San Francisco have elected the fair value option in accordance with SFAS 159 for certain additional categories for new transactions entered into after their respective election date, including, but not limited to, adjustable rate credit advances, fixed-rate short-term consolidated bonds and adjustable rate consolidated bonds indexed to Federal funds, Treasury Bill, CMT, Constant Maturity Swap, 12-month Moving Treasury Average of a one-year CMT and Prime Rate. Each of the FHLBanks of New York, Chicago, Des Moines and San Francisco has

elected some or all of these items for the fair value option in accordance with SFAS 159 to allow it to fair value the financial asset or financial liability to assist in mitigating potential income statement volatility that can arise from economic hedging relationships. This risk associated with using fair value only for the derivative is the FHLBanks of New York, Chicago, Des Moines and San Francisco's primary driver for electing the fair value option for financial assets and financial liabilities that do not qualify for hedge accounting under the provisions of SFAS 133 or for items that have not previously met or may be at risk for not meeting the SFAS 133 hedge effectiveness requirements.

*Fair Value Hierarchy.* SFAS 157 established a fair value hierarchy to prioritize the inputs of valuation techniques used to measure fair value. The inputs are evaluated and an overall level for the fair value measurement is determined. This overall level is an indication of market observability of the fair value measurement for the asset or liability. SFAS 157 clarifies fair value in terms of the price in an orderly transaction between market participants to sell an asset or transfer a liability in the principal (or most advantageous) market for the asset or liability at the measurement date (an exit price). In order to determine the fair value or the exit price, entities must determine the unit of account, highest and best use, principal market, and market participants. These determinations allow the reporting entity to define the inputs for fair value and level of hierarchy.

Outlined below is the application of the fair value hierarchy established by SFAS 157 to the FHLBanks' financial assets and financial liabilities that are carried at fair value.

*Level 1*—inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets. An active market for the asset or liability is a market in which the transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. The types of assets and liabilities carried at Level 1 fair value generally include certain types of derivative contracts that are traded in an open exchange market, investments such as U.S. Treasury securities and publicly-traded mutual funds.

*Level 2*—inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. The types of assets and liabilities carried at Level 2 fair value generally include investment securities, including U.S. government, agency and private-label mortgage-backed securities, derivative contracts, certain advances and certain consolidated bonds.

*Level 3*—inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs are supported by little or no market activity and reflect the entity's own assumptions. The types of assets and liabilities carried at Level 3 fair value generally include certain types of investment securities that are backed by non-traditional mortgage loans or certain state or local housing agency obligations and an inverse variable-rate consolidated bond along with the derivative asset hedging that consolidated bond.

The FHLBanks utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Fair value is first determined based on quoted market prices or market-based prices, where available. If quoted market prices or market-based prices are not available, fair value is determined based on valuation models that use market-based information available to the FHLBanks as inputs to the models. For a discussion of an individual FHLBank's fair value measurement techniques, see that FHLBank's periodic report filed with the SEC.

*Fair Value on a Recurring Basis.* The following table presents, for each SFAS 157 hierarchy level, the FHLBanks' assets and liabilities that are measured at fair value on the Combined Statement of Condition (dollar amounts in millions):

| | | Fair Value Measurements at June 30, 2009 | | | |
|---|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 | Netting Adjustment and Cash Collateral (1) |
| **Assets** | | | | | |
| Trading securities: | | | | | |
| U.S. Treasury obligations | $ 679 | $ | $ 679 | $ | $ |
| Commercial paper | 2,735 | | 2,735 | | |
| Certificates of deposit | 2,710 | | 2,710 | | |
| Non-MBS government-sponsored enterprises debt | 8,382 | | 8,382 | | |
| State or local housing agency obligations | 14 | | 14 | | |
| Other non-MBS | 6,163 | 10 | 6,153 | | |
| Other U.S. obligations residential MBS | 59 | | 59 | | |
| Government-sponsored enterprises residential MBS | 677 | | 677 | | |
| Government-sponsored enterprises commercial MBS | 14 | | 14 | | |
| Available-for-sale securities: | | | | | |
| U.S. Treasury obligations | 888 | | 888 | | |
| Certificates of deposit | 5,955 | | 5,955 | | |
| Other U.S. obligations and FFELP ABS | 5,874 | | 5,874 | | |
| Non-MBS government-sponsored enterprises debt | 2,670 | | 2,670 | | |
| Other non-MBS | 1,055 | | 1,055 | | |
| Other U.S. obligations residential MBS | 625 | | 625 | | |
| Government-sponsored enterprises residential MBS | 10,443 | | 10,443 | | |
| Government-sponsored enterprises commercial MBS | 310 | | 310 | | |
| Private-label residential MBS | 2,877 | | | 2,877 | |
| Home equity loans | 6 | | | 6 | |
| Advances (2) | 37,063 | | 37,063 | | |
| Derivative assets | 678 | 2 | 10,958 | 27 | (10,309) |
| Other assets | 17 | 17 | | | |
| Total assets at fair value | $ 89,894 | $29 | $ 97,264 | $2,910 | $(10,309) |
| **Liabilities** | | | | | |
| Consolidated bonds (3) | $(43,710) | $ | $(43,635) | $ (75) | $ |
| Derivative liabilities | (6,216) | | (22,277) | | 16,061 |
| Total liabilities at fair value | $(49,926) | $ | $(65,912) | $ (75) | $ 16,061 |

| | Fair Value Measurements at December 31, 2008 | | | | |
|---|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 | Netting Adjustment and Cash Collateral (1) |
| **Assets** | | | | | |
| Trading securities | $ 12,150 | $ 9 | $ 12,141 | $ | $ |
| Available-for-sale securities | 14,559 | | 14,436 | 123 | |
| Advances (2) | 41,800 | | 41,800 | | |
| Derivative assets | 902 | 1 | 12,366 | 46 | (11,511) |
| Other assets | 16 | 16 | | | |
| Total assets at fair value | $ 69,427 | $26 | $ 80,743 | $169 | $(11,511) |
| **Liabilities** | | | | | |
| Consolidated bonds (3) | $(33,334) | $ | $(33,243) | $ (91) | $ |
| Derivative liabilities | (7,732) | (3) | (29,893) | | 22,164 |
| Total liabilities at fair value | $(41,066) | $ (3) | $(63,136) | $ (91) | $ 22,164 |

(1) Amounts represent the effect of legally enforceable master netting agreements that allow the FHLBanks to net settle positive and negative positions and also cash collateral and related accrued interest held or placed with the same counterparties.

(2) Includes $34,869 million and $38,774 million of advances recorded under the fair value option in accordance with SFAS 159 and $2,194 million and $3,026 million of advances recorded at fair value in accordance with SFAS 133 at June 30, 2009 and December 31, 2008.

(3) Includes $42,129 million and $31,285 million of consolidated bonds recorded under the fair value option in accordance with SFAS 159 and $1,581 million and $2,049 million of consolidated bonds recorded at fair value in accordance with SFAS 133 at June 30, 2009 and December 31, 2008.

For instruments carried at fair value, the FHLBanks review the fair value hierarchy classifications on a quarterly basis. Changes in the observability of the valuation attributes may result in a reclassification of certain financial assets or liabilities. Such reclassifications are reported as transfers in/out of Level 3 at fair value in the quarter in which the changes occur.

The following table presents a reconciliation of all assets and liabilities that are measured at fair value on the Combined Statement of Condition using significant unobservable inputs on a recurring basis (Level 3) (dollar amounts in millions):

| | Fair Value Measurements Using Significant Unobservable Inputs (Level 3) | | | |
|---|---|---|---|---|
| | Available-for-Sale Securities | | | |
| | Private-Label Residential Mortgage-Backed Securities | Home Equity Loans | Derivative Assets | Consolidated Bonds |
| Balance at December 31, 2008 | $ 117 | $ 6 | $ 46 | $(91) |
| Total gains or losses (realized/unrealized): | | | | |
| Included in net (losses) gains on changes in fair value included in earnings | (37)* | | (19) | 16 |
| Included in AOCI | (198) | 2 | | |
| Purchases, issuances and settlements | (2) | (2) | | |
| Transfers from held-to-maturity to available-for-sale securities (1) | 2,997 | | | |
| Balance at June 30, 2009 | $2,877 | $ 6 | $ 27 | $(75) |
| Total amount of (losses) gains for the period included in earnings attributable to the change in unrealized gains/losses relating to assets and liabilities still held at June 30, 2009 | $ | $ | $(19) | $ 16 |

* Represents OTTI related to the credit loss recognized in earnings for available-for-sale securities previously transferred from held-to-maturity securities.

(1) At June 30, 2009 and March 31, 2009, the FHLBank of Atlanta transferred estimated fair values of $156 million and $1,604 million of certain private-label MBS from its held-to-maturity portfolio to an available-for-sale portfolio. These securities represented private-label MBS in the FHLBank of Atlanta's held-to-maturity portfolio for which the FHLBank of Atlanta recorded an other-than-temporary impairment loss. As of June 30, 2009, the fair value of these securities continued to be determined using significant unobservable inputs (Level 3). At June 30, 2009, the FHLBank of Pittsburgh transferred an estimated fair value of $1,237 million of certain private-label MBS from its held-to-maturity portfolio to available-for-sale portfolio. These securities represented private-label MBS in the FHLBank of Pittsburgh's held-to-maturity portfolio for which the FHLBank of Pittsburgh recorded an other-than-temporary impairment loss on the held-to-maturity securities that were subsequently transferred to available-for sale.

The following table presents the changes in fair values for items measured at fair value pursuant to the election of the fair value option (dollar amounts in millions):

| | Interest Income/ (Interest Expense) | Net (Losses) on Changes in Fair Value Under Fair Value Option | Total Changes in Fair Value Included in Current Period Earnings |
|---|---|---|---|
| Three months ended June 30, 2009: | | | |
| Advances | $303 | $(131) | $ 172 |
| Consolidated bonds | (58) | (58) | (116) |
| Total | | $(189) | |

| | Interest Income/ (Interest Expense) | Net (Losses) Gains on Changes in Fair Value Under Fair Value Option | Total Changes in Fair Value Included in Current Period Earnings |
|---|---|---|---|
| Three months ended June 30, 2008: | | | |
| Advances | $ 191 | $(256) | $ (65) |
| Consolidated bonds | (142) | 28 | (114) |
| Total | | $(228) | |

| | Interest Income/ (Interest Expense) | Net (Losses) on Changes in Fair Value Under Fair Value Option | Total Changes in Fair Value Included in Current Period Earnings |
|---|---|---|---|
| Six months ended June 30, 2009: | | | |
| Advances | $ 622 | $(323) | $ 299 |
| Consolidated bonds | (105) | (44) | (149) |
| Total | | $(367) | |

| | Interest Income/ (Interest Expense) | Net (Losses) Gains on Changes in Fair Value Under Fair Value Option | Total Changes in Fair Value Included in Current Period Earnings |
|---|---|---|---|
| Six months ended June 30, 2008: | | | |
| Advances | $ 381 | $(17) | $ 364 |
| Consolidated bonds | (210) | 63 | (147) |
| Total | | $ 46 | |

For items recorded under the fair value option, the related contractual interest income and contractual interest expense is recorded as part of net interest income on the Combined Statement of Income. The remaining changes in fair value for instruments in which the fair value option has been elected is recorded as "Net (losses) gains on advances and consolidated bonds held at fair value" in the Combined Statement of Income. The change in fair value, as shown in the table above, does not include changes in instrument-specific credit risk. The FHLBanks of New York, Chicago, Des Moines and San Francisco, the FHLBanks that have elected to record certain financial assets and financial liabilities at fair value in accordance with SFAS 159 as of June 30, 2009, determined that no adjustments to the fair values of instruments recorded under the fair value option for instrument-specific credit risk were necessary.

The following table reflects the difference between the aggregate fair value and the aggregate remaining contractual principal balance outstanding for advances and consolidated bonds for which the fair value option has been elected (dollar amounts in millions):

| | Aggregate Unpaid Principal Balance | Aggregate Fair Value | Fair Value Over Aggregate Unpaid Principal Balance |
|---|---|---|---|
| At June 30, 2009: | | | |
| Advances (1) | $33,916 | $34,869 | $953 |
| Consolidated bonds | 42,030 | 42,129 | 99 |

| | Aggregate Unpaid Principal Balance | Aggregate Fair Value | Fair Value Over Aggregate Unpaid Principal Balance |
|---|---|---|---|
| At December 31, 2008: | | | |
| Advances (1) | $37,474 | $38,774 | $1,300 |
| Consolidated bonds | 31,219 | 31,285 | 66 |

(1) At June 30, 2009 and December 31, 2008, none of these advances were 90 days or more past due or had been placed on nonaccrual status.

*Fair Value on a Nonrecurring Basis.* The FHLBanks measure certain held-to-maturity securities, mortgage loans held for portfolio and real estate owned on a nonrecurring basis. These assets are not measured at fair value on an ongoing basis, but are subject to fair value adjustments only in certain circumstances (i.e., when there is evidence of OTTI).

In accordance with the provisions of SFAS 115, as amended by FSP No. 115-1, *The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments* (FSP 115-1), the following FHLBanks recognized OTTI charges during the three months ended June 30, 2009, which were included in other non-interest income and the assets were recorded at fair value as of June 30, 2009 (dollar amounts in millions).

| | During Three Months Ended June 30, 2009 | |
|---|---|---|
| | Carrying Value Prior to Write-down* | Fair Value at Write-down* |
| Boston | $ 922 | $ 712 |
| New York | 239 | 167 |
| Pittsburgh (1) | | |
| Atlanta (2) | | |
| Indianapolis | 145 | 109 |
| Chicago | 1,403 | 1,132 |
| Dallas | 61 | 35 |
| Topeka | 1 | 1 |
| San Francisco | 5,332 | 4,049 |
| Seattle | 461 | 198 |
| | $8,564 | $6,403 |

* This table excludes impaired securities with carrying values less than their fair values at June 30, 2009. Additionally, "Carrying Value Prior to Write-down" may not include certain adjustments related to previously impaired investment securities.

(1) At June 30, 2009, the FHLBank of Pittsburgh transferred certain private label-MBS from its held-to-maturity portfolio to an available-for-sale portfolio. These are the securities in the FHLBank of Pittsburgh's held-to-maturity portfolio for which this FHLBank recorded an OTTI credit loss of $39 million during the three months ended June 30, 2009, prior to the transfer. As of June 30, 2009, these securities had an amortized cost of $2,035 million and a fair value of $1,237 million, which represented an unrealized loss of $798 million.

(2) At June 30, 2009, the FHLBank of Atlanta transferred certain private-label MBS from its held-to-maturity portfolio to an available-for-sale portfolio. These securities represented private-label MBS in the FHLBank of Atlanta's held-to-maturity portfolio for which the FHLBank of Atlanta recorded an OTTI credit loss of $9 million prior to the transfer. As of June 30, 2009, these securities had an amortized cost of $314 million and a fair value of $156 million, which represented an unrealized loss of $158 million.

The following table presents investment securities, mortgage loans and real estate owned by level within the SFAS 157 valuation hierarchy at June 30, 2009, for which a nonrecurring change in fair value has been recorded in the three months ended June 30, 2009 and the assets were recorded at fair value as of June 30, 2009 (dollar amounts in millions):

| | Fair Value Measurements at June 30, 2009 Using | | | |
|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 |
| Held-to-maturity securities | | | | |
| Private-label residential mortgage-backed securities | $5,982 | $ | $ | $5,982 |
| Home equity loan investments | 421 | | 1 | 420 |
| Total held-to-maturity securities | 6,403 | | 1 | 6,402 |
| Mortgage loans held for portfolio | 15 | | | 15 |
| Real estate owned | 45 | | | 45 |
| Total non-recurring assets at fair value | $6,463 | $ | $ 1 | $6,462 |

*Estimated Fair Values.* The following estimated fair value amounts have been determined by the FHLBanks using available market information and each FHLBank's best judgment of appropriate valuation methods. These estimates are based on pertinent information available to the FHLBanks at June 30, 2009 and December 31, 2008. Although an FHLBank uses its 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 the FHLBanks' 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, although they do reflect the FHLBank's judgment of how a market participant would estimate the fair values. The Fair Value Summary Tables included in this note do not represent an estimate of the overall market value of the FHLBanks as going concerns, which would take into account future business opportunities and the net profitability of assets versus liabilities.

*Subjectivity of estimates.* Estimates of the fair value of advances with options, mortgage instruments, derivatives with embedded options and consolidated bonds with options using the methods described below and other methods are highly subjective and require judgments regarding significant matters such as the amount and timing of future cash flows, prepayment speed assumptions, expected interest rate volatility, methods to determine possible distributions of future interest rates used to value options, and the selection of discount rates that appropriately reflect market and credit risks. Changes in these judgments often have a material effect on the fair value estimates. Since these estimates are made as of a specific point in time, they are susceptible to material near term changes.

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

*Interest-bearing deposits and investment securities.* The estimated fair value is determined based on each security's quoted price or prices obtained from pricing services, excluding accrued interest, at the last business day of the period for instruments with more than three months to maturity. When quoted prices are not available, the estimated fair value is determined by calculating the present value of the expected future cash flows and reducing the amount for accrued interest receivable. For certain FHLBanks, the estimated fair value approximates the recorded book balance for interest-bearing deposits with variable rates and fixed rates with three months or less to maturity or repricing.

*Securities purchased under agreements to resell.* The estimated fair value is determined by calculating the present value of the future cash flows for instruments with more than three months to maturity. The discount rates used in these calculations are the rates for securities with similar terms. For certain FHLBanks, the estimated fair value approximates the recorded book balance for securities purchased under agreements to resell with variable rates and fixed rates with three months or less to maturity or repricing.

*Federal funds sold.* The estimated fair value of overnight Federal funds approximates the recorded book balances. The estimated fair value of term Federal funds is determined by calculating the present value of the expected future cash flows for instruments with more than three months to maturity. The discount rates used in these calculations are the rates for Federal funds with similar terms.

*Advances and other loans.* The FHLBanks generally determine the estimated fair value of advances by calculating the present value of expected future cash flows from the advances and excluding the amount of the accrued interest receivable. The discount rates used in these calculations are the replacement advance rates for advances with similar terms. In accordance with the Finance Agency's advances regulations, advances with a maturity or repricing period greater than six months require a prepayment fee sufficient to make the FHLBanks financially indifferent to the borrower's decision to prepay the advances. Therefore, the estimated fair value of advances does not assume prepayment risk.

*Mortgage loans held for portfolio.* The estimated fair values for mortgage loans are determined based on quoted market prices of similar mortgage loans available in the market or modeled prices. The modeled prices start with prices for new mortgage-backed securities issued by U.S. government-sponsored enterprises or similar new mortgage loans. Prices are then adjusted for differences in coupon, average loan rate, seasoning and cash flow remittance between the FHLBank's mortgage loans and the mortgage-backed securities or mortgage loans. The prices of the referenced mortgage-backed securities and the mortgage loans are highly dependent upon the underlying prepayment assumptions priced in the secondary market. Changes in the prepayment rates often have a material effect on the fair value estimates. Since these underlying prepayment assumptions are made at a specific point in time, they are susceptible to material changes in the near term.

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

*Derivative assets/liabilities.* The FHLBanks base the estimated fair values of derivatives with similar terms on available market prices including accrued interest receivable and payable. However, active markets do not exist for certain types of financial instruments. Consequently, fair values for these instruments must be estimated using techniques such as discounted cash-flow analysis and comparisons to similar instruments. Estimates developed using these methods are highly subjective and require judgments regarding significant matters such as the amount and timing of future cash flows, volatility of interest rates, and the selection of discount rates that appropriately reflect market and credit risks. Changes in these judgments often have a material effect on the fair value estimates. Because these estimates are made at a specific point in time, they are susceptible to material near-term changes. The FHLBanks are subject to credit risk in derivatives transactions due to potential nonperformance by the derivatives counterparties. To mitigate this risk, the FHLBanks enter into master netting agreements for interest-rate-exchange agreements with highly-rated institutions. In addition, the FHLBanks have entered into bilateral security agreements with all active derivatives dealer counterparties that provide for delivery of collateral at specified levels tied to counterparty credit ratings to limit the FHLBanks' net unsecured credit exposure to these counterparties. Each FHLBank has evaluated the potential for the fair value of the instruments to be affected by counterparty credit risk and has determined that no adjustments were significant or necessary to the overall fair value measurements. If these netted amounts are positive, they are classified as an asset and if negative, they are classified as a liability.

*Deposits.* The FHLBanks determine fair values of deposits by calculating the present value of expected future cash flows from the deposits and reducing this amount for accrued interest payable. The discount rates used in these calculations are the cost of deposits with similar terms. For certain

FHLBanks, the estimated fair value approximates the recorded book balance for deposits with variable rates and fixed rates with three months or less to maturity or repricing.

*Securities Sold Under Agreements to Repurchase.* The FHLBanks determine the estimated fair value of securities sold under agreements to repurchase using the income approach, which converts the expected future cash flows to a single present value using market-based inputs. The fair value also takes into consideration any derivative features, as applicable.

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

*Consolidated obligations.* The FHLBanks estimate fair values based on: the cost of raising comparable term debt, independent market-based prices received from a third-party pricing service, or internal valuation models. The FHLBanks' internal valuation models determine fair values of consolidated bonds and consolidated discount notes without embedded options using market-based yield curve inputs obtained from the Office of Finance. For fair values of consolidated obligations with embedded options, the internal valuation models use market-based inputs obtained from the Office of Finance and derivative dealers. The fair value is then estimated by calculating the present value of expected cash flows using discount rates that are based on replacement funding rates for liabilities with similar terms.

Adjustments may be necessary to reflect the FHLBanks' credit quality when valuing consolidated bonds measured at fair value. Due to the joint and several liability of consolidated obligations, each FHLBank monitors its own creditworthiness and the creditworthiness of the other FHLBanks to determine whether any credit adjustments are necessary in its fair value measurement of consolidated bonds. The credit ratings of the FHLBanks and any changes to these credit ratings are the basis for the FHLBanks to determine whether the fair values of consolidated bonds have been significantly affected during the reporting period by changes in the instrument-specific credit risk. For applicable FHLBanks, either no adjustment or an immaterial adjustment was made during the period ended June 30, 2009 and December 31, 2008, as deemed appropriate by each FHLBank.

*Subordinated notes.* The FHLBank of Chicago determines the fair values based on internal valuation models which use market-based yield curve inputs obtained from a third party.

*Mandatorily redeemable capital stock.* The fair value of capital subject to mandatory redemption is generally at par value as indicated by member contemporaneous purchases and sales at par value. Fair value also includes estimated dividend earned at the time of reclassification from equity to liabilities, until such amount is paid, and any subsequently declared stock dividend. FHLBank stock can only be acquired by members at par value and redeemed at par value. FHLBank stock is not traded and no market mechanism exits for the exchange of stock outside the cooperative structure.

*Commitments.* The estimated fair value of the FHLBanks' commitments to extend credit for advances, letters of credit, and standby bond purchase agreements was immaterial at June 30, 2009 and December 31, 2008.

*Commitments to extend credit for mortgage loans.* Certain mortgage loan purchase commitments are recorded as derivatives at their fair value.

The estimated fair value of the FHLBanks' commitments to extend credit is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. The estimated fair value of these fixed-rate loan commitments also takes into account the difference between current and committed interest rate and was immaterial at June 30, 2009 and December 31, 2008.

The carrying values and estimated fair values of the FHLBanks' financial instruments were as follows (dollar amounts in millions):

| Financial Instruments | June 30, 2009 Carrying Value | June 30, 2009 Estimated Fair Value | December 31, 2008 Carrying Value | December 31, 2008 Estimated Fair Value |
|---|---|---|---|---|
| **Assets:** | | | | |
| Cash and due from banks | $ 1,037 | $ 1,037 | $ 20,820 | $ 20,820 |
| Interest-bearing deposits | 44,151 | 44,153 | 47,486 | 47,488 |
| Securities purchased under agreements to resell | 10,385 | 10,385 | 6,895 | 6,895 |
| Federal funds sold | 57,731 | 57,732 | 40,299 | 40,300 |
| Trading securities | 21,433 | 21,433 | 12,150 | 12,150 |
| Available-for-sale securities | 30,703 | 30,703 | 14,559 | 14,559 |
| Held-to-maturity securities | 161,190 | 152,637 | 184,524 | 165,649 |
| Advances | 738,812 | 739,673 | 928,638 | 928,988 |
| Mortgage loans held for portfolio, net | 77,755 | 79,506 | 87,361 | 89,183 |
| Accrued interest receivable | 2,954 | 2,954 | 4,261 | 4,261 |
| Derivative assets | 678 | 678 | 902 | 902 |
| Other assets | 17 | 17 | 16 | 16 |
| **Liabilities:** | | | | |
| Deposits | (18,162) | (18,163) | (15,496) | (15,498) |
| Securities sold under repurchase agreements | (1,200) | (1,232) | (1,200) | (1,243) |
| Consolidated obligations: | | | | |
| Discount notes | (342,259) | (342,988) | (439,895) | (440,888) |
| Bonds | (718,409) | (725,958) | (818,372) | (827,373) |
| Mandatorily redeemable capital stock | (5,628) | (5,628) | (6,136) | (6,136) |
| Accrued interest payable | (4,119) | (4,119) | (6,331) | (6,331) |
| Derivative liabilities | (6,216) | (6,216) | (7,732) | (7,732) |
| Subordinated notes | (1,000) | (960) | (1,000) | (1,083) |

**Note 13—Subsequent Events**

For purposes of this combined financial report, subsequent events have been evaluated through August 12, 2009, which is the date the last FHLBank filed its Second Quarter 2009 Form 10-Q with the SEC. From June 30, 2009 through August 12, 2009, no material subsequent events were identified, other than those discussed below.

*FHLBank of New York's Monoline Support.* Of the 12 securities determined to be OTTI, nine are insured by Ambac Assurance Corp. (Ambac). The FHLBank of New York analyzes the going concern and financial strength of bond insurers to measure their ability to perform under their contractual obligations for the securities owned by the FHLBank of New York.

The bond insurers, including Ambac, are currently performing under the terms of their contractual agreements with respect to the FHLBank of New York's insured bonds. However, estimation of an insurer's financial strength to remain viable over a long time horizon requires significant judgment and assumptions. Predicting when the insurers may no longer have the ability to perform under their contractual agreements, then comparing the timing and amounts of cash flow shortfalls of securities that are credit impaired to when insurer protection may not be available requires significant judgment.

The FHLBank of New York's analysis had concluded at June 30, 2009 that the projected time horizon for Ambac to provide full insurance protection with respect to 9 insured bonds was 105 months, or through March 1, 2018. The FHLBank of New York refers to this date as the "guarantee ignore date," implying that security cash flow shortfalls after that date would not receive any credit protection from Ambac.

On August 10, 2009, Ambac reported financial information for the quarter ended June 30, 2009. In its press release, Ambac reported losses of $2.4 billion for the quarter ended June 30, 2009 and other financial developments. Based on information in the press release, the FHLBank of New York's management updated its burnout period for Ambac and estimated that, as of June 30, 2009, the burnout period would have been shortened to approximately 90 months compared to 105 months used to estimate OTTI in the FHLBank of New York's interim financial statements as of June 30, 2009. Under SFAS 165, the FHLBank of New York's management evaluated the effect of the estimated reduction in the burnout period to the computation of OTTI for the period ended June 30, 2009, and determined that it was not material to its interim financial statements as of June 30, 2009.

The FHLBank of New York's estimated burnout period is a quantitative measure based on the claims-paying ability of Ambac and the estimated claims that Ambac would have to pay in the future. The burnout period is likely to shorten if Ambac's claims-paying resources are depleted sooner than anticipated based on the FHLBank of New York's quantitative analysis, or if forecast claims to be paid in the future are higher than anticipated. The FHLBank of New York has performed a sensitivity analysis as of June 30, 2009 to assess the effect that the shorter burnout period could have in the computation of credit losses on the OTTI securities insured by Ambac. A 25% reduction in the number of months of the burnout period (reduction of 26 months) would have resulted in the recognition of additional credit losses of $5.3 million. Shortening of the burnout period by 50% (reduction of 53 months) would have resulted in the recognition of additional credit losses of $11.1 million.

*FHLBank of Seattle's Final Capital Classification.* On August 3, 2009, the FHLBank of Seattle received notification from the Finance Agency that it had completed its review of the FHLBank of Seattle's additional information submission and that based on the FHLBank of Seattle's risk-based capital deficiency as of March 31, 2009, the FHLBank of Seattle's final capital classification is undercapitalized. In reaching the determination of undercapitalized, the Finance Agency noted the deterioration in the value of the FHLBank of Seattle's private-label mortgage-backed securities, the accumulated other comprehensive losses stemming from that deterioration, the level of retained earnings at the FHLBank of Seattle in comparison to accumulated other comprehensive losses, and the FHLBank of Seattle's market value of equity compared to the par value of its outstanding capital stock.

Restrictions applicable to an FHLBank whose final capital classification is determined to be undercapitalized, such as the FHLBank of Seattle, include a range of mandatory or discretionary restrictions. For example, an FHLBank needs to review its operating and financial contracts and counterparty agreements to determine whether a capital deficiency or the application of the prompt corrective action requirements to the FHLBank will trigger defaults or otherwise impact terms of those contracts and agreements, and submit to the Finance Agency a capital restoration plan, as well as restrict dividends and redemptions and repurchases of capital stock. In addition, the mandatory restrictions include a mandatory limit on asset growth, such that current quarter average total assets of the FHLBank may not exceed average total assets of the previous quarter, unless the Director of the Finance Agency determines the increase is consistent with an approved capital restoration plan and meets other requirements.

The FHLBank of Seattle previously suspended dividend payments, stock redemptions, and stock repurchases. The FHLBank of Seattle expects to submit its capital restoration plan on or before August 24, 2009. As of July 31, 2009, the FHLBank of Seattle had a risk-based capital surplus of $139.5 million; however its risk-based capital requirement will fluctuate with current market conditions. The FHLBank of Seattle's capital classification will remain undercapitalized until the Finance Agency determines otherwise.

On July 30, 2009, the FHLBank of Seattle's Board of Directors determined that, effective immediately, any member that rescinds its notice to redeem excess stock on or before December 31, 2009, shall not be subject to a redemption cancellation fee. As of July 31, 2009, $48.9 million of mandatorily redeemable capital stock would be subject to reclassification to Class B capital stock should the applicable members rescind their outstanding redemption requests related to such excess stock.

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# FEDERAL HOME LOAN BANKS

## COMBINING SCHEDULES — STATEMENTS OF CONDITION
## JUNE 30, 2009

### (Dollar amounts in millions)
### (Unaudited)

| | Combined | Combining Adjustments | Boston | New York | Pittsburgh | Atlanta |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Cash and due from banks | $ 1,037 | $ | $ 6 | $ 40 | $ 70 | $ 12 |
| Interest-bearing deposits | 44,151 | | 18,886 | 13,865 | 8,660 | |
| Deposits with other FHLBanks | | (8) | | | 4 | 3 |
| Securities purchased under agreements to resell | 10,385 | | 2,000 | | | |
| Federal funds sold | 57,731 | | 1,400 | | 500 | 8,202 |
| Trading securities | 21,433 | (450) | 60 | | 935 | 3,827 |
| Available-for-sale securities | 30,703 | | 2,341 | 2,507 | 1,253 | 1,537 |
| Held-to-maturity securities | 161,190 | | 7,419 | 10,471 | 13,093 | 18,447 |
| Advances | 738,812 | | 41,854 | 100,458 | 45,799 | 134,503 |
| Mortgage loans held for portfolio | 77,779 | | 3,844 | 1,384 | 5,614 | 2,834 |
| Less: allowance for credit losses on mortgage loans | 24 | | 1 | 3 | 6 | 1 |
| Mortgage loans held for portfolio, net | 77,755 | | 3,843 | 1,381 | 5,608 | 2,833 |
| Accrued interest receivable | 2,954 | (6) | 170 | 367 | 338 | 601 |
| Premises, software, and equipment, net | 201 | | 5 | 15 | 22 | 29 |
| Derivative assets | 678 | | 23 | 9 | 13 | 50 |
| Other assets | 866 | 3 | 80 | 16 | 107 | 162 |
| Total assets | $1,147,896 | $(461) | $78,087 | $129,129 | $76,402 | $170,206 |
| **LIABILITIES** | | | | | | |
| Deposits: | | | | | | |
| Interest-bearing: | | | | | | |
| Demand and overnight | $ 16,202 | $ | $ 892 | $ 2,230 | $ 2,038 | $ 4,148 |
| Term | 1,434 | | 29 | 36 | 14 | |
| Deposits from other FHLBanks | | (8) | | | | |
| Other | 32 | | 5 | 2 | | |
| Total interest-bearing | 17,668 | (8) | 926 | 2,268 | 2,052 | 4,148 |
| Non-interest-bearing: | | | | | | |
| Demand and overnight | 126 | | | 9 | 45 | |
| Other | 368 | | 37 | | | |
| Total non-interest-bearing | 494 | | 37 | 9 | 45 | |
| Total deposits | 18,162 | (8) | 963 | 2,277 | 2,097 | 4,148 |
| Borrowings: | | | | | | |
| Securities sold under agreements to repurchase | 1,200 | | | | | |
| Total borrowings | 1,200 | | | | | |
| Consolidated obligations, net: | | | | | | |
| Discount notes | 342,259 | | 41,827 | 47,276 | 15,538 | 38,672 |
| Bonds | 718,409 | (435) | 30,583 | 72,184 | 54,091 | 117,756 |
| Total consolidated obligations, net | 1,060,668 | (435) | 72,410 | 119,460 | 69,629 | 156,428 |
| Mandatorily redeemable capital stock | 5,628 | | 91 | 128 | 8 | 106 |
| Accrued interest payable | 4,119 | (6) | 172 | 281 | 300 | 699 |
| Affordable Housing Program | 860 | | 31 | 140 | 33 | 138 |
| Payable to REFCORP | 225 | | | 46 | | 30 |
| Derivative liabilities | 6,216 | | 913 | 826 | 658 | 715 |
| Other liabilities | 3,941 | | 908 | 121 | 173 | 84 |
| Subordinated notes | 1,000 | | | | | |
| Total liabilities | 1,102,019 | (449) | 75,488 | 123,279 | 72,898 | 162,348 |
| **CAPITAL** | | | | | | |
| Capital Stock: | | | | | | |
| Capital stock Class B putable ($100 par value per share) issued and outstanding | 46,162 | | 3,615 | 5,370 | 4,007 | 8,119 |
| Capital stock Class A putable ($100 par value per share) issued and outstanding | 429 | | | | | |
| Capital stock Pre-conversion putable ($100 par value per share) issued and outstanding | 2,375 | | | | | |
| Total capital stock | 48,966 | | 3,615 | 5,370 | 4,007 | 8,119 |
| Retained earnings | 6,009 | (9) | 241 | 600 | 434 | 804 |
| Accumulated other comprehensive income: | | | | | | |
| Net unrealized (losses) gains on available-for-sale securities | (122) | | (127) | (10) | (14) | |
| Net unrealized losses on held-to-maturity securities transferred from available-for-sale securities | (37) | | | | | |
| Net noncredit portion of other-than-temporary impairment losses on available-for-sale securities | (1,931) | | | | (800) | (1,060) |
| Net noncredit portion of other-than-temporary impairment losses on held-to-maturity securities | (6,619) | | (1,129) | (77) | (121) | |
| Net unrealized losses relating to hedging activities | (352) | (3) | | (26) | | |
| Pension and postretirement benefits | (37) | | (1) | (7) | (2) | (5) |
| Total capital | 45,877 | (12) | 2,599 | 5,850 | 3,504 | 7,858 |
| Total liabilities and capital | $1,147,896 | $(461) | $78,087 | $129,129 | $76,402 | $170,206 |
| **Supplemental Disclosures:** | | | | | | |
| Advances held at fair value under fair value option included in Advances total | $ 34,869 | $ | $ | $ | $ | $ |
| Consolidated Bonds held at fair value under fair value option included in Consolidated Bonds total | $ 42,129 | $ | $ | $ 550 | $ | $ |

| Cincinnati | Indianapolis | Chicago | Des Moines | Dallas | Topeka | San Francisco | Seattle |
|---|---|---|---|---|---|---|---|
| $ 3 | $ 5 | $ 19 | $ 48 | $ 22 | $ | $ 811 | $ 1 |
| 1 | | | 19 | 2,233 | 487 | | |
| | | | 1 | | | | |
| | | 4,385 | | | | | 4,000 |
| 6,380 | 7,513 | 4,405 | 4,614 | 3,336 | 1,685 | 16,658 | 3,038 |
| 2,251 | | 1,659 | 5,371 | 4 | 7,742 | 34 | |
| 4,680 | 1,767 | 11,095 | 5,520 | 3 | | | |
| 11,571 | 7,939 | 13,655 | 6,051 | 12,586 | 8,397 | 42,241 | 9,320 |
| 44,865 | 25,987 | 27,192 | 37,165 | 53,470 | 24,530 | 174,732 | 28,257 |
| 9,690 | 7,885 | 26,973 | 8,120 | 290 | 3,215 | 3,359 | 4,571 |
| | | 9 | | 1 | 1 | 2 | |
| 9,690 | 7,885 | 26,964 | 8,120 | 289 | 3,214 | 3,357 | 4,571 |
| 191 | 127 | 287 | 86 | 83 | 109 | 462 | 139 |
| 10 | 10 | 25 | 9 | 24 | 16 | 20 | 16 |
| 7 | | 55 | 4 | 30 | 31 | 452 | 4 |
| 28 | 43 | 129 | 24 | 16 | 63 | 157 | 38 |
| $79,677 | $51,276 | $89,870 | $67,032 | $72,096 | $46,274 | $238,924 | $49,384 |
| | | | | | | | |
| $ 1,610 | $ 953 | $ 845 | $ 685 | $ 1,027 | $ 1,228 | $ 189 | $ 357 |
| 96 | 33 | 37 | 533 | 146 | 26 | 63 | 421 |
| | | 8 | | | | | |
| 23 | | | | | | 2 | |
| 1,729 | 986 | 890 | 1,218 | 1,173 | 1,254 | 254 | 778 |
| | | | 72 | | | | |
| 4 | 4 | 296 | | | 24 | 3 | |
| 4 | 4 | 296 | 72 | | 24 | 3 | |
| 1,733 | 990 | 1,186 | 1,290 | 1,173 | 1,278 | 257 | 778 |
| | | 1,200 | | | | | |
| | | 1,200 | | | | | |
| 28,469 | 14,557 | 40,286 | 19,967 | 14,962 | 15,618 | 49,009 | 16,078 |
| 44,182 | 31,960 | 40,999 | 41,599 | 52,492 | 26,815 | 176,200 | 29,983 |
| 72,651 | 46,517 | 81,285 | 61,566 | 67,454 | 42,433 | 225,209 | 46,061 |
| 111 | 556 | 426 | 12 | 78 | 25 | 3,165 | 922 |
| 302 | 210 | 355 | 236 | 182 | 173 | 1,002 | 213 |
| 109 | 41 | 24 | 40 | 46 | 42 | 203 | 13 |
| 18 | 10 | 16 | 18 | 6 | 26 | 55 | |
| 269 | 833 | 864 | 335 | 5 | 269 | 231 | 298 |
| 95 | 48 | 1,816 | 197 | 72 | 30 | 94 | 303 |
| | | 1,000 | | | | | |
| 75,288 | 49,205 | 88,172 | 63,694 | 69,016 | 44,276 | 230,216 | 48,588 |
| | | | | | | | |
| 4,000 | 1,908 | | 2,923 | 2,828 | 1,404 | 10,253 | 1,735 |
| | | | | | 293 | | 136 |
| | | 2,375 | | | | | |
| 4,000 | 1,908 | 2,375 | 2,923 | 2,828 | 1,697 | 10,253 | 1,871 |
| 395 | 328 | 837 | 437 | 301 | 306 | 1,172 | 163 |
| | (7) | 57 | (21) | | | | |
| | | (37) | | | | | |
| | | (71) | | | | | |
| | (154) | (1,142) | | (49) | (3) | (2,710) | (1,234) |
| | | (322) | | | | (1) | |
| (6) | (4) | 1 | (1) | | (2) | (6) | (4) |
| 4,389 | 2,071 | 1,698 | 3,338 | 3,080 | 1,998 | 8,708 | 796 |
| $79,677 | $51,276 | $89,870 | $67,032 | $72,096 | $46,274 | $238,924 | $49,384 |
| $ | $ | $ | $ | $ | $ | $ 34,869 | $ |
| $ | $ | $ 2,116 | $ 4,306 | $ | $ | $ 35,157 | $ |

# FEDERAL HOME LOAN BANKS

## COMBINING SCHEDULES—STATEMENTS OF CONDITION
## DECEMBER 31, 2008

## (Dollar amounts in millions)

| | Combined | Combining Adjustments | Boston | New York | Pittsburgh | Atlanta |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Cash and due from banks | $ 20,820 | $ (3) | $ 6 | $ 19 | $ 68 | $ 28 |
| Interest-bearing deposits | 47,486 | | 3,279 | 12,169 | 5,101 | |
| Deposits with other FHLBanks | | (6) | | | 3 | 3 |
| Securities purchased under agreements to resell | 6,895 | | 2,500 | | | |
| Federal funds sold | 40,299 | | 2,540 | | 1,250 | 10,769 |
| Trading securities | 12,150 | (617) | 63 | | 507 | 4,486 |
| Available-for-sale securities | 14,559 | | 1,214 | 2,862 | 19 | |
| Held-to-maturity securities | 184,524 | | 9,268 | 11,334 | 14,918 | 23,118 |
| Advances | 928,638 | | 56,926 | 109,153 | 62,153 | 165,856 |
| Mortgage loans held for portfolio | 87,376 | | 4,154 | 1,459 | 6,169 | 3,252 |
| Less: allowance for credit losses on mortgage loans | 15 | | | 2 | 4 | 1 |
| Mortgage loans held for portfolio, net | 87,361 | | 4,154 | 1,457 | 6,165 | 3,251 |
| Accrued interest receivable | 4,261 | (8) | 289 | 493 | 434 | 775 |
| Premises, software, and equipment, net | 199 | | 6 | 14 | 23 | 29 |
| Derivative assets | 902 | | 29 | 20 | 29 | 91 |
| Other assets | 959 | 4 | 79 | 19 | 136 | 158 |
| Total assets | $1,349,053 | $(630) | $80,353 | $137,540 | $90,806 | $208,564 |
| **LIABILITIES** | | | | | | |
| Deposits: | | | | | | |
| Interest-bearing: | | | | | | |
| Demand and overnight | $ 13,260 | $ | $ 529 | $ 1,332 | $ 1,452 | $ 3,573 |
| Term | 1,885 | | 67 | 117 | 16 | |
| Deposits from other FHLBanks | | (9) | | | | |
| Other | 38 | | 4 | 2 | | |
| Total interest-bearing | 15,183 | (9) | 600 | 1,451 | 1,468 | 3,573 |
| Non-interest-bearing: | | | | | | |
| Demand and overnight | 129 | | | 1 | 19 | |
| Other | 184 | | 11 | | | |
| Total non-interest-bearing | 313 | | 11 | 1 | 19 | |
| Total deposits | 15,496 | (9) | 611 | 1,452 | 1,487 | 3,573 |
| Borrowings: | | | | | | |
| Securities sold under agreements to repurchase | 1,200 | | | | | |
| Total borrowings | 1,200 | | | | | |
| Consolidated obligations, net: | | | | | | |
| Discount notes | 439,895 | | 42,472 | 46,330 | 22,864 | 55,195 |
| Bonds | 818,372 | (577) | 32,254 | 82,257 | 61,399 | 138,181 |
| Total consolidated obligations, net | 1,258,267 | (577) | 74,726 | 128,587 | 84,263 | 193,376 |
| Mandatorily redeemable capital stock | 6,136 | | 93 | 143 | 4 | 44 |
| Accrued interest payable | 6,331 | (8) | 259 | 426 | 494 | 1,039 |
| Affordable Housing Program | 808 | | 35 | 122 | 43 | 139 |
| Payable to REFCORP | 37 | | | 5 | | |
| Derivative liabilities | 7,732 | | 1,174 | 862 | 355 | 1,414 |
| Other liabilities | 696 | | 25 | 76 | 25 | 86 |
| Subordinated notes | 1,000 | | | | | |
| Total liabilities | 1,297,703 | (594) | 76,923 | 131,673 | 86,671 | 199,671 |
| **CAPITAL** | | | | | | |
| Capital Stock: | | | | | | |
| Capital stock Class B putable ($100 par value per share) issued and outstanding | 46,413 | | 3,585 | 5,585 | 3,982 | 8,463 |
| Capital stock Class A putable ($100 par value per share) issued and outstanding | 752 | | | | | |
| Capital stock Pre-conversion putable ($100 par value per share) issued and outstanding | 2,386 | | | | | |
| Total capital stock | 49,551 | | 3,585 | 5,585 | 3,982 | 8,463 |
| Retained earnings | 2,936 | (33) | (20) | 383 | 170 | 435 |
| Accumulated other comprehensive income: | | | | | | |
| Net unrealized (losses) gains on available-for-sale securities | (410) | | (131) | (64) | (14) | |
| Net unrealized losses on held-to-maturity securities transferred from available-for-sale securities | (76) | | | | | |
| Net unrealized losses relating to hedging activities | (612) | (3) | | (30) | (1) | |
| Pension and postretirement benefits | (39) | | (4) | (7) | (2) | (5) |
| Total capital | 51,350 | (36) | 3,430 | 5,867 | 4,135 | 8,893 |
| Total liabilities and capital | $1,349,053 | $(630) | $80,353 | $137,540 | $90,806 | $208,564 |
| **Supplemental Disclosures:** | | | | | | |
| Advances held at fair value under fair value option included in Advances total | $ 38,774 | $ | $ | $ | $ | $ |
| Consolidated Bonds held at fair value under fair value option included in Consolidated Bonds total | $ 31,285 | $ | $ | $ 999 | $ | $ |

| Cincinnati | Indianapolis | Chicago | Des Moines | Dallas | Topeka | San Francisco | Seattle |
|---|---|---|---|---|---|---|---|
| $ 3 | $ 871 | $ 130 | $ 44 | $ 21 | $ | $ 19,632 | $ 1 |
| 19,906 | | | | 3,683 | 3,348 | | |
| | | | | | | | |
| | | 495 | | | | | 3,900 |
| | 7,223 | 1,085 | 3,425 | 1,872 | 384 | 9,431 | 2,320 |
| 3 | | 866 | 2,151 | 3 | 4,653 | 35 | |
| 2,512 | 1,842 | 2,142 | 3,840 | 128 | | | |
| 12,904 | 6,692 | 16,595 | 5,952 | 11,702 | 11,051 | 51,205 | 9,785 |
| 53,916 | 31,249 | 38,140 | 41,897 | 60,920 | 35,820 | 235,664 | 36,944 |
| 8,632 | 8,780 | 32,092 | 10,685 | 328 | 3,025 | 3,713 | 5,087 |
| | | 5 | | 1 | 1 | 1 | |
| 8,632 | 8,780 | 32,087 | 10,685 | 327 | 3,024 | 3,712 | 5,087 |
| 275 | 153 | 367 | 93 | 145 | 139 | 865 | 241 |
| 10 | 10 | 26 | 9 | 21 | 17 | 20 | 14 |
| 17 | 1 | 102 | 3 | 77 | 34 | 467 | 32 |
| 28 | 39 | 94 | 30 | 34 | 87 | 213 | 38 |
| $98,206 | $56,860 | $92,129 | $68,129 | $78,933 | $58,557 | $321,244 | $58,362 |
| | | | | | | | |
| | | | | | | | |
| $ 1,074 | $ 573 | $ 564 | $ 925 | $ 1,239 | $ 1,119 | $ 491 | $ 389 |
| 94 | 46 | 29 | 464 | 186 | 570 | 103 | 193 |
| | | 9 | | | | | |
| 24 | | | | | | 8 | |
| 1,192 | 619 | 602 | 1,389 | 1,425 | 1,689 | 602 | 582 |
| | | | | | | | |
| | | 2 | 107 | | | | |
| 1 | 2 | 153 | | | 15 | 2 | |
| 1 | 2 | 155 | 107 | | 15 | 2 | |
| 1,193 | 621 | 757 | 1,496 | 1,425 | 1,704 | 604 | 582 |
| | | | | | | | |
| | | 1,200 | | | | | |
| | | 1,200 | | | | | |
| | | | | | | | |
| 49,336 | 23,466 | 29,466 | 20,061 | 16,746 | 26,261 | 91,819 | 15,879 |
| 42,393 | 28,697 | 55,305 | 42,723 | 56,614 | 27,422 | 213,114 | 38,590 |
| 91,729 | 52,163 | 84,771 | 62,784 | 73,360 | 53,683 | 304,933 | 54,469 |
| 111 | 539 | 401 | 11 | 90 | 35 | 3,747 | 918 |
| 394 | 284 | 567 | 320 | 514 | 254 | 1,451 | 337 |
| 103 | 36 | 23 | 40 | 43 | 28 | 180 | 16 |
| 14 | 17 | | 1 | | | | |
| 286 | 1,060 | 1,067 | 435 | 2 | 404 | 437 | 236 |
| 94 | 49 | 56 | 25 | 61 | 54 | 107 | 38 |
| | | 1,000 | | | | | |
| 93,924 | 54,769 | 89,842 | 65,112 | 75,495 | 56,162 | 311,459 | 56,596 |
| | | | | | | | |
| 3,962 | 1,879 | | 2,781 | 3,224 | 1,606 | 9,616 | 1,730 |
| | | | | | 634 | | 118 |
| | | 2,386 | | | | | |
| 3,962 | 1,879 | 2,386 | 2,781 | 3,224 | 2,240 | 9,616 | 1,848 |
| 326 | 283 | 540 | 382 | 216 | 157 | 176 | (79) |
| | | | | | | | |
| | (67) | 12 | (144) | (2) | | | |
| | | | | | | | |
| | | (76) | | | | | |
| | | (577) | | | | (1) | |
| (6) | (4) | 2 | (2) | | (2) | (6) | (3) |
| 4,282 | 2,091 | 2,287 | 3,017 | 3,438 | 2,395 | 9,785 | 1,766 |
| $98,206 | $56,860 | $92,129 | $68,129 | $78,933 | $58,557 | $321,244 | $58,362 |
| | | | | | | | |
| $ | $ | $ 201 | $ | $ | $ | $ 38,573 | $ |
| | | | | | | | |
| $ | $ | $ | $ | $ | $ | $ 30,286 | $ |

## FEDERAL HOME LOAN BANKS

## COMBINING SCHEDULES — STATEMENTS OF INCOME FOR THE THREE MONTHS ENDED JUNE 30, 2009

### (Dollar amounts in millions) (Unaudited)

| | Combined | Combining Adjustments | Boston | New York | Pittsburgh | Atlanta |
|---|---|---|---|---|---|---|
| **INTEREST INCOME** | | | | | | |
| Advances | $ 2,675 | $ | $ 167 | $350 | $ 168 | $ 271 |
| Prepayment fees on advances, net | 72 | | 7 | 2 | 2 | 7 |
| Interest-bearing deposits | 29 | | 9 | 9 | 4 | 2 |
| Securities purchased under agreements to resell | 5 | | | | | |
| Federal funds sold | 37 | | 1 | | | 6 |
| Trading securities | 109 | (7) | 1 | | 5 | 50 |
| Available-for-sale securities | 136 | | 2 | 7 | 1 | 35 |
| Held-to-maturity securities | 1,478 | | 57 | 118 | 138 | 225 |
| Mortgage loans held for portfolio | 1,011 | | 49 | 18 | 70 | 40 |
| Other | 1 | | | | | |
| Total interest income | 5,553 | (7) | 293 | 504 | 388 | 636 |
| **INTEREST EXPENSE** | | | | | | |
| Consolidated obligations — Discount notes | 507 | | 31 | 53 | 8 | 75 |
| Consolidated obligations — Bonds | 3,517 | (2) | 177 | 248 | 304 | 455 |
| Deposits | 7 | | | | 1 | 1 |
| Securities sold under agreements to repurchase | 7 | | | | | |
| Subordinated notes | 14 | | | | | |
| Mandatorily redeemable capital stock | 7 | | | 3 | | |
| Other borrowings | 1 | | | | | |
| Total interest expense | 4,060 | (2) | 208 | 304 | 313 | 531 |
| **NET INTEREST INCOME** | 1,493 | (5) | 85 | 200 | 75 | 105 |
| Provision for credit losses | 6 | | 1 | 1 | 1 | |
| **NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES** | 1,487 | (5) | 84 | 199 | 74 | 105 |
| **OTHER INCOME (LOSS)** | | | | | | |
| Total other-than-temporary impairment losses | (2,996) | | (210) | (73) | (460) | (404) |
| Portion of impairment losses recognized in other comprehensive income | 2,559 | | 140 | 68 | 421 | 358 |
| Net other-than-temporary impairment losses | (437) | | (70) | (5) | (39) | (46) |
| Net (losses) gains on trading securities | (68) | | | | | (74) |
| Net realized (losses) gains from sale of available-for-sale securities | (43) | | | | | |
| Net losses on advances and consolidated bonds held at fair value | (189) | | | | | |
| Net gains (losses) on derivatives and hedging activities | 979 | | (2) | 78 | 12 | 305 |
| Service fees | 9 | | 1 | 2 | | |
| Other, net | (6) | 16 | | | 2 | 1 |
| Total other income (loss) | 245 | 16 | (71) | 75 | (25) | 186 |
| **OTHER EXPENSE** | | | | | | |
| Operating | 196 | | 15 | 18 | 15 | 27 |
| Finance Agency | 7 | | 1 | 1 | | 1 |
| Office of Finance | 9 | | 1 | 1 | | 1 |
| Other, net | 5 | (1) | 1 | | | 1 |
| Total other expense | 217 | (1) | 18 | 20 | 15 | 30 |
| **INCOME (LOSS) BEFORE ASSESSMENTS** | 1,515 | 12 | (5) | 254 | 34 | 261 |
| Affordable Housing Program | 120 | | | 20 | 1 | 21 |
| REFCORP | 272 | | | 47 | 2 | 48 |
| Total assessments | 392 | | | 67 | 3 | 69 |
| **NET INCOME (LOSS)** | $ 1,123 | $12 | $ (5) | $187 | $ 31 | $ 192 |

| Cincinnati | Indianapolis | Chicago | Des Moines | Dallas | Topeka | San Francisco | Seattle |
|---|---|---|---|---|---|---|---|
| $157 | $107 | $ 146 | $177 | $179 | $ 89 | $ 754 | $ 110 |
| 1 | 2 | 11 | 1 | 10 | 9 | 18 | 2 |
| 1 | | | | | 4 | | |
| 1 | | 2 | | | | | 2 |
| 3 | 7 | 2 | 7 | 2 | 1 | 6 | 2 |
| | | 12 | 21 | | 26 | 1 | |
| 5 | 5 | 70 | 11 | | | | |
| 135 | 68 | 187 | 46 | 37 | 54 | 369 | 44 |
| 135 | 111 | 323 | 123 | 4 | 39 | 36 | 63 |
| | | | | | 1 | | |
| 438 | 300 | 753 | 386 | 232 | 223 | 1,184 | 223 |
| 27 | 17 | 40 | 39 | 68 | 15 | 112 | 22 |
| 300 | 199 | 532 | 284 | 149 | 131 | 588 | 152 |
| 1 | 1 | 1 | | | 1 | | 1 |
| | | 7 | | | | | |
| | | 14 | | | | | |
| 1 | 3 | | | | | | |
| | | | | | 1 | | |
| 329 | 220 | 594 | 323 | 217 | 148 | 700 | 175 |
| 109 | 80 | 159 | 63 | 15 | 75 | 484 | 48 |
| | | 2 | | | | 1 | |
| 109 | 80 | 157 | 63 | 15 | 75 | 483 | 48 |
| | (36) | (244) | | (26) | | (1,283) | (260) |
| | 33 | 120 | | 25 | | 1,195 | 199 |
| | (3) | (124) | | (1) | | (88) | (61) |
| | | (2) | 34 | | (26) | | |
| | | | (43) | | | | |
| | | (1) | (10) | | | (178) | |
| 4 | 4 | 122 | 104 | 34 | 102 | 224 | (8) |
| 1 | 1 | | | 1 | 2 | 1 | |
| 1 | 1 | 3 | (34) | 2 | | 2 | |
| 6 | 3 | (2) | 51 | 36 | 78 | (39) | (69) |
| 11 | 9 | 26 | 12 | 15 | 8 | 28 | 12 |
| | | 1 | | | | 2 | 1 |
| 1 | 1 | 1 | 1 | | | 1 | 1 |
| 1 | | 1 | | | 2 | | |
| 13 | 10 | 29 | 13 | 15 | 10 | 31 | 14 |
| 102 | 73 | 126 | 101 | 36 | 143 | 413 | (35) |
| 9 | 6 | 7 | 8 | 3 | 11 | 34 | |
| 18 | 14 | 16 | 17 | 7 | 27 | 76 | |
| 27 | 20 | 23 | 25 | 10 | 38 | 110 | |
| $ 75 | $ 53 | $ 103 | $ 76 | $ 26 | $105 | $ 303 | $ (35) |

## FEDERAL HOME LOAN BANKS

## COMBINING SCHEDULES — STATEMENTS OF INCOME
## FOR THE THREE MONTHS ENDED JUNE 30, 2008

### (Dollar amounts in millions)
### (Unaudited)

| | Combined | Combining Adjustments | Boston | New York | Pittsburgh | Atlanta |
|---|---|---|---|---|---|---|
| **INTEREST INCOME** | | | | | | |
| Advances | $ 6,716 | $ | $452 | $649 | $488 | $1,050 |
| Prepayment fees on advances, net | 26 | | | 12 | 2 | 2 |
| Interest-bearing deposits | 16 | | | 5 | 2 | 6 |
| Securities purchased under agreements to resell | 5 | | 2 | | | |
| Federal funds sold | 469 | | 8 | 20 | 20 | 62 |
| Trading securities | 109 | (9) | 1 | | | 78 |
| Available-for-sale securities | 78 | | 7 | 23 | 1 | |
| Held-to-maturity securities | 2,145 | (3) | 117 | 183 | 209 | 300 |
| Mortgage loans held for portfolio | 1,133 | | 52 | 19 | 78 | 46 |
| Other | 1 | | | | | |
| Total interest income | 10,698 | (12) | 639 | 911 | 800 | 1,544 |
| **INTEREST EXPENSE** | | | | | | |
| Consolidated obligations - Discount notes | 2,266 | | 260 | 147 | 158 | 179 |
| Consolidated obligations - Bonds | 6,932 | (10) | 288 | 593 | 544 | 1,093 |
| Deposits | 113 | | 5 | 10 | 10 | 32 |
| Securities sold under agreements to repurchase | 12 | | | | | |
| Subordinated notes | 15 | | | | | |
| Mandatorily redeemable capital stock | 15 | | 1 | 3 | | |
| Other borrowings | 1 | | | | | |
| Total interest expense | 9,354 | (10) | 554 | 753 | 712 | 1,304 |
| **NET INTEREST INCOME** | 1,344 | (2) | 85 | 158 | 88 | 240 |
| Provision for credit losses | 2 | | | | 2 | |
| **NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES** | 1,342 | (2) | 85 | 158 | 86 | 240 |
| **OTHER (LOSS) INCOME** | | | | | | |
| Realized losses on other-than-temporarily impaired securities | (30) | | | | | |
| Net losses on trading securities | (266) | | (1) | | | (188) |
| Net realized gains from sale of available-for-sale securities | 3 | | | | | |
| Net realized gains from sale of held-to-maturity securities | 2 | | | 1 | | |
| Net losses on advances and consolidated bonds held at fair value | (228) | | | | | |
| Net gains (losses) on derivatives and hedging activities | 364 | | | (41) | (1) | 123 |
| Service fees | 10 | | 2 | 1 | 1 | |
| Other, net | 6 | 3 | | | 1 | |
| Total other (loss) income | (139) | 3 | 1 | (39) | 1 | (65) |
| **OTHER EXPENSE** | | | | | | |
| Operating | 178 | | 13 | 17 | 14 | 25 |
| Finance Agency/Finance Board | 10 | | 1 | 1 | 2 | 1 |
| Office of Finance | 8 | | | | | 1 |
| Other, net | 4 | (2) | | | | 1 |
| Total other expense | 200 | (2) | 14 | 18 | 16 | 28 |
| **INCOME (LOSS) BEFORE ASSESSMENTS** | 1,003 | 3 | 72 | 101 | 71 | 147 |
| Affordable Housing Program | 87 | | 6 | 8 | 5 | 12 |
| REFCORP | 198 | | 13 | 19 | 13 | 27 |
| Total assessments | 285 | | 19 | 27 | 18 | 39 |
| **NET INCOME (LOSS)** | $ 718 | $ 3 | $ 53 | $ 74 | $ 53 | $ 108 |

| Cincinnati | Indianapolis | Chicago | Des Moines | Dallas | Topeka | San Francisco | Seattle |
|---|---|---|---|---|---|---|---|
| $438 | $228 | $278 | $332 | $416 | $235 | $1,864 | $286 |
| 1 | | | | 1 | 1 | | 7 |
| 2 | | | | 1 | | | |
| 3 | | | | | | | |
| 50 | 73 | 40 | 24 | 24 | 16 | 77 | 55 |
| | | 10 | | | 28 | 1 | |
| | 5 | 6 | 34 | 2 | | | |
| 155 | 84 | 155 | 45 | 81 | 123 | 582 | 114 |
| 116 | 121 | 414 | 133 | 5 | 30 | 48 | 71 |
| | | | | | 1 | | |
| 765 | 511 | 903 | 568 | 530 | 434 | 2,572 | 533 |
| 229 | 119 | 99 | 156 | 120 | 140 | 541 | 118 |
| 428 | 315 | 750 | 332 | 342 | 215 | 1,683 | 359 |
| 8 | 4 | 5 | 6 | 15 | 6 | 7 | 5 |
| | | 12 | | | | | |
| | | 15 | | | | | |
| 4 | 2 | | 1 | | | 3 | 1 |
| | | | | | 1 | | |
| 669 | 440 | 881 | 495 | 477 | 362 | 2,234 | 483 |
| 96 | 71 | 22 | 73 | 53 | 72 | 338 | 50 |
| 96 | 71 | 22 | 73 | 53 | 72 | 338 | 50 |
| | | (30) | | | | | |
| | | (15) | | | (62) | | |
| | | | | 3 | | | |
| | | | | | | | 1 |
| | | | | | | (228) | |
| 2 | 2 | (20) | 3 | 10 | 63 | 217 | 6 |
| 1 | 1 | | | 1 | 2 | | 1 |
| 1 | | 2 | 1 | 3 | | 1 | (6) |
| 4 | 3 | (63) | 4 | 17 | 3 | (10) | 2 |
| 9 | 8 | 30 | 10 | 13 | 8 | 20 | 11 |
| 1 | 1 | | 1 | | | 2 | |
| | | 1 | 1 | 1 | 1 | 2 | 1 |
| 1 | | 2 | | | 2 | | |
| 11 | 9 | 33 | 12 | 14 | 11 | 24 | 12 |
| 89 | 65 | (74) | 65 | 56 | 64 | 304 | 40 |
| 7 | 5 | | 5 | 5 | 5 | 25 | 4 |
| 17 | 12 | | 12 | 10 | 12 | 56 | 7 |
| 24 | 17 | | 17 | 15 | 17 | 81 | 11 |
| $ 65 | $ 48 | $ (74) | $ 48 | $ 41 | $ 47 | $ 223 | $ 29 |

## FEDERAL HOME LOAN BANKS

## COMBINING SCHEDULES — STATEMENTS OF INCOME FOR THE SIX MONTHS ENDED JUNE 30, 2009

### (Dollar amounts in millions) (Unaudited)

| | Combined | Combining Adjustments | Boston | New York | Pittsburgh | Atlanta |
|---|---|---|---|---|---|---|
| **INTEREST INCOME** | | | | | | |
| Advances | $ 6,470 | $ | $ 418 | $ 833 | $ 409 | $ 703 |
| Prepayment fees on advances, net | 113 | | 8 | 21 | 3 | 10 |
| Interest-bearing deposits | 61 | | 11 | 18 | 10 | 5 |
| Securities purchased under agreements to resell | 14 | | 3 | | | |
| Federal funds sold | 78 | | 3 | | | 14 |
| Trading securities | 217 | (15) | 2 | | 11 | 104 |
| Available-for-sale securities | 196 | | 5 | 16 | 1 | 35 |
| Held-to-maturity securities | 3,167 | | 118 | 245 | 285 | 500 |
| Mortgage loans held for portfolio | 2,079 | | 102 | 37 | 147 | 82 |
| Other | 2 | | | | | |
| Total interest income | 12,397 | (15) | 670 | 1,170 | 866 | 1,453 |
| **INTEREST EXPENSE** | | | | | | |
| Consolidated obligations — Discount notes | 1,549 | | 131 | 142 | 33 | 238 |
| Consolidated obligations — Bonds | 8,033 | (2) | 397 | 592 | 700 | 1,070 |
| Deposits | 15 | | | 1 | 1 | 3 |
| Securities sold under agreements to repurchase | 17 | | | | | |
| Subordinated notes | 28 | | | | | |
| Mandatorily redeemable capital stock | 15 | | | 4 | | 2 |
| Other borrowings | 1 | | | | | |
| Total interest expense | 9,658 | (2) | 528 | 739 | 734 | 1,313 |
| **NET INTEREST INCOME (EXPENSE)** | 2,739 | (13) | 142 | 431 | 132 | 140 |
| Provision for credit losses | 10 | | 1 | 1 | 2 | |
| **NET INTEREST INCOME (EXPENSE) AFTER PROVISION FOR CREDIT LOSSES** | 2,729 | (13) | 141 | 430 | 130 | 140 |
| **OTHER (LOSS) INCOME** | | | | | | |
| Total other-than-temporary impairment losses | (8,196) | | (1,105) | (88) | (785) | (1,102) |
| Portion of impairment losses recognized in other comprehensive income | 7,243 | | 908 | 78 | 715 | 967 |
| Net other-than-temporary impairment losses | (953) | | (197) | (10) | (70) | (135) |
| Net (losses) gains on trading securities | (79) | | 1 | | | (108) |
| Net realized (losses) gains from sale of available-for-sale securities | (24) | | | | | |
| Net realized gains from sale of held-to-maturity securities | 6 | | | | | |
| Net (losses) gains on advances and consolidated bonds held at fair value | (367) | | | 8 | | |
| Net gains (losses) on derivatives and hedging activities | 1,179 | | (2) | 65 | 11 | 417 |
| Service fees | 17 | | 2 | 3 | 1 | 1 |
| Other, net | (3) | 34 | | | 4 | 1 |
| Total other (loss) income | (224) | 34 | (196) | 66 | (54) | 176 |
| **OTHER EXPENSE** | | | | | | |
| Operating | 384 | | 29 | 36 | 28 | 51 |
| Finance Agency | 20 | | 1 | 2 | 1 | 3 |
| Office of Finance | 18 | | 2 | 2 | 1 | 2 |
| Provision for derivative counterparty credit losses | 35 | | | | 35 | |
| Other, net | 7 | (3) | 1 | | | 1 |
| Total other expense | 464 | (3) | 33 | 40 | 65 | 57 |
| **INCOME (LOSS) BEFORE ASSESSMENTS** | 2,041 | 24 | (88) | 456 | 11 | 259 |
| Affordable Housing Program | 177 | | | 37 | 1 | 21 |
| REFCORP | 396 | | | 84 | 2 | 48 |
| Total assessments | 573 | | | 121 | 3 | 69 |
| **NET INCOME (LOSS)** | $ 1,468 | $ 24 | $ (88) | $ 335 | $ 8 | $ 190 |

| Cincinnati | Indianapolis | Chicago | Des Moines | Dallas | Topeka | San Francisco | Seattle |
|---|---|---|---|---|---|---|---|
| $379 | $ 258 | $ 335 | $386 | $435 | $212 | $ 1,817 | $ 285 |
| 5 | 2 | 14 | 3 | 11 | 10 | 20 | 6 |
| 9 | | | | 1 | 7 | | |
| 1 | | 4 | 1 | | | | 5 |
| 6 | 18 | 3 | 13 | 3 | 2 | 13 | 3 |
| | | 22 | 35 | | 57 | 1 | |
| 10 | 13 | 94 | 22 | | | | |
| 291 | 145 | 381 | 92 | 78 | 116 | 804 | 112 |
| 252 | 224 | 688 | 254 | 8 | 79 | 79 | 127 |
| | | | | | 2 | | |
| 953 | 660 | 1,541 | 806 | 536 | 485 | 2,734 | 538 |
| 89 | 74 | 82 | 108 | 167 | 63 | 368 | 54 |
| 639 | 437 | 1,110 | 625 | 376 | 280 | 1,448 | 361 |
| 1 | 1 | 1 | 1 | 1 | 4 | | 1 |
| | | 17 | | | | | |
| | | 28 | | | | | |
| 2 | 7 | | | | | | |
| | | | | | 1 | | |
| 731 | 519 | 1,238 | 734 | 544 | 348 | 1,816 | 416 |
| 222 | 141 | 303 | 72 | (8) | 137 | 918 | 122 |
| | | 5 | | | | 1 | |
| 222 | 141 | 298 | 72 | (8) | 137 | 917 | 122 |
| | (183) | (1,286) | | (52) | (1) | (2,439) | (1,155) |
| | 162 | 1,076 | | 51 | 1 | 2,263 | 1,022 |
| | (21) | (210) | | (1) | | (176) | (133) |
| | | (11) | 54 | | (16) | 1 | |
| | | 19 | (43) | | | | |
| 6 | | | | | | | |
| | | (2) | (12) | | | (361) | |
| 8 | 3 | 50 | 97 | 161 | 122 | 258 | (11) |
| 1 | 1 | | 1 | 2 | 3 | 1 | 1 |
| 3 | 1 | 1 | (49) | 4 | 1 | 2 | (5) |
| 18 | (16) | (153) | 48 | 166 | 110 | (275) | (148) |
| 21 | 20 | 50 | 23 | 32 | 17 | 54 | 23 |
| 1 | 1 | 2 | 1 | 1 | 1 | 5 | 1 |
| 2 | 1 | 1 | 1 | 1 | 1 | 3 | 1 |
| 1 | | 5 | | | 2 | | |
| 25 | 22 | 58 | 25 | 34 | 21 | 62 | 25 |
| 215 | 103 | 87 | 95 | 124 | 226 | 580 | (51) |
| 18 | 9 | 7 | 8 | 10 | 18 | 48 | |
| 39 | 19 | 16 | 17 | 23 | 42 | 106 | |
| 57 | 28 | 23 | 25 | 33 | 60 | 154 | |
| $158 | $ 75 | $ 64 | $ 70 | $ 91 | $166 | $ 426 | $ (51) |

## FEDERAL HOME LOAN BANKS

## COMBINING SCHEDULES — STATEMENTS OF INCOME
## FOR THE SIX MONTHS ENDED JUNE 30, 2008

### (Dollar amounts in millions)
### (Unaudited)

| | Combined | Combining Adjustments | Boston | New York | Pittsburgh | Atlanta |
|---|---|---|---|---|---|---|
| **INTEREST INCOME** | | | | | | |
| Advances | $15,790 | $ | $1,063 | $1,513 | $1,210 | $2,526 |
| Prepayment fees on advances, net | 67 | | 4 | 20 | 2 | 3 |
| Interest-bearing deposits | 50 | | | 14 | 6 | 23 |
| Securities purchased under agreements to resell | 22 | | 11 | | | |
| Federal funds sold | 1,160 | | 23 | 49 | 53 | 140 |
| Trading securities | 207 | (18) | 3 | | | 146 |
| Available-for-sale securities | 142 | (1) | 17 | 32 | 1 | |
| Held-to-maturity securities | 4,447 | (23) | 252 | 419 | 441 | 574 |
| Mortgage loans held for portfolio | 2,286 | | 104 | 39 | 157 | 93 |
| Other | 2 | | | | | |
| Total interest income | 24,173 | (42) | 1,477 | 2,086 | 1,870 | 3,505 |
| **INTEREST EXPENSE** | | | | | | |
| Consolidated obligations - Discount notes | 5,615 | | 675 | 418 | 453 | 450 |
| Consolidated obligations - Bonds | 15,638 | (38) | 608 | 1,324 | 1,214 | 2,526 |
| Deposits | 290 | | 12 | 26 | 25 | 80 |
| Securities sold under agreements to repurchase | 33 | | | | | |
| Subordinated notes | 29 | | | | | |
| Mandatorily redeemable capital stock | 28 | | 1 | 7 | | 1 |
| Other borrowings | 1 | | | | | |
| Total interest expense | 21,634 | (38) | 1,296 | 1,775 | 1,692 | 3,057 |
| **NET INTEREST INCOME** | 2,539 | (4) | 181 | 311 | 178 | 448 |
| Provision for credit losses | 3 | | | | 3 | |
| **NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES** | 2,536 | (4) | 181 | 311 | 175 | 448 |
| **OTHER (LOSS) INCOME** | | | | | | |
| Realized losses on other-than-temporarily impaired securities | (63) | | | | | |
| Net losses on trading securities | (132) | | (1) | | | (82) |
| Net realized gains from sale of available-for-sale securities | 3 | | | | | |
| Net realized gains from sale of held-to-maturity securities | 2 | | | 1 | | |
| Net gains on advances and consolidated bonds held at fair value | 46 | | | | | |
| Net (losses) gains on derivatives and hedging activities | (20) | | (4) | (40) | 3 | (6) |
| Service fees | 17 | | 3 | 2 | 2 | 1 |
| Other, net | (5) | (2) | (3) | | 1 | |
| Total other (loss) income | (152) | (2) | (5) | (37) | 6 | (87) |
| **OTHER EXPENSE** | | | | | | |
| Operating | 359 | | 26 | 33 | 28 | 49 |
| Finance Agency/Finance Board | 20 | | 1 | 2 | 2 | 3 |
| Office of Finance | 16 | | 1 | 1 | 1 | 2 |
| Other, net | 5 | (3) | | | | 1 |
| Total other expense | 400 | (3) | 28 | 36 | 31 | 55 |
| **INCOME (LOSS) BEFORE ASSESSMENTS** | 1,984 | (3) | 148 | 238 | 150 | 306 |
| Affordable Housing Program | 176 | | 12 | 20 | 12 | 25 |
| REFCORP | 393 | | 27 | 44 | 27 | 56 |
| Total assessments | 569 | | 39 | 64 | 39 | 81 |
| **NET INCOME (LOSS)** | $ 1,415 | $ (3) | $ 109 | $ 174 | $ 111 | $ 225 |

| Cincinnati | Indianapolis | Chicago | Des Moines | Dallas | Topeka | San Francisco | Seattle |
|---|---|---|---|---|---|---|---|
| $1,013 | $ 521 | $ 604 | $ 719 | $ 904 | $ 558 | $4,448 | $ 711 |
| 1 | | 12 | 1 | 1 | 1 | | 22 |
| 5 | | | | 2 | | | |
| 11 | | | | | | | |
| 103 | 177 | 107 | 46 | 72 | 53 | 209 | 128 |
| | | 21 | | | 53 | 2 | |
| | 5 | 12 | 70 | 6 | | | |
| 324 | 179 | 302 | 92 | 172 | 277 | 1,199 | 239 |
| 233 | 243 | 843 | 267 | 10 | 61 | 97 | 139 |
| | | | | | 2 | | |
| 1,690 | 1,125 | 1,901 | 1,195 | 1,167 | 1,005 | 5,955 | 1,239 |
| 545 | 299 | 236 | 317 | 293 | 334 | 1,331 | 264 |
| 946 | 671 | 1,538 | 722 | 731 | 520 | 4,031 | 845 |
| 18 | 10 | 14 | 15 | 42 | 17 | 17 | 14 |
| | | 31 | 2 | | | | |
| | | 29 | | | | | |
| 5 | 5 | | 1 | 1 | | 6 | 1 |
| | | | | | 1 | | |
| 1,514 | 985 | 1,848 | 1,057 | 1,067 | 872 | 5,385 | 1,124 |
| 176 | 140 | 53 | 138 | 100 | 133 | 570 | 115 |
| 176 | 140 | 53 | 138 | 100 | 133 | 570 | 115 |
| | | (63) | | | | | |
| | | | | | (49) | | |
| | | | | 3 | | | |
| | | | | | | | 1 |
| | | | | | | 46 | |
| (1) | 2 | (82) | (10) | 15 | 29 | 62 | 12 |
| 1 | 1 | | 1 | 2 | 3 | | 1 |
| 3 | | 4 | 1 | 10 | 1 | 2 | (22) |
| 3 | 3 | (141) | (8) | 30 | (16) | 110 | (8) |
| 19 | 17 | 58 | 20 | 30 | 16 | 41 | 22 |
| 2 | 1 | 1 | 1 | 1 | 1 | 4 | 1 |
| 1 | 1 | 1 | 1 | 1 | 1 | 4 | 1 |
| 1 | | 4 | | | 2 | | |
| 23 | 19 | 64 | 22 | 32 | 20 | 49 | 24 |
| 156 | 124 | (152) | 108 | 98 | 97 | 631 | 83 |
| 13 | 10 | | 9 | 8 | 8 | 52 | 7 |
| 29 | 23 | | 20 | 18 | 18 | 116 | 15 |
| 42 | 33 | | 29 | 26 | 26 | 168 | 22 |
| $ 114 | $ 91 | $ (152) | $ 79 | $ 72 | $ 71 | $ 463 | $ 61 |

## FEDERAL HOME LOAN BANKS

## COMBINING SCHEDULES — STATEMENTS OF CAPITAL FOR THE SIX MONTHS ENDED JUNE 30, 2009 AND 2008

### (Shares in millions)
### (Unaudited)

| | Combined | Combining Adjustments | Boston | New York | Pittsburgh | Atlanta |
|---|---|---|---|---|---|---|
| **CAPITAL STOCK CLASS B PUTABLE SHARES** | | | | | | |
| **BALANCE, DECEMBER 31, 2007** | 468 | | 32 | 44 | 40 | 76 |
| Proceeds from sale of capital stock | 144 | | 3 | 22 | 30 | 25 |
| Repurchase/redemption of capital stock | (109) | | | (16) | (29) | (23) |
| Net shares reclassified to mandatorily redeemable capital stock | (12) | | (1) | (1) | (1) | |
| Transfer between Class B and Class A shares | | | | | | |
| Capital stock dividends | 6 | | | | | |
| **BALANCE, JUNE 30, 2008** | 497 | | 34 | 49 | 40 | 78 |
| **BALANCE, DECEMBER 31, 2008** | 465 | | 36 | 56 | 40 | 85 |
| Proceeds from sale of capital stock | 35 | | | 20 | | 8 |
| Repurchase/redemption of capital stock | (38) | | | (22) | | (9) |
| Net shares reclassified to mandatorily redeemable capital stock | (2) | | | | | (3) |
| Transfer between Class B and Class A shares | 1 | | | | | |
| Capital stock dividends | | | | | | |
| **BALANCE, JUNE 30, 2009** | 461 | | 36 | 54 | 40 | 81 |
| **CAPITAL STOCK CLASS A PUTABLE SHARES** | | | | | | |
| **BALANCE, DECEMBER 31, 2007** | 9 | | | | | |
| Proceeds from sale of capital stock | 4 | | | | | |
| Repurchase/redemption of capital stock | (3) | | | | | |
| Net shares reclassified to mandatorily redeemable capital stock | | | | | | |
| Transfer between Class B and Class A shares | | | | | | |
| Capital stock dividends | | | | | | |
| **BALANCE, JUNE 30, 2008** | 10 | | | | | |
| **BALANCE, DECEMBER 31, 2008** | 7 | | | | | |
| Proceeds from sale of capital stock | | | | | | |
| Repurchase/redemption of capital stock | (1) | | | | | |
| Net shares reclassified to mandatorily redeemable capital stock | (1) | | | | | |
| Transfer between Class B and Class A shares | (1) | | | | | |
| Capital stock dividends | | | | | | |
| **BALANCE, JUNE 30, 2009** | 4 | | | | | |

| Cincinnati | Indianapolis | Chicago | Des Moines | Dallas | Topeka | San Francisco | Seattle |
|---|---|---|---|---|---|---|---|
| 35 | 20 | | 27 | 24 | 15 | 134 | 21 |
| 2 | 2 | | 30 | 10 | 11 | 9 | |
| | | | (27) | (4) | (1) | (9) | |
| | (1) | | | | (8) | | |
| | | | | | | | |
| 1 | | | | 1 | | 4 | |
| 38 | 21 | | 30 | 31 | 17 | 138 | 21 |
| | | | | | | | |
| 40 | 19 | | 28 | 32 | 16 | 96 | 17 |
| | | | 1 | 3 | 2 | 1 | |
| | | | | (7) | | | |
| | | | | | (5) | 6 | |
| | | | | | 1 | | |
| | | | | | | | |
| 40 | 19 | | 29 | 28 | 14 | 103 | 17 |
| | | | | | | | |
| | | | | | 6 | | 3 |
| | | | | | | | 4 |
| | | | | | | | (3) |
| | | | | | | | |
| | | | | | | | |
| | | | | | 6 | | 4 |
| | | | | | | | |
| | | | | | 6 | | 1 |
| | | | | | | | |
| | | | | | (1) | | |
| | | | | | (1) | | |
| | | | | | (1) | | |
| | | | | | | | |
| | | | | | 3 | | 1 |

## FEDERAL HOME LOAN BANKS

## COMBINING SCHEDULES—STATEMENTS OF CAPITAL (continued)
## FOR THE SIX MONTHS ENDED JUNE 30, 2009 AND 2008

### (Shares in millions)
### (Unaudited)

| | Combined | Combining Adjustments | Boston | New York | Pittsburgh | Atlanta |
|---|---|---|---|---|---|---|
| **CAPITAL STOCK PRE-CONVERSION PUTABLE SHARES** | | | | | | |
| **BALANCE, DECEMBER 31, 2007** | 27 | | | | | |
| Proceeds from sale of capital stock | | | | | | |
| Repurchase/redemption of capital stock | | | | | | |
| Net shares reclassified to mandatorily redeemable capital stock | (2) | | | | | |
| Conversion to Class B or Class A shares | | | | | | |
| Capital stock dividends | | | | | | |
| **BALANCE, JUNE 30, 2008** | 25 | | | | | |
| **BALANCE, DECEMBER 31, 2008** | 24 | | | | | |
| Proceeds from sale of capital stock | 1 | | | | | |
| Repurchase/redemption of capital stock | | | | | | |
| Net shares reclassified to mandatorily redeemable capital stock | (1) | | | | | |
| Conversion to Class B or Class A shares | | | | | | |
| Capital stock dividends | | | | | | |
| **BALANCE, JUNE 30, 2009** | 24 | | | | | |
| **TOTAL CAPITAL STOCK PUTABLE SHARES** | | | | | | |
| **BALANCE, DECEMBER 31, 2007** | 504 | | 32 | 44 | 40 | 76 |
| Proceeds from sale of capital stock | 148 | | 3 | 22 | 30 | 25 |
| Repurchase/redemption of capital stock | (112) | | | (16) | (29) | (23) |
| Net shares reclassified to mandatorily redeemable capital stock | (14) | | (1) | (1) | (1) | |
| Capital stock dividends | 6 | | | | | |
| **BALANCE, JUNE 30, 2008** | 532 | | 34 | 49 | 40 | 78 |
| **BALANCE, DECEMBER 31, 2008** | 496 | | 36 | 56 | 40 | 85 |
| Proceeds from sale of capital stock | 36 | | | 20 | | 8 |
| Repurchase/redemption of capital stock | (39) | | | (22) | | (9) |
| Net shares reclassified to mandatorily redeemable capital stock | (4) | | | | | (3) |
| Capital stock dividends | | | | | | |
| **BALANCE, JUNE 30, 2009** | 489 | | 36 | 54 | 40 | 81 |

| Cincinnati | Indianapolis | Chicago | Des Moines | Dallas | Topeka | San Francisco | Seattle |
|---|---|---|---|---|---|---|---|
| | | 27 | | | | | |
| | | (2) | | | | | |
| — | — | — | — | — | — | — | — |
| | | 25 | | | | | |
| | | 24 | | | | | |
| | | 1 | | | | | |
| | | (1) | | | | | |
| — | — | — | — | — | — | — | — |
| | | 24 | | | | | |
| 35 | 20 | 27 | 27 | 24 | 21 | 134 | 24 |
| 2 | 2 | | 30 | 10 | 11 | 9 | 4 |
| | | | (27) | (4) | (1) | (9) | (3) |
| | (1) | (2) | | | (8) | | |
| 1 | | | | 1 | | 4 | |
| 38 | 21 | 25 | 30 | 31 | 23 | 138 | 25 |
| 40 | 19 | 24 | 28 | 32 | 22 | 96 | 18 |
| | | 1 | 1 | 3 | 2 | 1 | |
| | | | | (7) | (1) | | |
| | | (1) | | | (6) | 6 | |
| — | — | — | — | — | — | — | — |
| 40 | 19 | 24 | 29 | 28 | 17 | 103 | 18 |

## FEDERAL HOME LOAN BANKS

## COMBINING SCHEDULES—STATEMENTS OF CAPITAL (continued)
## FOR THE SIX MONTHS ENDED JUNE 30, 2009 AND 2008

### (Dollar amounts in millions)
### (Unaudited)

| | Combined | Combining Adjustments | Boston | New York | Pittsburgh | Atlanta |
|---|---|---|---|---|---|---|
| **CAPITAL STOCK CLASS B PUTABLE PAR VALUE** | | | | | | |
| **BALANCE, DECEMBER 31, 2007** | $ 46,701 | $ | $3,164 | $ 4,368 | $ 3,995 | $ 7,556 |
| Proceeds from sale of capital stock | 14,483 | | 307 | 2,191 | 3,013 | 2,526 |
| Repurchase/redemption of capital stock | (10,816) | | (3) | (1,579) | (2,956) | (2,228) |
| Net shares reclassified to mandatorily redeemable capital stock | (1,106) | | (88) | (65) | (54) | (17) |
| Transfer between Class B and Class A shares | (24) | | | | | |
| Capital stock dividends | 589 | | | | | |
| **BALANCE, JUNE 30, 2008** | $ 49,827 | $ | $3,380 | $ 4,915 | $ 3,998 | $ 7,837 |
| **BALANCE, DECEMBER 31, 2008** | $ 46,413 | $ | $3,585 | $ 5,585 | $ 3,982 | $ 8,463 |
| Proceeds from sale of capital stock | 3,746 | | 30 | 2,040 | 29 | 839 |
| Repurchase/redemption of capital stock | (3,835) | | (2) | (2,255) | | (851) |
| Net shares reclassified to mandatorily redeemable capital stock | (320) | | 2 | | (4) | (332) |
| Transfer between Class B and Class A shares | 132 | | | | | |
| Capital stock dividends | 26 | | | | | |
| **BALANCE, JUNE 30, 2009** | $ 46,162 | $ | $3,615 | $ 5,370 | $ 4,007 | $ 8,119 |
| **CAPITAL STOCK CLASS A PUTABLE PAR VALUE** | | | | | | |
| **BALANCE, DECEMBER 31, 2007** | $ 891 | $ | $ | $ | $ | $ |
| Proceeds from sale of capital stock | 367 | | | | | |
| Repurchase/redemption of capital stock | (334) | | | | | |
| Net shares reclassified to mandatorily redeemable capital stock | (75) | | | | | |
| Transfer between Class B and Class A shares | 24 | | | | | |
| Capital stock dividends | | | | | | |
| **BALANCE, JUNE 30, 2008** | $ 873 | $ | $ | $ | $ | $ |
| **BALANCE, DECEMBER 31, 2008** | $ 752 | $ | $ | $ | $ | $ |
| Proceeds from sale of capital stock | 24 | | | | | |
| Repurchase/redemption of capital stock | (118) | | | | | |
| Net shares reclassified to mandatorily redeemable capital stock | (97) | | | | | |
| Transfer between Class B and Class A shares | (132) | | | | | |
| Capital stock dividends | | | | | | |
| **BALANCE, JUNE 30, 2009** | $ 429 | $ | $ | $ | $ | $ |

| Cincinnati | Indianapolis | Chicago | Des Moines | Dallas | Topeka | San Francisco | Seattle |
|---|---|---|---|---|---|---|---|
| $3,473 | $2,003 | $ | $ 2,717 | $2,394 | $1,487 | $13,403 | $2,141 |
| 282 | 168 | | 2,975 | 1,032 | 1,099 | 882 | 8 |
| | | | (2,673) | (397) | (60) | (920) | |
| (8) | (43) | | (3) | (15) | (811) | (2) | |
| | | | | | (24) | | |
| 97 | | | | 46 | 46 | 400 | |
| $3,844 | $2,128 | $ | $ 3,016 | $3,060 | $1,737 | $13,763 | $2,149 |
| | | | | | | | |
| $3,962 | $1,879 | $ | $ 2,781 | $3,224 | $1,606 | $ 9,616 | $1,730 |
| 62 | 52 | | 143 | 308 | 180 | 55 | 8 |
| | (5) | | | (708) | (14) | | |
| (24) | (18) | | (1) | (2) | (520) | 582 | (3) |
| | | | | | 132 | | |
| | | | | 6 | 20 | | |
| $4,000 | $1,908 | $ | $ 2,923 | $2,828 | $1,404 | $10,253 | $1,735 |
| | | | | | | | |
| | | | | | | | |
| $ | $ | $ | $ | $ | $ 604 | $ | $ 287 |
| | | | | | 3 | | 364 |
| | | | | | | | (334) |
| | | | | | (75) | | |
| | | | | | 24 | | |
| | | | | | | | |
| $ | $ | $ | $ | $ | $ 556 | $ | $ 317 |
| $ | $ | $ | $ | $ | $ 634 | $ | $ 118 |
| | | | | | 4 | | 20 |
| | | | | | (118) | | |
| | | | | | (95) | | (2) |
| | | | | | (132) | | |
| | | | | | | | |
| $ | $ | $ | $ | $ | $ 293 | $ | $ 136 |

## FEDERAL HOME LOAN BANKS

## COMBINING SCHEDULES—STATEMENTS OF CAPITAL (continued)
## FOR THE SIX MONTHS ENDED JUNE 30, 2009 AND 2008

### (Dollar amounts in millions)
### (Unaudited)

| | Combined | Combining Adjustments | Boston | New York | Pittsburgh | Atlanta |
|---|---|---|---|---|---|---|
| **CAPITAL STOCK PRE-CONVERSION PUTABLE PAR VALUE** | | | | | | |
| **BALANCE, DECEMBER 31, 2007** | $ 2,661 | $ | $ | $ | $ | $ |
| Proceeds from sale of capital stock | 52 | | | | | |
| Repurchase/redemption of capital stock | | | | | | |
| Net shares reclassified to mandatorily redeemable capital stock | (165) | | | | | |
| Conversion to Class B or Class A shares | | | | | | |
| Capital stock dividends | | | | | | |
| **BALANCE, JUNE 30, 2008** | $ 2,548 | $ | $ | $ | $ | $ |
| **BALANCE, DECEMBER 31, 2008** | $ 2,386 | $ | $ | $ | $ | $ |
| Proceeds from sale of capital stock | 100 | | | | | |
| Repurchase/redemption of capital stock | | | | | | |
| Net shares reclassified to mandatorily redeemable capital stock | (111) | | | | | |
| Conversion to Class B or Class A shares | | | | | | |
| Capital stock dividends | | | | | | |
| **BALANCE, JUNE 30, 2009** | $ 2,375 | $ | $ | $ | $ | $ |
| **TOTAL CAPITAL STOCK PUTABLE PAR VALUE** | | | | | | |
| **BALANCE, DECEMBER 31, 2007** | $ 50,253 | $ | $3,164 | $ 4,368 | $ 3,995 | $ 7,556 |
| Proceeds from sale of capital stock | 14,902 | | 307 | 2,191 | 3,013 | 2,526 |
| Repurchase/redemption of capital stock | (11,150) | | (3) | (1,579) | (2,956) | (2,228) |
| Net shares reclassified to mandatorily redeemable capital stock | (1,346) | | (88) | (65) | (54) | (17) |
| Capital stock dividends | 589 | | | | | |
| **BALANCE, JUNE 30, 2008** | $ 53,248 | $ | $3,380 | $ 4,915 | $ 3,998 | $ 7,837 |
| **BALANCE, DECEMBER 31, 2008** | $ 49,551 | $ | $3,585 | $ 5,585 | $ 3,982 | $ 8,463 |
| Proceeds from sale of capital stock | 3,870 | | 30 | 2,040 | 29 | 839 |
| Repurchase/redemption of capital stock | (3,953) | | (2) | (2,255) | | (851) |
| Net shares reclassified to mandatorily redeemable capital stock | (528) | | 2 | | (4) | (332) |
| Capital stock dividends | 26 | | | | | |
| **BALANCE, JUNE 30, 2009** | $ 48,966 | $ | $3,615 | $ 5,370 | $ 4,007 | $ 8,119 |

| Cincinnati | Indianapolis | Chicago | Des Moines | Dallas | Topeka | San Francisco | Seattle |
|---|---|---|---|---|---|---|---|
| $ | $ | $2,661 | $ | $ | $ | $ | $ |
| | | 52 | | | | | |
| | | (165) | | | | | |
| $ | $ | $2,548 | $ | $ | $ | $ | $ |
| $ | $ | $2,386 | $ | $ | $ | $ | $ |
| | | 100 | | | | | |
| | | (111) | | | | | |
| $ | $ | $2,375 | $ | $ | $ | $ | $ |
| $3,473 | $2,003 | $2,661 | $ 2,717 | $2,394 | $2,091 | $13,403 | $2,428 |
| 282 | 168 | 52 | 2,975 | 1,032 | 1,102 | 882 | 372 |
| | | | (2,673) | (397) | (60) | (920) | (334) |
| (8) | (43) | (165) | (3) | (15) | (886) | (2) | |
| 97 | | | | 46 | 46 | 400 | |
| $3,844 | $2,128 | $2,548 | $ 3,016 | $3,060 | $2,293 | $13,763 | $2,466 |
| $3,962 | $1,879 | $2,386 | $ 2,781 | $3,224 | $2,240 | $ 9,616 | $1,848 |
| 62 | 52 | 100 | 143 | 308 | 184 | 55 | 28 |
| | (5) | | | (708) | (132) | | |
| (24) | (18) | (111) | (1) | (2) | (615) | 582 | (5) |
| | | | | 6 | 20 | | |
| $4,000 | $1,908 | $2,375 | $ 2,923 | $2,828 | $1,697 | $10,253 | $1,871 |

## FEDERAL HOME LOAN BANKS

## COMBINING SCHEDULES—STATEMENTS OF CAPITAL (continued)
## FOR THE SIX MONTHS ENDED JUNE 30, 2009 AND 2008

### (Dollar amounts in millions)
### (Unaudited)

| | Combined | Combining Adjustments | Boston | New York | Pittsburgh | Atlanta |
|---|---|---|---|---|---|---|
| **RETAINED EARNINGS** | | | | | | |
| **BALANCE, DECEMBER 31, 2007** | $ 3,689 | $(26) | $ 226 | $ 418 | $ 296 | $ 469 |
| Adjustment to opening balances relating to SFAS 158 and SFAS 159 | 16 | | | | | |
| Net income (loss) | 1,415 | (3) | 109 | 174 | 111 | 225 |
| Dividends on capital stock: | | | | | | |
| Cash | (693) | | (82) | (174) | (87) | (228) |
| Stock | (589) | | | | | |
| **BALANCE, JUNE 30, 2008** | $ 3,838 | $(29) | $ 253 | $ 418 | $ 320 | $ 466 |
| **BALANCE, DECEMBER 31, 2008** | $ 2,936 | $(33) | $ (20) | $ 383 | $ 170 | $ 435 |
| Retained earnings cumulative effect of adjustment relating to FSP FAS 115-2 and FAS 124-2 | 1,883 | | 349 | | 256 | 179 |
| Net income (loss) | 1,468 | 24 | (88) | 335 | 8 | 190 |
| Dividends on capital stock: | | | | | | |
| Cash | (252) | | | (118) | | |
| Stock | (26) | | | | | |
| **BALANCE, JUNE 30, 2009** | $ 6,009 | $ (9) | $ 241 | $ 600 | $ 434 | $ 804 |
| **ACCUMULATED OTHER COMPREHENSIVE INCOME** | | | | | | |
| **BALANCE, DECEMBER 31, 2007** | $ (345) | $ (4) | $ (2) | $ (35) | $ (6) | $ (3) |
| Net unrealized (losses) gains on available-for-sale securities | (170) | | (25) | (29) | (10) | |
| Reclassification adjustment for gains included in net income relating to available-for-sale securities | (3) | | | | | |
| Net unrealized gains (losses) on held-to-maturity securities transferred from available-for-sale securities | | | | | | |
| Reclassification adjustment for losses included in net income relating to held-to-maturity securities transferred from available-for-sale securities | 39 | | | | | |
| Net unrealized gains (losses) relating to hedging activities | 3 | | | (4) | | |
| Reclassification adjustment for losses (gains) included in net income relating to hedging activities | 21 | | (1) | | 2 | |
| Pension and postretirement benefits | 1 | | | | | |
| **BALANCE, JUNE 30, 2008** | $ (454) | $ (4) | $ (28) | $ (68) | $ (14) | $ (3) |
| **BALANCE, DECEMBER 31, 2008** | $(1,137) | $ (3) | $ (135) | $(101) | $ (17) | $ (5) |
| Accumulated other comprehensive income cumulative effect of adjustment relating to FSP FAS 115-2 and FAS 124-2 | (1,883) | | (349) | | (256) | (179) |
| Net unrealized gains on available-for-sale securities | 281 | | 4 | 54 | | |
| Reclassification adjustment for losses (gains) included in net income relating to available-for-sale securities | 7 | | | | | |
| Net unrealized gains (losses) on held-to-maturity securities transferred from available-for-sale securities | | | | | | |
| Reclassification adjustment for losses included in net income relating to held-to-maturity securities transferred from available-for-sale securities | 39 | | | | | |
| Noncredit portion of other-than-temporary impairment losses on available-for-sale securities | (1,124) | | | | 1 | (1,096) |
| Reclassification adjustment of noncredit portion of impairment losses included in net income relating to available-for-sale securities | 51 | | | | | 37 |
| Net unrealized gains on noncredit portion of impairment losses on available-for-sale securities | | | | | | |
| Noncredit portion of other-than-temporary impairment losses on held-to-maturity securities | (7,396) | | (960) | (77) | (731) | (767) |
| Reclassification adjustment of noncredit portion of impairment losses included in net income relating to held-to-maturity securities | 382 | | 52 | | 16 | |
| Accretion of noncredit portion of impairment losses on held-to-maturity securities | 453 | | 128 | | 27 | |
| Reclassification of noncredit portion of other-than-temporary impairment losses from held-to-maturity securities to available-for-sale securities | 967 | | | | 22 | 945 |
| Net unrealized gains relating to hedging activities | 239 | | | | | |
| Reclassification adjustment for losses included in net income relating to hedging activities | 20 | | | 4 | 1 | |
| Pension and postretirement benefits | 3 | | 3 | | | |
| **BALANCE, JUNE 30, 2009** | $(9,098) | $ (3) | $(1,257) | $(120) | $(937) | $(1,065) |

| Cincinnati | Indianapolis | Chicago | Des Moines | Dallas | Topeka | San Francisco | Seattle |
|---|---|---|---|---|---|---|---|
| $287 | $ 202 | $ 659 | $ 361 | $212 | $209 | $ 227 | $ 149 |
| | | | | | | 16 | |
| 114 | 91 | (152) | 79 | 72 | 71 | 463 | 61 |
| | (50) | | (52) | | | | (20) |
| (97) | | | | (46) | (46) | (400) | |
| $304 | $ 243 | $ 507 | $ 388 | $238 | $234 | $ 306 | $ 190 |
| $326 | $ 283 | $ 540 | $ 382 | $216 | $157 | $ 176 | $ (79) |
| | | 233 | | | 3 | 570 | 293 |
| 158 | 75 | 64 | 70 | 91 | 166 | 426 | (51) |
| (89) | (30) | | (15) | | | | |
| | | | | (6) | (20) | | |
| $395 | $ 328 | $ 837 | $ 437 | $301 | $306 | $ 1,172 | $ 163 |
| $ (5) | $ (6) | $ (251) | $ (26) | $ (1) | $ (2) | $ (3) | $ (1) |
| | (1) | (76) | (32) | 3 | | | |
| | | | | (3) | | | |
| | | 39 | | | | | |
| | | 7 | | | | | |
| | | 19 | | | | 1 | |
| | 2 | | | | | (1) | |
| $ (5) | $ (5) | $ (262) | $ (58) | $ (1) | $ (2) | $ (3) | $ (1) |
| $ (6) | $ (71) | $ (639) | $(146) | $ (2) | $ (2) | $ (7) | $ (3) |
| | | (233) | | | (3) | (570) | (293) |
| | 60 | 64 | 97 | 2 | | | |
| | | (19) | 26 | | | | |
| | | 39 | | | | | |
| | | (29) | | | | | |
| | | 14 | | | | | |
| | (162) | (1,177) | | (51) | (1) | (2,390) | (1,080) |
| | | 129 | | | | 127 | 58 |
| | 8 | 83 | | 2 | 1 | 123 | 81 |
| | | 239 | | | | | |
| | | 15 | | | | | |
| | | | 1 | | | | (1) |
| $ (6) | $(165) | $(1,514) | $ (22) | $ (49) | $ (5) | $(2,717) | $(1,238) |

# FEDERAL HOME LOAN BANKS

## COMBINING SCHEDULES—STATEMENTS OF CAPITAL (continued)
## FOR THE SIX MONTHS ENDED JUNE 30, 2009 AND 2008

### (Dollar amounts in millions)
### (Unaudited)

| | Combined | Combining Adjustments | Boston | New York | Pittsburgh | Atlanta |
|---|---|---|---|---|---|---|
| **TOTAL CAPITAL** | | | | | | |
| **BALANCE, DECEMBER 31, 2007** | $ 53,597 | $(30) | $3,388 | $ 4,751 | $ 4,285 | $ 8,022 |
| Adjustment to opening balances related to SFAS 158 and SFAS 159 | 16 | | | | | |
| Proceeds from sale of capital stock | 14,902 | | 307 | 2,191 | 3,013 | 2,526 |
| Repurchase/redemption of capital stock | (11,150) | | (3) | (1,579) | (2,956) | (2,228) |
| Net shares reclassified to mandatorily redeemable capital stock | (1,346) | | (88) | (65) | (54) | (17) |
| Comprehensive income: | | | | | | |
| Net income (loss) | 1,415 | (3) | 109 | 174 | 111 | 225 |
| Other comprehensive income: | | | | | | |
| Net unrealized (losses) gains on available-for-sale securities | (170) | | (25) | (29) | (10) | |
| Reclassification adjustment for gains included in net income relating to available-for-sale securities | (3) | | | | | |
| Net unrealized gains (losses) on held-to-maturity securities transferred from available-for-sale securities | | | | | | |
| Reclassification adjustment for losses included in net income relating to held-to-maturity securities transferred from available-for-sale securities | 39 | | | | | |
| Net unrealized gains (losses) relating to hedging activities | 3 | | | (4) | | |
| Reclassification adjustment for losses (gains) included in net income relating to hedging activities | 21 | | (1) | | 2 | |
| Pension and postretirement benefits | 1 | | | | | |
| Total comprehensive income | 1,306 | (3) | 83 | 141 | 103 | 225 |
| Dividends on capital stock: | | | | | | |
| Cash | (693) | | (82) | (174) | (87) | (228) |
| **BALANCE, JUNE 30, 2008** | $ 56,632 | $(33) | $3,605 | $ 5,265 | $ 4,304 | $ 8,300 |
| **BALANCE, DECEMBER 31, 2008** | $ 51,350 | $(36) | $3,430 | $ 5,867 | $ 4,135 | $ 8,893 |
| Retained earnings cumulative effect of adjustment relating to FSP FAS 115-2 and FAS 124-2 | 1,883 | | 349 | | 256 | 179 |
| Accumulated other comprehensive income cumulative effect of adjustment relating to FSP FAS 115-2 and FAS 124-2 | (1,883) | | (349) | | (256) | (179) |
| Proceeds from sale of capital stock | 3,870 | | 30 | 2,040 | 29 | 839 |
| Repurchase/redemption of capital stock | (3,953) | | (2) | (2,255) | | (851) |
| Net shares reclassified to mandatorily redeemable capital stock | (528) | | 2 | | (4) | (332) |
| Comprehensive income: | | | | | | |
| Net income (loss) | 1,468 | 24 | (88) | 335 | 8 | 190 |
| Other comprehensive income (loss): | | | | | | |
| Net unrealized gains on available-for-sale securities | 281 | | 4 | 54 | | |
| Reclassification adjustment for losses (gains) included in net income relating to available-for-sale securities | 7 | | | | | |
| Net unrealized gains (losses) on held-to-maturity securities transferred from available-for-sale securities | | | | | | |
| Reclassification adjustment for losses included in net income relating to held-to-maturity securities transferred from available-for-sale securities | 39 | | | | | |
| Noncredit portion of other-than-temporary impairment losses on available-for-sale securities | (1,124) | | | | 1 | (1,096) |
| Reclassification adjustment of noncredit portion of impairment losses included in net income relating to available-for-sale securities | 51 | | | | | 37 |
| Net unrealized gains on noncredit portion of impairment losses on available-for-sale securities | | | | | | |
| Noncredit portion of other-than-temporary impairment losses on held-to-maturity securities | (7,396) | | (960) | (77) | (731) | (767) |
| Reclassification adjustment of noncredit portion of impairment losses included in net income relating to held-to-maturity securities | 382 | | 52 | | 16 | |
| Accretion of noncredit portion of impairment losses on held-to-maturity securities | 453 | | 128 | | 27 | |
| Reclassification of noncredit portion of other-than-temporary impairment losses from held-to-maturity securities to available-for-sale securities | 967 | | | | 22 | 945 |
| Net unrealized gains relating to hedging activities | 239 | | | | | |
| Reclassification adjustment for losses included in net income relating to hedging activities | 20 | | | 4 | 1 | |
| Pension and postretirement benefits | 3 | | 3 | | | |
| Total comprehensive income | (4,610) | 24 | (861) | 316 | (656) | (691) |
| Dividends on capital stock: | | | | | | |
| Cash | (252) | | | (118) | | |
| **BALANCE, JUNE 30, 2009** | $ 45,877 | $(12) | $2,599 | $ 5,850 | $ 3,504 | $ 7,858 |

| Cincinnati | Indianapolis | Chicago | Des Moines | Dallas | Topeka | San Francisco | Seattle |
|---|---|---|---|---|---|---|---|
| $3,755 | $2,199 | $ 3,069 | $ 3,052 | $2,605 | $2,298 | $13,627 | $ 2,576 |
| | | | | | | 16 | |
| 282 | 168 | 52 | 2,975 | 1,032 | 1,102 | 882 | 372 |
| | | | (2,673) | (397) | (60) | (920) | (334) |
| (8) | (43) | (165) | (3) | (15) | (886) | (2) | |
| 114 | 91 | (152) | 79 | 72 | 71 | 463 | 61 |
| | (1) | (76) | (32) | 3 | | | |
| | | | | (3) | | | |
| | | 39 | | | | | |
| | | 7 | | | | | |
| | | 19 | | | | 1 | |
| | 2 | | | | | (1) | |
| 114 | 92 | (163) | 47 | 72 | 71 | 463 | 61 |
| | (50) | | (52) | | | | (20) |
| $4,143 | $2,366 | $ 2,793 | $ 3,346 | $3,297 | $2,525 | $14,066 | $ 2,655 |
| $4,282 | $2,091 | $ 2,287 | $ 3,017 | $3,438 | $2,395 | $ 9,785 | $ 1,766 |
| | | 233 | | | 3 | 570 | 293 |
| | | (233) | | | (3) | (570) | (293) |
| 62 | 52 | 100 | 143 | 308 | 184 | 55 | 28 |
| | (5) | | | (708) | (132) | | |
| (24) | (18) | (111) | (1) | (2) | (615) | 582 | (5) |
| 158 | 75 | 64 | 70 | 91 | 166 | 426 | (51) |
| | 60 | 64 | 97 | 2 | | | |
| | | (19) | 26 | | | | |
| | | 39 | | | | | |
| | | (29) | | | | | |
| | | 14 | | | | | |
| | (162) | (1,177) | | (51) | (1) | (2,390) | (1,080) |
| | | 129 | | | | 127 | 58 |
| | 8 | 83 | | 2 | 1 | 123 | 81 |
| | | 239 | | | | | |
| | | 15 | | | | | |
| | | | 1 | | | | (1) |
| 158 | (19) | (578) | 194 | 44 | 166 | (1,714) | (993) |
| (89) | (30) | | (15) | | | | |
| $4,389 | $2,071 | $ 1,698 | $ 3,338 | $3,080 | $1,998 | $ 8,708 | $ 796 |

## FEDERAL HOME LOAN BANKS

## COMBINING SCHEDULES — STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS ENDED JUNE 30, 2009

### (Dollar amounts in millions) (Unaudited)

| | Combined | Combining Adjustments | Boston | New York | Pittsburgh | Atlanta |
|---|---|---|---|---|---|---|
| **OPERATING ACTIVITIES:** | | | | | | |
| Net income (loss) | $ 1,468 | $ 24 | $ (88) | $ 335 | $ 8 | $ 190 |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | | | | | |
| Depreciation and amortization | (887) | 13 | (234) | (81) | (123) | (119) |
| Change in net derivative and hedging activities | 404 | | 146 | 23 | 269 | 266 |
| Other adjustments | 989 | (37) | 198 | 11 | 71 | 135 |
| Net change in fair value adjustments on trading securities | 106 | | (1) | | | 134 |
| Change in fair value adjustments on advances and consolidated bonds held at fair value | 367 | | | (8) | | |
| Net change in: | | | | | | |
| Trading securities | (428) | | | | (428) | |
| Accrued interest receivable | 1,266 | (2) | 119 | 125 | 96 | 174 |
| Other assets | (37) | | 7 | 3 | 39 | (5) |
| Accrued interest payable | (2,226) | 2 | (86) | (153) | (194) | (340) |
| Other liabilities | 251 | | (14) | 55 | (10) | 26 |
| Total adjustments | (195) | (24) | 135 | (25) | (280) | 271 |
| Net cash provided by (used in) operating activities | 1,273 | | 47 | 310 | (272) | 461 |
| **INVESTING ACTIVITIES:** | | | | | | |
| Net change in: | | | | | | |
| Interest-bearing deposits | 8,800 | | (15,608) | (74) | (2,747) | 2,154 |
| Securities purchased under agreements to resell | (3,490) | | 500 | | | |
| Federal funds sold | (17,432) | | 1,140 | | 750 | 2,567 |
| Deposits to other FHLBanks | | 2 | | | (1) | |
| Premises, software and equipment | (31) | | | (3) | (2) | (5) |
| Trading securities: | | | | | | |
| Proceeds | 6,885 | (147) | 5 | | | 528 |
| Purchases | (15,813) | | | | | |
| Available-for-sale securities: | | | | | | |
| Proceeds | 14,396 | | 372 | 413 | 504 | 67 |
| Purchases | (25,502) | | (888) | | (500) | |
| Held-to-maturity securities: | | | | | | |
| Net decrease (increase) in short-term | 3,242 | | 215 | 1,203 | (1,700) | |
| Proceeds from long-term | 20,777 | | 946 | 1,532 | 2,179 | 2,534 |
| Purchases of long-term | (10,334) | | (177) | (1,957) | (475) | (476) |
| Advances: | | | | | | |
| Proceeds | 2,123,100 | | 212,418 | 244,562 | 91,396 | 67,116 |
| Made | (1,943,142) | | (197,683) | (237,879) | (75,963) | (39,322) |
| Mortgage loans held for portfolio: | | | | | | |
| Principal collected | 12,885 | | 542 | 146 | 841 | 419 |
| Purchases | (5,681) | | (239) | (72) | (293) | |
| Mortgage loans held for sale: | | | | | | |
| Proceeds | 2,124 | | | | | |
| Principal collected | 128 | | | | | |
| Proceeds from sales of foreclosed assets | 29 | | 3 | | | |
| Principal collected on other loans | 1 | | | | | |
| Net cash provided by (used in) investing activities | 170,942 | (145) | 1,546 | 7,871 | 13,989 | 35,582 |

| Cincinnati | Indianapolis | Chicago | Des Moines | Dallas | Topeka | San Francisco | Seattle |
|---|---|---|---|---|---|---|---|
| $ 158 | $ 75 | $ 64 | $ 70 | $ 91 | $ 166 | $ 426 | $ (51) |
| | | | | | | | |
| (39) | (68) | 188 | (17) | (22) | (54) | (238) | (93) |
| 105 | 130 | 35 | (68) | 108 | (100) | (518) | 8 |
| (6) | 21 | 186 | 94 | | | 177 | 139 |
| | | 11 | (53) | | 16 | (1) | |
| | | | | | | | |
| | | 2 | 12 | | | 361 | |
| | | | | | | | |
| | | | | | | | |
| 84 | 25 | 28 | 6 | 63 | 30 | 416 | 102 |
| 1 | (5) | (113) | 6 | 18 | 1 | 11 | |
| (92) | (74) | (214) | (81) | (332) | (81) | (456) | (125) |
| 13 | (3) | 19 | 14 | 6 | 37 | 116 | (8) |
| 66 | 26 | 142 | (87) | (159) | (151) | (132) | 23 |
| 224 | 101 | 206 | (17) | (68) | 15 | 294 | (28) |
| | | | | | | | |
| | | | | | | | |
| 20,149 | 156 | | 197 | 1,527 | 3,022 | | 24 |
| | | (3,890) | | | | | (100) |
| (6,380) | (290) | (3,320) | (1,189) | (1,464) | (1,301) | (7,227) | (718) |
| | | | (1) | | | | |
| (2) | (1) | (4) | (1) | (6) | (1) | (3) | (3) |
| | | | | | | | |
| | | 303 | 501 | | 5,692 | 3 | |
| (2,248) | | (1,101) | (3,667) | | (8,797) | | |
| | | | | | | | |
| 11,097 | | 636 | 1,181 | 126 | | | |
| (13,265) | | (8,261) | (2,588) | | | | |
| | | | | | | | |
| 1 | (298) | 300 | (10) | | 1,496 | 2,799 | (764) |
| 2,179 | 1,385 | 1,720 | 714 | 1,399 | 1,163 | 3,827 | 1,199 |
| (843) | (2,503) | (12) | (795) | (2,316) | | | (780) |
| | | | | | | | |
| 241,937 | 17,525 | 170,565 | 29,312 | 255,601 | 155,101 | 596,074 | 41,493 |
| (233,230) | (12,686) | (159,811) | (25,045) | (248,402) | (144,141) | (535,969) | (33,011) |
| | | | | | | | |
| 1,724 | 1,278 | 5,023 | 1,450 | 37 | 563 | 345 | 517 |
| (2,775) | (380) | (15) | (1,149) | | (758) | | |
| | | | | | | | |
| | | | 2,124 | | | | |
| | | | 128 | | | | |
| | | 26 | | | | | |
| | | | | | 1 | | |
| 18,344 | 4,186 | 2,159 | 1,162 | 6,502 | 12,040 | 59,849 | 7,857 |

## FEDERAL HOME LOAN BANKS

## COMBINING SCHEDULES — STATEMENTS OF CASH FLOWS (continued)
## FOR THE SIX MONTHS ENDED JUNE 30, 2009

### (Dollar amounts in millions)
### (Unaudited)

| | Combined | Combining Adjustments | Boston | New York | Pittsburgh | Atlanta |
|---|---|---|---|---|---|---|
| **FINANCING ACTIVITIES:** | | | | | | |
| Net change in: | | | | | | |
| Deposits and pass-through reserves | $ 2,188 | $ | $ $314 | $ 874 | $ 644 | $ 600 |
| Deposits from other FHLBanks | | 1 | | | | |
| Borrowings | (198) | | | (193) | | |
| Net (payments) proceeds on derivative contracts with financing element | (771) | | (12) | | (101) | (474) |
| Net proceeds from issuance of consolidated obligations: | | | | | | |
| Discount notes | 3,872,915 | (25) | 691,152 | 736,175 | 88,991 | 83,371 |
| Bonds | 248,033 | | 14,070 | 23,163 | 15,559 | 48,912 |
| Bonds transferred from other FHLBanks | | (518) | | | | 518 |
| Payments for maturing and retiring consolidated obligations: | | | | | | |
| Discount notes | (3,969,607) | 25 | (691,653) | (735,161) | (96,284) | (99,743) |
| Bonds | (343,187) | 146 | (15,492) | (32,670) | (22,553) | (68,961) |
| Bonds transferred to other FHLBanks | | 519 | | | | |
| Proceeds from issuance of capital stock | 3,870 | | 30 | 2,040 | 29 | 839 |
| Payments for redemption of mandatorily redeemable capital stock | (1,036) | | | (15) | | (270) |
| Payments for repurchase/redemption of capital stock | (3,953) | | (2) | (2,255) | | (851) |
| Cash dividends paid | (252) | | | (118) | | |
| Net cash (used in) provided by financing activities | (191,998) | 148 | (1,593) | (8,160) | (13,715) | (36,059) |
| Net (decrease) increase in cash and cash equivalents | (19,783) | 3 | | 21 | 2 | (16) |
| Cash and cash equivalents at beginning of the period | 20,820 | (3) | 6 | 19 | 68 | 28 |
| Cash and cash equivalents at end of the period | $ 1,037 | $ | $ 6 | $ 40 | $ 70 | $ 12 |
| **Supplemental Disclosures:** | | | | | | |
| Interest paid | $ 12,675 | $ | $ 758 | $ 972 | $ 1,001 | $ 1,407 |
| AHP payments, net | $ 129 | $ | $ 4 | $ 20 | $ 12 | $ 23 |
| REFCORP assessments paid | $ 107 | $ | $ | $ 43 | $ | $ 3 |
| Transfers of mortgage loans to real estate owned | $ 68 | $ | $ 3 | $ | $ 8 | $ 2 |
| Mortgage loans held for portfolio transferred to mortgage loans held for sale | $ 2,414 | $ | $ | $ | $ | $ |
| Mortgage loans held for sale transferred to mortgage loans held for portfolio | $ 163 | $ | $ | $ | $ | $ |

| Cincinnati | Indianapolis | Chicago | Des Moines | Dallas | Topeka | San Francisco | Seattle |
|---|---|---|---|---|---|---|---|
| $ 540 | $ 378 | $ 429 | $ (207) | $ (347) | $ (409) | $ (830) | $ 202 |
| | | (1) | | | | | |
| | | | | | (5) | | |
| (72) | (62) | (44) | (4) | 5 | (39) | 32 | |
| 343,231 | 136,630 | 453,166 | 443,127 | 170,832 | 185,433 | 89,224 | 451,608 |
| 21,998 | 18,677 | 3,708 | 13,561 | 29,058 | 10,153 | 34,210 | 14,964 |
| 364,047) | (145,471) | (442,334) | (443,187) | (172,611) | (196,017) | (131,794) | (451,330) |
| (20,167) | (15,321) | (17,302) | (14,152) | (32,956) | (10,598) | (69,861) | (23,300) |
| | | (112) | (407) | | | | |
| 62 | 52 | 100 | 143 | 308 | 184 | 55 | 28 |
| (24) | (1) | (86) | | (14) | (625) | | (1) |
| | (5) | | | (708) | (132) | | |
| (89) | (30) | | (15) | | | | |
| (18,568) | (5,153) | (2,476) | (1,141) | (6,433) | (12,055) | (78,964) | (7,829) |
| | (866) | (111) | 4 | 1 | | (18,821) | |
| 3 | 871 | 130 | 44 | 21 | | 19,632 | 1 |
| $ 3 | $ 5 | $ 19 | $ 48 | $ 22 | $ | $ 811 | $ 1 |
| $ 852 | $ 579 | $ 1,386 | $ 1,155 | $ 749 | $ 460 | $ 2,816 | $ 540 |
| $ 11 | $ 4 | $ 7 | $ 8 | $ 7 | $ 5 | $ 25 | $ 3 |
| $ 35 | $ 26 | $ | $ | $ | $ | $ | $ |
| $ | $ | $ 45 | $ 7 | $ | $ 1 | $ 1 | $ 1 |
| $ | $ | $ | $ 2,414 | $ | $ | $ | $ |
| $ | $ | $ | $ 163 | $ | $ | $ | $ |

## FEDERAL HOME LOAN BANKS

## COMBINING SCHEDULES—STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS ENDED JUNE 30, 2008

### (Dollar amounts in millions) (Unaudited)

| | Combined | Combining Adjustments | Boston | New York | Pittsburgh | Atlanta |
|---|---|---|---|---|---|---|
| **OPERATING ACTIVITIES** | | | | | | |
| Net income (loss) | $ 1,415 | $ (3) | $ 109 | $ 174 | $ 111 | $ 225 |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | | | | | |
| Depreciation and amortization | (577) | 4 | (118) | (118) | (126) | 162 |
| Change in net derivative and hedging activities | (38) | | 25 | 114 | 161 | 9 |
| Other adjustments | 89 | (1) | 3 | (1) | 4 | |
| Net change in fair value adjustments on trading securities | 177 | | 1 | | | 126 |
| Change in fair value adjustments on advances and consolidated bonds held at fair value | (46) | | | | | |
| Net change in: | | | | | | |
| Trading securities | | | | | 1 | |
| Accrued interest receivable | 1,179 | (30) | 152 | 126 | 41 | 63 |
| Other assets | (83) | | (12) | 3 | (1) | (18) |
| Accrued interest payable | (1,165) | 30 | 3 | (144) | (60) | (254) |
| Other liabilities | 73 | | | 4 | (6) | (3) |
| Total adjustments | (391) | 3 | 54 | (16) | 14 | 85 |
| Net cash provided by (used in) operating activities | 1,024 | | 163 | 158 | 125 | 310 |
| **INVESTING ACTIVITIES** | | | | | | |
| Net change in: | | | | | | |
| Interest-bearing deposits | 73 | | | (154) | (239) | 535 |
| Securities purchased under agreements to resell | 500 | | 500 | | | |
| Federal funds sold | (3,535) | | 728 | 468 | (1,165) | 3,432 |
| Deposits to other FHLBanks | | (2) | | | 2 | |
| Loans to FHLBanks | | (955) | | 55 | 500 | |
| Premises, software and equipment | (21) | | | (3) | (2) | (1) |
| Trading securities: | | | | | | |
| Proceeds | 1,293 | (11) | 25 | | | 1,200 |
| Purchases | (3,601) | 113 | | | | (2,768) |
| Available-for-sale securities: | | | | | | |
| Proceeds | 3,268 | | | 154 | 4 | |
| Purchases | (8,160) | | (30) | (3,244) | | |
| Held-to-maturity securities: | | | | | | |
| Net (increase) decrease in short-term | (5,953) | | 1,880 | 2,175 | (791) | (800) |
| Proceeds from long-term | 13,876 | (2,525) | 1,220 | 1,388 | 1,466 | 1,772 |
| Purchases of long-term | (35,305) | | (3,307) | (1,344) | (330) | (5,239) |
| Advances: | | | | | | |
| Proceeds | 4,500,762 | | 493,136 | 202,966 | 802,661 | 94,436 |
| Made | (4,539,969) | | (500,552) | (211,746) | (800,239) | (96,789) |
| Mortgage loans held for portfolio: | | | | | | |
| Principal collected | 7,053 | | 313 | 95 | 443 | 257 |
| Purchases | (4,639) | | (278) | (61) | (259) | (157) |
| Proceeds from sales of foreclosed assets | 20 | | 2 | | | |
| Principal collected on other loans | 1 | | | | | |
| Net cash (used in) provided by investing activities | (74,337) | (3,380) | (6,363) | (9,251) | 2,051 | (4,122) |

| Cincinnati | Indianapolis | Chicago | Des Moines | Dallas | Topeka | San Francisco | Seattle |
|---|---|---|---|---|---|---|---|
| $ 114 | $ 91 | $ (152) | $ 79 | $ 72 | $ 71 | $ 463 | $ 61 |
| | | | | | | | |
| (16) | (53) | (45) | (5) | (22) | (38) | (170) | (32) |
| 33 | 4 | 24 | 70 | (40) | (38) | (559) | 159 |
| 3 | | 63 | (1) | (9) | | 6 | 22 |
| | | | | | | | |
| | | 1 | | | 49 | | |
| | | | | | | | |
| | | | | | | (46) | |
| | | | | | | | |
| | | | | (1) | | | |
| 64 | 27 | 16 | 37 | 36 | 35 | 518 | 94 |
| 2 | (1) | (16) | (2) | 4 | 1 | (52) | 9 |
| (45) | 25 | 36 | (38) | 38 | (67) | (536) | (153) |
| | 3 | (28) | 5 | 3 | 36 | 55 | 4 |
| 41 | 5 | 51 | 66 | 9 | (22) | (784) | 103 |
| | | | | | | | |
| 155 | 96 | (101) | 145 | 81 | 49 | (321) | 164 |
| | | | | | | | |
| | | | | | | | |
| (53) | | | | (14) | (2) | | |
| | | | | | | | |
| (358) | (635) | 3,021 | (3,014) | 1,893 | 3,010 | (4,372) | (6,543) |
| | | | | | | | |
| | | | | 400 | | | |
| (2) | | (3) | | (1) | (1) | (6) | (2) |
| | | | | | | | |
| | | 6 | | | 69 | 4 | |
| | | (20) | | | (926) | | |
| | | | | | | | |
| | | 448 | 2,354 | 308 | | | |
| | (1,192) | (267) | (3,077) | (350) | | | |
| | | | | | | | |
| (2,934) | 1,660 | (1,036) | 300 | 592 | (423) | 544 | (7,120) |
| 1,159 | 762 | 741 | 313 | 742 | 515 | 3,236 | 3,087 |
| (1,732) | (1,508) | (3,274) | (1,152) | (2,792) | (2,294) | (11,321) | (1,012) |
| | | | | | | | |
| 1,016,390 | 30,306 | 131,413 | 164,779 | 397,588 | 312,692 | 783,317 | 71,078 |
| (1,020,591) | (33,715) | (135,845) | (170,381) | (411,479) | (318,194) | (778,184) | (62,254) |
| | | | | | | | |
| 842 | 647 | 2,989 | 732 | 29 | 169 | 229 | 308 |
| (565) | (291) | (2,148) | (519) | | (361) | | |
| | | 18 | | | | | |
| | | | | | 1 | | |
| (7,844) | (3,966) | (3,957) | (9,665) | (13,084) | (5,745) | (6,553) | (2,458) |

## FEDERAL HOME LOAN BANKS

## COMBINING SCHEDULES—STATEMENTS OF CASH FLOWS (continued)
## FOR THE SIX MONTHS ENDED JUNE 30, 2008

### (Dollar amounts in millions)
### (Unaudited)

| | Combined | Combining Adjustments | Boston | New York | Pittsburgh | Atlanta |
|---|---|---|---|---|---|---|
| **FINANCING ACTIVITIES** | | | | | | |
| Net change in: | | | | | | |
| Deposits and pass-through reserves | $ (617) | $ | $ 243 | $ 195 | $ 1,794 | $ (2,116) |
| Deposits from other FHLBanks | | 2 | | | | |
| Borrowings | (116) | | | 4 | | |
| Loans from FHLBanks | | 955 | | | | |
| Net proceeds on derivative contracts with financing element | 250 | | 2 | | | 102 |
| Net proceeds from issuance of consolidated obligations: | | | | | | |
| Discount notes | 6,312,151 | | 770,082 | 404,085 | 499,719 | 139,572 |
| Bonds | 386,534 | (113) | 18,366 | 41,297 | 23,453 | 75,331 |
| Bonds transferred from other FHLBanks | | (774) | | | 314 | |
| Payments for maturing and retiring consolidated obligations: | | | | | | |
| Discount notes | (6,309,204) | | (768,604) | (413,086) | (510,832) | (139,397) |
| Bonds | (317,566) | 2,536 | (14,085) | (23,673) | (16,513) | (69,723) |
| Bonds transferred to other FHLBanks | | 774 | | | | |
| Proceeds from issuance of capital stock | 14,902 | | 307 | 2,191 | 3,013 | 2,526 |
| Payments for redemption of mandatorily redeemable capital stock | (1,228) | | (26) | (134) | (54) | (37) |
| Payments for repurchase/redemption of capital stock | (11,150) | | (3) | (1,579) | (2,956) | (2,228) |
| Cash dividends paid | (693) | | (82) | (174) | (87) | (228) |
| Net cash provided by (used in) financing activities | 73,263 | 3,380 | 6,200 | 9,126 | (2,149) | 3,802 |
| Net (decrease) increase in cash and cash equivalents | (50) | | | 33 | 27 | (10) |
| Cash and cash equivalents at beginning of the period | 320 | | 7 | 8 | 67 | 19 |
| Cash and cash equivalents at end of the period | $ 270 | $ | $ 7 | $ 41 | $ 94 | $ 9 |
| **Supplemental Disclosures:** | | | | | | |
| Interest paid | $ 22,795 | $ | $ 1,462 | $ 1,545 | $ 1,385 | $ 2,846 |
| AHP payments, net | $ 127 | $ | $ 5 | $ 15 | $ 9 | $ 23 |
| REFCORP assessments paid | $ 407 | $ | $ 30 | $ 49 | $ 31 | $ 60 |
| Transfers of mortgage loans to real estate owned | $ 46 | $ | $ 3 | $ | $ 3 | $ 1 |

| Cincinnati | Indianapolis | Chicago | Des Moines | Dallas | Topeka | San Francisco | Seattle |
|---|---|---|---|---|---|---|---|
| $ 266 | $ 105 | $ (312) | $ 217 | $ (612) | $ (469) | $ 238 | $ (166) |
| | | (2) | | | | | |
| | | | (200) | 185 | (5) | (100) | |
| | | | | | | (955) | |
| | 73 | | | 2 | 71 | | |
| 462,843 | 593,066 | 714,170 | 717,897 | 481,460 | 578,727 | 393,770 | 556,760 |
| 24,269 | 22,166 | 21,041 | 13,604 | 39,820 | 12,036 | 78,767 | 16,497 |
| 157 | | | | 139 | | 164 | |
| (456,800) | (595,247) | (713,801) | (711,669) | (486,885) | (568,860) | (394,207) | (549,816) |
| (23,380) | (16,411) | (17,082) | (10,586) | (21,269) | (15,959) | (70,709) | (20,712) |
| | | | | (487) | | | (287) |
| 282 | 168 | 52 | 2,975 | 1,032 | 1,102 | 882 | 372 |
| | | (7) | (6) | (28) | (888) | (48) | |
| | | | (2,673) | (397) | (60) | (920) | (334) |
| | (50) | | (52) | | | | (20) |
| 7,637 | 3,870 | 4,059 | 9,507 | 12,960 | 5,695 | 6,882 | 2,294 |
| (52) | | 1 | (13) | (43) | (1) | 8 | |
| 53 | 7 | 17 | 59 | 75 | 2 | 5 | 1 |
| $ 1 | $ 7 | $ 18 | $ 46 | $ 32 | $ 1 | $ 13 | $ 1 |
| $ 1,580 | $ 665 | $ 1,826 | $ 1,088 | $ 1,082 | $ 976 | $ 7,063 | $ 1,277 |
| $ 13 | $ 8 | $ 11 | $ 8 | $ 7 | $ 8 | $ 17 | $ 3 |
| $ 29 | $ 20 | $ 10 | $ 14 | $ 16 | $ 17 | $ 118 | $ 13 |
| $ | $ | $ 31 | $ 6 | $ | $ 1 | $ 1 | $ |

## FINANCIAL DISCUSSION AND ANALYSIS OF COMBINED FINANCIAL CONDITION AND COMBINED RESULTS OF OPERATIONS

Investors should read this financial discussion and analysis of combined financial condition and combined results of operations together with the combined financial statements and the notes beginning on page 4 of this Combined Financial Report. Each FHLBank discusses its financial condition and results of operations in its periodic reports filed with the SEC. The results of operations for interim periods are not necessarily indicative of the results to be expected for the year ending December 31, 2009. The unaudited financial statements should be read in conjunction with the FHLBanks' audited financial statements and related notes to the FHLBanks' annual combined financial report for the year ended December 31, 2008.

Each FHLBank's Annual Report on Form 10-K and Quarterly Report on Form 10-Q filed with the SEC contains, as required by applicable SEC rules, a Management's Discussion and Analysis of Financial Condition and Results of Operations, commonly called MD&A. The SEC has noted that one of the principal objectives of MD&A is to provide a narrative explanation of a registrant's financial statements that enables investors to see the registrant through the eyes of its management and that "management has a unique perspective on its business that only it can present." Because there is no centralized management of the FHLBanks that can provide a system-wide "eyes of management" view of the FHLBanks as a whole, this Combined Financial Report does not contain a conventional MD&A. It includes, instead, a "Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations" prepared by the Office of Finance using information provided by the individual FHLBanks. The Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations does not generally include a separate description of how each FHLBank's operations affect the combined financial condition and combined results of operations. That level of information about each of the FHLBanks is addressed in the respective FHLBank's periodic reports filed with the SEC. (See "Explanatory Statement about FHLBanks Combined Financial Report" on page 1, "Available Information on Individual FHLBanks" on page 2 and "Supplemental Information—Individual FHLBank Selected Financial Data and Financial Ratios" on page 209.)

*Presentation.* Amounts disclosed in this combined financial report represent values rounded to the nearest million; as such, amounts less than one million may not be reflected in this combined financial report.

### Forward-Looking Information

Statements contained in this report, including statements describing the objectives, projections, estimates, or future predictions of the FHLBanks and Office of Finance, may be "forward-looking statements." These statements may use forward-looking terminology, such as "anticipates," "believes," "could," "estimates," "may," "should," "will," or their negatives or other variations on these terms. Investors should note that, by their nature, forward-looking statements involve risk or uncertainty and that actual results could differ materially from those expressed or implied in these forward-looking statements or could affect the extent to which a particular objective, projection, estimate, or prediction is realized.

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

- changes in interest rates, housing prices, employment rates and the general economy;
- the size and volatility of the residential mortgage market;
- demand for FHLBank advances resulting from changes in FHLBank members' deposit flows and credit demands;
- volatility of market prices, rates, and indices or other factors that could affect the value of investments or collateral held by the FHLBanks as security for the obligations of FHLBank members and counterparties to interest-rate exchange agreements and similar agreements. This volatility could result from the effects of, and changes in, various monetary or fiscal policies and

regulations, including those determined by the Federal Reserve Board and the Federal Deposit Insurance Corporation (FDIC), or a decline in liquidity in the financial markets;

- political events, including legislative, regulatory, judicial, or other developments that affect the FHLBanks, their members, counterparties and/or investors in the consolidated obligations of the FHLBanks, such as changes in the FHLBank Act, as amended, or regulations that affect FHLBank operations, and regulatory oversight (including the U.S. Secretary of the Treasury's authority relating to the issuance of consolidated obligations and the passage of the Housing Act);
- competitive forces, including other sources of funding available to FHLBank members, other entities borrowing funds in the capital markets, and the ability to attract and retain skilled individuals;
- the pace of technological change and the ability to develop and support technology and information systems sufficient to manage the risks of the FHLBanks' business effectively;
- loss of large members through mergers and similar activities;
- changes in domestic and foreign investor demand for consolidated obligations and/or the terms of interest-rate exchange agreements and similar agreements, including changes in the relative attractiveness of consolidated obligations as compared to other investment opportunities;
- the availability, from acceptable counterparties, of derivative financial instruments of the types and in the quantities needed for risk management purposes;
- timing and volume of market activity;
- volatility of reported results due to changes in the fair value of certain assets and liabilities;
- the ability to introduce new products and services and successfully manage the risks associated with those products and services, including new types of collateral used to secure advances;
- the FHLBanks' ability to identify, manage, mitigate and/or remedy internal control weaknesses and other operational risks;
- the FHLBanks' ability to implement business process improvements;
- risk of loss arising from litigation filed against one or more of the FHLBanks;
- significant business disruptions resulting from natural or other disasters, acts of war or terrorism;
- the effect of new accounting standards, including the development of supporting systems; and
- inflation/deflation.

**Business Overview**

*Financial Performance.* As cooperatives, the FHLBanks seek to maintain a balance between their public policy mission and their ability to provide adequate returns on the capital supplied by their members. The FHLBanks achieve this balance by delivering low-cost financing to members to help them meet the credit needs of their communities and by paying dividends. In view of their cooperative nature, the FHLBanks' financial strategies are designed to enable the FHLBanks to expand and contract in response to the credit needs of their members.

Each FHLBank invests its capital in primarily high-quality, short- and intermediate-term financial instruments. This strategy allows the FHLBanks to maintain liquidity to satisfy member demand for short- and long-term funds, repay maturing consolidated obligations, and meet other obligations. This strategy also reduces the risk of loss when investments are liquidated if an FHLBank elects to repurchase excess capital stock. The dividends paid by an FHLBank are largely the result of the FHLBank's earnings on invested member capital, net earnings on advances to members and investment returns on investments and mortgage loans. These are offset by the FHLBank's operating expenses and assessments. The board

of directors and management of each FHLBank determine the pricing of member credit and the FHLBank's dividend policies based on the needs of its members.

*Different FHLBank Business Strategies.* Each FHLBank is operated as a separate entity with its own management, employees and board of directors but under the supervisory and regulatory framework of the Finance Agency in its capacity as regulator (the Regulator). However, the management and board of directors of each FHLBank determine the best approach for meeting the FHLBank's business objectives and serving the needs of its members, which may not be the same as other FHLBanks due to different markets and economic characteristics. As such, the management and board of directors of each FHLBank have developed their own business strategies and initiatives to fulfill the FHLBank's mission and they reevaluate these strategies and initiatives from time to time. For example, some FHLBanks continue to offer the purchase of mortgage loans from their members through the acquired member asset programs; other FHLBanks have offered a program to their members but have not actively marketed the program or their members have not invested significant resources to develop or expand the programs; and some FHLBanks that previously participated have exited the programs. At June 30, 2009, mortgage loans purchased through the acquired member asset programs as a percentage of an individual FHLBank's total assets varied from a high of 30 percent for the FHLBank of Chicago to a low of less than one percent for the FHLBank of Dallas.

## Comparative Highlights

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | | For the Three Months Ended June 30, 2009 vs. 2008 Increase | | For the Six Months Ended June 30, 2009 vs. 2008 Increase | |
|---|---|---|---|---|---|---|---|---|
| (Dollar amounts in millions) | 2009 | 2008 | 2009 | 2008 | $ | % | $ | % |
| Net interest income | $1,493 | $1,344 | $2,739 | $2,539 | $149 | 11.1% | $200 | 7.9% |
| Net income | 1,123 | 718 | 1,468 | 1,415 | 405 | 56.4% | 53 | 3.7% |

Net interest income increased in the second quarter and first six months of 2009 compared to the second quarter and first six months of 2008 primarily due to the decline in interest rates, as the decrease in interest expense on consolidated obligations was greater than the decreases in interest income on advances and investments. The increase in net income in the second quarter and first six months of 2009 compared to the second quarter and first six months of 2008 can be primarily attributed to the increases in net interest income, increases in net gains on derivatives and hedging activities and smaller net losses on trading securities, which more than offset net other-than-temporary impairment losses and increases in net losses on advances and consolidated bonds held at fair value.

Total other income (loss) for the three and six months ended June 30, 2009 and 2008 was the result of the following (dollar amounts in millions):

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | | For the Three Months Ended June 30, 2009 vs. 2008 | For the Six Months Ended June 30, 2009 vs. 2008 |
|---|---|---|---|---|---|---|
| | | | | | (Decrease) Increase | (Decrease) Increase |
| | 2009 | 2008 | 2009 | 2008 | $ | $ |
| Net other-than-temporary impairment losses | $(437) | $ | $ (953) | $ | $(437) | $ (953) |
| Realized losses on other-than-temporarily impaired securities | | (30) | | (63) | 30 | 63 |
| Net losses on trading securities | (68) | (266) | (79) | (132) | 198 | 53 |
| Net realized (losses) gains from sale of available-for-sale securities | (43) | 3 | (24) | 3 | (46) | (27) |
| Net realized gains from sale of held-to-maturity securities | | 2 | 6 | 2 | (2) | 4 |
| Net (losses) gains on advances and consolidated bonds held at fair value | (189) | (228) | (367) | 46 | 39 | (413) |
| Net gains (losses) on derivatives and hedging activities | 979 | 364 | 1,179 | (20) | 615 | 1,199 |
| Service fees | 9 | 10 | 17 | 17 | (1) | |
| Other, net | (6) | 6 | (3) | (5) | (12) | 2 |
| Total other income (loss) | $ 245 | $(139) | $ (224) | $(152) | $ 384 | $ (72) |

In the second quarter of 2009, the FHLBanks incurred $437 million in OTTI charges related to certain private-label MBS and home equity loan investments that are recorded in "Net other-than-temporary impairment losses," which compares to $30 million recorded in "Realized losses on other-than-temporarily impaired securities" in the second quarter of 2008. In the first six months of 2009, the FHLBanks incurred $953 million in OTTI charges related to certain private-label MBS and home equity loan investments that are recorded in "Net other-than-temporary impairment losses," which compares to $63 million recorded in "Realized losses on other-than-temporarily impaired securities" in the first six months of 2008. Ongoing deterioration in housing prices, credit market stress, and weakness in the U.S. economy in the second quarter and first six months of 2009 continued to affect the credit quality of the loan collateral underlying certain MBS in certain of the FHLBanks' investment portfolios, resulting in projected credit losses on some securities that required these FHLBanks to write down the securities to fair value. These factors also led these FHLBanks to modify certain assumptions in the cash flow models used to analyze these MBS to reflect higher default rates, more extreme loss severities, and more moderate rates of housing price recovery than used in these FHLBanks' analyses in prior periods. As a result of the severe lack of liquidity in the MBS market, which adversely affected the valuation of MBS, the OTTI charges on the affected securities significantly reduced these FHLBanks' capital levels. To continue building retained earnings and preserve capital levels, certain FHLBanks did not pay a dividend for the first and/or second quarter of 2009 and/or did not repurchase excess capital stock.

The FHLBanks recorded $979 million and $1,179 million of net gains on derivatives and hedging activities during the second quarter and first six months of 2009. This was primarily the result of favorable changes in the fair values of interest-rate swaps used in fair value hedges and economic hedges during 2009, a decrease in LIBOR, as well as narrowing spreads between interest rates on Government Sponsored Enterprise (GSE) debt securities and interest-rate swaps. In general, derivatives and

associated hedged instruments and certain assets and liabilities that are carried at fair value are held to the maturity, call, or put date. Therefore, for these financial instruments, nearly all of the cumulative net gains and losses that are unrealized gains or losses are either generally a matter of timing and will generally reverse over the remaining contractual terms or are the reversal of gains recognized in prior periods of the hedged financial instrument, associated interest-rate exchange agreement or financial instrument carried at fair value. However, there may be instances in which these instruments are terminated prior to maturity or prior to the call or put dates. Terminating the financial instrument or hedging relationship may result in a realized gain or loss. In addition, the FHLBanks may have instances in which they may sell securities prior to maturity, which may also result in a realized gain or loss.

Hedge ineffectiveness occurs when changes in the fair value of the derivative and the related hedged item do not perfectly offset each other. Hedge ineffectiveness is driven by changes in the benchmark interest rate and volatility. As the benchmark interest rate changes and the magnitude of that change intensifies, so will the effect on the FHLBanks' net gains (losses) on derivatives and hedging activities. Additionally, volatility in the marketplace may intensify this effect.

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | | For the Three Months Ended June 30, 2009 vs. 2008 Increase | | For the Six Months Ended June 30, 2009 vs. 2008 Increase | |
|---|---|---|---|---|---|---|---|---|
| (Dollar amounts in millions) | 2009 | 2008 | 2009 | 2008 | $ | % | $ | % |
| Total operating expenses | $196 | $178 | $384 | $359 | $18 | 10.1% | $25 | 7.0% |

The increase in operating expenses for the three and six months ended June 30, 2009, as compared to the same periods in 2008, primarily relates to increases in employee headcount as well as increases in professional and contract services.

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | | For the Three Months Ended June 30, 2009 vs. 2008 Decrease | | For the Six Months Ended June 30, 2009 vs. 2008 Decrease | |
|---|---|---|---|---|---|---|---|---|
| (Dollar amounts in millions) | 2009 | 2008 | 2009 | 2008 | $ | % | $ | % |
| Daily average total assets | $1,204,797 | $1,341,902 | $1,262,635 | $1,318,800 | $(137,105) | (10.2)% | $(56,165) | (4.3)% |

The decreases in average assets are primarily the result of the decline in the FHLBanks' advance balances during the three and six months ended June 30, 2009.

Key amounts as a percentage of total assets are as follows (dollar amounts in millions):

| | June 30, 2009 | | December 31, 2008 | | (Decrease) Increase |
|---|---|---|---|---|---|
| | Amount | Percentage of Total Assets | Amount | Percentage of Total Assets | % |
| Advances | $ 738,812 | 64.4% | $ 928,638 | 68.8% | (20.4)% |
| Investments | 325,593 | 28.4% | 305,913 | 22.7% | 6.4% |
| Mortgage loans held for portfolio, net | 77,755 | 6.8% | 87,361 | 6.5% | (11.0)% |
| Total assets | 1,147,896 | | 1,349,053 | | (14.9)% |
| Total consolidated obligations, net | 1,060,668 | | 1,258,267 | | (15.7)% |
| Total capital | 45,877 | | 51,350 | | (10.7)% |

The decrease in advances outstanding at June 30, 2009 as compared to December 31, 2008 was primarily attributable to a decline in member demand, which reflected the economic recession and the availability of federal government programs that provided members with alternative sources of funding and liquidity, and an increase in availability of deposits to members. Mortgage loans held for portfolio decreased in absolute terms as a result of market conditions and lower origination volumes as well as the FHLBank of Des Moines' sale of $2.1 billion of mortgage loans.

Investments and the composition of investments fluctuate due to changes in the amount of the FHLBanks' asset activity, anticipated asset activity and liquidity requirements and needs in light of current market conditions. Investments in securities purchases under agreements to resell, Federal funds sold and non-MBS investment securities increased $39.3 billion, while MBS investment securities and interest-bearing deposits decreased by $19.7 billion from December 31, 2008 to June 30, 2009.

Consolidated obligations decreased in relation to the decrease in total assets. The decrease in the level of capital at June 30, 2009 compared to December 31, 2008 is primarily attributable to recognizing $8.6 billion in noncredit portion of OTTI charges on certain private-label MBS and home equity loan investments, the $4.0 billion repurchase/redemption of capital stock and an increase of $0.5 billion of reclassification of capital stock as mandatorily redeemable capital stock. The FHLBanks' combined regulatory capital-to-assets ratio at June 30, 2009 was 5.37 percent, up from 4.42 percent at December 31, 2008. The FHLBanks' combined capital-to-assets ratio calculated in accordance with accounting principles generally accepted in the United States of America (GAAP) at June 30, 2009 was 4.00 percent, up from 3.81 percent at December 31, 2008.

Key ratios are as follows:

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| Return on average assets (basis points) | 37 | 22 | 23 | 22 |
| Return on average equity | 9.57% | 5.13% | 6.05% | 5.14% |
| Weighted average dividend rate | 1.25% | 4.83% | 1.16% | 4.98% |

The increases in return on average assets and return on average equity for the three and six months ended June 30, 2009 are due primarily to the increase in net income. The dividend rate has been influenced by each FHLBank's retained earnings policies, dividend policies, net income, business strategies and Finance Agency guidance.

## Financial Trends

*Conditions in Financial Markets.*

As the U.S. government continued multiple programs designed to improve the credit markets, financial market conditions appeared to reflect greater strength during the second quarter of 2009. Financial services companies turned toward the equity markets in order to pay off Troubled Asset Relief Program (TARP) borrowings and raise additional capital required by the results of bank stress testing. During May 2009, the U.S. Treasury announced plans to inject TARP funds into several insurance companies and financial markets focused on the breakup of AIG. Furthermore, financial market participants and regulators turned their attention toward the safety and security of money market funds with the result being industry-wide recommendations and SEC-proposed rule changes. While economic data remained mixed during the second quarter of 2009, funding was both accessible and attractively priced for the housing GSEs.

During the second quarter of 2009, the Federal Reserve Bank of New York (FRBNY) continued to support the capital markets through the purchase of GSE term debt, agency MBS, and U.S. Treasuries. As such, the FRBNY purchased approximately $44 billion in GSE term debt, including $10.3 billion of FHLBank mandated Global bullets during this quarter. By the end of June 2009, FRBNY purchases of housing GSE debt were up to $97 billion, or almost 50% of the $200 billion allocated to this program.

During the second quarter of 2009, the FRBNY purchased approximately $540 billion in agency mortgage-backed securities. This includes approximately $221 billion in purchases related to dollar rolls, which, similar to repurchase agreements, provide holders of mortgage-backed securities with a form of short-term financing. FRBNY purchases of U.S. Treasury securities also continued, with the FRBNY buying an additional $162 billion in U.S. Treasury securities during the second quarter of 2009. Since

inception of this program through June 30, 2009, the FRBNY has purchased approximately $180 billion in U.S. Treasury securities, equal to 60% of the $300 billion committed under this program.

While the FDIC's TLGP continued to provide depository institutions with access to longer-term capital, issuance slowed significantly during the second quarter of 2009. On April 1, 2009, fees assessed for the TLGP increased, and only $39.5 billion in TLGP-wrapped bonds were priced during the second quarter of 2009. This compares to $125 billion in TLGP debt priced during the first quarter of 2009. The TLGP is set to expire at the end of October 2009 and its expiration may provide an important indication of the health of the debt market for financial institutions.

Both Fannie Mae and Freddie Mac focused their efforts on terming out their debt outstanding. During the second quarter of 2009, Fannie Mae's short-term debt outstanding declined by $15 billion, while Freddie Mac reduced its short-term debt outstanding by $87 billion over the same period. In terms of longer-term debt issuance, Fannie Mae issued $84 billion in term debt during the second quarter of 2009, while Freddie Mac issued $105 billion in term debt during the same period. Furthermore, Fannie Mae priced a total of $15 billion in new two-year, three-year and five-year Benchmark Notes® securities during the second quarter of 2009—all of which were priced in April and May, as Fannie Mae passed on two calendar issuance dates in June 2009. Meanwhile, Freddie Mac priced a total of $13.5 billion in new three-year and five-year Reference Notes® securities during the second quarter of 2009. In April 2009, Freddie Mac also priced a $1 billion re-opening of its two-year Reference Notes® security. Freddie Mac also passed on its second calendar issuance date in May 2009.

In mid-May 2009, Fannie Mae and Freddie Mac both announced first quarter 2009 financial results. Fannie Mae reported a first quarter 2009 loss of $23.2 billion and the Director of the Finance Agency submitted a request on Fannie Mae's behalf for an additional $19 billion from the U.S. Treasury. Freddie Mac reported a first quarter 2009 loss of $9.9 billion and the Director of the Finance Agency submitted a request on Freddie Mac's behalf for an additional $6.1 billion from the U.S. Treasury. Freddie Mac also conducted a variety of tender offers during June 2009.

During the second quarter of 2009, as the consolidated obligations outstanding for the FHLBanks continued to shrink, redemptions from both scheduled maturities and exercised calls outpaced FHLBank debt issuance. Consolidated obligations outstanding declined an additional $78 billion during the second quarter of 2009, with consolidated discount notes decreasing more than consolidated bonds. Consolidated obligations outstanding closed the second quarter of 2009 at levels last seen in late August 2007. Furthermore, while the weighted-average number of days to maturity for consolidated bonds outstanding rose slightly during April 2009, it began to decline for the remainder of the second quarter of 2009. The weighted-average number of days to maturity for consolidated discount notes outstanding remained relatively stable for the first two months of the second quarter of 2009, then declined in June 2009.

While the volume of FHLBank consolidated bonds priced during the second quarter of 2009 was slightly less than during the first quarter of 2009, it was still more than double the volume of FHLBank consolidated bonds priced during the fourth quarter of 2008. As was the case during the first quarter of 2009, the FHLBanks, in aggregate, continued to rely on negotiated bullet bonds and floating-rate securities for more than 50% of FHLBank consolidated bond funding. However, for the first time since January 2009, the FHLBanks priced $30 million in auctioned bullet bonds (TAPs) in June 2009. TAP auction results indicate the willingness of securities dealers to take risk positions as an interim step in the bond distribution process. FHLBank bond funding costs improved significantly during the second quarter of 2009, as weighted-average consolidated bond funding costs in June 2009 were the lowest in more than twelve months. In April 2009, the FHLBanks priced $3 billion of a new, two-year mandated Global bullet bond, as well as a $750 million re-opening of a ten-year mandated Global bullet bond with five years of remaining maturity at the time of pricing. The $750 million funding was the first re-opening by the FHLBanks that was completed through a Dutch auction process. In May 2009, the FHLBanks priced $3 billion of a new, three-year mandated Global bullet bond, and in June 2009, the FHLBanks priced $5 billion of a new, two-year mandated Global bullet bond.

Foreign official holdings of agency debt and MBS securities, as reported by the Federal Reserve Board, increased approximately $10 billion during late April 2009 and early May 2009. However, this

trend reversed course and foreign holdings of agency securities at June 30, 2009 had declined an additional $3.8 billion from March 31, 2009 to their lowest level since November 2007.

Primary securities dealer inventories of agency debt securities, as reported by the FRBNY, declined during the second quarter of 2009 with discount note inventories down $9.6 billion and bond inventories down $6.9 billion. Primary dealer inventories of total agency debt hit a two-year low at the end of June 2009. After stabilizing in the first quarter of 2009, taxable money market fund assets began to decline during the second quarter of 2009. During the second quarter of 2009, taxable money market fund assets fell $121 billion, with assets allocated to "U.S. other agency" securities dropping $94 billion during this time period. In March 2009, the money market fund industry adopted recommendations to be implemented by September 2009. These changes, along with proposed rule changes by the SEC, could have profound effects on how these investors participate in the agency debt markets.

*Review of Interest-Rate Levels and Volatility—Second Quarter of 2009 Compared to Second Quarter of 2008.*

The primary external factors that affect net interest income are market interest-rate levels and volatility, credit spreads and the general state of the economy.

Interest rates prevailing during any reporting period affect the FHLBanks' profitability for that reporting period, due primarily to the short-term structure of earning assets and the effect of interest rates on invested capital. At June 30, 2009 and December 31, 2008, the majority of investments, excluding mortgage-backed securities, and approximately 38 percent and 42 percent of the outstanding advances, had stated maturities of less than one year. Additionally, a significant portion of the FHLBanks' advances has been hedged with interest-rate exchange agreements in which a short-term, variable rate is received. The demand for FHLBank debt, as well as current short-term interest rates, as represented, for example, by the overnight Federal funds target rate, has an effect on the FHLBanks' profitability as measured by net interest income and return on average equity.

Interest rates also directly affect the FHLBanks through earnings on invested capital. Generally, due to the FHLBanks' cooperative structures, the FHLBanks earn relatively narrow net spreads between the yield on assets and the cost of corresponding liabilities. As a result, compared with other financial institutions, a relatively higher proportion of FHLBank income is generated from the investment of member-supplied capital at the average asset yield. Consequently, changes in asset yields tend to have a greater effect on FHLBank profitability than on the profitability of financial institutions in general. Most FHLBanks' return on capital follows short-term rates such as the Federal funds or 3-month LIBOR rates, while certain FHLBank average asset yields and corresponding returns on capital are driven by longer-term assets, such as mortgage loans purchased through the mortgage purchase programs and mortgage-backed securities (also referred to as MBS) and collateralized mortgage obligations (CMO)-related investment holdings.

Certain capital markets developments may also affect the performance of the FHLBanks. Specifically, the pricing relationships between the mortgage, agency, and derivative markets and the level of market price volatility may affect the attractiveness of mortgage products for the FHLBanks as well as the cost of FHLBank debt.

The following table presents information on key market interest rates at June 30, 2009 and December 31, 2008 and key average market interest rates for the three and six months ended June 30, 2009 and 2008.

| | June 30, 2009 Ending Rate | December 31, 2008 Ending Rate | Second Quarter 2009 Three-Month Average | Second Quarter 2008 Three-Month Average | First Half 2009 Six-Month Average | First Half 2008 Six-Month Average |
|---|---|---|---|---|---|---|
| Federal Funds Target (1) | 0.25% | 0.25% | 0.25% | 2.08% | 0.25% | 2.63% |
| 3-month LIBOR (1) | 0.60% | 1.43% | 0.84% | 2.75% | 1.04% | 3.02% |
| 2-year LIBOR (1) | 1.53% | 1.48% | 1.49% | 3.26% | 1.52% | 3.05% |
| 5-year LIBOR (1) | 2.97% | 2.13% | 2.73% | 3.99% | 2.55% | 3.78% |
| 10-year LIBOR (1) | 3.78% | 2.56% | 3.50% | 4.52% | 3.22% | 4.42% |
| 3-month U.S. Treasury (1) | 0.19% | 0.08% | 0.17% | 1.64% | 0.18% | 1.87% |
| 2-year U.S. Treasury (1) | 1.11% | 0.77% | 1.00% | 2.40% | 0.95% | 2.22% |
| 5-year U.S. Treasury (1) | 2.56% | 1.55% | 2.23% | 3.15% | 1.99% | 2.95% |
| 10-year U.S. Treasury (1) | 3.54% | 2.21% | 3.30% | 3.86% | 3.00% | 3.76% |
| 15-year residential mortgage note rate (2) | 4.82% | 4.80% | 4.65% | 5.62% | 4.69% | 5.45% |
| 30-year residential mortgage note rate (2) | 5.34% | 5.03% | 4.99% | 6.07% | 5.01% | 5.95% |

(1) Source: Bloomberg.

(2) Average rates calculated using Bloomberg. June 30, 2009 and December 31, 2008 ending rates are from the last week in June 2009 and December 2008.

During the second quarter of 2009, the Federal Reserve Board, through its Federal Open Market Committee (FOMC), left the Federal funds rate unchanged from year-end 2008, at a level of between 0.00 and 0.25 percent. From the end of the second quarter of 2008 to the end of the second quarter of 2009, the FOMC's actions resulted in a 175-200 basis point reduction in the Federal funds rate.

Both short-term and long-term interest rates generally followed this downward trend in the Federal funds rate. For example, due to aggressive and unprecedented action by U.S. and foreign central banks to add liquidity to the money markets, the average three-month and two-year LIBOR rates decreased approximately 191 and 177 basis points from the second quarter of 2008 to the second quarter of 2009, while the average three-month and two-year U.S. Treasury rates for the second quarter of 2009 were approximately 147 and 140 basis points lower than the corresponding three-month and two-year U.S. Treasury rates during the second quarter of 2008. Average five-year and ten-year U.S. Treasury rates were lower by 96 and 76 basis points in the first six months of 2009 compared to the same period in 2008, while average five-year and ten-year LIBOR rates were lower by 123 and 120 basis points over this time period.

The Securities Industry and Financial Markets Association's (SIFMA's) August 2009 "Research Quarterly," the latest date for which information is publicly available, noted that securities issuance in the first half of 2009 reached $3.42 trillion, a 13.5 percent increase from the $3.01 trillion issued in the first half of 2008. Agency MBS volume continued to dominate the mortgage-backed sector as rising delinquencies, increasing foreclosure rates, declining home prices and tighter mortgage underwriting guidelines continued to depress private-label MBS and non-agency MBS issuance. During the first half of 2009, agency debt issuance started to shift more toward longer-term debt as the credit markets began to unfreeze and very short-term debt securities started to mature. Agency long-term debt issuance totaled $290.8 billion in the second quarter of 2009, a 29.7 percent decrease from the $413.7 billion issued in the first quarter of 2009, and was $704.5 billion in the first half of 2009 compared to the $820.3 billion issued in the second half of 2008.

During the second quarter and first half of 2009, the dollar amount of callable FHLBank consolidated bonds redeemed prior to maturity (called) declined from the corresponding prior-year periods. During the second quarter of 2009, $26 billion of callable FHLBank consolidated bonds were redeemed prior to maturity, compared to $68 billion of callable FHLBank consolidated bonds during the second quarter of 2008. During the first half of 2009, $102 billion of callable FHLBank consolidated bonds were

redeemed prior to maturity, which was approximately one-half of the volume of callable FHLBank consolidated bonds redeemed prior to maturity during the first half of 2008.

*Macroeconomic Factors Affecting the FHLBanks—Second Quarter of 2009 Compared to Second Quarter of 2008.*

The mortgage market continued to undergo a number of changes. Mortgage loan delinquencies and defaults have increased over the past year, particularly in the nonprime sectors, reflecting the combination of a softening residential real estate market in many areas of the nation, the effect of less rigorous loan underwriting standards and interest-rate resets on variable-rate loans. In addition, mortgage originators, dealers and investors incurred significant markdowns on the value of subprime, alternative documentation and payment-option loans and securities backed by these loans. As a result, a number of high-profile originators have exited subprime and alternative documentation lending, disposed of assets or filed for bankruptcy as warehouse lenders invoked lending covenants and seized collateral. The FHLBanks have not experienced significant losses from their direct holdings of mortgage loans due primarily to conservative underwriting policies.

The FDIC's first quarter 2009 "Quarterly Banking Profile," the latest date for which information is publicly available, reported that while the $7.6 billion of first quarter 2009 net income for FDIC-insured institutions was $11.7 billion, or 60.8 percent, lower than in the first quarter of 2008, these earnings represented a significant recovery from the $36.9 billion net loss the industry reported in the fourth quarter of 2008. Sharply higher trading revenues at large banks, as well as increased servicing fees and realized gains on securities and other assets at a few large institutions, contributed to first quarter 2009 net income. Total assets of all FDIC-insured institutions increased slightly to $13.5 trillion at March 31, 2009, compared to $13.4 trillion at March 31, 2008, while total deposits for all FDIC-insured institutions increased to $9.0 trillion at March 31, 2009, representing a 4.5 percent increase over the corresponding balance of $8.6 trillion at March 31, 2008. Total loans and leases of $7.7 trillion at March 31, 2009 decreased 2.9 percent from $8.0 trillion at March 31, 2008; however, total domestic office deposits increased from $7.1 trillion at March 31, 2008 to $7.5 trillion at March 31, 2009, representing a 6.6 percent increase. Over the past 12 months, the share of assets funded by domestic deposits increased from 52.9 percent to 55.7 percent. By contrast, over the past 12 months, FHLBank advances as a percentage of total assets declined from 6.3 percent to 5.1 percent. For the second consecutive quarter, FDIC-insured institutions decreased their FHLBank borrowings. The corresponding $91.0 billion, or 11.6 percent, decrease during the first quarter of 2009 resulted from these institutions increasing their participation in U.S. government programs initiated to provide capital and liquidity to the banking sector. For example, at March 31, 2009, 97 financial institutions had $336 billion in government-guaranteed debt outstanding through the TLGP.

*Conditions in Financial Markets Subsequent to the Second Quarter of 2009.*

The availability and attractive pricing of financing for the FHLBanks continued into July 2009 despite general worries over consumer and commercial credit. Driven by government stress test results and newly-stated criteria for exiting the TARP, financial institutions continued to tap the debt and equity markets in order to raise capital and demonstrate independence from government support. During the first seven months of 2009, financial institutions issued over $148 billion in common and preferred equity. In addition, during July 2009, financial institutions issued almost $7 billion in senior debt. Furthermore, short-term yield spreads compressed and, as such, the FHLBanks relied less heavily on consolidated discount notes for funding as callable bonds began to regain favor among investors.

Federal Reserve purchases of agency securities continued during July 2009; the FRBNY purchased $10.4 billion in debt issued by the housing GSEs and $41.5 billion in U.S. Treasuries during this month. Furthermore, during July 2009, the FRBNY purchased approximately $87.6 billion in agency MBS. The U.S. Treasury purchase program appears to be advancing most quickly as the Federal Reserve has already invested almost 74% of the $300 billion committed to this program. The Federal Reserve also announced that GSE debt securities held in its System Open Market Account would now be eligible for loan in the

Federal Reserve's daily lending auctions, which may improve liquidity in FHLBank mandated Global bullets.

During July 2009, Fannie Mae priced $4 billion of a new, three-year Benchmark Notes® security, while Freddie Mac completed two re-openings. Freddie Mac priced a $1 billion re-opening of its current, on-the-run, three-year Reference Notes® security; furthermore, later in the month, Freddie Mac completed a $1 billion re-opening of a five-year Reference Notes® security with three years of remaining maturity at the time of pricing. Freddie Mac also priced $3 billion in extendable variable-rate notes—a new security type for the housing GSEs. Additionally, Freddie Mac conducted a tender offer for specified outstanding subordinated debt, also known as SUBS®.

The FHLBanks priced $45 billion in bonds during July 2009 as weighted-average funding costs for bonds remained favorable. Meanwhile, counter to the trend during the first half of 2009, the FHLBanks reduced their reliance on negotiated bullet bonds and floating-rate bonds as 30 percent of consolidated bonds priced during July 2009 were swapped negotiated callable bonds—this compares to the previous twelve-month average of 11 percent. During July 2009, the FHLBanks also priced $4 billion of a new, three-year mandated Global bullet bond. TAP issuance continued to gain traction as the FHLBanks priced approximately $460 million through the TAP auction during the month. Generally speaking, relatively favorable TAP pricing indicates that some dealers are increasing their risk tolerance due to the auction format in which TAPs are issued into the market.

Despite favorable pricing levels, FHLBank debt outstanding continued to shrink during July 2009 as consolidated obligations outstanding dropped an additional $34 billion, driven mainly by a decline in consolidated discount notes outstanding. Furthermore, the aggregate weighted-average number of days to maturity of FHLBank consolidated bonds outstanding continued to fall.

Primary dealer inventories of both agency discount notes and bonds increased through late July 2009. Foreign investor holdings of agencies (debt and MBS), as reported by the Federal Reserve System, continued to fall—dropping an additional $14 billion in July 2009. Furthermore, taxable money market fund investments allocated to the "U.S. other agency" category continued to decline, falling approximately $46 billion from the end of June 2009 through late July 2009. As this category generally acts as a proxy for money market holdings of the housing GSEs, persistently low short-term rates, growing investor acceptance of higher credit risk and declining debt outstanding for the housing GSEs, led money market fund portfolio managers to begin allocating a larger proportion of assets away from housing GSE debt.

In early August 2009, Fannie Mae and Freddie Mac both announced second quarter 2009 financial results. Fannie Mae reported a second quarter 2009 loss of $14.8 billion and the Director of the Finance Agency submitted a request on Fannie Mae's behalf for an additional $10.7 billion from the U.S. Treasury. Freddie Mac reported second quarter 2009 income of $0.8 billion and as the Company's net worth was positive at the end of the second quarter of 2009, the Director of the Finance Agency did not submit a request on Freddie Mac's behalf for additional funding from the U.S. Treasury.

**Combined Statement of Condition**

*SFAS 133 and SFAS 159.* SFAS 133 requires that assets and liabilities hedged with derivative instruments designated under fair value hedging relationships be adjusted for changes in value attributable to the risk being hedged (e.g., benchmark interest-rate risk) even as other assets and liabilities continue to be carried on a historical cost basis. SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities—Including an Amendment of FASB Statement No. 115* (SFAS 159), provides an option to elect fair value as an alternative measurement for selected financial assets, financial liabilities, unrecognized firm commitments, and written loan commitments not previously carried at fair value. In discussing changes in the Combined Statement of Condition at June 30, 2009 as compared to December 31, 2008, the SFAS 133 and SFAS 159 fair value adjustments and basis adjustments for advances, available-for-sale securities, mortgage loans held for portfolio and consolidated obligations have been included. All other SFAS 133 hedging adjustments were less than one percent of the book

value. The SFAS 133 and SFAS 159 hedging and valuation adjustments for advances, available-for-sale securities, mortgage loans held for portfolio and consolidated obligations are as follows:

**SFAS 133 Hedging and SFAS 159 Valuation Adjustments**
**(Dollar amounts in millions)**

| | June 30, 2009 | December 31, 2008 |
|---|---|---|
| Advances at pre-SFAS 133 and SFAS 159 value | $ 720,493 | $ 900,453 |
| SFAS 133 hedging adjustments | 17,366 | 26,885 |
| SFAS 159 valuation adjustments (1) | 953 | 1,300 |
| Advances at carrying value | $ 738,812 | $ 928,638 |
| Available-for-sale securities at pre-SFAS 133 value (2) | $ 30,350 | $ 13,969 |
| SFAS 133 hedging adjustments | 353 | 590 |
| Available-for-sale securities at carrying value | $ 30,703 | $ 14,559 |
| Mortgage loans held for portfolio at pre-SFAS 133 value | $ 77,536 | $ 87,065 |
| SFAS 133 hedging adjustments | 243 | 311 |
| Mortgage loans held for portfolio at carrying value | $ 77,779 | $ 87,376 |
| Consolidated obligations at pre-SFAS 133 and SFAS 159 value | $1,054,422 | $1,247,606 |
| SFAS 133 hedging adjustments | 6,147 | 10,595 |
| SFAS 159 valuation adjustments (1) | 99 | 66 |
| Consolidated obligations at carrying value | $1,060,668 | $1,258,267 |

(1) See "Note 12—Estimated Fair Values" to the accompanying combined financial statements for discussion about financial instruments carried at fair value on the statement of condition by the FHLBanks.

(2) Book value includes fair value adjustments under SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities* (SFAS 115).

The following discussion contains additional information on the major categories of the FHLBanks' Combined Statement of Condition: advances, investments, mortgage loans held for portfolio, consolidated obligations and capital.

*Advances.* Generally, the growth or decline in advances is reflective of demand by members for both short-term liquidity and long-term funding, driven by economic factors such as the availability to members of alternative funding sources that are more attractive, the interest-rate environment and the outlook for the economy. An FHLBank's ability to grow its advances portfolio may be affected by, among other things, the composition of an FHLBank's membership; current, as well as future, credit market conditions; and housing market trends. Furthermore, to the extent that an FHLBank does not pay dividends or pays dividends at less than historical spreads, such action may adversely affect member demand for advances.

At June 30, 2009, the FHLBanks had $6.8 billion of CIP housing advances and $2.5 billion of CIP commercial and economic development advances outstanding.

**Advances by Contractual Maturity**
**(Dollar amounts in millions)**

| Redemption Term | June 30, 2009 Amount | June 30, 2009 Weighted-Average Interest Rate | December 31, 2008 Amount | December 31, 2008 Weighted-Average Interest Rate |
|---|---|---|---|---|
| Overdrawn demand and overnight deposit accounts | $ 28 | | $ 30 | |
| Due in 1 year or less | 273,952 | 2.10% | 382,493 | 2.44% |
| Due after 1 year through 2 years | 128,827 | 3.26% | 150,323 | 3.67% |
| Due after 2 years through 3 years | 74,825 | 2.83% | 94,086 | 3.53% |
| Due after 3 years through 4 years | 71,482 | 2.90% | 67,173 | 3.65% |
| Due after 4 years through 5 years | 30,886 | 3.20% | 58,127 | 3.13% |
| Thereafter | 137,043 | 3.61% | 144,578 | 3.78% |
| Index amortizing advances | 3,504 | 4.58% | 3,654 | 4.62% |
| Total par value | 720,547 | 2.81% | 900,464 | 3.12% |
| Commitment fees | (7) | | (6) | |
| Discount on AHP advances | (65) | | (68) | |
| Premiums | 86 | | 105 | |
| Discounts | (68) | | (42) | |
| SFAS 133 hedging adjustments | 17,366 | | 26,885 | |
| SFAS 159 valuation adjustments | 953 | | 1,300 | |
| Total | $738,812 | | $928,638 | |

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

Member demand for the FHLBanks' advance products decreased during the first six months of 2009, as a result of members generally having less need for liquidity from the FHLBanks. The decrease in advances outstanding at June 30, 2009 compared to December 31, 2008 was generally broad-based across the FHLBanks' membership and primarily reflected the economic recession and lower lending, as well as the availability of federal government programs that provided members with more attractively priced sources of funding and liquidity and/or with lower collateral requirements. The balance of advances also declined due to growth in demand for, and an increase in availability of, deposits to members, which allowed members the ability to prepay their advances. During the first six months of 2009, the FHLBanks also experienced a substantial paydown of advances as a result of maturing advances.

**Advance Originations**
**(Dollar amounts in millions)**

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | | For the Three Months Ended June 30, 2009 vs. 2008 Decrease | | For the Six Months Ended June 30, 2009 vs. 2008 Decrease | |
|---|---|---|---|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 | $ | % | $ | % |
| Advances originated | $771,186 | $2,336,806 | $1,943,142 | $4,539,969 | $(1,565,620) | (67.0)% | $(2,596,827) | (57.2)% |
| Advances repaid | 843,554 | 2,326,281 | 2,123,100 | 4,500,762 | (1,482,727) | (63.7)% | (2,377,662) | (52.8)% |
| Net (decrease) increase | $ (72,368) | $ 10,525 | $ (179,958) | $ 39,207 | | | | |

**Advances by Interest Rate Payment Terms**
**(Dollar amounts in millions)**

| Par amount of advances | June 30, 2009 | Percentage of Total | December 31, 2008 | Percentage of Total |
|---|---|---|---|---|
| Fixed-rate | $511,797 | 71.0% | $609,073 | 67.6% |
| Variable-rate | 208,750 | 29.0% | 291,391 | 32.4% |
| Total | $720,547 | 100.0% | $900,464 | 100.0% |

Some of the FHLBanks' advances are callable at the option of the member borrowing the advance. However, the FHLBanks charge a prepayment fee when members terminate certain advances. Members may repay other advances on specified dates (call dates) without incurring prepayment fees (callable advances).

**Callable Advances Outstanding—Par Value**
**(Dollar amounts in millions)**

| | June 30, 2009 | | December 31, 2008 | | Decrease | |
|---|---|---|---|---|---|---|
| | Amount | Percentage of Par Value | Amount | Percentage of Par Value | $ | % |
| Callable advances | $35,186 | 4.9% | $46,098 | 5.1% | $(10,912) | (23.7)% |

**Advances by Year of Contractual Maturity or Next Call Date**
**(Dollar amounts in millions)**

| Year of Contractual Maturity or Next Call Date | June 30, 2009 | Percentage of Total | December 31, 2008 | Percentage of Total |
|---|---|---|---|---|
| Overdrawn demand and overnight deposit accounts | $ 28 | 0.0% | $ 30 | 0.0% |
| Due in 1 year or less | 300,488 | 41.7% | 414,444 | 46.0% |
| Due after 1 year through 2 years | 126,430 | 17.6% | 148,674 | 16.5% |
| Due after 2 years through 3 years | 70,797 | 9.8% | 89,636 | 10.0% |
| Due after 3 years through 4 years | 65,883 | 9.1% | 62,615 | 7.0% |
| Due after 4 years through 5 years | 29,844 | 4.1% | 53,534 | 5.9% |
| Thereafter | 123,573 | 17.2% | 127,877 | 14.2% |
| Index amortizing advances | 3,504 | 0.5% | 3,654 | 0.4% |
| Total par value | $720,547 | 100.0% | $900,464 | 100.0% |

The FHLBanks also offer convertible and putable advances. Convertible advances allow an FHLBank to convert a fixed-rate advance to an open-line advance or another structure after an agreed-upon lockout period. A convertible advance carries an interest rate lower than a comparable maturity advance that does not have a conversion feature. With a putable advance, an FHLBank has the right to terminate the advance at its discretion, which the FHLBank normally would exercise when interest rates increase, and the borrower may then apply for a new advance.

**Convertible and Putable Advances Outstanding—Par Value**
**(Dollar amounts in millions)**

| | June 30, 2009 | | December 31, 2008 | |
|---|---|---|---|---|
| | Amount | Percentage of Par Value | Amount | Percentage of Par Value |
| Convertible advances | $ 50,227 | 7.0% | $ 47,676 | 5.3% |
| Putable advances | 84,592 | 11.7% | 94,621 | 10.5% |
| Convertible and putable advances | $134,819 | 18.7% | $142,297 | 15.8% |

**Advances by Year of Contractual Maturity or Next Put/Convert Date**
**(Dollar amounts in millions)**

| Year of Contractual Maturity or Next Put/Convert Date | June 30, 2009 | Percentage of Total | December 31, 2008 | Percentage of Total |
|---|---|---|---|---|
| Overdrawn demand and overnight deposit accounts | $ 28 | 0.0% | $ 30 | 0.0% |
| Due in 1 year or less | 373,034 | 51.8% | 483,174 | 53.7% |
| Due after 1 year through 2 years | 129,335 | 17.9% | 151,648 | 16.8% |
| Due after 2 years through 3 years | 71,360 | 9.9% | 96,779 | 10.8% |
| Due after 3 years through 4 years | 57,285 | 7.9% | 51,820 | 5.8% |
| Due after 4 years through 5 years | 28,501 | 4.0% | 52,660 | 5.8% |
| Thereafter | 57,500 | 8.0% | 60,699 | 6.7% |
| Index amortizing advances | 3,504 | 0.5% | 3,654 | 0.4% |
| Total par value | $720,547 | 100.0% | $900,464 | 100.0% |

*Investments.* All securities are held by the FHLBanks for investment, liquidity or asset-liability management purposes. Certain investment securities are classified as trading for liquidity or asset-liability management purposes. Regulations do not expressly prohibit the FHLBanks from trading in investments, but none of the FHLBanks currently hold trading securities for speculative purposes.

The FHLBanks use short-term investments for liquidity management purposes and to manage their individual FHLBank's leverage ratio in response to fluctuations in other asset balances. The yield earned on such short-term investments is tied directly to short-term market interest rates. In the first six months of 2009, the FHLBanks tended to maintain short-term investment balances at higher levels compared to historical trends, reflecting the FHLBanks' continuing strategy of maintaining a strong short-term liquidity position. This increase, which began in the fourth quarter of 2008, was due primarily to the ongoing financial crisis, which required the FHLBanks to increase liquidity, and was due secondarily to the decrease in advance balances. When advances decrease cyclically, for liquidity management purposes, the FHLBanks generally attempt to maintain total asset balances by increasing their short-term investment balances.

While short-term investment balances increased, long-term investments, which primarily consist of MBS, decreased during the first six months of 2009. This decrease in MBS was driven primarily by principal repayments and maturities, as well as the continued reduction in the FHLBanks' MBS purchases. In addition, OTTI charges recorded on some of the FHLBanks' private-label MBS negatively affected long-term investment balances during the first six months of 2009. The FHLBanks' MBS purchases during the first six months of 2009 were concentrated primarily in agency MBS.

At June 30, 2009 and December 31, 2008, 83.2 percent and 91.1 percent of the total investment securities classified on the Combined Statement of Condition as held-to-maturity, available-for-sale or trading securities were rated in the two highest investment rating categories for long-term or short-term investments as defined by Standard & Poor's Rating Services (S&P), Moody's Investors Service (Moody's) and/or Fitch Ratings (Fitch). At June 30, 2009, approximately 6 percent of total investment securities were on negative watch. Of the 6 percent of total investment securities on negative watch,

approximately 4 percent of total investment securities represented private-label MBS, home equity loan investments and manufactured housing loans, and approximately 2 percent of total investment securities related to commercial paper, certificates of deposit and state or local housing agency obligation.

**Investments**
**(Dollar amounts in millions)**

| | June 30, 2009 | December 31, 2008 | Increase (Decrease) $ | Increase (Decrease) % |
|---|---|---|---|---|
| Investments (excluding mortgage-backed securities) | $172,752 | $136,743 | $ 36,009 | 26.3% |
| Mortgage-backed securities | 152,841 | 169,170 | (16,329) | (9.7)% |
| Total investments | $325,593 | $305,913 | $ 19,680 | 6.4% |

**Investments**
**(Dollar amounts in millions)**

| | June 30, 2009 | | December 31, 2008 | | (Decrease) Increase | |
|---|---|---|---|---|---|---|
| | Amount | Percentage of Total Investments | Amount | Percentage of Total Investments | $ | % |
| Held-to-maturity securities | $161,190 | 49.5% | $184,524 | 60.3% | $(23,334) | (12.6)% |
| Available-for-sale securities | 30,703 | 9.4% | 14,559 | 4.8% | 16,144 | 110.9% |
| Trading securities | 21,433 | 6.6% | 12,150 | 4.0% | 9,283 | 76.4% |
| Total investment securities | 213,326 | 65.5% | 211,233 | 69.1% | 2,093 | 1.0% |
| Interest-bearing deposits | 44,151 | 13.6% | 47,486 | 15.5% | (3,335) | (7.0)% |
| Securities purchased under agreements to resell | 10,385 | 3.2% | 6,895 | 2.2% | 3,490 | 50.6% |
| Federal funds sold | 57,731 | 17.7% | 40,299 | 13.2% | 17,432 | 43.3% |
| Total investments | $325,593 | 100.0% | $305,913 | 100.0% | $ 19,680 | 6.4% |

**Investment Securities**
**(Dollar amounts in millions)**

| | June 30, 2009 | |
|---|---|---|
| | Amount | Percentage of Total Investment Securities |
| U.S. Treasury obligations | $ 1,567 | 0.7% |
| Commercial paper | 5,280 | 2.5% |
| Certificates of deposit (1) | 22,450 | 10.5% |
| Other U.S. obligations and FFELP ABS* | 6,285 | 2.9% |
| Government-sponsored enterprises** | 12,686 | 6.0% |
| State or local housing agency obligations | 2,919 | 1.4% |
| Other*** | 9,298 | 4.4% |
| | 60,485 | 28.4% |
| Mortgage-backed securities: | | |
| Other U.S. obligations residential MBS* | 1,805 | 0.8% |
| Other U.S. obligations commercial MBS* | 50 | 0.0% |
| Government-sponsored enterprises residential MBS**** | 92,920 | 43.6% |
| Government-sponsored enterprises commercial MBS**** | 1,490 | 0.7% |
| Private-label residential MBS | 54,007 | 25.3% |
| Private-label commercial MBS | 480 | 0.2% |
| Manufactured housing loans | 239 | 0.1% |
| Home equity loans | 1,507 | 0.7% |
| MPF Shared Funding Program mortgage-backed certificates | 343 | 0.2% |
| | 152,841 | 71.6% |
| Total investment securities | $213,326 | 100.0% |

| | December 31, 2008 | |
|---|---|---|
| | Amount | Percentage of Total Investment Securities |
| Commercial paper | $ 1,945 | 0.9% |
| Certificates of deposit and bank notes (1) | 21,011 | 10.0% |
| Other U.S. obligations* | 737 | 0.4% |
| Government-sponsored enterprises** | 11,497 | 5.4% |
| State or local housing agency obligations | 2,985 | 1.4% |
| Other*** | 3,888 | 1.8% |
| | 42,063 | 19.9% |
| Mortgage-backed securities: | | |
| Other U.S. obligations* | 565 | 0.3% |
| Government-sponsored enterprises**** | 95,561 | 45.2% |
| Other***** | 73,044 | 34.6% |
| | 169,170 | 80.1% |
| Total investment securities | $211,233 | 100.0% |

(1) Represents certificates of deposit and/or bank notes that meet the definition of a security under SFAS 115. (See "Note 1—Summary of Significant Accounting Policies" to the accompanying combined financial statements.)

* FFELP ABS are backed by Federal Family Education Loan Program (FFELP) student loans that are guaranteed by a guarantee agency and re-insured by the U.S. Department of Education and totaled $5,095 million at June 30, 2009. Other U.S. obligations primarily consists of Government National Mortgage Association (Ginnie Mae) and/or Small Business Administration (SBA) investment pools.

** Primarily consists of debt securities issued or guaranteed by Federal Home Loan Mortgage Corporation (Freddie Mac), Federal National Mortgage Association (Fannie Mae) and/or the Tennessee Valley Authority (TVA).

*** Primarily consists of corporate debentures and promissory notes issued or guaranteed by the FDIC under its TLGP, with total carrying values of $8,793 million and $3,401 million at June 30, 2009 and December 31, 2008.

**** Primarily consists of securities issued or guaranteed by Freddie Mac and/or Fannie Mae.

***** Primarily consists of private-label mortgage-backed securities.

**Mortgage-Backed Securities Investment Portfolio**
**(Expressed as a percentage of total mortgage-backed securities holdings)**
**(Dollar amounts in millions)**

| | June 30, 2009 | | December 31, 2008 | |
|---|---|---|---|---|
| | Carrying Value | Percentage of Total | Carrying Value | Percentage of Total |
| Government-sponsored enterprises residential MBS* | $ 92,920 | 60.8% | $ 95,561 | 56.5% |
| Private-label residential MBS | 54,007 | 35.3% | 69,498 | 41.1% |
| Other U.S. obligations residential MBS** | 1,805 | 1.2% | 565 | 0.3% |
| Home equity loans | 1,507 | 1.0% | 1,959 | 1.2% |
| Government-sponsored enterprises commercial MBS* | 1,490 | 1.0% | | |
| Private-label commercial MBS | 480 | 0.3% | 935 | 0.6% |
| MPF Shared Funding Program mortgage-backed certificates | 343 | 0.2% | 398 | 0.2% |
| Manufactured housing loans | 239 | 0.2% | 254 | 0.1% |
| Other U.S. obligations commercial MBS** | 50 | 0.0% | | |
| Total mortgage-backed securities | $152,841 | 100.0% | $169,170 | 100.0% |

* Primarily consists of securities issued or guaranteed by Freddie Mac and/or Fannie Mae.

** Primarily consists of Ginnie Mae and/or SBA investment pools.

Regulator policy limits additional investments in mortgage-backed securities if an FHLBank's investments in mortgage-backed securities exceed 300 percent of the sum of that FHLBank's previous month-end GAAP capital, plus its mandatorily redeemable capital stock, on the day it purchases the securities. On March 24, 2008, the Finance Board temporarily increased this limit from 300 percent to 600 percent for certain kinds of mortgage-backed securities under certain conditions. The FHLBank of Chicago may include a Designated Amount of subordinated notes in calculating compliance with these limits. The MPF Shared Funding Program mortgage-backed certificates, however, are not subject to these limits.

At June 30, 2009, the FHLBanks did not hold any collateralized debt obligation (CDO) securities.

**Mortgage-Backed Securities to Total Capital Ratio**
**(Dollar amounts in millions)**

| | June 30, 2009 | December 31, 2008 | Decrease | |
|---|---|---|---|---|
| | | | $ | % |
| Mortgage-backed securities | $152,841 | $169,170 | $(16,329) | (9.7)% |
| Less: MPF Shared Funding Program | 343 | 398 | (55) | (13.8)% |
| Mortgage-backed securities (excluding MPF Shared Funding Program) | $152,498 | $168,772 | $(16,274) | (9.6)% |
| Total capital(1) and Designated Amount of applicable subordinated notes | $ 52,505 | $ 58,486 | $ (5,981) | (10.2)% |
| Ratio of MBS (excluding MPF Shared Funding Program) to total capital(1) and Designated Amount of applicable subordinated notes | 2.90 | 2.89 | | |

(1) Represents the sum of total GAAP capital and mandatorily redeemable capital stock, which is considered capital for regulatory purposes.

Historically, the FHLBanks have been one of the major providers of Federal funds, allowing the FHLBanks to warehouse and provide balance sheet liquidity to meet unexpected borrowing demands from members. The FHLBanks also invest in U.S. agency obligations, some of which are structured debt issued by other GSEs.

*Trading Securities.*

**Trading Securities**
**(Dollar amounts in millions)**

| | June 30, 2009 Estimated Fair Value |
|---|---|
| U.S. Treasury obligations | $ 679 |
| Commercial paper | 2,735 |
| Certificates of deposit (1) | 2,710 |
| Government-sponsored enterprises* | 8,382 |
| State or local housing agency obligations | 14 |
| Other** | 6,163 |
| | 20,683 |
| Mortgage-backed securities: | |
| Other U.S. obligations residential MBS*** | 59 |
| Government-sponsored enterprises residential MBS**** | 677 |
| Government-sponsored enterprises commercial MBS**** | 14 |
| | 750 |
| Total | $21,433 |

| | December 31, 2008 Estimated Fair Value |
|---|---|
| Commercial paper | $ 673 |
| Certificates of deposit (1) | 2,072 |
| Government-sponsored enterprises* | 6,422 |
| State or local housing agency obligations | 14 |
| Other** | 2,161 |
| | 11,342 |
| Mortgage-backed securities: | |
| Other U.S. obligations*** | 60 |
| Government-sponsored enterprises**** | 748 |
| | 808 |
| Total | $12,150 |

(1) Represents certificates of deposit that meet the definition of a security under SFAS 115. (See "Note 1—Summary of Significant Accounting Policies" to the accompanying combined financial statements.)

* Primarily consists of debt securities issued or guaranteed by Freddie Mac and/or Fannie Mae.

** Primarily consists of corporate debentures issued or guaranteed by the FDIC under its TLGP, with total estimated fair values of $6,153 million and $2,151 million at June 30, 2009 and December 31, 2008.

*** Primarily consists of Ginnie Mae investment pools.

**** Primarily consists of securities issued or guaranteed by Freddie Mac and/or Fannie Mae.

**Maturity and Yield Characteristics of Trading Non-Mortgage-Backed Securities (Dollar amounts in millions)**

| Year of Maturity | June 30, 2009 Estimated Fair Value | June 30, 2009 Yield | December 31, 2008 Estimated Fair Value | December 31, 2008 Yield |
|---|---|---|---|---|
| **Non-mortgage-backed securities** | | | | |
| Due in one year or less | $ 8,905 | 0.56% | $ 3,489 | 2.34% |
| Due after one year through five years | 9,583 | 2.05% | 5,255 | 3.37% |
| Due after five years through ten years | 2,195 | 4.07% | 2,598 | 4.66% |
| Due after ten years | | | | |
| Total | $20,683 | | $11,342 | |

*Available-for-Sale Securities.*

**Available-for-Sale Securities (Dollar amounts in millions)**

| | June 30, 2009 | | | |
|---|---|---|---|---|
| | Amortized Cost (1) | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
| U.S. Treasury obligations | $ 859 | $ 29 | $ | $ 888 |
| Certificates of deposit (2) | 5,955 | | | 5,955 |
| Other U.S. obligations and FFELP ABS* | 5,861 | 17 | (4) | 5,874 |
| Government-sponsored enterprises** | 2,640 | 95 | (65) | 2,670 |
| Other*** | 1,110 | 4 | (59) | 1,055 |
| | 16,425 | 145 | (128) | 16,442 |
| Mortgage-backed securities: | | | | |
| Other U.S. obligations residential MBS* | 623 | 3 | (1) | 625 |
| Government-sponsored enterprises residential MBS**** | 10,448 | 78 | (83) | 10,443 |
| Government-sponsored enterprises commercial MBS**** | 316 | | (6) | 310 |
| Private-label residential MBS | 4,813 | | (1,936) | 2,877 |
| Home equity loans | 17 | | (11) | 6 |
| | 16,217 | 81 | (2,037) | 14,261 |
| Total | $32,642 | $226 | $(2,165) | $30,703 |

| | December 31, 2008 | | | |
|---|---|---|---|---|
| | Amortized Cost(1) | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
| Certificates of deposit and bank notes(2) | $ 2,512 | $ | $ (1) | $ 2,511 |
| Government-sponsored enterprises** | 2,711 | 177 | (80) | 2,808 |
| State and local housing agency obligations | 30 | | | 30 |
| Other | 516 | | (46) | 470 |
| | 5,769 | 177 | (127) | 5,819 |
| Mortgage-backed securities: | | | | |
| Government-sponsored enterprises**** | 8,766 | 36 | (214) | 8,588 |
| Other ***** | 208 | | (56) | 152 |
| | 8,974 | 36 | (270) | 8,740 |
| Total | $14,743 | $213 | $(397) | $14,559 |

(1) Amortized cost of available-for-sale securities includes adjustments made to the cost basis of an investment for accretion, amortization, collection of cash, previous OTTI recognized in earnings (excluding any cumulative-effect adjustments recognized in accordance with the transition provisions of FSP FAS 115-2 and FAS 124-2), and/or fair-value hedge accounting adjustments.

(2) Represents certificates of deposit and/or bank notes that meet the definition of a security under SFAS 115. (See "Note 1—Summary of Significant Accounting Policies.")

* FFELP ABS are backed by FFELP student loans that are guaranteed by a guarantee agency and re-insured by the U.S. Department of Education and has a total estimated fair value of $5,095 million at June 30, 2009. Other U.S. obligations primarily consists of Ginnie Mae and/or SBA investment pools.

** Primarily consists of debt securities issued or guaranteed by Freddie Mac, Fannie Mae and/or TVA.

*** Primarily consists of corporate debentures and/or promissory notes issued or guaranteed by FDIC under its TLGP, with a total estimated fair value of $567 million at June 30, 2009.

**** Primarily consists of securities issued or guaranteed by Freddie Mac and/or Fannie Mae.

***** Primarily consists of private-label mortgage-backed securities.

The $1,767 million increase in gross unrealized losses on the FHLBanks' available-for-sale mortgage-backed securities from December 31, 2008 to June 30, 2009 is due to continued deterioration in the credit performance of mortgage loans and in house prices, compounded by the effect of forced portfolio liquidations by certain large investors. These factors resulted in temporary illiquidity in portions of the mortgage-backed securities market and extraordinarily wide mortgage asset spreads relative to historical averages. These market disruptions have caused the estimated fair values on mortgage-backed securities owned by the FHLBanks to fall below amortized cost on a large number of individual securities, particularly the private-label mortgage-backed securities.

Each FHLBank evaluates its individual available-for-sale investment securities holdings for OTTI on at least a quarterly basis. See "Critical Accounting Estimates—OTTI for Investment Securities," and "Notes to Combined Financial Statements (Unaudited)—Note 4—Available-for-Sale Securities" for additional information regarding the FHLBanks' processes for evaluating available-for-sale securities for OTTI.

If the mortgage markets and general business and economic conditions continue to deteriorate, it is possible that the FHLBanks may experience additional OTTI in the value of their MBS investments. The FHLBanks could experience reduced yields or additional losses on their MBS instruments and cannot predict when or if such write-downs may occur or the size of any such write-downs if they do occur.

**Amortized Cost and Estimated Fair Value of Available-for-Sale Securities by Contractual Maturity (Dollar amounts in millions)**

| Year of Maturity | June 30, 2009 | | December 31, 2008 | |
|---|---|---|---|---|
| | Amortized Cost | Estimated Fair Value | Amortized Cost | Estimated Fair Value |
| Due in one year or less | $ 6,051 | $ 6,049 | $ 2,577 | $ 2,573 |
| Due after one year through five years | 674 | 677 | 158 | 164 |
| Due after five years through ten years | 2,344 | 2,433 | 1,845 | 2,013 |
| Due after ten years | 7,356 | 7,283 | 1,189 | 1,069 |
| | 16,425 | 16,442 | 5,769 | 5,819 |
| Mortgage-backed securities | 16,217 | 14,261 | 8,974 | 8,740 |
| Total | $32,642 | $30,703 | $14,743 | $14,559 |

Expected maturities of certain securities, including mortgage-backed securities, may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment fees.

**Maturity and Yield Characteristics of Available-for-Sale Non-Mortgage-Backed Securities**

| Year of Maturity | June 30, 2009 | December 31, 2008 |
|---|---|---|
| **Non-mortgage-backed securities** | | |
| Due in one year or less | 0.36% | 0.76% |
| Due after one year through five years | 1.40% | 4.07% |
| Due after five years through ten years | 3.98% | 4.55% |
| Due after ten years | 3.99% | 6.39% |

*Held-to-Maturity Securities.*

**Held-to-Maturity Securities**
**(Dollar amounts in millions)**

| | June 30, 2009 | | | | | |
|---|---|---|---|---|---|---|
| | Amortized Cost (1) | OTTI Recognized in AOCI (2) | Carrying Value (3) | Gross Unrecognized Holding Gains (2) | Gross Unrecognized Holding Losses (2) | Estimated Fair Value |
| Commercial paper | $ 2,545 | $ | $ 2,545 | $ | $ | $ 2,545 |
| Certificates of deposit (4) | 13,785 | | 13,785 | 2 | (2) | 13,785 |
| Other U.S. obligations* | 411 | | 411 | 4 | (1) | 414 |
| Government-sponsored enterprises** | 1,634 | | 1,634 | 77 | (7) | 1,704 |
| State or local housing agency obligations | 2,905 | | 2,905 | 31 | (130) | 2,806 |
| Other*** | 2,080 | | 2,080 | 12 | (1) | 2,091 |
| | 23,360 | | 23,360 | 126 | (141) | 23,345 |
| Mortgage-backed securities: | | | | | | |
| Other U.S. obligations residential MBS* | 1,121 | | 1,121 | 6 | (3) | 1,124 |
| Other U.S. obligations commercial MBS* | 50 | | 50 | | (1) | 49 |
| Government-sponsored enterprises residential MBS**** | 81,800 | | 81,800 | 1,989 | (322) | 83,467 |
| Government-sponsored enterprises commercial MBS**** | 1,166 | | 1,166 | 64 | | 1,230 |
| Private-label residential MBS | 57,359 | (6,229) | 51,130 | 179 | (10,020) | 41,289 |
| Private-label commercial MBS | 480 | | 480 | 2 | (15) | 467 |
| Manufactured housing loans | 239 | | 239 | | (75) | 164 |
| Home equity loans | 1,891 | (390) | 1,501 | | (329) | 1,172 |
| MPF Shared Funding Program mortgage-backed certificates | 343 | | 343 | | (13) | 330 |
| | 144,449 | (6,619) | 137,830 | 2,240 | (10,778) | 129,292 |
| Total | $167,809 | $(6,619) | $161,190 | $2,366 | $(10,919) | $152,637 |

| | December 31, 2008 | | | |
|---|---|---|---|---|
| | Amortized Cost (1) | Gross Unrealized Gains (2) | Gross Unrealized Losses (2) | Estimated Fair Value |
| Commercial paper | $ 1,272 | $ 2 | $ | $ 1,274 |
| Certificates of deposit (4) | 16,428 | 6 | | 16,434 |
| Other U.S. obligations* | 737 | 6 | (2) | 741 |
| Government-sponsored enterprises** | 2,267 | 90 | | 2,357 |
| State or local housing agency obligations | 2,941 | 27 | (194) | 2,774 |
| Other*** | 1,257 | 1 | | 1,258 |
| | 24,902 | 132 | (196) | 24,838 |
| Mortgage-backed securities: | | | | |
| Other U.S. obligations* | 505 | 2 | (4) | 503 |
| Government-sponsored enterprises**** | 86,225 | 1,292 | (758) | 86,759 |
| Other***** | 72,892 | 7 | (19,350) | 53,549 |
| | 159,622 | 1,301 | (20,112) | 140,811 |
| Total | $184,524 | $1,433 | $(20,308) | $165,649 |

(1) Amortized cost of held-to-maturity securities includes adjustments made to the cost basis of an investment for accretion, amortization, collection of cash, and/or previous OTTIs recognized in earnings (excluding any cumulative-effect adjustments recognized in accordance with the transition provisions of FSP FAS 115-2 and FAS 124-2). At December 31, 2008, carrying value equaled amortized cost.

(2) Gross unrecognized holding gains/(losses) represent the difference between estimated fair value and carrying value, while gross unrealized gains/(losses) represent the difference between estimated fair value and amortized cost.

(3) In accordance with FSP 115-2 and FAS 124-2, carrying value of held-to-maturity securities represent amortized cost after adjustment for noncredit-related impairment recognized in AOCI.

(4) Represents certificates of deposit that meet the definition of a security under SFAS 115. (See "Note 1—Summary of Significant Accounting Policies.")

* Primarily consists of Ginnie Mae and/or SBA investment pools.

** Primarily consists of debt securities issued or guaranteed by Freddie Mac, Fannie Mae and/or TVA.

*** Primarily consists of corporate debentures and/or promissory notes issued or guaranteed by FDIC under its TLGP, with total amortized cost of $2,073 million and $1,250 million at June 30, 2009 and December 31, 2008.

**** Primarily consists of securities issued or guaranteed by Freddie Mac and/or Fannie Mae.

***** Primarily consists of private-label mortgage-backed securities.

Gross unrealized losses on the FHLBanks' held-to-maturity mortgage-backed securities at June 30, 2009 and December 31, 2008 resulted from ongoing market volatility, extraordinarily high investor yield requirements resulting from illiquidity in applicable market sectors, continued deterioration in the credit performance of mortgage loans and in house prices as well as uncertainty about the future condition of the economy. The $2,766 million decrease in gross unrealized losses on the FHLBanks' held-to-maturity mortgage-backed securities from December 31, 2008 to June 30, 2009 is partially due to each of the FHLBanks of Pittsburgh and Atlanta transferring certain private-label MBS from its held-to-maturity portfolio to its available-for-sale portfolio.

Each FHLBank evaluates its individual held-to-maturity investment securities holdings for OTTI on at least a quarterly basis. See "Critical Accounting Estimates—OTTI for Investment Securities," and "Notes to Combined Financial Statements (Unaudited)—Note 5—Held-to-Maturity Securities" for additional information regarding the FHLBanks' processes for evaluating held-to-maturity securities for OTTI.

If the mortgage markets and general business and economic conditions continue to deteriorate, it is possible that the FHLBanks may experience additional OTTI in the value of their MBS investments. The

FHLBanks could experience reduced yields or additional losses on their MBS instruments and cannot predict when or if such write-downs may occur or the size of any such write-downs if they do occur.

**Amortized Cost and Estimated Fair Value of Held-to-Maturity Securities by Contractual Maturity (Dollar amounts in millions)**

| | June 30, 2009 | | | December 31, 2008 | |
|---|---|---|---|---|---|
| Year of Maturity | Amortized Cost | Carrying Value | Estimated Fair Value | Amortized Cost* | Estimated Fair Value |
| Due in one year or less | $ 16,920 | $ 16,920 | $ 16,925 | $ 19,866 | $ 19,878 |
| Due after one year through five years | 3,236 | 3,236 | 3,329 | 2,052 | 2,152 |
| Due after five years through ten years | 351 | 351 | 354 | 341 | 337 |
| Due after ten years | 2,853 | 2,853 | 2,737 | 2,643 | 2,471 |
| | 23,360 | 23,360 | 23,345 | 24,902 | 24,838 |
| Mortgage-backed securities | 144,449 | 137,830 | 129,292 | 159,622 | 140,811 |
| Total | $167,809 | $161,190 | $152,637 | $184,524 | $165,649 |

* At December 31, 2008, carrying value equaled amortized cost.

Expected maturities of certain securities, including mortgage-backed securities, may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment fees.

**Maturity and Yield Characteristics of Held-to-Maturity Non-Mortgage-Backed Securities**

| Year of Maturity | June 30, 2009 | December 31, 2008 |
|---|---|---|
| **Non-mortgage-backed securities** | | |
| Due in one year or less | 0.43% | 1.32% |
| Due after one year through five years | 2.22% | 4.24% |
| Due after five years through ten years | 3.79% | 4.24% |
| Due after ten years | 2.78% | 3.80% |

*OTTI on Investment Securities.*

As of June 30, 2009, approximately 90 percent of the FHLBanks' mortgage-backed securities are classified as held-to-maturity and each of the FHLBanks does not intend to sell these securities and it is not more likely than not that the FHLBank will be required to sell these securities before its anticipated recovery of each security's remaining amortized cost basis. Each FHLBank actively monitors the credit quality of its mortgage-backed securities to evaluate its exposure to the risk of loss on these investments. During the six months ended June 30, 2009, the FHLBanks of Boston, New York, Pittsburgh, Indianapolis, Chicago, Dallas, Topeka, San Francisco and Seattle recognized $6,369 million of combined total OTTI losses related to private-label MBS and home equity loan investments classified as held-to-maturity securities, after each of these FHLBanks determined that it was likely that it would not recover the entire amortized cost of each of these securities. Of the total OTTI losses recognized, $5,632 million was recognized in AOCI, resulting in net OTTI losses in earnings of $737 million related to held-to-maturity securities; these amounts exclude credit losses related to the FHLBanks of Pittsburgh and Atlanta. If delinquency and/or loss rates on mortgages and/or home equity loans continue to increase, and/or a rapid decline in residential real estate values continues, the FHLBanks could experience further reduced yields or additional losses on their investment securities.

As of June 30, 2009, approximately 9 percent of the FHLBanks' mortgage-backed securities are classified as available-for-sale. As a result of the FHLBanks' OTTI assessment at June 30, 2009, each of the FHLBanks of Pittsburgh, Atlanta and Chicago determined that it was likely that it would not recover the entire amortized cost of each of these securities owned by it. During the six months ended June 30, 2009, the FHLBank of Chicago recognized $46 million in total OTTI losses related to impairment of available-for-sale private-label MBS classified as available-for-sale, of which $27 million was recognized in AOCI. The FHLBank of Chicago recognized net OTTI losses in earnings of $19 million related to available-for-sale securities. The FHLBank of Pittsburgh did not record any credit losses on available-for-sale securities for the three and six months ended of June 30, 2009. However, the FHLBank of Pittsburgh had recorded $39 million and $62 million of OTTI credit losses for the three and six months ended June 30, 2009, respectively, on the held-to-maturity securities that were subsequently transferred to available-for-sale. At March 31, 2009 and June 30, 2009, the FHLBank of Atlanta transferred certain private-label MBS from its held-to-maturity portfolio to an available-for-sale portfolio. These securities represent private-label MBS in the FHLBank of Atlanta's held-to-maturity portfolio for which the FHLBank of Atlanta has recorded an other-than-temporary impairment loss. The FHLBank of Atlanta had recorded $9 million and $98 million of OTTI credit losses for the three and six months ended June 30, 2009, respectively, on held-to-maturity securities, which were subsequently transferred to available-for-sale.

The following table represents a comparison of the subprime, Alt-A and prime loans backing private-label MBS owned by the FHLBanks at June 30, 2009, and OTTI charges taken on these securities during the six months ended June 30, 2009.

**OTTI of**
**Private-Label Mortgage-Backed Securities,**
**Manufactured Housing Loans**
**and Home Equity Loan Investments**
**by Year of Securitization**
**At and for the Six Months Ended June 30, 2009**
**(Dollar amounts in millions)**

| | Prime (1) | | | | | |
|---|---|---|---|---|---|---|
| Year of Securitization | Amortized Cost | Gross Unrealized Losses | Fair Value | Year-to-Date Credit-Related OTTI Charge Taken (2) | Year-to-Date Noncredit-Related OTTI Charge Taken (2) | Total Year-to-Date OTTI Charge Taken (2) |
| Private-label RMBS: | | | | | | |
| 2008 | $ 760 | $ (104) | $ 597 | $ | $ (60) | $ (60) |
| 2007 | 5,623 | (1,619) | 3,727 | (117) | (1,122) | (1,239) |
| 2006 | 6,531 | (1,946) | 4,556 | (140) | (1,078) | (1,218) |
| 2005 | 6,227 | (1,497) | 4,730 | (31) | (347) | (378) |
| 2004 and prior | 15,835 | (1,817) | 14,023 | (1) | (5) | (6) |
| Total | 34,976 | (6,983) | 27,633 | (289) | (2,612) | (2,901) |
| Private-label CMBS: | | | | | | |
| 2004 and prior | 480 | (15) | 467 | | | |
| Total | 480 | (15) | 467 | | | |
| Manufactured housing loans: | | | | | | |
| Total | | | | | | |
| Home equity loan investments: | | | | | | |
| 2004 and prior | 5 | (2) | 2 | | (1) | (1) |
| Total | 5 | (2) | 2 | | (1) | (1) |
| Total prime private-label RMBS and CMBS, manufactured housing loans and home equity loan investments | $35,461 | $(7,000) | $28,102 | $(289) | $(2,613) | $(2,902) |

**OTTI of**
**Private-Label Mortgage-Backed Securities,**
**Manufactured Housing Loans**
**and Home Equity Loan Investments**
**by Year of Securitization (continued)**
**At and for the Six Months Ended June 30, 2009**
**(Dollar amounts in millions)**

| | Alt-A (1) | | | | | |
|---|---|---|---|---|---|---|
| Year of Securitization | Amortized Cost | Gross Unrealized Losses | Fair Value | Year-to-Date Credit-Related OTTI Charge Taken (2) | Year-to-Date Noncredit-Related OTTI Charge Taken (2) | Total Year-to-Date OTTI Charge Taken (2) |
| Private-label RMBS: | | | | | | |
| 2008 | $ 1,070 | $ (481) | $ 588 | $ | $ | $ |
| 2007 | 7,980 | (2,744) | 4,227 | (233) | (1,979) | (2,212) |
| 2006 | 5,095 | (1,846) | 2,781 | (255) | (1,220) | (1,475) |
| 2005 | 8,509 | (2,430) | 5,334 | (83) | (1,146) | (1,229) |
| 2004 and prior | 4,523 | (931) | 3,592 | | (1) | (1) |
| Total | 27,177 | (8,432) | 16,522 | (571) | (4,346) | (4,917) |
| Private-label CMBS: | | | | | | |
| Total | | | | | | |
| Manufactured housing loans: | | | | | | |
| Total | | | | | | |
| Home equity loan investments: | | | | | | |
| 2006 | 23 | (15) | 9 | | | |
| 2005 | 5 | (2) | 3 | | | |
| 2004 and prior | 39 | (25) | 14 | | | |
| Total | 67 | (42) | 26 | | | |
| Total Alt-A private-label RMBS and CMBS, manufactured housing loans and home equity loan investments | $27,244 | $(8,474) | $16,548 | $(571) | $(4,346) | $(4,917) |

**OTTI of**
**Private-Label Mortgage-Backed Securities,**
**Manufactured Housing Loans**
**and Home Equity Loan Investments**
**by Year of Securitization (continued)**
**At and for the Six Months Ended June 30, 2009**
**(Dollar amounts in millions)**

| | Subprime (1) | | | | | |
|---|---|---|---|---|---|---|
| Year of Securitization | Amortized Cost | Gross Unrealized Losses | Fair Value | Year-to-Date Credit-Related OTTI Charge Taken (2) | Year-to-Date Noncredit-Related OTTI Charge Taken (2) | Total Year-to-Date OTTI Charge Taken (2) |
| Private-label RMBS: | | | | | | |
| 2004 and prior | $ 22 | $ (9) | $ 12 | $ | $ (2) | $ (2) |
| Total | 22 | (9) | 12 | | (2) | (2) |
| Private-label CMBS: | | | | | | |
| Total | | | | | | |
| Manufactured housing loans: | | | | | | |
| 2004 and prior | 239 | (75) | 164 | | | |
| Total | 239 | (75) | 164 | | | |
| Home equity loan investments: | | | | | | |
| 2007 | 9 | (4) | 5 | | | |
| 2006 | 1,021 | (423) | 598 | (77) | (204) | (281) |
| 2005 | 157 | (24) | 132 | (3) | (2) | (5) |
| 2004 and prior | 651 | (238) | 414 | (13) | (76) | (89) |
| Total | 1,838 | (689) | 1,149 | (93) | (282) | (375) |
| Total subprime private-label RMBS and CMBS, manufactured housing loans and home equity loan investments | $ 2,099 | $ (773) | $ 1,325 | $ (93) | $ (284) | $ (377) |
| Total private-label RMBS and CMBS, manufactured housing loans and home equity loan investments | $64,804 | $(16,247) | $45,975 | $(953) | $(7,243) | $(8,196) |

(1) The FHLBanks classify private-label MBS as prime, Alt-A and subprime based on the originator's classification at the time of origination or based on classification by an NRSRO upon issuance of the MBS.

(2) Represents total gross unrealized losses including noncredit-related impairment recognized in AOCI.

The following table summarizes OTTI charges recorded by the FHLBanks at June 30, 2009, based on security type and duration of noncredit-related and credit-related unrealized losses prior to impairment.

**Summary of OTTIs Recorded by Security Type and Duration of Unrealized Losses Prior to Impairment (1)**
**For the Six Months Ended June 30, 2009**
**(Dollar amounts in millions)**

| | Noncredit-Related Gross Unrealized Losses (2) | | | Credit-Related Gross Unrealized Losses (3) | | | |
|---|---|---|---|---|---|---|---|
| Held-to-Maturity Securities | Less Than 12 Months | 12 Months or Greater | Total | Less Than 12 Months | 12 Months or Greater | Total | Total OTTI Charged YTD |
| Prime: | | | | | | | |
| Private-label RMBS | $ 1 | $1,408 | $1,409 | $11 | $138 | $149 | $1,558 |
| Home equity loan investments | | 1 | 1 | | | | 1 |
| Total prime | 1 | 1,409 | 1,410 | 11 | 138 | 149 | 1,559 |
| Alt-A: | | | | | | | |
| Private-label RMBS | (2) | 3,942 | 3,940 | 6 | 489 | 495 | 4,435 |
| Total Alt-A | (2) | 3,942 | 3,940 | 6 | 489 | 495 | 4,435 |
| Subprime: | | | | | | | |
| Home equity loan investments | | 282 | 282 | 6 | 87 | 93 | 375 |
| Total subprime | | 282 | 282 | 6 | 87 | 93 | 375 |
| Private-label MBS total | $(1) | $5,633 | $5,632 | $23 | $714 | $737 | $6,369 |

| | Noncredit-Related Gross Unrealized Losses (2) | | | Credit-Related Gross Unrealized Losses (3) | | | |
|---|---|---|---|---|---|---|---|
| Available-for-Sale Securities | Less Than 12 Months | 12 Months or Greater | Total | Less Than 12 Months | 12 Months or Greater | Total | Total OTTI Charged YTD |
| Prime: | | | | | | | |
| Private-label RMBS | $ | $1,203 | $1,203 | $ | $140 | $140 | $1,343 |
| Total prime | | 1,203 | 1,203 | | 140 | 140 | 1,343 |
| Alt-A: | | | | | | | |
| Private-label RMBS | | 406 | 406 | | 76 | 76 | 482 |
| Total Alt-A | | 406 | 406 | | 76 | 76 | 482 |
| Subprime: | | | | | | | |
| Private-label RMBS | | 2 | 2 | | | | 2 |
| Total subprime | | 2 | 2 | | | | 2 |
| Private-label MBS total | $ | $1,611 | $1,611 | $ | $216 | $216 | $1,827 |

(1) The FHLBanks classify private-label MBS as prime, Alt-A and subprime based on the originator's classification at the time of origination or based on classification by an NRSRO upon issuance of the MBS.

(2) Noncredit losses were recognized in AOCI upon OTTI at June 30, 2009.

(3) Credit losses were recognized in earnings upon OTTI at June 30, 2009.

The remainder of the FHLBanks' non-agency private-label MBS and home equity loan investments portfolio has experienced unrealized losses and a decrease in fair value due to interest rate volatility, illiquidity in the marketplace, and credit deterioration in the U.S. mortgage markets. However, these declines are considered temporary, as each of the FHLBanks expects to recover the entire amortized cost basis on the remaining securities in unrealized loss positions and neither intends to sell these securities, nor considers it more likely than not that it would be required to sell these securities before its anticipated recovery of each security's remaining amortized cost basis. See individual FHLBanks' SEC Form 10-Qs for FHLBank-specific information relating to OTTI. The FHLBanks' portfolio monitoring is ongoing, and further deterioration in delinquency and loss rates and real estate values may cause an additional increase in actual losses on private-label MBS and home equity loan investments.

*Mortgage Loans Held for Portfolio.*

The factors that affect the volume of mortgage loans purchased from members include the general level of U.S. housing activity, the level of domestic refinancing activity and consumer product preferences. Although the current economic conditions have led to increased purchases of mortgage loans from FHLBank members during the first half of 2009 compared to the same period in 2008, this increase has not been large enough to offset the reduction of mortgage loan balances due to maturities and prepayments. Also during the first half of 2009, the FHBank of Des Moines sold $2.1 billion of mortgage loans held for sale. Significantly lower mortgage interest rates during the fourth quarter of 2008 and the first half of 2009 increased refinancing activity, which normally results in mortgage loan balances increasing. Mortgage loan volumes also may have benefited from the financial difficulties and conservatorship of Fannie Mae and Freddie Mac. However, the credit difficulties in the mortgage market coupled with the economic recession caused the continued run-off of mortgage loans held for portfolio to more than offset the new funding activity during the first half of 2009. The FHLBanks anticipate that their combined outstanding mortgage loans held for portfolio will continue to decrease during 2009 due to several FHLBanks' discontinued participation in the MPF Program and/or MPP, the reduction of outstanding mortgage loan balances due to maturities and prepayments, and the continuing credit crisis in the housing market.

**Mortgage Loans Held for Portfolio**
**(Dollar amounts in millions)**

| | June 30, 2009 | Percentage of Total | December 31, 2008 | Percentage of Total | (Decrease) Increase $ | (Decrease) Increase % |
|---|---|---|---|---|---|---|
| Real Estate: | | | | | | |
| Fixed-rate, medium-term* single-family mortgages | $18,885 | 24.5% | $20,913 | 24.1% | $(2,028) | (9.7)% |
| Fixed-rate, long-term single-family mortgages | 58,354 | 75.5% | 65,846 | 75.9% | (7,492) | (11.4)% |
| Multifamily mortgages | 26 | 0.0% | 27 | 0.0% | (1) | (3.7)% |
| | 77,265 | 100.0% | 86,786 | 100.0% | (9,521) | (11.0)% |
| Premiums | 510 | | 516 | | (6) | (1.2)% |
| Discounts | (264) | | (269) | | 5 | 1.9% |
| Deferred loan costs, net | 25 | | 32 | | (7) | (21.9)% |
| SFAS 133 hedging adjustments | 243 | | 311 | | (68) | (21.9)% |
| Total mortgage loans held for portfolio | $77,779 | | $87,376 | | $(9,597) | (11.0)% |

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

In general, principal paydowns and maturities of mortgage loans held for portfolio have been greater than purchases and fundings of new mortgage loans held for portfolio. Additionally, on April 8, 2009, the FHLBank of Des Moines transferred $2.4 billion of certain mortgage loans from held for investment to held for sale as a result of its management identifying certain loans for which its intent to hold these loans for portfolio had changed. At the time of transfer, all loans were in a gain position and therefore were recorded at their cost basis, which included the principal amount outstanding and unamortized premiums, discounts and basis adjustments. During the three months ended June 30, 2009, the FHLBank of Des Moines received normal monthly principal payments and liquidations amounting to $0.1 billion on these mortgage loans held for sale. During the three months ended June 30, 2009, the FHLBank of Des Moines recognized $0.5 million in losses on mortgage loans held for sale that had liquidated during the period, which represented net unamortized premiums on these loans. These losses were recorded as a component of other income (loss) in the Combined Statement of Income. On June 30, 2009, the remaining $0.2 billion of mortgage loans held for sale were reclassified back to mortgage loans held for portfolio, as management intends to hold these loans to maturity.

At June 30, 2009, the FHLBanks of Chicago (35 percent), Cincinnati (12 percent), Des Moines (10 percent) and Indianapolis (10 percent) held the largest percentage of the combined mortgage loans held for portfolio. No other FHLBank held 10 percent or more of the combined mortgage loans held for portfolio at June 30, 2009.

On September 23, 2008, the FHLBank of Chicago announced the launch of the MPF Xtra product which provides PFIs with a new secondary mortgage market alternative. Loans sold to the FHLBank of Chicago through the MPF Xtra product are concurrently sold to Fannie Mae, as a third party investor, and are not held on each participating FHLBank's balance sheet. Unlike other conventional MPF products, under the MPF Xtra product PFIs are not required to provide credit enhancement and do not receive credit enhancement fees. Additionally, at the present time, only PFIs that retain servicing may sell loans under the MPF Xtra product. During the first quarter of 2009, each of the FHLBanks of Boston, Pittsburgh and Des Moines announced plans to begin offering the MPF Xtra product to its members.

**Mortgage Loans Held for Portfolio by Program Types**
**(Dollar amounts in millions)**

| | June 30, 2009 | | December 31, 2008 | | (Decrease) Increase | |
|---|---|---|---|---|---|---|
| | Amount | Percentage of Total | Amount | Percentage of Total | $ | % |
| MPF, mortgage loans held for portfolio | $55,278 | 71.1% | $64,481 | 73.8% | $(9,203) | (14.3)% |
| MPP, mortgage loans held for portfolio | 22,473 | 28.9% | 22,867 | 26.2% | (394) | (1.7)% |
| Other mortgage loans | 28 | 0.0% | 28 | 0.0% | | |
| Total mortgage loans held for portfolio | $77,779 | 100.0% | $87,376 | 100.0% | $(9,597) | (11.0)% |
| Allowance for credit losses—MPF | $ 23 | 95.8% | $ 14 | 93.3% | $ 9 | 64.3% |
| Allowance for credit losses—MPP | | | | | | |
| Allowance for credit losses—other | 1 | 4.2% | 1 | 6.7% | | |
| Total allowance for credit losses | $ 24 | 100.0% | $ 15 | 100.0% | $ 9 | 60.0% |
| MPF, mortgage loans held for portfolio, net | $55,255 | 71.1% | $64,467 | 73.8% | $(9,212) | (14.3)% |
| MPP, mortgage loans held for portfolio, net | 22,473 | 28.9% | 22,867 | 26.2% | (394) | (1.7)% |
| Other mortgage loans, net | 27 | 0.0% | 27 | 0.0% | | |
| Total mortgage loans held for portfolio, net | $77,755 | 100.0% | $87,361 | 100.0% | $(9,606) | (11.0)% |

Each of the FHLBanks has either established an appropriate allowance for credit losses for mortgage loan programs or has determined that no loan loss allowance is necessary, and the management of each FHLBank believes that it has the policies and procedures in place to manage appropriately the credit risk on its mortgage loan portfolio.

The "Other mortgage loans, net" balances relate to the Affordable Multifamily Participation Program (AMPP) established by the FHLBank of Atlanta, and the Community Mortgage Asset (CMA) program held by the FHLBank of New York. Through AMPP, members sold to the FHLBank of Atlanta participations in loans on affordable multifamily rental properties. These assets did not carry external CEs. Through the CMA program, the FHLBank of New York participated in residential, multifamily and community economic development mortgage loans originated by its members. The FHLBank of Atlanta ceased acquisitions under AMPP in 2006. The FHLBank of New York suspended acquisitions under the CMA program in 2001.

**Mortgage Loans by Loan Type**
**(Dollar amounts in millions at par value)**

| | June 30, 2009 | Percentage of Total | December 31, 2008 | Percentage of Total | Decrease | |
|---|---|---|---|---|---|---|
| | | | | | $ | % |
| Conventional loans | $69,429 | 89.9% | $78,499 | 90.5% | $(9,070) | (11.6)% |
| Government-guaranteed or-insured loans | 7,832 | 10.1% | 8,283 | 9.5% | (451) | (5.4)% |
| Other loans | 4 | 0.0% | 4 | 0.0% | | |
| Total par value | $77,265 | 100.0% | $86,786 | 100.0% | $(9,521) | (11.0)% |

**Allowance for Credit Losses on Mortgage Loans**
**(Dollar amounts in millions)**

| | June 30, 2009 | December 31, 2008 |
|---|---|---|
| Balance, beginning of period | $15 | $ 8 |
| Charge-offs | (1) | (1) |
| Provision for credit losses | 10 | 8 |
| Balance, end of period | $24 | $15 |

Delinquent mortgage loans and real estate owned as compared to total mortgage loans held for portfolio, net are summarized below.

**Delinquent Mortgage Loans and Real Estate Owned**
**(Dollar amounts in millions)**

| | June 30, 2009 | December 31, 2008 |
|---|---|---|
| Mortgage loans held for portfolio, net | $77,755 | $87,361 |
| Nonperforming mortgage loans held for portfolio (1) | 268 | 165 |
| Mortgage loans held for portfolio past due 30- 90 days and still accruing interest (2) | 1,667 | 1,819 |
| Mortgage loans held for portfolio past due 90 days or more and still accruing interest (2) | 620 | 501 |
| Loans in foreclosure | 267 | 164 |
| Real estate owned | 67 | 58 |

(1) Generally represents mortgage loans with contractual principal or interest payments 90 days or more past due and not accruing interest.

(2) Mortgage loans insured or guaranteed by the Federal Housing Administration (FHA), the Department of Veterans Affairs (VA), the RHS and/or HUD.

The FHLBanks' interest contractually due and actually received for nonperforming loans are as follows:

**Nonperforming Loans Contractual Interest Due and Received**
**(Dollar amounts in millions)**

| | For the Six Months Ended | |
|---|---|---|
| | June 30, 2009 | June 30, 2008 |
| Interest contractually due during the period | $5.4 | $2.2 |
| Interest actually received during the period | 3.5 | 1.6 |
| Shortfall | $1.9 | $0.6 |

*Consolidated Obligations.*

*General.* Consolidated obligations issued through the Office of Finance are the principal source of funds used by the FHLBanks to make advances, make investments and purchase mortgages. Consolidated obligations consist of consolidated bonds and consolidated discount notes, which generally differ, among other ways, in their maturities and in some of the intended uses of the funds they provide. An FHLBank is generally prohibited by regulation from purchasing, directly or indirectly, a consolidated obligation as part of the consolidated obligation's initial issuance.

**Average Consolidated Obligations Outstanding**
**at Par Value**
**(Dollar amounts in millions)**

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | | For the Three Months Months Ended June 30, 2009 vs. 2008 (Decrease) Increase | | For the Six Months Months Ended June 30, 2009 vs. 2008 (Decrease) Increase | |
|---|---|---|---|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 | $ | % | $ | % |
| Overnight consolidated discount notes | $ 28,236 | $ 39,209 | $ 24,990 | $ 40,314 | $ (10,973) | (28.0)% | $(15,324) | (38.0)% |
| Term consolidated discount notes | 356,548 | 342,356 | 383,430 | 337,975 | 14,192 | 4.1% | 45,455 | 13.4% |
| Total consolidated discount notes | 384,784 | 381,565 | 408,420 | 378,289 | 3,219 | 0.8% | 30,131 | 8.0% |
| Consolidated bonds | 710,897 | 858,041 | 743,172 | 838,212 | (147,144) | (17.1)% | (95,040) | (11.3)% |
| Total consolidated obligations | $1,095,681 | $1,239,606 | $1,151,592 | $1,216,501 | $(143,925) | (11.6)% | $(64,909) | (5.3)% |

**Consolidated Obligations Outstanding**
**(Dollar amounts in millions)**

| | June 30, 2009 | | December 31, 2008 | |
|---|---|---|---|---|
| | Amount | Percentage of Total Consolidated Obligations, Net | Amount | Percentage of Total Consolidated Obligations, Net |
| Consolidated discount notes | $ 342,259 | 32.3% | $ 439,895 | 35.0% |
| Consolidated bonds | 718,409 | 67.7% | 818,372 | 65.0% |
| Total consolidated obligations, net | $1,060,668 | 100.0% | $1,258,267 | 100.0% |

The $197.6 billion decrease in total consolidated obligations from December 31, 2008 to June 30, 2009, primarily relates to the $97.6 billion decrease in consolidated discount notes and the $46.2 billion decrease in consolidated bonds maturing in one year or less, and $55.1 billion of decreases in long-term consolidated bonds for all maturity terms except for due after 1 year through 2 years and due after 3 years through 4 years.

**Consolidated Bonds Outstanding by Year of Contractual Maturity (Dollar amounts in millions)**

| | June 30, 2009 | | December 31, 2008 | |
|---|---|---|---|---|
| Year of Contractual Maturity | Amount | Weighted-Average Interest Rate | Amount | Weighted-Average Interest Rate |
| Due in 1 year or less | $360,102 | 1.64% | $406,355 | 2.62% |
| Due after 1 year through 2 years | 130,470 | 2.53% | 129,788 | 3.39% |
| Due after 2 years through 3 years | 60,391 | 3.74% | 68,554 | 4.16% |
| Due after 3 years through 4 years | 39,836 | 4.13% | 36,138 | 4.73% |
| Due after 4 years through 5 years | 36,969 | 4.29% | 56,818 | 4.24% |
| Thereafter | 78,175 | 4.97% | 104,405 | 5.18% |
| Index amortizing notes | 6,902 | 5.03% | 7,756 | 5.02% |
| Total par value | 712,845 | 2.65% | 809,814 | 3.43% |
| Premiums | 839 | | 719 | |
| Discounts | (1,468) | | (3,216) | |
| SFAS 133 hedging adjustments | 6,094 | | 10,989 | |
| SFAS 159 valuation adjustments | 99 | | 66 | |
| Total | $718,409 | | $818,372 | |

**Par Value of Consolidated Bonds Outstanding by Year of Contractual Maturity or Next Call Date (Dollar amounts in millions)**

| Year of Contractual Maturity or Next Call Date | June 30, 2009 | December 31, 2008 |
|---|---|---|
| Due in 1 year or less | $429,916 | $511,099 |
| Due after 1 year through 2 years | 131,375 | 134,664 |
| Due after 2 years through 3 years | 47,642 | 52,644 |
| Due after 3 years through 4 years | 26,185 | 19,723 |
| Due after 4 years through 5 years | 25,812 | 33,591 |
| Thereafter | 45,013 | 50,337 |
| Index amortizing notes | 6,902 | 7,756 |
| Total par value | $712,845 | $809,814 |

**Par Value of Consolidated Bonds Outstanding**
**by Redemption Feature**
**(Dollar amounts in millions)**

| Par amount of consolidated bonds | June 30, 2009 | December 31, 2008 |
|---|---|---|
| Noncallable/nonputable | $613,119 | $643,882 |
| Callable | 99,726 | 165,932 |
| Total par value | $712,845 | $809,814 |

**Par Value of Consolidated Bonds Outstanding (1)**
**by Payment Terms**
**(Dollar amounts in millions)**

| | June 30, 2009 | | December 31, 2008 | |
|---|---|---|---|---|
| | Amount | Percentage of Total | Amount | Percentage of Total |
| Fixed-rate, noncallable | $403,264 | 56.5% | $404,298 | 49.9% |
| Single-index, non-capped variable-rate | 197,554 | 27.7% | 223,895 | 27.6% |
| Fixed-rate, callable | 90,397 | 12.7% | 157,769 | 19.5% |
| Step-up/step-down | 12,078 | 1.7% | 9,058 | 1.1% |
| Amortizing prepayment linked securities | 6,906 | 1.0% | 7,762 | 1.0% |
| Zero-coupon, callable | 1,350 | 0.2% | 3,583 | 0.4% |
| Conversion | 1,080 | 0.2% | 470 | 0.1% |
| Range | 342 | 0.0% | 2,848 | 0.3% |
| Capped variable-rate | 160 | 0.0% | 485 | 0.1% |
| Other | 161 | 0.0% | 257 | 0.0% |
| Total | $713,292 | 100.0% | $810,425 | 100.0% |

(1) Consolidated bonds outstanding have not been adjusted for interbank holdings of consolidated bonds totaling $447 million at June 30, 2009 and $611 million at December 31, 2008.

Consolidated bonds issued through the Office of Finance often have investor-determined features. The decision to issue a consolidated bond using a particular structure is based upon the desired amount of funding and the ability of the FHLBank(s) receiving the proceeds of the consolidated bonds issued to hedge the risks. The issuance of a consolidated bond with a simultaneously-transacted associated interest-rate exchange agreement usually results in a funding vehicle with a lower cost than the FHLBanks could otherwise achieve. The continued attractiveness of such debt/swap transactions depends on price relationships in both the consolidated bond and interest-rate exchange markets. If conditions in these markets change, the FHLBanks may alter the types or terms of the bonds issued. The increase in funding alternatives available to the FHLBanks through negotiated debt/swap transactions is beneficial to the FHLBanks because it:

- diversifies the investor base;
- reduces funding costs; and
- provides additional asset/liability management tools.

*Consolidated Discount Notes.* Consolidated discount notes are issued primarily to provide short-term funds. The issuance of such consolidated discount notes is intended to satisfy, for example:

- advances with short-term maturities or repricing intervals;
- convertible advances or callable/putable advance programs;

- variable-rate advance programs; or
- money-market investments.

These consolidated discount notes presently have a maturity range of one day through one year. They are sold at a discount and mature at par.

*Debt Financing Activity.* Historically, the FHLBanks have had diversified sources and channels of funding as the need for funding from the capital markets has grown. The Global Debt Program issued $82.3 billion and $151.9 billion at par in term funds during the first six months of 2009 and 2008. The TAP Issue Program consolidates the issuance through daily auctions of bullet consolidated bonds of common maturities by re-opening previously issued consolidated bonds. TAP issues generally remain open for three months, after which they are closed and a new series of TAP issues is opened to replace them. This program has reduced the number of separate bullet consolidated bonds issued, but more importantly has enhanced market awareness through increased issue size, secondary market activity, and utility, while providing enhanced funding diversification for the FHLBanks. Through this program, the Office of Finance seeks to enhance the liquidity of these issues. During the first six months of 2009, $594 million of consolidated bonds were issued through the TAP Issue Program. This issuance represents a decrease of $34.0 billion over the first six months of 2008. Toward the end of 2008 and for much of the first half of 2009, funding costs for TAP securities rose substantially compared to funding alternatives. This made TAP securities less attractive to the FHLBanks. TAP securities were perceived as less liquid relative to other larger GSE issues, and dealers and investors began to demand a higher yield for holding less liquid TAPs during the market volatility that started in the fourth quarter of 2008 and continued during much of the first half of 2009.

Consolidated bonds can be negotiated individually or auctioned competitively through approximately 100 underwriters. Consolidated bonds can be offered daily through auction and include fixed-rate bullets (through the TAP Issue Program discussed above) and American-style callables. Underwriters may contact the Office of Finance if there is a structure/dollar target they need to meet investor demand, although many times they negotiate directly with the FHLBanks. Competitively-bid transactions are generally initiated by an FHLBank funding need of a particular structure and size. Dealers are invited to bid and the trade is executed.

| | Percent of Total Consolidated Bonds Issued During Three Months Ended June 30, | | Percent of Total Consolidated Bonds Issued During Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| Negotiated transactions | 94.4% | 79.9% | 91.9% | 83.1% |
| Competitive bid | 5.6% | 20.1% | 8.1% | 16.9% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |

| | Percent of Total Consolidated Bonds Issued During Three Months Ended June 30, | | Percent of Total Consolidated Bonds Issued During Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| Fixed-rate, fixed-term, noncallable (bullet) | 54.4% | 63.6% | 49.6% | 40.7% |
| Single-index, variable-rate | 24.8% | 13.9% | 31.1% | 28.7% |
| Fixed-rate, callable | 13.2% | 21.6% | 15.0% | 29.0% |
| Step-up/step-down | 7.5% | 0.3% | 3.9% | 0.7% |
| Other | 0.1% | 0.6% | 0.4% | 0.9% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |

**Par Value of Consolidated Discount Notes and Consolidated Bonds Issued (Dollar amounts in millions)**

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| Consolidated discount notes | $2,186,117 | $3,178,598 | $3,974,111 | $6,316,838 |
| Consolidated bonds | $ 120,718 | $ 169,609 | $ 247,912 | $ 386,866 |

Balances of the various types of consolidated obligations can fluctuate significantly based on comparative changes in their cost levels, supply and demand conditions, advance demand, money market investment balances, and the FHLBanks' individual balance sheet management strategies. The decrease in consolidated obligations outstanding paralleled the decrease in advances during the first six months of 2009. In the first six months of 2009, the average balance of consolidated discount notes increased compared to the average balance for the first six months of 2008 due to lower interest cost of consolidated discount notes compared to the net interest cost of consolidated bonds; the increase of short-term investments balances, which are funded with consolidated discount notes; replacement of higher cost consolidated bonds with lower cost consolidated discount notes; and the FHLBanks' usage of consolidated discount notes in managing volatile advance levels and continued volatility and uncertainty in the global capital markets. As a result, the average balance of consolidated discount notes as a proportion of total average consolidated obligations outstanding increased in the first six months of 2009 compared to the corresponding period in 2008.

The FHLBanks make use of callable debt. At June 30, 2009, $99.7 billion of callable debt at par was outstanding (excluding an interbank holding adjustment of $63 million). At June 30, 2009, callable consolidated bonds represented 14.0 percent of total consolidated bonds outstanding at par. This percentage has declined in 2009, reflecting, in part, less domestic bank demand for callable consolidated bonds. (See "Financial Trends" for additional discussion.)

Consolidated discount notes accounted for 94.0 percent of the proceeds from the issuance of consolidated obligations during the first six months of 2009, compared to 94.2 percent of the proceeds from the issuance of consolidated obligations during the first six months of 2008. Much of the consolidated discount note activity reflects the refinancing of overnight discount notes.

*Deposits.* At June 30, 2009, deposits totaled $18.2 billion, an increase of $2.7 billion or 17.2 percent from December 31, 2008. Factors that generally influence deposit levels include turnover in members' investment securities portfolios, changes in member demand for liquidity primarily due to member institution deposit growth, the slope of the yield curve and the FHLBanks' deposit pricing as compared to other short-term money market rates.

The following table presents term deposits issued in amounts of $100,000 or more (dollar amounts in millions):

| | June 30, 2009 |
|---|---|
| 3 months or less | $1,087 |
| Over 3 months through 6 months | 248 |
| Over 6 months through 12 months | 50 |
| Over 12 months | 47 |
| Total | $1,432 |

*Capital.*

**Total Capital**
**(Dollar amounts in millions)**

| June 30, 2009 | December 31, 2008 | Decrease | |
|---|---|---|---|
| | | $ | % |
| $45,877 | $51,350 | $(5,473) | (10.7)% |

The decrease in total capital was due primarily to:

- the decrease in accumulated other comprehensive income due to $8.6 billion in noncredit-related OTTI; and
- the decrease in total capital stock attributable to the $4.0 billion of repurchase/redemption of capital stock and $0.5 billion of reclassification of capital stock as mandatorily redeemable capital stock partially offset by the $3.9 billion of net proceeds from the sale of capital stock to support increases in advances during the first six months of 2009,
- which was partially offset by the increase in retained earnings.

During the first six months of 2009, total capital decreased less than total assets. This caused the FHLBanks' combined GAAP capital-to-assets ratio to increase to 4.00 percent at June 30, 2009, from 3.81 percent at December 31, 2008. The FHLBanks' combined regulatory capital-to-assets ratio increased to 5.37 percent at June 30, 2009, from 4.42 percent at December 31, 2008. All FHLBanks except the FHLBank of Chicago have converted to their new capital plans at June 30, 2009.

## Combined Results of Operations

The combined financial statements include the financial records of the 12 FHLBanks. Material transactions among the FHLBanks have been eliminated in accordance with combination accounting principles under GAAP, including Accounting Research Bulletin No. 51, *Consolidated Financial Statements.* (See discussions relating to "Interbank Transfers of Liability on Outstanding Consolidated Bonds and Their Effect on Combined Net Income" at the end of this section and Note 1 to the accompanying combined financial statements.)

*Net Interest Income.*

**Changes in Net Interest Income**
**(Dollar amounts in millions)**

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | | For the Three Months Ended June 30, 2009 vs. 2008 (Decrease) Increase | For the Six Months Ended June 30, 2009 vs. 2008 (Decrease) Increase |
|---|---|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 | $ | $ |
| **INTEREST INCOME** | | | | | | |
| Advances | $2,675 | $ 6,716 | $ 6,470 | $15,790 | $(4,041) | $ (9,320) |
| Prepayment fees on advances | 72 | 26 | 113 | 67 | 46 | 46 |
| Mortgage loans held for portfolio | 1,011 | 1,133 | 2,079 | 2,286 | (122) | (207) |
| Investments and other | 1,795 | 2,823 | 3,735 | 6,030 | (1,028) | (2,295) |
| Total interest income | 5,553 | 10,698 | 12,397 | 24,173 | (5,145) | (11,776) |
| **INTEREST EXPENSE** | | | | | | |
| Consolidated obligations | 4,024 | 9,198 | 9,582 | 21,253 | (5,174) | (11,671) |
| Other | 36 | 156 | 76 | 381 | (120) | (305) |
| Total interest expense | 4,060 | 9,354 | 9,658 | 21,634 | (5,294) | (11,976) |
| **NET INTEREST INCOME** | $1,493 | $ 1,344 | $ 2,739 | $ 2,539 | $ 149 | $ 200 |

Net interest income increased for the second quarter and six months ended June 30, 2009, compared to the same period in 2008, due to replacement of a portion of longer-term, higher-rate debt through the issuance of shorter-term, lower-yielding consolidated discount notes in anticipation of an increase in mortgage asset prepayment activity. However, there were also significant decreases in yields on advances and investments. The average size of the FHLBanks' combined statement of condition decreased significantly in the first six months of 2009 as compared to the same period in 2008. Lower average interest rates and a narrower average interest spread between the cost of short-term debt and the yield on assets in which those funds were invested adversely affected the growth of interest income during the second quarter and first six months of 2009. During the second quarter and first six months of 2008, the FHLBanks had realized unusually wide spreads between the yield on short-term assets and the cost of like-term consolidated discount notes. These spread relationships returned closer to long-term historical norms during the quarter ended June 30, 2009. As market interest rates have decreased, the corresponding decrease in the interest earned on the FHLBanks' assets was less than the decrease in the interest paid on the FHLBanks' debt, resulting in slightly higher net interest income.

*Earnings Analysis.*

The following table presents average balances and yields of major categories of earning assets and the funding sources for those earning assets. It also presents spreads between yields on total earning assets and the cost of interest-bearing liabilities and spreads between yields on total earning assets and the cost of total funding sources (i.e., interest-bearing liabilities, plus capital, plus other interest-free liabilities funding earning assets). The primary source of FHLBank earnings is net interest income. This is the interest earned on advances, mortgages, investments and invested capital, minus interest paid on consolidated obligations, deposits and other borrowings.

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

| | For the Three Months Ended | | | | | |
|---|---|---|---|---|---|---|
| | June 30, 2009 | | | June 30, 2008 | | |
| | Average Balance (1) | Interest (2) | Annualized Yield | Average Balance(1) | Interest (2) | Annualized Yield |
| Advances (3) | $ 781,033 | $2,747 | 1.41% | $ 926,939 | $ 6,742 | 2.93% |
| Mortgage loans held for portfolio | 80,067 | 1,011 | 5.06% | 89,753 | 1,133 | 5.08% |
| Investments: | | | | | | |
| Interest-bearing deposits and other | 50,103 | 30 | 0.24% | 2,893 | 17 | 2.36% |
| Securities purchased under agreements to resell | 12,705 | 5 | 0.16% | 1,041 | 5 | 1.93% |
| Federal funds sold | 59,030 | 37 | 0.25% | 81,195 | 469 | 2.32% |
| Trading securities | 17,896 | 109 | 2.44% | 8,588 | 109 | 5.10% |
| Available-for-sale securities (4) | 25,965 | 136 | 2.10% | 9,710 | 78 | 3.23% |
| Held-to-maturity securities (4) | 172,237 | 1,478 | 3.44% | 208,817 | 2,145 | 4.13% |
| Total investments | 337,936 | 1,795 | 2.13% | 312,244 | 2,823 | 3.64% |
| Total interest-earning assets | 1,199,036 | $5,553 | 1.86% | 1,328,936 | $10,698 | 3.24% |
| Non-interest earning assets | 5,761 | | | 12,966 | | |
| Total assets | $1,204,797 | | | $1,341,902 | | |
| Consolidated obligations: | | | | | | |
| Discount notes | $ 383,401 | $ 507 | 0.53% | $ 380,988 | $ 2,266 | 2.39% |
| Bonds | 717,330 | 3,517 | 1.97% | 855,238 | 6,932 | 3.26% |
| Interest-bearing deposits and other borrowings (5) | 28,749 | 36 | 0.50% | 26,586 | 156 | 2.36% |
| Total interest-bearing liabilities | 1,129,480 | $4,060 | 1.44% | 1,262,812 | $ 9,354 | 2.98% |
| Non-interest-bearing liabilities | 28,261 | | | 22,828 | | |
| Total liabilities | 1,157,741 | | | 1,285,640 | | |
| Capital | 47,056 | | | 56,262 | | |
| Total liabilities and capital | $1,204,797 | | | $1,341,902 | | |
| Spread on: | | | | | | |
| Total interest-bearing liabilities | | | 0.42% | | | 0.26% |
| Total funding (net interest margin) (6) | | | 0.50% | | | 0.41% |

| | For the Six Months Ended | | | | | |
|---|---|---|---|---|---|---|
| | June 30, 2009 | | | June 30, 2008 | | |
| | Average Balance (1) | Interest (2) | Annualized Yield | Average Balance(1) | Interest (2) | Annualized Yield |
| Advances (3) | $ 828,706 | $ 6,583 | 1.60% | $ 907,744 | $15,857 | 3.51% |
| Mortgage loans held for portfolio | 83,142 | 2,079 | 5.04% | 90,394 | 2,286 | 5.09% |
| Investments: | | | | | | |
| Interest-bearing deposits and other | 50,514 | 63 | 0.25% | 3,618 | 52 | 2.89% |
| Securities purchased under agreements to resell | 13,748 | 14 | 0.21% | 1,493 | 22 | 2.96% |
| Federal funds sold | 63,942 | 78 | 0.25% | 81,592 | 1,160 | 2.86% |
| Trading securities | 16,541 | 217 | 2.65% | 8,020 | 207 | 5.19% |
| Available-for-sale securities (4) | 20,315 | 196 | 1.95% | 8,075 | 142 | 3.54% |
| Held-to-maturity securities (4) | 177,497 | 3,167 | 3.60% | 203,908 | 4,447 | 4.39% |
| Total investments | 342,557 | 3,735 | 2.20% | 306,706 | 6,030 | 3.95% |
| Total interest-earning assets | 1,254,405 | $12,397 | 1.99% | 1,304,844 | $24,173 | 3.73% |
| Non-interest earning assets | 8,230 | | | 13,956 | | |
| Total assets | $1,262,635 | | | $1,318,800 | | |
| Consolidated obligations: | | | | | | |
| Discount notes | $ 407,006 | $ 1,549 | 0.77% | $ 377,314 | $ 5,615 | 2.99% |
| Bonds | 749,792 | 8,033 | 2.16% | 835,137 | 15,638 | 3.77% |
| Interest-bearing deposits and other borrowings (5) | 28,647 | 76 | 0.53% | 26,646 | 381 | 2.88% |
| Total interest-bearing liabilities | 1,185,445 | $ 9,658 | 1.64% | 1,239,097 | $21,634 | 3.51% |
| Non-interest-bearing liabilities | 28,280 | | | 24,304 | | |
| Total liabilities | 1,213,725 | | | 1,263,401 | | |
| Capital | 48,910 | | | 55,399 | | |
| Total liabilities and capital | $1,262,635 | | | $1,318,800 | | |
| Spread on: | | | | | | |
| Total interest-bearing liabilities | | | 0.35% | | | 0.22% |
| Total funding (net interest margin) (6) | | | 0.44% | | | 0.40% |

(1) Average balances do not reflect the effect of reclassifications of cash collateral under FSP FIN 39-1.

(2) Interest income/expense and annualized yield include the effect of associated interest-rate exchange agreements that qualify for fair-value hedge accounting under SFAS 133.

(3) Interest income for advances includes prepayment (credits) fees on advances, net.

(4) The average balances of held-to-maturity securities and available-for-sale securities are reflected at amortized cost; therefore, the resulting yields do not give effect to changes in fair value or the noncredit component of a previously recognized other-than-temporary impairment reflected in accumulated other comprehensive income.

(5) The average balances do not include non-interest-bearing deposits and include mandatorily redeemable capital stock and subordinated notes balances and related interest expenses.

(6) Net interest margin is net interest income before provision (reversal) for credit losses as a percentage of average total earning assets.

Net interest spread is the difference between the yields on interest-earning assets and interest-bearing liabilities. The FHLBanks generate net interest income from two components: 1) the net interest-rate spread and 2) funding interest-earning assets with interest-free capital. The sum of these two components, when expressed as a percentage of the average book balance of interest-earning assets, equals the net interest margin. A significant portion of net interest income results from earnings on assets

funded by invested regulatory capital because of the FHLBanks' low net interest-rate spread compared to other financial institutions.

During the second quarter and first six months of 2009, at the combined level, the spread between asset yields and interest-bearing liabilities and the net interest margin increased. During the second quarter of 2009, the FHLBanks of Boston, New York, Pittsburgh, Cincinnati, Indianapolis, Chicago, Topeka, San Francisco and Seattle experienced an increase in both the net interest margin and spread between asset yields and interest-bearing liabilities, while the FHLBanks of Atlanta, Des Moines and Dallas experienced a decrease in both the net interest margin and spread between asset yields and interest-bearing liabilities compared to the same period in 2008.

During the first six months of 2009, the FHLBanks of New York, Cincinnati, Indianapolis, Chicago, Topeka, San Francisco and Seattle experienced an increase in both the net interest margin and spread between asset yields and interest-bearing liabilities, while the FHLBanks of Boston, Atlanta, Des Moines and Dallas experienced a decrease in both the net interest margin and spread between asset yields and interest-bearing liabilities compared to the same period in 2008. The FHLBank of Pittsburgh's net interest margin decreased as the spread between asset yields and interest-bearing liabilities increased in the first six months of 2009.

The FHLBanks' net interest margin and spread between asset yields and interest-bearing liabilities during the second quarter and the first six months of 2009 were primarily affected by decreased member demand for advances and a significant decline in interest rates.

Items that increased the net interest margin and spread for the three-month and six-month periods ended June 30, 2009, compared to the corresponding period in the prior year, included:

- an increase in the proportion of higher-earning assets to total assets;
- a reduction in the average funding costs of consolidated discount notes relative to the yield of short-term assets with comparable terms (e.g., advances and money market investments). In the second quarter and first six months of 2009, average spreads on many assets, especially short-term and adjustable-rate assets indexed to short-term LIBOR, continued to widen relative to their funding costs. This widening occurred because the financial crisis resulted in the rates on the FHLBanks' short-term funding sources, mostly consolidated discount notes, falling significantly more than the cost of interbank lending represented by short-term LIBOR;
- the replacement of higher-costing debt supporting mortgage loans held for portfolio with lower-costing debt reflecting the current low interest-rate environment;
- the reinvestment of proceeds from maturing low-yield investments into higher-yield, market-rate investments; and
- increases in prepayment fee income.

Items that decreased the net interest margin and spread included:

- a decline in average yield on interest-bearing assets funded by non-interest-bearing capital and spreads on non-MBS investments between periods;
- the reinvestment spreads available on newly-issued, short-term debt declined sharply from the unusually high levels experienced in the second quarter and first six months of 2008, to levels that were closer to long-term historical norms;
- the effect of interest rate volatility on the FHLBanks' derivative and hedging activities;
- an increase in funding options available to the FHLBanks' members through various U.S. government programs;
- the maturity of low-cost debt that was issued to fund low interest-rate mortgages and the replacement of such mortgages at lower net spreads; and

- an increase in the recognition of unamortized non-cash items associated with calling an increased amount of consolidated obligations for the second quarter and first six months of 2009.

For additional discussion related to an individual FHLBank's second quarter and first six months of 2009 change in net interest margin and spread, please refer to that FHLBank's periodic report filed with the SEC.

The net interest margin and spread between total earning assets and total interest-bearing liabilities are affected by the inclusion or exclusion of net interest income/expense associated with the FHLBanks' interest-rate exchange agreements. For example, if the interest-rate exchange agreements qualify for fair-value hedge accounting under SFAS 133, the net interest income/expense associated with the derivative is included in the calculation of the spread between total earning assets and total interest-bearing liabilities and net interest margin. If the interest-rate exchange agreements do not qualify for fair-value hedge accounting under SFAS 133 (economic hedges) or if the FHLBanks have not designated it in such a qualifying hedge relationship, the net interest income/expense associated with the interest-rate exchange agreements is excluded from the calculation of the spread between total earning assets and total interest-bearing liabilities and net interest margin.

During the second quarter and first six months of 2009, the decline in consolidated obligations outstanding continued. Par values of consolidated obligations outstanding (before interbank elimination) were approximately $200 billion lower on June 30, 2009 compared to June 30, 2008—consolidated bonds declined by $162.5 billion and consolidated discount notes declined by $37.1 billion. Total consolidated obligations issuance was 31 percent lower during the second quarter of 2009, and 37 percent lower during the first six months of 2009, than the corresponding periods in the previous year. Aggregate weighted-average, new-issue funding costs for FHLBank consolidated bonds improved slightly relative to benchmark market indices for the second quarter of 2009 compared to the second quarter of 2008. However, for the first six months of 2009, overall costs for FHLBank consolidated bonds were higher than the corresponding period in 2008 as a result of higher aggregate funding levels during the first quarter of 2009.

Based on the average two-year to ten-year spread, the U.S. Treasury curve steepened during the second quarter and first six months of 2009. While U.S. Treasury yields have trended upwards in 2009, especially at the longer end of this curve, yields were lower during the second quarter and first six months of 2009 compared to the same periods in 2008.

During the second quarter and first half of 2009, consolidated bonds with embedded call options comprised a significantly lower proportion of consolidated obligations issuance volume compared to the corresponding periods in 2008. The FHLBanks increased their reliance on bullet bond funding and floating-rate bond funding during the first half of 2009 compared to the first half of 2008. In the second quarter and first six months of 2009, 13 percent and 15 percent of FHLBank consolidated bonds issued were callable, compared to 22 percent and 29 percent during the second quarter and first six months of 2008.

While the volume of outstanding consolidated bonds with embedded call options decreased, the dollar amount of callable bonds redeemed prior to maturity (called) also declined during the second quarter and first half of 2009 compared to the corresponding periods in the prior year. During the second quarter of 2009, $26 billion of callable FHLBank consolidated bonds were redeemed prior to maturity, compared to $68 billion of callable FHLBank consolidated bonds during the second quarter of 2008. During the first half of 2009, $102 billion of callable FHLBank consolidated bonds were redeemed prior to maturity, which was approximately one-half of the volume of callable FHLBank consolidated bonds redeemed prior to maturity during the first half of 2008.

Changes in both volume and interest rates have a direct influence on changes in net interest income and net interest margin. The following table summarizes changes in interest income and interest expense between the three and six months ended June 30, 2009 and the three and six months ended June 30, 2008. Changes in interest income and interest expense not identifiable as either volume-related or rate-related,

but rather equally attributable to both volume and rate changes, have been allocated to the volume and rate categories based upon the proportion of the absolute value of the volume and rate changes.

**Rate and Volume Analysis**
**(Dollar amounts in millions)**

| | For the Three Months Ended June 30, 2009 vs. 2008 | | | For the Six Months Ended June 30, 2009 vs. 2008 | | |
|---|---|---|---|---|---|---|
| | (Decrease) Increase Due to | | | (Decrease) Increase Due to | | |
| | Volume | Rate | Total | Volume | Rate | Total |
| Interest Income: | | | | | | |
| Advances (1) | $(933) | $(3,062) | $(3,995) | $(1,277) | $ (7,997) | $ (9,274) |
| Mortgage loans held for portfolio | (122) | | (122) | (182) | (25) | (207) |
| Investments | 216 | (1,244) | (1,028) | 640 | (2,935) | (2,295) |
| Total interest income | (839) | (4,306) | (5,145) | (819) | (10,957) | (11,776) |
| Interest Expense: | | | | | | |
| Consolidated obligations | (917) | (4,257) | (5,174) | (934) | (10,737) | (11,671) |
| Deposits and other borrowings (2)(3) | 12 | (132) | (120) | 27 | (332) | (305) |
| Total interest expense | (905) | (4,389) | (5,294) | (907) | (11,069) | (11,976) |
| Changes in net interest income | $ 66 | $ 83 | $ 149 | $ 88 | $ 112 | $ 200 |

(1) Includes prepayment fees on advances, net.

(2) Average balances used for this calculation do not reflect the effect of reclassifications of cash collateral under FSP FIN 39-1.

(3) Calculations do not include the average balances of non-interest-bearing deposits and include cash and stock dividends on mandatorily redeemable capital stock as interest expense. Calculations also include the average balances of subordinated notes and related interest expense.

*Net Income.*

**Changes in Net Income**
**(Dollar amounts in millions)**

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | | For the Three Months Ended June 30, 2009 vs. 2008 Increase (Decrease) | For the Six Months Ended June 30, 2009 vs. 2008 Increase (Decrease) |
|---|---|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 | $ | $ |
| **NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES** | $1,487 | $1,342 | $2,729 | $2,536 | $ 145 | $ 193 |
| **OTHER INCOME (LOSS)** | | | | | | |
| Net other-than-temporary impairment losses | (437) | | (953) | | (437) | (953) |
| Realized losses on other-than-temporarily impaired securities | | (30) | | (63) | 30 | 63 |
| Net losses on trading securities | (68) | (266) | (79) | (132) | 198 | 53 |
| Net realized (losses) gains from sale of available-for-sale securities | (43) | 3 | (24) | 3 | (46) | (27) |
| Net realized gains from sale of held-to-maturity securities (1) | | 2 | 6 | 2 | (2) | 4 |
| Net (losses) gains on advances and consolidated bonds held at fair value | (189) | (228) | (367) | 46 | 39 | (413) |
| Net gains (losses) on derivatives and hedging activities | 979 | 364 | 1,179 | (20) | 615 | 1,199 |
| Service fees | 9 | 10 | 17 | 17 | (1) | |
| Other, net | (6) | 6 | (3) | (5) | (12) | 2 |
| Total other income (loss) | 245 | (139) | (224) | (152) | 384 | (72) |
| Total other expense | 217 | 200 | 464 | 400 | 17 | 64 |
| Total assessments | 392 | 285 | 573 | 569 | 107 | 4 |
| **NET INCOME** | $1,123 | $ 718 | $1,468 | $1,415 | $ 405 | $ 53 |

(1) Certain FHLBanks sold securities out of their held-to-maturity securities portfolio in compliance with SFAS 115. See Note 5 to the accompanying combined financial statements for additional information.

The increase in net income in the second quarter and first six months of 2009 compared to the second quarter and first six months of 2008 can be primarily attributed to the increases in net interest income, increases in net gains on derivatives and hedging activities and smaller losses on trading securities, which more than offset net other-than-temporary impairment losses and net losses on advances and consolidated bonds held at fair value.

Combined net income for the three months ended June 30, 2009 was adversely affected by certain FHLBanks' net losses, as follows:

- the FHLBank of Boston's net loss of $5 million, which was primarily due to net credit-related OTTI losses of $70 million on its held-to-maturity private-label MBS, partially offset by net interest income; and

- the FHLBank of Seattle's net loss of $35 million, which was primarily due to net credit-related OTTI losses of $61 million on its held-to-maturity private-label MBS partially offset by net interest income.

Combined net income for the six months ended June 30, 2009 was adversely affected by certain FHLBanks' net losses, as follows:

- the FHLBank of Boston's net loss of $88 million, which was primarily due to net credit-related OTTI losses of $197 million on its held-to-maturity private-label MBS, partially offset by net interest income; and
- the FHLBank of Seattle's net loss of $51 million, which was primarily due to net credit-related OTTI losses of $133 million on its held-to-maturity private-label MBS partially offset by net interest income.

On September 15, 2008, Lehman Brothers Holding, Inc. (LBHI) filed for protection under Chapter 11 of the United States Bankruptcy Code, which triggered termination of the agreements between the FHLBanks and Lehman Brothers Special Financing (LBSF), LBHI's subsidiary and the FHLBanks' derivative counterparty on multiple derivative transactions. During the three months ended March 31, 2009, management of the FHLBank of Pittsburgh estimated the amount of loss of $35.3 million and recorded a contingency reserve with respect to the receivable from LBSF based on the discovery phase of the adversary proceeding filed by the FHLBank of Pittsburgh in the fourth quarter of 2008. This amount is recorded in other expense in the Combined Statement of Income and presented as "Provision for derivative counterparty credit losses."

*Other Income (Loss).*

The change in total other income (loss) for the second quarter and first six months of 2009 compared to the second quarter and first six months of 2008 relates primarily to larger net gains on derivatives and hedging activities and smaller losses on trading securities, partially offset by larger net OTTI losses during the second quarter and first six months of 2009.

*Net Other-Than-Temporary Losses on Investment Securities.*

**Net Other-Than-Temporary Losses on Investment Securities**
**For the Three and Six Months Ended June 30, 2009**
**(Dollar amounts in millions)**

| | For the Three Months Ended June 30, 2009 | | | For the Six Months Ended June 30, 2009 | | |
|---|---|---|---|---|---|---|
| | Held-to-maturity Securities | Available-for-Sale Securities | Total | Held-to-maturity Securities | Available-for-Sale Securities | Total |
| Total other-than-temporary impairment losses | $(2,138) | $(858) | $(2,996) | $(6,369) | $(1,827) | $(8,196) |
| Portion of impairment losses recognized in other comprehensive income | 1,794 | 765 | 2,559 | 5,632 | 1,611 | 7,243 |
| Net other-than-temporary impairment losses | $ (344) | $ (93) | $ (437) | $ (737) | $ (216) | $ (953) |

During the three and six months ended June 30, 2009, other income (loss) was negatively affected by OTTI charges on certain held-to-maturity and available-for-sale private-label residential mortgage-backed securities and home equity loan investments as noted below (dollar amounts in millions).

| | For the Three Months Ended June 30, 2009 | | | For the Six Months Ended June 30, 2009 | | |
|---|---|---|---|---|---|---|
| | OTTI Related to Credit Losses Held-to-Maturity Securities | OTTI Related to Credit Losses Available-for-Sale Securities | Total | OTTI Related to Credit Losses Held-to-Maturity Securities | OTTI Related to Credit Losses Available-for-Sale Securities | Total |
| Boston | $ (70) | $ | $ (70) | $(197) | $ | $(197) |
| New York | (5) | | (5) | (10) | | (10) |
| Pittsburgh (1) | | (39) | (39) | (8) | (62) | (70) |
| Atlanta (2) | | (46) | (46) | | (135) | (135) |
| Indianapolis | (3) | | (3) | (21) | | (21) |
| Chicago | (116) | (8) | (124) | (191) | (19) | (210) |
| Dallas | (1) | | (1) | (1) | | (1) |
| Topeka | * | | * | * | | * |
| San Francisco | (88) | | (88) | (176) | | (176) |
| Seattle | (61) | | (61) | (133) | | (133) |
| | $(344) | $(93) | $(437) | $(737) | $(216) | $(953) |

* Represents an amount less than $1 million.

(1) The FHLBank of Pittsburgh transferred certain held-to-maturity securities to available-for-sale securities during the second quarter of 2009 with credit losses of $39 million and $62 million for the three months and six months ended June 30, 2009.

(2) The FHLBank of Atlanta transferred certain held-to-maturity securities to available-for-sale securities during 2009 with credit losses of $9 million and $98 million for the three months and six months ended June 30, 2009.

For additional information on OTTI evaluations by the FHLBanks, please refer to each individual FHLBank's periodic report filed with the SEC.

*Derivatives and Hedging Activities and Fair Value Measurements.* Under SFAS 133, the FHLBanks are required to carry all of their derivative instruments on the statement of condition at fair value. If derivatives meet the hedging criteria, including effectiveness measures, as specified in SFAS 133, changes in fair value of the associated hedged instruments attributable to the risk being hedged (e.g., benchmark interest-rate risk) may also be recorded so that some or all of the unrealized gains or losses recognized on the derivatives are offset by corresponding unrealized gains or losses on the associated hedged instruments. The unrealized gains or losses on the "ineffective" portion of all hedges, which represents the amounts by which the changes in the fair value of the derivatives differ from the changes in the values of the hedged items or the variability in the cash flows of the forecasted transactions, are recognized in current period earnings. In addition, certain derivatives are associated with assets or liabilities but do not qualify as fair-value or cash-flow hedges under SFAS 133. These economic hedges are recorded on the statement of condition at fair value with the unrealized gains or losses recognized in current period earnings without any offsetting unrealized gains or losses from the associated asset or liability.

Upon adoption of SFAS 159, the FHLBank of San Francisco elected to carry certain advances and consolidated bonds at fair value. The FHLBanks of New York and Chicago elected the fair value option for certain newly acquired financial assets and/or financial liabilities during the three months ended September 30, 2008. During the first quarter of 2009, the FHLBank of Des Moines also elected the fair value option for certain newly acquired financial liabilities. The FHLBanks of New York, Chicago, Des Moines and San Francisco recognize changes in the unrealized gains and losses on these assets and liabilities in current period earnings. In general, transactions for which the fair value option has been elected in accordance with SFAS 159 are in economic hedge relationships.

In general, derivatives and associated hedged instruments, and certain assets and liabilities that are carried at fair value, are held to the maturity, call, or put date. Therefore, for these financial instruments nearly all of the cumulative net gains and losses that are unrealized gains or losses are primarily a matter

of timing and will generally reverse over the remaining contractual terms of the hedged financial instrument, associated interest-rate exchange agreement, or financial instrument carried at fair value. However, there may be instances in which these instruments are terminated prior to maturity or prior to the call or put dates. Terminating the financial instrument or hedging relationship may result in a realized gain or loss. In addition, the FHLBanks may have instances in which they may sell trading securities prior to maturity, which may also result in a realized gain or loss.

Hedge ineffectiveness occurs when changes in the fair value of the derivative and the related hedged item do not perfectly offset each other. Hedge ineffectiveness is driven by changes in the benchmark interest rate and volatility. As the benchmark interest rate changes and the magnitude of that change intensifies, so will the effect on the FHLBanks' net gains (losses) on derivatives and hedging activities. Additionally, volatility in the marketplace may intensify this effect.

The net gains on derivatives and hedging activities during the second quarter and first six months of 2009, compared to the net gains (losses) on derivatives and hedging activities during the second quarter and first six months of 2008, resulted primarily from two factors. First, the rising long-term interest-rate environment experienced during the second quarter and first six months of 2009, compared to the second quarter and first six months of 2008, resulted in favorable changes in the fair values of interest-rate swaps used in fair-value hedges and economic hedges during the second quarter and first six months of 2009. Second, narrowing spreads between interest rates on GSE debt securities and interest-rate swaps since year-end 2008 also resulted in net gains on derivatives and hedging activities.

**Effect of Hedging, Trading Securities Activities and Fair Value Measurements on Earnings by Product (Dollar amounts in millions)**

| Earnings Effect For the Three Months Ended June 30, 2009 | Advances | Investments | MPF/ MPP Loans | COs- Bonds | COs- Discount Notes | Balance Sheet | Total |
|---|---|---|---|---|---|---|---|
| Amortization/accretion of derivatives and hedging activities in net margin | $(191) | $ | $ 5 | $ 15 | $ | $ | $(171) |
| Net gains on derivatives and hedging activities | 287 | 273 | 89 | 176 | 113 | 41 | 979 |
| Net losses on trading securities | | (68) | | | | | (68) |
| Net losses on advances and consolidated bonds held at fair value | (131) | | | (58) | | | (189) |
| Total | $ (35) | $205 | $94 | $133 | $113 | $41 | $ 551 |

| Earnings Effect For the Three Months Ended June 30, 2008 | Advances | Investments | MPF/ MPP Loans | COs- Bonds | COs- Discount Notes | Balance Sheet | Total |
|---|---|---|---|---|---|---|---|
| Amortization/accretion of derivatives and hedging activities in net margin | $ (13) | $ | $ | $ 10 | $ | $ | $ (3) |
| Net gains (losses) on derivatives and hedging activities | 235 | 224 | (35) | (84) | 5 | 19 | 364 |
| Net losses on trading securities | | (266) | | | | | (266) |
| Net (losses) gains on advances and consolidated bonds held at fair value | (256) | | | 28 | | | (228) |
| Total | $ (34) | $ (42) | $(35) | $(46) | $5 | $19 | $(133) |

| Earnings Effect For the Six Months Ended June 30, 2009 | Advances | Investments | MPF/ MPP Loans | COs- Bonds | COs- Discount Notes | Balance Sheet | Total |
|---|---|---|---|---|---|---|---|
| Amortization/accretion of derivatives and hedging activities in net margin | $(407) | $ | $ 7 | $ 35 | $ 2 | $ | $ (363) |
| Net gains on derivatives and hedging activities | 252 | 286 | 3 | 351 | 167 | 120 | 1,179 |
| Net losses on trading securities | | (79) | | | | | (79) |
| Net losses on advances and consolidated bonds held at fair value | (323) | | | (44) | | | (367) |
| Total | $(478) | $207 | $10 | $342 | $169 | $120 | $ 370 |

| Earnings Effect For the Six Months Ended June 30, 2008 | Advances | Investments | MPF/ MPP Loans | COs- Bonds | COs- Discount Notes | Balance Sheet | Total |
|---|---|---|---|---|---|---|---|
| Amortization/accretion of derivatives and hedging activities in net margin | $ (38) | $ | $ | $ 3 | $ (6) | $ | $ (41) |
| Net (losses) gains on derivatives and hedging activities | (54) | 45 | (65) | (11) | 53 | 12 | (20) |
| Net losses on trading securities | | (132) | | | | | (132) |
| Net (losses) gains on advances and consolidated bonds held at fair value | (17) | | | 63 | | | 46 |
| Total | $(109) | $ (87) | $(65) | $ 55 | $47 | $12 | $(147) |

*Other Expense.*

**Operating Expenses**
**(Dollar amounts in millions)**

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | | For the Three Months Ended June 30, 2009 vs. 2008 Increase | | For the Six Months Ended June 30, 2009 vs. 2008 Increase | |
|---|---|---|---|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 | $ | % | $ | % |
| Salaries and employee benefits | $116 | $112 | $234 | $228 | $ 4 | 3.6% | $ 6 | 2.6% |
| Cost of quarters | 10 | 9 | 19 | 19 | 1 | 11.1% | | 0.0% |
| Other | 70 | 57 | 131 | 112 | 13 | 22.8% | 19 | 17.0% |
| Total operating expenses | $196 | $178 | $384 | $359 | $18 | 10.1% | $25 | 7.0% |
| Operating expenses as a percentage of average assets (basis points) (1) | 6.5 | 5.3 | 6.1 | 5.5 | | | | |

(1) Operating expense ratio is annualized.

The increase in salaries and employee benefits reflects higher staffing levels at several of the FHLBanks as well as annual merit increases, partially offset by decreased incentive compensation. Cost of quarters remained relatively flat from second quarter 2008 to second quarter 2009 and for the six months ended June 30, 2008 as compared to the six months ended June 20, 2009. The increase in other operating expense includes a general increase in consulting and professional fees.

**Other Expenses**
**(Dollar amounts in millions)**

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | | For the Three Months Ended June 30, 2009 vs. 2008 | For the Six Months Ended June 30, 2009 vs. 2008 |
|---|---|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 | (Decrease) Increase | Increase |
| | | | | | $ | $ |
| Finance Agency/Finance Board expenses | $ 7 | $10 | $ 20 | $ 20 | $ (3) | $ |
| Office of Finance expenses | 9 | 8 | 18 | 16 | 1 | 2 |
| Provision for derivative counterparty credit losses | | | 35 | | | 35 |
| Other, net | 5 | 4 | 7 | 5 | 1 | 2 |
| Affordable Housing Program | 120 | 87 | 177 | 176 | 33 | 1 |

*Finance Agency/Finance Board Expenses.* The FHLBanks funded the costs of operating the Finance Board, and fund a portion of the costs of operating the Finance Agency since it was created on July 30, 2008. These costs are under the sole control of the Regulator. Finance Board expenses were allocated among the FHLBanks based on each FHLBank's percentage of total combined regulatory capital stock plus retained earnings through July 29, 2008. Each FHLBank pays a pro rata share of the Finance Agency's expenses and working capital fund through annual assessments based on the ratio between that FHLBank's minimum required regulatory capital and the aggregate minimum required regulatory capital of all FHLBanks. Each FHLBank must pay an amount equal to one-half of its annual assessment twice each year.

*Office of Finance Expenses.* The FHLBanks also fund the costs of the Office of Finance. The Office of Finance, a joint office of the FHLBanks, issues and services consolidated obligations, prepares the FHLBanks' combined quarterly and annual financial reports, and fulfills certain other functions. The expenses of the Office of Finance are generally allocated among the FHLBanks based on each FHLBank's percentage of total capital stock, percentage of consolidated obligations issued, and percentage of consolidated obligations outstanding.

*Affordable Housing Program (AHP).* Annually, the FHLBanks must set aside for the AHP the greater of $100 million or 10 percent of regulatory income, after the assessment for Resolution Funding Corporation (REFCORP). (See "REFCORP Payment" for a detailed discussion on REFCORP.) Regulatory income is income before assessments, plus interest expense related to mandatorily redeemable capital stock under SFAS No. 150, *Accounting for Certain Financial Instruments and Characteristics of both Liabilities and Equity* (SFAS 150), less the assessment for REFCORP. Any FHLBank with a net loss for a quarter is not required to pay the AHP assessment for that quarter. The Regulator requires each FHLBank to add back interest expense related to mandatorily redeemable capital stock before the calculation of its AHP assessment. The increase in the AHP assessments for the second quarter and first half of 2009 compared to the corresponding periods in 2008 reflects the overall trend of the FHLBanks' net income. AHP helps members provide subsidized and other low-cost funding to create affordable rental and home ownership opportunities. All FHLBank operating costs for the AHP are included in operating expenses, so all AHP assessments go directly to support affordable housing projects.

*Interbank Transfers of Liability on Outstanding Consolidated Bonds and Their Effect on Combined Net Income.* Combined net income of the FHLBanks is affected by interbank transfers of liability on outstanding consolidated bonds. These transactions arise when one FHLBank transfers its direct liability on outstanding consolidated bonds to another FHLBank that assumes the direct liability on those outstanding consolidated bonds. By engaging in these transactions, two FHLBanks are able to better match their funding needs by transferring funds held by one FHLBank to another FHLBank that needs funds. Transfer transactions allow the assuming FHLBank to achieve equal or lower funding costs than would be available to it for a similarly sized transaction in the capital markets at the time of the transfer. Because the consolidated bonds are the joint and several obligation of all 12 FHLBanks, these interbank transactions have no effect on the holders of the consolidated bonds.

As part of its overall asset/liability management strategy, an FHLBank may issue more debt than it needs at the time of issuance to fund its business. This allows the FHLBank to take advantage of favorable funding prices for large-size transactions in anticipation of using the proceeds at a later time to fund the acquisition of assets, such as advances or mortgages. In other cases, an FHLBank may have excess liquidity due to the prepayment of mortgages. Instead of continuing to retain the excess funds for use in its own business, an FHLBank may elect to transfer a portion of its liability to an FHLBank with more immediate funding needs. The funds are transferred to the assuming FHLBank together with the corresponding liability under the consolidated bonds. The assuming FHLBank assumes this liability at fair value which represents an all-in cost equal to or lower than it would have otherwise obtained for the same amount and maturity in the capital markets at that time. In this type of transaction, the FHLBank that transfers a liability for the consolidated bond also unwinds the related portion of any hedge transactions it entered into when the consolidated bond was issued. It can also take other steps in order to manage its interest rate exposure on the debt transferred. For example, it can:

—terminate the interest-rate exchange agreement entered into with respect to the transferred debt; or

—eliminate the underlying assets (e.g., through the sale of investment securities with similar characteristics to those consolidated bonds being offered for transfer or through the prepayment of mortgages).

The transferring FHLBank treats the transfer as a debt extinguishment because that FHLBank has been released from being the primary obligor. Specifically, the release is made effective by the Office of Finance recording the transfer in its records. The Office of Finance provides release by acting within the confines of the regulations that govern the determination of which FHLBank is the primary obligor. The assuming FHLBank becomes the primary obligor because it now is directly responsible for repaying the debt. The transferring FHLBank continues to disclose the transferred debt as a contingent liability because it still has joint and several liability with respect to repaying the transferred consolidated obligation.

The initial carrying amount for the consolidated bond is the amount (including any premium or discount) the assuming FHLBank paid the transferring FHLBank. Under this transfer scenario, no transaction with a third party independent of the FHLBanks takes place. Under the principles of combination accounting, combining adjustments are required to reflect the transaction as if the transferring FHLBank still holds the consolidated bond for purposes of the combined financial statements of the FHLBanks. This has the following results:

(1) the debt extinguishment transaction (including any gain or loss) is eliminated;

(2) all statement of condition and statement of income effects with respect to the premium or discount related to the purchase of the consolidated bonds by the assuming FHLBank are eliminated; and

(3) the original premium or discount, concession fees and SFAS 133 basis adjustments of the transferring FHLBank are reinstated and amortized over the life of the consolidated bond.

These amounts are eliminated as combining adjustments in the combining schedules accompanying the combined financial statements and will reverse over the remaining term of the consolidated bonds. Due to different discount accretion and/or premium amortization periods used by the assuming FHLBank and the transferring FHLBank, timing differences will affect net interest income as these transactions are reversed. These transactions do not affect the holders of the consolidated bonds, as the consolidated bonds are the joint and several obligation of all 12 FHLBanks. (See Note 1 to the accompanying combined financial statements and the related FHLBanks combining schedules.)

Total interbank consolidated bonds of $480 million and $746 million at par value were transferred from one FHLBank to another FHLBank during the first six months of 2009 and 2008. The combining adjustments for the second quarter and first six months of 2009 and 2008 for the elimination of the

transfers of interbank consolidated bond liabilities and interbank fees and commissions related to the MPF Program resulted in the following effect on the Combined Statement of Income:

**Effect of Combining Adjustments on Combined Statement of Income**
**(Dollar amounts in millions)**

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | | For the Three Months Ended June 30, 2009 vs. 2008 | For the Six Months Ended June 30, 2009 vs. 2008 |
|---|---|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 | (Decrease) Increase | (Decrease) Increase |
| Effect on: | | | | | | |
| Net interest income | $ (5) | $(2) | $(13) | $(4) | $ (3) | $ (9) |
| Total other income (loss) | 16 | 3 | 34 | (2) | 13 | 36 |
| Total other expense | (1) | (2) | (3) | (3) | 1 | |
| Net income | 12 | 3 | 24 | (3) | 9 | 27 |

**REFCORP Payment**

Each FHLBank is required to make payments to REFCORP (20 percent of annual GAAP net income after payment of AHP assessments) until the total amount of payments actually made is equivalent to a $300 million annual annuity whose final maturity date is April 15, 2030. The Regulator will shorten or lengthen the period during which the FHLBanks must make payments to REFCORP depending on actual payments relative to the referenced annuity. In addition, the Regulator, in consultation with the U.S. Secretary of the Treasury, selects the appropriate discounting factors used in calculating the annuity.

The REFCORP assessment of the FHLBanks was $272 million (cash payment of $287 million, which includes the application of certain credits due to FHLBanks that overpaid their 2008 annual REFCORP assessment) for the second quarter of 2009 compared with $198 million (cash payment of $197 million) for the second quarter of 2008. The REFCORP assessment of the FHLBanks was $396 million (cash payment of $394 million, which includes the application of certain credits due to FHLBanks that overpaid their 2008 annual REFCORP assessment) for the first six months of 2009 and $393 million (cash payment of $396 million) for the first six months of 2008. The cash payments are made based on preliminary GAAP net income amounts due to the timing requirement of the payment. Any FHLBank with a net loss for a quarter is not required to pay the REFCORP assessment for that quarter. As specified in the applicable regulation that implements section 607 of the Gramm-Leach-Bliley Act of 1999 (GLB Act), the amount by which the REFCORP payment for any quarter exceeds the $75 million benchmark payment is used to simulate the purchase of zero-coupon U.S. Treasury bonds to "defease" all or a portion of the most-distant remaining quarterly benchmark payment. The defeased benchmark payments (or portions thereof) can be reinstated if future actual REFCORP payments fall short of the $75 million benchmark in any quarter. The $212 million by which the second quarter 2009 REFCORP payment exceeded the $75 million quarterly benchmark will fully defease the remaining $73 million portion of the benchmark payment due on January 15, 2013, the entire $75 million benchmark payment due on October 15, 2012, the entire $75 million benchmark payment due on July 15, 2012 and $1 million of the $75 million benchmark payment due on April 15, 2012.

As a result of the REFCORP payments of $287 million made by the FHLBanks in the second quarter of 2009, the overall period during which the FHLBanks must continue to make quarterly payments was shortened to April 15, 2012, effective at June 30, 2009, from April 15, 2013, effective at December 31, 2008. This date assumes that the FHLBanks will pay exactly $300 million annually after June 30, 2009 (including the application of credits due to FHLBanks that overpaid their 2008 annual REFCORP assessment) until the annuity is fully satisfied. This compares to the outside date of October 15, 2012, effective at June 30, 2008, based on REFCORP payments made through June 30, 2008.

**REFCORP Defeasance Summary**
**For Second Quarter 2009 Payment**
**(Dollar amounts in millions)**

| Payment Due Date | Amount of Benchmark Payment Defeased* | Interest Rate Used to Discount the Future Benchmark Payment | Present Value of Benchmark Payment Defeased** |
|---|---|---|---|
| January 15, 2013 (most distant remaining payment) | $ 73 | 1.93% | $ 69 |
| October 15, 2012 | 75 | 1.80% | 71 |
| July 15, 2012 | 75 | 1.65% | 71 |
| April 15, 2012 | 1 | 1.42% | 1 |
| Total | $224 | | $212 |

* Subject to possible subsequent reinstatement.

** Actual second quarter 2009 contribution of $287 million.

## Capital Adequacy

The FHLBank Act prescribes minimum capital requirements for the FHLBanks. In addition, an individual FHLBank, at the discretion of its board of directors and/or management, may institute a higher capital requirement in order to meet internally-established thresholds or to address supervisory matters, or may limit dividend payments as part of their retained earnings policies.

Regulator guidance calls for each FHLBank to assess, at least once a year, the adequacy of its retained earnings under various 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.

Management and the board of directors of each FHLBank review the capital structure of that FHLBank (including retained earnings) on a periodic basis to ensure the capital structure supports the risk associated with its assets and addresses applicable regulatory and supervisory matters.

Some boards of directors and/or management teams of FHLBanks have agreed with the Regulator either to maintain higher total capital-to-assets ratios or limit dividend payments as part of their retained earnings policies. As these limitations may be revised from time to time, they are more flexible than the minimum requirements prescribed by statute. At June 30, 2009, each of the FHLBanks was in compliance with its statutory minimum capital requirements and any internally-established or supervisory limitations, except for the FHLBank of Seattle, which was out of compliance with its risk-based capital requirement. (See "Note 11—Capital" to the accompanying combined financial statements.) As these limitations may be revised from time to time, they are more flexible than the minimum requirements prescribed by statute.

At June 30, 2009, 106.7 percent of the capital of the FHLBanks consisted of capital stock, while 13.1 percent consisted of retained earnings and (19.8) percent consisted of accumulated other comprehensive income. At June 30, 2009, the FHLBanks had a combined regulatory capital-to-assets ratio of 5.37 percent, up from 4.42 percent at December 31, 2008. At June 30, 2009, the FHLBanks had a combined GAAP capital-to-assets ratio of 4.00 percent, up from 3.81 percent at December 31, 2008. Following the passage of the Housing Act, the Director of the Finance Agency is responsible for setting the risk-based capital standards for the FHLBanks.

**Liquidity**

The FHLBanks need liquidity to:

- satisfy their members' demand for short- and long-term funds;
- repay maturing consolidated obligations; and
- meet other obligations, including any mandatory redemptions of capital stock.

The FHLBanks also maintain liquidity to repurchase excess capital stock at their discretion upon the request of a member or under an FHLBank's excess stock repurchase program.

Each FHLBank is required to maintain liquidity in accordance with the FHLBank Act and certain regulations and policies established by its management and board of directors. The FHLBanks seek to be in a position to meet the credit and liquidity needs of their members without maintaining excessive holdings of low-yielding liquid investments or being forced to incur unnecessarily high borrowing costs. The FHLBanks' primary sources of liquidity are short-term investments and the issuance of new consolidated obligations. Other short-term borrowings, such as Federal funds purchased, securities sold under agreements to repurchase, and loans from other FHLBanks, may also provide liquidity. The GSE status and favorable credit rating have historically provided the FHLBanks with excellent access to capital markets. Consolidated obligations enjoy GSE status; however, they are not obligations of the United States and the United States does not guarantee them. The FHLBanks' consolidated obligations are rated Aaa/P-1 by Moody's and AAA/A-1+ by S&P. These are the highest ratings available for such debt from an NRSRO. These ratings indicate that the FHLBanks have an extremely strong capacity to meet their commitments to pay principal of and interest on consolidated obligations and that the consolidated obligations are judged to be of the highest quality with minimal credit risk. The ratings also reflect the FHLBanks' status as GSEs. These ratings have not been affected by rating actions taken with respect to individual FHLBanks. (See "Recent Rating Agency Actions.") Investors should note that a rating issued by an NRSRO is not a recommendation to buy, sell or hold securities and that the ratings may be revised or withdrawn by the NRSRO at any time. Investors should evaluate the rating of each NRSRO independently.

In addition, under certain circumstances the U.S. Secretary of the Treasury may acquire up to $4 billion of consolidated obligations of the FHLBanks. As a supplement to the existing $4 billion limit, the Housing Act provided temporary authority to the U.S. Secretary of the Treasury to purchase obligations issued by FHLBanks in any amount deemed appropriate under certain conditions. Pursuant to that authority, during the third quarter of 2008, each FHLBank entered into a lending agreement with the U.S. Treasury in connection with the U.S. Treasury's establishment of the Government Sponsored Enterprise Credit Facility (GSECF), as authorized by the Housing Act. The GSECF is designed to serve as a contingent source of liquidity for the housing government-sponsored enterprises, including each of the 12 FHLBanks. Any borrowings by one or more of the FHLBanks under the GSECF are considered consolidated obligations with the same joint and several liability as all other consolidated obligations. The terms of any borrowings are agreed to at the time of issuance. Loans under the lending agreement are to be secured by collateral acceptable to the U.S. Treasury, which consists of FHLBank advances to members that have been collateralized in accordance with regulatory standards and mortgage-backed securities issued by Fannie Mae or Freddie Mac. Each FHLBank is required to submit to the Federal Reserve Bank of New York, acting as fiscal agent of the U.S. Treasury, a list of eligible collateral updated on a weekly basis. As of June 30, 2009, the FHLBanks had provided the U.S. Treasury with listings of advance and MBS collateral amounting to $216.9 billion. The amount of collateral can be increased or decreased (subject to the approval of the U.S. Treasury) at any time through the delivery of an updated listing of collateral. As of June 30, 2009, no FHLBank has drawn on this available source of liquidity. This temporary authorization expires on December 31, 2009. Other short-term borrowings, such as Federal funds purchased, securities sold under agreements to repurchase, and loans from other FHLBanks, also provide liquidity.

To protect the FHLBanks against temporary disruptions in access to the debt markets in response to a rise in capital markets volatility, effective March 6, 2009, the Finance Agency requires each FHLBank

to maintain sufficient liquidity, through short-term investments, in an amount at least equal to an FHLBank's anticipated cash outflows under two different scenarios. One scenario assumes that an FHLBank cannot access the capital markets for a period of between ten to twenty days, with initial guidance set at fifteen days, and that during that time members do not renew any maturing, prepaid and called advances. The second scenario assumes that an FHLBank cannot access the capital markets for a period of between three to seven days, with initial guidance set at five days, and that during that period an FHLBank will automatically renew maturing and called advances for all members except very large members provided the member is well-rated by its primary Federal regulator or its state regulator equivalent for insurance companies; has a rating assigned by an NRSRO that is investment quality; and is well-rated by the individual FHLBank's internal credit rating system. The Finance Agency's formalized guidance revises and finalizes guidance previously communicated to the FHLBanks early in the fourth quarter of 2008. See "Risk Factors" for more information.

Each FHLBank also maintains a contingency liquidity plan designed to enable it to meet its obligations and the liquidity needs of members in the event of operational disruptions at the FHLBanks or the Office of Finance, or short-term capital market disruptions.

**Critical Accounting Estimates**

For a discussion of Critical Accounting Estimates, see "Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations—Critical Accounting Estimates" in the Federal Home Loan Banks' 2008 Combined Financial Report. Other than the other-than-temporary impairment for investment securities discussed below, there have been no material changes from the critical accounting estimates disclosed in the "Critical Accounting Estimates" section of the Federal Home Loan Banks' 2008 Combined Financial Report. Each FHLBank describes its critical accounting estimates in its Management's Discussion and Analysis of Financial Condition and Results of Operations in its periodic reports filed with the SEC. (See "Available Information on Individual FHLBanks.")

*OTTI for Investment Securities.* Each individual FHLBank manages its operations independently and is responsible for establishing its own accounting and financial reporting policies in accordance with GAAP. As such, individual FHLBank accounting and financial reporting policies and practices are not necessarily always identical because different policies and/or presentations are permitted under GAAP in certain circumstances. Accordingly, until the first quarter of 2009, each of the 12 FHLBanks had employed different methodologies and processes for making OTTI determinations on private-label mortgage-backed securities. While each of these methodologies was in compliance with GAAP, the FHLBanks and the Office of Finance recognize the importance of enhanced consistency in financial reporting. Working with the Finance Agency, the 12 FHLBanks have developed a uniform framework for completing their OTTI analyses, which was adopted in the first quarter of 2009, concurrent with new FASB guidance (FSP FAS 115-2 and FAS 124-2) concerning the recognition and presentation of OTTI. Implementation of this uniform OTTI analytical framework and adoption of the new FASB guidance provided greater consistency among the 12 FHLBanks regarding OTTI analyses, including the calculation of any expected credit losses for impaired securities.

Each FHLBank closely monitors the performance of its investment securities classified as available-for-sale or held-to-maturity on at least a quarterly basis (or more frequently if a loss-triggering event occurs, such as a material downgrade by the rating agencies) to evaluate their exposure to the risk of loss on these investments in order to determine whether a loss is other-than-temporary, consistent with SFAS 115 (as amended by FSP FAS 115-1, *The Meaning of Other-than-Temporary Impairment and its Application to Certain Investments* and FSP FAS 115-2 and FAS 124-2*, Recognition and Presentation of Other-Than-Temporary Impairments).*

For debt securities, FSP FAS 115-2 and FAS 124-2 requires an entity to assess whether (a) it has the intent to sell the debt security, or (b) it is more likely than not that it will be required to sell the debt security before its anticipated recovery. If either of these conditions is met, an OTTI on the security must be recognized. If the present value of cash flows expected to be collected is less than the amortized cost basis of the security, the entire amortized cost basis of the security will not be recovered, and an OTTI is

considered to have occurred. Each FHLBank considers whether or not it will recover the entire amortized cost of the security by comparing its best estimate of the present value of the cash flows expected to be collected from the security with the amortized cost basis of the security. These evaluations are inherently subjective and consider a number of qualitative factors. In addition to monitoring the credit ratings of these securities for downgrades, as well as for placement on negative outlook or credit watch, an FHLBank's management evaluates other factors that may be indicative of OTTI. These include, but are not limited to, an evaluation of the type of security, the length of time and extent to which the fair value of a security has been less than its cost, any credit enhancement or insurance, and certain other collateral-related characteristics such as FICO credit scores, loan-to-value ratios, delinquency and foreclosure rates, geographic concentrations and the security's performance. If an FHLBank's initial analysis identifies securities at risk of OTTI, the FHLBank performs additional testing of these investments, which are typically private-label MBS and home equity loans.

Certain FHLBanks' investment securities are insured by third-party bond insurers (monoline insurers). The bond insurance on these investments guarantees the timely payments of principal and interest if these payments cannot be satisfied from the cash flows of the underlying mortgage pool. For securities that are screened and identified to be at risk of OTTI and protected by such third-party insurance, an FHLBank's OTTI analysis would look first to the performance of the underlying security, considering its embedded credit enhancements in the form of excess spread, overcollateralization and credit subordination, to determine the collectability of all amounts due. If these protections are deemed insufficient to make timely payment of all amounts due, then an FHLBank may consider the capacity of the third-party bond insurer to cover any shortfalls. In determining monoline insurer support, an FHLBank would consider the contractual terms of the insurance guarantee, and whether the credit protection under the terms of the agreement travels with the security if it is projected that the security would have to rely on insurance protection for cash flow sufficiency, either currently or in the future. None of the FHLBanks that have investments insured by third-party bond insurers, except for the FHLBank of New York, currently rely upon the credit enhancement provided by such companies when performing their OTTI analysis.

In estimating an insurer's capacity to provide credit protection in the future to cover any decrease in cash flows expected to be collected for securities deemed to be OTTI, the FHLBank of New York has developed a methodology to assess the ability of a monoline insurer to meet its future insurance obligations. The methodology establishes boundaries that can be used on a consistent basis, and includes both quantitative and qualitative factors. This methodology calculates the length of time a monoline is expected to remain financially viable to pay claims for insured securities and it primarily employs information that is publicly available to identify cash flows used up by a monoline for insurance claims. Based on the monoline's existing insurance reserves, the methodology attempts to predict the length of time over which the monoline's claims-paying resources could sustain bond insurance losses and estimate a future point in time when the monoline's claim-paying resources may be exhausted. For the FHLBank of New York's insured securities that are deemed to be credit-impaired, without insurer protection, this methodology compares the timing and the amount of cash flow shortfalls to the estimated timing for when a monoline's claim-paying resources would be exhausted in order to quantify both the timing and the amount of cash flow shortfalls that the insurer is unlikely to be able to cover. However, estimating an insurer's financial strength to remain viable over a long-term horizon requires significant judgment and assumptions. Predicting when an insurer may no longer have the ability to perform under its contractual agreement, then comparing the timing and the amounts of cash flow shortfalls for securities that are credit-impaired without insurer protection requires significant judgment. The FHLBank of New York believes that bond insurance is an inherent aspect of credit support within the structure of the security itself and it is appropriate to include such bond insurance in its evaluation of expected cash flows and determination of OTTI. Please see the FHLBank of New York's periodic reports filed with the SEC for additional details regarding its monoline analysis and methodology.

Beginning in the first quarter of 2009, to ensure consistency in determination of the OTTI for private-label MBS among all FHLBanks, the FHLBanks used the same key modeling assumptions for purposes of their cash flow analyses. During the second quarter of 2009, the FHLBanks, consistent with

the objectives of the guidance issued by the Finance Agency, enhanced their overall OTTI process by creating an OTTI Governance Committee. The OTTI Governance Committee charter was approved on June 11, 2009, and established a formal process by which the FHLBanks can provide input on and approve key OTTI assumptions. The OTTI Governance Committee is responsible for reviewing and approving these key OTTI assumptions, including interest rate and housing prices, along with related modeling inputs and methodologies to be used to generate cash flow projections. For additional details on the FHLBanks' process for determining OTTI with respect to private-label MBS, see "Legislative and Regulatory Developments—Finance Agency Guidance for Determining Other-Than-Temporary Impairment." In performing the cash flow analysis for each of these securities, each FHLBank used two third-party models. The first model considers borrower characteristics and the particular attributes of the loans underlying an FHLBank's securities, in conjunction with assumptions about future changes in home prices and interest rates, to project prepayments, defaults and loss severities. A significant input to the first model is the forecast of future housing price changes for the relevant states and core based statistical areas (CBSAs), which are based upon an assessment of the individual housing markets. CBSA refers collectively to metropolitan and micropolitan statistical areas as defined by the United States Office of Management and Budget; as currently defined, a CBSA must contain at least one urban area with a population of 10,000 or more people. The FHLBanks' housing price forecast assumed current-to-trough home price declines ranging from 0 percent to 20 percent over the next 9 to 15 months (resulting in peak-to-trough home price declines of up to 51 percent). Thereafter, home prices are projected to increase 1 percent in the first year, 3 percent in the second year and 4 percent in each subsequent year. The month-by-month projections of future loan performance derived from the first model, which reflect projected prepayments, defaults and loss severities, are then input into a second model that allocates the projected loan level cash flows and losses to the various security classes in the securitization structure in accordance with its prescribed cash flow and loss allocation rules. In a securitization in which the credit enhancement for the senior securities is derived from the presence of subordinate securities, losses are generally allocated first to the subordinate securities until their principal balance is reduced to zero. Refer to individual FHLBanks' periodic reports filed with the SEC for summaries of significant inputs used to measure the amount of credit loss on other-than-temporarily impaired securities recognized in earnings during the three months ended June 30, 2009.

The FHLBanks of New York and Pittsburgh own certain home equity loan investments that could not be modeled by the third-party models approved by the OTTI Governance Committee and used by other FHLBanks. The FHLBanks of New York and Pittsburgh developed in a consistent manner their own assumptions and computed cash flow analyses to evaluate these home equity loan investments for OTTI.

In instances in which a determination is made that a credit loss (defined by FSP FAS 115-2 and FAS 124-2 as the difference between the present value of the cash flows expected to be collected and the amortized cost basis) exists, but the entity does not intend to sell the debt security and it is not more likely than not that the entity will be required to sell the debt security before the anticipated recovery of its remaining amortized cost basis (i.e., the amortized cost basis less any current-period credit loss), FSP FAS 115-2 and FAS 124-2 changes the presentation and amount of the OTTI recognized in the income statement. In these instances, the impairment is separated into (a) the amount of the total impairment related to the credit loss, and (b) the amount of the total impairment related to all other factors. If an FHLBank's cash flow analysis results in a present value of expected cash flows that is less than the amortized cost basis of that security (that is, a credit loss exists), an OTTI is considered to have occurred. If there is no credit loss, any impairment is not considered to be other-than-temporary. If an FHLBank determines that an OTTI exists, it accounts for the investment security as if it had been purchased on the measurement date of the OTTI at an amortized cost basis equal to the previous amortized cost basis, less the OTTI recognized in non-interest income. For the investment securities classified as held-to-maturity, the difference between the new amortized cost basis and the cash flows expected to be collected is accreted into interest income prospectively over the remaining life of the investment security based on the amount and timing of future estimated cash flows (with no additional effect on earnings unless the security is subsequently sold or there are additional decreases in cash flows expected to be collected). Subsequent non-OTTI-related increases and decreases in the fair value of available-for-sale securities will be included in AOCI. See additional discussion regarding the recognition and presentation of OTTI

in Note 2 to the accompanying combined financial statements and "Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations—Risk Management—Credit Risk—Investments."

In addition to evaluating the risk-based selection of its private-label MBS under a base case (or best estimate) scenario, each FHLBank performed a cash flow analysis for each of these securities under a more stressful housing price scenario. The more stressful scenario was based on a housing price forecast that was 5 percentage points lower at the trough than the base case scenario, followed by a flatter recovery path. Under the more stressful scenario, current-to-trough home price declines were projected to range from 5 percent to 25 percent over the next 9 to 15 months. Thereafter, home prices were projected to increase 0 percent in the first year, 1 percent in the second year, 2 percent in the third year and 3 percent in each subsequent year. For each FHLBank's stress case scenario and the potential effect of a change in an FHLBank's housing price assumptions on the credit losses recorded, refer to each individual FHLBank's periodic reports filed with the SEC.

**Legislative and Regulatory Developments**

*Final Rule Regarding Capital Classifications and Critical Capital Levels for the FHLBanks.* On July 30, 2009, the Finance Agency issued a final rule, effective August 4, 2009, initially published on January 30, 2009, to implement certain provisions of the Housing Act that require the Director of the Finance Agency to establish criteria based on the amount and type of capital held by an FHLBank for each of the following capital classifications: adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. This regulation defines critical capital levels for the FHLBanks, establishes the criteria for each of the capital classifications identified in the Housing Act and implements the Finance Agency's prompt correction action authority over the FHLBanks. The Finance Agency may, in its discretion, otherwise determine to classify an FHLBank as less-than-adequately capitalized. On July 20, 2009, the Finance Agency published Advisory Bulletin 2009-AB-01 which identified preliminary FHLBank capital classifications as a form of supervisory correspondence that should be treated by an FHLBank as unpublished information. Under this Advisory Bulletin, preliminary FHLBank capital classifications should be publicly disclosed only if the information is material to that FHLBank's financial condition and business operations, provided that the disclosure is limited to a recital of the factual content of the unpublished information. (See Note 11—Capital for the FHLBanks' compliance with the final rule requirements.)

*Board of Directors of FHLBank System Office of Finance.* On July 30, 2009, the Finance Agency issued a notice of proposed rulemaking, with public comments due on or before October 5, 2009, related to the reconstitution and strengthening of the Office of Finance Board of Directors. To achieve this goal, the proposed regulation would increase the size of the Office of Finance Board of Directors, create a fully independent audit committee, provide for the creation of other committees and set a method for electing independent directors, along with setting qualifications for these directors. The Office of Finance is governed by a board of directors, the composition and functions of which are determined by the Finance Agency's regulations. Under existing Finance Agency regulation, the Office of Finance Board of Directors is made up of two FHLBank Presidents and one independent director (currently vacant). The Finance Agency has proposed that all twelve FHLBank Presidents be members of the Office of Finance Board of Directors, along with three to five independent directors. The independent directors would comprise the audit committee of the Office of Finance Board of Directors with oversight responsibility for the combined financial reports. Under the proposed rule, the audit committee of the Office of Finance would be responsible for ensuring that the FHLBanks adopt consistent accounting policies and procedures so that the combined financial reports will continue to be accurate and meaningful.

*FHLBank Collateral for Advances and Interagency Guidance on Nontraditional Mortgage Products.* On July 29, 2009, the Finance Agency issued a notice of study and recommendations related to the FHLBanks' advances collateral. The Housing Act requires the Director of the Finance Agency to conduct a study, which must be submitted to the U.S. Congress, on the extent to which loans and securities used as collateral to support FHLBank advances are consistent with the federal financial institution regulatory

agencies' interagency guidance on nontraditional mortgage products and the Finance Agency also addressed their statement on subprime mortgage lending. Furthermore, the study must consider and recommend any additional regulations, guidance, advisory bulletins or other administrative actions necessary to ensure that the FHLBanks are not supporting loans with predatory characteristics. The published notice is intended to inform the public about the study and provide the public with the requisite opportunity to comment on or before October 5, 2009.

*Affordable Housing Program Amendments: FHLBank Mortgage Refinancing Authority.* On July 28, 2009, the Finance Agency published a second interim final rule related to authorization for the FHLBanks to provide the existing AHP subsidy through their members to assist in the refinancing of low or moderate income households' mortgages under certain federal, state and local programs for targeted refinancing. The first interim final rule authorized such subsidies to those qualifying under the Hope for Homeowners Program. The second interim final rule would expand the program to other government eligible programs, including the Making Home Affordable Refinancing program. The authority was provided in the Housing Act on a temporary basis until July 30, 2010. While this rule is effective immediately, the Finance Agency will accept public comments on the second interim final rule on or before October 5, 2009.

*Record Retention.* On July 29, 2009, the Finance Agency issued a notice of proposed rulemaking, with public comments due on or before October 5, 2009, that would require Freddie Mac, Fannie Mae, the FHLBanks and the Office of Finance to establish and maintain a record retention program to ensure that records are readily accessible for examination and other supervisory purposes. This proposed regulation seeks to assure strong record maintenance and availability for the security of these entities and to facilitate effective supervision.

*Finance Agency Releases Its First Strategic Plan.* On July 9, 2009, the Finance Agency released its first strategic plan since it was created. This strategic plan details the goals and objectives that will guide the Finance Agency over the next five years in its actions to restore the financial health of Fannie Mae and Freddie Mac, enhance the Federal Home Loan Bank System and contribute to the strength and stability of the United States' housing finance market and affordable housing. This plan lists three goals of 1) safety and soundness, 2) housing mission and conservatorship and 3) a resource management strategy that the Finance Agency will employ in fulfilling its mission to provide effective supervision, regulation and housing mission oversight of Fannie Mae, Freddie Mac and the FHLBanks to promote their safety and soundness, support housing finance and affordable housing and support a stable and liquid mortgage market.

*Proposed Statement of Policy on Qualifications for Failed Bank Acquisitions.* On July 9, 2009, the FDIC proposed the issuance of a Statement of Policy on Qualifications for Failed Bank Acquisitions (Proposed Policy Statement) to provide guidance to private capital investors interested in acquiring or investing in failed insured depository institutions regarding the terms and conditions for such investments or acquisitions. This guidance describes the terms and conditions that private capital investors would be expected to satisfy to obtain eligibility for a proposed acquisition structure. These measures would cover, among other things, capital support and cross guarantees, transactions with affiliates, continuity of ownership requirements and disclosure. This guidance would be applied to (a) private capital investors in certain companies, proposing to assume deposit liabilities, or liabilities and assets from a failed insured depository institution in receivership (including all entities in such an ownership chain) and (b) applicants for insurance in the case of *de novo* charters issued in connection with the resolution of failed insured depository institutions. Comments on the Proposed Policy Statement must be received by the FDIC by no later than August 10, 2009.

*Proposed Rule to Amend FHLBank Membership for Community Development Financial Institutions (CDFIs).* On May 15, 2009, the Finance Agency published a proposed rule to amend its membership regulations to authorize non-federally insured CDFIs to become members of an FHLBank. The newly eligible CDFIs include community development loan funds, community development venture capital funds and state-chartered credit unions without federal insurance. The proposed rule sets forth the

eligibility and procedural requirements for CDFIs that wish to become members of an FHLBank. Comments on this proposed rule were due to the Finance Agency by July 14, 2009.

*Finance Agency Guidance for Determining Other-Than-Temporary Impairment.* On April 28, 2009 and May 7, 2009, the Finance Agency provided the FHLBanks with guidance regarding the process for determining OTTI with respect to private-label MBS and the FHLBanks' adoption of FSP FAS 115-2 and 124-2. The goal of this guidance is to promote consistency among all FHLBanks in the determination of OTTI for private-label MBS, based on the understanding that investors in the FHLBanks' consolidated obligations can better understand and utilize the information in the FHLBanks' combined financial reports if it is prepared on a more consistent basis. In order to achieve this goal and move to a common analytical framework, and recognizing that several FHLBanks intended to early adopt FSP FAS 115-2 and FAS 124-2, the Finance Agency guidance required all FHLBanks to early adopt FSP FAS 115-2 and FAS 124-2 effective January 1, 2009 and, for purposes of making OTTI determinations beginning with the first quarter of 2009, to use a consistent set of key modeling assumptions and specified third-party models. For a discussion of FSP FAS 115-2 and FAS 124-2, see "Notes to Combined Financial Statements (Unaudited)—Note 2—Recently Issued and Adopted Accounting Standards and Interpretations—FSP FAS 115-2 and FAS 124-2."

Under the Finance Agency guidance, each FHLBank continues to identify, in a manner consistent with its internal policies and other Finance Agency requirements, private-label MBS it holds that should be subject to a cash flow analysis to determine whether those individual securities are other-than-temporarily impaired. To effect consistency in the cash flow analysis by ensuring the use of consistent key modeling assumptions, the Finance Agency guidance required that for the first quarter of 2009, the FHLBank of San Francisco develop, in consultation with the other FHLBanks and the Finance Agency, FHLBank system-wide modeling assumptions to be used by all FHLBanks for purposes of producing cash flow analyses used in the OTTI assessment for private-label MBS, including those held commonly by two or more FHLBanks, other than securities backed by subprime and home equity loans.

During the second quarter of 2009, the FHLBanks, consistent with the objectives of the guidance issued by the Finance Agency, created an OTTI Governance Committee with responsibility for reviewing and approving the key modeling assumptions, inputs and methodologies to be used by the FHLBanks to generate cash flow projections used in analyzing credit losses and determining OTTI for private-label MBS. The OTTI Governance Committee charter was approved on June 11, 2009 and provides a formal process by which the FHLBanks can provide input on and approve these key OTTI assumptions.

In accordance with Finance Agency guidance, an FHLBank may engage another FHLBank to perform the cash flow analyses underlying its OTTI determinations. Each FHLBank is responsible for making its own determination of impairment and the reasonableness of assumptions, inputs and methodologies used, as well as performing the required present value calculations using appropriate historical cost bases and yields. FHLBanks that hold common private-label MBS are required to consult with one another to ensure that any decision that a commonly-held private-label MBS is other-than-temporarily impaired is consistent among those FHLBanks, including the determination of fair value and the credit loss component of the unrealized loss.

In order to promote consistency in the application of the assumptions and implementation of the OTTI methodology, the FHLBanks have established control procedures whereby the FHLBanks that are performing cash flow analyses select a sample group of private-label MBS and each perform cash flow analyses on all such test MBS, using the assumptions approved by the OTTI Governance Committee. These FHLBanks exchange and discuss the results and make any adjustments necessary to achieve consistency among their respective cash flow models.

*Temporary Liquidity Guarantee Program.* On November 21, 2008, the FDIC adopted a final rule implementing the TLGP, which was previously announced in October 2008. The TLGP has two primary components: the Debt Guarantee Program, by which the FDIC will guarantee payment of certain newly-issued senior unsecured debt where such debt is issued on or before June 30, 2009 (under the original rule); and the Transaction Account Guarantee (TAG) Program, by which the FDIC will guarantee funds in non-interest-bearing transaction deposit accounts held by FDIC-insured banks until December 31,

2009. On June 30, 2009, the FDIC issued a Notice of Proposed Rulemaking to request comment on two alternatives for phasing out the TAG component of the TLGP. Under the first proposed alternative, the FDIC's guarantee of deposits held in qualifying noninterest-bearing transaction accounts subject to the TAG program would continue until December 31, 2009. There would be no modification of the existing fee structure or any other change in the FDIC's guarantee of noninterest-bearing transaction accounts, as provided for in the current regulation. Under the second proposed alternative, the TAG program would be extended for six months until June 30, 2010. Insured depository institutions (IDIs) that are currently participating in the TAG program would be provided a single opportunity to opt out of the extended TAG program. IDIs that opt out of the extended TAG program would be required to update their disclosure postings and notices to indicate that they are no longer participating in the program. Under this proposal, IDIs choosing to participate in the extended TAG program would be subject to increased fees for the FDIC's extended guarantee of its qualifying noninterest-bearing transaction accounts. Also, IDIs participating in the extended TAG program may be required to update their disclosure postings and notices to indicate that they are continuing to participate in the TAG program. Comments on this Notice of Proposed Rulemaking were due to the FDIC by July 30, 2009.

*Executive Compensation.* On June 5, 2009, the Finance Agency published a proposed rule with a request for comment to set forth requirements and processes with respect to compensation provided to executive officers by Fannie Mae, Freddie Mac, FHLBanks (regulated entities) and the Office of Finance. The Executive Compensation rule addresses the authority of the Director of the Finance Agency to approve, disapprove, modify, prohibit or withhold compensation of executive officers of the regulated entities. The proposed regulation also addresses the Director's authority to prior approve agreements or contracts of executive officers that provide compensation in connection with termination of employment. Additionally, the proposed regulation is issued to ensure that the regulated entities and the Office of Finance comply with processes used by the Finance Agency in its oversight of executive compensation. The processes require the submission of relevant information by the regulated entities and the Office of Finance on a timely basis, in a format deemed appropriate by the Finance Agency. The proposed rule prohibits a regulated entity or the Office of Finance to pay compensation to an executive officer that is not reasonable and comparable with compensation paid by such similar businesses involving similar duties and responsibilities. Failure by a regulated entity or the Office of Finance to comply with the requirements of this part may result in supervisory action by the Finance Agency, including an enforcement action to require an individual to make restitution to or reimbursement of excessive compensation or inappropriately paid termination benefits. Comments were due by August 4, 2009.

**Recent Rating Agency Actions**

**Federal Home Loan Banks**
**Long-Term and Short-Term Credit Ratings**
**At August 12, 2009**

| | S&P | | Moody's | |
|---|---|---|---|---|
| | Long-Term/ Short-Term Rating | Outlook | Long-Term/ Short-Term Rating | Outlook |
| Atlanta | AAA/A-1+ | Stable | Aaa/P-1 | Stable |
| Boston | AAA/A-1+ | Stable | Aaa/P-1 | Stable |
| Chicago (1) | AA+/A-1+ | Stable | Aaa/P-1 | Stable |
| Cincinnati | AAA/A-1+ | Stable | Aaa/P-1 | Stable |
| Dallas | AAA/A-1+ | Stable | Aaa/P-1 | Stable |
| Des Moines | AAA/A-1+ | Stable | Aaa/P-1 | Stable |
| Indianapolis | AAA/A-1+ | Stable | Aaa/P-1 | Stable |
| New York | AAA/A-1+ | Stable | Aaa/P-1 | Stable |
| Pittsburgh | AAA/A-1+ | Stable | Aaa/P-1 | Stable |
| San Francisco | AAA/A-1+ | Stable | Aaa/P-1 | Stable |
| Seattle (2) | AA+/A-1+ | Stable | Aaa/P-1 | Stable |
| Topeka | AAA/A-1+ | Stable | Aaa/P-1 | Stable |

(1) On May 15, 2009, Moody's announced that it downgraded the FHLBank of Chicago's subordinated debt rating to A2 with a stable outlook from Aa2 with a negative outlook. On July 1, 2009, S&P announced the long-term counterparty credit rating for the FHLBank of Chicago was upgraded to AA+ with a stable outlook.

(2) On June 5, 2009, S&P announced that it affirmed both its long-term and short-term counterparty credit ratings for the FHLBank of Seattle, but placed the FHLBank of Seattle on CreditWatch with negative implications. On July 1, 2009, S&P announced the FHLBank of Seattle's counterparty credit ratings of AA+/A1+ were affirmed and it was removed from CreditWatch negative.

## RISK MANAGEMENT

For a discussion of "Risk Management," including "Quantitative and Qualitative Disclosures about Market Risk, Liquidity Risk, Credit Risk, Operational Risk and Business Risk," see "Risk Management" in the Federal Home Loan Banks' 2008 Combined Financial Report. Each FHLBank includes a discussion of its risk management in its periodic reports filed with the SEC. (See "Available Information on Individual FHLBanks.") The following quantitative information should be read in conjunction with the discussion of "Risk Management" included in the Federal Home Loan Banks' 2008 Combined Financial Report.

### Interest-Rate Exchange Agreements

*Derivative Notional Amounts.* The notional amount of derivatives serves as a factor in determining periodic interest payments or cash flows received and paid.

The following table categorizes the estimated fair value of derivative financial instruments, excluding collateral and accrued interest, by product and type of accounting treatment. The categories

"Fair Value" and "Cash Flow" represent hedge strategies for which hedge accounting is achieved. The category "Economic" represents hedge strategies for which hedge accounting is not achieved.

**Total Derivative Financial Instrument by Product**
**(Dollar amounts in millions)**

| | June 30, 2009 | | December 31, 2008 | |
|---|---|---|---|---|
| | Total Notional | Total Estimated Fair Value (excludes collateral and accrued interest) | Total Notional | Total Estimated Fair Value (excludes collateral and accrued interest) |
| **Advances** | | | | |
| Fair Value-existing cash item | $ 345,956 | $(17,083) | $ 358,142 | $(26,382) |
| Fair Value-firm commitments | 10 | | | |
| Cash Flow-existing cash item | 2,675 | 246 | 2,675 | 338 |
| Economic | 46,160 | (997) | 58,233 | (1,580) |
| Total | 394,801 | (17,834) | 419,050 | (27,624) |
| **Investments** | | | | |
| Fair Value-existing cash item | 3,578 | (417) | 2,572 | (701) |
| Economic (includes trading securities hedges) | 13,540 | (362) | 13,155 | (717) |
| Total | 17,118 | (779) | 15,727 | (1,418) |
| **MPF/MPP Loans Held for Portfolio** | | | | |
| Fair Value-existing cash item | 5,981 | (23) | 8,452 | (184) |
| Standalone-delivery commitments | 540 | (4) | 1,481 | 7 |
| Economic (including TBAs) | 27,585 | 372 | 20,414 | 133 |
| Total | 34,106 | 345 | 30,347 | (44) |
| **Consolidated Bonds** | | | | |
| Fair Value-existing cash item | 290,446 | 6,094 | 338,284 | 10,746 |
| Cash Flow-anticipated transaction | 8,472 | (426) | 6,447 | (757) |
| Economic | 139,113 | 670 | 137,749 | 334 |
| Total | 438,031 | 6,338 | 482,480 | 10,323 |
| **Consolidated Discount Notes** | | | | |
| Fair Value-existing cash item | 38,064 | 63 | 22,799 | 67 |
| Economic | 60,801 | 96 | 88,698 | 84 |
| Total | 98,865 | 159 | 111,497 | 151 |
| **Deposits** | | | | |
| Fair Value | 20 | 5 | 20 | 6 |
| Total | 20 | 5 | 20 | 6 |
| **Balance Sheet** | | | | |
| Economic | 22,349 | 89 | 25,491 | 55 |
| Total | 22,349 | 89 | 25,491 | 55 |

**Total Derivative Financial Instrument by Product (continued)**
**(Dollar amounts in millions)**

| | June 30, 2009 | | December 31, 2008 | |
|---|---|---|---|---|
| | Total Notional | Total Estimated Fair Value (excludes collateral and accrued interest) | Total Notional | Total Estimated Fair Value (excludes collateral and accrued interest) |
| **Intermediary Positions** | | | | |
| Intermediaries | $ 4,040 | $ 1 | $ 4,146 | $ 1 |
| Total | 4,040 | 1 | 4,146 | 1 |
| **Total notional and estimated fair value** | $1,009,330 | $(11,676) | $1,088,758 | $(18,550) |
| Total derivatives excluding collateral and accrued interest | | $(11,676) | | $(18,550) |
| Accrued interest | | 386 | | 1,067 |
| Net cash collateral and related accrued interest | | 5,752 | | 10,653 |
| Net derivative balances | | $ (5,538) | | $ (6,830) |
| Net derivative assets balances | | $ 678 | | $ 902 |
| Net derivative liabilities balances | | (6,216) | | (7,732) |
| Net derivative balances | | $ (5,538) | | $ (6,830) |

The notional amount of derivatives represents neither the actual amounts exchanged nor the overall exposure of the FHLBanks to credit and market risk. The overall amount that could potentially be subject to credit loss is much smaller. Notional values are not meaningful measures of the risks associated with derivatives. The risks of derivatives can be measured meaningfully on a portfolio basis. This measurement must take into account the derivatives, the item being hedged and any offsets between the two.

In accordance with SFAS 133, each FHLBank classifies derivative assets and derivative liabilities according to the net fair value of derivatives with each of its counterparties because these swaps are covered by a master netting agreement. If the net fair value of derivatives with one of its counterparties is positive, it is classified as an asset by that FHLBank. If the net fair value of derivatives with one of its counterparties is negative, it is classified as a liability by that FHLBank. In accordance with FSP FIN 39-1, the FHLBanks also offset cash collateral and related accrued interest against the net fair value of derivatives. The $224 million decrease in combined derivative assets and the $1,516 million decrease in combined derivative liabilities from December 31, 2008 to June 30, 2009 are largely the result of changes in interest rates.

## Quantitative Disclosure about Market Risk

Each FHLBank has an internal modeling system for measuring duration of equity (to provide to the Regulator) and duration gap and, therefore, individual FHLBank measurements may not be directly comparable. Each FHLBank reports the results of its duration of equity calculations to the Regulator each quarter; however, each FHLBank that has converted to its new capital structure is no longer subject by regulation to the duration of equity requirements. Not all FHLBanks manage to the duration of equity risk measure. The capital adequacy rules of the Regulator require each FHLBank that has implemented a new capital plan to hold permanent capital in an amount sufficient to cover the sum of its credit, market and operational risk-based capital requirements, as these metrics are defined by applicable regulations. Each of these FHLBanks has developed a market risk model that calculates the market risk component of this requirement.

On February 20, 2009, the FHLBank of Chicago received a non-objection letter from the Finance Agency related to the FHLBank of Chicago's proposal to apply temporarily direct dollar limits on changes in fair value under parallel interest rate shocks instead of the duration and convexity limits that were applied in the past. As a result, the interest rate risk policy in effect as of June 30, 2009, places limits on fair value changes for all measured parallel interest rates scenarios between -200 basis points and +200 basis points. Some scenarios, however, may not be measured when swap rates are less than 2 percent. The table below shows the FHLBank of Chicago's fair value changes as of June 30, 2009 with respect to the interest-rate risk policy limits (dollar amounts in millions).

| Scenario | Change in Market Value | Change in Market Value Must be Greater Than |
|---|---|---|
| –200 bp | * | $(185.0) |
| –100 bp | * | (77.5) |
| –50 bp | * | (30.0) |
| –25 bp | $ (1.6) | (12.5) |
| +25 bp | (14.1) | (25.0) |
| +50 bp | (25.7) | (60.0) |
| +100 bp | (36.6) | (155.0) |
| +200 bp | (66.1) | (370.0) |

* Due to the low interest-rate environment at June 30, 2009, these values cannot be calculated.

The FHLBank of Chicago continues to work with the Finance Agency to develop a set of interest-rate risk management policies and submitted revised policies to the Deputy Director on July 16, 2009 pursuant to the C&D Order. The interest-rate risk policy in effect on December 31, 2008 set dollar duration limits to which the FHLBank of Chicago was required to manage. The following table summarizes the FHLBank of Chicago's duration as of December 31, 2008 in comparison to the interest-rate risk policy limits.

| | | Duration Policy Limits | |
|---|---|---|---|
| Scenario | Actual Duration (in whole $) | Market Value of Equity is Less Than $700 Million (in whole $) | Market Value of Equity Equals or Exceeds $700 Million (in years) |
| –200 bp | * | –$490,000 | –7 years |
| –100 bp | * | –420,000 | –6 years |
| Base case | –$228,106 | ±350,000 | ±5 years |
| +100 bps | 176,716 | +420,000 | +6 years |
| +200 bp | 293,218 | +490,000 | +7 years |

* Due to the low interest-rate environment at December 31, 2008, these values cannot be calculated.

Each FHLBank also calculates and measures its duration gap. The duration gap is the difference between the estimated durations (market value sensitivity) of assets and liabilities (including the effect of interest-rate exchange agreements) and reflects the extent to which estimated maturity and repricing cash flows for assets and liabilities are matched.

**Duration Gap (1)**
**(In months)**

| FHLBank | June 30, 2009 | December 31, 2008 |
|---|---|---|
| Boston | 1.1 | (0.7) |
| New York | (0.6) | (1.2) |
| Pittsburgh | 6.8 | 3.5 |
| Atlanta | 3.4 | 5.7 |
| Cincinnati | 0.0 | (0.2) |
| Indianapolis | 0.1 | (0.2) |
| Chicago | 0.3 | (0.3) |
| Des Moines | (1.5) | (7.3) |
| Dallas | 3.4 | 2.3 |
| Topeka | 1.5 | 2.9 |
| San Francisco | 2.4 | 3.4 |
| Seattle | 0.2 | 0.2 |

(1) Duration gap values include the impact of interest-rate exchange agreements.

## Credit Risk

Credit risk is the risk of loss due to default or non-performance of an obligor or counterparty. The FHLBanks are subject to credit risk on advances, investments (including mortgage-backed securities), mortgage loans held for portfolio and interest-rate exchange agreements. Each FHLBank follows guidelines established by the Regulator and its board of directors regarding unsecured extensions of credit, whether on- or off-balance sheet. Applicable regulation limits the amounts and terms of unsecured credit exposure to any counterparty other than the U.S. government. Unsecured credit exposure to any counterparty is limited by the credit quality and capital level of that counterparty and by the capital level of the FHLBank.

### *Managing Credit Risk*

*Advances.* Each FHLBank manages its credit exposure to advances through an integrated approach that provides for the ongoing review of the financial condition of its borrowers coupled with conservative collateral/lending policies and procedures to limit its risk of loss while balancing its borrowers' needs for a reliable source of funding. The FHLBanks protect against credit risk on advances by collateralizing all advances. The FHLBank Act requires that FHLBanks obtain and maintain collateral from their borrowers to secure advances at the time the advances are originated or renewed. Collateral arrangements will vary depending upon borrower credit quality, financial condition and performance; borrowing capacity; collateral availability; and overall credit exposure to the borrower. Each FHLBank establishes each borrower's borrowing capacity by determining the amount it will lend against each collateral type. Borrowers are also required to collateralize the face amount of any letters of credit issued for their benefit by an FHLBank. Each FHLBank can call for additional or substitute collateral during the life of an advance to protect its security interest.

Residential mortgage loans are the principal form of collateral for advances. As a matter of course and through different means, the FHLBanks perfect the security interests granted to them by their borrowers. In addition, the FHLBanks must take any steps necessary to ensure that their security interests in all collateral pledged by non-depository member institutions (i.e., insurance companies and housing associates) is as secure as their security interests in collateral pledged by depository member institutions.

The FHLBanks generally establish an overall FHLBank credit limit for each borrower, which caps the amount of FHLBank credit availability to such borrower. This limit is designed to mitigate the FHLBanks' credit exposure to an individual borrower, while encouraging borrowers to diversify their

funding sources. A borrower's total credit limit with an FHLBank includes the face amount of outstanding letters of credit, the principal amount of outstanding advances, the total exposure of the FHLBank to the borrower under any derivative contract and credit enhancement obligation of the borrower on mortgage loans sold to the FHLBank (if any). Each FHLBank determines the credit limit of a borrower by evaluating a wide variety of factors, including, but not limited to, the borrower's overall creditworthiness and collateral management practices. Most of the FHLBanks impose those credit limits on borrowers within a maximum range of between 30 to 55 percent of a borrower's total assets.

At June 30, 2009, 28 individual FHLBank members held advance balances of at least $5 billion. In the aggregate, these advances represented approximately $376 billion, or 51 percent, of total FHLBank advances outstanding at June 30, 2009, with collateralization ratios (i.e., a member's eligible collateral divided by that member's advances outstanding) ranging from 1.42 to 2.49 (weighted-average collateralization ratio of 2.19). Eligible collateral values include (a) market values for securities and (b) the unpaid principal balance for all other collateral pledged by delivery, specific identification or blanket lien. At June 30, 2009, approximately 51 percent of these 28 individual FHLBank members' eligible collateral was pledged by specific identification, with approximately 31 percent pledged in the form of a blanket lien and approximately 18 percent pledged by delivery. On a combined basis, the eligible collateral securing these 28 individual FHLBank members' advances was comprised of residential first mortgages (52 percent), home equity lines of credit/second mortgages (21 percent), private-label and government/agency securities (13 percent), commercial real estate (8 percent) and other collateral (6 percent) comprising the remainder.

All borrower obligations to the FHLBanks are secured with eligible collateral, the value of which is discounted to protect the FHLBanks from default in adverse circumstances. Collateral discounts, or haircuts, used in determining lending values of the collateral are calculated to estimate that the lending value of collateral securing each borrower's obligations exceeds the amount the borrower may borrow from the FHLBanks. The collateral lending values for the blanket, listing and delivery methods of pledging collateral range across the 12 FHLBanks as shown below. Collateral lending values are determined by subtracting the collateral haircut from 100 percent. Certain collateral haircuts may also reflect haircuts applied to advances outstanding based upon members' actual financial performance.

| | June 30, 2009 Range of Collateral Lending Values By Pledging Method | | |
|---|---|---|---|
| **Collateral Type** | **Blanket** | **Listing** | **Delivery** |
| Single-family mortgage loans (1) | 45-93% | 39-90% | 38-90% |
| FHA/VA loans (2) | 45-93% | 39-91% | 45-93% |
| Multifamily mortgage loans (3) | 33-80% | 40-80% | 32-80% |
| U.S. government/U.S. Treasury securities (4) | 80-99% | 80-97% | 80-99% |
| U.S. agency securities (excluding MBS) (5) | 80-97% | 80-97% | 80-100% |
| U.S. agency MBS/CMOs (6) | 65-97% | 67-95% | 55-98% |
| Non-agency MBS/CMOs (7) | 50-90% | 65-90% | 25-98% |
| Other U.S. government-guaranteed mortgage loans (8) | 45-90% | 45-90% | 40-95% |
| Community financial institution collateral—loans (e.g., small-business, small-farm, small-agribusiness loans) (9) | 20-67% | 20-67% | 5-67% |
| Community financial institution collateral—securities (backed by community financial institution loan collateral) (10) | N/A(11) | N/A(11) | 93-95% |
| Other real estate related collateral—loans (e.g., commercial real estate, construction loans, home equity lines of credit) (12) | 12-80% | 20-80% | 15-80% |
| Other real estate related collateral—securities (backed by other real estate related loan collateral) (13) | 60-65% | N/A(11) | 50-91% |

(1) Most lending values of single-family mortgage loan collateral are in the 47 percent—92 percent range.

(2) Most lending values of FHA/VA loan collateral are in the 27 percent—93 percent range. The lower level of this range, compared to that noted above, reflects additional haircuts applied to advances outstanding based upon members' actual financial performance.

(3) Most lending values of multifamily mortgage loan collateral are in the 40 percent—80 percent range.

(4) Most lending values of U.S. government/U.S. Treasury securities collateral are in the 87 percent—99 percent range, with the lowest end of the range assigned to mixed-use municipal securities collateral where the majority of the proceeds are real estate related.

(5) Most lending values of U.S. agency securities collateral, excluding U.S. agency MBS, are in the 87 percent—98 percent range.

(6) Most lending values of U.S. agency MBS/CMO collateral are in the 55 percent—98 percent range.

(7) Most lending values of non-agency MBS/CMO collateral are in the 25 percent—95 percent range.

(8) All lending values of other U.S. government-guaranteed mortgage loan collateral are in the 40 percent—95 percent range.

(9) Most lending values of community financial institution collateral—loans are in the 15 percent—60 percent range.

(10) Most lending values of community financial institution collateral—securities are in the 93 percent—95 percent range.

(11) Certain collateral types are not allowed to be pledged using blanket and/or listing methods, based upon the FHLBanks' lending and collateral policies.

(12) Most lending values of other real estate related collateral—loans are in the 25 percent—80 percent range.

(13) Most lending values of other real estate related collateral—securities are in the 50 percent—91 percent range.

The FHLBank Act permitted borrowers that qualify as a "community financial institution" (which is defined in the FHLBank Act as an FDIC-insured depository institution that had average assets for the past three calendar years totaling no more than $599 million during 2007 and $625 million during 2008, up until the passage of the Housing Act) also to pledge certain CFI-specific collateral, which consists of small-business, small-farm, and small-agribusiness loans, to the extent that its FHLBank accepts such loans as collateral for advances. The Housing Act defined community financial institutions for 2008 as depository institutions insured by the FDIC with average total assets over the preceding three-year period of less than $1.0 billion (the total average asset cap), which the average total assets cap shall be adjusted annually for inflation. Beginning January 1, 2009, the Finance Agency adjusted the average total asset cap to $1.011 billion. The FHLBanks that accept CFI-specific collateral mitigate the potential increased credit risk through higher haircuts (lower lending values) on such collateral.

Under the FHLBank Act, an FHLBank has a statutory lien on that FHLBank's capital stock held by its members, which serves as further collateral for the indebtedness of these members to the FHLBank. The FHLBank Act also allows FHLBanks to further protect their security position with respect to advances by allowing them to require the posting of additional collateral, whether or not such additional collateral is eligible to originate or renew an advance. In order to borrow from its FHLBank, a borrower must pledge collateral using a blanket lien or specific identification method, or, if required, deliver such collateral to the FHLBank or its agent (acceptable third party). The FHLBanks perfect their security interests by filing applicable financing statements or taking delivery of collateral. In addition, under the FHLBank Act, a security interest granted to an FHLBank by a member, or any affiliate of the member to an FHLBank, is entitled to a priority over the claims and rights of any party (including any receiver, conservator, trustee or similar lien creditor), except the claims and rights of a party that would be entitled to priority under otherwise applicable law and is an actual bona fide purchaser for value of such collateral or is an actual secured party whose security interest in such collateral is perfected in accordance with applicable state law.

No FHLBank has ever experienced a credit loss on an advance. However, the expanded eligible collateral for community financial institutions and lending to non-member housing associates increases the credit risk to the FHLBanks. Advances to community financial institutions secured with expanded eligible collateral represented approximately $8.3 billion of the total $720.5 billion of advances outstanding at par value at June 30, 2009. Advances to housing associates represented $827 million of the total $720.5 billion of advances outstanding at par value at June 30, 2009.

During the six months ended June 30, 2009, 40 of the 45 FDIC-insured institutions that failed were members of the FHLBanks. The total amount of advances outstanding to these 40 members at the time of their failure was $1,866 million, all of which were either assumed by another member or a non-member institution and/or repaid by the acquiring institution or the FDIC. No FHLBank incurred any credit loss on any of the related advances outstanding.

In light of the deterioration in the housing and mortgage markets, the FHLBanks continue to evaluate and make changes to their collateral guidelines when reviewing their borrowers' financial condition to further mitigate the credit risk of advances. The management of each FHLBank believes it has adequate policies and procedures in place to manage its credit risk on advances effectively. For additional information related to the FHLBanks' advances collateral/lending policies, refer to the Federal Home Loan Banks' 2008 Combined Financial Report and each individual FHLBank's periodic filings with the SEC.

*Investments.* In order to minimize credit risk on investments, the FHLBanks are required to operate within certain statutory and regulatory limits that are described in the Federal Home Loan Banks' 2008 Combined Financial Report. The FHLBanks further mitigate credit risk on investment securities by investing in highly-rated investment securities. At June 30, 2009 and December 31, 2008, 78.7% percent and 93.0 percent of all investments held by the FHLBanks in mortgage-backed securities were rated triple-A.

**Investment Securities Ratings**
**(Dollar amounts in millions)**

| | June 30, 2009* | | December 31, 2008** | |
|---|---|---|---|---|
| Investment Rating | Amount | Percentage of Total Investments | Amount | Percentage of Total Investments |
| Long-term rating | | | | |
| Triple-A | $148,226 | 69.5% | $174,425 | 82.6% |
| Double-A | 17,108 | 8.0% | 12,619 | 6.0% |
| Single-A | 12,190 | 5.7% | 13,084 | 6.2% |
| Triple-B | 6,926 | 3.2% | 3,144 | 1.5% |
| Below investment grade | | | | |
| Double-B | 6,722 | 3.2% | 1,576 | 0.8% |
| Single-B | 5,678 | 2.7% | 645 | 0.3% |
| Triple-C | 3,979 | 1.9% | 312 | 0.1% |
| Double-C | 225 | 0.1% | | |
| Single-C | 23 | 0.0% | | |
| Single-D | 2 | 0.0% | | |
| Short-term rating | | | | |
| A-1 or higher/P-1 | 12,203 | 5.7% | 5,372 | 2.5% |
| Unrated investment securities | 44 | 0.0% | 56 | 0.0% |
| Total | $213,326 | 100.0% | $211,233 | 100.0% |

* This chart does not reflect any changes in rating, outlook or watch status occurring after June 30, 2009. These ratings represent the lowest rating available for each security based on NRSROs used by each FHLBank.

** This chart does not reflect any changes in rating, outlook or watch status occurring after December 31, 2008. These ratings represent the lowest rating available for each security based on NRSROs used by each FHLBank.

## Investment Securities
## Downgraded and/or Placed on Negative Watch (1)
## from July 1, 2009 through August 7, 2009
## (Dollar amounts in millions)

| | Based on Carrying Values as of June 30, 2009 | | |
|---|---|---|---|
| | Downgraded and Stable | Downgraded and Placed on Negative Watch | Not Downgraded but Placed on Negative Watch |
| Private-label residential MBS (RMBS): | | | |
| Percentage of total private-label RMBS | 23% | 1% | 1% |
| Amount of private-label RMBS rated below investment grade: | | | |
| Double-B | $1,416 | $ 30 | $100 |
| Single-B | 1,507 | 184 | 12 |
| Triple-C | 3,532 | | |
| Double-C | 1,670 | | |
| Single-C | 295 | | |
| Total | $8,420 | $214 | $112 |
| Private-label commercial MBS (CMBS): | | | |
| Percentage of total private-label CMBS | 0% | 0% | 0% |
| Total private-label CMBS rated below investment grade | $ | $ | $ |
| Manufactured housing loan investments: | | | |
| Percentage of total manufactured housing loan investments | 0% | 0% | 0% |
| Total manufactured housing loan investments rated below investment grade | $ | $ | $ |
| Home equity loan investments: | | | |
| Percentage of total home equity loan investments | 14% | 1% | 3% |
| Amount of home equity loan investments rated below investment grade: | | | |
| Single-B | $ 157 | $ 6 | $ 1 |
| Triple-C | 19 | | |
| Double-C | 14 | | |
| Total | $ 190 | $ 6 | $ 1 |
| Total private-label RMBS and CMBS, manufactured housing loans and home equity loan investments: | | | |
| Percentage of total investment securities | 8% | 0%(2) | 0%(2) |
| Amount of total private-label RMBS and CMBS, manufactured housing loans and home equity loan investments rated below investment grade : | | | |
| Double-B | $1,416 | $ 30 | $100 |
| Single-B | 1,664 | 190 | 13 |
| Triple-C | 3,551 | | |
| Double-C | 1,684 | | |
| Single-C | 295 | | |
| Total | $8,610 | $220 | $113 |
| Total non-MBS: | | | |
| Percentage of total investment securities | 3% | 2% | 3% |

(1) Represents the lowest rating available for each security based on NRSROs used by each FHLBank.

(2) Represents less than one-half of one percent.

The FHLBanks' investments in private-label MBS include investment securities backed by residential, commercial, manufactured housing and home equity loans. The FHLBanks classify private-label MBS as prime, Alt-A and subprime based on the originator's classification at the time of origination or

based on classification by an NRSRO upon issuance of the MBS. In some cases, the NRSROs may have changed their classification subsequent to origination, which would not necessarily be reflected in the tables noted on the following pages.

The following table represents FHLBanks' composition of private-label MBS.

**Unpaid Principal Balance of Private-Label Mortgage-Backed Securities, Manufactured Housing Loans and Home Equity Loan Investments by Fixed Rate or Variable Rate (1) (Dollar amounts in millions)**

| | June 30, 2009 | | | December 31, 2008 | | |
|---|---|---|---|---|---|---|
| | Fixed Rate | Variable Rate | Total | Fixed Rate | Variable Rate | Total |
| Private-label RMBS: | | | | | | |
| Prime | $14,149 | $21,272 | $35,421 | $18,442 | $23,024 | $41,466 |
| Alt-A | 11,673 | 16,134 | 27,807 | 13,345 | 16,697 | 30,042 |
| Subprime | | 22 | 22 | | 21 | 21 |
| Total private-label RMBS | 25,822 | 37,428 | 63,250 | 31,787 | 39,742 | 71,529 |
| Private-label CMBS: | | | | | | |
| Prime | 470 | 10 | 480 | 924 | 10 | 934 |
| Total private-label CMBS | 470 | 10 | 480 | 924 | 10 | 934 |
| Manufactured housing loans: | | | | | | |
| Prime | | | | | 1 | 1 |
| Subprime | 239 | | 239 | 254 | | 254 |
| Total manufactured housing loans | 239 | | 239 | 254 | 1 | 255 |
| Home equity loan investments: | | | | | | |
| Prime | | 6 | 6 | | 11 | 11 |
| Alt-A | | 68 | 68 | | 72 | 72 |
| Subprime | 488 | 1,527 | 2,015 | 521 | 1,625 | 2,146 |
| Total home equity loan investments | 488 | 1,601 | 2,089 | 521 | 1,708 | 2,229 |
| Total private-label MBS, manufactured housing loans and home equity loan investments | $27,019 | $39,039 | $66,058 | $33,486 | $41,461 | $74,947 |

(1) The FHLBanks classify private-label MBS as prime, Alt-A and subprime based on the originator's classification at the time of origination or based on classification by an NRSRO upon issuance of the MBS.

At June 30, 2009, the carrying values of the FHLBanks' total private-label RMBS, private-label CMBS, manufactured housing loans and home equity loan investments reported on the Combined Statement of Condition were $54,007 million, $480 million, $239 million and $1,507 million. The following two tables present credit ratings of private-label RMBS and CMBS, manufactured housing loans and home equity loan investments at June 30, 2009. Of the total unpaid principal balance of private-label RMBS and CMBS, manufactured housing loans and home equity loan investments, prime represented 54 percent, Alt-A represented 42 percent and subprime represented 4 percent. Of the $152,841 billion in mortgage-backed securities investments held by the FHLBanks at June 30, 2009, less than two percent were categorized as subprime by the originator at the time of origination or based on classification by an NRSRO upon issuance of the MBS. The following table discloses the lowest ratings available for each security based on NRSROs used by each FHLBank.

**Unpaid Principal Balance of Private-Label Mortgage-Backed Securities, Manufactured Housing Loans and Home Equity Loan Investments By Year of Securitization At June 30, 2009 * (Dollar amounts in millions)**

| | Prime(1) | | | | | | |
|---|---|---|---|---|---|---|---|
| Year of Securitization | Triple-A | Double-A | Single-A | Triple-B | Below Investment Grade | Unrated | Total |
| Private-label RMBS: | | | | | | | |
| 2008 | $ 45 | $ 99 | $ 375 | $ | $ 236 | $ | $ 755 |
| 2007 | 984 | 161 | 157 | 729 | 3,733 | | 5,764 |
| 2006 | 552 | 560 | 791 | 1,995 | 2,830 | | 6,728 |
| 2005 | 2,205 | 586 | 1,261 | 516 | 1,714 | | 6,282 |
| 2004 and prior | 14,522 | 431 | 756 | 144 | 39 | – | 15,892 |
| Total | 18,308 | 1,837 | 3,340 | 3,384 | 8,552 | – | 35,421 |
| Private-label CMBS: | | | | | | | |
| 2004 and prior | 480 | | | | | – | 480 |
| Total | 480 | | | | | – | 480 |
| Manufactured housing loans: | | | | | | | |
| Total | | | | | | – | |
| Home equity loan investments: | | | | | | | |
| 2004 and prior | | | | | 6 | – | 6 |
| Total | | | | | 6 | – | 6 |
| Total prime private-label RMBS and CMBS, manufactured housing loans and home equity loan investments | $18,788 | $1,837 | $3,340 | $3,384 | $8,558 | $ | $35,907 |

## Unpaid Principal Balance of Private-Label Mortgage-Backed Securities, Manufactured Housing Loans and Home Equity Loan Investments By Year of Securitization (continued)
## At June 30, 2009 *
## (Dollar amounts in millions)

| | Alt-A(1) | | | | | | |
|---|---|---|---|---|---|---|---|
| Year of Securitization | Triple-A | Double-A | Single-A | Triple-B | Below Investment Grade | Unrated | Total |
| Private-label RMBS: | | | | | | | |
| 2008 | $ 511 | $ | $ | $ 426 | $ 133 | $ | $ 1,070 |
| 2007 | 1,259 | 162 | 300 | 600 | 5,924 | | 8,245 |
| 2006 | 178 | 8 | 94 | 508 | 4,622 | | 5,410 |
| 2005 | 345 | 666 | 1,169 | 2,554 | 3,846 | | 8,580 |
| 2004 and prior | 2,720 | 904 | 713 | 161 | 4 | – | 4,502 |
| Total | 5,013 | 1,740 | 2,276 | 4,249 | 14,529 | – | 27,807 |
| Private-label CMBS: | | | | | | | |
| Total | | | | | | – | |
| Manufactured housing loans: | | | | | | | |
| Total | | | | | | – | |
| Home equity loan investments: | | | | | | | |
| 2006 | | 24 | | | | | 24 |
| 2005 | | 5 | | | | | 5 |
| 2004 and prior | | | | | 39 | – | 39 |
| Total | | 29 | | | 39 | – | 68 |
| Total Alt-A private-label RMBS and CMBS, manufactured housing loans and home equity loan investments | $5,013 | $1,769 | $2,276 | $4,249 | $14,568 | $ | $27,875 |

**Unpaid Principal Balance of Private-Label Mortgage-Backed Securities, Manufactured Housing Loans and Home Equity Loan Investments By Year of Securitization (continued)**
**At June 30, 2009 ***
**(Dollar amounts in millions)**

| | Subprime(1) | | | | | | |
|---|---|---|---|---|---|---|---|
| Year of Securitization | Triple-A | Double-A | Single-A | Triple-B | Below Investment Grade | Unrated | Total |
| Private-label RMBS: | | | | | | | |
| 2004 and prior | $ 12 | $ | $ 6 | $ 3 | $ 1 | $ | $ 22 |
| Total | 12 | | 6 | 3 | 1 | | 22 |
| Private-label CMBS: | | | | | | | |
| Total | | | | | | | |
| Manufactured housing loans: | | | | | | | |
| 2004 and prior | | 239 | | | | | 239 |
| Total | | 239 | | | | | 239 |
| Home equity loan investments: | | | | | | | |
| 2007 | | | | 10 | | | 10 |
| 2006 | 40 | 20 | | 66 | 1,050 | | 1,176 |
| 2005 | 5 | 26 | 36 | 20 | 75 | | 162 |
| 2004 and prior | 273 | 101 | 62 | 80 | 145 | 6 | 667 |
| Total | 318 | 147 | 98 | 176 | 1,270 | 6 | 2,015 |
| Total subprime private-label RMBS and CMBS, manufactured housing loans and home equity loan investments | $ 330 | $ 386 | $ 104 | $ 179 | $ 1,271 | $6 | $ 2,276 |
| Total private-label RMBS and CMBS, manufactured housing loans and home equity loan investments | $24,131 | $3,992 | $5,720 | $7,812 | $24,397 | $6 | $66,058 |

* Represents the lowest ratings available for each security based on NRSROs used by each FHLBank.

(1) The FHLBanks classify private-label MBS as prime, Alt-A and subprime based on the originator's classification at the time of origination or based on classification by an NRSRO upon issuance of the MBS.

**Credit Ratings of Private-Label Mortgage-Backed Securities, Manufactured Housing Loans and Home Equity Loan Investments (1)**
**At June 30, 2009***
**(Dollar amounts in millions)**

| | Unpaid Principal Balance | Amortized Cost | Gross Unrealized Losses | Weighted-Average Collateral Delinquency Percentage |
|---|---|---|---|---|
| Private-label RMBS Triple-A: | | | | |
| Prime | $18,308 | $18,217 | $ (2,148) | 2.9% |
| Alt-A | 5,013 | 5,012 | (1,180) | 12.0% |
| Subprime | 12 | 12 | (4) | 27.2% |
| Total Private-label RMBS Triple-A | 23,333 | 23,241 | (3,332) | 4.9% |
| Private-label RMBS Double-A: | | | | |
| Prime | 1,837 | 1,824 | (466) | 7.2% |
| Alt-A | 1,740 | 1,742 | (456) | 14.7% |
| Total Private-label RMBS Double-A | 3,577 | 3,566 | (922) | 10.8% |
| Private-label RMBS Single-A: | | | | |
| Prime | 3,340 | 3,315 | (680) | 8.3% |
| Alt-A | 2,276 | 2,272 | (697) | 14.8% |
| Subprime | 6 | 6 | (3) | 18.4% |
| Total Private-label RMBS Single-A | 5,622 | 5,593 | (1,380) | 10.9% |
| Private-label RMBS Triple-B: | | | | |
| Prime | 3,384 | 3,311 | (947) | 10.4% |
| Alt-A | 4,249 | 4,210 | (1,499) | 18.1% |
| Subprime | 3 | 3 | (1) | 32.9% |
| Total Private-label RMBS Triple-B | 7,636 | 7,524 | (2,447) | 14.7% |
| Private-label RMBS Below Investment Grade: | | | | |
| Prime | 8,552 | 8,309 | (2,742) | 12.1% |
| Alt-A | 14,529 | 13,941 | (4,600) | 30.2% |
| Subprime | 1 | 1 | (1) | 13.2% |
| Total Private-label RMBS Below Investment Grade | 23,082 | 22,251 | (7,343) | 23.5% |
| Total Private-label RMBS prime | 35,421 | 34,976 | (6,983) | 6.5% |
| Total Private-label RMBS Alt-A | 27,807 | 27,177 | (8,432) | 22.8% |
| Total Private-label RMBS subprime | 22 | 22 | (9) | 25.0% |
| Total Private-label RMBS | $63,250 | $62,175 | $(15,424) | 13.7% |

## Credit Ratings of Private-Label Mortgage-Backed Securities, Manufactured Housing Loans and Home Equity Loan Investments (1) (continued)
## At June 30, 2009*
## (Dollar amounts in millions)

| | Unpaid Principal Balance | Amortized Cost | Gross Unrealized Losses | Weighted-Average Collateral Delinquency Percentage |
|---|---|---|---|---|
| Private-label CMBS Triple-A: | | | | |
| Prime | $480 | $480 | $(15) | 2.1% |
| Total Private-label CMBS Triple-A | 480 | 480 | (15) | 2.1% |
| Total Private-label CMBS prime | 480 | 480 | (15) | 2.1% |
| Total Private-label CMBS | $480 | $480 | $(15) | 2.1% |

| | Unpaid Principal Balance | Amortized Cost | Gross Unrealized Losses | Weighted-Average Collateral Delinquency Percentage |
|---|---|---|---|---|
| Manufactured housing loans Triple-A: | | | | |
| Prime | $ ** | $ ** | $ ** | 2.2% |
| Total Manufactured housing loans Triple-A | ** | ** | ** | 2.2% |
| Manufactured housing loans Double-A: | | | | |
| Subprime | 239 | 239 | (75) | 3.3% |
| Total Manufactured housing loans Double-A | 239 | 239 | (75) | 3.3% |
| Total manufactured housing loans prime | ** | ** | ** | 2.2% |
| Total manufactured housing loans subprime | 239 | 239 | (75) | 3.3% |
| Total manufactured housing loans | $239 | $239 | $(75) | 3.3% |

**Credit Ratings of Private-Label Mortgage-Backed Securities, Manufactured Housing Loans and Home Equity Loan Investments (1) (continued)**
**At June 30, 2009***
**(Dollar amounts in millions)**

| | Unpaid Principal Balance | Amortized Cost | Gross Unrealized Losses | Weighted-Average Collateral Delinquency Percentage |
|---|---|---|---|---|
| Home equity loan investments Triple-A: | | | | |
| Subprime | $ 318 | $ 316 | $(107) | 21.8% |
| Total home equity investments Triple-A | 318 | 316 | (107) | 21.8% |
| Home equity loan investments Double-A: | | | | |
| Alt-A | 29 | 29 | (18) | 2.2% |
| Subprime | 147 | 145 | (43) | 20.4% |
| Total home equity investments Double-A | 176 | 174 | (61) | 17.3% |
| Home equity loan investments Single-A: | | | | |
| Subprime | 98 | 96 | (29) | 25.6% |
| Total home equity investments Single-A | 98 | 96 | (29) | 25.6% |
| Home equity loan investments Triple-B: | | | | |
| Prime | ** | ** | ** | 27.6% |
| Subprime | 176 | 166 | (53) | 29.6% |
| Total home equity investments Triple-B | 176 | 166 | (53) | 29.6% |
| Home equity loan investments Below Investment Grade: | | | | |
| Prime | 6 | 5 | (2) | 34.3% |
| Alt-A | 39 | 38 | (24) | 13.0% |
| Subprime | 1,270 | 1,109 | (457) | 45.6% |
| Total home equity investments Below Investment Grade | 1,315 | 1,152 | (483) | 44.6% |
| Home equity loan investments Unrated: | | | | |
| Subprime | 6 | 6 | ** | 0.0% |
| Total home equity investments Unrated | 6 | 6 | ** | 0.0% |
| Total Home equity loan investments prime | 6 | 5 | (2) | 34.1% |
| Total Home equity loan investments Alt-A | 68 | 67 | (42) | 8.0% |
| Total Home equity loan investments subprime | 2,015 | 1,838 | (689) | 37.5% |
| Total Home equity loan investments | $2,089 | $1,910 | $(733) | 36.5% |

* Represents the lowest ratings available for each security based on NRSROs used by each FHLBank.

** Represents an amount less than $1 million.

(1) The FHLBanks classify private-label MBS as prime, Alt-A and subprime based on the originator's classification at the time of origination or based on classification by an NRSRO upon issuance of the MBS.

The following table summarizes rating agency actions on private-label MBS held by the FHLBanks subsequent to June 30, 2009.

**Rating Agency Actions* on Private-Label Mortgage-Backed Securities, Manufactured Housing Loans and Home Equity Loan Investments from July 1, 2009 through August 7, 2009 (Dollar amounts in millions)**

| | Total Downgraded | | Downgraded from AAA | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | To AA | | To A | | To BBB | | To Below Investment Grade | | Total Downgraded from AAA | |
| | Carrying Value | Fair Value | Carrying Value | Fair Value | Carrying Value | Fair Value | Carrying Value | Fair Value | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Private-label RMBS | $8,755 | $7,150 | $1,725 | $1,423 | $1,508 | $1,203 | $197 | $175 | $1,843 | $1,344 | $5,273 | $4,145 |
| Home equity loan investments | 54 | 38 | 3 | 2 | | | 5 | 4 | | | 8 | 6 |
| Total | $8,809 | $7,188 | $1,728 | $1,425 | $1,508 | $1,203 | $202 | $179 | $1,843 | $1,344 | $5,281 | $4,151 |

| | Downgraded from AA | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | To A | | To BBB | | To Below Investment Grade | | Total Downgraded from AA | |
| | Carrying Value | Fair Value | Carrying Value | Fair Value | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Private-label RMBS | $ 98 | $66 | $385 | $273 | $197 | $162 | $680 | $501 |
| Home equity loan investments | 24 | 18 | 2 | 1 | | | 26 | 19 |
| Total | $122 | $84 | $387 | $274 | $197 | $162 | $706 | $520 |

| | Downgraded from A | | | | | | Downgraded from BBB | |
|---|---|---|---|---|---|---|---|---|
| | To BBB | | To Below Investment Grade | | Total Downgraded from A | | To Below Investment Grade | |
| | Carrying Value | Fair Value | Carrying Value | Fair Value | Carrying Value | Fair Value | Carrying Value** | Fair Value** |
| Private-label RMBS | | | $916 | $839 | $916 | $839 | $1,886 | $1,665 |
| Home equity loan investments | $ | $ | 5 | 4 | 5 | 4 | 15 | 9 |
| Total | $ | $ | $921 | $843 | $921 | $843 | $1,901 | $1,674 |

* Represents the lowest ratings available for each security based on NRSROs used by each FHLBank.

** Does not include downgrades within below investment grade.

Of the $213.3 billion of total investment securities held by the FHLBanks at June 30, 2009, a total of $18.5 billion of MBS investments was rated below investment grade as of August 7, 2009. As noted in the previous two tables, $16.6 billion of this amount was rated below investment grade at June 30, 2009, and an additional $1.9 billion was downgraded to below investment grade from July 1, 2009 through August 7, 2009.

The broad-based deterioration of credit performance related to residential mortgage loans and the accompanying decline in U.S. residential real estate values as well as increasing collateral delinquency rates have increased the level of credit risk to which the FHLBanks are exposed in their investments in mortgage-related securities. The estimated fair value of the FHLBanks' investments in private-label MBS, manufactured housing loans and home equity loan investments with a total carrying value of $56.2 billion, was $46.0 billion at June 30, 2009. The following table summarizes private-label MBS,

home equity loan investments and manufactured housing loans fair values as a percentage of unpaid principal balances.

**Private-Label Mortgage-Backed Securities,**
**Manufactured Housing Loans and Home Equity Loan Investments**
**Fair Value as a Percentage of Unpaid Principal Balance by Year of Securitization**

| Year of Securitization | June 30, 2009 | December 31, 2008 |
|---|---|---|
| **Private-label RMBS:** | | |
| Prime (1): | | |
| 2008 | 79.0% | 67.9% |
| 2007 | 64.7% | 73.0% |
| 2006 | 67.7% | 70.7% |
| 2005 | 75.3% | 73.0% |
| 2004 and earlier | 88.2% | 84.3% |
| Weighted-average of all prime | 78.0% | 77.8% |
| Alt-A (1): | | |
| 2008 | 55.0% | 78.4% |
| 2007 | 51.3% | 53.2% |
| 2006 | 51.4% | 54.4% |
| 2005 | 62.2% | 63.3% |
| 2004 and earlier | 79.8% | 80.2% |
| Weighted-average of all Alt-A | 59.4% | 62.0% |
| Subprime (1): | | |
| 2004 and earlier | 54.4% | 73.5% |
| Weighted-average of all subprime | 54.4% | 73.5% |
| **Private-label CMBS** | | |
| Prime (1): | | |
| 2004 and earlier | 97.2% | 95.4% |
| Weighted-average of all prime | 97.2% | 95.4% |
| **Manufactured Housing Loans:** | | |
| Prime (1): | | |
| 2004 and earlier | 98.6% | 98.1% |
| Weighted-average of all prime | 98.6% | 98.1% |
| Subprime (1): | | |
| 2004 and earlier | 68.7% | 66.9% |
| Weighted-average of all subprime | 68.7% | 66.9% |

**Private-Label Mortgage-Backed Securities,**
**Manufactured Housing Loans and Home Equity Loan Investments**
**Fair Value as a Percentage of Unpaid Principal Balance by Year of Securitization (continued)**

| Year of Securitization | June 30, 2009 | December 31, 2008 |
|---|---|---|
| **Home Equity Loan Investments:** | | |
| Prime (1): | | |
| 2004 and earlier | 39.1% | 53.3% |
| Weighted-average of all prime | 39.1% | 53.3% |
| Alt-A (1): | | |
| 2006 | 36.2% | 59.3% |
| 2005 | 56.4% | 41.2% |
| 2004 and earlier | 36.3% | 36.7% |
| Weighted-average of all Alt-A | 37.9% | 44.9% |
| Subprime (1): | | |
| 2007 | 51.2% | 33.6% |
| 2006 | 50.9% | 52.8% |
| 2005 | 81.8% | 86.2% |
| 2004 and earlier | 62.1% | 65.5% |
| Weighted-average of all subprime | 57.1% | 60.1% |

(1) The FHLBanks classify private-label MBS as prime, Alt-A and subprime based on the originator's classification at the time of origination or based on classification by an NRSRO upon issuance of the MBS.

The table below summarizes, by loan type, characteristics of private-label MBS, home equity loan investments and manufactured housing loans in a gross unrealized loss position at June 30, 2009. The lowest ratings available for each security is reported as of August 7, 2009 based on the securities' unpaid principal balances at June 30, 2009.

**Private-Label Mortgage-Backed Securities, Manufactured Housing Loans and Home Equity Loan Investments in a Loss Position at June 30, 2009 and Credit Ratings as of August 7, 2009 (1)**
**(Dollar amounts in millions)**

| | June 30, 2009 | | | | | August 7, 2009 MBS Ratings Based on June 30, 2009 Unpaid Principal Balance(2)(3) | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Unpaid Principal Balance | Amortized Cost | Gross Unrealized Losses | Weighted-Average Collateral Delinquency Rate | Percentage Rated Triple-A | Percentage Rated Triple-A | Percentage Rated Investment Grade | Percentage Rated Below Investment Grade | Percentage on Watchlist |
| Private-label RMBS backed by: | | | | | | | | | |
| Prime loans: | | | | | | | | | |
| First lien | $35,122 | $34,686 | $ (6,983) | 6.6% | 51% | 40% | 25% | 35% | 7% |
| Total private-label RMBS backed by prime loans | 35,122 | 34,686 | (6,983) | 6.6% | 51% | 40% | 25% | 35% | 7% |
| Alt-A and other loans: | | | | | | | | | |
| Alt-A option arm | 6,498 | 6,304 | (3,042) | 37.0% | 11% | 0% | 11% | 89% | 3% |
| Alt-A other | 21,272 | 20,843 | (5,390) | 18.4% | 20% | 16% | 31% | 53% | 2% |
| Total private-label RMBS backed by Alt-A and other loans | 27,770 | 27,147 | (8,432) | 22.8% | 18% | 12% | 26% | 62% | 2% |
| Subprime loans: | | | | | | | | | |
| First lien | 22 | 21 | (9) | 25.0% | 53% | 53% | 27% | 20% | 36% |
| Total private-label RMBS backed by subprime loans | 22 | 21 | (9) | 25.0% | 53% | 53% | 27% | 20% | 36% |
| Private-label CMBS backed by: | | | | | | | | | |
| Prime loans: | | | | | | | | | |
| First lien | 269 | 269 | (15) | 2.0% | 100% | 100% | 0% | 0% | 0% |
| Total private-label CMBS backed by prime loans | 269 | 269 | (15) | 2.0% | 100% | 100% | 0% | 0% | 0% |
| Manufactured housing loans backed by: | | | | | | | | | |
| Prime loans: | | | | | | | | | |
| First lien | * | * | * | 2.2% | 100% | 100% | 0% | 0% | 0% |
| Total manufactured housing loans backed by prime loans | * | * | * | 2.2% | 100% | 100% | 0% | 0% | 0% |
| Subprime loans: | | | | | | | | | |
| First lien | 239 | 239 | (75) | 3.3% | 0% | 0% | 100% | 0% | 91% |
| Total manufactured housing loans backed by subprime loans | 239 | 239 | (75) | 3.3% | 0% | 0% | 100% | 0% | 91% |
| Home equity loan investments backed by: | | | | | | | | | |
| Prime loans: | | | | | | | | | |
| First lien | 6 | 4 | (2) | 34.1% | 0% | 0% | 2% | 98% | 55% |
| Total home equity loan investments backed by prime loans | 6 | 4 | (2) | 34.1% | 0% | 0% | 2% | 98% | 55% |
| Alt-A and other loans: | | | | | | | | | |
| Alt-A other | 68 | 68 | (42) | 8.0% | 0% | 0% | 43% | 57% | 43% |
| Total home equity loan investments backed by Alt-A loans | 68 | 68 | (42) | 8.0% | 0% | 0% | 43% | 57% | 43% |

**Private-Label Mortgage-Backed Securities, Manufactured Housing Loans and Home Equity Loan Investments in a Loss Position at June 30, 2009 and Credit Ratings as of August 7, 2009 (1) (continued)**
**(Dollar amounts in millions)**

| | June 30, 2009 | | | | | August 7, 2009 MBS Ratings Based on June 30, 2009 Unpaid Principal Balance(2)(3) | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Unpaid Principal Balance | Amortized Cost | Gross Unrealized Losses | Weighted-Average Collateral Delinquency Rate | Percentage Rated Triple-A | Percentage Rated Triple-A | Percentage Rated Investment Grade | Percentage Rated Below Investment Grade | Percentage on Watchlist |
| Subprime loans: | | | | | | | | | |
| First lien | $ 1,638 | $ 1,473 | $ (559) | 42.5% | 10% | 9% | 18% | 73% | 7% |
| Second lien | 5 | 5 | (1) | 17.5% | 19% | 19% | 0% | 81% | 0% |
| Total home equity loan investments backed by subprime loans | 1,643 | 1,478 | (560) | 42.5% | 10% | 9% | 18% | 73% | 7% |
| ***Other — Not Classified(4)*** | 366 | 358 | (129) | 15.4% | 62% | 62% | 11% | 27% | 19% |
| Total private-label RMBS, private label CMBS, manufactured housing loans, home equity loan investments, and other — not classified | $65,505 | $64,270 | $(16,247) | 14.4% | 36.0% | 28% | 25% | 47% | 5% |

(1) The FHLBanks classify private-label MBS as prime, Alt-A and subprime based on the originator's classification at the time of origination or based on classification by an NRSRO upon issuance of the MBS.

(2) Excludes paydowns in full subsequent to June 30, 2009.

(3) Represents the lowest ratings available for each security based on NRSROs used by each FHLBank

(4) The FHLBank of New York owns certain private-label securities that were acquired prior to 2004 for which only the original lien information is available. The current lien information is not available. In certain instances, the servicer is no longer in business to provide this information. In other instances, the servicers were never required to track the information subsequent to origination. As a result, third-party providers of such information or existing servicers do not have current lien information.

* Represents an amount less than $1 million.

The FHLBanks generally purchase private-label MBS rated triple-A (or its equivalent) by an NRSRO, such as Moody's or S&P, at the time of purchase based on structural credit enhancements designed to withstand a significant increase in defaults combined with a sharp downturn in housing prices. The FHLBanks typically require credit enhancement above the amounts required for a triple-A credit rating by an NRSRO for non-agency mortgage-backed securities. Structural credit enhancements include subordination and over-collateralization that are designed to absorb losses before an FHLBank will incur a loss on a security. Credit enhancement achieved through senior-subordinated features results in the subordination of payments to junior classes to ensure cash flows are received by senior classes held by investors such as the FHLBanks. In addition, monoline financial guarantors provide credit protection on some of the FHLBanks' securities in a form of secondary guarantees based on certain performance triggers. See the monoline insurance credit ratings and outlook table for downgrades and outlook status as of August 7, 2009. New loan modifications could affect the valuations and credit enhancements of the FHLBanks' mortgage-backed securities.

**Credit Enhancement and Collateral Performance of Private-Label Mortgage-Backed Securities, Manufactured Housing Loans and Home Equity Loan Investments (1)**

| | Weighted-Average Market Price at June 30, 2009 (2) | Original Weighted-Average Credit Support (3) | Weighted-Average Credit Support at June 30, 2009 | Weighted-Average Collateral Delinquency at June 30, 2009 |
|---|---|---|---|---|
| **Private-label RMBS by Year of Securitization** | | | | |
| Prime: | | | | |
| 2008 | $79.01 | 23.7% | 24.6% | 12.4% |
| 2007 | 64.65 | 11.6% | 12.0% | 10.9% |
| 2006 | 67.72 | 9.0% | 9.7% | 10.3% |
| 2005 | 75.29 | 7.3% | 9.5% | 7.2% |
| 2004 and earlier | 88.24 | 3.4% | 7.0% | 2.8% |
| Total prime | 78.01 | 6.9% | 9.2% | 6.5% |
| Alt-A: | | | | |
| 2008 | 54.97 | 33.0% | 34.3% | 18.4% |
| 2007 | 51.28 | 31.8% | 31.8% | 29.7% |
| 2006 | 51.40 | 25.1% | 25.3% | 34.6% |
| 2005 | 62.16 | 15.9% | 19.6% | 17.7% |
| 2004 and earlier | 79.79 | 6.6% | 12.9% | 7.0% |
| Total Alt-A | 59.42 | 21.5% | 23.8% | 22.8% |
| Subprime: | | | | |
| 2004 and earlier | 54.41 | 25.2% | 47.1% | 25.0% |
| Total subprime | 54.41 | 25.2% | 47.1% | 25.0% |
| Total private-label RMBS | 69.83 | 13.4% | 15.6% | 13.7% |
| **Private-label CMBS by Year of Securitization** | | | | |
| Prime: | | | | |
| 2004 and earlier | $97.24 | 24.5% | 36.9% | 2.1% |
| Total prime | 97.24 | 24.5% | 36.9% | 2.1% |
| Total private-label CMBS | 97.24 | 24.5% | 36.9% | 2.1% |
| **Manufactured housing loans by Year of Securitization** | | | | |
| Prime: | | | | |
| 2004 and earlier | $98.60 | 22.0% | 93.1% | 2.2% |
| Total prime | 98.60 | 22.0% | 93.1% | 2.2% |
| Alt-A: | | | | |
| Subprime: | | | | |
| 2004 and earlier | 68.69 | 55.4% | 53.5% | 3.3% |
| Total subprime | 68.69 | 55.4% | 53.5% | 3.3% |
| Total manufactured housing loans | 68.75 | 55.3% | 53.6% | 3.3% |

**Credit Enhancement and Collateral Performance of Private-Label Mortgage-Backed Securities, Manufactured Housing Loans and Home Equity Loan Investments (1) (continued)**

| | Weighted-Average Market Price at June 30, 2009 (2) | Original Weighted-Average Credit Support (3) | Weighted-Average Credit Support at June 30, 2009 | Weighted-Average Collateral Delinquency at June 30, 2009 |
|---|---|---|---|---|
| **Home equity loan investments by Year of Securitization** | | | | |
| Prime: | | | | |
| 2004 and earlier | $39.14 | 36.9% | 33.4% | 34.1% |
| Total prime | 39.14 | 36.9% | 33.4% | 34.1% |
| Alt-A: | | | | |
| 2006 | 36.21 | 0.0% | 1.2% | 2.6% |
| 2005 | 56.38 | 3.1% | 10.6% | 0.4% |
| 2004 and earlier | 36.29 | (0.3)% | 7.0% | 13.0% |
| Total Alt-A | 37.85 | 0.1% | 5.2% | 8.0% |
| Subprime: | | | | |
| 2007 | 51.24 | 23.0% | 37.9% | 48.1% |
| 2006 | 50.87 | 22.9% | 33.2% | 48.4% |
| 2005 | 81.77 | 22.4% | 48.3% | 43.7% |
| 2004 and earlier | 62.06 | 54.9% | 63.9% | 16.6% |
| Total subprime | 57.06 | 33.5% | 44.6% | 37.5% |
| Total home equity loan investments | 56.38 | 32.4% | 43.3% | 36.5% |

(1) The FHLBanks classify private-label MBS as prime, Alt-A and subprime based on the originator's classification at the time of origination or based on classification by an NRSRO upon issuance of the MBS.

(2) Weighted-average market price is calculated based on $100.00.

(3) Negative original and average credit support is related to certain home equity loans that rely on over-collateralization, excess spread and bond insurance. Over-collateralization builds up over time and could be negative at the security's origination and over a certain period of time thereafter.

The following table shows the FHLBanks' private-label mortgage-backed securities and home equity loan investments covered by monoline insurance and related gross unrealized losses.

**Monoline Insurance Coverage and Related Unrealized Losses of Private-Label Mortgage-Backed Securities, Manufactured Housing Loans and Home Equity Loan Investments By Year of Securitization At June 30, 2009 (Dollar amounts in millions)**

| | Prime(1) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | AMBAC Assurance Corp. | | Financial Security Assurance, Inc. | | MBIA Insurance Corp. | | Other | | Total | |
| Year of Securitization | Insurance Coverage | Gross Unrealized Losses | Insurance Coverage | Gross Unrealized Losses | Insurance Coverage | Gross Unrealized Losses | Insurance Coverage | Gross Unrealized Losses | Insurance Coverage | Gross Unrealized Losses |
| Private-label RMBS total | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| Private-label CMBS total | | | | | | | | | | |
| Manufactured housing loans total | | | | | | | | | | |
| Home equity loan investments: | | | | | | | | | | |
| 2004 and prior | | | | | 2 | (1) | 4 | (1) | 6 | (2) |
| Total | | | | | 2 | (1) | 4 | (1) | 6 | (2) |
| Total private-label MBS, and CMBS, manufactured housing loans and home equity loan investments | $ | $ | $ | $ | $2 | $(1) | $4 | $(1) | $6 | $(2) |

| | Alt-A(1) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | AMBAC Assurance Corp. | | Financial Security Assurance, Inc. | | MBIA Insurance Corp. | | Other | | Total | |
| Year of Securitization | Insurance Coverage | Gross Unrealized Losses | Insurance Coverage | Gross Unrealized Losses | Insurance Coverage | Gross Unrealized Losses | Insurance Coverage | Gross Unrealized Losses | Insurance Coverage | Gross Unrealized Losses |
| Private-label RMBS: | | | | | | | | | | |
| 2007 | $ 98 | $(39) | $34 | $ (6) | $ | $ | $ | $ | $132 | $ (45) |
| 2006 | 19 | (11) | | | | | | | 19 | (11) |
| 2005 | 40 | (16) | | | | | | | 40 | (16) |
| 2004 and prior | 2 | (1) | | | | | | | 2 | (1) |
| Total | 159 | (67) | 34 | (6) | | | | | 193 | (73) |
| Private-label CMBS total | | | | | | | | | | |
| Manufactured housing loans total | | | | | | | | | | |
| Home equity loan investments: | | | | | | | | | | |
| 2006 | | | 24 | (15) | | | | | 24 | (15) |
| 2005 | 5 | (2) | | | | | | | 5 | (2) |
| 2004 and prior | 16 | (11) | | | 19 | (12) | 4 | (2) | 39 | (25) |
| Total | 21 | (13) | 24 | (15) | 19 | (12) | 4 | (2) | 68 | (42) |
| Total private-label MBS, manufactured housing loans and home equity loan investments | $180 | $(80) | $58 | $(21) | $19 | $(12) | $4 | $(2) | $261 | $(115) |

## Monoline Insurance Coverage and Related Unrealized Losses of Private-Label Mortgage-Backed Securities, Manufactured Housing Loans and Home Equity Loan Investments By Year of Securitization (continued) At June 30, 2009 (Dollar amounts in millions)

| | Subprime(1) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | AMBAC Assurance Corp. | | Financial Security Assurance, Inc. | | MBIA Insurance Corp. | | Other | | Total | |
| Year of Securitization | Insurance Coverage | Gross Unrealized Losses | Insurance Coverage | Gross Unrealized Losses | Insurance Coverage | Gross Unrealized Losses | Insurance Coverage | Gross Unrealized Losses | Insurance Coverage | Gross Unrealized Losses |
| Private-label RMBS: | | | | | | | | | | |
| 2004 and prior | $ | $ | $ | $ | $ 3 | $ (2) | $ | $ | $ 3 | $ (2) |
| Total | | | | | 3 | (2) | | | 3 | (2) |
| Private-label CMBS total | | | | | | | | | | |
| Manufactured housing loans: | | | | | | | | | | |
| 2004 and prior | | | 216 | (67) | | | | | 216 | (67) |
| Total | | | 216 | (67) | | | | | 216 | (67) |
| Home equity loan investments: | | | | | | | | | | |
| 2004 and prior | 235 | (88) | 91 | (33) | 60 | (19) | 16 | (3) | 402 | (143) |
| Total | 235 | (88) | 91 | (33) | 60 | (19) | 16 | (3) | 402 | (143) |
| Total private-label MBS, manufactured housing loans and home equity loan investments | $235 | $(88) | $307 | $(100) | $63 | $(21) | $16 | $(3) | $621 | $(212) |

(1) The FHLBanks classify private-label MBS as prime, Alt-A and subprime based on the originator's classification at the time of origination or based on classification by an NRSRO upon issuance of the MBS.

Certain FHLBanks' investment securities portfolios include a limited number of investments which are insured by third-party monoline bond insurers/guarantors. The bond insurance on these investments generally guarantees the timely payments of principal and interest if these payments cannot be satisfied from the cash flows of the underlying mortgage collateral. The affected FHLBanks closely monitor the financial condition of these bond insurers/guarantors on an ongoing basis.

These monoline bond insurers/guarantors have been subject to adverse ratings, rating downgrades and weakening financial performance measures. A rating downgrade implies an increased risk that the insurer/guarantor will fail to fulfill its obligations to reimburse the investor for claims made under the related insurance policies. The following table provides the credit ratings of these third-party insurers/guarantors. (Please see "Critical Accounting Estimates — OTTI for Investment Securities" for information regarding the FHLBanks' processes for evaluating monoline insurance for purposes of OTTI analysis.)

## Monoline Insurance Credit Ratings and Outlook As of August 12, 2009

| | Moody's | | S&P | | Fitch | |
|---|---|---|---|---|---|---|
| | Credit Rating | Outlook | Credit Rating | Outlook | Credit Rating | Outlook |
| AMBAC Assurance Corporation | Caa2 | Developing | CC | Developing | Not Rated | Not Rated |
| Financial Security Assurance, Inc. | Aa3 | Negative Watch | AAA | Negative | AA+ | Negative Watch |
| MBIA Insurance Corporation | B3 | Negative | BBB | Negative | Not Rated | Not Rated |
| XL Capital Assurance, Inc. (Syncora Guarantee Inc.) | Ca | Developing | R (1) | R (1) | Not Rated | Not Rated |
| Financial Guaranty Insurance Company (FGIC)(2) | Withdrawn | Withdrawn | Not Rated | Not Rated | Not Rated | Not Rated |
| Fannie Mae/Freddie Mac | Aaa | Stable | N/A (3) | N/A (3) | AAA | Stable |

(1) Under regulatory supervision, as of April 27, 2009, due to its financial condition. During the pendency of the regulatory supervision, the regulators may have the power to favor one class of obligations over others or pay some obligations and not others.

(2) Ratings withdrawn by Moody's on April 14, 2009 and S&P on April 22, 2009.

(3) Not applicable.

*Unsecured Credit Exposure.* The following table represents the FHLBanks' exposure to unsecured credit.

**Unsecured Credit Exposure**
**(Dollar amounts in billions)**

| | June 30, 2009 | December 31, 2008 | Increase $ | Increase % |
|---|---|---|---|---|
| Unsecured credit exposure of FHLBanks to counterparties, excluding U.S. government, U.S. government agencies, and instrumentalities (1) | $84.3 | $66.1 | $18.2 | 27.4% |
| Maturities of unsecured credit exposure: | | | | |
| Overnight | 53.2% | 40.7% | | |
| 2-30 days | 27.5% | 39.6% | | |
| 31-90 days | 17.9% | 14.3% | | |
| 91-270 days | 1.4% | 5.4% | | |

(1) Included in this total at June 30, 2009 is unsecured credit exposure of $204 million to Citibank, N.A. In addition to the unsecured credit exposure included in the table above, Citibank, N.A. had advances totaling $56.0 billion from the FHLBanks of San Francisco, New York and Dallas at June 30, 2009.

Most of this unsecured credit exposure was related to Federal funds sold and commercial paper (dollar amounts in millions):

| | June 30, 2009 | December 31, 2008 | Increase $ | Increase % |
|---|---|---|---|---|
| Federal funds sold | $57,731 | $40,299 | $17,432 | 43.3% |
| Commercial paper | 5,280 | 1,945 | 3,335 | 171.5% |

At June 30, 2009, the FHLBanks had aggregate unsecured credit exposure of $1 billion or more to a total of 30 counterparties. The aggregate unsecured credit exposure to these 30 counterparties represented 81.0 percent of the FHLBanks' unsecured credit exposure to non-government counterparties.

***Mortgage Loans Held for Portfolio.***

*MPF.* The FHLBanks are exposed to the risk of non-performance of mortgage insurers. The policy of the MPF FHLBanks is generally to limit each FHLBank's credit exposure to each mortgage insurance (MI) company to 10 percent of the MI company's regulatory capital. Credit exposure is defined as the total of primary mortgage insurance (PMI) and supplemental mortgage insurance (SMI) coverage written by an MI company on MPF loans held by the FHLBank that are more than 60 days delinquent. At June 30, 2009, none of the MI companies were in excess of these limits.

The MI companies provide PMI on conventional MPF loans with an loan-to-value ratio greater than 80 percent and SMI on the MPF Plus product. The MPF FHLBanks receive PMI coverage information only at acquisition of MPF loans and do not receive notification of any subsequent changes in PMI coverage. Historically, the MPF FHLBanks have depended on the PMI policies for loss coverage. No losses in excess of the policy deductible on the SMI policies have ever been claimed. If an MI company was to default on its insurance obligations and loan level losses for MPF loans were to increase, an MPF FHLBank may experience increased credit losses. As of August 12, 2009, all of the FHLBanks' MI providers have had their external ratings for claims-paying ability or insurer financial strength downgraded below double-A minus by one or more NRSROs. Rating downgrades imply an increased risk that these mortgage insurers will fail to fulfill their obligations to reimburse the FHLBanks for claims under insurance policies. If a mortgage insurer fails to fulfill its obligations, the FHLBanks may bear any remaining loss of the borrower default on the related mortgage loans not covered by the member. The FHLBanks have analyzed their potential loss exposure to all MI providers and have not increased their loan loss reserves due to the aforementioned rating agency actions, but they will continue to monitor the

financial condition of their MI providers. The following table summarizes the MPF FHLBanks' credit exposure (dollar amounts in millions) to their MI providers based upon PMI and SMI credit exposure as of June 30, 2009.

| | MI Ratings (Moody's/S&P/Fitch) As of August 12, 2009 | As of June 30, 2009 | | | | As of December 31, 2008 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | PMI | SMI | Total | Percentage of Total | PMI | SMI | Total | Percentage of Total |
| Mortgage Guaranty Insurance Co. (MGIC) | Ba2/BB/BBB− | $ 285 | $ 83 | $ 368 | 27% | $ 314 | $105 | $ 419 | 24% |
| Genworth Mortgage Insurance (Genworth) (1) | Baa2/BBB+/NR | 173 | 130 | 303 | 22% | 200 | 231 | 431 | 25% |
| United Guaranty Residential Insurance | A3/BBB+/BBB | 142 | 85 | 227 | 16% | 162 | 125 | 287 | 16% |
| PMI Mortgage Insurance Co. (2) | Ba3/BB-/NR | 113 | 24 | 137 | 10% | 134 | 101 | 235 | 13% |
| Other | | 295 | 47 | 342 | 25% | 331 | 57 | 388 | 22% |
| Total MPF MI Coverage | | $1,008 | $369 | $1,377 | 100% | $1,141 | $619 | $1,760 | 100% |

(1) On November 20, 2008, Fitch withdrew its rating of Genworth and will no longer provide ratings or analytical coverage of this insurer.

(2) On May 12, 2009, Fitch withdrew its rating of PMI Mortgage Insurance Co. and will no longer provide ratings or analytical coverage of this insurer.

The FHLBank of Chicago acts as "MPF Provider" and provides programmatic and operational support to the MPF FHLBanks and their PFIs. The MPF Provider performs a quarterly analysis evaluating the financial condition and concentration risk regarding the MI companies. Based on an analysis using the latest available results as of June 30, 2009, none of the MI companies passed all of the primary early warning financial tests, which include rating level tests, ratings watch/outlook tests and profitability tests.

If a PMI provider is downgraded, an MPF FHLBank can request the servicer to obtain replacement PMI coverage with a different provider. However, it is possible that replacement coverage may be unavailable or result in additional cost to the MPF FHLBank.

PMI for MPF loans must be issued by an MI company on the approved MI company list whenever PMI coverage is required. Although Triad Guaranty Insurance Company (Triad), was removed from the list of approved mortgage insurers on June 30, 2008, PFIs were permitted to deliver MPF loans with PMI provided by Triad that were in process on that date. However, no MI company on the approved MI company list currently has a double-A minus or better claims paying ability rating from more than one NRSRO, so the current criteria for MI companies to remain on the approved MI company list at this time is acceptability for use in S&P's LEVELS® modeling software.

If an SMI provider fails to maintain a credit rating of at least double-A minus or its equivalent from an NRSRO under the MPF Plus product, the PFI has six months to either replace the SMI policy or provide at its own undertaking an equivalent to the SMI coverage, or it will forfeit its performance based CE fees. As a result, some PFIs have elected to not replace their SMI policies and some of the MPF FHLBanks have begun withholding performance-based credit enhancement fees from these PFIs.

The following table summarizes the property types of the underlying mortgage assets:

| | As of June 30, 2009 | As of December 31, 2008 |
|---|---|---|
| Single-family residence | 88.34% | 88.70% |
| Planned unit development | 5.76% | 5.56% |
| Condominium | 4.35% | 4.29% |
| Two-to-four unit property | 1.29% | 1.21% |
| Manufactured housing | 0.26% | 0.24% |
| Total | 100.00% | 100.00% |

*MPP.* The FHLBanks' MPP Programs also use MI companies to provide PMI and SMI. If a PMI provider is downgraded, an FHLBank may request that the servicer obtain replacement PMI coverage with a different provider. When SMI is used as a form of credit enhancement in conjunction with an AMA program (such as MPP), Finance Agency regulations require the FHLBanks' members that sell loans to the FHLBanks through such a program to always maintain SMI with an insurer rated no lower than the second-highest rating category by any NRSRO. None of the mortgage insurers that currently underwrite SMI are currently rated in at least the second-highest rating category by any NRSRO. On August 6, 2009, the Director of the Finance Agency granted a temporary waiver of this requirement as follows.

With regard to any MPP loans that are credit-enhanced with SMI and were purchased, or will be purchased, under master commitments that were executed on or before August 6, 2009, the requirement described above is waived for a period of one year, provided that an FHLBank must evaluate the claims-paying ability of its SMI providers, hold additional retained earnings and take any other steps necessary to mitigate any attendant risk associated with using an SMI provider having a rating below the regulatory standard. In addition, an FHLBank that relies on this waiver for existing business must, by April 8, 2010, submit to the Finance Agency a written analysis of credit enhancement alternatives that do not rely on SMI for existing pools of loans that presently rely upon SMI for credit enhancement. Such alternatives must consider requirements of the AMA regulation and existing AMA programs, as well as any accounting or other legal requirements.

With regard to new MPP business, the regulatory requirement is waived for a period of six months from August 6, 2009 to allow FHLBanks to enter into new master commitments during the six-month period, assuming the other requirements of the existing program are met, and provided that an FHLBank must also evaluate the claims-paying ability of its SMI providers, hold additional retained earnings, and take any other steps necessary to mitigate any attendant risk associated with using an SMI provider having a rating below the regulatory standard.

To date, NRSRO downgrades have not had a material effect on any FHLBank's MPP. Each MPP FHLBank continues to closely monitor the financial condition of its mortgage insurers. The MPP FHLBanks have either discontinued obtaining coverage on new loans from the MI providers that have been downgraded below double A-minus and are already using supplemental providers, or continue to evaluate the need for alternative insurance on their mortgage loan portfolios and review other options that may be available.

The following table summarizes the MPP FHLBanks' credit exposure (dollar amounts in millions) to their MI providers based upon PMI and SMI credit exposure as of June 30, 2009 and December 31, 2008. Credit exposure is defined as the total of PMI and SMI coverage written by a MI company on MPP loans held by an MPP FHLBank that are more than 60 days delinquent. The MPP FHLBanks believe this is a conservative measure since most delinquent loans never go to claim and other credit protection layers (such as borrower equity and lender risk account) are called upon before insurance claims are made.

| | MI Ratings (Moody's/S&P/Fitch) As of August 12, 2009 | As of June 30, 2009 | | | | As of December 31, 2008 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | PMI | SMI | Total | Percentage of Total | PMI | SMI | Total | Percentage of Total |
| MGIC | Ba2/BB/BBB− | $2 | $39 | $41 | 75% | $2 | $29 | $31 | 74% |
| Genworth (1) | Baa2/BBB+/NR | 2 | 8 | 10 | 18% | 1 | 5 | 6 | 14% |
| United Guaranty Residential Insurance | A3/BBB+/BBB | 1 | | 1 | 2% | 1 | | 1 | 2% |
| Other | | 3 | | 3 | 5% | 4 | | 4 | 10% |
| Total MPP MI Coverage | | $8 | $47 | $55 | 100% | $8 | $34 | $42 | 100% |

(1) On November 20, 2008, Fitch withdrew its rating of Genworth and will no longer provide ratings or analytical coverage of this insurer.

The following table presents the property types of the underlying mortgage assets:

| | As of June 30, 2009 | As of December 31, 2008 |
|---|---|---|
| Single-family residence | 86.01% | 85.23% |
| Planned unit development | 8.43% | 9.07% |
| Condominium | 4.88% | 5.05% |
| Two-to-four unit property | 0.60% | 0.62% |
| Manufactured housing | 0.08% | 0.03% |
| Total | 100.00% | 100.00% |

The following tables set out the geographic concentration of mortgage loans held for portfolio by program by the FHLBanks. These tables show the geographic concentration on an aggregated basis for all 12 FHLBanks that purchased or funded loans under the MPF Program and MPP. As a result, the tables do not necessarily reflect the actual geographic concentration with respect to each individual FHLBank.

**Geographic Concentration of MPF Program (1)(2)**

| | June 30, 2009 | December 31, 2008 |
|---|---|---|
| Midwest | 36% | 35% |
| Northeast | 17% | 16% |
| Southeast | 18% | 19% |
| Southwest | 16% | 16% |
| West | 13% | 14% |
| Total | 100% | 100% |

**Geographic Concentration of MPP (1)(2)**

| | June 30, 2009 | December 31, 2008 |
|---|---|---|
| Midwest | 43% | 38% |
| Northeast | 10% | 11% |
| Southeast | 20% | 21% |
| Southwest | 13% | 14% |
| West | 14% | 16% |
| Total | 100% | 100% |

(1) Calculated percentage based on unpaid principal at the end of each period.

(2) Midwest consists of IA, IL, IN, MI, MN, ND, NE, OH, SD and WI.
Northeast consists of CT, DE, MA, ME, NH, NJ, NY, PA, PR, RI, VI and VT.
Southeast consists of AL, DC, FL, GA, KY, MD, MS, NC, SC, TN, VA and WV.
Southwest consists of AR, AZ, CO, KS, LA, MO, NM, OK, TX and UT.
West consists of AK, CA, GU, HI, ID, MT, NV, OR, WA and WY.

The following tables provide the percentage of unpaid principal balance of conventional mortgage loans held for portfolio outstanding at June 30, 2009 for the ten largest state concentrations. These tables show the state concentration on an aggregated basis for all 12 FHLBanks that purchased or funded loans under the MPF Program and MPP. As a result, the tables do not necessarily reflect the actual state concentration with respect to each individual FHLBank.

**State Concentration of MPF Program (1)**
**June 30, 2009**

| | Percentage of Conventional Loans - Unpaid Principal Balance |
|---|---|
| Wisconsin | 11% |
| California | 11% |
| Illinois | 8% |
| Pennsylvania | 5% |
| Minnesota | 5% |
| New York | 4% |
| Texas | 4% |
| Massachusetts | 4% |
| Florida | 3% |
| Iowa | 3% |
| All other | 42% |
| | 100% |

**State Concentration of MPP(1)**
**June 30, 2009**

| | Percentage of Conventional Loans - Unpaid Principal Balance |
|---|---|
| Ohio | 21% |
| California | 11% |
| Indiana | 9% |
| Michigan | 6% |
| Illinois | 4% |
| Texas | 4% |
| Florida | 4% |
| Kentucky | 3% |
| Georgia | 3% |
| Pennsylvania | 3% |
| All other | 32% |
| | 100% |

(1) Calculated percentage based on unpaid principal of conventional loans at the end of the period.

The FHLBanks' MPF loans held for portfolio are dispersed across all 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. No single zip code represented more than one percent of MPF loans outstanding at June 30, 2009. The median size of an MPF loan was approximately $104 thousand at June 30, 2009. The MPF loan statistics have been compiled and obtained from the FHLBank of Chicago and therefore do not reflect the concentration levels and mortgage loan portfolio information at individual MPF FHLBanks.

The FHLBanks' MPP mortgage loans held for portfolio are dispersed across all 50 states, the District of Columbia, and the U.S. Virgin Islands. No single zip code accounted for more than one percent of MPP loans outstanding at June 30, 2009. The median size of an MPP loan was approximately $140 thousand at June 30, 2009. The MPP mortgage loan statistics have been compiled on a combined basis by aggregating each participating FHLBank's information and therefore do not reflect the concentration levels and mortgage loan portfolio information at individual participating FHLBanks.

The following table provides the weighted-average FICO® scores and weighted-average loan-to-value ratios at origination for MPF loans and MPP conventional loans outstanding:

| | June 30, 2009 | | December 31, 2008 | |
|---|---|---|---|---|
| | MPF | MPP | MPF | MPP |
| Weighted-average FICO® score at origination (1) | 738 | 751 | 739 | 749 |
| Weighted-average loan-to-value at origination | 67% | 69% | 67% | 69% |

(1) FICO® score is a widely-used credit industry model developed by Fair, Isaac and Company, Inc. to assess borrower credit quality with scores ranging from 150 to 950.

The MPF loan statistics were compiled and obtained from the FHLBank of Chicago and MPP mortgage loan statistics were compiled on a combining basis by aggregating each participating MPP FHLBank's information; therefore, they do not reflect the weighted-average FICO® score and weighted-average loan-to-value ratio at origination at individual participating FHLBanks.

*Derivatives and Counterparty Ratings.* In addition to market risk, each FHLBank is subject to credit risk because of the potential non-performance by counterparties to derivative agreements. The amount of counterparty credit risk on derivatives depends on the extent to which netting procedures, collateral requirements and other credit enhancements are used and are effective to mitigate the risk.

Each FHLBank manages counterparty credit risk through credit analysis, collateral management and other credit enhancements. The FHLBanks are also required to follow the requirements set forth by applicable regulation. The FHLBanks require collateral on interest-rate exchange agreements. The amount of net unsecured credit exposure that is permissible with respect to each counterparty, before a collateral requirement is triggered, depends on the credit rating of that counterparty. A counterparty must deliver collateral to an FHLBank if the total market value of the FHLBank's exposure to that counterparty rises above a specific trigger point. As a result of these risk mitigation initiatives, the management of each FHLBank presently does not anticipate any credit losses on its interest-rate exchange agreements with counterparties as of June 30, 2009.

The contractual or notional amount of interest-rate exchange agreements reflects the involvement of an FHLBank in the various classes of financial instruments. The maximum credit risk of an FHLBank with respect to interest-rate exchange agreements is the estimated cost of replacing interest-rate swaps, forward agreements and purchased caps and floors if the counterparty defaults, *minus* the value of any related collateral. In determining maximum credit risk, the FHLBanks consider, with respect to each counterparty, accrued interest receivables and payables as well as the legal right to offset assets and liabilities. This calculation of maximum credit risk excludes circumstances where an FHLBank's pledged collateral to a counterparty exceeds the FHLBanks' net position.

**Derivative Counterparty Credit Exposure**
**(Dollar amounts in millions)**
**At June 30, 2009**

| Credit Rating* | Notional Amount | Total Net Exposure at Fair Value | Total Net Exposure Collateralized | Net Exposure After Collateral |
|---|---|---|---|---|
| Triple-A | $ 20,772 | $ 2 | $ | $ 2 |
| Double-A | 344,122 | 1,421 | 1,343 | 78 |
| Single-A | 642,118 | 1,397 | 1,326 | 71 |
| Triple-B | 49 | | | |
| Unrated (1) | 46 | | | |
| | 1,007,107 | 2,820 | 2,669 | 151 |
| Intermediaries (2) | 1,683 | 8 | 8 | |
| Delivery commitments | 540 | 1 | | 1 |
| Total derivatives | $1,009,330 | $2,829 | $2,677 | $152 |

**At December 31, 2008**

| Credit Rating** | Notional Amount | Total Net Exposure at Fair Value | Total Net Exposure Collateralized | Net Exposure After Collateral |
|---|---|---|---|---|
| Triple-A | $ 16,509 | $ 7 | $ | $ 7 |
| Double-A | 409,516 | 1,647 | 1,557 | 90 |
| Single-A | 659,451 | 1,985 | 1,821 | 164 |
| Unrated (1) | 78 | | | |
| | 1,085,554 | 3,639 | 3,378 | 261 |
| Intermediaries (2) | 1,723 | 21 | 21 | |
| Delivery commitments | 1,481 | 10 | 3 | 7 |
| Total derivatives | $1,088,758 | $3,670 | $3,402 | $268 |

* This chart does not reflect any changes in rating, outlook or watch status occurring after June 30, 2009. These ratings represent the lowest rating available for each security based on NRSROs used by each FHLBank.

** This chart does not reflect any changes in rating, outlook or watch status occurring after December 31, 2008. These ratings represent the lowest rating available for each security based on NRSROs used by each FHLBank.

(1) Represents one broker-dealer utilized to purchase or sell forward contracts relating to TBA MBS to hedge the market value of commitments on fixed-rate mortgage loans. All broker-dealer counterparties are subjected to thorough credit review procedures in accordance with an FHLBank's risk management policy. There was no exposure at June 30, 2009 and December 31, 2008 related to this unrated counterparty.

(2) Collateral held with respect to interest-rate exchange agreements with member institutions represents either collateral physically held by or on behalf of the FHLBank or collateral pledged to the FHLBank under a blanket lien or by specific identification, as evidenced by a written security agreement, and held by the member institution for the benefit of that FHLBank.

Excluding fully collateralized interest-rate exchange agreements in which the FHLBanks are intermediaries for members, 99.991 percent of the notional amount of the FHLBanks' outstanding interest-rate exchange agreements at June 30, 2009 were with counterparties rated single-A or higher.

## CONTROLS AND PROCEDURES

### FHLBanks

The management of each FHLBank is required under applicable laws and regulations to establish and maintain controls and procedures, which include disclosure controls and procedures as well as adequate internal control over financial reporting, as such controls and procedures and internal control over financial reporting relate to that FHLBank only.

See each FHLBank's Second Quarter 2009 SEC Form 10-Q "Item 4/4T Controls and Procedures" for more information regarding each FHLBank's evaluation of its disclosure controls and procedures as well as disclosure of any changes in its internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

### Office of Finance Controls and Procedures over Combined Financial Reporting Combining Process

The Office of Finance is not responsible for the preparation, accuracy or adequacy of the information or financial data provided by the FHLBanks to the Office of Finance for use in preparing the combined financial reports, or for the quality or effectiveness of the disclosure controls and procedures or internal control over financial reporting of the FHLBanks as they relate to such information and financial data. Each FHLBank is responsible for establishing and maintaining those controls and procedures and internal control over financial reporting with respect to the information and financial data provided to the Office of Finance. Although the Office of Finance is not an SEC registrant, Finance Agency regulations require that the combined financial report form and content generally be consistent with SEC Regulations S-K and S-X, as interpreted by the Finance Agency. The Office of Finance is not required to establish and maintain, and in light of the nature of its role has not established and maintained, disclosure controls and procedures and internal control over financial reporting at the FHLBank System level comparable to those maintained by each FHLBank with respect to its financial reporting. The Office of Finance has established procedures concerning the FHLBanks' submission of information and financial data to the Office of Finance, the process of combining the financial statements of the individual FHLBanks and the review of such information.

However, the Office of Finance does not have the authority to ensure consistency in the adoption or application of accounting policies by the FHLBanks or to verify independently the financial information submitted by each FHLBank, including the disclosures in the financial statements of the individual FHLBanks that comprise the combining schedules included in this Combined Financial Report. As a consequence of this lack of authority, the Office of Finance may be unable to detect or prevent a significant misstatement in the combining schedules included in this Combined Financial Report resulting from the inconsistent adoption or application of accounting policies by the individual FHLBanks, including the inconsistent application of accounting policies used to value private-label mortgage-backed securities or to calculate related credit losses.

## LEGAL PROCEEDINGS

The FHLBanks are subject to various pending legal proceedings arising in the normal course of business. The FHLBanks and the Office of Finance are not a party to, nor are they subject to, any pending legal proceeding that is likely to have a material adverse effect on the results of operations or financial condition of the FHLBanks, or is otherwise material to the FHLBanks.

See the Federal Home Loan Banks' 2008 Combined Financial Report and "Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations — Combined Results of Operations" for discussion about Lehman Brothers Special Financing and Lehman Brothers Holdings, Inc. with respect to derivative contracts with the FHLBanks of Atlanta and Pittsburgh.

## RISK FACTORS

This item is intended to update the risk factors set forth in the Federal Home Loan Banks' 2008 Combined Financial Report. Each FHLBank describes risk factors it faces in its business in its periodic reports filed with the SEC. (See "Available Information on Individual FHLBanks.")

***Continuing or broader economic downturns, including the downturn in the U.S. housing market, and changes in Federal monetary policy could have an adverse effect on the FHLBanks' business and their results of operations.***

The FHLBanks' businesses and results of operations are sensitive to general international, domestic and district-specific business and economic conditions. Continued or deepening financial crisis and economic recession, unfavorable effects on the competitiveness of the FHLBanks' business model from current or future federal governmental actions to mitigate the financial crisis, and recessionary and earnings pressures, as well as capital adequacy issues at some FHLBanks, could result in additional unfavorable consequences for the FHLBanks' business, including further reductions in the FHLBanks' statutory mission activities and lower profitability compared to 2008 results.

***Most FHLBanks are subject to increased credit and liquidity risk exposures related to mortgage loans that back their MBS investments, and any increased delinquency rates and credit losses could adversely affect the yield on or value of their MBS investments.***

In the first half of 2009, the U.S. mortgage market generally continued to deteriorate, with delinquency and foreclosure rates on mortgage loans increasing nationwide. The MBS market, which had for the most part ceased operating during much of 2008, continued its lack of activity as uncertainty over the effect of new or proposed governmental actions (including mortgage loan modification programs), further home-price deterioration, and changes in borrower, lender, and investor behavior depressed and complicated the pricing of private-label MBS. The uncertainty as to the depth and duration of these trends has resulted in a change in the markets for private-label MBS, such that what had been generally functioning markets in early to mid-2007 have become highly illiquid markets, with prices reflecting a lack of dealer and investor sponsorship. In addition, during the first half of 2009, the NRSROs downgraded a significant number of private-label MBS, including some owned by the FHLBanks. Over the last two years, these and other factors have led to the deterioration of the fair value of many of the FHLBanks' private-label MBS.

Throughout 2008 and continuing through the first half of 2009, MBS backed by subprime and Alt-A mortgage loans experienced increased delinquencies and loss severities due to market uncertainty and illiquidity. The significant widening of credit spreads that occurred during 2008 and the first half of 2009 further reduced the fair value of the FHLBanks' MBS portfolios. It is not possible to predict whether the FHLBanks will have more OTTI charges in the future, because that will depend on many factors, including economic, financial market and housing market conditions and the actual and projected performance of the loan collateral underlying the FHLBanks' MBS. Further declines in the fair value of the FHLBanks' MBS portfolios, as well as increased loan default rates, loss severities and prepayment

speeds, may result in additional material other-than-temporary impairments in future periods, which could materially adversely affect the FHLBanks' financial condition and operating results.

***The FHLBanks' financial condition and results of operations, ability to pay dividends, and/or ability to redeem or repurchase FHLBank capital stock and the value of FHLBank membership, could be adversely affected by FHLBank exposure to credit risk.***

The continuing instability of the financial markets has resulted in many financial institutions becoming significantly less creditworthy, exposing the FHLBanks to increased member and counterparty risk and the risk of default. The financial services industry has experienced an increase in both the number of financial institution failures and the number of mergers and consolidations in the second quarter of 2009 and beyond. If the number of member institution failures and mergers or consolidations, particularly into out-of-district acquirers, increases, this activity may reduce the number of current and potential members in an FHLBank's district. The resulting loss of business could negatively affect an FHLBank's financial condition and results of operations, as well as that FHLBank's operations in general. Additionally, if an FHLBank's member fails and the FDIC or the member (or another applicable entity) does not either (1) promptly repay all of the failed institution's obligations to that FHLBank or (2) assume the outstanding advances, that FHLBank may be required to liquidate the collateral pledged by the failed institution. The volatility of market prices and interest rates could affect the value of the collateral held by the FHLBank as security for the obligations of its members as well as the ability of the FHLBank to liquidate the collateral in the event of a default by the obligor. Volatility within collateral indices may affect the method used in determining collateral weightings, which would ultimately affect the eventual collateral value. The proceeds realized from the liquidation of pledged collateral may not be sufficient to fully satisfy the amount of the failed institution's obligations or the operational cost of liquidating the collateral.

***A loss or change of business activities with large members could adversely affect the FHLBanks' results of operations, financial condition, and the value of FHLBank membership.***

The reclassification of an FHLBank's large member into a non-member shareholder (which cannot take out new advances and therefore, is no longer able to enter into new borrowing arrangements with an FHLBank) and/or the combination of parent entities of other large members would significantly change the potential concentration of that FHLBank's advances among its members, particularly that FHLBank's largest borrowers. These changes may lead to adverse effects on that FHLBank's business, including lower advance balances and related interest income, and possibly, lower net income. Furthermore, the loss of an additional large member could have a significant adverse effect on that FHLBank's financial condition and results of operations.

***FHLBanks may fail to meet minimum regulatory capital requirements, which could affect the FHLBanks' ability to conduct business "as usual."***

Each FHLBank that has converted to a new capital structure under the Gramm-Leach-Bliley Act of 1999 is subject to certain minimum capital requirements, including a risk-based capital requirement which is the sum of an FHLBank's credit-risk, market-risk, and operations-risk capital requirements. Only permanent capital, defined as retained earnings plus Class B stock, can satisfy the risk- based capital requirement. Each of an FHLBank's investments carries a credit-risk capital requirement that is based on the rating of the investment, and, for non-mortgage investments and advances, based on the term. The total credit-risk capital requirement is the sum of each investment's individual credit-risk capital requirement. Accordingly, ratings downgrades on individual investments cause the total credit-risk-based capital requirement to rise. As a result of the downgrades of a number of the FHLBanks' private-label MBS during the first quarter of 2009, the credit-risk component of some FHLBanks' risk-based capital increased significantly. One component of the market-risk capital requirement is that each FHLBank maintains capital equal to the amount by which the market value of its assets is less than 85 percent of their book value. Declines in the fair value of an FHLBank's investments below this level increase that FHLBank's market-risk capital requirement. The operations-risk capital requirement is

affected by increases in credit-risk and market-risk capital requirements because the operations-risk capital requirement is equal to 30 percent of the sum of the credit-risk and market-risk capital requirements.

A continued decline in the market value of private-label MBS may significantly increase an FHLBank's market-risk, credit-risk, and operations-risk capital requirements, which could lead to a risk-based capital deficiency. If an FHLBank is unable to satisfy its risk-based capital requirement, that FHLBank would be subject to certain capital restoration requirements and prohibited from paying dividends and redeeming or repurchasing capital stock without the prior approval of the Finance Agency, which could adversely affect a member's investment in FHLBank capital stock. Furthermore, any suspension of dividends and/or capital stock repurchases and redemptions could decrease FHLBank member confidence, which in turn could reduce advance demand and net income should that FHLBank's members elect to use alternative sources of wholesale funding. As a result of a risk-based capital shortfall, the NRSROs could perceive an increased level of risk or deterioration in the performance at an FHLBank, which could result in a downgrade in that FHLBank's outlook or short- or long-term credit ratings. (See Note 11 — Capital and "Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations — Legislative and Regulatory Developments — Final Rule Regarding Capital Classifications and Critical Capital Levels for the FHLBanks" for additional information on the FHLBanks' capital requirements.)

***FHLBanks are governed by Federal laws and regulations and their members are governed by Federal and/or state laws and regulations, which could change or be applied in a manner detrimental to the FHLBanks' operations.***

Changes in statutory or regulatory requirements or policies or in their application could result in changes in, among other things, the FHLBanks' cost of funds, retained earnings and capital requirements, debt issuance, dividend payment limits, form of dividend payments, capital redemption and repurchase limits, permissible business activities, and the size, scope and nature of the FHLBanks' lending, investment and mortgage purchase programs activities. Changes that restrict dividend payments, the growth of the FHLBanks' current business or the creation of new products or services could also negatively affect an FHLBank's financial condition, results of operations, ability to pay dividends, or ability to redeem or repurchase capital stock. In addition, given the relationship among the FHLBanks, an FHLBank could be affected by events other than another FHLBank's default on a consolidated obligation.

## SUBMISSION OF MATTERS TO VOTE OF CAPITAL STOCKHOLDERS OTHER THAN ELECTION OF DIRECTORS

None.

## MARKET FOR FHLBANKS' CAPITAL STOCK AND RELATED STOCKHOLDER MATTERS

As a cooperative, each FHLBank conducts its advances business and acquired member asset programs almost exclusively with its members. There is no established marketplace for the FHLBanks' stock and it is not publicly traded. FHLBank stock is purchased by members at the stated par value of $100 per share and may be redeemed at its stated par value of $100 per share upon the request of a member subject to applicable redemption periods as well as certain conditions and limitations. At June 30, 2009, the FHLBanks had 489 million shares of capital stock outstanding. The FHLBanks are not required to register their securities under the Securities Act of 1933 (as amended). Each FHLBank is an SEC registrant as required by the Housing Act and is subject to certain reporting requirements of the 1934 Act.

*Voting Rights for Election of FHLBank Directors.* Members holding capital stock on December 31 of the preceding year can participate in the annual election process for FHLBank directors. Eligible

members may nominate and elect representatives from members in their state to serve as "member directors" on the board of directors of their FHLBank. For each directorship to be filled in an election, each member institution that is located in the state to be represented by the directorship is entitled to cast one vote for each share of stock that the member was required to hold at December 31 of the calendar year immediately preceding the election year; provided, however, that the number of votes that any member may cast for any one directorship shall not exceed the average number of shares of stock that were required to be held by all members located in the state to be represented on that date.

Eligible members may elect independent directors from among eligible persons nominated by their FHLBank's board of directors after consultation with their FHLBank's Advisory Council. The election is at-large and subject to the same voting limitations as in a member-director election. All directors will be elected for four-year terms, unless a shorter term is assigned to achieve statutorily-required staggering.

For a description of recent changes to the law regarding the composition of the boards of directors of the FHLBanks, see "Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations—Legislative and Regulatory Developments—Changes to Regulation of GSEs" in the Federal Home Loan Banks' 2008 Combined Financial Report.

*Regulatory Capital Stock.* The information on capital stock presented in the following table is for individual FHLBank members. The information is not aggregated to the holding-company level of those members. Some of the institutions listed are affiliates of the same holding company and some of the institutions listed have affiliates that are members but that are not listed in the table.

**Top 10 Regulatory Capital Stockholders**
**at June 30, 2009(1)**
**(Dollar amounts in millions)**

| Name | City | State | Capital Stock |
|---|---|---|---|
| Citibank, N.A.* (2) | Las Vegas | NV | $ 3,877 |
| JPMorgan Chase Bank, National Association (3) | Columbus | OH | 2,695 |
| Bank of America, National Association (4) | Charlotte | NC | 1,919 |
| Wachovia Mortgage, FSB* (5) | North Las Vegas | NV | 1,572 |
| Bank of America Rhode Island, NA | Providence | RI | 1,083 |
| Hudson City Savings Bank* | Paramus | NJ | 877 |
| U.S. Bank, NA (6) | Cincinnati | OH | 846 |
| Wachovia Bank, FSB (5) | Houston | TX | 828 |
| Metropolitan Life Insurance Company | New York | NY | 797 |
| JPMorgan Chase Bank, National Association (7) | Columbus | OH | 772 |
| Bank of America California, N.A. | San Francisco | CA | 706 |
| | | | $15,972 |

* Indicates that an officer or director of the member was an FHLBank director at June 30, 2009.

(1) Includes FHLBank members' capital stock that is considered to be mandatorily redeemable, which is reclassified as a liability in accordance with Statement of Financial Accounting Standards (SFAS) No. 150, *Accounting for Certain Financial Instruments and Characteristics of both Liabilities and Equity* (SFAS 150).

(2) Includes a *de minimis* amount of FHLBank of Dallas capital stock from the merger of Citibank Texas, N.A., a former member of the FHLBank of Dallas, into Citibank, N.A. Also included is a *de minimis* amount of capital stock of the FHLBank of New York.

(3) On September 25, 2008, JPMorgan Chase Bank, National Association, acquired the deposits, assets, and certain liabilities of Washington Mutual Bank's banking operations. Washington Mutual Bank was a member of the FHLBank of San Francisco. JPMorgan Chase Bank, National Association, is not a member of any FHLBank. A *de minimis* amount of FHLBank of New York capital stock from the acquisition of Dime Savings Bank of New

York, FSB, a former member of the FHLBank of New York, is also included. In aggregate, JPMorgan Chase Bank, National Association owned capital stock of $3,467 million at June 30, 2009.

(4) On July 1, 2008, Bank of America Corporation, the parent of Bank of America, National Association, a member of the FHLBank of Atlanta, completed its acquisition of Countrywide Financial Corporation, the parent of Countrywide Bank, FSB, which is also a member of the FHLBank of Atlanta. In February 2009, Countrywide Bank, FSB relocated its principal place of business to Colorado, which action resulted in its termination of membership pursuant to the FHLBank of Atlanta's Capital Plan. The FHLBank of Atlanta reclassified $1.8 billion in capital stock held by Countrywide Bank, FSB, from capital to mandatorily redeemable capital stock upon termination of its membership with the FHLBank of Atlanta during the first quarter of 2009. Bank of America Corporation converted Countrywide Bank, FSB into a national bank and merged it into Bank of America, NA, a member of the FHLBank of Atlanta, on April 27, 2009. Upon the merger, all Countrywide Bank, FSB mandatorily redeemable capital stock became Bank of America, National Association capital stock under the FHLBank of Atlanta's Capital Plan.

(5) On December 31, 2008, Wells Fargo & Company (Wells Fargo) completed its merger with Wachovia Corporation. Wachovia Mortgage, FSB, is a member of the FHLBank of San Francisco; Wachovia Bank, FSB, is a member of the FHLBank of Dallas; and Wachovia Bank, National Association, is a member of the FHLBank of Atlanta, which owned $274 million of FHLBank of Atlanta's capital stock at June 30, 2009. Wells Fargo is a non-member and is the bank holding company of Wells Fargo Bank, N.A., a member of the FHLBank of Des Moines.

(6) Includes $1 million in FHLBank of Des Moines capital stock acquired through a merger with a former member of the FHLBank of Des Moines and $4 million in FHLBank of Seattle capital stock acquired through a merger with a former member of the FHLBank of Seattle.

(7) On September 25, 2008, JPMorgan Chase Bank, National Association, acquired the deposits, assets, and certain liabilities of Washington Mutual Bank FSB's banking operations. Washington Mutual Bank FSB was a member of the FHLBank of Seattle. JPMorgan Chase Bank, National Association, is not a member of any FHLBank. In aggregate, JPMorgan Chase Bank, National Association owned capital stock of $3,467 million at June 30, 2009.

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

Each FHLBank is a cooperative. The members and former members own all the stock of the FHLBanks, all of the directors of each FHLBank is elected by and from the membership, and the FHLBanks conduct their advances almost exclusively with members.

*Members.*

**Membership by Type of Member**

| | Commercial Banks | Thrifts | Credit Unions | Insurance Companies | Total |
|---|---|---|---|---|---|
| June 30, 2009 | 5,799 | 1,161 | 986 | 200 | 8,146 |
| December 31, 2008 | 5,849 | 1,167 | 952 | 184 | 8,152 |

Membership in an FHLBank is voluntary. A member must give notice of its intent to withdraw. The GLB Act permits each FHLBank to issue one or more of two classes of capital stock, each with sub-classes. Class A capital stock is redeemable on six months' written notice from a member and Class B capital stock is redeemable on five years' written notice from a member. Capital stock outstanding under the pre-GLB Act rules, which only applies to the FHLBank of Chicago at June 30, 2009, is redeemable at the option of a member upon six months' written notice of withdrawal from membership, provided that the FHLBank of Chicago is in compliance with its regulatory capital requirements and the Finance Agency's Deputy Director for FHLBank Regulation has approved the redemption as necessary. See "Note 11 — Capital" to the accompanying combined financial statements for discussions of restrictions placed on the redemption of the FHLBank of Chicago's capital stock. If a member withdraws its membership from an FHLBank, it may not acquire shares of any FHLBank for five

years after the date on which its divestiture of capital stock is completed. This restriction does not apply if the member is transferring its membership on an uninterrupted basis from one FHLBank to another.

During the six months ended June 30, 2009, 16 FHLBank members withdrew from membership for reasons other than merger or acquisition and 43 members gave notice of intent to withdraw from membership for reasons other than merger or acquisition. None of the affected FHLBanks expect these withdrawals to have a material adverse effect on its results of operations or financial condition.

**Regulatory Capital Stock Held by Type of Member**
**(Dollar amounts in billions)**

| | Commercial Banks | Thrifts | Credit Unions | Insurance Companies | Other (1) | Total (2) |
|---|---|---|---|---|---|---|
| June 30, 2009 | $30.3 | $12.8 | $2.8 | $3.6 | $5.1 | $54.6 |
| December 31, 2008 | 28.8 | 14.6 | 3.1 | 3.6 | 5.6 | 55.7 |

(1) The other category includes capital stock of members involved in mergers with non-members. Advances to a member involved in a merger must be repaid before or at maturity, if the surviving institution is a non-member institution. Until these advances are repaid, the former member must continue to hold capital stock to support these advances.

(2) Includes mandatorily redeemable capital stock, which is considered capital for regulatory purposes.

The holdings of commercial bank members and non-members at June 30, 2009 represented 55.6 percent of the total regulatory capital stock of the FHLBanks. The regulatory capital stock held by thrift institution members and non-members at June 30, 2009 represented 23.4 percent of the total regulatory capital stock of the FHLBanks.

*Member and Non-Member Borrowers.*

**Member and Non-Member Borrowers**

| | Commercial Banks | Thrifts | Credit Unions | Insurance Companies | Total |
|---|---|---|---|---|---|
| June 30, 2009 | 4,364 | 906 | 486 | 86 | 5,842 |
| December 31, 2008 | 4,581 | 946 | 521 | 74 | 6,122 |

The percentage of total members and non-members borrowing decreased to 71.7 percent at June 30, 2009, as compared to 75.1 percent at December 31, 2008. The 93 borrowers with advance holdings of $1 billion or more at June 30, 2009 held 68.4 percent of total advances. The 110 borrowers with advance holdings of $1 billion or more at December 31, 2008 held 71.6 percent of total advances.

**Advances at Par Value**
**(Dollar amounts in billions)**

| | Commercial Banks | Thrifts | Credit Unions | Insurance Companies | Other (1) | Total (2) |
|---|---|---|---|---|---|---|
| June 30, 2009 | $404.4 | $177.9 | $28.5 | $50.5 | $59.2 | $720.5 |
| December 31, 2008 | 464.4 | 247.1 | 40.6 | 54.9 | 93.5 | 900.5 |

(1) The other category includes advances to housing associates and members involved in mergers with a non-member. Advances to a member involved in a merger where the surviving institution is a non-member must be repaid before or at maturity.

(2) Total advance amounts are at par value and will not agree to the Combined Statement of Condition. The differences between the par value and book value amounts primarily relate to basis adjustments arising from hedging activities.

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

**Top 10 Advance Holding Borrowers at Par Value**
**at June 30, 2009**
**(Dollar amounts in millions)**

| Name | City | State | Advances (1) | Percentage of Total Advances |
|---|---|---|---|---|
| Citibank, N.A.* (2) | Las Vegas | NV | $ 55,990 | 7.8% |
| JPMorgan Chase Bank, National Association (3) | Columbus | OH | 39,127 | 5.4% |
| Bank of America, National Association (4) | Charlotte | NC | 39,114 | 5.4% |
| Wachovia Bank, FSB (5) | Houston | TX | 19,747 | 2.7% |
| Hudson City Savings Bank* | Paramus | NJ | 17,325 | 2.4% |
| Wachovia Mortgage, FSB* (5) | North Las Vegas | NV | 17,250 | 2.4% |
| Metropolitan Life Insurance Company | New York | NY | 14,905 | 2.1% |
| U.S. Bank, NA (6) | Cincinnati | OH | 14,442 | 2.0% |
| Sovereign Bank* (7) | Reading | PA | 10,725 | 1.5% |
| Branch Banking and Trust Company* | Winston Salem | NC | 10,082 | 1.4% |
| | | | $238,707 | 33.1% |

* An asterisk indicates that an officer or director of the member was an FHLBank director at June 30, 2009.

(1) Member advance amounts and the total advance amounts are at par value, and the total advance amount will not agree to the Combined Statement of Condition. The differences between the par value and book value amounts primarily relate to basis adjustments arising from hedging activities.

(2) Includes $1 million in FHLBank of New York advances from the reorganization of Citibank, N.A., a former member of the FHLBank of New York and $1 million in FHLBank of Dallas advances from the merger of Citibank Texas, N.A., a former member of the FHLBank of Dallas, into Citibank, N.A.

(3) On September 25, 2008, JPMorgan Chase Bank, National Association, acquired the deposits, assets, and certain liabilities of Washington Mutual Bank's banking operations and assumed the advances outstanding from the FHLBank of San Francisco to Washington Mutual Bank. JPMorgan Chase Bank, National Association, is not a member of any FHLBank. The table also includes $3 million in FHLBank of New York advances from the acquisition of Dime Savings Bank of New York, FSB, a former member of the FHLBank of New York. In aggregate, JPMorgan Chase Bank, National Association held advances of $46,309 million at June 30, 2009.

(4) In 2008, Bank of America Corporation, parent of Bank of America, National Association (a top 10 borrower of the FHLBank of Atlanta at December 31, 2008), acquired Countrywide Financial Corporation, parent of Countrywide Bank, FSB. On April 27, 2009, Countrywide Bank, FSB was merged with and into Bank of America, National Association and Bank of America, National Association assumed all of the outstanding advances of Countrywide Bank, FSB, making Bank of America, National Association the FHLBank of Atlanta's largest borrower.

(5) On December 31, 2008, Wells Fargo completed its merger with Wachovia Corporation. Wachovia Mortgage, FSB, is a member of the FHLBank of San Francisco; Wachovia Bank, FSB, is a member of the FHLBank of Dallas; and Wachovia Bank, National Association, is a member of the FHLBank of Atlanta that had advances outstanding of $4,505 million at June 30, 2009. Wells Fargo is a non-member and is the bank holding company of Wells Fargo Bank, N.A., a member of the FHLBank of Des Moines.

(6) Includes $17 million in FHLBank of Des Moines advances acquired through a merger with a former member of the FHLBank of Des Moines and $2 million in FHLBank of Seattle advances from acquisition of a former member of the FHLBank of Seattle.

(7) Includes $510 million in FHLBank of New York advances from the acquisition of Independence Community Bank, a former member of the FHLBank of New York and $20 million in FHLBank of Boston advances from the acquisition of former members of the FHLBank of Boston.

*Housing Associates.* At June 30, 2009, the FHLBanks had $827 million in advances outstanding to 19 housing associates, up from $760 million at year-end 2008. Housing associates eligible to borrow include 42 state housing finance agencies, 10 county housing finance agencies, 4 housing development corporations, 3 city housing authorities, and 1 tribal housing corporation.

## CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Each FHLBank is a member-owned cooperative, whose members elect a majority of that FHLBank's directors from among its members. The FHLBanks conduct their advances and mortgage loan business almost exclusively with members. As a result, in the normal course of business, the FHLBanks regularly extend credit to members whose officers and/or directors may serve as directors of the FHLBanks. This credit is extended on market terms that are no more favorable to these "related" members than comparable transactions with other members of the same FHLBank. As of June 30, 2009, the FHLBanks had $150.2 billion of advances outstanding to members whose officers and/or directors were serving as directors of the FHLBanks. This represents 20.8 percent of total advances at par value at that date.

An FHLBank may also purchase short-term investments, Federal funds and mortgage-backed securities from members. All investments are market-rate transactions and all mortgage-backed securities are purchased through securities brokers or dealers.

*Recent Developments.* The following is a discussion of recently announced transactions regarding certain significant FHLBank activities including certain advance holders and stockholders as disclosed in each FHLBank's recent SEC filings.

*FHLBank of Pittsburgh.* On October 13, 2008, Sovereign Bancorp, the holding company of the FHLBank of Pittsburgh's largest member and borrower, Sovereign Bank, entered into an agreement to be acquired by Banco Santander, S.A. The holding company acquisition was completed on January 30, 2009. During 2008, GMAC Financial Services, the holding company for the FHLBank of Pittsburgh's member GMAC Bank (effective May 15, 2009, known as Ally Bank), announced that its application to become a bank holding company was approved by the Federal Reserve, and GMAC Bank received approval from the Utah Department of Financial Institutions to convert to a state-chartered bank. On June 1, 2009, General Motors (GM) filed for bankruptcy under Chapter 11 in the U.S. Bankruptcy Court in New York's Southern District. Ally Bank (formerly known as GMAC Bank) is a member and one of the top ten borrowers of the FHLBank of Pittsburgh. Ally Bank and its parent, GMAC, LLC Bank Holding Company, are not part of the GM bankruptcy, although GM holds a minority ownership interest in GMAC, LLC. On July 10, 2009, GM exited from bankruptcy protection. Also in 2008, PNC Financial Services Group, Inc., the holding company for the FHLBank of Pittsburgh's member PNC Bank, N.A., completed its acquisition of the National City Corporation. The FHLBank of Pittsburgh cannot predict the impact on its outstanding loans to Sovereign Bank, Ally Bank, and PNC Bank, N.A. as a result of these acquisitions and restructuring actions.

*FHLBank of Atlanta.* The FHLBank of Atlanta reclassified $1.8 billion in capital stock held by Countrywide Bank, FSB (Countrywide), from capital to mandatorily redeemable capital stock upon termination of its membership with FHLBank of Atlanta during the first quarter of 2009. Bank of America Corporation converted Countrywide into a national bank and merged it into Bank of America, N.A., a member of the FHLBank of Atlanta, on April 27, 2009. Upon the merger, the mandatorily redeemable capital stock of the FHLBank of Atlanta owned by Countrywide was transferred to Bank of America, N.A. under the FHLBank of Atlanta's Capital Plan and was reclassified from mandatorily redeemable capital stock to capital stock.

*FHLBank of Cincinnati.* In January 2009, PNC Financial Services Group, Inc. acquired National City Bank. On June 30, 2009, National City was FHLBank of Cincinnati's second largest stockholder

with $404 million of its capital stock, its second largest advance borrower with current principal outstanding of $5,909 million, and its largest historical seller of loans in the Mortgage Purchase Program with current unpaid principal balances of $4,030 million. PNC Bank currently is not a member of FHLBank of Cincinnati because it is chartered outside FHLBank of Cincinnati's district. To date, National City has not submitted a membership termination notice, although FHLBank of Cincinnati expects that it will do so.

*FHLBank of Dallas.* Effective December 31, 2008, Wells Fargo & Company (Wells Fargo) acquired Wachovia Corporation, the holding company for Wachovia Bank, FSB (Wachovia), the FHLBank of Dallas's largest borrower and shareholder. Wachovia had $19.7 billion of advances outstanding as of June 30, 2009, which represented 37.2 percent of the FHLBank of Dallas's total outstanding advances at that date. The FHLBank of Dallas is currently unable to predict whether Wells Fargo will maintain Wachovia's Ninth District charter and, if so, to what extent, if any, it may alter Wachovia's relationship with the FHLBank of Dallas.

On July 23, 2009, Guaranty Financial Group Inc. (GFG), the holding company for Guaranty Bank (Guaranty), the FHLBank of Dallas's third largest borrower and stockholder as of June 30, 2009, announced that Guaranty had filed, at the direction of the Office of Thrift Supervision (OTS), an amended Thrift Financial Report as of and for the three months ended March 31, 2009 reflecting substantial write-downs that resulted in Guaranty having negative capital as of that date. GFG is working with the OTS and the FDIC as they pursue potential alternatives for the business of Guaranty; however, GFG believes it is probable that it will not be able to continue as a going concern. In connection with this process, the OTS has directed that Guaranty's Board of Directors consent to the OTS exercising its statutory authority to appoint the FDIC as receiver or conservator for Guaranty. Guaranty's Board of Directors has complied with the OTS demand for such consent, but the appointment of a receiver or conservator has not yet occurred. As of June 30, 2009, Guaranty had advances outstanding with the FHLBank of Dallas totaling $1.5 billion, which represented 2.8 percent of its total outstanding advances at that date. Guaranty's obligations to the FHLBank of Dallas are fully secured by collateral with estimated values in excess of the amounts borrowed.

*FHLBank of San Francisco.* On July 11, 2008, the OTS closed IndyMac Bank, F.S.B., and appointed the FDIC as receiver for IndyMac Bank, F.S.B. In connection with the receivership, the OTS chartered IndyMac Federal Bank, FSB, and appointed the FDIC as conservator for IndyMac Federal Bank, FSB. IndyMac Federal Bank, FSB assumed the outstanding FHLBank of San Francisco advances of IndyMac Bank, F.S.B., and acquired the associated FHLBank of San Francisco capital stock. The FHLBank of San Francisco capital stock acquired by IndyMac, FSB, was classified as mandatorily redeemable capital stock (a liability). On March 19, 2009, OneWest Bank, FSB, became a member of the FHLBank of San Francisco, assumed the outstanding advances of IndyMac Federal Bank, FSB, and acquired the associated FHLBank of San Francisco capital stock. The FHLBank of San Francisco capital stock acquired by OneWest Bank, FSB, is no longer classified as mandatorily redeemable capital stock (a liability). However, the residual capital stock remaining with IndyMac Federal Bank, FSB, totaling $49 million, remains classified as mandatorily redeemable capital stock (a liability).

During 2008, JPMorgan Chase Bank, National Association, a non-member, assumed Washington Mutual Bank's outstanding FHLBank of San Francisco advances and acquired the associated FHLBank of San Francisco capital stock. JPMorgan Bank and Trust Company, National Association, an affiliate of JPMorgan Chase Bank, National Association, became a member of the FHLBank of San Francisco. During the first quarter of 2009, the FHLBank of San Francisco allowed the transfer of excess stock totaling $300 million from JPMorgan Chase Bank, National Association, to JPMorgan Bank and Trust Company, National Association, to enable JPMorgan Bank and Trust Company, National Association, to satisfy its activity-based stock requirement. The capital stock transferred is no longer classified as mandatorily redeemable capital stock (a liability). However, as of June 30, 2009, the residual capital stock remaining with JPMorgan Chase Bank, National Association, totaling $2,695 million, remains classified as mandatorily redeemable capital stock (a liability).

*FHLBank of Seattle.* In January 2009, Bank of America Corporation completed the acquisition of Merrill Lynch & Co. (Merrill Lynch). On July 1, 2009, the assets of Merrill Lynch Bank USA, previously a member of the FHLBank of Seattle, were transferred to Bank of America Corporation, a non-member, as part of its purchase of Merrill Lynch. As part of this restructuring, outstanding advances of $411.2 million and FHLBank of Seattle Class B capital stock of $146.3 million held by Merrill Lynch Bank USA were transferred to Bank of America Corporation, and then immediately subsequent to the asset transfer, Bank of America Corporation transferred substantially all of the FHLBank of Seattle Class B capital stock to its subsidiary, Bank of America Oregon, N.A., a member of the FHLBank of Seattle. Since that date, Bank of America Oregon, N.A. has begun utilizing the transferred Class B stock for new advances with the FHLBank of Seattle.

In September 2008, in a transaction facilitated by the FDIC, Washington Mutual Bank, F.S.B. was acquired by JPMorgan Chase, a non-member. In early October 2008, JPMorgan Chase notified the FHLBank of Seattle that it had merged Washington Mutual Bank, F.S.B. into a non-member entity, JPMorgan Chase Bank, National Association, that assumed the fully collateralized, related advances and outstanding capital stock of the FHLBank of Seattle. In connection with the transaction and pursuant to the FHLBank of Seattle's capital plan, the FHLBank of Seattle reclassified the membership to that of a non-member that is not able to enter into new borrowing arrangements with the FHLBank of Seattle. As of June 30, 2009, approximately 43.4 percent of advances outstanding to JPMorgan Chase Bank, National Association, as of December 31, 2008 had matured and an additional 39.4 percent of such advances ($4.0 billion and $1.0 billion) will mature in the third and fourth quarters of 2009.

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## SUPPLEMENTAL INFORMATION

### Finance Agency Information

The following table reflects the duration of equity reported by the FHLBanks to the Finance Agency in accordance with the Finance Agency's guidance. This information is being provided under Finance Agency guidance. As noted in the Federal Home Loan Banks' 2008 Combined Financial Report under "Quantitative Disclosures about Market Risk", the FHLBanks use various methods to measure their market and interest-rate risk exposure. The more commonly used methods include market value of equity and duration of equity.

**Duration of Equity**
**(In Years)**

| | June 30, 2009 | | | December 31, 2008 | | |
|---|---|---|---|---|---|---|
| FHLBank | Down* | Base | Up** | Down* | Base | Up** |
| Boston | 4.5 | 3.3 | 7.5 | (6.2) | (2.4) | 3.8 |
| New York | 0.0 | (0.8) | 1.7 | 0.0 | (2.1) | 1.4 |
| Pittsburgh | 10.1 | 22.1 | 6.2 | 9.1 | 26.8 | 0.6 |
| Atlanta | 9.3 | 9.3 | 5.9 | 21.3 | 21.3 | 22.2 |
| Cincinnati | (2.2) | 0.6 | 4.2 | (4.2) | (3.1) | 6.4 |
| Indianapolis | 1.4 | 1.4 | 2.3 | 0.6 | 0.6 | 4.2 |
| Des Moines | (21.3) | (2.0) | 4.3 | (96.5) | (23.8) | 6.1 |
| Dallas | 7.5 | 7.5 | 11.9 | 6.4 | 6.4 | 14.4 |
| Topeka | 1.0 | 3.8 | (1.2) | (0.3) | 7.8 | 3.2 |
| San Francisco | 4.1 | 5.1 | 1.4 | 9.2 | 12.4 | 4.7 |
| Seattle | 14.5 | 10.7 | 5.7 | 0.0 | 23.6 | 60.3 |

* Applicable regulation restricts the down rate from assuming a negative interest rate. Therefore, each FHLBank adjusts the down rate accordingly.

** Up = 200 basis points.

Please see "Risk Management — Quantitative Disclosure about Market Risk" for the FHLBank of Chicago's changes in reporting duration of equity information.

### Individual FHLBank Selected Financial Data and Financial Ratios

The following individual FHLBank selected financial data and financial ratios are provided as a convenience to the reader. Please refer to "Explanatory Statement about FHLBanks Combined Financial Report" and "Available Information on Individual FHLBanks," which discusses the independent management and operation of the FHLBanks and their use of different models or assumptions; identifies the availability of other information about the FHLBanks; and describes where to find the periodic reports and other information filed by each FHLBank with the SEC.

## Individual FHLBank Selected Financial Data and Financial Ratios
## (Dollar amounts in millions)

| | Boston | New York | Pittsburgh | Atlanta | Cincinnati | Indianapolis |
|---|---|---|---|---|---|---|
| **Selected Statement of Condition Data** | | | | | | |
| At June 30, 2009 | | | | | | |
| Assets | | | | | | |
| Advances | $41,854 | $100,458 | $45,799 | $134,503 | $44,865 | $25,987 |
| Mortgage loans, net | 3,843 | 1,381 | 5,608 | 2,833 | 9,690 | 7,885 |
| Investments, including MBS (1) | 32,106 | 26,843 | 24,445 | 32,016 | 24,883 | 17,219 |
| Other assets | 284 | 447 | 550 | 854 | 239 | 185 |
| Total assets | 78,087 | 129,129 | 76,402 | 170,206 | 79,677 | 51,276 |
| Total consolidated obligations | 72,410 | 119,460 | 69,629 | 156,428 | 72,651 | 46,517 |
| Retained earnings | 241 | 600 | 434 | 804 | 395 | 328 |
| Total capital stock | 3,615 | 5,370 | 4,007 | 8,119 | 4,000 | 1,908 |
| Asset composition (as a percentage of total assets): | | | | | | |
| Advances | 53.6% | 77.8% | 60.0% | 79.0% | 56.3% | 50.7% |
| Mortgage loans, net | 4.9% | 1.1% | 7.3% | 1.7% | 12.2% | 15.4% |
| Investments, including MBS (1) | 41.1% | 20.8% | 32.0% | 18.8% | 31.2% | 33.6% |
| Other assets | 0.4% | 0.3% | 0.7% | 0.5% | 0.3% | 0.3% |
| Retained earnings as a percentage of bank's total assets | 0.3% | 0.5% | 0.6% | 0.5% | 0.5% | 0.6% |
| Bank's total assets as a percentage of system's total assets | 6.8% | 11.2% | 6.7% | 14.8% | 6.9% | 4.5% |
| At December 31, 2008 | | | | | | |
| Assets | | | | | | |
| Advances | $56,926 | $109,153 | $62,153 | $165,856 | $53,916 | $31,249 |
| Mortgage loans, net | 4,154 | 1,457 | 6,165 | 3,251 | 8,632 | 8,780 |
| Investments, including MBS (1) | 18,864 | 26,365 | 21,798 | 38,376 | 35,325 | 15,757 |
| Other assets | 409 | 565 | 690 | 1,081 | 333 | 1,074 |
| Total assets | 80,353 | 137,540 | 90,806 | 208,564 | 98,206 | 56,860 |
| Total consolidated obligations | 74,726 | 128,587 | 84,263 | 193,376 | 91,729 | 52,163 |
| Retained earnings | (20) | 383 | 170 | 435 | 326 | 283 |
| Total capital stock | 3,585 | 5,585 | 3,982 | 8,463 | 3,962 | 1,879 |
| Asset composition (as a percentage of total assets): | | | | | | |
| Advances | 70.8% | 79.4% | 68.4% | 79.5% | 54.9% | 55.0% |
| Mortgage loans, net | 5.2% | 1.1% | 6.8% | 1.6% | 8.8% | 15.4% |
| Investments, including MBS (1) | 23.5% | 19.2% | 24.0% | 18.4% | 36.0% | 27.7% |
| Other assets | 0.5% | 0.4% | 0.8% | 0.5% | 0.3% | 1.9% |
| Retained earnings as a percentage of bank's total assets | 0.0% | 0.3% | 0.2% | 0.2% | 0.3% | 0.5% |
| Bank's total assets as a percentage of system's total assets | 6.0% | 10.2% | 6.7% | 15.5% | 7.3% | 4.2% |

(1) Investments include: held-to-maturity securities, available-for-sale securities, trading securities, interest-bearing deposits, securities purchased under agreements to resell and Federal funds sold.

| Chicago | Des Moines | Dallas | Topeka | San Francisco | Seattle |
|---|---|---|---|---|---|
| | | | | | |
| | | | | | |
| $27,192 | $37,165 | $53,470 | $24,530 | $174,732 | $28,257 |
| 26,964 | 8,120 | 289 | 3,214 | 3,357 | 4,571 |
| 35,199 | 21,576 | 18,162 | 18,311 | 58,933 | 16,358 |
| 515 | 171 | 175 | 219 | 1,902 | 198 |
| 89,870 | 67,032 | 72,096 | 46,274 | 238,924 | 49,384 |
| 81,285 | 61,566 | 67,454 | 42,433 | 225,209 | 46,061 |
| 837 | 437 | 301 | 306 | 1,172 | 163 |
| 2,375 | 2,923 | 2,828 | 1,697 | 10,253 | 1,871 |
| | | | | | |
| 30.3% | 55.4% | 74.2% | 53.0% | 73.1% | 57.2% |
| 30.0% | 12.1% | 0.4% | 6.9% | 1.4% | 9.3% |
| 39.2% | 32.2% | 25.2% | 39.6% | 24.7% | 33.1% |
| 0.6% | 0.3% | 0.2% | 0.5% | 0.8% | 0.4% |
| 0.9% | 0.7% | 0.4% | 0.7% | 0.5% | 0.3% |
| 7.8% | 5.8% | 6.3% | 4.0% | 20.8% | 4.3% |
| | | | | | |
| | | | | | |
| $38,140 | $41,897 | $60,920 | $35,820 | $235,664 | $36,944 |
| 32,087 | 10,685 | 327 | 3,024 | 3,712 | 5,087 |
| 21,183 | 15,368 | 17,388 | 19,436 | 60,671 | 16,005 |
| 719 | 179 | 298 | 277 | 21,197 | 326 |
| 92,129 | 68,129 | 78,933 | 58,557 | 321,244 | 58,362 |
| 84,771 | 62,784 | 73,360 | 53,683 | 304,933 | 54,469 |
| 540 | 382 | 216 | 157 | 176 | (79) |
| 2,386 | 2,781 | 3,224 | 2,240 | 9,616 | 1,848 |
| | | | | | |
| 41.4% | 61.5% | 77.2% | 61.2% | 73.4% | 63.3% |
| 34.8% | 15.7% | 0.4% | 5.2% | 1.2% | 8.7% |
| 23.0% | 22.6% | 22.0% | 33.2% | 18.9% | 27.4% |
| 0.8% | 0.3% | 0.4% | 0.5% | 6.6% | 0.6% |
| 0.6% | 0.6% | 0.3% | 0.3% | 0.1% | (0.1)% |
| 6.8% | 5.0% | 5.8% | 4.3% | 23.8% | 4.3% |

## Individual FHLBank Selected Financial Data and Financial Ratios (continued)
## (Dollar amounts in millions)

| | Boston | New York | Pittsburgh | Atlanta |
|---|---|---|---|---|
| **SELECTED OTHER DATA** | | | | |
| At June 30, 2009 | | | | |
| Advance concentrations (%): top five borrowers | 48% | 53% | 64% | 55% |
| Regulatory capital stock concentrations (%): top five stockholders | 51% | 49% | 57% | 44% |
| Regulatory capital ratio (%) | 5.1% | 4.7% | 5.8% | 5.3% |
| Cash and stock dividends | | | | |
| Q2 2009 | $ | $ 76 | $ | $ |
| Q2 2008 | 32 | 85 | 39 | 113 |
| Increase (Decrease) | (32) | (9) | (39) | (113) |
| Year-to-date June 30, 2009 | | 118 | | |
| Year-to-date June 30, 2008 | 82 | 174 | 87 | 228 |
| Increase (Decrease) | (82) | (56) | (87) | (228) |
| Weighted-average annualized dividend rate | | | | |
| Q2 2009 | 0.00% | 5.60% | 0.00% | 0.00% |
| Q2 2008 | 4.00% | 6.50% | 3.75% | 5.75% |
| Return on average assets | | | | |
| Q2 2009 | (0.02)% | 0.58% | 0.16% | 0.41% |
| Q2 2008 | 0.26% | 0.26% | 0.21% | 0.22% |
| Return on average equity | | | | |
| Q2 2009 | (0.43)% | 13.00% | 3.31% | 10.30% |
| Q2 2008 | 5.86% | 5.90% | 4.89% | 5.13% |
| Net interest income as a percentage of average earning assets | | | | |
| Q2 2009 | 0.45% | 0.62% | 0.39% | 0.23% |
| Q2 2008 | 0.42% | 0.56% | 0.36% | 0.49% |
| Net interest spread | | | | |
| Q2 2009 | 0.38% | 0.55% | 0.30% | 0.13% |
| Q2 2008 | 0.28% | 0.38% | 0.24% | 0.32% |

| Cincinnati | Indianapolis | Chicago | Des Moines | Dallas | Topeka | San Francisco | Seattle |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| 60% | 42% | 39% | 40% | 59% | 48% | 76% | 66% |
| 51% | 45% | 30% | 37% | 50% | 35% | 70% | 58% |
| 5.7% | 5.5% | 5.2% | 5.0% | 4.5% | 4.4% | 6.1% | 6.0% |
| | | | | | | | |
| $ 45 | $ 11 | $ | $ 7 | $ 2 | $ 10 | $ | $ |
| 50 | 27 | | 27 | 20 | 20 | 209 | 11 |
| (5) | (16) | | (20) | (18) | (10) | (209) | (11) |
| 89 | 30 | | 15 | 6 | 20 | | |
| 97 | 50 | | 52 | 46 | 46 | 400 | 20 |
| (8) | (20) | | (37) | (40) | (26) | (400) | (20) |
| | | | | | | | |
| 4.50% | 2.23% | 0.00% | 1.00% | 0.18% | 2.33% | 0.84% | 0.00% |
| 5.50% | 5.25% | 0.00% | 4.25% | 3.18% | 4.37% | 6.19% | 0.00% |
| | | | | | | | |
| 0.35% | 0.39% | 0.46% | 0.42% | 0.14% | 0.85% | 0.47% | (0.26)% |
| 0.28% | 0.32% | (0.33)% | 0.27% | 0.22% | 0.34% | 0.27% | 0.18% |
| | | | | | | | |
| 6.78% | 10.42% | 24.82% | 9.40% | 3.34% | 19.63% | 12.49% | (13.58)% |
| 6.38% | 8.18% | (10.31)% | 5.79% | 5.27% | 8.08% | 6.37% | 4.39% |
| | | | | | | | |
| 0.51% | 0.60% | 0.70% | 0.35% | 0.08% | 0.60% | 0.77% | 0.33% |
| 0.41% | 0.48% | 0.10% | 0.42% | 0.28% | 0.51% | 0.42% | 0.30% |
| | | | | | | | |
| 0.40% | 0.48% | 0.57% | 0.24% | 0.01% | 0.53% | 0.71% | 0.30% |
| 0.26% | 0.31% | (0.03)% | 0.26% | 0.16% | 0.38% | 0.29% | 0.17% |