FEDERAL HOME LOAN BANKS

Combined Financial Report
For the Quarterly Period Ended June 30, 2011

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

Consolidated obligations are the joint and several obligations of all 12 Federal Home Loan Banks, even though each Federal Home Loan Bank is a separately chartered entity with its own board of directors and management. This means that each individual Federal Home Loan Bank is responsible for the payment of principal and interest on all consolidated obligations issued by the Federal Home Loan Banks. There is no centralized, system-wide management or oversight by a single board of directors of the Federal Home Loan Banks.

Federal Home Loan Bank consolidated obligations are not obligations of the United States and are not guaranteed by either the United States or any government agency.

The Securities Act of 1933 does not require the registration of consolidated obligations; therefore, no registration statement has been filed with the U.S. Securities and Exchange Commission. Neither the U.S. Securities and Exchange Commission, the Federal Housing Finance Agency nor any state securities commission has approved or disapproved of these securities or determined if this report is truthful or complete.

Carefully consider the risk factors provided in the Combined Financial Report. Neither the Combined Financial Report nor any offering material provided on behalf of the Federal Home Loan Banks describes all the risks of investing in Federal Home Loan Bank consolidated obligations. Investors should consult with their financial and legal advisors about the risks of investing in these consolidated obligations.

The financial information contained in this Combined Financial Report is for the quarterly period ended June 30, 2011. This Combined Financial Report should be read in conjunction with the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2010, issued on March 30, 2011. Combined financial reports are available on the Federal Home Loan Banks Office of Finance web site at www.fhlb-of.com. This web site address is provided as a matter of convenience only, and its contents are not made part of this report and are not intended to be incorporated by reference into this report.

Investors should direct questions about Federal Home Loan Bank consolidated obligations or the combined financial reports to the Federal Home Loan Banks Office of Finance at (703) 467-3600. The Federal Home Loan Banks Office of Finance is located at 1818 Library Street, Suite 200, Reston, VA 20190.

This Combined Financial Report was issued on August 12, 2011.

TABLE OF CONTENTS

	Page
Explanatory Statement about Federal Home Loan Banks Combined Financial Report	i
Combined Financial Statements (unaudited):	
Combined Statement of Condition	F-2
Combined Statement of Income	F-3
Combined Statement of Capital	F-4
Combined Statement of Cash Flows	F-6
Notes to Combined Financial Statements (unaudited)	F-8
Combining Schedules (unaudited):	
Statements of Condition at June 30, 2011	F-64
Statements of Condition at December 31, 2010	F-66
Statements of Income for the Three Months Ended June 30, 2011	F-68
Statements of Income for the Three Months Ended June 30, 2010	F-70
Statements of Income for the Six Months Ended June 30, 2011	F-72
Statements of Income for the Six Months Ended June 30, 2010	F-74
Statements of Capital for the Six Months Ended June 30, 2011 and 2010	F-76
Statements of Cash Flows for the Six Months Ended June 30, 2011	F-90
Statements of Cash Flows for the Six Months Ended June 30, 2010	F-94
Selected Financial Data	1
Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations	2
Forward-Looking Information	2
Executive Summary	3
Combined Statement of Condition	8
Combined Results of Operations	15
Capital Adequacy	26
Liquidity	28
Critical Accounting Estimates	30
Legislative and Regulatory Developments	32
Recent Rating Agency Actions	37
Risk Management	39
Market Risk	39
Credit Risk	44
Controls and Procedures	63
Legal Proceedings	64
Risk Factors	65
Market for Federal Home Loan Banks' Capital Stock and Related Stockholder Matters	66
Security Ownership of Certain Beneficial Owners	67
Certain Relationships and Related Transactions	70
Supplemental Information	S-1
Individual Federal Home Loan Bank Selected Financial Data and Financial Ratios	S-2
Index of Tables Contained in the Combined Financial Report	Index

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 FEDERAL HOME LOAN BANKS COMBINED FINANCIAL REPORT

The Federal Home Loan Banks Office of Finance (Office of Finance) is responsible for preparing the combined financial report of the 12 Federal Home Loan Banks (FHLBanks). Each FHLBank is responsible for the financial information and underlying data it provides to the Office of Finance for inclusion in the combined financial report. The Office of Finance is responsible for combining the financial information it receives from each of the FHLBanks.

The FHLBanks' combined financial report is intended to be used by investors in the consolidated obligation bonds (consolidated bonds) and consolidated obligation discount notes (consolidated discount notes) of the FHLBanks as these consolidated bonds and discount notes are joint and several obligations of the FHLBanks. This combined financial report is provided using combination accounting principles generally accepted in the United States of America. This combined presentation in no way indicates that these assets and liabilities are under joint management and control as each individual FHLBank manages its operations independently.

Because of the FHLBank system's structure, the Office of Finance does not prepare consolidated financial statements. Consolidated financial statements are generally considered to be appropriate when a controlling financial interest rests directly or indirectly in one of the enterprises included in the consolidation. This is the case in the typical holding company structure, where there is a parent corporation that owns, directly or indirectly, one or more subsidiaries. However, the FHLBanks do not have a parent company that controls each of the FHLBanks. Instead, each of the FHLBanks is owned by its respective members and former members and is managed independently.

Each FHLBank is a separately chartered cooperative with individual boards of directors and management and 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 identical because alternative policies and presentations are permitted under GAAP in certain circumstances. 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, but may not be applicable to all FHLBanks or transactions as a result of their different business practices and accounting and financial reporting policies under GAAP.

An investor may not be able to obtain easily a system-wide view of the FHLBanks' business, risk profile and financial information because there is no centralized, system-wide management or centralized board of director oversight of the individual FHLBanks. This decentralized structure is not conducive to preparing disclosures from a system-wide view in the same manner that is generally expected of U.S. Securities and Exchange Commission (SEC) registrants. For example, a conventional Management's Discussion and Analysis is not provided in this combined financial report; instead, this report includes a "Financial Discussion and Analysis" prepared by the Office of Finance using information provided by each FHLBank.

Each FHLBank is subject to reporting requirements of the Securities Exchange Act of 1934 as amended, and must file periodic reports and other information with the SEC. Each FHLBank prepares financial reports containing financial information annually with the SEC on Form 10-K and quarterly on Form 10-Q. Those reports contain additional information that is not contained in the combined financial report. FHLBank financial reports are made available on the web site of each FHLBank and on the SEC's web site at www.sec.gov. This web site address is provided as a matter of convenience only, and its contents are not made part of this report and are not intended to be incorporated by reference into this report.

An investor should review available information on individual FHLBanks to obtain additional detail on each FHLBank's business, risk profile, and accounting and financial reporting policies.

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FEDERAL HOME LOAN BANKS

COMBINED STATEMENT OF CONDITION

(Dollars in millions)
(Unaudited)

	June 30, 2011	December 31, 2010
ASSETS		
Cash and due from banks	$ 24,325	$ 3,801
Interest-bearing deposits	8	9
Securities purchased under agreements to resell	7,800	16,400
Federal funds sold	54,871	75,855
Investment securities:		
Trading securities	29,600	28,291
Available-for-sale securities	73,590	71,459
Held-to-maturity securities, fair value of $131,396 and $140,266 at June 30, 2011 and December 31, 2010	129,925	138,456
Total investment securities	233,115	238,206
Advances, includes $9,236 and $10,494 at fair value under fair value option at June 30, 2011 and December 31, 2010	428,460	478,589
Mortgage loans held for portfolio:		
Mortgage loans held for portfolio	55,970	61,277
Less allowance for credit losses on mortgage loans	(108)	(86)
Mortgage loans held for portfolio, net	55,862	61,191
Accrued interest receivable	1,664	1,921
Premises, software and equipment, net	222	229
Derivative assets, net	831	897
Other assets	2,061	1,011
Total assets	$ 809,219	$ 878,109
LIABILITIES		
Deposits:		
Interest-bearing	$ 13,865	$ 13,980
Non-interest-bearing	241	421
Total deposits	14,106	14,401
Securities sold under agreements to repurchase	1,200	1,200
Consolidated obligations:		
Discount notes, includes $2,356 and $5,820 at fair value under fair value option at June 30, 2011 and December 31, 2010	180,960	194,431
Bonds, includes $34,554 and $47,395 at fair value under fair value option at June 30, 2011 and December 31, 2010	551,198	606,567
Total consolidated obligations	732,158	800,998
Mandatorily redeemable capital stock	9,290	7,066
Accrued interest payable	2,273	2,471
Affordable Housing Program payable	739	773
Payable to REFCORP	77	159
Derivative liabilities, net	4,900	5,467
Other liabilities, includes $10 and $11 at fair value under fair value option at June 30, 2011 and December 31, 2010	2,382	833
Subordinated notes	1,000	1,000
Total liabilities	768,125	834,368
Commitments and contingencies (Note 15)		
CAPITAL		
Capital stock:		
Class B putable ($100 par value) issued and outstanding	33,726	38,683
Class A putable ($100 par value) issued and outstanding	717	719
Pre-conversion ($100 par value) issued and outstanding	2,352	2,333
Total capital stock	36,795	41,735
Retained earnings	7,859	7,552
Accumulated other comprehensive income (loss):		
Net unrealized gains on available-for-sale securities	1,039	841
Net unrealized losses on held-to-maturity securities transferred from available-for-sale securities	(7)	(8)
Net non-credit portion of other-than-temporary impairment losses on available-for-sale securities	(2,470)	(1,310)
Net non-credit portion of other-than-temporary impairment losses on held-to-maturity securities	(1,411)	(4,441)
Net unrealized losses relating to hedging activities	(664)	(579)
Pension and postretirement benefits	(47)	(49)
Total accumulated other comprehensive income (loss)	(3,560)	(5,546)
Total capital	41,094	43,741
Total liabilities and capital	$ 809,219	$ 878,109

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

FEDERAL HOME LOAN BANKS

COMBINED STATEMENT OF INCOME

(Dollars in millions)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
INTEREST INCOME				
Advances	$ 833	$ 1,182	$ 1,731	$ 2,394
Prepayment fees on advances, net	45	126	103	158
Interest-bearing deposits	2	4	4	6
Securities purchased under agreements to resell	3	9	11	12
Federal funds sold	25	43	63	72
Trading securities	102	79	201	165
Available-for-sale securities	371	317	696	598
Held-to-maturity securities	822	1,166	1,745	2,350
Mortgage loans held for portfolio	684	814	1,385	1,659
Other	—	1	2	2
Total interest income	2,887	3,741	5,941	7,416
INTEREST EXPENSE				
Consolidated obligations—Discount notes	134	168	294	321
Consolidated obligations—Bonds	1,715	2,212	3,513	4,466
Deposits	1	5	3	6
Securities sold under agreements to repurchase	5	5	9	9
Subordinated notes	14	14	28	28
Mandatorily redeemable capital stock	12	11	26	25
Total interest expense	1,881	2,415	3,873	4,855
NET INTEREST INCOME	1,006	1,326	2,068	2,561
Provision for credit losses	10	11	31	19
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	996	1,315	2,037	2,542
OTHER NON-INTEREST INCOME (LOSS)				
Total other-than-temporary impairment losses	(164)	(468)	(291)	(874)
Net amount of impairment losses reclassified to/(from) accumulated other comprehensive loss	(177)	(27)	(325)	146
Net other-than-temporary impairment losses	(341)	(495)	(616)	(728)
Net gains (losses) on trading securities	35	157	(36)	186
Net realized gains (losses) from sale of available-for-sale securities	10	—	18	—
Net realized gains (losses) from sale of held-to-maturity securities	10	6	10	6
Net gains (losses) on advances, consolidated obligations and other liabilities held under fair value option	24	(38)	(36)	(142)
Net gains (losses) on derivatives and hedging activities	(157)	(324)	(27)	(578)
Service fees	7	8	14	15
Other, net	8	7	(21)	13
Total other non-interest income (loss)	(404)	(679)	(694)	(1,228)
OTHER EXPENSE				
Compensation and benefits	126	119	282	241
Other operating expenses	76	82	148	155
Finance Agency	20	10	41	24
Office of Finance	7	7	21	19
Reversal for derivative counterparty credit losses	—	(53)	—	(53)
Other	11	8	9	10
Total other expense	240	173	501	396
INCOME BEFORE ASSESSMENTS	352	463	842	918
ASSESSMENTS				
Affordable Housing Program	32	43	73	83
REFCORP	69	94	160	184
Total assessments	101	137	233	267
NET INCOME	$ 251	$ 326	$ 609	$ 651

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

FEDERAL HOME LOAN BANKS

COMBINED STATEMENT OF CAPITAL
SIX MONTHS ENDED JUNE 30, 2011 AND 2010

(Dollars and shares in millions)
(Unaudited)

	Capital Stock[1]										
	Class B		Class A		Pre-conversion		Total				
	Shares	Par Value	Shares	Par Value	Shares	Par Value	Shares	Par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Capital
BALANCE, DECEMBER 31, 2009	422	$42,227	4	$ 427	23	$ 2,328	449	$44,982	$ 6,033	$ (8,206)	$42,809
Proceeds from sale of capital stock	16	1,621	–	3	–	25	16	1,649	–	–	1,649
Repurchase/redemption of capital stock	(24)	(2,413)	–	–	–	–	(24)	(2,413)	–	–	(2,413)
Net shares reclassified to mandatorily redeemable capital stock	(4)	(551)	–	(1)	–	(22)	(4)	(574)	–	–	(574)
Comprehensive income:											
Net income	–	–	–	–	–	–	–	–	651	–	651
Other comprehensive income adjustments:											
Net unrealized gains/losses on available-for-sale securities:											
Unrealized gains	–	–	–	–	–	–	–	–	–	614	614
Net unrealized gains/losses on held-to-maturity securities transferred from available-for-sale securities:											
Reclassification of losses included in net income	–	–	–	–	–	–	–	–	–	10	10
Net non-credit portion of other-than-temporary impairment losses on available-for-sale securities:											
Non-credit portion, including losses transferred from held-to-maturity securities and subsequent fair value adjustments	–	–	–	–	–	–	–	–	–	223	223
Reclassification of non-credit portion included in net income	–	–	–	–	–	–	–	–	–	276	276
Net non-credit portion of other-than-temporary impairment losses on held-to-maturity securities:											
Non-credit portion	–	–	–	–	–	–	–	–	–	(807)	(807)
Reclassification of non-credit portion included in net income	–	–	–	–	–	–	–	–	–	386	386
Accretion of non-credit portion	–	–	–	–	–	–	–	–	–	744	744
Reclassification of non-credit portion from held-to-maturity securities to available-for-sale securities	–	–	–	–	–	–	–	–	–	331	331
Net unrealized gains/losses relating to hedging activities:											
Unrealized losses	–	–	–	–	–	–	–	–	–	(460)	(460)
Reclassification of losses included in net income	–	–	–	–	–	–	–	–	–	7	7
Pension and postretirement benefits	–	–	–	–	–	–	–	–	–	1	1
Total other comprehensive income adjustments											1,325
Total comprehensive income											1,976
Transfer between Class B and Class A shares	–	(11)	–	11	–	–	–	–	–	–	–
Dividends on capital stock:											
Cash	–	–	–	–	–	–	–	–	(261)	–	(261)
Stock	–	24	–	–	–	–	–	24	(24)	–	–
BALANCE, JUNE 30, 2010	410	$40,897	4	$ 440	23	$ 2,331	437	$43,668	$ 6,399	$ (6,881)	$43,186

FEDERAL HOME LOAN BANKS

COMBINED STATEMENT OF CAPITAL (continued)
SIX MONTHS ENDED JUNE 30, 2011 AND 2010

(Dollars and shares in millions)
(Unaudited)

	Capital Stock[1]										
	Class B		Class A		Pre-conversion		Total				
	Shares	Par Value	Shares	Par Value	Shares	Par Value	Shares	Par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Capital
BALANCE, DECEMBER 31, 2010	387	$38,683	7	$ 719	23	$ 2,333	417	$41,735	$ 7,552	$ (5,546)	$43,741
Proceeds from sale of capital stock	19	2,083	–	5	1	22	20	2,110	–	–	2,110
Repurchase/redemption of capital stock	(40)	(3,999)	–	–	–	–	(40)	(3,999)	–	–	(3,999)
Net shares reclassified to mandatorily redeemable capital stock	(29)	(2,949)	(1)	(115)	–	(3)	(30)	(3,067)	–	–	(3,067)
Comprehensive income:											
Net income	–	–	–	–	–	–	–	–	609	–	609
Other comprehensive income adjustments:											
Net unrealized gains/losses on available-for-sale securities:											
Unrealized losses	–	–	–	–	–	–	–	–	–	211	211
Reclassification of gains included in net income	–	–	–	–	–	–	–	–	–	(13)	(13)
Net unrealized gains/losses on held-to-maturity securities transferred from available-for-sale securities:											
Reclassification of losses included in net income	–	–	–	–	–	–	–	–	–	1	1
Net non-credit portion of other-than-temporary impairment losses on available-for-sale securities:											
Non-credit portion, including losses transferred from held-to-maturity securities and subsequent fair value adjustments	–	–	–	–	–	–	–	–	–	(1,427)	(1,427)
Reclassification of gains included in net income	–	–	–	–	–	–	–	–	–	(5)	(5)
Reclassification of non-credit portion included in net income	–	–	–	–	–	–	–	–	–	272	272
Net non-credit portion of other-than-temporary impairment losses on held-to-maturity securities:											
Non-credit portion	–	–	–	–	–	–	–	–	–	(198)	(198)
Reclassification of non-credit portion included in net income	–	–	–	–	–	–	–	–	–	254	254
Accretion of non-credit portion	–	–	–	–	–	–	–	–	–	439	439
Reclassification of non-credit portion from held-to-maturity securities to available-for-sale securities	–	–	–	–	–	–	–	–	–	2,535	2,535
Net unrealized gains/losses relating to hedging activities:											
Unrealized losses	–	–	–	–	–	–	–	–	–	(63)	(63)
Reclassification of gains included in net income	–	–	–	–	–	–	–	–	–	(22)	(22)
Pension and postretirement benefits	–	–	–	–	–	–	–	–	–	2	2
Total other comprehensive income adjustments											1,986
Total comprehensive income											2,595
Transfer between Class B and Class A shares	(1)	(108)	1	108	–	–	–	–	–	–	–
Dividends on capital stock:											
Cash	–	–	–	–	–	–	–	–	(286)	–	(286)
Stock	–	16	–	–	–	–	–	16	(16)	–	–
BALANCE, JUNE 30, 2011	336	$33,726	7	$ 717	24	$ 2,352	367	$36,795	$ 7,859	$ (3,560)	$41,094

(1) Putable

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

FEDERAL HOME LOAN BANKS

COMBINED STATEMENT OF CASH FLOWS

(Dollars in millions)
(Unaudited)

	Six Months Ended June 30,	
	2011	**2010**
OPERATING ACTIVITIES		
Net income	$ 609	$ 651
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	(5)	(116)
Change in net derivative and hedging activities	884	1,481
Net other-than-temporary impairment losses	616	728
Other adjustments	48	(32)
Net change in fair value adjustments on trading securities	37	(187)
Net change in fair value adjustments on advances, consolidated obligations and other liabilities held under fair value option	36	142
Net change in:		
Trading securities	1	—
Accrued interest receivable	236	353
Other assets	(11)	(45)
Accrued interest payable	(211)	(714)
Other liabilities[1]	(98)	197
Total adjustments	1,533	1,807
Net cash provided by operating activities	2,142	2,458
INVESTING ACTIVITIES		
Net change in:		
Interest-bearing deposits	441	(1,405)
Securities purchased under agreements to resell	8,600	(7,800)
Federal funds sold	20,984	(15,385)
Premises, software and equipment	(26)	(25)
Trading securities:		
Net (increase) decrease in short-term	(373)	2,696
Proceeds from long-term	2,243	3,100
Purchases of long-term	(3,206)	(1,283)
Available-for-sale securities:		
Net decrease in short-term	1,950	3,575
Proceeds from long-term	6,234	3,226
Purchases of long-term	(1,259)	(16,316)
Held-to-maturity securities:		
Net decrease (increase) in short-term	292	(2,003)
Proceeds from long-term	16,669	22,876
Purchases of long-term	(14,266)	(14,266)
Advances:		
Proceeds	788,948	745,463
Made	(740,070)	(652,157)
Mortgage loans held for portfolio:		
Principal collected	6,710	6,244
Purchases	(2,706)	(1,672)
Proceeds from sales of foreclosed assets	67	65
Principal collected on other loans	1	1
Net cash provided by investing activities	91,233	74,934

FEDERAL HOME LOAN BANKS

COMBINED STATEMENT OF CASH FLOWS (continued)

(Dollars in millions)
(Unaudited)

	Six Months Ended June 30,	
	2011	**2010**
FINANCING ACTIVITIES		
Net change in:		
Deposits and pass-through reserves	$ (442)	$ 1,741
Borrowings	75	(1)
Net payments on derivative contracts with financing element	(807)	(984)
Net proceeds from issuance of consolidated obligations:		
Discount notes	3,050,274	3,282,644
Bonds	171,051	292,107
Payments for maturing and retiring consolidated obligations:		
Discount notes	(3,063,717)	(3,299,546)
Bonds	(226,267)	(358,730)
Proceeds from issuance of capital stock	2,110	1,649
Payments for repurchase/redemption of mandatorily redeemable capital stock	(843)	(661)
Payments for repurchase/redemption of capital stock	(3,999)	(2,413)
Cash dividends paid	(286)	(261)
Net cash used in financing activities	(72,851)	(84,455)
Net increase (decrease) in cash and cash equivalents	20,524	(7,063)
Cash and due from banks at beginning of the period	3,801	24,330
Cash and due from banks at end of the period	$ 24,325	$ 17,267
Supplemental Disclosures:		
Interest paid	$ 4,533	$ 5,878
AHP payments, net	$ 109	$ 109
REFCORP assessments, net	$ 176	$ 199
Transfers of mortgage loans to real estate owned	$ 85	$ 118
Transfers of mortgage loans held for portfolio to mortgage loans held for sale	$ 1,324	$ —
Transfers of other-than-temporarily impaired held-to-maturity securities to available-for-sale securities	$ 7,661	$ 1,732

(1) Other liabilities includes the net change in the REFCORP receivable/payable.

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

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 are financial cooperatives that provide a readily available, competitively-priced source of funds to their member institutions. All members must purchase stock in their district's FHLBank. 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 may, to the extent declared by that FHLBank's board of directors, receive dividends on their capital stock. Regulated financial depositories and insurance companies engaged in residential housing finance may apply for membership. Additionally, effective February 4, 2010, authorized Community Development Financial Institutions are eligible to be members of an FHLBank. 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 allowed to hold capital stock.

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.

The Federal Housing Finance Agency (Finance Agency) was established and became the independent Federal regulator (the Regulator) of the FHLBanks, Federal Home Loan Mortgage Corporation (Freddie Mac) and Federal National Mortgage Association (Fannie Mae), effective July 30, 2008 with the passage of the "Housing and Economic Recovery Act of 2008" (the Housing Act). Pursuant to the Housing Act, all regulations, orders, determinations, and resolutions that were issued, made, prescribed, or allowed to become effective by the former Federal Housing Finance Board will remain in effect until modified, terminated, set aside, or superseded by the Finance Agency Director, any court of competent jurisdiction, or operation of law. The Finance Agency's stated mission with respect to the FHLBanks is to provide effective supervision, regulation and housing mission oversight of the FHLBanks to promote their safety and soundness, support housing finance and affordable housing, and support a stable and liquid mortgage market.

The Office of Finance is a joint office of the FHLBanks established 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. As provided by the amended FHLBank Act and applicable regulations, consolidated obligations are backed only by the financial resources of all 12 FHLBanks. Consolidated obligations are the primary source of funds for the FHLBanks in addition to deposits, other borrowings and capital stock issued to members. Each FHLBank primarily uses these funds to provide advances to members. Certain FHLBanks also use these funds to acquire 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 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

These unaudited quarterly combined financial statements do not include all disclosures associated with annual combined financial statements, and accordingly, should be read in conjunction with the audited combined financial statements for the year ended December 31, 2010 included in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2010.

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

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

Basis of Presentation

These combined financial statements include the financial statements and records of the 12 FHLBanks that are prepared in accordance with generally accepted accounting principles in the United States of America (GAAP). The information contained in these combined financial statements is not audited. Each FHLBank's financial statements, in the opinion of its management, contain all the necessary adjustments for a fair presentation of its interim financial information.

Principles of Combination. Material transactions among the FHLBanks have been eliminated in accordance with combination accounting principles similar to consolidation under GAAP. The most significant transactions between the FHLBanks are:

1. *Transfers of Direct Liability on Consolidated Obligation Bonds between FHLBanks.* These transfers occur when consolidated bonds issued on behalf of one FHLBank are transferred to and assumed by another FHLBank. The transferring FHLBank treats the transfer as a debt extinguishment because it is released from being the primary obligor when the Office of Finance records the transfer, pursuant to its duties under applicable regulations. The assuming FHLBank then becomes the primary obligor while the transferring FHLBank has a contingent liability because it still has joint and several liability with respect to repaying the transferred consolidated obligation bonds (consolidated bonds).

   The FHLBank assuming the consolidated bond liability initially records the consolidated bond at fair value, which represents the amount paid to the assuming FHLBank by the transferring FHLBank to assume the debt. A premium or discount exists for the amount paid above or below par. Because these transfers represent inter-company transfers under combination accounting principles, an inter-company elimination is made for any gain or loss on transfer. As a result, the subsequent amortization of premium or discount, amortization of concession fees and recognition of hedging related adjustments represent those of the transferring FHLBank in the combined financial statements.

2. *Purchases of Consolidated Obligations.* These purchases occur when consolidated obligations issued on behalf of one FHLBank are purchased by another FHLBank in the open market. All purchase transactions occur at market prices with third parties, and the purchasing FHLBanks treat these consolidated bonds and consolidated obligation discount notes (consolidated discount notes) as investments. Under combination accounting principles, the investment and the consolidated bonds and discount notes and related contractual interest income and expense are eliminated in combination.

No other transactions among the FHLBanks have a material effect on operating results. (See the FHLBanks' ***Combining Schedules*** for the combining adjustments made to the combined financial statements.)

Cash Flows. In the Combined Statement of Cash Flows, the FHLBanks consider non-interest-bearing cash and due from banks as cash and cash equivalents.

Segment Reporting. Finance Agency regulations consider each FHLBank to be a segment. (See the FHLBanks' ***Combining Schedules*** for segment information.)

Reclassifications and Revisions to Prior Period Amounts. Certain amounts in the 2010 financial statements have been reclassified to conform to the financial statement presentation for the three and six months ended June 30, 2011. Additionally, certain prior period amounts have been revised and may not agree to the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2010. These amounts were not deemed to be material.

Subsequent Events. For purposes of this Combined Financial Report, subsequent events have been evaluated through the time of publication of this Combined Financial Report. (See ***Note 16—Subsequent Events*** for more information.)

Use of Estimates

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 include the determination of other-than-temporary impairments of

securities and 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.

Fair Value. The fair value amounts, recorded on the Combined Statement of Condition and presented in the note disclosures, 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, 2011 and December 31, 2010. Although an FHLBank uses its best judgment in estimating the fair value of these financial instruments, there are inherent limitations in any valuation technique. Therefore, these fair values may not be indicative of the amounts that would have been realized in market transactions at the reporting dates. (See ***Note 14—Fair Value*** for more information.)

Variable Interest Entities

Certain FHLBanks have investments in variable interest entities (VIEs) that include, but are not limited to, senior interests in private-label mortgage-backed securities (MBS) and asset-backed securities (ABS). The carrying amounts and classification of the assets that relate to the FHLBanks' investments in VIEs are included in investment securities on the Combined Statement of Condition. The affected FHLBanks have no liabilities related to these VIEs. The maximum loss exposure for these VIEs is limited to the carrying value of the FHLBanks' investments in the VIEs.

If an FHLBank determines it is the primary beneficiary of a VIE, it would be required to consolidate that VIE. On an ongoing basis, each affected FHLBank performs a quarterly evaluation to determine whether it is the primary beneficiary in any VIEs. To perform this evaluation, an FHLBank considers whether it possesses both of the following characteristics:

- the power to direct the VIE's activities that most significantly affect the VIE's economic performance; and
- the obligation to absorb the VIE's losses or the right to receive benefits from the VIE that could potentially be significant to the VIE.

Based on an evaluation of the above characteristics, each affected FHLBank has determined that consolidation is not required for its VIEs as of June 30, 2011. In addition, each of these FHLBanks has not provided financial or other support (explicitly or implicitly) during the six months ended June 30, 2011. Furthermore, each affected FHLBank was not previously contractually required to provide, nor does it intend to provide, such support in the future.

Office of Finance Expenses

As approved by the Office of Finance Board of Directors, effective January 1, 2011, each FHLBank's proportionate share of Office of Finance operating and capital expenditures is calculated using a formula that is based upon the following components: (1) two-thirds based upon each FHLBank's share of total consolidated obligations outstanding and (2) one-third based upon an equal pro-rata allocation.

Prior to January 1, 2011, the FHLBanks were assessed for Office of Finance operating and capital expenditures based equally on each FHLBank's percentage of the following components: (1) percentage of capital stock, (2) percentage of consolidated obligations issued and (3) percentage of consolidated obligations outstanding.

Note 2—Recently Adopted and Issued Accounting Guidance

Presentation of Comprehensive Income

On June 16, 2011, the Financial Accounting Standards Board (FASB) issued guidance to increase the prominence of other comprehensive income in financial statements. This guidance requires an entity that reports items of other comprehensive income to present comprehensive income in either a single financial statement or in two consecutive financial statements. In a single continuous statement, an entity is required to present the components of net income and total net income, the components of other comprehensive income and a total for other comprehensive income, as well as a total for comprehensive income. In a two-

statement approach, an entity is required to present the components of net income and total net income in its statement of net income. The statement of other comprehensive income should follow immediately and include the components of other comprehensive income as well as totals for both other comprehensive income and comprehensive income. This guidance eliminates the option to present other comprehensive income in the statement of changes in stockholders' equity. This guidance is effective for the FHLBanks for interim and annual periods beginning on January 1, 2012 and should be applied retrospectively for all periods presented. Early adoption is permitted. Each FHLBank plans to elect the two-statement approach beginning on January 1, 2012. The adoption of this guidance is expected to be limited to the presentation of the FHLBanks' annual and interim financial statements and not affect the FHLBanks' financial condition, results of operations or cash flows.

Fair Value Measurements and Disclosures

On January 21, 2010, the FASB issued amended guidance for fair value measurements and disclosures. The FHLBanks adopted this amended guidance as of January 1, 2010, except for required disclosures about purchases, sales, issuances, and settlements in the rollforward of activity for Level 3 fair value measurements; the related guidance on these required disclosures was adopted as of January 1, 2011. In the period of initial adoption, entities are not required to provide the amended disclosures for any previous periods presented for comparative purposes. The adoption of this amended guidance resulted in increased annual and interim financial statement disclosures, but did not affect the FHLBanks' combined financial condition, combined results of operations or combined cash flows.

On May 12, 2011, the FASB and the International Accounting Standards Board issued substantially converged guidance on fair value measurement and disclosure requirements. This guidance clarifies how fair value accounting should be applied where its use is already required or permitted by other standards within GAAP or International Financial Reporting Standards; these amendments do not require additional fair value measurements. This guidance generally represents clarifications to the application of existing fair value measurement and disclosure requirements, as well as some instances where a particular principle or requirement for measuring fair value or disclosing information about fair value measurements has changed. This guidance is effective for the FHLBanks for interim and annual periods beginning on January 1, 2012 and should be applied prospectively. Early application by public entities is not permitted. The adoption of this guidance may result in increased annual and interim financial statement disclosures, but is not expected to have a material effect on the FHLBanks' combined financial condition, combined results of operations or combined cash flows.

Reconsideration of Effective Control for Repurchase Agreements

On April 29, 2011, the FASB issued guidance to improve the accounting for repurchase agreements and other agreements that both entitle and obligate a transferor to repurchase or redeem financial assets before their maturity. This guidance amends the existing criteria for determining whether or not a transferor has retained effective control over financial assets transferred under a repurchase agreement. A secured borrowing is recorded when effective control over the transferred financial assets is maintained, while a sale is recorded when effective control over the transferred financial assets has not been maintained. The new guidance removes from the assessment of effective control: (1) the criterion requiring the transferor to have the ability to repurchase or redeem financial assets before their maturity on substantially the agreed terms, even in the event of the transferee's default, and (2) the collateral maintenance implementation guidance related to that criterion. This guidance is effective for the FHLBanks for interim and annual periods beginning on January 1, 2012. This guidance should be applied prospectively to transactions or modifications of existing transactions that occur on or after the effective date. Early adoption is not permitted. Each FHLBank is currently evaluating the effect of the adoption of this guidance on its financial condition, results of operations and cash flows.

A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring

On January 19, 2011, the FASB issued guidance to defer temporarily the effective date of disclosures about troubled debt restructurings required by the amended guidance on disclosures about the credit quality of financing receivables and the allowance for credit losses. The effective date for these new disclosures was

deferred in order to be coordinated with the effective date of the guidance for determining what constitutes a troubled debt restructuring.

On April 5, 2011, the FASB issued guidance to clarify which debt modifications constitute troubled debt restructurings. It is intended to help creditors determine whether a modification of the terms of a receivable meets the criteria to be considered a troubled debt restructuring, both for purposes of recording an impairment loss and for presenting previously deferred disclosures related to troubled debt restructurings. This guidance became effective for the FHLBanks for interim and annual periods beginning on July 1, 2011. As required, the FHLBanks applied the new guidance to troubled debt restructurings which occurred on or after January 1, 2011. The adoption of this amended guidance did not have a material effect on the FHLBanks' combined financial condition, combined results of operations or combined cash flows.

Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses

On July 21, 2010, the FASB issued amended guidance to enhance disclosures about an entity's allowance for credit losses and the credit quality of its financing receivables. The required disclosures as of the end of a reporting period became effective for interim and annual reporting periods as of December 31, 2010. The required disclosures about activity that occurs during a reporting period became effective for interim and annual reporting periods as of January 1, 2011. The adoption of this amended guidance resulted in increased annual and interim financial statement disclosures, but did not affect the FHLBanks' combined financial condition, combined results of operations or combined cash flows.

Note 3—Trading Securities

Table 3.1 - Trading Securities by Major Security Type (dollars in millions)

	June 30, 2011	December 31, 2010
	Fair Value	Fair Value
Non-mortgage-backed securities:		
U.S. Treasury obligations	$ 2,108	$ 3,068
Commercial paper	2,065	2,349
Certificates of deposit	7,025	7,075
Government-sponsored enterprise obligations	12,900	12,355
State or local housing agency obligations	3	3
Temporary liquidity guarantee program debentures and promissory notes	4,300	2,126
Other[1]	278	271
Total non-mortgage-backed securities	28,679	27,247
Mortgage-backed securities:		
Other U.S. obligations residential MBS[2]	46	49
Government-sponsored enterprise residential MBS	641	765
Government-sponsored enterprise commercial MBS	234	230
Total mortgage-backed securities	921	1,044
Total	$ 29,600	$ 28,291

(1) Primarily consists of taxable municipal bonds.
(2) Primarily consists of MBS issued or guaranteed by Government National Mortgage Association (Ginnie Mae).

At June 30, 2011 and December 31, 2010, 32.6 percent and 27.1 percent of the FHLBanks' fixed-rate trading securities were swapped to a variable rate and 50.4 percent and 46.0 percent of the FHLBanks' variable-rate trading securities were swapped to a different variable-rate index.

Table 3.2 - Net Gains (Losses) on Trading Securities (dollars in millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Net unrealized gains (losses) on trading securities held at period end	$ 42	$ 135	$ (24)	$ 153
Net unrealized and realized gains (losses) on trading securities sold/matured during the year	(7)	22	(12)	33
Net gains (losses) on trading securities	$ 35	$ 157	$ (36)	$ 186

Note 4—Available-for-Sale Securities

Table 4.1 - Available-for-Sale (AFS) Securities by Major Security Type (dollars in millions)

	June 30, 2011				
	Amortized Cost[1]	OTTI Recognized in AOCI	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Non-mortgage-backed securities:					
Certificates of deposit	$ 3,340	$ –	$ –	$ –	$ 3,340
Other U.S. obligations[2]	898	–	40	(1)	937
Government-sponsored enterprise and Tennessee Valley Authority obligations	9,660	–	294	(47)	9,907
Temporary liquidity guarantee program debentures and promissory notes	9,926	–	24	–	9,950
Federal family education loan program ABS	8,048	–	523	(9)	8,562
Other[3]	1,125	–	1	(26)	1,100
Total non-mortgage-backed securities	32,997	–	882	(83)	33,796
Mortgage-backed securities:					
Other U.S. obligations residential MBS[4]	3,016	–	110	–	3,126
Government-sponsored enterprise residential MBS	20,432	–	561	(5)	20,988
Government-sponsored enterprise commercial MBS	275	–	–	(1)	274
Private-label residential MBS	17,846	(4,080)	1,634	(11)	15,389
Home equity loan ABS	20	(13)	10	–	17
Total mortgage-backed securities	41,589	(4,093)	2,315	(17)	39,794
Total	$ 74,586	$ (4,093)	$ 3,197	$ (100)	$73,590

	December 31, 2010				
	Amortized Cost[1]	OTTI Recognized in AOCI	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Non-mortgage-backed securities:					
Certificates of deposit	$ 5,790	$ –	$ –	$ –	$ 5,790
Other U.S. obligations[2]	955	–	31	(2)	984
Government-sponsored enterprise and Tennessee Valley Authority obligations	10,980	–	253	(56)	11,177
Temporary liquidity guarantee program debentures and promissory notes	10,560	–	18	(2)	10,576
Federal family education loan program ABS	8,310	–	505	(16)	8,799
Other[3]	623	–	1	(47)	577
Total non-mortgage-backed securities	37,218	–	808	(123)	37,903
Mortgage-backed securities:					
Other U.S. obligations residential MBS[4]	3,101	–	83	(5)	3,179
Government-sponsored enterprise residential MBS	21,612	–	408	(8)	22,012
Government-sponsored enterprise commercial MBS	304	–	–	(1)	303
Private-label residential MBS	9,349	(2,590)	1,291	(3)	8,047
Home equity loan ABS	22	(13)	6	–	15
Total mortgage-backed securities	34,388	(2,603)	1,788	(17)	33,556
Total	$ 71,606	$ (2,603)	$ 2,596	$ (140)	$ 71,459

(1) Amortized cost of AFS securities includes adjustments made to the cost basis of an investment for accretion, amortization, collection of cash, previous other-than-temporary impairment (OTTI) recognized in earnings, and/or fair-value hedge accounting adjustments.
(2) Primarily consists of debt securities issued or guaranteed by Small Business Administration (SBA) and Export-Import Bank of the U.S. (Ex-Im Bank).
(3) Primarily consists of taxable municipal bonds, debentures issued by Inter-American Development Bank (IDB) and debt securities issued by International Bank for Reconstruction and Development (IBRD).
(4) Primarily consists of MBS issued or guaranteed by Ginnie Mae, and Ex-Im Bank.

Subsequent gross unrealized gains and losses of other-than-temporarily impaired securities as presented in Table 4.1 are not netted against OTTI recognized in accumulated other comprehensive income (loss) (AOCI). However, in the Combined Statement of Condition the subsequent gross unrealized gains and losses of other-than-temporarily impaired securities are netted against OTTI recognized in AOCI in net non-credit portion of OTTI losses on AFS securities. Table 4.2 reconciles the net non-credit portion of OTTI losses on AFS securities per the Combined Statement of Condition to the OTTI recognized in AOCI in Table 4.1. Table 4.3 reconciles the gross unrealized gains and losses recognized in Table 4.1 to the net unrealized gains on AFS securities per the Combined Statement of Condition.

Table 4.2 - Reconciliation of Net Non-credit Portion of OTTI Losses on AFS Securities to Table 4.1 (dollars in millions)

	June 30, 2011	December 31, 2010
OTTI loss recognized in AOCI (Table 4.1)	$ (4,093)	$ (2,603)
Subsequent unrealized gains/(losses) in fair value of previously other-than-temporarily impaired securities	1,623	1,293
Net non-credit portion of OTTI losses on AFS securities	$ (2,470)	$ (1,310)

Table 4.3 - Reconciliation of Net Unrealized Gains on AFS Securities to Table 4.1 (dollars in millions)

	June 30, 2011	December 31, 2010
Net unrealized gains on AFS securities (Table 4.1)	$ 3,097	$ 2,456
Less:		
Subsequent unrealized gains/(losses) in fair value of previously other-than-temporarily impaired securities	1,623	1,293
Net hedging gains on AFS securities	435	322
Net unrealized gains on AFS securities	$ 1,039	$ 841

See ***Note 6—Other-Than-Temporary Impairment Analysis*** for information on the transfers between the AFS portfolio and the held-to-maturity (HTM) portfolio.

Table 4.4 presents the AFS securities with unrealized losses by major security type and length of time that individual securities have been in a continuous unrealized loss position.

Table 4.4 - AFS Securities in a Continuous Unrealized Loss Position (dollars in millions)

	June 30, 2011					
	Less than 12 Months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses[1]
Non-mortgage-backed securities:						
Other U.S. Obligations[2]	$ 109	$ (1)	$ –	$ –	$ 109	$ (1)
Government-sponsored enterprise and Tennessee Valley Authority obligations	1,078	(2)	341	(45)	1,419	(47)
Federal family education loan program ABS	–	–	1,292	(9)	1,292	(9)
Other[3]	642	(2)	417	(24)	1,059	(26)
Total non-mortgage-backed securities	1,829	(5)	2,050	(78)	3,879	(83)
Mortgage-backed securities:						
Government-sponsored enterprise residential MBS	1,002	(3)	435	(2)	1,437	(5)
Government-sponsored enterprise commercial MBS	–	–	224	(1)	224	(1)
Private-label residential MBS[5]	445	(5)	13,456	(2,482)	13,901	(2,487)
Home equity loan ABS[5]	–	–	15	(3)	15	(3)
Total mortgage-backed securities	1,447	(8)	14,130	(2,488)	15,577	(2,496)
Total	$ 3,276	$ (13)	$16,180	$ (2,566)	$19,456	$ (2,579)

	December 31, 2010					
	Less than 12 Months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses[1]
Non-mortgage-backed securities:						
Other U.S. Obligations[2]	$ 161	$ (2)	$ –	$ –	$ 161	$ (2)
Government-sponsored enterprise and Tennessee Valley Authority obligations	3,242	(13)	341	(43)	3,583	(56)
Temporary liquidity guarantee program debentures and promissory notes	4,572	(2)	–	–	4,572	(2)
Federal family education loan program ABS	1,332	(16)	10	–	1,342	(16)
Other[3]	149	(9)	401	(37)	550	(46)[a]
Total non-mortgage-backed securities	9,456	(42)	752	(80)	10,208	(122)
Mortgage-backed securities:						
Other U.S. Obligations residential MBS[4]	1,126	(5)	–	–	1,126	(5)
Government-sponsored enterprise residential MBS	979	(5)	506	(3)	1,485	(8)
Government-sponsored enterprise commercial MBS	50	–	227	(1)	277	(1)
Private-label residential MBS[5]	17	(1)	7,321	(1,313)	7,338	(1,314)
Home equity loan ABS[5]	–	–	15	(7)	15	(7)
Total mortgage-backed securities	2,172	(11)	8,069	(1,324)	10,241	(1,335)
Total	$11,628	$ (53)	$ 8,821	$ (1,404)	$20,449	$ (1,457)

(a) Does not include $1 million of unrealized losses in mutual funds in two grantor trusts designated as AFS securities at December 31, 2010.
(1) Total unrealized losses in Table 4.4 will not agree to total gross unrealized losses in Table 4.1. Total unrealized losses in Table 4.4 include non-credit-related OTTI losses recorded in AOCI and subsequent unrealized gains in fair value related to other-than-temporarily impaired securities. Total unrealized losses in Table 4.4 also excludes $9 million and $8 million in net unrealized gain positions of certain previously other-than-temporarily impaired AFS securities at June 30, 2011 and December 31, 2010.
(2) Primarily consists of debt securities issued or guaranteed by SBA and Ex-Im Bank.
(3) Primarily consists of taxable municipal bonds, debentures issued by IDB and debt securities issued by IBRD.
(4) Primarily consists of mortgage-backed securities issued or guaranteed by Ginnie Mae and Ex-Im Bank.
(5) Includes investments for which a portion of OTTI has been recognized in AOCI.

Table 4.5 - AFS Securities by Contractual Maturity (dollars in millions)

	June 30, 2011		December 31, 2010	
Year of Maturity	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$13,758	$13,770	$ 8,384	$ 8,393
Due after one year through five years	7,226	7,323	16,162	16,220
Due after five years through ten years	2,271	2,491	2,640	2,840
Due after ten years	1,694	1,650	1,722	1,651
Federal family education loan program ABS[1]	8,048	8,562	8,310	8,799
Total non-mortgage-backed securities	32,997	33,796	37,218	37,903
Mortgage-backed securities[1]	41,589	39,794	34,388	33,556
Total	$74,586	$73,590	$71,606	$71,459

(1) Federal family education loan program ABS and MBS are not presented by contractual maturity because their expected maturities will likely differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment fees.

At June 30, 2011 and December 31, 2010, the amortized cost of the FHLBanks' MBS classified as AFS included credit losses, OTTI-related accretion adjustments, and purchase premiums and discounts totaling $2.7 billion and $1.2 billion.

At June 30, 2011 and December 31, 2010, 31.2 percent and 29.6 percent of the FHLBanks' fixed-rate AFS securities were swapped to a variable rate and none of the FHLBanks' variable-rate AFS securities were swapped to a different variable-rate index.

Table 4.6 - Proceeds from Sale and Gross Gains and Losses on AFS Securities (dollars in millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Proceeds from sale of long-term AFS securities	$ 816	$ 103	$ 2,195	$ 136
Gross gains from sale of AFS securities	$ 14	$ –	$ 22	$ –
Gross losses from sale of AFS securities	(4)	–	(4)	–
Net realized gains/(losses) from sale of AFS securities	$ 10[(a)]	$ –	$ 18[(a)]	$ –

(a) Includes $5 million of net realized gains relating to sales of previously other-than-temporarily impaired securities.

Note 5—Held-to-Maturity Securities

Table 5.1 - HTM Securities by Major Security Type (dollars in millions)

	June 30, 2011					
	Amortized Cost[(1)]	OTTI Recognized in AOCI[(2)]	Carrying Value[(2)]	Gross Unrecognized Holding Gains[(3)]	Gross Unrecognized Holding Losses[(3)]	Fair Value
Non-mortgage-backed securities:						
Commercial paper	$ 1,875	$ –	$ 1,875	$ –	$ –	$ 1,875
Certificates of deposit	12,723	–	12,723	–	–	12,723
Other U.S. obligations[(4)]	2,226	–	2,226	34	(7)	2,253
Government-sponsored enterprise and Tennessee Valley Authority obligations	2,288	–	2,288	81	–	2,369
State or local housing agency obligations	2,381	–	2,381	8	(273)	2,116
Temporary liquidity guarantee program debentures and promissory notes	4,085	–	4,085	4	–	4,089
Other	3	–	3	–	–	3
Total non-mortgage-backed securities	25,581	–	25,581	127	(280)	25,428
Mortgage-backed securities:						
Other U.S. obligations residential MBS[(5)]	9,486	–	9,486	73	(13)	9,546
Other U.S. obligations commercial MBS[(5)]	524	–	524	5	–	529
Government-sponsored enterprise residential MBS	73,115	–	73,115	2,107	(111)	75,111
Government-sponsored enterprise commercial MBS	2,711	–	2,711	90	(12)	2,789
Private-label residential MBS	19,198	(1,323)	17,875	493	(1,017)	17,351
Private-label commercial MBS	70	–	70	2	–	72
Manufactured housing loan ABS	183	–	183	–	(11)	172
Home equity loan ABS	468	(88)	380	52	(34)	398
Total mortgage-backed securities	105,755	(1,411)	104,344	2,822	(1,198)	105,968
Total	$131,336	$ (1,411)	$129,925	$ 2,949	$ (1,478)	$ 131,396

	December 31, 2010					
	Amortized Cost[1]	OTTI Recognized in AOCI[2]	Carrying Value[2]	Gross Unrecognized Holding Gains[3]	Gross Unrecognized Holding Losses[3]	Fair Value
Non-mortgage-backed securities:						
Commercial paper	$ 2,500	$ –	$ 2,500	$ –	$ –	$ 2,500
Certificates of deposit	13,176	–	13,176	–	–	13,176
Other U.S. obligations[4]	1,468	–	1,468	6	(13)	1,461
Government-sponsored enterprise and Tennessee Valley Authority obligations	3,171	–	3,171	94	(5)	3,260
State or local housing agency obligations	2,477	–	2,477	7	(297)	2,187
Temporary liquidity guarantee program debentures and promissory notes	3,379	–	3,379	5	–	3,384
Other	4	–	4	–	–	4
Total non-mortgage-backed securities	26,175	–	26,175	112	(315)	25,972
Mortgage-backed securities:						
Other U.S. obligations residential MBS[5]	8,547	–	8,547	64	(29)	8,582
Other U.S. obligations commercial MBS[5]	53	–	53	2	–	55
Government-sponsored enterprise residential MBS	72,361	–	72,361	2,050	(195)	74,216
Government-sponsored enterprise commercial MBS	1,780	–	1,780	77	(17)	1,840
Private-label residential MBS	33,124	(4,348)	28,776	1,476	(1,410)	28,842
Private-label commercial MBS	160	–	160	4	–	164
Manufactured housing loan ABS	196	–	196	–	(23)	173
Home equity loan ABS	501	(93)	408	54	(40)	422
Total mortgage-backed securities	116,722	(4,441)	112,281	3,727	(1,714)	114,294
Total	$142,897	$ (4,441)	$138,456	$ 3,839	$ (2,029)	$140,266

(1) Amortized cost of HTM securities includes adjustments made to the cost basis of an investment for accretion, amortization, collection of cash, and/or previous OTTI recognized in earnings.
(2) Carrying value of HTM securities represents amortized cost after adjustment for non-credit-related impairment recognized in AOCI.
(3) Gross unrecognized holding gains (losses) represent the difference between fair value and carrying value.
(4) Primarily consists of debt securities issued or guaranteed by SBA and National Credit Union Administration (NCUA).
(5) Primarily consists of mortgage-backed securities issued or guaranteed by Ginnie Mae, SBA and Ex-Im Bank.

See ***Note 6—Other-Than-Temporary Impairment Analysis*** for information on the transfers between the AFS portfolio and HTM portfolio.

Table 5.2 presents the HTM 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. The unrealized losses include OTTI recognized in AOCI and gross unrecognized holding losses at June 30, 2011 and December 31, 2010.

Table 5.2 - HTM Securities in a Continuous Unrealized Loss Position (dollars in millions)

	June 30, 2011					
	Less than 12 Months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses(1)
Non-mortgage-backed securities:						
Other U.S. obligations(2)	$ 755	$ (7)	$ 1	$ –	$ 756	$ (7)
State or local housing agency obligations	45	(6)	1,294	(267)	1,339	(273)
Total non-mortgage-backed securities	800	(13)	1,295	(267)	2,095	(280)
Mortgage-backed securities:						
Other U.S. obligations residential MBS(3)	2,482	(13)	5	–	2,487	(13)
Government-sponsored enterprise residential MBS	10,953	(100)	2,022	(11)	12,975	(111)
Government-sponsored enterprise commercial MBS	959	(12)	–	–	959	(12)
Private-label residential MBS(4)	976	(8)	12,287	(2,246)	13,263	(2,254)
Manufactured housing loan ABS	–	–	172	(11)	172	(11)
Home equity loan ABS(4)	3	–	395	(71)	398	(71)
Total mortgage-backed securities	15,373	(133)	14,881	(2,339)	30,254	(2,472)
Total	$ 16,173	$ (146)	$ 16,176	$ (2,606)	$32,349	$ (2,752)

	December 31, 2010					
	Less than 12 Months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses(1)
Non-mortgage-backed securities:						
Other U.S. obligations(2)	$ 555	$ (13)	$ –	$ –	$ 555	$ (13)
Government-sponsored enterprise and Tennessee Valley Authority obligations	1,809	(5)	–	–	1,809	(5)
State or local housing agency obligations	150	(16)	1,295	(281)	1,445	(297)
Total non-mortgage-backed securities	2,514	(34)	1,295	(281)	3,809	(315)
Mortgage-backed securities:						
Other U.S. obligations residential MBS(3)	4,075	(29)	5	–	4,080	(29)
Government-sponsored enterprise residential MBS	10,603	(184)	2,133	(11)	12,736	(195)
Government-sponsored enterprise commercial MBS	468	(17)	–	–	468	(17)
Private-label residential MBS(4)	913	(8)	23,158	(5,625)	24,071	(5,633)
Manufactured housing loan ABS	–	–	173	(23)	173	(23)
Home equity loan ABS(4)	2	–	418	(78)	420	(78)
Total mortgage-backed securities	16,061	(238)	25,887	(5,737)	41,948	(5,975)
Total	$ 18,575	$ (272)	$ 27,182	$ (6,018)	$ 45,757	$ (6,290)

(1) Total unrealized losses in Table 5.2 represent the difference between fair value and amortized cost. There are differences in the definitions of total unrealized losses per Table 5.2 and unrecognized holding losses per Table 5.1. As a result total unrealized losses in Table 5.2 will not agree with gross unrecognized holding losses per Table 5.1.
(2) Primarily consists of debt securities issued or guaranteed by SBA and NCUA.
(3) Primarily consists of mortgage-backed securities issued or guaranteed by Ginnie Mae, SBA and Ex-Im Bank.
(4) Includes investments for which a portion of an OTTI has been recognized in AOCI.

Table 5.3 - HTM Securities by Contractual Maturity (dollars in millions)

Year of Maturity	June 30, 2011 Amortized Cost[1]	June 30, 2011 Carrying Value[1]	June 30, 2011 Fair Value	December 31, 2010 Amortized Cost[1]	December 31, 2010 Carrying Value[1]	December 31, 2010 Fair Value
Non-mortgage-backed securities:						
Due in one year or less	$ 18,976	$ 18,976	$ 18,986	$ 17,930	$ 17,930	$ 17,932
Due after one year through five years	2,180	2,180	2,234	4,745	4,745	4,813
Due after five years through ten years	736	736	735	545	545	539
Due after ten years	3,689	3,689	3,473	2,955	2,955	2,688
Total non-mortgage-backed securities[2]	25,581	25,581	25,428	26,175	26,175	25,972
Mortgage-backed securities	105,755	104,344	105,968	116,722	112,281	114,294
Total	$131,336	$129,925	$131,396	$142,897	$138,456	$140,266

(1) In accordance with OTTI guidance, carrying value of HTM securities represents amortized cost after adjustment for non-credit-related impairment recognized in AOCI.

(2) 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.

At June 30, 2011 and December 31, 2010 the amortized cost of the FHLBanks' MBS classified as HTM included credit losses, OTTI-related accretion adjustments, and purchase premiums and discounts totaling $1.2 billion and $2.2 billion.

Realized Gains and Losses. Certain FHLBanks each sold securities out of its respective HTM securities portfolio 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. These sales are considered maturities for the purposes of security classification.

Table 5.4 - Proceeds and Gains (Losses) from Sale of HTM Securities (dollars in millions)

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Proceeds from sale of long-term HTM securities	$373	$213	$373	$214
Net realized gains (losses) from sale of HTM securities	10	6	10	6

Note 6—Other-Than-Temporary Impairment Analysis

Each FHLBank evaluates its individual AFS and HTM investment securities holdings in an unrealized loss position for OTTI on at least a quarterly basis. As part of its evaluation of securities for OTTI, an FHLBank considers its intent to sell each debt security and whether it is more likely than not that it 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 in an unrealized loss position that meet neither of these conditions, each FHLBank performs analysis to determine if any of these securities, including all previously other-than-temporarily impaired securities, are other-than-temporarily impaired.

Private-label RMBS and home equity loan ABS

The FHLBanks invested in private-label RMBS, which at the date of purchase were substantially all rated triple-A. Each private-label RMBS may contain one or more forms of credit protection/enhancements, including but not limited to guarantee of principal and interest, subordination, over-collateralization and excess interest, and insurance wrap.

To ensure consistency in the determination of OTTI for private-label RMBS and certain home equity loan ABS among all FHLBanks, the FHLBanks enhanced their overall OTTI process in 2009 by implementing a system-wide governance committee and establishing a formal process to ensure consistency in key OTTI modeling assumptions used for purposes of their cash flow analyses for the majority of these securities. Most of the FHLBanks select all of their private-label RMBS and certain home equity loan ABS to be evaluated using the FHLBanks' common framework and approved assumptions for purposes of OTTI cash flow analyses. For certain private-label RMBS and home equity loan ABS where underlying collateral data is not available, alternative procedures as determined by each FHLBank are used to assess these securities for OTTI.

Each FHLBank's evaluation includes estimating the projected cash flows that the FHLBank is likely to collect based on an assessment of all available information, including the structure of the applicable security and certain assumptions such as:

- the remaining payment terms for the security;
- prepayment speeds;
- default rates;
- loss severity on the collateral supporting each FHLBank's security based on underlying loan-level borrower and loan characteristics;
- expected housing price changes; and
- interest rates.

Each FHLBank performed a cash flow analysis using two third-party models to assess whether the entire amortized cost basis of its private-label RMBS securities will be recovered.

The first third-party 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. A CBSA must contain at least one urban area with a population of 10,000 or more people. The FHLBanks' housing price forecast as of June 30, 2011 assumed current-to-trough home price declines ranging from 0 percent (for those housing markets that are believed to have reached their trough) to 8.0 percent. For those markets for which further home price declines are anticipated, such declines were projected to occur over the 3- to 9-month period beginning April 1, 2011, followed in each case by a 3-month period of flat prices. From the trough, home prices were projected to recover using one of five different recovery paths that vary by housing market. Under those recovery paths, home prices were projected to increase within a range of 0 percent to 2.8 percent in the first year, 0 percent to 3.0 percent in the second year, 1.5 percent to 4.0 percent in the third year, 2.0 percent to 5.0 percent in the fourth year, 2.0 percent to 6.0 percent in each of the fifth and sixth years, and 2.3 percent to 5.6 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. The projected cash flows are based on a number of assumptions and expectations, and the results of these models can vary significantly with changes in assumptions and expectations. The scenario of cash flows determined based on the model approach described above reflects a best estimate scenario and includes a base case current-to-trough housing price forecast and a base case housing price recovery path described in the prior paragraph.

In performing a detailed cash flow analysis, each FHLBank identifies the best estimate of the cash flows expected to be collected. If this estimate results in a present value of expected cash flows (discounted at the security's effective yield) that is less than the amortized cost basis of a security (that is, a credit loss exists),

an OTTI loss is considered to have occurred. For variable-rate and hybrid private-label RMBS, the affected FHLBank uses the effective interest rate derived from a variable-rate index (e.g., one-month LIBOR) plus the contractual spread, plus or minus a fixed spread adjustment when there is an existing discount or premium on the security. As the implied forward curve of the index changes over time, the effective interest rates derived from that index will also change over time.

As a result of each FHLBank's evaluations, during the three months ended June 30, 2011, the FHLBanks recognized OTTI credit losses related to an aggregate amount of $3,628 million of unpaid principal balance in HTM private-label RMBS and home equity loan ABS. Additionally, the FHLBanks determined that $15,659 million of unpaid principal balance in AFS securities, including those transferred from HTM, were other-than-temporarily impaired during the three months ended June 30, 2011. Each of the affected FHLBanks determined that it was likely that it would not recover the entire amortized cost of each of these securities.

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 FHLBanks recognized total OTTI charges of $341 million and $616 million for the three and six months ended June 30, 2011 related to the credit losses on private-label RMBS and home equity loan ABS, which are reported in the Combined Statement of Income as a part of the "Net OTTI losses." The net amount of impairment losses reclassified from AOCI of $177 million and $325 million are reflected in the Combined Statement of Condition as "Accumulated other comprehensive income (loss)—Net non-credit portion of OTTI losses on held-to-maturity securities" and "Accumulated other comprehensive income (loss)—Net non-credit portion of OTTI losses on available-for-sale securities." Subsequent increases and decreases (if not an additional OTTI) in the fair value of AFS securities, including securities transferred from HTM to AFS, are included in AOCI. The OTTI recognized in AOCI related to HTM 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. For the six months ended June 30, 2011, the FHLBanks accreted $439 million of non-credit impairment from AOCI to the carrying value of HTM securities. During the six months ended June 30, 2011, $526 million of non-credit AFS and HTM losses, previously deferred in AOCI were reclassified to earnings.

Table 6.1 presents the significant inputs used to measure the amount of credit loss recognized in earnings during the three months ended June 30, 2011 for those securities for which an OTTI was determined to have occurred as well as related current credit enhancement for each affected FHLBank. Credit enhancement is defined as the percentage of subordinated tranches, excess spread and over-collateralization, if any, in a security structure that will generally absorb losses before each affected FHLBank will experience a loss on the security. The calculated averages represent the dollar-weighted averages of all the private-label RMBS and home equity loan ABS in each category shown. The classification (prime, Alt-A and subprime) is based on the model used to run the estimated cash flows for the security, which may not necessarily be the same as the classification at the time of origination.

Table 6.1 - Significant Inputs for OTTI

Year of Securitization	Significant Inputs for OTTI Private-label RMBS						Current Credit Enhancement	
	Prepayment Rates		Default Rates		Loss Severities			
	Weighted-Average %	Range %	Weighted-Average %	Range %	Weighted-Average %	Range %	Weighted-Average %	Range %
Prime								
2008	10.0	8.5 - 10.7	51.7	45.7 - 58.5	45.8	41.8 - 51.5	29.8	29.2 - 30.4
2007	9.2	7.6 - 9.8	38.9	22.1 - 56.2	45.1	43.1 - 48.4	5.3	3.0 - 8.9
2006	8.4	6.3 - 9.7	30.6	16.8 - 47.8	45.3	37.2 - 49.9	6.2	0.0 - 20.7
2005	8.2	5.2 - 10.3	30.0	13.1 - 45.9	39.3	32.5 - 46.9	7.3	0.9 - 15.0
2004 and prior	10.5	9.0 - 12.7	22.0	4.3 - 27.4	33.0	21.9 - 38.8	9.2	5.2 - 12.4
Total prime	9.0	5.2 - 12.7	35.8	4.3 - 58.5	43.1	21.9 - 51.5	11.7	0.0 - 30.4
Alt-A								
2008	9.4	8.9 - 10.1	54.5	52.7 - 55.1	49.6	47.4 - 52.6	33.7	24.2 - 38.4
2007	8.0	3.8 - 15.1	68.1	28.3 - 90.0	54.5	44.2 - 66.1	23.8	0.0 - 46.9
2006	8.7	3.4 - 14.4	62.9	18.9 - 89.7	54.4	34.9 - 69.7	19.1	0.0 - 45.9
2005	10.2	5.3 - 14.2	42.2	13.6 - 81.2	49.1	32.8 - 65.3	14.2	0.0 - 48.0
2004 and prior	12.5	7.2 - 16.1	37.0	17.4 - 65.3	44.3	34.3 - 51.5	16.4	8.6 - 38.8
Total Alt-A	9.0	3.4 - 16.1	58.2	13.6 - 90.0	52.6	32.8 - 69.7	19.6	0.0 - 48.0
Subprime								
2007	5.0	5.0	81.2	81.2	70.7	70.7	40.0	40.0
2006	5.0	4.0 - 5.9	81.5	75.3 - 85.8	72.6	68.5 - 77.0	16.2	(17.9) - 34.7[a]
2005	5.4	5.4	79.8	79.8	71.1	71.1	26.0	26.0
2004 and prior	11.2	10.5 - 15.7	38.8	21.0 - 41.7	91.9	72.7 - 95.0	22.4	13.3 - 77.9
Total subprime	5.0	4.0 - 15.7	81.1	21.0 - 85.8	72.7	68.5 - 95.0	17.3	(17.9) - 77.9[a]
Total OTTI Private-label RMBS	8.9	3.4 - 16.1	56.0	4.3 - 90.0	51.9	21.9 - 95.0	18.7	(17.9) - 77.9[a]

Year of Securitization	Significant Inputs for OTTI Home Equity Loan ABS						Current Credit Enhancement	
	Prepayment Rates		Default Rates		Loss Severities			
	Weighted-Average %	Range %	Weighted-Average %	Range %	Weighted-Average %	Range %	Weighted-Average %	Range %
Alt-A								
2004 and prior	7.8	6.5 - 8.6	4.0	2.1 - 6.7	100.0	100.0	4.4	0.0 - 7.4
Total Alt-A	7.8	6.5 - 8.6	4.0	2.1 - 6.7	100.0	100.0	4.4	0.0 - 7.4
Subprime								
2004 and prior	3.1	2.0 - 9.5	11.5	6.6 - 36.4	97.7	85.1 - 100.0	81.0	28.6 - 100.0
Total subprime	3.1	2.0 - 9.5	11.5	6.6 - 36.4	97.7	85.1 - 100.0	81.0	28.6 - 100.0
Total OTTI Home equity loan ABS	4.3	2.0 - 9.5	9.5	2.1 - 36.4	98.3	85.1 - 100.0	61.4	0.0 - 100.0

(a) A negative current credit enhancement exists when the remaining principal balance on the supporting collateral is less than the remaining principal balance of the security.

Certain private-label MBS owned by the FHLBanks are insured by monoline bond insurers. The FHLBanks performed analyses to assess the financial strength of these monoline bond insurers to establish an expected case regarding the time horizon of the monoline bond insurers' ability to fulfill their financial obligations and provide credit support. The projected time horizon of credit protection provided by an insurer is a function of claims paying resources and anticipated claims in the future. This assumption is referred to as the "burn-out period" and is expressed in months. Of the five monoline bond insurers, the financial guarantees from Assured Guaranty Municipal Corp. are considered sufficient to cover all future claims; this monoline bond insurer is, therefore, excluded from the burn-out analysis discussed above. Conversely, the key burn-out period for three monoline bond insurers, Syncora Guarantee Inc. (Syncora), Financial Guarantee Insurance Corp. and Ambac Assurance Corp. (Ambac), are not considered applicable due to regulatory intervention that has suspended all claims payments to effectively zero. For the remaining monoline bond insurer, MBIA Insurance Corp. (MBIA), Table 6.2 presents the key burn-out period assumptions used by those FHLBanks that have relied on credit protection from this insurer during the six months ended June 30, 2011.

Table 6.2 - Other-than-Temporarily Impaired Securities Insured by MBIA (dollars in millions)

	Protection time horizon calculation
Burn-out period (months)	6
Coverage ignore date	December 31, 2011
Total unpaid principal balance of other-than-temporarily impaired securities	$ 33

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

During the three months ended June 30, 2011, each of the FHLBanks of Atlanta and San Francisco elected to transfer from their respective HTM portfolio to their respective AFS portfolio all private-label RMBS that had credit-related OTTI. Each of these FHLBanks recognized an OTTI credit loss on these private-label RMBS HTM securities, which each FHLBank believes is evidence of a significant decline in the issuers' creditworthiness. The decline in the issuers' creditworthiness is the basis for the transfers to the AFS portfolio. These transfers allow management the option to decide to sell these securities prior to maturity in response to changes in interest rates, changes in prepayment risk or other factors. For the AFS securities in an unrealized loss position, each of these FHLBanks asserted as of June 30, 2011 that it has no intent to sell and believe it is not more likely than not that it will be required to sell any security before its anticipated recovery of the remaining amortized cost basis.

Table 6.3 - HTM Securities Transferred to AFS Securities (dollars in millions)

	Three Months Ended June 30, 2011			
	Amortized Cost	OTTI Recognized in AOCI	Gross Unrecognized Holding Gains	Fair Value
FHLBank of Atlanta	$ 53	$ (7)	$ –	$ 46
FHLBank of San Francisco	2,626	(733)	168	2,061
Total	$ 2,679	$ (740)	$ 168	$ 2,107

Table 6.4 presents the balance of the total HTM and AFS securities with OTTI charges during the three months ended June 30, 2011 based on each individual FHLBank's impairment analyses of its investment portfolio at June 30, 2011.

Table 6.4 - Total Securities Other-than-Temporarily Impaired at June 30, 2011 (dollars in millions)

	June 30, 2011[1]						
	Held-to-Maturity Securities				Available-for-Sale Securities		
	Unpaid Principal Balance	Amortized Cost	Carrying Value	Fair Value	Unpaid Principal Balance	Amortized Cost	Fair Value
Private-label RMBS:							
Prime	$ 1,178	$ 934	$ 679	$ 830	$ 3,407	$ 2,925	$ 2,687
Alt-A	2,054	1,535	1,051	1,116	12,239	10,478	8,552
Subprime	368	234	184	191	3	2	2
Total OTTI Private-label RMBS	3,600	2,703	1,914	2,137	15,649	13,405	11,241
Home equity loan ABS:							
Alt-A	–	–	–	–	10	6	6
Subprime	28	20	14	17	–	–	–
Total OTTI Home equity loan ABS	28	20	14	17	10	6	6
Total OTTI investments	$ 3,628	$ 2,723	$ 1,928	$ 2,154	$ 15,659	$ 13,411	$ 11,247

(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 a nationally recognized statistical rating organization upon issuance of the MBS.

Table 6.5 presents the balance of the total HTM and AFS securities with OTTI charges during the life of the security (which represent securities impaired prior to and at June 30, 2011), based on each individual FHLBank's impairment analyses of its investment portfolio.

Table 6.5 - Total Securities Other-than-Temporarily Impaired during the Life of the Security (dollars in millions)

	June 30, 2011[1]						
	Held-to-Maturity Securities				Available-for-Sale Securities		
	Unpaid Principal Balance	Amortized Cost	Carrying Value	Fair Value	Unpaid Principal Balance	Amortized Cost	Fair Value
Private-label RMBS:							
Prime	$2,105	$ 1,768	$1,311	$1,571	$ 7,078	$ 6,208	$ 5,825
Alt-A	3,037	2,460	1,743	1,880	13,579	11,629	9,556
Subprime	925	617	465	503	3	2	2
Total OTTI Private-label RMBS	6,067	4,845	3,519	3,954	20,660	17,839	15,383
Home equity loan ABS:							
Alt-A	–	–	–	–	26	20	17
Subprime	275	242	157	208	–	–	–
Total OTTI Home equity loan ABS	275	242	157	208	26	20	17
Total OTTI investments	$6,342	$ 5,087	$3,676	$4,162	$20,686	$17,859	$15,400

(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 a nationally recognized statistical rating organization upon issuance of the MBS.

Table 6.6 presents the credit losses and net amount of impairment losses reclassified (to)/from AOCI during the three and six months ended June 30, 2011.

Table 6.6 - Credit Losses and Net Amount of Impairment Losses (dollars in millions)

	Three Months Ended June 30, 2011[1]			Six Months Ended June 30, 2011 [1]		
	OTTI Related to Credit Loss	AOCI[2]	Total OTTI Losses	OTTI Related to Credit Loss	AOCI[2]	Total OTTI Losses
Private-label RMBS:						
Prime	$ (67)	$ 51	$ (16)	$ (155)	$ 100	$ (55)
Alt-A	(268)	131	(137)	(447)	222	(225)
Subprime	(6)	(4)	(10)	(14)	4	(10)
Total OTTI Private-label RMBS	(341)	178	(163)	(616)	326	(290)
Home equity loan ABS:						
Subprime	–	(1)	(1)	–	(1)	(1)
Total OTTI Home equity loan ABS	–	(1)	(1)	–	(1)	(1)
Total	$ (341)	$ 177	$(164)	$ (616)	$ 325	$(291)

(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 a nationally recognized statistical rating organization upon issuance of the MBS.
(2) Represents the net amount of impairment losses reclassified (to)/from AOCI.

Table 6.7 - Rollforward of the Amounts Related to Credit Losses Recognized into Earnings (dollars in millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Balance, at beginning of period	$ 3,743	$ 2,785	$ 3,487	$ 2,555
Additions:				
Credit losses for which OTTI was not previously recognized	4	30	10	57
Additional OTTI credit losses for which an OTTI charge was previously recognized(1)	337	465	606	671
Reductions:				
Securities sold, matured, paid down or prepaid during the period	(60)	(7)	(73)	(9)
Increases in cash flows expected to be collected, recognized over the remaining life of the securities	(6)	(1)	(12)	(2)
Balance, at end of the period	$ 4,018	$ 3,272	$ 4,018	$ 3,272

(1) For the three months ended June 30, 2011 and 2010, "Additional OTTI credit losses for which an OTTI charge was previously recognized" relates to all securities that were also previously impaired prior to April 1, 2011 and 2010. For the six months ended June 30, 2011 and 2010, the "Additional OTTI credit losses for which an OTTI charge was previously recognized" relates to all securities that were previously impaired prior to January 1, 2011 and 2010.

All other AFS and HTM Investments

At June 30, 2011, the FHLBanks held certain AFS and HTM securities in unrealized loss positions. These unrealized losses are primarily due to illiquidity and interest rate volatility. These losses are considered temporary as each of the FHLBanks expects to recover the entire amortized cost basis on the remaining AFS and HTM securities in unrealized loss positions 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. As a result, each FHLBank does not consider any of the following investments to be other-than-temporarily impaired at June 30, 2011:

- State and local housing agency obligations. Certain FHLBanks invest in state or local government bonds. Each of these FHLBanks has determined that, as of June 30, 2011, all of the gross unrealized losses on these bonds owned by it are temporary because the strength of the underlying collateral and credit enhancements was sufficient to protect it from losses based on current expectations.

- Debentures issued by a supranational entity. Debentures issued by a supranational entity that were in an unrealized loss position as of June 30, 2011 are expected to return contractual principal and interest, and such supranational entity is rated triple-A by each of three nationally recognized statistical rating organizations used by the affected FHLBank. The affected FHLBank has determined that the decline in market value of these securities is largely attributable to illiquidity in the credit markets and not to deterioration in the fundamental credit quality of these securities.

- Other U.S. obligations, Government-sponsored enterprises (GSE) obligations, Tennessee Valley Authority (TVA) obligations, Manufactured housing loan ABS, Federal family education loan program (FFELP) ABS and Temporary liquidity guarantee program (TLGP) debentures and promissory notes. Each FHLBank, as applicable, determined that the strength of the issuers' guarantees through direct obligations or support from the U.S. government is sufficient to protect that FHLBank from losses based on current expectations. As a result, each of these FHLBanks has determined that, as of June 30, 2011, all of its gross unrealized losses are temporary.

- Private-label commercial MBS (CMBS). Each FHLBank expects that its holdings of private-label CMBS would not be settled at an amount less than the amortized cost of these investments, based upon each FHLBank's assessment of the creditworthiness of the issuers of its private-label CMBS, the credit ratings assigned by the nationally recognized statistical rating organizations, and the performance of the underlying loans and the credit support provided by the subordinate securities.

Note 7—Advances

The FHLBanks offer a wide range of fixed- and variable-rate advance products with different maturities, interest rates, payment characteristics and optionality. Fixed-rate advances generally have maturities ranging from one day to 30 years. Variable-rate advances generally have maturities ranging from less than 30 days to 10 years, where the interest rates reset periodically at a fixed spread to the London Interbank Offered Rate (LIBOR) or other specified index.

Table 7.1 - Advances Redemption Terms (dollars in millions)

Redemption Term	June 30, 2011		December 31, 2010	
	Amount	Weighted-Average Interest Rate	Amount	Weighted-Average Interest Rate
Overdrawn demand and overnight deposit accounts	$ 12	0.76%	$ 7	1.48%
Due in 1 year or less	129,368	1.38%	158,293	1.60%
Due after 1 year through 2 years	74,766	2.36%	64,723	2.88%
Due after 2 years through 3 years	46,138	2.41%	65,617	2.28%
Due after 3 years through 4 years	28,208	2.87%	27,273	2.88%
Due after 4 years through 5 years	38,055	3.04%	31,141	2.96%
Thereafter	95,968	3.24%	114,219	3.29%
Index-amortizing advances[(1)]	2,591	4.33%	2,713	4.40%
Total par value	415,106	2.37%	463,986	2.47%
Commitment fees	(8)		(8)	
Discount on AHP advances	(58)		(61)	
Premiums	207		214	
Discounts	(114)		(130)	
Hedging adjustments	12,995		14,261	
Fair value option valuation adjustments	332		327	
Total	$428,460		$478,589	

(1) 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).

Table 7.2 - Advances by Year of Contractual Maturity, Next Call Date, or Next Put or Convert Date (dollars in millions)

Redemption Term	Year of Contractual Maturity or Next Call Date		Year of Contractual Maturity or Next Put or Convert Date	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
Overdrawn demand and overnight deposit accounts	$ 12	$ 7	$ 12	$ 7
Due in 1 year or less	153,607	181,195	189,966	235,562
Due after 1 year through 2 years	70,506	63,788	68,496	56,119
Due after 2 years through 3 years	44,723	61,793	44,617	63,330
Due after 3 years through 4 years	25,910	25,762	25,618	25,149
Due after 4 years through 5 years	34,566	29,281	29,893	24,705
Thereafter	83,191	99,447	53,913	56,401
Index-amortizing advances	2,591	2,713	2,591	2,713
Total par value	$415,106	$463,986	$415,106	$463,986

The FHLBanks offer advances to members that provide a member the right, based upon predetermined option exercise dates, to call the advance prior to maturity without incurring prepayment or termination fees (callable advances). In exchange for receiving the right to call the advance on a predetermined call schedule, the member pays a higher fixed rate for the advance relative to an equivalent maturity, non-callable, fixed-rate advance. If the call option is exercised, replacement funding may be available. Other advances may only be prepaid by paying a fee to the FHLBank (prepayment fee) that makes the FHLBank

financially indifferent to the prepayment of the advance. At June 30, 2011 and December 31, 2010, the FHLBanks had callable advances of $27.4 billion and $27.8 billion.

Some of the FHLBanks' advances contain embedded options allowing the FHLBanks to offer putable and convertible advances. A member can either sell an embedded option to an FHLBank or it can purchase an embedded option from an FHLBank.

With a putable advance to a member, an FHLBank effectively purchases a put option from the member that allows that FHLBank to put or extinguish the fixed-rate advance to the member on predetermined exercise dates, and offer, subject to certain conditions, replacement funding at prevailing market rates. Generally, such put options are exercised when interest rates increase. At June 30, 2011 and December 31, 2010, the FHLBanks had putable advances outstanding totaling $52.0 billion and $64.9 billion.

Convertible advances allow an FHLBank to convert an advance from one interest-payment term structure to another. When issuing convertible advances, an FHLBank may purchase put options from a member that allow that FHLBank 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. A convertible advance carries a lower interest rate than a comparable-maturity fixed-rate advance without the conversion feature. Variable- to fixed-rate convertible advances have a defined lockout period during which the interest rates adjust based on a spread to LIBOR. At the end of the lockout period, these advances may convert to fixed-rate advances. The fixed rates on the converted advances are determined at origination. At June 30, 2011 and December 31, 2010, the FHLBanks had convertible advances outstanding totaling $19.9 billion and $22.8 billion.

Table 7.3 - Advances by Interest Rate Payment Terms (dollars in millions)

	June 30, 2011			December 31, 2010		
	Par Value	Amount Swapped (Par Value)	Percentage Swapped	Par Value	Amount Swapped (Par Value)	Percentage Swapped
Total fixed-rate	$303,228	$216,634	71.4%	$341,484	$243,536	71.3%
Total variable-rate	111,878	2,006	1.8%	122,502	3,471	2.8%
Total par value	$415,106	$218,640	52.7%	$463,986	$247,007	53.2%

Credit Risk Exposure and Security Terms

The FHLBanks' potential credit risk from advances is concentrated in commercial banks and savings institutions. At June 30, 2011 and December 31, 2010, the FHLBanks had $258.6 billion and $291.8 billion of advances outstanding that were greater than or equal to $1.0 billion per borrower. These advances were made to 67 and 68 borrowers (members and non-members), which represented 62.3 percent and 62.9 percent of total advances outstanding at June 30, 2011 and December 31, 2010.

The FHLBanks lend to financial institutions involved in housing finance within their districts according to Federal statutes, including the FHLBank Act. The FHLBank Act requires each FHLBank to hold, or have access to, collateral to secure their advances, and the FHLBanks do not expect to incur any credit losses on advances. The management of each FHLBank has the policies and procedures in place to manage its credit risk, including requirements for physical possession or control of pledged collateral, restrictions on borrowing, verifications of collateral and continuous monitoring of borrowings and the member's financial condition. Each FHLBank continues to monitor the collateral and creditworthiness of its borrowers. Based on the collateral pledged as security for advances and each FHLBank management's credit analyses of its members' financial condition and its credit extension and collateral policies, each FHLBank expects to collect all amounts due according to the contractual terms of its advances. (See ***Note 9—Allowance for Credit Losses*** for information related to FHLBanks' credit risk on advances and allowance methodology for credit losses.)

Note 8—Mortgage Loans

Mortgage Loans Held for Portfolio. Mortgage loans held for portfolio primarily consist of loans obtained through the MPP and MPF Program and are conforming conventional and government-guaranteed or -insured loans. The MPP and MPF Program involve the purchase by the FHLBanks of single-family mortgage loans that are originated or acquired by participating financial institutions (PFIs). These mortgage loans are

credit-enhanced by PFIs or are guaranteed or insured by Federal agencies. FHLBanks are authorized to hold acquired member assets, such as assets acquired under the MPF Program developed by the FHLBank of Chicago and the MPP developed by the FHLBanks of Cincinnati, Indianapolis and Seattle.

Currently, the FHLBanks of Atlanta, Chicago, Dallas, San Francisco and Seattle are not accepting additional Master Commitments or purchasing additional mortgages under either the MPP or MPF Program, except that the FHLBank of Chicago purchased immaterial amounts of MPF Loans to support affordable housing. The remaining FHLBanks participating in the MPF Program and MPP continue to have the ability to purchase and fund mortgage loans.

Table 8.1 - Mortgage Loans Held for Portfolio (dollars in millions)

	June 30, 2011	December 31, 2010
Unpaid principal balance:		
Fixed-rate, medium-term(1) single-family mortgages	$ 12,528	$ 13,873
Fixed-rate, long-term single-family mortgages	42,912	46,858
Multifamily mortgages	21	25
Total unpaid principal balance	55,461	60,756
Premiums	451	471
Discounts	(163)	(198)
Deferred loan costs, net	13	15
Hedging adjustments	208	233
Total mortgage loans held for portfolio	$ 55,970	$ 61,277

(1) Medium-term is defined as a term of 15 years or less.

At June 30, 2011 and December 31, 2010, 21.2 percent and 19.0 percent of the FHLBanks' fixed-rate mortgage loans were swapped to a variable rate.

Table 8.2 - Mortgage Loans Held for Portfolio by Collateral/Guarantee Type (dollars in millions)

	June 30, 2011	December 31, 2010
Unpaid principal balance:		
Conventional loans	$ 48,395	$ 53,449
Government-guaranteed or-insured loans	7,045	7,282
Multifamily mortgages	21	25
Total unpaid principal balance	$ 55,461	$ 60,756

See ***Note 9—Allowance for Credit Losses*** for information related to FHLBanks' credit risk on mortgage loans and allowance methodology for credit losses.

Mortgage Loans Held for Sale. On June 30, 2011, the FHLBank of Seattle entered into an agreement to sell $1.3 billion of mortgage loans previously held for portfolio. The transaction was settled on July 26, 2011, resulting in a gain of approximately $74 million, which will be reflected in the FHLBanks' third quarter financial results. These mortgage loans held for sale are accounted for at the lower of cost or fair value and are included within other assets on the Combined Statement of Condition at June 30, 2011.

Note 9—Allowance for Credit Losses

The FHLBanks have established an allowance methodology for each of the FHLBanks' portfolio segments:

- credit products (advances, letters of credit and other extensions of credit to borrowers);
- government mortgage loans held for portfolio;
- conventional MPF Loans held for portfolio; conventional MPP Loans held for portfolio; and other loans;
- term securities purchased under agreements to resell; and
- term Federal funds sold.

See ***Note 1—Summary of Significant Accounting Policies*** and ***Note 11—Allowance for Credit Losses*** to the combined financial statements in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2010 for a description of allowance methodologies related to the FHLBanks' portfolio segments as well as the FHLBanks' policies for placing financing receivables on non-accrual status, financing receivables charge-off policies and impairment methodologies.

Credit Products

Using a risk-based approach and taking into consideration each borrower's financial strength, the FHLBanks consider the types and level of collateral to be the primary tool for managing the credit products. At June 30, 2011, each of the FHLBanks had rights to collateral on a borrower-by-borrower basis with an estimated value in excess of its outstanding extensions of credit.

At June 30, 2011 and December 31, 2010, none of the FHLBanks had any credit products that were past due, on non-accrual status, or considered impaired. In addition, there were no troubled debt restructurings related to credit products at any of the FHLBanks during the three and six months ended June 30, 2011 and 2010.

Based upon the collateral held as security, their credit extension and collateral policies, management's credit analysis and the repayment history on credit products, the FHLBanks have not recorded any allowance for credit losses on credit products at June 30, 2011 and December 31, 2010. At June 30, 2011 and December 31, 2010, no liability to reflect an allowance for credit losses for off-balance sheet credit exposures was recorded. (See ***Note 15—Commitments and Contingencies*** for additional information on the FHLBanks' off-balance sheet credit exposure.)

Government Mortgage Loans

The FHLBanks invest in fixed-rate government mortgage loans which are insured or guaranteed by the Federal Housing Administration (FHA), the Department of Veterans Affairs (VA), the Rural Housing Service of the Department of Agriculture (RHS), and/or by the Department of Housing and Urban Development (HUD). The servicer provides and maintains insurance or a guaranty from the applicable government agency (i.e., the FHA, VA, RHS, or HUD). The servicer is responsible for compliance with all government agency requirements and for obtaining the benefit of the applicable insurance or guaranty with respect to defaulted government mortgage loans. Any losses incurred on such loans that are not recovered from the issuer or the guarantor are absorbed by the servicers. Therefore, FHLBanks only have credit risk for these loans if the servicer fails to pay for losses not covered by FHA or HUD insurance, or VA or RHS guarantees. In this regard, based on FHLBanks' assessment of their servicers, the FHLBanks did not establish an allowance for credit losses for government mortgage loan portfolio as of June 30, 2011 and December 31, 2010. Further, due to the government guarantee or insurance, none of these mortgage loans have been placed on non-accrual status.

Mortgage Loans—Conventional MPP, Conventional MPF and Other Loans

Rollforward of Allowance for Credit Losses on Mortgage Loans. The FHLBanks established an allowance for credit losses on their conventional mortgage loans held for portfolio. Tables 9.1 and 9.2 present a rollforward of the allowance for credit losses on mortgage loans for the three and six months ended June 30, 2011 and 2010 and the recorded investment in mortgage loans by impairment methodology at June 30, 2011 and December 31, 2010. The recorded investment in a loan is the unpaid principal balance (UPB) of the loan, adjusted for accrued interest, net deferred loan fees or costs, unamortized premiums or discounts, fair value hedge adjustments and direct write-downs. The recorded investment is not net of any valuation allowance.

Table 9.1 - Allowance Rollforward for Credit Losses on Mortgage Loans (dollars in millions)

	Three Months Ended June 30,				
	2011				2010
	Total	MPP	MPF	Other	Total
Allowance for credit losses:					
Balance, at beginning of period	$104	$17	$86	$1	$40
Charge-offs	(5)	(1)	(4)	–	(1)
Provision (reversal) for credit losses[1]	9	3	6	–	13
Balance, at end of period	$108	$19	$88	$1	$52

	Six Months Ended June 30,				
	2011				2010
	Total	MPP	MPF	Other	Total
Allowance for credit losses:					
Balance, at beginning of period	$ 86	$15	$70	$1	$32
Charge-offs	(11)	(2)	(9)	–	(1)
Provision (reversal) for credit losses[1]	33	6	27	–	21
Balance, at end of period	$108	$19	$88	$1	$52

(1) The provision for credit losses includes only the provision related specifically to mortgage loans and does not include the reversal for credit losses related to Banking on Business loans specific to the FHLBank of Pittsburgh of less than $1 million and $2 million for the three and six months ended June 30, 2011 and $2 million for both the three and six months ended June 30, 2010.

Table 9.2 - Allowance for Credit Losses and Recorded Investment by Impairment Methodology (dollars in millions)

	June 30, 2011				December 31, 2010
	Total	MPP	MPF	Other	Total
Allowances for credit losses, end of period:					
Individually evaluated for impairment[1]	$ 22	$ –	$ 22	$ –	$ 17
Collectively evaluated for impairment	$ 86	$ 19	$ 66	$ 1	$ 69
Recorded investment[2], end of period:					
Individually evaluated for impairment:					
Impaired, with or without a related allowance	$ 163	$ –	$ 163	$ –	$ 138
Not impaired, no related allowance	1,276	–	1,276	–	1,246
Total recorded investment amount of loans individually evaluated for impairment	1,439	–	1,439	–	1,384
Collectively evaluated for impairment	47,584	13,048	34,514	22	52,731
Total recorded investment	$49,023	$13,048	$35,953	$22	$54,115

(1) A level of imprecision is not used when determining the estimated credit losses on specifically identified mortgage loans.
(2) Excludes government mortgage loans held for portfolio.

Credit Quality Indicators. Key credit quality indicators for mortgage loans include the migration of past due loans, non-accrual loans, loans in process of foreclosure, and impaired loans. The following tables present the FHLBanks' key credit quality indicators for mortgage loans at June 30, 2011 and December 31, 2010.

Table 9.3 - Recorded Investment in Delinquent Mortgage Loans (dollars in millions)

	June 30, 2011				
	Conventional MPP	Conventional MPF	Government	Other	Total
Past due 30-59 days delinquent	$ 158	$ 496	$ 354	$ –	$ 1,008
Past due 60-89 days delinquent	63	169	125	–	357
Past due 90 days or more delinquent	256	674	352	–	1,282
Total past due mortgage loans	477	1,339	831	–	2,647
Total current mortgage loans	12,571	34,614	6,324	22	53,531
Total mortgage loans	$ 13,048	$ 35,953	$ 7,155	$ 22	$ 56,178
Other delinquency statistics:					
In process of foreclosure, included above(1)	$ 204	$ 464	$ 120	$ –	$ 788
Serious delinquency rate(2)	1.97%	1.90%	4.94%	0.00%	2.30%
Past due 90 days or more still accruing interest	$ 237	$ 176	$ 352	$ –	$ 765
Loans on non-accrual status(3)	$ 19	$ 540	$ –	$ –	$ 559
Troubled debt restructurings	$ 1	$ 10	$ –	$ –	$ 11

	December 31, 2010				
	Conventional MPP	Conventional MPF	Government	Other	Total
Past due 30-59 days delinquent	$ 197	$ 584	$ 423	$ –	$ 1,204
Past due 60-89 days delinquent	69	204	154	–	427
Past due 90 days or more delinquent	255	698	386	–	1,339
Total past due mortgage loans	521	1,486	963	–	2,970
Total current mortgage loans	14,868	37,212	6,431	28	58,539
Total mortgage loans	$ 15,389	$ 38,698	$ 7,394	$ 28	$ 61,509
Other delinquency statistics:					
In process of foreclosure, included above(1)	$ 178	$ 447	$ 133	$ –	$ 758
Serious delinquency rate(2)	1.66%	1.82%	5.23%	0.00%	2.19%
Past due 90 days or more still accruing interest	$ 240	$ 219	$ 386	$ –	$ 845
Loans on non-accrual status(3)	$ 15	$ 502	$ –	$ –	$ 517
Troubled debt restructurings	$ 1	$ 6	$ –	$ –	$ 7

(1) Includes loans where the decision of foreclosure or similar alternative such as pursuit of deed-in-lieu has been reported. Loans in process of foreclosure are included in past due or current loans dependent on their delinquency status.
(2) Loans that are 90 days or more past due or in process of foreclosure expressed as a percentage of the total loan portfolio class recorded investment amount for those FHLBanks with such loans.
(3) Generally represents mortgage loans with contractual principal or interest payments 90 days or more past due and not accruing interest.

The FHLBanks had $120 million and $119 million in real estate owned recorded in other assets at June 30, 2011 and December 31, 2010.

At June 30, 2011 and December 31, 2010, only certain conventional MPF Loans individually evaluated for impairment were considered impaired. Table 9.4 presents the recorded investment, UPB and related allowance associated with these loans. Table 9.5 presents the average recorded investment of individually impaired loans and related interest income recognized.

Table 9.4 - Individually Evaluated Impaired Loan Statistics by Product Class Level (dollars in millions)

	June 30, 2011		
	Conventional MPF Loans without Allowance	Conventional MPF Loans with Allowance	Total Individually Impaired Conventional MPF Loans
Recorded investment	$ 4	$ 159	$ 163
UPB	4	157	161
Related allowance	–	22	22

	December 31, 2010		
	Conventional MPF Loans without Allowance	Conventional MPF Loans with Allowance	Total Individually Impaired Conventional MPF Loans
Recorded investment	$ 6	$ 132	$ 138
UPB	6	131	137
Related allowance	–	17	17

Table 9.5 - Average Recorded Investment of Individually Impaired Loans and Related Interest Income Recognized (dollars in millions)

	June 30, 2011	
Individually impaired conventional MPF Loans:	Three Months Ended	Six Months Ended
Average recorded investment	$ 160	$ 151
Interest income recognized	$ 2	$ 3

	June 30, 2010	
Total individually impaired loans:	Three Months Ended	Six Months Ended
Average recorded investment	$ 100	$ 82
Interest income recognized	$ 1	$ 2

Credit Enhancements. The FHLBanks' allowance for credit losses considers the credit enhancements associated with conventional mortgage loans under the MPF Program and MPP. Credit enhancements considered include primary mortgage insurance (PMI), supplemental mortgage insurance (SMI), CEP Amount (for MPF Loans) and Lender Risk Account (LRA) (for MPP Loans). Any incurred losses that would be recovered from the credit enhancements are not reserved as part of the FHLBanks' allowance for loan losses. In such cases, a receivable is generally established to reflect the expected recovery from credit enhancements.

The PFI and the MPF FHLBanks share the risk of credit losses on conventional MPF Loan products, other than the MPF Xtra product, by structuring potential losses on conventional MPF Loans into layers with respect to each Master Commitment. Each MPF FHLBank is obligated to incur the first layer or portion of credit losses (which is called the First Loss Account (FLA)) that is not absorbed by borrower's equity after any PMI. The FLA functions as a tracking mechanism for determining the point after which the PFI is required to cover the next layer of losses up to an agreed-upon credit enhancement amount. An MPF FHLBank losses incurred under the FLA may be recovered by withholding future performance CE Fees otherwise paid to the PFIs. At June 30, 2011 and December 31, 2010, the amounts of FLA remaining for losses under MPF Program, excluding amounts that may be recovered through performance-based CE Fees, were $521 million and $517 million. The FHLBanks record CE Fees paid to the participating members as a reduction to mortgage interest income. CE Fees totaled $8 million and $11 million for the three months ended June 30, 2011 and 2010 and $17 million and $22 million for the six months ended June 30, 2011 and 2010.

The conventional mortgage loans under the MPP are supported by some combination of PMI, SMI and LRA in addition to the associated property as collateral. The LRA is funded by an FHLBank either up front as a portion of the purchase proceeds or through a portion of the net interest remitted monthly by the

borrower. The LRA is a lender-specific account funded by an FHLBank in an amount approximately sufficient to cover expected losses on the pool of mortgages. The LRA is recorded in other liabilities on the Combined Statement of Condition at June 30, 2011. The LRA funds are used to offset any losses that may occur. Typically after five years, excess funds over required balances are distributed to the member in accordance with a step-down schedule that is established at the time of a Master Commitment Contract. The LRA is released in accordance with Master Commitment Contracts.

Table 9.6 - Changes in the MPP LRA (dollars in millions)

LRA at December 31, 2010	$ 78
Additions	13
Claims	(11)
Scheduled distributions	(2)
LRA at June 30, 2011	$ 78

Term Securities Purchased Under Agreements to Resell and Term Federal Funds Sold

These investments are generally short-term and the recorded balance approximates fair value. The FHLBanks invest in Federal funds with highly rated counterparties and are only evaluated for purposes of an allowance for credit losses if the investment is not paid when due. All investments in Federal funds as of June 30, 2011 and December 31, 2010 were repaid or expected to repay according to the contractual terms. Securities purchased under agreements to resell are considered collateralized financing arrangements and effectively represent short-term loans with highly rated counterparties. The terms of these loans are structured such that if the market value of the underlying securities decrease below the market value required as collateral, the counterparty must place an equivalent amount of additional securities as collateral or remit an equivalent amount of cash, or the dollar value of the resale agreement will be decreased accordingly. If an agreement to resell is deemed to be impaired, the difference between the fair value of the collateral and the amortized cost of the agreement is charged to earnings. Based upon the collateral held as security, the FHLBanks determined that no allowance for credit losses was needed for the securities under agreements to resell at June 30, 2011 and December 31, 2010.

Note 10—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. The goal of each FHLBank's interest-rate risk management strategies is not to eliminate interest-rate risk, but to manage it within appropriate limits. To mitigate the risk of loss, each FHLBank has established policies and procedures, which include guidelines on the amount of exposure to interest rate changes it is willing to accept. In addition, each FHLBank monitors the risk to its interest income, net interest margin and average maturity of interest-earning assets and funding sources.

Consistent with Finance Agency regulation, an FHLBank enters into derivatives to (1) manage the interest-rate risk exposures inherent in its otherwise unhedged assets and funding positions, (2) achieve the FHLBank's risk management objectives, and (3) act as an intermediary between its members and counter-parties. 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 use of derivatives is an integral part of each FHLBank's financial management strategy.

The most common ways in which an FHLBank uses derivatives are to:

- reduce funding costs by combining a derivative with a consolidated obligation because the cost of a combined funding structure can be lower than the cost of a comparable consolidated bond;
- reduce the interest-rate sensitivity and repricing gaps of assets and liabilities;
- 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
- manage its overall asset/liability management.

Application of Derivatives

Derivative financial instruments may be used by an FHLBank as follows:

- As a fair-value or cash-flow hedge of an associated financial instrument, a firm commitment or an anticipated transaction.
- As an economic hedge to manage certain defined risks in the course of its balance sheet. These hedges are primarily used to manage mismatches between the coupon features of its assets and liabilities. For example, an FHLBank may use derivatives in its overall interest-rate risk management activities to adjust the interest-rate sensitivity of consolidated obligations to approximate more closely the interest-rate sensitivity of its assets (both advances and investments), and to adjust the interest-rate sensitivity of advances or investments to approximate more closely the interest-rate sensitivity of its liabilities. In addition, to reduce its exposure to reset risk, an FHLBank may occasionally enter into forward-rate agreements, which are also treated as economic hedges.
- As an intermediary hedge to meet the asset or liability management needs of their members. An FHLBank acts as an intermediary by entering into derivatives with its members and offsetting derivatives with other counterparties. This intermediation grants smaller members indirect access to the derivatives market. The derivatives used in intermediary activities do not receive 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.

Derivative financial instruments are used by an FHLBank when they are considered to be the most cost-effective alternative to achieve the FHLBank's financial and risk management objectives. Each FHLBank reevaluates its hedging strategies from time to time and may change the hedging techniques it uses or may adopt new strategies.

Types of Derivatives

An FHLBank may use the following instruments to reduce funding costs and to manage its exposure to interest-rate risks inherent in the normal course of business:

- interest-rate swaps;
- swaptions;
- interest-rate cap and floor agreements;
- options; and
- futures and forwards contracts.

Types of Hedged Items

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. The types of hedged items are:

- consolidated obligations;
- advances;
- mortgage loans;
- anticipated streams of future cash flows;

- firm commitments;
- investments;
- anticipated debt issuances; and
- variable cash streams.

Managing Credit Risk on Derivatives

Each FHLBank is subject to credit risk due to nonperformance by counterparties to the interest-rate exchange agreements. The degree of counterparty risk depends on the extent to which master netting arrangements are included in such contracts to mitigate the risk. Each FHLBank manages counterparty credit risk through credit analysis, collateral requirements and adherence to the requirements set forth in its policies and Finance Agency regulations. Each FHLBank requires collateral agreements on all derivatives that establish collateral delivery thresholds. 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. Based on credit analyses and collateral requirements, the management of each FHLBank does not anticipate any credit losses on its interest-rate exchange agreements. (See ***Note 14—Fair Value*** for discussion regarding the FHLBanks' fair value methodology for derivative assets and liabilities, including an evaluation of the potential for the fair value of these instruments to be affected by counterparty credit risk.)

Table 10.1 presents credit risk exposure on derivative instruments, excluding circumstances where a counterparty's pledged collateral to an FHLBank exceeds the FHLBank's net position.

Table 10.1 - Credit Risk Exposure (dollars in millions)

	June 30, 2011	December 31, 2010
Total net exposure at fair value[1]	$ 1,863	$ 2,055
Cash collateral held	1,043	1,164
Net exposure after cash collateral	820	891
Other collateral held	622	721
Net exposure after collateral	$ 198	$ 170

(1) Includes net accrued interest receivable of $386 million and $376 million at June 30, 2011 and December 31, 2010.

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, 2011 was $10.3 billion for which the FHLBanks have posted collateral of $7.4 billion 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 $2.2 billion of collateral (at fair value) to their derivatives counterparties at June 30, 2011.

None of the FHLBanks' senior credit ratings were lowered during the twelve months ended June 30, 2011 and 2010. However, on August 8, 2011, S&P downgraded the long-term credit ratings on 10 of the 12 FHLBanks from AAA to AA+. The ratings of the FHLBanks are constrained by the long-term credit rating of the United States. On August 5, 2011, S&P lowered its long-term credit rating on the United States from AAA to AA+ with a negative outlook. The FHLBanks of Chicago and Seattle were already rated AA+ prior to the United States downgrade. The outlook for the 12 FHLBanks is negative. S&P's actions did not affect the short-term A-1+ ratings of the FHLBanks. On August 2, 2011, Moody's confirmed the long-term Aaa rating on the 12 FHLBanks. In conjunction with the revision of the U.S. government outlook to negative, Moody's rating outlook for the 12 FHLBanks has also been revised to negative.

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.

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. However, the notional amount of derivatives represents neither the actual amounts exchanged nor the overall exposure of the FHLBanks to credit and market risk. The risks of derivatives can be measured meaningfully on a portfolio basis that takes into account the derivatives, the items being hedged and any offsets between the two.

Table 10.2 presents the notional and fair value of derivative instruments. For purposes of this disclosure, the derivative values include the fair value of derivatives and the related accrued interest.

Table 10.2 - Derivative Instruments Fair Value (dollars in millions)

	June 30, 2011		
	Notional Amount of Derivatives	Derivative Assets	Derivative Liabilities
Derivatives Designated as Hedging Instruments:			
Interest-rate swaps	$513,328	$ 5,718	$ 15,563
Interest-rate swaptions	770	24	–
Interest-rate caps or floors	300	1	3
Interest-rate futures or forwards	990	4	3
Total derivatives in hedging relationships	515,388	5,747	15,569
Derivatives Not Designated as Hedging Instruments:			
Interest-rate swaps	170,450	929	1,492
Interest-rate swaptions	8,260	192	–
Interest-rate caps or floors	33,062	535	78
Interest-rate futures or forwards	347	1	1
Mortgage delivery commitments	871	1	3
Other	655	9	7
Total derivatives not designated as hedging instruments	213,645	1,667	1,581
Total derivatives before netting and collateral adjustments	$729,033	7,414	17,150
Netting adjustments		(5,536)	(5,536)
Cash collateral and related accrued interest		(1,047)	(6,714)
Total netting adjustments and cash collateral[1]		(6,583)	(12,250)
Derivative assets and derivative liabilities as reported on the combined statement of condition		$ 831	$ 4,900

	December 31, 2010		
	Notional Amount of Derivatives	Derivative Assets	Derivative Liabilities
Derivatives Designated as Hedging Instruments:			
Interest-rate swaps	$548,259	$ 6,562	$ 17,379
Interest-rate swaptions	870	29	–
Interest-rate caps or floors	292	1	2
Total derivatives in hedging relationships	549,421	6,592	17,381
Derivatives Not Designated as Hedging Instruments:			
Interest-rate swaps	192,019	1,031	1,592
Interest-rate swaptions	9,570	227	–
Interest-rate caps or floors	34,592	610	63
Interest-rate futures or forwards	166	–	1
Mortgage delivery commitments	750	2	4
Other	646	7	6
Total derivatives not designated as hedging instruments	237,743	1,877	1,666
Total derivatives before netting and collateral adjustments	$787,164	8,469	19,047
Netting adjustments		(6,411)	(6,411)
Cash collateral and related accrued interest		(1,161)	(7,169)
Total netting adjustments and cash collateral[1]		(7,572)	(13,580)
Derivative assets and derivative liabilities as reported on the combined statement of condition		$ 897	$ 5,467

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

Table 10.3 presents the components of net gains (losses) on derivatives and hedging activities as presented in the Combined Statement of Income.

Table 10.3 - Net Gains (Losses) on Derivatives and Hedging Instruments (dollars in millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Derivatives and Hedged Items in Fair-Value Hedging Relationships:				
Interest-rate swaps	$ 59	$ 44	$ 184	$ 110
Other[1]	(3)	(5)	(8)	(1)
Total net gains related to fair-value hedge ineffectiveness	56	39	176	109
Total net gains related to cash-flow hedge ineffectiveness:	12	1	14	2
Derivatives Not Designated as Hedging Instruments:				
Economic hedges:				
Interest-rate swaps	(135)	(252)	(17)	(170)
Interest-rate swaptions	(16)	10	(63)	(177)
Interest-rate caps or floors	(42)	(61)	(85)	(202)
Interest-rate futures or forwards	(6)	1	(5)	(1)
Net interest settlements	(34)	(71)	(51)	(152)
Other	(3)	(5)	(3)	(5)
Mortgage delivery commitments	11	14	7	18
Total net losses related to derivatives not designated as hedging instruments	(225)	(364)	(217)	(689)
Net losses on derivatives and hedging activities	$(157)	$(324)	$ (27)	$(578)

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

Table 10.4 presents, by type of hedged item, the (losses) gains on derivatives and the related hedged items in fair-value hedging relationships and the effect of those derivatives on the FHLBanks' net interest income.

Table 10.4 - Effect of Fair-Value Hedge Related Derivative Instruments (dollars in millions)

Hedged Item Type:	Three Months Ended June 30, 2011			
	(Losses) Gains on Derivative	Gains (Losses) on Hedged Item	Net Fair-Value Hedge Ineffectiveness	Net Effect of Derivatives on Interest Income/Interest Expense[1]
Advances	$(1,418)	$ 1,459	$41	$(1,657)
Consolidated bonds	1,016	(1,008)	8	1,167
Consolidated discount notes	(1)	1	–	2
Available-for-sale securities	(166)	176	10	(85)
Mortgage loans held for portfolio	(5)	2	(3)	(3)
Deposits	–	–	–	1
Total	$ (574)	$ 630	$56	$ (575)

Hedged Item Type:	Three Months Ended June 30, 2010			
	(Losses) Gains on Derivative	Gains (Losses) on Hedged Item	Net Fair-Value Hedge Ineffectiveness	Net Effect of Derivatives on Interest Income/Interest Expense[1]
Advances	$(2,517)	$ 2,549	$ 32	$(2,401)
Consolidated bonds	1,297	(1,276)	21	1,649
Consolidated discount notes	(1)	1	–	1
Available-for-sale securities	(392)	382	(10)	(62)
Mortgage loans held for portfolio	(16)	12	(4)	(16)
Deposits	–	–	–	1
Total	$(1,629)	$ 1,668	$ 39	$ (828)

Hedged Item Type:	Six Months Ended June 30, 2011			
	Gains (Losses) on Derivative	(Losses) Gains on Hedged Item	Net Fair-Value Hedge Ineffectiveness	Net Effect of Derivatives on Interest Income/Interest Expense[1]
Advances	$ 595	$(435)	$160	$(3,449)
Consolidated bonds	(104)	104	–	2,333
Consolidated discount notes	(3)	3	–	4
Available-for-sale securities	(89)	113	24	(168)
Mortgage loans held for portfolio	(6)	(2)	(8)	(6)
Deposits	–	–	–	1
Total	$ 393	$(217)	$176	$(1,285)

Hedged Item Type:	Six Months Ended June 30, 2010			
	(Losses) Gains on Derivative	Gains (Losses) on Hedged Item	Net Fair-Value Hedge Ineffectiveness	Net Effect of Derivatives on Interest Income/Interest Expense(1)
Advances	$(2,689)	$ 2,786	$ 97	$(5,024)
Consolidated bonds	1,800	(1,776)	24	3,473
Consolidated discount notes	(11)	9	(2)	11
Available-for-sale securities	(453)	443	(10)	(112)
Mortgage loans held for portfolio	(35)	35	–	(42)
Deposits	–	–	–	1
Total	$(1,388)	$ 1,497	$109	$(1,693)

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

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. In addition, if a hedged firm commitment no longer qualified as a fair-value hedge, the hedge would be terminated and net gains and losses would be recognized in current-period earnings. There were no material amounts of gains and losses recognized due to disqualification of firm commitment hedges for the three and six months ended June 30, 2011 and 2010.

Table 10.5 presents by type of hedged item in cash-flow hedging relationships, the gains (losses) recognized in AOCI, reclassified from AOCI into income, and the effect of those hedging activities on the FHLBanks' net gains (losses) on derivatives and hedging activities on the Combined Statement of Income. (See the ***Combined Statement of Capital*** for more details on the effect of cash-flow hedges on AOCI.)

Table 10.5 - Effect of Cash-Flow Hedge Related Derivative Instruments (dollars in millions)

Derivatives and Hedged Items in Cash-Flow Hedging Relationships:	Three Months Ended June 30, 2011			
	Amount of Gains (Losses) Recognized in AOCI on Derivative (Effective Portion)	Location of (Losses) Gains Reclassified from AOCI into Income (Effective Portion)	Amount of (Losses) Gains 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	$ 3	Interest expense	$ (2)	$ –
Consolidated discount notes	(142)	Interest expense	(1)	–
Interest-rate caps or floors				
Advances	12	Interest income	9	12
Consolidated discount notes	–	Interest expense	(4)	–
Interest-rate futures or forwards				
Consolidated bonds	(2)	Interest expense	–	–
Total	$(129)		$ 2	$ 12

Derivatives and Hedged Items in Cash-Flow Hedging Relationships:	Three Months Ended June 30, 2010			
	Amount of (Losses) Gains Recognized in AOCI on Derivative (Effective Portion)	Location of (Losses) Gains Reclassified from AOCI into Income (Effective Portion)	Amount of (Losses) Gains 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	$ (1)	Interest expense	$ (3)	$ –
Consolidated discount notes	(359)	Interest expense	(1)	1
Interest-rate caps or floors				
Advances	12	Interest income	7	–
Consolidated discount notes	–	Interest expense	(3)	–
Total	$(348)		$ –	$ 1

Derivatives and Hedged Items in Cash-Flow Hedging Relationships:	Six Months Ended June 30, 2011			
	Amount of (Losses) Gains Recognized in AOCI on Derivative (Effective Portion)	Location of (Losses) Gains Reclassified from AOCI into Income (Effective Portion)	Amount of (Losses) Gains 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	$ 4	Interest expense	$ (4)	$ –
Consolidated discount notes	(63)	Interest expense	(2)	2
Interest-rate caps or floors				
Advances	12	Interest income	22	12
Consolidated discount notes	–	Interest expense	(8)	–
Interest-rate futures or forwards				
Consolidated bonds	(2)	Interest expense	–	–
Total	$ (49)		$ 8	$ 14

Derivatives and Hedged Items in Cash-Flow Hedging Relationships:	Six Months Ended June 30, 2010			
	Amount of (Losses) Gains Recognized in AOCI on Derivative (Effective Portion)	Location of (Losses) Gains Reclassified from AOCI into Income (Effective Portion)	Amount of (Losses) Gains 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	$ (1)	Interest expense	$ (7)	$ –
Consolidated discount notes	(467)	Interest expense	(2)	2
Interest-rate caps or floors				
Advances	8	Interest income	7	–
Consolidated discount notes	–	Interest expense	(7)	–
Total	$(460)		$ (9)	$ 2

There were no material amounts for the three and six months ended June 30, 2011 and 2010 that were reclassified from AOCI 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, 2011, the deferred net gains on derivative instruments in AOCI that are expected to be reclassified to earnings during the next twelve months are $28 million. 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 six months. For the FHLBank of Chicago, the maximum length of time over which forecasted transactions are hedged is approximately nine years.

Note 11—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.

Table 11.1 - Deposits (dollars in millions)

	June 30, 2011	December 31, 2010
Interest-bearing:		
Demand and overnight	$ 13,101	$ 12,776
Term	707	1,129
Other	57	75
Total interest-bearing	13,865	13,980
Non-interest-bearing:		
Demand and overnight	100	160
Other	141	261
Total non-interest-bearing	241	421
Total deposits	$ 14,106	$ 14,401

Note 12—Consolidated Obligations

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.

Table 12.1 - Consolidated Bonds Outstanding by Contractual Maturity (dollars in millions)

Year of Contractual Maturity	June 30, 2011 Amount	June 30, 2011 Weighted-Average Interest Rate	December 31, 2010 Amount	December 31, 2010 Weighted-Average Interest Rate
Due in 1 year or less	$214,087	1.15%	$264,479	1.21%
Due after 1 year through 2 years	94,203	1.99%	102,481	1.74%
Due after 2 years through 3 years	75,821	2.42%	80,387	2.60%
Due after 3 years through 4 years	38,188	2.61%	34,203	3.04%
Due after 4 years through 5 years	41,909	2.57%	38,750	2.40%
Thereafter	78,167	3.82%	76,864	4.01%
Index-amortizing notes	3,922	4.82%	4,539	4.82%
Total par value	546,297	2.09%	601,703	2.05%
Premiums	886		761	
Discounts	(232)		(278)	
Hedging adjustments	4,272		4,489	
Fair value option valuation adjustments	(25)		(108)	
Total	$551,198		$606,567	

Table 12.2 - Consolidated Discount Notes Outstanding (dollars in millions)

	Book Value	Par Value	Weighted-Average Interest Rate(1)
June 30, 2011	$180,960	$180,980	0.07%
December 31, 2010	$194,431	$194,478	0.15%

(1) Represents an implied rate.

Consolidated obligations are issued with either fixed-rate coupon payment terms or variable-rate coupon payment terms that use a variety of indices for interest-rate resets including the LIBOR, Treasury Bills (T-Bills), the Prime rate, and others. To meet the expected specific needs of certain investors in consolidated obligations, both fixed-rate consolidated bonds and variable-rate consolidated bonds may contain features that result in complex coupon payment terms and call or put options. When such consolidated obligations are issued, the FHLBanks typically enter into derivatives containing offsetting features that effectively convert the terms of the consolidated bond to those of a simple variable-rate consolidated bond or a fixed-rate consolidated bond. At June 30, 2011 and December 31, 2010, 68.4 percent and 67.2 percent of the FHLBanks' fixed-rate consolidated bonds were swapped to a variable rate and 44.1 percent and 43.5 percent of the FHLBanks' variable-rate consolidated bonds were swapped to a different variable-rate index. At both June 30, 2011 and December 31, 2010, 11.5 percent of the FHLBanks' fixed-rate consolidated discount notes were swapped to a variable rate.

Table 12.3 - Consolidated Bonds Outstanding by Call Features (dollars in millions)

Par values of consolidated bonds	June 30, 2011	December 31, 2010
Noncallable/nonputable	$ 406,840	$ 455,512
Callable	139,457	146,191
Total par value	$ 546,297	$ 601,703

Table 12.4 - Consolidated Bonds Outstanding by Contractual Maturity or Next Call Date (dollars in millions)

Year of Contractual Maturity or Next Call Date	June 30, 2011	December 31, 2010
Due in 1 year or less	$ 341,082	$ 369,833
Due after 1 year through 2 years	83,024	92,154
Due after 2 years through 3 years	45,113	59,638
Due after 3 years through 4 years	21,154	20,423
Due after 4 years through 5 years	18,537	17,173
Thereafter	33,465	37,943
Index-amortizing notes	3,922	4,539
Total par value	$ 546,297	$ 601,703

Note 13—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. As of June 30, 2011, 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. 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. Mandatorily redeemable capital stock is considered capital for determining an FHLBank's compliance with its regulatory requirements.

2. Total regulatory capital. Each 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.

3. Leverage capital. 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 permanent capital weighted 1.5 times and all other capital without a weighting factor.

The pre-GLB Act capital rules remain in effect until the FHLBank of Chicago implements its new capital plan. 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. 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.

At June 30, 2011, all of the FHLBanks that have implemented their respective capital plans under the GLB Act were in compliance with their regulatory capital rules. (See ***FHLBank of Seattle Capital Classification and Consent Arrangement*** within this note for a description of this FHLBank's agreement with the Finance Agency.)

Table 13.1 - Risk-Based Capital Requirements as of June 30, 2011 (dollars in millions)

FHLBank[1]	Risk-Based Capital Requirement	Actual Risk-Based Capital
Boston	$ 1,044	$ 4,088
New York	479	5,437
Pittsburgh	1,418	4,108
Atlanta	2,160	7,902
Cincinnati	406	3,885
Indianapolis	797	2,456
Des Moines	731	2,715
Dallas	362	1,769
Topeka	246	1,178
San Francisco	3,749	12,855
Seattle	1,880	2,674

Table 13.2 - Regulatory Capital Requirements as of June 30, 2011 (dollars in millions)

FHLBank[1]	Minimum Regulatory Capital Ratio Requirement	Minimum Regulatory Capital Requirement	Actual Regulatory Capital Ratio	Actual Regulatory Capital
Boston	4.0%	$ 2,089	7.8%	$ 4,088
New York	4.0%	3,934	5.5%	5,443
Pittsburgh	4.0%	2,078	7.9%	4,108
Atlanta	4.0%	4,673	6.8%	7,902
Cincinnati	4.0%	2,665	5.8%	3,885
Indianapolis	4.0%	1,602	6.1%	2,456
Des Moines	4.0%	2,063	5.3%	2,715
Dallas	4.0%	1,256	5.6%	1,769
Topeka	4.0%	1,433	5.0%	1,778
San Francisco	4.0%	5,778	8.9%	12,855
Seattle	4.0%	1,724	6.6%	2,833

Table 13.3 - Leverage Capital Requirements as of June 30, 2011 (dollars in millions)

FHLBank[1]	Minimum Leverage Capital Ratio Requirement	Minimum Leverage Capital Requirement	Actual Leverage Capital Ratio	Actual Leverage Capital
Boston	5.0%	$ 2,612	11.7%	$ 6,132
New York	5.0%	4,917	8.3%	8,162
Pittsburgh	5.0%	2,597	11.9%	6,162
Atlanta	5.0%	5,841	10.2%	11,853
Cincinnati	5.0%	3,331	8.8%	5,827
Indianapolis	5.0%	2,003	9.2%	3,684
Des Moines	5.0%	2,579	7.9%	4,072
Dallas	5.0%	1,569	8.5%	2,654
Topeka	5.0%	1,791	6.6%	2,366
San Francisco	5.0%	7,222	13.4%	19,283
Seattle	5.0%	2,155	9.7%	4,170

(1) Excludes the FHLBank of Chicago, which had not implemented a new capital plan as of June 30, 2011, but was in compliance with all of its minimum regulatory capital requirements. (See ***FHLBank of Chicago Regulatory Actions*** within this note for a description of this FHLBank's regulatory capital requirements.)

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 canceled 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.

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, Division of FHLBank Regulation of the Finance Agency (Deputy Director). The FHLBank of Seattle will not pay dividends except upon compliance with capital restoration and retained earnings plans approved by the Finance Agency and prior written approval of the Finance Agency.

At June 30, 2011, combined regulatory capital was $54.8 billion compared to $57.4 billion at December 31, 2010. These amounts include the Designated Amount of subordinated notes of $800 million as of June 30, 2011 and $1.0 billion as of December 31, 2010, which the FHLBank of Chicago is allowed to include in determining compliance with its regulatory capital requirements, as further discussed in this note. Combined regulatory capital does not include AOCI, but does include mandatorily redeemable capital stock.

Mandatorily Redeemable Capital Stock. An FHLBank reclassifies 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.

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, as mandated by each FHLBank's capital plan or by regulation. 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 capital according to the terms of its capital plan. After the reclassification, dividends on the capital stock would no longer be classified as interest expense. For the three months ended June 30, 2011 and 2010, dividends on mandatorily redeemable capital stock in the amount of $12 million and $11 million were recorded as interest expense. For the six months ended June 30, 2011 and 2010, dividends on mandatorily redeemable capital stock in the amount of $26 million and $25 million were recorded as interest expense.

At June 30, 2011 and December 31, 2010, the FHLBanks had $9.3 billion and $7.1 billion in capital stock subject to mandatory redemption with payment subject to each FHLBank's waiting period and capital plan terms, and the FHLBank continuing to meet its minimum regulatory capital requirements. These amounts have been classified as a liability in the Combined Statement of Condition.

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, 2011, each of the FHLBanks of Boston, Pittsburgh, Atlanta, Cincinnati, Indianapolis, Chicago, San Francisco and Seattle had excess capital stock outstanding totaling more than one percent of its total assets. At June 30, 2011, each of these FHLBanks was in compliance with the Finance Agency's excess stock rules.

Capital Classification Determination. The Finance Agency implemented the prompt corrective action (PCA) provisions of the Housing Act. The rule established four capital classifications: adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, for the FHLBanks and implemented the PCA provisions that apply to FHLBanks that are not deemed to be adequately capitalized. The Finance Agency determines each FHLBank's capital classification on at least a quarterly basis. If an FHLBank is determined to be other than adequately capitalized, the FHLBank becomes subject to additional supervisory authority by the Finance Agency. Before implementing a reclassification, the Finance Agency

Director is required to provide the FHLBank with written notice of the proposed action and an opportunity to submit a response. For a discussion of an individual FHLBank's capital classification, see that FHLBank's periodic report filed with the SEC.

Joint Capital Enhancement Agreement and REFCORP Certification. The 12 FHLBanks entered into a Joint Capital Enhancement Agreement (Capital Agreement), as amended, which is intended to enhance the capital position of each FHLBank. The intent of the Capital Agreement is to allocate that portion of each FHLBank's earnings historically paid to satisfy its REFCORP obligation to a separate retained earnings account at that FHLBank.

Because each FHLBank has been required to contribute 20 percent of its earnings toward payment of the interest on REFCORP bonds until the REFCORP obligation has been satisfied, the Capital Agreement provides that, upon full satisfaction of the REFCORP obligation, each FHLBank will contribute 20 percent of its net income each quarter to a restricted retained earnings account until the balance of that account equals at least one percent of that FHLBank's average balance of outstanding consolidated obligations for the previous quarter. These restricted retained earnings will not be available to pay dividends.

Each FHLBank subsequently amended its capital plan or capital plan submission, as applicable, to implement the provisions of the Capital Agreement, and the Finance Agency approved the capital plan amendments on August 5, 2011.

On August 5, 2011, the Finance Agency certified that the FHLBanks have fully satisfied their REFCORP obligation. In accordance with the Capital Agreement, starting in the third quarter of 2011, each FHLBank is required to allocate 20 percent of its net income to a separate restricted retained earnings account.

FHLBank of Chicago Regulatory Actions. As required by the Consent Cease and Desist Order (C&D Order) the FHLBank of Chicago submitted to the Finance Board a capital plan and implementation strategies to provide for the conversion of its capital stock under the GLB Act. The FHLBank of Chicago has subsequently submitted revisions to the capital plan and implementation strategies to the Finance Agency as a result of on-going discussions with the Finance Agency regarding the FHLBank of Chicago's anticipated capital stock conversion. No final decision has yet been received from the Finance Agency. Until such time as the FHLBank of Chicago fully implements a new capital plan, the minimum capital requirements described below remain in effect.

As of June 30, 2011, the FHLBank of Chicago was in compliance with all of its minimum regulatory capital requirements. Table 13.4 presents the FHLBank of Chicago's regulatory capital requirements at June 30, 2011, as a percentage of its total assets.

Table 13.4 - FHLBank of Chicago Regulatory Capital Requirements (dollars in millions)

	Regulatory Capital plus Designated Amount of Subordinated Notes[1]			
	Requirement in Effect		Actual	
Non-Mortgage Asset Ratio	Ratio[2]	Amount	Ratio	Amount
19.68%	4.76%	$ 3,669	6.29%	$ 4,850

(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 percentage of the outstanding principal amount of the subordinated notes (the Designated Amount) in determining compliance with its regulatory capital and minimum regulatory leverage ratio requirements, subject to 20 percent annual phase-outs. As of June 14, 2011, the Designated Amount of subordinated notes was reduced to $800 million.

(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. The C&D Order includes a minimum regulatory capital ratio of 4.5 percent, which currently supersedes the 4.0 percent regulatory requirement. These ratios apply to the FHLBank of Chicago when its non-mortgage assets (defined as total assets less advances, acquired member assets, standby letters of credit, intermediary derivative contracts with members, certain MBS, and other investments specified by Finance Agency regulation) after deducting the 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 FHLBank of Chicago's non-

mortgage asset ratio on an average monthly basis was above 11 percent at June 30, 2011, 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 subordinated notes of at least $3.600 billion. At June 30, 2011, the FHLBank of Chicago had an aggregate amount of $3.685 billion of regulatory capital stock plus the Designated Amount of subordinated notes.

During the six months ended June 30, 2011, the FHLBank of Chicago redeemed less than $1 million in excess capital stock exceeding a member's capital stock floor as permitted under the C&D Order. From April 24, 2008 through June 30, 2011, the Deputy Director has denied requests of 22 members to redeem capital stock totaling $50 million in connection with membership withdrawals and other terminations. The FHLBank of Chicago does not believe a denial of a stock redemption request by the Deputy Director affects the reclassification of mandatorily redeemable capital stock as a liability. Rather, this denial delays the timing of an eventual mandatory redemption.

FHLBank of Seattle Capital Classification and Consent Arrangement. In August 2009, under the Finance Agency's PCA regulations, the FHLBank of Seattle received a capital classification of "undercapitalized" from the Finance Agency and has subsequently remained so classified, due to, among other things, the FHLBank of Seattle's risk-based capital deficiencies as of March 31, 2009 and June 30, 2009, the deterioration in the value of its private-label MBS and the amount of accumulated other comprehensive loss (AOCL) stemming from that deterioration, the level of its retained earnings in comparison to AOCL, and its market value of equity (MVE) compared to the par value of capital stock (PVCS). This classification subjects the FHLBank of Seattle to a range of mandatory and discretionary restrictions, including limitations on asset growth and new business activities. In accordance with the PCA regulations, the FHLBank of Seattle submitted a proposed capital restoration plan to the Finance Agency in August 2009, and in subsequent months worked with the Finance Agency on the plan and, among other things, submitted a proposed business plan to the Finance Agency on August 16, 2010.

On October 25, 2010, the FHLBank of Seattle entered into a Stipulation and Consent to the Issuance of a Consent Order (Stipulation and Consent) with the Finance Agency, relating to the Consent Order, effective as of the same date, issued by the Finance Agency to the FHLBank of Seattle. The Stipulation and Consent, the Consent Order, and the related understandings with the Finance Agency are collectively referred to as the Consent Arrangement. The Consent Arrangement sets forth requirements for capital management, asset composition, and other operational and risk management improvements and the FHLBank of Seattle has agreed to address, among other things:

- risk management and asset improvement;
- capital adequacy and retained earnings;
- remediation of examination findings;
- information technology; and
- senior management and compensation practices.

The Consent Arrangement also provides for a Stabilization Period commencing on the date of the Consent Order and continuing through the filing of the FHLBank of Seattle's 2011 Second Quarter SEC Form 10-Q. The Consent Arrangement requires the FHLBank of Seattle to meet certain minimum financial metrics by the end of the Stabilization Period and maintain them for each quarter-end thereafter. These financial metrics relate to retained earnings, AOCL and the MVE to PVCS ratio.

On June 30, 2011, the FHLBank of Seattle entered into an agreement to sell $1.3 billion of mortgage loans previously held for portfolio. This transaction, which settled on July 26, 2011, resulted in a gain of approximately $74 million, which will be reflected in the FHLBank of Seattle's third quarter financial results. Although the FHLBank of Seattle did not maintain its retained earnings requirement under the Consent Arrangement as of June 30, 2011, the gain on sale of mortgage loans represents a significant contribution to third quarter 2011 net income and retained earnings.

The FHLBank of Seattle had met other minimum financial metrics pursuant to the Consent Arrangement at each reporting period-end through June 30, 2011. In addition, the FHLBank of Seattle has continued taking

the specified actions noted in the Consent Arrangement and are working toward meeting the agreed-upon milestones and timelines for developing its plans to address the requirements for asset composition, capital management, and other operational and risk management objectives.

The Consent Arrangement clarifies, among other things, the steps the FHLBank of Seattle must take to stabilize its business, improve its capital classification, and return to normal operations. In the actions taken by the FHLBank of Seattle and the improvements proposed thus far, it has coordinated, and will continue coordinating, with the Finance Agency so that actions and improvements are aligned with the Finance Agency's expectations. However, there is a risk that the FHLBank of Seattle's implementation of (or failure to successfully execute) approved plans, policies, and procedures designed to enhance the FHLBank of Seattle 's safety and soundness may, to varying degrees, reduce its flexibility in managing the FHLBank of Seattle, negatively affecting its advance volumes, its cost of funds, and net income, which could have a material adverse consequence to its business, including its financial condition and results of operations. In addition, the FHLBank of Seattle cannot predict whether it will be able to meet and maintain the minimum financial metrics during the post-Stabilization Period, or meet the requirements for asset composition, capital management, and other operational and risk management objectives pursuant to the Consent Arrangement. Failure to successfully develop and execute such plans, meet and maintain such metrics, or meet such requirements could result in additional actions under the PCA provisions or imposition of additional requirements or conditions by the Finance Agency, which could have a material adverse consequence to the FHLBank of Seattle's business, including its financial condition and results of operations.

The Consent Arrangement will remain in effect until modified or terminated by the Finance Agency and does not prevent the Finance Agency from taking any other action affecting the FHLBank of Seattle that, at the sole discretion of the Finance Agency, it deems appropriate in fulfilling its supervisory responsibilities. Until the Finance Agency completes its post-Stabilization Period review of the FHLBank of Seattle's progress in meeting the requirements of the Consent Arrangement, the FHLBank of Seattle expects that it will remain classified as "undercapitalized." Further, the FHLBank of Seattle remains restricted from redeeming or repurchasing capital stock without Finance Agency approval.

Note 14—Fair Value

The fair value amounts, recorded on the Combined Statement of Condition and presented in the note disclosures, 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, 2011 and December 31, 2010. Although each FHLBank uses its best judgment in estimating the fair value of these financial instruments, there are inherent limitations in any valuation technique. Therefore, these fair values may not be indicative of the amounts that would have been realized in market transactions at June 30, 2011 and December 31, 2010.

Table 14.1 presents the carrying value and estimated fair value of financial assets and liabilities of the FHLBanks. This table does 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 and liabilities.

Table 14.1 - Fair Value Summary (dollars in millions)

Financial Instruments	June 30, 2011		December 31, 2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets:				
Cash and due from banks	$ 24,325	$ 24,325	$ 3,801	$ 3,801
Interest-bearing deposits	8	8	9	9
Securities purchased under agreements to resell	7,800	7,800	16,400	16,400
Federal funds sold	54,871	54,871	75,855	75,855
Trading securities	29,600	29,600	28,291	28,291
Available-for-sale securities	73,590	73,590	71,459	71,459
Held-to-maturity securities	129,925	131,396	138,456	140,266
Advances(1)	428,460	430,861	478,589	480,420
Mortgage loans held for portfolio, net	55,862	59,073	61,191	64,289
Accrued interest receivable	1,664	1,664	1,921	1,921
Derivative assets, net	831	831	897	897
Other assets(2)	1,339	1,417	134	143
Liabilities:				
Deposits	14,106	14,106	14,401	14,401
Securities sold under repurchase agreements	1,200	1,207	1,200	1,213
Consolidated obligations:				
Discount notes(3)	180,960	180,967	194,431	194,435
Bonds(4)	551,198	558,730	606,567	613,573
Total consolidated obligations	732,158	739,697	800,998	808,008
Mandatorily redeemable capital stock	9,290	9,290	7,066	7,066
Accrued interest payable	2,273	2,273	2,471	2,471
Derivative liabilities, net	4,900	4,900	5,467	5,467
Optional advance commitments(5)	10	10	11	11
Subordinated notes	1,000	1,107	1,000	1,065

(1) Includes $9,236 million and $10,494 million of advances recorded under the fair value option and $364 million and $807 million of hedged advances recorded at fair value at June 30, 2011 and December 31, 2010.
(2) Other assets primarily includes mortgage loans held for sale.
(3) Includes $2,356 million and $5,820 million of consolidated obligation discount notes recorded under the fair value option at June 30, 2011 and December 31, 2010.
(4) Includes $34,554 million and $47,395 million of consolidated obligation bonds recorded under the fair value option and $78 million and $591 million of hedged consolidated bonds recorded at fair value at June 30, 2011 and December 31, 2010.
(5) Recorded in other liabilities under the fair value option at June 30, 2011 and December 31, 2010.

Fair Value Hierarchy

The FHLBanks record trading securities, available-for-sale securities, derivative assets, derivative liabilities, certain advances, certain consolidated obligations and certain other liabilities at fair value on a recurring basis and on occasion, certain private-label MBS and other financial assets on a non-recurring basis. The fair value hierarchy is used to prioritize the fair value valuation techniques. The inputs to the valuation techniques are used to measure fair value for assets and liabilities that are carried at fair value, both on a recurring and non-recurring basis, on the Combined Statement of Condition. 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.

Outlined below is the application of the fair value hierarchy to the FHLBanks' financial assets and financial liabilities that are carried at fair value either on a recurring or non-recurring basis.

- Level 1. Defined as those instruments for which fair value is determined from quoted prices for identical assets or liabilities in active markets. 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 and investments such as publicly-traded mutual funds.
- Level 2. Defined as those instruments for which fair value is determined from quoted prices for similar assets and liabilities in active markets or, if a valuation methodology is used, inputs are selected 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 trading and available-for-sale investment securities, including U.S. government and agency mortgage-backed securities, derivative contracts and certain advances, certain consolidated obligations and certain other liabilities elected to be carried at fair value under the fair value option.
- Level 3. Defined as those instruments for which inputs to the valuation methodology are unobservable and significant to the fair value measurement. The types of assets and liabilities that are either carried at Level 3 fair value on a recurring basis or measured at Level 3 fair value on a non-recurring basis generally include private-label RMBS, home equity loan asset-backed securities (ABS), and certain consolidated bonds along with the derivative instruments hedging those consolidated bonds.

For instruments that are carried at fair value, each FHLBank reviews its 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. These reclassifications are reported as transfers in/out at fair value as of the beginning of the quarter in which the changes occur. There were no such transfers during the three and six months ended June 30, 2011 and 2010.

Valuation Techniques and Significant Inputs

Cash and due from banks. The fair value equals the carrying value.

Interest-bearing deposits. The fair value is determined based on each security's quoted price or prices obtained from a pricing service for instruments with more than three months to maturity. When quoted prices are not available, the 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 fair value approximates the carrying value 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 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 fair value approximates the carrying value 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 fair value of overnight Federal funds sold approximates the carrying value. The fair value of term Federal funds sold 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.

Investment securities—Non-MBS. The FHLBanks use either an income approach based on a market-observable interest rate curve, adjusted for a spread, or prices received from pricing services to determine the estimated fair value of non-MBS investment securities. Each FHLBank believes that its methodologies result in fair values that are reasonable and similar in all material respects based on the nature of the financial instruments being measured. The significant inputs include either a market-observable interest rate curve and a discount spread, if applicable, or the price received from a pricing service. Differing spreads may be applied to distinct term points along the discount curve in determining the fair value of instruments with varying maturities; therefore, the spread adjustment is presented as a range in Table 14.2.

Table 14.2 presents the significant inputs for non-MBS financial assets and liabilities carried at levels 2 and 3 within the fair value hierarchy at June 30, 2011.

Table 14.2 - Significant Inputs for Non-MBS (dollars in millions)

	Interest Rate Curve/ Pricing Services	Spread Range to the Interest Rate Curve (basis points)	Fair Value Levels 2 and 3
U.S. Treasury obligations	Treasury	–	$ 2,108
Commercial paper	LIBOR Swap Curve	(7) to (6)	2,065
Certificates of deposit	LIBOR Swap Curve	(5) to (2)	2,380
	Pricing Service	N/A	7,985
	Total		10,365
Other U.S. obligations	Pricing Service	N/A	937
GSE and TVA obligations	LIBOR Swap Curve	55	74
	Agency Discount Note Curve	–	5,874
	Pricing Service	N/A	16,859
	Total		22,807
State or local housing agency obligations	Pricing Service	N/A	3
TLGP debentures and promissory notes	LIBOR Swap Curve	(5)	250
	Pricing Service	N/A	14,000
	Total		14,250
FFELP ABS	LIBOR Swap Curve	50 to 70	3,092
	Pricing Service	N/A	5,470
	Total		8,562
Other	Pricing Service	N/A	1,366

Investment securities—MBS. The FHLBanks' valuation technique incorporates prices from up to four designated third-party pricing vendors, when available. These pricing vendors use methods that generally employ, but are not limited to, benchmark yields, recent trades, dealer estimates, valuation models, benchmarking of like securities, sector groupings and matrix pricing. Each FHLBank establishes a price for each of its MBS using a formula that is based upon the number of prices received. If four prices are received, the average of the middle two prices is used; if three prices are received, the middle price is used; if two prices are received, the average of the two prices is used; and if one price is received, it is used subject to some type of validation as described below. The computed prices are tested for reasonableness using specified tolerance thresholds. Computed prices within the established thresholds are generally accepted unless strong evidence suggests that using the formula-driven price would not be appropriate. Preliminary estimated fair values that are outside the tolerance thresholds, or that management believes may not be appropriate based on all available information (including those limited instances in which only one price is received), are subject to further analysis including, but not limited to, a comparison to the prices for similar securities and to non-binding dealer estimates or the use of an internal model that is deemed most appropriate after consideration of all relevant facts and circumstances that a market participant would consider. As of June 30, 2011, substantially all of the FHLBanks' MBS holdings were priced using these valuation techniques. The relative lack of dispersion among the vendor prices received for each of the securities supports each FHLBank's conclusion that the final computed prices are reasonable estimates of fair value. Based on the current lack of significant market activity for private-label RMBS and home equity loan ABS, the recurring and non-recurring fair value measurements for those securities as of June 30, 2011 fell within Level 3 of the fair value hierarchy.

Advances. The FHLBanks generally determine the fair value of advances by calculating the present value of expected future cash flows from the advances, excluding the amount of the accrued interest receivable. The discount rates used in these calculations are equivalent to 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 fair value of advances does not assume prepayment risk.

The significant inputs used to determine fair value for those advances carried at fair value on the Combined Statement of Condition are as follows:

- *CO Curve.* The Office of Finance constructs a market-observable curve referred to as the CO Curve. This curve is constructed using the U.S. Treasury Curve as a base curve, which is then adjusted by adding indicative spreads obtained largely from market observable sources. These market indications are generally derived from pricing indications from dealers, historical pricing relationships, recent GSE trades and secondary market activity. The FHLBanks use the CO Curve as the input to fair value for advances because the FHLBanks price advances using the CO Curve, as it represents the FHLBanks' cost of funds.

- *Volatility assumption.* Market-based expectations of future interest rate volatility implied from current market prices for similar options.

- *Spread assumption.* As of June 30, 2011 the spread adjustment to the CO Curve was 3 to 20 basis points for advances carried at fair value.

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

Accrued interest receivable and payable. The fair value approximates the carrying value.

Derivative assets/liabilities. The FHLBanks based the fair values of derivatives with similar terms on available market prices, when available. However, active markets do not exist for many of the FHLBanks' derivatives. Consequently, fair values for these instruments are generally estimated using standard valuation 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. The use of different assumptions could 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 the potential nonperformance of their derivatives counterparties, which are generally highly rated institutions. To mitigate this risk, each FHLBank has entered into master netting agreements for interest-rate exchange agreements with its derivative counterparties. To further limit the FHLBank's net unsecured credit exposure to those counterparties, each FHLBank has entered into bilateral security agreements with all of its active derivatives counterparties that provide for the delivery of collateral at specified levels tied to those counterparties' credit ratings. Each FHLBank has evaluated the potential for the fair value of the instruments to be affected by counterparty and its own credit risk and has determined that no adjustments were significant to the overall fair value measurements.

The fair values of each of the FHLBank's derivative assets and liabilities include accrued interest receivable/payable and cash collateral remitted to/received from counterparties; the estimated fair values of the accrued interest receivable/payable and cash collateral approximate their carrying values due to their short-term nature. The fair values of derivatives are netted by counterparty pursuant to the provisions of each FHLBank's master netting agreements. If these netted amounts are positive, they are classified as an asset and, if negative, they are classified as a liability.

A discounted cash flow analysis uses market-observable inputs (inputs that are actively quoted and can be validated to external sources). Inputs by class of derivative are as follows:

Interest-rate related:

- LIBOR Swap Curve.
- *Volatility assumption.* Market-based expectations of future interest rate volatility implied from current market prices for similar options.
- Prepayment assumption, if applicable.
- In limited instances, fair value estimates for interest-rate related derivatives are obtained from dealers and are corroborated by the FHLBanks using a pricing model and observable market data (e.g., the LIBOR Swap Curve).

TBAs:

- *TBA securities prices.* Market-based prices of TBAs are determined by coupon class and expected term until settlement.
- *TBA "drops."* TBA price "drops" are used to adjust base TBA prices and are a function of current short-term interest rates, prepayment estimates, and the supply and demand for pass-throughs in the current delivery month. TBA drops are obtained from a market-observable source.

Mortgage delivery commitments:

- *TBA securities prices.* Prices are then adjusted for differences in coupon, average loan rate and seasoning.

Deposits. The FHLBanks determine the fair values of deposits by calculating the present value of expected future cash flows from the deposits. The discount rates used in these calculations are the cost of deposits with similar terms. For certain FHLBanks, the fair value equals the carrying value 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 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.

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 use standard valuation techniques and estimate fair values based on the following significant inputs for those consolidated obligations carried at fair value on the Combined Statement of Condition.

- *CO Curve and LIBOR Swap Curve.* CO Curve and LIBOR Swap Curve for certain callable consolidated obligations.
- *Volatility assumption.* Market-based expectations of future interest rate volatility implied from current market prices for similar options.
- *Spread assumption.* As of June 30, 2011, the spread adjustment to the LIBOR Swap Curve was (40) to (11) basis points for certain callable consolidated obligations carried at fair value for the affected FHLBank using the LIBOR Swap Curve to value certain callable consolidated obligations. There was no spread adjustment to the CO Curve used to value the non-callable consolidated obligations carried at fair value and certain callable consolidated obligations for those FHLBanks not using the LIBOR Swap Curve.

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

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

Subjectivity of estimates. Estimates of the fair value of advances with options, mortgage instruments, derivatives with embedded options and consolidated obligations with options using the methods described above 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, possible distributions of future interest rates used to value options, and the selection of discount rates that appropriately reflect market and credit risks. The use of different assumptions could have a material effect on the fair value estimates. These estimates are susceptible to material near term changes because they are made as of a specific point in time.

Commitments. The fair value of the FHLBanks' commitments to extend credit for advances, letters of credit and standby bond-purchase agreements was immaterial at June 30, 2011 and December 31, 2010.

Fair Value on a Recurring Basis

Table 14.3 presents the fair value of financial assets and liabilities by level within the fair value hierarchy, which are recorded on a recurring basis at June 30, 2011 and December 31, 2010.

Table 14.3 - Hierarchy Level for Financial Assets and Liabilities - Recurring (dollars in millions)

	June 30, 2011				
	Total	Level 1	Level 2	Level 3	Netting Adjustment and Cash Collateral[1]
Assets:					
Trading securities:					
U.S. Treasury obligations	$ 2,108	$ –	$ 2,108	$ –	$ –
Commercial paper	2,065	–	2,065	–	–
Certificates of deposit	7,025	–	7,025	–	–
Government-sponsored enterprise obligations	12,900	–	12,900	–	–
State or local housing agency obligations	3	–	3	–	–
TLGP debentures and promissory notes	4,300	–	4,300	–	–
Other non-MBS	278	10	268	–	–
Other U.S. obligations RMBS	46	–	46	–	–
Government-sponsored enterprise RMBS	641	–	641	–	–
Government-sponsored enterprise CMBS	234	–	234	–	–
Total trading securities	29,600	10	29,590	–	–

	June 30, 2011				
	Total	Level 1	Level 2	Level 3	Netting Adjustment and Cash Collateral[1]
Available-for-sale securities:					
Certificates of deposit	3,340	–	3,340	–	–
Other U.S. obligations	937	–	937	–	–
Government-sponsored enterprise and Tennessee Valley Authority obligations	9,907	–	9,907	–	–
TLGP debentures and promissory notes	9,950	–	9,950	–	–
FFELP ABS	8,562	–	8,562	–	–
Other non-MBS	1,100	2	1,098	–	–
Other U.S. obligations RMBS	3,126	–	3,126	–	–
Government-sponsored enterprise RMBS	20,988	–	20,988	–	–
Government-sponsored enterprise CMBS	274	–	274	–	–
Private-label RMBS	15,389	–	–	15,389	–
Home equity loan ABS	17	–	–	17	–
Total available-for-sale securities	73,590	2	58,182	15,406	–
Advances[2]	9,600	–	9,600	–	–
Derivative assets, net:					
Interest-rate related	828	–	7,382	29	(6,583)
TBAs	2	1	1	–	–
Mortgage delivery commitments	1	–	1	–	–
Total derivative assets, net	831	1	7,384	29	(6,583)
Other assets	16	16	–	–	–
Total assets at fair value	$ 113,637	$ 29	$ 104,756	$ 15,435	$ (6,583)
Liabilities:					
Consolidated Obligations:					
Discount notes[3]	$ 2,356	$ –	$ 2,356	$ –	$ –
Bonds[4]	34,632	–	34,554	78	–
Total consolidated obligations	36,988	–	36,910	78	–
Derivative liabilities, net:					
Interest-rate related	4,896	–	17,146	–	(12,250)
TBAs	1	–	1	–	–
Mortgage-delivery commitments	3	–	3	–	–
Total derivative liabilities, net	4,900	–	17,150	–	(12,250)
Option advance commitments[5]	10	–	10	–	–
Total liabilities at fair value	$ 41,898	$ –	$ 54,070	$ 78	$ (12,250)

	December 31, 2010				
	Total	Level 1	Level 2	Level 3	Netting Adjustment and Cash Collateral[1]
Assets:					
Trading securities:					
U.S. Treasury obligations	$ 3,068	$ –	$ 3,068	$ –	$ –
Commercial paper	2,349	–	2,349	–	–
Certificates of deposit	7,075	–	7,075	–	–
Government-sponsored enterprise obligations	12,355	–	12,355	–	–
State or local housing agency obligations	3	–	3	–	–
TLGP debentures and promissory notes	2,126	–	2,126	–	–
Other non-MBS	271	11	260	–	–
Other U.S. obligations RMBS	49	–	49	–	–
Government-sponsored enterprise RMBS	765	–	765	–	–
Government-sponsored enterprise CMBS	230	–	230	–	–
Total trading securities	28,291	11	28,280	–	–
Available-for-sale securities:					
Certificates of deposit	5,790	–	5,790	–	–
Other U.S. obligations	984	–	984	–	–
Government-sponsored enterprise and Tennessee Valley Authority obligations	11,177	–	11,177	–	–
TLGP debentures and promissory notes	10,576	–	10,576	–	–
FFELP ABS	8,799	–	8,799	–	–
Other non-MBS	577	2	575	–	–
Other U.S. obligations RMBS	3,179	–	3,179	–	–
Government-sponsored enterprise RMBS	22,012	–	22,012	–	–
Government-sponsored enterprise CMBS	303	–	303	–	–
Private-label RMBS	8,047	–	–	8,047	–
Home equity loan ABS	15	–	–	15	–
Total available-for-sale securities	71,459	2	63,395	8,062	–
Advances[2]	11,301	–	11,301	–	–
Derivative assets, net:					
Interest-rate related	894	–	8,437	29	(7,572)
TBAs	1	1	–	–	–
Mortgage delivery commitments	2	–	2	–	–
Total derivative assets, net	897	1	8,439	29	(7,572)
Other assets	13	13	–	–	–
Total assets at fair value	$111,961	$ 27	$111,415	$8,091	$ (7,572)
Liabilities:					
Consolidated Obligations:					
Discount notes[3]	$ 5,820	$ –	$ 5,820	$ –	$ –
Bonds[4]	47,986	–	47,908	78	–
Total consolidated obligations	53,806	–	53,728	78	–
Derivative liabilities, net:					
Interest-rate related	5,462	–	19,042	–	(13,580)
TBAs	1	–	1	–	–
Mortgage delivery commitments	4	–	4	–	–
Total derivative liabilities, net	5,467	–	19,047	–	(13,580)
Optional advance commitments[5]	11	–	11	–	–
Total liabilities at fair value	$ 59,284	$ –	$ 72,786	$ 78	$ (13,580)

(1) Amounts represent the effect of legally enforceable master netting agreements that allow an FHLBank to net settle positive and negative positions and also cash collateral and related accrued interest held or placed with the same counterparties.
(2) Includes $9,236 million and $10,494 million of advances recorded under the fair value option and $364 million and $807 million of hedged advances recorded at fair value at June 30, 2011 and December 31, 2010.
(3) Represents $2,356 million and $5,820 million of consolidated obligation discount notes recorded under the fair value option at June 30, 2011 and December 31, 2010.
(4) Includes $34,554 million and $47,395 million of consolidated obligation bonds recorded under the fair value option and $78 million and $591 million of hedged consolidated bonds recorded at fair value at June 30, 2011 and December 31, 2010.
(5) Recorded in other liabilities under the fair value option at June 30, 2011 and December 31, 2010.

Level 3 Disclosures for All Assets and Liabilities that are Measured at Fair Value on a Recurring Basis

Table 14.4 presents a reconciliation of assets and liabilities measured at fair value on a recurring basis which used Level 3 significant inputs during the six months ended June 30, 2011 and 2010.

Table 14.4 - Reconciliation of Level 3 Assets and Liabilities (dollars in millions)

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)			
	Available-for-Sale Securities		Derivatives, Net[2]	
	Private-Label RMBS	Home Equity Loan ABS	Interest-Rate Related	Consolidated Bonds
Balance, December 31, 2010	$ 8,047	$ 15	$ 29	$ (78)
Total gains or losses (realized/unrealized):				
Included in net gains on sale of available-for-sale securities	5	–	–	–
Included in net gains (losses) on changes in fair value included in earnings	(326)[a]	(1)	–	–
Included in AOCI	1,366	5	–	–
Purchases, issuances, sales and settlements:				
Settlements	(1,364)	(2)	–	–
Transfers from held-to-maturity to available-for-sale securities[1]	7,661	–	–	–
Balance, June 30, 2011	$ 15,389	$ 17	$ 29	$ (78)
Total amount of gains (losses) for the period included in earnings attributable to the change in unrealized gains/losses relating to assets and liabilities still held at June 30, 2011	$ (325)	$ (1)	$ –	$ –

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)			
	Available-for-Sale Securities			
	Private-Label RMBS	Home Equity Loan ABS	Derivatives, Net[2]	Consolidated Bonds
Balance, December 31, 2009	$ 5,695	$ 14	$ 23	$ (71)
Total gains or losses (realized/unrealized):				
Included in net gains (losses) on changes in fair value included in earnings related to assets and liabilities still held at June 30, 2010	(286)[a]	(1)	9	(9)
Included in AOCI	810	5	–	–
Purchases, issuances and settlements	(586)	(3)	–	–
Transfers from held-to-maturity to available-for-sale securities[1]	1,732	–	–	–
Balance, June 30, 2010	$ 7,365	$ 15	$ 32	$ (80)

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

(1) During the six months ended June 30, 2011, each of the FHLBanks of Pittsburgh, Atlanta and San Francisco elected to transfer from their respective HTM portfolio to their respective AFS portfolio all private-label RMBS that had credit-related OTTI. During the six months ended June 30, 2010, each of the FHLBanks of Pittsburgh and Atlanta elected to transfer all private-label RMBS that had credit-related OTTI from their respective HTM portfolio to their respective AFS portfolio. The FHLBank of Seattle elected to transfer certain private-label RMBS that had credit-related OTTI during the six months ended June 30, 2011 and 2010 from its HTM portfolio to its AFS portfolio. (See ***Note 6—Other-Than-Temporary Impairment Analysis*** for additional information on these transfers.) As of June 30, 2011 and 2010, the fair value of these securities continued to be determined using significant unobservable inputs (Level 3).

(2) Balances exclude netting adjustments and cash collateral.

Fair Value on a Non-Recurring Basis

The FHLBanks measure certain held-to-maturity securities, mortgage loans and real estate owned at fair value on a non-recurring 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).

Table 14.5 presents the fair value of financial assets and liabilities by level within the fair value hierarchy that are recorded on a non-recurring basis at June 30, 2011 and December 31, 2010.

Table 14.5 - Hierarchy Level for Financial Assets and Liabilities—Non-Recurring (dollars in millions)

	June 30, 2011			
	Total	Level 1	Level 2	Level 3
Held-to-maturity securities:				
Private-label RMBS	$ 609	$ –	$ –	$ 609
Home equity loan ABS	6	–	–	6
Total held-to-maturity securities	615	–	–	615
Mortgage loans held for portfolio	120	–	–	120
Real estate owned	24	–	3	21
Total non-recurring assets at fair value	$ 759	$ –	$ 3	$ 756

	December 31, 2010			
	Total	Level 1	Level 2	Level 3
Held-to-maturity securities:				
Private-label RMBS	$ 738	$ –	$ –	$ 738
Total held-to-maturity securities	738	–	–	738
Mortgage loans held for portfolio	96	–	–	96
Real estate owned	22	–	2	20
Total non-recurring assets at fair value	$ 856	$ –	$ 2	$ 854

Fair Value Option

The fair value option provides an irrevocable 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. 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. Interest income and interest expense carried on advances and consolidated obligations (consolidated discount notes and consolidated bonds) at fair value are recognized solely on the contractual amount of interest due or unpaid. Any transaction fees or costs are immediately recognized into other non-interest income or other non-interest expense.

Each of the FHLBanks of New York, Cincinnati, Chicago, Des Moines, Dallas, and San Francisco (Electing FHLBanks) has elected the fair value option for certain advances, certain optional advance commitments and/or certain consolidated obligations transactions. Each of the Electing FHLBanks has elected one or more of these items for the fair value option 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 primary reason that the Electing FHLBanks have elected the fair value option for financial assets and financial liabilities that do not qualify for hedge accounting or for items that have not previously met or may be at risk for not meeting hedge effectiveness requirements.

Table 14.6 - Fair Value Option Financial Assets and Liabilities (dollars in millions)

	Three Months Ended June 30,						
	2011				2010		
	Advances	Consolidated Discount Notes	Consolidated Bonds	Other Liabilities	Advances	Consolidated Discount Notes	Consolidated Bonds
Balance, at beginning of period	$ 9,714	$ (3,476)	$ (46,767)	$ (15)	$ 17,463	$ –	$ (42,891)
New transactions elected for fair value option	1,004	(961)	(11,940)	–	127	(4,960)	(23,294)
Maturities and terminations	(1,588)	2,080	24,219	–	(4,781)	–	20,635
Net gains (losses) on instruments held under fair value option	105	–	(86)	5	36	(2)	(72)
Change in accrued interest and other	1	1	20	–	(22)	(1)	9
Balance, at end of period	$ 9,236	$ (2,356)	$ (34,554)	$ (10)	$ 12,823	$ (4,963)	$ (45,613)

	Six Months Ended June 30,						
	2011				2010		
	Advances	Consolidated Discount Notes	Consolidated Bonds	Other Liabilities	Advances	Consolidated Discount Notes	Consolidated Bonds
Balance, at beginning of period	$ 10,494	$ (5,820)	$ (47,395)	$ (11)	$ 21,620	$ –	$ (53,805)
New transactions elected for fair value option	1,522	(1,204)	(32,340)	(3)	200	(4,960)	(40,905)
Maturities and terminations	(2,828)	4,669	45,265	–	(8,915)	–	49,202
Net gains (losses) on instruments held under fair value option	54	1	(95)	4	(44)	(2)	(96)
Change in accrued interest and other	(6)	(2)	11	–	(38)	(1)	(9)
Balance, at end of period	$ 9,236	$ (2,356)	$ (34,554)	$ (10)	$ 12,823	$ (4,963)	$ (45,613)

For items recorded under the fair value option, the related contractual interest income, contractual interest expense and the discount amortization on fair value option discount notes are 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 are recorded as "Net gains (losses) on advances, consolidated obligations and other liabilities held under fair value option" in the Combined Statement of Income. The change in fair value does not include changes in instrument-specific credit risk. Each of the Electing FHLBanks determined that no adjustments to the fair values of its instruments recorded under the fair value option for instrument-specific credit risk were necessary as of June 30, 2011 and December 31, 2010.

Table 14.7 presents the difference between the aggregate unpaid balance outstanding and the aggregate fair value for advances and consolidated obligations for which the fair value option has been elected as of June 30, 2011 and December 31, 2010.

Table 14.7 - Aggregate Unpaid Balance and Aggregate Fair Value (dollars in millions)

	Aggregate Unpaid Principal Balance	Aggregate Fair Value	Fair Value Over/(Under) Aggregate Unpaid Principal Balance
June 30, 2011:			
Advances[1]	$ 8,904	$ 9,236	$ 332
Consolidated discount notes	2,355	2,356	1
Consolidated bonds	34,579	34,554	(25)
December 31, 2010:			
Advances[1]	$ 10,167	$ 10,494	$ 327
Consolidated discount notes	5,816	5,820	4
Consolidated bonds	47,503	47,395	(108)

(1) At June 30, 2011 and December 31, 2010, none of the advances were 90 days or more past due or had been placed on non-accrual status.

Note 15—Commitments and Contingencies

Off-Balance-Sheet Commitments

Table 15.1 - Off-Balance-Sheet Commitments (dollars in millions)

	June 30, 2011			December 31, 2010
Notional amount	Expire Within One Year	Expire After One Year	Total	Total
Standby letters of credit outstanding[1]	$ 29,405	$ 28,048	$ 57,453	$ 63,098
Commitments for standby bond purchases	944	2,600	3,544	3,475
Unused lines of credit	2,069	–	2,069	2,098
Commitments to fund additional advances	967	211	1,178	2,182
Unsettled consolidated bonds, at par[2]	19,873	–	19,873	2,619
Unsettled consolidated discount notes, at par	6,647	–	6,647	42

(1) Excludes unconditional commitments to issue standby letters of credit of $610 million and $503 million at June 30, 2011 and December 31, 2010.
(2) Unsettled consolidated bonds of $15,309 million and $1,758 million were hedged with associated interest-rate swaps at June 30, 2011 and December 31, 2010.

Commitments to Extend Credit. Standby letters of credit are executed for members for a fee. A standby letter of credit is a financing arrangement between the FHLBank and its member. If the FHLBank is required to make payment for a beneficiary's draw, the payment amount is converted into a collateralized advance to the member. The original terms of these standby letters of credit, including related commitments, range from less than one month to 20 years, including a final expiration in 2030. The carrying value of guarantees related to standby letters of credit are recorded in other liabilities and were $128 million and $138 million at June 30, 2011 and December 31, 2010.

Each FHLBank monitors the creditworthiness of its members that have standby letters of credit agreements outstanding based on an evaluation of the financial condition of those members. Each of the FHLBanks has established parameters for the measurement, review, classification, and monitoring of credit risk related to these standby letters of credit. Based on credit analyses performed by each FHLBank's management as well as collateral requirements, the FHLBanks have not deemed it necessary to record any additional liability on these commitments. Commitments to extend credit are fully collateralized at the time of issuance.

Standby Bond-Purchase Agreements. Certain FHLBanks have entered into standby bond purchase agreements with state housing authorities within their district whereby the FHLBanks agree to provide liquidity for a fee. If required, these FHLBanks will purchase and hold the authority's bonds until the designated marketing agent can find a suitable investor or the housing authority repurchases the bond according to a schedule established by the standby agreement. Each standby agreement dictates the specific terms that would require the FHLBank to purchase the bond. The bond purchase commitments entered into by these

FHLBanks have expiration periods up to 7 years, currently no later than 2016, although some are renewable at the option of an FHLBank. At June 30, 2011, the FHLBanks had standby bond purchase commitments with 10 state housing authorities. During the six months ended June 30, 2011, the FHLBanks were not required to purchase any bonds under these agreements.

Commitments to Fund or Purchase Mortgage Loans. The FHLBanks enter into commitments that unconditionally obligate them to fund or purchase mortgage loans. Commitments are generally for periods not to exceed 365 days. Of these outstanding commitments, $771 million and $610 million at June 30, 2011 and December 31, 2010 represent commitments that obligate the FHLBanks to purchase closed mortgage loans from their members, as well as net delivery commitments related to the MPF Xtra product. In addition, $5 million of commitments that obligate the FHLBanks to table fund mortgage loans that are not considered derivatives were outstanding at December 31, 2010. There were no commitments that obligate the FHLBanks to table fund mortgage loans at June 30, 2011.

The delivery commitments are recorded at fair value as derivatives. Under the MPF Xtra product, the FHLBank of Chicago enters into delivery commitments to purchase MPF Xtra mortgage loans from the PFIs, and simultaneously enters into delivery commitments to resell these loans to Fannie Mae. The outstanding delivery commitments issued by the FHLBank of Chicago were $100 million and $140 million at June 30, 2011 and December 31, 2010. For derivative and hedging activities disclosure purposes, the delivery commitments issued by the FHLBank of Chicago and by Fannie Mae are considered separate derivatives.

Pledged Collateral

The FHLBanks generally execute derivatives with large banks and major broker-dealers and generally enter into bilateral pledge (collateral) agreements. At June 30, 2011, the FHLBanks had pledged, as collateral, securities with a carrying value of $979 million, which cannot be sold or repledged, and securities with a carrying value of $738 million, which can be sold or repledged to counterparties who have market risk exposure from the FHLBanks related to derivatives.

Lehman Bankruptcy

On September 15, 2008, LBHI, the parent company of LBSF and a guarantor of LBSF's obligations, announced it had filed a petition for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code. This filing precipitated the termination of the FHLBanks' derivatives transactions with LBSF. Each affected FHLBank calculated its resulting settlement amount, including in that calculation any unreturned collateral pledged in connection with those transactions. Each of the FHLBanks of Boston, New York, Pittsburgh, Cincinnati, Indianapolis and Topeka has disclosed information regarding certain legal proceedings in connection with LBHI's insolvency in its individual 2011 Second Quarter SEC Form 10-Q.

Additionally, a number of FHLBanks, including the FHLBanks of Boston, New York, Cincinnati, Indianapolis and Topeka, have received a derivatives alternative dispute resolution (ADR) notice from the LBHI bankruptcy estate relating to the unwinding of derivatives transactions between LBSF and individual FHLBanks in 2008. Under the derivatives ADR notice, an FHLBank may agree to the demand, deny the demand or make a counteroffer and ultimately arrive at a settlement of the demand.

Other Legal Proceedings

The FHLBanks are subject to other legal proceedings arising in the normal course of business. After consultation with legal counsel, management of each FHLBank does not anticipate that the ultimate liability, if any, arising out of these matters will have a material effect on its FHLBank's financial condition or results of operations.

Further discussion and additional information for the above and other commitments and contingencies are provided in ***Note 7—Advances***; ***Note 10—Derivatives and Hedging Activities***; ***Note 12—Consolidated Obligations***; ***Note 13—Capital*****;** and ***Note 14—Fair Value***.

Note 16—Subsequent Events

Subsequent events have been evaluated through the time of publication of this Combined Financial Report. From July 1 to August 12, 2011, no significant subsequent events were identified, except for the declaration of dividends or repurchase of excess capital stock, which generally occur in the normal course of business unless there are regulatory or self-imposed restrictions, and the event discussed below.

FHLBank of Seattle. On June 30, 2011, the FHLBank of Seattle entered into an agreement to sell $1.3 billion of mortgage loans previously held for portfolio. This transaction settled on July 26, 2011, resulting in a gain of approximately $74 million that will be reflected in the FHLBank of Seattle's third quarter financial results. (See ***Note 8—Mortgage Loans—Mortgage Loans Held for Sale*** and ***Note 13—Capital—FHLBank of Seattle Capital Classification and Consent Arrangement*** for additional information regarding this transaction.)

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CONDITION
JUNE 30, 2011

(Dollars in millions)
(Unaudited)

	Combined	Combining Adjustments	Boston	New York
ASSETS				
Cash and due from banks	$ 24,325	$ –	$ 623	$ 5,545
Interest-bearing deposits	8	–	–	–
Deposits with other FHLBanks	–	(12)	–	–
Securities purchased under agreements to resell	7,800	–	1,750	–
Federal funds sold	54,871	–	2,650	4,475
Investment securities:				
Trading securities	29,600	(197)	4,906	–
Available-for-sale securities	73,590	–	5,455	3,538
Held-to-maturity securities	129,925	–	7,326	8,400
Total investment securities	233,115	(197)	17,687	11,938
Advances	428,460	–	26,204	74,791
Mortgage loans held for portfolio:				
Mortgage loans held for portfolio	55,970	–	3,140	1,302
Less allowance for credit losses on mortgage loans	(108)	–	(7)	(6)
Mortgage loans held for portfolio, net	55,862	–	3,133	1,296
Accrued interest receivable	1,664	(3)	125	236
Premises, software and equipment, net	222	–	5	14
Derivative assets, net	831	–	16	33
Other assets	2,061	3	41	14
Total assets	$ 809,219	$ (209)	$ 52,234	$ 98,342
LIABILITIES				
Deposits:				
Interest-bearing:				
Demand and overnight	$ 13,101	$ –	$ 696	$ 1,834
Term	707	–	29	39
Deposits from other FHLBanks	–	(12)	–	–
Other	57	–	4	26
Total interest-bearing	13,865	(12)	729	1,899
Non-interest-bearing:				
Demand and overnight	100	–	–	3
Other	141	–	16	–
Total non-interest-bearing	241	–	16	3
Total deposits	14,106	(12)	745	1,902
Securities sold under agreements to repurchase	1,200	–	–	–
Consolidated obligations				
Discount notes	180,960	–	12,053	27,013
Bonds	551,198	(261)	34,887	62,816
Total consolidated obligations	732,158	(261)	46,940	89,829
Mandatorily redeemable capital stock	9,290	–	227	58
Accrued interest payable	2,273	(3)	131	181
Affordable Housing Program payable	739	–	25	134
Payable to REFCORP	77	–	5	15
Derivative liabilities, net	4,900	–	673	694
Other liabilities	2,382	–	122	250
Subordinated notes	1,000	–	–	–
Total liabilities	768,125	(276)	48,868	93,063
CAPITAL				
Capital Stock:				
Class B putable ($100 par value) issued and outstanding	33,726	–	3,572	4,658
Class A putable ($100 par value) issued and outstanding	717	–	–	–
Pre-conversion putable ($100 par value) issued and outstanding	2,352	–	–	–
Total capital stock	36,795	–	3,572	4,658
Retained earnings	7,859	69	289	721
Accumulated other comprehensive income (loss):				
Net unrealized gains (losses) on available-for-sale securities	1,039	–	(3)	19
Net unrealized losses on held-to-maturity securities transferred from available-for-sale securities	(7)	–	–	–
Net non-credit portion of other-than-temporary impairment losses on available-for-sale securities	(2,470)	–	–	–
Net non-credit portion of other-than-temporary impairment losses on held-to-maturity securities	(1,411)	–	(489)	(86)
Net unrealized losses relating to hedging activities	(664)	(2)	(2)	(21)
Pension and postretirement benefits	(47)	–	(1)	(12)
Total accumulated other comprehensive income (loss)	(3,560)	(2)	(495)	(100)
Total capital	41,094	67	3,366	5,279
Total liabilities and capital	$ 809,219	$ (209)	$ 52,234	$ 98,342
Supplemental Disclosures:				
Advances held at fair value under fair value option included in advances	$ 9,236	$ –	$ –	$ –
Consolidated discount notes held at fair value under fair value option included in consolidated discount notes	$ 2,356	$ –	$ –	$ 737
Consolidated bonds held at fair value under fair value option included in consolidated bonds	$ 34,554	$ –	$ –	$ 9,452
Other liabilities held at fair value under fair value option included in other liabilities	$ 10	$ –	$ –	$ –

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 1,468	$ 25	$ 1,802	$ 1,539	$ 2,743	$ 669	$ 2,118	$ 337	$ 7,452	$ 4
–	–	–	–	–	8	–	–	–	–
9	2	–	–	–	–	1	–	–	–
–	–	1,700	–	1,100	250	–	–	–	3,000
3,380	14,110	2,360	2,905	274	2,280	1,948	1,115	11,669	7,705
1,135	3,100	7,105	–	2,471	1,333	6	6,193	3,548	–
2,890	3,308	3,840	3,085	24,300	5,675	–	–	9,781	11,718
11,772	16,459	12,935	8,634	12,415	6,055	7,331	5,792	26,224	6,582
15,797	22,867	23,880	11,719	39,186	13,063	7,337	11,985	39,553	18,300
26,912	77,427	29,173	17,476	17,315	27,939	19,684	17,633	82,745	11,161
4,140	1,828	7,561	6,283	16,114	7,244	184	4,575	2,102	1,497
(9)	(1)	(15)	(2)	(39)	(19)	–	(3)	(5)	(2)
4,131	1,827	7,546	6,281	16,075	7,225	184	4,572	2,097	1,495
141	338	124	90	170	77	38	87	169	72
18	33	10	11	40	11	24	12	26	18
29	17	4	–	58	1	37	26	600	10
62	171	19	38	117	52	17	59	127	1,341
$ 51,947	$ 116,817	$ 66,618	$ 40,059	$ 77,078	$ 51,575	$ 31,388	$ 35,826	$ 144,438	$ 43,106
$ 1,156	$ 3,008	$ 1,036	$ 695	$ 526	$ 584	$ 1,463	$ 1,700	$ 127	$ 276
–	–	154	–	7	336	70	27	11	34
–	–	–	–	12	–	–	–	–	–
–	–	21	–	–	–	–	–	6	–
1,156	3,008	1,211	695	545	920	1,533	1,727	144	310
36	–	–	–	–	61	–	–	–	–
–	–	14	11	78	–	–	20	2	–
36	–	14	11	78	61	–	20	2	–
1,192	3,008	1,225	706	623	981	1,533	1,747	146	310
–	–	–	–	1,200	–	–	–	–	–
10,815	20,573	32,916	9,993	16,619	8,602	2,850	9,786	20,406	9,334
34,892	84,640	28,052	26,068	52,535	38,568	25,124	22,106	111,709	30,062
45,707	105,213	60,968	36,061	69,154	47,170	27,974	31,892	132,115	39,396
32	385	324	515	533	7	17	14	6,144	1,034
151	337	172	124	256	171	98	122	411	122
13	121	82	33	49	43	36	36	163	4
3	10	9	6	10	5	2	6	6	–
582	240	199	679	930	366	2	233	130	172
323	282	85	51	102	31	30	34	304	768
–	–	–	–	1,000	–	–	–	–	–
48,003	109,596	63,064	38,175	73,857	48,774	29,692	34,084	139,419	41,806
3,663	6,333	3,113	1,490	–	2,140	1,285	785	5,046	1,641
–	–	–	–	–	–	–	592	–	125
–	–	–	–	2,352	–	–	–	–	–
3,663	6,333	3,113	1,490	2,352	2,140	1,285	1,377	5,046	1,766
412	1,184	448	451	1,165	568	467	387	1,665	33
(1)	12	–	6	905	94	–	–	1	6
–	–	–	–	(7)	–	–	–	–	–
(130)	(298)	–	(50)	(23)	–	–	–	(1,524)	(445)
–	–	–	(5)	(535)	–	(57)	(19)	(161)	(59)
–	–	–	–	(638)	–	–	–	(1)	–
–	(10)	(7)	(8)	2	(1)	1	(3)	(7)	(1)
(131)	(296)	(7)	(57)	(296)	93	(56)	(22)	(1,692)	(499)
3,944	7,221	3,554	1,884	3,221	2,801	1,696	1,742	5,019	1,300
$ 51,947	$ 116,817	$ 66,618	$ 40,059	$ 77,078	$ 51,575	$ 31,388	$ 35,826	$ 144,438	$ 43,106
$ –	$ –	$ –	$ –	$ 9	$ –	$ –	$ –	$ 9,227	$ –
$ –	$ –	$ –	$ –	$ 1,202	$ 417	$ –	$ –	$ –	$ –
$ –	$ –	$ 2,232	$ –	$ 4,073	$ 60	$ –	$ –	$ 18,737	$ –
$ –	$ –	$ –	$ –	$ –	$ –	$ 10	$ –	$ –	$ –

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CONDITION
DECEMBER 31, 2010

(Dollars in millions)
(Unaudited)

	Combined	Combining Adjustments	Boston	New York
ASSETS				
Cash and due from banks	$ 3,801	$ –	$ 6	$ 661
Interest-bearing deposits	9	–	–	–
Deposits with other FHLBanks	–	(13)	–	–
Securities purchased under agreements to resell	16,400	–	2,175	–
Federal funds sold	75,855	–	5,585	4,988
Investment securities:				
Trading securities	28,291	(195)	5,580	–
Available-for-sale securities	71,459	–	7,335	3,990
Held-to-maturity securities	138,456	–	6,459	7,761
Total investment securities	238,206	(195)	19,374	11,751
Advances	478,589	–	28,035	81,200
Mortgage loans held for portfolio:				
Mortgage loans held for portfolio	61,277	–	3,255	1,272
Less allowance for credit losses on mortgage loans	(86)	–	(9)	(6)
Mortgage loans held for portfolio, net	61,191	–	3,246	1,266
Accrued interest receivable	1,921	(3)	145	288
Premises, software and equipment, net	229	–	5	15
Derivative assets, net	897	–	15	22
Other assets	1,011	3	61	21
Total assets	$ 878,109	$ (208)	$ 58,647	$ 100,212
LIABILITIES				
Deposits:				
Interest-bearing:				
Demand and overnight	$ 12,776	$ –	$ 677	$ 2,361
Term	1,129	–	29	43
Deposits from other FHLBanks	–	(13)	–	–
Other	75	–	5	41
Total interest-bearing	13,980	(13)	711	2,445
Non-interest-bearing:				
Demand and overnight	160	–	–	10
Other	261	–	34	–
Total non-interest-bearing	421	–	34	10
Total deposits	14,401	(13)	745	2,455
Securities sold under agreements to repurchase	1,200	–	–	–
Consolidated obligations:				
Discount notes	194,431	–	18,525	19,391
Bonds	606,567	(254)	35,103	71,743
Total consolidated obligations	800,998	(254)	53,628	91,134
Mandatorily redeemable capital stock	7,066	–	90	63
Accrued interest payable	2,471	(3)	141	197
Affordable Housing Program payable	773	–	23	138
Payable to REFCORP	159	–	–	22
Derivative liabilities, net	5,467	–	729	955
Other liabilities	833	–	15	104
Subordinated notes	1,000	–	–	–
Total liabilities	834,368	(270)	55,371	95,068
CAPITAL				
Capital stock:				
Class B putable ($100 par value) issued and outstanding	38,683	–	3,665	4,529
Class A putable ($100 par value) issued and outstanding	719	–	–	–
Pre-conversion putable ($100 par value) issued and outstanding	2,333	–	–	–
Total capital stock	41,735	–	3,665	4,529
Retained earnings	7,552	64	249	712
Accumulated other comprehensive income (loss):				
Net unrealized gains (losses) on available-for-sale securities	841	–	(15)	23
Net unrealized losses on held-to-maturity securities transferred from available-for-sale securities	(8)	–	–	–
Net non-credit portion of other-than-temporary impairment losses on available-for-sale securities	(1,310)	–	–	–
Net non-credit portion of other-than-temporary impairment losses on held-to-maturity securities	(4,441)	–	(622)	(93)
Net unrealized losses relating to hedging activities	(579)	(2)	–	(15)
Pension and postretirement benefits	(49)	–	(1)	(12)
Total accumulated other comprehensive income (loss)	(5,546)	(2)	(638)	(97)
Total capital	43,741	62	3,276	5,144
Total liabilities and capital	$ 878,109	$ (208)	$ 58,647	$ 100,212
Supplemental Disclosures:				
Advances held at fair value under fair value option included in advances	$ 10,494	$ –	$ –	$ –
Consolidated discount notes held at fair value under fair value option included in consolidated discount notes	$ 5,820	$ –	$ –	$ 956
Consolidated bonds held at fair value under fair value option included in consolidated bonds	$ 47,395	$ –	$ –	$ 14,281
Other liabilities held at fair value under fair value option included in other liabilities	$ 11	$ –	$ –	$ –

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 143	$ 5	$ 198	$ 12	$ 282	$ 106	$ 1,632	$ –	$ 755	$ 1
–	–	–	–	–	9	–	–	–	–
10	2	–	–	–	–	1	–	–	–
–	–	2,950	750	4,225	1,550	–	–	–	4,750
3,330	15,701	5,480	7,325	3,018	2,025	3,767	1,755	16,312	6,569
1,136	3,383	6,403	–	1,652	1,473	5	6,335	2,519	–
2,218	3,319	5,790	3,238	24,567	6,357	–	–	1,927	12,718
12,058	17,474	12,691	8,472	12,777	7,226	8,496	6,756	31,824	6,462
15,412	24,176	24,884	11,710	38,996	15,056	8,501	13,091	36,270	19,180
29,708	89,258	30,181	18,275	18,901	29,253	25,456	19,368	95,599	13,355
4,486	2,040	7,782	6,703	18,327	7,434	207	4,176	2,384	3,211
(3)	(1)	(12)	(1)	(33)	(13)	–	(3)	(3)	(2)
4,483	2,039	7,770	6,702	18,294	7,421	207	4,173	2,381	3,209
154	388	132	99	189	79	43	93	228	86
19	35	11	11	45	9	25	13	25	16
23	5	2	6	16	12	39	26	718	13
105	189	23	40	150	49	19	187	135	29
$ 53,387	$ 131,798	$ 71,631	$ 44,930	$ 84,116	$ 55,569	$ 39,690	$ 38,706	$ 152,423	$ 47,208
$ 1,128	$ 3,093	$ 1,200	$ 560	$ 627	$ 600	$ 990	$ 1,130	$ 110	$ 300
–	–	211	15	15	470	80	47	16	203
–	–	–	–	13	–	–	–	–	–
–	–	27	–	–	–	–	–	2	–
1,128	3,093	1,438	575	655	1,070	1,070	1,177	128	503
39	–	–	–	–	111	–	–	–	–
–	–	14	10	164	–	–	33	6	–
39	–	14	10	164	111	–	33	6	–
1,167	3,093	1,452	585	819	1,181	1,070	1,210	134	503
–	–	–	–	1,200	–	–	–	–	–
13,082	23,915	35,003	8,925	18,421	7,208	5,132	13,705	19,527	11,597
34,129	95,198	30,697	31,875	57,849	43,791	31,316	21,521	121,120	32,479
47,211	119,113	65,700	40,800	76,270	50,999	36,448	35,226	140,647	44,076
34	529	357	658	530	7	8	19	3,749	1,022
168	357	190	134	281	187	94	129	467	129
14	126	88	36	44	45	41	39	174	5
–	20	11	10	33	12	6	8	37	–
608	455	228	657	883	278	1	256	163	254
24	159	82	103	107	30	32	36	104	37
–	–	–	–	1,000	–	–	–	–	–
49,226	123,852	68,108	42,983	81,167	52,739	37,700	36,923	145,475	46,026
3,986	7,224	3,092	1,610	–	2,183	1,601	861	8,282	1,650
–	–	–	–	–	–	–	593	–	126
–	–	–	–	2,333	–	–	–	–	–
3,986	7,224	3,092	1,610	2,333	2,183	1,601	1,454	8,282	1,776
397	1,124	438	427	1,099	556	452	352	1,609	73
(1)	4	–	(4)	748	92	–	–	(1)	(5)
–	–	–	–	(8)	–	–	–	–	–
(221)	(396)	–	(69)	(34)	–	–	–	–	(590)
–	–	–	(7)	(630)	–	(64)	(20)	(2,934)	(71)
–	–	–	–	(561)	–	–	–	(1)	–
–	(10)	(7)	(10)	2	(1)	1	(3)	(7)	(1)
(222)	(402)	(7)	(90)	(483)	91	(63)	(23)	(2,943)	(667)
4,161	7,946	3,523	1,947	2,949	2,830	1,990	1,783	6,948	1,182
$ 53,387	$ 131,798	$ 71,631	$ 44,930	$ 84,116	$ 55,569	$ 39,690	$ 38,706	$ 152,423	$ 47,208
$ –	$ –	$ –	$ –	$ 4	$ –	$ –	$ –	$ 10,490	$ –
$ –	$ –	$ –	$ –	$ 4,864	$ –	$ –	$ –	$ –	$ –
$ –	$ –	$ –	$ –	$ 9,425	$ 2,817	$ –	$ –	$ 20,872	$ –
$ –	$ –	$ –	$ –	$ –	$ –	$ 11	$ –	$ –	$ –

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED JUNE 30, 2011

(Dollars in millions)
(Unaudited)

	Combined	Combining Adjustments	Boston	New York
INTEREST INCOME				
Advances	$ 833	$ –	$ 83	$ 106
Prepayment fees on advances, net	45	–	10	10
Interest-bearing deposits	2	–	–	1
Securities purchased under agreements to resell	3	–	–	–
Federal funds sold	25	–	2	2
Trading securities	102	(3)	5	–
Available-for-sale securities	371	–	16	7
Held-to-maturity securities	822	–	41	69
Mortgage loans held for portfolio	684	–	38	16
Total interest income	2,887	(3)	195	211
INTEREST EXPENSE				
Consolidated obligations—Discount notes	134	–	3	7
Consolidated obligations—Bonds	1,715	4	116	103
Deposits	1	–	–	1
Securities sold under agreements to repurchase	5	–	–	–
Subordinated notes	14	–	–	–
Mandatorily redeemable capital stock	12	–	–	–
Total interest expense	1,881	4	119	111
NET INTEREST INCOME	1,006	(7)	76	100
Provision (reversal) for credit losses	10	–	(2)	1
NET INTEREST INCOME AFTER PROVISION (REVERSAL) FOR CREDIT LOSSES	996	(7)	78	99
OTHER NON-INTEREST INCOME (LOSS)				
Total other-than-temporary impairment losses	(164)	–	(16)	–
Net amount of impairment losses reclassified to/(from) accumulated other comprehensive loss	(177)	–	(19)	–
Net other-than-temporary impairment losses	(341)	–	(35)	–
Net gains (losses) on trading securities	35	–	6	–
Net realized gains (losses) from sale of available-for-sale securities	10	–	5	–
Net realized gains (losses) from sale of held-to-maturity securities	10	–	–	–
Net gains (losses) on advances, consolidated obligations and other liabilities held under fair value option	24	–	–	(6)
Net gains (losses) on derivatives and hedging activities	(157)	–	(8)	7
Service fees	7	–	2	1
Other, net	8	(2)	–	(3)
Total non-interest other income (loss)	(404)	(2)	(30)	(1)
OTHER EXPENSE				
Compensation and benefits	126	–	8	14
Other operating expenses	76	–	5	8
Finance Agency	20	–	1	2
Office of Finance	7	–	1	1
Other	11	(2)	3	1
Total other expense	240	(2)	18	26
INCOME (LOSS) BEFORE ASSESSMENTS	352	(7)	30	72
ASSESSMENTS				
Affordable Housing Program	32	–	3	6
REFCORP	69	–	5	13
Total assessments	101	–	8	19
NET INCOME (LOSS)	$ 251	$ (7)	$ 22	$ 53

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 61	$ 65	$ 58	$ 39	$ 62	$ 65	$ 53	$ 38	$ 176	$ 27
–	3	1	–	5	4	4	1	4	3
–	1	–	–	–	–	–	–	–	–
–	–	1	–	1	–	–	–	–	1
1	4	1	2	–	1	1	1	6	4
–	40	10	–	17	6	–	20	7	–
34	44	3	13	162	20	–	–	72	–
48	101	104	46	130	48	21	25	166	23
52	25	85	77	192	83	2	49	28	37
196	283	263	177	569	227	81	134	459	95
4	4	6	2	92	1	–	3	9	3
156	159	186	115	328	177	43	77	183	68
–	–	–	–	–	–	–	–	–	–
–	–	–	–	5	–	–	–	–	–
–	–	–	–	14	–	–	–	–	–
–	1	4	4	–	–	–	–	3	–
160	164	196	121	439	178	43	80	195	71
36	119	67	56	130	49	38	54	264	24
1	–	2	1	3	1	–	–	3	–
35	119	65	55	127	48	38	54	261	24
–	(12)	–	–	(9)	–	(6)	(3)	(116)	(2)
(11)	(25)	–	(3)	(14)	–	3	2	(47)	(63)
(11)	(37)	–	(3)	(23)	–	(3)	(1)	(163)	(65)
–	20	(7)	–	(11)	7	–	20	–	–
7	–	–	(2)	–	–	–	–	–	–
–	–	6	–	–	–	–	–	–	4
–	–	(1)	–	(8)	–	5	–	34	–
(1)	(20)	–	(4)	(4)	(16)	(13)	(33)	(91)	26
–	1	1	–	–	1	–	1	–	–
2	–	1	1	3	–	1	6	1	(2)
(3)	(36)	–	(8)	(43)	(8)	(10)	(7)	(219)	(37)
9	18	8	8	14	7	11	8	15	6
5	10	3	4	8	4	6	4	11	8
2	3	1	1	2	2	2	1	2	1
–	1	1	–	1	1	–	–	1	–
–	–	1	1	4	–	–	2	1	–
16	32	14	14	29	14	19	15	30	15
16	51	51	33	55	26	9	32	12	(28)
1	4	5	3	4	2	1	2	1	–
3	9	8	6	10	5	2	6	2	–
4	13	13	9	14	7	3	8	3	–
$ 12	$ 38	$ 38	$ 24	$ 41	$ 19	$ 6	$ 24	$ 9	$ (28)

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED JUNE 30, 2010

(Dollars in millions)
(Unaudited)

	Combined	Combining Adjustments	Boston	New York
INTEREST INCOME				
Advances	$ 1,182	$ –	$ 105	$ 149
Prepayment fees on advances, net	126	–	1	5
Interest-bearing deposits	4	–	–	1
Securities purchased under agreements to resell	9	–	1	–
Federal funds sold	43	–	4	3
Trading securities	79	(5)	3	–
Available-for-sale securities	317	–	20	10
Held-to-maturity securities	1,166	–	45	92
Mortgage loans held for portfolio	814	–	42	17
Other	1	–	–	–
Total interest income	3,741	(5)	221	277
INTEREST EXPENSE				
Consolidated obligations—Discount notes	168	–	9	12
Consolidated obligations—Bonds	2,212	(5)	137	146
Deposits	5	–	–	1
Securities sold under agreements to repurchase	5	–	–	–
Subordinated notes	14	–	–	–
Mandatorily redeemable capital stock	11	–	–	1
Total interest expense	2,415	(5)	146	160
NET INTEREST INCOME	1,326	–	75	117
Provision (reversal) for credit losses	11	–	–	–
NET INTEREST INCOME AFTER PROVISION (REVERSAL) FOR CREDIT LOSSES	1,315	–	75	117
OTHER NON-INTEREST INCOME (LOSS)				
Total other-than-temporary impairment losses	(468)	–	(18)	(1)
Net amount of impairment losses reclassified to/(from) accumulated other comprehensive loss	(27)	–	(12)	(1)
Net other-than-temporary impairment losses	(495)	–	(30)	(2)
Net gains (losses) on trading securities	157	–	8	–
Net realized gains (losses) from sale of held-to-maturity securities	6	–	–	–
Net gains (losses) on advances and consolidated obligations held at fair value	(38)	–	–	(4)
Net gains (losses) on derivatives and hedging activities	(324)	–	(14)	(12)
Service fees	8	–	1	1
Other, net	7	(1)	–	–
Total other non-interest income (loss)	(679)	(1)	(35)	(17)
OTHER EXPENSE				
Compensation and benefits	119	–	8	13
Other operating expenses	82	–	4	8
Finance Agency	10	–	1	1
Office of Finance	7	–	1	1
Reversal of derivative counterparty credit losses	(53)	–	–	–
Other	8	(1)	–	1
Total other expense	173	(1)	14	24
INCOME (LOSS) BEFORE ASSESSMENTS	463	–	26	76
ASSESSMENTS				
Affordable Housing Program	43	–	3	6
REFCORP	94	–	4	14
Total assessments	137	–	7	20
NET INCOME (LOSS)	$ 326	$ –	$ 19	$ 56

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 80	$ 79	$ 72	$ 50	$ 86	$ 101	$ 81	$ 50	$ 285	$ 44
1	2	1	2	47	17	3	8	28	11
1	2	–	–	–	–	–	–	–	–
–	–	1	1	3	1	–	–	–	2
2	8	3	4	2	2	2	1	8	4
1	41	–	–	5	10	–	23	1	–
41	45	3	1	164	25	–	–	1	7
58	148	138	64	150	62	40	43	282	44
62	31	104	83	253	92	3	42	39	46
–	–	–	–	–	–	–	1	–	–
246	356	322	205	710	310	129	168	644	158
5	6	10	5	97	1	2	6	9	6
181	213	244	141	401	235	58	89	269	103
–	1	–	–	–	1	–	2	–	–
–	–	–	–	5	–	–	–	–	–
–	–	–	–	14	–	–	–	–	–
–	–	4	3	–	–	–	–	3	–
186	220	258	149	517	237	60	97	281	109
60	136	64	56	193	73	69	71	363	49
(1)	–	–	–	5	4	–	–	2	1
61	136	64	56	188	69	69	71	361	48
(21)	(131)	–	(8)	(8)	–	–	(3)	(190)	(88)
(90)	59	–	(54)	(19)	–	(1)	1	48	42
(111)	(72)	–	(62)	(27)	–	(1)	(2)	(142)	(46)
(1)	76	–	–	(2)	32	–	45	(1)	–
–	–	6	–	–	–	–	–	–	–
–	–	–	–	(6)	(7)	–	–	(21)	–
(8)	(58)	(3)	(1)	29	(65)	2	(94)	(123)	23
–	1	1	1	–	1	–	2	–	–
2	–	–	–	2	2	1	1	2	(2)
(118)	(53)	4	(62)	(4)	(37)	2	(48)	(285)	(25)
8	15	7	7	15	7	10	6	16	7
6	12	4	3	8	5	7	4	13	8
1	2	1	–	–	–	–	1	3	–
–	1	–	–	1	1	1	–	1	–
–	(49)	–	–	–	–	–	–	–	(4)
–	–	–	1	2	–	–	2	2	1
15	(19)	12	11	26	13	18	13	35	12
(72)	102	56	(17)	158	19	53	10	41	11
(1)	8	5	(1)	13	2	4	–	3	1
(3)	19	10	(3)	29	3	10	–	9	2
(4)	27	15	(4)	42	5	14	–	12	3
$ (68)	$ 75	$ 41	$ (13)	$ 116	$ 14	$ 39	$ 10	$ 29	$ 8

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2011

(Dollars in millions)
(Unaudited)

	Combined	Combining Adjustments	Boston	New York
INTEREST INCOME				
Advances	$ 1,731	$ –	$ 170	$ 222
Prepayment fees on advances, net	103	–	11	53
Interest-bearing deposits	4	–	–	2
Securities purchased under agreements to resell	11	–	1	–
Federal funds sold	63	–	4	4
Trading securities	201	(7)	10	–
Available-for-sale securities	696	–	34	16
Held-to-maturity securities	1,745	–	81	140
Mortgage loans held for portfolio	1,385	–	76	31
Other	2	–	–	–
Total interest income	5,941	(7)	387	468
INTEREST EXPENSE				
Consolidated obligations—Discount notes	294	–	8	15
Consolidated obligations—Bonds	3,513	5	236	217
Deposits	3	–	–	1
Securities sold under agreements to repurchase	9	–	–	–
Subordinated notes	28	–	–	–
Mandatorily redeemable capital stock	26	–	–	1
Total interest expense	3,873	5	244	234
NET INTEREST INCOME	2,068	(12)	143	234
Provision (reversal) for credit losses	31		(2)	3
NET INTEREST INCOME AFTER PROVISION (REVERSAL) FOR CREDIT LOSSES	2,037	(12)	145	231
OTHER NON-INTEREST INCOME (LOSS)				
Total other-than-temporary impairment losses	(291)	–	(23)	–
Net amount of impairment losses reclassified to/(from) accumulated other comprehensive loss	(325)	–	(43)	–
Net other-than-temporary impairment losses	(616)	–	(66)	–
Net gains (losses) on trading securities	(36)	–	4	–
Net realized gains (losses) from sale of available-for-sale securities	18	–	13	–
Net realized gains (losses) from sale of held-to-maturity securities	10	–	–	–
Net gains (losses) on advances, consolidated obligations and other liabilities held under fair value option	(36)	–	–	(5)
Net gains (losses) on derivatives and hedging activities	(27)	–	(6)	71
Service fees	14	–	4	2
Other, net	(21)	13	–	(55)
Total other non-interest income (loss)	(694)	13	(51)	13
OTHER EXPENSE				
Compensation and benefits	282	–	16	53
Other operating expenses	148	–	9	15
Finance Agency	41	–	2	4
Office of Finance	21	–	2	2
Other	9	(4)	4	1
Total other expense	501	(4)	33	75
INCOME (LOSS) BEFORE ASSESSMENTS	842	5	61	169
ASSESSMENTS				
Affordable Housing Program	73	–	5	14
REFCORP	160	–	11	31
Total assessments	233	–	16	45
NET INCOME (LOSS)	$ 609	$ 5	$ 45	$ 124

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 125	$ 138	$ 119	$ 80	$ 130	$ 135	$ 113	$ 80	$ 362	$ 57
–	5	1	1	5	7	5	2	10	3
–	2	–	–	–	–	–	–	–	–
–	–	2	1	4	1	–	–	–	2
3	12	3	5	2	2	2	2	14	10
1	81	19	–	31	12	–	42	12	–
69	89	6	28	327	56	–	–	73	(2)
100	214	214	91	265	99	45	54	393	49
104	51	176	157	391	166	5	97	56	75
–	–	–	1	–	–	–	1	–	–
402	592	540	364	1,155	478	170	278	920	194
9	11	18	5	190	3	1	7	20	7
318	328	377	234	673	364	89	156	374	142
–	1	–	–	–	–	–	1	–	–
–	–	–	–	9	–	–	–	–	–
–	–	–	–	28	–	–	–	–	–
–	2	8	9	–	–	–	–	6	–
327	342	403	248	900	367	90	164	400	149
75	250	137	116	255	111	80	114	520	45
4	–	4	2	9	7	–	1	3	–
71	250	133	114	246	104	80	113	517	45
(3)	(37)	–	(3)	(9)	–	(6)	(4)	(204)	(2)
(28)	(52)	–	(18)	(34)	–	2	2	(68)	(86)
(31)	(89)	–	(21)	(43)	–	(4)	(2)	(272)	(88)
–	(14)	(10)	–	(22)	4	–	3	(1)	–
7	–	–	(2)	–	–	–	–	–	–
–	–	6	–	–	–	–	–	–	4
–	–	(1)	–	(13)	(1)	4	–	(20)	–
–	26	5	(4)	(18)	(14)	(20)	(30)	(71)	34
1	1	1	–	–	1	1	2	–	1
4	1	3	1	6	(4)	3	7	3	(3)
(19)	(75)	4	(26)	(90)	(14)	(16)	(20)	(361)	(52)
18	35	16	17	29	16	22	15	32	13
10	19	7	6	17	8	13	7	21	16
3	6	2	2	6	3	3	2	5	3
1	3	2	1	2	2	1	1	3	1
–	(9)	1	1	11	–	–	3	1	–
32	54	28	27	65	29	39	28	62	33
20	121	109	61	91	61	25	65	94	(40)
1	10	10	6	7	5	2	5	8	–
4	22	19	11	17	11	5	12	17	–
5	32	29	17	24	16	7	17	25	–
$ 15	$ 89	$ 80	$ 44	$ 67	$ 45	$ 18	$ 48	$ 69	$ (40)

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2010

(Dollars in millions)
(Unaudited)

	Combined	Combining Adjustments	Boston	New York
INTEREST INCOME				
Advances	$ 2,394	$ –	$ 208	$ 298
Prepayment fees on advances, net	158	–	2	6
Interest-bearing deposits	6	–	–	2
Securities purchased under agreements to resell	12	–	1	–
Federal funds sold	72	–	7	4
Trading securities	165	(10)	5	–
Available-for-sale securities	598	–	33	16
Held-to-maturity securities	2,350	–	91	191
Mortgage loans held for portfolio	1,659	–	85	33
Other	2	–	–	–
Total interest income	7,416	(10)	432	550
INTEREST EXPENSE				
Consolidated obligations—Discount notes	321	–	15	22
Consolidated obligations—Bonds	4,466	(9)	274	301
Deposits	6	–	–	2
Securities sold under agreements to repurchase	9	–	–	–
Subordinated notes	28	–	–	–
Mandatorily redeemable capital stock	25	–	–	2
Total interest expense	4,855	(9)	289	327
NET INTEREST INCOME	2,561	(1)	143	223
Provision (reversal) for credit losses	19	–	–	1
NET INTEREST INCOME AFTER PROVISION (REVERSAL) FOR CREDIT LOSSES	2,542	(1)	143	222
OTHER NON-INTEREST INCOME (LOSS)				
Total other-than-temporary impairment losses	(874)	–	(39)	(4)
Net amount of impairment loss reclassified to/(from) accumulated other comprehensive loss	146	–	(14)	(1)
Net other-than-temporary impairment losses	(728)	–	(53)	(5)
Net gains (losses) on trading securities	186	–	10	–
Net realized gains (losses) from sale of held-to-maturity securities	6	–	–	–
Net gains (losses) on advances and consolidated obligations held under fair value option	(142)	–	–	(12)
Net gains (losses) on derivatives and hedging activities	(578)	–	(17)	(12)
Service fees	15	–	3	2
Other, net	13	(3)	–	–
Total other non-interest income (loss)	(1,228)	(3)	(57)	(27)
OTHER EXPENSE				
Compensation and benefits	241	–	16	26
Other operating expenses	155	–	9	14
Finance Agency	24	–	2	2
Office of Finance	19	–	2	2
Reversal of derivative counterparty credit losses	(53)	–	–	–
Other	10	(3)	–	1
Total other expense	396	(3)	29	45
INCOME (LOSS) BEFORE ASSESSMENTS	918	(1)	57	150
ASSESSMENTS				
Affordable Housing Program	83	–	5	12
REFCORP	184	–	10	28
Total assessments	267	–	15	40
NET INCOME (LOSS)	$ 651	$ (1)	$ 42	$ 110

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 153	$ 148	$ 143	$ 100	$ 179	$ 208	$ 162	$ 99	$ 606	$ 90
2	5	3	3	52	19	6	8	39	13
1	3	–	–	–	–	–	–	–	–
–	–	1	1	4	1	–	–	–	4
3	13	6	7	3	3	3	2	13	8
2	83	1	–	11	26	–	46	1	–
84	84	6	3	309	50	–	–	2	11
121	320	272	127	308	104	78	84	570	84
126	63	216	174	516	184	7	84	75	96
–	–	–	–	–	–	–	2	–	–
492	719	648	415	1,382	595	256	325	1,306	306
8	9	17	7	191	4	6	10	22	10
365	420	489	283	819	465	117	179	558	205
–	1	–	–	–	1	–	2	–	–
–	–	–	–	9	–	–	–	–	–
–	–	–	–	28	–	–	–	–	–
–	–	10	7	–	–	–	–	6	–
373	430	516	297	1,047	470	123	191	586	215
119	289	132	118	335	125	133	134	720	91
(1)	–	–	–	11	4	–	1	2	1
120	289	132	118	324	121	133	133	718	90
(23)	(195)	–	(22)	(37)	–	(7)	(20)	(382)	(145)
(116)	77	–	(46)	(34)	–	5	16	180	79
(139)	(118)	–	(68)	(71)	–	(2)	(4)	(202)	(66)
(1)	80	–	–	(3)	53	–	48	(1)	–
–	–	6	–	–	–	–	–	–	–
–	–	–	–	(8)	(1)	–	–	(121)	–
(12)	(75)	(1)	(2)	(34)	(89)	(25)	(179)	(159)	27
1	1	1	1	–	1	1	3	–	1
4	–	2	1	6	1	3	2	3	(6)
(147)	(112)	8	(68)	(110)	(35)	(23)	(130)	(480)	(44)
17	29	15	14	29	15	20	12	33	15
11	23	7	6	18	9	13	7	25	13
2	4	2	1	1	1	1	1	6	1
1	3	1	1	2	1	1	1	3	1
–	(49)	–	–	–	–	–	–	–	(4)
–	–	–	1	4	–	–	2	4	1
31	10	25	23	54	26	35	23	71	27
(58)	167	115	27	160	60	75	(20)	167	19
–	13	10	3	13	5	6	–	14	2
–	31	21	5	30	11	14	–	31	3
–	44	31	8	43	16	20	–	45	5
$ (58)	$ 123	$ 84	$ 19	$ 117	$ 44	$ 55	$ (20)	$ 122	$ 14

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CAPITAL FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010

(Shares in millions) (Unaudited)

	Combined	Combining Adjustments	Boston	New York
CAPITAL STOCK CLASS B PUTABLE SHARES				
BALANCE, DECEMBER 31, 2009	422	–	36	51
Proceeds from sale of capital stock	16	–	–	9
Repurchase/redemption of capital stock	(24)	–	–	(12)
Net shares reclassified to mandatorily redeemable capital stock	(4)	–	–	–
Transfer between Class B and Class A shares	–	–	–	–
Capital stock dividends	–	–	–	–
BALANCE, JUNE 30, 2010	410	–	36	48
BALANCE, DECEMBER 31, 2010	387	–	36	46
Proceeds from sale of capital stock	19	–	–	13
Repurchase/redemption of capital stock	(40)	–	–	(12)
Net shares reclassified to mandatorily redeemable capital stock	(29)	–	(1)	–
Transfer between Class B and Class A shares	(1)	–	–	–
Capital stock dividends	–	–	–	–
BALANCE, JUNE 30, 2011	336	–	35	47
CAPITAL STOCK CLASS A PUTABLE SHARES				
BALANCE, DECEMBER 31, 2009	4	–	–	–
Proceeds from sale of capital stock	–	–	–	–
Repurchase/redemption of capital stock	–	–	–	–
Net shares reclassified to mandatorily redeemable capital stock	–	–	–	–
Transfer between Class B and Class A shares	–	–	–	–
Capital stock dividends	–	–	–	–
BALANCE, JUNE 30, 2010	4	–	–	–
BALANCE, DECEMBER 31, 2010	7	–	–	–
Proceeds from sale of capital stock	–	–	–	–
Repurchase/redemption of capital stock	–	–	–	–
Net shares reclassified to mandatorily redeemable capital stock	(1)	–	–	–
Transfer between Class B and Class A shares	1	–	–	–
Capital stock dividends	–	–	–	–
BALANCE, JUNE 30, 2011	7	–	–	–

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
40	81	31	17	–	25	25	13	86	17
–	1	1	–	–	2	2	1	–	–
–	–	–	–	–	(4)	(5)	–	(3)	–
–	(3)	–	–	–	–	–	(1)	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
40	79	32	17	–	23	22	13	83	17
40	72	31	16	–	22	16	9	83	16
–	1	–	–	–	2	2	–	1	–
(3)	(10)	–	(1)	–	(3)	(4)	–	(7)	–
–	–	–	–	–	–	(1)	–	(27)	–
–	–	–	–	–	–	–	(1)	–	–
–	–	–	–	–	–	–	–	–	–
37	63	31	15	–	21	13	8	50	16
–	–	–	–	–	–	–	3	–	1
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	3	–	1
–	–	–	–	–	–	–	6	–	1
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	(1)	–	–
–	–	–	–	–	–	–	1	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	6	–	1

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CAPITAL (continued)
FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010

(Shares in millions)
(Unaudited)

	Combined	Combining Adjustments	Boston	New York
CAPITAL STOCK PRE-CONVERSION PUTABLE SHARES				
BALANCE, DECEMBER 31, 2009	23	–	–	–
Proceeds from sale of capital stock	–	–	–	–
Repurchase/redemption of capital stock	–	–	–	–
Net shares reclassified to mandatorily redeemable capital stock	–	–	–	–
Conversion to Class B or Class A shares	–	–	–	–
Capital stock dividends	–	–	–	–
BALANCE, JUNE 30, 2010	23	–	–	–
BALANCE, DECEMBER 31, 2010	23	–	–	–
Proceeds from sale of capital stock	1	–	–	–
Repurchase/redemption of capital stock	–	–	–	–
Net shares reclassified to mandatorily redeemable capital stock	–	–	–	–
Conversion to Class B or Class A shares	–	–	–	–
Capital stock dividends	–	–	–	–
BALANCE, JUNE 30, 2011	24	–	–	–
TOTAL CAPITAL STOCK PUTABLE SHARES				
BALANCE, DECEMBER 31, 2009	449	–	36	51
Proceeds from sale of capital stock	16	–	–	9
Repurchase/redemption of capital stock	(24)	–	–	(12)
Net shares reclassified to mandatorily redeemable capital stock	(4)	–	–	–
Capital stock dividends	–	–	–	–
BALANCE, JUNE 30, 2010	437	–	36	48
BALANCE, DECEMBER 31, 2010	417	–	36	46
Proceeds from sale of capital stock	20	–	–	13
Repurchase/redemption of capital stock	(40)	–	–	(12)
Net shares reclassified to mandatorily redeemable capital stock	(30)	–	(1)	–
Transfer between Class B and Class A shares	–	–	–	–
Capital stock dividends	–	–	–	–
BALANCE, JUNE 30, 2011	367	–	35	47

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
–	–	–	–	23	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	23	–	–	–	–	–
–	–	–	–	23	–	–	–	–	–
–	–	–	–	1	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	24	–	–	–	–	–
40	81	31	17	23	25	25	16	86	18
–	1	1	–	–	2	2	1	–	–
–	–	–	–	–	(4)	(5)	–	(3)	–
–	(3)	–	–	–	–	–	(1)	–	–
–	–	–	–	–	–	–	–	–	–
40	79	32	17	23	23	22	16	83	18
40	72	31	16	23	22	16	15	83	17
–	1	–	–	1	2	2	–	1	–
(3)	(10)	–	(1)	–	(3)	(4)	–	(7)	–
–	–	–	–	–	–	(1)	(1)	(27)	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
37	63	31	15	24	21	13	14	50	17

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CAPITAL (continued)
FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010

(Dollars in millions)
(Unaudited)

	Combined	Combining Adjustments	Boston	New York
CAPITAL STOCK CLASS B PUTABLE PAR VALUE				
BALANCE, DECEMBER 31, 2009	$ 42,227	$ –	$ 3,643	$ 5,059
Proceeds from sale of capital stock	1,621	–	16	859
Repurchase/redemption of capital stock	(2,413)	–	–	(1,208)
Net shares reclassified to mandatorily redeemable capital stock	(551)	–	–	(30)
Transfer between Class B and Class A shares	(11)	–	–	–
Capital stock dividends	24	–	–	–
BALANCE, JUNE 30, 2010	$ 40,897	$ –	$ 3,659	$ 4,680
BALANCE, DECEMBER 31, 2010	$ 38,683	$ –	$ 3,665	$ 4,529
Proceeds from sale of capital stock	2,083	–	48	1,332
Repurchase/redemption of capital stock	(3,999)	–	–	(1,200)
Net shares reclassified to mandatorily redeemable capital stock	(2,949)	–	(141)	(3)
Transfer between Class B and Class A shares	(108)	–	–	–
Capital stock dividends	16	–	–	–
BALANCE, JUNE 30, 2011	$ 33,726	$ –	$ 3,572	$ 4,658
CAPITAL STOCK CLASS A PUTABLE PAR VALUE				
BALANCE, DECEMBER 31, 2009	$ 427	$ –	$ –	$ –
Proceeds from sale of capital stock	3	–	–	–
Repurchase/redemption of capital stock	–	–	–	–
Net shares reclassified to mandatorily redeemable capital stock	(1)	–	–	–
Transfer between Class B and Class A shares	11	–	–	–
Capital stock dividends	–	–	–	–
BALANCE, JUNE 30, 2010	$ 440	$ –	$ –	$ –
BALANCE, DECEMBER 31, 2010	$ 719	$ –	$ –	$ –
Proceeds from sale of capital stock	5	–	–	–
Repurchase/redemption of capital stock	–	–	–	–
Net shares reclassified to mandatorily redeemable capital stock	(115)	–	–	–
Transfer between Class B and Class A shares	108	–	–	–
Capital stock dividends	–	–	–	–
BALANCE, JUNE 30, 2011	$ 717	$ –	$ –	$ –

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 4,018	$ 8,124	$ 3,063	$ 1,726	$ –	$ 2,461	$ 2,532	$ 1,309	$ 8,575	$ 1,717
25	56	65	34	–	228	240	54	42	2
–	(4)	–	–	–	(379)	(515)	–	(307)	–
(31)	(320)	(7)	(29)	–	(3)	–	(94)	(30)	(7)
–	–	–	–	–	–	–	(11)	–	–
–	–	–	–	–	–	4	20	–	–
$ 4,012	$ 7,856	$ 3,121	$ 1,731	$ –	$ 2,307	$ 2,261	$ 1,278	$ 8,280	$ 1,712
$ 3,986	$ 7,224	$ 3,092	$ 1,610	$ –	$ 2,183	$ 1,601	$ 861	$ 8,282	$ 1,650
45	64	21	35	–	212	183	41	100	2
(367)	(927)	–	(150)	–	(255)	(441)	(3)	(656)	–
(1)	(28)	–	(5)	–	–	(61)	(19)	(2,680)	(11)
–	–	–	–	–	–	–	(108)	–	–
–	–	–	–	–	–	3	13	–	–
$ 3,663	$ 6,333	$ 3,113	$ 1,490	$ –	$ 2,140	$ 1,285	$ 785	$ 5,046	$ 1,641
$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ 294	$ –	$ 133
–	–	–	–	–	–	–	3	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	(1)	–	–
–	–	–	–	–	–	–	11	–	–
–	–	–	–	–	–	–	–	–	–
$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ 307	$ –	$ 133
$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ 593	$ –	$ 126
–	–	–	–	–	–	–	5	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	(114)	–	(1)
–	–	–	–	–	–	–	108	–	–
–	–	–	–	–	–	–	–	–	–
$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ 592	$ –	$ 125

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CAPITAL (continued)
FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010

(Dollars in millions)
(Unaudited)

	Combined	Combining Adjustments	Boston	New York
CAPITAL STOCK PRE-CONVERSION PUTABLE PAR VALUE				
BALANCE, DECEMBER 31, 2009	$ 2,328	$ –	$ –	$ –
Proceeds from sale of capital stock	25	–	–	–
Repurchase/redemption of capital stock	–	–	–	–
Net shares reclassified to mandatorily redeemable capital stock	(22)	–	–	–
Conversion to Class B or Class A shares	–	–	–	–
Capital stock dividends	–	–	–	–
BALANCE, JUNE 30, 2010	$ 2,331	$ –	$ –	$ –
BALANCE, DECEMBER 31, 2010	$ 2,333	$ –	$ –	$ –
Proceeds from sale of capital stock	22	–	–	–
Repurchase/redemption of capital stock	–	–	–	–
Net shares reclassified to mandatorily redeemable capital stock	(3)	–	–	–
Conversion to Class B or Class A shares	–	–	–	–
Capital stock dividends	–	–	–	–
BALANCE, JUNE 30, 2011	$ 2,352	$ –	$ –	$ –
TOTAL CAPITAL STOCK PUTABLE PAR VALUE				
BALANCE, DECEMBER 31, 2009	$ 44,982	$ –	$ 3,643	$ 5,059
Proceeds from sale of capital stock	1,649	–	16	859
Repurchase/redemption of capital stock	(2,413)	–	–	(1,208)
Net shares reclassified to mandatorily redeemable capital stock	(574)	–	–	(30)
Capital stock dividends	24	–	–	–
BALANCE, JUNE 30, 2010	$ 43,668	$ –	$ 3,659	$ 4,680
BALANCE, DECEMBER 31, 2010	$ 41,735	$ –	$ 3,665	$ 4,529
Proceeds from sale of capital stock	2,110	–	48	1,332
Repurchase/redemption of capital stock	(3,999)	–	–	(1,200)
Net shares reclassified to mandatorily redeemable capital stock	(3,067)	–	(141)	(3)
Capital stock dividends	16	–	–	–
BALANCE, JUNE 30, 2011	$ 36,795	$ –	$ 3,572	$ 4,658
RETAINED EARNINGS				
BALANCE, DECEMBER 31, 2009	$ 6,033	$ (15)	$ 142	$ 689
Net income (loss)	651	(1)	42	110
Dividends on capital stock:				
Cash	(261)	–	–	(122)
Stock	(24)	–	–	–
BALANCE, JUNE 30, 2010	$ 6,399	$ (16)	$ 184	$ 677
BALANCE, DECEMBER 31, 2010	$ 7,552	$ 64	$ 249	$ 712
Net income (loss)	609	5	45	124
Dividends on capital stock:				
Cash	(286)	–	(5)	(115)
Stock	(16)	–	–	–
BALANCE, JUNE 30, 2011	$ 7,859	$ 69	$ 289	$ 721

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ –	$ –	$ –	$ –	$ 2,328	$ –	$ –	$ –	$ –	$ –
–	–	–	–	25	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	(22)	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
$ –	$ –	$ –	$ –	$ 2,331	$ –	$ –	$ –	$ –	$ –
$ –	$ –	$ –	$ –	$ 2,333	$ –	$ –	$ –	$ –	$ –
–	–	–	–	22	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	(3)	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
$ –	$ –	$ –	$ –	$ 2,352	$ –	$ –	$ –	$ –	$ –
$ 4,018	$ 8,124	$ 3,063	$ 1,726	$ 2,328	$ 2,461	$ 2,532	$ 1,603	$ 8,575	$ 1,850
25	56	65	34	25	228	240	57	42	2
–	(4)	–	–	–	(379)	(515)	–	(307)	–
(31)	(320)	(7)	(29)	(22)	(3)	–	(95)	(30)	(7)
–	–	–	–	–	–	4	20	–	–
$ 4,012	$ 7,856	$ 3,121	$ 1,731	$ 2,331	$ 2,307	$ 2,261	$ 1,585	$ 8,280	$ 1,845
$ 3,986	$ 7,224	$ 3,092	$ 1,610	$ 2,333	$ 2,183	$ 1,601	$ 1,454	$ 8,282	$ 1,776
45	64	21	35	22	212	183	46	100	2
(367)	(927)	–	(150)	–	(255)	(441)	(3)	(656)	–
(1)	(28)	–	(5)	(3)	–	(61)	(133)	(2,680)	(12)
–	–	–	–	–	–	3	13	–	–
$ 3,663	$ 6,333	$ 3,113	$ 1,490	$ 2,352	$ 2,140	$ 1,285	$ 1,377	$ 5,046	$ 1,766
$ 389	$ 873	$ 412	$ 349	$ 708	$ 484	$ 356	$ 355	$ 1,239	$ 52
(58)	123	84	19	117	44	55	(20)	122	14
–	(11)	(73)	(17)	–	(27)	–	–	(11)	–
–	–	–	–	–	–	(4)	(20)	–	–
$ 331	$ 985	$ 423	$ 351	$ 825	$ 501	$ 407	$ 315	$ 1,350	$ 66
$ 397	$ 1,124	$ 438	$ 427	$ 1,099	$ 556	$ 452	$ 352	$ 1,609	$ 73
15	89	80	44	67	45	18	48	69	(40)
–	(29)	(70)	(20)	(1)	(33)	–	–	(13)	–
–	–	–	–	–	–	(3)	(13)	–	–
$ 412	$ 1,184	$ 448	$ 451	$ 1,165	$ 568	$ 467	$ 387	$ 1,665	$ 33

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CAPITAL (continued)
FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010

(Dollars in millions)
(Unaudited)

	Combined	Combining Adjustments	Boston	New York
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)				
BALANCE, DECEMBER 31, 2009	$ (8,206)	$ (2)	$ (1,021)	$ (145)
Net unrealized gains/losses on available-for-sale securities:				
Unrealized gains (losses)	614	–	50	23
Net unrealized gains/losses on held-to-maturity securities transferred from available-for-sale securities:				
Reclassification of losses included in net income (loss)	10	–	–	–
Net non-credit portion of other-than-temporary impairment losses on available-for-sale securities:				
Non-credit portion, including losses transferred from held-to-maturity securities and subsequent fair value adjustments	223	–	–	–
Reclassification of non-credit portion included in net income (loss)	276	–	–	–
Net non-credit portion of other-than-temporary impairment losses on held-to-maturity securities:				
Non-credit portion	(807)	–	(31)	(2)
Reclassification of non-credit portion included in net income (loss)	386	–	45	3
Accretion of non-credit portion	744	–	150	8
Reclassification of non-credit portion from held-to-maturity securities to available-for-sale securities	331	–	–	–
Net unrealized gains/losses relating to hedging activities:				
Unrealized losses	(460)	–	–	–
Reclassification of losses included in net income (loss)	7	–	–	3
Pension and postretirement benefits	1	–	1	–
BALANCE, JUNE 30, 2010	$ (6,881)	$ (2)	$ (806)	$ (110)
BALANCE, DECEMBER 31, 2010	$ (5,546)	$ (2)	$ (638)	$ (97)
Net unrealized gains/losses on available-for-sale securities:				
Unrealized gains (losses)	211	–	25	(4)
Reclassification of gains included in net income (loss)	(13)	–	(13)	–
Net unrealized gains/losses on held-to-maturity securities transferred from available-for-sale securities:				
Reclassification of losses included in net income (loss)	1	–	–	–
Net non-credit portion of other-than-temporary impairment losses on available-for-sale securities:				
Non-credit portion, including losses transferred from held-to-maturity securities and subsequent fair value adjustments	(1,427)	–	–	–
Reclassification of (gains) losses included in net income (loss)	(5)	–	–	–
Reclassification of non-credit portion included in net income (loss)	272	–	–	–
Net non-credit portion of other-than-temporary impairment losses on held-to maturity securities:				
Non-credit portion	(198)	–	(12)	–
Reclassification of non-credit portion included in net income (loss)	254	–	55	–
Accretion of non-credit portion	439	–	90	7
Reclassification of non-credit portion from held-to-maturity securities to available-for-sale securities	2,535	–	–	–
Net unrealized gains/losses relating to hedging activities:				
Unrealized losses	(63)	–	(2)	(8)
Reclassification of (gains) losses included in net income (loss)	(22)	–	–	2
Pension and postretirement benefits	2	–	–	–
BALANCE, JUNE 30, 2011	$ (3,560)	$ (2)	$ (495)	$ (100)

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ (694)	$ (744)	$ (8)	$ (329)	$ (658)	$ (34)	$ (66)	$ (12)	$ (3,584)	$ (909)
1	–	–	(9)	402	137	–	–	4	6
–	–	–	–	10	–	–	–	–	–
183	53	–	–	6	–	–	–	–	(19)
135	79	–	–	5	–	–	–	–	57
(20)	(156)	–	(21)	(34)	–	(7)	(16)	(379)	(141)
–	–	–	67	63	–	2	2	199	5
–	–	–	28	95	–	9	2	428	24
20	156	–	–	–	–	–	–	–	155
–	–	–	–	(460)	–	–	–	–	–
–	–	–	–	4	–	–	–	–	–
–	–	1	–	–	–	(1)	–	–	–
$ (375)	$ (612)	$ (7)	$ (264)	$ (567)	$ 103	$ (63)	$ (24)	$ (3,332)	$ (822)
$ (222)	$ (402)	$ (7)	$ (90)	$ (483)	$ 91	$ (63)	$ (23)	$ (2,943)	$ (667)
–	8	–	10	157	2	–	–	2	11
–	–	–	–	–	–	–	–	–	–
–	–	–	–	1	–	–	–	–	–
67	20	–	(4)	5	–	–	–	(1,573)	58
(7)	–	–	2	–	–	–	–	–	–
31	78	–	21	6	–	–	–	49	87
(3)	(26)	–	–	(9)	–	(6)	(4)	(136)	(2)
–	–	–	–	37	–	4	2	155	1
–	–	–	2	67	–	9	3	253	8
3	26	–	–	–	–	–	–	2,501	5
–	–	–	–	(53)	–	–	–	–	–
–	–	–	–	(24)	–	–	–	–	–
–	–	–	2	–	–	–	–	–	–
$ (131)	$ (296)	$ (7)	$ (57)	$ (296)	$ 93	$ (56)	$ (22)	$ (1,692)	$ (499)

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CAPITAL (continued)
FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010

(Dollars in millions)
(Unaudited)

	Combined	Combining Adjustments	Boston	New York
TOTAL CAPITAL				
BALANCE, DECEMBER 31, 2009	$ 42,809	$ (17)	$ 2,764	$ 5,603
Proceeds from sale of capital stock	1,649	–	16	859
Repurchase/redemption of capital stock	(2,413)	–	–	(1,208)
Net shares reclassified to mandatorily redeemable capital stock	(574)	–	–	(30)
Comprehensive income (loss):				
Net income (loss)	651	(1)	42	110
Other comprehensive income (loss) adjustments:				
Net unrealized gains/losses on available-for-sale securities:				
Unrealized gains (losses)	614	–	50	23
Net unrealized gains/losses on held-to-maturity securities transferred from available-for-sale securities:				
Reclassification of losses included in net income (loss)	10	–	–	–
Net non-credit portion of other-than-temporary impairment losses on available-for-sale securities:				
Non-credit portion, including losses transferred from held-to-maturity securities and subsequent fair value adjustments	223	–	–	–
Reclassification of non-credit portion included in net income (loss)	276	–	–	–
Net non-credit portion of other-than-temporary impairment losses on held-to-maturity securities:				
Non-credit portion	(807)	–	(31)	(2)
Reclassification of non-credit portion included in net income (loss)	386		45	3
Accretion of non-credit portion	744	–	150	8
Reclassification of non-credit portion from held-to-maturity securities to available-for-sale securities	331	–	–	–
Net unrealized gains/losses relating to hedging activities:				
Unrealized losses	(460)	–	–	–
Reclassification of losses included in net income (loss)	7	–	–	3
Pension and postretirement benefits	1	–	1	–
Total other comprehensive income (loss) adjustments	1,325	–	215	35
Total comprehensive income (loss)	1,976	(1)	257	145
Dividends on capital stock:				
Cash	(261)	–	–	(122)
BALANCE, JUNE 30, 2010	$ 43,186	$ (18)	$ 3,037	$ 5,247

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 3,713	$ 8,253	$ 3,467	$ 1,746	$ 2,378	$ 2,911	$ 2,822	$ 1,946	$ 6,230	$ 993
25	56	65	34	25	228	240	57	42	2
–	(4)	–	–	–	(379)	(515)	–	(307)	–
(31)	(320)	(7)	(29)	(22)	(3)	–	(95)	(30)	(7)
(58)	123	84	19	117	44	55	(20)	122	14
1	–	–	(9)	402	137	–	–	4	6
–	–	–	–	10	–	–	–	–	–
183	53	–	–	6	–	–	–	–	(19)
135	79	–	–	5	–	–	–	–	57
(20)	(156)	–	(21)	(34)	–	(7)	(16)	(379)	(141)
–	–	–	67	63	–	2	2	199	5
–	–	–	28	95	–	9	2	428	24
20	156	–	–	–	–	–	–	–	155
–	–	–	–	(460)	–	–	–	–	–
–	–	–	–	4	–	–	–	–	–
–	–	1	–	–	–	(1)	–	–	–
319	132	1	65	91	137	3	(12)	252	87
261	255	85	84	208	181	58	(32)	374	101
–	(11)	(73)	(17)	–	(27)	–	–	(11)	–
$ 3,968	$ 8,229	$ 3,537	$ 1,818	$ 2,589	$ 2,911	$ 2,605	$ 1,876	$ 6,298	$ 1,089

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CAPITAL (continued)
FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010

(Dollars in millions)
(Unaudited)

	Combined	Combining Adjustments	Boston	New York
TOTAL CAPITAL				
BALANCE, DECEMBER 31, 2010	$ 43,741	$ 62	$ 3,276	$ 5,144
Proceeds from sale of capital stock	2,110	–	48	1,332
Repurchase/redemption of capital stock	(3,999)	–	–	(1,200)
Net shares reclassified to mandatorily redeemable capital stock	(3,067)	–	(141)	(3)
Comprehensive income:				
Net income (loss)	609	5	45	124
Other comprehensive income adjustments:				
Net unrealized gains/losses on available-for-sale securities:				
Unrealized gains (losses)	211	–	25	(4)
Reclassification of gains included in net income (loss)	(13)	–	(13)	–
Net unrealized gains/losses on held-to-maturity securities transferred from available-for-sale securities:				
Reclassification of losses included in net income (loss)	1	–	–	–
Net non-credit portion of other-than-temporary impairment losses on available-for-sale securities:				
Non-credit portion, including losses transferred from held-to-maturity securities and subsequent fair value adjustments	(1,427)	–	–	–
Reclassification of (gains) losses included in net income (loss)	(5)		–	–
Reclassification of non-credit portion included in net income (loss)	272	–	–	–
Net non-credit portion of other-than-temporary impairment losses on held-to-maturity securities:				
Non-credit portion	(198)	–	(12)	–
Reclassification of non-credit portion included in net income (loss)	254	–	55	–
Accretion of non-credit portion	439	–	90	7
Reclassification of non-credit portion from held-to-maturity securities to available-for-sale securities	2,535	–	–	–
Net unrealized gains (losses) relating to hedging activities:				
Unrealized losses	(63)	–	(2)	(8)
Reclassification of (gains) losses included in net income (loss)	(22)	–	–	2
Pension and postretirement benefits	2	–	–	–
Total other comprehensive income adjustments	1,986	–	143	(3)
Total comprehensive income	2,595	5	188	121
Dividends on capital stock:				
Cash	(286)	–	(5)	(115)
BALANCE, JUNE 30, 2011	$ 41,094	$ 67	$ 3,366	$ 5,279

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 4,161	$ 7,946	$ 3,523	$ 1,947	$ 2,949	$ 2,830	$ 1,990	$ 1,783	$ 6,948	$ 1,182
45	64	21	35	22	212	183	46	100	2
(367)	(927)	–	(150)	–	(255)	(441)	(3)	(656)	–
(1)	(28)	–	(5)	(3)	–	(61)	(133)	(2,680)	(12)
15	89	80	44	67	45	18	48	69	(40)
–	8	–	10	157	2	–	–	2	11
–	–	–	–	–	–	–	–	–	–
–	–	–	–	1	–	–	–	–	–
67	20	–	(4)	5	–	–	–	(1,573)	58
(7)	–	–	2	–	–	–	–	–	–
31	78	–	21	6	–	–	–	49	87
(3)	(26)	–	–	(9)	–	(6)	(4)	(136)	(2)
–	–	–	–	37	–	4	2	155	1
–	–	–	2	67	–	9	3	253	8
3	26	–	–	–	–	–	–	2,501	5
									–
–	–	–	–	(53)	–	–	–	–	–
–	–	–	–	(24)	–	–	–	–	–
–	–	–	2	–	–	–	–	–	–
91	106	–	33	187	2	7	1	1,251	168
106	195	80	77	254	47	25	49	1,320	128
–	(29)	(70)	(20)	(1)	(33)	–	–	(13)	–
$ 3,944	$ 7,221	$ 3,554	$ 1,884	$ 3,221	$ 2,801	$ 1,696	$ 1,742	$ 5,019	$ 1,300

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2011

(Dollars in millions)
(Unaudited)

	Combined	Combining Adjustments	Boston	New York
OPERATING ACTIVITIES				
Net income (loss)	$ 609	$ 5	$ 45	$ 124
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	(5)	12	(1)	(33)
Change in net derivative and hedging activities	884	–	33	185
Net other-than-temporary impairment losses	616	–	66	–
Other adjustments	48	(17)	(15)	59
Net change in fair value adjustments on trading securities	37		(4)	–
Net change in fair value adjustments on advances, consolidated obligations and other liabilities held under fair value option	36	–	–	5
Net change in:				
Trading securities	1	–	–	–
Accrued interest receivable	236	–	21	51
Other assets	(11)	–	–	5
Accrued interest payable	(211)	–	(10)	(20)
Other liabilities[1]	(98)	–	21	(13)
Total adjustments	1,533	(5)	111	239
Net cash provided by operating activities	2,142	–	156	363
INVESTING ACTIVITIES				
Net change in:				
Interest-bearing deposits	441	–	–	299
Securities purchased under agreements to resell	8,600	–	425	–
Federal funds sold	20,984	–	2,935	513
Deposits to other FHLBanks	–	(1)	–	–
Premises, software and equipment	(26)	–	(1)	(2)
Trading securities:				
Net (increase) decrease in short-term	(373)	–	675	–
Proceeds from long-term	2,243	–	2	–
Purchases of long-term	(3,206)	–	–	–
Available-for-sale securities:				
Net decrease in short-term	1,950	–	–	–
Proceeds from long-term	6,234	–	2,380	449
Purchases of long-term	(1,259)	–	(492)	–
Held-to-maturity securities:				
Net decrease (increase) in short-term	292	–	–	–
Proceeds from long-term	16,669	–	721	1,255
Purchases of long-term	(14,266)	–	(1,408)	(1,751)
Advances:				
Proceeds	788,948	–	82,224	151,988
Made	(740,070)	–	(80,443)	(146,160)
Mortgage loans held for portfolio:				
Principal collected	6,710	–	332	125
Purchases	(2,706)	–	(226)	(158)
Proceeds from sales of foreclosed assets	67	–	5	1
Principal collected on other loans	1	–	–	–
Net cash provided by (used in) investing activities	91,233	(1)	7,129	6,559

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 15	$ 89	$ 80	$ 44	$ 67	$ 45	$ 18	$ 48	$ 69	$ (40)
1	(9)	7	19	62	5	(30)	(16)	(27)	5
65	199	80	51	58	113	40	37	28	(5)
31	89	–	21	43	–	4	2	272	88
(3)	–	(2)	(1)	21	8	–	(3)	2	(1)
–	14	11	–	22	(4)	–	(3)	1	–
–	–	1	–	13	1	(4)	–	20	–
2	–	–	–	–	–	(1)	–	–	–
13	50	8	9	(9)	2	6	6	65	14
(2)	21	3	–	(46)	7	2	(1)	2	(2)
(17)	(20)	(18)	(10)	(30)	(19)	3	(6)	(56)	(8)
37	(39)	(4)	(9)	(31)	(8)	(7)	(2)	(54)	11
127	305	86	80	103	105	13	14	253	102
142	394	166	124	170	150	31	62	322	62
7	231	38	(11)	–	(69)	(26)	(33)	–	5
–	–	1,250	750	3,125	1,300	–	–	–	1,750
(50)	1,591	3,120	4,420	2,744	(255)	1,819	640	4,643	(1,136)
1	–	–	–	–	–	–	–	–	–
(2)	(2)	(1)	(1)	(3)	(2)	(3)	(1)	(5)	(3)
–	–	(708)	–	–	–	–	(340)	–	–
–	272	–	–	1,281	200	–	485	3	–
–	–	–	–	(2,117)	(56)	–	–	(1,033)	–
–	–	1,950	–	–	–	–	–	–	–
446	404	–	175	522	687	–	–	–	1,171
(656)	–	–	–	–	–	–	–	–	(111)
(400)	155	(1,097)	–	209	335	–	–	811	279
1,421	2,555	1,975	764	1,254	837	1,183	968	2,912	824
(815)	(1,929)	(1,127)	(975)	(1,000)	–	–	–	(4,777)	(484)
44,156	34,047	113,345	7,955	49,024	20,059	125,066	15,647	124,285	21,152
(41,430)	(22,598)	(112,408)	(7,143)	(47,457)	(18,752)	(119,303)	(13,909)	(111,495)	(18,972)
458	204	855	665	2,197	721	23	459	284	387
(119)	–	(642)	(249)	(23)	(553)	–	(736)	–	–
–	6	–	–	34	18	–	3	–	–
–	–	–	–	–	–	–	1	–	–
3,017	14,936	6,550	6,350	9,790	4,470	8,759	3,184	15,628	4,862

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CASH FLOWS (continued)
FOR THE SIX MONTHS ENDED JUNE 30, 2011

(Dollars in millions)
(Unaudited)

	Combined	Combining Adjustments	Boston	New York
FINANCING ACTIVITIES				
Net change in:				
Deposits and pass-through reserves	$ (442)	$ –	$ (2)	$ (538)
Deposits from other FHLBanks	–	1	–	–
Borrowings	75	–	–	80
Net (payments) proceeds on derivative contracts with financing element	(807)	–	(16)	(202)
Net proceeds from issuance of consolidated obligations:				
Discount notes	3,050,274	–	383,742	92,300
Bonds	171,051	–	6,735	25,838
Bonds transferred from other FHLBanks	–	(182)	–	–
Payments for maturing and retiring consolidated obligations:				
Discount notes	(3,063,717)	–	(390,212)	(84,675)
Bonds	(226,267)	–	(6,954)	(34,683)
Bonds transferred to other FHLBanks	–	182	–	(167)
Proceeds from sale of capital stock	2,110	–	48	1,332
Payments for repurchase/redemption of mandatorily redeemable capital stock	(843)	–	(4)	(8)
Payments for repurchase/redemption of capital stock	(3,999)	–	–	(1,200)
Cash dividends paid	(286)	–	(5)	(115)
Net cash (used in) provided by financing activities	(72,851)	1	(6,668)	(2,038)
Net increase in cash and cash equivalents	20,524	–	617	4,884
Cash and due from banks at beginning of the period	3,801	–	6	661
Cash and due from banks at end of the period	$ 24,325	$ –	$ 623	$ 5,545
Supplemental Disclosures:				
Interest paid	$ 4,533	$ –	$ 277	$ 308
AHP payments, net	$ 109	$ –	$ 3	$ 18
REFCORP assessments, net	$ 176	$ –	$ (8)	$ 38
Transfers of mortgage loans to real estate owned	$ 85	$ –	$ 7	$ –
Transfers of mortgage loans held for portfolio to mortgage loans held for sale	$ 1,324	$ –	$ –	$ –
Transfers of other-than-temporarily impaired held-to-maturity securities to available-for-sale securities	$ 7,661	$ –	$ –	$ –

(1) Other liabilities includes the net change in REFCORP receivable/payable.

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 19	$ (102)	$ (228)	$ 121	$ (195)	$ (192)	$ 430	$ 526	$ (97)	$ (184)
–	–	–	–	(1)	–	–	–	–	–
–	–	–	–	–	–	–	(5)	–	–
(39)	(268)	(85)	(54)	(63)	(5)	(10)	(36)	4	(33)
61,804	533,293	326,111	259,945	582,256	278,968	113,049	38,461	33,643	346,702
9,362	27,852	8,453	9,923	16,783	14,508	1,939	4,618	29,751	15,289
–	–	–	–	–	–	167	–	15	–
(64,070)	(536,641)	(328,198)	(258,876)	(584,049)	(277,574)	(115,328)	(42,376)	(32,765)	(348,953)
(8,585)	(38,380)	(11,083)	(15,723)	(22,251)	(19,686)	(8,226)	(4,002)	(38,950)	(17,744)
–	–	–	–	–	–	(15)	–	–	–
45	64	21	35	22	212	183	46	100	2
(3)	(172)	(33)	(148)	–	–	(52)	(138)	(285)	–
(367)	(927)	–	(150)	–	(255)	(441)	(3)	(656)	–
–	(29)	(70)	(20)	(1)	(33)	–	–	(13)	–
(1,834)	(15,310)	(5,112)	(4,947)	(7,499)	(4,057)	(8,304)	(2,909)	(9,253)	(4,921)
1,325	20	1,604	1,527	2,461	563	486	337	6,697	3
143	5	198	12	282	106	1,632	–	755	1
$ 1,468	$ 25	$ 1,802	$ 1,539	$ 2,743	$ 669	$ 2,118	$ 337	$ 7,452	$ 4
$ 365	$ 379	$ 425	$ 260	$ 889	$ 759	$ 95	$ 179	$ 441	$ 156
$ 3	$ 15	$ 16	$ 9	$ 3	$ 6	$ 7	$ 9	$ 19	$ 1
$ (37)	$ 33	$ 21	$ 15	$ 39	$ 19	$ 8	$ 14	$ 48	$ (14)
$ 9	$ 9	$ –	$ –	$ 36	$ 18	$ –	$ 2	$ 3	$ 1
$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ 1,324
$ 91	$ 348	$ –	$ –	$ –	$ –	$ –	$ –	$ 7,214	$ 8

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2010

(Dollars in millions)
(Unaudited)

	Combined	Combining Adjustments	Boston	New York
OPERATING ACTIVITIES				
Net income (loss)	$ 651	$ (1)	$ 42	$ 110
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	(116)	1	3	(22)
Change in net derivative and hedging activities	1,481	–	41	312
Net other-than-temporary impairment losses	728	–	53	5
Other adjustments	(32)	–	–	1
Net change in fair value adjustments on trading securities	(187)	–	(10)	–
Net change in fair value adjustments on advances and consolidated obligations held under fair value option	142	–	–	12
Net change in:				
Accrued interest receivable	353	–	(2)	30
Other assets	(45)	–	2	2
Accrued interest payable	(714)	–	(31)	(38)
Other liabilities [1]	197	–	5	(5)
Total adjustments	1,807	1	61	297
Net cash provided by (used in) operating activities	2,458	–	103	407
INVESTING ACTIVITIES				
Net change in:				
Interest-bearing deposits	(1,405)	–	–	(829)
Securities purchased under agreements to resell	(7,800)	–	(2,500)	–
Federal funds sold	(15,385)	–	1,131	325
Deposits to other FHLBanks	–	2	–	–
Loans to FHLBanks	–	15	–	–
Premises, software and equipment	(25)	–	–	(2)
Trading securities:				
Net decrease (increase) in short-term	2,696	–	(1,615)	–
Proceeds from long-term	3,100	(154)	2	–
Purchases of long-term	(1,283)	–	(151)	–
Available-for-sale securities:				
Net decrease in short-term	3,575	–	805	–
Proceeds from long-term	3,226	–	239	664
Purchases of long-term	(16,316)	–	(2,632)	(1,296)
Held-to-maturity securities:				
Net (increase) decrease in short-term	(2,003)	–	–	–
Proceeds from long-term	22,876	–	1,266	1,769
Purchases of long-term	(14,266)	–	(628)	(174)
Advances:				
Proceeds	745,463	–	80,659	116,284
Made	(652,157)	–	(79,003)	(106,107)
Mortgage loans held for portfolio:				
Principal collected	6,244	–	309	93
Purchases	(1,672)	–	(127)	(59)
Proceeds from sales of foreclosed assets	65	–	5	–
Principal collected on other loans	1	–	–	–
Net cash provided by (used in) investing activities	74,934	(137)	(2,240)	10,668

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ (58)	$ 123	$ 84	$ 19	$ 117	$ 44	$ 55	$ (20)	$ 122	$ 14
9	(46)	12	(19)	56	2	(49)	3	(5)	(61)
32	584	123	110	–	13	109	68	68	21
139	118	–	68	71	–	2	4	202	66
(3)	(49)	(7)	1	10	6	–	–	2	7
–	(80)	–	–	3	(53)	–	(48)	1	–
–	–	–	–	8	1	–	–	121	–
30	80	12	9	11	(6)	6	6	141	36
–	(6)	2	–	(28)	(5)	(1)	(2)	(5)	(4)
(78)	(147)	(78)	(52)	(42)	(5)	(56)	(8)	(142)	(37)
(9)	3	(17)	(13)	18	1	(2)	(12)	224	4
120	457	47	104	107	(46)	9	11	607	32
62	580	131	123	224	(2)	64	(9)	729	46
67	(369)	(83)	(88)	–	(66)	(55)	(12)	–	30
–	–	(1,400)	–	(900)	(250)	–	–	–	(2,750)
(1,950)	(4,797)	(3,235)	(2,817)	(2,230)	1,053	(649)	(2,039)	(6,306)	6,129
(2)	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	(15)	–
(2)	(6)	(1)	–	(4)	(1)	(3)	(1)	(4)	(1)
–	–	3,800	–	–	–	–	511	–	–
–	200	–	–	2	2,810	–	237	3	–
–	–	–	–	–	–	–	–	(1,132)	–
–	–	2,770	–	–	–	–	–	–	–
269	214	–	–	500	1,238	–	–	–	102
–	–	–	–	(5,100)	(173)	–	–	–	(7,115)
(650)	(1,150)	–	(105)	(40)	(300)	–	–	(940)	1,182
1,026	2,700	1,951	959	1,663	1,343	2,441	1,660	5,109	989
(523)	(1,530)	(1,744)	(1,491)	(1)	(3,904)	(1,079)	(2,375)	(412)	(405)
52,283	35,436	114,962	10,337	45,643	17,789	112,948	22,991	116,246	19,885
(46,998)	(20,418)	(111,651)	(7,774)	(42,564)	(14,330)	(106,991)	(21,640)	(78,626)	(16,055)
428	210	817	674	2,282	574	24	246	249	338
(165)	–	(251)	(158)	(24)	(406)	–	(482)	–	–
–	–	–	–	44	12	–	4	–	–
–	–	–	–	–	–	–	1	–	–
3,783	10,490	5,935	(463)	(729)	5,389	6,636	(899)	34,172	2,329

FEDERAL HOME LOAN BANKS

COMBINING SCHEDULES—STATEMENTS OF CASH FLOWS (continued)
FOR THE SIX MONTHS ENDED JUNE 30, 2010

(Dollars in millions)
(Unaudited)

	Combined	Combining Adjustments	Boston	New York
FINANCING ACTIVITIES				
Net change in:				
Deposits and pass-through reserves	$ 1,741	$ –	$ 7	$ 2,170
Deposits from other FHLBanks	–	(2)	–	–
Borrowings	(1)	–	–	4
Loans from FHLBanks	–	(15)	–	–
Net (payments) proceeds on derivative contracts with financing element	(984)	–	(20)	(224)
Net proceeds from issuance of consolidated obligations:				
Discount notes	3,282,644	–	617,934	62,940
Bonds	292,107	–	18,470	31,885
Payments for maturing and retiring consolidated obligations:				
Discount notes	(3,299,546)	–	(618,573)	(66,282)
Bonds	(358,730)	154	(15,858)	(39,936)
Proceeds from sale of capital stock	1,649	–	16	859
Payments for repurchase/redemption of mandatorily redeemable capital stock	(661)	–	(4)	(87)
Payments for repurchase/redemption of capital stock	(2,413)	–	–	(1,208)
Cash dividends paid	(261)	–	–	(122)
Net cash (used in) provided by financing activities	(84,455)	137	1,972	(10,001)
Net (decrease) increase in cash and cash equivalents	(7,063)	–	(165)	1,074
Cash and due from banks at beginning of the period	24,330	–	191	2,189
Cash and due from banks at end of the period	$ 17,267	$ –	$ 26	$ 3,263
Supplemental Disclosures:				
Interest paid	$ 5,878	$ –	$ 300	$ 381
AHP payments, net	$ 109	$ –	$ 5	$ 13
REFCORP assessments paid	$ 199	$ –	$ –	$ 38
Transfers of mortgage loans to real estate owned	$ 118	$ –	$ 5	$ 1
Transfers of other-than-temporarily impaired held-to-maturity securities to available-for-sale securities	$ 1,732	$ –	$ –	$ –

(1) Other liabilities includes the net change in REFCORP receivable/payable.

Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ (131)	$ 162	$ (500)	$ (197)	$ (117)	$ 107	$ (620)	$ 948	$ (107)	$ 19
–	–	–	–	2	–	–	–	–	–
–	–	–	–	–	–	–	(5)	–	–
–	15	–	–	–	–	–	–	–	–
(80)	(400)	(85)	(82)	(69)	(5)	(9)	(53)	33	10
30,783	500,654	288,930	333,468	611,413	202,002	66,500	57,113	61,780	449,127
10,728	49,917	10,668	19,678	24,180	21,599	21,766	9,686	49,510	24,020
(28,876)	(501,221)	(286,598)	(332,285)	(615,082)	(207,929)	(69,182)	(53,093)	(64,200)	(456,225)
(17,630)	(60,662)	(16,809)	(21,971)	(22,212)	(21,181)	(26,338)	(14,122)	(82,107)	(20,058)
25	56	65	34	25	228	240	57	42	2
(3)	–	(287)	(3)	–	(4)	(1)	(89)	(183)	–
–	(4)	–	–	–	(379)	(515)	–	(307)	–
–	(11)	(73)	(17)	–	(27)	–	–	(11)	–
(5,184)	(11,494)	(4,689)	(1,375)	(1,860)	(5,589)	(8,159)	442	(35,550)	(3,105)
(1,339)	(424)	1,377	(1,715)	(2,365)	(202)	(1,459)	(466)	(649)	(730)
1,419	465	1,808	1,722	2,823	299	3,908	495	8,280	731
$ 80	$ 41	$ 3,185	$ 7	$ 458	$ 97	$ 2,449	$ 29	$ 7,631	$ 1
$ 453	$ 589	$ 543	$ 349	$ 1,083	$ 931	$ 145	$ 197	$ 655	$ 252
$ 7	$ 11	$ 15	$ 6	$ 4	$ 6	$ 9	$ 4	$ 26	$ 3
$ –	$ 33	$ 23	$ 14	$ –	$ 18	$ 14	$ 12	$ 47	$ –
$ 11	$ 12	$ –	$ –	$ 68	$ 12	$ –	$ 4	$ 3	$ 2
$ 319	$ 1,220	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ 193

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SELECTED FINANCIAL DATA

(Dollars in millions)	2011 June 30,	2011 March 31,	2010 December 31,	2010 September 30,	2010 June 30,
Selected Combined Statement of Condition Data at:					
Investments[1]	$ 295,794	$ 328,456	$ 330,470	$ 330,758	$ 308,701
Advances	428,460	445,090	478,589	499,616	540,318
Mortgage loans held for portfolio	55,970	58,530	61,277	64,365	66,847
Allowance for credit losses on mortgage loans	(108)	(104)	(86)	(64)	(52)
Total assets	809,219	848,743	878,109	903,574	937,111
Consolidated obligations:					
Discount notes	180,960	184,325	194,431	184,303	181,474
Bonds	551,198	585,221	606,567	629,635	671,467
Total consolidated obligations	732,158	769,546	800,998	813,938	852,941
Mandatorily redeemable capital stock	9,290	6,427	7,066	7,012	8,051
Subordinated notes[2]	1,000	1,000	1,000	1,000	1,000
Total capital stock[3]:					
Capital stock-Class B putable	33,726	38,220	38,683	40,359	40,897
Capital stock-Class A putable	717	726	719	708	440
Capital stock-Preconversion putable	2,352	2,332	2,333	2,318	2,331
Total capital stock	36,795	41,278	41,735	43,385	43,668
Retained earnings	7,859	7,749	7,552	7,020	6,399
Accumulated other comprehensive income (loss)	(3,560)	(4,223)	(5,546)	(6,057)	(6,881)
Total capital[3]	41,094	44,804	43,741	44,348	43,186
Selected Combined Statement of Income Data for the quarter ended:					
Net interest income	$ 1,006	$ 1,062	$ 1,266	$ 1,407	$ 1,326
Provision for credit losses	10	21	25	14	11
Net interest income after provision for credit losses	996	1,041	1,241	1,393	1,315
Total other non-interest income (loss)	(404)	(290)	1	(209)	(679)
Total other expense	240	261	308	228	173
Total assessments	101	132	236	224	137
Net income	$ 251	$ 358	$ 698	$ 732	$ 326
Selected Other Data for the quarter ended:					
Cash and stock dividends	$ 141	$ 161	$ 166	$ 136	$ 130
Dividend payout ratio[4]	56.18%	44.97%	23.78%	18.58%	39.88%
Return on average equity[5]	2.28%	3.29%	6.38%	6.70%	3.04%
Return on average assets	0.12%	0.17%	0.31%	0.31%	0.14%
Average equity to average assets	5.28%	5.08%	4.82%	4.68%	4.45%
Net interest margin[6]	0.49%	0.49%	0.56%	0.60%	0.55%
Selected Other Data at:					
Total regulatory capital ratio[7]	6.77%	6.65%	6.53%	6.47%	6.31%

(1) Investments consist of interest-bearing deposits, securities purchased under agreements to resell, Federal funds sold, trading securities, available-for-sale securities and held-to-maturity securities.
(2) On June 13, 2006, the FHLBank of Chicago issued $1.0 billion of subordinated notes that mature on June 13, 2016. The subordinated notes are not obligations of, and are not guaranteed by, the United States government or any of the FHLBanks other than the FHLBank of Chicago.
(3) FHLBank capital stock is redeemable at the request of a member subject to the statutory redemption periods and other conditions and limitations. Each of the FHLBanks, except for the FHLBank of Chicago, implemented its respective capital plan prior to 2006. The corresponding balances for capital stock—pre-conversion putable relate solely to the FHLBank of Chicago. (See ***Note 13—Capital*** to the accompanying combined financial statements.)
(4) Dividend payout ratio is equal to dividends declared in the period expressed as a percentage of net income in the period. This ratio may not be as relevant to the combined balances because there are no shareholders at the FHLBank system-wide level.
(5) Return on average equity is equal to net income expressed as a percentage of average total capital.
(6) Net interest margin is equal to net interest income before provision for credit losses, represented as a percentage of average interest-earning assets.
(7) The regulatory capital ratio is calculated based on the FHLBanks' total regulatory capital as a percentage of total assets at period end. (See ***Note 13—Capital*** to the accompanying combined financial statements for a definition and discussion of regulatory capital.)

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 accompanying notes in 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, 2011. The unaudited financial statements should be read in conjunction with the FHLBanks' audited financial statements and related notes to the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2010.

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. This Financial Discussion and Analysis 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 each respective FHLBank's periodic reports filed with the SEC. (See ***Explanatory Statement about FHLBanks Combined Financial Report*** and ***Supplemental Information—Individual FHLBank Selected Financial Data and Financial Ratios***.)

The combined financial statements include the financial records of the 12 FHLBanks. (See the FHLBanks' ***Combining Schedules*** for information regarding each individual FHLBank's results.) Material transactions among the FHLBanks have been eliminated in accordance with combination accounting principles related to consolidation under GAAP. (See ***Interbank Transfers of Liability on Outstanding Consolidated Bonds and Their Effect on Combined Net Income***.)

Unless otherwise stated, 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 risks or uncertainties, including those set forth in the ***Risk Factors*** section of the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2010 along with any changes disclosed in this report. Therefore, the 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 the general economy, employment rates, housing market activity and housing prices, and the size and volatility of the residential mortgage market;
- volatility of market prices, interest rates, and indices or other factors that could affect the value of investments or collateral held by the FHLBanks resulting from the effects of, and changes in, various monetary or fiscal policies and regulations, including those determined by the Federal Reserve Board and the 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 or investors in the consolidated obligations of the FHLBanks, including

changes in the FHLBank Act, housing GSE reform or regulations that affect FHLBank operations, and regulatory oversight;

- competitive forces, including other sources of funding available to FHLBank members, and other entities borrowing funds in the capital markets;
- demand for FHLBank advances resulting from changes in FHLBank members' deposit flows and credit demands;
- loss of large members and repayment of advances made to those members due to institutional failures, mergers, consolidations, or withdrawals from membership;
- changes in domestic and foreign investor demand for consolidated obligations 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 and changes resulting from any modification of credit ratings;
- the availability, from acceptable counterparties, of derivative financial instruments of the types and in the quantities needed for risk management purposes;
- 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; and
- the effect of new accounting standards, including the development of supporting systems and related internal controls.

Neither the FHLBanks nor the Office of Finance undertakes any obligation to publicly update or revise any forward-looking statements contained in this report, whether as a result of new information, future events, changed circumstances or any other reason.

Executive Summary

This overview highlights selected information and may not contain all of the information that is important to readers of this Combined Financial Report. For a more complete understanding of events, trends and uncertainties, this executive summary should be read together with the Financial Discussion and Analysis section in its entirety and the FHLBanks' combined financial statements and related notes.

Overview

The FHLBanks are government-sponsored enterprises (GSEs), federally-chartered but privately capitalized and independently managed. Twelve regional FHLBanks together with the Office of Finance, the fiscal agent of the FHLBanks, comprise the FHLBank System. All FHLBanks operate under the supervisory and regulatory framework of the Federal Housing Finance Agency (Finance Agency or Regulator). The Finance Agency's stated mission with respect to the FHLBanks is to provide effective supervision, regulation and housing mission oversight of the FHLBanks to promote their safety and soundness, support housing finance and affordable housing, and support a stable and liquid mortgage market.

The FHLBanks are cooperative institutions, which means that their stockholders are also the FHLBanks' primary customers. FHLBank capital stock is not publicly traded. It is purchased and redeemed by members or repurchased by an FHLBank at a par value of $100 per share. The FHLBank System is designed to expand and contract in asset size as the needs of member financial institutions and their communities change over time.

Each FHLBank's primary business is to serve as a financial intermediary between the capital markets and its members. This intermediation process involves raising funds by issuing debt, known as consolidated obligations, in the capital markets and lending those proceeds to member institutions in the form of loans, known as advances. Risk associated with the intermediation of the members' credit needs with the investment requirements of each FHLBank's creditors is managed through the use of interest-rate exchange agreements. Each FHLBank's principal funding derives from consolidated obligations issued through the Office of Finance on behalf of each FHLBank. Consolidated obligations are the joint and several obligation of each FHLBank.

As member-owned cooperatives, the FHLBanks seek to maintain a balance between their public policy mission and their goal of providing adequate returns on member capital. The FHLBanks achieve this balance by providing value to their members through advances and other low-cost services, and through dividend payments to members. The interest spread between the cost of each FHLBank's liabilities and the yield on its assets, combined with the earnings on its invested capital, are the FHLBanks' primary sources of earnings. Generally, due to the FHLBanks' cooperative structures, the FHLBanks earn relatively narrow net spreads between the yield on assets and the cost of liabilities incurred to fund those assets.

The FHLBank System's ability to raise funds in the capital markets at narrow spreads to the U.S. Treasury yield curve is due largely to the FHLBank System's GSE status, which is reflected in its consolidated obligations receiving the same credit rating as the government bond credit rating of the United States even though the consolidated obligations are not obligations of the United States. In addition to ratings on the FHLBanks' consolidated obligations, each FHLBank is rated individually by Standard & Poor's Ratings Services (S&P) and Moody's Investors Service (Moody's). Investors should note that a rating issued by a rating agency is not a recommendation to buy, sell or hold securities and that the ratings may be revised or withdrawn by the rating agency at any time. Investors should evaluate the rating of each rating agency independently. FHLBank debt is not guaranteed by, nor is it the obligation of, the United States of America or any government agency.

In connection with the debate relating to raising the U.S. statutory debt limit, during July 2011 S&P and Moody's made announcements regarding the possible downgrade of the credit rating of the United States, as well as the possible downgrade of credit ratings of entities considered linked to the credit rating of the United States. On August 8, 2011, S&P downgraded the long-term credit ratings on the senior unsecured debt issues of the FHLBank System and 10 of the 12 FHLBanks from AAA to AA+. The ratings of the FHLBanks and the FHLBank System are constrained by the long-term credit rating of the United States. On August 5, 2011, S&P lowered its long-term credit rating on the United States from AAA to AA+ with a negative outlook. The FHLBanks of Chicago and Seattle were already rated AA+ by S&P prior to the United States downgrade. The outlook for the FHLBank System's senior unsecured debt and all 12 FHLBanks is negative. S&P's actions did not affect the short-term A-1+ ratings of the FHLBanks and the FHLBank System's debt issues. On August 2, 2011, Moody's confirmed the long-term Aaa rating on the senior unsecured debt issues of the FHLBank System and the 12 FHLBanks. In conjunction with the revision of the U.S. government outlook to negative, Moody's rating outlook for the FHLBank System and the 12 FHLBanks has also been revised to negative. (See ***Recent Rating Agency Actions*** for additional information.)

Business Environment

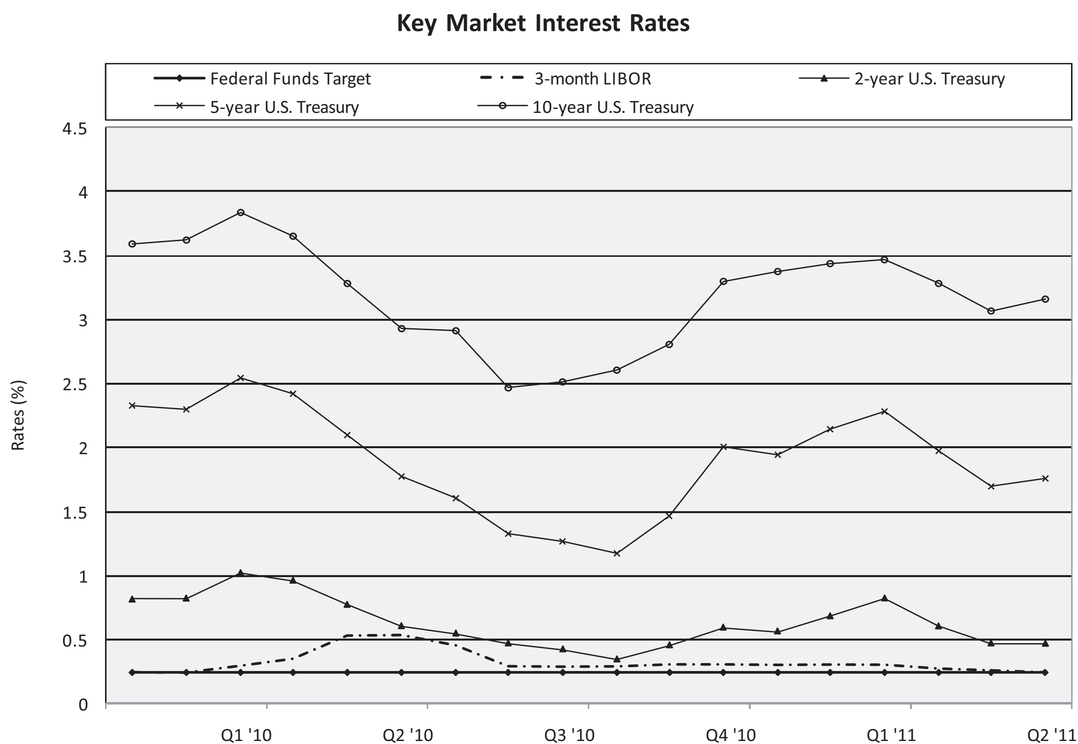
The primary external factors that affected the FHLBanks' combined financial condition and performance during the second quarter and six months ended June 30, 2011 included: (1) the general state of the economy and capital markets; (2) the conditions in the credit and housing markets; (3) interest-rate levels and volatility; and (4) the legislative and regulatory environment. During the second quarter and six months ended June 30, 2011, the FHLBanks continued to face challenges with respect to decreasing advance portfolios, run-off of higher-yielding mortgage-backed securities (MBS) and mortgage loans, lower yields on interest-earning assets in the current low interest-rate environment, and the ongoing effect of other-than-temporary impairment (OTTI) related to the FHLBanks' mortgage-related investment securities.

Economy and Capital Markets. During the first half of 2011, the domestic economy continued its slow recovery from the recent financial crisis. Exports of U.S.-manufactured goods and growth in equipment and software, strong corporate profits and availability of credit to larger non-financial corporations supported the recovery. However, the pace of the economic expansion reflected the damping effect of slow growth in consumer spending, continued pressure on housing prices, limited access to credit by small businesses and government efforts to reduce the deficit. Economic growth was negatively affected by high unemployment rates, an increase in layoffs and weaker than expected long-term labor market indicators. The rate of inflation increased, reflecting surging commodity prices and automobile manufacturing disruptions caused by the earthquake and tsunami in Japan. Concerns about the financial stability of Greece, Ireland and Spain, as well as a slower than expected domestic economic recovery, triggered a significant flight to quality rally in the capital markets during the six months ended June 30, 2011 as investors moved assets into short-term U.S. Treasuries. While FHLBank liability balances continued to shrink, the FHLBanks had ready access to capital at relatively attractive funding costs during the six months ended June 30, 2011.

Conditions in Credit and Housing Markets. During the six months ended June 30, 2011, credit availability did not show signs of significant improvement and appeared to be constrained for some households and small businesses. Despite extremely low mortgage interest rates, access to mortgage credit remained limited as a result of tight credit policies. While the household debt and delinquency rates on consumer loans continued to decline, sluggish economic recovery resulted in minimal growth for new consumer, mortgage and commercial loans. The housing market did not exhibit evidence of a sustained recovery during the first half of 2011 as the demand in the household sector was influenced by poor consumer sentiment and a slow labor market recovery. The imbalance between housing supply and demand, the substantial backlog of vacant properties for sale and the significant proportion of distressed property sales kept downward pressure on housing prices.

Interest Rates. The following chart presents key market interest rates from the first quarter of 2010 through the second quarter of 2011.

Key Market Interest Rates



Source: Bloomberg.

During the six months ended June 30, 2011, short-term interest rates remained at historic lows while intermediate- and long-term rates showed a generally modest upward trend during the first quarter of 2011 and a modest downward trend during the second quarter of 2011. The Federal Reserve Board, acting through its Federal Open Market Committee, indicated that it will maintain its target range for the federal funds rate at 0.00-0.25 percent, as it continues to anticipate that economic conditions, including low rates of resource utilization and subdued inflation trends, are likely to warrant exceptionally low levels of the federal funds rate for an extended period. Levels of other short-term interest rates remained very low during the six months ended June 30, 2011 and, on average, were consistent with their historical relationship to federal funds target rates. Changes in short-term interest rates affect the FHLBanks' interest income and expense because a considerable portion of the FHLBanks' assets and liabilities are either directly or indirectly tied to short-term interest rates such as the federal funds or three-month LIBOR rates.

The spread between 2-year and 10-year U.S. Treasuries remained wide, reflecting the uncertain path of the domestic economic expansion as the economy continued to recover following its emergence from the recent recession. Flattening of the yield curve tends to compress an FHLBank's net interest margin, while steepening of the yield curve offers better opportunities to purchase assets with wider net interest spreads. A steep yield curve

allowed the FHLBanks to continue retiring higher-cost, longer-term consolidated bonds before their final maturities and replacing them with consolidated discount notes. However, the interest-rate environment over the last several years has also harmed the FHLBanks' profitability by resulting in a lower return on interest-earning assets.

On average, U.S. Treasury yields trended lower during the six months ended June 30, 2011 compared to the first half of 2010. As the FHLBanks issue debt at spreads above U.S. Treasuries, these lower interest rates decrease the cost of issuing FHLBank consolidated obligations, and therefore decrease the cost of long-term advances to members. The persistence of low interest rates and the uncertainty surrounding the debt ceiling discussions most likely played a role in the sustained decrease in money market funds as investors moved assets farther out the curve to earn a higher rate of return. As a result of this decrease in money market fund balances, short-term investment opportunities were limited throughout the second quarter of 2011.

Legislative and Regulatory Environment. On June 13, 2011, the Finance Agency released its report to Congress, detailing the findings of its 2010 annual examinations of Fannie Mae, Freddie Mac, the 12 FHLBanks and the FHLBanks Office of Finance. While stating that the financial condition and performance of the FHLBanks stabilized in 2010 and that the FHLBanks' advance business continued to operate with no credit losses, the Finance Agency noted that credit-related impairment charges on the FHLBanks' private-label MBS continued to limit System-wide earnings.

On June 30, 2011, the Federal Reserve completed its $600 billion bond purchase program, known as quantitative easing, that was announced in November 2010 to promote a stronger pace of economic recovery and to foster maximum employment and price stability. As such, the Federal Reserve purchased a total of $767 billion in U.S. Treasuries, which included $600 billion in outright purchases, as well as Agency debt and MBS principal reinvestments. With the end of new purchases, the Federal Reserve will maintain its holdings of these securities, while continuing to reinvest the proceeds of maturing or redeemed securities in U.S. Treasuries. This policy is expected to continue to put downward pressure on long-term market interest rates. The Federal Reserve's quantitative easing programs resulted in substantial liquidity being available to the FHLBanks' members.

FHLBanks' Financial Highlights

Financial Condition. At June 30, 2011, the FHLBanks' total assets were $809.2 billion, a decrease of 8 percent from $878.1 billion at December 31, 2010, primarily driven by a $50.1 billion decline in advances and a $34.7 billion decline in investments. Advances declined 10 percent during the six months ended June 30, 2011 resulting from continued low levels of member demand, scheduled maturities and ongoing prepayments. Advance demand remained low because of the continued high level of liquidity in the market and low loan demand experienced at FHLBank member institutions. The mortgage loan portfolio continued to decline as principal repayments exceeded the low level of new loan purchases. The declines in advances, investments and mortgage loans held for portfolio were partially offset by increases in certain other assets, primarily cash.

FHLBank debt issuance is generally driven by members' needs for advances. During the six months ended June 30, 2011, the FHLBanks maintained continual access to funding and adapted their debt issuance to meet the needs of market participants. At June 30, 2011, the FHLBanks' total consolidated obligations outstanding were $732.2 billion, a decline of 9 percent from $801.0 billion at December 31, 2010. The decline in consolidated obligations was comprised of maturities, redemptions and repurchases of higher-cost, longer-term debt and was consistent with the decline in total assets. During the six months ended June 30, 2011, consolidated bonds declined $55.3 billion, while consolidated discount notes declined $13.5 billion.

Total consolidated obligations issuance was 19 percent lower during the second quarter of 2011, and 10 percent lower during the six months ended June 30, 2011, than during the corresponding periods in the previous year due to a significant decrease in both consolidated bond and consolidated discount note issuance which corresponded with the decline in demand for FHLBanks' advances. Aggregate weighted-average, new-issue funding costs for FHLBank consolidated bonds improved relative to benchmark market indices in the second quarter and six months ended June 30, 2011, as compared to the same periods in 2010. The FHLBanks relied more on callable funding during the second quarter and six months ended June 30, 2011, such that fixed-rate consolidated bonds with an embedded call option represented 50 percent of consolidated bond issuance during the second quarter of 2011, compared to 35 percent during the second quarter of 2010, and 50 percent of consolidated bond issuance during the six months ended June 30, 2011, compared to 38 percent during the first six months of 2010.

Total combined GAAP capital was $41.1 billion at June 30, 2011, a decrease of 6 percent from $43.7 billion at December 31, 2010, due to a decrease in capital stock, partially offset by an improvement in accumulated other comprehensive income (loss) and growth in retained earnings. The decrease in total capital stock outstanding was driven primarily by capital stock repurchases/redemptions and net shares reclassified to mandatorily redeemable capital stock (MRCS), which were partially offset by capital stock issuances during the six months ended June 30, 2011.

Total combined regulatory capital decreased $2.6 billion, or 5 percent, to $54.8 billion during the six months ended June 30, 2011, primarily because of a decrease in capital stock outstanding, partially offset by an increase in MRCS and growth in retained earnings. The difference between GAAP capital and regulatory capital relates primarily to accumulated other comprehensive income (loss), which is excluded from regulatory capital, and MRCS, which is included in regulatory capital.

Operating Results. Combined net income for the three and six months ended June 30, 2011 was $251 million and $609 million, which represented decreases of $75 million and $42 million compared to the same periods in 2010. Changes in net income were primarily the result of a decrease in net interest income after provision for credit losses and an increase in other expense, partially offset by improvements in other non-interest income (loss) and assessments.

Net interest income after provision for credit losses for the three and six months ended June 30, 2011 was $996 million and $2,037 million. During the three and six months ended June 30, 2011, the FHLBanks experienced declines in both interest income and interest expense compared to the same periods in 2010, leading to an overall decrease in net interest income after provision for credit losses of $319 million and $505 million. The decrease in net interest income for the three and six months ended June 30, 2011 was driven primarily by the decline in yields on interest-earning assets, which exceeded the decline in yields on interest-bearing liabilities, and, to a lesser extent, lower average balances of interest-earning assets and interest-bearing liabilities. Run-off of higher yielding investments and mortgage loans, and lower prepayment fees contributed to the decline in interest income. Interest expense also continued to decline, driven by repurchases of higher cost consolidated bonds prior to maturity, lower interest rates on newer debt issuances, the refinancing of consolidated bonds with consolidated discount notes and lower average debt balances.

The FHLBanks recognized losses of $404 million and $694 million in other non-interest income (loss) during the three and six months ended June 30, 2011, compared to losses of $679 million and $1,228 million for the same periods in 2010. The improvement in other non-interest income (loss) during the three and six months ended June 30, 2011 was primarily the result of lower net losses on derivatives and hedging activities and a reduction in net other-than-temporary impairment credit losses, partially offset by less favorable mark-to-market adjustments on trading securities.

Included in other non-interest income (loss), the FHLBanks recognized $341 million and $616 million of credit-related OTTI charges on private-label MBS during the three and six months ended June 30, 2011 compared to $495 million and $728 million of credit-related OTTI charges for the same periods in 2010. Uncertainty about the future condition of the U.S. housing markets and the domestic economy, as well as ongoing deterioration in the expected credit performance of loan collateral resulted in additional credit-related OTTI losses during the second quarter of 2011. Assumptions regarding collateral performance included higher projected loss severities compared to prior quarters, reflecting larger anticipated increases in foreclosure and liquidation costs. The OTTI analysis for the second quarter of 2011 primarily reflected decreases in actual and expected housing prices and slower than previously forecasted housing price recovery.

Business Outlook

The FHLBanks' net income for the second quarter and first six months of 2011 reflects consistent performance in the FHLBanks' core lending activities and continued strength and stability, despite the slow economic recovery and weak housing market fundamentals that adversely affected advance demand. Another ongoing challenge is uncertainty with respect to the FHLBanks' mortgage-related investment securities, which continue to experience OTTI losses. Furthermore, as the FHLBanks are governed by Federal laws and Finance Agency regulations, changes in regulatory or statutory requirements, or in their application, and the current fiscal and political challenges regarding the federal budget deficit and debt ceiling could negatively affect the FHLBanks' ability to conduct

business or their cost of doing business. Each of the FHLBanks continues to follow a conservative capital and financial management approach in light of these challenges.

On February 28, 2011, the 12 FHLBanks entered into a Joint Capital Enhancement Agreement (Capital Agreement), as amended, which is intended to enhance the capital position of each FHLBank by allocating that portion of each FHLBank's earnings historically paid to satisfy its REFCORP obligation to a separate retained earnings account at that FHLBank. On August 5, 2011, the Finance Agency certified that the FHLBanks have fully satisfied their REFCORP obligation. In accordance with the Capital Agreement, starting in the third quarter of 2011, each FHLBank is required to allocate 20 percent of its net income to a separate restricted retained earnings account. (See ***Note 13—Capital—Joint Capital Enhancement Agreement and REFCORP Certification*** to the accompanying combined financial statements for more information on the Capital Agreement.)

Combined Statement of Condition

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

Advances

The FHLBanks serve the general public by providing liquidity primarily to members through secured loans (advances), thereby increasing the availability of credit for residential mortgages, community investments, and other services for housing and community development. The FHLBanks make advances to their members and eligible non-member housing associates on the security of mortgages and other collateral pledged by the borrowing institutions. (See ***Risk Management—Credit Risk—Managing Credit Risk*** for more information on advance collateral.)

Table 1 presents advances outstanding by product type, some of which include advances that contain embedded callable or putable options. A member can either sell an embedded option to an FHLBank or it can purchase an embedded option from an FHLBank. (See ***Note 7—Advances*** to the accompanying combined financial statements for additional information on putable and callable advances and their potential effect on advance maturities.)

Table 1 - Advances Outstanding by Product Type (dollars in millions)

	June 30, 2011		December 31, 2010	
	Amount	Percentage of Total	Amount	Percentage of Total
Fixed-rate	$241,647	58.2%	$269,387	58.1%
Adjustable/variable-rate indexed	110,212	26.6%	119,955	25.8%
Hybrid(1)	31,245	7.5%	39,414	8.5%
Convertible	19,898	4.8%	22,881	4.9%
Amortizing(2)/mortgage-matched	12,059	2.9%	12,334	2.7%
Other advances	45	–	15	–
Total par value	415,106	100.0%	463,986	100.0%
Other(3)	13,354		14,603	
Total	$428,460		$478,589	

(1) A hybrid advance contains a one-time option to embed either a floor or cap at any time during the life of the advance. A hybrid advance may be either fixed- or variable-rate at the date of issuance.
(2) Amortizing advances include index-amortizing advances, which 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).
(3) Includes hedging and fair value option valuation adjustments, unamortized premiums, discounts and commitment fees.

The outstanding carrying value of advances, as reported on the Combined Statement of Condition, declined $50.1 billion from December 31, 2010 to June 30, 2011. This reduction is attributable primarily to decreased member demand, scheduled maturities and continuing prepayments. Advance demand remained weak because of high deposit levels at member institutions, which serve as a liquidity alternative to advances, and low demand for loans at member institutions. Additionally, uncertainty about the economic recovery, high unemployment and the slow recovery in housing market conditions have contributed to the continuing decline in advance balances. (See

Security Ownership of Certain Beneficial Owners for more information on advances by borrower type and advances by holding company.)

Table 2 presents cash flows related to advances, which illustrates the continued trend of advance repayments exceeding new advance originations, resulting in lower advance balances.

Table 2 - Advance Originations and Repayments (dollars in millions)

	Three Months Ended June 30,		Six Months Ended June 30,		Increase	
					Three Months Ended June 30,	Six Months Ended June 30,
	2011	2010	2011	2010	2011 vs. 2010	2011 vs. 2010
Advances originated	$362,089	$301,394	$740,070	$652,157	$ 60,695	$ 87,913
Advances repaid	380,190	335,552	788,948	745,463	44,638	43,485
Net decrease	$ (18,101)	$ (34,158)	$ (48,878)	$ (93,306)		

Investments

The FHLBanks maintain investment portfolios for liquidity purposes, to manage capital stock repurchases and redemptions and to provide additional earnings. This investment income bolsters the FHLBanks' capacity to meet their commitments to affordable housing and community investment, and to cover operating expenses. Table 3 presents the composition of investments and investment securities as of June 30, 2011 and December 31, 2010.

Table 3 - Total Investments (dollars in millions)

	Carrying Value		
	June 30, 2011	December 31, 2010	(Decrease) Increase
Interest-bearing deposits	$ 8	$ 9	$ (1)
Securities purchased under agreements to resell	7,800	16,400	(8,600)
Federal funds sold	54,871	75,855	(20,984)
Investment securities:			
Non-mortgage-backed securities:			
U.S. Treasury obligations	2,108	3,068	(960)
Commercial paper	3,940	4,849	(909)
Certificates of deposit	23,088	26,041	(2,953)
Other U.S. obligations[1]	3,163	2,452	711
Government-sponsored enterprise and Tennessee Valley Authority obligations	25,095	26,703	(1,608)
State or local housing agency obligations	2,384	2,480	(96)
Temporary liquidity guarantee program debentures and promissory notes	18,335	16,081	2,254
Federal family education loan program ABS	8,562	8,799	(237)
Other[2]	1,381	852	529
Total non-mortgage-backed securities	88,056	91,325	(3,269)
Mortgage-backed securities:			
Other U.S. obligations residential MBS[3]	12,658	11,775	883
Other U.S. obligations commercial MBS[3]	524	53	471
Government-sponsored enterprise residential MBS	94,744	95,138	(394)
Government-sponsored enterprise commercial MBS	3,219	2,313	906
Private-label residential MBS	33,264	36,823	(3,559)
Private-label commercial MBS	70	160	(90)
Manufactured housing loan ABS	183	196	(13)
Home equity loan ABS	397	423	(26)
Total mortgage-backed securities	145,059	146,881	(1,822)
Total investment securities	233,115	238,206	(5,091)
Total investments	$295,794	$330,470	$(34,676)

(1) Primarily consists of debt securities issued or guaranteed by Small Business Administration (SBA), Export-Import Bank of the U.S. (Ex-Im Bank) and National Credit Union Administration (NCUA).
(2) Primarily consists of taxable municipal bonds, debentures issued by Inter-American Development Bank (IDB) and debt securities issued by International Bank for Reconstruction and Development (IBRD).
(3) Primarily consists of MBS issued or guaranteed by Government National Mortgage Association (Ginnie Mae), SBA and Ex-Im Bank.

Total investments decreased by $34.7 billion from December 31, 2010 to June 30, 2011 due to a net decrease of $5.1 billion in investment securities and a $29.6 billion decrease in interest-bearing deposits, securities purchased under agreements to resell and Federal funds sold. The decrease in total investments is primarily due to principal repayments and maturities offset by purchases and an overall increase in the fair value of the underlying investments.

Short-term Investments. The FHLBanks maintain short-term investment portfolios, which may provide funds to meet the credit needs of their members. These portfolios may include:

- interest-bearing deposits;
- securities purchased under agreements to resell;
- Federal funds sold;
- U.S. Treasury obligations;
- commercial paper; and
- certificates of deposit.

The yield earned on these short-term investments is tied directly to short-term market interest rates. At June 30, 2011, the FHLBanks continued to maintain high short-term investment balances as part of their ongoing strategy and to satisfy regulatory liquidity requirements.

Long-term Investments. The FHLBanks also enhance interest income and cover operating expenses by holding long-term investments. These investments may provide the FHLBanks with higher returns than those available on short-term investments.

Gross Unrealized Losses on Mortgage-backed Securities. Gross unrealized losses, including the net effect of non-credit-related OTTI recognized in AOCI, on the FHLBanks' available-for-sale (AFS) MBS increased $1.2 billion from December 31, 2010 to June 30, 2011. This increase was primarily driven by gross unrealized losses, including the net effect of non-credit-related OTTI recognized in AOCI, on private-label RMBS and the transfers of certain private-label RMBS that had OTTI losses recorded during the six months ended June 30, 2011 from each affected FHLBank's held-to-maturity (HTM) portfolio to its AFS portfolio.

Gross unrealized losses, including the net effect of non-credit-related OTTI recognized in AOCI, on the FHLBanks' HTM MBS decreased $3.5 billion from December 31, 2010 to June 30, 2011, $3.4 billion of which related to private-label RMBS and CMBS, manufactured housing loan asset-backed securities (ABS) and home equity loan ABS (collectively referred to as private-label mortgage-related investment securities). This decrease is primarily a result of transfers of certain private-label RMBS that had OTTI losses from each affected FHLBank's HTM portfolio to its AFS portfolio. Contributing to the decrease was the accretion of the non-credit portion of impairment losses of HTM securities that had experienced non-credit-related OTTI in previous quarters. For these securities, the non-credit-related impairment is accreted prospectively, based on the amount and timing of future cash flows, over the remaining life of the security as an increase in its carrying value, with no effect on earnings unless the security is subsequently sold or there are additional decreases in cash flows expected to be collected. (See ***Note 4—Available-for-Sale Securities*** and ***Note 5—Held-to-Maturity Securities*** to the accompanying combined financial statements for discussion of those securities with unrealized losses.)

OTTI on Investment Securities. Each FHLBank evaluates its individual AFS and HTM investment securities holdings for OTTI on at least a quarterly basis. Private-label mortgage-related investment securities are those investment securities that generally carry the greatest risk of loss. For the three and six months ended June 30, 2011, affected FHLBanks recognized $164 million and $291 million of combined total OTTI losses related to AFS and HTM private-label mortgage-related investment securities. For the three and six months ended June 30, 2010, affected FHLBanks recognized $468 million and $874 million of combined total OTTI losses related to AFS and

HTM private-label mortgage-related investment 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.

In addition to those securities with OTTI, the FHLBanks have certain private-label mortgage-related investment securities in unrealized loss positions at June 30, 2011. However, these declines are considered temporary, as each of the affected FHLBanks expects to recover the entire amortized cost basis on the remaining securities 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. The FHLBanks' portfolio monitoring is ongoing, and further deterioration in delinquency and loss rates and real estate values may cause an additional increase in recognized losses on their investment securities. (See ***Critical Accounting Estimates—OTTI for Investment Securities***, ***Risk Management—Credit Risk—Investments,*** and ***Note 6—Other-Than-Temporary Impairment Analysis*** to the accompanying combined financial statements for additional information regarding the FHLBanks' processes for evaluating investment securities for OTTI.)

Mortgage-Backed Securities to Total Regulatory Capital Ratio. Current regulatory policy prohibits an FHLBank from purchasing MBS if its investment in MBS exceeds 300 percent of that FHLBank's previous month-end regulatory capital 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 MBS under certain conditions; this temporary increase expired on March 31, 2010. At June 30, 2011, each of the FHLBanks of Chicago, Des Moines, Dallas and Topeka had MBS holdings in excess of the current investment limit and are precluded from purchasing additional MBS investments until their respective MBS ratio declines below 300 percent. Each of these FHLBanks was not required to sell any previously purchased MBS that were in compliance with the applicable limit at the time of purchase. Each of the remaining FHLBanks was in compliance with the regulatory limit at the time of its respective MBS purchases and at June 30, 2011.

The ratio of MBS (net of regulatorily excluded MBS) to total regulatory capital and the Designated Amount of subordinated notes for the FHLBanks on a combined basis at June 30, 2011 was 2.7.

Mortgage Loans Held for Portfolio, Net

The FHLBanks invest in mortgage loans to support the FHLBanks' housing mission, diversify their investments and provide an additional source of liquidity to FHLBank members. The two primary programs are the Mortgage Purchase Program (MPP) and the Mortgage Partnership Finance (MPF®) Program. (See ***Supplemental Information*** in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2010 for more information.)

Table 4 - Mortgage Loans Held for Portfolio, Net (dollars in millions)

	June 30, 2011	December 31, 2010	Decrease
Mortgage loans held for portfolio	$55,970	$61,277	$(5,307)
Less: Allowance for credit losses on mortgage loans	(108)	(86)	(22)
Mortgage loans held for portfolio, net	$55,862	$61,191	$(5,329)

Mortgage Loans Held for Portfolio. The mortgage loans held for portfolio balance continues to decline from December 31, 2010 primarily due to the following:

- ongoing difficulties in the housing and mortgage markets, which negatively affected the volume of originations and refinancings of mortgage loans purchased from the FHLBank members;
- normal maturities and principal paydowns of the mortgage loans, which outpaced the new purchases; and
- the FHLBank of Seattle's transfer of $1.3 billion from mortgage loans held for portfolio to mortgage loans held for sale. (See ***Note 8—Mortgage Loans Held for Portfolio*** to the accompanying combined financial statements for more information.)

Allowance for Credit Losses on Mortgage Loans. Periodically, each FHLBank evaluates the allowance for credit losses for its mortgage loans based on its policies and procedures to determine if an allowance for credit losses for its mortgage loan portfolio is necessary. As a result of such review, the allowance for credit losses on the

mortgage loans at June 30, 2011 increased $22 million from December 31, 2010. The FHLBanks generally increased their individual allowance for credit losses on mortgage loans during 2011 primarily in response to ongoing deterioration in home prices nationwide, the delay in foreclosure proceedings and the increase in loan foreclosures in many areas of the country.

Table 5 - Mortgage Loans Held for Portfolio Characteristics and Allowance for Credit Losses (dollars in millions)

	June 30, 2011[1]	December 31, 2010[1]
Total past due 90 days or more and still accruing interest	$ 753	$ 820
Non-accrual loans[2]	$ 550	$ 535
Troubled debt restructurings (not included above)	$ 10	$ 7

	Six Months Ended June 30, 2011	Year Ended December 31, 2010
Allowance for credit losses, beginning of period	$ 86	$ 32
Charge-offs	(11)	(6)
Provision for credit losses[3]	33	60
Allowance for credit losses, ending of period	$ 108	$ 86

(1) Balances reflect unpaid principal balance.
(2) Non-accrual mortgage loans are defined as conventional mortgage loans where either (a) the collection of interest or principal is doubtful, or (b) interest or principal is past due for 90 days or more, except when the loan is well secured and in the process of collection.
(3) The provision for credit losses includes only the provision related specifically to mortgage loans and does not include the $2 million reversal for credit losses related to Banking on Business loans specific to the FHLBank of Pittsburgh for both periods ended June 30, 2011 and December 31, 2010.

See ***Note 9—Allowance for Credit Losses*** to the accompanying combined financial statements and ***Net Interest Income after Provision for Credit Losses*** for more information.

Consolidated Obligations

General. Consolidated obligations consist of consolidated obligation bonds (consolidated bonds) and consolidated obligation discount notes (consolidated discount notes), which are debt instruments issued through the Office of Finance. Consolidated obligations are the principal funding source used by the FHLBanks to make advances and to purchase mortgage loans and investments.

Consolidated bonds are issued primarily to raise intermediate- and long-term funds. Consolidated bonds generally carry fixed- or variable-rate payment terms and have maturities typically ranging from one month to 30 years. Consolidated discount notes are issued primarily to provide short-term funding. These consolidated discount notes presently have a maturity range of one day through one year, are sold at a discount and mature at par. Much of the consolidated discount note activity reflects the refinancing of overnight discount notes.

Table 6 - Consolidated Obligations Outstanding (dollars in millions)

	June 30, 2011	December 31, 2010	Variance
Par value of consolidated obligations due in 1 year or less:			
Consolidated discount notes	$ 180,980	$ 194,478	$(13,498)
Consolidated bonds	214,087	264,479	(50,392)
Total	395,067	458,957	(63,890)
Par value of long-term consolidated bonds[1]	332,210	337,224	(5,014)
Total par value	727,277	796,181	(68,904)
Other[2]	4,881	4,817	64
Total consolidated obligations	$ 732,158	$ 800,998	$(68,840)

(1) Includes $3.9 billion and $4.5 billion of index-amortizing notes as of June 30, 2011 and December 31, 2010.
(2) Includes hedging and fair value option valuation adjustments and unamortized premiums and discounts.

Table 7 presents cash flows related to consolidated obligations, which illustrates the continued trend of payments exceeding proceeds, resulting in lower consolidated obligation balances.

Table 7 - Net Proceeds and Payments for Consolidated Obligations (dollars in millions)

	Three Months Ended June 30,		Six Months Ended June 30,		Decrease	
	2011	2010	2011	2010	Three Months Ended June 30, 2011 vs. 2010	Six Months Ended June 30, 2011 vs. 2010
Net proceeds from issuance of consolidated obligations:						
Discount notes	$1,342,150	$1,631,126	$3,050,274	$3,282,644	$(288,976)	$(232,370)
Bonds	94,697	143,608	171,051	292,107	(48,911)	(121,056)
Net proceeds	1,436,847	1,774,734	3,221,325	3,574,751	$(337,887)	$(353,426)
Net payments for maturing and retiring consolidated obligations:						
Discount notes	1,345,496	1,637,803	3,063,717	3,299,546	$(292,307)	$(235,829)
Bonds	129,722	161,195	226,267	358,730	(31,473)	(132,463)
Net payments	1,475,218	1,798,998	3,289,984	3,658,276	$(323,780)	$(368,292)
Net decrease	$ (38,371)	$ (24,264)	$ (68,659)	$ (83,525)		

Consolidated Bonds. Consolidated bonds 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 interest-rate exchange agreement usually results in a funding vehicle with a lower cost than the FHLBanks could otherwise achieve.

Table 8 - Par Value of Consolidated Bonds Outstanding[(1)] by Payment Terms (dollars in millions)

	June 30, 2011		December 31, 2010	
	Amount	Percentage of Total	Amount	Percentage of Total
Fixed-rate, noncallable	$317,714	58.1%	$354,082	58.7%
Fixed-rate, callable	93,585	17.1%	109,687	18.2%
Single-index, non-capped variable-rate	82,547	15.1%	94,957	15.8%
Step-up/step-down	45,057	8.3%	36,507	6.1%
Amortizing prepayment linked securities	3,922	0.7%	4,540	0.8%
Other[(2)]	3,668	0.7%	2,123	0.4%
Total	$546,493	100.0%	$601,896	100.0%

(1) Consolidated bonds outstanding have not been adjusted for interbank holdings totaling $196 million at June 30, 2011 and $193 million at December 31, 2010.
(2) Primarily consists of conversion, capped variable-rate and range consolidated bonds.

The types of consolidated bonds issued can fluctuate based on comparative changes in their cost levels, supply and demand conditions, advance demand and the FHLBanks' individual balance sheet management strategies.

Table 9 - Percentage of Total Consolidated Bonds Issued by Bond Type

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Fixed-rate, callable	49.7%	34.7%	49.6%	38.2%
Fixed-rate, fixed-term, noncallable (bullet)	25.7%	39.2%	28.3%	27.3%
Step-up/step-down	17.7%	13.7%	14.5%	14.2%
Single-index, variable-rate	5.7%	10.4%	6.4%	18.9%
Other	1.2%	2.0%	1.2%	1.4%
Total	100.0%	100.0%	100.0%	100.0%

At June 30, 2011, $139.5 billion of callable debt was outstanding (par value, excluding an interbank holding adjustment of $50 million) and represented 25.5 percent of total consolidated bonds outstanding (par value). This percentage has remained relatively constant from December 31, 2010 to June 30, 2011.

Deposits

The FHLBanks offer demand, overnight and term deposit programs to their members and to qualifying non-members. At June 30, 2011, deposits totaled $14.1 billion, a decrease of $295 million or 2.0 percent from December 31, 2010. These deposits represent a relatively small portion of the FHLBanks' funding, and deposits vary depending upon market factors, such as the attractiveness of the FHLBanks' deposit pricing relative to the rates available on alternative money market instruments, FHLBank members' investment preferences with respect to the maturity of their investments and member liquidity. Demand and overnight deposits comprised 92.9 percent and 88.7 percent of deposits at June 30, 2011 and December 31, 2010, with the remaining deposits primarily being term deposits.

Capital

Table 10 - Total Capital and Capital-to-Assets Ratios (dollars in millions)

	June 30, 2011	December 31, 2010	(Decrease) Increase
Capital stock	$ 36,795	$ 41,735	$ (4,940)
Retained earnings	7,859	7,552	307
AOCI	(3,560)	(5,546)	1,986
Total GAAP capital	41,094	43,741	(2,647)
Exclude:			
AOCI	3,560	5,546	(1,986)
Add:			
Mandatorily redeemable capital stock	9,290	7,066	2,224
Subordinated notes[1]	800	1,000	(200)
General loss allowance	7	9	(2)
Total regulatory capital	$ 54,751	$ 57,362	$ (2,611)
Total assets	$809,219	$878,109	$(68,890)
GAAP capital-to-assets ratio	5.08%	4.98%	
Regulatory capital-to-assets ratio	6.77%	6.53%	

(1) Consists of the Designated Amount of subordinated notes of $800 million as of June 30, 2011 and $1.0 billion as of December 31, 2010, which the FHLBank of Chicago was allowed to include in determining compliance with its regulatory capital requirements. (See ***Note 13—Capital*** to the accompanying combined financial statements for information on regulatory capital requirements.)

The decrease in GAAP capital was due primarily to:

- a decrease in total capital stock outstanding, driven primarily by capital stock repurchases/redemptions of $3,999 million and net shares reclassified to mandatorily redeemable capital stock of $3,067 million, which were partially offset by capital stock issuances of $2,110 million during the six months ended June 30, 2011, which was partially offset by:
- an improvement in AOCI that was driven primarily by: $910 million in net fair value gains on previously other-than-temporarily impaired AFS securities and the non-credit portion of OTTI on HTM and AFS securities, $439 million in accretion of the non-credit portion of OTTI losses on HTM securities, and $526 million in reclassification of previous non-credit losses on HTM and AFS securities from AOCI into credit losses during the six months ended June 30, 2011, and
- an improvement in retained earnings, consisting primarily of net income of $609 million, less cash dividends of $286 million.

Although total GAAP capital decreased 6.1 percent from December 31, 2010 to June 30, 2011, total assets decreased by 7.8 percent. The decrease in total assets was the primary driver of the increase in the FHLBanks'

combined GAAP capital-to-assets ratio at June 30, 2011, when compared to December 31, 2010. Over the same period, total regulatory capital decreased 4.6 percent. However, the FHLBanks' combined regulatory capital-to-assets ratio increased because, on a percentage basis, total assets decreased more than total regulatory capital.

Table 11 - GAAP Capital Components as a Percentage of Total Capital

	June 30, 2011	December 31, 2010
Capital stock	89.5%	95.4%
Retained earnings	19.1%	17.3%
AOCI	(8.6)%	(12.7)%
Total GAAP capital	100.0%	100.0%

Combined Results of Operations

Net Income

The primary source of each FHLBank's earnings is net interest income, which is the interest earned on advances, investments and mortgage loans, less the interest paid on consolidated obligations, deposits and other borrowings. Combined net income for the three and six months ended June 30, 2011 decreased 23.0 percent and 6.5 percent compared to the same period in the prior year. The decrease was primarily the result of the decline in net interest income after provision for credit losses and an increase in other expense, partially offset by improvements in other non-interest income (loss) and assessments.

Table 12 - Changes in Net Income (dollars in millions)

	Three Months Ended June 30,		Six Months Ended June 30,		(Decrease) Increase	
	2011	2010	2011	2010	Three Months Ended June 30, 2011 vs. 2010	Six Months Ended June 30, 2011 vs. 2010
Net interest income after provision for credit losses	$ 996	$1,315	$2,037	$ 2,542	$ (319)	$ (505)
Total other non-interest income (loss)	(404)	(679)	(694)	(1,228)	275	534
Total other expense	240	173	501	396	67	105
Total assessments	101	137	233	267	(36)	(34)
Net income	$ 251	$ 326	$ 609	$ 651	$ (75)	$ (42)

Net Interest Income after Provision for Credit Losses

The decrease in net interest income for the three and six months ended June 30, 2011 compared to the same period in the prior year was primarily driven by the decline in yields on interest-earning assets, which exceeded the decline on the interest-bearing liabilities, and, to a lesser extent, lower average balances of interest-earning assets and interest-bearing liabilities.

Table 13 - Net Interest Income after Provision for Credit Losses (dollars in millions)

	Three Months Ended June 30,		Six Months Ended June 30,		(Decrease) Increase	
					Three Months Ended June 30, 2011 vs. 2010	Six Months Ended June 30, 2011 vs. 2010
	2011	2010	2011	2010		
INTEREST INCOME						
Advances	$ 833	$1,182	$1,731	$2,394	$ (349)	$ (663)
Prepayment fees on advances, net	45	126	103	158	(81)	(55)
Interest-bearing deposits	2	4	4	6	(2)	(2)
Securities purchased under agreements to resell	3	9	11	12	(6)	(1)
Federal funds sold	25	43	63	72	(18)	(9)
Trading securities	102	79	201	165	23	36
Available-for-sale securities	371	317	696	598	54	98
Held-to-maturity securities	822	1,166	1,745	2,350	(344)	(605)
Mortgage loans held for portfolio	684	814	1,385	1,659	(130)	(274)
Other	–	1	2	2	(1)	–
Total interest income	2,887	3,741	5,941	7,416	(854)	(1,475)
INTEREST EXPENSE						
Consolidated obligations—Discount notes	134	168	294	321	(34)	(27)
Consolidated obligations—Bonds	1,715	2,212	3,513	4,466	(497)	(953)
Deposits	1	5	3	6	(4)	(3)
Securities sold under agreements to repurchase	5	5	9	9	–	–
Subordinated notes	14	14	28	28	–	–
Mandatorily redeemable capital stock	12	11	26	25	1	1
Total interest expense	1,881	2,415	3,873	4,855	(534)	(982)
Net interest income before provision for credit losses	1,006	1,326	2,068	2,561	(320)	(493)
Provision for credit losses	10	11	31	19	(1)	12
Net interest income after provision for credit losses	$ 996	$1,315	$2,037	$2,542	$ (319)	$ (505)

Table 14 presents average balances and yields of the major categories of interest-earning assets and interest-bearing liabilities. It also presents spreads between yields on total interest-earning assets and the cost of interest-bearing liabilities and spreads between yields on total earning assets and the cost of total funding sources (interest-bearing liabilities, plus capital, plus other interest-free liabilities). Net interest income before the provision for credit losses when expressed as a percentage of the average balance of interest-earning assets equals the net interest margin. Net interest spread, when expressed as a percentage, is the difference between the annualized yield on interest-earning assets and the annualized yield on interest-bearing liabilities.

Table 14 - Spread and Yield Analysis (dollars in millions)

	Three Months Ended June 30,					
	2011			2010		
	Average Balance	Interest	Annualized Yield	Average Balance	Interest	Annualized Yield
Advances[1]	$436,068	$ 878	0.81%	$557,705	$1,308	0.94%
Mortgage loans	57,770	684	4.75%	67,589	814	4.83%
Investments:						
Interest-bearing deposits and other	6,230	2	0.13%	7,077	5	0.28%
Securities purchased under agreements to resell	12,710	3	0.09%	17,098	9	0.21%
Federal funds sold	83,324	25	0.12%	86,084	43	0.20%
Trading securities	29,670	102	1.38%	15,542	79	2.04%
Available-for-sale securities[2]	75,660	371	1.97%	63,369	317	2.01%
Held-to-maturity securities[2]	132,956	822	2.48%	151,846	1,166	3.08%
Total investments	340,550	1,325	1.56%	341,016	1,619	1.90%
Total interest-earning assets	834,388	2,887	1.39%	966,310	3,741	1.55%
Other non-interest-earning assets	6,518			8,989		
Fair-value adjustment on investment securities[2]	(4,697)			(8,488)		
Total assets	$836,209			$966,811		
Consolidated obligations:						
Discount notes	$182,220	134	0.29%	$184,560	168	0.37%
Bonds	569,469	1,715	1.21%	688,683	2,212	1.29%
Interest-bearing deposits and other borrowings[3]	23,817	32	0.54%	30,285	35	0.46%
Total interest-bearing liabilities	775,506	1,881	0.97%	903,528	2,415	1.07%
Non-interest-bearing liabilities	16,523			20,233		
Total liabilities	792,029			923,761		
Capital	44,180			43,050		
Total liabilities and capital	$836,209			$966,811		
Net interest income before provision for credit losses		$1,006			$1,326	
Net interest spread			0.42%			0.48%
Net interest margin			0.49%			0.55%

	Six Months Ended June 30,					
	2011			2010		
	Average Balance	Interest	Annualized Yield	Average Balance	Interest	Annualized Yield
Advances[1]	$448,388	$1,834	0.82%	$582,211	$2,552	0.88%
Mortgage loans	58,718	1,385	4.76%	68,715	1,659	4.87%
Investments:						
Interest-bearing deposits and other	6,313	6	0.19%	7,160	8	0.23%
Securities purchased under agreements to resell	15,566	11	0.14%	15,213	12	0.16%
Federal funds sold	83,304	63	0.15%	84,902	72	0.17%
Trading securities	29,491	201	1.37%	17,796	165	1.87%
Available-for-sale securities[2]	73,424	696	1.91%	59,938	598	2.01%
Held-to-maturity securities[2]	135,813	1,745	2.59%	152,598	2,350	3.11%
Total investments	343,911	2,722	1.60%	337,607	3,205	1.91%
Total interest-earning assets	851,017	5,941	1.41%	988,533	7,416	1.51%
Other non-interest-earning assets	6,786			9,302		
Fair-value adjustment on investment securities[2]	(4,898)			(8,801)		
Total assets	$852,905			$989,034		
Consolidated obligations:						
Discount notes	$184,094	294	0.32%	$191,977	321	0.34%
Bonds	583,270	3,513	1.21%	703,165	4,466	1.28%
Interest-bearing deposits and other borrowings[3]	24,112	66	0.55%	30,250	68	0.45%
Total interest-bearing liabilities	791,476	3,873	0.99%	925,392	4,855	1.06%
Non-interest-bearing liabilities	17,255			20,638		
Total liabilities	808,731			946,030		
Capital	44,174			43,004		
Total liabilities and capital	$852,905			$989,034		
Net interest income before provision for credit losses		$2,068			$2,561	
Net interest spread			0.42%			0.45%
Net interest margin			0.49%			0.52%

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

(2) The average balances of HTM securities and AFS securities are reflected at amortized cost; therefore, the resulting yields do not give effect to changes in fair value or the non-credit component of a previously recognized OTTI reflected in AOCI.

(3) The balances do not include non-interest-bearing deposits, but do include the average balances of mandatorily redeemable capital stock and subordinated notes and the related interest expense.

Changes in both interest-earning assets and interest-bearing liabilities and effective interest rates have a direct influence on changes in net interest income, net interest margin and net interest spread. Table 15 presents changes in interest income and interest expense due to volume-related and rate-related factors. Changes in interest income and interest expense not identifiable as either volume-related or rate-related, but rather 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.

Table 15 - Rate and Volume Analysis (dollars in millions)

	(Decrease) Increase Three Months Ended June 30, 2011 vs. 2010			(Decrease) Increase Six Months Ended June 30, 2011 vs. 2010		
	Volume	Rate	Total	Volume	Rate	Total
Interest Income:						
Advances[1]	$(261)	$(169)	$(430)	$(556)	$(162)	$ (718)
Mortgage loans	(116)	(14)	(130)	(237)	(37)	(274)
Investments	(2)	(292)	(294)	59	(542)	(483)
Total interest income	(379)	(475)	(854)	(734)	(741)	(1,475)
Interest Expense:						
Consolidated obligations	(312)	(219)	(531)	(651)	(329)	(980)
Deposits and other borrowings[2]	(8)	5	(3)	(15)	13	(2)
Total interest expense	(320)	(214)	(534)	(666)	(316)	(982)
Changes in net interest income before provision for credit losses	$ (59)	$(261)	$(320)	$ (68)	$(425)	$ (493)

(1) Includes prepayment fees on advances, net.

(2) The balances do not include non-interest-bearing deposits, but do include the average balances of mandatorily redeemable capital stock and subordinated notes and the related interest expense.

Decline in Effective Yields. The continued decline in interest income was driven by low yields on interest-earning assets in the ongoing low interest rate environment, run-off of higher yielding investments and mortgage loans, and lower prepayment fees.

As in the previous quarter, the effect of the low interest rate environment has reduced interest rates on newly issued consolidated obligations and allowed the FHLBanks to redeem (call) consolidated bonds before their final maturities and either retire or replace the bonds primarily with discount notes at significantly lower interest rates.

Decline in Average Balance of Interest-Earning Assets. Total interest-earning assets declined 13.7 percent and 13.9 percent during the three and six months ended June 30, 2011 when compared to the same periods in 2010, negatively affecting net interest income. These declines, for the three and six months ended June 30, 2011, were primarily due to 21.8 percent and 23.0 percent decreases in advance balances and 14.5 percent and 14.5 percent decreases in mortgage loan balances, partially offset by 0.1 percent and 1.9 percent increases in outstanding investment balances. Advances remained low because of the continued high level of liquidity in the market and low loan demand experienced at FHLBank member institutions.

Decline in Average Balance of Interest-Bearing Liabilities and Change in Mix of Debt. The average balances of consolidated obligations continued to decline 13.9 percent and 14.3 percent for the three and six months ended June 30, 2011, consistent with the declines in total interest-earning assets. The consolidated obligation mix continued to change as a result of the refinancing of consolidated bonds with consolidated discount notes. Both the reduction of debt and change in the mix of debt reduced interest expense and positively affected net income.

Change in Provision for Credit Losses. For the three and six months ended June 30, 2011, the FHLBanks recorded a $10 million and $31 million provision for credit loss compared to $11 million and $19 million provision for credit loss for the same periods in the prior year. The need for a provision for credit losses was driven by increased loss severities, which resulted from falling historical home prices and an expectation of higher foreclosure rates. (***Note 9—Allowance for Credit Losses*** to the accompanying combined financial statements for details on the FHLBanks' allowance for credit losses.)

Other Non-interest Income (Loss)

Other non-interest income (loss) for the three and six months ended June 30, 2011 compared to the same periods in the previous year continued to improve. The primary drivers of other non-interest income (loss) were lower net losses on derivatives and hedging activities and a reduction in net OTTI losses, offset primarily by less favorable mark-to-market adjustments on trading securities.

Table 16 - Changes in Other Non-interest Income (Loss) (dollars in millions)

	Three Months Ended June 30,		Six Months Ended June 30,		Increase (Decrease)	
	2011	2010	2011	2010	Three Months Ended June 30, 2011 vs. 2010	Six Months Ended June 30, 2011 vs. 2010
Net OTTI losses	$ (341)	$ (495)	$ (616)	$ (728)	$ 154	$ 112
Net gains (losses) on trading securities	35	157	(36)	186	(122)	(222)
Net realized gains from sale of available-for-sale securities	10	–	18	–	10	18
Net realized gains from sale of held-to-maturity securities	10	6	10	6	4	4
Net gains (losses) on advances, consolidated obligations and other liabilities held under fair value option	24	(38)	(36)	(142)	62	106
Net losses on derivatives and hedging activities	(157)	(324)	(27)	(578)	167	551
Service fees	7	8	14	15	(1)	(1)
Other, net	8	7	(21)	13	1	(34)
Total other non-interest income (loss)	$ (404)	$ (679)	$ (694)	$ (1,228)	$ 275	$ 534

Other-Than-Temporary Impairment Losses. Credit-related OTTI losses decreased during the three and six months ended June 30, 2011, compared to the three and six months ended June 30, 2010. Continued uncertainty about the future condition of the U.S. housing markets and the domestic economy, as well as ongoing deterioration in the collateral underlying certain private-label MBS, resulted in additional credit-related OTTI losses in the three and six months ended June 30, 2011. Assumptions regarding collateral performance for the three and six months ended June 30, 2011, included higher projected loss severities compared to prior quarters. The assumptions reflect anticipated increases in foreclosure and liquidation costs.

Table 17 - Other-Than-Temporary Impairment Losses (dollars in millions)

	Three Months Ended June 30,					
	2011			2010		
	Credit Loss	AOCI[1]	Total Losses	Credit Loss	AOCI[1]	Total Losses
OTTI by Collateral type:[2]						
Private-label RMBS:						
Prime	$ (67)	$ 51	$ (16)	$ (276)	$ 109	$ (167)
Alt-A	(268)	131	(137)	(213)	(84)	(297)
Subprime	(6)	(4)	(10)	(4)	1	(3)
Total OTTI Private-label RMBS	(341)	178	(163)	(493)	26	(467)
Home equity loan ABS:						
Subprime	–	(1)	(1)	(2)	1	(1)
Total OTTI Home equity loan ABS	–	(1)	(1)	(2)	1	(1)
Total	$ (341)	$ 177	$ (164)	$ (495)	$ 27	$ (468)
OTTI by Period:						
Securities newly impaired during the period	$ (5)	$ (68)	$ (73)	$ (30)	$ (397)	$ (427)
Securities previously impaired prior to current period[3]	(336)	245	(91)	(465)	424	(41)
Total	$ (341)	$ 177	$ (164)	$ (495)	$ 27	$ (468)

	Six Months Ended June 30,					
	2011			2010		
	Credit Loss	AOCI[1]	Total Losses	Credit Loss	AOCI[1]	Total Losses
OTTI by Collateral type:[2]						
Private-label RMBS:						
Prime	$ (155)	$ 100	$ (55)	$ (374)	$ 63	$ (311)
Alt-A	(447)	222	(225)	(335)	(191)	(526)
Subprime	(14)	4	(10)	(12)	(20)	(32)
Total OTTI Private-label RMBS	(616)	326	(290)	(721)	(148)	(869)
Home equity loan ABS:						
Alt-A	–	–	–	(1)	1	–
Subprime	–	(1)	(1)	(6)	1	(5)
Total OTTI Home equity loan ABS	–	(1)	(1)	(7)	2	(5)
Total	$ (616)	$ 325	$ (291)	$ (728)	$ (146)	$ (874)
OTTI by Period:						
Securities newly impaired during the period	$ (11)	$ (173)	$ (184)	$ (57)	$ (692)	$ (749)
Securities previously impaired prior to current period[3]	(605)	498	(107)	(671)	546	(125)
Total	$ (616)	$ 325	$ (291)	$ (728)	$ (146)	$ (874)

(1) Represents the net amount of impairment losses reclassified (to)/from AOCI.
(2) 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 a nationally recognized statistical rating organization upon issuance of the MBS.
(3) For the three months ended June 30, 2011 and 2010, "securities previously impaired prior to current period" represents all securities that were impaired prior to April 1, 2011 and 2010. For the six months ended June 30, 2011 and 2010, "securities previously impaired prior to current period" represents all securities that were impaired prior to January 1, 2011 and 2010.

(See ***Note 6—Other-Than-Temporary Impairment Analysis*** to the accompanying combined financial statements and ***Critical Accounting Estimates—OTTI for Investment Securities*** for additional information.)

Gains (Losses) on Trading Securities. The FHLBanks carry trading securities at fair value. Long-term interest rates declined during the second quarter of 2011 resulting in net gains on trading securities for the three months ended June 30, 2011. Despite this decline during the second quarter of 2011, long-term interest rates increased overall during the six months ended June 30, 2011, partially driving net losses on trading securities for the period. Conversely, decreases in interest rates for the three and six months ended June 30, 2010 drove the increases in fair value of the trading securities in the prior periods.

Gains (Losses) on Financial Instruments Held Under Fair Value Option. Certain FHLBanks elected the fair value option for certain financial assets and certain liabilities and recognize the changes in fair value on these assets and liabilities in unrealized gains and losses in current period earnings. The use of the fair value option allows these FHLBanks to mitigate potential income statement volatility that can arise from economic hedging relationships.

Table 18 - Gains (Losses) on Financial Instruments Held under Fair Value Option (dollars in millions)

	Three Months Ended June 30,		Six Months Ended June 30,		Increase (Decrease)	
					Three Months Ended June 30, 2011 vs. 2010	Six Months Ended June 30, 2011 vs. 2010
	2011	2010	2011	2010		
Advances	$ 105	$ 36	$ 54	$ (44)	$ 69	$ 98
Consolidated obligations:						
Bonds	(86)	(72)	(95)	(96)	(14)	1
Discount notes	–	(2)	1	(2)	2	3
Other liabilities[1]	5	–	4	–	5	4
Total	$ 24	$ (38)	$ (36)	$ (142)	$ 62	$ 106

(1) Represents optional advance commitments.

During the three and six months ended June 30, 2011, the net unrealized fair value gains on advances of $105 million and $54 million were driven primarily by changes in interest rates and by higher swaption volatilities used in pricing putable advances accounted for under the fair value option. The net unrealized fair value losses on consolidated bonds of $86 million and $95 million were driven primarily by decreased interest rate spreads on consolidated bonds.

During the three months ended June 30, 2010, the net unrealized fair value gains on advances of $36 million were driven primarily by changes in long-term interest rates. For the six months ended June 30, 2010, the net unrealized fair value losses on advances of $44 million were primarily driven by changes in long-term interest rates. During the three and six months ended June 30, 2010, the net unrealized fair value losses on consolidated bonds of $72 million and $96 million were driven primarily by the decreased long-term interest rate environment.

Gains (Losses) on Derivative and Hedging Activities. The FHLBanks' costs of derivatives and hedging activities fluctuate due to volatility in the overall interest rate environment, as FHLBanks hedge their asset risk exposures. In general, an FHLBank holds derivatives and associated hedged instruments, and certain assets and certain liabilities that are carried at fair value, to the maturity, call, or put date. Therefore, as a matter of timing, nearly all of the cumulative net gains and losses for these financial instruments will generally reverse over the remaining contractual terms of the hedged financial instruments. However, there may be instances in which an FHLBank terminates these instruments 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.

Table 19 - Gains (Losses) on Derivatives and Hedging Activities (dollars in millions)

	Three Months Ended June 30,		Six Months Ended June 30,		Increase	
					Three Months Ended June 30, 2011 vs. 2010	Six Months Ended June 30, 2011 vs. 2010
	2011	2010	2011	2010		
Net gains (losses) on derivatives and hedging activities:						
Gains (losses) on fair-value hedges	$ 56	$ 39	$ 176	$ 109	$ 17	$ 67
Gains (losses) on cash-flow hedges	12	1	14	2	11	12
Gains (losses) on derivatives not receiving hedge accounting (includes economic hedges)	(225)	(364)	(217)	(689)	139	472
Total net losses on derivatives and hedging activities	$ (157)	$ (324)	$ (27)	$ (578)	$ 167	$ 551

The improvements in net losses on derivatives and hedging activities during the three and six months ended June 30, 2011 compared to the net losses in the three and six months ended June 30, 2010 were due primarily to a reduction in losses from economic hedging activities compared to net losses in the same period in the prior year and gains on fair-value hedge ineffectiveness. During the three and six months ended June 30, 2011, the improvement on economic hedges were primarily associated with the effects of changes in interest rates. The gains from fair-value hedge ineffectiveness during the three and six months ended June 30, 2011 were due primarily to normal mark-to-market activities resulting from changes in the benchmark interest rate and volatility. Hedge ineffectiveness occurs when changes in the fair value of the derivative and the associated hedged financial instrument do not perfectly match each other. (See ***Note 10—Derivative and Hedging Activities*** to the accompanying combined financial statements for the earnings effect resulting from derivatives and hedging activities and ***Risk Management—Market Risk—Use of Derivatives to Manage Interest-Rate Risk.***)

Other Expense

Table 20 presents the components and changes in other expense for the three and six months ended June 30, 2011 and 2010. For the three and six months ended June 30, 2011, other expense increased when compared to the same periods in 2010, due primarily to the reversal of the provision for derivative counterparty credit loss in 2010 and increases in compensation and benefits and Finance Agency expenses.

Table 20 - Changes in Other Expense (dollars in millions)

	Three Months Ended June 30,		Six Months Ended June 30,		Increase (Decrease)	
					Three Months Ended June 30, 2011 vs. 2010	Six Months Ended June 30, 2011 vs. 2010
	2011	2010	2011	2010		
Compensation and benefits	$ 126	$ 119	$ 282	$ 241	$ 7	$ 41
Other operating expenses	76	82	148	155	(6)	(7)
Finance Agency	20	10	41	24	10	17
Office of Finance	7	7	21	19	–	2
(Reversal) provision for derivative counterparty credit losses	–	(53)	–	(53)	53	53
Other	11	8	9	10	3	(1)
Total other expense	$ 240	$ 173	$ 501	$ 396	$ 67	$ 105

Compensation and Benefits. These expenses include costs for FHLBank employees including salaries, incentives, and health and retirement benefits. For the three months ended June 30, 2011, compensation and benefits expenses increased 5.9 percent when compared to the same period in 2010, due to increases at certain FHLBanks in employee benefits for retirement plan costs, salaries and additional staff. For the six months ended June 30, 2011, compensation and benefits expenses increased 17.0 percent when compared to the same period in 2010, due primarily to additional pension fund contributions to eliminate a funding shortfall, which were expensed in the current period.

Finance Agency Expenses. The FHLBanks fund the portion of the Finance Agency's operating costs and working capital fund that relate to the FHLBanks, as determined by the Finance Agency. These costs are based on the Finance Agency's annual budget and are under the sole control of the Finance Agency. Each FHLBank pays its pro-rata share of Finance Agency expenses based on the ratio of each FHLBank's minimum required regulatory capital to the aggregate minimum required regulatory capital of all FHLBanks. Finance Agency expenses increased for the three and six months ended June 30, 2011 primarily as a result of incremental expenses for the Finance Agency's Office of the Inspector General.

Office of Finance Expenses. The FHLBanks also fund the costs of the Office of Finance, a joint office of the FHLBanks that issues and services consolidated obligations, prepares the FHLBanks' combined quarterly and annual financial reports, and fulfills certain other functions. As approved by the Office of Finance Board of Directors, effective January 1, 2011, each FHLBank's proportionate share of the Office of Finance's operating and capital expenditures is calculated using a formula that is based upon the following components: (1) two-thirds based upon each FHLBank's share of total consolidated obligations outstanding and (2) one-third based upon an equal pro-rata allocation. Prior to January 1, 2011, the FHLBanks were assessed for Office of Finance operating and capital expenditures based equally on each FHLBank's percentage of the following components: (1) percentage of capital stock, (2) percentage of consolidated obligations issued and (3) percentage of consolidated obligations outstanding. The increase in Office of Finance expenses for the six months ended June 30, 2011 compared to the same period in 2010 was due primarily to increases in Office of Finance compensation and benefit expenses related to additional staffing to support business initiatives and increased regulatory requirements.

(Reversal) Provision for Derivative Counterparty Credit Losses. The FHLBanks are exposed to credit risk due to the possibility of counterparties' nonperformance on interest-rate exchange agreements. The $53 million gain recorded during the three and six months ended June 30, 2010 represents the reversal of provisions for derivative counterparty credit losses from the FHLBank of Atlanta ($49 million) and the FHLBank of Seattle ($4 million) with respect to the provisions they established in 2008, due to an increase in the estimate of the expected amount to be realized related to the net receivable due from the Lehman Brothers Special Financing, Inc. bankruptcy.

Each FHLBank manages counterparty credit risk through credit analyses, collateral requirements and adherence to the requirements set forth in that FHLBank's policies and Finance Agency regulations. Based on credit analyses and collateral requirements, the FHLBanks did not anticipate any credit losses on their interest-rate exchange agreements. Thus, no provision for derivative counterparty credit losses was recorded for the six months ended June 30, 2011.

Assessments

Table 21 - Assessments (dollars in millions)

	Three Months Ended June 30,		Six Months Ended June 30,		Decrease	
					Three Months Ended June 30, 2011 vs. 2010	Six Months Ended June 30, 2011 vs. 2010
	2011	2010	2011	2010		
AHP	$ 32	$ 43	$ 73	$ 83	$ (11)	$ (10)
REFCORP	69	94	160	184	(25)	(24)
Total assessments	$ 101	$ 137	$ 233	$ 267	$ (36)	$ (34)

Affordable Housing Program (AHP). By regulation, the FHLBanks must annually set aside for the AHP the greater of the aggregate of $100 million or 10 percent of net earnings, after the assessment for the Resolution Funding Corporation (REFCORP). For purposes of the AHP calculation, net earnings is defined as net income before assessments, plus interest expense related to mandatorily redeemable capital stock, 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 that each FHLBank add back interest expense related to mandatorily redeemable capital stock before the calculation of its AHP assessment.

AHP helps members provide subsidized and other low-cost funding as well as grants 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. Only FHLBanks with net income are required to make contributions to the AHP.

REFCORP Payment. Each FHLBank was required to make payments to REFCORP (20 percent of annual GAAP net income before REFCORP assessments and 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 made relative to the referenced annuity. 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 $69 million (cash payment of $75 million) for the three months ended June 30, 2011, compared with $94 million (cash payment of $98 million, which includes the application of certain credits due to FHLBanks that overpaid their annual assessments in prior periods) for the three months ended June 30, 2010. The REFCORP assessment of the FHLBanks was $160 million (cash payment of $162 million, which includes the application of certain credits due to FHLBanks that overpaid their annual assessments in prior periods) for the six months ended June 30, 2011, compared with $184 million (cash payment of $199 million, which includes the application of certain credits due to FHLBanks that overpaid their annual assessments in prior periods) for the six months ended June 30, 2010. 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.

On August 5, 2011, the Finance Agency certified that the FHLBanks have fully satisfied their REFCORP obligation. The FHLBanks entered into a Joint Capital Enhancement Agreement, as amended, which requires each FHLBank to allocate 20 percent of its net income to a separate restricted retained earnings account, beginning in the third quarter of 2011. (See ***Note 13—Capital*** and ***Capital Adequacy—Joint Capital Enhancement Agreement and REFCORP Certification*** for further discussion.)

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. 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. 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 advances and 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 may also unwind the related portion of any hedge transactions it entered into when the consolidated bond was issued.

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 initial carrying amount for the consolidated bond is the amount (including any premium or discount) the assuming FHLBank received from 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. 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. The following 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:

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 derivative-related basis adjustments of the transferring FHLBank are reinstated and amortized over the life of the consolidated bond.

Total interbank consolidated bonds of $165 million at par value were transferred from an FHLBank to another FHLBank during the six months ended June 30, 2011. There were no consolidated bonds transferred from an FHLBank to another FHLBank during the six months ended June 30, 2010. The amount of total interbank consolidated bonds transferred during a period depends on a variety of factors, such as 1) whether or not an assuming FHLBank can obtain equal or lower funding costs through interbank transfers as compared to issuing new debt, 2) an FHLBank's overall asset/liability management strategy and 3) current market conditions.

The combining adjustments 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.

Table 22 - Effect of Combining Adjustments on Combined Statement of Income (dollars in millions)

	Three Months Ended June 30,		Six Months Ended June 30,		(Decrease) Increase	
					Three Months Ended June 30,	Six Months Ended June 30,
Effect on:	2011	2010	2011	2010	2011 vs. 2010	2011 vs. 2010
Net interest income	$ (7)	$ –	$ (12)	$ (1)	$ (7)	$ (11)
Total other non-interest income (loss)	(2)	(1)	13	(3)	(1)	16
Total other expense	(2)	(1)	(4)	(3)	(1)	(1)
Net income	(7)	–	5	(1)	(7)	6

Capital Adequacy

The FHLBank Act prescribes minimum capital requirements for the FHLBanks, and following the passage of the Housing Act, the Finance Agency Director is responsible for setting the risk-based capital standards for the FHLBanks. In addition, on March 3, 2011, the Finance Agency issued a final rule authorizing the Finance Agency Director to temporarily increase the minimum capital level for an FHLBank if the Finance Agency Director determines that the current level is insufficient to address that FHLBank's risks. At June 30, 2011, each of the FHLBanks was in compliance with its statutory minimum capital requirements. (See ***Note 13—Capital*** to the accompanying combined financial statements for more information on each FHLBanks' minimum capital requirements and regulatory actions related to each of the FHLBanks of Chicago and Seattle.)

Regulatory guidance requires 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 on a periodic basis to ensure the capital structure supports the risk associated with its assets and addresses applicable regulatory and supervisory matters. In addition, an individual FHLBank may institute a higher capital requirement to meet internally-established thresholds or to address supervisory matters, or may limit dividend payments as part of its retained earnings policies. As of June 30, 2011, some FHLBanks have limited dividend payments and/or restricted excess capital stock redemptions and repurchases. These limitations may be revised from time to time. (See ***Dividend and Excess Stock Limitations*** for more information on certain FHLBank limits on dividend payments and excess capital stock repurchases.)

Joint Capital Enhancement Agreement

The 12 FHLBanks entered into a Joint Capital Enhancement Agreement (Capital Agreement), as amended, which is intended to enhance the capital position of each FHLBank by allocating that portion of each FHLBank's earnings historically paid to satisfy its REFCORP obligation to a separate retained earnings account at that FHLBank. On August 5, 2011, the Finance Agency certified that the FHLBanks have fully satisfied their REFCORP obligation. In accordance with the Capital Agreement, starting in the third quarter of 2011, each FHLBank is required to allocate 20 percent of its net income to a separate restricted retained earnings account. (See ***Note 13—Capital—Joint Capital Enhancement Agreement and REFCORP Certification*** to the accompanying combined financial statements for more information on the Capital Agreement.)

Dividend and Excess Stock Limitations

A number of FHLBanks have implemented voluntary actions related to suspensions of dividend payments and/or repurchases or redemptions of excess capital stock. These actions were implemented as a capital preservation measure and to reflect a conservative approach to financial management during a period of severe market volatility and due to impairment of private-label MBS. (See ***Note 13—Capital—Excess Capital Stock*** to the accompanying combined financial statements for information on the regulatory restrictions related to excess capital stock.)

FHLBank of Boston. Effective December 8, 2008, the FHLBank of Boston suspended the practice of repurchasing excess capital stock, except in limited instances of former member insolvency. The FHLBank of Boston continues its moratorium on excess stock repurchases. At June 30, 2011 and December 31, 2010, members and non-members of the FHLBank of Boston with capital stock outstanding held $2.0 billion and $1.9 billion in excess capital stock.

On June 27, 2011, the FHLBank of Boston provided its members with a notice of discontinuance of the use of the FHLBank of Boston's excess stock pool designating December 28, 2011, as the "Required Stock Purchase Date," on which date members will no longer be able to satisfy their total stock investment requirements using borrowed stock from the excess stock pool. Previously, on January 22, 2011, the FHLBank of Boston amended its capital plan, which, among other things, authorized the FHLBank of Boston to allow its members to satisfy certain activity-based stock-investment requirements using stock from the FHLBank of Boston's excess stock pool.

FHLBank of Pittsburgh. On December 23, 2008, the FHLBank of Pittsburgh announced its voluntary decision to temporarily suspend payment of dividends until further notice. There were no dividends declared or paid in 2010 or in the first six months 2011.

Effective July 1, 2010, changes to the FHLBank of Pittsburgh's capital plan were implemented. The amended capital plan replaced the unused borrowing capacity membership stock purchase requirement with an annual Membership Asset Value stock purchase requirement. This calculation is not affected by the amount the member borrows from the FHLBank of Pittsburgh. All members fully transitioned to the amended capital plan effective April 8, 2011.

Beginning in first quarter 2010, the FHLBank of Pittsburgh began measuring capital adequacy with a key risk indicator—Market Value of Equity to Par Value of Common Stock (MV/CS). An initial floor of 85 percent was established by the FHLBank of Pittsburgh's board of directors, representing the estimated level from which the MV/CS would recover to par through the retention of earnings over the 5-year redemption period of the FHLBank of Pittsburgh's capital stock. When MV/CS is below the established floor, excess capital stock repurchases and dividend payouts are required to be restricted. In April 2011, the FHLBank of Pittsburgh's board of directors increased the floor to 87.5 percent, effective for the second quarter of 2011. This increase demonstrates the FHLBank of Pittsburgh's board of directors' commitment to move the FHLBank of Pittsburgh toward par value capital stock. The FHLBank of Pittsburgh's board of directors will re-evaluate the floor at least annually, with the objective of moving it to 95 percent over time.

Because the MV/CS ratio was above 87.5 percent at June 30, 2011, the FHLBank of Pittsburgh performed additional analysis of the adequacy of capital taking into consideration the effect of potential excess capital stock repurchases and/or dividend payouts. As a result of this analysis, the FHLBank of Pittsburgh executed partial repurchases of excess capital stock on July 29, 2011. The amount repurchased on July 29, 2011 was approximately $174 million. The amount of excess capital stock repurchased from any member was the lesser of 5 percent of the member's total capital stock outstanding or its excess capital stock outstanding on July 28, 2011.

Decisions regarding any future repurchases of excess capital stock or dividend payments will be made on a quarterly basis. The FHLBank of Pittsburgh will continue to monitor the condition of its private-label MBS portfolio, its overall financial performance and retained earnings, developments in the mortgage and credit markets and other relevant information as the basis for determining the status of dividends and excess capital stock repurchases in future quarters.

FHLBank of Chicago. Under the terms of the Consent Cease and Desist Order (C&D Order), the FHLBank of Chicago's dividend declarations and capital stock repurchases and redemptions are subject to the prior written approval of the Deputy Director, Division of FHLBank Regulation of the Finance Agency (Deputy Director). In addition to the restrictions under the C&D Order, the FHLBank of Chicago may not pay dividends if it fails to satisfy its minimum capital and liquidity requirements under the FHLBank Act and Finance Agency regulations.

The FHLBank of Chicago's board of directors paid cash dividends based on fourth quarter 2010 and first quarter 2011 earnings to members on February 14, 2011 and May 13, 2011, each at an annualized rate of 0.10 percent. On July 26, 2011 the FHLBank of Chicago's board of directors also declared a cash dividend at an annualized rate of 0.10 percent per share based on its preliminary financial results for the second quarter of 2011. Although the FHLBank of Chicago's board of directors' decision to restore a dividend considered the importance of sustaining a dividend, any future dividend determination by the FHLBank of Chicago's board of directors will depend on the FHLBank of Chicago's future operating results and be reviewed in accordance with its retained earnings and dividend policy, as well as remain subject to the prior written approval of the Deputy Director under terms of the C&D Order. (See ***Note 13—Capital—FHLBank of Chicago Regulatory Actions*** to the accompanying combined financial statements for more information on the FHLBank of Chicago's restricted dividends and repurchases and redemptions of capital stock.)

FHLBank of San Francisco. On a quarterly basis, the FHLBank of San Francisco determines whether it will repurchase excess capital stock, including surplus capital stock, which is defined as any stock holdings in excess of 115 percent of the member's minimum capital stock requirement. Because of a decision to preserve capital in view of the possibility of future OTTI charges on the FHLBank of San Francisco's private-label RMBS portfolio, the FHLBank of San Francisco did not fully repurchase excess stock created by declining advance balances in 2010 and

during the first half of 2011. The FHLBank of San Francisco opted to maintain its strong regulatory capital position, while repurchasing $445 million and $471 million in excess capital stock in the first and second quarters of 2011. The FHLBank of San Francisco did not repurchase excess capital stock in the first quarter of 2010 and repurchased excess capital stock totaling $487 million in the second quarter of 2010. Also, during the second quarter of 2011, the five-year redemption period for $3 million in mandatorily redeemable capital stock expired, and the FHLBank of San Francisco redeemed the stock at its $100 par value on the relevant expiration dates.

On July 28, 2011, the FHLBank of San Francisco announced that it plans to repurchase up to $500 million in excess capital stock on August 15, 2011. The amount of excess capital stock to be repurchased from any shareholder will be based on the shareholder’s pro-rata ownership share of total capital stock outstanding as of the repurchase date, up to the amount of the shareholder’s excess capital stock.

The FHLBank of San Francisco paid dividends (including dividends on mandatorily redeemable capital stock) totaling $10 million at an annualized rate of 0.31 percent in the second quarter of 2011, and $8 million at an annualized rate of 0.26 percent in the second quarter of 2010. On July 28, 2011, the FHLBank of San Francisco’s board of directors declared a cash dividend for the second quarter of 2011 at an annualized dividend rate of 0.26 percent. The FHLBank of San Francisco paid the second quarter dividend (including dividends on mandatorily redeemable capital stock) totaling $7 million on August 11, 2011.

The FHLBank of San Francisco will continue to monitor the condition of its private-label RMBS portfolio, the ratio of the market value of its capital to the par value of its capital stock, its overall financial performance and retained earnings, developments in the mortgage and credit markets, and other relevant information as the basis for determining the status of dividends and capital stock repurchases in future quarters.

FHLBank of Seattle. As a result of its undercapitalized classification and the Consent Arrangement, the FHLBank of Seattle is currently unable to declare or pay dividends, or redeem or repurchase capital stock, without prior approval of the Finance Agency. The FHLBank of Seattle has been unable to redeem Class A or Class B capital stock at the end of the statutory six-month or five-year redemption period since March 2009. Also, there can be no assurance of when or if the FHLBank of Seattle board of directors will declare dividends in the future. (See ***Note 13—Capital—FHLBank of Seattle Capital Classification and Consent Arrangement*** to the accompanying combined financial statements for a description of the FHLBank of Seattle’s Consent Arrangement with the Finance Agency.)

Liquidity

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. Each FHLBank seeks to be in a position to meet the credit and liquidity needs of its members by managing holdings of liquid investments and obtaining cost-effective sources of funds.

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 capital plan. (See ***Capital Adequacy—Dividend and Excess Stock Limitations*** for a discussion of certain FHLBank dividend payment suspensions and/or excess stock purchase restrictions.)

The FHLBanks’ primary sources of liquidity are the issuance of new consolidated obligations and holdings of short-term investments. Historically, the GSE status and favorable credit ratings have 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 have historically received the same credit rating as the government bond credit rating of the United States even though the consolidated obligations are not obligations of the United States. Favorable credit ratings indicate that the FHLBanks have an extremely strong capacity to meet their commitments to pay principal of and interest on consolidated obligations. The ratings also reflect the FHLBanks’ status as GSEs. These ratings have not been affected by rating actions taken with respect to individual FHLBanks.

On August 8, 2011, S&P downgraded the long-term credit ratings on the senior unsecured debt issues of the FHLBank System and 10 of the 12 FHLBanks from AAA to AA+. The ratings of the FHLBanks and the FHLBank System are constrained by the long-term credit rating of the United States. On August 5, 2011, S&P lowered its long-term credit rating on the United States from AAA to AA+ with a negative outlook. The FHLBanks of Chicago and Seattle were already rated AA+ prior to the United States downgrade. The outlook for the FHLBank System's senior unsecured debt and all 12 FHLBanks is negative. S&P's actions did not affect the short-term A-1+ ratings of the FHLBanks and the FHLBank System's debt issues. On August 2, 2011, Moody's confirmed the long-term Aaa rating on the senior unsecured debt issues of the FHLBank System and the 12 FHLBanks. In conjunction with the revision of the U.S. government outlook to negative, Moody's rating outlook for the FHLBank System and the 12 FHLBanks has also been revised to negative. (See ***Recent Rating Agency Actions*** and ***Risk Factors—Market Risk***.)

Investors should note that a rating issued by a nationally recognized statistical rating organization is not a recommendation to buy, sell or hold securities and that the ratings may be revised or withdrawn by the nationally recognized statistical rating organization at any time. Investors should evaluate the rating of each nationally recognized statistical rating organization independently.

Other short-term borrowings, such as member deposits and securities sold under agreements to repurchase, may also provide liquidity. In addition, by regulation, under certain circumstances the U.S. Secretary of the Treasury may acquire up to $4 billion of consolidated obligations of the FHLBanks.

For liquidity purposes, each FHLBank holds investments that are 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.

Each FHLBank manages its contracting balance sheet and corresponding liquidity requirements in response to its members' reduced credit needs. An FHLBank may allow its consolidated obligations to mature without replacement, or repurchase and retire outstanding consolidated obligations, allowing its balance sheet to shrink. Similarly, an FHLBank's ability to expand its balance sheet and corresponding liquidity requirements in response to its members' increased credit needs is correlated to its members' capital stock requirements for advances and mortgage loans.

The FHLBanks may not be able to predict future trends in member credit needs because they are driven by complex interactions among a number of factors, including members' mortgage loan originations, other loan portfolio growth, and deposit growth, as well as the attractiveness of advances compared to other wholesale borrowing alternatives. Each FHLBank regularly monitors current trends and anticipates future debt issuance needs to be prepared to fund its members' credit needs and its investment opportunities.

To protect the FHLBanks against temporary disruptions in access to the debt markets in response to a rise in capital markets volatility, 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 10 to 20 days, with initial guidance set at fifteen days, and that during that time members do not renew any maturing, prepaid or 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 a nationally recognized statistical rating organization that is investment quality; and is well-rated by the individual FHLBank's internal credit rating system.

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 and/or the Office of Finance, or short-term capital market disruptions. For instance, federal budget deficit and debt ceiling issues and any related rating downgrades could continue to cause adverse reactions in the financial markets, which could result

in higher interest rates, higher FHLBank borrowing costs, greater demand for collateral from FHLBanks and difficulty accessing liquidity on acceptable terms. Therefore, the FHLBanks have taken actions to bolster the amount of liquidity in the event access to the debt markets is disrupted.

Critical Accounting Estimates

The preparation of financial statements in accordance with GAAP requires each FHLBank's management to make a number of judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities (if applicable), and the reported amounts of income and expense during the reported periods. Although each FHLBank's management believes that its judgments, estimates and assumptions are reasonable, actual results may differ, and may differ substantially, from the estimates and other parties could arrive at different conclusions as to the likelihood of various default and severity outcomes.

In the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2010, certain accounting estimates and assumptions were identified as critical because they are generally considered by each FHLBank's management to be the most critical to an understanding of its financial statements and the financial data it provides to the Office of Finance for preparing the annual combined financial report. These estimates and assumptions include those used in conjunction with: (1) OTTI determinations; (2) fair value estimates; (3) derivative hedging relationships; (4) amortization of premium and accretion of discount on investment securities and purchased mortgage loans; and (5) calculation of allowances for credit losses on advances and mortgage loans.

For a detailed 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 Combined Financial Report for the year ended December 31, 2010. Other than the OTTI methodology for investment securities discussed below, there have been no significant changes in the critical accounting estimates disclosed in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2010. 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.

OTTI for Investment Securities

Uniform OTTI Framework. The 12 FHLBanks have developed a uniform framework for completing their OTTI analyses concurrent with Financial Accounting Standards Board guidance on the recognition and presentation of OTTI in the financial statements. (See ***Note 6—Other-Than-Temporary Impairment Analysis*** to the accompanying combined financial statements for additional discussion regarding the recognition and presentation of OTTI.)

To assess whether the entire amortized cost bases of the FHLBanks' private-label RMBS and certain home equity loan ABS would be recovered, the FHLBanks performed a cash flow analysis for each such security that was previously other-than-temporarily impaired or where fair value was less than amortized cost as of the balance sheet date, except for certain private-label MBS and home equity loan ABS where underlying loan-level collateral data was not available using the uniform OTTI modeling methodology under the FHLBanks' common framework.

At June 30, 2011, nine FHLBanks owned certain private-label MBS and home equity loan ABS where underlying loan-level collateral data was not available. For private-label MBS and home equity loan ABS that could not be modeled under the FHLBanks' common framework, alternative procedures were determined and approved by the OTTI Governance Committee. These alternative procedures established a formal process by which the FHLBanks could provide input on and approve key OTTI assumptions. Each affected FHLBank considered the approved alternative procedures to assess these securities for OTTI. These securities, which are backed by residential, home equity, manufactured housing, and commercial real estate loans and/or home equity lines of credit represented approximately 3 percent of the FHLBanks' total unpaid principal balance of private-label MBS and home equity loan ABS at June 30, 2011.

In performing the cash flow analysis for the private-label RMBS and certain home equity loan ABS under the common framework, each FHLBank uses two third-party models. The first model forecasts loan-level prepayments, default and severity behavior. The second model is used to determine the resulting cash flows. The FHLBanks also assess the potential mitigation of projected credit losses through the application of existing monoline bond insurance from third parties. The FHLBanks perform a qualitative assessment of the respective insurer's ability to

cover the security's projected shortfall of contractual principal or interest. (See ***Note 6—Other-Than-Temporary Impairment Analysis*** to the accompanying combined financial statements for additional information.)

Table 23 presents the significant inputs used to assess private-label RMBS and home equity loan ABS under the FHLBanks' common framework for OTTI as well as related current credit enhancements as of June 30, 2011. Credit enhancement is defined as the percentage of subordinated tranches, excess spread and over-collateralization, if any, in a security structure that will generally absorb losses before each FHLBank will experience a loss on the security. The calculated averages below represent the dollar-weighted averages of all the private-label RMBS and home equity loan ABS in each category shown. The classification (prime, Alt-A and subprime) is based on the model used to run the estimated cash flows for the individual securities, which may not necessarily be the same as the classification at the time of origination.

Table 23 - Significant Inputs (dollars in millions)

		Significant Inputs for All Private-label RMBS						Current Credit Enhancement	
		Prepayment Rates		Default Rates		Loss Severities			
Year of Securitization	Unpaid Principal Balance	Weighted-Average %	Range %	Weighted-Average %	Range %	Weighted-Average %	Range %	Weighted-Average %	Range %
Prime									
2008	$ 838	9.1	6.0 - 10.7	44.4	20.0 - 58.5	45.8	41.8 - 51.5	25.1	14.0 - 41.8
2007	1,659	8.8	6.4 - 18.3	27.7	0.7 - 57.1	40.1	19.7 - 51.7	5.8	1.9 - 22.4
2006	2,730	8.7	3.1 - 24.6	23.3	2.0 - 56.5	43.6	28.1 - 73.5	6.3	0.0 - 20.7
2005	3,049	10.2	5.1 - 41.4	16.2	0.4 - 45.9	34.3	19.7 - 60.0	7.6	0.9 - 28.8
2004 and prior	7,132	19.1	0.4 - 100.0	7.4	0.0 - 50.7	26.0	0.0 - 99.6	8.5	2.2 - 74.8
Total prime	15,408	13.8	0.4 - 100.0	16.2	0.0 - 58.5	33.4	0.0 - 99.6	8.6	0.0 - 74.8
Alt-A									
2008	388	9.9	8.9 - 11.0	53.9	52.7 - 55.1	49.1	47.4 - 52.6	35.6	25.9 - 39.8
2007	7,362	8.2	3.8 - 15.1	67.0	28.3 - 90.0	53.8	33.4 - 66.1	23.4	0.0 - 49.9
2006	5,827	8.9	3.4 - 14.4	61.5	18.9 - 89.7	54.1	34.9 - 69.7	17.8	0.0 - 59.2
2005	7,362	10.4	5.3 - 17.2	39.9	8.8 - 81.2	47.0	22.9 - 65.3	16.6	0.0 - 82.2
2004 and prior	3,375	13.9	2.0 - 23.4	16.0	0.0 - 65.3	33.9	14.4 - 109.6	14.7	3.4 - 87.0
Total Alt-A	24,314	9.9	2.0 - 23.4	50.2	0.0 - 90.0	49.0	14.4 - 109.6	19.0	0.0 - 87.0
Subprime									
2007	10	5.0	5.0	81.2	81.2	70.7	70.7	40.0	40.0
2006	1,018	5.3	3.3 - 6.6	79.6	72.0 - 89.4	71.6	66.3 - 79.6	25.8	(17.9) - 103.5[(a)]
2005	82	5.2	4.0 - 6.3	78.8	64.9 - 86.8	67.6	61.9 - 71.9	48.1	15.4 - 81.5
2004 and prior	26	11.9	7.1 - 15.7	37.2	21.0 - 53.6	86.2	72.7 - 99.3	40.6	(6.8) - 100.0
Total subprime	1,136	5.4	3.3 - 15.7	78.6	21.0 - 89.4	71.6	61.9 - 99.3	27.8	(17.9) - 103.5[(a)]
Total all private-label RMBS	$40,858	11.2	0.4 - 100.0	38.1	0.0 - 90.0	43.8	0.0 - 109.6	15.3	(17.9) - 103.5[(a)]

		Significant Inputs for All Home Equity Loan ABS						Current Credit Enhancement	
		Prepayment Rates		Default Rates		Loss Severities			
Year of Securitization	Unpaid Principal Balance	Weighted-Average %	Range %	Weighted-Average %	Range %	Weighted-Average %	Range %	Weighted-Average %	Range %
Alt-A									
2006	$ 17	16.0	16.0	6.7	6.7	100.0	100.0	0.0	0.0
2005	3	8.5	8.5	0.4	0.4	100.0	100.0	42.0	42.0
2004 and prior	27	10.4	6.5 - 16.4	3.1	0.7 - 6.7	100.0	100.0	2.9	0.0 - 7.4
Total Alt-A	47	12.3	6.5 - 16.4	4.3	0.4 - 6.7	100.0	100.0	4.3	0.0 - 42.0
Subprime									
2004 and prior	480	4.1	0.0 - 16.1	5.8	1.0 - 49.7	71.8	28.1 - 104.2	33.0	0.0 - 100.0
Total subprime	480	4.1	0.0 - 16.1	5.8	1.0 - 49.7	71.8	28.1 - 104.2	33.0	0.0 - 100.0
Total all home equity loan ABS	$527	4.8	0.0 - 16.4	5.7	0.4 - 49.7	74.3	28.1 - 104.2	33.0	0.0 - 100.0

(a) A negative current credit enhancement exists when the remaining principal balance on the supporting collateral is less than the remaining principal balance of the security.

Adverse Case Scenario. In addition to evaluating its private-label RMBS and certain home equity loan ABS under a base case (or best estimate) scenario as discussed in ***Note 6—Other-Than-Temporary-Impairment Analysis*** to the accompanying combined financial statements, each FHLBank performed a cash flow analysis for each of these securities under a more stressful housing price scenario. This 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 this scenario, current-to-trough home price declines were projected to range from 5.0 percent to 13.0 percent over the 3- to 9-month period beginning April 1, 2011, followed in each case by a 3-month period of flat prices. Thereafter, home prices were projected to increase within a range of 0 percent to 1.9 percent in the first year, 0 percent to 2.0 percent in the second year, 1.0 percent to 2.7 percent in the third year, 1.3 percent to 3.4 percent in the fourth year, 1.3 percent to 4.0 percent in each of the fifth and sixth years, and 1.5 percent to 3.8 percent in each subsequent year. The stress test scenario and associated results do not represent each FHLBank's current expectations, and therefore should not be construed as a prediction of each FHLBank's future results, market conditions or the actual performance of these securities. Rather, the results from this hypothetical stress test scenario provide a measure of the credit losses that the FHLBanks might incur if home price declines (and subsequent recoveries) are more adverse than those projected in each FHLBank's OTTI assessment.

Table 24 presents the combined credit losses under the base case and adverse case scenario for other-than-temporarily impaired private-label RMBS and home equity loan ABS for the three months ended June 30, 2011. The base case scenario represents actual OTTI-related credit losses recognized in earnings for the three months ended June 30, 2011. The adverse case scenario's estimated cash flows were generated to show what the OTTI charges could have been under the more stressful housing price scenario at June 30, 2011.

Table 24 - Base Case and Adverse Case Scenarios (dollars in millions)

	June 30, 2011					
	Base Case[1]			Adverse Case		
	Number of Securities	Unpaid Principal Balance	OTTI Related to Credit Loss	Number of Securities	Unpaid Principal Balance	OTTI Related to Credit Loss
Private-label RMBS:						
Prime[2]	65	$ 4,585	$ (67)	135	$ 7,865	$ (277)
Alt-A[2]	283	14,293	(268)	353	11,463	(822)
Subprime[2]	19	371	(6)	41	924	(39)
Total private-label RMBS	367	19,249	(341)	529	20,252	(1,138)
Home equity loan ABS:						
Alt-A[2]	2	10	–	5	26	(3)
Subprime[2]	4	28	–	10	33	(1)
Total home equity loan ABS	6	38	–	15	59	(4)
Total	373	$ 19,287	$ (341)	544	$ 20,311	$ (1,142)

(1) Represents securities and related OTTI credit losses for the three months ended June 30, 2011.
(2) Based on the originator's classification at the time of origination or based on classification by a nationally recognized statistical rating organization upon issuance of the MBS.

Legislative and Regulatory Developments

The legislative and regulatory environment for the FHLBanks continues to change as financial regulators issue proposed and/or final rules to implement the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) enacted in July 2010 and Congress continues to debate proposals for housing finance and GSE reform.

See ***Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations—Legislative and Regulatory Developments*** in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2010 for a description of certain legislative and regulatory developments that occurred prior to the publication of that report.

Dodd-Frank Act

As discussed under ***Legislative and Regulatory Developments*** in the Federal Home Loan Banks Combined Financial Reports for the three months ended March 31, 2011 and for the year ended December 31, 2010, the Dodd-Frank Act will likely affect the FHLBanks' business operations, funding costs, rights, obligations, and/or the environment in which the FHLBanks carry out their housing finance mission. Certain regulatory actions that may have an important effect on the FHLBanks are summarized below, although the full effect of the Dodd-Frank Act will become known only after the required regulations, studies and reports are issued and finalized.

New Requirements for the FHLBanks' Derivatives Transactions. The Dodd-Frank Act provides for new statutory and regulatory requirements for derivative transactions, including those used by each FHLBank to hedge its interest rate and other risks (e.g., swaps). As a result of these requirements, certain derivative transactions will be required to be cleared through a third-party central clearinghouse and traded on regulated exchanges or new swap execution facilities. Although the Commodity Futures Trading Commission (CFTC) has issued a final rule regarding its process to determine which swaps will require mandatory clearing, such determinations have not been made yet. Based on the effective date and the time periods set forth in the rule for CFTC determinations for mandatory clearing, the FHLBanks may be required to begin mandatory clearing of swaps as early as the last week of 2011 or some time in 2012.

Cleared swaps will be subject to initial and variation margin requirements established by the clearinghouse and its clearing members. While clearing swaps may reduce counterparty credit risk, the margin requirements for cleared trades have the potential of making derivative transactions more costly. In addition, mandatory swap clearing will require each FHLBank to enter into new relationships with clearing members that require additional documentation with its swap counterparties.

The Dodd-Frank Act will also change the regulatory landscape for derivative transactions that are not subject to mandatory clearing requirements (uncleared trades). While each FHLBank expects to continue to enter into uncleared trades on a bilateral basis, such trades will be subject to new regulatory requirements, including new mandatory reporting requirements, new documentation requirements and new minimum margin and capital requirements. Under the proposed margin rules, an FHLBank will have to post both initial margin and variation margin to that FHLBank's swap dealer counterparties, but may be eligible in both instances for modest unsecured thresholds as "low-risk financial end users." Pursuant to additional Finance Agency provisions, each FHLBank will be required to collect both initial margin and variation margin from its swap dealer counterparties, without any unsecured thresholds. These margin requirements and any related capital requirements could adversely affect the liquidity and pricing of certain uncleared derivative transactions, making such trades more costly.

The CFTC issued a proposed rule requiring that collateral posted by swap customers to a clearinghouse in connection with cleared swaps be legally segregated on a customer-by-customer basis. However, in connection with this proposed rule, the CFTC has left open the possibility that customer collateral would not have to be legally segregated, but could instead be commingled with all collateral posted by other customers of an FHLBank's clearing member. This commingling would put that FHLBank's collateral at risk in the event of a default by another customer of its clearing member. To the extent the CFTC's final rule places an FHLBank's posted collateral at greater risk of loss in the clearing structure than under the current over-the-counter market structure, that FHLBank may be adversely affected.

The Dodd-Frank Act will require swap dealers and certain other large users of derivatives to register as "swap dealers" or "major swap participants" with the CFTC and/or the SEC. Based on the definitions in the proposed rules jointly issued by the CFTC and SEC, it does not appear likely that any FHLBank will be required to register as a "major swap participant," although this remains a possibility. Also, based on the definitions in the proposed rules, it does not appear likely that any FHLBank will be required to register as a "swap dealer" for the derivative transactions that it enters into with dealer counterparties for the purpose of hedging and managing its interest rate risk, which constitute the great majority of an FHLBank's derivative transactions. However, based on the proposed rules, it is possible that an FHLBank could be required to register with the CFTC as a swap dealer based on the intermediated "swaps" that the FHLBank has historically entered into with its members.

It is also unclear how the final rule will treat the embedded call and put options in certain advances to an FHLBank's members. The CFTC and SEC have issued joint proposed rules that further define the term "swap" under

the Dodd-Frank Act. These proposed rules and accompanying interpretive guidance attempt to clarify which advance products will and will not be regulated as "swaps." While it is unlikely that transactions between an FHLBank and its member customers will be treated as "swaps," the proposed rules and accompanying interpretive guidance are not entirely clear on this issue.

Depending on how the terms "swap" and "swap dealer" are defined in the final regulations, an FHLBank may be faced with the business decision of whether to continue to offer certain types of advance products and intermediated derivatives to its member customers if those transactions would require an FHLBank to register as a swap dealer. Designation as a swap dealer would subject an FHLBank to significant additional regulation and cost including registration with the CFTC, new internal and external business conduct standards, additional reporting requirements and additional swap-based capital and margin requirements. Even if an FHLBank is designated as a swap dealer, the proposed regulations would permit that FHLBank to apply to the CFTC to limit such designation to those specified activities for which it is acting as a swap dealer. Upon such designation, the hedging activities of an FHLBank would not be subject to the full requirements that will generally be imposed on traditional swap dealers.

While certain provisions of the Dodd-Frank Act took effect on July 16, 2011, the CFTC has issued an order temporarily exempting persons or entities with respect to provisions of Title VII of the Dodd-Frank Act that reference "swap dealer," "major swap participant," "eligible contract participant" and "swap." These exemptions will expire upon the earlier of: (1) the effective date of the applicable final rule further defining the relevant term; or (2) December 31, 2011. In addition, the provisions of the Dodd-Frank Act that will have the most effect on the FHLBanks did not take effect on July 16, 2011, but will take effect no less than 60 days after the CFTC publishes final regulations implementing such provisions. The CFTC is expected to publish final regulations between now and the end of 2011, but it is not expected that these final regulations will become effective until the end of 2011, and delays beyond that time are possible.

The FHLBanks are actively participating in the regulatory process regarding the Dodd-Frank Act by formally commenting to the regulators regarding a variety of rulemakings that could affect the FHLBanks. The FHLBanks are also working to implement the processes and documentation necessary to comply with the new regulatory requirements for derivatives.

Other Banking Regulatory Action.

Payment of Interest on Demand Deposit Accounts. The Dodd-Frank Act repealed the statutory prohibition against the payment of interest on demand deposits, effective July 21, 2011. To conform their regulations to this provision, the FDIC and the Federal Reserve Board issued separate final rules in July 2011 to rescind their regulations that prohibit paying interest on demand deposits. FHLBank members' ability to pay interest on their customers' demand deposit accounts may increase their ability to attract or retain customer deposits, which could reduce their funding needs from the FHLBanks. Each of these final rules became effective on July 21, 2011.

Joint Regulatory Actions.

Credit Risk Retention for Asset-Backed Securities. On April 29, 2011, the Federal banking agencies, the Finance Agency, the Department of Housing and Urban Development (HUD) and the SEC jointly issued a proposed rule, which proposes regulations requiring sponsors of asset-backed securities to retain a minimum of a five percent economic interest in a portion of the credit risk of the assets collateralizing asset-backed securities, unless all the assets securitized satisfy specified qualifications. The proposed rule outlines the permissible forms of retention of economic interests (either in the form of retained interests in specified classes of the issued asset-backed securities or in randomly selected assets from the potential pool of underlying assets). The proposed rule also specifies criteria for qualified residential mortgage loans that would make them exempt from the risk retention requirements.

The final rule is likely to have a significant effect on the structure, operation and financial health of the mortgage finance sector and, if adopted as proposed, could significantly reduce the overall amount of financing available to creditworthy borrowers. This contraction in mortgage lending could reduce FHLBank members' need for advances, decreasing the volume and value of collateral available to secure advances. The final rule may also have implications for FHLBank Acquired Member Asset programs if the programs are determined to be subject to the final rule and required to be restructured to replace the existing credit risk sharing methodology with an

across the board five percent risk retention by the seller of the mortgages to the FHLBanks. The deadline for comments on this proposed rule was extended from June 10, 2011 to August 1, 2011.

Incentive-based Compensation Arrangements. On April 14, 2011, seven federal financial regulators, including the Finance Agency, issued a proposed rule that would prohibit "covered financial institutions" from entering into incentive-based compensation arrangements that encourage inappropriate risks and requiring deferral of the payment of incentive-based compensation. (See ***Legislative and Regulatory Developments*** in the Federal Home Loan Banks Combined Financial Report for the three months ended March 31, 2011 for more information regarding this proposed rule.)

Housing Finance and GSE Reform

In February 2011, the U.S. Treasury and HUD issued a report to Congress entitled *Reforming America's Housing Finance Market: A Report to Congress*. The report's primary focus is to provide options for Congressional consideration regarding the long-term structure of housing finance, including reforms specific to Fannie Mae and Freddie Mac. In addition, the Obama Administration noted it would work, in consultation with the Finance Agency and Congress, to restrict the areas of mortgage finance in which Fannie Mae, Freddie Mac and the FHLBanks operate so that overall government support of the mortgage market will be substantially reduced over time.

Although the FHLBanks are not the primary focus of this report, they are recognized as playing a vital role in helping smaller financial institutions access liquidity and capital to compete in an increasingly competitive marketplace. The report suggests the following possible reforms for the FHLBank System:

- focus the FHLBanks on small- and medium-sized financial institutions;
- restrict membership by allowing each institution eligible for membership to be an active member in only a single FHLBank;
- limit the level of outstanding advances to larger members; and
- reduce FHLBank investment portfolios and their composition, focusing FHLBanks on providing liquidity for insured depository institutions.

The report also supports exploring additional means to provide funding to housing lenders, including the potential development of a covered bond market.

In response, a number of bills have been introduced in Congress in both the first and second quarters of 2011, including covered bond legislation. It is expected that GSE legislative activity will continue. While none proposes specific changes to the FHLBanks, the FHLBanks could nonetheless be affected in numerous ways by changes to the U.S. housing finance structure and to Fannie Mae and Freddie Mac. For example, the FHLBanks traditionally have allocated a significant portion of their investment portfolio to investments in Fannie Mae and Freddie Mac debt securities. Accordingly, the FHLBanks' investment strategies would likely be affected by winding down those entities. Winding down these two GSEs, or limiting the amount of mortgages they purchase, also could increase demand for an FHLBank's advances if its members respond by retaining more of their mortgage loans in portfolio and using advances to fund the loans. Additionally, it is possible that the Finance Agency could consider regulatory actions consistent with the report, including restricting membership by allowing each eligible institution to be an active member of a single FHLBank or limiting the level of advances outstanding to larger members.

It is also possible that Congress will consider any or all of the specific changes to the FHLBanks suggested by the Administration's proposal. If regulation or legislation is enacted incorporating these changes, the FHLBanks could be significantly limited in their ability to make advances to their members and subject to additional limitations on their investment authority. Additionally, if Congress enacts legislation encouraging the development of a covered bond market, FHLBank advances could be reduced in time as larger members use covered bonds as an alternative form of wholesale mortgage financing.

The potential effect on the FHLBanks that results from housing finance and GSE reform or other legislation (for example, legislation to address the U.S. government's debt limit or deficit) is unknown at this time and will depend on the legislation or regulations, if any, that are finally enacted.

Finance Agency Actions

Final Rules.

Conservatorship and Receivership. On June 20, 2011, the Finance Agency issued a final rule to establish a framework for conservatorship and receivership operations for the FHLBanks. The final rule addresses the nature of a conservatorship or receivership and provides greater specificity on the FHLBanks' operations, in line with procedures set forth in similar regulatory frameworks (for example, the FDIC's receivership authority). The rule clarifies the relationship among various classes of creditors and equity holders under a conservatorship or receivership and the priorities for contract parties and other claimants in receivership. This rule became effective on July 20, 2011.

Under the final rule:

- FHLBank members' claims arising from deposit accounts, service agreements, advances, and other transactions with their FHLBanks are distinct from their equity claims as holders of FHLBank stock. The final regulation clarifies that the lowest priority position for equity claims only applies to members' claims in regard to their FHLBank stock and the priority position does not apply to claims arising from other member transactions with an FHLBank.

- An FHLBank's claim for repayment/reimbursement in regard to making payment on any consolidated obligations of another FHLBank in conservatorship or receivership following its default in making such payment would be treated as a general creditor claim against the defaulting FHLBank. The Finance Agency noted in the preamble to the final regulation that it could also address such reimbursement in policy statements or discretionary decisions.

- An FHLBank's property held in trust or in custodial arrangements would not be considered part of a receivership estate and would not be available to satisfy general creditor claims, which is similar to the result under FDIC and U.S. bankruptcy law proceedings.

FHLBank Investments. On May 20, 2011, the Finance Agency issued a final rule that incorporates the existing 300 percent of capital and other policy limitations on the FHLBanks' purchase of mortgage-backed securities and their use of derivatives. In addition, the rule clarifies that an FHLBank is not required to divest securities solely to bring the level of its holdings into compliance with the 300-percent limit, provided that the original purchase of the securities complied with the limits. As stated in the preamble to the final rule, the Finance Agency is likely to reconsider FHLBanks' investments in mortgage-backed securities as part of future rulemaking that addresses all aspects of the FHLBanks' investment authority. This rule became effective on June 20, 2011.

FHLBank Liabilities. On April 4, 2011, the Finance Agency issued a final rule effective May 4, 2011. This rule is not expected to have any adverse effect on the FHLBanks' joint and several liability for the principal and interest payments on consolidated obligations. (See ***Legislative and Regulatory Developments*** in the Federal Home Loan Banks Combined Financial Report for the three months ended March 31, 2011 for more information regarding this final rule.)

Proposed Rule.

Prudential Management and Operations Standards. On June 20, 2011, the Finance Agency issued a proposed rule, as required by the Housing Act, to establish prudential standards with respect to ten categories of operation and management of the FHLBanks and the other housing finance GSEs, including internal controls, interest rate risk exposure and market risk. The Finance Agency has proposed to adopt the standards as guidelines, which generally provide principles and leave to the regulated entities the obligation to organize and manage their operations in a way that ensures the standards are met, subject to the oversight of the Finance Agency. The proposed rule also includes procedural provisions relating to the consequences for failing to meet applicable standards, such as requirements regarding submission of a corrective action plan to the Finance Agency. Comments on the proposed rule are due by August 19, 2011.

Recent Rating Agency Actions

Table 25 - FHLBanks' Long-Term and Short-Term Credit Ratings at August 8, 2011

	S&P		Moody's	
	Long-Term/ Short-Term Rating	Outlook	Long-Term/ Short-Term Rating	Outlook
Atlanta	AA+/A-1+	Negative	Aaa/P-1	Negative
Boston	AA+/A-1+	Negative	Aaa/P-1	Negative
Chicago	AA+/A-1+	Negative	Aaa/P-1	Negative
Cincinnati	AA+/A-1+	Negative	Aaa/P-1	Negative
Dallas	AA+/A-1+	Negative	Aaa/P-1	Negative
Des Moines	AA+/A-1+	Negative	Aaa/P-1	Negative
Indianapolis	AA+/A-1+	Negative	Aaa/P-1	Negative
New York	AA+/A-1+	Negative	Aaa/P-1	Negative
Pittsburgh	AA+/A-1+	Negative	Aaa/P-1	Negative
San Francisco	AA+/A-1+	Negative	Aaa/P-1	Negative
Seattle	AA+/A-1+	Negative	Aaa/P-1	Negative
Topeka	AA+/A-1+	Negative	Aaa/P-1	Negative

S&P Recent Rating Actions

On April 20, 2011, S&P affirmed the AAA rating on the debt issues of the FHLBank System, but revised its outlook on these debt issues from stable to negative. Concurrently, S&P revised the outlooks from stable to negative for the 10 of 12 FHLBanks whose issuer credit ratings are constrained by the long-term credit rating of the United States of America, while affirming their AAA issuer credit ratings. The outlooks of the other two FHLBanks, which are rated AA+, were not revised. These rating actions reflected S&P's revision of the outlook on the long-term credit rating on the United States of America to negative from stable. On July 15, 2011, S&P placed the long-term credit ratings of 10 of the 12 FHLBanks whose issuer credit ratings were AAA, and therefore constrained by the long-term rating of the United States of America, on CreditWatch with negative implications. Additionally, S&P also placed the long-term AAA rating on the senior unsecured debt issues of the FHLBank System on CreditWatch with negative implications. S&P affirmed the short-term ratings of all FHLBanks and the FHLBank System's debt issues. These ratings actions reflected S&P's placement of the long-term credit rating of the United States of America on CreditWatch negative.

On August 8, 2011, S&P downgraded the long-term credit ratings on the senior unsecured debt issues of the FHLBank System and 10 of the 12 FHLBanks from AAA to AA+. The ratings of the FHLBanks and the FHLBank System are constrained by the long-term credit rating of the United States of America. On August 5, 2011, S&P lowered its long-term credit rating on the United States of America from AAA to AA+ with a negative outlook. The FHLBanks of Chicago and Seattle were already rated AA+ prior to the United States of America downgrade. The outlook for the FHLBank System's senior unsecured debt and each of the 12 FHLBanks is negative. S&P's actions did not affect the short-term A-1+ ratings of the FHLBanks and the FHLBank System's short-term debt issues. In the application of S&P's Government Related Entity criteria, the FHLBank System is classified as being almost certain to receive government support if necessary. The implicit support that S&P factors into each of the FHLBanks' and the FHLBank System's credit ratings relates to their important role as primary liquidity providers to U.S. mortgage- and housing-market participants.

Moody's Recent Rating Actions

On July 13, 2011, as a result of placing the U.S. government's long-term debt rating on review for possible downgrade, Moody's placed the Aaa long-term deposit rating of all individual FHLBanks as well as the Aaa long-term bond rating of the FHLBank System on review for possible downgrade. Moody's affirmed the Prime-1 short-term deposit ratings of all individual FHLBanks and the Prime-1 short-term bond rating of the FHLBank System based on Moody's expectation that the respective long-term ratings are unlikely to fall below the Aa level and

that the FHLBanks have sufficient access to liquidity in the form of cash and U.S. Treasury securities to allow them to manage through any short-term disruptions in the discount note and bond markets. Moody's also noted that any rating actions on the U.S. government would likely result in all individual FHLBanks' long-term deposit ratings and the FHLBank System long-term bond rating moving in lock step with any U.S. government rating action.

On August 2, 2011, Moody's confirmed the Aaa bond rating of the U.S. government following the raising of the U.S. statutory debt limit on August 2, 2011 and changed the rating outlook of the U.S. government to negative. Moody's also confirmed the long-term Aaa rating on the senior unsecured debt issues of the FHLBank System, the 12 FHLBanks, and other ratings Moody's considers directly linked to the U.S. government. Additionally, in conjunction with the revision of the U.S. government outlook to negative, the rating outlook for the FHLBank System and the 12 FHLBanks was also revised to negative.

RISK MANAGEMENT

The fundamental business of each FHLBank is to provide a readily available, competitively-priced source of funds in a wide range of maturities to meet the borrowing demands of its members and housing associates. The principal sources of funds for these activities are the proceeds from the issuance of consolidated obligations and, to a lesser extent, capital and deposits from members. Lending and investing funds, and engaging in interest-rate exchange agreements, can potentially expose the FHLBanks to a number of risks, including market risk and credit risk. The FHLBanks are also subject to liquidity risk, operational risk and business risk. Each FHLBank has established policies and procedures to evaluate, manage and mitigate these risks. The Finance Agency has established regulations governing the risk management practices of the FHLBanks. The FHLBanks must file periodic compliance reports with the Finance Agency. The Finance Agency conducts an annual on-site examination of each FHLBank and the Office of Finance as well as off-site analyses.

Market Risk

Each FHLBank is responsible for establishing its own risk management philosophies, practices and policies. Each FHLBank describes its risk management policies for its business, including quantitative and qualitative disclosures about its market risk, in its periodic reports filed with the SEC. (See ***Explanatory Statement about FHLBanks Combined Financial Report***.)

Interest-Rate Risk

Interest-rate risk is the risk that relative and absolute changes in interest rates may adversely affect an institution's financial condition. The goal of an interest-rate risk management strategy is not necessarily to eliminate interest-rate risk, but to manage it by setting, and operating within, an appropriate framework and limits. The FHLBanks generally approach managing interest-rate risk by acquiring and maintaining a portfolio of assets and liabilities and entering into related interest-rate exchange agreements to limit the expected mismatches in duration. The FHLBanks manage interest-rate risk with commonly used methods of measuring and monitoring interest rate-risk, which include the calculation of market value of equity, duration of equity and duration gap. For a discussion of managing interest-rate risk exposure, see ***Risk Management—Market Risk—Interest-Rate Risk*** in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2010.

Market Value of Equity and Duration of Equity

Each FHLBank has an internal modeling system for measuring its duration of equity, and therefore, individual FHLBank measurements may not be directly comparable. Each FHLBank reports the results of its duration of equity calculations to the Finance Agency each quarter. However, not all FHLBanks manage to the duration of equity risk measure. The capital adequacy rules of the Regulator require each FHLBank (except for the FHLBank of Chicago) to hold permanent capital in an amount sufficient to cover the sum of its credit, market and operational risk-based capital requirements, which are defined by applicable regulations. Each of these FHLBanks has developed a market risk model that calculates the market risk component of this requirement. (See ***FHLBank of Chicago's Fair Value Changes*** for its regulatory measurement of market changes.)

Table 26 presents each FHLBank that includes quantitative market value of equity and duration of equity information in its individual 2011 Second Quarter SEC Form 10-Q.

Table 26 - Individual FHLBank's Market Value of Equity and Duration of Equity Disclosure

FHLBank	Market Value of Equity	Duration of Equity
Boston	✓	✓
New York	✓	✓
Pittsburgh	(1)	✓
Atlanta	✓	✓
Cincinnati	✓	✓
Indianapolis	✓	✓
Chicago	(2)	(2)
Des Moines	(3)	(3)
Dallas	✓	✓
Topeka	✓(4)	✓
San Francisco	✓	(5)
Seattle	✓	✓

(1) The FHLBank of Pittsburgh's market value of equity volatility metrics are monitored. The FHLBank of Pittsburgh measures market value of equity to par value of capital stock (MV/CS), as described in its 2011 Second Quarter SEC Form 10-Q. The FHLBank of Pittsburgh also monitors the earned dividend spread (EDS) volatility metric relative to a predetermined EDS floor, established and approved by its board of directors.
(2) The FHLBank of Chicago disclosed the dollar limits on changes in fair value under parallel interest rate shocks instead of the duration and convexity limits in its 2011 Second Quarter SEC Form 10-Q, as presented in Table 29 – FHLBank of Chicago's Fair Value Changes.
(3) Although the FHLBank of Des Moines measures and monitors market value of equity and duration of equity, those measures are not disclosed as key market risk measures. The FHLBank of Des Moines disclosed, in its 2011 Second Quarter SEC Form 10-Q, market value of capital stock (MVCS) and economic value of capital stock (EVCS) as key risk measures. The FHLBank of Des Moines measures and limits movements in MVCS.
(4) The FHLBank of Topeka measures and monitors market value of equity (MVE); however, the FHLBank of Topeka measures market value risk in terms of its MVE in relation to its total regulatory capital stock outstanding instead of to its book value of equity. As described in its 2011 Second Quarter SEC Form 10-Q, the FHLBank of Topeka believes this is a reasonable metric because as a cooperative, the metric reflects the market value of the FHLBank of Topeka relative to the book value of its capital stock.
(5) Although the FHLBank of San Francisco measures duration of equity, this measure is not disclosed as a key market risk measure.

Table 27 presents the duration of equity reported by each FHLBank to the Finance Agency in accordance with the Regulator's guidance. (See Table 26 for each FHLBank's market and interest-rate risk measurement disclosure in its individual 2011 Second Quarter SEC Form 10-Q.)

Table 27 - Duration of Equity (in years)

FHLBank	June 30, 2011			December 31, 2010		
	Down[1]	Base	Up[2]	Down[1]	Base	Up[2]
Boston	1.2	0.7	3.1	2.6	1.6	4.8
New York	4.4	(0.4)	2.7	2.2	(1.1)	2.9
Pittsburgh	1.7	2.7	3.9	1.8	3.0	4.5
Atlanta	0.9	0.1	3.0	(1.0)	0.2	3.2
Cincinnati	(0.8)	(0.5)	5.3	(1.2)	1.7	6.5
Indianapolis	(0.5)	0.1	2.0	(1.0)	0.6	2.9
Des Moines	(5.3)	2.0	8.0	(12.7)	(0.0)	2.9
Dallas	3.9	3.2	5.7	3.6	3.6	5.8
Topeka	(1.5)	(0.3)	1.3	(1.0)	(1.7)	1.4
San Francisco	1.8	1.8	2.1	1.9	2.0	1.7
Seattle	1.4	2.1	3.4	1.2	1.3	5.6

(1) Down equals 200 basis points; however, applicable regulation restricts the down rate from assuming a negative interest rate. Therefore, each FHLBank adjusts the down rate accordingly in periods of very low levels of interest rates.
(2) Up equals 200 basis points.

Duration Gap

A related measure of interest-rate risk is duration gap, which is the difference between the estimated durations (market value sensitivity) of assets and liabilities and reflects the extent to which estimated maturity and repricing cash flows for assets and liabilities are matched. Duration gap determines the sensitivity of assets and liabilities to interest rate changes. Duration generally indicates the expected change in an instrument's market value resulting from an increase or a decrease in interest rates. Higher duration numbers, whether positive or negative, indicate greater volatility in the market value of equity in response to changing interest rates. Each FHLBank has an internal modeling system for measuring its duration gap; therefore, individual FHLBank measurements may not be directly comparable.

Table 28 - Duration Gap[1] (in months)

FHLBank	June 30, 2011	December 31, 2010
Boston	0.6	1.1
New York	(0.5)	(0.9)
Pittsburgh	1.4	1.7
Atlanta	(0.4)	(0.2)
Cincinnati	(0.1)	0.1
Indianapolis	(1.1)	(0.6)
Chicago	0.2	0.0
Des Moines	0.8	(0.6)
Dallas	2.0	2.0
Topeka	(0.2)	(1.0)
San Francisco	1.3	1.4
Seattle	0.1	0.0

(1) Duration gap values include the effect of interest-rate exchange agreements.

FHLBank of Chicago's Fair Value Changes

The FHLBank of Chicago's Asset/Liability Management Committee provides oversight of risk management practices and policies. This includes routine reporting to the FHLBank of Chicago's senior management and its board of directors, as well as maintaining the market risk policy, which defines its interest-rate risk limits. Table 29 presents the change in market risk limits under the Market Risk Policy. Some scenarios were not measured when swap rates were less than two percent at December 31, 2010.

Table 29 - FHLBank of Chicago's Fair Value Changes (dollars in millions)

	June 30, 2011		December 31, 2010	
Scenario	Change in Fair Value	Limit	Change in Fair Value	Limit
-200 bp	$246.9	$(185.0)	$ [a]	$(185.0)
-100 bp	43.4	(77.5)	[a]	(77.5)
-50 bp	6.4	(30.0)	[a]	(30.0)
-25 bp	3.9	(15.0)	0.7	(15.0)
+25 bp	(4.4)	(30.0)	2.0	(30.0)
+50 bp	(5.3)	(60.0)	2.0	(60.0)
+100 bp	16.1	(155.0)	(22.7)	(155.0)
+200 bp	11.3	(370.0)	(173.2)	(370.0)

(a) Due to the low interest rate environment, these values were not calculated.

Use of Derivatives to Manage Interest-Rate Risk

An FHLBank enters into derivatives to manage interest-rate risk, prepayment risk and exposure inherent in otherwise unhedged assets and funding positions. An FHLBank attempts to use derivatives to reduce interest-rate exposure in the most cost-efficient manner. Derivatives are used to adjust the effective maturity, repricing frequency, or option characteristics of financial instruments to achieve risk-management objectives. For a discussion of managing interest-rate risk exposure, see ***Risk Management—Market Risk—Use of Derivatives to Manage Interest-Rate Risk*** in the Federal Home Loan Banks Combined Financial Report for the year ended

December 31, 2010 and see ***Note 10—Derivatives and Hedging Activities*** to the accompanying combined financial statements for a discussion of qualitative disclosure about market risk, including "Application of Derivatives," "Types of Derivatives," "Types of Hedged Items," and "Managing Credit Risk on Derivatives." Table 30 presents the net effect of derivatives and hedging activities on the Combined Statement of Income resulting from applying different hedging strategies.

Table 30 - Net Effect of Derivatives and Hedging Activities (dollars in millions)

	Three Months Ended June 30, 2011							
Net Effect of Derivatives and Hedging Activities	Advances	Investments	Mortgage Loans	CO Bonds	CO DNs	Balance Sheet	Optional Advance Commitments	Total
Net interest income:								
Amortization and accretion of hedging activities in net interest income[1]	$ (85)	$ 4	$ (11)	$ 41	$ (5)	$ –	$ –	$ (56)
Net interest settlements included in net interest income[2]	(1,648)	(90)	(2)	1,174	(80)	–	–	(646)
Total net interest income	(1,733)	(86)	(13)	1,215	(85)	–	–	(702)
Net gains (losses) on derivatives and hedging activities:								
Gains (losses) on fair-value hedges	41	10	(3)	8	–	–	–	56
Gains on cash-flow hedges	12	–	–	–	–	–	–	12
(Losses) gains on derivatives not receiving hedge accounting	(172)	(131)	(20)	161	(26)	(32)	(5)	(225)
Total net (losses) gains on derivatives and hedging activities	(119)	(121)	(23)	169	(26)	(32)	(5)	(157)
Subtotal	(1,852)	(207)	(36)	1,384	(111)	(32)	(5)	(859)
Net gains on trading securities[3]	–	36	–	–	–	–	–	36
Net gains (losses) on financial instruments held at fair value	105	–	–	(86)	–	–	5	24
Total net effect of derivatives and hedging activities	$ (1,747)	$ (171)	$ (36)	$ 1,298	$ (111)	$ (32)	$ –	$ (799)

	Three Months Ended June 30, 2010							
Net Effect of Derivatives and Hedging Activities	Advances	Investments	Mortgage Loans	CO Bonds	CO DNs	Balance Sheet	Optional Advance Commitments	Total
Net interest income:								
Amortization and accretion of hedging activities in net interest income[1]	$ (114)	$ 2	$ (9)	$ 49	$ (5)	$ –	$ –	$ (77)
Net interest settlements included in net interest income[2]	(2,389)	(62)	(17)	1,656	(81)	–	–	(893)
Total net interest income	(2,503)	(60)	(26)	1,705	(86)	–	–	(970)
Net gains (losses) on derivatives and hedging activities:								
Gains (losses) on fair-value hedges	31	(10)	(5)	23	–	–	–	39
Gains on cash-flow hedges	–	–	–	–	1	–	–	1
(Losses) gains on derivatives not receiving hedge accounting	(167)	(269)	38	115	(56)	(25)	–	(364)
Total net (losses) gains on derivatives and hedging activities	(136)	(279)	33	138	(55)	(25)	–	(324)
Subtotal	(2,639)	(339)	7	1,843	(141)	(25)	–	(1,294)
Net gains on trading securities[3]	–	147	–	–	–	–	–	147
Net gains (losses) on financial instruments held at fair value	36	–	–	(72)	(2)	–	–	(38)
Total net effect of derivatives and hedging activities	$ (2,603)	$ (192)	$ 7	$ 1,771	$ (143)	$ (25)	$ –	$(1,185)

Net Effect of Derivatives and Hedging Activities	Six Months Ended June 30, 2011 Advances	Investments	Mortgage Loans	CO Bonds	CO DNs	Balance Sheet	Optional Advance Commitments	Total
Net interest income:								
Amortization and accretion of hedging activities in net interest income(1)	$ (168)	$ 7	$ (26)	$ 80	$ (10)	$ –	$ –	$ (117)
Net interest settlements included in net interest income(2)	(3,428)	(175)	(5)	2,349	(159)	–	–	(1,418)
Total net interest income	(3,596)	(168)	(31)	2,429	(169)	–	–	(1,535)
Net gains (losses) on derivatives and hedging activities:								
Gains (losses) on fair-value hedges	160	24	(8)	–	–	–	–	176
Gains on cash-flow hedges	12	–	–	–	2	–	–	14
(Losses) gains on derivatives not receiving hedge accounting	(163)	(133)	(53)	207	(30)	(41)	(4)	(217)
Total net gains (losses) on derivatives and hedging activities	9	(109)	(61)	207	(28)	(41)	(4)	(27)
Subtotal	(3,587)	(277)	(92)	2,636	(197)	(41)	(4)	(1,562)
Net losses on trading securities(3)	–	(22)	–	–	–	–	–	(22)
Net gains (losses) on financial instruments held at fair value	54	–	–	(95)	1	–	4	(36)
Total net effect of derivatives and hedging activities	$ (3,533)	$ (299)	$ (92)	$ 2,541	$ (196)	$ (41)	$ –	$(1,620)

Net Effect of Derivatives and Hedging Activities	Six Months Ended June 30, 2010 Advances	Investments	Mortgage Loans	CO Bonds	CO DNs	Balance Sheet	Optional Advance Commitments	Total
Net interest income:								
Amortization and accretion of hedging activities in net interest income(1)	$ (224)	$ 5	$ (10)	$ 90	$ (9)	$ –	$ –	$ (148)
Net interest settlements included in net interest income(2)	(4,990)	(116)	(42)	3,487	(153)	–	–	(1,814)
Total net interest income	(5,214)	(111)	(52)	3,577	(162)	–	–	(1,962)
Net gains (losses) on derivatives and hedging activities:								
Gains (losses) on fair-value hedges	97	(10)	(1)	25	(2)	–	–	109
Gains on cash-flow hedges	–	–	–	–	2	–	–	2
(Losses) gains on derivatives not receiving hedge accounting	(272)	(483)	(44)	274	(94)	(70)	–	(689)
Total net (losses) gains on derivatives and hedging activities	(175)	(493)	(45)	299	(94)	(70)	–	(578)
Subtotal	(5,389)	(604)	(97)	3,876	(256)	(70)	–	(2,540)
Net gains on trading securities(3)	–	176	–	–	–	–	–	176
Net losses on financial instruments held at fair value	(44)	–	–	(96)	(2)	–	–	(142)
Total net effect of derivatives and hedging activities	$ (5,433)	$ (428)	$ (97)	$ 3,780	$ (258)	$ (70)	$ –	$(2,506)

(1) Represents the amortization and accretion of hedging fair-value adjustments for both open and closed hedge positions, which includes hedges previously terminated and those currently failing effectiveness testing.
(2) Represents interest income or expense on derivatives included in net interest income.
(3) Includes only those gains or losses on trading securities that have an economic derivative "assigned;" therefore, this line item may not agree to the Combined Statement of Income.

At June 30, 2011, certain FHLBanks had full fair-value hedges with a notional amount of $704 million and an estimated fair value loss of $17 million for advances and had full fair-value hedges with a notional amount of $9.4 billion and an estimated fair value gain of $521 million for consolidated bonds. The remaining fair-value hedges at June 30, 2011 represent benchmark interest-rate hedges.

Credit Risk

General

For a detail discussion of the FHLBanks' credit risk management, see ***Risk Management—Credit Risk*** in the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2010. There have been no substantial changes to each FHLBank's credit risk management since December 31, 2010.

Managing Credit Risk

Advances. At June 30, 2011, the FHLBanks had rights to collateral with an estimated value greater than the related outstanding advances. 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 project 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 in Table 31. 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 borrowers' actual financial performance. Effective lending value percentages represent collateral lending value divided by unpaid principal balance of eligible loan collateral or market value of eligible securities collateral. Average effective lending values are the percentages of the averages of total collateral lending values to eligible collateral for all borrowers. These percentages are calculated without regard to the amount of the outstanding extensions of credit to any particular borrower.

Table 31 - Lending Values by Type of Collateral for All Borrowers

	June 30, 2011	
Collateral Type	Effective Lending Values Applied to Collateral	Average Effective Lending Value
Blanket Lien		
Single-family mortgage loans	20%-95%	72%
FHA[1] and VA[2] loans	67%-93%	85%
Multifamily mortgage loans	5%-75%	60%
Other U.S. government-guaranteed mortgage loans	78%-93%	89%
Home equity loans and lines of credit	5%-86%	44%
Community financial institution (CFI) collateral	9%-75%	48%
Commercial loans	14%-70%	54%
Other loan collateral	24%-74%	48%
Listing		
Single-family mortgage loans	1%-93%	69%
FHA[1] and VA[2] loans	44%-92%	55%
Multifamily mortgage loans	27%-74%	66%
Other U.S. government-guaranteed mortgage loans	79%-92%	92%
Home equity loans and lines of credit	8%-74%	37%
CFI collateral	10%-81%	48%
Commercial loans	21%-70%	59%
Other loan collateral	11%-74%	34%

Collateral Type	June 30, 2011	
	Effective Lending Values Applied to Collateral	Average Effective Lending Value
Delivered Collateral		
Cash, U.S. government and U.S. Treasury securities	79%-100%	96%
State and local government securities	68%-98%	91%
U.S. agency securities	76%-99%	96%
U.S. agency MBS and CMOs[3]	53%-98%	94%
Private-label MBS and CMOs[3]	25%-98%	86%
CFI securities	95%	95%
Commercial MBS	53%-89%	82%
Equity securities	63%-97%	79%
Other securities	74%-90%	79%
Single-family mortgage loans	2%-98%	64%
FHA[1] and VA[2] loans	14%-93%	80%
Multifamily mortgage loans	17%-75%	59%
Other U.S. government-guaranteed mortgage loans	75%-93%	76%
Home equity loans and lines of credit	5%-88%	49%
CFI collateral	4%-68%	45%
Commercial loans	2%-71%	54%
Other loan collateral	2%-68%	45%

(1) FHA - Federal Housing Administration
(2) VA - Department of Veterans Affairs
(3) CMOs - collateralized mortgage obligations

As of June 30, 2011, 61 individual FHLBank members and 6 non-member financial institutions held advance balances of at least $1.0 billion. When a non-member financial institution acquires some or all of the assets and liabilities of an FHLBank member, including outstanding advances and FHLBank capital stock, an FHLBank may allow those advances to remain outstanding to that non-member financial institution. The non-member borrower would be required to meet all of that FHLBank's credit and collateral requirements, including requirements regarding creditworthiness and collateral borrowing capacity.

In the aggregate, the advances to the 67 individual FHLBank borrowers (members and non-members) with at least $1.0 billion of advances outstanding represented approximately $258.6 billion, or 62.3 percent, of total advances outstanding at June 30, 2011, while other credit products to these borrowers represented approximately $26.1 billion, or 34.6 percent, of total other credit obligations to the FHLBanks. A borrower's total credit obligation to an FHLBank includes outstanding advances, outstanding letters of credit, collateralized derivative contracts and credit enhancement obligations on mortgage loans sold to the FHLBank (if any). The weighted-average collateralization ratio was 2.4 at June 30, 2011 (i.e., the total of these 67 individual FHLBank borrowers' eligible collateral divided by these borrowers' advances and other credit products outstanding at June 30, 2011, although the borrowers' credit obligations to the FHLBanks are not cross-collateralized between borrowers).

Collateral pledged by FHLBank borrowers with at least $1.0 billion of outstanding advances represented approximately 49.9 percent of total collateral pledged by all FHLBank borrowers with advances outstanding at June 30, 2011. Eligible collateral values include market values for securities and the unpaid principal balance for all other collateral pledged by delivery, listing or blanket lien method. At June 30, 2011, approximately 51.9 percent of these 67 individual FHLBank borrowers' eligible collateral was pledged by the listing method, with approximately 30.9 percent pledged in the form of a blanket lien and the remaining 17.2 percent pledged by the delivery method. On a combined basis, the eligible collateral securing these 67 individual FHLBank borrowers' advances was comprised of the following collateral categories.

Table 32 - Type of Collateral Securing Advances to Borrowers with at least $1.0 Billion of Advances Outstanding

Collateral Type	June 30, 2011			
	Blanket	Listing	Delivery	Total
Single-family mortgage loans	11.2%	32.8%	2.9%	46.9%
Home equity loans and lines of credit	9.5%	11.1%	0.4%	21.0%
Commercial real estate loans	7.1%	3.1%	1.4%	11.6%
Multifamily mortgage loans	2.4%	3.9%	0.4%	6.7%
U.S. agency MBS and CMOs	N/A	N/A	5.7%	5.7%
CMBS	N/A	N/A	2.0%	2.0%
U.S. agency securities (excluding MBS)	N/A	N/A	1.9%	1.9%
Private-label MBS and CMOs	N/A	N/A	1.7%	1.7%
FHA and VA loans	0.6%	0.7%	0.1%	1.4%
Other	0.2%	0.2%	0.7%	1.1%

N/A—Collateral is not pledged using this pledging method.

The FHLBanks that accept CFI-specific collateral mitigate the potential increased credit risk through higher haircuts (lower lending values) on such collateral. CFI-specific collateral consists of small business, small farm, and small agri-business loans. Furthermore, on December 9, 2010, the Finance Agency issued a final rule that provided the FHLBanks with regulatory authority to receive community development loans as collateral for advances from CFI members. Advances to CFIs secured with expanded eligible collateral represented approximately $2.9 billion of the $415.1 billion of total advances outstanding at par value at June 30, 2011. Advances to housing associates represented $1.1 billion of the total advances outstanding at par value at June 30, 2011.

During the six months ended June 30, 2011, no FHLBank incurred any credit loss on any of its advances, including advances to failed borrowers. During the same period, 46 of the 48 FDIC-insured institutions that failed were members of the FHLBanks. The total amount of advances outstanding to these members at the time of their failure was approximately $9.6 billion, all of which were either assumed by another member or a non-member institution or repaid by the acquiring institution or the FDIC. From July 1, 2011 to July 31, 2011, all of the 13 FDIC-insured institutions that failed were members of the FHLBanks. The total amount of advances outstanding to these members at the time of their failure was approximately $358 million, all of which were either assumed by another member or a non-member institution or repaid by the acquiring institution or the FDIC.

All extensions of credit by the FHLBanks to borrowers are secured by eligible collateral. However, if a borrower were to default, and the value of the collateral pledged by the borrower declined to a point such that an FHLBank was unable to realize sufficient value from the pledged collateral to cover the borrower's obligations and an FHLBank was unable to obtain additional collateral to make up for the reduction in value of such collateral, that FHLBank could incur losses. A default by a member or non-member with significant obligations to an FHLBank could result in significant financial losses, which would adversely affect the FHLBank's results of operations and financial condition. 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.

Investments. The FHLBanks are subject to credit risk on investments consisting of investment securities, interest-bearing deposits, securities purchased under agreements to resell and Federal funds sold. At June 30, 2011, the carrying value of the FHLBanks' investments was $295.8 billion, as compared to $330.5 billion at December 31, 2010.

In order to minimize credit risk on investments, the FHLBanks are required to operate within certain statutory and regulatory limits. Under Finance Agency regulations, the FHLBanks are prohibited from investing in certain types of securities, which include:

- instruments, such as common stock, that represent an ownership in an entity, other than stock in small business investment companies, or certain investments targeted at low-income persons or communities;
- instruments issued by non-U.S. entities, other than those issued by U.S. branches and agency offices of foreign commercial banks (e.g., Federal funds);
- non-investment grade debt instruments, other than certain investments targeted at low-income persons or communities and instruments that were downgraded after their purchase by the FHLBank;
- whole mortgages or other whole loans, or interests in mortgages or loans, other than:
    1) whole mortgages or loans acquired under an FHLBank's Acquired Member Asset (AMA) program;
    2) certain investments targeted to low-income persons or communities;
    3) certain marketable direct obligations of state, local, or tribal government units or agencies, having at least the second-highest credit rating from a nationally recognized statistical rating organization;
    4) mortgage-backed securities (which include agency and private-label pools of commercial and residential mortgage loans), or asset-backed securities collateralized by manufactured housing loans or home equity loans, that meet the definition of the term "securities" under the Securities Act of 1933; and
    5) certain foreign housing loans authorized under section 12(b) of the FHLBank Act; and
- non-U.S. dollar-denominated securities.

The FHLBanks further mitigate credit risk on investment securities by investing in highly-rated investment securities. At June 30, 2011 and December 31, 2010, 83.6 percent and 85.3 percent of the carrying value of total investment securities held by the FHLBanks were rated in the two highest investment rating categories by a nationally recognized statistical rating organization(s) for long-term and short-term investments.

Table 33 - Investment Ratings (dollars in millions)

	June 30, 2011[1][2]											
	Carrying Value											
	Investment Grade[3]				Below Investment Grade[3]							
	Triple-A	Double-A	Single-A	Triple-B	Double-B	Single-B	Triple-C	Double-C	Single-C	Single-D	Unrated	Total
	A-1 or higher Rating/P-1	A-2/P-2	A-3/P-3		B-1	B-2	B-3	C		D		
Interest-bearing deposits	$ 8	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ 8
Securities purchased under agreements to resell	1,950	–	1,750	3,000	–	–	–	–	–	–	1,100	7,800
Federal funds sold	10,145	23,737	20,783	175	–	–	–	–	–	–	31	54,871
Investment securities:												
Non-mortgage backed securities:												
U.S. Treasury obligations	2,108	–	–	–	–	–	–	–	–	–	–	2,108
Commercial paper	3,865	–	75	–	–	–	–	–	–	–	–	3,940
Certificates of deposit	6,330	8,436	8,322	–	–	–	–	–	–	–	–	23,088
Other U.S. obligations[4]	3,151	–	–	–	–	–	–	–	–	–	12	3,163
Government-sponsored enterprise and Tennessee Valley Authority obligations	25,072	23	–	–	–	–	–	–	–	–	–	25,095
State or local housing agency obligations	291	1,449	2	640	–	–	–	–	–	–	2	2,384
Temporary liquidity guarantee program debentures and promissory notes	18,335	–	–	–	–	–	–	–	–	–	–	18,335
Federal family education loan program ABS	8,562	–	–	–	–	–	–	–	–	–	–	8,562
Other[5]	1,238	118	–	–	–	–	–	–	–	–	25	1,381
Total non-mortgage-backed securities	68,952	10,026	8,399	640	–	–	–	–	–	–	39	88,056
Mortgage-backed securities:												
Other U.S. obligations residential MBS[6]	12,658	–	–	–	–	–	–	–	–	–	–	12,658
Other U.S. obligations commercial MBS[6]	524	–	–	–	–	–	–	–	–	–	–	524
Government-sponsored enterprise residential MBS	94,744	–	–	–	–	–	–	–	–	–	–	94,744
Government-sponsored enterprise commercial MBS	3,219	–	–	–	–	–	–	–	–	–	–	3,219
Private-label residential MBS	2,922	1,360	2,102	3,390	2,644	4,240	10,515	3,162	2,507	418	4	33,264
Private-label commercial MBS	70	–	–	–	–	–	–	–	–	–	–	70
Manufactured housing loan ABS	–	183	–	–	–	–	–	–	–	–	–	183
Home equity loan ABS	27	109	86	36	6	71	45	7	–	10	–	397
Total mortgage-backed securities	114,164	1,652	2,188	3,426	2,650	4,311	10,560	3,169	2,507	428	4	145,059
Total investment securities	183,116	11,678	10,587	4,066	2,650	4,311	10,560	3,169	2,507	428	43	233,115
Total Investments	$ 195,219	$ 35,415	$ 33,120	$ 7,241	$ 2,650	$ 4,311	$ 10,560	$ 3,169	$ 2,507	$ 428	$ 1,174	$ 295,794

	December 31. 2010[2][7]											
	Carrying Value											
	Investment Grade[3]				Below Investment Grade[3]							
	Triple-A	Double-A	Single-A	Triple-B	Double-B	Single-B	Triple-C	Double-C	Single-C	Single-D	Unrated	Total
	A-1 or higher Rating/P-1	A-2/P-2	A-3/P-3		B-1	B-2	B-3	C		D		
Interest-bearing deposits	$ 9	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ 9
Securities purchased under agreements to resell	6,025	225	1,500	4,750	–	–	–	–	–	–	3,900	16,400
Federal funds sold	10,833	36,354	28,313	326	–	–	–	–	–	–	29	75,855
Investment Securities:												
Non-mortgage backed securities:												
U.S. Treasury obligations	3,068	–	–	–	–	–	–	–	–	–	–	3,068
Commercial paper	4,849	–	–	–	–	–	–	–	–	–	–	4,849
Certificates of deposit	5,640	12,597	7,804	–	–	–	–	–	–	–	–	26,041
Other U.S. obligations[4]	2,439	–	–	–	–	–	–	–	–	–	13	2,452
Government-sponsored enterprise and Tennessee Valley Authority obligations	26,678	25	–	–	–	–	–	–	–	–	–	26,703
State or local housing agency Obligations	297	1,444	547	190	–	–	–	–	–	–	2	2,480
Temporary liquidity guarantee program debentures and promissory notes	16,081	–	–	–	–	–	–	–	–	–	–	16,081
Federal family education loan program ABS	8,799	–	–	–	–	–	–	–	–	–	–	8,799
Other[5]	711	114	–	–	–	–	–	–	–	–	27	852
Total non-mortgage-backed securities	68,562	14,180	8,351	190	–	–	–	–	–	–	42	91,325
Mortgage-backed securities:												
Other U.S. obligations residential MBS[6]	11,775	–	–	–	–	–	–	–	–	–	–	11,775
Other U.S. obligations commercial MBS[6]	53	–	–	–	–	–	–	–	–	–	–	53
Government-sponsored enterprise residential MBS	95,138	–	–	–	–	–	–	–	–	–	–	95,138
Government-sponsored enterprise commercial MBS	2,313	–	–	–	–	–	–	–	–	–	–	2,313
Private-label residential MBS	8,041	2,517	2,829	1,566	1,579	4,076	9,993	3,871	2,020	327	4	36,823
Private-label commercial MBS	160	–	–	–	–	–	–	–	–	–	–	160
Manufactured housing loan ABS	–	196	–	–	–	–	–	–	–	–	–	196
Home equity loan ABS	124	104	74	17	14	38	34	7	–	11	–	423
Total mortgage-backed securities	117,604	2,817	2,903	1,583	1,593	4,114	10,027	3,878	2,020	338	4	146,881
Total investment securities	186,166	16,997	11,254	1,773	1,593	4,114	10,027	3,878	2,020	338	46	238,206
Total investments	$ 203,033	$ 53,576	$ 41,067	$ 6,849	$ 1,593	$ 4,114	$ 10,027	$ 3,878	$ 2,020	$ 338	$ 3,975	$ 330,470

(1) Does not reflect any changes in ratings, outlook or watch status occurring after June 30, 2011. These ratings represent the lowest rating available for each security owned by an individual FHLBank, based on the nationally recognized statistical rating organization(s) used by that FHLBank.
(2) Investment amounts noted in the above table represent the carrying value and do not include related accrued interest.
(3) Dollar amounts include both short-term and long-term ratings.
(4) Primarily consists of debt securities issued or guaranteed by Ex-Im Bank, SBA and NCUA.
(5) Primarily consists of taxable municipal bonds, debentures issued by IDB and debt securities issued by IBRD.
(6) Primarily consists of MBS issued or guaranteed by Ginnie Mae, SBA and Ex-Im Bank.
(7) Does not reflect any changes in ratings, outlook or watch status occurring after December 31, 2010. These ratings represent the lowest rating available for each security owned by an individual FHLBank based on the nationally recognized statistical rating organization(s) used by that FHLBank.

On August 5, 2011, S&P lowered its long-term credit rating on the United States from AAA to AA+ with a negative outlook. As a result, on August 8, 2011, S&P lowered the long-term issuer credit ratings and related issue ratings on select government-related entities from AAA to AA+ with a negative outlook, including: Fannie Mae, Freddie Mac, the Farm Credit System and Tennessee Valley Authority. In addition, S&P also lowered the ratings on 126 Federal Deposit Insurance Corporation-guaranteed debt issues from 30 financial institutions under the

Temporary Liquidity Guarantee Program and four National Credit Union Association-guaranteed debt issues from two corporate credit unions under the Temporary Corporate Credit Union Guarantee Program from AAA to AA+, which reflects their direct credit support from the U.S. Treasury for timely and ultimate repayment.

Table 34 presents rating agency downgrades with respect to the following categories of investments during the period from July 1, 2011 through August 8, 2011.

Table 34 - Subsequent Downgrades (dollars in millions)

Investment Ratings[1]		Downgrades - Balances Based on Values at June 30, 2011[2]					
At June 30, 2011	At August 8, 2011	Private-Label RMBS		Agency MBS		Non-MBS	
From	To	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Triple-A	Double-A	$ 52	$ 47	$ 109,415	$111,571	$ 46,447	$46,562
Double-A	Triple-B	62	60	–	–	–	–
	Double-B	133	134	–	–	–	–
	Single-B	63	62	–	–	–	–
Single-A	Triple-B	38	38	–	–	–	–
	Single-B	12	12	–	–	–	–
Triple-B	Double-B	149	141	–	–	–	–
	Single-B	81	81	–	–	–	–
Double-B	Single-B	180	171	–	–	–	–
	Triple-C	22	22	–	–	–	–
Single-B	Triple-C	486	475	–	–	–	–
	Double-C	147	148	–	–	–	–
Triple-C	Double-C	415	455	–	–	–	–
Double-C	Single-D	11	11	–	–	–	–
Single-C	Single-D	17	26	–	–	–	–
Total		$ 1,868	$ 1,883	$ 109,415	$111,571	$ 46,447	$46,562

(1) Represents the lowest rating available for each security owned by an individual FHLBank based on the nationally recognized statistical rating organization(s) used by that FHLBank.
(2) Represents investment amounts at June 30, 2011 that were subsequently downgraded during the period from July 1, 2011 through August 8, 2011.

Of the $295.8 billion of total investments held by the FHLBanks at June 30, 2011, $23.6 billion of this amount was rated below investment grade at June 30, 2011, and an additional $438 million was downgraded to below investment grade from July 1, 2011 through August 8, 2011.

At June 30, 2011, 2.5 percent of total investments were on negative watch by S&P, Moody's and/or Fitch. Table 35 presents investments on negative watch at August 8, 2011. Values are based on June 30, 2011 balances.

Table 35 - Investments on Negative Watch (dollars in millions)

Investment Ratings[1]	Private-Label RMBS		Home Equity Loan ABS		Agency MBS		Non-MBS	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Triple-A	$ 78	$ 76	$ –	$ –	$ 1,378	$ 1,379	$ 9,404	$ 9,402
Double-A	21	20	17	12	–	–	5,555	5,555
Single-A	–	–	–	–	–	–	2	2
Triple-B	5	5	–	–	–	–	76	63
Double-B	64	61	–	–	–	–	–	–
Single-B	249	227	8	8	–	–	–	–
Total	$ 417	$ 389	$ 25	$ 20	$ 1,378	$ 1,379	$ 15,037	$ 15,022

(1) Represents the lowest rating available for each security owned by an individual FHLBank based on nationally recognized statistical rating organization(s) used by that FHLBank.

As part of their mission, the FHLBanks generally purchase private-label MBS rated triple-A (or its equivalent) by a nationally recognized statistical rating organization, such as Moody's or S&P. Each FHLBank typically requires, at the time of purchase, credit enhancement that it believes to be above the amounts required for a triple-A credit rating by a nationally recognized statistical rating organization for non-agency mortgage backed securities. 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. Structural credit enhancements include subordination and over-collateralization that are designed to absorb losses before an FHLBank will incur a loss on a security. Of the total unpaid principal balance of private-label mortgage-related investment securities, prime represented 45.7 percent, Alt-A represented 50.0 percent and subprime represented 4.3 percent. Of the $145.1 billion carrying value of total mortgage-backed securities investments held by the FHLBanks at June 30, 2011, less than 2.0 percent were categorized as subprime by the originator at the time of origination or based on classification by a nationally recognized statistical rating organization upon issuance of the MBS. No FHLBank has purchased private-label MBS since 2008. Table 36 presents certain information related to private-label mortgage-related investment securities, at June 30, 2010.

Table 36 - Private-Label Mortgage-Related Investment Securities by Year of Securitization and by Investment Type (dollars in millions)

	Total by Year of Securitization					
	Total	2008	2007	2006	2005	2004 and Prior
Unpaid principal balance (UPB) by credit rating[2]						
Triple-A	$ 3,031	$ –	$ –	$ 93	$ 137	$ 2,801
Double-A	1,662	–	38	186	191	1,247
Single-A	2,207	–	–	–	390	1,817
Triple-B	3,461	155	141	113	290	2,762
Double-B	2,691	–	321	388	571	1,411
Single-B	4,790	297	526	500	2,227	1,240
Triple-C	14,544	644	4,859	3,385	5,457	199
Double-C	5,000	130	1,808	2,277	768	17
Single-C	3,632	–	1,692	1,567	370	3
Single-D	867	–	307	533	5	22
Unrated	4	–	–	–	–	4
Total	$ 41,889	$ 1,226	$ 9,692	$ 9,042	$ 10,406	$ 11,523
Amortized cost	$ 37,785	$ 1,173	$ 8,207	$ 7,296	$ 9,646	$ 11,463
Gross unrealized losses[3]	(4,826)	(184)	(1,352)	(1,140)	(1,461)	(689)
Fair value (FV)	33,399	989	6,895	6,431	8,237	10,847
OTTI losses:						
Credit losses	$ (616)	$ (13)	$ (192)	$ (203)	$ (197)	$ (11)
AOCI[4]	325	(33)	164	169	71	(46)
Total OTTI losses	$ (291)	$ (46)	$ (28)	$ (34)	$ (126)	$ (57)
FV to UPB:						
Private-label RMBS	79.6%	80.7%	71.2%	71.1%	79.2%	94.8%
Private-label CMBS	103.2%	–	–	–	–	103.2%
Manufactured housing loan ABS	94.2%	–	–	–	–	94.2%
Home equity loan ABS	79.0%	–	–	73.1%	82.4%	79.2%
Total	79.7%	80.7%	71.2%	71.1%	79.2%	94.1%

	Prime[1] by Year of Securitization					
	Total	2008	2007	2006	2005	2004 and Prior
Private-label RMBS						
UPB by credit rating[2]						
Triple-A	$ 2,613	$ –	$ –	$ 74	$ 111	$ 2,428
Double-A	977	–	32	83	190	672
Single-A	1,494	–	–	–	312	1,182
Triple-B	1,884	33	141	99	176	1,435
Double-B	2,039	–	149	314	447	1,129
Single-B	2,698	63	208	431	1,229	767
Triple-C	3,590	417	1,182	851	1,071	69
Double-C	2,513	–	1,079	1,262	172	–
Single-C	1,108	–	463	622	23	–
Single-D	147	–	–	147	–	–
Total	$ 19,063	$ 513	$ 3,254	$ 3,883	$ 3,731	$ 7,682
Amortized cost	$ 17,825	$ 469	$ 2,789	$ 3,371	$ 3,539	$ 7,657
Gross unrealized losses[3]	(1,345)	(18)	(201)	(437)	(299)	(390)
Fair value	16,800	451	2,610	3,167	3,247	7,325
OTTI losses:						
Credit losses	$ (155)	$ (9)	$ (45)	$ (47)	$ (48)	$ (6)
AOCI[4]	100	8	41	44	42	(35)
Total OTTI losses	$ (55)	$ (1)	$ (4)	$ (3)	$ (6)	$ (41)
Weighted-average percentage:						
FV to UPB	88.1%	88.1%	80.2%	81.5%	87.0%	95.3%
Original credit support[5]	8.1%	24.2%	13.5%	10.0%	8.3%	3.8%
Credit support[6]	9.0%	23.1%	9.0%	6.2%	9.6%	9.2%
Collateral delinquency[7]	13.2%	24.1%	20.3%	17.9%	13.9%	6.8%
Private-label CMBS						
UPB by credit rating[2]						
Triple-A	$ 70	$ –	$ –	$ –	$ –	$ 70
Total	$ 70	$ –	$ –	$ –	$ –	$ 70
Amortized cost	$ 70	$ –	$ –	$ –	$ –	$ 70
Fair value	72	–	–	–	–	72
Weighted-average percentage:						
FV to UPB	103.2%	–	–	–	–	103.2%
Original credit support[5]	20.5%	–	–	–	–	20.5%
Credit support[6]	28.0%	–	–	–	–	28.0%
Collateral delinquency[7]	3.4%	–	–	–	–	3.4%

	Alt-A[1] by Year of Securitization					
	Total	2008	2007	2006	2005	2004 and Prior
Private-label RMBS						
UPB by credit rating[2]						
Triple-A	$ 320	$ –	$ –	$ 19	$ 26	$ 275
Double-A	381	–	6	84	–	291
Single-A	610	–	–	–	73	537
Triple-B	1,503	122	–	–	114	1,267
Double-B	523	–	172	–	77	274
Single-B	1,970	234	318	60	998	360
Triple-C	10,487	227	3,667	2,188	4,364	41
Double-C	1,999	130	729	557	583	–
Single-C	2,406	–	1,229	830	347	–
Single-D	698	–	307	386	5	–
Total	$ 20,897	$ 713	$ 6,428	$ 4,124	$ 6,587	$ 3,045
Amortized cost	$ 18,383	$ 704	$ 5,409	$ 3,191	$ 6,026	$ 3,053
Gross unrealized losses[3]	(3,225)	(166)	(1,149)	(540)	(1,154)	(216)
Fair value	15,238	538	4,278	2,658	4,916	2,848
OTTI losses:						
Credit losses	$ (447)	$ (4)	$ (146)	$ (143)	$ (149)	$ (5)
AOCI[4]	222	(41)	123	121	29	(10)
Total OTTI losses	$ (225)	$ (45)	$ (23)	$ (22)	$ (120)	$ (15)
Weighted-average percentage:						
FV to UPB	72.9%	75.4%	66.6%	64.5%	74.6%	93.5%
Original credit support[5]	22.5%	33.5%	32.6%	26.4%	16.2%	6.9%
Credit support[6]	20.2%	31.9%	26.9%	18.7%	16.4%	13.9%
Collateral delinquency[7]	29.2%	20.1%	38.8%	40.1%	23.1%	9.7%
Home equity loan ABS						
UPB by credit rating[2]						
Double-A	$ 17	$ –	$ –	$ 17	$ –	$ –
Single-A	3	–	–	–	3	–
Single-B	14	–	–	–	–	14
Triple-C	9	–	–	–	–	9
Double-C	4	–	–	–	–	4
Total	$ 47	$ –	$ –	$ 17	$ 3	$ 27
Amortized cost	$ 40	$ –	$ –	$ 17	$ 3	$ 20
Gross unrealized losses[3]	(9)	–	–	(5)	(1)	(3)
Fair value	31	–	–	12	2	17
Weighted-average percentage:						
FV to UPB	69.8%	–	–	73.1%	82.4%	66.3%
Original credit support[5][8]	(0.7)%	–	–	–	3.1%	(1.5)%
Credit support[6]	4.3%	–	–	–	42.0%	2.9%
Collateral delinquency[7]	8.8%	–	–	4.9%	0.6%	12.3%

	Subprime[1] by Year of Securitization					
	Total	2008	2007	2006	2005	2004 and Prior
Private-label RMBS						
UPB by credit rating[2]						
Triple-A	$ 1	$ –	$ –	$ –	$ –	$ 1
Double-A	11	–	–	2	1	8
Single-A	6	–	–	–	2	4
Triple-B	20	–	–	14	–	6
Double-B	123	–	–	74	47	2
Single-B	11	–	–	9	–	2
Triple-C	380	–	10	346	22	2
Double-C	475	–	–	458	13	4
Single-C	118	–	–	115	–	3
Unrated	4	–	–	–	–	4
Total	$ 1,149	$ –	$ 10	$ 1,018	$ 85	$ 36
Amortized cost	$ 836	$ –	$ 9	$ 717	$ 78	$ 32
Gross unrealized losses[3]	(171)	–	(2)	(158)	(7)	(4)
Fair value	702	–	7	594	72	29
OTTI losses:						
Credit losses	$ (14)	$ –	$ (1)	$ (13)	$ –	$ –
AOCI[4]	4	–	–	4	–	–
Total OTTI losses	$ (10)	$ –	$ (1)	$ (9)	$ –	$ –
Weighted-average percentage:						
FV to UPB	61.0%	–	74.0%	58.3%	84.9%	78.4%
Original credit support[5]	23.0%	–	23.0%	22.6%	22.1%	34.8%
Credit support[6]	28.0%	–	40.0%	25.8%	48.1%	41.7%
Collateral delinquency[7]	40.6%	–	36.6%	41.2%	42.0%	21.7%
Manufactured housing loan ABS						
UPB by credit rating[2]						
Double-A	$ 183	$ –	$ –	$ –	$ –	$ 183
Total	$ 183	$ –	$ –	$ –	$ –	$ 183
Amortized cost	$ 183	$ –	$ –	$ –	$ –	$ 183
Gross unrealized losses[3]	(11)	–	–	–	–	(11)
Fair value	172	–	–	–	–	172
Weighted-average percentage:						
FV to UPB	94.2%	–	–	–	–	94.2%
Original credit support[5]	92.9%	–	–	–	–	92.9%
Credit support[6]	27.6%	–	–	–	–	27.6%
Collateral delinquency[7]	3.1%	–	–	–	–	3.1%
Home equity loan ABS						
UPB by credit rating[2]						
Triple-A	$ 27	$ –	$ –	$ –	$ –	$ 27
Double-A	93	–	–	–	–	93
Single-A	94	–	–	–	–	94
Triple-B	54	–	–	–	–	54
Double-B	6	–	–	–	–	6
Single-B	97	–	–	–	–	97
Triple-C	78	–	–	–	–	78
Double-C	9	–	–	–	–	9
Single-D	22	–	–	–	–	22
Total	$ 480	$ –	$ –	$ –	$ –	$ 480
Amortized cost	$ 448	$ –	$ –	$ –	$ –	$ 448
Gross unrealized losses[3]	(65)	–	–	–	–	(65)
Fair value	384	–	–	–	–	384

	Subprime[1] by Year of Securitization					
	Total	2008	2007	2006	2005	2004 and Prior
OTTI losses:						
Credit loss	$ –	$ –	$ –	$ –	$ –	$ –
AOCI[4]	(1)	–	–	–	–	(1)
Total OTTI losses	$ (1)	$ –	$ –	$ –	$ –	(1)
Weighted-average percentage:						
FV to UPB	79.9%	–	–	–	–	79.9%
Original credit support[5]	54.6%	–	–	–	–	54.6%
Credit support[6]	32.9%	–	–	–	–	32.9%
Collateral delinquency[7]	16.4%	–	–	–	–	16.4%

(1) The FHLBanks classify private-label mortgage-related securities as prime, Alt-A and subprime based on the originator's classification at the time of origination or based on classification by a nationally recognized statistical rating organization upon issuance of the MBS.
(2) Represents the lowest rating available for each security owned by an individual FHLBank based on the nationally recognized statistical rating organization(s) used by that FHLBank.
(3) Represents total gross unrealized losses including non-credit-related impairment recognized in AOCI.
(4) Represents the net amount of impairment losses reclassified (to)/from AOCI.
(5) Original weighted-average credit support is based on the credit support at the time of issuance. The reported original credit support percentage represents the weighted-average based on the unpaid principal balance of the individual securities in the category and their respective original credit support.
(6) Weighted-average credit support is based on the credit support as of June 30, 2011. The reported credit support percentage represents the weighted-average based on the unpaid principal balance of the individual securities in the category and their respective credit support as of June 30, 2011.
(7) Weighted-average collateral delinquency rate is determined based on the underlying loans that are 60 days or more past due. The reported delinquency percentage represents the weighted-average based on the unpaid principal balance of the individual securities in the category and their respective delinquencies.
(8) Negative original credit enhancement exists due to over-collateralization and excess spread.

Current credit enhancement percentages reflect the ability of subordinated classes of securities to absorb principal losses and interest shortfalls before the senior classes held by the FHLBanks are affected (i.e., the losses, expressed as percentage of the outstanding principal balances, that could be incurred in the underlying loan pools before the securities held by the FHLBanks would be affected, assuming that all of those losses occurred on the measurement date). Depending upon the timing and amount of losses in the underlying loan pools, it is possible that the senior classes held by the FHLBanks could have losses in scenarios where the cumulative loan losses do not exceed the current credit enhancement percentage.

Table 37 presents, by loan type, characteristics of private-label mortgage-related investment securities in a gross unrealized loss position at June 30, 2011. The lowest ratings available for each security is reported as of July 31, 2011 based on the security's unpaid principal balance at June 30, 2011. The FHLBanks held a total of $5,323 million in Alt-A Option ARMs, of which $5,254 million is in a gross unrealized loss position based on unpaid principal balance at June 30, 2011, as disclosed in Table 37.

Table 37 - Private-Label Mortgage-Related Investment Securities in a Loss Position (dollars in millions)

	June 30, 2011[1]					July 31, 2011 MBS Ratings Based on June 30, 2011 Unpaid Principal Balance [1][2][3]			
	Unpaid Principal Balance	Amortized Cost	Gross Unrealized Losses	Weighted-Average Collateral Delinquency Rate[4]	Percentage Rated Triple-A[3]	Percentage Rated Triple-A	Percentage Rated Investment Grade[5]	Percentage Rated Below Investment Grade	Percentage on Watchlist
Private-label RMBS backed by:									
Prime loans:									
First lien	$ 14,518	$ 13,533	$ (1,345)	14.7%	6.2%	5.8%	21.1%	73.0%	1.9%
Total private-label RMBS backed by prime loans	14,518	13,533	(1,345)	14.7%	6.2%	5.8%	21.1%	73.0%	1.9%
Alt-A and other loans:									
Alt-A Option ARM	5,254	4,306	(1,175)	47.0%	–	–	–	100.0%	2.4%
Alt-A other	14,594	13,117	(2,050)	24.0%	0.7%	0.7%	13.5%	85.8%	0.2%
Total private-label RMBS backed by Alt-A and other loans	19,848	17,423	(3,225)	30.1%	0.5%	0.5%	9.9%	89.5%	0.8%
Subprime loans:									
First lien	1,094	803	(171)	40.0%	0.1%	0.1%	3.2%	96.3%	0.5%
Total private-label RMBS backed by subprime loans	1,094	803	(171)	40.0%	0.1%	0.1%	3.2%	96.3%	0.5%
Private-label CMBS backed by:									
Prime loans:									
First lien	4	4	–	12.3%	100.0%	100.0%	–	–	–
Total private-label CMBS backed by prime loans	4	4	–	12.3%	100.0%	100.0%	–	–	–
Manufactured housing loan ABS backed by:									
Subprime loans:									
First lien	183	183	(11)	3.1%	–	–	100.0%	–	–
Total manufactured housing loan ABS backed by subprime loans	183	183	(11)	3.1%	–	–	100.0%	–	–
Home equity loan ABS backed by:									
Alt-A and other loans:									
Alt-A other	43	38	(9)	8.1%	–	–	47.5%	52.5%	65.2%
Total home equity loan ABS backed by Alt-A loans	43	38	(9)	8.1%	–	–	47.5%	52.5%	65.2%
Subprime loans:									
First lien	188	179	(36)	18.2%	13.2%	13.2%	33.2%	53.6%	–
Second lien	6	5	(1)	25.1%	9.5%	9.5%	–	90.5%	–
Total home equity loan ABS backed by subprime loans	194	184	(37)	18.4%	13.1%	13.1%	32.2%	54.7%	–
Other—Not Classified[6]	285	264	(28)	14.9%	1.0%	1.0%	62.7%	36.3%	–
Total private-label RMBS, private-label CMBS, manufactured housing loan ABS, home equity loan ABS, and other — not classified	$ 36,169	$ 32,432	$ (4,826)	23.9%	2.9%	2.7%	15.2%	82.0%	1.3%

(1) The FHLBanks classify private-label mortgage-related investment securities as prime, Alt-A and subprime based on the originator's classification at the time of origination or based on classification by a nationally recognized statistical rating organization upon issuance of the MBS.
(2) The percentages include the effect of paydowns in full subsequent to June 30, 2011.
(3) Represents the lowest ratings available for each security owned by an individual FHLBank based on the nationally recognized statistical rating organization(s) used by that FHLBank.
(4) Weighted-average collateral delinquency rate is determined based on the underlying loans that are 60 days or more past due. The reported delinquency percentage represents the weighted-average based on the unpaid principal balance of the individual securities in the category and their respective delinquencies.
(5) Represents investment grade from double-A to triple-B.
(6) 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.

Other-Than-Temporarily Impaired Securities. The housing market continues to be depressed, with significant variations in market performance from region to region throughout the country. Housing prices remain low, although there are signs of stability in many areas. Delinquency and foreclosure rates have continued to rise. While the agency MBS market is active in funding new mortgage originations, the private-label MBS market has not recovered. The commercial real estate market is still trending downward.

As a result of each FHLBank's evaluations, during the three months ended June 30, 2011, the FHLBanks recognized OTTI losses related to an aggregate amount of $3,628 million of unpaid principal balance in held-to-maturity MBS investments and $15,659 million of unpaid principal balance related to AFS securities. The FHLBanks recognized total credit-related OTTI charges on MBS instruments of $341 million during the three months ended June 30, 2011 and the net amount of impairment losses reclassified from accumulated other comprehensive income (loss) was $177 million.

Monoline Bond Insurance. Certain FHLBanks' investment securities portfolios include a limited number of investments that are insured by monoline bond insurers. The monoline 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 monoline bond insurers on an ongoing basis.

As of June 30, 2011, total monoline bond insurance coverage was $651 million, of which $338 million represents the FHLBanks' private-label RMBS, manufactured housing loan ABS and home equity loan ABS. The FHLBanks rely on this coverage for modeling cash flows, in order to determine the gross unrealized losses, which are presented in Table 38.

Table 38 - Monoline Bond Insurance Coverage and Related Unrealized Losses of Certain MBS (dollars in millions)

	Alt-A[1]					
	Assured Guaranty Municipal Corp.		MBIA Insurance Corp.[2]		Total	
Year of Securitization	Insurance Coverage	Gross Unrealized Losses	Insurance Coverage	Gross Unrealized Losses	Insurance Coverage	Gross Unrealized Losses
Private-label RMBS:						
2007	$ 6	$ –	$ –	$ –	$ 6	$ –
Home equity loan ABS:						
2006	17	(5)	–	–	17	(5)
2004 and prior	–	–	14	(2)	14	(2)
Total	17	(5)	14	(2)	31	(7)
Total Alt-A	$ 23	$ (5)	$ 14	$ (2)	$ 37	$ (7)

	Subprime[1]					
	Assured Guaranty Municipal Corp.		MBIA Insurance Corp.[2]		Total	
Year of Securitization	Insurance Coverage	Gross Unrealized Losses	Insurance Coverage	Gross Unrealized Losses	Insurance Coverage	Gross Unrealized Losses
Private-label RMBS:						
2004 and prior	$ 1	$ –	$ –	$ –	$ 1	$ –
Manufactured housing loan ABS:						
2004 and prior	165	(9)	–	–	165	(9)
Home equity loan ABS:						
2004 and prior	84	(6)	51	(7)	135	(13)
Total subprime	$ 250	$ (15)	$ 51	$ (7)	$ 301	$ (22)

(1) The FHLBanks classify private-label RMBS, manufactured housing loan ABS, and home equity loan ABS as prime, Alt-A and subprime based on the originator's classification at the time of origination or based on classification by a nationally recognized statistical rating organization upon issuance of the MBS.

(2) MBIA Insurance Corp.'s burn-out period ends on December 31, 2011. (See ***Note 6—Other-Than-Temporary-Impairment Analysis*** to the accompanying combined financial statements.)

The monoline bond insurers have been subject to adverse ratings, rating downgrades and weakening financial performance measures. A rating downgrade implies an increased risk that the monoline bond insurer will fail to fulfill its obligations to reimburse the insured investor for claims made under the related insurance policies. Table 39 presents the financial strength ratings of monoline bond insurers that provide monoline bond insurance coverage for the FHLBanks' private-label RMBS, manufactured housing loan ABS, and home equity loan ABS. (See ***Critical Accounting Estimates—OTTI for Investment Securities*** for information regarding the FHLBanks' processes for evaluating monoline bond insurance for purposes of OTTI analysis.)

Table 39 - Monoline Bond Insurers' Financial Strength Ratings as of July 31, 2011

	Moody's Credit Rating	S&P Credit Rating	Fitch Credit Rating
Assured Guaranty Municipal Corp.	Aa3	AA+	Not Rated
MBIA Insurance Corporation	B3	B	Not Rated
AMBAC Assurance Corporation (Ambac)[1]	Withdrawn	Not Rated	Not Rated
Financial Guaranty Insurance Company	Withdrawn	Not Rated	Not Rated
Syncora Guarantee Inc.	Ca	Not Rated	Not Rated

(1) Ratings withdrawn by Moody's on April 7, 2011.

Unsecured Credit Exposure. Table 40 presents the FHLBanks' unsecured credit exposure of investments with private counterparties that have maturities generally ranging between overnight and 9 months.

Table 40 - Unsecured Credit Exposure (dollars in millions)

	June 30, 2011 Carrying Value[1]	December 31, 2010 Carrying Value[1]
Federal funds sold	$ 54,871	$ 75,855
Commercial paper	3,940	4,849
Certificates of deposit	23,088	26,041
Other[2]	502	4
Total	$ 82,401	$ 106,749

(1) Excludes unsecured credit exposure related to U.S. government and U.S. government agencies and instrumentalities, and does not include related accrued interest receivable.
(2) Primarily consists of debt securities issued by IBRD.

At June 30, 2011, the FHLBanks had aggregate unsecured credit exposure to private counterparties of $1 billion or more to each of 30 private counterparties. The aggregate unsecured credit exposure to these 30 private counterparties represented 94.1 percent of the FHLBanks' unsecured credit exposure to private counterparties.

Mortgage Loans Held for Portfolio. All 12 FHLBanks have established or participated in Acquired Member Asset (AMA) programs (such as the MPF Program and MPP) as services to their members. The mortgage loans purchased or funded under these programs may carry more credit risk than advances, even though the respective member or housing associate provides credit enhancement and continues to bear a portion of the credit risk.

Management at each FHLBank believes that it has adequate policies and procedures in place to manage credit risk on mortgage loans appropriately. All of the FHLBanks participating in MPF Program or MPP have established loan loss allowances under each program or have determined that no loan loss allowances are necessary. (See ***Note 9—Allowance for Credit Losses*** to the accompanying combined financial statements for information on credit risk associated with mortgage loans, including information on mortgage loans credit quality indicators, allowance for credit losses, and delinquency statistics by AMA program and type of loan. See ***Risk Management—Credit Risk—Mortgage Loans Held for Portfolio*** section of the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2010 for information on loss allocation structures for MPF and MPP Loans.)

In addition to credit risk associated with mortgage loans purchased or funded through the AMA programs, the FHLBanks are exposed to the risk of non-performance of mortgage insurers that provide primary mortgage insurance (PMI) and supplemental mortgage insurance (SMI) coverage on mortgage loans.

PMI is issued by qualified companies for mortgage loans with LTVs greater than 80 percent and covers all types of losses except those generally classified as special hazard losses. When SMI is used as a form of credit enhancement in conjunction with an AMA program, Finance Agency regulations require the FHLBanks' members that sell loans to the FHLBanks through such a program to maintain SMI with an insurer rated no lower than the second-highest rating category by any nationally recognized statistical rating organization, unless this requirement is waived by the Finance Agency.

As of July 31, 2011, all of the FHLBanks' mortgage insurance (MI) providers have had their external ratings for claims-paying ability or insurer financial strength downgraded below double-A minus by all relevant nationally recognized statistical rating organizations. Due to the aforementioned rating agency actions, certain MPF FHLBanks increased their estimated allowance for credit losses on mortgage loans and discontinued paying the associated performance credit enhancement fees as the relevant PFIs have elected not to assume the credit enhancement obligations as their own. Certain MPF FHLBanks discontinued obtaining coverage on new loans from MI insurers that have a nationally recognized statistical rating organization rating below triple-B and exceed those FHLBanks' internal exposure limits.

The FHLBank of Seattle cancelled its SMI policies and was exploring options to credit enhance its conventional MPP Loans to achieve the minimum level of portfolio credit protection specified by the Finance Agency. The other MPP FHLBanks discontinued obtaining SMI on new loans from the MI providers downgraded below double-A minus as part of the approved new business activity plan and continue to use the downgraded insurance providers for existing loans in compliance with the temporary waiver issued by the Finance Agency (discussed in detail in ***Risk Management—Credit Risk—Mortgage Loans Held for Portfolio*** section of the Federal Home Loan Banks Combined Financial Report for the year ended December 31, 2010). The Finance Agency approved notices of new business activity plans for certain MPP FHLBanks that use an enhanced fixed LRA account for additional credit enhancement for new MPP business, consistent with Finance Agency regulations. At this time, the MPP FHLBanks expect each of the insurance providers to fulfill their obligations provided in the MI contracts.

For a conventional loan, PMI, if applicable, covers losses or exposure down to a certain level of coverage based upon the original LTV, term and characteristics of the loan. An FHLBank is exposed to credit risk if a PMI provider fails to fulfill its claims payment obligations to that FHLBank. Each FHLBank has policies to limit its credit exposure to each MI company based on certain criteria, including, but not limited to, the MI company's nationally recognized statistical rating organization's ratings, or limiting its credit exposure to a certain percentage of the MI company's regulatory capital. The FHLBanks receive PMI coverage information only at acquisition of mortgage loans and generally do not receive notification of any subsequent changes in PMI coverage and therefore, they can only estimate the amount of PMI in force at any time subsequent to acquisition. Historically, FHLBanks have depended on the PMI policies for loss coverage. Tables 41 and 42 present the FHLBanks' PMI coverage for seriously delinquent loans (conventional loans 90 days or more delinquent or in the process of foreclosure) by MPF Program and MPP.

Table 41 - Seriously Delinquent Conventional MPF Loans with PMI (dollars in millions)

		June 30, 2011	
Insurance Provider	**Credit Rating[1] by Moody's/S&P/Fitch**	**UPB[2]**	**Maximum Coverage Outstanding[3]**
Mortgage Guaranty Insurance Co.	Ba3/B+/NR[4]	$ 49	$ 14
Genworth Mortgage Insurance	Ba1/BB-/NR[4]	33	9
United Guaranty Residential Insurance	Baa1/BBB/NR[4]	28	8
Republic Mortgage Insurance	Ba1/BB+/BB	27	8
PMI Mortgage Insurance Co.	B3/B-/NR[4]	25	7
Radian Guaranty, Inc.	Ba3/B+/NR[4]	18	5
Other		23	6
Total		$ 203	$ 57

Table 42 - Seriously Delinquent Conventional MPP Loans with PMI (dollars in millions)

Insurance Provider	Credit Rating[1] by Moody's/S&P/Fitch	June 30, 2011 UPB[2]	June 30, 2011 Maximum Coverage Outstanding[3]
Mortgage Guaranty Insurance Co.	Ba3/B+/NR[4]	$ 13	$ 3
Republic Mortgage Insurance	Ba1/BB+/BB	8	2
Radian Guaranty, Inc.	Ba3/B+/NR[4]	8	2
Genworth Mortgage Insurance	Ba1/BB-/NR[4]	7	1
United Guaranty Residential Insurance	Baa1/BBB/NR[4]	6	1
PMI Mortgage Insurance Co.	B3/B-/NR[4]	3	1
Other		1	–
Total		$ 46	$ 10

(1) Represents the credit rating as of July 31, 2011.
(2) Represents the UPB of conventional loans 90 days or more delinquent or in the process of foreclosure. Assumes PMI in effect at time of origination. Insurance coverage may be discontinued once a certain LTV ratio is met.
(3) Represents the estimated contractual limit for reimbursement of principal losses (i.e., risk in force) assuming the PMI at origination is still in effect. The amount of expected claims under these insurance contracts is substantially less than the contractual limit for reimbursement.
(4) Not rated by Fitch.

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. However, no MI company on the approved MI company list currently has a double-A minus or better claims-paying ability rating from any nationally recognized statistical rating organization. The current criteria for MI companies to remain on the approved MI company list is acceptability for use in modeling software licensed from a nationally recognized statistical rating organization.

As of June 30, 2011, the MPP FHLBanks had analyzed their potential loss exposure to all of the MI companies and did not expect incremental losses due to the lower MI company ratings. This expectation is based on the credit enhancement features of the MPP Loans Master Commitment Contracts, the underwriting characteristics of the MPP Loans, the seasoning of the MPP Loans and the performance of these loans to date. The MPP FHLBanks closely monitor the financial condition of each of these MI companies.

Geographic Concentrations. Tables 43 and 44 provide the percentage of UPB of conventional mortgage loans held for portfolio outstanding at June 30, 2011 and December 31, 2010 for the five 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.

Table 43 - State Concentration of MPF Program

	June 30, 2011	December 31, 2010[1]
California	9.8%	9.2%
Wisconsin	7.7%	7.6%
Illinois	6.1%	6.1%
Iowa	5.4%	4.5%
Pennsylvania	5.3%	5.0%
All other	65.7%	67.6%
Total	100.0%	100.0%

Table 44 - State Concentration of MPP

	June 30, 2011	December 31, 2010[1]
Ohio	25.0%	21.2%
Indiana	11.3%	9.8%
Michigan	9.5%	8.4%
California	7.6%	10.2%
Kentucky	4.9%	4.0%
All other	41.7%	46.4%
Total	100.0%	100.0%

(1) Calculated percentage is based on UPB of conventional loans at the end of the period. The state concentrations reflect the top five states at June 30, 2011.

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 interest-rate exchange 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 in mitigating 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 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 does not anticipate any credit losses on its interest-rate exchange agreements with counterparties as of June 30, 2011. For additional discussion regarding derivatives and counterparty ratings, please refer to each individual FHLBank's periodic reports filed with the SEC.

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 a counterparty's pledged collateral to an FHLBank exceeds the FHLBank's net position.

Table 45 - Derivative Counterparty Credit Exposure at June 30, 2011 (dollars in millions)

Credit Rating[1]	Notional Amount	Credit Exposure Net of Cash Collateral	Other Collateral Held	Net Exposure After Collateral
Triple-A	$ 36	$ 2	$ –	$ 2
Double-A	259,067	340	223	117
Single-A	467,902	460	383	77
Triple-B	123	–	–	–
Unrated[2]	28	–	–	–
	727,156	802	606	196
Member institutions[3]	1,877	18	16	2
Total derivatives	$729,033	$820	$622	$198

(1) This chart does not reflect any changes in rating, outlook or watch status occurring after June 30, 2011. The ratings were obtained from S&P, Moody's and/or Fitch.

(2) Represents one broker-dealer used 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 subject to thorough credit review procedures in accordance with an FHLBank's risk management policy. There was less than $1 million of exposure at June 30, 2011 related to this unrated counterparty.

(3) Member institutions include mortgage delivery commitments and derivatives with members where an FHLBank is acting as an intermediary. Collateral held with respect to derivatives with member institutions where an FHLBank is acting as an intermediary represents the amount of eligible collateral physically held by or on behalf of the FHLBank or collateral assigned to the FHLBank, as evidenced by a written security agreement, and held by the member institution for the benefit of that FHLBank.

Excluding fully collateralized interest-rate exchange agreements in which the FHLBanks are intermediaries for members, 99.98 percent of the notional amount of the FHLBanks' outstanding interest-rate exchange agreements at June 30, 2011 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 effective disclosure controls and procedures as well as effective internal control over financial reporting, as such disclosure controls and procedures and internal control over financial reporting relate to that FHLBank only. Each FHLBank's management assessed the effectiveness of its individual internal control over financial reporting as of December 31, 2010, based on the framework established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, each FHLBank's management concluded, as of December 31, 2010, that its individual internal control over financial reporting is effective based on the criteria established in *Internal Control—Integrated Framework.* Additionally, the independent registered public accounting firm of each FHLBank opined that the individual FHLBank maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010. (See *Item 8—Financial Statements and Supplementary Data* or *Item 9A—Controls and Procedures* of each FHLBank's 2010 SEC Form 10-K for its *Management's Report on Internal Control over Financial Reporting*.)

Eleven FHLBanks indicated that there were no changes to its internal control over financial reporting during the fiscal quarter ended June 30, 2011 that materially affected, or are reasonably likely to affect, its internal control over financial reporting. During the fiscal quarter ended June 30, 2011, the FHLBank of Seattle noted that it completed its implementation of a new general ledger system, which was not undertaken in response to any identified deficiency or weakness in its internal control over financial reporting. Additionally, management of each FHLBank concluded that its disclosure controls and procedures were effective at a reasonable assurance level as of the fiscal quarter ended June 30, 2011. (See *Part I. Item 4—Controls and Procedures* of each FHLBank's 2011 Second Quarter SEC Form 10-Q.)

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 disclosure 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. The Office of Finance has established procedures and controls 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.

The Office of Finance does not independently verify 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. Therefore, the Office of Finance may be unable to detect or prevent a significant misstatement in this Combined Financial Report.

Audit Committee Charter, Combined Financial Reports and General Office of Finance Operations

In July 2010, the Office of Finance's audit committee was restructured to implement the Finance Agency's regulations affecting the Office of Finance's board of directors that were effective June 2, 2010. The charter of the audit committee of the Office of Finance's board of directors is available on the Office of Finance's website at www.fhlb-of.com. This web site address is provided as a matter of convenience only, and its contents are not made part of this report and are not intended to be incorporated by reference into this report.

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 proceedings, except those proceedings noted below, where the ultimate liability of the FHLBanks, if any, arising out of these proceedings is likely to have a material effect on the results of operations, financial condition or liquidity of the FHLBanks or that are otherwise material to the FHLBanks. (See each FHLBank's 2011 Second Quarter SEC Form 10-Q under *Part II. Item 1—Legal Proceedings* for additional information, including updates, to its legal proceedings.)

Legal Proceedings Relating to the Purchase of Certain Private-Label MBS

As of June 30, 2011, each of the FHLBanks of Boston, Pittsburgh, Atlanta, Indianapolis, Chicago, San Francisco and Seattle continued legal proceedings that relate to the purchase of certain private-label MBS. Defendants in these lawsuits include entities and affiliates that buy, sell or distribute the FHLBanks' consolidated obligations or are derivative counterparties. Affiliates of these defendants may be members or former members of the plaintiff FHLBanks or other FHLBanks.

Legal Proceedings Relating to the Lehman Bankruptcy

See ***Note 15—Commitments and Contingencies—Lehman Bankruptcy*** to the accompanying combined financial statements for information on legal proceedings relating to bankruptcy proceedings involving Lehman Brothers Holdings, Inc.

RISK FACTORS

There were no material changes to the risk factors disclosed in the Federal Home Loan Banks' 2010 Combined Financial Report except for the following risk factor. (See each FHLBank's 2011 Second Quarter SEC Form 10-Q for updates to risk factors included in its 2010 SEC Form 10-K under *Item 1A—Risk Factors*.)

Market Risk

The FHLBanks' ability to access the capital markets, as their primary source of funding, on acceptable terms may be adversely affected by any market disruptions that could occur if credit ratings on FHLBank System consolidated obligations change.

S&P and Moody's have each taken various actions regarding credit ratings on the FHLBanks and the FHLBank System's consolidated obligations based on the implied linkage between the FHLBanks, and the FHLBank System's consolidated obligations, to the U.S. government. On August 8, 2011, S&P downgraded the long-term credit ratings on the senior unsecured debt issues of the FHLBank System and 10 of the 12 FHLBanks from AAA to AA+. On August 5, 2011, S&P lowered its long-term credit rating on the United States from AAA to AA+ with a negative outlook. The FHLBanks of Chicago and Seattle were already rated AA+ prior to the United States downgrade. The outlook for the FHLBank System's senior unsecured debt and all 12 FHLBanks is negative. S&P's actions did not affect the short-term A-1+ ratings of the FHLBanks and the FHLBank System's debt issues. On August 2, 2011, Moody's confirmed the long-term Aaa rating on the senior unsecured debt issues of the FHLBank System and the 12 FHLBanks. In conjunction with the revision of the U.S. government outlook to negative, Moody's rating outlook for the FHLBank System and the 12 FHLBanks has also been revised to negative.

These downgrades in credit ratings and outlook could result in higher funding costs or disruptions in the FHLBanks' access to capital markets, including additional collateral posting requirements under certain derivative instrument agreements (see ***Note 10—Derivatives—Managing Credit Risk on Derivatives***). Furthermore, member demand for certain FHLBank products could weaken. To the extent that the FHLBanks cannot access funding when needed on acceptable terms to effectively manage their cost of funds, their financial condition and results of operations and the value of FHLBank membership may be negatively affected. (See ***Financial Discussion and Analysis—Recent Rating Agency Actions*** for additional information.)

MARKET FOR FEDERAL HOME LOAN BANKS' 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. The members and certain nonmembers own all of the FHLBanks' capital stock. 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 and certain conditions and limitations. (See ***Financial Discussion and Analysis—Capital Adequacy—Dividend and Excess Stock Limitations*** for a discussion of certain FHLBank actions regarding dividends and excess capital stock.)

At June 30, 2011, the FHLBanks had 367 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 Securities Exchange Act of 1934.

Top 10 Regulatory Capital Stockholders

The information on capital stock presented in Table 46 is accumulated at the holding-company level. Holding company information was obtained from the Federal Reserve System's web site, the National Information Center (NIC) and SEC filings. The NIC is a central repository of data about banks and other institutions for which the Federal Reserve System has a supervisory, regulatory, or research interest, including both domestic and foreign banking organizations operating in the United States. The percentage of total regulatory capital stock identified in Table 46 for each holding company was computed by dividing all regulatory capital stock owned by subsidiaries of that holding company by total combined regulatory capital stock. These percentage concentrations do not represent ownership concentrations in an individual FHLBank.

Table 46 - Top 10 Regulatory Capital Stockholders by Holding Company at June 30, 2011 (dollars in millions)

Holding Company Name	FHLBank Districts[1]	Regulatory Capital Stock[2]	Percentage of Total Regulatory Capital Stock	Mandatorily Redeemable Capital Stock
Bank of America Corporation	Boston, New York, Atlanta, Indianapolis, Chicago, San Francisco, Seattle	$ 4,184	9.1%	$ 482
Citigroup Inc.	New York, Pittsburgh, Des Moines, Dallas, San Francisco	3,707	8.0%	3,165
JPMorgan Chase & Co.	New York, Pittsburgh, Chicago, San Francisco, Seattle	3,602	7.8%	1,752
Wells Fargo & Company	Atlanta, Des Moines, Dallas, Topeka, San Francisco, Seattle	1,753	3.8%	1,519
MetLife, Inc.	Boston, New York, Des Moines	1,011	2.2%	–
U.S. Bancorp	Cincinnati, Chicago, Des Moines, Dallas, San Francisco, Seattle	889	1.9%	285
The PNC Financial Services Group, Inc.	New York, Pittsburgh, Atlanta, Cincinnati, Indianapolis, Chicago, Des Moines	841	1.8%	462
Hudson City Bancorp, Inc.	New York	767	1.7%	–
UK Financial Investments Limited	Boston, New York, Pittsburgh, Cincinnati	707	1.5%	71
Banco Santander, S.A.	New York, Pittsburgh	583	1.3%	1
		$ 18,044	39.1%	$ 7,737

(1) Each holding company had subsidiaries with regulatory capital stock holdings at June 30, 2011 in the FHLBank districts as presented in Table 46.
(2) Includes FHLBank capital stock that is considered to be mandatorily redeemable, which is classified as a liability under GAAP.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

Each FHLBank is a cooperative; therefore, the members and former members own all of the capital stock of the FHLBanks, all of the directors of each FHLBank are elected by the membership, and the FHLBanks conduct their advances business primarily with members.

Members

Table 47 - Membership by Type of Member

	June 30, 2011	
	Number	Percentage of Total Members
Commercial banks	5,424	69.6%
Thrifts	1,067	13.7%
Credit unions	1,063	13.6%
Insurance companies	234	3.0%
CDFI[1]	7	0.1%
Total	7,795	100.0%

(1) Community Development Financial Institutions.

During the six months ended June 30, 2011, 12 FHLBank members withdrew from FHLBank membership for reasons other than merger or acquisition and 29 members gave notice of intent to withdraw from FHLBank membership for reasons other than merger or acquisition. A decrease in advances to an FHLBank's departing member, if not replaced with advances to other members, would result in a reduction of that FHLBank's total assets and net income.

Table 48 - Regulatory Capital Stock Held by Type of Member (dollars in millions)

	June 30, 2011	
	Amount	Percentage of Regulatory Capital Stock
Commercial banks	$22,605	49.1%
Thrifts	8,281	18.0%
Credit unions	2,519	5.4%
Insurance companies	3,387	7.3%
CDFI	3	–
Total GAAP capital stock	36,795	79.8%
MRCS[1]	9,290	20.2%
Total regulatory capital stock	$46,085	100.0%

(1) Mandatorily redeemable capital stock, which is considered capital for regulatory purposes.

Table 49 - Member Borrowers by Type of Member

	June 30, 2011	
	Number	Percentage of Total Member Borrowers
Commercial banks	3,605	73.8%
Thrifts	779	15.9%
Credit unions	401	8.2%
Insurance companies	100	2.0%
CDFI	3	0.1%
Total	4,888	100.0%

The percentage of members borrowing from the FHLBanks decreased to 62.7 percent at June 30, 2011, as compared to 64.9 percent at December 31, 2010. The 67 borrowers with advance holdings of $1.0 billion or more at June 30, 2011 held 62.3 percent of total advances. The 68 borrowers with advance holdings of $1.0 billion or more at December 31, 2010 held 62.9 percent of total advances.

Table 50 - Advances at Par Value by Type of Borrower (dollars in millions)

	June 30, 2011	
	Par Value[1]	Percentage of Total Par Value of Advances
Commercial bank members	$208,233	50.2%
Thrift members	95,470	23.0%
Credit union members	22,815	5.4%
Insurance company members	46,150	11.1%
CDFI members	6	–
Total member advances	372,674	89.7%
Non-member borrowers	41,316	10.0%
Housing associates	1,116	0.3%
Total par value of advances	$415,106	100.0%

(1) Total advance amounts are at par value and differ from that reported in the Combined Statement of Condition. The differences between the par value and book value amounts relate primarily to basis adjustments arising from hedging activities. (See Table 7.1 in ***Note 7—Advances*** to the accompanying combined financial statements for a reconciliation of advance par value to book value.)

Housing Associates

The FHLBanks are permitted to make advances to non-members that are approved mortgagees under Title II of the National Housing Act, which are generally state and local housing agencies. Housing associates are not subject to certain provisions applicable to members under the FHLBank Act. For example, they are not required to purchase capital stock in an FHLBank. However, the same regulatory lending requirements that apply to members also generally apply to housing associates.

At June 30, 2011, the FHLBanks had $1.1 billion in advances outstanding to 22 housing associates; flat when compared to $1.1 billion to 23 housing associates at December 31, 2010. Housing associates eligible to borrow include 43 state housing finance agencies, 10 county housing finance agencies, 4 housing development corporations, 3 city housing authorities and 1 tribal housing corporation.

Top 10 Advance Holding Borrowers by Holding Company

The information on advances presented in Table 51 is accumulated at the holding-company level. Holding company information was obtained from the Federal Reserve System's web site, the NIC and SEC filings. The percentage of total advances presented in Table 51 for each holding company was computed by dividing the par amount of advances by subsidiaries of that holding company by the total combined par amount of advances. These percentage concentrations do not represent borrowing concentrations in an individual FHLBank.

Table 51 - Top 10 Advance Holding Borrowers by Holding Company at June 30, 2011 (dollars in millions)

Holding Company Name	FHLBank Districts[1]	Advances[2]	Percentage of Total Advances
Bank of America Corporation	Boston, New York, Atlanta, Indianapolis, San Francisco, Seattle	$ 26,832	6.5%
JPMorgan Chase & Co.	New York, San Francisco, Seattle	24,879	6.0%
Citigroup Inc.	New York, Dallas, San Francisco	24,011	5.8%
MetLife, Inc.	Boston, New York, Des Moines	17,470	4.2%
Hudson City Bancorp, Inc.	New York	14,625	3.5%
Banco Santander, S.A.	New York, Pittsburgh	10,350	2.5%
BB&T Corporation	Atlanta	9,998	2.4%
U.S. Bancorp	Cincinnati, Des Moines, Dallas, San Francisco	8,419	2.0%
New York Community Bancorp, Inc.	New York, Cincinnati	8,051	1.9%
UK Financial Investments Limited	Boston, New York, Pittsburgh, Cincinnati	7,428	1.8%
		$152,063	36.6%

(1) Each holding company had subsidiaries with advance borrowings at June 30, 2011 in the FHLBank districts as presented in Table 51.

(2) Member advance amount and the total advance amount are at par value, and the total advance amount will differ from that reported in the Combined Statement of Condition. The differences between the par value and book value amounts relate primarily to basis adjustments arising from hedging activities. (See Table 7.1 in ***Note 7—Advances*** to the accompanying combined financial statements for a reconciliation of advance par value to book value.)

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Each FHLBank is a member-owned cooperative, whose members elect a majority of that FHLBank's directors from among the officers and directors of its members. The FHLBanks conduct their advances and mortgage loan business primarily 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, 2011, the FHLBanks had $41.5 billion of advances outstanding to members whose officers and/or directors were serving as directors of the FHLBanks, which represented 10.0 percent of total advances at par value.

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.

SUPPLEMENTAL INFORMATION

Individual Federal Home Loan Bank Selected Financial Data and Financial Ratios

The following individual Federal Home Loan Bank (FHLBank) selected financial data and financial ratios are provided as a convenience to the reader. Each FHLBank provides the Office of Finance with its selected financial data and financial ratios. Please refer to **Explanatory Statement about FHLBanks Combined Financial Report** which discusses the independent management and operation of the FHLBanks; 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
(Dollars in millions)

	Boston	New York	Pittsburgh
SELECTED STATEMENT OF CONDITION DATA [(1)]			
At June 30, 2011			
Assets			
Investments [(2)]	$ 22,087	$ 16,413	$ 19,186
Advances	26,204	74,791	26,912
Mortgage loans held for portfolio	3,140	1,302	4,140
Allowance for credit losses on mortgage loans	(7)	(6)	(9)
Total assets	52,234	98,342	51,947
Consolidated obligations: [(3)]			
Discount notes	12,053	27,013	10,815
Bonds	34,887	62,816	34,892
Total consolidated obligations	46,940	89,829	45,707
Mandatorily redeemable capital stock	227	58	32
Subordinated notes [(4)]	–	–	–
Capital:			
Capital stock: [(5)]			
Class B putable	3,572	4,658	3,663
Class A putable	–	–	–
Preconversion putable [(6)]	–	–	–
Total capital stock	3,572	4,658	3,663
Retained earnings	289	721	412
Accumulated other comprehensive income (loss)	(495)	(100)	(131)
Total capital	3,366	5,279	3,944
Asset composition (as a percentage of the individual FHLBanks' total assets)			
Investments [(2)]	42.3%	16.7%	36.9%
Advances	50.2%	76.1%	51.8%
Mortgage loans held for portfolio, net	6.0%	1.3%	8.0%
Retained earnings as a percentage of FHLBanks' total assets	0.6%	0.7%	0.8%
FHLBank's total assets as a percentage of FHLBank System's total assets	6.5%	12.2%	6.4%
At June 30, 2010			
Assets			
Investments [(2)]	$ 25,095	$ 14,971	$ 19,246
Advances	36,016	85,286	36,058
Mortgage loans held for portfolio	3,319	1,288	4,899
Allowance for credit losses on mortgage loans	(2)	(6)	(3)
Total assets	64,707	105,183	60,630
Consolidated obligations: [(3)]			
Discount notes	21,635	27,481	12,118
Bonds	38,130	66,247	42,326
Total consolidated obligations	59,765	93,728	54,444
Mandatorily redeemable capital stock	87	69	36
Subordinated notes [(4)]	–	–	–
Capital:			
Capital stock: [(5)]			
Class B putable	3,659	4,680	4,012
Class A putable	–	–	–
Preconversion putable [(6)]	–	–	–
Total capital stock	3,659	4,680	4,012
Retained earnings	184	677	331
Accumulated other comprehensive income (loss)	(806)	(110)	(375)
Total capital	3,037	5,247	3,968
Asset composition (as a percentage of the individual FHLBanks' total assets)			
Investments [(2)]	38.8%	14.2%	31.7%
Advances	55.7%	81.1%	59.5%
Mortgage loans held for portfolio, net	5.1%	1.2%	8.1%
Retained earnings as a percentage of FHLBanks' total assets	0.3%	0.6%	0.5%
FHLBank's total assets as a percentage of FHLBank System's total assets	6.9%	11.2%	6.5%

(1) The sum or recalculation of individual FHLBank amounts may not agree or may not be recalculated from the Combined Statement of Condition amounts due to interbank combining adjustments.
(2) Investments consist of interest-bearing deposits, deposits with other FHLBanks, securities purchased under agreements to resell, federal funds sold, trading securities, available-for-sale securities, held-to-maturity securities and loans to other FHLBanks.
(3) See **Financial Discussion and Analysis—Combined Results of Operations—Interbank Transfers of Liability on Outstanding Consolidated Bonds and Their Effect on Combined Net Income**.

Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
$ 36,979	$ 27,940	$ 14,624	$ 40,560	$ 15,601	$ 9,286	$ 13,100	$ 51,222	$ 29,005
77,427	29,173	17,476	17,315	27,939	19,684	17,633	82,745	11,161
1,828	7,561	6,283	16,114	7,244	184	4,575	2,102	1,497
(1)	(15)	(2)	(39)	(19)	–	(3)	(5)	(2)
116,817	66,618	40,059	77,078	51,575	31,388	35,826	144,438	43,106
20,573	32,916	9,993	16,619	8,602	2,850	9,786	20,406	9,334
84,640	28,052	26,068	52,535	38,568	25,124	22,106	111,709	30,062
105,213	60,968	36,061	69,154	47,170	27,974	31,892	132,115	39,396
385	324	515	533	7	17	14	6,144	1,034
–	–	–	1,000	–	–	–	–	–
6,333	3,113	1,490	–	2,140	1,285	785	5,046	1,641
–	–	–	–	–	–	592	–	125
–	–	–	2,352	–	–	–	–	–
6,333	3,113	1,490	2,352	2,140	1,285	1,377	5,046	1,766
1,184	448	451	1,165	568	467	387	1,665	33
(296)	(7)	(57)	(296)	93	(56)	(22)	(1,692)	(499)
7,221	3,554	1,884	3,221	2,801	1,696	1,742	5,019	1,300
31.7%	41.9%	36.5%	52.6%	30.2%	29.6%	36.6%	35.5%	67.3%
66.3%	43.8%	43.6%	22.5%	54.2%	62.7%	49.2%	57.3%	25.9%
1.6%	11.3%	15.7%	20.9%	14.0%	0.6%	12.8%	1.5%	3.5%
1.0%	0.7%	1.1%	1.5%	1.1%	1.5%	1.1%	1.2%	0.1%
14.4%	8.2%	5.0%	9.5%	6.4%	3.9%	4.4%	17.8%	5.3%
$ 37,399	$ 22,062	$ 18,734	$ 44,179	$ 19,179	$ 12,814	$ 18,393	$ 51,139	$ 25,719
100,087	32,603	19,989	21,103	32,491	41,454	21,017	95,747	18,467
2,314	8,790	6,749	21,591	7,537	236	3,570	2,792	3,762
(1)	–	–	(24)	(6)	(1)	(3)	(4)	(2)
140,591	66,820	45,639	87,743	59,442	57,063	43,220	158,198	48,104
16,519	25,520	7,434	18,458	3,485	6,070	15,607	15,788	11,359
110,949	35,088	33,616	60,586	51,075	46,956	23,217	129,524	33,933
127,468	60,608	41,050	79,044	54,560	53,026	38,824	145,312	45,292
508	396	781	488	7	8	28	4,690	953
–	–	–	1,000	–	–	–	–	–
7,856	3,121	1,731	–	2,307	2,261	1,278	8,280	1,712
–	–	–	–	–	–	307	–	133
–	–	–	2,331	–	–	–	–	–
7,856	3,121	1,731	2,331	2,307	2,261	1,585	8,280	1,845
985	423	351	825	501	407	315	1,350	66
(612)	(7)	(264)	(567)	103	(63)	(24)	(3,332)	(822)
8,229	3,537	1,818	2,589	2,911	2,605	1,876	6,298	1,089
26.6%	33.0%	41.0%	50.4%	32.3%	22.5%	42.6%	32.3%	53.5%
71.2%	48.8%	43.8%	24.1%	54.7%	72.6%	48.6%	60.5%	38.4%
1.6%	13.2%	14.8%	24.6%	12.7%	0.4%	8.3%	1.8%	7.8%
0.7%	0.6%	0.8%	0.9%	0.8%	0.7%	0.7%	0.9%	0.1%
15.0%	7.1%	4.9%	9.4%	6.3%	6.1%	4.6%	16.9%	5.1%

(4) On June 13, 2006, the FHLBank of Chicago issued $1.0 billion of subordinated notes that mature on June 13, 2016. The subordinated notes are not obligations of, and are not guaranteed by, the United States government or any of the FHLBanks other than the FHLBank of Chicago.

(5) FHLBank capital stock is redeemable at the request of a member subject to the statutory redemption periods and other conditions and limitations. (See ***Note 13—Capital*** to the accompanying combined financial statements.)

(6) The corresponding balances for capital stock—pre-conversion putable for years 2006 and beyond relate solely to the FHLBank of Chicago, which has not yet implemented its new capital plan. (See ***Note 13—Capital*** to the accompanying combined financial statements.)

Individual FHLBank Selected Financial Data and Financial Ratios (continued)
(Dollars in millions)

	Boston	New York	Pittsburgh
SELECTED OTHER DATA[1]			
At June 30, 2011			
Advance concentrations (%): top five borrowers	36%	58%	65%
Capital stock concentrations (%): top five stockholders	50%	51%	53%
Regulatory capital ratio (%) [7]	7.8%	5.5%	7.9%
Cash and stock dividends			
Quarter-to-date June 30, 2011	$ 2	$ 49	$ –
Quarter-to-date June 30, 2010	–	51	–
Year-to-date June 30, 2011	5	115	–
Year-to-date June 30, 2010	–	122	–
Weighted-average dividend rate			
Quarter-to-date June 30, 2011	0.31%	4.50%	0.00%
Quarter-to-date June 30, 2010	0.00%	4.60%	0.00%
Year-to-date June 30, 2011	0.30%	4.50%	0.00%
Year-to-date June 30, 2010	0.00%	4.43%	0.00%
Return on average equity [8]			
Quarter-to-date June 30, 2011	2.63%	4.35%	1.27%
Quarter-to-date June 30, 2010	2.54%	4.32%	(7.01)%
Year-to-date June 30, 2011	2.73%	5.05%	0.76%
Year-to-date June 30, 2010	2.90%	4.16%	(3.07)%
Return on average assets			
Quarter-to-date June 30, 2011	0.16%	0.22%	0.09%
Quarter-to-date June 30, 2010	0.12%	0.21%	(0.45)%
Year-to-date June 30, 2011	0.17%	0.25%	0.06%
Year-to-date June 30, 2010	0.13%	0.20%	(0.19)%
Net interest margin [9]			
Quarter-to-date June 30, 2011	0.57%	0.41%	0.27%
Quarter-to-date June 30, 2010	0.46%	0.43%	0.39%
Year-to-date June 30, 2011	0.53%	0.47%	0.29%
Year-to-date June 30, 2010	0.45%	0.41%	0.38%
Net interest spread			
Quarter-to-date June 30, 2011	0.49%	0.37%	0.15%
Quarter-to-date June 30, 2010	0.40%	0.38%	0.27%
Year-to-date June 30, 2011	0.45%	0.44%	0.16%
Year-to-date June 30, 2010	0.38%	0.36%	0.27%

(7) The regulatory capital ratio is calculated based on the FHLBank's total regulatory capital as a percentage of total assets held at period-end. Total regulatory capital is defined under the GLB Act except for the FHLBank of Chicago, which has not implemented a capital plan under the GLB Act, and is the sum of the paid-in value of capital stock and mandatorily redeemable capital stock plus retained earnings. (See **Note 13—Capital** to the accompanying combined financial statements.)

(8) Return on average equity is net income expressed as a percentage of average total capital.

(9) Net interest margin is net interest income, before provision for credit losses, represented as a percentage of average interest-earning assets.

Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Dallas	Topeka	San Francisco	Seattle
54%	57%	46%	48%	44%	28%	52%	75%	60%
43%	46%	41%	30%	31%	20%	33%	67%	61%
6.8%	5.8%	6.1%	6.3%	5.3%	5.6%	5.0%	8.9%	6.6%
$ 14	$ 35	$ 10	$ 1	$ 16	$ 1	$ 6	$ 7	$ –
6	34	9	–	13	2	10	5	–
29	70	20	1	33	3	13	13	–
11	73	17	–	27	4	20	11	–
0.81%	4.50%	2.50%	0.07%	3.00%	0.38%	1.87%	0.31%	0.00%
0.26%	4.50%	2.00%	0.00%	2.00%	0.38%	2.58%	0.26%	0.00%
0.84%	4.50%	2.50%	0.08%	3.00%	0.38%	1.88%	0.30%	0.00%
0.27%	4.50%	2.00%	0.00%	2.00%	0.38%	2.59%	0.27%	0.00%
2.01%	4.28%	4.96%	5.20%	2.75%	1.54%	5.43%	0.48%	(8.60)%
3.64%	4.66%	(2.90)%	17.82%	1.84%	6.11%	2.10%	1.87%	2.93%
2.29%	4.53%	4.52%	4.40%	3.27%	2.01%	5.48%	1.81%	(6.29)%
3.00%	4.82%	2.19%	9.31%	3.04%	4.16%	(2.04)%	3.90%	2.65%
0.13%	0.22%	0.23%	0.20%	0.14%	0.08%	0.25%	0.03%	(0.25)%
0.20%	0.24%	(0.11)%	0.52%	0.08%	0.28%	0.09%	0.07%	0.06%
0.14%	0.23%	0.20%	0.16%	0.17%	0.11%	0.25%	0.09%	(0.18)%
0.17%	0.24%	0.08%	0.26%	0.14%	0.19%	(0.09)%	0.14%	0.06%
0.40%	0.39%	0.53%	0.65%	0.36%	0.47%	0.59%	0.72%	0.21%
0.38%	0.38%	0.47%	0.88%	0.46%	0.48%	0.66%	0.87%	0.39%
0.40%	0.40%	0.54%	0.62%	0.41%	0.47%	0.61%	0.70%	0.19%
0.39%	0.38%	0.50%	0.77%	0.39%	0.45%	0.62%	0.82%	0.36%
0.34%	0.31%	0.45%	0.57%	0.28%	0.44%	0.54%	0.69%	0.18%
0.32%	0.27%	0.37%	0.81%	0.37%	0.47%	0.61%	0.84%	0.34%
0.35%	0.32%	0.47%	0.55%	0.33%	0.43%	0.55%	0.66%	0.16%
0.34%	0.28%	0.41%	0.71%	0.30%	0.43%	0.56%	0.79%	0.31%

INDEX OF TABLES CONTAINED IN THE COMBINED FINANCIAL REPORT

	Page
Tables Included in the Notes to Combined Financial Statements:	
Table 3.1 - Trading Securities by Major Security Type	F-12
Table 3.2 - Net Gains (Losses) on Trading Securities	F-13
Table 4.1 - Available-for-Sale (AFS) Securities by Major Security Type	F-13
Table 4.2 - Reconciliation of Net Non-credit Portion of OTTI Losses on AFS Securities to Table 4.1	F-14
Table 4.3 - Reconciliation of Net Unrealized Gains on AFS Securities to Table 4.1	F-15
Table 4.4 - AFS Securities in a Continuous Unrealized Loss Position	F-15
Table 4.5 - AFS Securities by Contractual Maturity	F-16
Table 4.6 - Proceeds from Sale and Gross Gains and Losses on AFS Securities	F-17
Table 5.1 - HTM Securities by Major Security Type	F-17
Table 5.2 - HTM Securities in a Continuous Unrealized Loss Position	F-19
Table 5.3 - HTM Securities by Contractual Maturity	F-20
Table 5.4 - Proceeds and Gains (Losses) from Sale of HTM Securities	F-20
Table 6.1 - Significant Inputs for OTTI	F-23
Table 6.2 - Other-than-Temporarily Impaired Securities Insured by MBIA	F-24
Table 6.3 - HTM Securities Transferred to AFS Securities	F-24
Table 6.4 - Total Securities Other-than-Temporarily Impaired at June 30, 2011	F-24
Table 6.5 - Total Securities Other-than-Temporarily Impaired during the Life of the Security	F-25
Table 6.6 - Credit Losses and Net Amount of Impairment Losses	F-25
Table 6.7 - Rollforward of the Amounts Related to Credit Losses Recognized into Earnings	F-26
Table 7.1 - Advances Redemption Terms	F-27
Table 7.2 - Advances by Year of Contractual Maturity, Next Call Date, or Next Put or Convert Date	F-27
Table 7.3 - Advances by Interest Rate Payment Terms	F-28
Table 8.1 - Mortgage Loans Held for Portfolio	F-29
Table 8.2 - Mortgage Loans Held for Portfolio by Collateral/Guarantee Type	F-29
Table 9.1 - Allowance Rollforward for Credit Losses on Mortgage Loans	F-31
Table 9.2 - Allowance for Credit Losses and Recorded Investment by Impairment Methodology	F-31
Table 9.3 - Recorded Investment in Delinquent Mortgage Loans	F-32
Table 9.4 - Individually Evaluated Impaired Loan Statistics by Product Class Level	F-33
Table 9.5 - Average Recorded Investment of Individually Impaired Loans and Related Interest Income Recognized	F-33
Table 9.6 - Changes in the MPP LRA	F-34
Table 10.1 - Credit Risk Exposure	F-36
Table 10.2 - Derivative Instruments Fair Value	F-37
Table 10.3 - Net Gains (Losses) on Derivatives and Hedging Instruments	F-38
Table 10.4 - Effect of Fair-Value Hedge Related Derivative Instruments	F-39
Table 10.5 - Effect of Cash-Flow Hedge Related Derivative Instruments	F-40
Table 11.1 - Deposits	F-42
Table 12.1 - Consolidated Bonds Outstanding by Contractual Maturity	F-43
Table 12.2 - Consolidated Discount Notes Outstanding	F-43
Table 12.3 - Consolidated Bonds Outstanding by Call Features	F-43
Table 12.4 - Consolidated Bonds Outstanding by Contractual Maturity or Next Call Date	F-44
Table 13.1 - Risk-Based Capital Requirements as of June 30, 2011	F-45
Table 13.2 - Regulatory Capital Requirements as of June 30, 2011	F-45
Table 13.3 - Leverage Capital Requirements as of June 30, 2011	F-45
Table 13.4 - FHLBank of Chicago Regulatory Capital Requirements	F-47
Table 14.1 - Fair Value Summary	F-50
Table 14.2 - Significant Inputs for Non-MBS	F-52
Table 14.3 - Hierarchy Level for Financial Assets and Liabilities - Recurring	F-55
Table 14.4 - Reconciliation of Level 3 Assets and Liabilities	F-58
Table 14.5 - Hierarchy Level for Financial Assets and Liabilities - Non-Recurring	F-59
Table 14.6 - Fair Value Option Financial Assets and Liabilities	F-60
Table 14.7 - Aggregate Unpaid Balance and Aggregate Fair Value	F-61
Table 15.1 - Off-Balance-Sheet Commitments	F-61

Page

Tables Included in the Financial Discussion and Analysis of Combined Financial Condition and Combined Results of Operations:

Table	Page
Table 1 - Advances Outstanding by Product Type	8
Table 2 - Advance Originations and Repayments	9
Table 3 - Total Investments	9
Table 4 - Mortgage Loans Held for Portfolio, Net	11
Table 5 - Mortgage Loans Held for Portfolio Characteristics and Allowance for Credit Losses	12
Table 6 - Consolidated Obligations Outstanding	12
Table 7 - Net Proceeds and Payments for Consolidated Obligations	13
Table 8 - Par Value of Consolidated Bonds Outstanding by Payment Terms	13
Table 9 - Percentage of Total Consolidated Bonds Issued by Bond Type	13
Table 10 - Total Capital and Capital-to-Assets Ratios	14
Table 11 - GAAP Capital Components as a Percentage of Total Capital	15
Table 12 - Changes in Net Income	15
Table 13 - Net Interest Income after Provision for Credit Losses	16
Table 14 - Spread and Yield Analysis	17
Table 15 - Rate and Volume Analysis	19
Table 16 - Changes in Other Non-interest Income (Loss)	20
Table 17 - Other-Than-Temporary Impairment Losses	20
Table 18 - Gains (Losses) on Financial Instruments Held under Fair Value Option	21
Table 19 - Gains (Losses) on Derivatives and Hedging Activities	22
Table 20 - Changes in Other Expense	23
Table 21 - Assessments	24
Table 22 - Effect of Combining Adjustments on Combined Statement of Income	25
Table 23 - Significant Inputs	31
Table 24 - Base Case and Adverse Case Scenarios	32
Table 25 - FHLBanks' Long-Term and Short-Term Credit Ratings at August 8, 2011	37
Tables Included in Risk Management:	
Table 26 - Individual FHLBank's Market Value of Equity and Duration of Equity Disclosure	40
Table 27 - Duration of Equity	40
Table 28 - Duration Gap	41
Table 29 - FHLBank of Chicago's Fair Value Changes	41
Table 30 - Net Effect of Derivatives and Hedging Activities	42
Table 31 - Lending Values by Type of Collateral for All Borrowers	44
Table 32 - Type of Collateral Securing Advances to Borrowers with at least $1.0 Billion of Advances Outstanding	46
Table 33 - Investment Ratings	48
Table 34 - Subsequent Downgrades	50
Table 35 - Investments on Negative Watch	50
Table 36 - Private-Label Mortgage-Related Investment Securities by Year of Securitization and by Investment Type	51
Table 37 - Private-Label Mortgage-Related Investment Securities in a Loss Position	56
Table 38 - Monoline Bond Insurance Coverage and Related Unrealized Losses of Certain MBS	57
Table 39 - Monoline Bond Insurers' Financial Strength Ratings as of July 31, 2011	58
Table 40 - Unsecured Credit Exposure	58
Table 41 - Seriously Delinquent Conventional MPF Loans with PMI	59
Table 42 - Seriously Delinquent Conventional MPP Loans with PMI	60
Table 43 - State Concentration of MPF Program	60
Table 44 - State Concentration of MPP	61
Table 45 - Derivative Counterparty Credit Exposure at June 30, 2011	61
Table Included in Market for Federal Home Loan Banks' Capital Stock and Related Stockholder Matters:	
Table 46 - Top 10 Regulatory Capital Stockholders by Holding Company at June 30, 2011	66
Tables Included in Security Ownership of Certain Beneficial Owners:	
Table 47 - Membership by Type of Member	67
Table 48 - Regulatory Capital Stock Held by Type of Member	67
Table 49 - Member Borrowers by Type of Member	67
Table 50 - Advances at Par Value by Type of Borrower	68
Table 51 - Top 10 Advance Holding Borrowers by Holding Company at June 30, 2011	69